

2026-2027 Proposed Budget

June 9, 2026

SUMMARY:

This item requests adoption of the 2026-2027 Proposed Budget.

GUIDING OUTCOME:

Responsible Fiscal Stewardship

PREVIOUS BOARD ACTION:

The 2025-2026 budget was adopted by the Board of Trustees on June 10, 2025.

BACKGROUND INFORMATION:

The Board has reviewed Budget projections throughout the budget process.

SIGNIFICANT ISSUES:

With the passage of HB 3 in the 86th Legislative session (2019), the Legislature increased state funding in public education, improved equity, and lowered property tax rates. While the revenue formula approved in the 86th legislature has been modified slightly in each successive session, it continues to be based primarily on student attendance in the regular classroom and in special settings. Ultimately, the formula restricts overall state foundation and local tax revenue growth and does not provide additional discretionary revenue without additional student growth or improved student attendance rates.

The revenue model is driven by the basic allotment (BA), which is funded by the State. The BA set in 2019 during the 86th Legislative session was increased for the first time in six years by the 89th Legislature in 2025 by \$55, to its current rate of \$6215. In the 87th and 88th Legislative sessions (including multiple called special sessions following the 88th), no action was taken to increase the BA in order to provide additional foundational funding for Texas public schools. This effectively created an *appropriations deficit* that contributed in large part to our ongoing fiscal challenges in recent years.

Although Denton ISD has been a fast growth district, student enrollment growth has plateaued somewhat, and the District has actually experienced an overall decline in total student enrollment in FY26 for the first time in many years. This mirrors a Statewide trend in student enrollment decline with Texas enrolling roughly 76,000 fewer students this academic year statewide, according to an article from *The Texas Tribune* published on May 11, 2026. While demographic modeling reflects continued (yet moderated) student growth for the foreseeable future (see graphic on page ES-5), due to declining attendance rates following the pandemic closures coupled with a high mobility rate in portions of our district, our Average Daily Attendance has not entirely kept pace with our slowing enrollment growth. In projecting ADA for the 2026-27 school year, we have taken into account the level of enrollment and attendance over the past 5 years (see graphic below on page ES-4), and specifically the data as we ended 2025-26, closing this school year with approximately 32,955 active/enrolled students (including almost 1500 Pre-K students). With an estimated attendance rate of 94.65% for the year, this results in an estimated Average Daily Attendance (ADA) of approximately 30,355. The 24-25 budget was initially built on an estimated ADA of 31,075, which was ultimately an overestimation of our final ADA by more than 350 students. The 25-26 budget was built on a reduced ADA of 30,800, and District staff has chosen to maintain that projected ADA estimate again in building the revenue budget for FY27, reflecting a continued conservative mindset. It remains to be seen what, if any, effect new school choice (voucher) legislation will have on public school enrollment in the coming year for our District and for public schools Statewide.

A few factors that have contributed to our financial position in the past year are as follows:

- Stakeholders in Denton ISD supported the passage of a Voter Approval Tax Ratification Election (VATRE) in November 2025, which allowed the District to increase its Maintenance and Operations (M&O) tax rate by 5 cents, accessing our remaining 2 “golden” pennies and 3 of the available 9 “copper” pennies. This resulted in an estimated additional \$27M in M&O funding for FY26, and provides a sustainable source of additional M&O revenue for the years to come.
- Moderated student growth – Denton ISD enrollment actually decreased slightly as of the close of the 25-26 school year, ending unofficially with 32,955 students (compared to 33,274 at the end of 2024-25).
- Growth in appraised value with approximately \$1.2 billion dollars in new property added to the appraisal rolls plus an additional \$2.3 billion dollars in existing property value growth since 2025 (*as of the preliminary report from DCAD – 6/1/26*)

- Outstanding staff and leadership team
- Solid cash flow strategies and an intentional, longer-range investment outlook to capitalize on favorable interest rates with available reserve funds
- Significant work by district and campus leadership to implement a *priority-based* budgeting strategy at all levels and to continue to reduce non-campus personnel through attrition, where possible, in an attempt to create efficiencies that will protect funding for the classrooms
- Opportunity to reduce principal on existing debt

Included in the budget proposal for FY27 is a small projected surplus for the General Fund, with anticipated revenues slightly exceeding proposed expenditures for the first time in several years. With the additional M&O revenues added from the VATRE and a continued highly conservative approach to the preparation of the expenditure budget, we also project to stop the decline that our general fund balance has seen over the past few years, and to return it to a much healthier position as of the end of FY26. As before, the district will continue to monitor the budget throughout the year and make adjustments wherever needed to reduce deficits where possible.

Please note that this budget proposal includes annual compensation increases for all employee groups in the district; specifically, teachers will receive an additional 4% of the market median and all other staff will receive 2% of the midpoint of their current pay grades. These increases are on top of the additional mid-year 1% salary increase that was added in the 25-26 school year for all employees in March, 2026. 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.

FISCAL IMPLICATIONS:

The District is projected to receive an increase in state funding of approximately \$34.6M, as compared to the prior year’s adopted budget. Property tax collections are expected to increase by \$30M, as compared to the prior year’s adopted budget. The Maintenance and Operations Tax Rate needed is \$0.7122. This is a decrease of \$0.0147 from prior year. The Maintenance and Operations tax revenue is based on supplemental value reports, as of June 2026, plus estimated property value growth of 7 percent. The proposed expenditure budget reflects an increase of \$34.8M over the FY26 budget. This increase is due in large part to significant compensation increases for all staff (with a greater percentage going to classroom teachers) which were both mandated at the State level and further supplemented by local Board decisions. Additionally, we have continued a monumental effort on the part of all leadership and staff to continue to reduce budget where possible from FY26 to FY27 in spite of continued increases in fixed costs (utilities, insurance, supplies, etc.) and an effort to return needed supports to the classroom and departments which were reduced prior in prior years due to budget shortfalls.

We will continue to vigilantly monitor economic conditions and adjust our budget as possible based on the funding we will receive as we operate during the 2026-27 school year and plan for the 2027-28 school year. We will begin to prepare for the FY28 budget as quickly as we begin the 26-27 school year with the mission to function efficiently and effectively for our students and staff, and to continue to rebuild our general fund balance.

BENEFIT OF ACTION:

Adoption of the 2026-27 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, 2026 and adopted by June 30, 2026.

PUBLIC COMMENT RECEIVED:

A public hearing was held on June 9, 2026 as required by the Truth in Taxation guidelines.

SUPERINTENDENT’S RECOMMENDATION:

Recommend adoption of the Proposed Budget for the 2026-2027 school year as presented in the budget book:

	<u>Revenue</u>	<u>Expenditure</u>
General Fund	\$380,339,974	\$380,014,432
Debt Service Fund	\$191,679,392	\$191,679,392
Child Nutrition Fund	\$ 22,000,000	\$ 22,000,000

STAFF PERSONS RESPONSIBLE:

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

ATTACHMENT:

2026-2027 Proposed Budget Amendment and Base Budget

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____

Signature of Superintendent: _____