

Budget Basics for Board Members



Presenters



JULIE BACON

ASBA

LEADERSHIP DEVELOPMENT MANAGER



JILL BARRAGAN

PVUSD

ASST. SUPT. BUSINESS OPERATIONS



1

Budget
Projections

2

Bonds and
Overrides

3

Budget
Timeline

4

Property
Impact

5

Communication
Transparency



BUDGET PROJECTIONS

What components of the budget are used to project for the next fiscal year? And what does next year look like for us?



- Average Daily Membership (ADM)
 - Stable/Increase/Decrease?
 - This Year/Next Year?
- Base Support Amount (BSA)
 - Higher than inflation or 2%?
- District Additional Assistance (DAA)
 - Changes to the per pupil amount?
- Prop 123 Funding
 - When is the fiscal cliff and what will be the impact to us?
- ADM Weight Changes
 - Who are our students and can we expect changes?
- Teacher Experience Index (TEI)
 - Do we anticipate changes to the allocated amount? When will we know?

Revenue Assumptions

- Minimum Wage Increase
 - What will the impact be?
- Utility Cost Increases
 - What is the percentage increase from last year?
- Arizona State Retirement System (ASRS)
 - Do you anticipate increased contribution amounts?
- Inflation
 - Are you paying more for goods and service? If so, what is the percentage change?

Expenditure Factors



BONDS AND OVERRIDES

Do we have a bond or
override(s) in place? If so, what
do we use those for? If not, why
not?



What are bonds and overrides?

Bonds & overrides are voter approved initiatives that provide additional revenue to school districts to fund unmet needs (each November).

Bond Authorization

- Bond limit is based on the local property value in your school district
- Elementary and Union High School Districts = 10 %
- Unified = 20 %
- District must outline for voters the items the bond will cover
- Can be sold for up to 10 years after voter authorization

Overrides: 2 Types

- Maintenance and Operations (M&O)
 - Up to 15% of the Revenue Control Limit (RCL)
 - Valid for 7 years
 - If not renewed by the voters, in the 6th year revenues must be reduced by $\frac{1}{3}$ and in the 7th year by another $\frac{1}{3}$
- District Additional Assistance (DAA)
 - Up to 10% of the Revenue Control Limit (RCL)
 - Valid for 7 years in full

Why are M&O overrides necessary?

- For several years, the Arizona Legislature failed to increase the Base Support Amount (BSA) to account for inflation as required by Proposition 301 (Prop. 301) which was passed by voters in 2001
 - The State was sued
 - In 2016, the State began to increase BSA by inflation annually via Prop 123
 - During the recession (2008-2009), kindergarten funding was cut in half. so...if there are 25 kindergarteners in a classroom, school districts are only funded for 12.5 kindergartners
- US Census Bureau ranks Arizona 49th in per pupil spending in FY 2018-19
 - Approximately \$10,000 below the per pupil national average

How can an M&O override be used?

M&O can be used to address day - to - day needs such as but not limited to:

- Provide competitive salaries & benefits (to retain and/or attract staff)
- Provide full day kindergarten
- PE, music / band, art, drama, foreign language & other electives

Why are District Additional Assistance (DAA) overrides necessary?

- Arizona Legislature has failed to meet its constitutional obligation(s) to public education by:
 - Reduction of DAA from FY2008-09 to FY2020-21, approximately \$2.5 billion
 - DAA formula is approximately 20 years old and has not been increased to reflect inflation cost until this year (FY2022-23)

Let's Look at the Numbers...

Fiscal Year	Preschool- 8	9 - 12	Preschool- 8 with inflation	9 - 12 with inflation
2000 - 2001	\$450.76	\$562.62		
2021- 2022	\$450.76	\$562.62		
2022- 2023	\$502.33	\$626.98	\$757.28	\$945.20

* Cumulative Price Increase of approximately 64% or an item that cost \$1 in 2001 costs \$1.64 today

What was your income in 2001?

Is that 2001 income sufficient today?

How can we expect it to be adequate for our public schools?

How can a DAA override be used?

DAA Override can be used to address capital needs such as:

- Land, buildings, and improvements to land and buildings, including labor and related employee benefits costs and material costs
- Furniture, furnishings, athletic equipment, and other equipment, including computer software
- Pupil and non pupil transportation vehicles and equipment
- Textbooks and related printed subject matter materials adopted by the governing board
- Instructional aids
- Library books
- Payment of principal and interest on bonds
- District administration emergency needs that are directly related to pupils

Why are bonds necessary?

Arizona Legislature has failed to meet its constitutional obligation(s) to public education by:

- Not properly funding the Arizona Schools Facilities Board (SFB)
 - SFB was created because the Arizona Supreme Court determined capital funding disparities existed between school districts.
- Reducing District Additional Assistance (DAA) from FY2008-09 to FY2020-21
 - Approximately \$2.5 billion statewide

How can bonds be used?

Bonds can be used to address capital needs such as but not limited to :

1. Purchasing land
2. New construction/ renovations, improving school grounds
3. Architects, engineers, construction management & design fees
4. Furniture, equipment & technology
5. Pupil transportation vehicles

What happens when a bond or override is not approved by voters?

School districts may not be able to:

- Address any building deficiencies or provide necessary equipment for the continued function of a building
 - We have a responsibility to protect taxpayer assets
- Build a new school or provide students and staff the necessary resources to provide a positive learning environment

School districts may have to:

- Cut the budget and layoff employees or suspend/eliminate programs that benefit students
 - Consider the intangible impact to students, staff and community
 - Consider the impact of not having quality schools may have on your house/property value



BUDGET TIMELINE

When does the district start
working on budget projections?
How do we involve stakeholders
in budget development?



Basic Financial Reporting Timeline

School district fiscal years run from July 1 to June 30 (July 1, 2022 - June 30, 2023 = FY2022-23)

January 2022 to April/May/June 2022	State determines budget capacity for FY2022-2023
June 2022	Districts propose budget for FY2022-2023
June/July (no later than July 15)	Districts adopt budget for FY2022-2023
October 15, 2022	Annual Financial Report
December 15, 2022	Budget Revision # 1 for FY2022-2023
January 2023 to April/May/June 2023	State determines budget capacity for FY2023-2024
February/March 2023	Annual Comprehensive Financial Report (ACFR) for FY2021-2022
March 1, 2023	Arizona Auditor General School District Spending Report FY2021-2022
May 15, 2022	Budget Revision # 2 for FY2022-2023



PROPERTY TAX IMPACT

What are the property tax rates
in our district? How do they
compare year-to-year?



School District Property Tax Rates

Primary Tax Rates: combined into single rate on tax bill

- Guaranteed funding formula
 - QTR – Qualifying Tax Rate
 - EBTR for non-state aid districts – Equalization Base Tax Rate
- Additional primary school district tax levy amounts authorized by law (table following)

Secondary Tax Rates – Voter Approved

- Bond debt service
- Maintenance and Operations Override Levy
- District Additional Assistance Override Levy

Tax Rate Calculations for School Districts

- QTR established each year based on statewide change in value of existing property
- For all other levy items – levy amount divided by assessed property value equals the tax rate

Secondary Tax Rate: Levies Subject to Voter Approval

(at a November election)

Bond Debt Service Levy

- Bonds outstanding limited to 10% / 20% of full cash assessed value (tested at time of issuance)
- Annual levy amount and tax rate based on debt service requirement
- Bond issuance repayment is up to 20 years

Maintenance and Operations Override Levy

- Subject to voter authorization, maximum annual override amount is 15% of Revenue Control Limit
- Maximum override length is 7 years with phase out in years 6 and 7

District Additional Assistance Override Levy

- Voter authorization is specific dollar amount with annual levy capped at 10% of Revenue Control Limit
- Maximum override length is 7 years

A Note on Taxable Property Value - Wickenburg USD

Estimated FY 2022-2023 Average Residential Property Value for Tax Purposes				
	W. Wickenburg Way	29th Ave (Festival Foothills)	N. Country Club Drive	Buffalo Ridge
Limited Property Value	\$222,506	\$215,425	\$221,764	\$228,044
Assessor Full Cash Value	\$295,000	\$295,000	\$256,700	\$268,205
Zestimate	\$421,400	\$701,400	\$477,200	\$488,600

KEY TAKE-AWAYS

- Residential properties (and others) that have not changed, annual growth of Limited Property Value cannot exceed 5%
- Property value used for tax purposes (Limited Property Value) can vary significantly from market value (Zestimate is proxy for market value)
- Degree of variance relates to real estate market conditions, and is currently relatively large
- Regardless of real estate market, ratio of Limited Property Value to market value varies among properties

Primary Tax-School District Qualifying Tax Rate

- Determines mix between local funding and equalization assistance (state funding) for school districts
- State Guaranteed Funding Level, aka Equalization Base
 - Number of students
 - Grade levels
 - Special needs weights
 - Additional assistance (formula capital)
 - Transportation formula
- QTR History – Rate Changes Inversely to the Statewide Change in the Value of Existing Property

FY 10	\$2.7452	FY 15	\$4.2246	FY 20	\$3.7908
FY 11	\$2.9594	FY 16	\$4.1954	FY 21	\$3.6742
FY 12	\$3.5364	FY 17	\$4.1586	FY 22	\$3.5388
FY 13	\$3.9170	FY 18	\$4.0468	FY 23	\$3.4266
FY 14	\$4.2530	FY 19	\$3.9358		

Primary Tax: Additional Primary School District Levy Amounts

- Amounts annually validated by county school superintendent
- Included in school district primary property tax rate on property tax bill
- Incorporated in Governing Board budget approval process

Primary Tax: Additional Primary School District Levy Amounts - Allowable Items

- Transportation Revenue Control Limit (TRCL) / Transportation Support Limit (TSL) Difference
- Desegregation Expenses (court order or administrative agreement)
- Bond Issues Portion of Tuition Cost (excluded from Revenue Control Limit (RCL))
- Interest Expense for Registered Warrants or TANs (Tax Anticipation Note) (prior year, state aid districts)
- Tuition Loss Adjustment
- Small School District Adjustment
- Excessive and Unexpected Legal Expenses [requires action by county Board of Supervisors (BOS) and Truth in Taxation Hearing (TNT)]
- Emergency Deficiency for which School Facilities Oversight Board (SFOB) Funds are Insufficient (requires action by county BOS and TNT)
- Adjacent Ways (requires TNT and SFOB validation)
- GPLET Miscapture [value of GPLET (Government Property Lease Excise) AV multiplied by QTR, net of collections)
- Property Tax Levy Short for Non-State Aid Districts (requires action by county BOS)
- Qualifying Dropout Prevention Program Levy
- Prior Year Cash Deficit (requires action by county BOS)



COMMUNICATION AND TRANSPARENCY

Are the district budget and
financial disclosures easily
accessed on the district
website?



Are School Districts Transparent?

YES!!! And here's how:

- Annual Financial and Compliance Audit
 - Board must roll call vote to accept audit results
- Annual Comprehensive Financial Report
 - Posted on District website, provided to Auditor General
- Classroom Spending Report
 - On Auditor General's website
- Budget to board
 - Budget Adoption, Budget Revision, December Budget Revision, May Budget Revision
 - Posted on ADE's website
 - Links on district's website
- Annual Financial Report to board (AFR)
 - Posted on ADE's website
 - Linked on district's website

Questions?



Julie Bacon
jbacon@azsba.org



Jill Barragan
jbarragan@pvschools.net



Thanks for being with us!
