

Budget Workshop 5

2019-2020 Fiscal Year Budget

Date: May 23, 2019

Presenter: Chief Financial Officer and
Budgeting and Financial Planning



Agenda

- Tax Year 2019 Certified Estimated Property Values
- Taxable Value History
- Property Tax Assistance Division (PTAD) value “Lag”
- Enrollment and Weighted Average Daily Attendance (WADA)
- General Fund Revenues and Appropriations
- Recapture
- Health Insurance
- Salary Scenarios
- Summary and Future Challenges

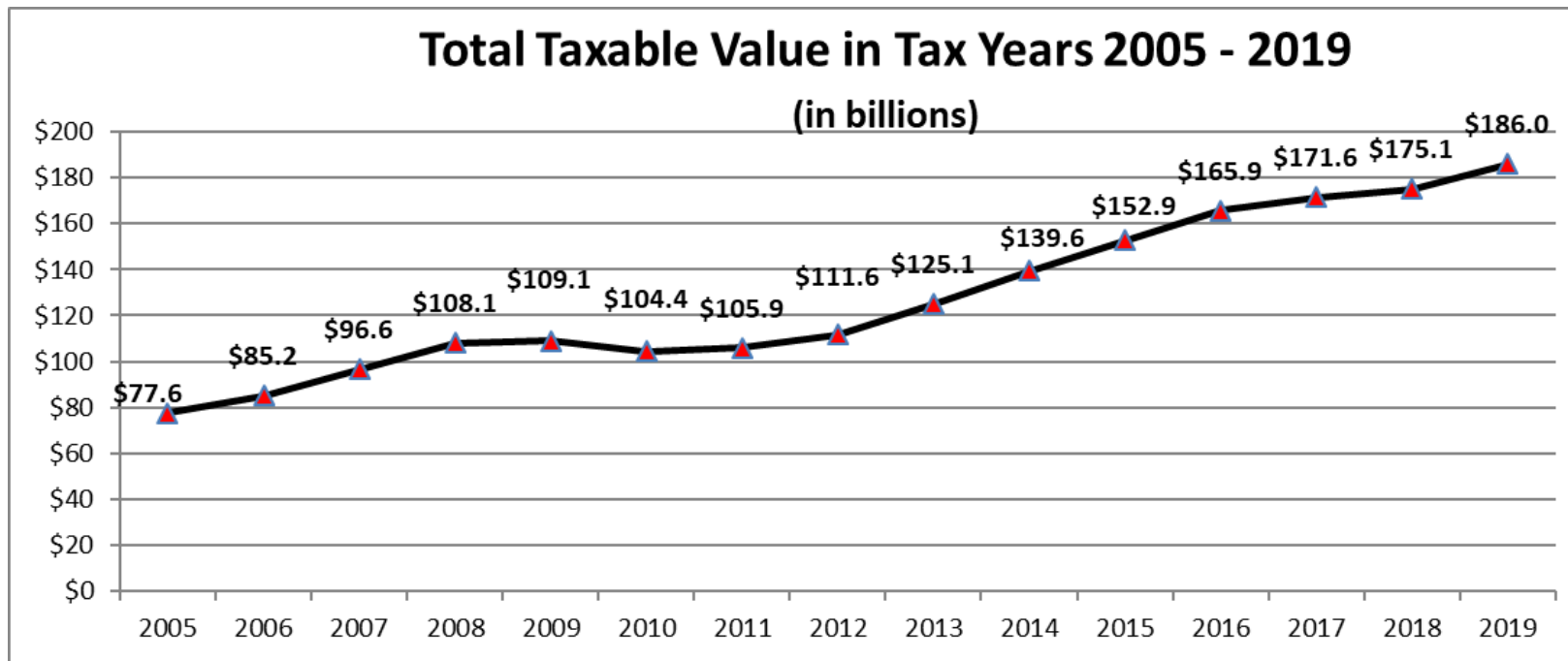
Property Values & Student Enrollment

Property Values

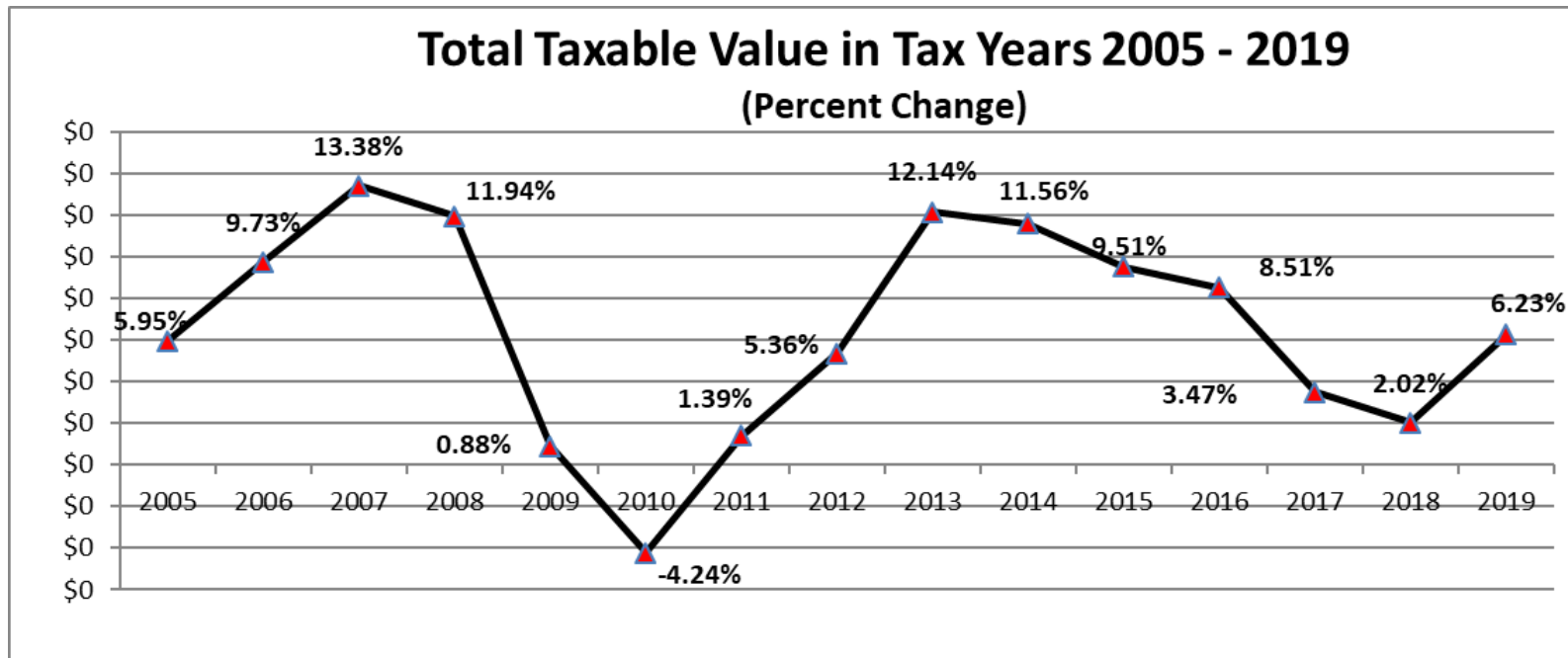
Major Property Category	2018 Current Taxable Value	Certified Estimated 2019 Taxable Value	Percent Change	2019 Percent of Total Values
Residential	74,729,710,584	80,315,195,977	7.47%	43.19%
Apartments	22,162,181,134	25,038,322,515	12.98%	13.46%
Commercial	51,556,660,933	52,947,247,192	2.70%	28.47%
Vacant Land	4,816,133,767	4,995,167,520	3.72%	2.69%
Industrial	3,805,406,889	4,214,457,686	10.75%	2.27%
Utility	1,786,525,186	1,852,356,853	3.68%	1.00%
Commercial Personal	9,959,189,279	10,152,860,653	1.94%	5.46%
Industrial Personal	6,201,013,211	6,413,893,995	3.43%	3.45%
All Other Property	52,773,647	46,862,999	-11.20%	0.03%
Total Taxable Value	175,069,594,630	185,976,365,390	6.23%	100.00%

Market vs Taxable Value	2018	2019	Percent Change
Average Market Value of Residences	282,837	307,643	8.77%
Average Taxable Value of Residences	217,362	232,199	6.83%




Taxable Value History



Taxable Value History

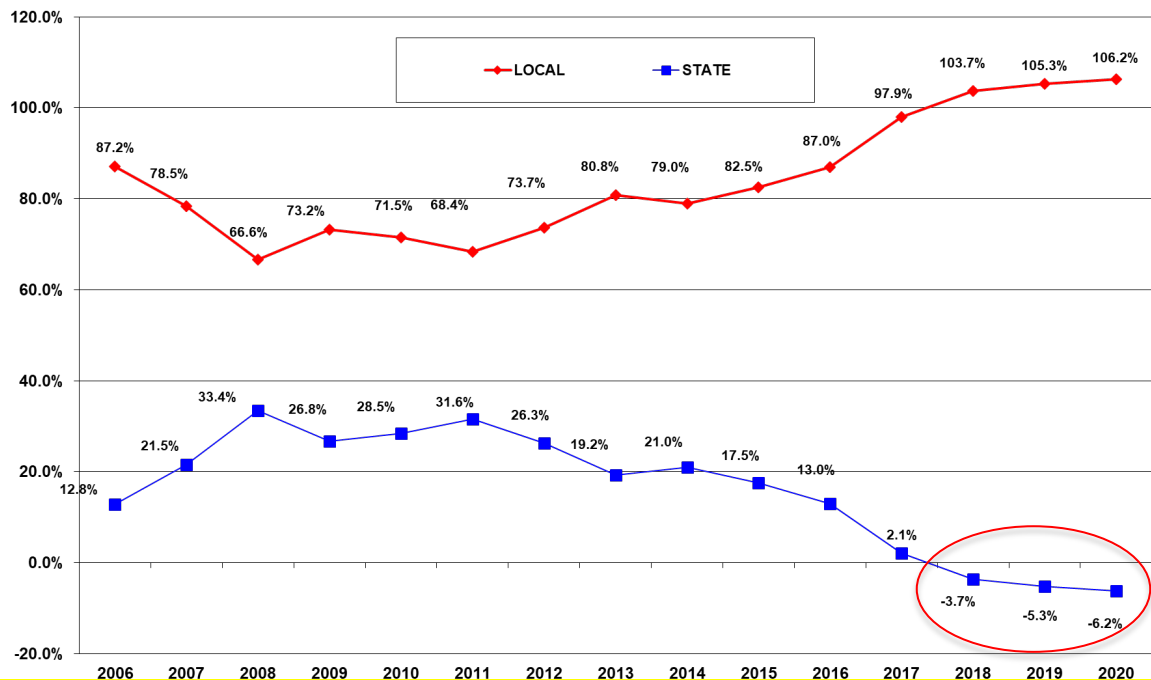


PTAD “Lag”

	1	2	3	4	5
	2016-2017 Budget 2016 Taxable Value	2017-2018 Budget 2016 PTAD Value 2017 Taxable Value		2018-2019 Budget 2017 PTAD Value 2018 Taxable Value	
		(2017-18 State Funding) 		(2018-19 State Funding) 	
Taxable Value	165,861,644,665		171,610,628,471		175,049,983,443
PTAD Value (adjusted for LOHE)		158,650,913,715		166,937,675,461	
Enrollment					
Chapter 41 Weighted Average Daily Attendance (WADA)	265,891.426	269,013.243		266,410.158	
Wealth per WADA limit	\$ 514,000	\$ 514,000		\$ 514,000	
Equalized Tax Base		138,272,806,902		136,934,821,315	
Amount over the Tax Base		20,378,106,813		30,002,854,146	
Percent Recapture on Compressed Tax Rate		12.84%		17.97%	
Wealth per WADA	\$ 551,466	\$ 589,751		\$ 626,619	

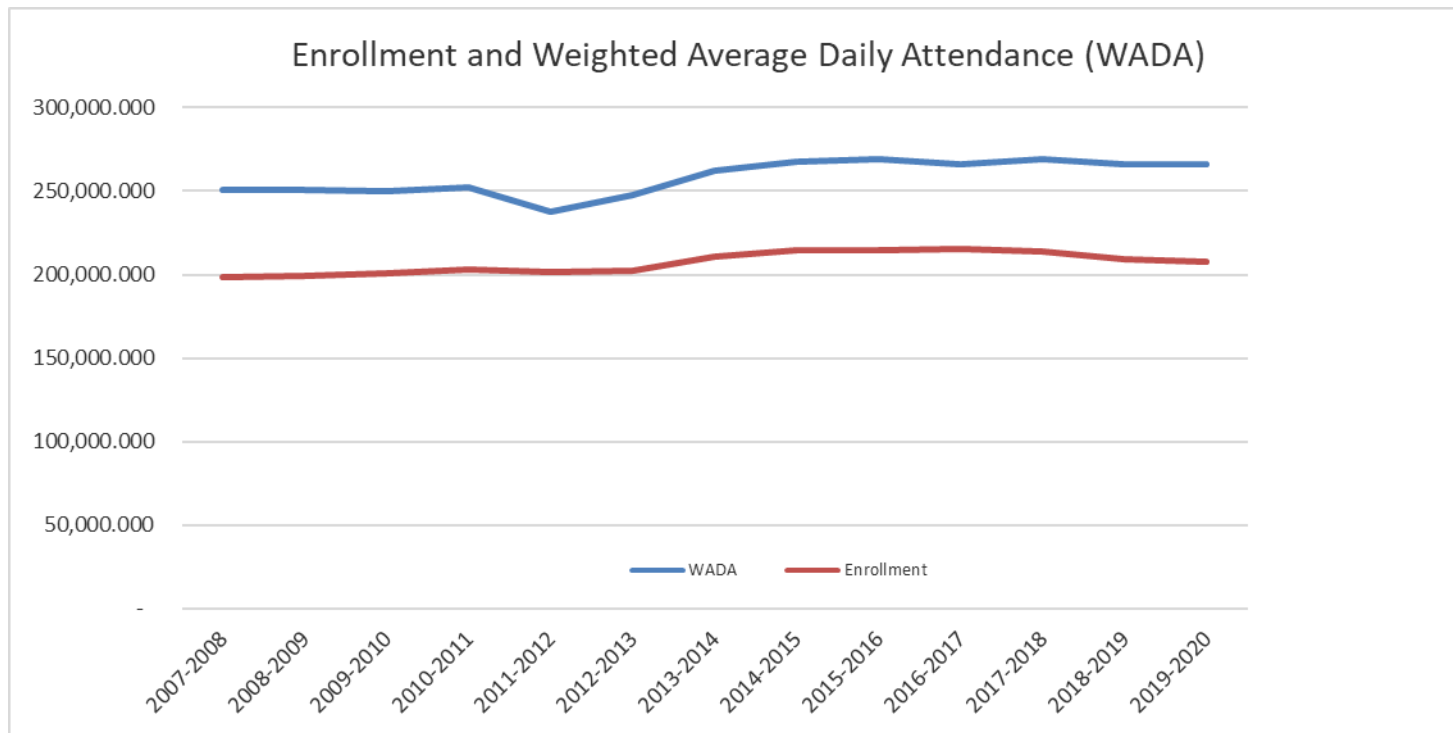
When "Wealth per WADA" exceeds the "Wealth per WADA limit" the district is in RECAPTURE (sending money to the state) - aka "Robin Hood"

Local Property Taxes vs. State Aid



State share is negative. Therefore, HISD will send back more than it receives in State Aid due to recapture (about \$99.0 million in 2018-2019 and \$123.0 million in 2019-2020).

Enrollment and WADA



GENERAL FUND REVENUES AND APPROPRIATIONS

Assumptions

Local Roll Values	\$178.4 Billion (2.0% Increase)
PTAD Value	\$175.9 Billion (2018 tax year certified value)
Proposed Local Tax Rate	<ul style="list-style-type: none">• Maintenance & Operations (M&O) \$1.04• Interest & Sinking (I&S) \$0.1667• Total Tax Rate \$1.2067 (same as 2018-2019)
State Aid Calculations	Based on current law
Enrollment	208,246 (decrease of 1,500)
Average Daily Attendance (ADA)	187,105.401
Weighted Average Daily Attendance	266,421.940

2019-2020 General Fund Budget

	2018-2019 Original	2019-2020 Projected
Budgetd Roll Value	\$ 174,602,322,971	\$ 178,380,058,088
Estimated WADA	267,010.725	266,421.940
Estimated enrollment	213,528	208,246
Revenues and Resources		
5700-Local Sources	\$ 1,749,167,264	\$ 1,791,341,688
5800-State Sources	215,146,388	252,012,649
5900-Federal Sources	13,031,351	20,720,946
7900-Other Sources	30,400,000	37,589,788
Total Revenues	\$ 2,007,745,003	\$ 2,101,665,071
Beginning Appropriations	\$ 2,096,294,796	\$ 2,043,345,624
Change in recapture payment	\$ 3,505,182	\$ 22,276,050
2018-2019 Step Schedule Salary Increases	-	5,030,470
2019-2020 Salary Increases (Master, Hourly, and Step)	-	-
Salary Increases	\$ -	\$ 5,030,470

2019-2020 General Fund Budget

	2018-2019 Original	2019-2020 Projected
Increases / Decreases with Offsetting Revenue		
TRS On-Behalf	(9,000,000)	40,000,000
Capital Lease Recognition	-	15,089,788
State Compensatory Education (SCE)	-	10,702,505
Wrap Around Specialists (after mid-year adjustment)	-	6,483,724
Achieve 180	-	4,303,151
Tax Increment Reinvestment Zone (TIRZ)	2,123,582	2,495,718
Connections Academy State Comp Ed	-	2,431,866
Career and Technology Education (CTE) increase	-	1,834,770
Nutrition Services Indirect Cost Positions	1,705,609	-
Total Increases / Decreases with Offsetting Revenue	\$ (5,170,809)	\$ 83,341,522
Mandatory Increases		
Health Insurance	\$ 10,000,000	\$ 7,500,000
Charter School Enrollment Increase	-	2,727,968
Property, Liability, Auto Insurance	1,338,800	2,000,000
Harris County Appraisal District (HCAD)	-	402,268
Transfers Out for Debt Service	7,039,941	(11,374,898)
Total Mandatory Increases	\$ 18,378,741	\$ 1,255,338

2019-2020 General Fund Budget

	2018-2019 Original	2019-2020 Projected
Other Increases		
Interventions / Dyslexia	\$ 7,996,656	\$ -
Special Education	5,516,390	-
Achieve 180	3,200,000	-
Facility and Custodial services	-	3,000,000
Special Education Teams	-	1,614,373
Fine Arts Positions for Campuses	-	1,564,920
College Readiness Grant Matching Funds (Houston Endowment)	-	600,000
Athletics Bond related transportation		500,000
AED Machines		400,000
2 Sr. Sourcing Specialists - Procurement	-	303,088
Equity and Outreach	-	237,348
2 HR Investigators	-	143,862
Total Other Increases	\$ 16,713,046	\$ 8,363,591

2019-2020 General Fund Budget

	2018-2019 Original	2019-2020 Projected
Decreases		
Campus PUA Enrollment Decline from 2018-2019	-	(9,200,026)
District-wide Operating	(930,946)	(6,200,000)
Kandy Stripe contract non-renewal	-	(1,529,199)
Campus PUA Cut	\$ (33,791,358) \$	-
Chief Operating Officer	(15,628,319)	-
Chief Academic Officer	(10,032,989)	-
Chief Information Technology Officer	(6,962,793)	-
Chief Student Support Officer	(4,891,664)	-
Camps closure	(4,525,270)	-
Chief Financial Officer	(2,119,261)	-
Chief Human Resources Officer	(1,778,514)	-
Chief Communications Officer	(779,217)	-
Deputy Superintendent	(522,757)	-
Chief of Staff	(289,060)	-
Chief Development Officer	(258,988)	-
General Counsel	(215,717)	-
Chief Governmental Relations Officer	(120,361)	-
Chief Audit Executive	(86,459)	-
Total Decreases	\$ (82,933,673) \$	(16,929,225)

2019-2020 General Fund Budget

	2018-2019 Original	2019-2020 Projected
One-Year Funding Items		
Performance Audit	\$ 1,000,000	\$ (1,000,000)
HS Literacy Initiative for Classroom Libraries	(4,441,659)	-
Total One-Year Funding Items	\$ (3,441,659)	\$ (1,000,000)
 Total Appropriations and Transfers Out	 \$ 2,043,345,624	 \$ 2,145,683,370
 Budget Surplus/(Deficit)	 \$ (35,600,621)	 \$ (44,018,299)
 Use of assigned fund balance for North Forest construction	 18,436,625	 8,490,000
 Net Budget Surplus/(Deficit)	 \$ (17,163,996)	 \$ (35,528,299)
(Use of unassigned fund balance)		

Recapture Projections (Current Law)

May 23, 2019

	2018-2019 Original	2018-2019 Mid-Year*	2019-2020	2020-2021	2021-2022	2022-2023
Estimated Recapture	\$ 272,492,039	\$ 275,258,452	\$ 294,768,089	\$ 327,616,303	\$ 360,507,899	\$ 393,062,682
Roll Value Increase	0.97%	1.24%	2.00%	2.00%	2.00%	2.00%
Enrollment	213,528	209,746	208,246	208,246	208,246	208,246
WADA	267,010.725	267,111.235	266,421.940	266,103.840	266,103.840	266,103.840

*2018-2019 not adjusted for Hurricane Harvey reimbursement

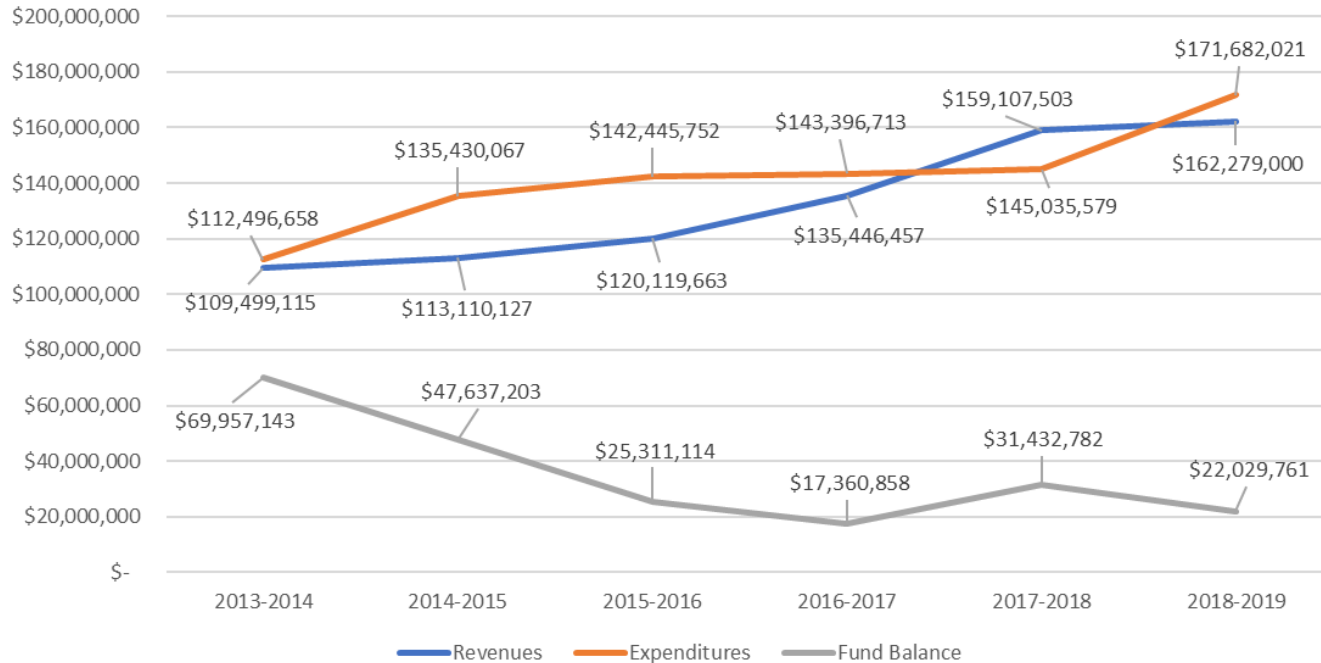
HEALTH INSURANCE

Health Insurance Cost Increase

- Additional \$8.88 million need projected for the 2019-20 fiscal year (Medical plan year runs on a calendar year)
 - Proposed General Fund contribution increase of \$7.5 million.
 - Proposed employee rate increase of 5% starting in January 2020 would fund the difference.

Health Insurance Trends

Health Insurance Revenue and Expenditure History



2013-2014:
Rates
decreased 20%

2016-2017:
Employee rates
increased between
7% and 9.8%

2017-2018:
District
contribution
increased \$10m

2018-2019:
District
contribution
increased \$10m

Proposed Health Insurance Employee Rates

	Estimated	2019 EE	2020 EE		
	2019/20	Rates Per	Rates Per	Annual	
Medical Plan/Option	Enrollment	Pay Period	Pay Period	Increase	%
Consumer Choice Plus					
Employee Only	3,380	\$ 61.48	64.55	\$ 73.68	5%
Employee + Spouse	315	\$ 204.84	215.08	\$ 245.76	5%
Employee + Child(ren)	737	\$ 197.70	207.59	\$ 237.36	5%
Employee + Family	362	\$ 332.21	348.82	\$ 398.64	5%
Consumer Choice Basic					
Employee Only	2,586	\$ 30.54	32.07	\$ 36.72	5%
Employee + Spouse	115	\$ 158.80	166.74	\$ 190.56	5%
Employee + Child(ren)	478	\$ 152.77	160.41	\$ 183.36	5%
Employee + Family	224	\$ 274.65	288.38	\$ 329.52	5%
Consumer Limited Plus					
Employee Only	2,025	\$ 49.19	51.65	\$ 59.04	5%
Employee + Spouse	265	\$ 163.87	172.06	\$ 196.56	5%
Employee + Child(ren)	836	\$ 158.16	166.07	\$ 189.84	5%
Employee + Family	425	\$ 265.77	279.06	\$ 318.96	5%

	2019 EE				
	Estimated	Rates Per	2020 EE		
	2019/20	Pay	Rates Per	Annual	
Medical Plan/Option	Enrollment	Period	Pay Period	Increase	%
Consumer Limited Basic					
Employee Only	2,583	\$ 24.41	25.63	\$ 29.28	5%
Employee + Spouse	229	\$ 127.04	133.39	\$ 152.40	5%
Employee + Child(ren)	732	\$ 122.20	128.31	\$ 146.64	5%
Employee + Family	389	\$ 219.71	230.70	\$ 263.76	5%
Open Access					
Employee Only	107	\$ 249.16	261.62	\$ 299.04	5%
Employee + Spouse	10	\$ 524.51	550.74	\$ 629.52	5%
Employee + Child(ren)	7	\$ 512.51	538.14	\$ 615.12	5%
Employee + Family	6	\$ 754.42	792.14	\$ 905.28	5%
Select Plan					
Employee Only	2,608	\$ 2.50	2.50	\$ -	0%
Employee + Spouse	137	\$ 95.28	100.04	\$ 114.24	5%
Employee + Child(ren)	227	\$ 91.66	96.24	\$ 109.92	5%
Employee + Family	124	\$ 164.79	173.03	\$ 197.76	5%

Rate increase effective January 1, 2020

Health Insurance Employee vs HISD Contributions

	2016-2017		2017-2018		2018-2019		2019-2020	
	Actual	%	Actual	%	Budgeted	%	Projected	%
HISD Contribution	90,514,243	70%	110,749,402	74%	115,310,000	75%	122,279,802	77%
Employee Contribution	38,786,606	30%	38,903,904	26%	38,823,000	25%	37,540,091	23%
Total Contribution	<u>129,300,849</u>	100%	<u>149,653,306</u>	100%	<u>154,133,000</u>	100%	<u>159,819,893</u>	100%

Salary Cost Scenarios

Other Job Groups on Teacher Pay Scale

Nurses	Librarians	Registrar
Speech Therapist	Teacher Specialist	Coordinators
Chair-Special Education	Dyslexia Interventionist	Literacy Coach
Counselor	Evaluation Specialists	

Master Job Groups (Various Pay Grades)

Not all master job titles listed

Custodians	Plant Operators	Electricians / Plumbers / Journeyman / Painters	Team Leads
Maintenance Workers	Police Officers	Social Workers	Transportation Mechanic and Techs
Student Information Representatives	Parent Community Liaisons	Teacher Development Specialists	Warehouse Workers and Drivers
Clerks	Teaching Assistants	Administrative Assistants	Tutors
Campus Technologists	Wraparound Resource Specialist	Human Resources Business Partners	Technology Admins / Analysts/ Developers
Outreach Workers	Recruiters	Program Specialists (Special Education / Academic)	Procurement Buyers / Specialists
School Support Officers	General Managers	Accountants	Auditors
Chiefs	Assistant Superintendents	Directors	Managers

Hourly Job Groups

Not all hourly job titles listed

Custodians	Grounds Helpers	Transportation Attendants	Transportation Mechanic Helpers
Police Officers	Warehouse Workers and Drivers	Student Workers	Interns
Clerks	Teaching Assistants	Security Guards	Tutors
Hourly Lecturers	Food Service Attendants	Crossing Guards	Stadium Attendants
Maintenance Helpers	Athletic Trainers	Administrative Assistants	Parent Engagement Rep

All Employees Flat 3-5% w/o Experience Differential

All employees receive a flat 3-5% increase over prior year salary. Experience schedules adjusted to reflect a maximum of 3-5% increase when moving 1 year experience.

Group	Position	3%			Total District		4%			Total District		5%			Total District
		Value	General Fund	All Other			General Fund	All Other	Cost			General Fund	All Other	Cost	
Teachers	11,207	\$ 20,226,081	\$ 687,177	\$ 20,913,258			\$ 26,967,894	\$ 916,207	\$ 27,884,101			\$ 33,710,875	\$ 1,145,338	\$ 34,856,214	
Others on Teacher Pay Scale	1,088	2,052,576	147,579	2,200,155			2,736,756	196,782	2,933,538			3,420,874	245,969	3,666,843	
Counselors	249	425,842	98,239	524,080			567,787	130,977	698,764			709,716	163,715	873,431	
Evaluation Specialists	199	107,952	305,832	413,784			143,942	407,786	551,728			179,930	509,713	689,643	
Master	8,670	8,225,040	1,940,267	10,165,306			10,964,976	2,586,760	13,551,736			13,704,249	3,233,168	16,937,417	
AP Elementary	133	290,156	-	290,156			387,789	-	387,789			485,420	-	485,420	
AP Middle School	128	291,096	-	291,096			388,996	-	388,996			487,009	-	487,009	
AP High School	200	494,926	12,641	507,568			662,431	16,851	679,283			830,113	21,070	851,184	
Principal Elementary	168	385,872	-	385,872			515,934	-	515,934			645,850	-	645,850	
Principal Middle School	53	125,784	-	125,784			167,712	-	167,712			209,641	-	209,641	
Principal High School	50	186,514	-	186,514			250,026	-	250,026			313,538	-	313,538	
Total Salaried Cost	22,144	\$ 32,811,838	\$ 3,191,735	\$ 36,003,573			\$ 43,754,245	\$ 4,255,362	\$ 48,009,608			\$ 54,697,217	\$ 5,318,973	\$ 60,016,190	
Bus Driver	1,296	\$ 849,324	\$ -	\$ 849,324			\$ 1,132,432	\$ -	\$ 1,132,432			\$ 1,415,540	\$ -	\$ 1,415,540	
Hourly	7,529	1,122,715	1,057,931	2,180,645			1,496,953	1,410,575	2,907,527			1,871,191	1,763,218	3,634,409	
Substitute	367	427,350	76,796	504,147			569,801	102,395	672,195			712,251	127,994	840,244	
Total Hourly Cost	9,192	\$ 2,399,389	\$ 1,134,727	\$ 3,534,116			\$ 3,199,185	\$ 1,512,969	\$ 4,712,155			\$ 3,998,982	\$ 1,891,212	\$ 5,890,194	
Total District Cost	31,336	\$ 35,211,227	\$ 4,326,462	\$ 39,537,689			\$ 46,953,431	\$ 5,768,332	\$ 52,721,763			\$ 58,696,199	\$ 7,210,185	\$ 65,906,384	

All Employees 3-5% + Experience Differential

All employees receive a flat 3-5% increase over prior year salary. Experience schedules also move 1 year experience and receive the experience differential on the 2018-2019 schedule.

Group	Position	3%			Total District	4%			Total District	5%			Total District
		Value	General Fund	All Other		General Fund	All Other	Cost		General Fund	All Other	Cost	
Teachers	11,207	\$ 24,943,097	\$ 823,063		\$ 25,766,160	\$ 31,731,015	\$ 1,053,431	\$ 32,784,446		\$ 38,519,135	\$ 1,283,850		\$ 39,802,985
Others on Teacher Pay Scale	1,088	2,629,183	186,234		2,815,417	3,318,987	235,798	3,554,785		4,008,674	285,370		4,294,044
Counselors	249	542,577	127,753		670,330	685,655	160,789	846,443		828,721	193,811		1,022,533
Evaluation Specialists	199	129,712	398,600		528,312	165,914	501,429	667,343		202,115	604,270		806,386
Master	8,670	8,225,040	2,655,840		10,880,880	10,964,976	2,586,760	13,551,736		13,704,249	3,233,168		16,937,417
AP Elementary	133	345,840	-		345,840	444,018	-	444,018		542,194	-		542,194
AP Middle School	128	354,915	-		354,915	453,443	-	453,443		552,059	-		552,059
AP High School	200	682,418	15,147		697,565	851,753	19,383	871,136		1,021,241	23,626		1,044,867
Principal Elementary	168	424,833	-		424,833	555,268	-	555,268		685,554	-		685,554
Principal Middle School	53	125,784	-		125,784	167,712	-	167,712		209,641	-		209,641
Principal High School	50	186,514	-		186,514	250,026	-	250,026		313,538	-		313,538
Total Salaried Cost	22,144	\$ 38,589,913	\$ 4,206,638		\$ 42,796,551	\$ 49,588,769	\$ 4,557,589	\$ 54,146,359		\$ 60,587,121	\$ 5,624,095		\$ 66,211,216
Bus Driver	1,296	\$ 849,324	-		\$ 849,324	\$ 1,132,432	-	\$ 1,132,432		\$ 1,415,540	-		\$ 1,415,540
Hourly	7,529	1,122,715	1,057,931		2,180,645	1,496,953	1,410,575	2,907,527		1,871,191	1,763,218		3,634,409
Substitute	367	427,350	76,796		504,147	569,801	102,395	672,195		712,251	127,994		840,244
Total Hourly Cost	9,192	\$ 2,399,389	\$ 1,134,727		\$ 3,534,116	\$ 3,199,185	\$ 1,512,969	\$ 4,712,155		\$ 3,998,982	\$ 1,891,212		\$ 5,890,194
Total District Cost	31,336	\$ 40,989,302	\$ 5,341,365		\$ 46,330,667	\$ 52,787,955	\$ 6,070,559	\$ 58,858,513		\$ 64,586,103	\$ 7,515,307		\$ 72,101,410

SUMMARY AND FUTURE CHALLENGES

Administration Recommends:

- Adopt budget based on current school finance law.
- No \$73 per unit allocation (PUA) cut to campuses.
- No department cuts. However, it does not mean that departments will not implement a reorganization.
- Changes to budget be incorporated after staff has reviewed passed school finance legislation.

Why this recommendation?

- Impact of school finance bill(s) unknown.
 - Will there be mandated salary increases and how much will be funded by the state?
 - What spending will be mandated within the school finance bill?
 - Many other questions and concerns regarding the current school finance bills.
- Budget must be adopted by June 30, 2019. (TEC 44.004)
- Impact of potential revenue caps unknown.
- Special Legislative session is possible.

Next Steps

- Continue monitoring legislative actions
- Prepare 2019-2020 budget for board adoption on June 18, 2019.
- Bring amended budget back to the board in September 2019 once legislative impact is known.

Thank You

