

# Budget Workshop #5

April 21, 2022

*Millard House II  
Superintendent, Houston Independent School District*



# Agenda

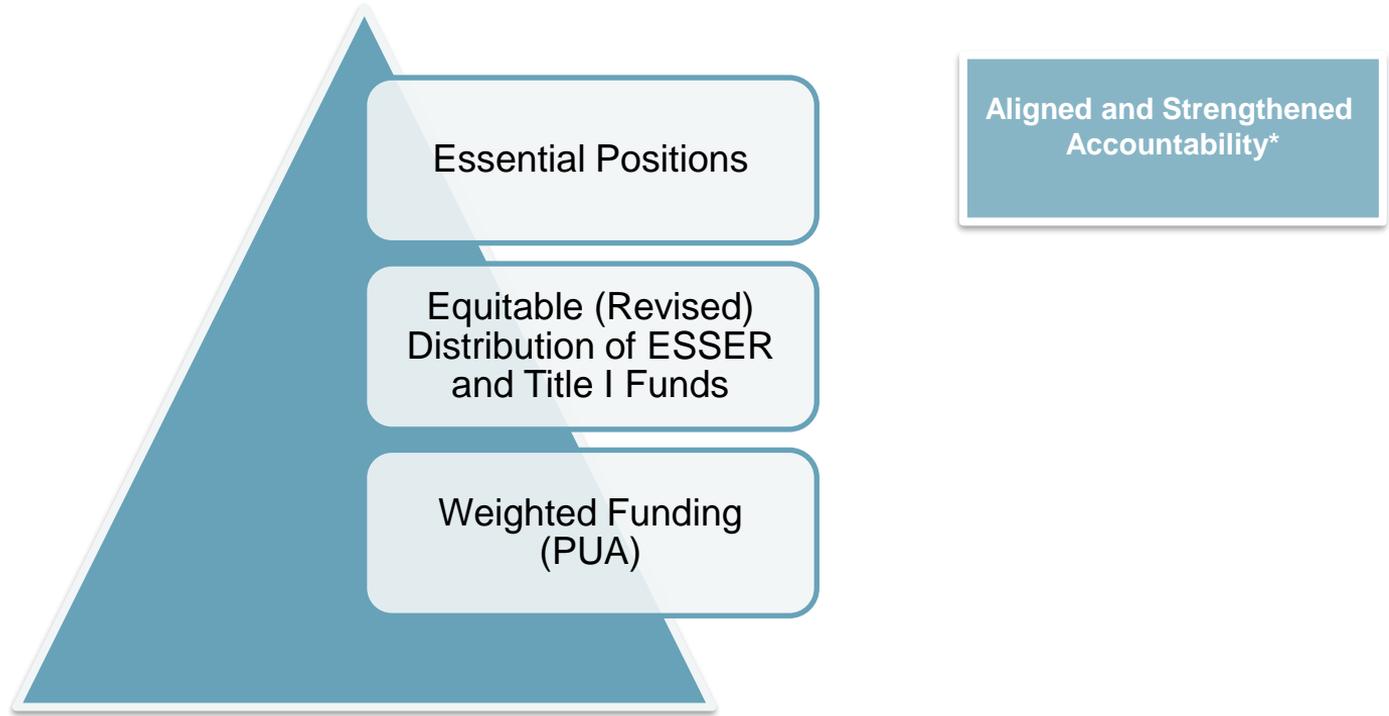
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1. **Funding Model Comparison**
2. **Revisiting Fund Balance**
3. **Budget Projections**
4. **Looking Ahead**

# FUNDING MODEL COMPARISON

# Revisiting Funding Model for 2022-2023

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# Funding Model Comparison – Staffing

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<b>Current Funding Model for 2021-2022</b>	<b>Funding Model for 2022-2023</b>
<p>Schools maintain full discretion on how to utilize all their available funding to staff their schools. Many schools did not fund PUA positions for librarians and/or counselors.</p>	<p>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. Schools will also be required to staff Physical Education (PE) and Fine Arts teachers in accordance with state laws.</p> <p>Schools maintain full discretion on using their PUA for staffing outside of this requirement.</p>

# Funding Model Comparison – Title I Funds

Current Funding Model for 2021-2022	Funding Model for 2022-2023
<p>Schools receive a recurring discretionary Title I allotment based on a funding formula (~\$48M).</p>	<p>Campuses will continue to receive a recurring discretionary Title I allocation based on a funding formula (~\$48M).</p> <p>Will increase discretionary Title I Funds going to high-need campuses will increase by \$10M.</p> <p>There will also be a \$12.9M increase in one-time discretionary Title I funds going to all Title I schools.</p> <p>The district will use \$3.7M of Title I Funds to invest in Reading or Math Interventionist positions for Middle Schools and 6-12 campuses.</p>

# Funding Model Comparison – ESSER Funds

Current Funding Model for 2021-2022	Funding Model for 2022-2023
<p>Campuses receive discretionary ESSER allocations in the following categories (Innovation Funds, Wraparound Services, HB4545 Tutorials, COVID-19 Safety, and College and Career Readiness (CCMR)).</p> <p>ESSER funds have also been allocated to fund reading or math interventionists for elementary and K-8 campuses, and counseling positions.</p>	<p>Campuses will continue to receive discretionary ESSER allocations for Innovation Funds, Wraparound Services, HB4545 Tutorials, and College and Career Readiness.</p> <p>We will continue to fund reading or math interventionists from ESSER, and campuses will cover the cost of counseling positions out of their PUA.</p> <p>We will also provide an increase of \$50 million in discretionary campus-based ESSER funds to high-need campuses.</p>

# Funding Model Comparison – PUA and Deficit

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Current Model for 2021-2022	Funding Model for 2022-2023
<ul style="list-style-type: none"><li>Elementary School: \$3,754</li><li>Middle School : \$3,790</li><li>High School: \$3,754</li></ul> <p>Does not include compensation package, status quo results in a current district operating deficit of \$94 million.</p>	<ul style="list-style-type: none"><li>Elementary School: \$4,019</li><li>Middle School: \$4,055</li><li>High School: \$4,019.</li></ul> <p>Increases PUA to cover the full cost of the campus-based compensation plan, results in a district deficit of \$117 million after we implement Central Office reductions totaling \$60 million.</p>

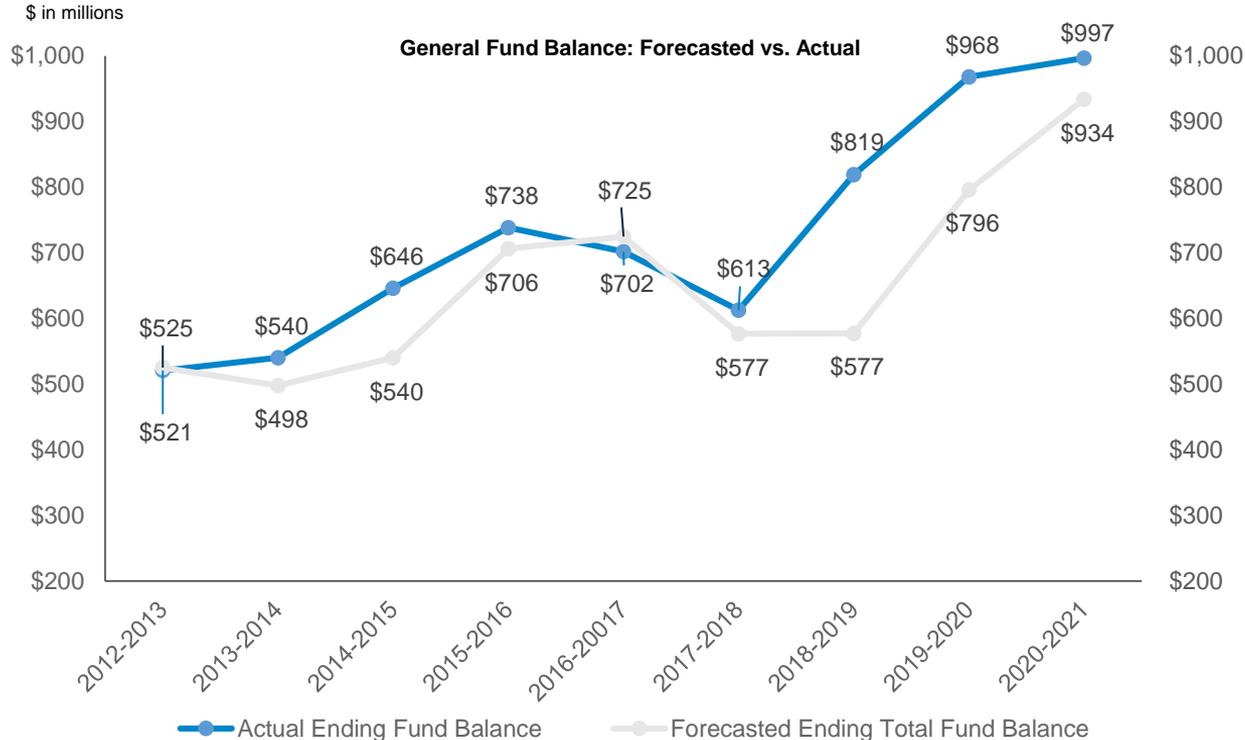
# Campus Allocations

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- Visit [www.houstonisd.org/strategicplan](http://www.houstonisd.org/strategicplan) to see campus-level allocations for 2022-2023 school year and comparisons to current year.

# REVISITING FUND BALANCE

# General Fund Balance History

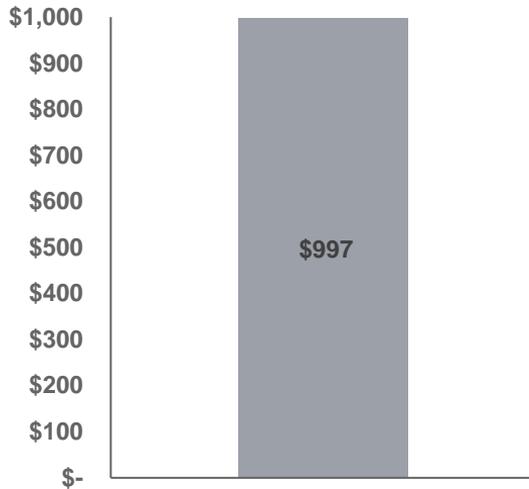


- HISD has seen fund balance changes with more variance in recent years. The fund balance growth has been driven by:
  - **18-19:**
    - \$133M unexpected (Hurricane Harvey funds from the State)
    - Increase in State per-capita revenue
    - Vacancies/hiring freeze
  - **19-20 & 20-21:**
    - Cost savings resulting from COVID-19 pandemic
    - High position vacancy rates
    - Cost savings initiatives

# Starting Fund Balance 2021-2022

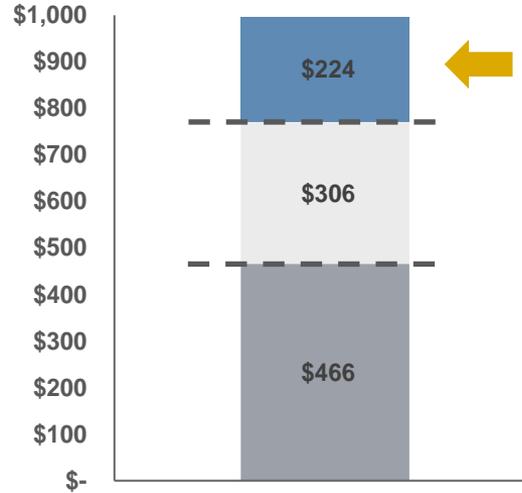
## 2021-2022 BEGINNING FUND BALANCE    COMPONENTS OF FUND BALANCE

\$ in millions



Total FY22 Beginning Fund Balance

\$ in millions



Included in Beginning Fund Balance

### Available Fund Balance

(unassigned fund balance above board minimum)

Non spendable, Committed, Assigned Fund Balances (includes carryover, excluding instructional stabilization)

### 3-Month Reserve

(HISD Board Policy [CE LOCAL](#))<sup>1</sup>

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

# Projected Starting Fund Balance 2022-2023

## FY21-22 Budget

<i>\$ in millions</i>	Amended Budget as of April 21, 2022
<b>Total Estimated Revenues</b>	1,903
<b>Total Estimated Expenditures</b>	(1,915)
<b>Operating Surplus (Deficit)</b>	<u>\$ (12)</u>
Use of ESSER Hold Harmless	88
<b>Net Operating Surplus (Deficit)</b>	<u>\$ 76</u>

## Available Fund Balance

<i>\$ in millions</i>	Amended Budget as of April 21, 2022
<b>Available Fund Balance</b>	
Beginning Balance	\$ 224
Decrease (Increase) in HISD Board Reserve	-
Budget Surplus (Deficit)	<u>76</u>
<b>Ending Available Fund Balance</b>	<u>\$ 300</u>

### Use of One-Time Funds Results in Surplus:

\$(12M) Operating Deficit + \$88M Hold Harmless = **\$76M Surplus** ←

# BUDGET PROJECTIONS

# Future Budget Projections: Including Compensation Plan Increases in FY23-24

	FY21-22	FY22-23	FY23-24
<i>\$ in millions</i>			
<b>Total Estimated Revenues</b>	<b>1,903</b>	<b>1,865</b>	<b>1,868</b>
<b>Total Estimated Expenditures</b>	<b>(1,915)</b>	<b>(1,981)</b>	<b>(2,058)</b>
<b>Operating Surplus (Deficit)</b>	<b>\$ (12)</b>	<b>\$ (117)</b>	<b>\$ (190)</b>
Use of ESSER Hold Harmless	88	-	-
Use of ESSER Indirect Costs	-	50	70
<b>Net Operating Surplus (Deficit)</b>	<b>\$ 76</b>	<b>\$ (67)</b>	<b>\$ (120)</b>
<b>Available Fund Balance</b>			
Beginning Balance	\$ 224	\$ 300	\$ 208
Decrease (Increase) in HISD Board Reserve	-	(25)	(19)
Budget Surplus (Deficit)	76	(67)	(120)
<b>Ending Available Fund Balance</b>	<b>\$ 300</b>	<b>\$ 208</b>	<b>\$ 69</b>

- Forecasted expenditures are adjusted to reflect \$60M in Central Office cost savings on a recurring basis (i.e., each year)
- The total cost of the 3-Year Compensation Plan in the Strategic Plan adds a recurring \$208 million by FY24-25. This increase is added to the budget in the following amounts each year:
  - FY22-23: \$82.7 million (shown above)
  - FY23-24: Additional \$63.0 million
  - FY24-25: Additional \$62.3 million
- This important investment draws down significantly on HISD's available fund balance.
- The available fund balance allows the district time to engage with stakeholders regarding longer-term plans for budget sustainability.
- By the end of FY23-24, HISD's available fund balance will be reduced to \$69M

# Future Budget Projections: No Incremental Compensation Plan Increases in FY23-24

	FY21-22	FY22-23	FY23-24
<i>\$ in millions</i>			
<b>Total Estimated Revenues</b>	<b>1,903</b>	<b>1,865</b>	<b>1,868</b>
<b>Total Estimated Expenditures</b>	<b>(1,915)</b>	<b>(1,981)</b>	<b>(1,995)</b>
<b>Operating Surplus (Deficit)</b>	<b>\$ (12)</b>	<b>\$ (117)</b>	<b>\$ (127)</b>
Use of ESSER Hold Harmless	88	-	-
Use of ESSER Indirect Costs	-	50	70
<b>Net Operating Surplus (Deficit)</b>	<b>\$ 76</b>	<b>\$ (67)</b>	<b>\$ (57)</b>
<b>Available Fund Balance</b>			
Beginning Balance	\$ 224	\$ 300	\$ 208
Decrease (Increase) in HISD Board Reserve	-	(25)	(3)
Budget Surplus (Deficit)	76	(67)	(57)
<b>Ending Available Fund Balance</b>	<b>\$ 300</b>	<b>\$ 208</b>	<b>\$ 148</b>

- Forecasted expenditures are adjusted to reflect \$60M in Central Office cost savings on a recurring basis (i.e., each year)
- This view shows future projections *including* costs in FY22-23 for implementing Year 1 (\$82.7 million) but *not including* costs in FY23-24 of implementing Year 2 of the 3-Year Compensation Plan in the Strategic Plan.
- By the end of FY23-24, HISD's available fund balance would be reduced to \$148M

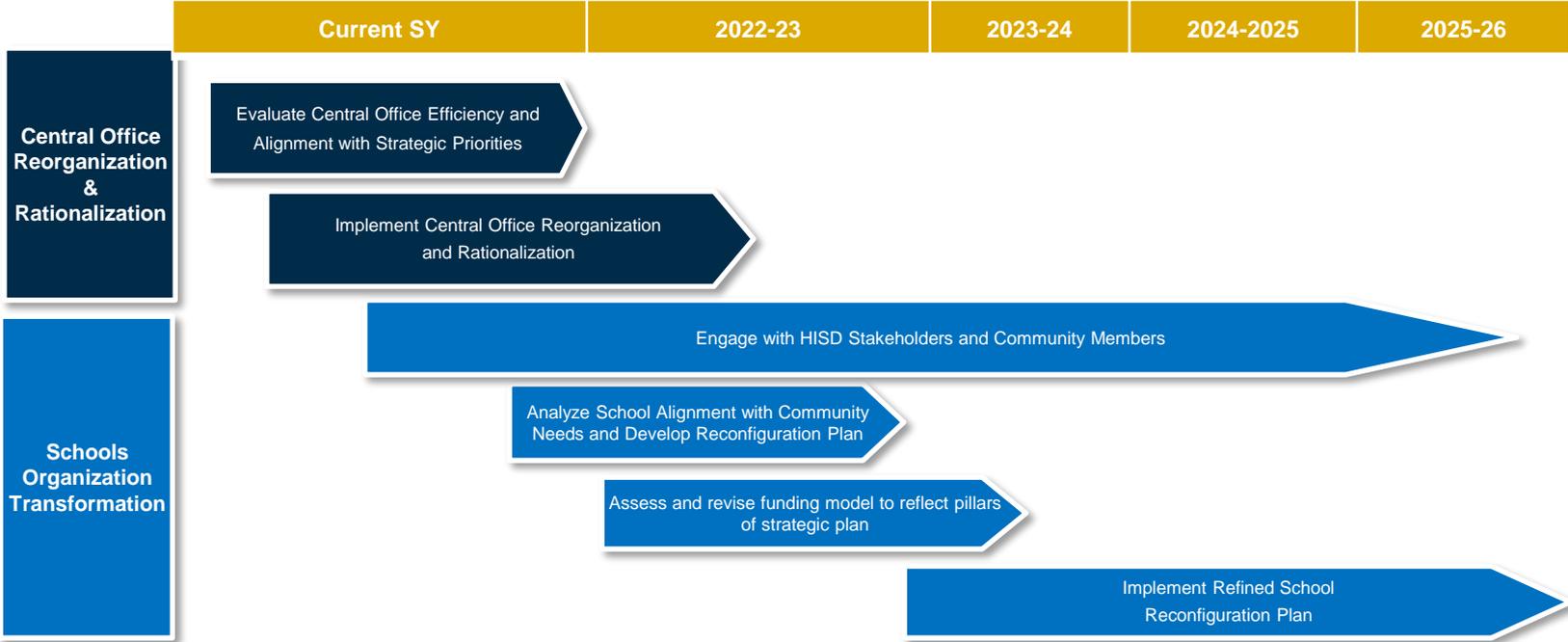
# LOOKING AHEAD

# Major Tasks Ahead of Us

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- Finalize details around \$60 million reduction to centrally funded expenditures that mitigates impact to students, schools, and staff.
- Engage with community and establish task-force to develop a fiscal sustainability plan to present to board during 2022-2023 that will bring us to a balanced budget in future years.
- Partner with an outside organization to examine PUA formulas/weights and identify opportunities for increased equity with possible adjustments for 2023-2024.

# Financial Sustainability Planning Process



# Potential Financial Improvement Strategies

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In order to reach lasting fiscal sustainability, HISD will pursue a long-term fiscal transformation process through a variety of possible strategies, including, but not limited to:

- Develop attractive education models tailored to community needs in order to drive increased enrollment
- Improve procurement management to better leverage buying power through strategic sourcing
- Continue strategic realignment of Central Office supports based on student needs and the Strategic Plan
- Reconfigure and rationalize school footprint to most effectively respond to community needs
- Optimize HISD's use of Physical plant and property, monetize unused property through lease or sale
- Improve weighted student funding approach to ensure equity and sustainability
- Explore potential funding model adjustments
- Develop staffing model for entire organization to increase transparency of budgeting process and align all positions to workload drivers

# Timeframe

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Share updated campus allocations with schools and public (April 14, 2022). Available at [www.houstonisd.org/strategicplan](http://www.houstonisd.org/strategicplan)



Schools make budgeting and staffing adjustments for 2022-2023 based on updated allocations (April 18 – May 6, 2022)



Finalize plan for centrally-funded budget reduction (April 2022)



Develop school performance framework and aligned accountability and tiered autonomy systems (June 2022- March 2023)