

The seal of the Houston Independent School District is centered on the page. It features a five-pointed star with a compass rose design. The text "HOUSTON INDEPENDENT SCHOOL DISTRICT" is arranged in a circular pattern around the star. The words "BRANCH" and "SCHOOL" are on the left and right sides respectively, "INDEPENDENT" is at the top, and "HOUSTON" and "DISTRICT" are at the bottom. The letters "S", "T", "E", and "A" are positioned at the top, bottom, left, and right points of the star respectively. The entire seal is rendered in a light, semi-transparent purple color.

Executive Summary

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Budget Introduction

The following document represents the Preliminary Budget Draft for the Spring Branch Independent School District for the 2009 fiscal year. This budget provides a look at the financial and programming priorities based on the Five Year Educational Plan for the following school year. This document contains the two tax supported funds of the District. They are the General Fund, which is used to account for most operations and the Debt Service Fund, which is used to account for debt transactions and payments.

The Preliminary Budget Draft for FY 2009 for the General Fund totals \$ 269,272,661. This represents an increase of \$11,817,980 or 4.6% from the current year. However, changes in revenues and expenditures must be reviewed more closely excluding the Chapter 41 Robin Hood payment for a more meaningful analysis. The chart below represents a five-year analysis of the General Fund budget. This analysis excludes the Chapter 41 Robin Hood payment to the State to provide an analysis that compares District local costs only.

It is important to note that when the Chapter 41 payment is excluded, the 2009 Preliminary Budget Draft reflects an increase of \$4,013,429. This primarily consists of inflationary costs which include a 3% salary increase and a \$700,000 increase in fuel. During the last four years, the District has reduced staff and department budgets to provide for the cost increases resulting from salary and benefit proposals that maintain the District's competitive position for recruiting and retaining quality staff, inflationary costs for goods and services and new program costs that result from requirements of the State's accountability system and other new mandates. The 2009 Preliminary Budget Draft also reflects the District's commitment to our campuses and classrooms by increasing expenditures in functional categories such as Instruction and School Leadership. The Amended Budget for FY 2008 includes increases for major purchases previously designated in fund balance. The most notable items are laptops for teachers and the purchase and implementation of a new software system for business applications including finance, human resources, payroll, purchasing, etc.

Fiscal Year	General Fund Budget*		Increase/Decrease	Percent + or -	Peak Enrollment	Increase/Decrease	Percent + or -	Cost per Student	Increase/Decrease	Percent + or -
2005	\$208,122,117		(\$2,030,026)	-0.97%	32,425	(449)	-1.37%	\$6,419	\$26	0.41%
2006	212,737,031	(A)	4,614,914	2.22%	32,907	482	1.48%	6,465	46	0.71%
2007	229,968,142	(A)	17,231,111	(B) 8.10%	32,411	(677)	-2.06%	7,095	630	9.74%
2008	246,017,842	(A)	16,049,700	6.98%	32,042	(369)	1.14%	7,678	583	8.21%
2009	250,031,271		4,013,429	1.63%	31,990	52	0.16%	7,816	138	1.80%

* Excludes Chapter 41 Robin Hood payments
 (A) As Amended
 (B) Includes state salary increase of \$2500 per teacher

The following executive summary will provide an overview of the revenues and expenditures that comprise the General Fund budget.

Revenues

General Fund revenue is budgeted to increase \$10.1 million or 4.1% from the amended budget for FY 2008. The Chapter 41 payment of local taxes to the state is also slated to increase by \$7.8 million due to increases in local taxable values. The following table provides a comparison of revenues by source for fiscal years 2008 and 2009.

General Fund Revenue Sources

	Amended Budget FY2008	Preliminary Budget Draft FY2009	Percentage Change
Local Taxes	\$ 163,049,623	\$ 176,440,007	8.21%
Other Local Sources	8,554,404	6,184,675	-27.70%
State Sources - Current Law	76,671,226	75,858,820	-1.06%
Federal Sources	843,444	811,300	-3.81%
Other Financing Sources	50,000	50,000	-
	<u>\$ 249,168,697</u>	<u>\$ 259,344,802</u>	4.08%

The basic elements of the State funding formula have not changed for many years. However, minor adjustments are made during each Legislative session. Although the actual formula is rather complicated, the basic calculations are as follows:

- Tier I allots an amount per student to each school district based on average daily attendance with additional weight given for special programs. The Basic Allotment increased about 14% to \$3,135. However, in the current funding formulas, a district's revenue is actually distributed on a target revenue rather than the Tier I funding formulas; therefore, this change does not generate additional revenue for a district. From the total Tier I allotment, a deduction is made for the local district's share based on the individual district's property tax base. The remainder represents the State's share of Tier I funding. Under this methodology, a district's wealth factors significantly into its share of state funding. The higher the local wealth per student, the higher the proportional deduction from the Tier I total. Therefore, as wealth per student increases, State funding decreases.
- Tier II of the formula rewards the tax effort of a district by guaranteeing that tax effort in the current year, beyond the required local share of Tier I, will yield a minimum amount of money per weighted ADA. The FY 2009 guaranteed yield amount is set at \$37.42 per student in weighted average daily attendance for each cent of tax rate. Because Spring Branch's tax base generates more than this level, no Tier II funds are received.

However, with the passage of HB1 in May 2006, regardless of these formulas a district is limited to the same total amount per student as generated the prior year with no adjustment for inflation. General Fund State revenue is decreasing by approximately \$800,000 due to increased local taxable values and in anticipation of a slightly lower student enrollment. Critical estimates necessary to develop the General Fund budget have always included property values and student enrollment. Property values have a dramatic impact on both

state and local revenue estimates. Student enrollment projections influence state revenue estimates, staffing decisions, per-pupil allocations, facility needs, debt issuance requirements, and many other budgetary decisions. Although property values have no impact on General Fund Revenue, they do determine whether the source of funds is from a local property tax or state funding.

The primary factors influencing these estimates are as follows:

- Student Enrollment – The District experienced moderate increases in enrollment until 2004 when enrollments began to decline. The decline was projected to continue in 2006 and would have done so except for the natural disasters which brought hundreds of children into our schools. As a result, peak enrollment in 2006 increased almost 1.5% rather than declining by 1% as projected. Peak enrollment in FY 2007 then declined 2%, declined 1% in FY 2008 and is anticipated to be almost level in FY 2009.
- Property Value – Based on the current trend, property values are currently projected to increase approximately \$1.1 billion or 7%. This estimate is also very important in developing revenue forecasts for both the State and Local components.

Tax Base Trend

<u>Fiscal Year</u>	<u>Property Value</u>	<u>% Increase</u>
2000	\$9,195,414,090	9.3%
2001	\$10,060,511,350	9.4%
2002	\$11,015,536,620	9.5%
2003	\$11,744,714,990	6.6%
2004	\$12,405,209,620	5.6%
2005	\$12,977,434,570	4.6%
2006	\$13,489,458,020	3.9%
2007	\$14,455,720,064	7.2%
2008	\$15,954,133,340	10.4%
2009*	\$17,070,922,674	7.0%

*Estimated

Tax Rate and Fund Balance Impact

The District maintains a local Board Policy that sets a target for an unreserved fund balance at 19% of annual budgeted expenditures. The Preliminary Budget Draft does not project a balanced budget, with expenditures exceeding revenues by \$9.9 million leaving an unreserved fund balance at the end of FY 2009 of \$48.2 million or 19.3% of total budgeted expenditures.

The overall tax rate for FY 2009 is expected to increase \$0.0695 to fund payments for debt service resulting from the sale of the initial \$200 million in bonds from the \$597.1 million authorized in November 2007. The Preliminary Budget Draft assumes maintaining the current tax rate of \$1.09 for the General Fund.

The following table shows the District's tax rate for the General Fund and Debt Service Fund for the past 10 years. The total tax rate has remained fairly constant during this time, until the implementation of the new compressed tax rate structure created for FY 2007.

District Tax Rate - 10 Year History

Fiscal Year	General Fund	Debt Service Fund	Total
1999	\$ 1.6150	\$ 0.2050	\$ 1.8200
2000	1.6000	0.1900	1.7900
2001	1.6050	0.1850	1.7900
2002	1.6250	0.1850	1.8100
2003	1.5850	0.2250	1.8100
2004	1.5850	0.2250	1.8100
2005	1.5750	0.2350	1.8100
2006	1.5750	0.2350	1.8100
2007	1.4365	0.1950	1.6315
2008	1.0900	0.1950	1.2850
2009	1.0900	0.2645	1.3545

Expenditures

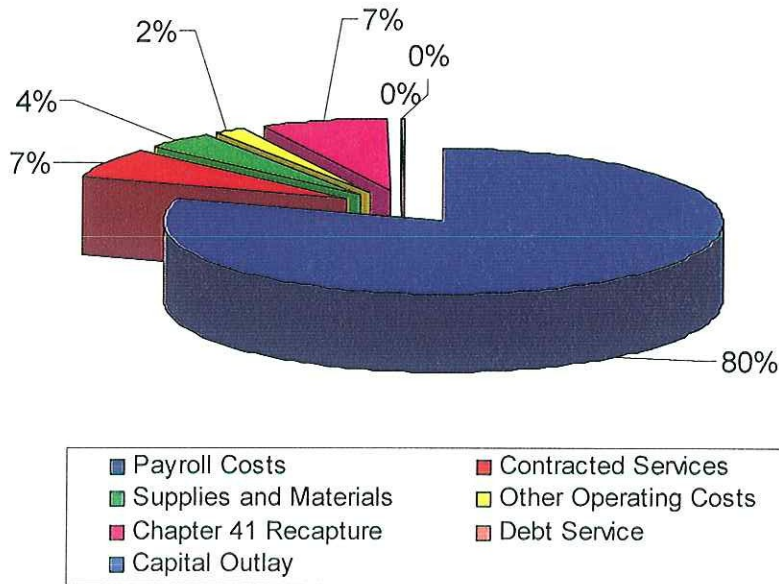
General Fund expenditures before recapture are currently budgeted to increase \$4 million from the current budget; and increase \$11.8 million with recapture. The following table provides a comparison of budgeted expenditures by object for fiscal years 2008 and 2009.

General Fund Expenditures by Object

	Amended Budget FY 2008	Preliminary Budget Draft FY 2009	Percentage Change
Payroll Costs	\$ 208,618,475	\$ 215,493,735	3.3%
Contracted Services*	17,999,612	18,187,314	1.0%
Supplies and Materials	13,343,104	10,262,133	-23.1%
Other Operating Costs	4,799,941	5,082,797	5.9%
Debt Service	785,581	579,292	-26.3%
Capital Outlay	471,129	426,000	-9.6%
Subtotal	<u>246,017,842</u>	<u>250,031,271</u>	1.6%
Recapture	<u>11,436,839</u>	<u>19,241,390</u>	68.2%
Total Expenditures	<u>\$ 257,454,681</u>	<u>\$ 269,272,661</u>	4.6%

*Includes \$9.3 million for utilities and \$1.6 million for Harris County Appraisal District.

FY 2009 General Fund Expenditures by Object



The education of students is a labor-intensive process and payroll expenditures comprise approximately 80% of the General Fund expenditures or 86% of the General Fund expenditures excluding recapture. The compensation package in this budget includes an average salary increase of 3.0% for employees. The package also includes an estimated 9% increase to the District's contribution to the health insurance program. This is one of the most important expenditure assumptions necessary to develop the budget, since it is a recurring expense that adds significantly to the budget total for the current and all subsequent budget years.

The following chart shows the history of salary increases in recent years.

<u>Fiscal Year</u>	<u>Teachers, Nurses, Librarians, Counselors & Diagnosticians</u>	<u>Administrative, Professional Support, Secretarial/Technical & Auxiliary Staff</u>
2004	1.50%	1.25%
2005	3.50%	3.00%
2006	2.00%	2.00%
2007	5.79% average	3.00%
2008	3.00%	3.00%
2009	3.00%	3.00%

The following chart indicates the campus operating budgets allocations.

<u>Campus Type</u>	<u>Basic Allotment (per student)</u>	
	<u>2008</u>	<u>2009</u>
High Schools	\$78.00	\$78.00 *
Middle Schools	\$53.00	\$56.00
Elementary Schools	\$51.00	\$54.00

*High Schools also received a flat allotment increase of \$6,000 each.