

HOUSE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON ARTICLE III

INTERIM CHARGE 2:

Evaluate ongoing costs associated with implementing the provisions of HB 3.

The following constitute responses to a request for information regarding the above interim charge posted on August 5, 2020.

HB 3 Implementation Update

HOUSE PUBLIC EDUCATION COMMITTEE

SEPTEMBER 30, 2020

Posted Questions

- 1. Can the state delay implementation of the teacher incentive pay program to push it out to the next biennium? If so, what would be the impact on the current budget, as well as budget implications for the 2022-23 biennium?**
 - TEA has already implemented the Teacher Incentive Allotment. 26 districts have already implemented the program, and over 800 districts have expressed interest. While the Legislative Budget Board fiscal noted this program to cost the state \$146M in the first biennium when the Legislature passed HB 3, TEA's current estimates project the cost to the state will be \$88M for this biennium (savings of \$58M for the biennium).
- 2. Does the state have any obligation to ensure that newly awarded salaries are carried forward from year-to-year all other conditions being equal?**
 - The agency has communicated to the field that this provision was intended to provide permanent increases in teacher pay. Also, for chapter 21 positions, pay may not be characterized as supplemental for duty that isn't supplemental solely in order to avoid the statutory requirements to maintain rates of pay across a contract term.
 - Additionally, TEC, Sec. 21.402(e-1), provides that a teacher cannot receive a lower minimum salary from one year to the next. However, if a district issued one-time compensation increases to teachers to meet the HB 3 requirements, despite the guidance and prohibition noted above, Section 21.402(e-1) would not require the district to carry such compensation increases forward.

Posted Questions

- 3. Is the state capable of providing the additional financial resources so school districts can maintain the new salaries awarded post-HB 3?**
 - Barring legislative action that would reduce formula funding to school districts, the FSP formulas should continue to provide similar levels of revenue to districts (assuming similar levels of enrollment) to maintain salary increases from HB 3.
- 4. What impact does the “no new revenue – tax cap” of 2.5 percent have on a school district’s ability to continue the pay raises or changes in salary schedules adopted for the 2019-20 school year?**
 - The 2.5% mechanism for school districts in HB 3 does not actually cap revenue for districts, rather it limits the amount the local share of tier one can grow in any given year. Therefore, tax compression does not impact a district’s budget bottom line, nor does it impact the amount of revenue available in a district to maintain salary increases previously granted. Instead, it impacts the amount of state funding that must be provided under the FSP formulas by the legislature in the aggregate, relative to the amount of property tax that is used to finance the FSP formulas.

Significant Funding Changes in Implementation For Year 1

Annual Funding Item for 2019-2020 School Year	Estimate from 86 th Session	Implementation Estimate (1 st year only)	Reason for Difference
Average per ADA increase	\$635	\$530	2019 property values (DPV) grew by 10%, which would have allowed large “lag” amounts under prior law
<i>Decrease</i> in Recapture	\$1.6B	\$1.4B	DPV increase more than CPA estimate of 5.76%
Mainstream Weight <i>Increase</i>	\$46M	\$52M (+ \$6M)	Special education enrollment higher than projected
Dyslexia Allotment	\$125M	\$136M (+\$11M)	Dyslexia students receiving services exceeded trend
Compensatory Education Allot.	\$5.15B	\$5.09B (- \$60M)	N/A
Dual Language Allotment	\$218M	\$199M (- \$19M)	Dual language students lower than projected
Early Education Allotment	\$835M	\$796M (- \$39M)	Growth rate in K3 enrollment lower than projected
Fast Growth Allotment	\$266M	\$302M (+ \$36M)	“3-year” growth updated from SY16-18 to SY17-19
Teacher Incentive Allotment	\$73M	\$40M (-\$33M)	Adoption by school districts delayed due to Covid-19
Transportation Allotment	\$460M	\$284M (- \$176)	Covid-19 school closures in March 2020
Formula Transition Grant	\$41M	\$441M (+ \$400M)	See explanation above for “average per ADA increase”

Historic Time in Texas Public Education



House Bill 3: Highlights



Funding Increases On Average - \$530 per ADA



Supports Teachers and Rewards Teacher Excellence

- Teacher Incentive funding
- Increased Minimum Salary Schedule
- Teacher Mentor Allotment program
- Do Not Hire registry



Increases Funding and Equity

- Compensatory Education increased to 0.225 - 0.275 based on density of neighborhood poverty
- Current year values equalizing Tier One
- Equal treatment of ASF funding



Focuses on Learning and Improving Student Outcomes

- Full day Pre-K, K-3 reading support
- Dual Language
- Increased SPED mainstream funding
- Dyslexia funding
- CCMR Outcomes Bonus
- CTE, P-TECH, New Tech
- Extended elementary school year
- Blended Learning



Reduces and Reforms Property Taxes and Recapture

- Tax rates dropped an average of 8 cents in year one
- Tax rates continue to decline as property values grow more than 2.5%
- Additional board local discretion
- Recapture cut from \$3.82B to \$2.43B* in year one

*\$2.43 billion current law recapture includes the ADA hold harmless for Covid-19 and is prior to adjustment for ESSER funds.

Certain HB 3 Implementation Highlights



Reading Academies

The Reading Academies are set to launch this summer with **51,845 teachers** completing them in year one through either the blended or comprehensive model.



College Exam Reimbursements

As of the October test administration, **2x more** students have taken the ACT and **3x more** students have taken the SAT as a result of more districts offering these exams and being reimbursed.



Teacher Incentive Allotment

803 Letters of Interest received by districts.



Do Not Hire Registry

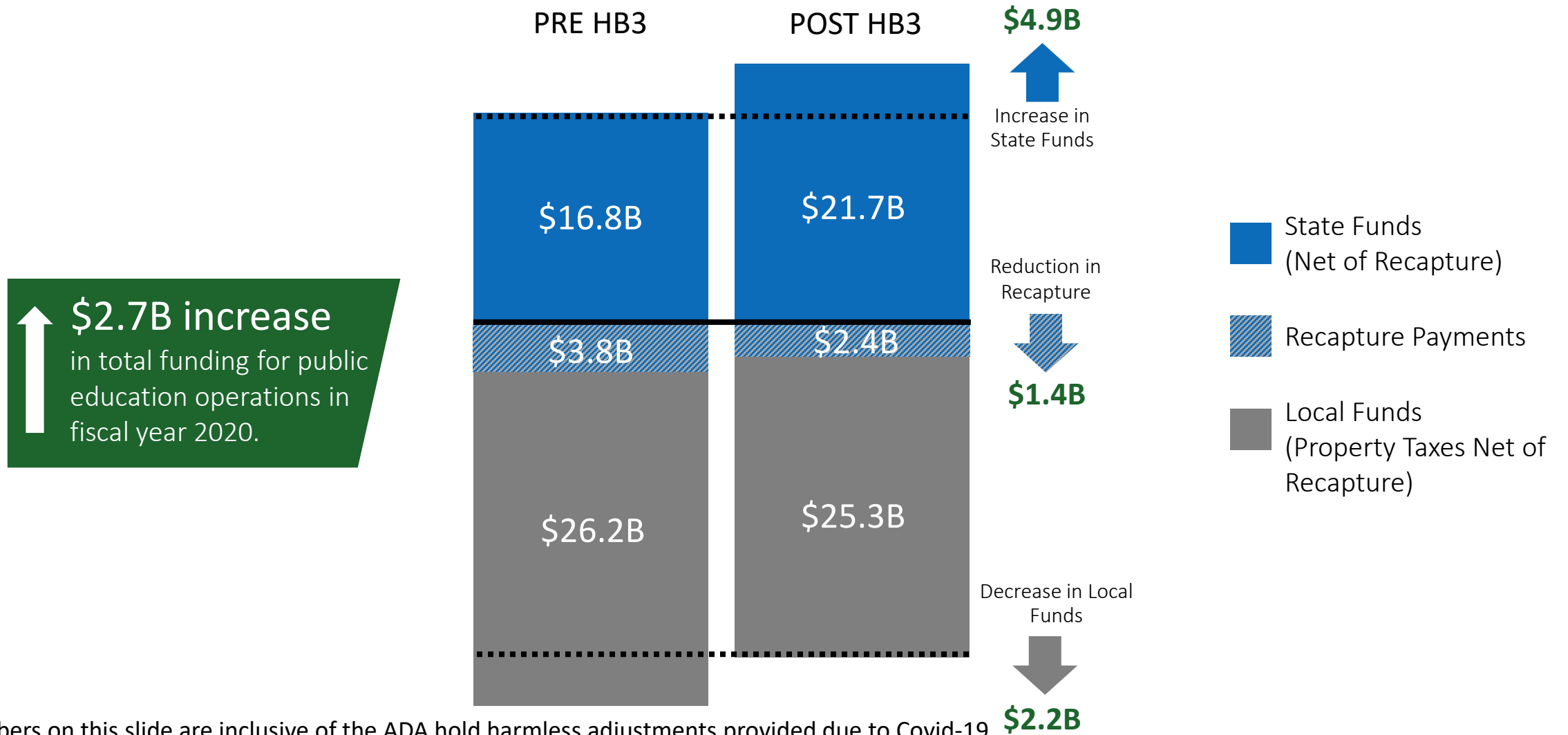
The registry developed and accessible to Texas' public and private schools and will be available to the public mid March.



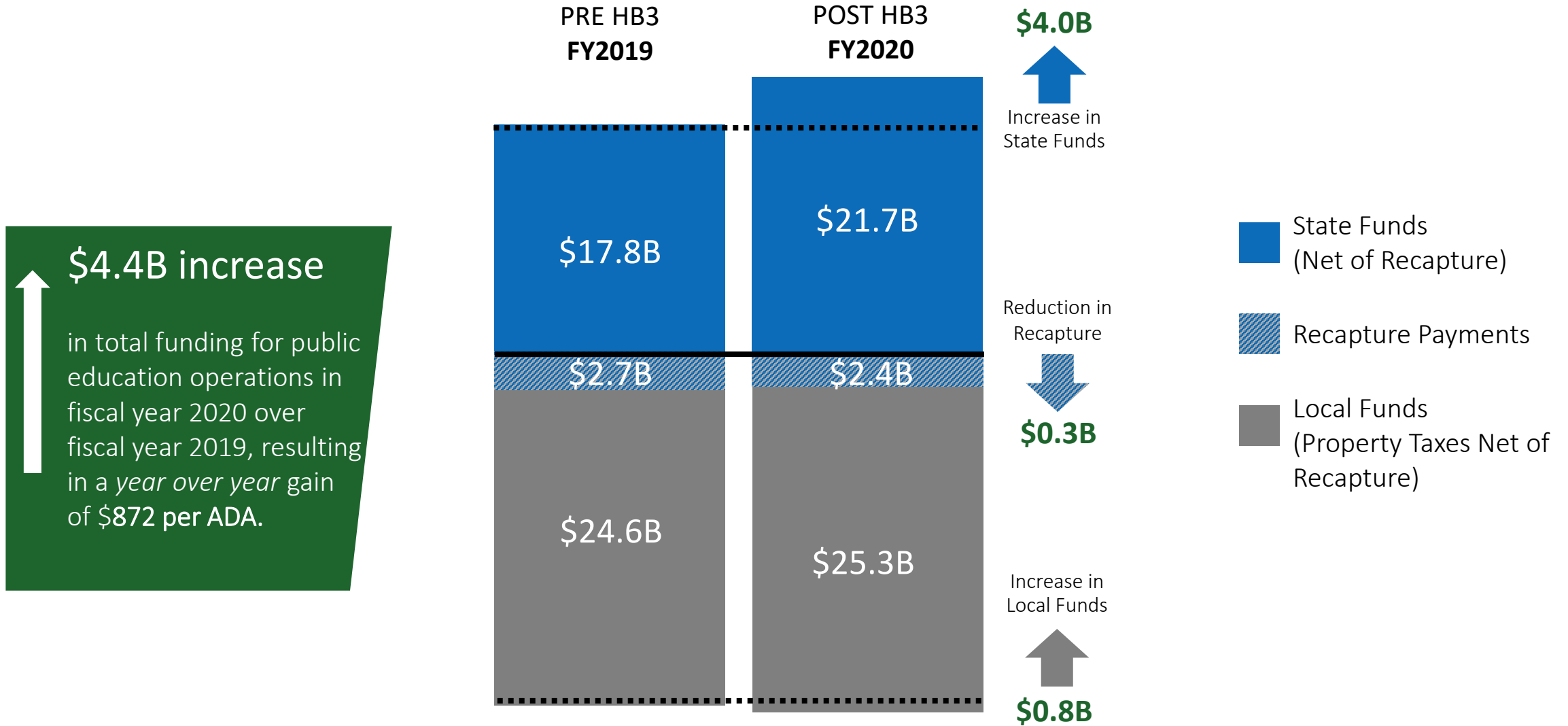
Tax Rate Reductions

Tax rates were **reduced 8.3 cents** from 2018 to 2019.

HB 3 infused \$2.7 billion of net new revenue into district budgets



HB 3 infused \$4.4 billion of net new revenue (year over year) into district budgets



TEA support of House Bill 3 implementation

With the passage of House Bill 3, support to improve student outcomes has never been greater.



tea.texas.gov/HB3



TEA has produced **25 videos** on HB 3 implementation guidance for the field.
These videos have...



427,540

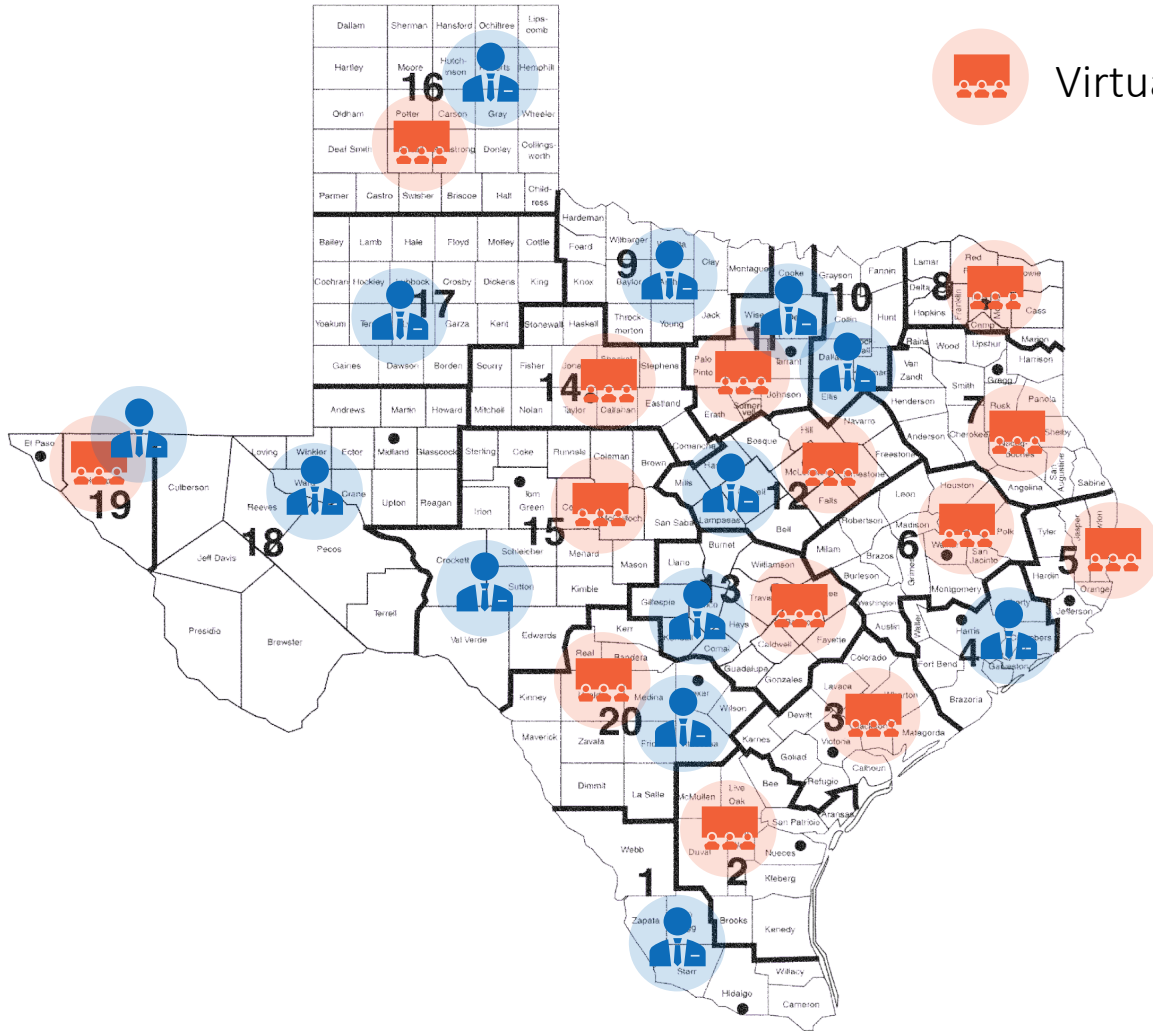
unique video views
(as of Sept. 2020)



1,731,312

minutes watched
(as of Sept. 2020)

TEA Visits to ESCs Across the State



Virtual Visit



In-Person Visit

Commissioner Morath held over **13 in-person** visits and **11 virtual visits** with Superintendents and administrators briefing them on the initiatives and opportunities in HB 3 as well as **monthly ESC director meetings**.

TEA's School Finance team held over **5 in-person** visits and **2 virtual visits** with Superintendents and administrators briefing them on the initiatives and opportunities in HB 3.

HB 3: TAA Correspondence Letters

52

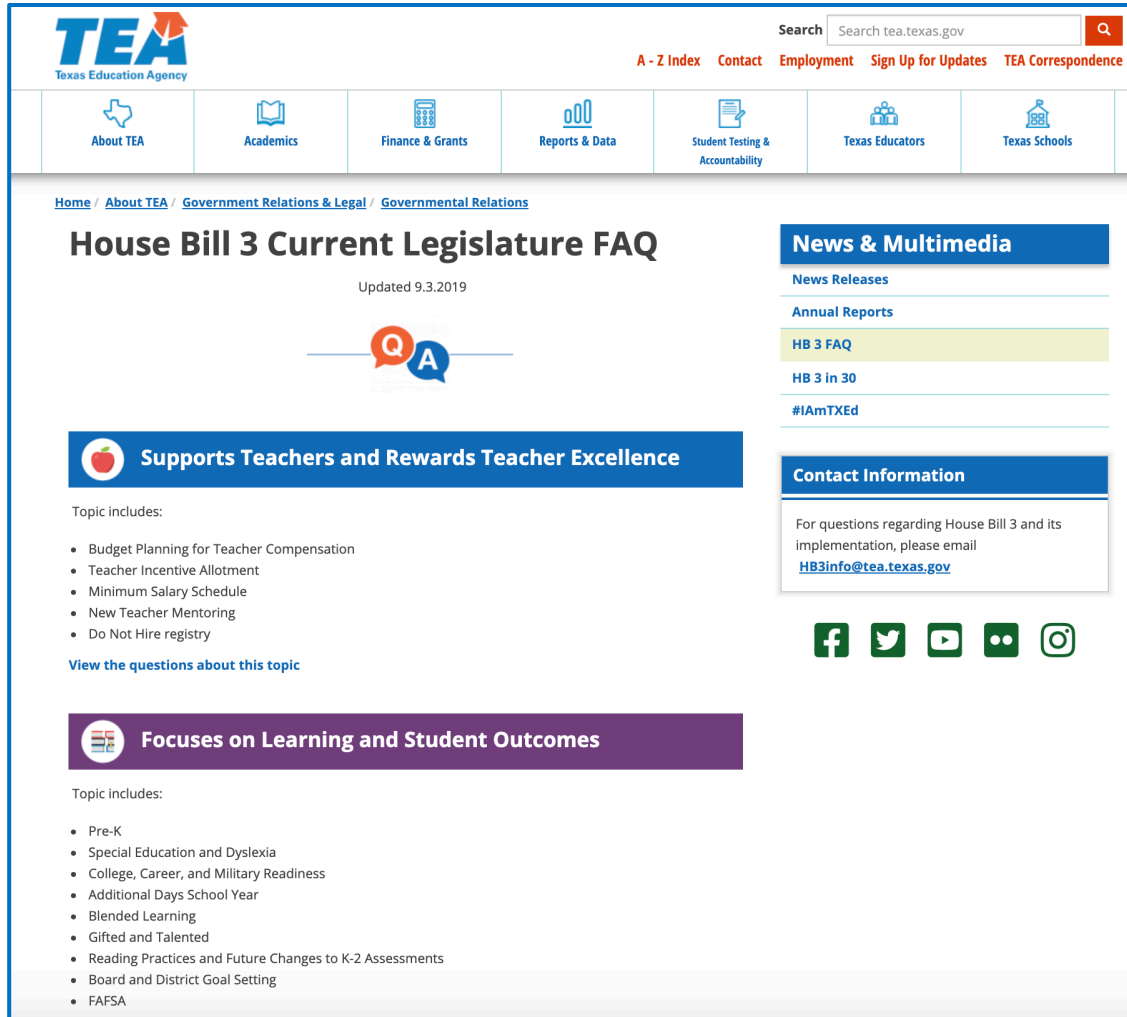
To the Administrator letters on HB 3

These letters provide useful guidance to districts and direct them where to find information on TEA's website.

HB 3 Guidance and Correspondence

Date	Title	Division
10/10/2019	House Bill 3 (HB 3) Implementation: Blended Learning Grant Program	Special Populations
10/03/2019	House Bill 3 (HB 3) Implementation: Teacher Incentive Allotment	Educator Systems and Support
10/03/2019	House Bill 3 (HB 3) Implementation: Teacher Appraisal survey	Educator Systems and Support
09/26/2019	House Bill 3 (HB 3) Implementation: Update on Changes to the Bilingual Education Allotment	Special Populations
09/19/2019	House Bill 3 (HB 3) Implementation: Early Childhood and CCMR Board Adopted Plans and Goals	Governance
09/12/2019	House Bill 3 (HB 3) Implementation: Reading Practices	School Programs
09/05/2019	House Bill 3 (HB 3) Implementation of the Special Education and Dyslexia Allotment and Senate Bill 2075 Monitoring	Special Populations
08/29/2019	House Bill 3 (HB 3) Implementation: Gifted/Talented Education Certification and Funding	Special Populations
08/29/2019	House Bill 3 (HB 3) Implementation: Charter School Funding	School Finance
08/22/2019	House Bill 3 (HB 3) Implementation: College, Career, or Military Readiness CTE, Incentives for High School Models, and High School Equivalency	College, Career, and Military Preparation
08/22/2019	House Bill (HB 3) Implementation: Small and Mid-sized District Allotment	State Funding
08/15/2019	Changes to Reporting Requirements and Creation of the Registry of Persons Ineligible to Work in Public Schools	Educator & System Support
08/15/2019	Updates to Program Intent Codes	Financial Compliance
08/08/2019	House Bill 3 (HB 3) Implementation: College, Career, or Military Readiness Sections	College, Career, and Military Preparation

HB 3: Frequently Asked Questions



TEA Texas Education Agency

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House Bill 3 Current Legislature FAQ

Updated 9.3.2019

Q A

Supports Teachers and Rewards Teacher Excellence

Topic includes:

- Budget Planning for Teacher Compensation
- Teacher Incentive Allotment
- Minimum Salary Schedule
- New Teacher Mentoring
- Do Not Hire registry

[View the questions about this topic](#)

Focuses on Learning and Student Outcomes

Topic includes:

- Pre-K
- Special Education and Dyslexia
- College, Career, and Military Readiness
- Additional Days School Year
- Blended Learning
- Gifted and Talented
- Reading Practices and Future Changes to K-2 Assessments
- Board and District Goal Setting
- FAFSA

News & Multimedia

- [News Releases](#)
- [Annual Reports](#)
- [HB 3 FAQ](#)
- [HB 3 in 30](#)
- [#IAmTXEd](#)

Contact Information

For questions regarding House Bill 3 and its implementation, please email HB3info@tea.texas.gov

[f](#) [t](#) [v](#) [d](#) [i](#)

TEA has posted answers to **over 200** frequently asked questions



Sample Questions Answered by TEA:

How do I calculate the teacher pay raise? Specifically, what dollar value needs to be set aside for the raises?

What does the passage of HB 3 mean for my current Master Teacher Certification?

What happens if I don't compress my taxes in compliance with House Bill 3?

Learn more at tea.texas.gov/HB3

HB 3: TEA Rules Timeline

TEA has completed, or is in the process of completing, **37 out of 55 rules** pertaining to HB 3.



67% complete

- ☒ Do not hire registry
- ☒ High quality Pre-K program requirements
- ☒ Recapture Rule re-write

The full rulemaking schedule can be found on our HB 3 page:
<https://tea.texas.gov/sites/default/files/HB-3-Rulemaking-Schedule.pdf>

HB 3: TEA Rules Timeline

TEA has **16 rules** pertaining to HB 3 left to complete.

- 1) Additional state aid for school districts that contract to partner to operate district campus (§61.1010)- **(Commissioner)**
- 2) College, career, or military readiness outcomes bonus (§74.1007)-**(Commissioner)**
- 3) Cross reference updates in optional extended year program rule (§105.1001) – **(Commissioner)**
- 4) Blended learning grant programs - **(Commissioner)**
- 5) Excess funds for video surveillance of special education settings (§61.1020) - **(Commissioner)**
- 6) Science lab grant program ADA (§61.1037)- **(Commissioner)**
- 7) Cross reference updates in IFA/EDA (§61.1032 and §61.1035) - **(Commissioner)**
- 8) Instructional arrangements for special education (Ch 89, Sub D) - **(SBOE)**
- 9) Gifted and talented programs (Ch 89, Sub A) - **(SBOE)**
- 10) Reporting requirements for preK and partnership classroom teachers and aides, Kindergarten-Grade 2 reading assessment (including Kindergarten readiness indicator), and reading standards for Kindergarten-Grade 3- **(Commissioner)**
- 11) New test codes and passing scores for EC-6 exams and student services exams (includes science of teaching reading instruction for elem tchr cert) §151.1001- **(Commissioner)**
- 12) Financial aid application requirement for high school graduation- **(Commissioner)**
- 13) Repeal of rules for FSP funding for reimbursement of disaster remediation costs (§61.1013 and §61.1014)- **(Commissioner)**
- 14) Financial aid application requirement for high school graduation (§74.11)- **(SBOE)**
- 15) Definition of Tax Levy and Tax Collection - **(SBOE)**
- 16) Definition of Tax Levy and Tax Collection - **(Commissioner)**

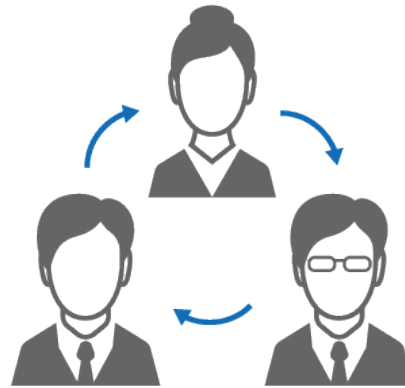
HB 3: Advisory Committees

Reading Standards K-3 Advisory Committee

- Committee members named Oct. 17th
- Conducted 4 meetings and a focus group
- Provided important feedback on Reading Academy module content

Special Education Allotment Advisory Committee

- Committee members named Oct. 31st
- Committee met 6 times throughout the Fall 2019 and Spring 2020
- Final Report delayed by 3 months due to COVID-19 – Expected completion September 2020



Financial Aid Advisory Committee (FAFSA & TAFSA)

- Held 2 meetings, 2 more currently scheduled
- Providing recommendations on proposed opt-out form, proposed data tracking and reporting processes and implementation resources
- Report due in January 2021

Compensatory Education Allotment Advisory Committee

- Committee members named Nov. 7th
- Conducted two meetings, another is scheduled
- Provided valuable feedback on policy and outstanding questions
- Approved increasing the homeless student weight to .275

Implementation Progress

Mentoring New Teachers



Teacher Mentorship

HB 3 established **Teacher Mentor Program Allotment (MPA)** to fund stipends for mentors and other costs associated with mentoring teachers in their first two years

- ✓ In August of 2020, 67 districts were approved to receive the allotment for the 2020-21 school year.
- ✓ Cycle 1 MPA - \$1,800 per mentee, which can be used on mentor stipends, scheduled release time, and providers of mentor training



Commissioner of Education Rule (§153.1011) - effective June 28th, 2020

- Each year, TEA will provide an application and approval process for school districts to apply for mentor program allotment funding.
- Funding will be limited based on availability of funds, and, annually, the commissioner shall adopt a formula to determine the amount to which approved districts are entitled

Teacher Incentive Allotment: Paying Teachers More, With a Focus On Equity

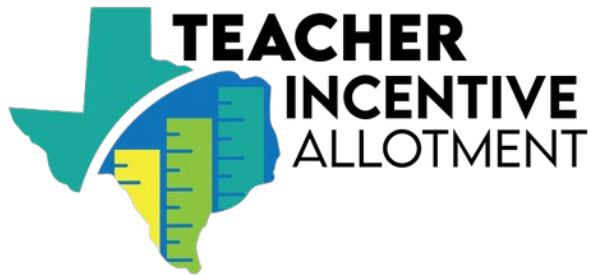


- ✓ HB 3 establishes an optional **Teacher Incentive Allotment** with a stated goal of a six figure salary for teachers who prioritize teaching in high needs areas and rural district campuses
- ✓ Funding ranges from **\$3,000 - \$32,000** per teacher per year, using new Compensatory Education spectrum system
- ✓ At least **90%** of these funds must be spent on compensation of teachers at these campuses

➔ More Poverty

		Non Eco-Dis	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Recognized	Non-rural	\$ 3,000	\$ 3,750	\$ 4,500	\$ 6,000	\$ 7,500	\$ 9,000
	Rural	\$ 6,000	\$ 6,750	\$ 7,500	\$ 9,000	\$ 9,000	\$ 9,000
Exemplary	Non-rural	\$ 6,000	\$ 7,500	\$ 9,000	\$ 12,000	\$ 15,000	\$ 18,000
	Rural	\$ 12,000	\$ 13,500	\$ 15,000	\$ 18,000	\$ 18,000	\$ 18,000
Master	Non-rural	\$ 12,000	\$ 14,500	\$ 17,000	\$ 22,000	\$ 27,500	\$ 32,000
	Rural	\$ 22,000	\$ 24,500	\$ 27,000	\$ 32,000	\$ 32,000	\$ 32,000

➔ More Funding



- ✓ The Texas Education Agency has announced the [26 school districts](#) that will be part of the first cohort of the Teacher Incentive Allotment. The program distributed about [\\$40 million to about 3,650 teachers](#) across the state for the 2019-2020 school year (as part of the settle-up process in September 2020).
- ✓ An additional [277 National Board teachers were designated at 14 districts](#) and generated about 1.2 million.

	Allotment	Potential Earning
Recognized	\$6,301.69	\$69,054.81
Exemplary	\$12,587.24	\$79,785.69
Master	\$22,508.69	\$95,854.43

*(Base compensation based on 2019-20 projections. Potential earnings include districts flowing 100% of the funds directly to designated teachers – most districts are flowing at most 90%)

Maintaining the Integrity of the Profession



Do Not Hire Registry

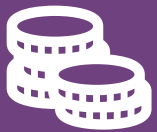
TEA is required to create a new **Do Not Hire Registry** and place individuals on the Registry who are not eligible for hire in a Texas public school based on misconduct or criminal history. TEA is also required to create a **Misconduct Reporting Portal**, so that Texas schools have a method of securely reporting allegations of misconduct to the agency.

- ✓ The Registry launched in January 2020. There are 1,850 former educators and employees on the Registry as of August 2020
- ✓ The Reporting Portal launched in March 2020.



Commissioner of Education Rule - Registry of persons ineligible to work in Texas public schools (Ch 153, Sub EE), effective December 31, 2019.

Early Education Allotment



Early Education Allotment

Established an Early Education Allotment (**additional 0.10 weight**) for each student in ADA in grades K-3 and who is educationally disadvantaged or Limited English Proficient (LEP).

- ✓ Early Education Allotment incorporated into 2019-2020 FSP amounts
- ✓ Funding amount for 2019-2020 school year is \$796 million
- ✓ Estimated funding amounts for 2020-2021 school year is \$800 million
 - The 2020-21 estimate could end up being significantly less, depending on the number of early education students that are unenrolled from public schools due to COVID-19.



No Commissioner of Education Rule necessary as HB 3 was clear in statute.

Full-Day High-Quality Pre-K



Full-Day
Prekindergarten

HB 3 Requires full-day Pre-K for all eligible four-year olds

- Requires high-quality program requirements of all prekindergarten classrooms in Texas
- Requires consideration of partnerships with quality child care providers before issuing bonds for new classrooms

- ✓ For the 2019-20 school year, 249,226 students are enrolled in Full-Day PreK program
- ✓ TEA approved 192 full day PreK waivers – 85 for 2019-20 only, 15 for 2019-2020 & 2020-2021, and 89 for 2019-20, 2020-21, 2021-22



Commissioner of Education Rules filed November 2019.



Improving Reading Outcomes

HB 3 amends statute to include multiple reading initiatives:

- Requires districts and charters to provide a phonics curriculum using systematic direct instruction in grades K-3
- Requires districts to certify to the TEA that the district:
 - Prioritizes placing highly-effective teachers in K-2 and
 - Has integrated reading instruments to support Pre-K to grade 3 students
- ✓ **TEA established the Reading Standards Advisory Board in October 2019**



Commissioner of Education Rules – Fall 2020



Improving Reading Outcomes

Requires each teacher and principal in grades K-3 to complete reading academies by 2020-2021

- Academies are available in a blended model and a comprehensive model and both models include a biliteracy path



38 Authorized Providers, (including all 20 ESCs) support...



700+ Cohort Leaders, who have been screened + trained to facilitate...



500+ Cohorts launched, both blended and comprehensive, preparing...



20,000+ Educators actively strengthening their reading practices!

Snapshot Date: September 3, 2020

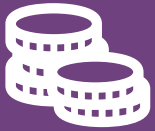
Improved Reading Diagnostic Instruments



Reading Diagnostic Instruments

HB 3 amends statutory requirements for the use of kindergarten reading instruments:

- Requires the Commissioner to adopt a multi-dimensional assessment tool that includes a reading instrument
 - The commissioner has adopted **TX-KEA** for this purpose.
- Permits the Commissioner to approve an alternative reading instrument for use in diagnosing the reading development and comprehension of kindergarten students
 - The commissioner has approved **mCLASS Texas** as the alternative reading instrument.
- ✓ One-year waiver:
 - LEAs must use TX-KEA or mCLASS Texas for the beginning-of-year screener, starting in the 2020-2021 school year.
 - Because of disruptions to the 2019-2020 and 2020-2021 school years resulting from COVID-19, LEAs that are unable to implement TX-KEA or mCLASS Texas in 2020-2021 may request a waiver in order to continue to use the instrument they used in the 2019-2020 school year or another instrument approved by a local district board of trustees in order to best meet student needs in the 2020-2021 school year only.



Dyslexia Allotment

Additional funding is provided to support students with Dyslexia

- School districts and open-enrollment charter schools now receive a weight of 0.10 multiplied against the Basic Allotment for each student that has been identified as having Dyslexia or a related disorder
 - ✓ There were 220,551 students identified as receiving dyslexia related services during the 2019-2020 school year.
 - ✓ This resulted in a final Dyslexia Allotment for the 2019-2020 school year of \$136 million, which was slightly higher than the \$125 million legislative estimate. Note: this number is subject to change given data submissions errors currently under review.



No Commissioner of Education Rule necessary as HB 3 was clear in statute.

Improving Literacy Through Dual Language



HB 3 expanded the Bilingual Education Allotment to increase student support for literacy in English and other languages

- Includes incentivized funding for dual language:
- Incentivizes districts to integrate English learners and native English speakers into dual language programs
- ✓ Dual Language Allotment for the 2019-2020 school year is \$199 million, which is less than the \$218 million legislative estimate.



SBOE rule requiring a report on the use of funds as part of a district's annual audit and the minimum requirements of the report drafted in June 2020.



Preparing New Teachers

To earn a certificate to teach Pre-K to grade 6, a candidate must demonstrate proficiency in the science of teaching reading on a certification examination by January 1, 2021



SBEC Rule- Requirements for the science of teaching reading instruction for elementary teacher certification- Effective February 2020

- ✓ Candidates seeking certifications after January 1, 2021, in the following areas will need to take the STR: EC-3 core subjects, EC-6 core subjects, 4-8 core subjects, 4-8 ELAR, 4-8 ELAR/SS
- ✓ All candidates are required to meet the same requirements regardless of their teacher preparation program.
- ✓ The ELAR section of the EC-6 Core will remove standards found in STR to ensure that those standards are only assessed once.
- ✓ TEA created a prep manual located [here](#).

Blended Learning Grant Program

HB 3 established a blended learning grant program (BLGP) that prioritizes LEAs with the highest enrollment of educationally disadvantaged students

- Blended learning is a blend of face-to-face instruction and online learning
- The BLGP walks districts through a codified planning process and provides a built-in performance management system to continuously improve effectiveness
- 2019 BLGP Grants awarded to 25 out of 41 applicants for Math Innovation Zones and non-math blended learning pilots
- Program demand expected to dramatically increase given the need for adaptable in-person, online, and hybrid instructional models due to COVID-19



COE Rule to establish BLGP, including rules to establish an application and selection process for awarding grants and a list of programs that may be used for training in the BLGP expected November 2020.



**Blended
Learning
Grant Program**



Readiness Plans

- Requires boards of school districts and open-enrollment charter schools to adopt college, career and military readiness plans and post on their website
- COVID UPDATE
 - ✓ The goals and progress measures **will be extended until January 31, 2021** and can be incorporated into the 2020-2021 district and campus improvement plans for board adoption during the 2020-2021 school year once the goals and progress measures are approved by the board.
 - ✓ Goal-Setting Training: This training can be provided by ESCs or any authorized provider with a provider number beginning with 2020-. A list of Authorized Providers can be found here: http://tea4avcastro.tea.state.tx.us/school_board/providers.html

Outcomes Bonus and CTE Funding Expansion



Outcomes Bonus and CTE Expansion

Establishes a CCMR Outcomes Bonus paid for each annual graduate above a certain threshold percentage and adds CTE funding expansion:

- Adds Technology Applications to funding weight – including all computer science
- Extends to CTE & Tech Apps courses offered in grade 7
- New funding to support the P-TECH and New Tech HS models

✓ CCMR Outcomes Bonus estimated funding amount is \$225M



Unintended Consequence

(See slide 50, Unintended Consequence #1)



COE Rules expected to finalized for all programs by Fall 2020.

Outcomes Bonus and CTE Funding Expansion



Other Initiatives

Adds a reimbursement to districts to offer one free college & one free industry entrance exam per student before they graduate

- ✓ Reimbursement for one High School student for SAT/ACT/TSIA – **Estimated at \$20.5 million for SY2019-20, and final amounts will be calculated in April 2021.**
- ✓ Reimbursement for one HS student for any of the 220 approved Industry Based Credentials (IBC) – **Estimated at \$12.1 million for SY2019-20 , and final amounts will be calculated in April 2021.**



Unintended
Consequence

(See slide 50, Unintended Consequence #2)



Increased
Resources,
Planning and
Training

HB 3 increased Special Education weight from **1.1 to 1.15** for students served in a mainstream setting

Requires the Commissioner to establish a Special Education Advisory Committee to make recommendations regarding financing special education

- ✓ Committee report expected to be submitted September 2020, which includes an analysis of moving towards funding services rather than instructional arrangement.
- ✓ Mainstream Allotment for the 2019-2020 school year was increased by \$52 million above what it would have been at the previous weight, which is slightly higher than the \$46 million legislative estimate. This is largely attributed to an increase in the special education enrollment.



Additional Instructional Days

HB 3 adds **funding support** for school systems that want to add instructional days (beyond the minimum 180 days) to one or more of their elementary school calendars

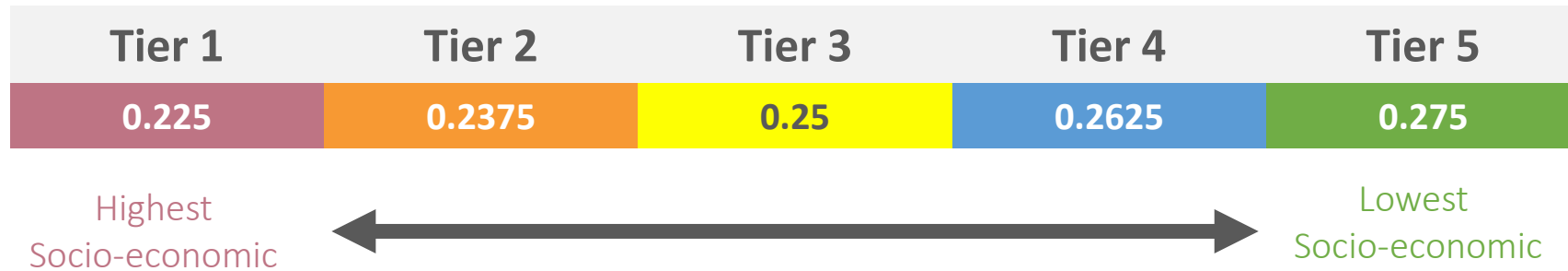
- ✓ TEA launched a survey to better estimate use and cost on September 15, 2020 but results will not be available until after September 30th when the survey closes.
- ✓ TEA will not know actual cost for FY2021 (first year of implementation) until Fall of 2021.



COE Rule expected to be filed November 2020 to be effective March 2021.

Compensatory Education (Comp Ed)

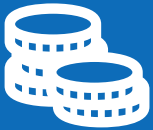
Comp Ed funding is provided for students who are educationally disadvantaged (i.e. eligible for free and reduced-priced lunch)



- Under HB 3, the formula for Comp Ed **increased from 0.20 to a range of 0.225-0.275** per student based on the census block group of the student's home address
- In 2019-2020, the total amount of the Comp Ed allotment was **\$5.09 billion**, as compared to **\$5.15 billion** that was estimated during the legislative session.

Fast Growth Allotment

Adds a Fast Growth Allotment (FGA) of 0.04 for each student in ADA to support rapidly growing districts



Fast Growth Allotment

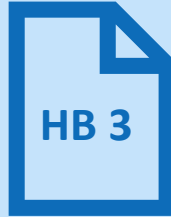


COE Rule effective December 2019

- ✓ 317 school districts that were in the top quartile of percentage of student growth, statewide, received a FGA of \$302 million for the 2019-2020 school year which was higher than the \$266M estimate.*

Gifted and Talented

BEFORE



- The G/T program was funded with a separate allotment
- Reported G/T expenditures
- State spending requirement

AFTER



- The G/T program is funded within the district's basic allotment (\$6,160)
- Continue to report G/T expenditures
- Certify that the district has a compliant G/T program



SBOE Rule- Each district shall report to the commissioner regarding the use of the funds on the district's program for G/T as provided by the State Board of Education rule, Effective December 2020.

Transportation Funding Changes



Transportation Funding Changes

Amends statute for transportation from linear density to a simple \$1.00 per mile reimbursement (set at \$1.00 per mile in the General Appropriations Act)

- Previously, transportation funding was not provided to recapture districts. Now, transportation funding is equally available to all districts.
- Certain new transportation options have become eligible for reimbursement:
 - Homeless students (regardless of distance to campus)
 - Work-based learning site transportation under a district's CTE program
 - Dual credit students (to a local college or a neighboring district)
- ✓ 2019-20 Transportation allotment estimated at \$284 million, which compares favorably to the legislative estimate of \$460 million, because school buses stopped running when Texas schools closed due to COVID-19 in March 2020.

Recapture No Longer Impacts District Entitlement



**Reducing
Impact
of Recapture**

- Recapture is now local revenue in excess of entitlement instead of on a wealth per WADA basis
 - Districts are now guaranteed that recapture will not reduce revenue below their entitlement level
- Early Agreement Credit on recapture has been repealed
- ✓ Recapture for school year 2019-20 is reduced from \$3.82 billion under prior law to \$2.43 billion under HB 3 (36% reduction).*

Formula Transition Grants

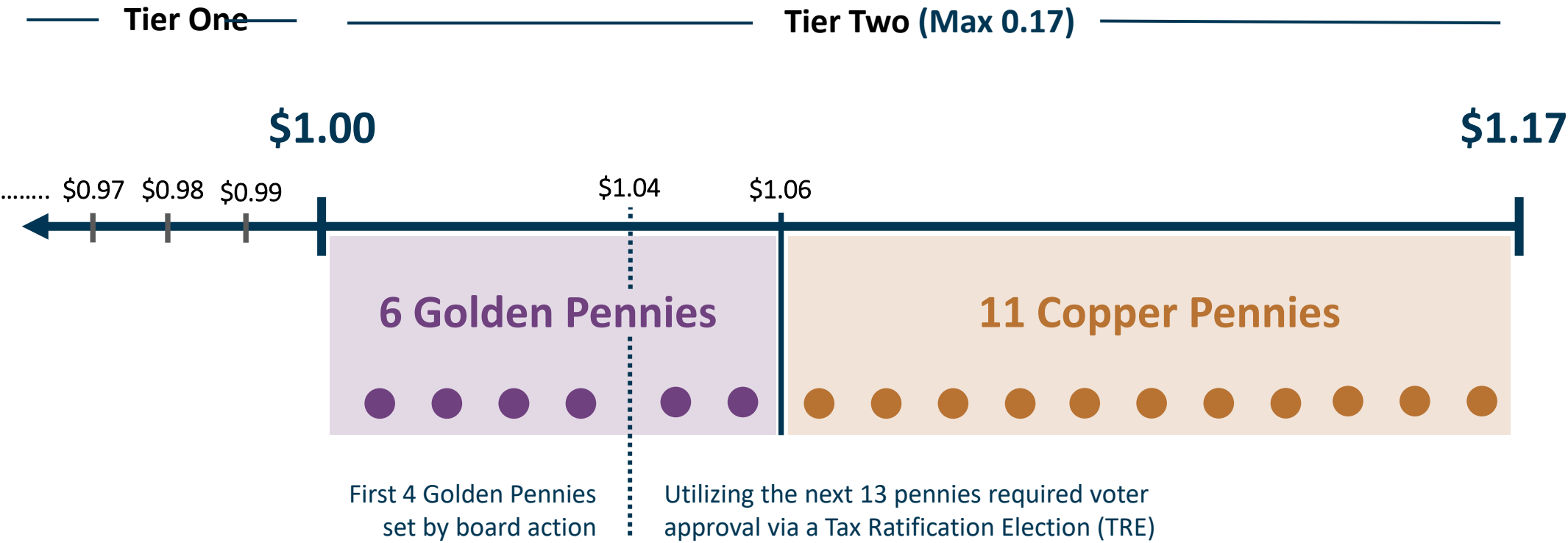


Formula Transition Grants

- School districts and open-enrollment charter schools are entitled to receive the lesser of 103% of the M&O funding they would have received under old law, or 128% of the state average M&O funding under old law
 - For school years ending in odd years (SY 2020-21, and SY 2022-23) school districts and charter schools receive the better of SY 2019-20 or SY 2020-21 under old law
 - Except for a small number of districts that received the 1992/93 hold harmless, no districts or open-enrollment charter schools lose funding relative to old law during SY 2019-20 or SY 2020-21
 - The formula transition grant (FTG) expires after five years (SY2023-24 is the last year).
-
- ✓ 284 LEAs received \$441 million in FTG for 2019-2020 school year. This is substantially higher than the \$41 million estimated during the legislative session due to unprecedented property value growth for Tax Year 2019.
 - ✓ Estimates for the 2020-21 school year currently show \$665 million for the FTG. This is also substantially higher than the estimate made at time of bill adoption.



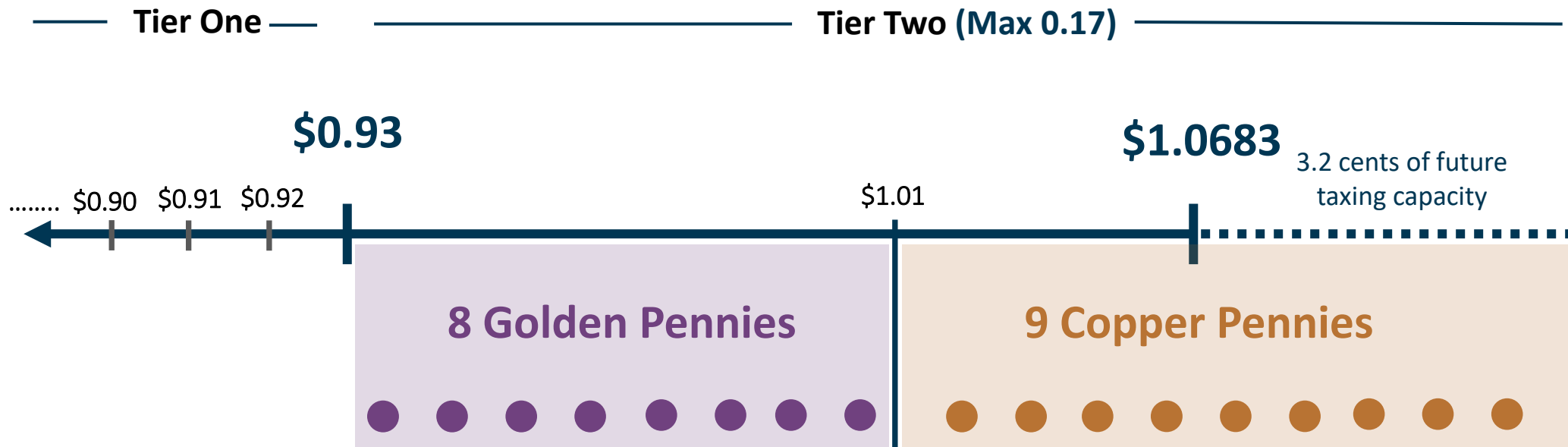
Prior Law





HB 3 Year One (FY2020)

1. Tier One max rate reduced by 7%
2. First two Copper Pennies become Golden Pennies
3. Remaining Copper Pennies are cut in ~ half
4. Rates in most cases cannot be raised for year 1



HB 3 Year Two: Max M&O Tax Rates Dropped to \$1.0864 (17 cents above state compression of \$0.9164)



Unintended Consequence

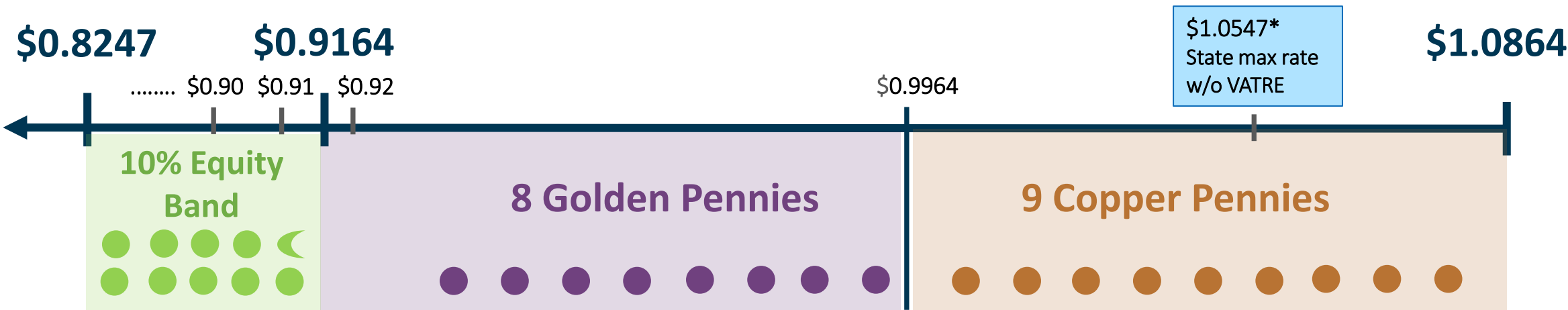
(See slide 50, Unintended Consequence #4)

- 1. Tier One State Compression moved from \$0.93 to \$0.9164
- 2. Tier One minimum MCR established at \$0.8247
- 3. Each district now has their own maximum total rate.
- 4. All districts would need Voter Approval Ta Rate Election (VATRE) in order to exceed [MCR + \$0.1383].
- 5. *Tier One MCR of \$0.9164 + \$0.1383 = \$1.0547, which is the new state maximum M&O tax rate w/out VATRE).

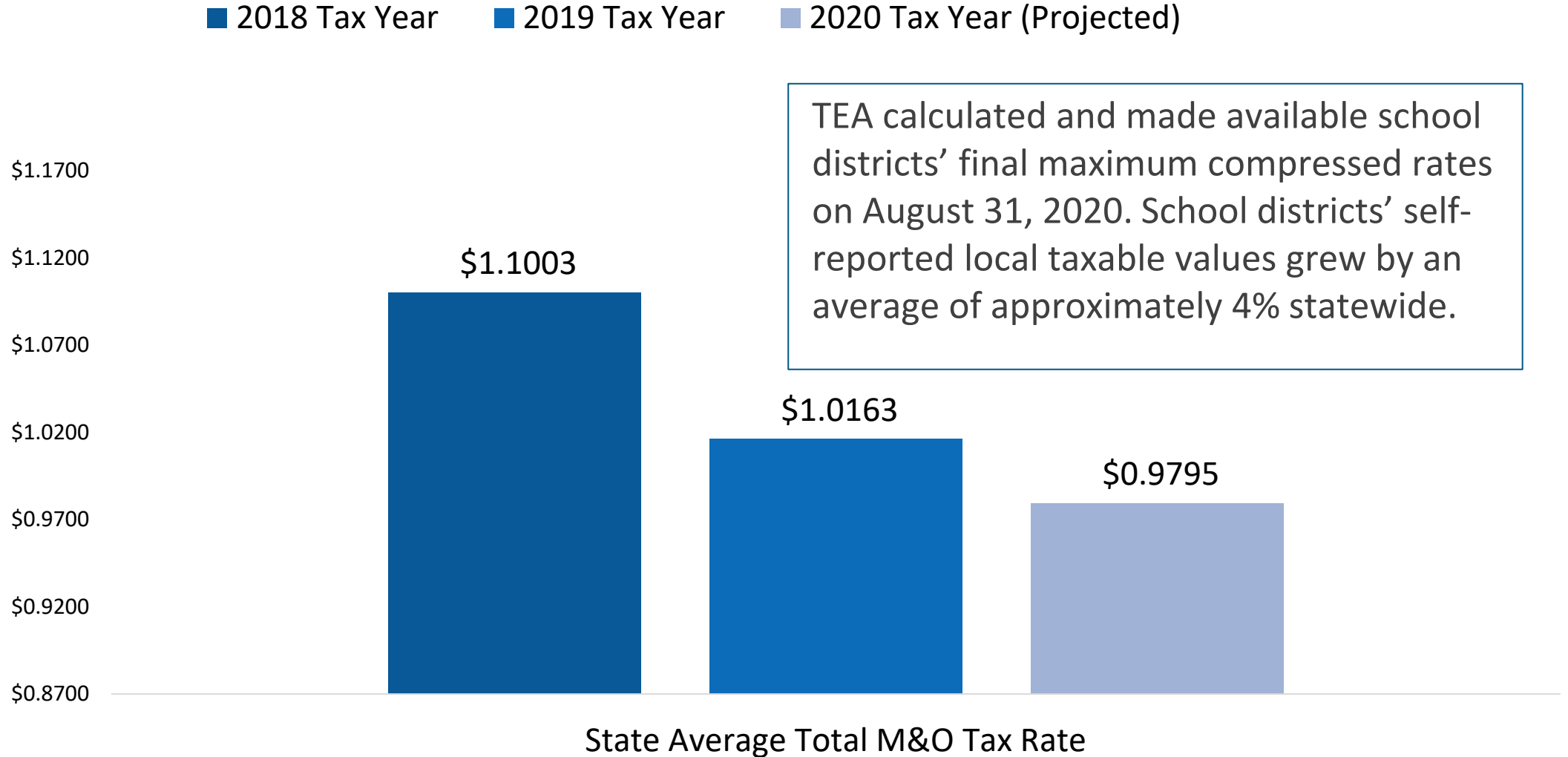
HB 3 Year Two (FY2021)

Tier One

Tier Two (Max 0.17)



M&O tax rates are projected to continue to compress under HB 3 on average by up to an additional 3.7 cents in TY2020



New Requirements for Local Tax Increases



Tax Policy Changes

- Effective January 1, 2020, **Efficiency Audits** must take place before a district seeks voter approval for increasing tax rates. LBB establishes the guidelines for the audit. Districts must select the auditor **at least four months before** the scheduled tax increase election date;
 - Audit must be completed and posted on the district's website at least 30 days before the election
- ✓ TEA will know how many districts increased their Tier Two pennies in February 2021

Other HB 3 Initiatives

- ☐ **Cost of Education Index:** TEA must enter into an MOU with IHE to study geographic education cost variations and transportation costs and submit to legislature by Dec. 1, 2020 (48.012) – Report due Dec 1 2020
- ✓ **Assessment Readability Study:** Commissioner must enter into an MOU with IHE to conduct a readability study on each assessment instruments (39A.907) – 1) Sec. 2.036, Pg 224 - COMPLETED – Due Dec 1 2019

Unintended Consequences

HB 3 Unintended Consequences Update



Unintended
Consequences



1. PTECH and New Tech Funding



2. Formula Funding for Special Education for Open-Enrollment Charters



3. Regional Education Service Center Staff Supplement



4. Taxes

- a) Incorporating first year tax relief into ongoing tax compression
- b) Local property values used to calculate local compression
- c) Compressing taxes limited to the 90% differential

✓ Legislative action regarding these issues will ensure that the adjustments are addressed in statute.

To: House Appropriations Committee – S/C on Article III, Chairman G. Bonnen, Vice Chairman Walle, and members

From: Aldine ISD and other supporting districts

Re: Request for Information, Interim Charge 2

Chairman Bonnen, Vice Chairman Walle, and members,

Thank you for the opportunity to submit a response to Interim Charge 2: *Evaluate ongoing costs associated with implementing the provisions of HB 3*

This letter is submitted on behalf of the seven school systems below, collectively educating 225,564 students.

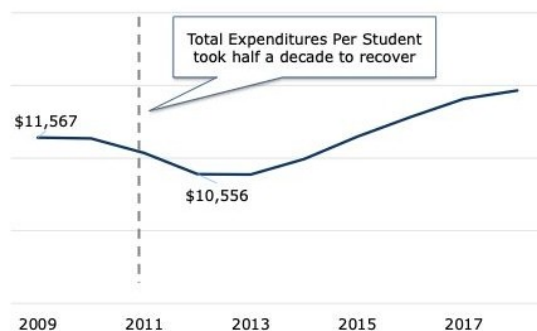
Texas public schools began the 2019-2020 school year buoyed by the Legislature’s successful efforts to address public school finance reform during the 86th legislative session. We were encouraged and excited by lawmakers’ commitment to adjust school funding streams to account for more nuanced support of individual students and the creation of innovative strategies to spur student achievement. We began forming planning committees for improvements like high-quality, full-day PreK, providing increased dyslexia screening and dual-language programming, and identifying methods to improve the postsecondary handoffs of our high school graduates. We shared great news of increased compensation for teachers and staff that was made possible by House Bill 3, and we planned for targeted support for students experiencing poverty, made possible by the compensatory education spectrum. After years trying to recover from the 2011 budget cuts (and resulting nosedive in academic outcomes), we saw a path to educational equity and improved student outcomes. **We cannot change course on improved funding and investments that came from the monumental 2019 legislative session.**

2011 Funding Cuts As A Result of 2008 Recession Marked The Onset Of A Decline In National Education Rankings

With Low-Income Students and Students of Color Being Disproportionately Affected

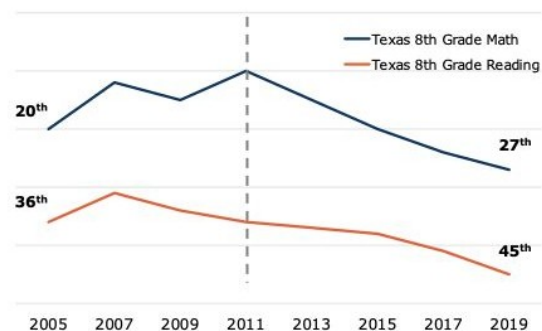
In 2011, Texas Cut \$5.4B on School Spending...

Texas Total Expenditures Per Student¹



...Which May Have Led to Worsening Student Outcomes that Have Yet to Recover

State Rankings by Subject, NAEP (based on average scores)²



Source: 1. Texas Education Agency PEIMS Financial Reports, 10 Year History for State Total Report; 2. National Assessment of Educational Progress Reports (NAEP), 8th Grade Reading and Math 2005-2019

Nobody could've expected that just 8 months after the 2019-20 school year began, a global pandemic would cripple our ability to provide in-person learning to our students. We could not foresee the depth or reach of COVID-19's impact on our schools, or on the state budget.

We worked quickly to pivot, largely made possible by waivers from the Governor's office and the Texas Education Agency. We doubled down on our strategies for engaging students and worked to adjust learning interventions for those with greater needs. House Bill 3 gave us direction: focus on providing an education that prepares students to meet academic milestones and be successful in life after high school. Though COVID-19 threw a wrench into our implementation plans, it did not stop the work. In fact, it provided greater clarity on where -- and how -- to focus our attention.

The Early Literacy Allotment created a new funding stream for our low-income and English language-learning students, and we've used those funds to work toward ensuring all eligible students have access to full-day, high-quality PreK. Our runway may be longer now due to virtual learning this fall, but the goal still remains: provide effective early learning environments for students to close opportunity gaps between students experiencing poverty and their peers before the chasms are fully formed. With last year's expected learning loss and the potential for more in-school interruptions in the future, funding for full day pre-K for eligible students and teacher professional development in teaching reading, will be even more critical to support our youngest, most challenged students. We cannot repeat the significant reading proficiency declines that occurred due to funding cuts made in the last recession.

The more nuanced approach to **compensatory education funding** marked a significant improvement in how Texas identifies and supports low-income students. By increasing the base compensatory education weight from .2 to .225 and moving to a sliding scale up to .275 based on concentration of poverty, school systems now have access to additional funding directly tied to equity. This foundational improvement has enabled us to think critically about differentiating support across students experiencing varying levels of poverty.

Better still, the funding formula's order of operations creates greater focus on this compensatory education weight, and **maintaining the scale at its intended HB3 level will ensure school systems receive the flexible resources needed to provide care and support for our low-income learners, who have been most impacted by COVID-19.**

CCMR Outcomes Bonuses are a revolutionary incentive for us, as they recognize the importance of our high school advisors and counselors. Financially rewarding districts for performance (rather than the traditional "stick" of A-F accountability) and providing even greater financial reward for outcomes of low-income and/or special education students gives us a north star: ensure students complete a successful postsecondary transition after they graduate.

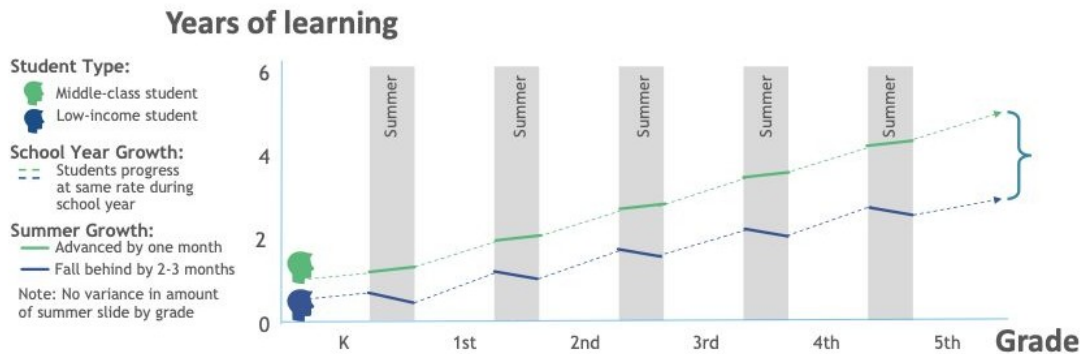
COVID-19's impact on these bonuses remains murky, but the Legislature must continue its commitment to this funding stream, as it underscores the role of PreK-12 education in equipping our future workforce. We appreciate the additional CCMR provisions, including the reimbursement for SAT/ACT testing and extending CTE credits into middle school. This set of CCMR programs, along with mandatory FAFSA completion, sets students up for success when they leave our halls.

Optional programs included in HB3 have also made it possible for us to invest in and plan for some more innovative strategies. The **Additional Day School Year** allotment has become even more critical since COVID-19. The 'COVID cliff' is something every one of us is actively combatting since returning to school this fall, and many of us are working to restructure school calendars to prepare for a potential second wave of COVID in the coming months. Closing these learning loss gaps is a long-term strategy, and the Legislature's commitment to funding half-day attendance for certain students will prove instrumental to ensuring students don't fall even further

behind in future summers or extended school breaks.

Declining Achievement During Summer Breaks

*The impact of **summer slide (pre-COVID)** may create a **gap** of up to three grade levels for low income students by fifth grade*



Graph completed by Boston Consulting Group. Source: Cooper, H., Borman, G., and Fairchild, R. (2010). "School Calendars and Academic Achievement" In: J. Meece and J. Eccles (Eds.), Handbook of research on schools, schooling and human development (pp. 342-355). Mahwah, NJ: Erlbaum

Finally, we have been so incredibly inspired by our teachers who have stepped forward to deliver quality instruction in the face of a global pandemic. We've watched them innovate, turn their bedrooms into virtual classrooms, and watched them take time to individually connect with families virtually during 'Meet the Teacher' nights. Our very best educators have doubled down to find ways to ensure students' emotional, social and academic needs are met, whether through a mask and face shield for in-person instruction, or through a one-on-one virtual conversation. **The Teacher Incentive Allotment places a premium on our top teachers and has, once again, provided clear focus on our human capital strategy.** Many of us are actively planning, or have already implemented, programs that make us eligible for drawing down Teacher Incentive Allotment funds. We have put forth resources to identify which teachers do best among certain student demographics, and we are committed to placing them in classrooms where they can thrive alongside the students. This particular funding stream is life-changing for teachers, narrative-changing for students who never wanted to pursue teaching because of low pay, and world-changing for students with access to the best teachers in the state.

House Bill 3's power is in its cohesive approach to student outcomes. Each provision lends itself to a more equitable funding formula that sets students up for success after high school graduation. We urge you to maintain HB3 in its entirety -- stay the course with dedicated funding and strategic investments. Our children -- and the future of our state -- depend on it.

Sincerely,

Aldine ISD
Garland ISD
Grand Prairie ISD
Hays CISD
Hutto ISD
Lockhart ISD
Mesquite ISD





House Appropriations – Subcommittee on Article III

RE: Interim Charge #2

Mr. Chairman and Members of the Subcommittee on Article III,

Please find this as the written submission on behalf of the Leander Independent School District (LISD). LISD is a district that encompasses parts of Williamson and Travis Counties serving families in parts of nine municipalities, including the cities of Austin, Cedar Park, and Leander. We serve approximately 40,000 students and span almost 200 square miles.

We would like to thank you and your colleagues for the significant investment that you made in public education in the previous Legislative Session. We understand the courage and effort it must have taken to ensure this infusion of necessary dollars went to the education of our Texas students. The investment in our students and staff by House Bill 3, if full funding is sustained, ensures that a high-quality education for all students is continued.

Despite this significant investment in the state's public education system, our local district is at a financial crossroads. We currently are facing a \$22.5 million deficit; however, this deficit could grow by a potential loss in funding of \$14 million due to lower than projected enrollment numbers. This is partially the result of a perfect storm related to decreased enrollment attributable to the pandemic, the Travis County Appraisal District freezing values, increased costs and the ongoing costs of House Bill 3. We believe there are a few items which must be addressed in the 87th Legislative Session to assist our district and its taxpayers in continuing the mission of the District.

House Bill 3 necessitated an increase in salaries for our teaching staff. There is likely no group of people that believe our teachers deserve a pay raise more than our administration and school board. Unfortunately, the programmatic changes under HB 3, maintaining competitive status with other districts in the region, and other legislation caused LISD to fund teacher pay increases at a cost of \$12.3 million while the HB3 gain was approximately \$9 million. There simply was not enough of an increase in funding to fully cover the difference necessary to make all the changes required by the new law and fund the salary increases. For instance, the reading academies as required by the bill will cost the district an estimated \$1.5 million. This cost could rise to \$4 million to send teachers to the state provided academy resulting in the implementation of a more cost-effective option. We do not believe this was fully funded under the legislation. Additionally, the early childhood allotment does not stretch far enough to fully fund full-day prekindergarten. The district's early education allotment resulted in approximately \$1.9 million in additional funding, while the district spent \$7.2 million to implement full-day PreK (\$2.5 in one-time costs and \$4.7 in recurring costs).

LeanderISD.org

204 W. South Street • P.O. Box 218 • Leander, TX 78646

Phone: 512-570-0000 • Fax: 512-570-0054

Our district is currently funding these costs in excess of the allotment to make this program a reality while generating state aid on only a half-day program.

We also ask that you revisit the Fast Growth allotment. As a fast growth district who adds approximately 1,000 students every year, LISD must constantly accommodate student growth through new facilities, programs, and special services for these new students. With the loss of the “lag year” under prior year values, it was our understanding that the allotment was meant to help soften the blow. However, LISD did not realize the benefit as we believe was originally intended. Instead, the calculation lead to very small districts receiving the benefit, districts who had significant percentage increases in students, but were of the size that it did not significantly affect their facilities or programs. We respectfully request that you review and assist in addressing this program so that it can serve its original purpose.

Once again, we are extremely grateful for the investment of new dollars into public education. This commitment by the Legislature must be recognized and celebrated. LISD wishes to remain your partner as you continue in this endeavor and as we strive to provide the best education possible. However, like any new legislation, the issues listed above are items that need to be addressed to ensure the benefits of HB 3 will be seen for generations to come.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Gearing". The signature is fluid and cursive, with a large, stylized "G" at the end.

Bruce Gearing, Ed.D.
Superintendent of Schools

LeanderISD.org

204 W. South Street • P.O. Box 218 • Leander, TX 78646

Phone: 512-570-0000 • Fax: 512-570-0054



EVERY TEXAN

Formerly Center for Public Policy Priorities

Comments by Every Texan on Interim Charge 2 for the Texas House Appropriations Subcommittee on Article III

By Chandra Kring Villanueva

Interim Charge 2: Evaluate ongoing costs associated with implementing the provisions of HB 3.

When passed, the \$11.6 billion new school finance law was estimated to cost an additional \$1.8 billion for the 2022-23 budget. Part of this growth is due to the large and ongoing property tax rate reductions included in the bill.

Of the \$11.6 billion in the new school finance law, over \$5 billion was directed toward reducing maintenance and operation (M&O) property tax rates. This occurred in two primary ways:

- 1) Across the state, all school districts were required to reduce Tier I M&O tax rates to \$0.93 per \$100 of property value from \$1.00 per \$100 of property value in fiscal year 2020. Beginning in fiscal year 2021, tax rates for all school districts will be reduced annually if statewide property values grow faster than 2.5% per year. As a result, the State Compression Rate, or Tier I M&O tax rate, is currently set at \$0.9164 per \$100 of property value.
- 2) Beginning in 2021, individual districts where property values grow faster than 2.5% are required to reduce the Tier I M&O tax rate to stay under the growth threshold, although no individual district can lower its tax rate to more than \$0.10 below that of the highest taxing school district.

The M&O property tax rate will continue be reduced each year in the future at both the statewide and individual school district level – creating an ongoing cost for the state that does not benefit student learning. HB 3 made a future commitment to property tax reduction at a huge cost to the state, yet no similar promises were made to the students of Texas, such as future adjustments for inflation to maintain the purchasing power of our schools.

The second provision is most troubling because it requires the state to subsidize low tax rates for school districts seeing the greatest growth in property wealth per student. This means the state will be using its limited resources to keep tax rates low in high wealth districts rather than on addressing the biggest area of educational needs such as bilingual education, math and science teachers, counselors, and vital trainings. It also completely rejects the principle, upheld through multiple lawsuits, that school districts must receive similar levels of revenue at similar tax rates. Going forward districts will receive similar revenue at varying tax rates.

Currently, the Legislature anticipates returning to a \$4.6 billion revenue shortfall in this current budget cycle and an unknown situation for the next two-year cycle. In order to protect and hold steady funding intended for student learning, the Legislature should abandon the problematic individual school district tax rate compression and freeze the Tier I M&O property tax rate for all districts at the current level.



Texas Conservative Coalition Research Institute

Comments to the House Committee on Appropriations, Subcommittee on Article III

September 30, 2020

Interim Charge 2: Evaluate ongoing costs associated with implementing the provisions of HB 3.

The Texas Conservative Coalition Research Institute (TCCRI) takes great interest in the ongoing costs associated with House Bill 3, the most important school finance reform bill in decades. Prior to passage of HB 3, the Texas Commission on Public School Finance was established by the 85th Texas Legislature in House Bill 21. The Commission spent the 85th interim studying the school finance system in Texas, identifying problematic areas, and proposing a considerable list of reforms based on its findings. HB 3 largely adopted those proposed reforms in a bipartisan landmark bill that finally passed both chambers of the Legislature unanimously.

The Subcommittee's charge turns on the "ongoing costs associated with" HB 3, which are considerable. As highlighted in the Legislative Budget Board's May 24, 2019 Fiscal Note for the Conference Committee Report on HB 3, the bill projected to have a negative fiscal impact of \$11.6 billion through the biennium ending on August 31, 2021.¹ While certainly a "cost," this staggering amount is a testament to the Legislature's commitment to investing in public education. The most significant costs associated with HB 3 include:

- An increase to the basic allotment from \$5,100 to \$6,160.
- Creation of a dyslexia allotment with a weight of .1
- An increase in the weight applied to the mainstream instructional arrangement of the special education allotment from 1.1 to 1.15.
- An additional .05 weight to the allotment for students using dual language immersion.
- Expanded eligibility for career and technology allotment for grades 7 and 8.
- A new early education allotment
- An increase to the New Instructional Facilities Allotment
- An adjusted compensatory education allotment with a sliding scale weight of .225 to .275, depending on the tier, which would be determined based on an index established by the Commissioner of Education.

The items above are but a few examples of reforms to the school finance system, but what they have in common is a commitment by the Legislature to shift a greater share of the burden of public education

funding from local school district property taxes over to the state. That shift is clearly delineated in HB 3's provisions relating to property tax compression and relief.

House Bill 3 provided property tax relief of \$2.7 billion for the 2020-21 biennium, achieved through compression of local M&O tax rates. This was the largest property tax relief package since the 79th Legislature compressed M&O rates by one-third in 2006. On that point, note that the 79th Legislature also created the franchise tax to fund the property tax relief that it provided. HB 3 created no such other tax, instead funding its property tax relief directly by appropriating available state general revenue. This is a significant cost relating to the Committee's charge and one that the Legislature should prioritize given that a state general revenue surplus will likely not exist when the 87th Legislature convenes.

Another priority cost for this subcommittee's consideration is to the cost of reducing recapture, achieved through the aforementioned increases to the basic allotment and Tier 2. The bill is estimated to reduce recapture paid by school districts by approximately \$1.6 billion in fiscal year 2020 and \$1.9 billion in fiscal year 2021. Ongoing reductions in recapture depend on the legislature's continued commitment to compressing school district M&O property taxes.

House Bill 3 contains a mechanism by which, beginning in 2021, school districts' maximum compressed tax rates are compressed for property value growth that exceeds 2.5 percent. This potential reduction to school district M&O rates will be ongoing assuming total taxable property values will rise by at least 2.5 percent a year. This is built-in property tax relief assuming such a rise in taxable value. HB 3 requires the state to hold school districts harmless from the effects of this type of rate compression.

This automatic reduction in property taxes has the potential to be quite costly to the state over the long-term, but for taxpayers, the burden should not increase assuming local property tax values are reduced in proportion to the state's increased financial responsibility. And, if the Legislature commits to not raising taxes, it amounts to a net tax cut over time. This mechanism has potential to provide the long-term fix to school finance that Texas has sought for decades. TCCRI wrote about this in its February 2019 *School Choice and School Finance Task Force's Final Report*.² The Report covers this point at length:

The requirement that public schools be part of "an efficient system" was added to the Texas Constitution in 1876 and has been the focus of litigation in Texas courts since the 1970s. Indeed, the terms and clauses contained in Article VII, Section 1 of the Texas Constitution have been litigated ad nauseam for more than three decades.

...

*While the Court in Morath rightfully held the current system constitutional, it is important to note that the Court did not overrule Edgewood I or any of its subsequent affirmations, meaning that school funding still requires that each district receives similar funding based on its tax effort. That is why the Foundation School Program has the current system of recapture, codified in Chapter 41 of the Education Code.*³

*Unless the Texas Supreme Court expressly overrules Edgewood I, Texas will always require wealthy school districts to subsidize poorer school districts. However, **if the state were to fundamentally transform the way in which it raises revenue for public schools, the system would look a whole lot more equitable to interested parties across the state.** . . .⁴*

The report continues by offering a number of options:

[S]hort of overruling Edgewood I and its progeny, the only way to eliminate recapture while maintaining a constitutional system is by making the revenue raising ability of wealthy and non-wealthy districts unimportant from a constitutional standpoint. The following options would do that:

- 1) Eliminate the local M&O tax and replace it with revenue from an increased statewide sales tax (raise rate and eliminate exemptions, and include real estate sales);*
- 2) Eliminate the local M&O tax and replace it with a statewide M&O tax;*
- 3) Replace the M&O tax with a hybrid of a lower statewide M&O tax and higher sales tax (consider including real estate sales).⁵*

The 2.5 percent compression mechanism contained in House Bill 3 is similar to TCCRI's proposal 1), except better. Rather than lowering the tax rate and immediately finding replacement revenue through increases to other tax revenue sources, HB 3 has the potential to slowly lower the local M&O tax rate to zero over time (without eliminating it in statute) while the Legislature finds ways to fund education at higher levels over time. If local M&O taxes are ultimately compressed to zero, the endless litigation over recapture, efficiency, and other related constitutional provisions tied to revenue raising are eliminated and the Legislature can focus exclusively on crafting the most efficient funding mechanism. Thus, while ongoing tax compression may be framed as an ongoing "cost," it is of the utmost importance to ongoing school finance reform efforts, and should be viewed as a necessity.

ENDNOTES

¹ <https://capitol.texas.gov/tlodocs/86R/fiscalnotes/html/HB00003F.htm>

² <https://www.txccri.org/single-post/2019/08/30/2019-School-Choice-School-Finance-Task-Force-Report>

³ Tex. Ed. Code Ch. 41 (Equalized Wealth Level).

⁴ <https://www.txccri.org/single-post/2019/08/30/2019-School-Choice-School-Finance-Task-Force-Report>

⁵ <https://www.txccri.org/single-post/2019/08/30/2019-School-Choice-School-Finance-Task-Force-Report>



September 30, 2020

The Honorable Greg Bonnen
Chair, House Committee on Public Education, Subcommittee on Article III
Texas House of Representatives
P.O. Box 2910
Austin, Texas 78768-2910

Re: Notice of Formal Request for Information, Subcommittee on Article III, Interim Charge 2

Chairman Bonnen and Committee Members,

Thank you for the opportunity to submit information regarding Interim Charge 2: *Evaluate ongoing costs associated with implementing the provisions of HB 3.*

This letter is submitted on behalf of Texas 2036, a statewide, non-partisan think tank and advocacy group working to leverage data, research, and strategic planning to ensure that Texas remains the best place to live, work, and do business in the future.

As your committee addresses the important issue of public school financing amidst a pandemic-influenced budget, we urge you to focus on three key issues:

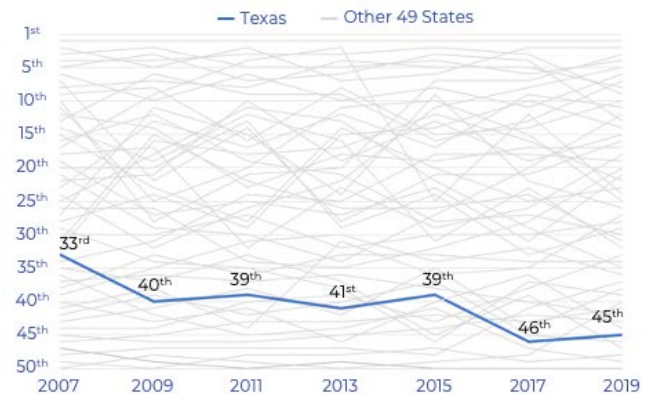
1. Major racial and socioeconomic disparities existed in academic performance before HB 3 and before the pandemic. These gaps have likely grown worse amidst the mass closure of schools and unequal access to rigorous online learning. **HB 3 was specifically tailored to address these achievement gaps and, now more than ever, it is important to follow through on these reforms as we address COVID-related learning loss.**
2. Before HB 3, our educational system was failing native Texans by leaving far too many unable to achieve living wage jobs and failing employers by forcing them to import talent from out of state to grow their businesses. In 2018, 44% of households in Texas did not earn a living wage, meaning that they could not afford basic necessities such as food, housing, transportation, and health care.¹ **Without a stable commitment to data-proven educational reform, Texas will not have the workforce it needs to continue its economic growth and maintain tax revenues.**
3. As our nation comes to grips with a history where race has too often played a role in limiting opportunity, **HB 3 represents one of the most serious successes by the Texas Legislature to address systemic inequality.** HB 3 tiered funding to higher concentrations of poverty, paid the best teachers more to go to historically-struggling campuses, increased dual language funding, created outcomes incentives to encourage districts to focus on low-income students, and paved the way for students who need additional time on task to receive additional class time. **The Texas legislature should not walk away from this civil rights achievement.**

¹ United Way ALICE (Asset Limited, Income Constrained, Employed) Project, 2018 Texas report.

TEXAS 2036

HB 3 addresses years of low student performance and wide achievement gaps. For over a decade, Texas has been steadily falling in student achievement compared to other states. From 2007 to 2019, Texas fell from 33rd among states in 4th grade reading proficiency to 45th in the National Assessment of Educational Progress.² Wide, persistent achievement gaps among student groups—by income, race, and language, among other factors—have played an important role in this decline. In 2019, only 19% of low-income (free or reduced-price lunch) 4th graders met grade level, compared to 48% of non-low income 4th graders.³ These dramatic achievement gaps reveal a stratified education system where some students achieve nationally competitive results while others—particularly students of color and those from low-income backgrounds—fall behind. As Texas’s student demographics change, it has become imperative to our state’s continued economic growth and prosperity that we effectively educate students in high-need schools and communities.

NAEP 4th Grade Reading, State Rankings (Percent of 4th Graders Scoring “At or Above Proficiency”), 2007-2019



The COVID-19 pandemic has had—and continues to have—massive consequences on student learning. Compared to a normal school year, students are expected to retain only 63-68% of reading gains and 37-50% of math gains from the previous school year.⁴ The Tennessee Department of Education recently projected a 50% decrease in reading proficiency and 65% decrease in math among third graders.⁵ With roughly similar student income disparities, Texas should expect similar, historic drops in student achievement. Perhaps more importantly, COVID-19 has hit low-income and minority students the hardest. Due in part to gaps in internet access, our state’s vulnerable and marginalized students are suffering the largest learning losses, widening already-significant income- and race-based achievement gaps.

House Bill 3 invests in proven, research-based initiatives that can directly address both longstanding achievement gaps and learning loss brought on by COVID-19. For example, research has found that high quality pre-k can have dramatic effects on language and literacy skills; one study estimates that every dollar invested in quality pre-k creates an economic impact return as high as \$16.⁶ Yet in Texas, only 44% of eligible 3- and 4-year-olds enrolled in public pre-k, compared to 54% nationwide.⁷ HB 3 enables full-day pre-k for all eligible 4-year-olds, a critical investment that can effectively close achievement gaps early in our students’ lives. The Additional Days School Year program funds 30 additional days for eligible K-5 students to continue their learning and enrichment

² National Assessment of Educational Progress, 4th Grade Reading, “At or Above Proficiency,” 2007-2019.

³ National Assessment of Educational Progress, 4th Grade Reading, “At or Above Proficiency,” 2019.

⁴ Kuhfeld, Megan, James Soland, Beth Tarasawa, Angela Johnson, Erik Ruzek, and Jing Liu. (2020). Projecting the potential impacts of COVID-19 school closures on academic achievement. (EdWorkingPaper: 20-226). Retrieved from Annenberg Institute at Brown University: <https://doi.org/10.26300/cdrv-yw05>

⁵ <https://apnews.com/article/virus-outbreak-tennessee-7cc2dfccabec0cc766db8c51fd572c02>

⁶ Rob Grunewald, “The Economic Case for Investing in Young Children.”

<https://www.minneapolisfed.org/-/media/files/publications/studies/earlychild/economic-case-for-investing-in-young-children.pdf?la=en>

⁷ Texas Education Agency, Texas Public Education Information Resource, “Pre-K Enrollment,” 2018 report.

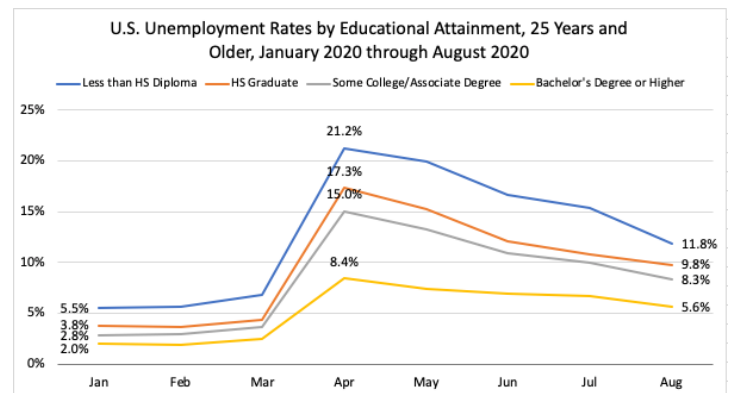


beyond the traditional school year. This program has taken on critical importance due to COVID-related school shut downs—it will be a lifeline to students, families, and schools working to make up for lost time in the classroom.

HB 3 is an investment in our state's future workforce and economic prosperity. In a pre-COVID analysis, it was estimated that 71% of jobs in Texas would require at least some postsecondary experience.⁸ In a changing and increasingly modern economy, postsecondary degrees and credentials are becoming the new high school diploma – no longer a luxury but essential to attaining high-paying, in-demand jobs.

Texas's education system has not been preparing students for this new reality. At every step on the pathway from early childhood to the workforce, students lag behind in key academic benchmarks. According to the Texas Education Agency, only 50% of Texas high school graduates qualify as college ready and far fewer (28%) meet college criteria on the SAT or ACT.⁹ Further, not enough Texas students enroll in and graduate from postsecondary institutions. Within six years of high school, 72% of Texas students enroll in college and only 32% earn a degree or credential.¹⁰

COVID-19 has exposed and exacerbated challenges in our state's workforce and economy. Job losses have been most prevalent among many of our most vulnerable communities and populations. In April, the Bureau of Labor Statistics reported unemployment rates that varied significantly by educational attainment: while only 8.4% of Americans with a bachelor's degree or higher were unemployed, that figure was 21.2% for Americans with less than a high school diploma.¹¹ Research indicates that 32-42% of all jobs eliminated during the COVID-19 pandemic will not return.¹² This means that our students will soon enter a workforce where postsecondary attainment is more often a prerequisite to attaining a job and leading a productive life.



HB 3 recognizes the importance of postsecondary degrees and credentials to the workforce of tomorrow. It has established the College, Career, and Military Readiness Outcomes Bonus, which incentivizes districts to focus beyond high school graduation for their students. Importantly, this program allocates 60% more funding for Economically Disadvantaged students who achieve readiness criteria than non-Economically Disadvantaged students, encouraging districts to ensure that all students are on the path to postsecondary and career. HB 3 also removes significant barriers to postsecondary access: for example, it establishes reimbursements for the SAT/ACT and makes FAFSA completion a requirement to high school graduation. Collectively, these initiatives will ensure

⁸ Georgetown University Center for Education and the Workforce projection for Texas 2036, given March 2020.

⁹ Texas Education Agency, Texas Academic Progress Reports, 2019 report.

¹⁰ Texas Education Agency, Postsecondary Outcomes Report, 2018 data.

¹¹ U.S. Bureau of Labor Statistics, The Employment Situation – April 2020.

<https://www.bls.gov/news.release/pdf/empst.pdf>

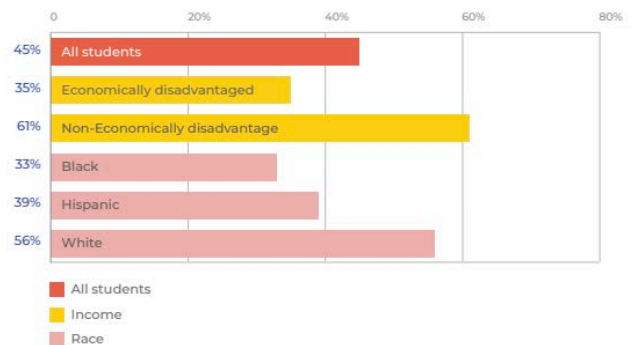
¹² Barrero, Bloom, and Davis, "COVID-19 Is Also a Reallocation Shock," University of Chicago, Becker Friedman Institute, June 2020. https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202059.pdf

that more Texas students experience postsecondary at a time when—due to COVID and longer-term economic trends—degrees and credentials have become critical to attaining a good job.

HB 3 is an important piece of civil rights legislation that addresses racial and socioeconomic inequities head-on.

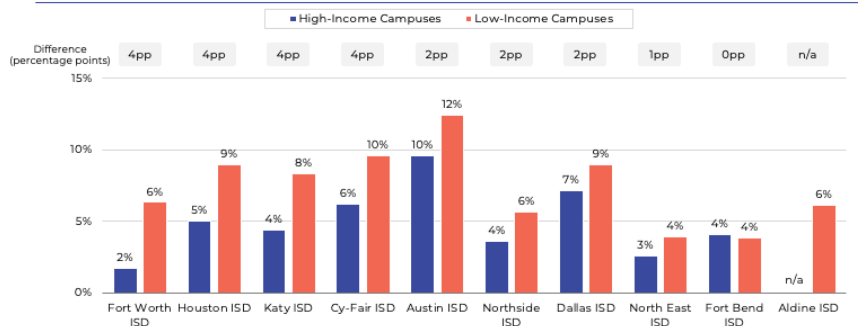
In Texas, access to opportunity varies widely by race, income, and other factors. In this current moment, when the nation is reeling from and reckoning with longstanding racial inequities, our education system can and must work proactively to ensure that all students have access to opportunity. Yet in Texas, that has not always been the case historically. From early childhood through high school and postsecondary, wide disparities exist in outcomes by student race and income, culminating in gaps in educational attainment as well as employment and earnings. For example, White Texans are currently more than twice as likely as Black and Hispanic Texans to earn at least \$50,000 a year.¹³

Percentage of Texas third-graders who scored "Meets Grade Level" or higher on the STAAR reading assessment, 2018-19



Before House Bill 3, wide student achievement gaps were driven in part by unequal access to necessary resources—funding, technology, and quality teachers, among other things. Teachers at high-poverty campuses (>75% Economically Disadvantaged) have, on average, 1.4 fewer years of experience than teachers at low-poverty campuses (<25% Economically Disadvantaged).¹⁴ Similarly, teachers at high-poverty campuses are 66% more likely to be in their first year teaching and 21% less likely to hold a master's degree or higher.¹⁵ Even within districts, teachers at high-poverty campuses are more likely to be in their first year teaching, less likely to hold a masters, and typically earn less than teachers at low-poverty campuses.¹⁶ While these metrics do not necessarily indicate teacher effectiveness, they reveal a concerning trend that veteran, highly qualified teachers are far more likely to work in middle- and higher-income settings.

Share of Beginning Teachers at High-Income (<30% EcoDis) and Low-Income (>70% EcoDis) Campuses in Texas's Ten Largest Districts (2018-2019 School Year)



HB 3 has established the Teacher Incentive Allotment to ensure that more highly effective teachers opt to work at high-poverty and high-need campuses. It enables districts to design locally appropriate systems to evaluate and reward teachers based on their contributions to student learning and incentivizes them to teach at high-need campuses. Districts across Texas had been successfully developing similar programs for years before this program was adopted. Dallas ISD, Fort Worth ISD, and Aldine ISD, among other districts, implemented programs to evaluate teachers and attract highly effective ones to struggling and high-need campuses. They achieved extraordinary results, quickly turning around failing schools and improving student outcomes. The Accelerating

¹³ U.S. Census, American Communities Survey, Individual Earnings, 5-Year Estimates, 2018.

¹⁴ Texas Education Agency, Texas Academic Progress Reports, 2019 report.

¹⁵ Ibid.

¹⁶ Ibid.



Campus Excellence (ACE) program at Dallas ISD had particular success, resulting in 12 of its 13 campuses moving off of the TEA's Improvement Required list after only one year of adopting ACE.¹⁷ Because of success stories such as ACE, more than 800 districts representing 2.5 million students have already signed letters of intent to participate in the program.¹⁸

Other investments include \$1.1 billion in additional funding to a revised Compensatory Education Allotment that takes into account multiple measures of student need to allocate funds. Driven by cutting-edge research and data, this new formula recognizes the consequences of concentrated poverty on student outcomes by directing higher levels of per-student funding to the students who live in the neighborhoods of greatest need. HB 3 also increases funding for English Language Learners and dual language programs, which have been proven as highly effective in closing language-based achievement gaps. In 2018, the Texas Commission on Public School Finance found that on 5th grade reading tests, 44% of dual language students received "Masters Grade Level" designations, compared to only 11% of students in traditional bilingual programs.¹⁹ These initiatives directly address harmful inequities in our schools based on race, income, geography, and language, among other factors, and ensure that students of all backgrounds will have access to high-quality educational opportunities.

House Bill 3 is an important and necessary commitment to our students, teachers, and schools at a time when the need has never been greater. This legislation invests in research-based initiatives that can improve overall student achievement, close wide achievement gaps, and arm teachers, schools, and districts to more effectively combat COVID-related learning loss. Its programs embody a comprehensive, early childhood-to-career approach; eliminating or delaying certain elements will degrade the effort as a whole. For these reasons, we urge you to stand by your commitment to this historic legislation.

This Request for Information was respectfully submitted by John Hryhorchuk, Director of Policy at Texas 2036. He can be reached in the following ways:

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¹⁷ Texas Commission on Public School Finance, "Funding for Impact: Equitable Funding for Students Who Need It the Most," Dec. 2018, Exhibit P-3.

¹⁸ <https://tiatexas.org/about-teacher-incentive-allotment/participating-and-aspiring-districts/>

¹⁹ Texas Commission on Public School Finance, "Funding for Impact: Equitable Funding for Students Who Need It the Most," Dec. 2018, p. 109.

Equity Center

House Appropriations – Subcommittee on Article III

Interim Charge 2: Evaluate ongoing costs associated with implementing the provisions of HB 3

Chairman Bonnen:

Thank you for the opportunity to submit input. The Equity Center and our over 600 member school districts appreciate the hard work the House Appropriations Committee and the Subcommittee on Article III have done to ensure that our children's education is funded in an adequate, efficient, and equitable manner.

Prior to the 86th Legislative Session, we worked with the Texas Commission on Public School Finance to create a set of recommendations that would become the crux of House Bill 3. Because of your hard work and that of many other members, HB 3, while not perfect, made enormous strides toward eliminating inefficiencies in the prior system of funding schools--a system that was piece-milled together over decades, with the legislature responding to numerous legal challenges.

Going into the 87th Legislative Session, ***we feel it must be the legislature's primary priority to preserve the progress made in House Bill 3.*** We believe there are sufficient fiscal resources and budgetary tools available to ensure the Foundation School Program is fully funded for the 2022-23 biennium.

In light of the Comptroller's updated Certification Revenue Estimate, we understand the prudence of planning for the possibility of a significant reduction in state revenues. Rather than decreasing funding for fundamental components of the school finance system like the Basic Allotment, other student weights, and/or delaying implementation of funds to increase employee compensation, ***it is our position that if state revenues are predicted to be less than what is necessary to fund current services, there are options at your disposal to prevent Foundation School Program funding cuts.***

We believe there is sufficient revenue within the Economic Stabilization Fund (ESF) alongside accounting maneuvers, such as enacting Medicaid and/or Foundation School Program payment delays, putting off transfers to the Texas Highway Fund, or delaying district-by-district property tax compression to keep the reforms in House Bill 3 intact.

It should be noted that as a result of the educator pay raise component of HB 3, any reduction to Foundation School Program funding will result in a reduction in school district funding that has already been used to calculate compensation increases enacted in the 2019-2020 school year.

Economic Stabilization Fund

We believe the legislature should significantly reduce or even eliminate the sufficient balance level of the Economic Stabilization Fund in order to access as much of the fund that is necessary to offset potential revenue shortfalls. There is precedent for the legislature appropriating 100% of the projected balance of the ESF in 1990, 1993, and 2005, as well as using 97% of the fund in 2003. *The ESF should be utilized fully for its initial purpose.*

Tax Compression

Based on our estimates it will cost the state approximately \$240 million per year to continue district by district compression in 2021-22. The Legislative Budget Board estimates that for the 2022-23 biennium, every cent of statewide M&O tax compression will cost the state approximately \$520 million.

The state could consider delaying further district by district compression for the upcoming biennium in order to save nearly \$500 million that should be used to fully fund the FSP. Taxpayers should continue to benefit from statewide tax compression because that is a critical component necessary for the state to maintain its share of a fully funded FSP. That said, should it become necessary to help balance the budget and fully fund the FSP, the statewide tax compression component could also be frozen for the upcoming biennium.

Payment Delays

The legislature has used Medicaid and Foundation School Program payment delays when revenue deficits were projected in both 2003 and 2011. Based on prior uses of delays, as much as \$6 billion in General Revenue could be made available for the upcoming biennium without disrupting services. Further, we recommend the legislature explore delaying sales tax revenue transfers to the Texas Highway Fund.

Conclusion

With Texas' students, parents, and educators facing the unprecedented challenges that the novel coronavirus has presented, now is not the time for a reduction in resources. *The Equity Center is fully committed to being a resource to help the legislature continue the reforms and funding made available in the 86th Legislative Session. The full funding of the new school funding system put in place in HB 3 is critical to the success of our children.* HB 3 established a more efficient, equitable and fair formula driven system for funding the educational needs of our children, and can serve as the catalyst to move us forward toward a system of free public schools that meets the needs of Texans in the 21st Century.



**Response to the House Appropriations Committee
Article III Sub-Committee's Formal Request for
Information on Interim Charge 1 and 2**

September 30, 2020

The Association of Texas Professional Educators (ATPE) offers the following input to the House Appropriations Committee's Article III Subcommittee regarding Interim Charges 1 and 2, which call for monitoring agencies and programs covered by the state's public education budget, overseeing implementation of related legislation, and evaluating the ongoing costs associated with implementing House Bill (HB) 3 passed in 2019.

As a leading advocate for public education and the largest educator association in Texas, ATPE is grateful that much of the state's critical public education spending has been exempted from the call for interim spending cuts during the 2021 fiscal year (the 2020-21 school year). We also appreciate the numerous statements from lawmakers on both sides of the aisle assuring school board members, parents, and educators that education funding will be maintained at current levels in the upcoming budget. These assurances are particularly meaningful considering the anticipated fiscal pressure facing lawmakers as they draft the next state budget. Texas Comptroller Glenn Hegar has already predicted Texas will end the current budget cycle with a \$4.6 billion deficit, and state revenues may still be depressed at the onset of the next fiscal cycle, adding to that total.

ATPE supports a public education funding system that is equitable and adequate to provide every student an equal opportunity to receive an exemplary public education. In its passage of HB 3 last year, the Legislature took substantial steps toward meeting that same goal. **ATPE urges the 87th Legislature to use every tool at its command, including using up 100% of the state's Economic Stabilization Fund (commonly called the "Rainy Day Fund") to maintain the progress made toward adequately and equitably funding public education.** However, ATPE understands the COVID-19 pandemic has forced us all to make difficult decisions, and this committee may be forced to trim the next budget if the economic downturn persists well into 2021.

ATPE has long believed that when budget cuts are necessary, the goal should be to minimize the negative impacts on vulnerable populations, such as at-risk or economically disadvantaged students. This means protecting state-funded programs that directly benefit students. The largest of these programs is the Foundation School Program (FSP). However, there are smaller programs such as Communities in Schools (CIS), which provides mental health services and runs dropout prevention efforts, and the Windham School District, which serves incarcerated youth, that are funded outside the FSP. By making strategic cuts to programs that primarily impact adults or serve less critical needs, the state could reduce harm to students, particularly those with higher needs.

There are other programs such as the alternative certification program Teach for America or physical fitness assessments, for example, that could be cut during the upcoming biennium with

fewer negative impacts to students. **Should cuts to PK–12 education spending prove necessary, three areas the Legislature should consider first are testing and accountability, charter expansion, and the continued rollout of the HB 3 merit pay program known as the Teacher Incentive Allotment.**

Testing and Accountability:

High-stakes student testing has consistently ranked among the top three concerns voiced by ATPE members. Test results can shape the direction of a student's education future and life. The outsized role of standardized tests influences how students are taught, textbooks are written, courses are designed, money is dedicated, and time is spent.

Although much standardized testing in Texas is mandated by the federal government through the Elementary and Secondary Education Act (ESEA), it is worth noting Texas requires more testing and attaches more high stakes to its testing than necessary to meet the demands of federal law. Federal law requires testing in reading/language arts and mathematics for all students in grades 3-8 and once in high school, as well as in science at least once in each of grades 3-5, 6-9, and 10-12. Texas can and is scheduled next year to eliminate the stand-alone fourth and seventh grade writing tests; our state also could eliminate the eighth grade social studies and high school U.S. history tests. The state could also specify that any student taking a PSAT, PreACT, SAT, or ACT exam in high school may use that test to satisfy the federal requirements and be exempted from taking a STAAR exam. For students taking the PreACT and ACT, that change would eliminate all state testing at the secondary level. Students taking the PSAT and SAT would still need to take a science test in 10th, 11th or 12th grade, unless they took a science AP placement exam as a substitute. For the 2020-21 school year only, the state could also eliminate the science exam by moving it from eighth to ninth grade. Other savings measures could include a reduction in retesting, use of a previous year's test to cut costs on test item development, and relaxing test security and test administration training that are expensive for districts.

COVID-19 demands that testing and accountability be examined through a new lens, at least for the near-term future. When the pandemic forced schools to close their doors and move students to a remote learning environment in spring 2020, it was immediately clear it would be impossible for states to carry out standardized testing requirements. The U.S. Department of Education prudently waived federal testing and accountability requirements for the 2019-20 school year. Under orders from Gov. Greg Abbott, the State of Texas Assessments of Academic Readiness (STAAR) were not administered, and Texas schools were officially "Not Rated: Declared State of Disaster" for the 2019-20 school year.

In July 2020, the ATPE House of Delegates adopted a resolution to "urge the State of Texas and the U.S. Department of Education to waive requirements to administer the 2020-21 STAAR and TELPAS due to the disruption of in-person instruction caused by the COVID-19 pandemic." Not only will those tests take up too much time and attention this year—resources needed for remediation and emotional support as students deal with impact of COVID-19—but also the tests will yield flawed and incomplete data that could unfairly punish students, educators, and entire schools.

As of late September 2020, many Texas students still have not returned to physical classrooms. Teachers are struggling to teach in-person classes and provide virtual lessons for those students still at home. Many students and staff are dealing with the effects of the pandemic on the learning environment, fears of the disease, economic setbacks, and even the illness or

death of loved ones. Against this harsh backdrop is the looming obligation of STAAR testing and its attached consequences. Other states have pressed forward in advocating for a second-year waiver of the federal requirements, and Texas should follow suit.

The lingering effects of the COVID-19 pandemic make it unreasonable to force schools to prioritize testing at a time when the state has a mounting budget deficit, and pandemic-related costs are still adding up for school districts. The state's contract with a testing vendor to provide the 2020-21 STAAR test alone is projected to cost between \$70 and \$90 million, and that does not even take into account the tens if not hundreds of millions of dollars spent annually by districts and charters to administer STAAR. **ATPE recommends the state take advantage of the opportunity for substantial savings by foregoing standardized testing this year to the extent possible and minimizing testing requirements and costs moving forward.**

Charter Expansion:

ATPE joined a coalition of education groups urging the commissioner of education to impose a moratorium on charter expansions during the pandemic this year. We wrote in our August 31 letter, "Each student who leaves a school district to enroll in a charter school costs the state, on average, \$1,150 more, because charter schools have a much higher entitlement level than most school districts in which they operate." This is in part because, unlike school districts that rely on local property taxes for a substantial portion of their funding, charter operators receive 100% of their non-federal funding directly from the state budget.

Although \$1,150 dollars may not seem like much, consider that this year alone the commissioner has authorized five new charter operators, granted expansion amendments for 49 new charter campuses, and has expansion amendments for 27 more campuses pending. Altogether, the commissioner could obligate the state to pay an additional \$66 million or more per year at a time when Texas faces a \$4.6 billion budget deficit. With many districts fearing a loss in funding that would force them to lay off staff, it is worth noting that \$66 million equates to annual wages for over 1,300 Texas teachers at an average salary of \$50,000 per year.

Under current law, the commissioner of education has the sole authority to grant charter amendments, including expansion amendments. Although the State Board of Education (SBOE) has been granted veto authority over granting charters to new operators, multiple members of the board have expressed uncertainty about the intended scope of that authority. ATPE recommends the Legislature expand the SBOE's veto authority to include oversight and approval of charter amendments and make clear that the SBOE, as the only elected body involved in the charter authorization process, has a duty to represent the voting public on matters related to charter authorization and expansion. Additionally, in light of our current fiscal crisis, **the Legislature at a minimum should place a moratorium on granting charters to new operators or approving new expansion amendments during the next biennium, and lawmakers should consider capping charter enrollment for existing charter holders at current levels until we recover from the recession.**

Teacher Incentive Allotment (TIA) Implementation:

HB 3 took big steps forward in improving educator compensation, which is needed to improve the prestige of the profession and attract and retain high-quality educators. The bill addressed educator compensation from three angles: increasing the Minimum Salary Schedule, tying educator compensation increases to increases in school funding via the Basic Allotment, and enacting a performance pay program, the Teacher Incentive Allotment (TIA). ATPE supported many aspects of HB 3, including funding to increase base compensation for educators. **We are**

recommending that the Legislature ensure funding is in place to maintain those educator salary increases under HB 3 and encourage districts to distribute any future additional funding in the form of permanent raises. We are less enthusiastic about maintaining funding for a merit pay program that has not been widely embraced by the profession and is less likely to effect long-term positive changes in educator compensation on a statewide level.

The TIA was designed to provide funds for districts to create optional performance-based pay programs at the local level. ATPE expressed reservations early on regarding three aspects of the TIA. First, we worried about the program's excessive reliance on data derived from students' standardized test results—a concern that is only magnified by COVID-19's impact on the reliability of testing data as noted above. Second, by tying substantial financial incentives for school districts and educators to teacher appraisals, the program could negatively impact the state's evaluation system, which was designed to give teachers honest feedback to help them hone their craft. Finally, we noted the TIA offers no guarantee of additional funding to any teacher who earns a merit designation because TIA funds flow to the district, not to individual educators. (Districts must use at least 90% of the TIA funds they receive on teacher compensation, but they are not required to increase the compensation of the teacher who earned the designation, and they are allowed to spend the funds on teachers who have not earned a merit designation.)

Proponents of the TIA are quick to note one of the program's main goals is incentivizing the placement of high-quality teachers in high-poverty campuses. Although ensuring at-risk students have access to high-quality teachers is a noble goal, accomplishing this goal does not require the use of a flawed system of merit designations. **ATPE supports differentiated pay programs that offer educators extra compensation for extra work or acceptance of a more challenging or high-need position, but opposes systems that sort and rank teachers primarily based on measures of student performance that are at best one-dimensional and at worst inaccurate.**

Further, the continued rollout of the TIA carries a significant cost to the Foundation School Program (FSP). The TIA program is expected to cost the agency approximately \$150 million in its first biennium, a cost that could easily jump into the billions as its rollout proceeds. The additional money Texas will spend to implement the TIA in the next budget cycle are funds that could otherwise be used to offset the unexpected costs incurred by school districts because of the pandemic. For example, just last week the Texas Education Agency posted a hiring notice for a new Director of Teacher Compensation Strategy who would help the agency implement the TIA and receive an annual salary of \$69,414.96 to \$93,405.96 plus benefits; that same amount could pay for 900 days of substitute teachers necessitated by COVID-19.

With the state likely to face significant budgetary pressures next session, and considering the controversial nature of the TIA and its many potential pitfalls, ATPE recommends the Legislature halt its implementation until state and district budgets have stabilized.

Other ATPE Recommendations:

In addition to our recommendations above, ATPE believes the Article III Subcommittee, in coordination with House leadership, could consider other potential savings in TEA agency-level spending. As the part of the public education system furthest from the students the system is

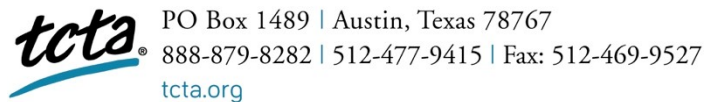
tasked to educate, TEA should operate with a light touch. Over the past several years, the agency has steadily moved beyond its role of monitoring, providing technical assistance with an eye toward best practices, and administering the distribution of FSP funding. The assumption of more authority and the management of more programmatic content has encroached upon the role of school districts and education service centers, each closer to the students they serve, and has also necessitated additional agency staff and cost. During these lean times, the Legislature should consider whether it might be better to allocate some of those dollars back to the institutions actually teaching Texas students—our public school districts.

Beyond PK-12 education funding, the Article III Subcommittee also oversees the budget for the Teacher Retirement System of Texas (TRS). Retired and active teachers alike greatly appreciated the prudent fiscal action taken by the 86th Legislature through last year's Senate Bill (SB) 12 to increase contributions to the TRS pension fund. The increased contributions dramatically reduced the timeframe for paying down the fund's unfunded liability and immediately improved the fund's actuarial soundness. Reducing the fund's debt burden by instituting more appropriate contribution levels helps ensure the state will be able to maintain the highest possible credit rating, saving Texas taxpayers billions in interest payments over time, while maintaining the state's promise of a sound and secure retirement system for more than one million active and retired TRS members. Increased contribution rates also reduce the burden and uncertainty of paying for benefits and debt reduction by maintaining a higher rate of return on the fund's investment income, thus making the fund less susceptible over time to market downturns.

Unfortunately, it is still too early to say whether the fund will be impacted by the current economic uncertainty or a potential wave of retirements caused by COVID-19. In either event, however, higher contributions and less dependence on investment returns would put the fund in a better position to handle any crisis. **ATPE is encouraged that TRS was instructed to put the contribution increases called for in SB 12 into the agency's base budget request. We ask the Legislature to stay the course begun by the 86th Legislature and continue funding scheduled increases to the state's contribution rate for the betterment of educators and the state.**

ATPE appreciates the opportunity to provide feedback during this process and invites subcommittee members and their staff to contact ATPE Governmental Relations at (800) 777-2873 or government@atpe.org for any additional information.

Texas Classroom Teachers Association



Response to House Appropriations Committee, Art. III Subcommittee Request for Information Regarding Interim Charges 1 and 2

Submission from:
Lonnie Hollingsworth
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Interim charge 1: Monitor the agencies and programs under Article III and oversee the implementation of relevant legislation and riders passed by the 86th Legislature.

Interim charge 2: Evaluate ongoing costs associated with implementing the provisions of HB 3.

Recommendations:

Fully fund the FSP, including hold harmless funding for losses in ADA due to the pandemic. Provide an inflationary adjustment to the basic allotment. Provide an enforceable mechanism for settle-up for the compensation increases provided by HB 3. Identify ongoing costs of the Teacher Incentive Allotment and divert those funds directly into teacher compensation by a streamlined mechanism that is not governed by complex TEA rules.

HB 3 funding

HB 3 added significant additional funding to public education, but it did not fix the underlying problem with school finance. This problem is the fact that school districts have no way to increase funding per student other than to increase local property tax rates. Unless the Legislature creates some sort of adjustment to school finance formulas, such as an inflationary factor for the basic allotment, school districts will inexorably be forced to raise local tax rates to pay for inflationary costs and costs of additional programs and requirements. The result is an inevitable increase in reliance on local property taxes and a reduction in the state's share of funding over and above the reduction caused by increases in property values.

The funding of public education as amended by the provisions of HB 3 started out with significant uncertainty due to the change from previous-year to current-year funding. Districts also had

difficulty in budgeting due to significant changes in compensatory education, English Language Learning, early childhood, and outcome-based funding based on career, college, and military readiness.

The change in compensatory education funding to a system based upon the census blocks in which students live created a great deal of uncertainty. Most districts had to do their budgeting based upon high level projections of what their funding would be under the new system before any data was available. TEA initially provided census block data based on the census blocks in which schools are located, but actual census block data was not available until well into the school year. This sort of uncertainty can cause districts to significantly underestimate FSP entitlements.

This uncertainty became far worse with the onset of the pandemic. Districts were required to discontinue on-premises instruction, and the attendance accounting handbook from TEA provided no answers on how to calculate average daily attendance for remote learning other than a reference to the availability of waivers for determining attendance of students on an exceptional basis. The definition of “attend”, one of the most fundamental levers of school finance funding, is left by statute for the commissioner to determine by rule. The handbook, a rule adopted by reference, was just proposed for adoption on August 28, 2020. However, instead of adopting rules in accordance with the rulemaking process required by Texas Government Code, Chapter 2001, specifically addressing how attendance will be counted for remote instruction, the Texas Education Agency states that it will provide specific guidance on issues related to waivers for remote instruction through conditions set by the commissioner. By doing so, TEA has continued its increasing practice of adopting non-regulatory guidance to address issues, ignoring the statutory requirements for rulemaking. This sort of nonregulatory guidance circumvents the ability of the public to comment on issues of importance. It adds to the authority of the Texas Education Agency, ignoring the important checks and balances on administrative regulation provided by Chapter 2001 of the Government Code.

TEA initially provided school districts waivers from losses in average daily attendance due to the combination of a lack of regulatory framework and the lack of access to online resources by underserved populations. The pandemic focused a spotlight on the digital divide, exposing a lack of access to the vast information resources of the internet as perhaps the greatest obstacle to providing for the equitable dissemination of knowledge required by the Texas Constitution. Families with resources were able to make the pivot to online learning, while vast numbers of students became lost to their districts and teachers. Meanwhile, districts struggled to obtain the resources they needed to provide online learning.

While the hold harmless funding provided to districts experiencing a loss of ADA helped prevent a disaster, the hold harmless funding came to be largely funded by the Elementary and Secondary School Emergency Relief Fund (ESSERF) as a part of the federal CARES Act. While the CARES Act requires this funding to be distributed to districts based on their relative share of Title 1 funds

from FY 2019, TEA required districts to use this funding as a method of finance to pay for the ADA hold harmless. Accordingly, this funding was used to directly offset state general revenue that would otherwise have been expended for FSP funding for FY 2020. This saved the state about \$1 billion that would have otherwise been spent on public education. This savings should be used to fully fund HB 3 for FY 2021 and provide another hold harmless for ADA losses that continue to occur this school year.

For the upcoming biennium, districts need to be assured of a revenue stream sufficient to reinforce the infrastructure needed to accommodate changes in public education. This infrastructure includes adequate technology (devices and equipment, software, and reliable Internet access), and appropriate staffing (which may include more teachers to provide for smaller class sizes, more nurses, and access to mental health professionals).

Employee compensation provisions of HB 3

Required compensation increase

While HB 3 provides that a moderate percentage of increases in funding per ADA be used to increase non-administrator compensation in the school year after an increase is made in the basic allotment, the calculation of this required increase is almost impossible to calculate with any precision. This lack of certainty in budgeting for districts creates a downward pressure on employee compensation. Additionally, due to the lack of any ability to increase funding per ADA other than a tax rate increase, districts are reluctant to commit to ongoing compensation increases due to perceived lack of sustainability of those compensation structures.

The calculation of required compensation increases was particularly problematic the first year of implementation of HB 3. To set compensation levels before educators began to perform their duties for the school year, districts basically had to use rough estimates of increases in funding per student in average daily attendance to calculate the required salaries. If a district tried to pay only the minimum increase required by the statute, there is a distinct possibility that the district did not pay the minimum compensation increase required. Due to the requirement that school employees must exhaust local administrative remedies (generally by filing a grievance with 15 working days of the time they knew or should have known what compensation they were receiving), educators were left without any remedies for districts that did not comply with the compensation requirements of HB 3.

In its Frequently Asked Questions documents on the salary requirement, TEA states that “the statute does not differentiate between allocating funds on budgeted vs actual amounts.”ⁱ It further states, “Agency enforcement of spending requirements, when districts attempted them in good faith but when the efforts were found insufficient when accounting for actual funds, has typically involved requiring a cure in the following year.”

While HB 3 requires districts to report compensation increases to the Legislature by December 1, 2020, there is currently no effort by TEA to make sure employees received the compensation increased required by law if districts underpaid them by relying on incorrect budgeted amounts as opposed to actual expenditures. On the contrary, TEA is currently collecting information from districts to assist them with the required reporting and compensation increases and is expressly telling them to use the projections of revenues budgeted at the time they set compensation increases, which will make the data provided from TEA completely useless for the Legislature to determine whether districts complied with the salary increase provisions of HB 3.ⁱⁱ

Contrary to TEA's assertion in the FAQ document referenced, TEC Section 48.051(c) requires the increases to be made based on increases in funding and is not limited to budgeted amounts. All other spending requirements are subject to a settle-up, but the required compensation increases are not, and they should be. **TCTA recommends that TEA be required to compare actual expenditures from school districts as reflected in settle-up data so that the Legislature can determine whether districts complied with TEC Section 48.051(c). We also recommend that the statute be revised to require districts to settle up compensation increases for teachers and other covered employees prior to the end of the school year when more reliable information is available than was available when districts set their budgets.**

Teacher Incentive Allotment

TCTA recommends identifying the projected cost for the Teacher Incentive Allotment created by HB 3, delaying implementation of the teacher incentive pay program, retaining funding for the program for teacher compensation, and revising the teacher designation system used to distribute the allotment.

The costs of the Teacher Incentive Allotment lack any transparency, as there is no specific rider funding this program, and the costs appear to be buried in the discretionary funding available to the commissioner. While the Teacher Incentive Allotment is not funded as a grant program, it is also not funded through a student-based allotment as is the rest of the Foundation School Program. Rather, it is an amount per designated teacher in three categories multiplied by the number of students assigned to high needs categories based on the census block where the students live or by a rural adjustment factor. According to the authors of HB 3, the cost of the program for the current biennium is \$140 million. The basis for this cost is not itemized anywhere in the appropriations bill. It is instead included as part of the estimated projected cost for the entire Foundation School Program. The cost of the program should be specified in the appropriations bill to make it possible to evaluate whether the cost of the program warrants its continuation.

TIA is based on the premise that districts will develop local teacher designation systems that identify high-performing teachers based on student growth and teacher observation. TEA must approve these systems. TEA approval involves heavy scrutiny by TEA and Texas Tech University, and requires districts to pay a \$500 fee for each teacher submitted for designation.

TEA requires districts to show evidence of validity and reliability of student growth measures used. In evaluating this evidence, Texas Tech reviews a district's student growth data compared to state-level value-added data for student growth as measured by STAAR results. The result is an incentive pay system tied to STAAR tests, contrary to legislative intent that the system be flexible and developed at the local level and not be based on STAAR exams.

Aside from the complexity and cost of the system, TEA's requirements for the student growth measures are such that it will be difficult to apply to special education teachers, who are already in short supply and for whom additional compensation would be helpful. It also is clearly focused on STAAR-tested subjects, making it essentially a means of outcomes-based funding based on standardized tests. The result is a narrowing of the curriculum and increase in the high stakes nature of standardized tests.

With school closures in spring of 2020, student growth for 2019-20 is almost impossible to ascertain. TEA tries to address this in its rules at 19 TAC §150.1014 and §150.1014 by allowing districts to measure student growth using midyear data from 2019-20 for designations for the 2020-21 school year. Experts agree that validity and reliability of student growth data for purposes of teacher compensation depend in part on using multiple years of data. More years of data are needed to support reliable conclusions about teacher effectiveness because positive and negative errors in annual student growth can be averaged over several years, increasing the stability of the measure.ⁱⁱⁱ TEA's rules allowing partial year data to determine student growth for purposes of teacher designations for Cohort A and B create real concerns about the validity and reliability of those designations. The 2020-21 year is also unlikely to have a full year of growth data given the spikes in COVID-19 cases in Texas.

TEA just announced the first cohort, Cohort A, of school districts eligible to receive TIA funds. Only 26 districts were approved for Cohort A and only 36 districts have submitted a letter of intent for Cohort B. According to TEA, Cohort C districts would not receive funding until September 2022 or 2023.^{iv} **The Legislature could revise the teacher designation system before districts have implemented and committed to any funding under current statutes and TEA rules. TCTA recommends that it do so.**

ⁱ HB 3 in 30: Teacher Compensation, Presentation on Budget Planning for Teacher Compensation <https://tea.texas.gov/sites/default/files/HB3-Video-Series-Budget-Planning-for-Teacher-Compensation.pdf>.

ⁱⁱ https://tea.co1.qualtrics.com/CP/File.php?F=F_8CAOkpQrPRgpofr

ⁱⁱⁱ <https://files.eric.ed.gov/fulltext/ED563445.pdf>.

^{iv} <https://tiatexas.org/general-info-and-program-requirements/cohort-timelines-and-readiness-checklists/>



ARTICLE III

September 30, 2020

RE: APPROPRIATIONS INTERIM CHARGE 2 - EVALUATE THE ONGOING COSTS ASSOCIATED WITH IMPLEMENTING THE PROVISIONS OF HOUSE BILL 3

On behalf of the 65,000 members of the Texas State Teachers Association (TSTA), the following are comments in response to the House Committee on Appropriations formal Request for Information (RFI). TSTA supports educator compensation plans that honor the profession; we support meaningful opportunities for professional learning provided to all educators; and we will continue to demand that open-enrollment charter schools are not fiscally advantaged under the law.

TEACHER INCENTIVE ALLOTMENT

The quality of our education system is inextricably linked to classroom teachers. However, the failure by the state to commit to meaningful educator compensation plans has resulted in fewer young people entering the profession and premature and costly attrition by those who do. Although the new school finance law provided for salary increases, the new Teacher Incentive Allotment (TIA) pay-for-performance structure has significant flaws. It is too heavily reliant on standardized testing and is not a fiscally prudent mechanism by which to fairly compensate educators.

Although House Bill 3 explicitly states that performance standards may not require a district to use an assessment instrument adopted under Section 39.023 to evaluate teacher performance, the adopted teacher designation rule effectively limits districts to choosing the State of Texas Assessments of Academic Readiness (STAAR) exam — which is the instrument adopted under Section 39.023 — as the student growth component of their teacher performance evaluations. §150.1012 (c)(2)(A)(ii) includes other allowable student growth components, including student learning objectives, portfolios, and district- or teacher-created assessments, all shown in research to more accurately reflect student learning. However, because these are not assessment instruments that would include test security protocols, testing windows, or annual training for test administrators in the way that the STAAR administration does, district applications that opt for a more holistic and research-evidenced student growth component would be unjustly disadvantaged and less likely to be approved. TSTA commented on this rule arguing that it does not align with the prohibition on using high stakes test to measure teacher performance, but unfortunately our input was not incorporated.

In practice, TIA is operating with a limited pot of money and it will necessarily become increasingly more difficult for designation plans to be approved. In its first year alone, the state will spend over \$38 million on just 1% of educators, educators who happen to teach students who can pass a test. Rather than

TSTA supports the differentiated pay that recognizes advanced education and professional development. We therefore applaud the automatic designation of National Board-certified teachers (NBCT) as recognized, and support that - independent of a district's designation plan status - NBCTs will generate allotment funding in Texas schools. National Board-certified teachers are universally recognized as experts at the craft of teaching, and often sought out for leadership positions in their districts. This voluntary advanced certification is illustrative of differentiated compensation plans that TSTA supports wholeheartedly.

READING ACADEMIES

TSTA supports the commitment House Bill 3 (HB 3) made to support multiple reading initiatives in Texas schools. The Texas Literacy Achievement Academies, or reading academies, is one such initiative requiring districts to provide professional development to all teachers and principals serving in Kindergarten to third grade with a curriculum focused on how to teach core reading and writing skills. However, while many of the HB 3 reading initiatives are financially backed, reading academies are not. Poorer districts will be less able to afford the more expensive academy models, ultimately resulting in a discrepancy across districts in the quality of professional development educators receive and the quality of teachers to which students have access.

The bill's intent was that all reading academies would be modeled after the 2018-2019 READ grant academies, a high-quality professional learning exemplar that combines in-person trainings and embedded coaching over the course of one year. However, the Texas Education Agency (TEA) implemented a new structure that permits districts to choose between two academy models: comprehensive or blended. The comprehensive reading academies replicate the best-practice elements of professional learning, offering individualized coaching in conjunction with trainings over the course of a year. They are also very expensive, at a cost of between \$3000 and \$6000 per teacher. Blended academies, on the other hand, though more affordable at \$300 per teacher, lack the meaningful job-embedded coaching and are generally of much lesser quality.

Higher poverty districts in Texas receive less funding per student than wealthier districts, by as much as 11 percent according to a Center for Education Research and Policy Studies at the University of Texas at El Paso. This discrepancy will directly impact opportunities for professional development a district can offer, including reading which reading academy model it can afford. An unintended consequence of the HB 3 reading academy mandate will be a gap in teacher capacity and ultimately a gap in the education students receive. This gap will have its greatest impact on students residing in higher poverty districts, the very students who benefit most from highly qualified teachers.

Educators favor student-centered initiatives that grow teacher and campus capacity such as quality professional learning opportunities. Research consistently shows that an inspiring and informed teacher is the most important school-related factor influencing student achievement, so how we develop our

teachers, new and experienced alike, matters. Professional development programs such as the reading academies can act as an equalizer, and systems that provide opportunities for robust professional development will reap the benefits. Without a commitment on the part of the state to adequately fund quality professional learning, however - especially mandated programs such as the reading academies – we are inadvertently contributing to the opportunity gap facing Texas students.

CHARTER SCHOOL SMALL AND MID-SIZE ALLOTMENT

Under HB 3, charter schools in Texas are now entitled to the small and mid-size allotment, which is an added cost to the state of \$313.7 million. On average, charters receive almost \$1200 more per student from the Foundation School Program (FSP) than what the same student would have cost in the student's home school district. This is because all charter schools, regardless of size, receive an average of the small to mid-size allotment, despite the fact that this allotment was intended to support small districts with fewer than 5,000 students address the costs related to economies of scale. Unlike school districts, whose small and mid-size allotment is on a sliding scale and capped at 5,000 students, there is no sliding scale or enrollment cap for this allotment for charter schools. A charter chain with more than 46,000 students can draw \$48.8 million from this allotment – more than \$1000 per student - while a school district with just 4,150 students draws little more than \$700,000, or about \$177 per student.

The incremental higher cost must be understood in the context massive expansions already approved this year and the Commissioner's appetite for continued charter school expansion as evidenced by his proposal of eight new charters and their eighteen campuses, more than in any other application cycle. Thus far 49 new charter campuses have been approved through the amendment process, and an additional 27 are still under consideration. Together this would increase existing charters' maximum enrollment capacity by over 50,000 students, all of whom will be entitled to money from the small to mid-size allotment in a way that district campuses are not. This increase in state cost from new charter school enrollment makes fewer state dollars available to honor the promises of HB 3 such as reading initiative and educator compensation.

We appreciate your continued work to support public education throughout this pandemic. We understand that our state's economy is in a recession and that state revenue projections are bleak. To that end we ask that Texas continue to evaluate its expenditures to ensure respect for educators and value for all Texas schoolchildren.

TSTA respectfully submits the above comments for consideration and urges the House Committee on Appropriations to uphold the state's commitment to educators. We expect that Texas pay teachers a respectable salary reflective of longevity and professional growth; we ask that mandated professional development such as the Texas Literacy Achievement Academies be adequately funded for all educators; and we will continue to demand that funding structures be equitably designed and do not advantage open-enrollment charter schools.

Written Testimony of Bob Popinski
Director of Policy
Raise Your Hand Texas
1005 Congress Avenue, Suite 100
Austin, Texas 78701

Before the House Committee on Appropriations: Subcommittee on Article III
The Honorable Greg Bonnen, Chair
September 30, 2020

Interim Charge 2: Evaluate ongoing costs associated with implementing the provisions of House Bill 3 2019 (HB 3).

KEY POINTS

- Maintain HB 3 formula funding and educational programs and continue to invest in public education
 - Flow the \$1.2 billion CARES Act funding for K-12 education, and any subsequent federal stimulus funding, to schools
 - Consider delaying the automatic school district tax rate compression until state revenues stabilize
 - Determine the effect of charter school expansion on the state budget
-

Chairman Greg Bonnen and Members of the Committee:

We would like to thank Chairman Bonnen and the members of the House Committee on Appropriations: Subcommittee on Article III for reviewing the ongoing costs associated with the implementation of HB 3. The passage of this historic law in 2019 marked the beginning of a new chapter for public schools in Texas — one that expands full-day pre-Kindergarten and other impactful programs and provides targeted funding for students who need it most. While the impact of COVID-19 presents a new and unique set of challenges for the 87th Legislature, it's clear we must both maintain our previous commitments to better fund our schools and make additional investments to ensure they operate safely. The challenges ahead of us may be daunting, but with the

ingenuity and access to high-quality education that public schools provide, we can emerge from this situation stronger than before. With all that our public schools do for our state's economy and future, it is evident that a strong Texas recovery requires strong public schools.

Maintain HB 3 Formulas Funding and Programs

In 2019, the Texas public education system received a needed investment by finally bringing inflation-adjusted per-student spending back above 2011 levels. HB 3, which will take years to fully implement, created requirements for teacher pay raises, full-day pre-kindergarten, funding for an optional extended-year program, and additional dollars for low-income students. These new policies will positively impact our teachers, our students, and our economy for generations to come and Raise Your Hand Texas fully supports the full implementation of the educational programs under this legislation.

Continued Investment Needed

Less than a year after the Legislature made this historic commitment, however, COVID-19 changed Texas's education landscape and slowed the state's economy. Many now fear a repeat of the education budget cuts of 2011. At that time, Texas faced a \$28 billion budget shortfall and cut \$4 billion from the Foundation School Program (FSP), plus another \$1.3 billion in education grants. The reduction to the FSP impacted teachers and students by increasing class sizes. The cuts also impacted pre-kindergarten expansion, teacher incentive pay, optional extended-year programs, and services for at-risk students — all hallmark policies of 2019's HB 3.

Now, our schools face a new challenge. The global pandemic altered districts' approaches to instruction, health and safety, transportation, and food services. Districts must address student and teacher connectivity issues, update schoolwide learning management systems, and plan for safely reopening schools. Simply implementing the health and safety protocols for reopening campuses will cost an estimated \$485 per student for an average school district (ASBO study), nearly the same amount as the entire HB3 funding increase.

Flow the \$1.2 Billion in K-12 Cares Act Funding to Schools

The 2020 federal stimulus, or Federal CARES Act, provided Texas with additional funding for public education, including \$1.2 billion for low-income students. The Texas Education Agency used these funds during the 2019-20 school year to offset state

funding. During the 2021 session, that money should be restored to the Foundation School Program and not used to plug other holes in the state budget.

Consider Delaying the Automatic School District Property Tax Compression

The estimated increase in state funding requirements for HB 3 for the 2022-23 biennium is \$2.1 billion, which mostly corresponds to the state cost of the law's 2.5% automatic school district tax compression. Under the tax relief provisions, school district tax rates will automatically compress when local value growth exceeds 2.5%. The automatic property tax compression will cost the state an estimated \$1 billion each year without the need for the Legislature's approval. Raise Your Hand Texas asks the Committee to consider delaying the automatic M&O property tax compression until state revenues stabilize and there is a true method of finance to pay for it.

Determine Impact on State Budget Due to Charter School Enrollment Growth

HB 3 preserved a structural funding advantage benefiting charter schools based on small and mid-size district allotments. Prior to the 2019 legislative session, the Legislative Budget Board (LBB) estimated the funding advantage to cost the state approximately \$882 million for the 2018-19 biennium. Unfortunately, the LBB has declined to make such an estimate for the current or future biennia. Because each student's enrollment in a charter costs the state significantly more than their enrollment in an urban or suburban district school, the Committee should consider the cost of rapid growth in charter authorization and expansion before any cuts to public education.

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TEXAS SCHOOL COALITION

Committed to sustainable, meaningful investments in all Texas students!

Input for the House Appropriations Subcommittee on Article III Interim Charge 2

September 30, 2020

Thank you for the request for information regarding the Subcommittee's interim charges. This submission is specifically in response to Interim Charge 2, pertaining to the ongoing costs associated with implementing the provisions of House Bill 3 (HB 3).

We applaud and appreciate the investment the 86th Texas Legislature made in public education through HB 3. Schools desperately needed this funding to keep up with inflationary costs, increase teacher salaries, and secure the necessary tools and staff to ensure student success. We hope the commitment shown through House Bill 3 is not limited to one legislative session. The need for investments in public education continues.

One of the best aspects of HB 3 is the shift in the sources of funding: The state is paying a greater share of education funding, which provides some relief for local property taxpayers and reduces recapture statewide. However, even before the bill became law, we raised concerns over the long-term sustainability of the state funding needed to pay for continued compression in property tax rates. A greater state investment in public schools deserves much praise, but we must ensure that the state investment continues and increases in a manner sufficient to cover the increased costs of continuing to compress property tax rates, rather than that compression resulting in less funding available for schools.

Understanding that the economic recession will result in limited state revenue and difficult budget decisions, we respectfully suggest a moratorium on property tax rate compression until the state's economy has recovered and those investments can be made. No school should lose funding due to compressed tax rates.

The same could be said for the additional and ongoing costs associated with some of the new programs implemented by HB 3, such as the Teacher Incentive Allotment and College, Career, or Military Readiness Outcomes Bonuses. While that additional revenue is certainly helpful for schools, and such programs are not without merit, they carry ongoing costs. If this Subcommittee and your legislative colleagues must make difficult budgetary decisions, we hope that ongoing costs for additional programs such as these will be suspended temporarily to ensure funding is available for the core instructional program funded by the school finance formulas.

There are also ongoing costs associated with several new requirements and mandates implemented by HB 3. We hope you will consider flexibility under some of these requirements so that, if funding is limited in any way, school districts will have the local authority to spend those limited funds in ways that best address local needs and priorities. If funding is limited, districts need the ability to stretch those dollars as far as possible to benefit their students.

We look forward to working with you and your colleagues in the Texas Legislature during the upcoming 87th Regular Session to maintain the commitment of HB 3 and to make decisions in the best interests of the students in the Texas public schools.



AUSTIN CHAMBER

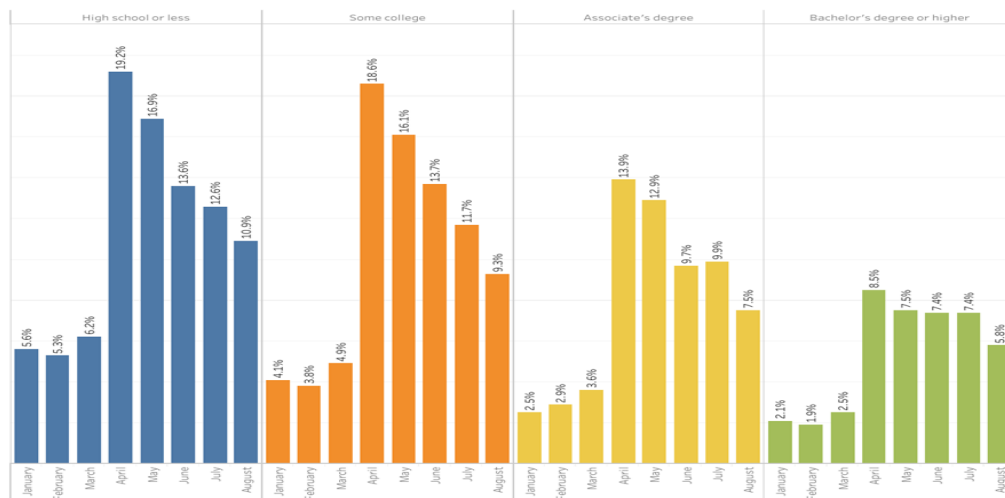
**Response to House Appropriations Committee – Article III
Interim Charge #2
Wednesday, September 30, 2020
Submitted by Dana Harris, VP of Federal/State Advocacy
Austin Chamber of Commerce**

The Austin Chamber supports building an education, finance and policy culture that will help Texas remain economically competitive and achieve 60x30TX education and workforce goals. As Texas stands at roughly 13% unemployment with 1.9 million Texans out of work over the last 60 days, it is critical that policymakers focus on advancing state 60x30 goals to hone the talent we need to meet current and future labor market demand and keep our economy strong.

For 2020, the cost of UI wage payments to unemployed Texans through August 14, has exceeded \$21 Billion and is nearly 4 times the cost of your investment in HB 3 of approximately \$5.4 billion, based on Texas Workforce Commission UI wage data, and the Legislative Budget Board (LBB) fiscal note for HB 3 in 2020. Even considering HB3 (LBB) cost projections of \$6.07 billion for 2021, and your total investment of \$11.6 Billion in HB3 for 2020-2021, the cost of UI wage payment to Texas taxpayers for just 8 months is still nearly twice your investment in HB3 over two years.

Texans without a postsecondary credential have been consistently more vulnerable to unemployment prior to the COVID-19 pandemic, but even more so throughout the duration of the pandemic. For this reason, maintaining your investment in HB3 is even more critical to ensuring Texans have the education they need to compete in our economy—particularly, as only 1 in 5 Texas eighth graders currently go on to complete an Associate's degree, a vocational certificate, or a bachelor's degree within six years of their high school graduation.

Share of Workers Unemployed by Education Level (Jan-August 2020)



Source: Georgetown University Center on Education and the Workforce analysis of US Census Bureau and Bureau of Labor Statistics, Current Population Survey (Basic Monthly), 2020.

To offset future UI wage costs and keep the Texas economy strong, we ask that you maintain the state's investment in HB3 to bolster the career preparation and postsecondary attainment needed to equip students/graduates with the skills needed to compete in our changing economy.

Your investment in HB3, with its strong focus on college, career, military readiness, along with Gov. Abbott's call for Tri-Agency alignment between the Texas Higher Education Coordinating Board, Texas Workforce Commission, and the Texas Education Agency are strong steps to help advance Texas education attainment and ensure more students are prepared to enter our workforce.

However, HB3 cannot fulfill its promise if policymakers do not maintain their commitment to invest the resources needed to implement its provisions.

Accordingly, in response to interim charge 2, the Austin Chamber asks that you maintain the investments in education you committed to in House Bill 3 and avoid cuts or delays in funding that could impact programmatic or structural changes in provisions to implement:

- College, career, and military readiness (CCMR) outcomes bonus funding for districts who perform above state CCMR thresholds;
- Reimbursement to school districts to provide at least one SAT, ACT, TSIA and one industry certification prior to high school graduation;
- Added student finding weight for P-Tech and New Tech High Schools to support scaling and expansion of programs that yield associate degrees or industry certifications;
- Implementation of FAFSA graduation requirement to maximize state and federal aid to help families afford college;
- Expansion of funding for Career Technology Education (CTE) courses, including Computer Science courses and additional grant funding for school districts offering CTE courses over summer;
- Extended school year funding for school districts to add up to 30 instructional days above 180 days for the 2020-2021 school year;
- Differential compensation for experienced and effective teachers via increases to the Basic Allotment and the adopted Teacher Incentive Allotment;
- Full-Day Pre-K with high quality measures and Early Literacy and math proficiency plans with annual goals.
- Early Education Allotment for students on free or reduced lunch and English Language Learners and added weight for dual-language immersion.
- Continued relief for school districts impacted by recapture, to include continued property tax compression, eligibility for Transportation Allotment funding, and geographic variation study to determine education and resource costs by region to help inform future school finance provisions.

Based on LBB/TEA estimates, these payments for college preparation assessments, certification assessments, P-Tech expansion, financial aid requirements implementation, teacher incentive allotment, extended school year, total roughly \$262 million. This total is fraction of the state's investment in UI wages over the last 8 months, and only a fraction of overall as costs for HB3, as these costs, are largely resultant from \$5 billion in tax compression, and \$3.6 billion in reduced recapture payments, which rightly provided relief to taxpayers around the state. These are solid investments of taxpayer dollars and are likely to offset future cost to the taxpayers on UI wages and other social services.

We believe the HB3 provisions above will help ensure our young people have the resources and preparation they need to succeed in today's, and tomorrow's, competitive economy. Our own partnership DTC70 (Direct-to-College) Partnership data compiled by the University of Texas Ray Marshall Center shows 66% of students who enroll in postsecondary education meeting current state college readiness standards and file a FAFSA complete their degree in 6 years, vs only 39% of those who do not meet state standards. Low-income students who complete a FAFSA, and graduate college ready, are also 3 times more likely to complete a degree than low-income students who do not.

For these reasons, we urge you to maintain your commitment to resource and implement the provisions you adopted in House Bill 3. Thank you for your service and all you do to ensure Texans have the educational opportunities skills they need to keep compete for good jobs and keep our economy strong. Should you have any questions, please don't hesitate to reach out to us.

Comments for Appropriations Subcommittee on Article III, Interim Charge 2

The [Autism Society of Texas \(AST\)](#) works to improve the quality of life for all Texans with autism by offering innovative, person-centered support to people impacted by autism and their families. Autism is a lifelong developmental disability that affects 1 in 54 Texans, as well as their parents, caregivers and friends. AST offers assistance through a myriad of services and programs related to advocacy, recreation, education and support. We work in partnership with our community, seeking input from individuals with autism to advise our decision-making and offering comprehensive education and training so that communities may become more inclusive. We are providing comments today on issues that impact people with autism across Texas.

Interim Charge Number 2: Evaluate ongoing costs associated with implementing the provisions of HB 3.

Recommendations:

The Autism Society of Texas supports the [Special Education Finance Advisory Committee Recommendations](#). These recommendations, which would completely reform the special education funding system, will have a significant positive impact on all special education students, including those with autism, by making changes that promote inclusion in the general education setting and provide schools with the proper financial resources to support these special education students in a least restrictive environment (LRE). We strongly believe that funding based on setting is an outdated method and that special education funding should be based on the individual students' needs for support and services, regardless of the instructional setting.

Because autism is a spectrum disorder, students with autism have broad variations in academic, social and behavioral needs. Due to this, we strongly agree that **funding should be based on the service and support needed for individual student success, regardless of the setting where the student is receiving the support.** Funding based on student need is the preferred approach over the current funding method of assigning a placement or setting, then receiving funding tied to that setting. The allocation of funding for resources and related services (therapies) as well as access to behavior specialists and school staff should also be dictated by the needs of the individual student. We want students with autism to have every opportunity to be successful in a general education classroom, with the appropriate funding to support and train staff so that autistic students can receive their education alongside their mainstream peers. The current funding method incentivizes schools to place special education students in a segregated setting since they receive a higher level of funding for that setting. We see this incentivization of placement in a segregated setting negatively impacting students with autism, who are often placed in an "autism unit" or a special education classroom without mainstream peers, and rarely given the opportunity to join the mainstream class due to IEP limitations on their general education time. Equally problematic is that special education students placed in a mainstream setting (general education classroom) are funded based on attendance, and that is often not enough to provide the level of staffing needed for student success for students with autism in a mainstream

Autism Society of Texas

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class. While we concur with the Special Education Finance Advisory Committee Recommendations, the following issues described below stand out as critical for students with autism.

Section 3: Service Intensity-Based Formula Recommendation

Section 3 Action Step Summary:

1. Prioritize the development and implementation of a tiered funding system based on student need, rather than instructional arrangement, to completely reform the system.

We believe it is critical to have a tiered funding system based on student need, rather than instructional arrangement, to completely reform the system. Special education students in a mainstream setting should receive funding based on their individual needs, and not on attendance, as is currently the case.

Section 4: Improvements to existing formulas

Section 4 Action Step Summary:

1. Alter the mainstream and homebound funding structures in order to rebalance the amounts LEAs receive for special education relative to regular education.
2. Increase the contact hour multiplier for instructional arrangement 41 to differentiate this setting from other more restrictive settings.
3. Create a reimbursement fund for initial special education evaluations to offset costs incurred by LEAs.
4. Provide funding weights for related services since they vary in number, intensity, and cost.
5. Distinguish among the levels of support provided in the mainstream setting since student needs vary significantly in this setting, and eventually fund based on these distinctions.

We feel strongly that funding weights should be provided for related services since they vary in number, intensity and cost. (Related services include speech therapy, occupational therapy, physical therapy, and rehabilitation counseling). We also strongly concur that there should be a distinction among the levels of support provided in the mainstream setting. In students who have autism, we see a spectrum of needs and abilities, with some students needing very only minimal educational support to succeed, while some students require a high level of support to be successful in a general education setting. Because student needs vary significantly, these distinctions should be funded accordingly, which will allow schools to staff appropriately to meet support needs of all special education students in the general education setting.

Section 5: Maximize Available Funding Streams

Section 5 Action Step Summary:

1. Review budget riders in the state budget to potentially identify new revenue for special education.
2. Increase the direct spending requirement percentage for special education to ensure the LEA budget dedicates sufficient resources for special education.
3. Survey LEAs to determine whether to continue TEA's IDEA High Cost Fund.

Autism Society of Texas

300 E. Highland Mall Blvd, Ste 205
Austin, TX 78752



4. Limit the state's use of short-term grants focused on specific disabilities or specific projects to reprioritize revenue for special education.
5. Coordinate the dyslexia allotment and special education allotment to maximize the use of state funding resources.

The short-term grants for specific disabilities should be limited. These grants often fund pilot programs that often cannot be replicated, or in some instances turn out to be a poor idea and program design that should not be replicated. This short-term grant funding should be used for special education revenue instead so the money can be put to better use where it is most needed. We concur with all recommendations to maximize available funding streams and encourage continued reform efforts to improve special education funding.

The Autism Society of Texas believes that the above recommendations will help Texans with autism live better and more meaningful lives. We appreciate the opportunity to provide this input.

children at Risk

Response to Request for Information
Appropriations Committee
Texas House of Representatives
SUBJECT: CHRONIC ABSENTEEISM

Interim Charge 1: Monitor the agencies and programs under Article III and oversee the implementation of relevant legislation and riders passed by the 86th Legislature.

Interim Charge 2: Evaluate ongoing costs associated with implementing the provisions of HB 3.

New Data Available: Analysis of attendance data at State and Education Service Center levels to find patterns of chronic absenteeism; including demographics, location, grade, and other important information

Source of New Data: The Texas Education Agency generously provided Children at Risk with PEIMS data to allow for analysis of attendance patterns in specific locations and among specific sub-groups.

Date of Release of New Data: September 2020

Relevance of Chronic Absenteeism to Public Education

As defined by the Every Student Succeeds Act (ESSA), a student is considered chronically absent when they miss 10% or more of school days within an academic year for any reason. Given a 180-day school year, that is at least 18 missed school days. Texas does not currently define chronic absenteeism. Chronic absenteeism negatively impacts a student's ability to learn and decreases the likelihood that s/he will graduate on time, which hinders Texas's ability to meet the goals laid out in the 60x30TX strategic plan.

Students who are chronically absent in pre-k, kindergarten, or first grade are less likely to meet reading levels appropriate for third grade. Students who are not at appropriate reading levels by third grade are 4 times more likely to drop out of

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high school.¹ A student who is chronically absent in any year between eighth and twelfth grade is 7 times more likely to drop out of school.² For high school students, lack of attendance is a better indicator of dropping out than test scores.³ Youth who drop out of school are at higher risk for poor outcomes later in life, including poverty and chronic health issues.

What does the data tell us about chronic absenteeism in Texas?

Statewide, **chronic absenteeism averages at 12.48%**, but can vary dramatically by region⁴. The San Antonio and Lubbock regions have some of the highest rates of chronic absenteeism while the Dallas and Amarillo areas have some of the lowest rates of chronic absenteeism. Similarly, different populations are more impacted than others. Pregnant students have the highest rates of chronic absenteeism (almost 70%) among their peers, suggesting that further supports are needed for these students to prevent missing school time. **Disaggregated by race and ethnicity, we see that the rates for Black and white students are both above the state average (14 and 13.5 % respectively).** The overall average rate for special education students is 17%.

¹ The Annie E. Casey Foundation. (2011). Double Jeopardy: How third-grade reading skills and poverty influence high school graduation. Retrieved from <https://files.eric.ed.gov/fulltext/ED518818.pdf>

² University of Utah, Utah Education Policy Center. (2012). Research Brief: Chronic Absenteeism. Retrieved from <https://www.schools.utah.gov/file/31291767-087c-4edb-8042-87f272507c1d>

³ The University of Chicago Consortium on Chicago School Research. (2007). What Matters for Staying ON-Track and Graduating in Chicago Public High Schools: A close look at course grades, failures, and attendance in the freshman year. Retrieved from <https://consortium.uchicago.edu/sites/default/files/2018-10/07%20What%20Matters%20Final.pdf>

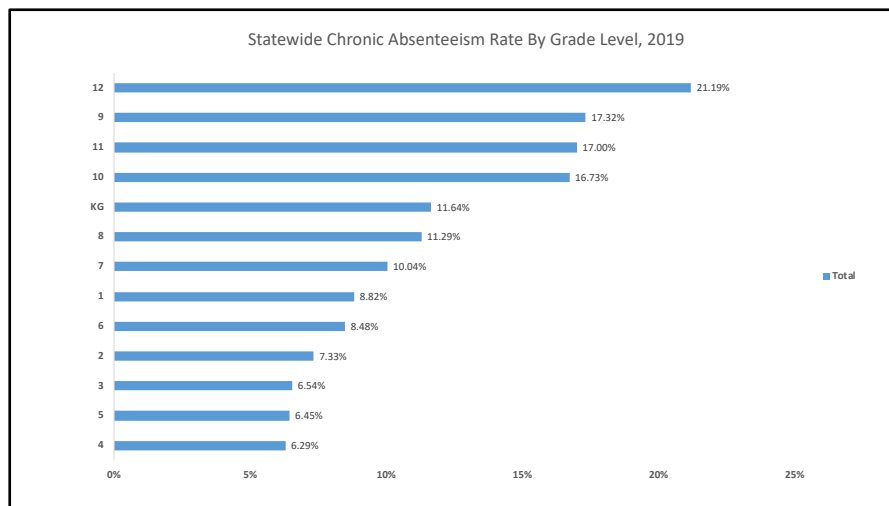
⁴ All CHILDREN AT RISK analyses uses data from Texas Education Agency, Attendance Data, 2018-19 Academic Year, The Public Education Information Management System Data, <https://tea.texas.gov/reports-and-data/data-submission/peims/peims-overview>

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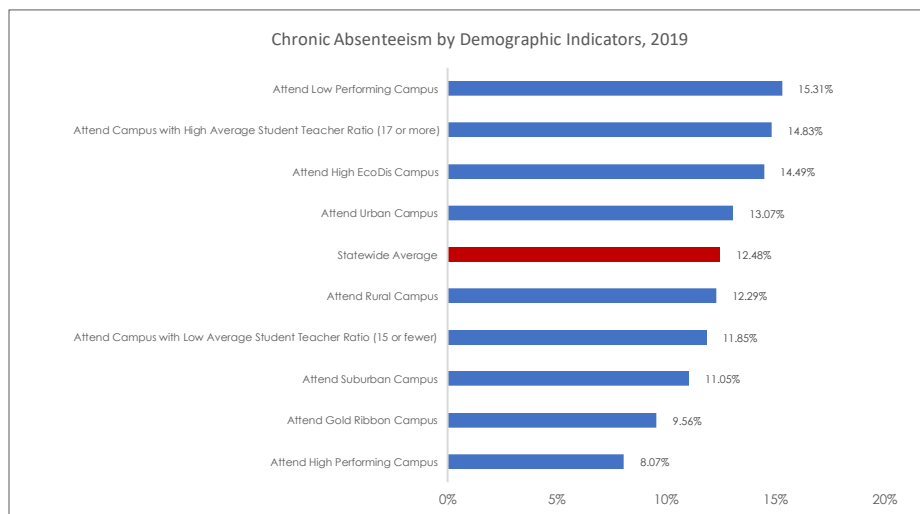


Grade level clearly plays a part: high school grades seem to be at greater risk of chronic absence.

Specifically, **12th grade has the highest rates of chronic absenteeism compared to other**

grades (21%) while 9th grade rates are about 17%.

We also consider different indicators that are associated with chronic absenteeism. Notably, attending a school with **high student teacher ratios** has on average **14.83% Chronic Absenteeism**, the second highest percentage compared to other campus indicators. This could indicate that smaller ratios/class sizes could contribute consistency in attendance through better school climate.



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Specific Policy Recommendation #1: Define chronic absenteeism

Define chronic absenteeism in the Texas Education Code as a student who misses 10% or more of school days within an academic year for any reason (ESSA definition). This will allow monitoring and meaningful evaluation of interventions, and open the door to providing districts with funds to intervene.

Suggested Reform: Amend Section 29.081(d), Education Code to include a definition of "chronic absenteeism" to mean a student who misses 10% of instructional days.

Specific Policy Recommendation #2: Add chronic absenteeism to the "at risk" category as a duplicated count.

Define students who are chronically absent as "at risk" in the Texas Education Code as a student who is at risk of dropping out. This will ensure there is an allocation made to schools specifically on behalf of this population to support interventions on the behalf of these students.

Suggested Reform: Amend Section 29.081(d), Education Code to create an additional "at risk" category to include chronically absent students, as defined above.

Specific Policy Recommendation #3: Ensure reporting. Require that TEA report chronic absenteeism as an indicator.

Suggested Reform: Amend Section 42.006, Education Code to create an indicator for chronic absenteeism in PEIMS.

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Response to Request for Information
Appropriations Committee III
Texas House of Representatives



Interim Charge #2: Implementation the provisions of HB 3

- **Evaluate ongoing costs associated with implementing the provisions of House Bill 3**

Review of Purpose of House Bill 3 (HB 3)

In the 86th Legislative Session, the Texas Legislature passed House Bill 3 (Huberty et. al).ⁱ The public school finance bill provides full-day Pre-Kindergarten (Pre-K) to all eligible 4-year-old children. Additionally, among many other things, HB 3 focused on early learning changes such as: reading standards for K-3rd grade, early childhood literacy and mathematics proficiency plans, and funding for an extended school year.

Background on Pre-Kindergarten Partnerships in Texas

Historically, the state funded and required only half-day programs and any school district wishing to offer full-day Pre-K had to allocate additional resources to provide this service. HB3 was a great victory for children, early care and education (ECE) advocates, and many others because full-day Pre-K is an invaluable resource for children from low-income families. However, many child care providers feared that public Pre-K would drive them out of business. Often, child care providers use the income they make from the 4-year-old children to offset the losses it takes to provide care for infants and toddlers due to the lower number of children cared for by one educator in the younger age groups. Removing 4-year-old children from child care settings removes this critical source of income.

Pre-Kindergarten Partnerships (Pre-K Partnerships), are collaborative efforts between the public and private sector to minimize or eliminate gaps in the quality of child care provided to early learners. Within a Pre-K Partnership, a privately funded child care center contracts with a public institution to provide additional seats for Pre-K children. This innovative solution not only allocates funding to the private child care center, but also moves towards the state's goal of providing full day Pre-K opportunities to low-income children. In essence, both the public and private sectors benefit. The private child care centers have the potential to receive more funding based on the increased enrollment, which supports the retention of qualified educators and higher percentages of kindergarten readiness. This provides an opportunity to strengthen the ECE system and kindergarten readiness without having to without having to invest in new buildings.

In Texas, since the children eligible for public Pre-K are often eligible for subsidized child care assistance provided by TWC, these Pre-K Partnerships allow districts and child care providers to access combined funding that is mutually beneficial. However, only about one-third of the LWDB members interviewed stated that they were aware of Pre-K Partnerships in their areas, and very few of them were actively involved in establishing those relationships. To address this,

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TWC has made a concerted effort to focus on Pre-K Partnership expansion by allocating \$10 million dollars towards this initiative.

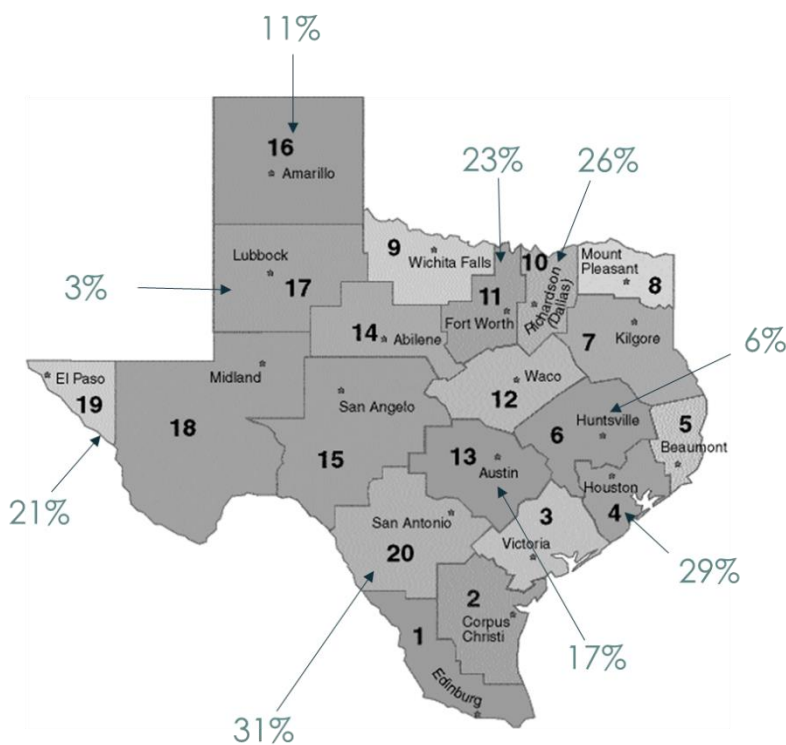
Interim Charge 1A: Implementation of House Bill 3

- **Monitor TEAs implementation and rule making process and broad unintended consequence authority of the commissioner.**

Fortunately, Texas legislators considered the potential harm Pre-K expansion might have on child care providers. HB3 requires school districts to explore partnering with high-quality (i.e., Texas Rising Star (TRS)-certified, nationally accredited, Head Start, or Texas School Ready) child care providers to offer Pre-K programming before constructing a new classroom space or submitting a waiver.ⁱⁱ These Pre-K Partnerships can take different forms and involve coordination among child care providers and school districts to provide Pre-K in a child care center or in a public school building. Between January 2020 and June 2020, the state granted 192 waivers from school districts. See Figure 1 and Table 1 below.

Figure 1

Percentage of School Districts that Received Waiver Exemptions



Note. The bold black number refers to the regional location listed in Table 1. The percentages displayed are examples of a few regions. To see percentages for all regions, refer to Table 1.

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Table 1
Waiver Exemptions by Region

	Total Waivers	Number of Districts	% of total Waivers	% of 1yr Waivers	% of 2yr Waivers	% of 3yr Waivers
Region 1	11	46	24%	7%	2%	15%
Region 2	8	45	18%	4%	2%	11%
Region 3	6	39	15%	10%	0%	5%
Region 4	26	90	29%	17%	1%	11%
Region 5	3	37	8%	3%	0%	5%
Region 6	4	62	6%	3%	0%	3%
Region 7	6	102	6%	1%	2%	3%
Region 8	5	46	11%	0%	2%	9%
Region 9	7	37	19%	11%	5%	3%
Region 10	30	116	26%	12%	4%	9%
Region 11	22	94	23%	9%	1%	14%
Region 12	6	81	7%	5%	0%	2%
Region 13	13	75	17%	11%	0%	7%
Region 14	5	43	12%	9%	0%	2%
Region 15	10	43	23%	12%	0%	12%
Region 16	7	62	11%	3%	2%	6%
Region 17	2	61	3%	0%	0%	3%
Region 18	6	36	17%	8%	0%	8%
Region 19	4	19	21%	11%	0%	11%
Region 20	11	36	31%	14%	3%	14%
Statewide	192	1170	16%	7%	1%	8%

Specific Policy Recommendation #1: Use Incentives and Data to Develop Paths to Provide Public School Pre-K

- **Collect data to track the number and type of Pre-K Partnerships.** Currently, there is little to no information about providers and school districts who have formed Pre-K Partnerships. Current legislation does not mandate the Texas Education Agency (TEA) to report to the Texas Workforce Commission about which Independent School Districts (ISDs) formed partnerships with child care providers. Requiring TEA to report the provider operation ID would provide information about the type of partnerships, children being served, and gaps that remain in making Pre-K Partnerships successful.
- **Offer alternative paths for high-quality child care providers to offer public school Pre-K:** Most child care providers rely on the revenue from their Pre-K children to sustain

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their business and help offset the cost of providing care to infants and toddlers. In some instances, a school district may not want to partner with a child care provider. Providing an alternative path for child care providers to offer public school Pre-K will increase their revenue while still providing Pre-K to 4-year-olds.

- **Provide incentives to districts that partner with child care providers.** School districts and child care providers have been hesitant to form Pre-K Partnerships. Offering additional information and incentives to each entity would help mitigate the fear related to revenue and partnerships.

Pre-K Partnerships are a critical innovative solution to improving the quality of ECE for children from low-income families because they focus on creating access to additional quality seats through the partnership with TRS providers.

ⁱ H.B. 3, 2019 Leg., 86th Sess. (Tex. 2019). Retrieved from <https://capitol.texas.gov/BillLookup/History.aspx?LegSess=86R&Bill=HB3>

ⁱⁱ H.B. 3, 2019 Leg., 86th Sess. (Tex. 2019). Retrieved from <https://capitol.texas.gov/BillLookup/History.aspx?LegSess=86R&Bill=HB3>

1. *The Miracle of the 86th Session*

Led by your committee, the passage of House Bill 3 was a major and innovative step forward for the children of Texas. After decades of strife and struggle in addressing the complex issues found within Texas Public School Finance, the legislature came together on a virtually unanimous and bipartisan basis to design an equitable solution that addressed the unique needs of Texas children on multiple fronts. The people of Texas should be grateful for the landmark accomplishment that HB3 represents, not only for Texas children but as a model for the country.

For decades, education advocates and fiscal conservatives debated on the right approach of how to address public school funding. Education advocates correctly pointed out that Texas, with the 2nd highest percentage nationally of English language learners and the 12th highest percentage of students experiencing poverty, needed additional smart investment if it hoped to improve its very troubling outcomes on NAEP, the nation's report card. Alternatively, fiscal conservatives were correct to look at the broad disparity in educational outcomes for districts with similar demographic challenges and wonder if there wasn't a better approach that involved specific, targeted funding for data-proven initiatives and additional incentives based on outcomes.



When the 85th Legislature created the School Finance Commission, most were skeptical. Longtime legislative operatives and lobbyists informed clients that the odds were against the Commission, citing a string of failures and a lack of enthusiasm for true reform. **Defying the odds, the School Finance Commission, guided in part by Chairman Huberty, Vice Chair Bernal, and Rep. Ken King, produced a remarkable report with solid recommendations to increase equity and opportunity in Texas schools.**

The legislature took this report seriously. Most of the Commission's recommendations were included in the final version of House Bill 3. Surmounting skepticism and great criticism from naysayers, the legislature put together a bill that not only increased funding for all school systems, but also removed outdated formula elements that had marred the system with conflict and illogicalities.

The Commit Partnership and the other signatories below ask that you maintain the monumental achievement of House Bill 3. While there are many very unexpected issues that you will be faced with during the 87th Session, please do not lose focus on what you have accomplished for Texas' 5.4 million students. We urge you to remember the enormity of this work and take great caution in any discussion of delaying or cutting House Bill 3 funding.

COVID-19 is a reminder to us all that the world is always changing. The systems we create must be able to address the needs of our students today and tomorrow. House Bill 3 not only creates a more equitable system to meet the needs of students today, but importantly, **it provides incentives and structures that encourage a better tomorrow.**

While COVID-19 is certainly a new reality for us all and the legislature will be forced to confront hard decisions over the next several sessions, we hope that you fight to preserve House Bill 3's programs and funding in their entirety next session. A statement submitted by Representatives Martinez Fischer, Beckley, J. Gonzalez, Goodwin, Israel, Meza, Morales, Muñoz, Ramos, Rodriguez, and Rosel to the House Journal at the passage of House Bill 3 sums this up well.

HB 3 is one of the most significant bills to come before this body, but none of its provisions will matter, none of our work will matter unless there is a plan to sustain its investments in full beyond this biennium. Those of us voting in support of HB 3 today must hold ourselves accountable for finding those revenue streams in order for the 87th Legislature to honor this financial commitment.ⁱ

2. Stay the Course on House Bill 3

COVID-19 will certainly present tough budgetary realities over the coming months. We recognize and respect the difficult position that you all are being put in. Sessions are usually filled with hard choices; however, sessions with a tough budget climate are filled with impossible ones. While acknowledging this reality, the Commit Partnership and the 18 other organizations signed on to this letter strongly urge you to continue fully funding House Bill 3 and preserve all its programs for the following reasons:

- A) **HB 3's innovative programs are a minimal investment with big returns.** House Bill 3 had several important and innovative programs, these programs should be maintained, with conversations on funding reductions centered around higher-dollar programs that could absorb the impact more easily.
- B) **HB 3 is still needed.** House Bill 3 was an attempt to solve specific problems facing our public school system. Those problems have not changed under COVID-19; indeed, they've been exacerbated by the pandemic.
- C) **HB 3 is interconnected.** House Bill 3 has many different parts, but all of these parts rely on each other. The removal or delaying of one of these parts would begin our slow turn back to the world pre-House Bill 3, where persistent inequities in funding ensured that minority, low-income, and special education students were consistently left behind.

2A. HB 3's innovative programs are a minimal investment with big returns.

In difficult economic circumstances, it is tough to maintain investments in new state programs, like those in House Bill 3. However, these programs are essential to Texas' economic recovery. The Additional Day School Year Program, College, Career, and Military Readiness Outcomes Bonuses, and the Teacher Incentive Allotment are all innovative additions to our system that the School Finance Commission believed could deliver results for Texas school children. This is still the case.

Fort Worth Star-Telegram

"Top Texas leaders announced Thursday that they've hashed out differences and reached long-sought agreements in plans for teacher raises, property taxes and school funding."

San Antonio Express News

"Abbott emphasized that he and the Legislature have **followed through on promises** the three Republican leaders made in January."

Austin American Statesman

"The measure would make **sweeping reforms to the way the state's public schools are financed**, through updating and eliminating elements of the formulas, directing more money toward educating low-income students, giving teachers raises and curbing the growth of property taxes that school districts levy."¹

These innovative programs also come at a relatively lower cost than other additions to the system. Moreover, these programs represent limited investments of funding. Delaying or slowing these programs would not save the state a considerable amount of revenue:

- The Teacher Incentive Allotment was estimated to cost \$140 million for the biennium.ⁱⁱ
- The Additional Day School Year was estimated to cost \$60 million for the biennium.ⁱⁱⁱ

Meanwhile, the true cost of House Bill 3 is found in bigger ticket items like:

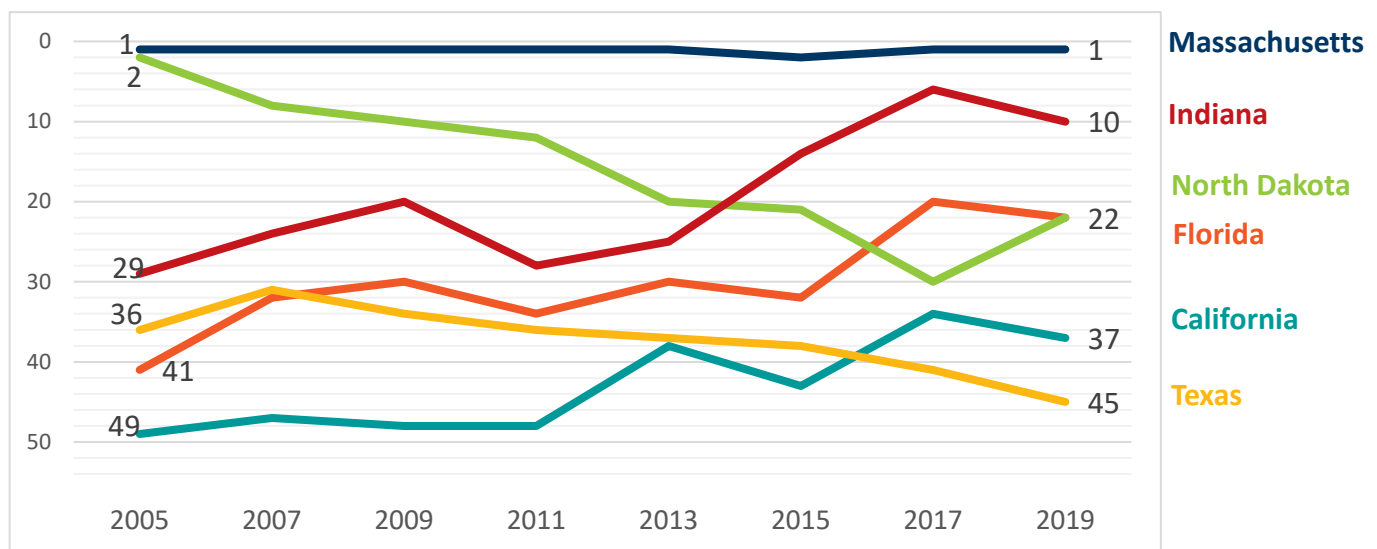
- The statewide property tax compression provided over \$5 billion in property tax relief.^{iv}
- Recapture was reduced by \$3.6 billion.^v

There have been some discussions of cutting the relatively small investments that House Bill 3 made in the Teacher Incentive Allotment and other innovative programs. These are minor investments with big returns for our students.

2B. House Bill 3 is still needed

Over the past several years Texas performance on national assessments has dramatically declined. Since 2005, Texas has fallen 9 spots in our national ranking on proficient reading scores. This is concerning because early literacy is a critical gateway for future academic success. A student who is not reading on grade level by the end of third grade is four times less likely to graduate high school.^{vi} The following chart shows Texas' startling decline in 8th grade reading scores on national assessments relative to other states.^{vii} Falling 9 places since 2005, Texas current reading performance is, at the least, very un-Texan.

Texas is 45th in National Reading Rankings, Falling Nine Spots Since 2005



The School Finance Commission focused on these numbers as well, stating that “(w)ith only six in ten children statewide currently coming to school assessed as kindergarten ready, and only 32 percent and 21 percent of low-income and ELL students, respectively, meeting the state’s third-grade reading standard, **it is critical that the state invest now in our earliest years to materially improve current early reading proficiency.**”

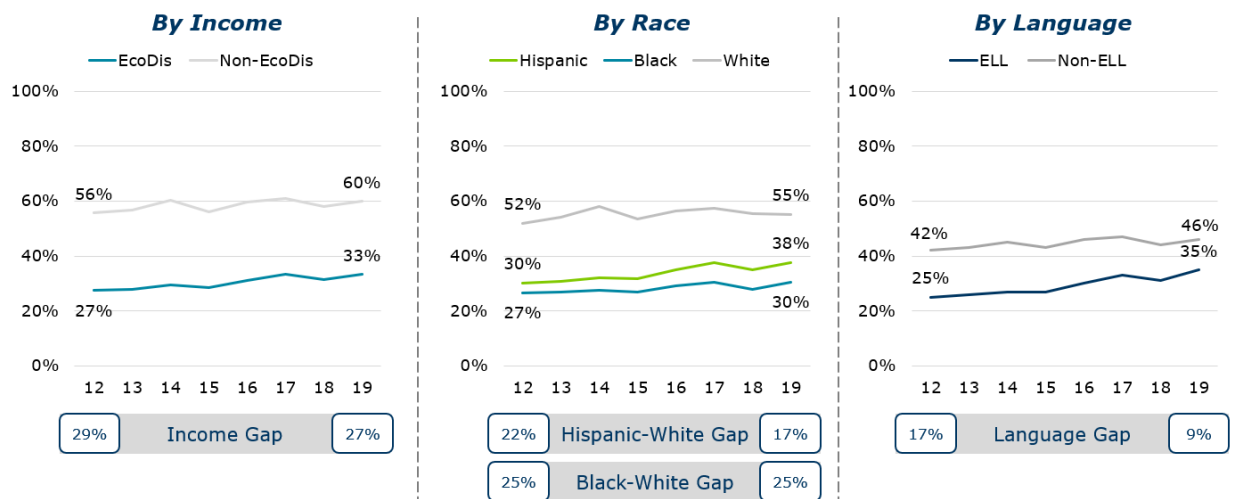
House Bill 3 took this advice to heart. Programs that were created in the bill were specifically designed to address this deficiency:

- **Reading Academies** were created to train teachers on the science of teaching reading,
- The **Teacher Incentive Allotment** was created to keep high-performing reading teachers in the classroom,
- **Full-day Pre-kindergarten** was provided through the early education allotment. This will speed up the academic progress of eligible children,
- The **Additional Day School Year** program was created to prevent summer slide, a contributing factor to low scores in elementary school,
- Available **K-2 diagnostic tools** were streamlined to make capturing data and information on early reading progress seamless.

House Bill 3 is full of dozens of examples of intentional thinking around the issues facing Texas public education. One particular area of emphasis for the Commission was the opportunity gap, recognizing the significant achievement gaps between white students/non low-income students and students of color, those experiencing poverty and limited English proficient students as evident in the chart below.^{viii}

Achievement Gaps in 3rd Grade Reading Exist in Texas by Income, Race, and Language Proficiency

Texas: STAAR 3rd Grade Reading "Meeting" Proficiency by Income, Race, and Language, 2012-2019



At the core of many of the changes in HB3 is the need to ensure that “(e)very student with greater needs should receive additional, equitable resources to allow all students, regardless of background, the chance to achieve and live a productive life. These include higher needs attributable to low income, language fluency, special education needs, or mental health.”^{ix} Many of the elements in House Bill 3 are designed to increase the equity within our school finance system and provide greater support for students that need the most help. These changes include:

- An **increase in the Compensatory Education funding** for all students in poverty, and further increases in the weight depending on the level of poverty of a campus community,
- The Teacher Incentive Allotment, which **provides significant additional compensation for the most effective teachers who choose to teach in a high-poverty or rural campus**,
- **Additional funding for low-income and English Language Learners in K-3rd grade**,
- **New funding** was provided through the dyslexia allotment to support increased supports for those with dyslexia or related disorder.

- **The creation of the College, Career, and Military readiness bonuses** with a disproportionate weighting toward students experiencing poverty and those with a disability.

2C. HB 3 is interconnected

As we all know, school finance is incredibly complex. The debates on the House and Senate floor last session were extraordinarily complicated in their details and intricacies. Amendments and potential changes to later drafts were considered with the utmost care, with everyone concerned about what impact that would have on the final disbursements to schools.

In its final version, House Bill 3 provides Texas' 5.4 million students with dozens of reforms that benefit their educational journey. Each provision signifies months of dedication and countless hours of study spent identifying investment opportunities to set our state on a stronger path. Many of these provisions are interconnected and were carefully woven together to ensure all districts benefitted, but with a focus on equity. These strategic investments must remain a cohesive package: **eliminating or delaying one element of the bill will degrade the entire system.** We urge you to stay the course on House Bill 3 and honor the hard work of the School Finance Commission and the 86th Legislature in designing a system to increase equity and opportunity for the 5.4 million Texas students.

Sincerely,

Austin Chamber of Commerce
 Dallas Citizens Council
 Dallas College School of Education
 Dallas Regional Chamber
 Educate Texas
 E3 Alliance
 Leadership ISD
 North Texas Commission
 Read Fort Worth
 RGV Partnership
 ScholarShot
 Tarrant To and Through
 Teach Plus
 Texas Business Leadership Council
 Texas District Charter Alliance
 Teach For America Texas
 The Commit Partnership
 The Education Trust-Texas

House Bill 3 is the most important step we have taken toward increasing equity and improving outcomes in our school finance system. Our organizations are firmly against any consideration of programmatic changes or structural alterations next session.



¹ Governor Abbott Press Release, *Education And Business Leaders Praise Reforms To School Finance And Property Taxes*, May 23, 2019. Available at: <https://gov.texas.gov/news/post/education-and-business-leaders-praise-reforms-to-school-finance-and-property-taxes>

ⁱ Statement from the House Journal, Saturday, May 25, 2019, pp. 6141.

ⁱⁱ For more estimates on HB 3 costs, see The Texas Plan website. Available at: <https://www.thetexasplan.com/>

ⁱⁱⁱ Ibid.

^{iv} Ibid.

^v Ibid.

^{vi} [http://blogs.edweek.org/edweek/inside-school-](http://blogs.edweek.org/edweek/inside-school-research/2011/04/the_disquieting_side_effect_of.html#:~:text=A%20study%20to%20be%20released,read%20proficiently%20by%20th)

[research/2011/04/the_disquieting_side_effect_of.html#:~:text=A%20study%20to%20be%20released,read%20proficiently%20by%20th](http://blogs.edweek.org/edweek/inside-school-research/2011/04/the_disquieting_side_effect_of.html#:~:text=A%20study%20to%20be%20released,read%20proficiently%20by%20th)
[at%20time.](http://blogs.edweek.org/edweek/inside-school-research/2011/04/the_disquieting_side_effect_of.html#:~:text=A%20study%20to%20be%20released,read%20proficiently%20by%20th)

^{vii} National Assessment of Educational Progress Reports (NAEP), 8th Grade Reading and Math 2005-2019

^{viii} TEA STAAR Aggregate data, 2012 – 2019

^{ix} School Finance Commission report, page 16. Available at:

<https://tea.texas.gov/sites/default/files/Texas%20Commission%20on%20Public%20School%20Finance%20Final%20Report.pdf>

Date: September 30, 2020

To: Texas House Appropriations Article III Subcommittee

Re: Request for Information, Interim Charge 2

Chairman Bonnen, Vice Chairman Walle, and members,

Thank you for the opportunity to submit a response to Interim Charge 2 which relates to public school finance and public education.

We **applaud the efforts to recognize the value of high-quality early learning** and the **significant advances** made during the last legislative session. We are hopeful that you will continue to pay attention to and **invest in our youngest learners**.

According to the Centers for Disease Control, “**how well a brain develops depends** on many factors in addition to genes, such as: proper nutrition starting in pregnancy, exposure to toxins or infections and the **child’s experiences with other people and the world.**”ⁱ A child’s day-to-day experiences affect the **structural and functional development** of his or her **brain**, including his or her **intelligence and personality.**ⁱⁱ High quality early learning is an essential infrastructure that enables parents to work, and it provides an important foundation for the over 1.1 million youngest Texans who are in child care.

An **unintended consequence** of the expansion of full-day pre-K is that as children moved to school districts for pre-K, the **enrollment of preschoolers in child care centers has decreased**. Frequently, it is the revenue from the three- and four-year-olds that subsidize the higher costs of the infants and toddlers. Although this is an important and strategic component to maximize early learning funding, the **State must shift funding to ensure sustainability of high-quality infant and toddler child care**. This is critical to ensure that the child care industry, one that is fragile, at best, can survive and also to provide the vital foundation for learning and development so that young Texans arrive at pre-k ready to learn.

We further believe that it is important to stabilize high quality child care programs by **creating stronger incentives and requirements for partnerships between high quality community-based child care programs and school districts** as well as **providing high quality child care programs that meet TEA standards opportunities to apply directly for pre-k funding**.

Lastly, we recommend that **high-quality prekindergarten standards are updated** in HB 3 to **institute a maximum class size of 22 students and a student- teacher ratio of no more than 11:1**. Research clearly shows that quality teacher-child interactions are key to students’ academic success and they can only happen within realistic ratios.

Thank you again for all you are doing to optimize the development and education of our young Texans.

ⁱ <https://www.cdc.gov/ncbddd/childdevelopment/early-brain-development.html>

1. ⁱⁱ Institute of Medicine, Board on Children, Youth, and Families, Commission on Behavioral and Social Sciences and Education
. *From Neurons to Neighborhoods: The Science of Early Childhood Development*. Shonkoff JP, Phillips DA, eds. Washington, DC: National Academies Press; 2000

Date: September 30, 2020

To: House Appropriations Committee – S/C on Article III, Chairman G. Bonnen, Vice Chairman Walle, and members:

Re: Request for Information, Interim Charge 2

Chairman Bonnen, Vice Chairman Walle, and members,

Thank you for the opportunity to submit a response to Interim Charge 2: Evaluate ongoing costs associated with implementing the provisions of HB 3

This letter is submitted on behalf of Early Matters and its partner organizations who have added their logos below. Early Matters is a multi-regional coalition made up of organizations across Texas who are committed to increasing early childhood outcomes and awareness of the importance of early childhood education. The signatories below believe quality early education and foundational learning are key to success later in life. House Bill 3 was historic legislation which instituted key data-proven reforms that will significantly impact early education opportunities and improve student outcomes. ***We are grateful for these reforms and ask that you maintain these reforms and their funding in the upcoming legislative session.***

In particular, we note the following HB3 programs as critical components of ensuring all Texas students receive a quality early education:

- Early education allotment for each K-3 low-income student and each English language learner (ELL)
- Required high quality full-day Pre-K for all eligible students
- School Boards must adopt literacy and math proficiency plans, set 5-year disaggregated goals for 3rd grade reading and math, and annually share progress
- Funding to incentivize extended school year for elementary students to address summer slide
- Funding to incentivize dual language instruction
- Funding to support students with dyslexia
- Reading academies required for K-3 teachers and principals
- Common K readiness assessments and cut score and required reporting so we can assess our state's progress in K readiness
- Science of Teaching Reading Certificate required for PK-6 teachers

These reforms, taken together, make Texas a leader in early childhood best practice policy. Some will take time to implement, but once implemented, they will significantly transform the quality of education our youngest learners receive.

Within the state of Texas, currently only 58% of students come to Kindergarten ready with the necessary skills to begin their K-12 career, and in 2018, only 4 in 10 students met the state's 3rd grade reading standard¹. We know that a student's ability to read by 3rd grade is among the most important benchmarks of a student's educational journey. Students not reading on grade level in 3rd grade are four times more likely to drop out of high school. **Improving our postsecondary outcomes begins with high quality early childhood education.**

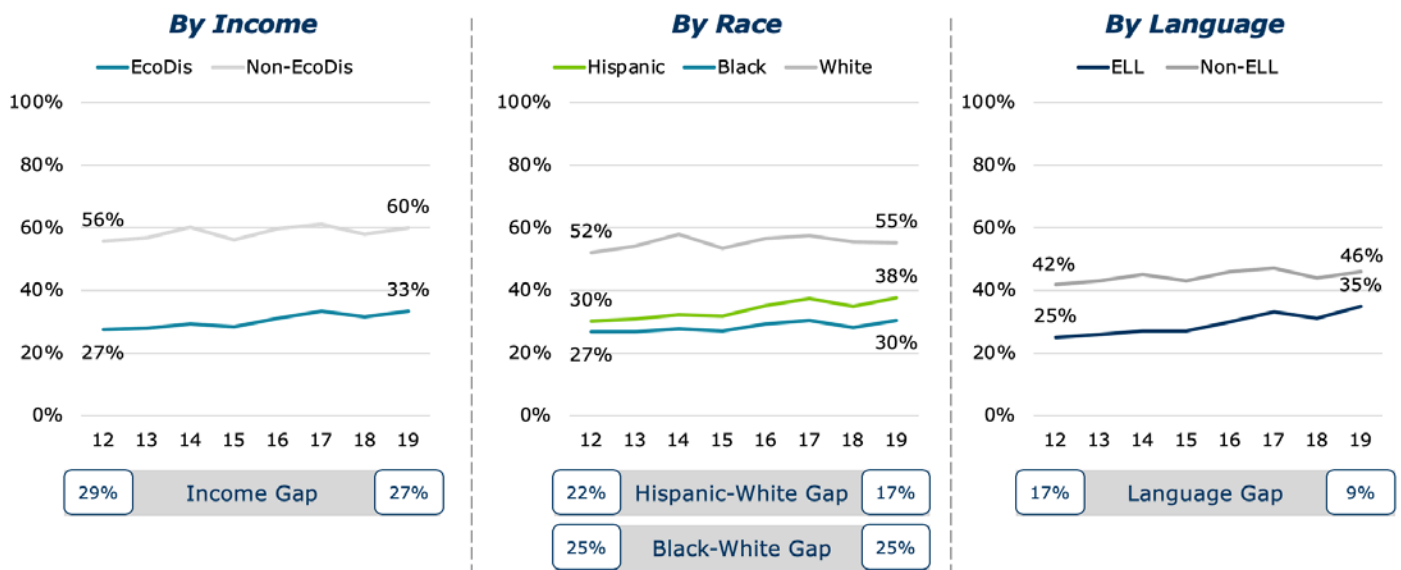
¹ Texas Commission on Public School Finance Final Report. December 31, 2018.

<https://tea.texas.gov/sites/default/files/Texas%20Commission%20on%20Public%20School%20Finance%20Final%20Report.pdf>. 19.

The chart below showing third grade reading proficiency is a strong reminder of why we need to maintain these new programs and ensure they are fully funded.

Achievement Gaps in 3rd Grade Reading Exist in Texas by Income, Race, and Language Proficiency

Texas: STAAR 3rd Grade Reading "Meeting" Proficiency by Income, Race, and Language, 2012-2019



Source: TEA STAAR Aggregate data, 2012 – 2019

As you can see, not only are average third grade reading proficiency rates low as a whole, but they are particularly concerning for our low income and our Black and Hispanic students. HB3 was historic for many reasons, but its focus on helping our students who need extra support, who have historically been under-resourced, is monumental:

- 1) The Early Education Allotment created a new funding stream for our low-income and English language-learning students, providing funding to ensure all eligible students have access to full-day, high-quality PreK.
- 2) HB3 requires high quality full-day PreK for all eligible 4-year olds, with options for temporary waivers for districts that need more time for implementing this new full day requirement. Access to this extremely important early learning opportunity is crucial for increasing equity in Texas, as students who need it the most will have the chance to begin closing opportunity gaps earlier in their educational careers. Students in high-quality, full-day Pre-K classrooms were two times more likely to be ready for Kindergarten, and Kindergarten-ready students were three times more likely to read on grade-level by the end of 3rd grade.²
- 3) HB 3 also requires school systems to adopt early literacy and math proficiency plans that include specific and disaggregated annual reading and mathematics performance goals for each campus for five years. These specific and disaggregated goals, which must be monitored annually, help to hold school

² Based on an internal Dallas ISD study, 2015

systems accountable for ensuring all students are supported in their early years and will ensure schools focus on closing the gaps highlighted in the chart above.

4) Funding was provided to support students with Dyslexia and for dual language instruction (which has shown to be most effective in improving outcomes for English language learners).

HB3's focus on supporting teachers to ensure they are trained in best practices for teaching reading was also a great achievement. As our third grade literacy numbers evidence and as expert after expert will acknowledge, far too many of our early education teachers have not been well trained on the science of teaching reading, which is best practice for supporting students' reading skills. By requiring all PK-6 grade teachers to be trained in the science of teaching reading and by requiring all K-3 teachers and principals to attend TEA-developed Reading Academies, Texas early childhood teachers will receive best practice training in teaching reading. Texas' Reading Academies are a necessary approach to ensuring educators have updated, relevant, actionable coaching on literacy instruction. This will ensure teachers are fully trained and equipped with the skills to be effective in the classroom for their young readers. We cannot expect reading skills and the percentage of students meeting reading standards to increase if we do not equip our teachers with the necessary training and resources to help their students succeed.

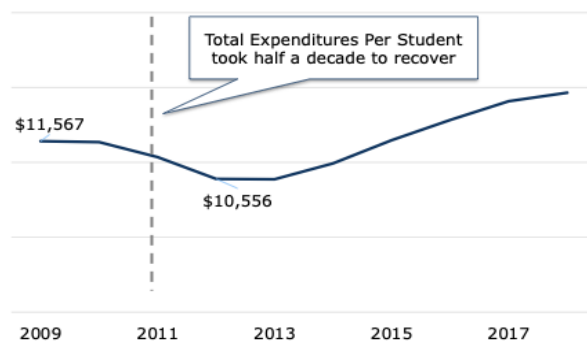
Ensuring all Texas students receive a quality education in their early years is even more critical since a global pandemic laid bare already existing inequities. We must provide effective early learning environments for students to close opportunity gaps between students of color and those experiencing poverty and their peers before the chasms are fully formed. With last year's expected learning loss and the potential for more in-school interruptions in the future, funding for full day pre-K for eligible students and teacher professional development in the science of teaching reading, will be even more critical to support our youngest, most challenged students. In the 2009 recession, legislators made the difficult decision to significantly cut funding for education. As the chart below shows, these significant budget cuts coincided with significant reading proficiency declines.

2011 Funding Cuts As A Result of 2008 Recession Marked The Onset Of A Decline In National Education Rankings

With Low-Income Students and Students of Color Being Disproportionately Affected

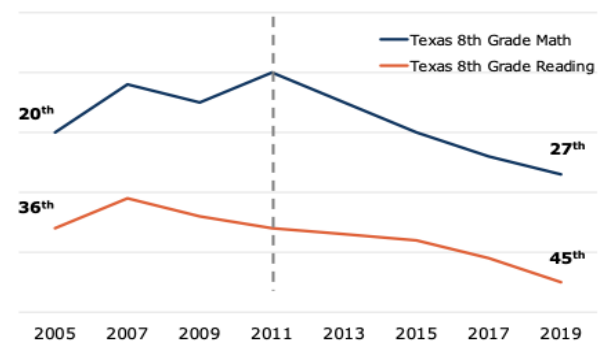
In 2011, Texas Cut \$5.4B on School Spending...

Texas Total Expenditures Per Student¹



...Which May Have Led to Worsening Student Outcomes that Have Yet to Recover

State Rankings by Subject, NAEP (based on average scores)²



Source: 1. Texas Education Agency PEIMS Financial Reports, 10 Year History for State Total Report; 2. National Assessment of Educational Progress Reports (NAEP), 8th Grade Reading and Math 2005-2019

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Thanks to HB3's requirements, districts are implementing the above described reforms designed to reverse these declining literacy rates. Though the impacts of COVID may increase the challenges, the solutions are in process. Now more than ever, it is critical that we stay the course with these reforms. If Texas wants to maintain its stance as an economic leader and a state where businesses and families thrive, we must continue to prioritize our youngest students by keeping these key early education components of HB 3 together.

We understand that this session will be more difficult and look different than ever before, but reducing funding from elements in HB 3 that prioritize early education, literacy skills, and PreK would have devastating effects that will be felt in Texas for decades to come. We cannot neglect our youngest learners because the investment we make in them will affect their success later both in school and the workforce. House Bill 3 is the most important step this state has taken toward increasing equity and improving outcomes in our school finance system. Our organizations are firmly against any programmatic changes or structural alterations to HB3 in the upcoming legislative session. We respectfully urge you to maintain your commitment to our youngest Texas students for their future and for the future of Texas.

Sincerely,

Early Matters

Additional Supporting Organizations:

Big Thought

Child Care Associates

Children at Risk

Dallas College School of Education

Dallas Independent School District Early

Learning Department

Dallas Regional Chamber

Good Reason Houston

Momentous Institute

Pre-K 4 SA

The Commit Partnership

United Way for Greater Austin

United Way of Metropolitan Dallas

Uplift Education



Texas Must Uphold Maintenance of Equity in HB 3 Implementation and Keep Full Education Funding

IDRA Testimony on Interim Charge 2: Evaluate Ongoing Costs Associated with Implementation of HB 3 (86, R), Submitted by Dr. Chloe Latham Sikes to House Appropriations S/C Article III Committee, September 29, 2020

Chairman Bonnen and Honorable Members of the House Appropriations Committee:

IDRA (Intercultural Development Research Association) is an independent, non-partisan, education non-profit committed to achieving equal educational opportunity for every child through strong public schools that prepare all students to access and succeed in college. Thank you for considering our testimony, including recommendations, on the implementation of House Bill 3, with a focus on bilingual education, early education, and sustaining financial resources for the public school system, particularly in light of COVID-19-related financial implications.

Overall, our testimony urges state policymakers to uphold the maintenance of equity in HB 3 implementation, meaning that the state continues to fulfill its commitments from HB 3 to fund an increased basic allotment and new student-based allotments.

Importance of Early Education for Young English Learners

Young English learner students represent 28% of all Pre-K through 3rd grade students in Texas (TEA, 2020). Their educational success depends on quality instruction in their earliest years, including in early childhood and pre-kindergarten programs that adhere to strong state and federal standards and in high-quality bilingual education programs in early elementary school. Quality early bilingual education requires well-prepared and appropriately certified teachers, authentic school engagement with English learners' families in their home language, and sufficient instructional materials that offer grade-appropriate content in both a student's home language and English. Substantive formula funding for young English learners, including through the dual language and early education allotments, supports their quality education.

Dual Language Allotment and Bilingual Education

Resources directed toward bilingual education must be sustained in the next biennium. HB 3 created the *dual language allotment* to provide additional funding to effective dual language immersion bilingual education programs through a 5% student weight. English learners enrolled in these programs generate 15% additional funding over the basic allotment (0.1 weight as English learners, 0.05 for dual language enrollment), and non-English learners enrolled in two-way dual language immersion programs generate 5%.

Data from the 2019-20 school year for English learners in all grades suggest an increase of 2 percent, or 6,040 English learner students, in dual language program enrollment over the previous

year (TEA, 2020). IDRA's preliminary school finance model runs indicate that the **new dual language allotment conferred \$210,514,060 to dual language programs** in 2019-20, with nearly \$199,587,443 generated by English learner students and nearly \$11 million by non-English learner students. Schools serving English learners in other types of language programs (including English as a second language and transitional bilingual education programs) received \$389 million through the basic English learner weight of 0.1.

Overall, the dual language allotment accounts for about 35% of the total bilingual education allotment, though only 25% of English learners in Texas are in dual language programs (see Craven, 2019). While state funding for those programs has clearly increased, it is important to remember that no language program in the state, including dual language, receives state formula funding at a level that is consistent with cost studies (Latham Sikes & Davies, 2019). **While the gains made toward quality bilingual education through HB 3 must be sustained in future state budgets, we must also continue to increase funding for all English learner students, regardless of language program participation.**

Early Education Allotment

The *early education allotment*, created by HB 3, generates additional school funding for districts to direct toward improving kindergarten-third grade reading and math outcomes, and for expanding pre-kindergarten programs from half-day to full-day sessions for eligible 4-year old children. Students in grades K-3 who are designated as English learners and/or as low-income students generate the allotment funding through an additional 10% student weight, which resulted in **approximately \$784 million in early education funds** for 2019-20.

The early education allotment provides critical funding for the success of our youngest children. But some school districts are reporting that the funds they receive are not sufficient to cover the costs of providing full-day pre-K and other reading and math supports for young learners. Continued and expanded legislative support for state resources for early education are essential to establishing strong foundations for student learning – particularly during uncertain schooling environments related to COVID-19.

Public School Financial Needs and COVID-19 Implications

Texas schools have barely begun to recover from the 2011 state cuts, and cannot afford to suffer additional funding shortages, particularly given the challenges of the COVID-19 pandemic (Marder & Villanueva, 2017). Despite the stimulus funds funneled to schools through the CARES Act, school districts continue to face financial challenges to address the digital divide through internet connectivity, devices, and training for school personnel and families (TEA & Dallas ISD, 2020); to provide sufficient personal protective equipment to students and staff; to hire appropriate mental and behavioral health professionals and social workers to address COVID-19-related trauma that students and teachers have experienced (Saxton, 2019); and to update their infrastructure for the health and safety of teachers and students.

Recommendations

IDRA offers the following recommendations to support the state's maintenance of equity in the implementation of HB 3:

- Use the Rainy Day Fund to maintain the state's funding to public schools and the promises made in House Bill 3.
- Protect weighted student-based funding amounts and allowable spending uses in school finance formulas, particularly for students in early grades and vulnerable student populations, such as English learners, students with disabilities and students from low-income households. These weights should be increased based on updated cost studies that account for the needs of a diverse set of students and for COVID-19 and other new related costs.
- Encourage the federal government to approve and issue additional stimulus funds directed to sustaining education and social services funding and supplementing funds to address specific COVID-19 expenses.
- Identify and develop new revenue-generating mechanisms for state budgets, such as restoring the franchise tax to previous levels, exploring increased tax on retail services, updating tax rates on alcohol and cigarettes, and repealing the natural gas tax breaks (Lavine, 2020).

Additionally, several sources of revenue exist within the school finance formula to sustain state financial resources for the Foundation School Program. These include:

- Delaying the state property tax compressions of local M&O tax rates to the next biennium, for a savings of at least \$5 billion;
- Repealing restrictions to local property tax revenue growth imposed by SB 2 (2019); and
- Delaying the *teacher incentive allotment* to the next biennium or removing it from the formula before implementation in favor of comprehensive increases for teacher salary schedules, for a short-term savings of approximately \$140 million.

IDRA is available for any questions or further resources that we can provide. Thank you for your consideration. For more information, please contact Chloe Latham Sikes, Ph.D., IDRA Deputy Director of Policy, at chloe.sikes@idra.org.

Additional Resources

Craven, M. (April 2019). Current Proposals for Texas' Investment in English Learners Still Not Enough, IDRA Newsletter. <https://www.idra.org/resource-center/current-proposals-for-texas-investment-in-english-learners-still-not-enough/>

Latham Sikes, C., & Davies, W. (2019). Building Equity in Bilingual Education School Finance Reform in Texas: Context and Importance of the Problem. Austin, Texas: Texas Center for Education Policy. <http://tcep.education.utexas.edu/wp-content/uploads/2019/11/Sikes-Davies-TCEP-Policy-Brief-4.22.19-FINAL.pdf>

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Marder, M., & Villanueva, C. (2017). Consequences of the Texas Public School Funding Hole of 2011-16. Austin, Texas: Every Texan. https://everytexan.org/images/EO_2017_09_SchoolFinance_ExecSum.pdf

Saxton, J. (April 3, 2019). Trauma-Informed Schools – How Texas Schools and Policymakers Can Improve Student Learning and Behavior by Understanding the Brain Science of Childhood Trauma. Austin, Texas: Texans Care for Children. <https://txchildren.org/posts/2019/4/3/trauma-informed-schools>

Texas Education Agency. (2020). Enrollment in Texas Public Schools 2019-20.
https://tea.texas.gov/sites/default/files/enroll_2019-20.pdf

Texas Education Agency & Dallas ISD. (2020). Operation Connectivity: Initial connectivity guidance for LEAs (SY 2020-2021), presentation. https://tea.texas.gov/sites/default/files/covid/operation_connectivity_playbook.pdf