

Budget Workshop #6

May 5, 2022

*Millard House II
Superintendent, Houston Independent School District*



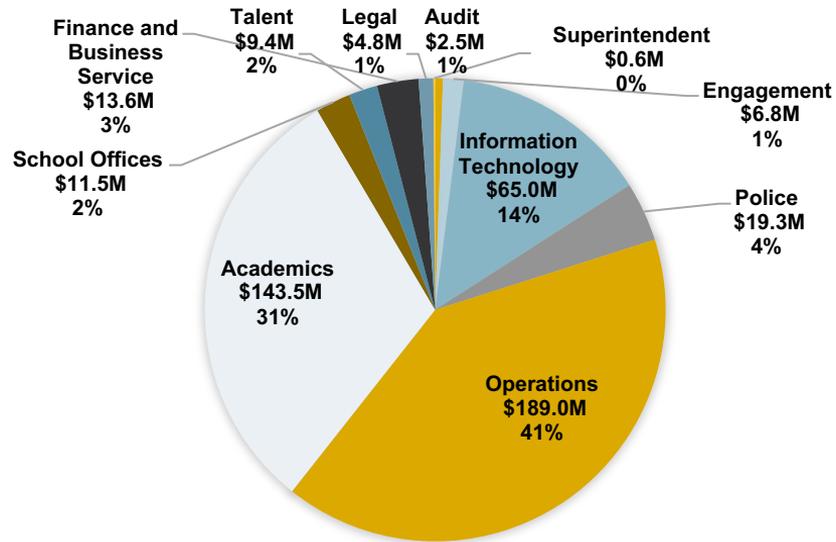
Agenda

- 1. Overview of Centrally Funded Expenditures**
- 2. Budgets and Reductions for 2022-2023 by Major Areas**
- 3. Revisiting Fund Balance**
- 4. Overall Budget for 2022-2023**
- 5. PUA History**

CENTRALLY FUNDED EXPENDITURES

FY21-22 Centrally Funded Expenditures Budget Summary

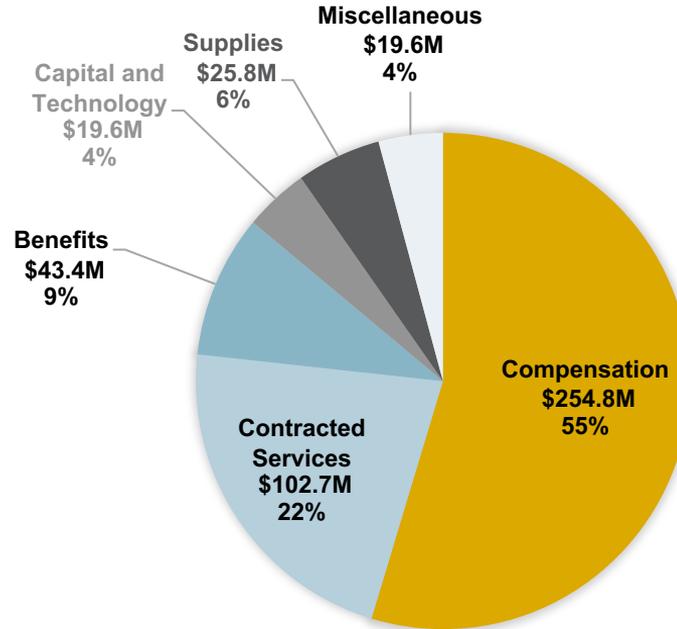
Original Adopted Budget Centrally Funded Expenditures Total - \$466.0M



Note: \$466.0M excludes uncontrollable expenses (districtwide services, and recapture). The summary above presents the adopted FY21-22 budget. Mid-year organizational changes are not presented.

Centrally Funded Expenditures by Commitment Category

By Spend Category



Note: \$466.0M excludes uncontrollable expenses (districtwide services and recapture)

Filled Centrally Funded Positions: FY 2017-18 – FY 2021-22

In the last four years, the centrally-funded job categories with the biggest increases were *Crossing Guards* and *Wraparound Services*. Excluding these increases, the total number of centrally-funded FTEs went down by 1,059 (10.4%) since SY 2017-2018.

Job Category	FY18 FTEs	FY22 FTEs	# Change: FY18 - FY22
Crossing Guard	158	548	+ 390
Wraparound Services	31	327	+ 296
Instructional Support	53	165	+ 113
School Support Services	94	179	+ 85
Grounds	61	104	+ 43
Research and Accountability	30	70	+ 40
User Device	8	37	+ 29
Transportation Attendant	97	119	+ 22
Special Populations	85	105	+ 20
Special Education	75	92	+ 17

Note: Positions funded from all funding sources are included. Full-Time Equivalent (FTE) are counted based on planned work hours for the relevant job category. For some positions, an FTE reflects fewer than 40 hours per week. For example, 1 FTE for a Crossing Guard is 10 hours per week based on planned work hours for that job title.

Job Category	FY18 FTEs	FY22 FTEs	# Change: FY18 - FY22
IT Customer Service	38	27	- 11
Non-Instructional Support	20	7	- 14
Staffing	24	11	- 14
Maintenance	132	117	- 15
Warehouse	80	61	- 19
Accounting	86	67	- 19
Skilled Trade – Equipment	198	178	- 20
Custodial	1279	1256	- 23
Skilled Trade – Facilities	227	203	- 24
Police	228	204	- 24
Clerical	316	261	- 55
Production	109	16	- 93
Drivers	1108	757	- 351
Service	1884	1514	- 370
ALL OTHER	3771	3395	- 376

Centrally Funded Budget Reductions for FY 22-23

The Superintendent and Cabinet used these guiding questions to decide how to thoughtfully and appropriately reduce centrally-funded budget items:

- Given my department's role in supporting teaching and learning, which budget items will most/least help my department contribute to the district's progress, as measured by the Board goals?
- How can I best align my department's budget, including funded positions and non-personnel items, to support the strategic plan?
- Where can/must we increase efficiency through changes to my department's budget?

BUDGET AND REDUCTIONS: ACADEMICS

Adopted Budget Allocations

Description	Amount
Support for Instruction (resources, training, instructional materials)	\$88.1M
Student Support Services (wraparound, counseling)	\$24.2M
College, Career, and Military Readiness	\$18.2M
Research & Accountability	\$13.1M
TOTAL:	\$143.5M

Reductions for 2022-2023

Description	Impact	Amount
Reduced curriculum specialists, managers, TDS positions, and academic supports	We will no longer write curriculum for core content areas and we will have less support for instructional coaching	\$4.1M
Fund all wraparound specialists through ESSER	No immediate impact; need to identify funding to continue beyond 2 years	\$12M
Reduced College Career Readiness Advisors	Less direct student support in college advising, FAFSA, and college application submission	\$3.7M
Eliminate district funded testing & IB program support fees, and other program supports	Schools will need to pay for AP & IB testing, universal 5th grade GT testing eliminated	\$3.2M
Elimination of various Title I programming		\$341K
TOTAL		\$23.3M

BUDGET AND REDUCTIONS: INFORMATION TECHNOLOGY

Adopted Budget Allocations

Description	Amount
1:1 Program Implementation, Service and Support	\$28.2M
Network Connectivity, Systems, Cybersecurity and Infrastructure Support	\$11.3M
Enterprise-Wide Applications and Data Integrations	\$7.0M
Districtwide Software Licensing, Service and Support	\$18.5M
TOTAL:	\$65M

Reductions for 2022-2023

Description	Impact	Amount
1:1 Program Implementation, Service and Support	Reduction of Power UP device leases at the high schools. Bond funding will be needed in the future to cover the cost of the devices or high school campuses will need to fund the device purchases.	\$14.5M
Computer Device Repairs and Contracted Services	Reduction of contracted services to repair broken devices will result in less devices being available for students and teachers. In addition, campuses will need to cover the cost of repairing devices.	\$4.5M
TOTAL		\$19M

BUDGET AND REDUCTIONS: ENGAGEMENT OFFICE

Adopted Budget Allocations

Description	Amount
Communications	\$3.1M
Family and Community Engagement <ul style="list-style-type: none">• Community Relations• Family and Community Engagement• Parent & Community Assistance	\$2.5M
Government Relations	\$500K
Board Services	\$700K
TOTAL:	\$6.8M

Reductions for 2022-2023

Description	Impact	Amount
Communications vacancy closures	Less communications support to campuses and departments. Additional duties assigned to fewer personnel	\$488K
Board Services vacancy closure	Less support to Board and more responsibilities assigned to current personnel	\$103K
Government relations contract reduction	Less external legislative support which will impact appropriations requests and legislative advocacy efforts	\$120K
Reduction of departments' non-salary budgets	Fewer funds available to support work of departments	\$125K
TOTAL		\$837K

BUDGET AND REDUCTIONS: SCHOOL OFFICES

Adopted Budget Allocations

Description	Amount
Innovation and Strategy <ul style="list-style-type: none">• School Choice• Charter and Innovative Schools• Enrollment	\$2.5M
Schools Office <ul style="list-style-type: none">• Three Elementary Offices• Middle School Office• High School Office	\$7.2M
Leadership Development	\$205K
School-Level Human Capital (transferred to Talent Office)	\$1.6M
TOTAL:	\$11.5M

Reductions for 2022-2023

Description	Impact	Amount
Salaries & Benefits	<ul style="list-style-type: none"> • Less monitoring, supervision, and support provided to schools; • Reduces efficiency in brokering services and cascading information from other departments to schools; • Minimizes efforts to quickly resolve parental concerns that escalate to central office; and, • Decreases capability to respond to external shareholder inquiries & facilitate engagement with schools. 	\$1.6M
Career Pathways & Teacher Leader Program	<ul style="list-style-type: none"> • Weakens leadership capacity and pipeline strategy • May negatively impact retention of top teachers 	\$83K
TOTAL		\$1.7M

BUDGET AND REDUCTIONS: TALENT OFFICE

Adopted Budget Allocations

Description	Amount
Professional Standards & Employee Relations <ul style="list-style-type: none">• Benefits• Human Talent Management• Professional Standards (investigations/complaints; background screening; physicals)	\$5.4M
Talent Acquisition & Performance Management <ul style="list-style-type: none">• Compensation• HR Information Systems• Performance Management• Talent Acquisition (recruitment, including Teach Forward program)	\$4.0M
TOTAL:	\$9.4 M

Note: School-Level Human Capital (transferred to Talent from School Offices of \$1.6 million will be reflected in the 2022-2023 adopted budget)

Reductions for 2022-2023

Description	Impact	Amount
Reduce <i>Teach Forward</i> program budget	Decreases number of HISD graduates in teacher pipeline	\$815K
Align budgets for background screening, physicals, and other based on trends	Less fallout, but no anticipated impact on operations	\$128K
Reduce General Fund recruitment costs (for which ESSER funds are allocated)	ESSER allocation <i>expands</i> ability to implement a comprehensive recruitment plan for next 2 years	\$150K
Eliminate General Fund positions for talent acquisition, talent development, and talent operations	Need to identify ways to increase efficiency	\$402K
TOTAL		\$1.5M

BUDGET REDUCTIONS: OPERATIONS

Adopted Budget Allocations

Description	Amount
Chief Operating Office: Support of Business Operations Departments that have budget shortfalls with campus related issues and projects	\$1.5M
Business Operations: Customer Care Center, Training-Compliance, Leadership Development, Information Technology Support, Department Training, Real Estate, Security Dispatch and Access	\$3.7M
Facility Services Administration: Maintains 256 Campuses with more than 500 buildings and more than 1300 Temporary Buildings - 30 Million Square Feet. Custodial, Crossing Guards, Heating and Air Conditioning, Electrical, Plumbing, Roofing, Welding, Sheetmetal, Hazardous Materials, Environmental Services – Indoor Air Quality, Alarms, Security Maintenance - CCTV, Bells, Clocks, Card Access, Locks, Grounds and Landscaping, Pest Control, Facility Rentals, Code Compliance and Maintenance of Kitchens	\$130.5M
Transportation: Transporting of Students, Bus Driver Training, Routing and Scheduling, Bus Terminal Management, Fleet Services - Maintenance of Buses and White fleet	\$52.3M
Nutrition Services: Maintenance of School Kitchens	\$512K
TOTAL	\$189M

Reductions for 2022-2023

Description	Impact	Amount
Vacant Hourly Bus Drivers	Reduction in funding will impact bus driver overtime, ability to support bus route expansion once student enrollment increases and the internal movement of funding for bus repairs.	\$7.0M
Vacant Maintenance Positions	Further reduces the ability to provide routine maintenance and other services to campuses.	\$813K
Vacant Transportation Support Positions	Reduces support to the Transportation Department.	\$162K
Maintenance Positions to Nutrition Services	No Impact- transferred to Enterprise (FD1)	\$1.4M
Non-Business Support Positions	May reduce Human Resources support to Business Operations Departments	\$515K
Non-Salary Reduction	Deferred Maintenance levels will continue to increase. All equipment testing will be impacted.	\$2.9M
Benefits Reduction Based on Positions Closing		\$670K
TOTAL		\$13.4M

POLICE, FINANCE AND BUSINESS SERVICES AND GENERAL COUNSEL

Adopted Budget Allocations

Description	Amount
Finance and Business Services	\$13.6M
Legal Services	\$4.8M
Police	\$19.3M
Audit	\$2.5M
TOTAL:	\$40.2M

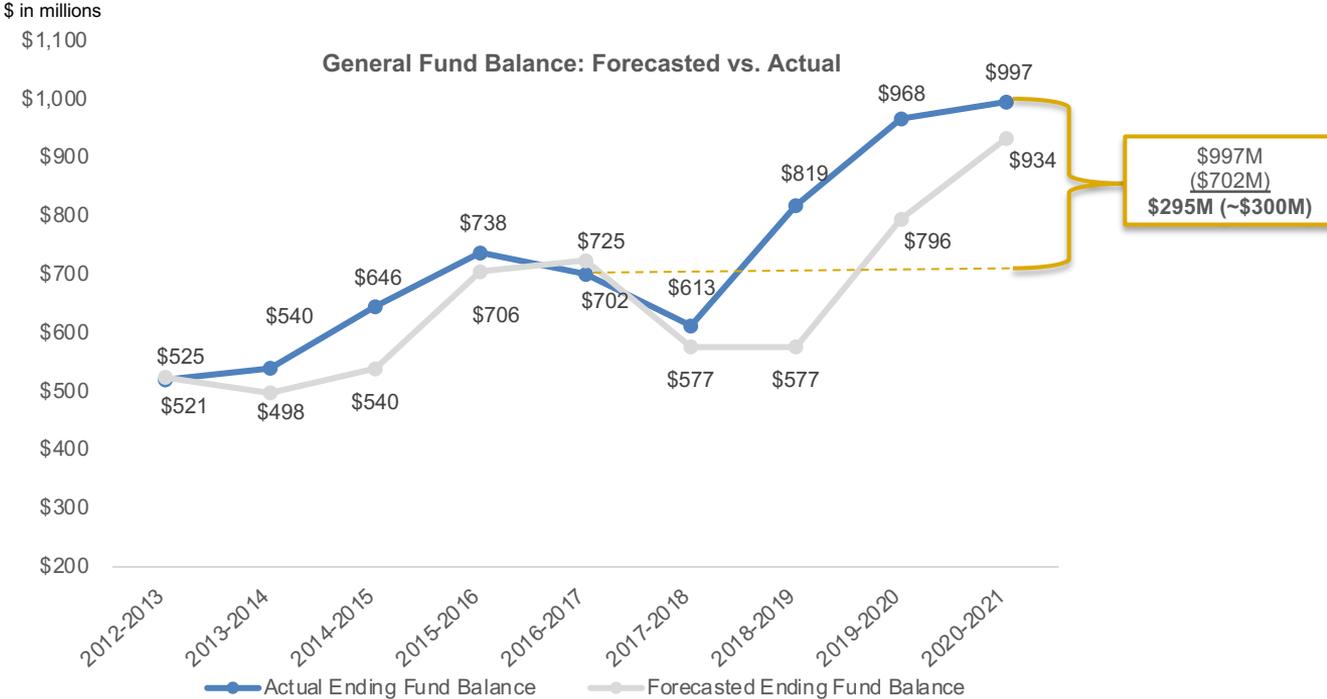
GENERAL FUND REDUCTION SUMMARY

General Fund Reductions for 2022-2023

Description	Amount
Police, Finance and Business Services, Legal Services	\$0
Academics	\$23.3M
Information Technology	\$19.0M
Engagement	\$837K
School Offices	\$1.6M
Talent	\$1.5M
Operations	\$13.4M
TOTAL	~\$60.0M

REVISITING FUND BALANCE

Fund Balance History (Change in Surplus Explained)



- HISD has seen fund balance changes with more variance in recent years. The fund balance growth has been driven by:

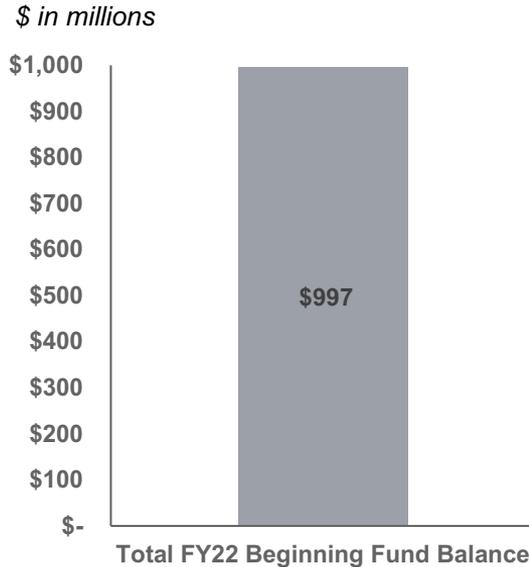
\$997M
 (\$702M)
 \$295M (~\$300M)

- 18-19:**
 - \$133M in unexpected (Hurricane Harvey Funds from the State)
 - Increase in State per-capita revenue
 - Vacancies/hiring freeze

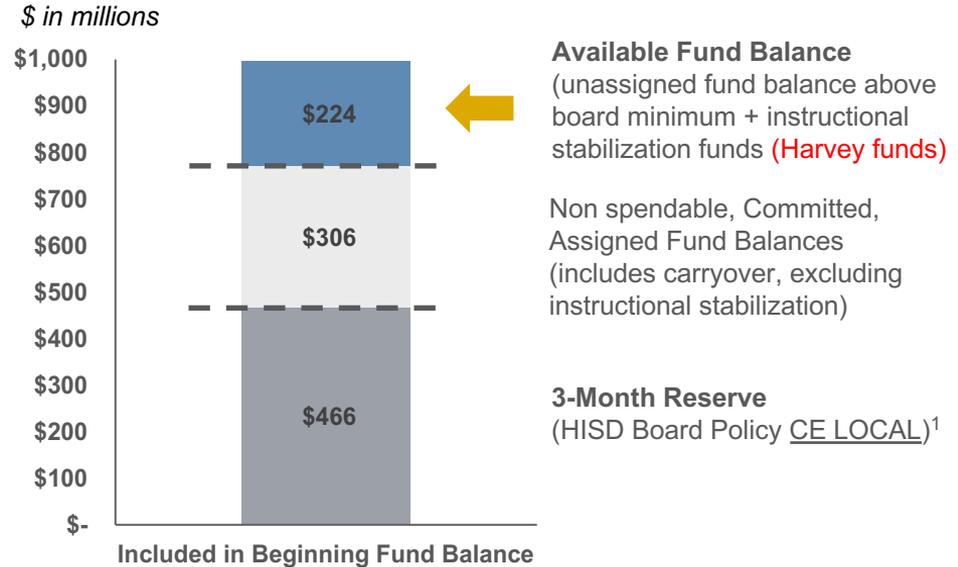
- 19-20 & 20-21:**
 - Cost savings resulting from COVID-19 pandemic
 - High position vacancy rates
 - Cost savings initiatives

Available Fund Balance Broken Down

FY22 BEGINNING FUND BALANCE



COMPONENTS OF FUND BALANCE



1) Example demonstrates FY22 Beginning Available Fund Balance – total amount will adjust over time based on growth in appropriations relative to 3-month reserve requirement

OVERALL BUDGET FOR 2022-2023

HCAD Certified Estimated Values

Major Property Category	2021 Taxable Value	Percent Change	Projected 2022 Taxable Value
Residential & Rural Improved	89,022,208,244	11.40%	99,166,622,707
Apartments	28,955,163,670	12.95%	32,706,135,157
Commercial	56,857,610,421	7.90%	61,348,019,805
Vacant Land	5,486,526,907	4.47%	5,731,684,900
Industrial	4,145,009,921	5.32%	4,365,475,745
Utility	2,030,326,944	5.25%	2,136,825,714
Commercial Personal	10,151,306,190	-2.72%	9,875,190,662
Industrial Personal	5,377,981,483	-3.96%	5,165,185,512
All Other Property	139,190,653	-2.73%	135,396,316

Projected 2022 Taxable Value	202,165,324,433	9.13%	220,630,536,518
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Projected 2022 Taxable Value Range

Accuracy +/- 5%	209,599,009,690	To	231,662,063,341
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Does not reflect Proposition 2 increasing the homestead exemption for school district property taxes from \$25,000 to \$40,000

Appraised, Market, Taxable Values

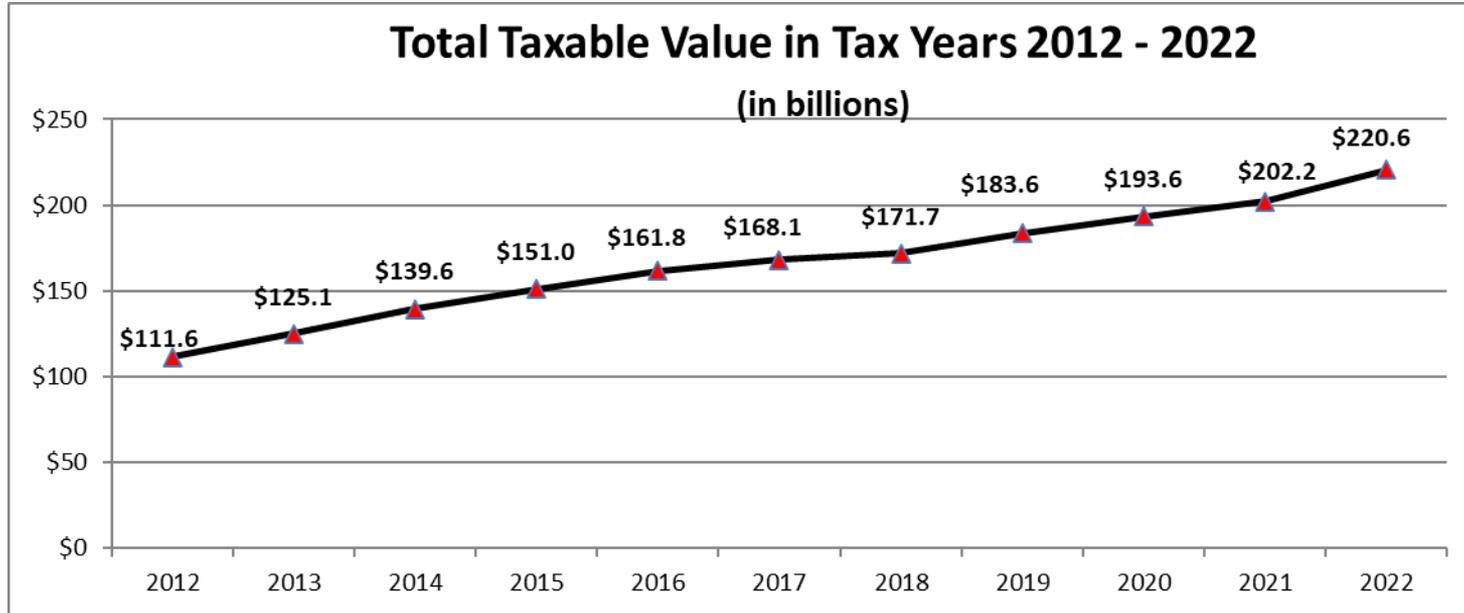
	2021	2022
Average Market Value of Residences:	\$329,093	\$368,270
Average Taxable Value of Residences:	\$252,920	\$278,820

Total Appraised Value of All Property:	\$259,331,614,123	\$283,018,234,309
Total Appraised Value of New Property:	\$5,818,118,753	\$5,965,564,353
Total Taxable Value of All Property:	\$202,165,324,433	\$220,630,536,516
Total Taxable Value of New Property:	\$4,535,589,960	\$4,650,533,090

Total Market Value of All Property:	\$262,427,849,435	\$286,397,271,045
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Last Year Losses Due To Substantial Error Corrections	\$18,801,599
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Appraised, Market, Taxable Values



Does not reflect Proposition 2 increasing the homestead exemption for school district property taxes from \$25,000 to \$40,000

Detailed Financial Analysis

		2021-2022 (Original)	2021-2022 (Current)	2022-2023	2023-2024
Revenue and Resources					
5700-Local Sources	\$	1,906,723,497	1,815,904,036	1,906,636,720	1,959,002,822
5800-State Sources		157,174,069	189,306,455	194,601,555	181,623,824
5900-Federal Sources		17,230,000	42,230,000	68,664,995	88,664,995
7900-Other Sources		42,366,685	42,557,540	20,000,000	20,000,000
Total Revenues	\$	2,123,494,251	2,089,998,031	2,189,903,270	2,249,291,642
Beginning Appropriations	\$	2,028,542,973	2,205,570,566	2,205,570,566	2,326,162,867
Changes in Appropriations					
Change in recapture payment	\$	201,181,389	(25,938,604)	62,027,383	36,222,662
Salaries & Benefits					
Teachers and others on placement tables original budget	\$	7,448,057	-	-	62,950,621
Teachers and others on placement tables amendments		-	33,471,868	33,471,868	-
Elementary Principals and AP's / Deans		2,312,494	-	-	-
Compensation Package - All employees		-	-	82,678,131	-
Health Insurance		-	-	5,000,000	10,000,000
Total Salaries & Benefits	\$	9,760,551	33,471,868	121,149,999	72,950,621

Detailed Financial Analysis

		2021-2022 (Original)	2021-2022 (Current)	2022-2023	2023-2024
Appropriation Increases					
TRS on-behalf	\$	7,000,000	-	-	-
ESSER Support Positions		-	793,713	1,434,995	-
Special education		18,954,831	-	-	-
Performance contract schools		7,000,000	11,000,000	19,494,800	-
Transfers Out		-	9,328,032	-	-
Campus Resource Allocation		-	-	-	-
Tax Increment Reinvestment Zones		6,040,024	-	2,704,271	3,365,552
Custodial Services		6,700,000	-	-	-
Contract Management System		-	965,726	766,271	-
Verizon Innovative Learning Support		1,636,946	-	560,095	-
Move of Bond Positions		-	-	504,325	-
Property, liability, auto insurance		1,000,000	-	-	-
Bilingual education setaside		900,000	-	-	-
Total increases to appropriations	\$	49,231,801	22,087,471	25,464,757	3,365,552

Detailed Financial Analysis

	<u>2021-2022</u> <u>(Original)</u>	<u>2021-2022</u> <u>(Current)</u>	<u>2022-2023</u>	<u>2023-2024</u>
Appropriation Decreases				
Capital lease recognition	22,366,685	-	(22,366,685)	-
College, Career, Military Readiness (CCMR)	-	-	-	-
Campus Resource Allocation	(52,470,674)	-	(2,033,276)	-
Transfer to ESSER Hold Harmless	-	(87,981,696)	-	-
Transfers out	(18,428,750)	-	-	-
State Compensatory Education	(7,000,000)	(2,424,312)	-	-
Early Education Allotment	(6,433,346)	(2,558,815)	-	-
Districtwide	(5,000,000)	-	(3,649,876)	-
Device maintenance from COVID device purchases	4,569,000	(4,569,000)	-	-
Department cuts	(4,800,000)	-	(60,000,000)	-
Harris County Appraisal District (HCAD)	(395,077)	-	-	-
Total decreases to appropriations	\$ (67,592,162)	(97,533,823)	(88,049,837)	-
One-time increase/decreases to appropriations				
Retention stipends 2020-2021	(15,553,987)	-	-	-
Total one-time increases/decreases to appropriations	\$ (15,553,987)	-	-	-

Detailed Financial Analysis

		<u>2021-2022 (Original)</u>	<u>2021-2022 (Current)</u>	<u>2022-2023</u>	<u>2023-2024</u>
2021-2022 Appropriations	\$	<u>2,205,570,566</u>	<u>2,137,657,478</u>	<u>2,326,162,867</u>	<u>2,438,701,702</u>
Surplus / (Deficit)	\$	<u><u>(82,076,315)</u></u>	<u><u>(47,659,446)</u></u>	<u><u>(136,259,597)</u></u>	<u><u>(189,410,061)</u></u>
Minimum fallout		40,000,000	123,464,638	70,000,000	70,000,000
Surplus / (Deficit) after fallout	\$	<u><u>(42,076,315)</u></u>	<u><u>75,805,192</u></u>	<u><u>(66,259,597)</u></u>	<u><u>(119,410,061)</u></u>

Note: 2021-2022 does not include carryover expenditures or the one-time cost for the timeclock system as they are not recurring operational expenditures.

PUA HISTORY

Per Unit History Summary: FY10-11 to FY22-23

Dollar per PUA - '10-'11			Teacher Salary Increases			Non-Salary Changes			Total PUA Changes			Dollar per PUA - '22-'23			Net PUA Changes - Percentages		
ES	MS	HS	ES	MS	HS	ES	MS	HS	ES	MS	HS	ES	MS	HS	ES	MS	HS
\$ 3,485	\$ 3,510	\$ 3,474	\$ 724	\$ 724	\$ 724	\$ (455)	\$ (444)	\$ (444)	\$ 269	\$ 280	\$ 280	\$ 3,754	\$ 3,790	\$ 3,754	7.7%	8.0%	8.1%

Teacher Salary has increased by \$724 per PUA from '10-'11 to the projected '22-'23 budget

Non-Salary changes have decreased by (\$444) to (\$455) over the same time period

Total PUA has increased by \$269 to \$280 from '10-'11 to the projected '22-'23 budget

By increasing teacher salaries allotments in PUA by \$724 and decreasing non-salary by ~\$450, HISD has asked schools to provide for 62% of past pay increases.

In contrast, the proposed pay increase for FY23 will not require funding from schools.

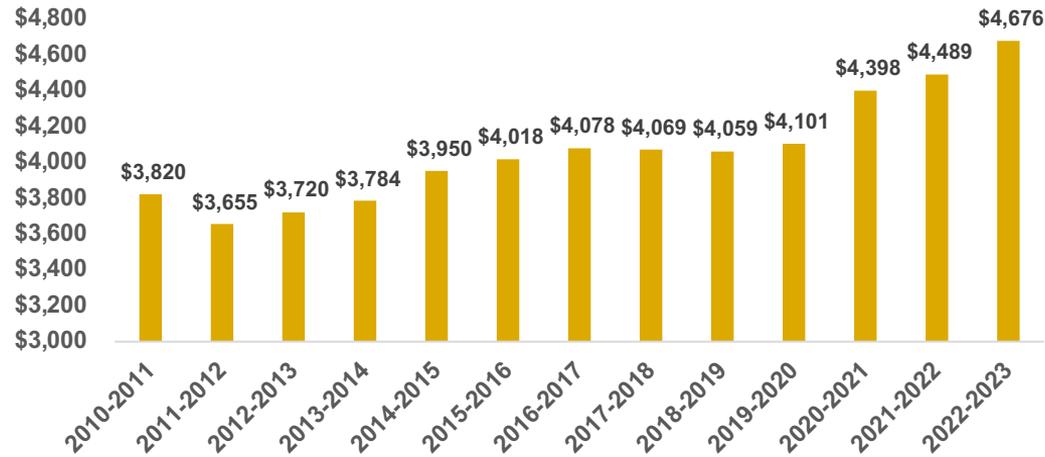
Note: Changes to the PUA since FY11-12 include the following:

- 1) Added weights for Homeless and Refugee (0.05 each)
- 2) Increasing State Compensatory rates from 0.15 to 0.20 in FY19-20
- 3) Increasing Bilingual rates in FY20-21 from 0.10 to 0.11

Per Student Funding Comparison: FY10-11 to FY22-23

While enrollment has declined over this time period, it has been more than offset by an increase in identified student needs and added or increased weights for homelessness, SCE, and Bilingual allocations. **As a result, from FY10-11 to FY22-23 the total Resource Allocation per Student grew by \$856 or 22%.**

Resource Allocation Per Student



Note: FY22-23 includes the \$33M board approved salary increase approved in FY21-22, but does not include \$56M in school-based salary increase proposed

Budget Takeaways

- Increases compensation for all employees based on a three-year strategic compensation plan.
- Reduces centrally-funded expenditures to help fund the compensation plan.
- From FY10-11 to FY22-23, the total resource allocation per student has increased.
- The 2022-2023 budget increases the Per Unit Allotment for schools to maintain the same PUA purchasing power for schools after compensation increases.
- Schools are required to staff a librarian or media services specialist, a counselor or social worker, and a nurse or associate nurse from their PUA.
- As discussed in prior workshops campuses will receive additional Title I and ESSER funding in 2022-2023.

Q&A

01

Building Trust and
Reliability for Our
Families and
Community

02

Providing
Equitable
Opportunities
and Resources
at Every School

03

Ensuring Great
Schools and
Programs in
Every
Community

04

Promoting High-
Quality Teaching
and Learning

05

Delivering
Effective Services
and Supports to
Students with
Exceptional
Needs

06

Cultivating
World-Class
Talent at
All-Levels