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 2015-2016 school year was a seven-month process. The budget development process consisted of a modified zero-based process by which more detailed proposals on expenditure requests were required of central support services. The 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 and help to improve the process started in 2014-2015 on program reviews for effectiveness.

HISD is projecting an increase in local funding from the 2014-2015 original budgeted property tax levy of $141.3 million, a loss of state funding of $3 million, and projected increase in revenues from other sources of $4.4 million for a net increase of $152.7 in revenues. This includes the loss of one-time funding for TRS payroll contribution of $12.9 million and one-time pre-kindergarten funding of $1.1 million. The additional increased funding received by the district is one-time in that if property values do not increase at the same rate in 2015-2016 the district will lose state funding as the funding formula catches up to the district and becomes subject to recapture.

The development, review, and consideration of the 2015-2016 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 contains the budgets for the General Fund, the Debt Service Fund and the Nutrition Services Fund, which by Texas law, must be approved by function by the Board of Education. While all other operating funds do not require Board approval, they are being presented as Other Supplementary Information.

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 2015-2016 District Budget, comprises ten sections:

- Awards and Acknowledgement
- 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 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’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 2015-2016 fiscal year. The material in the budget document also includes information that has been suggested by the Board, 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.

**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.

**Goals**

- Increase Student Achievement
- Improve Human Capital
- Provide a Safe Environment
- Increase Management Effectiveness and Efficiency
- Improve Public Support and Confidence in Schools
- Create a Positive District Culture

**To achieve these goals, the district has adopted the following initiatives:**

**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

**Core Values**

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

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

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Our ultimate goal is to become the best school district in America

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2015-2016 Adopted Budget Executive Summary
Budget Presentation

The budget process is comprised of seven phases:

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

The preparation of the budget commenced in November 2014 with the development of management plans for schools and departments. This process included the forecast of student enrollments for the 2015-2016 fiscal year, analysis of the impact of laws passed by the U.S. Congress and 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.

General Fund Revenues and School Finance

The district’s General Fund is funded primarily between local property taxes and state revenue. Through the state’s funding formula, a school district receives a basic allotment for each student with weights added to that allotment if the student receives additional services such as special education, at-risk (state compensatory education) bilingual, gifted and talented, and career and technology. The district also receives other funds on top of student generated funding such as the high school allotment, staff allotment, and transportation.

Under the current funding system the district has a hold harmless level called target revenue. With this system the district is guaranteed a minimum amount of revenue per Weighted Average Daily Attendance (WADA), between property taxes and state aid. If the district’s revenue falls below this minimum then the state makes up the difference through Available State Aid for Tax Reduction (ASATR). In 2014-2015 the district no longer qualified for this supplemental funding because the increase in property tax roll values generated enough local funding that the state no longer had to make up any funding shortfalls. This does benefit the district by allowing the district to keep local revenue above the target revenue level. However, in 2015-2016 the district became a Chapter 41 district. Chapter 41 requires that if a district’s wealth per student exceeds an amount set in statute then the district ends up keeping a reduced portion of their local property taxes as wealth per student increases. State Funding and Chapter 41 is discussed in more detail in the Informational Section of this document.

In May 2015, the 84th Texas Legislature put $1.2 billion back into Public Education for the 2015-2016 biennium. Related to the Basic Allotment, $860 million related to The Austin Yield, and a $1.2 billion increase in the state mandated homestead exemption for a total of $3.26 billion in these areas.

The Legislature put the funds back in through several changes to the funding formula.

1. The basic allotment was increased from $5,040 to $5,140 in 2015-2016 and 2016-2017. This basic amount is the base amount generated by every student in HISD.

2. The Equalized Wealth Level was changed from $504,000 to $514,000 for 2015-2016 and 2016-2017. This is the level at which a district becomes subject to Chapter 41 (“Robin Hood”) and must send a portion of local property tax revenue to the state.

3. The Tier II (Austin Yield) increased to $74.28 in 2015-16 and $77.53 in 2016-2017. This funding is generated
by $.04 pennies of the district’s tax rate approved in 2006-2007.
4. The state mandated local homestead exemption was increased from $15,000 to $25,000. This item must be
approved via a constitutional amendment on the November 3, 2015 ballot before it becomes law.

2015-2016 Tax Rate
In 2006-2007, the Board of Education approved an increase to the maintenance and operating (M&O) rate by
$.04 to allow the district to generate Tier II (Austin Yield) funding for enrichment. The district at the same time
committed $15 million of the Tier II funds to the district’s Pay-As-You-Go capital program. Any additional Tier II
funding above the $15 million is used in the general fund for other district programs and initiatives.
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 of $.01 cent. However, due to a local tax roll growth of 9.57 percent, the district
does not need to raise the rate this time. The district used a rate of $.17 for the truth in taxation (TNT) calculations
for 2015-2016, which is the same rate as the previous year. The increase in local values allow the district to fulfill
the debt payments related to the bond issuance without having to increase the tax rate in 2015-2016.
The 2015-2016 Adopted Budget is based on a $1.0267 Maintenance & Operation (M&O) tax rate and a $.17
Interest & Sinking (I&S) tax rate for a total of $1.1967, which is the same as the previous year.

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 and other financing sources for the 2015-2016 General Fund are estimated at
$1,834,134,651, a 9.08 percent increase over original budgeted revenues for 2014-2015. Revenues
for the General Fund and other financing sources are generated from the following primary resources:
The 2015-2016 state revenue projections are based on an estimated average daily attendance (ADA)
of 194,549.071 students or 269,367.675 based on a weighted average daily attendance (WADA).

General Fund Revenue Assumptions
Property tax revenue is the district’s largest revenue source of the Local Sources which comprise 83.9% of all
budgeted General Fund revenues. A description of the formula for calculating state formula revenue in detail is
included in the Informational Section of this document.

Total Revenue Sources for the General Fund

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>Adopted Budget 2014-2015</th>
<th>Adopted Budget 2015-2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Sources</td>
<td>$1,387,367,633</td>
<td>$1,538,745,307</td>
<td>10.91%</td>
</tr>
<tr>
<td>State Sources</td>
<td>257,893,223</td>
<td>259,237,111</td>
<td>0.52%</td>
</tr>
<tr>
<td>Federal Sources</td>
<td>5,752,233</td>
<td>5,752,233</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>30,400,000</td>
<td>30,400,000</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total General Fund Revenue</strong></td>
<td><strong>$1,681,413,089</strong></td>
<td><strong>$1,834,134,651</strong></td>
<td><strong>9.08%</strong></td>
</tr>
</tbody>
</table>

Total Revenue Percentages for the General Fund

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>Adopted Budget 2014-2015</th>
<th>Adopted Budget 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Sources</td>
<td>82.51%</td>
<td>83.90%</td>
</tr>
<tr>
<td>State Sources</td>
<td>15.34%</td>
<td>14.13%</td>
</tr>
<tr>
<td>Federal Sources</td>
<td>0.34%</td>
<td>0.31%</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>1.81%</td>
<td>1.66%</td>
</tr>
<tr>
<td><strong>Total General Fund Revenue</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
Below is a chart of the district’s roll values for the past 11 years.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Tax Roll Value (millions)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-2006</td>
<td>77,629,688,055</td>
<td>5.95%</td>
</tr>
<tr>
<td>2006-2007</td>
<td>85,180,481,430</td>
<td>9.73%</td>
</tr>
<tr>
<td>2007-2008</td>
<td>96,574,625,420</td>
<td>13.38%</td>
</tr>
<tr>
<td>2009-2010</td>
<td>109,064,369,708</td>
<td>0.88%</td>
</tr>
<tr>
<td>2010-2011</td>
<td>104,439,029,647</td>
<td>-4.24%</td>
</tr>
<tr>
<td>2011-2012</td>
<td>105,895,088,157</td>
<td>1.39%</td>
</tr>
<tr>
<td>2012-2013</td>
<td>113,092,144,455</td>
<td>6.80%</td>
</tr>
<tr>
<td>2013-2014</td>
<td>125,112,516,134</td>
<td>10.63%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>137,622,294,419</td>
<td>10.00%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>153,591,977,494</td>
<td>11.60%</td>
</tr>
</tbody>
</table>

Note: 2014-2015 and prior are from the HISD Comprehensive Annual Financial Report. 2015-2016 is the Certified Estimated value from the Harris County Appraisal District. Certified estimated tax roll, April 2015

The district has experienced significant increases in its local tax roll values. 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 11.42 percent in 2014-2015.

The revenue projections used for 2015-2016 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, as a starting point for property tax revenue projections. These 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 appropriation projections and in the past have been able to fund other projects on the ranked planning list.

In the near-term, district revenue projections are impacted by growth in property tax values and changes in student enrollment. 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 school 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 book. This forecast makes several assumptions, estimating future property tax roll values will grow by five percent annually, and state aid will continue to be calculated as articulated by state law. However, in 2014 two-thirds of Texas school districts filed a lawsuit challenging the state’s school finance system and prevailed. An appeal of this case is currently being heard by the Texas Supreme Court, and a ruling is not expected until early 2016. Therefore, the district has not made assumptions about additional revenues other than local property tax value growth. Additionally, HISD anticipates becoming subject to Chapter 41 Recapture in 2016-2017, further detailed in the Informational Section of this document, requiring the district to make payments to the state and cover resulting revenue shortfalls.

HISD Local Tax Rolls and Estimated Taxes on a Typical Home

HISD’s total estimated assessed value for the 2015-2016 fiscal year per the HCAD Certified Estimated roll in April 2015 was $153,591,977,494 compared to the estimated assessed value in 2014-2015 of $137,622,294,419 during the same period. These are not final tax roll numbers; however, these values are used for original budget projections. The 2015-2016 value was used for the 2015-2016 Adopted Budget and does not reflect the changes that happened throughout the tax year or represent a roll value. For the typical homeowner, taxes to fund programs and services for the 2015-2016 fiscal year will increase by an estimated $398.14. The resulting increase includes only the state exemption of $15,000 and the additional 20 percent optional homestead exemption offered by the district. It also does not take into account other exemptions including being over 65, disabled, surviving spouse over 55. The tax rate adopted by the Board for 2015-2016 did not change from the total tax rate of $1.1967 adopted in 2014-2015. This rate is based on an average taxable value of $278,637 for a Houston-area home in 2015-2016 and $237,049 in 2014-2015 with no increase in the tax rate of $1.1967 for 2015-2016.

The tax bill in 2014-2015 for a $174,639 home was $2,089.91 and the tax bill in 2015-2016 for the same home (now $207,910) will be $2,488.05. The tax bill is calculated by taking the average market value (provided by HCAD) less a homestead exemption of $25,000, subject to voter-approval in November 2015 and the 20 percent optional homestead exemption offered by the district to get the taxable value. The tax bill represented as an example does not include exemptions such as those over 65, disabled, surviving spouse over 55, or any other exemptions. The Texas Legislature during the 84th Regular Session passed Senate Bill 1 which provides for an increase to the state mandated residence homestead exemption from 15,000 to 25,000 subject to voter approval in November 2015. The budget development process assumed voters would approve this measure.
The chart below illustrates the tax burden for a typical homeowner from 2009-2016.

2015-2016 Appropriations

Appropriations included in the adopted budget for the General Fund total $1,864,134,651. Taking into account the projected unspent funds of $30,000,000 at the end of the fiscal year, the adjusted appropriations total $1,834,134,651.

The 2014-2015 carryover budget adjusted for the recommended increases and decreases resulted in an overall increase to the 2015-2016 budget of $122,721,562 or 7.05 percent.

Major increases to the General Fund budget include:
• Salary Increases - $42,319,327
• North Forest Incentive Funding - $33,640,126
• Enrollment Increases to Campus PUA - $15,963,915
• Tax Increment Reinvestment Zone (TIRZ) - $8,452,354
• Capital Outlay Program - $6,598,025
• Bilingual Stipend Increase - $5,647,912
• TRS On Behalf Of - $4,400,000
• Movement of Programs from Title II to General Fund - $3,907,360
• Capital Replacement Program (5 Year Cycle) - $3,817,041
• Apollo Extended Day Intervention - $1,535,069
• Campus Athletic Stipend Increase - $1,200,000
• Grow Your Own University of Houston Partnership - $1,000,000

Major increases to the 2015-2016 budget reflect district goals and priorities, including the placement of an effective teacher in every classroom and the use of data-driven accountability. Salary increases and the Grow Your Own University of Houston Partnership were intended, in part, to prepare and retain effective teachers, while Bilingual Stipend increases aimed to address district instructional needs. Apollo Extended Day Intervention increases similarly aligned with district priorities to improve student achievement. The 2015-2016 appropriation increases reflected efforts to prioritize district goals and initiatives.
Major decreases to the General Fund carryover budget include:

- **Targeted Assistance** - $11,912,150
- **One-time funding from prior year** - $6,366,511
- **Transfers Out** - $2,866,820
- **District-Wide Operation** - $1,330,802

One-time cost items to the General Fund include:

- **District Bus and Police Radio Tower and System Replacement** - $8,000,000
- **Bus Fleet Replacement** - $3,000,000

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

<table>
<thead>
<tr>
<th>Object</th>
<th>Adopted Budget 2014-2015</th>
<th>Adopted Budget 2015-2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$1,295,836,295</td>
<td>$1,350,908,210</td>
<td>4.25%</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>216,258,923</td>
<td>225,704,130</td>
<td>4.37%</td>
</tr>
<tr>
<td>Supplies &amp; Materials</td>
<td>83,741,649</td>
<td>72,140,390</td>
<td>-13.85%</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>92,011,010</td>
<td>140,833,378</td>
<td>53.06%</td>
</tr>
<tr>
<td>Debt Services</td>
<td>40,000</td>
<td>14,558,020</td>
<td>-36295.05%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>18,825,087</td>
<td>28,108,055</td>
<td>49.31%</td>
</tr>
<tr>
<td>Other Uses</td>
<td>34,700,125</td>
<td>31,882,468</td>
<td>-8.12%</td>
</tr>
<tr>
<td><strong>Total General Fund Expenditures</strong></td>
<td><strong>$1,741,413,089</strong></td>
<td><strong>$1,864,134,651</strong></td>
<td>7.05%</td>
</tr>
</tbody>
</table>

*Chart may not add to 100% due to rounding

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 from 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 $6,136,078 from the unassigned fund balance to the committed fund balance due to the increase in the General Fund budget.
General Fund Budget Distribution

Above 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 is located in the Schools Section and individual department details are located in the Departments Section. For a more detailed description of the departments and the district-wide funds, see the Departments Section of this document.

Other District Fund Appropriations

The district has a Debt Service Fund budget of $288,281,241 that provides for principal and interest payments for outstanding debt in accordance with Generally Accepted Accounting Principles (GAAP) for governmental entities.

All remaining unspent funds from the 2014-2015 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, the district’s capital renovation program. In November 2012 the district received authorization from voters for a $1.89 billion bond program, discussed in more detail in the Capital Renovation Section of this document.

The Nutrition Services Fund budget of $120,691,411 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 $214,165,530 Special Revenue Fund budget 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 primary sources of this fund are Title I, Title II, E-Rate, IDEA-B, and the Instructional Materials Allotment.

The Marketplace Fund budget of $918,660 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 **Medicaid Fund** that provides Medicaid claiming services to other school districts throughout the state. This fund has a total budget of $38,757,180, of which $8,757,180 is for operations and $30,000,000 will be transferred to the General Fund for the support of the instructional program.

The **Business Development Fund** budget of $5,089,982 is used to account for the financial operations of the District’s Marketing Office.

HISD operates eight internal service funds:

The **Health Insurance Fund** has a budget of $127,345,934 for the health insurance plan administered by the district.

The **Workers’ Compensation Fund** has a budget of $11,172,019 for risk financing activities of the workers’ compensation program.

The **Print Shop Fund** has a budget of $3,744,000 for printing, graphics, and mail services for the district.

The **Alternative Certification Fund** has a budget of $1,584,053 for the recruiting, training, and support of qualified, degreed classroom professionals.

The **UIL (University Interscholastic League) Fund** has a budget of $981,482 for campus participation in UIL activities such as One-Act Play, Debate Cross-Examination, Marching Band, Concert Band, Choir, Orchestra, Solo-Ensemble, and Academics.

The **Athletics Fund** has a budget of $7,462,261 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 $7,520,256 for Special Education evaluation and support services.

The **Virtual Schools Fund** has a budget of $52,701. This fund was established in 2012-2013 to create additional virtual learning options to help students succeed. These programs are monitored by the Houston ISD Virtual School Department.

The **Copier Services Fund** has a budget of $4,647,219 for all of the district’s multi-function copying and duplicating devices.
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 excludes amounts of bonds sold in prior years, and appropriations are estimated amounts to be spent during the year for capital projects which are reflected in the below differences.

### Total Revenues

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>Adopted Budget 2014-2015</th>
<th>Adopted Budget 2015-2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Funds Types</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>$1,681,413,089</td>
<td>$1,834,134,651</td>
<td>9.08%</td>
</tr>
<tr>
<td>Special Revenue Fund</td>
<td>$209,132,458</td>
<td>214,165,530</td>
<td>2.41%</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>$278,995,481</td>
<td>288,356,339</td>
<td>3.36%</td>
</tr>
<tr>
<td>Capital Renovation Fund</td>
<td>$38,505,312</td>
<td>39,993,000</td>
<td>3.86%</td>
</tr>
<tr>
<td>Public Facilities Corporation</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Governmental Fund Types</strong></td>
<td>$2,208,046,340</td>
<td>$2,376,649,520</td>
<td>7.64%</td>
</tr>
<tr>
<td><strong>Internal Service Fund Types</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Insurance Fund</td>
<td>$107,850,950</td>
<td>113,873,950</td>
<td>5.58%</td>
</tr>
<tr>
<td>Workers’ Compensation Fund</td>
<td>$11,829,504</td>
<td>10,175,375</td>
<td>-13.98%</td>
</tr>
<tr>
<td>Athletics Fund</td>
<td>$6,061,274</td>
<td>6,108,636</td>
<td>0.78%</td>
</tr>
<tr>
<td>Print Shop Fund</td>
<td>$4,389,883</td>
<td>3,744,000</td>
<td>-14.71%</td>
</tr>
<tr>
<td>Copier Services Fund</td>
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<tr>
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<tr>
<td>UIL Fund</td>
<td>$942,271</td>
<td>981,482</td>
<td>4.16%</td>
</tr>
<tr>
<td>Shared Services Fund</td>
<td>$7,211,374</td>
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<td>4.28%</td>
</tr>
<tr>
<td>Virtual Schools Fund</td>
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<tr>
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<td>Medicaid Fund</td>
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<td>$142,750,105</td>
<td>153,522,188</td>
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</tbody>
</table>

**Total Revenues**

$2,490,252,604 **2,678,465,849** 7.56%

### Total Appropriations

<table>
<thead>
<tr>
<th>Appropriations</th>
<th>Adopted Budget 2014-2015</th>
<th>Adopted Budget 2015-2016</th>
<th>% Change</th>
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<tr>
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<td>General Fund</td>
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<tr>
<td>UIL Fund</td>
<td>942,271</td>
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<td>Shared Services Fund</td>
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</tbody>
</table>

**Total Appropriations**

$2,703,486,788 **3,209,452,894** 18.72%
Demographics and Student Enrollment

The Houston Galveston Area Council (H-GAC) has a population of more than 6.3 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 increasing growth. 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, 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. Additional demographic information can be found in the Informational Section.

Personnel Allocation

The district continues to monitor staffing at all levels and find ways to be more efficient. Central Office staffing levels are monitored closely to ensure the majority of funds are directed toward classroom instruction, and 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 on the next page illustrates the staffing for the district, representing the various types of positions from 2012 to 2016. Principals have direct control over positions and employees listed in the campus category. Departmental positions include 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.
HISD’s primary goal is to produce graduates who possess the characteristics necessary to succeed in college and compete in today’s global workforce. To achieve this goal, HISD has identified the following priorities: an effective teacher in every classroom, an effective principal in every school, rigorous instructional standards and supports, data-driven accountability, and a culture of trust through action. The district has funded initiatives focused on these priorities, including efforts to further develop the professional skills of teachers and school leaders, programs to help high school students earn college credit and gain admission to top tier universities, and a district initiative to ensure all students read proficiently by third grade. District data suggest these priorities have resulted in progress toward the district’s goals.

With the help of community and business partners, as well as leaders from Houston’s largest industries and institutes of higher education, HISD has developed the Global Graduate profile, which contains six qualities that all students should develop during their time at HISD: they should be leaders, adaptable and productive, college-ready learners, critical thinkers, skilled communicators, and responsible decision-makers. To this end, many academic initiatives were introduced during the 2014-2015 school year, including the HUB, a K-12 online platform that is the center of collaboration, personalization, curriculum, instruction, and communication for all HISD staff, students, and parents.
There have been many successes during the past year. The Class of 2015 received nearly $265 million in scholarship and financial aid offers, up from $255 million in 2014 and $186 million in 2013. And thanks to programs like the Effective Teachers Initiative, HISD is attracting — and keeping — more highly qualified teachers on staff, which in turn improves the caliber of instruction students receive. HISD is also offering students more options for life after graduation. Early college high schools make it possible for young people to earn associate’s degrees alongside their diplomas, Futures Academies allow students to earn valuable industry certifications before graduating, and Linked Learning pathways continue to connect classroom work with careers. The district is continuing to innovate and evolve in its quest to give all students the education they need to succeed in today’s global economy.

Some of the district’s key accomplishments during the 2014-2015 school year are highlighted below.

**AWARDS AND RECOGNITION**

**Principals and Administrators Recognized for Outstanding Leadership**

During the 2014–2015 school year, one principal was designated a “Living Legend” by the Houston Area Alliance of Black School Educators, while another was named “Educator of the Year” by the League of United Latin American Citizens Council 402. A third was chosen to be “Region 4 Principal of the Year.” The Terrel H. Bell Award for Outstanding School Leadership was presented to a fourth principal by the U.S. Department of Education’s National Blue Ribbon Schools Program, and HISD’s chief elementary schools officer was named the inaugural winner of the Leaders in Education Hispanic-Serving School District Administrator of the Year Award by the Association of Latino Administrators and Superintendents.

**HISD’s Educators Receive Awards**

During the 2014–2015 school year, district educators won a national Southeastern Consortium of Minorities in Engineering Teacher of the Year award, a lifetime achievement award from H-E-B’s Excellence in Education program, gold and silver Communicator Awards of Distinction from the Academy of Interactive and Visual Arts, and the Thomas Aczel Award for outstanding high school chemistry instruction from the American Chemical Society.

**HISD Retains Highly Effective Teachers**

Based on data from the 2013–2014 school year, the retention of highly effective teachers was at 90 percent, resulting in significant annual academic growth in students. In the fall of 2014, HISD’s Career Pathways pilot program entered its third year, providing opportunities for top teachers to share their knowledge and skills with other colleagues and increase their impact on student achievement.

**Teacher Development Specialists Having Positive Impact on Teachers and Students**

HISD’s Teacher Development Specialists (TDS) are charged with helping HISD educators become effective instructors. A survey of principals found that most believed the TDS are having a positive impact on teacher development and student achievement. Some of the most effective strategies include modeling instruction, analyzing data, and providing individualized professional development and constructive feedback.

**Leadership Academies and Institutes Reap Rewards**

More than 100 employees have participated in the School Leadership Academy over the past four school years, and to date, 33 percent have obtained assistant principal/dean positions and 52 percent have been promoted to leadership positions, including assistant principals, deans, instructional coordinators, teacher specialists, curriculum specialists, teacher development specialists, and special education program specialists. More than 1,730 principals and team members attended the district’s summer leadership institute, which offered 180 breakout sessions, daily planning sessions with chief school officers, and personalized instruction from five
national education leaders.

**STUDENT ACHIEVEMENTS**

**Number of Seniors Graduating with Associate’s Degrees on the Rise**
HISD has five early-college high schools where students can earn college credit in high school at no cost to them or their families and graduate with an associate’s degree. The number of HISD seniors doing that has steadily increased, with more than 300 students earning a college degree in 2015.

**More Students Passing AP Tests**
HISD has been focusing on increasing the number of Advanced Placement (AP) classes offered at middle and high schools for years. Since 2010, the number of HISD students taking AP exams has increased from 9,150 to 13,445, and the number of tests earning a score of 3 or higher — the minimum required to qualify for college credit — has jumped from 6,440 to 8,248. The number of AP exams administered has risen from 16,818 in 2010 to 22,942 in 2014.

**Literacy Continues to be District Focus as More Third-Graders Pass Reading STAAR test**
The ability to read and write fluently is critical to student success in every subject, so HISD launched the Literacy By 3 movement, with the goal of having every student reading at or above grade level by third grade. An $8.5 million grant paid for leveled book rooms at every elementary campus and classroom libraries for every K–3 teacher. Rigorous, ongoing professional development in the area of literacy was provided for both teachers and principals. The Read Houston Read program was launched in 2014 and has resulted in hundreds of caring volunteers reading with first-graders weekly. Over the summer of 2014, HISD students read more than 90,000 books through myON, a reading website that gives children free access to thousands of titles. Some 70 percent of HISD third-graders passed the reading portion of the STAAR test in 2014, a two-point rise over the previous year that district administrators attribute in part to the Literacy By 3 initiative.

**EMERGE Sends 100 Students to Ivy League Schools**
Since 2011, almost 500 students from 24 high schools in HISD have been accepted to Tier 1 or Ivy League colleges and universities through the EMERGE program. Nearly 100 members of the Class of 2015 alone went to top colleges at no cost, and the program will soon be serving even more low-income/high-potential students, thanks to $8.5 million in grants from the Houston Endowment. EMERGE is expanding to all HISD high schools, and 28 new college success advisors have been hired to assist college-bound students across the district.

**Online STAAR EOC Tutorials Help Students Prepare for Testing**
HISD created a series of online tutorials to help students prepare for STAAR end-of-course (EOC) exams. The tutorials were designed by teachers, teacher development specialists, and representatives from curriculum, academics, and the schools office. In advance of the STAAR EOC tests, students accessed the tutorials more than 155,000 times.

**DISTRICT MILESTONES**

**Quality of HISD Schools Recognized by National Organizations**
This year the Washington Post rated 32 HISD high schools as among the best in the nation. Children at Risk ranked five among the top high schools in the greater Houston area, and U.S. News & World Report listed three among the top 100. In addition, the Houston Academy for International Studies was named a 2014 National Blue Ribbon Exemplary High Performing School, and the High School for the Performing and Visual Arts was
designated a 2015–2017 Exemplary School by the Arts Schools Network.

**New Arabic Language School Opens**
The HISD Board of Education approved the creation of an Arabic-Language Immersion Magnet School in 2014, and the campus opened in the fall of 2015, complementing the highly successful Mandarin Chinese Language Immersion Magnet School. Plans are in the preliminary stages to create a Hindi Language Immersion Magnet School as well.

**2012 Bond Projects Take Shape**
Construction is well underway on schools included in the first group of the HISD 2012 Bond program, and 10 additional schools have broken ground with ceremonies, beam-signings, and other celebrations. The district is rebuilding or renovating 40 schools across the city, with input from Project Advisory Teams that oversee the planning and design of the facilities. Community meetings are being held to keep parents and students informed as to the progress of their schools.

**Office of the Controller Receives Award of Excellence**
HISD’s Office of the Controller received the highest form of recognition in the area of governmental accounting and financial reporting — the Certificate of Achievement for Excellence in Financial Reporting – from the Government Finance Officers Association for the 40th consecutive year in 2015. They received the award for the exemplary quality of their Comprehensive Annual Financial Report.

**PowerUp One-to-One Laptop Distribution Continues to Expand**
Thanks to PowerUp, even more high school students have access to their own laptop 24 hours a day. In Phase II, 21 more high schools received the devices. In response to the deployment, the district has developed a cyber-safety website to teach students how to stay safe online.

**International Baccalaureate Program Offered at More Schools**
Three more HISD campuses became authorized to offer the prestigious International Baccalaureate degree during the 2014–2015 school year — Herrera and Rodriguez elementary schools and Wharton Dual Language K-8 — bringing the number of IB schools in HISD to 17.

**Number of Dual Language Programs Expands**
HISD expanded its successful dual language program to include 14 additional schools during the 2014–2015 school year, with plans to expand it to 25 more schools — including two early childhood centers and one middle school — in the 2015–2016 school year.

**More Students Earning College Credit and/or Industry Credentials**
Futures Academies at nine HISD high schools allow students to obtain college credit, career training, and industry credentials while still in high school. Students can get a jump on careers in such diverse fields as medicine, computer technology, energy, manufacturing, shipping, and more.

**Linked Learning Connecting Classroom to Careers**
HISD launched Linked Learning during the 2014–2015 school year to give HISD students an edge in moving on to postsecondary education or workforce training. Supported in part by a $30 million Race to the Top grant received in late 2013, the approach combines rigorous academics with real-world technical education and experience in grades K-12. Eight HISD high schools and their 32 feeder elementary and middle schools piloted Linked Learning during 2014–2015.
Health and Wellness Programs Launched at a Dozen Schools

Working with the Sonima Foundation, HISD is teaching students how to use yoga-type exercises and better nutrition to become healthier. The wellness program is being offered to 14,000 students at 26 schools, and principals are already reporting improvement in academics and attendance, as well as a decrease in disciplinary issues.

COMMUNICATIONS HIGHLIGHTS

HISD Parents, Students, and Staff Participate in Your Voice Survey

HISD conducted the Your Voice survey for the third consecutive year in May of 2015. Participants shared their opinions on the district’s level of academic rigor, academic environment, school safety, and many other topics. Feedback from the survey was made public and is being used by school and district leaders to make data-driven decisions on how to improve HISD.

Additional Lines of Communication

HISD added text messaging to its communications tools to keep parents, students, and staff updated on inclement weather, campus alerts, and other important notifications. The district’s Nutrition Services department partnered with Nutrislice, a mobile app, to make its menus available to parents and students. In addition, the number of HISD Facebook and Twitter followers continues to grow.

Campus Websites Being Moved to Mobil-Friendly Templates

Schoolwires has allowed HISD schools to create websites that not only represent them in a professional manner but provide numerous tools to keep parents and students informed. Now the Office of Communications web team is working with campus webmasters to move school websites to a more uniform template designed to be accessed not only from home computers but from mobile phones and tablets as well. Schoolwires training is offered twice a month for school staff.

As we move forward, HISD continues to have high expectations for students. The district should be proud of all that we have accomplished, as greater numbers of students leave our schools equipped to achieve their dreams and compete in a global economy.

Terry B. Grier, Ed.D.
Superintendent of Schools
Board of Education at time of budget adoption

Rhonda Skillern-Jones  
District II  
President

Manuel Rodriguez, Jr.  
District III  
First Vice President

Wanda Adams  
District IX  
Second Vice-President

Paula M. Harris  
District IV  
Secretary

Juliet Stipeche  
District VIII  
Assistant Secretary

Michael Lunceford  
District V

Anna Eastman  
District I

Greg Meyers  
District VI

Harvin C. Moore  
District VII

Administration at time of budget adoption

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

Kenneth Huewart  
Deputy Superintendent and Chief Financial Officer

Jason Spencer  
Chief of Staff

Richard Patton  
Chief Audit Executive

Elneita Hutchins-Taylor  
General Counsel

Mark Smith  
Chief Student Support Officer

Shonda Huery-Hardman  
Chief School Support Officer

Gloria Cavazos  
Chief Human Resources Officer

Karla Loria  
Chief Elementary Schools Officer

Michael Cardona  
Chief Middle Schools Officer

Don Hare  
Chief Major Projects

Andrew Houlihan  
Chief Academic Officer

Leo Bobadilla  
Chief Operating Officer

Helen Spencer  
Chief Communications Officer

Lenny Schad  
Chief Technology Information Officer

Sam Sarabia  
Chief Elementary Schools Officer

Jocelyn Mouton  
Chief Elementary Schools Officer

Harrison Peters  
Chief High Schools Officer