

Board Information Item

Information Packet	Board Agenda Information	Board Agenda Action	Board Agenda Consent
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05/18/2026

Subject: Consider and Act on Changes to Board Policy CE(LOCAL) for Calculating the Percent of the Annual Operating Expenditures to Maintain in the General Operating Fund Balance

Contact Person: Rick DeMasters, Interim Superintendent
Carla Settle, Chief Financial Officer
Paula McBride, Director of Finance
Paula Barbaroux, Chief Operations Officer

Policy/Code: Board Policy CE(LOCAL), Annual Operating Budget and Fund Balance

Priority and Performance Objective: Priority 4: Strong Financial Stewardship and Internal System Efficiency
Objective 4.1: Transparent Financial Stewardship

Summary: The Texas Education Agency (TEA) is considering revising its rules, and has proposed a new rule for July 2026, regarding how school districts calculate the percent of the annual operating expenditures that is recommended to maintain as the district's total fund balance. The proposed change would remove the annual recapture expense from the calculation of the school district's annual expenditures. For school districts that are subject to recapture, the annual recapture expenditure inflates the amount recommended to maintain in the total fund balance.

Per Board Policy CE(LOCAL), "[a] financial goal the District shall be to have a sufficient fund balance in the general operating fund to be able to maintain fiscal independence in case of a financial need or crisis. At a minimum, the District shall maintain assigned and unassigned fund balances in the general operating fund equal to or exceeding 20 percent of the total annual

operating expenditures. The total fund balance shall encompass the nonspendable fund balance, the restricted fund balance, the assigned fund balance, the committed fund balance, and the unassigned fund balance.”

The recommendation is to align the District’s policy and calculation of the general operating expenditures with the proposed TEA rule, effective with the current budget year, thereby removing the annual recapture amount from the calculation of the recommended total fund balance. The proposed new language is modeled after Austin ISD’s board policy and the new proposed TEA rule.

Attachments: Proposed Board Policy CE(LOCAL), Annual Operating Budget and Fund Balance

Recommendation: The recommendation is for the Board of Trustees to approve changes to Board Policy CE(LOCAL) by excluding the annual recapture expenditure from the 20 percent calculation of the annual operating expenditures of the District

ANNUAL OPERATING BUDGET

CE
(LOCAL)

Fiscal Year	The District shall operate on a fiscal year beginning July 1 and ending June 30.
Responsibility for Budget Control	<p>The Superintendent shall be responsible for the preparation of the budget at the fund and function level for Board review, revision, and adoption, consistent with the requirements of the Education Code.</p> <p>The adopted budget shall reflect the programmatic intent and priorities of the Board and shall serve as the financial operating plan for the District for the period covered by the budget. The Superintendent shall be responsible for the management of the District consistent with the adopted budget.</p> <p>On a continuing basis, the chief financial officer shall provide timely and accurate information and recommendations to the Superintendent and the Board to ensure timely intervention in programs that may be in contravention of this policy and/or are likely to exceed their respective operating budgets.</p> <p>Unequivocally, at any level of District administration, each budget manager has the primary responsibility for budget planning and management to ensure that all uses and expenditures of the budgets under his or her direct and/or delegated control are lawful and consistent with the Board's programmatic and budgetary intent.</p>
Budget Planning	Budget planning shall be an integral part of overall program planning so that the budget effectively reflects the District's programs and activities and provides the resources to implement them. In the budget planning process, general educational goals, specific program goals, and alternatives for achieving program goals shall be considered, as well as input from the District- and campus-level planning and decision-making committees. Budget planning and evaluation are continuous processes and shall be a part of each month's activities.
Budget Meeting	<p>The annual public meeting to discuss the proposed budget and tax rate shall be conducted as follows:</p> <ol style="list-style-type: none">1. The Board President shall request at the beginning of the meeting that all persons who desire to speak on the proposed budget and/or tax rate sign up on the sheet provided.2. Prior to the beginning of the meeting, the Board may establish time limits for speakers.3. Speakers shall confine their remarks to the appropriation of funds as contained in the proposed budget and/or the tax rate.4. No officer or employee of the District shall be required to respond to questions from speakers at the meeting.

ANNUAL OPERATING BUDGET

CE
(LOCAL)

Authorized Expenditures

The adopted budget provides authority to expend funds for the purposes indicated and in accordance with state law, Board policy, and the District's approved purchasing procedures. The expenditure of funds shall be under the direction of the Superintendent or designee who shall ensure that funds are expended in accordance with the adopted budget.

Budget Amendments

The Board shall amend the budget when a change is made increasing any one of the functional spending categories or increasing revenue object accounts and other resources.

Fund Balance

A financial goal of the District shall be to have a sufficient fund balance in the general operating fund to be able to maintain fiscal independence in case of a financial need or crisis. At a minimum, the District shall maintain assigned and unassigned fund balances in the general operating fund equal to or exceeding 20 percent of the total annual operating expenditures.

The total fund balance shall encompass the nonspendable fund balance, the restricted fund balance, the assigned fund balance, the committed fund balance, and the unassigned fund balance. If the assigned and unassigned fund balances fall below 20 percent of the total annual operating expenditures, the administration shall immediately prepare a plan for Board approval to restore the unassigned fund balance to the 20 percent level.

Use of the unassigned fund balance shall be restricted to funding general operating expenditures unless an emergency occurs. In the event of an emergency, the Superintendent and the chief financial officer shall assess the need for consideration of alternative funding. Budget amendments that affect the level of unassigned fund balance must be reviewed by the chief financial officer and the Superintendent and approved by the Board.

The Board may commit a portion of the fund balance for a specific purpose by resolution during a Board meeting. The committed fund balance shall be used according to the Board resolution and shall be spent for the specified purpose and within a reasonable period of time unless an emergency occurs. The designation may be amended at any time by Board approval.

The chief financial officer shall annually prepare a report of the general operating fund balance addressing compliance of the assigned and unassigned fund balances with the minimum requirements of this policy. The report should be prepared not later than 90 calendar days following Board acceptance of the annual independent financial audit.

ANNUAL OPERATING BUDGET

CE
(LOCAL)

Calculation of Fund
Balance Target

Unassigned fund balance target. The District shall maintain an unassigned fund balance sufficiently adequate for fiscal cash liquidity purposes (i.e., fiscal reserve) that will provide for sufficient cash flow to minimize the potential of short-term tax anticipation borrowing. This amount shall be equal to and not less than 20 percent of the combined budget expenditures of the District general fund, excluding Chapter 49 recapture expenditures. The District's chief financial officer shall annually calculate and verify the District's compliance with this policy to the Board.