

2025-2026 Proposed Budget

June 10, 2025

SUMMARY:

This item requests adoption of the 2025-2026 Proposed Budget.

BOARD GOAL:

Growth and Management – In pursuit of excellence, we value:

- Demonstrating effective and efficient management of district resources;
- Developing a budget focused on student and professional learning

PREVIOUS BOARD ACTION:

The 2024-2025 budget was adopted by the Board of Trustees on June 11, 2024.

BACKGROUND INFORMATION:

The Board has reviewed Budget projections throughout the budget process.

SIGNIFICANT ISSUES:

The revenue formula approved in the 86th Legislature continues to be based on student attendance in the regular classroom and in special settings. However, the formula restricts overall state foundation and local tax revenue growth unless you have additional student growth. Additional student growth is driven by the basic allotment, which is funded by the state. The basic allotment has not been increased since 2019, during the 86th Legislative session. However, by most measures, inflation has increased over 20% since 2019. The 88th Legislative session began with an unprecedented surplus of well over \$30 billion. As the regular session of the 88th Legislative season ended, followed by multiple called special sessions, no action was taken to provide additional funding for Texas public schools. This has created an *appropriations deficit* that has contributed in large part to our current fiscal challenges. At the time of publication of this document, the 89th Session is nearing conclusion, and additional funding has been allocated for public schools; however, the details of this new funding – more than half of which will be non-discretionary at the local school district level due to Legislative mandates for its use – are yet to be fully outlined. Therefore, this budget proposal is based on current law at the time of presentation. Funding implications resulting from any legislative changes will be monitored and implemented through future amendments to this proposed budget in the coming fiscal year as needed.

There were three major areas of focus that defined our 2025-26 budget priorities throughout the budget development process.

1. Protect teaching and learning – guard the classrooms to the greatest extent possible;
2. Provide resources for the opening of both Anita Reeves Elementary and Fred Hill Elementary;
3. Prioritize the allocation of existing resources to meet our areas of greatest need

The ADA estimate used to calculate State revenues in the 2025-26 proposed budget reflects a continued conservative estimate of student enrollment growth going forward. While our demographic models project a continued moderate growth in total district enrollment for the coming school year, we have opted to reduce the initial ADA estimate used to project State revenues for 25-26 from 31,075 to 30,800. Thus, if our demographer's estimates of enrollment growth hold true, we would expect our 25-26 revenues to ultimately exceed our proposed initial estimates, thus helping to mitigate the proposed budget deficit.

The 2025-26 budget proposal does not currently include annual compensation increases for any employee groups in the district, and further includes a reduction (through attrition) of over 60 non-campus positions. Denton ISD understands that it is especially important to continue to recognize the efforts put forth by our employees and to attempt to maintain salary competitiveness in the market. The District anticipates an opportunity to provide both mandatory and voluntary compensation increases for all staff in FY26, which will be accounted for in future budget amendments (as noted above) once legislative details are made available for calculation purposes.

FISCAL IMPLICATIONS:

The District is projected to receive a decrease in state funding of approximately \$5.8M, as compared to the prior year's adopted budget. Property tax collections are expected to increase by \$10M, as compared to the prior year's adopted budget. The Maintenance and Operations Tax Rate needed is \$0.6374. This is a decrease of \$0.0395 from prior year. The Maintenance and Operations tax revenue is based on supplemental value reports, as of May 2025, plus estimated property value growth of 9.5 percent. The

proposed expenditure budget reflects an increase of \$3.08M over the FY25 budget, which we would highlight reflects less than a 1% increase over the over the prior year expenditure budget. While the net of these changes again results in a significant deficit budget for FY26, the District will continue to diligently monitor the budget throughout the year and make adjustments wherever needed to reduce deficits where possible. At present, it does not appear that the District will receive sufficient new discretionary funding from the State to fully alleviate our current deficit. As such, the current general fund balance will assist in part in bridging the gap of the proposed deficit for the 25-26 fiscal year.

Once the 2025-26 budget is approved and in motion, we will promptly move forward into the financial planning process for the following school year with the intent of fully reducing the current budget deficit for 2026-27. We anticipate additional work will be necessary to move back to a surplus budget in future fiscal years. As we have to this point, we will remain laser-focused on prioritizing expenditures to the greatest benefit of our students and teachers.

BENEFIT OF ACTION:

Adoption of the 2025-26 Proposed Budget will allow the District to begin the new school year with funds available for Operations, Debt Service payments and Child Nutrition expenditures.

PROCEDURAL AND REPORTING IMPLICATIONS:

The budget must be prepared by June 20, 2025 and adopted by June 30, 2025.

PUBLIC COMMENT RECEIVED:

A public hearing was held on June 10, 2025 as required by the Truth in Taxation guidelines.

SUPERINTENDENT'S RECOMMENDATION:

Recommend adoption of the Proposed Budget for the 2025-2026 school year as presented in the budget book:

	<u>Revenue</u>	<u>Expenditure</u>
General Fund	\$325,564,812	\$345,129,269
Debt Service Fund	\$174,065,801	\$174,065,801
Child Nutrition Fund	\$ 25,090,698	\$ 25,090,698

STAFF PERSONS RESPONSIBLE:

Dr. Jeremy Thompson – Deputy Superintendent
Jennifer Stewart – Executive Director of Budget

ATTACHMENT:

2025-2026 Proposed Budget Amendment and Base Budget

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____

Signature of Superintendent: _____