

Keller ISD's Budget Deficit and Tax Ratification Election Basics

What's the problem?

Keller ISD is currently facing a \$38 million Budget Deficit

- Approximately \$16 million of that is at the local level
 - ♦ \$5.6 million – Deficit budget adopted for 2010-11, paid with fund balance (savings) and reduced from original \$12 million shortfall through various cuts
 - ♦ \$1.7 million – Contributed from the District's workers compensation fund balance to the health insurance fund to soften increasing premiums for KISD employees
 - ♦ \$8.6 million – Federal funds the District has received for the past two years that are going away
- Approximately \$22 million less anticipated from the State of Texas than last year
 - ♦ State facing government-wide budget shortfall
- Budget deficit issues in spite of Keller ISD continually being recognized as a financially efficient district
 - ♦ One of only 3% of Texas school districts to receive perfect 5-Star Rating for financial efficiency from State Comptroller (only district in Tarrant County)

How did we get here?

State revised public education funding formula in 2006 with House Bill 1

- Lowered the ceiling of school districts' maintenance and operations (M&O) property tax rate from \$1.50/\$100 in appraised value to \$1.04
- State set a different Target Revenue – amount of funds provided per student – for each district
 - ♦ Based on tax rate at the time: the higher a district's tax rate, the higher the Target Revenue
 - KISD was taxing its residences at \$1.43, well below the maximum of \$1.50
 - ♦ If local property tax revenues increase, the state provides less money in the same amount so that a district does not receive more than the Target Revenue amount per student
 - ♦ KISD's Target Revenue: \$5,200 per student
 - Compare to: Northwest – \$6,800; Eagle Mountain-Saginaw – \$5,400; Lewisville – \$5,800; Carroll – \$6,000; Grapevine-Colleyville – \$5,700
 - ♦ Though the economy is in a recession and the costs of educating children continue to rise, Keller ISD has not received an increase in state funding per student for four years
- Today, KISD's tax rate is higher than some neighboring districts, but the differential is due to the district opening 21 new campuses in the last 10 years
 - ♦ New campus construction projects result in a rise in the debt tax rate and all were approved by voters via a Bond Election

What can be done?

Keller ISD is cutting \$16 million in programs, services and positions, that are categorized as "Tier 1" cuts

- These cuts address the local-level deficit that is unique to Keller ISD
- This is in addition to cutting \$6.4 million in 2010 and \$5-10 million each of the three years prior

Portions of the remaining \$22 million can either be generated with a Tax Ratification Election (voter approval of raising the M&O tax rate) or with additional cuts

- This remaining deficit is solely attributable to impact of education budget cuts at the state level
- Tax Ratification Election (TRE) would generate approximately \$16 million for KISD
- TRE would raise M&O tax rate limit from \$1.04 to \$1.17
 - ♦ Still below the \$1.43 rate in 2006, prior to Texas education funding reform
 - ♦ Cost to the owner of a \$200,000 home would be \$260 more per year or \$22 more per month
 - ♦ Tax rate would not change for residents 65 and older
 - ♦ Board has called for a June 18 Election Day; Early Voting June 6-14
- Should the TRE not pass, an additional \$16 million in identified cuts would include even more significant reductions in faculty, staff and student services
 - ♦ A reduction in force would likely be necessary, directly affecting areas such as classrooms, fine arts, athletics, extracurricular offerings, regular transportation, and teacher support

Whatever It Takes
Finance: Just the Facts

For additional information about Keller ISD's budget process, visit the "Whatever it Takes" pages on KellerISD.net.