

2012-2013
ADOPTED DISTRICT BUDGET

INTRODUCTORY SECTION

HOUSTON INDEPENDENT SCHOOL DISTRICT



November 15, 2012

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 2012-2013 school year was a ten-month process and began with an analysis of the actual cost of operations for departments, district-wide accounts, and the identification of direct programs and services provided to the schools that were contained in those budgets. The objective was to identify areas that had a direct impact on instructional versus administrative costs. This analysis provided the Board of Education and the general public with information of how funds are earmarked to be allocated and expended in the district's budget.

The development, review, and consideration of the 2012-2013 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 detailed scrutiny of revenue and expenditure accounts.

The Board of Education and this administration have tackled the challenges of providing budgets focused on providing the children of this district with the highest level of academic services. This recommended budget includes a \$20 million salary package, the first in two years. Additionally, there are a number of programs that were funded from Title I in the 2011-2012, however due to funding cuts were recommended to be provided for in the General Fund. The programs and initiatives were considered important to the district's instructional programs. In anticipation of a 2012-2013 budget deficit, the district set aside in 2011-2012, \$18.4 million from funding freed up by receipt of the EduJobs Grant. These one-time funds were used to offset the projected deficit for 2012-2013. The administration also recommended the reduction of the transfer-out to the debt service fund by \$17 million and the use of \$8.9 million of fund balance in order to achieve a balanced budget.

Introduction

In keeping with the goals adopted by the board of education as outlined in the Declaration of Beliefs and Visions, both human and financial resources are allocated in the budget. Budget planning for 2012-2013 has been a ten-month process, which included a zero-based budget review of all administrative support departments, district-wide accounts and a reduction to the campus resource allocation. The recommended budget thus reflects the allocation of revenues and appropriations in support of educational programs and services defined by the district's purpose, goals, strategic intent, and core values. It is a delicate balance of choices, which weighs the educational needs of students and the ability of the community and the state to provide the necessary financial support to serve them.

The development, review, and consideration of the 2012-2013 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 examination of revenue and expenditure accounts. The Financial section contains the budgets for the General Fund, the Debt Service Fund and the Food Service Fund, which, by Texas law, must be approved by the Board of Education. Although all other operating funds do

not require Board approval, they are also being presented in the Financial Section.

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 report, the 2012-2013 District Budget, comprises ten sections:

- Awards and Acknowledgements
- Introductory Section
- Board and Superintendent Section
- Organizational Section
- Financial Section
- Capital Renovation Section
- Informational Section
- Schools Section
- Departments Section
- Supplemental 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) and the Distinguished Budget Presentation Award for the Government Finance Officers Association (GFOA). To receive these awards, 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 both programs. We are submitting this document to ASBO and the GFOA to determine its continued eligibility for these awards. These awards represent the highest level of recognition in budgeting for school entities. Their attainment represents a significant accomplishment by a school entity and its management. The awards are awarded 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 presentation of their district's financial and operational plan.

HISD's budget document has been awarded the Distinguished Budget Presentation Award by the GFOA annually since the 1992-1993 fiscal year. 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 2012-2013 fiscal year. The material in the budget document also includes information that has been suggested by the Board, patrons, community members, and staff.

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. It 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.

Purpose of the Houston Independent School District

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.

Core Initiatives

- Effective Teacher in Every Classroom
- Effective Principal in Every School
- Rigorous Instructional Standards and Supports
- Data-Driven Accountability
- Culture of Trust Through Action

Goals

- Increase Student Achievement
- Improve Human Capital

- Provide a Safe Environment
- Increase Management Efficiency
- Improve Public Support and Confidence in Schools
- Create a Positive District Culture

Core Values

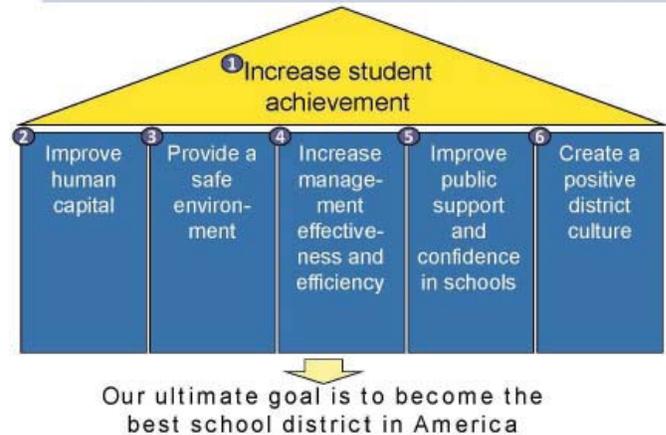
- Safety Above All Else
- Student Learning is the Main Thing
- Focus on Results and Excellence
- Parents as Partners
- Common Decency
- Human Capital

Budget Presentation

The budget process is comprised of seven phases:

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

HISD has developed a clear set of goals linked to the Board's Beliefs



The preparation of the budget commenced in October with the development of management plans for schools and departments. This process included the forecast of student enrollments for the 2012-2013 fiscal year, analysis of the impact of laws passed by the U.S. Congress, and recommendations from schools, parents, staff, patrons, and friends of the district. The enrollment forecast provides the assumption on which allocations for building budgets are formulated and staff resources are based.

School Finance

In January 2011, the State of Texas announced an estimated \$28 billion dollar deficit for the 2012-2013 biennium. The portion of that deficit budget reduction ultimately allocated to public education was \$5.4 billion (\$4 billion in general revenues and \$1.4 billion in grants). For HISD, the district's reduction was \$78 million for the 2011-2012 fiscal year and an additional \$47.1 million for the 2012-2013 fiscal year. In addition to the reduction in state funding, the district needed to account for fixed cost increases related to contractual obligations and other mandatory costs of \$7.9 million to be added to the budget, thereby increasing the estimated deficit to \$55.1 million.

In 2006-2007, the Board of Education approved an increase to the maintenance and operating (M&O) rate by \$.04 while decreasing the Debt Service rate by \$.04. The local taxes earned from the increase of the \$.04 M&O rate were transferred back to the Debt Service Fund for payment of the district's debt. In addition to the local tax revenue generated from the increased tax rate, HISD generated state funding which was transferred to the Capital Projects Fund for the district's Pay-As-You-Go capital program. The 2012-2013 recommended budget is based on a \$1.0067 M&O tax rate, which is the same rate as prior year, inclusive of the four pennies previously authorized for enrichment. This will generate the necessary funding that will be transferred to the Capital Projects Fund to fulfill the district's \$15 million contribution to the district's Pay-As-You-Go capital program.

General Fund Revenues

Projected revenues and other financing sources for the 2012-2013 General Fund are estimated at \$1,497,057,338, which is a 3.55-percent decrease over original budgeted revenues for 2011-2012. Revenues for the General Fund and other financing sources are generated from the following primary resources:

The 2012-2013 state revenue projections are based on an estimated average daily attendance (ADA) of 182,244 students or 246,998 based on a weighted average daily attendance (adjusted for the state funding cuts).

The district will continue to receive \$11,693,736 for high-school improvement. The Texas Education Agency (TEA) classifies the high-school funding as designated funding, thus requiring it to be accounted for separately within the General Fund.

In addition to those funds, the district also records a \$63,600,000 recognition of the state's contribution for teacher retirement on behalf of all TRS eligible employees in the district.

Even with maintaining the current rate, current property tax revenue is the district's largest revenue source in the amount of \$1,059,711,675 or 70.79 percent of all General Fund Revenues.

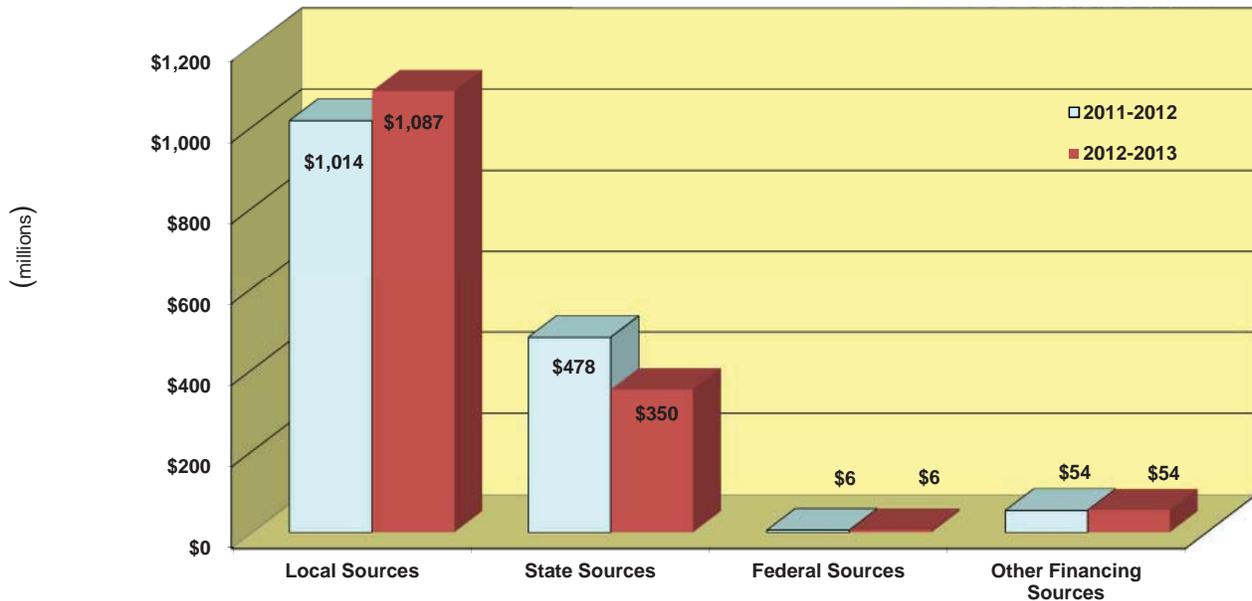
Total Revenue Percentages for the General Fund

Revenue Sources	Adopted Budget 2011-2012	Adopted Budget 2012-2013	% Change
Local Sources	\$ 1,014,450,347	\$ 1,086,948,252	7.15%
State Sources	478,249,121	349,810,817	-26.86%
Federal Sources	5,523,000	5,837,719	5.70%
Other Financing Sources	53,900,000	54,460,550	1.04%
Total General Fund Revenue	\$ 1,552,122,468	\$ 1,497,057,338	-3.55%

Total Revenue Percentages for the General Fund

Revenue Sources	Adopted Budget 2011-2012	Adopted Budget 2012-2013
Local Sources	65.36%	72.60%
State Sources	30.81%	23.37%
Federal Sources	0.36%	0.39%
Other Financing Sources	3.47%	3.64%
Total General Fund Revenue	100.00%	100.00%

Total General Fund Revenues 2011-2012 and 2012-2013



2012-2013 Appropriations

Appropriations included in the recommended budget for the General Fund total \$1,579,484,586. Taking into account the projected unspent funds at the end of the fiscal year, the adjusted appropriations total \$1,524,484,586. The remaining deficit of \$27,427,248 will be paid from the General Fund Unassigned Fund Balance (\$18,490,403 from carryover of unspent EduJobs funding and \$8,936,845 from prior year's unassigned fund balance).

The 2011-2012 carryover budget adjusted for the recommended increases and decreases resulted in an overall increase to the 2012-2013 budget of \$4,339,213 or .028 percent.

Major increases to the General Fund budget include:

- Salary Package including benefits - \$20,000,000
- Restoration of the PUA funding cut for 2011-2012 - \$18,490,403
- Utilities - \$5,931,877
- Property Insurance - \$3,300,000
- Workers Compensation - \$3,147,506
- Transfer of Title I Programs to General Fund - \$1,222,765
- Technology Maintenance Contracts - \$977,825
- School Offices Reconfiguration - \$682,100

Major decreases to the General Fund carryover budget include:

- Transfer to Other Funds - \$9,139,450

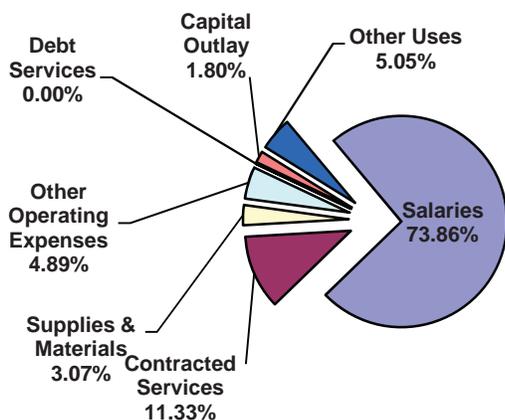
- Reduction to Capital Outlay - \$9,000,000
- Health & Unemployment Insurance - \$7,066,916
- ASPIRE - \$5,000,000
- Reduction to Per Unit Allocations – Special Populations - \$5,492,214
- Unique PUA - \$2,457,277
- Student Engagement Department - \$825,000
- Consolidation of Administrative offices - \$615,000
- Reduction of Temporary Buildings - \$600,000

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

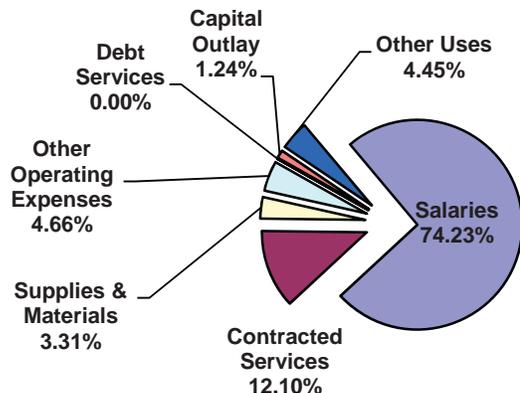
Object	Adopted Budget 2011-2012	Adopted Budget 2012-2013	% Change
Salaries	\$ 1,163,398,348	\$ 1,172,436,103	0.78%
Contracted Services	178,535,014	191,194,700	7.09%
Supplies & Materials	48,295,068	52,284,052	8.26%
Other Operating Expenses	77,032,741	73,553,387	-4.52%
Debt Services	42,826	-	-100.00%
Capital Outlay	28,343,333	19,657,751	-30.64%
Other Uses	79,498,043	70,358,593	-11.50%
Total General Fund Expenditures	\$ 1,575,145,373	\$ 1,579,484,586	0.28%

*Note: 2011-2012 has \$57,826,307 of SFSF funds transferred back into the General Operating fund. This is not new funding, but a change in the accounting of those funds from a Special Revenue fund back to the General Fund.

General Fund Expenditures by Object 2012



General Fund Expenditures by Object 2013



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 \$216,961 from the Unassigned fund balance to the Committed fund balance due to the increase in the General Fund budget.

Other District Funds

The district has a **Debt Service Fund** budget of \$256,897,050 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 2011-2012 **Capital Renovation Fund** budget will be carried over to provide for costs for the construction and renovation of school sites in accordance with the district's Rebuild HISD Program. New sources for 2012-2013, are primarily attributable to earnings on investments and funds from the City of Houston as part of the tax increment zone agreements. The district is also proposing a bond referendum on the November, 2012 ballot discussed in more detail in the Capital Renovation Section.

The **Food Service Fund** budget of \$112,992,645 reflects ongoing activity of the food service program. Revenue to support the food service program is principally derived from operating revenues from the sale of food products to the students and faculty of the district during breakfast and lunch. The food 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 \$214,180,532 **Special Revenue Fund** budget for 2012-2013 is to provide 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 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 \$41,003,992, of which \$3,143,442 is for operations and \$37,860,550 will be transferred to the General Fund for the support of the instructional program.

HISD operates seven internal service funds:

The **Health Insurance Fund** budget of \$99,097,734 accounting for the health insurance plan administered by the district.

The **Print Shop Fund** budget of \$4,106,007 accounting for the cost of printing, graphics, and mail services for the district.

The **Workers' Compensation Fund** has a budget of \$13,759,095 accounting for risk financing activities of the workers' compensation program.

The **Alternative Certification Fund** has a budget of \$981,694 accounting for the recruiting, training, and supporting of qualified, degreed classroom professionals.

The **Athletics Fund** has a budget of \$6,098,809 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 \$6,925,888 accounting for the Special Education evaluation and support services..

The **UIL (University Interscholastic League) Fund** has a budget of \$962,256 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.

On the next page are charts representing the district's appropriations in its various funds.

Total Budgets for All Governmental Funds

Fund	Adopted Budget 2011-2012	Adopted Budget 2012-2013	% Change
General Fund	\$ 1,575,145,373	\$ 1,579,484,586	0.28%
Debt Service Fund	217,046,088	256,897,050	18.36%
Special Revenue Fund	278,566,808	214,180,532	-23.11%
Capital Renovation Fund	261,893,544	112,038,544	-57.22%
Public Facilities Corporation	24,000,000	6,048,756	-74.80%
Total Governmental Funds	\$ 2,356,651,813	\$ 2,168,649,468	-7.98%

Total Budgets for Internal Service Funds

Fund	Adopted Budget 2011-2012	Adopted Budget 2012-2013	% Change
Health Insurance Fund	\$ 123,202,508	\$ 99,097,734	-19.57%
Workers' Compensation Fund	15,001,039	13,759,095	-8.28%
Speical Education Shared Services	5,838,574	6,925,888	18.62%
Athletics Fund	6,324,955	6,098,809	-3.58%
Print Shop Fund	3,992,696	4,106,007	2.84%
Alternative Certification Fund	855,185	981,694	14.79%
UIL	643,830	962,256	49.46%
Total Internal Service Funds	\$ 155,858,787	\$ 131,931,483	-15.35%

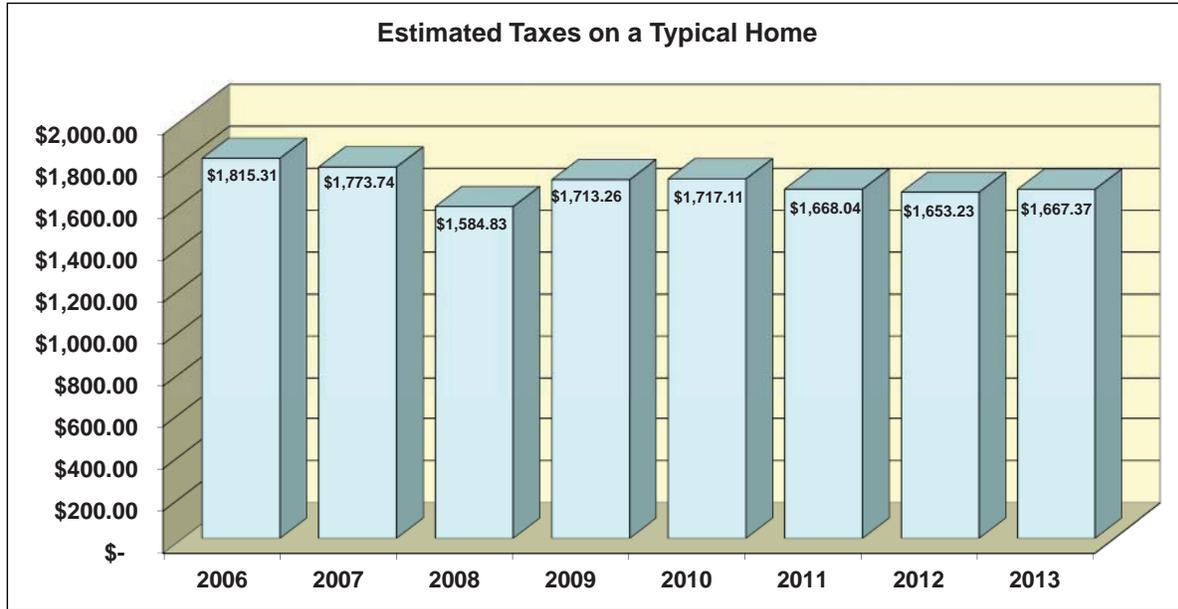
Total Budgets for Enterprise Funds

Fund	Adopted Budget 2011-2012	Adopted Budget 2012-2013	% Change
Food Service Fund	111,298,337	112,992,645	1.52%
The Marketplace	536,459	509,104	-5.10%
Business Development Fund	10,310,778	11,783,000	14.28%
Medicaid Fund	23,101,319	41,003,992	77.50%
Total Enterprise Funds	\$ 145,246,893	\$ 166,288,741	14.49%

HISD Local Tax Rolls and Estimated Taxes on a Typical Home

HISD's total estimated assessed value for the 2012-2013 fiscal year per the HCAD Certified Estimated roll in May, 2012 was \$110,151,525,367 compared to the estimated assessed value in 2011-2012 of \$103,970,026,590 during the same period. These are not final tax roll numbers, these are the values used for original budget projections. The 2011-2012 value is what was used for the the 2011-2012 adopted budget and doesn't reflect the changes that happened throughout the tax year or represent a final number. For the typical homeowner, taxes to fund programs and services for the 2012-2013 fiscal year will increase by an estimated \$14.14. Even though the district's tax rate remained the same, \$1.1567, local property values did increase. This is based on an average taxable value of \$144,149 for a Houston-area home in 2012-2013 and \$142,926 in 2011-2012 and the same tax rate of \$1.1567 for 2011-2012 and 2012-2013. The tax bill in 2011-2012 for a \$142,926 home was \$1,653.23 and the tax bill in 2012-2013 for the same home (now \$144,149) will be \$1,667.37. The tax bill is calculated by taking the average market value (provided by HCAD) less a homestead exemption of \$15,000 and the 20% optional homestead exemption offered by the district to get the taxable value. The tax bill represented does not include exemptions such as those over 65, disabled, surviving spouse over 55, or any other exemptions.

The chart below illustrates the tax burden for a typical homeowner from 2006-2013.



General Fund Budget Distribution

Below is a chart representing where funds are budgeted within the district's organizational structure. The organizational chart can be found in the Organizational Section. The detail for each campus is located in the Schools Section and the individual departments are located in the Departmental Section. For a more detailed

2012-2013 Original Budget Report - General Operating Fund

	Payroll	Contracted Services	Supplies and Materials	Other Operating Costs	Capital Outlay	Other Uses	Total Allocation	Total Allocation % to Total
SCHOOLS	\$680,338,209	\$71,447,710	\$32,272,715	\$4,766,896	\$7,043,320	\$0	\$795,868,850	50.5%
GENERAL ADMINISTRATION	\$2,792,162	\$136,519	\$65,586	\$84,008	\$0	\$0	\$3,078,275	0.2%
CHIEF OF STAFF	\$817,333	\$732,800	\$23,950	\$191,953	\$0	\$0	\$1,766,036	0.1%
CHIEF ACADEMIC OFFICER	\$98,009,087	\$7,365,816	\$979,909	\$692,525	\$0	\$0	\$107,047,337	6.8%
OFFICE OF SCHOOL SUPPORT	\$15,969,269	\$2,336,910	\$295,858	\$44,923	\$0	\$0	\$18,646,960	1.2%
CHIEF COMMUNICATIONS OFFICER	\$3,612,146	\$439,008	\$52,023	\$52,198	\$0	\$0	\$4,155,375	0.3%
CHIEF HUMAN RESOURCES OFFICER	\$4,880,350	\$536,841	\$106,028	\$352,608	\$0	\$0	\$5,875,827	0.4%
CHIEF FINANCIAL OFFICER	\$6,869,168	\$278,092	\$102,365	\$63,200	\$0	\$0	\$7,312,825	0.5%
CHIEF TECHNOLOGY OFFICER	\$16,150,342	\$11,378,314	\$1,764,085	\$234,380	\$2,140	\$0	\$29,529,261	1.9%
CHIEF OPERATING OFFICER	\$100,588,776	\$16,321,856	\$16,583,033	\$835,685	\$0	\$0	\$134,329,350	8.5%
DISTRICT-WIDE BENEFITS	\$182,378,881	\$0	\$0	\$0	\$0	\$0	\$182,378,881	11.6%
DISTRICT-WIDE OPERATING SERVICES	\$0	\$77,496,679	\$38,500	\$58,615,530	\$0	\$70,358,593	\$206,509,302	13.1%
DISTRICT-WIDE SCHOOL SERVICES	\$60,030,380	\$2,724,155	\$0	\$7,619,481	\$12,612,291	\$0	\$82,986,307	5.3%
GRAND TOTAL	\$1,172,436,103	\$191,194,700	\$52,284,052	\$73,553,387	\$19,657,751	\$70,358,593	1,579,484,586	100.0%

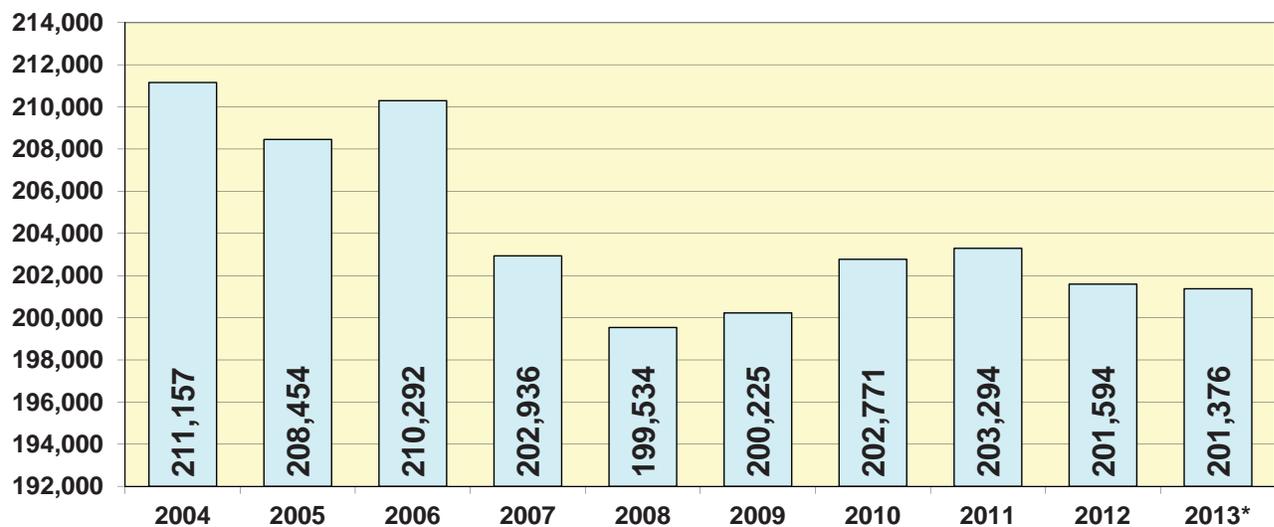
Note: May not add to 100% due to rounding in each category

description of the departments and the district-wide funds see the Departments Section.

Demographics and Student Enrollment

The Houston PMSA (primary metropolitan statistical area) has a population of more than 5.3 million, making it the fourth largest metropolitan area in the country. Demographically and economically, the region has rapidly diversified, transforming from a medium-sized oil town to a cosmopolitan, international center of business and industry. The population of the area has been increasingly growing. In Houston, personal income fell approximately 4.9% from \$45,835 in 2008 to \$43,568 in 2009. However, since 2009, per capita income has increased by an average of 3.5%. Many non-English speaking families are moving into the area seeking jobs. 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, these children must be prepared for careers requiring high-level skills in mathematics, science, and technology, in addition to solid 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 home schooling, combined with central-city demographic shifts, and economic conditions will mitigate the effect of the Houston metropolitan area's population increases - causing district enrollment to be difficult to predict. The district has seen increasing enrollment for several years and has also begun to see some declining growth over the past couple of years. For 2012-2013 the district expects relatively flat enrollment. Future years are shown in more detail in the Information

HISD Pupil Enrollment Trends



*Projected by the Office of Budgeting and Financial Planning

Section of this document.

Personnel Allocation

The district continues to monitor staffing at all levels and find ways to be more efficient. The Central Office level is monitored closely to ensure the majority of funds are directed toward classroom instruction. The chart below illustrates the staffing for the district. Principals have direct control over positions and employees listed in the Campus category. Departmental positions include such staffing as custodians, police officers, transportation employees, speech therapists, special education diagnosticians, special education teachers and teacher aids who work at campuses, but are supervised by a department.

Below is a chart representing the various types of positions from 2009 to 2013.

HISD - General Fund Position FTE's by Staff Types 2009 - 2013					
Category	2009	2010	2011	2012	2013
Campus	13,554.02	13,420.11	13,450.94	12,587.41	12,915.16
Departmental	6,426.00	6,115.17	5,402.58	5,408.70	5,403.07
Total Staff	19,980.02	19,535.28	18,853.52	17,996.11	18,318.23

HISD - General Fund Position FTE's by Staff Types 2009 - 2013					
Category	2009	2010	2011	2012	2013
Assistant Supt / General Manager	19.00	45.00	45.00	47.49	49.00
Consultants, Specialists	791.62	567.91	512.71	492.93	501.42
Coordinators	713.44	1,174.73	1,063.21	912.17	935.17
Counselors, Psychologists, Social Worke	301.35	284.64	269.23	203.66	202.16
Deans	84.49	96.49	94.98	87.09	101.09
Directors	47.00	34.00	23.00	29.00	31.00
General Superintendent	1.00	1.00	1.00	1.00	1.00
Librarians	163.09	161.69	156.44	104.20	110.70
Maintenance/Custodial	2,076.50	2,102.50	2,013.00	2,036.00	2,023.00
Manager / Supervisors	620.16	622.27	550.80	541.74	527.74
Nurses	275.86	273.54	270.60	231.85	242.55
Other	17.49	14.49	14.00	14.00	14.00
Paraprofessional	2,955.76	2,611.50	2,450.22	2,268.84	2,307.84
Police	232.00	226.00	165.00	209.00	211.50
Principals and Assistant Principals	569.49	559.96	528.98	505.07	520.07
Professional	214.50	228.10	261.28	422.69	443.69
Regional Superintendent	5.00	4.00	0.00	0.00	0.00
School Secretary	1.00	0.00	0.00	0.00	0.00
Supt. Direct Reports	9.00	12.00	11.00	11.00	13.00
Teacher Aides & Assistants	1,813.66	1,764.09	1,765.40	1,622.90	1,616.90
Teachers	12,555.22	12,548.45	12,118.14	11,003.39	11,163.63
Trainers	25.49	10.00	9.00	9.00	9.00
Total Staff	23,492.12	23,342.36	22,322.99	20,753.02	21,024.46

May not add to 100% due to rounding

Under Strategic Direction, HISD Makes Significant Gains

HISD is making significant gains in improving the education of all students in HISD, regardless of economic status. Under the Strategic Direction, which consists of five core initiatives to propel the district forward, HISD is making measurable progress. From 2010 to 2012, hundreds more students have scored 500 or higher in each subject on the SAT. There was a 45% increase from 2009 to 2012 in those who scored a 3 or higher on AP exams (passing is receiving a 3 or higher on a 5-point scale). The district's dropout rate is at an all-time low, and its graduation rate is at an all-time high. In addition, the Class of 2012 earned a record \$180 million in scholarships. And as a Broad Prize finalist, the Class of 2013 will receive \$150,000 in scholarship money.

The Strategic Direction brings all the district's goals into alignment and identifies five core initiatives that will guide improvement efforts for years to come.

1. Effective Teacher in Every Classroom
2. Effective Principal in Every School

3. Rigorous Instructional Standards and Supports
4. Data-Driven Accountability
5. Culture of Trust through Action

Here is a look at some of the district's key accomplishments under the framework of the core initiatives.

Core Initiative 1: Effective Teacher in Every Classroom

Teachers Receiving Regular Feedback, Dedicated Support

In May 2011, HISD's Board of Education approved a new teacher appraisal and development system, followed by a statement by Secretary of Education Arne Duncan that "Houston is providing a model for other districts and states to follow." Just one year later, all 11,000 teachers are receiving regular feedback about their instruction and dedicated support from a revamped professional development department. Under the new system, all teachers must be appraised based on a minimum of two 30-minute observations and two 10-minute walkthroughs conducted yearly by their appraisers using standardized protocols for observations and walkthroughs. Teachers and appraisers also meet three times yearly to discuss a teacher's performance and development goals. To date, all teachers received a summative appraisal rating for the 2011-12 school year comprised of two components – a teacher's instructional practice and professionalism using standardized rubrics. Beginning in the 2012-13 school year, student performance will comprise 50 percent of each teacher's summative appraisal rating. Multiple measures of student performance are used, with a specific emphasis on student growth.

Unwavering Focus on Advanced Placement (AP), College Readiness

HISD significantly increased professional development for AP teachers, requiring pre-AP training for all middle school teachers and College Board week-long training at least once every three years for all AP teachers. Regular professional development was also provided throughout the year, with a focus on strategies for the diverse learner. HISD created AP Saturdays, designed to create a professional learning community among AP teachers and across disciplines. Facilitators from the College Board, as well as highly effective AP teachers, conduct workshops and participants share best practices. Incentives such as laptops and the opportunity to attend AP conferences are provided. HISD also implemented the AP Mentor Program to help new and struggling AP teachers, where they learned strategies to address the needs of English language learners and at-risk students.

Focus on Earlier Hiring Timeline, Streamlined Process

Many practices have been put in place to support an earlier hiring timeline, including early notification of intent to retire/resign, early contracts, earlier timelines for in-district teacher transfers, projected vacancy listings developed during spring staff review, and district buyouts. As a result, principals were able to identify vacancies much earlier this year, resulting in 582 completed in-district transfers, 650 new teachers hired, and 125 Teach for America recruits hired to-date in preparation for the coming school year. The Strategic Staffing Initiative provides targeted support to 26 schools that have traditionally been difficult to staff. These schools have been provided early access to candidates, recruitment incentives, and professional learning related to interview strategies, marketing, and support for new teachers.

Core Initiative 2 Effective Principal in Every School

School Leader Appraisal System Rolled Out

HISD has developed a new school leader appraisal system that enables principals and their supervisors to identify and reach a common understanding of principals' individual needs for development and seek the proper coaching and support. HISD partnered with Mid-Continent Research for Education and Learning (McREL) to tailor their research-based Balanced Leadership Framework into a set of 21 responsibilities that define effective school leadership in HISD. Like the teacher appraisal and development system, the school leader appraisal system will include three conferences and regular opportunities for feedback. A set of campus measures will also be phased into this appraisal system such that principals are also held accountable for their school's value-added growth scores, dropout rates, and other critical indicators of school success.

School Leadership Academy Concludes First Cohort

HISD Leadership Development engaged new and emerging school leaders' in research-based, Socratic-style seminars. In keeping with the "grow your own" philosophy and model, the School Leadership Academy (SLA) concluded its first cohort, culminating with a summer field experience with members working to assist with summer school planning, execution and completion. In addition to the cohort members already hired into positions during the school year, six members of the cohort have been accepted into the AP/Dean Pipeline and are currently interviewing for open positions in the district.

Also over this period, the University of Saint Thomas (UST) Master of Business Education Administration (MBEA) inaugural cohort completed the first semester of business coursework. Two discussion panels were convened to talk about the importance of marketing in public education to increase enrollment and shared what district leadership looks for in an effective principal. In cohort three of the Principal's Alternative Certification Program (PACE), 11 cohort members were promoted to dean or assistant principal. There were 70 applicants for the program who went through a rigorous selection process aligned to the assistant principal pipeline requirements. Eight were accepted for PACE cohort three.

Principals and Their Teams Attend Summer Leadership Institute

The Summer Leadership Institute focused on curriculum, instruction, assessment and data-driven accountability. The district unveiled the district's Data Coaching Model that connects the Teacher Appraisal and Development (A&D), principal appraisal and School Improvement Planning (SIP) processes. Going forward, new and aspiring administrators will participate in a four-week, intensive institute. This intensive series of leadership development workshops will focus on instructional leadership, key business management practices and strategic positioning.

Core Initiative 3: Rigorous Instructional Standards and Supports

Student Achievement Recognized at National Level

The district posted significant gains in student achievement and college readiness. And those gains are being recognized at a national level. HISD was one of four urban school districts across the country nominated for the 2012 Broad Prize for Urban Education, which is considered the Nobel Prize of education on the national level. The district was selected from among 75 eligible school systems based on its HISD's steady gains in graduation rates among African-American and Hispanic students; increased participation rates for African-American and Hispanic students on SAT, ACT, and Advanced Placement exams; and notable gains on math and science state assessments among Hispanic middle and high school students.

HISD Students Surpass Peers on National Exams

Houston ISD students are surpassing their peers on national exams, outscoring or matching students across the country on the Stanford and Aprenda exams in reading, math, science, and language. Forty-seven percent of HISD students exceeded the national average on a fifth tested subject, social science. Closer to home, HISD campuses are meeting tougher state accountability standards, with 59 percent achieving the top ratings of "recognized" or "exemplary."

Continued Focus on College Readiness

In 2012, HISD students took 23,227 AP exams, double the number of AP exams taken in 2009. Students scored a 3 or higher on 7,106 AP exams (passing is receiving a 3 or higher on a 5 point scale), a 45 percent increase from 2009. The number of AP exams taken by African American and Hispanic students more than doubled during the past four years from nearly 1,700 to over 4,300 and from nearly 5,000 to over 12,000, respectively. Their performance has not suffered even with this significant increase in participation rates. The number of exams taken by African American students earning a qualifying score has increased by 98 percent and by 93 percent for Hispanic students over the past four years. The significant increase in AP achievement coincides directly with the launch of a strategic initiative in 2009. HISD forged a historic partnership with the College Board, launching a combination of successful strategies to raise expectations, develop teachers, increase access to

AP, and allocate significant human and financial resources to close the gap.

Literacy Plan Unveiled

HISD unveiled a literacy plan, which included guiding principles, instructional components, measures of success and community outreach activities; in short, “literacy” needs to be explicitly taught. The instructional components, in priority order, are curriculum and instruction, leadership, assessment, support for families and communities and sustainability. Currently there is a section on the website for parents to understand “when” students need to learn “what.”

Graduation Rate at Historic High; Dropout Rate at Historic Low

More students are graduating on time and fewer students are dropping out of school. This is the fourth year in a row that HISD has seen improvement in these numbers, and they are the best they have been since Texas implemented its new accountability system. The district is helping struggling students earn diplomas through online course credits in computer labs, known as Grad Labs, located in every high school in the district. For the 2011-2012 school year, 11,000 courses were completed in Grad Labs. The district’s Twilight schools, which are open during non-traditional hours for working students, also helped students complete nearly 550 courses.

High Schools Offer AP Courses

HISD required all high schools to offer at least 15 AP courses. Courses are offered in traditional classroom settings, as well as online. HISD also created a new College and Career Readiness department to ensure system-wide coordination of efforts and dedicated staff positions to focus on teacher training and recruiting and preparing students for AP. HISD required students in AP and IB courses to take the corresponding exams and the district paid for the exams beginning in the 2009-2010 school year.

Free SAT Testing

All 11th-grade students in HISD Title I campuses were given the opportunity to take the SAT college entrance exam free of charge during the school day at their home campuses. Only two other school districts in the nation have gone this far to ensure that all students are ready to apply for college acceptance once they graduate.

HISD Campuses Named Top Schools in Advocacy Group’s Rankings

HISD boasts the eight-county region’s top three elementary, middle, and high schools, according to the 2012 Texas Public School Rankings issued by Children at Risk. The rankings include schools from 58 school districts, plus charter schools. The results mark HISD’s strongest showing since the non-profit child advocacy and research organization began issuing the rankings in 2006. Half of the region’s top 10 elementary, middle and high schools for 2012 are HISD campuses. For the third year in a row, HISD’s DeBaKey High School for Health Professions earned the No. 1 spot, T. H. Rogers (K-8) took the No. 1 spot on the middle school list for the second straight year, and also earned the No. 1 spot on the elementary school list after coming in fourth in 2011.

Core Initiative 4: Data-Driven Accountability

Data Warehouse and Principal Dashboard

Steady progress has been made toward transforming data from disparate source systems into the district’s data warehouse. A prototype of the Principal Dashboard is being developed and will be reviewed by a focus group of principals and other school officers prior to piloting. The second phase of network upgrades has been completed to provide better management of user identities and have begun the process of migrating to the latest supported network platform. The IT Service Desk has completed the first round of implementation of the new help desk ticket tracking tool to improve service delivery for our schools.

Development of Web-based Tools

The first wave of 20 e-Rate schools is close to completion with the installation of network equipment, wireless, servers and cabling. Technology network surveys of 146 out of 194 e-Rate schools have been completed. Additionally, work has been completed for the development of two web-based tools (Student Performance and Feedback & Development Tools) to support tracking of student learning goals and performance data as well as feedback and development for teacher appraisals. Collecting and analyzing End-of-Year (EOY) appraisal data is being done for all employee groups such as those in central office, campus-based instructional roles and non-instructional personnel.

Core Initiative 5: Culture of Trust through Action

Unprecedented Use of Social Media, Two-Way Communication Channels

HISD launched a positive shift in integrated communications and community engagement, elevating the use of multimedia and social media and promoting an increase in multilingual, two-way communication with stakeholders. HISD's website, which was redesigned to increase ease of use, has experienced growth in traffic and social media interaction. The district routinely reports out on progress and seeks input from African-American, Hispanic and Asian advisory committees. The district's presence on Spanish radio and television has increased. Since 2011, the district's efforts have been recognized with 43 national, regional, and state awards for communications, graphics and printing, social media, partnerships and special events, marketing, and branding.

Terry B. Grier, Ed.D.
Superintendent of Schools



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