

HISD Budget Workshop

February 27th

Budget Workshop Scope and Sequence

Workshop Series Goals

- Socialize HISD’s approach to budgeting
- Connect the 25-26 budget to District goals and priorities
- Clearly identify areas for increased investment and preview possible areas for spending reductions
- Provide transparency into the department and school budget allocations

February 27 th	MARCH 27 th	April 23 rd	May 1 st May 22 nd June 13 th
<p><u>The Big Picture</u></p> <p>Overview of District Financial Position</p> <p>Overview of Best-in-Class District Budget Development Practices</p> <p>HISD’s SY 25-26 Budget Approach and Timeline, Assumptions and Methodology</p>	<p>25-26 District Action Plan and Alignment to Board Goals</p>	<p>School Budgeting Approach – How schools will experience this budget</p> <p>Central Office Allocations</p> <p>Deep Dive into Facilities</p>	<p>May 1: Review of Draft Budget and Long-Term Plan</p> <p>May 22: Final Workshop: Tailored to remaining Board questions</p> <p>June 13: Budget Vote</p>

Workshop 1 Outcomes and Agenda

Outcomes:

1. Discuss best-in-class industry practice for District Budget development
2. Provide an overview of the District's current financial position
3. Preview HISD's Budget Development Approach and Timeline and Guiding Principles and Assumptions

- Budget Development Best Practice
- HISD's Current Financial State
- HISD's Budget Development Approach and Timeline
- Budget Principles and Assumptions

District Budgeting Guidance

The Current Financial Position

About Alvarez and Marsal: K-12 Overview

A&M partners with public and private K-12 schools, districts, charter school organizations, and States to plan and implement critical initiatives to elevate student outcomes

K-12 Transformation

- Central Office Efficiency
- School Consolidation Planning
- Organizational Change
- Strategic Planning
- Efficiency Initiative Planning and Implementation
- Workforce Optimization
- Rapid Cost Savings
- Funding Model Modernization

Financial and Operational Improvement

- Budget Process Improvement
- Financial Modeling
- Ed-Tech Portfolio Rationalization
- Federal Funds Claiming
- Workforce Analytics
- Staffing Standards
- Food, Facilities, and Transportation Efficiencies

Specialized Population Support

- Special Education Policy, Procedure, and Processes
- IDEA Funding Management and Maximization
- Special Education Organization Design
- Resource Optimization
- Community and Family Engagement

Integrity, Accountability and Compliance

- Forensic Reviews
- Grading and Graduation Integrity
- Policies, Procedures and Governance Evaluations
- Test Security Investigations
- State and Federal Compliance
- Procurement Reviews

Federal Funds Management

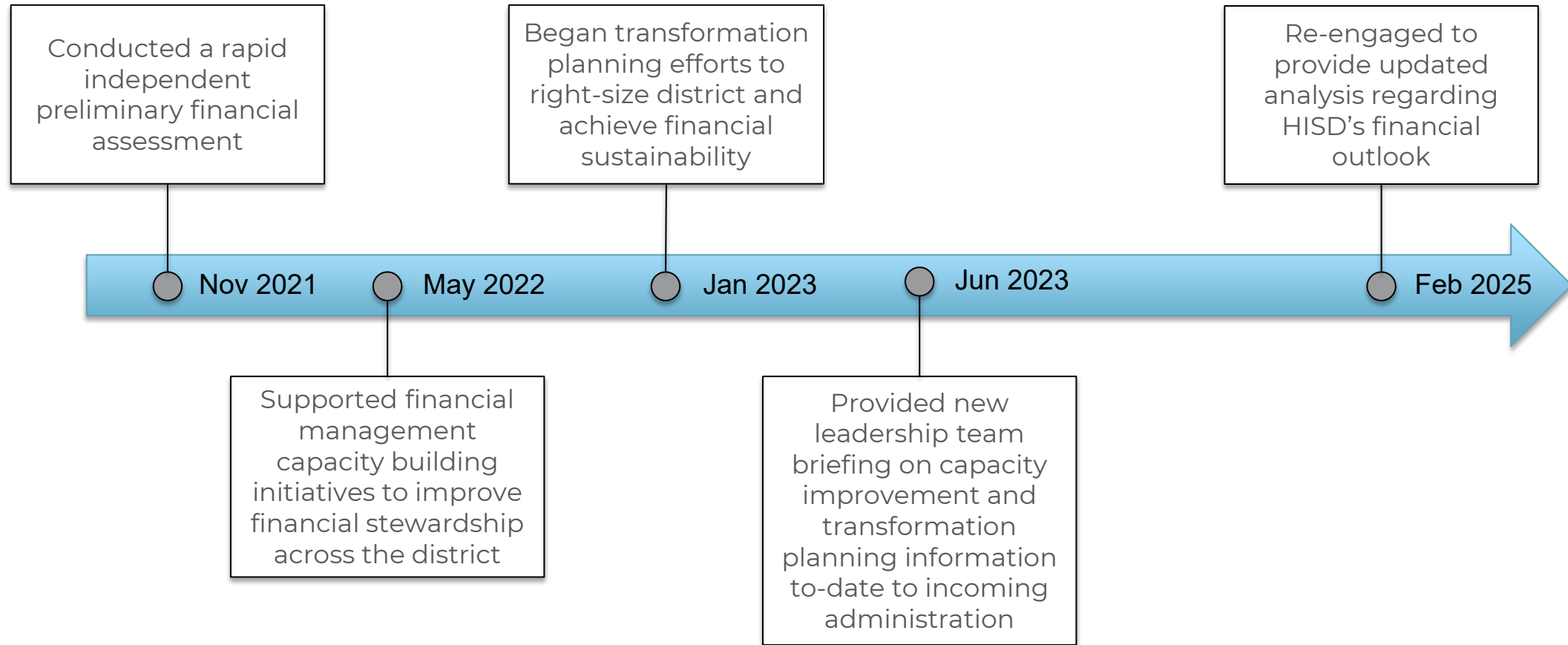
- Planning, Monitoring, and Execution
- Strategic Alignment for ESSER, Title, and IDEA
- Equitable Funding Distribution
- Navigating Funding Restrictions to Maximize Impact

Data Modernization and Enablement

- Data Needs and Capability Assessment
- Enterprise, ECIDS and P20W Data Strategy
- Data Governance
- Ed-Tech Strategy
- Data and Analytics Service Design
- Data Pipeline Architecture
- Key Performance Measures

A&M and HISD: Partnership History

A&M has supported HISD with a series of financial analysis, financial improvement, and transformation planning efforts since late 2021



Principles to Guide District Budget Development

As HISD prepares for its budget process, A&M has shared below some highlights of the principles which support budgets that enable district strategy:

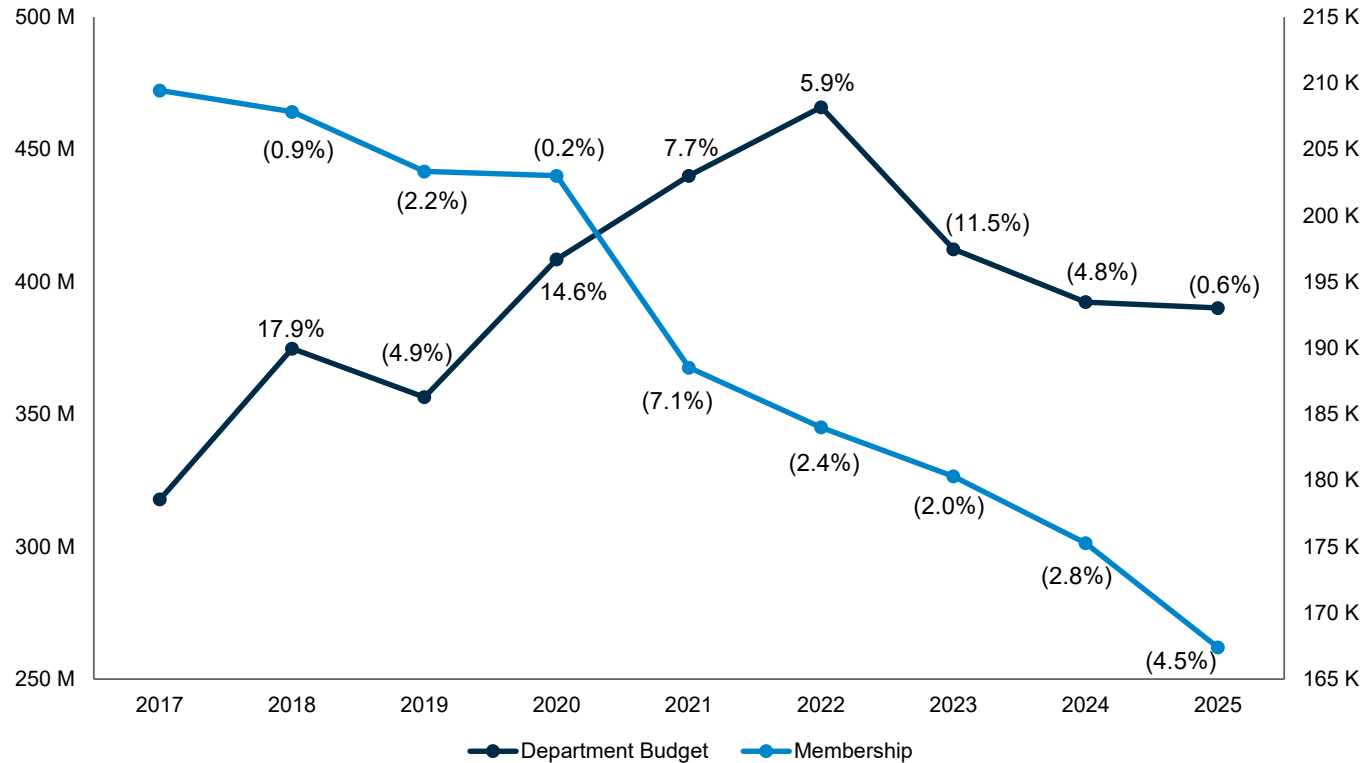
- ❖ **Student-centered decision making:** Budget process and resource allocation should align with the District's goals for student achievement, prioritizing cost-effective strategies and programs that maximize student outcomes. Put as many dollars as close to students as possible through effective teachers and supports.
- ❖ **Modified zero-based budgeting:** Challenge norms and require justification for new and existing spend. Align budget and spending based on the needs of the District ecosystem rather than making incremental changes to the previous fiscal year plan.
- ❖ **Cost benefit analysis and continuous improvement:** Regularly collect information and data on cost structures and intended outcomes of investments as inputs to the budget process. Revisit past investments and evaluate their impact, reinvesting based on demonstrated success.
- ❖ **Maximize funding streams:** Develop operational and financial plans that leverage funding from diverse sources, utilizing the “most restrictive” funding first. Prioritize investment strategies to support revenue enhancement (e.g., attendance improvement, HB3 funding, etc.). Ensure that only temporary expenses are aligned with temporary revenue sources.
- ❖ **Address maintenance backlog:** Develop and implement a multi-year deferred maintenance plan that prioritizes critical facility and asset needs, particularly in larger districts where overhead costs scale with size and will compound over time.
- ❖ **Support budget compliance with controls, transparency, and accountability:** Support alignment with budget strategy through key controls (e.g., position control), reporting (B2A reports for schools and departments), and accountability (financial discipline as a component of leadership performance).
- ❖ **Adjustments for declining enrollment:** Ensure that both school-level and central office budgets scale in line with long-term enrollment trends. Prioritize cost-saving measures that promote student outcomes over status quo, especially as it relates to positions and facilities.

Sources: Government Finance Officers Association (GFOA), Edunomics Lab, A&M district budgeting experience

Historical Trends

Central Office Budget per Student

A&M analyzed the trends of membership, central office department expenditures, and calculated per-pupil central office expenditures



Key Takeaways:

- Central Office spending peaked on an aggregate and per-student basis in FY22 despite years of enrollment loss, and has since improved
- Year-over-Year (FY24-FY25) stabilization in department budgets reflect significant reductions given expiration of ESSER funds

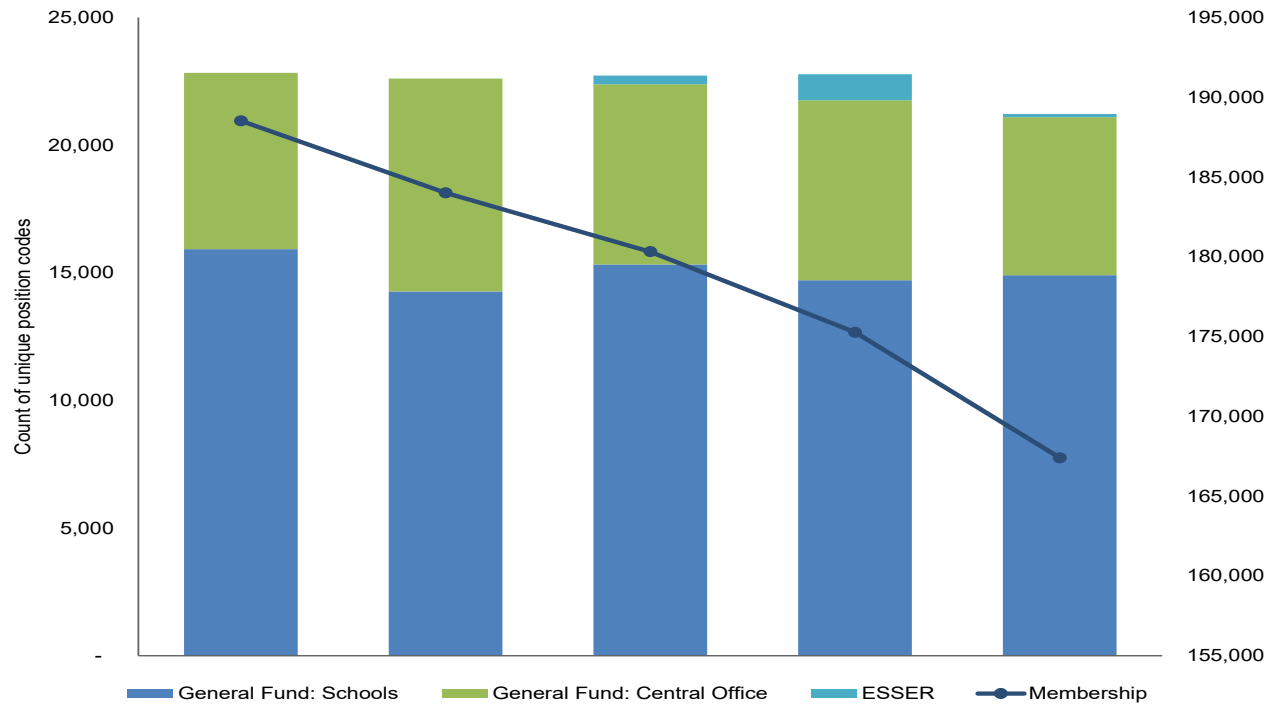
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Department Budget	317.9 M	374.8 M	356.5 M	408.6 M	440.1 M	466.0 M	412.4 M	392.4 M	390.2 M
Membership	209.5 K	207.8 K	203.3 K	203.0 K	188.5 K	184.0 K	180.3 K	175.3 K	167.4 K
Per Student	1,518	1,803	1,753	2,013	2,334	2,532	2,287	2,239	2,331

(1) Department budget reflects planned general funds at the time of budget adoption; district wide services are excluded (Source: SAP BI budget)
 (2) Membership excludes Texas Connections enrollment (Source: PEIMS submission)

GF & ESSER Positions (2021 – 2025)

Staffing vs Membership

Although HISD has made significant progress in the last year of reducing headcount, reductions in total positions lags significantly behind enrollment loss



	2021	2022	2023	2024	2025
General Fund: Schools	15,931	14,269	15,324	14,711	14,909
General Fund: Central Office	6,906	8,342	7,065	7,044	6,188
ESSER	-	-	339	1,029	125
Total	22,837	22,611	22,728	22,784	21,222

Membership 188,528 184,014 180,323 175,271 167,398

Key Takeaways:

- Position levels at HISD held steady from FY21 to FY24, despite enrollment loss
- In the last year, despite slight increases in school staffing (198 GF school positions), HISD has reduced total filled positions by roughly 1,500, driven by:
 - 904 ESSER funded positions
 - 856 Central Office Positions

(1) Source: Position counts reflected as of May position files
 (2) Includes filled positions only; excludes positions funded by other sources (non-GF, non-ESSER)
 (3) Membership excludes Texas Connections enrollment (Source: PEIMS submission)

2024 – 2025 Fund Balance

Latest Thinking: Year-End Liquidity

While major investments in district transformation, deferred maintenance, and student supports rely significantly on fund balance, HISD will retain reserves exceeding relevant standards, but should act rapidly to improve budget sustainability and sustain reserves



Key Takeaways:

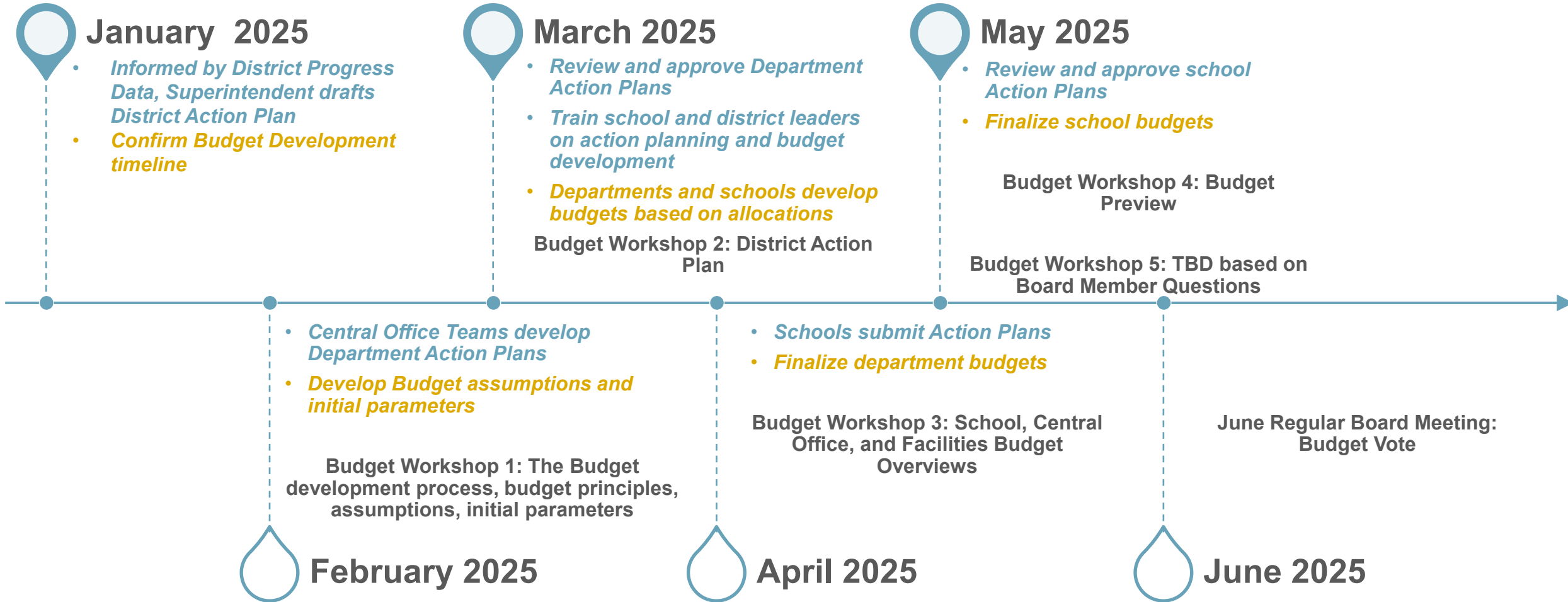
- HISD’s available liquidity includes unassigned fund balance, instructional reserves, and operational reserves
- Based on current FY25 budgeted deficits, HISD anticipates to have liquid reserves of \$660M available for FY26 use, and a total estimated fund balance of \$801M at year-end
- HISD’s Board Policy (CE Local) for maintenance of reserves exceeds national best practices and aligns with Financial Integrity Rating Systems of Texas (FIRST)
- Reserves exceeding standards can support lower borrowing costs in future debt issuance

(1) Source: Latest FY25 budget amendment (Dec 2024)
 (2) Assumes no net change in unrestricted funds

— : Board Policy (3 months operating reserve ~\$525M)
 — : GFOA Standard Reserve (2 months operating reserve ~\$350M)

Budget Development Approach and Timeline

Development Timeline



The Problems We're Trying to Solve

SY 25-26 Budget Goals

- **Prioritize District Resources to Sustain Transformation:** Resource key district priorities to sustain early transformation progress to accomplish Board Goals.
- **Align Resources to Enrollment and Current Revenue Sources to ensure Sustainability:** The Administration aims to present a balanced budget by the 26-27 school year. Given enrollment decreases and the current legislative session, the 25-26 draft budget remains conservative, yet ambitious.

Our Guiding Principles

- 1. Keep cuts as far away from the classroom as possible.** We are ensuring that every school gets the per-pupil allowance they are supposed to receive. The District will provide the necessary resources to maintain high quality instruction and a safe and supportive school environment.
- 2. Prioritize resources to meet District goals.** The District Action Plan provides an outline of the highest priority items that will help the District accomplish the School Board's goals and the District's mission.
- 3. Make decisions now that will support long term financial sustainability.** The District will be one step closer to a balanced budget, will allocate necessary funds to accomplish Board Goals and actualize District vision while maintaining District fiscal stability.

District Level Budget Assumptions

- **Fiscal Sustainability:** The 25-26 budget will be closer to a balanced budget while not dipping below an \$800 million fund balance.
- **Revenue Increases:** The District remains cautious, yet optimistic about state allotment increases (see slide 17).
- **Revenue Decreases:** The District is conservatively budgeting for an enrollment decline of approximately 8,000 students
- **Central Office Reductions:** The bulk of staffing reductions occurred last year. The Administration will continuously evaluate central office operational efficiencies and will reorganize central office departments, as necessary.
- **Maintenance Needs:** The District will have to increase its maintenance expenditures. We plan to invest \$100 million over the next two years in the most urgent security and health projects. We will budget \$40 million in the 2025-2026 school year for capital improvements in security and health. This amount is in addition to the money we ordinarily spend on maintenance and capital improvements.

School Level Budget Assumptions

- **NES Schools:** While the NES model is the main strategy to exit State intervention, the District will maintain the number of NES schools at 130 for the 2025-2026 school year. However, if any PUA school falls to an “F” rating (the preliminary determination of which will be made at the end of June 2025), the District will implement the NES model at that school in the 2025-2026 school year. We will limit the number of new NES schools to five. The District will set appropriate staffing allocations and budgets for NES campuses based on their enrollment.
- **PUA Schools:** All PUA schools will receive 100% of the money they are entitled to based on enrollment, average daily attendance, and per-unit-allocations. If there is a school budget decrease from 24-25 to 25-26, that school receives a subsidy at 10% of the decrease.
- **School Closures:** In the last 10 years, HISD enrollment has declined by 30,000 students. Therefore, school closures must be considered. The Administration will not close any school in the 2025-2026 school year but will bring a proposal to the Board in the fall of 2025 for closure consideration in the 2026-2027 school year.

State Funding Assumptions

While we are still early in the current Legislative Session, We are building the ideal budget based on most-up-to date information from state leaders. The conservative assumptions listed below guide current budget development:



State Compensatory Education allotments (e.g. Special Education, Dyslexia, Safety and Security) will increase by **\$200 per student.**



The Legislature will likely mandate a **teacher salary increase**



We estimate the **Basic Allotment** will increase by **\$220 per student.**

Preliminary FY 25 Revenue and Expenditures

See accompanying excel table

Workshop 2 Preview

Workshop 2 Outcomes and Agenda

Outcomes:

1. Outline SY 25-26 District Action Plan Alignment to Board Goals
2. Preview District Action Plan Investments and General Approach to Cost Management

- School Year 25-26 District Action Plan Alignment to Board Goals
- Action Plan Investments

APPENDIX



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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For the Fiscal Year Beginning

July 01, 2024

Christopher P. Morill

Executive Director



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Executive Director

Christopher P. Morill

Date: 2/12/2025