tasbo

Rightsizing a Deficit Budget

Coming Next Year

2019 – 2026: Disruptive Events

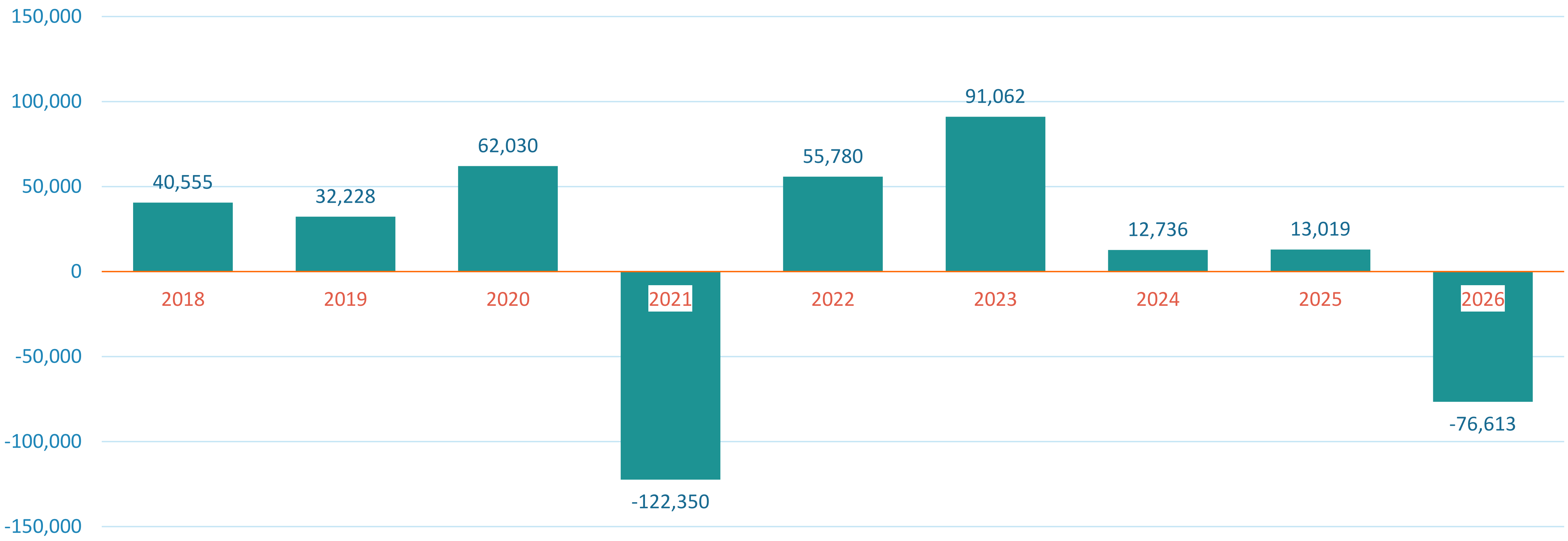
2026 Status of School Budgets

Setting the Stage for Budget Work

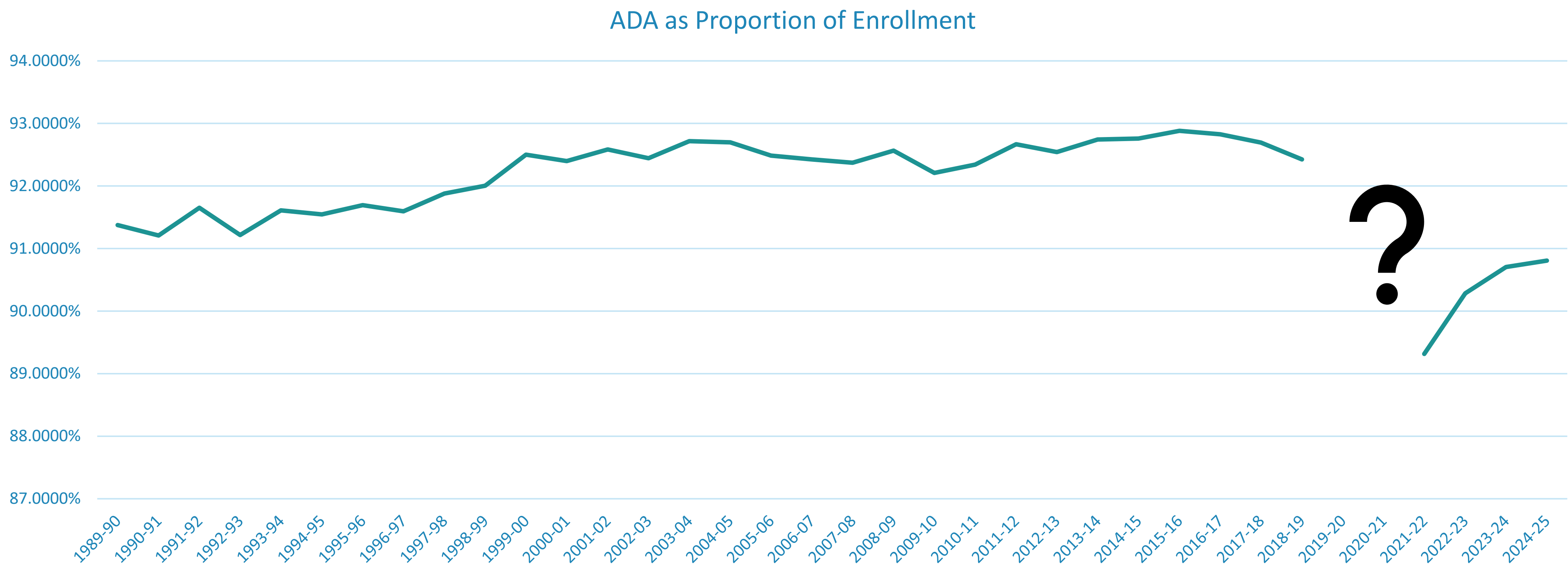
Strategies for Budget Rightsizing

Texas School Finance Reality

Statewide Enrollment Change from Prior Year

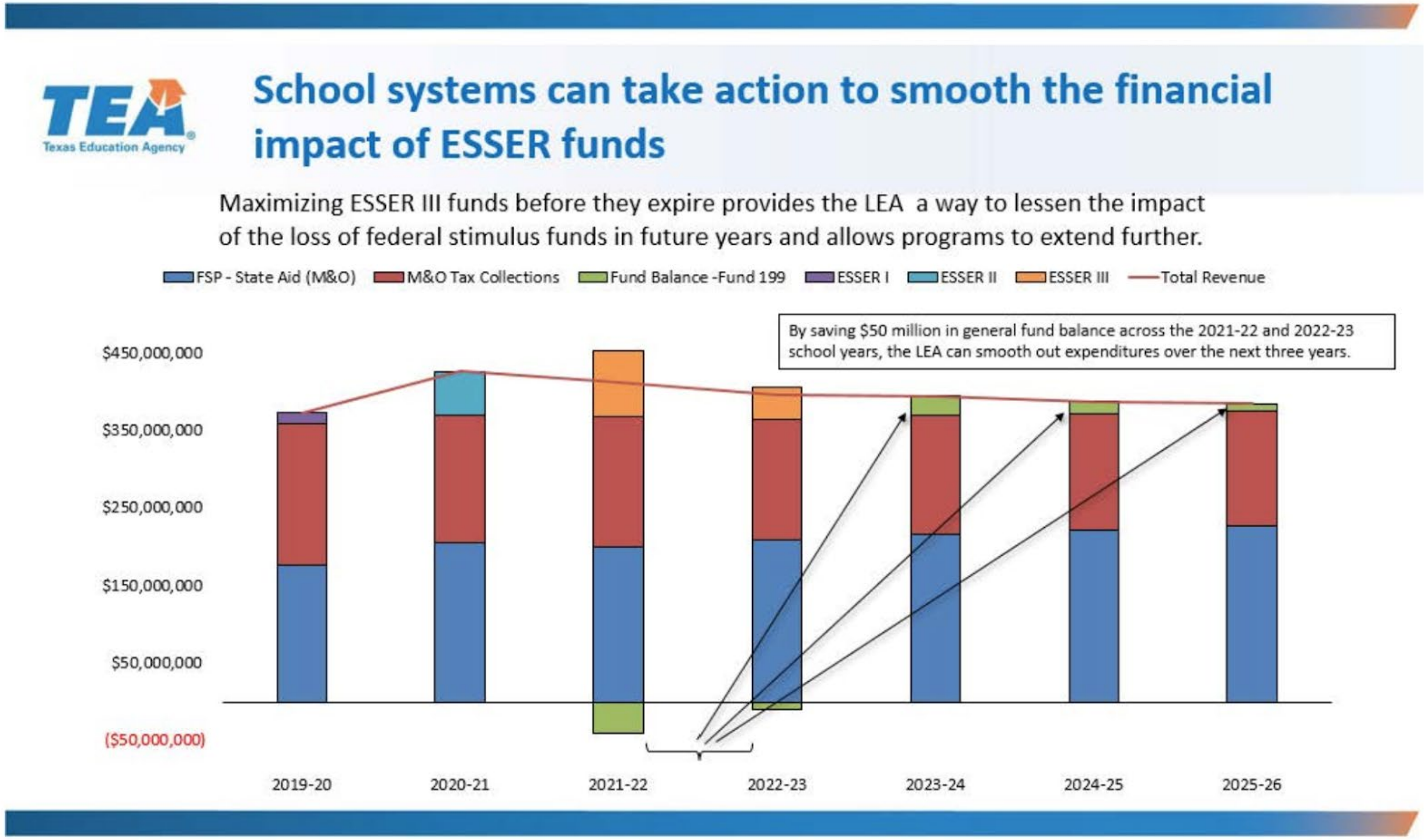


Attendance Rates

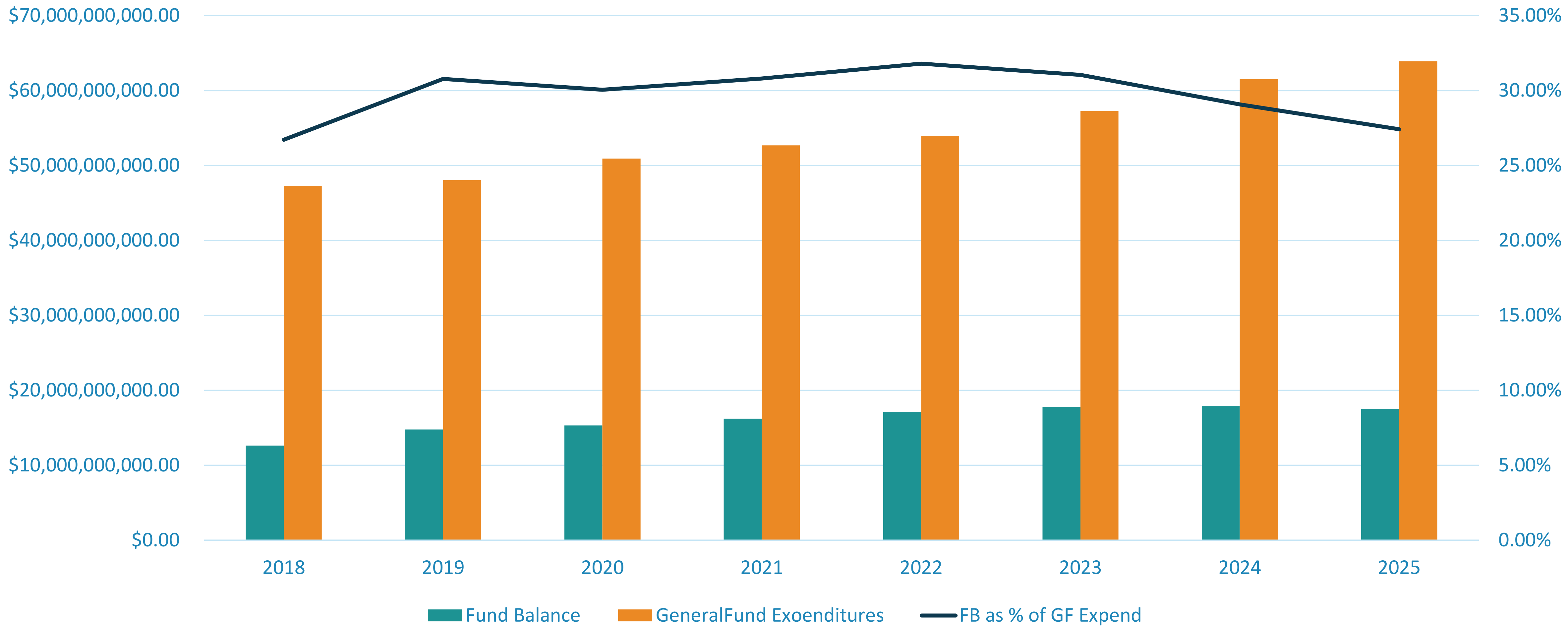


ADA is PEIMS reported ADA without any hold harmless granted by the state
FY 20 and FY 21 are not shown here dur to pandemic interruptions in in person attendance

How is your district adjusting to the loss of ESSER?

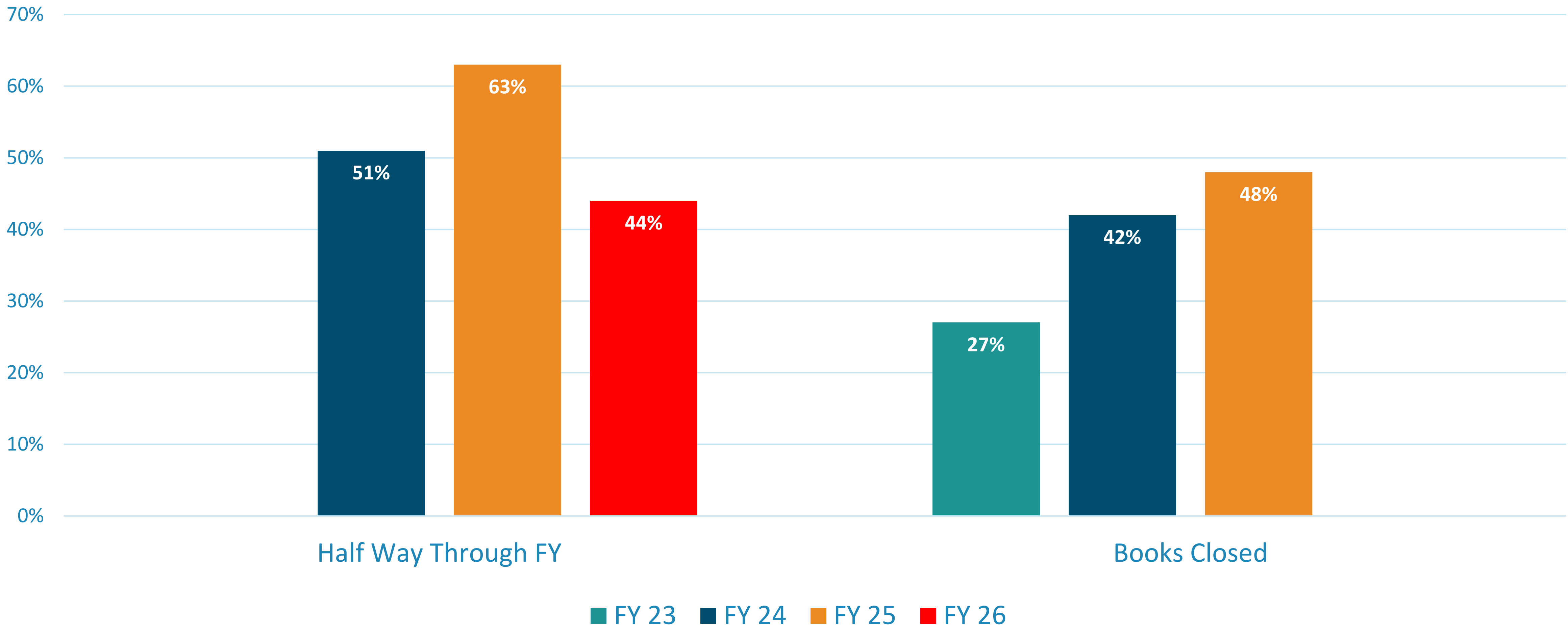


GF Unassigned Balance as a % of GF Expenditures



State of FY 2026 Budgets

Will the District End the Fiscal Year in a Deficit



Best Guess 4+ Months from Budget Adoption?

	Anticipate Using Fund Balance	Do Not Anticipate Using Fund Balance	Total
Will Need to Make Budget Cuts	FY 25: 56.5% FY 26: 55.3% **FY 27:42.2%**	FY 25: 16.3% FY 26: 25.5% **FY 27: 27.5%**	FY 25:72.8% FY 26: 80.8% **FY 27: 69.7**
Will NOT Need to Make Budget Cuts	FY 25: 17.3% FY 26: 13.7% **FY 27: 12.7%**	FY 25: 9.9% FY 26: 5.8% **FY 27: 17.6%**	
Total	FY 25: 73.8% FY 26: 69.0% **FY 27: 54.9%**		

FY 2025: 73.8% reported planned use of fund balance. FY 27: 54.9% reported planned use of fund balance

Student to Staff Ratio

Statewide Total – All Funds

	2019
Students	5,431,910
Staff	721,011
	7.53

Student to Staff Ratio

Statewide Total – All Funds

	2019	2020	2021
Students	5,431,910	5,493,940	5,371,586
Staff	721,011	736,305	746,846
	7.53	7.46	7.19
Change in Students		62,030	-122,354
Change in Staff		15,294	10,541

Student to Staff Ratio

Statewide Total – All Funds

	2019	2020	2021	2022	2023	2024	2025	2026
Students	5,431,910	5,493,940	5,371,586	5,427,370	5,518,432	5,531,236	5,544,255	5,467,642
Staff	721,011	736,305	746,846	753,387	765,337	777,575	766,320	767,926
	7.53	7.46	7.19	7.20	7.21	7.11	7.23	7.12
Change in Students		62,030	-122,354	55,784	91,062	12,804	13,019	-76,613
Change in Staff		15,294	10,541	6,541	11,950	12,238	-11,255	1,606

Educational Justification for Added Staff

- Learning Loss from the Pandemic
- Declining Enrollment in Some Schools
- Increased Special Education Population as a Percentage of the Total
- New Legal Requirements

Setting the Stage

Communication

- Know your district's fund balance policy (TASB CE Local if you have it)
- Review it annually along with data about your financial position
- Establish a goal and a timeline for reaching it
- Work on a root cause analysis (focusing on what you can control)
  - Are you struggling to reduce staff as student enrollment has declined?
  - Do you have campuses operating under capacity?
  - Do you have good position control
  - Do you have campus staffing guidelines and are they being used effectively?
- Tone
  - Avoid getting defensive if people want to understand more
  - Balance sense of urgency with reassurance that the team will rise to the occasion
  - Acknowledge the importance of the work being done by all – you may not be spending more than you need, but you may be spending more than you have

Set Local Fund Balance Policy

Sample to the Right

ANNUAL OPERATING BUDGET

CE (LOCAL)

Fund Balance

To keep the District in a strong financial position, it is the goal of the Board to maintain a fund balance of the general operating fund at an adequate level.

The District shall strive to maintain an assigned and unassigned fund balance in the general operating fund

– at or near ________ months' operating expenditures.

OR

– equal to at least ________ percent of the total annual operating expenditures of the general operating fund.

If the Board determines that this level of fund balance is not obtainable in the proposed budget under consideration, it shall be the goal of the Board to reach this level within a specified period of time, not to exceed three years.

Fund Balance Considerations

- **FIRST Ratings**
  - **Indicator 5** – Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest for capital appreciation bonds, net pension liability, and other post-employment benefits) greater than zero?
  - **Indicator 6** – Was the average change in assigned and unassigned fund balance over 3 years less than a 25% decrease **or** did the current year assigned and unassigned fund balance exceed 75 days of operational expenditures?
  - These are Ceiling Indicators. If a district fails either indicator the highest possible rating is a B = Above Standard Achievement.
- Cash Flow
- Bond Ratings
- If you set a policy, make sure you are prepared to meet it.

Craft the Budget Story

Concisely be prepared to answer:

- What is the size of your district's budget hole?
- What is a reasonable timeframe for getting to structurally balanced?
- What are two to three key factors contributing to your challenge?

Time Frame

- **Urgent / Immediate**
  - we will close FY 26 with less than 1 month's operating expenditures or
  - we will have a cash flow problem in FY 27 (we will have an insufficient balance in one or more months to make payroll)
- **Serious / Medium Term**
  - we need to bring the budget into balance within the next one or two years
- **Preventative / Long Term**
  - We have a healthy fund balance, but we want to make sure we remain in a good position

Urgent / Immediate

- Complete a cash flow analysis
- Determine whether you will need short term financing (TAN)
- Determine how much you must cut within the current fiscal year
- Create a communications plan
- Consider a hiring freeze
- Research the implications of a reduction in force if necessary
- Make sure you have notified leadership
- Identify sources of assistance where needed

Medium or Long Term

- Begin the budget process early
- Review fund balance policy with stakeholders
- Establish a goal for the FY 2027 budget deficit
- Consider early resignation incentive for FY 2027
- Conduct analysis of staffing / spending over time, compared to peers
- Begin researching potential cuts / revenue enhancements

Specific Strategies

How accurate have your budget projections been?

Revenue

	2023	2024
Budget	$61,705,286,120	$64,147,147,216
Actual	$64,322,480,855	$65.703.193.064
Difference	$2,617,194,735	$1,556,045,848
% Difference	4.2%	2.4%

Spending

	2023	2024
Budget	$63,968,264,020	$66,783,090,863
Actual	$63,572,163,479	$65,807,388,373
Difference	-$396,100,541	-$975,702,490
% Difference	-0.62%	-1.46%

Consideration: Can a portion of your deficit be addressed through closer estimates of revenue and spending?

Budget Choices

- Revenue
  - Student Counts
    - Total
    - Special Program
  - The Relationship between property taxes and PVS values
  - Anticipated PVS appeals and audits
  - Interest income
- Expenditures
  - Vacancy rates
  - Salary assumptions
  - Non-personnel costs

Benchmarking

- Examine spending and staffing
  - Over time
  - By function
  - By role
  - Compared to similar districts

Pretend ISD: Student to Staff Ratio

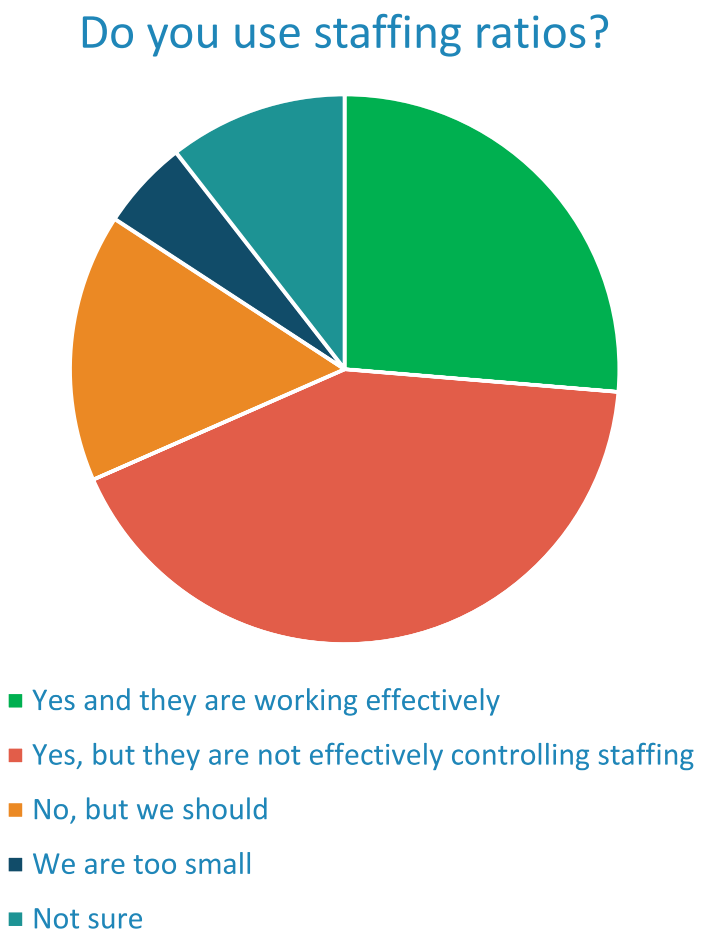
	11 Instruction	12 Instructional Resources and Media Services	13 Curriculum Development and Instructional Staff Development
Pretend ISD	12.43	554.29	457.69
Peer 1	14.21	570.25	900.43
Peer 2	13.07	931.72	383.94
Peer 3	14.42	907.57	378.29
Peer 4	10.13	581.95	948.94
Average	12.96	747.87	652.90

Pretend ISD: FTEs at Peer Average

	11 Instruction	12 Instructional Resources and Media Services	13 Curriculum Development and Instructional Staff Development
Pretend ISD FTEs	1,680	37.67	45.62
Pretend ISD FTEs if staffed at Peer Average (your enrollment divided by average student to staff ratio)	1,611	28	32
Pretend ISD FTEs Over (Under) Peer Average	69	10	14

- Where are you over / understaffed compared to peer average?
- Are there extenuating circumstances that cause the difference? (a peer contracts out for services you provide in house, for example)
- What would you save if you were staffed at peer average?
- What would it take for you to be staffed at peer average?

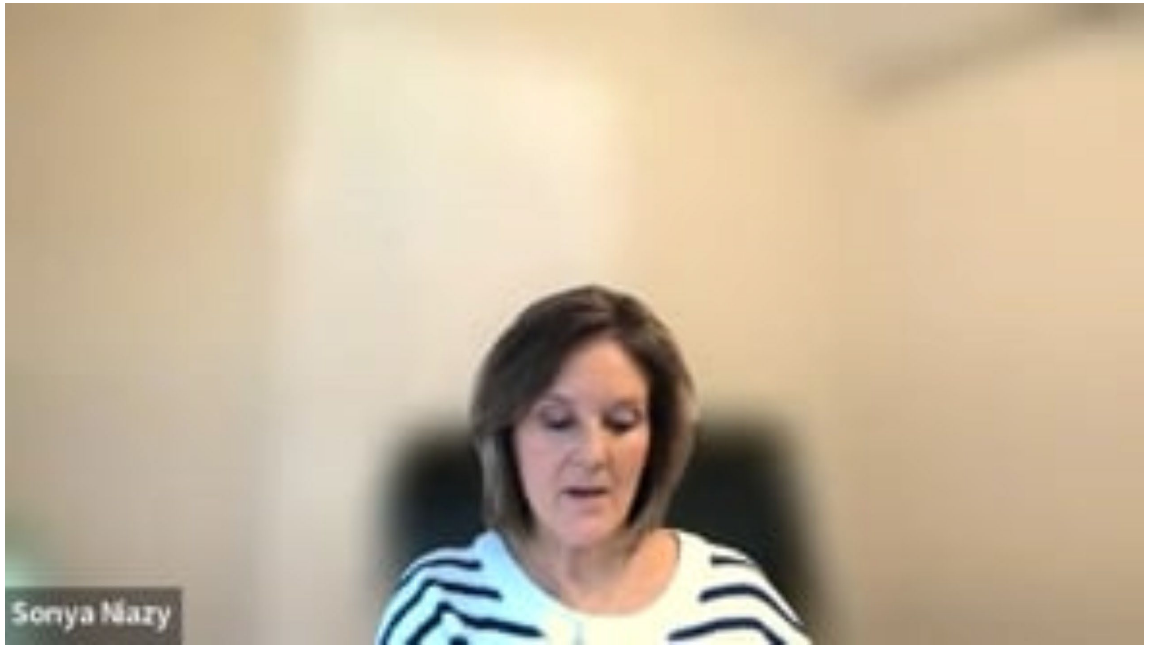
Effective Use of Staffing Formulas



Create a Process to Review Vacancies

- Involve broad team
  - Superintendent
  - HR
  - Position Control
  - Finance
  - Cabinet (representing all levels)

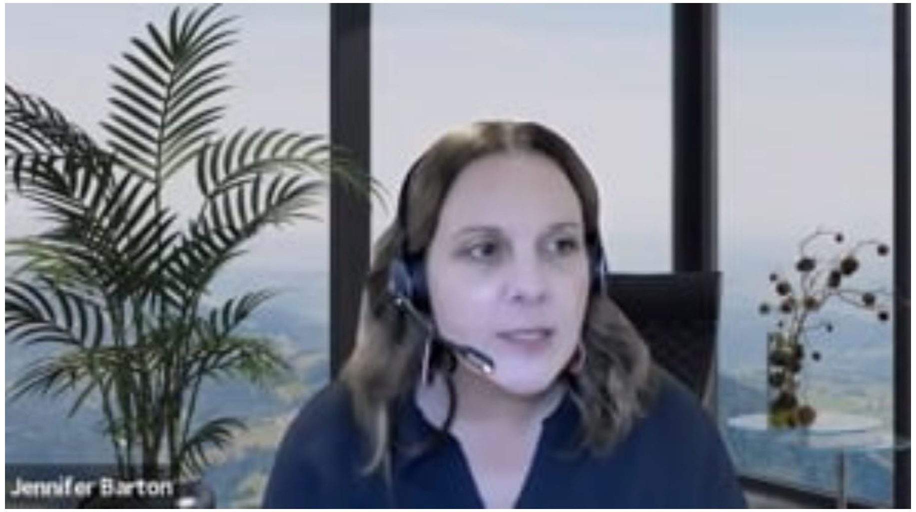
- Create time and space to meet
- Before filling any position, examine needs, set up process for approval



Moving Forward for the FY 27 Budget

- Does revenue ADA match spending ADA?
- Do you have a process for reviewing the accuracy of campus ADA projections and course correcting?

Consider Small Schools



- Small schools are expensive
- If they are to remain open, staffing may need to look different
- Considerations may include:
  - Trading a librarian for a library aid or a part time librarian
  - Choosing between certain positions (i.e. a counselor or an assistant principal)
  - Using auxiliary staff where appropriate

Turn Over Every Rock

Subscription Costs

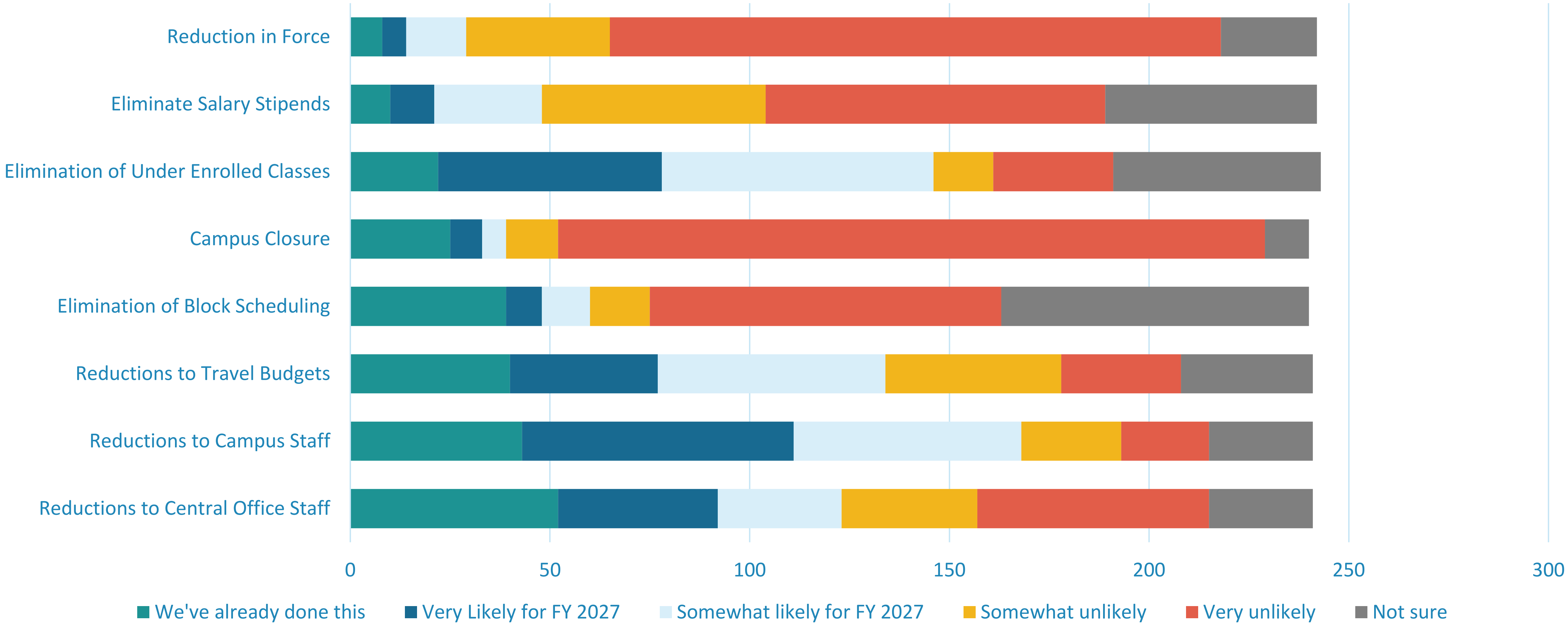
Substitute Costs

Per pupil campus allocations

Copies

Stipends

Likelihood of Specific Cuts in FY 27



Revenue Enhancement

- Enrollment Expansion
- Attendance Rate Improvements
- TREs
- Improved collections / PVS appeals
- Program Expansion

Enrollment Strategies

- Do the following employees see themselves as integral to your efforts to recruit and retain families
  - ☐ The campus principal
  - ☐ Classroom teachers
  - ☐ Bus drivers
  - ☐ Campus secretaries
  - ☐ School crossing guards
  - ☐ Your PTA leadership

- Have these staff been trained on customer service and do they understand their role in recruitment and retention?

Enrollment Strategies

- Which of the following do you have in place?
  - A responsive, user-friendly website that showcases our schools and programs
  - Effective social media campaigns that highlight our achievements and target prospective families
  - Open houses and campus tours
  - Alumni networks that engage with the community and share positive messages about our schools
  - Partnerships with community organizations (sports teams, community centers, sports programs)
  - Targeted email campaigns
  - Content marketing (blog posts, articles, podcasts on education topics)

Two Successful Stories

- Katy ISD and Clear Creek ISD

- Engage multiple stakeholders
- Frequent data examination, establish clear quantifiable goals
- Communicate early and often
- Share ownership with multiple staff, especially campus staff

When Tier 1 tax collections

.

PVS Audits and improved tax collections can begin to close that gap

2025 - 2026 Statewide M&O Collections Detail Report

Last Update: FEB 02, 2026

Payment Cycle: **Preliminary**

Run ID: **46314**

	M&O Programs Detail	LPE	DPE
1.	2025-2026 Local M&O Collections	$26,772,575,485	$26,772,575,485
2.	2025-2026 Local Share for IFA Lease Purchase	($1,518,656)	($1,518,656)
3.	2025-2026 Payment to Tax Increment Fund (TIF)	($137,626,379)	($137,626,379)
4.	2025-2026 Taxes Refunded under Section 26.1115 (c)	$49,551,603	$49,551,603
5.	2025-2026 Total M&O Collections (line 1 - line 2 - line 3 +line 4)	$26,682,982,053	$26,682,982,053
6.	2025 M&O Tax Rate	$0.6779	$0.6779
7.	Yield per Penny (total collections / M&O tax rate / 100)	$393,597,819	$393,597,819
8.	2025(current tax year) Tier One M&O Tax Rate (TR)	$0.5785	$0.5785
9.	M&O Collections @ Tier One M&O Tax Rate (TR) (TR * 100 * yield per penny)	$22,633,115,812	$22,633,115,812
10.	M&O Rate for Level 1 (adopted rate - Tier One M&O Tax Rate, limited to 0.08)	$69.2700	$69.2700
11.	M&O Collections for Level 1 (level 1 rate * 100 * yield per penny)	$2,730,723,579	$2,730,723,579
12.	M&O Collections for Level 2 (line 5 - line 9 - line 11)	$1,252,614,336	$1,252,614,336

47.	Total Cost of Tier One — Tier One Detail Report	$50,848,821,758	$50,848,821,758
48.	Local Fund Assignment	($23,474,352,322)	($23,474,352,322)
49.	Per Capita Distribution from Available School Fund (ASF)	($2,370,320,265)	($2,370,320,265)

Impact of a VATRE

Local results may vary

- Golden pennies
  - 8¢ total
    - 5 of 8 are available *without* a VATRE
    - 3 of 8 require voter approval
  - Estimated combined state & local yield

    $129.52 / 1¢ X 3¢ = $388.56 / WADA
  - Other factors impact yield
    - Local property wealth
    - TEA calculated tax effort (DTR)
  - Not subject to recapture

- Copper pennies
  - 9¢ require voter approval
  - Estimated combined state & local yield, net of recapture

    $49.72 / 1¢ X 9¢ = $447.48 / WADA
  - DTR impacts yield
  - Subject to recapture

Program Expansion Decision Framework

- In the education space, profit loss is a necessary, but not sufficient part of the decision-making process
- Examine the potential additional revenue and also the added cost
  - Can the investment produce more revenue than it costs to operate? If so, the surplus can be applied to other needed programs
  - If not, does the program at least roughly cover its cost? If not, is it worth it for other reasons
    - Important for student learning
    - Important to families
    - Important to staff
- The point is not to stop doing anything that doesn't generate a profit, but rather to make decisions knowing the true cost
- Local object codes can help you test budget assumptions after the fact

ADSY Profit Loss (Hypothetical Example)

Revenue	
Program Enrollment	250
Attendance Rate	90%
Number of Days	30
½ or ¾ Day Funding	1/2
Tier 1 Revenue	$119,861
Golden Penny DTR	$0.08
Copper Penny DTR	$0.0
WADA	19.2857
Tier 2 Revenue	$30,531
Total Revenue	$150,392

Cost	
Number of Teachers	13
Hourly Rate	$40
Hours per Day	5
Total Teacher Salary Cost	$78,000
Benefits Cost (@20%)	$15,600
Supplies and Materials	$1,950
Transportation	$15,000
Administration (principal or AP)	$18,000
Student Support (nurse, paraprofessionals, etc.)	$6,000
Total Cost	$155,550

Additional weighted funding may apply

CATE Expansion (Hypothetical Example)

Revenue		
Class Enrollment		10
Attendance Rate		93%
# of Hours for Class		1
CTE Weight	1.1, 1.28 or 1.47	1.28
FTEs	(Enrollment x Attendance rate x # of Hours)/ 6	1.55
Tier 1 Revenue	Weight x FTEs x Adjusted Allotment	$14,161
Golden Penny DTR	Enter from Tier 2 detail repot on SOF	$0.0583
Copper Penny DTR	Enter from Tier 2 detail repot on SOF	$0.00
WADA	Tier 1 revenue / Adjusted Allotment	2.2785
Tier 2 Revenue	(DTR Gold X 100* WADA * 129.52) + (DTR Copper X 100 X WADA X 49.72)	$1,498
Total Revenue	**Tier 1 + Tier 2**	**$15,881**

Cost		
Teacher Salary	Use average or actual	$60,000
Benefits	Estimated @ 20%	$12,000
Total Teacher Cost		$72,000
Number of Sections Taught per Day		7
Allocated Cost	Total teacher cost / sections	$10,286
All Non-Teacher Costs	Estimated @ 40% of teacher cost	$4,114
Total Cost		**$14,400**

Thank you for your time today!

Contact Information:

Amanda Brownson abrownson@tasbo.org

(512) 462-1711

www.tasbo.org