

**Houston Independent School District
Resource Allocation Advisory Committee (RAAC)
Agenda March 29, 2019
4pm – 6pm**

1. **Welcome**
2. **2019-20 HISD Budget Update from Finance**
3. **School Finance Legislations Update from Government Relations**

Note: RAAC is currently seeking applications for new community members to join the discussion, if you know anyone who should apply please send them the applications (<https://www.houstonisd.org/resourceallocation>).

Presenters: Glenn Reed (Budget & Financial Planning Officer) and Ashlea Turner (Chief Government Relations Officer)

RAAC Meeting

- 2019-2020 Fiscal Year Budget
- School Finance Legislation

Date: 03/29/2019

Presenter: HISD Finance and Government
Relations Staff



Agenda

- Current Budget Assumptions
- Budget Comparisons (December to February)
- Tier II, Austin Yield Funding
- Recapture Update
- Budget Reductions
- Legislative Update-School Finance

2019-2020 Assumptions

- Property Value Increase – 2%
- Maintenance & Operations (M&O) tax rate-\$1.04
- Enrollment of 208,246 – reduced 1,500 from 2018-2019 snapshot
- Decrease in Per Unit Allocation (PUA) amount
- State-related:
 - No recapture relief from the state
 - No change in the basic allotment
 - **Increase in Tier II Allotment (HB1 and SB1)**
- No change in PUA student weights
- Additional district contribution for health insurance
- No additional budgeted Achieve 180 costs
- Salaries:
 - No raises for employees on master or hourly schedules
 - No pay increase for step movement / experience
 - No raises for any other employee group/classification

Current Deficit of \$36 million

Budget Comparisons

	December 3, 2018	February 28, 2019	Change
2018-2019 Original Budget Deficit	(17,163,996)	(17,163,996)	-
Revenue Changes			
Change in property taxes	\$ 37,297,630	\$ 41,129,285	\$ 3,831,655
Foundation School Program	(2,694,752)	30,579,537	33,274,289
Build America Bonds Subsidy	6,164,281	6,164,281	-
Federal Revenue - indirect costs	-	1,519,273	1,519,273
Revenue other governments	-	500,000	500,000
Revenue in Lieu of taxes	-	244,958	244,958
Federal Revenue - Army, Air Force, Navy	-	6,041	6,041
Assigned Fund Balance - North Forest PFC Projects	-	375	375
Interest earnings	(2,000,000)	-	2,000,000
Other state revenues	-	(740,000)	(740,000)
Tuition regular day	-	(940,000)	(940,000)
Transfers in from Medicaid	(7,900,000)	(7,900,000)	-
Available School Fund	(31,931,852)	(32,022,883)	(91,031)
2019-2020 Surplus / (Deficit) before appropriation changes	\$ (18,228,689)	\$ 21,376,871	\$ 39,605,560

Assumes Tier II remains in HB1

Budget Comparisons

Appropriation Changes	December 3, 2018	February 28, 2019	Change
Change in recapture payment	\$ 39,995,855	\$ 22,554,006	\$ (17,441,849)
Wrap Around Specialists	10,695,909	10,695,909	-
State Compensatory Education	9,091,972	8,922,186	(169,786)
Health insurance	-	7,500,000	7,500,000
2018-2019 step schedule salary increases	4,331,902	4,331,902	-
Achieve 180	4,168,844	4,303,151	134,307
Bus driver budget increase	3,000,000	3,000,000	-
Charter school enrollment Increase	2,727,968	2,727,968	-
Tax Increment Reinvestment Zone	2,188,323	2,495,718	307,395
Property, Liability, Auto Insurance	-	2,000,000	2,000,000
CTE	-	1,834,770	1,834,770
College readiness grant matching funds	600,000	600,000	-
Athletics bond related transportation	500,000	500,000	-
Harris County Appraisal District Fees	320,000	402,268	82,268
Automated external defibrillator machines	400,000	400,000	-
2 Sr. Sourcing Specialists - Procurement	303,088	303,088	-
Equity and Outreach Department	237,348	237,348	-
2 Human Resources Investigators	143,862	143,862	-
Performance review	(1,000,000)	(1,000,000)	-
Transfers Out from sale of Maintenance Tax Notes	(1,188,632)	(1,188,632)	-
Kandy Stripe closing	(1,529,199)	(1,529,199)	-
District-wide Operating	(3,200,000)	(3,200,000)	-
Campus PUA enrollment 2018-2019 decline	(14,384,406)	(9,200,026)	5,184,380
2019-2020 Budget Surplus/(Deficit)	\$ (75,631,523)	\$ (35,457,448)	\$ 40,174,075

2019-2020 Tier II Increase (HB1)

- Tier II guaranteed yield (Austin Yield) based on the six “golden pennies.”
- HISD is guaranteed to generate the same amount of revenue per penny of tax effort as Austin ISD on the six “golden pennies.”
- Additional revenue received from Tier II
 - 2017-2018: \$99.41 per penny (\$58,304,783)
 - 2018-2019: \$106.28 per penny (61,141,609)
 - 2019-2020 Proposed in HB1: \$126.88 per penny (\$90,730,041)
 - 2020-2021 Proposed in HB1: \$135.92 per penny (\$103,140,700)
- **Risk:**
 - **School Finance Commission Report recommends decoupling from the Austin ISD yield and tying to another unknown rate. This current revenue increase could be lower or completely eliminated and folded into the school finance bill.**



\$30m

Current Deficit of \$36 million + \$30 million = \$66 million potential deficit

Updated Recapture Projections

	2018-2019 Original	2018-2019 Mid-Year*	2019-2020	2020-2021	2021-2022	2022-2023
Estimated Recapture	\$ 272,492,039	\$ 275,258,452	\$ 295,046,045	\$ 321,205,154	\$ 354,088,060	\$ 386,648,025
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	267,011	267,111	266,259	266,259	266,259	266,259

*2018-2019 not adjusted for Hurricane Harvey reimbursement

Recapture estimates adjusted based on latest Texas Comptroller values.

Budget Reductions

Budget Deficit Allocation

2019-20 Current Budget Deficit Distribution

Schools	\$(17,652,099)
Departments	\$(17,805,349)
Total	\$(35,457,448)

2019-2020 Per Unit Allocations (PUA)

Level	2018-2019 PUA	2019-2020 Budget cut (\$17.6M)	2019-2020 PUA
Elementary Schools	\$3,432	(\$73)	\$3,359
Middle Schools	\$3,468	(\$73)	\$3,395
High Schools	\$3,432	(\$73)	\$3,359

PUA History

Fiscal Year	Elementary	Middle	High	Change ES	Change MS	Change HS
2016-2017	\$ 3,522	\$ 3,558	\$ 3,522	\$ (67)	\$ (67)	\$ (67)
2017-2018	\$ 3,522	\$ 3,558	\$ 3,522	\$ -	\$ -	\$ -
2018-2019	\$ 3,432	\$ 3,468	\$ 3,432	\$ (90)	\$ (90)	\$ (90)
2019-2020	\$ 3,359	\$ 3,395	\$ 3,359	\$ (73)	\$ (73)	\$ (73)

2019-2020 Per Unit Allocations (PUA)

- The PUA amounts will be used by principals to develop their budgets.
- Budgets will be rolled out to principals on March 18, 2019.

Cut Distribution

Chief_Rollup		Current Cut
Schools	\$	(17,652,099)
Districtwide Services	\$	(3,200,000)
Chief Operating Officer	\$	(8,647,778)
Chief Academic Officer	\$	(2,283,587)
Chief Technology Information Officer	\$	(1,337,974)
Chief Strategy & Innovations Officer	\$	(277,779)
Chief Financial Officer	\$	(800,412)
Chief Human Resource Officer	\$	(630,025)
General Counsel	\$	(139,173)
Chief Communications Officer	\$	(129,511)
Chief Audit Executive	\$	(104,414)
Chief Development Officer	\$	(83,863)
Superintendent of Schools	\$	(67,099)
Chief of Staff	\$	(66,061)
Chief Govnmnt'l Relations Officer	\$	(37,673)
Grand Total	\$	(35,457,448)

2019 Texas Legislative Session

Update on School Finance Legislation: House
Bill 3 v. Senate Bill 4

***Next budget workshop
April 25, 2019***



Side-by-Side Comparison of 2019 Texas School Finance Proposals

March 21, 2019

Provisions	House Bill 3 by Huberty (school finance)	Senate Bill 4 by Taylor (school finance)
Overall Funding for Public Education	Provides \$6.3 billion over the biennium of new investment to public education.	SB 4 (school finance) funding level to be determined. SB 3 (teacher pay raise) provides \$3.89 billion in funding for the biennium for \$5,000 teacher and librarian pay raise.
Basic Allotment	Increases the current \$5,140 basic allotment to \$6,030 .	Increase in the basic allotment to be determined.
Full-Day Pre-Kindergarten	Districts required to provide full-day pre-K for eligible four-year-old students, but may waive the requirement for up to 6 years if seat availability is an issue. Provides sufficient funding for full-day pre-K through the Early Education Allotment. Weights for each economically disadvantaged and/or Limited English Proficiency student in K-3 is 0.1.	Districts required to provide full-day pre-K for eligible four-year-old students. Should provide sufficient funding for full-day pre-K through the Early Reading Allotment. Weights to be determined.
Property Tax Rate Compression	Provides \$2.7 billion in uniform tax rate reduction for the biennium, \$0.04 compression on Tier I Maintenance and Operations (M&O) tax rate (\$0.96 from \$1.00) <u>and</u> additional tax rate compression in copper penny tier due to increase in yield.	Current law. No additional tax rate compression specified.
Golden and Copper Pennies	No longer links golden penny yield to Austin ISD wealth level. Yield is greater of a school district at the 96th percentile of wealth per Weighted Average Daily Attendance (WADA) or 160 percent of basic allotment. Increases the copper penny yield from \$31.95 to 80 percent of the basic allotment.	No longer links the golden penny yield to the Austin ISD wealth level. Amount to be determined. Increases the copper penny yield. Amount to be determined.

Recapture	The increase in the basic allotment and other formula changes will mitigate recapture by \$3 billion , or 38 percent, over the next biennium.	Amount to be determined.
Blended Learning	Establishes a grant program to assist school districts and open-enrollment charter schools in developing and implementing effective blended learning models. Priority is given to schools with a higher enrollment of economically disadvantaged students.	Commissioner shall develop a list of professional development materials for use by school districts in implementing blended learning. The materials must be based on best practices for blended learning.
Teacher Incentive and Compensation	Creates an Educator Effectiveness Allotment of .012 for each student at a campus in the highest-need census block or any rural district campus. The allotment could be used to incentivize teachers to move to those high need schools or to other areas of critical shortage. Districts have to use a collaborative process to identify effective teachers. HB 3 does not specify salary increase for teachers or support staff.	Creates an Educator Effectiveness Program that could provide merit salary increases to educators based on an evaluation of the effectiveness of the educator under a multi-measure system developed by the district in partnership with stakeholders and the district's educators within state limits. Amount to be determined. \$5,000 across-the-board pay raise for teachers and librarians in SB 3 by Nelson .
Test-Based Funding	No test-based funding provisions in the final version passed by House Public Education Committee.	Creates a Third-Grade Reading Allotment that funds economically disadvantaged third graders who perform satisfactorily on one of two third-grade reading multidimensional assessments chosen by the Commissioner.
Compensatory Education Allotment	Directs Commissioner to create an index for a compensatory education allotment based on census blocks. The index must contain five tiers categorized according to the relative severity of economically disadvantaged students. Weights range from 0.225 to 0.275.	Educationally-disadvantaged student means either an eligible student participating in the national free and reduced-price lunch program or economically disadvantaged in any manner that may reasonably impact educational achievement, as determined by the commissioner. Weights to be determined.
Gifted and Talented Allotment	Repeals gifted and talented allotment to increase the basic allotment. Each school district shall annually certify it has a program for gifted and talented students. Allows Commissioner to reduce funding if a district has failed to comply.	Repeals gifted and talented allotment to increase basic allotment. Requires a report to ensure the number of students identified as gifted and talented does not decline for any school year.
School Board Goals for Early Childhood Literacy and Postsecondary Readiness	Requires local school boards to develop a five-year early childhood literacy and mathematics proficiency plan. Schools must set annual and quantifiable goals for student performance.	Requires local school boards to develop three- and five-year plans for achieving the 60x30TX goals.
Efficiency Audits	School districts shall conduct an efficiency audit before seeking voter approval to adopt M&O tax rate. School district must pay for the costs and choose from an approved list of auditors.	No similar provision.

<p>Other Weights and Allotments</p>	<p>Creates dyslexia and dual language weights. Extends the Career and Technical Education (CTE) program to 6th grade. Increases appropriations for New Instructional Facility Allotment (NIFA) to \$100 million per year. Small and mid-sized adjustments are stand-alone allotments, except for special education.</p>	<p>Creates dyslexia and dual language weights. Extends CTE program to 8th grade. Creates a fast-growth school district allotment. Requires an interim study on the cost of NIFA. Small and mid-sized adjustments are stand-alone allotments.</p>
<p>Other Funding Issues</p>	<p>Repeals Cost of Education Index, High School Allotment, staff allotment. Phases out 1993 Chapter 41 hold harmless and early agreement credit. Replaces transportation linear density calculation with a per-mile allotment.</p>	<p>Repeals Cost of Education Index, High School Allotment, staff allotment, 1993 Chapter 41 hold harmless and early agreement credit. Replaces transportation linear density calculation with a per-mile allotment. Uses current-year values instead of prior-year values, providing a potential \$1.8 billion savings to the state.</p>

CSHB 3

A majority of the changes were technical in nature. Clarifying language reflected original intent . Lots of additional conforming changes throughout the statute that did not make it into the original filed version.

NEW PROVISIONS

Requires districts to do an Efficiency Audit before they can go to the voters with a tax increase.

Added a safety net for the golden penny enrichment. The yield may not be less than the 96% percentile of wealth per weighted student.

Added Transportation reimbursement for the cost of transporting homeless students and CTE students to work based learning sites

Increased the Basic Allotment by the SDA and MDA for special education only. (removed the under 450 ADA adjustment in filed HB3 to help fund this)

Added the option for special purpose school districts operated by a general academic institution to receive funding in the FSP. (HB 21 amendment, special session)

Added Mathematics in addition to the Reading goals and benchmarks adopted by boards of trustees.

CHANGES TO FILED BILL

Clarified the tax cap remains \$1.17

Replaced the Teacher allotment in the filed version with a much simpler allotment to high needs campuses and rural districts to attract and pay effective classroom teachers as determined at the local level with input from parents, educators and community members. Removed the bifurcated minimum salary schedule for teachers and returned to the current law minimum salary schedule with factors tied to the Basic Allotment so that salaries automatically rise with increases to the BA.

Clarified the methodology on comp ed allotment. The districts will use individual student addresses and assign educationally disadvantaged students to census blocks tiered by economical disadvantage. If a census block is not available, the student is assigned a weight of .225 (formerly .2). Educationally disadvantaged students who reside in a residential treatment facility get the highest weight of .275. Creates a comp ed advisory committee.

Renamed the Enhancements program to Academic Services and clarified language and require participants to be educationally disadvantaged and limited eligible services to academic services. Explicitly stated that the funding may not be used to supplant instructional services being provided by the district during the regular school day.

Adjusted the rollback language to: reflect that districts have to fill up tier 1 completely before they can access tier 2 pennies; grandfather provisions for those districts that had a tax rate greater than \$1.50 for the 2005 tax year; recognize the copper penny compression and the addition of the 5th golden penny without voter approval beginning with the 2020 tax year.

Lessened references to the commissioner's authority throughout the bill. (In the Commissioner Authority To Resolve Unintended Consequences From School Finance Formulas - changed it from 4 years to 2 and he needs LBB approval not just notification)

HB 3 Summary **(Original Version, Filed 3/5/19)**

Overview

- Adds \$9 billion in total funding;
- \$6.3 billion to public schools; and
- \$2.7 billion to compress tax rates and contain revenue growth.

Highlights

- The Basic Allotment is set at \$6,030;
- The Cost of Education Index is repealed;
- The Small and Mid-Sized Adjustments are changed to a stand-alone allotment (they no longer affect special program allotments), and there is an additional rural allotment which stacks on top of the small district allotment for districts with fewer than 450 students;
- The Career and Technology Education (CTE) Allotment is expanded to include Grades 6-8;
- The Gifted and Talented Allotment is repealed;
- The Compensatory Education Allotment changes from 0.2 per student based on a free and reduced-price lunch count to an allotment based on a spectrum of weights from 0.225 to 0.275 based on census data;
- The Bilingual Allotment remains 0.1 for ELL students not served in dual language, but goes to 0.15 for ELL students in dual language and 0.05 for non-ELL students in dual language;
- The High School Allotment is repealed;
- The allowed NIFA appropriation total increases from \$26 million to \$100 million;
- The Transportation Allotment is funded at \$1 per mile rather than linear density (amount to be determined by appropriation);
- There is a new primary grades allotment which provides weighted funding of 0.1 for each ELL student in grades K-3 plus additional weight of 0.1 for each student in grades K-3 generating compensatory education funding (weights stack so that each student can generate up to 0.2);
- There is a new Dyslexia Allotment with a weight of 0.1;
- Removes small district adjustment for charter funding;
- M&O tax rate will be compressed by 4 cents;
- Available School Fund (ASF) Per Capita allotment is used as a method of finance for all districts (Ch. 41 and Ch. 42);
- The Golden Penny Yield is set at 160% of the basic allotment, which would be \$96.48 (less than the \$126.88 set in the appropriations bill for FY 2020). The bill allows for 8 golden pennies (pennies 0.97 through 1.04 for all districts); and
- The Copper Penny Yield is also indexed to the basic allotment (80% of the BA), which would be \$48.24. The bill requires that increases in the copper penny yield reduce tax rates for the copper pennies.

Recapture

- Reduces recapture by \$3 B Recapture is calculated in a new way. Each district's total Tier 1; and
- The 1992-1993 hold-harmless is phased out over 5 years.

Miscellaneous

- Extended year funding is added for half-day attendance for up to 30 days of additional instruction for students in PK through Grade 5;
- Creates grant program for recruiting, retaining effective teachers (\$140 M);
- Maintains prior year values, which is good for recapture districts;
- No outcomes funding allotment is included;
- No across-the-board teacher salary increase;
- Minimum salary schedule is increased due to the increase in the basic allotment (this includes teachers, counselors, librarians and nurses);
- New grant program for special needs students – parents must apply (funds can be used for transportation to support therapies, materials and fees);
- Provides a hold harmless for ISDs losing money in HB 3 (phases out in two years); and
- House has model runs but they are not final.