

# Budget Workshop 5

2019-2020 Fiscal Year Budget

Date: May 23, 2019

Presenter: Chief Financial Officer and  
Budgeting and Financial Planning



# Agenda

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- 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

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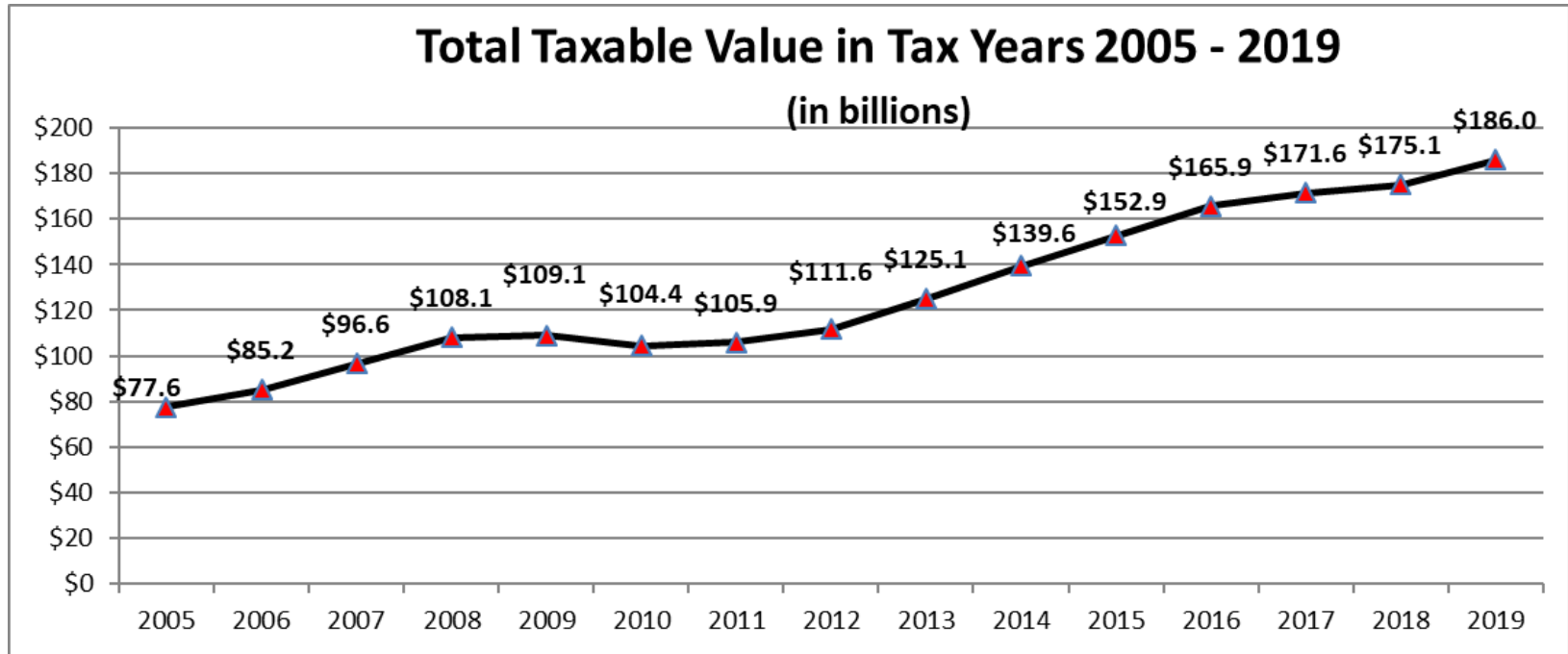
# Property Values & Student Enrollment

# Property Values

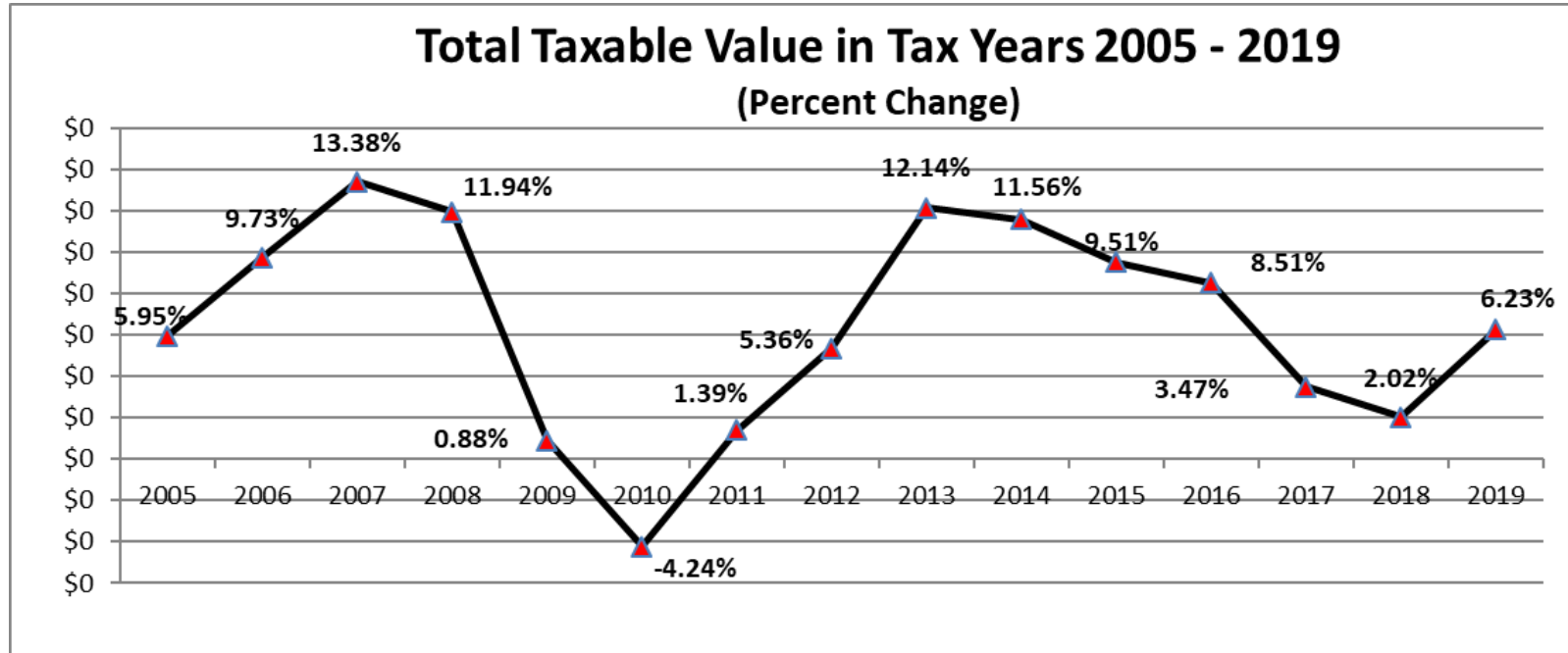
Major Property Category	2018 Current Taxable Value	Certified Estimated 2019 Taxable Value	Percent Change	2019 Percent of Total Values
Residential	74,729,710,584	80,315,195,977	7.47%	43.19%
Apartment	22,162,181,134	25,038,322,515	12.98%	13.46%
Commercial	51,556,660,933	52,947,247,192	2.70%	28.47%
Vacant 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

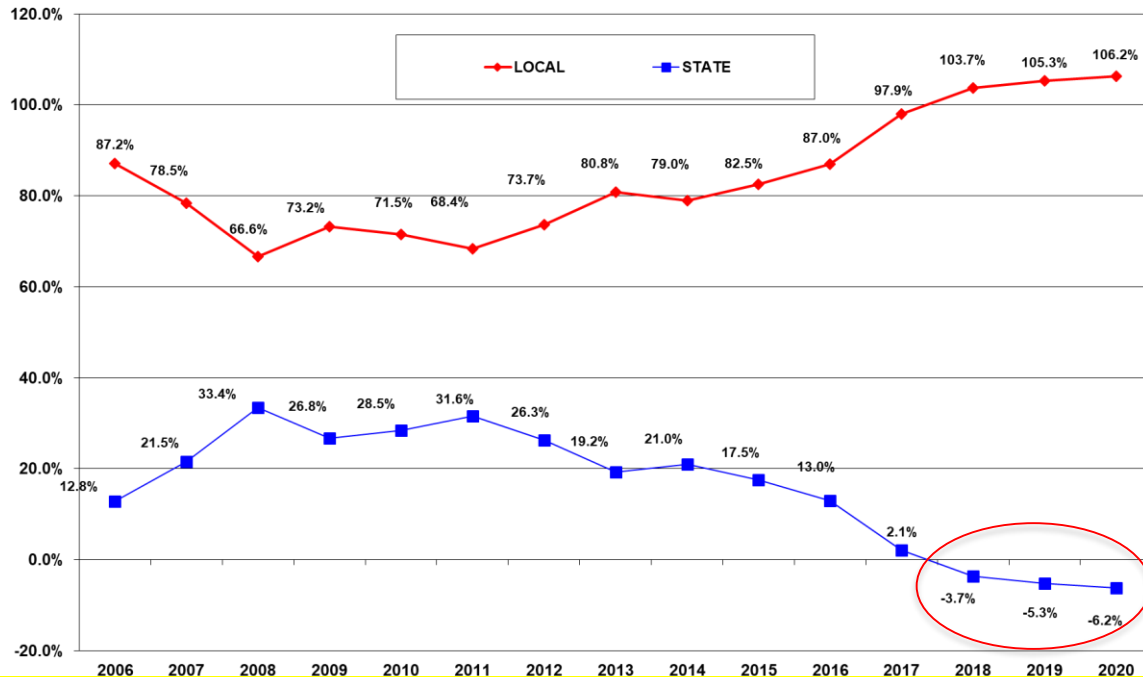


# PTAD "Lag"

	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)		
<b>Taxable Value</b>	165,861,644,665			171,610,628,471			175,049,983,443
<b>PTAD Value (adjusted for LOHE)</b>		158,650,913,715			166,937,675,461		
<b>Enrollment</b>							
<b>Chapter 41 Weighted Average Daily Attendance (WADA)</b>	265,891.426		269,013.243		266,410.158		
<b>Wealth per WADA limit</b>	\$ 514,000	\$ 514,000			\$ 514,000		
<b>Equalized Tax Base</b>		138,272,806,902			136,934,821,315		
<b>Amount over the Tax Base</b>		20,378,106,813			30,002,854,146		
<b>Percent Recapture on Compressed Tax Rate</b>		12.84%			17.97%		
<b>Wealth per WADA</b>	\$ 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"

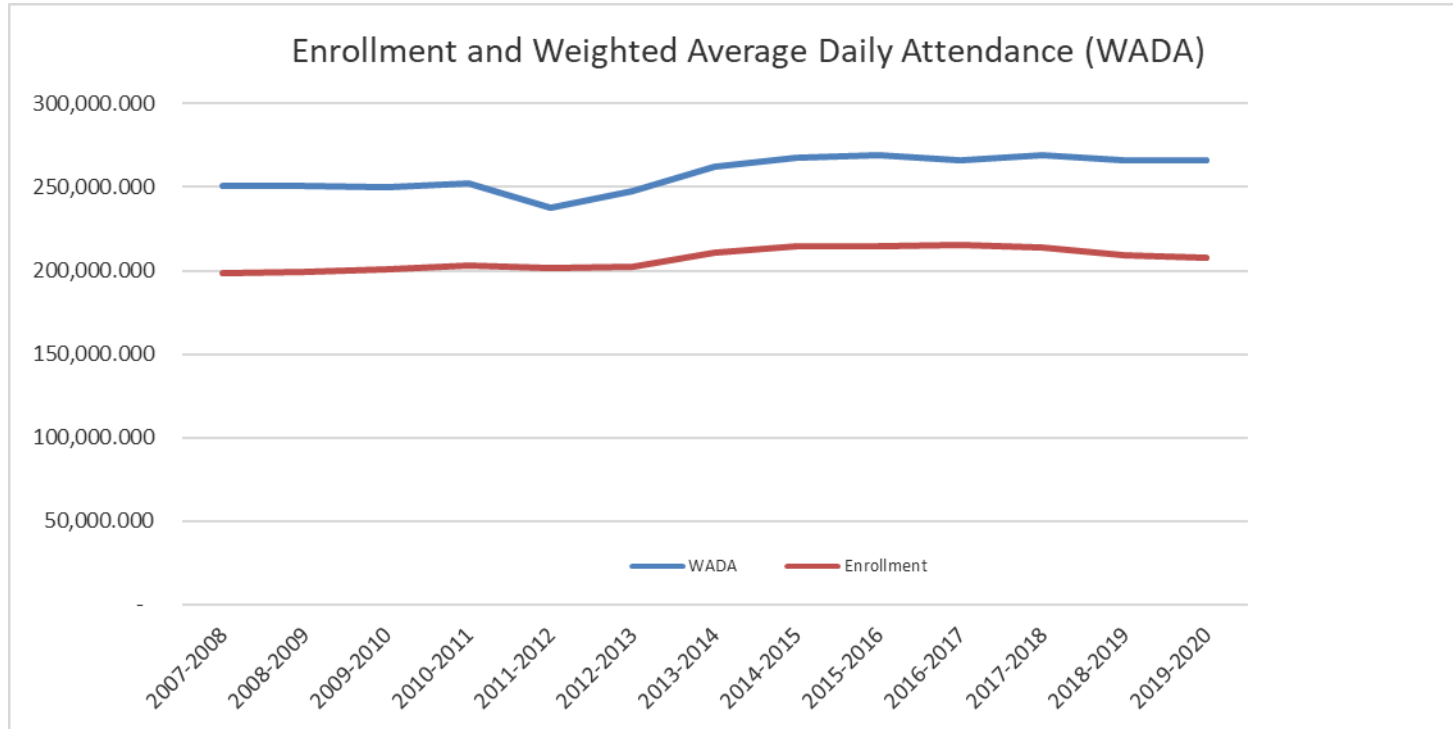
# Local Property Taxes vs. State Aid



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



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# GENERAL FUND REVENUES AND APPROPRIATIONS

# Assumptions

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

# 2019-2020 General Fund Budget

	<b>2018-2019 Original</b>	<b>2019-2020 Projected</b>
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
 <b>Revenues and Resources</b>		
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
<b>Total Revenues</b>	<b>\$ <u>2,007,745,003</u></b>	<b>\$ <u>2,101,665,071</u></b>
 <b>Beginning Appropriations</b>	 <b>\$ 2,096,294,796</b>	 <b>\$ 2,043,345,624</b>
 <b>Change in recapture payment</b>	 <b>\$ <u>3,505,182</u></b>	 <b>\$ <u>22,276,050</u></b>
 2018-2019 Step Schedule Salary Increases	 -	 5,030,470
2019-2020 Salary Increases (Master, Hourly, and Step)	-	-
Salary Increases	<b>\$ <u>-</u></b>	<b>\$ <u>5,030,470</u></b>

# 2019-2020 General Fund Budget

	<b>2018-2019 Original</b>	<b>2019-2020 Projected</b>
<b>Increases / Decreases with Offsetting Revenue</b>		
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	-
<b>Total Increases / Decreases with Offsetting Revenue</b>	<b>\$ (5,170,809) \$</b>	<b>\$ 83,341,522</b>
<b>Mandatory Increases</b>		
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)
<b>Total Mandatory Increases</b>	<b>\$ 18,378,741 \$</b>	<b>\$ 1,255,338</b>

# 2019-2020 General Fund Budget

	2018-2019 Original	2019-2020 Projected
<b>Other Increases</b>		
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
<b>Total Other Increases</b>	<b>\$ 16,713,046</b>	<b>\$ 8,363,591</b>

# 2019-2020 General Fund Budget

	<b>2018-2019 Original</b>	<b>2019-2020 Projected</b>
<b>Decreases</b>		
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)	-
<b>Total Decreases</b>	<b>\$ (82,933,673)</b>	<b>\$ (16,929,225)</b>

# 2019-2020 General Fund Budget

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



# Recapture Projections (Current Law)

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May 23, 2019

	<b>2018-2019 Original</b>	<b>2018-2019 Mid-Year*</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>
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

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# HEALTH INSURANCE

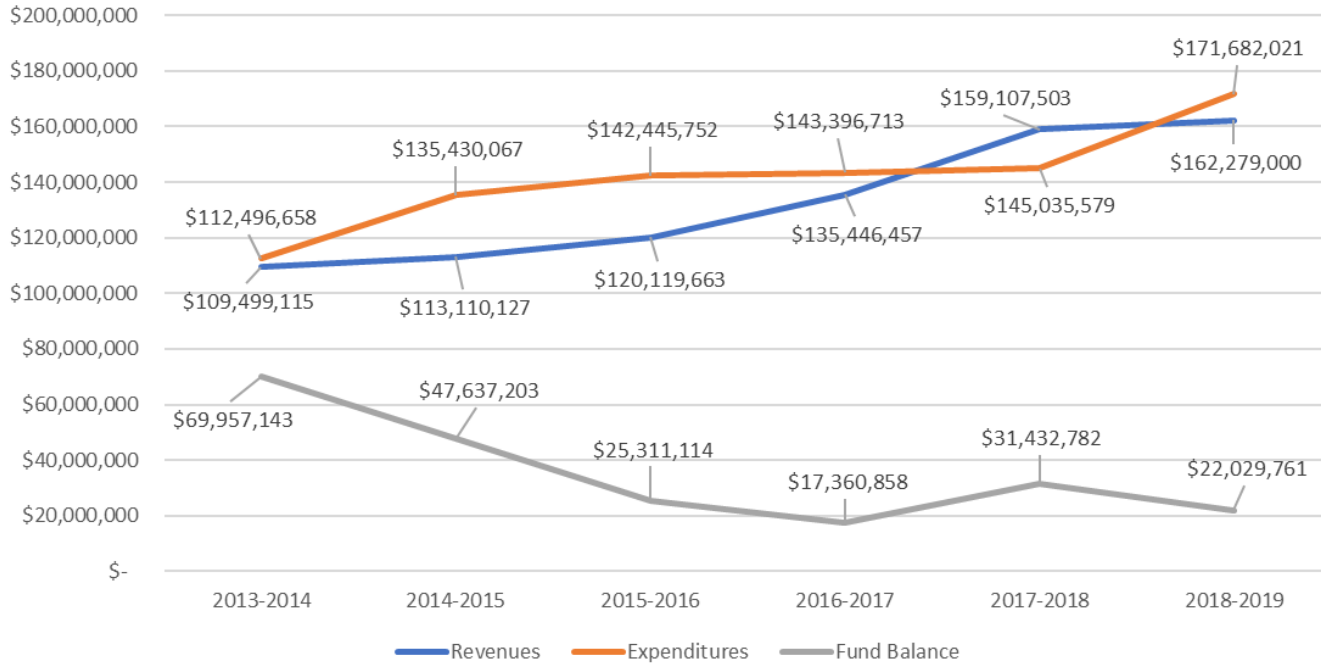
# Health Insurance Cost Increase

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- 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

Medical Plan/Option	Estimated	2019 EE	2020 EE	Annual Increase %	
	2019/20 Enrollment	Rates Per Pay Period	Rates Per Pay Period		
<b>Consumer Choice Plus</b>					
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%
<b>Consumer Choice Basic</b>					
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%
<b>Consumer Limited Plus</b>					
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%

Medical Plan/Option	2019 EE		2020 EE	Annual Increase %	
	Estimated 2019/20 Enrollment	Rates Per Pay Period			
<b>Consumer Limited Basic</b>					
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%
<b>Open Access</b>					
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%
<b>Select Plan</b>					
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

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	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%

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# Salary Cost Scenarios

# Other Job Groups on Teacher Pay Scale

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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

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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

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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%			4%			5%		
		Value	General Fund	All Other	Total District Cost	General Fund	All Other	Total District Cost	General Fund	All Other
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
<b>Total Salaried Cost</b>	<b>22,144</b>	<b>\$ 32,811,838</b>	<b>\$ 3,191,735</b>	<b>\$ 36,003,573</b>	<b>\$ 43,754,245</b>	<b>\$ 4,255,362</b>	<b>\$ 48,009,608</b>	<b>\$ 54,697,217</b>	<b>\$ 5,318,973</b>	<b>\$ 60,016,190</b>
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
<b>Total Hourly Cost</b>	<b>9,192</b>	<b>\$ 2,399,389</b>	<b>\$ 1,134,727</b>	<b>\$ 3,534,116</b>	<b>\$ 3,199,185</b>	<b>\$ 1,512,969</b>	<b>\$ 4,712,155</b>	<b>\$ 3,998,982</b>	<b>\$ 1,891,212</b>	<b>\$ 5,890,194</b>
<b>Total District Cost</b>	<b>31,336</b>	<b>\$ 35,211,227</b>	<b>\$ 4,326,462</b>	<b>\$ 39,537,689</b>	<b>\$ 46,953,431</b>	<b>\$ 5,768,332</b>	<b>\$ 52,721,763</b>	<b>\$ 58,696,199</b>	<b>\$ 7,210,185</b>	<b>\$ 65,906,384</b>

# 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%			4%			5%		
		Value	General Fund	All Other	Total District Cost	General Fund	All Other	Total District Cost	General Fund	All Other
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
<b>Total Salaried Cost</b>	<b>22,144</b>	<b>\$ 38,589,913</b>	<b>\$ 4,206,638</b>	<b>\$ 42,796,551</b>	<b>\$ 49,588,769</b>	<b>\$ 4,557,589</b>	<b>\$ 54,146,359</b>	<b>\$ 60,587,121</b>	<b>\$ 5,624,095</b>	<b>\$ 66,211,216</b>
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
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<b>Total District Cost</b>	<b>31,336</b>	<b>\$ 40,989,302</b>	<b>\$ 5,341,365</b>	<b>\$ 46,330,667</b>	<b>\$ 52,787,955</b>	<b>\$ 6,070,559</b>	<b>\$ 58,858,513</b>	<b>\$ 64,586,103</b>	<b>\$ 7,515,307</b>	<b>\$ 72,101,410</b>

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## SUMMARY AND FUTURE CHALLENGES

# Administration Recommends:

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- 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?

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- 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

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- 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***

