



Harris County Department of Education

July 15th, 2020

Members of the Board of Trustees
Harris County Department of Education

6300 Irvington Boulevard
Houston, Texas 77022

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Dear Trustees:

We are pleased to present the Harris County Department of Education's (the Department or "HCDE") Annual Budget for fiscal year 2020-2021. This budget presents the Department's financial and operations plan.

Introduction

In accordance with State requirements, we are presenting our projected budget to the Board of Trustees and to the Harris County community. We encourage you and our citizens to engage in positive dialogue in fine tuning our budget proposal. Given the limited resources, our staff has developed a financial plan for the 2020-2021 General Fund, Debt Service Fund, Enterprise Fund, Capital Projects Fund, and Internal Service Fund Budgets. The development, review, and consideration of the 2020-2021 budget were completed with a detailed review of every revenue and expenditure item within the context of the Department's mission, goals, and financial policies. This document provides information on each of the fund budgets. In addition, we also provide information about our projected grants, which we account as Special Revenue Funds.

The primary purpose of this document is to provide timely and useful information concerning the past, current, and projected financial status of the Department, to facilitate financial decisions that support the educational goals of the Department. This budget's focus is the improvement of HCDE divisions with the fiscal resources available to the Department. This budget addresses the essential needs of the Department by directing resources to those areas that will assist our staff in carrying out the mission of HCDE.

With this budget, we are continuing to use our performance-based budgeting model. Our conservative process focuses on evaluating programs and initiatives for efficiencies while considering current resources. Moreover, two variables are then reviewed during our SWOT Analysis Review (Strengths, Weaknesses, Opportunities & Threats Analysis), which includes (1) to determine the fee structure for our clients and the (2) level of taxation based on the property values projected to be received from the Harris County Appraisal District.

The HCDE Accountability System has been used as the basis for this performance-based budgeting model. This is the twelfth year using goals, objectives, and performance measures to plan the budget. This budget document is the first step towards achieving these goals. It includes sound, prudent fiscal policies that will ensure the continuity of the Department.

About Harris County Department of Education

Harris County Department of Education (HCDE), one source for all learners, is a highly successful educational resource in the Houston Metroplex, is a nonprofit tax-assisted organization dedicated to the equalization of educational opportunity and to the advancement of public schools. HCDE has been serving the county's public schools for 131 years.

HCDE is in Harris County in the upper Gulf Coast region of Texas, approximately 50 miles from the Gulf of Mexico. Harris County, Texas with 4.7 million people, is the third most populous county in the United States and houses the third largest city in the Country. Harris County's population base includes a wide variety of racial, ethnic, and socio-economic groups that give the area a rich diversity and cosmopolitan feel. In Texas, the second largest county is Dallas with 2.62 million people.

Harris County and the Houston metropolitan area comprise a leading region of business development in the nation. Houston continues to be a leader in oil and gas, aerospace, industrial engineering, and medical research, but diversification is fueling the local economy. The County's major hospitals, many of these concentrated just south of downtown Houston in the Texas Medical Center, offer world-class facilities for general and specialized medical needs. Houston is the fourth largest city in the nation and is a leader in numerous industries including oil & gas, manufacturing, healthcare services and engineering.

There are 25 public school districts located either entirely or partially within Harris County, as well as charter, private, and parochial schools. HCDE impacts the educational community through visionary leadership, shared resources, and innovative programs.

HCDE Mission Statement

Harris County Department of Education supports Harris County by enriching educational opportunities and providing value through services.

Department Goals:

1. Impact education by responding to the evolving needs of Harris County.
2. Deliver value to Harris County by utilizing resources in an ethical, transparent, and fiscally responsible manner.
3. Advocate for all learners by using innovative methods to maximize students' potential.
4. Provide cost-savings to school districts by leveraging tax dollars.
5. Recruit and maintain high-quality staff.

In the reaching of these goals, HCDE is a public entity dedicated to helping meet the needs of uniquely challenged learners and school staff through innovative programing and support services. HCDE directly serves approximately 93,000 students with four alternative campuses, therapy services provided in local schools, 17 Head Start centers for early childhood education, after-school programming in dozens of community and school settings, the largest Adult education program in Texas, and other programs. HCDE also supports educators and staff through a diversity of programs and operational support, which will be presented in more details in this document.

Each HCDE Division has objectives directly associated with the Department's goals, that are measured annually by the HCDE Accountability System. The Performance Measures are in four constructs:

1. Service Delivery
2. Client Satisfaction
3. Compliance
4. Financial Objectives

Budget Process and Significant Changes

Legal Requirements in Preparing the Budget

The Texas Education Code requires that a local education agency prepare a budget of anticipated expenditures and revenues on or before August 20th. The Board is required to adopt a budget before August 31st. The budget must be itemized in detail according to classification (object) and purpose of expenditure (function) and be prepared according to General Accepted Accounting Principles.

The budget must be legally adopted before the adoption of the tax rate. The president of the Board of Trustees must call a public meeting of the Board of Trustees giving ten days public notice in a newspaper for the adoption of the budget. Any taxpayer within the Department's taxing authority, may be present and participate in the meeting. The budget must be adopted by the Board of Trustees, inclusive of budget amendments no later than August 31st.

Budget Development Process

The budget development process comprises three stages: planning, preparation, and evaluation. The first phase, planning, involves defining the mission, goals, and objectives of campuses, divisions, and the Department. This initial phase took place from September 2019 and lasted until the middle of January 2020.

Once these plans and programs have been established, the preparation phase of budgeting begins by allocating resources to support them. This phase took place the second quarter 2020 with several training sessions. Every division started assigning resources and gathering the data.

Evaluation is the last step of the Department's budget cycle, in which information is compiled and analyzed to assess the performance of each individual division and campus, as well as the Department as a whole. During April and May, the data was analyzed, organized, and summarized in the Board Budget Committee Workbook. After several meetings, evaluations, and adjustments, the Administration prepared a Board Budget Book that was presented to the Board Budget Committee during three hearings that will take place on June 26th, July 7th, and July 15th, 2020.

The Human Resources Department played an important role assisting the Business Support Services in the budget process as they developed salary budgets utilizing established staffing guidelines. On July 15th, the Board of Trustees will be presented with a final proposal for adoption and to be implemented on September 1st, 2020.

Amending the Budget

A budget is an estimate of planned expenditures and expected revenues. Many changes can take place between estimating for the proposed budget in March and April and the start of the new fiscal year in September. Program and operational changes will mean budget changes. These changes to the budget are made in the form of budget amendments. Any increase or decrease in the budget expenditures requires board approval. Changes to revenues also require budget adjustments before the end of the year. All other changes are submitted by divisions and campuses to the Business Support Services for review and processing.

COVID19 Impact

On March 9, 2020, the Department was scheduled to go on Spring Break, and it was preparing to develop the budget projections for the next year, and the news of a widespread pandemic hit the market. The President of the United States declared an Emergency Disaster situation across the US, and in Texas, the Governor implemented a stay home mandate for the state. The Department staff did not return from the spring break, and everyone was asked to go on emergency leave pending guidance from the federal, state, and local authorities. Soon thereafter, the staff was asked to work from home and be available for

meetings via TEAMS, ZOOM and other communication means. Work from support divisions continued from home, and service division began to provide alternative services to districts and students via ZOOM and distance learning. As of the date of this document, the staff is still working from home, and there are plans to return to work on staggered schedule. 50% of the staff will work two days at the office and three from home. The Department continues to monitor revenues and expenditures. The Board decided to continue to pay everyone during the time away from the office. Revenues have continued at the same rate as last year as of May 2020 with three months left during the year. It is expected that the Department may see a potential tax revenue and other fee revenue losses in the General Fund. However, for grants like Head Start from the Health and Human Services, CASE from 21 Century Afterschool Grant, and Adult Ed from the Workforce Development Program, the Department will continue to be reimbursed based on expenditures incurred. In addition, these grants have allowed the purchase of additional technology and expenses associated with Covid19 preventive activities.

Moving forward, the Department went through the budget review process by holding meetings with Division directors via TEAMS and the projected budget was developed which include many initiatives while maintaining a sound business model. Clients have been in close contact with our Divisions, and all indications are that contracts are projected to be renewed at higher levels of services. To address the potential loss of revenues this year and next year, the Department is looking at developing projections to include utilizing the revenue projections to meet budget needs for the new year.

Initiatives for FY 20-21

In meeting the goals and objectives of the Board of Trustees, the Superintendent has implemented several new initiatives that will enhance the relations with school districts while maintaining a positive business model. Fiscal results and projections include this new planned objective, and the major initiatives include a focus of six major enhancements to program and services to include:

1. Maintaining a positive business model while delivering high quality services.
2. Enhancing HCDE's Special Schools by investing in talent and recruitment.
3. Invest in talent and recruitment and establish a \$13.5 minimum rate per hour.
4. Invest in enhancing marketing strategies and the campaign awareness.
5. Developing major capital projects to continue to serve HCDE clients.
6. Continuing our competitive edge to enhance services to school districts.

To this objective, our financial plan encompasses the major elements: (1) the enhancement of local revenues through projected contract commitments that was presented to the Board during the summer, (2) a review and implementation of program-based budgeting to seek internal efficiencies and budget reductions, (3) the recommendation of competitive salaries and (4) tax revenues due to the adoption of a rate of \$.0050 per \$100 valuation.

Included in the budget are 6.17 new positions aimed at enhancing our capabilities to meet the client needs and enhance our fee revenue stream for Communications Division, Therapy Services, Client Engagement, Schools Division, Adult Education, and Technology.

In specific, our operations plan includes the following program enhancements:

1. **Wage increase:** 4% for teachers, and 2% for all other employees. HCDE plans to recruit, hire, and retain high quality staff to be able to provide the best services available in the marketplace. The new beginning teacher salary will be \$62,000 which is expected to be at the highest level for the region.
2. The TRS Care system also notified HCDE of a health insurance increase to the minimum rate, and HCDE is proposing **to increase its health insurance contribution**. The cost of HCDE will be \$139,000 across funds.
3. HCDE is also implementing **a wellness program** aimed at improving the health of HCDE staff. This program is nutrition-based program designed to promote healthy habits. The startup costs are approximately \$40,000 for the first year.
4. **Specials Shool Division:** one of the fiscal year 2020-2021 initiatives is the enhancing of the competitive

edge in the School Division. One FTE is proposed for a Behavior Specialist. To invest in our staff, a restraint team stipend is being implemented for a total of \$40,000.

5. **School Based Therapy Program** is also part of the initiatives to be more competitive in the marketplace. One occupational therapist and 0.17 FTE manager will be added to meet service demand due to special education needs.
6. Implementation of the **marketing strategies and awareness campaign** in the Communication Division. HCDE is proposing to add one additional FTE Graphic Design Manager to help address the new requirements in communication HCDE programs and efforts to serve students in the County. Client Engagement will also add one FTE for an Administrative Assistant. These positions are projected to enhance with marketing appeal and awareness of HCDE as a brand in the county.
7. In anticipation of next year’s legislative session, the Department has also included an appropriation for the **lobbying cost** commitment previously approved by the Board of Trustees. The cost is \$276,000.
8. **Balanced Budget:** The proposed budget is balanced for on-going operations, and it is projected that the Department will invest part of its fund balance to implement a capital improvement program. All expenditures will be covered with the revenues generated during the year except for the one-time costs. For more detail see section number 9 below, and in the Capital Expenditure section.
9. **A Capital Improvement Plan Phase One is proposed to be implemented. The following projects are proposed:**
 - a. A new AB East Campus – This is a 43,605 square feet facility to meet special education students. AB East continues to attract additional students, and it is projected that the facility will be at capacity the next year. The projected budget is \$17,805,875. A PFC financing program is recommended for this project.
 - b. A new High Point East Campus for Middle School. This school needs additional space to meet the needs of students sent by the district for an alternative campus. This is a 13,750 sq. ft facility, and the projected budget is \$7,916,645. A PFC financing program is recommended or this project.
 - c. A new Adult Ed Center is proposed to replace the current facility at the Adult Ed Building. This is a new 40,500 sq. ft building that will be used to offer adult ed classes and workforce development programs. The projected budget is \$16,858,750. A PFC financing program is recommended for this project.
 - d. The Irvington Building is over 25 years old, and it is scheduled for a renovation. The projected renovation is expected to cost \$8,365,500. A maintenance note financing is projected for this project. The number of sq. ft to be renovated is 60,000 sq. ft.
10. A new program is being initiated to reinvent the Department considering the COVID19 and market changes. **A Star Re-Imagined Initiative** was aimed at implementing pilot programs that will enhance the footprint of HCDE by rethinking the way we do things. This is a one-time campaign designed by our Superintendent allowing divisions to present an expenditure request under \$50,000 to improve their division. \$648,764 will be used from the General fund to address the 17 divisions requests This cost is reserved in the fund balance.
11. Planned **one-time expenditures** from the General Fund balance totaling \$11,288,764 as follows:

Debt Service Transfer for future payments- CIP Plan	\$5,050,000
Capital Improvement Plan – District Contribution	5,740,000
Star Re-Imagined Program	648,764
Retirement benefit	150,000
Total fund balance capital expenditure appropriations	<u>\$11,588,764</u>
12. **Technology** is also an important driver of our success. The division is implementing various additional software packages such as CASE Digital Print, Blackboard, eFinance Plus Systems, Share-point Programs, Dashboard, and others. The division is proposing one new FTE as Training Coordinator.
13. **Transfers** are being recommended to continue the operations of our special revenue funds. A transfer of \$872,000 will be required for FY 21 to implement the \$13.5 minimum compensation plan. This is a \$400,000 increase from FY 20. The Department receives over \$1.2M in indirect costs from the federal government.

14. The budget is predicated on adopting a tax rate that will bring in more revenue to address revenue loss and implementation of new initiatives such as the campaign awareness and costs associated with talent recruitment and compensation plan starting at \$13.5 per hour. **The estimated tax rate of \$.0050 is proposed**, and this is below the rollback rate now referred to as voter-approval tax rate ("VAR"). Public hearings and notices will be required to adopt the tax rate. This rate is key to the funding of the operations plan for the current year considering COVID 19 challenges to the revenue projections.
15. **Adult Education** will grow in operations and it will require the hiring of a Director. One FTE has been requested for the Senior Director position. The cost of the position will be funded by the Adult Ed Grant.

Summary of Proposed Budgets

The Department utilizes Governmental, Proprietary, and Fiduciary fund types. The Department's Governmental fund types are comprised of General Funds, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The Proprietary Fund types include the Internal Service Fund and the Enterprise Fund. The Enterprise Fund includes the Choice Partners. The Fiduciary fund types include Agency Funds. It is important to note that the Department approves the annual budgets for the General Fund, Internal Service Fund, Debt Service Fund and Capital Project Funds. Agency (Custodial) Funds and Special Revenue Funds adopt project-length budgets which do not correspond to the Department's fiscal year end. As the notice of grant awards are received, these are presented for Board approval.

The following table presents a comparison of the proposed expenditures for General Fund with a comparison to fiscal year 2019-2020.

	Adopted Budget 2019-2020	Amended Budget 2019-2020	Proposed Budget 2020-2021	Percent Change
Beg. Fund Balance	\$ 32,614,360	\$ 32,614,360	\$ 27,163,427	
Estimated Revenues	55,224,065	55,688,860	57,484,758	3%
Appropriations	51,999,534	53,024,526	55,214,929	4%
Transfers Out	8,115,267	8,115,267	13,858,593	71%
Total Appropriations	\$ 60,114,801	\$ 61,139,793	\$ 69,073,522	12.98%
Excess/(Deficiency) of Revenues				
Over/(Under) Appropriations	(4,890,736)	(5,450,933)	(11,588,764)	
Ending Fund Balance	27,723,624	27,163,427	15,574,663	
<u>Fund Balance categories per GASB 54</u>				
Non-Spendable Fund Balance	125,000	128,037	125,000	
Restricted Fund Balance	-	-	-	
Committed Fund Balance	550,000	700,000	550,000	
Assigned Fund Balance	1,939,384	6,889,373	1,939,384	
Unassigned Fund Balance	25,109,240	19,446,017	13,260,279	
Ending Fund Balance	\$ 27,723,624	\$ 27,163,427	\$ 15,874,663	

The following table presents a comparison of the estimated revenues, appropriations, other financing sources and uses, and beginning and ending fund balance of all governmental funds for fiscal year 2020-2021:

	Governmental				Proprietary		Total
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Internal Service Fund	Enterprise Fund	
Estimated Revenues	\$ 57,484,758	\$ 36,444,267	\$ 6,169,043	\$ 50,946,770	\$ 6,128,990	\$ 5,228,380	\$ 162,402,208
Appropriations	55,214,929	36,444,267	6,169,043	50,946,770	6,128,990	2,801,140	157,705,139
Transfers Out	13,858,593	-	-	-	-	2,927,240	16,785,833
Total Appropriations and Other Uses	69,073,522	36,444,267	6,169,043	50,946,770	6,128,990	5,728,380	174,490,972
Appropriations from Fund Balance:	(11,588,764)	-	-	-	-	(500,000)	(12,088,764)
Projected Fund Balance Beg.	27,163,427	-	-	2,472,835	1,461,822	1,000,000	32,098,084
Projected Fund Balance End.	\$ 15,574,663	\$ -	\$ -	\$ 2,472,835	\$ 1,461,822	\$ 500,000	\$ 20,009,320

The Department's Proprietary Funds are the Internal Service Fund and the Enterprise Fund. The Internal Service Fund consists of two funds: The Worker's Compensation Fund and the Facilities Support Charges. For the Worker's Compensation Fund, the Department participated in a partially self-funded pool, originally approved by the Board in the fiscal year 2005. Since 2016-2017, the Department moved to a fully funded program. Claims administration, loss control, and consultant services will be provided for by worker's compensation insurance company and a third-party administrator will handle the run-off claims from the previous self-insurance plan.

Internal Service Fund - Workers Compensation

The following table presents a comparison of the proposed fiscal year 2020-2021 revenues and expenditures for the Workers Compensation Fund with a comparison to fiscal year 2019-2020:

	Adopted Budget 2019-2020	Amended Budget 2019-2020	Proposed Budget 2020-2021
Operating Revenues	\$ 450,000	\$ 450,000	\$ 475,000
Operating Expenses	450,000	450,000	475,000
Total Operating Expenses and Other Uses	450,000	450,000	475,000
Net Position	-	-	-
Projected Balance Beginning	1,461,822	1,461,822	1,461,822
Projected Balance Ending	\$ 1,461,822	\$ 1,461,822	\$ 1,461,822

Internal Service Fund - Facilities Support Charges

The Internal Service Fund also includes the Facilities Support Charges Fund. It consists of facilities support charges that are divided among the divisions based on square footage. The following table presents a comparison of the proposed fiscal year 2020-2021 revenues and expenditures for the Facilities Support Charges with a comparison to fiscal year 2019-2020. The Facilities Division is projecting \$518,039 more than fiscal year 2019-2020 budget due to increase in insurance and security expenses.

	Adopted Budget 2019-2020	Amended Budget 2019-2020	Proposed Budget 2020-2021
Operating Revenues	\$ 5,135,951	\$ 5,135,951	\$ 5,653,990
Operating Expenses	5,135,951	5,135,951	5,653,990
Total Operating Expenses and Other Uses	5,135,951	5,135,951	5,653,990
Projected Balance Beginning	-	-	-
Projected Balance Ending	\$ -	\$ -	\$ -

Enterprise Fund – Choice Partners

The Enterprise Fund consist of the Choice Partners Fund which offers quality, legal, procurement and contract solutions to meet the purchasing needs of school districts and other governmental entities. The following table presents a comparison of the proposed fiscal year 2020-2021 revenues and expenditures for Choice Partners Fund with a comparison to fiscal year 2019-2020.

	Adopted Budget 2019-2020	Amended Budget 2019-2020	Proposed Budget 2020-2021
Operating Revenues	\$ 4,907,948	\$ 5,004,466	\$ 5,228,380
Operating Expenses	2,532,724	2,629,242	2,801,140
Transfers Out	2,375,224	2,375,224	2,927,240
Total Operating Expenses and Other Uses	4,907,948	5,004,466	5,728,380
Projected Balance Beginning	1,000,000	1,000,000	1,000,000
Projected Balance Ending	\$ 1,000,000	\$ 1,000,000	\$ 500,000

Balanced Budget

Per CE Local Policy, the operating budget requires a balanced budget. This means that for each fund, expenditures are not to exceed revenues plus projected one-time use fund balances. If the fund balance is used, this cost must be a one-time cost and not recurring (i.e. capital expenditures). The Department is projecting a balanced budget for fiscal year 2020-2021. Expenditures plus other financing uses total \$69,073,522. Revenues equal \$57,484,758. One-time costs total \$11,588,764, from which construction projects total \$5,740,000, debt service payment from General Fund for \$5,050,000, Star Re-Imagined Campaign for \$648,764, and one-time retirement benefits from Fund Balance for \$150,000. We believe

that the budget represents a fiscally responsible and conservative approach to the needs of the Department within the available funds. The chart below shows a historical summary of the General Fund.

General Operating Fund Summary (Trend)

	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Amended	2020-2021 Proposed	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2025-2026 Forecast
Beginning Fund Balance	\$ 30,920,246	\$ 28,122,494	\$ 29,412,173	\$ 32,614,360	\$ 27,163,427	\$ 15,574,663	\$ 11,355,511	\$ 7,644,068	\$ 7,426,253	\$ 7,832,232
Estimated Revenue	49,028,062	51,262,202	56,240,706	55,688,860	57,484,758	59,209,301	60,985,580	62,815,147	64,699,602	66,640,590
Appropriations	43,146,296	44,202,144	47,209,422	53,024,526	55,214,929	56,319,228	57,445,612	58,594,524	59,766,415	60,961,743
Total Other Uses	(8,679,518)	(5,770,379)	(5,829,098)	(8,115,267)	(13,858,593)	(7,109,226)	(7,251,410)	(4,438,438)	(4,527,207)	(4,617,751)
Net Change in Fund Balance	(2,797,752)	1,289,679	3,202,186	(5,450,933)	(11,588,764)	(4,219,152)	(3,711,442)	(217,816)	405,980	1,061,095
Ending Fund Balance	\$ 28,122,494	\$ 29,412,173	\$ 32,614,360	\$ 27,163,427	\$ 15,574,663	\$ 11,355,511	\$ 7,644,068	\$ 7,426,253	\$ 7,832,232	\$ 8,893,327

Projected Fund Balance

We are projecting that the fiscal year 2020-2021 ending fund balance will be \$15,574,663. This represents a decrease of \$11,588,764 from the projected 2019-2020 ending fund balance. The use of fund balance is for planned appropriations that are one time in nature (i.e. Construction projects and capital outlay). It is the policy of the Department to maintain an unassigned fund balance equivalent to a minimum of two months of operations costs. Currently, the Department projects the desired fund balance. According to our five-year forecast, the Department will have sufficient funds to meet the CE local policy requirements but may need additional cash to fund the Special Revenue Fund since they work on a reimbursement basis.

About the 2020-2021 Department Budget

Below are highlights of the Department that will provide you with a general overview of the basis of our assumptions and projections for the coming 2020-2021 fiscal year. To prepare the annual budget, HCDE develops projections for taxable value, collection rate, and expenditure levels.

Appropriation Levels

General Operating Fund –The 2020-2021 appropriation levels for the General Operating Fund are projected at \$55,214,929 and estimated other uses (transfers to other funds and one-time cost at \$13,858,593, for a total of \$69,073,522; this represents an increase of 13% or \$7,933,729 increase from 2019-2020 amended budget.

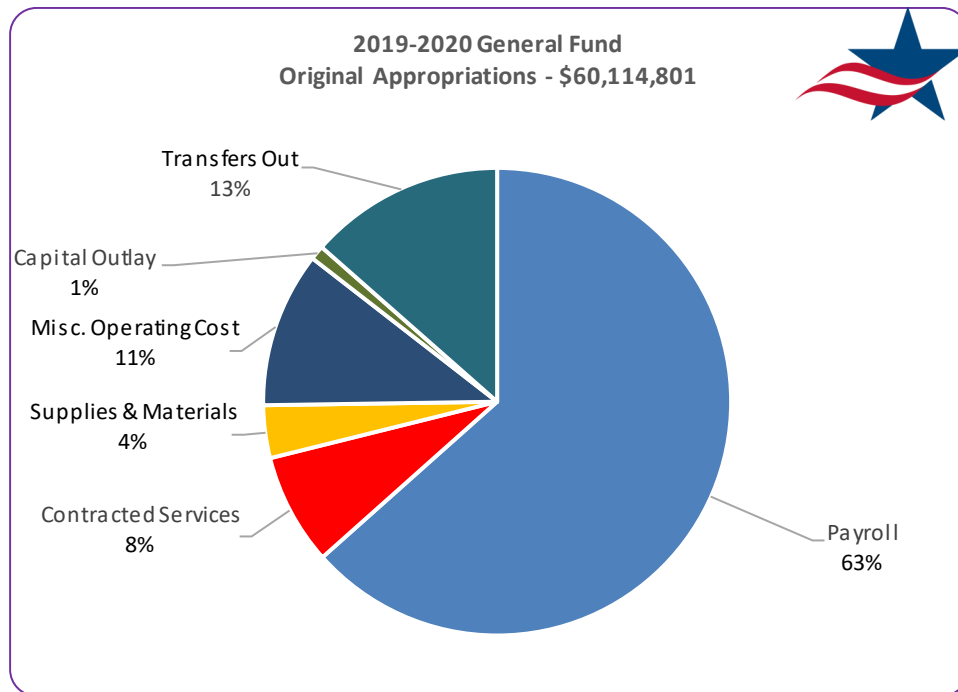
The 2020-2021 budget includes a 4% salary increase to teachers, 2% for all other employees. The budget process was representative of the economic environment. A series of budget meetings and reviews were conducted by the Superintendent and the Budget Committee to achieve this budget. Transfers-out to other funds amounted to \$13,858,593 for fiscal year 2020-2021 mainly due to the additional participation of the General Fund in the construction projects to upgrade existing facilities, Star Re-Imagine project, and debt service contributions from General Fund for the new bonds. The capital outlay initiative in the budget includes a Department contribution of \$5,740,000 for the four projects included in the capital improvement plan.

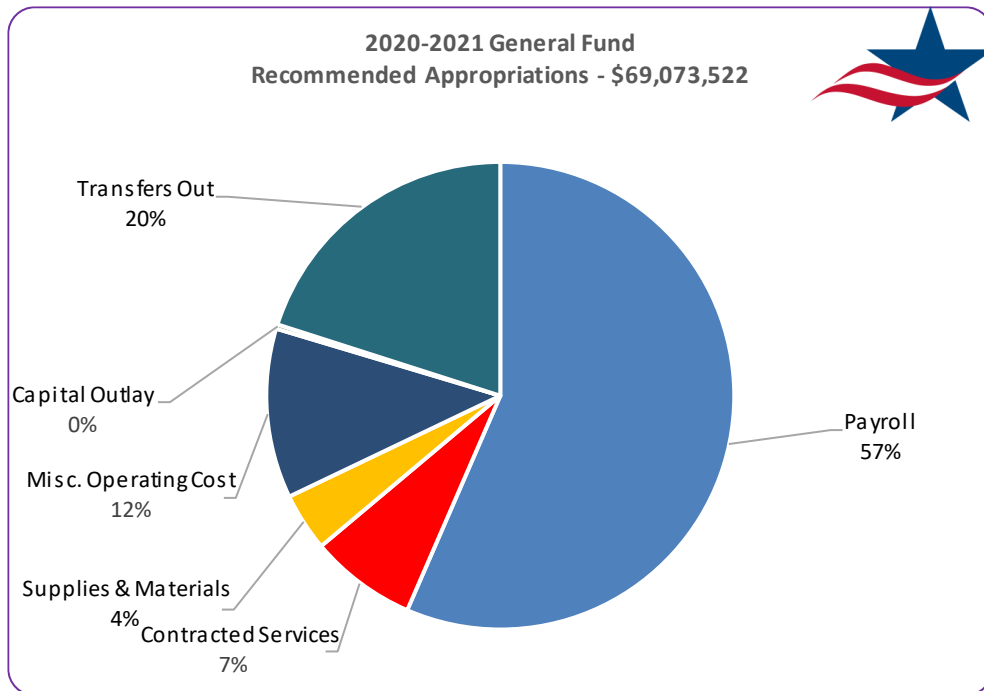
Comparison of General Operating Fund Appropriations by Object

General Fund Only -

Object Code	Adopted Budget 2019-2020	Amended Budget 2019-2020	Proposed Budget 2020-2021	Percent Change
Payroll	\$ 38,120,427	\$ 38,113,577	\$ 39,036,777	2%
Contracted Services	4,631,482	4,754,707	5,085,572	7%
Supplies & Materials	2,190,690	2,460,581	2,779,374	13%
Misc Operating Cost	6,463,068	6,778,128	8,101,274	20%
Capital Outlay	593,867	917,533	211,932	-77%
Transfers Out	8,115,267	8,115,267	13,858,593	71%
Total Appropriations	\$ 60,114,801	\$ 61,139,793	\$ 69,073,522	13%

In the following charts, please find the comparison of the appropriation for the previous year budget and the current year budget.





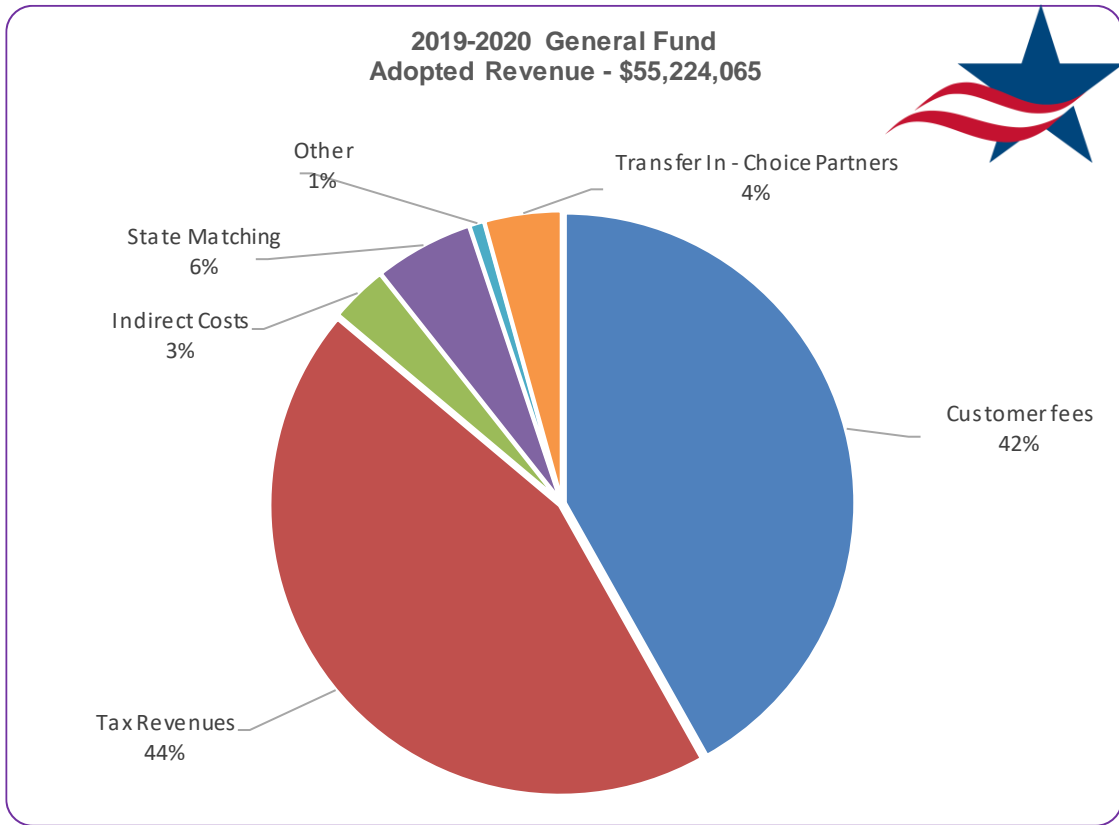
Debt Service Fund – The Department budgeted \$6,169,043 in appropriations for fiscal year 2020-2021. Resources in the Debt Service Fund must be used to pay for general long-term debt principal and interest for debt issues and other long-term debts for which revenues are dedicated from the General Fund. A transfer is projected from the General Fund to the Debt Service Fund in the amount of \$6,169,043. Currently the Department has approximately \$16 million in debt including \$7 million bonds issued for the construction of a new building for the AB West School which began in fiscal year 2018-2019. The Department also projects to sell \$45M in bonds (\$14M in maintenance notes and \$31M in revenue bonds) to fund the capital improvement plan. This will require a transfer of \$3.25M in addition to last year’s payment amount.

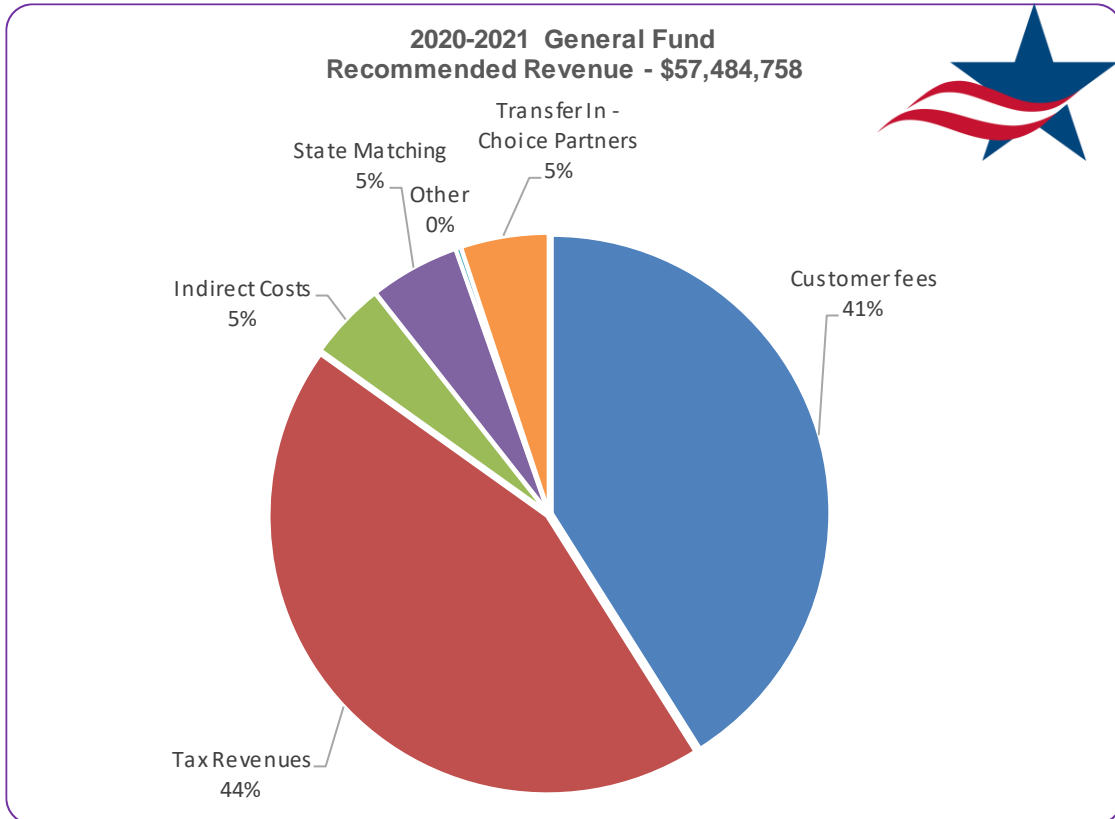
Special Revenues Funds – Appropriations for these funds are restricted to or designated for specific purposes by a grantor. For fiscal year 2020-2021, the Department’s appropriation is \$36,444,267. The Department provides information to the Board of Trustees on all Department grants, as the Notice of Grant Awards (NOGA) are received, the estimated revenues and appropriations are adjusted to reflect the awarded grant budget. These grants have restrictions placed by grantors.

Revenue Levels

Revenue estimates are based upon a variety of demographic and tax information. Estimating revenue from the two major sources, customer fees and local property taxes, are critical to the budget.

The following charts present the adopted revenue levels for fiscal year 2019-2020 and the estimated revenues for fiscal year 2020-2021.





The Department estimates total General Operating Fund revenues of \$57,484,758 for the 2020-2021 fiscal year. Customer fees are projected to be \$23,601,005 or 41% of the estimated revenues. Tax revenues are projected to be \$25,188,000 of 44% of the estimated revenues. The remaining revenues are indirect costs at \$2,598,513; state funding \$3,000,000, transfer in from Choice Partners Fund of \$2,927,240 and other revenues at \$170,000.

The recommended budget includes an increase in revenues of 3% from the amended fiscal year 2019-2020 budget for the General Fund.

Object Code	Adopted Budget 2019-2020	Amended Budget 2019-2020	Proposed Budget 2020-2021	Percent Change
Customer Fees	\$ 23,118,627	\$ 23,577,627	\$ 23,601,005	0.1%
Tax revenues	24,444,517	24,450,312	25,188,000	3%
Indirect costs	1,781,380	1,781,380	2,598,513	46%
State funding	3,050,000	3,050,000	3,000,000	-2%
Other	454,317	454,317	170,000	-63%
Transfer In-Choice Partners	2,375,224	2,375,224	2,927,240	23%
Total Revenues	\$ 55,224,065	\$ 55,688,860	\$ 57,484,758	3%

Local Revenues

Local revenues are projected to increase by 3%. Revenues from current year customer fees are expected to increase by 0.1% from an estimated \$23,577,377 in fiscal year 2019-2020 to a projected \$23,601,005 for fiscal year 2020-2021. HCDE has not increased the rates and additional contracted seats at the special schools, no increment in the service rates from Records Management, Educator Certification,

Therapy division, and the Center for Safe and Secure Schools. In addition, the Department anticipates a 3% increase change in tax revenues from \$24,450,312 in fiscal year 2019-2020 to \$25,188,000 in fiscal year 2020-2021 due to the increase in property values. A 4.93% increase in values is projected based on the preliminary estimate from the Harris County Appraisal District. Also, a 99% collection was used in projecting revenues for fiscal year 2020-2021, and it is expected that this rate will be realized for the fiscal year.

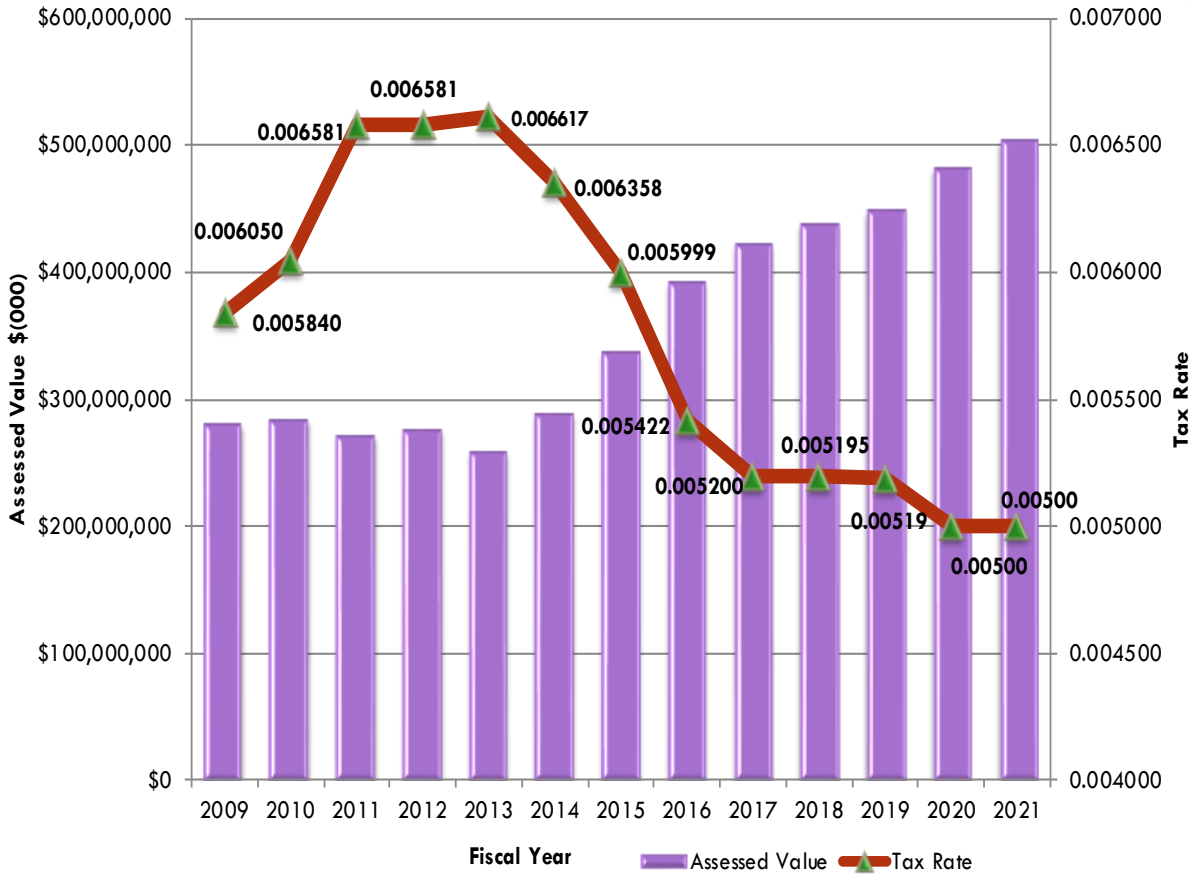
Tax Rate – Based on the taxable value, the Department must project the level of taxation that will generate adequate funds to provide for funds to meet Department obligations while keeping in mind the ability of local taxpayers to pay their taxes. The Harris County Tax Office will calculate the no-new-revenue tax rate (“NNR”), formerly called the effective tax rate. The NNR is projected at \$.004955. The proposed tax rate will be below the voter approved rate (VAR).

Throughout the budget process, we used the current tax rate and the projected values to estimate the level of local effort. Upon receiving the certified values and the NNR calculation from the Harris County Tax Assessor – Collector, the tax rate proposal will be developed and presented to the board in accordance with the truth in taxation law.

Taxable Value – The Harris County Appraisal District certifies the taxable value from which the Department begins to develop the estimates for local tax revenues. The 2019 certified valuations of net taxable value for the 2019-2020 fiscal year is \$477,647,516,408 (based on HCAD report updated 4/30/19). The 2020 Preliminary Estimate is \$505,450,987,981 (based on HCAD letter dated 4/30/20), which is an increase of \$27,803,471,573 or 5.82%. For NNR calculation, the appraised values were estimated at \$481,690,091,490 which represents a 4.93% increase. The adjacent chart illustrates the 10-year taxable value history of the Department. For fiscal year 2021-2022 to 2024-2025, the Department projects a 3% growth on appraised values due to the positive economic impact in the region and value growth.

Tax Collections – The collections percentage used to estimate the tax revenues is 99%; the Department’s tax collections goal is 99%. This is a realistic approach given the trend of the Department’s collections effort and the projected tax increase.

HCDE Property Values and Tax Rates



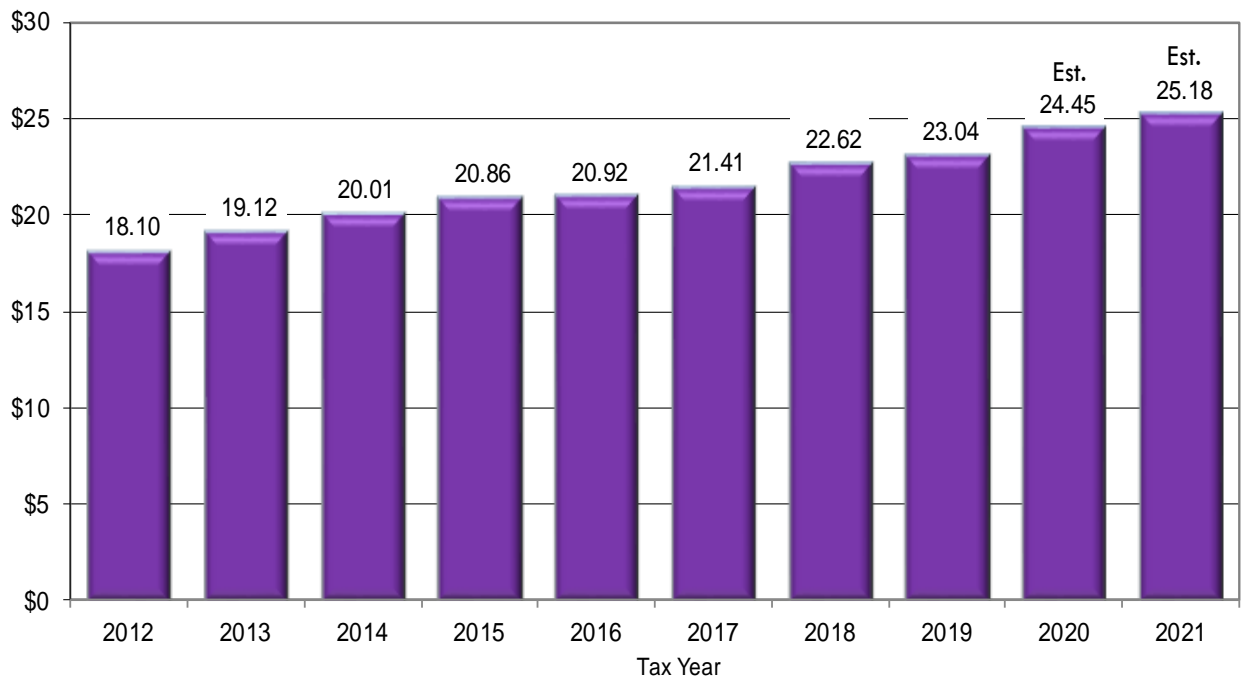
In the chart above, the tax rate has been reducing as the property values for the Harris County have increased. As the population in the Harris County has grown, new areas have been developed with new construction and new businesses.

Other local revenues

The Department does not have any other local taxes or collections. Harris County Department of Education does not receive sales tax, franchise taxes or any other taxes. It does charge fees for services for various activities. The following are general fee charges by the various divisions. The following chart presents the tax revenues collected in the last ten years.



Tax Revenues Collected (in Millions)



Fees for services

School based therapy services are provided to school districts which contract with HCDE to provide occupational therapists. The rates based are based whether the district is within the county boundaries or outside of the boundaries. The fees range from \$380 to \$532 per day. The sustainability of this model has been identified as locally supported activity which is assisted by property taxes. There was no increase in fees compared to last year's fees.

Special school services are provided to school district which contract with HCDE to provide services for students with behavioral and disability issues. The rates are based whether the district is within the county boundaries or outside of the boundaries. The fees range from \$6,250 (Fortis – In County) to \$23,853 (AB Schools – Out of County) per year. The sustainability of this model has been identified as locally supported activity which is assisted by property taxes. There was no increase in fees compared to last year's fees.

Records management services are provided to school districts which contract with HCDE to provide services to safe keeping documents and records. Rates are based whether the district is within the county boundaries or outside of the boundaries. The fees range from \$.24 to .26 cents per box, \$.25 cents per month for tape or film. Rates are lower for educational entities, and other out of County or non-educational entities require a 15% to 25% margin to reduce the cost of providing services to ISDs. There was no increase in fees compared to last year's fees.

Teaching and Learning Center services are provided to school districts which contract with HCDE to provide digital training and course development. The rates are based whether the district is within the county boundaries or outside of the boundaries. The fees range from \$850 to \$2,497 depending on the

scope of work. The sustainability of this model has been identified as locally supported activity which is assisted by property taxes. There was no increase in fees compared to last year's fees.

Safe and Secure School services are provided to school districts which contract with HCDE to provide facility audits. The rates are based whether the district is within the county boundaries or outside of the boundaries. The fees range from \$1,200 to \$2,500 per school. There was no increase in fees compared to last year's fees.

Certification and Training Services are provided to individuals seeking certification in the areas of teaching, principalship and superintendence. The rates range from \$4,400 to \$6,595 per individual per program. There was no increase in fees compared to last year's fees.

Enterprise Activity

Cooperative procurement services are provided to school districts which contract with HCDE and participate in the national cooperative – Choice Partners. The rates are paid by the vendors based on the type of commodity. The fees range from 1% to 4%. The sustainability of this model has been identified a self-sustaining activity which provides revenue to the General Fund and supports Department activities for grants and other services.

Other 2020-2021 HCDE Budget Highlights

Salary Increase –

The proposed budget includes a 4% salary increase to teachers, and 2% for all other employees for General Fund, Facilities and Enterprise employees. HCDE plans to recruit, hire, and retain high quality staff to be able to provide the best services available in the marketplace. The new beginning teacher salary will be \$62,000 which is expected to be at the highest level for the region. Grant employees are only included in the increase if the grant can absorb the cost. For the Head Start Program, a \$400,000 additional transfer from General Fund will be required for FY 21 to implement the \$13.5 minimum compensation plan.

Other Payroll Highlights –

Additionally, included in the budget are 6.17 new positions which included 1 Instructional Coach, AB East School for Special Schools, 1 Occupational Therapists and 0.17 Manager for Therapy, 1 Administrative Assistant for Client Services, 1 Graphic Design Manager for Communications, 1 Training Coordinator for Technology, and 1 Senior Director for Adult Education.

Workers Compensation Insurance –

The amount of \$475,000 was budgeted for fiscal year 2020-2021. There are sufficient funds in the reserve account for uncertainties and to cover any runoff claims.

Transfers Out –

The amount of transfers out increased by \$5,743,326 from fiscal year 2019-2020, for a total of \$13,858,593. This includes the Head Start transfer for \$750,000, the CASE transfer for \$550,787, Lease (QZAB) fund transfer for \$451,429, the capital projects for \$5,740,000, the Debt Service transfer for \$5,717,613, and the Star Re-Imagined one-time transfer for \$648,764.

Transfers In –

Choice Partners Cooperative is an Enterprise Fund with excess funds transferred to the General Fund to support the mission of HCDE. The total transfer (revenue to General Fund) is \$2,927,240.

Below is the five-year all Funds forecast for Harris County Department of Education. The assumption is that revenues will grow at a 3% rate and appropriation will grow at a 2% rate for the estimated years below.

**Harris County Department of Education
All Funds Revenues and Expenditures
Five Year Forecast**

	Amended 2019-20	Budget 2020-21	Estimated 2021-22	Estimated 2022-23	Estimated 2023-24	Estimated 2024-25	Estimated 2025-26
Beginning Fund Balance	45,676,309	\$32,098,084	\$20,009,320	\$20,817,874	\$25,850,591	\$32,166,392	\$39,826,414
Estimated Revenues	114,551,022	162,402,208	114,799,101	118,243,074	121,790,366	125,444,077	129,207,400
Appropriations (Exp.)	128,129,247	174,490,972	113,990,547	113,210,358	115,474,565	117,784,056	120,139,737
Difference	(13,578,225)	(12,088,764)	808,554	5,032,716	6,315,802	7,660,021	9,067,662
Projected Ending Fund Balance	\$32,098,084	\$20,009,320	\$20,817,874	\$25,850,591	\$32,166,392	\$39,826,414	\$48,894,076
Nonspendable Fund Balance	169,805	169,805	169,805	169,805	169,805	169,805	169,805
Restricted Fund Balance	-	-	-	-	-	-	-
Committed Fund Balance	2,014,976	5,740,000	700,000	700,000	700,000	700,000	700,000
Assigned Fund Balance	9,499,397	6,817,806	2,458,268	2,458,268	2,458,268	2,458,268	2,458,268
Unassigned Fund Balance	20,413,906	7,281,709	17,489,801	22,522,518	28,838,319	36,498,341	45,566,003
Minimum Cash Flow Required - two months	21,208,261	29,148,495	18,998,424	18,868,393	19,245,761	19,630,676	20,023,290
Cash Flow Needed for one month:							
- For Special Revs Funds	2,930,382	3,037,022	3,097,763	3,159,718	3,222,912	3,287,371	3,353,118
- From General Fund	7,673,748	11,537,225	6,401,450	6,274,479	6,399,968	6,527,967	6,658,527
Cash Flow Calculations:							
Special Revenue Funds - Grants	35,164,587	36,444,267	37,173,152	37,916,615	38,674,948	39,448,447	40,237,416
1/12 of Total Grant is (one month)	2,930,382	3,037,022	3,097,763	3,159,718	3,222,912	3,287,371	3,353,118
All Funds - Appropriations	92,084,980	138,446,705	76,817,394	75,293,742	76,799,617	78,335,609	79,902,322
1/12 of General Fund for Cash Flow	7,673,748	11,537,225	6,401,450	6,274,479	6,399,968	6,527,967	6,658,527

Going forward beyond fiscal year 2020-2021

Estimated revenues and appropriations for the next five years will depend on the ability for HCDE to remain implementing a positive business model that will maximize fee structure, grant resources, and leverage local tax dollars. The ability to remain competitive in the market relies on maintaining a knowledgeable and expert work force, safe and secured facilities, 21st century technology, and relevant program and services that client districts and governmental entities need and seek from HCDE.

The future financial situation of HCDE would be the result of the collective Department effort to become a major player in three areas: **(1) Therapy Services:** HCDE's objective is to become the best source of therapy services for the schools in Harris County by offering competitive rates and top of the line services; **(2) Special Schools:** HCDE provides excellent services in schools designed to provide education to

students with special needs. HCDE looks forward to expanding its clientele to new schools in other areas of the Harris County, such is the case of the Fortis Academy; **(3) Choice Partners:** HCDE provides benefit to school districts in Harris County and other clients by complying with the procurement requirements and vendors in all service areas. Out of every transaction, the vendors that supply Choice Partners members pay a commission as revenue for Choice. After Choice expenses are covered, the remaining excess is transferred to the General Fund to fund HCDE programs that benefit our community and students.

One of HCDE main goals is recruiting, hiring, and retaining high quality staff. Regarding personnel staffing trends, HCDE maintains the minimum level of staff required to provide good quality services. The HCDE advantage is that can utilize tax revenues to provide quality services.

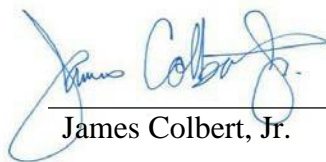
Acknowledgements

In fiscal year 2019-2020, the Business Office earned the Distinguished Budget Presentation Award for Budgeting from ASBO. This was the eleventh submission for HCDE in its history. All budget managers also were instrumental in providing timely information to the Business Office. In fiscal year 2019-2020 the GFOA application was submitted, and we are waiting for GFOA final decision. HCDE has received the Budget Distinguished Award form GFOA for the last 10 years.

Final Comments

The preparation of the Department's budget is a coordination of many efforts from divisions, Research & Evaluation, Human Resources, Technology and Business Support Services. We are excited about the performance-based budgeting and look forward to FY 2020-2021. We thank the Budget Team that coordinated the wealth of information before you and we look forward to your input and feedback on our financial and operations plan.

Respectfully,



James Colbert, Jr.
County School Superintendent

Dr. Jesus J. Amezcua

Jesus J. Amezcua, PhD, CPA, RTSBA
Assistant Superintendent for Business Services

DEPARTMENT OFFICIALS, STAFF & CONSULTANTS

COUNTY BOARD OF TRUSTEES

NAME	TITLE	SERVICE DATE
Eric Dick	President	2016
Danyahel (Danny) Norris	Vice President	2018
Richard Cantu	Member	2018
Andrea Duhon	Member	2020
Amy Flores Hinojosa	Member	2020
Don Sumners	Member	2015
Michael Wolfe	Member	2006

ADMINISTRATIVE OFFICIALS

Name	Position
James Colbert, Jr.	Superintendent
Jesus Amezcua, PhD, CPA, RTSBA	Assistant Superintendent for Business Services
Jonathan Parker	Assistant Superintendent for Academic Support
C.J. Rodgers, Ed.D.	Assistant Superintendent for Education & Enrichment
Danielle Clark	Chief Communications Officer
Natasha Truitt, MBA	Executive Director, Human Resources
Rich Vela	Executive Director for Facilities

CONSULTANTS & ADVISORS

Financial Advisor	US Capital, LLC. Houston, Texas
Bond Counsel.....	Orrick, Herrington & Sutcliffe LLP Houston, Texas
Certified Public Accountants	Whitley Penn, LLP Houston, Texas
General Counsel	Karczewski, Bradshaw, Spalding, Nichols, Lamp, Langlois Houston, Texas

SUPERINTENDENT'S BIOGRAPHY



James Colbert, Jr

Mr. James Colbert., Jr. is the County School Superintendent of Harris County Department of Education in Houston. Harris County is the most populous county in Texas and encompasses 25 school districts. Superintendent Colbert is probably best known for being a fearless advocate for students and also for his ability to transform academic performance.

Prior to joining Harris County Department of Education, Mr. Colbert served as Superintendent of West Orange-Cove Consolidated Independent School District. Before that post, he was Assistant Superintendent at Hamilton County Department of Education in Tennessee where he had oversight of 72 campuses with more than 42,000 students.

A native of Washington, D.C., Colbert was the recipient of a track and field scholarship to the University of Texas at Austin, where he earned a bachelor's degree in Special Education. He received his master's degree in Administration from Texas State University and holds certification in the areas of the Superintendency, Administration, and Special Education in both Texas and Tennessee.

He and wife Angie are the parents of a son, Isom, who attends Louisiana State University. Mr. Colbert and his family have made Kingwood, Texas their home upon relocating to the Houston area.

ASSISTANT SUPERINTENDENT FOR BUSINESS SERVICES' BIOGRAPHY



Jesus J. Amezcua, PhD, CPA, RTSBA

Dr. Amezcua has been the Department's Assistant Superintendent for Business Services since 2008 and he oversees the financial management, investment management, debt management, procurement, compliance, tax collections, and school's finance council.

Under his leadership, the Department secured over \$8 million in Quality Zone (QZAB) credit contracts and over \$5.8 million in E-RATE technology funding, and recently the 2016 Bond series for the construction of the AB West new campus for \$7 million. Dr. Amezcua also coordinated the creation of the School Finance Council to provide professional development opportunities, sharing of ideas and networking opportunities for business managers in Harris County.

After graduating from Martin High School, Dr. Amezcua attended Tarkio College in Missouri and earned three master's degrees, including an MBA from Texas A&M International University. Dr. Amezcua is a Certified Public Accountant and has taught since 1991 at Texas A&M International University. He earned his doctorate in educational administration from Texas A&M University in December 2014, and his Texas Superintendent Certificate in 2016.

Before HCDE, Dr. Amezcua worked for Laredo Independent School District as the Chief Finance Officer for 12 years. Prior to Laredo ISD, Dr. Amezcua worked for the City of Laredo. During his tenure with the City, he served as the assistant director of finance, revenue manager, internal auditor, and staff accountant.

Dr. Amezcua is member of the Houston Rotary Club and is actively involved in numerous community events and organizations. He is a member of the best practice committees for GFOA and ASBO, and a member of the Professional Standards Committee by the Texas Society of CPAs. He is also a member of the AICPA.

Dr. Amezcua and his wife, Ramona, have three children and a grandchild.

BOARD OF TRUSTEES BIOGRAPHIES

Eric Dick
Board President
Position 2, Precinct 4



Eric Dick serves as a trustee of the HCDE Board of Trustees and as trustee for Position 2, Precinct 4. He was elected as trustee in November 2016.

Dick is a homeowner's insurance lawyer and owner of Dick Law Firm, PLLC.

After obtaining an associate degree from Community College, he gained his bachelor's degree from University of Phoenix. He obtained his law degree after attending Western Michigan University Cooley Law School and the University of Alabama School of Law.

Danyahel (Danny) Norris
Position 6, Precinct 1,
Board Vice-President



Danyahel (Danny) Norris serves as trustee for Harris County Department of Education Position 6, Precinct 1 and was elected to office in November 2018.

Norris is an associate director and instructor of law at Thurgood Marshall School of Law on the campus of Texas Southern University. He is a practicing intellectual property attorney, principal partner of Norris & Norris Attorneys and Counselors at Law and is a past president of the Houston Lawyers Association. He shares his leadership skills through various professional organizations, including the New Leaders Council, Houston chapter.

Richard Cantu
Position 3, At-Large



Richard Cantu serves as trustee for Harris County Department of Education Position 3, At-Large and was elected to office in November 2018.

Richard is the deputy executive director of the East Aldine Management District and has held several nonprofit and municipal leadership positions.

Andrea Duhon
Position 4, Precinct 3



Andrea Duhon serves as board member for Harris County Department of Education Position 4, Precinct 3.

Duhon is a territory manager and marketing strategist for Plant Sight 3D. She graduated with a Bachelor of Science in marketing from McNeese State University.

Her affiliations include community leader for Combined Arms, formerly Lone Star Veterans Association, a nonprofit helping veterans' transition to civilian life. Husband Hand is active-duty Navy. Her daughter attends school in Katy.

Duhon was appointed to her position in December 2019 with the term ending December 2025.

Amy Flores Hinojosa
Position 1, Precinct 2



Amy Flores Hinojosa serves as board member for Harris County Department of Education Position 1, Precinct 2.

As a process engineer, she is employed by Chevron Corporation as project manager in technology development. She earned a Bachelor of Science in Chemical Engineering from the University of Houston.

She resides in Pasadena with her husband and two children and shares her passion for education through several student and professional mentoring initiatives. As the founder of Community Leaders Encouraging Academia Through Sports, Inc. or CLEATS, the Pasadena native heads a community youth athletic program which allows students to explore their college futures by visiting local universities.

During 2020, Hinojosa serves as director on the board of ProUnitas, a nonprofit dedicated to raising awareness for health and wellness resources for youth to be successful in school and beyond. She continues to grow her leadership skills as a Houston Leadership ISD 2020 fellow and a Houston Latinos for Education 2019 fellow.

Don Sumners
Position 7, At-Large



Don Sumners serves as trustee for Harris County Department of Education Position 7, At-Large since 2015.

Sumners is a certified public accountant and the former Harris County Tax Assessor/Collector.

He serves on the Audit and Budget Board committees for HCDE and is the Board representative to the Head Start Policy Council.

Michael Wolfe
Position 5, At Large



Michael Wolfe serves as Harris County Department of Education Trustee Position 5, At-Large.

Wolfe is former educator in Houston ISD as well as former juvenile supervision officer at Harris County's Juvenile Justice Center. He holds a bachelor's degree in political science, a master's degree in healthcare administration.

Wolfe serves as alternate to the Board's government relations committee for HCDE and as the alternate representative to the Head Start Policy Council. Wolfe was first elected to the Harris County Department of Education Board of Trustees in 2006.