



Manor Independent School District



Board Workshop

May 5, 2025



Agenda

- ❑ Foundation School Program
- ❑ Maintenance & Operations
- ❑ Maximum Compress Rate (MCR)
- ❑ State and Local Property Values
- ❑ Local Revenues In Excess of Entitlement (Chap 49 Recapture)
- ❑ Interest & Sinking (Debt Service Fund)
- ❑ Child Nutrition Program - CEP
- ❑ Adopting the Budget
- ❑ Commodity Codes & Purchasing Thresholds (+\$50k)

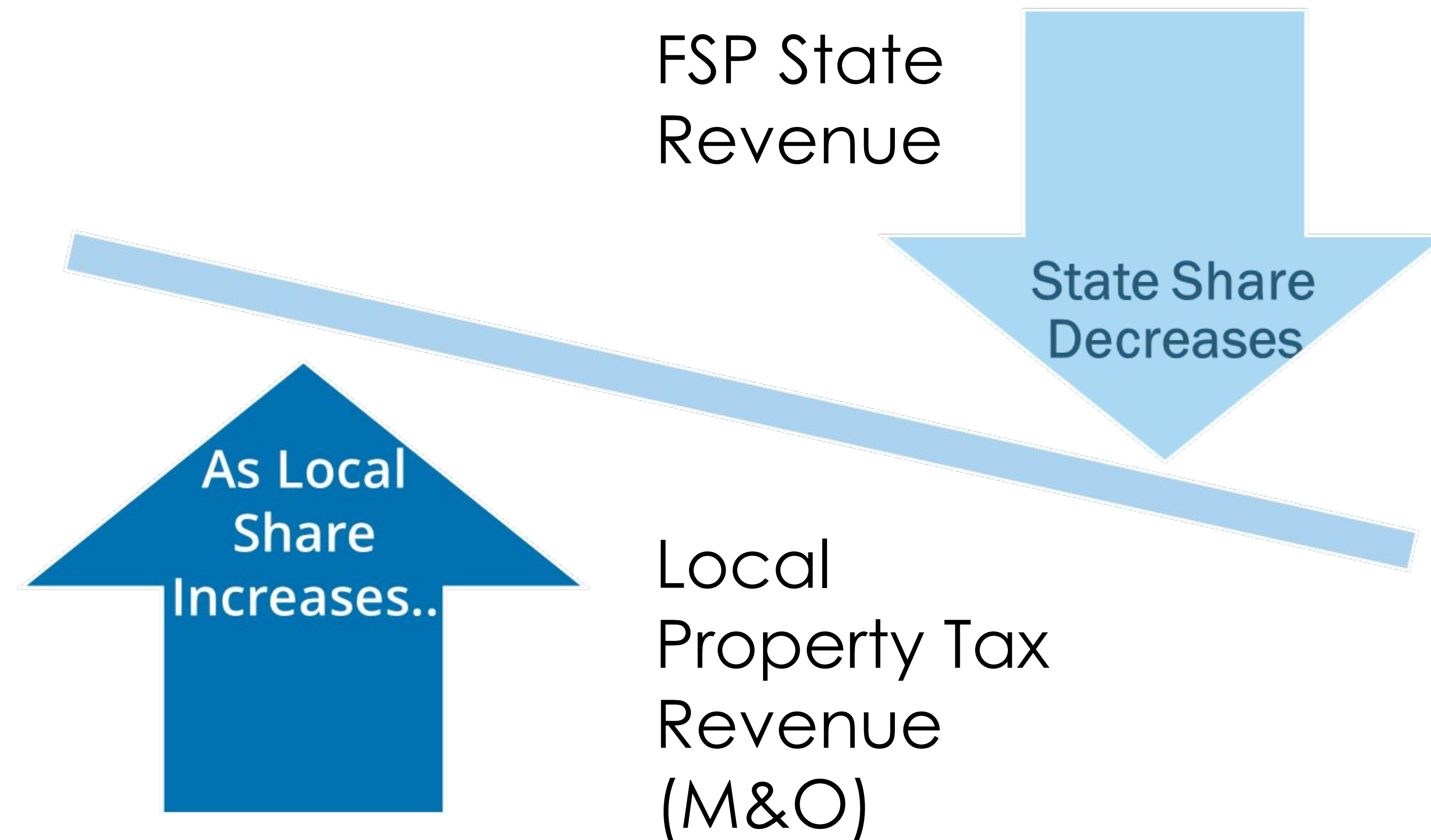
Foundation School Program (FSP)



- ❑ The FSP establishes how much state funding school districts and charter schools are entitled to receive, and to ensure that all school districts, regardless of property wealth, receive substantially equal access to similar revenue per student at similar tax effort.
- ❑ Formulas are set in statute (Chapters 46 and 48), and they consider both student and district characteristics including the number and type of students enrolled, district size and geographic factors, and local taxable property values and tax rates.
- ❑ Generally, 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)**.

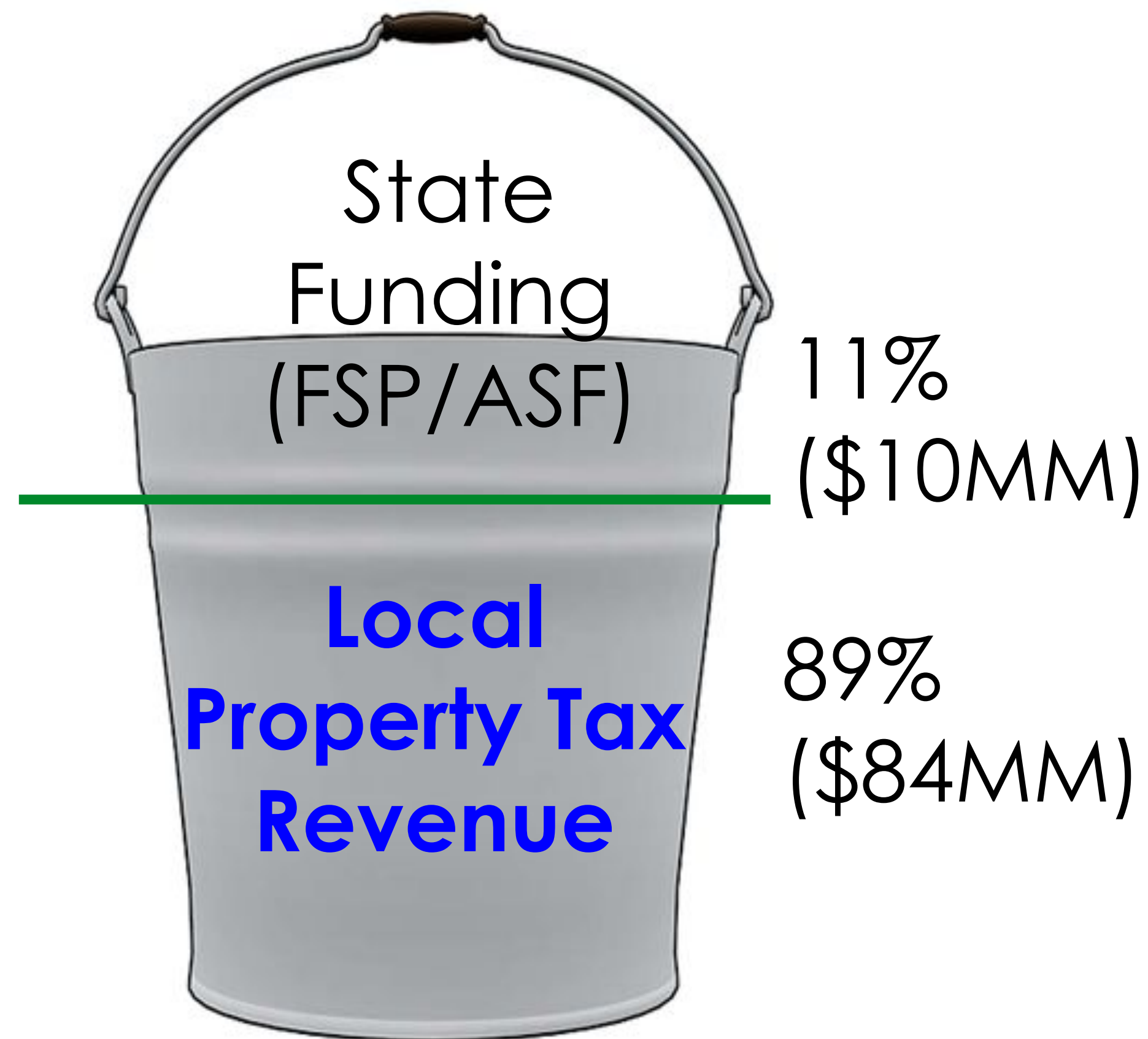


A balancing act: State Share vs. Local Share



"A change in the M&O rate will shift funds between state and local revenue sources, rather than increase or decrease overall revenue."

Maintenance & Operations



2024 = \$0.7113

- ❑ Personnel Salaries & Benefits
- ❑ Facilities operations
- ❑ Contractors (instructional, professional development, legal, maintenance & upkeep, technology, utilities, travel, leasing contracts, insurance)
- ❑ Pupil transportation, safety
- ❑ Provides for basic student instruction and supplemental special program funding
- ❑ Short-Term (1-yr) debt for operations.



Maximum Compress Rate (MCR)

- ❑ HB3 (2019) increased the Homestead Exemption from \$40k to \$100k and implemented a tax compression to provide tax relief to taxpayers based on the state's overall property value growth.
- ❑ It is important to remember that Tier I tax compression does not impact the overall level of funding a district is entitled to. Rather, tax compression only impacts the balance of state and local share of a school district's total Tier I entitlement.
- ❑ MCR must be certified by TEA before the Property Tax Rate is adopted.



Maintenance & Operations Tiers

TIER ONE

- ❑ Refers to the district's basic foundation entitlement.
- ❑ Based on district's geographic and student's characteristics, and ADA.
- ❑ Basic Allotment ($\$6,160 \times \text{ADA}$)
- ❑ $\text{BA} \times \text{Various Weights} =$
 - ➔ Sped Education, Dyslexia, Comp Educ, Bilingual, GT, CTE, Early Educ Allot, CCMR, Small & Mid-sized, Trans., School Safety, TIA, Fast Growth, Mentor Prog Allot, Dropout Recovery, Tuition Allotment, College Preparation Assessment, Certification Examination Reimbursement

TIER TWO

- ❑ Refers to the district's "enrichment" entitlement intended to supplement the basic funding.
- ❑ Based on student's weighted average daily attendance (WADA).
- ❑ Number of pennies of tax effort above MCR.
- ❑ Provides a Guaranteed Yield level of funding per penny (**golden** and **copper**).



Tier I Tax Compression

Tier One

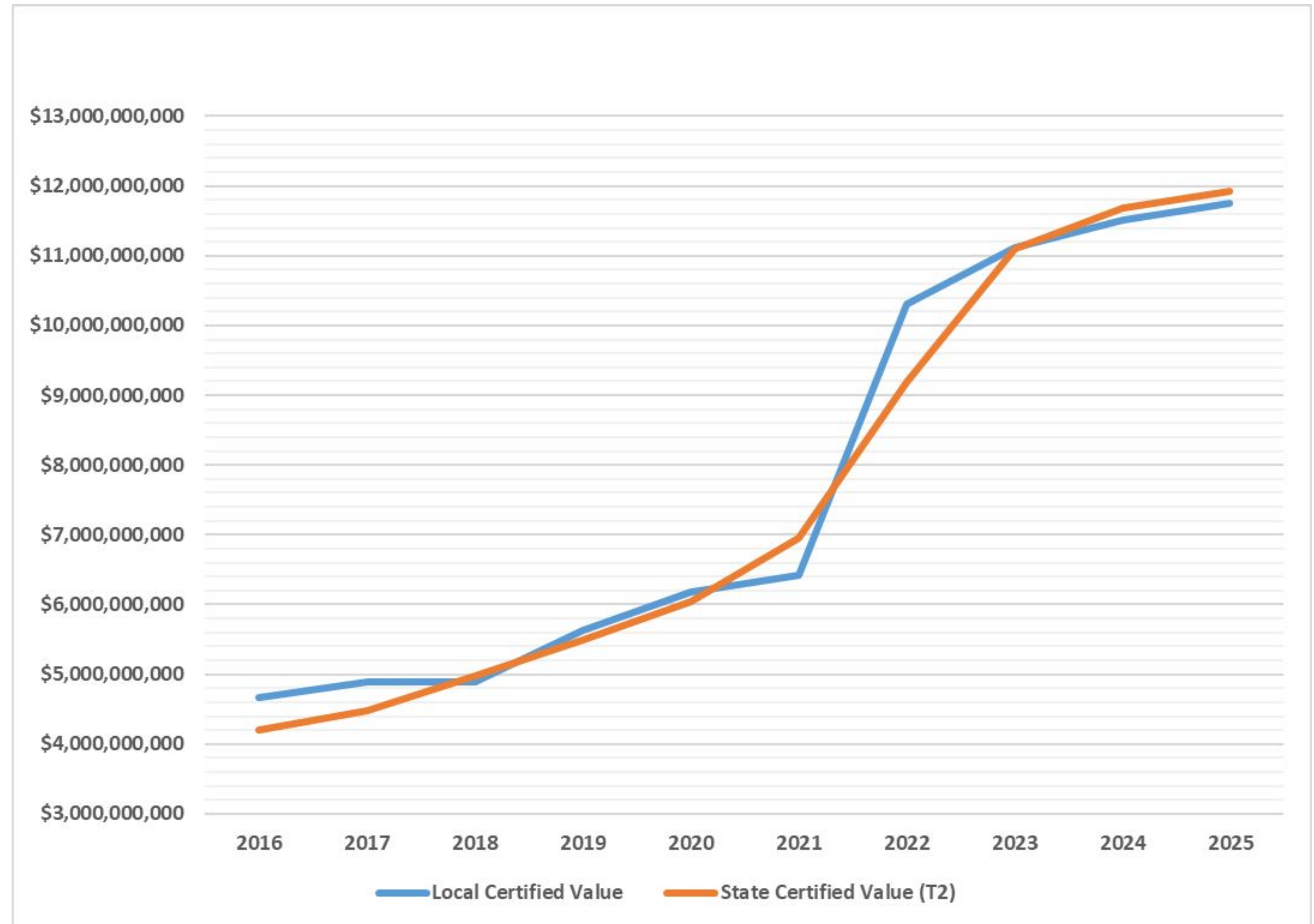
- ❑ The State Comptroller Value (T2) is used to calculate state funding, whereas the Locally Certified Property Value is used to determine local tax revenue collections.
- ❑ The level of growth in the T2 Comptroller value determines the level of maximum tax compression (MCR) necessary to generate 100% of the Basic Allotment.
- ❑ The max number of M&O pennies allowed is 17 cents above the MCR.

Tier	2023	2024	2025	Action Required to Access	Pennies
Tier 2 Copper Pennies	0.0000	0.0000	0.0000	[Voter Approval Required/Recap]	9 - 17
Tier 2 Golden Pennies	0.0000	0.0300	0.0300	[Voter Approval Required]	6 - 8
Tier 2 Golden Pennies	0.0500	0.0500	0.0500	[No Voter Approval]	1 - 5
Tier I MCR	0.6416	0.6313	0.6313	[No Voter Approval/Recap]	0 - MCR
Total M&O Tax Rate	0.6916	0.7113	0.7113		



Historical State and Local Property Values

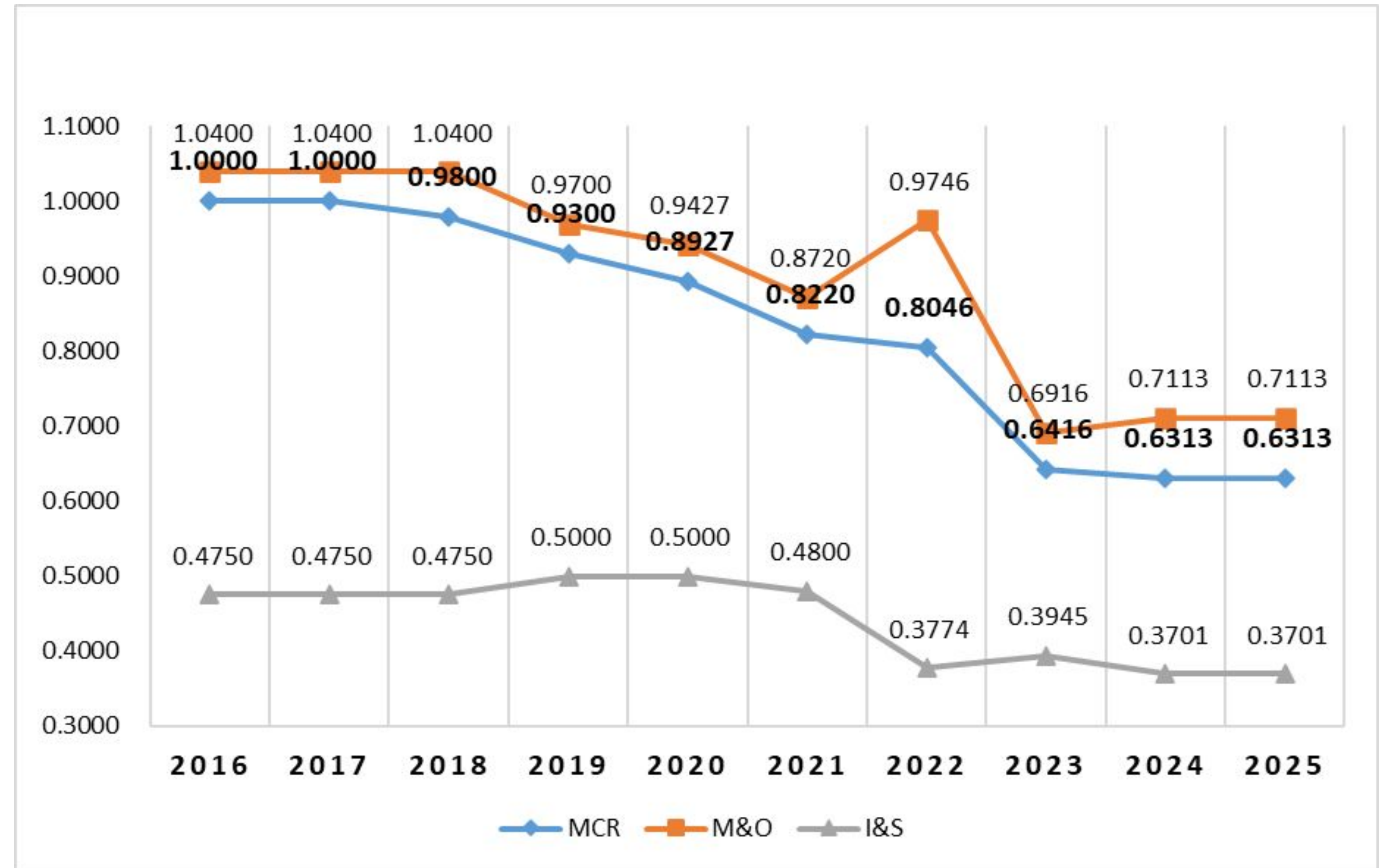
- ❑ 2024 Local Freeze Adjust Value is \$11.5 billion
- ❑ 2025 Estimated Local Freeze Adjust Value is \$11.7 billion (+2.11%)
- ❑ Average growth in state T2 over the last 5 years is 17.68% and has decreased by -2%
- ❑ 2024 Pre-T2 value is \$11.7 billion (+5.17%), but was released incorrectly.





Historical MCR, M&O, and I&S Tax Rates

- ❑ The 2025 Preliminary value reflects less than a 2.5% increase, thus no tax compression is calculated.
- ❑ The calculated M&O rate is \$0.7113.
- ❑ The I&S rate is subject to change with the passing of HB19.





Local Revenues In Excess of Entitlement (Chapter 49 - Recapture)



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).

Tier One: Calculation of State Share and Excess Local Revenue

CHAPTER 48 DISTRICT RECEIVING STATE AID

Tier One Total Cost	\$12,000,000
Current Tax Year District Property Value	\$700,000,000
Local Share at \$0.9134 MCR	\$6,393,800
State Share of Tier One	\$5,606,200

CHAPTER 48 DISTRICT WITH LOCAL REVENUE IN EXCESS OF ENTITLEMENT

Tier One Total Cost	\$12,000,000
Current Tax Year District Property Value	\$1,400,000,000
Local Share at \$0.9134 MCR	\$12,787,600
Excess Local Revenue	(\$787,600)



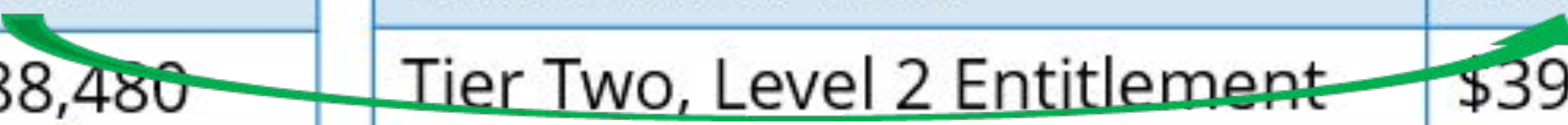
Tier Two example of a district with an M&O tax rate of \$1.09 and a local yield of \$75

TIER TWO, LEVEL 1 (GOLDEN PENNIES)

TIER TWO, LEVEL 1 (GOLDEN PENNIES)	
WADA	1,000
Number of Golden Pennies	8
Guaranteed Yield	\$98.56
Tier Two, Level 1 Entitlement (Line 1 x Line 2 x Line 3)	\$788,480
Local Share (Line 1 x Line 2 x \$75)	\$600,000
Tier Two, Level 1 State Share (Line 4 – Line 5, floor of \$0)	\$188,480

TIER TWO, LEVEL 2 (COPPER PENNIES)

TIER TWO, LEVEL 2 (COPPER PENNIES)	
WADA	1,000
Number of Copper Pennies	8
Guaranteed Yield	\$49.28
Tier Two, Level 2 Entitlement (Line 1 x Line 2 x Line 3)	\$394,240
Local Share (Line 1 x Line 2 x \$75)	\$600,000
Tier Two, Level 2 State Share (Line 4 – Line 5, floor of \$0)	(\$205,760) Excess revenue





How does a district reduce excess local revenue levels?

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

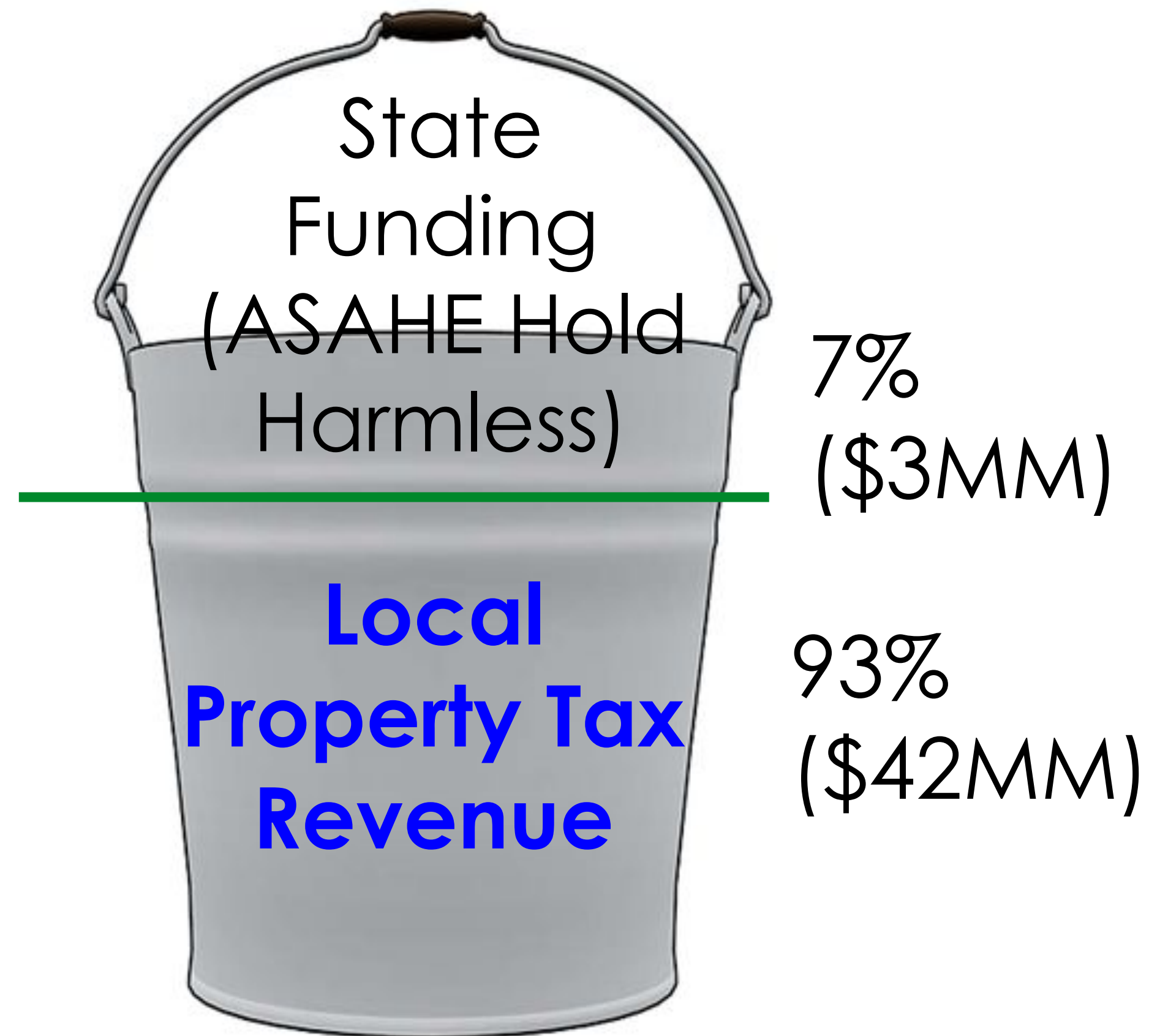
1. Consolidation by agreement [with another district] (TEC, §49.051)
2. Detachment and annexation by agreement (TEC, §49.101)
- 3. Purchase of attendance credit (TEC, §49.151) This is 100% of current agreements.**
4. Education of nonresident students [from a partner district] (TEC, §49.201)
5. Tax base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



Interest & Sinking (Debt Service)

Interest & Sinking (Debt Service)



2024 = \$0.3701

- ❑ Long-Term Debt (Principal, interest, & bond admin fees)
- ❑ Payoff existing bond debt (Refunding or Defeasance)
- ❑ New & upgrade existing construction
- ❑ HVAC & lighting
- ❑ Technology, security, capital equipment, buses, leased assets, etc.)
- ❑ Deferred maintenance
- ❑ Arbitrage payments



Bond Capacity

- ❑ Bond capacity is the amount a district can issue in new bonds without increasing (requiring voter approval) or decreasing the current I&S tax rate.
- ❑ To hold the current I&S tax rate also requires the retirement of existing bond debt, through refunding or defeasance, to relieve current I&S tax pennies for new debt.
- ❑ The current bond capacity is \$325MM as of January 2025.
- ❑ HB19 caps bond debt at 20% of an ISD/s tax revenue, averaged over the previous three years. Prohibits M&O tax rate increases from being used to pay off debt.
- ❑ Would possibly decrease bond capacity by -6% and the I&S tax rate by -8 cents.

Creditworthiness



Bonds are assigned credit ratings based on ability and willingness to pay.

Credit Ratings			
	Moody's	S&P	Fitch
Investment Grade	Aaa	AAA	AAA
	Aa	AA	AA
	A	A	A
	Baa	BBB	BBB
Speculative Grade	Ba	BB	BB
	B	B	B
	Caa	CCC	CCC
	Ca	CC	CC
	C	C	C
	D	D	D
Modifiers			
Example	1,2,3	+, -,	+, -,
	A1	A+	A+
	A2	A	A
	A3	A-	A-

FitchRatings

MOODY'S

S&P Global Ratings





Child Nutrition Program



Child Nutrition Program at MISD

- ❑ CEP (Community Eligibility Provision)
- ❑ Federal reimbursement is based on the percentage of eligible students
- ❑ ISP (Identified Student Percentage) requirement was lowered from 40 percent to **25 percent** of campus or district (Effect. 9/2023)
- ❑ CEP Benefits:
 - Free Breakfast and Lunch meals
 - Increase student participation
 - Reduces social stigma
 - No student meal applications
 - Decreased administrative burden
 - No school meal debt (negative balances)

Child Nutrition Program at Manor ISD



- ❑ The free Federal Reimbursement percentage is based on the ISP percentage multiplied by 1.6, up to 100%. The remainder is reimbursable at the paid rate of \$0.45.
- ❑ The House Ways and Means Committee is suggesting cutting \$12 billion in school meal programs over 10 years by adjusting school qualification for the Community Eligibility Provision and requiring income verification for national K-12 breakfast and lunch programs. The House proposal calls for a 60% threshold. The proposal would strip away 24,000 schools' ability to participate in CEP, impacting over 12 million children, according to the Food Research & Action Center (Merod, 2025).

❑ Source: <https://www.k12dive.com/news/house-republicans-float-plan-to-cut-community-eligibility-provision/739212/>

Child Nutrition Program at MISD



- ❑ For Manor ISD, the 60% threshold proposal increase would make 10 of our campuses ineligible for CEP free meals.
- ❑ All ineligible campuses will have to provide meals at full or reduced prices, in accordance to TDA guidelines. Students would qualify based on annual income verification eligibility.

Campus #	Campus	Identified Students	Enrollment	ISP % (25% Threshold)	60% threshold
001	MHS	1,167	2,270	51.41%	Not Eligible
002	EHS	82	109	75.23%	Eligible
004	MNTHS	209	574	36.41%	Not Eligible
041	MJH	308	453	67.99%	Eligible
042	DMS	384	633	60.66%	Eligible
043	MNTM	262	721	36.34%	Not Eligible
101	ME	267	391	68.29%	Eligible
102	BBTE	291	531	54.80%	Not Eligible
104	DE	402	537	74.86%	Eligible
105	BME	231	406	56.90%	Not Eligible
106	PME	390	692	56.36%	Not Eligible
107	OME	234	362	64.64%	Eligible
108	PCE	234	462	50.65%	Not Eligible
109	SGE	320	642	49.84%	Not Eligible
111	LE	322	592	54.39%	Not Eligible
112	MRA	59	190	31.05%	Not Eligible
Total		5,162	9,565	53.97%	



Adopting the Budget



Budget Adoption Requirements

- ❑ CE (Local) - Annual Operating Budget (Planning, Meeting, Adoption, Amending)
- ❑ Educ. Code Section 44.0041 - Publication of Summary of Proposed Budget
- ❑ Adoption and Publication of Budget at the Function Level
 - A. Instruction
 - B. Instructional Support
 - C. Central Administration
 - D. District Operations
 - E. Debt Service
 - F. Other categories designated by the commissioner, and
 - G. Comparison to the previous year's actual spending.
- ❑ **Must be adopted by June 30th**



District Goals

- ❑ Maintain a safe school and work environment
- ❑ Ensure all students are on grade level in Math and Reading in 3rd, 5th and 8th grades
- ❑ Ensure all students graduate from high school College, Career or Military ready



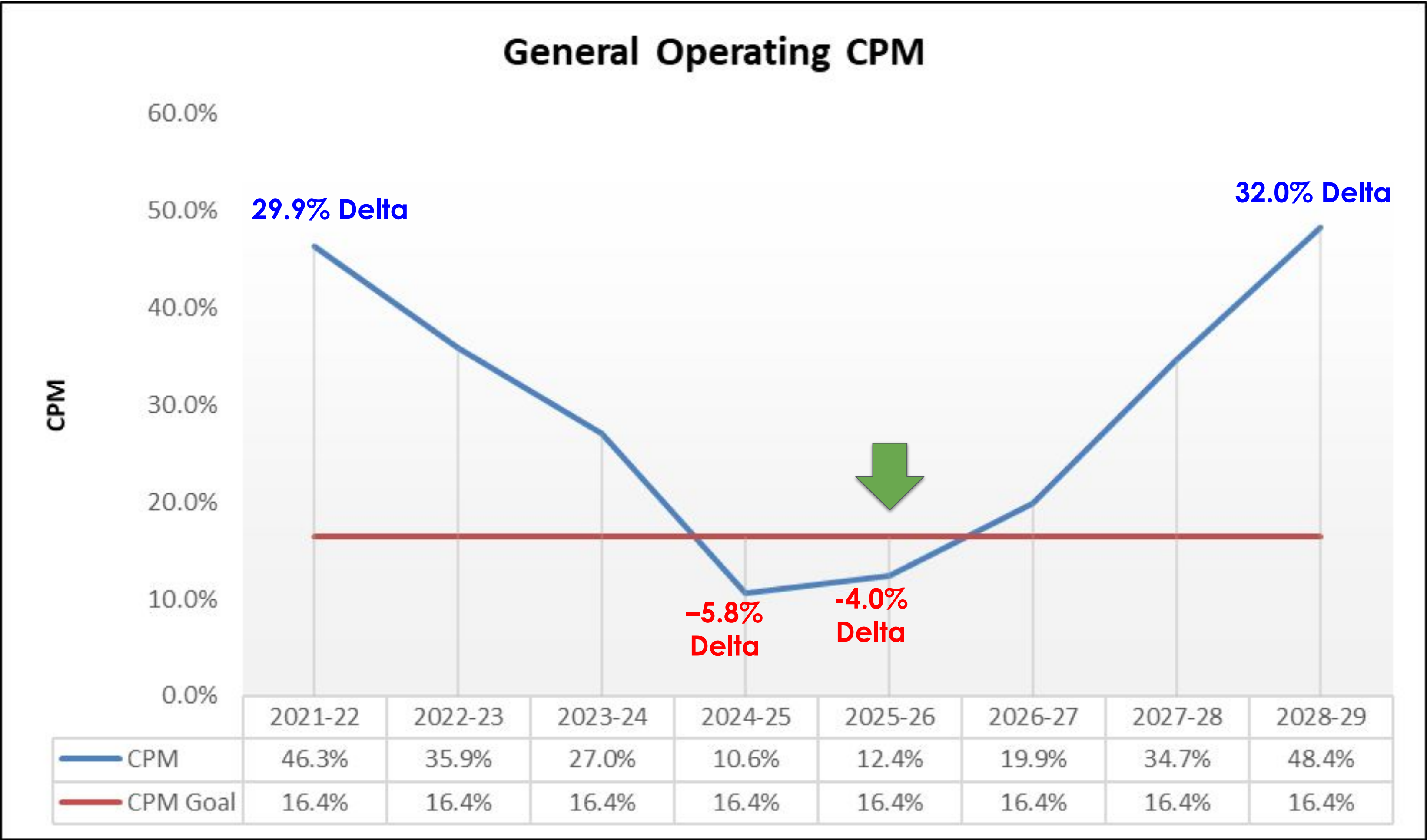
Guiding Principles

- ❑ Invest in the skills of our employees
- ❑ Simplify the mission for teachers, staff, and students
- ❑ Support programs/services that have a deep, wide positive impact on our goals (quality and quantity)
- ❑ Focus on needs not wants



Constraint Progress Measure (CPM)

General Fund Balance as a Percentage of Expenditures



CPM measures the general fund balance as a percent of the operating budget and is based on 60-days or 16.4%.

2025-2026 Pre-Operating Budget



	2024-2025 Approved Budgets				2025-2026 Approved Budgets				
	General Fund	Debt Service	Child Nutrition	Total	General Fund	Debt Service	Child Nutrition	Total	%
	Proj Final Mar-25	Original Budget	Original Budget		Preliminary Mar-25	Preliminary	Preliminary		Var
REVENUES									
Local Revenues	\$ 83,615,000	\$ 45,082,010	\$ 500,000	\$ 129,197,010	\$ 85,375,000	\$ 43,099,512	\$ 632,000	\$ 129,106,512	-0.1%
State Revenues	\$ 10,373,780	\$ -	\$ 65,000	\$ 10,438,780	\$ 10,025,500	\$ -	\$ 40,000	\$ 10,065,500	-3.6%
Federal Revenues	\$ 300,000	\$ -	\$ 9,148,824	\$ 9,448,824	\$ 275,000	\$ -	\$ 9,700,000	\$ 9,975,000	5.6%
Other Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
TOTAL REVENUES	\$ 94,288,780	\$ 45,082,010	\$ 9,713,824	\$ 149,084,614	\$ 95,675,500	\$ 43,099,512	\$ 10,372,000	\$ 149,147,012	0.0%
EXPENDITURE S									
11 Instruction	\$ 56,374,541			\$ 56,374,541	\$ 48,005,707			\$ 48,005,707	-14.8%
12 Inst Resources & Media	\$ 572,543			\$ 572,543	\$ 221,927			\$ 221,927	-61.2%
13 Staff Development	\$ 364,350			\$ 364,350	\$ 340,525			\$ 340,525	-6.5%
21 Instructional Leadership	\$ 2,704,837			\$ 2,704,837	\$ 1,375,600			\$ 1,375,600	-49.1%
23 School Leadership	\$ 6,681,957			\$ 6,681,957	\$ 6,800,699			\$ 6,800,699	1.8%
31 Guidance & Counseling	\$ 1,992,444			\$ 1,992,444	\$ 2,642,176			\$ 2,642,176	32.6%
32 Social Work Services	\$ 707,850			\$ 707,850	\$ 855,511			\$ 855,511	20.9%
33 Health Services	\$ 1,379,837			\$ 1,379,837	\$ 1,412,174			\$ 1,412,174	2.3%
34 Transportation	\$ 6,359,490			\$ 6,359,490	\$ 6,426,081			\$ 6,426,081	1.0%
35 Child Nutrition	\$ 619		\$ 11,221,624	\$ 11,222,243	\$ 640		\$ 10,160,377	\$ 10,161,017	-9.5%
36 Co & Extra-Curricular	\$ 2,571,744			\$ 2,571,744	\$ 2,431,642			\$ 2,431,642	-5.4%
41 General Administration	\$ 3,602,636			\$ 3,602,636	\$ 3,316,921			\$ 3,316,921	-7.9%
51 Maintenance & Operations	\$ 12,923,092			\$ 12,923,092	\$ 13,764,867			\$ 13,764,867	6.5%
52 Security	\$ 3,914,448			\$ 3,914,448	\$ 3,776,126			\$ 3,776,126	-3.5%
53 Data Processing	\$ 2,396,804			\$ 2,396,804	\$ 2,339,311			\$ 2,339,311	-2.4%
61 Community Services	\$ 8,641,387			\$ 8,641,387	\$ 892,122			\$ 892,122	-89.7%
71 Debt Service	\$ 735,151	\$ 60,619,348		\$ 61,354,499	\$ 434,871	\$ 43,099,512		\$ 43,534,383	-29.0%
81 Facilities Acquisition/Const	\$ -			\$ -	\$ -			\$ -	0.0%
91 Recapture Pmts (Chap 49)	\$ -			\$ -	\$ -			\$ -	0.0%
99 Property Appraisal	\$ 315,021			\$ 315,021	\$ 638,600			\$ 638,600	102.7%
TOTAL EXPENDITURE S	\$ 112,238,751	\$ 60,619,348	\$ 11,221,624	\$ 184,079,723	\$ 95,675,500	\$ 43,099,512	\$ 10,160,377	\$ 148,935,389	-19.1%
CHANGE IN FUND BALANCE	\$ (17,949,971)	\$ (15,537,338)	\$ (1,507,800)	\$ (34,995,109)	\$ -	\$ -	\$ 211,623	\$ 211,623	



Commodity Codes and Purchasing Thresholds



Commodity Codes in Action

- ❑ Recommended by the auditors and federal awarding agencies.
- ❑ Purchasing reporting efficiency and control by grouping identical or liked-items from various vendors into locally defined commodity codes.
- ❑ Spreads the purchasing cap limit of \$50k across various vendors instead of per single vendor transaction(s).
- ❑ Vendors that are not members of an active purchasing co-op will require procurement, if the aggregate commodity purchases will exceed \$50k.
- ❑ Will not apply to bond project purchases.

Commodity Codes:

- ❑ **100-012** – e.g., Contracted Services, \$250,000 (*Various vendors*)
- ❑ **700- 008** – e.g., Foods: Staple Grocery & Grocery, \$150,000 (*Various vendors*)
- ❑ **400- 036** – e.g., HVAC Services, \$450,000 (*Various vendors*)
- ❑ **395- 013** – e.g., Software Subscription/License, \$750,000 (*Various vendors*)
- ❑ **180- 011** – e.g., Textbooks, \$50,000 (*Various vendors*)



QUESTIONS?



Thank you!

Manor Independent School District