

HOUSTON INDEPENDENT SCHOOL DISTRICT

Budget Workshop

1 of 7

2019-2020 Fiscal Year Budget

December 3, 2018

Presenter: Budget and Financial Planning et al



Agenda

- 2018-2019 Update
- 2019-2020 First Assumptions and Projections
- Other Considerations

2018-2019

2018-2019 Fiscal Year Update and Assumptions

- Increase in state compensatory education from Community Eligibility Program (CEP)
 - Allocated to Wraparound Specialists, Achieve 180, and Targeted Assistance
 - Approximately \$22 million
- No state hold harmless on enrollment decline
 - Have met with Texas Education Agency (TEA) on requesting an appropriation for 2018-2019 for a hold harmless on average daily attendance.
- Local Optional Homestead Exemption (LOHE) still recognized
 - About \$52 million reduction in recapture
- Budget deficit is approximately \$20.2 million compared to the \$17.2 million at original budget
- Until Snapshot enrollment data is finalized, no data on effect on mid-year budget amendment

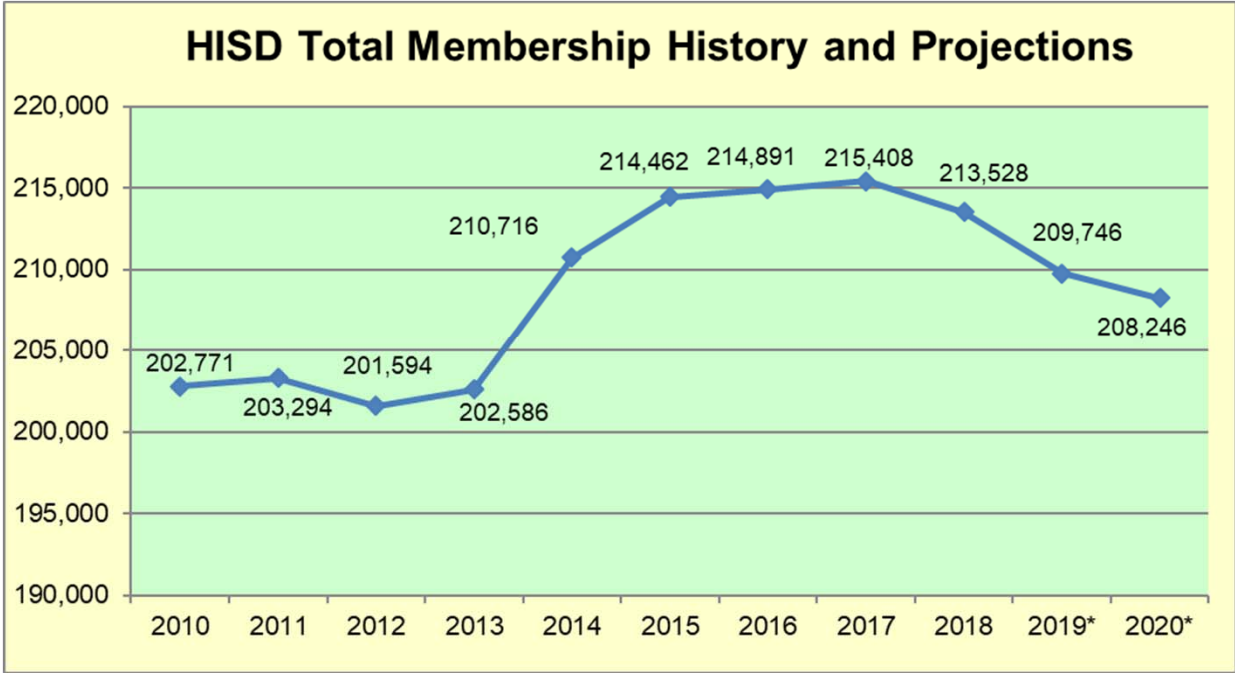
Mid-Year Schedule of Changes

Estimates as of November 7, 2018	Deficit (Increase) /	
	Decrease	Deficit
Original		(17,163,996)
Teacher salary increase	(4,331,902)	(21,495,898)
Property Taxes and TIRZ	11,738,298	(9,757,600)
Enrollment decline	(21,008,606)	(30,766,206)
State Compensatory Funding from CEP	21,897,340	(8,868,866)
Other State Aid from CEP	86,525	(8,782,341)
Achieve 180	(4,168,844)	(12,951,185)
Wrap Around Specialists	(6,483,724)	(19,434,909)
Targeted Assistance	(5,806,846)	(25,241,755)
TCAH State Comp Ed	(2,237,926)	(27,479,681)
Legal Settlements	(450,000)	(27,929,681)
Self Insurance additional funds	(500,000)	(28,429,681)
Estimated funds from final budget settleup	8,083,444	(20,346,237)
Kandy Stripe Academy closure	1,529,199	(18,817,038)
Transfers from other funds	(4,400,000)	(23,217,038)
Recognition of BABS in General Fund	5,583,871	(17,633,167)
Prior year State Aid adjustment	141,374	(17,491,793)
Charter School Enrollment Increase	(2,727,968)	<u>(20,219,761)</u> Current Deficit

CEP and SCE
Related

These are early estimates and will be updated with PEIMS snapshot once available and updated roll values for the Mid-Year Budgetary Update in February 2019.

Enrollment Since 2010



Source: TEA, Texas Academic Performance Report (TAPR), 2010-2017; 2018 membership as of 2017-2018 Fall PEIMS Resubmission; 2019 as of November 7, 2018, 2020 projections by the HISD Office of Budgeting and Financial Planning.

Change in 18-19 Recapture Payment

	Payment	Change in Payment
Original Budget	272,492,039	
Property Taxes and TIRZ	274,541,698	2,049,659
Enrollment Decline	293,612,413	19,070,716
State Comp Ed from CEP	274,064,148	(19,548,265)
Net Change		1,572,110

2019-2020

2019-2020 First Assumptions

- Property Value Increase – 2%
- Maintenance & Operations (M&O) tax rate-\$1.04
- Enrollment of 208,246 – reduced 1,500 from 2018-2019 snapshot
- No recapture relief from state
- No increase in Per Unit Allocation (PUA) amount or student weights
- No additional district contribution for health insurance
- Still recognizing the Local Optional Homestead Exemption (LOHE)
- No change in Tier II funding or Basic Allotment
- 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

Initial Deficit of \$76 million

Budget Comparisons

2018-2019 Original Budget Deficit		(17,163,996)
Revenue Changes		
Change in property taxes	\$	37,297,630
Build America Bonds Subsidy		6,164,281
Interest Earnings		(2,000,000)
Foundation School Program		(2,694,752)
Transfers In		(7,900,000)
Available School Fund		(31,931,852)
2019-2020 Surplus / (Deficit) before appropriation changes	\$	<u>(18,228,689)</u>

Budget Comparisons

Appropriation Changes	
Change in recapture payment	\$ 39,995,855
Wrap Around Specialists	10,695,909
State Compensatory Education	9,091,972
2018-2019 Step Schedule Salary Increases	4,331,902
Achieve 180	4,168,844
Bus Driver Payroll	3,000,000
Charter School Enrollment Increase	2,727,968
Tax Increment Reinvestment Zone	2,188,323
College Readiness Grant Matching Funds	600,000
Athletics Bond related transportation	500,000
Automated External Defibrillator Machines	400,000
Harris County Appraisal District Fees	320,000
2 Sr. Sourcing Specialists - Procurement	303,088
Equity and Outreach Department	237,348
2 Human Resources Investigators	143,862
Performance Review	(1,000,000)
Transfers Out from sale of Maintenance Tax Notes	(1,188,632)
Kandy Stripe closing	(1,529,199)
District-wide Operating	(3,200,000)
Campus PUA Enrollment Decline	(14,384,406)
2019-2020 Budget Surplus/(Deficit)	\$ <u>(75,631,523)</u>

Recapture Projections

	2018-2019 Original	2018-2019 Mid-Year	2019-2020	2020-2021	2021-2022	2022-2023
Estimated Recapture	\$ 272,492,039	\$ 274,064,148	\$ 312,487,894	\$ 336,813,510	\$ 369,717,127	\$ 403,235,616
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

Other Considerations

Tax Ratification Election (TRE)

- Way to increase available revenue for district operations
- Triggered when district adopts a tax rate that exceeds its rollback tax rate
- Maximum M&O tax rate of \$1.17 can be adopted
- Election is held to ratify the higher rate
- Early Adoption Method:
 - Tax rate adopted before budget is approved
 - Election could be held in June, 2019
- Estimated to generate between \$120M and \$130M net of recapture

Health Insurance

- Additional \$9.04 million need projected for the 2019-20 fiscal year (Medical plan year runs on a calendar year)
- Increasing employee rates by 6% beginning in January 2020 would reduce the funding need by \$1.16 million during the 2019-20 fiscal year

To be continued.....

