

Notice of Public Budget Hearing
The Board of Trustees
Fort Bend Independent School District

Monday, June 13, 2022

This is Notice that the Fort Bend Independent School District Board of Trustees will hold a Public Budget Hearing on Monday, June 13, 2022, beginning at 5:30 PM in the Board Room of the Fort Bend ISD Administration Building, 16431 Lexington Blvd., Sugar Land, TX 77479. It is the Board of Trustees' intent that a quorum of the Board of Trustees will be physically present at this location, although one or more Trustees may participate via video conference.

The agenda packet for the meeting can be found here:
<https://meetings.boardbook.org/Public/Organization/649>.

Members of the public may view the live stream of the meeting at following address:
<https://www.fortbendisd.com/BoardMeetingLivestream>. Members of the public may also address the Board during public comment.

1. Call to order at 5:30 PM with announcement by the chair as to the presence of a quorum, that the meeting has been duly called and that notice of the meeting has been posted for the time and manner required by law
2. 2022-2023 Budget and Proposed Tax Rate 2
 - A. Conduct Public Meeting to Discuss the Proposed 2022-2023 School District Budget and Proposed Tax Rates.
 - B. Receive Information, Comments, and Taxpayers' Views on the Proposed 2022-2023 School District Budget, the Proposed Maintenance & Operations Tax Rate and the Proposed Debt Service Tax Rate.
3. Adjournment

The following Fort Bend ISD Goals may be referenced in agenda items included in this document:

- Goal 1: Fort Bend ISD will provide an equitable learning environment that provides all students access to the FBISD curriculum.
- Goal 2: Fort Bend ISD will ensure students own and are responsible for their learning, behavior, and progress through the FBISD curriculum.
- Goal 3: Fort Bend ISD will provide an inclusive, collaborative, and fluid learning environment with opportunities for both risk-taking and success.
- Goal 4: Fort Bend ISD will develop students' social-emotional, academic, literacy, language, and life skills in a robust Collaborative Community at every school.
- Goal 5: Fort Bend ISD will develop an organizational culture that embraces care, respect, safety, and inclusion.

FBI★**ISD**
INSPIRE • EQUIP • IMAGINE

COMMITTED TO
E★**cellence**

Budget Public Hearing
June 13, 2022

2022-23 Proposed Budget

Fort Bend ISD, Administration Building, June 13, 2022

School District Budget Requirements Met

School district budget requirements as established by Sections 44.002 through 44.006 of the Texas Education Code and the Texas Education Agency:

- ✓ The Superintendent is the budget officer for the district and causes the budget to be prepared.
- ✓ The district budget must be prepared each year by June 19 and adopted by June 30.
- ✓ The President of the Board of Trustees must call a public meeting of the Board of Trustees, giving at least 10 days public notice in the newspaper, for the adoption of the district budget. District taxpayers may be present and participate in the meeting.
- ✓ Concurrently with the publication of the meeting notice, the district must post a summary of the proposed budget to its website. The budget must include the elements outlined in Section 44.0041, TEC.
- ✓ The budget must be adopted before the adoption of the supporting tax rate.
- ✓ Budgets for the General Fund, the Food Service Fund, and the Debt Service Fund must be included in the official district budget. These budgets must be prepared and approved at least at the fund and function levels to comply with the state's legal level of control mandates.
- ✓ No funds may be expended that exceed the adopted functional categories until the board of trustees amends the budget appropriately.

4

2022-23 Proposed General Operating Budget

All income and expenses necessary to operate the school district such as salaries and benefits, utilities, equipment, and supplies that are paid from the general fund budget. The operating budget is funded through property taxes, local revenues, and state and federal allocations.

2022-23 Proposed General Fund Budget

\$767,993,522

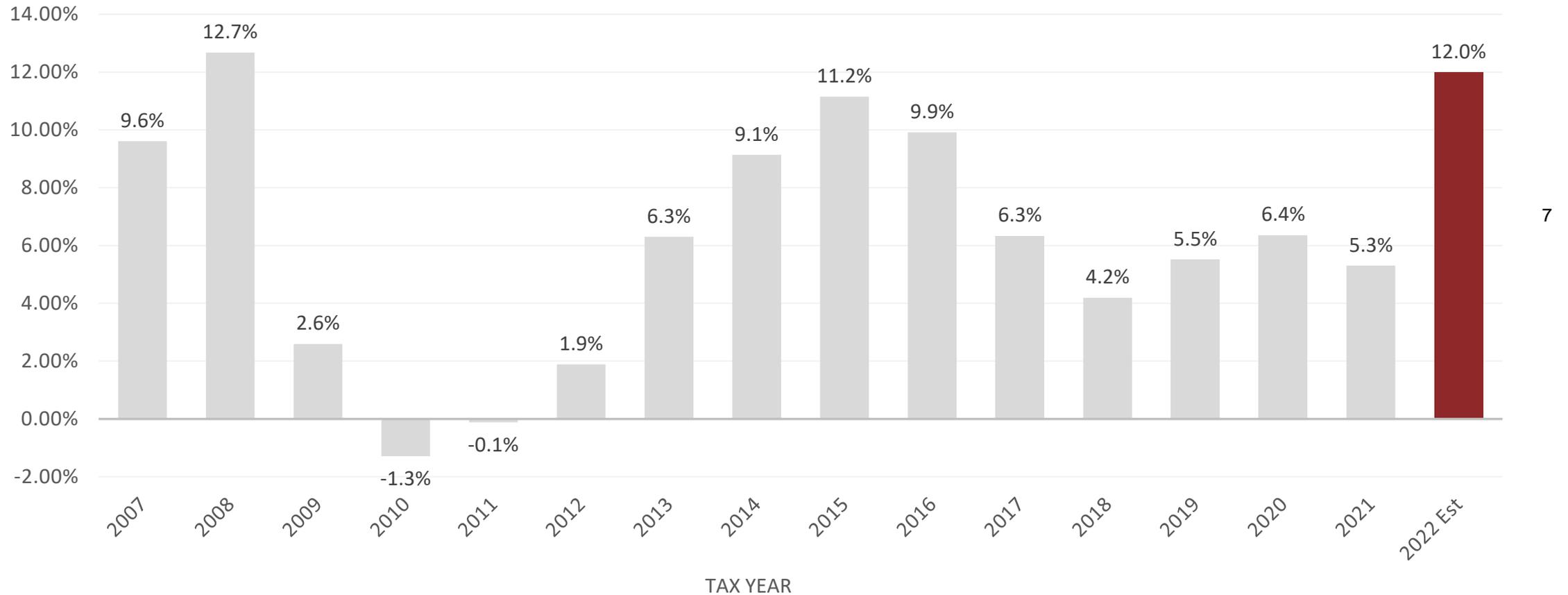
\$9,769 / student (0.75% more than prior year)

Projected Enrollment: 78,617 students

(Based on demographer's low-growth projections)

Property Value Growth

Change in Certified Net Taxable Value



Property Value Growth:

*If property value
growth is at 12%,
how much new
money is the District
receiving in the
General Fund?*



\$0

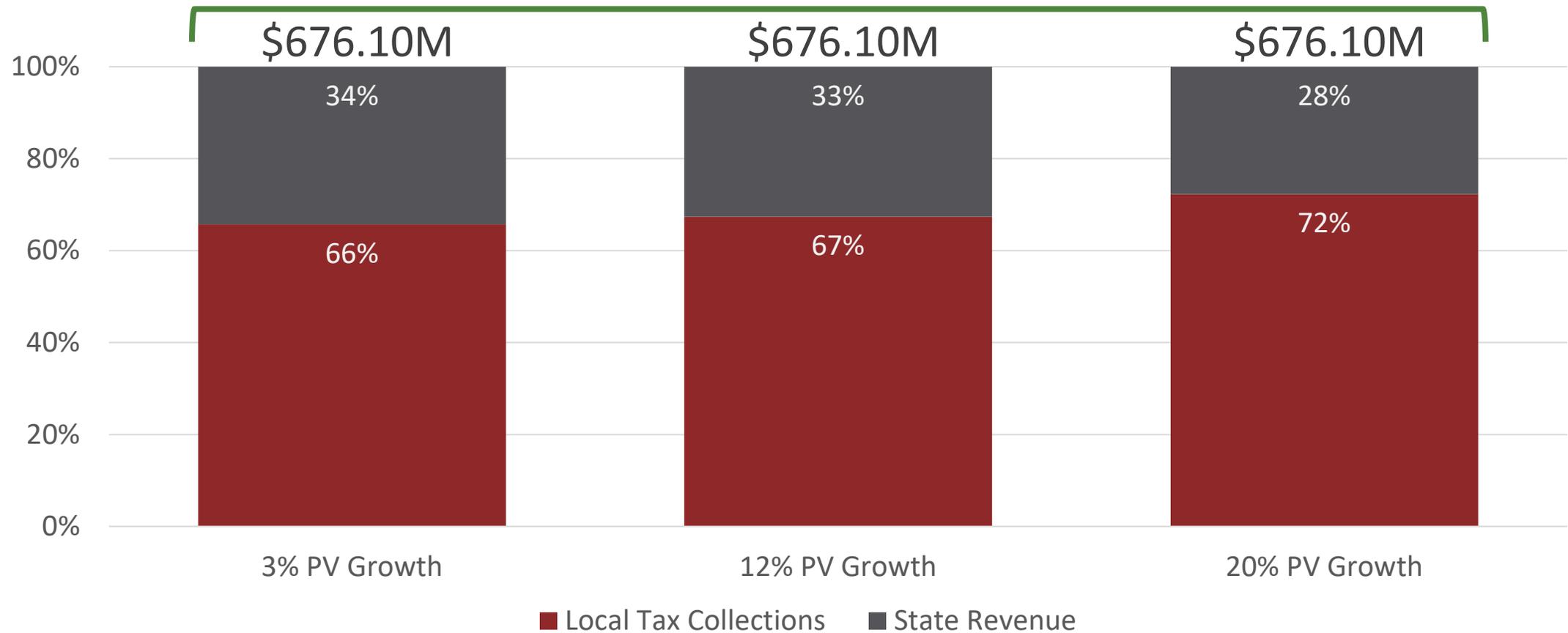


How public education is funded in Texas

- Foundation School Program (FSP) establishes how much state funding school districts and charter schools receive
- Funding is formula driven and set by statute
- Formulas consider student and district characteristics, including:
 - » Number and type of students enrolled
 - » District size and geographic factors,
 - » Local taxable property values and tax rates
- Formulas determine how much is locally funded
 - » Property taxes vs. state funding

10

Maximum Revenue FBISD Can Receive Under FSP without Tax Rate Increase: \$676.10M



11

As District receives more local tax collections, state revenue decreases.

2022-23 General Fund

Proposed Budget

2022-23 General Fund Highlights

 Meets 90-day operating reserve requirement

 Uses \$27M of ESSER III

 Includes expenditure reductions

 Includes compensation adjustments

 Includes instructional staff additions

2022-23 Proposed Budget Assumptions

| | |
|--|-----------------------------------|
| Enrollment Avg Daily Membership | 78,617 77,492 |
| Average daily attendance rate | 96.5% |
| Special Education enrollment | 11.9% of total enrollment |
| Property value growth (FBCAD) | 12.0% |
| Weighted average daily attendance growth | 4.5% |
| Free and reduced count | 37,998 48% of total enrollment |

14

2022-23 Proposed Budget Assumptions

Compensation adjustments

- Teacher Starting Rate: \$59,500
- Employees on teacher pay scale raise: \$1,500
- Non-Teaching Staff raise: 2% midpoint; auxiliary 3% of midpoint
- No changes to employee health premium

\$14.1M

15

2022-23 Budget Savings and Strategic Abandonment

| | |
|---|----------------|
| Strict adherence to staffing guidelines | \$8.3M |
| Anticipated sub cost savings | 3.0M |
| Discontinue substitute incentive pay | 1.8M |
| Central Admin position savings | 1.6M |
| Audit services reduced | 0.3M |
| Software reductions | 0.2M |
| Optional insurance coverages | 0.2M |
| TOTAL | \$15.4M |

16

General Fund Outlook without ESSER

| (\$ millions) | 2020-21 | 2021-22 | 2022-23 |
|-----------------------------|-----------------|------------------------|--------------------|
| | Actuals | Year-End Projection | Proposed Budget |
| Total Revenue | \$ 724.9 | \$ 721.3 | \$ 719.2 |
| Total Expenditures | 757.9 | 754.9 | 768.0 |
| Use of ESSER funds | - | - | - |
| Transfers In/(Out) | (1.5) | 2.5 | 2.0 |
| Change in Fund Balance | (34.5) | (31.1) | (46.8) |
| Fund Balance - Beginning | 241.2 | 206.7 | 175.6 |
| Fund Balance - Ending | <u>\$ 206.7</u> | <u>\$ 175.6</u> | <u>\$ 128.8</u> |
| Fund Balance Reserve - % | 25% | 23% | 16% |
| Fund Balance Reserve - Days | 91 days | 84 days | 60 days |

General Fund Outlook with ESSER

| (\$ millions) | 2020-21 | 2021-22 | 2022-23 |
|-----------------------------|-----------------|------------------------|--------------------|
| | Actuals | Year-End Projection | Proposed Budget |
| Total Revenue | \$ 724.9 | \$ 721.3 | \$ 719.2 |
| Total Expenditures | 757.9 | 754.9 | 768.0 |
| Use of ESSER funds | <u>(9.2)</u> | <u>(12.0)</u> | <u>(27.0)</u> |
| Transfers In/(Out) | <u>(1.5)</u> | <u>2.5</u> | <u>2.0</u> |
| Change in Fund Balance | (25.3) | (19.1) | (19.8) |
| Fund Balance - Beginning | <u>241.2</u> | <u>215.9</u> | <u>196.8</u> |
| Fund Balance - Ending | <u>\$ 215.9</u> | <u>\$ 196.8</u> | <u>\$ 177.0</u> |
| Fund Balance Reserve - % | 26% | 25% | 25% |
| Fund Balance Reserve - Days | 94 days | 92 days | 90 days |

Why does the district have a Budget Deficit

Expenditure impacts

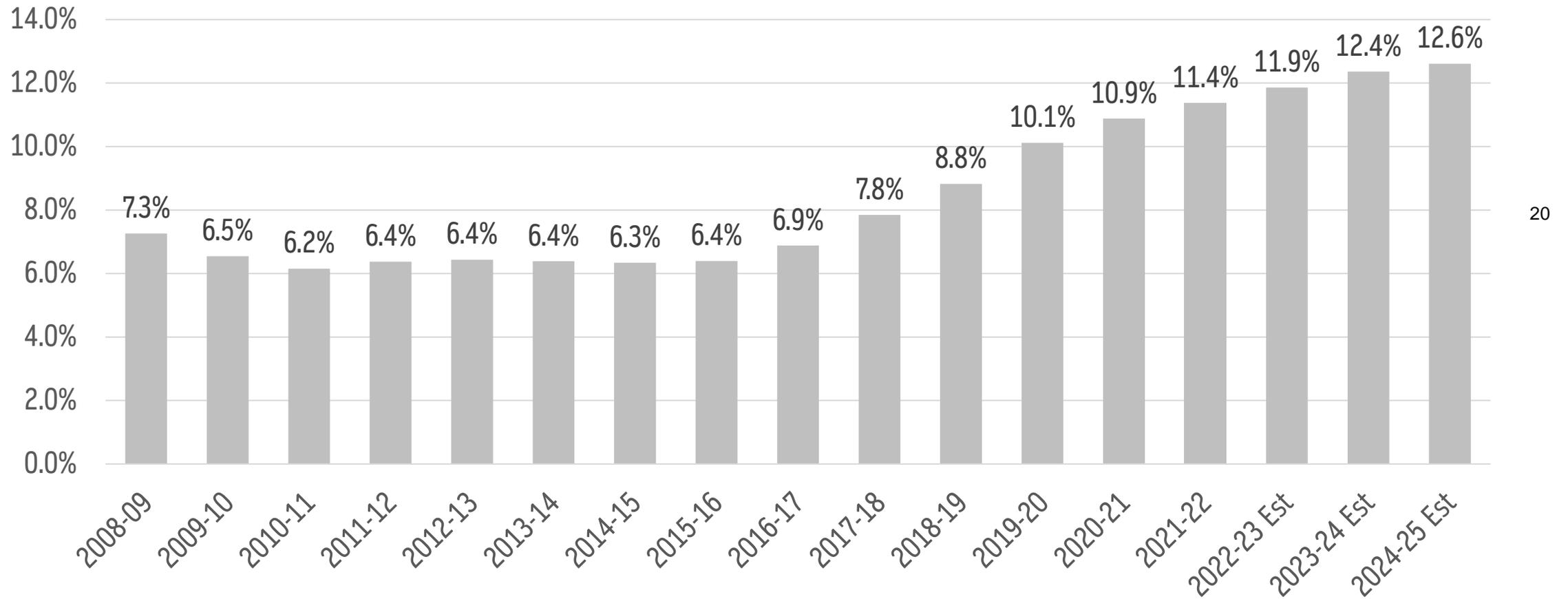
- Inflation
- Raises for employees
 - » Necessary to stay competitive with other Districts
 - » FY2021-22: 6% for teachers; 4% non-teaching (\$36M)
- Dual learning model during 2020-21 school year (F2F vs. Online)
- New programs implemented (2017-18 through 2021-22)
- Increased staff absences (\$6.0M increase in sub costs)
- Increased staffing due to students identified needing SPED services (27 FTEs)

19

Revenue impact

- Lower student enrollment growth during Covid-19

Special Education Enrollment



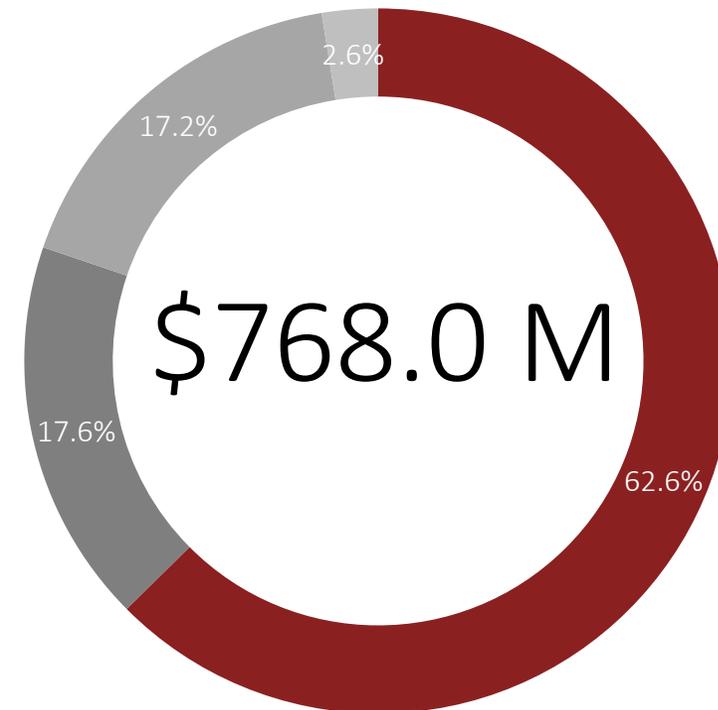
New Programs Implemented

(2017-18 through 2021-22)

| \$(Millions) | Total |
|------------------------------------|----------------|
| Teacher planning time | \$9.93 |
| Full-day pre-kindergarten | \$9.10 |
| Early literacy centers | \$6.50 |
| Early college high schools/P-Tech | \$4.36 |
| EDGE | \$2.96 |
| Mental health counselors | \$1.40 |
| Reading academy (unfunded mandate) | \$1.21 |
| Elementary interventions | \$1.10 |
| Early intervention academy | \$0.92 |
| James Reese CTC | \$3.49 |
| Cybersecurity (unfunded mandate) | \$0.44 |
| Innovative programming | \$0.26 |
| Collaborative Communities | \$0.13 |
| Grand Total | \$41.80 |

2022-23 Proposed Budget by Functional Area

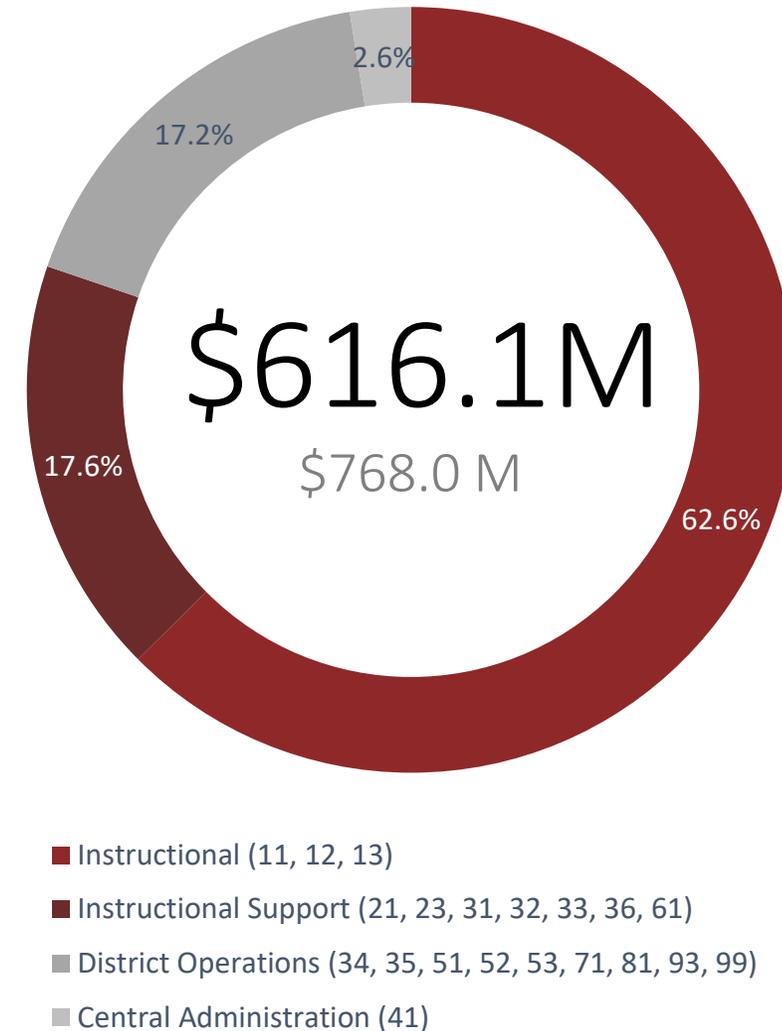
| Functional Area | 2022-23 |
|-----------------------|------------------|
| Instructional | \$480.6 M |
| Instructional Support | 135.5 M |
| District Operations | 132.2 M |
| Central Admin | 19.6 M |
| Total | \$768.0 M |



- Instructional (11, 12, 13)
- Instructional Support (21, 23, 31, 32, 33, 36, 61)
- District Operations (34, 35, 51, 52, 53, 71, 81, 93, 99)
- Central Administration (41)

Instruction & Support

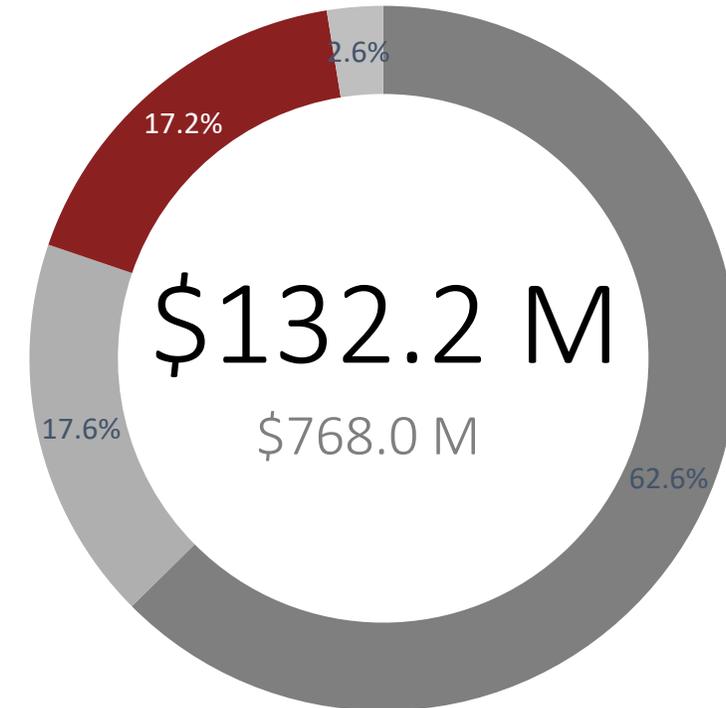
- Represents 80.2% of total budget at \$616.1 M
- Includes the following major functional areas:
 - » Instructional
 - Instruction (11)
 - Instructional Resources Media (12)
 - Curriculum Development (13)
 - » Instructional Support
 - Instructional Leadership (21)
 - School Leadership (23)
 - Guidance Counseling (31)
 - Social Work Services (32)
 - Health Services (33)
 - Co Curricular & Extra Curricular (36)
 - Community Services (61)



23

District Operations

- Represents 17.2% of the budget at \$132.2 million
- Includes the following major services
 - » Utilities
 - » Police
 - » Building maintenance and repairs
 - » Lawn maintenance
 - » Information Technology and software services
 - Student software systems
 - Financial/HR applications
 - » Student transportation
 - » Property appraisals

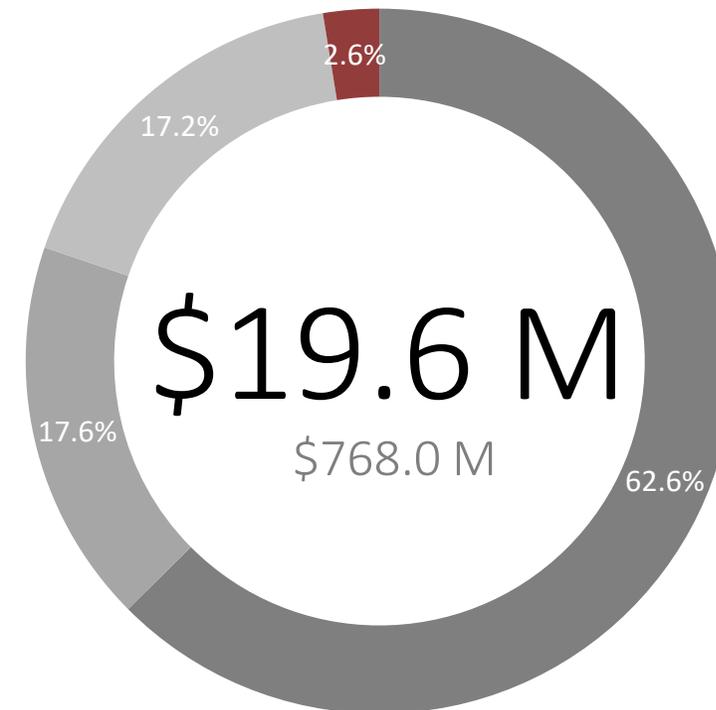


- Instructional (11, 12, 13)
- Instructional Support (21, 23, 31, 32, 33, 36, 61)
- District Operations (34, 35, 51, 52, 53, 71, 81, 93, 99)
- Central Administration (41)

Central Administration

Approximately 2.6% of the budget at \$19.6 million

- Accounting
- Accounts Payable
- Budget
- Communications
- District Leadership
- General Counsel
- Human Resources
- Purchasing
- Risk Management
- Special Revenues



25

- Instructional (11, 12, 13)
- Instructional Support (21, 23, 31, 32, 33, 36, 61)
- District Operations (34, 35, 51, 52, 53, 71, 81, 93, 99)
- Central Administration (41)

General Fund Three Year Outlook

Three-Year Outlook Assumptions

Revenues

- Assumes PASA moderate enrollment growth for 2023-24 and beyond
- Special Education enrollment growth 0.5% of total student population in 2023-24 through 2025-26
- Assume no changes in basic allotment in 2024-2025 Biennium

27

Expenditures

- New teaching and campus support staff
- 2% general pay increase and teacher step each year (at minimum)
- Contributions to health benefits fund
- Staffing for new campuses starting in 2023-24 (Crawford HS, Bhuchar ES, and Ferguson ES)

26

Three Year General Fund Outlook

| (\$ millions) | 2020-21 | 2021-22 | 2022-23 | | |
|-----------------------------|-----------------|------------------------|--------------------|---------------------|---------------------|
| | Actuals | Year-End Projection | Proposed Budget | 2023-24 Forecast | 2024-25 Forecast |
| Total Revenue | \$ 724.9 | \$ 721.3 | \$ 719.2 | \$ 738.9 | \$ 749.7 |
| Total Expenditures | 757.9 | 754.9 | 768.0 | 799.0 | 827.9 |
| Use of ESSER | <u>(9.2)</u> | <u>(12.0)</u> | <u>(27.0)</u> | <u>-</u> | <u>-</u> |
| Transfers In | <u>(1.5)</u> | <u>2.5</u> | <u>2.0</u> | <u>2.5</u> | <u>2.5</u> |
| Change in Fund Balance | (25.3) | (19.1) | (19.8) | (57.6) | (75.7) |
| Fund Balance - Beginning | <u>241.2</u> | <u>215.9</u> | <u>196.8</u> | <u>177.0</u> | <u>119.4</u> |
| Fund Balance - Ending | <u>\$ 215.9</u> | <u>\$ 196.8</u> | <u>\$ 177.0</u> | <u>\$ 119.4</u> | <u>\$ 43.7</u> |
| Fund Balance Reserve - % | 26% | 25% | 25% | 15% | 5% |
| Fund Balance Reserve - Days | 94 days | 92 days | 90 Days | 53 days | 18 days |

Fiscal & Budgetary Strategy Changes & Designated Fund Balance

- Fiscal & Budgetary Strategy Recommendations
 - » Major Maintenance
 - Will fund if sufficient fund balance capacity is available
 - Major maintenance committed balance not funded for FY 2022-23
 - » Operating Reserve Calculation
 - Excludes TRS on behalf from expenditures when calculating 90-day reserve requirement
 - TRS on behalf is non-cash memo entry increasing expenses and revenues for states contributions on behalf of district employees
- Designated Fund Balance
 - » Designates state revenue stabilization (30-day operating reserve)
 - » Place holder for amount to be set aside for campus activity funds

Debt Service Fund

M&O Tax Rate vs. I&S Tax Rate

Maintenance & Operations Tax Rate (M&O)

- Funds district operations
 - » Employee salaries and benefits
 - » Student educational resources
 - » Classroom supplies
 - » Utilities
 - » Property insurance

Interest & Sinking Tax Rate (I&S)

- Can only be used to pay for principal and interest on bonds sold for construction and capital improvements, land, and FF&E

31

Debt Service Fund Assumptions

- 2021-22
 - » Expenditures less than budgeted due to interest savings on commercial paper issuances and lower than anticipated closing costs on most recent transaction
- 2022-23
 - » Valuation growth of 12% based on central appraisal district; properties with residential homestead capped at 10%
 - » Assumes a 2¢ reduction to the tax rate (from 29¢ to 27¢)
 - » Current and future debt issuance for 2014 and 2018 bond program supported
 - » Supports up to \$1 billion in new debt for a future bond at 27¢

32

Debt Service Fund

| (\$ Millions) | 2021-22 | 2022-23 |
|------------------------------|-------------------------|-------------------------|
| | <u>Projected</u> | <u>Proposed</u> |
| Local Revenue | \$ 135.11 | \$ 141.41 |
| State Revenue | 1.28 | 1.34 |
| Total Revenues | <u>136.39</u> | <u>142.75</u> |
| Debt Service | <u>130.29</u> | <u>126.23</u> |
| Total Expenditures | <u>130.29</u> | <u>126.23</u> |
| Other Sources/Uses | <u>(0.10)</u> | <u>-</u> |
| Changes in Fund Balance | 6.00 | 16.52 |
| Fund Balance - Beginning | <u>107.43</u> | <u>113.43</u> |
| Fund Balance - Ending | <u><u>\$ 113.43</u></u> | <u><u>\$ 129.95</u></u> |

33

* Fund Balance will be utilized to pay for August debt payments of \$100.6 million.

Child Nutrition Fund

Child Nutrition Fund Assumptions

2021-22

- Anticipate ending the year with a surplus
- Summer Seamless Option (SSO) expires at end of school year
- Impacted by supply chain and staffing constraints

35

2022-23

- Includes compensation adjustment
(2% of midpoint; minimum of \$1,000 for auxiliary staff)
- Continued impact of supply chain and staffing constraints
- Meal cost increases based on use of required TDA paid lunch equity tool;
no impact to students receiving free/reduced meals

34

Child Nutrition Fund

| (\$ Millions) | 2021-22 Adopted | 2021-22 Projected | 2022-23 Proposed |
|------------------------------|--------------------|----------------------|---------------------|
| Total Revenues | \$ 34.90 | \$ 46.34 | \$ 35.78 |
| Total Expenditures | 34.39 | 34.10 | 35.78 |
| Changes in Fund Balance | 0.51 | 12.24 | - |
| Fund Balance - Beginning | 0.02 | 0.02 | 12.26 |
| Fund Balance - Ending | \$ 0.53 | \$ 12.26 | \$ 12.26 |

36

Next Steps

- Adopt Budget: June 20
- Discuss VATRE: July board meeting
- Adopt Tax Rate: August board meeting

Impact of a Potential VATRE

| Analysis on average tax payer with adjustments to FBISD Tax Rate | | \$0.020 | \$0.055 | \$0.075 | \$0.110 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Actual | VATRE | VATRE | VATRE | VATRE |
| Tax Year | TY2021 | TY2022 | TY2022 | TY2022 | TY2022 |
| Avg Market Value of Homes | 304,584 | 381,308 | 381,308 | 381,308 | 381,308 |
| Avg Assessed Value of Homes | 301,576 | 331,266 | 331,266 | 331,266 | 331,266 |
| Cap Limitation | 3,008 | 50,042 | 50,042 | 50,042 | 50,042 |
| State Homestead Exemption | 25,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Avg Taxable Value of Homes | 276,576 | 291,266 | 291,266 | 291,266 | 291,266 |
| Base Rate | 0.8601 | 0.8046 | 0.8046 | 0.8046 | 0.8046 |
| Golden Pennies | 0.0600 | 0.0800 | 0.0800 | 0.0800 | 0.0800 |
| Copper Pennies | - | - | 0.0355 | 0.0555 | 0.0900 |
| M&O Rate | 0.9201 | 0.8846 | 0.9201 | 0.9401 | 0.9746 |
| I&S Rate | 0.2900 | 0.2700 | 0.2700 | 0.2700 | 0.2700 |
| Total Tax Rate | 1.2101 | 1.1546 | 1.1901 | 1.2101 | 1.2446 |
| Taxes Due on Avg Home - Annual | 3,346.84 | 3,362.96 | 3,466.36 | 3,524.61 | 3,625.10 |
| Taxes Due on Avg Home - Month | 278.90 | 280.25 | 288.86 | 293.72 | 302.09 |
| Tax (Reduction)/Addition - Annual Amt | - | 16.12 | 119.52 | 177.77 | 278.26 |
| Tax (Reduction)/ Addition - Month Amt | - | 1.34 | 9.96 | 14.81 | 23.19 |

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Questions?