

ALERT TOP STORY

## Soaring costs, flat funding push schools into red in Waco, statewide

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**S**chool districts across the state are seeing red when it comes to their budgets this coming school year, and it is not because they're angry — although some leaders are.

The red comes from deficit spending, caused in large part this year by a confluence of rising health care and utility costs, soaring insurance rates, the end of federal COVID-19 support funding and declining enrollment.

On the revenue side, districts are working with a static state allotment of \$6,160 per student that has not budged in five years, despite other increases in state educational funding and a hefty budget surplus.

In McLennan County, the largest school districts will tap into their fund balances this coming school year to cover the shortfall between expenses and revenue. Waco Independent School District trustees on Thursday will consider an approximately \$170 million budget that would rely on some \$8.7 million from a \$56.1 million reserve fund balance.

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Waco-area districts are not alone. Declining enrollment and insurance hikes have Lubbock ISD facing an \$8.6 million deficit this coming school year. In Plano, a projected \$37 million shortfall is leading to closure of four schools. Austin ISD has a \$954 million budget and a \$78 million deficit after some \$29 million in cuts. As a property-wealthy district, Austin also had to send \$821 million to the state in revenue recapture.

Killeen ISD trustees are considering a \$487.5 million budget this month with about \$4 million coming from its fund balance. That budget required 20% central administration cuts across the board, but also includes employee raises and no personnel cuts.

Waco ISD Superintendent Susan Kincannon said the budget pressures this year were particularly challenging:

The federal Elementary and Secondary School Emergency Relief program addressing the COVID-19 pandemic has ended after sending some \$79 million to Waco ISD over the last three years, leaving the district to pay for eight positions it had funded through the federal money.

Student enrollment and attendance, which drive much of state educational support, are declining. The district estimates an enrollment of 13,517 students for the 2024-25 school year, a drop of 1,382 students since 2019. At the same time, Waco ISD has nearly 800 more special education students than it did, increasing education costs per student.

The district expects almost \$573,000 more in utility costs than the year before.

Property and liability insurance costs are up 38%.

Health care costs are about \$1 million higher, forcing the district to consider changing its current self-insurance coverage to plans offered through the state Teacher Retirement System.

Teacher and staff salaries are increasing.

Waco ISD is absorbing four Transformation Waco schools back into district management, resulting in a loss of about \$1.3 million in financial support and grants that the charter-district-within-a-district had brought in.

Changes in what Texas school districts can charge to Medicaid mean a cut of about \$1.2 million to the district.

Waco ISD is taking over operation of its transportation services from a contractor, costing about \$500,000 in equipment, personnel and other expenses in the transfer.

State-mandated security staffing and other requirements will require the district to spend about \$1 million not covered by the state.

“We’ve had a lot of things like that,” Kincannon said in an interview last month.



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She, Chief Financial Officer Sheryl Davis and staff members whittled the 2024-25 budget to its current size in part through the elimination of more than 150 positions, although most of the people in those positions were moved to other openings in the district.

The upcoming budget does not have money for new capital improvements, and the district is deferring maintenance in many areas to save costs, Kincannon said.

The crunch time for administrators will come next March and April when they have to consider staffing levels and hiring, the major portion of school budgets, before knowing if the Legislature will increase the per-student allotment or other funding sources, Kincannon said.

## Midway

Creeping costs in a number of areas put the squeeze on Midway ISD's 2024-25 budget with personnel one of the main drivers. The increasing cost of offering a competitive teaching salary is a major factor and one compounded by higher health care expenses, Superintendent Chris Allen said.

"The wage gap continues to be a challenge," Allen said. "More and more of these searches have a statewide feel and it's easier for teachers to be mobile."

The district also covers the least expensive health insurance option for employees as an incentive, and that option went up from \$399 to \$446 per month per employee.

"We continue to get beat up by inflationary pressures," Allen said.

Midway had opted to use its share of federal COVID-19 relief money, which was less than districts with a higher percentage of economically disadvantaged students, for one-time expenses, so it is not scrambling to fill related gaps this year.

Shifting the district's fiscal year to July 1 saved some money due to a shorter budget period this year, and unspent money from a \$148 million bond issue passed in 2019 covered some capital expenses.

Trustees recently approved a \$93 million budget with \$2.4 million drawn from the fund balance.

Without state relief in the form of increasing the basic student allotment, future Midway school budgets will feel even more pressure with the possible effect of teacher shortages and reduced student services, Allen said.

The allotment was last raised in 2019, before the COVID-19 pandemic that hit public education hard.

"It (the allotment) was never adjusted to cover that deficit, and it's killing us," Allen said, expressing frustration that political battles in the state over vouchers have tied up basic educational support. "There's a difference between rhetoric and political pressure. ... There's a disconnect between the people with the power and the people they represent."

## **La Vega**

At La Vega ISD, district administrators in recent years opted to use some of the federal COVID-19-era money for budget repair in light of dropping enrollment and attendance due to the pandemic.

"For the last three years we had rather significant deficit budgets. We had declining enrollment due to the pandemic," Assistant Superintendent for Finance James Garrett said. "We used ESSER funds to stabilize the budget and built up the fund balance to a healthy level."

With the end of those federal funds, the district did not have personnel hired with that money that it would have to fund locally. Enrollment, too, is starting to rebound and with that, slightly more state revenue is coming in, Garrett said.

Still, the district's \$37.9 million budget for the 2024-25 school year will rely on \$2.9 million from its fund balance.

Other costs, however, pressured this year's budget. La Vega covered the lowest cost health care option for its employees as an incentive, but the district saw a \$200,000 increase in health care costs.

Keeping teacher salaries competitive meant more money. La Vega also saw its property and casualty insurance costs continue to rise. A 25% hike translated into \$70,000 more than last year. In six years, La Vega's insurance coverage has ballooned from \$160,000 to \$448,000, Garrett said.

Garrett said he knows the political environment of next spring's legislative session will be "charged" over the question of school vouchers, a priority of the state leadership, but he still feels districts could get some financial relief.

"We are always optimistic the state is doing its best to cover the basic needs of school district operations," he said.

China Spring Higher insurance costs and other inflationary pressures gave China Spring Superintendent Marc Faulkner the biggest budget headaches this year.

Higher food costs and hikes in school supplies and materials bumped expenditures up about 20% this year. Property and liability insurance jumped 27%, even as the district saw its deductible rise from \$500,000 to \$750,000.

Faulkner said the higher insurance costs might be in part a result of claims from a 2023 hailstorm that damaged roofs on all the district's buildings. China Spring administrators had contemplated switching to coverage offered through the Texas Association of School Boards to save money, but its coverage cap fell short of what the district would need, he said.

To stay competitive for teachers and staff, the district raised salaries and increased its contribution to employee health care from \$325 to \$350. The district also absorbed about eight positions over the last two years that had been funded through COVID-19 relief money.

China Spring ISD cut departmental budgets 10% and is exploring buying through co-ops to lower purchasing costs.

Increases in student enrollment and attendance will bring in more state revenue, but more students also means higher expenses for additional teachers and supplies and the facilities serving the students.

Faulkner said basing state revenue on student enrollment rather than attendance would mean more money for districts and likely would have covered this year's budget shortfall. The district's budget for the upcoming school year is \$37.9 million with a \$1.2 million deficit covered by its fund balance.

"It weighs on you, thinking there are areas you can't provide for your students and your staff," Faulkner said.

**By Carl Hoover**

**Reporter**

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