

Region I Finance Council

1

2/17/2012

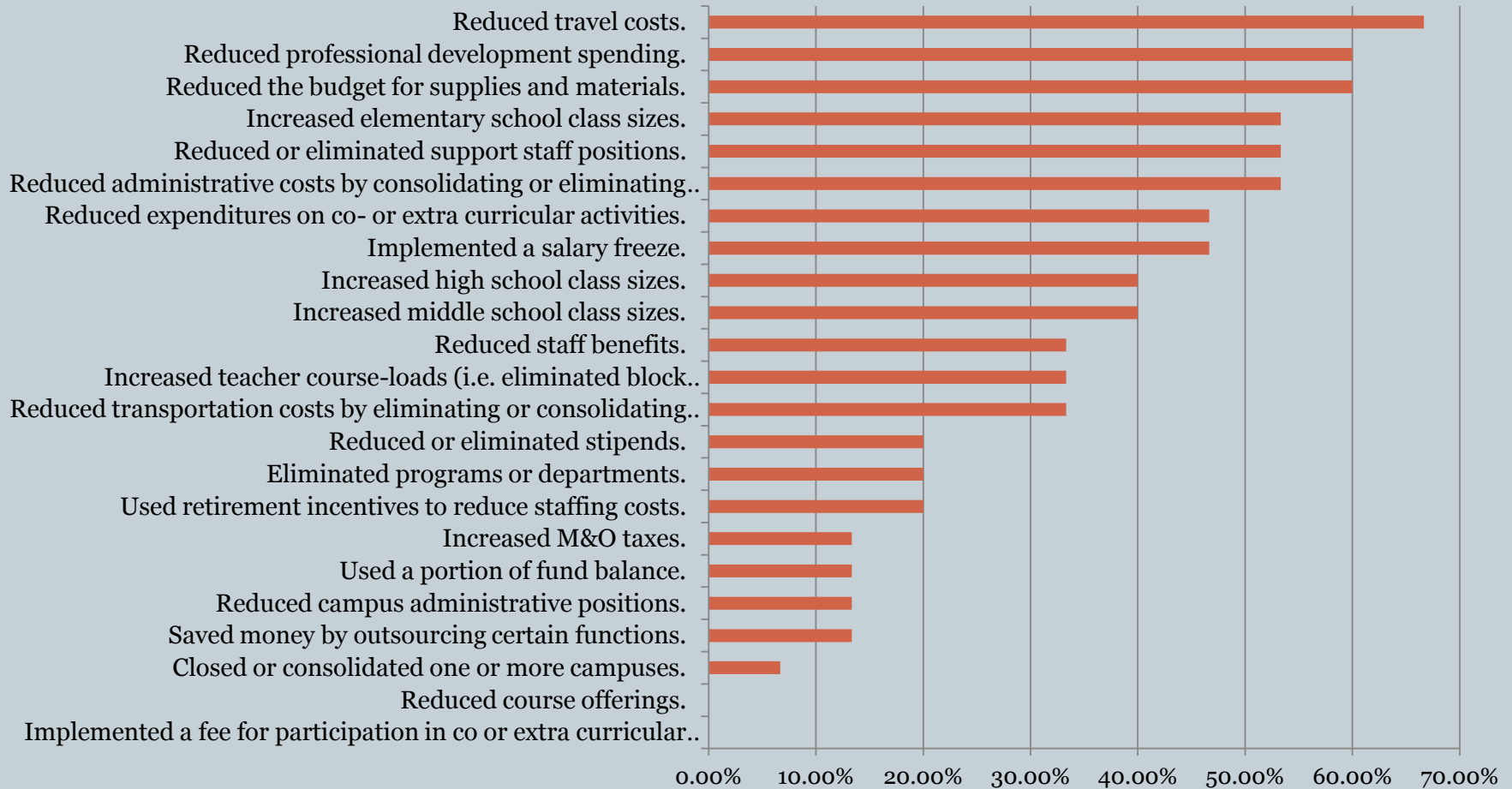
Agenda

2

- Survey on budget practices
- State revenue picture
- District revenue projections
- FAST
- Financial exigency

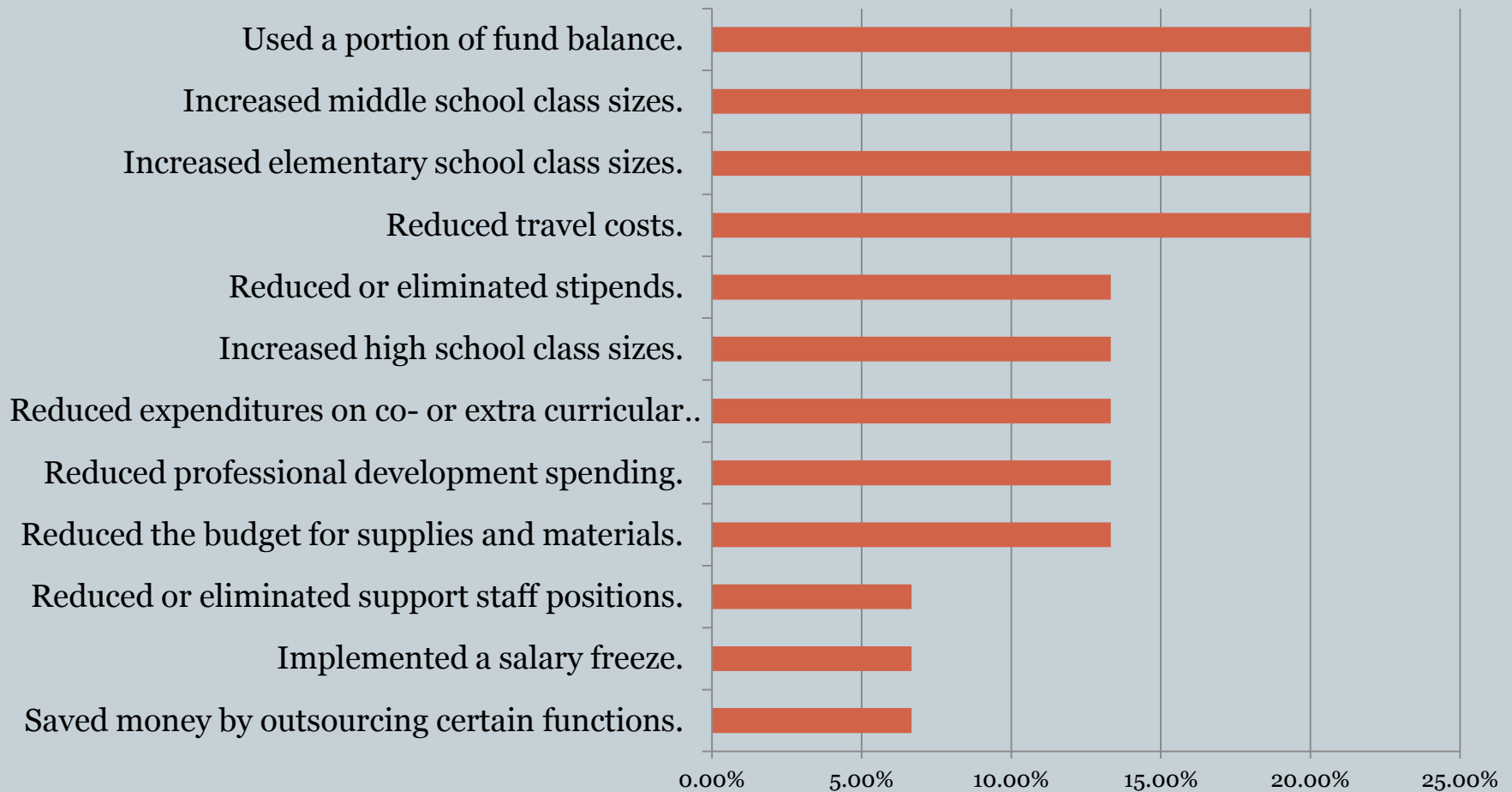
Region I Survey: Implemented in 2011-12

3



Region I Survey: Considering for 2012-13

4



Region I Survey

5

- **DATE Grant:**
 - 15% Secured grant funds
 - 54% Did not participate
 - 31% Eliminated
- **Pre-K Grant**
 - 31% did not participate
 - 15% eliminated
 - 54% cut other programs to continue this
- **SSI Grant**
 - 8% did not participate
 - 69% eliminated
 - 23% reduced other programs to continue this

State Budget Context

6

- Ongoing structural deficit (continued use of one-time funding sources)
- Competing demands from various areas within state government
 - Public Education
 - Health and Human Services
 - State Water Plan
 - Higher Education
 - Transportation
- Growing balance in Economic Stabilization Fund
- Improved economy since last revenue estimate

State Structural Deficit

7

- 2010-11 School Year Impact of Property Tax Relief (in billions)
 - M&O tax revenue at 2006 rates \$23.9 B
 - Reduced M&O property tax - \$17.2 B
 - School district M&O tax relief \$ 6.7 B
 - ✦ Reduced by \$1.1 B due to increased values/rate increases
 - State revenue offset - \$ 2.2 B
 - ✦ \$1.3 B from margins tax
 - Shortfall to be financed \$ 4.5 B

One-time Revenue Sources

8

- **2007**
 - State used surplus and phased-in property tax reductions
- **2009**
 - Federal Stimulus Funds: \$6.4 billion GR reductions paid for through stimulus
- **2011**
 - FSP payment delay: \$2.0 billion
 - Tax speed-ups: \$700 million
 - Under-funded Medicaid: \$4.8 billion (\$3.8 billion after certification of surplus funds by comptroller).

Economic Stabilization Fund

9

- **Rainy Day Fund estimates growing**
 - \$7.3 billion currently estimated by end of 2013
 - \$6.5 billion estimated at the end of the legislative session
 - Rep. Donna Howard was right during floor debate about improvements in Rainy Day Fund revenue
 - ✦ Sought offset against FSP cuts from future rainy day fund revenue gains above estimate

Improved State Economy

10

Job growth, sales tax collections – both from business and consumer purchases – as well as automobile sales, signal that the Texas economy has emerged from the recent recession.

--Susan Combs, January 6, 2012

Revenue Estimate

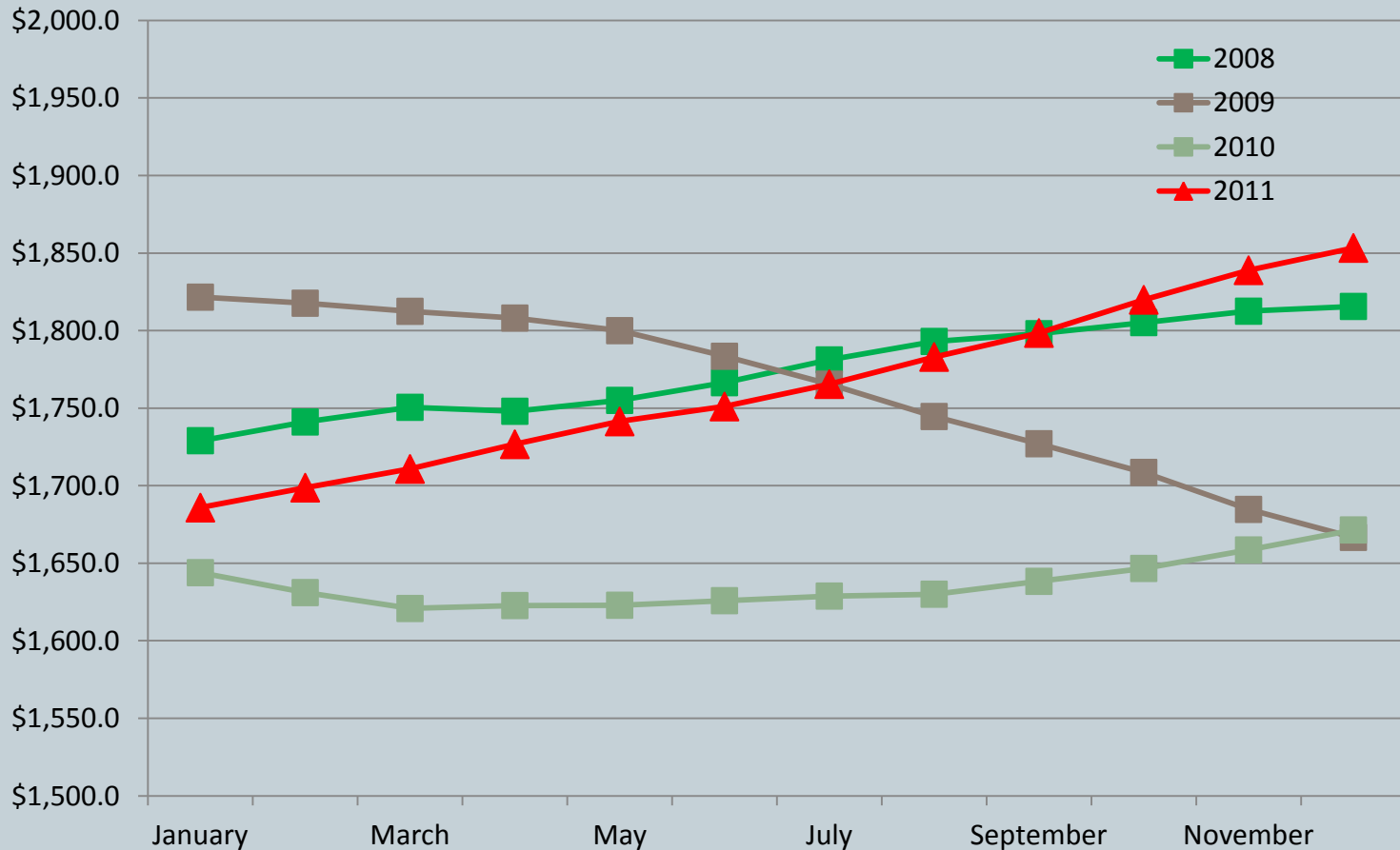
11

- **Biennial Revenue Estimate January 2011**
 - \$77.3 billion anticipated revenue
- **May 2011**
 - Comptroller added \$1.2 billion to estimate
 - Other changes (speed-ups, etc.) added \$1.7 billion
- **Certification Revenue Estimate December 2011**
 - \$82.7 billion anticipated revenue
 - Increase of \$2.5 billion from May

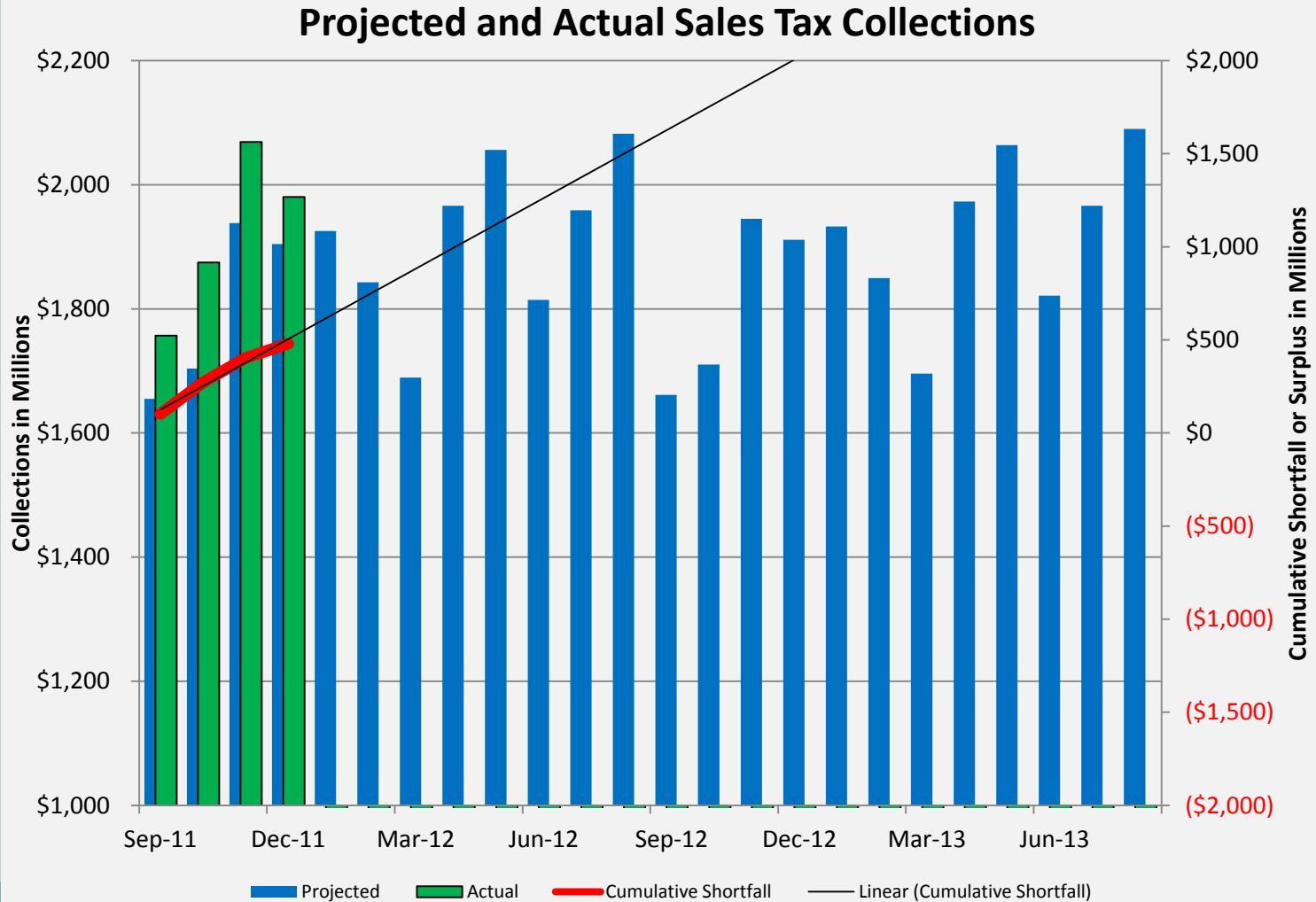
Improved State Economy

12

1-Year Moving Average Sales Tax Collections



Sales Tax Tracking



Other Major Revenue Sources

14

Revenue Source	Current Official 2012 Growth Estimate	Current 4 Month Trend
Motor Vehicle	8.5%	14.6%
Sales Tax	5.4%	12.3%
Franchise Tax	?	?
Natural Gas Production	16.7%	84.0%
Oil Production	-10.0%	47.2%

Cautions

15

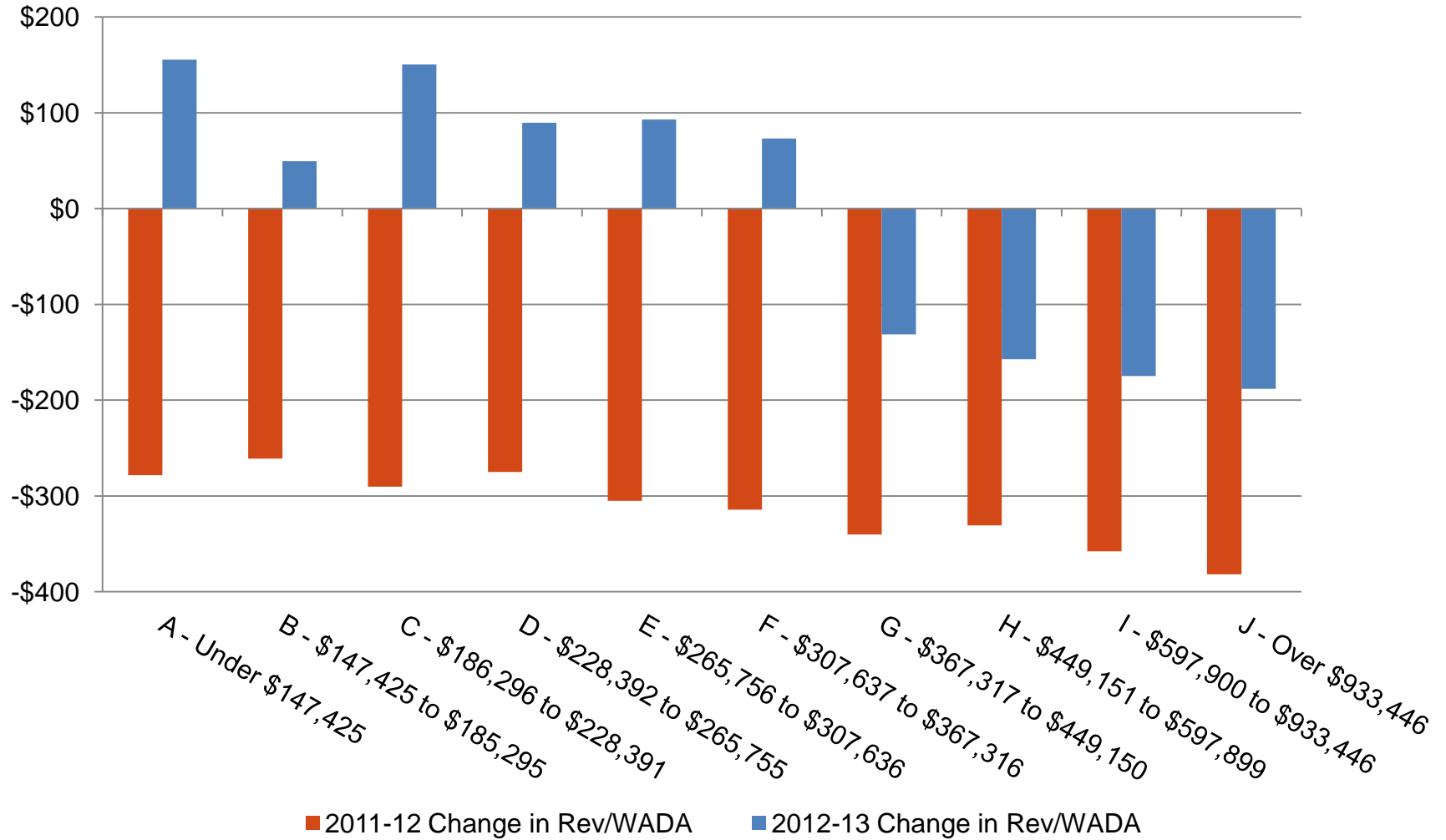
- Improving revenue will not necessarily be sufficient to cover current services state budget
 - Underfunded Medicaid in current biennium
 - ✦ Higher costs of federal mandates in 2014 a concern
 - Will need to cover the underfunding plus any growth
 - 24 payments in the Foundation School Program
 - Growth in the cost of the FSP
 - Growing demand for other state services

Impact of SB 1 in 2012-13

16

- Restoration of regular program funding to 98% (RPAF)
- Reduction of 7.65% for targets (ASATR impact)
 - More than 600 districts likely to be “on formula”
 - Nearly 500 districts expected to gain revenue per ADA compared to 2011-12 school year (WADA’s definition changes between years)
 - Over 500 districts expected to gain in total general fund revenue due to growth in students
 - More than \$1 billion reduction in ASATR in 2012-13

YEARLY CHANGE IN REVENUE PER WADA



MCA Revenue Model

www.moakcasey.com

Reports

Financial Model

Edit Worksheets

View Reports

Save/Refresh

District Report

Revert / Undo

Draft Data

Show Submitted

Submitted Data

MCA Revenue Modeling

19

- **Most Common Questions**
 - Can I run scenarios
 - What is my log in information
 - How do I change tax collections (see next slide)
- **Coming Soon**
 - Special Program Breakouts
 - Fund Breakouts
 - Other?

1	Total Taxable Value	District Data
2	Frozen Property Value	District Data
3	Frozen Tax Levy	District Data
4	Net Taxable Value	1 - 2
5	TIF Appraised Value	District Data
6	Actual Payment to TIF	District Data
7	CPTD Funding Value	District Data
8	Total Tax Rate	District Data
9	M&O Rate	District Data
10	I&S Rate	District Data
11	Current Year Collections %	District Data
12	Current Year M&O Collections	$(4/100 * 9 * 11) + (3 * 11) * (9/8)$
13	Delinquent M&O	District Data
14	Total M&O	12+13
15	Current I&S	$(4/100 * 10 * 11) + (3 * 11) * (10/8)$
16	Delinquent I&S Collections	District Data
17	Total I&S Collections	15+16

Financial Accountability / Efficiency

21

- **FAST System Methodology**
 - Number of stars determined by average of separate finance and academic performance ratings
 - Academic rating based on statewide percentile ranking of aggregated individual student growth
 - Finance rating based on cost-adjusted spending per student compared to “fiscal peers”

FAST Spending Measure

22

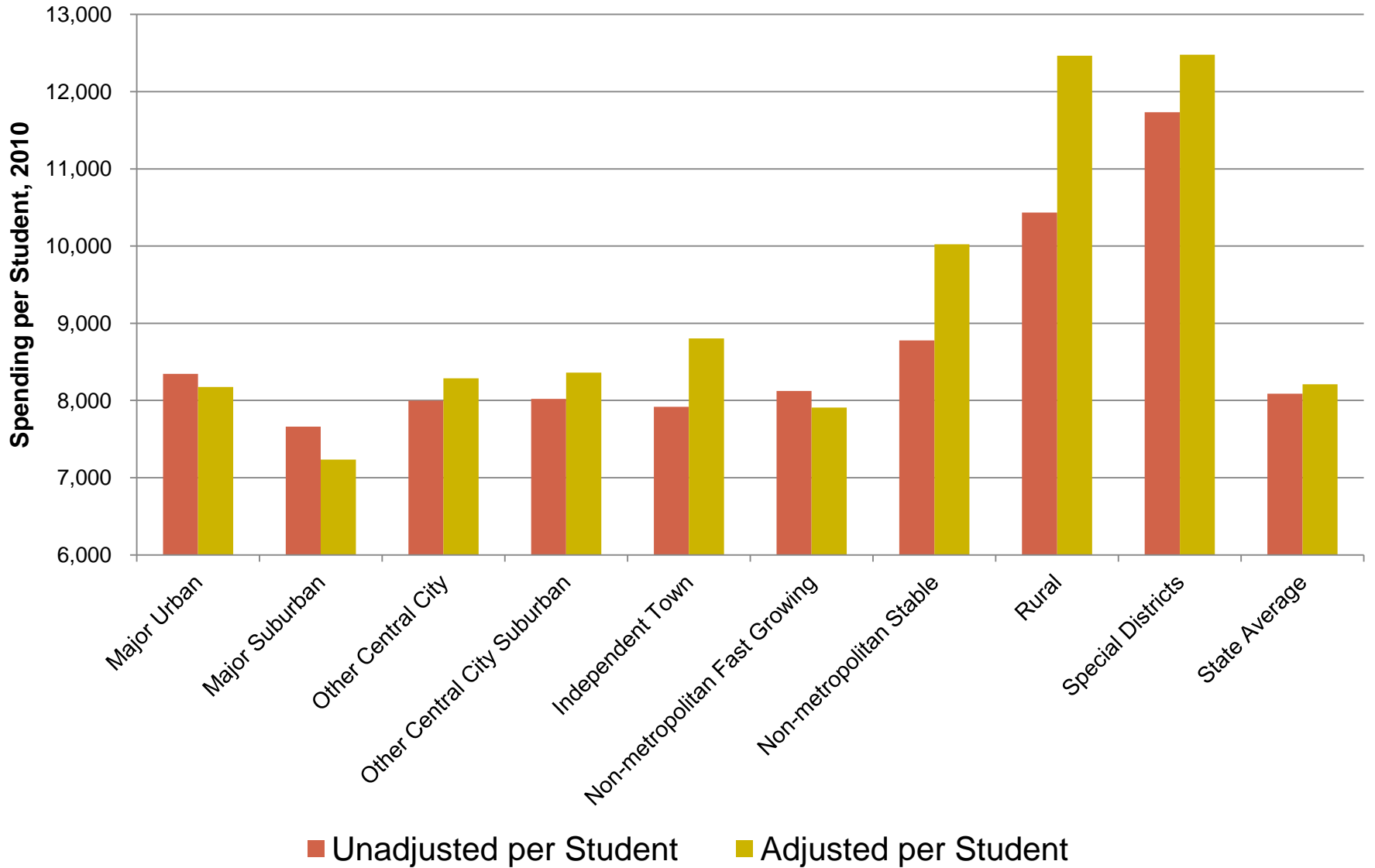
- **Cost adjusted spending per student:**
 - Operating expenditures (object codes 6100 – 6499)
 - All funds
 - Functions 11 – 53, excludes transportation and food service)
 - Adjusts payroll (6100 – 6199) and contracted pay (6211, 6212, 6213, 6219, 6249, 6299) by the competitive wage index. Adjustments range from reducing spending by 10% to increasing it by 45%
 - Redistributes a portion of SSA funds from fiscal agents to member districts based on actual financial data match to f-33 record

FAST Spending Measure

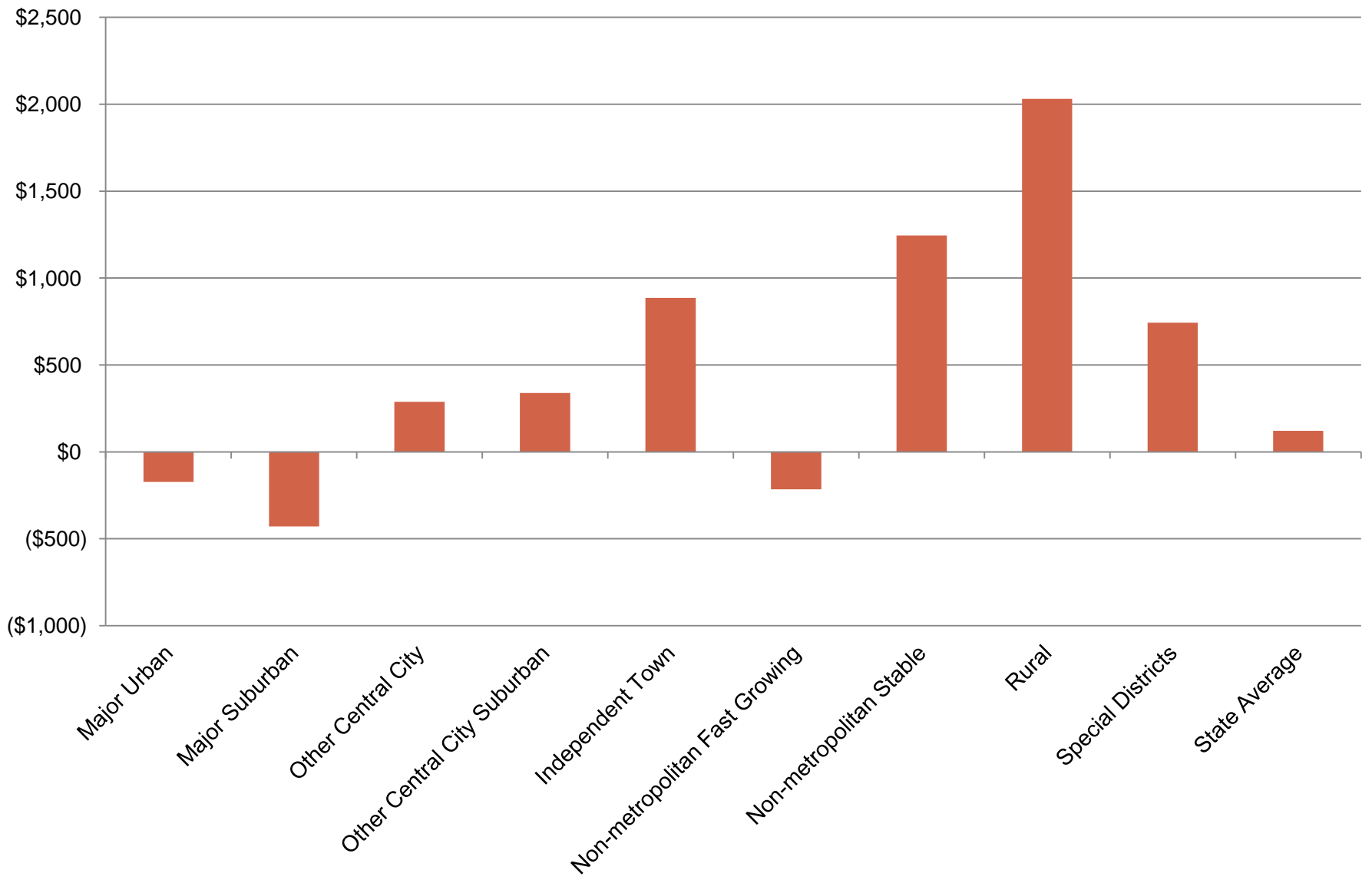
23

- Exclusion of transportation and food service leaves out nearly \$9.8 billion over the three-year period
- \$338 million reallocated from fiscal agents to members over the three-year period
- \$676 million remained in fiscal agents due to mismatch of data
- Cost adjustment adds and subtracts \$9.794 billion

FAST Cost Adjustment Impact by District Type



Change Caused by Cost Adjustment



TEA Rule on Financial Exigency

26

- Emergency rule in place now, permanent rule proposed
- Definition: “the financial position of a school district as a whole is such that the financial resources of the school district are insufficient to support existing academic programs or the school district is unable to finance the full compensation of staff for the current or succeeding fiscal year.”

TEA Rule on Financial Exigency

27

- Must meet one or more of the following conditions:
 - decrease of > 20% in unassigned GF balance per wada over past 2 years or projected reduction of 20%;
 - decline in enrollment by > 10% over the past 5 years;
 - reduction of >10% in total GF funding per wada or projected reduction of 10% compared to current year;
 - unforeseen natural disaster requiring significant expenditures for repair or remediation (> 15% of current year GF budget);
 - unanticipated major expense (> 15% of the current year GF budget); or
 - any other circumstances approved by commissioner

TEA Rule on Financial Exigency

28

- A rule was required by SB 8 (special session)
- Comments made by both teacher and administrator groups;
- New rule would appear to require adoption of financial exigency in anticipation of commissioner approval;



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