

— A WORTHWHILE PARTNERSHIP —
ASBO International's[®] Meritorious
Budget Award Program and the Houston
Independent School District

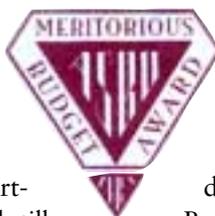
“**W**e’re doing our best, and no one can beat us!”—a key theme that guided the Houston Independent School District during the administration of Dr. Roderick Paige, who is now the Secretary of the U.S. Department of Education. HISD’s strategic intent was, and still is, to become Houston’s educational system of choice. To achieve that goal, the organization focused on raising student achievement and improving communication with the public. Every department in the district was asked to share the same focus.

Could HISD’s budgeting and financial planning department be a major player in telling the district’s story and making it the people’s choice? The answer was a resounding yes! But, it required a commitment to changing what had become business as usual.

First, we knew that the district budget document had to become more of a straightforward guide for the public, explaining the organization’s purpose and goals, its accomplishments in reaching those goals, the direction of the school district, and its plan to get there.

Second, we needed information about how to restructure the budget document to be more user-friendly. Two groups that offer assistance immediately came to mind: the Governmental Finance Officers Association and the Association of School Business Officials International[®]. GFOA conducts the Distinguished Budget Awards Program that focuses on budgeting practices in municipalities, counties, and other governmental units. ASBO International’s[®] Meritorious Budget Awards Program is specifically designed for school districts.

We conducted a thorough review of ASBO’s[®] MBA Program criteria and compared our existing budget book to those measures. Several areas for improvement were evident immediately: the lack of a good executive summary;



a listing of school, department, and district performance measures; a useful glossary; and forecasting and planning information. Adding those missing elements led to a complete revamping of our budget document. We obtained a list of school districts that had already earned the Meritorious Budget Award and requested copies of their budget documents. We contacted several of them directly for advice. We also requested that an ASBO[®] mentor be assigned to our project.

Meanwhile, HISD’s student achievement scores continued to rise, with even more students taking the tests. HISD demonstrated that the promised academic improvement was indeed possible and the public’s expectations and respect rose accordingly. In this new environment of change and improvement, the budgeting and financial planning department took a front-and-center role because it had the responsibility of assigning funding to the areas that would have the most direct impact on student achievement. From our department’s vantage point, we could see the function of every part of the organization and help guide continued improvement at all levels.

Revising the budget book added to the changing attitudes toward HISD. When the district’s 1999–2000 budget book was completed, the response from our Board of Education, the Houston business community, employee organizations, and the general public was immediate and positive. Comments included:

“This is the most important document this district produces.”

“Let us give the budgeting department a hand for a job well done!”

“A good piece of information.”

“I like the way photos of children are used.”

“Can you send me a copy of your budget book?”

By Ron Wilson, RSBO

“This is so awesome!”

“It might be big, but it is useful.”

“Definitely better than anything you put out in the past.”

“Do you have any more?”

“Thank you for being bold and helping to create something that is GOOD!”

By having a well-planned, concise, and informative budget document, HISD had the right tool to convince our Board of Education and our community that the district’s spending plan to improve student achievement was a good one. The 1999–2000 operating budget was passed

with little opposition, an action that would not have been possible just a few years before. Following the ASBO® guidelines to effectively communicate a well-designed operating budget helped to produce the desired results—a successful budget plan and increased public confidence in our organization.

There were additional benefits, as well. We created documents from the budget book to help educate the public in school finance. One example is a brochure called, *The Real Deal: How Schools are Funded in Texas*. The document has had a tremendous impact on our ability to provide a simple explanation to a very complicated process

ASBO INTERNATIONAL’S® MERITORIOUS BUDGET AWARDS CRITERIA

ASBO’s Meritorious Budget Awards Program encourages and recognizes excellence in school system budgeting. This comprehensive program teaches school business administrators the latest in school system budget presentation techniques. Participants build solid skills in developing, analyzing and presenting a school system budget. Those who successfully complete this program receive the prestigious Meritorious Budget Award; enhance the credibility of their budget with their superintendent, school board and community; and boost the professionalism of their budget staff. For more information about the program, contact ASBO’s® professional recognition coordinator at 703/478-0405 or yessawi@asbointl.org.

A. GENERAL

1. The cover of the budget must contain the title “Budget”, include the full name of the school entity, the city/county and state/province in which the entity is located, and the budget year covered.
2. The document should be divided by major sections with consecutive page numbers. A Table of Contents should precede the *Introductory Section* which identifies all the major sections.
3. A cover letter should identify any information required by the criteria that is not relevant to the school entity and therefore not included in the budget presentation. For example, for some dependent school districts, assessed and market value of taxable property and tax rates may not be information relevant to their budgets.
4. Submitters must respond to the previous review team recommendations regarding not meeting criteria in a separate letter.
5. The use of graphs and charts is encouraged in all sections of the budget document to facilitate the understanding of the presentation.
6. The budget document should be technically well prepared, easy to read, information should flow in a logical sequence, narratives should be clear and understandable, and the document should be free of spelling or grammar errors.
7. Budgets must meet all criteria to be eligible for the *Meritorious Budget Award*.

B. INTRODUCTORY SECTION

1. The document should include an *Executive Summary* which is liftable and which presents the budget in narrative, numeric and graphic form. The *Executive Summary* should present, in an integrated and summary form, the following components of the budget:
 - a. An *Organizational Summary Component* which includes a discussion of the major goals and objectives, a brief summary of the budget process, a description of significant changes in the budget process and/or budget policies, and an explanation of how human/financial resources are allocated to achieve significant goals and objectives.
 - b. A *Financial Summary Component* which presents an overview of revenues and expenses/expenditures for all funds, budget comparisons of at least the current year to the budget year, a discussion of significant trends, events and initiatives, and an explanation of significant financial and demographic changes. The use of charts and graphs is strongly encouraged.
 - c. An *Informational Summary Component* which presents important data and information in which there is a high level of public interest.
2. The document should include a copy of the *Meritorious Budget Award* certificate if received for the prior year.
3. The document should also include a listing of members of the school board and first-level administrative personnel.

C. ORGANIZATIONAL SECTION

1. The document should provide an explanation of the school entity which includes the following:
 - Legal autonomy, fiscal independence/dependence
 - Level of education (type of service) provided (elementary, secondary, intermediate unit, community college)
 - Geographic area served
 - Number of students and number of schools
 - Number of funds and fund types and titles (governmental, proprietary, fiduciary)
 - An explanation of the classification of revenues/expenditures
 - An explanation of the measurement basis for budget revenues and expenditures (GAAP, cash, modified accrual, or some other basis)

2. The document should include a discussion of significant budget and financial policies, procedures, rules, and regulations at the legal, board and administrative levels. Such policies discussions may include, among others, legal, board or administrative requirements on fund balance, encumbrances, reserves and debt management.
3. The document should include an organizational chart which includes the administrative staff by position or title.
4. The document should include a coherent statement of the mission of the school entity.
5. The document should set forth the major goals and objectives for the school entity. If the cost of a goal or objective is significant and measurable it is suggested, but not required, that the cost be included.
6. The document should describe the budget development process including the capital budget development process.
7. The document should describe the budget administration and management process.

D. FINANCIAL SECTION

1. The document should include a presentation of the budgets for all governmental and proprietary funds of the school entity at the legal level required by state/provincial laws and/or the level at which the budget is adopted by the governing body of the school entity. The presentation should include revenues by source and expenditures by function and object. Budgets may also be presented by program, location and/or by administrative unit. In addition to the minimum level of presentation required above, budgets may also be presented in greater detail.
2. The presentation of the budgets should use a pyramid approach which begins with a summary of all funds and then presents individual funds. These presentations may be followed by optional program, location and/or administrative unit budgets.
3. The presentation of the budgets should include fund balances, revenues, expenditures and other financing sources/uses, for the current year budget and/or the estimated current year actual and the proposed budget year. The presentation of three years of actual data is preferred in this *Financial Section*. However, at the option of the preparer/submitter, this information may be presented in the *Informational Section* in a form and format which is comparable to the current year and proposed budget year data presented in this section.
4. The document should include budgeted capital expenditures and list major capital projects for the budget year, whether authorized in the operating budget or in a separate capital budget.
5. The document should describe if and to what extent capital improvements or other major capital spending will affect the school entity's current and future operating budgets. The focus should be on reasonably quantifiable additional costs and savings (direct and indirect) or other service impacts that result from capital spending.
6. The document should include financial data on current debt obligation, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current and future budgets.

E. INFORMATIONAL SECTION

1. The document should describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends. Some explanation of the state/local funding structure and regulations may be necessary to complete this explanation.
2. The document should present the assessed and market value of taxable property of the school entity for a minimum of three years actual, current year budget and/or estimated current year, and the proposed budget year.
3. The document should include the property tax rates and collections for a minimum of three years actual, current year budget and/or estimated current year, and the proposed budget year. The document should describe whether the tax rate is a rate per (\$100) of taxable value or on some other form of rate.
4. The document should include an analysis of the budget's effect on taxpayers (tax burden on citizens) for a minimum of three years actual, current year budget and/or estimated current year, and the proposed budget year.
5. The document should provide a five-year summary comparison of revenues and expenditures for the three prior years actual, current year budget and/or estimated current year actual, and proposed budget year for all governmental funds. Presentation of similar data for other funds is optional. If the preparer/submitter opted to include three years of actual data with the presentation of the current year and proposed budget year in the *Financial Section*, this requirement was met in the *Financial Section* and to present the information again in the *Informational Section* is redundant and unnecessary. The five-year summary if presented in the *Informational Section* must be in a form and format that is comparable to the data presented for the current year and proposed budget year in the *Financial Section*.
6. The document should present a minimum of three years of budget forecasts beyond the proposed budget year, which include beginning and ending fund balance, and revenue and expenditures for all governmental funds.
7. The document should present a minimum of three years of actual student enrollment history, the current budget and/or estimated current year enrollment, the proposed budget year enrollment and a minimum of three years of enrollment projections. Forecasting methodology and techniques must also be discussed as part of the presentation on enrollment projections.
8. The document should present personnel resource allocations of the school entity for a minimum of three prior years actual, current year budget and/or estimated current year actual, and proposed budget year.
9. The document should include the bond amortization schedule(s) of the school entity.
10. The document should provide performance measures (quantitative and/or qualitative measurement of results) for a minimum of three prior years. Such performance measures may include standardized test scores, drop-out rates, accomplishment of goals and objectives, parent/student satisfaction surveys and/or other performance measures.
11. The document should include other information that would help the reader understand the past and future directions of the school entity.
12. The document should include a glossary of terms to improve understanding.

of school funding and equalization formulas in Texas. HISD sent *The Real Deal* brochure to all HISD principals, key communicators, and elected officials.

ASBO International® Meritorious Budget Award program benefits

Participating in the ASBO International® Meritorious Budget Award Program was important for the HISD because it gave us a systematic, structured process to improve our budget reporting documents. The program enabled us to maximize the use of standard schedules that are required by law. We also were able to coordinate our budget reporting within an effective communications tool that specifically outlined our goals, values, and districtwide purpose. In addition, we were able to directly link our progress in student achievement with our annual spending plan and the general economy of our community in one document.

Be prepared to work at it. Taking on the challenge of the ASBO International® MBA Program involves changing the way things have always been done. This process includes research, analysis, and creativity in developing a new communications tool. It requires an honest appraisal of what has not worked in the past. Although HISD modeled its new budget book on what other school systems had already developed, those ideas had to be adapted to the unique needs of the district and its community. That required a willingness to try fresh ideas and an awareness of how the community and district employees would accept those ideas.

By having a well-planned, concise, and informative budget document, HISD had the right tool to convince our Board of Education and our community that the district's spending plan to improve student achievement was a good one.

HISD is the seventh largest school system in the nation, but the size of your school district should not be an issue in your decision to participate in the award program. Our budget documents are somewhat different, but contain similar information in various layouts. Any school district can incorporate the standards into its budget process.

We believe that the partnership between ASBO's MBA Program and Houston Independent School District is worthwhile! It has helped us to be our best! Come join us! ■

Ron Wilson, RSBO, is assistant superintendent, budgeting and financial, for Houston Independent School District in Houston, TX. He also is a member of ASBO International's® Board of Directors.

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—Neil Sullivan, CGFM, executive director of finance, Spokane Public Schools, WA

COE reviewers are school business officials and accounting professionals with experience in governmental accounting who volunteer their time to review program applications. Reviewers contribute to the profession while benefiting from the knowledge gained from reviewing financial reports from other school entities and geographic regions. For more information, contact Yara Essawi at 703/ 478-0405 or at yessawi@asbointl.org.

