

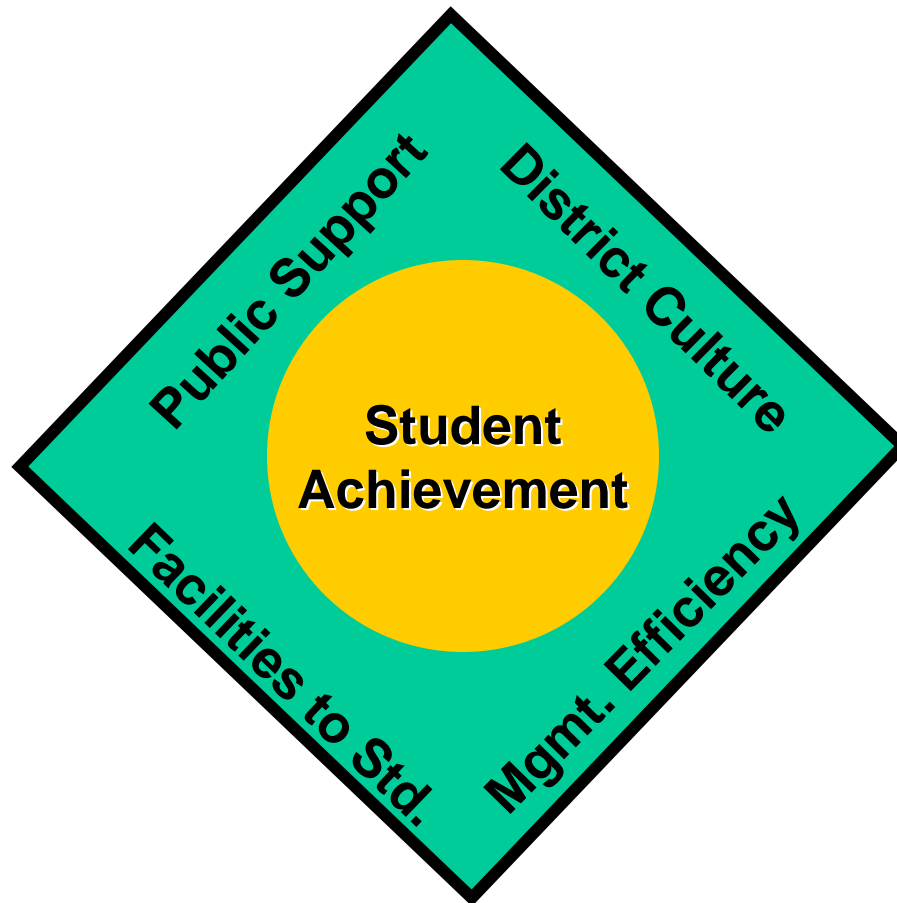
The Houston Independent School District 2003–2004 Recommended Budget



***PERFORMANCE
by DESIGN***

HISD...Urban Success

2003–2004 Recommended Budget



Core Values

Safety Above All Else

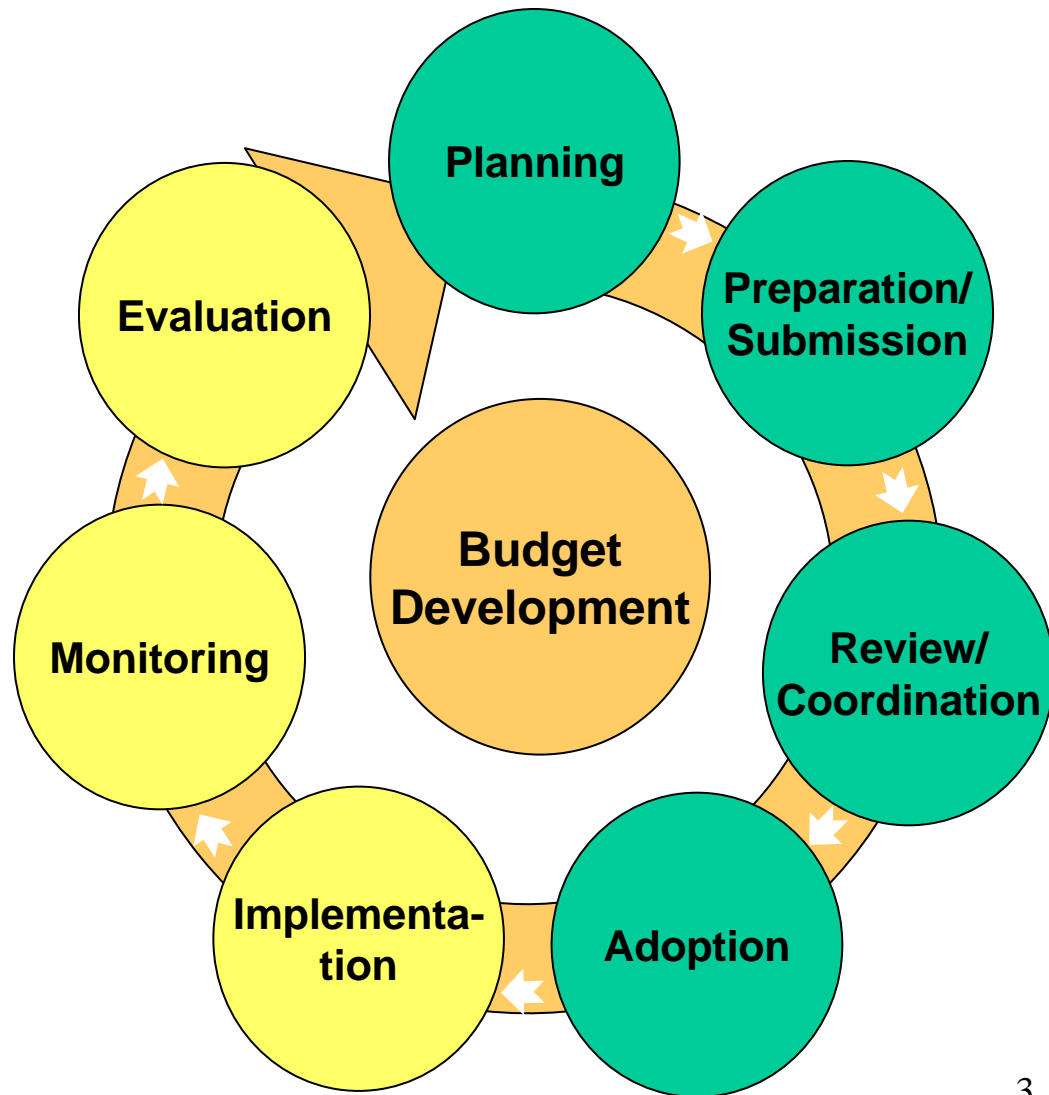
**Student Learning is
the Main Thing**

**Focus on Results
and Excellence**

**Parents as Partners
Common Decency**

2003–2004 Recommended Budget

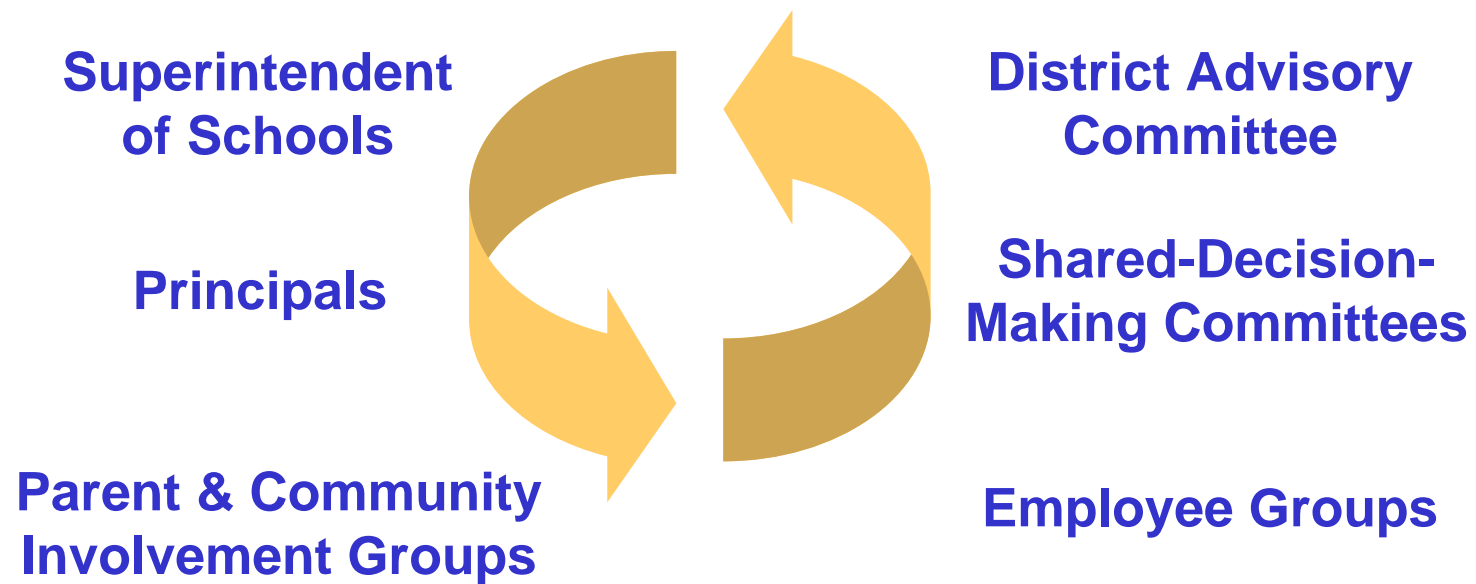
Budget Development Process



2003–2004 Recommended Budget

Stakeholders

Board of Education



2003–2004 Recommended Budget

Revenues Trends-General Fund

- **Local Revenues:**

- Property value growth is beginning to slow down
- Interest rates continue to decline

- **State Revenues**

- Original decrease still anticipated of Foundation Revenue
- Anticipated increase of additional state revenue of \$110 per WADA-pending Governor's signature

2003–2004 Recommended Budget

Overview of Texas School Finance

- **School Finance: Complex, Counter-Intuitive**

- **Large Number of Influential Participants**

Governor

Legislature

Comptroller

TEA

Appraisal District

Attorney General

School Board

Superintendent

Community

SDMC's

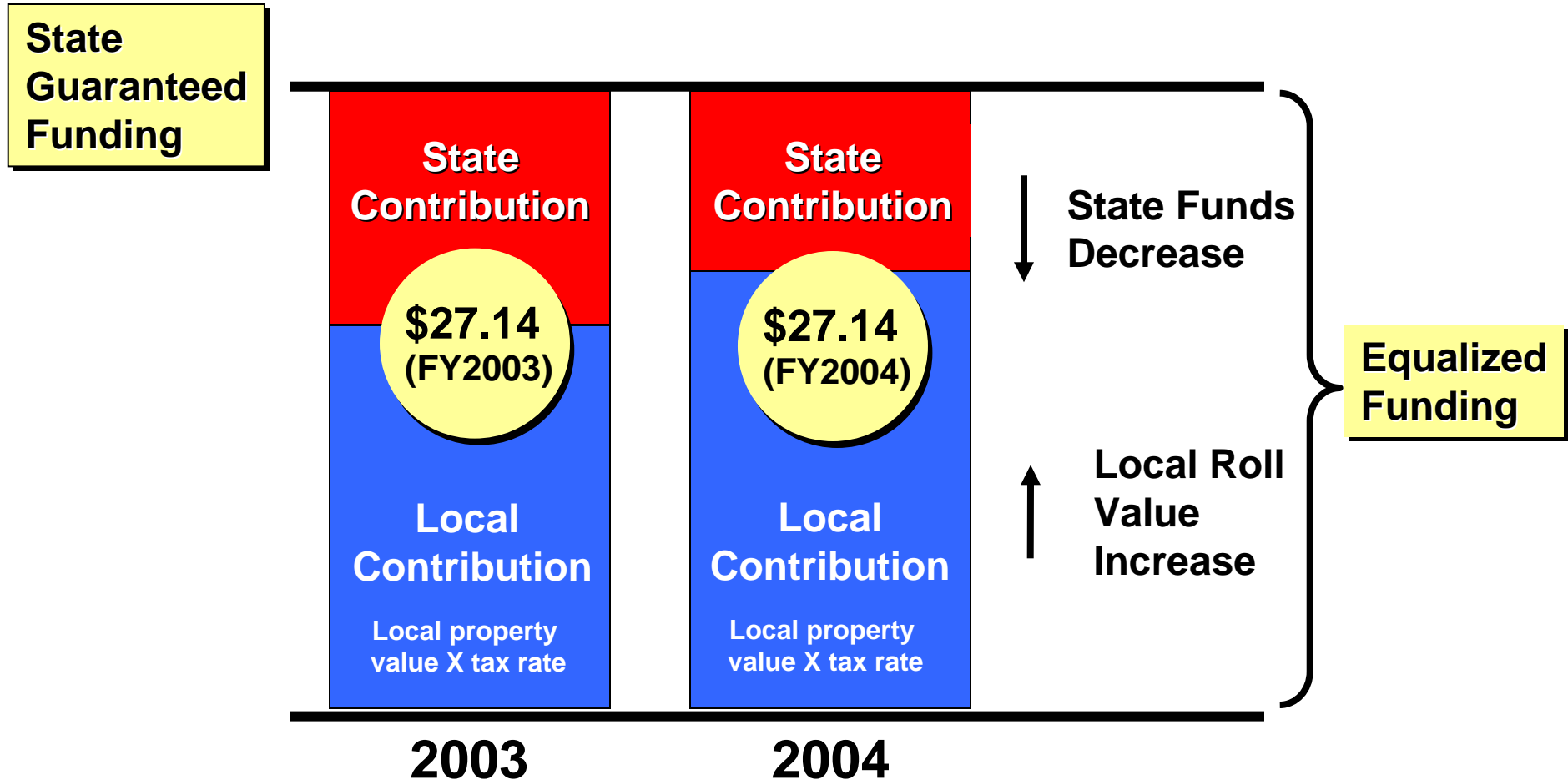
Courts

Lt. Governor & House Speaker

- **Highly Technical Issues**

2003–2004 Recommended Budget

What Happens When the Tax Roll Rises?



When Local Values **Rise** - State Funding **Falls**

2003–2004 Recommended Budget

Tax Roll Assumptions

| | |
|-----------------------------------|-----------------------|
| 2002–2003 | \$68.8 billion |
| 2003–2004 | \$70.9 billion |
| | <hr/> |
| Increase in Roll Value | \$2.1 billion |

2003–2004 Recommended Budget

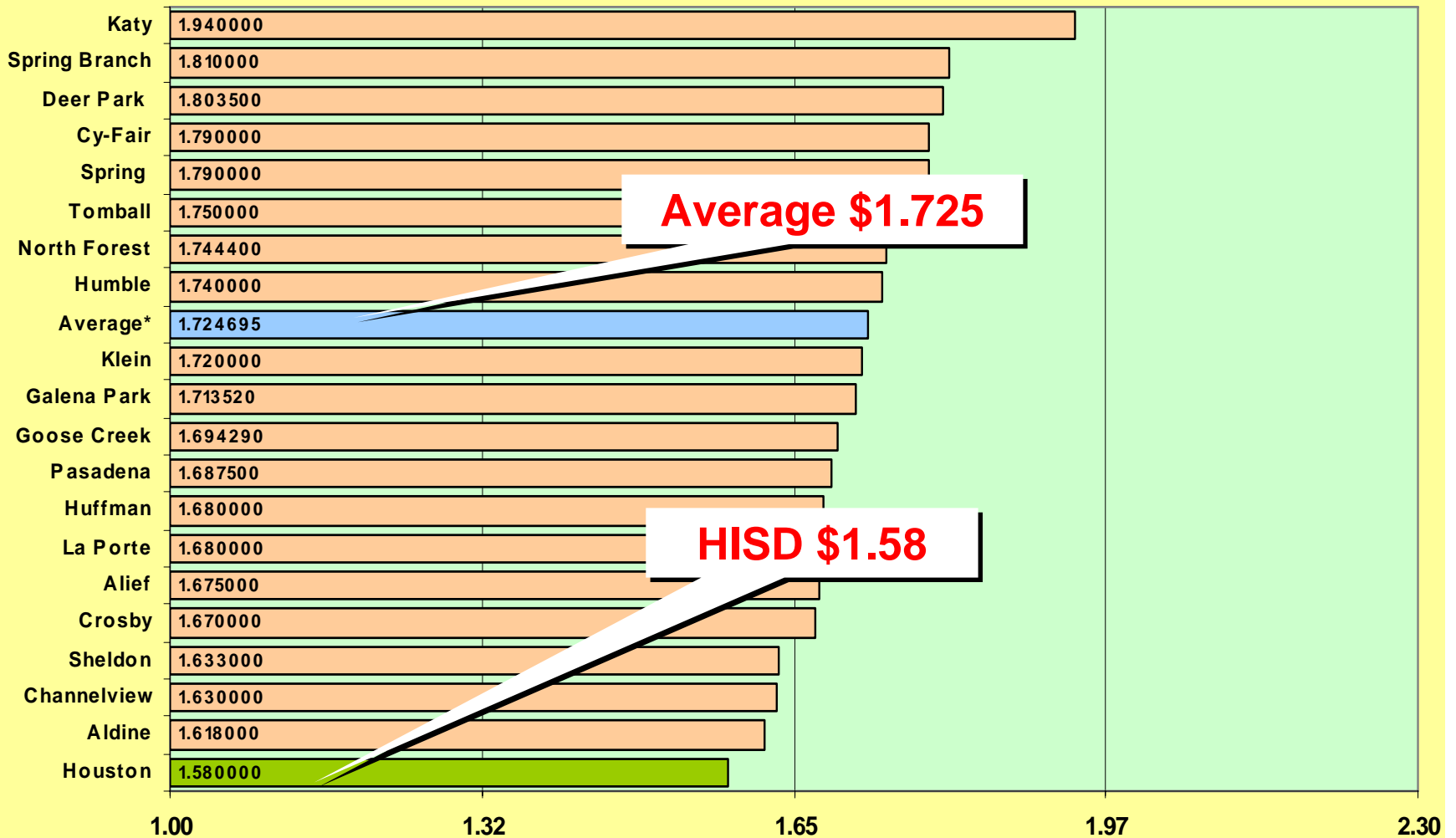
State Aid (Per Capita and Foundation School Program)

| | |
|----------------------------------|-------------------------|
| 2002–2003 | \$225.2 million |
| 2003–2004 | \$182.5 million |
| Decrease in State Aid | (\$42.7 million) |

Revenue forecast based on ADA of 190,944 for both years,

2003–2004 Recommended Budget

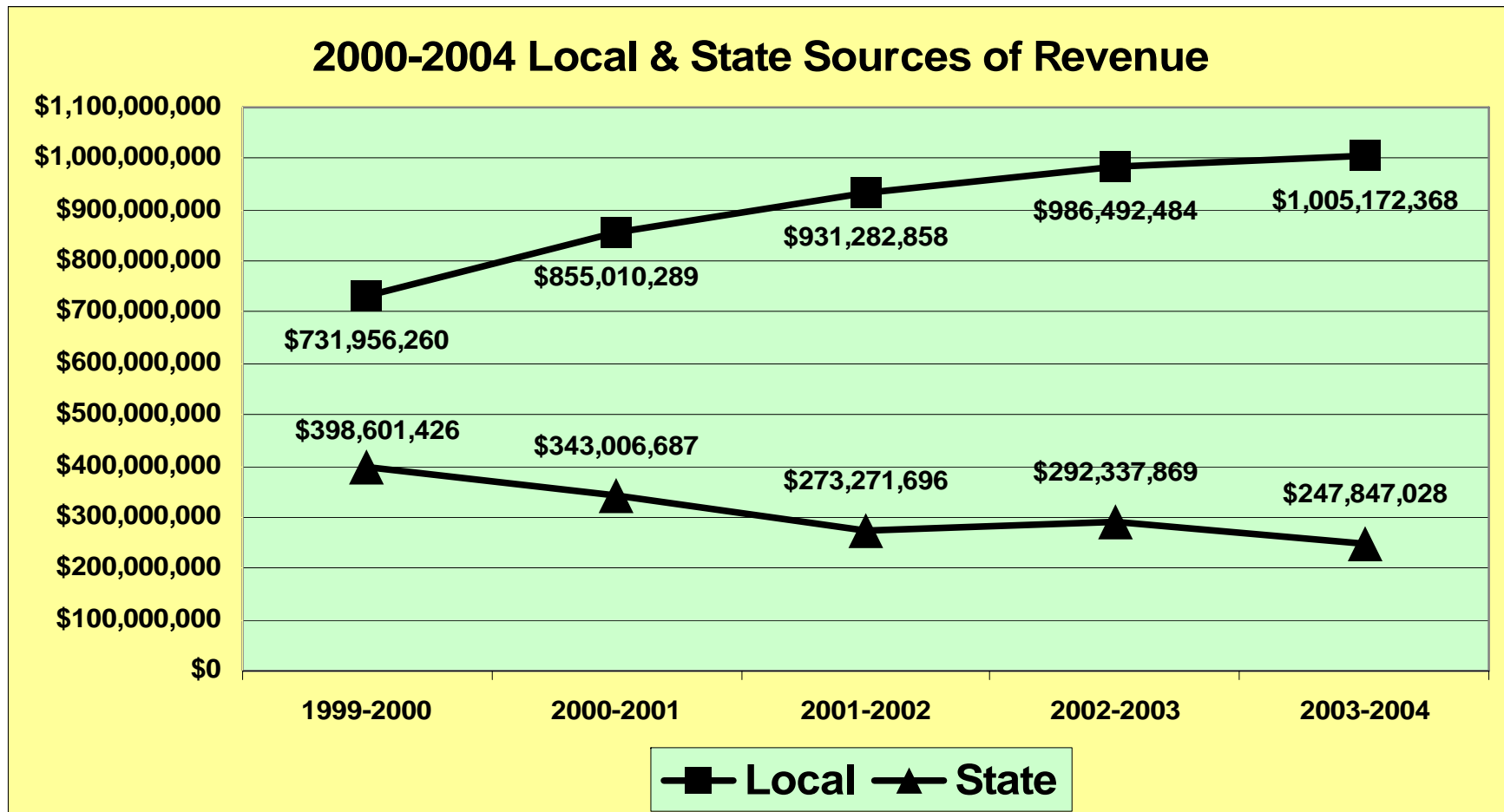
FY2003 Adopted Harris County District Tax Rates



HISD IS 14 CENTS BELOW THE AVERAGE

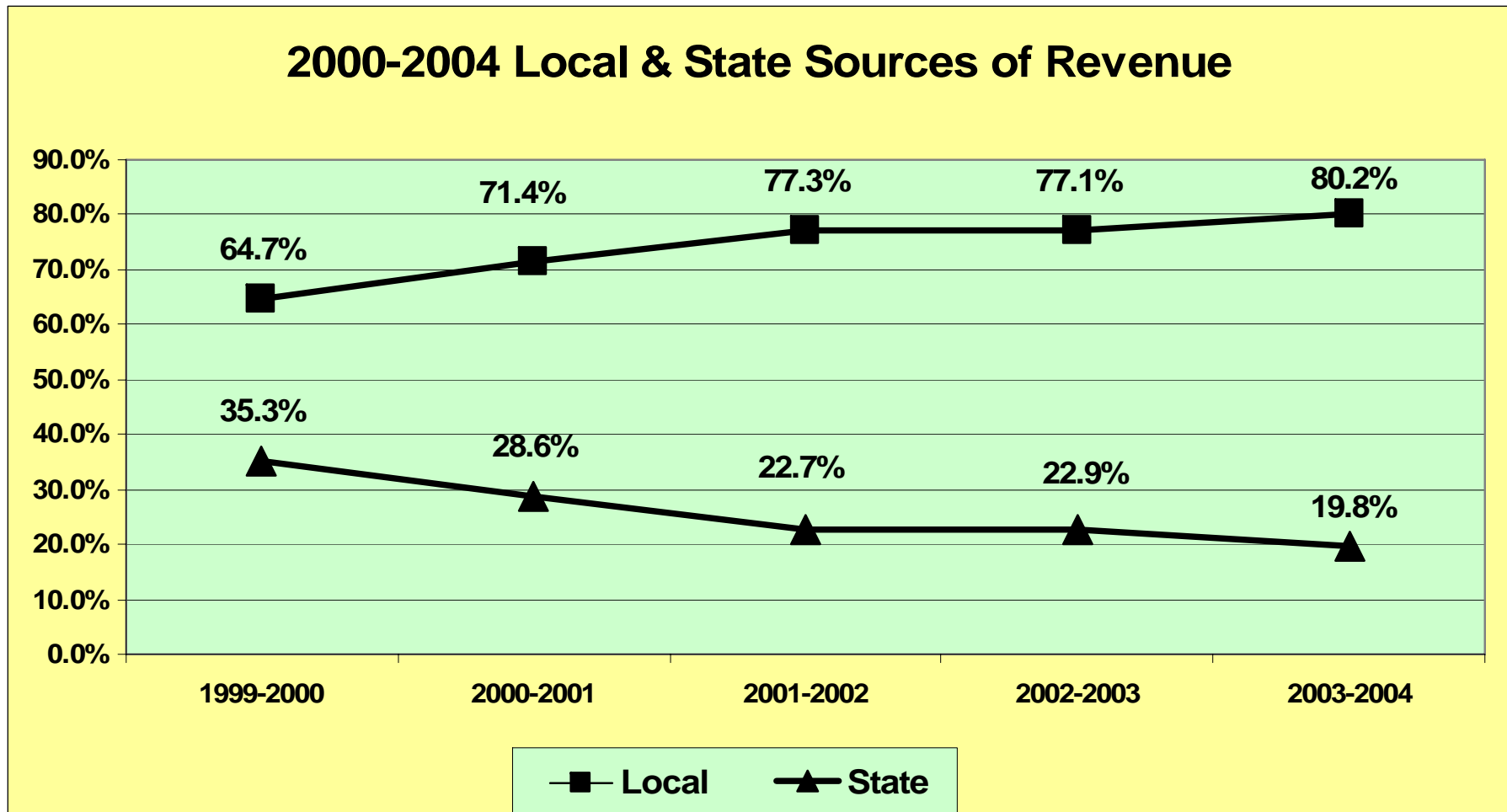
2003–2004 Recommended Budget

Total Local and State Sources of Revenue



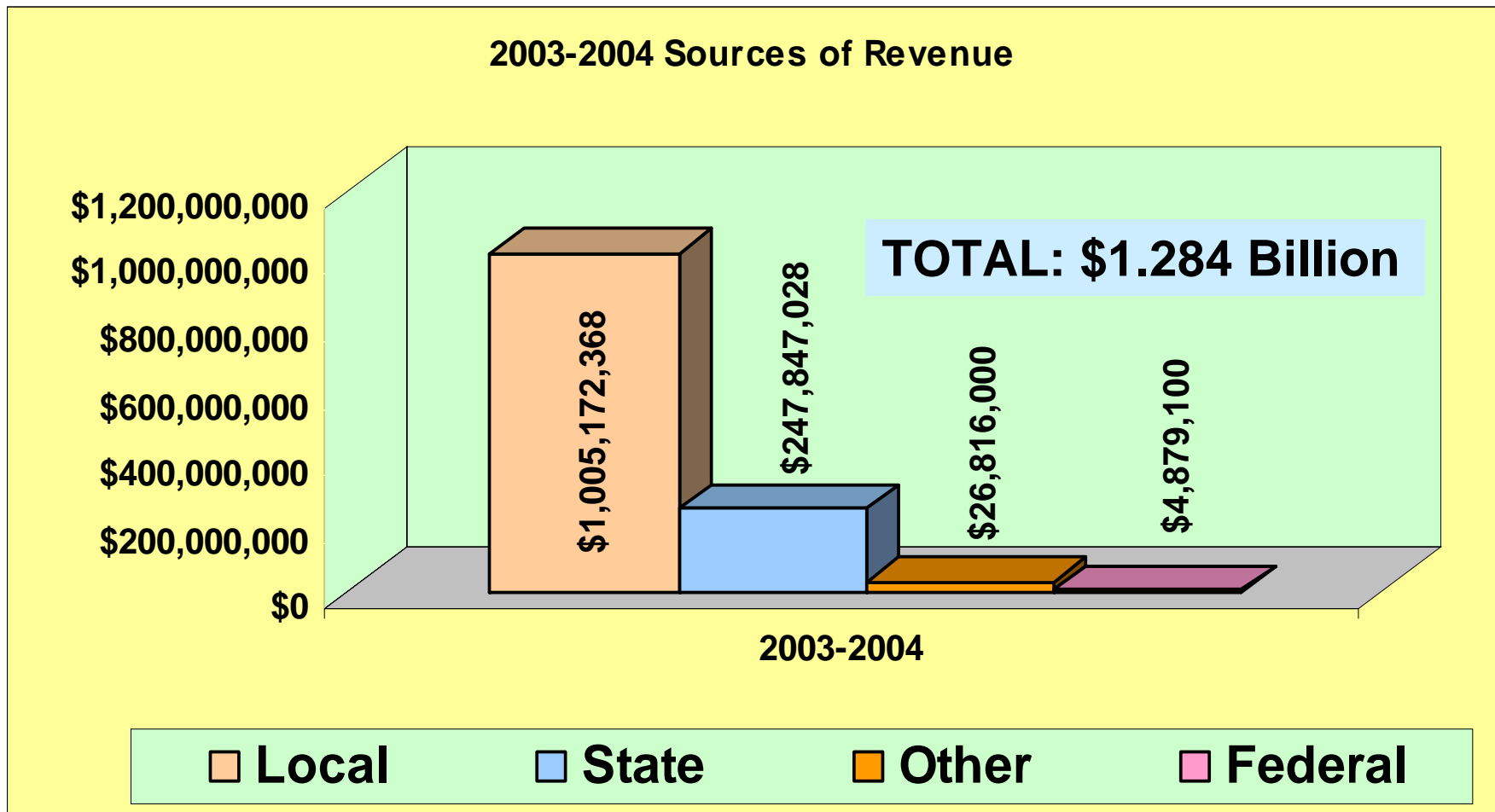
2003–2004 Recommended Budget

Total Local and State Sources of Revenue



2003–2004 Recommended Budget

2003–2004 Sources of Revenue



2003–2004 Recommended Budget

Revenue Sources

| Revenue Sources | 2003-2004 | |
|-------------------------|------------------------|----------------|
| Local Sources | \$1,005,172,368 | 78.24% |
| State Sources | \$247,847,028 | 19.29% |
| Federal Sources | \$4,879,100 | 0.38% |
| Other Financing Sources | \$26,816,000 | 2.09% |
| | <u>\$1,284,714,496</u> | <u>100.00%</u> |

2003–2004 Recommended Budget

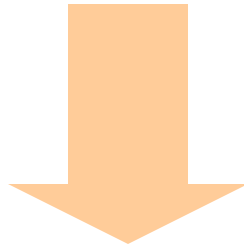
Financial Forecast

| | 2002-2003 | 2003-2004 | 2004-2005 |
|------------------------------------|----------------------------|----------------------------|----------------------------|
| Undesignated Fund Balance | \$106,023,736 | \$97,503,467 | \$77,217,963 |
| Revenues | | | |
| State | \$225,283,616 | \$182,577,028 | \$152,269,770 |
| Local/Other | \$1,077,196,115 | \$1,102,137,468 | \$1,121,444,726 |
| Total Revenues | <u>\$1,302,479,731</u> | <u>\$1,284,714,496</u> | <u>\$1,273,714,496</u> |
| Expenditures | (\$1,286,000,000) | (\$1,325,000,000) | (\$1,315,000,000) |
| Transfer to Reserve for Operations | (\$25,000,000) | | |
| School Carryover Funding | | (\$5,000,000) | (\$5,000,000) |
| Unspent Funds | | \$25,000,000 | \$25,000,000 |
| Ending Fund Balance | <u><u>\$97,503,467</u></u> | <u><u>\$77,217,963</u></u> | <u><u>\$55,932,459</u></u> |

2003–2004 Recommended Budget

School Budget Allocations

\$1,047,549,520 Billion



Direct School Allocations

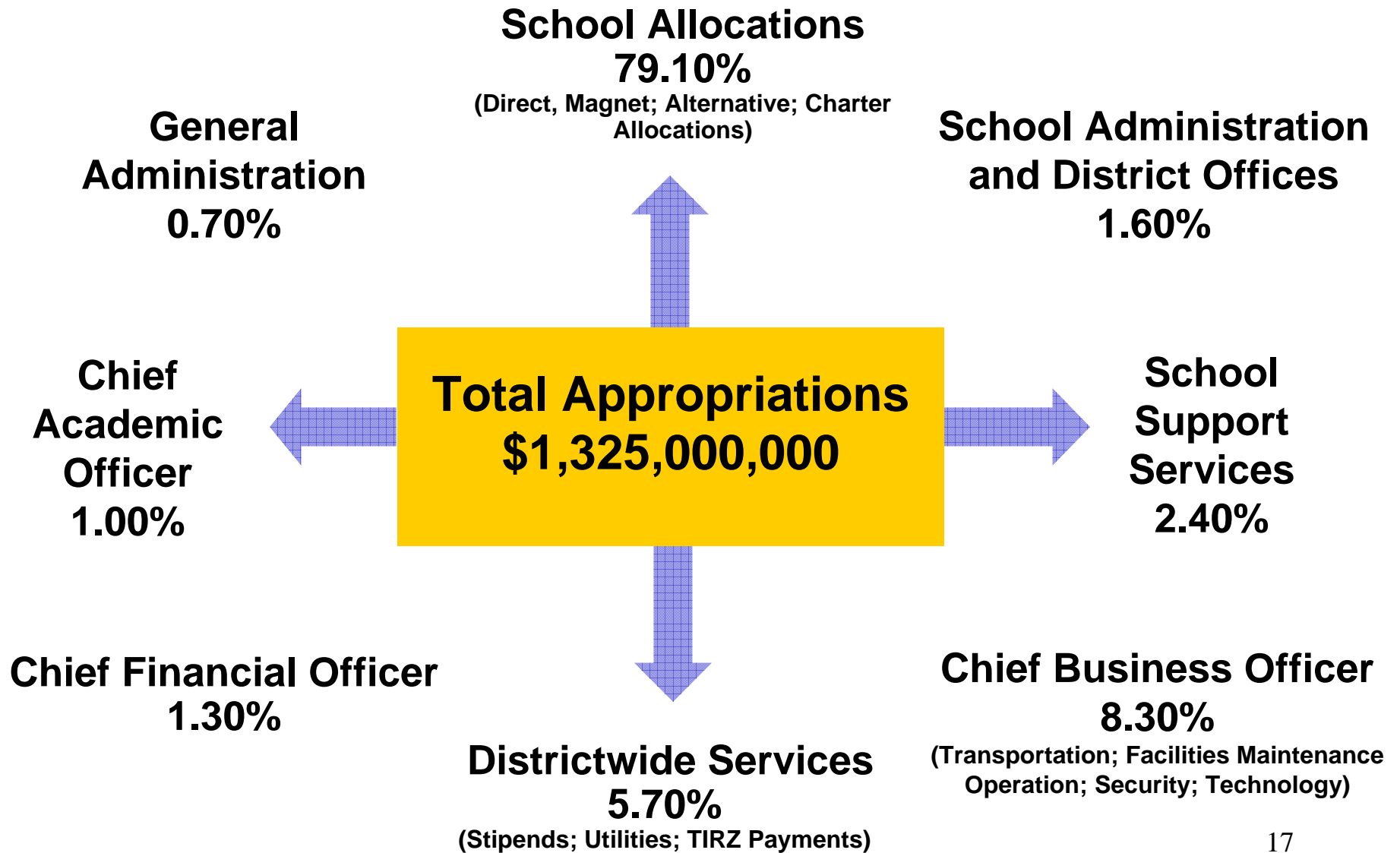
Magnet School Allocations

Alternative School Allocations

Charter School Contracts

Benefits, Long Term Subs and Stipends

GENERAL FUND APPROPRIATIONS



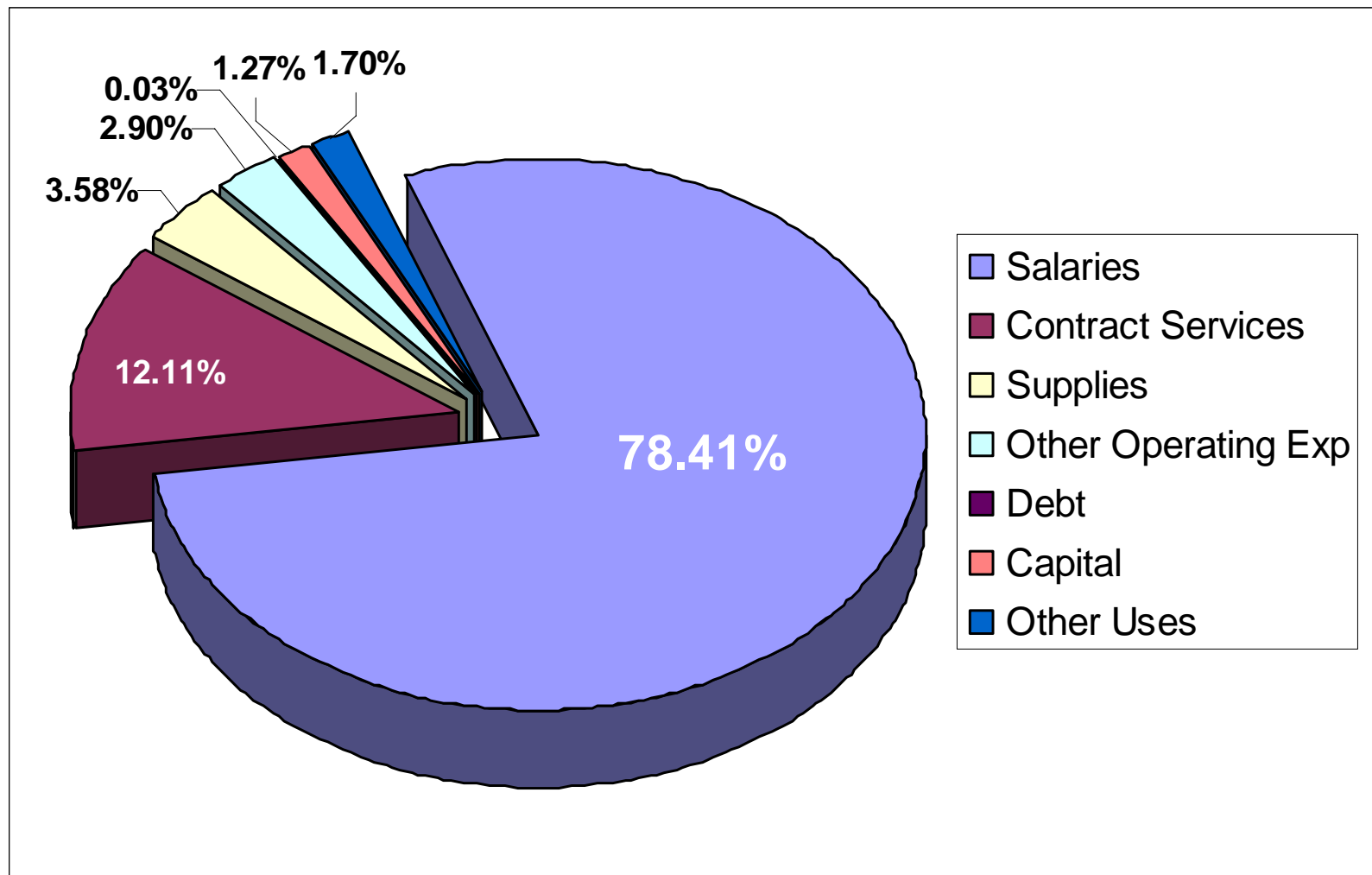
2003–2004 Recommended Budget

General Fund Expenditures by Object

| Object | 2003 Adopted Budget | 2004 Proposed Budget | % Change |
|---------------------------|------------------------|------------------------|---------------|
| Salaries | \$1,114,178,549 | \$1,038,929,311 | -6.75% |
| Contracted Services | \$154,932,220 | \$160,517,656 | 3.61% |
| Supplies & Materials | \$55,390,328 | \$47,434,218 | -14.36% |
| Other Operating Exp. | \$46,011,939 | \$38,386,505 | -16.57% |
| Debt Services | \$485,099 | \$444,499 | -8.37% |
| Capital Outlay | \$22,078,189 | \$16,782,436 | -23.99% |
| Other Uses | \$17,352,375 | \$22,505,375 | 29.70% |
| Total Expenditures | \$1,410,428,699 | \$1,325,000,000 | -6.06% |

2003–2004 Recommended Budget

General Fund Expenditures by Object



2003–2004 Recommended Budget

Appropriation Comparison to Prior Year

| | |
|--------------------------------|--------------------------------------|
| 2002-2003 Appropriation | \$1,410,428,699 |
| Budget Increases | \$ 31,893,042 |
| Budget Decreases | \$ (117,321,741) |
| 2003-2004 Recommended | <u><u>\$1,325,000,000</u></u> |

2003–2004 Recommended Budget

Appropriation Increase Detail

BUDGET INCREASES

| | |
|---------------------------------------|--------------------|
| Pay Raise | \$19,240,042 |
| Debt Service for Maintenance Notes | \$5,153,000 |
| Payroll Tax | \$5,000,000 |
| City Drainage | <u>\$2,500,000</u> |
| | \$31,893,042 |

2003–2004 Recommended Budget

HISD Salary Increase Proposals

| EMPLOYEE GROUP | COST (in millions) | Percentage |
|-------------------------------|---------------------------|-------------------|
| Teachers | \$15.07 | Step or 3% |
| Non-Instructional < 12 months | 1.96 | 2% |
| Non-Instructional = 12 months | 1.57 | 1% |
| Hourly Staff/Bus Drivers | .64 | 2% |
| TOTAL COST | \$19.24 | |

2003–2004 Recommended Budget

HISD Salary Increase Proposals

OVERALL 2003-2004 TEACHER SALARY PLAN

| | |
|---|---------------|
| Teacher Increases Range From: | 3.0% - 10.20% |
| Average Percent Increase to Teacher Salary Schedule: | 2.30% |
| Average Percent Increase to Teacher Advancing ONE YEAR on Teacher Salary Sche | 3.86% |

2003–2004 Recommended Budget

HISD Salary Increase Proposals

Administration is recommending twelve month employees receive a one percent base salary increase plus a reduction in duty schedule of three days in lieu of a two percent base salary increase. A two percent increase is recommended for employees whose duty schedule is less than twelve months or who are employed on an hourly basis. Reducing the duty schedule rather than offering an additional one percent base salary increase will keep our schedule comparable to other districts while also saving the district money in payroll expenses. The following table compares the expense of a 1 percent increase with the corresponding equivalent value to the twelve month employee.

| Annual | 1% | Daily Rate | Days Reduced | Comparable Value |
|-----------------|--------------|-------------------|---------------------|-------------------------|
| \$30,000 | \$300 | \$115 | 3 | \$346 |
| \$50,000 | \$500 | \$192 | 3 | \$577 |
| \$70,000 | \$700 | \$269 | 3 | \$808 |

2003–2004 Recommended Budget

Salary and Duty Day Survey

| District | Avg.% of Increase | Starting Salary for 10 Month Teachers with a BA | % of Non--Instructional Increase | Supplement for Removal of State Insurance Supplement | Duty Days Vacation Days Holidays |
|------------------------------|--------------------------|---|----------------------------------|--|--|
| Aldine (Proposed) | Step Increase | \$35,000 | Step Increase | Will Not Supplement | <p>Principal and 12 Month Employees 226 Duty Days No Paid Vacation or Holidays</p> <p>Asst. Principal 210 Duty Days No Paid Vacation or Holidays</p> <p>12 Month Employees (Crafts) 250 Duty Days Vacation varies by each dept. 6 paid Holidays</p> |

2003–2004 Recommended Budget

Salary and Duty Day Survey (cont.)

| District | Avg.% of Increase | Starting Salary for 10 Month Teachers with a BA | % of Non--Instructional Increase | Supplement for Removal of State Insurance Supplement | Duty Days Vacation Days Holidays |
|---------------------|-------------------|---|----------------------------------|--|---|
| Alief (Proposed) | 4% of Midpoint | \$37,000 | 4% of Midpoint | Will provide larger raises than 1st anticipated | Principal 225 Duty Days No Paid Vacation Days or School Holidays Asst. Principal 205 Duty Days No Paid Vacation Days or School Holidays 12 Month Employees 235/260 Duty Days Vacation is earned according to the years of service. 260 Day Employees 10 Paid Holidays |

2003–2004 Recommended Budget

Salary and Duty Day Survey (cont.)

| District | Avg.% of Increase | Starting Salary for 10 Month Teachers with a BA | % of Non--Instructional Increase | Supplement for Removal of State Insurance Supplement | Duty Days Vacation Days Holidays |
|---------------------|-------------------|---|----------------------------------|--|---|
| Klein (Proposed) | 1% | \$35,800 | 1% | Will Not Supplement | Elementary 210 Duty Days Intermeditate 215 Duty Days High School 235 Duty Days 12 Month Employees 226/235 Duty Days No Paid Vacation or Holidays |

2003–2004 Recommended Budget

Salary and Duty Day Survey (cont.)

| District | Avg.% of Increase | Starting Salary for 10 Month Teachers with a BA | % of Non--Instructional Increase | Supplement for Removal of State Insurance Supplement | Duty Days Vacation Days Holidays |
|-----------------------------|-------------------|---|----------------------------------|--|---|
| Spring Branch (Proposed) | 1.5% | \$36,500 | 1.25% | Will Not Supplement | Elementary 233 Duty Days 5 Non Duty 21 Holidays High School 230 Duty Days 7 Non Duty 21 Holidays Asst. Principal 212 Duty Days 0 Non Duty 21 Holidays 12 Month Employees 250 - 230 - 223 Duty Days |

2003–2004 Recommended Budget

Appropriation Decrease Detail

BUDGET DECREASES

| | | | |
|--|----------------|----------------------|----------------|
| Departmental Reductions | \$(27,647,813) | Utility Savings | \$(2,800,000) |
| Other Districtwide and Departmental Reductions | \$(25,701,604) | District Office Cuts | \$(3,400,000) |
| Mentor Stipends | \$(2,500,000) | Salary Budgets | \$(48,791,159) |
| Property Insurance | \$(3,042,459) | Magnet Allocations | \$(3,438,706) |

\$117,321,741

Decreases include the closing of 367 central-office positions.

2003–2004 Recommended Budget

Total Budgets for All Governmental Funds

| Fund | 2003 Adopted Budget | 2004 Proposed Budget | % Change |
|---------------------------|----------------------------|-----------------------------|-----------------|
| General | \$1,410,428,699 | \$1,325,000,000 | -6.06% |
| Debt Service | \$107,604,547 | \$115,425,136 | 7.27% |
| Special Revenue | \$159,095,337 | \$136,260,364 | -14.35% |
| Capital Projects | \$130,000,000 | \$118,143,874 | -9.12% |
| Total Expenditures | \$1,807,128,583 | \$1,694,829,374 | -6.21% |

2003–2004 Recommended Budget

Total Budgets for Enterprise Funds

| Fund | 2003 Adopted Budget | 2004 Proposed Budget | % Change | Estimated Profit |
|-------------------------------|---------------------|----------------------|---------------|---------------------|
| Medicaid | \$1,401,288 | \$1,449,740 | 3.46% | \$4,881,260 |
| Food Services | \$82,543,657 | \$92,773,912 | 12.39% | \$5,916,525 |
| Business Development | \$6,873,308 | \$9,016,412 | 31.18% | \$608,588 |
| Total Enterprise Funds | \$90,818,253 | \$103,240,064 | 13.68% | \$11,406,373 |

Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services.

2003–2004 Recommended Budget

Total Budgets for Internal Service Funds

| Fund | 2003 Adopted Budget | 2004 Proposed Budget | % Change |
|--------------------------------|----------------------|----------------------|---------------|
| Health Insurance Fund | \$111,849,800 | \$114,166,980 | 2.07% |
| Print Shop Fund | \$4,251,313 | \$4,629,450 | 8.89% |
| Worker's Compensation | \$26,807,826 | \$24,452,125 | -8.79% |
| Professional Development Fund | \$0 | \$3,061,239 | 100.00% |
| Alternative Certification Fund | \$0 | \$2,662,798 | 100.00% |
| Media Services Fund | \$0 | \$600,603 | 100.00% |
| Athletics Fund | \$0 | \$6,419,203 | 100.00% |
| District Offices Buy-back Fund | \$0 | \$11,096,018 | 100.00% |
| Total Internal Service | \$142,908,939 | \$167,088,416 | 16.92% |

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

2003–2004 Recommended Budget

Primary Decentralization Goal

Place decision-making authority as close as possible to the teacher and the student. Schools are where the decisions should be made; accordingly, principals must be the leaders of that decision-making process.

2003–2004 Recommended Budget

Decentralized Departments

- Athletics
- Special Education
- Career and Technology Education
- Advanced Academics
- Multilingual
- Reading
- Title 1
- Professional Development
- District Offices

2003–2004 Recommended Budget

Decentralized from all Departments

- Dues and memberships
- Professional development and training
- Textbooks, instructional materials and equipment
- Assessment services
- Instructional/teacher support
- Central office staff

2003–2004 Recommended Budget

Decentralized from Specific Departments

Athletics

- Create game day packages

Special Education

- Teacher and teacher aide positions
- Related services

Reading

- Accelerated Reading Initiative funds

Title 1

- Parental involvement and literacy programs
- Clothing vouchers

2003–2004 Recommended Budget

Decentralized from District Offices

- **Instructional/teacher support**
- **Professional development and training**
- **Instructional materials and equipment**
- **Create procedures for schools to purchase services**
- **Reduce district office staff**

2003–2004 Recommended Budget

A New Organization

Schools

- Improve student achievement
- Create a safe learning environment
- Provide student services
- Comply with:
 - federal, state and local laws
 - district initiatives
- Set goals

District Offices

- Monitor
- Evaluate
- Communicate
- Support
- Crisis intervention

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Central Office

- Set standards
- Provide expertise
- Recommend policy
- Serve as liaison for the district with federal and state agencies
- Oversight
 - Special funding
 - Program requirements
 - District-wide initiatives

2003–2004 Recommended Budget

Summary

- No tax increase
- Reduced central-office positions
- Reduced central-office non-payroll budgets
- Increase to reserve for operations
- Initial start of school carryover funds
- Decentralization of 79.1% directly in school budgets

2003–2004 Recommended Budget

Future Challenges

- School Finance
- Educational delivery to students
- Central-office efficiencies
- Sale of surplus property
- Tax-rate increases