

The seal of Bracketett ISD is a circular emblem. It features a central shield with a yellow field containing a black outline of the state of Texas. The shield is set against a background of a larger, lighter shield. The outer ring of the seal contains the text "BRACKETT ISD" at the bottom and "BRACKETT ISD" at the top, with a star on the right side. The text "BRACKETT ISD" is repeated on the left side of the seal.

Brackett ISD
Budget Workshop #1
May 7, 2026

In General Terms....

Budgets and Finance for School Districts

SCHOOL FINANCE ACRONYMS/TERMS

- AFR: Annual Financial Audit
- ASF: Available School Funds
- AFA: Annual Financial Audit
- BA: Basic Allotment
- Comptroller: Texas State Comptroller
- CY: Current Year
- FASRG: Financial Accountability System Resource Guide
- FIRST: Financial Integrity Rating System of Texas
- FSP: Foundation School Program
- FY: Fiscal Year
- GAAP: Generally Accepted Accounting Principles
- I & S: Interest and Sinking (Debt Service fund)
- KCAD: Kinney County Appraisal District
- M & O: General Maintenance and Operations Fund
- MCR: Maximum Compressed Rate
- NY: Next Year
- PEIMS: Public Education Information Management System
- PVS: Property Value Study
- SHARS: School Health and Related Services
- TASBO: Texas Association of School Business Officials
- TY: Tax Year
- TEA: Texas Education Agency
- TEC: Texas Education Code
- VATR: Voter Approval Tax Rate
- VATRE: Voter Approved Tax Rate Election
- WADA: Weighted Average Daily Attendance

Why Have a Free Public School System?

- Texas Constitution mandate
- 3 key principles to guide funding
 - ✓ ADEQUANCY-
enough resources for students' educational needs
 - ✓ EQUITY-
similar access to resources for all (STATE students) regardless of wealth per student
 - ✓ EFFICIENCY -
resources are productive, with little waste

Operate by the Principles

- Who are the students at BISD? (grade levels, socio economics, etc.)
- What needs do they have? (special programs, meals, transportation)
- Where do we educate them? (facilities, support services)
- How do we produce an instructional program to meet students needs? (collaboration and budgets)
- How do we measure & operate efficiently and effectively? (budget and audit)

THE PLAN & THE BUDGET

The IDEAL PLAN for financial operations

- Needs assessment for
 - Instructional - District /Campus Improvement Plans
 - Facilities/buildings - Facilities Assessment
 - Support Services -Transportation, Maintenance
 - Future Projects - long term planning
- Fund Balance Policy
 - Protection
 - Fund Designations
 - Cash flow - before taxes are collected

General Operating Budget

- Sets forth the school's plan for financial operation for a fiscal year
- Set by tax rates, constitution, state law and local policy
- Revenues and Expenditures: estimated - variations in timing, certifications, final enrollment, attendance, etc.

TEC Legal Requirements for Budget Development

- Superintendent and Board define related roles and responsibilities (i.e. Budget Calendar)
- Budget be prepared by June 19 & adopted by June 30
- Board President calls public meeting for discussion, public participation and Budget adoption
- No funds may be expended other than those budget adopted (Board may amend)
- Must be prepared according to GAAP, rules adopted by State Board of Education, and local policies
- Must be adopted before the Tax Rate is set

TEA Legal Requirements for CY Budget Development

- Amendments must be recorded in Board meetings
- General Fund, Food Service Fund, and Debt Service Fund Budgets require Board approval at the fund and function level
- Budget is filed with TEA through PEIMS in October
- Budget Amendments required before exceeding a function
- Post copy of adopted budget on school website for 3 years

REVENUES – EXPENSES =
Changes in FUND BALANCE

PART 1 - REVENUES

Revenues-financial resources

- LOCAL-Property Tax Collections
Tax Rate adopted by Board applied to Property Values
- STATE –Calculated using formulas
Related to enrollment, attendance, special programs and populations
- FEDERAL – Designated/Competitive
(i.e. grants)

LOCAL REVENUE

LOCAL REVENUE – Ad valorem Property Taxation

- Ad Valorem - Latin phrase that means "according to value"
- Levy - Board adopted tax rate applied to all local property taxable values per \$100
- 82% of total local revenues for BISD

LOCAL REVENUE – Tax Rates

- Tax rate compression, the State...
 - has compressed the tax rate for ISDs (set a tax rate ceiling)
 - Is attempting to reduce local property tax burden
 - will fund more of the allocation formula
 - “pays” for local effort (BISD may have a VATRE)
- Local Tax Rate
 - Board designates Dir. Of Business and Finance to calculate
 - Truth in Taxation rates – Comptroller has prescribed form (budget appendix)
 - More discussion to follow

LOCAL REVENUE – Property Tax Values

- Taxable Property Values certified by Chief Appraiser to BISD in July:
 - Includes Real (land, lots, homes, industrial, commercial, etc.)
 - Personal Property (i.e. store inventories)
- Certified Values – sent by KCAD to State Comptroller for the PVS

LOCAL REVENUE - Property Value Study

- Ensures equitable distribution of state funding for public education
- Determines the total taxable value of all property in each school district
- Conducted at least once every two years
- Certifies values to TEA for funding formula
- Measures the performance of appraisal district (how close to market are the appraised values?)
 - **VALID** when within a statistical margin of error (usually 5%)
 - **INVALID** when outside this margin of error
 - If invalid, State certifies STATE (usually higher) value to TEA for funding (this then creates funding gap, “filled” by BISD).

LOCAL REVENUE - PVS timing impact

- April
 - KCAD certifies **preliminary** values for TY
 - Used for building school year budget for NY
- July
 - KCAD certifies TY **final** values
 - NY budget is realigned to reflect changes/corrections to values – October Budget Amendment
 - Values used to set the MCR – as reported to TEA
- October
 - State Comptroller receives local values from KCAD
 - KCAD sends out Tax Bills and begins collections and disbursements to BISD
 - KCAD sends TY values to the State Comptroller

LOCAL REVENUE - PVS impact Cont'd

- January

- Comptroller releases PRELIMINARY results of the PVS

IF, study results are **INVALID**:

- > TEA reduces STATE funding allocation
- > Current Budget must be realigned to STATE values
- > Values may be appealed

IF, study results are **VALID**:

- > continue to operate with June approved budget

- 2025 PVS was INVALID for BISD
- Prior 4 years of invalid values created funding Gaps for the BISD Budget

- August

- Final results from prior year (by now - new budget year)

STATE REVENUES

STATE REVENUES – TWO ALLOTMENT TIERS

- The Foundation School Program is the School Finance System
- Establishes how much state funding school districts are **ENTITLED** to receive.
- Formulas are set in statute which consider student and district characteristics
 - number and type of students enrolled (state comp ed, gifted and talented, Career Tech, bilingual, early Ed, etc.)
 - district size and geographic factors
 - local taxable property values
 - tax rates
- Once entitlements are established, the formulas are used to determine how much a district can generate locally (**local share**) through property taxes before making up the difference with state funds (**state share**).
- **If a district generates more than the formula entitlement, excess local revenue will be **RECAPTURED** by the State.**

STATE REVENUES: TIER ONE ALLOTMENT

- Basic Allotment = \$6,215 (only \$55 increase beginning 2025) per student in average daily attendance
- BA used in a series of formulas that apply specific weights and adjustments based on student and district characteristics
- Must tax maximum compressed tax rate (MCR) set by State
- Local discretion to set a tax rate that is \$0.17 above their individual MCR for Tier 2.
- BISD, for 2025 set rate at \$0.05 above compressed rate of \$.6169

STATE REVENUES - TIER TWO ALLOTMENT

- AKA enrichment funding which is intended to supplement the basic funding (Tier I)
- focuses on taxpayer equity - school districts receive a guaranteed amount of funding for each penny of tax effort up to \$0.17 above their MCR for each student in WADA
- This guaranteed amount per WADA is called the **guaranteed yield**.

STATE REVENUES - TIER TWO ALLOTMENT

- Tier 2 tax rate
 - \$.08 golden pennies (not subject to recapture)
 - Access \$.05 with only Board Approval
 - \$.09 copper pennies (subject to recapture-yield less)
 - Additional \$.12 pennies require voter approval (VATRE)
 - Each year all rates calculated as part of the Truth In Taxation tax rate process
 - Board may not exceed VATR without an election



STATE & LOCAL REVENUE: Excess Revenue by Tier



Excess Local Revenue Levels for each Tier

Tier One



Excess Local Revenue Above Entitlement

LEVEL 1

Tier Two

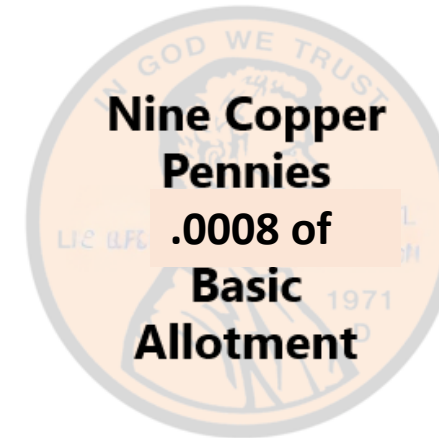
LEVEL 1



No Excess Local Revenue

Tier Two

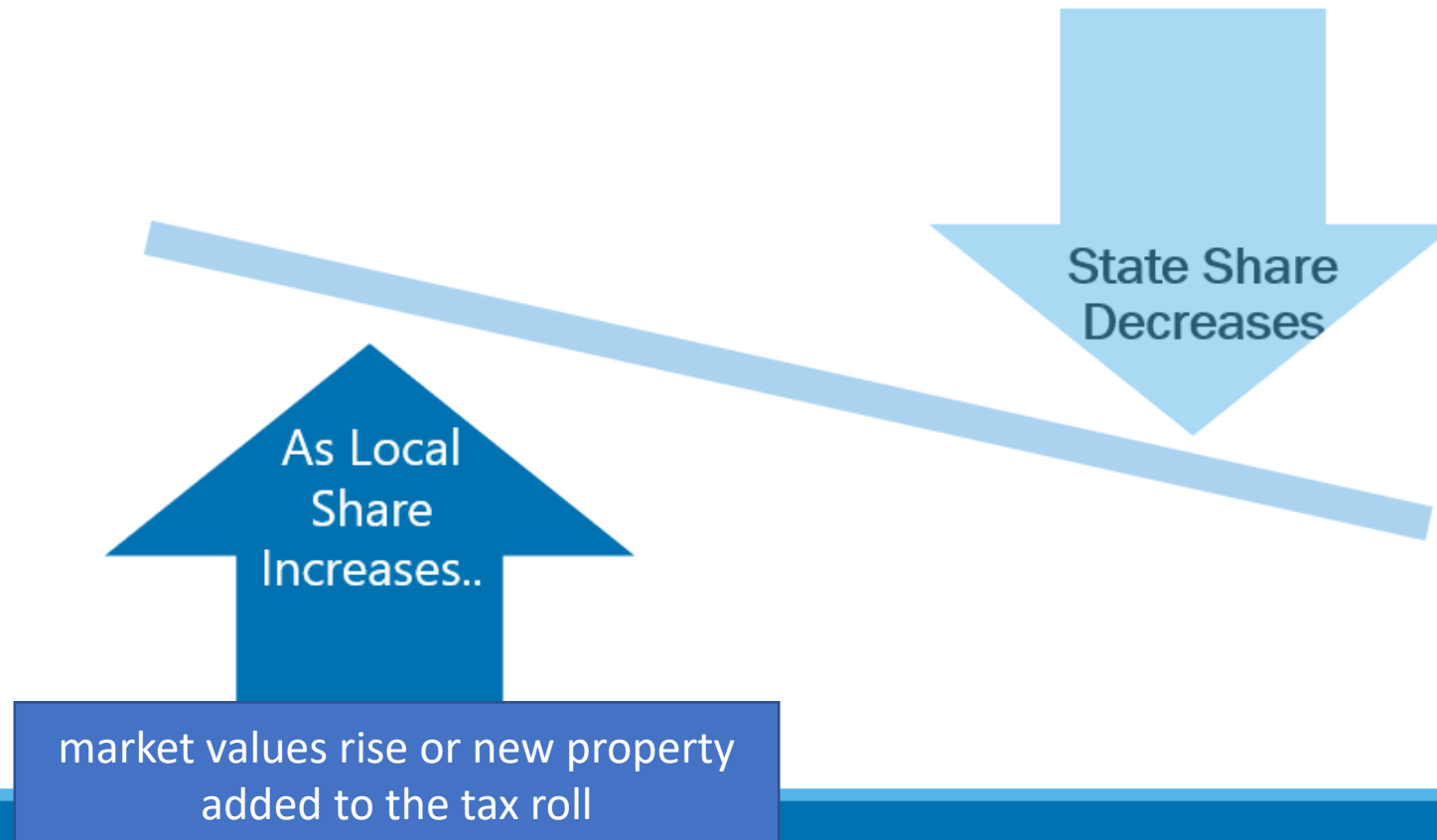
LEVEL 2



Excess Local Revenue Above Entitlement


LEVEL 2

A balancing act: State Share vs. Local Share



RECAPTURE

STATE & LOCAL REVENUE: State RECAPTURE of Local Funds

What are local revenue levels in excess of  entitlement?

Chapter 48 of the Texas Education Code (TEC) 48.257 ensures that no district retains local revenues that exceed their Tier One entitlement.

In addition, TEC 48.257 ensure that no district retains local revenues that exceed their Tier Two copper penny entitlement under TEC 48.202(a-1)(2).

Districts subject to this provision must choose a method to reduce their local revenue level below their entitlement level.

STATE & LOCAL REVENUE: State RECAPTURE of Local Funds

- Excess Revenue
 - Before 2019 school wealth was measured in terms of taxable value divided WADA
 - Starting 2019 excess revenue is local revenue IN EXCESS OF ENTITLEMENT
- Cause(s) of Excess Revenue
 - market values rising or new property added to the tax roll (i.e. commercial, industrial, etc.)
 - Tax Rates (to an extent)
- **EXCESS REVENUE (RECAPTURE) DOES NOT REDUCE THE SCHOOL ENTITLEMENT**
 - **Recapture only applies to General Operating funds**
 - **Debt service (I&S) not affected by excess revenue- all value may be used to reduce debt**

STATE & LOCAL REVENUE: State RECAPTURE of Local Funds

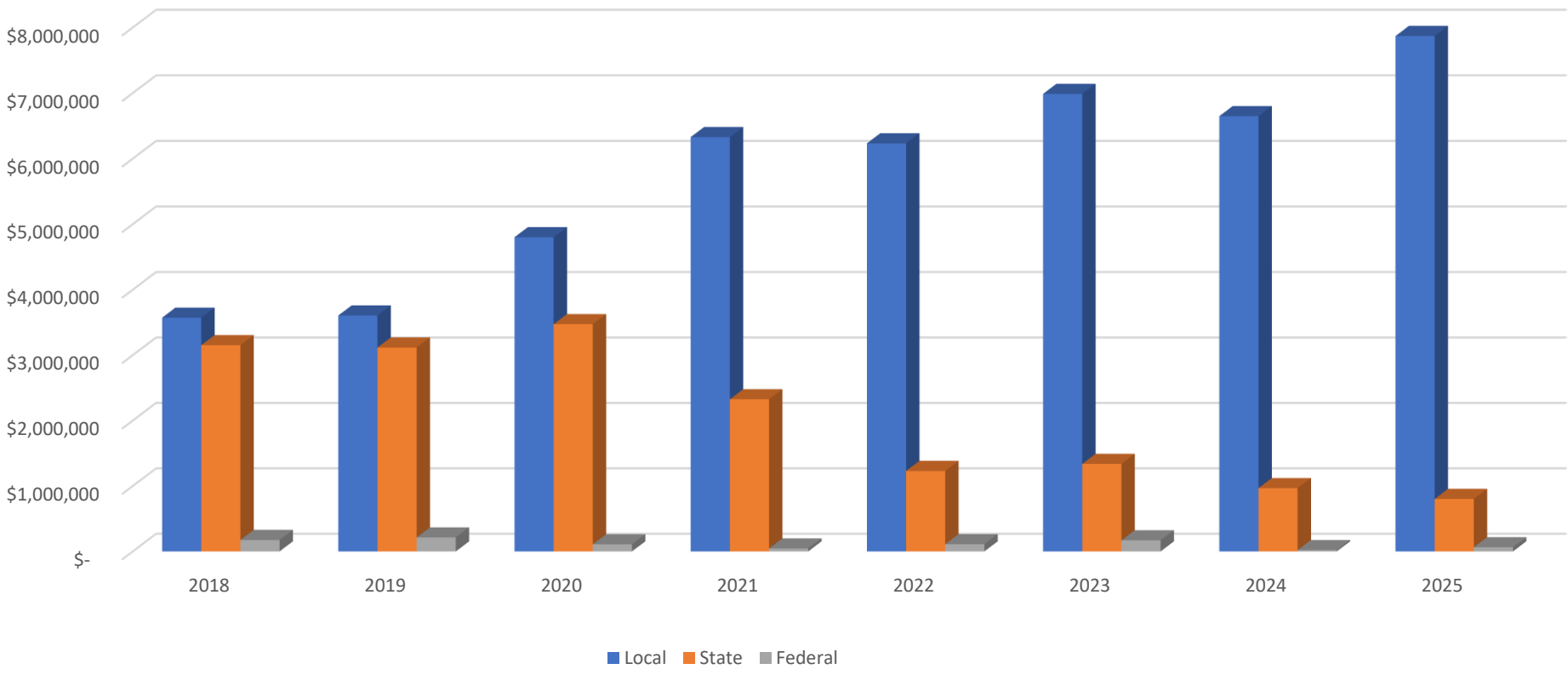
- TEA identifies Recapture Districts by
 - July 15TH
 - BISD self identifies and includes recapture amount in the proposed budget

Inform TEA how payment will be made:

- Netting with State Aid (if available)
- Payment Schedule with TEA
- Lump Sum
- Some repayments methods may require a voter election
- District must respond or Board may not approve a tax rate for next year

BISD History of Audited Revenue

State Revenue Declines as Local Taxes Increase



STATE & LOCAL REVENUE: State RECAPTURE of Local Funds



How does a district reduce excess local revenue levels?

A district has five options available to reduce excess revenue levels:

- Consolidation by agreement [\[with another district\]](#) (TEC, §49.051)
- Detachment and annexation by agreement (TEC, §49.101)
- **Purchase of attendance credit (TEC, §49.151) ← This is 100% of current agreements.**
- Education of nonresident students [\[from a partner district\]](#) (TEC, §49.201)
- Tax base consolidation [\[with another district\]](#) (TEC, §49.251)

If a district fails or refuses to exercise Option 1, 3, 4 or 5, the commissioner is required to achieve revenue level reduction through detachment and annexation or consolidation (Option 2).

STATE OF TEXAS SCHOOL FUNDING SYSTEM

“The school funding system in Texas is a complex system of weights, values, and formulas that strives to achieve adequacy, equity, and efficiency in a vast state with an extremely varied student population. As the economy and the composition of the state change, future legislatures will inevitably face the challenge of modifying and adapting the system to keep pace with those changes while adhering to the guiding principles.”

Texas Association of School Business Officials
School Finance Basics
March, 2024

FEDERAL REVENUES

FEDERAL REVENUES

- Generally designated for a specific purpose
 - National School Lunch Program
 - SHARS- Medicaid Reimbursements
 - Impact Aid-Feds provide in lieu of taxes not collected for their buildings
- Subject to applications, matching funds, reporting, special accounting procedures, limitations, etc.
- Not much local control, more accountability

PART II – EXPENDITURES & FUND BALANCE

EXPENDITURES

Expenditures – Use of Resources

- Needs assessment for
 - Instructional - District /Campus Improvement Plans
 - Facilities/buildings - Facilities Assessment
 - Support Services -Transportation, Maintenance
 - Preparation of Future Projects - long term planning

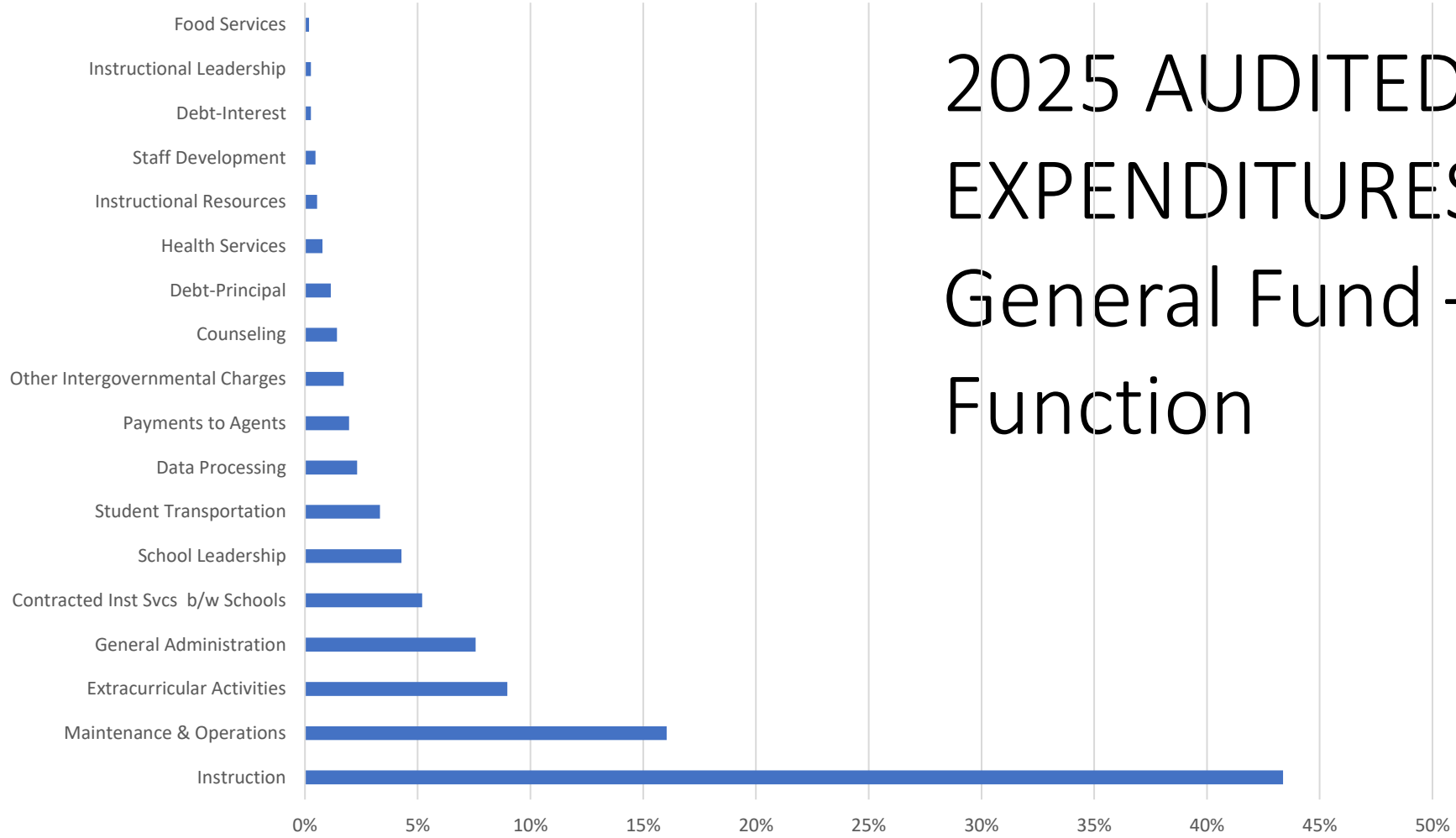
Expenditures – State Restricted and Guided

- Minimum spending requirements required for some special programs
 - CTE, State Compensatory Ed., etc.
- Maintenance of Effort – Requirement to maintain funding at prescribed levels
 - spend at least \$1 more next year – Special ed
 - spend at least 90% as last year - ESSA federal grants
- FIRST indicators for compliance
- On going monitoring/adjusting (audit findings)
- Per FASRG must use structured coding

Expenditures-Coding and Classification

- Board Approves budget and amendments at the
 - Fund level
 - Function level
- Fund – 3 digits
 - Self balancing set of accounts designated for a distinct purpose
 - General Fund, Food Service Fund, Debt Service Fund (require approved budgets)
 - Special Revenue (grant guided)
- Function – 2 digits
 - identify the purpose of the transaction cost
 - Instruction, health services, facilities,

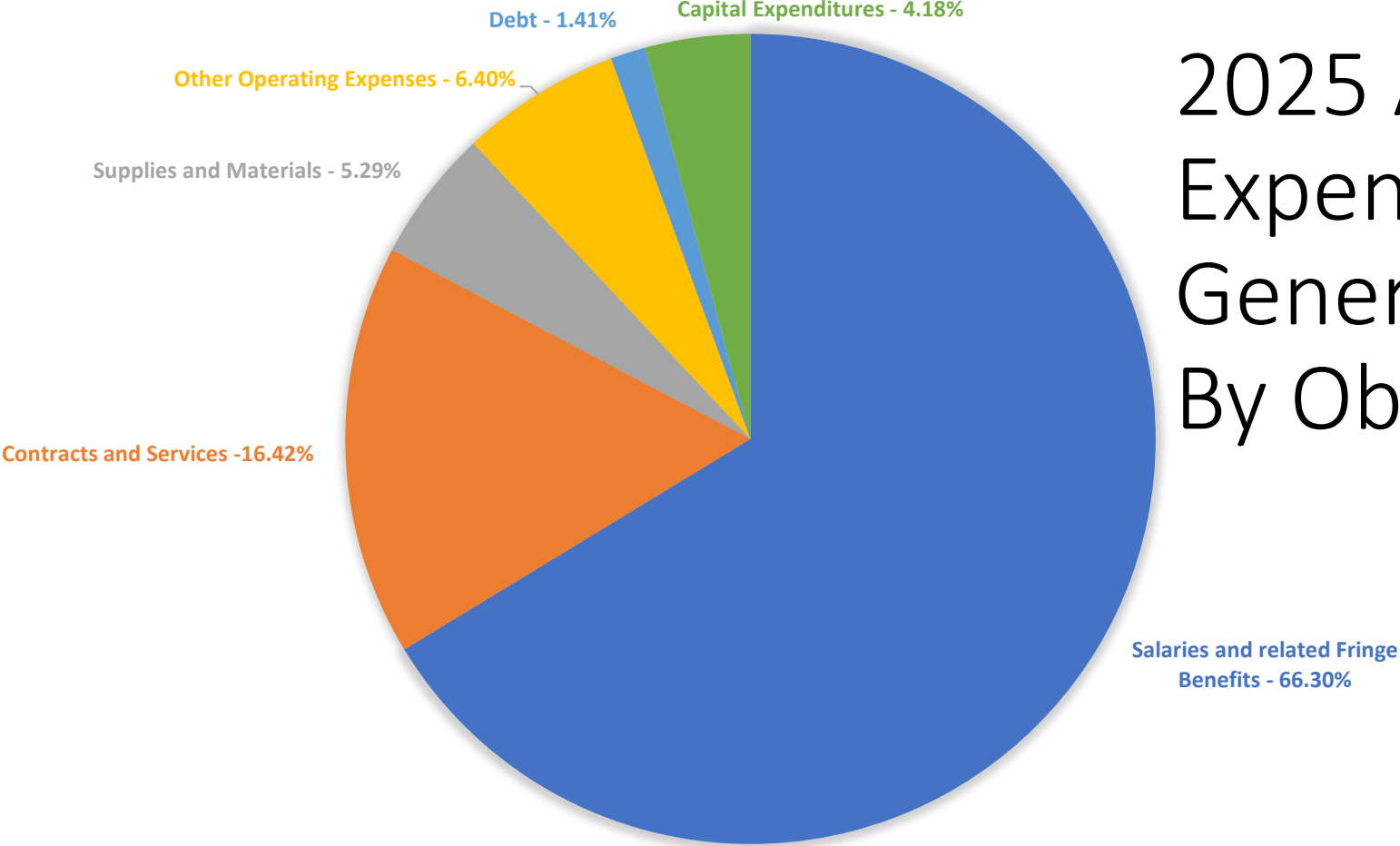
2025 AUDITED EXPENDITURES General Fund – By Function



Expenditures-Coding and Classification

- Object – 4 digits
 - identifies the purpose of an account
 - Salaries and related Fringe Benefits
 - Contracts and Services (utilities)
 - Supplies and Materials
 - Other Operating (Elections, Fees, Dues, Publications, etc.)
 - Debt
 - Capital Expenditures
- Sub-object, organization, fiscal year, special program
 - provide further subclassifications
 - More detailed accounting for AFA and TEA accountability

2025 Audited Expenditures General Fund- By Object



FUND BALANCE

REVENUES – EXPENSES =
changes in FUND BALANCE

Fund Balance

- The total accumulation of operating surpluses and deficits since the beginning of a local government's existence
- The difference between assets and liabilities in a governmental fund as of the close of the fiscal year

Fund Balance - Designations

- Legal/Local
 - Non-spendable – legal or contractual uses
 - Restricted – defined by external factors
 - Committed–board commitment for a specific purpose
 - Assigned – insurance deductibles, future capital improvements
 - Unassigned – spendable

TYPES OF BUDGET

DEFICIT BUDGET



EXPENDITURE

>

REVENUE

Decrease to fund Balance

BALANCED BUDGET



EXPENDITURE

=

REVENUE

No Change to fund Balance

SURPLUS BUDGET



EXPENDITURE

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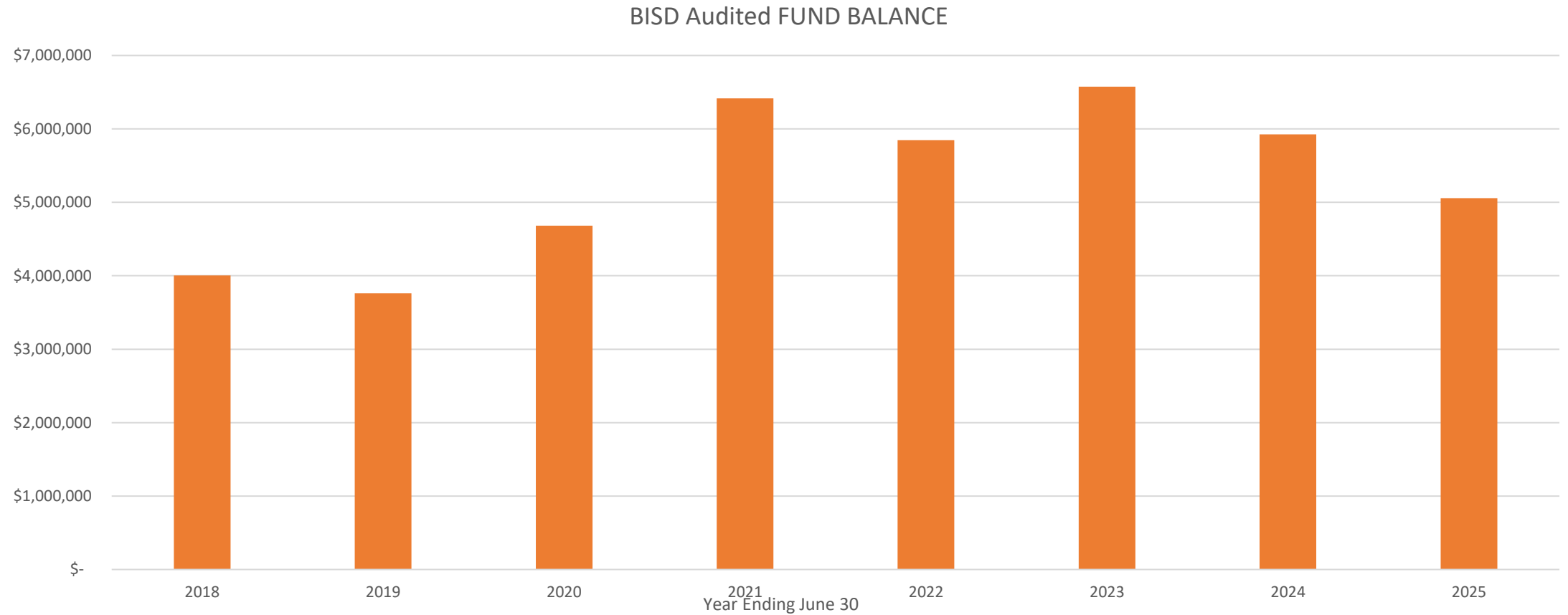
REVENUE

Increase to fund Balance

Fund Balance - Policy

- **BISD FUND BALANCE**
 - 2025 Audited \$5,199,500
 - TEA recommended
 - 75 days operating expenditures maintained in fund balance
= approx. \$2,000,000
 - Or have less than a 25% decline in fund balance over three years
- **Local Recommended (6 months) \$4,800,000**
 - Includes Cash Reserves for liquidity and emergency costs
 - taxes are collected (mostly December & January)

Fund Balance - Historical



TEXAS SCHOOL BUDGETS IN THE NEWS

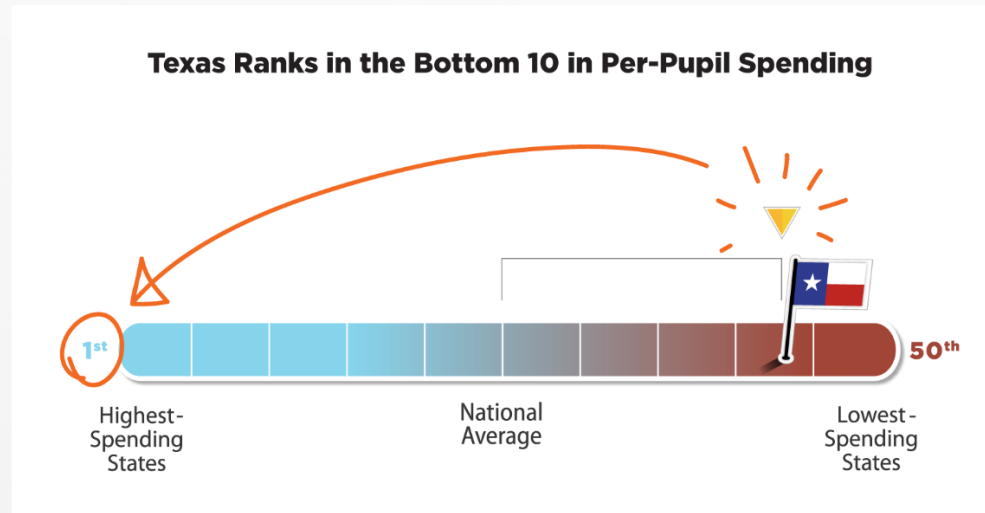
School Finance in the News

- If the basic allotment had been annually adjusted for inflation using the Bureau of Labor Statistics Consumer Price Index (CPI), today, it would be \$7,075 per student, and schools would have received almost \$4 billion in additional state aid during the last two academic years.

<https://www.texasaft.org/campaigns/bill-of-rights/public-education-funding/>

School Finance in the News

School Districts Are Doing More With Less



Texas public schools are currently navigating significant financial challenges: record inflation, declining enrollment, increased school safety requirements, and a host of funding pressures beyond the control of local school districts.

Additionally, HB 2 failed to solve the state's school funding crisis. Texas schools are still operating with billions less in funding than they had in 2019 when adjusted for inflation. Our state's per-student funding remains far below the national average, ranking in the bottom 10 in the United States.

<https://www.raiseyourhandtexas.org/policy/school-funding/>

School Finance in the News



DONATE

Data Centers

Ketamine Regulations

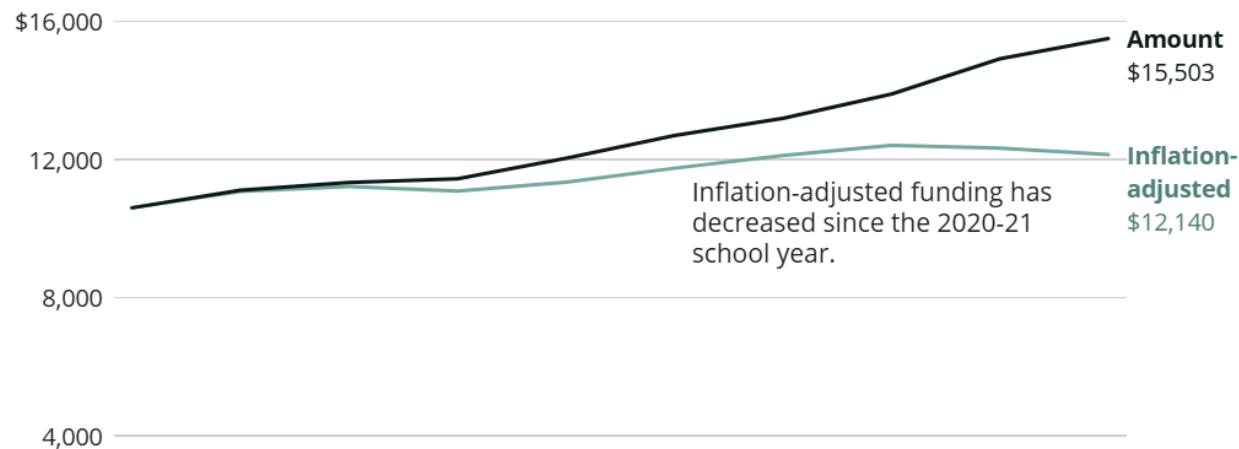
Senate Race

Government Salaries Explorer

Primary Runoff Ballot

Per-student funding has decreased when adjusting for inflation

Per-student funding is the amount of funding from federal, state and local sources divided by the total number of students at each school. While lawmakers have steadily increased this each school year, it hasn't kept up with rising costs.



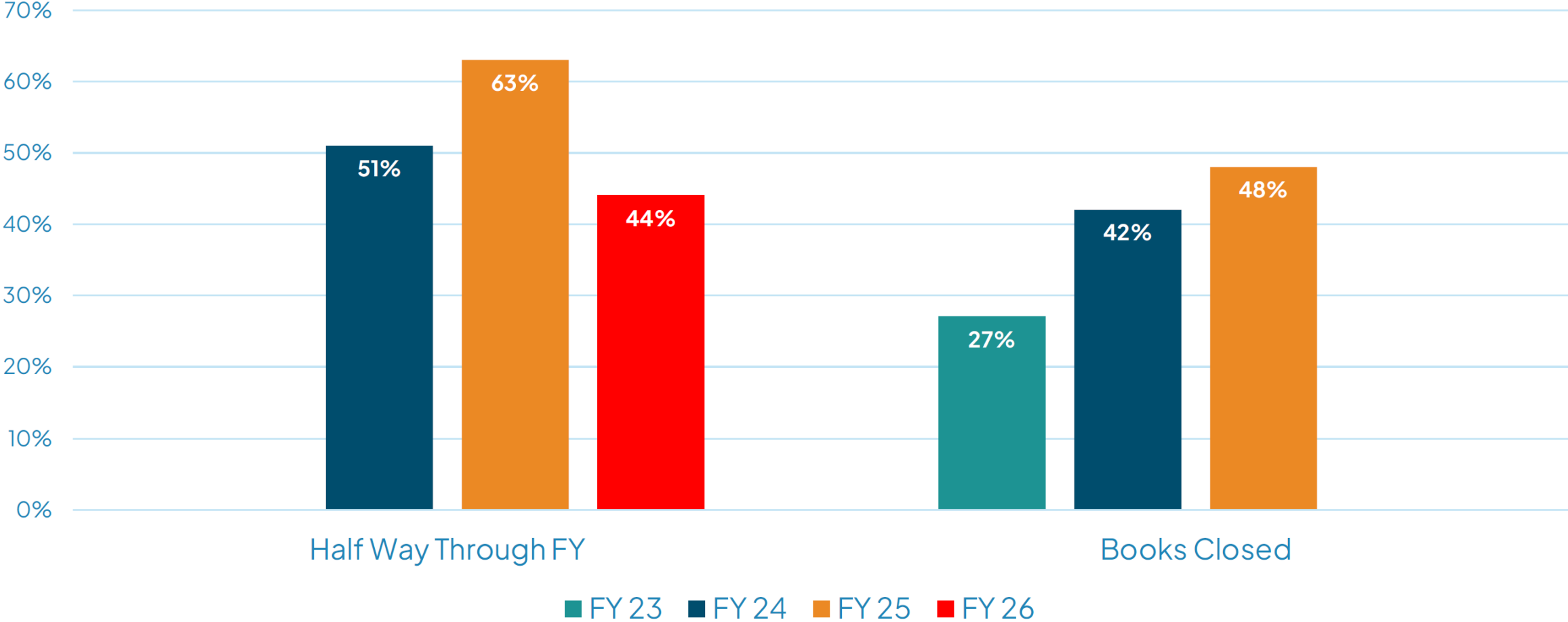
89th Legislative Session

- Budget for 2026-2027- New Special Education funding still not determined
- 2026-27 Impacts:
 - Standard Allotment increase of only \$55
 - Teacher Retention Allotment (not all fringes covered)
 - Allotment for basic costs (\$106 per enrolled student)
 - Vouchers for private schools signed into law
 - Unfunded mandates (i.e. safety)

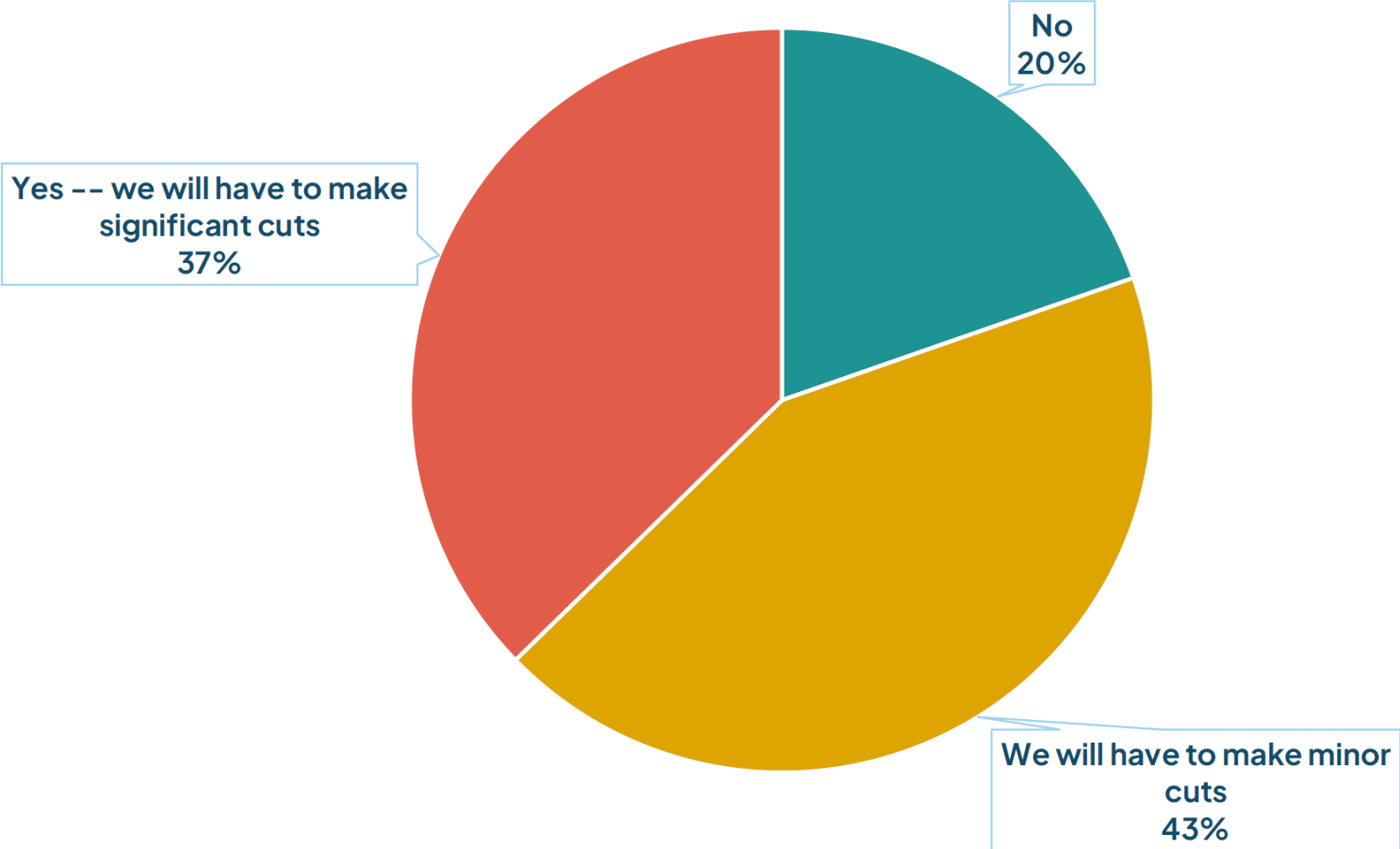


Third Annual TASBO School Finance Survey

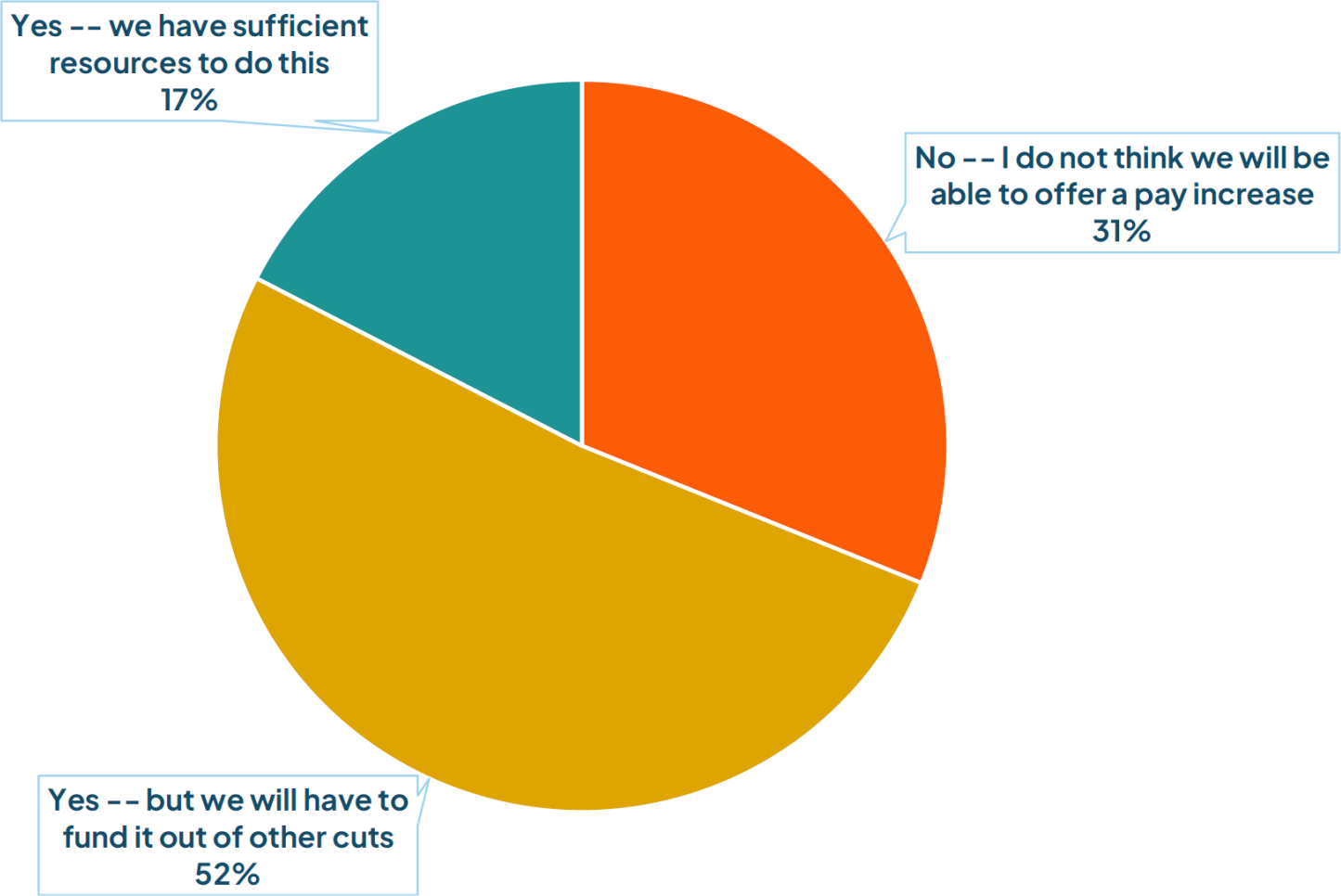
Will the District End the Fiscal Year in a Deficit



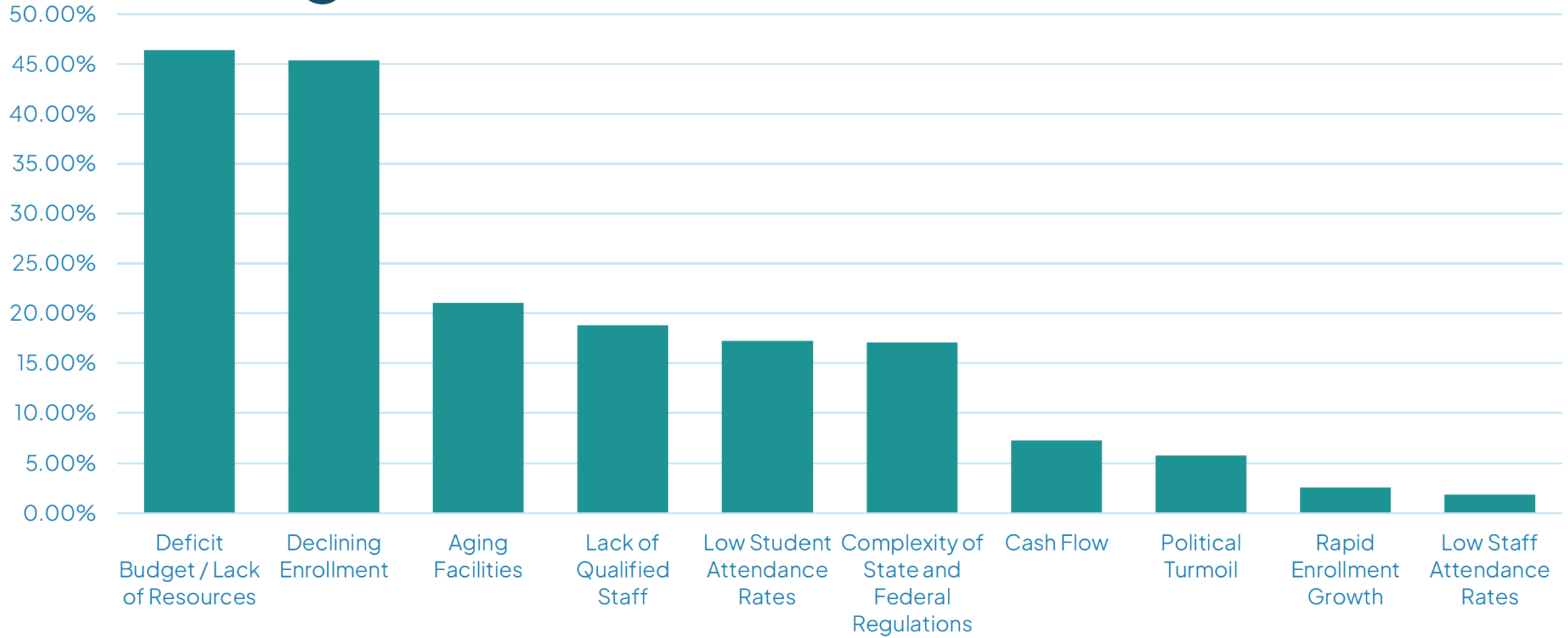
Likelihood of Significant Cuts for FY 27



Likelihood of Salary Increase in FY 27



% of Districts Reporting Item is a Top 3 Challenge



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Sources/References:

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- <https://tea.texas.gov/finance-and-grants/state-funding/state-funding-manuals/manuals-and-presentations>
- TASBO - School Finance Basics
- <https://www.tasbo.org/resources/school-finance-survey-results-2026>
- Moak Casey Consultants-Presentations
- Region 20 Education Service Center-Business Managers –presentations
- Brackett ISD Web Page Required Postings:
<https://www.brackettisd.net>