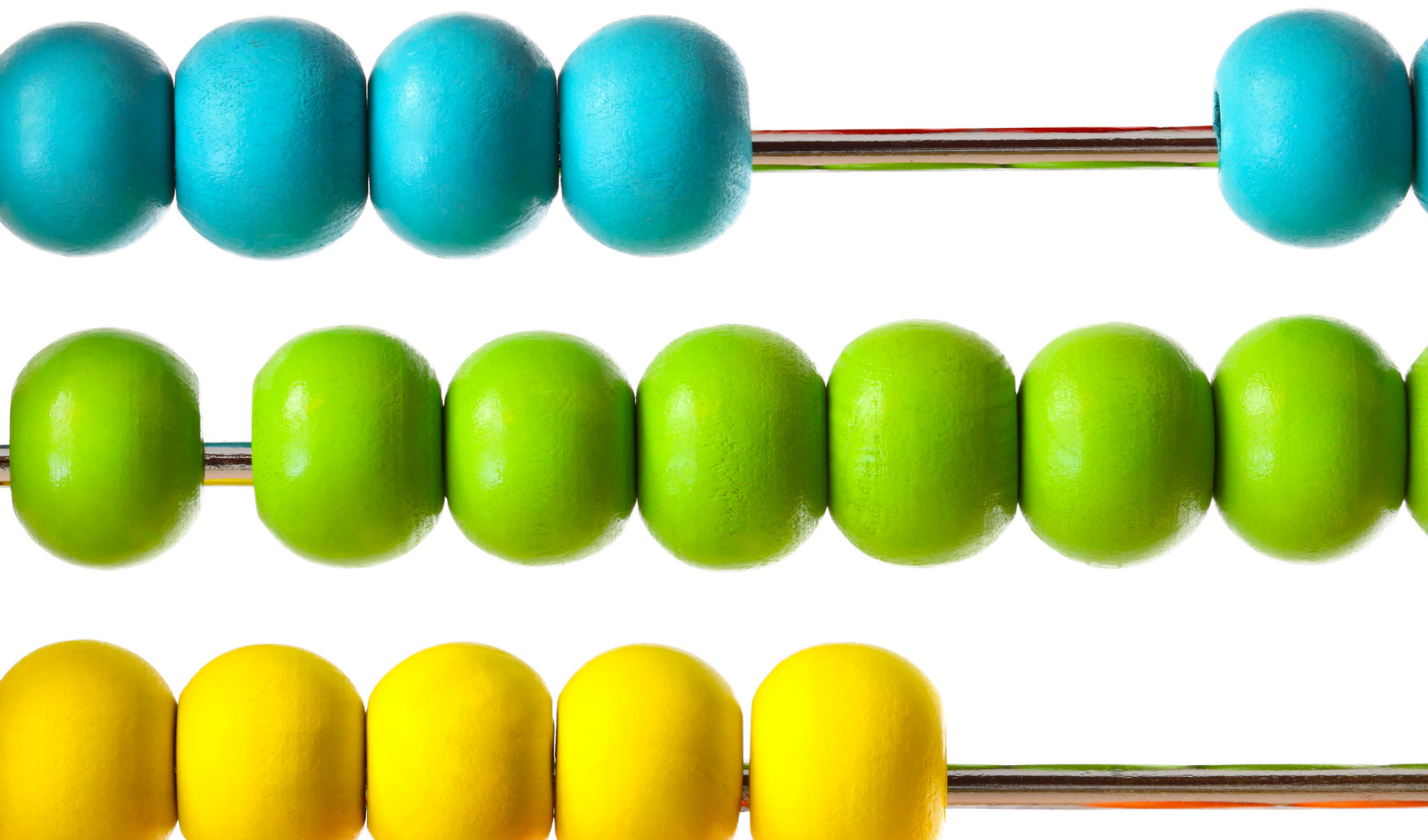


# AUSTIN

INDEPENDENT SCHOOL DISTRICT  
**FY2014 PRELIMINARY BUDGET**







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# A message from the superintendent



To the Austin Community:

This preliminary budget for FY 2014 establishes the foundation for our district's operations for the 2013-14 school year. It marks the fourth part of a five-year budget plan that began in 2009. Since I began as superintendent, our district has developed and stayed consistent with a long-term strategy of reducing the budget, stabilizing our resources, and creating a structure that allows us to do a better job of controlling our finances and our destiny. As a result, we are in a strong financial position, in spite of significant reductions in state funding over the past two years.

As we develop a budget for FY2014, we will face some uncertainties about the actions of the Texas legislature, which is currently in session, and about possible reductions in funding that could occur as the result of actions at the federal level. We must also take into account operating costs that would be associated with a successful bond program.

As we contemplate these unresolved funding issues, we will do our best to plan our budget carefully next year and in the outyears as we have done over the last four years. We will continue to tighten our belts and ensure that our limited resources are spent strategically. And as we wait for a resolution to the recent ruling regarding the State funding system that ruled that the current system is unconstitutional and fails to provide adequate funding for education, we will access our reserves as a temporary solution to our projected budget shortfall in FY2014. As a result of our forward financial planning, we are in a position to support our needs until there is more certainty about State funding—which may not become certain until 2014 or 2015.

Austin ISD FY2014 Preliminary Budget

for that matter. Our district has a healthy fund balance that we have planned for. But we know it is not a perennial solution to our ongoing needs and we need to protect our reserve levels to remain solvent and to secure our cash flow needs.

Eliminating the achievement gap, providing enrichment opportunities for all students, and retaining high-quality staff will be our biggest challenges. If there are no changes made to the State funding system for school districts that provides adequate funding for all school districts, including Austin, the district is likely to seek the support of voters for a tax ratification election to fund these needs within the next year or two.

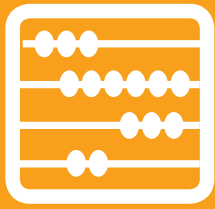
This Preliminary Budget guide provides essential information on the projected revenues and expenditures for FY 2014, as well as comparative data on our tax rates and staffing. As part of our commitment to openness and transparency, this guide lays out many factors under consideration in our district's budget.

We appreciate the Austin community's commitment to our public schools and engagement in the budget process. We pledge to keep the community informed as the process evolves.

Sincerely,

Meria Joel Carstarphen  
Superintendent

**“As part of our commitment to openness and transparency, this guide lays out many factors under consideration in our district's budget.”**



**AISD Strategic  
Plan FY2010-15  
Guides the  
District's Budget,  
Plans, Programs  
and Initiatives**

# Introduction

## AISD's Budget Process: Strategic, Engaging and Transparent

In December 2009, the Austin Independent School District's Board of Trustees approved the AISD Strategic Plan FY2010-15. Each year, the district revisits the plan to adjust for changes in the landscape, such as recent state funding reductions. To further strengthen measurable student achievement outcomes and provide increased accountability to the community, the district may revise the strategic plan as part of an annual review process.

AISD believes in the soundness of its Strategic Plan. It is the product of extensive research, including the review of best practices and a number of strategic plans from school districts across the country. The strategic plan also is the product of extensive stakeholder input, including community conversations, focus group discussions, task force input, surveys, individual interviews, and email and written comments. In all, the district received input from more than 3,500 sources.

**Strategic Plan consists of three parts:**

- **Framework:** The framework states the mission, vision and values of the district. It also includes four goals, 11 measurable outcomes and four strategies.
- **Key Action Steps:** The steps, arranged by the four strategies, provide a focused approach to implementing the strategic plan and achieving the district's mission.
- **Scorecard:** The scorecard includes more information on the measurable outcomes, as well as baseline data and targets for improvement.

As indicated in the framework, the goals directly align with academics and student performance, and the measurable outcomes include quantifiable

performance indicators directly related to the goals. The goals and measurable outcomes are ambitious, but they also are achievable. The four strategies represent a balance of perspectives—education, community, staff and resources—all of which are integral to successfully implementing the plan.

In addition to the budget, the Strategic Plan serves to guide AISD plans such as the district improvement plan (DIP), campus improvement plans and the Facility Master Plan.

For each of the key action steps, detailed work plans (e.g., the DIP) are developed to ensure that related programs and initiatives also are aligned with the strategic plan. Periodic status reports are provided on each of the work plans.

An annual Strategic Plan scorecard—based on the measurable outcomes—is produced to assess the overall progress of the strategic plan implementation. The release of the scorecard coincides with the superintendent's annual delivery of the State of the District Address and the Annual Report.

The Annual Report is available at [www.austinisd.org/publications](http://www.austinisd.org/publications).

## STRATEGIC PLAN GUIDES THE BUDGET

Why does the district need a long-term Strategic Plan? With limited resources, AISD must be focused on the goals and strategies that will best prepare all students for college, career and life in a globally competitive environment. This means being fully transparent in the decisions guiding the district, setting priorities and sticking to them, and concentrating resources on the programs, practices and staffing that will best serve students in achieving academic success.

parents, students, community members, and staff members throughout the district. AISD will hold meetings with the community to unpack the preliminary budget, welcoming additional input that can be incorporated before the superintendent presents the final recommended budget and the Board of Trustees adopts the district's budget in August 2013.

The superintendent established the Budget and Finance Advisory Committee (BFAC) to provide guidance and counsel on budget and finance matters. BFAC meets



### ► Strategic Plan Goals

1. All students will perform at or above grade level.
2. Achievement gaps among all student groups will be eliminated.
3. All students will graduate ready for college, career and life in a globally competitive economy.
4. All schools will meet or exceed state accountability standards, and the district will meet federal standards and exceed state standards.

The Strategic Plan has ambitious goals. It includes specific action steps the AISD will take and measurable outcomes against which the district's work will be judged. This is true accountability.

This plan requires a compact with the families AISD serves. Its success also calls for a commitment from the greater Austin community to work with the district to provide needed services. Working together with community partners to implement this plan, the district can eliminate achievement gaps, keep young people from dropping out, and raise the level of achievement so that every student graduates ready for college, career, and life in a continually changing, highly competitive and exciting world.

## FINANCIAL TRANSPARENCY

Recognizing the importance of providing sufficient time during the budget process for community members to discuss and debate challenging issues, AISD accelerated its budgeting process in the prior two years and is doing so again for FY2014. In this way, the public is able to review and scrutinize the preliminary budget before the district's Board of Trustees adopts a final budget.

This preliminary budget provides a first glance of the investment plan for the FY2014 school year. It will evolve as the budget process advances and presents opportunities for input from key stakeholders, including

regularly, working alongside staff members and others to develop tools and methodologies on how to best improve the district's budgeting process. The administration has been responsive to BFAC's recommendations for greater cohesion and clarity. The district's budget development has become an integrated process that aligns resource allocation with goals and priorities established through the development of a well-defined curriculum—and a well-conceived and executed strategic planning process.

## RESULTS ORIENTED WITH PERFORMANCE-BASED BUDGETING

AISD has made significant progress in developing a performance-based budgeting (PBB) system. Key performance indicators, driven by the Strategic Plan, tie budget investments to expected performance outcomes. PBB allows the district to ensure budget investments are well-aligned and well-articulated with clear lines of accountability.

### Evaluating for Effectiveness and Efficiency to Drive Budgetary Decisions

The Department of Research and Evaluation regularly evaluates major district initiatives. Cost and effectiveness information gleaned from these evaluations are included annually in a matrix of findings used in the budget development process to provide stakeholders with performance data before budgetary decisions are made.





The strategic planning process is, by its nature, ongoing—as the district constantly seeks input and evaluates progress in order to make adjustments. The same applies to the budget process, in which the district:

- makes financial realignments to support key initiatives or priorities;
- increases or decreases budgets depending on the outcomes of performance measures; and
- using evaluative tools to judge success.

## STRATEGIC INVESTMENTS

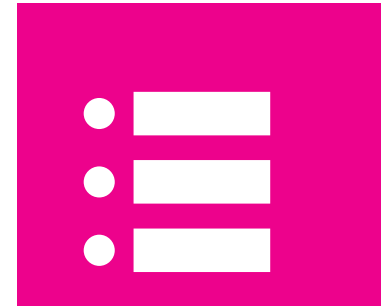
The district's administrative leadership works to ensure resources are strategically aligned and budgeted funds are spent primarily on supports for schools and students. Despite severe financial constraints, the district has found the resource capacity to support critical investments directly related to specific key action steps of the Strategic Plan. Funding key action steps of the strategic plan will remain a major goal in the budget development process for the district, but fully implementing the plan will be difficult, as AISD continues to face the challenge of maintaining current funding levels.

## Strategic Modification for FMP Framework

AISD's Board of Trustees took action Sept. 24, 2012 approving a strategic modification to the FMP Framework, which would allow the Annual Academic and Facilities Recommendations (AAFRs) cycle to transition from a 12 to 24 months, beginning Jan. 2013. This modification will allow:

- Twelve months of research and community engagement beginning in January, culminating with board approval in December; followed by
- Six months of program development and facility renovations and preparations; followed by
- Six months of implementation.
- The AAFRs serve as a blueprint for how the district establishes both its short- and long-range facilities plan. They have both a capital and operational impact and must be included in the district's overall budget planning.

# AISD's Board of Trustees Budget Parameters



The Board of Trustees adopted the following parameters for the FY2014 budget development process, which serve as a guide to developing the district's preliminary budget.

**1** The board seeks to maintain an unassigned fund balance consistent with district policy in an effort to (1) maintain a bond rating of Aaa or higher, (2) maintain a "superior" financial rating from the state and (3) ensure a sufficient operating reserve to support operating costs for at least two and a half months.

**2** The board recognizes its fiduciary responsibility to adopt a balanced budget and will seek to do so by considering all cost savings and efficiency options.

**3** If projected expenditures exceed projected revenue and budget reductions become necessary, the district will first seek those options that are sustainable and will address structural imbalances on a multi-year basis. One-time solutions, including the use of fund balance reserves will be considered with caution and appropriately factored into out-year budget shortfalls.

**4** The district will continue to pursue additional revenue, costs savings and efficiencies; and will work to reduce investments in programs that have not produced sufficient results.

**5** The budget will prioritize investments that are aligned with our strategic goals as outlined in the Strategic Plan:

- All students will perform at or above grade level.
- Achievement gaps among student groups will be eliminated.
- All students will graduate ready for college, career and life in a globally competitive economy.
- All schools will meet or exceed state accountability standards, and the district will meet federal standards and exceed state standards.

**6** The district recognizes the need to target resource investments in programs that support

achievement growth for all schools. Therefore, any new budgetary investments will reflect the Strategic Priorities established by the board.

**7** The performance results from the district's performance management system will be used to make budgetary decisions in an effort to establish a budget that is performance-driven and based on proven results. The performance management system includes: the district-wide balanced scorecard, Strategic Plan monitoring tools, program evaluations, electronic dashboards, operational key performance indicators (KPIs) and individual employee evaluations.

**8** The budget process must be transparent and include sufficient opportunity for community engagement and feedback

**9** The board seeks to maintain competitive total compensation levels for all classes of employees and will consider such recommendations as long as they are sustainable.

**10** Budgeted assumptions for staffing ratios must meet state standards, unless a waiver is sought from the state.

**11** The budget should be developed in a multi-year framework (minimum three years) to account for out-year implications of budget proposals and revenue estimates.

**12** To move down the path of (1) increasing school level autonomy, effectiveness and innovation; (2) ensuring that funds follow students based on their individual needs; and (3) decreasing disparities in per-pupil funding, the district will work in a phased approach, with experts and the community, to implement a revised funding model, considering at least, in part, student weights, as a basis for resource allocations, targeted to begin in the 2014-15 school year.



# Strategic Plan Framework

## MISSION

### What We Do

In partnership with parents and our community, AISD exists to provide a comprehensive educational experience that is high quality, challenging, and inspires all students to make a positive contribution to society.

## VISION

### Where We Want to Be

AISD will be nationally recognized as an outstanding school district, instilling a passion for life-long learning in all students.

## VALUES

### What We Believe In

- Focus on Children
- Excellence
- Integrity
- Equity
- Respect
- Health and Safety

## GOALS

### What We Want to Accomplish

1. All students will perform at or above grade level.
2. Achievement gaps among all student groups will be eliminated.
3. All students will graduate ready for college, career, and life in a globally competitive economy.
4. All schools will meet or exceed state accountability standards, and the district will meet federal standards and exceed state standards.

## STRATEGIES

### How We Will Achieve Our Goals

1. Provide a high-quality, well-rounded educational experience to all students that is rigorous, culturally relevant, healthful and engaging.
2. Build strong relationships with students, families, and the community to increase trust and shared responsibility.
3. Ensure that every classroom has a high-quality, effective educator, supported

by high-quality, effective administrators and support staff.

4. Align resources to accomplish priorities within a balanced budget.

## MEASURABLE OUTCOMES

### How We Will Check Progress on Our Goals

1. Texas Assessment of Knowledge and Skills (TAKS)/State of Texas Assessments of Academic Readiness (STAAR) passing rates for students who have been in the district for at least three consecutive years
2. TAKS/STAAR passing rates for students who have not been in the district for at least three consecutive years
3. Achievement gaps among ethnic groups
4. Achievement gaps between economic groups
5. Graduation rates (the number of students in a ninth grade cohort who graduate within four years)
6. College readiness (the number of graduates who meet or exceed a combination of TAKS exit level, SAT, and ACT criteria)
7. TAKS writing scores (the number of 11th graders scoring 3 or 4)
8. Postsecondary enrollment (the number of seniors who enrolled in a four- or two-year college or university or in a technical school within one year after graduation)
9. Enrollment in Advanced Placement (AP) courses (the number of students enrolled in AP courses and completing dual enrollment courses)
10. Performance in AP courses (the number of students with AP test scores of 3, 4, or 5)
11. District and campus accountability ratings (based on the district rating (i.e., Acceptable), the number of schools achieving Adequate Yearly Progress (AYP), and the number of Acceptable, Recognized, and Exemplary schools)



# Board Priorities

## WHOLE CHILD, EVERY CHILD

Expansion of academics (intellectual, physical health, wellness and safety) social and emotional initiatives and programs to enhance the education of the whole child.

## COLLEGE-READY CULTURE

Expand and enhance advanced academic programs to prepare all students for college, career and life.

## RICH PORTFOLIO OF OPTIONS

Exploration and establishment of new delivery models to provide an enhanced portfolio of academic options to promote graduation rates and higher achievement for students.

## HUMAN CAPITAL

Refinements to our human capital strategy to recruit, retain promote, reward, evaluate and develop the highest quality educators.

## SYSTEMS SEPTEMBER 2012

Systems improvement through accessible performance management, shared data, technology, integration, facility master planning and aligned operations.

# FOR FY2014



## AISD's Continued Commitment to Students and Taxpayers

The district is making progress in reducing achievement gaps between student groups, creating a college-bound culture, and boosting the expectations for and the achievement of English language learners and special education students.

The FY2012 school year marked the last full year of accountability ratings under the Texas Assessment of Knowledge and Skills (TAKS). Beginning in FY2013, campuses and districts were rated on a new accountability system based on the State of Texas Assessments of Academic Readiness (STAAR).

- AISD's passing rates on STAAR for grades three through eight ranged from 82 percent in third and fourth grade reading to 58 percent in eighth grade social studies, which is similar to state ranges that are the results of different, state-set passing standards across grades and subject areas. AISD's students' strongest performance in comparison to state passing rates are in third and fourth grade math, with the district exceeding the state passing rate by 9 percentage points.
- AISD's fourth and eighth grade students continued to outperform their peers in large cities and other urban school districts on the 2011 National Assessment of Educational Progress (NAEP), also known as the "Nation's Report Card."
- NAEP results from FY2011 show that the percentage of fourth and eighth grade AISD students scoring at or above Basic in reading and mathematics was higher than the percentage of students scoring at or above Basic

in these subjects in large city school districts, and in several districts participating in the Trial Urban District Assessment (TUDA).

- The 2012 overall average SAT score for AISD students (1496) was greater than the state average score (1434) and comparable to the national SAT average score (1498). Austin students' average total score of 1496 points included 497 in verbal (critical reading), 523 in mathematics and 476 in writing. AISD exceeded the state's average by 62 points. The district's counterparts in Texas scored 474 in verbal, 499 in mathematics and 461 in writing, respectively, for a total average state score of 1434 points.
- AISD student ACT scores in FY2012 (21.4) exceeded both the state (20.8) and national (21.1) overall average scores. AISD average ACT scores exceeded state average ACT scores in every area and exceeded national average ACT math, reading, science, and composite scores (omitting English).
- AISD led the Big-8 urban school districts in meeting or exceeding the Level II (Phase-in 1) standard in four subjects (English I Reading, English I Writing, Algebra I and World Geography) and ranked second in Biology.
- Adequate Yearly Progress (AYP) proficiency standards for all student groups increased from 80 to 87 percent in reading and from 75 to 83 percent in mathematics. Amid the increasing standards, AISD led the Big 8 districts with 58 percent of schools meeting the federally-mandated AYP requirements.

## Texas Big-8 School Districts 2011–2012 AYP Results for All Campuses

	2011 CAMPUS RESULTS							2012 CAMPUS RESULTS						
	Met AYP		Missed AYP		Not Evaluated		Total Campuses	Met AYP		Missed AYP		Not Evaluated		Total Campuses
	#	%	#	%	#	%	#	#	%	#	%	#	%	#
AUSTIN ISD Missed AYP Stage 3	87	71%	31	25%	5	4%	123	71	58%	47	39%	4	3%	122
CORPUS CHRISTI ISD Missed AYP Stage 3	41	68%	16	27%	3	5%	60	21	36%	34	59%	3	5%	58
DALLAS ISD Missed AYP Stage 3	140	61%	83	36%	7	3%	230	61	26%	158	67%	17	7%	236
EL PASO ISD Missed AYP None	64	68%	24	26%	6	6%	94	53	56%	35	37%	6	6%	94
FORT WORTH ISD Missed AYP Stage 3	49	35%	76	55%	15	11%	139	41	29%	84	60%	16	11%	141
HOUSTON ISD Missed AYP Stage 3	211	71%	75	25%	11	4%	297	99	36%	167	60%	11	4%	277
SAN ANTONIO ISD Missed AYP Stage 3	50	51%	43	43%	6	6%	99	18	18%	73	74%	7	7%	98
YSLETA ISD Missed AYP None	43	70%	16	26%	2	3%	61	18	29%	41	66%	3	5%	62
STATE Missed AYP	5636	66%	1807	21%	178	2%	8526	3795	44%	4054	48%	681	8%	8529

Source: TEA 2012 AYP Campus-Level Data <http://ritter.tea.state.tx.us/ayp/2012/download.html>

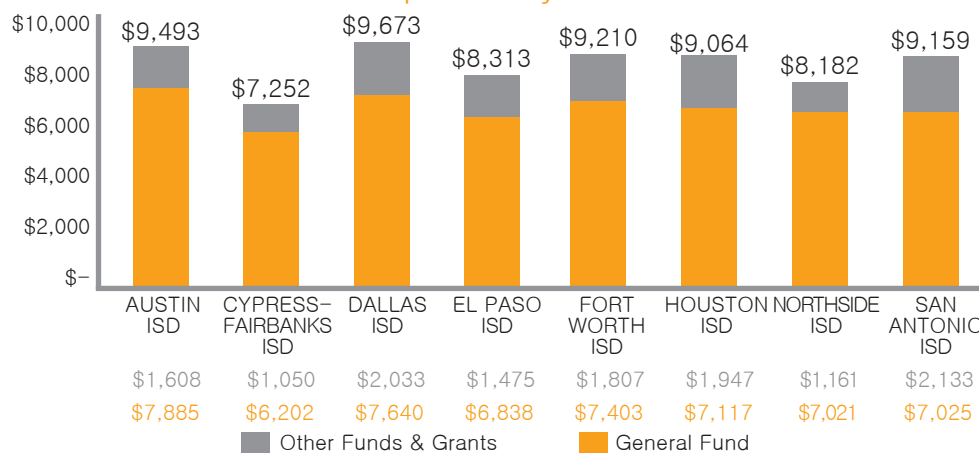
Note: "Met AYP" percentages include schools "not evaluated" in the denominator (reflecting TEA methodology). Austin ISD percentage "Met AYP" for 2012 increases to 60% when schools "not evaluated" are excluded from the calculation.

### OUR STUDENT INVESTMENT WHEN COMPARED TO OUR TEXAS PEERS

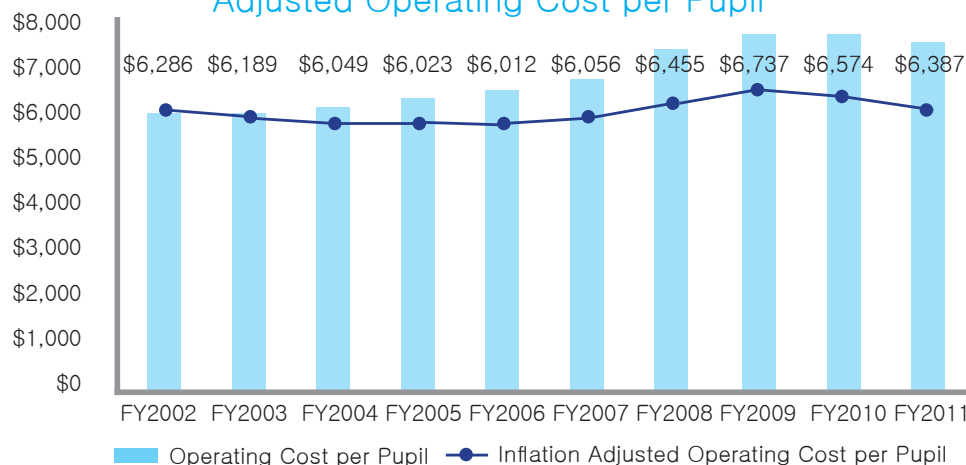
In FY2011, the most recent year for which comparable data are available, Austin spent \$9,493 per pupil, which ranks the second highest among urban school districts in Texas. As illustrated in the graph, five out of eight urban districts spent more than \$9,000 per pupil in FY2011. Although AISD's operating expenditures per pupil are slightly higher than most of its urban peers, the per-pupil spending level reflects the district's commitment to ensuring that its fast-growing, diverse student population graduates prepared to meet the competitive demands of a global economy. Also, AISD is one of the few school districts that contribute to Social Security at a cost of \$33 million annually or \$387 per pupil in FY2011.

Unfortunately, as a result of state funding losses, the per pupil funding amount that the district spent in FY2011 represents a decrease of nearly three percent from FY2010 when adjusted for inflation.

### Operating Expenditures per Pupil FY2011 as reported by the TEA



### General Fund Inflation Adjusted Operating Cost per Pupil





## HOW AUSTIN STACKS UP NATIONALLY

While Austin's per-pupil spending compares favorably among its statewide peers, the same is not the case nationally. Texas spends less per student on public education than most states. According to FY2012 Quality Counts, an annual report card published by Education Week, Texas received a grade of D+ for education spending. Further, the state received an F for student spending as it ranked 49th out of 50 states.

NAEP releases data every two years. The latest data from FY2011 show that Austin's per-pupil expenditures rank 16th among the 21 school districts participating in the Trial Urban District Assessment (TUDA). Yet, the FY2011 NAEP results show that AISD outperformed most of the TUDA districts in both reading and mathematics in fourth and eighth grade. When comparing the seven TUDA districts with similar student economic disadvantage, AISD per-pupil expenditures are among the lowest. This suggests that AISD is accomplishing more with less.

The district's FY2011 NAEP reading and mathematics results demonstrate that AISD fourth and eighth grade students outperform students in several other TUDA districts.

### Mathematics

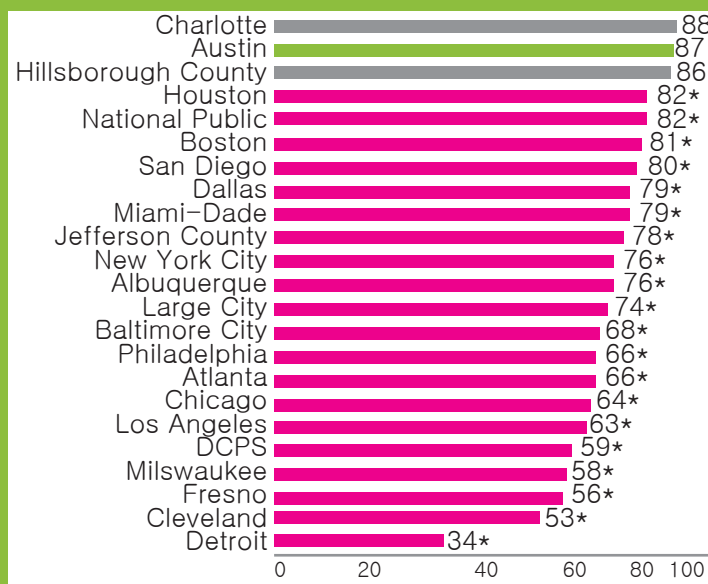
Overall, AISD's FY2011 mathematics results demonstrate the percentage of fourth and eighth graders scoring at or above Basic remains higher than the percentage of their peers

scoring at or above Basic in most TUDA districts and in large city school districts (LCs) with populations of 250,000 or more.

The percentage of AISD fourth graders scoring at or above Basic (87 percent) in mathematics was significantly higher than that of their peers in 18 of the 20 other TUDA districts, LCs (74 percent) and national public schools (82 percent), and represents a significant increase from FY2007 (83 percent). In addition, fourth-grade, economically disadvantaged students' average scale scores in mathematics improved significantly from FY2007 (229) to FY2011 (235). Similarly, the percentage of fourth-grade Hispanic students scoring at or above Basic in mathematics (82 percent) was greater than that of their peers in LCs (71 percent), national public schools (72 percent) and 12 of the 20 other TUDA districts.

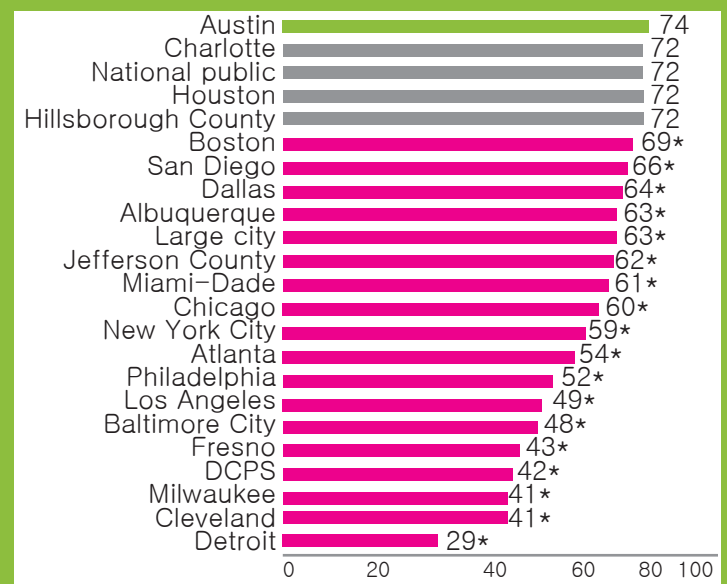
The percentage of AISD eighth-graders scoring at or above Basic (74 percent) in mathematics was significantly higher than that of their peers in 17 of the 20 other TUDA districts and LCs (63 percent), and was similar to that of their peers in national public schools (72 percent). It also increased significantly from FY2005 (68 percent). Students in several subgroups outperformed their peers in mathematics in similar districts, with scores improving significantly since FY2005. For example, the percentage of eighth-grade Hispanic students scoring at or above Basic (67 percent) in mathematics was higher than that of their peers in LCs (58 percent)

Percent of Fourth Graders Scoring at or above Basic on NAEP Mathematics, 2011



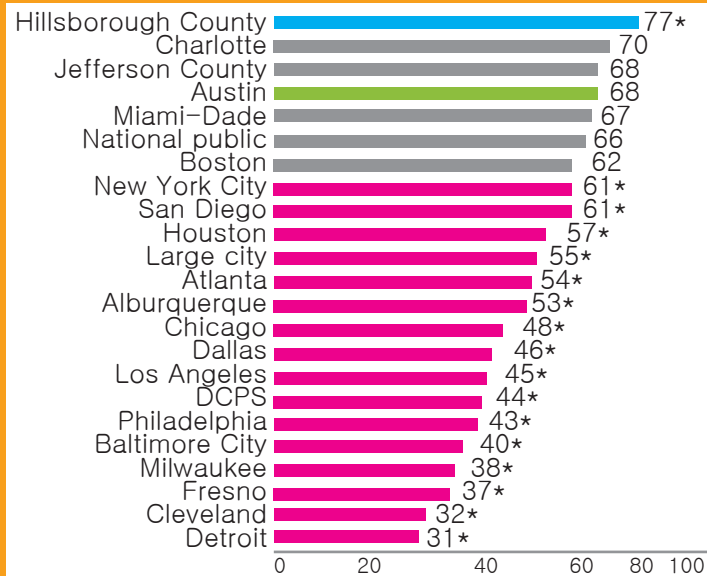
\*The percentage of AISD fourth graders scoring at or above Basic was higher than the percentage of students scoring at or above Basic in large cities and 18 other TUDA districts.

Percent of Eighth Graders Scoring at or above Basic on NAEP Mathematics, 2011



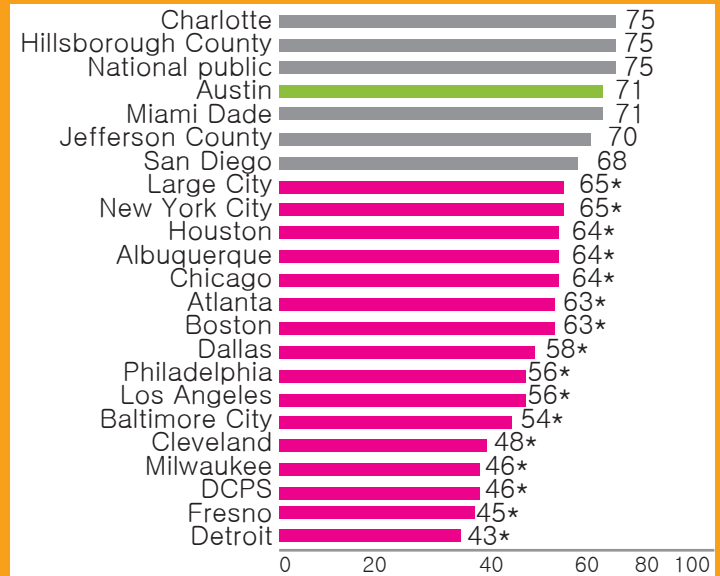
\*The percentage of AISD eighth graders scoring at or above Basic was higher than the percentage of students scoring at or above Basic in large cities and 17 other TUDA districts.

### Percent of Fourth Graders Scoring at or above Basic on NAEP Reading, 2011



\*The percentage of AISD fourth graders scoring at or above Basic was higher than the percentage of students scoring at or above Basic in large cities and 15 other TUDA districts.

### Percent of Eighth Graders Scoring at or above Basic on NAEP Reading, 2011



\*The percentage of Austin ISD eighth graders scoring at or above Basic was higher than the percentage of students scoring at or above Basic in large cities and 15 other TUDA districts.

and national public schools (60 percent), and represented a significant improvement from FY2005 (56 percent). Additionally, the percentages of economically disadvantaged (62 percent) and English language learner (ELL) students (39 percent) scoring at or above Basic in mathematics in AISD were higher than those of their peers in LCs (55 percent and 26 percent, respectively) and represented significant improvement from FY2005 (49 percent and 21 percent, respectively).

#### Reading

In FY2011, the percentage of AISD students in both grades scoring at or above Basic in reading was higher than that of their peers in most TUDA districts and LCs.

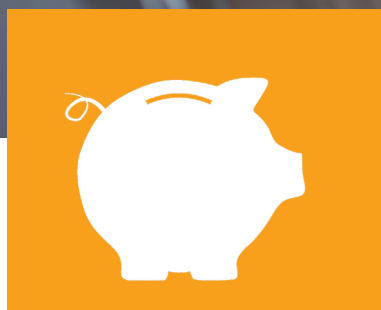
Overall, the percentage of fourth graders scoring at or above Basic in reading (68 percent) was significantly higher than that of their peers in 15 of the 20 other TUDA districts and LCs (55 percent), and was similar to that of their peers in national public schools (66 percent). It also was significantly higher in FY2011 than in FY2005 (61 percent). In addition, the percentage of fourth-grade students identified as ELLs who scored at or above Basic in reading in FY2011 (40 percent) has improved significantly since FY2005 (26 percent). Also noteworthy, the percentage of Black students scoring at or above Basic in reading (62 percent) was higher than that of their peers in LCs (45 percent) and 11 of the 20 other TUDA districts.

Among AISD's eighth graders, the percentage of students

scoring at or above Basic in reading in FY2011 (71 percent) was significantly higher than that of students in 15 of the 20 other TUDA districts and LCs (65 percent), but was not significantly different from that of their peers in national public schools (75 percent). However, it represented a significant improvement from FY2005 (65 percent). From FY2005 to FY2011, the percentage of White students scoring at or above Basic in reading has improved from 86 percent to 94 percent, and was significantly higher in FY2011 than that of their peers in LCs (83 percent) and in national public schools (84 percent). Although the percentages of Hispanic (63 percent) and economically disadvantaged (58 percent) students scoring at or above Basic in reading were not significantly higher than those of their peers in LCs (Hispanic students: 60 percent; economically disadvantaged students: 59 percent) or national public schools (Hispanic students: 63 percent; economically disadvantaged students: 63 percent), Hispanic and economically disadvantaged students have shown significant improvement in NAEP reading since FY2005 (Hispanic: 52 percent; economically disadvantaged students: 49 percent).

For more information on AISD students' performance on NAEP, please visit the district's website at

[www.austinisd.org/articles/austins-eighth-graders-top-charts-mathematics](http://www.austinisd.org/articles/austins-eighth-graders-top-charts-mathematics)



## Sound Budgets and Strong Fiscal Management

Despite budget constraints in recent years, AISD continues to use sound fiscal management practices, and prudently allocates its resources. Budgets have been developed and implemented with a focus on students and their needs. The district's efforts at fiscal responsibility have helped produce the following results:

- The second lowest overall property tax rates in Central Texas for school districts.
- Aaa debt rating from Moody's Investors Service, AA+ from Standard & Poor's, and AA from Fitch Ratings, which are among the highest ratings a Texas public school can earn from these agencies. This has resulted in millions of dollars worth of savings for the district's bond program and Austin taxpayers.
- A Final FY2012 School FIRST (Financial Integrity Rating System of Texas) rating of Superior Achievement for the 9th consecutive year. (The FY2012 rating is based on 2011 indicators)
- The Texas Comptroller of Public Accounts awarded AISD with a Leadership Circle Award for budget transparency, for the third consecutive year. Gold is the highest level and requires multiple financial documents and a web page dedicated to financial transparency.
- The Government Finance Officers Association (GFOA)

Distinguished Budget Presentation Award for nine years in a row.

- The GFOA Certificate of Achievement for Excellence in Financial Reporting for two years in a row.
- The Association of School Business Officials International (ASBO) Meritorious Budget Award for excellence in the preparation and issuance of its school system budget for three years in a row.
- The ASBO Certificate of Excellence in Financial Reporting.
- Second ranked school district in the nation for total amount of renewable energy purchased.
- Eighth largest purchaser of "green power" among all U.S. government entities.
- A two-star rating or higher from the Austin Energy Green Building Program for new schools, classroom additions, and major renovations under the 2004 and 2008 bond programs.





# Budget Challenges

## SIGNIFICANT FUNDING LOSSES

Similar to school districts throughout the state, AISD began the new school year with more than \$60 million less in state revenue. Faced with a substantial budget shortfall, the 82nd Legislature, which convened in 2011, reduced the state funding formula to public school districts and eliminated funding for a host of grant programs in its biennial FY2012 and FY2013 state budget. These reductions totaled \$5.4 billion compared to what school districts would have earned during the same two-year period under the prior funding levels.

The loss in state revenue, coupled with the loss of nearly \$60 million in federal stimulus funding in FY2011 and \$13.8 million in Edujobs funding lost in the subsequent year, has forced AISD to confront these losses with severe cuts to programming and the number of staff members during the past three years.

During 2010, the district took advantage of operating inefficiencies that offered ways to balance the budget without a significant effect on the classroom. In FY2010, the district eliminated 18 central office positions, which saved a little more than \$700,000, and implemented a central office hiring freeze, which still stands today, which saved more than \$1.5 million. FY2011 reductions included the elimination of 117 central office positions that saved the district an estimated \$5 million. The district implemented a total of \$27.7 million in reductions and savings during these first two years without affecting local campuses' budgets.

After those first two years, however, the budget cuts reached a point where they were felt at the campus and classroom level. In FY2012, the district eliminated 1,153 positions, the bulk of which were at the campus level. As a result, AISD teachers and team members have heavier workloads, larger classes, increased health care costs, and less leave time. The district was forced to make program cuts to athletics, summer school and school turnaround initiatives in order to balance the budget.

As a result of many of the efficiency, savings and cost reduction measures the district put into place, the AISD was able to stabilize staffing levels during FY2013 through the use of its fund reserves as a short-term solution to the growing revenue shortfall.

Even with all of this, the district's financial condition could worsen during the next legislative session if there is not a change to the law under SB1, which calls for the elimination of Additional State Aid for Tax Relief (ASATR) — a 2006 deal that protects school districts from funding losses due to statewide Austin ISD FY2014 Preliminary Budget

property tax relief. Carrying out the legislative intent under SB1 to eliminate ASATR could mean up to \$100 million more in cuts for the district by FY2018.

More than 600 school districts across Texas, including AISD, filed lawsuits that claimed the state funding system was inadequate and unfair, which is a violation of the Texas constitution. There were a total of six lawsuits that were combined into one lawsuit.

In February 2013, Judge John Dietz ruled the Texas school finance system is unconstitutional, finding it does not adequately fund public schools and that the system has evolved into a de facto statewide property tax.

While there has been a recent ruling in the trial, it is expected the ruling will be appealed to a higher court. Based on the timeframe and outcome of a Supreme Court appeal, some speculate the Texas legislature could take action between spring 2014 and the 2015 legislative session. At this time, it is uncertain how potential court and legislative action would impact district funding levels during the next couple of years.

Thus, the 83rd legislature may fail to pass any new school finance legislation even though the state Comptroller's office projected an \$8.8 billion surplus in its biennial revenue estimate released in January 2013. Instead, the current legislature may wait to address school funding formulas while this issue is adjudicated through the court system.

The FY2014 Preliminary Budget assumes the current funding formula and cuts will remain intact and state funding for school districts will not be restored. As a result, the district is facing a \$45.2 million revenue shortfall in the FY2014 preliminary budget.

## LIMITED RESOURCE CAPACITY TO SUPPORT A DIVERSE STUDENT POPULATION

AISD is growing. The district has experienced steady student growth even while experiencing unprecedented losses in state funding.

AISD serves approximately 87,000 students, about 5,000 more than attended AISD during FY2006. Historically, the district has grown by about 1,000 students per year—a rate two to three times faster than the state's student population, which itself is growing at a faster rate than the nation's student population. However, FY2013 presented an anomaly in which there was relatively flat growth and the district projects only a slight increase in enrollment for FY2014. Despite this, the district's third-party demographer still anticipates continued growth in the future.

The district also is changing demographically. While many neighboring districts also are serving more students each year, much of the new growth in AISD comprises diverse student populations. The demographic makeup of the district's student population has shifted, and our changing student population is more costly to serve.

During the past ten years, while AISD's student population has grown by 11 percent, the district's economically disadvantaged student population has grown by 28 percent. Approximately 64 percent of students qualify for free or reduced lunch; the district's English language learner population has grown by 44 percent and comprises 29 percent of our student enrollment.

The district must establish new delivery models and support strategies to educate an increasingly diverse student population with the following characteristics:

- Today, nearly 2 out of 3 children in AISD are from economically disadvantaged homes.
- For one in three, English is not their first language. Nearly 90 languages are spoken in throughout the district.
- One in 10 children is classified as having a learning (or other) disability.
- Nearly 30,000 students participate in advanced academics.

AISD celebrates its diversity, and embraces the responsibility to offer all students an excellent education. However, the district has experienced an achievement gap in meeting accountability expectations for several of these vulnerable groups of students and recent funding reductions have severely impacted the district's ability to adequately serve all students.

#### HIGHER ACCOUNTABILITY STANDARDS-LESS RESOURCES

AISD is working hard to serve all of our students amid declining resources and increasing state standards. But, implementing funding reductions simultaneously with increased academic expectations has been particularly challenging. Additional resources for increased instructional time, improved staff development and targeted interventions for struggling students are needed if AISD will be able to make the gains required to ensure Texas students are ready for the challenges they will face after graduating from high school to compete in the global economy.

#### TEAMWORK MAKES THE DREAM WORK

Even though the bar is going up and resources are

going down, AISD staff members and students are making the grade. The district is experiencing record academic performance. And, to be successful in the future, the district

will need a human capital strategy that allows the district to maintain its high quality staff members. At the same time AISD is building capacity to address student growth, the district is competing with neighboring districts and urban school districts throughout the state and nation for the best teachers and principals. And, the district is doing this in an environment of tightly constrained resources on the local and state levels.

AISD employees have shared the burden in the district's recent budget struggles.

They are paying more for health care and

receiving less leave time—all while salaries were frozen for two years in FY2011 and FY2012. And, while staff members are going the extra mile to ensure the vital work of the district continues to be accomplished during this difficult period, it is not sustainable to freeze wages for long periods of time.

In FY2013, the Board of Trustees approved a one-time compensation adjustment for all regular employees equivalent of a 3 percent increase funded from district reserves. The FY2014 preliminary budget assumes that the Board of Trustees will again approve the existing 3 percent compensation adjustment so that employee pay will remain stable this year and into the next. However, the district will also need to consider an additional increase if it expects to keep pace with regional counterparts. In an effort to stay competitive with surrounding districts, the FY2014 Preliminary Budget includes an additional salary adjustment of 1.5 percent, at a cost of \$7.3 million. Clearly, a significant investment in its teachers is critical if the district expects to build on the progress it has made achieving Strategic Plan goals. However, funding these investments with reserve funds is not sustainable and a secure, recurring revenue source will be needed to continue these investments in the future.

#### DIRE FACILITIES NEEDS

It is critical for a school district to have safe, environmentally friendly facilities that have sufficient capacity to support student achievement and success. Texas does not fund school facilities for districts such as Austin. The only option for AISD to address serious facilities needs is to rely on bond funding to provide the facilities needed to support enrollment growth and to address the deferred repairs and facilities needs in the district's schools.

The Citizens' Bond Advisory Committee (CBAC) is charged with developing a scope of work that minimizes tax impact by focusing on projects of highest need, yet is comprehensive

**The only option for AISD to address serious facilities needs is to rely on bond funding to provide the facilities needed to support enrollment growth and to address the deferred repairs and facilities needs in the district's schools.**

enough to equitably safeguard the long-term investments of taxpayers. The committee received 52 presentations, reviewed narratives and costs for each request, received public feedback and summarized its work in reports to the Board of Trustees. Committee members spent more than 1,350 cumulative hours in regular meetings and received more than 180 comments from the public.

As a result, the Board of Trustees is considering taking action through a potential bond election in May 2013 to satisfy critical infrastructure needs. The potential bond initiative picks up on the deferred needs from the 2008 bond that served as a stop-gap measure to address immediate facility needs. The potential bond package totals \$892.2 million and will address four major areas of need:

- health, environment, equipment and technology,

- safety and security, relief from overcrowded schools: new schools and new construction,
- academic and building infrastructure renovations to safeguard investments in district campuses, and
- academic initiatives, fine arts and athletics.

Due to the district's high financial ratings and the debt management strategies it employs, the maximum tax rate increase that taxpayers would experience is 3.5 cents. And, because the district layers its debt annually, the increase to the tax rate, if any, would not occur all in one year. The projected impact to a homeowner whose property is valued at \$200,000 would be \$70 annually, or \$5.83 a month. To a homeowner whose property is at the median taxable value of \$191,551, the cost would be \$67 annually. The

projected impact to a commercial property owner at the median taxable of \$509,385 would be \$178 annually, or \$14.86 a month. Taxpayers who are over 65 and/or disabled and whose taxes are frozen will not experience any tax increases.

While AISD completes the 2004 and 2008 Apple at Work bond programs, the district falls short in funding routine maintenance. The American Schools and Universities' benchmark estimate for per-square-foot maintenance cost is \$5.49 compared to the \$3.17 per-square-foot investment by AISD. An additional investment of \$35.4 million would be necessary to bring the district to this basic maintenance funding level. Even more investment would be necessary in the future as new facilities are brought on-line resulting from any potential 2013 bond initiatives.







## OTHER CHALLENGES

In addition, several other budget factors also have an impact on the district's financial position:

### Social Security

AISD is one of just a handful of Texas school districts required to participate in two retirement programs: the federal social security system, and the Teacher Retirement System of Texas (TRS). AISD incurs approximately \$33 million per year in employer social security taxes—a cost most other Texas school districts do not have to bear.

The district's participation in social security is not universally popular among teachers. Teachers with more experience tend to view it favorably because of the extra support it provides, while teachers with less experience tend to view it as a negative because it represents a hit to their paychecks.

### Recapture

AISD is considered "property-wealthy" under the state's "recapture"

law, which requires the district to send a projected \$135.6 million to the state for redistribution to property-poor school districts in FY2014. Since FY2002, AISD has paid the state more than \$1.5 billion in recapture payments, all of which comes from tax dollars generated in Austin.

### Sequestration

In May 2012, The Texas Education Agency (TEA) informed Austin ISD of the possibility that all federal grants administered by the TEA may be reduced for the FY2013 school and grant year by an amount ranging from 8 to 14 percent. The process by which this reduction may take place, known as sequestration, is a provision of the Budget Control Act of 2011. If the U.S. Congress failed to take action by Jan. 2, 2013, federal education spending would be cut for the FY2014 school and grant year.

President Barack Obama signed into law the American Taxpayer Relief Act of 2012, "fiscal cliff" legislation that avoids a variety of tax increases

and spending cuts Jan. 2, 2013. This legislation did not address the issue of sequestration except to postpone by two months the date that the sequestration process is scheduled to go into effect.

The TEA has communicated that according to most projections, if sequestration does go into effect in March 2013, budget cuts would be less severe than those projected for a January 2013 sequester, which would have resulted in a loss of nearly \$5 million for the district. However, until congress and the president take action to finally address the issue of sequestration and the federal fiscal year 2013 appropriations, nothing concrete is known about whether or how budget cuts will affect Austin ISD.

### Infinite Need, Finite Resources: Where to Prioritize?

While the district has implemented a multi-year financial plan that has allowed it to increase its reserve levels to offset revenue losses for Austin ISD FY2014 Preliminary Budget

a few years, it is not a perennial solution. The district is accessing reserves in FY2013 to cover revenue shortfalls and it can do so only for one more year before reserve levels become dangerously low, which could affect the district's bond ratings. To remain financially solvent, the district will need to increase the tax rate to cover projected expenditure costs in the near future.

The current state financing system essentially holds the district to 2005-06 revenue levels and does not account for increased inflationary costs for areas like electricity, fuel and healthcare. Under the current education finance system, the district does not benefit from increasing tax values, but only from increased attendance or tax rates. The district has made efforts to increase attendance rates resulting in an additional \$4.4 million in revenue during the past two years. However, inflationary costs substantially exceed revenue generated from attendance increases. This nominal revenue growth and the projected stagnation in student growth projected for FY2014 and the out years makes it nearly impossible for the district to constrain spending to a level that matches revenue growth and still maintain the current level of services—especially with projected healthcare plan increases of 10 to 12 percent each year due to new Federal requirements, increased energy and fuels costs and compensation increases. Healthcare increases alone require increases of \$4 to \$6 million annually.

Therefore, we will need to continue to prioritize the district's needs and be careful about any expansion of the current and future budget.

The district has reached a place where the consideration of a TRE is imminent in order for AISD to meet service expectations.

But, even if the district accessed all available revenue from the remaining nine pennies available to the district under current law, it would generate only another \$30

million for the district, which is still not enough to restore state funding cuts or fund the district's total need.

#### **Option to Stabilize Revenue through a Tax Rate Increase**

During the past few years, the Board of Trustees held numerous discussions about whether and when the district should seek voter approval for an increase to the district's tax rate for maintenance and operations.

The one-time compensation adjustment the Board approved in FY2013 cost approximately \$14.2 million and is being funded out of district reserves and the district plans to access reserves again in FY2014 to offset projected budget shortfalls. But, the district leadership knows

reserves cannot continue to fund this type of recurring expense indefinitely. The district will need to secure a sustainable revenue source—sooner rather than later.

AISD will continue to implement cost-cutting expenditure controls and revenue enhancements that have been initiated during the past few years in order to minimize this draw on reserves, but these controls will not fully offset the cost of the one-time compensation adjustment. The district will need a recurring revenue stream in order to fund a permanent salary increase or any new initiatives, which means the district likely would need to propose a Tax Ratification Election (TRE) if there are no changes to the state funding system which we are not likely to see this legislative session.

Under state law, school districts must secure voter approval for any increase in M&O tax rates. AISD's Board of Trustees would need to call for a Tax Ratification Election (TRE). Texas school districts are the only local taxing authorities required to secure voter approval in order to increase taxes. The maximum tax rate a school district can levy is 1.17 per \$100 of assessed value. This has been the case since 2006.

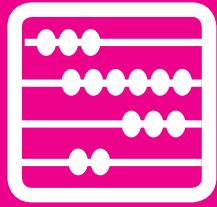
Other local entities, including the city and the county, are not required to seek voter approval for limited tax increases. If the voters approved, this would be the first increase to the M&O tax rate sought by the district since 2008, when voters ratified an increase of nearly four cents by increasing the tax rate from 1.04, which is the maximum tax rate the district can establish without voter

approval, to 1.079 per assessed \$100 value. Increasing the tax rate from 1.079/\$100 to 1.139/\$100, or six cents, would generate an additional \$20.8 million in revenue for the district and increase the tax bill for the \$200,000 value homeowner by \$120. Increasing the tax rate to the maximum allowable under the law—from 1.079/\$100 to 1.17/\$100 or

nine cents—would generate an additional \$31.5 million in revenue for the district and increase the tax bill for the \$200,000 homeowner by \$182.

While the FY2014 Preliminary Budget does not assume a tax rate increase, the district would like to begin a dialogue with the Austin community about the possibility of considering a TRE to secure the revenue needed to implement a permanent salary increase for employees and support key academic programming as part of its financial solvency plan for the future.

**The district has made efforts to increase attendance rates resulting in an additional \$4.4 million in revenue during the past two years.**



# Budget Overview

## BUDGET PLANNING: A MULTIYEAR FISCAL STRATEGY FOR FY2014 AND BEYOND

Future budget pressures are two fold: one is the immediate pressure that will have to be considered as the district develops next year's budget for the FY2014 budget cycle, and the other, longer term budget pressure is how each item plays out during the five year period from FY2014 to FY2018.

Before even taking into account any additional budget pressures, the district will face a revenue shortfall in FY2014 to continue current services. This projected baseline shortfall includes the costs of maintaining the one-time 3 percent salary adjustment plus an additional 1.5 percent salary adjustment. The district will also maintain the full-day pre-kindergarten program. The FY2014 Preliminary Budget reflects a revenue gap of approximately \$45.2 million, which will increase every year in the out years. Baseline budget expenditures, a multiyear compensation strategy, Annual Academic and Facilities Recommendations (AAFRs), additional maintenance and operations costs from bond proposals, and funding for statutorily required, mandated and critical needs all contribute to this budget shortfall.

### Annual Academic and Facilities Recommendations (AAFRs)

The Board of Trustees took action to approve the following AAFRs presented by the Superintendent.

#### Dual Language Program Expansion and Extension

Two-way Spanish/English dual language program, which is at nine elementary schools, will expand to areas of the district that demonstrate high need and readiness for implementation. The one-way model in Vietnamese will expand to include additional grade levels at Summitt Elementary School.

Implementation of a one-way Mandarin dual language immersion program for non-native speakers at Doss Elementary School will be scheduled for implementation during the fall of 2013.

The dual language program (both one-way and two-way) will extend to middle schools throughout the district based on need.

#### Continuation of Responsive Education Solutions at Lanier and Travis High Schools

Responsive Education Solutions fulfills the mission of the Graduation Pathways program by delivering individual students a prescribed course of study. Using both direct teach and computer-based instruction, students recover credits, accelerate credit accrual and receive high dosage tutoring in math and other areas of need.

Responsive Education Solutions will be open to serving students from other high schools, as space is available. The contract with Responsive Education Solutions will continue through the 2013-14 school year at Travis and Lanier high schools.

#### Campus-Initiated In-District Charter at Travis Heights Elementary School

Travis Heights Elementary School will transition to an in-district charter school during 2013-14, essentially becoming an autonomous school model with flexibility in such areas like program design, innovation, budget allocation, scheduling, professional development and curriculum.

The recommended educational model will be a student-centered learning community with a standards-based, rigorous core instructional program applying three interwoven, research-based models including, dual language enrichment, service learning and blended learning.

#### Fine Arts Program: Any Given Child Creative Learning Initiative

The Any Given Child Creative Learning Initiative will bring access and balance to each child's education using a learning model that combines the resources of the school district, the City of Austin, local artists, businesses and philanthropic organizations.

This partnership model will affect student achievement



## Annual Academic and Facilities Recommendations (AAFRs)

### Amount

Any Given Child Creative Learning Initiative	\$1,064,839
Dual language program expansion/extension	424,000
Garcia and Pearce Middle School Program Design	200,000
<b>TOTAL AAFR INCREASES</b>	<b>\$1,688,839</b>



# Highlights of Budget Increases for FY2014

## ⊕ Baseline Increases

	Amount
• Increased Health Insurance Costs	\$4,261,219
• Student enrollment growth (Regular and Special Education)	1,000,000
• New school operating impact costs (North Central Elementary)	838,283
• Gasoline/Fuel for student transportation	300,000
• Increase in Chapter 41 estimate	23,837,728
<b>TOTAL BASELINE INCREASES</b>	<b>\$30,237,230</b>

## ⚡ Statutorily Required/Contractually Obligated

	Amount
• Campus Accountability interventions and monitoring due to increase in testing rigor	\$127,000
• Test Administrators for summer school due to increase in EOC requirements	110,000
• Test Security Specialist (1.0 FTE) to minimize testing security risks	75,011
• Data Integrity Coordinator (1.0 FTE) to ensure accurate and timely filing of assessment data as required	70,000
• Assessment Support Staff (1.0 FTE) to offset grant loss and continue benchmark assessment support and analysis	43,787
• Increases in maintenance contracts for technology systems that include: Schoolnet Workforce Time and Attendance, Help Desk system, Brainpop, Discovery Training, Atomic Learning; and the new online registration system	687,852
• Additional overtime for Student Records to ensure compliance with the Federal Dream Act Executive Order	35,000
<b>TOTAL STATUTORILY REQUIRED/CONTRACTUALLY OBLIGATED INCREASES</b>	<b>\$1,148,650</b>

## 🔒 School Safety Related

	Amount
• Additional Patrol Officers (6.0 FTEs) to increase response time and coverage	\$354,270
• Courier Officer (1.0 FTE) to ensure safety of cash pick-ups	58,335
• Supplies for new I.D. & access cards and replacements	16,575
• Maintenance of surveillance video servers	11,535
• Greater Austin Travis Regional Radio System contract fee increase	9,708
• Austin Regional Intelligence Center contract fee increase	7,839
• Life Safety System Training	5,000
<b>TOTAL SCHOOL SAFETY INCREASES</b>	<b>\$463,262</b>

## ✓ Continuation of Existing Programming

	Amount
• Additional Electricians and Plumbers (5.0 FTEs) to address facilities backlog	202,631
• Continuation of Anderson Vertical Team IB/One-World signature program	150,000
• Increased monitoring for School Activity Funds to minimize system risks	136,000
• Support for Project Lead The Way at Mendez Middle School	91,000
• Student travel for fine arts related events	65,000
• Outdoor Education Specialist (0.5 FTE) to offset grant funding loss	38,500
<b>TOTAL CONTINUATION OF EXISTING PROGRAMMING INCREASES</b>	<b>\$683,131</b>

by aligning the experiences students receive in and out of school and working with teachers in schools and artists in the community.

### Single-Sex Middle Schools at Garcia and Pearce

The attendance area for Garcia and Pearce Middle Schools will be combined to facilitate the design of two, single-sex middle schools. The academic design includes a college preparatory culture and curriculum with pre-advanced placement core classes, College Board curriculum, and vertically aligned elective pathways.

These features are an important element of the academic design to ensure a seamless transition for middle school students preparing to enter the Early College High School programs at LBJ and Reagan high schools.

Students in the Garcia and Pearce attendance areas, who chose not to attend one of the single-sex middle schools, would have an alternate assignment middle school.

### The Impact of Proposed Bond Initiatives on the Operating Budget

The district must rely on bond programs to address serious facility needs in our district. A potential bond program could address overcrowding by building new schools and additions, keeping up with technology needs, expanding academic and fine arts programs and improving athletic programs and facilities. At this time, the cost estimates for these much needed improvements is expected to be \$892.2 million. The proposed FY2014 budget includes operational expenses associated with the

proposed bond initiatives that are scheduled to be initiated in SY2013-14 including a proposed school for young men that would open in SY14-15.

### School for Young Men

The mission of the proposed college and career preparatory academy is to develop a community of character-centered young men who have high moral principles and high integrity, and who are dedicated to community service. The college and career preparation curriculum will be balanced across subject areas and methodologies, including student-led projects and community service, which will include the implementation of a campus brotherhood initiative that facilitates healthy competition, compassionate collaboration and a sense of mutual accountability. Extracurricular activities will support students' intellectual, physical, social and emotional well-being and achievement.

### Addressing Human Capital

Due to budget challenges, salaries in AISD were frozen for two years prior to FY2013, while most surrounding districts froze salaries for only one year. As a result, retaining and attracting high quality staff members was challenging and now to even a greater extent.

The one-time compensation adjustment for all regular employees, which is the equivalent of a 3 percent increase for FY2013, helped to avoid a further decline compared to the district's local market. An analysis

of local teacher salary schedules for the current school year indicates that, excluding the value of the district's social security contributions, AISD teacher salaries rank 8th out of 10 districts surveyed in the local area.

To attain a ranking in the Top 5 districts locally, AISD would need to first maintain the

FY2013 salary increase going forward into subsequent school years. In addition, AISD estimates that a 5 percent salary increase each year, for the next three years, would be needed to reach a ranking in the Top 5 locally. While this is a notable goal that the district believes is important, resource constraints only allow the district to increase salaries nominally until a dedicated revenue source is secured. In order to stay competitive with surrounding districts, the FY2014 Preliminary Budget includes costs to cover an additional 1.5 percent salary adjustment at a cost of \$7.3 million. The cost of a salary increase for all regular district employees is \$4.86 million for each 1 percent increase.

### Teacher Salary Comparison with Local Districts

Lake Travis	1
Leander	2
Eanes	3
Round Rock	4
Manor	5
Dripping Springs	6
Del Valle	7
AUSTIN	8
Hays	9
San Marcos	10

### Bond Initiatives

District wide Technology Expansion
School for Young Men
Individual Campus Plan Requests
Functional Equity Additional Funding
<b>TOTAL BOND INITIATIVE M&amp;O INCREASES</b>

### Amount

\$609,374
120,399
30,000
20,000
<b>\$779,773</b>





# Budget Analysis

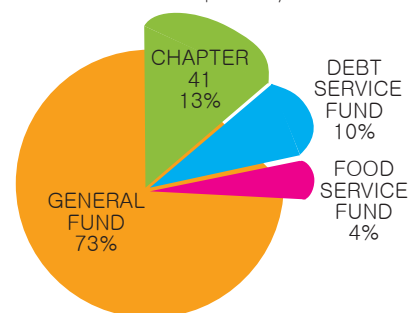
AISD's budget is organized in the following fund categories:

- The General Fund pays for salaries and benefits, classroom resources, campus cleaning and landscaping, transporting students, paying utility bills, providing clerical and administrative support—all the things schools and support centers need to operate on a daily basis.
  - The Food Service Fund pays for the operation of the district's food service program.
  - The Debt Service Fund pays the debt on bonds previously approved by district voters for building construction and renovation.
  - Special Revenue Fund – Accounts for the proceeds of specific revenue sources such as federal categorical, state or locally financed programs where unused balances are returned to the grant. These funds are tied to specific programmatic deliverables and expenditure restrictions.
  - The Capital Projects Fund pays for construction and renovation projects in district facilities.
- The expenditure budget on which the

Board of Trustees is required to take action comprises the three primary funds, known as the Governmental Funds (general, food service, and debt service funds). Special Revenue Funds and Capital Funds are not being presented, as they are approved separately, when final grant awards are made. Capital Funds have been previously authorized through the bond election process.

The proposed expenditure budget for the three primary funds totals \$1,020,307,190. The fund balance will be used to make up for shortfalls in revenue across all primary funds.

FUND	REVENUE	EXPENDITURES
General	\$829,960,718	\$875,131,184
Food Service	\$39,529,169	\$41,214,436
Debt Service	\$105,585,835	\$103,961,570
<b>TOTAL</b>	<b>\$975,075,722</b>	<b>\$1,020,307,190</b>



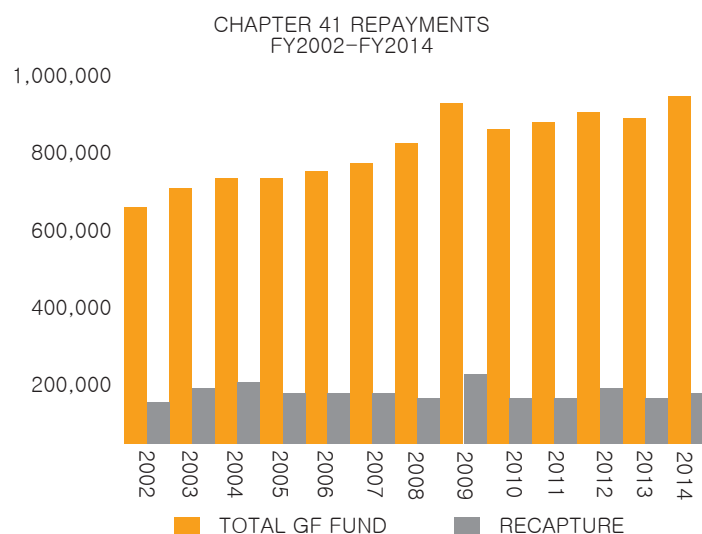
## WHAT IS RECAPTURE?

Recapture, which represents 13 percent of AISD's governmental funds, is a function of Chapter 41 of the Texas Education Code, which equalizes educational spending across school districts that have varying amounts of property wealth.

The Chapter 41 provision recaptures local tax dollars from "property-rich" districts and redistributes the funds to "property-poor" districts. Under this law, "golden pennies" represent the 6 cents that property-rich school districts like AISD are allowed to retain in revenue above the one-dollar tax that is assessed on all taxable property values. Any revenue collected on property taxes above these 6 cents is subject to recapture by the state.

In other words, in FY2013, nearly 45 percent of the revenue generated beyond the 6 cents is sent to the state for redistribution to property-poor school districts. In FY2013, it is estimated 16.5 percent of all local revenue collected from property taxes will be subject to recapture. In FY2014, the district projects a \$23.8 million increase in recapture—approximately 19.4 percent of all local revenue collected will be subject to recapture.

In FY2013, AISD anticipates the district will submit \$111.7 million to the state in recapture funds. This amount is expected to increase in FY2014 by \$23.8 million for a total of \$135.5 million as a result of a projected increases in the district's taxable property value and tax collection. From FY2002 to FY2014, AISD will have paid the state of Texas almost \$1.7 billion in recapture payments.





## GENERAL FUND: WHERE THE MONEY COMES FROM

Of the funds that AISD manages, the largest is the General Fund. AISD's General Fund is used to support the operation of the school system and is comprised of three major sources: local, state, and federal.

**Local Funding** consists of property taxes for the current year or prior years, investment earnings, athletic activities revenue, insurance recovery, and revenues from building use from actuaries such as athletics.

**State Funding** is the amount of funding that school districts receive from the state. It is based on a complex formula determined by the Legislature that considers the number of students served and is based on poverty levels, special programs, bilingual factors, levy bases, and other factors.

**Federal Funding** reflected in the General Fund are earnings from indirect cost from federal grant expenditures, and revenues received for school health and related services (SHARS), a Medicaid reimbursement program. This portion of the budget does not include Federal grant funding which is accounted for separately in the District's Special Purpose Fund.

Special Revenue Funds are approved separately when final grant awards are made.

The total projected revenue for the FY2014 General Fund will increase by 3.24 percent and totals \$830 million. The increase is primarily attributable to a \$21.9 million increase in local property tax revenue. It is important to note the FY2014 estimated recapture increases by \$23.8 million resulting in a net decrease in operating revenue of nearly \$1.9 million available to the district. When recapture is excluded, the total amount of revenue available to AISD for

operating purposes is \$694.4 million. Approximately \$135.5 million, or 19.4 percent of the local general fund revenue, is subject to recapture

### LOCAL REVENUE

The vast majority of AISD's funds come from local sources, mainly local property tax collections. Local revenue is expected to increase 3.24 percent or roughly \$21.9 million as a result of increased property tax values and a high collection rate. However,

due to the state's funding formula which essentially caps the amount of revenue the district can receive through the "target revenue" system, much of the additional revenue generated locally will go to the state for redistribution, rather than staying in the district.

Under the target revenue system, school districts are guaranteed to receive the same funding per student (WADA) that they received in FY2006.

If the state's funding formula allots a school district less than its target revenue, the state raises

the funding to meet the guaranteed amount. However, if a school would receive more than the target revenue based on Texas' funding formula, the state decreases the amount of funding allocated to the school so that it only receives the target revenue amount. Therefore, the district will have less operating revenue in FY2014 when compared to the FY2013 Adopted Budget.

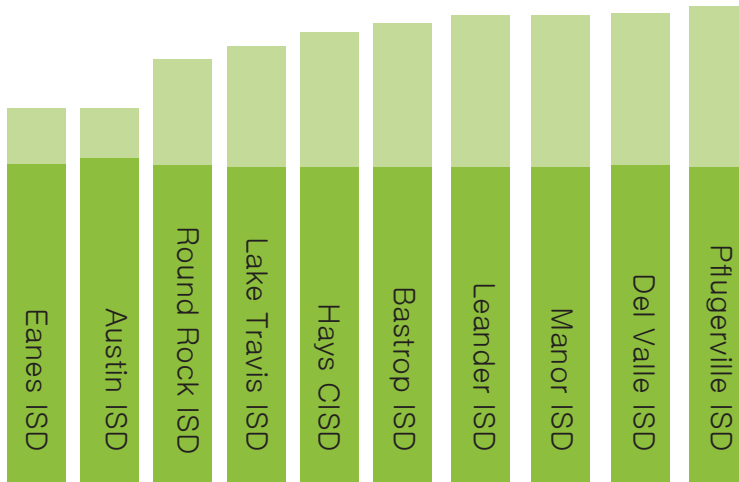
## FY2014 GENERAL FUND REVENUE SOURCES

LOCAL	84%
STATE	13%
FEDERAL	3%

Revenue Source	FY2013 Adopted Budget	FY2014 Preliminary Budget	\$ Change	% Change
Local	\$677,368,777	699,301,663	\$21,932,886	3.24%
State	110,259,107	109,003,629	-1,255,478	-1.15%
Federal	20,386,584	21,655,426	1,268,842	5.86%
<b>TOTAL</b>	<b>\$808,014,468</b>	<b>\$829,960,718</b>	<b>21,946,250</b>	<b>2.64%</b>
Less Recapture	111,739,859	135,577,587	23,837,728	17.58%
<b>Operating Revenue</b>	<b>\$696,274,609</b>	<b>\$694,383,131</b>	<b>-\$1,891,478</b>	<b>-0.27%</b>

**FY2013  
CENTRAL TEXAS ISD  
TAX RATES**

<b>DISTRICT</b>	<b>M&amp;O</b>	<b>I&amp;S</b>	<b>TOTAL</b>
Eanes	\$1.0400	\$0.1725	\$1.2125
Austin	\$1.0790	\$0.1630	\$1.2420
Round Rock	\$1.0400	\$0.3400	\$1.3800
Lake Travis	\$1.0400	\$0.3675	\$1.4075
Hays	\$1.0400	\$0.4213	\$1.4613
Bastrop	\$1.0400	\$0.4410	\$1.4810
Leander	\$1.0400	\$0.4719	\$1.5119
Manor	\$1.0400	\$0.4750	\$1.5150
Del Valle	\$1.0400	\$0.4900	\$1.5300
Pflugerville	\$1.0400	\$0.5000	\$1.5400



**TAX RATES**

There are two types of tax rates set: Maintenance and Operation (M&O), the rate applied to the tax base to support the General Fund Budget, and the Interest & Sinking (I&S) tax rate, the rate applied to the tax base to cover the bonds approved by taxpayers. Increases to the M&O tax rate are subject to recapture while I&S tax rate increases are not. The tables below illustrate the structure of the M&O rate. The current proposed FY2014 Preliminary Budget assumes no increase in the M&O tax rate currently at 1.079/\$100 of taxable value. However, this assumption may change as the district progresses in its budgeting process and seeks to implement a sustainable budget strategy to meet district funding needs and explore the possibility of a tax ratification election.

Similarly, the district is not proposing a change to the current I&S tax rate of \$0.163/\$100 of taxable value. The district is considering proposing a May 2013 Bond Election for capital projects, which could affect future tax rates.

Historically, as the FY2013 Central Tax Rates chart depicts, AISD has maintained one of the lowest tax rates in the Central Texas area, and expects to continue to do so with the Preliminary FY2014 budget. AISD has the second lowest tax rate when compared to other local school districts in the metro area and it expects to maintain this position even if the proposed bond program is ratified by voters.

**AUSTIN ISD TAXES  
IN THE FY2014 PRELIMINARY BUDGET**

**M&O**

(Subject to Recapture)

**General Fund**

**\$875,131,184**

Teacher/Support Staff Salaries  
Supplies and Materials  
Contracted Supplies  
Equipment  
Transportation  
Recapture  
Utilities

**I&S**

(No Recapture)

**Debt Service Fund**

**\$103,961,570**

Bond Package  
Construction Projects  
School Buildings  
New Buses



## Budget Analysis Continued

### Taxable Values Affect Local Revenue

A key component of revenue estimation is taxable values. The chart below depicts the historical and projected taxable values for the district. Taxable value is expected to slightly increase in 2013, by 3.2 percent and an increase in 2014 by 2.2 percent. Preliminary taxable values will not be available until early May, and the actual certified taxable values will not be available from the appraisal district until late July 2013. Since the FY2014 preliminary budget is being prepared in advance of the certified values, it is expected that any variances between the present estimate and the preliminary taxable value in May and/or the certified value in July will require a re-calculation of local property tax revenues, if necessary, to reflect the actual certified appraised values for FY2014.

### How Attendance Affects State Revenue

A key factor in generating state revenue to support public education is the district's number of students in Average Daily Attendance (ADA). In general, increases in ADA mean that the district gets more funding from state and local sources. Closely

### Certified and Projected Net Taxable Value (After Freeze)

Tax Year as of Jan 1	Net Taxable Value
2001 Certified	\$34,615,350,589
2002 Certified	\$38,842,493,940
2003 Certified	\$41,826,379,899
2004 Certified	\$40,191,751,980
2005 Certified	\$38,927,581,137
2006 Certified	\$44,525,141,427
2007 Certified	\$50,570,268,178
2008 Certified	\$56,266,583,957
2009 Certified	\$57,794,696,337
2010 Certified	\$56,280,681,272
2011 Certified	\$56,875,444,136
2012 Certified	\$59,110,581,643
2013 Projected	\$61,002,210,620
2014 Projected	\$62,334,254,832
2015 Projected	\$63,692,939,929



akin to ADA is WADA (weighted ADA), which adjusts the ADA student count to reflect student and district characteristics, such as the number of students receiving special education services or the size of the school district, for example. WADA is multiplied by target revenue to yield the combined state/local funding levels each year. Attendance is an important opportunity for the district to increase revenue. It is estimated that the district receives \$5.9 million in revenue for every 1 percent increase in attendance.

The following chart reflects historical and projected enrollment from FY2008 to FY2014 in terms of enrollment at the end of the first six-week period, annualized ADA and WADA.

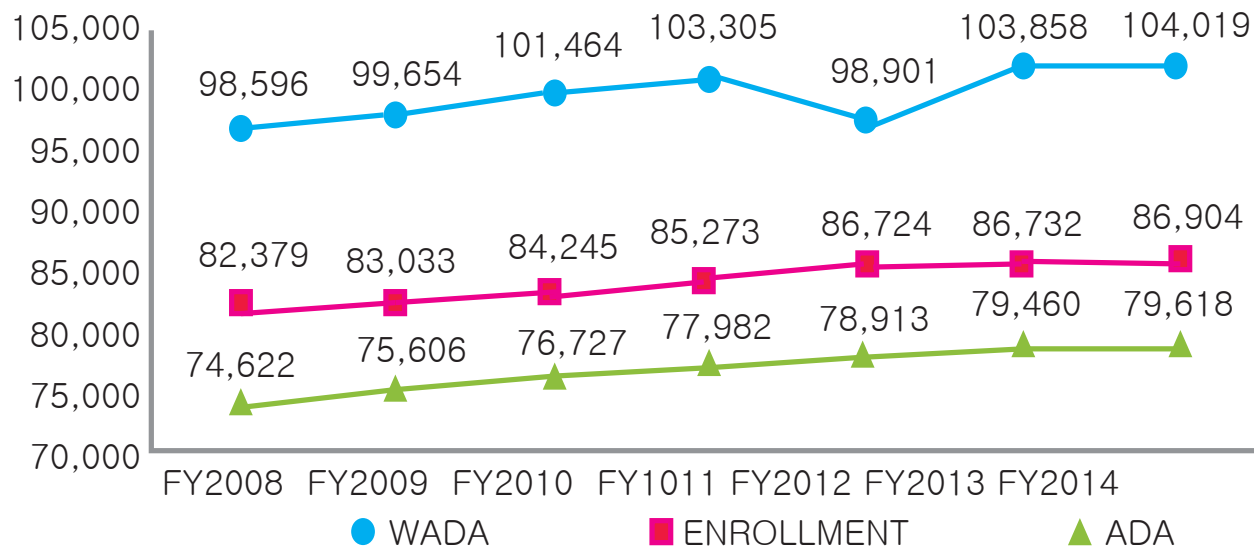
The state budget lowered WADA for FY2012 in comparison to FY2013. The legislature achieved this reduction in WADA through a new funding weight called the regular program

adjustment factor (RPAF). The factor was set at 0.9239 for FY2012 and 0.98 in FY2013. For ASATR (additional state aid for tax reduction or "hold harmless") districts, there was an additional reduction in state aid achieved by another new funding weight called the target revenue adjustment factor (TRAF). This factor was set at 0.9235 in FY2013. The district is projecting WADA, enrollment, and ADA will remain relatively flat from FY2013 to FY2014.

#### Revenue, Expenditure, & Fund Balance Forecast

The following table models the impact of certain revenue and expenditure assumptions on the ending unreserved fund balance through FY2016. This model is based upon the most current data available regarding revenues and projected expenditures. It is anticipated that this model will need to be updated periodically as new data become available.

### Historical and Estimated Enrollment, ADA and WADA



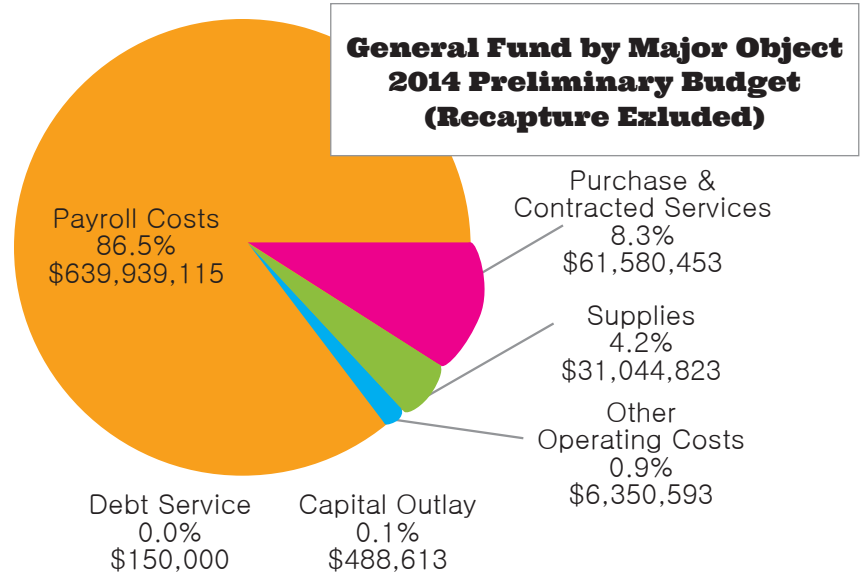
AISD General Fund Forecast For FY2012 through FY2015					
Combined Statement of Revenues, Expenditures by Function, and Changes in Fund Balance					
	FY2012 Actual	FY2013 Adopted	FY2014 Preliminary	FY2015 Forecast	FY2016 Forecast
Total Revenues	\$838,290,128	\$808,014,468	\$829,960,718	\$847,711,931	\$861,956,855
Less Recapture	-\$124,582,632	-\$111,739,859	-\$135,577,587	-\$150,801,840	-\$154,210,211
Net Revenue	\$713,707,496	\$696,274,609	\$694,383,131	\$696,910,091	\$707,746,644
Total Expenditures	\$673,985,151	\$724,221,520	\$739,553,597	\$746,118,781	\$752,511,165
Net Other Sources	\$6,052,014	\$30,000	\$30,000	\$30,000	\$30,000
Total Expenditures & Other	\$680,037,165	\$724,251,520	\$739,583,597	\$746,148,781	\$752,541,165
Net Change in Fund Balance	\$33,670,331	-\$27,976,911	-\$45,200,466	-\$49,238,690	-\$44,794,521
Estimated outstanding purchase orders		\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Fund Balances (Sept. 1)	\$218,665,742	\$252,33,073	\$239,359,162	\$209,158,696	\$174,920,006
Fund Balances (Aug. 31)	\$252,336,073	\$239,359,162	\$209,158,696	\$174,920,006	\$145,125,485
Less Reserved Fund	-\$54,234,837	-\$38,866,091	-\$36,922,786	-\$35,076,647	-\$21,388,865
Ending Fund Balance	\$198,101,236	\$200,493,071	\$172,235,910	\$139,843,359	\$123,736,621

## Where the Money Goes

AISD continues to ensure resources are spent primarily on supports for schools and students. Approximately 60 percent of the general fund revenue is allocated directly towards instruction (shown below).

A significant portion of AISD's budget also is spent on maintenance and facilities. General administration represents just 2.5 percent of the general fund budget.

To see how the school tax portion of your annual property taxes pay for all of the services provided by the Austin Independent School District, please visit our interactive web site at [www.austinisd.org/budget/mytaxdollar](http://www.austinisd.org/budget/mytaxdollar).



Functional Area	\$ Amount	% of Budget
Instruction	442,819,371	60.0%
Instructional Resources & Media Services	10,760,452	1.5%
Curriculum & Staff Development	13,826,473	1.9%
Instructional Administration	12,170,661	1.6%
School Administration	47,701,762	6.5%
Guidance & Counseling Services	20,958,398	2.8%
Attendance & Social Work Services	3,967,367	0.5%
Health Services	6,121,568	0.8%
Pupil Transportation	28,899,044	3.9%
Co-Curricular Activities	13,505,695	1.8%
<b>Subtotal Instruction &amp; Student Support</b>	<b>600,730,791</b>	<b>81.3%</b>
General Administration	18,390,671	2.5%
Community Services	4,986,770	0.7%
<b>Subtotal Central &amp; Community Services</b>	<b>23,377,441</b>	<b>3.2%</b>
Plant Maintenance	78,440,691	10.6%
Security & Monitoring Services	10,333,152	1.4%
Data Processing Services	18,929,963	2.6%
Facilities Acquisition & Construction	1,020,000	0.1%
Payments-Shared Services Arrangements	1,803,678	0.2%
Debt Services	488,613	0.1%
Other Intergovernmental Charges	4,429,268	0.6%
<b>Subtotal Operations &amp; Infrastructure</b>	<b>115,445,365</b>	<b>15.6%</b>
<b>GRAND TOTAL</b>	<b>739,553,597</b>	<b>100.0%</b>

General Fund by Major Object	FY2013 Adopted Budget	FY2014 Preliminary Budget	\$ Change	%Change
Payroll Costs	\$627,266,293	\$639,939,115	\$12,672,822	2.00%
Purchase & Contracted Services	\$61,742,252	\$61,580,453	-\$161,799	-0.26%
Supplies	\$27,448,276	\$31,044,823	\$3,596,547	11.6%
Other Operating Costs	\$6,749,899	\$6,350,593	-\$399,306	-6.29%
Capital Outlay	\$877,565	\$488,613	-\$388,952	-79.6%
Debt Service	\$137,235	\$150,000	\$12,765	8.51%
<b>TOTALS</b>	<b>\$724,221,520</b>	<b>\$739,553,597</b>	<b>\$15,332,077</b>	<b>2.07%</b>

## A BUSINESS OF PEOPLE

The school system is an enterprise that is highly dependent on human capital. When recapture is excluded, 86.5 percent of the budget is spent on personnel costs. Object class categories provide insight on the type of expenditures that are planned for the upcoming budget year. Payroll costs are the largest expenditure within the general fund.

In FY2012, AISD was forced to implement a reduction in force due to the decreases in state aid enacted by the 82nd Texas Legislature, and significant losses in federal stimulus funds. Staffing has stabilized in FY2013 due to the austerity planning the district adopted during the past three years. In fact, the district has had moderate growth due to the increase in student enrollment.

### POSITIONS BY TYPE

The Preliminary FY2014 budget accounts for 11,548 full-time equivalents (FTEs). This represents an increase of 60 FTEs when compared to FY2013 levels of 11,488 FTEs. Staff projections are based on maintaining a 22:1 student-teacher ratio at the elementary level. AISD's workforce is comprised primarily of teachers, representing 51.6 percent of all positions. Education aids and auxiliary staff represent 7.3 percent and

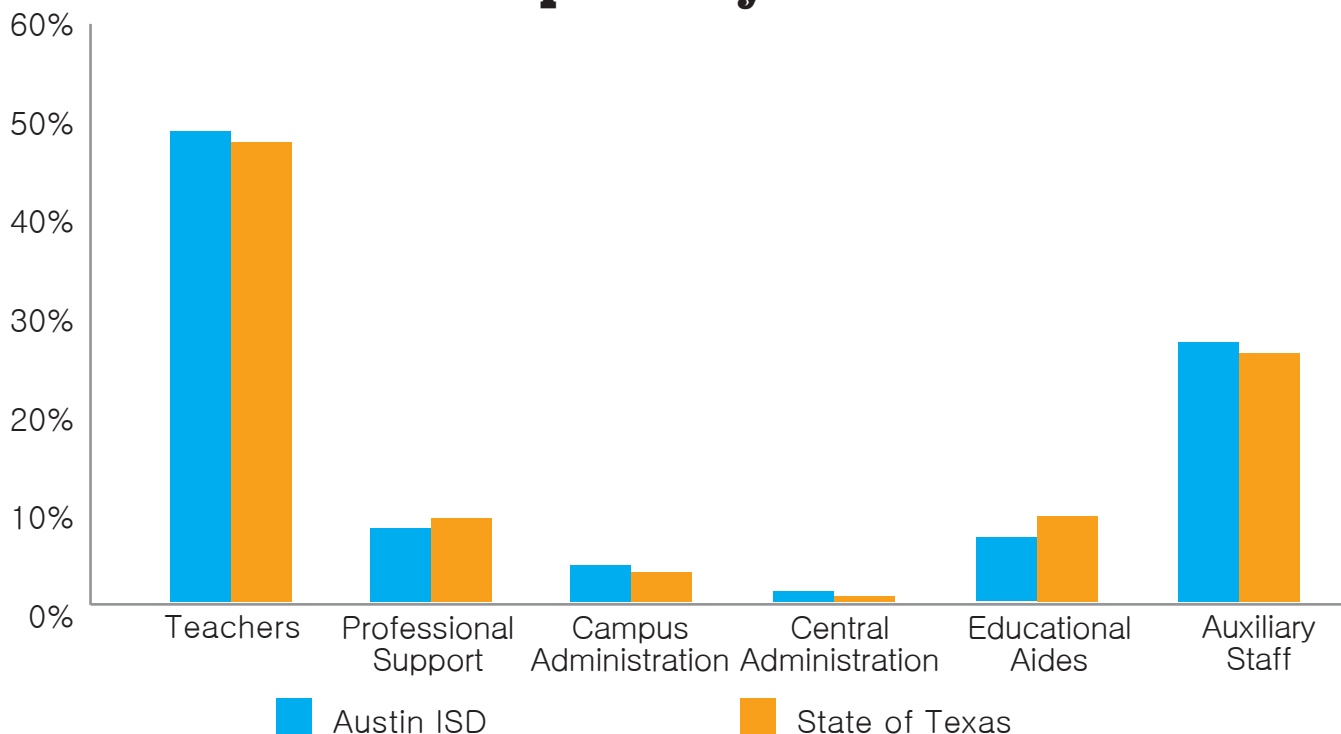
28.7 percent, respectively. Central administration staff represents less than 1 percent of the workforce.

AISD's staffing is in line with total average staffing in other Central Texas school districts and the state of Texas. In FY2012, the most recent year to which comparative data is available, AISD had more teachers in the classroom when compared to the state of Texas rate as shown in the chart below. Alternatively, staffing for Central Administration is relatively low despite public perception.

### Positions By Type

Teachers	51.6%
Auxiliary Staff	28.7%
Educational Aides	7.3%
Professional Support	7.9%
Campus Administration	3.9%
Central Administration	0.6%

### FY2012 Austin ISD and the State of Texas as Reported by the TEA





# Financial Tables

The following section provides detailed financial tables for the general, food and debt service funds.

## General Fund

The following report reflects three years of actual prior year data, the current year adopted budget and the preliminary FY2014 budget.

	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Adopted</b>	<b>FY2014 Preliminary</b>
<b>REVENUES</b>					
Local Source	\$664,832,840	\$653,112,865	\$657,285,559	\$677,368,777	\$699,301,663
State Sources	126,019,476	162,678,023	152,343,733	110,259,107	109,003,629
Federal Sources	38,219,854	42,432,291	28,660,836	20,386,584	21,655,426
Total Revenues	829,072,170	858,223,179	838,290,128	808,014,468	829,960,718
<b>EXPENDITURES BY FUNCTION</b>					
Instruction	\$397,551,020	\$399,301,376	\$387,832,534	\$432,107,452	\$442,819,371
Instructional Resources & Media Services	2,652,232	12,248,753	11,296,385	10,785,702	10,760,452
Curriculum & Staff Development	16,995,999	14,310,972	12,934,425	16,394,100	13,826,473
Instructional Administration	10,800,228	9,673,934	11,491,638	10,194,410	12,170,661
School Administration	46,634,597	46,971,582	45,219,91	447,911,053	47,701,762
Guidance & Counseling Services	19,054,858	19,417,443	19,801,639	19,694,749	20,958,398
Attendance & Social Work Services	2,893,886	3,040,796	4,449,880	2,906,651	3,967,367
Health Services	5,132,193	5,744,568	5,640,115	6,131,553	6,121,568
Pupil Transportation	25,474,229	26,441,452	26,910,368	27,109,548	28,899,044
Co-Curricular Activities	14,604,097	14,532,159	13,969,923	13,376,167	13,505,695
General Administration	17,124,548	16,532,883	15,869,304	18,248,506	18,390,671
Plant Maintenance	80,180,361	77,751,820	77,920,016	79,012,294	78,440,691
Security & Monitoring Services	9,466,965	9,028,580	9,185,740	9,897,984	10,333,152
Data Processing Services	17,841,016	18,498,506	17,419,549	17,803,638	18,929,963
Community Services	5,605,139	5,389,892	4,719,914	4,627,381	4,986,770
Debt Services	1,129,300	1,129,400	1,046,903	877,565	488,613
Facilities Acquisition & Construction	2,528,017	2,101,455	3,096,226	1,320,000	1,020,000
Chapter 41 Recapture	111,937,679	123,774,675	124,582,632	111,739,859	135,577,587
Payments-Shared Services Arrangements	1,700,441	1,658,106	1,641,539	1,658,106	1,803,678
Other Intergovernmental Charges	3,953,241	4,150,819	3,539,139	4,164,661	4,429,268
Total Expenditures	803,260,046	811,699,171	798,567,783	835,961,379	875,131,184
<b>EXCESS (DEFICIENCY) OF REVENUE EXPENDITURES</b>	\$25,812,124	\$46,524,008	\$39,722,345	-\$27,976,911	-\$45,170,466
<b>OTHER FINANCING SOURCES</b>					
Other Resources	\$196,725	\$80,025	\$992,241	\$51,000	\$51,000
Other Uses	-109,050	-73,387	-7,044,255	-81,000	-81,000
Total	87,675	6,638	-6,052,014	-30,000	-30,000
<b>NET CHANGE IN FUND BALANCES</b>	\$25,899,799	\$46,530,646	\$33,670,331	-\$27,976,911	-\$45,200,466
<b>ESTIMATED OUTSTANDING PURCHASE OR- DERS &amp; UNSPENT BALANCES AT YEAR'S END</b>	-	-	-	15,000,000	15,000,000
<b>FUND BALANCES- SEPT. 1 (BEGINNING)</b>	146,235,297	172,135,096	218,665,742	252,336,073	239,359,162
<b>FUND BALANCES- AUG. 31 (ENDING)</b>	172,135,096	218,665,742	252,336,073	239,359,162	209,158,696
<b>LESS ASSIGNED FUND BALANCE</b>	-23,808,573	-39,038,24	-54,234,837	-38,866,091	-36,922,786
<b>ENDING FUND BALANCE</b>	\$148,326,523	\$179,627,495	\$198,101,236	\$200,493,071	\$172,235,910

## Food Service Fund

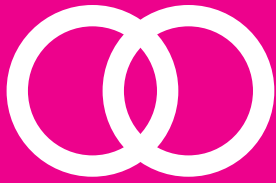
The food service budget encompasses year-round meal and snack services to students. During the regular school term, the district's food service staff prepares and serves approximately 61,000 lunches daily, or 10.7 million per year, at 116 locations throughout the district. The Food Service Department also operates a significant summer meals program, which services the numerous academic-related programs that operate during June and July. It is unknown at this time if the district's meal prices will change in FY2014. Student meal prices are driven on a federal government calculation which has not been updated for FY2014 yet.

	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Adopted</b>	<b>FY2014 Preliminary</b>
<b>REVENUES</b>					
Local Sources	\$7,827,956	\$7,624,437	\$7,055,162	\$8,392,715	\$8,416,536
State Sources	1,063,672	1,125,924	936,262	1,146,327	1,146,327
Federal Sources	28,338,890	29,610,386	28,943,522	30,675,778	29,966,306
Total Revenues	37,230,518	38,360,747	36,934,946	40,214,820	39,529,169
<b>EXPENDITURES BY FUNCTION</b>					
Current Food Services	\$35,552,459	\$37,665,777	\$36,822,826	\$39,245,441	\$41,214,436
Plant Maintenance	789,975	839,944	9,466	1,551,835	—
Total Expenditures	36,342,434	38,505,721	36,832,292	40,797,276	41,214,436
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$888,084	−144,974	\$102,654	−\$582,456	−\$1,685,267
<b>OTHER FINANCING SOURCES</b>					
Other Resources	—	—	—	—	—
Other Uses	—	—	—	—	—
Total	—	—	—	—	—
<b>NET CHANGE IN FUND BALANCES</b>	\$888,084	−\$144,974	\$102,654	−\$582,456	−\$1,685,267
<b>FUND BALANCES- SEPT.1 (BEGINNING)</b>	8,662,778	9,550,862	9,405,888	9,508,542	8,926,086
<b>FUND BALANCES- AUG. 31 (ENDING)</b>	\$9,550,862	\$9,405,888	\$9,508,542	\$8,926,086	\$7,240,819

## Debt Service Fund

The debt service fund includes the annual payments for commercial paper and the fixed-rate debt. It is supported with revenue from the I&S tax rate, which is not subject to recapture. The debt service tax rate in FY2013 is \$0.163 per \$100 of taxable value. A possible bond election in the near future would increase this rate. The following table depicts the debt service rate at status quo; any change in the debt service change rate would also change the below information.

	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Adopted</b>	<b>FY2014 Preliminary</b>
<b>REVENUES</b>					
Local Sources	\$75,424,057	\$88,542,044	\$98,361,087	\$101,297,021	\$104,601,369
Federal Sources	—	886,020	984,466	984,466	984,466
Total Revenues	75,424,057	89,428,064	99,345,553	102,281,487	105,585,835
<b>EXPENDITURES BY FUNCTION</b>					
Principals Interests and Fees	\$80,202,659	\$88,634,106	\$95,289,152	\$102,744,114	\$103,961,570
Total Expenditures	80,202,659	88,634,106	95,289,152	102,744,114	103,961,570
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	−\$4,778,602	\$793,958	\$4,056,401	−\$462,627	\$1,624,265
<b>OTHER FINANCING SOURCES</b>					
Other Resources	\$10,723,850	—	—	—	—
Other Uses	−10,611,457	—	—	—	—
Total	\$112,393	—	—	—	—
<b>NET CHANGE IN FUND BALANCES</b>	−\$4,666,209	\$793,958	\$4,056,401	−\$462,627	\$1,624,265
<b>FUND BALANCES- SEPT.1 (BEGINNING)</b>	25,271,334	20,605,125	21,399,083	25,455,484	24,992,856
<b>FUND BALANCES- AUG. 31 (ENDING)</b>	\$20,605,125	\$21,399,083	\$25,455,484	\$24,992,856	\$26,617,12



## Resource Development and Partnership Support

Through the recent economic downturn felt by communities across the country, AISD's corporate and philanthropic partners continue their support of high quality education options for students, their families and our communities.

Partners provide the district direct financial investments, support community organizations working with students on campuses, and give hundreds of volunteer hours directly to schools or through our volunteer organization, Austin Partners in Education (APIE). AISD's partners support teachers and schools address barriers to student learning and academic achievement. Strategic partner investments improve the overall school and district climate for learning and prepare students for college, career, and life.

The district anticipates an increasingly strained financial landscape for public education with additional, potentially unprecedented, cuts on the horizon. Without the significant financial support and resources partners provide, AISD would not be able to continue implementing new delivery models, initiatives to improve student academic achievement, and support strategies for special populations through accelerated and differentiated instruction.

AISD appreciates those partners who have invested with a long-term view and welcomes others who may want to join the AISD team to create an exceptional educational experience for all students.

During FY2010, a resource development needs assessment survey of AISD staff and external partners identified strengths and areas for improvement. In response to the findings, the district established the Office of Innovation and Development (OID). The mission of OID is to develop partnerships and secure resources that support public education. OID provides resource and partnership development services to district, campus and external partners including:

- sharing innovative program successes with external partners,
- identifying and sharing funding opportunities to support district priorities and campus needs,
- facilitating and writing strategic funding proposals,



- ensuring communication with valued community partners and appropriate stewardship of their investments,
- providing technical assistance and support for grant writing and grants management, and
- assisting campuses and community partners with the process and procedures necessary to provide support services to students.

Since opening, OID has led and supported new initiatives and secured more than \$28 million dollars in grant support. Additionally, OID has identified new strategies for linking campuses to business and community organizations wishing to support public education.

For example, in May 2012, OID collaborated with APIE and the Austin Council of Parent Teacher Associations (ACPTA) to connect campus principals to businesses interested in partnering with schools. The School-Business Partnership Fair hosted 35 community and business organizations that networked with more than 150 AISD campus leaders to build relationships with external partners wishing to support schools and education.

Also during 2012, OID began integrating selected technology applications created by the nationally-recognized ACCESS grant. These systems, created with funding from the federal Safe Schools, Healthy Students grant, facilitate



streamlined and effective service delivery and data sharing by diverse organizations and providers. OID will leverage these resources to maximize effective resource and partnership development.

Youth Service Mapping (YSM), an ACCESS-created on-line inventory of services, will be used to collaborate with community partners and explore grants and partnership opportunities. Access to written provider agreements within YSM will enable principals to identify partners poised to assist their campus. YSM will allow OID to share information on campus service gaps and needs, expanding opportunities for targeted resource development.

Additionally, OID continues to work closely with the Austin Public Education Foundation (APEF) Board of Directors to build additional community support for AISD students.

## **PARTNERS**

Building strategic partnerships and creating district-wide priorities allows the district to provide new delivery models, duplicate best practices and accelerate effective programming. A list of AISD partners is available on the district website at

[www.austinisd.org/iad/partners](http://www.austinisd.org/iad/partners).

## **OID RECENT HIGHLIGHTS**

### **Dairy Max, Fuel Up to Play 60**

AISD elementary schools received \$320,000 from Dairy MAX, a division of the National Dairy Council. Each school received \$4,000 to expand the Active Play Project, which uses playground stencils featuring nutrition messages to encourage physical activity. In addition, the funds and Active Play Project support AISD's Fuel Up to Play 60 initiative, a partnership between the National Dairy Council and National Football League encouraging youth to consume nutrient-rich foods and get at least 60 minutes of physical activity every day. More than 70,000 U.S. schools participate.

"By teaming up with Fuel Up to Play

60, all of our elementary students can learn academics through movement. The stencils encourage students to think and be active, by using the stencils to spell and jump," Superintendent Dr. Meria Carstarphen said. "We know that students have a greater chance of building life-long habits when they start building the habits at an early age."

### **\$1 Million Challenge Grant for Social and Emotional Learning Announced**

In November 2012, Jeanne and Michael Klein, Betsy and Hughes Abell of the Buena Vista Foundation and Carmel and Tom Borders of the Tapestry Foundation announced a \$1 Million challenge grant in support of expanding the Social and Emotional Learning initiative.

The Social and Emotional Learning (SEL) Initiative helps children and adults acquire and apply attitudes and skills necessary to manage emotions, persevere, develop resiliency, establish positive relationships and make responsible decisions. SEL is currently being implemented in 57 schools, reaching 44% AISD students. The initiative also is supported by the Collaborative for Academic, Social, and Emotional Learning (CASEL) and the NoVo Foundation.

AISD invites support from national and local donors to match this gift and fulfill AISD's vision for all students to acquire and effectively apply social and emotional skills by 2016

### **\$1 Million Arts Rich Schools Donation**

In 2012, a local anonymous donor committed \$1 million to support development of arts-rich schools and expand creative learning opportunities for students throughout the AISD.

At a press conference on May 7th, Austin arts leader MINDPOP announced the launch of the Austin Creative Classroom Fund, which will strengthen students' access to outstanding arts education by providing teachers with resources to develop successful, creative learning projects that may

be replicated across the district. The initiative supports teachers in meeting instructional goals through the arts, supports innovative ideas and practices, and increases creative opportunities for students.

In 2012, awards were given to faculty and staff at the Fine Arts Academies at McCallum High School and Lamar Middle School and any AISD elementary school where more than 60 percent of students qualify for free and reduced lunch program.

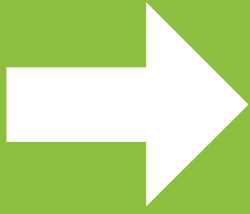
### **2012 State of the District Showcase**

In November 2012, AISD hosted students, their families, staff members, and the district's community partners at the State of the District Showcase. Supported by our private partners, the State of the District featured Superintendent Dr. Meria Carstarphen's annual address and more than 4,300 AISD high school and middle school band, color guard, dance team, and cheerleader students. The celebration of AISD's achievements also featured the All-City choir, the district's percussion group, ROTC cadets and representatives from student organizations across the district.

### **Outdoor Habitat Offers Hands-On Learning**

In October 2012, AISD, the National Wildlife Federation and community volunteers broke ground on a district-wide, science lab and classroom, an outdoor habitat that will feature plants and materials native to Central Texas and learning stations that will connect students with nature.

The new model habitat is an important addition to AISD's outdoor classrooms and science labs. It offers students opportunities to gain hands-on experience in a living laboratory. It provides professional development opportunities for teachers interested in offering outdoor education and field investigation to students.



# Going Forward

## FUNDING THE FUTURE

As standards are increasing, the district's resources are decreasing. AISD's teachers and staff members are doing more with less. They have heavier workloads, larger classes, increased health care costs and less leave time.

## LEGISLATIVE CUTS

After the past legislative session, AISD's budget was reduced by more than \$60 million. With another legislature currently in session, AISD will work to ensure our district's good work is known throughout the community. Next session, if the laws aren't changed, there could be up to \$100 million more in ongoing cuts for AISD. The district is cautiously optimistic about the possibility of financial relief from the State in response to the recent ruling on the State funding system for public schools. However, this district understands that the financial impact of any State action may not be realized until FY2015 or possible even FY2016 for that matter.

## POTENTIAL BOND PROGRAM

The district must rely on bond programs to address serious facility needs in our district. A potential bond program could address overcrowding by building new schools and additions, keeping up with technology needs, expanding academic and fine arts programs and improving athletic programs and facilities. At this time, the cost estimates for these much-needed improvements is expected to be \$892.2 million. This district will provide the necessary facts to the public as taxpayers consider approving a new bond program for the district.

**Potential Tax Ratification Election:** The district does not have sufficient revenue to meet its current expenditures. A future tax ratification election could provide the necessary revenue to support district operating needs

so that it can continue to serve students more effectively, offer a competitive compensation and support the operational requirements of approved instructional and facilities programming.

## ADDRESSING FUNDING EQUITY STUDENT BASED RESOURCE ALLOCATION (SBRA)

In accordance with the district's Strategic Plan implementation strategies and priorities, AISD has advanced its efforts to develop an emerging "Portfolio Strategy" as part of the Board of Trustees' expectation for the establishment of a performance management framework to ensure the district's work is aligned. Therefore, in order to meet Strategic Plan expectations for how the district manages and allocates its resources, the district has initiated work to analyze how district resources are allocated to local schools and whether or not there is funding equity across the system.

Defining and measuring equity is at the heart of discussions about how we distribute funding to our schools. It has been the cornerstone of major school finance lawsuits, legislation, and discussions about how to fund our schools in Texas and nationally. Specifically, there has been a longstanding perception of possible funding inequities held by many communities here in Austin. In so much as, taking on the challenge of equity became a Strategic Plan requirement that the current administration has taken very seriously and has begun to lay the groundwork to answer equity questions, analyze where the district currently stands and develop a method for allocating resources more equitably.

Defining equity as it relates to educational spending is complex. The prevailing definitions of equity that support much of the research in the field of school finance rarely point to a flat amount per pupil as

the sole indicator of inequity. Instead, most research shows that equity is better achieved and measured by controlling for both horizontal and vertical equity as appropriate measures. Therefore, at the core of school funding equity research are two essential questions that must be answered before drawing conclusions about possible funding inequities in AISD:

1. **Horizontal Equity:** Do schools and students with similar needs receive appropriately equal funding? This is often called the “equal treatment of equals.” For example, does a student on the free-and-reduced lunch program at one school receive the same funding as a student on the same program at another school?
2. **Vertical Equity:** Do schools and students with different needs receive appropriately different funding? In other words, a school with a greater population of students who cost more to educate should receive more funding than an “average” school to compensate for this difference. This is often called the “unequal treatment of unequals.”

Answering these questions requires looking at all school-based resources, including those reported in school budgets and those budgeted centrally that are deployed to schools. It also requires looking at actual teacher compensation rates instead of averages. Finally,

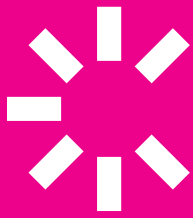
it requires a sophisticated methodology to be able to adjust for each school’s underlying student population. The analytical requirement to satisfactorily answer these questions is quite rigorous, and the district has partnered with leading education finance experts to deliver on this expectation supported with external, private funds.

Given the longstanding history of this issue, we know that the district will not have a solution that will solve the issue overnight. AISD will engage in a multi-year effort with local school communities to assess, design and advance possible funding solutions. Changing the model for how we allocate resources provides AISD with the opportunity to engage the community in developing options for how to set funding weights based on student need, bring substantially greater transparency to what is typically a complex and murky issue, and reorganize resources in schools to best match school instructional models and specific school needs. AISD expects that if the district allocates resources in a way that supports students more closely, students will achieve even greater outcomes.

In partnership with parents and our community, AISD exists to provide a comprehensive educational experience that is high quality, challenging, and inspires all students to make a positive contribution to society.







# MILESTONES OF THE FY2014 BUDGET PROCESS

## **Sept. 2012**

Board adopts budget parameters

## **Oct. 2012**

Board approves FY2014 budget calendar

## **Nov. 2012**

- Board reviews assumptions, staffing formulas, enrollment projections, staffing guidelines and fund balance condition
- Board determines strategic plan priorities
- Board discusses FY2015 student-based funding and school resource use analysis project plan

## **Dec. 2012**

Board takes action on Annual Facilities Recommendations

## **Jan. 2013**

- District revised Financial Forecast for FY2014-16
- Budget Office compiles budget

## **Feb. 2013**

Superintendent presents the FY2014 Preliminary Budget to the board, public and media

## **Mar.-Apr. 2013**

- AISD holds conversations with the community on the Preliminary Budget
- Board discusses Preliminary FY2014 Budget and tax rate

## **May 2013**

Travis Central Appraisal District provides preliminary appraisal values

## **June 2013**

Superintendent presents the FY2014 Revised Budget to the board, public and media

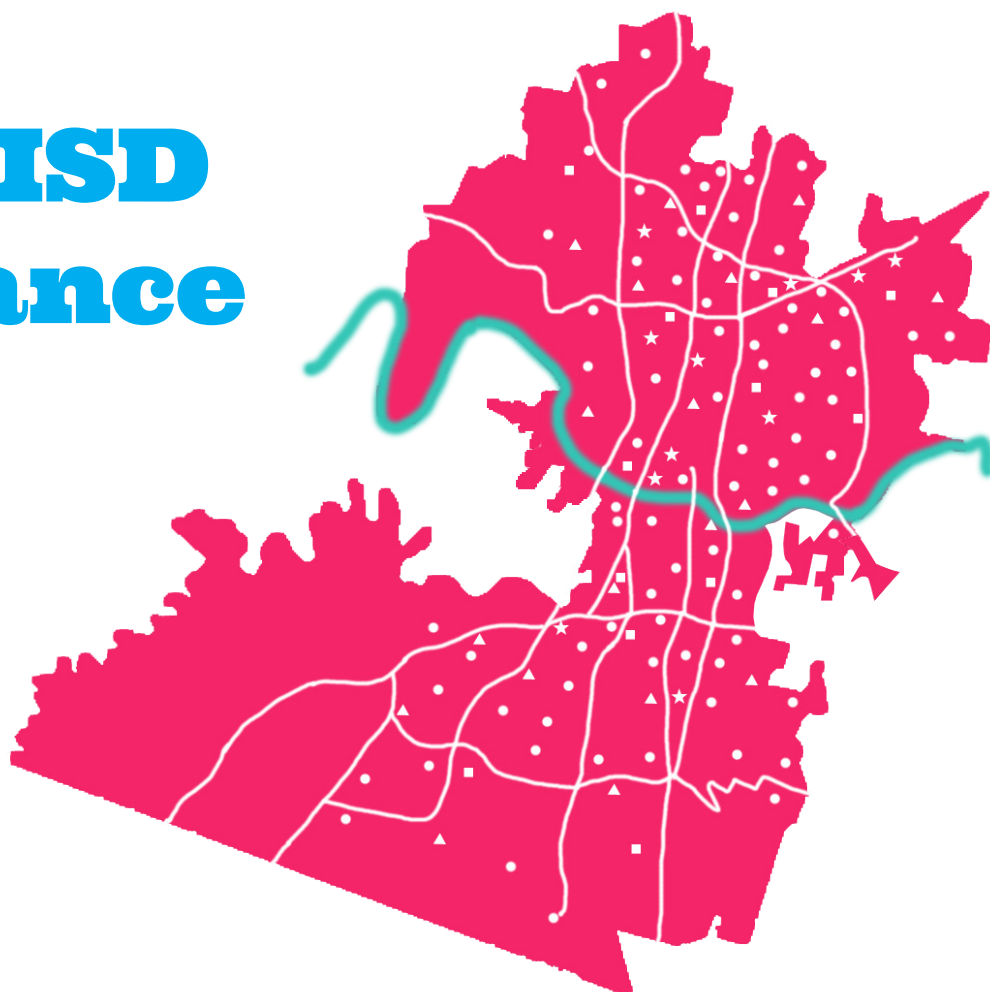
## **July 2013**

Travis Central Appraisal District certifies appraisal values

## **Aug. 2013**

- Superintendent presents the Recommended FY2013 Budget to the board, public and media
- Board conducts public hearing on proposed Budget and tax rate
- Board adopts FY2014 Budget and tax rate

# Austin ISD at a Glance



## FY2013 Campuses

High Schools	17
Middle Schools	18
Elementary Schools	84
Other Campuses	10
Total	129

## Enrollment (As of 09/17/2012)

Hispanic	52,170 (60.2%)
African American	7,512 (8.7%)
White	21,536 (24.9%)
Other	5,394 (6.2%)
All Students	86,612

Limited English Proficiency	20,152 (23.3%)
Economically Disadvantaged	55,262 (63.8%)
Special Education	8,769 (10.1%)

## Employees (As of 09/25/2012)

Teachers	5,863 (49.4%)
Other Professionals	1,413 (11.9%)
Classified	4,602 (38.7%)
Total	11,878

## 2012 State Accountability Ratings

(Carry over from 2011)

Exemplary	23 (18.9%)
Recognized	33 (27.0%)
Academically Acceptable	48 (39.3%)
Academically Unacceptable	7 (5.7%)
Not Rated	11 (9.0%)
Total Campuses	122

District Rating = Academically Acceptable

## 2012 Federal Adequate Yearly Progress (AYP) Status

Met AYP	70 (57.4%)
Missed AYP	48 (39.3%)
Not Evaluated	4 (3.3%)
Total Campuses	122

District Status = Missed AYP

## FY2013 Adopted Budget

Operations	\$835,961,379 (85.3%)
Food Service	\$40,797,276 (4.2%)
Debt Service	\$102,744,114 (10.5%)
Total	\$979,502,769

State Recapture	\$111,739,859
Net Total	\$867,762,910

## Additional District Information

Tax Rate = \$1.242/\$100 valuation  
 Bond Rating = Aaa (Moody's), AA+ (S&P, Fitch)  
 Total Population = 642,663  
 Average Household Size = 2.4  
 Home Language Not English = 32.9%  
 Foreign Born = 18.5%  
 Median Household Income = \$46,016  
 Median Home Value = \$218,400  
 Median Monthly Rent = \$898  
 Renter Occupied Housing = 55.3%  
 Different Residence 1 Year Ago = 27.0%



# Glossary

## School and Budget Finance Terms

### ADA

A count of students in average daily attendance. This is the basic figure that determines how much revenue a school district receives from the state on a per-pupil basis. Districts receive additional per-pupil revenue depending on the characteristics of the student or district (see WADA).

### AMENDED BUDGET

Adopted budget plus/minus budget revisions.

### ASSIGNED FUND BALANCE

Amounts constrained by the districts intent to be used for specific purposes but are neither restricted nor committed. Assigned fund balance is designated by the Board or by those the Board authorizes to make this allocation.

### BUDGET

A plan of financial operation that includes proposed revenues and expenditures for a given period. AISD's annual budget cycle is currently Sept. 1–Aug. 31.

### BUDGET AND FINANCE ADVISORY COMMITTEE (BFAC)

An advisory body established by the Superintendent to provide guidance and counsel on matters of budget and finance, as determined by the district's administration.

### CHAPTER 41 DISTRICT

A school district with taxable property wealth exceeding \$319,500 per WADA, which is required under equalization provisions in Chapter 41 of the Texas Education Code to send part of its local tax revenue to the state for redistribution to school districts with lower taxable property wealth. AISD is a "Chapter 41 district."

### COMMITTED FUND BALANCE

These fund amounts can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board). The purpose of the funds can be changed only by Board resolution.

### DEBT SERVICE FUND

Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

### FIDUCIARY FUND

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

### FUND

A sum of money set aside for specific activities of a school district. The fund accounts constitute a complete entity and all of the financial transactions for the particular fund are recorded therein.

### FUND BALANCE

A measure of net financial assets, after liabilities have been subtracted from assets. A positive fund balance means there are more assets than liabilities; a negative fund balance means just the opposite. The fund balance comprises five different categories of funds: nonspendable, restricted, committed, assigned and unassigned.



## GENERAL FUND

The general fund serves as the main fund for the school district. It is used to account for all financial resources except those required by the state to be accounted for in another fund.

## GOVERNMENTAL FUND

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental fund category includes the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

## MAINTENANCE & OPERATIONS (M&O)

District income from local and personal property taxes that is used for the General Fund.

## NONSPENDABLE FUND BALANCE

Nonspendable funds cannot be spent because they are either: not in spendable form (i.e., not expected to be converted to cash); inventory; prepaid expenditures; long-term receivable and loans; or property acquired for sale (unless proceeds are restricted, committed or assigned) and legally or contractually required to be maintained intact (e.g., the principal of a permanent fund).

## PROPRIETARY FUND

Proprietary fund reporting focuses on the determination of net income, changes in net assets (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

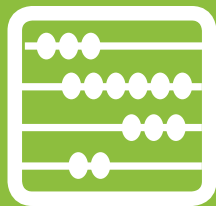
## RESTRICTED FUND BALANCE

These fund amounts have external constraints, such as those imposed by creditors, grantors, contributors, or laws/regulations of other governments, or those imposed by law through constitutional provisions or enabling legislation.

## UNASSIGNED FUND BALANCE

Amounts comprising all the remaining fund balance not classified as nonspendable, restricted, committed or assigned.

**WADA (WEIGHTED AVERAGE DAILY ATTENDANCE).** An adjusted student count, prescribed by state law, which directs additional per-pupil revenue to school districts according to certain student and district characteristics. Students served by special education, English language learners, and students who are economically disadvantaged, for example, are 'weighted' by a factor ranging from 1.1 to 5.0 times the 'regular' program weight, which draws additional state funding designed to meet the higher costs of their educational needs. Examples of district characteristics that may increase the weighted student count include adjustments for small school districts and rural or sparsely populated districts.



Produced by the AISD Finance Department and the Department of Public Relations and Multicultural Outreach