

2024-2025 Preliminary Budget

Board Workshop
February 6, 2024



CONROE
INDEPENDENT
SCHOOL DISTRICT



- **88th Legislative Session Results**
- **2023-2024 Budget Recap & Assumptions**
- **Areas of concern**
- **Property Value Study**
- **Fund Balance Analysis**
- **2024-2025 Preliminary Budget**
- **2023 Bond Sale Proceeds**



88th Legislative Session

What They Did.....

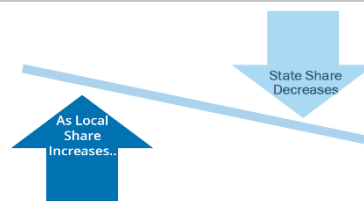
School Safety HB3

- Additional school safety funding

Property Tax Relief SB2

- Additional 10.7¢ tax compression
- Increase in the homestead exemption from \$40K to \$100K

A balancing act:
State Share vs. Local Share



TEA
Texas Education Agency

\$18 B
Local → State

What They Didn't Do.....

- No additional funding provided for employee raises.
- No additional funding provided to address inflation.

After four called special sessions

2023-2024 Budget Challenges

- Unprecedented growth
- No funding mechanism in current funding formula to provide a raise for employees or address inflation
- Legislative year
- ESSER Funding Cliff



2023-2024 Budget Assumptions

General Fund Budget \$672,772,241

**Student
enrollment growth**

2,600

73,394

**ADA
Percentage**

92.5%

**Certified
Property Value
Growth 5.26%**

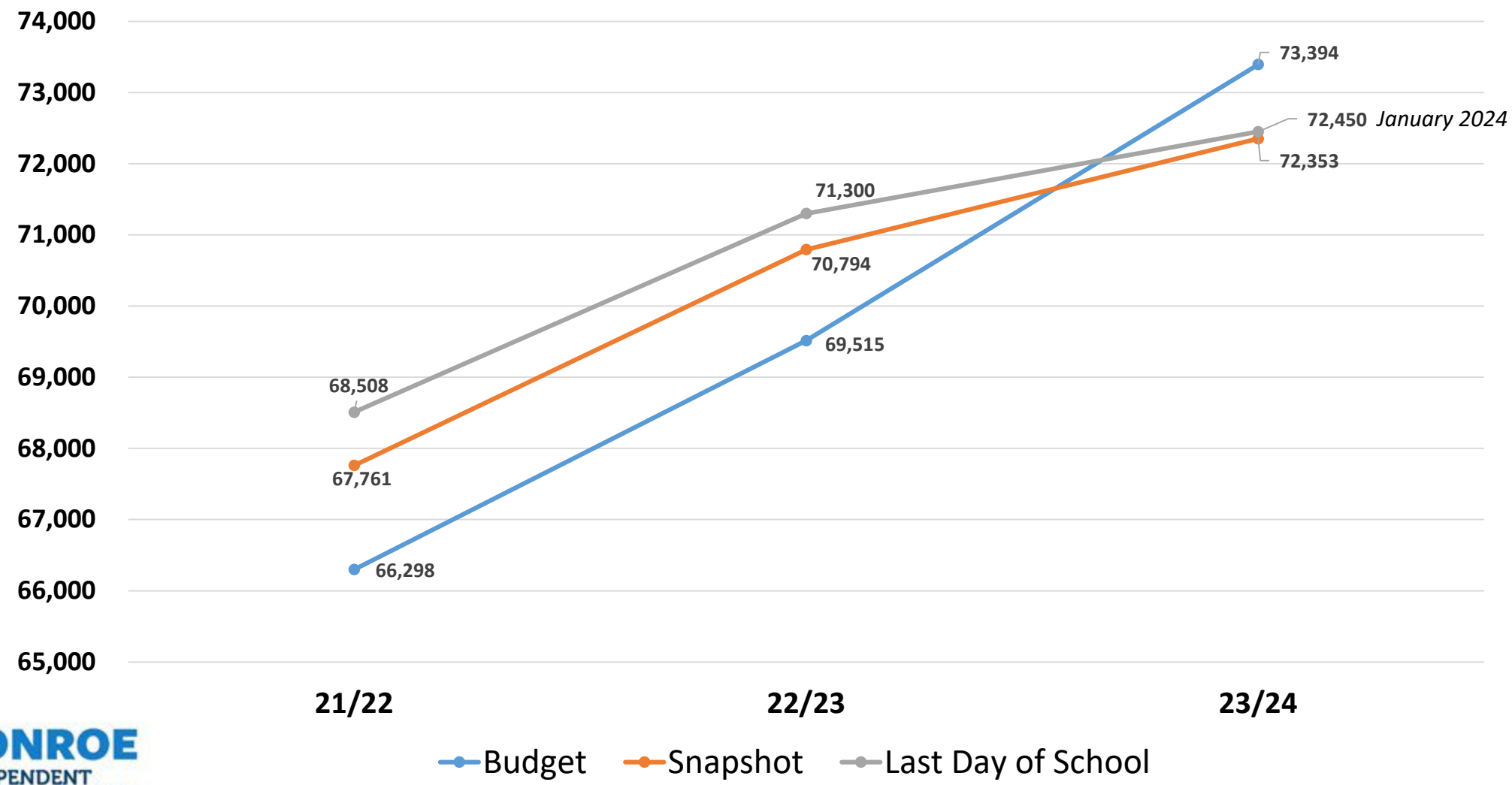
\$54,875,597,445

**Adopted Tax
Rate**

\$0.09621

**15.25 Cent
Decrease**

Enrollment Trend



2023-2024 Adopted Budget

Revenue

Local Revenue	\$ 396,981,570
State Revenue	275,790,671
Total	<u>672,772,241</u>

Expense

Payroll	596,680,390
Contracted Services	33,912,658
Supplies & Materials	28,045,603
Equipment & Other	14,133,590
Total	<u>\$ 672,772,241</u>

Balanced Budget

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2023-2024 Budget Concerns

	Worst Case Scenario	Most Likely Outcome
	(Under)/Over	(Under)/Over
Revenue		
Enrollment Shortage	(\$6,500,000)	\$0
Total	(\$6,500,000)	\$0
Expenditures		
2023-2024 Raise	\$15,000,000	\$15,000,000
Payroll Accrual Adjustment	4,000,000	4,000,000
Teacher Incentive Allotment	1,000,000	1,000,000
Additional Personnel	1,500,000	1,500,000
Montgomery Central Appraisal District (MCAD)	1,000,000	1,000,000
Property Insurance	1,000,000	1,000,000
Total	\$23,500,000	\$23,500,000
Projected Net Change in Fund Balance	(\$30,000,000)	(\$23,500,000)
Unassigned Fund Balance September 1, 2023	\$153,878,716	\$153,878,716
Unassigned Fund Balance August 31, 2024-Projected	\$123,878,716	\$130,378,716



Fund Balance Analysis Going into 24-25

2023-2024 Budget		\$ 672,772,241
Target Percentage		x 20%
Target Fund Balance		<hr/> 134,554,448
Projected Fund Balance @ 8/31/24	19.4%	130,378,716
Target	20.0%	<hr/> 134,554,448
Below Target %		(4,175,732)
Employee Raise (FY 24-25)		(15,000,000)
Below Target % (FY 24-25)		\$ (19,175,732)



CONROE
INDEPENDENT
SCHOOL DISTRICT

Possible Solutions

- **Legislative action**
- **Return bond contingency fund to the General Fund \$18.8M**
- **Weighted Funding**

Medicaid Funding Reduction SHARS Program

The School Health and Related Services (SHARS) program allows school districts to request reimbursement for health-related services provided to Medicaid eligible students.

Supplemental
revenue in the
General Fund

\$10 million

December 2023- state
announced a \$300
million reduction in
funding to districts after
the loss of an appeal
relating to a federal
audit from 2017.

Conroe ISD's
share of the
reduction

\$5 million

Property Value Study

- State law requires the Comptroller to conduct a study of the locally appraised property values (PVS) at least every two years and to certify taxable property value to TEA annually.
- TEA uses the values assigned from the PVS to determine how much state funding each school district is eligible to receive.
- Local values must be within state value threshold
- Two possible results:
 - Valid finding – local values are used
 - Invalid findings – state values are used
- Tax Year 2023 property value study released on January 31, 2024 found MCAD's values invalid. (94.7% of state value)
- Appeal process underway
- \$33 million funding implication if state values are ultimately assigned.

**Local Values
must be....
>95%
State Values
<105%**



2024-2025 Preliminary Budget Assumptions

**Student
enrollment growth**

1,550

74,000

**ADA
Percentage**

92.5%

**Certified
Property Value
Growth 5.75%**

**Projected Tax
Rate**

\$0.9621

No Increase

2024-2025 Projected Tax Rate

	2023-2024	2024-2025	Change	
M&O	\$0.7021	\$0.6821	\$(0.02)	<i>Tax Compression</i>
Debt Service	0.2600	0.2800	0.02	<i>2023 Bond</i>
Total	\$0.9621	\$0.9621	\$0.00	



Possible Raise Scenarios 2024-2025

Amount	Estimated Cost
Teacher Hiring Schedule(years of service adj)	\$ 1,600,000
1.0%	\$ 6,500,000
2.0%	\$ 13,000,000
2.5%	\$ 16,250,000

2024-2025 Preliminary Budget

Beginning Revenue		\$ 672.77	M
Estimated Revenue Change			
Local Revenue Limited 2.5% AV growth	\$ 10.55		
State Funding (Net of AV Growth reduction)	6.31		
Golden Penny Yield Increase	1.50		
Teacher Incentive Allotment	1.00		
TRS In-Kind	1.75		
Total Revenue Increase		<u>21.11</u>	
Estimated Total Revenue		<u>\$ 693.88</u>	M
Beginning Expenditures-Amended		\$ 694.30	M
Estimated Expenditure Increase			
Additional Personnel for Growth 24-25	7.50		
Raise-Teacher Hiring Schedule	1.60		
Virtual Academy	1.30		
Teacher Incentive Allotment	1.00		
Other Expenses (Utilities, Fuel, Insurance, MCAD)	3.05		
TRS In-Kind	1.75		
Total Estimated Expenditure Increase		<u>16.20</u>	
Estimated Total Expenditures		<u>\$ 710.50</u>	M
Potential deficit		<u>\$ (16.62)</u>	M



Bond Sale Proceeds

Bonds are sold
and proceeds
are received by
the district.



Remaining
proceeds earn
interest.



Projects are funded from bond
proceeds based on the project
schedules.

Estimated Interest Earnings On 2023 Bond Proceeds (Future Debt Avoidance)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
Potential Earnings	\$ 12,200,000	\$ 24,900,000	\$ 22,300,000	\$ 11,600,000	\$ 3,000,000	\$ 74,000,000
Estimated Arbitrage*	(1,800,000)	(3,900,000)	(3,700,000)	(2,100,000)	(500,000)	(12,000,000)
Available	\$ 10,400,000	\$ 21,000,000	\$ 18,600,000	\$ 9,500,000	\$ 2,500,000	\$ 62,000,000

Potential uses:
Buses
Land

*Arbitrage: When the proceeds of a tax-exempt bond issue are used to acquire investments that earn a yield in excess of the bond yield (or arbitrage yield). Liabilities are measured by computing the excess amount earned on investments over the amount that would have been earned if proceeds were invested at the bond yield. Excess earnings must be rebated to the Internal Revenue Service (IRS).