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**MOAKCASEY™**

PROVEN LEADERS ADVANCING TEXAS SCHOOLS

# EXECUTIVE BUDGET AND FINANCIAL ANALYSIS

## **Board Executive Brief**

*prepared for:*

# El Paso ISD



Presented To  
**Superintendent**  
**Dr. Brian Lusk**

Presented by  
**Lori Boswell**  
**Dr. Greg Gibson**

## Executive Summary

El Paso Independent School District engaged MoakCasey to conduct an executive budget strategy and financial analysis focused on evaluating the district's current financial condition, projected financial outlook, operational practices, and long-term financial sustainability. The review identified significant structural financial challenges that developed over multiple fiscal years as recurring expenditure growth outpaced recurring revenue growth and operational decisions became increasingly misaligned with long-term financial capacity.

The district's current financial condition did not result from a single event, but rather from the cumulative impact of delayed intervention, fragmented accountability, unrealized budget assumptions, recurring expenditure growth, and insufficient alignment between operational decisions and long-term financial sustainability.

### Key Contributing Factors

- Budget assumptions relied upon projected savings and operational changes that were not fully implemented.
- Financial risks and deteriorating projections were not consistently escalated with sufficient urgency to drive timely corrective action.
- Operational and compensation-related decisions increased recurring expenditures beyond sustainable recurring revenue growth.
- Personnel expenditures consume approximately 87% of operating expenditures, significantly limiting financial flexibility.
- Position control, staffing oversight, and financial forecasting processes require strengthening.
- The district's self-funded health insurance program has become structurally unsustainable and increasingly dependent upon General Fund support.

### Immediate Priorities

- Stabilize the district's current financial position through immediate expenditure controls and accelerated corrective action.
- Begin districtwide staffing, organizational, and operational realignment efforts aligned with recurring revenue capacity.
- Develop and implement a multi-year financial recovery framework focused on restoring long-term structural balance and financial sustainability.

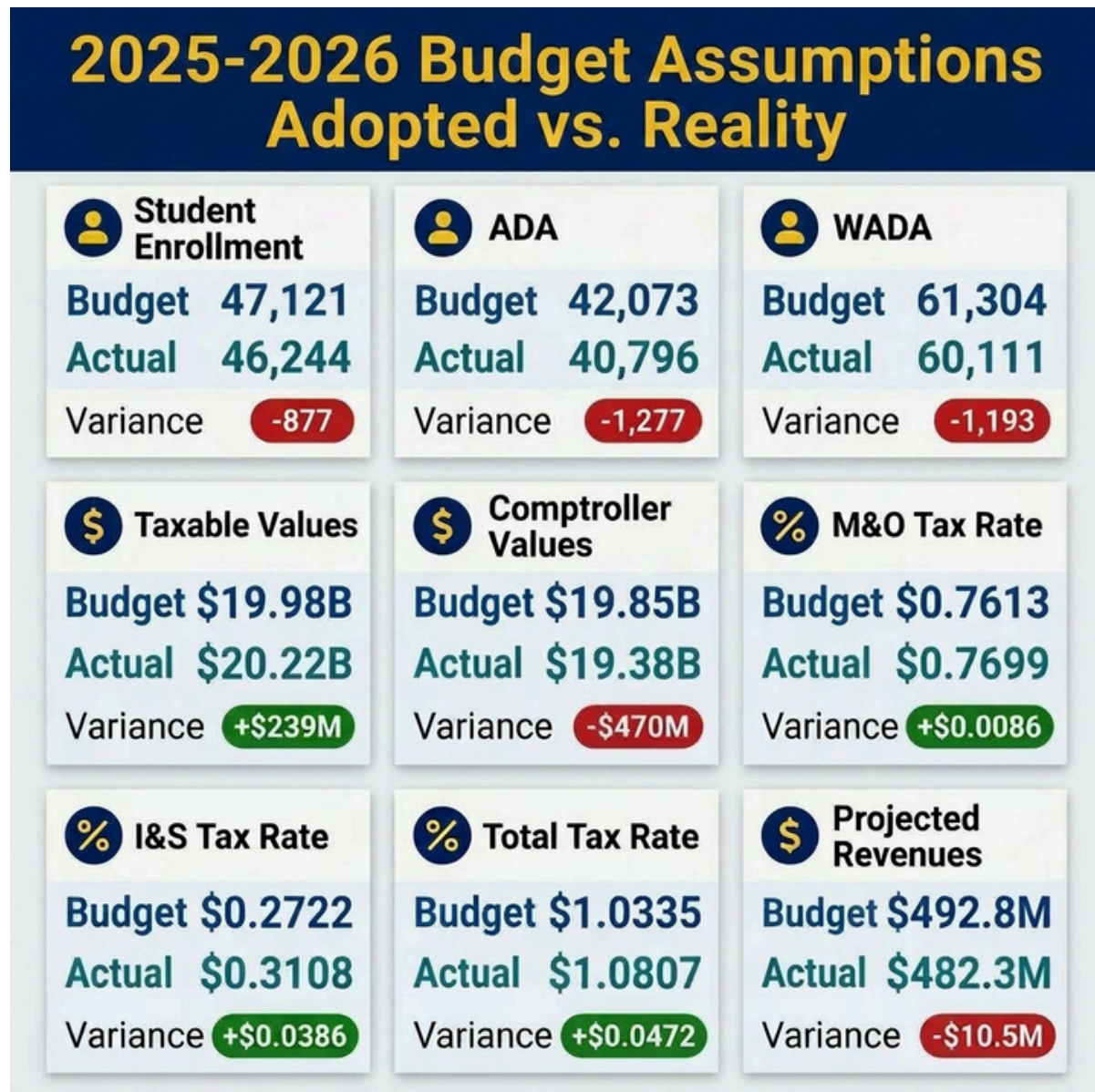
## Current Financial Condition

El Paso Independent School District is currently experiencing significant structural financial pressure resulting from recurring expenditure growth outpacing recurring revenue growth over multiple fiscal years. Analysis conducted during this engagement indicates that the district's current financial condition reflects both immediate operational pressures and longer-term sustainability concerns requiring accelerated corrective action.

For the 2025-2026 fiscal year, projected financial results indicate material variances between budgeted and projected actual revenues and expenditures. Contributing factors include recurring staffing and compensation obligations, delayed implementation of planned expenditure reductions, and increasing financial exposure associated with the district's self-funded health insurance program. Preliminary projections for 2026-2027 indicate continued structural imbalance without significant corrective action.

## Current Financial Condition

The district’s adopted budget was developed using assumptions related to enrollment, ADA, staffing levels, compensation costs, operational efficiencies, and state funding projections. Throughout the fiscal year, several of those assumptions changed materially from original projections, including enrollment and ADA.



## Current Financial Condition

The district’s ending financial forecast was compounded by several factors during the fiscal year. The adopted budget relied upon planned expenditure reductions, operational efficiencies, and staffing adjustments that were delayed, modified, or not fully implemented. At the same time, additional operational and compensation-related decisions increased recurring expenditures beyond amounts originally included in the budget. As conditions changed throughout the year, financial projections and budget assumptions were not consistently updated to reflect actual planned expenditures and operating conditions.

<b>NOT BUDGETED — \$11,156,272</b>	<b>UNREALIZED SAVINGS — \$10,304,025</b>
Additional Budget Requests (ABR)	Lapse Salary Savings \$6,311,676
SpEd Staffing Guidelines \$2,349,875	SPED Budget to IDEA \$1,580,349
TRA Federal Employees \$1,035,000	Multi-Age Classroom \$1,407,000
Leadership Transition \$477,000	Teacher Cert. Review \$1,005,000
IDEA B Reclassification \$605,743	
HSA Distribution \$2,955,000	
Early Retirement Incentive \$681,000	
<b>COMBINED BUDGET IMPACT: \$21,460,297</b>	

# Current Financial Condition

## FINANCIAL CONDITION REPORT — FY2025-2026

	Original Budget	Revised Budget	Projected Actuals	Change from Revised Budget
Revenues	2025-2026	2025-2026	2025-2026	
Tax Collections	149,756,677	149,766,677	144,852,097	(4,914,780)
State Funding	341,551,768	341,551,768	335,105,565	(6,442,565)
Other Local Revenue	9,216,740	9,216,740	7,219,966	(1,996,906)
Other State Funding TRS On Behalf	29,000,000	29,000,000	30,087,710	1,087,718
Federal Revenue (SHARS/ Medicaid) & E-Rate	11,670,300	11,670,300	16,664,995	(1,005,705)
<b>Estimated Revenues</b>	<b>541,225,685</b>	<b>541,205,655</b>	<b>527,933,813</b>	<b>(13,271,877)</b>
Expenditures	2025-2026	2025-2026	2025-2026	
Base Payroll	481,918,855	480,485,700	502,285,633	21,798,833
Additional Positions and Adjustments	-	-	-	-
Compensation Increase	-	-	-	-
<b>Total Payroll Expense</b>	<b>491,918,885</b>	<b>480,486,780</b>	<b>502,285,633</b>	<b>21,798,853</b>
Contracted Services	28,854,782	32,012,412	28,937,511	(3,074,901)
General Supplies & Equipment	19,468,561	22,677,660	22,296,966	(381,241)
Miscellaneous Expenses	9,056,930	9,109,294	8,185,857	(923,887)
Debt	5,943,809	5,943,809	5,943,809	-
Capital Projects	1,419,000	15,813,391	13,078,723	(2,724,454)
<b>Total Non Payroll Expense</b>	<b>64,742,882</b>	<b>85,556,391</b>	<b>78,442,113</b>	<b>(7,114,454)</b>
<b>Estimated Expenditures</b>	<b>546,661,601</b>	<b>560,643,724</b>	<b>580,727,736</b>	<b>16,054,885</b>
Excess (Deficiency)	-	4,762,224	5,816,978	1,054,754
Total Other Uses	(627,208)	(627,208)	(627,208)	-
Total Other Financing Sources/Uses	(627,208)	(20,700,450)	(47,604,154)	(26,901,184)
<b>Net Change in Fund Balance</b>	<b>117,207,182</b>	<b>117,207,182</b>	<b>117,207,182</b>	<b>-</b>
<b>Estimated End-of-Year Fund Balance</b>	<b>111,124,124</b>	<b>96,504,732</b>	<b>69,603,028</b>	<b>(26,901,708)</b>
Estimated Non-spendable	(1,796,972)	(1,796,972)	(1,796,972)	#REF!
Restricted/Committed	(14,393,720)	(14,393,720)	(7,518,378)	#REF!
<b>Estimated Unassigned Fund Balance</b>	<b>94,993,930</b>	<b>80,314,040</b>	<b>60,287,688</b>	<b>(20,025,688)</b>
% Operating of Unassigned Fund Balance	17.37%	14.1%	10.38%	-3.81%
# Months Operating of Unassigned Fund Balance	63.39	1.70	12.59	(0.46)

**1 FY2025-2026 PROJECTED DEFICIT**

-\$52,793,924

Projected Structural Operating Deficit

**2 FUND BALANCE IMPACT**

\$111,134,192 → \$96,504,732 → \$69,603,028

**3 PERSONNEL EXPENDITURE RATIO**

Personnel Expenditures Consume -87% Non-Personnel -13%

Operational Benchmark -83%

**4 HEALTH INSURANCE FUND EXPOSURE**

**Self-Funded Program: Structurally Unsustainable**

Dependence on General Fund Support

**5 FY2026-2027 STRUCTURAL GAP**

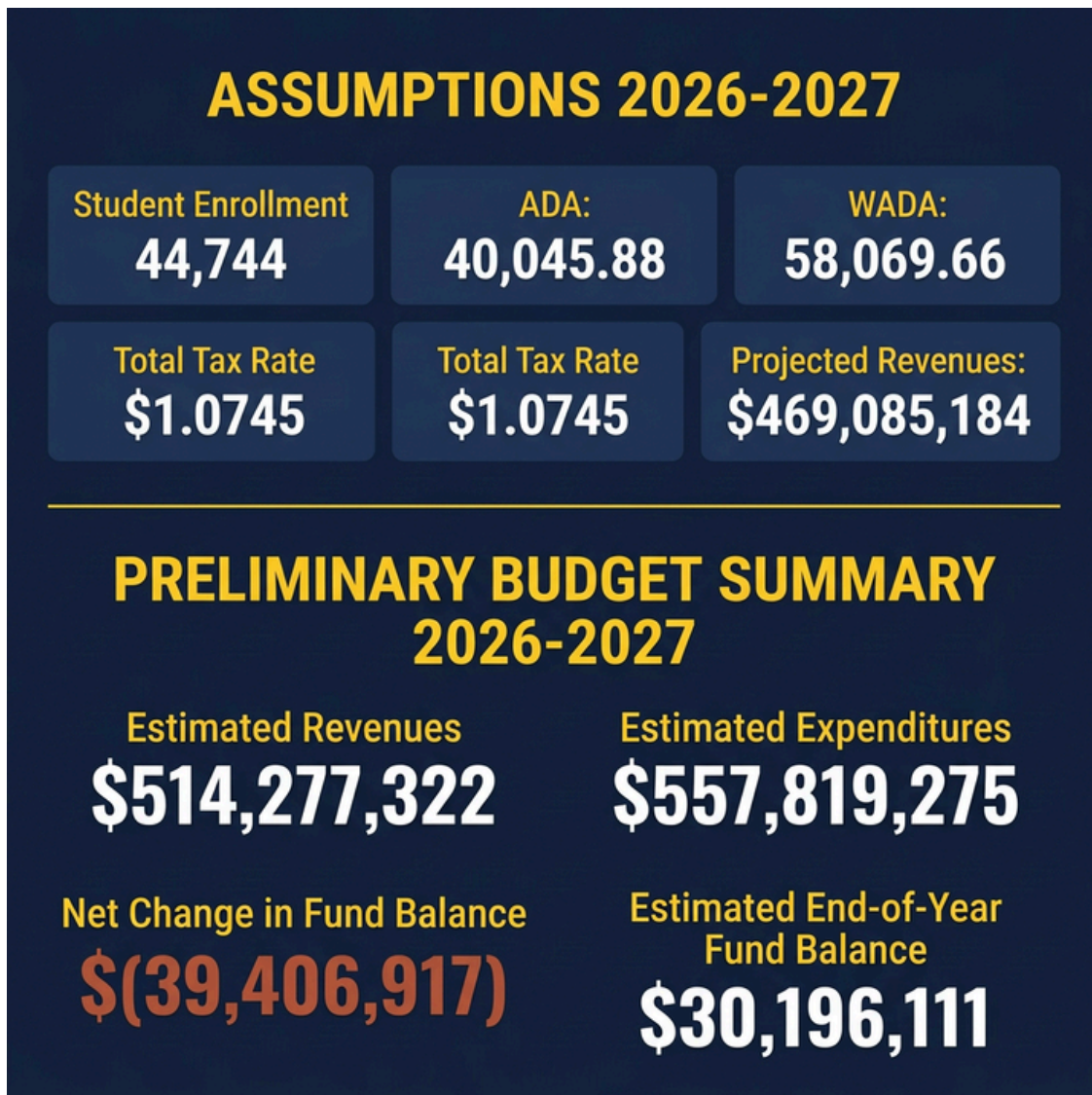
Projected Structural Imbalance

**6 RECOVERY FRAMEWORK**

This report has been prepared for Board of Trustees review and action.

## Preliminary FY 2026-2027 Outlook

Preliminary 2026-2027 revenue projections were developed using current enrollment, ADA, WADA, taxable value, and state funding assumptions available at the time of this review. Estimated expenditures were based upon the district’s current budget development work and projected recurring operational obligations, including staffing, compensation, healthcare, and other operating costs.



## Key Systemic Findings

The review identified several recurring operational, financial, and governance conditions that collectively contributed to the district's current financial position. While no single issue independently created the district's structural imbalance, the cumulative impact of the following conditions significantly accelerated the district's financial deterioration.

- Financial risks and deteriorating projections were not consistently escalated with sufficient urgency to drive timely corrective action.
- Budget assumptions relied upon projected savings and operational changes that were delayed, modified, or not fully implemented.
- Operational and compensation-related decisions increased recurring expenditures without corresponding budget recalibration.
- Personnel expenditures consume approximately 87% of operating expenditures, significantly limiting financial flexibility.
- Position control, staffing oversight, and financial forecasting processes require strengthening.
- Fragmented accountability and siloed operational practices reduced visibility into cumulative districtwide financial impact.
- The district's self-funded health insurance program has become structurally unsustainable and increasingly dependent upon General Fund support.
- Delayed intervention compounded the district's structural financial imbalance and reduced available corrective options.

# Immediate Stabilization Actions

Immediate actions should focus on stabilizing the district's financial position, strengthening expenditure controls, improving financial visibility, and establishing the operational framework necessary to support long-term financial recovery and sustainability.

## 1. Declare Financial Exigency

- Establish the framework necessary to implement accelerated financial recovery measures.
- Work closely with legal counsel regarding operational, staffing, and contractual implications.
- Clearly communicate the district's financial condition and need for immediate intervention.

## 2. Implement Immediate Expenditure Controls

- Restrict non-essential spending and discretionary expenditures.
- Require centralized executive approval for staffing additions and significant expenditures.
- Limit expansion of recurring obligations until financial stability is restored.

## 3. Conduct Staffing & Position Reconciliation

- Reconcile authorized positions, filled positions, payroll expenditures, stipends, and funding sources.
- Validate staffing allocations against operational necessity and financial capacity.
- Identify immediate staffing efficiencies through vacancy management and restructuring.

## Immediate Stabilization Actions

### 4. Initiate Organizational Realignment Planning

- Begin development of districtwide staffing and operational realignment scenarios.
- Evaluate opportunities to reduce duplication, consolidate functions, and improve efficiency.
- Align staffing structures with enrollment trends and recurring revenue capacity.

### 5. Stabilize the Employee Health Insurance Fund

- Conduct immediate actuarial and operational review of the self-funded health insurance program.
- Quantify General Fund exposure and long-term sustainability concerns.
- Evaluate corrective actions related to contributions, premiums, reserves, and cash flow sustainability.

### 6. Develop a Multi-Year Financial Recovery Plan

- Develop three- to five-year financial recovery projections.
- Identify recurring expenditure reductions necessary to restore structural balance.
- Establish measurable recovery targets, timelines, and implementation milestones.

# Financial Recovery Framework

The district’s financial recovery will require a phased and sustained approach focused on immediate stabilization, operational realignment, and long-term structural sustainability. The framework below outlines the district’s recommended recovery progression over the next several years.



## Moving Forward

The district's current financial condition developed over multiple fiscal years through the cumulative impact of structural expenditure growth, delayed intervention, fragmented accountability, and operational decisions that became increasingly misaligned with long-term financial capacity. While the challenges facing the district are significant, they are not insurmountable.

Restoring financial stability will require decisive leadership, disciplined execution, transparent communication, and sustained organizational commitment to long-term structural change. The work ahead will require difficult decisions, operational realignment, and a renewed focus on aligning recurring expenditures with recurring revenues.

We appreciate the opportunity to support El Paso Independent School District during this important and challenging time and look forward to continuing to assist the district as it moves through the next phases of financial stabilization, operational recovery, and long-term strategic planning.