

HOUSTON INDEPENDENT SCHOOL DISTRICT

Public Hearing On Budget and Proposed Tax Rate

2018-2019 Budget

Date: June 14, 2018

Presenter: Finance



Agenda

- Property Values & Enrollment
- General Fund Revenues and Appropriations
- Revenue Assumptions
- Budget Breakdown
- Future Challenges

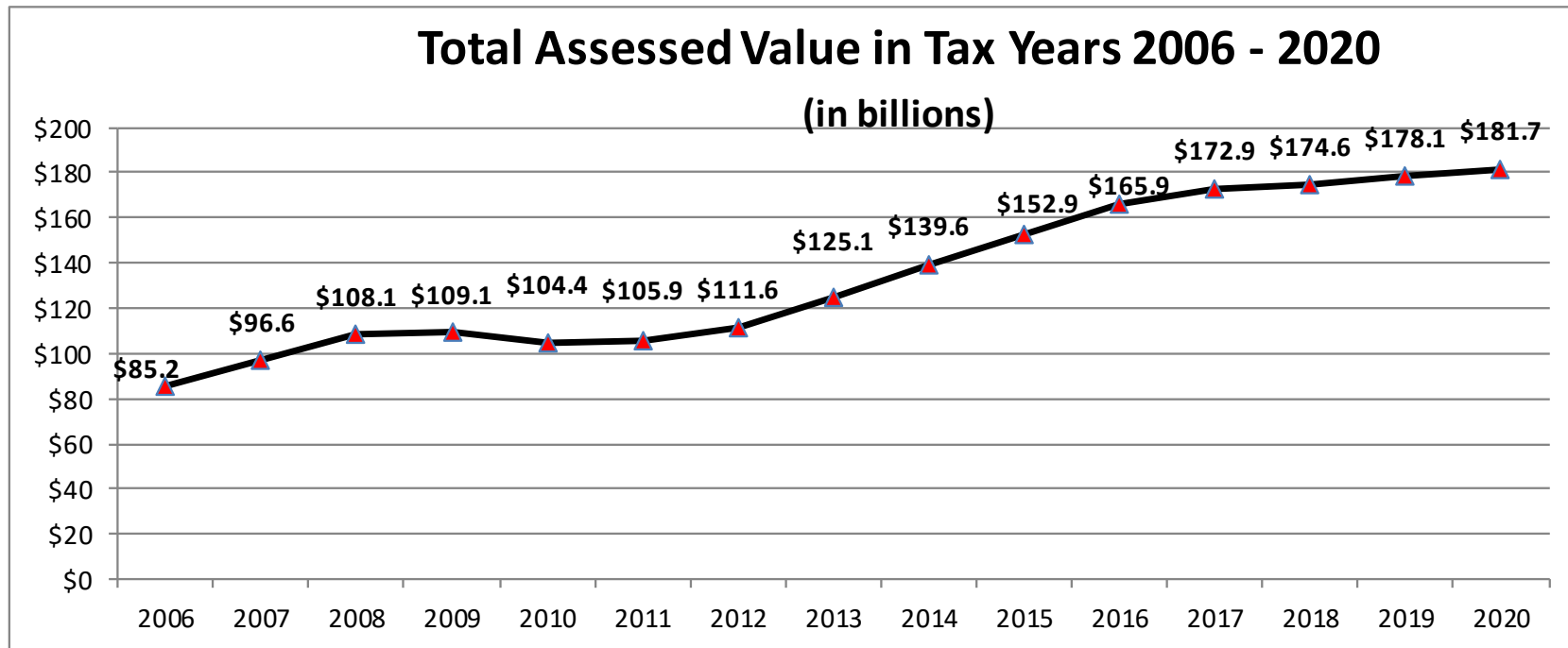
Property Values & Student Enrollment

Property Values

Major Property Category	Projected 2017 Taxable Value	Projected 2018 Taxable Value	Percent Change	2018 Percent of Total Values
Residential	73,299,757,848	75,541,068,635	3.06%	42.83%
Apartments	21,093,592,818	22,198,133,797	5.24%	12.59%
Commercial	51,731,179,417	51,571,775,123	-0.31%	29.24%
Vacant Land	4,810,589,844	4,649,873,585	-3.34%	2.64%
Industrial	3,782,827,906	3,966,766,022	4.86%	2.25%
Utility	1,711,656,308	1,721,575,356	0.58%	0.98%
Commercial Personal	10,329,971,221	10,855,146,958	5.08%	6.15%
Industrial Personal	6,079,563,290	5,762,157,566	-5.22%	3.27%
All Other Property	84,939,089	99,485,757	17.13%	0.06%
Total Taxable Value	172,924,077,741	176,365,982,799	1.99%	100.00%

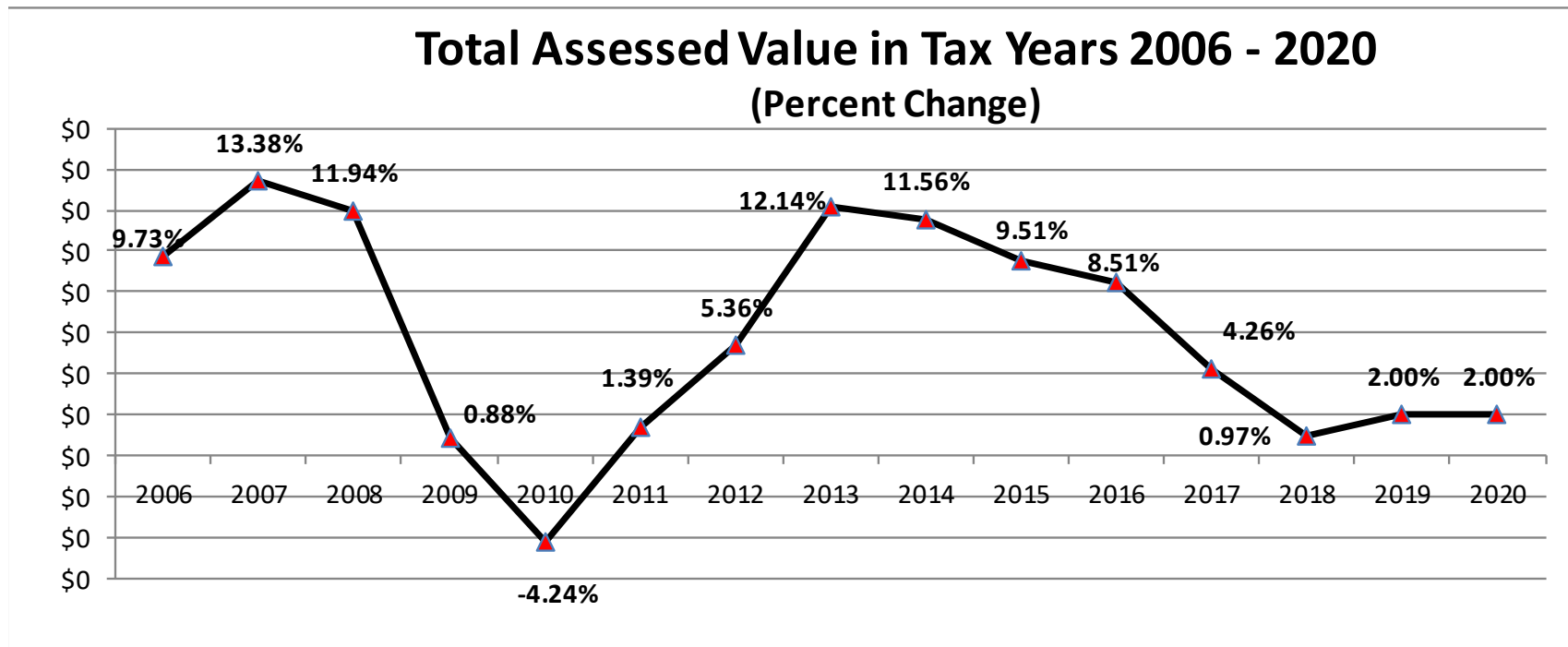
Market vs Taxable Value	2016	2017	Percent Change
Average Market Value of Residences	285,416	287,080	0.58%
Average Taxable Value of Residences	215,229	219,857	2.15%

Assessed Value History



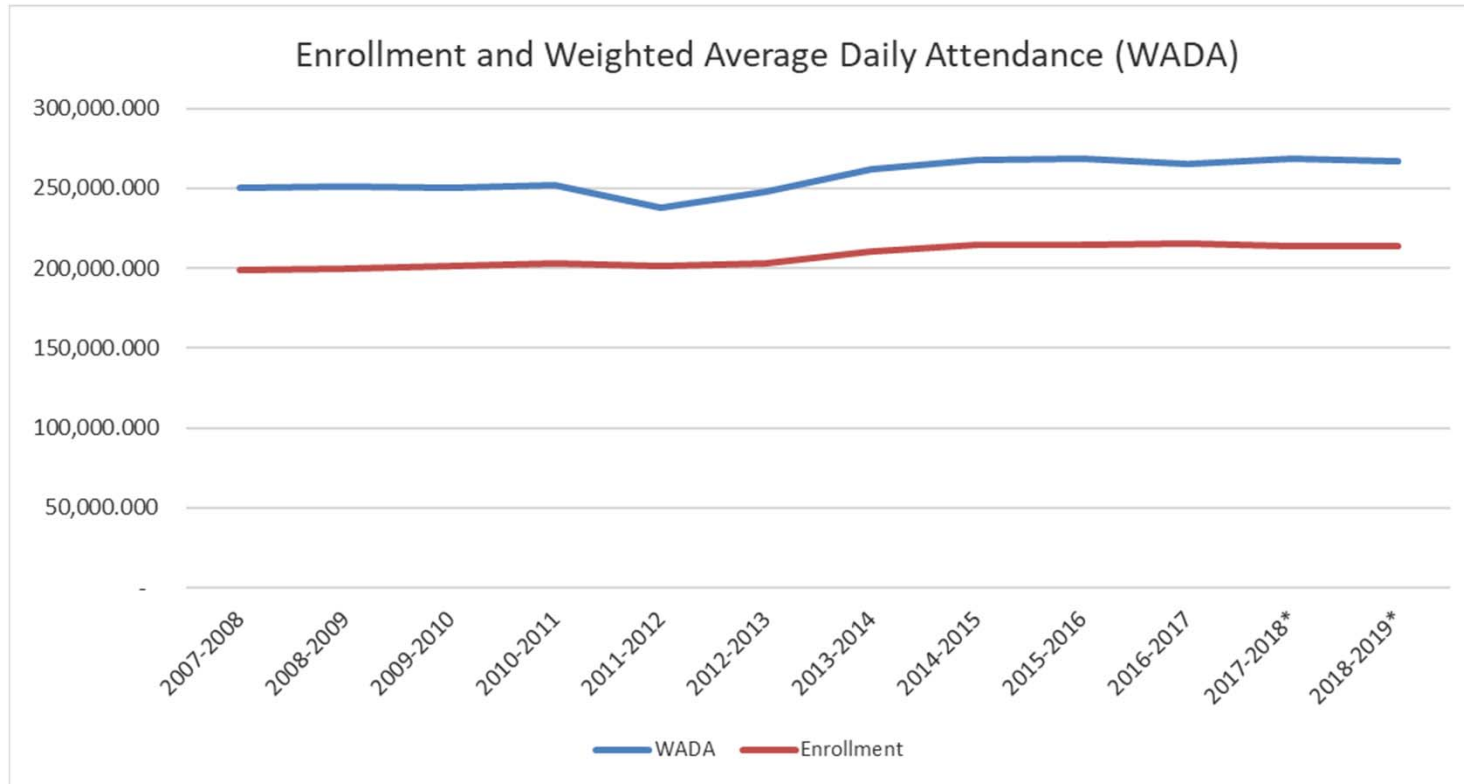
Source: Tax years 2004 - 2016 HISD CAFR, 2017 HCAD Certified Roll, 2018-2020 HISD Estimated

Assessed Value History



Source: Tax years 2004 - 2016 HISD CAFR, 2017 HCAD Certified Roll, 2018-2020 HISD Estimated

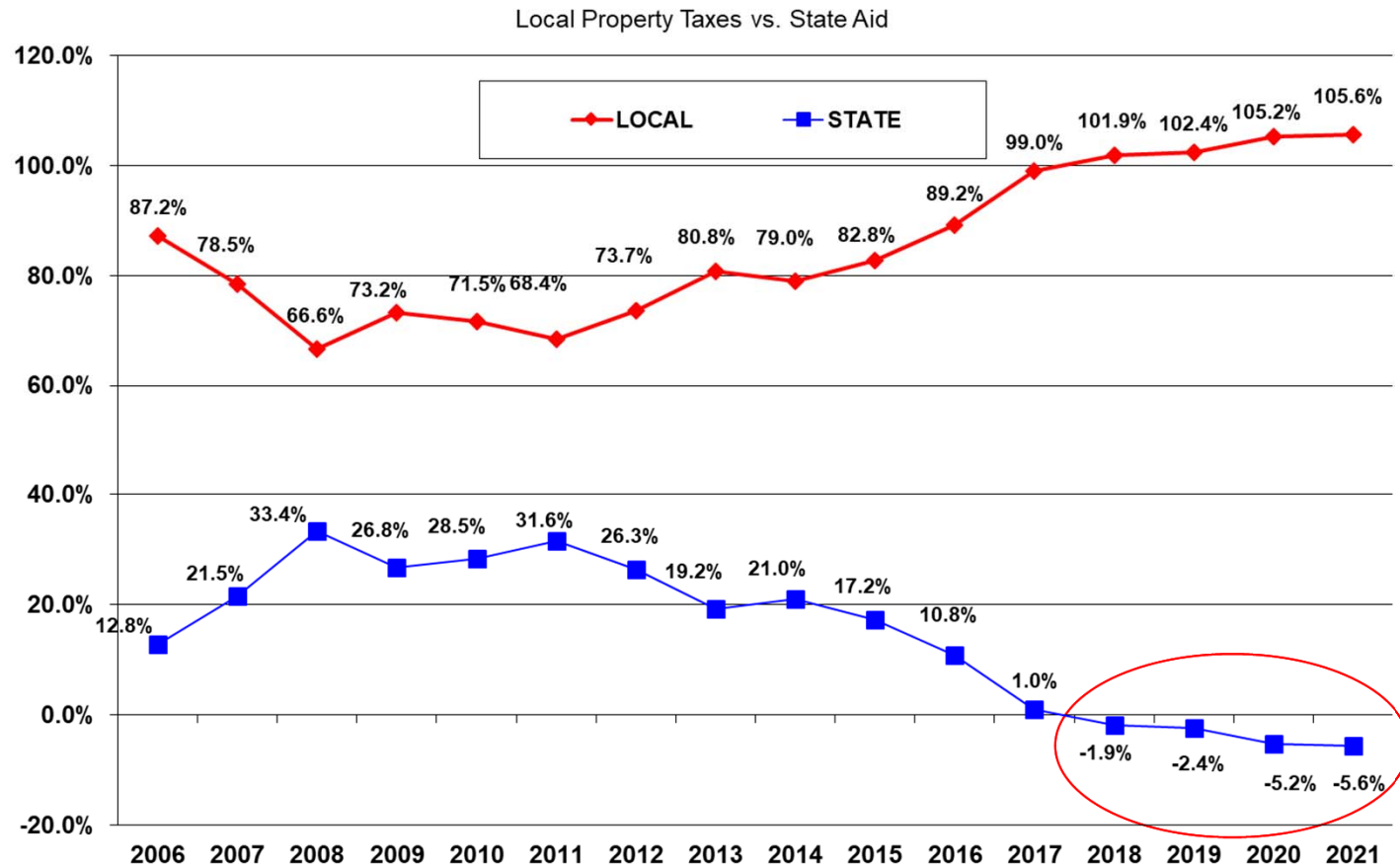
Enrollment and WADA



*Source: FY2007-FY2017 Texas Education Agency Summary of Finances, FY2018-FY2019 Projections Office of Budgeting and Financial Planning

Note: Decrease in WADA in 2011-2012 was due to how the state cut school funding. The enrollment increase in 2013-2014 was due to the annexation of the North Forest I.S.D.

Local Property Taxes vs. State Aid



State share is negative. Therefore, HISD sent / will send more than it receives in State Aid due to recapture (about \$41.2 million in 2017-2018 and \$98.5 million in 2018-2019).

GENERAL FUND APPROPRIATIONS

Revenue Assumptions

Local Roll Values	\$174.6 Billion (.97% Increase over tax year 2017 Certified Value of \$172.9 Billion)
Comptroller's Property Tax Value (CPTD)	\$174.2 Billion (2017 tax year certified value) – used to determine district wealth. There is a one year lag in the state's funding formula.
Proposed Local Tax Rate	<ul style="list-style-type: none"> • Maintenance & Operations (M&O) \$1.04 • Interest & Sinking (I&S) \$0.1667 • Total Tax Rate \$1.2067
State Aid Calculations	<ul style="list-style-type: none"> • Based on current law • Recognition of the Local Optional Homestead Exemption (LOHE)
Average Daily Attendance (ADA)	192,132.494
Weighted Average Daily Attendance (WADA)	267,010.725

2018-2019 Budget Deficit

	2018-2019 Projected
Budget Deficit Fall, 2017	(208,469,154)
Recognition of LOHE and Commissioner's Hold Harmless	92,883,185
Budget Deficit Spring, 2018	(115,585,969)
Budget Deficit as of April 30, 2018 (Certified Estimated)	(114,154,524)
May revenue changes:	
State Aid revenues primarily from the Available School Fund	14,733,747
Increase in interest earnings	7,535,000
Indirect Cost Revenue from Nutrition Services	6,780,727
Miscellaneous revenues primarily from purchasing rebates	2,820,000
Updated deficit May, 2018	<u>(82,285,050)</u>
Campus Cuts (PUA)	33,791,358
Department Cuts	49,142,315
Total District Cuts	<u>82,933,673</u>
Amount cut over / (under) deficit	<u><u>648,623</u></u>

General Fund Budget

LOHE Credit / M&O Tax Rate \$1.04

	2018-2019 Projected	2019-2020 Projected
Roll Growth	0.97%	2.00%
Roll Value	\$ 174,602,322,971	\$ 178,094,369,430
Estimated WADA	267,010.725	267,010.725
Estimated enrollment	213,528	213,528
Tax Rate-M&O	\$ 1.040	\$ 1.040
Formula Revenue per WADA (before recapture)	\$ 7,065	\$ 7,031
Formula Revenue per WADA (after recapture)	\$ 6,045	\$ 5,939
Estimated recapture payment	\$ 272,492,039	\$ 291,591,548
Estimated wealth per WADA	625,210	631,541
Revenues and Resources		
5700-Local Sources	\$ 1,749,167,264	\$ 1,786,419,114
5800-State Sources	215,146,388	166,713,129
5900-Federal Sources	13,031,351	13,031,351
7900-Other Sources	30,400,000	25,000,000
Total Revenues	\$ 2,007,745,003	\$ 1,991,163,594

General Fund Budget

LOHE Credit / M&O Tax Rate \$1.04

	2018-2019 Projected	2019-2020 Projected
Beginning Appropriations	\$ 2,096,294,796	\$ 2,044,845,624
Change in recapture payment	\$ 3,505,182	\$ 19,099,509
Salary Increases	\$ -	\$ -
Increases / Decreases with Offsetting Revenue		
TIRZ	2,123,582	2,188,323
Nutrition Services Indirect Cost Positions	1,705,609	
TRS On-Behalf	(9,000,000)	-
Total Increases / Decreases with Offsetting Revenue	\$ (5,170,809)	\$ 2,188,323
Mandatory Increases		
Health Insurance	\$ 10,000,000	\$ -
Transfers Out from sale of Maintenance Tax Notes	7,039,941	(1,188,632)
Property, Liability, Auto Insurance	1,338,800	-
Total Mandatory Increases	\$ 18,378,741	\$ (1,188,632)
Other Increases		
Interventions / Dyslexia	\$ 7,996,656	\$ -
Special Education	5,516,390	-
Achieve 180	3,200,000	-
Total Other Increases	\$ 16,713,046	\$ -

Note: Health insurance expenses continue to rise. Employee rates will not increase in plan year January 2019 to December 2019. However, it is expected that beginning in January 2020 going forward an increase to employee rates will be necessary.

No other increases have been anticipated in 2019-2020.

General Fund Budget

LOHE Credit / M&O Tax Rate \$1.04

	2018-2019 Projected	2019-2020 Projected
Decreases		
Campus PUA	\$ (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	(4,525,270)	-
Chief Financial Officer	(2,119,261)	-
Chief Human Resources Officer	(1,778,514)	-
District-wide Operating	(930,946)	-
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)	-
Total Decreases	\$ (82,933,673) \$	-

General Fund Budget

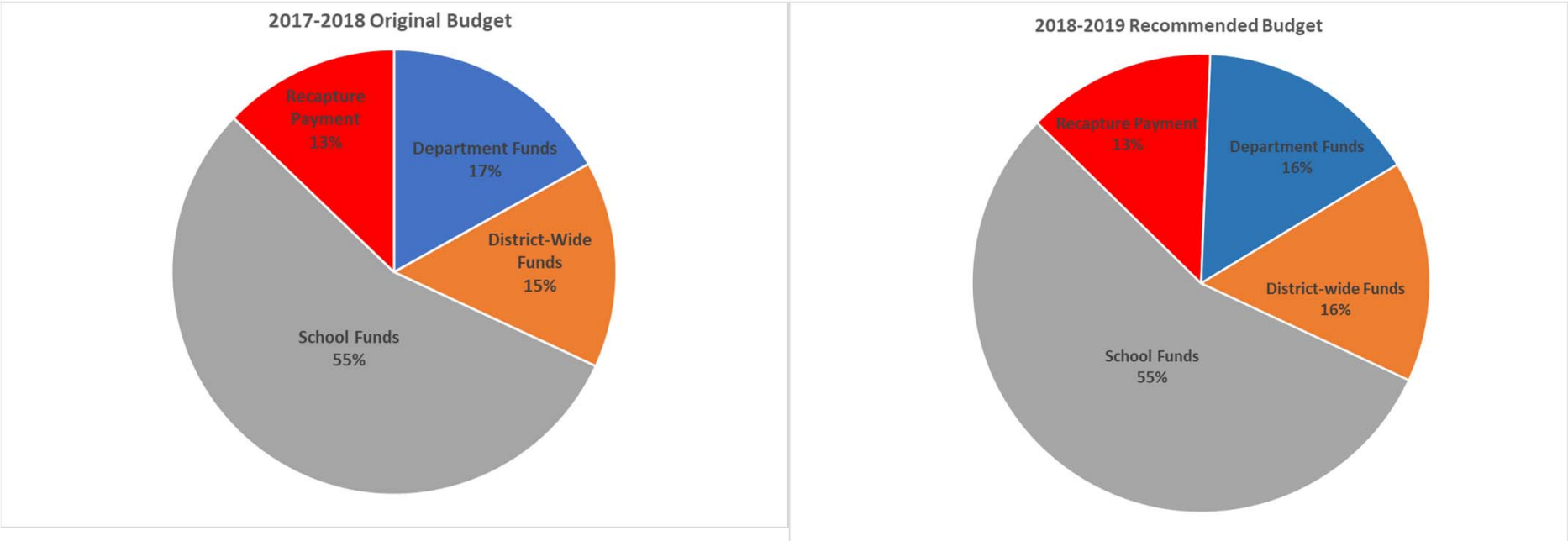
LOHE Credit / M&O Tax Rate \$1.04

	2018-2019 Projected	2019-2020 Projected
One-Year Funding Items		
Performance Audit	\$ 2,500,000	\$ (2,500,000)
HS Literacy Initiative for Classroom Libraries	(4,441,659)	-
Total One-Year Funding Items	\$ (1,941,659)	\$ (2,500,000)
Total Appropriations and Transfers Out	\$ 2,044,845,624	\$ 2,062,444,824
Budget Surplus/(Deficit)	\$ (37,100,621)	\$ (71,281,231)
Use of assigned fund balance for North Forest construction	18,436,625	18,437,000
Anticipated fallout	-	-
Net Budget Surplus/(Deficit)	\$ (18,663,996)	\$ (52,844,231)
(Use of unassigned fund balance)		

Increases for Special Education, Dyslexia/Interventions, Achieve 180, and the Performance Audit are \$19.2 million of the deficit.

GENERAL FUND BUDGET BREAKDOWN

2018-2019 Original Budget Breakdown



Note: For 2017-2018 the district budgeted for no recognition of the Local Optional Homestead Exemption (LOHE); for 2018-2019 the district budgeted for recognition of the LOHE.

School Funds Examples

School Funds			
PUA Funds	Magnet	HS Allotment	Special Education
Targeted Assistance	Achieve 180	Career Technical Education	Campus Capital Outlay

Department Fund Examples

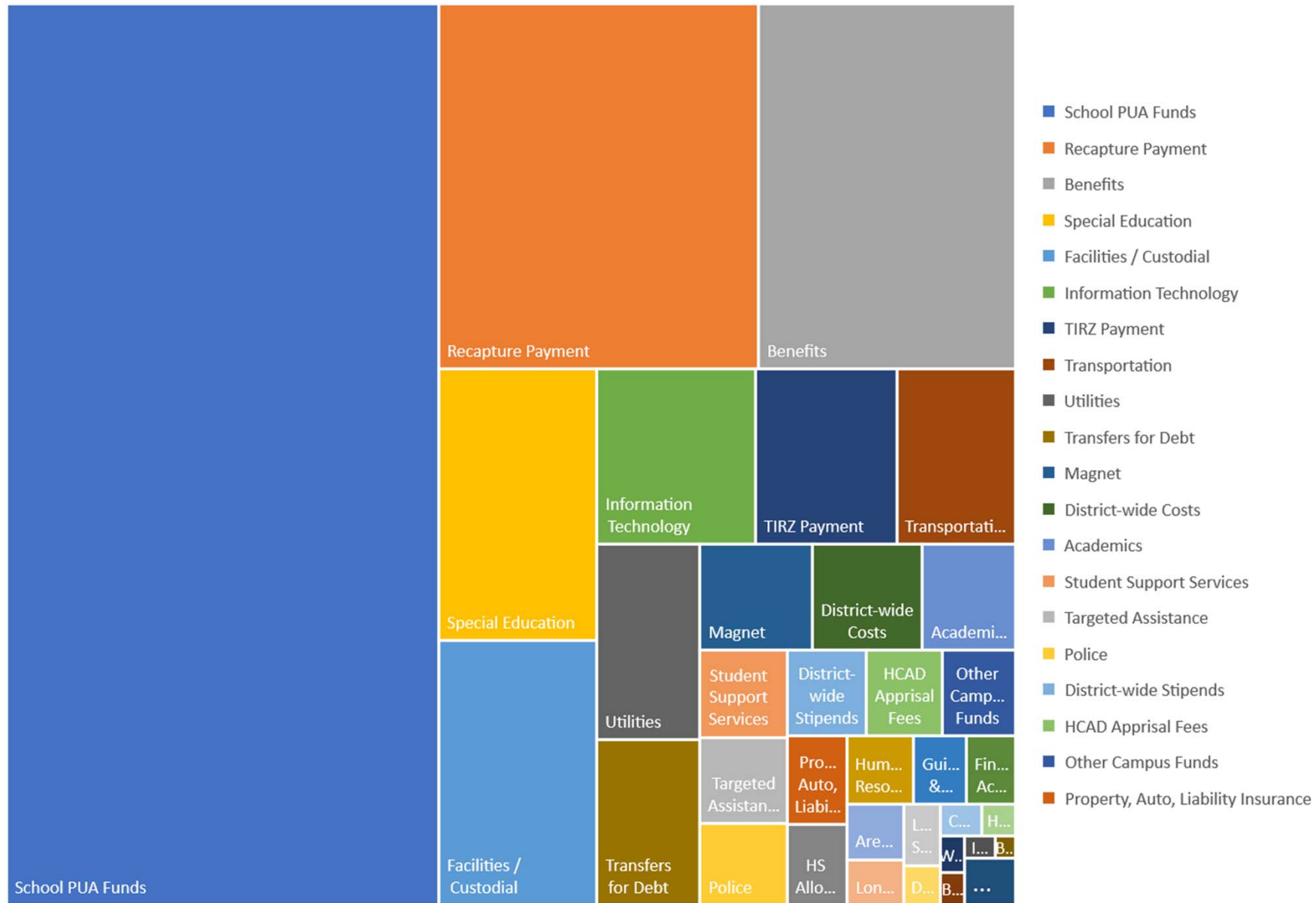
Department Funds			
Faculties & Custodial	Transportation	Information Technology	Academics
Accounting / Budgeting / Procurement	Communications / Media Services	Human Resources	School Support
Area Offices	Governmental Relations	Chief Of Staff	Internal Audit
General Counsel	Superintendent's Office	Development Office	

District-wide Fund Examples

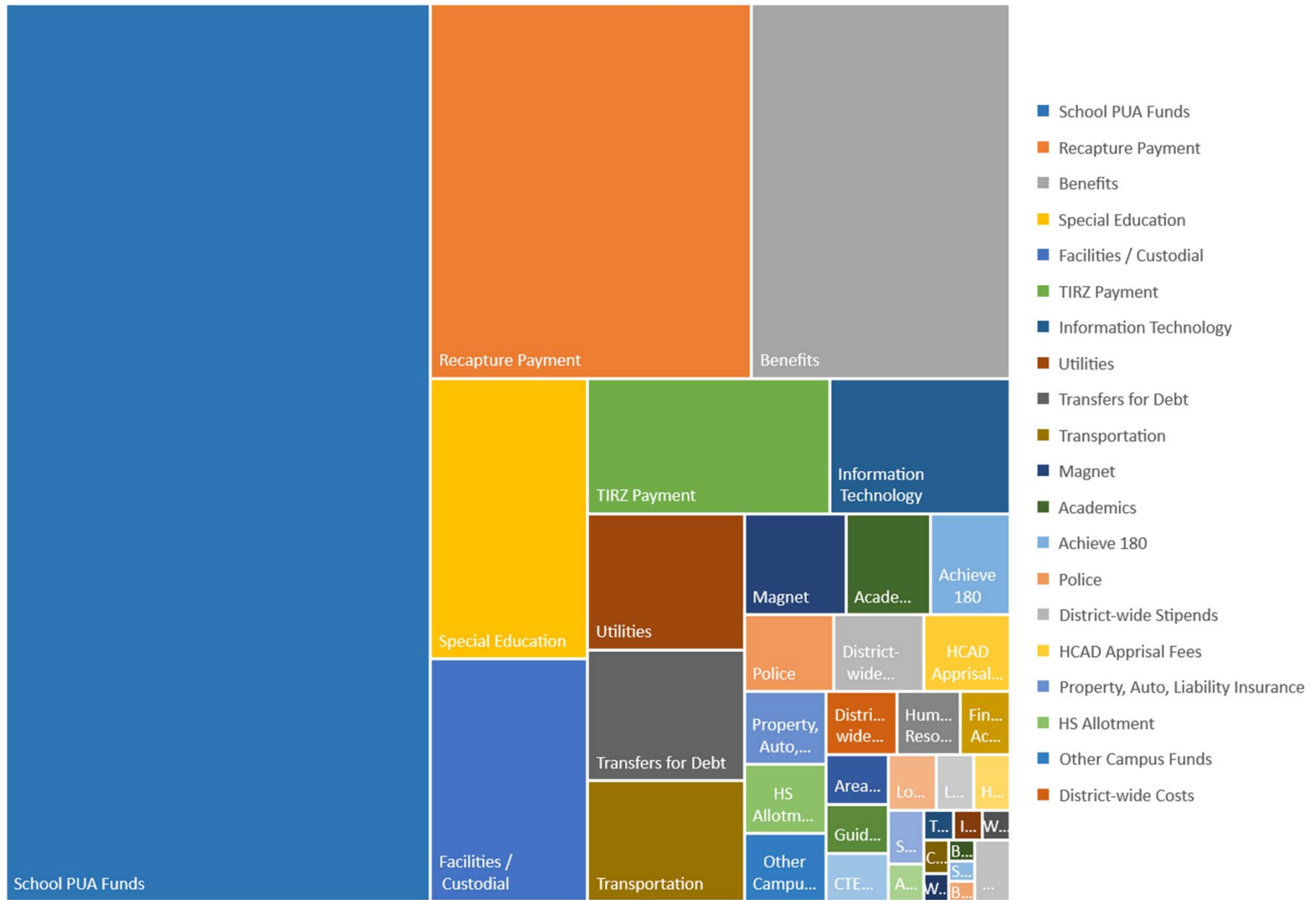
District-wide Funds			
Teacher Retirement System (TRS)	Property, Auto, Liability Insurance	Harris County Appraisal District Fees	Tax Increment Reinvestment Zone
Special Education Stipends	Critical Shortage Teacher Stipends	Bilingual Teacher Stipends	Hard to Fill Campus Stipends
Long-Term Substitutes	Campus and District Utilities	Non-campus Capital Outlay	Transfers for Debt Payments

2018-2019 Original Budget Breakdown per Student

2017-2018 Original Budget per Student



2018-2019 Recommended Budget per Student



Other Funds

Debt Service Fund

- Fund pays back the district's principal and interest on long-term, general debt obligations.
- Primary source of revenues – Property Taxes
- Proposed Interest & Sinking (I&S) tax rate - \$0.1667
 - This is the same tax rate as prior year
- Current bond ratings:
 - Moody's: Aaa (highest possible rating)
 - Standard and Poor's: AA+
- Current total outstanding bonded debt - \$3,155,520,000

2018-2019 Debt Service Fund

REVENUES	
Property taxes	\$ 276,508,824
Earnings on investments	2,100,000
Miscellaneous local sources	-
State sources	2,395,070
Federal sources	7,111,321
Total revenues	<u>288,115,215</u>
EXPENDITURES	
Debt service	
Principal	193,786,517
Interest and fiscal charges	147,872,094
Payment to escrow agents - current refunding	-
Total expenditures	<u>341,658,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,543,396)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	53,705,987
Issuance of bonds and other debt	-
Premium on the sale of bonds	-
Proceeds from sale of capital assets	-
Total other financing sources (uses)	<u>53,705,987</u>
Net change in fund balances	<u><u>162,591</u></u>

Nutrition Services Fund

- Accounts for the district's Child Nutrition Program costs.
- Primary sources of revenues – federal reimbursement and USDA commodities.
- Reimbursements administered through Texas Department of Agriculture
- Serves over 42,000,000 meals per year
- Approximately 97% of meals served to free/reduced status students (through April 2018)
- Includes reimbursement programs for dinner and summer site-based feeding

2018-2019 Nutrition Services Fund

OPERATING REVENUES:

Sales to customers	\$ 4,773,482
Miscellaneous local sources	-
Total operating revenues	4,773,482

OPERATING EXPENSES

Food services	139,811,097
General Administration	134,169
Total expenditures	139,945,266

NONOPERATING REVENUES (EXPENSES)

Earnings on investments	570,600
Grants from federal agencies:	
Child nutrition program	77,479,533
Child and Adult Care Program	8,353,677
Summer food program	42,804,347
Donated Commodities	7,580,620
State matching and other	585,000
Total nonoperating revenue	137,373,777
Change in net position	2,201,993

FUTURE CHALLENGES

Future Challenges

Future Challenges

- \$53 million starting budget deficit in 2019-2020.
- Growing recapture – over \$300 million by 2021 at 2% roll value growth per year.
- No increase in the basic allotment by the State Legislature since 2015-2016 and no increase projected in future years.
- Teacher, Principal, and staff salary competitiveness and fixed cost increase restrictions due to recapture and no increase in the basic allotment.
 - Increases will force internal cuts to cover costs.
- Rising medical costs which may require an employee contribution increase in January 2020.
- Rebuilding reserve for operations, Rainy Day Fund, and unassigned fund balance.

Thank you

Date: 06/14/2018

Presenter:

Finance

