

# **General Operating Budget Update**

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*May 7, 2026*





# **General Operating Budget**

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# Estimated General Fund 2025-2026

DESCRIPTION	ESTIMATED AMOUNT
Estimated Surplus (Deficit)	(\$45,472,853)
Decrease SHARS Federal Funds	(3,400,000)
Enrollment and Property Value Decrease	(17,300,000)
Instructional Software, Chiller Repair, Fine Arts Equipment	(4,800,000)
PVS Audits Freeze and Regular	26,400,000
Interest Income	4,600,000
Indirect Cost Reimbursement	1,900,000
Transfer-In Enterprise Fund	4,000,000
Move to Grant Funds	5,700,000
Net Budget Adjustments	(3,290,737)
<b>Estimated Surplus (Deficit) June 30, 2026</b>	<b>(\$31,663,590)</b>

**Potential Factors Impacting Deficit:**

- ✓ Unfilled positions
- ✓ Interest income
- ✓ Frozen (over 65) M&O hold-harmless
- ✓ Average daily attendance/enrollment
- ✓ Unspent funds other than payroll
- ✓ SHARS reduction in federal revenues
- ✓ FEMA reimbursements
- ✓ Increases in expenditures (fuel)

# Components of Tax Rate

## Maintenance & Operations

- Generates local funds for M&O expenditures in the general operating budget (General Fund)
  - Salaries
  - Contracted Services
  - General Supplies
  - Other Operating
  - Capital Outlay

## Interest & Sinking

- Generates funds required to service the district's debt (Debt Service Fund)
  - Debt approved by voters in bond referendum (election)
  - Must be used for principal and interest payments on debt
  - Cannot be used for general operations

# Food Service Fund and Bond Fund

## Food Service Fund

- Subsidized with federal reimbursements
- Restrictions on use of funds
  - Child Nutrition Program
  - Cannot be used for general operations

## Bond Fund (Capital Projects)

- Proceeds from bond issues
- Restrictions on the use of funds
  - Must be spent on construction/renovation of facilities, equipping of facilities, technology, and buses in the bond program
  - Cannot be used for general operations

# Factors Impacting the Deficit

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- State funding increases not keeping up with inflation
- State mandates without sufficient funding
- 20% local optional homestead exemption
- Decreases in enrollment and average daily attendance
- Decline in SHARS revenue

# Taxable Property Values (HCAD)

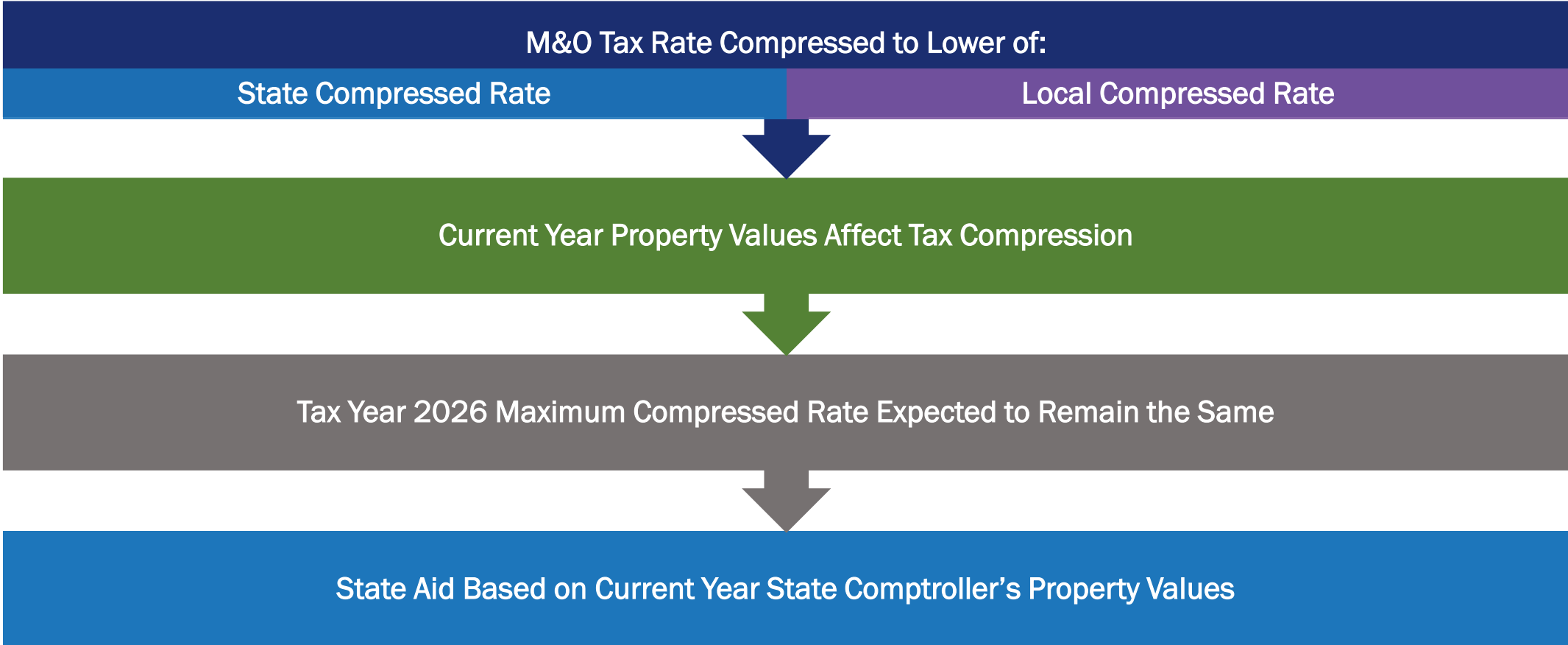
BUDGET YEAR	TAX YEAR	TAXABLE VALUE*	PERCENT CHANGE
2022-2023	2022	\$66,015,086,913	10.39%
2023-2024	2023	\$67,497,979,439	2.25%**
2024-2025	2024	\$72,617,549,104	7.58%
2025-2026	2025	\$71,582,340,705	(1.43)%***
2026-2027	2026	\$72,809,719,714	1.71%

\* Certified values as of April 2026 except for 2026-2027 (preliminary certified)

\*\*Percent change affected by SB2 increase in state mandated homestead exemption to \$100,000 and over 65 frozen values

\*\*\* Percent change affected by HB2 increase in state mandated homestead exemption to \$140,000 and over 65 to \$60,000

# Property Values and Tax Compression

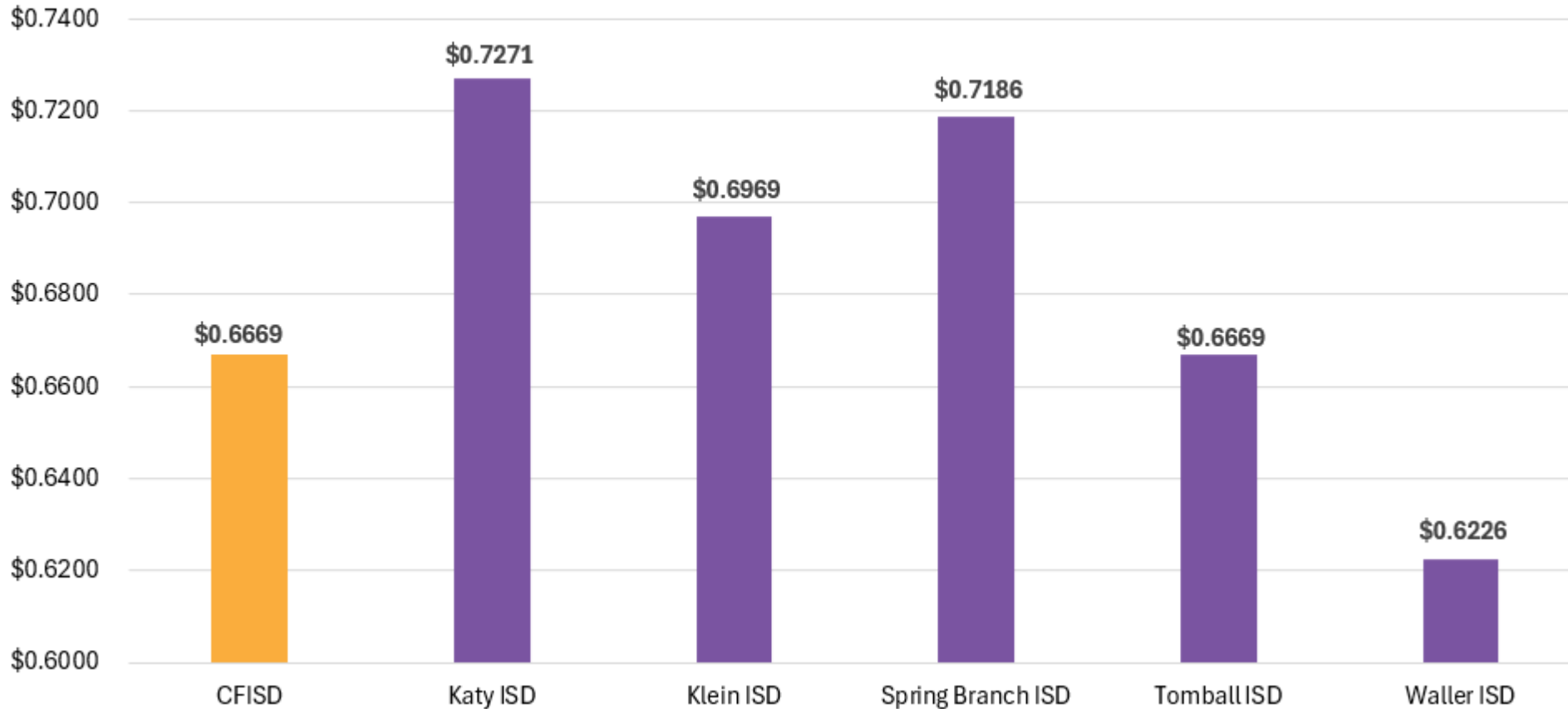


# Estimated School District Taxes 2019 vs 2025

TAX YEAR	MARKET VALUE*	LOHE	STATE HOMESTEAD EXEMPTION	TAX RATE	ESTIMATED SCHOOL DISTRICT TAXES
2019	\$225,692	20%	\$25,000	\$1.3700	\$2,131
2025	\$349,938	20%	\$140,000	\$1.0669	\$1,493

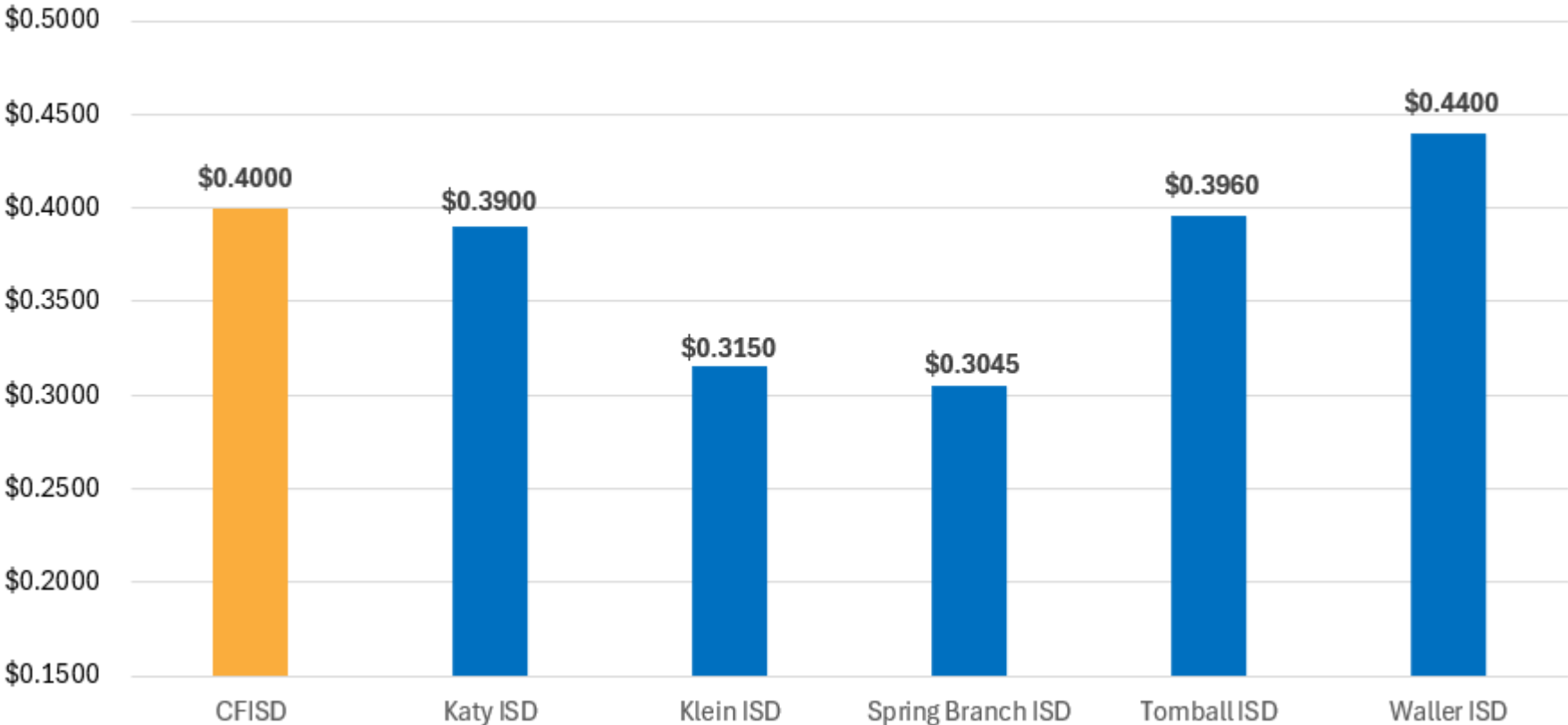
\*Market value from HCAD preliminary values. Appraised value is market value less the 10% cap adjustment, if applicable. Taxable value is appraised value less state and local exemptions (provided by the Board of Trustees).

## 2025 M&O Tax Rate Comparison



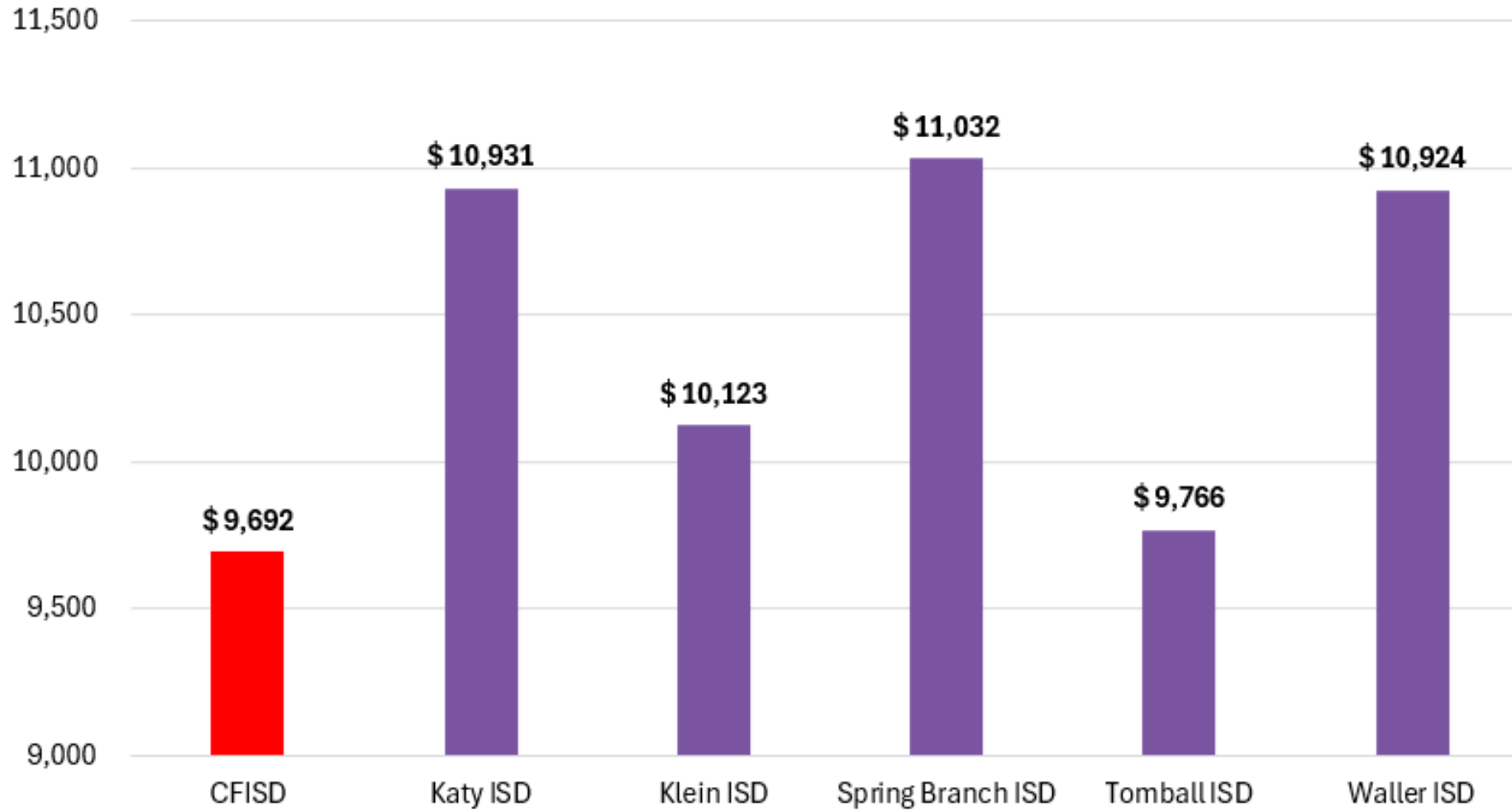
Source: TEA Summary of Finances

# 2025 I&S Tax Rate Comparison



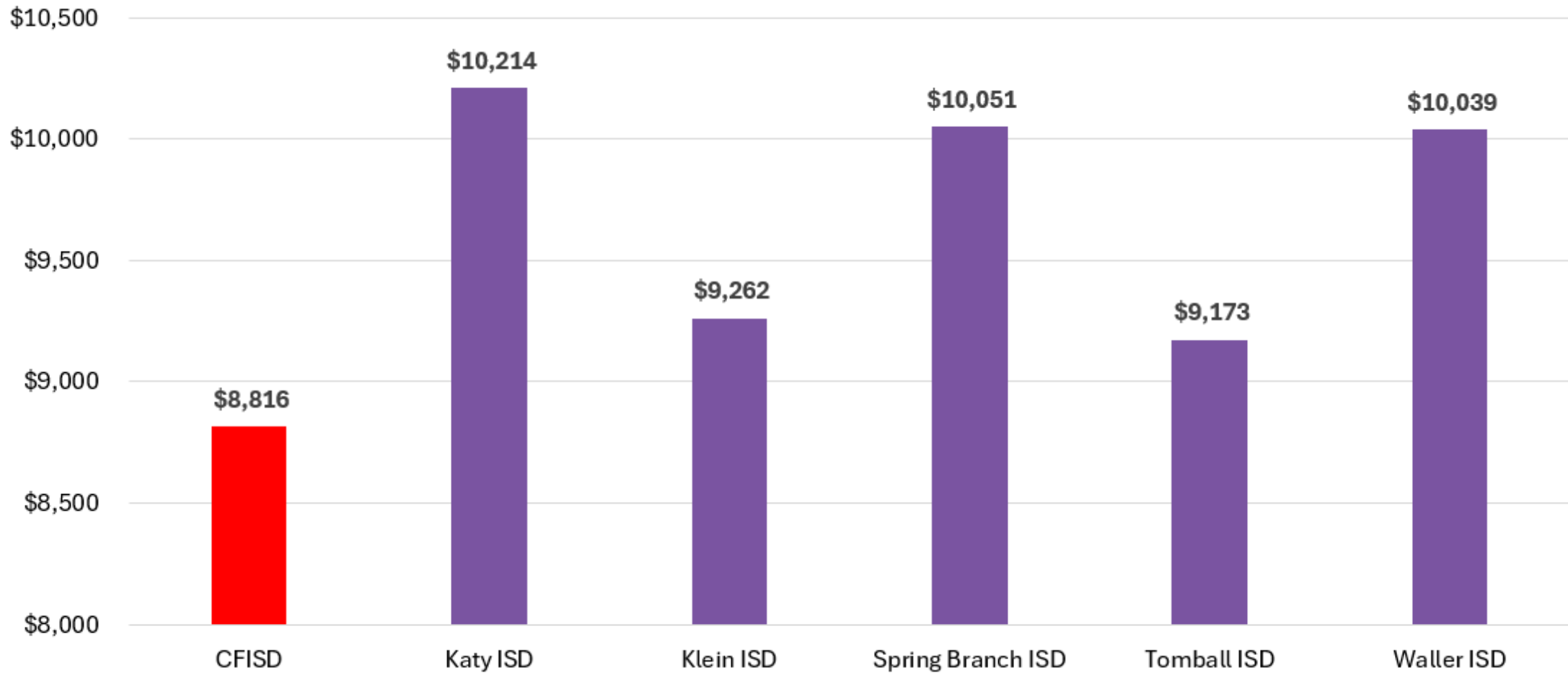
Source: TEA Summary of Finances

## State & Local Revenue per ADA - 2024-2025



Source: TEA Summary of Finances

## State & Local Revenue per Student - 2024-2025



Source: TEA Summary of Finances

**M&O Funding Per Student Comparison  
Houston Area School Districts – Enrollment Above 10,000 Students  
(Current Law and With HB 2)**

Houston Area School Districts Enrollment Above 10,000 Students M&O Funding Per Student (Current Law)			Houston Area School Districts Enrollment Above 10,000 Students M&O Funding Per Student (HB 2)				
Rank	School District	M&O Funding Per Student	Rank	School District	M&O Funding Per Student	Optional Homestead Exemption	Recapture (2025/26)
1.)	Galena Park ISD	\$12,200	1.)	Galena Park ISD	\$12,734	20%	No
2.)	Aldine ISD	\$11,866	2.)	Aldine ISD	\$12,425	None	No
3.)	Alief ISD	\$11,810	3.)	Alief ISD	\$12,350	None	No
4.)	New Caney ISD	\$11,564	4.)	New Caney ISD	\$12,057	None	No
5.)	Goose Creek CISD	\$11,460	5.)	Goose Creek CISD	\$11,995	10%	Yes
6.)	Sheldon ISD	\$11,452	6.)	Sheldon ISD	\$11,916	20%	No
7.)	Deer Park ISD	\$11,069	7.)	Deer Park ISD	\$11,543	20%	Yes
8.)	Alvin ISD	\$10,861	8.)	Alvin ISD	\$11,435	None	No
9.)	Spring ISD	\$10,858	9.)	Spring ISD	\$11,381	None	No
10.)	Spring Branch ISD	\$10,766	10.)	Humble ISD	\$11,337	None	No
11.)	Humble ISD	\$10,755	11.)	Spring Branch ISD	\$11,330	20%	Yes
12.)	Katy ISD	\$10,674	12.)	Katy ISD	\$11,206	None	No
--	Houston Area Avg.	\$10,604	--	Houston Area Avg.	\$11,165	--	--
13.)	Pearland ISD	\$10,369	13.)	Pearland ISD	\$10,948	None	No
14.)	Fort Bend ISD	\$10,272	14.)	Beaumont ISD	\$10,922	None	Yes
15.)	Dickinson ISD	\$10,171	15.)	Dickinson ISD	\$10,870	None	No
16.)	Houston ISD	\$10,138	16.)	Fort Bend ISD	\$10,803	None	Yes
17.)	Beaumont ISD	\$10,093	17.)	Houston ISD	\$10,761	20%	No
18.)	Clear Creek ISD	\$10,025	18.)	Clear Creek ISD	\$10,625	5%	No
19.)	Lamar CISD	\$9,979	19.)	Magnolia ISD	\$10,468	None	No
20.)	Magnolia ISD	\$9,945	20.)	Lamar CISD	\$10,439	None	No
21.)	Klein ISD	\$9,847	21.)	Klein ISD	\$10,432	None	No
22.)	Tomball ISD	\$9,569	22.)	Tomball ISD	\$10,088	None	No
23.)	Conroe ISD	\$9,529	23.)	Conroe ISD	\$10,085	None	No
24.)	Cypress-Fairbanks ISD	\$9,227	24.)	Cypress-Fairbanks ISD	\$9,798	20%	No

Sources: Legislative Budget Board – M&O Revenue Comparison – Current Law and HB 2 – Fiscal Year 2026. Texas MAC and TEA – Summary of Finances.

# 2026-2027 Budget - Revenues

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- **Decrease** in enrollment of 3.8% (\$26.7M)
- **Decrease** in SHARS funding (\$1.3M)
- **Increase** in revenue from property value audits (\$6M)
- **Increase** in other local revenue (\$2.6)

# 2026-2027 Budget - Expenditures

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- **Increase** for implementation of Virtual Pathways (\$4.6M)
- **Decrease** in teacher allocations due to decline in enrollment (\$11.7M)
- **Increase** in fuel due to inflation (\$1.1M)
- **Increase** for textbooks not covered by IMTA (\$2M)
- **Increase** for chiller preventative maintenance (\$2M)

# 2026-2027 Budget - Expenditures

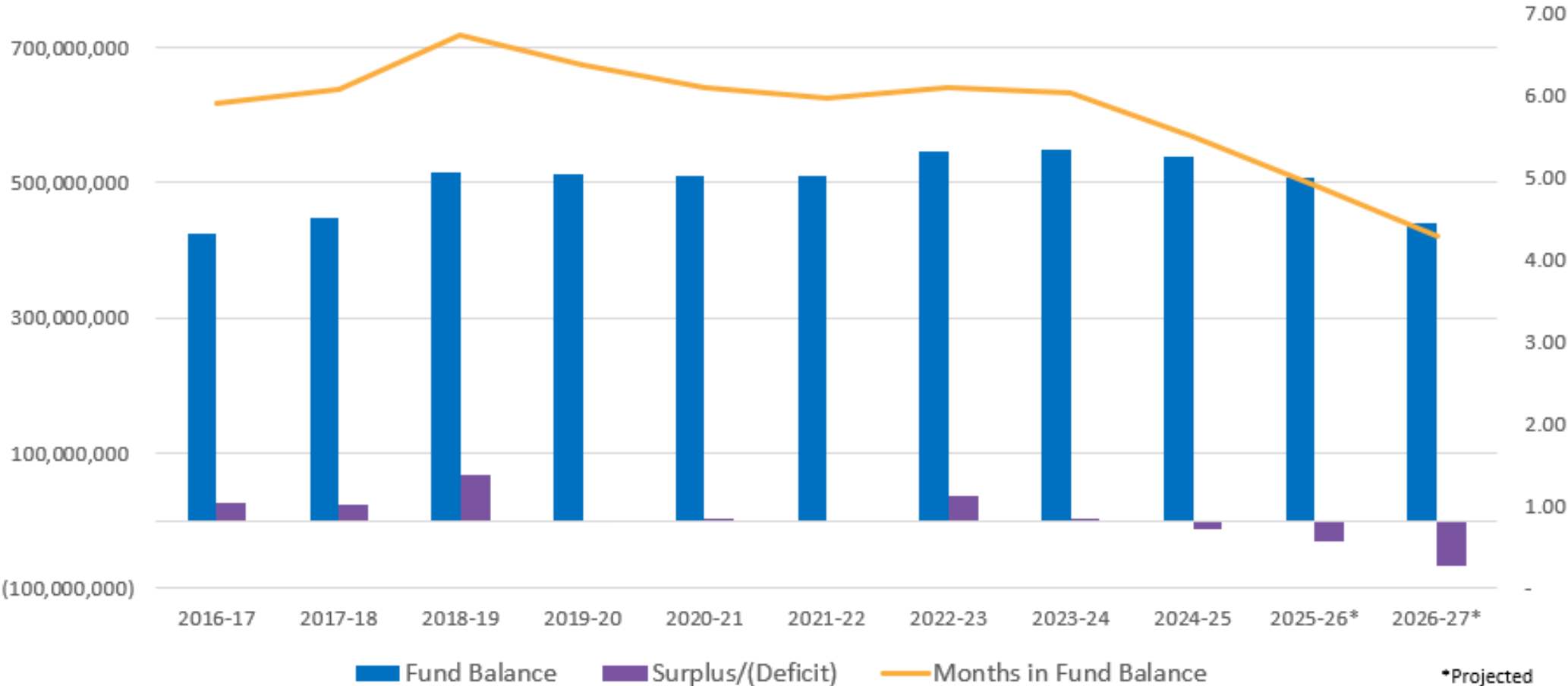
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- **Decrease** department budgets (\$4M)
- Net **increase** for uniform rotations, election costs, UIL expenses, technology software, and other miscellaneous expenditures (\$0.5M)
- Currently does **not** include employee raises

# Preliminary General Fund 2026-2027

DESCRIPTION	PRELIMINARY BUDGET
Revenues	\$1,161,266,962
Expenditures	\$1,228,691,637
Surplus (Deficit)	(\$67,424,675)

# Fund Balance Analysis



# Fund Balance

The total accumulation of operating surpluses and deficits

## Importance of adequate fund balance

- Manage cash flow low points
  - Majority of tax collections in December and January
  - Reimbursement from federal funds
  - Fund disasters until reimbursed by insurance/federal funding
- Mitigate current and future risks such as revenue shortfalls and unanticipated expenditures
  - Declines in enrollment/ADA

## How much fund balance is needed

- Minimum of 4 months for June 30 year end

## How is fund balance replenished

- Operating surplus

## Estimated months in fund balance at 6/30/2026

- 4.92 months

Description	2025-2026 Estimated Actuals	2026-2027 Proposed Budget	2027-2028 Estimated Budget
Ending Fund Balance	\$517,918,565	\$450,493,890	\$364,552,594
Less: Nonspendable & Committed Fund Balances	\$11,386,232	\$11,386,232	\$11,386,232
Fund Balance (Available to Spend & Used for FIRST Rating)	<b>\$506,532,333</b>	<b>\$439,107,658</b>	<b>\$353,166,362</b>
Operating Expenditures	\$1,236,625,070	\$1,228,691,637	\$1,227,726,318
Monthly Operating Expenditures	\$103,052,089	\$102,390,970	\$102,310,527
Deficit	\$(31,663,590)	\$(67,424,675)	\$(85,941,296)
Months in Fund Balance	<b>4.92</b>	<b>4.29</b>	<b>3.45</b>
% of Fund Balance	41%	36%	29%
Excess/(Shortfall) of 4 Months in Fund Balance	\$94,323,976	\$29,543,779	\$(56,075,744)

# Current Fund Balance Estimates



# Potential Revenue from VATRE

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## VATRE is a Voter Approval Tax Rate Election

- November Election
- Must Have Efficiency Audit (Select Auditor by July 3, 2026)
- Must Call Election by 78<sup>th</sup> Day Before the Date of the Election (Deadline August 17, 2026)

12 Eligible Enrichment Pennies for VATRE

Reduce I&S Rate from \$0.40 to \$0.37

# VATRE Overview

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# I&S Rate Assumptions

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- Additional state aid for homestead exemption (ASAHE)
- Term of bonds
- Estimated borrowing rate
- Debt restructuring

# Enrichment Pennies

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## Tier 1



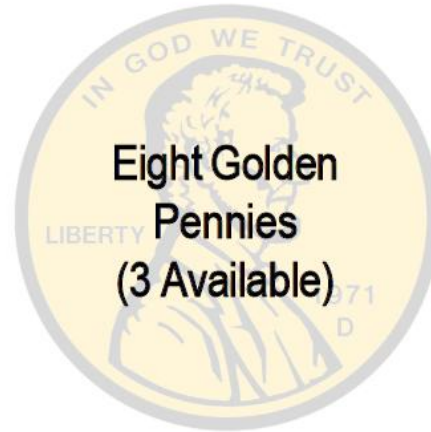
Compressed  
M&O Tax Rate  
(MCR)

Excess Local Revenue  
Above Entitlement

LEVEL 1 - Recapture

## Tier 2

LEVEL 1 - Funding

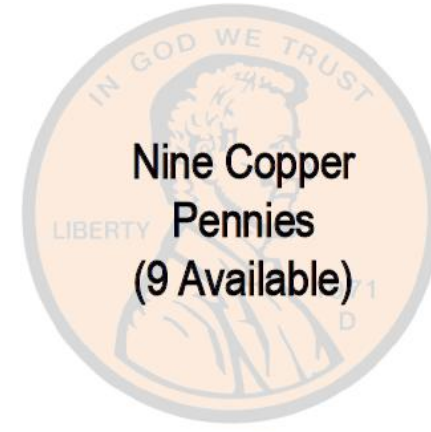


Eight Golden  
Pennies  
(3 Available)

No Excess Local  
Revenue

## Tier 2

LEVEL 2 - Funding



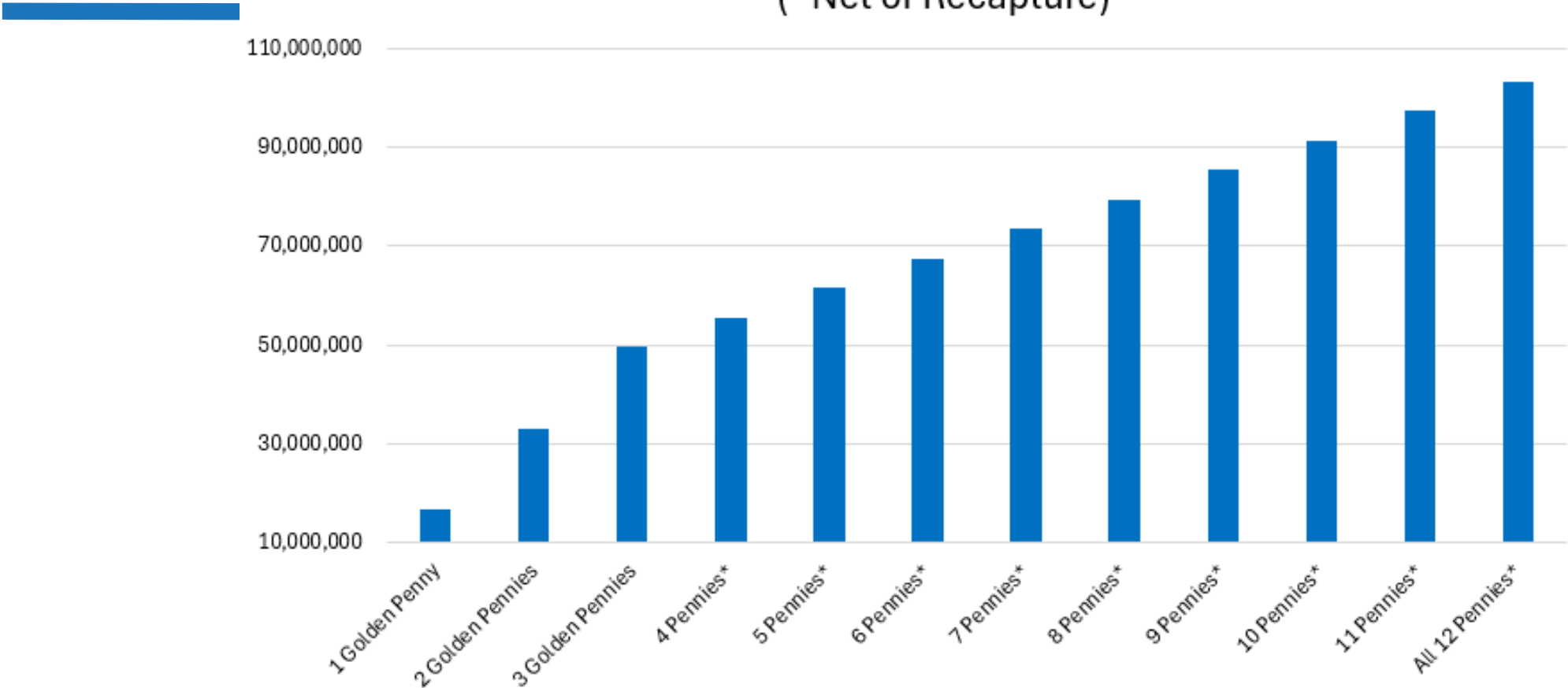
Nine Copper  
Pennies  
(9 Available)

Excess Local Revenue  
Above Entitlement

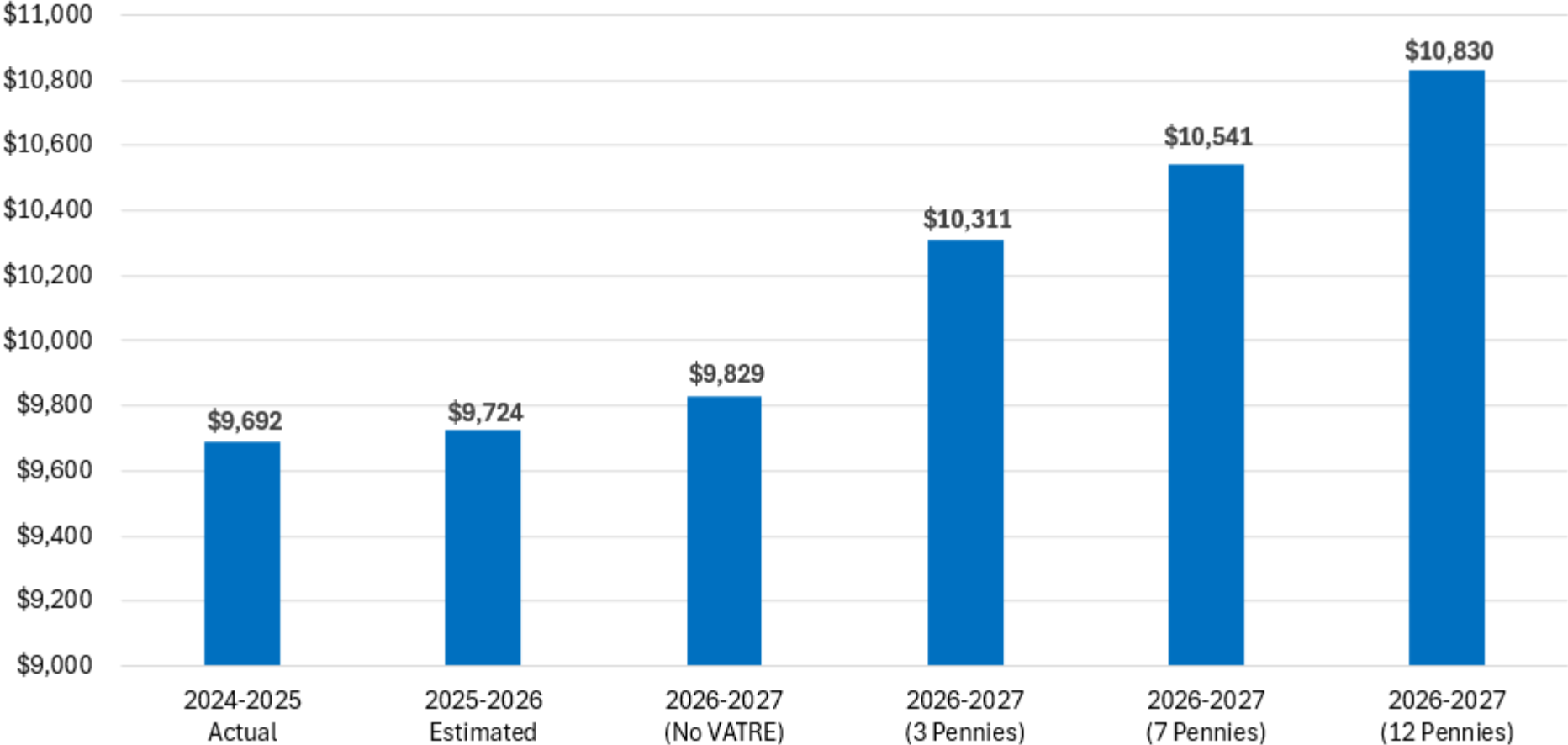
LEVEL 2 - Recapture

# Impact of Enrichment Pennies

VATRE Estimated Revenue Increases  
(\*Net of Recapture)



# CFISD State & Local Revenue Per ADA



### **\$350,000 Home (\$0.03 Golden Pennies)\***

- Increase of \$49.7M in general fund revenue
- Increase of \$482 net revenue gain per ADA
- No change in school district property taxes\*\*

### **\$350,000 Home (\$0.03 Golden & \$0.04 Copper Pennies)\***

- Increase of \$73.4M (net of \$2.2M recapture) in general fund revenue
- Increase of \$712 net revenue gain per ADA
- Increase of \$56 in school district property taxes\*\*

### **\$350,000 Home (\$0.03 Golden & \$0.09 Copper Pennies)\***

- Increase of \$103.2M (net of \$5M recapture) in general fund revenue
- Increase of \$1,001 net revenue gain per ADA
- Increase of \$126 in school district property taxes\*\*

LOHE reduces property taxes by \$747 to \$810\*\*

# **Impact of VATRE**

\* Assumes no change in property value

\*\*Annual increase/decrease in school district property taxes based on \$0.6669 estimated M&O 2026 tax rate and \$0.37 I&S 2026 tax rate

DESCRIPTION	DATE
Department Budget Packets	January
2026-27 Enrollment Projections	February
Update Enrollment Projections	March
Staffing Allocations to Campuses	March
Budget Update	March - May
Determine Paid Pre-K Availability	April
Special-Called Budget Workshop	May 21, 2026
Budget Public Hearing/Adoption	June

# 2026-2027 Budget Timeline

# Questions?

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