

Budget Workshop #3

2021-2022

Date: May 19, 2021
Presenter:
Glenn Reed
Chief Financial Officer



Agenda

- Property Values
- Budgets to Board Goals
- Updated budget projections

Property Values

HCAD 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
Apartment	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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Appraised, Market, Taxable Values

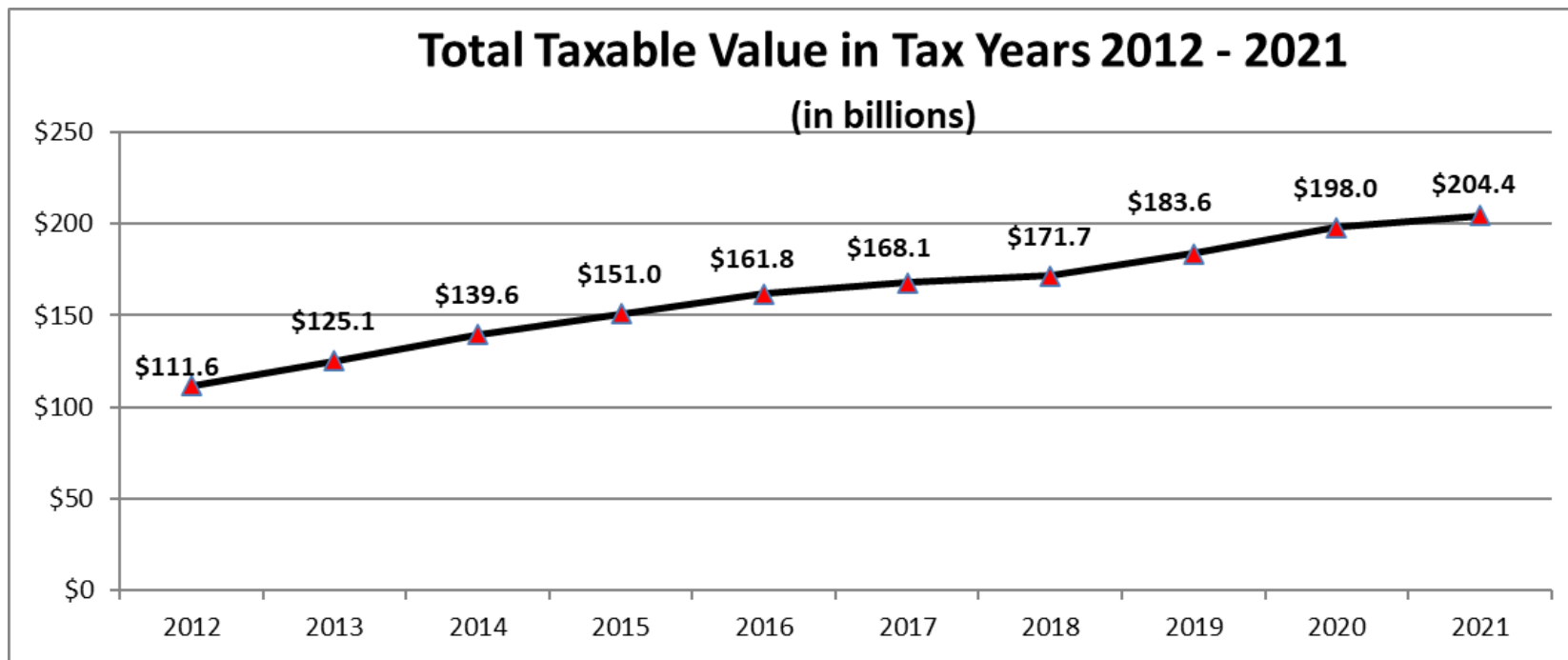
	2020	2021
Average Market Value of Residences:	\$313,649	\$329,085
Average Taxable Value of Residences:	\$241,007	\$253,369

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

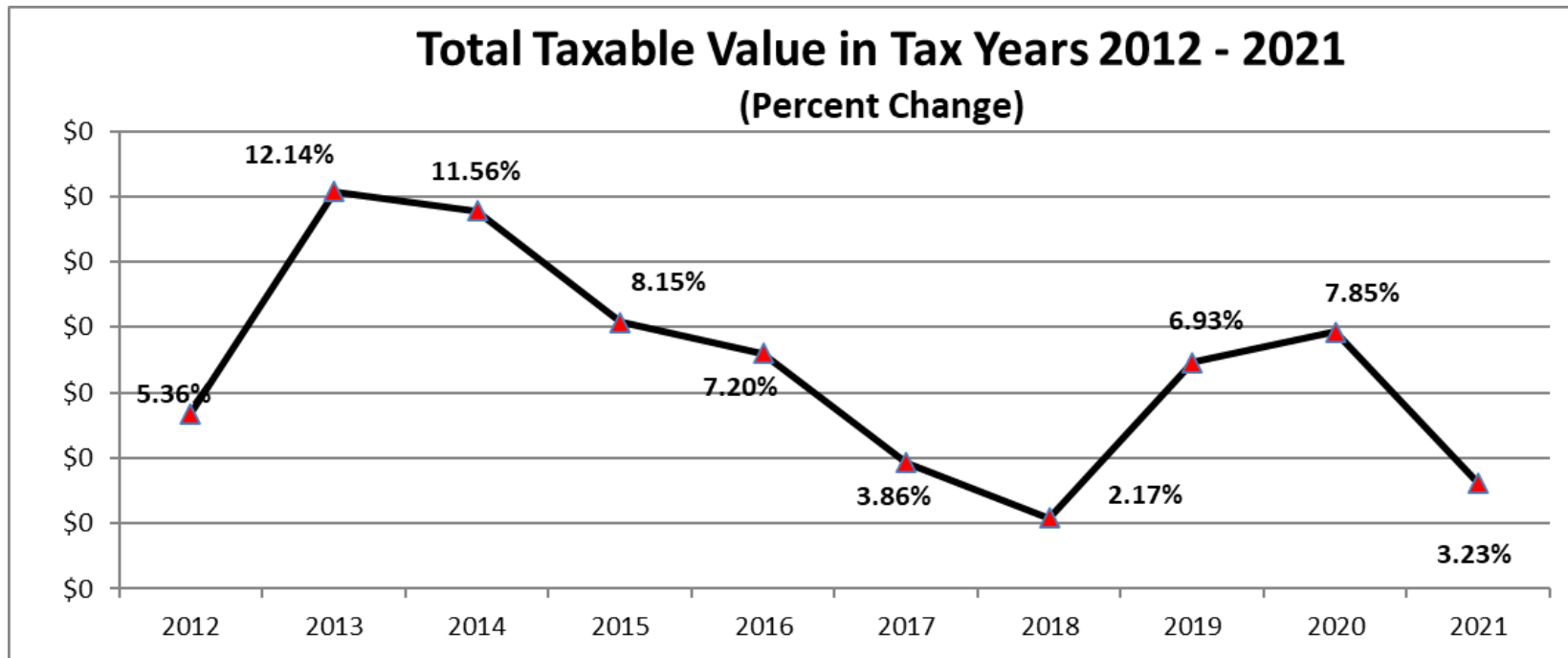
Total Market Value of All Property:	\$255,746,848,060	\$264,001,131,576
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Last Year Losses Due To Substantial Error Corrections	\$23,867,243
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Taxable Value History



Taxable Value History



Budgets to Board Goals

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 Updated Budget Projections

Appropriation Updates Highlights

- Custodial vendor managed campuses:
 - The district will be phasing out the use of a custodial vendor for district facilities.
 - Cost is approximately \$6.7 million for 409 custodians, supplies and materials, and anticipated overtime.
 - Impacts 70 campuses and 9 district facilities
 - 2020-2021 one-time costs of \$2.4 million for purchase of equipment.
- Moving the retention stipends to ESSER III still to be paid out in September 2021.
- Moving the Wraparound Specialists to ESSER III. We will bring this back into the general fund for the 2024-2025 budget.

Custodial Contract Locations

Askew ES	HSLJ	Ortiz MS	Westbury HS
Baker Montessori	Ketelsen ES	Park Place ES	Westside HS
Baylor College MS	Kinder HSPVA	Parker ES	Wharton K-8
Braeburn ES	Kinder HSPVA	Pin Oak MS	Wheatley HS
Briarmeadow	Kolter ES	Robinson ES	White M ES
Chavez HS	Lamar HS	Rodriguez ES	Wisdom HS
Condit ES	Laurenzo ECC	Scarborough ES	Woodson
Daily ES	Lawson MS	School at St. George ES	Worthing HS
DeBaKey HS	Leland YMCPA	Seguin ES	Yates HS
Eastwood Acad HS	Madison HS	Shadydale ES	Jordan High School for Careers
Elmore ES	Mandarin Immersion Magnet	Smith ES	Vara Center
Energy Inst HS	Marshall MS	South EC HS	Food Services Administration
Farias ECC	Middle College HS - Gulfton	Sterling HS	Hattie Mae White
Fonwood ECC	Mistral ECC	Tanglewood MS	Special Populations - Interventions (Old Holden)
Forest Brook MS	Mitchell ES	Tinsley ES	HELC Professional Development (Old NF HS)
Furr HS	MLK ECC	Twain ES	Northwest Transportation Center
Garden Oaks	Moreno ES	Walnut Bend ES	Fyan Professional Development Center
Gross ES	North Forest HS	Waltrip HS	South Field Office
Hilliard ES	North Houston EC HS	Washington HS	Old Teledyne
Houston MSTC HS	Oak Forest ES	West Briar MS	

2021-2022 Assumptions

- Projecting a budget deficit for 2021-2022
- Enrollments:
 - 2020-2021 budget based on – 207,809
 - 2021-2022 - March 25, 2021 projected - 201,550 (gaining back 5,000 students)
 - 2021-2022 - April 15, 2021 budget workshop updated with projections from campus principals – 197,937
 - 2021-2022 – May 19, 2021 – 197,937 (no change)
- Property Values – received certified estimated values on April 30, 2021
 - Flat – April 15, 2021 Budget Workshop
 - 3.23 percent over current values (\$204B)
 - An increase in values increases recapture, does not provide any significant additional revenues
 - April 15, 2021 Budget Workshop - Collection rate 97.00%
 - Updating collection rate to 97.80%
 - An increase in collection rate increases recapture, does not provide any significant additional revenues
- Maintenance & Operations (M&O) tax rate
 - 2020-2021 current rate is \$0.9664
 - April 15, 2021 – based on \$0.9664
 - May 19, 2021 – based on \$0.9617 (reduced due to increase in values)
 - TEA will notify districts of their maximum tax rate in late summer 2021 based on certified values and surveys of districts.
 - Expect that this rate will decrease further. We are using \$0.9617 as the highest rate for the district's published notice.
- No COVID costs included in the general fund – expect ESSER to be able to cover these future costs.

Updated Projections

	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
5700-Local Sources	\$ 1,785,542,493	1,906,723,497	1,948,106,201
5800-State Sources	166,787,686	157,174,069	187,390,404
5900-Federal Sources	19,724,182	17,230,000	17,230,000
7900-Other Sources	22,500,000	42,366,685	20,000,000
Total Revenues	\$ <u>1,994,554,361</u>	<u>2,123,494,251</u>	<u>2,172,726,605</u>
Prior Year Original budget	\$ <u>1,963,877,171</u>	<u>2,028,542,973</u>	<u>2,205,570,566</u>
Appropriations with offsetting Revenue			
Capital lease recognition		22,366,685	(22,366,685)
TRS on-behalf		7,000,000	-
Tax Increment Reinvestment Zones		6,040,024	2,704,271
Total Appropriations with offsetting Revenue	\$ <u>18,683,830</u>	<u>35,406,709</u>	<u>(19,662,414)</u>
Change in recapture payment	\$ <u>12,083,891</u>	<u>201,181,389</u>	<u>69,051,108</u>

Updated Projections

	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
Salaries & Benefits			
Teacher step		7,448,057	-
Elementary Principals and AP's / Deans		2,312,494	-
Total Salaries & Benefits	\$ <u>17,806,760</u>	<u>9,760,551</u>	<u>-</u>
 Increases to appropriations			
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	1,221,310
Property, liability, auto insurance		1,000,000	-
Bilingual education setaside		900,000	-
Total increases to appropriations	\$ <u>15,810,991</u>	<u>40,760,777</u>	<u>1,221,310</u>

Updated Projections

	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
Campus PUA enrollment decline			
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	\$ (15,098,658)	(94,527,847)	-
One-time increase/decreases to appropriations			
Compensation Study	\$	(175,000)	-
Retention stipends 2020-2021		15,553,987	(15,553,987)
Total one-time increases/decreases to appropriations	\$ 15,378,987	(15,553,987)	-

Updated Projections

	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
2021-2022 Appropriations	\$ <u>2,028,542,973</u>	<u>2,205,570,566</u>	<u>2,256,180,570</u>
2021-2022 Deficit	\$ <u>(33,988,612)</u>	<u>(82,076,315)</u>	<u>(83,453,965)</u>
Minimum fallout	-	40,000,000	40,000,000
Unassigned fund balance ⁽¹⁾	15,553,987	-	43,453,965
Assigned Fund balance for PFC Projects	18,434,625	-	-
Assigned fund balance reserve for Instructional stabilization ⁽²⁾	-	42,076,315	-

Note 1: For 2022-2023 this is the amount that the district will need to reduce the budget by to get to a balanced budget net of fallout.

Note 2: Use of the instructional stabilization fund is to help minimize the impact to the district's operations in 2021-2022 from enrollment loss, however for 2022-2023 the district will need to make budget reductions referenced in note 1.

Recapture Estimates

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.

Wrap-up

Workshop Wrap-up

- Certified Estimated property values increased by 3.23 percent
 - Certified values will be provided in August 2021
 - M&O tax rate will be determined this summer based on HCAD certified values
 - Expect at this time that the M&O tax rate will decline further
- Custodial vendor managed campuses will be converted to HISD managed campuses by December 2021
- Moving the staff retention stipend and Wraparound Specialists to ESSER III.
 - Wraparound Specialist will be brought into the general fund in 2024-2025
- District has identified \$156 million of the budget targeting board goals.
- District has an \$82 million expected budget deficit for 2021-2022
 - Expect a minimum of \$40 million in unspent funds
 - Propose \$42 million from the assigned fund balance for instructional stabilization.
 - Allows time to see what 2021-2022 enrollment is to determine true impact to 2022-2023 and spread operational impacts over two years.
- No assumptions on legislative actions.

Next Workshop June 3, 2021 Thank you

