



# BUDGET WORKSHOP

# 2012-2013

Houston Independent School District

February 23, 2012

## The Current Biennium – Where did we end up?

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- For the first time in 60 years, the legislature failed to appropriate funds based on current law.
- Foundation Program state aid was decreased by \$4B.
- Special Program grant funding was decreased by \$1.3B.
- The total decrease was \$5.3B when the cost of enrollment growth, property value decline, and other factors are taken into account.

# School Finance – State Update

- **On-going structural deficit**
  - **School district M&O tax relief shortfall (\$4.5B)**
  - **Use of one-time revenue sources / delays**
    - **Foundation School Program payment delay**
    - **Unfunded Medicaid - \$4.8B**
- **State economy is improving**
  - **Biennial revenue estimate January 2011 - \$77.3B**
  - **Certified revenue estimate December 2011 - \$82.7B**
    - **Increased sales taxes**
    - **Increased motor vehicle taxes**
    - **Increased natural gas production revenue**
    - **Increased oil production revenue**
    - **Job growth**

# School Finance – State Update

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- **Cautions**

- **Increasing revenue may not be sufficient to cover current services**

- **Unfunded Medicaid in current biennium**

- **Cost of Federal mandates in 2014**

- **Growth in cost of Foundation School Program**

- **Growing demand for other state services**

- **Payment delays**

- **Economy stabilization fund (rainy day fund)**

- **Estimate of end of legislative session - \$6.5B**

- **Current estimate - \$7.3B end of 2013**

## Impact of SB1 in 2012-2013

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- **Goal is to return districts to formula funding.**
- **500 districts expected to gain revenue per ADA compared to 2011-2012.**
- **Over 500 districts expected to gain revenue in total general fund revenue due to growth in students.**
- **Goal is to decrease State Aid for Tax Reduction and increase the basic allotment.**
- **Districts not funded at the \$1.04 M&O tax rate get penalized in the setting of basic allotment which decreases total amount of state revenue due a district.**

## Impact of SB1 after 2012-2013

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- “It is the intent of the legislature, between fiscal year 2014 and fiscal year 2018, to continue to reduce the amount of Additional State Aid for Tax Reduction (ASATR) to which a school district is entitled under Section 42.2516, Education Code, and to increase the basic allotment to which a school district is entitled under 42.101, Education Code.
- Section 42.2516 is repealed effective September 1, 2017.

## Outlook from the Harris County Appraisal District

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- **Positive economic trends** including the stabilization of oil prices, the fact that Houston has regained 111% of jobs lost during recession, and an increase in sales tax revenue.
- **Increase in property values** will not show up until values are gauged again on January 1, 2013.
- **Harris County tax base** will see values increase by 2.29%. It is estimated that most jurisdictions will see a small improvement in their tax rolls for 2012.
- **Residential Valuation** is expected to remain flat with some decreases countywide. It is estimated that 59 percent of homeowners would see flat property values this year, while 30 percent will see declines.
- **Office building commercial market** has stabilized as there was increased sales volume and leasing activity in 2011.
- **Individual school district** values may increase slightly but no significant increase in value is expected.

## FY 2013 General Fund Projection, Updated

Estimated revenue	\$	<u>1,485,610,846</u>
Carryover appropriations, net of fallout		1,525,145,373
Mandatory increases		1,416,495
Budget adjustments with offsetting revenues		(15,670,335)
Budget increases		32,801,239
Budget decreases		<u>(4,868,642)</u>
Beginning appropriations, net of fallout	\$	<u>1,538,824,130</u>
Projected budget deficit		(53,213,284)
Fund balance transfer after 8/11/11 board meeting		<u>18,490,403</u>
Projected budget deficit including one-time transfer	\$	<u><u>(34,722,881)</u></u>



# Balancing the Deficit-Step 1

**Deficit to be Funded**

Projected budget deficit after one-time transfer \$ (34,722,881)

**Potential Reductions**

ASPIRE	(5,000,000)
General Departmental Reductions (Still to be identified)	(1,500,000)
Special Education as a Result of Declining Student Population	(1,297,421)
Proposed Instructional Times	(1,200,000)
Consolidation of Administrative Offices	(615,000)
T -Bldg Reduction (removal of 153 excess buildings--operational cost)	(600,000)
Stipends (reduction of teacher development stipends--from \$1.4M to \$900K)	(500,000)
Boy's and Girl's School Transportation (Transportation can handle without an increase)	(350,000)
Cut SAS contract--require all funding for ASPIRE project to come from ASPIRE budget)	(314,536)
AP Exams for Non Title Students	(264,625)
District-wide Operating	(225,000)
Principal Change--Eliminate paying for liabilities incurred by leaving principal)	(160,500)
Transfer of CPR/AED program to Athletics	(113,057)
Transfer UIL membership costs to Athletics	(41,000)
Effective Teaching --Extra Duty Pay-Teacher Appraisal Committees	(40,116)
Textbooks (now funded in grant funds as part of the IMA allotment)	(35,000)
<b>Total of Potential Reductions</b>	<b>\$ (12,256,255)</b>

**Campus Reductions**

Per Unit Allocation Reduction	(Special Education and Bilingual Reduction)	\$ (4,194,793)
Small School Subsidy Reduction		
Unique PUA Reduction		
Special Education Funds		
Campus Based Non-Resource Funds and Capital Outlay		
Magnet Program Reduction		
<b>Total Campus Reductions</b>		<b>\$ (4,194,793)</b>

**Remaining Deficit to be funded**

**\$ (18,271,833)**

# Consolidation of Administration Offices

Recommendation:

Transfer FTEs and close the following three administrative facilities:

Workers Compensation/  
Risk Management  
(Langston Facility)



Teledyne Administration Building

Community Services



East Field Office

Holden Administrative  
Building



South Field Office (Academic  
Services/Charter Schools)

Anticipated Annual Savings in Operations and Maintenance Costs – \$615K

# T-Building Reduction

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## Background:

- ❑ Approximately 2,000 transportable buildings (T-buildings) in inventory
- ❑ Approximately 870 T-buildings at 87 campuses may be under-utilized
- ❑ Utilization rate between 39% to 83% (combined permanent/T-buildings)

## Recommendation:

- ❑ Remove 153 T-buildings out of 24 campuses (Phase I)

Anticipated Annual Savings in Operations and Maintenance Costs = \$600K

# Proposed Instructional Times

Proposed Instructional Times & Length of Day	Elementary School (A) - 7:30am to 3:00pm *	7 hours and 30 minutes
	Elementary School (B) - 8:30am to 4:00pm *	7 hours and 30 minutes
	Middle School - 7:45am to 3:15pm	7 hours and 30 minutes
	High School - 8:45am to 4:15pm	7 hours and 30 minutes
Results / Outcomes	Increase instructional time of 19 minutes per day (or over 7 days per school – on average)	
	<b>Anticipated \$1.2 million savings per year (transportation)</b>	
Communication Plan	<b>STEP 1:</b> February 27 - March 15	
	Post proposal & create electronic survey feedback form on HISD webpage	
	<b>STEP 2:</b> March 15 - April 20	
	Hold nine (9) community meetings	
	<b>STEP 3:</b> March 01 - April 13	
	Principals meet with communities (i.e. SDMC, PTO, PTA, etc.) & submit feedback to transportation by April 20	
	<b>STEP 4:</b> By May 17	
	Analyze data and finalize recommendation	

\* This assumes the number of elementary schools are evenly distributed among "A" & "B" options

# Identifying the Deficit

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- **Projected Deficit** (\$18,271,833)  
(after use of \$18.4M fund balance)
- **Other considerations for budget increases**
  - Salary Increase?
  - Additional funding to improve student achievement?
  - Programs affected by reduction of Title I funds?
- What will the projected deficit be?

# Title I Funding

	Current Approved Budget	Beginning Budget for 2012-2013	Adjustment	Draft Recommended Budget
<b>Sources of Funding</b>				
Planning Entitlement	\$ 97,532,804	\$ 99,560,396	\$ -	\$ 99,560,396
Carryover Funds	\$ 15,500,000	\$ 8,500,000	\$ -	\$ 8,500,000
Planning Budget	\$ 113,032,804	\$ 108,060,396	\$ -	\$ 108,060,396
<b>Use of Funds:</b>				
<b>Grant Required</b>				
Supplemental Education Service Providers	\$ 19,506,561	\$ 19,912,079	\$ -	\$ 19,912,079
Professional Development	\$ 9,753,280	\$ 9,956,040	\$ -	\$ 9,956,040
Indirect Costs	\$ 2,680,458	\$ 2,562,543	\$ -	\$ 2,562,543
Private School and other Miscellaneous	\$ 1,189,752	\$ 961,356	\$ -	\$ 961,356
Parent Engagement	\$ 964,739	\$ 995,604	\$ -	\$ 995,604
Highly Qualified		\$ 113,747	\$ -	\$ 113,747
Homeless Allocation		\$ 205,000	\$ -	\$ 205,000
<b>Other Initiatives</b>				
Campus Allocations	\$ 33,503,331	\$ 33,503,331	\$ -	\$ 33,503,331
Pre-K Programs	\$ 21,387,640	\$ 21,887,640	\$ -	\$ 21,887,640
Summer School	\$ 16,000,000	\$ 15,885,977	\$ 247,512	\$ 16,133,489
Twilight Schools	\$ 1,236,400	\$ 1,236,400	\$ (1,236,400)	\$ -
General Administration	\$ 2,160,000	\$ 1,829,567	\$ -	\$ 1,829,567
APEX Online Course Fee	\$ 1,192,500	\$ 1,926,208	\$ (1,926,208)	\$ -
PSAT Testing	\$ 507,247	\$ -	\$ -	\$ -
AP/IB Exams	\$ 1,454,336	\$ 1,457,667	\$ (1,457,667)	\$ -
Campus Online	\$ 600,000	\$ 600,000	\$ (600,000)	\$ -
Naviance	\$ 401,706	\$ 401,706	\$ (401,706)	\$ -
Houston Urban Debate League	\$ 394,854	\$ 394,854	\$ (394,854)	\$ -
Scholastic Scheduling Solutions	\$ 100,000	\$ -	\$ -	\$ -
<b>Total Title I Funding</b>	<b>\$ 113,032,804</b>	<b>\$ 113,829,719</b>	<b>\$ (5,769,323)</b>	<b>\$ 108,060,396</b>

Projected Deficit \$ (5,769,323)

Required distributions under federal law

Fund from the High School Allotment which will reduce the PUA for HS Allotment from \$192 to \$167

Funding will have to be considered as part of the General Fund

## Balancing the Deficit, Step 2

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- Tax Increase?
  - *M&O increase allowable under current law*
  - *Debt Rate can be increased up to four cents*
- Additional Cuts, including school based cuts?
  - *Affects the PUA, to be approved by the Board at March 8<sup>th</sup> Board Meeting*
- Fund Balance?
  - *Not a long term solution; behind the “8” ball*
- Combination of the above?

# Balancing the Deficit—Discussion Items

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- Will we reduce school allocations, small school subsidy, unique PUA and/or magnet allocations?
- Will we make reductions to other school programs and services?
  - Service Level Reductions for Maintenance and Operations
  - Outdoor Camp Programs
  - District wide testing program
  - College Readiness support-(Project Grad)
  - College Readiness (PSAT-SAT, Duke TIP)
  - Special Programs (Museum , Chronicle Journalism, Real Men Read)



# PUA Formula Changes

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- Formula changes for financial reduction
  - Special Education—reduce \$2.5M from the PUA allocation for reduction in special education students.
  - Bilingual Education—reduction of bilingual funds of \$1.7M due to a reduction of students coded as bilingual.
- Formula changes for instructional settings
  - Add a homeless weight-5%
  - Add a refugee weight-5%
  - Eliminate the mobility weight

# Belief and Visions

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*“School choice must remain an integral part of the HISD system”.*

*“Equal access to instructional excellence requires adequate and equitable allocation of resources. That, in turn, requires fair funding formulas”*

*“Weighted funding allocations address individual differences, allowing the money to follow the child in accordance with his or her unique instructional needs and thereby ensuring access to the resources that enhance student achievement”*

*“Closing achievement gaps requires unequal resources for unequal needs.”*