

Budget Workshop #1

Fiscal Year 2027

April 23, 2026



DRAFT – Please note all budget workshop materials are in draft until the Board approves the final budget in June.



Budget Workshop Goals & Agenda

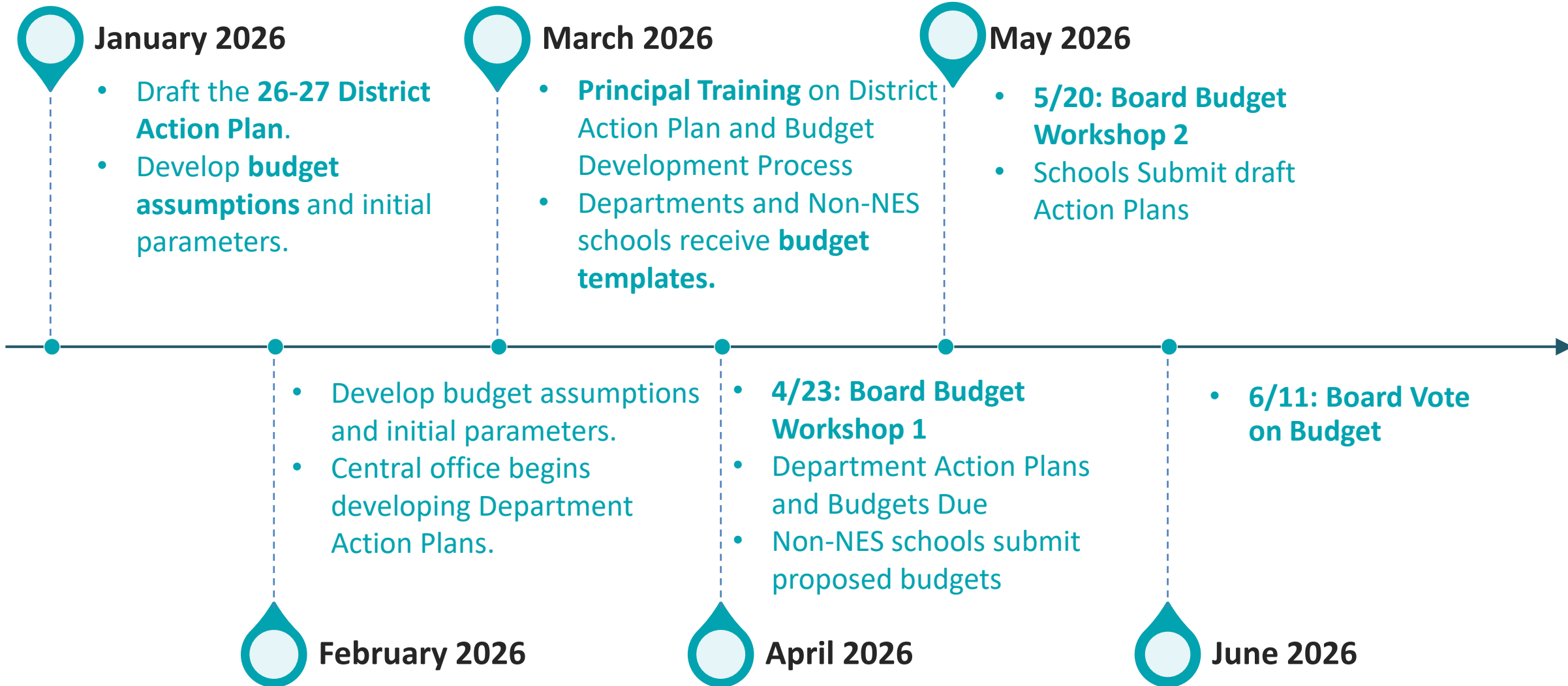
Agenda

- Key Principles of Effective Budgeting
 - Action Plan and Board Goals Alignment
- Funding Overview: How the Budget Works
- Current Financial Position
- Assumptions & Methodology for School Budgets

Budget Workshop Goals

1. Understand HISD's financial picture
2. Connect the 26-27 budget to guiding principles and action plans
3. Provide transparency into the schools and department allocations

Timeline



Budget Reminder

Building the District budget is an iterative process between January and June. All budget materials are drafts up to Board approval on June 11th.

Key Principles of Effective Budgeting

GUIDING PRINCIPLES

- 1. Keep cuts as far away from the classroom as possible**
- 2. Prioritize resources to meet District vision and goals**
- 3. Make decisions now that will support long term financial sustainability**
- 4. Design the District to prepare students for a Year 2030-2035 world and workplace**

1. Keep cuts as far away from the classroom as possible

- Ensure schools have the resources they need to improve instruction and raise achievement
 - High quality instruction
 - Safe and orderly environment
 - Resources for Special Education
- Maintain competitive salaries for teachers and school leaders
- Ensure effectiveness of instructional leadership and academics



Prioritizing Instructional Resources

Year	% of Total Budget		
	Instruction	Instructional Leadership	Total Investment
2023	49%	8%	57%
2024	55%	13%	68%
2025	57%	13%	70%
2026	58%	14%	72%

- **Instruction:** Direct interaction between students and teachers (includes salaries).
- **Instructional Leadership:** Leading teachers and staff to improve instructional quality.

PRIORITIES

**2. Prioritize resources to meet
District vision and goals**

HISD Vision

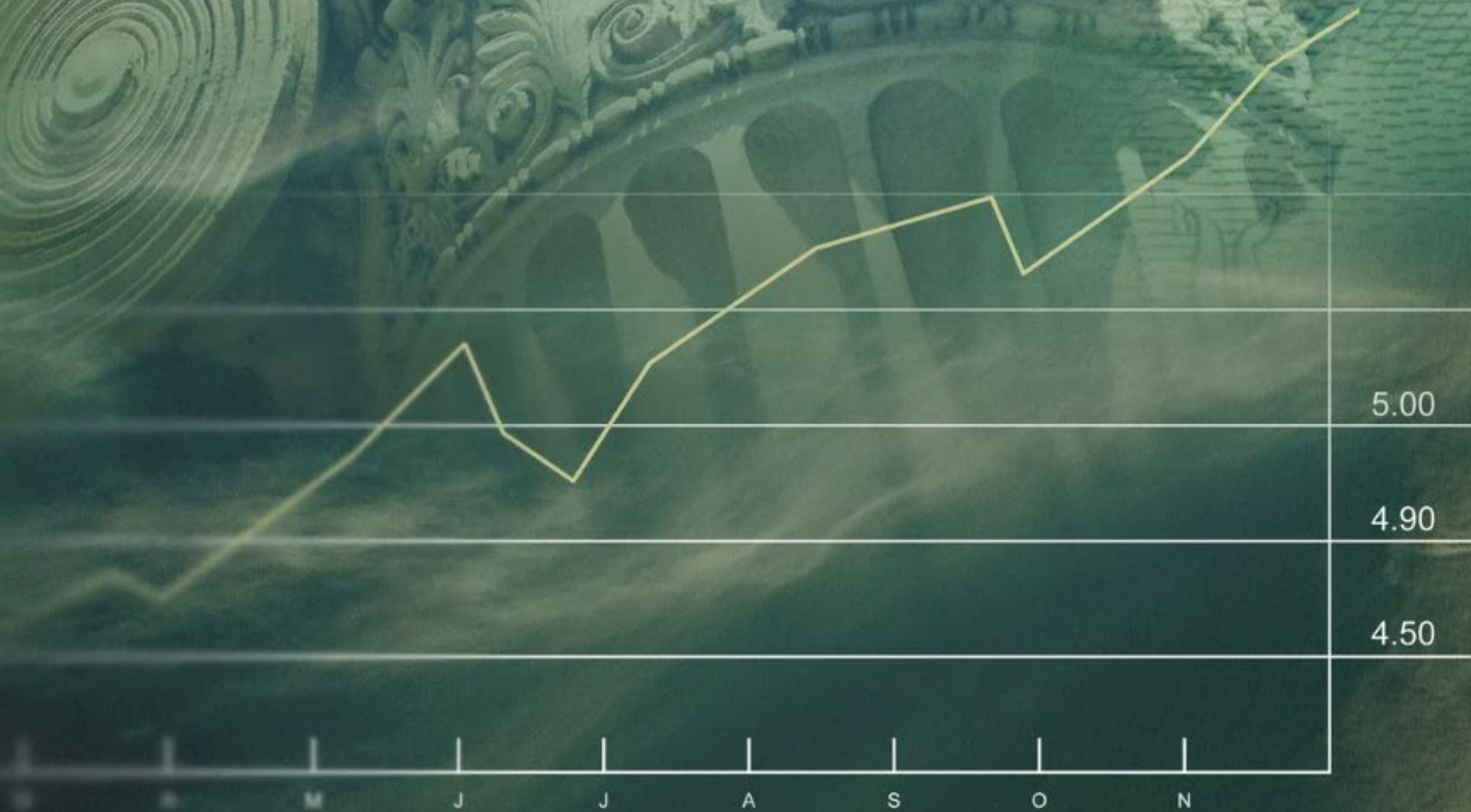


By the year 2030, HISD will implement wholesale systemic reform to significantly narrow achievement gaps and prepare all students for a Year 2035 workplace and world.

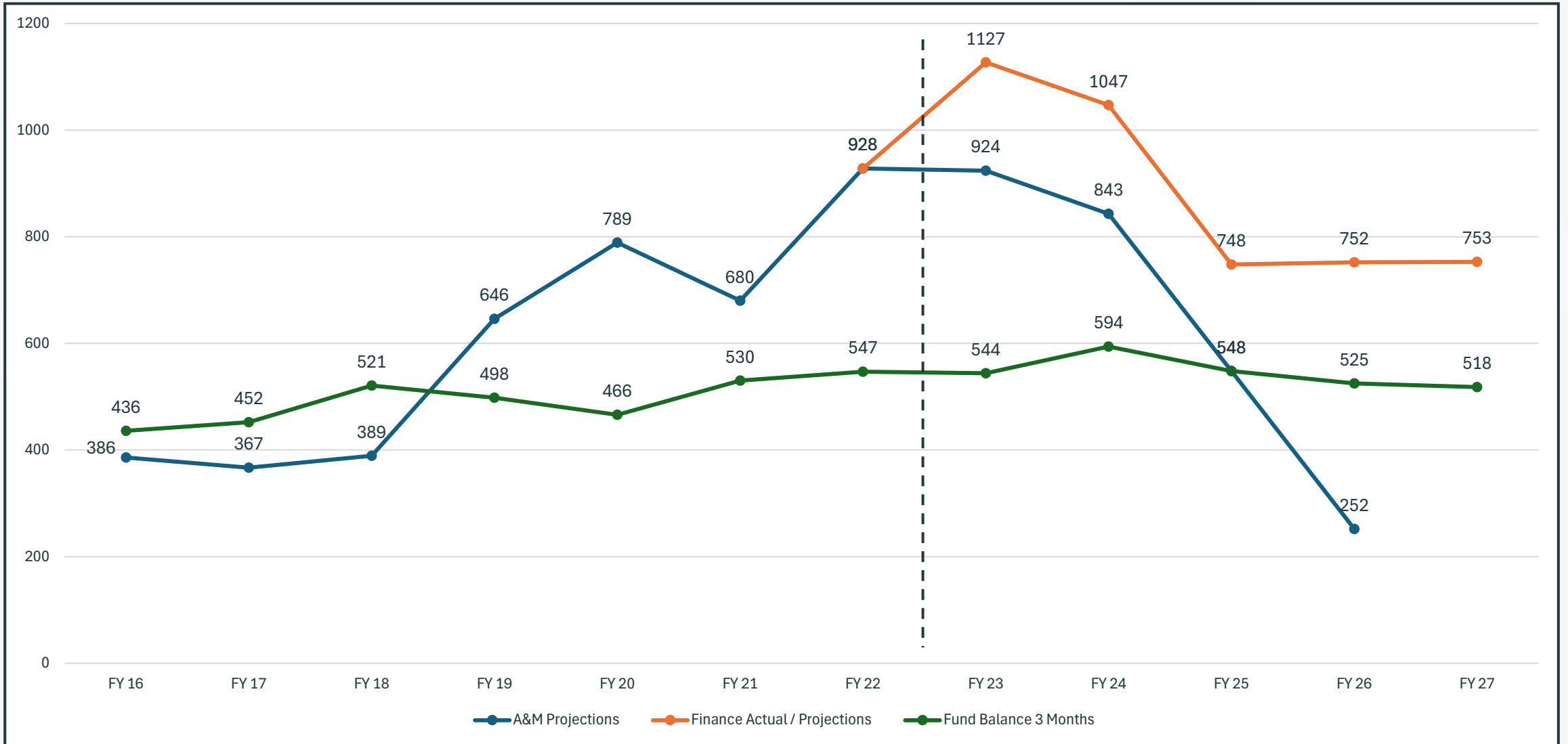
BOARD GOALS

- 1. The percent of 3rd grade students in Houston ISD earning Meets Grade Level on the STAAR reading test will increase from 41% in June 2023 to 56% in June 2028.**
- 2. The percent of 3rd grade students in Houston ISD earning Meets Grade Level on the STAAR math test will increase from 38% in June 2023 to 53% in June 2028.**
- 3. The percent of students graduating TSI ready and with an industry-based certification (IBC) will increase from 11% for the 2021–2022 graduates to 26% for the 2026-2027 graduates.**
- 4. Students in grades 4 through 8 who receive special education services that achieve growth as measured by the Domain 2 Part A of the state accountability system will increase from 63% in August 2023 to 78% in August 2028.**

3. Make decisions now that will support long term financial sustainability



Fund Balance Trend (in millions)



**4. Design the District to
prepare students for a
Year 2030-2035 world
and workplace**



HISD 2026-2027

- **Upgrading programs of study**
- **CTE Centers**
- **College pathways**
- **Planning for voucher students**
- **Integrating AI**
- **Art of Thinking**
- **Virtual schools**
- **Accelerated Math**
- **Future 2 Schools**





ACTION PLAN

+

BUDGET

2026-2027 Action Planning and Budget Development Timelines

Month	District Action Plan	Responsible Parties	Budget Development Process
Jan-26	Outline action planning timeline and budget timeline with Core	Superintendent/ CFO	Outline action planning timeline and budget development timeline
	Draft the 26-27 District Action Plan	Superintendent	
Feb 26		Superintendent/ CFO	Develop budget assumptions and initial parameters; brief core team
	Central Office Teams begin developing Developing Department Action Plans	Superintendent/ CFO	
Mar-26		CFO	Departments receive guidance and template to build 2026-2027 budget (20 Mar)
		Superintendent and CFO	Train departments on 70/20/10 budget process
	Train principals and other school leaders on District Action Plan and action planning and budget development process (17-18 Mar)	At Principals' meeting; Superintendent and Chief of Schools	Train principals and other school leaders on action planning and budget development process
		Superintendent/ CFO	Non-NES schools receive guidance and templates so principals can build 2026-2027 sch. Budgets
	Brief Core Team on proposed budget and alignment with District Action Plan	Superintendent/ CFO	Brief Core Team on proposed budget and alignment with District Action Plan
	Preview District Action Plan and Budget Process	COS/ Communications	Brief stakeholders on action planning, budget development process, and budget assumptions [in conjunction with Board workshop]

Month	District Action Plan	Responsible Parties	Budget Development Process
Apr-26	Central Office Teams submit Department Action Plans (6 Apr)	Cabinet officials	
		Division Chiefs	
		Cabinet	Departments develop prioritized budgets for the 2026-2027 school year (13 Apr)
	Review and approve Central Office action plans (17 Apr)	Chief of Staff, Superintendent	
		Cabinet officials	Finalize department budgets (17 Apr)
		Cabinet officials	Division leaders review draft school budgets
	Update BOM on draft budget and alignment with District Action Plan	Superintendent, Chief of Staff, & Cabinet	Conduct Board workshop on Dist. Action Plan and alignment to Board goals and school budget approach (23 Apr)
		Division Chiefs/ CFO	Non-NES schools submit proposed 2026-2027 budgets (30 Apr)
May-26	Update BOM on District Action Plan and 2026-2027 Budget	Superintendent and CFO	Board workshop on draft budget (20 May)
		DAC, Principal Advisory Committee, Teacher Advisory Committee, Others	Explain proposed budget with selected advocacy and advisory committees
	Schools submit draft School Action Plans (22 May)	Division Chiefs	
Jun-26		Superintendent and CFO	If necessary, Board workshop on draft budget and remaining questions (4 June)
		Superintendent and CFO	Adopt the 2026-2027 Budget (11 June)

HISD 2026-2027 ACTION PLAN

19 MAR 2026



Key Action 1: Improve the quality of instruction

Improving Instruction

Instructional strategies and practices

High quality instr. materials

Coaching and supporting teachers and principals

Monitoring and assessing instruction

Evaluation and accountability

High performance culture



Key Action 2: Sustain and accelerate achievement for HISD students

3 – 8 Literacy Supports

Accelerated Middle School Math

More Novels in Secondary Curriculum

Key Action 3: Implement the Future 2 Program

Experience Themes

Learn2Learn

Goal Setting

Grit

Become an Expert

Socialization

Teamwork & Leadership

Give & Receive Feedback

Storytelling/ Public Speaking

Financial Literacy &

Entrepreneurship

Critical Thinking

Creativity

Independence

AI



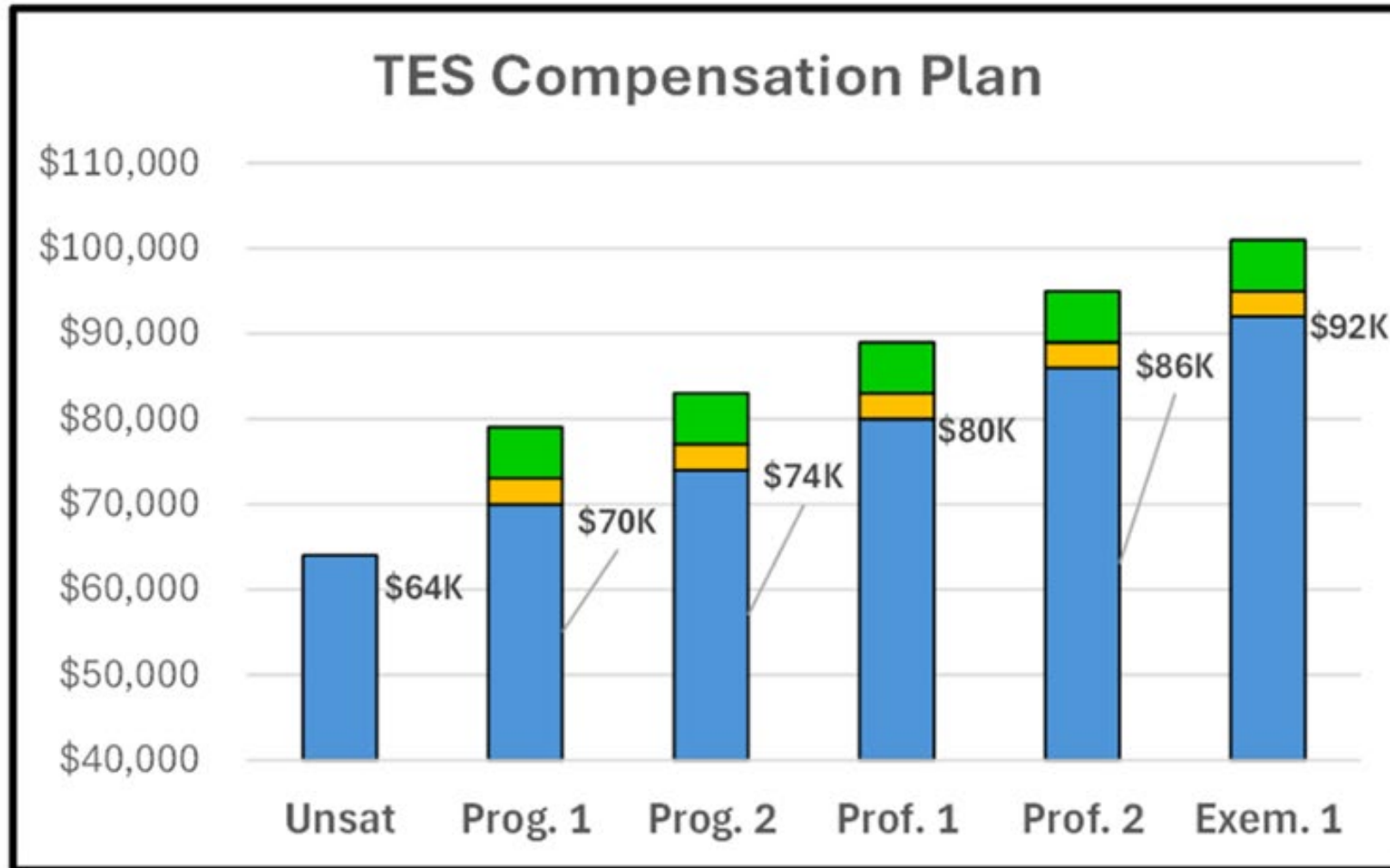
Key Action 5: Improve SPED instruction, service delivery, and outcomes



Key Action 6: Provide accurate, timely information to the HISD community



Key Action 7: Strengthen the teacher evaluation and compensation system and for critical campus roles



**Key Action 8: Strengthen Early Childhood Education
(PreK through 2nd)**



Key Action 9: Strengthen Central Office Operations and Efficiency



Action Plan and Board Goals Alignment

		Board Goal			
		1	2	3	4
Key Action 1	Improve the Quality of Instruction	■	■	■	■
Key Action 2	Sustain and Accelerate Achievement for HISD Students	■	■	■	■
Key Action 3	Implement the Future 2 pilot programs	■	■	□	■
Key Action 4	Expand Access to High-Quality Post-Secondary Pathways	□	□	■	□
Key Action 5	Improve SPED instruction, service delivery, and outcomes	■	■	■	■
Key Action 6	Provide Accurate, Timely Information to The HISD Communities	■	■	■	■
Key Action 7	Strengthen Teacher Evaluation & Compensation System for Critical Campus Roles	■	■	■	■
Key Action 8	Strengthen Early Childhood Education (PreK through 2nd)	■	■	□	■
Key Action 9	Strengthen Central Office Operations and Efficiency	■	■	■	■

■ Directly influences in 26-27

■ Enabling condition for impact in future years 29

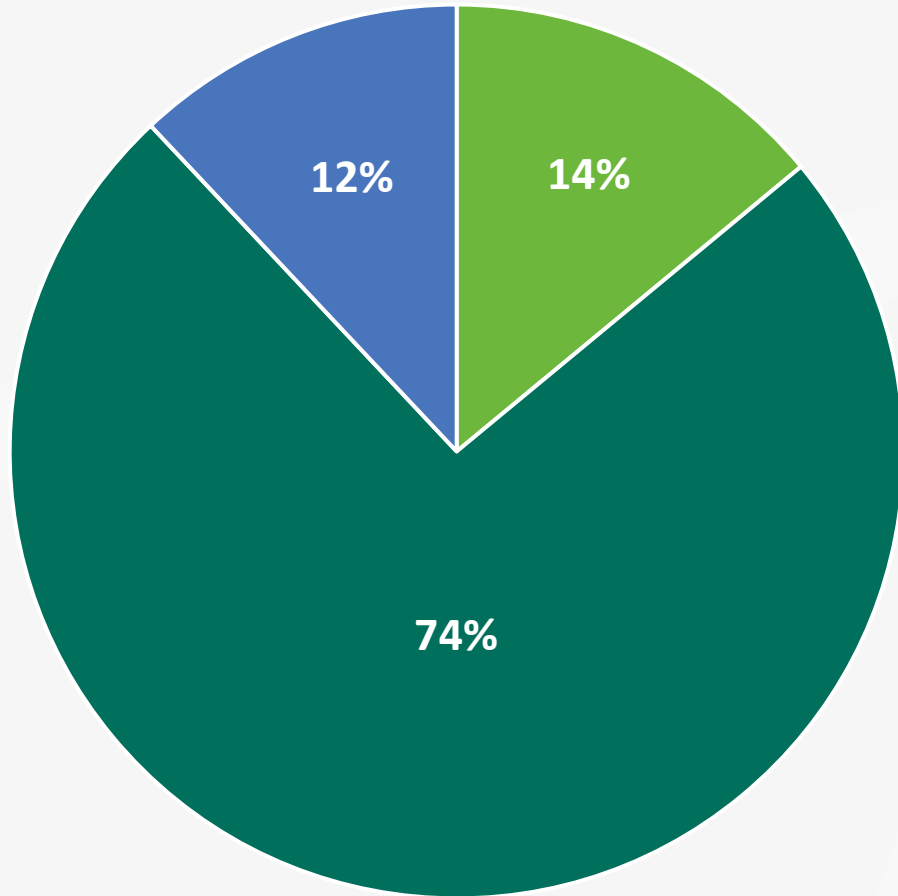
Action Plan Goals & Budget Implications

Key Action	Total
1 - Improve the Quality of Instruction	\$0
2 - Sustain and Accelerate Achievement for HISD Students	\$3,000,000
3 - Implement the Future 2 pilot programs	\$4,500,000
4 - Expand Access to High-Quality Post-Secondary Pathways	\$750,000
5 - Improve SPED instruction, Service Delivery, and Outcomes	\$4,000,000
6 - Provide Accurate, Timely Information to the HISD Communities	\$250,000
7 - Strengthen the Teacher Evaluation and Compensation System and For Critical Campus Roles	\$2,250,000
8 - Strengthen Early Childhood Education (Pre-K through 2nd)	\$3,500,000
9 - Strengthen Central Office Operation and Efficiency	\$0
Grand Total	\$18,250,000

Funding Overview: How the Budget Works

How School Funding Works: Sources of Revenue

Sources of Revenue



■ State Funding ■ Local Funding ■ Federal Funding

State Funding:

- Based primarily on student enrollment (ADA) and specific student needs.

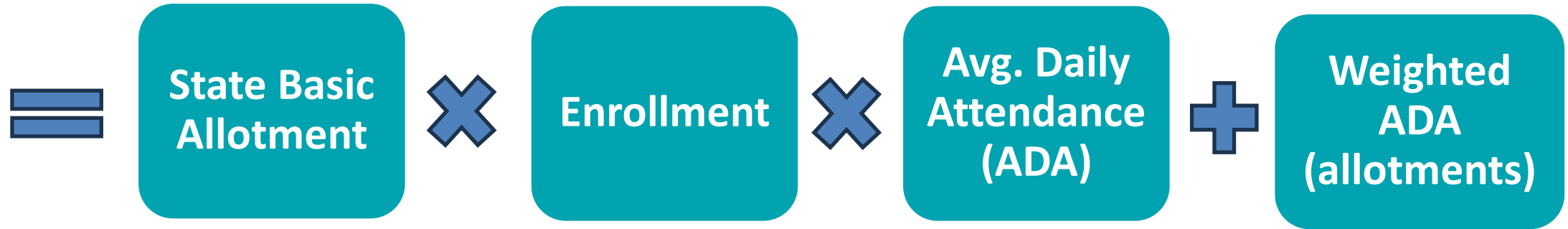
Local Funding:

- Revenue generated locally, primarily through property taxes
- A portion may be recaptured by the state.

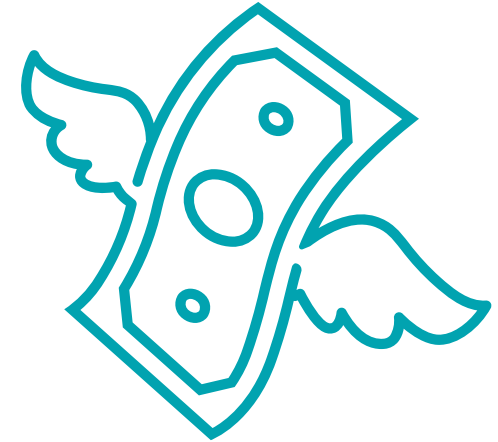
Federal Funding:

- Targeted funding from the federal government allocated for specific programs and student groups (e.g., Title I for low-income students, IDEA for special education)

Elements of State Funding



Definition of Recapture



When local property tax collections are greater than the district's entitlement; the district sends back money to the state, and the state "recaptures" these funds.

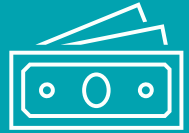
Current Financial Position

Current State

Financial Report for Period Ending March 31, 2026 (General Fund)

	Amended Budget as of February 12, 2026	Actual as of March 31, 2026	YTD % of Budget
REVENUES			
Local sources	\$1,654,861,362	\$1,510,332,384	91.27%
State sources	\$398,325,695	\$358,080,326	89.90%
Federal sources	\$21,660,000	\$11,408,115	52.67%
TOTAL REVENUE	\$2,074,847,058	\$1,879,820,825	90.60%
EXPENDITURES FUNCTIONS			
11 Instruction	\$1,227,574,689	\$828,594,797	67.50%
12 Instructional Media	\$5,785,058	\$3,476,109	60.09%
13 Curriculum & Personnel Development	\$13,717,283	\$7,920,680	57.74%
21 Instructional Leadership	\$71,963,554	\$52,156,137	72.48%
23 School Leadership	\$219,050,066	\$150,504,232	68.71%
31 Guidance & Counseling	\$56,585,069	\$43,524,873	76.92%
32 Social Work Services	\$2,285,355	\$1,464,586	64.09%
33 Health Services	\$23,257,744	\$16,363,973	70.36%
34 Pupil Transportation	\$43,336,368	\$36,610,180	84.48%
35 Food Services	\$140,517	\$146,786	104.46%
36 Extracurricular Activities	\$23,734,834	\$19,423,185	81.83%
41 General Administration	\$54,904,807	\$40,008,847	72.87%
51 Plant Maintenance & Operations	\$190,550,216	\$126,927,919	66.61%
52 Security & Monitoring Services	\$33,393,427	\$24,360,580	72.95%
53 Data Processing Services	\$44,798,974	\$26,549,442	59.26%
61 Community Service	\$7,088,134	\$4,033,420	56.90%
71 Debt Service	\$120,000	\$0	0.00%
81 Facilities Acq. & Construction	\$5,015,819	\$222,709	4.44%
91 Contracted Instructional Services Between Public	\$0	\$0	
95 Payments to JJAEP Programs	\$792,000	\$0	0.00%
97 Payments to Tax Increment Fund	\$55,730,381	\$0	0.00%
99 Other Intergovernmental Charges	\$19,913,644	\$11,327,230	56.88%
TOTAL EXPENDITURES	\$2,099,737,938	\$1,393,615,685	66.37%
SURPLUS / (DEFICIT)	(\$24,890,880)	\$486,205,140	
OTHER FINANCING SOURCES / (USES)			
Transfers-in	\$3,000,000	\$0	
Issuance of leases and SBITAs	\$0	\$0	
Insurance Proceeds	\$0	\$0	
Sale of Property	\$2,000,000	\$0	
Prior period property value audit	\$46,000,000		
Transfers-out	(\$22,230,927)	\$0	
TOTAL OTHER FINANCING SOURCES / (USE)	\$28,769,073	\$0	
Net change in Fund Balances	\$3,878,193	\$486,205,140	
Beginning Fund Balance	\$748,088,314		
Projected Ending Fund Balance	\$751,966,507		

Budget Bright Spots



Reduced Budget Deficit In One Year

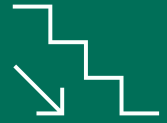


Maintained Moody's Aaa Rating



Continued Central Office Efficiencies

Budget Constraints



Declining Enrollment



Decrease In Maximum Compressed Rate*



Loss of Disaster Penny Revenue



Unknowns Related to Legislative Session

**The MCR tax rate is set by the State.*

Assumptions & Methodology

Preliminary Budget Overview for FY27

Revenue Increase/(decrease)	Budget Estimates	Increase/Decrease in Expenditures	Budget Estimate
Decrease in enrollment (-4,000 projected enrollment)	(\$50,000,000)	PUA increases (PPOR & PFP)	\$12,000,000
Increase ASF	\$2,900,000	Salary increase for central office employees	\$9,000,000
Increase in State entitlement SPED	\$5,000,000	Future 2	\$4,500,000
Teacher Retention Allotment	(\$1,000,000)	Accelerate Achievement & Special Education improvements	\$7,000,000
Disaster relief tax	(\$50,000,000)	Health Insurance	\$4,000,000
Federal sources IDC	(\$800,000)	Teacher Evaluation, Compensation System & Communications	\$2,500,000
Capital project fund	\$2,000,000	Early Childhood Initiatives and Post Secondary	\$4,250,000
Other Financing Sources	\$9,000,000	Transportation	\$2,000,000
Earnings on investments	(\$4,000,000)	Salary increase for minimum wage central office employees	\$6,000,000
Teacher Incentive Allotment	\$27,500,000	Increase in expenditures	\$51,250,000
1882 Partnership Schools	(\$24,000,000)	1882 Partnership Schools	(\$19,000,000)
1882 Partnership Schools 5%	\$1,200,000	Central Office Cuts	(\$35,000,000)
Property Sales	\$25,000,000	Consolidate Schools	(\$15,000,000)
Support Staff Retention Allotment	(\$200,000)	NES decreases (PPOR & PFP)	(\$29,000,000)
Allotment for Basic Cost	(\$500,000)	Cuts to overtime and extra duty payments	(\$3,000,000)
ADSY	\$2,500,000	Accounting for vacancies	(\$10,000,000)
		One-time expenditures	(\$6,000,000)
Revenue Increase/(decrease)	(\$55,400,000)	Cuts in expenditures	(\$98,000,000)
		Total Expenditures Increase/(decrease)	(\$46,750,000)
Budgeted Revenue/Expenditures 2.12.26	\$2,074,847,058	Budgeted Expenditures 2.12.26	\$2,099,737,938
Estimated Revenue for FY27	\$2,019,447,058	Estimated Expenditures for FY27	\$2,052,987,938
		Forecasted FY 2026 Fund Balance	\$787,000,000
		Forecasted Calculated FY 2027 Fund Balance	\$753,459,120

School Budget Framework

Updates to School Budget Formula

Update	Rationale
Special Population Weights	<ul style="list-style-type: none">Align the school budget formula to the state method
Integration of Pay for Performance	<ul style="list-style-type: none">Implementation of PFP begins in fiscal year 2027
Limiting Year to Year Financial Impact	<ul style="list-style-type: none">Budget decreases: No campus budget will be reduced by more than 1% compared to its FY25–26 final allocation.Budget increases: No campus budget will increase by more than 4% compared to its FY25–26 final allocation.

2026-27 PPOR Formula Components



2026-27 Projected Enrollment – Provided by Demographer



ADA% - Average Cycle III & IV 2025-26 PEIMS Data



Base Resource Allocation – Projected Enrollment Grade Level Units

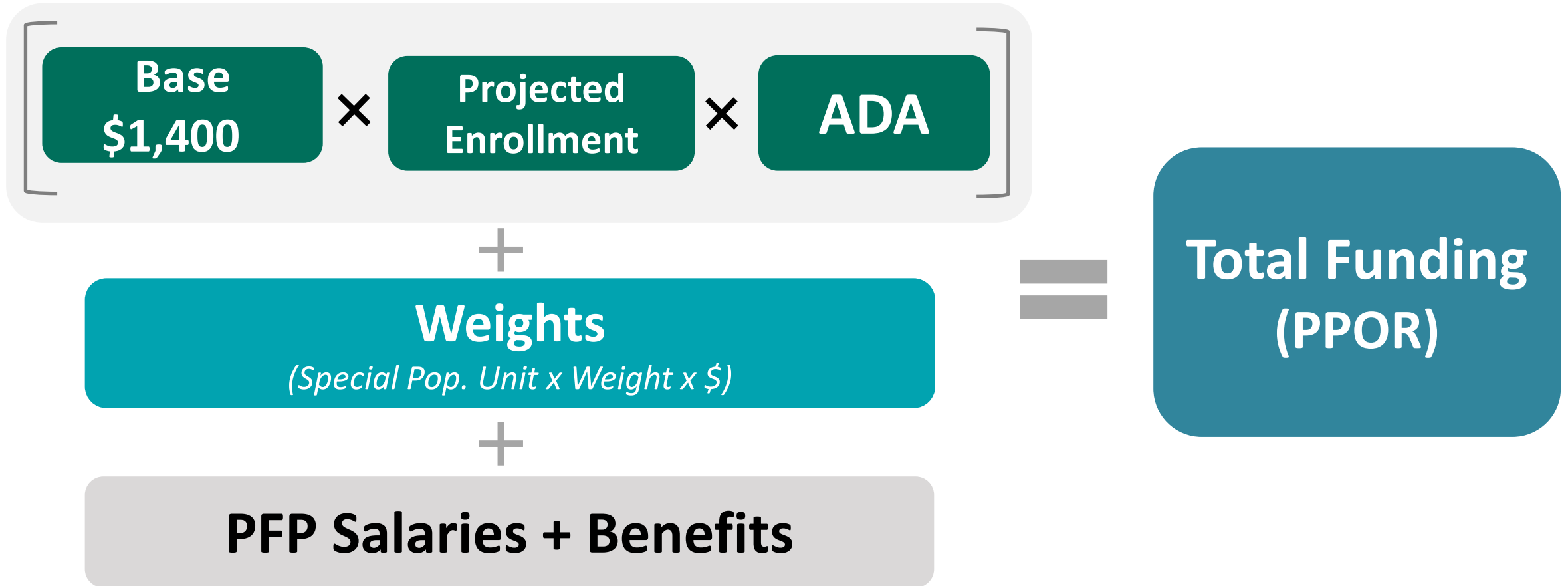


Weights Allocation - Special Population Units



Salary Allocation - Pay for Performance (Teachers)

How School Funding Works: Formula



Workshop # 2 Goals & Agenda

Agenda

May 20th: Budget Workshop #2

- Detailed Assumptions
- Preliminary Proposed Budgets
- School Budgets
- Central Office Budgets
- Health Insurance

Budget Workshop Goals

- Understand HISD's financial picture
- Connect the 26-27 budget to guiding principles and action plans
- Provide transparency into the schools and department budgets