

# Public Hearing on Proposed Budget and Tax Rate

2020-2021 Fiscal Year Budget

Date: June 11, 2020  
Presenter: Finance



# Agenda

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- Property Values
- Revenue Assumptions
- Additional “Golden Penny”
- General Fund
- FIRST Required Discussion
- Debt Service Fund
- Nutrition Services Fund
- 2020-2021 COVID-19 Considerations

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# Property Values

# 2020-2021 Certified Estimated Values

Major Property Category	2019 Taxable Value	Percent Change	Projected 2020 Taxable Value
Residential & Rural Improved	80,435,322,907	4.97%	84,429,399,192
Apartments	24,560,973,409	14.47%	28,114,590,127
Commercial	53,547,197,256	5.50%	56,490,579,595
Vacant Land	5,133,301,071	2.89%	5,281,458,407
Industrial	4,095,241,110	-0.09%	4,091,456,083
Utility	1,854,134,193	1.82%	1,887,848,842
Commercial Personal	10,131,656,412	2.85%	10,420,155,328
Industrial Personal	6,458,150,465	-0.78%	6,408,099,799
All Other Property	89,526,478	-30.55%	62,176,139

<b>Projected 2020 Taxable Value</b>	<b>186,305,503,301</b>	<b>5.84%</b>	<b>197,185,763,513</b>
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## Projected 2020 Taxable Value Range

<b>Accuracy +/- 5%</b>	<b>187,326,475,337</b>	<b>To</b>	<b>207,045,051,688</b>
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# 2020-2021 Certified Estimated Values

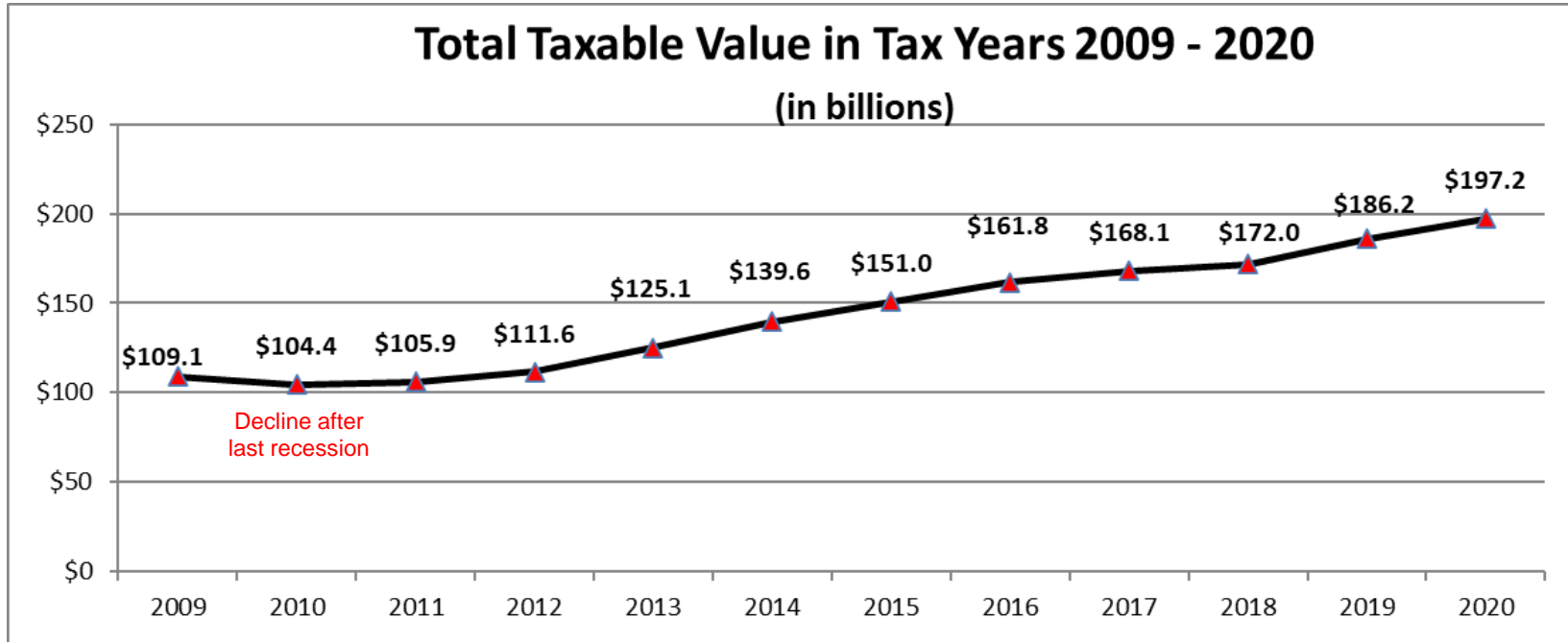
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	<b>2019</b>	<b>2020</b>
Average Market Value of Residences:	\$304,002	\$315,033
Average Taxable Value of Residences:	\$232,235	\$241,942

Total Appraised Value of All Property:	\$239,590,584,983	\$253,582,699,348
Total Appraised Value of New Property:	\$4,445,829,623	\$5,576,148,075
Total Taxable Value of All Property:	\$186,305,503,301	\$197,185,763,513
Total Taxable Value of New Property:	\$3,457,074,599	\$4,336,009,588

Total Market Value of All Property:	\$242,525,196,587	\$256,688,692,566
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# Assessed Value History



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# General Fund Appropriations

# 2020-2021 Updated Assumptions for Budget Development

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- Property Value Increase
  - Taxable value increase of 5%
  - Collection rate of 97%
  - Certified estimates are based on January 2020 value
- Maintenance & Operations (M&O) tax rate
  - 2019-2020 current rate is \$0.97
  - 2020-2021 Notice published with the maximum tax rate of \$0.9664. This is the maximum M&O tax rate HISD could be assigned.
  - 2020-2021 budget based on \$0.9510 (includes the additional golden penny)
    - Generates about \$24 million
    - Assumes unanimous vote of the additional golden penny in September/October 2020
    - TEA will notify districts of their maximum tax rate in late summer 2020 based on certified values and surveys of districts.



# 2020-2021 Updated Assumptions

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- Originally projected enrollment of 209,309 – flat from 2019-2020 snapshot.
  - Updated to 207,809 (1,500 fewer students from 2019-2020 snapshot)
- First year of excess revenue (old recapture) under HB3 with these assumptions – approximately \$12 million

# 2020-2021 Salary & Benefits Package

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- For employees whose salaries are based on the teacher salary placement table, a step movement plus a 1.5% one-time retention stipend based on the employee's new 2020-2021 annual salary.
- For employees on the master scale, a one-time \$500 retention stipend adjusted for their work time percentage.
- For bus drivers, crossing guards, and Nutrition Services food service attendants, a one-time \$500 retention stipend adjusted for their work time percentage.
- Police officers paid on experience partly based on the LBB recommendation related to police overtime and vacancies.
- Increased employer contribution for health insurance.

# 2020-2021 Additional Golden Penny

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“Golden Penny” – Pennies in the tax rate that are not subject to recapture and are guaranteed to yield at least \$98.56 per penny of tax effort. This generates our Tier II State Funding.

The 2021-2022 budget includes one “Golden Penny” that is accessible only in 2020-2021 by unanimous vote of the board when adopting the tax year 2020 tax rate in September / October 2020.

This additional “Golden Penny” can only be accessed in future years via a Tax Ratification Election (TRE)

If there isn't a unanimous vote of the board for the 2020 tax rate that includes the additional “Golden Penny” the district will have a \$24 million budget deficit.

# 2020-2021 Financial Analysis

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	<b>2020-2021 Recommended Budget</b>
<b>Revenues and Resources</b>	
5700-Local Sources	\$ 1,785,542,493
5800-State Sources	166,787,686
5900-Federal Sources	19,724,182
7900-Other Sources	22,500,000
<b>Total Revenues</b>	<b>\$ <u>1,994,554,361</u></b>
<b>Beginning Appropriations</b>	<b>\$ 1,963,877,171</b>
<b>Change in excess revenue payment</b>	<b>\$ <u>12,083,891</u></b>
Teacher Step and Police Officers	9,590,760
Retention Stipends for 2020-2021	15,553,987
District Health Insurance Contribution	9,300,000
Retention Stipends from 2019-2020	(1,084,000)
Salary and Benefit Package	<b>\$ <u>33,360,747</u></b>

# 2020-2021 Financial Analysis

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	<b>2020-2021 Recommended Budget</b>
<b>Required Increases / Decreases</b>	
Capital Lease Recognition	(15,089,788)
College, Career, Military Readiness (CCMR)	(1,056,471)
Transfers Out for Debt Service	(2,685,625)
IT Maintenance/Software Contracts	2,371,059
SAT reimbursement	189,000
CTE Certification reimbursement	367,028
Property, Liability, Auto Insurance	2,500,000
Self Insurance	1,000,000
Harris County Appraisal District (HCAD)	1,157,402
Charter School Enrollment Increase	5,700,000
Tax Increment Reinvestment Zone (TIRZ)	1,539,766
Campus Enrollment Increase	3,358,555
Career & Technology Allotment- Middle School	1,384,873
State Compensatory Education (SCE) compliance	7,049,422
Early Education Allotment compliance	24,300,000
<b>Total Required Increases / Decreases</b>	<b>\$ 32,085,221</b>

# 2020-2021 Financial Analysis

	<b>2020-2021 Recommended Budget</b>
<b>Other Increases</b>	
Verizon Innovative Learning Support	864,527
Liberty HS lease, maintenance, and custodial	455,922
Family & Community Engagement	387,762
Federal & State Compliance	472,368
Chief Audit Executive	229,021
<b>Total Other Increases</b>	<b>\$ 2,409,600</b>
<b>Decreases</b>	
Vacant Salaries	\$ (7,305,827)
Utilities	(2,000,000)
LBB Recommendation 1	(412,078)
LBB Recommendation 39	(145,676)
Reduction in temporary assignment positions (vacancies)	(835,077)
District-wide Benefits (Medicare, Workers' Comp)	(1,000,000)
District-wide long-term subs (fallout)	(3,400,000)
<b>Total Decreases</b>	<b>\$ (15,098,658)</b>

# 2020-2021 Financial Analysis

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	<b>2020-2021 Recommended Budget</b>
<b>One-Year Funding Items</b>	
Compensation Study from 2019-2020	\$ <u>(175,000)</u>
<b>Total One-Year Funding Items</b>	\$ <u><b>(175,000)</b></u>
<b>Total Appropriations and Transfers Out</b>	\$ <u><b>2,028,542,973</b></u>
<b>Budget Surplus/(Deficit)</b>	\$ <u><b>(33,988,612)</b></u>
Use of assigned fund balance for North Forest construction	18,434,625
<b>Net Budget Surplus/(Deficit)</b>	\$ <u><b>\$ (15,553,987)</b></u>

# 2020-2021 Recommended General Fund Statement of Revenues and Expenditures

<b>REVENUES</b>	<b>General Fund</b>
Property taxes	\$ 1,771,575,694
Earnings on investments	5,000,000
Miscellaneous local sources	8,966,799
State sources	166,787,686
Federal sources	19,724,182
Total revenues	<u>\$ 1,972,054,361</u>

## **APPROPRIATIONS**

11	Instruction	\$ 1,151,970,226
12	Instructional resources and media services	10,117,415
13	Curriculum development and instructional staff development	35,575,973
21	Instructional leadership	27,238,328
23	School leadership	151,622,019
31	Guidance, counseling, and evaluation services	64,146,508
32	Social work services	17,783,562
33	Health services	21,852,470
34	Student (pupil) transportation	62,374,366
35	Food services	-
36	Co-curricular/extracurricular activities	13,016,782
41	General administration	39,549,934
51	Facilities maintenance and operations	200,224,409



# 2020-2021 Recommended General Fund Statement of Revenues and Expenditures

52	Security and monitoring services	28,554,805
53	Data processing services	56,322,728
61	Community services	3,008,827
91	Contracted instructional services between public schools	12,083,891
95	Juvenile justice alternative education program	792,000
97	Payments to tax increment fund	63,066,742
99	Tax appraisal and collection	16,505,000
	Debt service	
71	Principal	14,500,000
71	Interest and fiscal charges	750,000
81	Capital outlay	37,848
	Total expenditures	<u>1,991,093,833</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>(19,039,472)</u>
	<b>OTHER FINANCING SOURCES (USES)</b>	
	Transfers in	22,500,000
	Capital Leases	
	Transfers out	<u>(37,449,140)</u>
	Total other financing sources (uses)	<u>(14,949,140)</u>
	Net change in fund balances	(33,988,612)
	Estimated fund balances—beginning	878,463,630
	Estimated Fund balances—ending	<u>\$ 844,475,018</u>

# Budget Workshop

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Discussion required for Financial Integrity Rating System of Texas (FIRST) rating

# Pre-HB3 Prior Year Values

Pre-HB3	
2019 PTAD Value	2020 Projected PTAD Value
\$ 187.34	\$ 198.19
Value Used for Entitlement	Actual Value
Funding Lag: District's could use the additional funding that the state didn't recognize <sup>(1)(2)</sup>	

HB3	
2019 PTAD Value	2020 Projected PTAD Value
\$ 187.34	\$ 198.19
No longer used	Actual Value
District's have no new funds from property values since current year values are used <sup>(2)</sup>	

(1) "Funding Lag": if property values continued to grow districts had access to the funds since the state did recognize the growth until the following year.

(2) Does not apply to the district's five "Golden Pennies" included in the Maintenance and Operations (M&O) tax rate or the Interest and Sinking (I&S) tax rate.

PTAD - Property Tax Assistant Division (State Comptroller)

# HB3 Current Year Values

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- Funding determination and excess revenue (recapture) calculation
  - Based on the district's compressed M&O tax rate (doesn't include "Golden Pennies")
  - Available School Fund (ASF) + M&O Compressed Tax Rate Collections are greater than the Tier I Entitlement
    - Excess Revenue (Recapture) owed
  - Available School Fund (ASF) + M&O Compressed Tax Rate Collections are less than the Tier I Entitlement
    - District does not receive state Foundation School Program (FSP) to make up the difference
    - Reason: 20% Local Optional Homestead Exemption (LOHE) credit provided by the district. The formula assumes that the district collects these taxes therefore it does not provide state funding to cover the shortfall.
    - FSP would only be received if property values or tax collections dropped below the amount of the LOHE credit

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# Other Budget Adoption Funds

# Debt Service Fund

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- Fund pays 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 - \$2,676,821,528

# 2020-2021 Recommended Debt Service Fund Statement of Revenues and Expenditures

<b>REVENUES</b>		<b>Debt Service</b>
	Property taxes	\$ 309,558,116
	Earnings on investments	400,000
	State sources	2,300,000
	Federal sources	-
	Total revenues	<u>\$ 312,258,116</u>
 <b>APPROPRIATIONS</b>		
	Debt service	
71	Principal	\$ 233,331,456
71	Interest and fiscal charges	<u>127,126,590</u>
	Total expenditures	<u>360,458,046</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>\$ (48,199,930)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
	Transfers in	\$ 42,788,700
	Transfers out	-
	Total other financing sources (uses)	<u>\$ 42,788,700</u>
	Net change in fund balances	(5,411,230)
	Estimated fund balances—beginning	110,385,975
	Estimated Fund balances—ending	<u>\$ 104,974,745</u>

# Nutrition Services Fund

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- 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
- 2020 projected to serve over 44 million meals. Reducing to 32 million meals for 2021.
- All meals served at no charge through USDA Community Eligibility Program (CEP)
- Includes reimbursement programs for dinner and summer site-based feeding



# 2020-2021 Recommended Nutrition Services Fund Statement of Revenues and Expenditures

<b>REVENUES</b>		<b>Nutrition Services</b>
Earnings on investments		112,500
State sources		585,000
Federal sources		104,924,484
Total revenues		<u>\$ 105,621,984</u>
<b>APPROPRIATIONS</b>		
35 Food services		120,337,264
51 Facilities maintenance and operations		<u>762,110</u>
Total expenditures		<u>121,099,374</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(15,477,390)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in		<u>2,647,890</u>
Total other financing sources (uses)		<u>2,647,890</u>
Net change in fund balances		(12,829,500)
Estimated fund balances—beginning		13,318,691
Estimated Fund balances—ending		<u><u>\$ 489,191</u></u>

# Budget Workshop

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## COVID-19 Considerations

# COVID-19 Finance

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- How will property values or tax collection rate be impacted this fall / winter?
- What will property values or tax collections look like for 2021-2022?
- How will TEA calculate ADA?
  - Potential for fewer students attending because of parental reluctance
  - Periodic or extended closures
  - Rolling closures of campuses for 5-10 days due to COVID-19 exposure
  - Online ADA (will there be an attendance requirement)
- What will public education funding look like in 2021-2022 and 2022-2023 after the 87<sup>th</sup> legislature starting in January 2021.

# COVID-19 Finance

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- No funds currently built in to 2020-2021 budget
- Will bring budget amendments for items such as:
  - Devices (PC's, Chromebooks, iPads)
  - Hotspots
  - Enhanced cleaning schedule (following CDC guidelines)
  - Additional cleaning supplies
  - Social distancing on buses
  - PPE (above TEA allocation)
  - Student instructional, social and emotional supports
  - Potential support for Nutrition Services and other sales-based funds
  - ADA impacts
  - Property value or tax collection rate impacts

# Summary

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- Taking a cautious approach to 2020-2021 due to COVID-19 and in preparation of 2021-2022
- Additional “Golden Penny” requirements
- FIRST required discussion
- Budget Adoption Funds reviewed
- 2020-2021 COVID-19 considerations

*Thank You*

