

Budget Workshop #1

2021-2022

Date: March 25, 2021

Presenter:

Glenn Reed

Chief Financial Officer



Agenda

- HB3 Funding Overview
- Project Updates: SAP Budgeting and Planning (SBP) and Compensation Study Enrollment
- Compensation Proposals
- 2021-2022 Budget Initial Projections
- Health Insurance
- Wrap-up

HB3 Funding Components

- How do district's earn student funding under HB3 (Called Tier I Entitlement)?
- Basic Allotment of \$6,160
- Regular program allotment for Average Daily Attendance (ADA)
 - To earn the full \$6,160 a student would have to have 100% attendance for all district instructional days.

HB3 Funding Components

- Special Populations add weights to student ADA, Full Time Equivalents (FTE) or enrollment
 - Special Education Allotment has ADA weights ranging from 1.15 to 5 depending on the instructional setting
 - Dyslexia Allotment adds a .10 weight to dyslexia enrollment
 - State Compensatory Education Allotment is based on 5 tiers
 - Weight is added to enrollment in each tier
 - Tier 1 - .2250
 - Tier 2 - .2375
 - Tier 3 - .2500
 - Tier 4 - .2625
 - Tier 5 - .2750

HB3 Funding Components

- Bilingual has multiple allotments
 - Bilingual LEP Allotment adds .10 weight per ADA
 - Bilingual LEP Dual Language One-Way or Two-Way receives .15 weight per ADA
 - Bilingual Non LEP Dual Language Two-Way receives .05 weight per ADA

HB3 Funding Components

- Career & Technology Allotment
 - Receives a .35 weight on FTE's
- Early Education Allotment
 - .10 weight on each K-3 economically disadvantaged student ADA
 - .10 weight on each K-3 economically disadvantaged and limited English proficiency student ADA
 - If a student is both then they generate a .2 weight

HB3 Funding Components

- CCMR
 - Based on annual graduates above a threshold
 - 5,000 for each economically disadvantaged student over the 11% threshold
 - \$3,000 for each non-economically disadvantaged student over the 24% threshold
 - \$2,000 for all special education students (0% threshold)

HB3 Funding Components

- School Safety Allotment
 - \$9.72 per ADA
- Students in a Dropout Recovery or Residential Placement School
 - \$275 per student ADA
- SAT / ACT Reimbursement
 - Paid one time for a High School student (Spring of junior year or during senior year)
 - \$35 per student for 2020-2021
- Certification Exam Reimbursement
 - Cost of exam
- Transportation Allotment
 - Based on eligible miles driven

HB3 Funding Components

- Teacher Incentive Allotment (TIA)
 - District is in Cohort E
 - Initial payout in September 2024 or September 2025
 - Provides up to \$32,000 to teachers
 - Ranges are determined by the points based on the percentage of economically disadvantaged at the campus the teacher works
 - Three designations
 - Recognized \$3,000 to \$9,000
 - Exemplary \$6,000 to \$18,000
 - Master \$12,000 to \$32,000
 - Teachers with National Board Certification are automatically given the Recognized designation
- Additional Days School Year (ADSY)
 - Provides half day funding for up to 30 additional instructional days (up to 210 days)
 - District must have 180 instructional days in the traditional calendar (not including waivers)
 - For PK-5 only
 - TEA recommends full day, however district receives half day funding

HB3 Funding Components

- This generates the district's Tier I entitlement
- Next the district's tax collections, comptroller's property value, state available school fund revenues, and recapture comes into play.

HB3 Funding Components

- First: the formula calculates a district's responsibility based on the comptroller's values – called Local Fund Assignment (LFA)
- Second the formula adds the district's tax collections at the compressed rate (doesn't include the golden pennies) and the state available school fund revenue.
- If this district's tax collection and ASF revenue exceeds the Tier I Entitlement, then the district pays the difference in recapture.
 - One caveat is due to the district's 20% local optional homestead exemption (LOHE):
 - If the district's tax collection and ASF revenue fall below our entitlement HISD does not receive state funding to make up the difference until the difference exceeds the exemption.

Old Law vs HB3 and New Revenue

- Old Law
 - Based on property tax collections and prior year values.
 - District's kept property tax collections from property value increases for one year (lag). If growth continued, then district's had new revenue every year. If growth flattened or declined, then district's lost funding.
 - Available School Fund – district kept an increase in the rate but also lost funding when the rate declined.

Old Law vs HB3 and New Revenue

- HB3 New Law
 - Based on property tax collections and **current** year values.
 - District's no longer keep taxes from property value increases for one year (no lag).
 - Increase or decreases do cause recapture to go up or down.
 - Available School Fund (ASF) – districts don't keep an increase in the rate but also don't lose funding if the rate declines.
 - Changes in this rate do cause recapture to go up and down.
 - Due to using current year values districts cannot generate significant new funding unless:
 - State legislature increases the basic allotment. Has the requirement of 30% going to salaries of which 75% is for teachers, nurses, counselors and librarians. The other 25% for non-administrators.
 - Enrollment increases (has some offsetting costs)
 - Tax Ratification Election
 - Districts are effectively revenue capped
 - The days of additional annual revenue from increases in property taxes and ASF are gone
 - Salary increases, new programs, contractual commitments, and other fixed costs have no new annual revenue source and must come from the repurposing of existing budget.

Project Updates
SAP Budgeting and Planning (SBP)
And
Compensation Study

SBP Update

- SBP is the new tool for Schools and Departments to enter budgets.
 - Phase I implemented in February 2020 for Personnel Expenditure Projections (PEP) for salaries and benefits.
 - Phase II implemented in February 2021 incorporating PEP and the additional functionality for budget entry below.
- Replaces Budgets Online for enrollment projections and budget entry by schools.
- Replaces spreadsheets for department, district-wide, and payroll / benefit projections.
- Allows schools and departments to budget to board and district goals and align them to the SIP and DIP in an online system.
- Will provide better capturing and reporting of how funds are being spent towards board and district goals to the Board, to internal and external stakeholders.
- Better capital outlay planning
- Reduces annual workload in collection and manual building of budgets providing more time for Budget Office and Managers to engage in real-time view of the work for real-time follow-up and monitoring of the process.
- 2021-2022 Budget is the first year of the full SBP process. The district will continue to improve and enhance this tool for future years.

Compensation Study Timeline from Board Approval (Historical Information)

	Complete 	In Progress 	Upcoming 										
Houston ISD, TX	Compensation Study Timeline from Board Approval (June 2019-June 2020)												
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
<u>Board Voted for Compensation Study</u>													
<u>RFP Completed</u>													
<u>Purchasing Project Request Form and Scope submitted, and Bid advertised</u>													
<u>Bids Due</u>													
<u>Completed Evaluation (All of the submissions were over \$175,000)</u>													
<u>Submitted Updated Project Request Form and Scope and Bid re-advertised</u>													
<u>Completed Evaluation (All of the submissions were over \$175,000)</u>													
<u>Revised Board Agenda Board Meeting for Vendor Approval</u>													
<u>Kick Off Meeting with Vendor, Management Advisory Group (MAG)</u>													

Management Advisory Group (MAG) Compensation Study Project Timeline

Houston ISD, TX	Complete	In Progress					Upcoming						
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July
<u>Phase I: Project Initiation</u>	█												
<u>Phase II: Conduct Market Survey</u>						█	█	█					
<u>Phase III: Classification Plan Review</u>							█	█					
<u>Phase IV: Employees Complete JPQs</u>								█	█				
<u>Phase V: Analyze Market Data</u>								█	█	█			
<u>Phase VI: Develop Updated Pay Plan</u>										█	█		
<u>Phase VII: Draft Project Report</u>										█	█		
<u>Phase VIII: Submit Final Project Report</u>												█	
<u>Phase IX: Technology Transfer/Training</u>													

Phase I: Data collection and review of existing compensation policies & procedures, organizational charts, job descriptions; discussions with Human Resources related to recruitment and retention issues, reclassification process, departmental staffing, and budgetary issues.

Phase II: Survey Targets & Benchmarks finalized; the vendor Management Advisory Group, Inc. will request peer wage & salary data as needed.

Phase III: Review of existing classification structure and salary schedules conducted Jan.-Feb.

Phase IV: Job Profile Questionnaire completion February-March.

Phase V: Freedom Of Information Act requests submitted to 21 survey targets January; as of February 19th, all survey data has been collected from the 21 targets; February - March market data compilation and analysis for 147 benchmark positions; and March - April review and compilation of salary stipend and supplements data.

Phase VI: April - May development of proposed salary schedules for certificated and non-certificated classifications.

Phase VII: Draft report will be presented prior to 5/7/2021 for an initial review by Human Resources.

Phase VIII: Management Advisory Group, Inc. will present the final report as directed by HISD no later than 6/30/2021.

2021-2022 Enrollment

2020 vs 2021 Enrollment

Enrollment	2019-2020	2020-2021	Difference
Early Education	268	199	-69
Pre-Kindergarten	15,321	10,966	-4,355
Kindergarten	15,755	13,871	-1,884
Grade 1	16,496	15,089	-1,407
Grade 2	16,260	15,139	-1,121
Grade 3	16,373	15,575	-798
Grade 4	16,776	15,706	-1,070
Grade 5	16,779	15,952	-827
Grade 6	13,591	13,302	-289
Grade 7	14,151	13,473	-678
Grade 8	13,676	13,901	225
Grade 9	16,309	14,966	-1,343
Grade 10	13,548	13,987	439
Grade 11	12,581	12,578	-3
Grade 12	11,425	11,846	421
Totals	209,309	196,550	-12,759

Level	Count
Elementray	-11,531
Middle	-742
High	-486
Student Loss	-12,759

Budgeted	207,809	196,550	-11,259
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Student Outreach Efforts

- On August 3, 2020 - Students Within Reach / Return Strong Campaign.
 - Purpose of this effort was to reengage children who had not participated in at-home instruction during the COVID-19 pandemic between March 2020 – June 2020.
- Establish Contact & Address Needs:
 - Sent home mailers and initiated automatic phone calls, emails and text messages
 - Parents were asked to complete a short survey indicating any barriers (technology/internet, homelessness, job loss, loss of income, lack of food, access to mental health services, etc) that may have prevented their child(ren) from engaging in online instruction.
 - Whether or not the student would be returning to HISD or transferring to another school district.
 - Learning mode (in-person or virtual).
 - Wraparound Resource Specialists had access to these results, and followed up with families to address needs.
- Outreach to Non-Contactable Students:
 - Any student who had not responded to the survey was then contacted directly by a Wraparound Resource Specialist. Campuses also coordinated individual outreach efforts.
- Approximately 6,000 students were reached and reengaged.
- This was achieved through a combination of letters mailed home, direct phone calls/emails/text messages, support from Wraparound Resource Specialists, home visits, and direct intervention from campus staff and administrators.
- Currently wrapping up a recruitment (marketing) and outreach plan for 2021-2022.

Compensation

Compensation Proposals

- For 2020-2021 proposing a one-time stipend:
 - All employees \$750 (eligibility criteria will be applied)
 - Cost \$21 million
 - Paid on May 26, 2021 paycheck
 - Will request approval and amend the budget at the May regular board meeting
- For 2021-2022 proposing:
 - Step increases for employees on the Teacher step schedule - **\$8 million**
 - Elementary Principals and AP's/Deans - **\$2 million**
 - Elementary Principals - \$5,000 to base salary
 - In 2014 salaries for Secondary Principals were adjusted, however Elementary Principals were never addressed.
 - Assistant Principals and Deans - \$2,500 to base salary
 - One-Time retention/recruitment stipend to all employees \$500 - **\$14 million**

2021-2022 Budget Initial Projections

2021-2022 Assumptions

- Projecting a budget deficit for 2021-2022
- Property Value Increase
 - Flat over current values (\$198B)
 - An increase in values increases recapture, does not provide any significant additional revenues
 - Collection rate 97.00%
 - An increase in collection rate increases recapture, does not provide any significant additional revenues
- Maintenance & Operations (M&O) tax rate
 - 2020-2021 current rate is \$0.9664
 - 2021-2022 based on \$0.9664
 - TEA will notify districts of their maximum tax rate in late summer 2021 based on certified values and surveys of districts
 - Projecting 201,550 (regaining 5,000 students)
- No COVID costs included

Campus Support Increases

- Special Education (General Fund) - \$18,954,831
 - Speech therapy services
 - LSSP and Educational Diagnostician services
 - Occupational Therapy and Physical Therapy teams
 - Intensive intervention (3 teams, 20 staff)
 - Address Equity
 - 19 Teaching Assistants
 - 13 Special Education Self Contained
 - 6 Co-Teacher Special Education
- Wraparound Services (General Fund) - \$6,259,959
 - 80 Wraparound Specialists (for a total of 297)
 - 7 Manager, Wraparound Services

2021-2022 Initial Projections

State formula based revenue changes and recapture

Change in Local Revenue (primarily property taxes)	\$ 48,856,014
State Revenue: Change in Available School Fund Rate	(9,889,186)
State Revenue: Change in Foundation School Program	3,472,065
State Revenue: Change in Tier II Golden Pennies	(5,307,105)
TIRZ	(5,685,699)
Recapture (appropriation)	(104,644,414)

State formula based revenue changes and recapture

\$ (73,198,325)

Other revenue changes and TRS on-behalf

State Revenue: Other (TRS On-Behalf, has an offsetting budget increase)	\$ 7,000,000
TRS On-behalf (appropriation)	(7,000,000)
Change in Other State Revenues	(250,000)
Change in Federal Revenue	(2,494,182)
Change in Other Sources	(2,500,000)

Other revenue changes

\$ (5,244,182)

Total Revenue Changes (net of recapture)

\$ (78,442,507)

2020-2021 budget deficit	(33,988,612)
2020-2021 One-Time Retention Stipends	15,553,987
Transfers Out for PFC Debt (last payment in 2021)	18,434,625
2021-2022 beginning deficit	\$ <u>(78,442,507)</u>

2021-2022 Initial Projections

2021-2022 beginning deficit		\$ <u>(78,442,507)</u>
Enrollment based appropriation changes		
Campus Enrollment Decline (estimate)	30,000,000	
Early Education Allotment (enrollment decline)	6,433,346	
State Compensatory Education Allotment (enrollment decline)	7,000,000	
Bilingual Setaside	(900,000)	
Performance Contract Schools	(7,000,000)	
Enrollment based appropriation changes	\$ <u>35,533,346</u>	
2021-2022 adjusted deficit		\$ <u>(42,909,161)</u>
Salary Appropriation Changes		
Teacher Step	(8,000,000)	
Elementary Principals and AP's / Deans	(2,000,000)	
All Employees \$500 retention stipend (one-time)	(14,000,000)	
Salary Appropriation Changes	\$ <u>(24,000,000)</u>	
2021-2022 adjusted deficit		\$ <u>(66,909,161)</u>

2021-2022 Initial Projections

2021-2022 adjusted deficit **\$ (66,909,161)**

Other Appropriation Changes

Special Education	(18,954,831)
Device maintenance from COVID device purchases	(4,569,000)
Hotspot subscriptions	(11,295,600)
Wrap-around Specialists	(6,259,959)
Verizon Innovative Learning Support	(1,636,946)
Property, Liability, Auto Insurance	(1,000,000)
Harris County Appraisal District (HCAD)	1,121,580
Department cuts	4,800,000
District-wide cuts	5,000,000
Proposed PUA cut of \$123 (Fund Special Education and Teacher Step Increases)	26,851,736
Other appropriation changes	\$ (5,943,020)

2021-2022 adjusted deficit **\$ (72,852,181)**

One-Time Retention Stipends (one-time from 2021-2022)	14,000,000
Hotspot Subscriptions - possible ESSER or E-Rate Funding	11,295,600
Cuts for 2022-2023	\$ 25,295,600

2022-2023 beginning deficit (no other budget assumptions made) **\$ (47,556,581)**

Fund from fund balance for one-year to determine if there will be ESSER or E-Rate funding available for these costs
 If the district does not add 5,000 students in 2021-2022 the deficit will increase by approximately \$40 million

Health Insurance

Health Insurance

- Health Insurance costs continues to rise
 - Expecting a deficit.
 - No increase in district contributions.
 - Expect to use some Health Insurance fund balance.
 - Employee rates increase on January 1, 2022 –10% increase (except select plan).
 - Employee rates will need to increase each year for the foreseeable future.
 - Continuing to look at ways to save costs in the health and prescription plan.

Revenues	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Budgeted
District Contribution	\$ 90,514,244	\$ 110,749,403	\$ 121,459,278	\$ 123,279,503	\$ 132,813,368
Employee Contribution	\$ 38,786,606	\$ 38,903,905	\$ 37,480,723	\$ 33,130,820	\$ 30,191,000
Total	\$ 129,300,850	\$ 149,653,307	\$ 158,940,001	\$ 156,410,323	\$ 163,004,368

District Contribution	70.00%	74.00%	76.42%	78.82%	81.48%
Employee Contribution	30.00%	26.00%	23.58%	21.18%	18.52%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Wrap-up

Workshop Wrap-up

- This budget depends upon bringing back 5,000 students
 - Bringing back less than 5,000 students will result in a larger budget deficit that will have to be addressed.
- District's no longer benefit from property value growth
 - Salary increase must be funded through internal cuts
 - The legislature basically controls additional funding that goes to salaries.
 - HB3 requires 30% of an increase in the basic allotment to go to salaries (75% of which would be our teacher scale and 25% of it is non-administrators)
 - Salary increases do not have a revenue source and will have to be covered by either an increase in enrollment beyond the 5,000 projected in future years or budget cuts to maintain.
 - Teacher Incentive Allotment is meant to be the primary way teachers earn more
 - Fixed costs, utilities, gasoline, new programs costs, and contractual increases must be funded through internal cuts

Workshop Wrap-up Cont.

- Ways to increase district funding
 - Enrollment increases
 - Increases in students identified and served in categorical funding (eco dis, bilingual, CTE, etc...)
 - Tax Ratification Election (TRE)
 - Requires voter approval
 - Requires an efficiency audit (LBB)
- Health Insurance costs continues to rise
 - Expecting a deficit.
 - No increase in district contributions.
 - Employee rates will have to increase on January 1, 2022 – about 10% increase.
 - We will see increases in employee rates for the foreseeable future.
 - Continuing to look at ways to save costs in the health and prescription plan.

Workshop Wrap-up Cont.

- No assumptions on legislative actions.
- No information at this time from TEA on the Coronavirus Response and Relief Supplemental Appropriations Act (ESSER 2) or American Rescue Plan (ESSER 3) funding.
- No COVID costs included at this time.

Workshop Wrap-up Cont.

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Next Workshop
April 15, 2021
Thank you

