

2017-2018
ADOPTED BUDGET BOOK

INTRODUCTORY
SECTION





HOUSTON INDEPENDENT SCHOOL DISTRICT

Hattie Mae White Educational Support Center
4400 West 18th Street • Houston, Texas 77092-8501

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December 16, 2017

The Honorable Board of Education
Houston Independent School District
4400 West 18th Street
Houston, Texas 77092

Dear Board Members:

The adopted budget reflects the allocation of revenues and appropriations to support educational programs and services defined by the district's purpose, goals, strategic intent, and core values. Budget planning for the 2017-2018 fiscal year was a seven-month process. The budget process provided a better look into the programmatic requests of the district's support services and is paving the road to building budgets that better align to district and departmental goals and initiatives.

In the 2016-2017 fiscal year Houston Independent School District (HISD) became a "Chapter 41" or "Robin Hood" district. The district was and is still considered property rich and required to equalize its wealth by sending funds back to the state. For the 2017-2018 fiscal year the district expects to send the state \$268.98 million of local property tax collections an increase of \$107.18 million from the 2016-2017 fiscal year.

HISD is projecting an increase in local funding from the 2016-2017 original budgeted property tax levy of \$76.81 million, an increase in state funding of \$28.9 million, and projected increase in revenues from other sources of \$0.21 million for a net increase of \$105.92 in revenues.

In the state of Texas, the Legislature meets every odd-numbered year for 140 days. In May 2017, the legislature did not adjust the state funding formulas for the 2018-2019 biennium. The basic allotment per student was kept constant at \$5,140.

The development, review, and consideration of the 2017-2018 Governmental Funds (General Fund, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund) and the Proprietary Funds (Internal Service Funds and Enterprise Funds) were completed with a detailed review of revenue and expenditure accounts. The Financial Section of this document contains the budgets for the General Fund, the Debt Service Fund and the Nutrition Service Fund, which by Texas law, must be approved by function by the Board of Education.

The preparation of the budget commenced in November 2016 with the development of management plans for schools and departments. This process included the forecast of student enrollments for the 2017-2018 fiscal year, analysis of the impact of laws passed by the Texas legislature, and recommendations from schools, parents, staff, patrons, and friends of the district. The enrollment forecast provides the assumption on which allocations for developing budgets are formulated and staff resources are based.

Budget Presentation

The budget process is comprised of seven phases:

- Planning
- Preparation and Submission
- Review and Coordination
- Adoption
- Implementation
- Monitoring
- Evaluation

The budget document and the year-end Comprehensive Annual Financial Report (CAFR) are the primary vehicles used to present the financial plan and the results of operations of the district. This document, the 2017-2018 District Budget, comprises four sections:

- Introductory Section
- Organizational Section
- Financial Section
- Informational Section

The information included in the budget document is structured to meet the requirements of the Meritorious Budget Award (MBA) of the Association of School Business Officials International (ASBO). To receive this award, a school entity must publish a budget document which is also a policy document, an operations guide, a financial plan, and a communications device. We believe our current budget conforms to the requirements of the program. We are submitting this document to ASBO to determine its continued eligibility for this award. This award represents the highest level of recognition in budgeting for school entities. Its attainment represents a significant accomplishment by a school entity and its management. The award is conferred after a comprehensive review by a panel of independent budget professionals. Using extensive criteria, the reviewers not only evaluate the effectiveness of the budget in meeting the program's criteria, but also provide commentary and feedback to the submitting entity as a basis for improving the process and presentation of their district's financial and operational plan. HISD has also been awarded the Meritorious Budget Award by ASBO annually since the 1999-2000 fiscal year.

Our most important concern in the presentation of the budget data, however, is to improve the quality of information provided to our community about the financial plan for the district's educational programs and services for the 2017-2018 fiscal year. The material in the budget document also includes information that has been suggested by the Board of Education, patrons, community members, staff, and those who review the document for the awards previously mentioned.

Both human and financial resources are allocated in the budget to achieve the goals of the district. The adopted budget reflects the allocation of revenues and expenditures to support educational programs and services defined by the district's purpose, goals, strategic intent, and core values. It represents the vision of district leadership and the hearts and minds of teachers and staff articulated through financial and operating policies. The budget is a good balance of choices representing the responsive equilibrium between the educational needs of students and the ability of the community and the state to provide the necessary financial support to serve them.

District Purpose

The **Houston Independent School District** exists to strengthen the social and economic foundation of Houston by assuring its youth the highest-quality elementary and secondary education available anywhere.

District Goals

Increase Student Achievement

HISD student performance will demonstrate gains as evidenced by scores on STAAR, SAT, and other state and national tests, thus narrowing the achievement gap, and graduating students who are college- and career-ready.

Improve Human Capital

The district seeks to create a performance culture that values employees who are results-oriented, talented, innovative thinkers; individuals who strive to increase student achievement and contribute to the reformation of public education.

Provide a Safe Environment

The district shall create a safe environment conducive to learning for all students and provide safety and security measures at district schools and facilities, and while attending district-related events.

Increase Management Effectiveness and Efficiency

The district shall have a decentralized organizational structure that will promote autonomy and innovation in schools. With a districtwide commitment to performance over compliance and a shared accountability system in place, the district shall employ best practices of administrative principles to make optimal use of district resources and taxpayer dollars.

Improve Public Support and Confidence in Schools

The schools belong to the people; hence, the board, administration, and support staff are public servants who exist to support the schools and the relationship between teachers, students, and parents. Public confidence will increase as the district increases transparency, accountability at all levels, and meaningful engagement of the community.

Create a Positive District Culture

The district's clearly articulated purpose will serve as the catalyst for creating a powerful sense of community and a shared direction among personnel, parents, students, and the public. Because the district realizes the value of investing in human capital, the district will work to attract and retain the best teachers and staff members, and create working conditions in which their talents can flourish.

Core Values

Safety Above All Else

Safety takes precedence over all else. A safe environment must be provided for every student and employee.

Student Learning Is the Main Thing

All decisions and actions, at any level, focus on and support "the main thing": effective student learning.

Focus on Results and Excellence

Each employee focuses on results and excellence in individual and organizational efforts.

Parents Are Partners

Parents are valued partners in the educational process, serving as the child's teacher in the home. All school and district activities will give proper consideration to the involvement of parents.

Common Decency

The district shall be responsive and accountable to the public and its employees. Community members and employees shall receive respectful and courteous treatment.

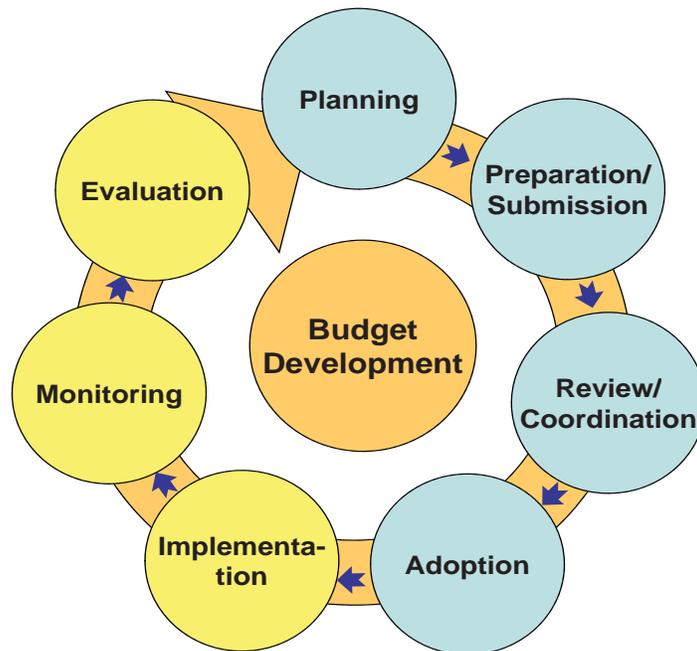
Human Capital

Through recruitment, retention, dismissal and professional-development programs, the district will work to make sure students are served by the top talent available, from teachers to superintendents.

Link to the District Improvement Plan:

<http://www.houstonisd.org/cms/lib2/TX01001591/Centricity/Domain/7908/District%20Improvement%20Plan%20-%202016-2017.pdf>

Budget Development



The Budget Development Model

The Budget Process is conceptually divided into a seven-step process: planning, preparation and submission, review and coordination, adoption, implementation, monitoring, and evaluation. The process is congruent with the overall mission of the organization and is aimed at fulfilling the district's stated goals and objectives. The budget process exists in the context of a struggle to balance the needs of students and the community with the limited resources available from local, state, and federal sources. The final adopted budget is a reflection of the best decisions and choices of literally hundreds of people in the schools, the administrative offices, and the community and is often a painstaking balance of policy decisions and choices among competing priorities.

Planning

The planning stage of the budget process begins with the adoption of the prior year's budget. At this point, team members communicate ideas and thoughts regarding the previous year's process and plan to make the necessary improvements and adjustments to the process for the next budget cycle. Also, early into the year, the budget calendar of milestones for important activities and decisions is developed and disseminated to budget participants. Concurrently, senior members of the organization are meeting to discuss strategic planning issues—goals and initiatives for the coming year as well as challenges and opportunities facing the district. Finally, fundamental projections and assumptions crucial to the budgeting process such as pupil enrollment projections, changes in the tax base, and changes in funding levels received are being conducted and examined exhaustively.

The district currently uses a mix of budgetary approaches: line item, program budgeting and weighted per pupil allocation formula to provide campuses a standard allocation based on projected enrollments or historical expenditures and uses a competitive ranking process for new or non-allocated programs. With this mixed approach, the Superintendent's cabinet is also charged with developing and prioritizing non-allocated budgetary requests for submission for review.

Preparation and Submission

Budget preparation is conducted at the campus level primarily by the principal and members of the Shared Decision-Making Committee (SDMC). The development of campus-level budgets follows the budget preparation

guidelines issued by the Superintendent. While the revenue side of the district budget is prepared by district administrators, campus-level budgets become the basis for the expenditure side of the district budget as that information filters up through the various levels of review, including campus staff members and the SDMC. Additional expenditures for costs such as debt service and interest are added when the district wide preliminary budget is compiled.

The budgeting of campus allocations, exclusive of legal mandates, is at the discretion of each campus under the district's site-based decision-making model. As such, campus budgeting begins with the identification of a school's goals and objectives by the school's resource planning group or equivalent (e.g., the School Improvement Team) as a first step in the campus budget development process. These goals and objectives should be driven by the educational needs of the campus (i.e., instruction and curriculum). In addition, the school's goals and objectives should be developed in accordance with district-wide and long-term educational goals.

Once consensus is reached on these goals and objectives, current operations should be evaluated as to their effectiveness in achieving them. New programs may need to be developed for the current year's operations to attain goals and objectives that are not addressed by a school's current programs. Programs should then be prioritized as to their effectiveness in attaining the developed goals and objectives. Finally, available resources should be allocated to each program or operation within the guidelines provided in the district's handbook, *Understanding the Budget Coding Process*.

Budget submission is now accomplished electronically for both schools and departments. Budget units receive budget development packages that allow them to develop their budgets electronically and submit them through the intranet. An overall summary request is generated along with detailed line-by-line budget items. Also, descriptions of the mission and goals of the unit as well as detailed justification for the funds requests are included. During the submission process, there is a frequent review and consultation process with Budgeting and Financial Planning staff members regarding coding problems and other technical issues.

The preparation of capital budgets and other budgets occurs simultaneously with the development of the General Fund budget. The district updates its existing long-range plans for capital equipment, maintenance and improvements of facilities, and compliance activities and develops the budget accordingly. Capital Projects Fund budgets are developed by Construction Services with assistance from the Controller's Office and the Budgeting & Financial Planning Department. Capital projects related to the Bond Program are developed and coordinated by the Bond Office with assistance from the Controller's Office and the Budgeting & Financial Planning Department.

Identification of potential capital projects and capital needs of the district is a responsibility of direct reports to the Superintendent, department administrators, principals, and other staff as appropriate. Recommendations are annually forwarded to a committee consisting of the Superintendent and selected direct reports. This committee is charged with the responsibility of prioritizing the various project proposals according to district capital needs. The Capital Projects Committee also addresses certain recurring capital needs, such as school bus purchases and asbestos removal.

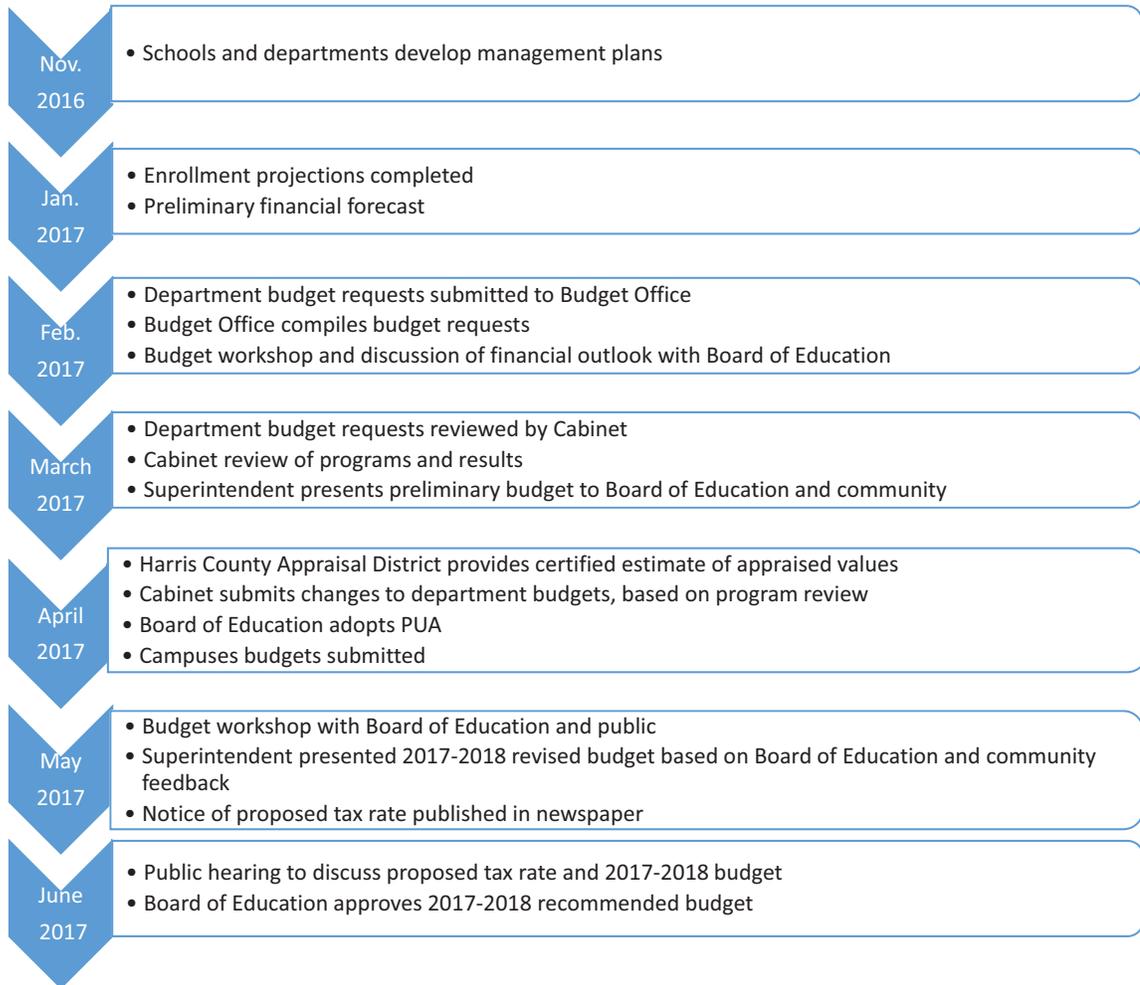
Capital projects budgets are developed on a multi-year basis and are updated annually. The capital budgeting process is coordinated with the development of the General Fund budget since it can have a significant impact on district daily operations. Administrators are charged with utilizing the least costly financing method for all capital projects. Capital budgets are monitored at least quarterly to ensure timely, efficient allocation of resources according to district policies and to prevent cost overruns. All capital construction and improvement projects are managed in accordance with state and federal requirements for school facilities as well as any local building codes and regulations.

Debt Service Funds are budgeted by the Controller's Office and Budgeting and Financial Planning. Special Revenue Funds are budgeted by the participants in the programs and grants (usually schools) some central office departments and Budgeting. Food Service Funds budgets are created by the HISD Food Services department and reviewed by the Controller's Office.

Budget Review and Coordination

The Superintendent's cabinet reviews budget increase requests and recommends overall prioritization of programs and activities. Input from the various participants is used to determine the appropriateness of the submitted budgets. A timeline of the 2017-2018 budget process is contained in the chart on the next page:

Fiscal Year 2017-2018 Budget Development Timeline



Criteria for reviewing budget proposals, especially increase requests, include the degree of alignment with districtwide goals and objectives, priority status compared with other proposals, use of district resources for efficiency and effectiveness, the unit's track record for operational performance, and the likelihood of success for particular initiatives and programs.

Final review and coordination of the annual budget is conducted in public workshops and hearings with members of the community and the school board.

Budget Adoption

The compiled budgets for the district are submitted to the Superintendent for review before they are formally presented to the school board in early June as a recommended budget. 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 June. Budgets are approved on a fund-by-fund basis. The district can make amendments to the budget at any time during the year; however, amendments changing functional expenditure categories or revenue object accounts (as defined in the Texas Education Agency's Financial Accountability System Resource Guide) must be approved by the Board of Education.

Budget Implementation

Implementation of the budget involves the procedural and technical processes that must occur for the proper expenditure and recording of the various funds in the budget.

Personnel Controls and Approvals

The management of positions in HISD is an integral part of the budgeting process since approximately 72 percent of the general fund budget is comprised of salary and benefit costs. Schools have some flexibility with respect to opening, closing, and/or changing positions within a balanced budget. New central office positions are normally requested as part of the recommended budget for the new year. New school positions must be approved by the principal or director.

Encumbrance Control

Encumbrance accounting, the system under which purchase orders, contracts, and other commitments for the expenditure of funds are recognized in the accounting system in order to reserve the portion of the applicable appropriation, is employed in the Governmental Fund types. Encumbrances that have not been liquidated are reported as reservations of fund balance since they do not constitute expenditures or liabilities. District policy requires that such amounts be re-appropriated in the following fiscal year.

Auditing

Tests are conducted to determine the adequacy of the internal control structure of the district and the effectiveness and efficiency of expenditures as well as for compliance with applicable laws and regulations. Examples of the types of audits performed include Internal Control Reviews, Expenditure and Revenue Audits, Account Balance Audits, Contract Audits, Systems Documentation, and Compliance Reviews.

Procurement

Procurement procedures and guidelines are developed and monitored to ensure purchasing and contracting compliance with all applicable statutory and legal requirements, Board of Education policy, good purchasing practice, and adherence to ethical standards. Also, the district seeks to improve participation by historically under utilized businesses. Specific policies and procedures related to procurement can be found in the *Finance Procedures Manual*, section 1300.

Budget Account Transfers

Transfer of campus discretionary funds requires principal approval for schools, and direct report or department head approval for central office budgets. The district restricts transfers between funds (or business areas) and within Special Revenue funds based on each particular grant's requirements. Transfers can be made between functions within the same fund (business area), and transfers can be made between objects within the same fund or business area. For more detailed information, consult the *Finance Procedures Manual*, section 500 located on the District's Website.

Budget Amendments

Budget amendments are handled in basically the same fashion as a budget transfer request. Approval is required by the principal for schools and by the appropriate direct report or department head for central office amendments.

Reporting System

HISD implemented the SAP (Systems Applications and Products) finance and accounting operation and control system in 1998, to further the automation of financial transactions, reduce transaction processing time and costs, and provide more timely, accurate information regarding those transactions. The information provided by the SAP system is designed to assist administrators in monitoring the financial condition of the district and evaluating the fiscal performance of the various budget units. Examples of information provided by SAP, include reports detailing the original annual budget allocations for schools and departments, the available budgets of all units, dynamic comparison of allocations to actual expenditures, purchase orders processed, but not yet received, records of fixed assets and inventories and budget transfers.

A *Comprehensive Annual Financial Report* is prepared to report the detailed results of district operations, and it includes statements and reports such as balance sheets for all funds, statements of revenue and expenditures, detailed explanation of different funds by function and major object, as well as miscellaneous statistical data in accordance with the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP).

School-Based Budget Development Process

For 2017-2018, principals will be responsible for taking into consideration recommendations from their school's PTA/PTO, employee representatives, their school community, business partners, and the school's Shared Decision-Making Committee.

The district has formulated a school-budgeting process that includes a weighted per-pupil allocation formula based on state student weights.

- Grade Level Allocation.
- Adjustments—Provides an adjustment for enrollment increases or decreases in the next school year, based on the school projections.
- Special Population—G/T, CATE, At-Risk, Multilingual, Homeless, and Refugee students receive additional weight in the resource allocation.

Central Budget Committee for the 2017-2018 Budget

The Superintendent's cabinet will review and rank all central office budget recommendations, including requests for increased funding. The Cabinet's responsibilities include the following:

- Review all central-office initiatives, activities, and general programs for possible elimination, combination with another department, decentralization, or restructuring
- Review and rank all new central-office recommendations for increased funding
- Rank all central-office requests for increases in the Capital Acquisition Program
- Submit ranked recommendations for increases to the Chief Financial Officer and the Superintendent of Schools.

Budget Monitoring

As budgeted funds are expended, periodic monitoring of the budget is conducted in accordance with responsible accounting as well as applicable laws and regulations. Each level of the district's organization is responsible for monitoring those budget items for which it is responsible. As the budget is prepared, spending plans are developed for use in budget monitoring. For example, as a principal and other resource planning group members develop a campus budget, the timing of planned expenditures is noted and documented. Thus, a principal and other district administrators have a tool to monitor expenditures during the fiscal year. The district accounting system normally generates expenditure and encumbrance information on a monthly basis. To review budget performance, this information is compared with campus spending plans by principals. Principals may in fact monitor budgetary performance on a transaction-by-transaction basis through access to the district's computerized accounting system, SAP. The HISD budget must also be submitted to TEA via the Public Education Information Management System (PEIMS) transmission process. TEA monitors for compliance at the district level only. This monitoring is a legal requirement to ensure mandatory expenditure levels in certain areas.

Similarly, district administrators monitor the entire district budget. The Chief Financial Officer and other district administrators use similar expenditure and encumbrance reports to monitor the budget compliance of programs and funds. Performance monitoring of the budget is also conducted regularly. This includes such items as comparing the planned effectiveness of educational programs with actual student achievement results, reviewing a particular department's effectiveness at using allocated resources to achieve specified results, and reviewing a school or department budget against standard ratios to monitor unusual expenditure patterns. This information is then periodically conveyed to the Board of Education, keeping the board apprised of issues that might affect the district's performance.

Evaluation

The last step in the budget process is evaluation, where performance data gathered in the monitoring phase are assembled and evaluated to determine individual units as well as overall-district performance for the fiscal year. This is usually accomplished in the summer as the budget for the next fiscal year is being developed. As the strategic management and planning methodology becomes more ingrained into HISD's culture, the performance data gathered will become more detailed and better aimed at the programs and processes that are most significant to the overall operational performance and will allow a better view of organizational performance over time.

The results of the evaluation phase in the budgeting cycle, output directly into the planning phase for the next budget year. The three main areas of evaluation include schools and programs, stakeholder satisfaction, and budgetary performance. Schools and programs are evaluated for student achievement using such tools and measures as STAAR (State of Texas Assessments of Academic Readiness) tests, the Stanford 10 norm-referenced exams, attendance rates, drop-out and graduation rates, SAT and ACT test results, etc. Stakeholder satisfaction is measured through questionnaires, survey instruments, and indirect measures such as voter approval rates of bond elections, etc. Budgetary performance evaluation includes measures such as budget-to-actual or budget-to-projected actual comparisons of revenue, expenditures, cash flow, fund balance, and staffing levels.

Periodic evaluation or performance reports are issued to inform both district officials and the public of campus and district performance. The annual budget document will continue to serve as a primary vehicle for delivering evaluation results of the previous fiscal year and illustrating the underlying reasons for new budget allocations.

General Fund Revenues and School Finance

In May 2017, the 85th Legislature increased public education funding by \$307.8 million for the 2018-2019 biennium. Recapture increases, property tax relief fund changes, statewide enrollment growth, Austin yield increase, available school fund additional transfer, tax effort and settle up changes resulted in net increases of \$5.8357 billion. There were decreases of \$5.5279 billion resulting from changes in district property values (DPV) funding, recapture increases, Additional State Aid for Tax Reduction (ASATR) Expiration and property tax relief fund reductions.

2017-2018 Tax Rate

In November 2012, voters approved a \$1.89 billion bond program which included an increase in the district's Interest & Sinking (I&S) tax rate to fund debt service. The District used a rate of \$0.1667 per \$100 valuation for the truth in taxation (TNT) calculations for 2017-2018, which reflects a \$0.0133 cent decrease for the I&S over the previous year.

The 2017-2018 Adopted Budget is based on a \$1.04 Maintenance & Operation (M&O) tax rate and a \$0.1667 Interest & Sinking (I&S) tax rate for a total tax rate of \$1.2067.

Prior Year Actuals

Prior year actual revenues and expenditures are reflected in the charts below.

General Fund Budget to Actuals Comparison

Revenues	Adopted Budget 2016-2017	Actual Revenues 2016-2017
General Fund	\$ 1,835,049,490	\$ 1,822,747,640

Appropriations	Adopted Budget 2016-2017	Actual Expenditures 2016-2017
General Fund	\$ 1,878,657,298	\$ 1,859,706,838

Actual revenues over the adopted budget are primarily due to increases in state aid from prior year property tax audits, higher current property tax collections than anticipated, and an adjustment to the accrual for property tax litigations.

Actual expenditures under the adopted budget are primarily due to unspent funds from district-wide salaries, campus and departmental funds, and utilities in descending order.

General Fund Revenues

The adopted budget reflects the allocation of revenues and appropriations to support educational programs and services defined by the district’s purpose, goals, strategic intent, and core values. Projected revenues for the 2017-2018 General Fund are \$1,941,049,968, which is a 5.78 percent increase over original 2016-2017 budgeted revenues. Revenues for the General Fund and other financing sources are primarily generated through local property taxes and state aid, but include other sources. A description of the methodology for calculating state formula revenue in detail is included in the Informational Section of this document.

General Fund Revenue Assumptions

The 2017-2018 state revenue projections are based on an estimated average daily attendance (ADA) of 194,728.832, or 268,971.603 based on a weighted average daily attendance (WADA).

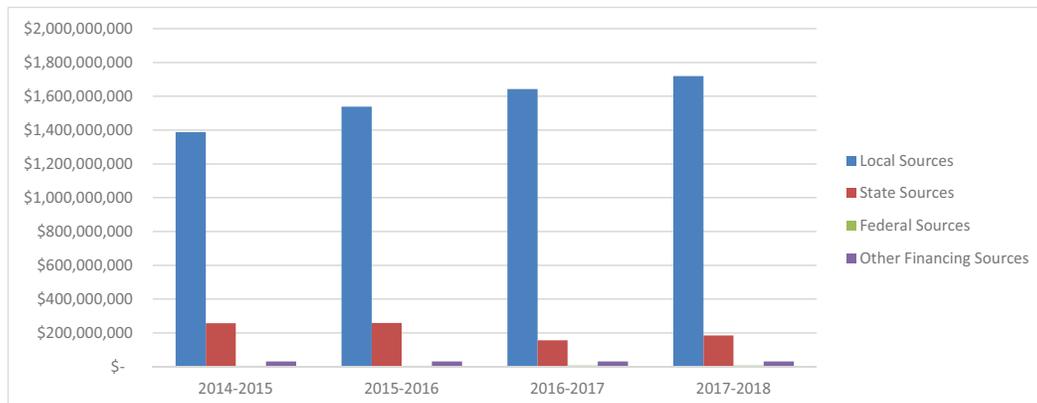
Property tax revenue is the district’s largest revenue source, comprising 87.21 percent of all budgeted revenues. HISD is projecting an increase in local funding from the 2017-2018 original budgeted property tax levy of \$76.81 million, a gain of state funding of \$28.97 million, and projected increase in other revenues (rentals, tuition, etc) of \$0.22 million for a net increase of \$106 million in revenues. This increase includes \$268.9 million in property taxes that will be collected but paid to the state through Chapter 41 Recapture.

Revenues percentages for the General Fund are generated from the following primary resources:

Total Revenue Sources for the General Fund

Revenue Sources	Adopted Budget 2014-2015	Adopted Budget 2015-2016	Adopted Budget 2016-2017	Adopted Budget 2017-2018
Local Sources	\$ 1,387,367,633	\$ 1,538,745,307	\$ 1,642,333,620	\$ 1,719,362,582
State Sources	257,893,223	259,237,111	156,065,246	185,036,762
Federal Sources	5,752,233	5,752,233	6,250,624	6,250,624
Other Financing Sources	30,400,000	30,400,000	30,400,000	30,400,000
Total General Fund Revenue	\$ 1,681,413,089	\$ 1,834,134,651	\$ 1,835,049,490	\$ 1,941,049,968

Revenue Sources by Year



The general fund revenue increase in local sources is primarily the result of increased market value of the property within the district, based on the district's 2017-2018 adopted Maintenance and Operations (M&O) tax rate. Even with maintaining the current rate for maintenance and operations, current property tax revenue is expected to increase and remain the district's largest revenue source, in the amount of \$1,692,735,681, or 87.21 percent of all General Fund Revenues. The district has experienced significant increases in its local tax roll values

Below is a chart of the district's roll values for the past 10 years:

Fiscal Year	Tax Roll Value	% Change
2008-2009	108,108,659,598	11.94%
2009-2010	109,064,369,708	0.88%
2010-2011	104,439,029,647	-4.24%
2011-2012	105,895,088,157	1.39%
2012-2013	111,568,771,772	5.36%
2013-2014	125,112,516,134	12.14%
2014-2015	139,580,407,554	11.56%
2015-2016	152,860,482,797	9.51%
2016-2017	165,970,503,045	8.58%
2017-2018	174,376,925,702	5.07%

Note: 2015-2016 and prior are from the HISD Comprehensive Annual Financial Report, 2016-2017 is the Certified Estimated value from the Harris County Appraisal District.

However, unlike many city and county tax rolls, HISD does not keep all of the increase in tax revenues generated. Under the state's funding formula, as local property tax values rise, the state reduces its share of public school formula funding revenue. In fact, the state share of formula revenue in HISD has decreased from a high of 33.9 percent in 2007-2008 to a low of -7.3 percent in 2017-2018, as HISD anticipates sending back more in Recapture payments than the district receives in state aid.

The revenue projections used for 2017-2018 are based off the certified estimated roll value that the district receives in April of each fiscal year. The district works with the Harris County Appraisal District (HCAD) early in the year, usually around February, to determine a starting point for tax revenue projections. These projections are used to build early estimates of the district's budget resources and help with the planning and ranking of programs in the upcoming years. The district has traditionally taken a conservative approach in early revenue and projections and in the past has been able to fund projects on a ranked planning list.

In the near-term, the district revenue projections are impacted by growth in property values, changes in student enrollment, and current state statute. District revenues are driven by local property taxes, and roll values are used to estimate revenues before the budget is adopted in June. In most cases, roll values increase as the year progresses, and the district does not need to make significant budget changes to address shortfalls during the middle of the budget cycle. Sudden declines in student population can impact the district's formula funding allotment, discussed in further detail in the Informational Section of this document, and per-student allocations budgeted at the school-level. Student population is monitored daily during September of each year, and the district responds immediately, preparing for allocation adjustments as necessary. The district then settles-up with campuses after the state's enrollment snapshot in October. The district's long-term revenue forecast is represented in more detail in the Informational Section of this document. This forecast makes several assumptions, estimating the future property tax roll values will grow between three and five percent annually.

Revenue is significantly influenced by state law. In 2016 the Texas Supreme Court ruled against a lawsuit filed by two-thirds of Texas school districts, challenging the state's school finance system. The Court found the current school finance system flawed but constitutional, and the future of the state's school finance system now rests

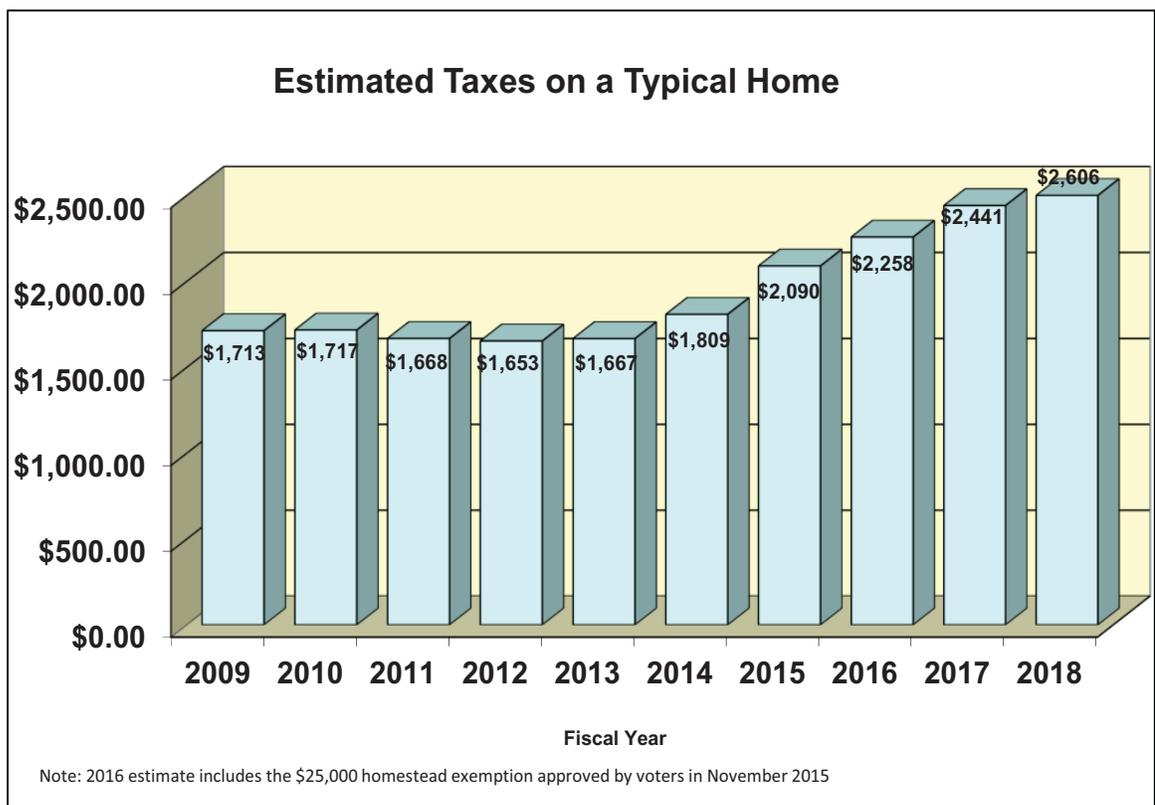
with the Texas Legislature. Without changes to state law, the district’s revenue forecast assumes the state’s school funding formula will continue to be calculated as articulated in current law, requiring the district to make increasing Recapture payments to the state in future years, resulting in revenue shortfalls. Revenue projections are further detailed in the Informational Section of this document.

HISD Local Tax Rolls and Estimated Taxes on a Typical Home

HISD’s estimated assessed value for the 2017-2018 fiscal year, per the HCAD certified estimated roll in April 2017, was \$173,509,378,808, compared to the certified estimated value in April 2016 of \$165,970,503,045 during the same period. These are not final tax roll numbers; however, these values are used for original budget projections. The 2017-2018 value used for the 2017-2018 Adopted Budget does not reflect the changes that occur through the tax year or represent a final roll value. For the typical homeowner, taxes to fund programs and services for the 2016-2017 fiscal year will increase an estimated \$165. The resulting increase does not take into account exemptions for homeowners over 65, disabled homeowners, or surviving spouses over age 55.

The \$1.2067 tax rate adopted by the Board of Education for 2017-2018 fiscal year did not change from the total tax rate of \$1.2067 adopted in 2016-2017. The tax rate increase assumes an average taxable value of a Houston-area home of \$215,984 in 2017-2018, and taxes on the average home of \$2,606.28. The tax bill in 2016-2017 for an average value home, \$202,291, was \$2,441.05. This average tax bill is calculated by taking the average market value, provided by HCAD, less a homestead exemption of \$25,000 approved by voters in 2015 and the 20 percent optional homestead exemption offered by the district, and excludes the additional exemptions for which homeowners may qualify.

The chart below illustrates the tax burden for the typical homeowner from 2009-2018, which has primarily increased as a result of property value growth.



2016-2017 Appropriations

Appropriations included in the recommended budget for the General Fund total \$2,096,294,796. Taking into account the projected unspent funds of \$30,000,000 at the end of the fiscal year and use of assigned fund balance, the adjusted appropriations total \$2,066,294,796. This balances to the district's total operating revenues.

The 2016-2017 carryover budget, adjusted for the recommended increases and decreases, resulted in an overall increase to the 2017-2018 budget of \$217,637,498 or 11.58 percent.

Increases/(decreases) to the General Fund budget include:

Major increases/(decreases) with offsetting revenues include:

- Tax Increment Reinvestment Zone (TIRZ) - \$3,088,780
- Campus and Charter School Budget Increases -\$6,692,019

Mandatory (Contractual or legally required) increases include:

- Health Insurance Employer Contribution -\$10,000,000
- Transfers out for North Forest Projects & Maintenance Notes -\$9,272,098
- Transportation Department increase - \$6,200,000
- Contractual obligations - \$3,626,091
- Custodial Department increase -\$2,732,917
- Harris County Appraisal District - \$713,124

Other major increases:

- Salary Increases - \$48,609,649
- Achieve 180 - \$15,826,388
- High School Literacy Empowered (Achieve 3000) - \$2,000,000
- Special Education testing materials - \$876,164
- Special Education nursing support - \$750,000
- Fine Arts Department - \$715,017
- Special Education Department Increase - \$590,610

Major decreases to the General Fund carryover budget include:

- Redirected Targeted Assistance funds to Achieve 180 - (\$3,000,000)
- Redirected Hard-to-staff Principal and Teacher stipends to Achieve 180 - (\$1,430,000)
- Power-Up reduction - (\$446,000)

One – Year Funding items

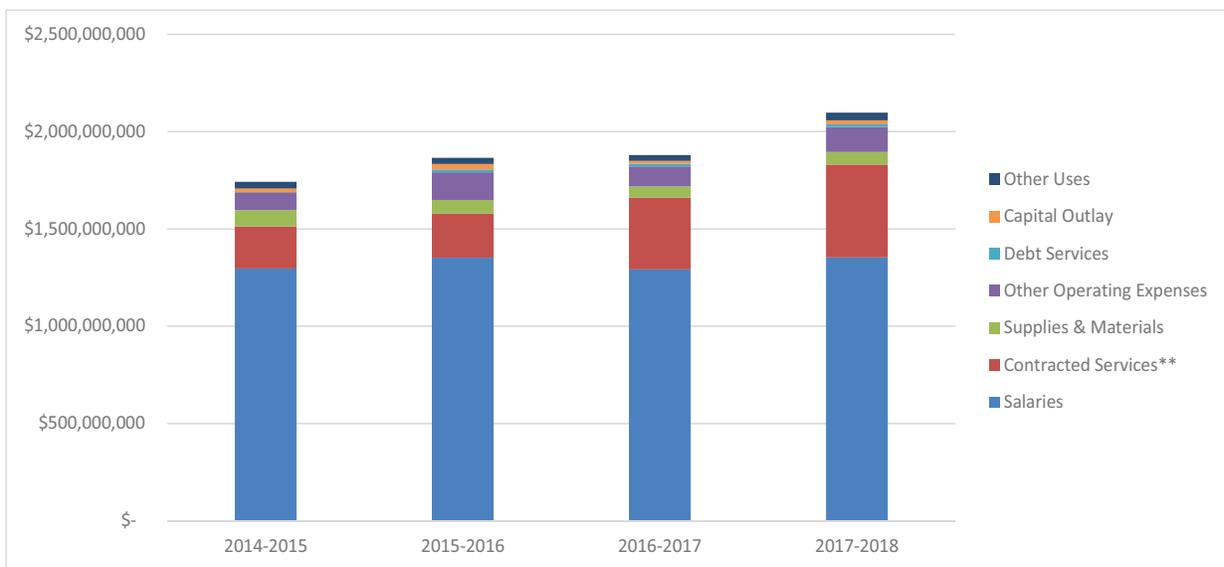
- High School Literacy Initiative for classroom Libraries - \$4,441,659

Below is a comparison of total General Fund expenditures, by object, for the fiscal years 2014-2015 to 2017-2018.

**General Fund Expenditure by Object
(Comparison of Total Expenditures of Current and Previously Adopted Budgets)**

Object	Adopted Budget 2014-2015	Adopted Budget 2015-2016	Adopted Budget 2016-2017	Adopted Budget 2017-2018
Salaries	\$ 1,295,836,295	\$ 1,350,908,210	\$ 1,290,357,960	\$ 1,352,289,472
Contracted Services**	216,258,923	225,704,130	368,274,910	477,823,873
Supplies & Materials	83,741,649	72,140,390	59,567,188	63,988,022
Other Operating Expenses	92,011,010	140,833,378	101,738,151	128,329,189
Debt Services	40,000	14,558,020	14,560,939	14,553,719
Capital Outlay	18,825,087	28,108,055	14,108,416	19,988,689
Other Uses	34,700,125	31,882,468	30,049,734	39,321,832
Total General Fund Expenditures	\$ 1,741,413,089	\$ 1,864,134,651	\$ 1,878,657,298	\$ 2,096,294,796

**Adopted Budgets by Major Objects
FY15 - FY18**



General Fund Reserve Adjustment

In accordance with Board Policy CA (Local), the Reserve for Operations account shall maintain a balance equal to five percent of the appropriations for the General Fund. Accordingly, board policy requires the district to set aside 5 percent of its General Fund budget as reserve for operations. The approval of this budget will require a shift of \$10,881,975 from the Unassigned Fund Balance to the Committed Fund Balance due to the increase in the General Fund budget.

General Fund Budget Distribution

On the next page is a chart representing where funds are budgeted within the district's organizational structure. HISD's organizational chart can be found in the Organizational Section of this document. Detail for each campus and department is located in the Informational Section. For a more detailed description of the departments and district-wide funds, see the Informational Section of this document.

2017-2018 Original Budget Report - General Operating Fund

	Payroll	Contracted Services	Supplies and Materials	Other Operating Costs	Debt Service	Capital Outlay	Other Uses	Total Allocation	Total Allocation % to Total
Schools	\$884,530,450	\$80,819,510	\$33,799,134	\$23,487,294	\$11,499	\$0	\$0	1,029,428,881	49.1%
Superintendent of Schools	\$486,117	\$2,050	\$2,500	\$3,170	\$0	\$0	\$0	\$493,837	0.0%
Chief of Staff	\$1,754,888	\$253,444	\$92,894	\$265,735	\$0	\$0	\$0	\$2,366,961	0.1%
Chief of Police	\$17,275,017	\$321,916	\$227,000	\$73,700	\$0	\$0	\$0	\$17,897,633	0.9%
General Counsel	\$2,055,401	\$3,407,020	\$36,200	\$39,230	\$0	\$0	\$0	\$5,544,166	0.3%
Chief Audit Executive	\$1,272,087	\$43,530	\$34,190	\$65,530	\$0	\$0	\$0	\$1,415,337	0.1%
Chief Academic Officer	\$125,554,988	\$9,808,073	\$8,223,955	\$1,210,144	\$0	\$0	\$0	\$146,112,431	7.0%
Chief School Offices	\$21,895,432	\$458,677	\$329,541	\$2,246,786	\$0	\$0	\$0	\$26,140,436	1.2%
Chief Student Support Officer	\$11,584,206	\$4,359,839	\$473,763	\$2,822,413	\$0	\$0	\$0	\$21,809,971	1.0%
Chief Communications Officer	\$2,783,911	\$280,613	\$35,263	\$42,025	\$0	\$0	\$0	\$3,142,854	0.1%
Chief Human Resources Officer	\$10,839,519	\$1,587,256	\$141,312	\$295,091	\$0	\$0	\$0	\$12,863,178	0.6%
Chief Financial Officer	\$8,820,307	\$482,839	\$95,022	\$135,255	\$0	\$0	\$0	\$9,533,973	0.5%
Chief Technology Information Officer	\$21,602,908	\$21,849,435	\$2,230,782	\$749,465	\$14,542,220	\$0	\$0	\$65,272,525	3.1%
Chief Operating Officer	\$126,787,522	\$21,491,446	\$18,138,516	\$1,491,130	\$0	\$0	\$0	\$168,332,217	8.0%
District-wide Schools	\$23,699,560	\$5,603,114	\$125,950	\$6,600	\$0	\$0	\$0	\$29,435,224	1.4%
District-wide Operating	\$91,347,159	\$331,035,349	\$2,000	\$91,415,383	\$0	\$39,321,832	\$39,321,832	\$556,505,172	26.5%
GRAND TOTAL	\$1,352,289,472	\$481,804,111	\$63,988,022	\$124,348,951	\$14,553,719	\$19,988,689	\$39,321,832	\$2,096,294,796	100.0%

Note: May not add to 100% due to rounding in each category

Other District Fund Appropriations

HISD operates three additional governmental funds:

The district adopted a **Debt Service Fund** budget of \$350,704,553 that provides for principal and interest payments for outstanding debt in accordance with generally accepted accounting principles for governmental entities.

All remaining unspent funds from the 2016-2017 **Capital Renovation Fund** budget will be carried forward into the 2017-2018 fiscal year to provide for costs for the construction and renovation of school sites in accordance with the district's 2007 Rebuild HISD Program and the 2012 HISD Bond.

The \$ 223,828,239 **Special Revenue Fund** budget provides for school-centered programs designed to support increased student achievement. The district continues to pursue additional dollars from non-traditional sources to support the educational delivery system. The primary sources of this fund is Title I, Title II, E-Rate, IDEA-B, and the Instructional Materials Allotment. Only awarded and known resources are presented in the adopted budget. The district will continue to make adjustments throughout the year as notice of grant awards and district carryover are approved.

HISD operates four Enterprise Funds:

The adopted **Nutrition Services Fund** budget is \$127,441,026 and reflects the ongoing activity of the nutrition services program. Revenue to support the nutrition service program is primarily derived from operating revenues from the sale of food products to the students and faculty of the district during breakfast and lunch. The nutrition service program also participates in the National School Breakfast and Lunch Program and state programs, which provide support in the form of cash and commodities.

The **Marketplace Fund** budget of \$1,101,541 accounts for the financial operation of the restaurant-style cafeteria on the first level of the Hattie Mae White (HMW) Educational Support Center.

The district has a very active **Medicaid Fund** that provides Medicaid claiming services to other school districts throughout the state. This fund has a total budget of \$37,974,088 of which \$7,974,088 is for operational expenses and \$30,000,000 which will be transferred to the General Fund for the support of the instructional program.

The **Business Development Fund** budget of \$5,069,812 is used to account for the financial operations of the District's Marketing Office.

HISD operates seven Internal Service Funds:

The **Health Insurance Fund** budget of \$154,125,623 accounting for the health insurance plan administered by the district.

The **Print Shop Fund** budget of \$8,761,906 accounting for the cost of printing, graphics, and mail services for the district.

The **Workers' Compensation Fund** has a budget of \$10,171,851 accounting for activities related to the district's workers' compensation program.

The **Alternative Certification Fund** has a budget of \$1,423,000 accounting for the recruiting, training, and supporting of qualified, degreed classroom professionals.

The **Athletics Fund** has a budget of \$7,626,757 accounting for the educational, social, moral and athletic skills of the student athlete in various sports, including football, basketball, track/field and soccer. The fund is also used to schedule athletic activities, transportation trips, game officials and to efficiently operate sports complex venues for HISD athletics competitions and events.

The **Special Education Shared Service Fund** has a budget of \$7,301,398 accounting for the Special Education evaluation and support services.

The **UIL (University Interscholastic League) Fund** has a budget of \$1,063,263 accounting for campus participation in UIL activities such as One-Act Play, Debate Cross-Examination, Marching Band, Concert Band, Choir, Orchestra, Solo-Ensemble, and Academics.

Below are charts representing the district's total revenues and appropriations in its various funds. District appropriations assume \$30 million in fall-out will be realized, and actual expenditures will be less than budgeted. Capital renovation revenues exclude bonds sold in prior years, and appropriations are estimated amounts to be spent during the year for capital projects.

Total Revenues				
Revenue Sources	Adopted Budget 2014-2015	Adopted Budget 2015-2016	Adopted Budget 2016-2017	Adopted Budget 2017-2018
Governmental Funds Types				
General Fund	\$ 1,681,413,089	\$ 1,834,134,651	\$ 1,835,049,490	\$ 1,941,049,968
Special Revenue Fund	209,132,458	214,165,530	184,618,276	223,828,239
Debt Service Fund	278,995,481	288,356,339	333,968,239	354,069,658
Capital Renovation Fund	38,505,312	39,993,000	672,235,000	35,282,500
Public Facilities Corporation			171,000	208,500
Total Governmental Fund Types	\$ 2,208,046,340	\$ 2,376,649,520	\$ 3,026,042,005	\$ 2,554,438,865
Internal Service Fund Types				
Health Insurance Fund	\$ 107,850,950	\$ 113,873,950	\$ 132,366,024	\$ 149,240,000
Workers' Compensation Fund	11,829,504	10,175,375	8,566,591	8,474,646
Athletics Fund	6,061,274	6,108,636	5,977,236	6,929,924
Print Shop Fund	4,389,883	7,992,382	8,454,036	8,689,894
Alternative Certification Fund	1,125,903	1,584,053	1,243,155	1,423,000
UIL Fund	942,271	981,482	1,049,469	1,050,404
Shared Services Fund	7,256,374	7,578,263	7,212,802	7,301,398
Total Internal Service Fund Types	\$ 139,456,159	\$ 148,294,141	\$ 164,869,313	\$ 183,109,266
Proprietary Fund Types				
Nutrition Services Fund	\$ 118,461,785	\$ 118,461,785	\$ 124,855,852	\$ 128,277,527
The Market Place	450,673	975,100	1,074,602	1,130,270
Medicaid Fund	18,675,603	28,972,573	30,340,010	30,712,683
Business Development Fund	5,162,044	5,112,730	5,222,996	5,181,276
Total Proprietary Fund Types	\$ 142,750,105	\$ 153,522,188	\$ 161,493,460	\$ 165,301,756
Total Revenues	\$ 2,490,252,604	\$ 2,678,465,849	\$ 3,352,404,778	\$ 2,902,849,887

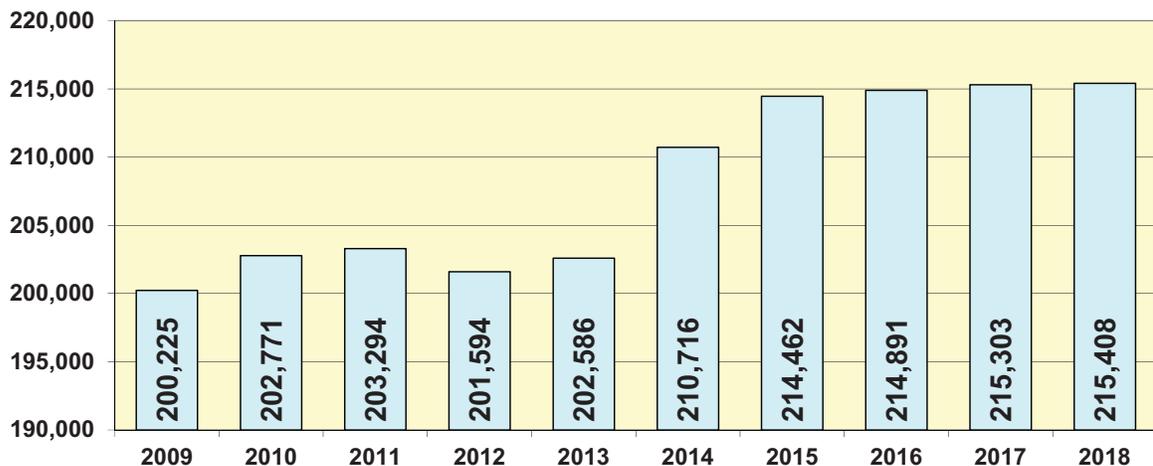
Total Appropriations				
Appropriations	Adopted Budget 2014-2015	Adopted Budget 2015-2016	Adopted Budget 2016-2017	Adopted Budget 2017-2018
Governmental Funds Types				
General Fund	\$ 1,741,413,089	\$ 1,864,134,651	\$ 1,878,657,298	\$ 2,096,294,796
Special Revenue Fund	209,132,458	214,165,530	184,618,276	223,828,239
Debt Service Fund	278,160,227	288,281,241	332,310,001	350,704,553
Capital Renovation Fund	162,646,844	512,868,881	514,437,018	557,440,234
Public Facilities Corporation	35,433	35,433	70,000,000	25,000,000
Total Governmental Fund Types	\$ 2,391,388,051	\$ 2,879,485,736	\$ 2,980,022,593	\$ 3,253,267,822
Internal Service Fund Types				
Health Insurance Fund	\$ 121,743,878	\$ 127,345,934	\$ 149,772,806	\$ 154,125,623
Workers' Compensation Fund	12,577,942	11,172,019	9,610,775	10,171,851
Athletics Fund	6,262,254	7,462,261	7,429,236	7,626,757
Print Shop Fund	4,389,883	8,391,219	8,419,734	8,761,906
Alternative Certification Fund	1,125,903	1,584,053	1,243,155	1,423,000
UIL Fund	942,271	981,482	1,023,418	1,063,263
Shared Services Fund	7,256,374	7,572,957	7,209,428	7,301,398
Total Internal Service Fund Types	\$ 154,298,505	\$ 164,509,925	\$ 184,708,552	\$ 190,473,798
Proprietary Fund Types				
Nutrition Services Fund	\$ 116,356,388	\$ 120,691,411	\$ 126,435,722	\$ 127,441,026
The Market Place	475,313	918,660	1,011,785	1,101,541
Business Development Fund	5,166,948	5,089,982	5,143,707	5,069,812
Medicaid Fund	35,801,583	38,757,180	39,705,770	37,974,088
Total Proprietary Fund Types	\$ 157,800,232	\$ 165,457,233	\$ 172,296,984	\$ 171,586,467
Total Appropriations	\$ 2,703,486,788	\$ 3,209,452,894	\$ 3,337,028,129	\$ 3,615,328,087

Demographics and Student Enrollment

The Houston Galveston Area Council (H-GAC) has a population of more than 6.6 million, making it the fourth largest metropolitan area in the country. Demographically and economically, the region has rapidly diversified, transforming the city to a cosmopolitan, international center of business and industry. Over the last decade, the population of H-GAC has experienced significant growth, despite volatility in the oil and gas industry. As a result, the district must be prepared to meet the challenges of educating an increasingly heterogeneous student population. In light of the recent growth of service-sector jobs in the Houston area and U.S. economy, students must be prepared for careers requiring advanced skills in mathematics, science, and technology, in addition to strong reading and writing skills.

The net effect of the growing population on HISD's student enrollment is difficult to ascertain, due to many complicating factors. In particular, the recent growth of state charter schools, private schools, and homeschooling, combined with central-city demographic shifts and economic conditions will mitigate the effect of the Houston metropolitan area's population increases, resulting in difficulty predicting the district's enrollment. Additional demographic information can be found in the Informational Section of this document, while a summary of district enrollment changes is presented below.

HISD Pupil Enrollment Trends



Personnel Allocation

The district continues to monitor staffing at all levels and finds ways to be more efficient. Central Office staffing levels are monitored closely and were extensively reviewed during the 2016-2017 budget development process to ensure the majority of district funds are directed toward classroom instruction and minimize the impact of necessary district budget cuts to schools. HISD consistently maintains an administrative cost ratio below state limits and peer districts, according to the Texas Schools Financial Integrity Rating System (FIRST).

The chart below illustrates the staffing for the district, representing the various types of positions from 2014-2018. As a result of the district's belief in site-based decision-making, principals have direct control over positions and employees listed in the campus category. Department positions include custodians, police officers, transportation employees, speech therapists, special education diagnosticians, special education teachers, and teacher aides who work at the campus-level, but who are managed and supervised by central office departments.

HISD - General Fund Position FTE's by Staff Types 2014 - 2018					
Category	2014	2015	2016	2017	2018
Assistant Supt / General Manager	52.80	51.40	55.80	53.80	56.01
Consultants, Specialists	379.59	411.01	437.11	420.96	433.01
Coordinators	666.07	693.34	597.06	568.06	550.08
Counselors, Psychologists, Social Workers	159.28	171.96	175.71	177.52	180.89
Deans	110.79	132.30	137.49	131.30	133.15
Directors	30.10	38.50	49.17	43.17	47.50
General Superintendent	1.00	1.00	1.00	1.00	1.00
Librarians	93.32	81.12	76.18	73.68	71.66
Maintenance/Custodial	1,944.00	1,938.00	1,887.00	1,883.00	1,921.30
Manager/Supervisors	403.50	440.89	451.67	430.67	431.91
Nurses	234.27	235.66	241.09	239.09	227.17
Other	15.00	40.00	39.00	39.00	35.00
Paraprofessional	1,546.77	1,564.83	1,712.80	1,666.00	1,682.93
Police	236.00	238.00	235.00	234.00	231.35
Principals and Assistant Principals	523.83	539.19	590.30	586.30	594.04
Professional	278.52	279.53	294.48	276.48	286.67
Supt. Direct Reports	16.50	18.50	16.50	14.50	13.50
Teacher Aides & Assistants	1,753.46	1,842.19	1,474.90	1,430.90	1,375.99
Teachers	11,071.47	11,319.02	12,281.27	11,770.35	11,330.85
Trainers	1.00	7.00	7.00	1.00	3.00
Total Staff:	19,517.27	20,043.44	20,760.53	20,040.78	19,607.01

HISD - General Fund Position FTE's by Staff Types 2014 - 2018					
Category	2014	2015	2016	2017	2018
Campus	13,788.08	14,198.72	14,426.26	14,303.66	13,854.83
Departmental	5,729.19	5,844.72	6,334.27	5,737.12	5,752.18
Total Staff:	19,517.27	20,043.44	20,760.53	20,040.78	19,607.02

Summary

New Superintendent Richard A. Carranza spent the first few months of the school year listening and learning about HISD. He visited many of the district's 287 schools and met with dozens of community partners, expressing his commitment to equity for all students and embracing the diversity of HISD. Carranza also shared his belief that education is not an expense but rather an investment in the future of the city, state, and country.

HISD places a strong emphasis on programs that help all students succeed, and literacy is at the top of that list. After the success of Literacy by 3, Literacy in the Middle was launched to boost the reading skills of middle school students. A combination of new books for classroom libraries and training for teachers on how to utilize them proved to be a winning combination. Next year the district will implement Literacy Empowered, a literacy

plan for high schools.

Making sure that students are bilingual and biliterate is vitally important as well, and HISD's growing dual language programs are ensuring that district students become Global Graduates in the truest sense. They must be able to lead and communicate, think critically, and make decisions; they must be adaptable and productive; and they must be able to understand and succeed in the world around them.

School funding and the issue of recapture was and will continue to be a challenge for the district. HISD recognizes that these challenges will require the district to assess the effectiveness of its current programs, initiatives, and staffing in an effort to align appropriations with expected revenue.

Some of the key accomplishments during the 2016-2017 school year are highlighted below.

AWARDS AND RECOGNITION

HISD Educators Receive Awards

Cecilia Gonzales of Lyons Elementary was named Elementary Principal of the Year, and Keeley Simpson of West Briar Middle School was named Secondary Principal of the Year. Margaret Jernberg, a special education teacher at Parker Elementary School, was named Elementary Teacher of the Year. Nicole Walker, an AP English teacher at Mickey Leland College Preparatory Academy for Young Men, was named Secondary Teacher of the Year. Additionally, Ketelsen Elementary School fifth-grade teacher Janet Rodarte was named 2016-17 Bilingual Teacher of the Year by the Houston Area Association for Bilingual Educators.

HISD Schools Recognized For Excellence on Local and National Levels

Furr High School was the winner of a five-year, \$10 million grant awarded by the XQ Institute, beating out thousands of other schools who applied from across the nation. Lovett and Oak Forest elementary schools were named 2016 National Blue Ribbon Schools by the U.S. Department of Education. The schools were among just 329 schools nationwide and 26 public schools in Texas to receive this honor. Several high schools were featured in the U.S. News & World Report Best High School rankings: Carnegie Vanguard High School was ranked the eighth-best high school in the nation, and DeBakey High School for Health Professions and Challenge Early College High School were ranked in the top 100. The Washington Post's 2017 list of America's Most Challenging High Schools featured eight HISD schools in the top 100, led by Mickey Leland College Preparatory Academy for Young Men in the No. 2 slot.

Children at Risk named DeBakey No. 1 in its annual rankings for the seventh straight year, and four other HISD schools were in the top 10: Challenge Early College High School, High School for the Performing and Visual Arts, Eastwood Academy, and Carnegie Vanguard High School. Lanier Middle School ranked No. 2 among middle schools. Other HISD schools in the top 20 were T.H. Rogers and Project Chrysalis at the middle school level, and River Oaks and Horn Academy at the elementary level. Baylor College of Medicine at Ryan, Energy Institute High School, and Parker Elementary School received 2017 National Merit awards from Magnet Schools of America, the national association for magnet and theme-based schools. Additionally, 48 HISD schools earned a spot on the 2016 Texas Honor Roll by Educational Results Partnership. Fifteen schools were declared winners of the district's "We Khan Do It" Challenge, which challenged schools to compete for the most students using Khan Academy to prepare for the school-day SAT test. Madison High School won top honors at the Offshore Technology Conference Energy Challenge.

STUDENT ACHIEVEMENTS

HISD Students Recognized for Excellence

Four HISD students earned a perfect score on the ACT college entrance exam: one student from Lamar High School and three students from Carnegie Vanguard High School. An HSPVA student was one of 161 across the nation to be named a 2017 U.S. Presidential Scholar, one of the highest honors for a high school student.

HISD Students' Test Scores on the Rise

There was an increase in both SAT and PSAT scores on the 2015 college-entrance exams. HISD graduating seniors' overall reading and math scores rose more than state and national scores, which showed slight decreases in all subjects. The increase coincides with an increase in the number of students taking the SAT, which has more than doubled in the past six years, largely because of the decision in 2011 to allow all high school juniors to take the SAT for free on their home campuses during regular school hours. Students also receive free access to the College Board's online SAT test preparation materials. As a result, more HISD students than ever are scoring at the college-ready level in all three subject areas and across all racial and ethnic groups. The percentage of students who scored at or above the benchmark score of college readiness on the PSAT also has risen.

HISD fourth- and eighth-graders outperformed their peers across the nation in math, according to results from the National Assessment of Educational Progress. Math results also show that HISD students in both grades outperformed their national counterparts in all subgroups, which means white, African-American and Hispanic students are doing better than their respective peers across the country. Known as the nation's report card, NAEP analyzes fourth- and eighth-grade student performance in reading and math by testing a representative sample of students. In HISD, about 3,200 students—half from fourth grade and half from eighth grade—from 116 schools took the test in 2015.

COLLEGE AND CAREER READINESS

EMERGE

The EMERGE program prepares high-performing HISD students from underserved communities to apply to, attend, and graduate from selective colleges and universities across the nation. EMERGE serves more than 900 students across 47 high schools in grades 10 to 12. Those in the program benefit from extensive programming, individualized support, and tailored resources. EMERGE program managers work closely with students and their families to ensure student success in the college-application process, as well as throughout college. Since its inception in 2011, 615 students have graduated from the EMERGE program and attend or have attended 103 institutions across the nation. In fall 2016, HISD and EMERGE sent 250 scholars to four-year colleges and universities, an increase of 86 students from fall 2015. The EMERGE Class of 2017 received \$28 million in scholarships, and 100 percent of applicants were accepted.

More HISD Students Applying to College and FAFSA

The number of seniors applying to college rose to 8,304 this year. The number who applied through Apply Texas to a four-year college was 5,843, while 4,397 applied to a two-year college in Texas. The number of students who applied to college using the CommonApp was 1,175 (mostly to four-year institutions), while 174 applied directly to a community college, one of the Historically Black Colleges and Universities, military academies, or other type of institution. The number of seniors who applied for financial aid was 6,486, with 6,197 submitting to FAFSA and 289 submitting to TASFA.

Senior Scholarship Offers Continue to Rise

Scholarship offers to graduating seniors continue to rise every year and were up to \$387 million this year from \$314 million last year. Hispanic students have seen the most growth in scholarship dollars awarded, with a 474% increase since 2007.

DISTRICT MILESTONES

Achieve 180

The Achieve 180 initiative is a research-based action plan to support, strengthen, and empower underserved and underperforming HISD feeder pattern communities to increase student achievement. By providing a package of essential leadership, instructional, social and emotional, and community supports for our historically underserved and underperforming feeder patterns and school communities, then our schools will be equipped to accelerate preparation of our students to fulfill the qualities and characteristics of the HISD Global Graduate profile.

The Global Graduate

HISD truly is a global district in a global city. That's why we work hard to ensure our students graduate ready for the world—possessing the characteristics they need to be successful in college and compete in today's global workforce. With the help of community and business partners, as well as leaders from Houston's largest industries and institutes of higher education, HISD developed the Global Graduate profile. The profile includes six characteristics or qualities that we want all students to develop during their time in elementary, middle, and high school. The HISD Global Graduate is a leader, a skilled communicator, a responsible decision-maker, a critical thinker, a college-ready learner, and an adaptable and productive member of a global society.

The Global Teacher

HISD's ability to produce Global Graduates is dependent on our ability to develop teachers with the skills they need to be effective. To guide us in our work to support, develop, evaluate, and hire effective teachers, HISD created a teacher profile similar to the Global Graduate profile. Teachers must provide students access to personalized learning opportunities that allow them to develop the skills needed to succeed. Our teachers should be data-driven, lifelong learners, literacy developers, personalized learning architects, social and emotional learning facilitators, and deeper-learning cultivators.

The Global Leader

In an effort to transform tier-one instruction that will lead to the development of Global Graduates, HISD has created a leader profile as well. HISD is committed to ensuring that our principals have the resources, professional development, and support needed to develop certain competencies. Every school must be led by an effective principal who creates an instructional-learning environment that allows students to develop the skills needed to compete in today's global economy. Leaders should be visionary, data-driven, culture developers, leadership-team managers, instructional planners, able to observe teachers consistently, and able to give feedback that empowers faculty and staff to improve their craft.

Global Programs and Initiatives

The Arabic Immersion Magnet School opened in August 2015 with pre-K and kindergarten classes, and another grade will be added each year. The first of its kind in the nation, the school had a stellar inaugural year and saw its application pool grow for the 2017-2018 school year. The Mandarin Immersion Magnet School begins the 2016-2017 school year in a brand-new building. In 2016-2017, HISD opened the new Mark White Elementary School to house the French Immersion Program, the first public school program of its kind in Texas.

Dual Language and International Baccalaureate

Dual language programs continue to grow, bringing the total number of schools offering the program to 51 elementary schools, six middle schools, and two high schools. Students take core instruction in both English and Spanish, which promotes biculturalism through consistent exposure to customs, traditions, and unique traits of other nations and people. Another global program offered in HISD schools is the International Baccalaureate, which offers challenging educational programs for students ages 3 to 19 that help develop their intellectual, personal, emotional, and social skills to live, learn, and work in a rapidly globalizing world. The number of HISD schools that offer IB has grown to 14 elementary schools, five middle schools, and five high schools.

HIPPY Program Continues to Expand

Nearly 600 families participated in the free Home Instruction for Parents of Preschool Youngsters (HIPPY) during the 2015-2016 school year. This was the first year of the program under the five-year, \$5.8 million Texas Home Visiting Program grant, which will help to expand HIPPY into the Sunnyside, Third Ward, South Park, and Hiram Clarke communities.

Arts Access Initiative

HISD provided creative learning experiences to schools through the innovative Arts Access Initiative, and that number has grown to 44 schools. In four years, the arts and cultural coalition has served thousands of HISD students, providing them with creative learning experiences. To become global learners, students need to develop four basic skills—critical thinking, communication skills, collaboration skills, and creativity.

Recruitment and Staffing Strategies Yield Better-Staffed Schools

The district hired 1,770 teachers for the 2016-2017 school year; 316 returned to the district, and 300 were internal teacher promotions. As of August 31, 2016, HISD had extended offers to 99 percent of job postings to fill teacher vacancies. Sixty-three percent of new teachers were hired in advance of July 1, 2016, the same as the previous year's hiring season. HISD had an increase of its campus-instructional retention rate to 86.2 percent for the 2015-2016 school year, up from 85.6 percent for the previous year.

Teach Forward Houston

HISD and the University of Houston (UH) joined forces to offer a new teacher-preparation program with the goal of bringing HISD's brightest students back into the classroom to teach after college graduation. Through the Teach Forward Houston fellowship program, the first cohort of 50 HISD seniors enrolled at UH College of Education to pursue a degree in education. Eleven of those students made the Dean's List in February 2017 with an average GPA of at least 3.5. In exchange for a commitment to teach for four years in HISD, the district is supplementing their financial aid and scholarship packages to ensure that 100 percent of their tuition is paid over all four years. It guarantees that in the future, many HISD elementary and middle school classrooms will be staffed with talented, highly effective teachers who are driven by personal experience to make a positive impact on HISD students.

Literacy in the Middle

HISD expanded the successful Literacy By 3 program to include Literacy in the Middle, a three-year plan to increase literacy in middle schools. Before the start of the 2016-2017 school year, HISD middle schools received \$4.6 million in books for classroom libraries in all core subjects, not just English and reading. ELA and reading classrooms received an average of 360 books per classroom, social studies classrooms received 100 books, science classrooms received 75 books, and math classrooms received 45 books. They also received relevant monthly magazines, and teachers had access to tool kits to assist them in planning effective reading instruction. Middle school teachers were trained in administering four key components of literacy: read alouds, small-group instruction, independent reading, and writing instruction.

Thousands of HISD Students Benefit From 'Learning Link' with Houston Public Library

In support of literacy, HISD and the Houston Public Library launched a program in which every HISD student has access to library resources at school and home through a virtual library card known as the Learning Link. It is accessed through the HUB, HISD's online teaching and learning platform. Students can use a laptop, tablet, or smart phone to access more than one million books, e-books, magazines, and research materials, as well as online resources and complimentary Wi-Fi. All HISD students are automatically enrolled in the program and can use their student ID as their library account number to access these resources.

Books Between Kids Donates One Million Books to HISD students

Since 2013, Books Between Kids has been providing new and gently used books to HISD elementary school students. The number of schools that have benefitted grew to 69 this year, with the one-millionth book presented to a student at Piney Point ES in May. The founders of Books Between Kids began the nonprofit when they realized that many low-income students do not have books at home. The organization relies on volunteers and community and corporate partners to collect, sort, and deliver books to HISD students.

Read Houston Read and Real Men Read Help HISD Students Become More Literate

This year 670 volunteers participated in the Read Houston Read program to help first- and second-graders improve their literacy skills. Since the program began, more than 920 students have benefited from volunteers who read to them once a week. Real Men Read is a mentoring program in which men volunteer to read to a third-, fifth-, or seventh-grader for at least one hour per month. At the end of that hour, the student gets to keep the book for their home library. Scholastic is a partner in the program, providing the free books to students.

TECHNOLOGY

Social Media Audience Grows Across District

Since July 2015, the number of district Twitter followers has risen to 106,451 from 38,649, an increase of 175 percent. Over the same period, the number of Facebook likes has risen to 26,148 from 11,159, an increase of 134 percent. The Office of Communications continues to offer support to schools to maximize their social media presence and website effectiveness in order to better connect with their communities.

PowerUp GO Student Landing Page

As part of PowerUp, the initiative to transform teaching and learning by providing laptops to all 65,000 HISD high school students 24/7 during the school year, the district launched PowerUp GO at the beginning of the 2016-2017 school year. When students log in to their computer, they are taken to a student landing page called PowerUp GO. Designed with young adults in mind, the website has content written specifically for high school students, including information on scholarships, college readiness, career readiness, digital resources, a district calendar, job information, and much more. The site is constantly updated to keep students engaged.

HISD and Code.org Partnership Continues

Thanks to a partnership with Code.org, HISD launched a comprehensive computer science/coding initiative in all schools this past year, the first year in a three-year program. The newest CollegeBoard course, AP Computer Science Principles, was offered in Cohort 3 high schools, introducing students to foundational concepts of computer science. Cohort 3 middle schools offered computer science in algebra and science, allowing students to explore concepts while simultaneously engaging in coding activities. Cohort 3 elementary schools offered Computer Science Fundamentals, 20-lesson courses that may be implemented as one unit or over the course of a semester. Also in support of coding, HISD celebrated Computer Science Education Week with 12 Days of Code in December, during which a new coding experience was offered on each of 12 days, allowing students to participate in coding activities that encourage computational thinking.

School Websites Updated to New Mobile-Friendly Template

All of HISD's 287 school websites have been updated to a new mobile-friendly template that can be viewed on everything from mobile phones to tablets, providing consistency and helping parents access resources on the go. With larger photographs and a more organized presentation of news, important dates, and resources, the websites help portray HISD as a unified team.

Bond Construction

HISD's bond program, which was approved by voters in 2012, calls for the renovation or rebuilding of 40 schools across the district. Active construction is currently underway on roughly three dozen projects — more activity than at any other time in district history. The 2016-2017 school year began with the opening of six new schools: Condit Elementary, Mark White Elementary, and Mandarin Immersion Magnet schools; North Houston and South early college high schools; and (non-bond) Fonwood Early Childhood Center.

In addition, Worthing High School started the year by opening its new two-story classroom wing, the first phase of the plan to rebuild Worthing. Waltrip High School also opened several newly renovated areas to students, including the main entryway, band hall, first- and second-floor classrooms, offices, and career and technology education space. In quarters one and two of 2017, Sterling Aviation High School, Delmar Fieldhouse, and De-Bakey High School for Health Professions opened to students. Nearly half of the schools in the bond program were complete and open to students by the end of summer 2017. Once all work is finished, the district will have one of the most modern portfolios of urban high schools in the country. Bond projects scheduled to open to students for the 2017-2018 school year include Milby, Furr, Wisdom, Kashmere, and Waltrip high schools; Mickey Leland College Preparatory Academy; and Sharpstown International School.



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Superintendent of Schools



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