Cost Savings Audit
FINAL REPORT

Prepared for:

Fort Bend Independent School District

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Table of Contents

Chapter 1: Introduction

In October 2024, the Fort Bend Independent School District (FBISD) Board of Trustees approved a cost proposal for Gibson Consulting Group (Gibson) to conduct a Cost Savings Audit as part of the district's internal audit program. The purpose of this audit is to identify possible savings opportunities that could help close a projected 2025-26 General Fund operating budget deficit of approximately $34 million and sustain FBISD's long-term financial stability.

In its prior cost savings work and in commissioning this project, FBISD has chosen to be strategic in its efforts to reduce costs. Many districts apply across-the-board expenditure cuts to departments, programs, and schools, erroneously thinking that this approach is more equitable. A fixed percentage cut across the district may inadvertently punish efficient operations and reward inefficient operations. FBISD's approach to date – and Gibson's approach in this study – is to identify "data-driven" opportunities that will improve efficiency where it is needed.

This Cost Savings Audit is different from other departmental and program audits Gibson has conducted for the district to date. Over the past 27 years, Gibson has conducted cost savings studies for some of the largest school systems in the U.S., including Fairfax County Public Schools (VA), Los Angeles Unified School District (CA), Clark County School District (NV), and Hillsborough County Public Schools (FL). The FBISD Board of Trustees sought to take advantage of this experience to help address their short-term financial situation and sustain the district's long-term financial stability.

This audit, at a cost of $85,000, sought only to identify potential savings opportunities worthy of further analysis by the district administration. Deeper analyses will be needed for each of these opportunities to determine actual cost savings and consider other variables that could weigh into their implementation. Accordingly, this report identifies opportunities for cost savings but does not make specific recommendations.

FBISD Cost Savings Initiatives and Efficiencies

FBISD has worked on its own to identify cost savings. In 2023-24, FBISD identified and implemented significant reductions to its annual General Fund budget. These reductions, totaling more than $21.7 million, appear in Table 1.

Table 1. FBISD Budget Reductions Implemented Prior to Cost Savings Audit, 2023-24

Budget Reductions	Estimated Annual General Fund Savings
Staffing guideline efficiencies	$14,900,000
Elementary campus consolidation	$3,210,000
Energy management contract cancellation	$1,000,000
Bus route reconfiguration	$400,000
Change copy charges to actual usage	$190,000
Summer school staggered start	$160,000
Close teacher center	$80,000
Gifted and Talented (GT) testing (electronic School Improvement Grants [SIG] materials)	$20,000
Software reductions	$100,000
No PSAT administration for Grade 9	$50,000
No REN 360 for Grades 7 and above	$350,000
Site-based English Language Learners (ELL) testing	$70,000
Insource Reese custodial services	$90,000
Discontinue Ropes course	$140,000
Additional contract efficiencies	$100,000
Discontinue Lead Coordinator stipends	$420,000
Discontinue Enhancing Diversity in Graduate Education (EDGE) stipend (Year 1)	$300,000
Shift high-cost instruments to bond	$150,000
Total	**$21,730,000**

Source. FBISD list of budget reductions

Current Indicators of FBISD Efficiency

This section provides an overview of several indicators of FBISD's current efficiency levels.

Operations

Gibson found that FBISD's major operational areas supported by the General Fund – facilities management (maintenance and custodial services) and transportation – are efficient. These areas heavily rely on auxiliary staff to support these important operations, and auxiliary staff represent the second largest labor

pool in a school district, behind teachers. These areas also typically offer opportunities for cost savings, but several key performance indicators showed that these operations are staffed efficiently at FBISD.

Facilities Maintenance

Facilities maintenance staffing efficiency is measured by the number of square feet per full-time equivalent (FTE) maintenance trades worker. FBISD has a ratio of approximately 83,500 square feet per FTE, above the industry standard of 72,000 square feet per FTE,[1] indicating that it is either more efficient or understaffed. The higher "efficiency" level is likely affecting the district's ability to have a significant "preventive" maintenance program and, accordingly, causing FBISD to focus its efforts on "reactive" maintenance. Other than separate opportunities identified through this study to reduce FBISD's facilities footprint through additional school consolidations and/or closures, Gibson concluded that facilities maintenance did provide a major cost savings opportunity for the district.

Custodial Services

Custodial services at FBISD are also staffed efficiently. Industry standards suggest a range of 28,000 to 31,000 square feet for Level 3 cleaning, which is the norm for most school facilities. Level 2 cleaning is the uppermost standard for school facilities and is typically reserved for restrooms, the cafeteria, special education classrooms, and Kindergarten areas. Level 2 cleaning standards suggest a range from 18,000 to 20,000 square feet per FTE custodian. (Level 1 cleaning applies to hospitals).[2] FBISD's combined custodial productivity falls acceptably between the ranges of the Level 2 and Level 3 standards at 26,400 square feet per custodian, close to the Level 3 standard.

Transportation

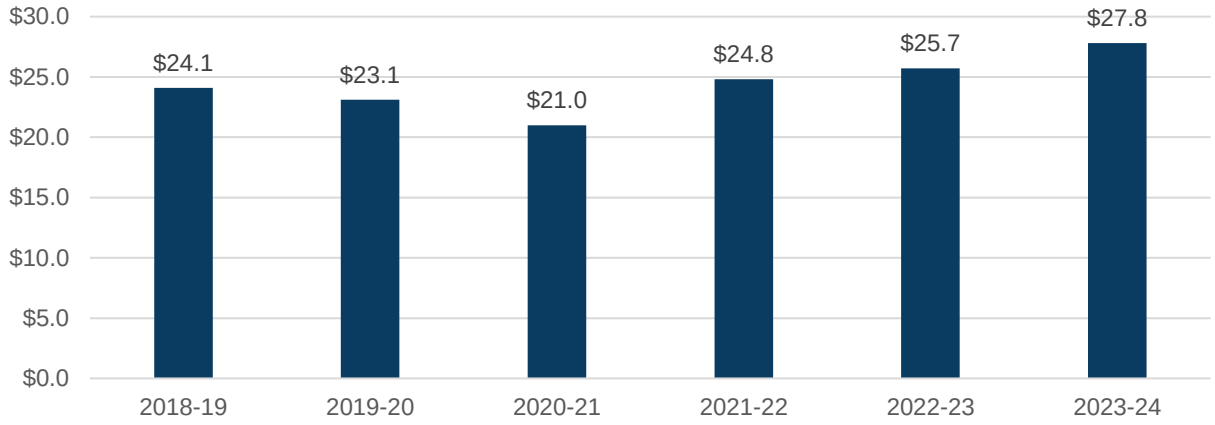
Student transportation requirements are unique to each school district based on the geographic size of the district and the number and dispersion of schools and students across the district. Other transportation demands, such as special education and intra-district travel for other programs (e.g., Career and Technical Education [CTE]) also vary from district to district.

Figure 1 presents FBISD General Fund transportation expenditures over the past six years. Since 2018-19, expenditures grew 15.3%, or approximately 3% per year on average. Overall district General Fund expenditures increased 22.2% during this same time period. Transportation spending per student (all funds) is also lower than the state average.

[1] Provided by Facilities Engineering Architects (Gibson's facilities management experts who conducted the prior facilities management audit for FBISD). This amount is within the range identified by FBISD (60,000 to 80,000 square feet per FTE maintenance staff) and targeted by the district administration.

[2] Planning Guide for Maintaining School Facilities, School Facilities Maintenance Task Force, National Forum on Education Statistics and the Association of School Business Officials International (ASBO), February 2003.

Figure 1. FBISD Transportation Expenditures (in $ Millions), General Fund, 2018-19 to 2023-24



Source. FBISD expenditure data, 2018-19 to 2023-24

During this six-year period, while student enrollment increased, FBISD's route mileage, number of buses, and number of bus drivers all decreased, suggesting improved efficiencies and/or higher-than-expected driver vacancy rates (forcing some routes to be temporarily combined). The reductions in each of these operating statistics during the past two years are likely due, at least in part, to the routing savings implemented by the district (mentioned above).

Instruction and School Operations

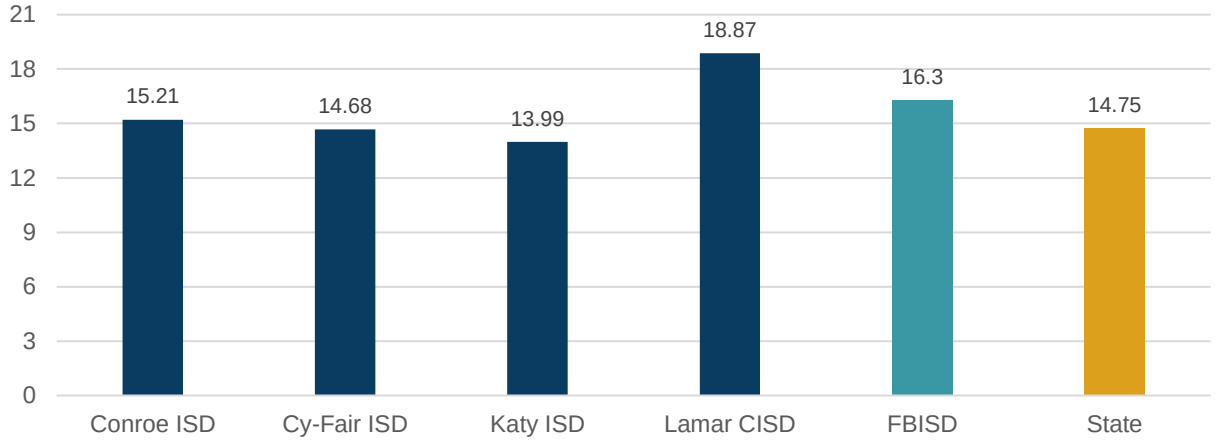
School Size

During the past two years, FBISD developed plans to consolidate four elementary schools (into two) to provide instructional services to students more efficiently and effectively. According to district estimates, this initiative resulted in savings of $3.2 million (listed above).

Teacher Staffing

FBISD has a similar pupil-teacher ratio as it had six years ago, and is above most of its peer districts and the state average. A higher pupil-teacher ratio reflects fewer teachers relative to the student population; a lower ratio indicates more teachers relative to the student population. Figure 2 compares FBISD's pupil-teacher ratio to its peers and the state average for 2023-24.

Figure 2. Pupil-Teacher Ratio, FBISD, Peer Districts and State Average, 2023-24



Source. Texas Education Agency (TEA) Texas Academic Performance Reports, 2023-24

In calculating the pupil-teacher ratio, TEA defines a teacher as any certified teacher assigned to the 087 role ID code: "Teacher," or role ID code 087: "Permanent Substitute." Other role ID codes may capture additional certified teachers, including a Teacher Supervisor - Consultant (028), Teacher Facilitator (041), and Teacher Appraiser (042). If a teacher spends time related to multiple role ID codes, only that time allocated to 087 and/or 047 is aggregated to determine the number of FTE teachers for the purposes of the district pupil-teacher ratio.

Several factors affect teacher staffing levels, including target class sizes by grade level, secondary course scheduling (block versus traditional schedule), and the efficiency of each school's master schedule in providing instructional services to students. Currently, one early college high school and two P-TECH high schools employ a modified block schedule; the remaining schools apply a traditional schedule.

Budgeting Practices

The district applies several practices in its efforts to support leaner budgets:

- FBISD's budget factors in a portion of expected position vacancy rates, resulting in budgets closer to actual;
- The district is maximizing General Fund indirect cost recovery from all federal grants except one; and
- While there are some concerns that school staffing formulas are not sufficiently need-based, there are few exceptions to staffing formulas. This indicates a strong level of budget control with respect to school staffing.

FBISD's recent cost savings efforts, combined with several areas of current operating efficiency, increased the challenge of this study in finding additional cost savings. This notwithstanding, this report presents several options to further close FBISD's FY 2026 budget deficit.

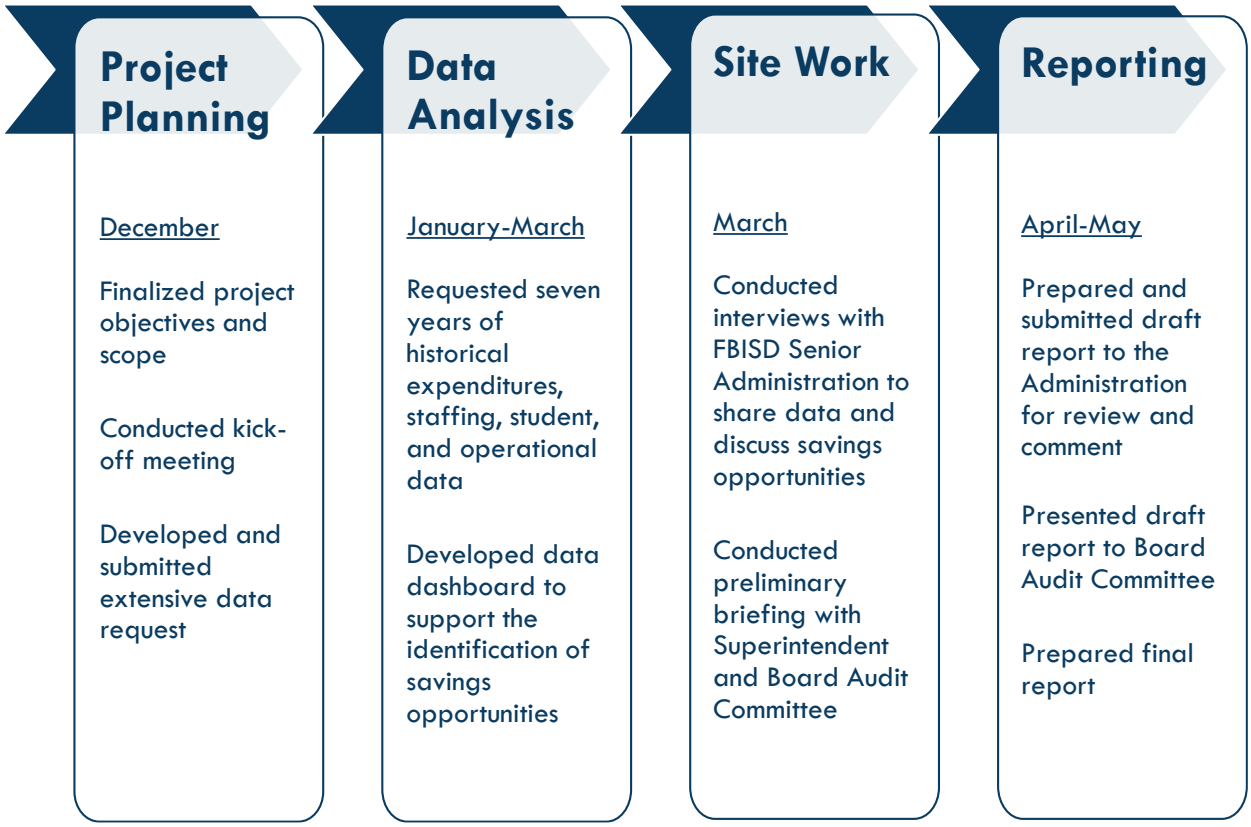
The following section presents the scope of this Cost Savings Audit and the major elements of our approach.

Project Scope and Approach

The scope of this audit included all departments and programs supported by the General Fund, directly or indirectly (through General Fund indirect cost recovery).

This audit is different from other internal audits conducted by Gibson. First, there are no audit findings or recommendations. Accordingly, the audit did not seek agreement or disagreement by the administration. The information in this report was considered by the administration in developing its own list of recommended cost savings opportunities. While this work was independently conducted by Gibson, Gibson worked collaboratively with the administration in reviewing these opportunities, as directed by the Board Audit Committee.

Figure 3. Cost Savings Audit Methodology



Source. Gibson Consulting Group

Gibson requested and received a six-year history (plus 2024-25, where available) of FBISD's student, financial, staffing, and available operational data to support its analysis. A data dashboard was developed to store, analyze, and graphically present efficiency measures across all major program and departmental areas. (This dashboard has been provided to the district administration to support future cost savings analyses.) Gibson analyzed these results and began to develop preliminary observations and opportunities,

which were then discussed with members of the FBISD leadership team based on their applicable area of responsibility. The information obtained from interviews was used to enhance Gibson's understanding of each opportunity and validate its potential for savings.

This work also involved the analysis and comparison of selected peer district information. Texas peer districts were selected primarily based on district size (student enrollment) and proximity to FBISD. Peer district analysis was not used as a sole basis for identifying cost savings opportunities; however, it did serve to corroborate other supporting analyses. The FBISD leadership team provided input to the selection of peer districts, but the final determination was made by Gibson. Table 2 presents a comparative profile of FBISD and the peer districts.

Table 2. Peer District Profile

Characteristics	FBISD	Conroe ISD	Cy-Fair ISD	Katy ISD	Lamar CISD
District Type	Suburban	Suburban	Suburban	Suburban	Suburban
Fort Bend Area	Yes	Yes	Yes	Yes	Yes
Student Membership	80,034	71,729	118,187	94,589	44,395
% Economically Dis	50%	45%	60%	44%	47%
Student-Staff Ratio	7.87	7.62	7.24	7.30	9.25
GF Exp per Student	$9,942	$9,844	$9,168	$10,708	$9,800
% GF Exp on Instruction	59%	61%	68%	66%	62%

Source. 2023-24 TEA Public Education Information Management System (PEIMS) student, staff, and expenditure data

Gibson wishes to thank Dr. Marc Smith, FBISD's Superintendent, and his senior leadership team for their participation in this work, and for their tireless efforts in providing vast amounts of student, financial, staffing, and operational data to support Gibson's analysis. The administration was also extremely insightful in identifying possible strategies to bring some of these savings opportunities to reality.

Chapter 2: Cost Savings

Through this project, Gibson identified approximately $17.4 million of additional potential opportunities for annual General Fund cost savings across four areas, including additional school consolidation and/or closure, secondary school master schedule optimization, General Fund indirect cost recovery, and water usage. Table 3 provides a list of these opportunities, an estimated annual General Fund savings for each, and an indicator of whether it represents a short- or long-term opportunity. The last column reflects the administration's position on the opportunity. Since these are not specific recommendations, the term "support" indicates the district's commitment to move forward in further analyzing the opportunity. One of the opportunities – indirect cost recovery – has already been implemented by the administration.

Table 3. Summary of Estimated Annual General Fund Savings Opportunities

Cost Savings Opportunity	Estimated Annual General Fund Savings	Timing	Admin Response
School consolidation and/or closure – elementary schools	$12,600,000	Long-term	Support
Optimize master scheduling – secondary schools	$2,300,000	Short-term	Support
Increase General Fund indirect cost recovery from Nutrition Services	$2,000,000	Short-term	Implemented
Reduce water usage at high-usage schools	$510,000	Short-term	Support
Total	**$17,410,000**		

Note. The indirect cost recovery opportunity may also be available for 2024-25.

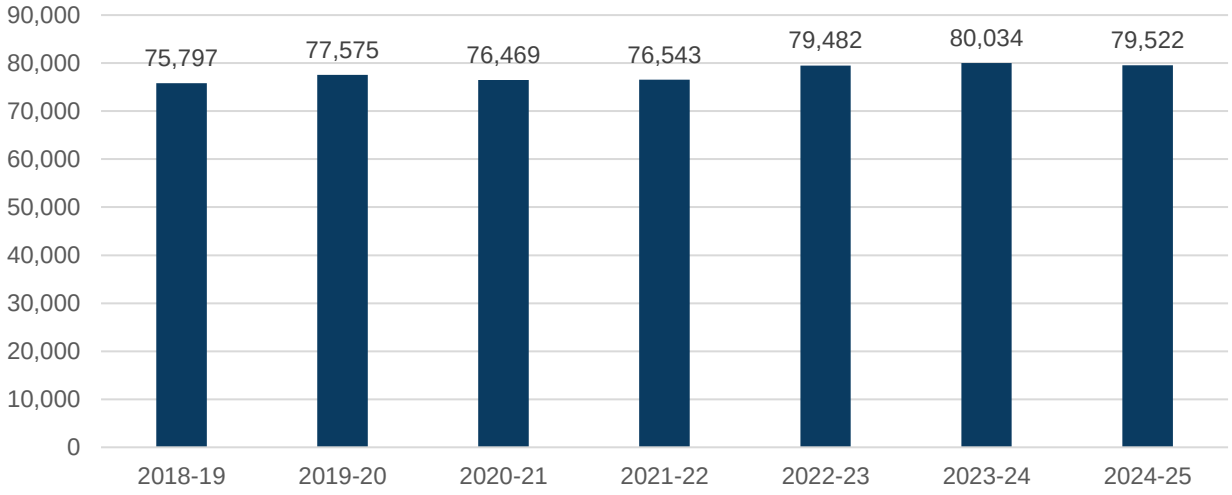
Source. Gibson Consulting Group

Each of these opportunities and the underlying information and analyses are discussed further in the following sections.

School Consolidation and/or Closure – Elementary Schools

A longer-term opportunity for cost savings at FBISD is additional school consolidations and/or closures. While student enrollment increased to 80,000 students over the past seven years, there are some concerns about future growth. As shown in Figure 4, enrollment declined slightly during the COVID-19 pandemic, but has rebounded since.

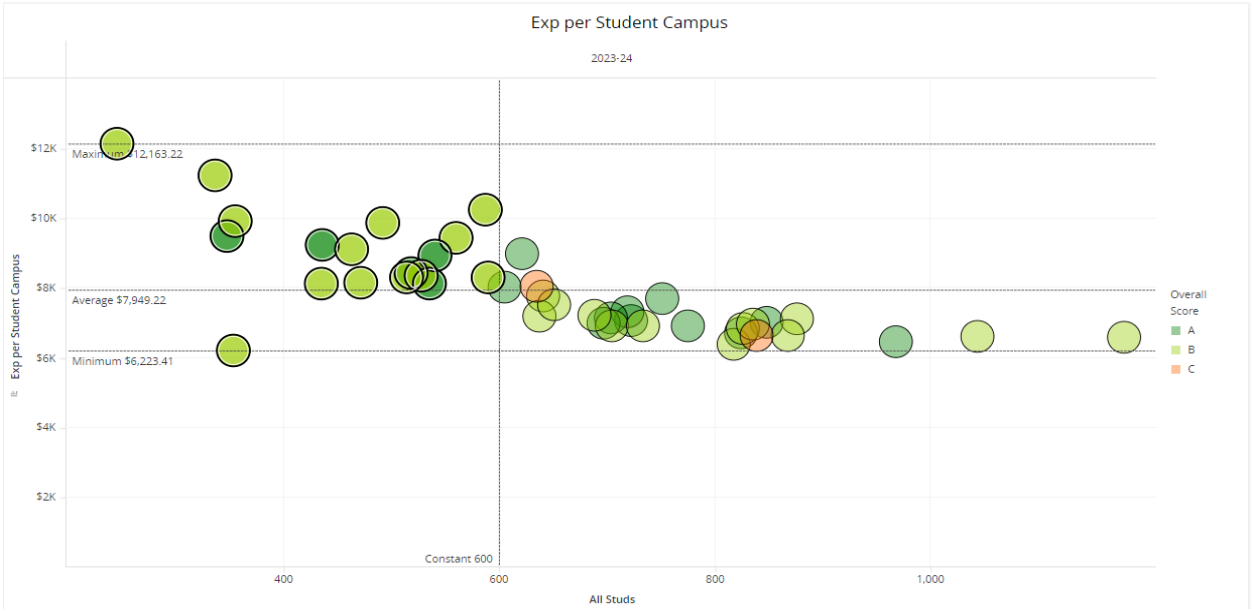
Figure 4. FBISD Student Enrollment, 2018-19 to 2024-25



Source. FBISD TEA PEIMS Fall submission student data

The most significant opportunity for increased consolidation and/or closure is at elementary schools. Figure 5 maps elementary schools' student enrollment (horizontal, or x-axis) against their General Fund operating expenditures per student (vertical, or y-axis). The color of each data point represents the most recent state accountability ranking (2021-22). This graph, which shows a range of operating expenditures of $6,400 to $13,500 per student, depicts an inverse relationship between the cost of education per student and the student enrollment of the school. For schools with fewer than 500 students, the graph reflects no discernible relationship between school performance and expenditures per student.

Figure 5. General Fund Operating Expenditures per Student, FBISD Elementary Schools, 2023-24

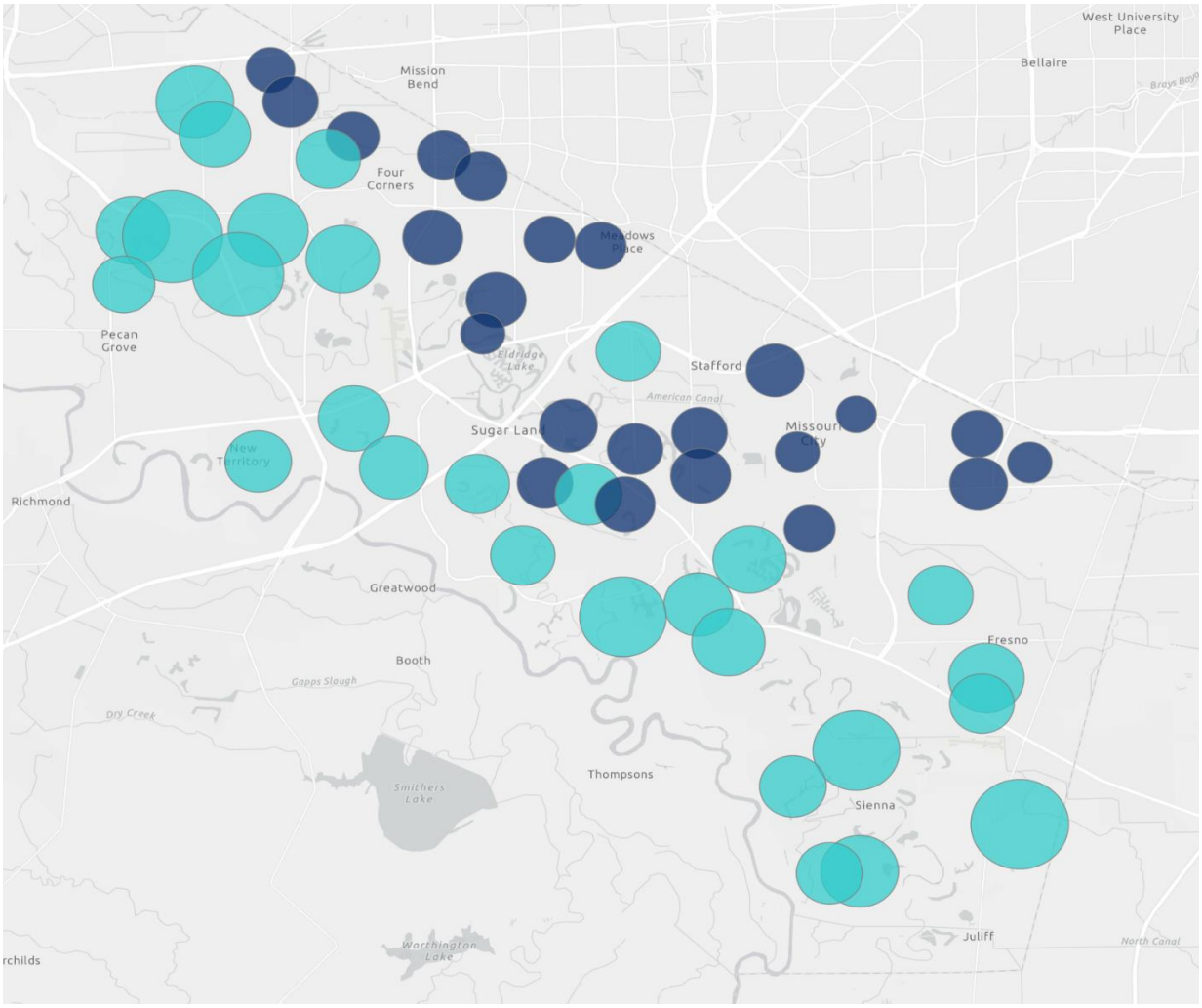


Note. The data above represents 2023-24 information, which has the most recent financial data available. The 2024-25 number of campuses with fewer than 600 students was applied to identify current candidates for school consolidation and/or closure.

Source. 2023-24 TEA PEIMS expenditure and student data; 2021-22 TEA State Accountability Campus Ratings

Figure 6 presents a map of FBISD elementary school locations. The size of the circle indicates the relative size (student enrollment) at each school for 2024-25. The dark-shaded circles represent elementary schools with fewer than 600 students. The proximity of small schools to other small schools may increase the possibility of being a candidate for consolidation and/or closure. The enrollment at FBISD elementary schools ranges from 249 students (Hunters Glen) to 1,250 students (James C. Neill). Based on this map, it appears that each elementary school with fewer than 600 students has at least one opportunity to merge with a contiguous small school.

Figure 6. FBISD Elementary School Locations, 2024-25



Source. FBISD School Map, 2024-25

Four of the 23 small elementary schools indicated above (Mission Glen/Mission Bend and Briargate/Blueridge), are in the process of being consolidated. This leaves 19 schools that remain as candidates for consolidation and/or closure.

The cost of operating smaller schools is significant. Table 4 presents calculations of the estimated fiscal impact of smaller schools. The average General Fund operating expenditures per student for elementary schools with fewer than 600 students was compared to the average for elementary schools with 600 or

more students. The difference was multiplied by the number of students in the smaller schools to arrive at a total before consideration of a probability factor. The probability factor recognizes that some schools (1) have special programming that may affect the feasibility of consolidation and/or closure, and/or (2) may have capacity constraints to consolidate with another small or larger school nearby. Accordingly, a probability factor of 75% was applied to estimate the fiscal impact of potentially feasible alternatives. The district administration is planning to analyze these and other factors before recommending any specific school consolidations and/or closures.

Table 4. Estimated Fiscal Impact – Consolidating and/or Closing Elementary Schools With Fewer Than 600 Students

Average GF operating exp per student, schools with fewer than 600 students	$8,810
Average GF operating exp per student, schools with 600 or more students	$6,974
The difference in expenditures per student	$1,836
x Total students in schools with 600 or fewer students (across 19 schools)	9,175
Total	$16,845,300
x Probability factor that excludes schools with special programming and/or capacity constraints (resulting in 14 potential candidates for school consolidation and/or closure)	75%
Estimated Savings	**$12,633,975**

Source. Gibson Consulting Group

Estimated Annual General Fund Savings: $12,600,000 (rounded)

Administration Response: The Administration supports this opportunity, and will move forward in further analyzing its potential before making a specific recommendation to the Board.

Master Scheduling Efficiency – Secondary Schools

Master scheduling is the process of creating a schedule for a school that outlines the classes, teachers, and resources that will be used throughout the academic year. Many variables are considered in developing a master schedule, including student course requirements (for graduation), student interests (in electives), district decisions on non-required course offerings, teacher experience in teaching a particular course, target class size requirements, and teacher capacity.

Master scheduling is more complex for secondary schools, since students move to different classes and teachers during the day. Elementary school students are typically assigned to a single teacher for the instructional day, with exceptions such as physical education (PE), art, or special programming (e.g., special education). For both elementary and secondary schools, FBISD uses its Student Information System (SIS) to support its master scheduling process. For elementary campuses, FBISD evaluates staffing and student loads after the start of each school year to rebalance class sizes by relocating teachers, if necessary.

Gibson evaluated the scheduling efficiency of FBISD's current approach to master scheduling at the secondary level. (It was assumed that savings from elementary school scheduling efficiencies might overlap

with savings from school consolidation and/or closure. Accordingly, elementary schools were omitted from this analysis.) FBISD school staffing formulas assign general education teachers to high schools based on a ratio of 25.5 students per teacher for core instruction.

While it is unrealistic to fill every secondary class, the analysis of scheduling efficiency can serve to identify potential opportunities for cost savings. During this audit, Gibson requested reports from FBISD's SIS that would support this analysis.

Gibson identified 61 middle and high school general education teachers having an average class size of 15 or fewer students, representing 4.1% of the applicable total secondary teacher population. The average class size was calculated by dividing the total number of students a teacher served by the number of scheduled periods taught. Teachers included those teaching English language arts, math, science, social studies, or CTE on a regular secondary campus. Special education teachers and multilingual education teachers were excluded from the analysis. Of the 61 teachers referenced above, 45 were general education teachers and 16 were CTE teachers.

Based on interviews with the FBISD leadership team, the district uses its master scheduling system to "develop" the master schedule, but not to "optimize" it. Further, the development of the master schedule is largely site-based, whereby each school establishes its own decision rules and assumptions regarding the master schedule. This approach appears to be contributing to classes with excess capacity.

Since secondary teachers may have some classes that have fewer than 15 students, but likely have others with more than 15 students (but still fewer than target capacity based on their average), Gibson assigned a 50% probability factor to consider exceptional situations. This resulted in 30.5 (61 x 0.5) fewer teaching positions through schedule optimization. Based on an average salary and benefits of $76,700, the estimated annual savings is $2,339,350.

Estimated Annual General Fund Savings: $2,300,000 (rounded)

Administration Response: The Administration supports this opportunity, and will move forward in further analyzing its potential before making a specific recommendation to the Board.

General Fund Indirect Cost Recovery

The United States Department of Education (USDOE) allows school systems to "charge" or "recover" costs incurred to provide certain administrative services that support federal grant programs. The USDOE has given TEA authority to issue indirect cost rates to Texas school districts, charter schools, and certain other governmental agencies to support the calculation of these costs. To recover any indirect costs, federal funding grantees must request and receive a new indirect cost rate for every school year. Grantees that receive their indirect cost rates from TEA may use the rates to recover certain organization-wide administrative costs that benefit the applicable federal grant-funded program.[3]

[3] TEA web page, Indirect Cost Rates: https://tea.texas.gov/finance-and-grants/grants/federal-fiscal-compliance-and-reporting/indirect-cost-rates.

There are two indirect cost rates that can be applied, depending on the particular federal grant. According to TEA, the "restricted" rate covers certain administration costs and is used for grants that have a supplement, not supplant requirement, such as Title I. The "unrestricted" rate includes other types of administration and operational costs, and can be applied to the National School Lunch Program (in the absence of a supplement, not supplant requirement). By applying the unrestricted rate to the allowable Child Nutrition Fund costs (e.g., payroll-related costs and certain other costs, but not food costs), the General Fund has the ability to recover the cost of services it provides to the Child Nutrition Fund. The calculation is based on the multiplication of eligible Child Nutrition Program costs (approximately 50% of total costs – food costs and other minor costs are not eligible for indirect cost recovery) times the unrestricted rate.

FBISD's restricted rate for 2024-25 is 4.881% and its unrestricted rate is 12.251%. FBISD has historically recovered far less in indirect cost allocations from its Child Nutrition Fund than what state regulations allow. In 2023-24, the indirect cost recovery was approximately $500,000, representing less than one half of the lower restricted rate. FBISD could apply the larger, unrestricted rate for indirect cost recovery, which would result in an additional $2 million annually to the General Fund.

The district is not required to recover indirect costs from the General Fund. Some districts do not recover any funds for providing General Fund support to food service operations; others recover a portion of what is allowable, and others recover the full amount allowable. At FBISD, there is no local board policy or administrative regulation that provides guidance on this matter. Some districts believe that making such allocations would increase the risk of the program running operating deficits – which would ultimately require a General Fund contribution to cover. The Child Nutrition Program, however, should be designed to cover all of its costs, including those incurred on its behalf by the General Fund. If the district did not provide administrative and operational support, the program would have to go elsewhere to receive (and pay for) these services, or incur costs to provide them directly.

At the end of 2023-24, FBISD had a $28.2 million fund balance in its Child Nutrition Fund, representing 65% of its annual food service operating expenditures. This level significantly exceeds the 25% target prescribed by the National School Lunch Program. The Child Nutrition Program should ensure over the long term that its costs are managed at a level to cover all expenditures, including costs incurred by the General Fund on its behalf.

The FBISD administration has already incorporated the indirect cost recovery opportunity into the 2025-26 draft budget, and is also evaluating the potential to apply this approach for the 2024-25 fiscal year.

Estimated Annual General Fund Savings: $2,000,000

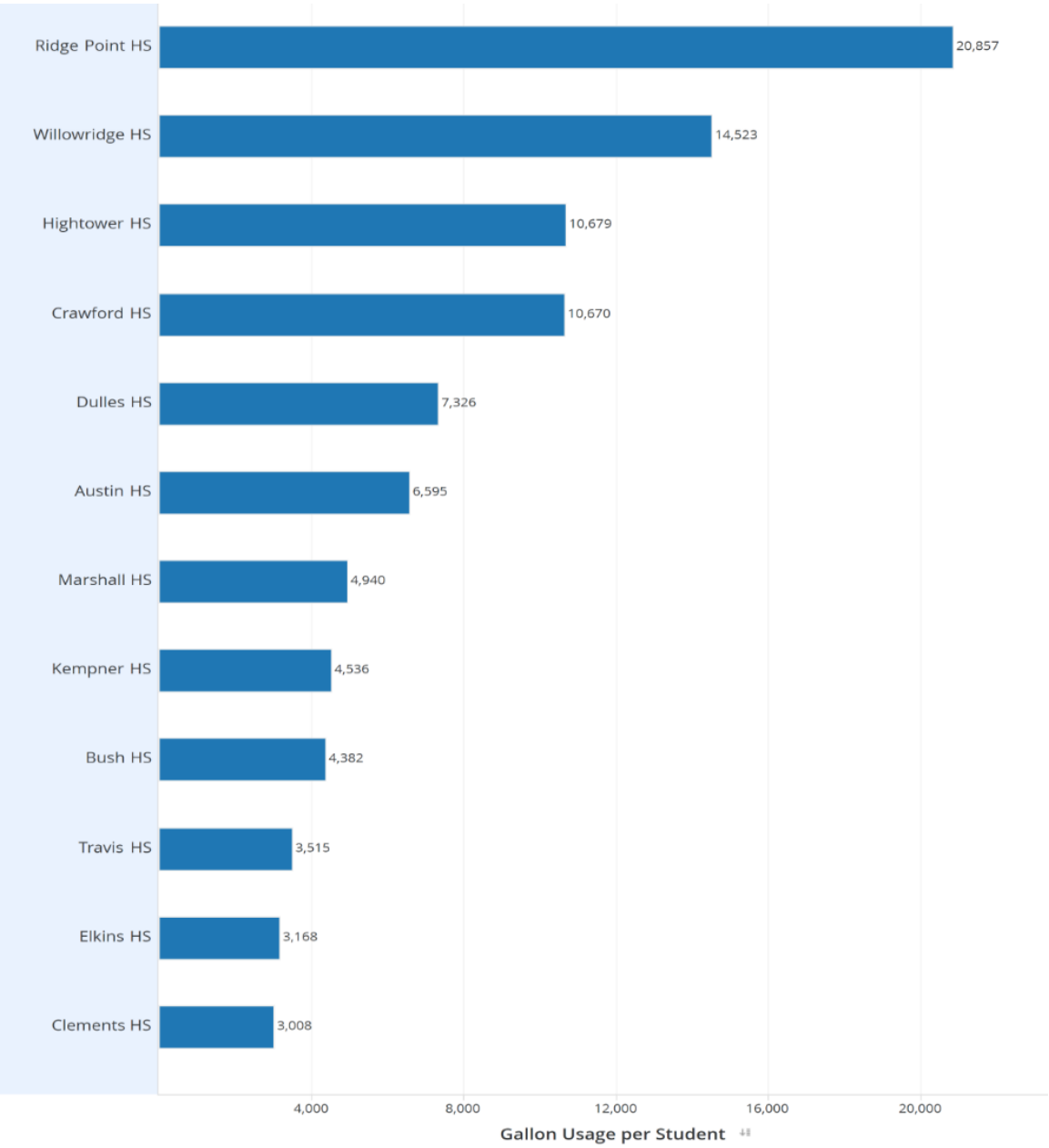
Administration Response: The Administration has initiated steps to recommend this opportunity to the Board.

Water Usage

FBISD purchases water through a host of Municipal Utility Districts (MUDs) and municipalities. Water billing rates vary across these sources, resulting in an annual General Fund expenditure of approximately $3.6 million for 2023-24, of which $3.4 million (94%) is estimated to relate to school water costs based on the proportion of school gross square footage to total district gross square footage.

Gibson analyzed the water usage across schools by school type to determine if the volume of water used per student varied across campuses. Figures 7 presents water usage (gallons) per student for each high school for calendar year 2023, the most recent data available.

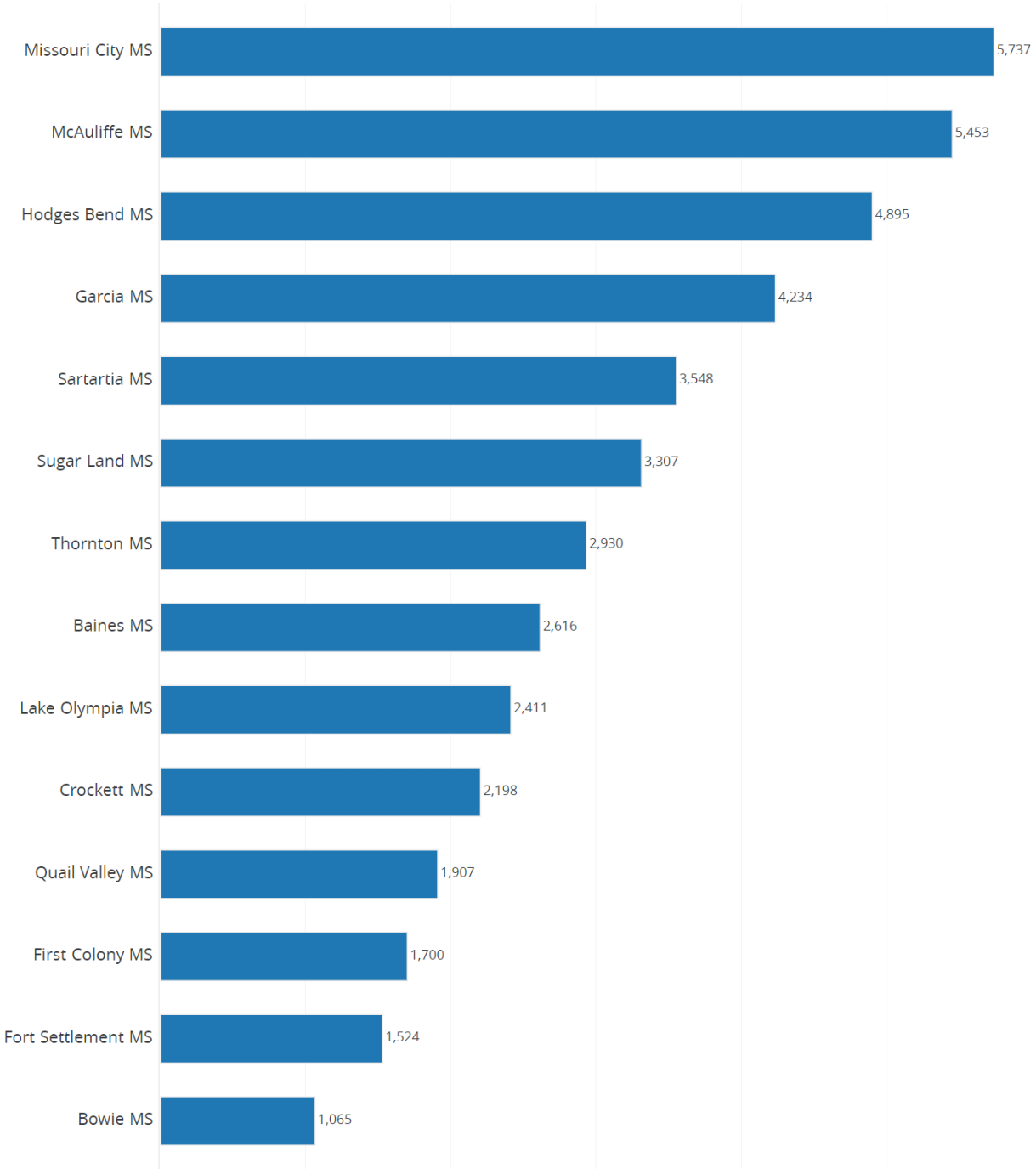
Figure 7. Water Usage (Gallons) per Student, FBISD High Schools, 2023



Source. FBISD Water Usage Report

Figure 8 presents water usage per student for middle schools.

Figure 8. Water Usage (Gallons) per Student, FBISD Middle Schools, 2023



Source. FBISD Water Usage Report

Elementary schools showed the same pattern, with gallon usage per student ranging from 707 (Oyster Creek) to 10,567 (Scanlan Oaks), with a median value across all schools of 3,106. The FBISD administration is in the process of evaluating these anomalies. However, Gibson estimates that, based on the normalization of the above usage distribution, a savings percentage of 15% represents a conservative estimate at this time. By applying the 15% factor to the water cost of $3.4 million applicable to schools, an annually recurring General Fund savings amount of $510,000 may be realized.

Estimated Annual General Fund Savings: $510,000

Administration Response: The Administration supports this opportunity, and will move forward in further analyzing its potential before making a specific recommendation to the Board.

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