

Public Hearing on Proposed Budget and Tax Rate

2021-2022 Fiscal Year Budget

Date: June 10, 2021
Presenter: Finance



Agenda

- Property Values
- Revenue Assumptions
- General Fund
- FIRST Required Discussion
- Debt Service Fund
- Nutrition Services Fund

Property Values

2020-2021 Certified Estimated Values

Major Property Category	2020 Taxable Value	Percent Change	Projected 2021 Taxable Value
Residential & Rural Improved	84,138,325,960	5.99%	89,176,318,573
Apartments	28,334,826,324	2.00%	28,902,245,389
Commercial	57,104,358,120	1.27%	57,830,952,260
Vacant Land	5,388,009,727	0.39%	5,408,949,526
Industrial	4,319,928,286	-0.74%	4,287,757,780
Utility	1,940,741,835	5.64%	2,050,137,571
Commercial Personal	10,508,680,372	2.15%	10,735,089,891
Industrial Personal	6,142,032,441	-4.32%	5,876,450,958
All Other Property	153,032,489	0.30%	153,491,586

Projected 2021 Taxable Value	198,029,935,554	3.23%	204,421,393,533
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Projected 2021 Taxable Value Range

Accuracy +/- 5%	194,200,323,857	To	214,642,463,210
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2020-2021 Certified Estimated Values

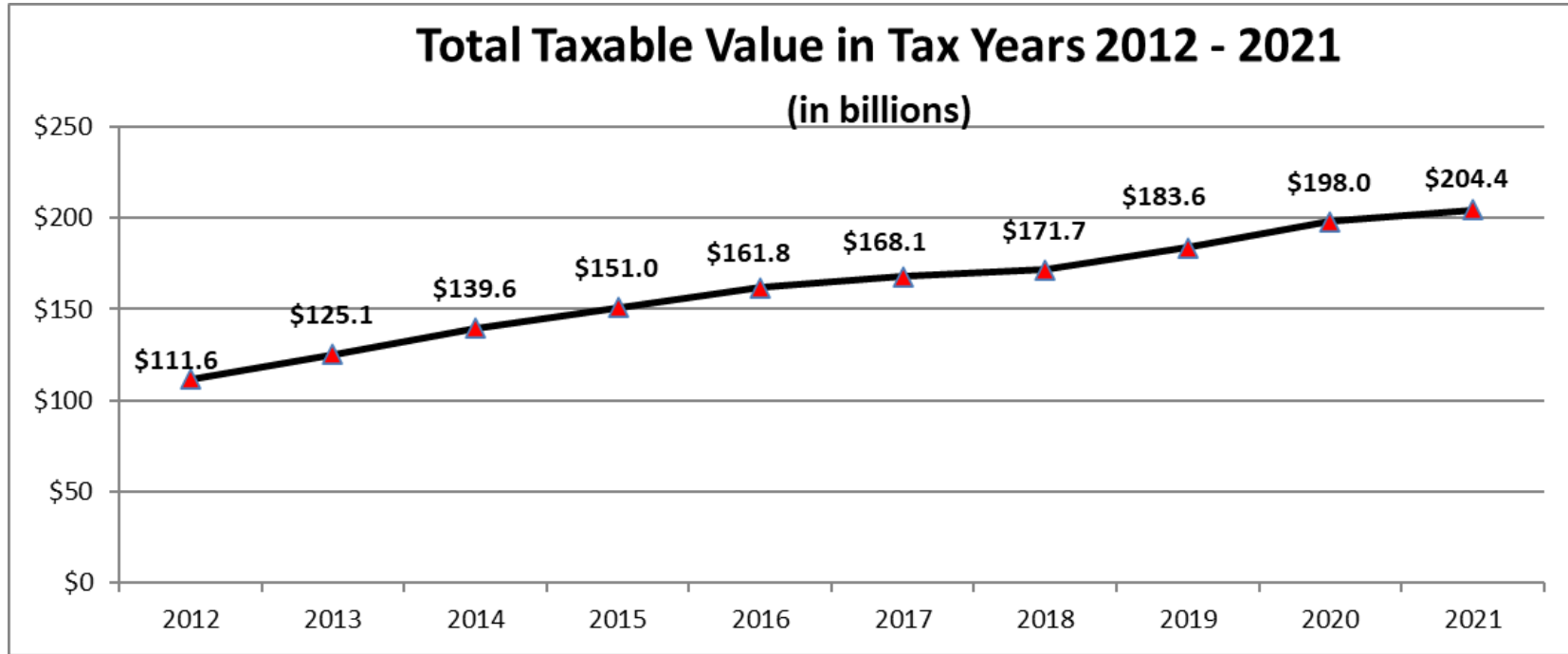
	2020	2021
Average Market Value of Residences:	\$313,649	\$329,085
Average Taxable Value of Residences:	\$241,007	\$253,369

Total Appraised Value of All Property:	\$253,140,580,346	\$261,310,746,021
Total Appraised Value of New Property:	\$5,347,794,715	\$5,773,105,480
Total Taxable Value of All Property:	\$198,029,935,554	\$204,421,393,533
Total Taxable Value of New Property:	\$4,183,538,812	\$4,516,256,163

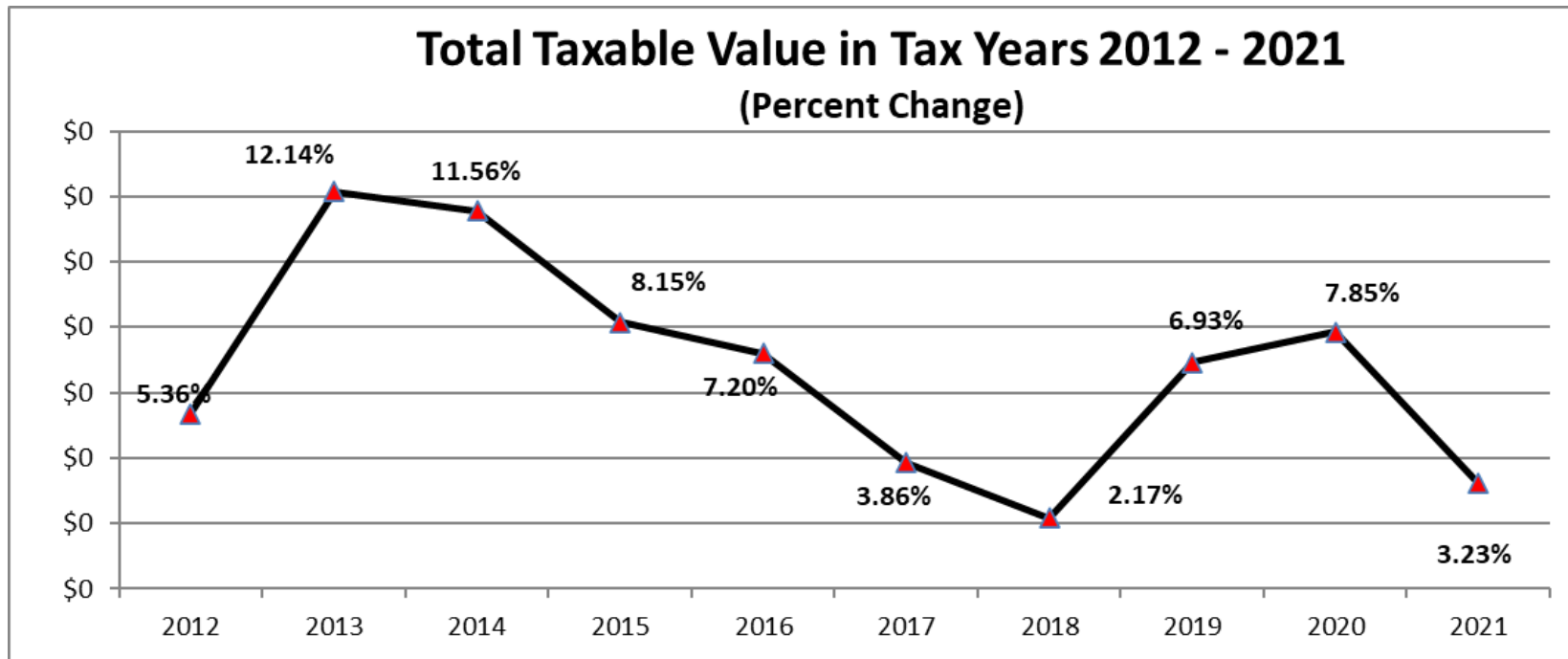
Total Market Value of All Property:	\$255,746,848,060	\$264,001,131,576
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Last Year Losses Due To Substantial Error Corrections	\$23,867,243
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Taxable Value History



Taxable Value History



General Fund Appropriations

2020 vs 2021 Enrollment

Enrollment	2019-2020	2020-2021	Difference
Early Education	268	199	-69
Pre-Kindergarten	15,321	10,966	-4,355
Kindergarten	15,755	13,871	-1,884
Grade 1	16,496	15,089	-1,407
Grade 2	16,260	15,139	-1,121
Grade 3	16,373	15,575	-798
Grade 4	16,776	15,706	-1,070
Grade 5	16,779	15,952	-827
Grade 6	13,591	13,302	-289
Grade 7	14,151	13,473	-678
Grade 8	13,676	13,901	225
Grade 9	16,309	14,966	-1,343
Grade 10	13,548	13,987	439
Grade 11	12,581	12,578	-3
Grade 12	11,425	11,846	421
Totals	209,309	196,550	-12,759

Level	Count
Elementary	-11,531
Middle	-742
High	-486
Student Loss	-12,759

Budgeted	207,809	196,550	-11,259
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2021-2022 Assumptions

- Projecting a budget deficit for 2021-2022
- Enrollments:
 - 2020-2021 Budget based on 207,809
 - 2021-2022 Budget based on 197,937
- Property Value Increase
 - Taxable value increase of 3.23%
 - Collection rate of 97.8%
 - Certified estimates are based on January 2021 value

2021-2022 Assumptions

- Maintenance & Operations (M&O) tax rate
 - 2020-2021 current rate is \$0.9664
 - 2021-2022 based on \$0.9617 (reduced due to increase in value). This is the maximum M&O tax rate HISD could be assigned.
 - We are using \$0.9617 as the highest rate for the district's published notice and expect that this rate will decrease further.
 - TEA will notify districts of their maximum tax rate in late summer 2021 based on certified values and surveys of districts.
- Interest & Sinking (I&S) tax rate
 - 2020-2021 current rate is \$0.1667
 - 2021-2022 is \$0.1667
- Total tax rate \$1.1284 compared to \$1.1331.

Budgets to Board Goals

Goal	Budget
GOAL 1: The percentage of 3rd grade students performing at or above grade level in reading as measured by the Meets Grade Level Standard on STAAR will increase 8 percentage points from 42% in spring 2019 to 50% in spring 2024	\$71,283,338
GOAL 2: The percentage of 3rd grade students performing at or above grade level in math as measured by the Meets Grade Level Standard on STAAR will increase 8 percentage points from 46% in spring 2019 to 54% in spring 2024	\$22,310,977
GOAL 3: The percentage of graduates that meet the criteria for CCMR as measured in Domain 1 of the state accountability system will increase 8 percentage points from 63% for 2017–18 graduates to 71% for 2022–2023 graduates reported in 2024	\$8,407,845
GOAL 4: The percentage of students receiving special education services reading at or above grade level as measured by the Meets Grade Level Standard on the STAAR 3–8 Reading and STAAR EOC English I and II assessments will increase 8 percentage points from 21% in spring 2019 to 29% in spring 2024	\$54,574,722
Total	\$156,576,882

Budgets to Board Goals

Board Goal	Chief Academic Officer	Chief Strategy and Innovation	Schools	Total
Goal 1	\$ 35,360,415	\$ 1,590,359	\$ 34,332,564	\$ 71,283,338
Goal 2	\$ 4,684,669	\$ -	\$ 17,626,308	\$ 22,310,977
Goal 3	\$ 70,788	\$ 5,257,263	\$ 3,079,794	\$ 8,407,845
Goal 4	\$ 46,073,154	\$ -	\$ 8,501,568	\$ 54,574,722
Total	\$ 86,189,026	\$ 6,847,622	\$ 63,540,234	\$156,576,882

2021-2022 General Fund

	2021-2022
	<u>Recommended Budget</u>
Revenue and Resources	
5700-Local Sources	\$ 1,906,723,497
5800-State Sources	157,174,069
5900-Federal Sources	17,230,000
7900-Other Sources	42,366,685
Total Revenues	\$ <u>2,123,494,251</u>
Beginning Appropriations	\$ <u>2,028,542,973</u>
Appropriations with offsetting Revenue	
Capital lease recognition	22,366,685
TRS on-behalf	7,000,000
Tax Increment Reinvestment Zones	6,040,024
Total Appropriations with offsetting Revenue	\$ <u>35,406,709</u>
Change in recapture payment	\$ <u>201,181,389</u>

2021-2022 General Fund

Salaries & Benefits

Teacher step	7,448,057
Elementary Principals and AP's / Deans	2,312,494
Total Salaries & Benefits	\$ 9,760,551

Appropriation Increases

Special education	18,954,831
Performance contract schools	7,000,000
Custodial Services	6,700,000
Device maintenance from COVID device purchases	4,569,000
Verizon Innovative Learning Support	1,636,946
Property, liability, auto insurance	1,000,000
Bilingual education setaside	900,000
Total increases to appropriations	\$ 40,760,777

2021-2022 General Fund

Appropriation Decreases

Campus PUA enrollment decline	\$	(52,470,674)
Transfers out		(18,428,750)
SCE		(7,000,000)
EEA		(6,433,346)
Districtwide		(5,000,000)
Department cuts		(4,800,000)
Harris County Appraisal District (HCAD)		(395,077)
Total decreases to appropriations	\$	<u>(94,527,847)</u>

One-time increase/decreases to appropriations

Retention stipends 2020-2021		(15,553,987)
Total one-time increases/decreases to appropriations	\$	<u>(15,553,987)</u>

2021-2022 Appropriations	\$	<u>2,205,570,566</u>
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2021-2022 Deficit	\$	<u><u>(82,076,315)</u></u>
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Minimum fallout		40,000,000
Assigned fund balance reserve for Instructional stabilization ⁽²⁾		42,076,315

School Finance Property Values and Excess Revenue

HB3 and Property Values

- HB3 New Law
 - Based on property tax collections and **current** year values.
 - District's no longer keep taxes from property value increases for one year (no lag).
 - Increase or decreases do cause recapture to go up or down.
 - Available School Fund (ASF) – districts don't keep an increase in the rate but also don't lose funding if the rate declines.
 - Changes in this rate does cause recapture to go up and down.
 - Due to using current year values districts cannot generate significant new funding unless:
 - State legislature increases the basic allotment. Has the requirement of 30% going to salaries of which 75% is for teachers, nurses, counselors and librarians. The other 25% for non-administrators.
 - Enrollment increases (has some offsetting costs)
 - Tax Ratification Election
 - Districts are effectively revenue capped
 - The days of additional annual revenue from increases in property taxes and ASF are gone
 - Salary increases, new programs, contractual commitments, and other fixed costs have no new annual revenue source and must come from the repurposing of existing budget.

HB3 Excess Revenue (Recapture)

- Funding determination and excess revenue (recapture) calculation
 - Based on the district's compressed M&O tax rate (doesn't include the "Golden Pennies")
 - Available School Fund (ASF) + M&O Compressed Tax Rate Collections are greater than the Tier I Entitlement

- Excess Revenue (Recapture) owed

2020-2021	2021-22	2022-23	2023-24	2024-25
\$ 136,605,863	\$213,265,281	\$282,316,389	\$292,652,182	\$374,652,779

- Assumes property value growths of:
 - 2021-2022 – 3.23 percent
 - 2022-2023 – 4 percent
 - 2023-2024 – 5 percent
 - 2024-2025 - 5 percent
 - An increase in property value growth increases recapture and vice versa.
- Enrollment flat for 2022-2023 through 2024-2025
 - An increase in enrollment decreases recapture and vice versa.

Debt Service and Nutrition Services

Debt Service Fund

- Fund pays back the district's principal and interest on long-term, general debt obligations.
- Primary source of revenues – Property Taxes
- Proposed Interest & Sinking (I&S) tax rate - 0.1667
 - This is the same tax rate as prior year
- Current bond ratings:
 - Moody's: Aaa (highest possible rating)
 - Standard and Poor's: AA+
- Current total outstanding bonded debt - \$2,452,740,072

2020-2021 Recommended Debt Service Fund Statement of Revenues and Expenditures

REVENUES		Debt Service
	Property taxes	\$ 327,542,527
	Earnings on investments	40,000
	State sources	2,000,000
	Total revenues	<u>\$ 329,582,527</u>
APPROPRIATIONS		
71	Principal	233,225,073
71	Interest and fiscal charges	122,750,925
	Total expenditures	<u>355,975,998</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>(26,393,471)</u>
OTHER FINANCING SOURCES (USES)		
	Transfers in	26,744,350
	Total other financing sources (uses)	<u>26,744,350</u>
	Net change in fund balances	350,879
	Estimated fund balances—beginning	113,274,634
	Estimated Fund balances—ending	<u><u>\$ 113,625,513</u></u>

Nutrition Services Fund

- Accounts for the district's Child Nutrition Program costs.
- Primary sources of revenues – federal reimbursement and USDA commodities.
- Reimbursements administered through Texas Department of Agriculture
- Anticipated to serve over 40,000,000 meals in 2021-2022
- All meals served at no charge through USDA Community Eligibility Program (CEP)
- Includes reimbursement programs for dinner and summer site-based feeding

2020-2021 Recommended Nutrition Services Fund

Statement of Revenues and Expenditures

REVENUES		Nutrition Services
	Earnings on investments	15,000
	Miscellaneous local sources	16,009
	State sources	537,594
	Federal sources	137,631,368
	Total revenues	\$ <u>138,199,971</u>
APPROPRIATIONS		
35	Food services	135,619,794
51	Facilities maintenance and operations	<u>1,311,504</u>
	Total expenditures	<u>136,931,298</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>1,268,673</u>
OTHER FINANCING SOURCES (USES)		
	Transfers in	<u>2,647,890</u>
	Total other financing sources (uses)	<u>2,647,890</u>
	Net change in fund balances	3,916,563
	Estimated fund balances—beginning	-
	Estimated Fund balances—ending	\$ <u><u>3,916,563</u></u>

Thank You

