

May Budget Workshop

May 18th, 2023



Budget Workshop Agenda

This Board Workshop will focus on updates regarding:

- 1. General Fund**
- 2. Property Values**
- 3. ESSER Grants**
- 4. ESSA, Perkins, and SPED Grants**
- 5. Other Funds**
- 6. All Funds Summary**

GENERAL FUND

Pro Forma (Forecasted) Budget: Latest Thinking as of May 2023

(\$, In Millions)

		Latest Thinking as of 5/18/23			
		2022-2023	2023-2024	2024-2025	2025-2026
Total Revenues	\$	1 2,165	2,184	2,210	2,248
Appropriations	\$	(2,424)	(2,393)	(2,533)	(2,571)
<i>Fallout Estimate</i>		105	70	70	70
Surplus / (Deficit) Before One-Time Funds	\$	(154)	(140)	(253)	(253)
Use of One-Time ESSER Funds	\$	2 100	41	-	-
Use of Reserves from Encumbrances and ERP Projects to Address Carryover	\$	54	-	-	-
Surplus / (Deficit) After Use of One-Time Funds	\$	(1)	(99)	3 (253)	(253)

1 Adjustments Included:

- \$48M in one-time ESSER IDC removed from Total Revenues, reflected in One-Time Funds
- \$52M in one-time ESSER IDC removed from Appropriations, reflected in One-Time Funds
- FY24 Enrollment decline
- Department budget cuts of \$15M
- Increases in property insurance
- 10.3% property value growth, golden pennies
- Step increases for employees on teacher salary tables
- Recapture increases

2 Adjustments Included:

- ESSER IDC One-Time sources updated in FY23 and FY24
- Reduction of \$7M in use of ESSER IDC
- \$52M of compensation package moving from ESSER to GF

3

Adjustments result in a forecasted deficit in excess of \$250M

Note: This pro forma does not include impact of future enrollment changes in FY26.

Forecasted Use of Fund Balance

(\$, In Millions)

HISD will likely remain above reserve requirements through most of FY25, but depletion of reserves is forecasted in FY26. **Cost savings opportunities must be identified to mitigate our anticipated operating deficit.**

	Latest Thinking as of 5/18/23			
	2022-2023	2023-2024	2024-2025	2025-2026
Beg. Instructional Stabilization Fund Balance	264	263	165	-
Change due to Surplus / (Deficit)	(1)	(99)	(165)	-
End. Instructional Stabilization Fund Balance	263	165	-	-
Beg. Unassigned Fund Balance	664	664	664	575
Change due to Exhausted Assigned Fund Balance	-	-	(89)	(253)
End. Unassigned Fund Balance	664	664	575	322
Total Ending Fund Balance	927	829	575	322
Board policy minimum fund balance	487	491	500	501
Total Fund Balance in Excess of Board Requirement	440	338	75	(179)

Fund balance is expected to fall below Board Minimum Reserve Requirement in FY26

FY22-23 Salary Report

When compared to both districts near HISD and those in Texas of a similar size, HISD's average teacher salary exceeds these peer groups across nearly all tenure levels listed in the tables below.

Teacher Salary Report (Surrounding HISD)

District	0-Year Salary	Rank	5-Year Salary	Rank	10-Year Salary	Rank	15-Year Salary	Rank	20-Year Salary	Rank
Houston ISD	\$61,500	3	\$64,500	1	\$67,500	1	\$70,000	1	\$73,000	1
Spring Branch ISD	\$62,000	2	\$63,600	3	\$65,700	4	\$68,300	3	\$71,300	2
Cypress-Fairbanks ISD	\$60,500	6	\$62,304	7	\$65,272	6	\$67,234	7	\$70,180	3
Deer Park ISD	\$59,500	10	\$62,393	6	\$67,022	2	\$68,545	2	\$70,045	4
Fort Bend ISD	\$59,500	10	\$62,500	5	\$65,000	7	\$67,500	4	\$70,000	5
Galena Park ISD	\$62,750	1	\$64,250	2	\$65,750	3	\$67,250	6	\$69,750	6
Katy ISD	\$60,700	5	\$62,850	4	\$65,350	5	\$67,350	5	\$69,350	7
Alief ISD	\$60,000	7	\$60,775	12	\$63,640	8	\$65,844	8	\$69,122	8
Klein ISD	\$60,000	7	\$61,050	11	\$63,637	10	\$64,687	12	\$67,422	9
Tomball ISD	\$57,500	12	\$61,135	10	\$63,639	9	\$65,489	9	\$67,239	10
Aldine ISD	\$61,000	7	\$62,250	8	\$63,500	12	\$64,763	11	\$66,715	11
Pearland ISD	\$59,600	9	\$61,515	9	\$63,538	11	\$65,038	10	\$65,538	12

Teacher Salary Report (Similar Size Districts in Texas)

District	0-Year Salary	Rank	5-Year Salary	Rank	10-Year Salary	Rank	15-Year Salary	Rank	20-Year Salary	Rank
Houston ISD	\$61,500	1	\$64,500	1	\$67,500	1	\$70,000	1	\$73,000	1
Forth Worth ISD	\$58,000	3	\$60,927	3	\$62,980	3	\$65,477	2	\$67,664	2
Austin ISD	\$52,191	4	\$53,623	4	\$54,670	4	\$55,169	3	\$57,026	3
Dallas ISD	\$60,000	2	\$63,250	2	\$65,450	2	-	4	-	4

Table Source: TASB – Data Central

PROPERTY VALUES

Tax Year 2023 Property Values

Major Property Category	2022 Taxable Value	Percent Change	Projected 2023 Taxable Value
Residential & Rural Improved	95,106,482,161	7.62%	102,354,356,954
Apartments	32,389,364,393	20.64%	39,072,988,766
Commercial	61,228,812,396	8.96%	66,715,031,546
Vacant Land	6,082,651,279	12.07%	6,817,034,585
Industrial	4,612,351,405	8.30%	4,995,176,572
Utility	2,250,921,416	10.36%	2,484,173,148
Commercial Personal	10,862,041,046	6.86%	11,607,720,164
Industrial Personal	6,297,399,624	8.96%	6,861,804,065
All Other Property	779,949,952	74.00%	1,357,112,916

Projected 2023 Taxable Value	219,609,973,672	10.32%	242,265,398,715
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Projected 2023 Taxable Value Range

Accuracy +/- 5%	230,152,128,779	To	254,378,668,651
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Tax Year 2023 Property Values

	2022	2023
Average Market Value of Residences:	\$365,410	\$405,501
Average Taxable Value of Residences:	\$267,551	\$284,737


Total Appraised Value of All Property:	\$284,541,598,166	\$313,895,505,646
Total Appraised Value of New Property:	\$5,801,420,237	\$6,218,951,068
Total Taxable Value of All Property:	\$219,609,973,672	\$242,265,398,715
Total Taxable Value of New Property:	\$4,477,551,802	\$4,799,803,224

Total Market Value of All Property:	\$290,710,718,268	\$320,701,045,104
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Note: In addition to state mandated exemptions HISD provides an additional Local Optional Homestead Exemption of 20% of the appraised value.

Recapture History and Projections

Fiscal Year	Amount (In millions)
2016-2017	\$ 92
2017-2018	\$ 168
2018-2019	\$ 185
2019-2020	\$ 75
2020-2021	\$ 198
2021-2022	\$ 187
2022-2023	\$ 281
2023-2024	\$ 327
2024-2025	\$ 428



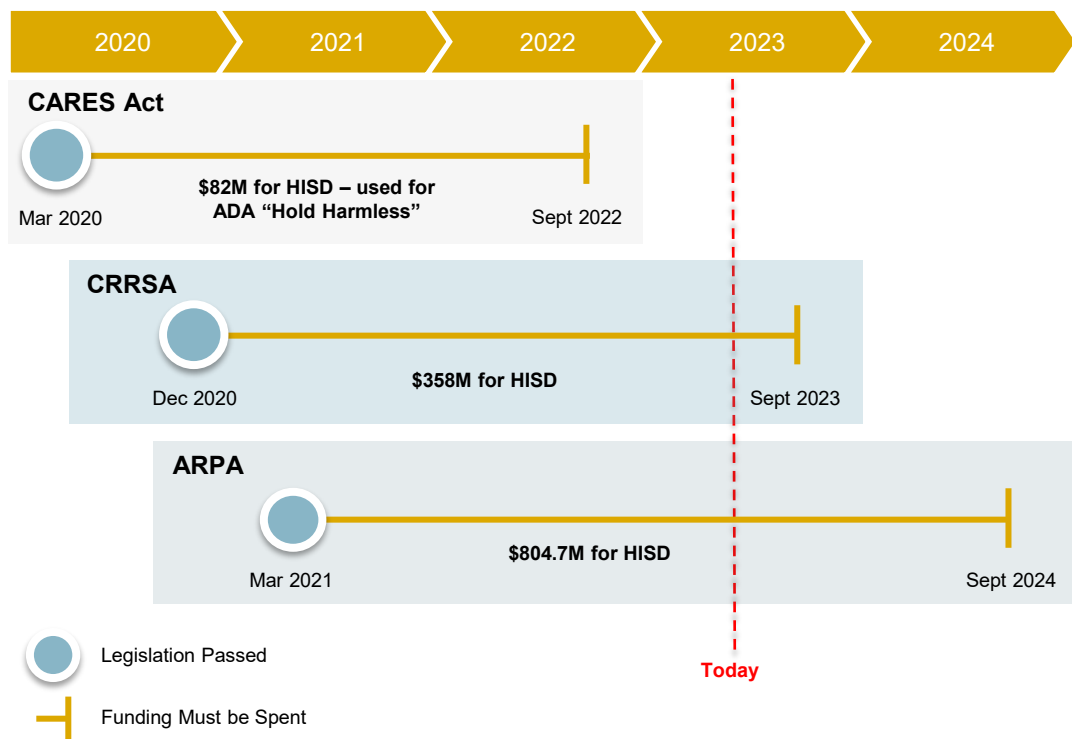
HISD has paid \$905 million to date in recapture back to the state.



HISD projections as of May 2023.

ESSER GRANTS

ESSER Grant Program Overview



Purpose and Intent

CARES Act (ESSER I)

Funding is to prevent, prepare for, and respond to the Coronavirus

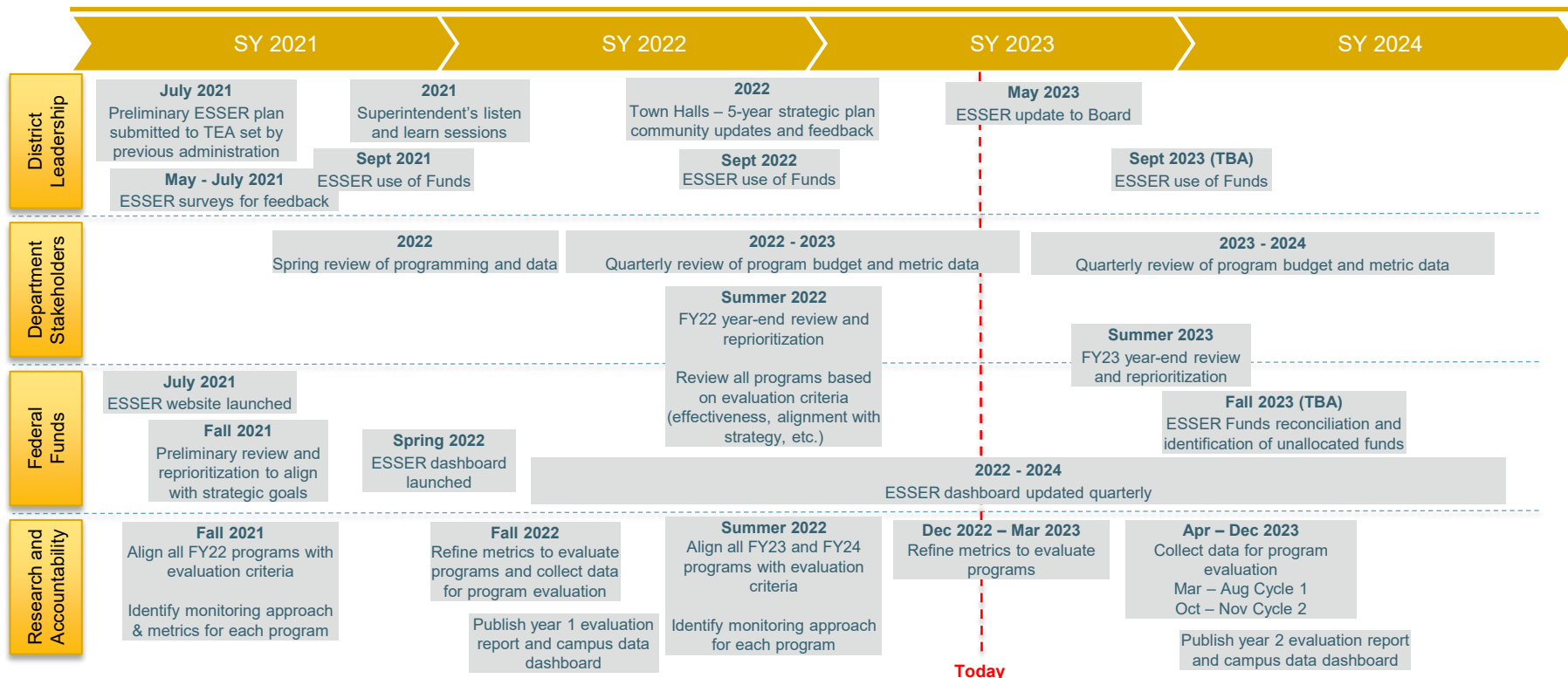
CRRSA (ESSER II)

Funding is to prevent, prepare for, or respond to the COVID-19 pandemic, including its impact on the social, emotional, and mental health, and academic needs of students.

ARP Act (ESSER III)

Funding is to help safely reopen and sustain the safe operation of schools and address the impact of the Coronavirus on students.

ESSER Grant Execution Timeline



ESSER Multi-Year Budget Summary

(\$, In Millions)

HISD received \$1.24B in federal funding across all 3 ESSER grants which was heavily invested towards learning loss and other strategic priorities.

ESSER Budgeted Programming Summary

	Total Available Funding (NOGA)	FY21 Actuals	FY22 Actuals	FY23 Expected Spend	FY24 Allocation	Total Spent + Allocated
ESSER I	82.0	82.0 ¹	0.0	0.0	0.0	82.0
ESSER II	358.2	0.0	206.3	151.9	0.0	358.2
ESSER III	804.7	0.0	247.5	245.4	311.7	804.7
Total ESSER Programming	1,244.9	82.0	453.8	397.3 ²	311.7 ³	1,244.9

1) The 82.0M ESSER I allocation spent in FY21 was used to hold HISD harmless per an enrollment loss due to the pandemic and for private nonprofit

2) FY23 Expected Spend includes spend-to-date (307.3M) as of May 8th, 2023

3) FY24 allocation includes FY23 carryover (121M)

ESSER Sustainability and Transition Plan

HISD continues to actively monitor program spend and impact to maximize the effectiveness of term-limited funding and identify programs that will continue to be funded after the anticipated “ESSER cliff”.

- **ESSER Closeout Processes (at FY23 and FY24 end)**
 - Review planned programming that has been completed and which is still in progress to:
 - Ensure all FY23 programs are appropriately closed-out at year end so that spend does not continue into the next FY
 - Designate unexpended funds as “carry over” for original purpose or available for new investments
 - Ensure all programming is spent or committed by the respective grant deadline (ESSER II – Sept’23; ESSER III – Sept’24)
- **Reprioritize Remaining Funds**
 - Identify available remaining funds in excess of planned programming
 - Align available resources to high-impact investment priorities (prioritizing the continuation of programs which have been proven successful)
- **Transition to Sustainable Funding Sources**
 - Analyze ESSER portfolio to identify mission-critical programs (new or previously GF-funded)
 - Identify and prioritize programs to be considered for transition to sustainable funding sources (Title, GF, etc.)
 - Compare effective ESSER programs against all programs and prioritize recurring investment based on effectiveness

ESSA, PERKINS, AND SPED GRANTS

ESSA Grants: Purpose and Intent

Title I, Part A – Improving Basic Programs

- Increase quality of education at schools with high concentrations of students from low-income homes

Title I, Part C – Migrant Education

- Establish / Improve programs for special needs of children of Migrant families – funds can be used for salaries of support staff and services supporting 7 focus points of the state-approved Migrant Education Program

Title I, Part D, Subpart 2 – Neglected and Delinquent

- Provide services to qualifying facilities for neglected / delinquent youth (e.g., transition activities, programing, training, and further education)

Title II, Part A - Supporting Effective Instruction

- Improve quality of instruction and effectiveness of teachers / leaders and provide low-income / minority students greater access to these educators

Title III, Part A – English Language Acquisition (ELA)

- Provide services to students who are identified as Emergent Bilingual (EB) and ensure EB / immigrant students attain ELA proficiency

Title III, Part A – Immigrant

- Support activities / programming for Language Instruction Education Programs (LIEPs), including instructional support, engagement support, etc.

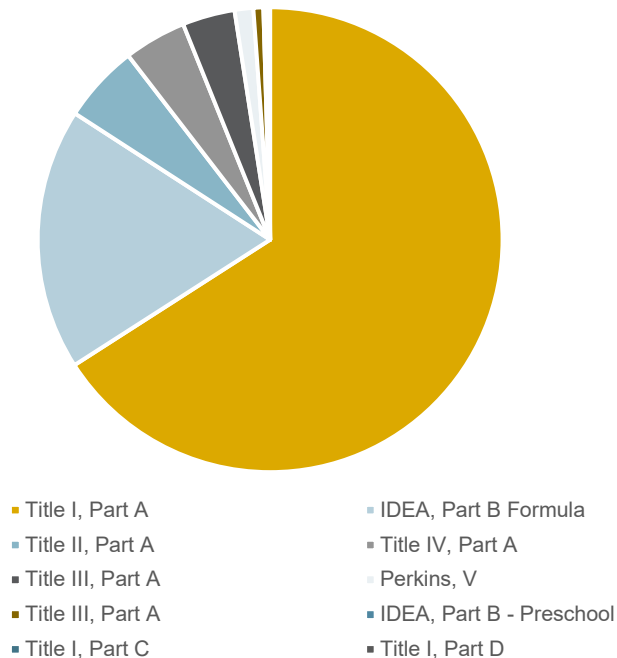
Title IV, Part A – Student Support and Academic Enrichment (SSAE)

- Provide students access to a well-rounded education, safe and healthy school conditions, and technology to enhance achievement

Projected FY24 Allocation: ESSA, Perkins, SPED

(\$, In Millions)

Each year the district completes an in-depth needs assessment to identify and build programs under each Federal grant to meet the needs of specific HISD student populations which the respective grants are identified to support.



Grant	Provides Support For	Planning Allocation
Title I, Part A	Economically Disadvantaged	142.6
Title I, Part C	Migrant	0.2
Title I, Part D	Neglected and Delinquent	0.2
Title II, Part A	Professional Development / Recruitment and retention	11.7
Title III, Part A	English Language	7.9
Title III, Part A	Immigrant	1.5
Title IV, Part A	All Students	9.4
Perkins, V	CCMR	2.8
IDEA, Part B Formula	SPED	39.4
IDEA, Part B Preschool	SPED - Preschool	0.6
Total		216.2

OTHER FUNDS REQUIRING BOARD ADOPTION

Debt Service Fund

- The Debt Service 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 the prior year
- Current bond ratings:
 - Moody's: AAA (highest possible rating)
 - Standard and Poor's: AA+

FY24 Recommended Debt Service Fund Statement of Revenues and Expenditures

(\$, In Millions)

REVENUES		Debt Service
Property taxes	\$	383.4
Earnings on investments		3.3
State sources		1.9
Total revenues	\$	388.6
APPROPRIATIONS		
Debt service		
71 Principal		315.5
71 Interest and fiscal charges		99.5
Total expenditures	\$	415.0
Excess (deficiency) of revenues over (under) expenditures	\$	-26.4
OTHER FINANCING SOURCES (USES)		
Transfers in		22.1
Total other financing sources (uses)	\$	22.1
Net change in fund balances		-4.4
Estimated fund balances—beginning ⁽¹⁾		115.5
Estimated Fund balances—ending	\$	111.2

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 34,000,000 meals in 2023-2024
- All meals served at no charge through USDA Community Eligibility Program (CEP) to most campuses
- Includes reimbursement programs for dinner and summer site-based feeding

FY24 Recommended Nutrition Services Fund Statement of Revenues and Expenditures

(\$, In Millions)

REVENUES		Nutrition Services
Earnings on investments	\$	2.5
Miscellaneous local sources		5.3
State sources		0.5
Federal sources		126.4
Total revenues	\$	134.8
APPROPRIATIONS		
35 Food services		146.3
51 Facilities maintenance and operations		3.1
Total expenditures	\$	149.4
Excess (deficiency) of revenues over (under) expenditures	\$	-14.6
OTHER FINANCING SOURCES (USES)		
Transfers in		-
Total other financing sources (uses)	\$	-
Net change in fund balances		-14.6
Estimated fund balances—beginning ⁽¹⁾		66.5
Estimated Fund balances—ending	\$	51.9

ALL FUNDS SUMMARY

FY24 Budget All Funds Summary

(\$, in Millions)

Funds	FY24 Budget
General Fund	\$ 2,393.36
Debt Service	415.05
Nutrition Services	149.39
ESSER	270.64
ESSA	216.50
Capital Projects Fund	54.11
Medicaid Fund	9.31
The Marketplace	0.31
Enterprise Funds	9.62
Health Insurance Fund	194.95
Workers' Compensation Fund	8.55
Print Shop Fund	9.94
UIL Fund	1.00
Athletics Fund	7.69
Alternative Certification Fund	0.41
Shared Services Fund	7.06
Internal Service Funds	229.60
All Funds	\$ 3,738.29

Note: Note: Internal Service Funds are supported by transfers from the other funds (GF, etc.) in this All Funds Summary table. For example, the Health Insurance fund includes expenditures on Health Insurance for positions paid for out of all other funds. Athletics represents schools purchasing athletic programs from the the Athletics department, etc.)

Thank you

