



# Office of the Superintendent

May 21, 2009

Thank you for the opportunity to testify with the Texas Senate's Public Education Committee.

I am Greg Gibson, Superintendent of Crowley ISD, a fast-growth school district in Southwest Fort Worth. Since 2002, our district has grown from 9,000 to 15,000 students. During this same time our low SES (socially and economically disadvantaged student) population has increased from 20 percent to 45 percent.

House Bill 1 locked Crowley ISD at \$4,693 per student, which is \$407 less per student than the state average of \$5,100. At the inception of HB 1 Crowley ISD was undergoing a substantial building program to catch up with our student growth. In 2005, when we developed a three-year budget for Crowley ISD, we would have never imagined that we would be worse off financially under the new (constitutional) funding formula than the old school funding formula (deemed unconstitutional).

As a result, Crowley ISD today is facing the absorption of 9 percent of our total budget for 2009-10. Attached, please find a memo distributed to our district stakeholders in January 2009 which outlines 14 actions we are taking to manage the 2009-10 budget.

Three major actions we are taking include:

- Staff salaries frozen at 2008-09 levels for the 2009-10 school year      \$3.65 million in savings
- Absorption of staff positions across the district      \$4.5 million in savings
- Delay openings for two new intermediate campuses      \$7.6 million in savings

Regarding the absorption of staff positions, we are required by state law to maintain a 22:1 ratio for grades K-4. The majority of our staff reductions are then occurring at grades 5-12. At these upper grades we are required to meet state accountability standards and Student Success Initiatives (SSI), while facing an ever-increasing low SES population. Having to reduce staff at these important levels appears to be in direct opposition to effectively meet the needs of Crowley ISD students.

I implore you that now is the time to take action for the students of Crowley ISD and the other districts that are locked under the state average in funding. I am afraid that by not acting now instead of later (the next legislative session) there will be children, parents, families, employees and school districts displaced because their schools can no longer afford to open their doors. As one of the 10 wealthiest states in the nation, now is the time for Texas to place greater support behind our schools and our future.

# Board Workshop Executive Summary

## May 9, 2009

### 2009-10 Maintenance & Operations Budget Scenarios

#### Current Law, HB1 from 80<sup>th</sup>

##### Legislature:

Expenditures: \$106,243,755  
 Revenue: \$101,802,746  
 Projected deficit: \$ 4,441,009

#### SB 982/HB 1555:

Expenditures: \$106,243,755  
 Revenue: \$105,922,295  
 Projected deficit: \$ 321,460

#### Hochberg Bill\*:

Expenditures: \$106,243,755  
 Revenue: \$102,898,199  
 Projected deficit: \$ 3,345,556

#### Fund Balance Status:

2002-03	\$ 5,885,467
2003-04	\$ 9,335,120
2004-05	\$ 8,682,077
2005-06	\$12,060,444
2006-07	\$17,470,267
2007-08	\$17,483,679
2008-09	\$13,315,201
(after year end) Workers Comp	
2009-10	\$ 8,874,192
(projection)	

\*If Hochberg Bill passes, then decision is to use revenue to offset previous cuts or move to fund balance or a combination.

#### Budget Assumptions:

- No legislative relief
- No raises
- Not opening two new campuses
- Maintain hiring freeze
- Designate all campus funding on a grade level, per pupil basis
- Maintain non-personnel budget cuts by a minimum of 25%
- Increase student fees for extracurricular
- Postpone bond sale
- Increase energy management initiatives
- Restrict overtime
- Monitor School Health and Related Services (SHARS)/Medicaid Administrative Claiming (MAC) reimbursement possibilities for the greatest financial return
- Research contracting with a grant writer to increase revenue
- Transfer all allowable, indirect costs from federal stimulus and non-general operating budgets into general operating fund

#### Possible Revenue Sources/Board Considerations:

- Tax Ratification Election, 1 cent = approximately \$506,083. 13 cents available = \$6.58 million
- Homestead Exemption = \$1.8 million
- Increase in grant revenues, grant writer
- Hochberg Bill – future budget amendment

#### Possible Savings:

- Reduce non-personnel budgets further
- Eliminate strategically-placed teacher program
- Continue out-of-county travel restrictions
- Reduce contracted services (maintain School Resource Officer program and athletic officials)



## Office of the Superintendent

Date: January 29, 2009  
To: Board of Trustees  
From: Greg Gibson G.G.  
Re: 2009-10 Budget Development

This memo summarizes decisions made during our December 20, 2008 Board Workshop. Historically, the budget memo for the upcoming school year is distributed in early spring in order to set parameters for staffing guidelines and projections. It is important to note that the district intends to propose a balanced budget for 2009-10.

It is also important to understand the timeline of recent CISD elections, which impacts budget development. In 2006-07, the district's facilities committee recommended a 10-year building program, approved by the Board and CISD voters in May 2007 – authorization of \$417 million for new construction and/or renovations of existing buildings (an increase in the I&S, interest and sinking, tax rate). The state legislature, under court order, developed House Bill 1 during the same timeframe, and after several template revisions, the state released a budget formula in 2007-08.

With many new construction projects already underway in 2007-08, the district quickly realized that our state funding was 'held hostage' at 2005-06 levels. House Bill 1 allowed school districts to ask voters to increase the M&O (maintenance and operations) tax rate by 13 cents/\$100 property valuation. CISD voters did not approve this increase on Oct. 4, 2008, and other districts throughout the state are in similar financial situations due to below average state funding.

A. The 2009-10 budget is developed on the following parameters:

1. Our current student enrollment is 15,031, and we project no student growth during the 2008-09 school year. There is the possibility of a slight decrease in enrollment prior to the 2009-10 school year.
2. Our appraised value has increased to \$320,063 per student, yet we only receive \$4,693 (05-06 level) per student in state funding. We are locked at this rate, based on the current state funding formula, and our projected 2009-10 revenues are the same as 2008-09, even if local values continue to increase. Since 2005-06, the district's property values have increased by \$975 million, yet we do not receive any of this additional funding. For every dollar increased locally, the state removes a dollar from our funding.



## Office of the Superintendent

3. We anticipate no monies added to our fund balance in 2009-10. The district's current fund balance of \$17 million meets state requirements. Through the Financial Integrity Rating System of Texas (FIRST), all districts are required by the state to have at least two months of operating expenses available in fund balance. CISD has achieved a perfect score and superior rating through FIRST for the past two years.
4. We anticipate saving \$700,000 through energy management initiatives during 2009-10.
5. CISD is locked at \$4,693 in state funding per student, and the state average is \$5,100. Because of this disparity, CISD does not capture approximately \$6 million annually in state funding. We do not anticipate any state surplus funding to address the approximately 50 percent of the school districts locked below the state average.

### B. Options to consider regarding projected deficit for 2009-10:

1. If we gave no employee raises and did not open the two intermediate campuses, the projected budget would be \$102,215,169 and projected revenues of \$97,286,765. This would result in a General Operating (GO) projected deficit of \$4,928,404.
2. If we gave a 3 percent raise to all employees and did not open the two intermediate campuses, the projected budget would be \$105,869,476 and projected revenues of \$97,286,765. This would result in a GO projected deficit of \$8,582,711.
3. If we opened the two new intermediate campuses and did not give employee raises, the projected budget would be \$109,820,169 and projected revenues of \$97,286,765. This would result in a GO projected deficit of \$12,533,404.
4. If we opened the two new intermediate campuses and gave a 3 percent raise to all employees, our projected budget would be \$113,654,476 and projected revenues of \$97,286,765. This would result in a GO projected deficit of \$16,367,711.



# Office of the Superintendent

C. With an approved \$4.2 million deficit budget for the 2008-09 school year and the failure of the Oct. 4 Maintenance & Operations –Tax Ratification Election (M&O-TRE), district/campus administration cut non-personnel budgets by 25 percent and took other necessary actions to ‘recoup’ at least \$1.96 million of the \$4.2 million deficit for this current school year.

As noted earlier, almost any scenario could generate a deficit budget for the 2009-10 school year. However, we do not intend to ask the Board to approve a deficit budget for 2009-10; we simply cannot consider absorbing these costs out of our fund balance for a second consecutive year.

With a projected deficit of this magnitude and with 85 percent of our Maintenance & Operations budget tied to staff salaries and benefits, we will utilize three primary options to propose a balanced budget in 2009-10:

- Delay openings for two new intermediate campuses
- Staff salaries frozen at 2008-09 levels
- Personnel savings

Budget development example:	\$113,654,476 Total Budget
Delay openings for two intermediate campuses	- (7,605,000) (combined)
Energy management offset	- (700,000)
Staff salaries frozen at 2008-09 levels	- (3,654,307)
Personnel Savings	- <u>(4,500,000)</u>
Remaining 2009-10 Budget	\$ 97,195,169
Projected revenues (does not change/state funding)	\$ <u>97,286,765</u> proj. revenues
2009-10 Balanced Budget	\$ 91,596

## D. Guiding Principles for 2009-10 Budget Development

(This section was completed with Superintendent, Board and Cabinet collaboration at the Dec. 20 Board workshop.)

1. The district will delay the openings of the two intermediate schools, currently under construction.
2. The CISD Administration Office will maintain its current modified hiring freeze for critical need areas only. In October 2008, we absorbed approximately \$700,000 in approved positions and collapsed two departments.
3. All district departments and campuses' non-personnel budgets will not exceed 2008-09 levels, which were decreased by 25 percent in November 2008 and could be reduced further.
4. The district will continue to restrict out-of-county travel for all staff and will eliminate non-essential travel for students and staff.
5. The district will absorb \$4.5 million in positions from across the district.
6. The district will freeze all staff salaries at 2008-09 levels and will re-evaluate contract lengths and stipends, except for bilingual, math and science teachers.
7. The district will maintain part-time employees and contracted services in critical need areas and cost efficiencies (ie. Student safety).
8. The district will consider an increase in student fees for extracurricular activities.
9. The district will postpone the 2009 summer bond sale for future construction projects. Even though the community approved a \$417 million bond program in May 2007 for new facilities and renovations (an increase in the interest & sinking tax rate), the district does not have the maintenance & operations funding to staff, open and operate the facilities.
10. The district will increase its energy management initiatives.
11. At this time, the CISD Board is not considering calling for another school tax ratification election, and any future M&O - TRE has to be initiated by the district voters.
12. The district will substantially restrict overtime compensation.
13. The district will monitor School Health and Related Services (SHARS)/Medicaid Administrative Claiming (MAC) reimbursement possibilities for the greatest financial return.
14. The district will research contracting with a grant writer, who seeks alternate funding sources for the district.

It is our intention to keep current programs in place with only reductions in budgeted amounts, but looking ahead to 2010-11, programs will need to be cut dramatically to absorb the deficit budgets, unless something changes in the state funding formula.

The district staff appreciates the Board of Trustees' collaborative efforts to establish these 2009-10 budget development parameters. Despite these financial strains, CISD remains committed to invest heavily in direct student instruction and will continue to focus on our three goals - Safe, Secure and Nurturing Schools; Student Achievement for All and Effective and Efficient Use of Resources.