

School Finance - Impact on Round Rock ISD

Spring 2018



ROUND ROCK
INDEPENDENT SCHOOL DISTRICT



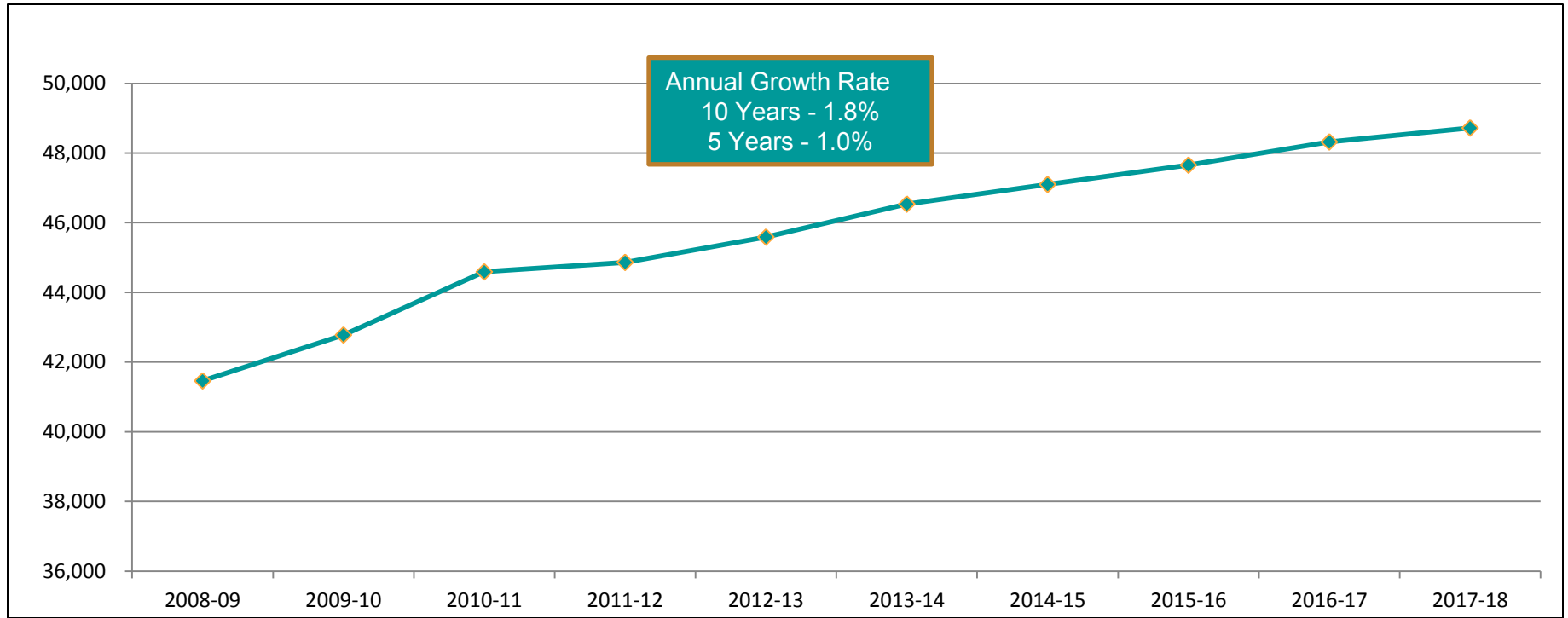
TIDBITS OF INFORMATION – ROUND ROCK ISD

- General Operating tax rate is the same as it was in 2009-10
- Debt Tax Rate is the lowest since 1985-86
- 2017-18 Student Enrollment: **48,950**
- 2017-18 General Operating budget: **\$413.7 million**
- Round Rock ISD is the 2nd largest employer within the District's boundaries (Dell is the largest)
- Apple Inc. is the largest taxpayer in Round Rock ISD
- Of 1,019 Texas school districts, Round Rock ISD is the only district to have credit ratings of AAA and Aaa from Fitch and Moody's



Historical Trends

STUDENT ENROLLMENT TREND



COMPARISON OF ETHNICITY

2008-09

White	52.2%
Hispanic	25.6%
Asian/Pacific Islander	11.4%
African American	10.5%
American Indian/Alaskan	0.3%

2017-18

White	39.4%
Hispanic	30.7%
Asian	16.8%
African American	8.7%
American Indian/Alaskan	0.4%
Hawaiian/Pacific Islander	0.2%
2 or More	3.8%

COMPARISON OF OTHER STUDENT DATA

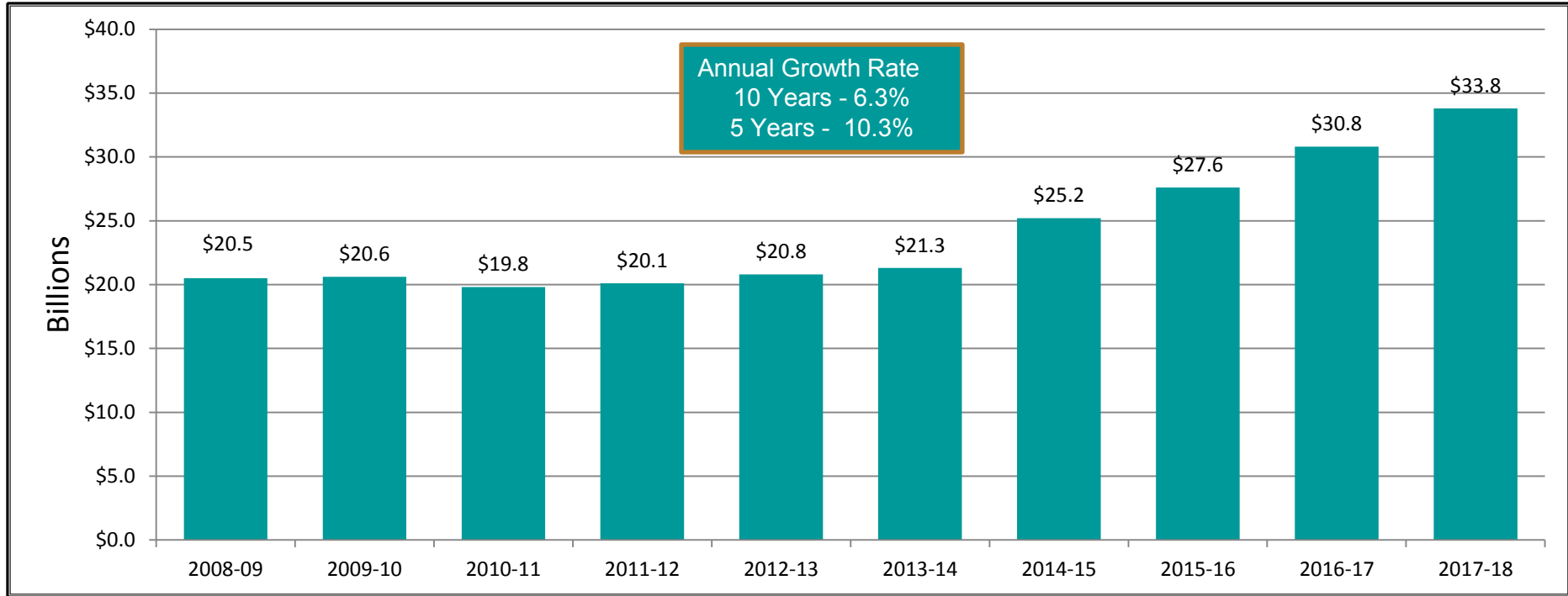
2008-09

2017-18

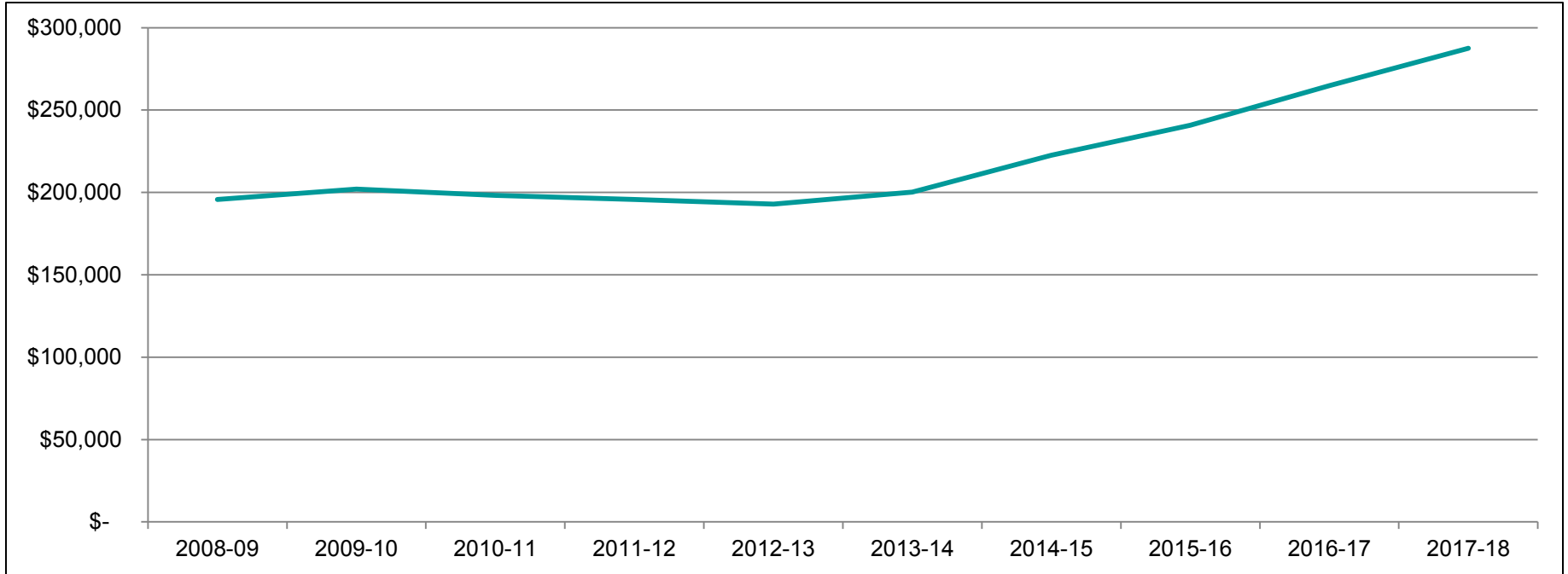
Special Education FTE	1,837
Bilingual/ESL Students	2,994
Compensatory Ed Students	10,206
At Risk Students	31.0%

Special Education FTE	2,554
Bilingual/ESL Students	4,199
Compensatory Ed Students	13,866
At Risk Students	29.6%

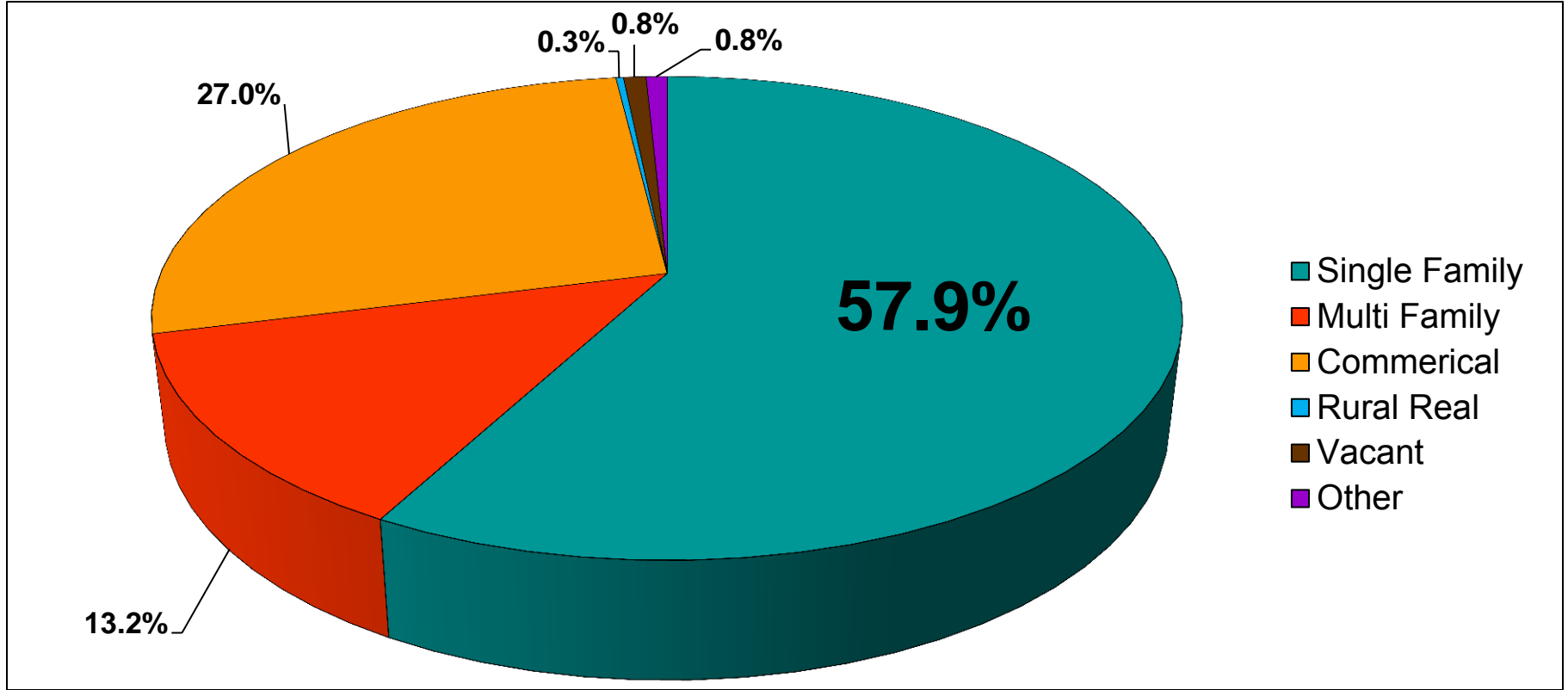
TAXABLE PROPERTY VALUE TREND



AVERAGE TAXABLE HOME VALUE TREND



PROPERTY VALUE DIVERSIFICATION

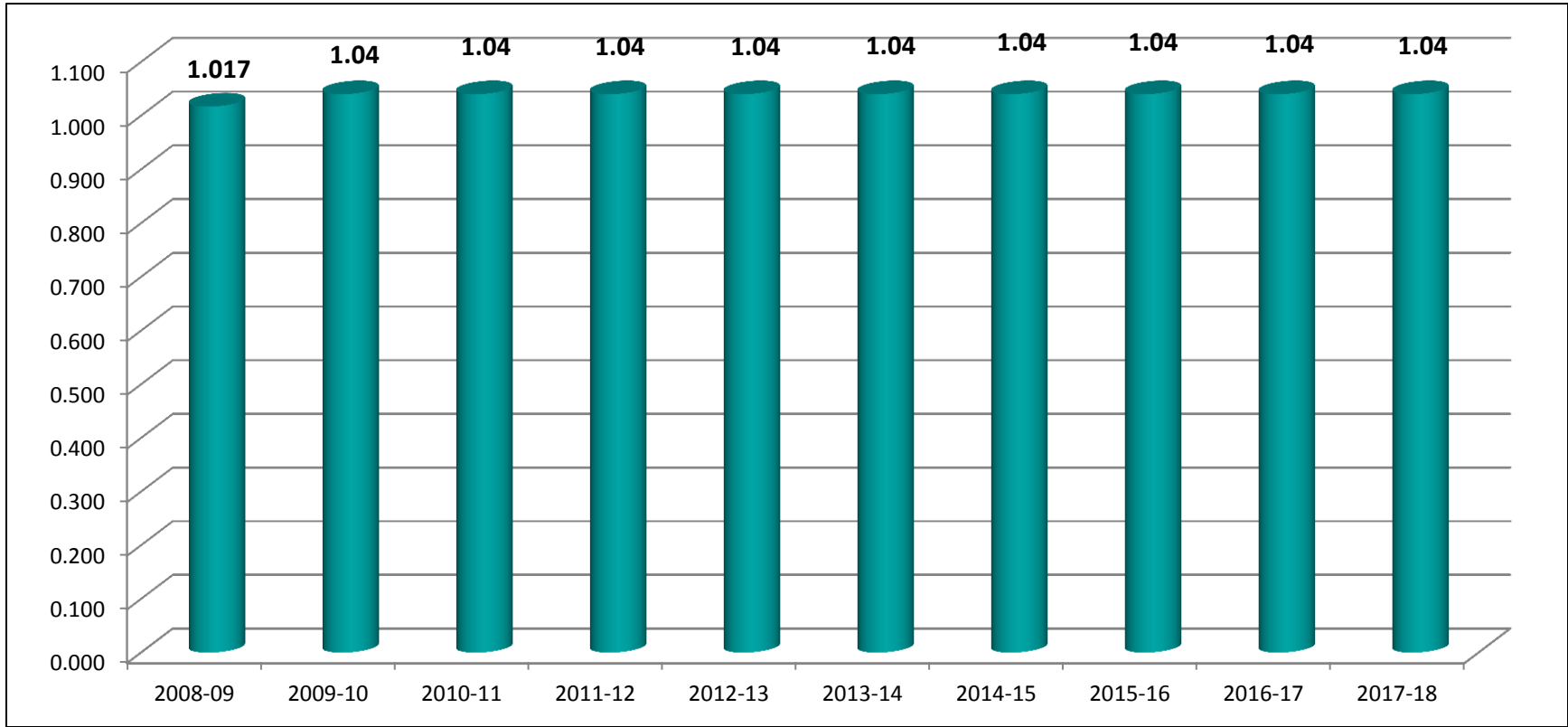


PERCENTAGE OF PROPERTY VALUES OF SINGLE FAMILY HOMES

District	Percentage
Austin ISD	48%
Pflugerville ISD	57%
Round Rock ISD	58%
Georgetown ISD	63%
Hutto ISD	69%
Leander ISD	71%

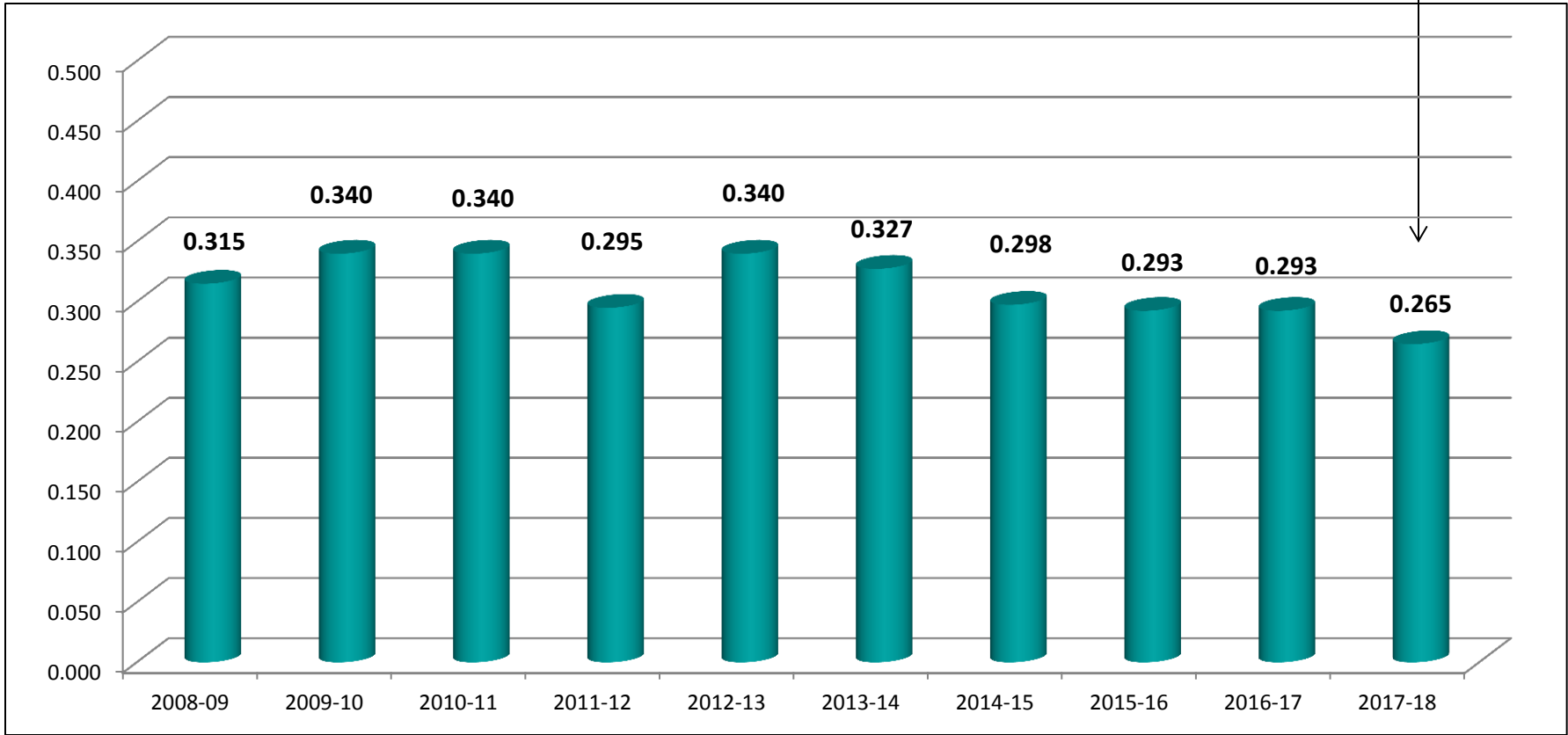
MAINTENANCE & OPERATIONS TAX RATE TREND

Same M&O Tax Rate Since 2008-09



DEBT SERVICE TAX RATE TREND

Lowest Debt Tax Rate
Since 1985-86



COMPARISON OF GENERAL OPERATING EXPENDITURES

2008-09

\$314,926,048

Actual Expenditures

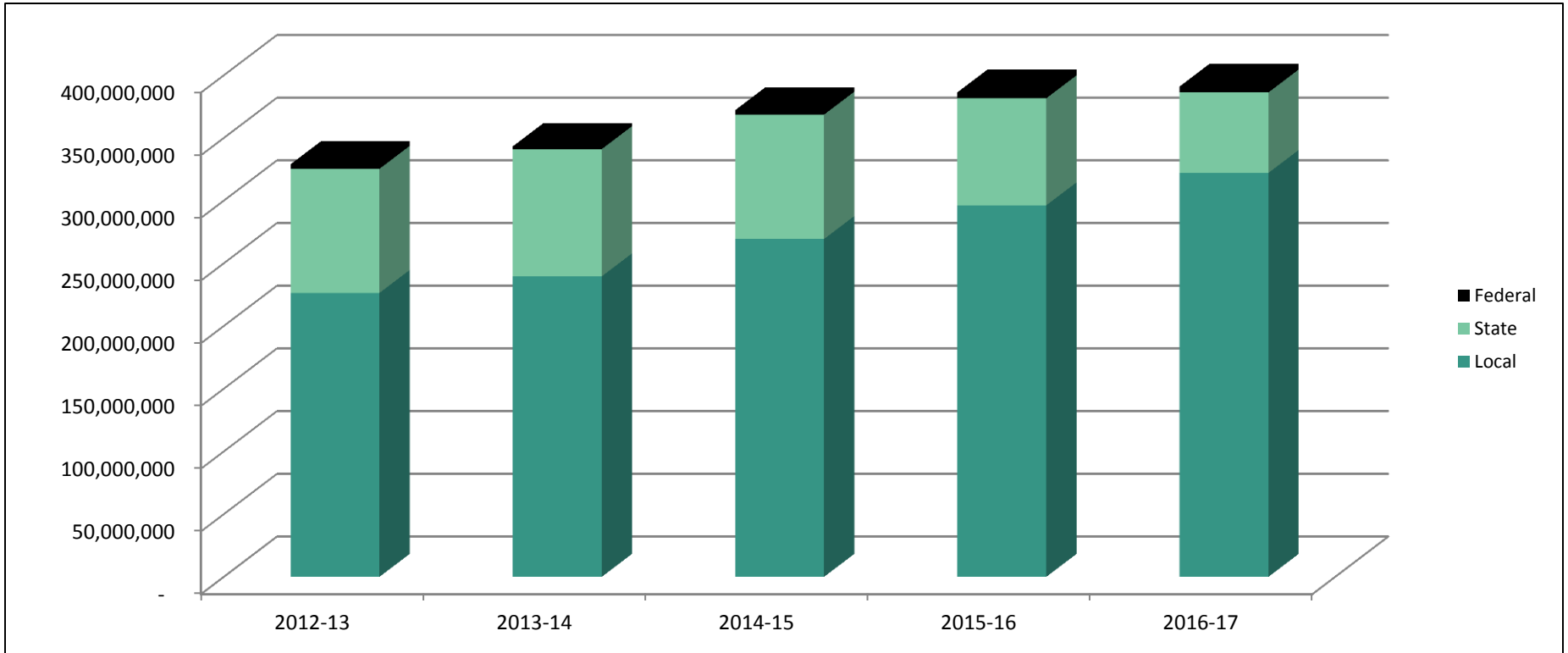
2017-18

\$413,773,093

Adopted Budget

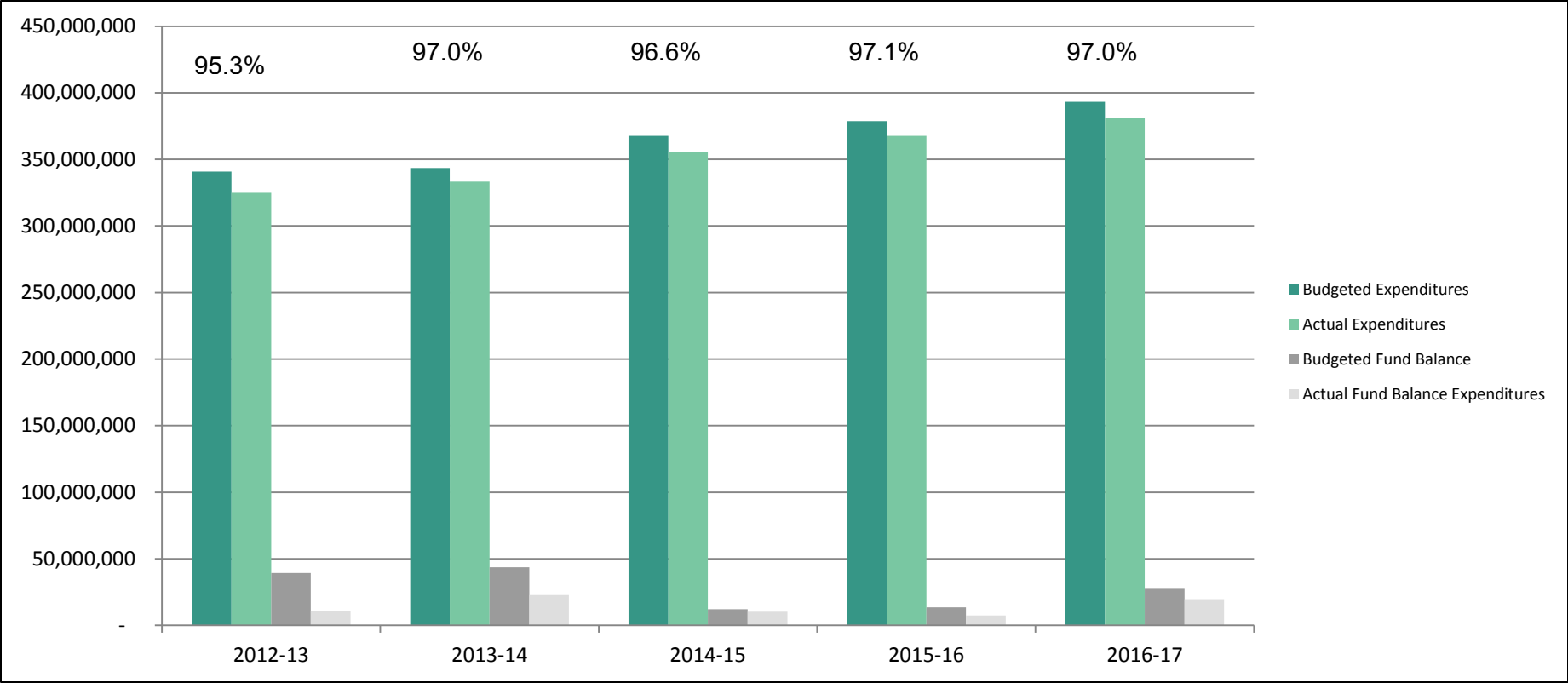
REVENUE TREND

(General Operating Fund)



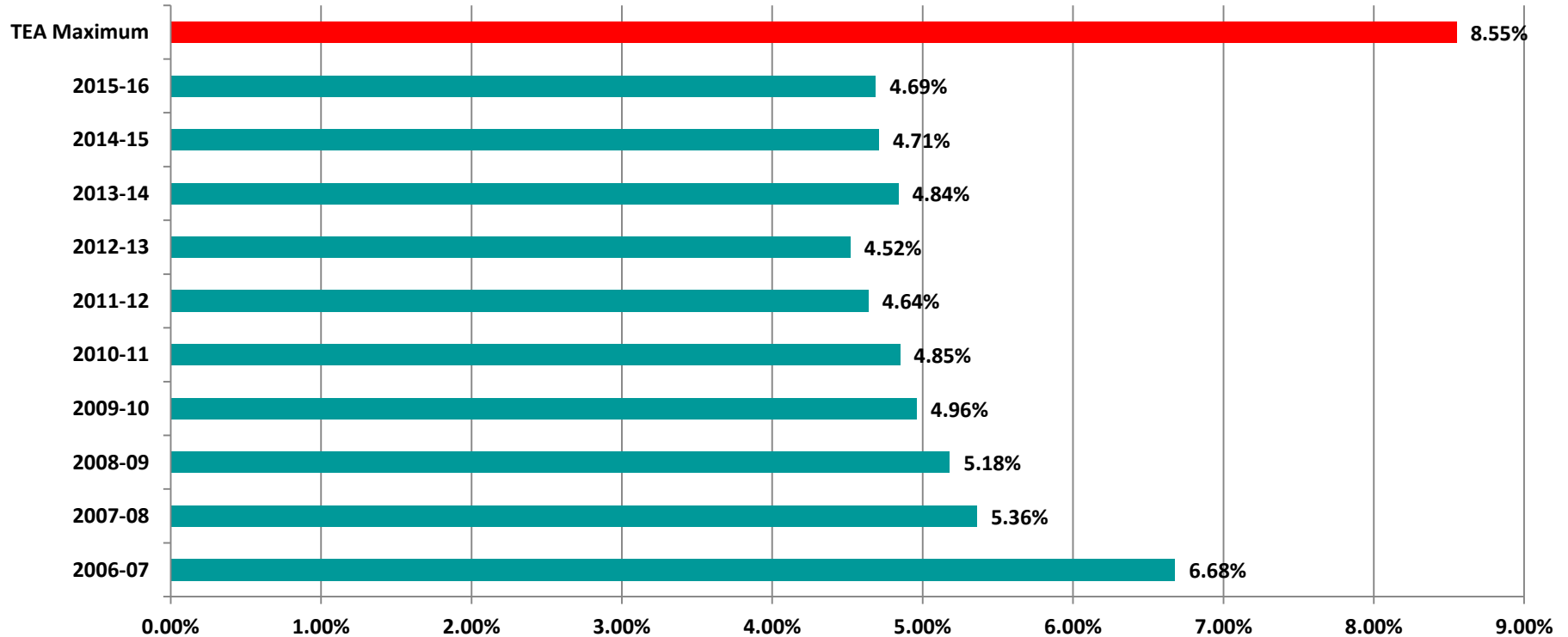
EXPENDITURE TREND

(General Operating Fund)



ADMINISTRATIVE COST RATIO

(Maximum allowed by TEA – 8.55%)



ADMINISTRATIVE COST RATIO CALCULATION

Function 21 (Instructional Leadership) + 41 (General Administration)

Divided by: _____

Function 11 (Instruction) + 12 (Instruct. Res.) + 13 (Curriculum/Staff Dev.) + 31 (Guidance/Counseling)

* Maximum allowed by TEA – 8.55%



School Finance System

TEXAS CONSTITUTIONAL PROVISION FOR EDUCATION

➤ Article VII, Section 1

- A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.



HOW IS STATE FUNDING CALCULATED?

- ❑ Tier 1 - provides school districts a basic level of funding with allotments for regular education; special education; compensatory education, including Pregnancy Related Services; career and technical education; bilingual / English as a Second Language education; gifted and talented education; and public education grants
- ❑ Tier 2 - supplements the basic funding provided by Tier I. Tier II guarantees a specific amount of funding per student in weighted average daily attendance (WADA) for each penny of a school district's tax effort above a specified level. The funding provided by this additional tax effort is also referred to as enrichment.
- ❑ ASATR – additional state aid for tax reduction – **ELIMINATED IN 2017-18 (does not affect Round Rock ISD)**

WADA = Weighted Average Daily Attendance

IN SIMPLE TERMS...MOST SCHOOL DISTRICTS ARE FUNDED...

- ❑ ...by two major revenue sources – local property taxes and state funding
- ❑ ...based on student attendance and enrollment in specialized programs
- ❑ ...state funding amount is based on local tax effort (as property values increase, state funding decreases)
- ❑ ...and limited based on property wealth



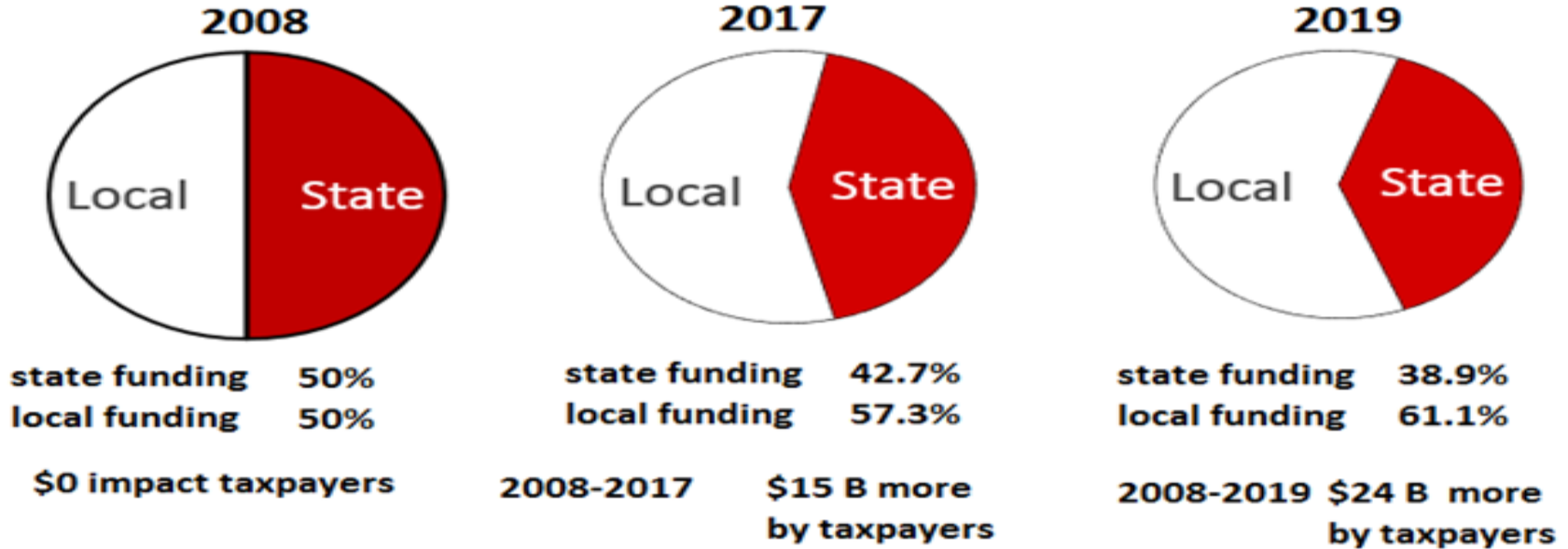
STATE APPROPRIATIONS (General Revenue Funds Only)

	2016-2017 Biennium	2018-2019 Biennium	Dollar Change	Percentage Change
Texas Education Agency	\$37.6 billion	\$36.2 billion	(\$1.4 billion)	(3.7%)

- 1) Texas population = 28 million; student population = ~ 5 million
- 2) School finance funding formulas utilize increasing property values which create corresponding decreases in state funding (state savings \$3.6 billion)
- 3) Chapter 41 payment increases from school districts (state savings \$1.4 billion)
- 4) Provides funding for 80,000 additional students per year (state cost \$2.7 billion)
- 5) Provides funding increase associated with increase in Austin yield (state cost \$1.5 billion)

- a) State revenue available for appropriation is less than previous biennium.
- b) Yes, but why?
- c) Reduction in oil & gas transfer, franchise tax reduction, homestead exemption increase, sales tax diversion to highway fund

FUNDING ALLOCATIONS FOR PUBLIC EDUCATION



Chapter 41

“Robin Hood”



WHAT IS CHAPTER 41?

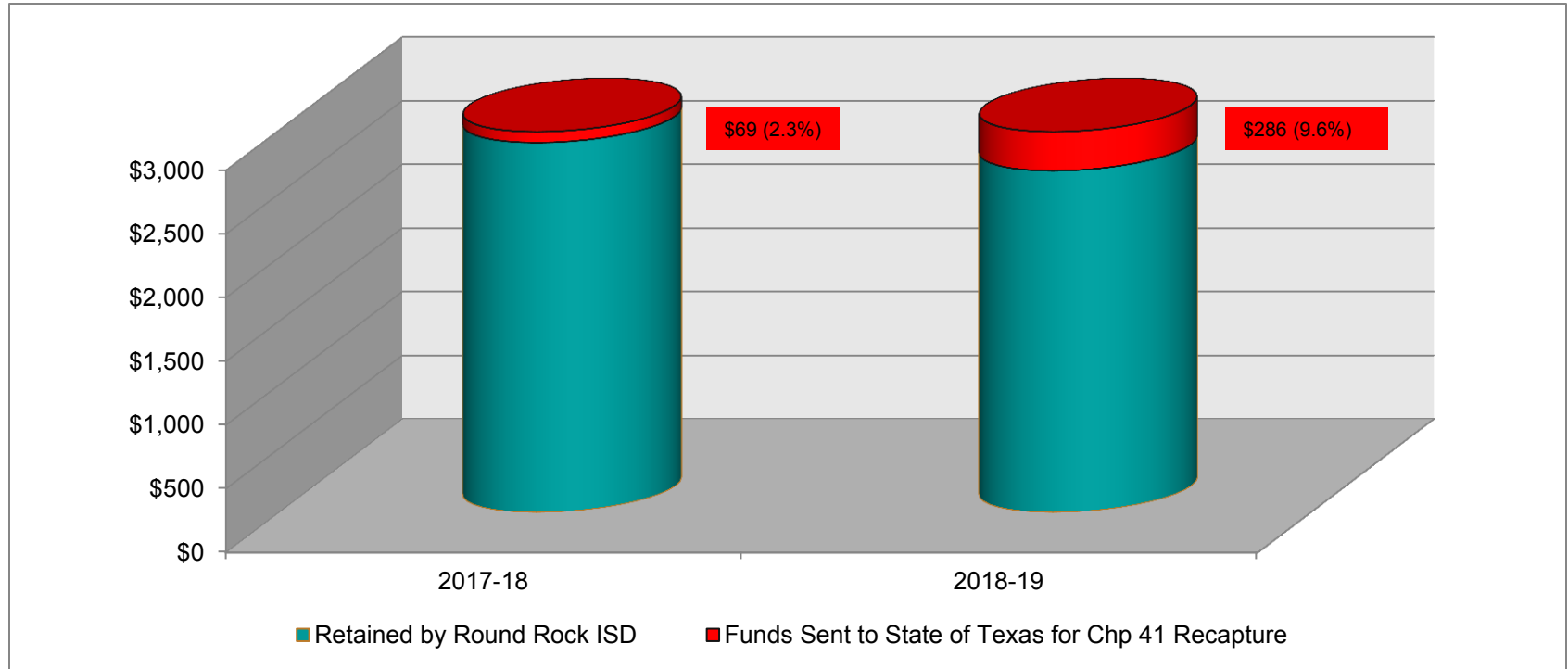
- 1993 - creation of Texas Education Code – Chapter 41 (Equalized Wealth Level)
- Intent is to equalize wealth among school districts throughout the state; establishes Wealth Per WADA
- Commonly referred to as “share the wealth” or “Robin Hood”
- 1993-94 – 34 districts paid Chapter 41 recapture payments of \$131.5 M
- 2015-16 – 230 districts paid Chapter 41 recapture payments of \$1.58 B
- 2017-18 – estimated district payments – \$2.1 B

CHAPTER 41 – ROUND ROCK ISD

- 2002-03 – First year to become a Chapter 41 district
- 2008-09 – The last time RRISD was a “paying” Chapter 41 district
- \$43.4 million – Total RRISD Chapter 41 recapture payments to state

	2017-18	2018-19
Estimated Chapter 41 Recapture Payments	\$7.9 million	\$35.1 million
Amount of Average Taxpayer Tax Payment Going to the state of Texas (not necessarily to education)	\$69	\$286

M & O PROPERTY TAXES OF AVERAGE HOMEOWNER - \$2,990

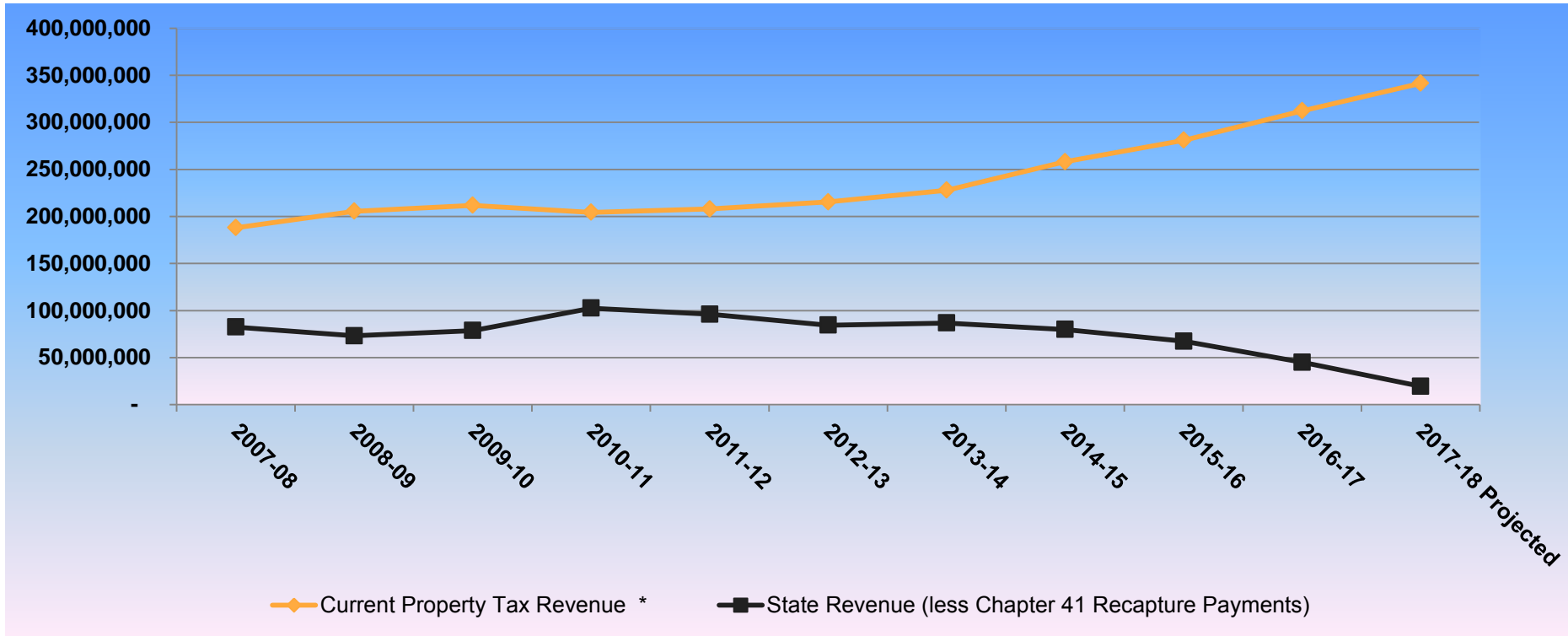


CHAPTER 41 RECAPTURE AND DEBT

- Chapter 41 recapture only applies to the Maintenance & Operations budget (General Operating Fund); DOES NOT apply to debt service
- Therefore, Round Rock ISD retains all tax collections related to debt service

Revenues & Budget Impact

PROPERTY TAX AND STATE REVENUE TRENDS



2016-17 vs. 2017-18 (REVENUES) – Updated – December 2017

	2016-17 Actuals	2017-18 Budget	Change From Projections
Tax Collections (current year)	\$312,183,755	\$341,165,483	\$28,981,728
State Revenue	\$45,085,165	\$27,429,731	(\$17,655,434)
Less: Chapter 41 Payments	\$0	(\$7,923,047)	(\$7,923,047)
TOTAL	\$357,268,920	\$360,672,167	\$3,403,247 (0.95% increase)

ROUND ROCK ISD
2017-18 Funding Scenarios at Different Tax Rates

Tax Rate

Tax Collections (Current Year)

State Revenue

Chapter 41 Payments

Total

2016-17 Actuals	2017-18 1.04		1.03	1.00	0.98
312,183,755	341,165,483		338,031,095	328,624,368	322,350,105
45,085,165	27,429,731		24,536,183	15,775,123	15,282,374
0	(7,923,047)		(7,926,227)	(7,936,061)	(7,798,315)
357,268,920	360,672,167		354,641,051	336,463,430	329,834,164

Compared to 1.04

1.03

1.00

0.98

Revenue Reduction

(6,031,116)

(24,208,737)

(30,838,003)

* Only major revenues and Chapter 41 recapture payments presented

State Funding Revenue Comparisons

	2016-17 Actuals	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Tax Collections (current year)	\$312,183,755	\$341,165,483	\$367,184,155	\$387,493,104
State Revenue	\$45,085,165	\$27,429,731	\$35,251,056	\$26,190,500
Less: Chapter 41 Recapture Payments	\$0	(\$7,923,047)	(\$35,139,285)	(\$57,622,170)
TOTAL	\$357,268,920	\$360,672,167	\$367,295,926	\$356,061,434
Change from Prior Year		\$3,403,247	\$6,623,759	(\$11,234,492)
Change from 2016-17		\$3,403,247	\$10,027,006	(\$1,207,486)

Note: Only major revenues are presented. Chapter 41 recapture payments are actually expenditures but are part of school funding formulas.

2019-20 Estimates Compared to 2016-17 (three years)

- Projected 1,844 additional students to educate
- Three years of inflationary costs
- Major revenues decreased by \$1.2 million

BUDGET PRESSURES

- ❑ **Inflationary costs**
 - ❑ Fuel, utilities, software/subscriptions
- ❑ **Staffing**
 - ❑ Competitive teacher and staff salaries
 - ❑ Increasing healthcare costs
- ❑ **State/Federal Legislative issues**
 - ❑ State funding, District funded retirement contributions, Affordable Care Act, Sequestration
- ❑ **Student growth**
 - ❑ Additional staffing needs
 - ❑ Facility needs
 - ❑ Portable costs



Look to the Future with Hope



LEGISLATURE'S CHALLENGE

- Budget threshold/limitations – no different than any other organization's budget
 - Lots of requests, must balance and prioritize
- School districts are different depending on size, geographics, student demographics, etc.
- School finance system very complicated and cumbersome
- Changes to formula will do one of two things:
 - 1) If no new funds: reallocate existing education resources – creates “winners” & “losers”
 - 2) Requires additional funds allocated to education
- How does public education rank in terms of priorities?

SCHOOL DISTRICT & TAXPAYER'S CHALLENGE

School District

- Limitations on generating revenue
- Growing population of students to serve
- Increasing costs

Taxpayer

- Property value growth benefits the state of Texas through funding formulas
- Even with anticipated student population growth, the state's contribution to public education is \$1.4 billion less than the previous biennium
- In other words, the school finance formulas use your tax dollars to reduce the amount contributed to public education



LOOK TO THE FUTURE WITH HOPE

- **Change in law?**
 - Contact your Texas legislators
 - www.fyi.legis.state.tx.us
- **Have school everyday – Educate the Future!**