LEGISLATIVE BUDGET BOARD

Houston Independent School District

Management and Performance Review

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PREPARED BY LEGISLATIVE BUDGET BOARD STAFF

November 8, 2019

Dr. Grenita Lathan
Interim Superintendent
Houston Independent School District

Dear Dr. Lathan:

The attached report reviews the management and performance of Houston Independent School District's (ISD) educational, financial, and operational functions.

The report's recommendations will help Houston ISD improve its overall performance as it provides services to students, staff, and community members. The report also highlights model practices and programs being provided by Houston ISD.

Some of the recommendations provided in this report are based on state or federal laws, rules or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board engaged American Institutes for Research, Palmer Consulting Services, LLC, Prismatic Services, Inc., Ressel & Associates, LLC, and WestEd to assist LBB staff to conduct and produce this review.

The report is available on the LBB website at http://www.lbb.state.tx.us.

Respectfully submitted,

John McGeady
Assistant Director
Legislative Budget Board

/jp

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EXECUTIVE SUMMARY

The Legislative Budget Board's (LBB) School Performance Review Team conducted a review during calendar year 2019 of the Houston Independent School District (ISD) at the request of the district's Board of Education. LBB staff conducted the onsite review during spring 2019 and completed the analysis during fall 2019.

The School Performance Review Team identified 94 significant findings and recommendations in five major categories, based upon the analysis of data and the onsite review of the district's educational, financial, and operational services and programs. Some of the recommendations provided in the review are based on state or federal laws, rules or regulations, and should be addressed promptly. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

By implementing the recommendations, LBB staff project that Houston ISD could save an average of $42.0 million annually, with a total five-year savings, including onetime cost decreases, of $237.4 million.

FINDINGS AND RECOMMENDATIONS

The following five major categories of findings and recommendations are discussed in this report:

(1) strengthen spending practices and improve financial monitoring;

(2) reorganize and realign staff, departments, and functions;

(3) standardize programs and services;

(4) improve communication, planning, and procedures; and

(5) improve board operations.

This report begins with a summary of the findings and recommendations in each category.

STRENGTHEN SPENDING PRACTICES AND IMPROVE FINANCIAL MONITORING

Houston ISD's spending practices and monitoring of its financial activities are not efficient or effective in multiple areas. The district regularly adopts an annual budget in which projected revenue is inadequate to pay for planned expenditures, which totaled nearly $2.1 billion during school year 2018–19. As a result, the district must use its fund balance to cover the excess spending. Efficient spending of limited resources is critical for Houston ISD's ongoing, sustainable success.

The review team found opportunities for the district to improve its financial practices. Houston ISD does not provide timely financial reporting in order to perform budget monitoring throughout the year. Other than for major construction projects supported by bond funding, the district conducts limited capital budgeting during its normal budget cycle. Houston ISD's board has not determined an optimal threshold for reserves in the district's general fund, internal service funds, and enterprise funds. In addition, the district has not evaluated its self-insured funds to determine if the programs are operating efficiently. For school year 2018–19, the health insurance fund is projecting a $2.1 million loss. The workers' compensation fund is estimated to have losses of $1.9 million during the same period. The district's alternative certification program has operated at an annual loss of from $200,000 to more than $500,000 for the past three years, and the trend appears to be continuing. Eliminating the program would save nearly $1.2 million annually.

Other financial management oversight is lacking. With limited staff managing $1.5 billion in investments, Houston ISD lacks effective cash management oversight of the district's investment portfolio. The district does not pay invoices on time consistently, averaging 44 days to pay, which increases the risk of paying interest on overdue invoices. Houston ISD also is not managing its financial coordination with the Houston ISD foundation; for example, the district provides more staff to the not-for-profit foundation than the affiliation agreement authorizes.

Houston ISD lacks procedures to ensure consistency and quality control of the system of authorizing and paying more than $19.8 million in overtime pay to staff. Some staff received nearly 50.0 percent of their annual salary in overtime pay. The district could save nearly $2.0 million during the first year of implementing improved management of the overtime process. Houston ISD campuses award ad hoc

stipends and extra-duty pay with little oversight, resulting in inconsistent implementation across campuses. During school year 2017–18, the district paid nearly $3.2 million in ad hoc stipends and more than $13.8 million in extra-duty pay. Improving controls of these payments could result in $1.7 million in annual savings. Houston ISD lacks effective controls to process staff terminations in the payroll system resulting in overpayments to staff that leave the district before their contracts have ended. The district has written off more than $26.0 million in staff overpayments and is determining whether to forgive the debt or pursue the amounts owed through collection efforts. Additionally, Houston ISD's staff and board travel processes are inefficient, which risks overspending on travel, a $3.4 million budget line item, on average.

Houston ISD's use of purchasing cards with vendors lacks clear management, auditing guidelines, and financial controls. During school year 2017–18, the district reported 119,000 purchasing card transactions, spending $28.1 million. The district could save an estimated $1.4 million annually with more controls of purchasing cards. Houston ISD also lacks a process to manage and administer contracts effectively. During school year 2017–18, the district spent more than $300.0 million for professional and contracted services. The district has entered more than 1,700 active contracts that have a total value of $7.2 billion. Additionally, Houston ISD lacks adequate structures, contract language, and performance measures to monitor the academic effectiveness of in-district charter campuses.

The district's nutrition program has opportunities to improve financial oversight. The review team identified $21.8 million in annual savings for the district's $125.0 million Nutrition Services program that serves free breakfast, lunch, and dinner for all students. The district does not hold operations managers or food service team leads accountable for financial and operational management of the campus cafeteria sites. Houston ISD also provides meals to adults through catering programs and staff cafeterias. These programs are operating inefficiently with insufficient revenue to cover costs, losing more than $400,000 during school year 2018–19. The Nutrition Services Department uses less than half of the available space in its 219,000-square-foot food production facility, which squanders district resources.

The district's transportation function also is not operating efficiently. The Transportation Department is responsible for more than 1,100 buses and 800 routes and drivers that transport 25,000 students across the district. However, the department's operational deficiencies diminish routing efficiency and service delivery. For example, the lack of an effective process to monitor student ridership data limits the Transportation Department's ability to decrease costs by consolidating routes and buses, eliminating stops, or equalizing loads. The district also does not manage its bus fleet efficiently. Houston ISD retains 21.0 percent more buses than industry standards recommend and has kept 35 nonfunctioning vehicles in a terminal parking lot for several years.

With approximately 31.1 million square feet of facilities, including nearly 300 campus facilities to manage, Houston ISD has experienced challenges in performing effective financial oversight. The district lacks an appropriate methodology for developing campus utilization rates. The review team analysis found significant surplus campus capacity, suggesting that the district should consider closing campuses. The district duplicates work by contracting with program management firms while also staffing construction project managers. Houston ISD spends $8.0 million annually for contracted custodial services despite employing district staff with the capacity to perform these services. The district could save $6.5 million annually by dissolving the contract. The district employs more than 50 staff to operate three warehouses with a school year 2018–19 inventory value of more than $900.0 million. However, the district's warehouse operations are inefficient and are not structured to provide the best value to the district. Houston ISD could save more than $500,000 annually by improving surplus furniture warehouse operations.

To strengthen spending practices and improve financial monitoring, Houston ISD should take actions in the following areas.

BUDGETING AND FINANCIAL OVERSIGHT

- Prepare updated financial statements comparing actual amounts to budgeted amounts and share the information with the board monthly, highlighting major budget variances and including budget amendments that require board approval.

- Track and prepare an ongoing list of capital needs and develop a capital needs budget to present to the board annually.

- Establish a board policy that requires a specific level of unrestricted fund balance for the general fund, internal service funds, and enterprise funds.

- Analyze the self-funded insurance funds compared to coverage offered by an independent insurance provider and present the findings to the board.

- Increase the annual revenue of the alternative certification program to meet operating expenses or eliminate the program and seek partnerships with other certifying organizations to meet Houston ISD's ongoing needs.

- Enhance controls of cash and investment management processes.

- Increase academic and financial oversight of in-district charter campuses.

PURCHASING AND CONTRACTS

- Promote accountability and decrease the number of invoices paid late by deducting from departmental and campus budgets late payment charges billed to the district by vendors.

- Update the affiliation agreement between the district and the Houston ISD Foundation to reflect actual practices and promote accountability and transparency to the public.

- Develop and implement efficient auditing guidelines and financial controls for purchasing card processing to safeguard district assets and ensure that all transactions follow district procedures.

- Develop clear, consistent, and uniform procedures for contract development, management, and review at the district level, including training for all staff with contract responsibility.

- Eliminate program management contracts and charge existing district staff with performing those responsibilities.

PAYROLL AND TRAVEL

- Establish controls to monitor overtime, reassess staffing levels in key departments, and decrease overtime costs.

- Strengthen controls over ad hoc stipends and extra-duty pay.

- Strengthen the process for staff terminations in the human resources and payroll system to eliminate overpayments and complete the corrective action plans recommended by external and internal auditors.

- Revise travel procedures for more efficient travel processing.

OPERATIONAL INEFFICIENCIES

- Develop a plan to improve catering and adult-only meal operations to a financially accountable position.

- Develop and implement procedures and systems to provide oversight and consistent management of campus cafeteria operations.

- Use the contracted consultant's report to eliminate inefficiencies and decrease costs at the Nutrition Services Department.

- Develop a bus replacement plan that includes industry-standard criteria and decrease the number of spare and surplus school buses in the district's inventory.

- Develop and implement a process to count transported students regularly and assess ridership to consolidate stops and routes and improve on-time performance.

FACILITIES MANAGEMENT

- Develop an accurate facility utilization rate for each campus and ensure that campuses maintain industry-standard utilization rates.

- Reassign the custodial vendor's responsibilities to district custodial staff.

- Review the efficiency of each warehouse function and implement processes to make the most productive use of warehouse services.

REORGANIZE AND REALIGN STAFF, DEPARTMENTS, AND FUNCTIONS

Like in other school districts, the majority of Houston ISD's spending is to employ staff to support students and to manage the district's infrastructure, systems, and processes. During school year 2017–18, Houston ISD's payroll as a percentage of all funds was 75.0 percent, supporting more than 26,000 total staff. Employing an appropriate number of staff and ensuring that they are organized properly promotes an efficient and effective use of those resources.

The top of Houston ISD's organizational structure—the superintendent's supervisory responsibilities and the large number of executive leadership positions—is not effective or efficient. Additionally, Houston ISD does not organize its

Human Resources Department efficiently. The number of general managers has remained at five positions, while staffing at lower levels in the department has decreased, diminishing the Human Resources Department's support to campuses and other district departments. By contrast, the Transportation Department assigns more staff to each terminal manager than recommended by industry standards. The terminal managers each oversee an average of 14 staff. In addition, a shortage of 65 bus drivers makes it difficult for the district to cover all bus routes and results in overtime payments. Finally, Houston ISD's central academic offices frequently restructure, often with limited communication to staff about the changes. These changes challenge the central office staff's ability to plan and support campuses and makes it difficult for campus staff to access support from the district.

Other Houston ISD departments are not structured to maximize the programs and services offered. In some cases, two departments or functions are duplicating services or are not coordinating efficiently, resulting in poor services to students. These duplicative services are evident in the following areas:

- Educational Technology and Instructional Technology;

- Office of Communications and the Strategic Engagement and Outreach Department;

- Police Department and Risk Management Department;

- Construction Services Department and Facilities Services Department; and

- Office of the Chief Financial Officer and the fiscal administration of the bond projects.

The separation of the Educational Technology and Instructional Technology teams causes confusion, lack of coordination, and duplication of efforts. Houston ISD's Office of Communications and the Strategic Engagement and Outreach (SEO) Department perform similar duties, including writing news stories and managing crisis communication, which causes confusion in the district and the community. Consolidating the Office of Communications and the SEO Department could save nearly $500,000 annually. The district divides its safety and security functions between the Police Department and the Risk Management Department, which results in inefficiency and poor communication and planning. It also has resulted in the omission of key safety and security responsibilities. For example, the failure to maintain the statutorily required

safety and security committee resulted in uncertainty among staff regarding which department was responsible for the committee. Houston ISD fragments the organizational structure and construction responsibilities across the Construction Services Department and the Facilities Services Department by requiring the Facilities Services Department to complete small construction projects. The district lacks oversight and segregation of duties regarding the fiscal administration of bond projects, creating the potential that bond proceeds will not be safeguarded and deployed in the most efficient manner.

Houston ISD should reorganize and realign by taking action in the following areas:

- Modify the district's organizational structure to decrease the superintendent's supervisory responsibilities and streamline the number of executive leadership positions.

- Reorganize the Human Resources Department and adhere to best practices for an effective and equitable span of control.

- Reorganize Transportation Department functions and develop strategies to improve recruitment and retention of staff.

- Combine Educational Technology and Instructional Technology into one organization, based in the Academic Department.

- Consolidate the Office of Communications and the Strategic Engagement and Outreach Department to streamline the district's communications functions.

- Consolidate the safety functions and form a districtwide safety and security committee to address safety issues.

- Evaluate all position titles and job responsibilities within the Construction Services Department and Facilities Services Department and ensure that titles and responsibilities match the functions performed by each position.

- Ensure that the Office of the Chief Financial Officer provides fiscal oversight and accountability in monitoring construction projects, provides input during the planning stages, and advises the board as project overruns and savings are identified.

- Address communication deficiencies among central academic office functions to improve transparency with internal and external stakeholders.

STANDARDIZE PROGRAMS AND SERVICES

Houston ISD manages most of its programs primarily in a decentralized manner. Independent campus decisions result in a student experience that differs across the district, and students may not be served consistently. Campuses receive a per-unit allocation based on the number of students enrolled in each campus.

The district's School Support Offices do not provide support to campuses and principals in a standard or consistent manner. Houston ISD lacks a unifying framework, strong oversight, and written procedures for school support officers. This lack of structure results in inconsistent supports for campuses, contributing to high turnover among campus principals and limiting the effectiveness of the role of principal supervisors. The district's campus-level planning process is ineffective, and implementation varies. In addition, Houston ISD lacks an effective process to ensure consistent development of master schedules. This inconsistency limits the district's ability to maximize staffing resources and ensure that all students have access to the courses they need to graduate. The district's discipline practices are not consistent across all campuses. Discretionary enforcement of code of conduct violations varies by campus. Houston ISD does not ensure that all students have consistent campus-level access to educational supports and resources, including counseling services, library services, and fine arts programs. Principals determine staffing and programming decisions with few district-level mandates, resulting in inconsistencies.

The district lacks requirements regarding how much technology campuses acquire, resulting in a range of technology availability among campuses. The student-per-device ratio for elementary school and middle school campuses ranges from one to four students per device, and these campuses have the option to have technical support positions. Although the district requires these positions for high schools, it does not enforce the requirement, and some high schools do not have technical support staff. The absence of these staff also results in lost time and productivity for teachers and may limit the use and availability of technology at campuses.

Regarding the district's nutrition services, principals set meal schedules, resulting in inconsistent student meal programs. Some principals schedule meal times without the cafeteria having enough seats for all students which may not provide students enough time to eat. In addition, some principals allow vendors to sell competitive food during meal times that do not meet federal regulations.

Houston ISD's method for building new campuses results in high architectural costs, long design times, and the districtwide use of inconsistent designs and materials. The lack of standardization in the furniture, fixtures, and equipment selection process results in inconsistencies among campuses that can be expensive or burdensome. Authorizing principals to choose different desks, chairs, bookshelves, or electronic equipment requires maintenance and custodial staff to stock different supplies to clean and repair equipment on the campuses. These discrepancies can result in greater expenditures for parts and increased labor hours for cleaning and repair.

Houston ISD should standardize programs and services by taking action in the following areas:

- Systematize the district process for developing, reviewing, and implementing school improvement plans.

- Develop and implement districtwide structures that support a consistent and systematic approach for supervising and supporting campus principals.

- Implement systemic approaches to master scheduling, including improved training and oversight.

- Standardize campus practices, communicate expectations, and hold principals accountable for student discipline management.

- Provide consistent access to high-quality counseling programs, library services, and fine arts opportunities throughout the district.

- Establish and enforce minimum standards for technology funding and require campuses to replace devices on a regular cycle.

- Develop guidelines for meal scheduling to assist principals.

- Hold principals accountable for ensuring that all competitive foods sales on campuses comply with United States Department of Agriculture regulations.

- Develop or maintain districtwide building prototypes for all campus types.

- Develop a furniture, fixtures, and equipment standard for elementary, middle, and high school campuses to provide consistency across district facilities.

IMPROVE COMMUNICATION, PLANNING, AND PROCEDURES

Clearer communication, more comprehensive planning, and better-documented procedures could ensure consistency and quality in Houston ISD's service delivery to internal and external customers.

Improved planning and implementation could maximize service delivery to Houston ISD's nearly 210,000 students. The district increased its nonacademic supports, also called wraparound services, to address students' obstacles to learning. These obstacles may include mental and physical health, food insecurity, housing instability, violence, and family crises. However, the district's implementation of its wraparound services initiative lacks effective coordination, planning, procedures, and evaluation. The district does not enforce state-mandated truancy intervention requirements. Staff reported inconsistency in truancy interventions among campuses. Increased student attendance could result from improved management of truant students, resulting in more than $3.5 million in annual revenue due to state funding based partly on the district's number of students in average daily attendance.

Improved financial planning could benefit the district. Houston ISD lacks a strategic planning process to align the district's departmental budgets with its goals. Although the district determines campus budgets by student enrollment, Houston ISD develops department budgets primarily by using the prior year's budget amounts. This budget method does not identify department priorities or link department funding to goals.

In addition, the district lacks a process that ties campus-level budget expenditures to the individual goals of school improvement plans. Without a formal process that connects spending to goals, the district does not hold principals accountable for failing to meet budget-related goals. Although the majority of the district's budget is for salaries and benefits, Houston ISD has below-market salaries and lacks procedures to ensure consistent application of the salary guides for all positions districtwide.

Departments that support students also have an opportunity to improve. The Transportation Department lacks efficient methods to communicate with stakeholders. For example, the department does not always notify campuses and parents about late buses or other interruptions of service. The district does not have a current plan for technology and lacks clear direction to utilize technology advancements and integrate them into operations and instruction. The district has duplicative help desk systems; some campuses have implemented their own help desk ticket systems and use different tools for onsite requests, bypassing the Technology Department's help desk. As a result, performance data districtwide is not reported to the Technology Department help desk and help desk functions performed by each campus can vary from those performed by the district.

Clarity in police and security operations is critical to ensure student, staff, and visitor safety. The Houston ISD Police Department does not have procedures to ensure the development and regular updating of key department documents regarding resource sharing and communication. Several memorandums of understanding in the department are outdated and underutilized.

Houston ISD does not plan efficiently for its long-term facilities needs through enrollment projections and facilities assessments, leaving it vulnerable to unexpected costs. The Maintenance Department does not engage in long-range planning and performs maintenance reactively. Improved facilities maintenance planning could save nearly $1.4 million annually.

Houston ISD has inconsistent procedures for campuses to report donations. Departments that track donations do not coordinate their activities and have differing rules regarding cash donations. The district lacks effective oversight over district partnerships with external organizations. Campuses and departments form their own partnerships without reporting them to the Strategic Partnerships Department. Without effective oversight, the success of partnerships cannot be evaluated accurately.

In the procurement function, Houston ISD's procedures contain inefficiencies and lack central oversight and effective controls. The district lacks an efficient process to distribute shopping cart purchase transactions and has processing systems that do not interface with the system used by the Bond Office in the Construction Services Department. The district may not be tracking aggregate spending because of the use of direct payments instead of the shopping cart purchase process in some instances. Houston ISD also lacks a comprehensive vendor evaluation, selection, and approval process for its more than 15,000 vendors. The district identifies all qualified vendors, and staff choose any vendor without soliciting more specific quotes or bids. The practice of not requiring staff to submit conflict-of-interest disclosures presents the possibility of staff inappropriately selecting a vendor based on a personal relationship or for financial gain.

Houston ISD should improve its communication, planning, and procedures in the following areas.

STRATEGIC PLANNING

- Develop, implement, and evaluate a strategic plan for a long-term, comprehensive system of the district's wraparound services initiatives.

- Implement a strategic planning and budget model that ties the district's departmental budgets to specific, measurable goals outlined by the administration.

- Tie campus budgets to school improvement plan goals and hold principals accountable for achieving the results on their campuses when the budgets are approved.

- Develop a three-year to five-year technology plan aligned to the district improvement plan.

- Develop a comprehensive long-range facility master plan that incorporates accurate information about facility replacement costs and enrollment projections.

- Develop long-term planning strategies for the Maintenance Department, such as a staffing allocation model and a preventive maintenance program.

PROCEDURES IMPROVEMENT

- Strengthen controls over promotion and pay and perform a limited-scope classification and compensation study.

- Establish processes to strengthen Transportation Department internal and external communications and solicit feedback from stakeholders.

- Analyze the help desk data regularly and standardize help desk processes districtwide.

- Charge specific positions with reassessing, maintaining, and regularly updating key district documents, such as memorandums of understanding and service expectations.

- Review the different ways that donations are reported to the district and develop a unified plan to accept and track campus donations.

- Update procedures to manage partnerships with external organizations and develop a system to track all district partnerships.

- Develop procurement processes for greater productivity and efficiency, ensure that purchases are tracked, and increase communication and training to purchasing end users.

- Evaluate vendor management procedures to ensure that practices are transparent and equitable and provide the best value for the district.

- Develop an enforcement mechanism to ensure that campuses are utilizing all required interventions before making truancy case referrals.

IMPROVE BOARD OPERATIONS

Houston ISD's board does not function effectively as a governing unit. The board's conduct fosters an atmosphere of distrust and animosity, resulting in a lack of confidence in leadership among district staff and the community. Board members' actions have diminished the board's ability to deliberate critical academic, financial, operational, and administrative issues effectively. Some board members have overstepped their oversight function, exhibiting behavior that suggests a lack of understanding or disregard for their defined roles and responsibilities. Staff stated that board members place large demands on staff time with requests for information that often is not relevant to the role of board members.

Performing their responsibilities as a board is challenging in some areas. For example, the board does not successfully organize or conduct board meetings in a professional manner. The board agenda process is not consistent, the focus is not on improving student outcomes, and the board does not follow parliamentary procedures consistently. The district's board committees also are ineffective and not well-defined. The district does not maintain a formal list of all board committees, a description of the roles and responsibilities of each committee, or clearly defined goals. These committees do not report regularly to the full board regarding their activities. Additionally, the board lacks a process to review and update board policies regularly and updates them on an ad hoc basis. Of more than 800 board policies examined by the review team, the district issued nearly 48.0 percent before calendar year 2011. Lack of a board policy review process increases risk to the district of maintaining outdated policies that do not comply with state and federal laws.

To improve board operations, the district should take actions in the following areas:

- Develop comprehensive operating procedures for all essential board functions and establish a process to evaluate the board's overall effectiveness annually.

- Hire a professional mediator to conduct team-building sessions to resolve issues affecting trust among board members, and develop a formal self-policing structure to address potential violations of board ethics policies.

- Amend board policy to require board members to attend trainings regarding their roles and responsibilities.

- Enforce board policies during board meetings, follow the Lone Star Governance Framework, and provide training for board members regarding acceptable parliamentary procedures.

- Develop and implement a clearly defined process for the formation and maintenance of board committees.

- Develop and implement procedures that establish a timeline and framework to review and update all board policies systematically.

FINANCIAL AND EDUCATIONAL OVERVIEWS

The following is Houston ISD's financial and educational overview. In addition, a summary of LBB's School Performance Review program is mentioned, including Houston ISD's legislators.

FINANCIAL OVERVIEW

The LBB's School Performance Review Team were onsite in the district during spring 2019 before the implementation of significant amendments to school finance law. House Bill 3, Eighty-sixth Legislature, 2019, made significant changes to the Foundation School Program (FSP). The legislation affected Houston ISD's entitlement, which is the amount of state aid the district receives, and the calculation of the district's recapture payment. Two of the major drivers of FSP entitlement to a school district include the district's student population and its property values. During fiscal 2019, Houston ISD had an average daily attendance (ADA) of 194,669. During the same period, Houston ISD's property value used to calculate FSP entitlement was $174.2 billion. As a result of Houston ISD's property value growth outpacing its student population growth in recent years, the district exceeded the Tier 1

Equalized Wealth Level for the first time during school year 2016–17. The district's recapture payment for that year was $101.0 million. Houston ISD has experienced a trend of slow student population growth combined with rapid property value growth. This trend has affected the district's recapture payment that grew to $194.1 million during school year 2017–18. For school year 2018–19, the LBB estimates a recapture payment of $272.7 million.

Pursuant to House Bill 3, Houston ISD's maintenance and operations (M&O) tax rate is estimated to decrease from $1.04 per $100 of property valuation to $0.97 for school year 2019–20. Before the legislation's enactment, Houston ISD would have been required to pay an estimated $308.6 million for school year 2019–20 and $395.6 million for school year 2020–21 in recapture payments to the state. Pursuant to the legislation, summer 2019 estimates indicate that Houston ISD will not have to make any recapture payments to the state for school year 2019–20 and will pay an estimated $45.4 million for school year 2020–21. Pursuant to the legislation, the LBB estimates that Houston ISD will receive an increase of $97.5 million in total state and local revenue for school year 2019–20 and can expect an increase of $124.8 million in total state and local revenue for school year 2020–21 compared to what the district otherwise would have received. Included in these amounts is an estimated $16.4 million in state funding attributable to the transportation allotment for school year 2019–20. Before the legislation's enactment, Houston ISD received no state funding from the transportation allotment.

Senate Bill 11, Eighty-sixth Legislature, 2019, addressed school safety measures and standards, including the development of the school safety allotment. The allotment provides $9.72 per student in ADA to improve school safety and security. Houston ISD is estimated to receive an additional $1.8 million for school year 2019–20 in related funding.

Senate Bill 500, Eighty-sixth Legislature, 2019, appropriates $475.0 million in additional state aid to be distributed to school districts affected by Hurricane Harvey due to decreasing property values. During August 2019, Houston ISD received $133.9 million in onetime aid from this source.

For school year 2018–19, Houston ISD adopted a budget of approximately $2.0 billion. With $2.1 billion in adopted budgeted expenditures, the district approved its deficit budget with a plan to spend more than it receives in revenue. The budget deficit is funded from the district's fund balance. The highest expenditure categories for each of these years are

FIGURE 1
HOUSTON ISD ENROLLMENT AND GENERAL FUND OPERATING BUDGET
SCHOOL YEARS 2016–17 TO 2018–19

CATEGORY	2016–17	2017–18	2018–19	2018–19 CHANGE FROM 2016–17	PERCENTAGE CHANGE
Enrollment	215,408	213,528	209,772	(5,636)	(2.6%)
General Fund Operating Budget (1)	$1,593	$1,716	$2,035	$442	27.7%

NOTE: (1) Amounts for school year 2016–17 and school year 2017–18 are actual and school year 2018–19 are budgeted. Amounts are rounded to millions. Excludes debt service and capital outlay.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

instruction and plant maintenance and operations. School leadership, data processing services, transportation, and guidance and counseling services also were significant expenditures during these years.

Figure 1 shows Houston ISD's student enrollment and general fund budget for school years 2016–17 to 2018–19. Enrollment decreased by 5,636 students, and the general fund budget increased by 27.7 percent during this period.

The most recent actual instructional expenditure data reported for school year 2017–18 show that the district spent $6,109 per student compared to the state average of $6,574.

School districts in Texas receive two financial accountability ratings, including the School Financial Integrity Rating System of Texas (FIRST) and Smart Score. Houston ISD scored a FIRST rating of A/Superior for school year 2018–19. Houston ISD has scored A/Superior for each of the last five years, except school year 2014–15, when the top rating for FIRST was Pass. During school year 2018–19, Houston ISD received a 4.0 Smart Score, with an academic performance rating of average academic progress and a very low spending rate.

A survey conducted by the review team indicated that most district staff do not agree that the district's financial management is efficient and effective. **Figure 2** shows the results of the district staff survey.

EDUCATIONAL OVERVIEW

Houston ISD is the largest school district in Texas and the seventh-largest school district in the nation. During school year 2018–19, Houston ISD's enrollment was 209,772 students, served by 11,465 teachers. The district operated 280 campuses, including eight early childhood centers, 160 elementary schools, 38 middle schools, 37 high schools, and

FIGURE 2
HOUSTON ISD STAFF SURVEY RESULTS
FEBRUARY 2019
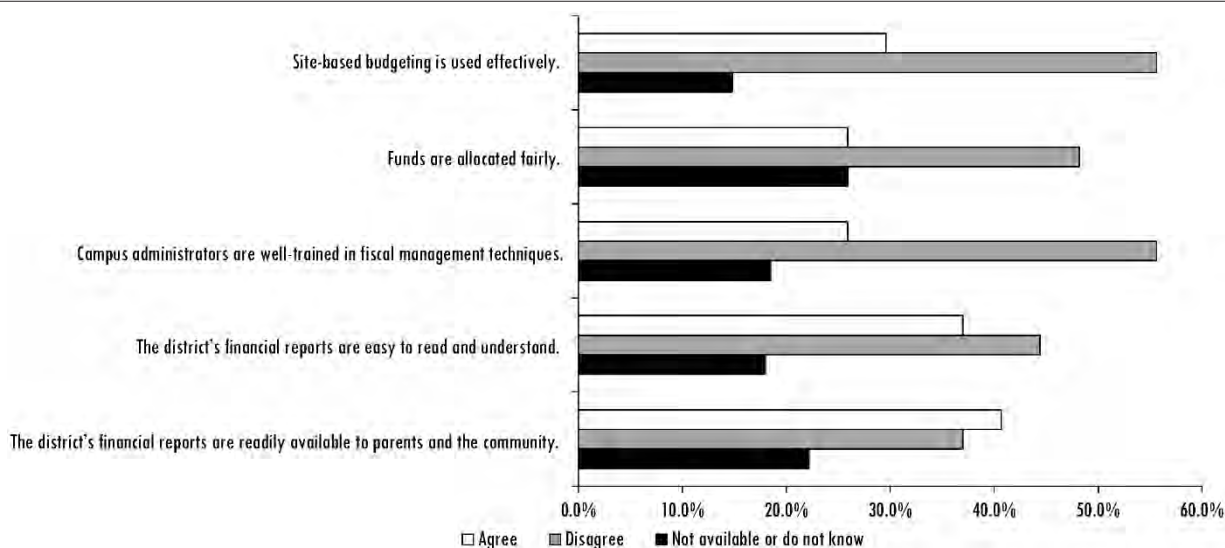
SOURCE: Legislative Budget Board School Performance Review Team; February 2019.

37 other campuses, including those serving combined academic levels and alternative campuses.

Figure 3 shows the demographics of Houston ISD compared to state averages. During school year 2018–19, approximately 79.8 percent of students were categorized as economically disadvantaged, greater than the state average of 60.6 percent. The district identified 31.7 percent of students as English learners (EL), greater than the state average of 19.4 percent. The district also identified 65.2 percent of students as at risk of dropping out, which was greater than the state average of 50.0 percent.

Academic achievement varies considerably among Houston ISD campuses, ranging from nationally ranked campuses to chronically low-performing campuses. Houston ISD decreased the number of improvement-required campuses from 58 in school year 2014–15 to six in school year 2017–18. Houston ISD received an overall accountability rating of B for school year 2018–19.

TEA issues state accountability ratings for each district and campus. From school years 2013–14 to 2016–17, TEA issued Houston ISD a district accountability rating of met standard. During school year 2017–18, TEA did not rate the district due to a special provision for the hardships experienced by the district during Hurricane Harvey. **Figure 4** shows the state accountability ratings for Houston ISD's campuses for school years 2013–14 to 2017–18. Houston ISD's accountability ratings have improved each year since school year 2014–15. The review team visited the district during spring 2019, before the implementation of significant revisions to the state accountability system.

FIGURE 3
HOUSTON ISD STUDENT DEMOGRAPHICS
SCHOOL YEAR 2018–19

STUDENTS	HOUSTON ISD	STATE
Hispanic	62.1%	52.6%
African American	23.4%	12.6%
White	8.9%	27.4%
Asian	4.2%	4.5%
Two or More Races	1.2%	2.4%
American Indian or Alaskan Native	0.2%	0.4%
Native Hawaiian or Pacific Islander	0.1%	0.2%
Economically Disadvantaged	79.8%	60.6%
English Learners	31.7%	19.4%
At Risk	65.2%	50.0%

SOURCES: Texas Education Agency, Public Education Information Management System Standard Reports, school year 2018–19; Houston ISD, school year 2018–19 Facts and Figures.

The Commissioner of Education appointed a conservator in September 2016 to provide district-level support for Houston ISD's campuses that were rated improvement required. The Texas Education Code, Section 39.102, states that if a campus remains in this status for five years, the Commissioner may close the campus or replace the district's elected board with state-appointed managers. To avoid these sanctions, four campuses—Henry Middle School, Highland Heights Elementary School, Kashmere High School, and Wheatley High School—must achieve ratings of met standard during school year 2018–19. The review team's assessment of Houston ISD's educational service delivery operations were conducted before the Commissioner's decision about the district's status.

FIGURE 4
HOUSTON ISD CAMPUS ACCOUNTABILITY RATINGS, SCHOOL YEARS 2013–14 TO 2017–18

YEAR	CAMPUSES RATED (1)	MET STANDARD		IMPROVEMENT REQUIRED		DISTRICT OVERALL RATING
		NUMBER OF CAMPUSES	PERCENTAGE OF CAMPUSES	NUMBER OF CAMPUSES	PERCENTAGE OF CAMPUSES	
2013–14	264	220	83.3%	44	16.7%	Met Standard
2014–15	275	217	78.9%	58	21.1%	Met Standard
2015–16	275	237	86.2%	38	13.8%	Met Standard
2016–17	278	251	90.3%	27	9.7%	Met Standard
2017–18 (2)	275	252	91.6%	6	2.2%	Not Rated

NOTES:
(1)   Data includes paired campuses. For purposes of assigning accountability ratings, the Texas Education Agency (TEA) combines data for campuses that do not serve grade levels that administer State of Texas Assessments of Academic Readiness (STAAR) with campuses that serve grade levels that administer STAAR.
(2)   Seventeen campuses and the district overall were not rated for school year 2017–18 due a special TEA provision related to the effects of Hurricane Harvey. Seven of these campuses maintained their improvement required status from the prior year.
SOURCES: Texas Education Agency, Texas Academic Performance Report, school years 2013–14 to 2017–18; Houston ISD Facts and Figures, school years 2013–14 to 2017–18.

FIGURE 5
HOUSTON ISD STUDENT ACADEMIC MEASURES COMPARED TO REGION 4 AND STATE (1), SCHOOL YEAR 2017–18

ADVANCED DUAL-CREDIT COURSE COMPLETION

COLLEGE-READY GRADUATES COMPLETING ENGLISH AND MATHEMATICS (2)

SAT OR ACT PERCENTAGE OF STUDENTS TESTED

AVERAGE SAT SCORE

STUDENTS SCORING AT OR GREATER THAN CRITERION ON SAT OR ACT (3)

GRADUATES ENROLLED IN TEXAS INSTITUTION OF HIGHER EDUCATION
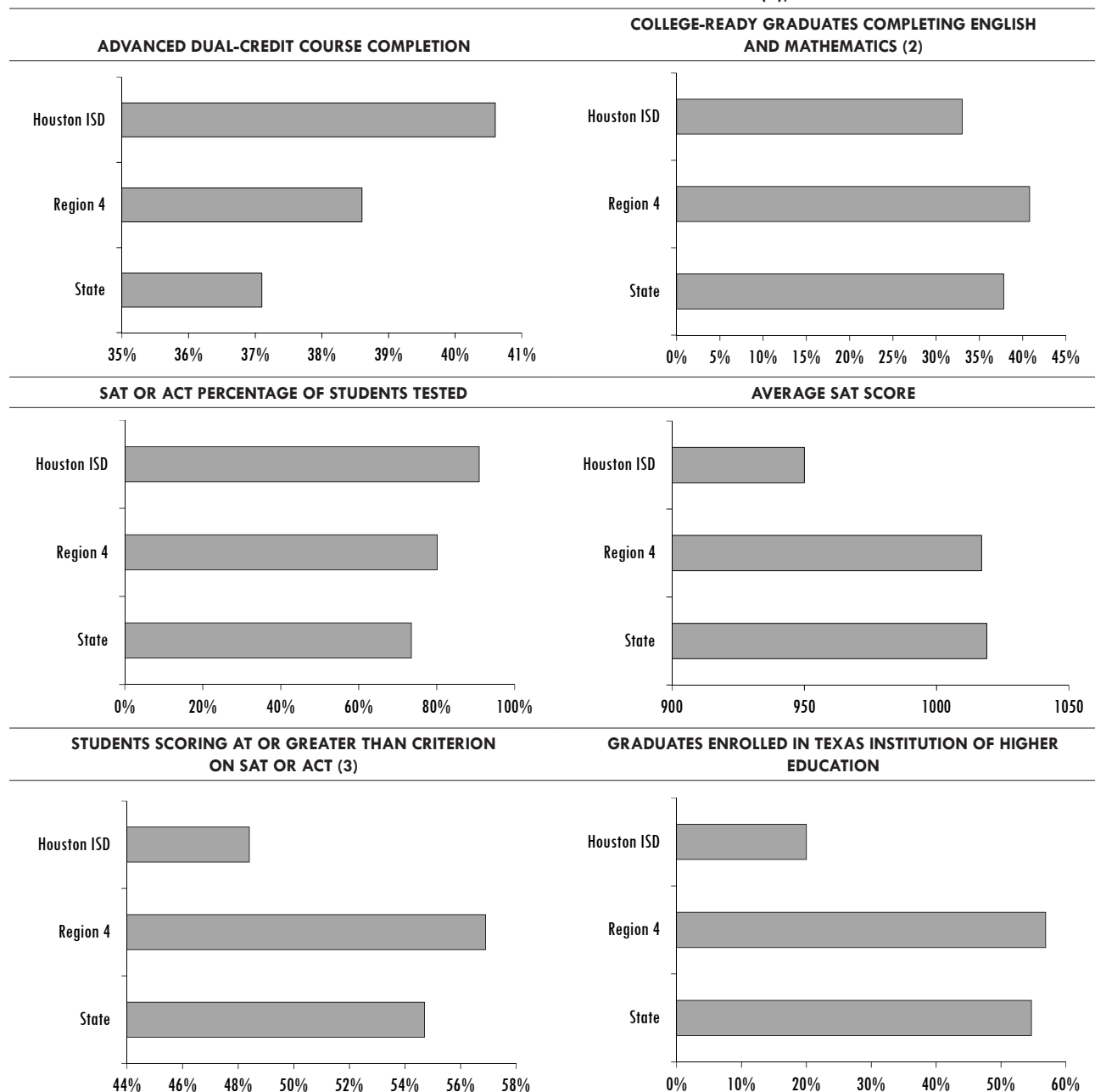
NOTES:
(1)   Region 4=Regional Education Service Center IV.
(2)   To be considered college-ready, a graduate must have met or exceeded the college-ready criteria on the State of Texas Assessments of Academic Readiness (STAAR) exit-level test, or the SAT or ACT standardized college admissions tests.
(3)   Criterion refers to the scores on the SAT and ACT college admissions tests. For these tests, the criterion scores are at least a composite 24 on the ACT and at least 1110 total on the SAT.
SOURCE: Texas Education Agency, Texas Academic Performance Report, school year 2017–18.

Figure 5 shows various academic measures of Houston ISD compared to the average of other school districts in Regional Education Service Center IV (Region 4) and the

state. Houston ISD scored greater than the regional and state averages for advanced dual-credit course completion and for the percentage of students that have completed

SAT or ACT college admissions tests. Houston ISD scored less than regional and state averages in college-ready graduates completing both English and mathematics, students scoring at or above criterion for SAT or ACT, average SAT score, and graduates enrolled in Texas institutions of higher education.

LBB SCHOOL PERFORMANCE REVIEW BACKGROUND

The Texas Legislature established the Texas School Performance Review in 1990 to "periodically review the effectiveness and efficiency of the operations of school districts, including the district's expenditures for its officers' and employees' travel services. A review of a school district may be initiated by the board at its discretion or on the request of the school districts. A review may be initiated by a school district only by resolution adopted by a majority of the members of the board of trustees of the district. If a review is initiated on the request of the school district, the district shall pay 25 percent of the cost incurred in conducting the review" (the Texas Government Code, Section 322.016).

The LBB's School Performance Review Team conducts comprehensive and targeted reviews of school districts' and charter schools' educational, financial, and operational services and programs. The review team produces reports that identify accomplishments, findings, and recommendations based upon the analysis of data and onsite study of each district's operations. A comprehensive review examines 12 functional areas and recommends ways to decrease costs, increase revenues, reduce overhead, streamline operations, and improve the delivery of educational, financial, and operational services. School districts typically are selected for management and performance reviews based on a risk analysis of multiple educational and financial indicators. The LBB also considers requests for reviews.

To gain an understanding of the school district's operations before conducting the onsite review, the review team requests data from the district and multiple state agencies, including TEA, the Texas Department of Agriculture, and the Texas School Safety Center. For the Houston ISD review, LBB staff implemented additional methods for obtaining feedback on district operations, including surveys of parents, community members, and district and campus staff. While onsite, the review team gathered information through multiple interviews and focus groups with district and campus administrators, staff, and board members.

FIGURE 6
HOUSTON ISD STATE LEGISLATORS
SCHOOL YEAR 2018–19

LEGISLATOR	PERCENTAGE OF HOUSTON ISD REPRESENTED BY LEGISLATIVE DISTRICT
Texas Senate	
Borris Miles	39.0%
Carol Alvarado	26.0%
Joan Huffman	20.0%
John Whitmire	15.0%
Texas House of Representatives	
Sarah Davis	12.0%
Shawn Thierry	12.0%
Alma Allen	10.0%
Garnet Coleman	10.0%
Jessica Farrar	10.0%
Gene Wu	9.0%
Jim Murphy	8.0%
Christina Morales	7.0%
Harold Dutton, Jr.	5.0%
Ana Hernandez	5.0%
Armando Walle	4.0%
Jarvis D. Johnson	3.0%
Senfronia Thompson	3.0%

NOTE: Totals may not sum to 100.0 percent due to rounding.
SOURCE: U.S. Census data, 2010.

Houston ISD is served by Region 4, located in Houston. **Figure 6** shows Houston ISD's state legislators and the percentage of Houston ISD represented by their legislative districts.

The chapters that follow contain a summary of the district's findings and numbered recommendations. Detailed explanations for the recommendations follow the summary and include fiscal impacts. Each chapter concludes with a fiscal chart listing the chapter's recommendations that have an estimated savings or cost for school years 2019–20 to 2023–24.

Figure 7 shows the estimated fiscal impact of all 94 recommendations in the performance review. The district should determine the actual fiscal impact after reviewing the recommendations to determine the level of priority, appropriate timeline, and method of implementation.

FIGURE 7
FISCAL IMPACT OF HOUSTON ISD RECOMMENDATIONS, SCHOOL YEARS 2019–20 TO 2023–24

(COSTS) OR SAVINGS	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
Gross Savings	$42,498,765	$42,283,446	$42,091,386	$41,919,916	$41,766,698	$210,560,211	$27,647,116
Gross Costs	($103,605)	($103,605)	($103,605)	($103,605)	($103,605)	($518,025)	($317,550)
Total	**$42,395,160**	**$42,179,841**	**$41,987,781**	**$41,816,311**	**$41,663,093**	**$210,042,186**	**$27,329,566**

1. DISTRICT ORGANIZATION, PLANNING, AND GOVERNANCE

Houston Independent School District (ISD) is located in Houston and covers 312.0 square miles. During school year 2018–19, Houston ISD had 209,772 students. The district is the state's largest, and the nation's seventh largest school district. Houston ISD is governed by a nine-member board of trustees (board), whose members are elected from nine separate districts to serve staggered four-year terms, with elections held every two years.

Dr. Grenita Lathan has served as Houston ISD's interim superintendent since April 2018. She previously served as the district's chief academic officer. The previous superintendent resigned to become chancellor of New York City Public Schools. The Legislative Budget Board's School Performance Review Team conducted an onsite review to the district from January 2019 to February 2019. At the time of the onsite review, Houston ISD had hired an executive search firm to search for a permanent superintendent. The superintendent reports to the board, and 18 staff report to the superintendent.

FINDINGS

♦ Houston ISD does not have an effective and efficient organizational structure relative to the superintendent's supervisory responsibilities and the large number of executive leadership positions.

♦ Houston ISD's campus-level planning process is ineffective, and implementation varies among campuses.

♦ Houston ISD's board conduct fosters an atmosphere of distrust and animosity, resulting in a lack of confidence in leadership among district staff and the community.

♦ Houston ISD's board does not successfully organize or conduct board meetings in a professional manner.

♦ Houston ISD board members' behavior suggests a lack of understanding or disregard for their defined roles and responsibilities.

♦ Houston ISD lacks a process to review and update board policies regularly.

♦ Houston ISD lacks a clearly defined process to evaluate the superintendent.

♦ Houston ISD's board committees are ineffective and not well-defined.

♦ Houston ISD's board does not function effectively as a governing unit.

RECOMMENDATIONS

♦ **Recommendation 1: Modify the district's organizational structure to decrease the superintendent's supervisory responsibilities and streamline the number of executive leadership positions.**

♦ **Recommendation 2: Systematize the district process for developing, reviewing, and implementing School Improvement Plans.**

♦ **Recommendation 3: Hire a professional mediator to conduct team-building sessions to resolve issues affecting trust among board members, and develop a formal self-policing structure to address potential violations of board ethics policies.**

♦ **Recommendation 4: Enforce board policies during board meetings, follow the Lone Star Governance Framework, and provide training for board members regarding acceptable parliamentary procedures.**

♦ **Recommendation 5: Amend board policy to require board members to attend trainings regarding their roles and responsibilities.**

♦ **Recommendation 6: Develop and implement procedures that establish a timeline and framework to review and update all board policies systematically.**

♦ **Recommendation 7: Develop and implement a comprehensive superintendent evaluation process.**

♦ **Recommendation 8: Develop and implement a clearly defined process for the formation and maintenance of board committees.**

♦ **Recommendation 9: Develop comprehensive operating procedures for all essential board functions and establish a process to evaluate the board's overall effectiveness annually.**

BACKGROUND

An independent school district's governance structure, staff management, and planning process provide the foundation for effective and efficient education of students. An elected board of trustees (board) governs each school district in Texas. The board focuses on decision making, planning, and providing resources for achieving goals. The board sets goals, objectives, and policies and approves plans and funding necessary for school district operations. The superintendent implements policy, manages district operations, recommends staffing levels, and allocates the resources to implement district priorities. The board and superintendent collaborate as a leadership team to meet district stakeholder needs.

Houston ISD serves most of the area within the Houston city limits and students in nine nearby municipalities and some unincorporated areas in Greater Houston. These areas include all of the cities of Bellaire, West University Place, and Southside Place. The district also enrolls students from the Harris County portion of Missouri City, and portions of Jacinto City, Hunters Creek Village, Piney Point Village, and Pearland.

The district has 280 campuses, including eight early childhood centers, 160 elementary schools, 38 middle schools, 37 high schools, and 37 combined or other types of campuses. **Figure 1–1** shows Houston ISD campuses by enrollment.

Figure 1–2 shows Houston ISD's board members, districts, titles, and length of service. The next board election will be in November 2019 for four seats.

The board holds public meetings at 5:00 PM on the second Thursday of every month in the Houston ISD Board Auditorium. Board Policy BE (LOCAL) states that the board president can call special meetings at his or her discretion or upon request by three board members. The Board Services Department posts all meetings to the district website at least 72 hours in advance.

From January 2018 to January 2019, the district held 38 special meetings. The special meetings covered topics including board training and workshops, adopting the annual budget and tax rate, town hall meetings, community meetings, staff discussions, and budget workshops.

The public may attend all meetings and may address the board on topics of interest. Individuals must register in advance to speak at board meetings. To comment on a specific agenda item, individuals must complete an online form or register in person with the Board Services Department by 9:30 AM on the day of the meeting.

Board meetings are broadcast live on Houston ISD TV, a television station operated by the district that is available on local Houston cable networks and on the district's website. Monthly board meetings and agendas are archived online. At the time of the review team's onsite review, all board meetings from January 2012 to February 2019 were available to view online.

The district's mission statement is to "equitably educate the whole child so that every student graduates with the tools to reach their full potential." **Figure 1–3** shows the district's core beliefs.

Figure 1–4 shows the board's goals for the district.

Figure 1–5 shows Houston ISD's organizational structure at the time of the review team's onsite review, including the 18 positions that report directly to the superintendent.

FIGURE 1–1
HOUSTON ISD CAMPUSES BY ENROLLMENT
SCHOOL YEAR 2018–19

CAMPUS	NUMBER OF CAMPUSES	ENROLLMENT	PERCENTAGE OF STUDENTS (1)
Early Childhood Centers	8	3,524	1.7%
Elementary	160	100,793	48.1%
Middle	38	33,054	15.8%
High	37	47,785	22.8%
Combined or Alternative (2)	37	24,616	12.1%
Total	**280**	**209,772**	

NOTES:
(1)   Numbers may not total 100.0 percent due to rounding.
(2)   These campuses serve students in multiple categories (elementary, middle, and high) and/or alternative campuses.
SOURCE: Houston ISD 2018–19 Facts and Figures Report.

FIGURE 1–2
HOUSTON INDEPENDENT SCHOOL DISTRICT BOARD OF EDUCATION
SCHOOL YEAR 2018–19

MEMBER	TITLE	DISTRICT	TERM EXPIRATION	LENGTH OF SERVICE (1)
Diana Dávila	President	District VIII	2019	2 years and 8 months
Holly Maria Flynn Vilaseca	First Vice President	District VI	2021	1 year and 8 months
Elizabeth Santos	Second Vice President	District I	2021	8 months
Dr. Sergio Lira	Secretary	District III	2019	8 months
Sue Deigaard	Assistant Secretary	District V	2021	8 months
Rhonda Skillern-Jones	Member	District II	2019	6 years and 8 months
Jolanda Jones	Member	District IV	2019	2 years and 8 Months
Anne Sung	Member	District VII	2021	1 year and 9 months
Wanda Adams	Member	District IX	2021	4 years and 8 months

NOTE: (1) The length of service is as of February 2019.
SOURCE: Houston ISD, February 2019.

FIGURE 1–3
HOUSTON ISD CORE BELIEFS
SCHOOL YEAR 2018–19

• We believe that equity is a/the lens through which all policy decisions are made.

• We believe that there should be no achievement gap among socioeconomic groups or children of ethnic diversity.

• We believe that the district must meet the needs of the whole child, providing wraparound services and social and emotional supports.

• We believe our classrooms/schools should be safe, vibrant, joyful spaces where students are guaranteed access to a challenging and deep educational experience.

• We believe that instruction should be customized/personalized to meet the learning needs for each individual child, including students with disabilities, gifted and talented students, and English Language Learners, so they have the support and opportunity they need to flourish.

• We believe that recruitment and retention of qualified and effective personnel are the keys to enhancing the quality of education and increasing student achievement.

• We believe that the community has a right to transparent operations across the district in all schools, departments, and divisions.

• We believe that meaningful engagement with the community is important in all major decision making.

SOURCE: Houston ISD Mission and Beliefs, 2019.

FIGURE 1–4
HOUSTON ISD BOARD OF EDUCATION GOALS
2019

Goal 1 The percentage of students reading and writing at or above grade level as measured by the percentage of students at the Meets Grade Level standard on the State of Texas Assessments of Academic Readiness (STAAR) for grade three through English II shall increase by 3.0 percentage points annually from 37.0% to 46.0% from spring 2017 to spring 2020.

Goal 2 The percentage of graduates meeting the Global Graduate standards as measured by the College and Career Readiness component of the Texas accountability system shall increase 3.0 percentage points annually from the 2017 graduates' baseline of 52.0% to 67.0% by 2022.

Goal 3 Among students who exhibit below satisfactory performance on state assessments, the percentage who demonstrate at least one year of academic growth, as measured by the STAAR Progress Measure, shall increase 3.0 percentage points annually in reading and in math from 57.0% in spring 2017 to 66.0% in spring 2020.

SOURCE: Houston ISD Beliefs and Goals, 2019.

FIGURE 1–5
HOUSTON ISD ORGANIZATION
SCHOOL YEAR 2018–19
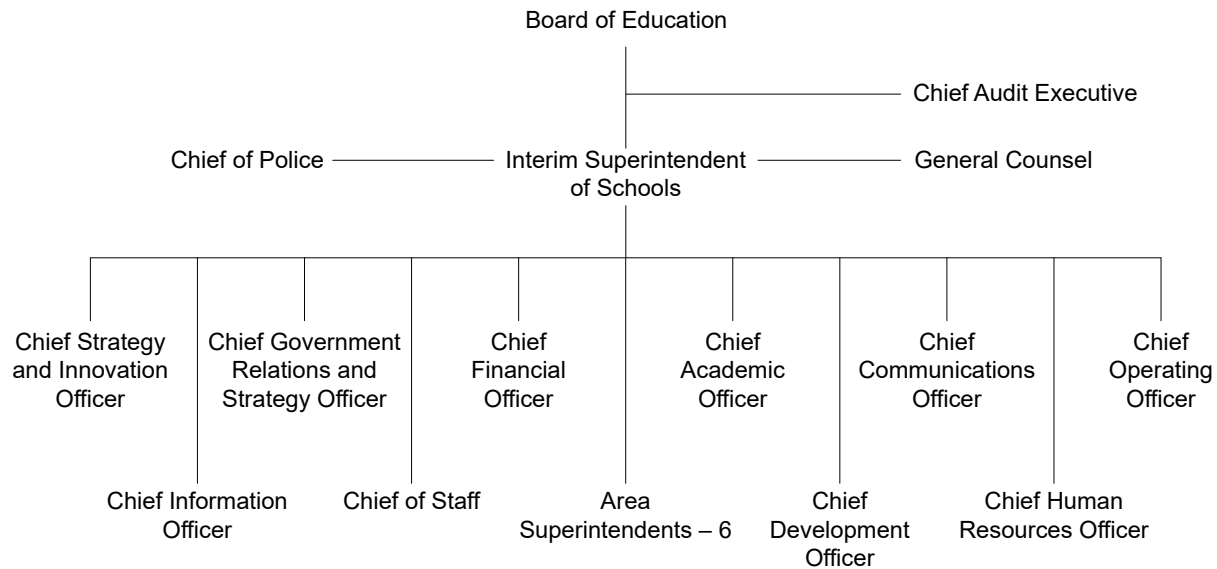
SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Houston ISD, February 2019.

DETAILED FINDINGS

DISTRICT ORGANIZATION (REC. 1)

Houston ISD does not have an effective and efficient organizational structure relative to the superintendent's supervisory responsibilities and the large number of executive leadership positions.

The role of a superintendent is broad and extensive. The superintendent is responsible for a large number of district functions such as setting the district vision and goals, collaborating with the board, being involved in the community; managing finances, serving as an instructional leader, and delegating daily activities that accomplish instructional and operational requirements. **Figure 1–6** shows descriptions of a superintendent's duties developed by the Texas Association of School Boards (TASB).

Houston ISD is the seventh-largest school district in the U.S. Effective oversight of a district this size requires a superintendent to manage his or her time and duties efficiently. However, Houston ISD's organizational structure, shown in **Figure 1–5**, requires the superintendent to spend a significant amount of time managing staff, which decreases the remaining time available to carry out other crucial responsibilities.

The superintendent directly supervises 18 staff from eight functional areas, including educational service delivery, technology, human resources, safety and security, financial management, district operations, legal services, and public relations.

Given the breadth of this position's responsibilities, it is challenging for the superintendent to supervise all of these reporting positions effectively. Daily operational reporting requirements, especially for a large district such as Houston ISD, can be significant with this reporting structure. Although the number of staff a supervisor can manage effectively varies by organization, a general rule for an executive ranges from six to eight direct reports.

For comparison purposes, **Figure 1–7** shows the superintendent's supervisory responsibilities at the 10 most populous school districts in Texas. None of these districts assigns more than 10 positions to report directly to the superintendent.

Figure 1–8 shows the same information for the 10 most populous school districts in the U.S. Houston ISD assigns more positions to report directly to the superintendent than any of these districts, including larger districts. The New York City Department of Education assigns 10

FIGURE 1–6
TEXAS ASSOCIATION OF SCHOOL BOARDS' DESCRIPTIONS OF SUPERINTENDENT DUTIES
2019

DUTY	DESCRIPTION
Policy Development and Implementation	The superintendent advises the school board regarding the need for new policies based on input from staff and advisory committees, legislators, and state agency staff. Following the superintendent's policy recommendation, if the board adopts the policy, the superintendent develops and implements appropriate procedures to satisfy the new policy's requirements.
Administration	The superintendent provides administrative leadership and manages district daily operations.
Recommendation and Evaluation of Staff	The superintendent recommends staff to be hired; is responsible for performance evaluations; and makes suggestions for renewal, nonrenewal, and dismissal of staff (as provided by policy).
Budget	The superintendent prepares a budget, makes revisions as requested by the board, administers the board-adopted budget, and makes purchasing decisions as defined by board policy and budget constraints.
Facilities Planning	The superintendent leads the administrative effort to plan for, operate, maintain, evaluate, and supervise improvements to school and district facilities.
Communication	The superintendent communicates with a diverse range of individuals and groups, such as legislators, the Texas Education Agency, the regional education service center, parents, board members, principals, attorneys, teachers, local business owners, and the media. The superintendent is the face of the district and works to build strong relationships with all these individuals to form beneficial partnerships and to lobby for the district.

SOURCE: Texas Association of School Boards, My Texas Public School website, 2019.

positions, and the Los Angeles Unified School District assigns 12 positions.

During onsite interviews, the superintendent and staff indicated that the high number of direct reports to the superintendent is due to shifting the six area superintendents from reporting to the chief academic officer to the superintendent for school year 2018–19. This transition occurred because the district is in a critical stage of trying to get several campuses that the Texas Education Agency (TEA) rated Improvement Required through the state's accountability system. If these campuses continue to perform unsatisfactorily, the district could face TEA sanctions, including the replacement of the school board with an appointed board of managers. The interim superintendent previously served as the chief academic officer, and this shift enables her to work directly to improve student achievement by continuing to supervise the area superintendents. According to the superintendent, the district will revisit this reporting structure after the state accountability issue has been resolved. However, even without the area superintendents, the superintendent still would have 12 positions reporting directly to her, which exceeds best practice standards and the supervisory workloads of

FIGURE 1–7
SUPERINTENDENT'S POSITION MANAGEMENT IN THE 10 LARGEST SCHOOL DISTRICTS IN TEXAS
SCHOOL YEAR 2017–18

DISTRICT	STUDENTS	DIRECTLY REPORTING POSITIONS
Houston ISD	**213,528**	**18**
Dallas ISD	156,726	8
Cypress–Fairbanks ISD	116,138	7
Northside ISD	106,086	7
Fort Worth ISD	86,039	10
Austin ISD	81,346	9
Katy ISD	77,331	8
Fort Bend ISD	74,957	10
Aldine ISD	67,234	10
North East ISD	65,805	5

SOURCES: Texas Education Agency, Texas Academic Performance Reports, school year 2017–18; district websites, 2019.

superintendents at other large school districts in Texas and the U.S.

This organizational structure also causes the district to maintain a large number of executive leadership positions.

FIGURE 1–8
SUPERINTENDENT'S POSITION MANAGEMENT IN THE 10 LARGEST U.S. SCHOOL DISTRICTS
SCHOOL YEAR 2016–17 (1)

DISTRICT	STUDENTS	STATE OR TERRITORY	DIRECTLY REPORTING POSITIONS
New York City Department of Education	995,336	New York	10
Los Angeles Unified School District	667,273	California	12
Puerto Rico Department of Education	437,202	Puerto Rico	N/A (2)
Chicago Public Schools	405,655	Illinois	9
Miami–Dade County Public Schools	347,366	Florida	9
Clark County School District	314,059	Nevada	8
Broward County Public Schools	256,472	Florida	17
Houston ISD	**215,408**	**Texas**	**18**
Hillsborough County Public Schools	194,525	Florida	7
Hawaii Department of Education	179,601	Hawaii	8

NOTES:
(1)   School year 2016–17 was the most recent data available for comparison of all U.S. school districts.
(2)   No data was available for the organizational structure of the Puerto Rico Department of Education.
SOURCES: World Atlas, 2019; district websites, 2019.

Executive leadership positions are administrators who oversee the major functions of the district. They meet regularly with the superintendent as a group, known as the superintendent's cabinet, to help make important governance decisions and coordinate school improvement initiatives. The superintendent determines which positions are elevated to executive leadership status, and the six area superintendents are now part of that group. In other districts, these positions typically carry job titles such as director or deputy superintendent, but executive leadership positions in Houston ISD carry the title of chief.

As shown in **Figure 1–5**, the district maintains 12 chief positions. The chief of police is statutorily required to report to the superintendent. The other 11 chiefs and the six area superintendents report directly to the superintendent at the district's discretion. As shown in **Figures 1–7** and **1–8**, Houston ISD maintains a comparatively high number of executive leadership positions. During onsite interviews, some district staff and board members expressed concern that Houston ISD has more chief positions than necessary. The interview statements suggested that the district lacks a clear process to determine which positions become executive leadership.

Effective districts limit the number of staff at the executive leadership level to certain key positions, and avoid maintaining executive leadership positions that oversee the same function. This practice streamlines reporting assignments and clarifies for district staff and the community which positions manage a particular function. However, Houston ISD's organizational structure has multiple positions that oversee educational service delivery reporting directly to the superintendent. The chief academic officer, chief strategy and innovation officer, and six area superintendents all oversee academic functions and all report directly to the superintendent. Thus, the superintendent's management and oversight of the district's educational service delivery function is fragmented into eight staff and areas that require separate meetings, discussions, evaluations, and administration.

Additionally, all the chiefs occupy the same level on Houston ISD's organizational chart and the same pay scale; however, they have a wide discrepancy in their responsibilities and supervisory duties. For example, the chief operating officer manages the district's transportation, facilities, food service, and safety and security functions, which collectively encompass approximately 6,600 staff. By contrast, the chief government relations and strategy officer monitors and analyzes local, state, and federal policy issues affecting the district and oversees two staff. Similarly, the chief financial officer oversees six departments and more than 300 staff, and the chief development officer oversees 19 positions in two departments. In comparison, the chief of staff position oversees seven positions in the Board Services Department and works with different departments as needed and as requested by the superintendent. The duties and responsibilities of all these positions are essential to the district. However, placing all of

FIGURE 1–9
HOUSTON ISD REVISED ORGANIZATIONAL STRUCTURE
MARCH 2019
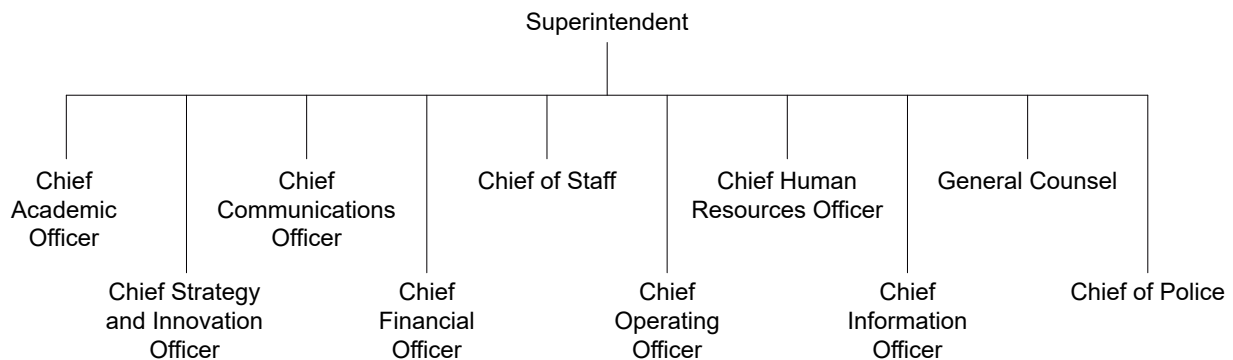
SOURCE: Legislative Budge Board School Performance Review Team, March 2019.

them at the same level organizationally increases administrative costs and the amount of time required for the superintendent to manage staff.

Houston ISD should modify the district's organizational structure to decrease the superintendent's supervisory responsibilities and streamline the number of executive leadership positions.

The district should revise its organizational structure to eliminate operational inefficiencies in all areas of the district's activities. **Figure 1–9** shows the recommended revised organizational structure.

The district should realign the number of positions that report directly to the superintendent from 18 to 10 through the following actions:

- reassigning the six area superintendents to report to the chief academic officer;

- eliminating the chief development officer position and developing a director of community relations position. This position will have the same duties as the previous chief development officer position, but it will not be an executive leadership position. The chief of staff should supervise this position. The title of director is consistent with the leadership titles of other high level supervisors throughout the district; and

- eliminating the chief government relations and strategy officer position and developing a director of government relations position. This position will have the same duties as the previous chief government relations and strategy officer position,

but it will not be an executive leadership position. The chief of staff should supervise this position. The title of director is consistent with the leadership titles of other high level supervisors throughout the district.

In addition to streamlining the number of positions that report directly to the superintendent and reducing administrative costs, eliminating the positions of chief development officer and chief government relations and strategy officer aligns the district's organizational structure with those of other large districts in the U.S., including New York, Los Angeles, Chicago, and Clark County, Nevada. In Texas, the same structure is used by Dallas ISD, Cypress-Fairbanks ISD, and Austin ISD.

The roles and duties of the Houston ISD chief of staff position are not consistent with those typical of an executive leadership position. This position's duties are significantly less than those of most of the chiefs of staffs in the districts shown in **Figures 1–7** and **1–8**. To streamline the district's reporting structure and increase equity of responsibilities among the chief positions, the chief of staff should supervise the recommended positions of director of community relations and director of government relations.

The departments and staff that currently report to the chief development officer and the chief government relations and strategy officer should remain the same. However, the chief of staff and the respective new director positions should evaluate the other leadership positions in the departments that report to them and recommend additional organizational adjustments, which could include changes or shifts to the

number, titles, roles, and salaries of those positions that report to the recommended new director positions.

Having the area superintendents report to the chief academic officer aligns the district's instructional functions with the curriculum and assessment functions. This structure provides a better infrastructure for the district to continue to focus on student outcomes.

The fiscal impact of this recommendation results in annual savings of $215,118 through the following calculations:

- eliminating the chief development officer position saves the district $233,233 annually in salary ($194,361) and benefits ($38,872);

- eliminating the chief government relations and strategy officer position saves the district $233,233 annually in salary ($194,361) and benefits ($38,872); and

- adding two director positions, including a director of community relations and director of government relations, costs the district $251,348 annually. The average annual salary of a Houston ISD director is $104,728. Accounting for the cost of annual benefits, the total cost of each director position is $125,674 (salary of $104,728 and benefits of $20,946). Two director positions would cost $251,348 ($125,674 x 2).

Figure 1–10 shows the total annual savings of implementing the recommended reorganization of the district.

CAMPUS LEVEL PLANNING (REC. 2)

Houston ISD's campus-level planning process is ineffective, and implementation varies among campuses.

The Texas Education Code, Section 11.251, states that "the board of trustees of each independent school district shall ensure that a district improvement plan and improvement plans for each campus are developed, reviewed, and revised annually for the purpose of improving the performance of all students." Houston ISD Board Policy BQ (LEGAL) states that "each school year, the principal of each school campus, with the assistance of the campus-level committee, shall develop, review, and revise the campus improvement plan for the purpose of improving student performance for all student populations, including students in special education." Thus, each campus is statutorily required to produce an annual improvement plan that guides the problem-solving and planning processes throughout the

FIGURE 1–10
ESTIMATED ANNUAL SAVINGS OF HOUSTON ISD'S REORGANIZATION
MARCH 2019

ACTION	ANNUAL SAVINGS/(COST)
Eliminating the chief development officer position	$233,233
Developing a director of community relations position	($125,674)
Eliminating the chief government relations and strategy officer position	$233,233
Developing a director of government relations position	($125,674)
Total	**$215,118**

SOURCE: Legislative Budget Board School Performance Review Team, March 2019.

year and helps to identify and organize strategies and resources to increase student achievement.

Houston ISD campus improvement plans are called school improvement plans (SIP). The principal of each campus works with the campus' Shared Decision-Making Committee (SDMC) to annually develop its SIP. SDMC consists of certain campus instructional and non-instructional staff, parents, and community and business representatives. Its purpose is to assist the campus principal with implementing planning processes and site-based decision making. After the SIP is developed, the principal submits it for review to the school support officer (SSO) or the lead principal who oversees the campus. Following this review and board approval, the SIP is posted on the district's website.

According to Board Policy BQ (LEGAL), an SIP must address the following tasks:

- assess the academic achievement for each student at the campus using the state's student achievement indicators;

- set the campus performance objectives based on the achievement indicators, including objectives for special needs populations, such as students in special education programs, pursuant to the Texas Education Code, Chapter 29, Subchapter A;

- identify how the campus goals will be met for each student;

- determine the resources needed to implement the plan;

FIGURE 1–11
EXAMPLE OF A HOUSTON ISD SCHOOL IMPROVEMENT PLAN
SCHOOL YEAR 2018–19

GOAL AREA 1: Student Achievement: Domains – Student Achievement/School Progress/Closing the Gaps (mandatory, if not met)					
Priority Need:	Increase Student Achievement				
Critical Success Factor(s):	High Quality First-Tier Instruction, Skill development & Mastery for ALL students, Effective Small Group Instruction & Interventions, Authentic Work & Task Products, Writing incorporated inclusively within all content areas				
Goal:	For the 2018-2019 school year, Alcott Elementary will meet the standard for Domain 1 (Student Achievement) and maintain				
Measureable Objective	**Strategy**	**Title of Staff Member Responsible**	**Resources – include funding sources (i.e. GT, Title 1, State Comp. Ed., Bilingual/ESL, Special Ed., CTE, etc.)**	**Timeline**	**Formative Evaluation**
Percentage of students meeting Approaches level or higher on all STAAR assessments will increase to meet the target score for Domain 1	Data analysis & monitoring, high-quality instruction, targeted interventions, elevated expectations, weekly learning labs, effective PLC's and consistent coaching	Principal Assistant Principal Literacy and Math Teacher Specialist Teachers Ancillary Team	Imagine Learning, Renaissance 360, Reasoning Minds Online Math, Guided Reading, All assessments, Data Tracking: Funding- GF& Title I	Sep 2018- May 2019	Snapshot assessments; DLA Benchmark assessments; Unit Assessments; Mock STAAR assessment
Student performance to continue meeting standards for Domains 2 and 3 Accountability Rating	Data analysis & monitoring, high-quality instruction, targeted interventions, rigorous challenge and stretch lessons, elevated expectations, weekly learning labs, effective PLC's and consistent coaching	Principal Assistant Principal Literacy and Math Teacher Specialist Teachers Ancillary Team	Renaissance 360, Reasoning Minds Online Math, Guided Reading, All assessments, Data Tracking: Funding- GF& Title I	Sep 2018- May 2019	Snapshot assessments; DLA Benchmark assessments; Unit Assessments; Mock STAAR assessment
By the end of the fall semester a student data tracker system will be utilized by all teachers that will house BOY performance, current	Create a data tracker system that will provide areas of mastery of TEKS and areas of growth	Principal Assistant Principal Literacy and Math Teacher Specialist Teachers Ancillary Team	On-Track Reports	Used continuously during the 2018-2019 school year	Student formative assessment data (i.e. Snapshot data and Campus based assessments

SOURCE: Houston ISD, school year 2018–19.

- identify staff needed to implement the plan;

- set timelines to reach the goals;

- measure progress toward the performance objectives periodically to ensure that the plan is resulting in academic improvement;

- provide for a program to encourage parental involvement at the campus;

- include goals and methods for violence prevention and intervention on campus; and

- set goals and objectives for the coordinated health program at elementary school, middle school, or junior high school campuses.

Figure 1–11 shows an example of a goal presented in an SIP.

Although each campus produces its SIP annually, the process to develop, review, and use SIPs is not consistent among campuses at Houston ISD. During onsite interviews, principals reported varying descriptions of the SIP development process. For example, several principals said they developed SIPs by copying and pasting the same goals from the previous year's SIP. Other principals report including the SDMC in the development process. Others develop the SIPs on their own and present them for approval to the SDMC. A few principals said they develop SIPs by conducting a summative evaluation of whether the previous year's goals were met. However, most reported developing their SIPs without considering whether their campuses had accomplished previous goals and objectives.

Additionally, most principals reported receiving little or no feedback from SSOs or lead principals on their SIPs. The district does not have a consistent process by which

the SSO or lead principal can hold principals accountable for meeting SIP goals. No principal interviewed said that the achievement of or failure to meet SIP goals factored into their evaluations or substantive discussions with SSOs. Many principals interviewed could not recall whether their campuses met the previous year's SIP goals and were not aware of progress made toward accomplishing the current year's goals. Most agreed that the district does not place much importance on SIPs, and several said that the SIPs were completed each year merely to meet state and federal requirements.

Houston ISD should systematize the district process for developing, reviewing, and implementing School Improvement Plans.

The Leadership and Teacher Development Department should develop comprehensive principal training for SIP development. This training should define SIP elements, include instruction for conducting a comprehensive needs assessment, and using the resulting data to develop base goals, objectives, and strategies. Houston ISD should seek assistance from Regional Education Service Center IV, which provides training for developing SIPs.

The chief academic officer and the area superintendents also should establish and implement a process to train SSOs and lead principals to review and monitor SIPS effectively. This process should include holding the campuses accountable for meeting SIP goals.

The district could implement this recommendation with existing resources.

BOARD DISTRUST (REC. 3)

Houston ISD's board conduct fosters an atmosphere of distrust and animosity, resulting in a lack of confidence in leadership among district staff and the community.

The National School Board Association (NSBA) states that effective school boards "lead as a united team with the superintendent, each from their respective roles, with strong collaboration and mutual trust." Similarly, TEA's publication Framework for School Board Development states that "to effectively meet the challenges of public education, school boards must function together as a leadership team." However, the Houston ISD board often does not function effectively as a group with common goals and objectives, but rather as individuals with their own personal agendas. The feelings of enmity and distrust among board members has

diminished the board's ability to deliberate the critical academic, operational, and administrative issues affecting the district openly and effectively.

Board members stated that divisions within the board have engendered feelings of suspicion and hostility. The following examples show the Houston ISD board's lack of unity:

- two Houston ISD board members traveled together to Austin to discuss issues facing the district with state legislators. They did so without the knowledge of other board members and without informing Houston ISD's Government Relations Department, even though onsite interviews stated that board members are aware of the department's role in serving as the district's point of contact for elected officials and policy makers;

- during the October 2018 board meeting, the board passed a motion to remove the current interim superintendent, Dr. Lathan, and replace her with a previous superintendent, Dr. Abelardo Saavedra. The motion came during a vote to extend the interim superintendent's contract and passed with the support of five board members. The remaining four board members were not aware the motion was going to be brought, and no discussion occurred before the vote. Several days later, board members announced they were rescinding the appointment of Dr. Saavedra and reinstating Dr. Lathan. However, this episode launched an ongoing investigation by TEA into possible violations of the Open Meetings Act by the five board members who supported the motion;

- the divisions within the board have precluded Houston ISD from conducting an effective superintendent search process. Best practices promoted by TASB recommend that a superintendent search takes no more than four months. However, at the time of the onsite review, Dr. Lathan had been the interim superintendent for 10 months, and the district had not set an end date for the superintendent search. Some board members support Dr. Lathan becoming the permanent superintendent, and others do not. The superintendent search has been affected as factions within the board work against each other to delay and circumvent the process. On March 25, 2019, the TEA conservator called a halt to the search until TEA completes its investigations of the district; and

- in August 2018, having already approved the school year budget in June, the board approved an amendment by a five-to-four vote to provide a salary raise for teachers. During onsite interviews, several board members and Houston ISD staff indicated that this action was a violation of board policy intended to satisfy teacher organizations at the expense of increasing a budget that was already in a deficit. However, board members in favor of the raise responded that miscommunications occurred concerning whether the approved budget had included raises for teachers. They stated that the district exacerbated this miscommunication by not producing a salary schedule for teachers until weeks after the budget was approved. All of this discussion occurred in public as members commented about each other during press conferences and through local media. This public behavior has increased the frustration among members on both sides of this issue, with each contending that the other was not operating in good faith.

Some of the feedback provided by board members to the review team and to media during the past year also indicates a lack of communication and trust among board members. During onsite interviews, board members reported verbal attacks and physical threats made against them by other board members. During onsite interviews, board members also decried the lack of decorum and professionalism in the way members communicated with each other and in their behavior during regular board meetings and closed sessions. Some board members said they perceive a lack of respect from many of their colleagues, and all board members acknowledged a general lack of trust that pervades all board activities.

Another example of the lack of collaboration among board members is the absence of team-building training. Board Policy BBD (LEGAL) states "the entire board, including all board members, shall annually participate with their superintendent in a team-building session." However, according to board training records, the board did not participate in the required team-building training during calendar year 2018. Additionally, newly elected members are required to attend orientation training. Houston ISD's orientation of new board members meets state requirements, but established board members do not participate in the training and it contains no team-building elements. Thus, new members do not have the opportunity to meet, interact with, or ask questions of established board members. This

type of orientation structure may convey to new members that the board is a collection of individuals and not a cohesive group.

During onsite interviews, board members and staff said that it is difficult to get agreement among all board members to engage in team-building trainings, and that some board members are opposed to engaging in these training. Board members said that team-building trainings were held in January and February 2019, but not all board members attended every meeting.

Board Policy BBF (LOCAL) contains the code of ethics for board members, which includes 18 standards that board members agree to uphold during their tenures. These standards include broad values such as being fair and just, keeping information confidential, being diligently prepared, focusing on responsibilities, being honest, and swearing to not use one's position for personal gain. However, the policy does not include procedures to administer the ethics policy or guidelines outlining sanctions for board members who violate these standards.

Some Houston ISD staff and community representatives reported that the board's infighting and lack of cohesion has generated feelings of instability and unease throughout the district. From July 2018 to November 2018, the review team surveyed community representatives about their opinions of Houston ISD. The aspect of the district that received the most negative feedback was the school board. The primary complaint was the board's lack of professionalism. A similar survey of district staff indicated that morale was low throughout the organization. This feedback was confirmed during onsite interviews in which staff consistently stated that low morale among district staff was due in part to the lack of confidence in the board's leadership. Some staff stated their beliefs that the board's unprofessional behavior was contributing to staff leaving the district, and others said that frustration with the board was eroding community support in the form of decreased donations and volunteer enrollment.

Student enrollment for school year 2018–19 decreased from the previous school year by more than 4,400 students, or 2.0 percent. This amount was the largest decrease in student enrollment in the past 12 years, a fact that some staff and community members attributed to parent frustration with the board's perceived lack of professionalism.

The Southern Association of Colleges and Schools Council on Accreditation and School Improvement encourages school districts to use the services of a professional mediator

as a best practice to address internal conflicts, distrust, and poor communication among school board members. The goal of mediation is for a neutral third party to help board members reach a consensus and settle disputes on their own. Rather than imposing a solution, a mediator works with the conflicting sides to explore the interests underlying their positions. Mediation can be effective at enabling parties to express their feelings and explore their grievances. Working with parties together, and sometimes separately, mediators try to help them achieve a resolution that is sustainable, voluntary, and nonbinding.

Houston ISD should hire a professional mediator to conduct team-building sessions to resolve issues affecting trust among board members, and develop a formal self-policing structure to address potential violations of board ethics policies.

The board president should work with the board secretary and the superintendent to identify a professional mediator skilled in working with public school boards. The board should approve the professional mediator and authorize the board president to contract with the mediator to conduct team-building sessions.

After the board hires a professional mediator, the board should schedule a minimum of two 8.0-hour team-building sessions, followed by two 4.0-hour follow-up sessions. The mediator should work with the board to identify the root causes of the communication and trust issues that limit board effectiveness. The mediator should help board members understand each other's personal and philosophical differences and work to achieve common ground on divisive issues. As a result, board members should begin to restore mutual trust, respect, and open communication.

The board also should incorporate a self-policing structure into board policy. The policy should include an outline of specific prohibited actions and clearly defined sanctions for members who violate the policy. For example, the board could establish a discipline process by which a two-thirds vote of members could discipline a member for conduct deemed detrimental to the board. The penalties could include public reprimand, formal censure, and removal from committee assignments.

The Board Services Department should work with the board president to ensure that board members attend the required team-building training annually. Board Policy

BBD (LOCAL) requires the board president to announce the status of each board member's continuing education credit annually at the last regular board meeting before the district's uniform election date. As a measure of accountability, the board should amend this policy to include whether the board collectively engaged in team-building training during the previous year. The Board Services Department also should modify new board member orientation to include a team-building element that involves all board members.

The fiscal impact assumes the expense of a Houston-area professional mediator at $500 per hour. The fiscal impact assumes a onetime cost of $12,000 for the team-building sessions, including two 8.0-hour sessions totaling $8,000 ($500 x 16 hours) and two 4.0-hour follow-up sessions totaling $4,000 ($500 x 8).

BOARD MEETINGS (REC. 4)

Houston ISD's board does not successfully organize or conduct board meetings in a professional manner.

A typical school board meeting includes several business items, such as approving the school calendar, adopting curriculum, overseeing construction, monitoring the district budget, and approving vendor contracts. An effective school board links the discussion of district business with its overall goal of improving student academic achievement. Additionally, board meetings provide the public, including campus staff, with an opportunity to provide input into the district's decision-making process. The community's opinion of the district often is shaped by how successfully the board manages meetings. As stated in NSBA's publication, *Telling Your Story*, "no amount of positive school press or superintendent charisma can overcome bad behavior broadcast live during school board meetings."

Houston ISD board meetings are not managed effectively or efficiently. Board meetings often do not support established board beliefs nor move the district forward in achieving district goals. The following elements cause Houston ISD board meetings to be unsuccessful:

- the agenda process is not consistent;

- the focus of board meetings often is not on improving student outcomes; and

- board meetings do not follow parliamentary procedures consistently.

AGENDA PROCESS

Houston ISD's process to develop and disseminate an agenda for each board meeting is described in Board Policy BE (LOCAL) and Board Policy BE1–BE3 (REGULATION). It begins when the superintendent prepares the agenda for all board meetings in consultation with the board president. The preliminary agenda is composed of documents and issues submitted by board members, staff who directly report to the superintendent, departments, and campus offices. The Board Services Department publishes the preliminary agenda internally for initial review by the superintendent.

The Board Services Department coordinates the preparation of the agenda and distributes the preliminary agenda via email, usually one week after the most recent board meeting. According to Board Policy BE2 (REGULATION), board members must submit items for inclusion on the preliminary agenda before noon on the day the preliminary agenda is published. After the preliminary agenda is published, staff that directly report to the superintendent may recommend changes to an existing item, suggest a new item, or recommend withdrawal of an item. Houston ISD sets a date by which all agenda preparation must be complete. Although processes exist to add an item later, the administration strongly encourages staff to consider presenting such items at a subsequent board meeting. The Board Services Department will not add an item to the agenda without written approval from the superintendent or designee. Following the superintendent's approval, the Board Services Department sends the updated agenda to board members and staff nine days before the next board meeting.

One week before the regular monthly board meeting, the board holds an agenda review meeting with all board members, the superintendent, and key district staff. The meeting provides an opportunity to discuss items that will be voted upon during the regular monthly meetings. After the meeting is complete, the Board Services Department finalizes the agenda for the monthly board meeting and publishes it on the district website.

However, this process, as outlined in board policy, is not always understood nor adhered to by board members and staff. During onsite interviews, several board members expressed uncertainty as to how items were placed on the agenda. District staff and board members familiar with the agenda process said that it was not followed consistently. Board members and staff reported that items have been added after the agenda was finalized, and items have been brought up during the monthly meetings that had not been discussed or approved during agenda preparation or the agenda review meeting.

Additionally, some board members said they believe that the agenda process is not transparent and that some board members manipulate the process. Houston ISD's Board Policy BE (LOCAL) states that an item shall be placed on the agenda if it is supported by at least three board members. During onsite interviews, some board members and staff said that this provision has contributed to division and infighting among board members. Many said that small groups of board members often meet to discuss agenda items without involving the board president or the full board. Some board members perceive this practice as disrespectful to the superintendent and the board president. They say it inhibits the board from functioning as an effective governing body and encourages secrecy and distrust among members.

When board members discuss agenda items in smaller groups, the district is at risk of violating the Open Meetings Act. The Texas Government Code, Section 551.101, requires meetings of governmental bodies, including school boards, to be open to the public, except for expressly authorized closed sessions, and to be preceded by public notice of the time, place, and subject matter of the meeting. A meeting of a governmental body occurs anytime a quorum of its members is present to discuss public business. Thus, a gathering of five or more Houston ISD board members to discuss district business qualifies as a board meeting subject to all statutory requirements, including public notice requirements. During onsite interviews, board members charged that other members violated the Open Meetings Act during the agenda review process, and TEA's investigation into this matter was ongoing at the time of the onsite review. Violations of the Open Meetings Act can result in civil penalties.

BOARD MEETING FOCUS

NSBA's publication *The Key Work of School Boards* states that "board members' primary agenda is raising student achievement and engaging the community to obtain that goal." Similarly, Houston ISD's mission statement reads "the Board's mission is to equitably educate the whole child so that every student graduates with the tools to reach their full potential." However, Houston ISD board meetings are not focused on improving or monitoring student achievement.

Beginning in July 2017, TEA assigned a conservator to observe and report on Houston ISD's board activity due to concerns about the effectiveness of board governance and the board's ability to affect academics positively. The conservator worked with the board to implement the Lone Star Governance (LSG) framework, which is a continuous

improvement model intended to guide school boards toward improving student outcomes. The State Board of Education has approved the framework, developed by TEA, to provide the critical areas of development for all public school boards. **Figure 1–12** shows a description of the LSG framework.

All Houston ISD board members attended a two-day LSG workshop offered by TEA in 2018. Following the workshop, the board began using a continuous improvement timeline that requires the board to perform monthly self-evaluations to assess if it effectively is shifting the focus of board meetings toward improving student outcomes.

In June 2018, the conservator began monitoring Houston ISD board meetings to track the extent to which issues discussed during meetings fit into the LSG framework. From June 2018 to December 2018, the Houston ISD board devoted approximately 90.0 percent of its time to discussing items and issues that were not part of the LSG framework and that TEA does not consider relevant to enhancing student outcomes. This misuse of time is a particular concern for Houston ISD considering that TEA academically rated some of its campuses as Improvement Required.

Figure 1–13 shows the results of TEA's monitoring of Houston ISD board meetings from June 2018 to December 2018.

Review team observations of Houston ISD board meetings during this time period show that the board spends a considerable amount of time engaged in staff issues, making repeated requests of Houston ISD staff for additional information, arguing with each other, and arguing with community members. This resulted in long meetings in which the board did not adequately address important district business. This inadequacy contributes to the public distrust of the board and the perception that it spends too much time on topics that do not benefit students or the district.

ADHERENCE TO PARLIAMENTARY PROCEDURES

Parliamentary procedures are the code of rules, ethics, and customs governing meetings and other operations of deliberative assemblies. Self-governing organizations, such as school boards, follow parliamentary procedures to debate and reach group decisions with the least possible disunity. The most widely used manual of parliamentary procedures in the U.S. is Robert's Rules of Order. This manual, revised in 2011, adapts the rules and practice of the U.S. Congress to

the needs of nonlegislative organizations. Examples of Robert's Rules of Order include:

- no meeting should be called to order until a quorum of members is established;

- the chair of the organization calls the meeting to order;

- members must be recognized by the presiding officer before speaking;

- a motion to take action must precede any discussion of an issue;

- motions must be seconded; and

- formal votes are taken by voice or ballot.

An organization that observes Robert's Rules of Order typically follows an established sequence for conducting business in an orderly manner during a meeting, including the following steps:

- reading and approval of previous board minutes;

- reports of officers, boards, and standing committees;

- reports of special committees;

- unfinished business; and

- new business.

Robert's Rules of Order is the standard template from which most school boards structure their meetings. Houston ISD Board Policy BE (LOCAL) states "the board shall observe the parliamentary procedures as found in *Robert's Rules of Order, Newly Revised*, except as otherwise provided in board procedural rules or by law." During onsite interviews, Houston ISD board members acknowledged that the board attempts to follow Robert's Rules of Order, and that members received copies of the rules from the board president. Members are encouraged to seek out and attend training on these rules, but it is not required in board policy.

However, Houston ISD board meetings consistently do not follow Robert's Rules of Order, particularly regarding debate decorum. **Figure 1-14** shows examples of Robert's Rules of Order for debate decorum and whether Houston ISD board meetings follow them regularly.

The Houston ISD board's lack of adherence to parliamentary procedures also extends to interactions between the board and community representatives. Board Policy BE1 (REGULATION) requires that each regular board meeting include an open forum for the public to express compliments and concerns. Board Policy BE (LOCAL) adds that meeting

FIGURE 1–12
LONE STAR GOVERNANCE FRAMEWORK
CALENDAR YEAR 2019

SECTION	DESCRIPTION	ELEMENTS
Vision	The board ensures creation of a shared vision that promotes enhanced student achievement.	The board carries out the following actions: • keeps the district focus on the educational welfare of all children; • adopts a shared vision based on community beliefs to guide local education; • ensures that the vision supports the state's mission, objectives, and goals for education established by law or rule; • ensures that the district vision expresses the present and future needs of the children and community; • uses the vision to assess the importance of individual issues that come before the board and demonstrates its commitment to the vision by using the vision to guide all board deliberations, decisions, and actions; and • Individual board members should not have individual agendas separate and apart from the shared vision.
Structure	The board provides guidance and direction for accomplishing the vision.	The board carries out the following actions: • recognizes the respective roles of the legislature, State Board of Education, the Texas Education Agency, and local boards of trustees in the governance of the public schools; • fulfills the statutory duties of the local board of trustees and upholds all laws, rules, ethical procedures, and court orders pertaining to schools and school employees; • focuses its actions on policy-making, planning, and evaluation, and restricts its involvement in management to the responsibility of oversight; • adopts a planning and decision-making process consistent with state law and rule that uses participation, information, research, and evaluation to help achieve the district's vision; • ensures that the district planning and decision-making process enables all segments of the community, parents, and professional staff to meaningfully contribute to achieving the district's vision; • develops and adopts policies that provide guidance for accomplishing the district's vision, mission, and goals; • adopts a budget that incorporates sound business and fiscal practices and provides resources to achieve the district's vision, mission, and goals; • adopts goals, approves student performance objectives, and establishes policies that provide a well-balanced curriculum resulting in improved student learning; • approves goals, policies, and programs that ensure a safe and disciplined environment conducive to learning; • oversees the management of the district by employing a superintendent and evaluating the superintendent's performance in providing education leadership, managing daily operations, and performing all duties assigned by law or rule and in support of the district's vision; and • adopts policies and standards for hiring, assigning, appraising, terminating, and compensating school district personnel in compliance with state laws and rules.
Accountability	The board measures and communicates how well the vision is being accomplished.	The board carries out the following actions: • ensures progress toward achievement of district goals through a systematic, timely, and comprehensive review of reports prepared by or at the direction of the superintendent; • monitors the effectiveness and efficiency of instructional programs by reviewing reports prepared by or at the direction of the superintendent and directs the superintendent to make modifications that promote maximum achievement for all students; • ensures that appropriate assessments are used to measure achievement of all students; • reports district progress to parents and community in compliance with state laws and regulations; • reviews district policies for effective support of the district's vision, mission, and goals; • reviews the efficiency and effectiveness of district operations and use of resources in supporting the district's vision, mission, and goals; • evaluates the superintendent's performance annually in compliance with state laws and regulations; and • annually evaluates its own performance in fulfilling the board's duties and responsibilities, and the board's ability to work with the superintendent as a team.

FIGURE 1–12 (CONTINUED)
LONE STAR GOVERNANCE FRAMEWORK
CALENDAR YEAR 2019

SECTION	DESCRIPTION	ELEMENTS
Advocacy	The board promotes the vision.	The board carries out the following actions: • demonstrates its commitment to the shared vision, mission, and goals by clearly communicating them to the superintendent, the staff and community; • ensures an effective two-way communication system between the district and its students, parents, employees, media, and the community; • builds partnerships with community, business, and governmental leaders to influence and expand educational opportunities and meet the needs of students; • supports children by establishing partnerships between the district, parents, business leaders, and other community members as an integral part of the district's educational program; • leads in recognizing the achievements of students, staff, and others in education; • promotes school board service as a meaningful way to make long-term contributions to the local community and society; and • provides input and feedback to the legislature, State Board of Education, and the Texas Education Agency about proposed changes to ensure maximum effectiveness and benefit to the schoolchildren in their district.
Unity	The board works with the superintendent to lead the district toward the vision.	The board carries out the following actions: • ensures that its members understand and respect the need to function as a team in governing and overseeing the management of the district; • develops skills in teamwork, problem solving, and decision-making; • establishes and follows local policies, procedures, and ethical standards governing the conduct and operations of the board; • understands and adheres to laws and local policies about the board's responsibility to set policy and the superintendent's responsibility to manage the school district and to direct employees in district and campus matters; • recognizes the leadership role of the board president and adheres to law and local policies about the duties and responsibilities of the board president and other officers; • adopts and adheres to established policies and procedures for receiving and addressing ideas and concerns from students, parents, employees, and the community; • makes decisions as a whole only at properly called meetings and recognizes that individual members have no authority to take individual action in policy or district and campus administrative matters; and • supports decisions of the majority after honoring the right of individual members to express opposing viewpoints and vote their convictions.

SOURCE: Texas Education Agency, Framework for School Board Development, 2019.

FIGURE 1–13
TEXAS EDUCATION AGENCY TIME-TRACKING TOOL RESULTS OF HOUSTON ISD BOARD MEETINGS
JUNE 2018 TO DECEMBER 2018

FRAMEWORK	ACTIVITY	MINUTES	PERCENTAGE OF MINUTES USED (1)
Vision	Student outcome goal setting and monitoring; constraints setting and monitoring	183.0	3.6%
Structure	Debating and voting on any item up for board consideration	175.0	3.5%
Accountability	Superintendent evaluation and board self-evaluation	0.0	0.0%
Advocacy	Community engagement; student and family engagement; community training	0.0	0.0%
Unity	Board training	159.0	3.1%
Other	Any time spent on an activity that is not in the framework categories	4,522.0	90.1%
Student Outcome Goal-focused Minutes		**517.0**	**10.2%**
Total		**5,039.0**	**100.0%**

NOTE: (1) Totals may not sum due to rounding.
SOURCE: Texas Education Agency, June 2018 to December 2018.

FIGURE 1–14
ROBERT'S RULES OF ORDER FOR DEBATE DECORUM COMPARED TO HOUSTON ISD BOARD MEETINGS
JANUARY 2018 TO DECEMBER 2018

RULES	DOES HOUSTON ISD FOLLOW THIS RULE DURING BOARD MEETINGS	ASSESSMENT
When a question is pending, a member can condemn the nature or likely consequences of the proposed measure in strong terms, but he must avoid personalities and under no circumstances can he attack or question the motives of another member.	No	Houston ISD board members engage in personal attacks against other members and Houston ISD staff.
Members of an assembly cannot address one another directly, but must address all remarks through the chair.	No	Members sometimes address each other directly.
During debate, no member should be permitted to disturb the assembly by whispering, walking across the floor, or in any other way.	No	During onsite interviews, board members and staff reported that board members text, whisper, walk around the dais, abruptly leave, and communicate with other board members when not recognized by the chair during board meetings.
No member shall speak more than twice during the same day to the same question (only once on an appeal), nor longer than 10 minutes at one time.	No	Members often speak more than twice on a particular subject and regularly exceed 10 minutes in doing so.
Until a matter has been brought before the assembly in the form of a motion proposing a specific action, it cannot be debated.	No	Members discuss topics and issues that are not brought up officially in the form of a motion.

SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Robert's Rules of Order, Newly Revised, 2011.

attendees must conduct themselves appropriately and must not disrupt or interfere with the proceedings. The policy defines the following prohibited behaviors:

- possessing a weapon at the meeting;

- waving or displaying signs, placards, posters, or banners in such a manner as to pose a potential safety hazard or disrupt the proceedings;

- applauding, booing, cheering, or making other audible expressions of approval or disapproval in a loud or raucous manner calculated to disrupt the meeting; or

- using profane or vulgar language or gestures during presentation to, or interaction with, the board.

Nevertheless, some community members consistently disrupt board meetings in violation of board policy. The behaviors observed include visitors speaking to the board outside of the allotted time for community feedback, including instances of yelling and swearing at board members during discussions of agenda items. These interruptions often slow down board meetings, which contributes to their length and to the board members' inability to finish the business before them. Community members' behavior also contributes to the chaotic and tense atmosphere that prevails at many board meetings, during and after which police have arrested certain community members during the past two school years. During onsite interviews, board members have reported feeling unsafe at meetings, and some have reported receiving threats. Board members often request Houston ISD police escorts after meetings.

Additionally, some board members and Houston ISD staff said that board leadership and district administrators do not constrain disruptive community member behavior sufficiently during meetings. Board Policy BED (LOCAL) limits each community members speaking on agenda items to 2.0 minutes, but citizens consistently speak past the allotted time. Board Policy BE (LOCAL) states that any violation of the standards of behavior results in a warning. Repeat violations result in removal of the individual responsible and possible criminal penalties. Observations of Houston ISD board meetings show few occasions in which board members attempted to halt the disruptive behavior of community members. On some occasions, board members

have discouraged Houston ISD police officers' efforts to control disruptive citizens.

Effective school boards set the vision and goals for the school district and hold the district accountable for student academic results. This task requires the board to engage in policy-making, problem solving, planning, and evaluation during board meetings. When board meetings are managed and organized poorly, the board cannot perform the duties of governing the district effectively.

Board meetings also are the primary means of community interaction with board members and district staff. Public perception of the district is shaped by how efficiently and effectively the board manages and organizes its meetings. Board meetings that devolve into arguments and shouting matches involving members and the community reflect poorly on the district, eroding public confidence in the board's leadership and direction.

Houston ISD should enforce board policies during board meetings, follow the Lone Star Governance Framework, and provide training for board members regarding acceptable parliamentary procedures.

The board should include a refresher lesson on the meeting process, as defined in board policy, at the next board workshop to ensure that all members are familiar with its various elements. This training should include a thorough explanation of the agenda process and what is expected of board members and community members during meetings. The board also should provide a thorough explanation of the meeting process during orientation training to ensure that newly elected board members understand how meetings are organized and conducted. Houston ISD's board policies discussing board meetings are clear and concise. The board should work together to ensure they consistently follow and enforce these policies.

The board also should attend a team training on Robert's Rules of Order, followed by quarterly self-evaluations for the first year after attending the training to assess how well the board members implement the rules. The board also should attend annual training on the Open Meetings Act, and an overview of the law should be included as part of new board member orientation.

Additionally, the Houston ISD board should follow the LSG framework presented by the TEA conservator and incorporate the continuous improvement timeline into its calendar and planning. The timeline sets quarterly goals for the board to meet concerning how much time is focused on matters that fall within the LSG framework. Including these activities in the board calendar will help ensure that the board consistently is working toward conducting meetings that address the district's priorities.

Houston ISD also should consider contracting with a parliamentarian to help the board conduct effective meetings. A parliamentarian is an expert in rules of order and proper meeting procedures and can assist in drafting and interpreting bylaws and rules of order. The parliamentarian also serves as a resource to the chair, unobtrusively guiding and supporting during the meeting. The chair can and should consult with the parliamentarian to resolve uncertainty. Houston ISD should work only with a parliamentarian experienced in Robert's Rules of Order and familiar with the LSG framework.

The district could implement this recommendation with existing resources. The fiscal impact assumes that the cost of board members attending Robert's Rules of Order training can be paid for in the existing board training budget. The fiscal impact does not assume the cost of the parliamentarian's contract, which can vary. The district should evaluate several parliamentarians to determine which best meets the district's needs and fits within the board's budget.

BOARD ROLES AND RESPONSIBILITIES (REC. 5)

Houston ISD board members' behavior suggests a lack of understanding or disregard for their defined roles and responsibilities.

The school board is the district's educational policy-making body. Effective school boards focus on oversight of management, policy-making, planning, and evaluation, leaving the implementation of these policies and the daily administration to the superintendent. **Figure 1–15** shows the role of the school board compared to the role of the superintendent.

The Houston ISD school board does not adhere consistently to the oversight and policy-making roles shown in **Figure 1–15**. During onsite interviews, district staff reported that board members consistently overstep their oversight functions to have more of a role in the daily administration of the district. In the review team's survey of Houston ISD staff, only 17.0 percent of respondents agreed with the statement "school board members understand their role as policy makers and stay out of the day-to-day management of the district."

FIGURE 1–15
ROLE AND RESPONSIBILITIES OF THE SCHOOL BOARD AND THE SUPERINTENDENT
CALENDAR YEAR 2019

ROLE/RESPONSIBILITY	SCHOOL BOARD	SUPERINTENDENT
District policy	Develops and adopts	Suggests and implements
Budget and finance	Adopts and monitors	Prepares, administers, and monitors
Instruction and curriculum	Adopts goals, approves student performance objectives, and establishes policies that improve student learning	Recommends student performance goals and objectives and oversees staff efforts to implement them.
Staff	Adopts policies and standards for hiring, assigning, appraising, terminating, and compensating school district staff in compliance with state laws and rules	Interviews, recommends, hires, evaluates, promotes, and trains district staff.
Student services	Approves goals, policies, and programs that ensure a safe and disciplined environment conducive to learning	Recommends goals and programs to provide students with a healthy and safe learning environment and oversees staff efforts to implement them.

SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Texas Education Agency, Framework for School Board Development, 2019; Texas Association of School Boards, 2019.

Staff said in interviews that board members place large demands on staff time with requests for information that often is not relevant to their role as board members. Information requested includes, for example, various staff salaries, staff resumes, a list of all staff sorted by length of tenure, a list of all software programs used within the district, and a list of all high schools that support and implement voter registration efforts for students age 18. Staff said they are not always certain how board members have used the information provided to them. During onsite interviews, several board members said some of the requests for information were based on personal agendas and were not related to developing district policy or informing planning decisions.

Many requests are time-consuming for staff to fulfill, requiring days or months to complete. Examples of these requests include the number of assessments administered in each classroom at various campuses, the length of time of each assessment, and the complete list of committees at every campus in the district.

The number of information requests from board members became so numerous that the superintendent instructed the Board Services Department to develop an electronic system to track all requests. This system details the request made by board members, to whom the request was referred, and how many days were required to complete the request. **Figure 1–16** shows board member request data from February 2018 to November 2018.

The time required to respond to board member requests decreases staff's available time to implement assigned job

FIGURE 1–16
HOUSTON ISD BOARD MEMBER REQUESTS FOR INFORMATION
FEBRUARY 2018 TO NOVEMBER 2018

MONTH	REQUESTS	AVERAGE DAYS TO COMPLETE
February	70	7
March	42	9
April	73	6
May	44	9
June	33	5
July	20	5
August	37	6
September	43	5
October	39	6
November	42	6
Total	**443**	**6**

SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Houston ISD, February 2019.

duties that are intended to help achieve district goals. Additionally, the number and nature of these requests, which often concern minor and routine district activities, indicate that some members do not understand their oversight roles.

During onsite interviews, Houston ISD staff reported that several board members have tried to influence district hiring practices to encourage employing and promoting certain staff based at least partially on their race or ethnicity. Houston ISD staff also stated that some board members have personal

agendas that affect the budgetary process. For example, members reportedly have threatened to not approve the district budget unless certain programs and initiatives are included, even if these programs would increase a budget that is already in a deficit. Additionally, staff stated that some board members attempt to influence campus administration by advising and consulting with individual principals. Staff also said that some principals consult board members directly to address issues occurring at their campuses or with district administrators. This practice usurps the leadership and authority of Houston ISD administrators and establishes an atmosphere of distrust and uncertainty about decision making at the district and campus levels. This practice makes it difficult for the superintendent to effectively implement key districtwide initiatives essential to improving student achievement.

A lack of understanding of roles and responsibilities among school board members can result from a lack of training. The Texas Administrative Code, Title 19, Part 2, Chapter 61, Subchapter A, Section 61.1, requires all board members to receive 5.0 hours of continuing education annually. A review of Houston ISD board member training records show that all board members receive the continuing education required by statute. Houston ISD's local board policy contains no additional requirements for such training. **Figure 1–17** shows board member training records compared to state requirements for calendar year 2018.

As shown in **Figure 1–17**, all Houston ISD board members met the training requirements, and most exceeded them. However, board member records do not indicate the types of training received; therefore, the review team could not determine how much of a board member's continuing education related to the roles and responsibilities of the board.

Houston ISD's board should amend board policy to require board members to attend trainings regarding their roles and responsibilities.

The board should develop and implement a local policy to require each board member to receive 3.0 hours of annual training regarding roles and responsibilities. This training would be in addition to the 5.0 hours already required by administrative rule. The Board Services Department should monitor the board members' continuing education to identify training related to roles and responsibilities that individual members have not attended. The board president should announce and record in the board minutes the status of each board member's continuing education status at the last regular board meeting of the school year. If board

FIGURE 1–17
HOUSTON ISD BOARD MEMBER TRAINING HOURS COMPARED TO STATE REQUIREMENTS CALENDAR YEAR 2018

BOARD MEMBER	TRAINING HOURS	DID MEMBER MEET THE 5.0-HOUR REQUIREMENT?
Board Member A	24.25	Yes
Board Member B	9.75	Yes
Board Member C	8.25	Yes
Board Member D	49.0	Yes
Board Member E	36.0	Yes
Board Member F	37.25	Yes
Board Member G	22.75	Yes
Board Member H	40.50	Yes
Board Member I	39.75	Yes

SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Houston ISD, 2019.

members do not attend the required trainings or continue to overstep their roles post-training, the board should amend board policy to authorize public censure of board members for repeated violations.

The district could implement this recommendation with existing resources through the board's existing training budget.

BOARD POLICIES (REC. 6)

Houston ISD lacks a process to review and update board policies regularly.

A key school board responsibility is to review and adopt policies that guide how the district operates. Each of the following policy types serves a unique purpose:

- legal policies represent existing laws and are updated as laws change; the board reviews, but does not adopt these policies;

- local policies are directives from the board to the school district that represent local board positions and often are unique to the district. Local policy typically expands on or qualifies directives or options provided by law. Each district adopts, updates, and readopts local policies as needed;

- regulations are intended to implement board policies that school administrators develop. Regulations provide detailed guidelines, descriptions, practices, and procedures for district operation; and

- exhibits, also known as forms, are supporting documents for policies and regulations. An exhibit can be a form to be completed by students, parents, staff, or the public; or a chart, table, or illustration that accompanies a policy or regulation.

Board policy and the accompanying regulations and exhibits assist the district to complete the following tasks:

- provide direction and save time;
- comply with and implement laws and regulations;
- establish and define rights;
- establish stability and continuity;
- define responsibilities and ensure accountability;
- inform the community, parents, staff, and students;
- protect the district in case of a legal challenge; and
- comply with state accreditation standards.

Houston ISD, in an effort to revise and update board policy, subscribes to the policy service offered by TASB. This service provides the district with at least quarterly updates of recommended legal policy changes based on changes in laws and regulations. These updates form the basis of the district's legal policies. Houston ISD maintains a board policy manual containing seven major sections. **Figure 1–18** shows the organization of the Houston ISD Board Policy Manual.

During onsite interviews, district staff and board members reported that Houston ISD does not review and update board policy on a regular schedule, but rather on an ad hoc basis. The board's Policy Committee does not review policy, and its purpose is unclear. No process is in place to ensure that the board develops new policies regularly and writes local policies to address the legal policies. When TASB alerts the district to legal policy changes, the district sends these changes to the departments that are impacted for review and comment. After the departments have responded, the district submits the policy to the board policy committee for review before being placed on the board agenda. However, during onsite interviews, some board members reported that they were not aware of this process; that the board policy committee does not submit legal policy changes to the entire board regularly for review; and all board members are not informed consistently of legal policy changes.

FIGURE 1–18
HOUSTON ISD BOARD POLICY MANUAL ORGANIZATION MARCH 2019

SECTION AND TITLES	POLICY CODES
A – Basic District Foundations	AA – AID
B – Local Governance	BA – BR
C – Business and Support Services	CAA – CY
D – Personnel	DA – DPB
E – Instruction	EB – EMI
F – Students	FB – FP
G – Community and Governmental Relations	GA – GRC

SOURCES: Houston ISD Board Policy Manual, March 2019.

The review team examined 808 Houston ISD board policies. **Figure 1–19** shows the topic heading for each policy and the date that each was adopted.

Figure 1–19 shows the following information:

- 387 board policies, 47.9 percent, were issued before 2011;
- the greatest number of policies, 235, relate to Business and Support Services; of these, 128, or 54.5 percent, were issued before 2011;
- 91 local policies, 46.0 percent, were issued before 2011; and
- 254 regulations, 81.4 percent, were issued before 2011.

Legal policies represent existing statute and often provide basic requirements that a district must follow. The board develops local policies that expand on corresponding legal policies to establish specific requirements unique to the district. Houston ISD's lack of a policy review process places the district at risk of maintaining outdated local policies and regulations that do not comply with state and federal regulations or increasing inefficiency in district operations. A review of the district policy manual identified some key policies that have not been updated recently, including the following policies:

- Board Policy BBE (LEGAL), updated in 2017, addresses authority granted to board members. However, the corresponding Board Policy BBE (LOCAL) has not been updated since 2001. Board Policy BBE (LEGAL) states, "A district shall create a policy on visits to a district campus or facility by a member of the board." BBE (LOCAL) contains

FIGURE 1–19
HOUSTON ISD BOARD POLICIES BY TITLE, TYPE, AND YEAR ISSUED
MARCH 2019

SECTION	TITLE	POLICIES EXAMINED	YEAR ISSUED			
			BEFORE 2011	2011 TO 2013	2014 TO 2016	2017 TO 2019
A	Basic District Foundations	15	2	4	2	7
B	Local Governance	98	46	11	7	34
C	Business and Support Services	235	128	34	30	43
D	Personnel	163	90	22	24	27
E	Instruction	109	43	13	18	35
F	Students	137	52	21	23	41
G	Community and Governmental Relations	51	26	6	10	9
Total		**808**	**387**	**111**	**114**	**196**
TYPE OF POLICY		**POLICIES EXAMINED**	**BEFORE 2011**	**2011 TO 2013**	**2014 TO 2016**	**2017 TO 2019**
Local		198	91	33	48	26
Legal		298	42	47	54	155
Regulations		312	254	31	12	15

SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Houston ISD Policy Online, March 2019.

information regarding the authority of the board but not policy regarding campus visits by board members. During onsite interviews, several board members expressed frustration with the district's lack of a consistent process or policy regarding acceptable visits by board members to campuses;

- Board Policy BQB (LEGAL), updated in 2017, establishes campus-level planning and decision-making committees and defines their roles and responsibilities. These committees serve an important role in advising and supporting the improvement of student performance at each campus. The corresponding Board Policy BQB (LOCAL) has not been updated since 2001;

- Board Policy GKC (LEGAL), updated in 2017, details the statutory requirements for district visitor policies. The corresponding GKC (LOCAL) was last updated in 2007 and provides no details regarding Houston ISD's campus visitor policy. The policy states that visitors must report to the campus administrative office upon entering the campus. Observations of campus visitor management procedures did not indicate any safety violations and demonstrated that campuses were following similar requirements for visitors. However, the lack of any guidance regarding

visitor requirements in local policy requires each campus to formulate its own plan. These individual plans can lead to controversy, such as when one Houston ISD principal instituted a campus dress code for parents that reportedly displeased many people in the community; and

- Board Policy CDA (LEGAL), last updated in 2018, outlines the statutory requirements a district must follow when establishing an investment policy for district funds. The corresponding Board Policy CDA (LOCAL) has not been updated since 2000 and does not provide a description of the district's investment policy. It states, "The investment policy adopted by the board in compliance with Government Code 2256.005(a) shall be available at the Office of Finance and Business Services." Houston ISD no longer has an Office of Finance and Business Services. Additionally, for the purposes of this review, Austin ISD, Dallas ISD, and Cypress–Fairbanks ISD have been selected as peer districts. Peer districts are districts similar to Houston ISD that are used for comparison purposes. All three peer districts have updated their Board Policy CDA (LOCAL) within the last two calendar years, and all three specifically outline their district investment policies within the board policy.

FIGURE 1–20
HOUSTON ISD POLICY REVIEW SCHEDULE EXAMPLE
SCHOOL YEARS 2019–20 TO 2023–24

SECTION	TITLE	POLICIES TO BE EXAMINED	YEAR 1	YEAR 2	YEAR 3	YEAR 4
A	Basic District Foundations	15	15			
B	Local Governance	98		98		
C	Business and Support Services	235	78	79	78	
D	Personnel	163				163
E	Instruction	109	109			
F	Students	137			137	
G	Community and Governmental Relations	51		51		
Total		**808**	**202**	**228**	**215**	**163**

SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Houston ISD, March 2019.

Policy-making is an essential process for school board members to make sound decisions regarding complex issues. Effective districts develop policy to improve student outcomes and learning. Even though Houston ISD uses the TASB Policy Service to review and update legal policy, outdated local policies and regulations still exist. Weak, outdated, or poor policies can cause confusion in district operations and increase the district's risk of not complying with state and federal laws and regulations.

TASB recommends that school boards participate in a thorough policy review and audit every five years to seven years, following a change in superintendent, or following significant turnover in board membership. TASB offers districts a policy review session (PRS) through which a consultant works with the board and the superintendent to evaluate and revise district policies. This process provides policy recommendations for the board to consider and approve, which results in a newly updated policy manual. During onsite interviews, district staff and board members could not say whether or when the district last participated in a PRS.

Houston ISD should develop and implement procedures that establish a timeline and framework to review and update all board policies systematically.

The district should schedule a PRS with TASB. This process will require the superintendent and board to complete the following actions:

- examine and update district policies;
- receive training on best policy-making practices; and
- gain a deeper understanding of the district.

After the board reviews and approves policy recommendations from the PRS, TASB will develop a revised policy manual. To maintain this level of review, the district should budget for a PRS every five years and an internal review process between the PRS sessions.

Following the PRS session, the district should work with the TASB Policy Service consultant to develop an internal review system to maintain and revise policy as needed. After the district establishes a method of review, the superintendent and board should assign staff the task of maintaining the review schedule. Policies can be divided by topic or category and delegated to staff or board members who have an understanding of the policy area. Some policies may warrant feedback and consultation with a stakeholder group.

Figure 1–20 shows an example of a four-year review schedule that the district could implement. This suggested schedule distributes the number of policies for the district to review equitably during the four-year period, ensuring that district staff regularly review all policies internally and in addition to any proposed changes by the PRS.

The fiscal impact assumes that the district will schedule a PRS with TASB for a onetime cost of $24,000. This amount includes the cost for the PRS session; travel, lodging, and meals for the TASB facilitators while in the district; and a revised policy manual that will result from the PRS.

SUPERINTENDENT EVALUATION (REC. 7)

Houston ISD lacks a clearly defined process to evaluate the superintendent.

A superintendent functions as the chief executive officer of a district. The superintendent oversees the district's

daily operations, manages its financial resources, and facilitates its long-range planning. According to NSBA, employing and evaluating the superintendent is one of the school board's most important duties.

The Texas Education Code, Section 21.354, requires an annual appraisal of a school district's superintendent using one of the following options:

- the Commissioner of Education's recommended appraisal process and performance criteria; or

- an appraisal process and performance criteria developed by the district in consultation with district- and campus-level committees and adopted by the board.

Houston ISD's Board Policy BJCD (LOCAL) states, "The board shall prepare a written evaluation of the superintendent annually" and that "the instrument used to evaluate the superintendent shall be based on the superintendent's job description and performance goals adopted by the board."

However, the Houston ISD board has not evaluated its superintendent since November 2015. The board appointed Houston ISD's current interim superintendent, Dr. Lathan, on April 1, 2018. Although she has served as interim superintendent through the end of school year 2017–18 and through school year 2018–19, the board has not established measurable goals or performance criteria to evaluate her. During onsite interviews, board members said that they have not established an evaluation process for Dr. Lathan because she originally was hired to serve temporarily as superintendent until the board found a permanent replacement.

The previous superintendent, Richard Carranza, held the position from August 18, 2016 until March 4, 2018, but he also did not receive a formal evaluation from the board. The board developed an evaluation tool for Superintendent Carranza for school year 2017–18 that contained detailed goals and objectives. However, the board did not conduct the evaluation because the superintendent left the district before the end of the school year. Of the nine current board members, two were on the board in 2015 for the most recent superintendent evaluation. During onsite interviews, most board members reported being unfamiliar with the district's superintendent evaluation process.

The Texas Education Code, Section 21.354, states that "funds of a school district may not be used to pay an administrator who has not been appraised under this section in the preceding 15 months." Dr. Lathan has served as Houston ISD's superintendent for 17 months as of September 2019. Although the district might receive a waiver or special accommodations from TEA due to the superintendent's interim status, the fact that the board has not evaluated Dr. Lathan places the district at risk of violating this statutory provision. Additionally, the previous superintendent was employed by the district for more than 18 months without having an evaluation, which also violates Section 21.354.

If a school board does not oversee the superintendent effectively, it abdicates one of its primary responsibilities. Having hired the superintendent as its chief executive officer, the board delegates authority to him or her to operate the district and lead the staff. The board is responsible for monitoring the performance of the individual charged with ensuring that the district is making progress and complying with board policy and all applicable laws. The lack of a superintendent evaluation process puts the district at risk of losing focus and failing to achieve its goals, which could affect student achievement. The consistent use of a superintendent evaluation instrument and evaluation procedure enables the board to compare the superintendent's performance progress.

Houston ISD should develop and implement a comprehensive superintendent evaluation process.

The board and superintendent should collaborate to follow the superintendent evaluation process as outlined in board policy. The board could use the evaluation tool developed for the previous superintendent as a template for moving forward. Board members also should attend superintendent appraisal training before participating in the superintendent's evaluation.

Additionally, Houston ISD's school board attorney should contact TEA to determine whether employing Dr. Lathan for 17 months without an evaluation constitutes a violation of statute. Finally, the district should amend board policy to establish implementation dates for the steps of the superintendent evaluation process. This amendment should include a date to develop goals and a date to conduct and complete the superintendent's evaluation.

The district could implement this recommendation with existing resources.

BOARD COMMITTEES (REC. 8)

Houston ISD's board committees are ineffective and not well-defined.

Effective school boards often appoint a subset of members to one or more board committees, which perform detailed work that would be too time-consuming and inefficient for the full board to accomplish. The types and functions of board committees vary by district. However, effective districts establish strategic, lean structures that support only the committees needed to facilitate and elevate the board's work. Ideally, board committees have clearly defined functions, meet only as needed, and routinely report to the full board on their work.

Board committees can be standing or ad hoc. Standing committees are established permanently and often are defined explicitly in board policy. Ad hoc committees are established for specific purposes and for limited duration. These committees typically carry out their assigned functions, make recommendations to the full board, and disband.

During school years 2017–18 and 2018–19, Houston ISD maintained several board committees. Board members told the review team that the board president asks members for their committee preferences and distributes committee assignments during the annual board retreat in January.

The only standing board committees established in board policy are the audit committee and two legislative committees. **Figure 1–21** shows Houston ISD's standing and ad hoc board committees during school years 2017–18 and 2018–19.

The review team derived information regarding these committees from onsite interviews with board members and staff. Houston ISD does not maintain a formal list of all board committees, nor does the district keep descriptions of the roles and responsibilities of each committee. During onsite interviews, board members and staff were uncertain as to which board committees still operated. Several members and staff did not understand the purpose and function of the various committees. Some board members reported not knowing when and how often the various committees met, and some could not describe the process that the board uses to determine when it is necessary to form an ad hoc committee.

Houston ISD board committees also lack clearly defined goals and do not report regularly to the full board regarding their activities. This lack of communication has contributed to feelings of mistrust and confusion around board

FIGURE 1–21
HOUSTON ISD BOARD COMMITTEES
SCHOOL YEARS 2017–18 TO 2018–19

COMMITTEE	TYPE
Audit Committee	Standing
State Legislative Committee	Standing
Federal Legislative Committee	Standing
Policy Committee	Ad hoc
COMMITTEES THAT OPERATED DURING THESE SCHOOL YEARS BUT HAVE DISBANDED	
Budget Committee	Ad hoc
Special Education	Ad hoc

SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Houston ISD, February 2019.

committees. For example, multiple board members expressed concern regarding the function of the policy committee. The role of a policy committee in most school boards typically is to oversee the review of policies adopted by the board and to ensure that policies are in accordance with federal and state mandates. However, board members acknowledged that the Houston ISD board does not have a policy review process and members could not define precisely the responsibilities of the policy committee. This lack of a defined purpose and reporting structure has caused many board members to perceive that the policy committee is a means for some board members to meet and develop policies to place on the board's meeting agenda without the input of the full board. Additionally, because Houston ISD does not post the minutes of board committee meetings on its website, board members that are not on committees and people in the community may not know what transpires at committee meetings.

Because board committees are not required to report regularly to the full board and are not defined clearly, committee members cannot be held accountable for carrying out their duties. Poorly managed committees hinder the board's ability to oversee and manage the district effectively, and this poor management can generate frustration and distrust among board members.

In the 2012 article "High-Performing Committees: What makes Them Work," the Association of Governing Boards (AGB), states that "committees are where boards do the bulk of their work. Consequently, a board should design and implement an infrastructure that serves its needs and those of the institution it represents as effectively and efficiently as possible." AGB also says that effective organizations maintain

fewer committees, and boards that have large numbers of committees are "destined to be more operational in their focus rather than strategic … spreading themselves too thin to have a significant impact on the institution."

In its 2018 paper on best practices for board committees, the Ohio School Board Association (OSBA) states that effective boards assign board committees with a charge or mission at the beginning of each year when board members are appointed to them. In addition, OSBA says that effective boards form ad hoc committees with a specific purpose and with start and end dates.

Houston ISD should develop and implement a clearly defined process for the formation and maintenance of board committees.

The board should amend board policy to require a discussion and evaluation of existing committees at the board retreat each January. It also should establish and implement a process to determine when and how to form ad hoc committees.

The full board should develop clear descriptions and defined goals for each committee. The Board Services Department should provide a list of all existing committees and their descriptions to the board each February and should publish the list on the district's website.

Additionally, all committees should have deliverables and a timeline for their completion. Each committee should report at least quarterly to the full board at regular board meetings regarding its progress toward accomplishing its goals. Finally, the Board Services Department should publish minutes of board committee meetings on the district's website no later than three business days after the meeting.

The district could implement this recommendation with existing resources.

BOARD OPERATIONS (REC. 9)

Houston ISD's board does not function effectively as a governing unit.

TASB groups school board responsibilities into the following categories:

- adopt goals and priorities and monitor success;

- adopt policies and review for effectiveness;

- hire and evaluate the superintendent;

- adopt a budget and set a tax rate; and

- communicate with the community.

Based on the findings presented previously, the Houston ISD board does not implement its primary duties effectively. **Figure 1–22** shows the responsibilities of a school board and assesses whether the Houston ISD board is meeting them successfully.

Not only does Houston ISD's board unsuccessfully carry out its required duties, but it displays many characteristics of a poorly functioning school board. For example, in a 2003 report titled "Effective Superintendents, Effective Boards: Finding the Right Fit," the Education Writers Association developed a list of criteria for a functional school board. **Figure 1–23** shows these criteria and compares each to the actions of Houston ISD's board.

As shown in **Figure 1–23**, the Houston ISD board meets one of the 10 criteria for a functional board. The Houston ISD board's lack of functionality also is apparent in board members' comments. The following comments are from board members made during onsite interviews and taken from a 2019 *Houston Chronicle* article addressing the state of Houston ISD's board:

- "The board completely lacks decorum or professionalism and we don't hold anyone accountable for anything";

- "We do not trust each other";

- "The board has no understanding of its role. We don't understand what governance is";

- "Board dysfunction is the biggest challenge the district faces. I'm surprised the administration has managed any academic gains with the current board's behavior";

- "As long as we have the divided personalities, it's going to be very hard for us to see the same goal and the one focus, and that's educating kids"; and

- "I have felt like this year (2018), there's been no productive work done by the board."

Two factors that contribute to the Houston ISD board's lack of functionality are the lack of board operating procedures and a lack of a board self-evaluation process.

Although the district has local and legal board policies pertaining to board member authority, board meetings, and

FIGURE 1–22
PRIMARY RESPONSIBILITIES OF A SCHOOL BOARD COMPARED TO HOUSTON ISD'S BOARD
ASSESSMENT OF SCHOOL BOARD ACTIVITY IN 2018

RESPONSIBILITY	DESCRIPTION	DOES THE HOUSTON ISD BOARD MEET THIS RESPONSIBILITY?	ASSESSMENT
Adopt goals and priorities and monitor success	The board sets the course for the district by adopting goals and priorities and monitors progress toward these goals. The board has a vision statement to guide it when setting goals.	Yes	The Houston ISD board developed three goals centered on improving student educational outcomes. The board developed a mission statement that guides the goals. The board receives reports every board meeting regarding the progress the district is making toward achieving these goals.
Adopt policies and review for effectiveness	The board adopts local policies that guide how the district operates. Local school boards govern by adopting policies that must be consistent with and within the scope authorized by federal and state laws and regulations.	No	Board policies are reviewed and revised on an ad hoc basis, and no process is in place to ensure that new policies are developed regularly and that local policies are written to address the legal policies. Among the district's local board policies, 46.0 percent were issued before 2011.
Hire and evaluate the superintendent	The board determines whom to hire as superintendent. The board assesses the superintendent's progress toward achieving district goals through annual written performance evaluations and ongoing discussions.	No	The Houston ISD board has not conducted an evaluation of a superintendent since November 2015. The current interim superintendent has been in the position since April 2018, and the board has not established any measurable goals or performance criteria by which she can be evaluated.
Adopt a budget and set a tax rate	The superintendent and staff formulate the school district budget and present it to the board for approval. After conducting a public hearing to receive comments, the board adopts the budget and approves a tax rate to ensure that the budget is funded adequately.	Partially	The Houston ISD board adopts a school budget and tax rate each year. However, during calendar year 2018, the board adopted a deficit budget and approved an amendment to add $5.0 million to the budget one month after approving it.
Communicate with the community	Board members are the link between the school system and the public. As advocates for public education, board members help build support and report district progress by communicating with the community, students, staff, parents, and media. This communication often is conducted at board meetings, which are open to the public and at which time is allotted for members to hear stakeholders' input and concerns.	No	The Houston ISD board allots time for public comment at board meetings. However, the board's interaction with the community often is unprofessional and adversarial. Additionally, board members' public animosity and distrust toward each other has affected public perception of the district negatively.

Sᴏᴜʀᴄᴇꜱ: Legislative Budget Board School Performance Review Team, March 2019; Texas Association of School Boards, My Texas Public School website, March 2019.

related board operating routines and guidelines, the Houston ISD board does not have defined operating procedures. These procedures are a set of instructions to help board members carry out their responsibilities. Board operating procedures typically outline practices for the following activities:

- developing board meeting agendas;

- conducting board meetings;

- electing board officers;

- setting annual goals;

- establishing training requirements;

- communicating with the community and the media;

- evaluating the superintendent; and

- developing district hiring practices.

Operating procedures assemble all this information into one source that board members can reference when, for example,

FIGURE 1–23
CRITERIA OF A FUNCTIONAL SCHOOL BOARD COMPARED TO THE HOUSTON ISD BOARD
ASSESSMENT OF SCHOOL BOARD ACTIVITY DURING CALENDAR YEAR 2018

CRITERIA	DOES THE HOUSTON ISD BOARD MEET THIS CRITERION?	ASSESSMENT
Board focuses on a clear set of beliefs, a plan to carry them out, and constant monitoring	Yes	The Houston ISD board has developed board goals and receives updates regarding their progress at each board meeting.
Board establishes an effective process to orient new board members, provides continuous training, and builds collaboration	No	Houston ISD's orientation process for new board members has no team-building elements and does not include opportunities to meet, interact with, or ask questions of established board members. The board did not engage in the statutorily required annual team-building training during calendar year 2018, and the board does not foster collaboration among members.
Board focuses on improving student academic achievement	No	From June 2018 to December 2018, according to Texas Education Agency data, the Houston ISD board meetings lasted a total of 5,039 minutes, approximately 90.0 percent of which were devoted to discussing items and issues that were not considered relevant to enhancing student outcomes.
Differences between board members are never personal in public	No	Houston ISD board members often engage in public disagreements that result in name calling and personal accusations of impropriety.
Board works together to represent the whole district	No	Houston ISD's board does not function effectively as a team with common goals and objectives, but as individuals with their own personal agendas.
Board members understand their roles and responsibilities	No	Houston ISD board members consistently overstep their oversight role and try to be involved in the district's daily administration.
Board works through the superintendent	No	Houston ISD staff report that some board members attempt to influence campus administration by personally advising and consulting with individual principals. Staff also state that some principals meet directly with board members to address campus issues or problems with district administrators.
Board operates openly and involves the community in decision making	No	Although Houston ISD's board attempts to involve the community in its decision-making process, these attempts are not effective. Community input during board meetings often is not productive and involves tension and disagreement between community and board members. Additionally, board members and community members say they believe that some board members work together in small groups outside of public meetings to manipulate board agendas and the board process.
Board communicates as one body with the community and the media	No	Houston ISD board members often do not speak as a group to the community and the media. Members speak against other members and district administrators during community events and board meetings. Additionally, board members have held individual press conferences and media interviews in which they spoke out against other members and publicly acknowledged the deep division within the board.
Board shares expectations with the community before hiring a superintendent. When hired, the board sets goals, monitors progress, and provides feedback to the superintendent	No	Houston ISD's board has not evaluated a superintendent since 2015 nor set any formal goals or expectations for the current interim superintendent.

Sources: Legislative Budget Board School Performance Review Team, March 2019; Education Writers Association, *Effective Superintendents, Effective Boards Finding the Right Fit*, 2012.

they are uncertain about board policy on a particular topic or how best to carry out their responsibilities.

The district's lack of board operating procedures may contribute to board members not understanding their roles and responsibilities and the board's processes.

Additionally, Board Policy BG (LEGAL) states that the board may determine whether to use a self-evaluation tool, except as ordered by the Commissioner of Education. During onsite interviews, board members and staff reported not knowing about any self-evaluation process for the board, nor could any members recall the last time the Houston ISD board conducted a formal self-evaluation.

Board self-evaluations offer the following benefits:

- holding the board accountable to themselves, district staff, and the community;

- encouraging board members to reflect on their individual and collective behavior and performance;

- fostering open communication;

- improving decision making by enhancing a common understanding of philosophies and goals;

- resolving differences of opinion and challenging assumptions;

- providing insight into how and why decisions are reached;

- enabling new board members to understand board processes;

- identifying strengths and weaknesses of collective and individual board member performance;

- holding the board accountable for its role as representative of the public; and

- providing a starting point for effective goal setting and long-range planning.

Without a self-evaluation process, the board cannot hold itself accountable for effectively supporting the completion of district goals or assessing its overall performance during the school year.

When a school board is not functioning properly, all facets of the district are affected negatively. Ineffective school boards lower district morale, erode community support for the district, and establish a general atmosphere of instability and uncertainty throughout the organization. Most important, however, a poorly functioning school board can affect negatively student achievement.

The Natural Resources Management and Environment Department's publication *Standard Operating Procedures* defines a standard operating procedure (SOP) as a document that "describes the regularly recurring operations relevant" to an organization. SOPs carry out an organization's operations correctly and consistently. The publication offers the following model for the development of SOPs:

- identify the person or department responsible for key procedure, project, or document;

- draft and verify written procedures associated with the procedure, project, or document;

- authorize the SOP through formal approval;

- implement and monitor implementation of procedures in the SOP; and

- regularly review, update, and archive procedures documents.

TASB's *Effective Board Practices: An Inventory for School Boards*, 2011, identifies the following characteristics of effective boards:

- they have a clear picture of what their work entails; the board understands its job relative to the work of others and knows the tools at its disposal for performing the job; and

- they have formalized their work; the board has developed and follows clearly defined procedures and schedules for doing its work.

TASB also recommends that school boards complete self-evaluations as part of the annual team-building requirement and use this tool as an opportunity for the board and executive leadership team to determine improvements and what subsequent boards need.

DeSoto ISD developed a local board policy that requires its board to conduct an annual self-evaluation. This policy details the items that should be part of the process and provides options for where it may occur. DeSoto ISD's Board Policy BG (LOCAL) states:

> At least annually, the board shall conduct a self-evaluation of board and board member performance. The evaluation shall consider such items as role

recognition, relationship with others, performance at board meetings, and self-improvement activities. The procedure shall also include a review of those factors that facilitate effective board meetings. The board may solicit suggestions for improvement from others through established district communication channels. This evaluation may be conducted in a regular meeting, a special meeting, or in a workshop setting.

Houston ISD should develop comprehensive operating procedures for all essential board functions and establish a process to evaluate the board's overall effectiveness annually.

The board and superintendent should review examples of other districts' board operating procedures and use these examples as a template to develop Houston ISD's board operating procedures. The procedures should include a guide for all primary responsibilities of the board, including but not limited to developing board meeting agendas, conducting board meetings, evaluating the superintendent, budget planning, program requirements, and board roles and responsibilities. The board annually should review and distribute the operating procedures to all board members. The Board Services Department should provide the procedures to new board members as part of its orientation process.

Houston ISD also should establish a process to annually evaluate the board's overall effectiveness and use the results to plan for board training and team-building activities. The board should develop a local policy that requires it to conduct a self-evaluation and that outlines the essential features of the process. The board can use the self-evaluation tools developed by TASB or use those developed by other districts as templates. The self-evaluation process should include the following essential features:

- identifying areas for board improvement based on existing standards of effective governance;

- detailing actions to modify or change board processes or actions related to identified improvement opportunities; and

- assigning board members or committees to implement the required changes by a specific date.

Considering the level of the issues observed in Houston ISD's board, the district may need to take additional steps to improve board effectiveness. The board and the district should consider the following potential solutions:

- develop and adopt board policy that establishes a board-driven process to initiate a recall election for board members who exhibit hostility, promote mistrust, or actively undermine the governance process; and

- modify the structure of the Houston ISD board by: (1) requiring the annual election of the board president and vice president positions through a districtwide public vote, which could lessen factionalism; or (2) transitioning from a system of electoral districts to an at-large system in which all voters may vote for all board positions. In the new system, all board positions could be elected at large, or the district could develop a hybrid system in which some positions have electoral districts and some are elected at large.

The district could implement this recommendation with existing resources.

ADDITIONAL OBSERVATIONS

During the onsite field work, the review team observed additional issues regarding the district's programs and services to students, staff, and the community. These observations are presented for consideration as the district implements the report's other findings and recommendations:

- All superintendents in Texas are required to have a superintendent certification. If a superintendent does not have this certification, the district must request a waiver from TEA. Houston ISD's previous superintendent never received a superintendent certification, and the district never applied for a waiver. Houston ISD was one of only seven districts in Texas during school year 2017–18 whose superintendent was not certified nor issued a waiver. Ensuring that the next superintendent meets the certification requirements could help improve district management and avoid the risk of violating statutory requirements;

- The position of chief at Houston ISD holds great responsibility, including serving as an executive leadership position, overseeing large numbers of staff, and managing significant departmental budgets. It is important that the district establish employment requirements so that candidates that are hired to be a chief meet high standards of certification, educational advancement, and experience in their fields;

- Houston ISD's regular board meetings average more than four hours long. One contributing element to the meeting length is that the board does not use a consent agenda. A consent agenda is a board meeting practice that is used to group routine business and reports into a single agenda item that can be approved in one action, rather than filing separate motions for each item;

- Board Policy BBD (LOCAL) states that the board president will announce the status of each board member's continuing education credit annually at the last regular board meeting before the district's uniform election date. This meeting typically is in November. However, during calendar year 2018, the president did not announce the training hours at any board meeting. Making this announcement and placing the training hours into board minutes may improve accountability for board training;

- Houston ISD maintains a Legal Services Department with eight full-time attorneys. The department also contracts with external lawyers and law offices to assist with district caseloads. The department, however, does not have a case management software system to assist it with its work. A case management system improves efficiency by providing an electronic means to organize and streamline case and matter management, time and billing, litigation support, research, communication and collaboration, data mining and modeling, and data security, storage, and archive accessibility; and

- The district does not consolidate all of its attorneys into the same department. In addition to the eight attorneys in the Legal Services Department, the Business Office Department employs one financial management attorney, who oversees district tax collections and some construction contracts. Moving the financial management attorney from the Business Office to the Legal Services Department may streamline legal functions.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's School Performance Review Team has identified a fiscal impact for the following recommendations:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
1. DISTRICT ORGANIZATION, PLANNING, AND GOVERNANCE							
1. Modify the district's organizational structure to decrease the superintendent's supervisory responsibilities and streamline the number of executive leadership positions.	$215,118	$215,118	$215,118	$215,118	$215,118	$1,075,590	$0
3. Hire a professional mediator to conduct team-building sessions to resolve issues affecting trust among board members, and develop a formal self-policing structure to address potential violations of board ethics policies.	$0	$0	$0	$0	$0	$0	($12,000)
6. Develop and implement procedures that establish a timeline and framework to review and update all board policies systematically.	$0	$0	$0	$0	$0	$0	($24,000)
Total	**$215,118**	**$215,118**	**$215,118**	**$215,118**	**$215,118**	**$1,075,590**	**($36,000)**

The School Performance Review Team could not determine a fiscal impact for other recommendations. However, the implementation of Recommendation 7 to develop and implement a comprehensive superintendent evaluation process could ensure that the district avoids financial sanctions from TEA for paying an administrator who has not been evaluated during the preceding 15 months.

2. EDUCATIONAL SERVICE DELIVERY

Houston Independent School District (ISD) is the largest school district in Texas and the seventh-largest school district in the U.S. During school year 2018–19, Houston ISD operated 280 campuses, including eight early childhood centers, 160 elementary schools, 38 middle schools, 37 high schools, and 37 other campuses, including those serving combined academic levels and alternative campuses. The district enrollment for school year 2018–19 was 209,772 students, served by 11,465 teachers. The student population was 62.1 percent Hispanic, 23.4 percent African American, 8.9 percent White, 4.2 percent Asian, 1.2 percent two or more races, 0.2 percent American Indian/Alaskan Native, and 0.1 percent Native Hawaiian/Pacific Islander.

Houston ISD has a decentralized organization, prioritizing local decision making through shared decision-making committees at each campus. Houston ISD's central academic offices includes more than 20 departments to support and provide resources to campuses. As a district of choice, Houston ISD offers multiple placement options for students, including magnet programs at more than 125 campuses, 13 in-district charter campuses, and alternative placements for students with specialized academic, behavioral, and health needs.

Academic achievement varies considerably among Houston ISD campuses, ranging from nationally ranked campuses to chronically low-performing campuses. Houston ISD decreased the number of campuses rated improvement required from 58 during school year 2014–15 to six campuses during school year 2017–18. Houston ISD received an overall accountability rating of B for school year 2018–19 from the Texas Education Agency.

ACCOMPLISHMENT

♦ Houston ISD's Career and Technical Education programs offer various courses and certifications to meet students' diverse needs.

FINDINGS

♦ Houston ISD's central academic offices have frequent staff and organizational changes, limiting their ability to support campuses adequately.

♦ Houston ISD lacks a unifying framework, strong oversight, and written procedures for school support officers.

♦ Houston ISD lacks an effective process to promote principal retention and ensure rigorous instruction during campus leadership transitions.

♦ Houston ISD does not ensure that all students have consistent campus-level access to educational supports and resources, including counseling services, library services, and fine arts programs.

♦ Houston ISD does not support its English learner student population effectively.

♦ Houston ISD lacks an effective process to ensure consistent development of master schedules.

♦ Houston ISD's implementation of its wraparound services initiative lacks effective coordination, planning, procedures, and evaluation.

♦ Houston ISD lacks adequate structures, contract language, and performance measures to monitor the effectiveness of in-district charter campuses.

RECOMMENDATIONS

♦ **Recommendation 10: Address communication deficiencies among central academic office functions to improve transparency with internal and external stakeholders.**

♦ **Recommendation 11: Develop and implement districtwide structures that support a consistent and systematic approach for supervising and supporting campus principals.**

♦ **Recommendation 12: Develop comprehensive processes for principal placement and retention and instructional transitions at the campus level.**

♦ **Recommendation 13: Provide consistent access to high-quality counseling programs, library services, and fine arts opportunities throughout the district.**

♦ **Recommendation 14: Implement a process for continuous evaluation of the structure, staffing, instructional delivery, and resources of the district's supports for its English learner students.**

♦ **Recommendation 15: Implement systemic approaches to master scheduling, including improved training and oversight.**

♦ **Recommendation 16: Develop, implement, and evaluate a strategic plan for a long-term, comprehensive system of the district's wraparound services initiatives.**

♦ **Recommendation 17: Increase academic and financial oversight of in-district charter campuses.**

BACKGROUND

An independent school district's educational service delivery function provides academic services to Texas students based on state standards and assessments. A school district should identify and support students' educational needs, provide instruction, and measure academic performance. Educational service delivery must meet the needs of a variety of student groups and requires adherence to state and federal regulations related to standards, assessments, and program requirements.

Management of educational services is dependent on a district's organizational structure. Larger districts typically have multiple staff dedicated to educational functions. Educational service delivery identifies district and campus priorities, establishes high expectations for students, and addresses student behavior. The system should provide instructional support services such as teacher training, technology support, and curriculum resources. To adhere to state and federal requirements, districts must have systems to evaluate student achievement across all content areas, grade levels, and demographic groups.

Figure 2–1 shows the demographics of Houston ISD compared to state averages. During school year 2018–19,

approximately 79.8 percent of students were categorized as economically disadvantaged, greater than the state average of 60.6 percent. The district identified 31.7 percent of students as English learners (EL), greater than the state average of 19.4 percent. The district also identified 65.2 percent of students as at risk of dropping out, which was greater than the state average of 50.0 percent.

The Texas Education Agency (TEA) issues state accountability ratings for each district and campus. In school years 2013–14 to 2016–17, TEA issued Houston ISD a met standard district accountability rating. During school year 2017–18, TEA did not rate the district due to a special provision for the hardships experienced by the district during Hurricane Harvey. **Figure 2–2** shows the state accountability ratings for Houston ISD's campuses for school years 2013–14 to 2017–18. Houston ISD's accountability ratings have improved each year since school year 2014–15.

The Commissioner of Education appointed a conservator in September 2016 to provide district-level support for Houston ISD's campuses that were rated improvement required. The Texas Education Code, Section 39.102, states that if a campus remains in this status for five years, the Commissioner may close the campus or replace the district's elected board with state-appointed managers. To avoid these sanctions, four campuses, Henry Middle School, Highland Heights Elementary School, Kashmere High School, and Wheatley High School, must achieve ratings of met standard during school year 2018–19. The Legislative Budget Board's School Performance Review Team visited the district in March 2019. The review team's assessment of Houston ISD's

FIGURE 2–1
HOUSTON ISD STUDENT DEMOGRAPHICS
SCHOOL YEAR 2018–19

STUDENTS	HOUSTON ISD	STATE
Hispanic	62.1%	52.6%
African American	23.4%	12.6%
White	8.9%	27.4%
Asian	4.2%	4.5%
Two or More Races	1.2%	2.4%
American Indian or Alaskan Native	0.2%	0.4%
Native Hawaiian or Pacific Islander	0.1%	0.2%
Economically Disadvantaged	79.8%	60.6%
English Learners	31.7%	19.4%
At Risk	65.2%	50.0%

Sources: Texas Education Agency, Public Education Information Management System Standard Reports, school year 2018–19; Houston ISD, school year 2018–19 Facts and Figures.

FIGURE 2–2
HOUSTON ISD CAMPUS ACCOUNTABILITY RATINGS
SCHOOL YEARS 2013–14 TO 2017–18

| YEAR | CAMPUSES RATED (1) | MET STANDARD | | IMPROVEMENT REQUIRED | | DISTRICT OVERALL RATING |
		NUMBER OF CAMPUSES	PERCENTAGE OF CAMPUSES	NUMBER OF CAMPUSES	PERCENTAGE OF CAMPUSES	
2013–14	264	220	83.3%	44	16.7%	Met Standard
2014–15	275	217	78.9%	58	21.1%	Met Standard
2015–16	275	237	86.2%	38	13.8%	Met Standard
2016–17	278	251	90.3%	27	9.7%	Met Standard
2017–18 (2)	275	252	91.6%	6	2.2%	Not Rated

NOTES:
(1)   Data includes paired campuses. For purposes of assigning accountability ratings, the Texas Education Agency (TEA) combines data for campuses that do not serve grade levels that administer State of Texas Assessments of Academic Readiness (STAAR) with campuses that serve grade levels that administer STAAR.
(2)   Seventeen campuses and the district overall were not rated for school year 2017–18 due a special TEA provision related to the effects of Hurricane Harvey. Seven of these campuses maintained their improvement required status from the prior year.
SOURCES: Texas Education Agency, Texas Academic Performance Report, school years 2013–14 to 2017–18; Houston ISD Facts and Figures, school years 2013–14 to 2017–18.

educational service delivery operations were conducted before the Commissioner's decision about the district's status.

Figure 2–3 shows Houston ISD's educational service delivery organization. Houston ISD's primary senior staff for academics are the chief academic officer (CAO) and the chief strategy and innovation officer (CSIO), who report directly to the superintendent. During school year 2018–19, the CAO managed 737.3 full-time-equivalent (FTE) staff positions and a budget of $79.9 million, excluding grants and grant-funded positions. The CSIO managed 124.0 FTE positions and a budget of $17.5 million, excluding grants and grant-funded positions. The CAO oversees departments and offices including Advanced Academics, Elementary Curriculum and Development, Secondary Curriculum and Development, Special Populations (including Special Education, Interventions Office, and Multilingual Programs), Leadership and Teacher Development, Research and Accountability, Student Assessment, Federal and State Compliance, School Choice, and Student Support Services. The CSIO oversees departments and offices including Career Readiness, College Readiness, Equity and Outreach, Post-secondary Programming and Innovation, and Linked Learning. The chief of staff who primarily facilitates coordination among positions that report directly to the superintendent, also serves in an academic capacity as the district's coordinator of school improvement.

Six area superintendents oversee the district's campuses. School support officers report to the area superintendents and supervise and provide support to assigned campus principals. Five of the six areas are based on geography and categorized into East, North, Northwest, South, and West areas. The sixth area is Achieve 180, the district's model for school improvement. The Achieve 180 campuses are identified based on accountability ratings and are located within all of the district's geographical areas.

Houston ISD implemented Achieve 180 during school year 2017–18 to increase student achievement at campuses that received TEA accountability ratings of improvement required for school years 2015–16 and 2016–17. The Achieve 180 model includes the following six elements of support identified by district staff that address students' needs to help them achieve academically:

• leadership excellence – provide campus leaders with professional development options and campus-specific supports including: nurses, counselors, and librarians; targeted assistance funds; and additional compensation;

• teacher excellence – place experienced and appropriately certified teachers in every classroom, and dedicated associate teachers to alleviate the effects of teacher absences; provide extensive teacher development specialists to support campus-specific professional development and individualized coaching for teachers; prioritize Achieve 180 campuses for teacher staffing and incentive compensation;

• instructional excellence – provide students with multiple options for accelerated learning; monitor

FIGURE 2–3
HOUSTON ISD EDUCATIONAL SERVICE DELIVERY ORGANIZATION
SCHOOL YEAR 2018–19
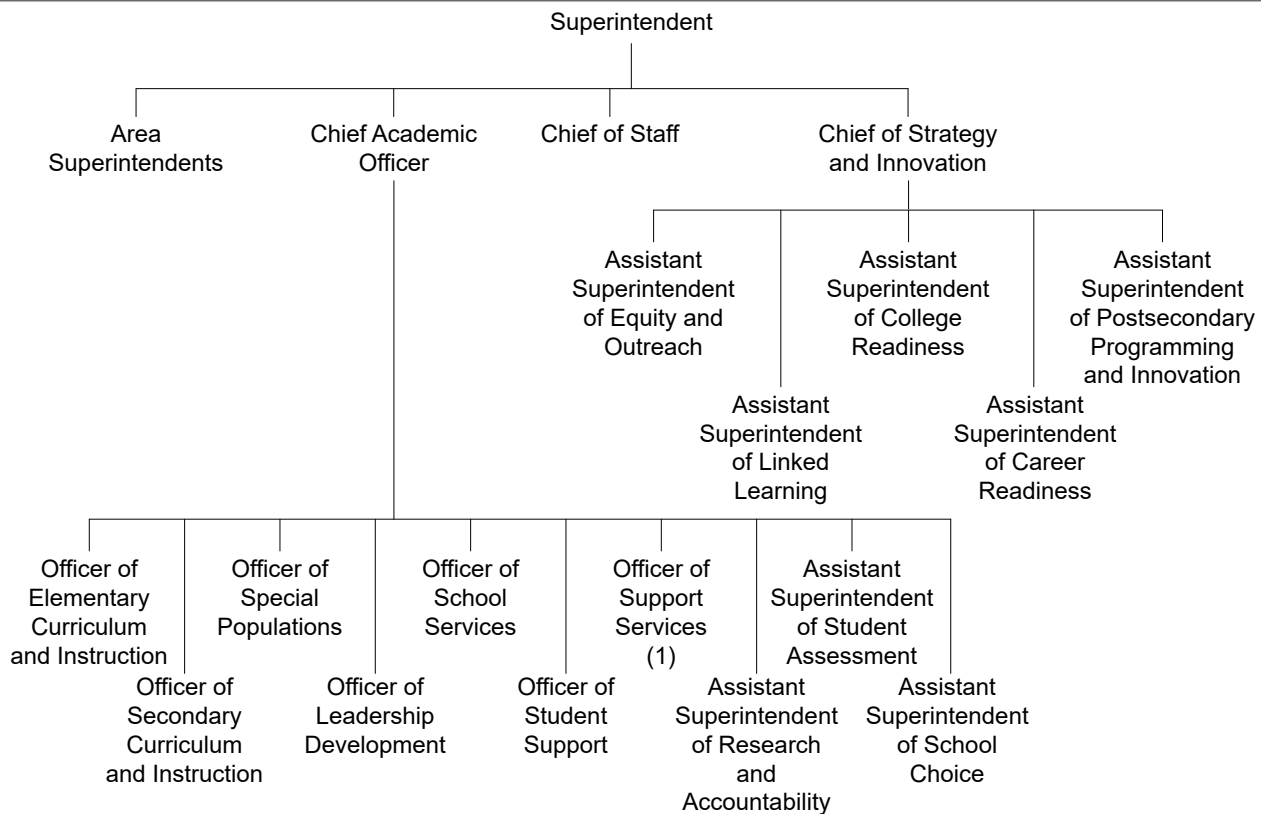
NOTE: (1) This position was eliminated during the School Performance Review Team's onsite fieldwork.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, March 2019.

students' changing literacy and numeracy skills, and use formative assessments to track student progress; track data to determine areas in need of assistance and address accordingly;

- school design – provide a positive and enriching academic environment for students through courses, materials, and technology to support their college and career readiness efforts;

- social and emotional learning support – remove nonacademic barriers to students' high academic achievement; provide or connect students to behavioral, physical, and mental health resources through district programs including Wraparound Services; and

- family and community empowerment – provide a welcoming environment for families to increase parent advocacy and two-way communication between home and campus.

The superintendent requires that each Achieve 180 campus fill essential staff positions such as a nurse, counselor, and wraparound resource specialist; positions which are optional for other campuses. Houston ISD also prioritizes requests for support and resources from Achieve 180 campuses over other campuses.

Houston ISD's departments of Elementary Curriculum and Development and Secondary Curriculum and Development provide teachers with access to digital curriculum, aligned assessments, and instructional resources based on the Texas Essential Knowledge and Skills (TEKS). The district provides curriculum supports to all campuses, including scope and sequence; pacing calendar; vertical alignment matrix; master courses and unit planning guides; and college readiness resources. These departments also provide teachers with districtwide professional learning opportunities and teacher development specialists, instructional coaches who support content and pedagogy development.

During school year 2018–19, Houston ISD received a grant for dyslexia services from the U.S. Department of Education. The district partnered with Neuhaus Education Center to train a centralized team of dyslexia interventionists in the Basic Language Skills Program to serve all students identified with dyslexia.

The district contracted with an external consulting firm to audit special education services in school year 2017–18 in response to issues with identification and services. The board and district leadership developed a strategic five-year plan to implement the audit's recommendations. The district restructured the organization of special education staff, including centralizing special education staff and budgets, and hired an assistant superintendent of special education. The assistant superintendent of special education reports to the officer of special populations, who reports to the CAO, and oversees implementation of the strategic plan. Research and Accountability Department staff report regularly to the board and stakeholders on progress toward goals.

DETAILED ACCOMPLISHMENT

CAREER AND TECHNICAL EDUCATION

Houston ISD's Career and Technical Education (CTE) programs offer various courses and certifications to meet students' diverse needs.

The district provides CTE courses at the middle school and high school levels and career exposure at the elementary school level. The district enrolled more than 43,000 CTE students during school year 2017–18 and expanded participation each year of the program.

The director of CTE oversees the CTE Department and reports directly to the assistant superintendent of career readiness. The CTE Department oversees distribution of funds, accountability measures, grant funding requirements, and compliance, including teacher credentials.

After researching CTE best practices in other school districts, Houston ISD centralized CTE funding and programming during school year 2017–18. The CTE Department monitors campus CTE activity and ensures compliance with spending. The structure enables the district to leverage funds to make large purchases and to address equity of CTE services across the district.

Houston ISD's CTE Department provides professional development for staff throughout the district. CTE Department staff identified a districtwide need for industry and pedagogic training to further build CTE teacher capacity and developed a professional development initiative for CTE teachers for school year 2019–20 to increase industry knowledge and skills and instructional best practices.

Houston ISD's CTE students can graduate high school with any of TEA's five endorsements. Endorsement are a series of related courses that are grouped together by topic or skill set, and include all 16 career clusters, or groupings of occupations.

Figure 2–4 shows the programs of study in the 16 career clusters offered by Houston ISD's CTE program at high school campuses, all of which offer CTE programs.

In collaboration with campuses, the CTE Department planned 14 CTE programs at 13 high school campuses for school year 2019–20. Additional CTE program offerings

FIGURE 2–4
**HOUSTON ISD CAREER AND TECHNICAL EDUCATION (CTE) PROGRAMS OF STUDY BY HIGH SCHOOL CAMPUS
SCHOOL YEAR 2018–19**

PROGRAMS OF STUDY	CAMPUSES OFFERING PROGRAMS OF STUDY	PROGRAMS OF STUDY	CAMPUSES OFFERING PROGRAMS OF STUDY
Agriculture, Food, and Natural Resources	9	Hospitality and Tourism	8
Architecture and Construction	7	Human Services	3
Arts, Audio/Video Technology and Communications	10	Information Technology	23
Business Management and Administration	10	Law, Public Safety, Corrections, and Security	7
Education and Training	2	Manufacturing	5
Finance	8	Marketing	5
Government and Public Administration	1	Science, Technology, Engineering, and Mathematics	18
Health Science	11	Transportation, Distribution, and Logistics	11

SOURCE: Houston ISD, March 2019.

include graphic design and illustration programs; welding; education and training; and construction programs at Austin High School and Milby High School offered in partnership with a major construction company.

The district provides more than 200 industry-based certifications, including 73 from TEA's approved College, Career, and Military Readiness list. The district offers CTE certification beginning in grade 7, when students can receive certifications for achievement in areas such as financial literacy. The CTE Department selects the district's certification offerings from TEA-approved certifications, in collaboration with local workforce advisory members. District staff and advisory members collaborate to evaluate trends in the regional labor market to determine pertinent additional certifications for the district's CTE students.

By implementing a comprehensive, well-leveraged CTE program, Houston ISD is preparing students for successful futures.

DETAILED FINDINGS

ACADEMIC SERVICES COMMUNICATION (REC. 10)

Houston ISD's central academic offices have frequent staff and organizational changes, limiting their ability to support campuses adequately.

Responses from district staff during onsite interviews indicated confusion about the reporting structure of their own positions, and confusion about the shifting structure of the organization. Administrators indicated that district-level effectiveness is compromised by constant change, making it difficult to have traction or make significant progress. District staff described a focus on obtaining vacated higher-ranking positions, perceived as distracting some staff from the duties of their current positions.

District staff stated that the district's organizational chart is often outdated and does not provide reliable, updated information for all stakeholders. For example, various departmental managers and other district staff said that they are unclear about whom to contact for support, and the organizational chart is not a resource for contact information.

The review team observed the following examples of departures and internal confusion regarding updated staffing and reporting information:

- supervisors and other staff providing conflicting interpretations of their reporting relationships;

- discrepancies in organizational structural information provided by staff and within the district's publications and website;

- conflicting listings of the same staff in multiple positions in various district directories and staffing reports;

- one district staff said that the supervisor, who was new to the position, resigned the previous day;

- the review team was informed of a staff dismissal, although the same name is listed on district organizational charts and the district website; and

- attrition of an officer-level academic position during the review team's onsite fieldwork and subsequent elimination of the position, although the district website continues to direct stakeholders to contact that former staff.

The district's website and organizational charts show area superintendents as reporting directly to the CAO; however, district staff stated that these positions reported directly to the superintendent during school year 2018–19.

The organizational structure of Houston ISD's academic departments has inconsistencies in job titles for departmental leaders and the number of direct reports assigned to supervisors. For example, some positions that report directly to the CAO are officers, and others are assistant superintendents. The district attaches different titles to staff that appear to be at the same level of organizational leadership, such as directors, assistant superintendents, or senior managers. District publications also refer inconsistently to units of staff organizations as departments, divisions, offices, or functions, further complicating a clear understanding of the district's organizational structure both internally and externally.

District staff said that the district unexpectedly places staff in vacant classroom positions or temporary campus support roles, such as reassigning teacher development specialists to classrooms mid-year. District staff indicated that reassignments were intended as a temporary measure to fill teacher shortages when teacher resignations created vacancies. The perceived threat of reassignment, and possible related geographic location, reportedly contributes to lowered morale. District staff said that they work in an environment and culture that has little stability, and that the possibility of the state replacing the district Board of Education has harmed morale. Among campus staff surveyed by the review team, 33.3 percent agreed that district administrators provide services to campuses efficiently.

District staff described a perception that district leaders sometimes hired or promoted colleagues to important

positions without regard to their qualifications or without a transparent hiring process. District administrators stated that their staff are not qualified equally, and that some are placed without the departmental staff having an opportunity to interview and assess them for requisite skills.

The district has high turnover and a lack of systems and frameworks that might promote stability and continuity when turnover is high. District turnover has resulted in principals avoiding the district office, according to a respondent that added that principals no longer know the district staff.

Effective districts provide clear, accurate information to all internal and external stakeholders and coordinate resources to best meet student needs. Best practices for district websites include maintaining detailed organizational charts.

Houston ISD should address communication deficiencies among central academic office functions to improve transparency with internal and external stakeholders.

The district should develop a process to promote instructional effectiveness and procedures to guide transparent communication during any future organizational restructuring. The district should require detailed, accurate, timely internal and external communication tools and publications to facilitate strong transitions and minimize negative effects of realignments.

The district should require the chief academic officer to maintain current organizational charts on the district website. It should task all supervisors, or their designees, with revising internal and external organizational charts within five days of staffing changes.

The Human Resources Department should analyze the staffing structure of central office staff to determine equity of position title, benefits, and duties. The superintendent should implement any related recommendations to increase the efficiency, effectiveness, and equity of the academic organizational structure.

The district should conduct needs assessments and develop long-term, targeted plans to maximize district-level supports and services to support campuses in effectively meeting student needs.

District staff should define roles and responsibilities for all academic departments and staff clearly. The district should develop clear, transparent job descriptions and performance evaluation metrics for all academic departments, and a

consistent system to track and communicate expectations about the district's central office. The district should use available resources to rebuild trust between stakeholders and the central academic office.

The district could implement this recommendation with existing resources.

PRINCIPAL SUPPORT (REC. 11)

Houston ISD lacks a unifying framework, strong oversight, and written procedures for school support officers (SSO).

Houston ISD provides support and guidance for campus principals through the school office system. The district's six school offices represent each of its five geographic areas and the Achieve 180 campuses. Each school office includes an area superintendent, director, area office staff, and SSOs. Within Houston ISD's organizational structure, the SSOs' primary focus is to develop and guide principals in improving instruction and student outcomes at their campuses. The job description for an SSO, last revised during calendar year 2012, includes the following responsibilities:

- managing programs that improve math, improve reading, decrease grade-level retentions and dropouts, and increase graduation rates;

- improving satisfaction of parents, students, teachers, and principals;

- developing position statements regarding the populations to be served and aligning resources of budget, staff, and time;

- increasing the number of effective teachers;

- ensuring compliance of assigned campuses with federal and state regulations and requirements related to various data and operational regulations; and

- performing other job-related duties as assigned.

Each campus principal has an assigned SSO, although more experienced principals instead may be assigned to a lead principal. SSOs and lead principals have the same job responsibilities. However, unlike other SSOs, lead principals evaluate fewer principals, concurrently serve as principals on their own campuses, and receive stipends for these additional responsibilities. SSOs and lead principals participate in a monthly professional development series.

The district invests significant resources in the SSO structure. Job descriptions and organizational charts provided by the

district show that the SSO position is at pay grade 34. For school year 2018–19, pay grade 34 salaries ranged from $86,315 to $142,420 Lead principals receive an annual stipend of $20,000. District organizational charts showed that the district had 23 SSOs and 17 lead principals for school year 2018–19. Without factoring in any staffing modifications not represented in the data, SSO salaries and lead principal stipends total approximately $3.1 million.

However, the SSO position at Houston ISD is not administered effectively or efficiently. SSOs lack written procedures, frameworks, or a handbook to guide their activities.

The district also lacks an effective formal process for SSO evaluation. SSOs report directly to their assigned area superintendent and are evaluated using an annual scorecard. This scorecard includes target-setting documents for the beginning of the year, an end-of-year performance report, and some specific performance metrics for the SSO position. However, district staff did not indicate that this system was consistently utilized, prioritized, and accessed regularly by SSOs and their supervisors. District staff stated that informal conversations guide job performance, and that SSOs receive informal evaluations each semester through presentations to the superintendent, area superintendents, and other academic staff about the performance of their assigned campuses. Houston ISD also lacks a process to examine the SSO role and the consistency of SSO support.

Additionally, the type and quality of services and supports that SSOs provide campus principals vary. During onsite interviews, staff described some SSOs as interacting with first year principals as collaborative coaches, and others taking a directive approach.

Houston ISD also lacks a transparent process for matching SSO skills to principal needs when assigning SSOs to campuses. During onsite interviews, staff stated that area superintendents frequently reassign SSOs, and that there is no clear understanding of what guides SSO placement decisions. The district does not maintain district-level turnover data, but interviews with school office and campus staff demonstrated a high level of turnover among SSOs. For example, some current and former district principals described having nine SSOs during the course of seven school years. Staff also indicated that Houston ISD lacks standard procedures to maintain SSO placements from year to year, and that the district often reassigns SSOs during the summer with little communication or discussion with the principals affected.

Some staff and stakeholders attributed high mobility among SSOs to the positions being a stepping stone to positions in other districts and other careers in the region. Another component of the SSO job description states that SSOs should want, and be able, to take on a superintendent position. The district provides leadership development programs for aspiring SSOs, but does not have systems in place to incentivize SSO retention.

The informal SSO role, including a lack of a guiding framework and clear expectations, could result in inconsistent support for principals across the district. Principals may receive different levels of support from different SSOs, which may lead to inequitable instructional services and resources. With high SSO turnover, campus principal performance expectations and school improvement priorities may change or gaps in principal supervision and support may occur.

When SSOs are not strategically assigned to campuses, individual SSO strengths may not be aligned to principal needs. Frequent reassignment means SSOs are spending more of their time learning about needs than meeting those needs, and in the absence of a clear framework of expectations, SSOs may be slower to provide key supports to principals.

The development and maintenance of productive SSO and principal partnerships is limited by turnover and by the expectation of turnover. Principals whose assigned SSO positions have turned over frequently are less likely to invest time in relationships with those positions and related activities. Changing SSO and campus assignments make it more difficult to build trust between SSOs and principals. With no clear continuity in SSO support, fewer checks and balances exist to ensure that campus principals make effective decisions and that teachers and students receive adequate supports for teaching and learning.

The Council of Chief State School Officers (CCSSO), a nationwide organization of public officials that head state departments of elementary and secondary education, published Model Principal Supervisor Professional Standards in 2015. To provide comprehensive support for principals, CCSSO recommends that principal supervisors, such as SSOs, carry out the following actions:

- dedicate their time to helping principals grow as instructional leaders;

- coach and support individual principals and engage in effective professional learning strategies to help principals grow as instructional leaders;

- use evidence of principals' effectiveness to determine necessary improvements in principals' practice to foster a positive educational environment that supports the diverse cultural and learning needs of students;

- engage principals in the formal district principal evaluation process in ways that help them grow as instructional leaders;

- advocate for and inform the coherence of organizational vision, policies, and strategies to support campuses and student learning;

- assist the district in ensuring the community of schools with which principal supervisors engage are culturally/socially responsive and have equitable access to resources necessary for the success of each student;

- engage in their own development and continuous improvement to help principals grow as instructional leaders; and

- lead strategic change that continuously elevates the performance of campuses and sustains high-quality educational programs and opportunities across the district.

In addition, CCSSO's standards establish that effective principal supervisors exhibit the following qualities:

- growth-oriented – believe that students, education professionals, educational organizations, and the community can grow and improve continuously to realize a shared vision for student success through dedication and hard work;

- collaborative – share the responsibility and the work for realizing a shared vision of student success;

- innovative – break from established ways of performing functions to pursue fundamentally new and more effective approaches when needed;

- analytical – gather evidence and engage in rigorous data analysis to develop, manage, refine, and evaluate new and more effective approaches;

- ethical – explicitly and consciously follow laws, policies, and principles of right and wrong in all matters;

- perseverant – are courageous and persevere in doing what is best for students even when challenged by fear, risk, and doubt;

- reflective – re-examine their practices and dispositions habitually to develop the knowledge of experience necessary to succeed in pursuing new and more effective approaches;

- equity-minded – ensure that all students are treated fairly, equitably, and have access to excellent teachers and necessary resources; and

- systems-focused – are committed to developing systems and solutions that are sustainable and effective districtwide and that generate equitable outcomes for all campuses and stakeholders.

Houston ISD should develop and implement districtwide structures that support a consistent and systematic approach for supervising and supporting campus principals.

The area superintendents should develop a standard operating procedures manual for SSOs to provide internal and publicly available written documentation of expected roles and responsibilities. The district also should develop a principal needs assessment and strategic placement process to match SSO skill sets with principal needs and to ensure continuity of support.

The district should revise SSO job descriptions for clarity and completeness, and should ensure that performance metrics are consistently understood and utilized to evaluate the structure and staffing of SSOs providing principal support. District staff should publish an annual one-page report about principal support and SSO effectiveness, increasing transparency for all stakeholders.

The district should study the retention and mobility of SSOs to identify strategies for stabilizing SSO leadership.

The district should use the CCSSO Model Principal Supervisor Standards to establish a framework of expectations and an effective feedback and evaluation mechanism for SSOs. The district also should provide professional development for SSOs that focuses on effective implementation of their role as coaches and evaluators of principals.

The district should provide SSOs with principal supervisory tools and platforms to enable consistent evaluation, feedback, and coaching of principals. SSOs should develop coaching plans for each principal and align those plans to concepts established in the SSO trainings.

The district could implement this recommendation with existing resources.

CAMPUS INSTRUCTIONAL LEADERSHIP TURNOVER (REC. 12)

Houston ISD lacks an effective process to promote principal retention and ensure rigorous instruction during campus leadership transitions.

Many Houston ISD campuses experience principal turnover, increasing the risk of poor academic outcomes for students and low morale for teachers. Newly assigned principals are not required to maintain instructional and programmatic priorities, and the district lacks structures to maintain instructional rigor during leadership transitions. Some reassignments take place midyear, which further complicates programmatic shifts implemented by new principals. Teachers said that this type of frequent program turnover is a major challenge to their effectiveness, and campuses that are unable to retain principals experience instructional instability. Teachers also stated that program turnover decreased morale, led to inefficient use of teachers' time, and was perceived to exacerbate teacher turnover.

Campus principals experience frequent reassignments, and the district does not approach hiring and placement systematically by matching available talent with campus needs throughout all areas. During onsite interviews, staff said that the rotation of principals was routine practice, and that district administrators may not have reasonable timelines and expectations for principals that are new to their campuses.

Placement of new principals is more common in lower-performing campuses. These campuses also have higher rates of principal turnover. Among the Achieve 180 campuses, 35.0 percent received new principals from school years 2016–17 to 2017–18. In January 2018, 64.0 percent of the Achieve 180 campus principals had fewer than five years of experience. The TEA conservator described this lack of principal experience as presenting "a barrier to sustained achievement." During that month, Houston ISD reported changes in campus leadership at five Achieve 180 campuses. Although districts often replace principals at low-performing campuses, Houston ISD does not retain these turnaround principals successfully.

Houston ISD's principal salaries meet or exceed the average principal salaries in surrounding districts, and Houston ISD received a grant to provide principals with stipends for working on Achieve 180 campuses. However, the district does not have incentive systems to retain principals, especially systems focused on long-term retention at chronically low-performing campuses.

According to the National Association of Secondary School Principals, the national average tenure of principals at their campuses was four years during school year 2016–17. Houston ISD academic staff said that they do not collect or analyze data on principal turnover regularly. However, during school year 2015–16, Houston ISD conducted an analysis of district principal turnover rates. The report indicated that principals had an average of 3.5 years of experience at their current campuses. This same analysis demonstrated that campuses in the bottom 5.0 percent of performance were led by principals with an average of 1.8 years of experience at their current campuses. Additionally, campuses that had significant achievement gaps had principals with an average of 1.9 years of experience at their campuses. This analysis suggests that the lowest-performing campuses in Houston ISD had a principal turnover rate of more than 50.0 percent, twice the national average.

High principal turnover rates can affect district finances, depleting funding from instructional services to replace staff. A 2014 report from the School Leaders Network estimates the cost of new principals (i.e., within the first three years after hiring) to range from $75,000 to $100,000 per hire in addition to salary. These costs include principal preparation programs, recruiting services, and transitional training such as internships, coaches, and mentors.

According to Ronfeldt, Loeb, and Wyckoff's 2013 article, principal turnover also is correlated greatly to increased teacher turnover, specifically among the most effective teachers. Among teachers that stay, Hargreaves and Goodson's 2008 research suggests that regular principal turnover also leads to teacher disengagement in improvement reforms.

Principal turnover also is concerning because of the expectation of principals to lead school improvement and because of the time that measurable improvement requires. Research suggests that principals must be in place at least five years to implement large-scale change effort fully, including the recruitment, retention, and capacity-building of staff. Continuing turnover of principals can make it difficult for campuses to focus on consistent implementation of policies and programs and to commit to improvement.

Principal turnover also typically contributes to rapid changes in campus direction, because each incoming leader institutes new programs that can further destabilize the campus, particularly when turnover occurs multiple years in a row.

Effective districts mitigate instructional risks to students by implementing structures to promote instructional continuity

during principal transitions. Committees of stakeholders, including veteran teachers and campus academic department heads, can be used to guide instruction when campus leadership changes.

Houston ISD should develop comprehensive processes for principal placement and retention and instructional transitions at the campus level.

The district should study the longevity of principals and map the progression of in-district principal transfers to better understand patterns of principal turnover. The district should use this information to identify root causes for principal instability and to drive improvement plans for principal capital management.

The district also should track the longevity of principals that have completed different preparation programs and hold these programs accountable for providing new principal support and for retention rates.

The district should survey principals to better understand their perception of working conditions within Houston ISD. *The Great Principals at Scale* toolkit from New Leaders and the Bush Institute provides a sample principal survey, guidance, and rubric to review results.

The district should anticipate that principal turnover will occur and attempt to insulate campuses from the negative effects of principal reassignment by establishing practices that promote stability of implementation at campuses. Such practices could include the following protocols:

- requiring a static campus leadership or instructional leadership team to be in place at the time a principal is moved;

- efforts to maintain consistency in SSO oversight of a campus through a transfer from one principal to the next;

- appointing or maintaining of one or more teacher leaders to provide continuity related to instructional supports and expectations; and

- a deliberate process for transitioning leadership.

The district also may seek to limit changes made by a new principal that arrives at a campus after the school year has begun. Some immediate changes may be welcome and required, but having extra oversight and some limitations placed on the degree of midyear change will help to ensure greater stability of improvement implementation, which has been shown to increase achievement.

Houston ISD should analyze and adjust its existing principal recruitment incentives to prioritize multi-year principal retention incentives.

The district should provide novice principals and experienced principals that are new to campuses from three years to five years to improve student achievement. New principals have more immediate effects on elements such as campus climate, teacher retention, and implementation of new district policies and programs. Districts and principal supervisors should set reasonable performance expectations for what they can achieve within a year.

The district could implement this recommendation with existing resources.

INCONSISTENT CAMPUS-LEVEL RESOURCES FOR STUDENTS (REC. 13)

Houston ISD does not ensure that all students have consistent campus-level access to educational supports and resources, including counseling services, library services, and fine arts programs.

Houston ISD's implementation of its decentralized system authorizes principals to have extensive discretion of programming and staffing decisions at each campus. In this system, principals choose whether to provide students with access to certified counselors, high-quality library services, or extensive fine arts opportunities. Some campuses in the district offer students access to resources that meet or exceed best practices, and other campuses fail to meet minimum standards.

COUNSELING SERVICES

Students in Houston ISD lack consistent access to school counselor services that meet national standards.

During school year 2018–19, Houston ISD employed 213.1 FTE counselor positions for 209,772 students. This amount is an approximate ratio of one counselor per 984 students, a much higher ratio than the national average of one counselor for approximately 450 students and the American School Counselor Association (ASCA) recommendation of one counselor per 250 students.

Figure 2–5 shows Houston ISD's student-to-counselor ratio by campus for school year 2017–18. Among campuses, 1.1 percent had student-to-counselor ratios that met ASCA recommendations, and 9.1 percent had ratios at or less than the national average. The majority of Houston ISD campuses had ratios that were more than twice the national average or employed no certified counselors.

Although the district provides guidelines and job descriptions for school counselors, individual campus principals have discretion for the utilization of counseling resources. The district authorizes each principal to determine the number of school counselors to employ, regardless of the number of students at the campus. Additionally, each campus implements the roles of school counselors differently. Principals may designate one or more staff to carry out counselor job duties. No requirements regarding qualifications for these designees are in place, and Houston ISD staff did not have a clear, shared understanding of how counselors' duties are assigned or monitored across designees. Some campuses employ highly trained, qualified counselors at ratios that enable them to meet all students' needs. However, other campuses may have incomplete counseling services provided by various staff that do not have counselor training.

Houston ISD maintains a clear job description for school counselors and provides supports and expectations for performance consistent with the ASCA standards.

District guidelines and counselor job descriptions establish the following counselor duties:

- implementing a comprehensive counseling and guidance program to address the needs of all students;

- interpreting standardized test results and other assessment data to help students make educational and career plans;

- developing a personal graduation plan for each student, updated annually; assigning students to the correct courses to meet graduation requirements and facilitate college entrance;

- coordinating and partnering with college and career readiness programs to support career awareness and academic planning in a range of postsecondary opportunities, and providing information on financial aid; and

- ensuring that all English learners are scheduled in courses appropriate to their learning needs and are served in their English classes by teachers with English as a Second Language (ESL) endorsements.

At the district level, the Academic and Career Counseling Department within the Office of Strategy and Innovation's Career Readiness Department employs four counseling specialists to support and monitor school counselors. District staff reported that monitoring all district campuses is difficult

FIGURE 2–5
HOUSTON ISD STUDENT-TO-COUNSELOR RATIOS
SCHOOL YEAR 2017–18

STUDENT-TO-COUNSELOR RATIO	PERCENTAGE OF CAMPUSES (1)
250:1 or less	1.1%
251:1 – 450:1	9.1%
451:1 – 900:1	29.5%
Greater than 900:1	11.0%
No counselor	49.2%

NOTES:
(1)   Houston ISD provided data for 264 campuses.
(2)   Part-time counselors are considered 0.5 full-time-equivalent positions.
(3)   Percentages may not sum due to rounding.
SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Texas Education Agency, Texas Academic Performance Report, school year 2017–18.

with the small staff, especially for campuses that have a counselor designee or multiple designees for counselor duties.

Counselors provide crucial services for the academic and social well-being of students in all grade levels. Counseling services have a direct impact on student attendance, behavior, engagement, and college enrollment, so inequities in these services can further exacerbate achievement gaps. School counselors support student academic and social/emotional growth and help make critical connections for students to postsecondary opportunities, including college, career and military options. Effective counseling programs are important to the school climate and a crucial element in improving student achievement. Research from Carrell and Carrell, McIntosh, and Upthall indicates regular student access to a school counselor is a necessity, particularly for students most in need of intervention and support in high-poverty districts.

Students who have greater access to school counselors and comprehensive school counseling programs, particularly those at high-poverty-area campuses, are more likely to succeed academically and behaviorally. A 2018 evaluation of school counseling programs in Missouri by the Center for School Counseling Outcome Research and Evaluation, the Missouri Department of Secondary Education, and the Missouri School Counselor Association showed that students in secondary campuses with a counselor-to-student ratio of 1:250 students or less had graduation rates 5.0 percentage points higher than campuses with more than that ratio. This finding was true even when controlled for student demographics, area poverty, and campus funding levels. Results from ASCA's 2019 article *Measuring the Impact of School Counselor Ratios on Student Outcomes* indicated school

counselor ratios of 1:250 have a significant correlation with lower student absenteeism and higher math, verbal, and writing scores on the SAT college readiness examination. Preliminary findings in Connecticut school districts with lower student-to-counselor ratios show higher graduation rates, higher college entrance and persistence rates, lower chronic absenteeism rates, and fewer suspensions. The presence of comprehensive school counseling programs in Rhode Island was found to be related to multiple positive student outcomes ranging from better attendance to a stronger sense of connection to school. High school students that have more access to school counselors and related college and career counseling services are more likely to graduate and less likely to have behavioral issues.

The California Department of Education provides the following guidelines for effective school counseling service:

- conduct a systematic review of each student's academic progress annually to ensure the proper alignment of student course load and assignment with promotion and graduation requirements;

- identify students that are not earning credits at a rate that will enable them to graduate with the rest of their class;

- ensure that all English learners are scheduled in courses appropriate to their learning needs and are served in their English classes by teachers with ESL endorsements;

- meet annually with each student and the student's parent or guardian to discuss the following factors:

  - student's academic record;

  - educational options available to the student;

  - course work and academic progress needed for satisfactory completion of high school;

  - effect of such course work and academic progress on the student's options for postsecondary education and employment; and

  - any unmet social–emotional needs or barriers the student is facing, with the goal of assigning proper campus staff for interventions and support;

- ensure that students understand the educational options available to them, including to the following resources:

  - regional occupational centers and programs;

  - continuation schools;

  - academic programs; and

  - any other alternatives available to district students; and

- use attendance, behavior, and course performance data to identify students who are chronically tardy or absent, or who have disciplinary problems – and provide support and/or a referral to a community provider.

LIBRARY SERVICES

The district lacks a process to ensure that its libraries' budget, staff, collection size, and collection age align with public school library standards. These standards provide students at different campuses with variable access to high-quality library services. Campus principals have full discretion over staffing and budgets for campus libraries, resulting in inconsistent campus-level library services. Some campus principals choose to offer high-quality campus libraries staffed with certified librarians, and other campuses have inadequate or nonexistent library services.

Houston ISD operates a Library Services Department to support campus libraries. The Library Services Department tracks and advocates for library services and can provide campuses with recommendations regarding library services. However, district staff have no authority to set minimum requirements, to mandate trainings for librarians, or to require campus alignment with library services best practices. Board Policy EFB2 (REGULATION) requires district staff to provide a "status report on a school-by-school basis of compliance with state recommendations," but staff only provided a districtwide summary report and campus library information without reports on compliance with state recommendations.

The Texas State Library and Archives Commission's (TSLAC) *School Library Programs: Standards and Guidelines for Texas* establish criteria for evaluating the effectiveness of public school libraries. These guidelines, which are the state recommendations referenced in Houston ISD's policy, include collection size, collection age, and staffing. TSLAC's guidelines classify libraries into five categories: distinguished, accomplished, proficient, developing, and improvement needed.

Figure 2–6 shows the district's campus library collection sizes, including the average number of books per student for Houston ISD's campus libraries compared to TSLAC standards. Ratings for Houston ISD's campus libraries' collections range from distinguished to improvement needed.

FIGURE 2–6
HOUSTON ISD CAMPUS LIBRARIES' BOOKS PER STUDENT COMPARED TO TEXAS STATE LIBRARY AND ARCHIVES COMMISSION STANDARDS, SCHOOL YEAR 2018–19

CAMPUS LEVEL (1)	DISTINGUISHED (2)	ACCOMPLISHED	PROFICIENT	DEVELOPING	IMPROVEMENT NEEDED
Early Childhood Centers	3	1	1	2	1
Elementary School Campuses	91	20	15	15	19
Middle School Campuses	15	2	5	5	15
High School Campuses	9	2	3	1	26
Multilevel Campuses	6	1	3	2	4

NOTES:
(1)   Houston ISD provided data for 267 campuses.
(2)   Distinguished=18 books per elementary student, 16 books per secondary student; Accomplished=16 books per elementary student, 14 books per secondary student; Proficient=14 books per elementary student, 12 books per secondary student; Developing=12 books per elementary student, 10 books per secondary student; Needs Improvement= fewer than 12 books per elementary student, fewer than 10 books per secondary student.
SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Houston ISD, school year 2018–19; Texas State Library and Archives Commission, *School Library Programs: Standards and Guidelines for Texas*, 2017.

Houston ISD's number of items per student varies greatly. Some elementary school campuses average fewer than five items per student, and other elementary campuses average more than 30 items. Most of Houston ISD's high school campus libraries average fewer than 10 books per student.

Figure 2–7 shows Houston ISD's campus library collection ages compared to TSLAC's standards. Most Houston ISD campus libraries are rated as developing and improvement needed, and other campuses have newer average collection ages. Students in Houston ISD libraries encounter a range of book ages and conditions, with some students having access only to older, poorer-condition items.

Houston ISD's library staffing varies by campus. Some campuses have libraries that meet or exceed proficiency in TSLAC staffing guidelines, and other campuses have libraries that rate needs improvement according to staffing standards or have no library services at all. During school year 2017–18, Houston ISD's Library Services Annual Report indicated that 35.0 percent of libraries employed certified librarians, 25.0 percent employed certified teachers, 27.0 percent employed clerks, and 13.0 percent had vacancies in campus library leadership. According to a May 2018 article in *Education Week*, 61.0 percent of Houston ISD's campus librarians have left the district during the past decade,

FIGURE 2–7
HOUSTON ISD CAMPUS LIBRARY COLLECTION AGES COMPARED TO TEXAS STATE LIBRARY AND ARCHIVES COMMISSION STANDARDS, SCHOOL YEAR 2018–19

CAMPUS LEVEL (1)	DISTINGUISHED (2)	ACCOMPLISHED	PROFICIENT	DEVELOPING	IMPROVEMENT NEEDED
Early Childhood Centers	0	0	0	2	6
Elementary School Campuses	10	15	20	33	82
Middle School Campuses	11	3	6	5	17
High School Campuses	16	6	5	5	9
Multilevel Campuses	3	1	3	5	4

NOTES:
(1)   Houston ISD provided data for 267 campuses.
(2)   Distinguished=average copyright date no more than 10 years, while following a recognized replacement and removal process; Accomplished=average copyright date no more than 12 years; Proficient=average copyright date no more than 14 years; Developing=average copyright date no more than 16 years; Needs Improvement=average copyright date is more than 16 years.
SOURCES: Legislative Budget Board School Performance Review Team, March 2019; Houston ISD, school year 2018–19; Texas State Library and Archives Commission, *School Library Programs: Standards and Guidelines for Texas*, 2017

resulting in the district being one of 20 nationwide with the biggest decreases in librarian positions during the period.

Lack of sufficient library staff and books, aged collections, and inadequate budgets affect the quality and usefulness of library services and the library's ability to meet student needs.

Libraries are considered effective and efficient resources in improving student achievement. Campuses that do not have high-quality library programs are not providing the same opportunities for students to learn as campuses that do. Efforts to promote literacy achievement may be compromised, particularly for students in high-poverty-area campuses who may not have access to neighborhood libraries or literacy resources at home. A 2015 Washington State study found that the presence of a certified school librarian was a predictor of higher elementary school and middle school math scores. The study ranked school library programs based on certified staffing, library accessibility, resources, and technology. Even after controlling for school size and poverty, the study found that the one key factor distinguishing high-performing, high-poverty campuses from low-performing, high-poverty campuses is a quality library program.

Nationwide, research suggests that reading, writing, and graduation rates improve where campuses employ certified school librarians. TSLAC's 2001 analysis of school libraries in Texas, presented in the publication *Texas School Libraries: Standards, Resources, Services, and Students' Performance*, determined that school libraries have a measurable impact on student achievement. At the elementary school and middle school levels, approximately 4.0 percent of the variance in state test scores was attributed to school libraries; that percentage more than doubled to 8.2 percent at the high school level. Library variables, including library staffing and items per student, outweighed the effects of other campus variables, including computers per student, teacher experience, and even teacher turnover ratio.

The American Association of School Librarians (AASL) is a professional library association that provides numerous resources for establishing comprehensive school libraries and fully leveraging libraries. One resource AASL publishes is the Toolkit for Promoting School Library Programs: Messages, ideas, and strategies for communicating the value of school library programs and school librarians in the 21st century.

FINE ARTS

Students in Houston ISD also have inconsistent access to fine arts opportunities.

Principals in Houston ISD have the authority to decide what is offered on their campuses and can elect to not offer arts programming. Therefore, campuses are not required to provide students with equitable access to fine arts learning and participation. Some campuses have rigorous fine arts programming and experiences, and others have limited fine arts programming. Principals have discretion over campus funds, so campus fine arts departments may not be allocated campus funds. For example, some visual arts teachers are not allotted supplies, and some campuses do not allocate funds for repairs of musical instruments. Only fine arts magnet programs receive additional allocations for fine arts.

The district supports fine arts integration through Fine Arts staff in the Elementary Curriculum and Instruction Department, including district integration specialists. However, the district has not developed systems to ensure consistent, equitable fine arts experiences for all students. During school years 2016–17 and 2017–18, the East Region implemented an initiative inspired by the work of a board member to expand fine arts opportunities for area students. The initiative resulted in additional arts opportunities including afterschool programs, musical and dance performances, choir, and a ballet residency program. However, these expansions were limited in scope and did not result in long-term, districtwide systems that increased access to fine arts for all students.

The New York City Partnership for Arts and Education Program was founded to restore and maintain access to arts education in New York City Public Schools. The program conducted an evaluation in 2001 to determine the effects of fine arts education on student outcomes. Teachers and principals reportedly saw improvement in the following areas: performance in other disciplines, engagement, attendance, connecting lessons from differing subject areas, quality of work, and behavior. Also, students who participated in arts programming achieved higher standardized test scores, earned more high school equivalency certificates and diplomas, and improved their engagement in mathematics and science.

Students in Houston ISD inconsistently receive the academic and nonacademic benefits that come with participation in fine arts programs and experiences. Academic benefits include increased achievement in reading, math, language, concentration, motivation, reasoning abilities, and problem-solving skills. In addition to academic outcomes, students can experience enhanced self-worth, increased empathy,

improved leadership skills, and reductions in risky behaviors. The National Endowment for the Arts also reports that at-risk students with equitable access to the arts "tend to have better academic results, better workforce opportunities, and more civic engagement."

New York City Public Schools provides districtwide, accessible systems for educators throughout the city to access fine arts opportunities and partnerships. District staff developed tracking tools, metrics, and accessible reports to improve equitable student access to fine arts.

Houston ISD should provide consistent access to high-quality counseling programs, library services, and fine arts opportunities throughout the district.

The district should evaluate existing resources and services, and use district improvement planning processes to align allocation of resources and delivery of services with a focus on consistent, equitable student access.

The district should ensure that sufficient counselors are available for campuses that need them, particularly in high schools, to fulfill the responsibilities that are described in district guidelines and counselor job descriptions.

The district should develop guidelines for campuses regarding the number of qualified counselors that campuses should have to meet student needs. Initially, the district should attempt to meet the national average of one counselor per 450 students and have a goal of one counselor for every 250 to 300 students in high-poverty-area, low-performing high schools.

Houston ISD should consider partnering with local school counseling graduate programs to host graduate counseling student interns completing their practicum requirements. This partnering also could serve to establish a recruiting tool for school counseling candidates.

The district should develop a counseling services checklist, which can be used to track provision of counseling services even in the absence of a designated school counselor. Houston ISD also should require high schools to complete all checklist activities with their students and ensure that related outcomes are attached to each student's data file.

The district should use AASL's toolkit to promote library programs to stakeholders, including principals, site-based decision-making committees, students, families, and the community. Houston ISD should conduct a comprehensive assessment of the district's library services related to staff levels, the library budget, and the age of its collection to ensure that its library staffing, collection, and associated budget are consistent with state standards across campuses. Based on the assessment, the district should set library service priorities, estimate the budget impact of those priorities, and include this information in its budget cycle.

The district should assess fine arts access and develop a process to connect all campuses with district fine arts resources, artist partnerships, and additional opportunities.

Based on comprehensive assessments of deficits in available resources and services, the district should set priorities, estimate the budget impact of those priorities, and include them in the district budgeting process.

This recommendation could be implemented with existing resources.

ENGLISH LEARNER SERVICES (REC. 14)

Houston ISD does not support its English learner (EL) student population effectively.

The Texas Administrative Code, Title 19, Part 2, Chapter 89, Subchapter BB, Section 89.1203, defines an EL as "a student who is in the process of acquiring English and has another language as the primary language." The goal of bilingual education and special language programs are to provide ELs with instructional support that will enable them to participate fully in their educational experience in campuses and in their communities. During school year 2018–19, Houston ISD identified 66,452 students as ELs, which represented 31.7 percent of the total student population.

The Multilingual Programs Department, within the Office of Special Populations, offers administrative leadership and support for Bilingual and ESL Education and special language programs for students identified as ELs. ELs may include immigrant, migrant, and refugee students. The district has four bilingual education programs: dual language, transitional bilingual, ESL, and cultural heritage. During school year 2018–19, 51 campuses provided dual-language programs. Houston ISD's elementary school students are offered Spanish Transitional Bilingual and Dual Language programs, a Vietnamese Bilingual Cultural Heritage program, Mandarin Chinese Immersion, Arabic Immersion, French Immersion, and ESL programs for speakers of other languages. Secondary campuses offer ESL/Sheltered English and Sheltered Content programs for EL students in grades six to 12. Some secondary bilingual programs are offered at dual language campuses. The district also has several campuses that provide additional placement options and

supports for ELs, such as middle and high school campuses for newcomer students and refugee programs.

According to onsite interviews, Houston ISD campuses receive support from the district in an informal process that some staff described as ad hoc. Campuses can request support, and a teacher development specialist (TDS) and manager will assess needs and develop a short-term plan. District staff described staffing levels as minimal and insufficient to effectively provide, monitor, and evaluate EL services.

Houston ISD's website states that Multilingual Programs Department staff "provide high-quality, research-based professional development opportunities in the area of instruction that is aligned to the TEKS and the English Language Proficiency Standards. The trainings provided are designed to help teachers effectively transition students from a Bilingual/ESL classroom to a general education, all-English instructional program. Specific professional development is provided on sheltered instruction strategies, building academic vocabulary, and writing strategies. These trainings are aligned with the criteria students must meet to exit a bilingual program." The site lists the following professional development sessions:

- building academic vocabulary for kindergarten to grade two;

- building academic vocabulary for grades three to five;

- writing development for grades one to five;

- "ESL: Putting the Pieces Together";

- Esperanza; and

- Neuhaus.

During school year 2018–19, the district focused professional development for teachers working with EL students on sheltered English instruction. District staff indicated the district's intention was to equip core content teachers and bilingual teachers with the tools to work successfully with their EL students. However, attendance at the trainings was not mandatory for campus staff and teachers reported that it lacked sufficient differentiation for teachers of all experience levels. Campus staff also expressed a need for more in-depth professional development and opportunities for professional collaboration. The organizational and curricular fragmentation, staffing shortfalls, and gaps in expertise constrain the capacity of Houston ISD to meet the needs of ELs.

The district's departmental reorganizations and fragmented structure constrain the capacity of Houston ISD to engage in long-term planning. An annual plan for the Multilingual Programs Department was included in the school year 2018–19 district improvement plan. However, the plan lacked a clear, multi-year vision or framework, and department staff did not refer to this plan when interviewed about long-term planning. District administrators indicated that the district lacked succession planning, manuals, and guidance for EL services.

Without a consistent long-term plan, staff also described experiencing shifting frameworks and approaches to EL service delivery. At times, the district has focused almost exclusively on dual-language models, with fewer resources allocated to other models, such as transitional bilingual.

During onsite interviews, district and campus staff stated that Houston ISD's EL systems and supports are fragmented organizationally, in flux, and have notable capacity gaps in staffing and expertise.

The majority of district staff tasked with EL support work within the Multilingual Programs Department. However, Houston ISD does not organize all district-level EL staff within the same department and does not have a formal process for regular meetings among related service providers. According to onsite interviews, this structure makes coordination and communication among EL staff difficult. For example, dual language TDS are affiliated with the Elementary and Secondary Curriculum Departments, whereas bilingual TDS are affiliated with the Multilingual Programs Department, which limits collaboration among related service providers. District and campus staff also indicated that, in the absence of strong interdepartmental communication, work sometimes is duplicated, such as staff from different departments supporting the same teacher or campus. Staff stated that they often feel that all positions who work with ELs do not have a shared direction and targeted utilization of district resources.

Staff also described situations in which the staff serving ELs did not have the expertise to implement instructional strategies appropriate for these students. District staff expressed concern that some campus principals have significant deficits related to knowledge about strategies for supporting language development and that some principals also lacked understanding of how to meet the academic needs of ELs.

At the district and campus levels, staff described EL staff shortages and notable variation of expertise related to ELs.

FIGURE 2–8
HOUSTON ISD STUDENTS AND TEACHERS IN BILINGUAL/ENGLISH AS A SECOND LANGUAGE (ESL) EDUCATION
SCHOOL YEARS 2015–16 TO 2017–18

YEAR	BILINGUAL/ESL EDUCATION PROGRAM STUDENTS	PERCENTAGE OF TOTAL STUDENTS	BILINGUAL/ESL EDUCATION TEACHERS	PERCENTAGE OF TOTAL TEACHERS
2015–16	63,853	29.7%	373.8	3.2%
2016–17	68,688	31.9%	385.4	3.3%
2017–18	69,271	32.4%	390.2	3.3%

SOURCE: Texas Education Agency, Texas Academic Performance Report, school years 2015–16 to 2017–18.

District staff described a shortage of bilingual teachers resulting in a high volume of requests for bilingual exceptions. These requests are submitted to the Commissioner of Education when campuses are unable to provide bilingual certified teachers to implement the required bilingual programs. The Commissioner can grant an exception to the bilingual education program and approve the district using an alternative program. During school year 2018–19, Houston ISD received bilingual program exceptions for 268 teachers, and ESL program waivers for 298 teachers. The most extreme cases of staffing shortfalls resulted in TDS staff moving back to the classroom to provide instruction. Staff described these emergency situations as an obstacle to effective EL services.

Staff also described high turnover among staff in the Multilingual Programs Department. Organizational charts provided by the district list large numbers of vacancies for staff supporting ELs, including TDS staff and curriculum specialists.

The district does not appear to have systems to monitor effectively that principals follow all procedures and guidelines regarding spending and services. District-level staff stated that they may be able to observe issues or provide guidance to campuses, but that principals do not report to them and that district staff do not have the authority to mandate compliance.

District staff also expressed concerns about the district's ability to monitor the placement of ELs in classrooms that best meet their needs and to monitor that EL students take appropriate year-end assessments. Staff indicated that EL students may not receive placements appropriate to their level of ESL instruction, and that there are concerns that students may remain in EL status for inappropriate lengths of time. According to the Research and Accountability Department's school year 2018–19 Texas English Language

Proficiency System (TELPAS) report, 15,580 of Houston ISD's EL students have been enrolled in U.S. schools for five years or more. Additionally, some Spanish-native ELs are placed in classrooms with teachers who provide Vietnamese language support.

Figure 2–8 shows the number of bilingual/ESL students and staff at Houston ISD from school years 2015–16 to 2017–18. The percentage of bilingual/ESL students in Houston ISD has increased during each of the previous three school years, although the percentage of these teachers has remained steady. Houston ISD's percentage of bilingual/ESL students is greater than the state average, although Houston ISD's staff percentages are significantly less than the state average.

Figure 2–9 shows Houston ISD's expenditures for bilingual education. Although Houston ISD's bilingual program expenditures per student and as a percentage of total expenditures are significantly higher than state averages, the district has not effectively leveraged spending to improve EL student performance outcomes.

ELs in Houston ISD have shown persistent achievement and graduation gaps from their English-speaking peers.

Figure 2–10 shows school years 2015–16 to 2017–18 performance results for Houston ISD's EL students on the State of Texas Assessments of Academic Readiness (STAAR). Compared to Houston ISD students overall, EL student performance on the STAAR is significantly lower. Houston ISD's EL students perform similarly to EL students in the region and state.

Figure 2–11 shows the greater dropout rate of Houston ISD's EL students compared to other subgroups and to the state. Houston ISD's EL students dropped out at a rate of more than twice the overall district average and greater than the state's average EL student dropout rate of 17.3 percent.

FIGURE 2–9
HOUSTON ISD AND STATE BILINGUAL EXPENDITURES
SCHOOL YEARS 2016–17 AND 2017–18

EXPENDITURES	2016–17	2017–18
Houston ISD Total Bilingual Expenditures	$42,892,416	$47,913,107
Houston ISD Bilingual Percentage of Total Expenditures	3.1%	3.2%
Houston ISD Bilingual Expenditures per Student	$199	$224
State Bilingual Percentage of Total Expenditures	1.8%	1.6%
State Bilingual Expenditure per Student	$124	$116

SOURCE: Texas Education Agency, Public Education Information Management System financial data, school years 2016–17 and 2017–18.

FIGURE 2–10
PERCENTAGE OF HOUSTON ISD ENGLISH LEARNER STUDENTS WHO MET ASSESSMENT REQUIREMENTS ON THE STATE OF TEXAS ASSESSMENTS OF ACADEMIC READINESSS (STAAR), ALL SUBJECTS, ALL GRADES
SCHOOL YEARS 2015–16 TO 2017–18

YEAR (1)	PERCENTAGE DISTRICT EL STUDENTS	PERCENTAGE DISTRICT ALL STUDENTS	PERCENTAGE REGION 4 EL STUDENTS (2)	PERCENTAGE STATE EL STUDENTS
2015–16 (3)	53%	69%	55%	55%
2016–17 (4)	24%	40%	23%	23%
2017–18	25%	42%	24%	26%

NOTES:
(1)   The decrease in the percentage of English Learner (EL) students that met basic assessment standards on the State of Texas Assessments of Academic Readiness (STAAR) test is a result of the Texas Education Agency's (TEA) revision of the student assessment system. During school year 2015–16, students received numerical grades for STAAR tests, and these grades were grouped into three categories of Advanced, Satisfactory, or Unsatisfactory. TEA defined these categories by a scoring standard. Starting in school year 2016–17, TEA revised the scoring standards to place student scores into four categories of Masters Grade Level, Meets Grade Level, Approaches Grade Level, and Does Not Meet Grade Level.
(2)   Region 4=Regional Education Service Center IV.
(3)   School year 2015–16 data is reported as percentage at Level II Satisfactory standard or greater.
(4)   School year 2015–16 data is reported as percentage at Level II Satisfactory standard or greater.
SOURCE: Texas Education Agency, Texas Academic Performance Report, school years 2015–16 to 2017–18.

FIGURE 2–11
HOUSTON ISD AND STATE FOUR-YEAR DROPOUT RATES
SCHOOL YEAR 2017–18

GROUP	HOUSTON ISD RATE	STATE AVERAGE RATE
African American	13.8%	8.7%
Hispanic	12.6%	7.2%
White	13.0%	3.2%
American Indian	20.6%	8.1%
Asian	4.0%	1.7%
Pacific Islander	10.0%	5.9%
Two or More Races	7.6%	3.9%
Special Education	17.9%	9.6%
Economically Disadvantaged	12.8%	7.8%
English Learners	**30.3%**	**17.3%**
Total	**12.6%**	**5.9%**

SOURCE: Texas Education Agency, Texas Academic Performance Report, school year 2017–18.

The English attainment of Houston ISD's EL students is less than the state average. According to Houston ISD's Research and Accountability Department's school year 2018–19 report on TELPAS results, the district's EL students scoring Advanced High on TELPAS remained at 13.0 percent, the same as in school year 2017–18, and less than the state average of 16.0 percent. During school year 2017–18, 6.6 percent of Houston ISD's EL students achieved language proficiency and exited from EL status successfully, a decrease from the school year 2016–17 rate of 8.6 percent. Among Houston ISD's EL students in grades one to 12, 38.0 percent improved scores in language proficiency from school years 2017–18 to 2018–19, slightly greater than the state average of 35.0 percent.

The Office for Improving Second Language Achievement, a research program at Texas A&M Corpus Christi, provides various resources for teachers and administrators administering ESL and bilingual programs. Its 2006 publication *Best Practices for English Language Learners* profiles programs, policies, and instructional practices of schools in Texas that have demonstrated success with ELs based on state and national assessments. The report examines how programs, practices, and policies contributed to the academic success of ELs participating in bilingual education and dual language programs in selected districts.

During 2001 and 2002, the Intercultural Development Research Association conducted a national study to identify the characteristics that contribute to high academic performance in bilingual education programs. The study examined 10 school districts and described indicators of successful bilingual education programs. The study included the following indicators: leadership; vision and goals; school climate; linkages between central administration and campus-level staff; school organization and accountability; professional development; parent involvement; staff accountability and student assessment; staff selection and recognition; and community involvement. The study included the following findings in successful districts, according to each of the characteristics studied:

- leadership – each campus had principals that were committed to the success of their bilingual education program, had open and frequent communication with staff, and were aware of the rationale for the bilingual education program;

- vision and goals – campuses had clear and visible goals; school leadership set expectations for the students and the teaching staff; teachers, administrators, and parents were involved in establishing the vision and goals for the program;

- school climate – all administration and teaching staff felt responsibility for establishing and maintaining a safe school atmosphere;

- linkages – teachers and campus administrators did not feel isolated from central administration staff, and the roles and responsibilities of central office staff and campus staff were clear;

- school organization and accountability – bilingual education programs were integral components of the campuses' curriculum, and faculty and staff held themselves accountable for the success of all students;

- professional development – staff considered planning and grade-level meetings as important ways of conducting their professional development; teachers that traveled for professional development gave presentations and workshops for other teachers on staff;

- parental involvement – parents were strong advocates of the bilingual education program and were welcomed as partners with the school; local businesses granted parents flex time to enable them to participate in school activities held during the school day;

- staff accountability and student assessment – the campuses studied used multiple assessments; administrators set clear and rigorous standards and achievement levels; and schools used assessments in the native language when appropriate;

- staff selection and recognition – campuses selected teachers for their bilingual education programs based on academic background, experience in bilingual education, proficiency in the target languages, enthusiasm, commitment, and openness to change and innovation; campuses recognized teachers for students' successes; and

- community involvement – community representatives shared campus facilities, and campuses built relationships with businesses and community representatives; senior citizens and retired individuals participated in activities with the students.

Houston ISD should implement a process for continuous evaluation of the structure, staffing, instructional delivery, and resources of the district's supports for its EL students.

Highly skilled teachers are critical to the academic success of all students, but even more so for students who face the challenges associated with English language acquisition. The district should identify the following challenges:

- documenting the qualifications of teachers who provide content instruction and English language instruction to ELs within Houston ISD to determine the qualification shortcomings of greatest concern;

- determining if staff who are responsible for hiring ELs have sufficient expertise in EL instruction to make informed hiring decisions; consider centralizing hiring practices to ensure that hiring managers have sufficient understanding of EL needs; and

- surveying teachers of ELs to determine where they perceive their own instructional challenges to better tailor professional development focused on instruction for ELs.

The Research and Accountability Department and Multilingual Program Department also should analyze projections for population growth among ELs. This analysis should consider grade levels, language background, and geographic distribution within Houston ISD, including the use of mapping software to produce data visualizations. These analyses should inform long-term staffing plans and curricular material development and purchase. Such activities cannot be accomplished at the individual campus level. They require a districtwide perspective to facilitate strategic planning, optimize economies of scale, and promote the use of instructional materials aligned to student needs.

The district should focus professional development activities on the following instructional practices that have demonstrated positive effects on EL outcomes:

- teaching academic vocabulary, including content-area-specific and general academic vocabulary;

- integrating strategies that promote English proficiency into content-area instruction, such as strategies and tools that make content taught in English comprehensible to ELs and opportunities for ELs to discuss academic content in English;

- providing structured opportunities for ELs to develop written language skills, using language-based supports and scaffolds such as writing templates or graphic organizers;

- providing interventions for ELs struggling with language or literacy development using small group instruction that targets needs identified through high-quality assessment practices, and

- using peer learning opportunities, such as peer tutoring or peer response groups in which a small group of students discuss and share responsibility for completing a task.

The district could implement this recommendation with existing resources.

SCHEDULING (REC. 15)

Houston ISD lacks an effective process to ensure consistent development of master schedules.

A master schedule consists of the classes offered at a campus, with all of their associated terms, meeting times, teachers, and rooms. Master schedules allow administrators to schedule teachers, analyze student academic needs, assign teachers to rooms and classes, and assure that students have access to academic opportunities and supports.

According to Canady and Rettig's article "The Power of Innovative Scheduling," a well-crafted master schedule can "result in a more effective use of time, space and resources; improve instructional climate; help solve problems related to delivery of instruction; and assist in establishing desired programs and instructional practices." An effective master schedule can be a powerful enabler of transformation, maximizing the efficient use of time and resources during the school day.

At the elementary level, the master scheduling process primarily involves scheduling special areas, such as art, music, and physical education; student interventions; special education services; and teacher preparation periods. The master schedule can also clearly iterate instructional minute alignment across grade levels and subjects. It is important to ensuring that students have access to EL and special education supports as required by their individualized education programs or statute and that all students are receiving the required amount of instructional time in each subject area.

At the secondary level, master scheduling is a complex process that dictates whether every student that needs a course for graduation has access to it. The master scheduling process

assesses available teachers, what course sections can be offered, required teacher certifications for course credit, and graduation requirements. Master schedules determine teacher workload and establish structures for teacher collaboration.

Ideally, the leadership teams develop master schedules during the spring semester and distribute final versions to the faculty and staff during the summer. The team developing schedules can include principals, assistant principals, counselors, registrars, and other leadership staff.

After each campus develops a finalized master schedule, campus staff can then verify that individual student course schedules are correct and meet student needs. As a component of scheduling, principals verify the accuracy of student data, as coded in the Public Education Information Management System. Some campuses staff additional positions, such as registrars or clerks, who input student data; however, the campus principal ensures the accuracy of student data.

Houston ISD principals and campus leadership teams typically approach the development of the master schedule as a series of tasks, rather than a strategic, systemic process.

Although the district provides some trainings and documents to guide campus leaders in the master scheduling process, the resources are not strategic, robust, or comprehensive. District staff provide principals with two annual scheduling trainings and one required online course on the district's student information system. However, the scheduled trainings provided are not mandatory, and the district lacks a system for ensuring that trainings effectively prepare campus principals and leadership teams. During onsite interviews, district staff indicated that Houston ISD needs to improve in developing master schedules that align to student need.

Two district publications, *Planning and Developing a Campus Master Schedule* and *School Guidelines* for school year 2018–19, outline scheduling guidance for principals. The *School Guidelines* state that "the principal is responsible for supervision of the creation and maintenance of the master schedule for the campus, including creating classes and allocating teachers to classes. Administrative decisions concerning the school calendar and bell schedules must be made prior to scheduling classes with a time, teacher, and room, and assigning students to classes. Schedules or class assignments should be available for students no later than the first day of school." However, the district's guidelines are vague, lack detailed instructions for secondary campuses, and do not link to additional scheduling resources.

The district's written guidelines for scheduling lack clear monitoring steps and dates. Without strong oversight of the scheduling process, individual campus leadership teams may deviate from the district-suggested process. If requirements for scheduling deadlines are not enforced, some campus leadership teams may not distribute master schedules in a timely manner. If master schedules are not finalized with sufficient time before the start of the school year, staff may not be able to review individual student schedules for accuracy and alignment with academic need. School counselors typically are responsible for reviewing student schedules; however, campus principals at non-Achieve 180 campuses are not required to staff counselors, which further complicates schedule reviews. During onsite interviews, district staff said that there is no enforced deadline for campuses to develop a master schedule, which could allow campuses to change master schedules throughout the year or to not finalize a master schedule.

SSOs are tasked with supporting and monitoring principals; however, Houston ISD staff indicated that some SSOs have never received training in master scheduling and may have limited capacity to support the master scheduling processes at their assigned campuses.

Ineffective master schedules can result in inefficient use of time and resources throughout the school day, and a lost opportunity to enable academic transformations on campuses in the district. Deficits in training and oversight for Houston ISD's master schedules may result in inequitable or inefficient teacher workloads, decreased opportunities for educator collaboration, and ineffective scheduling of interventions and special education services. Master schedules can help prevent the scheduling of EL students in the wrong classes by ensuring the availability of adequate spaces and teacher assignments.

Without strong monitoring of the master schedule and the accuracy of individual student schedules, students could enroll in incorrect or duplicative courses, or could fail to attain the necessary credits for graduation. This issue could be compounded for students with complex coursework and academic needs, such as EL and special education students.

Failure to ensure that students have appropriate access to opportunities to meet graduation requirements can be a contributing factor to students dropping out of school, particularly for students who are academically off-track. According to the Texas Academic Performance Reports, from school years 2011–12 to 2016–17, the four-year Houston ISD dropout rates increased across most student subgroups.

Without a strong master scheduling process, Houston ISD is less able to offer optimal student-teacher ratios, streamline noncore offerings and staff to align with graduation pathways, support equitable access to course offerings for all students, or maximize financial efficiency.

The University of California, Berkeley, College and Career Academy Support Network (CCASN) advises establishing a district system of support for master scheduling, including "real efforts to create a community of practice around master scheduling and regularly scheduled collaborative dialogues involving both district and campus staff to understand and address master scheduling needs and to co-create master schedule solutions."

The CCASN approach envisions master scheduling as a collaborative, team process that includes the development of guiding principles and priorities for ensuring equity, a focus on student learning and stakeholder engagement.

Houston ISD should implement systemic approaches to master scheduling, including improved training and oversight.

The district should establish and monitor districtwide deadlines for completion of master schedules. The district's efforts should include CAO staff conducting a randomized audit of student course enrollment and schedules to monitor effective practice and provide feedback to principals and staff.

The district should ensure that master schedules support student access to interventions that are flexible and responsive to student needs, and that the master schedule allows time for adult conversations for planning and collaboration. Office of Special Populations staff should assess master schedules to ensure they meet individual student needs.

District staff should review existing training for principals and campus leadership teams to ensure training addresses how to meet the needs of both students and educators in the scheduling process.

The chief strategy and innovation officer should establish requirements for staff charged with registering students, scheduling courses, and validating course data, and develop a tracking mechanism to ensure that roles are filled with staff meeting those qualifications.

The district also should establish a scheduling community for all new principals, inviting others in need of additional support. The district should provide quarterly virtual meetings, led by SSOs with demonstrated scheduling effectiveness, to share best practices and allow staff to explore common scheduling problems with their peers.

The district could implement this recommendation with existing resources.

WRAPAROUND SERVICES (REC. 16)

Houston ISD's implementation of its wraparound services initiative lacks effective coordination, planning, procedures, and evaluation.

Wraparound Services is a board-sanctioned program that informs students and their families about resources and organizations that provide medical, mental, legal, or other nonacademic resources to improve their well-being. Each participating campus has a wraparound resource specialist that seeks out the resources that students need so that they can focus on their academic progress.

The Houston ISD board adopted policy FFC (LOCAL) in November 2017, establishing a philosophy for wraparound services and directing the superintendent to implement a framework for wraparound services in Houston ISD campuses. It states that the board "believes in the power of every community and is determined to support every school with a comprehensive districtwide plan to connect the nonacademic supports needed to improve the well-being of all students." The policy further states that these nonacademic supports, also referred to as wraparound services or community schools, address "critical issues such as mental health and physical needs, food insecurity, lack of stable housing, violence, incarceration of a parent, legal and crisis support, and many other challenges that can have adverse effects on a student's readiness to learn."

The policy further directs the superintendent to "develop a regulation that provides a framework—including a definition, processes, and goals—for community-based wraparound services and to codify the district's responsibilities regarding support and implementation of wraparound services" including "methods to identify nonacademic needs of students and schools, to increase access to effective services to meet students' needs, and to set up robust governance structures." The policy also directs the superintendent to "establish a team to facilitate implementation of the wraparound services framework and support community-driven sustainability."

The district's wraparound services initiative, also called Every Community Every School, was implemented in school year 2017–18 and managed by the wraparound services director.

FIGURE 2–12
HOUSTON ISD WRAPAROUND SERVICES MODEL
SCHOOL YEAR 2018–19

TIER	SERVICES
Tier 3: Intensive	Provision of intensive, systematic support for individual students (e.g., wraparound services)
Tier 2: Targeted	Provision of services to specific groups of students that are at risk for additional difficulties
Tier 1: Universal	Schoolwide prevention and health promotion programs

All support services include:

- integrated student supports;
- expanded learning time and opportunities;
- family and community engagement; and
- collaborative leadership and practice.

Sources: Legislative Budget Board School Performance Review, March 2019; Houston ISD, school year 2018–19.

Figure 2–12 shows the district's model for wraparound services, which includes three tiers of supports.

During school year 2017–18, Houston ISD identified a need to provide wraparound services to students and planned to pilot the program at a small number of campuses. Rather than continuing with the pilot, the district decided to implement the program in 60 campuses during school year 2017–18.

The wraparound services director supervises 12 directly reporting positions, including administrative staff and managers. Wraparound services managers supervise 120 wraparound resource specialists who work directly in campuses. Duties of wraparound resource specialists include asset mapping in the community, scheduling philanthropic meetings, conducting needs assessments, coordinating with principals, and connecting students and families with resources in the community.

Wraparound resource specialists provide supporting resources for students and families at their assigned campus. These resources include building relationships with students; working with local apartment complexes to decrease the number of family evictions; bringing in counselors from local organizations to work with students on anger management; pairing students with local mentors; and offering students free bus passes, winter coats, and other essential supplies.

Houston ISD uses a locally developed software program to track common student needs and the work performed by campus wraparound resource specialists. The *Houston Chronicle* newspaper reviewed data from the district's wraparound services software program. The review found that, during school year 2018–19, wraparound resource specialists logged approximately 90,000 student check-ins or observations, 21,500 instances of connecting students with service providers, and 8,500 instances of providing direct resources. According to the *Houston Chronicle*'s review of software data and interviews with district staff, individual specialists inconsistently use the software to log their interactions and the supports provided, with specialist entries in a school year ranging from fewer than 250 to thousands.

Hiring for wraparound resource specialists is managed at the district level. However, adequate staffing for existing wraparound services programs is not fully in place, in part because budget requests reportedly have not aligned with program installation. During onsite interviews, district staff reported that budgetary approval came after school year 2018–19 had begun, causing a delay in hiring for positions. Staff indicated that the timeline for budgetary approvals also was expected to be a challenge to effective hiring for school year 2019–20. The Wraparound Services Department also experienced significant turnover among wraparound resource specialists between the first and second years of implementation.

According to onsite interviews, some campus principals do not prioritize or support the district's wraparound services initiative consistently. As a result, specialists have been assigned to support campuses in a capacity outside of their intended role. For example, staff reported that campus leaders task wraparound resource specialists with general administrative tasks such as cafeteria or playground monitoring.

Houston ISD's implementation of wraparound services involved minimal coordination with other service providers on campuses, such as social workers or counselors. Some

campus staff indicated that they are unaware of the duties of the wraparound resource specialists, or how they might be able to collaborate to build partnerships.

The district also does not have a clear, rigorous process to evaluate the effectiveness of the wraparound services initiative. When interviewed, district staff were not able to provide any documented performance metrics used to evaluate the initiative.

Wraparound services provide necessary supports for students to succeed academically and socially. However, failure to plan, implement, and evaluate the initiative effectively could result in financial inefficiencies and services that may not be optimal for students. Failure to coordinate wraparound services effectively with other campus support roles, such as social workers and counselors, could lead to lost time and inefficient use of resources.

Child Trends, a national education research nonprofit organization, issued a 2017 report on wraparound services and described the following key components for effective implementation in school districts:

- needs assessments;

- coordination of supports;

- integration within campuses;

- community partnerships; and

- data collection and tracking.

City Connects in Boston, a highly regarded wraparound services initiative, established strong requirements for its staff equivalent to wraparound resource specialists. City Connects sets the ratio of coordinators to students at 400 to 1 and requires staff to have a master's degree in social work or school counseling.

The Coalition for Community Schools, an alliance of national, state, and local youth development, community planning, family support, health, and other organizations, including the National Education Association, also provides resources and guidelines for effective wraparound services.

Houston ISD should develop, implement, and evaluate a strategic plan for a long-term, comprehensive system of the district's wraparound services initiatives.

The district's wraparound services director, in partnership with a committee of stakeholders, should develop and publish revised district implementation procedures, including standardized reporting requirements for all wraparound resource specialists.

District staff also should develop a long-term plan for comprehensive wraparound services, and the board should ensure that implementation follows an established, documented, strategic timeline. The district should ensure that implementation includes building effective processes and structures, increasing buy in, growing strong external partnerships, and collecting data to evaluate services.

The district also should develop a rigorous program evaluation plan for wraparound services. Program evaluation should include input from all stakeholders, and all findings should be presented transparently. The district should determine comprehensive data to collect and track, using effective district resources as a model. The district should align wraparound services with larger district improvement planning initiatives, to ensure an integrated, effective approach to providing learning supports to all students.

The district could implement this recommendation with existing resources.

IN-DISTRICT CHARTER CONTRACT MONITORING (REC. 17)

Houston ISD lacks adequate structures, contract language, and performance measures to monitor the effectiveness of in-district charter campuses.

Charter schools are publicly funded, open-enrollment schools that are exempt from some state laws and regulations that govern traditional public schools. Charter schools must adhere to the terms of a contract, or "charter," that enumerates the school's mission, academic goals, fiscal guidelines, and accountability requirements. In Texas, charter schools are overseen by local school district authorizers or the state authorizing office. The entity that authorizes the charter school has the power to close a school that does not meet the terms of its contract. An in-district charter school is a school that has been awarded a contract by a school district, not the state.

In an effort to increase school choice and equitable access to education districtwide, Houston ISD awards contracts to charter operators to organize and operate several in-district charter campuses. Houston ISD contracts with eight charter operators for 13 in-district charter campuses. Two charter operators, Energized for Excellence Academy, Inc., and Energized for STEM Academy, Inc., operate multiple charter campuses.

FIGURE 2–13
HOUSTON ISD IN-DISTRICT CHARTER CAMPUSES GRADES SERVED, RATINGS, AND ENROLLMENT
SCHOOL YEAR 2018–19

CAMPUS	GRADES	ACCOUNTABILITY RATING	ENROLLMENT
Energized for Excellence Academy, Inc.			
Early Childhood Campus	Prekindergarten to kindergarten	B	667
Elementary School	Kindergarten to grade 5	B	1,682
Intermediate School	Grades 6 to 8	B	522
Energized for STEM Academy, Inc.			
Southeast High School	Grades 9 to 12	B	315
Southeast Middle School	Grades 6 to 8	F	333
Southwest High School	Grades 9 to 12	B	200
Southwest Middle School	Grades 6 to 8	A	218
Inspired for Excellence Academy, Inc.			
Intermediate School	Grades 5 to 8	D	227
Mount Carmel Academy			
Mount Carmel Academy	Grades 9 to 12	B	340
Connections Academy of Texas, LLC. (1)			
Texas Connections Academy	Grades 3 to 12	C	5,696
Texas Southern University (TSU) (2)			
TSU Charter Lab School	Prekindergarten to grade 2	B	100
Leaders in Education, Inc.			
Young Learners	Prekindergarten	A	1,344
Young Scholars Academy for Excellence, Inc.			
Young Scholars Academy for Excellence	Prekindergarten to grade 8	D	129
Total			**11,773**

NOTES:
(1)   Connections Academy of Texas, LLC, formerly was known as Texas Connections Academy at Texas, LLC.
(2)   TSU Charter Lab School is paired with Houston ISD for accountability purposes and receives the same rating as the overall district rating.
SOURCE: Texas Education Agency, 2019 Accountability Listing and Student Enrollment, Public Education Information Management System, Standard Reports, school year 2018–19.

Figure 2–13 shows Houston ISD's in-district charter campuses, grades served, accountability rating, and student enrollment for school year 2018–19. Four in-district charters received accountability ratings lower than Houston ISD's overall B rating. In-district charters' accountability ratings varied greatly, with some receiving A ratings, and others receiving D and F ratings.

Houston ISD's in-district charters have the flexibility to develop their own curricula; however, they typically follow the same testing schedule as the district. Teachers and principals at charter campuses do not have to be certified.

The district negotiated three-year contracts for each in-district charter campus, subject to annual renewals by the board. In April 2019, the board voted 5–4 to authorize charter contract renewals for school year 2019–20.

Houston ISD has limited structures for in-district charter oversight and does not have an overall performance management plan to monitor program effectiveness. As autonomous entities, in district-charters are not formally monitored for quality services to students, and there are no publicly available criteria for charter authorization or reauthorization.

The district assigns several positions to serve as contacts to the in-district charter campuses. These include the charter school business manager, and the SSOs and area superintendents assigned to each in-district charter campus.

The charter school business manager primarily supports in-district charter campuses with operational support, such as human resources and purchasing issues. The charter school business manager said that the position is not tasked with monitoring in-district charter campus budgets, and is not responsible for academic oversight or monitoring of contractual performance measures. District-level staff and charter administrators expressed some confusion and misunderstanding about the role of the charter school business manager and oversight of the charter contracts. District-level staff stated that financial monitoring of budgets and appraisal of the overall quality of educational programs at in-district charter campuses was the responsibility of the charter school business manager. However, the charter school business manager said that the position was not tasked with financial or educational oversight.

As at all Houston ISD campuses, an SSO supervises each in-district charter principal. While SSOs provide similar support and oversight to charter campuses as they do for traditional campuses, they indicated no knowledge of the charter contracts. Additionally, the district has not established additional guidelines related to monitoring and oversight for SSOs assigned to in-district charters. The position does not have documented procedures to ensure continuity of oversight when the district has turnover. During onsite interviews, SSOs reported confidence in their ability to monitor in-district charters. However, they rely on charter operators to provide access and data and do not conduct unannounced site visits or random audits of records or information. SSOs also were uncertain regarding whether district expectations for principals also applied to charter campus principals. Each charter campus is assigned a different SSO and a different area superintendent.

The positions assigned tasks related to in-district charter campuses do not have sufficient communication to provide effective, coordinated oversight of the charters. They do not meet regularly to discuss management of the charters, and do not have clearly defined roles and responsibilities.

District and charter staff said that oversight of in-district charters has increased. They cited increased expectations of student achievement data collection and the assignment of SSOs for support and academic leadership. However, the district's organizational structure isolates the charter school business manager's oversight from SSO oversight, and does not have a clear position responsible for contract monitoring.

The district provides performance reports for all district campuses, including in-district charter campuses, on the Research and Accountability website. However, the district does not have public reports and performance evaluations specifically dedicated to the educational, operational, or financial performance of its in-district charters. There are no public reports of audits of in-district charter effectiveness on the Internal Audit website. The district does have a plan to review in-district charter campuses' principal, teacher, and student retention rates.

Houston ISD does not maintain a database or information on in-district charter campus staff because they are not Houston ISD staff. However, the district reportedly plans to develop a tracking system for contract staff. Houston ISD also does not have a publicly available vision statement related to provision of quality in-district charter campus options.

The district's lack of structures for oversight of in-district charter campuses may have contributed to inconsistent academic achievement. The district's limited financial oversight of in-district charters leaves it vulnerable to the consequences that result from the closure of campuses that are not fiscally sustainable. During school year 2017–18, Victory Preparatory Academy, an in-district charter, closed unexpectedly due to financial issues, forcing the district to find last-minute placements for affected students.

Ineffective academic oversight may have contributed to poor yearly progress for EL students in in-district charters. **Figure 2–14** shows the school year 2018–19 TELPAS results for Houston ISD's in-district charter campuses. Houston ISD's in-district charter campuses had an average of 72.4 percent of EL students that did not improve on the yearly progress measure for the school year 2018–19 TELPAS, which was significantly higher than the overall district average of 62.0 percent. Although two of the charter campuses included in the district's TELPAS reports had lower rates of EL students that did not improve, other in-district charters had rates up to 92.0 percent of EL students that did not make a single year's progress in language proficiency during school year 2018–19.

The National Association of Charter School Authorizers (NACSA) provides principles and standards for charter school authorizers, including the following key standards:

- maintain high standards for schools;

- uphold school autonomy; and

- protect student and public interests.

FIGURE 2–14
TEXAS ENGLISH LANGUAGE PROFICIENCY ASSESSMENT SYSTEM RESULTS FOR HOUSTON ISD IN-DISTRICT CHARTER CAMPUSES
SCHOOL YEAR 2018–19

CAMPUS	PERCENTAGE OF STUDENTS DEMONSTRATING NO GAIN ON YEARLY PROGRESS MEASURE
Energized for Excellence Academy Elementary School	58.0%
Energized for Excellence Academy Intermediate School	70.0%
Energized for STEM Academy Southeast High School	55.0%
Energized for STEM Academy Southeast Middle School	92.0%
Energized for STEM Academy Southwest High School	79.0%
Energized for STEM Academy Southwest Middle School	77.0%
Inspired for Excellence Academy Intermediate School	69.0%
Mount Carmel Academy	85.0%
Texas Connections Academy	67.0%
In-district Charter Average	**72.4%**
Houston ISD Average	**62.0%**

NOTE: No data were reported for three charter campuses.
SOURCE: Houston ISD, Research and Accountability Department, 2019 Texas English Language Proficiency Assessment System Results, school year 2018–19.

NACSA publishes 12 essential practices for charter school authorizers. **Figure 2–15** shows a comparison between NACSA's best practices and Houston ISD's practices.

A review of Houston ISD's charter contracts demonstrated the following weaknesses in contractual language:

- lack of individual site contracts;

- governing law section does not mention the charter's governing board, which has authority for policy and operational decisions;

- limited program description;

- vague performance standards;

- lack of clear academic, financial, and operational metrics;

- no requirement for performance audits and evaluations; few guidelines on school operations;

- enrollment section does not address student transfers and exits;

- facilities mentioned throughout, not in one section, and with no policy for alterations, inspections, and use of facilities;

- few explicit guidelines on school finance;

- limited employment specifications; and

- lack of clear specifications about breach of contract, termination, and dissolution.

Insufficient monitoring of in-district contracts results in risks for Houston ISD students and taxpayers. Without a financial monitoring process, the district may be unprepared for the unexpected closure of campuses belonging to charters that lack financial solvency and organizational stability. This closure displaces students and increases the district's burden of ensuring that students receive high-quality education. Ineffective contract language and management may put the district at risk of financial loss.

Houston ISD should increase academic and financial oversight of in-district charter campuses.

The district should task staff with contract-based oversight of in-district charters, revise language for subsequent charter renewals, implement a transparent process for reviewing and authorizing contract renewals, and publish evaluation reports for all stakeholders.

The superintendent should draft procedures that clearly define the roles and responsibilities of district positions involved with in-district charter campus oversight. These positions include the charter school business manager, the

FIGURE 2–15
BEST PRACTICES FOR CHARTER SCHOOL AUTHORIZERS
SCHOOL YEAR 2018–19

ESSENTIAL PRACTICE FOR CHARTER SCHOOL AUTHORIZERS	HOUSTON ISD PRACTICE
Have a published and available mission for quality authorizing.	In-district charter campuses developed individual missions, but no statement of Houston ISD vision for quality charter schools was available.
Have staff assigned to authorizing within the organization or by contract.	Charter school business manager serves all in-district campuses. School support officers (SSO) and area leadership vary by assignment and year. It is unclear who is responsible for reviewing and authorizing contracts.
Sign a performance contract with each school.	Houston ISD contracts with charters, but it is unclear how performance management is addressed in the contracting stage.
Have established, documented criteria for the evaluation of charter applications.	These criteria are not publicly available.
Publish application timelines and materials.	Does not occur.
Interview all qualified charter applicants.	This process is not described publicly.
Use expert panels that include external members to review charter applications.	This process is not described publicly.
Grant initial charter terms of five years only.	This process is not described publicly.
Require and/or examine annual, independent financial audits of its charter schools	These audits do take place.
Have established renewal criteria.	These criteria are not publicly available.
Have established revocation criteria.	These criteria are not publicly available.
Provide an annual report to each school on its performance.	This report is not provided.

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, March 2019; National Association of Charter School Authorizers, 2019.

SSO, and the area superintendent. These procedures should delineate the duties of each position with respect to contract monitoring, and should provide guidelines for communication and coordinated oversight.

The district should align the contract format to the NACSA model charter contract. NACSA recommends that a quality authorizer carries out the following actions:

- execute a contract with a legally incorporated governing board independent of the authorizer;

- grant charter contracts for an initial term of five operating years or longer only with periodic high-stakes reviews every five years;

- define material terms of the contract;

- ensure mutual understanding and acceptance of the terms of the contract by the school's governing board before authorizing or granting the charter; and

- enable and require contract amendments for occasional material changes to a school's plans, but not require amending the contract for nonmaterial modifications.

The district should consider developing individual site contracts, as NACSA strongly encourages authorizers to execute an individual contract with each school it authorizes, even when a single board governs multiple schools. This expectation need not and should not result in burdensome negotiations or costly legal fees. By using a uniform and streamlined template for all of its schools, an authorizer can develop a strong in-district charter campus contract for each of its campuses.

The district should also expand the contract's governing law section. Specifically, NACSA recommends including sections on bylaws, composition, affiliation, conflicts of interest, and non-commingling of funds.

The district should restructure the contract's program description. NACSA recommends that the education program section include the design elements, content standards, curriculum, graduation requirements for high schools, staff qualifications, staff trainings, student assessment, and serving ELs and students with disabilities.

The district should revise charter contracts to include additional school performance standards and requirements for an annual performance review of the charters' academic, operational, and financial performance.

District staff also should update the subsequent contracts to include additional guidelines on school operations. This section could include public school status that specifies local, state, and federal law and regulations that apply to charters; nonsectarian status; open meeting and public records rules; nondiscrimination; and the authorizer's right to review.

District staff should develop charter contracts with a restructured enrollment section, providing clear policy related to student transfers and exits. The district should consider developing one school facilities section that includes policies for alterations, inspections and use of facilities.

District staff should consider adding a specific section on financial management. NACSA recommends specifying the following sections:

- commonly accepted accounting practices and the capacity to implement them;

- a checking account;

- adequate payroll procedures;

- an organizational chart;

- procedures for the development and review of monthly and quarterly financial reports that specifically identify the position that will be responsible for preparing such financial reports in the following fiscal year;

- internal control procedures for cash receipts, cash disbursements, and purchases; and

- maintenance of asset registers and financial procedures for grants in accordance with applicable state and federal law.

In addition, the district should consider specific mention of independent financial audits in accordance with governmental accounting standards, and quarterly financial reports.

District staff also should consider expanding the employment section to make specific reference to employee–agency relationships, subcontracts, retirement plans, teacher members in professional organizations, and background checks.

The district's charter contract also should be revised to include additional specifications on breach of contract,

termination, and dissolution. The district should consider adding more specific information about termination by authorizer, other remedies, termination by the school, and dissolution and disposition of school's assets upon termination or dissolution.

The district should review principal, educator, and student retention rates as part of the in-district charter campus performance contract. The district should require in-district charter campuses to complete an annual report outlining effectiveness in student performance, retention of students and staff, teacher and leader certification, fiscal responsibility, and other indicators of school health. District staff should prepare an annual one-page section in-district charter campus quality report for public review. These resources are important for parents and provide a public indication that the district is monitoring in-district charter campus activities.

Since the time of the review, the district has amended charter agreements for school year 2019–20 to include new language addressing the lack of individual program descriptions; lack of clear academic expectations; lack of clear financial expectations; and lack of clear expectations about breach of contract, terminations, and dissolution. The new language also addressed the requirements of the Texas Public Information Act. The district also audited the closing of Victory Preparatory Academy.

The district could implement this recommendation with existing resources.

ADDITIONAL OBSERVATIONS

During fieldwork, the review team observed additional issues regarding the district's programs and services to students, staff, and the community. These observations are presented for consideration as the district implements the report's other findings and recommendations.

- The district's Research and Accountability Department produces a high volume of well-researched evaluation reports for educational programs. The assistant superintendent of research and accountability solicits input from stakeholders across academic departments when developing an annual program evaluation plan. The department leverages a partnership with Rice University's Houston Education Research Consortium to provide additional staffing and expertise for evaluating services and operations within Houston ISD. Departmental staff meet with relevant leadership

at the conclusion of the evaluation, document their responses, and publish the reports for stakeholders through channels including the district's website and email distribution lists. However, the district lacks clear standards for follow-up action and documentation upon receipt of an evaluation report, does not have a schedule of program evaluation that mandates regular evaluation of all major student education programs, has not developed an associated staffing plan, and might not be leveraging all available resources for dissemination of completed evaluation reports.

- Houston ISD implemented a new structure for its approach to response to intervention during school year 2017–18 by appointing campus-based Intervention Assistance Team (IAT) liaisons at all campuses. These liaisons work directly with Houston ISD's IAT managers to serve students with tiered instruction. However, the district has not yet established the conditions and supports for effective, consistent implementation of response to intervention across all campuses.

- Houston ISD serves more than 12,400 early childhood students ages three to five in prekindergarten, early childhood centers, and in-district charters at local daycare facilities. The district does not effectively evaluate early childhood programs for alignment with national standards. It uses a product-dependent curriculum, provides limited instructional resources, and lacks program evaluation for all ages and placements of early childhood students.

- Within Houston ISD's decentralized system, campus principals are the primary campus budget authority and are responsible for complex budgetary decisions. These decisions include staffing; use of local, state, and federal funds; purchases of instructional resources and materials; and campus professional development. Houston ISD provides principals with trainings, written guidelines, budget analyst support, and a mentorship program for new principals; however, these district supports may insufficiently prepare principals for effective financial decision making. The district should evaluate existing supports to identify additional opportunities to build campus budget capacity among principals. The Financial Management

chapter of this report recommends that the district increase budget oversight for principals and develop a process to link campus budgets with district and school improvement planning.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's School Performance Review Team did not assume a fiscal impact for the recommendations in this chapter. Any savings or costs will depend on how the district chooses to address these findings.

3. FINANCIAL MANAGEMENT

For school year 2018–19, Houston Independent School District (ISD) adopted a budget of approximately $2.0 billion. With $2.08 billion in adopted budgeted expenditures, the district approved its deficit budget with a plan to spend more than it receives in revenue. The budget deficit is funded from the district's fund balance.

ACCOMPLISHMENTS

- Houston ISD requires all staff to be paid by direct deposit, which is an effective and efficient system that provides timely processing of payroll for district staff.

- Houston ISD has centralized all activity funds and has implemented an internal audit program to review systematically the activity funds that are at greatest risk.

- Houston ISD's Medicaid Finance and Consulting Services Department provides Medicaid claiming fund services to 101 school districts throughout Texas and operates at a profit, which provides additional funding for the district's general fund.

FINDINGS

- Houston ISD lacks a strategic planning process to align the district's departmental budgets with its goals.

- Houston ISD lacks a process that ties campus-level budget expenditures to the individual goals of school improvement plans.

- Houston ISD lacks oversight and segregation of duties for the fiscal administration of bond projects.

- Houston ISD's Office of the chief financial officer (CFO) does not provide timely financial reporting that enables the board to perform budget monitoring throughout the year.

- Houston ISD conducts limited capital budgeting during the normal budget cycle apart from major, bond-funded construction projects.

- Houston ISD's board has not determined an optimal threshold for reserves in the district's general fund, internal service funds, and enterprise funds.

- Houston ISD does not pay invoices on time consistently, which increases the risk of paying interest on overdue invoices.

- Houston ISD lacks a process to enhance the enterprise software system in a timely manner to address operational efficiencies across the district.

- Houston ISD lacks effective controls to process staff terminations in the human resources and payroll system, which results in overpayments.

- Houston ISD's Alternative Certification Program has operated at an annual loss for the past three years, and the trend appears to be continuing.

- Limited communication among departments in the CFO's Office has resulted in operational separations, resulting in a lack of coordination and decreasing opportunities to promote efficiencies.

RECOMMENDATIONS

- **Recommendation 18: Implement a strategic planning and budget model that ties the district's departmental budgets to specific, measurable goals outlined by the administration.**

- **Recommendation 19: Tie campus budgets to school improvement plan goals and hold principals accountable for achieving the results on their campuses when the budgets are approved.**

- **Recommendation 20: Ensure that the CFO's Office provides fiscal oversight and accountability in monitoring construction projects, provides input during the planning stages, and advises the board as project overruns and savings are identified.**

- **Recommendation 21: Prepare updated financial statements comparing actual amounts to budgeted amounts and share the information with the board monthly, highlighting major budget variances and including budget amendments that require board approval.**

- **Recommendation 22: Track and prepare an ongoing list of capital needs and develop a capital needs budget for presentation to the board annually.**

- **Recommendation 23: Establish a board policy that mandates a required level of unrestricted**

fund balance for the general fund, internal service funds, and enterprise funds.

♦ **Recommendation 24: Promote accountability and decrease the number of invoices paid late by deducting from departmental and campus budgets late payment charges billed to the district by vendors.**

♦ **Recommendation 25: Implement the modules approved by the board for the district's enterprise software system and establish an implementation and prioritization committee to help guide system upgrades and address identified operational inefficiencies districtwide.**

♦ **Recommendation 26: Strengthen the process for staff terminations in the human resources and payroll system to eliminate overpayments, and complete the corrective action plans recommended by external and internal auditors.**

♦ **Recommendation 27: Increase the annual revenue of the alternative certification program to meet operating expenses, or eliminate the program and seek partnerships with other certifying organizations to meet Houston ISD's ongoing needs.**

♦ **Recommendation 28: Resume regular weekly staff meetings with department managers to exchange information, inform staff, and seek opportunities to increase efficiencies and collaboration across teams.**

BACKGROUND

An independent school district's financial management function administers a district's financial resources and plans for its priorities. Administration may include budget preparation, accounting and payroll, administrative technology, and auditing. Planning may include aligning a district's budget with its district and campus priorities, allocating resources, and developing a specified set of districtwide goals.

Budget preparation and administration are critical to overall district operations. Financial management includes budget development and adoption, oversight of expenditure of funds, and involvement of campus and community stakeholders in the budget process. Managing accounting and payroll includes developing internal controls and safeguards, reporting account balances, and scheduling disbursements to maximize funds. Management of this area includes segregation of duties, use of school administration software systems, and providing staff

training. State law requires all school districts to have an external auditor review the district's compliance with established standards and practices. The audit provides an annual financial and compliance report, an examination of the expenditure of federal funds, and a report to management on internal accounting controls.

Houston ISD's chief financial officer oversees the district's financial management. For school year 2018–19, the CFO's Office budget was approximately $13.7 million, excluding the enterprise fund budget for Medicaid Finance Consulting Services of $8.4 million. The CFO also serves as the financial adviser to the superintendent and the Houston ISD Board of Education. The CFO's Office manages the following functions:

- budget and distribute district resources;

- maximize revenues;

- maintain public trust and confidence by providing complete, timely, and accurate financial information;

- safeguard assets by maintaining and continuously improving internal controls;

- implement consistent application of sound management practices and controls; and

- understand and respond to internal and external customers' business needs.

The CFO's Office includes 302 staff distributed among the following departments:

- Controller's Office – 72;

- Budget /Financial Planning Department – 47;

- Benefits Department – 25;

- Medicaid Finance Consulting Services (Enterprise Fund) – 49;

- Business Logistics and Purchasing Department – 106; and

- Tax and Finance Management Attorney – 3.

Figure 3–1 shows the organization for the CFO's Office and the departments in the district reporting to the CFO.

The CFO's Office also oversees the Medicaid Finance and Consulting Services (MFCS) Department, but it operates as a separate Enterprise Fund. An enterprise fund provides goods or services for a fee. The MFCS budget was approximately $8.4 million for school year 2018–19.

FIGURE 3–1
HOUSTON ISD CHIEF FINANCIAL OFFICER'S OFFICE
SCHOOL YEAR 2018–19
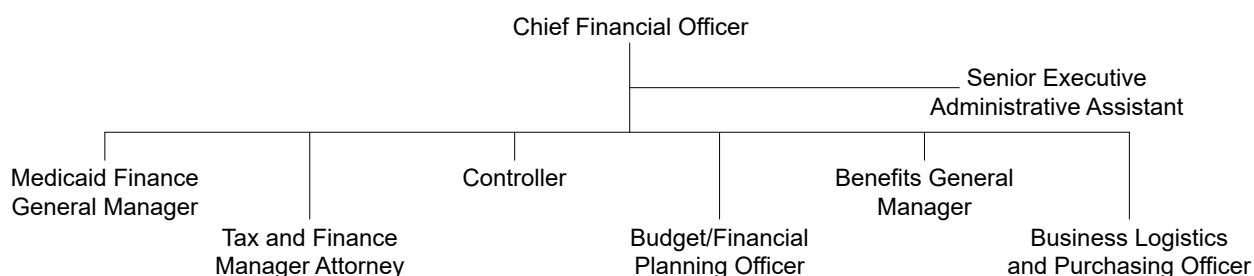
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

Houston ISD also has an Office of Internal Audit led by the chief audit executive, who reports directly to the board. The Office of Internal Audit consists of 17 staff including the chief audit executive.

The role of the Office of Internal Audit is defined by the Internal Audit Activity Charter, which is established by the Audit Committee of the Houston ISD board as part of its oversight responsibilities. The Office of Internal Audit evaluates risks and related internal controls throughout the district. That responsibility is implemented through the following steps:

- confirming that the internal controls, as established and represented by management, are adequate in relation to related risks;

- confirming through compliance testing and other procedures that the process operates effectively and efficiently, as intended; and

- reporting the results of audit work performed and offering recommendations for improving the internal control process.

In addition, the department conducts investigative audits as necessary to assist management in the deterrence and detection of fraud and fraud risks. The frequency and scope of auditing the internal control process is determined by the chief audit executive as approved by the board's Audit Committee.

Houston ISD also is required to perform an annual audit of the district's financial statements by an independent external auditor and file a copy of the audit report with the Texas Education Agency (TEA). The district's school year 2017–18 financial audit was conducted by Weaver and Tidwell, LLP.

FIGURE 3–2
HOUSTON ISD GENERAL FUND BALANCES
SCHOOL YEARS 2015–16 TO 2017–18

CATEGORY	(IN MILLIONS)		
	2015–16	2016–17	2017–18
Beginning Fund Balance	$646.2	$738.2	$701.8
Ending Fund Balance	$738.2	$701.8	$612.7
Increase/(Decrease)	**$92.1**	**($36.4)**	**($89.2)**
Percentage change from previous year	**14.3%**	**(4.9%)**	**(12.7%)**

NOTE: Some amounts may not add due to rounding.
SOURCE: Texas Education Agency, Public Education Information Management System Financial Data, school years 2015–16 to 2017–18.

Figure 3–2 shows Houston ISD's fund balances for school years 2015–16 to 2017–18. A fund balance is the amount of district assets in excess of liabilities. These assets could include investments, delinquent taxes, accounts receivable, and inventories. The fund balance has decreased by approximately $126.0 million from school years 2015–16 to 2017–18. TEA recommends a minimum unrestricted fund balance of approximately two and one-half months of operating expenditures. Houston ISD's fund balance met this standard for school years 2015–16 to 2017–18.

The Legislative Budget Board's School Performance Review Team visited the district in February 2019. At the time of the visit, the state's funding structure required Houston ISD to make a recapture payment pursuant to the Texas Education Code, Chapter 41. Recapture is an element of the state's school finance system that is intended to equalize educational funding by redistributing revenue from property-wealthy districts to property-poor districts. Houston ISD became subject to recapture during school year 2016–17.

FIGURE 3–3
HOUSTON ISD GENERAL FUND FINANCIAL DATA, SCHOOL YEARS 2015–16 TO 2018–19

CATEGORY	2015–16	2016–17	2017–18	2018–19 (1)
Revenue				
Local Tax	$1,529,263,318	$1,512,470,194	$1,505,922,055	$1,728,092,547
Other Local and Intermediate	$16,992,241	$20,030,151	$28,656,369	$21,074,717
State	$272,213,563	$159,777,753	$243,073,835	$215,146,388
Federal	$6,084,051	$6,988,840	$8,381,410	$13,031,351
Total Revenue	**$1,824,553,173**	**$1,699,266,938**	**$1,786,033,669**	**$1,977,345,003**
Operating Expenditures (2)				
11 Instruction	$1,004,946,452	$975,234,695	$1,013,285,075	$889,510,266
12 Library and Media Services	$5,551,882	$7,611,038	$9,110,780	$6,431,199
13 Curriculum and Staff Development	$31,464,690	$21,056,499	$26,994,866	$15,904,206
21 Instructional Leadership	$20,501,219	$22,268,668	$20,236,431	$12,146,830
23 School Leadership	$135,825,044	$130,282,922	$148,075,733	$128,708,219
31 Guidance and Counseling Services	$41,099,892	$40,441,387	$47,412,822	$39,808,046
32 Social Work Services	$2,219,249	$1,990,433	$1,699,272	$7,503,623
33 Health Services	$16,689,304	$17,145,888	$18,653,686	$15,779,777
34 Transportation	$49,921,447	$56,334,727	$62,299,305	$47,720,599
35 Food	$28,775	$0	$0	$0
36 Extracurricular	$15,530,793	$15,739,181	$19,241,937	$16,327,359
41 General Administration	$33,100,182	$40,586,800	$37,676,235	$545,903,457
51 Plant Maintenance and Operations	$161,105,910	$174,979,381	$221,676,748	$151,497,246
52 Security and Monitoring	$24,164,168	$23,661,897	$24,805,023	$20,715,910
53 Data Processing Services	$70,517,543	$63,590,473	$62,248,490	$137,100,411
61 Community Services	$2,196,933	$2,107,848	$2,292,234	$457,695
Total Operating Expenditures	**$1,614,863,483**	**$1,593,031,837**	**$1,715,708,637**	**$2,035,514,843**

NOTES:
(1)   Data for school year 2018–19 are budgeted.
(2)   Category numbers are the numerations used by the Texas Education Agency to classify expenditures.
SOURCE: Texas Education Agency, Public Education Information Management System Financial Data, school years 2015–16 to 2017–18 actual data and 2018–19 budgeted data.

The review team assessed Houston ISD's operations based on the school finance system in effect during the onsite visit. However, House Bill 3, Eighty-sixth Legislature, 2019, made significant changes to the Foundation School Program that affect the amount of state aid that the district receives and its recapture payment obligations. Pursuant to House Bill 3, Houston ISD will not make recapture payments for school year 2019–20, and will pay an estimated $45.4 million for school year 2020–21. The district also will receive increased state and local revenue for the next two school years compared to what it would have received before the law's enactment. These total increases amount to an estimated $97.5 million for school year 2019–20, and $124.8 million for school year 2020–21.

Figure 3–3 shows Houston ISD's actual financial data for school years 2015–16 to 2017–18 and budgeted financial data for school year 2018–19 for the general fund.

As shown in **Figure 3–3**, the largest expenditure categories for each of these years are instruction and plant maintenance and operations. School leadership, data processing services, transportation, and guidance and counseling services also were significant expenditure categories. For school year 2018–19, general administration expenses increased to $545.9 million from $37.7 million during school year 2017–18. The district told the review team that it reported general administration expenses erroneously to the Public Education Information

FIGURE 3–4
HOUSTON ISD TAX RATE COMPARED TO PEER DISTRICTS
SCHOOL YEARS 2015–16 TO 2017–18

RATE	HOUSTON ISD	AUSTIN ISD	DALLAS ISD	CYPRESS–FAIRBANKS ISD
2015–16				
Maintenance and Operations (M&O)	$1.03	$1.08	$1.04	$1.04
Interest and Sinking (I&S)	$0.17	$0.12	$0.24	$0.40
Total Tax Rate	**$1.20**	**$1.20**	**$1.28**	**$1.44**
2016–17				
M&O	$1.03	$1.08	$1.04	$1.04
I&S	$0.18	$0.11	$0.24	$0.40
Total Tax Rate	**$1.21**	**$1.19**	**$1.28**	**$1.44**
2017–18				
M&O	$1.04	$1.08	$1.04	$1.04
I&S	$0.17	$0.11	$0.24	$0.40
Total Tax Rate	**$1.21**	**$1.19**	**$1.28**	**$1.44**

SOURCE: Texas Education Agency, Public Education Information Management System Financial Data, school years 2016–17 to 2017–18.

Management System. Food Services is an enterprise fund and is not included in the general fund budget.

Peer districts are districts similar in size and other characteristics to Houston ISD that the review team uses for comparison purposes. The review team selected three school districts, Austin ISD, Dallas ISD, and Cypress–Fairbanks ISD as peer districts for Houston ISD. **Figure 3–4** shows that Houston ISD had a higher total tax rate than one of its peer districts for school years 2016–17 and 2017–18 and a lower total tax rate than two of its peers for the three-year period.

School districts in Texas receive two financial accountability ratings, the School Financial Integrity Rating System of Texas (FIRST) and Smart Score. FIRST is Texas' school financial accountability rating system intended to hold public schools accountable for the quality of their financial management PRACTICES, and for the improvement of those practices. The goal of FIRST is to encourage school districts to provide the maximum allocation possible for direct instructional purposes. The Smart Score rating measures academic progress and spending at Texas' school districts and campuses. These ratings, which range from one star (low) to five stars (high), indicate a district's success in combining cost-effective spending with the achievement of measurable student academic progress. Smart Score rates academic and spending ratings as low, average, or high. The district and campus Smart Score calculations use three-year averages to calculate more stable and consistent measures with less year-to-year volatility. The 2019 Smart Score rating results use data from school years 2015–16 to 2017–18.

Figure 3–5 shows Houston ISD's FIRST and Smart Score ratings compared to peer districts. Houston ISD and all three peer districts scored a FIRST rating of A/Superior for school year 2017–18. Houston ISD has scored A/Superior for each of the last five years, except school year 2014–15, when the top rating for FIRST was Pass. During school year 2018–19,

FIGURE 3–5
HOUSTON ISD FIRST AND SMART SCORE RATINGS COMPARED TO PEER DISTRICTS
SCHOOL YEAR 2018–19

DISTRICT	FIRST RATING	SMART SCORE	SMART SCORE ACADEMIC PERFORMANCE	SMART SCORE SPENDING
Houston ISD	**A/Superior**	**4**	**Average academic progress**	**Very low spending**
Austin ISD	A/Superior	3	High academic progress	High spending
Dallas ISD	A/Superior	3	High academic progress	High spending
Cypress–Fairbanks ISD	A/Superior	5	Very High academic progress	Very low spending

NOTE: FIRST=Financial Integrity Rating System of Texas.
SOURCES: Texas Education Agency, Financial Integrity Rating System of Texas, school year 2017–18; Texans for Positive Economic Policy, 2019 Smart Scores.

FIGURE 3–6
HOUSTON ISD STAFF SURVEY RESULTS
FEBRUARY 2019
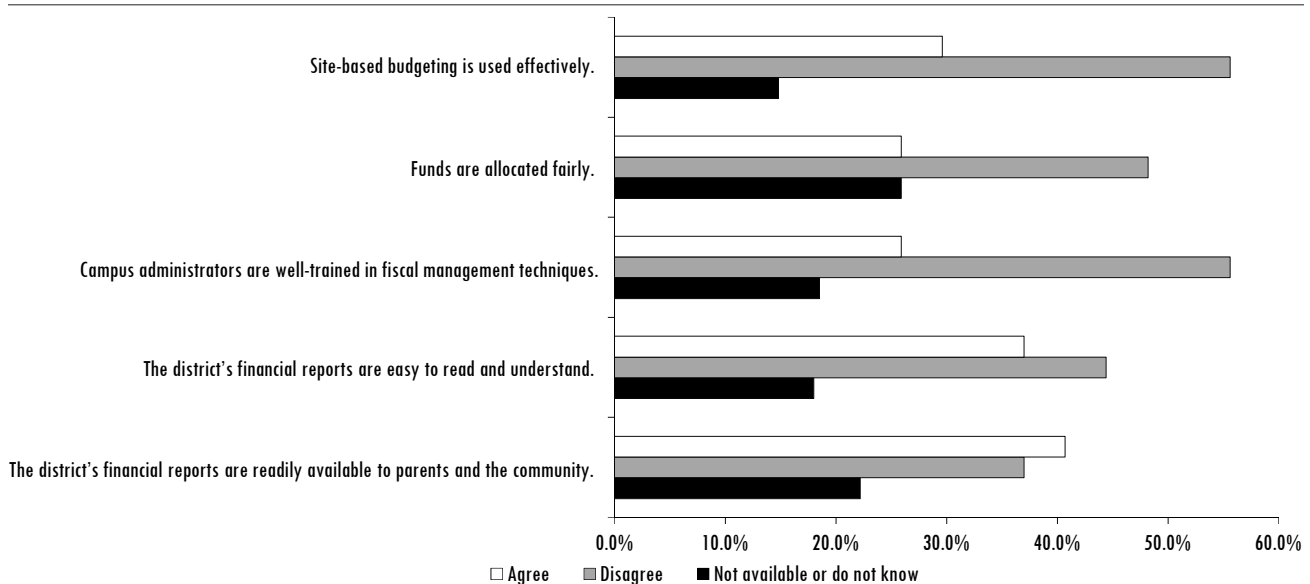
SOURCE: Legislative Budget Board School Performance Review Team; February 2019.

Houston ISD received a 4.0 Smart Score, with an academic performance rating of average academic progress and a very low spending rate. Houston ISD's school year 2018–19 Smart Score rating is higher than two of its peer districts.

A survey conducted by the review team before the onsite visit indicated that district staff disagree overall that the financial management of the district is efficient and effective. **Figure 3–6** shows the results of the district staff survey.

DETAILED ACCOMPLISHMENTS

DIRECT DEPOSIT

Houston ISD requires all staff to be paid by direct deposit, which is an effective and efficient system that provides timely processing of payroll for district staff.

The district distributes payroll to all staff through direct deposit or pay cards. A staff website facilitates a fast, convenient, and easy way for staff to view and print pay statements. According to NACHA (formerly the National Automated Clearing House Association), savings per check for a district using direct deposit can range from $2.87 to $3.15. These savings are significant considering the number of staff.

CENTRALIZATION OF ACTIVITY FUNDS

Houston ISD has centralized all activity funds and has implemented an internal audit program to review systematically the activity funds that are at greatest risk.

Activity funds are established to direct and account for funds used to support school-related student activities. The amount of activity funds processed in fiscal year 2018 at Houston ISD was approximately $40.0 million. During calendar year 2015, the district centralized all activity funds so that all deposits and disbursements are processed through the central business office enterprise system. The centralized system requires that all funds are deposited to an account controlled by the district, rather than accounts established by campuses or organizations, which decreases the risk of malfeasance and ensures uniform processing of activity funds. In addition, the Office of Internal Audit performs regular audits of the activity funds that are at greatest risk and makes recommendations for improving oversight and increasing internal controls to safeguard the funds.

MEDICAID FINANCE AND CONSULTING SERVICES PROFITABILITY

Houston ISD's Medicaid Finance and Consulting Services Department provides Medicaid claiming fund services to 101 school districts throughout Texas and operates at a profit, which provides additional funding for the district's general fund.

The district established the Medicaid Finance and Consulting Services (MFCS) Department to provide professional consulting and decision support services to other school districts to maximize their Medicaid revenue and provide

School Health and Related Services (SHARS) training that meets Medicaid regulatory compliance.

MFCS charges districts from 3.0 percent to 5.0 percent of the amount claimed and received, depending on the level of service provided. The department has staff dedicated to working with school districts, and staff that work only on Houston ISD claims. The MFCS Department's positive work includes the following examples:

- department staff have more than 20 years of experience in SHARS billing;

- during the past 10 years, the district has sustained a client retention rate of 70.0 percent;

- the department offers lower fees to all Texas districts through a competitive fee structure;

- the web-based SHARS billing system, eSHARS, is user-friendly and decreases processing time for all aspects of servicing and billing; and

- as of February 2019, 101 school districts are being served.

For the fiscal year ending June 30, 2018, the operational results of the MFCS Department included a profit of approximately $1.3 million. These results represent a 51.0 percent profit after all operating expenditures, including payroll, have been considered. The profits derived from the MFCS Department represent additional resources that the district has been able to transfer to the general fund to support district operations and programs.

DETAILED FINDINGS

STRATEGIC BUDGETING (REC. 18)

Houston ISD lacks a strategic planning process to align the district's departmental budgets with its goals.

Although campus budgets are determined by student enrollment counts, department budgets are developed primarily by using the previous year's budgeted amounts. The Budgeting and Financial Planning Department prepares a budget book annually, with input from the district's department chiefs. The budget book outlines the district's budget guidelines and details its budget development process. Department chiefs are the executive leadership positions in the administration for their area of responsibility. During school year 2018–19, Houston ISD had 14 department chiefs that developed departmental budgets. The chief operating officer, chief academic officer, and chief technology officer manage the departments with the largest operating budgets.

The superintendent reviews the compiled budgets for the district before Budgeting and Financial Planning Department staff present them to the school board in early June as a recommended budget. The superintendent's leadership team reviews budget increase requests and recommends overall prioritization of programs and activities. The school board analyzes the documentation and conducts public hearings and workshops to get input from the community on district spending plans. After final revision and amendment, the board formally adopts the budget in late June.

During calendar year 2010, Houston ISD was involved in a strategic planning process that identified the following five core initiatives to transform the district:

(1) effective teacher in every classroom;

(2) effective principal in every school;

(3) rigorous instructional standards and supports;

(4) data-driven accountability; and

(5) culture of trust through action.

These initiatives appear in the district improvement plans (DIP) for school years 2011–12 and 2012–13, but not in the school year 2013–14 DIP. The district has made no further updates to the strategic initiatives website since school year 2012–13.

In October 2016, the Budgeting and Financial Planning Department staff recommended to the superintendent and administration officials a more strategic approach to budgeting for the school year 2017–18 budget cycle, during which Houston ISD became subject to recapture through the school finance system.

Figure 3–7 shows the budget planning process presented to the district administration for consideration. The process begins in October with a planning and prioritization phase that would provide district leaders time to plan for the effects of recapture and link the future budget to the district's priorities.

According to interviews with district staff, the administration determined that the process would be too time-consuming and require too many resources to implement. Administration continued the district's existing approach, which bases the new budget on the previous year's budget. Following the presentation, limited planning took place to align district and departmental goals with limited financial resources and prepare the district for the effects of recapture. The current budget process of basing the new budget on the previous year's budget does not identify stated priorities for each department or tie funding levels for each department to documented goals for the coming year.

FIGURE 3–7
HOUSTON ISD BUDGET PLANNING CHART
SCHOOL YEAR 2017–18

CATEGORY	PHASE 1: PLAN AND PRIORITIZE (OCTOBER)	PHASE 2: ANALYZE CURRENT PERFORMANCE (NOVEMBER)	PHASE 3: ALIGN AND PAY FOR PRIORITIES (DECEMBER TO JANUARY)	PHASE 4: BUILD BUDGET (FEBRUARY TO JUNE)	PHASE 5: IMPLEMENT PLAN AND MEASURE (ONGOING)
Goals	• organize committees; • set strategy; • priority definition; and • start engaging stakeholders	• analyze current performance; • define initiatives; and • estimate cost of priorities	• align people and technology to priorities; • identify top savings options; • engage the board following this phase	• balance budget tradeoffs; and • adopt annual budget	• build internal capacity; and • plan for continuous improvement
Participants	• superintendent and cabinet; and • department heads	• superintendent and cabinet; • department heads; • budgeting (finance); and • research and analysis	• superintendent and cabinet; and • budgeting	• superintendent and cabinet; • individual departments; • schools; and • budgeting team	• steering committee; • working team; • research and analysis; • procurement; and • other – TBD
Purpose and Outcomes	• identify the major services and service levels or programs provided by departments; and • set priorities	• review and analyze current learning performance; • root cause analysis; and • analysis of costs associated with operational services	• define initiatives by aligning wish list to priorities; • prioritize spending based on fiscal constraints; and • priority communication	• build school and department budgets; • validation and reconsideration; • RAH approval (March); and • final budget adoption (June)	• monitor performance; • enforce accountability – appraisals?; and • other – TBD
Meetings and Activities	• introduction to process in cabinet; • compile list of programs and services provided in the district; and • identify list of priorities	• analyze student performance; • analyze PRAT results; and • analyze costs associated with operational programs (top 5 spenders)	• developed ranked list of investment priorities; • develop ranked list of programs and activities for reduction; and • stakeholder collaboration	TBD, per budgeting	TBD
Tools	Priorities and Programs template				
Deliverables				TBD	TBD
Risks				TBD	TBD

NOTE: TBD=to be determined; RAH=Resource Allocation Handbook; PRAT=Program Resource Allocation Totals.
SOURCE: Houston ISD, February 2019.

Figure 3–8 shows Houston ISD's student enrollment and general fund budget for school years 2016–17 to 2018–19. Enrollment decreased by 5,636 students and the general fund budget increased by 27.7 percent.

Figure 3–9 shows the timeline of activities in the fiscal year 2019 budget book associated with the process of preparing the budget. The process begins in November and ends in June when the board formally adopts the budget for the next school year.

Figure 3–10 shows information presented at the February 1, 2018, budget workshop outlining the district's budget strategy during the past few years. The strategy primarily is reactive and focuses on the district's challenges rather than its goals.

FIGURE 3–8
HOUSTON ISD ENROLLMENT AND GENERAL FUND OPERATING BUDGET
**SCHOOL YEARS 2016–17 TO 2018–19**

(IN MILLIONS)

CATEGORY	2016–17	2017–18	2018–19	2018–19 CHANGE FROM 2016–17	PERCENTAGE CHANGE
Enrollment	215,408	213,528	209,772	($5,636)	(2.6%)
General Fund Operating Budget (1)	$1,593	$1,716	$2,035	$442	27.7%

NOTE: (1) Amounts shown are actual amounts for school years 2016–17 and 2017–18 and budgeted amounts for school year 2018–19. Amounts are rounded to millions. Excludes debt service and capital outlay.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 3–9
HOUSTON ISD BUDGET DEVELOPMENT TIMELINE
FISCAL YEAR 2019
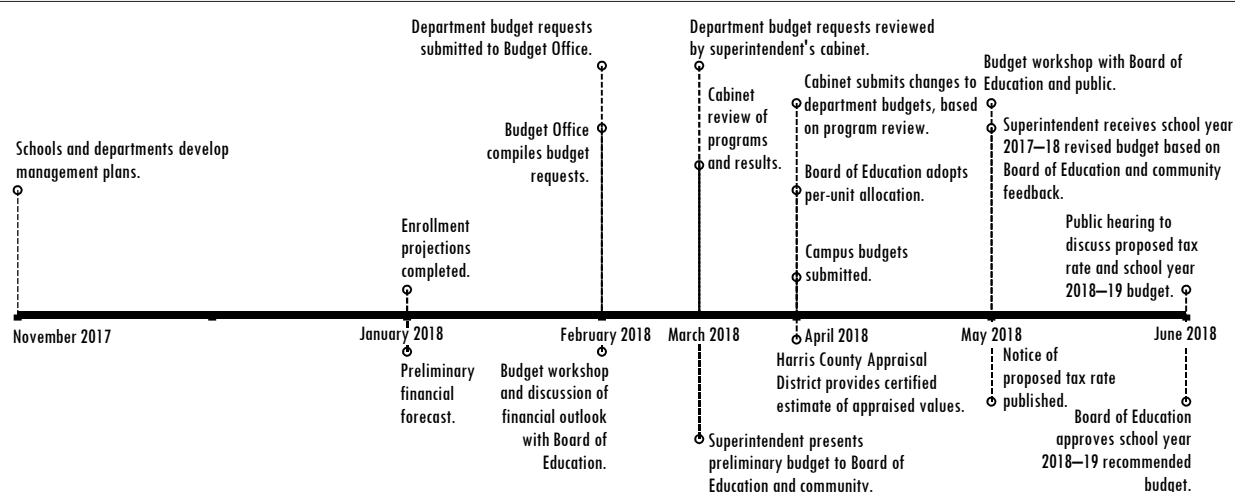
SOURCE: Houston ISD, February 2019.

FIGURE 3–10
HOUSTON ISD BUDGET STRATEGY, FEBRUARY 2018

STEP	DESCRIPTION
Determine shortfall	$208.0 million = available funding - budget needs and priorities
Lessen impact on campuses	• 44.0% schools reduction • 56.0% department reduction
Ensure reductions proportional to overall share of district budget	Example: Business Operations • 29.0% share of department budget available to cut • 29.0% share of department reduction

SOURCE: Houston ISD Budget Book presentation, February 2018.

None of the budget planning guidelines in the school year 2018–19 budget book address how increases or decreases in funding advance departmental plans, nor are any of the districtwide goals mentioned or associated with financial resources.

According to interviews with the superintendent and the Budgeting and Financial Planning Department, the superintendent informed the department chiefs regarding the amount of budget decreases required for their departments for school year 2018–19. The department chiefs then were tasked with deciding how best to allocate the decreases within their departments.

Figure 3–11 shows the departmental budget request spreadsheet that the CFO sends to every department chief.

FIGURE 3–11
HOUSTON ISD DEPARTMENTAL BUDGET TEMPLATE
FEBRUARY 2019

Choose Chief	Chief Financial Officer
2018–2019 Budget Request Reduction Summary	
2018–2019 Position Actions	
Cost of Position Opens (automatically populates if data entered on tab 3)	
Credit for Position Closes (automatically populates if data entered on tab 4)	
Total 2018–2019 Position Changes	
2018–2019 Non-Salary Budgets	
2017–2018 Original Budget Non-Salary +/- Permanent Transfers	
2018–2019 Non-Salary Budget Entered	
Non-Salary Budget Variance	
2018–2019 Reduction Amount (enter amount provided by your Chief)	
2018–2019 Reduction Balance	

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

The CFO uses the previous year's budget and proposed decreases for the current year to develop the template.

Figure 3–12 shows the general fund budgets by chief for school years 2016–17 to 2018–19, including the changes from school years 2017–18 to 2018–19 and from 2016–17 to 2018–19 for comparison. Although the district has reorganized departments, renamed divisions, and reorganized staff positions considerably within the general fund budget, the net effect of these changes from school years 2016–17 to 2018–19 is an increase of $164.7 million for the period, Approximately $102.0 million of this amount shown in the districtwide services category was an increase in the amount of the recapture payment to the state during that period.

The areas with budget decreases include the chief communications officer, chief human resources officer, chief of staff, chief technology officer, general counsel, and schools. The decreases are, in some cases, the result of transfers among the budget categories. For example, the Achieve 180 budget of approximately $10.0 million was moved from schools to the chief academic officer's budget. The funds still are provided to the schools and the change is a transfer among budgets. The $4.6 million decrease shown for schools does not mean that schools are receiving less funds, but that the funds are allocated and budgeted differently.

Figure 3–13 shows the staffing changes by district chief from school years 2016–17 to 2018–19. The number of full-time-equivalent (FTE) positions in the district decreased by approximately 138.0 from school years 2017–18

to 2018–19. The net change in staffing positions is the addition of 8.8 FTE positions from school years 2016–17 to 2018–19.

During onsite interviews, district staff said that Houston ISD is planning to implement additional staff cuts for school year 2019–20.

Figure 3–14 shows the Houston ISD general fund budget by category from school years 2016–17 to 2018–19. Not considering recapture, the general fund budget has increased more than $60.0 million during the three-year period. This increase occurred despite the district's net budget decreases of $52.9 million from school years 2016–17 to 2017–18. This amount represents an increase in the general fund budget of 3.34 percent for the period after removing the effects of the increase in recapture payments. Enrollment decreased during this period by 5,636 students, or 2.6 percent, from 215,408 to 209,772.

As part of the school year 2018–19 budget development process, Planning and Budgeting Department staff developed a three-year projected budget from fiscal years 2020 to 2022, assuming no salary increases and no change in the number of positions during this period, and that enrollment would remain unchanged, despite enrollment decreases during the previous three fiscal years.

Figure 3–15 shows the district's budget projections from fiscal years 2020 to 2022 and the adopted budget for fiscal year 2019. The fund balance also is affected. Considering the assumptions of no salary increases and unchanged enrollment,

FIGURE 3–12
HOUSTON ISD GENERAL FUND BUDGET BY CHIEF
SCHOOL YEARS 2016–17 TO 2018–19

CHIEF	2016–17	2017–18	2018–19	2018–19 CHANGE FROM 2016–17	PERCENTAGE CHANGE
Chief Academic Officer (1)	$59,116,213	$72,704,093	$79,859,390	$20,743,177	35.1%
Chief Audit Executive (2)	$1,379,159	$1,415,337	$1,617,404	$238,245	17.3%
Chief Communications Officer	$2,644,064	$3,142,854	$2,006,158	($637,906)	(24.1%)
Chief Development Officer	$1,110,584	$1,135,807	$1,299,055	$188,471	17.0%
Chief Financial Officer	$13,403,531	$15,189,707	$14,231,902	$828,371	6.2%
Chief Government Relations and Strategy Office	$488,949	$491,527	$583,566	$94,617	19.4%
Chief Human Resources Officer	$12,340,631	$12,278,076	$10,759,229	($1,581,402)	(12.8%)
Chief of Staff	$1,359,637	$1,231,453	$1,023,296	($336,341)	(24.7%)
Chief Operating Officer (3)	$113,055,076	$156,576,773	$142,851,121	$29,796,045	26.4%
Chief Strategy and Innovation Officer (4)	$14,821,322	$14,773,117	$17,473,574	$2,652,252	17.9%
Chief Technology Officer	$57,636,242	$65,315,020	$57,019,918	($616,324)	(1.1%)
Deputy Superintendent (5)	$0	$9,651,245	$142,348	$142,348	100%
Districtwide Services (6)	$438,839,933	$562,465,068	$556,580,393	$117,740,460	26.8%
General Counsel	$5,810,087	$5,544,166	$5,350,216	($459,871)	(7.9%)
Schools	$1,156,127,867	$1,173,886,716	$1,151,508,670	($4,619,197)	(0.4%)
Superintendent (7)	$524,003	$493,837	$1,039,384	$515,381	98.4%
Total	**$1,878,657,298**	**$2,096,294,796**	**$2,043,345,624**	**$164,688,326**	**8.8%**

NOTES:
(1)   A campus closed during school year 2018–19, resulting in a decrease of $3.3 million; Achieve 180 incentives were moved from campus budgets, an increase of $10.0 million; the dyslexia program was implemented, an increase of $6.0 million; Reach and Advanced Virtual Academy closed and moved to a department structure, a decrease of approximately $125,000; Special Education costs were added, an increase of $2.0 million; and wraparound specialists were added, an increase of $2.0 million.
(2)   The budget for external support contracts for the Houston ISD Board of Education, Audit Committee, audit plan from Districtwide Services was moved into the chief audit executive budget, an increase of $400,000.
(3)   Custodial salaries previously were charged to campus budgets; these salaries now are charged to the custodial budget to facilitate transferring staff across the district as needed, an increase of $31.0 million; salary increases during calendar years 2017 and 2018, attendance incentive, and additional overall bus driver payroll costs resulted in an increase of $12.0 million.
(4)   The Jordan Career Technology Education (CTE) hub previously was a regular campus and a CTE hub; now it is a CTE centralized hub, resulting in a decrease of approximately $2.0 million.
(5)   This position has been moved to the area offices, a decrease of $9.5 million.
(6)   State recapture resulted in an increase of $102.0 million; increases in tax increment financing zones and moved targeted assistance holding and per-unit allocation settle-up funds to Districtwide Services resulted in a decrease of $4.9 million; net changes in debt transfers resulted in an increase of $7.0 million.
(7)   The superintendent budget added 1.0 extra position for interim superintendent, which will be closed when a permanent superintendent is chosen, resulting in an increase of $550,000. According to the budget/financial planning director, this position was added for internal budgeting purposes and should have been excluded from the budget.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

the projections indicate that the fund balance will decrease by nearly $160.0 million during the period.

The district risks its financial success as it continues to prepare incremental budgets based on previous spending patterns despite decreasing enrollment and adopting deficit budgets. Based on an average projected decrease in the fund balance of $50.0 million per year, the district risks having no general fund reserves within 10 years. With less available funding in projected years, Houston ISD must prioritize goals, tie them to funding sources, and hold departments and administrators accountable for outcomes.

During onsite interviews, the superintendent said the strategy to address recapture and the budget deficit was to increase student enrollment through the following actions: (1) allocating an advertising budget to highlight Houston ISD's positive results and seek to improve the district's

FIGURE 3–13
HOUSTON ISD STAFFING CHANGES BY CHIEF
SCHOOL YEARS 2016–17 TO 2018–19

CHIEF	2016–17	2017–18	2018–19	2018–19 CHANGE FROM 2016–17
Chief Academic Officer	550.2	643.3	737.3	187.1
Chief Audit Executive	14.0	12.0	12.0	(2.0)
Chief Communications Officer	28.4	29.3	21.8	(6.6)
Chief Development Officer	16.0	19.5	17.5	1.5
Chief Financial Officer	208.8	219.6	191.0	(17.8)
Chief Governmental Relations and Strategy Office	1.0	3.0	3.0	2.0
Chief Human Resources Officer	137.4	139.3	118.6	(18.8)
Chief of Staff	10.0	10.0	10.0	0.0
Chief Operating Officer	2,052.2	2,090.7	1,944.5	(107.7)
Chief Strategy and Innovation	137.0	129.5	124.0	(13.0)
Chief Technology Information Officer	237.8	239.8	223.8	(14.0)
Deputy Superintendent	2.0	2.0	0.0	(2.0)
General Counsel	18.0	21.0	17.0	(1.0)
Superintendent	2.0	3.0	3.0	1.0
Total	**3,414.8**	**3,462.0**	**3,423.5**	**8.8**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 3–14
BUDGETED GENERAL FUND AMOUNTS
SCHOOL YEARS 2016–17 TO 2018–19

FUNCTION	2016–17	PERCENTAGE OF BUDGET	2017–18	PERCENTAGE OF BUDGET	2018–19	PERCENTAGE OF BUDGET
Payroll and Benefits	$1,290,357,960	68.7%	$1,352,289,472	64.5%	$1,313,217,802	64.3%
Contracted Services	$368,274,910	19.6%	$481,804,111	23.0%	$474,291,467	23.2%
Supplies and Materials	$59,579,881	3.2%	$63,988,022	3.1%	$56,649,958	2.8%
Other Operating	$101,738,459	5.4%	$124,348,951	5.9%	$120,071,651	5.9%
Capital Outlay	$14,095,416	0.8%	$19,988,689	1.0%	$14,836,734	0.7%
Debt Services	$14,560,939	0.8%	$14,553,719	0.7%	$17,916,239	0.9%
Other uses	$30,049,734	1.6%	$39,321,832	1.9%	$46,361,773	2.3%
Total	**$1,878,657,299**		**$2,096,294,796**		**$2,043,345,624**	

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

public image; (2) hosting open houses; (3) increasing grant funding for academic programs; and (4) exploring areas in which the district can consolidate services and gain increased efficiencies.

The Texas Education Code, Section 11.252, requires each school district to have a district improvement plan that is developed, evaluated, and revised annually by the superintendent with the assistance of the district-level planning and decision-making committee. The purpose of

the DIP is to guide the district and campus staff to improve performance for all student groups to meet state academic accountability standards. Many district staff identified the DIP as the district's strategic plan; however, the DIP addresses district operations peripherally. For school year 2018–19, Houston ISD's DIP stated the following priorities:

- promote student health, safety and well-being –focus on expanding the Every Community, Every School initiative to serve more students, connecting them with

FIGURE 3–15
HOUSTON ISD ADOPTED BUDGET AND PROJECTIONS
FISCAL YEARS 2019 TO 2022

CATEGORY	2018–2019 ADOPTED	2019–2020 PROJECTED	2020–2021 PROJECTED	2021–2022 PROJECTED
Revenues				
Property taxes	$1,728,092,547.0	$1,767,344,397.0	$1,802,281,285.0	$1,837,916,911.0
Earnings on investments	$9,000,000.0	$7,000,000.0	$7,000,000.0	$7,000,000.0
Miscellaneous local sources	$12,074,717.0	$12,074,717.0	$12,074,717.0	$12,074,717.0
State sources	$215,146,388.0	$166,713,129.0	$198,365,458.0	$162,731,998.0
Federal sources	$13,031,351.0	$13,031,351.0	$13,031,351.0	$13,031,351.0
Total revenues	**$1,977,345,003.0**	**$1,966,163,594.0**	**$2,032,752,811.0**	**$2,032,754,977.0**
Expenditures				
Current				
Instruction	$1,000,417,027.0	$1,000,417,027.0	$1,000,417,027.0	$1,000,417,027.0
Instructional resources and media services	$9,691,146.0	$9,691,146.0	$9,691,146.0	$9,691,146.0
Curriculum development and instructional staff development	$22,966,777.0	$22,966,777.0	$22,966,777.0	$22,966,777.0
Instructional leadership	$29,448,219.0	$29,448,219.0	$29,448,219.0	$29,448,219.0
School leadership	$137,909,124.0	$137,909,124.0	$137,909,124.0	$137,909,124.0
Guidance, counseling, and evaluation services	$46,214,725.0	$46,214,725.0	$46,214,725.0	$46,214,725.0
Social work services	$1,816,958.0	$1,816,958.0	$1,816,958.0	$1,816,958.0
Health services	$18,638,980.0	$18,638,980.0	$18,638,980.0	$18,638,980.0
Student (pupil) transportation	$57,081,236.0	$57,081,236.0	$57,081,236.0	$57,081,236.0
Extracurricular activities	$16,157,960.0	$16,157,960.0	$16,157,960.0	$16,157,960.0
General administration	$35,679,582.0	$35,679,582.0	$35,679,582.0	$35,679,582.0
Facilities maintenance and operations	$184,556,245.0	$184,556,245.0	$184,556,245.0	$184,556,245.0
Security and monitoring services	$22,017,162.0	$22,017,162.0	$22,017,162.0	$22,017,162.0
Data processing services	$47,156,793.0	$47,156,793.0	$47,156,793.0	$47,156,793.0
Community services	$2,044,672.0	$2,044,672.0	$2,043,495.0	$2,043,495.0
Juvenile justice alternative education programs	$893,650.0	$893,650.0	$893,650.0	$893,650.0
Payments to tax increment fund	$59,031,258.0	$61,219,581.0	$62,759,523.0	$64,759,524.0
Contracted Instructional Services Between Public Schools (Chapter 41 Payment)	$272,407,268.0	$291,506,777.0	$323,938,725.0	$356,775,368.0
Tax appraisal and collection	$14,940,330.0	$14,940,330.0	$15,763,818.0	$14,940,330.0
Debt service				
Principal	$15,539,739.0	$15,539,739.0	$15,539,739.0	$15,539,739.0
Interest and fiscal charges	$2,375,000.0	$2,375,000.0	$2,375,000.0	$2,375,000.0
Total expenditures	$1,996,983,851.0	$2,018,271,683.0	$2,053,065,884.0	$2,087,079,040.0
Excess (deficiency) of revenues over (under) expenditures	($19,638,848.0)	($52,108,089.0)	($20,313,072.0)	($54,324,063.0)
Other Financing Sources (Uses)				
Transfers in	$30,400,000.0	$25,000,000.0	$20,000,000.0	$20,000,000.0
Transfers out	($46,361,773.0)	($45,173,141.0)	($35,030,888.0)	($16,596,263.0)
Total other financing sources (uses)	**($15,961,773.0)**	**($20,173,141.0)**	**($15,030,888.0)**	**$3,403,737.0**

FIGURE 3–15 (CONTINUED)
HOUSTON ISD ADOPTED BUDGET AND PROJECTIONS
FISCAL YEARS 2019 TO 2022

CATEGORY	2018–2019 ADOPTED	2019–2020 PROJECTED	2020–2021 PROJECTED	2021–2022 PROJECTED
Net change in fund balances (after unspent funds)	($35,600,621.0)	($72,281,231.0)	($35,343,960.0)	($50,920,326.0)
Fund balances, beginning	**$612,678,670.0**	**$577,078,049.0**	**$504,796,819.0**	**$469,452,858.0**
Fund balances, ending	**$577,078,049.0**	**$504,796,819.0**	**$469,452,858.0**	**$418,532,532.0**

SOURCE: Houston ISD, February 2019.

resources and wraparound services, such as food, mental health, stable housing, and physical health needs;

- expand educational opportunities –increase prekindergarten student enrollment significantly across the district, increase access to innovative instruction, and expand fine arts programs;

- transform academic outcomes –foster literacy and improve how the district serves its special education leaders; continue to focus on the data that identify gaps among student groups on the State of Texas Assessments of Academic Readiness;

- cultivate Team HISD talent – implement a comprehensive strategy to develop leaders and become the district of choice in the Houston area; and

- increase organizational efficiency – implement initiatives that improve financial and business transparency, including the Houston Education Advocacy Representatives, a group of leaders that serves as an advocacy group. The district has established an online legislative hub that educates the community on how to become involved in the law-making process.

None of the priorities in the DIP tie funding strategies to specific goals. The funding strategies discussed are limited and relate to federal funding.

Additionally, Houston ISD has not been consistent in how Public Education Information Management System (PEIMS) data is reported to the Texas Education Agency for the district's budgeted general administration expenses, defined in PEIMS as Functions 41 and 92. **Figure 3–16** shows Houston ISD's actual general administration expenses compared to peer districts from school years 2015–16 to 2017–18 and budgeted general administration expenses for school year 2018–19. Houston ISD's reported budgeted general administration expenses for school year 2018–19 increased from 2.20 percent to 26.82 percent from the previous year and represent a significant deviation from the reported amounts during previous years and in comparison to peers. The increase in the general administration expense represents a change in the way Houston ISD has reported the PEIMS information to TEA and does not necessarily represent a decrease in funds dedicated to spending on instruction. For school year 2018–19, the budgeted general administration expenses increased to nearly $545.9 million from $37.7 million during school year 2017–18. According to staff, the increase in budgeted general administration expenses was previously reported to PEIMS by the district.

Houston ISD received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for its fiscal year 2015–16 budget. This award represents a standard for budgeting and planning that government organizations should attempt to achieve.

FIGURE 3–16
HOUSTON ISD REPORTED PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM DATA, FUNCTIONS 41 AND 92
SCHOOL YEARS 2015–16 TO 2018–19

YEAR	HOUSTON ISD	PERCENTAGE OF GENERAL FUND	AUSTIN ISD	PERCENTAGE OF GENERAL FUND	DALLAS ISD	PERCENTAGE OF GENERAL FUND	CYPRESS–FAIRBANKS ISD	PERCENTAGE OF GENERAL FUND
2015–16	**$33,100,182**	**2.05%**	$17,836,078	2.50%	$48,717,178	3.50%	$14,964,701	1.83%
2016–17	**$40,586,800**	**2.55%**	$20,820,943	2.77%	$48,379,352	3.54%	$15,628,958	1.83%
2017–18	**$37,676,235**	**2.20%**	$22,570,787	2.98%	$43,406,828	3.25%	$16,222,364	1.86%
2018–19 (1)	**$545,903,457**	**26.82%**	$23,099,294	3.05%	$49,966,341	3.54%	$17,180,577	1.88%

NOTE: Amounts shown for school year 2018–19 are budgeted.
SOURCE: Texas Education Agency, Public Education Information Management System Financial Data, school years 2015–16 to 2017–18 actual data and school year 2018–19 budgeted data.

FIGURE 3–17
GOVERNMENT FINANCE OFFICERS ASSOCIATION PHILOSOPHY OF PRIORITY-DRIVEN BUDGETING
CALENDAR YEAR 2011

The underlying philosophy of priority-driven budgeting is about how a government entity should invest resources to meet its stated objectives. It helps us to better articulate why the services we offer exist, what price we pay for them, and, consequently, what value they offer citizens. The principles associated with this philosophy of budgeting are:

Prioritize Services.

Priority-driven budgeting evaluates the relative importance of individual programs and services rather than entire departments. It is distinguished by prioritizing the services a government provides, one versus another.

Do the Important Things Well. Cut Back on the Rest.

In a time of revenue decline, a traditional budget process often attempts to continue funding all the same programs it funded last year, albeit at a reduced level (e.g. across-the-board budget cuts). Priority-driven budgeting identifies the services that offer the highest value and continues to provide funding for them, while reducing service levels, divesting, or potentially eliminating lower value services.

Question Past Patterns of Spending.

An incremental budget process doesn't seriously question the spending decisions made in years past. Priority-driven budgeting puts all the money on the table to encourage more creative conversations about services.

Spend Within the Organization's Means.

Priority-driven budgeting starts with the revenue available to the government, rather than last year's expenditures, as the basis for decision making.

Know the True Cost of Doing Business.

Focusing on the full costs of programs ensures that funding decisions are based on the true cost of providing a service.

Provide Transparency of Community Priorities.

When budget decisions are based on a well-defined set of community priorities, the government's aims are not left open to interpretation.

Provide Transparency of Service Impact.

In traditional budgets, it is often not entirely clear how funded services make a real difference in the lives of citizens. Under priority-driven budgeting, the focus is on the results the service produces for achieving community priorities.

Demand Accountability for Results.

Traditional budgets focus on accountability for staying within spending limits. Beyond this, priority-driven budgeting demands accountability for results that were the basis for a service's budget allocation.

SOURCE: Government Finance Officers Association, *Anatomy of a Priority-Driven Budget*, 2011.

Recipients of the award must demonstrate the ability to set strategic goals and to tie the budgeting process to the priorities of the organization. According to staff in the district's Budgeting and Planning Department, the district does not plan to apply for the award again until the budget process can meet the criteria. These criteria include requirements to show evidence of planning for short-term and long-term periods.

Figure 3–17 shows the principal steps in the GFOA's Philosophy of Priority-driven Budgeting process that outlines how to set priorities and make choices about how to accomplish initiatives.

Strategic and effective planning and budgeting takes time, commitment, and effort by the administration and

leadership. Houston ISD should dedicate all funds to the priorities that are necessary to educate students and provide for the operational needs of such a large and complex district. Exposing areas of waste, closing obsolete programs, and insisting on accountability for results must be considered annually when determining where to spend limited funds.

Houston ISD should implement a strategic planning and budget model that ties the district's departmental budgets to specific, measurable goals outlined by the administration.

District administrators should implement bottom-up budgeting rather than top-down budgeting. Departmental budgets and resources should be directed specifically toward the goals that have been identified as priorities for each

department. When budget cuts are necessary, it is important for department leaders to establish goals that are in line with their budget limitations and prioritize expenditures toward meeting the identified goals. District leaders should justify every budget expenditure, not just new spending, and should require multiple layers of management to become actively involved in the budget process.

Additionally, the district should implement a budgeting process that includes the following actions:

- set goals and priorities for each department;

- implement initiatives that tie funding to the goals set by each department;

- include each district leadership member and department chief in the budgeting process; explaining the need to set priorities and link outcomes to funding;

- define stakeholders and outline the process for communication and collaboration across teams to achieve initiatives;

- hold quarterly meetings with department heads to determine if goals are being met or if corrective actions need to take place; and

- review the submission of PEIMS data to TEA to ensure that amounts are being assigned to the proper function codes and investigate any significant changes from previous years.

The district could implement this recommendation with existing resources.

CAMPUS FISCAL ACCOUNTABILITY (REC. 19)

Houston ISD lacks a process that ties campus-level budget expenditures to the individual goals of school improvement plans.

Campus budgets are based on the per-unit allocation (PUA) method. PUA formulas are based on annual enrollment projections for each campus, or actual enrollments in the prior year for some federal funds. Principals, school support officers (SSO), and area superintendents review the annual enrollment projections. Principals then prepare their preliminary budgets based on the enrollment projections. The district estimated that from 80.0 percent to 85.0 percent of campus budgets are allocated for staff costs, with the remainder for operations costs.

Area superintendents and SSOs review the budgets with the principals to determine whether the principal's budget plan is consistent with the school improvement plan (SIP). An SIP is an annual planning document required by the Texas Education Code, Section 11.253, requires that campuses outline their goals for the year and the steps they will take to achieve their priorities. Houston ISD campus principals are authorized to use the funds that are allocated to their campuses according to their priorities, which may not align with the stated goals in the SIPs or with the expectations of the SSOs and area superintendents. Houston ISD student enrollment has decreased since school year 2016–17, and this trend is expected to continue. With enrollment decreasing, it is important that campuses expend their budgets in the most efficient manner to help them achieve their goals.

Area superintendents and SSOs are not authorized to disapprove expenditures made by campus principals. The only exception is that principals must request approval for spending related to travel and training from the area superintendents. Because no formal, documented process ties campus budget expenditures to stated goals, no process holds campus principals accountable for failing to meet budget-related goals.

During the school year, the Budgeting and Financial Planning Department provides area superintendents and SSOs with a weekly budget-to-actual spreadsheet. The SSOs advise each principal regarding spending categories that are greater or less than budgeted amounts. This meeting does not always prevent principals from overspending budget allocations, but principals have an incentive to operate within their budgets because the amount of the deficit is deducted from the next year's budget. Some principals do not operate within budget, however, and when a principal leaves a campus with a deficit, the district nullifies the amount for the incoming principal.

By contrast, little financial monitoring is required by the district for charter campuses. According to onsite interviews, charter campuses submit their budgets annually as required in their contracts. Unlike other campuses, charter campus budgets are based on a formula in their contracts instead of the PUA formulas. Charter campus contracts do not require the submission of monthly financial reports to the district. Charter campuses are required only to provide copies of their annual audited financial statements.

As recently as 2018, charter campuses have closed during the school year due to insolvency. SSOs reported to the

FIGURE 3–18
EXPENDITURES PER PUPIL FOR HOUSTON ISD AND PEER DISTRICTS
SCHOOL YEARS 2014–15 TO 2018–19

YEAR	HOUSTON ISD	AUSTIN ISD	CYPRESS–FAIRBANKS ISD	DALLAS ISD
2014–15	**$5,567**	$6,566	$5,688	$6,141
2015–16	**$5,927**	$6,614	$5,892	$6,820
2016–17	**$5,718**	$6,862	$6,084	$6,723
2017–18	**$6,109**	$7,067	$6,120	$6,803
2018–19	**$5,643**	$7,297	$6,445	$7,235

NOTE: Amounts shown for school year 2018–19 are budgeted.
SOURCES: Legislative Budget Board School Performance Review Team; Texas Education Agency, Public Education Information Management System data, school years 2014–15 to 2018–19.

review team that the district is revising charter campus contracts to include stronger accountability provisions for academics and funding.

The PUA formula at the current per-unit amounts does not fund Houston ISD campuses at the same level as those in peer school districts. **Figure 3–18** shows per-pupil expenditures in functions 11, 12, 13, 21, 23, 31, 32, 33, 36, and 95, which are the PEIMS codes related to instructional spending on students, for Houston ISD and peer districts from school years 2014–15 to 2018–19. In school year 2018–19, Houston ISD had a PEIMS reporting error related to how the district classified general administration expenses that had previously been classified as instructional expenses. The reporting error has resulted in a decrease in per-pupil budgeted instructional expenditures for school year 2018–19 from the previous school year, but does not necessarily represent a decrease in actual per-pupil expenditures on instruction.

Houston ISD's per-pupil expenditures have alternately increased and decreased each year during this period compared with peer districts whose expenditures have increased each year. Houston ISD's $5,643 per-pupil expenditure for school year 2018–19 is approximately $1,349 less than the $6,992 average for the three peer districts. Considering decreasing enrollment and the corresponding decrease in PUA allocations, it is essential that Houston ISD leverage all funds available to meet campus goals and to hold campus administrators responsible for reaching those goals.

Galena Park ISD (GPISD) begins its annual budget process in January with board presentations focused on the administration's major budget initiatives for the year. The administration modifies these initiatives after it receives input from the board during a February budget workshop. The board sets its budget calendar at this initial meeting, scheduling an April meeting to consider staffing and compensation, and June meetings on the general budget. Budgets are formula-driven, based upon the number of students expected at each campus. The district considers campus funds to be discretionary and allocates them to the campus to address the SIP priorities and school needs. Schools may request additional funding, which the board reviews based on district goals and available funding.

District policy requires that GPISD establish district and campus advisory committees each September. These advisory committees develop campus and district plans each spring, producing executive summaries in April and May. The board approves all district and campus goals in June. District and campus staff request resources needed to accomplish these plans in the budget documents.

To drive its budget and decision-making processes, GPISD integrates its site-based decision making process with long-term enrollment and facility planning. Campus-level committees develop SIPs tailored to each school.

Each improvement plan includes an assessment of past progress, current status, and an action plan. The action plan identifies specific tasks or objectives with start and end dates, assigns responsibility for each task and objective, and determines indicators of success. It specifies funding levels and sources for tasks or objectives that require financial resources. The plan lists all funding sources for a given task or objective, including sources from outside the district such as funds or support donated by a business partnership.

Measuring performance and holding departments and campuses accountable requires a level of monitoring that is not present in Houston ISD.

Houston ISD should tie campus budgets to school improvement plan goals and hold principals accountable for achieving the results on their campuses when the budgets are approved.

Clarifying the authority of the area superintendents and SSOs and charging them with ensuring that campus budget expenditures align with SIP goals will increase accountability of principals. Establishing clearly measurable operational and educational goals and reporting on their progress will require a centralized effort that must be overseen by the area superintendents and SSOs. Further, when campuses do not meet their goals, the principals, SSOs, and area superintendents should craft individualized corrective action plans designed to overcome challenges and promote campus success.

The district should consider the following steps:

- develop a set of specific, measurable goals for each campus and link each SIP to specified funding sources to accomplish the goals;

- clarify the authority of the area superintendents, SSOs, and principals in the decision-making process, which includes specifying who prepares and approves the budget, the role of the SSO in approving the SIP, and ensuring that campus budgets are linked to the SIP to meet campus goals;

- authorize area superintendents and SSOs to approve purchases greater than a specified dollar amount that do not align with campus goals detailed in the SIP, and any staff changes during the school year; and

- require SSOs to monitor and review charter campus financial records at least quarterly.

The district could implement this recommendation with existing resources.

FISCAL OVERSIGHT OF CONSTRUCTION SERVICES (REC. 20)

Houston ISD lacks oversight and segregation of duties for the fiscal administration of bond projects.

Bond projects are envisioned, implemented, and fiscally administered within the Construction Services Department, which reports to the chief operating officer (COO), not the CFO. The COO's office supervises all the decision-making and fiscal authority for bond expenditures.

After the board has authorized contract negotiations for bond projects, the Construction Services Department manages the final contracting decisions, authorization of payments, and transfer of funds among project expenditure categories. This process results in risk for the district and creates a system without adequate segregation of duties and appropriate fiscal oversight of construction-related bond funds.

The CFO provides limited oversight of bond funded projects. The role of the CFO is to inform the board about the most effective and efficient use of district resources. However, the CFO is not involved directly in the contracting decisions made by the Construction Services Department and does not advise the board regarding the fiscal appropriateness of decisions relating to bond projects. The senior manager, bond fund accounting, reports being responsible for keeping project records, transferring funds as directed by the Construction Services Department, and ensuring that contractors are paid in a timely manner. Although the senior manager, bond fund accounting, reports to the CFO, limited oversight and approval are required for changes made by the Construction Services Department.

In 2012, Houston ISD voters approved a $1.89 billion bond to replace and repair 40 campuses across the district, provide technology upgrades, replace regional field houses and improvements to other athletic facilities, renovate middle school restrooms, and perform safety and security improvements.

Figure 3–19 shows the amounts dedicated to each area of the 2012 bond.

During calendar year 2015, the Construction Services Department estimated that projects financed through the 2012 bond would have a $212.0 million shortfall as a result of increased construction costs and labor shortages. The Construction Services Department cited construction cost increases as the reason that an additional $212.0 million was needed to complete the original projects. When the issue came before the board, there was no project cost analysis detailing variances from budgeted amounts to inform the board on the specific reasons for the increased costs.

In December 2015, the board approved the issuance of maintenance tax notes to finance the additional costs to complete the bond projects. School districts issue maintenance tax notes to finance maintenance, repair, renovation, or replacement of existing school facilities, but not new school buildings or additions. In June 2018, the district issued $200.0 million of maintenance tax notes to fund the additional needs related to the bond projects. The additional $12.0 million in projected needs are expected to be funded by the capital projects reserve fund.

At the April 20, 2017 board meeting, the COO asked for authorization to use $99.1 million in cost savings from the 2012 bond program to fund additional construction projects, address safety and security needs, and develop a contingency fund for emergency needs. According to the COO, the savings from the bond program projects resulted from using alternate project delivery methods, changes in the local construction market, and stronger scope-to-budget alignment of projects by Houston ISD staff. The CFO did not testify on this proposal or offer any written opinion as to how the surplus funds should be used, including whether the district might consider using them to decrease the amount to borrow with maintenance tax notes. The board approved the COO's reallocation of $99.1 million in identified savings toward other proposed projects shown in **Figure 3–20**.

Houston ISD expects to transfer approximately $16.0 million from the general fund during school year 2018–19 to pay debt service on the maintenance tax notes. This transfer adds to the district's financial burden considering current budget constraints. The district has recapture costs that have increased to an anticipated $272.0 million for school year 2018–19. However, district leaders decided to decrease operating budgets, stop or curtail capital budgeting, and eliminate staff rather than economize on construction costs and use available capital renovation funds to prevent increased costs to the general fund.

Without proper oversight of construction services expenditures, there is no check on whether the district is spending construction funds in the most effective and efficient manner. Furthermore, when construction-related cost savings or increases occur, district administrators may be unaware of factors that may affect the use of district funds and how to best plan for such contingencies. Authorizing the Construction Services Department to manage and dispense funds with no external fiscal oversight does not ensure that the district is safeguarding district assets or managing its construction activities to provide maximum benefit in the use of bond funds.

Houston ISD uses its capital renovation fund to account for the costs associated with renovations, expansions, upgrades, and the rebuilding of district facilities. **Figure 3–21** shows that the capital renovations fund had a balance of approximately $981.9 million at the end of fiscal year 2017, of which $60.3 million was unassigned (i.e., not encumbered or designated for specific projects or building programs). These funds were available for construction-related projects and could have been used prior to the issuance of maintenance tax notes. At the end

FIGURE 3–19
HOUSTON ISD 2012 BOND BUDGET
NOVEMBER 2012

PROJECT	PROPOSED BUDGET
High Schools	$1,362,436,000
Middle Schools	$73,950,000
Kindergarten to Grade 8 Programs	$121,345,000
Elementary Schools	$79,534,000
All Schools Total	**$1,637,265,000**
District Athletic Improvements	$44,675,000
Districtwide Land Acquisition	$55,767,000
Middle School Restroom Renovations	$35,000,000
Districtwide Safety and Security	$17,293,000
Districtwide Technology	$100,000,000
Districtwide Total	**$252,735,000**
Bond Total	**$1,890,000,000**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, 2012 Bond Budget, February 2019.

FIGURE 3–20
HOUSTON ISD 2012 BOND PROJECT REALLOCATION
APRIL 2017

PROJECT	AMOUNT
New Schools	$51,836,000
Renovated Schools	$20,388,278
Districtwide Projects	$12,058,745
Construction Contingency	$14,799,423
Total	**$99,082,446**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD 2012 Board Approved Bond Reallocation; February 2019.

of fiscal year- 2018, the capital renovations fund had approximately $814 million in fund balance, of which an estimated $79 million was unassigned.

During calendar year 2016, the district contracted with a multinational accounting organization to conduct a performance audit focused on the 2012 bond program. As stated in the contract, the Houston ISD board asked the accounting firm to evaluate independently the underlying factors that drove the program's need for additional funding. In August 2016, the accounting firm released its *Making the Grade* report, which stated that multiple factors influenced the growth in project budgets. The report cited increased construction activity and the resulting market conditions that increased cost estimations. The performance audit concluded

FIGURE 3–21
HOUSTON ISD CAPITAL RENOVATIONS FUND
FISCAL YEARS 2015 TO 2018

FUNDING SOURCE	2015	2016	2017	2018
Fund balance	$757,887,174	$957,840,344	$981,894,115	$814,435,687
Restricted for rebuild construction program	$648,942,505	$876,943,939	$921,555,203	$734,975,292
Unassigned amount	$108,944,669	$80,896,405	$60,338,912	$79,460,395

SOURCE: Houston ISD, Comprehensive Annual Financial Reports for 2015, 2016, 2017, and 2018.

that Houston ISD is lacking core controls for delivering such a large and complex bond program.

In addition to escalating construction costs, the following factors were noted in the report as increasing costs:

- incomplete project assumptions and differing conditions;
- weak or nonexistent policies and procedures regarding budget development;
- lack of conceptual planning;
- misaligned programmatic specifications and project advisory teams' expectations; and
- inconsistent construction bid evaluations.

Regarding current practices, the report found the following factors:

- Houston ISD's policies and procedures for capital projects are not developed sufficiently;
- the construction services program lacks an effective and efficient organizational structure;
- the construction services program does not provide sufficient oversight into subcontractor bidding activities, nor is it placing pricing risk on the construction-manager-at-risk contractor; and
- the program does not conduct sufficient project cost estimating, variance analyses, contingency management, or reporting activities.

Based on staff interviews, the review team could not determine that the district has taken definitive steps to address the practices and lack of policies noted in the report. Without proper financial oversight, the district has not been able to achieve the desired building and construction goals that it hoped to accomplish with the 2012 bond funds.

Houston ISD should ensure that the CFO's Office provides fiscal oversight and accountability in monitoring construction projects, provides input during the planning stages, and advises the board as project overruns and savings are identified.

As recommended by the accounting firm contractor, a detailed set of policies and procedures would require the Construction Services Department, Purchasing Services Department, and the CFO to collaborate on some or all of the Construction Services Department's decisions. The district should develop a financial procedures manual that documents the process by which the contracts and invoices will be monitored. The procedures manual should delineate the roles of the CFO, the bond fund accountant, and the Construction Services Department. The CFO should establish regular weekly meetings with the construction management officer, COO, and bond fund accountant to discuss projects' status, any possible savings or overruns, and how to deploy any identified savings most efficiently.

Additionally, the CFO should conduct a thorough project cost variance analysis to better understand the district's capital projects cost overruns. Costs may have changed since the district conducted its most recent cost analysis during calendar year 2015.

The district could implement this recommendation with existing resources.

FINANCIAL REPORTING AND BUDGET MONITORING (REC. 21)

Houston ISD's Office of the CFO does not provide timely financial reporting that enables the board to perform budget monitoring throughout the year.

The board adopts a budget each June for the next fiscal year. Each February and June, the board receives two financial reports from the CFO's Office, which include budget updates and amendments. **Figure 3–22** shows the adopted budgets with amendments from school years 2015–16 to 2017–18.

The financial reports that provide the basis for **Figure 3–22** show budget amendments proposed by the administration and presented to the board for approval. The board does not receive timely financial performance information during the year that enables it to conduct proper financial oversight.

FIGURE 3–22
HOUSTON ISD ADOPTED BUDGETS WITH AMENDMENTS
SCHOOL YEARS 2015–16 TO 2017–18

BUDGET ITEM	2015–16	2016–17	2017–18
Original Adopted Expenditure Budget	**$1,832,252,183**	**$1,848,607,564**	**$2,056,972,964**
Amendments to Expenditures			
• Carryover	($114,263,388)	($99,708,484)	($102,693,056)
• Midyear amendments	($31,562,627)	($26,547,024)	($72,550,082)
• Year-end amendments	($14,090,131)	($56,616,957)	$36,384,767
Total amendments to expenditures	**($159,916,146)**	**($182,872,465)**	**($138,858,371)**
Amendments to revenues and other sources and uses			
• Midyear amendments	($26,130,503)	$4,330,124	($76,411,544)
• Year-end amendments	($25,440,526)	($14,966,555)	$61,875,787
Other changes	($8,640,127)	($1)	$0
Final amended budget surplus (deficit)	**($220,127,302)**	**($193,508,897)**	**($153,394,128)**
Total amendments to expenditures as a percentage of adopted budget	12.0%	10.0%	7.0%

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, *Comprehensive Annual Financial Report* and year-end budget amendments for fiscal years 2015–16, 2016–17, and 2017–18.

The only opportunity for trustees to compare budgeted amounts to actual financial information is after the end of the fiscal year, June 30, when the district's Comprehensive Annual Financial Report (CAFR) is released. The CAFR shows the financial performance of a school district during a specific time period and its current financial position.

During school year 2017–18, the district exceeded its budgeted general fund expenditures. **Figure 3–23** shows Houston ISD's budget for school year 2017–18, during which the district's actual expenditures exceeded its budgeted amounts in the following areas: instructional resources and media services, school leadership; guidance counseling and evaluation services; Student transportation; security and monitoring services; and interest and fiscal charges.

Other large school districts in Texas have significantly fewer expenditure changes from the original adopted budget to the final amended budget. **Figure 3–24** shows Houston ISD budget changes as a percentage of the adopted budget from school years 2014–15 to 2017–18 compared to the peer districts. Houston ISD's percentage change in the adopted budget was greater than all peer districts, and more than double the changes for all peers except one.

Not sharing timely financial information with leadership can result in a lack of accountability for the district's financial performance. If the budget is not monitored properly, excessive spending or posting errors may go unnoticed and contribute to reporting inaccuracies. District budget practices result in significant amendments during the year and large budget variances at the year's end. Presenting amendments to the board for ratification twice a year, as stipulated in Board Policy CE (LOCAL), places the district at higher risk for exceeding a functional category before board approval. Exceeding budget expenditures without board approval violates the Texas Education Code, Section 44.006. Without updated reporting, there is no method in place to show that the budget is properly monitored by the board throughout the year.

Effective districts provide the following updated financial information to the board monthly for consideration and approval:

- revenues and expenditures compared to budget;

- budget amendments;

- cash flow projections;

- tax collections report; and

- cash and investment balances.

The revenue and expenditure report is generated using the district's financial accounting software. The report presents detailed information for the revenue received in each of the district's funds including budgeted revenue, revenue received during the month, revenue received for the year, budgeted

FIGURE 3–23
HOUSTON ISD BUDGET
SCHOOL YEAR 2017–18

CATEGORY	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET BETTER/(WORSE)
	ORIGINAL	FINAL		
Revenues				
Property taxes	$1,708,235,681	$1,680,857,671	$1,710,326,173	$29,468,502
Earnings on investments	$1,465,000	$9,000,000	$10,408,645	$1,408,645
Miscellaneous local sources	$9,661,901	$42,301,118	$18,246,935	($24,054,183)
State sources	$185,036,762	$213,704,798	$243,073,835	$29,369,037
Federal sources	$6,250,624	$6,250,624	$8,381,410	$2,130,786
Total revenues	**$1,910,649,968**	**$1,952,114,211**	**$1,990,436,998**	**$38,322,787**
Expenditures				
Current				
Instruction	$1,047,496,903	$1,063,201,574	$1,054,217,502	$8,984,072
Instructional resources and media services	$8,667,581	$8,592,287	$9,246,603	($654,316)
Curriculum and Instructional staff development	$25,866,339	$27,491,552	$27,141,888	$349,664
Instructional leadership	$26,153,164	$22,918,703	$20,307,711	$2,610,992
School leadership	$136,724,969	$139,409,168	$148,888,990	($9,479,822)
Guidance, counseling and evaluation services	$43,221,764	$46,667,936	$47,489,488	($821,552)
Social work services	$2,108,642	$2,181,823	$1,699,752	$482,071
Health services	$20,007,781	$20,137,844	$18,657,747	$1,480,097
Student transportation	$60,145,096	$73,140,236	$69,146,802	$3,993,434
Co-curricular/extracurricular activities	$15,478,434	$18,925,779	$19,493,953	($568,174)
General administration	$38,283,958	$48,576,149	$37,861,920	$10,714,229
Plant maintenance and operations	$190,480,921	$265,976,001	$226,626,540	$39,349,461
Security and monitoring services	$22,573,332	$23,852,464	$25,073,050	($1,220,586)
Data processing services	$61,474,987	$118,455,765	$64,835,876	$53,619,889
Community services	$2,018,360	$2,318,332	$2,294,499	$23,833
Juvenile justice alternative education programs	$893,650	$893,650	$792,000	$101,650
Tax increment reinvestment zone	$56,907,676	$56,741,810	$56,170,397	$571,413
Chapter 41/Purchase of weighted average daily attendance	$268,986,857	$204,673,796	$204,404,117	$269,679
Tax appraisal and collection	$14,940,330	$15,424,592	$$13,814,336	$1,610,256
Principal	$13,534,841	$14,223,826	$14,216,599	$7,227
Interest and fiscal charges	$1,007,379	$480,124	$498,626	($18,502)
Capital outlay				
Facilities acquisition and construction	–	$21,547,924	$21,463,684	$84,240
Total expenditures	**$2,056,972,964**	**$2,195,831,335**	**$2,084,342,080**	**$111,489,255**
Excess (deficiency) of revenues over (under) expenditures	**($146,322,996)**	**($243,717,124)**	**($93,905,082)**	**$149,812,042**
Other Financing Sources (Uses)				
Transfers in	$30,400,000	$30,400,000	$29,274,879	($1,125,121)
Transfers out	($39,321,832)	($95,321,832)	($88,500,216)	$6,821,616
Capital lease proceeds	–	–	$23,481,683	$23,481,683
Insurance proceeds and sale of capital assets	–	–	$40,478,727	$40,478,727
Total other financing sources (uses)	($8,921,832)	($64,921,832)	$4,735,073	$69,656,905
Net change in fund balances	($155,244,828)	($308,638,956)	($89,170,009)	$219,468,947
Fund balances – beginning	**$701,848,679**	**$701,848,679**	**$701,848,679**	**–**
Fund balances – ending	**$546,603,851**	**$393,209,723**	**$612,678,670**	**$219,468,947**

SOURCE: Houston ISD, school year 2017–18 Comprehensive Annual Financial Report.

FIGURE 3–24
HOUSTON ISD BUDGET CHANGES AS A PERCENTAGE OF ADOPTED BUDGET COMPARED TO PEER DISTRICTS
SCHOOL YEARS 2014–15 TO 2017–18
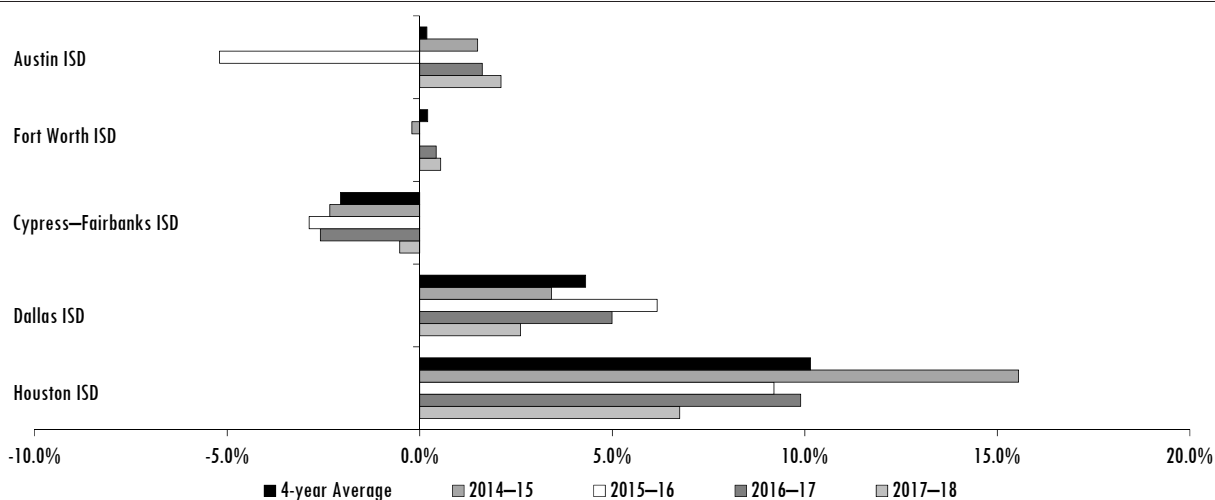
SOURCES: Legislative Budget Board School Performance Review Team, February 2019; Comprehensive Annual Financial Reports for Houston ISD and peer districts, school years 2014–15 to 2017–18.

revenue not yet received, and percentage of budget received. The report also presents detailed expenditure information for all funds that includes expenditure budget, encumbrances, expenditures for the year, the month's expenditures, the budget remaining, and the percent of budget expended. This expenditure information is presented at the fund, function, detailed object, organization, and program levels.

Houston ISD should prepare updated financial statements comparing actual amounts to budgeted amounts and share the information with the board monthly, highlighting major budget variances and including budget amendments that require board approval.

The district should take the following steps:

- develop a working group that reviews budget issues and studies the district's finances; task the group with reviewing performance data to guide the district in making sound, collaborative decisions about its financial future; and

- amend Board Policy CE (LOCAL) to increase the frequency of financial performance reporting and the presentation of budget amendments for board approval before funds are committed.

No fiscal impact is assumed for this recommendation. The district should evaluate the staffing level necessary to implement the recommendation and to determine a fiscal impact, if any.

PLANNING AND BUDGETING FOR CAPITAL ASSETS (REC. 22)

Houston ISD conducts limited capital budgeting during the normal budget cycle apart from major, bond-funded construction projects.

Capital budgeting is the process of tracking and ranking potential large expenses, or capital expenditures, that are significant in amount and contribute to the ongoing nature of the district. A few examples of capital expenditures made by school districts include:

- constructing additions to buildings;

- repairing and maintaining existing equipment;

- purchasing buses and vehicles;

- repairing or replacing air conditioning systems; and

- replacing food service equipment used in cafeterias.

During onsite interviews, Houston ISD staff said that the district historically has funded most capital repairs from the general fund, with the exception of building and renovation projects funded by bond proceeds. Recapture has decreased the general fund monies available to fund capital projects.

According to the Budget and Planning Department, campuses and departments are not asked to submit capital budget needs due to the lack of funding available for such purposes. Additionally, the CFO does not brief the board about the

district's unfunded capital needs. During onsite interviews, the COO said that staff in some departments track capital asset needs, but do not budget for them, and that there is an increasing need for the funding of capital asset repairs and replacement in the district.

Based on a review of budget workshop presentations to the board from school years 2016–17 to 2018–19, none of the chiefs presented topics that related to capital budgeting needs in the district.

Additionally, district staff report that major capital expenditures are typically not made until there is an equipment failure and replacement is essential. Many capital outlays that are approved by the COO's office are for emergency purchases when systems fail.

The budgeted funding available during school year 2018–19 for capital projects consisted of the following amounts:

- $15.0 million in pay-as-you-go funding; and

- $5.0 million in tax increment reinvestment zone funds that the CFO identified for capital projects.

As part of the PUA allocation, the financial resources allocated to campuses based on enrollment projections, there is a $10 per student amount added for capital expenditures. In addition, campuses can use a portion of federal funds pursuant to the Elementary and Secondary Education Act, Title I, for related capital purchases. Title I expenditures are available only for equipment used on campuses.

The district has begun inventorying facility needs. During calendar year 2018, the district hired a company to conduct a facilities assessment report reviewing all its campuses and buildings. Based on the assessment and interviews with the COO, Houston ISD requires approximately $4.3 billion to address facility needs. These projects include buildings and their major components, such as roofs; heating, ventilation, and air conditioning systems and equipment; flooring; and security systems. The report outlines facility needs by campus and facility with graphs, pictures and projected cost estimates by building component. The section for each facility begins with summary information that details the facility replacement cost, current needs, and total needs. **Figure 3–25** shows facility needs information for Field Elementary School, which indicates that the campus has approximately $5.8 million in current needs and $9.7 million in total facility related needs.

Figure 3–26 shows the summary of projected capital needs by year for Field Elementary School. This summary, prepared during the facilities assessment, shows that the campus has

FIGURE 3–25
HOUSTON ISD FACILITY ASSESSMENT SUMMARY OF FIELD ELEMENTARY, CALENDAR YEAR 2018

Facility Condition Index	53.4%
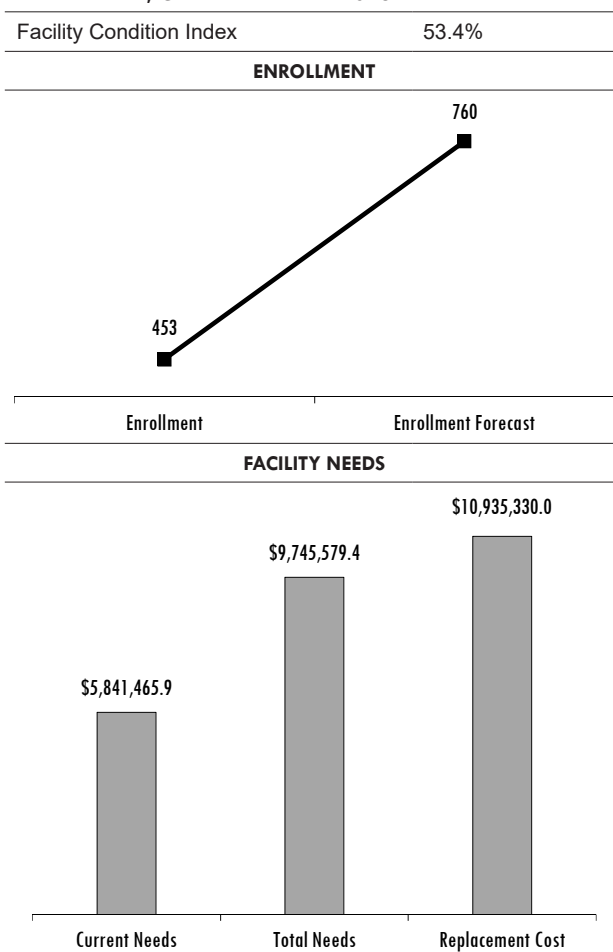
SOURCE: Houston ISD, facility assessment summary of Field Elementary School, 2018.

approximately $6.1 million in capital needs for fiscal year 2019 and approximately $1.5 million in capital needs for fiscal years 2020 and 2021.

The review team's onsite visit identified the following other examples of capital budget needs:

- the Houston ISD Police Department reported needing $1.9 million for police vehicles;

- Houston ISD administrators reported significant technology funding needs. Requested schedules of replacement costs were not available;

- the district owns 10,000 laptop computers and 22,000 tablet computers, which have replacement cycles of four years. The district reported that no funding has been identified for replacements; and

FIGURE 3–26
HOUSTON ISD SUMMARY OF PROJECTED CAPITAL NEEDS AT FIELD ELEMENTARY
FISCAL YEAR 2019

SYSTEM	2019	2020	2021
Average Daily Attendance (ADA)	$26,344		
Site Access – ADA Compliance	$26,344		
Architectural	$2,793,273	$458,639	
Standard Foundations	$1,549,666		
Floor Structure	$0		
Exterior Windows	$813,575		
Painting	$352,549		
Floor Finishes		$143,325	
Ceiling Finishes		$315,314	
Landscaping	$77,483		
Kitchen	$1,448,938		
Walk-in Cooler/Freezer	$81,357		
Ovens, Ranges, and Steamers	$58,112		
Production Equipment	$42,616		
Serving Lines	$81,357		
Kitchen Hood	$96,854		
Ware Wash	$58,112		
Kitchen Reconfiguration	$290,562		
Kitchen Flooring	$290,562		
Kitchen Walls	$290,562		
Kitchen Ceilings	$158,841		
Mechanical, Electrical, and Plumbing	$1,921,586	$81,900	$1,030,161
Group Bathroom Plumbing Fixtures		$81,900	
Domestic Water	$329,304		
Chiller			$757,471
Dedicated Outside Air System	$213,079		
Fire Sprinkler	$290,562		
Unit Ventilators			$272,690
Emergency Generator	$116,225		
Egress Lighting	$135,596		
Fire Alarm	$348,675		
Building Water Service	$244,072		
Sanitary Sewer	$244,072		
Auditorium Systems and Equipment			$0
Total	$6,190,141	$540,539	$1,030,161

SOURCE: Houston ISD, facility assessment summary of Field Elementary School, 2018.

- the district does not maintain districtwide information regarding replacement cycles for instruments, uniforms, and equipment for fine arts programs.

Typically, capital assets as a group have a depreciation of approximately 50.0 percent of the original cost. **Figure 3–27** shows a summary of large capital asset groups from Houston ISD's fixed asset inventory. The data shows the acquisition value, accumulated depreciation, current book value, and percentage depreciation remaining. The summary indicates that a majority of Houston ISD's capital assets are at less than 50.0 percent of their usefulness. However, because the district is not budgeting the cost for the repair and replacement of these capital assets, budgeted expenses for the current year and future liabilities may be understated.

FIGURE 3–27
HOUSTON ISD CAPITAL ASSET ACCUMULATED DEPRECIATION
FEBRUARY 2019

ASSET	ACQUISITION VALUE	ACCUMULATED DEPRECIATION	BOOK VALUE	PERCENTAGE REMAINING
Computers	$47,900,996	($42,109,707)	$5,791,289	12.0%
Network Electronics	$38,097,301	($26,341,919)	$11,755,381	31.0%
Network and Computer Cabling	$47,278,395	($42,374,015)	$4,904,380	10.0%
Security Equipment	$6,959,319	($1,314,717)	$5,644,603	81.0%
Maintenance and Custodial Equipment	$4,668,604	($2,557,348)	$2,111,256	45.0%
Kitchen Equipment	$3,793,877	($2,382,359)	$1,411,519	37.0%
All Other Equipment	$12,263,791	($7,619,869)	$4,643,923	38.0%
Total	**$160,962,284**	**($124,699,934)**	**$36,262,350**	**23.0%**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, Fixed Asset Inventory; February 2019.

A well-planned capital budget enhances transparency and accountability to citizens. Failure to budget for capital needs risks not accounting for costs that the district knows it will incur. The Government Finance Officers Association recognizes the importance of master plans to the capital planning process and recommends the following considerations:

(1) Master plans should provide a vision for capital project plans and investments. The vision should be supported by realistic planning documents, solid financial policies targeted for the implementation of stated goals, and trends of the district's accomplishments and progress toward these goals. Such plans forecast the district's outlook and align demand generators, capital improvement programs, and funding policies;

(2) Align capital project investment decisions to long-range master plans. Potential projects may include department requests, plans for facility construction and renovations, long-term capital replacement programs, citizen requests, and neighborhood plans and projects for which grant funds are available. These projects should be reviewed for consistency with the district's master plan. The capital improvement plan should prioritize needs to implement the improvements identified in the master plan. The level of funding in the capital improvement plan defines the financial capacity to reach the desired goals in the master plan;

(3) The finance officer should participate in the early planning process. Master plans can project long-range service demands, facility capacity needs, and

stakeholder communication. Knowledge of facility capacity needs combined with financial policies and revenue comparisons facilitates the development of a more fiscally prudent plan. A master plans should balance stakeholder vision and the district's financial capacity to reach the desired goals, which can be accomplished by considering financial implications during the development phase; and

(4) Financial factors should be considered during the development of master plans. The master planning process should be an in-depth analysis, incorporating the financial responsibilities shared by planners and finance officials. When integrating plans with financial policies, consider costs and revenue streams. Possible revenue streams include bond programs, pay-as-you-go alternatives, grants, impact fees, and public–private partnership alternatives. Review the revenue-generating potential within the plan assumptions to identify the capability to finance needed capital projects. Balance the plan's vision across financial capacity to meet the stated goals, or at a minimum, clearly identify the financial implications of a vision that may conflict with the district's financial policies and capacity. Planning documents should incorporate scenario testing during development and the district should, at a minimum, understand the plan cost drivers, alternative scenario outcomes from needs and revenue generation, and options for meeting the desired goals.

Houston ISD's lack of a process for the ongoing evaluation of its capital asset needs, deferred maintenance, and capital

replacement needs risks accruing large, unanticipated financial costs. Emergency purchases typically do not enable adequate planning during procurement. In addition, they ultimately cost the district more and may result in a disruption of operations. The district's substantial deferred maintenance and capital investment needs threaten to drain future resources that will not be available for educational programs.

Houston ISD should track and prepare an ongoing list of capital needs and develop a capital needs budget for presentation to the board annually.

District leadership should discuss carefully and consider capital replacement budget needs during each budget adoption cycle, regardless of whether funding is available. The district should consider the following steps:

- commit fund balance or future bond program allocations for capital replacement needs to represent the financial obligation that the district will incur;

- integrate the capital budget process into annual and long-range budget planning so that the overall budget process recognizes and provides for the capital budget needs;

- prepare cost-benefit analyses to determine the costs of repairs versus replacement for major areas of capital expenditures, such as buses, service vehicles, and buildings, and use this information to evaluate the urgency for future bond funding;

- identify current capital needs for functions including safety, accessibility, and energy improvements; and

- implement a process for ongoing monitoring of capital assets and update identified needs.

The district could implement this recommendation with existing resources.

FUND BALANCE POLICIES (REC. 23)

Houston ISD's board has not determined an optimal threshold for reserves in the district's general fund, internal service funds, and enterprise funds.

The district's general operating fund balance is decreasing, and the school year 2018–19 budget anticipates a deficit. General operating fund balance has decreased significantly since school year 2016–17, and budget deficits are projected through school year 2021–22.

Figure 3–28 shows Houston ISD's general fund balance from school years 2015–16 to 2018–19 and the projected

general fund balance from school years 2019–20 to 2021–22. The general fund balance is projected to decrease by 43.3 percent from school years 2015–16 to 2021–22. The general fund balance as a percentage of expenditures is projected to decrease by more than half during the same period.

The general fund includes the following five categories: nonspendable, restricted, committed, assigned, and unassigned. GFOA recommends that government entities maintain in their general funds an unassigned fund balance of at least two months of regular general fund operating revenues or regular general fund operating expenditures.

Figure 3–29 shows Houston ISD's general fund balance categories from school years 2014–15 to 2017–18. The unassigned fund balance in the district's general fund was less than the recommended level of two months operating expenses at the end of school year 2014–15, but it has met the GFOA-recommended levels during the three subsequent years.

Most of school districts fund balance requirements are outlined in Board Policy CE (LOCAL), but Houston ISD policy does not establish a required level of unassigned fund balance to be maintained in the general fund.

Houston ISD has operated with a budget deficit in its general fund for the past three school years. If this trend continues, the district risks depleting its general fund balance eventually, which would prompt a financial crisis. **Figure 3–30** shows changes in Houston ISD's general fund balance from school years 2015–16 to 2017–18, and projected changes from school years 2019–20 to 2021–22. If the general fund balance continues to decrease by more than $50.0 million annually after school year 2021–22, projections suggest that Houston ISD could have a deficit fund balance by school year 2029–30.

Proprietary funds are used to account for operations that are financed similarly to business activities in the private sector. Houston ISD maintains two types of proprietary funds, enterprise funds and internal service funds.

Enterprise funds are used to support business-type activities that provide services to external and internal users. These activities include the employee cafeteria (MarketPlace), Houston ISD's catering service, business development, and the Medicaid Finance Consulting Services Department.

Internal service funds are used to support activities that provide services for the district's internal programs and activities. These include employee health insurance,

FIGURE 3–28
HOUSTON ISD ACTUAL AND PROJECTED CHANGES IN GENERAL FUND BALANCE
SCHOOL YEARS 2015–16 TO 2021–22

BUDGET CATEGORY	2015–16 ACTUAL	2016–17 ACTUAL	2017–18 ACTUAL	2018–19 BUDGETED	2019–20 PROJECTED	2020–21 PROJECTED	2021–22 PROJECTED
Total Revenue, General Fund	$1,824,553,174	$1,792,347,640	$1,990,436,998	$1,977,345,003	$1,966,163,594	$2,032,752,811	$2,032,754,977
Total Expenditures, General Fund	($1,745,118,145)	($1,807,057,796)	($2,084,342,080)	($1,996,983,851)	($2,018,271,683)	($2,053,065,884)	($2,087,079,040)
Transfers In	$30,400,000	$30,400,000	$29,274,879	$30,400,000	$25,000,000	$20,000,000	$20,000,000
Transfers Out	($26,395,083)	($52,649,042)	($88,500,216)	($46,361,773)	($45,173,141)	($35,030,888)	($16,596,263)
Capital Leases	$8,640,097	$562,012	$23,481,683	$0	$0	$0	$0
Insurance Proceeds on Sale of Capital Assets	$0	$0	$40,478,727	$0	$0	$0	$0
Net Change in Fund Balance	$92,080,043	($36,397,186)	($89,170,009)	($35,600,621)	($72,281,230)	($35,343,961)	($50,920,326)
Beginning Fund Balance	$646,165,822	$738,245,865	$701,848,679	$612,678,670	$577,078,049	$504,796,819	$469,452,858
Ending Fund Balance	**$738,245,865**	**$701,848,679**	**$612,678,670**	**$577,078,049**	**$504,796,819**	**$469,452,858**	**$418,532,858**
Percentage Change	14.3%	(4.9%)	(12.7%)	(5.8%)	(12.5%)	(7.0%)	(10.8%)
2015–16 to 2021–22 Projected Change							(43.3%)
Percentage of Expenditures	42.3%	38.8%	29.4%	28.9%	25.0%	22.9%	20.1%

SOURCES: Legislative Budget Board School Performance Review Team, February 2019; Houston ISD, Comprehensive Annual Financial Reports and 2018–19 Budget Book.

FIGURE 3–29
HOUSTON ISD ENDING FUND BALANCE DETAILS
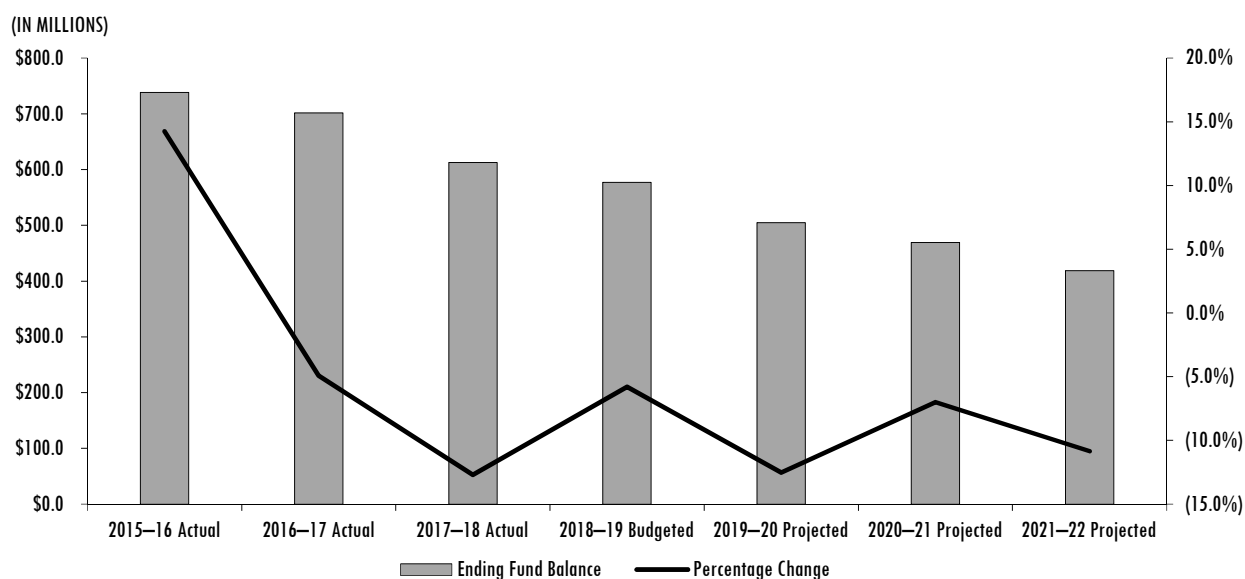**SCHOOL YEARS 2014–15 TO 2017–18**

CATEGORY	2014–15	2015–16	2016–17	2017–18
Nonspendable	$11,234,622	$10,166,319	$10,115,337	$11,394,093
Restricted	$5,686,179	$0	$0	$0
Committed	$89,706,733	$91,482,865	$102,364,840	$46,364,840
Assigned	$256,992,372	$250,970,779	$222,413,318	$165,504,792
Unassigned	$282,545,916	$385,625,902	$366,955,184	$389,415,008
Total Fund Balance	**$646,165,822**	**$738,245,865**	**$701,848,679**	**$612,678,733**
Estimated Two Months' Operating Expenses	**$290,853,024**	**$301,176,299**	**$347,390,347**	**$332,830,642**

SOURCES: Legislative Budget Board School Performance Review Team, February 2019; Houston ISD, 2018–19 Budget Book.

worker's compensation, print shop, the district's alternative certification program, athletics, special education shared services, and University Interscholastic League activities.

In most school districts, internal service funds and enterprise funds have total net assets, which represent the amount of funds available for the continued operations of the service that the fund provides. However, neither

FIGURE 3–30
HOUSTON ISD CHANGES IN FUND BALANCE
SCHOOL YEARS 2015–16 TO 2021–22

NOTE: Amounts shown for school years 2015–16 to 2017–18 are actual data; amounts shown for school year 2018–19 are budgeted; and amounts shown for school years 2019–20 to 2021–22 are projected.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

Houston ISD's internal service funds nor its enterprise funds have a policy specifying a balance that should be retained to meet operating needs.

The internal service funds and enterprise funds are generally expected to be self-sufficient, which means that funds paid in by the district or the users should offset the costs associated with providing the good or service. Although the enterprise funds are established to be profitable, the internal service funds are not expected to make a profit. However, in each case, maintaining an optimum level of reserve funds enables the following program benefits:

- maintain and replace machinery, equipment, and technology (capital purchases), and address major breakdowns, as needed;

- make periodic upgrades to technology and equipment to improve services; and

- facilitate cyclical cash-flow demands.

Figure 3–31 shows the actual revenues and expenses of Houston ISD's internal service funds from school year 2014–15 to school year 2017–18, and budgeted amounts for school year 2018–19. The total net asset ending balances as a percentage of total revenue by year

range from -45.8 percent for the alternative certification program fund during school year 2017–18 to a projected 438.9 percent for the workers' compensation fund during school year 2018–19.

Although funds may accumulate more than three months in operating revenues, or 25.0 percent, ending balances of 50.0 percent or more of revenues appear to be excessive.

Enterprise funds operate in accordance with different accounting rules and guidelines; however, the need for adequate reserves is the same. The Medicaid Finance and Consulting Services Department is an enterprise fund to claim School Health and Related Services (SHARS) reimbursement for Houston ISD and to provide SHARS support and consulting services for other Texas school districts. Each year, the district transfers to the general fund the amount collected as SHARS reimbursements attributed to Houston ISD and a portion of the profits from the consulting work performed for other districts. **Figure 3–32** shows finances for Houston ISD's Medicaid Finance Consulting Services fund from school years 2014–15 to 2018–19. The district transferred $30.0 million to the general fund each year from school years 2014–15 to 2016–17, and $28.0 million for school year 2017–18.

FIGURE 3–31
HOUSTON ISD INTERNAL SERVICE FUNDS SUMMARY OF FINANCIAL POSITION
SCHOOL YEARS 2014–15 TO 2018–19

FUND	2014–15	2015–16	2016–17	2017–18	2018–19
Health					
Operating Revenues	$112,777,592	$119,906,687	$135,361,586	$158,976,813	$162,077,000
Operating Expenses	$135,430,067	$142,445,752	$143,396,713	$145,035,579	$164,182,021
Nonoperating Revenues	$332,535	$212,976	$84,871	$130,690	$202,000
Change in Net Assets	($22,319,940)	($22,326,089)	($7,950,256)	$14,071,924	($1,903,021)
Total Net Asset, Ending	$47,637,203	$25,311,114	$17,360,858	$31,432,782	$29,529,761
Net Assets as a Percentage of Revenue	42.2%	21.1%	12.8%	19.8%	18.2%
Workers' Compensation					
Operating Revenues	$12,033,076	$9,984,685	$8,169,981	$9,026,496	$7,355,649
Operating Expenses	$9,219,033	$7,165,543	$6,491,422	$8,438,515	$9,306,963
Nonoperating Revenues	$158,664	$197,537	$290,387	$543,842	$296,000
Change in Net Assets	$2,972,707	$3,016,679	$1,968,946	$1,131,823	($1,655,314)
Total Net Asset, Ending	$27,823,652	$30,840,331	$32,809,277	$33,941,100	$32,285,786
Net Assets as a Percentage of Revenue	231.2%	308.9%	401.6%	376.0%	438.9%
Print Shop					
Operating Revenues	$4,347,079	$4,320,622	$8,031,464	$7,996,764	$8,792,815
Operating Expenses	$4,459,786	$3,575,566	$8,135,521	$8,320,688	$8,825,736
Nonoperating Revenues	$2	$629	$33,850	$126,725	$32,921
Change in Net Assets	($112,705)	$745,685	($70,207)	($197,199)	$0
Adjustments for Copier Services	$0	$0	$1,129,776	$0	$0
Total Net Asset, Ending	$331,939	$1,077,624	$2,137,193	$1,939,994	$1,939,994
Net Assets as a Percentage of Revenue	7.6%	24.9%	26.6%	24.3%	22.1%
Alternative Certification					
Operating Revenues	$1,124,422	$1,161,391	$937,148	$705,497	$1,167,875
Operating Expenses	$1,073,803	$1,368,101	$1,480,172	$1,030,776	$1,168,475
Nonoperating Revenues	$308	$1,614	$2,537	$0	$600
Change in Net Assets	$50,927	($205,096)	($540,487)	($325,279)	$0
Total Net Asset, Ending	$747,920	$542,824	$2,337	($322,942)	($322,942)
Net Assets as a Percentage of Revenue	66.5%	46.7%	0.3%	(45.8%)	(27.7%)
University Interscholastic League					
Operating Revenues	$1,003,443	$1,097,333	$1,134,458	$1,117,092	$1,096,894
Operating Expenses	$1,076,263	$1,064,581	$1,199,489	$1,096,907	$1,056,517
Nonoperating Revenues	$320	$1,502	$1,710	$5,510	$1,360
Change in Net Assets	($72,500)	$34,254	($63,321)	$25,695	$41,737
Total Net Asset, Ending	$365,427	$399,681	$336,360	$362,055	$403,792
Net Assets as a Percentage of Revenue	36.4%	36.4%	29.7%	32.4%	36.8%
Athletics					
Operating Revenues	$6,079,161	$6,163,834	$6,384,530	$6,399,474	$7,072,378
Operating Expenses	$5,917,836	$6,452,794	$6,518,719	$7,012,528	$6,743,255
Nonoperating Revenues/(Expenses)	$2,184	$11,520	($283,957)	$27,079	$17,436

FIGURE 3–31 (CONTINUED)
HOUSTON ISD INTERNAL SERVICE FUNDS SUMMARY OF FINANCIAL POSITION
SCHOOL YEARS 2014–15 TO 2018–19

FUND	2014–15	2015–16	2016–17	2017–18	2018–19
Athletics (continued)					
Transfers In	$483,934	$0	$0	$0	$0
Change in Net Assets	$647,443	($277,440)	($418,146)	($585,975)	$346,559
Total Net Asset, Ending	$3,896,886	$3,619,446	$3,201,300	$2,615,325	$2,961,884
Net Assets as a Percentage of Revenue	64.1%	58.7%	50.1%	40.9%	41.9%
Shared Services					
Operating Revenues	$7,193,992	$7,337,997	$7,087,480	$7,289,668	$7,124,293
Operating Expenses	$6,645,190	$8,396,957	$6,608,585	$7,237,504	$7,144,293
Nonoperating Revenues	$2,210	$10,574	$19,410	$58,281	$20,000
Change in Net Assets	$551,012	($1,048,386)	$498,305	$110,445	$$0
Total Net Asset, Ending	$3,261,287	$2,212,901	$2,711,206	$2,821,651	$2,821,651
Net Assets as a Percentage of Revenue	45.3%	30.2%	38.3%	38.7%	39.6%
Total Revenues, All Funds	**$144,558,765**	**$149,972,549**	**$167,106,647**	**$191,511,804**	**$194,686,904**
Total Net Assets, All Funds	**$84,064,314**	**$64,003,921**	**$58,558,531**	**$72,789,965**	**$69,619,926**
Total Net Assets as a Percentage of Total Revenue	**58.2%**	**42.7%**	**35.0%**	**38.0%**	**35.8%**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 3–32
HOUSTON ISD MEDICAID FINANCE CONSULTING SERVICES FUND FINANCES
SCHOOL YEARS 2014–15 TO 2018–19

CATEGORY	2014–15	2015–16	2016–17	2017–18	2018–19
Operating Revenues					
Consulting Services	$3,345,480	$2,366,643	$3,212,201	$2,639,068	$861,149
Total Operating Revenues	**$3,345,480**	**$2,366,643**	**$3,212,201**	**$2,639,068**	**$861,149**
Operating Expenses					
Total Operating Expenses	**$4,287,529**	**$6,992,294**	**$6,630,716**	**$6,904,213**	**$3,743,057**
Nonoperating Revenues					
Earnings on Investments	$40,839	$104,915	$177,177	$260,884	$42,949
School Health Services (SHARS)	$27,164,887	$26,915,256	$27,444,421	$36,237,575	$6,877,600
Total Nonoperating Revenue	**$27,205,726**	**$27,020,171**	**$27,621,598**	**$36,498,459**	**$6,920,548**
Income (Loss) Before Transfers	**$26,263,677**	**$22,394,520**	**$24,203,083**	**$32,233,314**	**$4,081,589**
Transfers Out	($30,000,000)	($30,000,000)	($30,000,000)	($28,000,000)	
Change in Net Assets	($3,736,323)	($7,605,480)	($5,796,917)	$4,233,314	
Total Net Assets Beginning	**$43,418,351**	**$39,682,028**	**$32,076,548**	**$26,279,631**	
Total Net Assets Ending	**$39,682,028**	**$32,076,548**	**$26,279,631**	**$30,512,945**	
Total Operating and Nonoperating Revenues	**$30,551,206**	**$29,386,814**	**$30,833,799**	**$39,137,527**	
Total Net Assets as a Percentage of Total Revenue	129.9%	109.2%	85.2%	78.0%	

NOTE: Amounts shown for school year 2018–19 are as of December 31, 2018.
SOURCE: Legislative Budget Board School Performance Review Team; Houston ISD Medicaid Finance Summary of Finances; February 2019.

During years when the district transferred more than the total of operating and non-operating revenues, the transfer served to reduce the total ending net assets. Effective districts establish an optimum amount of reserves based on a percent of revenue to allow the district to maintain an amount of funds in each account according to optimal operating reserves.

TEA references the GFOA's fund balance guidelines for rules regarding general operating fund balance. The policy states, "GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for [generally accepted accounting principles] and budgetary purposes. Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period. In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed."

Additional amounts greater than each fund's optimal amount of reserves, specified in TEA policy, can be transferred annually to the general fund and used to conduct other operations prioritized by the district.

Because enterprise funds are business-type operations, effective districts encourage the enterprise funds to maximize revenues, as do their business counterparts. During the budget process, ideas for increasing revenues by investing in capital upgrades, technology, and promotional activities are viewed as opportunities for growth that may provide additional operating funds to the general fund.

Houston ISD should establish a board policy that mandates a required level of unrestricted fund balance for the general fund, internal service funds, and enterprise funds.

The CFO and department staff should analyze each fund to determine the optimal amount of reserves to maintain given the unique operating characteristics and goals related to each fund, and recommend to the board on the appropriate amount of reserves to hold in each fund.

The CFO and board should reference GFOA guidelines in developing and implementing a local fund balance policy that meets the district's current and future needs.

The fiscal impact of this recommendation will be determined by the fund balance policies that are adopted by the board for each fund. If the board sets the average amount of reserves

for each fund at 35.0 percent, the district could transfer at least $6.6 million in onetime funds from the internal service funds to the general fund ($194,686,904 projected school year 2018–19 internal service fund revenue x 35.0 percent = optimal reserves of $68,140,416; $74,745,222 projected reserves - $68,140,416 = $6,604,806).

LATE PAYMENT OF INVOICES (REC. 24)

Houston ISD does not pay invoices on time consistently, which increases the risk of paying interest on overdue invoices.

Based on the invoice data provided by Houston ISD, the district took 44 days on average to pay invoices during school year 2017–18. **Figure 3–33** shows the number of days required to pay the district's invoices from school years 2015–16 to 2017–18. During this period, the average number of days required to pay invoices has increased by nine days.

According to district staff, the district has no process to monitor the age of pending invoices in the systems, applications, and products (SAP) data processing system for activity fund invoices. Houston ISD uses this system to manage the finance, purchasing, and operations functions across the district. Activity fund invoices are not entered into the system until the clerks at the campus level uploads them to SAP. Additionally, staff noted that the district infrequently pays interest to vendors, and only to those who invoice the district for interest charges.

According to the Texas Government Code, Chapter 2251, Subchapter B, governmental entities are required to pay interest to vendors on overdue invoices. Houston ISD's Board Policy CHF (LEGAL) states that a contractual payment owed by the district is overdue on the later of the following dates: (1) the forty-fifth day after the date on which the district received the goods; (2) the date on which the contractor completed the performance of services; or (3) the date on which the district received the invoice for the goods or services. For Houston ISD, whose board meets monthly, interest begins to accrue on the forty-sixth day.

Houston ISD's Board Policy CHF (LEGAL) further states:

> The district shall compute and pay interest at the time the payment is made on the principal. Interest payments shall accompany payment of the net amount due for the goods or service. The district may not require a vendor to petition, invoice, bill, or wait additional days to receive the interest due. The district may not require a vendor or subcontractor to agree to

waive the vendor's or subcontractor's right to interest as a condition of the contract.

These provisions do not apply to payments made by the district or a vendor in the following situations:

- a dispute occurs between the parties involved, including the district, vendor, contractor, subcontractor, or supplier concerning the goods delivered or the service performed that causes the payment to be late;

- the terms of a federal contract, grant, regulation, or statute prevent the district from making a timely payment with federal funds; or

- the invoice is not mailed to the person to whom it is addressed in strict accordance with instructions on the purchase order.

Based on interviews with the accounts payable staff, the increase in the late payment of invoices results from centralizing the activity fund transactions. Accounts Payable has no record that there has been a transaction until the campus bookkeeper enters the invoice into the SAP system. Campus bookkeepers that are behind on entering invoices can cause late payments to vendors.

Houston ISD should promote accountability and decrease the number of invoices paid late by deducting from departmental and campus budgets late payment charges billed to the district by vendors.

This change may take time for the district to implement if SAP modifications are required to meet statutory requirements. This delay may require the district to consider manual steps to track the age of invoices and to alert Accounts Payable that payments must be made by a certain time in order to avoid interest charges.

The district should consider the following steps to decrease the number of days required to pay invoices:

- educate the departments and campus bookkeepers on statute regarding school districts and interest payments to vendors;

- modify the SAP system to track when an invoice is received and entered into the system;

- develop a list of pending invoices sorted by receiving dates, to determine the invoices that are or could be subject to interest payments;

FIGURE 3–33
HOUSTON ISD'S AVERAGE NUMBER OF DAYS TO PAY INVOICES, SCHOOL YEARS 2015–16 TO 2017–18

YEAR	DAYS
2015–16	35.1
2016–17	43.2
2017–18	44.1

NOTE: This analysis does not consider negative invoices (credits), invoices without payment dates, or invoices for which the invoice date was later than the payment date. Analysis includes only invoices with 0.0 days to pay and greater.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD; February 2019.

- provide a list of late payments to the CFO monthly showing the amount of interest paid to vendors as applicable; and

- charge the late interest payment to the responsible department or campus to discourage the tardy input of invoices.

The district could implement this recommendation with existing resources.

SAP ENHANCEMENTS (REC. 25)

Houston ISD lacks a process to enhance the enterprise software system in a timely manner to address operational efficiencies across the district.

During calendar year 1998, the district launched several modules of SAP, the enterprise software system that the district uses to manage its business operations. Due to the limitations of the account code structure used, the evolving reporting requirements of TEA, and the need to improve business processes, the district decided to reengineer and reimplement the SAP system beginning in January 2016. This reimplementation also included improvements in business processes for the Construction and Facilities Services, Nutrition Services, Transportation Management and Fleet Operations, and Warehouse Management departments.

The following timeline shows the actions taken by the board:

- November 2013 – the board approved an assessment to adequately define the scope and cost of the overall SAP project;

- May 2014 – the board approved the design phase of the financial system project; and

- April 2015 – the board approved the final phase, including implementation, launch, and ongoing

support of the project. The board approved a budget of $64.0 million for the plan.

The project started in February 2014 with an analysis phase that included the design of a new account code structure, and an initial road map of functionality that the district planned to implement in 2015, 2016, and 2017.

The goal of the project was to implement improved business processes to accommodate Houston ISD's current and future requirements, and to re-implement the SAP system. The district's new SAP environment became active in July 2016. By January 2017, the system included financial statement accounts (accounts payable, accounts receivable, and general ledger), management accounting, project systems, plant maintenance, production planning, funds management, materials management, warehouse management, and supplier relationship management.

A major part of the upgrade was to replace the district's human resource management and payroll software with SAP software in order to provide integration between the human resources and finance systems while making both systems easier to use.

According to interviews with technology staff, the district still needs to implement modules for SAP Mobility, Supplier Resource Management, and SAP Budget.

SAP Mobility enables the automation of a manual work order process by more efficiently prioritizing and assigning work orders with mobile devices and by tracking the activities related to the completion of a work order more accurately. The mobility module enables users to schedule and plan the completion of work orders. Additionally, the module provides the ability to track and improve customer satisfaction ratings. The Facilities Services team will utilize this module.

SAP Supplier Relationship Management supports electronic-based procurement. It can help streamline operations, enforce compliance with contracts and purchasing policies, and improve overall management of the purchasing process.

The SAP Budget module automates the current budget development process, most of which relies on spreadsheets. The current budgeting process includes the following steps:

- a spreadsheet is generated for each campus and department, which involves exporting thousands of lines of data from SAP;

- budget templates for each department chief are sent to the budget managers, who often divide the files for distribution to separate departments within the group;

- each department's budget manager recompiles the spreadsheets and returns them to the Budgeting and Financial Planning Department; and

- the Budgeting and Financial Planning Department uploads the files into SAP.

The use of spreadsheets in a district with the size and complexity of Houston ISD is inefficient and time-consuming. The CFO and the Budgeting and Financial Planning Department officer have identified this practice as a priority concern. The board approved an implementation services contract for the SAP Budget module in April 2019.

The review team identified additional enhancements to the SAP system that the district is not performing, but which could present an opportunity to improve performance and efficiencies in other areas, including:

- The Nutrition Services Department uses a separate system to record data required for federal free and reduced-price school meal programs. This system generates orders for delivery to campuses from vendors. The order number does not match the format of the purchase order (PO) number required by SAP. As a result, as many as 80.0 percent of all Nutrition Services Department invoices require manual procedures to process for payment. The disconnection between this system and SAP results in delays as Accounts Payable staff must retrieve the PO number from SAP; and

- SAP does not have a mechanism that can track purchasing card violations. Departments and campuses use these cards to purchase goods and services, and the Purchasing Services Department monitors their use. Staff in the Purchasing Services Department must track identified violations manually to ensure that they are corrected. If SAP had features to track purchasing card violations, it would be easier for staff to identify repeat offenders and to process reimbursements due from staff that made unauthorized expenditures.

The district has implemented several of the planned upgrades to SAP. However, delays in implementing the remaining modules is affecting the district's ability to effectively and efficiently perform necessary financial functions, particularly in light of staffing cuts.

Having no user-based prioritization system in place to guide the work of the SAP programmers and consultants could result in performing enhancements that have little or no direct effect on the workflow, while other critical user needs are not being addressed.

Houston ISD should implement the modules approved by the board for the district's enterprise software system and establish an implementation and prioritization committee to help guide system upgrades and address identified operational inefficiencies districtwide.

The implementation and prioritization committee should include Information Technology Department staff, Accounts Payable and Accounts Receivable staff, Payroll staff, and other users across the district to regularly review and prioritize requests for enhancements and fixes to the SAP system.

Additionally, the Information Technology Department should evaluate its ability to implement the necessary SAP enhancements and determine whether an outside vendor is needed. If external experts are needed to fully implement the modules, the implementation and prioritization committee should review the requests before the CFO submits them to the board to ensure that the proposed scope of work includes any peripheral issues identified in secondary requests for enhancements.

The district could implement this recommendation with existing resources.

OVERPAYMENTS TO ACTIVE AND INACTIVE STAFF (REC. 26)

Houston ISD lacks effective controls to process staff terminations in the human resources and payroll system, which results in overpayments.

Overpayments result from advance payments made to staff who have left the district before their contracts have ended, or from the Payroll Department not being notified when staff are no longer employed by the district.

The Office of Internal Audit issued a report in December 2018, which determined that the main cause for the overpayments stems from how the district calculates pay for staff who worked less than 12 months, (e.g., teachers and food service staff). These staff received advance pay for time not earned of approximately one and one-half pay periods before their contract start dates for the school year. The district recovered the advance payments through payroll deductions during the contracted period. The process of paying staff in advance changed in July 2016 when the district implemented a new human resources and payroll system. However, the amounts that had been advanced in July and August 2016 before the transition to the new system were not collected. According to the CFO, the board has not formally forgiven the staff overpayments and the Houston

FIGURE 3–34
HOUSTON ISD STAFF OVERPAYMENTS
SCHOOL YEAR 2016–17

OVERPAYMENT	STAFF	AMOUNT
Total overpayments repaid by staff	1,123	$1,665,875
Total overpayments not repaid by staff	8,417	$24,336,161
Total overpayments expensed	**9,540**	**$26,002,037**

NOTE: Wages of rehired staff cannot be garnished for repayment according to Texas Payday Law, but the district can implement a repayment plan as long as it gives proper notice and obtains the staff's written consent.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD Payroll Excel Schedules, February 2019.

ISD general counsel is reviewing the matter in order to make a recommendation to either forgive the debt or pursue the amounts owed through collection efforts.

At the time of the onsite review, payroll staff said that the district had expensed overpayments in the financial statements as of June 2018. **Figure 3–34** shows the number of staff and amounts that were included as a payroll expense in school year 2017–18 but that related to school year 2016–17.

After implementing the new human resources and payroll system, the district did not attempt to collect the overpayments, which subsequently were deemed to be uncollectible during fiscal year 2017. The overpayments were expensed during fiscal year 2018, resulting in a misstatement of the 2017 financial statements. The external auditor reported the following effects:

> The June 30, 2017, financial statements include misstatements for the overstatement of the balance of teacher's payroll receivable of approximately $26 million and therefore the beginning balance of fund balance/net position in the June 30, 2018, financial statements is overstated by the same amount. The error in timing of recognition of the payroll expense results in misstatement of the change in fund balance/net position in the fiscal year 2018–19 financial statements, due to the recognition of the payroll expense in fiscal year 2018 that should have been recognized in the prior year.

> Furthermore, failure to identify uncollectible accounts timely could result in future misstatements of the district's financial statements.

The Office of Internal Audit determined that a secondary reason some staff were overpaid was because campuses and departments did not timely submit termination notices to

the Human Resources Department. Additionally, when the overpayments did occur, the causes were not documented or investigated to identify the departments or campuses responsible for consistent delays in informing the Human Resources Department of staff terminations. Therefore, there has been no accountability for the costs expended unnecessarily by the district.

The Office of Internal Audit recommended that the chief human resources officer and the CFO review and strengthen the process for terminated staff. Payroll reports reflecting staff being overpaid each pay period should be forwarded to campuses, departments, and senior management for review and corrective action. The district also implemented time-reporting requirements for terminated staff, but this has not stopped overpayments from occurring as the process for terminating staff is not always followed.

As noted in the audit finding, the implementation of the new SAP system in 2016, has decreased, but not stopped the occurrence of overpayments.

Figure 3–35 shows the current status of active staff overpayments as tracked by the Payroll Department from school year 2016–17 to December 2018.

The overpayment balances owed to the district have not been recorded in the SAP system as official accounts receivable. Only one staff overpayment from 2009 was transferred from the old legacy system and is an active accounts receivable. During onsite interviews, staff said that balances entered into the SAP system by Payroll Department staff automatically move into the receivables category and contribute to the balances reflected in the audited financial statements. The review team requested a reconciliation report to verify that these overpayments are in the accounts receivable balance, but the district did not provide it. Subsequent to the onsite review, the district provided the reconciliation report showing the accounts receivable balances for the staff overpayments.

Houston ISD should strengthen the process for staff terminations in the human resources and payroll system to eliminate overpayments, and complete the corrective action plans recommended by external and internal auditors.

The district should take the following steps:

- the controller should reconcile accounts receivable quarterly;
- the chief human resources officer and the CFO should review the current process for terminating

FIGURE 3–35
HOUSTON ISD BALANCES DUE FROM CURRENT STAFF SCHOOL YEARS 2016–17 TO 2018–19

YEAR	BALANCE DUE
2016–17	$561,392
2017–18	$219,742
2018–19	$78,516

NOTE: Amount shown for school year 2018–19 is as of December 31, 2018.
SOURCES: Legislative Budget Board School Review Team; Houston ISD, February 2019.

staff in the payroll system and implement controls to prevent overpayments;

- the chief human resources officer should inform department managers when an overpayment occurs so that corrective action can be taken and future overpayments can be eliminated;
- the controller should hire a collection agency or assign dedicated staff in an effort to collect funds due; and
- the controller should record overpayment balances due in SAP official accounts receivable records to prevent understatement in financial reporting.

The fiscal impact assumes that Houston ISD collects all accounts receivable from active staff for a onetime gain of $859,650. The fiscal impact does not assume additional gains from overpayments after December 2018.

ALTERNATIVE CERTIFICATION PROGRAM (REC. 27)

Houston ISD's Alternative Certification Program (ACP) has operated at an annual loss for the past three years, and the trend appears to be continuing.

The ACP recruits and trains individuals with a bachelor's degree in a subject other than education to become certified teachers. Individuals who want to pursue alternative certification must pass a test administered by TEA to be considered. After applying online and interviewing with ACP program staff, candidates who are accepted attend orientation and pay the entry fee. Once in the program, candidates begin interviewing with campus principals. Placement in a campus is at the discretion of the campus principal, but 100.0 percent of the candidates who completed the ACP have been hired and placed in campuses. Individuals who complete ACP training are certified teachers that pay Houston ISD $5,000 through payroll deductions for the training they receive.

FIGURE 3–36
HOUSTON ISD ALTERNATIVE CERTIFICATION PROGRAM FINANCIAL SUMMARY
SCHOOL YEARS 2014–15 TO 2018–19

CATEGORY	2014–15	2015–16	2016–17	2017–18	2018–19 (1)
Operating Revenues					
Total Operating Revenues	$1,124,422	$1,161,391	$937,148	$705,497	$1,167,875
Operating Expenses					
Total Operating Expenses	$1,073,803	$1,368,101	$1,480,172	$1,030,776	$1,168,475
Operating Income (Loss)	$50,619	($206,710)	($543,024)	($325,279)	($600)
Nonoperating Revenues (Expenses)					
Earnings on Investments	$308	$1,614	$2,537	$0	$600
Total Nonoperating Revenue	$308	$1,614	$2,537	$0	$600
Income (Loss) Before Transfers	$50,927	($205,096)	($540,487)	($325,279)	$0
Change in Net Assets	$50,927	($205,096)	($540,487)	($325,279)	$0
Total Net Assets, Beginning	$696,993	$747,920	$542,824	$2,337	($322,942)
Total Net Assets, Ending	**$747,920**	**$542,824**	**$2,337**	**($322,942)**	**($322,942)**

NOTE: Amounts shown for school year 2018–19 are budgeted.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD; February 2019.

The fees collected from the program from school years 2015–16 to 2017–18 have not been sufficient to cover the expenses of operating the program. In addition, market competition has affected program participation, and the ACP now has a $300,000 deficit. **Figure 3–36** shows Houston ISD's ACP financial summary for school years 2014–15 to 2018–19. Since school year 2015–16, the program has been operating at a net loss of between $200,000 to more than $500,000 per year.

The continued operation of the decreasing ACP program is straining district resources. During onsite interviews, staff said that the district has made cuts in an attempt to reduce expenditures or match them to revenues. However, 2018–19 budgeted expenses are expected to increase from the previous year, and the increase in budgeted revenues is not consistent with the decreases during the previous three-year period. The ACP program manager said that the district does not want to raise fees for fear of losing candidates to one of the many competing alternative certification programs in the area, which could exacerbate the loss of revenues.

Houston ISD should increase the annual revenue of the alternative certification program to meet operating expenses, or eliminate the program and seek partnerships with other certifying organizations to meet Houston ISD's ongoing needs.

The district could take the following steps:

- the Office of Internal Audit could conduct an audit of the ACP to determine why expenses for the program

have continued to increase while revenues have not kept pace;

- ACP staff should analyze the number of annual ACP participants needed to operate the program at a net profit;

- ACP staff should explore opportunities to increase the exposure of the program in the community to attract additional participants; and

- the ACP should consider partnering with other local ACPs to provide placement services within Houston ISD's campuses.

The fiscal impact assumes that the district eliminates the Alternative Certification Program, for an annual savings of $1,168,475, which equals the program's school year 2018–19 budget. The fiscal impact does not assume further losses for the program. Since the time of the review, the district reported that as of June 30, 2019, the Alternative Certification Program had a net income of $198,404.

MANAGEMENT COMMUNICATION (REC. 28)

Limited communication among departments in the CFO's Office has resulted in operational separations, resulting in a lack of coordination and decreasing opportunities to promote efficiencies.

The CFO's Office includes 255 staff in the Controller's Office, the Budgeting and Financial Planning

Department, the Benefits Department, the Medicaid Finance Consulting Services Department, the Business Logistics and Purchasing Department, and the Tax and Financial Management Attorney.

During onsite interviews, staff said that the CFO does not hold regular staff meetings with the managers and directors who oversee the departments that report to him. The CFO said that he meets almost daily with the department directors that report to him individually and shares information among the departments.

This method enables him to maintain constant contact with staff; however, it does not facilitate the exchange of information among the managers and directors in the CFO's Office.

During onsite interviews, staff said that the previous CFO held weekly meetings in which department directors had an opportunity to share and discuss issues that affected the departments or district as a whole. These meetings no longer take place.

The following examples of limited communication among departments were reported:

- the Budget and Planning Department is not always consulted when other departments make decisions that affect budget priorities. For example, the Budget and Planning Officer was not consulted about the most recent bond/maintenance note issue;

- some directors said they often were unaware of developments or issues occurring in other departments that had affected their departments;

- communication between the CFO and the Medicaid Finance Consulting Services Department officer occurs rarely; and

- managers and directors that report to the CFO were unable to discuss issues or processes that affect multiple departments effectively because each director could provide information only about his or her own department's activities.

Faced with budget and staff cuts, the Business and Operations Division must seek innovative ways to achieve each department's objectives with fewer resources. However, there is no coordinated effort between the departments to identify areas for improvement or how to increase efficiencies or effectiveness. Staff said they often saw opportunities for improvement, but that limited communication and coordination between departments prevents efficiencies from being realized.

The CFO's Office should resume regular weekly staff meetings with department managers to exchange information, inform staff, and seek opportunities to increase efficiencies and collaboration across teams.

Resuming regular staff meetings could address some of the concerns that the divisions are separated and that decisions are made without all participants understanding how those decisions could affect other departments or the CFO's Office. Holding weekly or twice monthly meetings with directors and managers that report directly to the CFO could help to improve communication among the groups and improve decision making by considering the perspectives of each constituent.

The district could implement this recommendation with existing resources.

ADDITIONAL OBSERVATION

During field work, the review team observed additional issues regarding the district's programs and services to students, staff, and the community. These observations are presented for consideration as the district implements the report's other findings and recommendations.

The district should examine the role of the Ethics and Compliance Office, and the role of the fraud-and-abuse reporting hotline. The Ethics and Compliance Office has moved several times between the Internal Audit and General Counsel departments. At the time of the onsite visit, the district had no staff filling the three budgeted positions, and the work was divided among the attorneys in the General Counsel's Office. Previously, the Ethics and Compliance Office investigated calls made to the district's hotline established for staff to report instances of fraud and abuse and other improprieties. At the time of the onsite visit, the Internal Audit Department managed the hot line. The existence of the hotline may not be known to all staff, and it is not available to the public.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's (LBB) School Performance Review Team identified a fiscal impact for the following recommendations:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
3. FINANCIAL MANAGEMENT							
23. Establish a board policy that mandates a required level of unrestricted fund balance for the general fund, internal service funds, and enterprise funds.	$0	$0	$0	$0	$0	$0	$6,604,806
26. Strengthen the process for staff terminations in the human resources and payroll system to eliminate overpayments, and complete the corrective action plans recommended by external and internal auditors.	$0	$0	$0	$0	$0	$0	$859,650
27. Increase the annual revenue of the alternative certification program to meet operating expenses, or eliminate the program and seek partnerships with other certifying organizations to meet Houston ISD's ongoing needs.	$1,168,475	1,168,475	$1,168,475	$1,168,475	$1,168,475	$5,842,375	$0
Total	**$1,168,475**	**$1,168,475**	**$1,168,475**	**$1,168,475**	**$1,168,475**	**$5,842,375**	**$7,464,456**

4. ASSET AND RISK MANAGEMENT

Management of the Houston Independent School District's (ISD) cash and investments is the responsibility of the chief financial officer (CFO), the controller, and the treasurer. The Board of Education has designated these positions as the district's investment officers. Pursuant to the Texas Public Funds Investment Act, these positions develop and maintain a portfolio of nearly $1.5 billion in investments for Houston ISD that provide safety from risk, liquidity to support cash requirements, and a yield providing a reasonable rate of return.

ACCOMPLISHMENT

♦ Houston ISD has refunded bonds and maximized the benefits of tax increment reinvestment zones to achieve savings on debt obligations and optimize the use of capital funds.

FINDINGS

♦ Houston ISD lacks effective cash management oversight of the district's investment portfolio.

♦ Houston ISD lacks a central accounts receivable system or process that tracks and accumulates all receivable balances across the district.

♦ Houston ISD has not developed an effective process to address increasing property insurance premiums.

♦ Houston ISD has not evaluated self-insured funds to determine whether the programs are operating efficiently.

RECOMMENDATIONS

♦ **Recommendation 29: Enhance controls of cash and investment management processes.**

♦ **Recommendation 30: Monitor all receivables to record, reconcile, and report in the district's financial statements in a timely manner.**

♦ **Recommendation 31: Analyze property insurance needs based on construction projects and increasing property values, and present a plan to the board to control increasing premium costs.**

♦ **Recommendation 32: Analyze the self-funded insurance funds compared to coverage offered by an independent insurance provider and present the findings to the board.**

BACKGROUND

An independent school district's asset and risk management function controls costs by ensuring adequate protection against significant losses with the lowest possible insurance premiums. This protection includes the identification of risks and methods to minimize their impact. Risks can include investments, liabilities, capital assets, and insurance.

Managing assets and risks is dependent on the organizational structure of the district. Larger districts typically have staff dedicated to asset and risk management. Managing investments includes identifying those with maximum interest-earning potential while safeguarding funds and ensuring liquidity to meet fluctuating cash-flow demands. Forecasting and managing revenue includes efficient tax collections to enable a district to meet its cash-flow needs, earn the highest possible interest, and estimate state and federal funding. Capital asset management should identify a district's property (e.g., buildings, vehicles, equipment, etc.) and protect it from theft and obsolescence. Insurance programs include health coverage for staff, workers' compensation, and district liability.

Houston ISD's Treasury Department reports to the controller and operates with a treasurer and five staff. **Figure 4–1** shows the organization of the Treasury Department.

The Treasury Department performs the following activities:

• receipting and depositing cash and checks;

• printing disbursement checks for accounts payable and transferring the information to the bank;

FIGURE 4–1
HOUSTON ISD TREASURY DEPARTMENT ORGANIZATION SCHOOL YEAR 2018–19
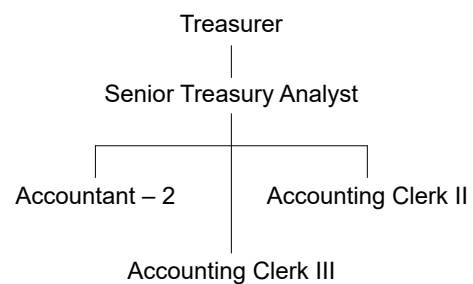
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

- monitoring the balances of checking accounts for all the business functions;

- executing electronic payments and transfers among bank accounts;

- monitoring investment rates; and

- reporting daily regarding the accounts' cash activity and status.

Houston ISD Board Policy (LOCAL), as stated in the Treasury Department's Policy and Procedure manual, outlines the district's combined cash management and investment policy, which applies to all financial assets within the district's authority. These assets include the general fund, special revenue fund, food service fund, capital projects fund, debt service fund, trust and agency fund, enterprise funds, internal service funds, and activity funds.

The policy includes the following objectives:

- assure the safety of district funds;

- maintain sufficient liquidity to provide adequate and timely working funds;

- maintain the public trust as custodians and managers responsible for the investing of funds, subject to state and federal laws; and

- optimize yield as expressed through rate of return and interest earnings.

The policy includes the following additional objectives:

- diversify investments in maturity, instruments, and issuers; and

- avoid investments for speculation.

As of February 2019, the district maintains 39 open bank accounts that the Treasury Department reviews daily and reconciles monthly. The Legislative Budget Board's School Performance Review Team visited the district in February 2019. During the review team's onsite interviews, district staff said that the department is establishing a functional structure that will manage all cash through the general fund. As part of this transition, the district plans to close approximately half of these bank accounts and their associated checking accounts by the second quarter of 2019.

A government investment pool or local government investment pool is a state or local government resource offered to public entities to invest public funds. These pools often offer competitive rates of return. The Treasury Department primarily invests in such pools and does not use an investment adviser.

The Quarterly Investment Report documents the results of Houston ISD's investment activities, which include a variety of cash deposit accounts, investment pools, and agency securities. This report, presented quarterly to the board, contains graphical and written descriptions of portfolio balances, yield analysis, maturity schedules, and account activity for all business areas.

Figure 4–2 shows Houston ISD's portfolio totals as of December 31, 2018.

The Risk Management Division primarily performs the district's risk management within the Business Logistics and Risk Management Department, which reports to the CFO.

Figure 4–3 shows the organization of the Business Logistics and Risk Management Department.

The Risk Management Department manages the following functions:

- districtwide insurance coverage and claims, including the self-funded automobile insurance program, but not health or workers' compensation coverage;

- environmental consulting, including air quality, and provides mold and asbestos consulting services; and

- safety and emergency management, including safety drills, trainings, inspections and other campus safety and compliances issues, and assists the Houston ISD Police Department with active shooter drills.

The Benefits Department, which also reports to the CFO, manages two self-funded insurance programs including employee health coverage and workers' compensation. **Figure 4–4** shows the organizational structure of the Benefits Department.

The Fixed Asset Accounting Group in the Controller's Office tracks all capital assets and all electronic and technology equipment. In addition, the group is responsible for reporting fixed assets and their depreciation in the district's comprehensive annual financial reports.

Fixed assets or capital assets are tangible items that have a useful life expectancy of at least two years. Fixed assets are controllable, are not consumed as a result of use, and have a unit cost of at least $5,000. The value of the asset depreciates

FIGURE 4–2
HOUSTON ISD QUARTERLY INVESTMENT REPORT
DECEMBER 31, 2018

CATEGORY	MUNICIPAL BOND INVESTMENTS	AGENCY INVESTMENTS	LONE STAR INVESTMENT POOL	TEXPOOL INVESTMENTS	TEXSTAR INVESTMENTS	CERTIFICATES OF DEPOSIT	TOTAL PORTFOLIO
General Fund	$9,039,244	$39,596,531	$76,255,859	$103,516,791	$57,068,278	$100,240,000	$385,716,703
Capital Projects Fund	$0	$11,999,655	$295,262,321	$215,699,152	$254,249,926	$0	$777,211,054
Debt Service Fund	$0	$0	$2,132,478	$88,404,240	$0	$0	$90,536,718
Food Service Fund	$0	$0	$7,156,326	$32,524,132	$0	$0	$39,680,458
Marketplace	$0	$0	$652,452	$0	$0	$0	$652,452
Health Insurance	$0	$0	$12,597,736	$5,321,836	$0	$0	$17,919,572
Workers' Compensation	$0	$0	$30,081,671	$8,658,440	$0	$0	$38,740,111
Internal Service Fund	$0	$0	$0	$4,067,707	$0	$0	$4,067,707
Medicaid	$0	$0	$17,297,476	$42,752	$0	$0	$17,340,228
Print Shop	$0	$0	$0	$5,140,919	$0	$0	$5,140,919
Special Revenue Fund	$0	$0	$8,778,283	$50,327,341	$0	$0	$59,105,624
Trust and Agency Funds	$0	$0	$63,361	$5,093,807	$0	$0	$5,157,168
Activity Funds	$0	$0	$23,718,267	$594,187	$0	$0	$24,312,454
Public Facility Corporation (1)	$0	$5,923,299	$0	$0	$13,156,526	$0	$19,079,825
Total Investments	**$9,039,244**	**$57,519,485**	**$473,996,230**	**$519,391,304**	**$324,474,730**	**$100,240,000**	**$1,484,660,993**

NOTE: (1) The Public Facility Corporation has issued Lease Revenue Bonds for building two high schools in 1998, a food warehouse facility in 2006, four elementary schools in 2010, and three instructional facilities in 2015.
SOURCE: Houston ISD, Quarterly Investment Report, December 31, 2018.

over its useful life. Fixed assets are tracked for each campus through the fixed asset ledger for capital assets within the district's enterprise software system. The district uses a separate software system to inventory and track technology-related equipment.

Campus and department administrators or their assignees tag the fixed assets at the time of purchase; manage the maintenance, transfer, and disposal of assets throughout the year; and conduct the annual inventory.
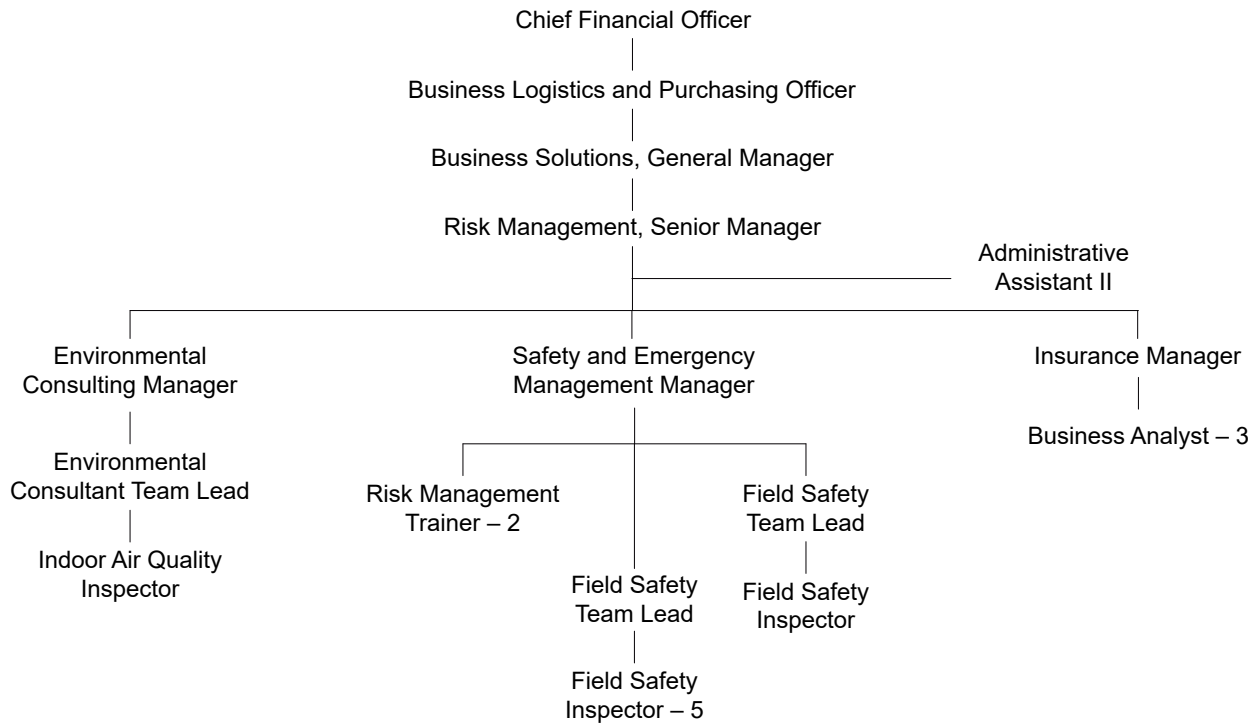
DETAILED ACCOMPLISHMENT

REFUNDING OF BONDS

Houston ISD has refunded bonds and maximized the benefits of tax increment reinvestment zones to achieve savings on debt obligations and optimize the use of capital funds.

The district achieved savings after refunding several of its bonds issued from 2007 to 2017. Bond refunding involves retiring an outstanding bond by using the proceeds from the issuance of a new bond. The new bond typically is issued at a lower rate of return than the retired bond, resulting in a decrease in the amount of interest paid by the issuer. **Figure 4–5** shows Houston ISD's refunding actions for bonds issued from 2007 to 2017. The resulting cash-flow savings of $312.0 million results in decreased interest costs and fund availability for future debt payments and capital projects.

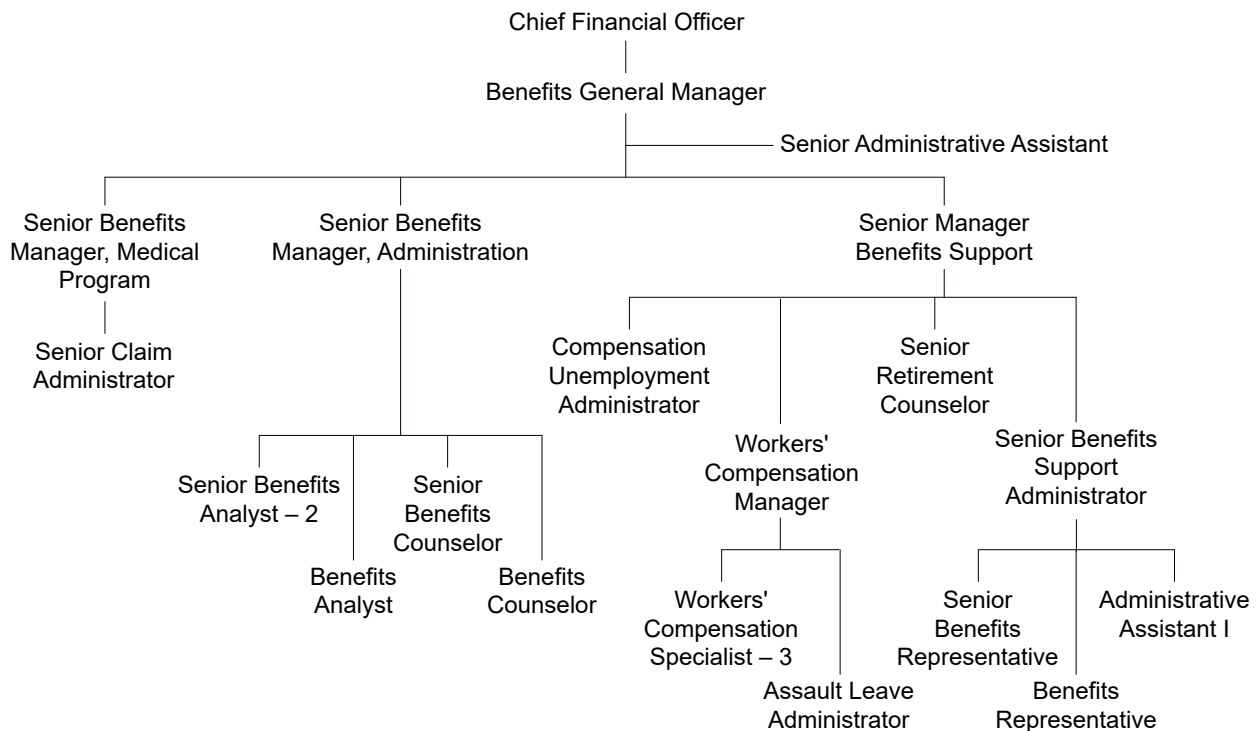The district also has maximized the benefits of tax increment reinvestment zones (TIRZ) to build new campuses and invest in the development of blighted or underdeveloped areas within district boundaries. A TIRZ enables the financing of public improvements in such an area through the use of additional property tax revenues, referred to as increments, that result from these investments. Houston ISD participates in 13

FIGURE 4–3
HOUSTON ISD BUSINESS LOGISTICS AND RISK MANAGEMENT DEPARTMENT, SCHOOL YEAR 2018–19

Chief Financial Officer

Business Logistics and Purchasing Officer

Business Solutions, General Manager

Risk Management, Senior Manager

Administrative Assistant II

Environmental Consulting Manager

Safety and Emergency Management Manager

Insurance Manager

Environmental Consultant Team Lead

Risk Management Trainer – 2

Field Safety Team Lead

Business Analyst – 3

Indoor Air Quality Inspector

Field Safety Team Lead

Field Safety Inspector

Field Safety Inspector – 5

Sources: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 4–4
HOUSTON ISD BENEFITS DEPARTMENT ORGANIZATION, SCHOOL YEAR 2018–19

Chief Financial Officer

Benefits General Manager

Senior Administrative Assistant

Senior Benefits Manager, Medical Program

Senior Benefits Manager, Administration

Senior Manager Benefits Support

Senior Claim Administrator

Compensation Unemployment Administrator

Senior Retirement Counselor

Senior Benefits Analyst – 2

Senior Benefits Counselor

Workers' Compensation Manager

Senior Benefits Support Administrator

Benefits Analyst

Benefits Counselor

Workers' Compensation Specialist – 3

Senior Benefits Representative

Administrative Assistant I

Assault Leave Administrator

Benefits Representative

Sources: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 4–5
HOUSTON ISD BOND REFUNDING ACTIONS, FEBRUARY 2019

DATE	SERIES	PAR VALUE ISSUED	CASH-FLOW SAVINGS	NET PRESENT VALUE SAVINGS	NET PRESENT VALUE SAVINGS PERCENTAGE
3/22/2007	Limited Tax School Refunding Bonds, Series 2007	$279,865,000	$19,275,801	$11,564,875	4.1%
4/15/2009	Limited Tax Refunding Bonds, Series 2009	$14,160,000	$1,666,000	$1,594,371	11.3%
5/15/2012 (1)	Variable Rate Limited Tax Refunding Bonds, Series 2012	$182,080,000	$0	$0	0.0%
2/14/2013	Limited Tax Refunding Bonds, Series 2013A	$42,810,000	$7,140,574	$5,984,052	12.5%
2/14/2013	Limited Tax Refunding Bonds, Series 2013C	$92,905,000	$32,677,225	$19,296,631	15.4%
12/16/2014	Limited Tax Refunding Bonds, Series 2014B	$365,395,000	$91,455,458	$63,352,707	16.1%
7/13/2015	Maintenance Tax Refunding Bonds, Series 2015	$40,360,000	$4,834,811	$4,575,440	11.3%
4/12/2016	Limited Tax School and Refunding Bonds, Series 2016A	$264,315,000	$77,513,524	$52,502,998	17.5%
4/19/2016	Limited Tax School and Refunding Bonds, Series 2016B	$19,975,000	$3,361,914	$3,661,289	18.3%
5/23/2017	Limited Tax School and Refunding Bonds, Series 2017	$360,070,000	$70,574,953	$60,850,808	14.6%
6/29/2017	Lease Revenue Refunding Bonds, Series 2017	$21,550,000	$3,524,898	$2,974,804	12.3%
Total		**$1,683,485,000**	**$312,025,158**	**$226,357,975**	

NOTE: (1) Variable rate refunding was a technical refunding due to changes in term and rate modes and was not intended to generate savings.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

TIRZs established by the City of Houston. At least two high schools, Westside High School and Cesar Chavez High School, have been built with TIRZ funding. The following other projects also were completed with TIRZ funding:

- rebuilding Kolter, Scarborough, Mitchell, and Braeburn elementary schools;

- completion of bus dropoff and parking lot projects for Burbank Elementary School, Burbank Middle School, and Windsor Village Elementary School;

- construction of Energy Institute and North Forest high schools;

- renovation of Codwell Elementary School;

- roofing restoration for Attucks Middle School, Stevens Elementary, Shadydale Elementary, and Anderson Elementary;

- parking garage built for Lamar High School and the High School for the Performing and Visual Arts; and

- construction of North Houston Early College High School.

Houston ISD benefits from bond refunding and TIRZ participation in the following ways:

- bond refunding generates substantial interest cost savings for the district;

- TIRZ participation generates funding for capital projects without requiring a bond program or additional debt;

- TIRZ financing enables the development of unproductive, underdeveloped, or blighted areas within district boundaries into viable, higher-value properties; and

- improvements such as roads, streets, bridges, drainage and detention facilities, parks, plazas, and open spaces enhance district property.

DETAILED FINDINGS

CASH MANAGEMENT OVERSIGHT (REC. 29)

Houston ISD lacks effective cash management oversight of the district's investment portfolio.

The board designated the CFO, controller, and treasurer as district investment officers. However, the treasurer is the only administrator actively managing the district's investments, and the CFO and controller primarily authorize the treasurer's decisions. This arrangement provides limited checks and balances for the activities of the staff in charge of an investment portfolio of nearly $1.5 billion, which places the district at increased risk of malfeasance by the treasurer.

The district keeps a limited amount of cash, less than $1.0 million, in checking accounts. Treasury Department staff transfer funds to pools multiple times per day to earn interest. The district does not consult with a financial adviser and uses pools for most investments.

Figure 4–6 shows information from the treasurer's Quarterly Investment Report presented to the board. It shows the district's combination of investments as of December 31, 2018.

According to the Quarterly Investment Report dated December 31, 2016, 74.0 percent of funds in Houston ISD's investment portfolio were invested in pools such as TexPool, TexStar, and Lone Star Pool. In the report dated December 31, 2017, 83.0 percent of the district's investment funds were in pools. This amount increased to 89.0 percent in the December 31, 2018 quarterly report.

School districts commonly use investment pools to earn interest on funds. Many districts that do not have investment officers or advisers rely exclusively on pools to generate interest income on their investments. However, effective districts consider all investment opportunities and actively manage their investment portfolios to generate the highest rate of return on funds.

During fiscal year 2016, the treasurer discontinued cash-flow forecasting as part of the quarterly report to the board. Cash-flow forecasting is a projection of the district's future financial position based on anticipated payments and receivables. These forecasts are used to determine the availability of funds for meeting financial obligations. During onsite interviews, district staff said that the benefit of these forecasts is not worth the amount of time it required to prepare them. Instead, the treasurer includes a simplified cash position report in the quarterly report to the board. Consequently, no

FIGURE 4–6
HOUSTON ISD INVESTMENTS BY FUND TYPE
DECEMBER 2018
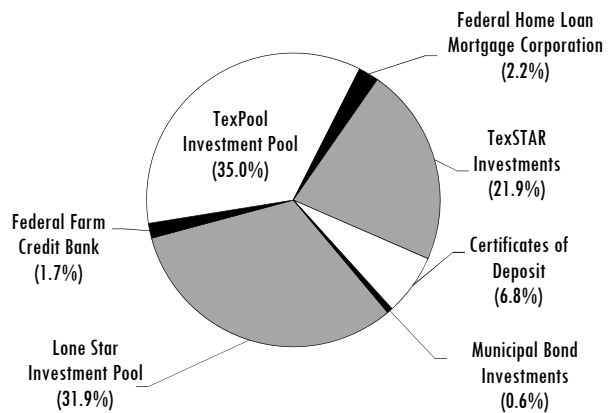
NOTE: Federal Home Loan Bank and Treasury Bonds amounts round to 0.0 percent.
SOURCE: Houston ISD, Quarterly Investment Report, December 31, 2018.

staff outside of the Treasury Department are informed of the district's cash-flow needs and cash position. The district lacks a tool for forecasting cash levels that staff responsible for financial oversight can use to match available funds with anticipated needs. This lack of oversight increases the possibility that unexpected events could result in nonpayment of obligations.

The review team noted examples of a single staff or department performing cash management duties that should be distributed among multiple staff or departments in the interests of financial accountability and transparency. For example, no staff outside of the Treasury Department has the authority to process wire transfers, which the district uses regularly to transfer funds among accounts to receive the highest possible rate of interest return. Treasury Department staff authorize and oversee the entire process, with no external monitoring or verification.

An August 2018 internal audit report documents another example, which involved the general ledger account reconciliation process. The staff that reconciled the account also prepared and approved the general ledger entries for Treasury Department-related transactions, including investments. The Office of Internal Audit concluded that this process should be overseen by staff that are independent of the transactions.

The report also noted that the district has no independent, periodic review of users' access to the cash management and

investment systems. The district uses these systems daily to transfer funds among banking and investment accounts. The cash management and investment systems are critical third-party, web-based systems that should be protected from unauthorized users or those with inappropriate access levels. In response to the audit finding, district staff said that quarterly reviews of the cash management and investment systems would be implemented and documented. However, the district was unable to provide these reports to the review team.

Proper oversight of the treasury function assures the safety of district funds. Oversight also helps a district to maintain sufficient liquidity in accounts, maintain public trust, optimize interest earnings, and decrease overall risk.

Houston ISD should enhance controls of cash and investment management processes.

To ensure proper oversight of the cash management and investment functions, Houston ISD should implement the following procedures:

- involve the CFO and controller in investment decisions, with documentation of their input in signed investment transaction orders;

- present quarterly cash-flow reports to the CFO and the board along with the quarterly investment reports; and

- include staff outside of the Treasury Department, such as the assistant controller, in an oversight function to provide additional safeguards for wire transfer transactions.

No fiscal impact is assumed for this recommendation. The district should evaluate the staffing level necessary to implement the recommendation and to determine a fiscal impact, if any.

ACCOUNTS RECEIVABLE TRACKING (REC. 30)

Houston ISD lacks a central accounts receivable system or process that tracks and accumulates all receivable balances across the district.

Accounts receivable are funds owed to an organization in exchange for goods sold or services rendered. Several departments and activities generate accounts receivable for Houston ISD, which results in a fragmented system that does not enable the district to determine the amount of receivables owed at any given time. Certain departments upload their receivables into the district's systems applications

and products (SAP), and others send amounts they have invoiced to the General Accounting Department to upload. Often, timing lapses occur between when an account receivable is generated and when it is invoiced and entered into SAP. It is not clear how the district accumulates and reconciles all the receivable balances generated across departments for the annual financial reporting process.

The following examples show the fragmented nature of accounts receivable across the district:

- charter school contracts authorize charters to make lease payments for buildings to Houston ISD at the end of the school year;

- Internal Service Funds, including food service-catering and the district's print shop, sell to external customers and upload the related receivable amounts to the SAP system;

- out-of-district tuition is collected for some students at a rate of $10,000 per year; this information is tracked by the General Accounting Department;

- the Transportation Department bills campuses for field trip bus rentals by completing an invoice and sending it to the General Accounting Department one month or more after the rentals occurred;

- one staff position owes the district for payroll overpayments, and a receivable balance has been recorded to record the payments received;

- the Payroll Department has staff overpayments that are tracked but are not recorded as receivables or sent to the General Accounting Department; and

- the Treasury Department collects cash and applies payments to various receivable accounts. The department often holds checks for a week or longer onsite until staff determine to which account the payment should be applied.

The review team requested but did not receive a list of the receivable balances that were reconciled and included in the comprehensive annual financial reports for the last three fiscal years.

In the audited financial statements for June 30, 2018, a material misstatement was noted for the district's failure to record approximately $20.0 million of School Health and Related Services (SHARS) revenue and a related receivable amount. SHARS revenue is generated by the district's

Medicaid Finance Consulting Services Department. Material misstatements can indicate a weakness in or lack of internal controls. Additional material misstatements may continue to occur if the district does not complete proper review and reconciliation of receivable data in a timely manner.

The management response to the material misstatement was that staff would analyze and reconcile accounts receivable balances quarterly. The review team requested copies of the quarterly reconciliation statements, but the district was unable to provide them.

Houston ISD should monitor all receivables to record, reconcile, and report in the district's financial statements in a timely manner.

To address the deficiencies in accounting for the receivable balances across the district, Houston ISD should implement the following steps:

- complete an assessment of which departments maintain receivable balances for revenues and reimbursements that they generate;

- document procedures for how each department records receivables, the timeframe for reconciling receivable accounts, and where these accounts appear in the financial statements; and

- require the CFO to review the quarterly receivable reports to ensure that receivables are recorded and reconciled in a timely and accurate manner.

The district could implement this recommendation with existing resources.

RISING PROPERTY INSURANCE COSTS (REC. 31)

Houston ISD has not developed an effective process to address increasing property insurance premiums.

Houston ISD's property insurance premiums during school year 2018–19 increased significantly from the previous year. The district has a comprehensive group of property-related insurance policies that cover buildings and equipment. However, from school years 2017–18 to 2019–20, the premiums for property insurance for Houston ISD are projected to increase by more than 50.7 percent. According to staff, a portion of the increase is due to claims related to Hurricane Harvey's effects when the storm made landfall in the Houston area in August 2017. However, a majority of the increase in insurance premiums relates to new construction, increased property values, and campuses that will open in upcoming years.

The district uses the following process to obtain insurance coverage:

- the board approves a four-year contract with an insurance broker;

- the broker obtains the marketing and pricing information for all policies;

- district staff review the bids, negotiates pricing, and selects the companies;

- the board approves the negotiation and purchase of insurance for the coming year; and

- the district bids and renews policies annually.

Based on onsite interviews, district staff are not involved in negotiations with the insurance carriers and rely on the broker's recommendations to determine which policies the district should purchase. The district has no policies or procedures to inform or guide staff in the process for purchasing insurance. The CFO's involvement is to present the broker's recommendations to the board for approval. Subsequent to the onsite fieldwork, district staff indicated that a licensed broker is required to negotiate directly with the insurance companies and that the Risk Management Department negotiates the pricing with and through the approved broker. Staff also indicated that Houston ISD has an annual bid schedule established to either rebid or renew each type of insurance and that a committee is formed to evaluate all bids and make a final recommendation to the board.

Property insurance premiums are based on Houston ISD's total insured values at risk and a rate of 0.2259 per $100.0 of insured value, including taxes and fees. The current statement of values for assets covered by insurance totals approximately $5.1 billion and is expected to increase as construction and renovations continue. As the value of Houston ISD's portfolio increases, the premiums also will increase.

Materials presented at a March 2019 board meeting included the following statement:

Houston ISD carries a portfolio of all risk property insurance policies based on a manuscript form to protect Houston ISD's schools, support service facilities, and contents valued at approximately $5.1 billion spread over an area of 312.0 square miles. The current portfolio of policies includes limits of $250.0

FIGURE 4–7
HOUSTON ISD PROPERTY INSURANCE PREMIUMS
SCHOOL YEARS 2017–18 TO 2019–20

(IN MILLIONS) CATEGORY	2017–18	2018–19	2019–20	PERCENTAGE CHANGE FROM 2017–18
Total Premiums	$7.1	$9.2	$10.7	50.7%
Total Limits Per Occurrence	$250.0	$250.0	$250.0	0.0%
Value of District Buildings and Content	$4,800.0	$4,900.0	$5,100.0	6.3%
Premium Rate Calculation	0.1615 per $100	0.1818 per $100	0.2259 per $100	39.9%

NOTE: Amounts for school year 2019–20 are projected.
SOURCE: Houston ISD, Property Insurance Reports, school years 2017–18 to 2019–20.

million per occurrence, with separate sublimits for named-storm wind, flood, and earthquake. The 2018–2019 deductibles are $5.0 million per occurrence for wind, hail, and/or flood losses due to a named storm; and $500,000 per occurrence for losses due to wind, hail, flood, and earthquake. The 2019–2020 deductibles are to be determined and will include additional coverage for high-risk areas. A deductible buy-back policy will be put in place to reduce the per-occurrence deductible from $5.0 million to $2.5 million for wind, hail, and/or flood losses due to a named storm.

Figure 4–7 shows the amount of premiums paid for insurance coverage from school years 2017–18 to 2018–19, and the projected premiums for school year 2019–20. Property insurance premiums for Houston ISD are projected to increase by more than 50.7 percent during the three-year period.

District staff stated that the $3.6 million increase in premiums from school years 2017–18 to 2019–20 relate primarily to increased building and construction, increasing property values, and increased premiums due to damages from Hurricane Harvey.

Determining the most effective course of action for short-term and long-term planning requires first determining the underlying cause of the large percentage increase in total property premiums. Although the district seeks bids for insurance coverage annually, it has not developed a strategy that considers property insurance premium costs related to the ongoing construction of buildings and facilities. Subsequent to the onsite fieldwork, staff indicated that the Risk Management Department works with the Construction Services Department to update insurance coverage needs based on new construction, repairs and building additions.

To mitigate the costs of increasing property insurance premiums, effective school districts develop strategies that consider their current and future property insurance needs. Districts determine their needs based on the anticipated construction of new schools and buildings, and the strategies incorporate all available information relating to facilities and increasing property values. To achieve savings on insurance premiums, districts often consult external advisers to prepare specifications and evaluate the bids. Through the bidding process and the adviser's evaluation of policies, districts may achieve a decrease in total premiums ranging from 5.0 percent to 10.0 percent.

Houston ISD should analyze property insurance needs based on construction projects and increasing property values, and present a plan to the board to control increasing premium costs.

The district should take the following steps to optimize property insurance premiums:

- the CFO and department staff should participate in the bidding and negotiation of property insurance, and the insurance broker should remain the source of market and pricing data;

- the CFO should present to the board the proposed coverages, options for controlling costs, and coverage recommendations for the coming year; and

- the CFO should inform the board regarding increases in premiums so that the board can consider planning and budgeting details in developing appropriate strategies to mitigate costs.

The fiscal impact assumes the development of strategies to decrease insurance premium costs by 5.0 percent, with the savings per year based on the projected school year 2019–20 insurance premiums, or $538,071 annually ($10,761,427 x 0.05).

EFFECTIVENESS OF SELF-INSURED PROGRAMS (REC. 32)

Houston ISD has not evaluated self-insured funds to determine whether the programs are operating efficiently.

The district self-funds health insurance, workers' compensation, and automobile insurance programs. Self-funding, also known as self-insured insurance, is a plan in which the employer takes on the financial risk of providing coverage and benefits to staff. In self-funding insurance, organizations pay for expenses as they are incurred. This model differs from traditional insurance coverage in which an employer pays a predetermined premium to an insurance carrier, a policy known as a fully insured plan. Houston ISD's employee group health insurance and workers' compensation programs are internal service funds. Districts use internal service funds to account for services provided that are not expected to produce a profit.

The Benefits Department, which reports directly to the CFO, manages the district's health insurance. Revenues from staff and district contributions fund the health and workers' compensation programs. **Figure 4–8** shows the costs associated with funding the health insurance program from school years 2014–15 to 2018–19; costs increased each year. The district projected an operating loss of $2.1 million for school year 2018–19.

According to staff, the district decided to underfund contributions to the health insurance program for school year 2018–19 due to the fund surplus of approximately $31.0 million at the end of fiscal year 2018.

During school year 2016–17, staff contribution rates to the health insurance fund increased from 7.0 percent to 9.5 percent. The district contribution increased $10.0 million during each of school years 2017–18 and 2018–19.

Figure 4–9 shows Houston ISD's health insurance contributions from school years 2016–17 to 2018–19. District contributions to fund the health insurance program have increased steadily from $90.5 million during school year 2016–17 to a projected $115.3 million during school year 2018–19.

Subsequent to the onsite fieldwork, Houston ISD staff indicated that the district issued a request for proposals for group health insurance in 2017 for the 2018 plan year and again in 2019 for the 2020 plan year to gauge market conditions for insurance coverage.

Workers' compensation is a self-funded program that Houston ISD has structured as an internal service fund because it is considered a service for staff. **Figure 4–10** shows Houston ISD's workers' compensation statement of revenues, expenses, and changes in fund net assets from school years 2014–15 to 2018–19. After showing four years of positive operating income from school years 2014–15 to 2017–18, the program is projected to incur a net operating loss of $1.9 million for school year 2018–19. This budgeted loss results from the district's efforts to decrease the contribution amounts to the fund because the fund balance is projected to be approximately $32.3 million in total net assets.

Figure 4–11 shows the workers' compensation claims for Houston ISD from school years 2015–16 to 2017–18. Claims have remained relatively stable at approximately 2,100 claims per year from school years 2015–16 to 2017–18; however, the total dollar amount of claims paid has decreased slightly during the same period.

Houston ISD also is self-insured for automobile liability exposures. When a district bus driver or staff is at fault for damages, the liability insurance pays for the injured party's medical expenses and repair bills. However, the district must cover the full cost for the repair and replacement of Houston ISD vehicles.

Figure 4–12 shows Houston ISD's automobile liability claims and amounts paid from school years 2015–16 to 2017–18 and claims for school year 2018–19 as of February 2019.

The district is unable to determine the total costs to Houston ISD of self-funding the automobile insurance program because it tracks amounts paid on liability claims only, not the costs of repairs to district vehicles when staff or bus drivers are at fault. The district's financial procedures manual provides guidance on the process for reporting accidents and the driver's responsibility when using district-owned vehicles. However, the manual does not describe the process for repairing district-owned vehicles when the Houston ISD driver is at fault.

Houston ISD should analyze the self-funded insurance funds compared to coverage offered by an independent insurance provider and present the findings to the board.

To evaluate each self-funded insurance program, the CFO and Risk Management Department staff should perform the following actions:

- analyze claims data for the self-insured programs during a specified timeframe to compare actual costs incurred in each fund to the related insurance

FIGURE 4–8
HOUSTON ISD HEALTH INSURANCE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE ASSETS
SCHOOL YEARS 2014–15 TO BUDGETED 2018–19

CATEGORY	2014–15	2015–16	2016–17	2017–18	2018–19
Operating Revenues					
Charges to Employees' Other Funds	$112,007,387	$119,186,998	$129,300,850	$149,653,307	$154,133,000
Miscellaneous	$770,205	$719,689	$6,060,736	$9,323,506	$7,944,000
Total Operating Revenues	**$112,777,592**	**$119,906,687**	**$135,361,586**	**$158,976,813**	**$162,077,000**
Operating Expenses					
Payroll Costs	$2,331,968	$1,101,412	$843,421	$1,023,119	$1,527,274
Purchased and Contracted Services	$65,402	$6,470	$126,979	$4,185,104	$4,381,344
Supplies and Materials	$17,801	$7,968	$9,861	$3,677	$12,000
Other Operating Expenses	$13,781	$2,876	$4,111	$5,692	$20,400
Claims and Judgements	$133,001,115	$141,327,026	$142,412,341	$139,817,987	$158,241,003
Total Operating Expenses	**$135,430,067**	**$142,445,752**	**$143,396,713**	**$145,035,579**	**$164,182,021**
Operating Income (Loss)	**($22,652,475)**	**($22,539,065)**	**($8,035,127)**	**$13,941,234**	**($2,105,021)**
Nonoperating Revenues (Expenses)					
Earnings on Investments	$332,535	$212,976	$84,871	$130,690	$202,000
Total Nonoperating Revenue	$332,535	$212,976	$84,871	$130,690	$202,000
Income (loss) Before Transfers	($22,319,940)	($22,326,089)	($7,950,256)	$14,071,924	($1,903,021)
Transfer Out	$0	$0	$0	$0	$0
Change in Net Assets	($22,319,940)	($22,326,089)	($7,950,256)	$14,071,924	($1,903,021)
Total Net Assets, Beginning	$69,957,143	$47,637,203	$25,311,114	$17,360,858	$31,432,782
Total Net Assets, Ending	**$47,637,203**	**$25,311,114**	**$17,360,858**	**$31,432,782**	**$29,529,761**

NOTE: Amounts shown are actual for school years 2014–15 to 2017–18 and budgeted amounts for school year 2018–19.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 4–9
HOUSTON ISD HEALTH INSURANCE CONTRIBUTIONS
SCHOOL YEARS 2016–17 TO 2018–19

CONTRIBUTION	2016–17 ACTUAL	PERCENTAGE CONTRIBUTED	2017–18 ACTUAL	PERCENTAGE CONTRIBUTED	2018–19 BUDGETED	PERCENTAGE CONTRIBUTED
Employer Contribution	$90,514,243	70.0%	$110,749,402	74.0%	$115,310,000	75.0%
Employee Contribution	$38,786,606	30.0%	$38,903,904	26.0%	$38,823,000	25.0%
Total Contribution	$129,300,849		$149,653,306		$154,133,000	

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

premium costs associated with bidding coverage to outside insurance carriers;

- for each category of insurance bid, require a broker to present a minimum of three options showing varying deductibles along with rationale for the recommended plan based on an assessment of the district's potential gap coverage that could be needed in an average year;

- based on historic costs, determine whether it is more effective to purchase automobile insurance coverage for all district vehicles or whether the board should establish a separate fund to self-insure the district for damage claims that will cover the true cost for repairing and replacing district vehicles in a timely manner;

FIGURE 4–10
HOUSTON ISD WORKERS' COMPENSATION STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SCHOOL YEARS 2014–15 TO 2018–19

CATEGORY	2014–15	2015–16	2016–17	2017–18	2018–19
Operating Revenues					
Charges to Employees Other Funds	$11,700,767	$9,419,981	$7,309,970	$8,551,430	$6,964,649
Miscellaneous	$332,309	$564,704	$860,011	$475,066	$391,000
Total Operating Revenues	**$12,033,076**	**$9,984,685**	**$8,169,981**	**$9,026,496**	**$7,355,649**
Operating Expenses					
Payroll Costs	$1,244,269	$1,321,003	$872,783	$1,762,975	$1,383,347
Purchased and Contracted Services	$1,912,964	$518,202	$11,939	$10,797	$10,500
Supplies and Materials	$4,861	$8,371	$2,120	$2,654	$18,960
Other Operating Expenses	$430,913	$462,119	$32,599	$29,473	$518,840
Claims and Judgements	$5,624,861	$4,854,683	$5,570,913	$6,631,703	$7,367,552
Depreciation	$1,165	$1,165	$1,068	$913	$7,764
Total Operating Expenses	**$9,219,033**	**$7,165,543**	**$6,491,422**	**$8,438,515**	**$9,306,963**
Operating Income (Loss)	**$2,814,043**	**$2,819,142**	**$1,678,559**	**$587,981**	**($1,951,314)**
Nonoperating Revenues (Expenses)					
Earnings on Investments	$158,664	$197,537	$290,387	$543,842	$296,000
Total Nonoperating Revenue	$158,664	$197,537	$290,387	$543,842	$296,000
Income (loss) Before Transfers	$2,972,707	$3,016,679	$1,968,946	$1,131,823	($1,655,314)
Transfer In	$0	$0	$0	$0	$0
Change in Net Assets	$2,972,707	$3,016,679	$1,968,946	$1,131,823	($1,655,314)
Total Net Assets, Beginning	$24,850,945	$27,823,652	$30,840,331	$32,809,277	$33,941,100
Total Net Assets, Ending	**$27,823,652**	**$30,840,331**	**$32,809,277**	**$33,941,100**	**$32,285,786**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

- conduct an annual analysis of the claims in each fund to ensure that the amount set aside is sufficient to meet the district's associated needs; and

- present the results to the board for consideration and final approval of the option that provides an affordable and sustainable healthcare program for Houston ISD staff.

The district could implement this recommendation with existing resources.

FIGURE 4–11
HOUSTON ISD WORKERS' COMPENSATION CLAIMS
SCHOOL YEARS 2015–16 TO 2017–18

CATEGORY	2015–16	2016–17	2017–18
Total Claims	2,150	2,091	2,133
Total Incurred (in millions)	$4.9	$4.3	$4.3

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 4–12
HOUSTON ISD AUTOMOBILE LIABILITY CLAIMS
SCHOOL YEARS 2015–16 TO 2018–19 AS OF FEBRUARY 2019

CATEGORY	2015–16	2016–17	2017–18	2018–19 (1)
Open Claims	16	32	27	83
Closed Claims	688	629	532	115
Total Claims	704	661	559	198
Total Paid	$1,977,771	$1,512,103	$711,530	$298,273

NOTE: Amounts for school year 2018–19 show claims as of February 2019.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

ADDITIONAL OBSERVATIONS

During the onsite visit, the review team observed additional issues regarding the district's programs and services to students, staff, and the community. These observations are presented for consideration as the district implements the report's other findings and recommendations.

- Although departments cooperate on some issues, better coordination would mitigate risk more effectively. The district should consider implementing an improvement effort for the risk management process that charges all responsible groups with jointly mapping the processes involved in risk management functions, identifying cross-functional activities, and seeking ways to improve communication and mitigate risks.

- The district's Self-insurance Recovery Fund (SIRF) was established to pay the deductibles on insurance claims, to assist campuses and departments with unexpected losses at less than the amount of the insurance deductibles but greater than their budgets can afford, and to provide a ready source of funds for a major property loss so that the district can take necessary actions immediately to resume operations. Typically, SIRF funds the difference between the cost of damages and the insurance deductible of $250,000. Elementary schools must pay the first $1,000 of damages from their budgets; middle schools, high schools, and other facilities pay the first $5,000. The self-funded Automobile Liability Insurance Fund (ALIF) pays claims relating to bus and automobile accidents when the district is at fault. Because SIRF and ALIF serve the needs of departments and campuses, the CFO should consider configuring these funds as internal service funds with their own budgets and tracking their amounts through the general fund. Accounting for the funds in this manner will facilitate the tracking of costs for each fund and improve their efficient management and accountability.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's School Performance Review Team has identified a fiscal impact for the following recommendation:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
4. ASSET AND RISK MANAGEMENT							
31. Analyze property insurance needs based on construction projects and increasing property values, and present a plan to the board to control increasing premium costs.	$538,071	$538,071	$538,071	$538,071	$538,071	$2,690,355	$0
Total	**$538,071**	**$538,071**	**$538,071**	**$538,071**	**$538,071**	**$2,690,355**	**$0**

5. PURCHASING AND CONTRACT MANAGEMENT

An independent school district's purchasing function provides quality materials, supplies, and equipment in a timely, cost-effective manner. Purchasing includes identification and purchase of supplies, equipment, and services needed by the district, and the storage and distribution of goods. The Purchasing Services Department and the Logistics Department perform procurement functions for the Houston Independent School District (ISD).

During school year 2017–18, professional and contracted services accounted for $305.3 million in all funds, or 9.0 percent, of Houston ISD's total expenditures. Contracts with an annual value of less than $50,000 are approved by the district's controller, and those valued at $50,000 or more are approved by the chief financial officer.

FINDINGS

- ♦ Houston ISD's procurement procedures are inefficient and lack central oversight and effective controls.

- ♦ Houston ISD lacks a comprehensive vendor evaluation, selection and approval process.

- ♦ Houston ISD's use of purchasing cards lacks clear management, auditing guidelines, and financial controls

- ♦ Houston ISD lacks a process to manage and administer contracts effectively.

- ♦ Houston ISD's staff and board travel process is inefficient, which risks overspending.

- ♦ Houston ISD's warehouse operations are inefficient, and are not structured to provide the best value to the district.

RECOMMENDATIONS

- ♦ **Recommendation 33: Develop procurement processes for greater productivity and efficiency, ensure that purchases are tracked, and increase communication and training to purchasing end users.**

- ♦ **Recommendation 34: Evaluate vendor management procedures to ensure that practices are transparent and equitable, and provide the best value for the district.**

- ♦ **Recommendation 35: Develop and implement efficient auditing guidelines and financial controls for purchasing card processing to safeguard district assets and ensure that all transactions follow district procedures.**

- ♦ **Recommendation 36: Develop clear, consistent, and uniform procedures for contract development, management, and review at the district level, including training for all staff with contract responsibility.**

- ♦ **Recommendation 37: Revise travel procedures for more efficient travel processing.**

- ♦ **Recommendation 38: Review the efficiency of each warehouse function and implement processes to make the most productive use of warehouse services.**

BACKGROUND

School districts in Texas are required to follow state and federal laws and procedures applicable to purchasing. The purpose of competitive bidding requirements in the Texas Education Code, Section 44.031, is to stimulate competition, prevent favoritism, and secure the best goods and services needed for district operations at the lowest possible price. The Texas Education Agency (TEA) developed a comprehensive purchasing module in the *Financial Accountability System Resource Guide*, which is available as a resource for district purchasing.

Houston ISD's Board Policy CH (LOCAL) authorizes the superintendent, or a delegate, to determine the purchasing method and make purchases of less than $100,000 in the aggregate. These purchases must adhere to Houston ISD Board Policy CH (LEGAL), which stipulates that the district is responsible only for purchases made in accordance with the adopted budget, state law, board policy, and district purchasing procedures.

The chief financial officer (CFO) oversees the Purchasing Services Department and the Logistics Department, which manages warehouse and textbook operations. During school year 2018–19, the Purchasing Services and Logistics departments had a total of 106 staff. Of those staff, 97 were funded through the district's general fund, and nine were funded through capital projects. The combined budget of the

FIGURE 5–1
HOUSTON ISD PURCHASING SERVICES DEPARTMENT ORGANIZATION
SCHOOL YEAR 2018–19
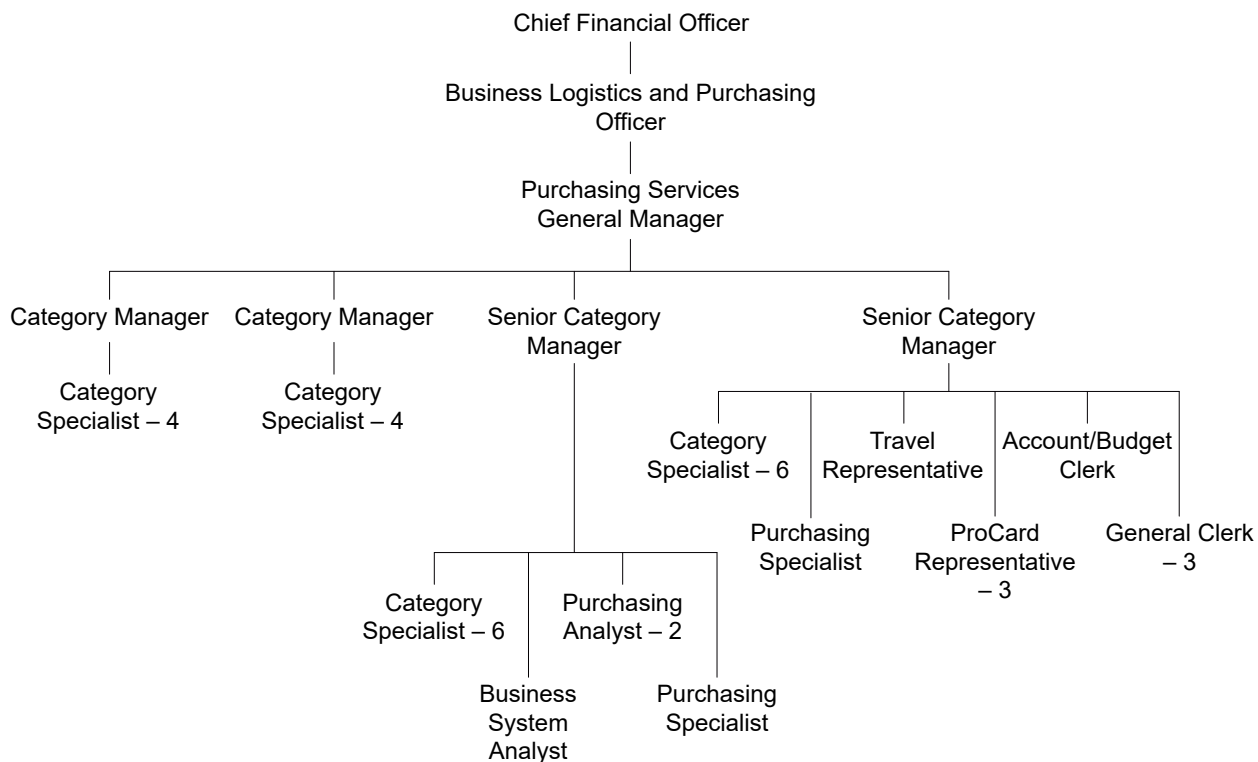
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, March 2019.

Purchasing Services and the Logistics departments during school year 2018–19 was approximately $7.0 million, and salaries were the largest component. **Figure 5–1** shows the organization of the Purchasing Services Department.

Houston ISD has three warehouses located at its Facilities Services and Fleet Operations Administration site. The textbook warehouse is the central storage for all district textbooks. Warehouse operations stores goods such as office supplies, classroom supplies, janitorial products, and dry food service inventory. The furniture warehouse stores surplus and nonusable furniture and equipment. **Figure 5–2** shows the organization of Houston ISD's warehouse operations in the Logistics Department.
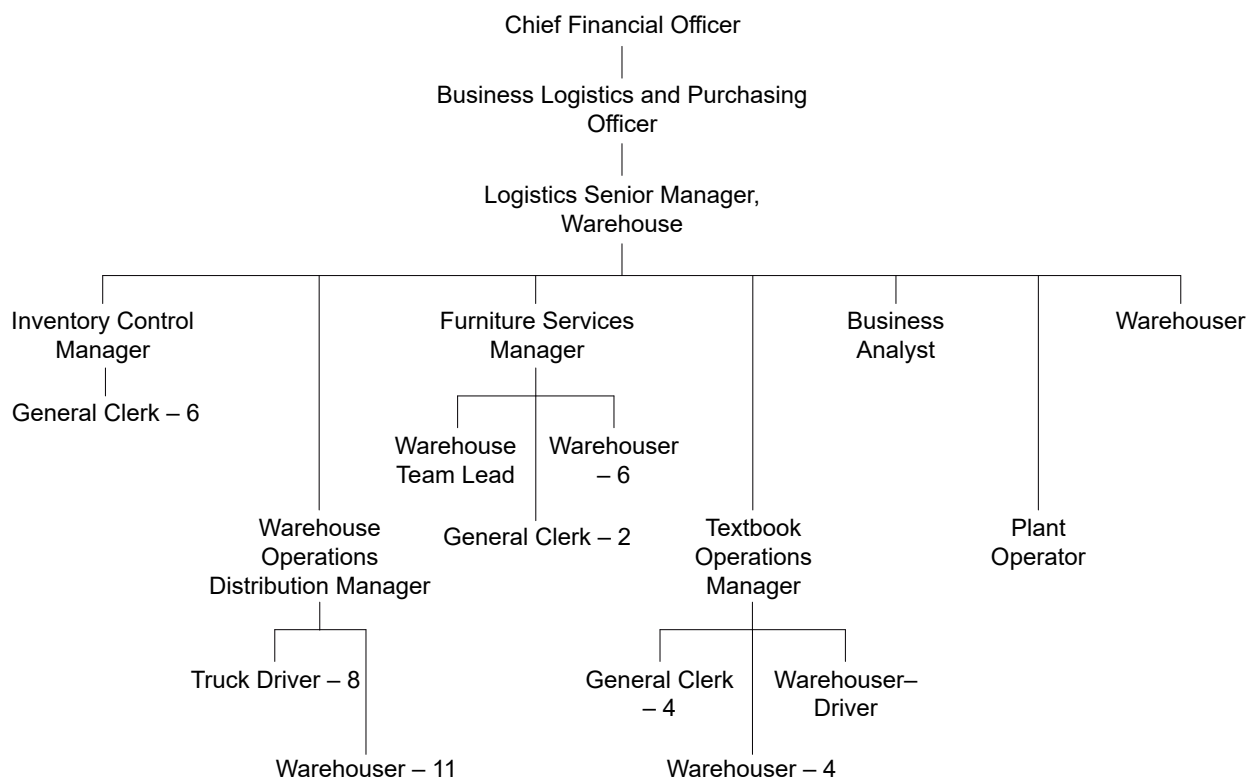
Each department and campus has multiple purchasers who submit purchase order requests for goods and services to the Purchasing Services Department. The department maintains the vendor master file, which contains information on vendors who have received Houston ISD board approval to provide specific commodities to the district. Instead of completing paper requisitions, district staff making purchases through an existing contract or from approved vendors use an electronic

shopping system within the district's data-processing systems applications and products (SAP) Supplier Relationship Management, which manages purchasing and other business functions. Districts and campuses enter the goods and services they wish to purchase through an existing contract or from an approved vendor into an electronic shopping cart, which takes the place of paper requisitions. After initiating the shopping process, an electronic routing and approval process leads to a match of purchase order, goods receipt, and vendor invoice.

The Purchasing Services Department manages the use of purchasing cards by department and campus staff for certain purchases. Additionally, the department processes travel arrangements and payments for district staff, students, and chaperones.
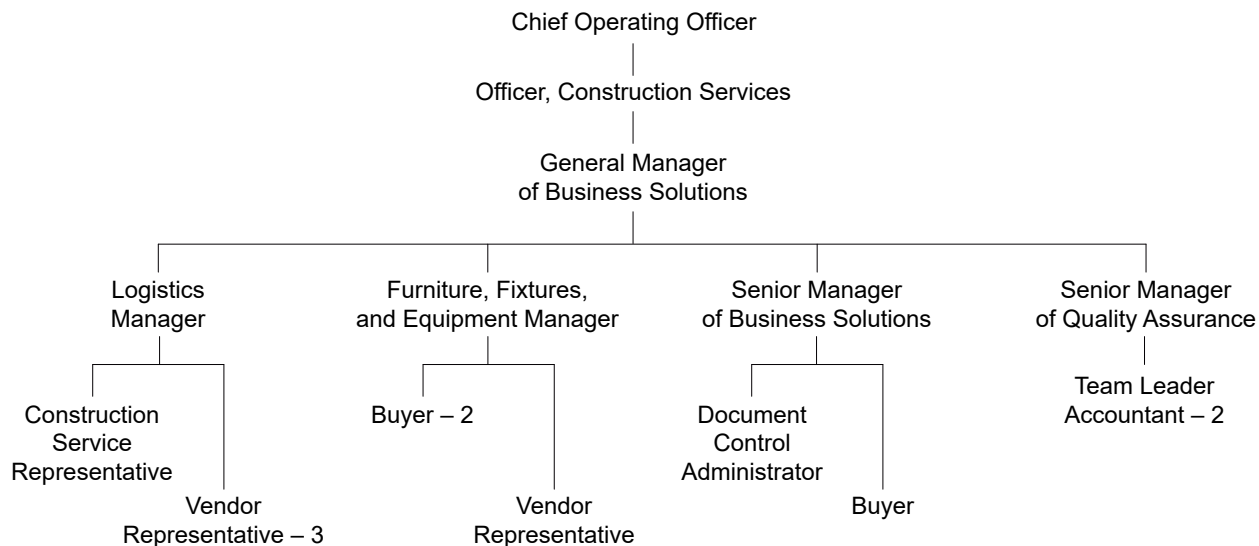
Some procurement and contract management functions are managed in other departments. In November 2012, Houston ISD issued $1.9 billion in construction bonds, of which $1.6 billion was used to build 40 campuses and $252.0 million for other projects, such as renovations, technology upgrades, and improvements. **Figure 5–3** shows the organization of the Bond Program Office in the Construction Services Department for positions that have procurement responsibility.

FIGURE 5–2
HOUSTON ISD LOGISTICS DEPARTMENT WAREHOUSES OPERATIONS ORGANIZATION
SCHOOL YEAR 2018–19

Chief Financial Officer

Business Logistics and Purchasing Officer

Logistics Senior Manager, Warehouse

Inventory Control Manager

General Clerk – 6

Furniture Services Manager

Warehouse Team Lead

Warehouser – 6

General Clerk – 2

Warehouse Operations Distribution Manager

Truck Driver – 8

Warehouser – 11

Business Analyst

Textbook Operations Manager

General Clerk – 4

Warehouser– Driver

Warehouser – 4

Warehouser

Plant Operator

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, March 2019.

FIGURE 5–3
HOUSTON ISD PROCUREMENT POSITIONS IN THE CONSTRUCTION SERVICES DEPARTMENT BOND PROGRAM OFFICE
SCHOOL YEAR 2018–19

Chief Operating Officer

Officer, Construction Services

General Manager of Business Solutions

Logistics Manager

Construction Service Representative

Vendor Representative – 3

Furniture, Fixtures, and Equipment Manager

Buyer – 2

Vendor Representative

Senior Manager of Business Solutions

Document Control Administrator

Buyer

Senior Manager of Quality Assurance

Team Leader Accountant – 2

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, March 2019.

Staff in the Houston ISD Controller's Office also perform certain procurement and contract management functions. **Figure 5–4** shows the organization of positions with purchasing responsibility in the Controller's Office.

The Accounts Payable Department in the Controller's Office issues direct payments in the form of checks for purchases and makes certain travel payments.

The Texas Procurement and Support Services Cooperative Purchasing Program enables volume purchasing power for local governments and assistance organizations. **Figure 5–5** shows the 20 cooperative purchasing arrangements in which Houston ISD participates and their description.

FIGURE 5–4
HOUSTON ISD CONTROLLER'S OFFICE PURCHASING AND CONTRACT MANAGEMENT POSITIONS
SCHOOL YEAR 2018–19
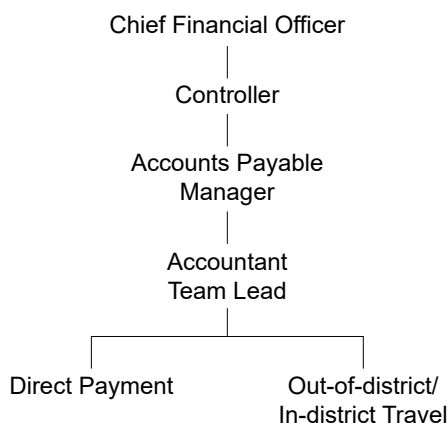
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, March 2019.

FIGURE 5–5
HOUSTON ISD MEMORANDUMS OF UNDERSTANDING AND COOPERATIVE PURCHASING ARRANGEMENTS
SCHOOL YEAR 2018–19

ORGANIZATION	ARRANGEMENT
Regional Education Service Centers: III (Region 3), IV (Region 4), V (Region 5), VI (Region 6), X, (Region 10), XIV (Region 14)	Regions 3, 4, 5, 6, 10, and 14 perform cooperative purchasing services for their members by soliciting open catalog bids in the following bid categories: (1) school and office supplies, instructional materials, and furniture; (2) computer hardware, software, supplies, and accessories; and (3) physical education and athletic equipment and supplies.
BuyBoard Purchasing Cooperative	Membership in this cooperative increases the purchasing power of government entities and simplifies their purchasing experience by using a customized electronic purchasing system.
Texas Department of Information Resources (DIR)	DIR is the state's technology agency through which school districts can purchase products and services at discounts without lengthy procurement processes.
The Cooperative Purchasing Network (TCPN)	TCPN is associated with Education Service Center Region V. TCPN leverages purchasing power by soliciting competitive proposals and awarding contracts for commonly purchased products and services such as facilities, furniture, office supplies and equipment, security systems, technology, and other goods and services.
National Association of Urban Debate Leagues (NAUDL)	Through a memorandum of understanding with the district, NAUDL operates and manages debate programs at 16 Houston ISD high schools according to the national best practices of the association's urban debate league model.
Harris County Department of Education (HCDE)	A cooperative agreement enables HCDE and Houston ISD to participate in each other's competitively bid contracts.
Federal General Services Administration and Schedule 70	A long-term contract issued by the U.S. General Services Administration (GSA) to a commercial technology vendor. Award of a Schedule 70 contract signifies that the GSA has determined the vendor's pricing is fair and reasonable and the vendor is in compliance with all applicable laws and regulations.
Houston-Galveston Area Council (HGAC)	The HGAC cooperative purchasing program assists local governments through government-to-government procurement service available nationally.
National IPA/U.S. Communities (OMNIA)	OMNIA is a purchasing cooperative providing purchasing contracts and partnerships for state and local government, kindergarten to grade 12 education, and colleges and universities.
Texas Multiple Award Schedule (TXMAS)	The Statewide Procurement Division at the Texas Comptroller of Public Accounts establishes TXMAS contracts as a supplement to competitively awarded contracts by the federal government or other governmental entities to service the procurement needs of authorized Texas governmental entities.

FIGURE 5–5 (CONTINUED)
HOUSTON ISD MEMORANDUMS OF UNDERSTANDING AND COOPERATIVE PURCHASING ARRANGEMENTS
SCHOOL YEAR 2018–19

ORGANIZATION	ARRANGEMENT
Pace Purchasing Cooperative Regions 13 and 20 (PACE)	PACE is administered by Education Service Center Region 20 and provides school districts and charter schools with opportunities for greater efficiency and economy in providing goods and services.
Interlocal Purchasing System/ Texas-Arkansas Purchasing System (TIPS/TAPS)	TIPS/TAPS is a cooperative purchasing program established for use by schools, colleges, universities, cities, counties, and other governmental entities.
E&I Cooperative Services	This nonprofit purchasing cooperative provides contracts and dedicated member resources to the national education community, including kindergarten to grade 12 schools, community colleges, and higher education.
National Cooperative Purchasing Alliance (NCPA)	NCPA is a national government purchasing cooperative with members in the public and nonprofit sectors.
Texas Association of School Boards	A cooperative agreement helps members facilitate compliance with state requirements, find qualified vendors, and realize potential economies.

SOURCES: Legislative Budget Board School Review Team, March 2019; Houston ISD Purchasing Department, March 2019.

DETAILED FINDINGS

PROCUREMENT PROCESS OPERATING PROCEDURES (REC. 33)

Houston ISD's procurement procedures are inefficient and lack central oversight and effective controls.

The Purchasing Services Department lacks a process to distribute shopping cart processing efficiently, does not communicate department structure or train end users, has inefficient contract proposal processing systems, has a processing system that does not interface with the system used in the Bond Program Office in the Construction Services Department, and might not be tracking aggregate spending properly because of the use by certain staff of direct payments instead of the shopping cart process.

Campuses and departments are required to follow the district's procurement process when purchasing goods or services. The Purchasing Services Department primarily performs the procurement function. Four category managers oversee groups of category specialists that perform all tasks associated with procuring goods and services for specific functional areas. **Figure 5–6** shows the distribution of category specialists among these departments and functional areas.

Category specialists perform all tasks related to creating contracts. These tasks include coordinating with departments and campuses to develop solicitations, posting solicitations on the district website, answering questions about solicitations, facilitating evaluation committees, and implementing the awarded contracts through the shopping cart process. Category specialists both prepare contracts and facilitate purchases in accordance with those contracts for the functional areas they serve. Purchasing specialists assist category specialists with processing shopping transactions. The department has purchasing specialist positions in two category groups.

The process managing shopping carts is inefficient. Department and campus staff use the electronic shopping cart system to request purchases. The district programmed the shopping cart system to assign an open shopping cart to the category specialists in each functional area group. As a result, regardless of the volume of workload in other groups, only the category specialists in that group receive the system notification. Shopping cart transactions often are delayed because category specialists do not have access to the shopping carts of category specialists in other groups. Purchasing Services Department staff report that shopping transactions are expected to be processed within five to seven days, but many transactions require 10 days or more to complete.

A district requirement for vendor proposals results in a burden for district staff and vendors. Houston ISD requires potential vendors to submit two physical copies of a proposal in a sealed container. The district does not require vendors to provide a digital copy of their proposals, although some do. Purchasing Services Department staff open the boxes containing each bid and organize the proposals into binders. Staff are required to enter the data from all proposals manually into spreadsheets, even if vendors have provided digital copies of proposals. After the proposals are evaluated,

FIGURE 5–6
HOUSTON ISD PURCHASING CATEGORY DISTRIBUTION BY MANAGER GROUP
MARCH 2019

GROUP A: 6 CATEGORY SPECIALISTS	GROUP B: 4 CATEGORY SPECIALISTS	GROUP C: 6 CATEGORY SPECIALISTS	GROUP D: 4 CATEGORY SPECIALISTS
Academics Department	Construction Services	Athletics Department	Information Technology Department
Business Operations	Facilities Services	Benefits Department	Fleet Operations Division
Career and Technical Education Department	Warehouses Operations	Nutrition Services Department	Transportation Department
College and Career Readiness Department	Internal Audit Department	Police Department	Administrative Services Department
External Funding Department	Purchasing Services	Risk Management Department	
Family and Community Engagement	Board of Education		
Finance Department	Supplier Diversity Department		
Fine Arts Curriculum Program			
Government Services Department			
Health and Medical Services Program			
Home Instruction for Parents of Preschool Youngsters Program			
Human Resources Department			
Legal Services Department			
Library Services Program			
Medicaid Finance and Consulting Divisions Department			
Multilingual Department			
Professional Development Department			
Research and Accountability Department			
School Choice Department			
School Support Department			
Special Education Department			
Student Assessment Department			
Student Support Services			

SOURCE: Houston ISD, March 2019.

the district stores the physical copies of each proposal. These tasks are labor-intensive for staff.

Transcribing data from paper proposals to electronic spreadsheets risks transcription or typographical errors that could affect a vendor's evaluation. This process increases the possibility that the district might not select the most qualified vendor, or that a vendor disqualified for this reason might protest. Additionally, requiring potential vendors to submit physical copies of proposals instead of electronic copies costs vendors time and money. This cost may discourage capable vendors from bidding on district projects, which limits the pool of vendors available to Houston ISD. This paper-

dependent process also requires the district to store hard copies of proposals, which is an inefficient use of space.

Another inefficiency relates to a duplicate proposal evaluation and scoring processes in two departments. After Purchasing Services Department staff have entered the proposal data into a spreadsheet, they provide vendor contact information to the Supplier Diversity Department. The Supplier Diversity Department staff evaluate each vendor's bid for compliance with department-identified goals for minority-owned and women-owned business participation. The evaluator in Supplier Diversity prepares and tabulates these scoring sheets to generate a score electronically and then provides the score to the category specialist. The category specialist enters the score into the department's evaluation matrix template.

The Bond Program Office in the Construction Services Department performs procurement transactions made in accordance with the 2012 Bond Program. The Bond Program Office works with the Purchasing Services Department to process bond project contracts but performs all procurement functions related to those contracts independently.

The Bond Program Office uses Prolog construction management software to process all bond program-related transactions. This software does not integrate with OneSource, the SAP system used by the Purchasing Services Department. Bond Program Office staff must reconcile transactions between the systems, which is time-consuming and increases the difficulty of tracking construction project spending for aggregate vendor totals.

During onsite interviews, staff indicated that department and campus staff are not trained adequately nor informed about the procurement process. For example, many staff reported not knowing that the Purchasing Services Department is organized by functional areas. The district does not communicate Purchasing Services functional area category assignments to staff, nor does this information appear on Houston ISD's website. As a result, campuses and departments must call the Purchasing Services Department to determine which category manager or specialist to contact for assistance.

Campus and department staff stated that they often request checks for vendors directly from Accounts Payable instead of using the electronic shopping system. Direct payments require staff to submit one form to the accounts payable clerk, and the process requires one to two days, compared to weeks for the electronic system. When campuses and departments request direct payments, risk increases that the

district is not tracking aggregate spending accurately through vendor contracts.

Houston ISD procedures state that all purchases should be processed through the Purchasing Services Department, with several specific exceptions. The procedures also authorize a category of other that is not specified.

The use of direct payments instead of the electronic shopping system and the operation of incompatible payment systems in Purchasing Services and Construction Services make it difficult for the Purchasing Services Department to track spending accurately in accordance with each district contract. This uncertainty regarding the amount of spending through certain contracts could place Houston ISD at risk of violating board policy and statutory requirements for contracts valued at $50,000 or greater.

Cypress–Fairbanks Independent School District has a section on its website for Purchasing Solicitations through which vendors can submit electronic bids for requests for proposal. Both current bid opportunities and awarded bids are posted on the website for easy reference. The site also contains information on relevant purchasing laws, Purchasing Services Department procedures, the district's purchasing manual, district requirements for quotes and bids, and a tutorial on electronic bidding for suppliers. Using electronic bidding is a more efficient use of procurement staff's time, provides a central place for bidding, enables more suppliers to participate, and decreases the possibility of error by enabling the supplier to provide all relevant information themselves in the final format.

Houston ISD should develop procurement processes for greater productivity and efficiency, ensure that purchases are tracked, and increase communication and training to purchasing end users.

The district should amend its procurement procedures and request for proposal instructions to authorize bids to be submitted electronically in a format that can be processed easily by procurement staff. Houston ISD should investigate the costs and benefits of an electronic procurement system that enables electronic proposal submission, evaluation, and vendor registration. Utilizing an electronic procurement system will minimize manual contract processing by purchasing staff.

To ensure that the Purchasing Services Department can track aggregate spending accurately in accordance with each contract, the CFO should direct the controller to reject any

request for a direct payment other than for the specific items included in the *Finance Procedures Manual*. The department should eliminate the other category in its procedures.

The CFO should work with the Bond Program Office in the Construction Services Department to implement a payment system that integrates with the Purchasing Services Department's system. The district should implement a training plan based on a survey of training needs for purchasing end users, and should use effective methods to inform district staff and potential suppliers about its purchasing procedures.

To better balance the procurement processing workload, the district should modify its shopping system so that each category specialist has access to the queues in all functional areas.

Since the time of the review team's onsite visit, district staff report that the Purchasing Services Department lists functional area contact information on the district intranet. Additionally, district staff report that they coordinate with the board to authorize electronic bid submissions in addition to paper submissions.

The district could implement this recommendation with existing resources.

VENDOR MANAGEMENT (REC. 34)

Houston ISD lacks a comprehensive vendor evaluation, selection, and approval process.

According to Houston ISD's procurement procedures, the district conducts a request for proposal (RFP) process when seeking to procure goods or services through contracts that are valued at $50,000 or more. An RFP is a process in which an organization solicits a proposal from vendors through a bidding process to procure a commodity, service, or valuable asset. Purchasing Services Department staff work with the requesting campus or department to develop an RFP. After an RFP is posted on the district website and the proposals are received, the Purchasing Services Department forms an evaluation committee. Committee members are required to complete a conflict-of-interest form. The committee scores each proposal and recommends that one or more vendors be awarded contracts. Sometimes the evaluation committee recommends every vendor that submitted a complete proposal or just one vendor.

During the onsite fieldwork, staff reported that the Purchasing Services Department presents all vendors that meet the terms of the RFP to the board for approval. They

stated that the department has taken this approach rather than explain the approval criteria to Houston ISD board members that have been approached by vendors asking why they had not been selected.

The Purchasing Services Department awards a master service agreement (MSA) contract to each board-approved vendor. This contract specifies the goods and services that vendor can provide and the total amount the district can spend for those goods or services. The district's procurement procedures do not limit the number of vendors with which it can contract for any good or service, and the Purchasing Services Department has no procedures to guide staff in choosing among approved vendors.

If their budgets can afford the purchases, campuses and departments are authorized to select any board-approved vendor without soliciting quotes or bids.

Failure to require multiple quotes from approved vendors places the district at risk of overpaying for goods and services. Although the MSAs confirm certain aspects of the price, such as an hourly rate or unit price, the total cost can differ among approved vendors. By not comparing multiple quotes, the district does not ensure the best value with each purchase.

Although the RFP evaluation committee members complete a conflict-of-interest form, staff at the campus and department levels who choose among approved vendors do not have to complete conflict-of-interest forms. This practice presents the possibility that staff making vendor selection decisions could favor one approved vendor over another based on a personal relationship or for financial gain.

Some elements of the Houston ISD procurement process risk noncompliance with federal and state law. The U.S. Code of Federal Regulations, Section 200.319, states, "All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. … Some of the situations considered to be restrictive of competition include … any arbitrary action in the procurement process." The Texas Education Code, Section 44.031, requires most school district contracts valued at $50,000 or more to be issued using a method that provides the best value for the district.

The Council of the Great City Schools published *Best Practices in Urban Public School Procurement: Guidelines, Standards, and Lessons* in October 2018. The report recommends that, when multiple awards are appropriate, the number of awardees should be determined by the requesting

campus or department before issuing the RFP, and that the requestor should not expand the number of awardees after the scoring has been completed. When Cypress–Fairbanks ISD (CFISD) awards vendor contracts, it lists primary, secondary, and tertiary vendors for a contract to assure that all approved vendors are used. CFISD website also contains a full list of reported disclosure statements from local government officers, including board members, the superintendent, and district staff involved in any aspect of vendor recommendation or selection. By posting this information, CFISD provides transparency around vendor contracting and strong assurances that the process is free of conflicts of interest.

Houston ISD should evaluate vendor management procedures to ensure that practices are transparent and equitable, and provide the best value for the district.

The district should require all staff that identify approved vendors to reveal possible conflicts of interest. The evaluation committee should identify the number of vendors needed for a particular contract and include this information in the RFP to provide transparency for prospective vendors when feasible. The district should evaluate procurement procedures to require that end users request multiple quotes when identifying the approved vendors as a way to ensure effective use of district funds. Department and campus staff should identify the vendor offering the lowest price and best value or provide justification to the Purchasing Services Department for why a higher-priced vendor would better serve the district.

The district could implement this recommendation with existing resources.

PURCHASING CARD ADMINISTRATION (REC. 35)

Houston ISD's use of purchasing cards lacks clear management, auditing guidelines, and financial controls.

The district provides purchasing cards issued by J.P. Morgan Chase to staff for district-related business purchases. According to the district's *Purchasing Manual*, purchasing cards enable authorized users to procure goods and services that cost less than $1,000 per transaction and are limited to $7,500 per month. The Purchasing Services Department trains eligible cardholders monthly. Card users also must sign a "Purchasing Card Cardholder contract Agreement," which specifies the rules for using the card.

The district lacks a board policy or Purchasing Services Department procedure that specifies the requirements for

the approval of purchases made with a purchasing card. Each campus and department uses a different purchase authorization procedure. Some campuses and departments require the cardholder to obtain permission from the fund approver before the purchase. The district also has no board policy or department procedure that specifies the number of cards issued to campuses and departments. Typically, each elementary school has three purchasing cards, each middle school has four, and each high school and department has five cards. Certain departments, including the Maintenance Department, have more.

According to district data from September 1, 2017, to August 31, 2018, staff made 118,994 purchasing card transactions and spent a total of $28.1 million during this period.

Authorized card holders receive monthly statements. Before submitting the statement to the Purchasing Services Department, the cardholder must approve and sign the statement, allocate expenses to the appropriate account, attach receipts, and obtain the approval and signature of the fund approver. Three purchasing card representatives (PCR) in the Purchasing Services Department audit and allocate purchasing card expenses for the district. PCRs check the statements, receipts, and authorizations monthly. PCRs also check for account codes and ensure that funds are available.

Users are instructed to use the purchasing cards only to buy from authorized vendors. However, cardholders could use these purchasing cards at non-authorized vendors. Cardholders who use the cards at non-authorized vendors receive warnings from the Purchasing Services Department. PCRs also issue warnings to users who do not provide receipts or that make card purchases in prohibited categories. The Houston ISD purchasing cardholder contract and agreement, signed by the cardholder and fund approver, identifies the specific items that cannot be purchased with the card. After three warnings, the PCR deactivates the card and suspends the user from the purchasing card program. The user must attend corrective training to regain purchasing card privileges. The senior category manager of the PCR team determines when the cardholder can be reinstated in the purchasing card program. A user who commits a fourth violation may be prohibited permanently from using a district purchasing card.

No board policy or department procedure extracts reimbursement from staff who make improper or disallowed purchases. PCRs and managers who audit purchases have no automated method to track violations and depend on a

manual tracking system. After identifying a violation during the audit process, the PCR contacts the cardholder to correct the error and to enter the correction into the procurement system. Staff report that PCRs keep error files, but often do not have time to confirm whether the cardholder corrected the violation.

During calendar year 2016, Houston ISD's Office of Internal Audit audited the purchasing card program. It found that internal controls were not effective to ensure that purchasing card purchases were reviewed, approved, and recorded properly and timely. A follow-up audit during calendar year 2019 found that the district had not corrected these issues. The 2016 audit report determined that the automated system control for limiting individual transactions to $1,000 was effective, but that users were circumventing that limit by splitting larger transactions. Split transactions occur when two or more purchases are made from the same vendor within a short period. The 2019 report confirmed that this practice continued. Both reports documented many unauthorized, prohibited, and inappropriate purchases. The 2016 internal audit also noted that fund approvers do not allocate purchases consistently to the appropriate fund within the 10-day period. This inconsistency resulted in a $289,940 mass allocation of transactions at the end of the fiscal year, which senior management approved as an exception. None of these purchases were approved or reviewed as required by district procedures. Staff report that effective fiscal year ending June 30, 2018, the district is no longer mass allocating purchasing card transactions.

Houston ISD's 2016 internal audit report recommended enhanced communication and training on purchasing card program procedures for cardholders, principals, department heads, and fund approvers. Specifically, the report recommended the need to allocate purchases to the appropriate budget or fund, review, and approve purchasing card transactions within 10 business days. The 2019 audit found that the original recommendation was implemented partially. The report updated the recommendation to reinforce timely districtwide transaction allocations and approval procedures to minimize the amount of year-end mass allocations. The Purchasing Service Department implemented an alternative plan of sending periodic email messages regarding training, updates, and reminders to all purchasing cardholders and fund approvers. PCR staff confirmed during the onsite visit that the Purchasing Services Department is developing the email list for this purpose.

The 2016 report also recommended implementing a continuous monitoring program using computer-assisted audit tools (CAAT) to conduct data analysis for optimal review of districtwide transactions, specifically for split transactions and unauthorized, prohibited, or inappropriate transactions. Among transactions audited during calendar year 2016, 68.0 percent were split transactions. Unauthorized, prohibited, or inappropriate transactions are defined in the *Purchasing Card User's Manual*, the cardholder contract, and the *Finance Procedures Manual*. Six of the 110 transactions (5.0 percent) reviewed in 2016, totaling $5,369, were found to be unauthorized, prohibited, or not for Houston ISD business purposes. The 2019 audit found that the district had not implemented the recommended CAAT review system.

The district is auditing every purchasing card purchase, rather than randomizing audits as recommended by the audit report. During the onsite review, staff reported problems with the software to randomize the audits and that the district will be changing its purchasing card vendors. The total number of pending audits continues to grow because the number of incoming purchasing card transactions is greater than the number of audits completed. As PCRs receive new transactions to audit, older audits are moved further down the queue. According to staff, no district procedure specifies the order in which audits should be performed, and PCRs had decided on their own to work from newest to oldest. Houston ISD pays the bank statement for purchasing cards monthly, regardless of whether the Purchasing Services Department has audited all the associated transactions.

Auditing every purchasing card transaction is time-consuming. By not completing the audits in a timely manner, the district risks paying for improper or prohibited purchases. It is inefficient to audit purchasing card transactions from the previous fiscal year because the district has no way to address errors after the CFO's Office has closed the fiscal year records.

Management of purchasing cards and the stated daily limits also are inconsistent and not defined clearly. The Purchasing Services Department can raise limits individually for a requested purchase that exceeds the daily limit; however, the department has no formal procedures to regulate this activity.

Houston ISD does not have a calendar date by which staff must stop using purchasing cards, nor does it deactivate cards at a particular date. Staff report that campus and departments have used purchasing cards until the last day

of the school year. The Purchasing Services Department authorizes certain end of the year purchasing card transactions in special and emergency situations with the department's prior approval. When purchasing cards are used late in the fiscal year, the purchases are carried forward into the next fiscal year and require special approval. Additionally, staff said that too many year-end purchases are made in an effort to use remaining funds in a budget rather than for actual needs.

Without efficient management auditing guidelines and financial controls of purchasing cards, staff are not able to process audits in a timely manner, increasing the risk for fraudulent or unauthorized transactions to occur.

Houston ISD should develop and implement efficient auditing guidelines and financial controls for purchasing card processing to safeguard district assets and ensure that all transactions follow district procedures.

Houston ISD should establish an auditing plan that uses CAATs to review purchasing card transactions, including random purchases and high-dollar value transactions. A formal audit plan aligned with the district's internal audit recommendations helps the district operate more efficiently and prevent a backlog of audits. The purchasing services general manager should determine in which order PCRs should process audits, work with the Information Technology Department to implement this process in the computer system, and communicate the process to staff.

Houston ISD also should implement an automated violation tracking system and work with the Legal Department to investigate using payroll withdrawals to recover disallowed purchases from staff. The district should develop a board policy outlining the process for onetime purchasing card limit increases and standardize the number of cards assigned to departments and campuses. The purchasing services general manager should develop a procedure to implement the board policy and communicate this process to purchasing card users and fund approvers.

The district should standardize purchasing card procedures to require campuses and departments to obtain permission from the funding authority and allocate the expense to the appropriate account before the charge is made. The district should implement a process for disabling purchasing cards at a predetermined fiscal year-end cutoff date for all nonemergency purchases. This practice will encourage planned purchases throughout the year.

Since the time of the review, the district reports that the Purchasing Services Department submits the names of purchasing card users and fund approvers who have repeatedly violated purchasing card policies and grossly negligent transactions to the Office of Ethics and Compliance for further investigation. However, the district did not provide the review team supporting documentation for this procedure.

The fiscal impact assumes, based on the internal audit findings, that the district could save 5.0 percent of its $28,097,855 school year 2017–18 purchasing card spending, or $1,404,893.

CONTRACT ADMINISTRATION (REC. 36)
Houston ISD lacks a process to manage and administer contracts effectively.

Most Houston ISD contracts are required to follow the contract development process outlined in the district's e-Contracts for Services (eC4S) procedure manual. **Figure 5–7** shows the steps that staff follow to develop a contract. The department staff involved at each stage can reject the contract draft, in which case the process must be redeveloped from the beginning.

This process is used for all contracts except for charter school contracts, professional services for special education contracts, and construction contracts that are part of the 2012 Bond Program. Administering and storing contracts in departments other than the Purchasing Services Department may lead to inefficiencies in processing, potential violations in contracting, and overlooked opportunities for savings. Houston ISD entered three-year contracts, from July 1, 2018, to June 30, 2021, with 13 charter operators for in-district charter schools, subject to annual renewals by the board. The board most recently approved the renewals in April 2019. Charter school contracts are administered by the CFO and are not stored on the eC4S system.

The director of compliance, instruction, and services in the Special Education Department negotiates, administers, and stores copies of the paper contracts for professional services for special education. The district's general counsel is the only reviewer of these contracts, and they are not stored on the eC4S system.

For construction contracts that are part of the 2012 Bond Program, the Purchasing Services Department coordinates with the Construction Services Department to develop, present, and evaluate requests for quotations, and perform risk management and background checks during the pre-

FIGURE 5–7
HOUSTON ISD CONTRACT DEVELOPMENT PROCESS
MARCH 2016

The Contract Request Form is initiated. The initiator enters all necessary components of the contract, such as the contract amount, type, date of initiation, effective date, expiration date, project description, requesting department, staff who will approve the contract, and appropriate budget item.

Campus or department approver receives the contract. Staff may return the contract with changes or approve the contract and proceed to the third step.

Purchasing Services Department verifies the contract to ensure that the vendor has been approved for the items and dollar amount in accordance with the contract. The contract is then placed on the board agenda for approval.

The Finance Department reviews the contract for budgetary compliance.

The Legal Services Department reviews the contract. Contracts of less than $100,000 can be reviewed by any Legal Services Department staff; contracts of $100,000 or more must be reviewed by the general counsel.

The chief financial officer (CFO) approves contracts of $50,000 or more or the controller approves contracts of less than $50,000. The contract approvals are now complete, and the contract returns to the Legal Services Department to be executed.

The contract is signed electronically by the vendor, then printed out and signed by either the CFO for contracts of $50,000 or more or the controller for contracts of less than $50,000 and the Legal Services Department staff that reviewed the contract.

For contracts of less than $50,000, the contract with physical signatures is delivered to the Accounting Department and uploaded to the electronic contract site. The physical copy is stored in the Accounting Department.

For contracts of $50,000 or more, the contract is signed by the superintendent, then the board. After the contract is signed, it is delivered to the Accounting Department and uploaded to the electronic contract site. The physical copy is stored in the Records Management area, a part of the Accounting Department.

Campuses and departments can initiate the shopping process to purchase goods and services in accordance with the contract.

SOURCE: Houston ISD, *e-Contracts for Services Manual*, March 2016

contract period. After the board approves the contracts, the Purchasing Services Department is no longer involved in contract management and the Construction Services Department takes over the execution and monitoring of the contracts. These contracts are stored on the Construction Services Department construction management software system, not on the eC4S system.

Houston ISD reports that, as of March 2019, the district had 1,759 active contracts totaling $7.2 billion. Contract amounts were reported as the total value for the term of the contract. **Figure 5–8** shows the 10 campuses or departments with the greatest number of contracts. Construction contracts in accordance with the 2012 Bond Project were reported by category such as Information Technology and Facility Services Administration, and by campus, such as Wheatley High School. Charter school contracts were not included in the data provided by district for this review.

The district processes for administering and managing awarded contracts are ineffective and inefficient. The Purchasing Services Department has no procedures to

request or document vendor performance, nor does it have a formal process for campuses and departments to provide feedback regarding vendor performance. During onsite interviews, staff said often they were notified late in the process when a contract expired, if at all. **Figure 5–9** shows the contract administration implementation and the review team's assessment of the district's process.

Despite using an electronic contract approval process, the district does not capture all aspects of contract management that could prevent fraud and abuse by vendors and district staff. Contracts that do not follow the eC4S procedure are not available immediately for review or audit. Failure to monitor contracts for compliance and to conduct cost-benefit analyses on renewal increases the district's risk of overspending on services and not receiving the best value for its investment.

By not appropriately documenting and monitoring contract and vendor performance, the district might not have access to legal remedies against breach of contract, unsatisfactory performance by a vendor, or any other loss to the district resulting from a service contract or provider.

FIGURE 5–8
HOUSTON ISD CAMPUSES AND DEPARTMENTS WITH THE LARGEST NUMBER OF CONTRACTS AND CONTRACT VALUES
SCHOOL YEAR 2018–19

DEPARTMENT OR CAMPUS	CONTRACTS	VALUE (IN MILLIONS)
Procurement Department	119	$2.9
Human Resources Department	69	$55.0
Health and Medical Services Department	68	$.2
Information Technology/Project Management Office (1)	68	$248.3
Advanced Academics Department	61	$479.1
Special Education Department	58	$76.0
Wheatley High School (1)	57	$1.0
Facility Services Administration Department (1)	57	$497.8
Information Technology Infrastructure/Engineering Department (1)	47	$353.1
Chief Academic Officer (2)	44	$416.7

NOTES:
(1) The category may include contracts in accordance with the district's 2012 Construction Bond Project.
(2) Some vendor contracts are made directly with the chief academic officer position instead of with a campus or department.
SOURCE: Houston ISD, March 2019.

FIGURE 5–9
HOUSTON ISD CONTRACT ADMINISTRATION
SCHOOL YEAR 2018–19

CONTRACT CATEGORY	HOUSTON ISD IMPLEMENTATION	ASSESSMENT
Developing contracts	Purchasing Services Department facilitates contract development through the use of the eContract For Services (eC4S) program for all contracts except professional services in the Special Education Department, charter school contracts and construction services bond contracts.	Purchasing Services Department procedures for this process are documented in the eC4S Manual.
Training for Purchasing Services Department staff and end users	Purchasing Services staff attend twice monthly training on general procurement topics. End users call the Purchasing Services Department with questions as needed.	No required contract management training is provided for Purchasing end users. A One Source module offers online training on the eContracts for Services Manual.
Monitoring contract compliance	Purchasing Services Department staff monitor expiration and renewal dates of contracts in their functional area.	Purchasing Services Department staff do not monitor compliance with the contract terms and conditions.
Reporting of contract compliance	Reporting of contract compliance is conducted by campus or department on an informal basis.	No board policy or department procedure requires documentation of contract compliance by departments, campuses, or the Purchasing Services Department staff.
Assessing vendor performance	The district provides a link on its website to provide assessment of vendor performance.	No board policy or department procedure requires campuses or departments to assess vendor performance.
Renewing contracts	Purchasing Services Department staff monitors contracts for renewal dates and processes renewals.	Purchasing Services Department staff have no documented process to follow when renewing a contract.
		Only contracts stored on the eC4S system are monitored for renewal.
		Campuses and departments report that contract expirations often are not communicated to them by the Purchasing Services staff.

FIGURE 5–9 (CONTINUED)
HOUSTON ISD CONTRACT ADMINISTRATION
SCHOOL YEAR 2018–19

CONTRACT CATEGORY	HOUSTON ISD IMPLEMENTATION	ASSESSMENT
Storing contracts	Electronic versions of contracts are stored in the eC4S system. Paper copies of the contracts are kept by Records Management department.	Only contracts entered through the eC4S system are stored centrally. Professional service contracts for Special Education are not entered through the eC4S system, and are kept in the office of the director of compliance, instruction, and services of Special Education. Copies of these contracts are not stored centrally. Charter school contracts are stored in the CFO's office. Construction contracts in accordance with the district's 2012 Bond Program are stored on the construction management system used by the Construction Services Department.

SOURCE: Legislative Budget Board School Performance Review Team, March 2019.

In accordance with the *State of Texas Contract Management Guide*, published by the Texas Comptroller of Public Accounts in calendar year 2016, a key function of contract administration is monitoring the contract vendor. This monitoring includes ensuring that the vendor fulfills its legal obligations and demonstrates adequate performance in all duties specified in the contract. The *Texas A&M University System Contract Management Handbook*, 2016, states that "contract monitoring may be viewed as a preventative function, an opportunity to determine the contractor's need for technical assistance, or a valuable source of information concerning the effectiveness and quality of services being performed." The handbook recommends that an organization consider the following factors when determining what to monitor:

- how the organization will know it received what it is paying for;

- how the organization will know that the contractor is complying with the terms of the contract; and

- how the organization will know that the contract is complete and determine closure.

The Texas Education Agency's *Financial Accountability System Resource Guide* states that a system for the evaluation of vendors and their performance is important to support an effective purchasing function. It also states that effective school districts attempt to develop an open and professional relationship with vendors, but emphasizes the importance of using the following best practices to document any issue that occurs:

- note the date with an accurate description of the issue;

- contact the vendor with specifics on how the issue needs to be corrected;

- provide written notification to the vendor if the issue persists and restate the issue and desired resolution;

- include breach-of-contract notification with associated cancellation of the contract; and

- contact legal counsel if the issue is not resolved using these steps.

Houston ISD should develop clear, consistent, and uniform procedures for contract development, management, and review at the district level, including training for all staff with contract responsibility.

The district should establish a central repository for all active contracts that is easily accessible to district leadership. Purchasing Services Department staff should require formal feedback from end users on vendor performance, as part of the contracting process and use this feedback for new contracts or renewals. Purchasing Services staff also should work with end users to monitor vendor compliance to the contract. When a contract is eligible for renewal, Purchasing Services staff should perform and document a cost-benefit analysis for contract renewal and communicate with end users during the renewal process.

After refining contract development and administration procedures, the district should implement a formal training program for all staff involved in the development and management of contracts. Training should include specific methods to communicate with end users about all stages of the contracting process. Purchasing Services Department staff also should develop training for end users on relevant aspects of contract management.

The district could implement this recommendation with existing resources.

TRAVEL PROCESS (REC. 37)

Houston ISD's staff and board travel process is inefficient, which risks overspending.

Travel processes are executed by the Purchasing Services Department in conjunction with the Controller's Office and the Board Services Department. The travel representative (TR) in the Purchasing Services Department performs most out-of-district travel arrangements for staff. Accounts payable clerks in the Controller's Office process certain out-of-district and in-district travel reimbursement for staff. The Board Services Department processes travel reimbursement for the Houston ISD board members. The district reports that all funds travel expenses for district staff totaled $4.4 million during fiscal year 2017, $3.1 million during fiscal year 2018, and $2.7 million during fiscal year 2019.

Pursuant to board policies and procedures and the district's Finance Procedures Manual, staff submit out-of-district travel requests in advance to the administrator with budget authority. The administrator submits approved travel request to the TR, who makes travel arrangements and pays for the travel expenses. Staff also may make and pay for their own reservations for approved travel, in which case they submit travel receipts to Accounts Payable for reimbursement after the trip. If the district is paying only for conference registration, the staff does not need travel authorization and can request the registration be directly paid from the Accounts Payable Department.

The Finance Procedures Manual states that if staff pay for their own airfare, the cost cannot exceed the amount the district would pay for a 21-day advance fare, except for emergency travel. Procedures do not require staff to document that they found the lowest fare. The TR books all air travel for non-Houston ISD staff travelers such as chaperones and students because these individuals do not have access to the automated purchasing system.

For hotel expenses, Houston ISD staff may use the TR's services or plan and pay for expenses themselves. Staff are reimbursed for lodging expenses at either the federal government rate or $85 per day, whichever is greater. The TR may issue hotel payment prior to the trip by using a pre-paid lodging travel card that is loaded for the exact amount of the hotel stay. Staff are responsible for any charges beyond the pre-paid amount. Staff return the card to the TR after the trip along with a hotel receipt. The lodging travel card may be reloaded and reused for future trips. Staff estimate that approximately 1,000 travel cards are available for prepaid lodging. Travel advances are not authorized by the district, except for recruiters in the Human Resources Department.

Parking, local transportation charges, and meals are reimbursed by the Accounts Payable Department when submitted with the appropriate receipts. Meals and expenses are reimbursed according to the source of funding for the travel. **Figure 5–10** shows the different ways meal expenses during travel are reimbursed.

The per diem amount is reduced by one-half for days of travel that begin after noon or end before noon. Reimbursing staff for travel expenses using a per diem rate, rather than for actual expenses, could result in Houston ISD overpaying for expenses and may cause errors in reimbursement by not using the appropriate reimbursement procedure for trips funded from special revenue funds and those funded through general revenue funds.

The district does not require staff with a vehicle allowance as part of their compensation to use their personal vehicle or their Houston ISD issued vehicle for travel. Authorizing staff that have a vehicle allowance to rent a vehicle for travel could be an unnecessary expense that causes additional work for the TR.

Houston ISD board members are exempt from following the same travel rules as staff for lodging and meal rates, which

FIGURE 5–10
HOUSTON ISD TRAVEL MEAL REIMBURSAL SCHEDULE
APRIL 2015

REVENUE SOURCE	LOCATION	REIMBURSAL AMOUNT	RECEIPTS REQUIRED
Special Revenue Funds	In-state	$36/day	Yes
Special Revenue Funds	Out of State	Federal Government Per Diem Rate	Yes
General Revenue Funds	In-state	The greater of Federal Rate or $36/day	No
General Revenue Funds	Out of State	Federal Government Per Diem Rate	No

SOURCE: Houston ISD, April 2015.

creates a lack of transparency for the use of public funds. Each board member receives an annual budget of $5,000 for travel to meetings, functions, and activities that they determine are for a public purpose and necessary to conduct district business. Board Policy BBG (LOCAL) lists 26 entities whose meetings and other activities are approved for board member travel at district expense. Reimbursable expenses include airfare, registration fees, mileage, meals, telephone calls, and airport parking for the board member only. Board members are required to furnish receipts for all expenses greater than $15 in each category. For in-county travel, board members are reimbursed for parking fees, mileage and meals up to $50. Board members submit a travel reimbursement form, travel log, and receipts to the Board Services Department, which submits the request to the CFO. The accounts payable clerk processes the board member's approved reimbursement. The CFO prepares and presents a monthly report of each board member's travel. Unused travel funds revert to the district's general fund undesignated fund balance. Expenses in excess of the $5,000 travel budget are charged to the board member personally.

During onsite interviews, staff reported that approximately 250 new travel transactions took place per month. The TR checks every travel request for accuracy and manually reconciles all the travel expenses when bills are presented for payment. According to staff, approximately 75.0 percent of travel transactions created exceptions that needed to be reconciled, which could stem from the large number of cards issued for travel and pricing changes that occur in the time lag between approval and booking the trip. The travel function relies heavily on manual processes, and the large number of transactions carried out by the TR reduces the opportunity to find lower-priced fares. Staff arranging their own travel also may be unaware of lower priced fares, which wastes district resources.

Miami–Dade County Schools (MDCS) in Miami, Florida and Austin Independent School District (AISD) have similar travel policies that both encourage staff to use a pre-approved travel agent.

MDCS publishes a Travel Procedures Manual that provides clear and concise rules. The district encourages staff to purchase airline tickets through its official travel agency, but staff can purchase tickets on their own if they provide two lists of available airfares from different sources. Staff are reimbursed for the cost of tickets purchased. Staff using the travel agency submit an authorized estimated cost request to the agency. If the actual cost of the ticket exceeds the estimate

by 25.0 percent or more, the staff is responsible for obtaining authorization for the overage. The requesting staff receives the ticket from the travel agency, for which the Accounts Payable Department pays the travel agency. Due to the high cost of processing payments, MDCS staff submit reimbursement requests only for travel amounts greater than $50, and no requests older than one year are accepted. MDCS pays only for actual expenses, and staff must provide receipts for all reimbursable travel expenses.

AISD also publishes a Travel Procedures Manual, which states that the preferred method of making airline reservations is through the district's travel agent. The travel agent issues the ticket to the staff and bills the district. The manual also states that staff who received a regular travel stipend, such as a district vehicle, are not eligible for mileage reimbursement of in-district travel. For each school year, AISD requests that campuses and departments submit the names of staff who will be traveling. AISD issues those staff travel cards to expedite future travel authorization. A travel card can also be issued on an as-needed basis to new travelers. The travel card is used for air travel, ground transportation, lodging, meals, and other approved travel related expenses of $130 or greater. Staff charge travel expenses of less than $130 to their personal credit cards for later reimbursement by the district.

The Texas Comptroller of Public Accounts has developed the State Travel Management Program (STMP), which helps state agencies and school districts manage travel expenditures more efficiently by providing discounted travel services through vendor contracts monitoring state travel activity. The Statewide Procurement Division has negotiated travel contracts for airlines, travel cards, hotels, rental cars, and travel agencies.

Houston ISD should revise travel procedures for more efficient travel processing.

The district should conduct a cost-benefit analysis based on all its travel needs to determine the most efficient method of making arrangements for district travelers. The cost-benefit analysis should consider the use of a travel agent for the district. By using the STMP travel agent to arrange and bill for all travel, the district would be assured of receiving the lowest-priced travel fares.

Houston ISD also should consider authorizing campuses and departments to use existing, general use purchasing cards on a pre-approval basis for district travel expenses. For better control of expenses, the district should pay only for actual expenses, not per diems, and require that staff provide

original receipts for every reimbursable expense, regardless of funding source. Houston ISD also should discourage the practice of renting vehicles for travel by staff who have a travel allowance or the use of a district vehicle. The district should require board members to follow the same travel requirements that apply to staff.

The fiscal impact assumes that, by booking through a travel agent, the district would eliminate the travel representative position, resulting in an annual savings of $51,672 ($43,060 salary + $8,612 for 20.0 percent benefits).

WAREHOUSE OPERATIONS (REC. 38)

Houston ISD's warehouse operations are inefficient, and are not structured to provide the best value to the district.

Houston ISD maintains three warehouses with different functions. **Figure 5–2** shows the organization of Houston ISD's warehouse operations in the Logistics Department.

Warehouse Operations stores supplies that can be ordered and delivered to departments and campuses. Textbook Operations serves as receiving and storage for district textbooks, and Furniture Services contains excess furniture and other assets. The warehouses are all located at the Facilities Services and Fleet Operations Administration site at 228 McCarty Drive. The logistics senior manager of warehousing oversees all three, including their managers and staff. The district employs 51 staff to operate the three warehouses with a school year 2018–19 inventory value of $907.1 million.

WAREHOUSE OPERATIONS

Warehouse Operations occupies approximately 99,700 square feet. The warehouse operations distribution manager oversees a staff of 19, including eight truck drivers and 11 warehousers. The cost of central warehouse staff salaries was $787,252 for school year 2018–19. Inventory in Warehouse Operations was valued by district staff in June 2019 at $2.9 million.

The warehouse stocks more than 1,000 items, including office, school, and maintenance supplies in addition to some dry goods stored for the Nutrition Services Department. Most Nutrition Services Department products are drop shipped to campuses or the Food Support Facility. Campuses and departments also receive goods directly from suppliers through the purchasing process.

Warehouse Operations orders from vendors and prices items for sale to campuses and departments at the cost purchased by the district. Campuses and departments place orders using an online catalog. Warehousers create a requisition and pull items from shelves. Purchases are grouped by routes and stacked on the loading dock for delivery. Warehouse Operations has eight delivery routes to campuses and departments. The warehousers rotate stock, keep track of inventory levels, and communicate to managers which items need to be reordered. Warehouse Operations also delivers interdistrict mail four times a week through its delivery routes and delivers forms from the print shop to campuses and departments from the print shop located at the McCarty facility.

Campuses and departments do not have access to the real-time status of their orders, and they call Warehouse Operations staff when they need information. Staff reports that processes in Warehouse Operations are paper-intensive, with only the ordering of products performed electronically. Every other aspect of Warehouse Operations processes require staff to use manual, paper-based systems.

Campuses and departments are not required to purchase items from Warehouse Operations. They may use the warehouse or any district-approved vendor to supply items, such as copier paper, that are available from either source. Warehouse Operations does not apply carrying costs, such as labor, warehousing, or transportation, to the prices paid by campuses and departments, which makes the goods they purchase from external providers seem artificially expensive. If carrying costs were added to the purchase price of district warehouse goods, the cost to campuses and departments could be higher than for goods purchased elsewhere. Campuses and departments are not required to compare product prices when deciding between the warehouse and an outside vendor, although some staff say they choose outside vendors to receive faster delivery.

Warehouse Operation's lack of automation leads to inefficiencies in ordering, processing, and fulfilling orders. Manual processes incur higher labor costs, as the inventory control manager, six general clerks, and a business analyst are required to perform regular inventory counts and process tickets throughout the requisition and delivery cycle.

The New Mexico Manual of Procedures for Public School Accounting and Budget states that a central warehouse system enables a school district to take advantage of the economies of quantity buying and to fill requisitions for frequently used supplies promptly. Costs of receiving, storing, and delivering stock items and costs of stocking goods are included in the total cost of a warehouse

system. These costs are compared to the costs of direct purchasing to determine if a centralized warehouse is an efficient use of resources.

TEXTBOOK OPERATIONS

Textbook Operations stores and manages all textbooks for Houston ISD in an 18,785 square foot warehouse located at the McCarty property, Building 2. The district also stores some out-of-adoption textbooks in the nearby Furniture Services warehouse.

Textbook Operations receives and processes new textbook orders and stores textbooks when not in use. The textbook operations manager oversees a staff of nine, including four general clerks, four warehousers, and one warehouser/driver. The cost of Textbook Operations staff salaries was $269,584 for school year 2018–19. Inventory in Textbook Operations is valued at $67.2 million as of June 2019.

Textbook Operations staff take orders for instructional materials from the Elementary Curriculum and Instruction Department and the Secondary Curriculum and Instruction Department. Textbook Operations staff order print materials only. The Instructional Technology Department manages orders for instructional software. Textbook Operations staff place annual and supplemental orders, and prepare work orders for surplus books that are out of adoption.

The district uses Hayes Software for textbook management. The software provides real-time information for books in stock, including the campus, teacher, and student assigned the textbook. Upon receiving textbooks at the beginning of the school year, campus textbook coordinators scan them into the textbook management system and distribute them to students. At the end of the school year, students return the textbooks to the campus coordinator, who scans them into the system for delivery to the textbook warehouse, where staff manually check the books back into the system. During onsite interviews, textbook warehouse staff said they could not use scanning equipment due to poor internet access in the textbook warehouse. Using manual processes, such as hand counting, is an inefficient use of staff time and can lead to inaccurate results.

The majority of work for Textbook Operations staff occurs at the beginning and end of the school year. They perform electronic textbook audits annually and physical textbook audits every three years, or at a principal's request. Campuses charge students for missing or damaged textbooks, and Textbook Operations staff prepare these bills for campuses

when needed. Warehouse staff pick up out-of-adoption textbooks from campuses, which the district sells to a textbook recycling company.

FURNITURE SERVICES

The Furniture Services warehouse temporarily stores the district's surplus assets pending reassignment or disposition. It maintains an assortment of items including classroom and office equipment, furniture, electronics, and paper goods. Surplus and unused textbooks are also stored in the Furniture Services warehouse.

The Furniture Services warehouse occupies approximately 34,000 square feet. The furniture services manager oversees a staff of nine, including one warehouse team lead, two general clerks, and six warehousers/drivers. The cost of furniture warehouse staff salaries was $458,813 for school year 2018–19. Inventory in the Furniture Services warehouse is valued at $672.0 million as of June 2019.

Furniture Services moves assets from one campus to another, and between the warehouse and campuses in both directions. Campuses and departments request these moves through an electronic work order system. The furniture services manager manually schedules staff to fill these requests. The average time for pick-up and delivery has ranged from three to four weeks in past years, but the estimated wait time increased to seven months during school year 2018–19, according to warehouse staff. Staff at campuses reported waiting up to one year for Furniture Services to pick up excess furniture and equipment.

The increase in the time it takes Furniture Services staff to pick up campus assets has increased costs for the district. According to Bond Program Office staff, the furniture removal process took so long at some older campuses scheduled for demolition that the buildings were demolished containing furniture and other items that could have been recovered. Staff at campuses due to receive replacement furniture gave similar accounts of older furniture being hauled away with construction trash because Furniture Services warehouse staff were unable to respond in time. Such incidents are costly because Houston ISD is unable to recuperate funds from furniture that is thrown away or destroyed. Also, staff reported that contractors charged the district extra to demolish buildings that still contained furniture.

After Furniture Services warehouse staff pick up the assets from campuses and departments, they enter them into a

database using an office spreadsheet program to log in the fixed asset tag numbers of all assets valued at more than $500. Assets valued at less than $500 do not have a fixed asset tag, so staff log in the serial number of those assets. All items, regardless of value, are entered into the database. Furniture Services staff determine what is reusable and what should be discarded. Technology Department staff review technology assets to determine what can be sold and what can be discarded as trash. Items that can be reused are stored in the Furniture Services warehouse and are available to campuses and departments, but Furniture Services provides no online listing or communication to district staff about what is available. Campuses and departments can call during warehouse business hours, 7:00 AM to 3:30 PM, to ask if what they need is in the warehouse. Furniture Services warehouse drivers deliver items selected by a department or campus. Furniture Services conducts auctions intermittently through a contract with an online public auction company, which leads to an overwhelming amount of assets that must be stored in the warehouse.

The Furniture Services warehouse does not charge the requesting campus or department extra to transfer the surplus item. Campuses and departments may pay overtime to have surplus goods picked up from their campus. Although this transfer service helps campuses and departments remove items more quickly, it increases costs for the district.

Furniture Services provides inefficient services to campuses and departments. Tagging all assets, regardless of value, is not the best use of warehouse staff time and creates a backlog in processing the intake of assets. Authorizing campuses and departments to pay overtime and ensure quick pickup and delivery of goods adds to the backlog and could result in inequities among campuses. Furniture Services provides no online catalog of assets for campuses and departments to browse, and the limited hours that the warehouse is open makes it difficult for them to visit and see what is available.

Round Rock Independent School District (RRISD) maintains an online catalog of surplus items. Pictures and descriptions of the items are found on the district's online Repurpose Store and are available on a "first to request, first to receive" basis. A campus principal or department director may request the items by emailing the warehouse. The Repurpose Store also has periodic sales onsite that are open to the public and online auctions. A search of RRISD's online auction history showed more than 500 auctions posted monthly.

Houston ISD should review the efficiency of each warehouse function and implement processes to make the most productive use of warehouse services.

For Warehouse Operations, Houston ISD should analyze all the costs of operating the central warehouse, including salaries and other operating expenses, to establish the full cost of each item it offers. The central warehouse manager should coordinate with the Purchasing Services Department category managers to compare the full cost of items offered by the warehouse to the price of items offered by external vendors, and analyze the common items that campuses and departments purchase from vendors instead of requesting from the warehouse. Once the most cost-efficient products are identified, Houston ISD should discontinue offering the products in the warehouse and direct campuses and departments to purchase those items directly from approved vendors using standard procurement processes.

Houston ISD also should investigate the cost of automating the ordering, filling, delivery, and inventory of stock. By using an automated system and ensuring that the warehouse stocks only competitively priced goods, Houston ISD would improve the efficiency of the central warehouse.

For the Textbook Operations warehouse, the district should explore purchasing a Radio Frequency Identification System with a scanning wand for textbook warehouse staff. This equipment would facilitate warehouse processes and ensure that inventory is accurate and immediately available. Houston ISD also should ensure that the textbook warehouse has consistent and stable internet connectivity that enables the textbook staff to use scanning equipment.

For the Furniture Services warehouse, Houston ISD should develop a process to inform campuses and departments of the items available for immediate use. The method of communication should include pictures and descriptions of the items. The furniture warehouse should be open during Houston ISD's regular business hours to enable more time for campus and department staff time to visit. When a campus or department has selected assets for its use, the warehouse staff should deliver the items to the requestor.

The furniture services manager should coordinate with the Purchasing Services Department to hold regularly scheduled surplus property online auctions in order to routinely dispose of surplus items instead of continuing to store them. With less items in the furniture warehouse, staff could be reassigned to pick up and deliver requested items more efficiently, with less delay, which would eliminate overtime. The furniture

services warehouse should consider only logging tagged assets valued at more than $500.

The fiscal impact assumes that more cost-efficient warehouse operations would reduce the number of staff needed to operate the warehouses by an estimated 30.0 percent, or 15 staff (51 total staff x 30.0 percent). The total cost of salaries and benefits for all warehouse staff is $1,818,779, which averages to $35,662 per staff ($1,515,649 salary + $303,130 for 20 percent benefits = $1,818,779 ÷ 51 staff = $35,662). Eliminating 15 staff would save $534,930 annually ($35,662 x 15).

The fiscal impact does not estimate gains from the sale of additional surplus property, which might be offset by the cost of disposing of unsaleable and unusable warehouse inventory.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's School Performance Review Team has identified a fiscal impact for the following recommendations:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
5. PURCHASING AND CONTRACT MANAGEMENT							
35. Develop and implement efficient auditing guidelines and financial controls for purchasing card processing to safeguard district assets and ensure that all transactions follow district procedures.	$1,404,893	$1,404,893	$1,404,893	$1,404,893	$1,404,893	$7,024,465	$0
37. Revise travel procedures for more efficient travel processing.	$51,672	$51,672	$51,672	$51,672	$51,672	$258,360	$0
38. Review the efficiency of each warehouse function and implement processes to make the most productive use of warehouse services.	$534,930	$534,930	$534,930	$534,930	$534,930	$2,674,650	$0
Total	**$1,991,495**	**$1,991,495**	**$1,991,495**	**$1,991,495**	**$1,991,495**	**$9,957,475**	**$0**

6. HUMAN RESOURCES MANAGEMENT

Houston Independent School District's (ISD) Human Resources Department oversees recruitment, compensation, compliance, certifications, personnel records, employee relations, and the district's hiring and separation processes. During school year 2017–18, Houston ISD employed 26,247.2 full-time-equivalent (FTE) positions, including 11,833.6 teacher FTE positions.

FINDINGS

♦ Houston ISD's Human Resources Department's organizational structure is inefficient.

♦ Houston ISD pays below-market salaries and lacks procedures to ensure consistent application of the salary guides for all positions districtwide.

♦ Houston ISD lacks procedures to ensure consistency and quality control of overtime accountability.

♦ Houston ISD campuses award ad hoc stipends and extra-duty pay with limited oversight from the Human Resources Department, resulting in inconsistent implementation across campuses.

♦ Houston ISD does not have an efficient or effective timekeeping system.

♦ Houston ISD does not have consistent and coherent recruiting, hiring, and retention processes.

♦ Houston ISD's written job descriptions are inaccurate, obsolete, and not included in the evaluation process.

RECOMMENDATIONS

♦ **Recommendation 39: Reorganize the Human Resources Department and adhere to best practices for an effective and equitable span of control.**

♦ **Recommendation 40: Strengthen controls over promotion and pay and perform a limited-scope classification and compensation study.**

♦ **Recommendation 41: Establish controls to monitor overtime, reassess staffing levels in key departments, and work to decrease overtime costs.**

♦ **Recommendation 42: Strengthen controls over ad hoc stipends and extra-duty pay.**

♦ **Recommendation 43: Establish a districtwide timekeeping system.**

♦ **Recommendation 44: Develop recruiting strategies for campuses that have high turnover among staff, and standardize procedures for hiring, integrating new staff, and exit interviews districtwide.**

♦ **Recommendation 45: Develop a process to review and update job descriptions regularly, and mandate the use of job descriptions in the evaluation process.**

BACKGROUND

Human resource management includes compensation, recruitment, hiring and retention, administrative planning and duties, records management, staff relations and grievances, and staff evaluations. These functions are defined by either compliance-based or strategic-based responsibilities. Compliance-based responsibilities include assuring that an organization is following federal, state, and local labor laws in areas such as benefits, compensation and hours worked, records management, mandatory leave, discrimination, medical privacy, safety, termination, and eligibility to work. Strategic-based responsibilities include recruiting and retention, compensation, and staff relations.

Figure 6–1 shows Houston ISD's Human Resources (HR) Department organization. The chief human resources officer reports to the superintendent and oversees five general manager positions.

The general manager of talent acquisition oversees the district's recruiting and retention functions. The general manager of compliance oversees the certification and alternative certification teams. The general manager of compensation oversees the compensation and the HR business partner teams. The compensation team works with the budget team under the Chief Financial Officer to support all activities related to positions, value, and salary, including performance pay. The HR business partner team coordinates and provides high-level support covering workforce staffing and planning and leave management for campuses. The general manager of human capital accountability oversees a team of investigators, the employee relations analyst, and the personnel records manager. The general manager of business

FIGURE 6–1
HOUSTON ISD HUMAN RESOURCES DEPARTMENT ORGANIZATION
SCHOOL YEAR 2018–19
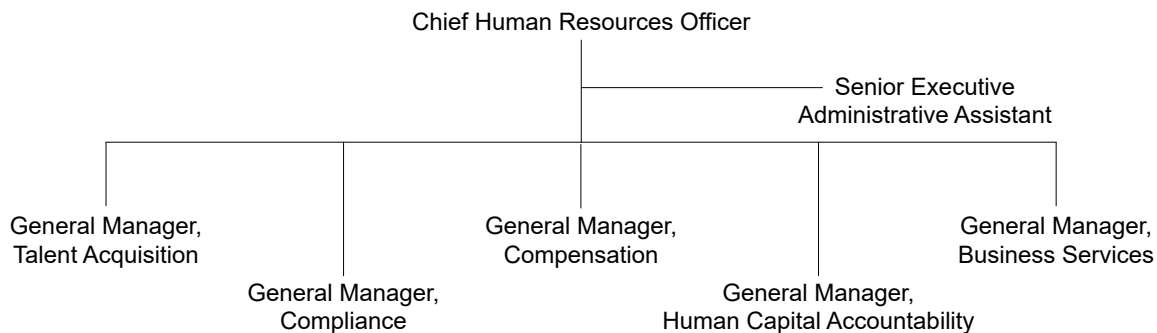
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

services oversees the HR business partners that work with the Business Operations Division departments.

Figure 6–2 shows Houston ISD's actual payroll expenditures as a percentage of all funds compared to its peer districts for school year 2017–18. Peer districts are districts similar in size and other characteristics to Houston ISD that the Legislative Budget Board's School Performance Review Team uses for comparison purposes. Houston ISD's payroll accounted for 74.9 percent of its total expenditures, which is the lowest among peer districts.

Figure 6–3 shows the percentage of staff in five categories for Houston ISD compared to those of its peer districts. During school year 2017–18, Houston ISD employed the smallest percentage of both teachers and educational aides compared to its peer districts. Houston ISD also employed the greatest percentage of auxiliary staff compared to peers. Most of the auxiliary staff are in the Nutrition Services, Transportation and Facilities Services Departments, or on campuses in

clerical positions. Elsewhere in this report, the Nutrition Services and Facilities Use and Management chapters address issues related to staffing inefficiencies.

Figure 6–4 shows the student-to-teacher ratios and student-to-staff ratios for Houston ISD and its peer districts. Houston ISD has the greatest student–teacher ratio and student–staff ratio compared to its peer districts. Both ratios for Houston ISD also are greater than averages for districts in Regional Education Service Center IV (Region 4) and in the state.

DETAILED FINDINGS

HUMAN RESOURCES DEPARTMENT ORGANIZATION (REC. 39)

Houston ISD's Human Resources Department's organizational structure is inefficient.

Each of the HR Department's general managers has a small span of control. Span of control is the number of subordinates that a supervisor directly oversees.

FIGURE 6–2
HOUSTON ISD ACTUAL PAYROLL EXPENDITURES AS A PERCENTAGE OF ALL FUNDS COMPARED TO PEER DISTRICTS
SCHOOL YEAR 2017–18

CATEGORY	HOUSTON ISD	AUSTIN ISD	CYPRESS–FAIRBANKS ISD	DALLAS ISD
Total expenditures (in millions)	**$1,810.0**	$760.9	$877.5	$1,375.4
Payroll expenditures (in millions)	**$1,355.3**	$661.3	$788.4	$1,121.5
Payroll as a percentage of total expenditures	**74.9%**	86.9%	89.9%	81.5%
Total Staff FTE (1) positions	**26,247.2**	11,379.2	14,625.4	20,005.5
Total Teacher FTE positions	**11,833.6**	5,703.3	7,122.0	10,346.4
Student Enrollment	**213,528**	81,346	116,138	156,726

NOTE: (1) FTE=full-time-equivalent positions.
SOURCES: Texas Education Agency, Public Education Information Management System, Actual Financial Data, school year 2017–18, and Texas Academic Performance Report, school year 2017–18.

FIGURE 6–3
HOUSTON ISD PERCENTAGE OF STAFF TYPES COMPARED TO PEER DISTRICTS
SCHOOL YEAR 2017–18

STAFF	HOUSTON ISD	AUSTIN ISD	CYPRESS–FAIRBANKS ISD	DALLAS ISD
Teachers	**45.1%**	50.1%	48.7%	51.7%
Professional Support staff	**10.6%**	9.4%	9.8%	10.5%
Administrative staff	**2.8%**	3.3%	3.2%	5.6%
Educational aide	**5.3%**	8.5%	11.7%	9.7%
Auxiliary staff	**36.2%**	28.7%	26.6%	22.4%

NOTE: Percentages may not sum to 100.0 percent due to rounding.
SOURCE: Texas Education Agency, Texas Academic Performance Report, school year 2017–18.

FIGURE 6–4
HOUSTON ISD STUDENT–TEACHER AND STUDENT–STAFF RATIOS COMPARED TO PEER DISTRICTS
SCHOOL YEAR 2017–18

RATIO	HOUSTON ISD	AUSTIN ISD	CYPRESS–FAIRBANKS ISD	DALLAS ISD	REGION 4 (1)	STATE
Student–Teacher	**18.0**	14.3	16.3	15.1	16.0	15.1
Student–Staff	**8.1**	7.1	7.9	7.8	7.8	7.6

NOTE: (1) Region 4=Regional Education Service Center IV.
SOURCE: Texas Education Agency, Texas Academic Performance Report, school year 2017–18.

Houston ISD has experienced budgetary losses during the past few years and plans additional decreases for fiscal year 2020. In response, the HR Department has decreased its staffing. However, the number of general managers in the department has remained at five, while staffing at lower levels of seniority has decreased. As a result, the department has an excessive number of managers but a shortage of staff at other levels to perform important services in support of campuses and district departments.

For example, HR business partners serve as liaisons between the HR Department and principals and department hiring managers. HR business partners process candidates from the prehire stage and coordinate with budgeting, compensation, certification, performance management, and employee relations to hire the candidate. The partners also assist with absence management and advise principals and department management regarding how to manage staff absences. Due to budget decreases, the department has decreased HR business partner positions. According to interviews, partners formerly assisted 25 to 30 campuses each. At the time of the review team's onsite field work, each partner assisted approximately 40 campuses. Staff reported that one of the primary complaints from campuses is the time required to process new hires.

Similarly, due to budget decreases, the district decreased the number of teacher candidate recruiters on the talent acquisition team from nine to six. Without adequate staff to recruit prospective applicants, the district will continue to struggle with high teacher turnover.

The number of clerical staff on the personnel records team that are responsible for visas has decreased. The employee relations analyst absorbed this duty in addition to processing grievances and providing support and professional development to principals and area superintendents. According to interviews, processing visas requires 25.0 percent of the employee relations staff's work day. Staff reported taking work home on the evenings and weekends to accommodate the additional duties.

The HR Department also duplicates some duties among its staff. The program manager for alternative certification developed the alternative certification program (ACP) courses and oversees the teacher development specialists who support the ACP teachers. Staff reported that the program manager also performs recruiting duties and is responsible for compliance. During fall 2018, the chief human resources officer developed a senior manager of alternative certification position. According to interviews, the senior manager position oversees the program manager for alternative certification and performs many of the same duties as the program manager, including recruiting and coaching teachers.

FIGURE 6–5
HOUSTON ISD HUMAN RESOURCES GENERAL MANAGER SPAN OF CONTROL
SCHOOL YEAR 2018–19
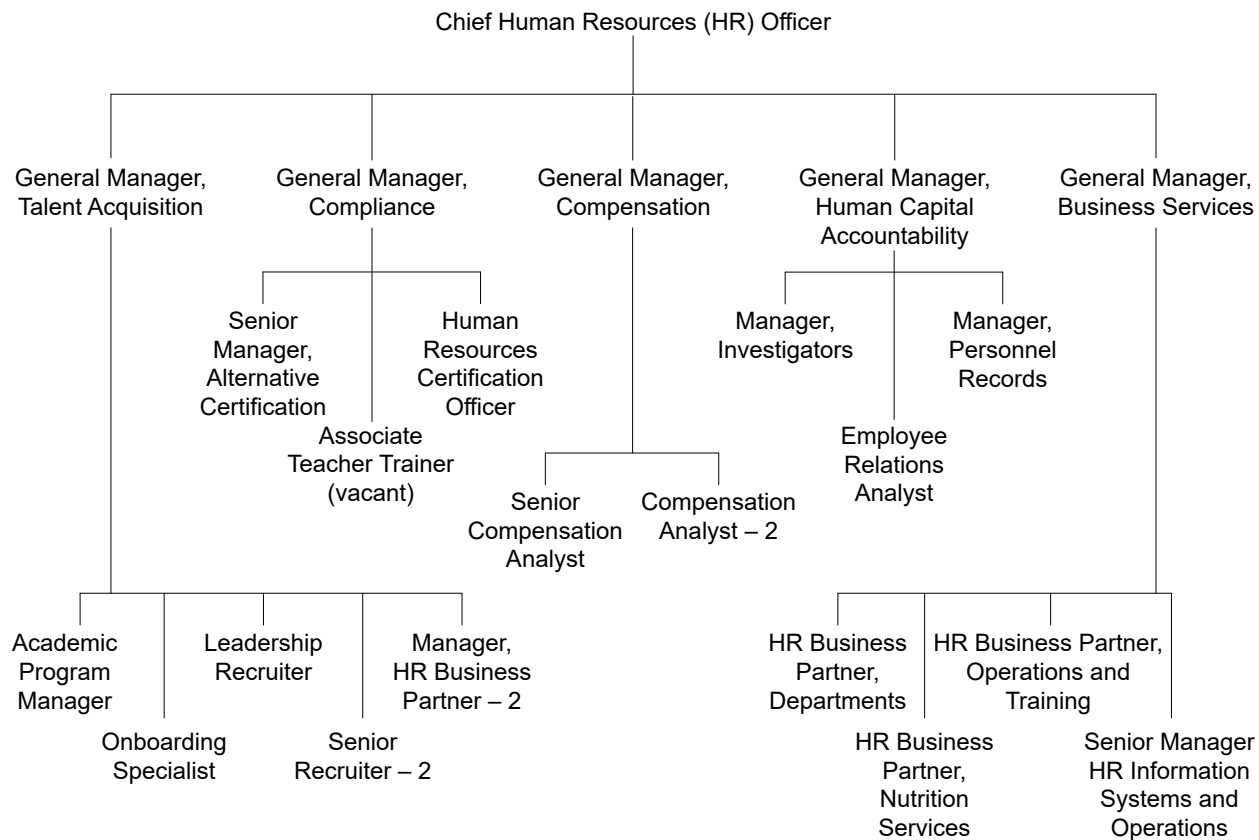
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

The Society for Human Resources Management (SHRM) cites the industry's average span of control as seven direct reports per executive-level position. At the time of the onsite review, five positions reported directly to the chief human resources officer, which is near the cited average. SHRM states that the industry average number of positions reporting directly to middle managers (i.e., general managers) is 12 positions.

The number of directly reporting positions for each general manager position in the Human Resources Department is less than the industry average. **Figure 6–5** shows the positions each general manager oversees.

As shown in **Figure 6–5**, the span of control for each general manager position are as follows:

- 1:7 span of control for the general manager of talent acquisition;

- 1:3 of span of control for the general manager of compliance;

- 1:3 span of control for the general manager of compensation;

- 1:3 span of control for the general manager of human capital accountability; and

- 1:4 span of control for the general manager of business services.

Each of the general managers in the HR Department manages less than the SHRM average of 12 positions.

The Human Resources Department faces additional budget decreases for fiscal year 2020. Decreases of staff positions below the general managers will decrease further the HR Department's capacity to function effectively. Decreasing the number of positions at the general manager and senior management levels would improve the department's

FIGURE 6–6
RECOMMENDED HOUSTON ISD HUMAN RESOURCES DEPARTMENT ORGANIZATION
FEBRUARY 2019
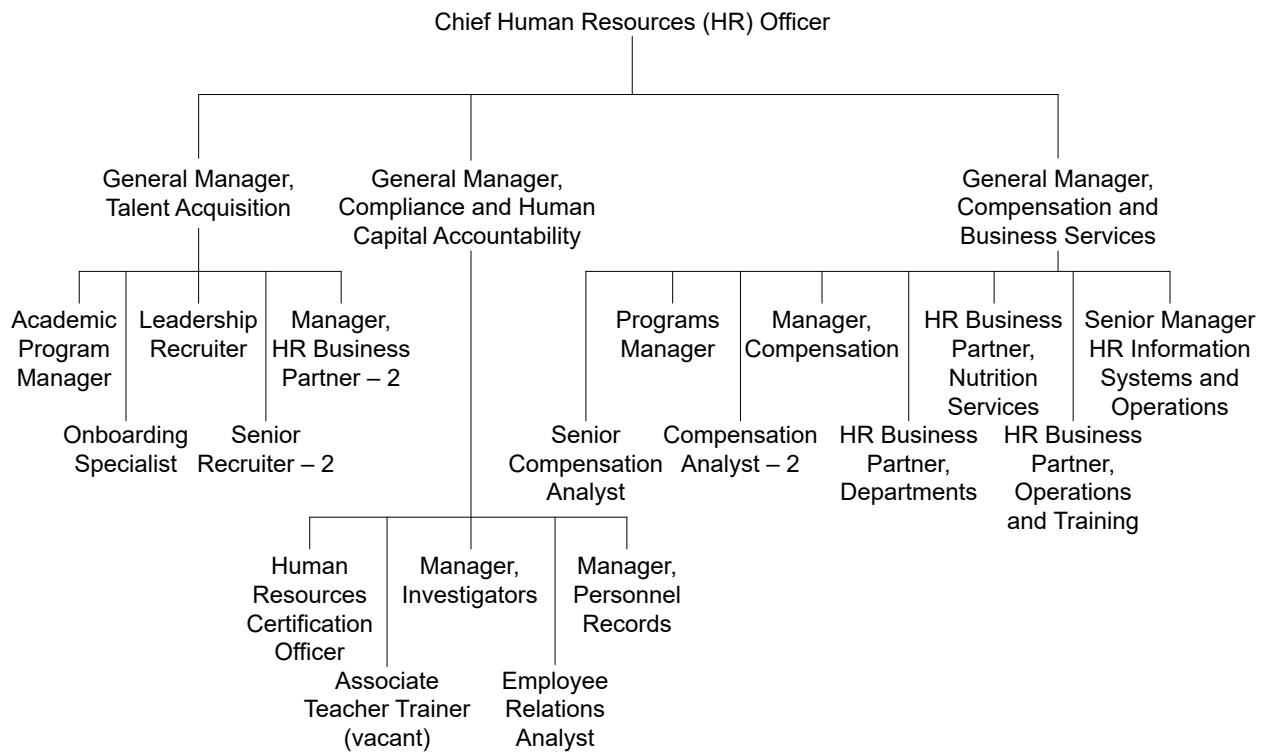
SOURCE: Legislative Budget Board School Performance Review Team, February 2019.

efficiency and effectiveness. Duplicating duties among management positions without filling vacancies at other levels is not an efficient use of resources.

Houston ISD should reorganize the Human Resources Department and adhere to best practices for an effective and equitable span of control.

The chief human resources officer should decrease the number of general managers from five to three by merging teams that have interrelated functions. Specifically, the chief of human resources should carry out the following actions:

- merge the compliance and the human capital accountability teams to report to one general manager; and

- merge the compensation and the business services teams to report to one general manager to manage integrating new staff and to support campuses and departments.

In the Financial Management chapter, the alternative certification program has been recommended to be eliminated.

Figure 6–6 shows the recommended organization for the HR Department.

The fiscal impact assumes that the district eliminates two general manager positions for an annual savings of $279,353 [$232,794 (average general manager salary x 2) + $46,559 (20.0 percent benefits x 2)].

SALARIES (REC. 40)

Houston ISD pays below-market salaries and lacks procedures to ensure consistent application of the salary guides for all positions districtwide.

The Human Resources Department's compensation team annually completes a salary survey from the Texas Association of School Boards (TASB). The survey compares the salaries of district staff and campus-based staff, including teachers, principals, and professional support staff, to the salaries of comparable positions in districts that surround Houston

FIGURE 6–7
HOUSTON ISD SALARIES COMPARED TO REGIONAL AVERAGES
CALENDAR YEAR 2018

POSITION	STAFF	HOUSTON ISD AVERAGE SALARY	AREA SCHOOL DISTRICTS AVERAGE SALARY	HOUSTON ISD
Teacher	12,034	$56,739	$58,733	Lower
Nurse	235	$57,646	$60,147	Lower
Librarian	65	$62,776	$64,427	Lower
Counselor, Elementary School	47	$64,951	$68,298	Lower
Counselor, Middle School	35	$65,367	$69,663	Lower
Counselor, High School	72	$69,250	$72,377	Lower
Social Worker	38	$46,357	$62,780	Lower
Licensed Specialist in School Psychology	22	$70,007	$69,218	Higher
Assistant Principals, Elementary School	75	$64,689	$73,483	Lower
Assistant Principals, Middle School	75	$71,782	$76,900	Lower
Assistant Principals, High School	103	$82,390	$84,188	Lower
Principal, Elementary School	167	$91,946	$100,317	Lower
Principal, Middle School	51	$106,092	$109,533	Lower
Principal, High School	39	$125,180	$137,690	Lower
Principal, Alternative Campus	10	$117,300	$107,046	Higher

SOURCE: Texas Association of School Boards, Salary Comparison Data, 2018.

ISD. **Figure 6–7** shows that, on average, Houston ISD pays teachers, professional support staff, assistant principals and most principals less than area districts. At least for teachers, these differences in salary are not attributable to differences in years of service.

Although the district completes the TASB survey every year, the district has not performed a compensation and classification study for all district positions. Compensation and classification studies examine whether districts are classifying all jobs appropriately and whether the districts' compensation structures align with the market. According to interviews, many noncampus-based positions have below-market pay, including police officers, technology staff, maintenance technicians, and mechanics. Facilities Services Department leadership staff stated that the department struggles to hire skilled staff for specialized positions, because the district's salaries for these positions are less than competitive positions. For example, some positions that earn annual salaries of $56,000 in the private sector are capped at $36,000 in Houston ISD. In another example, Houston ISD had one locksmith to service the entire district at the time of the onsite field work. Staff reported that multiple locksmith candidates have rejected job offers because the salary was not competitive.

Payroll Department leadership stated that two of the department's greatest challenges are being understaffed and undercompensated. Similarly, Technology Department leadership stated that staff retention is a major challenge for the department, which has several staff leave each week. Staff reported that technology salaries are comparable to those in surrounding school districts. However, Houston ISD salaries are not competitive with those offered by large technology companies in the Houston area. Staff reported that a compensation study is needed. However, district leadership have stated that contracting with a vendor to perform a compensation and classification study and aligning salaries with market rates would result in significant costs and are not possible during a time when positions are being eliminated.

According to district staff, the lack of market studies to maintain competitive pay structures results in high turnover in many positions. The Council of the Great City Schools (CGCS) publishes performance measures and performance data related to business operations in urban public school districts. Its 2018 publication *Managing for Results* includes the high, median, and low values for performance metric data from districts reporting to CGCS, including Houston ISD. Districts in the upper quartile reported the highest values for a given metric, and districts in the lower quartile

FIGURE 6–8
HOUSTON ISD SEPARATION RATES COMPARED TO COUNCIL OF THE GREAT CITY SCHOOLS AVERAGES
SCHOOL YEAR 2016–17 (1)

DISTRICT	EMPLOYEE SEPARATION RATE (2)	TEACHER	INSTRUCTIONAL SUPPORT STAFF	SCHOOL-BASED EXEMPT STAFF (3)	SCHOOL-BASED NONEXEMPT STAFF (4)	NONSCHOOL NONEXEMPT STAFF (5)	NONSCHOOL EXEMPT STAFF (6)
Upper Quartile	15.8%	15.4%	17.1%	13.1%	17.8%	14.6%	16.4%
Median	11.5%	10.9%	12.0%	8.9%	14.1%	11.4%	8.9%
Lower Quartile	9.7%	8.0%	9.9%	5.7%	10.7%	8.8%	6.9%
Houston ISD	**21.2%**	**15.7%**	**38.1%**	**15.6%**	**23.9%**	**37.8%**	**15.8%**

NOTES:
(1)   The Council of the Great City Schools report, *Managing for Results*, 2018, publishes data from school years 2013–14 to 2016–17.
(2)   Separation rate is defined as the total number of employees that left the district (due to retirement, resignation, or termination) divided by the total number of district employees (full-time-equivalent positions).
(3)   School-based exempt staff refers to campus-level staff that are exempt from minimum wage and overtime pay requirements pursuant to the federal Fair Labor Standards Act.
(4)   School-based nonexempt staff refers to campus-level staff that are subject to minimum wage and overtime pay requirements pursuant to the federal Fair Labor Standards Act.
(5)   Nonschool nonexempt staff refers to district-level department staff that are exempt from minimum wage and overtime pay requirements pursuant to the federal Fair Labor Standards Act.
(6)   Nonschool exempt staff refers to district-level staff that are subject to minimum wage and overtime pay requirements pursuant to the federal Fair Labor Standards Act.
SOURCES: Legislative Budget Board School Performance Review Team, February 2019; Council of the Great City Schools, *Managing for Results*, 2018.

reported the lowest values. **Figure 6–8** shows the overall separation rates and separation rates by staff type of school districts reporting to the CGCS and the separation rates in Houston ISD.

Figure 6–8 shows that Houston ISD's separation rate for all categories of staff except for nonschool exempt staff is higher than the upper quartile rate reported to the CGCS. In addition to uncompetitive salary structures, district budget decreases also might contribute to Houston ISD's higher-than-average separation rates.

According to interviews, Houston ISD's budget cuts and below-market salaries have resulted in inequities in pay and job classifications because the district's salary guides are not applied appropriately. The district has a compensation manual with procedures for setting staff pay based on several salary schedules. The district has a master salary schedule, technology salary schedule, and associate teachers and part-time degreed teacher salary schedule. Staff reported that, to raise staff salaries toward preventing them from leaving the district, department managers promote staff to higher-paid positions without changing their job duties. As a result, in many instances staff that perform the same duties have different job titles and different salaries. The district has not established a process for the HR Department to review or approve promotions and raises.

The district's financial procedures manual states the following procedures:

> … work location supervisors are responsible for notifying the Human Resources Business Partner when an employee has changed location or job title. Work location supervisors are to inform their HR Business Partner via email or Hire Memo, providing the following information:

> • employee name and ID number;

> • position code number which the employee will staff; and

> • effective date of the change.

These procedures do not require supervisors to enumerate the job duties that staff will perform in the new position, and the HR Department does not verify whether these duties comply with the position's job description.

The cost to address lagging compensation increases annually. In a school year 2017–18 salary recommendation presented to district leadership, the cost to adjust salaries by 1.0 percent to 3.0 percent to provide an across-the-board raise to most staff was more than $17.9 million. The cost to align all below-market position salaries with the average was slightly more than $19.1 million.

School districts spend 75.0 percent to 80.0 percent of gross revenues on staff salaries and benefits. How a school district compensates staff can affect the district's overall performance. School districts that perform classification and compensation studies are able to ensure that compensation is competitive to attract and retain highly qualified staff.

Houston ISD should strengthen controls over promotion and pay and perform a limited-scope classification and compensation study.

The chief human resources officer should perform the following tasks:

- coordinate with the Purchasing Services Department to issue a request for proposal for a limited-scope classification and compensation study to not exceed $24,000 ($150 per hour x 160.0 hours), select a vendor, and negotiate a contract;

- present the compensation study report's findings to the superintendent and the Houston ISD Board of Trustees; and

- develop procedures for HR Department staff to review and approve promotions and salary actions.

The fiscal impact assumes a onetime cost of $24,000 to conduct a limited-scope classification and compensation study.

OVERTIME (REC. 41)

Houston ISD lacks procedures to ensure consistency and quality control of overtime accountability.

The district's financial procedures manual states, "Non-Exempt is a Fair Labor Standards Act employment status that indicates that an employee must be paid for all hours worked and must receive overtime compensation at a minimum rate of one and one-half times the regular hourly pay rate for all time worked over the 40 work hours per week." The manual provides the following requirements for overtime for nonexempt staff:

- overtime must be approved in advance by the work location supervisor;

- overtime must be paid at a minimum hourly rate of time and a half;

- overtime is paid after 40.0 hours are worked in a week; and

- paid time off (including sick leave, personal leave, paid holiday, vacation, and any other nonworked hours) does not count toward the 40.0-hour calculation.

The district's compensation manual provides general guidance for overtime, stating, "Houston ISD has district and department requirements for advanced approval of overtime hours; regardless of approvals, if a job has been determined to be nonexempt and a staff in that job works overtime, the staff must be compensated or receive compensatory time. While paying for overtime is a legal requirement, scheduling overtime is not an entitlement. Staff should not view overtime as a permanent part of base pay and should understand that these earnings are flexible." The compensation manual also states that the earning of overtime must be approved in advance by the supervisor or designee.

Most campuses and departments approve and record overtime on manual timesheets. Each campus and department has staff assigned the duty of time recorder that enters the timesheet information into the systems applications products (SAP) data processing system.

The district has not established procedures to approve overtime beyond these general requirements, nor does the district direct departments to limit overtime approved in advance by supervisors. The district has not established a monitoring process to ensure that supervisors in departments and on campuses properly authorize overtime and that timesheets submitted to payroll are accurate.

The district's lack of controls over overtime has led to overtime costs of 19.8 million in school year 2017-18. Staff from the Police and Facilities Services departments received the highest percentages of the district's overtime payments. The payments for these departments constituted 54.0 percent of the district's total. Some of the overtime for school year 2017–18 may be associated with staff work hours related to the effects of Hurricane Harvey, which made landfall in the Houston area in August 2017. However, the overtime paid during school year 2016–17 was $21.8 million, which was $2.0 million higher than the school year 2017–18 total.

Figure 6–9 shows the overtime pay and salaries for the top 25 noncampus staff who received the greatest overtime payments during school year 2017–18. The top 25 highest-paid noncampus staff on average received overtime pay that constituted 46.5 percent of their annual salary. One of the highest paid staff shown in **Figure 6–9** received overtime pay that constituted 58.7 percent of the position's annual salary. The staff that received the greatest overtime payment received

FIGURE 6–9
HOUSTON ISD TOP 25 NONCAMPUS STAFF THAT RECEIVED THE GREATEST OVERTIME PAYMENTS
SCHOOL YEAR 2017–18

STAFF (1)	DEPARTMENT	POSITION (2)	TOTAL OVERTIME PAYMENT	ANNUAL SALARY	OVERTIME PERCENTAGE OF SALARY
Staff A	Facilities Services	Maintenance TL	$91,467	$159,140	57.5%
Staff B	Facilities Services	Grounds Maintenance TL	$80,920	$137,934	58.7%
Staff C	Facilities Services	Maintenance TL	$76,551	$141,563	54.1%
Staff D	Police	Police Officer 11M	$69,932	$128,462	54.4%
Staff E	Police	Police Officer 12M	$57,234	$120,248	47.6%
Staff F	Police	Police Officer 12M	$52,352	$114,631	45.7%
Staff G	Police	Police Officer 12M	$49,369	$113,473	43.5%
Staff H	Police	Police Officer 11M	$47,892	$97,701	49.0%
Staff I	Facilities Services	Maintenance Repairer	$45,358	$86,027	52.7%
Staff J	Police	Police Officer 12M	$42,252	$105,946	39.9%
Staff K	Police	Police Officer 12M	$42,014	$91,277	46.0%
Staff L	Facilities Services	Maintenance TL	$42,000	$96,886	43.3%
Staff M	Police	Police Officer 12M	$41,644	$105,136	39.6%
Staff N	Facilities Services	Maintenance TL	$40,713	$105,415	38.6%
Staff O	Police	Police Officer 11M	$40,339	$99,720	40.5%
Staff P	Facilities Services	Senior Plant Operator	$40,278	$84,260	47.8%
Staff Q	Police	Police Officer 11M Alternate	$40,088	$98,406	40.7%
Staff R	Police	Police Officer 11M	$39,493	$91,820	43.0%
Staff S	Police	Police Officer 11M	$38,763	$95,929	40.4%
Staff T	Police	Police Officer 12M	$38,547	$83,062	46.4%
Staff U	Police	Police Sergeant	$38,261	$106,074	36.1%
Staff V	Police	Police Officer	$37,524	$82,141	45.7%
Staff W	Facilities Services	Senior Plant Operator	$36,819	$70,363	52.3%
Staff X	Police	Police Officer 11M	$36,732	$95,215	38.6%
Staff Y	Plant Operations	Senior Plant Operator	$36,490	$74,110	49.2%
Total			**$1,203,030**	**$2,584,939**	**46.5%**

NOTES:
(1) Staff are identified by coded labels and not their names.
(2) TL=time-limited; 11M=11.0-month assignment; 12M=12.0-month assignment.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

$91,467 in addition to the position's annual salary during school year 2017–18.

Figure 6–10 shows the overtime pay and salaries of the top 25 campus staff that received the greatest overtime payments during school year 2017–18. These staff on average received overtime pay that was 31.6 percent of their annual salary, and one staff received overtime pay that constituted 44.3 percent of the position's annual salary.

Due to the amount of overtime incurred, some district staff expressed the belief that abuse of overtime is occurring and that the district's overtime procedures are not followed consistently. Staff described instances of suspicious overtime, such as a staff earning overtime on Christmas Day, when the district was closed. Staff reported instances of overpayments to staff who were promoted to exempt status, yet still are authorized for overtime in the payroll system. Staff also reported examples of police officers that were paid overtime

FIGURE 6–10
HOUSTON ISD TOP 25 CAMPUS STAFF THAT RECEIVED THE GREATEST OVERTIME PAYMENTS
SCHOOL YEAR 2017–18

STAFF (1)	DEPARTMENT	POSITION (2)	TOTAL OVERTIME PAYMENT	ANNUAL SALARY	OVERTIME PERCENTAGE OF SALARY
Staff A	Academics	Administrative Assistant, ES 12M	$30,354	$68,808	44.1%
Staff B	Academics	Administrative Assistant, HS	$29,985	$76,781	39.1%
Staff C	Academics	Administrative Assistant, HS	$27,563	$70,619	39.0%
Staff D	Academics	Administrative Assistant, ES 12M	$26,711	$60,351	44.3%
Staff E	Academics	Administrative Assistant, MS 12M	$21,431	$73,145	29.3%
Staff F	Academics	Administrative Assistant, MS 12M	$20,533	$56,370	36.4%
Staff G	Academics	Administrative Assistant, HS	$20,152	$78,322	25.7%
Staff H	Academics	Administrative Assistant, ES 12M	$19,268	$53,964	35.7%
Staff I	Academics	Administrative Assistant, HS	$18,896	$62,367	30.3%
Staff J	Academics	Administrative Assistant, ES 11M	$18,318	$51,389	35.6%
Staff K	Academics	Administrative Assistant, ES 12M	$18,309	$56,671	32.3%
Staff L	Academics	Administrative Assistant, ES 12M	$17,873	$57,337	31.2%
Staff M	Academics	Administrative Assistant, MS 12M	$16,083	$53,883	29.8%
Staff N	Academics	Administrative Assistant, ES 12M	$15,622	$59,564	26.2%
Staff O	Academics	Administrative Assistant, MS 12M	$15,168	$43,216	35.1%
Staff P	Academics	Administrative Assistant, ES 12M	$15,164	$50,853	29.8%
Staff Q	Academics	Administrative Assistant, MS 12M	$15,053	$57,682	26.1%
Staff R	Academics	Associate After School Program Specialist	$14,493	$64,403	22.5%
Staff S	Academics	Administrative Assistant, HS	$14,341	$59,599	24.1%
Staff T	Academics	Administrative Assistant, ES 12M	$13,990	$52,239	26.8%
Staff U	Academics	Administrative Assistant, HS	$13,966	$59,498	23.5%
Staff V	Academics	Administrative Assistant, MS 12M	$13,863	$50,076	27.7%
Staff W	Academics	Administrative Assistant, MS 12M	$13,793	$49,941	27.6%
Staff X	Academics	Administrative Assistant, ES 12M	$13,484	$54,893	24.6%
Staff Y	Academics	Teaching Assistant 10M	$12,908	$30,744	42.0%
Total			**$457,322**	**$1,452,715**	**31.5%**

NOTES:
(1)   Staff are identified by coded labels and not their names.
(2)   ES=elementary school; MS=middle school; HS=high school; 10M=10.0-month assignment; 11M=11.0-month assignment; 12M=12.0-month assignment.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

during their scheduled 8.0-hour work days because they were sent to other campuses.

Another contributing factor to excessive overtime may be budget decreases and staff shortages affecting many departments. However, no evidence shows that departments analyze the cost effectiveness of hiring new staff in lieu of paying overtime, and the district compensation manual does not address this topic. For example, it is not cost effective to eliminate a position that is paid $45,000 a year only to pay an equal amount in overtime to existing staff for fewer hours.

Failure to ensure that supervisors are authorizing overtime properly, monitoring the overtime, and submitting accurate staff overtime timesheets to payroll will continue inefficient, ineffective, and costly practices. Excessive overtime often is the result of poor organization and

inefficient management of work. The lack of proper monitoring of overtime leads to potential excesses, repeated occurrences, and budget overruns. Consistent overtime can lead to burnout and low productivity, high turnover rates, and loss of quality staff. Long hours can increase safety risks from staff fatigue and a lack of focus and contribute to increased absenteeism.

To avoid problems that can occur when high levels of overtime continue for extended periods, effective districts regularly monitor overtime and absences. These districts analyze workload variations and track overtime hours by staff, department, and districtwide. By projecting expected trends in overtime, department leaders can evaluate the need to develop additional staff positions, develop new shift schedules, or employ temporary staff. Some districts limit the number of hours staff can work during a week, month, or year. Others have procedures that ensure a more even distribution of the overtime. According to SHRM, an organization should examine the following areas when reviewing its overtime distribution policies and procedures to protect against excessive overtime for individual staff:

- mandatory overtime – How much of the overtime is voluntary versus mandatory? A high proportion of forced overtime means staff cannot plan their lives away from work, which can lead to poor morale. How much lead time is given when notifying staff about mandatory overtime?

- selection criteria – What criteria are used when choosing who is offered the overtime work? Using seniority may seem fair, but it can cause resentment among junior staff. Would staff perceive other reasonable criteria, such as attendance, training, or performance as more equitable?

- abuse of policy – Does the policy for covering absences inadvertently encourage staff to manipulate their sick time and overtime? For example, one week a staff calls in sick so that another staff is asked to provide coverage and receives overtime pay; then they reverse roles the following week or month;

- pension incentives – Does the organization's retirement plan encourage staff to increase their earnings during the final two or three years of employment? This practice may result in senior staff that are approaching retirement taking all the overtime they can get to boost their pensions;

- shift length – The method for distributing overtime depends on the shift length. With 8.0-hour shifts, staff remain late or are brought in early to cover an open shift. Splitting the open shift is preferable to holding staff over for the entire shift and making staff work 16.0 hours straight; and

- cross-training – Another tactic that can help with absences and temporary workload increases is cross-training. This practice expands the number of staff available to support areas with temporary workload increases or absences. If highly specialized positions are staffed by a few qualified staff, training additional staff to do those jobs can prevent slowdowns or help when more output is needed.

Houston ISD should establish controls to monitor overtime, reassess staffing levels in key departments, and work to decrease overtime costs. The superintendent should complete the following actions:

- direct chiefs and area superintendents to require department managers and principals to limit the amount of overtime worked to 10.0 percent of salary;

- direct the chief of human resources to develop a procedure to review overtime of more than 10.0 percent of the salary for proper authorization and necessity. The chief of human resources should document this procedure in the district's compensation manual and disseminate it to managers, supervisors, and principals that approve overtime;

- require department managers and principals to submit quarterly overtime reports to their respective chiefs and school support officers that include total overtime and data on staff working overtime that exceeds 10.0 percent of their salary; and

- direct chiefs to require department managers and principals to analyze overtime hours and perform a cost-benefit analysis of developing additional staff positions instead of paying existing staff overtime.

The fiscal impact assumes that Houston ISD implements strategies to decrease overtime by 10.0 percent per year, resulting in a savings each year based on the school year 2017–18 total overtime of $19,803,852. The savings would be $1,980,385 during the first year, $1,782,347 during the second year, $1,604,112 during the third year, $1,443,701 during the fourth year, and $1,299,331 during the fifth year.

EXCESS OTHER PAY (REC. 42)

Houston ISD campuses award ad hoc stipends and extra-duty pay with limited oversight from the Human Resources Department, resulting in inconsistent implementation across campuses.

Houston ISD uses stipends to compensate teachers for duties performed that are not related to their primary jobs, such as time worked before and after school and days worked outside of their normal schedules. The stipends are for specific academic and extracurricular duties outlined in the compensation manual, such as serving as a teacher mentor, gifted and talented coordinator, athletics coach, or club sponsor. According to the district's compensation manual, the board approves the stipends and the minimum and maximum amounts that the district can pay for each stipend. The compensation manual outlines the eligibility requirements, the process for approval, and the required documentation of extra time worked for each type of stipend. Most stipends require approval from the principal and a district department. For example, campuses must send all athletic stipend request forms to the Athletics Department for eligibility determination, and the district's Multilingual Programs Department must approve all bilingual stipends.

Houston ISD also uses ad hoc stipends to compensate staff for time worked outside of normal duty hours. Campuses approve and submit these stipends to the HR compensation team for processing. During school year 2017–18, the campuses approved $3,183,492 in ad hoc stipends. Stipends of this type are not standardized, and the duties performed, stipend amounts, and payment frequency are determined at the campus principal's discretion. The only requirements for ad hoc stipends included in the compensation manual are that stipend duties should be beyond the staff's normal job duties. The district requires approval from the overseeing school support officer only for stipends greater than $7,000.

District staff stated that the lack of standardization for ad hoc stipends results in inconsistent use of stipends across campuses. In addition, district staff stated that staff should have ad hoc stipends approved before the work is begun; some stipends are awarded after the work has been completed. Staff stated that exempt staff often are paid stipends because the district cannot pay them overtime.

The district also authorizes principals to pay teachers, assistant principals, certified staff in noninstructional job classifications, and speech therapists extra-duty pay at their discretion. The Payroll Department does not monitor the use of extra-duty pay. During school year 2017–18, the district paid $13,823,972 in extra-duty pay. The compensation manual provides the hourly extra-duty pay rate for each type of position and provides general guidelines for what constitutes an extra duty. According to staff, principals do not always follow the compensation manual guidelines, and some teachers receive extra-duty pay for duties within the scope of their jobs, such as grading papers. No district department reviews extra-duty payments, and the Payroll Department does not investigate extra-duty pay requests that appear suspicious. An audit of these types of payments is not part of the Office of Internal Audit's calendar year 2019 audit plan.

District staff stated that principals have too much discretion for how they award ad hoc stipends and extra-duty pay. The district lacks a process to monitor the costs of ad hoc stipends and extra-duty pay. It also lacks procedures to verify that payments are authorized, accurate, and for work performed in accordance with the compensation manual. The lack of these verification processes can result in excess payments and budget overruns. The review team found no evidence of any type of review confirming that these payments are consistent with the district's compensation manual or board policies.

Houston ISD should strengthen controls over ad hoc stipends and extra-duty pay.

The chief human resources officer should perform the following actions:

- draft procedures for department approval of all ad hoc stipends. The procedures should standardize the duties performed that are eligible for ad hoc stipends to ensure consistency and equity among campuses and describe documentation necessary for approval of stipends;

- submit draft procedures to the superintendent for approval, and document the procedures in the compensation manual; and

- designate HR Department teams responsible for reviewing and approving ad hoc stipends.

The chief internal auditor should include the review of stipends and extra-duty pay as part of the district's annual audit plan.

The fiscal impact assumes an annual savings of $1,700,746 [($3,183,492 + $13,823,972) x (0.10)] if the district decreases ad hoc stipends and extra-duty pay by 10.0 percent.

FIGURE 6–11
HOUSTON ISD MANUAL TIME SHEET FOR SALARIED CAMPUS STAFF
SCHOOL YEAR 2018–19

SOURCE: Houston ISD, March 2019.

TIMEKEEPING (REC. 43)

Houston ISD does not have an efficient or effective timekeeping system. There are a variety of systems being used currently, ranging from manual systems to Time Clock Plus, a sophisticated electronic time keeping system used by many districts across the country. Houston ISD has been evaluating the use of an electronic system districtwide, but it had not decided whether to pursue the system, as of February 2019.

Federal law requires employers to maintain time sheets for all staff, unless exempt pursuant to the Fair Labor Standards Act (FLSA). Houston ISD has approximately 6,150 salaried staff that are not exempt, and 6,075 hourly staff, totaling 12,225 staff that are required to comply with FLSA timekeeping requirements. Approximately 14,960 Houston ISD staff are exempt from FLSA timekeeping requirements.

The district's financial management procedures state that it is the work location supervisor's responsibility to ensure the validity of all attendance recorded into the payroll system. For nonexempt staff, supervisors must track staff attendance daily. These records must be retained for seven years. The procedures state that, regardless of the method used, the data integrity of all time recorded into the payroll system is the supervisor's responsibility.

Houston ISD has no districtwide timekeeping system, and departments and campuses have discretion to determine how to record time. As a result, various systems are used across the district. Forty-one campuses and the Transportation,

Nutrition Services, Facilities, and Construction Services departments use Time Clock Plus. The district estimates that approximately 3,000 of the district's staff record their time in this system. Some campuses use other systems, including Pyramid and Raptor. The district uses the Frontline system to record time for substitute teachers.

The majority of departments and campuses maintain manual time sheets that administrative staff then enter into the SAP system. The campus or department time recorder is responsible for verifying the daily time reported against the required work hours. Manual time sheets, if completed properly, meet minimum FLSA requirements. FLSA requires documentation of hours worked each day and total hours for the week. However, Houston ISD manual time sheets do not represent hours worked by day or by week, and the district would have to submit supplemental reports from the SAP payroll files to the U.S. Department of Labor as additional documentation.

Figure 6–11 shows an example of a manual time sheet for salaried campus staff, including teachers, other exempt staff, and nonexempt paraprofessional staff.

For salaried staff, the time recorder enters time exceptions to the regular work schedule into SAP, and the exceptions vary depending on whether the staff is exempt or nonexempt. If a nonexempt staff's standard work week is 40.0 hours and the staff works 42.0 hours, the time recorder must enter 2.0 hours of overtime.

FIGURE 6–12
HOUSTON ISD MANUAL TIME SHEET FOR HOURLY CAMPUS STAFF
SCHOOL YEAR 2018–19

Source: Houston ISD, March 2019.

The staff shown in the first row of the time sheet in **Figure 6–11** is nonexempt. Therefore, the time recorder would determine whether the start and stop times represented work for a full 40.0 hours and, if not, the amount of time to enter as an exception to the required work week.

Figure 6–12 shows an example of a manual time sheet for hourly campus staff, including tutors, part-time lecturers, and other temporary staff.

For hourly staff, the time recorder must enter all hours into SAP. However, the district's manual timesheets do not include all the information related to hours worked. As shown in **Figure 6–12**, the hourly staff time sheet shows start and stop times but not the total hours worked each day. To calculate the hours worked for the staff shown in the time sheet, the time recorder would observe that the staff worked 4.0 hours each day for five days and enter 20.0 hours into SAP. The complexity of this calculation would increase if the start and stop times and the hours per day varied. Time recorders across the district must make hundreds of thousands of these determinations during each year, and the risk of error is high. District staff reported instances of campus time recorders failing to enter overtime and extra duty into the system, resulting in retroactive data entries and changes to the payroll system that are inefficient and time-consuming.

In addition, the hourly time sheet lacks sufficient information to provide assurance that staff report actual hours worked. In the example in **Figure 6–12,** the recorded hours show that the staff started and ended work at exactly the same time on those four days. Although this scenario may be possible, it is unlikely. Furthermore, the time sheet does not account for scheduled breaks, such as lunch time, and does not

accommodate nonscheduled breaks, such as if a staff leaves during the day for personal business and returns to work.

Houston ISD's manual timesheets are similar to attendance logs that document whether staff worked that day. Attendance logs are acceptable pursuant to FLSA requirements for scheduled staff. However, they do not meet the requirements for scheduled staff that did not work their required schedules or for hourly staff.

Regardless of the timekeeping system, district staff devote a significant amount of time to entering records into SAP. The electronic system in use at some campuses and departments can upload data directly to SAP, but only the Nutrition Services Department uses this feature. All other departments and campuses manually enter timesheet data into SAP.

The district has little control of the amount of time worked by staff due to the lack of an adequate timekeeping system. The district manual time systems are less precise than electronic systems and cannot verify the actual times staff begin and end work. The current system also requires a significant amount of time for data entry. These factors increase the risk that the district pays for time that staff did not work.

Figure 6–13 shows the amount of pay affected by hours worked and, thus, affected by the controls surrounding timekeeping. **Figure 6–13** shows that, of the district's total $1.3 billion in staff pay for school year 2018–19, $120.5 million was based on hours worked and documented in the district's various timekeeping systems.

In addition to the risk of fraud, waste, and abuse, the district has an increased risk of noncompliance with the FLSA due to

FIGURE 6–13
HOUSTON ISD PAY AFFECTED BY HOURS WORKED
SCHOOL YEAR 2018–19

PAY CATEGORY	AMOUNT (IN MILLIONS)
Overtime and extra-duty pay, nonexempt staff	$19.2
Extra-duty pay, exempt staff	$21.8
Hourly staff	$42.5
Substitutes	$12.2
Bus drivers	$24.7
Total	**$120.5**

NOTE: Totals may not sum due to rounding.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

the nature of decentralized manual systems and the number of staff involved in decision making, including time recorders and principals or department heads. The district is weakening its monitoring of compliance with FLSA because it authorizes this amount of control at the campus and department levels, preventing awareness and involvement by staff in the Payroll and HR departments.

Automated time clock systems can decrease errors and streamline operations. The staff clocks in and clocks out; the system calculates the elapsed time and accumulates the number of hours for the day and period. Campuses can submit time sheets, and all supervisor approvals are submitted in the system electronically. The data provided by an automated timekeeping system facilitate closer monitoring of overtime and extra-duty pay.

Houston ISD should establish a districtwide timekeeping system.

The superintendent should evaluate and implement a districtwide system that can integrate with SAP and the electronic substitute teacher system where possible. The implementation should include the following elements:

- an analysis of all current timekeeping and work rules; those payroll rules should be considered for programming districtwide timekeeping; and

- appropriate training of the Payroll Department staff and all district staff, from the most junior-level staff to supervisors.

The district could implement this recommendation with existing resources.

RECRUITING, HIRING, AND RETENTION (REC. 44)

Houston ISD does not have consistent and coherent recruiting, hiring, and retention processes.

The district uses a job-posting computer application to recruit candidates for positions, post job vacancies, and screen applicants. If a campus or department needs to fill a vacancy, the principal or department head coordinates with the assigned HR business partner to post the vacancy in the application. Candidates apply online, and principals and department heads can use the system to review the submissions, set up interviews, and make offers. When a candidate accepts an offer, the district removes the posting, and the HR business partner begins the staff integration process, which includes a background check and fingerprinting.

Review team interviews revealed several inefficiencies with the hiring process. The HR Department does not update the candidate pool in the job-posting application sufficiently often to remove candidates that have accepted other positions and no longer are available. In addition, the system does not identify candidates that are ineligible for an interview because their certification is inappropriate for the position they seek. Review team interviews suggest that background checks of candidates are not completed before they begin work duties and are placed on the payroll. Staff also described instances of payment to individuals who did not pass background checks. Although the HR Department procedures state that staff cannot begin work until the background check is complete, some hiring managers do not follow the district's process. District staff reported that background checks are performed for all new hires that the HR Department is aware of, however, there have been instances in which principals have allowed candidates to begin work without notifying the HR Department.

Although the HR Department provides training to new principals related to what types of interview questions are appropriate and what types of questions are against the law, the district does not have written procedures with standardized interview questions available for staff to use when interviewing candidates and when conducting reference checks. It also does not train staff regularly in the use of interview questions or checking references.

The district also has opportunities to improve its teacher recruiting. Houston ISD does not have a targeted recruitment plan to address high rates of teacher turnover. During the onsite field work, interviews, and review of available data, the review team determined that some campuses have had high

turnover rates for several years. In addition, the data show wide variations among campuses in teacher turnover rates. Houston ISD has made progress in decreasing its teacher turnover rate during a three-year period, decreasing turnover from 14.4 percent to 13.0 percent from school years 2014–15 to 2017–18. However, some campuses still have turnover rates of 34.8 percent. The district's school year 2017–18 Marketing and Recruitment Plan details efforts to recruit teacher candidates for targeted needs, including technology, career and technology education, and science, technology, engineering, and mathematics programs. However, this plan does not contain strategies tailored to meet the unique staffing needs of certain campuses with chronic teacher turnover issues.

Houston ISD does not have information regarding the number of district staff who continue to work as classroom teachers after completing an alternative certification program through the district or from an outside provider. The district also does not collect data to compare the retention rates of teachers certified through each program to determine which produce the most successful staff.

Houston ISD does not have a standard exit interview process, nor does the HR Department. Most staff who resign do not complete any exit survey.

Without interview protocols for hiring managers, staff will continue to conduct unstructured interviews and reference checks that vary among campuses and departments. Without timely monitoring of the candidate pool on the job-posting application, interviewers will continue to waste staff time and effort during the interview process. The lack of a process for principals to review personnel files of rehires and transfers prevents interviewers from obtaining important information that should inform hiring decisions. Failure to ensure that all prehire candidates have completed background checks before starting positions increases the risk of the district hiring staff convicted of violent crimes or crimes related to children.

The high turnover rates of teachers at certain campuses mitigates academic achievement. Without a targeted recruitment plan structured to the specific needs of each campus, neither the high turnover rates nor the quality of candidates available to campuses will improve. Without the availability of quantifiable, long-term data to evaluate the longevity of service by teachers who have completed alternative certification programs, the district cannot evaluate the effects of these programs. The lack of a

structured standard exit interview process leaves the HR Department and the chief human resources officer without information that could inform the recruiting, hiring, and onboarding processes.

Houston ISD should develop recruiting strategies for campuses that have high turnover among staff, and standardize procedures for hiring, integrating new staff, and exit interviews districtwide.

The chief human resources officer should perform the following tasks:

- develop written procedures for interviews and reference checks. Procedures for interviews should include standard questions for all interviewers, and questions specific to positions. For example, some of the questions posed to candidates for instructional positions would differ from those posed to candidates for noninstructional positions;

- develop a specific plan to guide recruiters in addressing the needs of certain campuses. The chief human resources officer should lead the recruitment staff in developing a plan to guide the recruiters in addressing the needs of identified campuses;

- ensure that the HR Department maintains a timely candidate pool on the job-posting application that matches properly certified candidates to suitable vacancies and removes former candidates that no longer are available for interviews;

- establish a database to measure retention rates for classroom service of district staff who have completed alternative certification programs; and

- develop and implement a standard exit interview process districtwide.

The district could implement this recommendation with existing resources.

JOB DESCRIPTIONS AND EVALUATIONS (REC. 45)

Houston ISD's written job descriptions are inaccurate, obsolete, and not included in the evaluation process.

Houston ISD Board Policy DC (LOCAL) states, "The Superintendent or designee shall define the qualifications, duties, and responsibilities of all positions and shall ensure that job descriptions are current and accessible to staff and supervisors."

According to interviews, departments work with the compensation analysts to develop job descriptions. Analysts meet with departments requesting job descriptions and they review available job descriptions to determine if any are applicable to the vacancy the district wants to fill. Each job has a code and position number. Once a department develops a job description, the department sends the job description to the job posting application. The district does not have a process to review and update job descriptions to include changes to position duties. As a result, staff report that many job descriptions in job postings are inaccurate and obsolete. When departments hire candidates for vacant positions, the duties of the new hires sometimes do not match the duties described in the job descriptions.

Staff reported that the district has not updated many job descriptions for many years. A review of 11 selected job descriptions reveals multiple formats. Some descriptions are not dated, and most have not been reviewed or updated since calendar year 2012. Some technology customer service representatives reported that they had never seen their job descriptions, and all said that their knowledge of their job duties is based on directions from each of their principals.

In addition, Houston ISD does not use job descriptions consistently as part of the evaluation process. The HR Department has a rubric for staff evaluations distributed by the Performance Management Office. For example, the police officer evaluation form has one section that pertains to police work, and most of its content is geared toward traditional campus staff.

Failure to maintain an accurate list of job titles and job descriptions results in confusion, wastes time, and requires constant revision to or writing of job descriptions. A good job description provides a clear representation of the position for potential candidates. The lack of updated job descriptions deprives the district of useful tools for measuring performance and a vital reference in the event of disputes or disciplinary issues. Effective districts use job descriptions to inform evaluation tools and ensure that they apply to each type of job.

Houston ISD should develop a process to review and update job descriptions regularly, and mandate the use of job descriptions in the evaluation process.

The chief human resources officer should perform the following tasks:

- establish a process and cycle to update and maintain all job descriptions consistently;

- establish a standard format for all job descriptions and initiate a quality control process to assure consistency of job descriptions, including formatting and details; and

- establish a schedule for departments to review and update all job descriptions and job titles, and remove job descriptions that no longer are in use. Departments should submit documentation of their reviews to the chief human resources officer.

After the district updates job descriptions, the Performance Management Office should integrate the updated versions into each type of evaluation.

The district could implement this recommendation with existing resources.

ADDITIONAL OBSERVATION

During fieldwork, the review team observed additional issues regarding the district's programs and services to students, staff, and the community. These observations are presented for consideration as the district implements the report's other findings and recommendations.

Staff reported that inefficiencies related to processing federal Family Medical Leave Act requests and return-to-work documentation result in delays. A cost-benefit analysis of self-managing this function compared to maintaining a vendor to process leave may improve the efficiency of leave processing.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's (LBB) School Performance Review Team identified a fiscal impact for the following recommendations:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
6. HUMAN RESOURCES MANAGEMENT							
39. Reorganize the Human Resources Department and adhere to best practices for an effective and equitable span of control.	$279,353	$279,353	$279,353	$279,353	$279,353	$1,396,765	$0
40. Strengthen controls over promotion and pay and perform a limited-scope classification and compensation study.	$0	$0	$0	$0	$0	$0	($24,000)
41. Establish controls to monitor overtime, reassess staffing levels in key departments, and work to decrease overtime costs.	$1,980,385	$1,782,347	$1,604,112	$1,443,701	$1,299,331	$8,109,876	$0
42. Strengthen controls over ad hoc stipends and extra-duty pay.	$1,700,746	$1,700,746	$1,700,746	$1,700,746	$1,700,746	$8,503,730	$0
Total	**$3,960,484**	**$3,762,446**	**$3,584,211**	**$3,423,800**	**$3,279,430**	**$18,010,371**	**($24,000)**

The LBB could not determine a fiscal impact for other recommendations.

The fiscal impact for implementing Recommendation 43 (timekeeping) depends on the system purchased. According to district staff, implementing a districtwide timekeeping system may cost from $7.0 million to $10.0 million. The district may achieve savings in labor and other costs from eliminating the processing of manual time sheets. In addition, an effective timekeeping system may result in savings by decreasing overreported time.

7. FACILITIES USE AND MANAGEMENT

A school district's facilities include campuses, buildings, grounds, athletic facilities, portable buildings, and supplement facilities (e.g., storage, warehouses). Facilities management includes planning for facilities use, construction of projects, and maintenance of infrastructure (e.g., electrical, plumbing, irrigation, heating, and cooling). An independent school district's facilities program provides safe and clean learning environments.

Houston Independent School District (ISD) has eight early childhood centers, 160 elementary school campuses, 38 middle school campuses, 37 high school campuses, and 37 combined or alternative campuses. Houston ISD has approximately 31.1 million square feet of facilities. These buildings range in age from new to more than 100 years old.

FINDINGS

♦ Houston ISD lacks appropriate methodology for developing campus utilization rates.

♦ Houston ISD's method for building new campuses results in high architectural costs, long design times, and the districtwide use of inconsistent designs and materials.

♦ Houston ISD does not plan efficiently for its long-term facilities needs through enrollment projections and facilities assessments.

♦ Houston ISD contracts with program management firms and staffs construction project managers that perform duplicative work.

♦ Houston ISD separates the organizational structure and construction responsibilities across the Construction Services Department and the Facilities Services Department.

♦ Houston ISD's process for selecting furniture, fixtures, and equipment for new facilities results in variations among campuses.

♦ Houston ISD's operations and educational staff are not represented consistently during the design and construction of facilities, resulting in quality-control issues and potentially inefficient designs.

♦ Houston ISD lacks a defined structure or comprehensive mission for its Energy Initiatives Department, which results in a lack of staff training and high energy costs.

♦ Houston ISD does not manage its work order process properly, which limits the information that campus-level staff have and fails to capture costs accurately.

♦ Houston ISD's Maintenance Department does not engage in long-range planning and performs maintenance reactively.

♦ Houston ISD does not have a process to monitor and inventory supplies used for maintenance repairs, which risks inefficiency and property loss.

♦ Houston ISD contracts for custodial services despite employing district staff sufficient to perform these services.

RECOMMENDATIONS

♦ **Recommendation 46: Develop an accurate facility utilization rate for each campus and ensure that campuses maintain industry-standard utilization rates.**

♦ **Recommendation 47: Develop or maintain districtwide building prototypes for all campus types.**

♦ **Recommendation 48: Develop a comprehensive long-range facility master plan that incorporates accurate information about facility replacement costs and enrollment projections.**

♦ **Recommendation 49: Eliminate program management contracts and charge existing district staff with performing these responsibilities.**

♦ **Recommendation 50: Evaluate all position titles and job responsibilities within the Construction Services Department and Facilities Services Department and ensure that titles and responsibilities match the functions performed by each position.**

♦ **Recommendation 51: Develop a furniture, fixtures, and equipment standard for elementary, middle, and high school campuses to provide consistency across district facilities.**

♦ **Recommendation 52: Revise the process for the design and construction document reviews, and mandate that specific departments have representation during the design and construction phases of projects.**

♦ **Recommendation 53: Develop a clear reporting structure for the Energy Initiatives Department and an energy management plan.**

♦ **Recommendation 54: Assess the work order needs and evaluate the ability of a digital system to improve service quality provided by the Facilities Services Department.**

♦ **Recommendation 55: Develop long-term planning strategies for the Maintenance Department, such as a staffing allocation model and a preventive maintenance program.**

♦ **Recommendation 56: Implement a consistent inventory process of maintenance stock to ensure that technicians have the needed tools and materials to complete repairs and that materials reported as used are being tracked and noted.**

♦ **Recommendation 57: Reassign the custodial vendor's responsibilities to district custodial staff.**

BACKGROUND

Managing facilities is dependent on a district's organizational structure. Larger districts typically have staff dedicated to support facilities management, and smaller districts may have staff with dual roles. For example, the same staff member may be responsible for custodial and groundskeeping tasks. Facilities planning establishes district priorities, allocates resources and funds, and identifies facility goals. Planning is based on student enrollment, campus and building capacity, facilities condition, curriculum needs, and state regulations. Management of construction and maintenance projects should include contract management, cost control, and a project schedule with defined milestones. Facilities maintenance requires a program for planned maintenance of facilities and equipment, and routine cleaning of facilities to ensure a safe environment for students and staff.

In November 2012, Houston ISD voters approved a $1.89 billion bond to fund the replacement or repair of 40 campuses. The bond funds new campuses for 21 high schools, two middle schools, and three elementary schools. The bond also funds renovations at seven high school and five elementary school campuses. During school year 2018–19, 13 new or renovated campuses were completed and opened in accordance with this bond. In February 2019, 36 campuses either were completed or nearing completion, and four campuses had continuing construction. At that time, the district was using surplus funds to add additional features to seven completed campuses.

Houston ISD's chief operating officer (COO) oversees all departments within the Business Operations Division, including the Facilities Services and Construction Services departments. The construction services officer oversees Houston ISD building and construction projects. The facilities services officer oversees facilities finances, code compliance, security maintenance, custodial services, and other areas relating to district facilities. **Figure 7–1** shows the reporting structure in these two departments.

More than 1,000 Houston ISD custodial staff provide some of the custodial services for the district. The district also contracts with a vendor to perform some custodial tasks on campuses. The Maintenance Department has more than 400 staff that perform maintenance and help campuses contract with vendors for some repairs. Additionally, Houston ISD has a Construction Services Department that oversees bond construction and district-led construction. The Construction Services Department is completing the projects authorized by the 2012 bond program and is managing the construction of four elementary campuses to replace those damaged by Hurricane Harvey, which made landfall in Houston in August 2017.

DETAILED FINDINGS

CAMPUS UTILIZATION (REC. 46)

Houston ISD lacks appropriate methodology for developing campus utilization rates.

The district's Research and Accountability Department employs a demographer that produces an annual report summarizing campuses' enrollment, transfers, and populations. The demographer also generates enrollment projections for the next school year. During onsite interviews, staff said that the district did not use these enrollment projections for school years 2017–18 and 2018–19. Staff also reported that the district does not order enrollment projections for more than one school year. Current projections show the district's enrollment remaining constant for the 2019–20 school year. **Figure 7–2** shows the district's annual enrollment from school years 2012–13 to 2019–20.

FIGURE 7–1
HOUSTON ISD FACILITIES AND CONSTRUCTION SERVICES ORGANIZATION
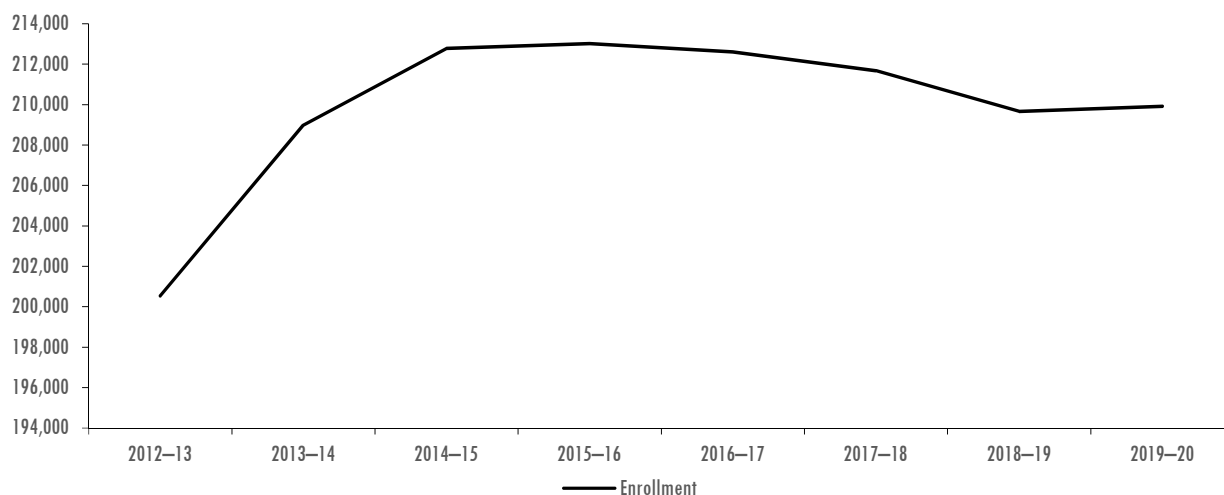**SCHOOL YEAR 2018–19**
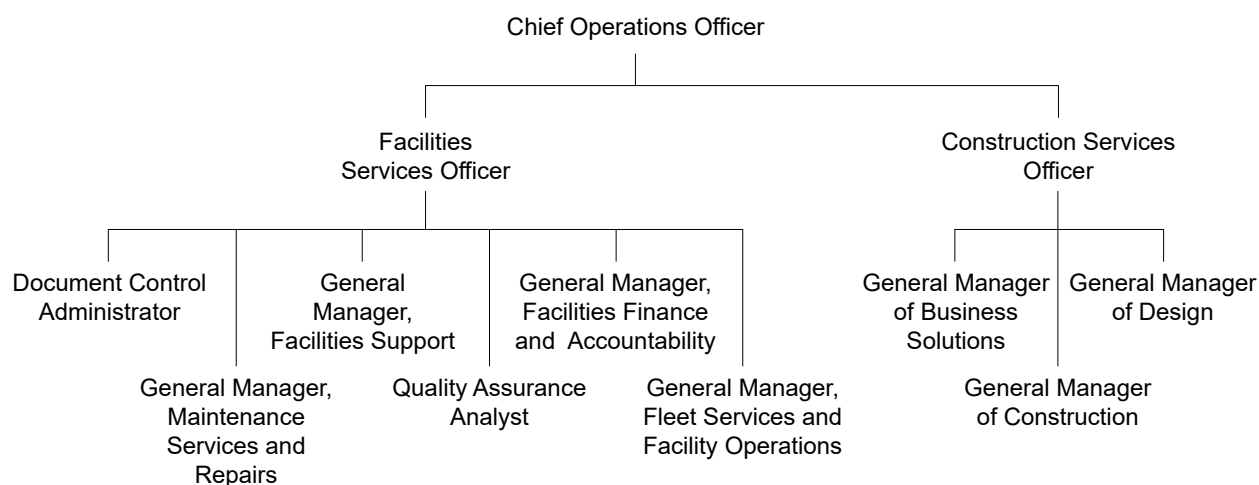
NOTE: The directly reporting relationship between the Facilities Services Officer and the Quality Assurance Analyst is temporary.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

Campus capacity is the total number of students that can occupy a campus safely while that campus meets educational standards for each student. Enrollment projections combined with campus capacities enable school districts to prepare for incoming students by calculating campus utilization rates. Districts calculate these rates by dividing the number of students enrolled at each campus by the capacity of each campus. A campus utilization rate of 100.0 percent indicates that the campus is enrolled to its capacity.

The district has two differing sets of campus capacity amounts, one developed by the demographer and the other by the Construction Services Department. The Construction Services amounts show that campuses operate at an average rate of 72.0 percent utilization. The data also show that 32 campuses are

FIGURE 7–2
HOUSTON ISD ENROLLMENT
SCHOOL YEARS 2012–13 TO 2019–20

NOTE: Enrollment is projected for school year 2019–20.
SOURCE: Houston ISD, February 2019.

FIGURE 7–3
HOUSTON ISD UTILIZATION RATES BY CAMPUS TYPE (1) (2)
SCHOOL YEAR 2018–19

CAMPUS	NUMBER OF CAMPUSES	ENROLLMENT	FUNCTIONAL CAPACITY	UTILIZATION PERCENTAGE
Elementary School	159	100,438	129,442	78.0%
Kindergarten to Grade 8	10	8,212	10,526	78.0%
Middle School	39	33,790	49,222	69.0%
High School	38	47,982	60,414	79.0%

Notes:
(1) Data shown does not include alternative or other campus types.
(2) Data shown is based on Houston ISD's demographer's calculations.
Source: Houston ISD, school year 2018–19.

operating at greater than 100.0 percent utilization, only one of which was due to a temporary campus relocation. Conversely, 49 campuses are operating at less than 50.0 percent utilization. The demographer's capacity utilization rates showed that Houston ISD campuses operate at 77.0 percent capacity on average, excluding in-district charter school campuses. The demographer's utilization rates among campuses varied, ranging from 30.0 percent to 184.0 percent. Overall, 29 campuses were operating at less than 50.0 percent capacity, and 40 were operating at greater than 100.0 percent.

These two sets of capacity numbers were not consistent regarding enrollment figures. The two sets of capacity numbers differed for more than half of the campus capacity figures, and 97 of those figures differed by more than 10.0 percentage points. Neither department explained the variation in capacity figures.

The demographer described the guidelines to determine capacity. The demographer first determines the number of available classroom spaces at a campus. According to district guidelines, each classroom must contain a minimum number of square feet. A classroom for prekindergarten to grade one must not be smaller than 800 square feet. Classrooms for grades two to 12 require at least 700 square feet. The guidelines also specify that the district must count as a classroom any sufficiently large room, even if it is not currently in use as a classroom, unless the room has been designated as an administrative area. The demographer then multiplies each classroom space by district standards for the number of students per classroom, which varies by campus, for an initial capacity figure. The demographer then multiplies the figure by 85.0 percent. This calculation decreases the capacity amount and makes campuses appear to be closer to capacity than they are, decreasing the likelihood that campuses would operate at full capacity.

According to the district demographer, most of the campus capacities were determined before school year 2017–18. Campus capacities are updated if the district informs the demographer of a change in temporary buildings or if the demographer can confirm a new capacity from copies of floor plans. No process is in place that requires capacity numbers to be updated regularly. The Legislative Budget Board's School Performance Review Team visited the district in February 2019. At the time of the onsite visit, the demographer had plans with accurate dimensions for fewer than half of the Houston ISD campuses.

The district's middle school campuses averaged the lowest utilization rates. Elementary school campuses and programs for kindergarten to grade eight averaged almost the same level of utilization as high school campuses. **Figure 7–3** shows campus utilization rates by campus type.

During onsite field work, the review team observed that underutilized campuses were not closing off sections to save the expenses of utilities, cleaning, and maintenance in unused parts of the facility. In addition, the review team observed many temporary buildings on campuses that the district uses for long-term storage. Many of these temporary buildings were in poor condition and it is unlikely that the district could return them to classroom usage. However, these buildings' square footage still counts toward potential classroom space.

Effective, comprehensive planning for facility expansion, consolidation, or use is difficult because the district does not project its enrollment beyond one year and does not update its capacity amounts regularly. Conflicting information exists which may cause different departments in the district to plan for differing events, resulting in an inefficient use of time and funds.

The Association for Learning Environments (ALE) includes an enrollment projection among the five elements critical

to an effective long-range school facilities master plan. According to ALE, "Effective planning requires accurate enrollment projections at least five years into the future. Accurate projections require planners to examine district demographics and track any new construction activity in the district." The review team commended Clear Creek ISD in 2004 for completing a long-range enrollment projection that enabled the district to plan adequately for student growth.

An industry best practice for facility utilization suggests an average rate of 85.0 percent for middle school and high-school campuses and 95.0 percent for elementary school campuses. Campuses that serve older students need additional room for specialized learning spaces such as automotive shops or laboratories, which might not be in use during every period of the school day. **Figure 7–4** shows industry-standard utilization rates.

On average, the utilization rates for Houston ISD campuses are less than these best practice rates. By not fully utilizing its campuses, the district risks paying for services and positions that it may not need, including surplus custodial, maintenance, and administrative staff.

Houston ISD should develop an accurate facility utilization rate for each campus and ensure that campuses maintain industry-standard utilization rates.

The district demographer should develop a long-range enrollment projection that extends at least five years. Additionally, the demographer should develop and implement a process to update the campus capacity numbers so that the district can assess each campus accurately. It may be necessary to visit each campus to account for the usable learning space at each campus. The district should develop an administrative assistant position to help the demographer gather these data. When the district has accurate capacity data, it should adopt a utilization goal ranging from 85.0 percent to 95.0 percent, depending on campus type, as a guide for long-range facility planning.

The district should form a campus closure and boundary advisory committee to determine a combination of campus closures and attendance boundary adjustments that align the district with its facility utilization goals. The committee should include the district's facility planners, the demographer, and education and community stakeholders. In developing its recommendations, the committee should consider the following factors:

FIGURE 7–4
INDUSTRY-STANDARD UTILIZATION RATES FOR SCHOOL FACILITIES
APRIL 2019

CAMPUS	AVERAGE UTILIZATION RATE
Elementary School	95.0%
Middle School	85.0%
High School	85.0%

SOURCE: Legislative Budget Board School Performance Review Team, 2019.

- the age demographics of communities surrounding campuses;

- how the dispersion of campuses across the district affect transportation time and costs;

- the location of specialty programs;

- the effects on communities from campus closures; and

- the potential adaptive uses for campuses selected for closure.

Using the enrollment and capacity numbers determined by the Houston ISD Research and Accountability Department, the district has the capacity to serve 38,555 more students than it currently does. Given this amount, current enrollment, and the projected enrollment for school year 2019–20, Houston ISD's campuses are underutilized. Underutilization means that some campuses are operating at full cost with fewer students enrolled than best practices recommend.

The review team developed these figures utilizing the district's capacity figures, which the review team determined to be inadequate. Before the district begins developing its own utilization calculations, it should determine accurate capacity figures for each campus. These figures will change once the district has established accurate capacities.

Figure 7–5 shows the district's surplus capacity by campus type.

Consolidation of campuses to align utilization rates with industry-standard goals would require examination of surplus capacity by campus type. **Figure 7–6** shows the surplus capacity by campus type, the average capacity of each type, and the potential number of surplus campuses in the district.

By dividing the surplus capacity by the average size of each campus type, the review team has determined a potential

FIGURE 7–5
HOUSTON ISD SURPLUS CAPACITY BY NUMBER OF STUDENTS
SCHOOL YEAR 2018–19

CAMPUS	UTILIZATION GOAL	CAPACITY NEEDED	CURRENT CAPACITY	SURPLUS CAPACITY
Elementary School	95.0%	105,724	129,442	23,718
Kindergarten to Grade 8	90.0%	9,124	10,526	1,402
Middle School	85.0%	39,752	49,222	9,470
High School	85.0%	56,449	60,414	3,965
Total		**211,049**	**249,604**	**38,555**

NOTE: Capacity Needed amounts are based on school year 2018–19 enrollment, which is projected to remain constant for school year 2019–20. This amount will change as enrollment needs change.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, July 2019.

number of surplus campuses that the district could close through a consolidation process.

The cost of maintaining a campus varies by district and by campus, making specific cost-saving estimates for consolidations difficult. According to the National Clearinghouse for Educational Facilities (NCEF), a district can make generalized estimates based on previous school closures. NCEF notes that the Milwaukee Public Schools district in Wisconsin closed several campuses. NCEF estimated that the district saved approximately $500,000 per elementary school, $1.0 million per middle school, and $2.0 million per high school. **Figure 7–7** shows the estimated onetime savings if the district consolidates and closes 39 campuses when considering campus type.

This savings is an estimate based on data provided by the district that the review team has determined to be incomplete and outdated. The district should develop information that is more accurate, and the campus closure and boundary advisory committee should consider new capacity figures and the dispersion of campuses across the district needed to minimize transportation time and costs, the location of specialty programs, and the impact on communities from

FIGURE 7–6
HOUSTON ISD SURPLUS CAMPUSES
SCHOOL YEAR 2018–19

CAMPUS	SURPLUS CAPACITY	CAPACITY OF AVERAGE CAMPUS	SURPLUS CAMPUSES
Elementary School	23,718	814	29
Kindergarten to Grade 8	1,402	1,053	1
Middle School	9,470	1,262	7
High School	3,965	1,590	2
Total	**38,555**		**39**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, July 2019.

FIGURE 7–7
ESTIMATED HOUSTON ISD CAMPUS CONSOLIDATION SAVINGS
CALENDAR YEAR 2019

CAMPUS	APPROXIMATE SAVINGS PER CAMPUS (IN MILLIONS)	CAMPUSES TO CONSOLIDATE	TOTAL SAVINGS (IN MILLIONS)
Elementary School	$0.5	29	$14.5
Kindergarten to Grade 8	$0.8	1	$0.8
Middle School	$1.0	7	$7.0
High School	$2.0	2	$4.0
Total		**39**	**$26.3**

SOURCE: Legislative Budget Board School Performance Review Team, July 2019.

FIGURE 7–8
SAMPLE HOUSTON ISD EDUCATIONAL SPECIFICATIONS
SCHOOL YEAR 2018–19

CAMPUS	FOOD SERVICES EDUCATIONAL SPECIFICATIONS
Condit Elementary School	The Dining Commons is planned as a flexible room that can accommodate student dining, meetings, and other events. The serving area will be designed as a food court. Movement among the various activities (i.e., hand-washing queuing for serving and exiting will be planned for ease of movement).
Dowling Middle School (1)	The Dining Commons is planned as a flexible room that can accommodate student dining, meetings, and other events. The serving area will be designed as a food court. Movement among the various activities (i.e., hand-washing queuing for serving and exiting will be planned for ease of movement).
North Forest High School	The Dining Commons is planned as a flexible room that can accommodate student dining, meetings, and other events. The serving area will be designed as a food court. Movement among the various activities (i.e., hand-washing queuing for serving and exiting will be planned for ease of movement).

NOTE: (1) Houston ISD renamed Dowling Middle School to Lawson Middle School during school year 2016–17.
SOURCE: Houston ISD, school year 2018–19.

campus closures. After the district has considered all of these factors, the district may not be able to consolidate campuses with perfect efficiency. The review team is assuming a 25.0 percent decrease in savings due to these additional considerations, which would decrease the potential savings from $26.3 million to $19.7 million.

The district should develop an administrative assistant position to support the district demographer in gathering data to generate accurate capacity amounts and enrollment projections. The average annual salary and benefits for an administrative assistant position I or II in the district's administrative office totals $43,760.

The fiscal impact assumes a onetime savings of $19.7 million from campus closures and a $43,760 annual cost for the administrative assistant position.

CAMPUS PROTOTYPES (REC. 47)

Houston ISD's method for building new campuses results in high architectural costs, long design times, and the districtwide use of inconsistent designs and materials.

When designing and constructing new campuses, Houston ISD utilizes district-developed educational specifications that contain standard descriptions of the needs of an educational facility. These specifications communicate to the architect and the public the educational program's functions and physical requirements, but they are not actual designs, such as a building prototype. A building prototype provides a generic building design that shows the general layout and materials that the district will use in construction.

Houston ISD has developed educational specifications and design guidelines that outline the district's construction

goals and overview programs and needs for staff or contracted design professionals to complete district construction projects. The district has not relied on prototypes in the construction of campuses as a regular practice; however, the district does express consistent goals for each campus area in the planning stages. **Figure 7–8** shows sample educational specifications for a planned dining commons at three Houston ISD campuses, which demonstrates the common planning goals the district has for each campus. Although these specifications are consistent across campus types, the review team did not observe these consistencies in campus cafeterias.

Since the approval of the November 2012 bond initiative, the Construction Services Department has been designing, constructing and renovating 40 campuses. Houston ISD customizes the space allocation for each project during the design process and publishes a draft of the completed design and final documentation of the educational specifications for each project. According to district staff, Houston ISD has hired 28 architectural firms throughout this process. Staff indicated that each time the district begins work with a new architectural firm the district has to train the firm on the district's design process and procedures.

According to interviews and the design processes provided by the district, Houston ISD does not use prototypes for campus design as a standard practice, including for the campuses constructed in accordance with the 2012 bond. After the damage caused by Hurricane Harvey, the district urgently needed to replace four elementary school campuses. The general manager of design said that the district hired an architectural firm to design an elementary campus prototype to expedite the rebuilding process.

The COO and the construction services officer stated that the district is interested in using prototypes in the future. The district is not actively developing or approving prototypes for other campus types, however, the construction services officer stated that the district had a positive experience with recent prototypes for elementary schools. The general manager of construction services expressed doubt that the use of a prototype had hastened the process of replacing the campuses because of delays caused by permitting issues. The general manager of design expressed concern about prototypes given local considerations such as a strong resistance to the use of eminent domain in acquiring property.

Throughout the design and construction process, the Construction Services Department works with Project Advisory Teams (PAT) for each project. PATs consist of eight to 12 members, including principals, students, teachers, staff, parents, community representatives, an architect, and Houston ISD facility planning, design, and construction staff. The district intends PATs to gather input on the design and construction of facilities from district stakeholders. According to the district's *Project Advisory Team Handbook*, projects can require up to three years to complete. The district intended PATs to meet monthly at every stage of the project, but construction staff noted that PATs often decrease the frequency of meetings after the design phase is finished.

PATs review the educational specifications and technical standards for the project. According to the handbook, "The standards that have been developed include a high degree of flexibility to support an array of educational programs, school sizes, and grade configurations." It further states, "Houston ISD Facilities Planning staff will work with the school staff and PAT to determine unique program requirements." During the design process, PATs and Houston ISD staff share ideas for the design concept including building location, desired room adjacencies, and configurations. PATs review and advise regarding program offerings at the new campus and can determine up to 10.0 percent of a facility's programmed floor area. In addition, the handbook states, "Interior finish options will be offered by the design professional for review and selection by the PAT."

Bond progress-tracking materials show long design schedules encountered during the planning and design phases. For example, Bellaire High School's design process started during the third quarter of calendar year 2013, but construction did not begin until the third quarter of calendar year 2018. The project's initial budget was $106.7 million, but a total of $34.8 million in adjustment increases accrued during that

five-year period. Staff reported that the PAT delayed the design time by two and one-half years due to disagreements about the campus design. Staff also stated that community groups had sued the district twice regarding disputes between PATs and the district on the project's direction.

Each space on a campus has certain design considerations for the design team. For example, the North Forest High School educational specifications state that for building corridors the "decision on whether to provide student lockers as well as their size and location will be determined in conjunction with the PAT during the schematic design phase." The same statement appears in the Dowling Middle School educational specifications document. These design documents allow PATs the ability to approve or disapprove of design elements.

Houston ISD is experiencing long design times during construction projects in part because the district lacks complete prototypes for campuses undergoing construction. The district has a lengthy individualized design process that incorporates substantial community outreach, which repeatedly has slowed design processes and affected the district's ability to construct campus facilities. To develop customized design plans for each project, the district has incurred substantial costs to employ multiple architectural firms.

In its report *Prototype School Designs: Can Prototypes be Used Successfully?*, the Council of Educational Facility Planners International states that large counties in Florida and Virginia found the use of prototypes to be cost-effective and time-efficient, and that their use "has reduced construction costs and design fees, as well as change orders."

Houston ISD should develop or maintain districtwide building prototypes for all campus types.

To implement this recommendation, the district should evaluate and make necessary changes to the existing prototype used in the rebuilding of elementary campuses damaged by Hurricane Harvey. The district should then convene a design guideline committee including Houston ISD design and construction staff and community stakeholders to establish the key elements to be incorporated in new campus designs. The district then should contract with an architectural firm to design prototypes for a middle school campus and a high school campus. The district may need to contract with architectural firms to reconcile site-based issues in the application of prototypes. The expense and need for these reconciliations would be specific to each construction project.

The district should evaluate the use of PATs when implementing district-wide prototypes. Using prototypes may not negate the usefulness of PATs. However, should the district keep PATs, they should consider limiting PAT decision-making to an advisory role in the design process.

The district could implement this recommendation with existing resources.

LONG-RANGE FACILITY MASTER PLAN (REC. 48)

Houston ISD does not plan efficiently for its long-term facilities needs through enrollment projections and facilities assessments.

When the review team requested Houston ISD's facilities master plan, the district provided a document that lists deferred maintenance—repairs delayed to save funds—in five areas in the district. The document anticipates expenditures totaling $4.7 billion from calendar years 2018 to 2028. The district provided other documents during the review that often are incorporated into long-range facilities master plans, including a facilities condition index (FCI), a 2012 facilities capital program proposal summary of projects, a presentation on district capital needs, and the two most recent comprehensive facilities assessments.

An FCI is a facilities management tool that compares the relative condition of facilities. An FCI assessment compares the repair costs required at a campus to its replacement costs, as expressed on a scale that ranges from 0.0 percent to 30.0 percent or more. The district would be more likely to replace a campus with a very high repair cost and low replacement cost than a campus with a low repair cost and a high replacement cost. **Figure 7–9** shows best practice condition grouping using an FCI assessment.

An architectural firm developed an FCI tool for Houston ISD in preparation for the 2012 bond initiative. Staff stated that the firm updates the original repair costs annually to represent major replacements on campuses. For example, if a campus replaced its flooring, the updated FCI would consider the campus' new condition.

The firm and district staff reported that the district calculates the replacement cost as the current cost of replacing the campus as it originally was built. For example, if the district replaced a campus built in 1965, the FCI assumes the replacement cost would be the current cost of building a campus designed and equipped like the original. District staff acknowledged that the need to build current schools

FIGURE 7–9
FACILITY CONDITION INDEX RANGES
CALENDAR YEAR 2019

INDEX	RANGE
Good	0.0%–5.0%
Fair	5.1%–10.0%
Poor	10.1%–30.0%
Critical	30.1% or more

Source: Mapcon Technologies, Inc., May 2019.

FIGURE 7–10
FACILITY CONDITION INDEX FOR HOUSTON ISD
CAMPUSES
SCHOOL YEAR 2018–19

INDEX	HOUSTON ISD CAMPUSES
Good	21
Fair	22
Poor	51
Critical	144

Source: Houston ISD, 2019.

would preclude the district from using 1965 designs or equipment in constructing any modern facility.

Houston ISD's FCI shows that 144 campuses are in critical condition, 51 campuses are rated in poor condition, 22 in fair condition, and 21 in good condition. The FCI includes ratings for 238 of the 280 campuses in the district. **Figure 7–10** shows Houston ISD campuses by FCI rating.

The district uses a facility condition assessment (FCA) database called MOCA PLAN that compiles information often included in a facility master plan. Entries for each campus include the building age, a 10-year renewal forecast, the replacement value, and the FCI rating. The district completed the last comprehensive assessment through the FCA software during school year 2015–16, according to the general manager of design. The review team requested access to the database, but the district shared screen shots of the user interface.

Facility master plans typically include enrollment projections to enable a district to plan facility usage. Houston ISD's demographer annually develops one-year enrollment projections. The district did not provide a longer range of enrollment projections. The demographer stated that the district asks for specific projections about overcrowded campuses or those that need large repairs to plan for expansion and new campuses.

The COO reported that the district is contracting with a program management firm to develop a recommendation for a possible bond election in calendar year 2020 to replace middle school campuses.

A long-range, comprehensive facilities master plan outlines the status and future use of district facilities. It guides the development of capital improvements and supports planning for bond elections. ALE notes that an effective long-range facilities master plan incorporates the following elements:

- facility capacity – Districts establish the capacity of each school facility by setting standards that govern student–teacher ratios and the amount of square feet required per student in a classroom. These standards deal with the minimum size of core facilities (such as classrooms, gyms, cafeterias, and libraries) so that schools do not overload these facilities or overuse portable classrooms;

- facility inventory – An accurate facility inventory is an essential tool in managing the use of school facilities. The inventory identifies the use and size of each room, which enables planners to accurately establish the capacity of each school. Modifications to schools are noted in the inventory so it can be kept current;

- enrollment projections – Effective planning requires accurate enrollment projections at least five years into the future. Accurate projections require planners to examine district demographics and track any new construction activity in the district;

- capital improvement program – Effective planning requires the district to anticipate its future needs and balance these against expected resources. A capital improvement program charts future improvements to school facilities and identifies funding sources for them. An effective planning process involves the community at large, identifies district goals and objectives, and prioritizes projects based upon those goals and objectives; and

- facilities maintenance plan – School facility planning necessitates identifying links between facilities construction, renovation, and facilities maintenance. Capital outlay for school construction is generally a more palatable proposition for taxpayers and public officials when a school system demonstrates that existing facilities receive appropriate care and

maintenance. Good plans include short-term and long-term objectives, budgets, and timelines, all of which demonstrate organizational commitment to proper facilities maintenance.

The district does not have a comprehensive long-range facilities master plan. The information it has assembled to guide its decisions about repairing and replacing campuses is incomplete and has the potential to be misleading. The district's FCI uses outdated amounts that minimize the costs of building modern replacement campuses. These lower replacement cost estimates skew the FCI ratings for campuses, making them appear stronger candidates for replacement than they are. The FCI also does not provide an accurate estimate of the funds needed to replace a campus when the district is developing bond proposals. Projects funded by the previous bond proposal exceeded the overall budget by approximately $200.0 million.

A long-range facility master plan enables the district to plan effectively for growth and other needs by incorporating several information points. This information includes demographic studies, facilities conditions, long-range maintenance and technology plans, curriculum and instructional needs, changing safety and security needs, and building code compliance.

Longer-term enrollment projections are necessary for a district to know where it needs expansion. By examining where residential construction is occurring and where demographic changes are shifting, the district can anticipate where to build additional or expanded campuses. Because the district reactively projects longer-term enrollment when it discovers overcrowding on campuses, it is missing an opportunity to plan proactively for growth across the district.

Among Houston ISD's peer districts, Texas school districts used for comparison, Dallas ISD recently hired an architectural firm and technology consultant to prepare a comprehensive long-range facilities plan that considers these factors. The facilities department in Cypress-Fairbanks ISD also has developed a long-range facilities assessment tool that incorporates these factors. Cypress–Fairbanks ISD annually updates the data to ensure that upcoming bond programs have all the information needed to predict the district's changing needs.

Houston ISD should develop a comprehensive long-range facility master plan that incorporates accurate information about facility replacement costs and enrollment projections.

The district should utilize existing staff knowledge to develop a comprehensive long-range facility master plan that incorporates accurate information about facility replacement costs and enrollment projections. The plan should address facility conditions, including the cost of a modern replacement campus. It should include a study of classroom utilization and capacity and long-range enrollment projections indicating demographic increases and decreases. In developing the plan, the district should consider expected changes to facility needs, including curriculum and technology, safety and security developments, and the incorporation of local, state, and federal requirements. The district should update the plan annually to ensure that it continually assesses its facility needs.

The district could implement this recommendation with existing resources.

PROGRAM MANAGEMENT FIRMS (REC. 49)

Houston ISD contracts with program management firms and staffs construction project managers that perform duplicative work.

Contracts between the district and program management firms to manage construction projects state that the firm must prepare project management plans, project master schedules, and program cost models. The firm is required to coordinate with the district in selecting architectural and engineering firms, setting up and leading construction team and design progress meetings, reviewing design documents, monitoring the construction and cost controls, and obtaining required permits. The district has worked with as many as seven firms and currently contracts with two firms to complete the 2012 bond program.

Houston ISD's Construction Services Department has 46.0 positions, which include construction managers and construction service representatives. **Figure 7–11** shows the department's reporting structure.

Staff in these positions handle many of the same tasks as the program management firms. During onsite interviews, construction managers noted that their positions either previously had the responsibilities of the program management firms or have the capability to perform these responsibilities. They expressed frustration that the district considers construction managers responsible for projects and simultaneously authorizes program management firms to make decisions. Several

stated the belief that the required collaboration and cooperation at each project stage hindered the process. Others said that architectural firms and program management firms perform some duplicative work on projects. The sample contract for an architect provided by the district confirmed that program managers are required to work with the architect to develop project scope documents, budget forecasts, and construction documents.

During onsite interviews, staff said that the district has spent more than $30.0 million in program management fees during the current bond program. The program management firms currently working with Houston ISD receive a 3.0 percent fee to perform their services, which equates to approximately $56.7 million from $1.89 billion spent in accordance with the 2012 bond program. For this reason, some construction managers perceive that pressure is only on them to keep costs low, because higher costs mean greater fees for program managers.

According to district contracts, program management firms do not assume liability for work completed on projects. Although these firms guide the district in selecting architectural and engineering firms and other contractors, their contracts state that they make no warranty or guarantee of the quality of the work.

The use of third-party program management firms to manage bond programs is a reasonable option for small districts that cannot maintain permanent professional staffing. Houston ISD has a large professional staff of 46.0 positions that includes a design manager, construction managers, and an architect. District staff previously performed many of the services provided by the program management firms. By comparison, Cypress-Fairbanks ISD handled a $1.2 billion bond with an in-house staff of 28.0 positions. **Figure 7–12** shows the Cypress–Fairbanks ISD Facilities and Construction Department organization.

Duplication of project management duties among hired firms and district construction managers results in unnecessary costs to the district and a slower design and construction process. The district staffs construction manager positions that it considers responsible for each project, so there is no need to involve contracted firms in the decision-making process.

Houston ISD should eliminate program management contracts and charge existing district staff with performing these responsibilities.

FIGURE 7–11
HOUSTON ISD CONSTRUCTION SERVICES ORGANIZATION
SCHOOL YEAR 2018–19
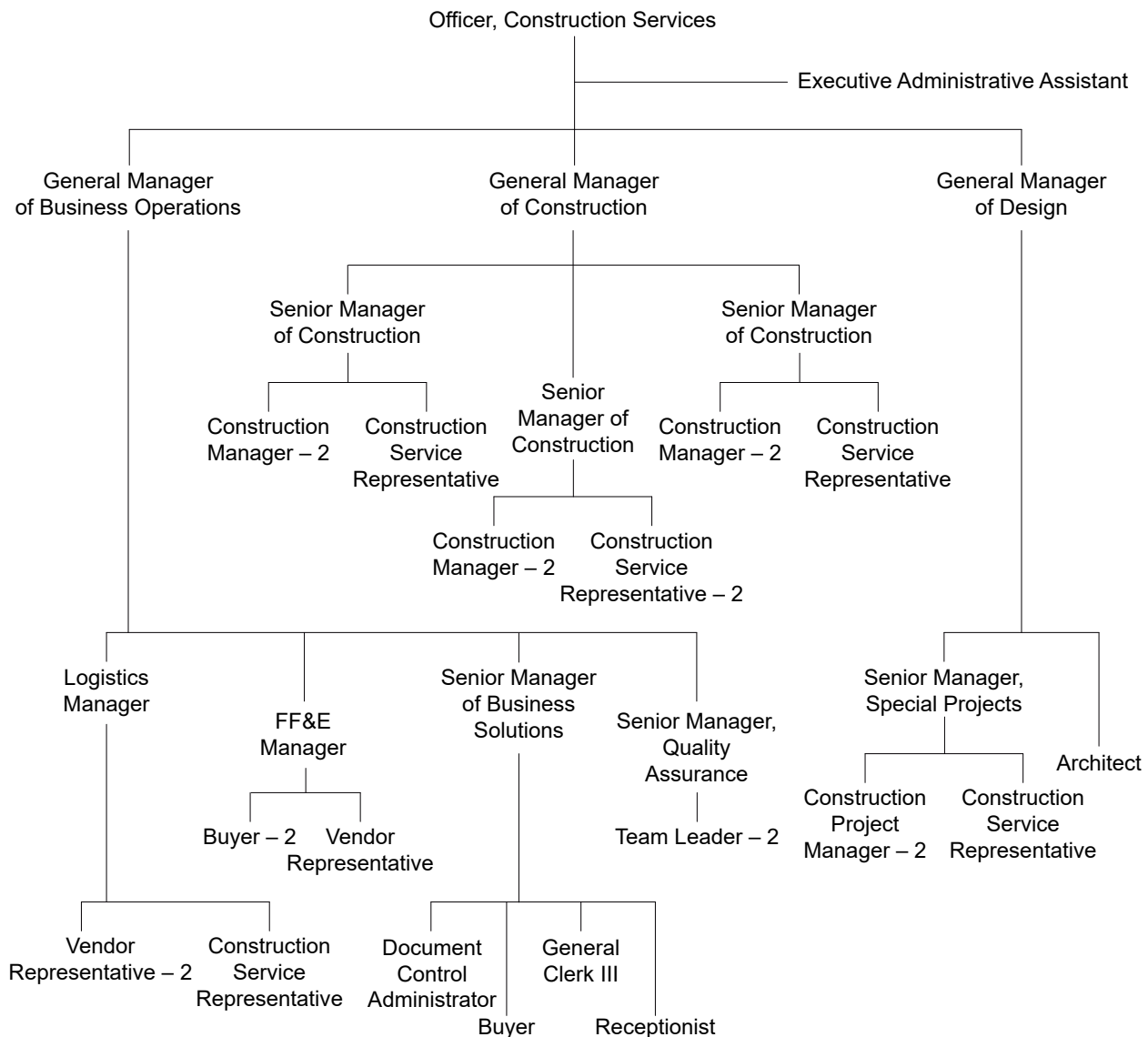
SOURCE: Houston ISD, school year 2018–19.

The district should review the current agreements to determine its options. If ending the relationship immediately is not an option, the district may need to phase out current services by completing the remaining projects within the 2012 bond program.

The district should evaluate the job descriptions within the Construction Services Department to ensure that all responsibilities currently held by program management firms can be absorbed in the department.

The district could implement this recommendation with existing resources.

ORGANIZATIONAL STRUCTURE (REC. 50)

Houston ISD separates the organizational structure and construction responsibilities across the Construction Services Department and the Facilities Services Department.

The district's Construction Services Department is overseen by the officer of construction services and reports to the

FIGURE 7–12
CYPRESS–FAIRBANKS ISD FACILITIES AND CONSTRUCTION DEPARTMENT ORGANIZATION
SCHOOL YEAR 2018–19
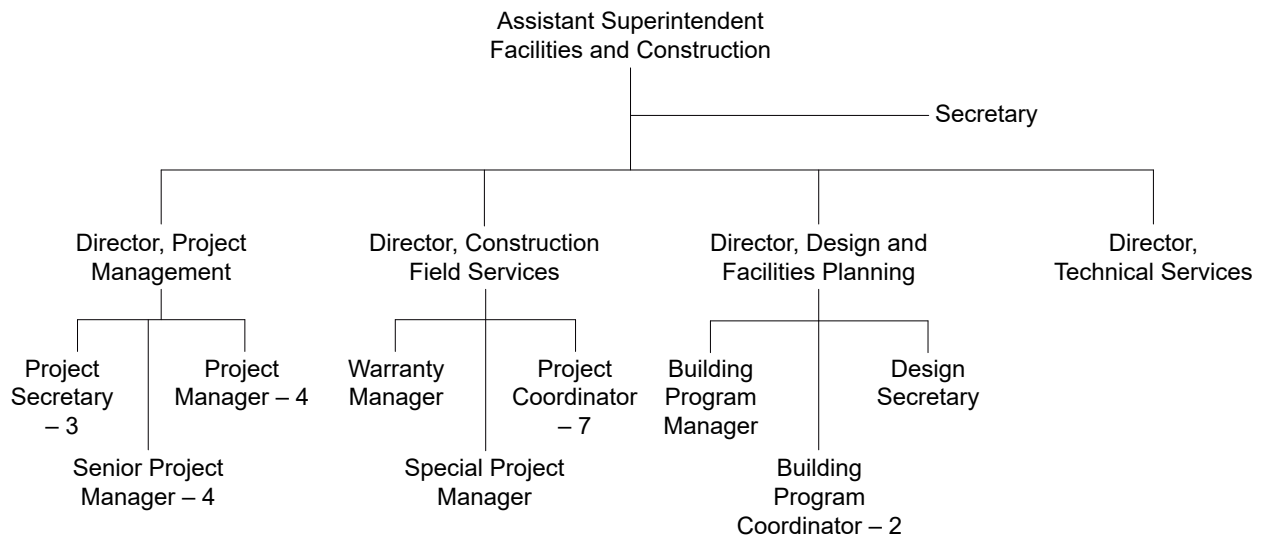
SOURCE: Cypress–Fairbanks ISD, June 2019.

COO. The general managers of business solutions, construction, and design and an executive administrative assistant each report directly to the officer of construction services. The following five staff report directly to the general manager of business solutions: the logistics manager; the furniture, fixtures, and equipment (FF&E) manager; the senior manager of business solutions; the senior manager of quality assurance; and a senior administrative assistant. These positions oversee various business staff including vendor representatives, buyers, and accountants.

Construction Services Department staff noted some discrepancies in the reporting structure shown in **Figure 7–13**, the organizational chart provided by the district. According to the chart, the general manager of construction has five directly reporting positions, but the general manager told the review team that he has four reporting positions, three senior managers of construction and a senior administrative assistant. These positions oversee multiple construction managers, construction service representatives, and administrative assistants.

Figure 7–13 also shows two staff reporting directly to the general manager of design; however, according to the district staff, the general manager of design has three reporting positions, including the senior manager of special projects, the district architect, and a senior administrative assistant. The senior manager of special projects said that he reports to

both the general manager of design and the general manager of construction.

Staff also said that many of the position titles do not match the duties of the assigned positions. Facilities Services Department staff also noted that the department manages some construction projects instead of the Construction Services Department.

The Construction Services Department has several position titles that do not match the position's duties. For example, the general manager of design stated that construction managers essentially are project managers that oversee construction projects from design to completion.

The general manager of construction stated that construction service representatives are knowledgeable assistants to the construction managers, some of whom eventually hold construction manager positions. Construction service representatives work internally and do not interact with vendors or customers. Construction service representatives work in the Business Solutions, Construction, and Design departments. This position appears throughout the organizational chart, but construction service representatives said that the position and its duties vary depending on the role of the manager to which it reports. One construction service representative reports to the logistics manager in the Business Solutions Department. The duties of this position

FIGURE 7–13
HOUSTON ISD CONSTRUCTION SERVICES ORGANIZATIONAL CHART
SCHOOL YEAR 2018–19
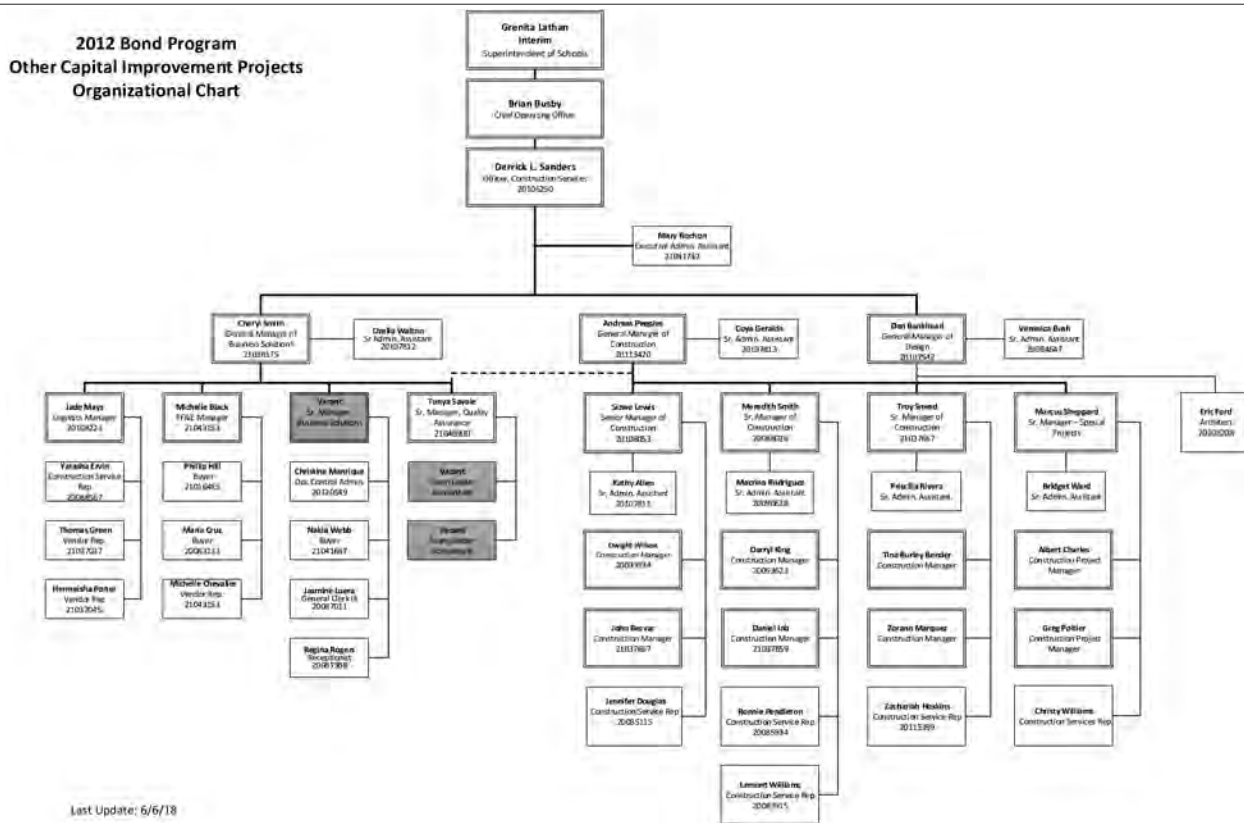
SOURCE: Houston ISD, school year 2018–19.

differ from those that report to the senior managers of construction. Another construction service representative who reports to the senior manager of special projects has different responsibilities. Although their duties vary, construction service representatives interviewed had the same job description.

Construction service representatives noted that they help review closeout documents, which they send to the document control administrator (DCA) in the Business Solutions Department. However, some contractors working with the district bypass the construction service representatives' review and proceed directly to the DCA. The DCA contacts the general contractor to report and track items with warranties on projects. Construction service representatives stated that staff do not always follow this process. The DCA also monitors the closeout document process for each construction project. The organizational chart places the DCA position in the Business Solutions Department, despite the position needing to communicate and coordinate regularly with

construction managers and service representatives. The DCA reports to the senior manager of business solutions, but the position is vacant and staff are uncertain that the district will fill it.

The senior manager of quality assurance estimates construction project costs and manages accounting, but does not oversee construction quality or evaluation. This senior manager works closely with the general manager of construction to perform these responsibilities but reports to the general manager of business solutions. This manager stated that the senior manager of quality assurance's primary responsibilities were estimating construction project costs and assisting in the FF&E process as needed.

The senior manager of special projects within the Construction Services Department stated that the Special Projects team manages problems in the district that maintenance and custodial staff in the Facilities Services Department cannot manage. Examples include building

modifications, temporary building installations and moves, and water filtration required to comply with the Americans with Disabilities Act.

According to Facilities Services Department staff, the department manages many major renovation jobs in the district, including air-conditioning system replacements, and total and partial roof replacements. The Facilities Services Department manages these projects but may consult with the Construction Services Department to select an architect when necessary. The construction services officer confirmed that the Facilities Services Department manages some construction and renovation projects, including air-conditioning system replacement, but stated that, ideally, Construction Services Department staff would be more involved in this process. The district did not provide job descriptions for many positions in these departments. However, the descriptions provided did not indicate that staff working in the Facilities Services Department were required to have experience or training in construction management. During observations of the north and south maintenance facilities', the review team and district staff discussed expected jobs. Facilities Services staff did not indicate that positions within their departments had project management or construction experience. In the south maintenance facility, the review team observed recently purchased large air-conditioning systems, known as chillers. Staff indicated that they had installed the chillers on a campus, but that the district demolished the campus shortly afterward. The maintenance department now used the chillers for parts in repairs. Staff did not explain the miscommunication between the departments.

Houston ISD's *Principals' Guide for Facilities and Fleet Services 2018–19* outlines the responsibilities of the Construction Services and Facilities Services departments. The guide does not task Facilities Services staff with performing construction tasks, but it includes a work-order classification labeled project that includes "maintenance projects scheduled for completion during summer or winter break."

The district lacks clarity in reporting structures to avoid the duplication of work and to ensure a clear source of accountability and instruction. The responsibility for various construction-related tasks in the district are located in inefficient organizational structures. The senior manager of quality assurance reports to the general manager of business solutions, despite performing most of the work within the general manager of construction's supervision. The warranty process continues through multiple departments, and staff do not follow it consistently. Maintenance

staff manage construction and large replacement projects, despite the presence of a fully staffed and trained construction management team.

Austin ISD has a consistent organizational structure for its Construction Management Department, including titles that clearly indicate the role of each position. **Figure 7–14** shows the reporting structure for the Construction Management Department in Austin ISD.

Most school districts authorize their maintenance departments to oversee repair projects that the departments can perform without architects or engineers. However, a facility management best practice at a large school district is for the construction department to manage major repair and replacement projects that require an architect or engineer to provide design services and a contractor to perform the construction work. Construction department staff typically are knowledgeable in the daily management of architectural and construction contracts and can ensure that the work is meeting the district's facility design standards.

Houston ISD should evaluate all position titles and job responsibilities within the Construction Services Department and the Facilities Services Department and ensure that titles and responsibilities match the functions performed by each position.

The district should revise these positions and functions for clarity in the roles, responsibilities, and reporting structures within the Construction Services Department. **Figure 7–15** shows the recommended title changes.

The district should eliminate the senior manager of business solutions position. The district should develop a Warranty Department within the Construction Services Department by modifying an existing construction manager position, and then change the position title from construction manager to closeout/warranty manager. The position will report directly to the general manager of construction. The district should also revise the job description accordingly.

The district should modify up to two construction services representatives to the new title of warranty coordinator and have them report directly to the warranty manager, revising their job description accordingly to address warranty-related functions. Additionally the district should move the DCA position to report directly to the closeout/warranty manager. This position will continue to manage the project closeout documents and the general clerk III and receptionist positions will to report to the DCA to assist in the closeout documents and warranty management for the department.

FIGURE 7–14
AUSTIN ISD CONSTRUCTION SERVICES ORGANIZATION
SCHOOL YEAR 2018–19
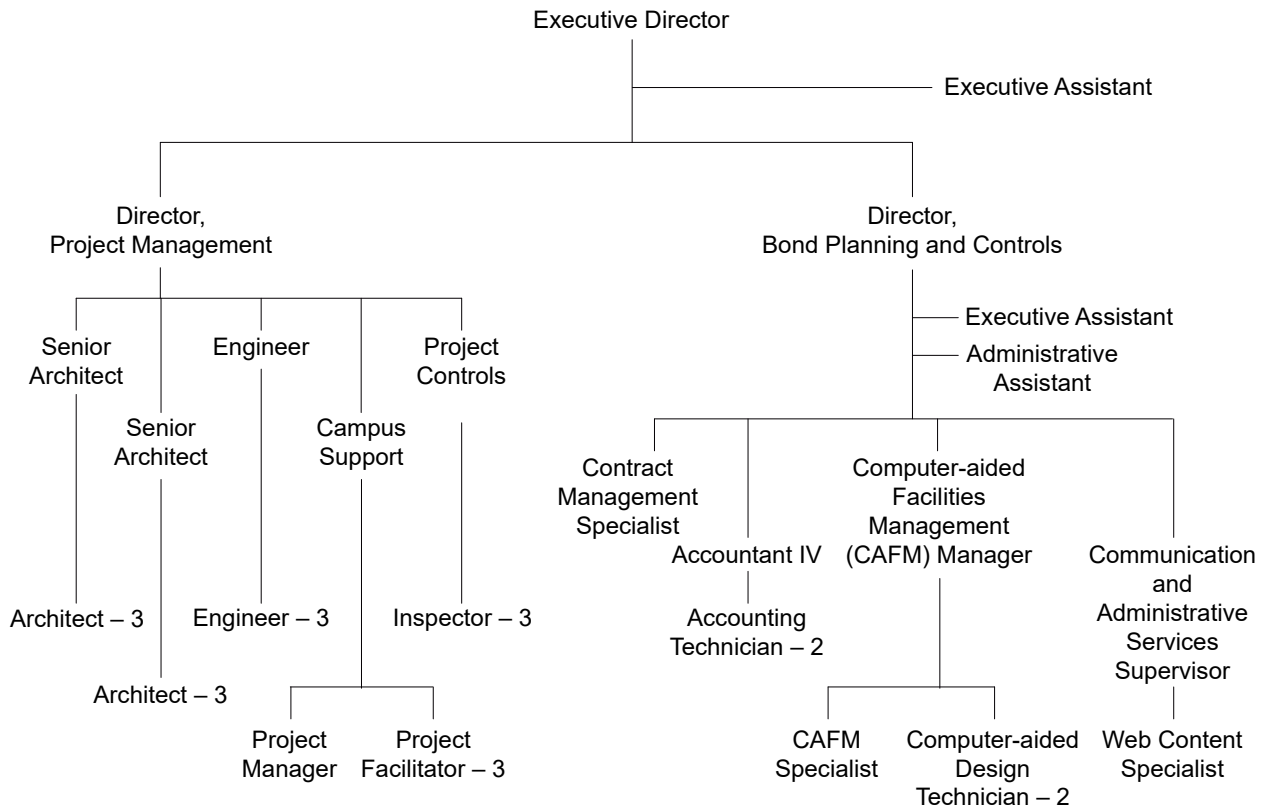
SOURCE: Austin ISD, 2019.

FIGURE 7–15
RECOMMENDED NEW HOUSTON ISD CONSTRUCTION SERVICES DEPARTMENT TITLES
CALENDAR YEAR 2019

CURRENT POSITION	NEW TITLE AND POSITION	CURRENT POSITION	NEW TITLE AND POSITION
Senior manager of construction	Senior project manager	Buyer	FF&E buyer
Construction manager	Project manager	Logistics manager	FF&E logistics manager
Construction service representative	Project coordinator	Vendor representative (reporting to the logistics manager)	FF&E logistics coordinator
Senior manager of special projects	Senior special project manager	Construction service representative (within Business Solutions)	FF&E coordinator
Construction manager (reporting to the senior manager of special projects)	Special project manager	Furniture, fixtures, and equipment (FF&E) manager	FF&E procurement manager
Architect	Senior manager of design	Vendor representative (reporting to the FF&E manager)	FF&E coordinator
Accounting team leader	Project cost accountant		

SOURCE: Legislative Budget Board School Performance Review Team, August 2019.

FIGURE 7–16
LEGISLATIVE BUDGET BOARD PROPOSED CONSTRUCTION SERVICES DEPARTMENT ORGANIZATION
CALENDAR YEAR 2019
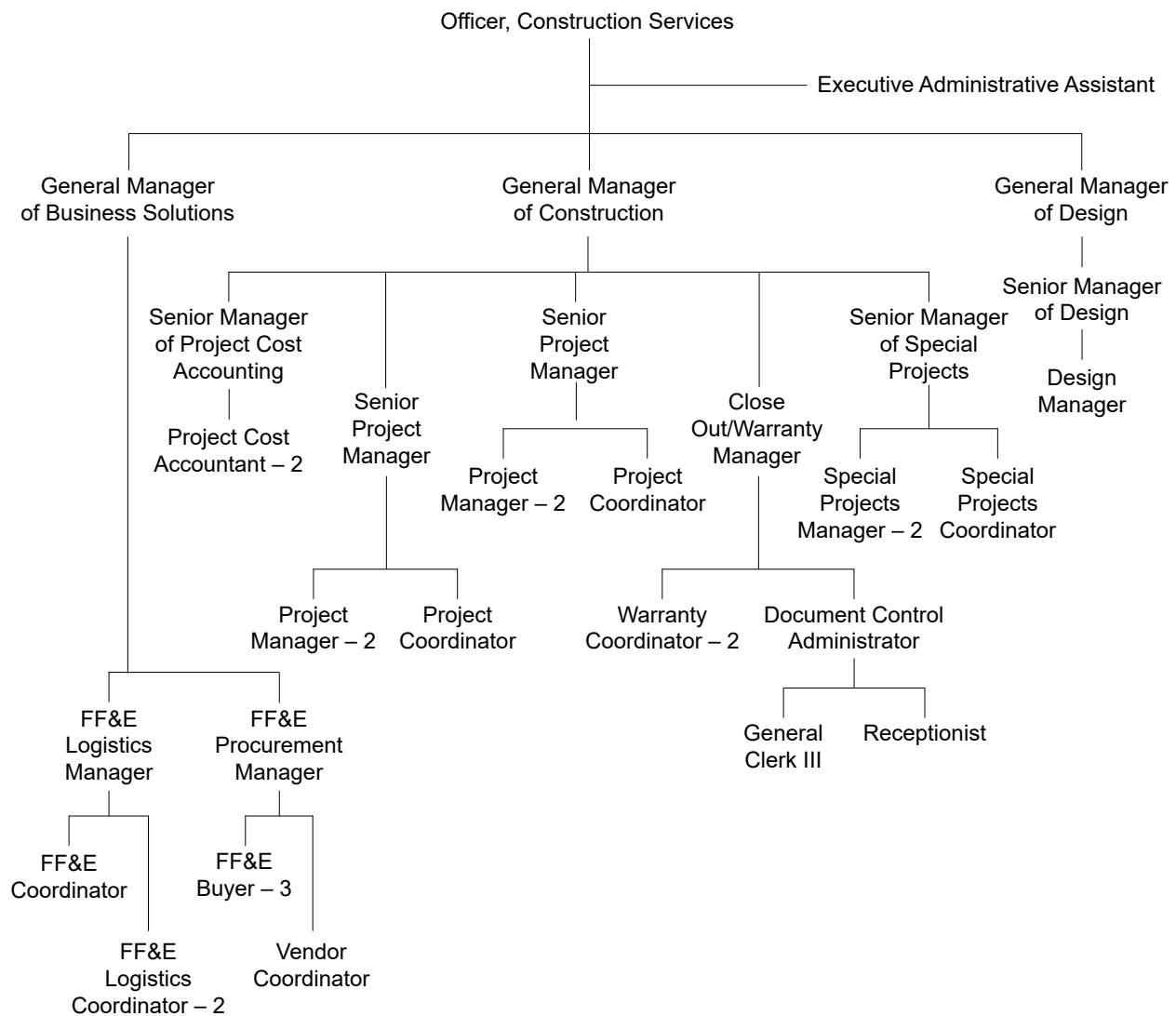
SOURCE: Legislative Budget Board School Performance Review Team, February 2019.

The district should retitle the senior manager of quality assurance to the senior manager of forecasting and accounting, and move the position to report directly to the Officer of Construction Services.

Finally, the district should modify an existing construction manager position to the new title of design manager. This position will report to the architect and will provide assistance within the Design Department to assist with plan reviews, and ensure compliance with design standards and educational specification. The district should revise the position's job title to include the new responsibilities for the position.

Figure 7–16 shows the proposed reporting structure for the Construction Services Department.

The fiscal impact assumes an annual savings of $121,822 in salary and benefits due to the elimination of the senior manager of business solutions position. Because this position is vacant, this estimate is based on the average salary and benefits of a senior manager in the Construction Services Department, which is comparable to what the district might have offered a senior manager of business solutions.

FIGURE 7–17
HOUSTON ISD FURNITURE SELECTION PROCESS
SCHOOL YEAR 2018–19

- The Construction Services Department, Business Solutions team's furniture, fixtures, and equipment (FF&E) section, contacts the vendor regarding availability for a project and assigns the scope of work

- First meeting – FF&E, architect, project manager, and vendors meet to discuss the deliverables, scope of work, floor plans, renderings, and color boards

- Second meeting – FF&E, architect, vendors, and principal meet to inform vendors of the principal's vision and to enable the principal to ask questions

- Vendors meet subsequently with principal or a designated representative to begin furniture selection

- After the selection's completion, vendors submit specifications to FF&E; FF&E reviews specifications to ensure that each vendor's scope of work is complete and within budget; FF&E compiles all specifications

- FF&E reviews all specifications with the principal, who approves them and confirms that the specifications match the campus staff's selections

- FF&E provides the approved specifications to the Business Solutions buyers to obtain quotes from vendors and begin procuring the selections

SOURCE: Houston ISD, school year 2018–19.

FURNITURE, FIXTURES, AND EQUIPMENT STANDARD (REC. 51)

Houston ISD's process for selecting furniture, fixtures, and equipment for new facilities results in variations among campuses.

When the district builds a campus, it provides new furniture, fixtures, and equipment (FF&E). The Business Solutions team within the Construction Services Department manages the FF&E selection process. **Figure 7–17** shows the FF&E selection process.

District construction staff stated that furniture selections are at the discretion of the principal, who have latitude to personalize their new campuses. The FF&E process has no standardization, and the district has no process for narrowing the furniture and fixture options from which principals can choose. Staff also stated that principals often direct their complaints up the chain of command if campus construction project managers advise against the principal's choice, which typically results in the principals getting the selections they want.

One argument for placing more weight on the recommendations of construction or facilities staff surfaced at a focus group meeting with construction staff. Although the district's goal in the furniture selection process is to realize "the principal's vision," a principal that leaves the campus after two or three years has set a tone for the next principal that might have a different perspective.

The lack of standardization in the FF&E selection process results in inconsistencies among campuses that can be expensive or burdensome. Allowing principals to choose different desks, chairs, bookshelves, or electronic equipment requires maintenance and custodial staff to stock different supplies to clean and repair equipment on the campuses. This can result in greater expenditures for parts and increased labor hours for cleaning and repair. Construction service representatives expressed concerns about the effect that a lack of a standardized process for FF&E has had on the district's facilities staff. Maintenance technicians noted during focus groups that it is difficult to know what parts they need to carry to repair items around the district.

Cypress–Fairbanks ISD established a best practice standard for FF&E on its campuses. It formed a districtwide steering committee tasked with developing a uniform standard for FF&E. The committee engaged architects that were involved in designing new campuses to provide information on design trends in school facilities. It invited leading furniture vendors to display their recommended FF&E wares for review. The committee also invited stakeholders from many campuses, including principals, administrative staff, teachers, and students from several grade levels to evaluate the furniture. After reviewing the evaluation, the committee established FF&E standards for all elementary, middle, and high school campuses.

Houston ISD should develop a furniture, fixtures, and equipment standard for elementary, middle, and high school campuses to provide consistency across district facilities.

The district should establish a steering committee of department representatives and other stakeholders, including members from maintenance, operations,

construction services and design, purchasing, campus administration, curriculum and instruction, principals, teachers, and students. Members should develop committee goals and parameters and develop a specific evaluation form for FF&E products. Next, the committee should invite vendors to stage an exposition to display recommended FF&E products for evaluation. The committee should develop evaluation teams composed of district stakeholders, including principals, administrators, maintenance and custodial staff, and teachers and students from all grade levels. The committee should review the evaluators' feedback and then recommend FF&E standards, which should be reviewed and updated regularly.

The district could implement this recommendation with existing resources.

DESIGN INVOLVEMENT (REC. 52)

Houston ISD's operations and educational staff are not represented consistently during the design and construction of facilities, resulting in quality-control issues and potentially inefficient designs.

The Houston ISD Construction Services Department is responsible for the design and construction of campuses funded by bond initiatives. The district contracts with program management firms to coordinate and oversee construction projects. These firms work with the district to manage schedules and coordinate as needed with groups at various points during the process.

For recent construction projects, the district has met regularly with the program management and architectural firms under contract. The program management firm regularly reviews the construction documents and designs to alert the district to potential inconsistencies with the intended design and potential problems with the operations of the campus as designed. It also holds design progress meetings with the district and the architectural firm twice a month during the design process. These meetings are opportunities for the district to involve operations staff, such as maintenance, custodial, information technology, and nutrition services staff, who will work in the completed campuses. However, district staff said that until recently only Construction Services Department staff attended these meetings.

Some maintenance staff said that the district lacks a process to involve their department in campus design and the early stages of construction. Maintenance technicians and custodial staff in focus groups said that they are not involved

in the design process for campuses. Some Maintenance Department managers stated that they are involved in the construction process but not the design process. Senior level staff stated that in recent years there has been an increase in the level of participation from operations staff in the design process.

Senior staff in the Maintenance Department said that the department inspects projects during construction in coordination with the Construction Services Department. Construction Services staff stated that they invite maintenance staff to participate in some building inspections, giving them 48 hours' notice. The general manager of construction acknowledged that maintenance staff frequently do not participate in the inspections. If maintenance staff do not appear at the scheduled time, the Construction Services Department continues without them. Contractors with the district who participate in these inspections stated that the district was increasing invitations to operations staff. Contractors also noted that participation was increasing, although it was not consistent across departments.

During interviews, maintenance and custodial staff raised building design issues that affect them. Maintenance staff said that ordering parts not on hand slows down repairs. Staff said that there are no district standards for specialty lighting, and custodians noted that it is difficult to replace bulbs or clean fixtures when specialty lighting is in place. To minimize risk custodians are prohibited from ascending beyond a certain height without time-prohibitive protections, although architects often install specialty lighting above this threshold.

The inability of the district to keep key operations staff involved throughout the construction project results in quality control issues and potentially inefficient designs. Operations staff that are involved throughout the project have the opportunity to express concerns early and to inspect the project as it progresses to ensure the modification of designs to address those concerns. Keeping specialized operations departments involved allows the district to ensure design documents comply with district guidelines.

Cypress–Fairbanks ISD has developed processes to involve all the key maintenance and support department staff during the construction document plan reviews. The district also coordinates with educational and operational staff to review design documents during the final design phases to ensure that the design meets the needs of each department.

Houston ISD should revise the process for the design and construction document reviews, and mandate that specific

departments have representation during the design and construction phases of projects.

The district should identify key positions to provide input during design, construction document plan reviews, and the construction phases from the following departments: Maintenance, Custodial, Nutrition Services, Transportation, Curriculum and Instruction, and campus and district administration. The district should update the job descriptions of these key positions to require their attendance for construction document plan reviews and their involvement in construction inspections as needed. The district should determine what impediments prevent invited staff from attending meetings and inspections and develop a system to mitigate these impediments. The district should establish a process to ensure representation by alternate staff from all key departments if the designated position is unable to attend.

The district could implement this recommendation with existing resources.

ENERGY INITIATIVES DEPARTMENT (REC. 53)

Houston ISD lacks a defined structure or comprehensive mission for its Energy Initiatives Department, which results in a lack of staff training and high energy costs.

The district's Energy Initiatives Department handles energy-related issues. It consists of a quality assurance analyst and direct digital control (DDC) technicians. The district also has heating, ventilation, and air conditioning (HVAC) technicians in the Facilities Services Department who work closely with Energy Initiatives Department staff. The Energy Initiatives Department used to have a senior manager and a general manager, but the district eliminated those positions before the review team's field work.

Energy Initiatives Department staff gave different answers about the current reporting structure. Some staff said that the quality assurance analyst and the DDC technicians report directly to the officer of facilities services, operations, and fleet. However, DDC technicians stated a belief that they report to the senior manager of maintenance. Staff confirmed that the DDC technicians report to the senior manager of maintenance and clarified that only the quality assurance analyst reports to the officer of facilities services, operations, and fleet position. Staff stated that this is a temporary reporting relationship while the district restructures the Energy Initiatives Department. Previously, the Energy Initiatives Department included a general and senior manager.

Because of this unclear reporting structure, staff do not know whom to ask when they need additional training. DDC technicians said that lack of training is a consistent problem in the Energy Initiatives Department. According to staff, the district does not currently have an agreement with the vendor who provided the DDC systems and used to conduct training. DDC technicians estimated that only a few Houston ISD HVAC technicians are fully understand the systems that they maintain and repair. Campus plant operators also expressed concerns about the HVAC technicians' lack updated training.

The department's quality assurance analyst finds and eliminates inefficiencies in the energy systems. At the time of review, Houston ISD had 20 campuses with web-based DDC systems that allow for the personalized, automated control of lighting and air conditioning, including schedules, timers, and alarms. This is a part of a pilot program to determine the usefulness of these systems in reducing energy usage. According to onsite interviews, only two pilot campuses have not successfully reduced their energy usage during the period under study. Staff also indicated the district identified 100,000 kilowatts of energy savings for all other pilot campuses. To maintain the DDC systems and to keep HVAC systems running, DDC technicians work with HVAC technicians and campus-level plant operators.

The Texas Education Code, Section 44.902, requires each school district to establish a long-range energy plan to reduce and maintain its annual electricity consumption by 5.0 percent. The plan must include strategies for achieving energy efficiency that pose no financial cost to the district or result in net savings. It also must include the initial, short-term capital costs and lifetime costs and savings that could result from implementation of each strategy.

An effective energy management plan includes strategies for using the minimum amount of energy while continuing to provide a desired level of comfort to building occupants. These strategies should include the education of building staff, enhancements to or automation of building controls, proper maintenance of existing equipment, and installation of energy-efficient equipment as the district replaces systems.

District staff stated that the Energy Initiatives Department does not have an energy management plan as required by statute.

The *Principals' Guide for Facilities and Fleet Services 2018–19* outlines the following mission of the Energy Initiatives Department:

FIGURE 7–18
HOUSTON ISD UTILITY COSTS PER SQUARE FOOT
SCHOOL YEARS 2014–15 TO 2016–17

YEAR	HOUSTON ISD	LOWER QUARTILE	MEDIAN	UPPER QUARTILE
2014–15	**$1.57**	$1.17	$1.45	$1.58
2015–16	**$1.13**	$1.09	$1.28	$1.49
2016–17	**$1.46**	$1.13	$1.23	$1.57

Sources: Council of the Great City Schools, 2018; Houston ISD, school years 2014–15 to 2016–17.

The Energy Initiatives Department develops and implements smart energy procurement and energy efficiency projects for all campuses and administrative areas (energy resources and training, retro-commissioning, water conservation, electricity savings steps, energy performance contracting, single steam recycling community engagement and [Leadership in Energy and Environmental Design] LEED green building certifications). This group also oversees the Direct Digital Control (DDC) system, which monitors automated building settings for Heating, Ventilation, and Air Conditioning (HVAC) systems and efficiency management of lighting.

The guide also outlines the standard operating hours for HVAC systems and lighting systems. The process it describes for obtaining after-hours HVAC or lighting support involves submitting a request on the Houston ISD website, except in the event of an emergency, in which case the district provides a phone number.

An analysis of Houston ISD's energy usage by the Council of the Great City Schools (CGCS), which aggregates data from large school districts, reveals that the district is operating at a higher energy cost than most other large school districts. **Figure 7–18** shows a significant decrease in utility costs during school year 2015–16, but the district otherwise has operated in the upper quartile of energy costs for large school districts. CGCS had not released data for school year 2017–18 at the time of the review. The review

team requested the data directly from the district, but the district did not provide it.

Since school year 2014–15, Houston ISD has contracted with a consultant to assess energy consumption and negotiate a favorable electricity contract for the district. Its electricity costs are still comparatively high, and **Figure 7–19** shows a kilowatt-hour usage rate per square foot that is higher than in other large districts. Staff attributed this to older, less-efficient facilities, and weather-related challenges.

Despite some success in decreasing energy costs, Houston ISD is operating without a complete energy management plan or a clear organizational structure governing energy management issues. Its energy costs have fluctuated significantly during past several school years, while electricity usage per square foot has increased. Staff at multiple levels report that DDC technicians lack adequate training, yet the technicians and others in the Energy Initiatives Department are not certain as to whom they report. The district cannot appropriately evaluate or train energy staff without a clear reporting structure.

In its *Guide to Strategic Energy Management Planning*, the North Carolina State Energy Office states that an energy management plan "identifies specific objectives or performance goals, courses of action to be taken, and states how performance will be measured." The Houston ISD *Principals' Guide* does not specify energy goals for campuses, nor does it specify how the district will evaluate them.

FIGURE 7–19
HOUSTON ISD KILOWATT HOURS PER SQUARE FOOT
SCHOOL YEARS 2014–15 TO 2016–17

YEAR	HOUSTON ISD	LOWER QUARTILE	MEDIAN	UPPER QUARTILE
2014–15	**16.7**	8.5	10.4	12.3
2015–-16	**16.4**	7.5	10.0	12.2
2016–17	**17.3**	7.6	9.2	12.9

Source: Council of the Great City Schools, 2018; Houston ISD, school years 2014–15 to 2016–17.

According to the *Guide to Strategic Energy Management Planning*, "undocumented energy management actions employed within a school system lack consistency of purpose and represent a set of short-term tactical actions as opposed to longer-term strategic action. Such tactical actions may require fewer school system resources to implement but are more easily subject to termination or reversal in the daily allocation of operational resources."

A written energy management plan should include specific measurable goals or objectives to be achieved in some related time frame, a list of initiatives aimed at achieving those objectives, a strategy for measuring effectiveness of those initiatives, and a plan for how the district will maintain those initiatives. Houston ISD should determine the key performance indicators (KPI) it will use to develop measurable goals for the district. Common KPIs include energy cost per student or utility cost per square foot, both of which the district can track or is already tracking. Houston ISD should use data from the CGCS to determine reasonable benchmarks.

Houston ISD should develop a clear reporting structure for the Energy Initiatives Department and an energy management plan.

The district should develop a clear organizational structure within the Energy Initiatives Department. Staff should know to whom they directly report, who performs their evaluations, and to whom they can speak about increased training. Lack of clarity about the organizational structure prevents district staff from addressing issues they encounter on the job and allows some to underperform without oversight. Once its management structure is clear, the district should develop an agreement with its DDC vendor to ensure the provision of ongoing system training to district staff.

Additionally, staff should develop an energy management plan that incorporates the energy goals of the district and how the district plans to meet them.

The fiscal impact assumes that the Energy Initiatives Department implementing these industry standards could save 10.0 percent of the difference between Houston ISD's spending and the median among CGCS districts. The median utility cost per square foot among CGCS districts is $1.23, and Houston ISD pays $1.46, which equals a difference of $0.23. Houston ISD has 31.1 million square feet of facilities. The annual savings is $714,696 ($0.23 x 31,073,758 x 0.10).

WORK ORDER PROCESS (REC. 54)

Houston ISD does not manage its work order process properly, which limits the information that campus-level staff have and fails to capture costs accurately.

District staff provided inconsistent descriptions regarding the development of work orders. Work orders for maintenance in Houston ISD are developed by the Customer Care Call Center. The officer of facilities services, operations, and fleet stated that any district staff or community member can call the Customer Care Call Center to request a work order. The general manager of maintenance stated that principals and plant operators are the only district staff authorized to request maintenance work. From June 2018 to February 2019, the Customer Care Call Center received more than 130,000 calls, but not all led to submitted work orders.

When the call center receives a request for a work order, operators enter a description of the issue into the district's systems, applications, and products (SAP) software system. The system tracks the craft necessary to complete the work order, for example, plumbing, electrical, or HVAC. It also classifies work orders by routine or emergency priority. The maintenance area planners scan the SAP system for new work orders, then review the request, indicate the number of staff needed, and route the work order to either the north or south maintenance center. Maintenance team leads assign each work order to a technician to complete the repair. If the technician does not have the necessary supplies, the technician will request the use of a district procurement card to obtain supplies from an approved vendor. After completing the work order, the technician documents the time spent making the repair and the type and approximate price of supplies used, although the technician does not estimate the time spent acquiring supplies or the cost of supplies already stocked in maintenance vehicles. Staff then record this information in the Customer Care SAP system.

Houston ISD's maintenance work order process is inefficient. During onsite interviews, staff said that campus-level plant operators and call center operators often do not accurately describe the necessary repair. Technicians may arrive on campus and determine that another craft needs to address the issue or that the issue requires supplies that the technician lacks. Additionally, staff stated that plant operators often do not accurately identify whether a repair is an emergency or routine maintenance.

Plant operators also noted during interviews that maintenance teams do not notify them when maintenance work has been

FIGURE 7–20
HOUSTON ISD WORK ORDERS
SCHOOL YEARS 2016–17 TO 2018–19

YEAR	CLOSED WORK ORDERS	OPEN WORK ORDERS	TOTAL WORK ORDERS
2016–17	104,946	397	105,343
2017–18	93,692	1,523	95,215
June 2018 to February 2019	42,080	8,134	50,214
Total	**240,718**	**10,054**	**250,772**

SOURCE: Houston ISD, February 2019.

completed or delayed. Principals and plant operators reported frequent uncertainty about how to check on the progress of a work order. Customer Care staff said that the process for checking the status of a work order is to call the Customer Care line; but many campus staff report being unaware of this process.

Houston ISD also lacks a process to monitor and improve the average time spent completing work orders. For example, during onsite campus observations, staff informed the review team that maintenance issues can remain unaddressed for long periods after campuses have submitted work orders. At one elementary campus, the review team observed a collapsed fence near a highway that has remained in disrepair for two years, according to staff, despite phone calls to the Customer Care line. The review team analyzed work orders provided by the district and confirmed many that had been open as long as two years after initial creation. **Figure 7–20** shows the work order completion from school years 2016–17 to the time of review. These histories show that it is common for work orders to be open for a year or longer.

During onsite observations and interviews, the review team observed numerous aspects of the campus facilities that needed repair. Tours of kitchens revealed equipment needing maintenance that had already resulted in several violations marked by health code inspectors. Of 35 kitchens observed, three contained equipment that had been broken for a significant period of time, despite active work orders. During the observation, the district sent a technician to repair a freezer that, according to a kitchen team lead, a health inspector had placed under quarantine months before. Cafeteria team leads said that equipment frequently remains broken for months, and that maintenance staff sometimes ask the cafeteria team lead to sign off on repairs of equipment that is still broken. The review team analyzed health code violations provided by the district and found 60 violations caused by faulty equipment or facility maintenance problems.

The review team observed some well-maintained campuses and others that had numerous maintenance issues, including an elementary campus beset by serious maintenance problems that were unresolved after more than one year. For example, a temporary building used as a classroom had a termite infestation that left visible remnants of termites on the desks of the teacher and students. The classroom teacher and the campus plant operator said that despite a work order, the termites had been there for several months. Another elementary campus stated that, despite good communications with the Maintenance Department, they had a problem with flooding and drainage on campus that remained for three years after reporting it. Staff at one middle school campus reported that even emergency work orders could take a day or two to be resolved. Staff at another said that an emergency work order had been open for two or three weeks.

The district has purchased the SAP Plant Maintenance Module that enables principals to view the work order statuses for their campuses, however, the Chief Information Officer stated that the district has not trained principals on how to utilize this module. According to Customer Care staff, Houston ISD used to have a staff member that maintained a patch between SAP and another system, which enabled campus-level staff to review work orders and their status online. When that staff member left during calendar year 2016, the district lost this technical expertise, and campus-level staff can no longer check the work order status except by calling the Customer Care line. Customer Care staff said that Facilities Services Department planners send reports on open work orders to campus staff "with some regularity," but campus staff with whom the review team interacted were unaware of such reports.

Customer Care managers can produce campus-specific work order reports. For example, Customer Care managers provided two spreadsheets for Port Houston Elementary School—one showing 97 work orders closed from July 1, 2018, to February 22, 2019, and the other showing an

additional 21 work orders still open as of February 22, 2019. Of the 21 open work orders, the average number of days open was 89.

The SAP system tracks cost components of work orders but does not track the total cost of ownership for each repair. Staff said that the system was capable of this task, but that the district was not using the system completely. Additionally, costs cannot be allocated to the campus level and do not include expenses such as the travel time from campuses to supply facilities. Staff said that work order costs capture about 90.0 percent of the true cost.

Senior Facilities Services Department staff noted that Houston ISD is planning to purchase and implement a digital system for work orders beginning in summer 2019. At the time of the onsite review, this plan was in its early stages.

The process for entering and closing work orders has several negative consequences for the district. Campus staff are unable to digitally enter a work order request or digitally track the progress of a work order, instead relying on a staff-intensive telephone system. Maintenance staff often receive erroneous descriptions of issues at facilities, leading to the inefficient use of staff time when the wrong craft arrives to resolve an issue or a technician does not have the supplies necessary to address the repair. A digital questionnaire might help call center staff to describe work order issues accurately. Additionally, staff using the work order system are not accurately tracking work order costs, despite the system being equipped to do so. Campus-level staff cannot determine the length of time a work order has been open and how many work orders precede it. Incomplete work orders can lead to plant operators calling in new requests, often at the principal's behest, which can result in duplicative, erroneous work orders that skew the data in the SAP system.

Peer districts of Houston ISD utilize online work order request systems that are available to all staff. Dallas ISD has an online system that enables teachers to place work orders for classroom repairs. It collects the name of the staff submitting the order, the room number, a description of the issue, and the location in the classroom. Cypress–Fairbanks ISD has an online work order system for routine requests and a phone number for district staff to report emergency requests.

Houston ISD should assess the work order needs and evaluate the ability of a digital system to improve service quality provided by the Facilities Services Department.

To implement this recommendation, Houston ISD should assemble a committee of stakeholders to determine common issues affecting the district's work order process and assess the utility of a digital work order system. The committee should include stakeholders from districtwide operations support, such as technicians from multiple crafts, call center staff, and team leaders or management. It also should include campus staff, such as teachers, principals, custodians, and nutrition services staff. The committee should develop recommendations to improve the work order process feasibly for the district and establish a schedule for releasing these recommendations in a timely manner. The committee should present its findings to the board and to relevant leadership in the district.

Since the time of the review, the Facilities Services Department indicated that the department now utilizes a mobile work order system, replacing the previous paper-based work order process.

The district could implement this recommendation with existing resources.

MAINTENANCE PLANNING (REC. 55)

Houston ISD's Maintenance Department does not engage in long-range planning and performs maintenance reactively.

The district's Facilities Services Department includes a Maintenance Department staffed by a general manager of maintenance, a senior manager of maintenance, north and south area managers, and an HVAC manager. Area managers supervise maintenance team leads who supervise maintenance technicians. The Maintenance Department has approximately 448 staff among several functional categories, including electricians, painters, plumbers, and roofers.

Maintenance managerial staff told the review team that they felt the department was understaffed, but that the district did not have an allocation model to determine a staffing goal. The district's 448 maintenance staff must cover the 31,073,758 square feet of facility space, which translates to one full-time-equivalent (FTE) staff position per 69,361 square feet. **Figure 7–21** shows the staff by craft.

Data indicate that the district has reduced staffing levels during the past three years. Concurrently, the district has increased the square footage the department must maintain through the 2012 bond initiative. During onsite interviews, the COO stated that the Facility Services and Fleet Operations Departments had not had budget increases for 10 years.

FIGURE 7–21
HOUSTON ISD MAINTENANCE STAFF
SCHOOL YEAR 2018–19

CRAFT	STAFF	CRAFT	STAFF	CRAFT	STAFF
Asbestos	20	Glazier	4	Plasterer	2
Asphalt	9	Grounds	24	Roofer	4
Associate Repairer	4	Hazardous Materials Inspector	5	Sheet Metal Worker	4
Carpenter	3	Insulator	6	Heating, Ventilation, and Air Conditioning	68
Cement Finisher	2	Locksmith	1	Telecoms	15
Compliance Representative	4	Maintenance Helper	8	Tile Setter	3
Direct Digital Control Specialist	9	Maintenance Planner	4	Tractor Operator	25
Electrician	31	Maintenance	134	Tree Pruner	5
Exterminator	2	Painter	20	Welder	1
Fencing Repairer	3	Pest Control	1		
Fire Extinguisher Technician	2	Plumber	25		

SOURCE: Houston ISD, 2019.

Houston ISD periodically contracts maintenance tasks to outside vendors. Staff gave mixed responses about the district's process to determine whether to contract maintenance or handle work orders internally. According to one staff, if a campus requests a work order that would cover something that is not necessary, the Maintenance Department gives the campus assistance in contracting for the repair or service. No clear answer was given as to which work order requests were considered "necessary." According to some senior staff, if a repair is going to take more than two hours, the district calls a contractor. Managerial staff indicated that contracting for maintenance work is necessary at times as the Maintenance Department is understaffed.

The review team observed poorly maintained areas at a number of campuses. **Figure 7–22** shows the review team's observations of the maintenance of campus facilities. Most campuses observed had poorly maintained facilities.

If the Maintenance Department does not have the funds to complete all needed repairs, managerial staff said that it requests the funds from the principal of the requesting campus. If the district denies the request, the Maintenance Department leaves the work order open until the next budget cycle. The district's 2018 comprehensive annual financial report noted that the district had $16.7 million encumbered for maintenance from one fiscal year to the next. **Figure 7–23** shows Houston ISD's maintenance cost per square foot compared to other school districts that report to CGCS.

Each year Houston ISD had maintenance costs exceeding those of most other districts.

Figure 7–24 shows Houston ISD's annual costs of maintenance per work order, which are consistently above the median during the period of study.

The district is spending more per square foot for maintenance than most other CGCS districts, and yet many work orders remain open for lengthy periods and the department reports that it is understaffed.

The Maintenance Department is responsible for two broad types of maintenance. Preventive maintenance is performed regularly to help ensure that equipment continues working as expected. Reactive maintenance occurs once equipment has broken, repairing the issue or replacing the equipment. During onsite interviews, maintenance staff said that the district has no comprehensive preventive maintenance program. Maintenance staff also noted that managers instruct them not to check equipment routinely during campus visits, but to respond only to issues covered by a work order. Staff stated that the district operates a Maintenance Response Team (MRT) for structural issues at each campus. The MRT spends two to three days at each campus twice a year to check for structural issues. The review team could only confirm that this occurred with the structural craft, other crafts such as plumbing and electrical did not have a similar program.

General maintenance staff said that the HVAC team conducts an ongoing preventive maintenance program. The district

FIGURE 7–22
LEGISLATIVE BUDGET BOARD SCHOOL PERFORMANCE REVIEW TEAM CAMPUS MAINTENANCE OBSERVATIONS
FEBRUARY 2019

AREA	CAMPUSES ASSESSED	CONDITION OBSERVED
Floors are not in good condition.	34	22
Visible evidence of cracks or other opening in exterior walls.	34	16
Not all interior finishes are in good condition.	34	16
At least some furnishings, fixtures, or equipment appears to be damaged or broken.	35	18
Building users can identify unresolved electrical problems.	33	16
There are visible electrical wiring or other service problems.	32	12
Not all sinks and toilets are in excellent repair.	34	19
Coils and fins are not cleaned regularly.	32	21
Portable buildings used as classrooms are not in excellent repair.	35	20

SOURCE: Legislative Budget Board School Performance Review Team, February 2019.

FIGURE 7–23
HOUSTON ISD MAINTENANCE COST PER SQUARE FOOT
SCHOOL YEARS 2014–15 TO 2016–17

YEAR	HOUSTON ISD	LOWER QUARTILE	MEDIAN	UPPER QUARTILE
2014–15	**$1.56**	$0.95	$1.24	$1.39
2015–16	**$1.72**	$0.95	$1.14	$1.44
2016–17	**$1.62**	$0.95	$1.18	$1.41

SOURCE: Council of the Great City Schools, 2018.

FIGURE 7–24
HOUSTON ISD MAINTENANCE COST PER WORK ORDER
SCHOOL YEAR 2014–15 TO 2016–17

YEAR	HOUSTON ISD	LOWER QUARTILE	MEDIAN	UPPER QUARTILE
2014–15	**$417**	$306	$410	$485
2015–16	**$489**	$295	$407	$551
2016–17	**$475**	$326	$470	$562

SOURCE: Council of Great City Schools, 2018.

provided a document that identified several preventive maintenance duties for the team to carry out, such as filter replacements, cleaning coils, and inspecting belts and exhaust fans, although HVAC team staff said that the team only occasionally changes filters.

APPA – Leadership in Educational Facilities established maintenance standards to assist facilities in determining the level of staff needed to maintain timely and effective maintenance services. According to the APPA maintenance standards summarized in **Figure 7–25**, a district can maintain a facility at a level of comprehensive stewardship with approximately 1.0

FTE position per 67,456 square feet. By this measure, Houston ISD's current staffing level of 1.0 FTE position per 69,204 square feet is sufficient to maintain comprehensive stewardship.

Houston ISD's current maintenance staffing level should be sufficient for the department to respond to maintenance calls in a timely manner and to operate a "well-developed preventive maintenance plan," as described in APPA's comprehensive stewardship standard.

Spring ISD has developed a comprehensive preventive maintenance program that includes the following schedule, which is shown in **Figure 7–26**.

FIGURE 7–25
APPA – LEADERSHIP IN EDUCATIONAL FACILITIES MAINTENANCE STANDARDS, FEBRUARY 2019

DESCRIPTION	LEVEL 1 – SHOWPIECE 1.0 FTE POSITION PER 47,220 SQUARE FEET (SQ FT)	LEVEL 2 – COMPREHENSIVE STEWARDSHIP 1.0 FTE POSITION PER 67,456 SQ FT	LEVEL 3 – MANAGED CARE 1.0 FTE POSITION PER 94,439 SQ FT	LEVEL 4 – REACTIVE MANAGEMENT 1.0 FTE POSITION PER 118,049 SQ FT
Customer Service and Response Time	Able to respond to virtually any service, immediate response.	Response to most service needs, typically in a week.	Services available only by reducing maintenance, response times of one month or less.	Services available only by reducing maintenance, response times of one year or less.
Customer Satisfaction	Proud of facilities; have a high level of trust for the facilities organization.	Satisfied with facilities related services, usually complimentary of facilities staff.	Able to perform mission duties. Lack of pride in physical environment.	Generally critical of cost, responsiveness and quality of facilities services.
Maintenance Mix	All preventive maintenance is scheduled and performed on time. Emergencies are infrequent and handled efficiently.	A well-developed preventive maintenance plan.	Reactive maintenance high due to systems failing. High number of emergencies.	Worn-out systems require staff react to failures. Preventive maintenance is inconsistent.
Aesthetics, Interior	Finishes are "like new".	Clean and crisp finishes.	Average finishes.	Dingy finishes.
Aesthetics, Exterior	Window, doors, trim, exterior walls are like new.	Watertight appearance of exterior cleaners.	Minor leaks and blemishes.	Somewhat drafty and leaky, rough-looking exterior.
Aesthetics, Lighting	Bright and clean, attractive lighting.	Bright and clean, attractive lighting.	Generally well lit and clean.	Numerous lights out, missing diffusers.
Service Efficiency	Maintenance activities appear highly organized and focused. Service and maintenance calls are responded to immediately.	Maintenance activities appear organized with direction. Service and maintenance calls are responded to in a timely manner.	Maintenance activities appear to be somewhat organized. Maintenance calls are sporadic without apparent cause.	Service calls are typically not responded to in a timely manner.
Building Systems Reliability	Breakdown maintenance is rare and limited to vandalism and abuse repairs.	Breakdown maintenance is limited to system components short of mean times between failures.	Building and systems periodically or often fail.	Systems unreliable with a constant need for repair.

NOTE: FTE=full-time-equivalent position.
SOURCE: APPA – Leadership in Educational Facilities, February 2019.

Houston ISD's Maintenance Department is operating almost solely reactively, which further stretches its resources and reduces its ability to function efficiently or effectively. Many areas in the district have not received routine maintenance for a lengthy period. The expense of maintaining facilities by checking equipment only when it breaks down also contributes to the district's cost of maintenance. Additionally, staff report that the department is understaffed but there is no staffing allocation model to confirm this observation, and the review team's analysis suggests that the department is adequately staffed. In addition, the department often contracts work that staff could perform, without a consistent process to determine when contracting is necessary. Despite cuts, the Maintenance Department has high costs when compared to those of other large districts.

Houston ISD should develop long-term planning strategies for the Maintenance Department, such as a staffing allocation model and a preventive maintenance program.

The district should assess the number of maintenance staff positions necessary to maintain a standard of maintenance based on industry standards. The Maintenance Department should then determine appropriate staffing levels. This standard should be usable by the district even as it changes in size. When the district has determined appropriate staffing levels, it will be able to determine when staffing levels are inadequate, when to develop new positions, or when work should be contracted.

FIGURE 7–26
SPRING ISD PREVENTIVE MAINTENANCE PROGRAM SCHEDULE
SCHOOL YEAR 2018–19

PREVENTIVE MAINTENANCE ACTIVITY	ACTIVITY FREQUENCY
Clean air-conditioning (A/C) unit filters	Bimonthly
Change A/C unit filters	3-week to 12-week intervals
Clean chiller condenser coils	Every 2 years
Clean fan coil and air handler evaporator coils	Annually
Clean ice machine condenser coils	Every 4 months
Inspect and capacity test chillers	Annually
Change chiller compressor oil and cores	Every 2 years
Check chemical levels in closed loop chilled and hot water piping	Monthly
Clean grease traps	Every 3 months
Inspect and test boilers	Annually
Check roofs, downspouts, and gutters	Monthly, repair as needed – 20-year roof warranty
Inspect exterior lighting	Semiannually
Inspect elementary play gym lighting	Annually
Inspect and clean gym gas heaters	Annually
Inspect playground equipment	Monthly, repair as needed
Clean fire alarm system smoke detectors	Semiannually
Inspect all interior and exterior bleachers	Annually, repair as needed
Clean, tighten, and lubricate roll out bleachers	Annually
Check exterior building and concrete caulking	Annually – 8-year replacement
Stripe exterior parking lots	Annually
Check condition of asphalt parking lots	Annually – 12-year replacement
Check carpet	15-year replacement
Check vinyl composition tile floors	20-year replacement
Spray wash exterior soffits and building	Every 2 years or as needed
Replace glass and Plexiglas	As needed
Paint interior of facilities	Every 5 years
Paint exterior of facilities	Every 8 years
Perform general facility inspections	Annually

SOURCE: Spring ISD, 2019.

Houston ISD also should review its current maintenance programs and develop a preventive maintenance schedule for each maintenance team. To accomplish this, the district should review available documentation on best practices in establishing preventive maintenance programs. The district also should review the local preventive maintenance plans of other districts in similar geographic areas to ensure that it takes into account relevant factors such as high humidity. After the district has developed and established preventive maintenance plans, it should establish goals for the number of preventive maintenance checks per department and regularly monitor to ensure that each department is reaching these goals.

The fiscal impact assumes that, by implementing industry standards, the Maintenance Department could save 10.0 percent of the difference between Houston ISD's spending and the median among CGCS districts. The median maintenance cost per square foot among CGCS districts is $1.18, and Houston ISD pays $1.62, which equals a difference of $0.44. Houston ISD has 31.1 million square feet of facilities. The annual savings is $1,367,245 ($0.44 x 31,073,758 x 0.10).

TRUCK STOCK INVENTORY (REC. 56)

Houston ISD does not have a process to monitor and inventory supplies used for maintenance repairs, which risks inefficiency and property loss.

Maintenance technicians carry parts or truck stock supplies in their district vehicles to complete maintenance requests. During onsite interviews, maintenance staff said that the district previously relied heavily on truck stock for supplies, but now they buy items as needed. Staff also said they maintain only an informal internal inventory of truck stock supplies and do not have a system to track supplies on trucks, nor do they conduct regular physical inventories. According to staff, there are also two maintenance centers that have some stocked repair parts.

The district divides maintenance staff into north and south areas. The area manager for north maintenance stated that tools and truck stock inventory were in "good shape" and that he believed, but was not certain, that maintenance team leads performed inventory on truck stock supplies. The area manager for south maintenance stated that he believed truck stock supplies to be adequate, but added "we don't have everything." He also said that there is to his knowledge no policy forbidding the personal use of tools by technicians. The senior manager of maintenance stated that some truck stock is available to technicians, but that it is "usually not enough to handle assigned jobs." He stated the opinion that the inventory of tools was adequate and that the district did not allow the personal use of tools by staff. He also reported being unsure as to who maintains an inventory or audit of truck stock.

The review team observed the north and south maintenance centers, which containing supply that technicians can use to restock maintenance trucks, according to staff. **Figure 7–27** shows photos of both maintenance facilities. The review team found very little repair stock on hand. With the exception of an area containing window air conditioning units in the south maintenance center, most areas were disorganized and not inventoried. Staff at these sites said that they normally purchase new items when making repairs rather than attempting to find parts at those facilities.

District maintenance technicians are operating with inadequate parts in their vehicles. The Maintenance Department does not inventory the stock it carries, leaving the possibility for repair stock to go missing or to waste. Without a clear idea of what their vehicles carry, maintenance technicians are more likely to purchase parts while making a repair, instead of arriving prepared to complete a work order.

Houston ISD should implement a consistent inventory process of maintenance stock to ensure that technicians have the needed tools and materials to complete repairs and that materials reported as used are being tracked and noted.

The Facilities Services Department should determine a position in the Maintenance Department to conduct the inventory, such as a maintenance team lead or maintenance area manager. These positions should conduct a physical inventory of the maintenance vehicles quarterly. The inventory should compare the stock on the vehicle to the stock purchased by the technician or district and consider the stock the technician has recorded using on the job. If possible, with existing software, staff should record inventories in the SAP software. The general manager of maintenance should examine the record each quarter to determine that maintenance staff have completed inventory and that vehicles are carrying accurate counts of supplies, which would better prepare technicians to complete repairs and reduce the possibility of maintenance supplies being taken for personal use. Additionally, the district should establish a policy on personal use of district tools by maintenance technicians.

The district could implement this recommendation with existing resources.

CUSTODIAL VENDOR (REC. 57)

Houston ISD contracts for custodial services despite employing district staff sufficient to perform these services.

The district uses both a custodial management company (CMC), Metroclean, and district-employed custodians to clean Houston ISD facilities. The contract with the CMC began in December 2016, and has been subsequently renewed, according to district staff. However, Houston ISD did not provide the renewal addendums to the review team. The term of the contract provided to the review team ended in December 2017. According to the contract version provided by the district, the district is paying approximately $8.0 million annually to the vendor.

During the onsite review, district staff stated that the district utilizes both in-house staff and a CMC because it saves the district funds previously spent on cleaning supplies. When the contract began, the CMC handled cleaning services for only a few campus cafeterias. Some campuses also receive evening custodial services from the CMC. The district prioritizes newer campuses for CMC services, according to district staff, who did not indicate why some campuses received additional services and not others.

FIGURE 7–27
HOUSTON ISD NORTH AND SOUTH MAINTENANCE FACILITIES
FEBRUARY 2019

FIGURE 7–27 (CONTINUED)
HOUSTON ISD NORTH AND SOUTH MAINTENANCE FACILITIES
FEBRUARY 2019

SOURCE: Legislative Budget Board School Performance Review Team, February 2019.

The provided contract does not provide a cleanliness standard the CMC is required to meet. The contract states that the CMC will meet minimum acceptable cleaning performance standards, and it lists the following five cleanliness levels: orderly spotlessness, ordinary tidiness, casual inattention, moderate dinginess, and unkempt neglect. However, the contract does not state which of these levels the CMC is required to maintain. **Figure 7–28** shows the five cleanliness levels listed in the contract, which correspond to the APPA – Leadership in Educational Facilities' Custodial Staffing Guidelines.

Houston ISD plant operators manage the facilities at each campus and direct the tasks of custodians who clean them. Custodians report to custodial team leads, who communicate with plant operators, handle administrative matters related to custodial employment, and address custodial issues that arise at various campuses. During interviews, custodial team leads said that each oversees the custodial matters for 26 to 30 campuses.

The district does not appear to hold the custodial vendor accountable for its contracted services. Focus groups with most custodial team leads and interviews with many plant operators indicated that CMC staff do not have an understanding of the cleanliness levels required at a campus. District custodial team leads said that the vendor's custodians have poor training and often leave campuses inadequately clean, which district custodians have to remedy. One custodial team lead frequently submits to a district supervisor photographs demonstrating the poor cleanliness of campuses served by CMC staff. During campus visits and interviews with principals and plant operators at 35 campuses, the review team learned that there was general satisfaction with district custodians, but frustration with the quality of work and responsiveness from the vendor's staff.

The review team evaluated campuses according to the five cleanliness levels shown in **Figure 7–28**, focusing on 12 commonly used areas of each campus. These areas

FIGURE 7–28
APPA – LEADERSHIP IN EDUCATIONAL FACILITIES CLEANING STANDARDS AND CUSTODIAL STAFFING GUIDELINES
FEBRUARY 2019

LEVEL 1 – ORDERLY SPOTLESSNESS	LEVEL 2 – ORDINARY TIDINESS	LEVEL 3 – CASUAL INATTENTION	LEVEL 4 – MODERATE DINGINESS	LEVEL 5 – UNKEMPT NEGLECT
Floors and base moldings shine and/or are bright and clean; colors are fresh. There is no buildup in corners or along walls.	Floors and base moldings shine and/or are bright and clean. There is no buildup in corners or along walls, but there can be up to two days' worth of dust, dirt, stains, or streaks.	Floors are swept or vacuumed clean, but upon close observation there can be stains. A buildup of dirt and/or floor finish in corners and along walls can be seen.	Floors are swept or vacuumed clean, but are dull, dingy, and stained. There is an obvious buildup of dirt and/or floor finish in corners and along walls.	Floors and carpets are dull, dirty, dingy, scuffed, and/or matted. A conspicuous buildup of old dirt and/or floor finish in corners and along walls. Base molding is dirty, stained, and streaked. Gum, stains, dirt, dust balls, and trash are broadcast.
All vertical and horizontal surfaces have a freshly cleaned or polished appearance and have no accumulation of dust, dirt, marks, streaks, smudges, or fingerprints.	All vertical and horizontal surfaces are clean, but marks, dust, smudges, and fingerprints are noticeable upon close observation. Lights all work and fixtures are clean.	There are dull spots and/or matted carpet in walking lanes. There are streaks or splashes on base molding.	There is a dull path and/or obviously matted carpet in the walking lanes. Base molding is dull and dingy with streaks or splashes.	All vertical and horizontal surfaces have major accumulations of dust, dirt, smudges, and fingerprints, all of which will be difficult to remove. Lack of attention is obvious.
Lights all work and fixtures are clean.	Lamps all work and fixtures are clean.	Lamps all work and fixtures are clean.	All vertical and horizontal surfaces have conspicuous dust, dirt, smudges, fingerprints, and marks.	Light fixtures are dirty with dust balls and flies. Many lamps (more than 5.0 percent) are burned out.
Washroom and shower fixtures and tile gleam and are odor-free. Supplies are adequate.	Washroom and shower fixtures and tile gleam and are odor-free. Supplies are adequate.	All vertical and horizontal surfaces have obvious dust, dirt, marks, smudges, and fingerprints.	Lamp fixtures are dirty and some (up to 5.0 percent) lamps are burned out.	Trash containers and pencil sharpeners overflow. They are stained and marked. Trash containers smell sour.
Trash containers and pencil sharpeners hold only daily waste, are clean, and odor-free.	Trash containers and pencil sharpeners hold only daily waste, are clean, and odor-free.	Trash containers and pencil sharpeners hold only daily waste, are clean, and odor-free.	Trash containers and pencil sharpeners have old trash and shavings. They are stained and marked. Trash containers smell sour.	

SOURCE: APPA – Leadership in Educational Facilities Cleaning Standards, Custodial Staffing Guidelines, July 2019.

include locker rooms, staff and student restrooms, gymnasiums, classrooms, foyers, laboratories, hallways, dining areas, swimming pools, and outdoor spaces. At 35 campuses, almost all 12 areas averaged ratings between ordinary tidiness and casual inattention. However, student locker rooms averaged a rating of less than the standard for casual inattention. At least 10 of the observed 35 campuses had areas that earned a rating of moderate dinginess or unkempt neglect.

District custodial staff reported that CMC staff are frequently absent, which hinders efforts to maintain an acceptable level of cleanliness. Many district custodial team leads noted that

it is common for CMC staff to fail to report for duty on campuses without notice, which leaves the district to cover with internal custodial staff after it notices the problem.

Houston ISD's contract with the CMC does not clearly define a mechanism for the district to address sub-par custodial standards after the CMC performs its work. The contract states, "the supplier [CMC] assumes full responsibility for the actions of its personnel … and shall remain solely responsible for their supervision." District-employed custodial team leads said that they were unsure of the contract's terms, and that the district has not told them how to address poor results from the vendor's staff. District

FIGURE 7–29
HOUSTON ISD COVERAGE OF SQUARE FOOT PER CUSTODIAN COMPARED TO COUNCIL OF THE GREAT CITY SCHOOLS DATA
SCHOOL YEARS 2013–14 TO 2016–17

YEAR	HOUSTON ISD	CGCS LOWER QUARTILE	CGCS MEDIAN	CGCS UPPER QUARTILE
2013–14	**20,181**	23,417	25,964	30,374
2014–15	**20,342**	22,512	25,451	30,500
2015–16	**19,626**	23,822	26,442	30,307
2016–17	**18,838**	23,147	26,381	30,845

SOURCE: Council of the Great City Schools (CGCS), *Managing for Results*, 2018.

staff said that they inform their supervisors when the CMC fails to maintain campuses at a generally acceptable cleanliness standard, but that the district did not inform them whether staff had addressed the situation appropriately or whether the district had taken any further action.

During onsite interviews, plant operators repeatedly said that CMC staff were not necessary to appropriately clean their campuses and reported being unsure as to why the district had contracted with the custodial vendor. The district structured the vendor contract to purchase cleaning supplies from the CMC at an approximate annual cost of $1.5 million. In addition, Houston ISD annually pays $6.9 million to the CMC for labor costs.

APPA guidelines establish that to maintain a campus at the second level of cleanliness, ordinary tidiness, a custodian should clean approximately 21,000 square feet per day. A guideline released in 2008 by the American School and University Maintenance & Operations Cost Study specified a larger ratio, stating that a district can maintain an acceptable level of cleanliness while assigning 32,100 square feet per day to each custodian.

Although the district's staffing formula in its *Principals' Guide* states that it will staff one custodian per every 36,000 square feet, according to information provided by Houston ISD to the CGCS, the district assigned each custodian 18,838 square feet of space to clean per day during school year 2016–17. This number excludes CMC staff and the square footage for which CMC staff is responsible. This number is less than both the APPA and the American School and University Maintenance & Operations Cost Study standards.

Figure 7–29 shows Houston ISD's rate of square footage per custodian compared to data from all CGCS school districts for school years 2013–14 to 2016–17. Based on this data, Houston ISD's rate is significantly less than the median.

According to a facility inventory provided by Houston ISD, the buildings in the district total 31,073,758 square feet. The district employs 1,269 custodians, not including the vendor's staff. The review team found that assuming district staff clean the full 31.1 million square feet in the district, the district custodians would clean 24,487 square feet per day. This amount would be less than the median among the CGCS school districts, and below the district's stated staffing formula.

The district provided an analysis that estimates it would spend an additional $7.2 million if it were to assume the CMC's workload. However, the district's estimate assumes that the district will hire additional staff for these responsibilities, when current workloads indicate that existing staff can assume this additional workload.

Houston ISD should reassign the custodial vendor's responsibilities to district custodial staff. According to best practice guidelines, existing district staff would be sufficient to maintain its facilities above the level of casual inattention. In order to distribute appropriate workloads across its staff, the district should reassess custodial assignments to ensure that campuses formerly served by the CMC receive adequate custodial services.

When the contract is complete, the district should direct the CMC duties to existing district custodial staff. As a result, the district will no longer need a CMC vendor. The fiscal impact assumes that the district eliminates the Metroclean custodial services and supplies contract for an annual net savings of $6.5 million, including $8.0 million in savings for eliminating contracted custodial labor and supplies less $1.5 million for the cost of custodial supplies that the district no longer will purchase from the vendor. These amounts are based on the contract provided, which was expired. If the district renegotiated the cost with the vendor in a more recent contract, these savings would differ.

ADDITIONAL OBSERVATIONS

During the onsite fieldwork, the review team observed additional issues regarding the district's programs and services to students, staff, and the community. These observations are presented for consideration as the district implements the report's other findings and recommendations:

- During interviews, numerous Construction Services Department staff noted that the district relies predominantly on the construction management at risk (CMAR) contract delivery method when providing construction services. District construction managers stated that they believed that the district should use other methods, and that CMAR usage has led to projects exceeding their budgets because of a lack of detailed cost estimates. The district should assess its construction contract delivery process to determine the most effective use for each delivery method.

- Houston ISD's Construction Services Department has a standard operating procedures manual to provide resources for new staff. During interviews, however, some construction services representatives and construction project managers stated that they were unaware of this manual. Staff indicated that they learn procedures by observing others in the department and by asking questions when issues arise. The district should assess how it communicates these procedures to staff and determine how to appropriately train existing and new staff on these procedures.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and they should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

RECOMMENDATION		2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
7. FACILITIES USE AND MANAGEMENT								
46.	Develop an accurate facility utilization rate for each campus and ensure that campuses maintain industry-standard utilization rates.	($43,760)	($43,760)	($43,760)	($43,760)	($43,760)	($218,800)	$19,725,000
50.	Evaluate all position titles and job responsibilities within the Construction Services Department and Facilities Services Department and ensure that titles and responsibilities match the functions performed by each position.	$121,822	$121,822	$121,822	$121,822	$121,822	$609,110	$0
53.	Develop a clear reporting structure for the Energy Initiatives Department and an energy management plan.	$714,696	$714,696	$714,696	$714,696	$714,696	$3,573,480	$0
55.	Develop long-term planning strategies for the Maintenance Department, such as a staffing allocation model and a preventive maintenance program.	$1,367,245	$1,367,245	$1,367,245	$1,367,245	$1,367,245	$6,836,225	$0
57.	Reassign the custodial vendor's responsibilities to district custodial staff.	$6,545,748	$6,545,748	$6,545,748	$6,545,748	$6,545,748	$32,728,740	$0
Total		**$8,705,751**	**$8,705,751**	**$8,705,751**	**$8,705,751**	**$8,705,751**	**$43,528,755**	**$19,725,000**

The Legislative Budget Board's School Performance Review Team could not determine a fiscal impact for other recommendations. The implementation of these recommendations may result in savings in several areas; however, the review team does not have the data to indicate a specific fiscal impact. **Recommendation 48** (facilities master plan) enables the district to take short-term planning measures to see long-term potential savings.

Recommendation 49 (program management firms) would enable the district to save substantial sums in the future by removing the duplication of effort involved in staffing construction management positions and hiring program management firms.

Recommendation 51 (furniture, fixtures, and equipment) would enable district operations staff to standardize maintenance and custodial supplies. **Recommendations 47** (building prototypes) and **52** (inconsistency in design) would provide more efficient building spaces and processes based on the recommendations of the operational staff that will use the buildings, leading to potential savings.

Recommendation 54 (work order system) could result in faster, cheaper repairs for the district by using a digital work order system to improve the efficiency of Houston ISD's work orders and Maintenance Department.

8. SAFETY AND SECURITY MANAGEMENT

Houston Independent School District (ISD) has two departments in charge of safety and security management: the Police Department, overseen by the police chief, and the Risk Management Department, which reports to the Chief Financial Officer. The Police Department employs more than 200 police officers, with more than 160 assigned to campuses or on patrol. Additionally, the department employs officers who work as trainers, dispatchers, and investigators. Staff within the Risk Management Department are responsible for addressing campus security and environmental concerns, including fire inspections, intruder drills, and asbestos abatement.

During school year 2017–18, Houston ISD spent more than $20.0 million for security and monitoring services. During each of the two preceding school years, the district spent more than $25.0 million for security and monitoring services. This amount includes the costs of the Police Department, some security upgrades across campuses, and a portion of the Risk Management Department's budget. The 2012 bond included $17.3 million for safety and security improvements. The district funded an additional $12.0 million for safety and security improvements from surplus bond funds.

ACCOMPLISHMENT

♦ Houston ISD has developed thorough and helpful procedures to improve its alternative education programs.

FINDINGS

♦ Houston ISD divides its safety and security functions between the Police Department and the Risk Management Department, which results in inefficiency, poor communication and planning, and the omission of key safety and security responsibilities.

♦ The Houston ISD Police Department has an unclear leadership structure, which has caused a breakdown in communication among district leadership that affects safety planning.

♦ The Houston ISD Police Department does not have procedures to ensure the development and regular updating of key department documents regarding resource sharing and communication.

♦ Houston ISD lacks data-driven performance measures and systems to evaluate its Police Department.

♦ The Houston ISD Police Department's procedures for processing arrests are unsafe, and the processing unit's staffing level is inadequate.

♦ Houston ISD's discipline practices are not consistent across all campuses.

♦ Houston ISD does not enforce state-mandated truancy intervention requirements.

RECOMMENDATIONS

♦ **Recommendation 58: Consolidate the safety functions and form a districtwide safety and security committee to address safety issues.**

♦ **Recommendation 59: Restructure the police chief's reporting relationship so that the position reports only to the superintendent.**

♦ **Recommendation 60: Charge specific positions with reassessing, maintaining, and regularly updating key district documents, such as memorandums of understanding and service expectations.**

♦ **Recommendation 61: Develop and institute data-driven performance measures and information sources for the Houston ISD Police Department.**

♦ **Recommendation 62: Make staffing, transportation, and facility changes to improve the Houston ISD Police Department's processing unit for efficiency and safety.**

♦ **Recommendation 63: Standardize campus practices, communicate expectations, and hold principals accountable for student discipline management.**

♦ **Recommendation 64: Develop an enforcement mechanism to ensure that campuses are utilizing all required interventions before making truancy case referrals.**

BACKGROUND

An independent school district's safety and security function identifies physical and environmental vulnerabilities and includes strategies to minimize risks to ensure a protected learning environment for students and staff. This protection includes a balanced approach of prevention, intervention, enforcement, and recovery. Risks can include environmental disasters, physical hazards, security threats, emergencies, and human-caused crises.

Managing safety and security initiatives is dependent on a district's organizational structure. Larger districts typically have staff dedicated to safety and security, and smaller districts assign staff tasks as a secondary assignment. Safety and security include ensuring the physical security of a school and its occupants. A comprehensive approach to planning for physical security considers school locking systems; monitoring systems; equipment and asset protection; visibility of areas and grounds; police and school resource officers; and emergency operations. Emergency and disaster-related procedures must include fire protection, environmental disasters, communication systems, crisis management, and contingency planning. To identify physical hazards, a school district must consider playground safety and overall building and grounds safety. Environmental factors, such as indoor air quality, mold, asbestos, water management, and waste management, also affect the safety of school facilities.

One of the stated objectives of public education in the Texas Education Code is to "provide safe and disciplined environments conducive to learning." To achieve this objective, safety and security operations go hand-in-hand with education, as districts are responsible for protecting students, teachers, and school property while providing a positive learning environment. Working together, district leaders, campus principals, facility managers, transportation supervisors, and safety and security staff identify risks and develop plans to mitigate threats.

A safe and secure school environment as defined by the federal Elementary and Secondary Education Act, Title IV, Section 401, 21st Century Schools and the Safe and Drug-free Schools and Communities Act, encompasses communication systems, fire protection, playground safety, facility safety, environmental regulations, and emergency operation planning.

Every three years, in accordance with state law, Houston ISD performs safety and security audits. These audits cover the interior and exterior of facilities, the area surrounding the campus, the climate of the campus, campus data security, and emergency management plans. Houston ISD has developed a districtwide Emergency Operations Plan that prescribes general procedures in the event of emergencies. These procedures encompass a range of safety topics from the possibility of an allergic reaction and natural disasters to intruders on campus.

Houston ISD has more than 14,000 security cameras across all of its campuses and several security guards who patrol district facilities. Each campus also has a fire alarm panel in place. Campuses are accessible via card access or through an electronic access system. The district utilizes a visitor management system, but did not provide formal districtwide visitor management procedures. However, the Legislative Budget Board's School Performance Review Team experienced uniform procedures during onsite observations. Staff greet visitors, scan each visitor's identification, and provide visitor badges. Staff then escort visitors to their destinations.

Houston ISD has three disciplinary alternative education programs (DAEP), including an elementary DAEP, Harper Alternative, and a secondary DAEP that began providing services in August 2017. Students that the district expels from campus or receive court orders due to probation conditions attend the Harris County Juvenile Justice Alternative Education Program (JJAEP), which serves Houston ISD and several other local districts.

DETAILED ACCOMPLISHMENT

ALTERNATIVE EDUCATION PROGRAMS

Houston ISD has developed thorough and helpful procedures to improve its alternative education programs. In particular, the district has implemented social and emotional learning programming in its elementary DAEP and has decreased the number of discretionary referrals it makes to the Harris County JJAEP.

The elementary DAEP campus is located in a separate, secure building on the grounds of Eliot Elementary School. A typical placement in the elementary DAEP lasts 15 days. When the district assigns a student to the DAEP, staff complete interviews with personnel at the student's home campus, the student, and the parents. Staff work with the student and parents to develop a behavior management plan, using various behavior management tools to help the student complete it. These parties also work together on a student–parent agreement to promote the student's behavior goals. **Figure 8–1** shows an example student–parent agreement.

FIGURE 8–1
HOUSTON ISD ELEMENTARY DISCIPLINARY ALTERNATIVE EDUCATION PROGRAM STUDENT–PARENT AGREEMENT
SCHOOL YEAR 2018–19

E

Student/Parent Agreement

The goal of the Elementary Discipline Alternative Education Program is to provide students the opportunity to continue their academic instruction and to begin developing effective and appropriate self-management skills and coping strategies.

Student Agreement: To accomplish these goals I agree to work on the following behaviors:

| 1. To come to school every day |
| 2. Follow expectations |
| 3. Work on my SEL goals |
| 4. Give my behavior log to my parent each evening |
| 5. |

Parent Agreement: To support my child to be successful in the Elementary Discipline Alternative Education Program I agree to do the following:

| 1. Look at behavior log, discuss it with my student, and sign it every day. |
| 2. Communicate with the EL DAEP if I have any questions or problems. |
| 3. |
| 4. |
| 5. |

Signature of Student _____   Date _____

Signature of Parent/Guardian _____   Date _____

SOURCE: Houston ISD, February 2019.

When the student is ready to return to the home campus, DAEP staff work with the student, parents, teacher, and potentially other classmates to resolve lingering issues. DAEP staff also follow up with each student six weeks after the returning to the home campus.

The district also utilizes the Harris County JJAEP to place students who have committed more serious infractions, pursuant to the Texas Education Code, Chapter 37. During school year 2017–18, Houston ISD had the third most expulsions to a JJAEP in the state. However, the district has implemented behavior management plans and utilized campus and district supports before referring students discretionarily to the JJAEP. **Figure 8–2** shows Houston ISD expulsions to the Harris County JJAEP from school years 2015–16 to 2017–18.

FIGURE 8–2
HOUSTON ISD EXPULSIONS TO HARRIS COUNTY JUVENILE JUSTICE ALTERNATIVE EDUCATION PROGRAM (JJAEP)
SCHOOL YEARS 2015–16 TO 2017–18

CATEGORY	2015–16	2016–17	2017–18	PERCENTAGE CHANGE 2015–16 TO 2017–18
Houston ISD Enrollment (1)	231,911	233,955	228,377	(1.5%)
Mandatory Expulsions to JJAEP	33	32	38	15.2%
Discretionary Expulsions to JJAEP	25	20	12	(52.0%)
Total Expulsions to JJAEP	**58**	**52**	**50**	**(13.8%)**

NOTE: (1) Data shows Public Education Information Management System annual discipline data, which differ from the enrollment data submitted by Houston ISD.
SOURCES: Texas Education Agency, Public Education Information Management System, school years 2015–16 to 2017–18; Houston ISD, 2019.

The JJAEP school principal said that, although Houston ISD is the largest district that refers students to the JJAEP, Houston ISD students make up a disproportionately small number of enrolled JJAEP students. The JJAEP program's Safe Schools Administrator stated that Houston ISD has decreased discretionary referrals and developed students' behavioral management through district resources. The *School to Prison Pipeline* report by Texas Appleseed has shown that students expelled to the JJAEP for discretionary offenses such as serious or persistent misbehavior often have worse outcomes than students referred to the program mandatorily for criminal offenses. Best practices indicate that districts should work with students on their home campuses as much as possible and provide them with skills to improve their behavior.

DETAILED FINDINGS

DIVIDED SAFETY FUNCTIONS (REC. 58)

Houston ISD divides its safety and security functions between the Police Department and the Risk Management Department, which results in inefficiency, poor communication and planning, and the omission of key safety and security responsibilities.

The Houston ISD Police Department includes campus and patrol officers, an investigations unit, a gang suppression unit, a crime analysis unit, a communications team, and a processing center. **Figure 8–3** shows the organization for the department.

Campus officers serve as first responders to criminal activity that occurs on district campuses. According to the district, campus officer responsibilities include responding to in-progress calls, parking and traffic enforcement, conducting safety awareness programs, emergency calls, court appearances and testimony, and threat assessment. Patrol officers are the

first responders to all 911 calls within the Houston ISD boundaries and provide traffic enforcement and other support to campuses. The Police Department's communications unit is a dispatch center that handles calls. During onsite interviews, the Houston ISD police chief stated that staff perform active-shooter drills at campuses across the district.

Some safety functions in Houston ISD reside in the Risk Management Department instead of the Police Department. The Risk Management Department reports to the Chief Financial Officer. The department's safety and emergency management team assesses campus safety and periodically performs intruder drills intended to alert the district to the accessibility of campuses and the preparedness of staff in following visitor management procedures. As part of these drills, a field safety inspector attempts to enter the campus without following visitor guidelines, checks for unsecured entrances, and documents whether campus staff that encounter the unannounced inspector take appropriate action. In addition, the safety and emergency management team monitors emergency drills across the district and trains campus staff to implement them. **Figure 8–4** shows the organizational structure of safety and security functions in Houston ISD.

These two departments do not communicate or coordinate effectively with each other. During the review team's onsite interviews, Risk Management Department staff stated that they have limited interaction with the Police Department, and they believe that the two departments operate without communicating. This separation results in ineffective safety and security implementation throughout the district. For example, the safety and emergency management team trains campus staff regarding evacuation plans and campus lockdown procedures without involving district police

FIGURE 8–3
HOUSTON ISD POLICE DEPARTMENT ORGANIZATION
SCHOOL YEAR 2018–19
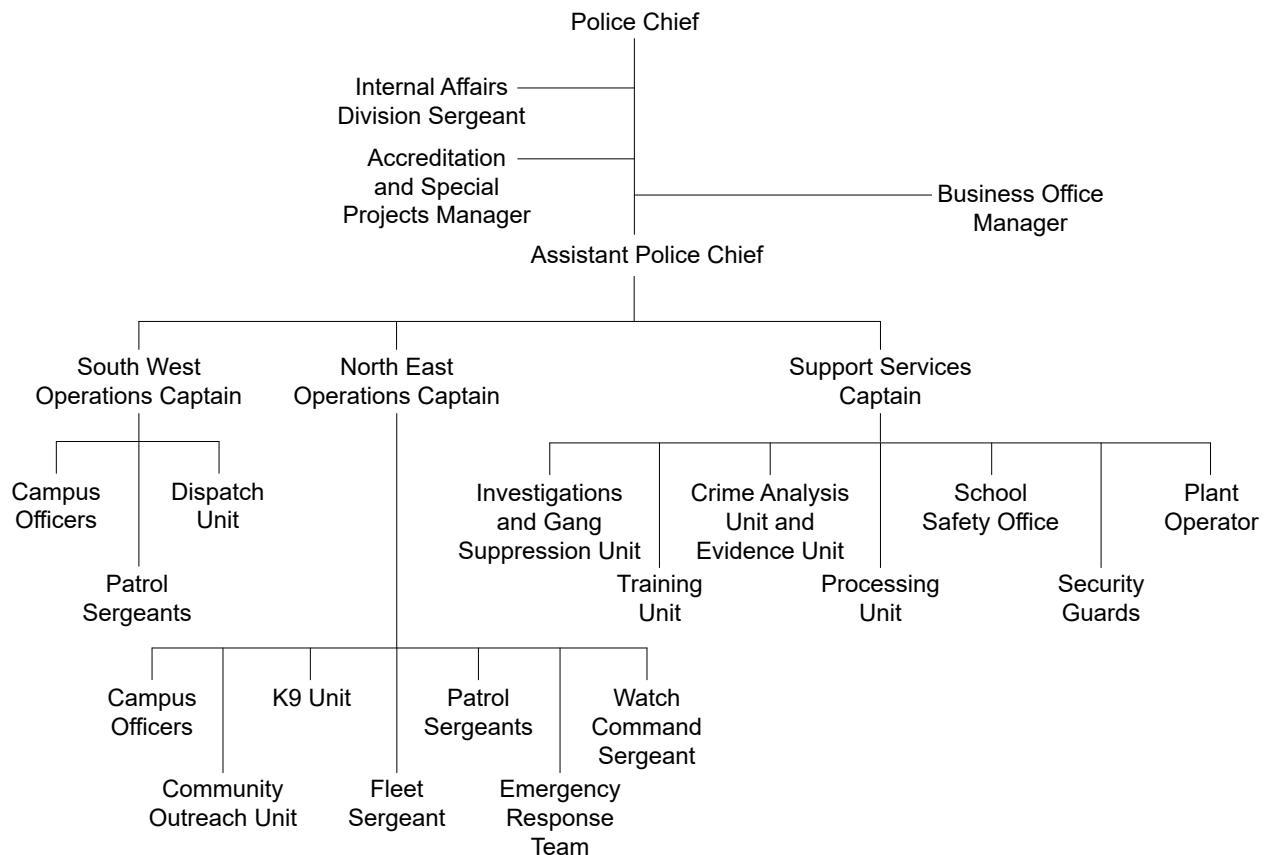
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

officers. Additionally, the police chief stated that, whereas officers perform active-shooter drills, the Risk Management Department performs intruder drills. Neither department attempts to collaborate on improving these drills. Campus police officers do not receive consistent training on how to handle emergencies on their campuses and are not involved consistently in planning and executing emergency drills.

The lack of coordination and communication between the Police Department and the Risk Management Department has resulted in the district not addressing key safety and security functions. For example, the Texas Education Code, Section 37.109(a), requires each school district to form a safety and security committee, which also is required in Houston ISD's Board Policy CK (LEGAL). This safety and security committee is responsible for bringing together district stakeholders to address safety concerns. The Texas Education Code, Section 37.108(b), requires each school district to perform a safety and security audit of its facilities

FIGURE 8–4
HOUSTON ISD SAFETY AND SECURITY ORGANIZATION
SCHOOL YEAR 2018-19
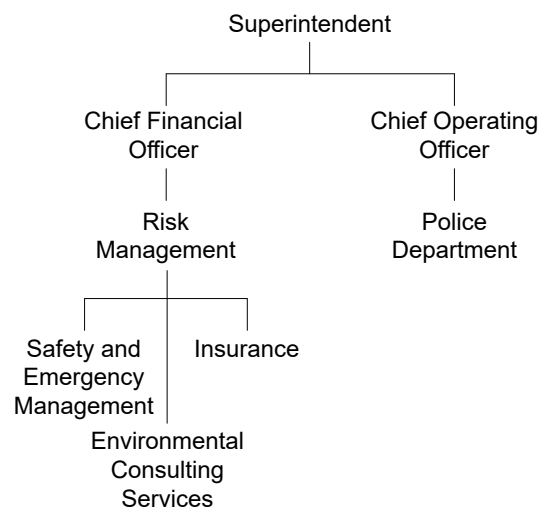
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

at least once every three years. Houston ISD has completed a safety and security District Audit Report (DAR) and submitted it to the Texas School Safety Center (TxSSC) every three years, and provided the review team with the DARs developed since 2008. In each DAR, the district reported having a functioning school safety and security committee that meets regularly.

However, the district does not maintain an active safety and security committee. During onsite interviews, Risk Management Department staff said that the Police Department managed the safety and security committee, and they reported being uncertain as to whether any risk management staff participated on the committee. Yet, Police Department managerial staff said that no safety and security committee is active. One staff stated that such a committee previously existed, but it has not met since September 2016.

Lack of preparedness in school safety results in confusion and delay during critical incidents. At a meeting of the Marjory Stoneman Douglas High School Public Safety Commission held in the aftermath of the 2018 school shooting in Parkland, Florida, commission members raised concerns about the training and understanding of school safety staff during the tragedy. Safety staff that are untrained and unclear on protocols are less capable of coordinated effective responses to threats.

Training plays a significant role in safety operations. School districts conduct drills to train students and campus staff on safety best practices in the event of an emergency. Effective districts consistently and thoroughly train the staff who are conducting these drills. The Federal Commission on School Safety's report identified the Los Angeles Unified School District's emergency preparedness training program as a best practice, stating that it "offers a comprehensive emergency preparedness training program to build the capacity of all [district] employees (including educators and school police officers) in school safety, security, and emergency management."

Denver Public Schools has developed a comprehensive school safety plan approved by state emergency management authorities and the U.S. Department of Homeland Security. This plan includes emergency preparedness training requirements and accountability structures for campus leadership.

Delaware utilizes the Comprehensive School Safety Program to ensure that each campus in the state has a practical school safety plan. Each plan must be developed collaboratively with stakeholders and specified to each campus. Each campus

reviews, tests, and updates the plan regularly through drills. The involvement of stakeholders helps to ensure that communication about the plans to staff and students is consistent in an emergency.

TxSSC has a School Safety and Security Committee Policy to assist districts to form such a committee. The policy describes the duties of the committee and provides recommendations for its administration.

Houston ISD should consolidate the safety functions and form a districtwide safety and security committee to address safety issues.

To implement this recommendation, Houston ISD should move the safety and emergency management team and its relevant functions from the Risk Management Department to the Police Department to improve continuity in safety oversight and reduce the risk of failing to perform critical functions, such as maintaining an active safety and security committee. After reestablishing the safety and security committee pursuant to requirements in the Texas Education Code, committee members should examine the district's existing emergency management plan and develop a timeline to review and update the plan regularly with the input of key stakeholders.

The district could implement this recommendation with existing resources.

LEADERSHIP STRUCTURE (REC. 59)

The Houston ISD Police Department has an unclear leadership structure, which has caused a breakdown in communication among district leadership that affects safety planning.

The Texas Education Code, Section 37.081(f), states, "The chief of police of the school district police department shall be accountable to the superintendent and shall report to the superintendent. School district police officers shall be supervised by the chief of police of the school district or the chief of police's designee and shall be licensed by the Texas Commission on Law Enforcement." **Figure 8–5** shows the organizational structure of the district's senior leadership. The structure indicates that the police chief reports directly to the superintendent but also reports to the chief operating officer (COO).

Figure 8–6 shows additional information from Houston ISD's website indicating that the police chief reports directly to the superintendent.

FIGURE 8–5
HOUSTON ISD ORGANIZATION, SCHOOL YEAR 2018–19
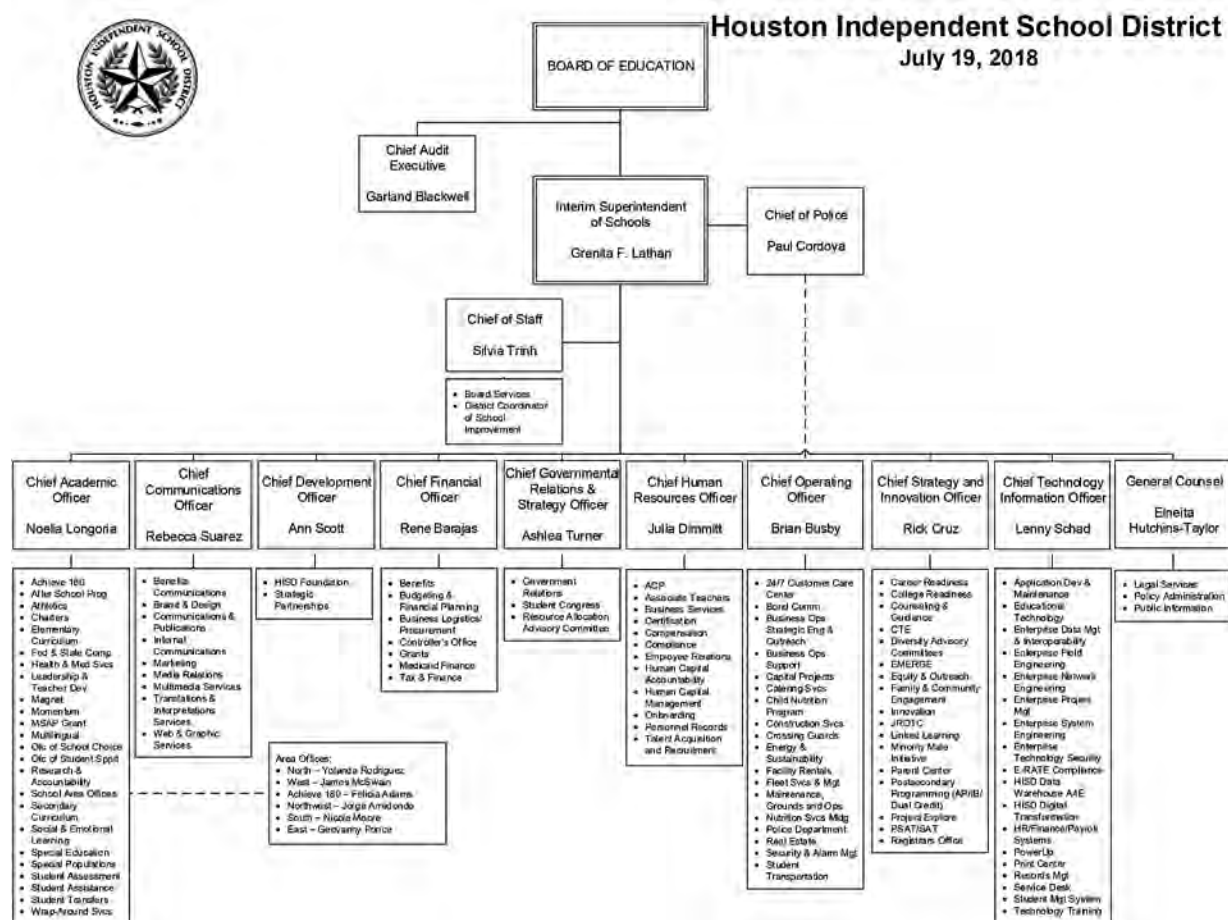
SOURCE: Houston ISD, 2018.

However, **Figure 8–7** shows an organizational chart from the district website for the Business Operations Division indicating that the police chief reports to the COO.

In a post on the Houston ISD blog recognizing the current police chief's appointment, the district states that the police chief reports directly to the superintendent but that the COO has administrative oversight of the Police Department.

As shown in the information available on the district's website, staff interviews yielded different accounts of the reporting structure between the chief of police and senior district leadership. The superintendent stated that the police chief reports to her but that the COO handles all administrative matters as part of a reporting structure that predates her tenure. The superintendent did not specify how the district defines administrative matters. According to the superintendent, the police chief is a member of the

FIGURE 8–6
HOUSTON ISD STAFF REPORTING DIRECTLY TO THE SUPERINTENDENT, SCHOOL YEAR 2018–19

SENIOR STAFF

Interim Superintendent Grenita Lathan

Direct reports to the Superintendent:
Interim Chief Academic Officer Noelia Longoria
Chief Communications Officer Rebecca Suárez
Chief Development Officer Ann Best Scott
Chief Financial Officer Rene Barajas
Chief Governmental Relations and Strategy Officer Ashlea Turner
Chief Human Resources Officer Julia Dimmitt
Chief Operating Officer Brian Busby
Chief of Police Paul Cordova
Chief of Staff Silvia Saenz Trinh
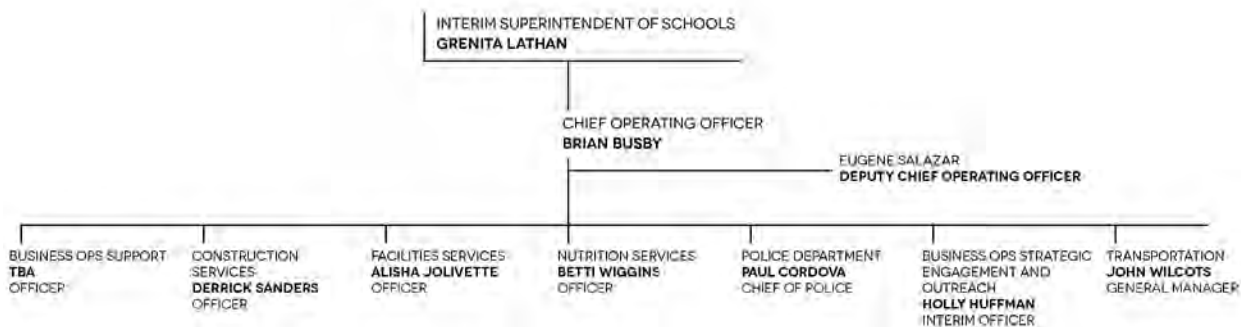Chief Strategy and Innovation Officer Rick Cruz
Interim Chief Technology Information Officer Scott Gilhousen
General Counsel Elneita Hutchins-Taylor

SOURCE: Houston ISD, February 2019.

FIGURE 8–7
HOUSTON ISD OFFICE OF BUSINESS OPERATIONS ORGANIZATION
SCHOOL YEAR 2018–19

HISD | OFFICE OF BUSINESS OPERATIONS

SOURCE: Houston ISD, February 2019.

superintendent's cabinet, which consists of executive leadership that meets regularly to discuss district business.

However, the police chief reportedly does not receive invitations to all meetings; instead, the district invites the police chief as needed. Some staff reported that the police chief does not have direct access to the superintendent, and that the superintendent has no regular communication with the police chief. They met in spring 2018 to discuss the superintendent's vision for the Police Department, but reportedly have had no goal planning or evaluation meetings since then.

The COO stated that the police chief reported to the COO position. Although the district is aware of the statutory requirement that the police chief reports to the superintendent, the COO stated that following this requirement is not practical in a district the size of Houston ISD. The COO has weekly meetings with the police chief to discuss concerns about Police Department's operations.

According to the police chief, the position reports to the COO, and the police chief has little interaction with the superintendent. District police officers expressed frustration during interviews and focus groups that the police chief does not report to the superintendent, contrary to requirements in the Texas Education Code. Police Department staff said that the relationship between the Police Department and district leadership would improve if the police chief reported directly to the superintendent. Staff also stated that the district does

not consult the Police Department about important decisions, including input on capital requests, and that district leadership hinders the police chief's attempts to advocate for the department.

Some recent districtwide decisions have affected the Police Department. The district implemented a new system for its magnet school campuses during school year 2018–19 that replaced many traditional neighborhood bus stops with pickup and dropoff hub locations. For safety, the district requires police officers to staff hub locations. The district did not inform the police chief about the implementation of the hub system until after it had made the decision. Because the chief had little time to plan for this project, scheduling Police Department coverage of hub locations has resulted in large overtime costs.

The district's organizational structure does not enable the police chief to advocate effectively for the department's needs to maintain district safety. Because the police chief is not a functioning member of the superintendent's cabinet, he is uninformed of potential changes to the district that have safety implications. Without participating with the cabinet, the police chief has limited mechanisms to inform and direct district decisions through his knowledge of the law and safety requirements.

Peer school districts Dallas ISD and Cypress–Fairbanks ISD, which are used for comparison purposes, each have district police departments in which the police chief reports directly to the superintendent.

Houston ISD should restructure the police chief's reporting relationship so that the position reports only to the superintendent.

The district should establish a regular meeting between the superintendent and the police chief to discuss expectations for the department and goals for the district. The police chief should attend cabinet meetings regularly to provide input from a safety perspective regarding matters before the district. The district should eliminate the reporting relationship between the COO and the police chief and discontinue their weekly meeting. The district should remove the Police Department's website content from the Business Operations section of the overall Houston ISD website.

The district could implement this recommendation with existing resources.

KEY DOCUMENT MAINTENANCE (REC. 60)

The Houston ISD Police Department does not have procedures to ensure the development and regular updating of key department documents regarding resource sharing and communication.

The district has not updated memorandums of understanding (MOU) with other law enforcement agencies regularly. During the review team's onsite interviews, Legal Services Department staff stated that their office receives and approves copies of new MOUs, but staff did not know whether a process is in place to update them. The Police Department's accreditation and special projects manager maintains the department's procedure documents, but staff on that team reported that the department has never developed some standard MOUs. The Special Projects team has only hard copies of MOUs, which are not shared with patrol or campus officers.

During onsite interviews, Houston ISD Police Department staff stated that the Houston Police Department (HPD) asks district police officers to handle traffic accidents involving district-owned vehicles. Houston ISD Police Department staff reported not knowing whether these requests are part of an existing MOU with HPD or an informal arrangement between the district staff and HPD. Some campuses contract with local municipalities directly to gain additional officers outside of agreements that Houston ISD has with other law enforcement agencies in existing MOUs. Staff also reported that, although Houston ISD police officers issue traffic citations, the district Police Department does not receive any of the collected fines associated with these citations, nor is such an arrangement provided in an MOU.

K-9 units and Emergency Response Teams (ERT), which are similar to Special Weapons and Tactics (SWAT) teams, are resources that local municipalities often provide. Large cities maintain trained teams equipped to perform these functions. These municipalities can enter into agreements with local school district police departments to promote campus safety and respond to emergencies. Having multiple specialized response teams, particularly if these teams have not trained together, can result in confusion in an emergency. Maintaining K-9 units are expensive, and effective school districts often reach agreements with local municipalities to share this resource when necessary.

According to several interviews onsite, the district Police Department is developing its own ERT. The department goal is to staff the team at 10 officers, but it currently has seven. The team is equipped with guns and Tasers, and participates in weekly ERT training and monthly firearms training. The MOUs that the district has with local law enforcement agencies do not arrange for other agencies to provide these services within the district.

The Houston ISD Police Department also utilizes its own K-9 unit to support drug and weapon detection on campuses. Houston ISD's existing MOUs do not arrange for other law enforcement agencies to share their K-9 resources with the district. The Houston ISD K-9 unit consists of five dogs, four officers, and one sergeant. The unit has no documented key performance indicators or expectations.

The review team examined an online version of Houston ISD Police Department's procedures manual. It covers most subjects related to campus policing, but several procedures have not been revised since 2009. The manual is accessible to officers in the field through a secure online system called Power DMS. The Legal Services Department reviews all Houston ISD Police Department procedures as the department develops them.

The procedures system does not include several key items, including requirements to review and update the manual annually. The manual does not describe applicable Houston ISD board policies. It does not contain directives for campus-level officers or non-sworn security staff, such as the security guards who perform functions at several district facilities. It also does not document the chain-of-command authority within the department nor identify and list captains' responsibilities.

The Houston ISD Police Department's standards-of-service documents, which are written expectations, for campus or patrol officers, are not clearly communicated and understood

by administrative or police staff. During onsite interviews, principals stated that the Police Department does not inform them of the expectations of service for officers on their campuses, although the Police Department provided a standards-of-service document and stated that principals with campus officers are required to sign it at the beginning of the year. Principals said that service delivery varies greatly among campus officers, and the department reassigns these officers frequently. Some principals said that officers assigned to their campuses stay in their offices all day; others reported that officers are proactive on campus. The review team observed officers in both categories. Principals said that they did not perceive any unified district expectations for officers and expressed uncertainty about how to gauge officer effectiveness. Principals who contracted directly with local municipalities for additional campus officers reported doing so to provide consistent coverage across their campuses and because HPD officers are more likely to comply with tasks assigned by the principals.

During onsite interviews, campus officers and principals expressed frustration about each other's roles. Officers reported attempts by principals to control them and to exert control over the arrest process. Others reported the confusion of administrative disciplinary actions and legal investigations by some principals. Some principals expressed frustration at not being able to direct officers as they do other campus staff and that police supervisors back up the officers regardless of the principals' complaints.

Failure to maintain and regularly update police procedures and protocols results in miscommunication and an inefficient use of resources. Without well-maintained MOUs with other local agencies, Houston ISD police perform duplicative services and divert officers from campus-level safety activities. These services include the district's current use of resources to develop and train K-9 units and ERTs instead of coordinating with the municipal law enforcement departments.

Houston ISD should charge specific positions with reassessing, maintaining, and regularly updating key district documents, such as memorandums of understanding and service expectations.

The district should revise and update its MOUs with municipal law enforcement agencies. The district Police Department staff should clarify the duty of Houston ISD officers regarding municipal matters, such as traffic accidents, and establish a mutually beneficial relationship that enables sharing of existing resources.

The district's Police Department also should update and maintain the procedures manual. The Special Projects team should establish a regular review of existing procedures and regularly assess changing police practices to determine if the team should add new procedures.

The Houston ISD Police Department's Special Projects Team should develop, distribute, and maintain the MOUs for the district. The team should review the current agreements and update them in collaboration with relevant agencies and the Legal Services Department. The team should consult with the Council of Great City Schools (CGCS) to learn from interagency agreements in place at other large districts. Special Projects staff should use this information to assess the services provided by the Houston ISD Police Department that another agency could provide and determine the availability of local resources to share these responsibilities. Staff should digitize MOUs and develop a regular review plan.

Additionally, the Houston ISD Police Department should clearly communicate service expectations for all officers and make these standards consistently available to campus leadership at the beginning of the school year so that campuses have consistent expectations and accountability for officers. The department should schedule meetings between campus leadership and campus-level officers to review the services expectations within the first few months of the school year.

To revise the procedures manual, the Houston ISD Police Department should select a procedure project coordinator from existing staff to assemble a committee to review and update procedures. The committee should include positions from multiple levels within the Police Department. The committee should consider past procedures, board policy, and best practices when performing updates and should establish a schedule for releasing updated procedures. The committee also should submit a draft of each procedure to the Legal Services Department, the police chief, and the Houston ISD board if necessary. Additionally, the committee should conduct an annual review of procedures to ensure that they remain current.

Houston ISD also should prohibit campuses from contracting directly with other law enforcement agencies for more officers. Campus leadership should coordinate with the Houston ISD Police Department to acquire any additional coverage it may need.

The district could implement this recommendation with existing resources.

DATA-DRIVEN PERFORMANCE MEASURES (REC. 61)

Houston ISD lacks data-driven performance measures and systems to evaluate its Police Department.

During onsite interviews, district staff reported that the expected performance of the Police Department was unclear. The district's organizational chart shows the police chief reporting directly to the superintendent and administratively to the COO as shown in **Figure 8–5**. The superintendent said that the district measures the Police Department's success by reviewing the number of grievances filed against it and the number of arrests that occur on campuses. However, the district did not provide context about how it uses these data. The COO said that the district determines the department's success or failure based on how it diffuses and resolves safety concerns that arise daily. However, the district did not specify the data reviewed to evaluate the department.

Some Police Department staff reported uncertainty regarding how the department's performance is measured. Some staff said that they consider crime statistics for the middle school and high school campuses and read the local news to determine how the department is performing. Police captains said that they utilize performance tools provided by the district to evaluate police officers, but they do not use data to evaluate their units' performances. Staff responded inconsistently regarding the methods and data used to determine campus staffing levels. Administrative staff and Police Department staff do not use comparative data from CGCS regarding crime on campus to evaluate the department's success, although the district participates in CGCS data reporting.

The Police Department has a crime analyst that develops a daily crime report for the police chief, the assistant police chief, and the captains. It contains a summary of the previous day's incidents managed by district law enforcement and how each incident was resolved, including arrests or administrative means. The report does not include comparative data to indicate whether activity levels in the district were similar during the same period during previous years. The crime analyst also develops a weekly threat log for the Police Department leadership team.

The crime analyst develops other reports by request. During onsite interviews, the crime analyst said that department leadership requests a summary, roughly quarterly, of all service calls, including those that ended in arrests. Annually, the crime analyst compiles a National Incident Based Reporting System report for the Federal Bureau of Investigation.

The Police Department uses a records management software (RMS) and a computer-aided dispatch system. During onsite interviews, staff reported that the department is not using several RMS modules for aggregating and summarizing data. These modules include the following areas: crime analysis, gang-related issues, internal affairs, public requests for open records, and other departments' electronic requests for reports from the Houston ISD Police Department's system. Staff said they believed that the district had purchased several of these modules, but the department had not trained staff on their use.

Without establishing comprehensive performance and efficiency measures for the Police Department, the district cannot evaluate the department's performance effectively. Because the district does not collect and compare data, the Police Department is operating in isolation, without an understanding of its own impact. Data and performance measures should determine whether the district should increase or decrease funding to a program or eliminate it, whether the department needs new programs, and whether department programs would be more efficient if outsourced. Comparative data provides information to help the district deploy officers toward campuses that are experiencing increased rates of criminal activity.

Austin ISD has developed a district scorecard that evaluates the entire district's performance. Its Police Department contributes to the overall district scorecard on several measures, such as the number of students who feel safe on campuses, which enables a district-based assessment of the department's achievements.

Participating school districts report certain crime metrics to CGCS, which provides comparative data for districts to analyze. Specifically, districts report rates of assaults and batteries per 1,000 students, bullying and harassment per 1,000 students, burglary rates per site, and alarm systems per site. Houston ISD reports these data, but the district does not compare its crime and incident rates against other districts to determine the Police Department's success.

The district should develop and institute data-driven performance measures and information sources for the Houston ISD Police Department.

Performance and cost-efficiency measurements enable program leaders, the school board, and the public to determine the success of a district program. Performance measures provide stakeholders with information regarding program quality and performance,

enabling them to assess whether programs are achieving their goals and objectives. Cost-efficiency measures provide stakeholders with information regarding program efficiency, enabling them to assess whether the program has been successful in the most cost-effective manner. The district should establish performance and cost-efficiency measures for the Police Department at the department and individual officer levels.

The police chief should draft an initial set of department-level performance and cost-efficiency metrics, and share this draft with other key Police Department staff. The police chief should present the metrics to the superintendent and cabinet for review and to the board for feedback and approval. The Police Department should coordinate with the Information Technology Department to develop efficient reporting capabilities for each metric and should report on these metrics at least quarterly.

The district could implement this recommendation with existing resources.

PROCESSING UNIT (REC. 62)

The Houston ISD Police Department's procedures for processing arrests are unsafe, and the processing unit's staffing level is inadequate.

When an arrestable offense occurs in Houston ISD, the involved officer contacts the Harris County District Attorney's Office before performing the arrest. An officer then transports the student to the Houston ISD Police Department for processing. Patrol officers typically perform transportation duties, although campus officers that have vehicles and partners to remain on campus may transport students. The district Police Department has a van capable of transporting students that it does not use consistently. During onsite interviews, department staff said that the officer who brings the student into the department often completes the arrest-related documentation. The only full-time staff at the department's processing unit is a security guard. When officers bring students into the processing center, the security guard enters the students' information into the Automated Fingerprint Identification System and sends the information to the Harris County Sheriff's Office Jail. After this information is processed, either the Police Department releases the student to a parent's custody, or an officer transports the student to jail. Police Department staff estimate that they process eight to nine arrests a day. Staff also stated that it can be difficult to

locate a female police officer, which is required when searching female students during processing. According to department staff, processing and transportation requires three to six hours to complete.

During an onsite visit, the review team observed that the processing unit does not have a separate holding room for students; it has chairs secured by plastic zip ties located in the unit's main room. **Figure 8–8** shows the Houston ISD processing unit. Because the unit has no holding rooms, students remain handcuffed, waiting in these chairs until either their parents arrive or the district transports them elsewhere. When students and adults are being processed at the same time, the procedure prescribed by federal law is to separate them in different rooms. However, separating these groups is difficult because only one staff is present to supervise them.

During onsite interviews, patrol officers said that transporting students after arrests requires a significant amount of time. They also said that they often must process students and complete documentation for arrests they did not perform because the arresting campus officer cannot access the district's RMS in the field.

The district should make staffing, transportation, and facility changes to improve the Houston ISD Police Department's processing unit for efficiency and safety.

The department's processing unit should develop separate holding areas for students and adults. These holding areas are necessary to maintain safety and decrease the likelihood that students will have to wear handcuffs for hours. The Houston ISD Police Department should develop an additional position to staff the processing unit to avoid the possibility of a single staff being required to supervise processing for students and adults at the same time.

The district also should ensure that campus officers have access to the RMS system while in the field so that the arresting officer can complete documentation before processing an arrest. Additionally, the district should ensure that all officers understand how to use this equipment. District officers should use the Houston ISD Police Department's van as a regular transport unit, which would help provide patrol officers time for work supporting campus operations.

The fiscal impact assumes that the district develops an additional officer position for the processing unit at a total cost of $59,845, which equals the average salary ($49,871) and benefits ($9,974) for a Houston ISD police officer.

FIGURE 8–8
HOUSTON ISD POLICE DEPARTMENT PROCESSING UNIT
FEBRUARY 2019

SOURCE: Legislative Budget Board School Performance Review Team, February 2019.

DISCIPLINE PRACTICES (REC. 63)

Houston ISD's discipline practices are not consistent across all campuses.

Houston ISD has various methods for managing student behavior issues, from assisting students with skill building through behavior management systems, to punitive measures after an incident on campus. The district's Social and Emotional Learning (SEL) Department, established during school year 2016–17, provides tools to campuses for managing student behavior issues. The program provides an opportunity for students and staff to influence behaviors positively before issues arise. It is intended to help students develop skills to manage their emotions, form positive relationships, feel empathy for others, and make responsible decisions. The department includes 24 administrative positions and 16 campus-level social workers assigned to various campuses. SEL staff have promoted and provided training on multiple student behavior management systems.

During onsite interviews, principals spoke about district efforts to decrease the number of student expulsions and suspensions, particularly among young students. Principals report an increase in district requirements to document student behavior plans before campuses seek measures that are more punitive. Principals and counselors noted that the SEL Department provides professional development for campus staff to improve their understanding and implementation of student discipline, but both groups reported still lacking adequate training and resources.

When incidents occur, campus staff have several punitive possibilities available. Students may receive in-school suspensions (ISS) or out-of-school suspensions (OSS). The district also may place students in one of the district's three DAEP campuses or the county JJAEP. Some incidents require a mandatory referral to a program as required by law. For example, if a student commits a serious criminal offense such as aggravated assault or arson on district property or during a school-related activity, the district is required to expel the student. Campuses can manage less serious incidents at their own discretion. For example, a code of conduct violation is a discretionary referral that could result from persistent disrespect on the part of a student.

Campuses document incidents and student behavior in the districtwide student information system, which tracks student behavioral issues and punitive measures. A campus refers a student for placement in a DAEP through the district's student information system, after which the safe schools administrator reviews the referral to ensure that the campus included all relevant information.

District staff report that few elementary campuses operate ISS rooms. Elementary students in the early grades, when removed from classrooms, are not suspended; they may be assigned to complete work in the principal's office or in another classroom on the campus. When student behavior may warrant an ISS, some elementary principals implement a reverse suspension, which involves the parents spending the day at school with the students. Some elementary school

FIGURE 8–9
HOUSTON ISD DISCIPLINE DATA
SCHOOL YEARS 2015–16 TO 2017–18

CATEGORY	2015–16	2016–17	2017–18	PERCENTAGE CHANGE 2015–16 TO 2017–18
Houston ISD Enrollment (1)	231,911	233,955	228,377	(1.5%)
Incidents	47,044	42,852	36,940	(21.5%)
Code of Conduct Violations	42,923	39,325	33,422	(22.1%)
In-school Suspensions	30,061	28,380	21,982	(26.9%)
Out-of-school Suspensions	25,358	23,350	22,972	(9.4%)
Placements in Disciplinary Alternative Education Programs	2,707	1,884	1,658	(38.8%)

NOTE: (1) Data shows Public Education Information Management System annual discipline data, which differ from the enrollment data submitted by Houston ISD.
SOURCE: Texas Education Agency, Public Education Information Management System, school years 2015–16 to 2017–18.

counselors noted that students on their campuses serve ISS in the counselor's office, during which time counselors may review social and behavior skills with the students.

At the middle schools and high schools, the principals determine how the ISS operates and whether to incorporate counseling or SEL learning. During onsite interviews, the chief academic officer noted a variety in ISS implementation among the district's seven largest high school campuses. Middle school counselors also reported variety in ISS implementation by campus. One middle school campus dedicated a teacher to its ISS room, but this arrangement ceased when the campus needed the ISS teacher to staff a regular classroom. Another middle school started the 2018–19 school year without an ISS room; instead, the campus assigned students with disciplinary issues to a counselor for a period of self-reflection. A third middle school campus had a separate classroom dedicated to ISS, which counselors visited to lead students through behavioral exercises.

During onsite interviews, campus police officers reported variation in how campus leadership handles discipline, including some principals who no longer document sending students home through the district disciplinary system. Officers also said that campus administrators sometimes suggest to parents that the students stay at home for a day, without documenting this action as an OSS in the district's database. Although campus officers had their access to the student discipline system revoked in October 2017, Houston ISD administrators outside of the Police Department agreed that campus administrators are not recording all OSS instances accurately.

The SEL director reviews the ISS and OSS data by campus and provides these data to area superintendents monthly. At one campus with particularly high suspension rates, the SEL director reported that the campus had not changed substantively even after the director and the area superintendent inspected the campus and made suggestions to the principal. During onsite interviews, staff said that the district does not hold principals sufficiently accountable for high rates of ISS, OSS, or DAEP placements. Staff also stated that the district's administration and school support officers have little input with principals, and that site-based management is more extreme in Houston ISD than in other Texas districts.

Figure 8–9 shows disciplinary data for Houston ISD from school years 2015–16 to 2017–18. Houston ISD has decreased disciplinary incidents substantially during this period, which principals and counselors attribute to the SEL training and a focus by district leadership to decrease practices that criminalize students.

The safe schools administrator publishes a weekly compilation of campus-level attendance and discipline data, which is distributed to the superintendent, principals, and school support officers. The review team could not determine what action, if any, these administrators take upon receiving the report.

Houston ISD's *Student Disciplinary Action Report 2017–18* contains data for the number, rate, and types of violent or criminal disciplinary incidents that occurred on each campus. The report documented the decreases in disciplinary actions.

Although the overall number of disciplinary actions has decreased, disciplinary actions by campus vary greatly. Campuses have discretion to address code of conduct violations differently. Campuses across the district varied in the rates of these violations among their student populations.

For example, during school year 2017–18, Deady Middle School and Navarro Middle School had comparable student enrollments of 719 and 710, respectively; yet Deady had 933 code of conduct violations that year, and Navarro had 441. During the same period, the 734 students enrolled at Bell Elementary School received 22 code of conduct violations, and the 928 McNamara Elementary School students received fewer than five violations. The leadership at the district's three DAEPs recognizes that some campuses send them more students than others, and an advisory team meets quarterly with certain campus leaders for assistance and training toward the goal of decreasing DAEP placements.

The nonprofit organization Texas Appleseed's publication *Texas' School-to-Prison Pipeline: Dropout to Incarceration, The Impact of School Discipline and Zero Tolerance* notes that inconsistent and disproportionate reactions to behavioral issues do not decrease incidence of the behaviors. The report recommends the following types of disciplinary approaches:

- target all students;

- use well-coordinated and research-based methods;

- implement positive behavioral expectations and supports campuswide;

- provide adequate training and ongoing support to ensure effective implementation;

- involve campus administrators, teachers, students, parents, mental health professionals, and community resources; and

- incorporate regular rigorous evaluation to determine whether the programs are working.

Houston ISD should standardize campus practices, communicate expectations, and hold principals accountable for student discipline management.

The district should include in weekly discipline emails a summary of campuses' disciplinary referrals by type of misconduct and demographic. Principals should determine their campuses' rates of disproportionality among demographic subgroups and their rates of discretionary referrals compared to other campuses. The email should list resources that principals can use to improve discipline on their campuses.

The district also should direct the SEL Department to review the data already compiled to determine which campuses have the most disproportionate rates of disciplinary action. The

department should provide targeted professional development to principals and campus leadership during the next semester, including training in mitigating implicit bias and explanations regarding when student disciplinary actions must be documented in the student information management system. Campuses should not send students home for disciplinary reasons without clear documentation. The district should review progress in this area annually and present its findings to the board for accountability, including a summary of campus involvement and progress. The training that the secondary DAEP staff provide to these campuses is a good effort by the district, but the district developed the SEL Department to provide these types of support and training to campuses.

The district could implement this recommendation with existing resources.

TRUANCY INTERVENTIONS (REC. 64)

Houston ISD does not enforce state-mandated truancy intervention requirements.

Pursuant to the Texas Education Code, Section 25.0915(a), "a school district shall adopt truancy prevention measures designed to address student conduct related to truancy in the school setting before the student engages in [truant conduct] and minimize the need for referrals to truancy court." The statute requires school districts to develop behavior improvement plans in collaboration with the student and parent and refer the student to counseling, mediation, mentoring, or other services intended to address the student's truancy. Each district must document these behavioral interventions.

Each Texas school district receives state funding based partly on its number of students in average daily attendance (ADA). Houston ISD's annual attendance consistently is slightly less than the state average for school years 2013–14 to 2016–17. **Figure 8–10** shows the district's annual attendance rate compared to peer districts and the state average during this period. Houston ISD is consistently below the state average. Houston ISD publishes information on its website about the importance of good attendance, but it does not include the loss in funding to the district from student absences.

Houston ISD has developed a brochure, *Compulsory Attendance/Truancy Prevention Measures,* which summarizes the following campus duties in improving attendance:

- make students and parents feel welcome;

- make same-day person-to-person contact when a student is absent;

FIGURE 8–10
HOUSTON ISD ATTENDANCE RATES COMPARED TO PEER DISTRICTS AND STATE AVERAGE
SCHOOL YEARS 2013–14 TO 2016–17

DISTRICT	2013–14	2014–15	2015–16	2016–17
Houston ISD	**95.6%**	**95.6%**	**95.6%**	**95.5%**
Dallas ISD	95.7%	95.6%	95.6%	95.6%
Cypress–Fairbanks ISD	96.1%	96.0%	96.0%	95.9%
Austin ISD	95.3%	95.2%	95.5%	95.2%
State Average	95.9%	95.7%	95.8%	95.7%

SOURCE: Texas Education Agency, Texas Academic Performance Reports, school years 2013–14 to 2016–17.

- secure and supervise campus entry and exit points;

- direct teachers to offer classroom incentives in recognition of great attendance;

- post daily or weekly student attendance data inside each classroom;

- reward and recognize good and improved attendance, not just perfect attendance; and

- inform parents of absences and tardiness daily.

The district also instructs campuses to use the truancy prevention and intervention form required by state law to document interventions before referring a truancy case to the district. Houston ISD requires campus attendance offices to provide home visits for consistently absent students and to direct conferences with the students and parents. The district requires that campuses document their behavior interventions and attach these documents to the truancy prevention and intervention form.

Attendance Office staff reported that, notwithstanding state requirements for campuses to attempt and document specific interventions before referring truancies to the district, campuses routinely refer cases that do not have documented interventions. Staff acknowledged that the district requires these documented interventions, but said that no enforcement mechanisms are in place to deter poor documentation. The district employs a limited number of caseworkers to manage dropout prevention and attendance issues. The Attendance Office previously staffed as many as 20 caseworkers, but currently it employs six.

Houston ISD has established procedures and interventions to reduce truancy and improve student attendance. However, the district has not established enforcement procedures to ensure that campuses are utilizing these interventions before

referring truant students to the district. The Attendance Office's staff is too small to implement all the required interventions before filing a truancy case.

Houston ISD should develop an enforcement mechanism to ensure that campuses are utilizing all required interventions before making truancy case referrals.

The Attendance Office should refuse referred cases that do not have documented interventions. The Attendance Office should develop a report documenting which campuses most often have incomplete documentation, and the district should use it to inform the principals, school support officers, and area superintendents responsible for those campuses. The area superintendents should require targeted professional development for the principals of these campuses. The district should develop a new position in the Attendance Office to ensure that adequate staff are available to complete these additional duties.

The fiscal impact assumes a potential 0.2 percent increase in the district's 95.5 percent attendance rate to the 95.7 percent state average rate. Houston ISD's school year 2018–19 ADA maintenance and operations revenue is $8,590 per student. Based on Houston ISD's school year 2018–19 enrollment of 209,772, increasing the district's attendance by 0.2 percent, or 420 students, equals a revenue increase of $3,607,800 (420 x $8,590).

The fiscal impact also assumes that the district develops an additional Attendance Office position at a total cost of $63,593. The average salary for an Attendance Office position is $52,994. Accounting for the additional 20.0 percent cost of annual benefits, the total cost of this position is $63,593 (salary of $52,994 + benefits of $10,599).

The total net fiscal impact is $3,544,207 ($3,607,800 – $63,593).

ADDITIONAL OBSERVATIONS

During the onsite fieldwork, the review team observed additional issues regarding the district's programs and services to students, staff, and the community. These observations are presented for consideration as the district implements the report's other findings and recommendations.

- During interviews, Police Department staff acknowledged that Houston ISD police officers routinely perform security-related work for other entities after their regular working hours, while still in uniform and armed. Although this practice is common in many police departments, it presents potentially increased liability for Houston ISD.

- The review team observed that many separate department and campus budgets noted safety expenditures. The district does not have one position or department that oversees these expenditures as a whole, leaving the district uncertain of the overall safety costs in the district.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's School Performance Review Team has identified a fiscal impact for the following recommendations:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
8. SAFETY AND SECURITY MANAGEMENT							
62. Make staffing, transportation, and facility changes to improve the Houston ISD Police Department's processing unit for efficiency and safety.	($59,845)	($59,845)	($59,845)	($59,845)	($59,845)	($299,225)	$0
64. Develop an enforcement mechanism to ensure that campuses are utilizing all required interventions before making truancy case referrals.	$3,544,207	$3,544,207	$3,544,207	$3,544,207	$3,544,207	$17,721,035	$0
Total	**$3,484,362**	**$3,484,362**	**$3,484,362**	**$3,484,362**	**$3,484,362**	**$17,421,810**	**$0**

The Legislative Budget Board's School Performance Review Team could not determine a fiscal impact for other recommendations. The implementation of these recommendations may result in savings in several areas; however, the review team does not have the data to estimate a fiscal impact. **Recommendation 58** (divided safety functions) should result in combining departments and increased efficiency. **Recommendation 60** (key document maintenance) should result in more thorough agreements for resource sharing with HPD, decreasing the resources expended by the Houston ISD Police Department.

9. INFORMATION TECHNOLOGY MANAGEMENT

Houston Independent School District's (ISD) Information Technology (IT) Department manages the district's network, hardware, and software support needs. At the time of the Legislative Budget Board's School Performance Review Team's onsite fieldwork, the interim chief information officer (CIO) supervised the IT Department. For school year 2018–19, the IT Department's budget was $57.0 million.

FINDINGS

♦ Houston ISD lacks governance structures required to effectively prioritize, allocate, and oversee information technology.

♦ Houston ISD does not follow IT processes consistently.

♦ Houston ISD does not have a current district plan for technology.

♦ Staffing budget decreases and staff retention issues threaten the Houston ISD IT Department's ability to sustain operations and complete key projects.

♦ Houston ISD enables technology and teacher support inequities to develop through decentralized funding of IT assets, campus service representatives, and campus instructional technicians.

♦ The Houston ISD IT Department's help desk feedback is inconsistent.

♦ The separation of the Educational Technology and Instructional Technology teams causes confusion, lack of coordination, and duplication of efforts in Houston ISD.

RECOMMENDATIONS

♦ **Recommendation 65: Establish districtwide IT and data governance structures based on industry best practices.**

♦ **Recommendation 66: Retrain and monitor key IT processes and use a semiannual maturity model assessment as part of the system of key performance indicators.**

♦ **Recommendation 67: Develop a three-year to five-year technology plan aligned to the district improvement plan.**

♦ **Recommendation 68: Develop an IT staffing strategy that addresses retention, recruitment, salary, and potential reallocation of resources from efficient areas within the IT Department.**

♦ **Recommendation 69: Establish and enforce minimum standards for technology funding and require campuses to replace devices on a regular cycle.**

♦ **Recommendation 70: Analyze the help desk data regularly and standardize help desk processes districtwide.**

♦ **Recommendation 71: Combine Educational Technology and Instructional Technology into one organization, based in the Academic Department.**

BACKGROUND

An independent school district's technology management affects the operational, instructional, and financial functions of a school district. Technology management requires planning and budgeting, inventory control, technical infrastructures, application support, and purchasing. Managing technology is dependent on a district's organizational structure. Larger districts typically have staff dedicated to administrative or instructional technology responsibilities, and smaller districts may have staff responsible for both functions.

Administrative technology includes systems that support a district's operational, instructional, and financial functions (e.g., financial management, human resources, payroll, student attendance, grades, and Public Education Information Management System reporting). Administrative technology improves a district's operational efficiency through faster processing, increased access to information, integrated systems, and communication networks. Instructional technology includes the use of technology as a part of the teaching and learning process (e.g., integration of technology in the classroom, virtual learning, and electronic instructional materials). Instructional technology supports curriculum delivery, classroom instruction, and student learning.

Figure 9–1 shows the organization of Houston ISD's Information Technology Department.

FIGURE 9–1
HOUSTON ISD TECHNOLOGY DEPARTMENT ORGANIZATION
SCHOOL YEAR 2018–19
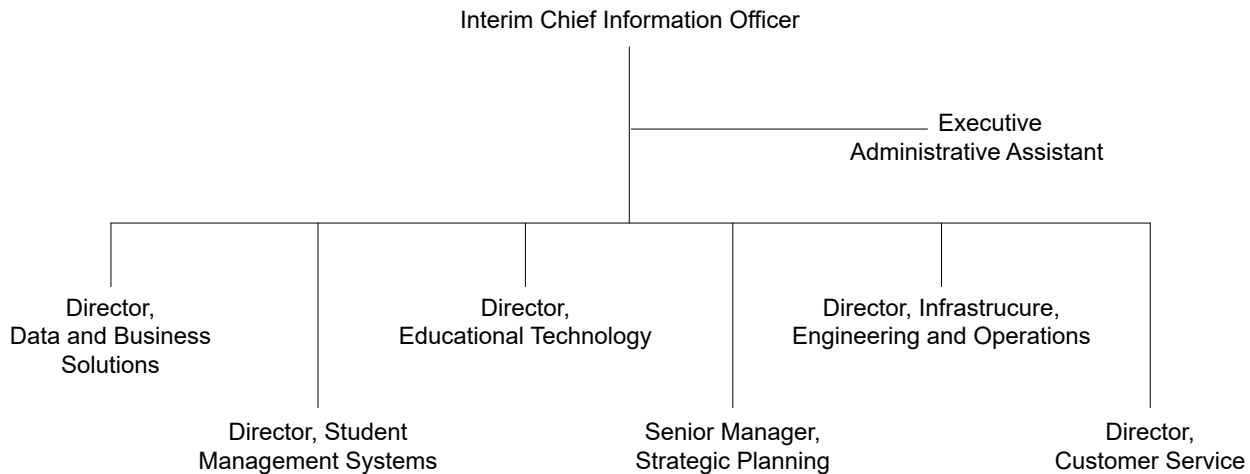
SOURCES: Legislative Budget Board School Performance Review Team,; Houston ISD, February 2019.

The IT Department has approximately 300 staff. The CIO oversees all of Houston ISD's information technology applications, data, infrastructure, and services. The CIO also serves as the director of infrastructure, engineering, and operations. Reporting to the CIO are four director-level positions and the senior manager of strategic planning. The director of student management systems oversees the teams that support the student information system and the Texas Education Agency's Public Education Information Management System (PEIMS). The director of educational technology oversees the training and support for teachers regarding technology in the classroom and manages the integration of systems and tools used in classrooms. The director of customer service supervises the teams that train department staff, operate the help desk, and provide application support. This position also manages Administrative Services, which includes district records management, post office, fleet copiers, and the district print services. The senior manager of strategic planning manages the department's budget, the district's E-Rate Program, the IT Infrastructure Asset Management team, the IT Bond budget and expenditures, and procurement of technology hardware, software and services, IT contracts, and board items. In addition, approximately 100 staff work on campuses in the area of technology. These staff sometimes consult with the IT Department regarding their work, but the campus principals supervise these staff.

The district initiated the PowerUp program in 2014 to help students engage regularly in personalized, interactive learning using digital tools, resources, and strategies that support teaching and learning. The district funded and coordinated the PowerUp program centrally at the district level. It purchased personal computers for each high school student to provide them access to a single type of device for instructional purposes and functionality. The purchase was accomplished through a lease agreement, which also enables computer upgrades every four years. Equipping all high school students with the same devices enables the district to standardize the device configuration and the spare parts inventory for timely repairs.

DETAILED FINDINGS

IT GOVERNANCE (REC. 65)
Houston ISD lacks governance structures required to effectively prioritize, allocate, and oversee information technology.

The district has not established an IT governance or oversight entity to establish strategic direction for technology districtwide, determine project priorities, adjudicate resource constraints, and reallocate resources to fund the district's technology needs.

During school year 2018–19, Houston ISD hired a consulting firm, BDO USA, to assess the IT Department. The firm used the Control Objectives for IT and Related Technologies (COBIT) framework to select the process areas for review. These areas were selected based on their potential to introduce or remediate risks within the Houston ISD

environment. In the resulting 2018–2019 Information Technology Risk Assessment Report and IT Audit Plan, the consultants rated IT governance as a top risk for the district.

The report defines IT governance as "the responsibility of executives and the board of directors, and consists of the leadership, organizational structures, and processes that ensure that the enterprise's IT sustains and extends the organization's strategies and objectives, including how emerging technologies are managed (i.e., the Internet of Things, Artificial Intelligence, and robotics, etc.)."

Houston ISD had issues with IT governance before the review. The 2011 Council of the Great City Schools (CGCS) report on Houston ISD noted the following issues:

> There is no top-level portfolio management in the district to select and control major IT projects, so that authorized projects represent the balanced, optimal portfolio to meet district strategic objectives with limited resources.
>
> —
>
> There is a pervasive lack of systems and data ownership in the district, which can contribute to poor information quality. For example:
>
> • Responsibility for the integrity of each of the district's data elements has not been assigned.
>
> • Some departments make corrections to data for their own reporting purposes, but do not ensure that corrections get made in the base systems.

The district's 2017 annual financial audit also points to a lack of data governance practices regarding data privacy and which positions are authorized to assign role-based data access rights in the district's enterprise resource planning software, SAP. The audit found "that inappropriate users with privileged access to SAP existed which gave them the ability to manage security, import changes to production, execute all transactions, modify programs and tables, open/close the SAP client, and make changes directly in the production instances."

During the onsite fieldwork, the review team observed many of the same issues noted in these previous reviews. Due to lack of funding, district staff said that they have not addressed the cybersecurity gaps, including district network security issues and security issues related to the student information system (SIS). These findings identified the following risks to Houston ISD:

• delays in the response to and remediation of security incidents;

• risk of a security breach being undetected;

• possible noncompliance with relevant regulations or legislation; and

• increased average time to recovery in case of critical incidents.

These risks can result in significant costs and regulatory compliance issues and significant negative effects on public confidence and support. Effective districts have governance processes that prioritize the completion of remedies to identified issues.

Effective districts pair a disaster recovery plan with a business continuity plan. Houston ISD has a disaster recovery plan. However, it does not have a current business continuity plan and does not regularly test the disaster recovery process. A disaster recovery plan identifies the steps required to recover technical operations after a disaster, but it requires a companion business continuity plan to fully manage the effects of a disaster. The business continuity plan addresses how business will be conducted until damaged sites and technology assets are restored. The plan identifies alternative work locations, interim procedures, and contingencies for all business operations, not just IT.

The organization structure for IT varies between centralized and decentralized, depending on the customer department. For example, staff from the IT Department provide technology support for most of the district's departments, except for the departments in the Business Operations Division. The Business Operations Division has a separate IT support team that reports to the chief operating officer, not the CIO, and supports Nutrition Services, Transportation, Police, and Facilities Services department applications. It is not clear what guidelines were used to make this decision. Although this separation might be a good business unit decision, the highly centralized versus decentralized IT structures have pros and cons. An underfunded, centralized IT department that cannot respond quickly to customer demand can prompt business units to internalize their own IT support. This internalization can improve responsiveness internal to the business unit, provide increased funding for the IT within that business unit, and improve customer satisfaction. However, this approach can increase total IT costs and result in inefficiencies and duplication of services. Effective districts weigh the pros and cons of decentralizing IT services and establish guidelines and

operating practices to maintain a proper balance of centralized or decentralized services.

The district has not established a data architecture and interoperability strategy. No cross-district decision-making process is in place requiring the establishment and enforcement of data standards and adherence to source systems of record for reporting. A large school district such as Houston ISD requires and accrues multiple computer applications and data structures to support the daily needs of the business and educational processes. Without a well-defined data architecture and application interoperability strategy, these systems grow naturally without a plan or guidelines. This lack of structure results in duplicated data across multiple systems, which are impossible to keep synchronized. This practice also makes it difficult to discern where the accurate data resides. The resulting point-to-point data integration required is costly to maintain and difficult to replicate when staff replace a system. Effective districts have a governance process for IT to provide a venue and format to establish a well-defined data architecture and interoperability standards. Such a governance process also provides a system to adjudicate adherence to and deviations from the architecture.

According to the publication *Health Care IT Advisor*, "Most organizations struggle with IT governance. Signs of a failing governance process include unsustainable workloads, unresourced mandates, planning silos, lack of focus on outcomes, and misplaced accountabilities, among others."

Without a cross-district set of IT and data governance structures, the IT Department must balance resource allocation within its limited budget. The result often is that the department does not fund high-risk demands that do not have an immediate effect on operations and customer-facing work, such as cybersecurity and business continuity, so that the more immediate and observable work can be sustained. This approach often results in serious incidents that could be prevented, such as the following situations:

- a Houston ISD cybersecurity breach during calendar year 2010 caused widespread system disruption;

- multiple data sources without a data governance process increases the risk of inaccurate or incomplete releases of data to the state or news media;

- the district might be unable to recover data and business operations after a natural disaster or a cybersecurity breach; and

- Family Educational Rights and Privacy Act violations result from the release of personally identifiable student data.

Additionally, without a cross-district set of IT and data governance structures, the district does not have a process to prioritize funding for IT projects to ensure that projects align with district needs. This failure to prioritize can result in project funding decisions becoming influenced by individual department preferences rather than by district priorities for strategic initiatives.

Without cross-district decision making, IT services that affect the entire organization (e.g., allocations for the purchase of new or replacement computers, or staffing for support of systems and applications) are determined without the benefit of broad customer input. Inequities can develop as the business areas or campuses spend their IT resources. Business functions may decide to decentralize (i.e., establish their own) IT functions with the intent of improving IT services to their own departments. This decentralization often causes hidden IT costs and inefficiencies that actually can increase overall IT costs for an organization.

COBIT is an internationally recognized framework for IT management published by the IT Governance Institute and the Information Systems Audit and Control Association. **Figure 9–2** shows the COBIT role for IT governance as ensuring strategic alignment, value delivery, risk management, resource management, and performance measurement.

An overall IT governance structure varies depending on the size of the organization, type of business, and complexity of the IT operations and infrastructure. Typically, the structure has at its apex an IT governance committee that includes a small group of the highest-ranking executives in the organization. This group meets infrequently (e.g., quarterly) to set strategic direction and policy for IT and to oversee the workings, recommendations, and issues identified by the subcommittees and work groups they have chartered. Subcommittees or work groups might include a data governance committee, resource allocation committee, and a cybersecurity committee.

The IT governance committee is formed by charter, which typically includes the following elements:

- introduction;

- statement of purpose;

- definitions;

FIGURE 9–2
CONTROL OBJECTIVES FOR INTERNET TECHNOLOGY AND RELATED TECHNOLOGIES FRAMEWORK, CALENDAR YEAR 2009
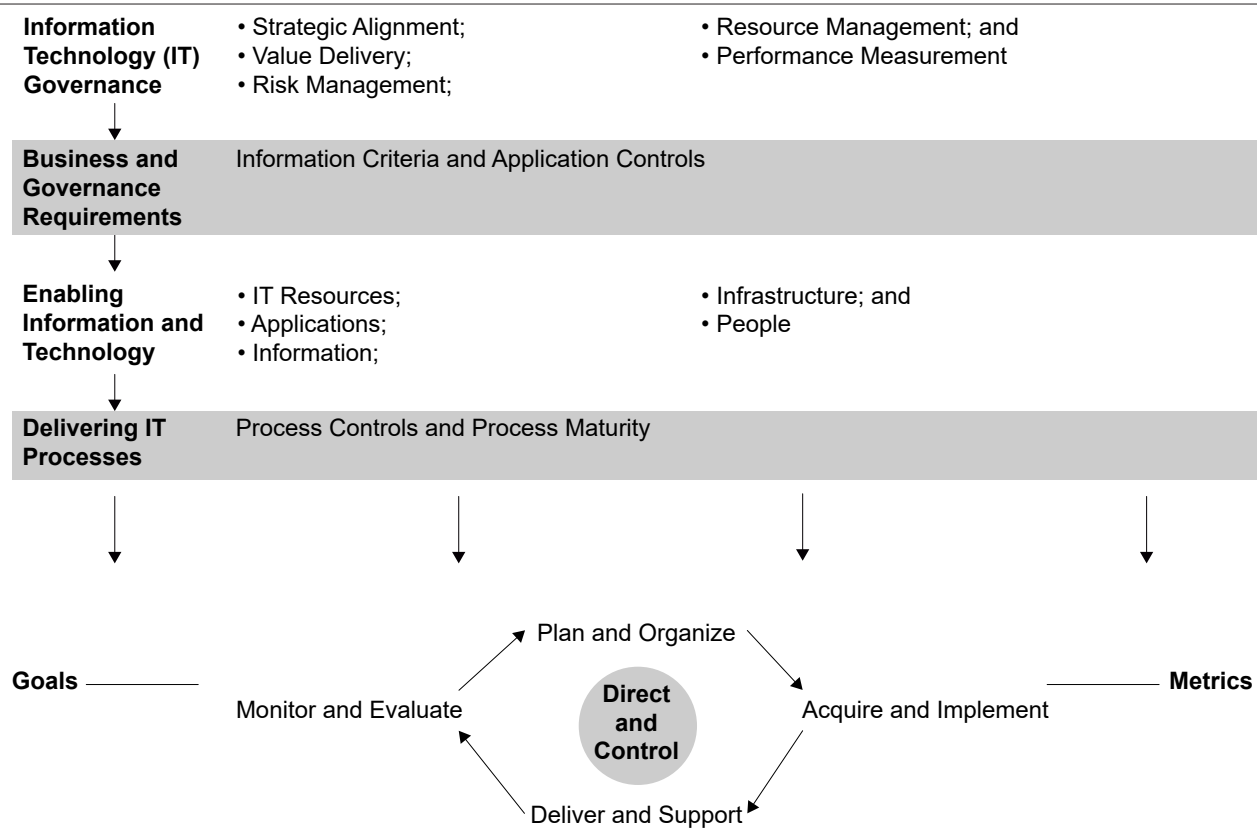
SOURCE: Information Systems Audit and Control Association, 2009.

- IT governance rules;

- procedures and responsibilities; and

- membership of the IT governance committee.

The Michael and Susan Dell Foundation sponsored a Data Governance Collaborative that includes approximately 15 education agencies from across the U.S. **Figure 9–3** shows one of the researched models, which shows the roles of data owners, data stewards, a data management working group, and a data procedure committee.

Houston ISD should establish districtwide IT and data governance structures based on industry best practices. The CIO should perform the following actions:

- collaborate with the superintendent to establish an understanding and support for the formation of a governance structure;

- assign staff to research governance structures from other education agencies and select the model that best suits Houston ISD;

- develop a draft IT governance committee charter for the formation of the highest-level component of the structure and submit the draft to the superintendent for review and approval; the CIO and superintendent also should approve the committee membership;

- complete a review and address all cybersecurity risks;

- develop a business continuity plan to accompany the disaster recovery plan; and

- develop clear delineation of the centralized and decentralized IT structures in the district.

The CIO also should collaborate with the superintendent to orient the membership of the IT governance committee regarding their roles and expectations, as defined in the charter. The first meetings of the IT governance committee should establish an initial set of objectives and issues that the committee must address, including the formation of a data governance structure. The objectives also should include the following goals:

FIGURE 9–3
DATA GOVERNANCE OPERATING MODEL
CALENDAR YEAR 2013

Data Procedure Committee
Executive Leadership

Data Management Working Group
Led by Data Quality Director

Data Stewards
For Process or Data Clusters

Data Owners
Responsible for Individual Data Elements
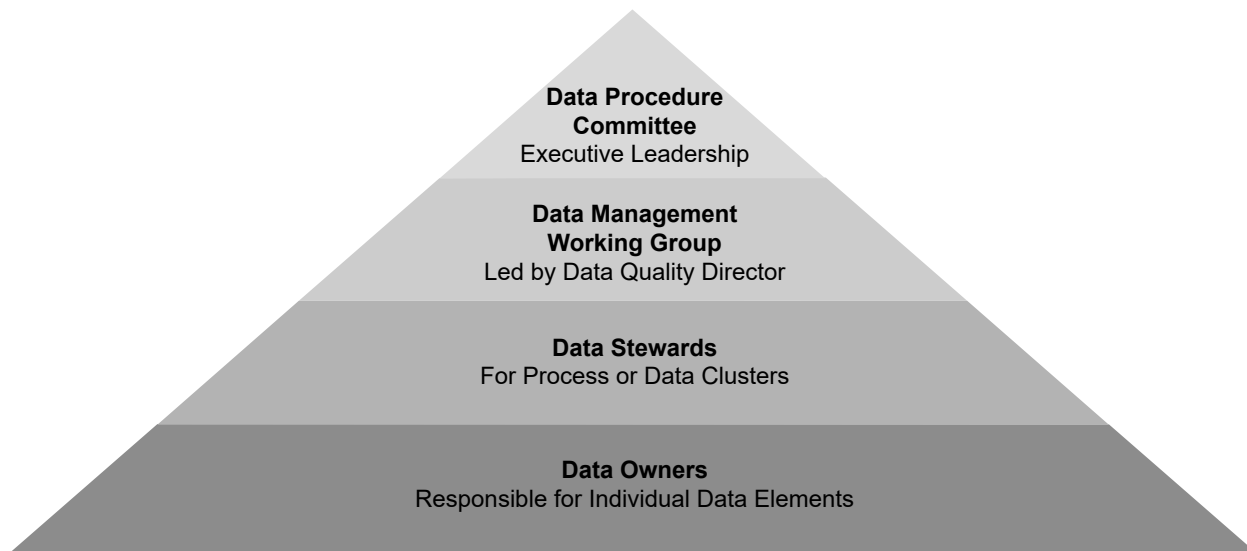
SOURCE: Michael and Susan Dell Foundation, 2013.

- a plan and resource allocations to address the cybersecurity remedies recommended in the BDO USA consulting report;

- resource allocation to develop a business continuity plan; and

- developing an overall data architecture and interoperability strategy.

The IT governance committee should use research regarding data governance practices in education agencies to inform the development of a data governance model. The committee should appoint the chief academic officer (CAO) and the chief financial officer (CFO) as cosponsors for overall data governance. They should assign a district position outside of the IT Department to assume responsibilities for overall data governance, because data governance is more of an organizational culture shift than a technology issue. The CAO and CFO lead the areas with the most customers of the district's technology services. Therefore, they should codirect the drafting of a data governance procedure that describes the roles of data governance and submit it to the IT governance committee. After this procedure has been approved, the CAO and the CFO should direct the data governance coordinator to develop a list of data stewards corresponding to the high-level data categories of the district. The IT governance committee should review and approve

these data stewards and their roles as defined by the data governance procedure. After the data stewards are identified, the IT governance committee should orient them regarding their roles and the overall data governance process.

The district could implement this recommendation with existing resources.

PROCESS ADHERENCE (REC. 66)

Houston ISD does not follow IT processes consistently.

Houston ISD has documented processes for key technology functions, such as software development, quality assurance, work intake, change and request management, project management, and the help desk. The district provided evidence of adherence to some of these processes, such as a well-documented Houston ISD software development life cycle (SDLC) for the work performed on the District Advisory Committee application.

However, the review team observed a lack of adherence or fidelity to these processes for key technology functions. Also, the district does not always use its key performance indicators effectively to monitor and improve process performance. Adherence to an SDLC for procurements requires the following elements: (1) careful documentation of the functional business requirements; (2) approval of these requirements by the business owner; (3) demonstration of

the ability to meet the requirements, both documented in the proposal response to the request for proposal (RFP) and through scripted demonstrations of the vendor finalists; and (4) contract language requiring that the vendor meets the requirements of the RFP. The district did not follow these steps with fidelity, resulting in the procurement of a system that did not meet minimum district business requirements.

IT staff that develop or revise computer applications do not always provide proper advance notification of server capacity and server configurations to all IT staff. An IT unit the size of Houston ISD's requires a rigorous change control process to ensure continuous operation of the overall infrastructure. Such a process requires that planned changes to any component of the IT infrastructure (including changes to computer applications, network changes, server upgrades or replacements, requirements for new servers, etc.) are communicated and coordinated across all parts of the IT organization (including the help desk) with ample lead time to identify issues and potential conflicts. Even small changes to the IT infrastructure can cause unanticipated consequences and disruptions to other parts of the infrastructure. A good change control process ensures the proper planning and communication of all changes to help reduce the negative effects of unintended consequences. Houston ISD has a change control process in place; however, onsite interviews reveal gaps in notifications to key stakeholders. Some of the gaps may occur because the district does not require the representation of new development project managers in the change control process. Lack of adherence to the change control process can result in poor availability across the infrastructure and project delays. In the case of the vendor that could not meet the PEIMS requirements, the IT Department did not identify the project manager's need for additional server capacity early in the process, resulting in additional work to avoid delaying an application deployment.

According to interviews, the IT Department does not plan adequately for adherence to the district's records management procedures as it develops or procures new applications. Records management staff expressed concern at the lack of discussion of records management strategies and procedures during the design phases of the SDLC process. Records management is an important function within a school district that helps to ensure data privacy and regulatory compliance for all records, including digital records, and especially those containing student and staff data. Effective districts typically plan for proper adherence to records management procedures when developing or procuring a new application. This consideration

requires programmers to build records management requirements into any new application and helps to ensure that staff in charge of procurement consider this requirement in the selection process.

The IT Department does not ensure that all changes to systems complete user acceptance testing (UAT). For example, the department recently upgraded the asset tracking system without the participation of key users in UAT. The SDLC requires that all changes to any computer system complete UAT before placing the change into production. This testing identifies any potential issues with the system changes and ensures that key users know about the changes in functionality to the system, so that they can adjust their business processes and training accordingly.

As in other large school districts, Houston ISD's IT Department has a Project Management Office (PMO) to help manage major technology projects. A robust project management process typically includes gate review processes intended to ensure that all work for each project phase has been completed to the appropriate level of quality and thoroughness before the next phase of work begins. Houston ISD staff reported that the IT Department does not conduct project management gate reviews consistently for all projects. The absence of a gate review process increases the risk that the department does not catch issues until later stages of the project when the issues may be more difficult to resolve.

The fixed asset accounting team in the district's Controller's Office tracks all capital assets and all electronic and technology equipment and coordinates annual inventories. The district requires most electronic and technology equipment to have an asset tag affixed, regardless of price. Assets purchased using IT Department funds are tagged by the supplying vendor as part of the contract. However, if a campus purchases equipment with campus funds, it provides and affixes these identification tags to the assets, even though the campuses purchase equipment from the same vendor as the IT Department. According to the district's Financial Procedures manual, when a campus receives technology equipment, it must print the asset tags using the district's asset tracking system, TIPWEB-IT, affix the tags to the equipment, and scan the tags into TIPWEB-IT using a barcode reader. The review team observed that campuses implement the district's asset tracking process for technology inconsistently, and some campuses do not follow the process. If campuses do not track technology assets through the system, then the district's Controller's Office does not have a complete inventory of technology at the campuses.

Inconsistent asset tracking at the campus level makes Houston ISD's asset inventory data unreliable. The IT Department needs reliable inventory data to plan for device replacement and to determine which campuses have aging inventories that need replacement. Without an accurate inventory, the district cannot monitor or measure perceived equity issues.

Establishing and adhering to overall processes such as SDLC, change control, PMO, and quality assurance helps districts to accomplish the following goals:

- minimize error and defect rates for new software releases;

- minimize help desk call rates and volumes when systems are released;

- maintain high customer satisfaction with systems that are delivered;

- ensure high system availability; and

- identify potential problems early in the process to avoid project delays.

A capability maturity assessment process can be used to measure the level of performance or maturity of key IT processes. A typical maturity rating scale includes the following rankings:

(1) initial – just implemented; a lot of confusion in process execution;

(2) repeatable – the process is at least documented, and repetition of the same steps may be occurring;

(3) defined – the process is defined and used as a standard business process;

(4) managed – the process is measured and managed; and

(5) optimizing – process management includes ongoing process optimization and improvement.

As the rating scale indicates, measuring and optimizing processes are key aspects of capability maturation. Well-defined processes lend themselves to measurement. These documented IT processes could include the following typical measures:

- software development – cycle time, number of release defects, customer satisfaction;

- quality assurance – number of defects at user acceptance testing, number of defects at release;

- change management – system availability;

- project management – percentage of project milestones delivered on time and on budget; and

- help desk – call wait time, backlog of tickets, average time to close tickets, the number of priority tickets, customer satisfaction.

Such measures are known as key performance indicators (KPI), and the IT Department can use them to recognize the trend in the performance of processes to determine whether processes are improving and moving toward optimization.

Houston ISD should retrain and monitor key IT processes and use a semiannual maturity model assessment as part of the system of key performance indicators.

The CIO should collaborate with each owner of the key IT processes to establish these processes' overall maturity level and to review the current KPIs. The staff should use this discussion to determine the necessary actions to optimize the process. Actions might include additional process improvements or refinements, training on the process, additional skill development, or improved accountability for process fidelity. Specifically, for the examples discussed previously, the process owners for the SDLC, PMO, and change control processes should examine their processes to determine the cause of deviations from process adherence and what improvements could prevent this cause.

Additionally, the CIO should review KPIs to determine whether monitoring them would inform process maturation. The CIO should review the maturity ratings and KPIs at least semiannually and form the basis for an overall IT performance scorecard.

The IT department also should require vendors to tag all technology purchased by campuses to ensure that the tagging process occurs properly.

The district could implement this recommendation with existing resources.

TECHNOLOGY PLAN (REC. 67)

Houston ISD does not have a current district plan for technology.

The Center for Education and Leadership in Technology (CELT) developed Houston ISD's most recent technology plan in calendar year 2012, which ran through calendar year 2017. The plan presents a strategic framework that includes

a mission statement and goals for information technology. It also outlines multiple aggressive and best practice recommendations to improve technology in the district. The district completed some of these items; however most are delayed, partially completed, or still being developed. **Figure 9–4** shows the review team's assessment of the recommendations from the calendar year 2012 technology plan and their completion status.

The staff said that budget cuts to IT have affected the district's ability to fully realize the plan's recommendations. The review team could not determine why the district has not implemented the plan components that do not require funding. According to the CGCS, Houston ISD was in the top quartile of large school districts for cost per pupil for IT spending during calendar year 2017. Due to spending decreases, the IT Department has a diminished ability to implement an

aggressive slate of technology initiatives on behalf of campuses and has curtailed services for its central office.

The lack of a technology plan and the absence of a collaborative planning process affects Houston ISD in several ways, including the following examples:

- the district has not established a technology planning committee to develop the components of a plan; the district's current technology plan assigns responsibility for strategies to certain positions, but the plan does not require these staff to collaborate to make recommendations to update the plan;

- an effective technology planning process uses multiple focus groups to gather input and feedback. These groups include community, campus, and district representatives. Such feedback might identify

FIGURE 9–4
HOUSTON ISD RECOMMENDATIONS FROM THE CALENDAR YEAR 2012 TECHNOLOGY PLAN AND COMPLETION STATUS
FEBRUARY 2019

CATEGORY	RECOMMENDATION	STATUS
Organization/ Staffing/ Professional Development	Reorganize the Information Technology (IT) Department to include instructional technology services.	Not implemented
	Build internal capacity among IT staff.	Partially implemented
	Define technology proficiencies for all positions.	Not implemented
	Develop proficiency-based professional development opportunities for teachers and principals.	Not implemented
Technology Standards	Establish a standards committee with a process that considers the return on investment and the total cost of ownership of all technology products.	Partially implemented
	Continue to adopt the Information Technology Infrastructure Library and Control Objectives for Information and Related Technologies frameworks for managing technology services from a customer support and security perspective.	Partially implemented
	Explore educational data exchange standards including School Interoperability Frameworks, Ed-Fi, and Common Education Data Standards for exchange between data source systems and the data warehouse.	Partially implemented
Planning	Establish an IT Governance Committee to review and evaluate existing and proposed technology policies and practices.	Partially implemented
	Charge the IT Governance Committee to reach out to all departments and have a transparent process that supports IT project identification, review, and decision making.	Not implemented
	Develop a Balanced Scorecard reporting structure to list the goals and strategic objectives outlined in the Houston ISD Strategic Direction.	Partially implemented
	Ensure that each initiative has an individual project plan and that all campus and department activities correspond to the master plan.	Partially implemented
	Develop a full disaster recovery plan including risk management, communication strategies, business continuity analysis, and plans for automatic disaster recovery.	Partially implemented
	Develop an upgrading policy that includes the decommissioning of all old technology. Including outdated equipment with poor performance, increasing support needs, and diminishing capabilities ultimately may harm the district when considering the overall technology experience of the students, teachers, and staff. Consider entering all computer purchases into a centrally managed upgrading program and seeking the necessary funds to maintain a modern and well-performing inventory.	Not implemented

FIGURE 9–4 (CONTINUED)
HOUSTON ISD RECOMMENDATIONS FROM THE CALENDAR YEAR 2012 TECHNOLOGY PLAN AND COMPLETION STATUS
FEBRUARY 2019

CATEGORY	RECOMMENDATION	STATUS
Process Improvement	Explore options and partner with vendors to decrease or eliminate data export requirements and improve data integration.	Partially implemented
	Specify an authoritative source for each data element.	Partially implemented
	Complete a comprehensive campus and district technology inventory asset management process.	Partially implemented
	Adopt a formal project management process that can identify tangential systems and monitor projects.	Implemented
	Implement security solutions to improve network penetration identification and notification and provide processes to reduce user device vulnerability.	Partially implemented
	Deploy an enterprise data warehouse to provide a neutral platform that establishes updated, accurate, and consistent data and analysis tools for decision making.	Complete
	Explore options and partner with vendors to decrease or eliminate data export requirements and improve data integration.	Partially implemented
	Specify an authoritative source for each data element.	Partially implemented
	Upgrade the current wide area network to improve quality of service and minimize the current single-point-of-failure affecting multiple campuses.	Complete
	Continue using the E-Rate application to seek funding for the wireless networks for eligible campuses. Regardless of E-Rate support, install a standard foundational wireless network solution at all campuses.	Complete
	Reconfigure cable plants to bring all campuses to a consistent foundation level.	Partially implemented
	Establish processes, structures, and tools to monitor improvements in equity of access, use as recommended in the IT Blueprint, and document the effects on learning outcomes.	Not implemented
	Develop a request for proposal to establish a more robust connection to the Internet that includes direct peering with networks and other service providers.	Complete
	Upgrade data center electrical connections, environmental monitoring, and air-conditioning units, and restructure workspace to build a network operations center.	Complete
	Increase automation in the data center for tasks such as job scheduling. Adopt a service management program based on the Information Technology Infrastructure Library.	Partially implemented

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

concerns noted previously, such as equity among campuses and inconsistent help desk services. An effective process would provide a forum for discussion and elevate such concerns to a level where they might be discussed, measured, and addressed objectively;

- without a technology plan, long-standing issues or risks do not receive the attention of the Houston ISD Board of Education and executive staff and likely will not receive the needed required funding; these issues include high-profile risks, such as cybersecurity; and

- decreasing the department's budget without a clear plan can cause confusion, inefficiencies, and unintended consequences. According to interviews, tentative strategies to address the most recent decreases include decreasing or eliminating the PMO. The district is considering these options while implementing several challenging projects, such as the SIS replacement, for which project management disciplines will be essential.

Planning for the use of technology, for business and operations and for instruction, is an important and ongoing process. Without technology planning, the district lacks a clear path forward for how to utilize technology advancements and effectively integrate them into operations and instruction.

Many public and private organizations conduct strategic thinking and planning relative to their missions.

Unfortunately, many organizations lack the ability to transform strategic plans into actionable projects.

CELT developed a best practice approach for implementing a strategic plan for Saint Louis Public Schools in 2015. The Transformation Plan Oversight Committee Process *Guidebook for Establishing and Sustaining a Transformation Plan Oversight Committee Process* presents an approach called the Plan–Do–Check–Act model. The model calls for the following actions:

- Plan – developing the plan with input and representation from the campuses, departments, community stakeholders, and curriculum areas;

- Do – continuously working on implementing the strategies of the plan;

- Check – periodically checking the plan's progress and the results of the measures that track the plan's results and effects on organizational performance;

- Act – acting on the information learned during the Check step and on changes to conditions affecting the plan (e.g., budget decreases) that can necessitate changes to strategies, assignments, timelines, or resources; and

- return to Plan – updating the plan through periodic reviews and planning activities involving the originators or owners of the plan.

Figure 9–5 shows the Plan–Do–Check–Act model.

Houston ISD should develop a three-year to five-year technology plan aligned to the district improvement plan.

The CIO first should establish a technology planning committee (TPC). The committee should include all parties that have a responsibility for a strategy in the latest technology plan and principals, teacher representatives, parent representatives, and student representatives. The CIO, with help from IT Department staff, should update the plan to document what the district has completed, what is completed partially, and what is no longer applicable. The senior manager of strategic planning should facilitate a comprehensive plan update to the full TPC for all strategies in the plan. With the TPC, the senior manager of strategic planning should then establish an approach to gather input from stakeholders to revise the plan. The approach should include campus, community, local business, and other key stakeholder groups as appropriate to update the plan's goals and recommendations. The effort should include surveys, including customer satisfaction surveys, to identify the strengths and weaknesses of the IT Department's services.

After the TPC develops a draft of the plan's goals, objectives, and initiatives, the CIO should collaborate with IT Department staff and staff that support applications in other departments to estimate the cost of the initiatives in the plan. These costs should be distributed as appropriate across the

FIGURE 9–5
PLAN–DO–CHECK–ACT MODEL FOR TECHNOLOGY PLAN IMPLEMENTATION
CALENDAR YEAR 2015

Plan
What should we focus on?

Strategic Planning
- What – identify mission, vision goals;
- What – craft key performance indicators; and
- How – choose theory of action for key strategies

Do
Are our efforts effective?

Project and Process Management Programs
- develop project workplans;
- launch and manage projects;
- establish leadership; and
- manage and improve processes

Check
What can we do to improve results?

Periodic Plan Checkpoints
- review leading indicators;
- assess strategies; and
- determine changes needed

Act
How do we need to adjust our plans?

Remediation Activities
- adjust strategies;
- revise project plans; and
- provide professional development

SOURCE: Center for Educational Leadership and Technology, 2015.

life of the plan. The CIO should present the plan to the superintendent and the board for approval.

Finally, the CIO should implement the plan using the Plan–Do–Check–Act model, coordinated by the senior manager of strategic planning and the PMO. This implementation should include initiating the approved projects of the plan in the proper sequence, conducting project status reports at least monthly, and reviewing the KPIs and plan measures quarterly. The CIO should ensure an environment of continuous improvement and customer focus for the IT Department.

The district could implement this recommendation with existing resources.

STAFFING AND STAFF DEVELOPMENT (REC. 68)

Staffing budget decreases and staff retention issues threaten the Houston ISD IT Department's ability to sustain operations and complete key projects.

Houston ISD has customer-facing positions (e.g., help desk, application developers, project managers, desktop support) and internal operations staff (e.g., network engineering, system engineering, and data center operations). Operations include a network operating center (NOC) that is staffed 24 hours a day.

Interviews with IT Department staff indicate that important staff leave the department each week due to a combination of concerns for job security and a robust private-sector hiring market for IT professionals in the Houston area. Recent budget decreases and Board of Education discussions about district fiscal issues have raised concerns among IT Department staff about job security. Additionally, the IT job market in Houston is strong, and salaries in the private sector are difficult for the district to match. Despite using higher pay scales for IT positions, Human Resources (HR) Department staff report difficulty competing with the private sector to recruit and retain IT staff. Although the IT Department staff indicated that turnover is high, it was not able to provide the turnover rate for technology staff. The review team did not find evidence that the district's HR Department closely monitors turnover rates or performs market analyses to compare district IT salaries to private sector salaries. BDO USA's 2018 follow-up report to the Information Technology Risk Assessment Report and IT Audit Plan noted the loss of cybersecurity positions and the difficulty to attract IT security staff in the Houston market.

As staff leave the department, insufficient funds are available for training or seminars to develop current staff to perform the duties of the unfilled positions. BDO USA's review noted that the IT Department does not cross-train cybersecurity staff and that "existing NOC resources lacked the necessary training to detect potential security threats." The department also does not have training funds to maintain or improve the IT Department staff's specialized skills, which further exacerbates the retention issue.

Attrition in the district also affects the business areas, where subject matter experts (SME) are leaving. According to onsite interviews, the lack of SMEs places the burden of business knowledge and expertise onto the application development staff, which erodes the separation of duties between the IT Department and business operations.

Finally, the district has several large projects scheduled soon, including the replacement of the SIS. These projects will place a heavy demand for experienced IT professionals across a broad spectrum of IT capabilities.

The Houston ISD IT Department is a sophisticated unit, with well-developed capabilities, including skilled staff, processes, and technology assets. The loss or erosion of any of these major components renders the capability ineffective. This loss of capability can affect IT operations and data security, which in turn affect the operations of the entire district. Correcting this erosion in capabilities is difficult and time-consuming. It is not sufficient to hire replacement skills, because new hires require weeks or months to learn the specific processes and technology assets that contribute to the capabilities they support.

Public sector organizations often struggle with IT staff attrition and private sector competition for highly skilled staff. Best practices for addressing this issue include the following efforts:

- pursuing higher pay scales for critical positions, which is an ongoing process in a strong economy and requires continuous monitoring to remain competitive;

- contracting for positions that are the most difficult to fill; contract rates tend to be greater than salaries overall, but contracting can help to secure scarce IT skills;

- outsourcing certain functions such as data center and network operations, help desk, application development and support, desktop support, or architecture development; and

- internal training, (including cross-training, to develop the skills of district staff).

The following strategies can be helpful when budget constraints force staff decreases:

- shifting resources from areas within IT where efficiencies gained enable operations with fewer staff; and

- decreasing hours of operations for certain functions, such as Houston ISD's data center, and shifting these resources to other areas.

Houston ISD should develop an IT staffing strategy that addresses retention, recruitment, salary, and potential reallocation of resources from efficient areas within the IT Department.

The CIO should collaborate with the chief HR officer and the senior manager of strategic planning to develop a matrix of positions and skills and long-term and short-term options for filling each position, including the following options:

- internal staffing;

- contracted resources;

- outsourcing contract;

- reallocating; and

- not filling the positions.

The matrix should identify the benefits and risks associated with each option. The CIO should use the matrix to develop an overall strategy for which IT functions the district should staff internally, supplement with contracted resources, fully outsource, or decrease and reallocate. As the district develops the overall strategy, the CIO should consider the following factors:

- the strain that the pending SAP and SIS projects will place on the organization and the importance of disciplines such as the PMO and quality assurance for ensuring quality rollouts;

- high-risk areas, such as cybersecurity, that require a strategy that ensures the retention of adequate skills and resources;

- ensuring that the business areas understand the importance of maintaining SMEs and process owners to preserve the separation of duties between business operations and IT;

- allocating training funds to develop skills and staff from within the district; and

- ensuring that customer-facing operations are prioritized when considering the areas to decrease or resources to reallocate.

After the CIO develops a draft staffing and resource strategy, the CIO should assign costs to the overall strategy through the following actions:

- estimating the cost of replacing internal positions with contractors;

- estimating the cost of outsourcing contracts;

- estimating the costs of salary increases required to retain internal staff;

- estimating the cost of training modules and staff time for training; and

- summarizing the overall benefits and risks of the staffing strategy.

The CIO should finalize the staffing strategy and submit it to the board for approval.

The district could implement this recommendation with existing resources.

IT FUNDING INEQUITIES (REC. 69)

Houston ISD enables technology and teacher support inequities to develop through decentralized funding of IT assets, campus service representatives, and campus instructional technicians.

Each campus determines its spending level for technology, when to upgrade the technology devices, and how to place them. The district requires campuses to adhere to technology standards and procurement guidelines set by the IT Department in acquiring these devices; however, the district has not established requirements regarding how much technology campuses acquire and how often it is acquired.

The district provided information, by elementary and middle school campus, on the number of laptop, desktop, and tablet computers available for student use. The overall student-per-device ratio is 1.37 for middle school campuses and 2.33 for elementary school campuses. At 38 middle school campuses, the ratio ranged from 0.7 students to 2.8 students per device. The ratio for the majority of these campuses ranged from 1.0 student to 2.0 students per device. At 172 elementary school campuses, the ratio ranged from 0.8 students to 11.2 students per device. The ratio for the majority of these campuses ranged from 1.0 student to 4.0 students per device. These numbers

suggest a wide range of technology availability among campuses. Each high school student receives a device for personal use and, therefore, are not included in this analysis.

According to onsite interviews, approximately one-third of campuses excel at choosing and upgrading computer devices; one-third are rated satisfactory; and one-third struggle in this regard, especially those campuses that are smaller and do not have the budgets of larger campuses. Other interview participants mentioned that parents perceive large differences among technologies used at different Houston ISD campuses.

The district requires each Houston ISD high school PowerUp campus to hire two technical support staff: a customer service representative (CSR) and a campus instructional technician (CIT). Each staff has a different role to fill. The CSR handles the operations of technology devices and how to use them. The CIT is focused instructionally and helps teachers use technology in the classroom. These positions are important for the campuses that participate in the PowerUp program. Middle school and elementary school campuses have the option to staff a CSR position based on the campus budget. Although the requirement for these positions exists for high schools, some high schools do not hire CSRs or CITs, and the district does not enforce the mandate.

Campuses that do not hire the CSR or CIT can struggle to use and troubleshoot technology effectively. These campuses call upon the IT Department for more support. The unfilled CSR and CIT positions save the campuses budget funds but increase costs in other areas, including the IT Department. The absence of these staff also results in lost time and productivity for teachers and may limit the use and availability of technology at the campuses.

The variability in spending for technology among campuses results in perceptions of inequality. It also can increase costs overall, because outdated or older hardware costs more the longer it is retained. During calendar year 2013, the IT Department assessed devices at all 280 campuses and at district offices and determined that nearly 64,000 desktop and laptop computers should be upgraded to the Microsoft Windows 7 operating system (OS). Of those computers, the IT Department determined that an estimated 39,000 were ineligible for the upgrade and instead needed to be replaced, because campuses and departments had not maintained technology to current standards. In December 2013, the district spent $35.0 million to upgrade those computers with a new OS, Microsoft Windows XP. Most personal computers have a life cycle of about 5.0 years. Therefore, the district

needs to spend approximately $15.0 million per year to replace aging computers systematically. Currently, the campuses and departments are investing about $2.0 million annually for that purpose.

The district's recommended practice is for each campus to fill the CSR and CIT positions, especially the high school campuses that participate in the PowerUp program. Additionally, the district recommends that campuses upgrade technology on a regular cycle. However, the district does not require campuses to follow either recommendation.

Houston ISD should establish and enforce minimum standards for technology funding and require campuses to replace devices on a regular cycle.

The CIO should collaborate with the CAO and the superintendent to establish required guidelines for technology spending and support positions at the campuses. The board should either establish these guidelines in district policy or centralize the responsibility for these budget items to ensure consistency and equity among campuses for IT spending and support. If the board centralizes technology funds in the IT Department, the CIO should establish allocation formulas to ensure an objective, predictable, and equitable distribution among the campuses. The CIO should develop campus technology equity reports that show device obsolescence by campus to enable prioritization of need by campus. Guidelines also should require the regular replacement of devices, typically every five years.

The district should ensure that every campus that participates in PowerUp fills the CSR and CIT positions. Since the time of the review, district staff indicated that the superintendent will begin enforcing the requirement for CSRs and CITs at the PowerUp campuses in school year 2019–20.

The fiscal impact assumes that the funds to fill the CSR and CIT positions at the PowerUp campuses already are in the campuses' budgets.

HELP DESK (REC. 70)

The Houston ISD IT Department's help desk feedback is inconsistent.

Houston ISD has an IT Department help desk that receives staff calls and processes requests for assistance with technical issues.

The central IT help desk includes the following KPIs: root cause, call wait time, call volume, first-call resolution, and

customer satisfaction. The district does not maximize opportunities to collect all possible KPIs from the help desk. The KPIs that the help desk collects indicate the following data:

- a lack of technology training for district staff most often is cited as the root cause for calls to the help desk; it is a standard practice for IT Department staff to review calls and identify the root causes, which provides the district with valuable information to improve operations;

- call wait times are 8.0 seconds on average;

- peak times for the help desk call volume are at the start of the school year and at the return to school after holidays; the department assigns additional staff to the help desk during these peak times to limit call wait time;

- the first-call resolution response rate is 73.0 percent. According to MetricNet's benchmarking database, the average net first-call resolution rate for service desks worldwide is 74.0 percent. Rates range from about 41.0 percent to 94.0 percent; and

- the customer satisfaction rate is 95.0 percent.

KPIs for the help desk show a healthy process overall. For example, the district employs some strategies, such as planning for peak times, to keep the help desk performing well to meet customer demand. However, although the reported KPIs indicate good performance, interviews with campus staff indicated a low level of customer satisfaction with the help desk. During the review team's onsite fieldwork, many campus staff expressed dissatisfaction with response time and the quality of the help desk service. Some of the campuses that have CSRs have implemented their own ticket systems and use different tools for onsite request, bypassing the district's help desk. The result is that none of that data is reported to the IT Department help desk. Another result is that help desk functions can vary from what the campus does to what the district does.

The help desk typically is the main contact point for IT customers. The help desk process generates information that identifies the maturity and performance of the IT processes and capabilities. Problems with quality assurance, application development, change control, or release management often manifest themselves in help desk calls. Consequently, accurate help desk data is essential to understanding an IT organization's capability maturity. Conversely, a lack of

accurate help desk data results in the IT management having an incomplete understanding of the department's operations and inhibits the leadership's ability to improve IT capabilities.

Help desk KPIs require the capture of robust and accurate data for all calls. These data include the following indicators: who made the call; the type of problem; the priority assigned to the ticket; the date and time of the call; who responded to the call; who provided second-call or third-call resolution if needed; duration of the call; time to resolve the problem; classification of the root cause; ticket closure information such as who, when, and with what action; customer satisfaction with the result; and call wait time for the customer.

Effective districts use accurate help desk data to determine trends and continuous improvement opportunities for IT capabilities and processes. Obtaining high-quality help desk data requires attention to how the data are captured at the source and discipline and accountability for adhering to data guidelines and standards. Such data also can be helpful in identifying performance issues for staff in the IT support structure.

Houston ISD should analyze the help desk data regularly and standardize help desk processes districtwide.

The CIO should perform the following actions:

- require all campuses to use the district's help desk system;

- improve the consistency and quality of the data by clarifying guidelines for data capture and ensuring accountability for its quality;

- send a survey to each ticket owner whose ticket has not been resolved after a certain period to better understand the views of all customers;

- establish a process for using the same call center tool across technology-related service areas to better collaborate and optimize site visit planning and other activities;

- require all help desk service providers to keep accurate help desk data, including customer satisfaction ratings;

- establish a set of reports and schedule for reviewing the reports;

- conduct data analysis exercises at regular intervals, such as monthly, at the CIO staff meetings; and

- conduct an annual customer satisfaction survey for IT Department and help desk services, identify

discrepancies in help desk data and survey data, and act on discrepancies to determine their root causes.

The district could implement this recommendation with existing resources.

EDUCATIONAL AND INSTRUCTIONAL TECHNOLOGY (REC. 71)

The separation of the Educational Technology and Instructional Technology teams causes confusion, lack of coordination, and duplication of efforts in Houston ISD.

The district has an Educational Technology team in the IT Department and an Instructional Technology team in the Academics Department. Both teams previously existed in the Academics Department. The Educational Technology Department had both a secondary and elementary team reporting to the assistant superintendent of elementary and the assistant superintendent of secondary. In June 2011, the district eliminated those positions due to department budget cuts. In 2012, the CIO recognized the need to have an Educational Technology team to assist teachers with the use of office productivity tools, digital tools such as projectors and electronic whiteboards, and define digital standards for interoperability between systems. The IT department reallocated positions from IT to form a new Educational Technology team. The Instructional Technology team focuses on instructionally focused assistance to campuses and teachers, including the following areas:

- training that encompasses digital resources;

- technology training at the new teacher academy;

- events throughout the year to perform certain projects, such as a focus to deliver laptop computers for eighth grade students; and

- communication with the campuses regarding instructional technology developments.

The Educational Technology team focuses on deploying laptop computers, broadband hotspots, and approved application software. In addition, the team works on data privacy, safety and security awareness training, and works with the various teams and vendors to work on data standards for data interoperability and machine learning. Both teams use the help desk system to track and cross-reference help desk tickets. The groups previously met regularly, but did not coordinate regularly at the time of the review.

Multiple interviews confirmed confusion about both teams among customers. Campuses do not know which team to contact when an issue arises related to technology in the classroom. As a result, both teams confirmed overlap and duplication of work, mixed messages, and confusion. Each team often performs work that technically is not its responsibility because it is easier than explaining to customers to contact a different department. In addition, certain campuses prefer working with one team or the other.

Large school districts typically locate instructional and educational technology either in the technology department or in the academic department. This team also consults with the other department to address crossover between technology and academics.

Houston ISD should combine Educational Technology and Instructional Technology into one organization, based in the Academic Department.

The head of the IT Department (CIO) should work with the CAO to develop a plan to combine the two teams. The plan should address the following considerations:

- the timing of the move;

- selecting the team leader;

- redefining the combined roles and division of responsibility between the two teams;

- the review process for the new structure;

- communicating the new structure to the campuses; and

- the subsequent measurement of the new organization's performance to determine the effectiveness of combining the teams.

The district should use this new group to monitor the way campuses plan, fund, support, and use technology resources in the classroom. The CAO and CIO should establish a set of KPIs for these areas.

The district could implement this recommendation with existing resources.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards or

accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's School Performance Review Team could not determine a fiscal impact for the recommendations in this chapter. Any savings or gains will depend on how the district chooses to address these findings. However, the implementation of these recommendations may result in savings from streamlining the department's organization and eliminating inefficiencies. If Houston ISD implements **Recommendation 65** (IT governance) and **Recommendation 67** (technology plan), the district may achieve savings from planning the use of the IT Department's resources in a strategic manner and eliminating spending on projects that do not support the district's goals directly. If the district implements **Recommendation 71** (educational and instructional technology), the district may realize savings from streamlining the functions of these departments and eliminating duplicated duties.

10. NUTRITION SERVICES MANAGEMENT

Houston Independent School District's (ISD) Nutrition Services Department offers breakfast, lunch, and supper to all district students. During school year 2018–19, Houston ISD had 209,772 students enrolled in prekindergarten to grade 12. The district has 280 cafeterias and operates 247 kitchens. Some of the campuses are hub kitchens that produce and distribute meals to satellite campuses. The district also has a centralized food production facility, which produces and distributes components for meals to every campus in the district.

During school year 2017–18, the Nutrition Services Department had $127.3 million in revenue and $125.0 million in expenditures, a revenue gain of $2.4 million. The department had an ending fund balance of $28.2 million for the year. The Legislative Budget Board's School Performance Review Team conducted onsite fieldwork to review Nutrition Services in January 2019. During onsite interviews, district staff estimated that the department would lose $8.5 million for school year 2018–19 due to a new requirement to pay for contracted custodial services, maintenance costs for the food production facility and administrative offices, and a decrease in enrollment.

ACCOMPLISHMENT

♦ Houston ISD provides breakfast, lunch, and supper at no charge to students through the Community Eligibility Provision program.

FINDINGS

♦ Houston ISD does not ensure maximum participation in the federal Child Nutrition Programs.

♦ Competitive food sales at campuses violate state and federal regulations and affect Nutrition Services Department revenue negatively.

♦ Houston ISD campuses set meal schedules with little input from the Nutrition Services Department.

♦ The Nutrition Services Department does not hold operations managers or food service team leads accountable for financial and operational management of the campus cafeterias.

♦ The Nutrition Services Department does not use existing data adequately to determine staffing levels.

♦ The Nutrition Services Department provides minimal nutrition education to students.

♦ The Nutrition Services Department's catering and adult-only meal operations are inefficient and do not generate sufficient revenue to cover costs.

♦ The external focus of the catering operation does not direct valuable facility and staff resources to the district's campus meals programs and Houston ISD students.

♦ The Nutrition Services Department's food production facility is underutilized and depletes department resources.

RECOMMENDATIONS

♦ **Recommendation 72: Analyze participation rates monthly, develop and implement strategies to increase participation, and develop board policies that address challenges to participation.**

♦ **Recommendation 73: Hold principals accountable for ensuring that all competitive foods sales on campuses comply with United States Department of Agriculture regulations.**

♦ **Recommendation 74: Develop guidelines for meal scheduling to assist principals.**

♦ **Recommendation 75: Develop and implement procedures and systems to provide oversight and consistent management of campus cafeteria operations.**

♦ **Recommendation 76: Use productivity data to manage staffing in accordance with industry standards.**

♦ **Recommendation 77: Develop an annual plan for nutrition education and menu displays in campus cafeterias.**

♦ **Recommendation 78: Develop a plan to improve catering and adult-only meal operations to a financially accountable position.**

♦ **Recommendation 79: Maximize catering facility and staff resources to support district meal programs and student culinary academic programs.**

◆ **Recommendation 80: Use the contracted consultant's report to eliminate inefficiencies and decrease costs at the Nutrition Services Department.**

BACKGROUND

An independent school district's food service operation provides meals to its students and staff. The district may provide meals through the federally funded Child Nutrition Programs, which include the School Breakfast and National School Lunch programs. The School Breakfast Program (SBP) is a federal entitlement program administered at the state level by the Texas Department of Agriculture (TDA). Participating campuses receive cash assistance for breakfasts served that comply with program requirements. Districts receive different amounts of reimbursement based on the number of breakfasts served in each of the benefit categories: free, reduced-price, and paid. Texas state law requires campuses to participate in the breakfast program if at least 10.0 percent of their students are eligible to receive free or reduced-price meals. The National School Lunch Program (NSLP) serves low-cost or free lunches to students. Like the breakfast program, lunches must comply with federal nutrition guidelines and are reimbursable to campuses based on the number of meals served within the benefit categories. A district's food service operation also may offer catering services to supplement the food services budget or provide training for students interested in pursuing careers in the food service industry.

The food service operation is dependent on the organizational structure of the district. The two primary models of organizing food service operations are self-management and contracted management. Using the self-management model, a district operates its food service department without assistance from an outside entity. Using a contracted management model, a district contracts with a food service management company to manage either all or a portion of its operations. In this arrangement, a district may rely on the company to provide all or some staff, or may use district staff for its operations.

Houston ISD participates in the SBP and the NSLP. The district also offers supper to all students as part of the U.S. Department of Agriculture's (USDA) Child and Adult Care Feeding Program (CACFP). More than 30 elementary campuses provide fresh fruits and vegetables to students

during the day as part of the USDA's Fresh Fruit and Vegetable Program (FFVP). The district provides snacks to students at campuses through afterschool, educational, enrichment-based programs as part of the NSLP. SBP, NSLP, CACFP, and FFVP collectively are referred to as the Child Nutrition Programs (CNP). Houston ISD also receives donated foods through the USDA's Foods Distribution Program. During school year 2014–15, the district began offering free breakfast, lunch, and supper to students at some campuses through the Community Eligibility Provision program. During school year 2017–18, the district expanded its offering of free meals to students at all campuses. The district serves breakfast in the classroom at all elementary schools and middle schools and some high schools.

The Nutrition Services Department has 2,087 staff, including 1,744 food service attendants and team leads who work in the cafeterias. The district organizes the campus cafeterias into 20 areas throughout the district. Operations managers oversee each area and report to Nutrition Services Department administration.

Figure 10–1 shows the district's reporting structure for the Nutrition Services Department. The officer of nutrition services oversees the department and reports to the district's chief operating officer. The officer of nutrition services ensures compliance with federal, state, and program requirements and develops and administers the food service budget. The general manager oversees the teams responsible for kitchen operations, menu planning, and catering services. The director of food literacy and food inclusion leads the department's food literacy initiatives and the implementation of campus gardens. The senior manager of accountability and compliance tracks performance measures and develops financial reports for the department. The senior manager of food production oversees the operations of the food production facility. The senior manager of materials and safety manages the department's warehouse operations and the delivery of food and dry goods to the campus cafeterias.

The district uses Primero Edge, a point-of-sale (POS) software, to count and claiming reimbursable meals. District custodial staff clean the dining rooms at most campuses, and contracted custodial staff clean approximately 55 campus cafeterias. Most high schools are open campuses that authorize students to leave campus during their lunch periods.

FIGURE 10–1
HOUSTON ISD NUTRITION SERVICES DEPARTMENT ORGANIZATION
SCHOOL YEAR 2018–19
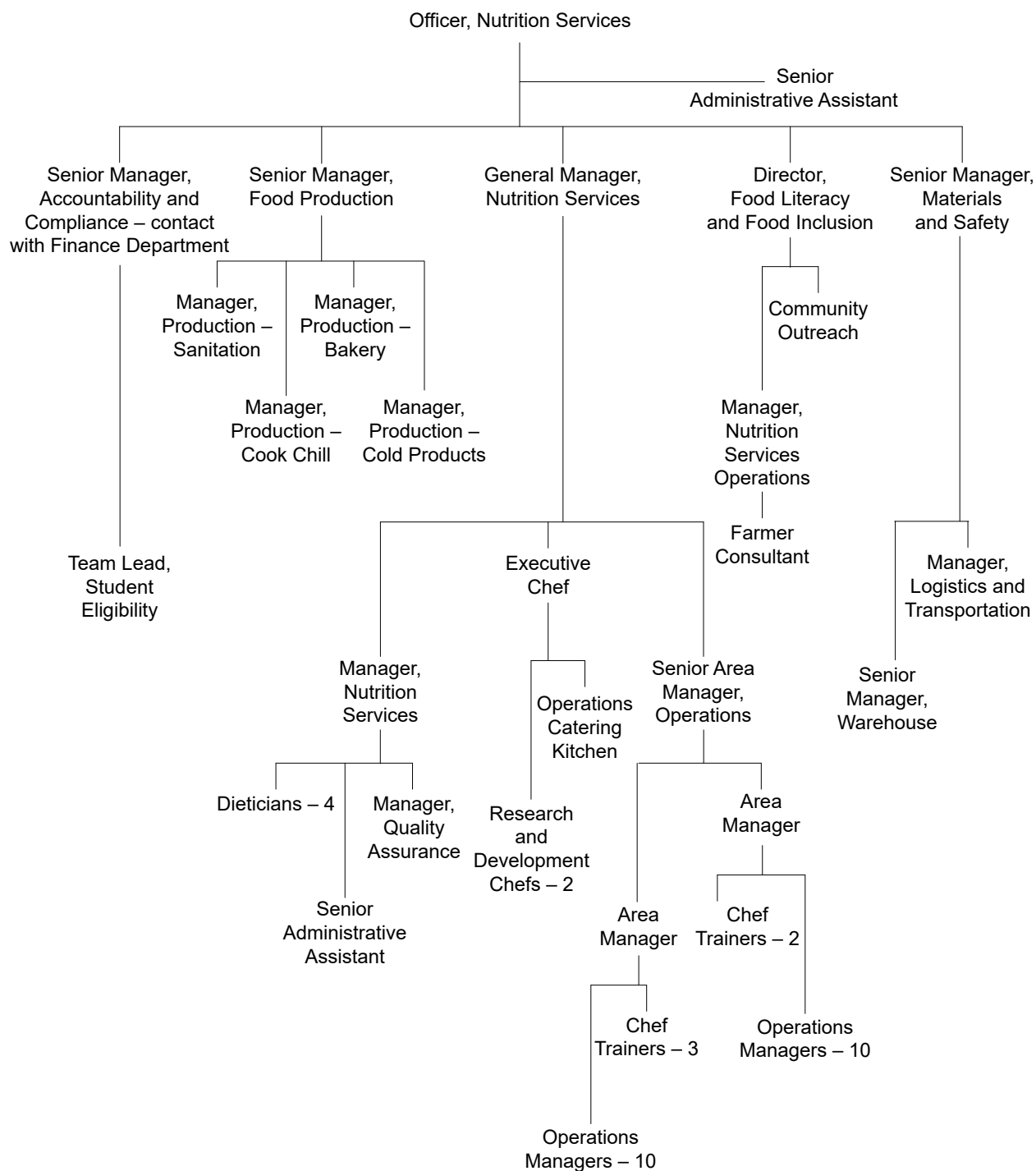
NOTE: Since the time of the review team's onsite visit, the department has added a third area manager. Each area manager oversees from six to seven operations mangers.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019.

DETAILED ACCOMPLISHMENT

COMMUNITY ELIGIBILITY PROGRAM

Houston ISD provides breakfast, lunch, and supper at no charge to students through the Community Eligibility Provision (CEP) program.

The CEP program became available to school districts through the Healthy Hunger-Free Kids Act of 2010. CEP is a nonpricing meal service option that enables campuses and districts in areas that have high levels of poverty to serve breakfast and lunch at no cost to all enrolled students without collecting household applications. School districts that adopt CEP are reimbursed using a formula based on the percentage of students that are categorically eligible for free meals based on their participation in qualifying programs, such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families, Head Start, and state funded prekindergarten. Migrant, homeless, and foster care students are also categorically eligible for free meals. TDA is approved to operate a demonstration project which enables districts to use Medicaid data from the Texas Health and Human Services Commission to establish free eligibility without application.

Houston ISD began implementing CEP during school year 2014–15 at 169 sites. The number of CEP sites since has expanded, and, during school year 2017–18, the district transitioned to CEP after Hurricane Harvey's landfall in August 2017, which coincided with an increase in the number of area families that were eligible for SNAP.

Houston ISD's website explains CEP benefits for families. District staff reported that parent support for the program has grown in response to the district's educational outreach, which emphasized the fact that federal funding, not local funding, pays for student meals.

The federal reimbursement rate per meal for the CEP program is based on the claiming percentage derived from the number of students who are directly certified for the program due to their participation in categorical programs. If 62.5 percent or more of students are directly certified, the district receives the maximum reimbursement rate for each breakfast and lunch served. If fewer students are identified through direct certification, a portion of meals served are reimbursed at the maximum rate. TDA provides a data matching system to districts to develop a direct certification list. The system the district receives the data from is called Texas Eligibility List Management System. TDA provides

access to the system through the online Texas Unified Nutrition Programs System.

Because the reimbursement rate depends upon the number of directly certified students, the Nutrition Services Department continually updates student files to identify as many eligible students as possible. The department obtains most of this student information through the matching process, but district staff also identify students who are homeless or runaway children. This team's diligence affords the district the greatest reimbursement rate possible.

CEP offers the following benefits:

- students have access to free nutritious meals without any social stigma attached to income-based ability to pay, spend less time in cashier lines, and have more time to consume nutritious meals;

- parents do not have to complete household applications and do not have to track meal accounts; and

- administrators have less paperwork and administrative costs, do not have to track unpaid meal charges, and receive the benefit of improved program integrity and streamlined meal service operations.

The Center for Public Policy Priorities provides the following reasons why CEP benefits Texas school districts:

- more children are fed;

- administrators and families have less paperwork;

- claiming rates improve; although CEP claiming rates can remain in effect for up to four years, schools and districts may reestablish rates annually if their identified student percentages increase;

- districts realize increased revenue; and

- districts' nutrition services align with Texas school breakfast requirements.

DETAILED FINDINGS

STUDENT PARTICIPATION (REC. 72)

Houston ISD does not ensure maximum participation in the federal Child Nutrition Programs.

From calendar years 1997 to 2017, Houston ISD contracted with a food service management company (FSMC) to operate the CNP in the district. To improve food quality,

FIGURE 10–2
HOUSTON ISD BREAKFAST AND LUNCH MEAL PARTICIPATION RATES COMPARED TO RATES REPORTED TO THE COUNCIL OF THE GREAT CITY SCHOOLS
SCHOOL YEARS 2015–16 TO 2016–17

SCHOOL YEAR	HOUSTON ISD		CGCS MEDIAN		CGCS UPPER QUARTILE	
	BREAKFAST	LUNCH	BREAKFAST	LUNCH	BREAKFAST	LUNCH
2015–16	**57.3%**	**64.4%**	37.4%	65.3%	54.1%	80.4%
2016–17	**57.8%**	**65.7%**	40.6%	67.4%	54.0%	80.2%
SOURCE: Council of the Great City Schools, Managing for Results, 2018.						

increase student participation and decrease costs, the district transitioned to the self-management model for food service operations during school year 2017–18. The district has made increased efforts to improve food quality, yet it still has opportunities to increase student participation rates. Although the district's SBP participation rates are greater than industry standards, breakfast participation has decreased for the past several years. In addition, participation in the NSLP is less than industry standards.

The Council of the Great City Schools (CGCS) publishes performance measures and performance data related to business operations in urban public school districts. Its 2018 publication *Managing for Results*, shows the median, high, and low values for performance metric data from districts reporting to the CGCS. Districts in the upper quartile reported the highest values for a given metric, and districts in the lower quartile reported the lowest values.

Figure 10–2 shows a comparison of Houston ISD's meal participation rates to the median and upper quartile rates reported to the CGCS for school years 2015–16 to 2016–17. During that period, Houston ISD student participation rates for breakfast were greater than the median and upper quartile rates, and lunch participation rates were less than the comparison rates.

During school year 2018–19, Houston ISD's average daily participation (ADP) rate for lunch was 58.3 percent, and the ADP for breakfast was 48.6 percent. Although the district's school year 2018–19 breakfast participation rate was higher than the school year 2016–17 CGCS median rate, it is lower than the district's rates for school years 2015–16 and 2016–17. The district's lunch participation rate is less than both the CGCS median and upper quartile participation rates.

According to the review team's onsite interviews, Nutrition Services Department administrative staff analyze student participation data by grade level and adjust menus in response to changes in participation levels. However, cafeteria staff do not have access to data to assess student participation at the site level. Operations managers reported that they do not receive student participation data for their specific campuses, so they cannot provide feedback to the cafeteria team leads or discuss participation changes with them.

The department does not record the individual menu items selected in a meal, which means that the POS system does not collect true demand data. For example, during lunch at Black Middle School, the review team observed cashier used the number one button to indicate the student selected a reimbursable meal with the cheeseburger entrée and the number two button to indicate the spicy chicken sandwich. This entry provides demand data only for the entrée items. Although students can select from multiple side items, the department does not record and track which items are most popular. The department already logs ice cream sales by assigning a separate POS entry to each type, and it could configure the system similarly to collect data for individual meal components.

In addition to a lack of detailed, campus-level data related to participation and demand, the review team observed several factors during the onsite fieldwork that affect student participation negatively.

First, the process for developing menus does not involve stakeholders, and the department does not have a formal process to evaluate and improve menus. At the time of the onsite review, the senior manager of nutrition services developed menus. Four dietitians in the Nutrition Services Department review the menus for accuracy and food availability. Although menus meet the federal nutrition standards, stakeholders provide minimal input in the process. For example, operations managers and food service team leads have ideas to increase participation based on firsthand knowledge of student response to menu items. However, department administration does not seek feedback from either group to inform menu decisions. The Nutrition

FIGURE 10–3
HOUSTON ISD KINDERGARTEN THROUGH GRADE EIGHT LUNCH MENU
JANUARY 2019

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
	1	2	3	4
	Bean and Cheese Pupusa	Hamburger	Chicken Tamale	Cheesy Fish
	Mandarin Oranges	Mixed Fruit	Diced Pears	Diced Peaches
7	8	9	10	11
Beef Nachos	Pepperoni Pizza	Chili Mac with Supper Roll	Cheese Enchiladas	Chicken Sandwich
Diced Pears	Diced Peaches	Mixed Fruit	Mandarin Oranges	Pineapple Chunks
14	15	16	17	18
Thai Chicken and Broccoli Lo Mein	Cheese Pizza	Hamburger/ Cheeseburger	Chicken Nuggets	Spaghetti and Meatballs
Mandarin Oranges	Mixed Fruit	Sliced Peaches	Orange Slices	Diced Pears
21	22	23	24	25
Crispy Wings and Biscuit	Pepperoni Pizza	Hamburger/ Cheeseburger	Chicken Carnitas Soft Tacos with Chips and Queso	Cheesy Fish
Pineapple Chunks	Mandarin Oranges	Mixed Fruit	Pineapple Chunks	Orange Slices
28	29	30	31	
Beef Nachos	Cheese Pizza	Chicken Sandwich	Cheese Enchiladas	
Diced Pears	Diced Peaches	Mixed Fruit	Mandarin Oranges	

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019.

Services Department has five chef trainers that visit cafeterias and provide training as necessary to ensure that staff follow recipes properly and handle food in accordance with food safety standards. According to interviews, the chef trainers do not participate in menu planning and do not communicate regularly with the senior manager of nutrition services or the dietitians. Thus, the staff developing the menus may not know whether cafeteria staff have the skills necessary for successful menu preparation.

The lack of student input into menu planning also may contribute to low student participation. According to staff, the department conducts frequent surveys of students, but the district did not provide evidence of these surveys. Interviews with various operations managers revealed concerns with the current menu and its evaluation. Some operations managers noted that about half the students like the menu, and that the participation rate still can be improved. Others stated that the district lacked student focus groups for taste testing.

Another factor that may affect student participation is the lack of variety in the menus. **Figure 10–3** shows the hot entrees and fruits available during January 2019. That month, pizza was on the menu four out of five weeks, and hamburgers were on the menu three out of five weeks. In addition, few of the fruit options are fresh fruit.

The review team observed substantial plate waste at a number of campuses. Department staff stated that the menu often does not provide a good variety of color and that items were not always kid-friendly. In a focus group, team leads and food service attendants said menus lack variety and flavor.

When the department introduced salad bars at the elementary campuses, it replaced a second entrée choice for lunch with a salad bar. During interviews, leaders in the department stated a recognition of the need to continue salad bars but provide more variety. Staff said that salad bar participation has waned because students are tired of the same offerings. Some items on the line, such as beans and pasta salad, are not selected

and become trash each day. Some staff stated that students miss having a second entrée choice now that the salad bar has become the only other option.

Authorizing students to dine off campus affects meal participation at high schools negatively. Houston ISD does not have a board policy regarding open campuses, and most high schools authorize students to leave campus during the lunch periods. Nationally, among school districts with more than 25,000 students, 33.9 percent have open campus for high school lunch. In the southwestern U.S. region, 28.1 percent of districts have open campus for high school lunch.

If a school district does not maximize participation, it risks that students are not receiving the nutrition benefits available through the CNP. The review team did not observe that meals brought from home were substantially healthier than the cafeteria meals. According to the national Food Research and Action Center, studies show that participation in school breakfast is associated with improved math grades, attendance, and punctuality. Students who eat breakfast show improved cognitive function, attention, and memory. Research shows that children who eat breakfast at school, closer to class and test-taking time, perform better on standardized tests than those who skip breakfast or eat breakfast at home. They found that school breakfast participation is associated with a lower body mass index (an indicator of excess body fat), lower probability of being overweight, and lower probability of obesity. Educator comments, published on the USDA Food and Nutrition Service's website, further assert that children who do not eat properly are hard to discipline. Conversely, students who receive a nutritious lunch show a marked improvement in attitude.

Houston ISD meals provide 25.0 percent of the daily nutrient requirements at breakfast and 33.0 percent of the daily requirements at lunch. High levels of meal participation are evidence that more students are receiving nourishing meals to complement learning in the classroom. When participation is low or decreasing, the Nutrition Services Department is not meeting its goal.

In addition, if participation is not maximized at the campus level, the district forgoes potential revenues from reimbursement claims for students who are not participating. The following USDA's best practices are recommended to increase student participation:

- provide opportunities for students to try new foods;

- attend trade shows and sample products;

- network with other food service directors and dietitians;

- cook from scratch and use batch cooking;

- obtain student feedback;

- introduce change slowly and offer variety;

- introduce students to foods using samples, fun activities, and educational methods;

- involve campus administrators and teachers to promote change; and

- inform parents regularly.

The School Nutrition Association's *School Nutrition Trends Report*, 2017, documents innovative changes that districts have made to increase participation. According to the report, the most helpful way to increase participation is to implement changes suggested by the customers—the students and staff. The menu drives participation, and positive changes to the menu will increase participation.

Houston ISD should analyze participation rates monthly, develop and implement strategies to increase participation, and develop board policies that address challenges to participation.

The district should implement the following actions:

- the general manager of nutrition services should continue to review student participation monthly by elementary, middle, and high school campuses and share participation data for each campus with operations managers and cafeteria staff;

- the general manager of nutrition services should develop strategies to meet participation goals for each grade group and provide recognition and rewards for campuses that reach these goals;

- the senior manager of nutrition services should track participation by menu, adjust menus based on popular items, and consider returning the second entrée choice to elementary lunch menus;

- the general manager of nutrition services should consider requiring cafeteria staff to record all items selected in a meal to track the popularity of individual entrées and side items;

- the general manager of nutrition services should collaborate with the senior manager of nutrition services and the senior area manager of operations to

FIGURE 10–4
HOUSTON ACTUAL VERSUS PROJECTED REVENUE FOR BREAKFAST WHEN AVERAGE DAILY PARTICIPATION (ADP) INCREASES TO 57.8 PERCENT FOR BREAKFAST
JANUARY 2019

ADP AT 48.6% OF ENROLLMENT			PROJECTED 57.8% ADP		
ADP	REVENUE PER MEAL	TOTAL REVENUE	ADP	TOTAL REVENUE	INCREASED DAILY REVENUE
105,062	$2.14	$224,833	125,027	$267,558	$42,725

SOURCES: Legislative Budget Board School Performance Review Team; *Federal Register*, Volume 83, Issue 139, National School Lunch, Special Milk, and School Breakfast Programs, National Average Payments/Maximum Reimbursement Rates; Houston ISD, January 2019.

FIGURE 10–5
HOUSTON ACTUAL VERSUS PROJECTED REVENUE FOR LUNCH WHEN AVERAGE DAILY PARTICIPATION (ADP) INCREASES TO 65.7 PERCENT FOR LUNCH
JANUARY 2019

ADP AT 58.3% OF ENROLLMENT			PROJECTED 65.7% ADP		
ADP	REVENUE PER MEAL	TOTAL REVENUE	ADP	TOTAL REVENUE	INCREASED DAILY REVENUE
126,111	$3.39	$427,516	142,115	$481,770	$54,254

SOURCES: Legislative Budget Board School Performance Review Team; *Federal Register*, Volume 83, Issue 139, National School Lunch, Special Milk, and School Breakfast Programs, National Average Payments/Maximum Reimbursement Rates Houston ISD, January 2019.

develop a robust program to seek student and staff feedback on menu items, serving-line attractiveness, cafeteria ambience, and specific school factors that likely affect meal participation; and

- the Houston ISD Board of Trustees should develop board policies to eliminate open campus during meals.

By implementing the strategies identified, the district could achieve a districtwide participation increase. **Figure 10–4** shows that Houston ISD could realize more than $42,000 in increased daily revenue for breakfast when ADP is increased to the district's school year 2016–17 breakfast participation rate of 57.8 percent.

Figure 10–5 shows a gain of more than $54,000 in projected daily revenue when ADP for lunch is increased to the district's school year 2016–17 lunch participation rate of 65.7 percent.

The fiscal impact assumes that the district increases breakfast participation to 57.8 percent and lunch participation to 65.7 percent, resulting in a total projected annual gain of $17,456,220 ($96,979 x 180 days).

COMPETITIVE FOODS (REC. 73)

Competitive food sales at campuses violate state and federal regulations and affect Nutrition Services Department revenue negatively.

Federal regulations define competitive foods as "all food and beverages other than meals reimbursed under programs authorized by the Richard B. Russell National School Lunch Act and the Child Nutrition Act of 1966 available for sale to students on the school campus during the school day."

TDA guidance further defines competitive foods as "foods and/or beverages sold to students that compete with the school district's operation of the NSLP and/or SBP. This definition includes, but is not limited to, food and/or beverages sold a la carte in a meal service line, in vending machines, in campus stores, or as part of fund raisers."

USDA and TDA regulations govern the sale of competitive foods. All competitive foods must meet nutrition standards established by USDA's Smart Snacks in Schools regulation. The TDA allows the sale of competitive foods on campus as long as they meet those nutritional standards. USDA defines a school day as the period from the midnight before to 30 minutes after the end of the official school day.

TEA rules published in Texas Administrative Code, Section 26.2, and Houston ISD Board Policy CO (LEGAL) authorize six fund-raisers per year on each campus that sell foods that do not meet Competitive Food Nutrition Standards. Board Policy FJ (LEGAL) authorizes those fund-raisers, "provided that no specially exempted fund-raiser foods or beverages may be sold in competition with school meals in the food services area during the meal service." The district relies on the legal policies for guidance related to competitive foods; however, the board has not developed a local policy on this topic. Nutrition Services Department administrators noted

that the sale of competitive foods is a large problem at many Houston ISD high school campuses, and the board does not enforce the district's competitive food policy.

Numerous campus-related support organizations such as parent–teacher organizations (PTO) sell competitive foods at Houston ISD campuses. Campus principals determine whether to authorize organizations to conduct fund-raisers or sell competitive foods on campus. Although board policy authorizes six fund-raisers per year, staff reported that some principals authorize these organizations to sell competitive foods on campus, during the school day, throughout the entire school year, or 180 days. Principals do not coordinate with the Nutrition Services Department on decisions to authorize organizations to sell food on campuses. Staff reported that the department loses revenue due to the prevalence of competitive food sales at many campuses. All revenue from these sales belongs to the fund-raising organization or the campus.

In addition to PTOs, campus principals authorize fast-food vendors to sell competitive foods on campus. Staff noted that vendors such as Pizza Hut, Chick-fil-A, and McDonald's bring food trucks to campuses and sell items of minimal nutritional value to students. The review team observed many instances of competitive foods for sale during meal times at campuses that likely do not meet nutritional standards. **Figure 10–6** shows examples of competitive foods observed during observations at Westside High School, Bellaire High School, and J.P. Henderson Elementary School.

The presence of competitive foods that do not meet USDA's nutritional standards is a violation of federal regulations concerning the operation of school meal programs. TDA reviewers have noted the presence of competitive foods potentially in violation of TDA and USDA regulations at Houston ISD campuses.

According to the corrective action document TDA issued to Houston ISD in December 2018, TDA reviewers observed food and beverage items that did not meet USDA's Smart Snacks requirements. At Bellaire High School, TDA monitors observed an "ice cream vending machine not owned and operated by the Child Nutrition Department, available and operating to all students throughout the day in the cafeteria. The machine was operational and purchases were made throughout the day. Documentation requested demonstrating compliance was not available upon request." At Forest Brook Middle School, TDA monitors observed "a snack cart being operated by the PTO in the campus hallway. The snack cart was not owned or operated by the Child Nutrition Department. These snacks were being sold at 3:40 PM, before the end of the instructional day. Documentation requested demonstrating compliance was not available upon request."

FIGURE 10–6
COMPETITIVE FOODS OBSERVED AT WESTSIDE HIGH SCHOOL, BELLAIRE HIGH SCHOOL, AND J.P. HENDERSON ELEMENTARY SCHOOL
JANUARY 2019

FIGURE 10–6 (CONTINUED)
COMPETITIVE FOODS OBSERVED AT WESTSIDE HIGH SCHOOL, BELLAIRE HIGH SCHOOL, AND J.P. HENDERSON ELEMENTARY SCHOOL
JANUARY 2019

SOURCE: Legislative Budget Board School Performance Review Team, January 2019.

Nutrition Services Department staff identified the following 17 high schools that have routine problems with competitive foods that potentially are in violation of TDA and USDA regulations:

- Bellaire High School;

- Carnegie Vanguard High School;

- Challenge High School;

- East Early College High School;

- Eastwood Academy;

- Energy Institute High School;

- High School for Performing and Visual Arts;

- Milby High School;

- North Forest High School;

- Sam Houston Math, Science, and Technology Center;

- Sharpstown High School;

- Waltrip High School;

- Westbury High School;

- Westside High School;

- Wheatley High School;

- Yates High School; and

- Young Womens College Preparatory Academy.

A review team analysis shows that competitive foods for sale at identified campuses may affect Nutrition Services Department a la carte sales negatively. **Figure 10–7** shows a comparison of a la carte sales for these 17 campuses to the a la carte sales of 21 campuses that staff do not consider to have competitive food sales. In October 2018, the Nutrition Services Department's a la carte sales in campuses with competitive foods were on average $1.20 less per student than a la carte sales in campuses without competitive foods.

If vending machines are operating during times when they should be idle, or if a school-support organizations such as PTOs are operating food carts during meal hours, students might choose to snack instead of eating a reimbursable meal or purchase snacks instead of buying a la carte items available through the Nutrition Services Department. This competition decreases the department's potential revenue and could result in students' consumption of food or beverages that do not meet USDA's Smart Snacks requirements.

FIGURE 10–7
ANALYSIS OF A LA CARTE SALES AT HOUSTON ISD HIGH SCHOOL CAMPUSES
OCTOBER 2018

COMPETITIVE FOOD SALES	CAMPUSES	AVERAGE A LA CARTE SALES PER STUDENT
With known competitive food sales	17	$1.99
Without known competitive food sales	21	$3.19

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019.

Food service programs are required to comply with federal guidelines regarding competitive food sources. In addition, Houston ISD board policy COC (REGULATION) states that "Food Services, in agreement with successful bidders and in accordance with federal and state guidelines on competitive food, will control the types of competitive food and drink offered for sale and the number and kinds of machines or dispensers used in dining rooms and snack bars."

Houston ISD should hold principals accountable for ensuring that all competitive foods sales on campuses comply with United States Department of Agriculture regulations. The district should complete the following actions:

- develop a memo from the superintendent to the principals explaining USDA requirements regarding Smart Snacks;

- direct principals to remain informed about state and federal guidelines by collaborating more closely with the Nutrition Services Department;

- conduct unannounced site visits at locations to ensure that campuses follow guidelines;

- restrict or eliminate future vending or cart sales for campuses with repeated infractions discovered in the site visits;

- direct principals to require PTO and other support organizations to find other means of raising funds; and

- require principals to identify the six fund-raisers where competitive foods will be available, and submit the dates to the Nutrition Services Department.

Since the time of the review, the chief operating officer sent a letter to all campus principals requiring them to immediately cease the sales of competitive foods that are in violation of the Smart Snacks standards.

The fiscal impact assumes increased revenue from a la carte sales. If the district ends competitive food sales that likely are in violation of TDA and USDA regulations at the referenced 17 high schools, the monthly revenue would increase by $28,662 (23,885 students at the 17 high schools x $1.20). The total projected annual revenue would increase by $257,958 ($28,662 monthly revenue x 9 months).

MEAL SCHEDULING (REC. 74)

Houston ISD campuses set meal schedules with little input from the Nutrition Services Department.

According to district board policy DP1 (REGULATION), principals schedule student lunch periods to provide rapid service and sufficient time for eating. The board policy for meal periods provides that lunch periods must begin after 10:00 AM and finish by 2 PM. The Nutrition Services Department is not involved in scheduling meal periods and does not guide principals on best practices for scheduling meals. The department also does not evaluate whether all students have adequate time to eat in each cafeteria. The lack of standards for meal scheduling results in a variety of issues observed during the onsite fieldwork.

Some campuses schedule lunch periods such that there are not enough seats for students assigned to the lunch periods. For example, at one middle school, the review team counted 635 seats available (including 112 seats outside) for each of the two lunch periods. According to the principal, the campus's enrollment was 1,230 on the day of the observation. The 635 seats would have sufficed if the students had been assigned equally to each lunch period. However, the principal reported assigning most of the sixth graders to the first lunch period and most of the grade seven and eight students to the second period. This unequal split results in some students not having a seat during the second lunch.

In another example at a high school, the review team counted 928 seats available for student dining (including indoor and outdoor seating). The school year 2018–19 bell schedule for the campus includes two 25-minute lunch periods on regular days, and one lunch period on early dismissal days. With an enrollment of 3,320 and 928 seats, the campus needs at least four lunch periods to seat every student. The review team observed students eating lunch sitting on a hallway floor.

The review team also observed that campuses do not schedule meals to provide all students sufficient time to eat. During 19 lunch observations, the review team counted an average line wait time of eight minutes, with a range from three minutes to 20 minutes. At some campuses, waiting in line for more than five minutes would leave students less than 20 minutes to eat.

Figure 10–8 shows lunch period lengths and the longest observed line wait times at 13 Houston ISD campuses. The American Academy of Pediatrics recommends that students receive at least 20 minutes of actual eating time, which is not available to students at four of these campuses.

Although studies show that scheduling recess before lunch encourages less plate waste, the district does not require elementary campuses to schedule recess before lunch each day. During its onsite fieldwork at one campus, the review team observed posted classroom schedules showing recess after lunch. At another elementary campus, the positioning of recess in relationship to lunch depends on the scheduling of physical education for each class, which is intended to provide students a daily period of activity before and after lunch, according to the principal. At campuses where recess is scheduled after lunch, the review team observed that some students were more interested in socializing than eating.

At the time of the onsite review, campuses that had after-school remediation or enrichment programs offered supper meals. These campuses offered supper on the days during which the remediation or enrichment programs occurred. A few campuses serve supper in the classroom with the same equipment used to provide breakfast. Campuses typically schedule supper at the end of the school day, rather than toward the end of afterschool programming. Principals reported being unclear on requirements related to the timing of supper meals. Some principals stated that they believed that regulations did not authorize supper to be served until 15 minutes after the end of the regular school day, and others said it could be served immediately after the last bell. Some principals stated that transportation poses challenges to supper participation because students riding the bus do not have time to eat supper at school.

Nutrition Services Department staff noted that principals could request snack programs immediately after the end of the regular school day and then schedule supper closer to the end of remediation or enrichment services. This practice would place supper closer to a traditional evening meal time. Department leaders report that some campuses offer students breakfast, lunch, snack, and supper and that they have resolved any transportation issues.

Not providing students with sufficient time to eat, or scheduling meals at times when they are less hungry, can result in students eating less, eating less nutritiously, and increased food waste.

FIGURE 10–8
HOUSTON ISD LUNCH PERIOD LENGTH AND LINE WAIT TIMES AT SELECT CAMPUSES, JANUARY 2019

CAMPUS	LEVEL	LUNCH PERIOD (IN MINUTES)	LONGEST LINE WAIT TIME (IN MINUTES)	20 MINUTES PROVIDED TO ALL FOR EATING?
Bellaire	High	25	7.5	No
Furr	High	30	7.3	Yes
North Forest	High	30	5	Yes
Westside	High	50	20	Yes
Black	Middle	35	3	Yes
Burbank	Middle	30	18	No
Hamilton	Middle	30	8	Yes
McReynolds	Middle	30	16	No
Elmore	Elementary	30	20	No
Janowski	Elementary	30	8	Yes
Piney Point	Elementary	30	6	Yes
Port Houston	Elementary	30	5	Yes
Twain	Elementary	30	3	Yes

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019.

The School Nutrition Association (SNA), in its *Keys to Excellence: Standards of Practice for Nutrition Integrity*, 2017, notes as a best practice that "meal schedules and operational procedures are planned to meet the food, nutrition, health, and social needs of students." SNA provides indicators for this best practice. **Figure 10–9** shows that Houston ISD does not fully meet all of these indicators.

In 2000, the USDA and five medical groups formed a partnership to address concerns about the increasing incidence of childhood obesity in the United States. One result of this partnership was the development of *Prescription for Change: Ten Keys to Promote Healthy Eating in Schools,* a guide for schools to improve students' diet and health. The following three keys are related to lunch periods:

(1) all students will have designated lunch periods of sufficient length to enjoy eating healthy foods with friends; these lunch periods will be scheduled as near the middle of the school day as possible;

(2) schools will provide enough serving areas to ensure student access to school meals with a minimum of wait time; and

(3) schools will provide space that is adequate to accommodate all students and pleasant surroundings that represent the value of the social aspects of eating.

FIGURE 10–9
MEAL SCHEDULING BEST PRACTICES COMPARED TO HOUSTON ISD
SCHOOL YEAR 2018–19

INDICATOR	DESCRIPTION	PRESENT IN HOUSTON ISD?
C2.1.1	Meal service is evaluated at all cafeterias to ensure students have adequate time to eat based on current research and benchmarks.	No
C2.1.2	School schedules allow all students access to school meals.	Yes
C2.1.3	"Recess Before Lunch" is discussed with site-based educators and evaluated as a meal schedule option.	No
C2.1.4	School nutrition personnel meet regularly with site-based administrators to review meal schedules.	No

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019; School Nutrition Association, *Keys to Excellence: Standards of Practice for Nutrition Integrity*, 2017.

In 2004, the National Food Service Management Institute (now the Institute of Child Nutrition) released a report detailing its findings about the relationship between meal scheduling and plate waste. It found that campuses that provided students recess periods before lunch, rather than after, experienced less waste. Specifically, students that had recess before lunch yielded the following nutrition indicators:

- ate 24.0 percent more food by weight;

- wasted 30.0 percent less food by weight;

- consumed 8.0 percent more calories;

- consumed 35.0 percent more calcium; and

- consumed 13.0 percent more vitamin A.

The School Nutrition Association found in its *2018 Operation Report* that 48.0 percent of responding districts scheduled recess before lunch on at least one campus. Another 9.1 percent were considering implementing it during school year 2018–19.

The USDA's guide, *At-risk Afterschool Meals*, provides the following information regarding serving supper meals:

> When school is in session, the meal or snack served in at-risk afterschool programs must be served after the student's school day and during the hours the afterschool program is operating. Otherwise, there are no federal requirements regarding the timing of meal service. For example, there is no federal requirement of how much time must pass between the end of school and the meal service. Additionally, there is no requirement for the order of meal and snack service; however, states may establish meal time requirements.

TDA has not established meal time requirements; therefore, USDA's guidance suggests that campuses have flexibility to schedule snack service and supper to promote maximum participation.

Houston ISD should develop guidelines for meal scheduling to assist principals. To develop these guidelines, the district should complete the following actions:

- request that the Nutrition Services Department draft guidelines, including information regarding the importance of scheduling recess or physical education before lunch, ensuring that all students scheduled for a lunch period can have a seat,

providing lunch periods that are long enough for the last student served to have 20 minutes to eat, and providing options for scheduling supper meals. The guidelines should include best practices and research associated with each scheduling area. The guidelines should highlight the positive practices in identified Houston ISD campuses to provide principals with examples of how these practices could work at their campuses;

- direct the chief operating officer to coordinate with the chief academic officer to distribute the guidelines to all principals;

- direct the Nutrition Services Department operations managers to request meetings with principals to review options for improving meal scheduling and expanding snack and supper services; and

- develop an annual comparison of Houston ISD campuses that have appropriate meal scheduling to those without, comparing student attendance, achievement, and discipline data.

The district could implement this recommendation with existing resources.

SITE-LEVEL ACCOUNTABILITY AND OVERSIGHT (REC. 75)

The Nutrition Services Department does not hold operations managers or food service team leads accountable for financial and operational management of the campus cafeterias.

Operations managers monitor cafeterias through periodic site visits. While visiting a campus, they review areas such as inventory management, food quality, kitchen cleanliness, and food service team leads' proper completion of the Red Book. The Red Book is a required component of each cafeteria. It contains daily and weekly food safety and sanitation requirements to which food service team leads document adherence.

The department has not established expectations for monitoring visits and does not collect or analyze data from monitoring visits. Operations managers stated that there are no formal requirements that outline how often operations managers should visit each of their assigned cafeterias. Interviews indicated that some operations managers spend as much as 80.0 percent of their time visiting campuses, and others estimated less time. Two operations managers stated that the general expectation is three short visits per week and one quality assurance (QA) visit per semester.

Operations managers do not have a process to document the quick visits but do use a paper form to document their QA visits. Operations managers use the QA site visit form to monitor kitchen operations and compliance with regulations and health and safety standards. On the QA visit form, operations managers rate food items for presentation, taste, packaging, portioning, and temperature. They also answer 97 questions related to uniforms, TDA compliance, service and merchandizing, production, safety, sanitation, Hazard Analysis Critical Control Point standards, and cash management. Although the QA form collects detailed information from the site visit, the department does not collect the data digitally for analysis. Therefore, area managers and department leadership cannot use this data to compare performance among the cafeterias and identify common problem areas. In addition, the Red Book data stays at each cafeteria, and the department does not collect it digitally for meta-analysis. No compilation or analysis of the data gathered in these inspections appears to exist. The general manager expressed a desire to implement an electronic solution.

As with monitoring visits, the Nutrition Services Department does not provide operations managers with expectations for financial performance of the cafeterias. Although operations managers make decisions that affect the cafeterias financially, include hiring and assigning staff and approving grocery orders and inventories, the department does not provide operations managers with site-level data to monitor the profit-and-loss status of cafeterias, This is because the Nutrition Services Department is not able to report on and analyze campus-level profit and loss reports due to limitations of the current systems. The department receives some data that reside in the systems applications products (SAP) data processing system from central accounting and compiles department-level Statements of Revenues and Expenditures, but these data are neither available in a timely manner nor detailed by campus.

The department uses several Primero modules, including POS, student eligibility, inventory, menu planning, and production. However, the department has not yet purchased the Primero financial module. With some integration work, the financial module could receive accounting data from SAP and provide the department with campus-level profit-and-loss statements that would provide operations managers and department administration the financial status of each site by meal type. The Nutrition Services Department has an information technology manager that is knowledgeable in Primero and SAP. As of spring 2019, the department was

testing the financial module on a trial basis, but no decision had been made on whether to move forward with purchase.

Another site-level activity that lacks expectations for accountability from the Nutrition Services Department is inventory management. According to interviews, food service team leads take inventory twice a month, and operations managers reconcile inventories. If a cafeteria has too large a quantity of an item, the department expects operations managers to help the cafeterias reduce inventory, either by decreasing future orders, making menu substitutions, or moving items to another cafeteria.

Although staff reported awareness of general expectations for the inventory process, the review team did not find evidence that the department has documented these procedures. Furthermore, the department has not established periodic automatic replenishment (PAR) levels through which cafeterias manage their inventory and program financial resources. The PAR level is the expected minimum inventory required to meet customer needs. In addition, the Nutrition Services Department has not provided sufficient guidelines for when and how to conduct inventories. The Red Book used by the food service team leads requires them to perform a few duties related to inventory management. These items include checking that "all food is wrapped, labeled and dated," and the practice of "first in, first out." These items alone do not support best practices in inventory management. In addition, the Red Book does not require food service team leads to record dates of completed inventories. According to district staff, food service team leads enter inventory dates electronically into Primero, and the entries are date and time stamped.

In communications to cafeteria staff, the Nutrition Services Department does not emphasize effective inventory management. In a review of 269 email communications to cafeteria staff from August 2018 to January 2019, one email mentioned taking inventory. It required team leads to validate expiration dates before schools closed for the Thanksgiving holiday.

As a result, cafeterias may not be conducting inventories properly. Food service team leads plan for weekly meals using the Primero planning module. However, evidence shows that some operations managers do not ensure that food service team leads conduct inventories before ordering food. Staff that deliver food and commodities from the production facility report that cafeteria freezers are overstocked, which places freezers at risk of malfunctioning due to stacks of products blocking vents. In addition, the review team

observed overstocked freezers and refrigerators in several campuses. One operations manager reported that food service team leads have a tendency to over-order because they are concerned about having an inadequate supply of items.

The lack of documented expectations for how and when operations managers should conduct site visits increases the risk for inconsistent management of the cafeteria sites. Continuing to collect QA visit data and Red Book data in a paper-only format limits the ability of the department to understand and quantify ongoing challenges. Keeping the paper Red Books for more than a few months, up to one full school year, causes storage problems in some cafeterias.

Without financial data available by campus, operations managers and department leadership cannot identify problem areas readily, and department leadership cannot hold operations mangers and site-level staff accountable for the financial performance of the cafeterias. Although the Nutrition Services Department can access operational measures such as meals per labor hour, this metric does not provide a complete analysis of the operation's status.

The absence of documented procedures and oversight for inventory management leads to inconsistent and inefficient ordering at the cafeterias. Over-ordering causes unnecessary use of program funds and storage space. Under-ordering results in product shortages and affects menus, nutrition guideline compliance, kitchen operations, and customer satisfaction. Infrequent inventory counts do not identify problems with pilfering, spoilage, or other product issues.

Effective districts ensure that department-level and campus-level staff have the training and the access to generate reports as needed on a districtwide, area, and campus basis. The Institute of Child Nutrition's publication, *Financial Management: A Course for School Nutrition Directors, 2nd Edition*, states that it is important to prepare statement-of-activity reports for each individual cafeteria to get an accurate picture of its financial status and to establish site-level goals and best practices.

Implementing industry-standard inventory management standards is critical to a well-managed school nutrition program. *Forecasting and Procurement Best Practices,* published by the American Commodities and Distribution Association publication, recommends specific planning, ordering, and modification steps to forecast product ordering and inventory accurately. Forecasting is a cornerstone of inventory control. Maintaining PAR levels is an industry best practice.

The Nutrition Services Department should develop and implement procedures and systems to provide oversight and consistent management of campus cafeteria operations.

The officer of nutrition services should complete the following actions:

- explore the purchase of a financial reporting system that can provide monthly, campus-level profit and loss statements on a timely basis. The officer of nutrition services should perform the following actions: (1) initiate a task force consisting of knowledgeable staff from the Information Technology, Accounting, and Nutrition Services departments to assess financial system options; (2) select a system and develop procedures for select Nutrition Services Department staff to run monthly, campus-level profit-and-loss reports; and (3) distribute monthly profit-and-loss statements to each cafeteria and require operations managers with supporting campuses to improve their profit-and-loss statuses;

- establish industry-standard inventory management control measures at the cafeterias. The officer of nutrition services should perform the following actions:

  ◦ implement a robust Nutrition Services Department product forecasting and monitoring system, utilizing the expertise of the senior manager of materials and safety, the general manager, and other identified core staff;

  ◦ utilize the forecasting and monitoring system to establish minimum and maximum levels for individual cafeterias;

  ◦ review the cafeteria ordering process to identify inefficiencies;

  ◦ review the cafeteria inventory process to eliminate overstocked coolers and freezers;

  ◦ identify strategies to eliminate inefficiencies, utilizing technology whenever possible; and

  ◦ require operations managers to provide a consolidated report of inventory problems so that the Nutrition Services Department leadership can quantify the extent of the problem and monitor trends in addressing it; and

- develop and make greater use of technology in the oversight and recordings of cafeterias. The officer of nutrition services should perform the following actions: (1) develop the operations manager review form into an electronic form; (2) develop a timeline to collect as much Red Book data as possible electronically, using scanning or optical character recognition, catalog physical pages of the book, or collect data electronically using a tablet computer directly at the cafeteria; and (3) provide cafeteria staff with a retention schedule for the paper-based monthly Red Books and destroy those past the retention date.

The fiscal impact assumes that the district purchases a financial module that integrates with Primero and SAP for an annual cost of approximately $54,600 ($195 per cafeteria x 280 cafeterias).

The fiscal impact assumes that the district currently loses 1.0 percent of its annual food purchases due to expirations, spoilage, and pilfering, and that reducing waste through improved inventory management will achieve an annual savings of $450,860 (0.01 x $45,086,049).

The fiscal impact assumes that the department purchases tablet computers to record QA review data and Red Book data digitally for an average price of $850 per tablet, resulting in a onetime cost of $257,550 [($850 x 20 operations managers) + ($850 x 280 cafeterias) + ($850 x 3 administrators (2 area managers and 1 senior area manager)]. The fiscal impact assumes that the department's existing team of IT specialists could provide technical support and maintenance.

The combined fiscal impacts assume that the department will achieve annual savings of $396,260 ($450,860-$54,600) and have a onetime cost of $257,550.

STAFFING (REC. 76)

The Nutrition Services Department does not use existing data adequately to determine staffing levels.

Meals per labor hour (MPLH) is an industry-standard productivity measurement for campus kitchens, calculated by dividing the total meal equivalents (ME) for a given period by the total number of paid labor hours for the same period.

According to the Nutrition Services Department administration, a staffing level of 19.0 MPLH is the target for elementary and middle schools, and 17.0 MPLH is the target for high schools. A review of the district's monitoring data for January 2019 reveals that many campuses do not meet these targets. **Figure 10–10** shows that 94 campuses' kitchens produced less than the district's MPLH target, which could indicate overstaffing; 132 produced more than the target, which could indicate understaffing. Among all campuses, 21 met the target.

The review team did not find evidence that the Nutrition Services Department is using this data to determine staffing levels or manage operations. Operations managers said they do not alter staffing often or in response to changes in MEs. In addition, the district has inconsistency in knowledge of staffing standards. Some operations managers stated that the previous food service management company had set MPLH standards, but the department has not established MPLH goals since the district became self-operated. Food service team leads reported goals of 30.0 MPLH for elementary schools and 25.0 MPLH for middle and high schools, which are different from the targets identified by department administrators. Department leaders said that the department does not use MPLH to assess performance. Multiple staff said they perceived that cafeterias are overstaffed and not meeting goals. Some staff also stated that staffing for school year 2018–19 started at the same level as staffing for school year 2017–18, and those levels have been unchanged for more than two years.

FIGURE 10–10
HOUSTON ISD CAMPUSES AT, BELOW, OR ABOVE NUTRITION SERVICES MEALS PER LABOR HOUR TARGET
JANUARY 2019

CAMPUS	TARGET	BELOW TARGET	AT TARGET	ABOVE TARGET
Elementary	19	44	15	114
Middle	19	16	4	16
High	17	34	2	2
Total		**94**	**21**	**132**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019.

FIGURE 10–11
INDUSTRY STANDARD RECOMMENDED MEALS PER LABOR HOUR
CALENDAR YEAR 2014

DAILY MEAL EQUIVALENTS	CONVENTIONAL SYSTEM		CONVENIENCE SYSTEM	
	LOW PRODUCTIVITY	HIGH PRODUCTIVITY	LOW PRODUCTIVITY	HIGH PRODUCTIVITY
101–150	9	11	11	13
151–200	10–11	12	12	14
201–250	12	14	14	15
251–300	13	15	15	16
301–400	14	16	16	18
401–500	14	17	18	19
501–600	15	17	18	19
601–700	16	18	19	20
701–800	17	19	20	22
801 and greater	18	20	21	23

SOURCE: *School Food and Nutrition Service Management for the 21st Century*, Dorothy Pannell-Martin and Julie A. Boettger, 2014.

Furthermore, the targets may not conform to industry best practices because they do not account for variation in MEs by site. *School Food and Nutrition Service Management for the 21st Century,* Sixth Edition, by Dorothy Pannell-Martin and Julie A. Boettger, provides guidance for determining appropriate staffing levels for campus kitchens based on MEs. Its staffing guidelines are used nationwide and are considered the industry standard for staffing to achieve maximum productivity and control labor costs. **Figure 10–11** shows these guidelines, which base recommended MPLH levels on the number of MEs served at the individual cafeterias rather than a districtwide target.

The review team observed that Houston ISD uses a convenience system of food preparation, which involves using a large number of processed food items. **Figure 10–12** shows the numbers of Houston ISD campuses that are equal to, above, or below industry standards for high productivity in a convenience system.

Figure 10–12 shows that 157 campuses had MPLH levels below the industry standard for high productivity in a convenience system, 74 campuses had MPLH levels above the standard, and 16 campuses had MPLH levels at the industry standard. An analysis of MEs and monthly work hours per campus showed that, in total, campuses may have had an excess of 1,681 daily work hours greater than the amount needed to meet industry standard MPLH targets for high productivity. Although

this analysis may indicate inefficient staffing at some campuses, further analysis of each campus kitchen is required to determine appropriate staffing. According to Pannell-Martin and Boettger, "no magical formulas can be applied to staff all schools food service programs. Many factors influence the hours needed." Schools may have unique challenges that prevent achieving targets for high productivity. For example, kitchen size and layout affect whether staff can work in parallel or in a series, which in turn may limit the maximum MPLH possible.

Labor and benefits are major costs for child nutrition programs. Failure to manage operations using MPLH data results in overstaffing at some campuses and understaffing at others.

According to Pannell-Martin and Boettger, best practice goals for percentage of revenue range from 35.0 percent to 40.0 percent for labor and benefits. In school year 2016–17, Houston ISD's labor costs as a percentage of revenue were within industry standards at 39.9 percent.

However, for the most recent two years for which data are available, Houston ISD's labor costs as a percentage of revenue have been greater than the median among districts reporting to CGCS. **Figure 10–13** shows a comparison of the district's labor costs as a percentage of revenue to the median percentages published by CGCS.

FIGURE 10–12
HOUSTON ISD CAMPUSES MEETING INDUSTRY-STANDARD RECOMMENDED MEALS PER LABOR HOUR
JANUARY 2019

DAILY MEAL EQUIVALENTS	TARGET FOR HIGH PRODUCTIVITY IN A CONVENIENCE SYSTEM	AT TARGET	ABOVE TARGET	BELOW TARGET
101–150	13	0	0	1
151–200	14	0	0	0
201–250	15	0	1	2
251–300	16	0	0	5
301–400	18	0	0	8
401–500	19	2	3	9
501–600	19	3	8	14
601–700	20	2	9	15
701–800	22	1	16	16
801 and greater	23	8	37	87
Total		**16**	**74**	**157**

SOURCES: Legislative Budget Board School Performance Review Team; *School Food and Nutrition Service Management for the 21st Century*, Dorothy Pannell-Martin and Julie A. Boettger, 2014; Houston ISD, January 2019.

Districts that base staffing decisions on MPLH calculations to help reach expenditure goals often maintain adequate Nutrition Services Department fund balances to cover all operating costs. These districts mitigate the risk of having to use district general funds to bridge gaps between expenditures and revenue. Administrators are able to identify challenges in a timely fashion to improve efficiency. Food service directors in these districts regularly provide the superintendent and board with district and campus MPLH and production updates.

The Nutrition Services Department should use productivity data to manage staffing in accordance with industry standards. The general manager of nutrition services should complete the following actions:

- direct area managers to notify operations managers of the new method of staffing cafeterias based on ME, effective for school year 2019–20, and train operations managers and team leads on the new method;

- require operations managers to tabulate ME and total assigned labor hours by cafeteria for all of their assigned cafeterias, before school year 2019–20;

- require operations managers to evaluate the size and layout of each kitchen and the scheduling of meal periods to determine if industry MPLH targets for high productivity are feasible and to adjust targets on a campus-by-campus basis;

FIGURE 10–13
COMPARISON OF HOUSTON ISD LABOR COSTS AS A PERCENTAGE OF REVENUE TO THE MEDIAN REPORTED TO THE COUNCIL OF THE GREAT CITY SCHOOLS
SCHOOL YEARS 2015–16 TO 2016–17

YEAR	HOUSTON ISD	MEDIAN
2015–16	**39.1%**	38.3%
2016–17	**39.9%**	38.7%

SOURCE: Council of the Great City Schools, *Managing for Results*, 2018.

- develop a list of all cafeterias that need adjustments to labor hours noting either a reduction or increase in hours or staff;

- direct operations managers and area managers to collaborate to allocate new staffing assignments based on needed adjustments; and

- direct operations managers to monitor ME and MPLH on a monthly basis noting any campuses not meeting industry standards and make adjustments as necessary at the midyear point.

The fiscal impact assumes that the Nutrition Services Department adjusts staffing at the cafeterias to meet industry targets for high productivity in a convenience system, resulting in an annual savings of approximately $3,630,960 [(1,681 daily work hours x 180 serving days) x ($12 hourly wage)].

NUTRITION EDUCATION AND PROMOTION
(REC. 77)

The Nutrition Services Department provides minimal nutrition education to students.

The Healthy, Hunger-free Kids Act of 2010 requires each school district that participates in the NSLP or other federal Child Nutrition programs to establish a local school wellness policy for all campuses under its jurisdiction. The wellness policy must include specific goals for nutrition promotion and education, physical activity, and other campus-based activities that promote student wellness. The statute also requires school districts to post signage at the beginning of each service line to indicate to students what menu items constitute a reimbursable meal.

The district's school health advisory council (SHAC) developed Houston ISD's wellness policy. Board policy FFA (LOCAL) outlines the wellness policy and establishes the following goals for nutrition promotion:

- the district's food service staff, teachers, and other district personnel shall consistently promote healthy nutrition messages and food choices in cafeterias, classrooms, and other appropriate settings;

- the district shall share educational nutrition information with families and the general public to promote healthy nutrition choices and positively influence the health of students; and

- the district shall ensure that food and beverage advertisements accessible to students during school hours on district property contain only products that meet the federal guidelines for meals and competitive foods.

Although the district has developed goals for nutrition promotion, the Nutrition Services Department does not maximize opportunities to share nutritional information or promote nutrition messages in cafeterias.

The district's website provides limited nutritional information directly. The Nutritional Information link on the Nutrition Services webpage includes carbohydrate counts for what appears to be all entrée, side, milk, and condiment options available in Houston ISD meals. The Breakfast and Lunch Menus link on the Nutrition Services webpage leads to the School Café application and website for more information. By using the School Café application via the website option (www.schoolcafe.com), parents and students can access nutritional information for a particular day. **Figure 10–14**

shows the nutritional information posted for Scroggins Elementary School lunch January 29, 2019. The district provides nutritional information for each meal served each day through the School Café application. However, the application does not list every ingredient in each food item. For example, it does not list the specific ingredients in the ranch dressing. In addition, the application does not enable the user to access more than one day's menu readily. The review team did not observe students consulting the application while in line for lunch.

The district does not post menu information anywhere besides the School Café application. The review team observed that most dining rooms have bulletin boards and wall space that could display menus and nutrition information, but almost no nutritional content or menus were posted at the 35 cafeterias visited. **Figure 10–15** shows one of two monitors at Westside High School cafeteria. At the time of the onsite visit, the campus did not use the monitor to display menus or anything related to the food service program.

Similarly, **Figure 10–16** shows examples of empty bulletin boards observed districtwide.

According to onsite interviews, the FSMC removed all line marketing signage at the end of the contract, but some signage frames remain at campuses. **Figure 10–17** shows an example of empty frames that the district has not filled.

Providing nutrition information solely through a website or application presumes that all stakeholders have ready access to the Internet. A lack of readily available nutritional information could lead stakeholders to draw incorrect conclusions about foods offered through the school meal programs. The absence of available menu information in the cafeterias could lead to reduced student participation. In addition, USDA regulations require that districts post information at the beginning of the service line. This information must inform students of what items to take for a reimbursable meal.

SNA, in its *Keys to Excellence*, notes as a best practice that effective school nutrition programs encourage and support nutrition education. SNA provided seven indicators for this best practice. **Figure 10–18** shows an analysis of the best practice indicators observed in Houston ISD. The review team found that Houston ISD fully meets none of these indicators. The only nutrition education materials observed in the district resulted from the initiative of a food service team lead, not as part of a districtwide effort. In six out of 29 instances, the review team observed cafeteria staff encouraging

FIGURE 10–14
EXAMPLE OF NUTRITIONAL INFORMATION FOR SCROGGINS ELEMENTARY SCHOOL LUNCH
JANUARY 29, 2019

MenuItem	Calories	Carbs	Default Serving Size	Ingredients	Allergens
Cheese Pizza	350	33g	1 slice	Pizza Cheese 18-19	Contains Corn/Corn Products, Garlic, Milk, Soy, Tomatoes, Wheat, Yeast., Milk, Wheat, Soy
Diced Peaches	64	15.52g	1/2 c.	Diced Peaches 18-19-2	None listed
Cauliflower	26	5.35g	1/2 c.	Frozen Cauliflower 18-19-2; All-Purpose Seasoning 18-19	Contains Garlic.
Corn Salad	48	10.82g	1/4 c.	Frozen Corn 18-19; Diced Green Onions 18-19; Diced tomatoes 18-19-4; Lime Juice 18-19; Cilantro 18-19	Contains Corn/Corn Products, Tomatoes.
Cucumber Slices	5	1.23g	1/4 c.	Raw Cucumbers 18-19-2	None listed
Edamame	50	4.5g	1/4 c.	Frozen Edamame 18-19	None listed
Romaine Lettuce	8	1.55g	1 serv.	Lettuce, Romaine, Shred 6/2# 18-19	None listed
Shredded Carrots	11	2.64g	1/4 c.	Carrots Shredded 18-19	None listed
Vegetable Blend	62	12.55g	1/2 c.	Vegetable Blend 18-19; All-Purpose Seasoning 18-19	Contains Garlic.

1% Plain Milk	110	13g	1 ea.	Milk 1% 18-19	Contains Milk., Milk
Skim Chocolate Milk	120	20g	1 ea.	Milk Skim Chocolate 18-19	Contains Chocolate/Cocoa, Corn/Corn Products, Milk., Milk
Skim Plain Milk	90	13g	1 ea.	Milk Skim 18-19	Contains Milk., Milk
Ranch	70	5g	1 ea.	Ranch Dressing 18-19	Contains Corn/Corn Products, Egg, Garlic, Milk, MSG, Soy, Yeast., Milk, Egg, Soy
Sweet Dijon Dressing	33	6.11g	1 fl. oz.	Mayonnaise 18-19; Mustard 18-19; Water, Cold 18-19; Brown Sugar 18-19-2; Seasoning, Paprika, Ground, 12/16oz (Jar) 17-18	Contains Egg, Lemon, Soy. May contain Corn/Corn Products., Egg, Soy
Hard Boiled Egg	60	0.9g	1/4 c.	Hardboiled Egg 18-19	Contains Egg., Egg
Shredded Cheese	88	0.9g	1 #16 scoop	Cheese, Cheddar Shredded (P) (Bongards) school use 4/5# 18-19; Shredded Mozzarella Cheese 18-19	None listed
Dinner Roll	90	15g	1 serv.	Small Dinner Roll 18-19	Contains Corn/Corn Products, Soy, Wheat, Yeast., Wheat, Soy
Saltine Crackers	90	14g	1 serv.	Saltine Cracker 18-19	None listed

SOURCE: Houston ISD, January 2019.

students to select fresh fruits and vegetables. Nutrition Services Department leadership said that the district needs more nutrition education and promotions at the cafeterias.

Team Nutrition is an initiative of the USDA Food and Nutrition Service to support the child nutrition programs through training and technical assistance for food service and nutrition education for students. Schools that participate in the NSLP can sign up to become a Team Nutrition School, which provides the campus access to nutrition education and training materials and provides

opportunities to collaborate with other Team Nutrition Schools. Although all Houston ISD campuses are eligible to join this program, less than half of the district's campuses are registered as Team Nutrition Schools through the USDA. These campuses include 35 elementary schools, seven middle schools, and three high schools.

According to the National Center for Education Statistics, more than 90.0 percent of U.S. schools offer nutrition education through the federal school meals program. Most information, 65.0 percent, is conveyed through nutrition displays on bulletin boards; 51.0 percent of information is presented during school lunch week.

TDA provides the following guidelines for menu signage:

- is posted at or near beginning of the serving line;

- identifies the minimum number of items or components that constitute a reimbursable meal;

- identifies the maximum number of items or components that may be taken as part of a reimbursable meal; and

- indicates the required fruit or vegetable component quantity.

FIGURE 10–15
HOUSTON ISD WESTSIDE HIGH SCHOOL CAFETERIA
JANUARY 2019

SOURCE: Legislative Budget Board School Performance Review Team, January 2019.

FIGURE 10–16
HOUSTON ISD BULLETIN BOARDS
JANUARY 2019
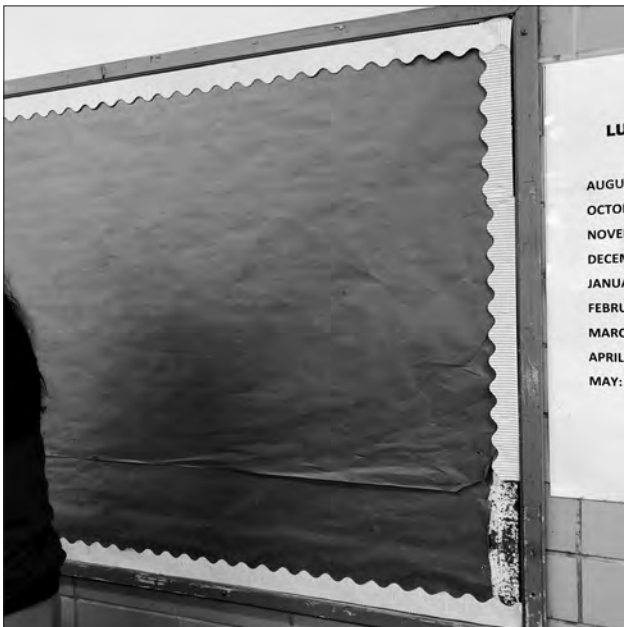
SOURCE: Legislative Budget Board School Performance Review Team, January 2019.

The Nutrition Services Department should develop an annual plan for nutrition education and menu displays in campus cafeterias. All campuses should enroll in USDA's Team Nutrition School program to receive free educational materials throughout the school year.

The officer of nutrition services should complete the following actions:

- collaborate with department leadership and SHAC members to develop an annual nutrition education plan;

- enroll all remaining campuses in the Team Nutrition School program and require all cafeterias to use materials available from this program;

- provide cafeteria staff with the resources to make nutrition education an integral part of the comprehensive education goals of the campus;

- designate a location such as menu boards or stanchions to post menus for students, then require cafeteria staff to display either monthly, weekly, and/or daily menus; and

- research other programs that also provide free nutrition information. The Food and Nutrition Section of USDA's website is a good source of information, and there are many other websites with relevant nutrition education information.

FIGURE 10–17
OBSERVED HOUSTON ISD SIGNAGE FRAMES
JANUARY 2019

SOURCE: Legislative Budget Board School Performance Review Team, January 2019.

FIGURE 10–18
ANALYSIS OF NUTRITION EDUCATION BEST PRACTICE INDICATORS IN HOUSTON ISD
JANUARY 2019

INDICATOR	DESCRIPTION	PRESENT IN HOUSTON ISD?
A3.1.1	Current, age-appropriate, science-based nutrition and nutrition education materials are recommended and promoted.	No
A3.1.2	Nutrition education materials such as posters, displays, and bulletin boards are used on campus.	Partially present
A3.1.3	Meals and other foods and beverages served in the school cafeteria reinforce the Dietary Guidelines for Americans and other accurate nutrition messages.	Partially present
A3.1.4	Nutrition messages are shared with parents using available media resources such as printed menus and newsletters, social media, school websites, school cable stations, parent meetings, and school board presentations.	Partially present
A3.1.5	School nutrition personnel serve as a resource for nutrition activities through kitchen tours, food demonstrations, tasting parties, and/or participating in classroom nutrition education activities.	No
A3.1.6	School nutrition personnel prompt students to choose fruits and vegetables.	Partially Present
A3.1.7	Nutrition education programs promoted by the school nutrition program are evaluated for effectiveness.	No

SOURCES: Legislative Budget Board School Performance Review Team; School Nutrition Association, *Keys to Excellence: Standards of Practice for Nutrition Integrity*, 2017; Houston ISD, January 2019.

The district could implement this recommendation with existing resources. Multiple nutrition education resources are available at no cost. All of the cafeterias observed by the review team had space available to post menus and nutritional information.

CATERING AND ADULT-ONLY MEALS (REC. 78)

The Nutrition Services Department's catering and adult-only meal operations are inefficient and do not generate sufficient revenue to cover costs.

The Nutrition Services Department operates the following nonstudent meal operations:

- catering for campuses and district departments;

- a staff cafeteria at the Nutrition Services administration (Bennington) facility;

- a dining facility at the Hattie Mae White administration building from which district staff and visitors may purchase breakfasts, lunches, and snacks; and

- a Starbucks franchise at the Hattie Mae White administration building.

The executive chef oversees the staff at each of these operations. The district previously operated a staff cafeteria at the Houston ISD McCarty Center called the 228 Diner, which closed at the end of December 2018.

Figure 10–19 shows the projected revenues and expenses for the catering operations and the Bennington staff cafeteria for school year 2018–19. The five operations are projected to have an annual combined financial loss of $417,422. Staff

interviews indicate that the catering and adult-only operations have not operated at a profit since before Houston ISD began self-operating the CNP.

High food costs affect profits from the catering and nonstudent operations negatively. **Figure 10–20** shows the food cost as a percentage of revenue for each of the catering operations and the Bennington staff cafeteria. The catering and Hattie Mae White dining facility have high food costs as a percentage of revenue, 56.5 percent and 58.6 percent, respectively. The Bennington cafeteria has food costs of 1,364.0 percent.

A contributing factor to the losses of the catering operation is competition from outside vendors. Although some campuses and district departments use Houston ISD catering services, there is no requirement to do so, and many hire outside vendors to provide catering services for events. It is unclear whether the district requires campuses and departments to obtain quotes from the district's catering team before contracting with vendors. Nutrition Services Department staff stated that no requirement exists, but Business Logistics and Purchasing Department staff stated that departments are required to obtain these quotes. District staff reported that principals sometimes obtain quotes from Nutrition Services Department catering as leverage to negotiate lower prices from other vendors.

Subsidizing staff meals contributes to losses at the Bennington facility staff cafeteria. Any staff may purchase breakfast at the Bennington facility. Nutrition Services Department staff receive free lunch at the Bennington facility, and all others must purchase lunch. The Nutrition Services Department covers the cost of operating the Bennington staff cafeteria, which complies with applicable federal and state directives.

FIGURE 10–19
HOUSTON ISD CATERING OPERATIONS PROJECTED PROFIT AND LOSS
SCHOOL YEAR 2018–19 (1)

OPERATION	REVENUES	EXPENSES	PROFIT/(LOSS)
Catering	$796,702	$920,272	($123,570)
Bennington Staff Cafeteria	$6,730	$141,830	($135,100)
Hattie Mae White Dining Facility	$454,880	$606,418	($151,538)
Hattie Mae White Starbucks	$86,492	$108,302	($21,810)
228 McCarty Cafeteria (2)	$67,094	$52,498	$14,596
Total	**$1,411,898**	**$1,829,320**	**($417,422)**

NOTES:
(1)   School year 2018–19 revenues, expenses, and profit and loss include actual data for August 2018 to December 2018 and projected data for January 2019 to May 2019.
(2)   The 228 McCarty cafeteria closed in December 2018. Revenues, expenses, and profit and loss data for the cafeteria is actual data from August to December 2018.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019.

FIGURE 10–20
HOUSTON ISD CATERING OPERATIONS FOOD COST AS A PERCENTAGE OF REVENUE
SCHOOL YEAR 2018–19 (1)

OPERATION	FOOD COST	REVENUE	PERCENTAGE OF REVENUE
Catering	$449,896	$796,702	56.5%
Bennington Staff Cafeteria	$91,790	$6,730	1,364.0%
Hattie Mae White Dining Facility	$266,450	$454,880	58.6%
Hattie Mae White Starbucks	$27,194	$86,492	31.4%
228 McCarty Cafeteria	$13,803	$67,094	20.6%

NOTE: (1) Food costs and revenues include actual data for August 2018 to December 2018 and projected data for January 2019 to May 2019.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019.

TDA's 2018–19 Administrator's Reference Manual, Section 15.28, states that employees directly involved in the operation or administration of meal planning, preparation, and service may or may not be charged for their meals at the discretion of the contracting entity. These employees include supervisors, managers, cooks, and servers. A meal served at no cost to nutrition program employees is considered a fringe benefit that counts as an allowable program cost.

Although providing lunch at no cost to Nutrition Services Department staff at the Bennington facility is authorized according to state and federal regulations, this practice may prevent the Bennington staff cafeteria from operating in a fiscally responsible manner.

According to Pannell-Martin and Boettger, the management of finances is important to a successful, sound school food and nutrition service program. Effective districts operate the program with the revenues generated, which is usually the goal of superintendents, school boards, and upper management. School districts are often on tight budgets and may not be prepared to subsidize the school food and nutrition service program.

The Nutrition Services Department should develop a plan to improve catering and adult-only meal operations to a financially accountable position. The officer of nutrition services should complete the following actions:

- assess options for decreasing costs in the two Hattie Mae White operations, including eliminating breakfast service, offering only a lunch meal, and performing a cost benefit analysis to determine if contracting with vendors to manage the two operations is more cost-effective than self-managing them;

- coordinate with the Business Logistics and Purchasing Department to issue requests for proposals (RFP) for

food contracts for the catering program to reduce food costs;

- develop a plan to stop providing free lunch to Bennington facility staff and charge prices that will cover the direct and indirect costs of meals; and

- collaborate with the superintendent to consider requiring campuses and departments that purchase food with district funds to purchase from the Nutrition Services Department catering operation.

The fiscal impact assumes that efficiencies achieved through a cost-benefit analysis of contracting the nonstudent meal operations, soliciting competitive bids for food contracts, and eliminating free lunch for the Bennington facility staff will result in a 20.0 percent decrease in losses each year, or a savings of $86,404 during the first year ($432,018 x .20), $69,123 during the second year ($345,614 x .20), $55,298 during the third year ($276,492 x .20), $44,239 during the fourth year ($221,193 x .20), and $35,391 during the fifth year ($176,955 x .20).

FACILITY AND STAFF RESOURCES (REC. 79)

The external focus of the catering operation does not direct valuable facility and staff resources to the district's campus meals programs and Houston ISD students.

The executive chef oversees the catering operation and the research and development team. The executive chef also develops recipes for the school nutrition programs and snacks that meet USDA's Smart Snacks regulation. According to interviews, the catering function has been operating at a loss and the catering kitchen is underutilized. At the time of the review, staff reported that the focus of the catering operation was to provide "high-end" meals for district events and in the staff cafeteria. Many of the catering staff have culinary

training and experience in fine dining. To boost catering revenues, staff and administration are exploring expanding the services of the catering function to nondistrict customers, such as using existing facilities to package crackers for an external customer and offering catering to businesses outside the district.

The department's focus on these initiatives does not maximize catering staff talents and Bennington facility resources to directly support the department's Good Food initiative to improve the quality, diversity, and presentation of school meals.

Goals for the Good Food initiative include:

- providing food choices that are rich in nutrients;

- promoting consumption of more fruits and vegetables that are abundant in variety and quantity, prepared in healthful ways, such as steaming, roasting, and raw, and offered daily;

- assuring that grains provided are rich in whole grains; and

- reducing the sodium content of meals.

Campus kitchen facilities have equipment and staffing to prepare more than heat-and-serve-style entrees. However, cafeteria staff do not have the skills to provide onsite preparation of fruits, vegetables, and recipes that department administration would like to integrate into the menu cycle. Cafeteria staff also do not have access to coordinated cooking, food preparation, presentation, and kitchen management training modules to successfully achieve the goals of the Good Food initiative and improve school meals. The Nutrition Services Department has five chef trainers that provide some coaching and culinary-related training at cafeterias. Interviews and on-site observations indicate that the current chef trainer model does not provide the type of training needed to achieve these goals. Department administration said that Nutrition Services Department staff lack training on cooking fundamentals necessary to follow more complicated recipes.

Current catering operations do not provide access to a valuable training location in which cafeteria staff could learn from catering program staff that have cooking, food preparation, presentation, and kitchen management experience. Such training and facilities are available in the catering kitchen at the Bennington facility.

Houston ISD also may be missing an opportunity to leverage the expertise of the catering team to enhance the district's career and technical education (CTE) programs. Eight campuses offer CTE programs that focus on culinary arts and restaurant management career pathways. Although the executive chef and the catering team in the Nutrition Services Department have industry experience, they have no standard role in campus culinary arts programs.

The Nutrition Services Department should maximize catering facility and staff resources to support district meal programs and student culinary academic programs.

The executive chef should perform the following actions:

- develop a plan to utilize the catering kitchen facility as a training site for cafeteria staff. The executive chef should develop training modules in cooking, food preparation, food presentation, kitchen management, and other skills identified as needed to achieve the Good Food initiative goals. This plan ultimately should increase campus meal participation and customer satisfaction; and

- coordinate with the director of career and technical education to identify opportunities for integration between the Nutrition Services Department catering operation and the campus culinary arts programs.

The district could implement this recommendation with existing resources.

FOOD PRODUCTION FACILITY (REC. 80)

The Nutrition Services Department's food production facility is underutilized and depletes department resources.

In 2004, Houston ISD built a facility to centralize the Nutrition Services Department's food production, warehousing, and distribution activities. The facility is located on 15.0 acres in northeast Houston, and includes an 80,000-square-foot storage and distribution center with a central receiving area, cooler and dry storage, and more than 25 delivery trucks. The facility also has 95,000 square feet for food production with bakery, cook, chill, and cold preparation capabilities, 45,000 square feet for administrative, maintenance, and supply chain staff, and dedicated training space.

According to the district's website, the goals of the food production facility are to:

- produce consistent, quality products;

- improve food safety;

FIGURE 10–21
HOUSTON ISD PRODUCTION FACILITY PRODUCTS
JANUARY 2019

Chicken patty biscuit	Marinara sauce	Sugar
Kolache	Ketchup	Taco meat beef
Orange slices	Meatloaf	Strawberry topping
Lemon muffin	Queso mix	Blueberry topping
Sweet potato muffin	Sloppy joe	Turkey roast
Blueberry muffin	Brown sugar	BBQ sauce
Brownie cake mix	Cajun blend spice	
Sweet potato spice cake	Fajita blend spice	

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, January 2019.

- increase menu variety;

- improve menu nutritional value;

- make school kitchen operations easier;

- decrease equipment costs;

- increase commodity utilization; and

- support emergency relief efforts, if or when they are needed.

At the time of the onsite fieldwork, the food production facility produced a limited number of meal components for delivery to campuses. **Figure 10–21** shows the items produced at the food production facility in January 2019.

In 2018, the Nutrition Services Department contracted with Schrupp Consulting to perform an assessment of the facility. The consultant's report concludes that the food production facility is substantially underutilized and inefficient. According to the report, the food production center and warehouse space operates below capacity, using less than 50.0 percent of available space. The food production facility has 219,000 square feet of space with 95,000 square feet dedicated to food production. However, the department uses a small part of that area for producing food from scratch. The district purchases 85.0 percent of food precooked from vendors. The precooked food ships directly from the vendor to the cafeterias, or it ships to the food production facility to be repackaged and sent to the cafeterias.

The consulting report also concludes that the food production facility wastes energy and labor. The facility has the capacity to run 24 hours a day; however, the department runs one 10.0-hour shift for four days a week, for nine months to 12 months. Additionally, the department guarantees staff pay for a 10.0-hour shift even when production is slow and that level of labor is not needed. The consulting report estimated that the department could save 25.0 percent of labor costs if staffing matched the level of production.

The cost analysis indicated that the facility does not produce foods at a lower average cost than its competitors. According to the report, increasing production would be costly as the food production facility needs substantial capital improvements. For example, equipment in the facility requires specially designed parts that are expensive, which can result in maintenance staff buying raw steel to forge the necessary parts. Additionally, Houston ISD tried to increase production by baking and delivering fresh bread containing no preservatives to the campuses. However, this initiative failed because the fresh bread began to develop mold, and the district has returned to purchasing bread for the campuses. The data suggests that Houston ISD has begun to use the facility less to save money and serve healthier foods to the students.

Because Houston ISD is serving fewer processed foods and using the facility less, the consulting report recommended that the district transition to using other vendors for food distribution. It recommended a school year 2019–20 pilot plan to continue providing students with healthier food options by using a food distribution company to ship food directly to one-quarter of campuses (i.e., high schools). The report also recommended that the district stop using the central kitchen at the food production center for heated foods. The department implemented these recommendations with the aid of a recent bond that allowed for all

campus kitchens to prepare their own food onsite. According to onsite interviews, Houston ISD plans to close the facility during summer 2019. When the facility closes for food production, the consulting report recommends that the district lease it to outside businesses to generate revenue.

The Schrupp report estimates the follow savings for implementing its recommendations:

- leasing areas of the facility could generate from $240,000 to $1.2 million;

- eliminating the heating kitchen at the facility saves approximately $900,000;

- closing the food production portion of the center saves approximately $6.9 million; and

- eliminating the need for capital investments saves approximately $1.5 million.

Closing the facility will benefit the students by providing them with healthier and less processed foods. The district will likely benefit by reducing costs with the use of a food distribution company. Additionally, if Houston ISD chooses to lease the facility, it could take advantage of the unused space and generate revenue.

According to Pannell-Martin and Boettger, a school district's goal in managing the finances of its food and nutrition service program typically is to operate the program with the revenues it generates. School districts may not be prepared to subsidize the program due to tight budgets.

Pursuant to federal law, the food service program must not end a school year with a deficit, although it may use a fund balance from the previous year to offset the deficit. If there is no fund balance, the school district's general fund must cover the deficit. When a deficit occurs, the district must begin planning for ways to resolve the problem. Pannell-Martin and Boettger suggest the following steps for resolving financial problems:

- determine what is causing the financial problem;

- act to decrease cost; and

- increase revenue to offset the increased expenses.

Houston ISD should use the contracted consultant's report to eliminate inefficiencies and decrease costs at the

Nutrition Services Department. The officer of nutrition services should complete the following actions:

- move production of certain food items from the food production facility to campus kitchens; and

- coordinate with the Business Logistics and Purchasing Department to develop an RFP to find a food distribution company for other items.

The district could implement this recommendation with existing resources.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's School Performance Review Team has identified a fiscal impact for the following recommendations:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
10. NUTRITION SERVICES MANAGEMENT							
72. Analyze participation rates monthly, develop and implement strategies to increase participation, and develop board policies that address challenges to participation.	$17,456,220	$17,456,220	$17,456,220	$17,456,220	$17,456,220	$87,281,100	$0
73. Hold principals accountable for ensuring that all competitive foods sales on campuses comply with U.S. Department of Agriculture regulations.	$257,958	$257,958	$257,958	$257,958	$257,958	$1,289,790	$0
75. Develop and implement procedures and systems to provide oversight and consistent management of campus cafeteria operations.	$396,260	$396,260	$396,260	$396,260	$396,260	$1,981,300	($257,550)
76. Use productivity data to manage staffing in accordance with industry standards.	$3,630,960	$3,630,960	$3,630,960	$3,630,960	$3,630,960	$18,154,800	$0
78. Develop a plan to improve catering and adult-only meal operations to a financially accountable position.	$86,404	$69,123	$55,298	$44,239	$35,391	$290,455	$0
Total	**$21,827,802**	**$21,810,521**	**$21,796,696**	**$21,785,637**	**$21,776,789**	**$108,997,445**	**($257,550)**

The School Performance Review Team could not determine a fiscal impact for other recommendations. However, the implementation of these recommendations may result in savings from increasing student participation and eliminating inefficiencies. If Houston ISD implements **Recommendations 74** (meal scheduling) and **77** (nutrition education and promotion), the district may achieve revenue gains, because these recommendations are intended to encourage students to participate in campus meal programs.

The potential savings from implementing **Recommendation 80** (food production facility) will depend on how the district chooses to implement the consultant report's recommendations. Costs will depend on the menu selection, which could vary by year and season; how the district chooses to replace a food item previously provided by the food production facility (i.e., requiring campus kitchens to produce the item from scratch versus procuring from a vendor); and the pricing offered by vendors.

11. TRANSPORTATION MANAGEMENT AND FLEET OPERATIONS

The Houston Independent School District's (ISD) Transportation Department maps and serves the bus routes that transport students to and from school each day, and coordinates transportation for athletics and extracurricular trips. The district's Fleet Operations Department purchases, maintains, and repairs school buses and general service vehicles.

The district operates 819 regular routes, which include 535 regular education routes and 284 special services routes, and maintains a fleet of 1,127 school buses. During school year 2018–19, the district transported approximately 25,000 students daily. Houston ISD has approximately 1,000 general service vehicles, including cars, trucks, and vans, assigned to departments throughout the district.

Houston ISD houses and operates buses in four Houston-area terminals: Barnett, Butler, Central, and Northwest. The district maintains and repairs the buses at service centers located at each terminal. The district maintains and repairs the 1,000 general service vehicles at the Truck Service Center, which is located at the Central bus terminal.

Houston ISD is a school-choice district in which students can choose to leave their home campuses to attend another Houston ISD campus, magnet program, or in-district charter campus. The district has 121 campuses with magnet programs and transported approximately 21,000 magnet program student riders during school year 2018–19.

FINDINGS

♦ The Transportation Department has an inefficient organizational structure and a significant bus driver shortage.

♦ The Transportation Department has operational deficiencies that negatively affect routing efficiency and service delivery.

♦ Houston ISD does not transport regular education students on the same bus as their special education peers.

♦ The Transportation Department lacks efficient methods for communication with stakeholders.

♦ The Transportation Department lacks procedures to promote the safety of students and staff.

♦ The Fleet Operations Department does not manage spare and surplus vehicles effectively to maximize efficiency and meet industry standards.

♦ The district's high percentage of out-of-service vehicles negatively affects service delivery for several departments.

RECOMMENDATIONS

♦ **Recommendation 81: Reorganize Transportation Department functions and develop strategies to improve recruitment and retention of staff.**

♦ **Recommendation 82: Develop and implement a process to count transported students regularly and assess ridership to consolidate stops and routes and improve on-time performance.**

♦ **Recommendation 83: Explore options to achieve greater inclusion and promote the use of the least restrictive environment on buses.**

♦ **Recommendation 84: Establish processes to strengthen Transportation Department internal and external communications and solicit feedback from stakeholders.**

♦ **Recommendation 85: Enhance transportation training for drivers and students and address safety concerns at the terminals and on school buses.**

♦ **Recommendation 86: Develop a bus replacement plan that includes industry-standard criteria and decrease the number of spare and surplus school buses in the district's inventory.**

♦ **Recommendation 87: Develop and implement processes to monitor service center productivity and vendor performance to decrease the district's number of out-of-service vehicles.**

BACKGROUND

An independent school district's transportation function transports students to and from school and other school–related activities. This function is regulated by federal and state laws related to funding, vehicle type, driver education, and safety issues. Districts implement these regulations,

budget and allocate resources, and establish operational procedures for bell schedules, bus routes, and transportation fleet maintenance.

Managing transportation operations is dependent on the organizational structure of the district. Districts either may contract for or self-manage their transportation operations. Using a contracted management model, districts rely on the company to provide supervision of its transportation operation. In this arrangement, a district may rely on the company to provide all or some staff, or it may use district staff for its operations. Using the self-management model, a district manages transportation functions without assistance from an outside entity. Managing transportation operations requires planning; state reporting and funding; training and safety; and vehicle maintenance and procurement. Primary transportation expenditures include capital investments in vehicle fleets and annual costs of maintenance and operations. State transportation funding for each school district is determined by a formula that includes the number and type of students

transported. Each district annually submits transportation reports containing these data to the Texas Education Agency (TEA) for this purpose.

Houston ISD self-manages its transportation operations. The Transportation Department consists of 842 staff. The general manager of transportation oversees the department and reports to the chief operating officer. Two senior operations managers report to the general manager. A newly established senior operations manager position oversees school bus operations and supervises senior terminal managers. Each terminal is assigned area managers, bus drivers, team leads, field safety investigators, safety trainers, and general clerks. A second senior operations manager oversees the routing and scheduling, dispatch, and compliance functions. Each terminal has assigned bus attendants from the Shared Services Department that ride special education routes. **Figure 11–1** shows the organization of Transportation Department staff.

Figure 11–2 shows the organization of the Fleet Operations Department, which has 154 staff. The general manager of

FIGURE 11–1
HOUSTON ISD TRANSPORTATION DEPARTMENT ORGANIZATION, SCHOOL YEAR 2018–19
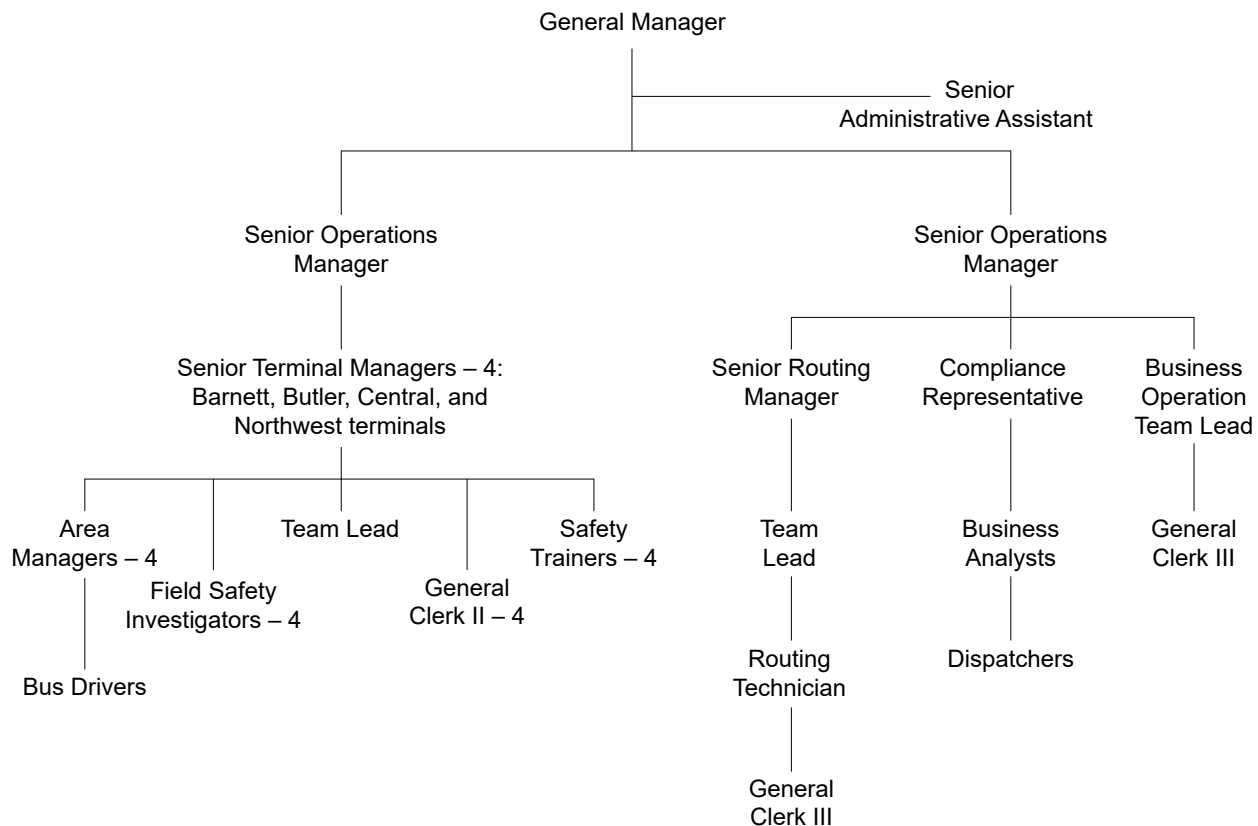
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 11–2
HOUSTON ISD FLEET OPERATIONS DEPARTMENT ORGANIZATION
SCHOOL YEAR 2018–19
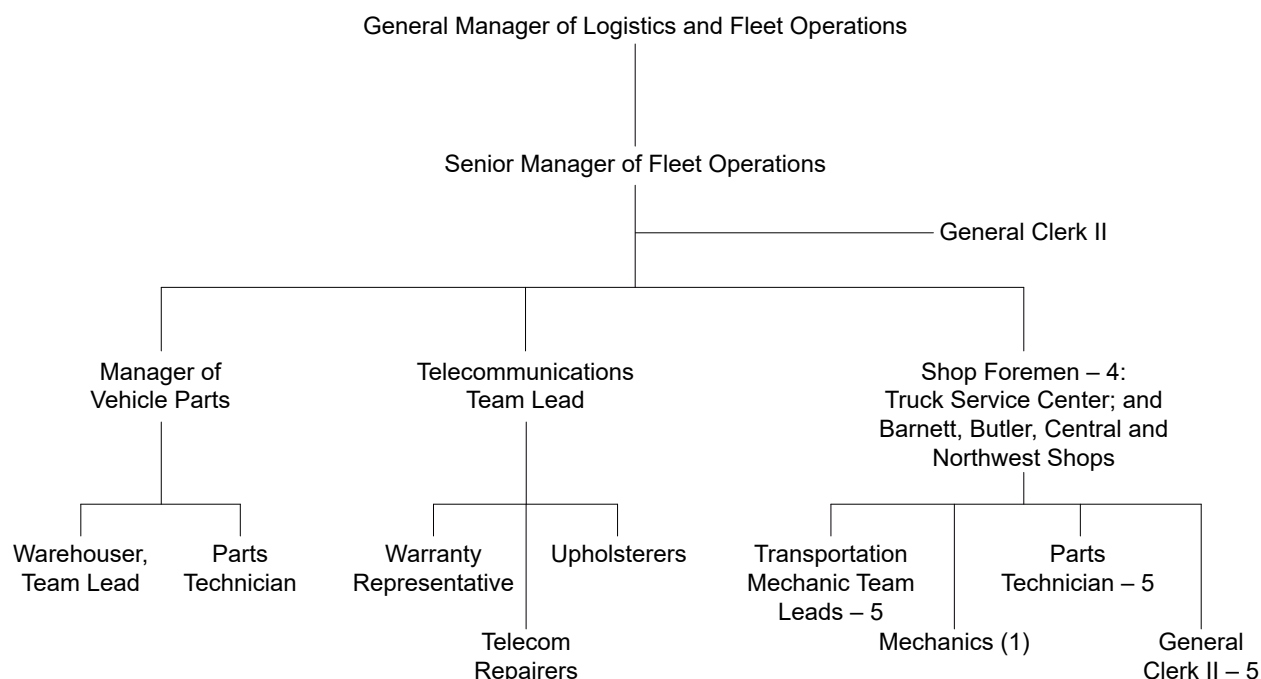
NOTES:
(1) Mechanic positions include senior transportation mechanics, transportation mechanics, associate transportation mechanics, and transportation mechanic helpers.
(2) Since the time of the review team's onsite visit, the manager of vehicle parts position has been eliminated. Vehicle parts technicians and team leads report directly to the foreman of the shop to which they are assigned.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

logistics and fleet operations oversees the department and reports to the facilities services officer. The senior manager of fleet operations oversees the shop foremen responsible for each service center. Each service center is assigned transportation mechanic team leads, mechanics, parts technicians, and general clerks.

The performance measures of cost effectiveness for a student transportation operation include the annual cost per mile operated, cost per student rider, and cost per bus. The Council of the Great City Schools (CGCS) publishes performance measures and performance data related to business operations in urban public school districts. Its 2018 publication *Managing for Results*, 2018**,** includes the high, median, and low values for performance metric data from districts reporting to the CGCS, including Houston ISD. Districts in the upper quartile reported the highest values for a given metric, and districts in the lower quartile reported the lowest values. **Figure 11–3** shows cost-effectiveness and operating-

efficiency metrics for the Houston ISD Transportation Department compared to CGCS reporting districts in the upper, median, and lower quartiles.

Figure 11–3 shows that Houston ISD's cost per mile operated and cost per bus during school year 2016–17 were near the median values reported to CGCS. Houston ISD's cost per rider was in the upper quartile among reporting districts.

At the time of the Legislative Budget Board's School Performance Review Team's onsite visit, Houston ISD made recapture payments pursuant to the Texas Education Code, Chapter 41. As a result, the district does not receive a transportation allotment through the state's Foundation School Program. Houston ISD funds student transportation from the district's general fund. For school year 2018–19, the Transportation Department's budget was $42.6 million, and the Fleet Operations Department's budget was $17.7 million.

FIGURE 11–3
HOUSTON ISD AND COUNCIL OF THE GREAT CITY SCHOOLS KEY COST-EFFICIENCY MEASURES COMPARISON, SCHOOL YEAR 2016–17 (1)

COST PER MILE OPERATED

COST PER RIDER

COST PER BUS
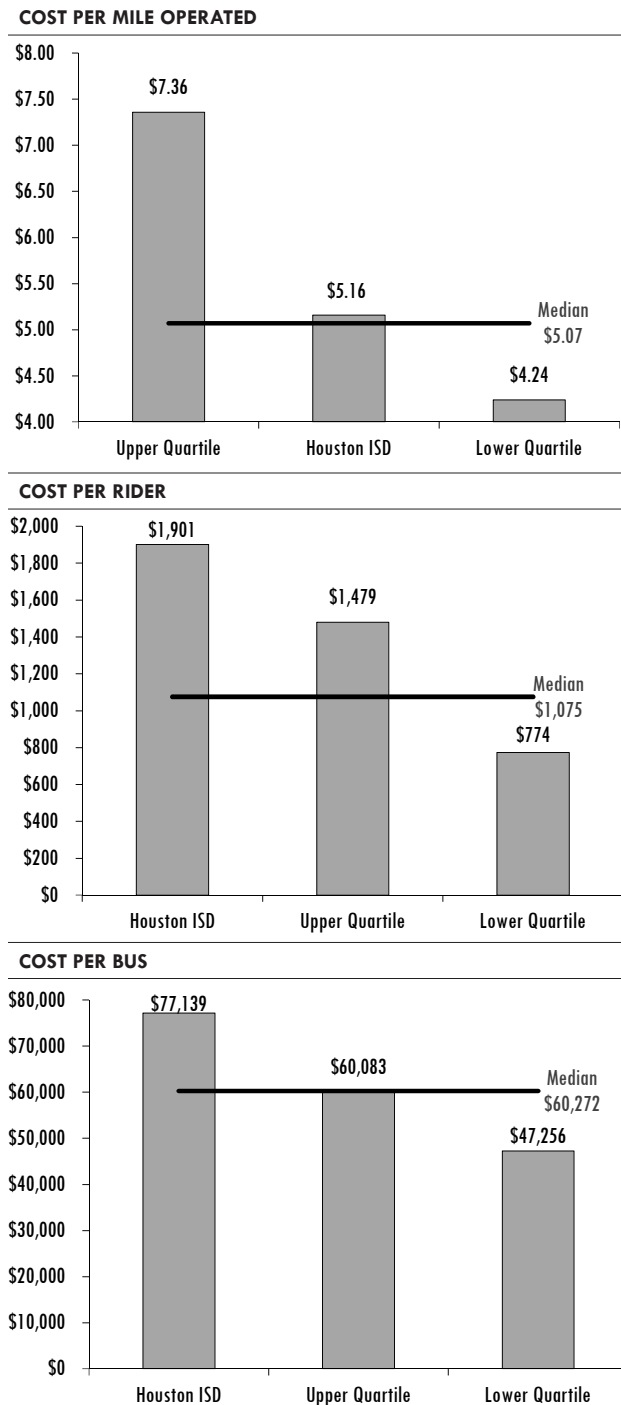
NOTE: (1) The Council of the Great City Schools 2018 report, *Managing for Results*, publishes data from school years 2013–14 to 2016–17.
SOURCES: Legislative Budget Board School Performance Review Team, February 2019; Council of the Great City Schools, *Managing for Results*, 2018.

DETAILED FINDINGS

ORGANIZATION, RECRUITMENT AND RETENTION (REC. 81)

The Transportation Department has an inefficient organizational structure and a significant bus driver shortage.

The general manager of transportation in the Transportation Department assigns a large span of control to each of the senior terminal managers. Span of control is the number of subordinates that a supervisor directly oversees. At the time of the onsite review, excluding the bus drivers, each senior terminal manager had 14 directly reporting positions, including the area managers, team leads, field safety investigators, safety trainers, and general clerks. Large spans of control are too broad to be effective and contribute to a lack of efficiency and effectiveness, the fostering of informational and operational silos, and communication breakdowns where staff cannot or do not interact with each other effectively.

In addition, some duties performed at each terminal are duplicated by department staff at the main transportation administration building. The Transportation Department employs six dispatchers at the main administration building that communicate with the bus drivers and the motor pools via two-way radio. Dispatchers respond to accident reports and maintenance requests for broken-down buses. They also communicate with campuses and external parties such as parents, principals, campus nurses, and emergency medical services. Each terminal employs three general clerks that also perform dispatch duties that are not included in the job description for these positions. The general clerks communicate by radio with bus drivers regarding late arrivals, accidents, and requests for buses due to overloads or the need to pick up a driver. Like the dispatchers, the general clerks receive calls from parents and other stakeholders. The general clerks at the terminals are not performing duties consistent with those at the administration building, who perform clerical duties, prepare statistical reports, and maintain office files.

Although some duties are duplicated within the department, other similar duties are separated. School districts are required to report certain transportation metrics annually to TEA. The department's compliance representative prepares the Transportation Route Services Report, and the general manager prepares the Transportation Operations Report. Districts that follow best practices typically assign one position to prepare and submit both reports to maintain the

accuracy and consistency of the data reported to TEA, which is crucial to ensure compliance.

At the time of the onsite review, the Transportation Department had a shortage of 65 bus drivers, with 754 drivers covering 819 routes. Senior terminal managers said that route coverage is their biggest challenge. All of the drivers are employed part-time with the exception of response drivers, which are guaranteed 8.0 work hours per day. Response drivers serve as substitute drivers, perform clerical tasks, monitor bus drivers' pre-trip and post-trip inspections, and perform yard or facility cleaning and vehicle fueling. Because the department assigns some drivers multiple routes to cover all the routes, some drivers incur overtime.

Department staff stated that driver turnover is due partly to concerns about budget decreases and to opportunities to earn higher wages in surrounding districts. Staff also said that other school districts offer previous experience pay, but Houston ISD offers the same starting pay of $16.65 per hour to bus drivers regardless of experience. According to staff, the department eliminated some bus driver incentives, including a $250 recruitment award for staff who referred new drivers, and a $250 sign-on bonus after driving for 90 days.

Although department staff acknowledged that the bus driver shortage is a significant problem, they reported various numbers for the current driver turnover rate, indicating that the department does not track this metric accurately. Some staff reported a bus driver turnover rate ranging from 5.0 percent to 7.0 percent. Others reported a rate of 10.0 percent or 20.0 percent. The district's Human Resources Department provides an online exit survey for all district staff; however, the Transportation Department does not have an internal process to gather concerns from departing staff and track the reasons why bus drivers leave service. Bus drivers and other department staff reported perceiving a lack of appreciation and recognition from department management.

According to staff, the Transportation Department sends a team of bus drivers to job fairs, libraries, shopping malls, laundromats, and other community locations to recruit potential candidates. However, the department may not be maximizing communication opportunities with the public. According to interviews, Strategic Engagement and Outreach Department staff update the website after receiving new information from the Transportation Department. At the time of the onsite review, a link on the Transportation Department's website labeled "Now hiring bus drivers – Apply now" opened a recruitment page that lists upcoming events and job fair information from spring 2018. Such outdated recruitment information can dissuade candidates from applying for positions in the district.

A department's organization, staffing, and supervision can affect its operations' effectiveness and efficiency directly. Best practices indicate that span of control for a supervisory position should have no more than six to eight positions reporting to it directly. In addition, effective organizations monitor and track why staff leave. According to the Harvard Business School, a strategic exit interview program provides insight into what staff are thinking, reveals problems in the organization, and provides information about the competitive landscape.

Effective bus driver recruiting programs employ various methods to attract applicants. These methods include word of mouth, in which districts encourage current staff to recruit qualified prospective applicants. Another strategy is to advertise job announcements in local media, on signs at campuses, and at the bus facilities. Some districts give presentations to community groups. Another method is for the district to attach posters or banners advertising employment opportunities to a bus parked at a business or a community or campus event. Districts also welcome applicants aboard parked buses to discuss the job and complete applications. During the interview and hiring process, districts ask applicants how they learned of the job opportunity to better optimize future advertisement and recruiting efforts.

The general manager of transportation should reorganize Transportation Department functions and develop strategies to improve recruitment and retention of staff. The general manager of transportation should complete the following actions:

- initiate a comprehensive staffing study to ensure that all department functions are staffed appropriately with the goal of emulating industry best practice. Evaluate the current organizational structure and work flows to determine whether staff could be repurposed or processes reengineered to achieve operational efficiencies and effectiveness;

- evaluate staff responsibilities for appropriateness and take corrective action where needed;

- consider reorganizing operational and support functions under each senior operations manager so that one senior operations manager oversees school bus operations, including the four terminals and the dispatch function, and the other manager oversees

FIGURE 11-4
HOUSTON ISD TRANSPORTATION DEPARTMENT FUNCTIONAL ORGANIZATION EXAMPLE, APRIL 2019
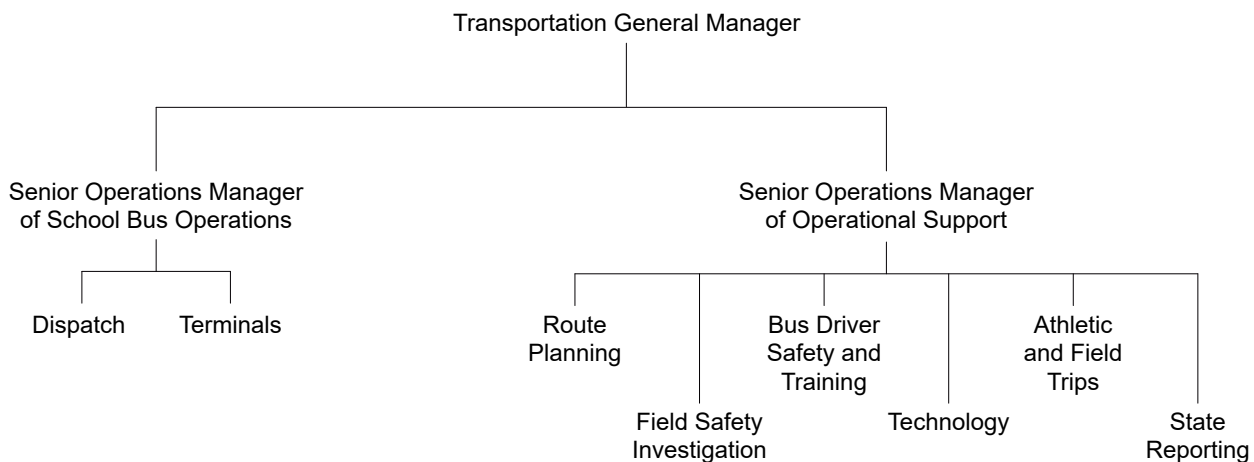
SOURCE: Legislative Budget Board School Performance Review Team, April 2019.

the functions that support operations, which include route planning, safety, training, and technology. In this model, transferring the field safety investigators and the safety trainers to the operational support reporting structure and shifting the dispatch function to the school bus operations reporting structure decreases the number of positions that report directly to the terminal managers. **Figure 11–4** shows an example of a functional organization chart that aligns the operations and support functions to report to each senior operations manager:

- monitor turnover rates and, in coordination with the Human Resources Department's online exit survey, establish a process to solicit feedback from staff before they leave the Transportation Department to identify and track the causes of their leaving and identify opportunities to make or recommend changes in department procedure;

- coordinate with the Human Resources Department to develop a recruiting program that includes best-practice advertisement strategies;

- partner with the Human Resources Department and review and update job titles and job descriptions to provide a realistic portrayal of current duties, responsibilities, expectations, and reporting lines. Redistribute revised job descriptions to affected staff to ensure accountability; and

- coordinate with the Strategic Engagement and Outreach Department to ensure that the

recruitment information shown on the department's website is current.

Since the time of the review, the general manager of transportation has reorganized the department to decrease the span of control for the terminal managers. The general manager of transportation added a training manager position that oversees the field safety investigators and senior bus drivers (formerly titled safety trainers).

The district could implement this recommendation with existing resources.

ROUTING AND SCHEDULING (REC. 82)

The Transportation Department has operational deficiencies that negatively affect routing efficiency and service delivery.

During school year 2018–19, the Transportation Department implemented major changes to student routing to decrease ride times, improve on-time arrivals, and improve communication with parents and campuses. The Transportation Department's service delivery objectives include limiting student ride times to no more than 15 to 30 minutes for zone route riders and no more than 60 to 90 minutes for magnet program riders. The department also strives to ensure that students are not picked up before 6:00 AM and that zone route riders walk no more than 2.0 miles to their bus stops.

A significant change the district implemented at the start of school year 2018–19 was a new system for magnet program students that replaced many traditional neighborhood stops

with pickup and dropoff hub locations. There are 48 hub locations at designated Houston ISD campuses districtwide.

Also during school year 2018–19, the district purchased a new global positioning system (GPS) provider, Zonar Systems, to assist with rider eligibility and tracking. The district also implemented a student badge program to track ridership and utilization of buses, routes, and stops, and to enable parents to track when their students get on and off the buses. The district provided personalized radio frequency identification badges to all registered Houston ISD bus riders to scan as they enter and exit the buses.

In another major transition, the district implemented a new routing and scheduling system at the start of school year 2018–19. Previously, the district used the Trapeze application for bus routing and scheduling. Following Hurricane Harvey in August 2017, Trapeze was unable to update the district's routes, and the district replaced Trapeze with a new hosted application, Transfinder, at the start of the school year.

The Transportation Department used the new routing and scheduling software to map the new routes at the beginning of the school year. To route students, the district imports rider eligibility information from the Chancery student information system into the routing and scheduling application, and the system maps routes based on the student's address and the district's routing criteria.

The district experienced several issues with the implementation of these new systems that resulted in service delivery outcomes that did not achieve the department's goals. According to onsite interviews, from 150 to 200 buses were late per day during the first several months of the school year, causing many students to miss class time, miss breakfast, and arrive home late. In addition, the system did not assign all eligible students to buses.

According to onsite interviews, inaccurate data and flaws in the route mapping caused the issues. Historically, the district has not had a process to monitor ridership data. Transportation Department staff reported that the district's practice is for drivers to pick up students waiting at stops, regardless of the students' eligibility or route assignments. When the district transitioned to the hub system and developed new routes, it underestimated the volume of eligible student riders and did not assign routes to an estimated 7,000 to 10,000 students for the start of the school year.

Another issue with the new system was that it mapped routes using straight-line distance instead of walkable street paths,

FIGURE 11–5
COUNCIL OF GREAT CITY SCHOOLS ON–TIME PERFORMANCE
SCHOOL YEAR 2016–17

QUARTILE	ON–TIME PERFORMANCE
Upper Quartile	100.0%
Median	99.9%
Lower Quartile	99.7%

Sources: Legislative Budget Board School Performance Review Team, February 2019; Council of the Great City Schools, *Managing for Results*, 2018.

resulting in stops that were more than 2.0 miles from students' homes. According to onsite interviews, some students had to walk up to 6.0 miles to their assigned bus stop. In addition, the Transportation Department did not validate the routes adequately to ensure that they could be driven in the time scheduled. The department conducted dry runs to test the routes, but not during actual morning rush hour pickup times.

Transportation Department administration reported that they eliminated 90 routes through consolidation since the start of the school year. They also reported decreasing late arrivals from seven to 10 late buses per day and achieving an on-time arrival performance of from 85.0 percent to 90.0 percent.

Although the department has consolidated routes and decreased the number of buses arriving late, the current on-time arrival is less than industry standards. **Figure 11–5** shows that Houston ISD's reported on-time performance rate ranging from 85.0 percent to 90.0 percent is less than those of districts in the lower quartile reporting to CGCS.

According to onsite interviews, although the district has installed GPS tracking on all buses, it does not track buses that run late or deviate from route paths. The Transportation Department determines how many buses are late each day from reports from terminal staff that are in direct contact with the bus drivers. According to interviews, the GPS tracking system often does not work properly due to technical issues.

Another factor that contributes to late arrivals is the department's inability to maximize route efficiency. The department's current inability to identify accurately the actual number of students riding daily makes it difficult to consolidate stops and routes. At the time of the onsite review, the department had nearly 46,700 students (21,000 magnet, 18,000 zone, 3,700 students with disabilities, and approximately 4,000 other students) routed and assigned to

bus stops. Transportation Department administration staff estimated that 25,000 to 30,000 students are active riders but expressed low confidence in the department's ability to track the actual number of students riding daily.

One reason for this reservation is the district's practice of picking up any student on any bus, regardless of route assignment. In addition, the quality of the electronic data from the student badge system is poor. Department staff reported that of its estimated 25,000 to 30,000 active riders, about 3,000 students scan their badges on the buses. Bus drivers reported that the student tracking system is not updated consistently with route changes before morning routes begin, resulting in the scanners not processing students' badges correctly.

According to interviews, drivers do not enforce the district's badge policy consistently. Drivers are required to ensure that students scan their badges and to enter information into the system manually for students without badges. In addition, drivers are required to complete eligible rider reports each month to document which students on the roster actually ride the bus. The district's school year 2018–19 *Business Operations Employee Handbook* discusses this requirement, but it does not establish consequences for noncompliance. According to interviews, some drivers perceive a disincentive to correctly report ridership counts for fear that their paid hours may be decreased. At the time of the review, department administration staff said that they were starting to review school bus videos randomly to verify ridership counts and arrival and departure times in response to suspicions that some drivers may be overreporting student ridership.

Another factor contributing to inefficiencies in routing and scheduling may be the lack of input from affected staff and departments. The location of the buses at designated terminals in relation to their route assignments affects route efficiency, but senior terminal managers did not view all the routes at the start of school year 2018–19 and were not involved in determining terminal assignments for the buses.

Students' late arrival at campuses disrupts classrooms and may preclude some students from participating in the school breakfast program. Monitoring actual daily ridership is an industry best practice essential to identify opportunities to decrease costs by consolidating routes and buses, eliminating stops, or equalizing loads.

At the time of the onsite review, the district used vendors to provide relocation transportation from campuses closed due to damage from Hurricane Harvey. The relocated campuses previously did not have bus routes because they were neighborhood campuses, and all attending students lived within 2.0 miles from their campuses. As a result, the department did not have enough bus drivers to provide transportation for these relocated students. To provide coverage, the department contracted with charter bus companies, budgeting $4.8 million to outsource transportation for relocated students during school year 2018–19. The need to contract with vendors for this function is costly and will continue if the department is unable to consolidate routes effectively and decrease the bus driver shortage.

According to interviews, planned budget decreases will require the Transportation Department to eliminate approximately 60 routes for school year 2019–20, increasing the need to improve route efficiency. Maintaining route efficiency is critical to ensuring the timely and safe transportation for students and decreasing transportation costs. In addition, TEA requires school districts to report certain transportation metrics, including student ridership, annually. Without a process to count student ridership accurately, the district risks noncompliance with this requirement.

The Transportation Department should develop and implement a process to count transported students regularly and assess ridership to consolidate stops and routes and improve on-time performance. The general manager of transportation should perform the following actions:

- continue to educate drivers regarding the importance of enforcing the badge policy and consult with other departments to consider all types of student identification used in the district and whether a universal badge system is feasible;

- remind drivers that TEA requires accurate reporting of the number of students transported. The general manager also should add language to the student count sheet advising drivers that the count sheets are official Houston ISD documents and that falsifying any of their contents can lead to staff discipline, including termination. This language also should appear in the Employee Standard of Conduct section of the district's *Business Operations Employee Handbook*;

- validate ridership counts and arrival and departure times by assigning department staff to monitor campus loading and unloading zones daily and continuing to review school bus videos;

- leverage current GPS technology to track arrival and departure times, and utilize current software to generate daily exception reports of routes that run late or do not follow the prescribed route paths. The general manager should hold area managers and senior terminal managers accountable for taking prompt and appropriate action to correct on-time performance issues; and

- establish an interdepartmental routing timeline committee to annually develop appropriate and acceptable deadlines for the submission of data and completion of tasks. This committee should include key staff from the Transportation, Academics, Special Education, Student Support Services, Fleet Operations, Communications, and Information Technology departments and others as appropriate. The committee should complete the following tasks:

  ◦ ensure that routing staff have sufficient time to prepare summer and fall routes that are efficient and cost-effective;

  ◦ discuss the service and fiscal impact of proposed changes to bell schedules, program placements, and new academic initiatives; and

  ◦ review routing policies and practices to maximize collective ride times, earliest pickup times, the number of students on each bus including load counts and seat utilization, distances to walk to bus stops, and the number of stops on each run with the goal of decreasing the number of trips and buses used.

Since the time of the review, the Transportation Department has implemented Z-pass, which enables the department to capture data for the number of students riding the bus each day. The Transportation Department indicated that drivers will be held accountable for student ridership counts and the department has added language to the school year 2019-20 Business Operation Handbook describing the importance of student ridership and warning of disciplinary action for failure to accurately complete rider reports.

The district could implement this recommendation with existing resources.

SPECIAL EDUCATION TRANSPORTATION (REC. 83)

Houston ISD does not transport regular education students on the same bus as their special education peers.

Houston ISD provides curb-to-curb service to 100.0 percent of special education students that need transportation as a related service according to their individualized education programs (IEP). The district transports 3,700 special education students on 284 dedicated routes.

The review team did not find evidence that the district has considered integrating special education and regular education students onto the same routes to better comply with the U.S. Individuals with Disabilities Education Act (IDEA), which requires that students with disabilities have the opportunity to be educated with nondisabled peers in the "least restrictive environment." Specifically, the federal law requires school districts to ensure that:

> … to the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are nondisabled. … special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.

IDEA also addresses the transportation needs of students with disabilities. Transportation is a related service as defined by the U.S. Code of Federal Regulations (CFR), Title 34, Section 300.34, that includes travel to and from campus and between campuses; travel in and around campus buildings; and the use of specialized equipment such as special or adapted buses, lifts, and ramps. Each student's IEP team determines if transportation is required to assist a student with a disability to benefit from special education and related services, and how the district should provide transportation services.

According to guidance published by the federal Office of Management and Budget, IDEA does not require local education agencies to transport students with disabilities in separate vehicles, isolated from their peers. The guidance states that students with disabilities can receive the same transportation provided to nondisabled children, in accordance with 34 CFR, Sections 300.114 to 300.120.

The district's practice of transporting special education and regular education students separately does not promote the spirit of inclusion pursuant to IDEA. In addition, this practice may inhibit the Transportation Department from achieving maximum route efficiency and decreasing transportation costs per student. According to interviews,

some bus drivers reported that they typically have 25 regular education students on 75-passenger buses and less than five students on 47-passenger special education buses.

Efficient districts transport students that have disabilities with students that do not have disabilities when the location and schedule of both student groups enable this practice.

Houston ISD should explore options to achieve greater inclusion and promote the use of the least restrictive environment on buses.

The district's general counsel, Special Education Department staff, and Transportation Department staff should form a committee to evaluate the district's approach to encouraging the least restrictive environment in transporting students with disabilities. The committee should perform the following actions:

- consider expanding the ridership of bus routes dedicated either to students with disabilities or regular education students to establish routes that incorporate both student groups; and

- establish IEP meeting protocols to determine if special education students—based on the disability, needs, and other related factors—should be transported to and from home or could be transported to and from a campus or designated route stop along with their nondisabled peers.

The Transportation Department senior routing manager should ensure that routing staff map routes that can accommodate street corner and curb-to-curb bus stops safely.

The district could implement the recommendation to form the committee within existing resources. The fiscal impact to consolidate special education and regular education routes cannot be estimated until the district determines the number of special education students to be picked up and dropped off at assigned bus stops and the number of these students that require curb-to-curb service.

COMMUNICATION (REC. 84)

The Transportation Department lacks efficient methods for communication with stakeholders.

The department has opportunities to improve communication among internal department staff. Regularly scheduled staff meetings do not occur throughout the department.

The senior terminal managers report to the general manager. Each senior terminal manager reported meeting once a week

with the teams they supervise and with the general manager. However, terminal staff reported varying frequencies of meetings with their teams and with senior terminal mangers, with some teams meeting weekly, every few weeks, monthly, or once or twice a year. Some staff said that they do not meet with their teams or the senior terminal manager, and they receive information through newsletters. Several staff noted a lack of communication in the department and stated that they preferred more regular meetings with terminal management.

The Transportation Department also does not communicate effectively with campuses. Campus administrators reported that they are not always notified of late buses or other interruptions of service. According to the administrators, the department sends an email that identifies the numbers of the routes that are late or changed. However, the emails do not identify which students or stops are affected. Although the Transportation Department provides campus principals with lists of students and route assignments at the beginning of the school year, the lists become inaccurate as the department changes routes. The department does not always notify the campuses of student roster changes in a timely manner. In addition, principals reported that calls to the terminals often are not answered during peak hours, which impedes the ability of campus staff to respond when parents call to locate students.

The Transportation Department notifies principals of service changes primarily at principals' meetings, which occur monthly. The general manager of transportation presents information at these meetings, but principals do not have the opportunity to ask questions. In addition, the Transportation Department does not include principals' input in developing and implementing changes to bus service. For example, principals said that they were not included in the decision to transition to a hub system. Some principals had safety concerns upon learning a few weeks before the school year began that their campuses were hub locations. Principals stated that the operation of the hub bus system affects their staff and that campuses fund after school staff to direct traffic to ensure that buses are in line first and to check rosters to ensure that students board the correct buses. Principals expressed a need for more inclusion and input into transportation-related decisions.

To foster communication with parents, the Transportation Department conducts bimonthly meetings to share updates and progress, identify ongoing challenges, and gather feedback. However, the district's transportation-related communication for immediate questions from parents and community members has opportunities for improvement.

During school year 2017–18, the Business Operations Division established the Customer Care Call Center to receive all calls from parents, residents in the community, students, and staff regarding matters that pertain to Houston ISD business operations, including transportation. However, many stakeholders reported being unaware of this service and calling multiple phone numbers with transportation-related questions and concerns. Principals and hub monitors reported calling the terminals directly for information on late buses. Parents reported calling the bus terminals, central dispatch, or the campuses to locate their students. Furthermore, the telephone number posted on the back of Houston ISD school buses is routed to the Transportation Department dispatch office instead of to the Customer Care Call Center.

The Transportation Department does not conduct surveys to gauge customer satisfaction with transportation services or to identify areas of concern. Poor communication and planning and the lack of inclusion can lead to operational failure, low morale, and employee attrition.

CGCS's publication *Building Public Confidence in Urban Schools,* 2009, suggests developing strategies and tactics to communicate with all segments of an organization, including the following strategies:

- develop staff opinion surveys to gauge what communication tools would be most effective in informing them and helping them support the system;

- refine and improve the communication tools used to disseminate information to staff;

- develop a communications toolkit for managers that includes key messages to be shared when describing a major initiative, memo templates for use in communicating with staff, and talking points for staff meetings; and

- convene a standing internal communications advisory group.

District's following best practices communicate with students and parents through email, phone, text, and fliers provided to students. They also solicit stakeholder input for transportation functions and services, including contributions from bus drivers, students, parents, and campus administrators.

The general manager of transportation should establish processes to strengthen Transportation Department internal and external communications and solicit feedback from stakeholders.

The general manager of transportation should ensure that regular staff meetings take place at each level of the Transportation Department. These meetings should include specific agendas, documented minutes of discussions, decisions, and follow-up activities. These documents provide staff the following information:

- the district's and department's goals and objectives and how they will be achieved;

- meetings for interdepartmental collaboration with all appropriate departments and stakeholders;

- how staff will be held accountable and evaluated using performance-monitoring metrics;

- why changes are made that may affect the team and expected outcomes of these changes;

- that managers and supervisors are disseminating information and feedback within and among departments;

- that staff feedback and suggestions are welcomed, considered, and valued; and

- that communication channels are available to distribute department news and information regularly.

The general manager also should perform the following actions:

- develop and implement a communications protocol to ensure that the Transportation Department updates campuses regarding route changes regularly and timely; the protocol should ensure that campuses consistently have updated information to locate students when buses are late to decrease the volume of parent and staff calls to bus terminals;

- implement programs to measure customer satisfaction, including the use of customer surveys and focus groups, to identify service concerns and establish priorities and training. At a minimum, the general manager of transportation should solicit input from parents, campus administrators, teachers who lead field trips, athletic directors, and coaches; and

- coordinate with the general manager of customer care to analyze the volume of phone calls to the bus terminals, central dispatch, and the Customer Care Call Center. Evaluate strategies to decrease the volume of transportation-related calls directly

to the terminals and dispatch; encourage parents and campus staff to contact the Customer Care Call Center for all transportation questions and concerns. Consider forwarding the phone number posted on school buses to the Customer Care Call Center rather than to central dispatch.

Since the time of the review team's onsite visit, the Transportation Department has implemented Let's Talk!, an online communication tool that parents and campus staff can use to submit questions and concerns, track inquiries, and rate transportation services. The Transportation Department also implemented SafeStop, a school bus-tracking application that enables parents to track their students' buses and view where the buses are along their routes. The application also provides expected arrival times for each stop.

The district could implement this recommendation with existing resources.

TRAINING AND SAFETY (REC. 85)

The Transportation Department lacks procedures to promote the safety of students and staff.

The Transportation Department has a preservice program to train new bus drivers to obtain class B commercial driver licenses and proper endorsements through the Texas Department of Public Safety (DPS). Each terminal has senior bus drivers that are dedicated safety trainers. They provide behind-the-wheel instruction and technical training to new bus drivers and remedial training to drivers that have been in preventable accidents. The safety trainers also observe bus drivers perform pre-trip and post-trip inspections and

monitor bus drivers to ensure that they scan or manually enter students' ID badges at boarding.

Bus drivers do not receive additional training from the district. Unsafe operating practices observed during the onsite review indicate a need for refresher training to ensure that drivers follow procedures taught during the preservice training appropriately.

Figure 11–6 shows examples of unsafe operating practices observed by the review team compared with school transportation best practices and requirements in statute.

In addition, the district ceased providing certain safety-related training for bus drivers and bus attendants. At the time of the onsite review, the district did not provide first aid or cardiopulmonary resuscitation (CPR) training for drivers of buses that transport regular education students. Bus attendants reported that they no longer receive training to address student discipline on the buses.

The district also has opportunities to provide school bus safety awareness to students. Houston ISD does not provide training to prepare students for school bus emergencies. Although state law does not require mandatory school bus emergency evacuation drills, Texas Education Code, Section 34.0021 provides the following guidelines related to emergency evacuation training sessions:

- a district may conduct a training session for students and teachers concerning procedures for evacuating a school bus during an emergency. If it so chooses, the district is encouraged to conduct the training session between July 1 and December 31, and to structure the session so that: (1) it applies to school bus passengers;

FIGURE 11–6
HOUSTON ISD TRANSPORTATION DEPARTMENT'S OBSERVED OPERATING PRACTICES
FEBRUARY 2019

OBSERVATIONS	SAFETY BEST PRACTICE
Multiple incidents in which the bus driver pulled away from the curb while students onboard were standing or walking to their seats.	A school district may not require or allow a child to stand on a moving school bus or passenger van, pursuant to the Texas Education Code, §34.004, and Board Policy CNC (LEGAL).
Multiple incidents in which students in loading zones rushed to the curb as buses approached.	Students stand six to 10 feet from the curb until the driver opens the door to signal that students may approach the bus.
No observed supervision by transportation staff to ensure that drivers completed required bus safety inspections.	Regular oversight of bus safety inspections, including unscheduled monitoring visits.
An incident at a magnet hub location in which a driver reversed a large school bus unaided in a loading zone while pedestrians walked nearby.	Utilize another person to watch for hazards while operating bus in reverse to warn driver of safety issues.

Sources: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019; Texas Association of School Boards Policy Service.

(2) a portion of the session occurs on a school bus; and (3) the session lasts for at least one hour;

- the training must be based on the recommendations of the most recent edition of the National School Transportation Specifications and Procedures, as adopted by the National Congress on School Transportation, or a similar school transportation safety manual.

- the district is encouraged to review school bus emergency evacuation procedures with the passengers immediately before each field trip involving transportation by bus, including a demonstration of the emergency exits and how to safely exit; and

- within 30 days of completing the training session, the district must provide DPS with a record certifying its completion.

The review team observed safety concerns related to the physical condition of the parking lots at the bus terminals. During early morning onsite reviews of the Butler and Central motor pool parking lots, the review team observed parking lot lighting that was inadequate and, in some areas, almost nonexistent. These parking lots also contained large areas of cracked and broken blacktop, pot holes, and uneven pavement. The review team observed pooling water, which is indicative of inadequate drainage.

During onsite interviews, staff reported safety concerns on the buses. These concerns included heaters and air conditioners that do not work properly and exhaust fumes that enter buses when students are aboard.

Failure to provide refresher training for drivers increases the risk that unsafe operating practices continue uncorrected. In addition, the lack of conducting emergency evacuation drills leaves students unprepared for emergencies. Students also lack the understanding of how to safely wait for the school bus until it arrives, safely board and ride the school bus, safely evacuate the school bus if needed, and safely exit and move away from the school bus.

Poor lighting impairs drivers' pretrip bus inspections and increases the likelihood of accidents. Bus drivers and others in the bus parking lot do not wear fluorescent and reflective safety vests to enhance visibility, increasing the danger. Inadequate drainage also may contribute to reports of water seeping into underground gasoline and diesel storage tanks. Inadequate climate control on buses puts passengers at risk of exposure to dangerous temperatures, a particular concern for students who have long ride times or health concerns.

Exhaust fumes inside the bus are a health and safety hazard to students, drivers, and bus attendants.

Figure 11–7 shows a sampling of best practice training topics for school bus drivers that are useful during pre-employment and in-service training.

Houston ISD should enhance transportation training for drivers and students and address safety concerns at the terminals and on school buses.

The general manager of transportation should perform the following actions:

- provide ongoing training of drivers to reinforce all safety, bus loading, bus riding, bus unloading, and other procedures, including reversing the bus in and around campuses and parking lots;

- hold transportation staff accountable for monitoring bus inspections, student loading and unloading, and hold drivers and students accountable to safe riding practices and related statutes;

- coordinate with the general manager of maintenance services and repairs to evaluate the adequacy of the outdoor lighting at the Butler and Central parking facilities. Consider providing fluorescent and reflective safety vests to drivers, supervisors, bus attendants, and fleet maintenance to enhance their visibility in bus parking areas;

- form a team of staff from the Risk Management, Facilities, and Transportation departments to evaluate grading, slope, and drainage; structural failures such as cracking, potholes, and sink holes; elevation changes; and other potential safety, risk, and liability issues at the Butler and Central motor pool parking lots and other locations as necessary. Develop recommendations, priorities, and estimates to bring these parking facilities up to acceptable safety standards. Investigate whether capital funds or other unassigned fund balances can be used to improve safety and mitigate risk;

- examine the benefits of reinstating first aid and CPR training for all drivers and possibly other department staff; seek grant-funded opportunities if district funding is not available;

- emphasize to drivers and supervisors that buses without properly functioning climate controls are not to be driven; require drivers to report malfunctioning

FIGURE 11–7
BEST PRACTICE TRAINING TOPICS FOR SCHOOL BUS DRIVERS
FEBRUARY 2019

TOPIC	DETAILS
Emergency and disaster preparedness	Training for managing emergencies that happen when the bus is on its route, including driving emergencies, emergency evacuations, and use of emergency equipment
Safely running a route	Entering and exiting the bus garage and yard, following a route sheet or map, use of GPS technology, entering and exiting school zones, and handling mechanical difficulties and breakdowns
Safety procedures in the school loading and unloading zone	Passenger safety and special training for managing students that have disabilities and students that must be secured in wheelchairs
Cell phone and electronic communication device restrictions	In accordance with applicable regulations, laws, and local policies
Defensive driving skills	Avoidance of distracted driving and aggressive driving
Activity trips	Training on laws, policies, and procedures specific to activity trips, including interstate transportation regulations
Accidents	Accident investigation and management procedures
First aid	Complying with blood-borne pathogen and first aid protocols
Managing student discipline on the school bus	Including bullying prevention
Drug and alcohol regulations	Driver compliance and reporting by bus drivers of prescription and over-the-counter drug use to supervisors managing confidential records
Adult behavior	Requirements for reporting inappropriate behavior of other adults, including Houston ISD staff
Threatening situations	Handling threatening situations on the bus, including hostage situations
Protective equipment	Proper use of personal protective equipment and child safety restraint systems
Railroad crossings	Procedures at railroad crossings
Individuals with Disabilities Education Act	Compliance with the federal law governing transport of children that have disabilities
Head Start	Preservice and in-service training requirements for drivers of Head Start passengers pursuant to the U.S. Code of Federal Regulations, Title 45, Part 1310
Safe driving	Techniques for safe driving, including mirror use and adjustment; smooth starts and stops; use of emergency brake; safe turning, reversing, and reference-point driving; and the reduction of costly school bus idling
Vehicle damage	Techniques to identify and avoid practices that result in driver-related vehicle damage
Fueling vehicles	Training for fueling buses and handling and preventing fuel and other hazardous materials spills
Sight zones	Maintaining unobstructed bus driver sight zones from the driver's seat
Preparedness	Physical and mental preparedness to perform required duties adequately
Communication	Communicating effectively with campus staff, students, parents, law enforcement officials, and the public on roadways
Routes and schedules	Routing and scheduling guidelines
Legal policies	Legal issues and a review of local school transportation policies, plans, and procedures, and liability in school transportation
Reports	Completing required state and district reports
Maintenance	Maintaining a clean and uncluttered bus with unobstructed access to emergency exits

Source: Legislative Budget Board School Performance Review Team, February 2019.

heaters and air conditioners to fleet maintenance promptly; and

- prioritize the monitoring of excessive bus engine idling to decrease the risk of exhaust entering bus interiors. Require fleet maintenance to examine all door seals and gaskets and replace them as necessary to prevent exhaust from entering the buses. Reinforce, through training, that bus drivers should remain alert for the odor of exhaust fumes inside the bus.

The Houston ISD Board of Education should consider requiring school bus evacuation and safety training for all students. If the board adopts this requirement into policy, the general manager of transportation and bus drivers should train students on the following procedures:

- procedures for students waiting at the bus stop, loading and unloading at bus stops, riding the school buses, and loading and unloading in the school zone;

- seating safely and securing carry-on items in the school bus;

- rules for managing the school bus danger zone – students should stay at least 12 feet from the sides of the bus, should not cross behind the bus, and should cross the roadways at least 12 feet in front of the bus;

- school bus evacuation training at least twice a school year, including all eligible students and students that have special needs; and

- procedures for how students that have disabilities should load and unload the bus and be secured in wheelchairs.

The district could implement this recommendation with existing resources. The fiscal impact assumes no additional costs for bus driver training because the department already has positions dedicated to this function.

ASSET MANAGEMENT (REC. 86)

The Fleet Operations Department does not manage spare and surplus vehicles effectively to maximize efficiency and meet industry standards.

Each Transportation Department terminal has assigned active-route buses and spare buses. The Transportation Department determines the assignment of buses to terminals, and the Fleet Operations Department procures, maintains, and disposes the buses. Fleet Operations and the Fixed Assets

Department determine whether old buses should be sold at auction or destroyed and sold as scrap metal.

At the time of the onsite review, the district operated 819 bus routes and owned, maintained, inspected and serviced 1,127 buses. These amounts equate to a 27.3 percent spare ratio, which is greater than the industry standard of a spare ratio ranging from 10.0 percent to 12.0 percent.

Onsite interviews yielded widely varying estimates as to the average age of the fleet. Estimates from staff ranged from 7.0 years to 13.0 years, and others estimated the average age from 15.0 years to 16.0 years. Using data provided by the district, the review team calculates the weighted average of the Houston ISD school bus fleet to be 10.0 years. The trade publication *School Bus Fleet* releases fleet information regularly. Its 2017 survey reported an average fleet age of 9.0 years for participants, which is less than the district's reported and calculated averages.

The district's lack of a robust vehicle replacement plan contributes to the large spare ratio and higher-than-average fleet age. According to onsite interviews, the district determines when to replace a bus based primarily on its age. At the time of the review, the district's vehicle replacement plan tracked a vehicle's construction year and warranty status. However, the plan does not track other variables that are critical to determining vehicle replacement and disposal. Such variables include the total miles driven, age of key drive train components, repair history, and operating cost per mile. The plan also lacks replacement criteria by vehicle capacity and body type; anticipated revenue of the sale of replaced vehicles; anticipated maintenance savings by removing older vehicles that are more expensive to maintain; anticipated annual cost increases of new vehicles; enrollment trends and projections; or potential funding sources. The plan's financial data for cost by replacement cycle are scant and incomplete.

In addition to the large spare ratio, the district does not appear to manage its derelict vehicles appropriately. The review team observed approximately 35 vehicles, including buses and general service vehicles, identified as nonfunctioning located at the northeast corner of the Butler Terminal. According to onsite interviews, these vehicles have been idle for several years, and district staff were unaware of plans to auction them for scrap metal.

Maintaining an excessive amount of spare buses is costly to the district. The Texas Transportation Code, Chapter 548 requires school buses to have certified annual inspections,

regardless of whether they are used regularly for routes. The district must continue to pay annual state inspection and registration fees for each bus in its inventory.

Effective districts develop bus replacement plans to maintain the necessary fleet size and to reduce maintenance costs by replacing buses when they reach the end of their life cycles. Although buses are a large capital investment for school districts, comprehensive replacement plans offer many benefits. Districts that have replacement plans regularly introduce new buses into their fleets to replace those that have the highest operating costs. These districts also rotate buses from the longest routes to the shortest to extend the life of the buses. Staff reevaluate the replacement plan annually to determine which buses should be sold depending on mileage or condition. Regular purchase of buses can prevent the necessity to acquire a large number of buses during a single year. This practice enables a district to plan retiring buses and increase or decrease the fleet to meet student enrollment demands.

The Fleet Operations Department should develop a bus replacement plan that includes industry-standard criteria and decrease the number of spare and surplus school buses in the district's inventory.

The senior manager of fleet operations should develop business case justifications for a robust vehicle replacement strategy that incorporates processes to ensure the acquisition of sufficient vehicles to meet the district's needs.

In developing the plan, the senior manager of fleet operations should include key data such as long-range enrollment forecasting and percentage of enrolled students transported. The plan should separate replacement criteria based on vehicle capacity and body type into different models and include the following data:

- vehicle mileage;

- maintenance costs compared to vehicle value;

- per-mile operating cost;

- anticipated annual cost increases of new vehicles;

- per-seat cost for school buses;

- anticipated revenue from the sale of replaced vehicles; and

- anticipated maintenance savings by removing older vehicles that are more expensive to maintain, and including revenue from potential funding streams such as capital funds, bonds, and others.

The senior manager of fleet operations should prioritize the decommissioning of surplus buses and prepare them for sale as prescribed in district policy. The senior manager should expedite the disposal of all vehicles and associated metal currently stored at the northeast corner of Butler Motor Pool facility or any location where unused vehicles and equipment are stored.

Since the time the review, the district reported that it has a developed a vehicle replacement plan based on age, mileage, and work order/repair history.

The fiscal impact assumes that the district decreases the spare fleet ratio to 12.0 percent by auctioning 196 buses and selling 35 nonfunctioning buses for scrap metal. If the district sells 196 buses at an average price of $2,185 per bus, and sells 35 buses for scrap metal at an average price of $840 per bus, the district would achieve a total onetime gain of $457,660 [($2,185 x 196) + ($840 x 35)].

The fiscal impact results in an annual savings of $12,152 for eliminating annual registration and inspection fees for 196 buses ($62 commercial vehicle inspection and registration fees x 196 buses).

FLEET MAINTENANCE AND REPAIR (REC. 87)

The district's high percentage of out-of-service vehicles negatively affects service delivery for several departments.

Houston ISD's Fleet Operations Department performs all preventive maintenance and most major repairs for the district's school buses and general service fleet vehicles. The department operates a service and repair shop at each of the terminal locations to repair school buses. The department also operates a Truck Service Center at the Central terminal for the maintenance and repair of the general services fleet vehicles.

The Fleet Operations Department budget provides all funding for the maintenance and repair of the district's school bus and general services fleets. The senior manager of fleet operations has the discretion to prioritize which vehicles to repair first, and which vehicles will undergo major repairs.

The district has high ratios of out-of-service school buses and general service fleet vehicles. Staff reported that approximately 10.0 percent of buses and 15.0 percent of general service fleet vehicles are out of service at any given time. Fleet Operations Department administrators stated that the department's goal is to decrease the ratio to 5.0 percent for both fleets.

District staff from various departments, including the Transportation, Facilities, Nutrition Services, and Police

departments stated that they are satisfied overall with the turnaround time for routine preventive maintenance repairs.

However, staff reported significant wait times for repairs, which can take weeks or months. Staff said that a terminal with 174 routes has from 30 to 40 buses out of service, and another terminal with 213 routes has 50 buses out of service. According to onsite interviews, 20 of the Police Department's 95 vehicles were at the Truck Service Center awaiting repairs at the time of the review. Similarly, the Nutrition Services Department reported that many delivery trucks are out of service, and one truck had been at the service center for three months. The Nutrition Services Department delivers meal components on daily routes to 280 campus cafeterias. Staff reported that, due to the number of out-of-service delivery trucks, the Nutrition Services Department had to rent refrigerated vehicles from vendors to maintain route coverage for food deliveries.

Several factors contribute to the timeliness and quality of repairs. The Fleet Operations Department does not use industry-standard productivity measurement tools to evaluate the performance of the mechanics and the service centers. According to onsite interviews, department management monitors performance by comparing the productivity of the service centers to each other. Department staff stated that if one service center has a better-than-average performance time for a particular task, then management will try to learn what that service center is doing to be more efficient. However, the department has not established flat-rate times to ensure that service centers have consistent standards for the time it takes to perform similar or identical services and repairs. Department managers stated that they use an honor system to determine the amount of time it should take mechanics to complete tasks. As a result, little consistency exists among service centers when measuring the time to perform repairs.

In addition to a lack of performance standards, workflow at the service centers is inefficient, and work stoppage is frequent. Each service center's parts room is accessible only to parts technicians who have the keys. According to onsite interviews, mechanics cannot access parts when parts technicians are not present. Therefore, repair work stops until a parts technician opens the parts room and issues the needed part, which could be the next day. Mechanics reported that no system requires them finish a quantifiable amount of work by a deadline, and the service centers do not have weekly mechanic assignments. If work stops on a vehicle due to a parts delay, then the mechanic may not have another vehicle to attend.

Service center staff stated that they lack critical resources and training to diagnose and service vehicles properly and timely, especially newer vehicles. In addition, service centers lack updated manuals for diagnostic software, repair, and parts.

Warranty repairs also contribute to lengthy out-of-service periods, often days or weeks, according to onsite interviews. The district's newer propane-powered buses experience large amounts of warranty repair, exacerbating the challenge of keeping vehicles in service. The district has not made agreements with dealerships and vendors to enable Houston ISD mechanics to perform warranty repairs onsite. As a result, the district cannot expedite warranty repairs nor control when those vehicles are returned to service.

According to interviews, vehicles also are placed out of service due to budgetary reasons. Fleet Operations Department staff stated that when annual repair funds are exhausted, no major repairs can be made until the next fiscal year, which can keep vehicles out of service for long periods. At the time of the onsite review, the district performed all preventive maintenance, including basic preventive maintenance, inspection, and service. The Fleet Operations Department has not performed a business case analysis to determine whether outsourcing selected preventive maintenance services would be more cost-effective.

Unscheduled out-of-service vehicles negatively affect service delivery to campuses and students. Staff stated that long repair wait times impede the Houston ISD Police Department's ability to deliver emergency services. The shortage of functioning police vehicles causes delays in response times to high volumes of emergency calls. In addition, long repair wait times impede the Nutrition Services Department from transporting food safely. When trucks are out of service, the department has to pack more food product onto the operational trucks, which taxes the refrigerator units onboard and forces campus kitchens to dispose of food that arrives at incorrect temperatures.

The Fleet Operations Department should develop and implement processes to monitor service center productivity and vendor performance to decrease the district's number of out-of-service vehicles. The senior manager of fleet operations should perform the following actions:

- hold shop foreman accountable for ensuring that their shops meet or exceed productivity goals. Establish accountability through the following steps:

  ◦ requiring shop foremen collectively to establish appropriate flat-rate times for all department

services and routine repairs through the use of industry-standard productivity measurement tools and an accountability process across the department;

○ requiring shop foremen to reassign mechanics promptly to other service or repair tasks until needed parts are available; and

○ scheduling monthly individual accountability meetings with each shop foreman to monitor productivity and consistency among service centers;

• conduct a study to determine how many minutes each parts room is closed during two weeks. If, during this period, any parts room is closed for an aggregate total of 30.0 or more minutes in a day, provide all shop foremen key access to the parts room at their locations;

• consider moving consumables, such as fasteners, bolts, nuts and washers, near service bays to help mechanics timely complete repairs by providing them quick access to these consumables. Parts room staff should leave the facility rarely to pick up parts when no other staff is available;

• conduct a business case analysis to determine whether certain preventive maintenance and other selected repairs can be outsourced cost-effectively. If outsourcing is a viable option, identify opportunities to repurpose mechanic staff to other functions to decrease the number of out-of-service vehicles. Perform this analysis through the following steps:

○ define the elements of preventive maintenance inspection and service that the district requires;

○ coordinate with the Business Logistics and Purchasing Department to solicit requests for proposals (RFP) from private service facilities ; and

○ compare bids received with the full cost of an identical service performed onsite. Include discounts in the RFP for economies of scale (i.e., multiple vehicles serviced daily, weekly, and monthly);

• consider sending fleet maintenance staff, on a rotating basis, to courses and training to improve current skills, develop special expertise that is not represented, and learn about new technology and techniques;

• coordinate with the Business Logistics and Purchasing Department to include language in all vehicle

purchase contracts to ensure that the district receives the following assets: (1) the appropriate number of manuals for diagnostic software, repair, and parts for any vehicle or vehicles purchased; (2) all software updates as they are released; and (3) hands-on training for all appropriate fleet maintenance staff regarding the maintenance and repair of all new vehicles in the fleet;

• coordinate with the Legal Services Department and the Business Logistics and Purchasing Department to consider incorporating the following language into vehicle purchase contracts:

○ enable the district to make selected warranty repairs and to charge back to the dealer or vendor the district's full cost of the repair, receive credit for future repair work, or use these credits to procure parts; and

○ protect the district from unreasonable delays in dealer or vendor warranty work completion times. Liquidated damage (LD) language should appear in all vehicle procurement contracts to define, by category, liquidated damages for each day that warranty work is not completed and the vehicle is not ready for pickup. For example, a Category I repair could include repairs that reasonably should take no more than 3.0 days to complete. If the vehicle is not ready by the end of the third day, LD charges of, for example, $100 will be assessed each subsequent day until the vehicle is ready. Categories II and III repair could include repairs that should reasonably take no more than five days or seven days, respectively, to complete, with LD charges accruing on subsequent days in a similar manner.

The district should consider moving all annual funding for repairs, on a pro-rata basis, from the Fleet Operations Department budget to the individual departments that operate each specific vehicle. The Fleet Operations Department would provide cost estimates for repairs to the appropriate department manager for consideration. Based on the needs and priorities of each department, department managers would prioritize, determine, and approve which of their vehicles would be funded for repairs. Preventive maintenance and repair funds should not be used for any other purpose. Repair funds should be authorized to carry forward into the next fiscal year, without adjusting down the department's repair budget for the subsequent fiscal year. All

funds for preventive maintenance would remain in the Fleet Operations Department's budget to ensure that the district's vehicle assets receive all appropriate preventive maintenance inspections and service.

Since the time of the review, the senior manager of fleet operations initiated an assessment of the truck service center to determine if the department should outsource fleet maintenance and repair services.

The district could implement this recommendation with existing resources.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's (LBB) School Performance Review Team has identified a fiscal impact for the following recommendation:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
11. TRANSPORTATION MANAGEMENT AND FLEET OPERATIONS							
86. Develop a bus replacement plan that includes industry-standard criteria and decrease the number of spare and surplus school buses in the district's inventory.	$12,152	$12,152	$12,152	$12,152	$12,152	$60,760	$457,660
Total	**$12,152**	**$12,152**	**$12,152**	**$12,152**	**$12,152**	**$60,760**	**$457,660**

The LBB's School Performance Review Team could not determine a fiscal impact for other recommendations due to a lack of data. However, Houston ISD has the potential for significant savings by implementing the following recommendations:

♦ **Recommendation 81**: Reorganize Transportation Department functions and develop strategies to improve recruitment and retention of staff. The implementation of this recommendation could result in savings from reducing duplication of duties and streamlining organizational functions.

♦ **Recommendation 82**: Develop and implement a process to count transported students regularly and assess ridership to consolidate stops and routes and improve on-time performance. The implementation of this recommendation could result in savings from consolidating and decreasing the number of routes and the number of buses needed to service the district's routes.

♦ **Recommendation 83**: Explore options to achieve greater inclusion and promote the use of the least restrictive environment on buses. The implementation of this recommendation could result in savings from increasing ridership per run, consolidating stops and routes, and decreasing the number of buses needed to service these routes.

12. COMMUNITY INVOLVEMENT

The Houston Independent School District (ISD) has several departments whose responsibilities include engaging the community. **Figure 12–1** shows the departments that are responsible for various aspects of the district's community involvement function.

ACCOMPLISHMENTS

♦ Houston ISD's Ascending to Men Project connects positive role models with male students of color to help guide them academically, socially, and professionally.

♦ Houston ISD developed Parent University to provide parents with information on the importance of parental involvement and the district programs that support student academic achievement.

FINDINGS

♦ The Office of Communications and the Strategic Engagement and Outreach Department perform similar duties, causing confusion in the district and the community regarding their roles and responsibilities.

♦ Houston ISD lacks effective oversight of campus and department webpages, resulting in inconsistent information and messaging.

♦ Houston ISD is not adhering to its affiliation agreement with the Houston ISD Foundation.

♦ Houston ISD has inconsistent procedures for campuses to report donations.

♦ Houston ISD lacks effective oversight of district partnerships with external organizations.

FIGURE 12–1
HOUSTON ISD COMMUNITY INVOLVEMENT RESPONSIBILITIES BY DEPARTMENT
SCHOOL YEAR 2018–19

CHIEF OFFICER	DEPARTMENT/SUBDEPARTMENT	RESPONSIBILITIES
Chief Communications Officer	Office of Communications	Informs the community of district changes, events, initiatives, and achievements. Handles crisis communication.
Chief Operating Officer	Strategic Engagement and Outreach Department	Informs the community of changes, events, initiatives, and achievements related to the Business Operations Division. Assists in crisis communication.
Chief Development Officer	Houston ISD Foundation	Raises and tracks funds for district initiatives, departments, and campuses. Organizes fund-raising events.
	Strategic Partnerships Department	Builds partnerships with external organizations and connects them with campuses and departments.
	Information Center	The first point of district contact. Connects outside entities to the correct department or staff. Updates the district central directory.
	Volunteers in Public Schools (VIPS) Program	Manages district and campus volunteers.
Chief Financial Officer	Grants Development Department	Tracks donations given directly to the district and campuses.
Chief Strategy and Innovation Officer	Family and Community Engagement (FACE)	Engages parents and families to be involved in students' academics. Informs them of available district departments and programs.
	Ascending to Men Project	Engages community members to mentor male students of color.
Chief Academic Officer	Wraparound Services Department	Connects students and families to resources and organizations that provide medical, emotional, legal, or other support.

Sources: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

♦ Houston ISD has no centralized process to update department and staff directories.

♦ Houston ISD lacks formalized training for volunteers.

RECOMMENDATIONS

♦ **Recommendation 88: Consolidate the Office of Communications and the Strategic Engagement and Outreach Department to streamline the district's communications functions.**

♦ **Recommendation 89: Develop and implement written procedures to update campus and department websites with consistent and current information.**

♦ **Recommendation 90: Update the affiliation agreement between the district and the Houston ISD Foundation to reflect actual practices and promote accountability and transparency to the public.**

♦ **Recommendation 91: Review the different ways that donations are reported to the district and develop a unified plan to accept and track campus donations.**

♦ **Recommendation 92: Update procedures to manage partnerships with external organizations and develop a system to track all district partnerships.**

♦ **Recommendation 93: Ensure the efficient communication of staff and department changes to the Information Center to maintain an updated and cohesive central directory.**

♦ **Recommendation 94: Develop guidelines to train parent and community volunteers.**

BACKGROUND

An independent school district's community involvement function requires communicating with stakeholders and engaging them in district decisions and operations. District stakeholders include students, staff, parents, residents, and businesses. Stakeholders must be aware of issues facing the district, support its priorities, and respond to its challenges. Communication tools include public meetings, campus-to-home communications, family and community engagement events, local media, the district's website, other technological tools, and social media.

A successful community involvement program addresses the unique characteristics of the school district and the community. A high level of community involvement plays a critical role in school improvement and accountability systems. Community representatives and volunteers provide valuable resources that could enrich and enhance the educational system. In turn, the community directly benefits from an informed citizenry, an educated workforce, and future community leaders.

Houston ISD covers 312 square miles and is located in Houston within Harris County. Houston had a population of 2.3 million residents in 2017, about a 10.0 percent increase since the official 2010 census that counted 2.1 million residents. **Figure 12–2** shows the demographics of the city of Houston compared to the demographics of students enrolled in Houston ISD.

Compared to Houston's overall population, Houston ISD's demographics show that the Hispanic population is overrepresented in the district, and the White population is underrepresented. The majority of Houston ISD students live within the district boundary in Houston.

During calendar year 2017, the median age of Houston residents was 32.9 years. The percentage of individuals that have a bachelor's degree or higher was 31.7 percent, greater than the state average of 28.7 percent. Of the 838,950 households in Houston during this period, 275,384 households had children younger than age 18. The median household income for Houston during 2017 was $49,399 compared to the state median household income of $57,051. For calendar year 2018, the average home value in the Houston area was $297,032.

Houston is home to several large industries such as oil and gas exploration, basic petroleum refining, computer and aerospace technology, and medical research. After Hurricane Harvey made landfall in August 2017, Houston sustained a loss of 25,000 jobs and damages of $73.5 billion.

The Houston area has four state universities and several private universities. Houston has 19 school districts, including Houston ISD, and multiple private charter schools.

The Legislative Budget Board's School Performance Review Team visited the district during January 2019 to April 2019.

FIGURE 12–2
CITY OF HOUSTON DEMOGRAPHICS COMPARED TO HOUSTON ISD
SCHOOL YEAR 2017–18

CITY OF HOUSTON	HOUSTON ISD
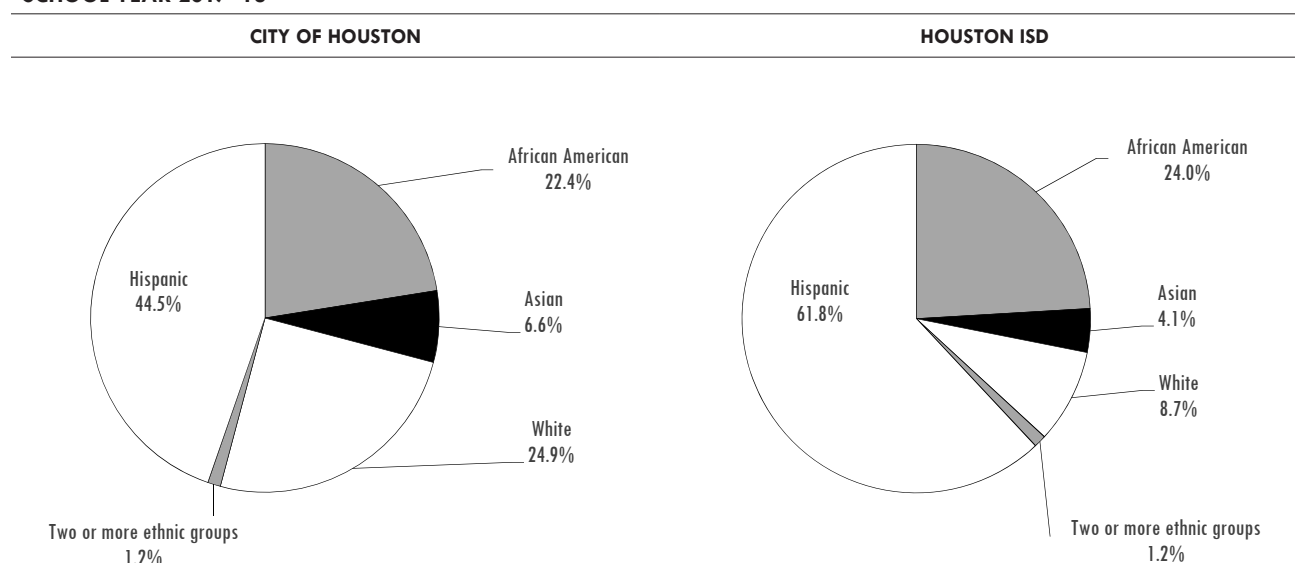
NOTE: American Indian, Alaska Natives, Native Hawaiian, and Other Pacific Islanders had populations that rounded to 0.0 percent and, thus, were excluded.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019; U.S. Census Bureau, 2013–2017 American Community Survey 5-year Estimates.

DETAILED ACCOMPLISHMENTS

ASCENDING TO MEN PROJECT

Houston ISD's Ascending to Men Project connects positive role models with male students of color to help guide them academically, socially, and professionally.

African American and Hispanic male students in Houston ISD historically have underperformed academically. Houston ISD established the Ascending to Men Project (ATMP) during school year 2018–19 to address these students' need for support. ATMP provides these students with targeted mentorship focused on developing character and leadership skills. ATMP also provides students with academic advocates to support their educational aspirations. Students are exposed to college and career exploration experiences and extracurricular activities to support their transition into adulthood. The program seeks to improve attendance, academic performance, graduation rates, and the number of students transitioning into postsecondary education.

The program recruits and trains volunteer mentors, who are district staff, community members and business leaders. ATMP provides program mentors a curriculum of topics to discuss with participating students during their 30-minute

meetings, twice a week. It offers participating students academic tutoring and the opportunity to tour college campuses, attend plays, and engage in other events to which they might not have access.

The district selects students for the program who are in need of additional support. ATMP works with Houston ISD's Research and Accountability Department to track participating students' attendance, behavior, grades, performance, and state academic test scores to measure the program's success.

At the time of the review, ATMP had grown from serving 270 students at 12 campuses to serving 800 students at 47 campuses. Response to the program has been positive among campus staff and the community. Houston ISD staff reported a high demand for the program throughout the district, and they are working to expand it to all the campuses. The district has received requests for a program for female students, which it plans to introduce for school year 2019–20.

PARENT UNIVERSITY

Houston ISD developed Parent University to provide parents with information on the importance of parental

involvement and the district programs that support student academic achievement.

Parent University supports parents and families in the education of their children, providing an introduction to district programs, community resources, and parent engagement strategies. Parent University is a districtwide initiative that takes place once a month at four to six campuses throughout Houston ISD. The Equity and Outreach Department develops the scope and sequence of the presentations and the Family and Community Engagement Team coordinates the event. Local vendors, agencies, and district departments set up tables and share information about opportunities and resources with parents. The district provides dinner to those in attendance.

Parent University is tracking the success of its inaugural year, school year 2018–19, through participant registration, attendance and surveys.

DETAILED FINDINGS

COMMUNICATION TEAMS (REC. 88)

The Office of Communications and the Strategic Engagement and Outreach Department perform similar duties, causing confusion in the district and the community regarding their roles and responsibilities.

Houston ISD has two communications teams with 38 staff who report to two chiefs, the chief communications officer and the chief operating officer (COO), in two departments. Both teams promote district initiatives, engage the community, and provide marketing support to the district. The school year 2018–19 actual expenditures for the Office of Communications were $2.0 million, and expenditures for the Strategic Engagement and Outreach (SEO) Department were $1.2 million, a combined total of $3.2 million.

Figure 12–3 shows the reporting structure for the Office of Communications.

FIGURE 12–3
HOUSTON ISD'S OFFICE OF COMMUNICATIONS ORGANIZATION
SCHOOL YEAR 2018–19
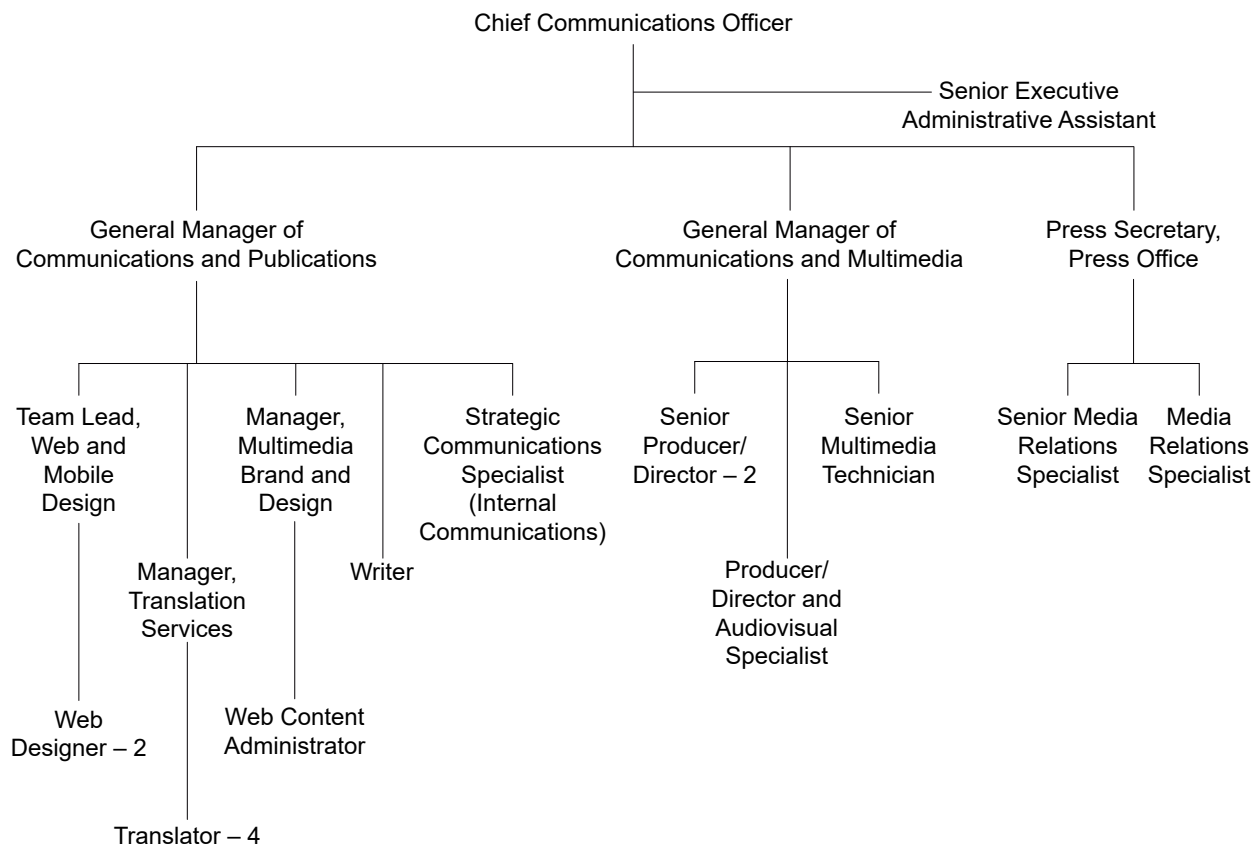
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

The Houston ISD Office of Communications has 23 staff. The chief communications officer oversees the district's communication functions, including publications, multimedia, and media relations, which is referred to as the press office. The general manager of communications and publications reports to the chief communications officer and oversees web and mobile design, translation services, branding, and online publications. The web and mobile design team maintains the main district website, and trains campus and department webmasters to update their webpages. The translation team translates district documents and webpages to Spanish, Vietnamese, and Arabic. The multimedia brand and design team focuses on district branding and marketing, including billboards, brochures, fliers for major district initiatives, and the district branding guidelines. The writer position manages the primary district social media accounts, attends district and campus events, and helps produce written content that is published in the district's HISD News Blog. The strategic communications specialist manages internal communications, which includes web content production and maintenance of Houston ISD staff webpages.

The general manager of communications and multimedia oversees two senior producer/directors, a producer/director and audiovisual specialist, and a senior multimedia technician. The communications and multimedia team operate the district's television channel, Houston ISD TV, which provides district news and information to parents, students, staff, and the community. The communications and multimedia team develop video content for the channel, which broadcasts 24 hours a day on cable television and on Houston ISD's website. The team also oversees the technical aspects of the audiovisual projection systems in the Hattie Mae White Educational Support Center, Houston ISD's central office, including the board auditorium during board meetings, agenda reviews, and workshops.

The press secretary and the two media relations specialists handle crisis communications, media statements, press releases, and requests for interviews with district staff. The press secretary coordinates with the SEO Department during crisis communications and with interview requests for the other departments within the Business Operations Division.

In January 2018, the COO established the SEO Department to promote and market the work performed by the departments in the Business Operations Division including construction services, facilities services, nutrition services,

Houston ISD police, and transportation. At that time, the Office of Communications provided limited services for the business operations departments. Additionally, the district terminated its contract with a food service management company, which previously produced marketing materials for the Nutrition Services Department. Four staff from the Office of Communications moved to the SEO Department when it was established.

The SEO Department works independently of the Office of Communications but coordinates with them for additional staff or equipment to cover select events or stories. **Figure 12–4** shows the reporting structure for the SEO Department.

The SEO Department has 15 positions. The officer of SEO coordinates strategic marketing campaigns with the other business operations departments. During crises, the officer of SEO is the intermediary between the business operations departments and other district departments, including the Office of Communications.

The general manager of SEO reports to the officer of SEO and oversees the editorial strategy team, the visual media team, and the event planning and social media team. The editorial strategy team writes press releases and stories for the HISD News Blog that promote the Business Operations Division and updates all business operations departments' webpages.

The visual media team produces videos and digital content to accompany pieces written by the editorial strategy team. This team also designs fliers, banners, and brochures for business operations departments. The event planning and social media team maintains the Business Operations Division social media accounts and coordinates events, such as groundbreaking ceremonies for new school buildings.

The SEO Department publishes news stories and conducts marketing campaigns related to the Business Operations Division, including communications to the public about bond proposals. During onsite interviews, Houston ISD staff said that no written procedures or guidelines delineate the responsibilities of each communications department. The departments report having an informal understanding that the SEO Department covers stories related to the Business Operations Division, and the Office of Communications covers all other stories related to the district. Houston ISD staff stated that Business Operations Division staff received direction from management to reach out only to the SEO Department when they need communications assistance.

FIGURE 12–4
HOUSTON ISD STRATEGIC ENGAGEMENT AND OUTREACH DEPARTMENT ORGANIZATION
SCHOOL YEAR 2018–19
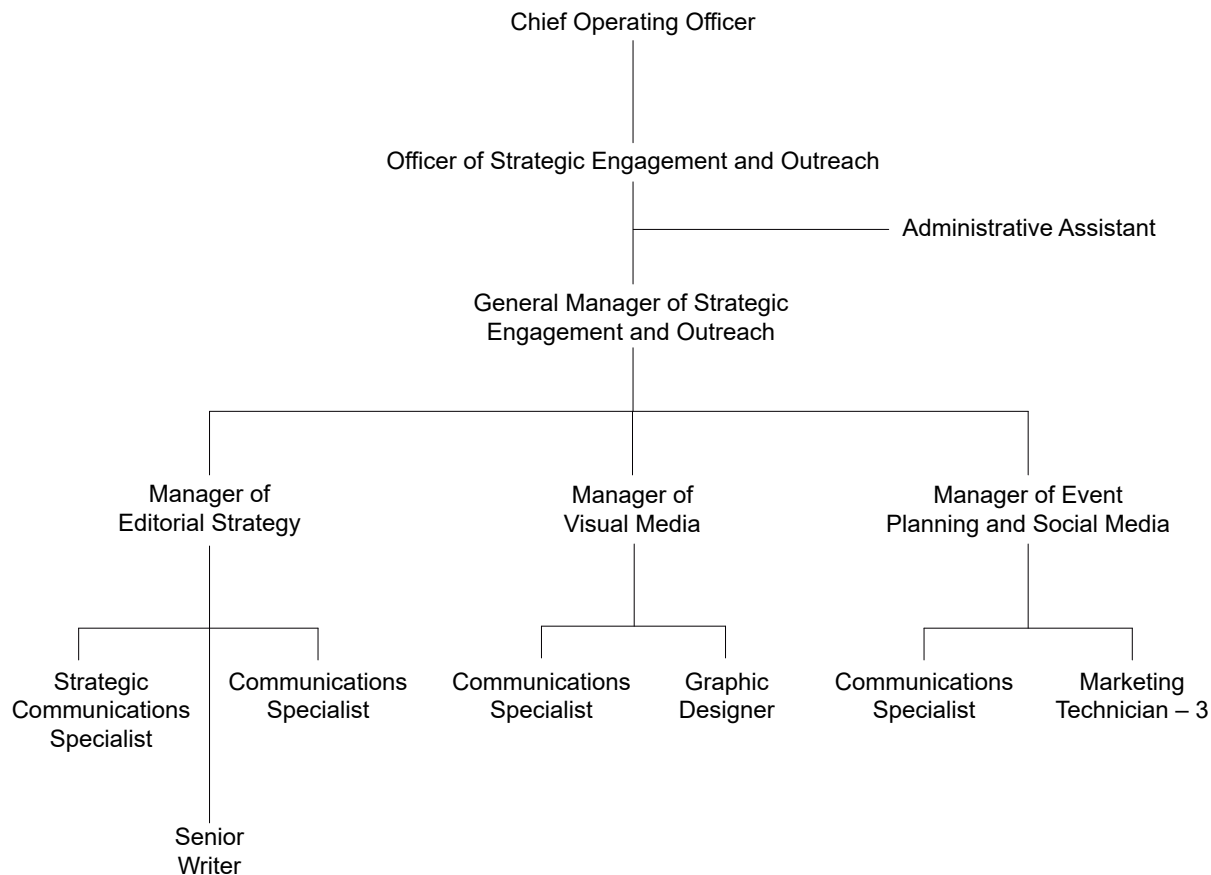
```
                          Chief Operating Officer
                                   |
                  Officer of Strategic Engagement and Outreach
                                   |——————————————————— Administrative Assistant
                      General Manager of Strategic
                          Engagement and Outreach
                                   |
        ——————————————————————————————————————————————————————
        |                          |                          |
    Manager of                 Manager of              Manager of Event
 Editorial Strategy           Visual Media         Planning and Social Media
        |                          |                          |
   ———————————               ———————————               ———————————
   |         |               |         |               |         |
 Strategic   Communications  Communications  Graphic   Communications  Marketing
Communications Specialist    Specialist      Designer  Specialist      Technician – 3
 Specialist
   |
 Senior
 Writer
```

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

Several Houston ISD staff stated that it is inefficient for the SEO Department to be separate from the Office of Communications.

Both the Office of Communications and the SEO Department focus on engaging the community and promoting Houston ISD. They also have staff with similar job responsibilities, which involve writing stories and press releases, preparing district staff for interviews, producing videos, updating webpages, maintaining social media accounts, and designing promotional materials. Maintaining two separate departments with similar duties and a similar number of staff is a duplication of effort and an inefficient use of resources.

Additionally, the separation establishes an added layer of reporting for district staff when they need to coordinate with business operations departments. For instance, when outside

organizations want to interview district staff, they reach out to media relations in the Office of Communications. The press secretary gathers the necessary information, contacts the requested department, and prepares the interview subject. In comparison, if the interview request is for a business operations department, then the press secretary reaches out to the SEO Department as a mediator. The officer of SEO gathers the necessary information, contacts the requested department, and prepares the interview subject before returning the matter to the press secretary.

Figure 12–5 shows the interview request process for business operations departments.

The existence of two communications teams also has caused confusion in the district and the community. For example, prior to January 2018, the Office of Communications used to contact the Houston ISD Police Department directly to

FIGURE 12–5
HOUSTON ISD INTERVIEW REQUEST PROCESS FOR BUSINESS OPERATIONS DEPARTMENTS
SCHOOL YEAR 2018–19

Media Relations receives request for information or interview related to Business Operations (Police, Transportation, Facilities, Nutrition Services, Construction Services, and Support departments)

↓

Media Relations submits request to Business Operations, Strategic Engagement and Outreach Department

↓

Strategic Engagement and Outreach Department reviews request to confirm that it is for a Business Operations area

↓

Strategic Engagement and Outreach Department contacts the appropriate Business Operations department to gather information and identify and prepare an appropriate interview subject

↓

Strategic Engagement and Outreach Department submits the approved information and interview candidate with the subject's potential availability to Media Relations

↓

Media Relations prepares information for distribution and coordinates with the staff that made the request to provide the information and to schedule interviews

NOTE: Media Relations is in the Office of Communications.
SOURCE: Houston ISD, February 2019

fact-check information about a crisis at a campus. At the time of the review, the crisis communications process required the Office of Communications to reach out to the SEO Department as an intermediary for all business operations departments, including Houston ISD PD. **Figure 12–6** shows the process of drafting a letter and/or automated call to parents after a crisis event occurs that involves a business operations department.

According to interviews, the need for approvals from staff in different departments slows down the crisis communications process and prevents the district from informing parents in a timely manner. Houston ISD staff also said that having two communications teams is a duplication of effort, and has resulted in misinformation being reported to the superintendent and other staff during a crisis. The inability to reach out to Houston ISD Police Department directly impedes the Office of Communications from performing its duties effectively.

Additionally, the formation of the SEO Department has caused confusion within Houston ISD. During onsite interviews, staff indicated that the responsibilities of the two communications teams are not always clear. For example, during the November 27, 2018, Special Board Meeting, a trustee criticized the Office of Communications for not informing parents properly regarding bus transportation issues. However, that responsibility belonged to the SEO Department, which did not coordinate with the Office of

Communications in a timely manner to keep the community informed of the issue.

Having two communications departments to promote a school district is unique to Houston ISD. For example, each of the next five largest Texas school districts—Dallas ISD, Cypress–Fairbanks ISD, Northside ISD (San Antonio), Fort Worth ISD, and Austin ISD—has one communications team. Furthermore, **Figure 12–7** shows Houston ISD compared to larger school districts in the U.S.

Houston ISD should consolidate the Office of Communications and the SEO Department to streamline the district's communications functions. The superintendent should complete the following actions:

- eliminate the officer of SEO position; and

- move the SEO Department and its budget to the Office of Communications to use district resources and staff more efficiently.

The chief communications officer should evaluate all positions to change or eliminate duplicate positions to better address the district's needs. The chief communications officer should present the plan to the superintendent for review and approval. Additionally, the district should identify other departments with communications responsibilities and evaluate whether any additional reorganization is needed.

FIGURE 12–6
HOUSTON ISD CRISIS COMMUNICATION PROCESS
SCHOOL YEAR 2018–19

Principal reports incident to School Support Officer (SSO)

↓

SSO, principal, or area superintendent recommends a callout or sending a letter to parents and guardians

↓

SSO, principal, or area superintendent email or call the Press Office to report the incident and request a callout or letter

↓

Press Office gathers information regarding the incident from the following parties:
- SSO;
- area superintendent;
- principals; and
- the Business Operations Communications Department (1), which reaches out to the Transportation, Houston ISD Police, Facilities Services, and Nutrition Services departments as needed

↓

Press Office writes the callout or letter and sends it for approval to the following recipients: SSO; area superintendent; Business Operations, Communications Department; Legal Services Department; and the medical director, if appropriate

↓

Press Office writes a media statement and sends it to the Legal Services Department for approval

↓

Chief Communications Officer performs the following actions:
- approves callout script, letter, and media statements;
- informs interim superintendent of the crisis, and the superintendent approves media statements; and
- informs the Houston ISD Board of Education of the crisis

↓

Press Office performs the following actions:
- provides area superintendent, SSO, and principal with the approved callout script or letter; and
- releases the media statement

NOTES:
(1)   The Business Operations Communications Department is the Strategic Engagement and Outreach Department.
(2)   Media Relations, also called the Press Office, is in the Office of Communications.
(3)   A callout is a scripted, automated call, text, or email sent to parents and guardians to notify them of an incident at a campus.
SOURCE: Houston ISD, February 2019.

FIGURE 12–7
NUMBER OF COMMUNICATIONS DEPARTMENTS OF SCHOOL DISTRICTS IN THE U.S.
SCHOOL YEAR 2018–19

DISTRICT	ENROLLMENT	COMMUNICATIONS DEPARTMENTS
New York City Department of Education	1,135,334	1
Los Angeles Unified School District	571,855	1
Clark County (Nevada) School District	322,901	1; also produces bond communications
Houston ISD	**209,772**	**2**; also produces bond communications

SOURCES: Legislative Budget Board School Performance Review Team, February 2019; "DOE Data at a Glance," New York City Department of Education, May 2019; "Fingertip Facts for L.A. Unified," Los Angeles Unified School District, May 2019; "Budget Transparency," Clark County School District, May 2019; Houston ISD, February 2019.

The fiscal impact assumes that the district eliminates the officer of strategic engagement and outreach position, resulting in an annual savings of $174,404 ($145,337 salary + $29,067 for benefits). The fiscal impact also assumes a 10.0 percent decrease of the combined departmental budgets to address the decreased number of

staff. For school year 2018–19, the two departments' total budget was $3,170,462. The fiscal impact would be an annual savings of $317,046 ($3,170,462 x 10.0 percent). This consolidation would result in a combined annual savings of $491,450 ($174,404 + $317,046).

WEBSITE (REC. 89)

Houston ISD lacks effective oversight of campus and department webpages, resulting in inconsistent information and messaging.

The Office of Communications updates the main Houston ISD district and staff webpages. Each campus and department is responsible for updating its own webpage. Campuses and departments assign webmaster responsibilities to one or two staff who update the pages as needed. The Office of Communications provides campuses and departments with a template and provides training and support to staff that are assigned webmaster responsibilities. The web and mobile design team offers weekly trainings for webmasters that cover building and editing a webpage. The Office of Communications maintains a list of department and campus webmasters, but Houston ISD staff stated that webmasters change often, which makes it difficult to keep track of who they are and whether they have attended training. It is the responsibility of the webmaster to attend training, but Houston ISD staff stated that new campus and department webmasters also can be trained by former webmasters. This discrepancy can result in a gap in knowledge for webmasters and prevent proper updating of campus and department webpages.

Houston ISD lacks written procedures to require campuses and departments to update webpages regularly, resulting in incomplete or outdated information on the pages. Furthermore, the district has no oversight of the website activities of the 13 in-district charter campuses, which are not required to use the district's webpage template nor to maintain a website at all. The district requires campuses to post addresses, contact information, and campus profiles on their webpages. The district requires departments to post contact information and an approved logo on their webpages, but they have discretion regarding the page layout.

The review team found several Houston ISD webpages that displayed outdated or inconsistent information, including the following instances:

- contact information varies by department webpages, with some providing a phone number, an email address, or both. Not all department pages provide organization charts to indicate whom to contact for specific needs. Others provide contact information for staff who are no longer in those positions;

- some campus websites provide outdated resources, such as a student handbook that has not been updated in five years, a campus newsletter that is four years old, or inaccurate staff directories;

- campus website layouts and navigational systems are not consistent, and some campuses do not maintain a website at all;

- departmental webpages contain numerous broken or misdirected links; and

- inconsistent translation services are provided on the website for the following languages:

  ◦ Spanish – using the translate function when viewing department webpages misdirects visitors to a translated main Houston ISD website instead of translating the current page. Additionally, some departments provide alternate translation services to visitors;

  ◦ Vietnamese – using the translate function when viewing department webpages misdirects visitors to a translated main Houston ISD website instead of translating the current webpage; and

  ◦ Arabic – using the translate function on the main Houston ISD website and department webpages directs visitors to published newsletters that are not always updated.

The review team observed that 40.0 percent of campus websites contain outdated information. Out of 30 randomly selected department webpages, 14 had broken links or outdated information. During onsite interviews, Office of Communications staff said that none of their 23 positions reviews campus sites and department pages to ensure that they have updated information. Staff stated that if they see outdated information, they notify the campus or department to update the information and offer technical support. However, the Office of Communications does not follow up to ensure that the campus or department updates the information.

State law requires the district to post certain information on its website. The Texas Association of School Business Officials (TASBO) and the Texas Association of School Boards

(TASB) provide lists of required information. **Figure 12–8** shows some of the state requirements compared to information available on Houston ISD's website. Of the 32 required postings shown, 10 requirements are either partially or entirely incomplete.

Additionally, in-district charter campuses are not required to follow the same statutes or Houston ISD Board Policy as other campuses. The contracts between in-district charter campuses and Houston ISD do not include website maintenance requirements. Yet, Houston ISD Board Policy contains several requirements that campus websites need to follow, such as posting a copy of the student code of conduct.

Outdated websites hinder Houston ISD parents and the community from receiving important, current information, which impedes effective parent engagement.

Effective school districts regularly maintain their websites to engage and inform the community. While in compliance

with state statutes, their websites contain accurate and updated information regarding staff, contact information, district news, and upcoming events. Furthermore, effective districts regularly inspect posted web links to ensure that they are functioning properly.

Henderson ISD has a webpage dedicated to legally required Internet postings. Each requirement shown provides either a link to a webpage where the information can be found or a downloadable PDF of the information. Additionally, effective school year 2020–21, the Texas Education Agency will require each school district to post legally mandated financial information on its website as a financial compliance measure in the Financial Integrity Rating System of Texas. Abiding by legal statutes to publish required information will help ensure that Houston ISD meets the fiscal transparency compliance measure.

The Office of Communications should develop and implement written procedures to update campus and

FIGURE 12–8
HOUSTON ISD WEBSITE COMPLIANCE CHECKLIST
SCHOOL YEAR 2018–19

REQUIRED POSTING	STATUTE	IN COMPLIANCE
General		
Main Office Contact Information	The Texas Local Government Code, §140.008(f)(2)	**Incomplete**
	Requires district to post contact information for its main office, including physical address, mailing address, main telephone number, and an email address.	Contact information is posted on main district website, but an email address is not provided.
Graduation Plans	The Texas Education Code, §28.02121(b)	**Incomplete**
	Requires district to post a notice that includes information provided by the Texas Education Agency (TEA) on benefits of various graduation plans, levels of achievement, and endorsements. Published information is to be in languages(s) in which parents or legal guardians are most proficient, or language(s) that at least 20 students in a grade level primarily speak.	Houston ISD's Plan Your Path webpage has a link to a PDF that explains the graduation plan.

The webpage also provides the information in Spanish, but not in Vietnamese or Arabic. |
College Credit Programs and Courses	The Texas Education Code, §28.010(b)	**Yes**
	Authorizes a school district to post on its website a required notice of availability of college credit courses.	Information for college credit courses and programs is available through different webpages, within Innovation and Postsecondary Programming and College and Career Readiness.
Immunization Requirements and Recommendations	The Texas Education Code, §38.019(a)	**Incomplete**
	Requires district to post a list of required and recommended immunizations, health clinics that offer the influenza vaccine, and a link to the Department of State Health Services (DSHS) website that contains information on immunization exemptions in English and Spanish.	The Health and Medical Services webpage has information on required and recommended immunizations and local health clinics, but it does not have a link to the DSHS website.

FIGURE 12–8 (CONTINUED)
HOUSTON ISD WEBSITE COMPLIANCE CHECKLIST
SCHOOL YEAR 2018–19

REQUIRED POSTING	STATUTE	IN COMPLIANCE
General (continued)		
Physical Activity Policies	The Texas Education Code, §28.004(k)(1)	**Incomplete**
	Requires a school district to post information on physical activity policy by campus level.	Houston ISD's Health and Physical Education webpage provides the physical activity policy for elementary school students, but not middle school or high school students.
School Health Advisory Council Meetings	The Texas Education Code, §28.004(k)(2)(A)	**Yes**
	Requires a school district to post the number of times the district's school health advisory council met during the preceding year.	The School Health Advisory Council and Committee webpage lists the meeting dates.
Vending Machine and Food Service Guidelines	The Texas Education Code, §28.004(k)(2)(B)	**Yes**
	Requires a school district to post policies to ensure campuses follow guidelines to restrict student access to vending machines.	Information can be found in Houston ISD's Board Policy Manual, although not easily found. This information is not posted directly on the website.
E-cigarette Use Policies	The Texas Education Code, §28.004(k)(2)(C)	**Yes**
	Requires a school district to post policies regarding the use of e-cigarettes by students or others on campuses or school sponsored events.	A PDF of the Student Code of Conduct handbook is posted on the website that includes the e-cigarette use policy. Houston ISD's Board Policy Manual also includes the information.
Access to Student's Physical Fitness Assessment Results	The Texas Education Code, §28.004(k)(3)	**No**
	Requires a school district to post a notice that informs parents of their right to request their child's physical fitness assessment results.	A notice informing parents on requesting their students' physical fitness exam results was not found on the website.
Home Schooled Student Testing	The Texas Education Code, §29.916	**No**
	Requires a school district to post the dates for the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT) and any advanced placement (AP) tests that will be administered, and provide instructions for home-schooled students to register.	The date for the PSAT/NMSQT is posted, but it is outdated; AP exam dates are not given.

Instructions for home schooled students to register for the PSAT/NMSQT or AP exams are not provided. |
Transition and Employment Guide for Students in Special Education and their Parents	The Texas Education Code, §29.0112	**Yes**
	Requires a school district to post the transition and employment guide developed by TEA in collaboration with the U.S. Department of Health and Human Services.	Houston ISD's Special Education webpage provides a link for the Texas Transition and Employment Guide.
Local Programs and Services Available to Assist Homeless Students	The Texas Education Code, §33.906	**No**
	Requires a school district to post information regarding local programs and services, including charitable programs and services, available to assist homeless students.	Houston ISD's Homeless and Foster Care webpage provides a PDF of the Houston ISD Community Resource Guide but the guide is from 2014.
Procedure for Reporting Bullying	The Texas Education Code, §37.0832(e)	**Yes**
	Requires a school district to post the procedure for reporting bullying.	Bullying reporting procedures are posted on the Student Support Services webpage.
Notice Regarding Ability to Refuse Entry or Eject Certain Persons and Appeals Process	The Texas Education Code, §37.105(g)	**Incomplete**
	Requires a school district to post a notice on the district website and each campus website regarding the right of the district or campus to eject or refuse entry to any person.	Notice is provided on the Media Relations webpage but it refers only to journalists. Not all campus websites have the notice posted.

FIGURE 12–8 (CONTINUED)
HOUSTON ISD WEBSITE COMPLIANCE CHECKLIST
SCHOOL YEAR 2018–19

REQUIRED POSTING	STATUTE	IN COMPLIANCE
General (continued)		
Landowner's Bill of Rights	The Texas Property Code, §21.0112(b)(2)	**Yes**
	A school district is required to post a landowner's bill of rights prepared by the Office of the Attorney General.	A link to a PDF copy of the Landowner's Bill of Rights is provided on the Building Programs webpage.
Accountability		
Campus Report Card	The Texas Education Code, §39.362(1)	**Yes**
	Requires a school district to post campus report cards.	Campus report cards are provided on the district and campus websites.
Texas Academic Performance Report	The Texas Education Code, §39.362(2)	**Yes**
	Requires a school district to post the Texas Academic Performance Report (TAPR).	The Research and Accountability webpage provides a link that directs visitors to the TEA website where the TAPR can be retrieved.
Accreditation Status and Performance Rating of the District	The Texas Education Code, §39.362(3)	**Yes**
	Requires a school district to post the most recent accreditation status and performance rating.	The Research and Accountability webpage provides a link to a PDF of the district's accountability rating and accreditation status.
Definitions and Explanation of Each Performance Rating	The Texas Education Code, §39.362(4)	**Yes**
	Requires a school district to post the definitions and explanations of each performance rating.	The Research and Accountability webpage provides a link of downloadable summaries of the information.
Annual Federal Report Card	The U.S. Code, Title 20, Chapter 70, Subchapter I, Part A, Subpart 1, §6311(h)(2)(B)(iii)(I)	**No**
	Requires a school district to post its federal report card.	The main Houston ISD website does not have a link to the district's federal annual report card.
Board of Education		
Notice of Board Meeting	The Texas Government Code, §551.056	**Yes**
	Requires a school district to post board meeting notices; requires certain districts, including Houston ISD, to also post the meeting agenda.	The Houston ISD Board Meetings webpage has meeting notices and agendas for the meetings posted.
Internet Broadcast of Board Meetings	The Texas Government Code, §551.128, as amended by House Bill 523, Eighty-fifth Legislature, Regular Session, 2017	**Yes**
	Establishes timeframes that govern when larger districts, including Houston ISD, must post audio and video recordings of certain meetings on their websites and how long they must maintain online archives of these meetings.	The Houston ISD Board Meetings webpage has a link to archived video and audio for open board meetings, special meetings, and work sessions.
Targeted Improvement Plan	The Texas Education Code, §39A.057(b)	**Yes**
	A school district is required to post on its website a targeted improvement plan for a low-performing campus before the board's public hearing on the subject.	Houston ISD's Board of Education agenda and meetings state approval of targeted improvement plans.
Conflicts Disclosure Statements and Questionnaires	The Texas Local Government Code, §176.009	**Yes**
	Requires a school district to post completed conflicts disclosure statements and questionnaires.	Each board trustee webpage provides a PDF link for the trustee's conflict disclosure and questionnaire.

FIGURE 12–8 (CONTINUED)
HOUSTON ISD WEBSITE COMPLIANCE CHECKLIST
SCHOOL YEAR 2018–19

REQUIRED POSTING	STATUTE	IN COMPLIANCE
Accountability (continued)		
Election Notice	The Texas Election Code, §85.007(d)(1)	**Yes**
	Requires a school district to post election notices.	Houston ISD's General Information webpage provides a downloadable PDF of the election notice(s).
Campaign Finance Report	The Texas Election Code, §254.04011(b)	**Yes**
	Requires larger school districts, including Houston ISD, to post campaign finance reports for board members and candidates.	Each board trustee's webpage provides a PDF link for the trustee campaign finance reports.
Employment		
Employment Policies	The Texas Education Code, §21.204(d)	**Yes**
	Requires a school district to post its employment policies.	The Employee Relations webpage provides links to employment policies found in the Houston ISD Board Policy Manual.
Vacancy Position Postings	The Texas Education Code, §11.1513(d)(1)(B)	**Yes**
	Requires a school district to post a 10-day notice for vacant position requiring license or certificate.	Job postings requiring a license or certificate are current.
Group Health Coverage Plan and Comparability Report	The Texas Education Code, §22.004(d)	**Yes**
	Requires a district that has a self-funded health insurance plan to post a report containing information on the coverage it provides.	The Benefits Office webpage provides information on the different health insurance plans Houston ISD offers.
Financial		
Summary of Proposed Budget	The Texas Education Code, §44.0041	**Yes**
	Requires a school district to post on its website a summary of its proposed budget concurrent with when the public meeting notice regarding the budget appears in the newspaper.	The Budgeting and Financial Planning webpage provides PDF links to the proposed budget for school year 2019–20 and public meeting notice.
Adopted Budget	The Texas Education Code, §44.0051	**Yes**
	The district's budget must remain posted on the website until three years after its adoption.	The Budgeting and Financial Planning webpage provides PDF links for at least the last three budgets.
Superintendent's Contract	The Texas Administrative Code, Title 19, Part 2, Chapter 109, Subchapter AA, §109.1001(q)(3)(B)(i)	**No**
	The school district must provide a copy of the superintendent's contract either as a disclosure in the financial management report or on the district's website.	The superintendent's contract is not posted on the website nor is it disclosed in the district's comprehensive annual financial report.

NOTE: Not all state-required postings are shown.
SOURCES: Legislative Budget Board School Performance Review Team; Texas Association of School Business Officials; Texas Association of School Boards; Houston ISD, February 2019.

department websites with consistent and current information. The chief communications officer should complete the following actions:

- ensure that procedures include maintaining accurate lists of campus and department webmasters and whether they have attended webmaster trainings; and

- direct the web and mobile design team to carry out the following tasks:

  ◦ develop an update checklist for webmasters to follow when updating a webpage. The campus checklist can include a staff directory, parent resource links, important event dates, and academic, and enrichment activities offered. The department checklist can include contact information and procedures for checking web links. Campus and department webmaster checklists should include regular checks of the TASBO and TASB legal resources websites for updated information regarding state law website posting requirements;

  ◦ send regularly scheduled update reminders to campus and department webmasters to ensure that the information on webpages is current; and

  ◦ collaborate with the Translation Services Department to ensure that department websites have consistent translation services.

In-district charter campuses are part of Houston ISD and should follow the same guidelines and procedures when maintaining websites as noncharter campuses. The board should include a communications requirement in contracts with in-district charter campuses to ensure that they maintain their websites properly.

The district could implement this recommendation with existing resources.

FOUNDATION AGREEMENT (REC. 90)

Houston ISD is not adhering to its affiliation agreement with the Houston ISD Foundation.

The Houston ISD Foundation is a not-for-profit organization, as classified by the U.S. Internal Revenue Code, Section 501(c)(3), that was established in 1994 to help raise funds to support Houston ISD. The foundation is located in the Hattie Mae White Educational Support Center. It is governed by a 13-member board made up of Houston business leaders, the Houston ISD superintendent, the Houston ISD board president, and the district's chief development officer, who also serves as the foundation's executive director. Part of the chief development officer's responsibilities is overseeing the foundation. The foundation holds two annual fund-raisers, the Houston ISD Foundation Golf Tournament and the Public Education Matters benefit dinner (formerly the State

FIGURE 12–9
PROGRAMS AND CAMPUSES FUNDED THROUGH THE HOUSTON ISD FOUNDATION
SCHOOL YEAR 2017–18

PROGRAM OR CAMPUS	DONATION
Hurricane Harvey Relief	$11,002,577
Student Scholarships	$263,607
Energy Institute High School	$115,903
Las Americas Newcomer School	$20,957
Home Instruction for Parents of Preschool Youngsters	$12,500
Monarch Heroes Program	$9,664

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD Foundation, school year 2017–18.

of the Schools luncheon). **Figure 12–9** shows some of the programs and campuses that received funds through the foundation for school year 2017–18.

The foundation and the district have an affiliation agreement, last updated in 2011. The agreement reiterates that the Houston ISD Foundation is a separate entity from the district, and both parties have agreed to enter an agreement to raise funds to support the students of Houston ISD. As part of the agreement, the district provides the foundation office space, office supplies, utilities for up to four foundation staff, and access to a computer printer free of charge.

The affiliation agreement between Houston ISD and the foundation also states that the foundation is responsible for hiring its own staff and will provide them with compensation and benefits from the foundation's budget, including the "foundation president" (executive director) who will oversee the foundation. However, the district will assign a full time secretary (executive assistant) to the foundation for which the foundation will reimburse the district 50.0 percent of the cost of this person's salary and benefits.

**Figure 12–10** shows the reporting structure for the foundation.

During onsite interviews, staff stated that the foundation pays for one full-time staff, a finance and data analyst. School year 2018–19 payroll data from Houston ISD shows that the foundation executive director, director, and executive assistant are Houston ISD staff. Houston ISD staff stated that these district staff's time is split between 60.0 percent for the district and 40.0 percent for the foundation. Additionally, staff stated that other district staff that report to the chief development officer also assist the foundation as needed.

Figure 12–11 shows the reporting structure for Houston ISD's Fund Development Division.

Staff stated that the special events planners assist the foundation in organizing the Houston ISD annual fund-raisers, and the Strategic Partnerships Department helps raise money for these events.

The annual financial audit of the foundation, performed by an independent auditor, does not show any reimbursements to the district for the executive assistant's position from school years 2015–16 to 2017–18, as stated in the agreement, nor for other district staff that assisted the foundation. However, the report for school year 2016–17 states that "HISD contributes office space, supplies, and printing. In addition, [Houston ISD] reimbursed the foundation $15,000 and $37,000 for salaries in 2017 and 2016, respectively." **Figure 12–12** shows the value of the resources that Houston ISD provides to the foundation.

FIGURE 12–10
HOUSTON ISD FOUNDATION ORGANIZATION
SCHOOL YEAR 2018–19
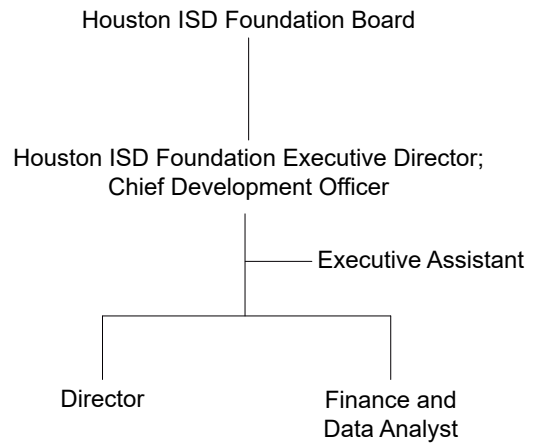
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD Foundation, May 2019; Houston ISD, February 2019.

FIGURE 12–11
HOUSTON ISD'S FUND DEVELOPMENT DIVISION ORGANIZATION
SCHOOL YEAR 2018–19
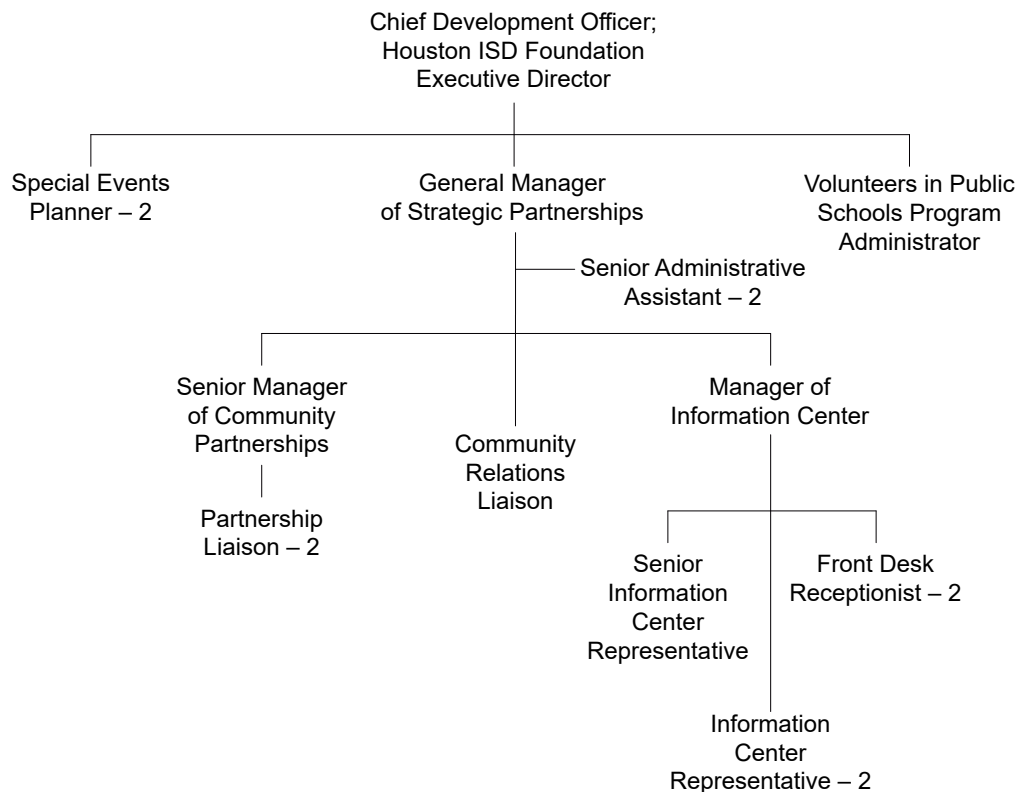
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

Although included in the audit, the affiliation agreement does not state the value of the office space, utilities for staff, or printing and technology resources that the foundation receives from the district. The lack of a dollar value assigned to these resources prevents the district from documenting accurate financial data for the costs of the foundation to the district. For example, as shown in **Figure 12–12**, school years 2016–17 and 2017–18 report different values for the office space provided to the foundation, $18,000 and $22,585, respectively. Without a set amount documented in the affiliation agreement, the district could be valuing the use of the office space and other benefits provided to the foundation inaccurately.

Although it is common for district staff to also perform work for a not-for-profit education foundation as part of their duties, the National School Foundation Association recommends that school districts and their education foundations have an independent legal relationship. This independence includes ensuring that the foundation hires its own staff, either paid or volunteer. If district staff are performing work for the foundation, clear guidelines must be stated in an agreement or memorandum of understanding (MOU) between the two parties. The Association of Governing Boards of Universities and Colleges and the Center for Education Trusteeship and Governance developed a guide to writing an MOU between a campus or district and an education foundation. It describes the following items that an MOU should include:

- a summary of the relationships between the foundation and the district that states the role and responsibility of the foundation in supporting the district's mission, vision, and goals. It should make clear that the foundation is a separate organization from the district but that it has the authority to use the district's name and conduct work on the district's behalf;

- a description of the governance and leadership selection process of the district and the foundation;

- an outline of the responsibilities and mutual expectations between the district and the foundation and how each is held accountable to the other. This outline also should include the types of services or materials each party will provide;

- a statement on the roles and expectations for district staff that assist the foundation, either regularly or for special events, and whether the foundation will compensate the district for the use of its staff;

FIGURE 12–12
VALUE OF HOUSTON ISD RESOURCES PROVIDED TO THE HOUSTON ISD FOUNDATION
SCHOOL YEARS 2015–16 TO 2017–18

RESOURCE	2015–16	2016–17	2017–18
Office Space	$18,000	$18,000	$22,755
Supplies and Other Materials	$9,688	$4,755	$0
Salaries	$37,000	$15,000	$0
Total	**$64,688**	**$37,755**	**$22,755**

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD Foundation, school years 2015–16 to 2017–18.

- a brief overview of how the district and the foundation transfer funds between each other;

- a statement on the use and sharing of donor and alumni records;

- a description of the foundation administrative structure and how it is financed;

- definitions of terms and conditions, including circumstances for terminating the agreement, the distribution of assets if the foundation is dissolved, and a statement on revising or updating the MOU as needed; and

- a formal adoption of the MOU by the district's governing board and the foundation's board leadership.

Houston ISD should update the affiliation agreement between the district and the Houston ISD Foundation to reflect actual practices and promote accountability and transparency to the public. The chief development officer should coordinate with the chief financial officer to determine a cost-accounting methodology to determine the costs of the foundation to the district and use that information to amend the affiliation agreement between Houston ISD and the foundation. The district should evaluate costs for the following items:

- the time allotted to district staff to assist the foundation;

- the cost of salaries and benefits for district staff that assist the foundation, either full-time or part-time; and

- the value of office space, supplies, and services provided by the district to the foundation.

The district could implement this recommendation with existing resources.

REPORTING DONATIONS (REC. 91)

Houston ISD has inconsistent procedures for campuses to report donations.

Donations to school districts and campuses help provide funding for extracurricular programs, student and teacher incentives, supplies, and more. The Fund Development Division, which includes the Houston ISD Foundation and the Strategic Partnerships Department, works with the Grants Development Department to seek and accept donations on behalf of Houston ISD.

Figure 12–13 shows the amount of donations received by the Houston ISD Foundation, the Strategic Partnerships Department, and the Grants Development Department for school years 2016–17 to 2018–19.

The chief development officer works with the manager of grants development to update a database that tracks donations received by the Strategic Partnerships and the Grants Development departments.

According to staff, Houston ISD has two ways of accepting donations, either through the Houston ISD Foundation, or directly to the district through the Grants Development

Department. **Figure 12–14** shows the district's process for accepting donations through the foundation.

Figure 12–15 shows the district's process for direct donations to Houston ISD and the campuses.

A donor to the Houston ISD Foundation or the district identifies the specific purpose of the donation, which bars its use for a different purpose. Only direct donations to the foundation are tax-deductible. When the board of trustees (board) approves a donation greater than $5,000 to the foundation or the Grants Development Department, it also accepts any conditions attached to the gift, thus ensuring it is used for its specified purpose. The Houston ISD Foundation or the Grants Development Department monitor donations less than $5,000 to ensure that they are used for the intended purpose by the campus and district.

Campuses must report monetary or in-kind donations to the Grants Development Department. In-kind donations are donations of goods or services. Donors complete a form stating the purpose and value of the donation regardless of its type or amount. Neither the district nor campuses can accept cash donations. Houston ISD staff said that campuses should report donations to the Grants Development Department as

FIGURE 12–13
DONATIONS TO HOUSTON ISD
SCHOOL YEARS 2016–17 TO 2018–19

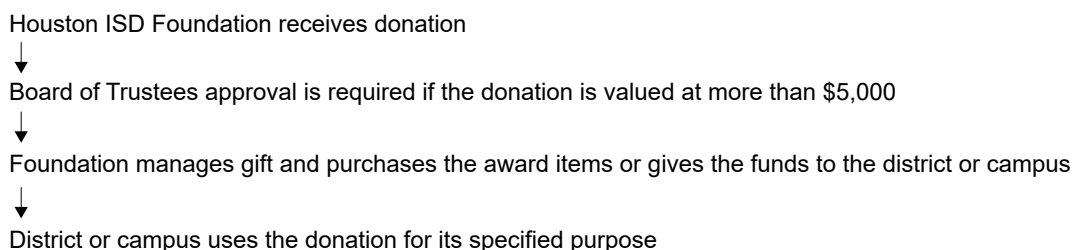| SCHOOL YEAR	HOUSTON ISD FOUNDATION (1)	STRATEGIC PARTNERSHIPS DEPARTMENT (2)	GRANTS DEVELOPMENT DEPARTMENT	TOTAL
2016–17	$1,010,070	$529,040	$1,071,950	$2,611,060
2017–18	$27,305,980	$1,108,600	$8,570,110	$36,984,690
2018–19 as of December 2018 (3)	N/A	$878,200	$459,920	$1,338,120

NOTES:
(1) Amounts show direct contributions to the foundation only, not including special events revenue or other income.
(2) Although the Strategic Partnerships Department accepts donations directly, the Grants Development Department processes the donations.
(3) The full amount of donations for school year 2018–19 was not available as of February 2019.
SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 12–14
PROCESS TO DONATE TO HOUSTON ISD FOUNDATION
SCHOOL YEAR 2018–19

Houston ISD Foundation receives donation
↓
Board of Trustees approval is required if the donation is valued at more than $5,000
↓
Foundation manages gift and purchases the award items or gives the funds to the district or campus
↓
District or campus uses the donation for its specified purpose

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

FIGURE 12–15
GRANTS DEVELOPMENT PROCESS TO DONATE DIRECTLY TO HOUSTON ISD OR A CAMPUS
SCHOOL YEAR 2018–19
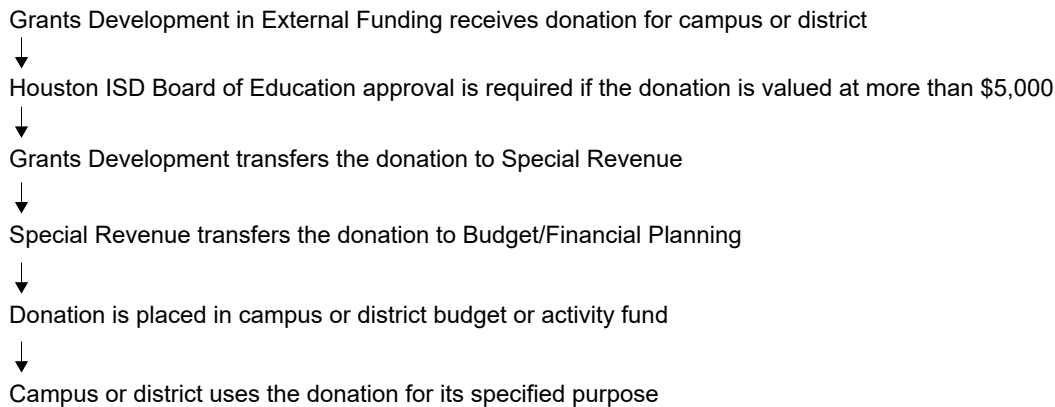
Grants Development in External Funding receives donation for campus or district

↓

Houston ISD Board of Education approval is required if the donation is valued at more than $5,000

↓

Grants Development transfers the donation to Special Revenue

↓

Special Revenue transfers the donation to Budget/Financial Planning

↓

Donation is placed in campus or district budget or activity fund

↓

Campus or district uses the donation for its specified purpose

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

soon as possible. However, because of the decentralization of the district, campuses may have their own reporting processes. Staff stated that some campuses might be accepting donations without reporting them.

Houston ISD staff stated that the Grants Development Department offers training to principals and their designated staff for accepting donations, but more training is needed.
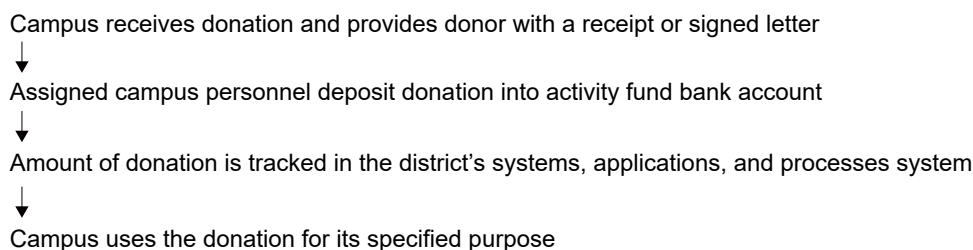
The review team identified a third way that campuses can accept donations. According to the Financial Procedures Manual provided by the district Controller's Office, campuses can accept monetary donations, including cash, from external organizations without reporting them to the Grants Development Department. **Figure 12–16** shows the process described by the Controller's Office.

Campus staff provide the donor with a receipt from a Houston ISD Activity Fund cash receipt book or an official

alternate receipt and deposit the donation using bank deposit slips provided by the Internal Service Funds Department. An armored courier collects and transports these funds to Houston ISD's central depository bank to be deposited in the centralized activity funds account. The manual states that at least two campus staff always should be involved in collecting and receipting monies to ensure proper financial oversight. The Financial Procedures Manual does not state that the board must approve a donation greater than $5,000.

The review team found several examples of donations that appear to follow the Financial Procedures Manual and not the Grants Development Department procedure. For example, interviews with a Houston ISD parent–teacher organization (PTO) leader stated that the organization has donated meals for students on field trips or as student incentives, and has donated cash toward the teacher and staff winter luncheon. The PTO leader stated that the organization

FIGURE 12–16
HOUSTON ISD CONTROLLER'S OFFICE PROCESS TO DONATE DIRECTLY TO A CAMPUS
SCHOOL YEAR 2018–19

Campus receives donation and provides donor with a receipt or signed letter

↓

Assigned campus personnel deposit donation into activity fund bank account

↓

Amount of donation is tracked in the district's systems, applications, and processes system

↓

Campus uses the donation for its specified purpose

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

did not complete a donation form in any of these instances, but that campus staff did provide a receipt or letter with students' names and teacher signature for their donations.

Another example appears on Lamar High School's website, which shows donations by the Lamar PTO for school year 2018–19 totaling more than $28,500. None of these 31 donations appear on the donation database list provided by the district.

The Office of Internal Audit performs an annual audit that includes the campus central activity fund. Additional audits, such as special audits, change of principalship audits, and change of general clerk or school secretary audits are performed as needed. These audits ensure proper donation tracking and reporting in compliance with the Financial Procedures Manual but do not include donations reported to the Grants Development Department.

Proper donation reporting is necessary to continue to build trust between Houston ISD, donors, and the community. The multiple ways in which campus donations are reported puts the district at risk for theft or fraud because it results in a gap in the tracking process.

Los Lunas Public Schools in New Mexico has a board policy that requires the uniform reporting of all donations, monetary and in-kind. The policy also states the responsibility of the donor to complete and submit the district's gifts and donations form to the superintendent or his or her designee. It also includes the acceptance procedures for any gift or donation.

Houston ISD should review the different ways that donations are reported to the district and develop a unified plan to accept and track campus donations. The district should perform the following actions:

- the manager of the Grants Development Department should collaborate with the chief financial officer to complete the following actions:

  ◦ develop a unified plan for campuses to follow when accepting a donation;

  ◦ update the training for principals and designated campus staff responsible for collecting donations to reinforce proper reporting procedures; and

  ◦ inform the Fund Development Division of donation procedure changes to track donations accurately; and

- the chief audit executive should update the district's internal audit plan to include the updated campus donations procedures.

The district could implement this recommendation with existing resources.

DISTRICT PARTNERSHIPS (REC. 92)

Houston ISD lacks effective oversight of district partnerships with external organizations.

Strong community partnerships provide school districts with added resources through the donation of goods and services or monetary assistance. Houston ISD's Strategic Partnerships Department acts as an intermediary between the district and outside organizations and assists organizations in building partnerships with campuses and departments. Houston ISD community partners include the Houston Astros Major League Baseball club and the Astros Foundation, Capital One Bank, the Kroger Co., Reliant Energy, Smart Financial Credit Union, and others. District staff stated that they are unable to provide a definite number of district partnerships because these partnerships take different forms, including ongoing or term-limited and monetary or service based.

The first step for organizations that want to collaborate with Houston ISD and have contacted the Strategic Partnerships Department is to complete a questionnaire describing the purpose of the partnership and what they want to help the district accomplish. After an organization submits the questionnaire, the Strategic Partnerships Department connects the organization to campuses and departments with needs that match the organization's goals. According to Houston ISD staff, the size of the district requires the Strategic Partnerships Department to hand the partnership to the campus or department after it is established. After this point, it is up to the campus or department to maintain the partnership. Staff stated that the Strategic Partnerships Department maintains a database of partnerships it helps form, but that partnerships made independently by other departments or campuses are not tracked. Houston ISD staff said that campuses previously recorded partnership information in a database twice a year, but that step is no longer required due to technical issues. Other district staff stated that partnerships are not tracked.

If an external organization contacts a campus or department to collaborate, the campus or department is not required to notify the Strategic Partnerships Department. The department has an online partnerships guideline for

FIGURE 12–17
MADISON, WISCONSIN, METROPOLITAN SCHOOL DISTRICT'S SCHOOL COMMUNITY PARTNERSHIP GUIDING PRINCIPLES
SCHOOL YEAR 2018–19

1. Partnerships require an agreed-upon investment of material and human resources, organizational accountability, and shared responsibility and decision making.

2. Partnerships are most productive when they are built on trust and reflect true collaboration among participating entities.

3. Effective partnerships outline roles and responsibilities for all involved and establish ongoing mechanisms for communication regarding program development, implementation, operation, and evaluation.

4. It is the district's responsibility to ensure that partnerships address student needs and that barriers to participation are removed.

5. Partnerships should evolve to meet the changing needs of students, schools, and families. Systematic monitoring and review by all involved help ensure continuous improvement and determine how agreements could change to meet new needs or could dissolve.

6. The district will provide interested community partners with a systematic process for accessing opportunities for collaboration.

7. Partnerships will honor legal and ethical obligations to student privacy.

8. The district's partnership decisions will reflect its fiscal responsibilities as a steward of taxpayer funds.

SOURCE: *Guidelines for School–Community Partnerships*, Madison Metropolitan School District, May 2019.

campuses to follow when forming and maintaining partnerships with organizations, but district staff stated that the guideline is outdated. The online guideline does not state that campuses should contact the Strategic Partnerships Department to build the partnership. It suggests that the campus perform a needs assessment to evaluate how the partner can best support the campus. Departments have no partnerships guideline. The senior manager of community partnerships conducts trainings on this topic when requested by a campus or department.

Furthermore, the Strategic Partnerships Department encourages campuses and departments, such as Wraparound Services, to seek out their own partnerships with community and religious organizations without notifying the department.

As a result, the management of partnerships is inconsistent across the district. Some departments formalize partnerships through an MOU that is overseen by the Strategic Partnerships Department, and others do not have a written agreement. Without adequate oversight of all the campus and department partnerships, the Strategic Partnerships Department is not aware of all the entities with which the district engages. Several Houston ISD staff stated that their departments independently seek to collaborate with organizations but do not report these interactions to the Strategic Partnerships Department. This practice could lead to a duplication of efforts by these departments, with many district staff potentially contacting the same organizations.

Campus and department staff do not have clearly defined roles and responsibilities or methods to evaluate the success

of the partnerships. For example, Houston ISD staff stated that campus leadership maintains partnerships after they are formed, but campus leaders may lack the training to sustain the partnership or may choose to forgo the partnership. External organizations may view this as a negative aspect of partnering with the district and may elect not to pursue partnerships with Houston ISD in the future.

The Madison Metropolitan School District (MMSD) in Wisconsin publishes guidelines and detailed procedures for school–community partnerships on its website. The guidelines define a partnership, and list guiding principles for establishing a successful partnership. **Figure 12–17** shows MMSD's guiding principles.

MMSD includes the process for developing new partnerships, beginning with an online inquiry form. The partnerships administrator reviews the form to ensure that the proposed partnership is realistic and aligns with district goals. The district and the partner collaborate to outline the goals, logistics, protocols, and roles and responsibilities of each in the proposed partnership. A partnership agreement or MOU guides the partnership. Additionally, the agreement is revisited regularly to assess progress of goals and make any needed changes to the agreement.

MMSD staff record partnerships in the district's partnership database and update changes annually. The partnership administrator oversees the maintenance of the database.

Houston ISD's Strategic Partnerships Department should update procedures to manage partnerships with external organizations and develop a system to track all district

partnerships. The general manager of strategic partnerships should complete the following actions:

- revise and update the online partnerships guideline for campuses and departments and ensure that the guideline and training have a unified message;

- ensure that the updated online partnerships guideline and training include the following procedures:

  ◦ the initiation, planning, and development of partnerships;

  ◦ documenting a partnership agreement in an MOU;

  ◦ ongoing tracking of partnerships; and

  ◦ monitoring and evaluation of goals and objectives of partnerships; and

- collaborate with the Information Technology Department to offer the partnership training online and track it using the district's online training program.

The district could implement this recommendation with existing resources.

DISTRICT DIRECTORIES (REC. 93)

Houston ISD has no centralized process to update department and staff directories.

The Information Center is the primary point of district contact for parents, community members, and external organizations. Additionally, this department administers the district directories, including campus and staff listings, the central office directory, and a contact role directory, which are available to download in PDF form. **Figure 12–18** shows the reporting structure for the Information Center.

The manager of the Information Center oversees the front desk, the main district call center, and security at the Houston ISD central office building. The manager also trains district and campus staff to use School Messenger, an application that district and campus staff use to communicate important information to staff and parents by voice, text, and by various means online.

Information center representatives answer calls placed to the main district call center and answer inquiries or route the calls to departments. The front desk receptionists greet and sign-in visitors to the Houston ISD central office building.

FIGURE 12–18
HOUSTON ISD INFORMATION CENTER ORGANIZATION
SCHOOL YEAR 2018–19

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

Houston ISD's directories are posted on the General Information webpage. According to interviews, Houston ISD experiences a steady staff turnover, and staff do not update the directories to ensure the availability of current information. At the time of the review, the central office directory had been updated at least three times since December 2018. The contact role directory, the administrative departments directory and staff listings were updated last in December 2018. The campus directory was updated last in September 2018.

Figure 12–19 shows the five directories on the district's website and the outdated or inconsistent information they contain.

Staff stated that departments are supposed to inform the Information Center about changes in staff, and position and department title changes. Other staff said that the Information Center reaches out to staff and departments to update the central directories. As a result, changes may occur in departments that are not communicated to the Information Center in a timely manner. The multiple inaccuracies in the directories demonstrates that neither of these processes are successful in ensuring that directories contain updated information.

The review team observed that certain staff listed in the school year 2018–19 central office directory, which was updated April 8, 2019, were no longer employed by the

FIGURE 12–19
HOUSTON ISD DIRECTORIES
SCHOOL YEAR 2018–19

DIRECTORY	DESCRIPTION	OUTDATED OR INCONSISTENT INFORMATION
Central Office Directory	This directory is organized by departments and subdepartments. It provides staff names, job titles, and phone numbers.	• contains incorrect or inconsistent job titles for staff; • contains incorrect department names; • erroneously lists some positions as vacant; • lists staff that are no longer employed at the district; • some staff and departments are not listed; and • does not list staff email addresses
"Who Handles What in Houston ISD," Contact Role Directory	This directory includes search terms, the department responsible, and appropriate phone number.	Missing some departments
Administrative Departments Directory	This directory is organized by department. It includes the department head and his or her email address and phone number.	• includes staff that are no longer employed at the district; and • includes staff and departments that do not appear in the Central Office Directory or the Staff Listings
Staff Listings	This directory lists staff alphabetically by last name and includes the department and a phone number for each.	• lists staff that are no longer employed at the district; and • missing some staff and departments
Campus Listings	This directory lists all Houston ISD campuses including in-district charter campuses, early childhood education centers, and alternative campuses. It provides addresses and phone numbers for each campus, and the principals' and school support officers' names.	• lists some campuses twice; and • lists principals that are no longer at the campus

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

district. The central office directory also does not identify all district departments, such as Wraparound Services. Additionally, the directory lists incorrect department names, such as Strategic Branding Marketing and Communications instead of the correct title, Strategic Engagement and Outreach. The directory also lists incorrect position titles, such as manager instead of director for reading/English and language arts.

According to interviews, the district has reorganized departments without communicating the updated information to the Information Center. For example, staff stated that the student support services officer position had been eliminated. As a result, positions that reported directly to the student support services officer now report to the wraparound services director. The school year 2018–19 central office directory does not include this change.
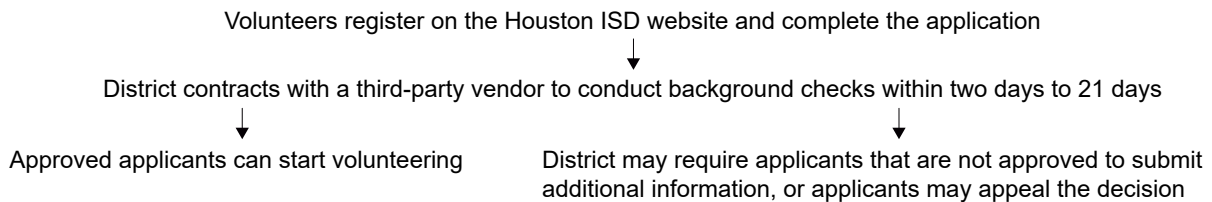
Additionally, because the Information Center updates the campus directory at the beginning of the school year, it will not always contain updated information. For example, the review team observed two principal changes during school year 2018–19 that the campus listings did not include. The Houston ISD website has a school search function that lists

campus name, address, contact information, principal name, and other information that is not provided in the campus listing. The school search is updated by multiple departments, including the Office of Communications, the Human Resources Department, and the Research and Accountability Department. Maintaining two campus directories that contain conflicting information assures that website visitors do not always receive accurate information.

Houston ISD has four different staff and department directories and a campus directory that are updated at different times. Therefore, parents, staff, and community members cannot find accurate contact information reliably and may not receive prompt assistance from district staff in response to inquiries. In addition, because the district provides the directories as downloadable PDFs, website visitors will not always know whether staff or departments have changed.

Austin ISD has an interactive directory on its website that enables visitors to search for staff by name or department. The staff directory includes central office staff, campus staff, and part-time staff. Additionally, it lists the job title, department or campus, email, and phone number for each staff.

FIGURE 12–20
HOUSTON ISD VOLUNTEER REGISTRATION PROCESS, SCHOOL YEAR 2018–19

Volunteers register on the Houston ISD website and complete the application
↓
District contracts with a third-party vendor to conduct background checks within two days to 21 days
↓   ↓
Approved applicants can start volunteering   District may require applicants that are not approved to submit additional information, or applicants may appeal the decision

SOURCES: Legislative Budget Board School Performance Review Team; Houston ISD, February 2019.

Houston ISD should ensure the efficient communication of staff and department changes to the Information Center to maintain an updated and cohesive central directory. The manager of the Information Center should complete the following actions:

- evaluate and communicate reporting procedures for district staff to follow when organizational changes occur, including staff, position, or department changes;

- work with the web and mobile design team to develop a cohesive district staff and department directory for publication on the Houston ISD website; and

- direct the Information Center webmaster to place a link to the school-search tool on the General Information webpage in place of the campus listing PDF.

The district could implement this recommendation with existing resources.

VOLUNTEER TRAINING (REC. 94)

Houston ISD lacks formalized training for volunteers.

Parents and community members who wish to volunteer at Houston ISD campuses and sponsored events must enroll through the Volunteers in Public Schools (VIPS) program and consent to a background check. All volunteers, including parents, must register annually. Houston ISD board policy GKG1 (REGULATION) requires that each campus assign two staff to VIPS coordinator duties. The VIPS program administrator trains coordinators on how to best assign volunteers and track their hours through the volunteer database system. Houston ISD's Information Technology Department tracks VIPS coordinator training. Some campuses encourage volunteerism by providing access to a computer through which volunteers can register. **Figure 12–20** shows the steps to register as a VIPS volunteer.

Houston ISD staff said that about 30,000 volunteers are active each school year, most of whom volunteer in elementary schools. Volunteers participate in the following activities, among others:

- providing classroom or office assistance;

- mentoring and tutoring students;

- staffing concession stands during campus events;

- cleaning and organizing classrooms or closets; and

- chaperoning field trips.

Although the district trains VIPS coordinators, it does not require coordinators to train volunteers. Interviews with Houston ISD staff indicated that the district does not offer training for volunteers. Instead, staff said that campuses determine whether and how to train volunteers. Volunteering at a campus may expose volunteers to sensitive student information, and emergency safety drills or real emergency events. Inconsistent training could result in volunteers not knowing how to conduct themselves in accordance with district procedures and federal laws.

For example, volunteers who are not familiar with the federal Family Educational Rights and Privacy Act may unintentionally discuss private student information with other volunteers or parents, violating students' privacy rights. Volunteers unfamiliar with school emergency safety procedures can place an added strain on campus staff who must direct the volunteers while guiding students to safety.

Mercer Island School District in Washington requires its volunteers to view a training video that covers volunteer procedures at the campus, responsibilities, effective student interaction strategies, emergency safety procedures, student confidentiality laws, and antiharassment and nondiscrimination rules. The training requires completion of a brief questionnaire as proof that volunteers completed and

understood the training. Volunteers also receive a volunteer handbook. Campus staff track volunteer training by logging the questionnaires.

In addition, the U.S. Department of Education website provides information for campus volunteers on protecting student privacy.

Houston ISD should develop guidelines to train parent and community volunteers. To ensure effective volunteer training, Houston ISD's VIPS Program Administrator should develop a training course for volunteers that covers general safety practices and volunteer procedures and responsibilities. The training could be offered online and tracked by the campus VIPS coordinators in the volunteer database system. Volunteers should answer a questionnaire based on the training or submit a signed form to the VIPS coordinator confirming that they have completed the volunteer training.

The district could implement this recommendation with existing resources.

ADDITIONAL OBSERVATIONS

During fieldwork, the review team observed additional issues regarding the district's programs and services to students, staff, and the community. These observations are presented for consideration as the district implements the report's other findings and recommendations.

- The Information Center is the primary point of district contact and communicates important information to parents and the community. It is located within the Fund Development Division. During interviews, several staff stated that the Information Center could better serve the Houston ISD community if it were located in a different department, although opinions varied on which that should be. The district may consider evaluating if the Information Center might best serve the district and the community within another department;

- Houston ISD is a decentralized school district in which campus leaders have the authority to accept or decline partnerships with external organizations. Houston ISD staff stated that principals' ability to decline partnerships that offer volunteers or resources might lead to inequity among campuses, because students who need these additional supports may not receive them; and

- Houston ISD has many departments with similar-sounding titles, which can be confusing to the community and district staff. During interviews, staff said that when Parent Engagement changed its title to Family and Community Engagement (FACE), community members were confused as to whether they should contact FACE or Community Partnerships to seek a partnership with the district. Additionally, some departments, such as the Student Support Office, Student Services, and Student Support Services, have titles that do not indicate clearly how their functions differ. The district may consider evaluating department titles so that they clearly represent the responsibilities of each department.

FISCAL IMPACT

Some of the recommendations provided in this report are based on state or federal laws, rules, or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices, and the district should review to determine the level of priority, appropriate timeline, and method of implementation.

The Legislative Budget Board's School Performance Review Team has identified a fiscal impact for the following recommendation:

RECOMMENDATION	2019–20	2020–21	2021–22	2022–23	2023–24	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONETIME (COSTS) OR SAVINGS
12. COMMUNITY INVOLVEMENT							
88. Consolidate the Office of Communications and the Strategic Engagement and Outreach Department to streamline the district's communications functions.	$491,450	$491,450	$491,450	$491,450	$491,450	$2,457,250	$0
Total	**$491,450**	**$491,450**	**$491,450**	**$491,450**	**$491,450**	**$2,457,250**	**$0**

The School Performance Review Team could not determine a fiscal impact for other recommendations due to lack of data. However, Houston ISD has the potential for significant savings by implementing the following recommendation:

Recommendation 90: Update the affiliation agreement between the district and the Houston ISD Foundation to reflect actual practices and promote accountability and transparency to the public. The district could gain additional revenue from the Houston ISD Foundation by adding a reimbursement component to the affiliation agreement for the use of office space, supplies, printing services, and district staff.