

John Zerwas
Chairman



Oscar Longoria
Vice Chairman

**TEXAS HOUSE OF REPRESENTATIVES
COMMITTEE ON APPROPRIATIONS**

AGENDA

FEBRUARY 4, 2019
12:00 PM
CAPITOL EXTENSION, E1.030

- I. CALL TO ORDER**
- II. CHAIRMAN'S OPENING REMARKS**
- III. SCHOOL SAFETY**
 - Mike Morath, Commissioner, Texas Education Agency
- IV. SCHOOL FINANCE**
 - Leo Lopez, Chief Finance Officer, Texas Education Agency
- V. TEACHER RETIREMENT SYSTEM**
 - Brian Guthrie, Executive Director, Teacher Retirement System of Texas
- VI. CLOSING REMARKS**
- VII. ADJOURN**

School Safety

HOUSE APPROPRIATIONS COMMITTEE, FEBRUARY 4TH 2019

TEA and School Safety

TEA has no direct statutory authority regarding school safety, and school districts are required to:

1. Adopt a multi-hazard emergency operations plan

- The plan must address mitigation, preparedness, response and recovery.
- The plan must provide for:
 - District employee training in responding to an emergency
 - Mandatory school drills and exercises
 - Measures to ensure coordination with DSHS and local emergency management, law enforcement, health departments and fire departments
 - The implementation of a safety and security audit



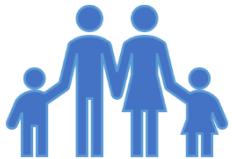
2. At least once every three years, each school district shall conduct a safety and security audit of the district's facilities. A district must report the results of the audit to their board of trustees and to the Texas School Safety Center.

3. Establish a school safety and security committee that will develop and implement emergency plans consistent with their multi-hazard emergency operations plan.

Serves as:

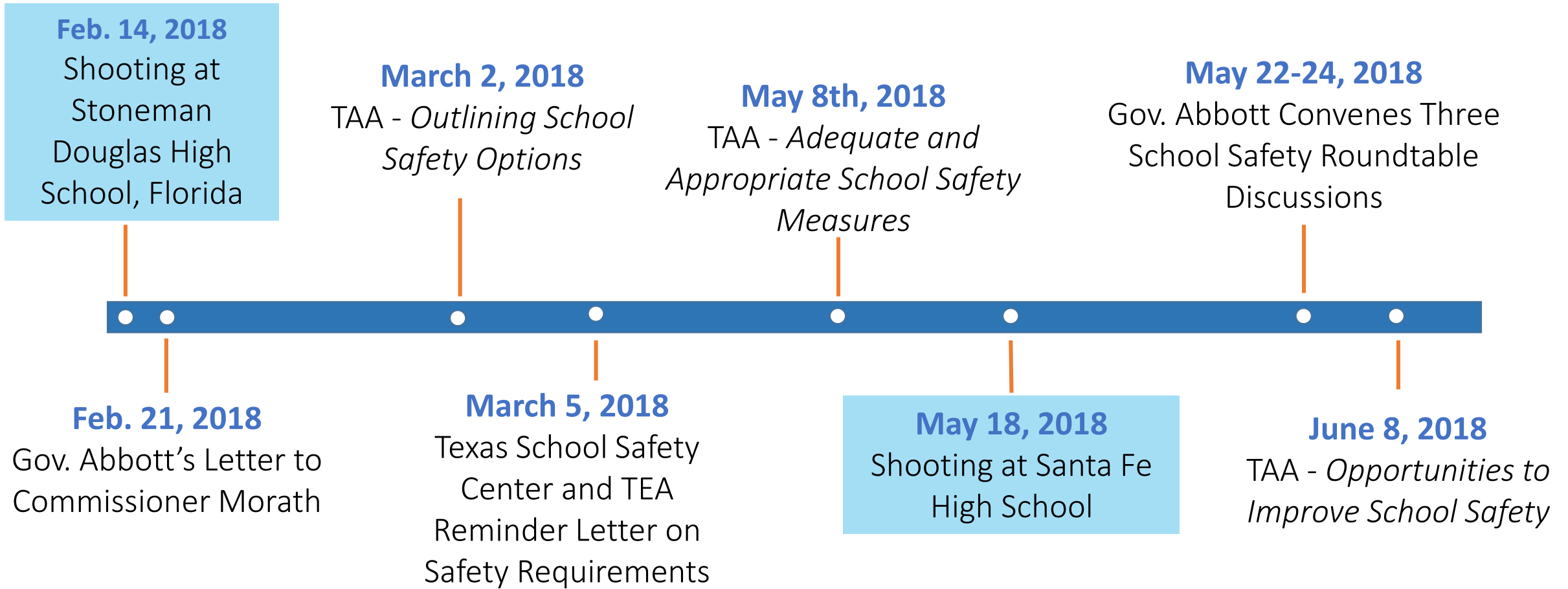


- A central location for **school safety and security information**
- A **central registry** of persons providing school safety and security consulting services
- A resource for the **prevention of youth violence and the promotion of safety**



- ✓ **Conduct** safety training program for school districts
- ✓ **Develop** a model safety and security audit procedure for use by school districts and public junior college districts
- ✓ **Provide** on-site technical assistance to districts for safety audits and safety information and presentations
- ✓ **Maintain** an interactive Internet website
- ✓ **Provide** school safety and security progress report

2018 School Safety Events and TEA Informational Outreach to districts



Governor Abbott Convenes Three Roundtable Discussions on School Safety



May 22 – Roundtable #1 with superintendents, administrators and law enforcement officials to discuss **possible improvements to the physical safety of Texas schools**



May 23 – Roundtable #2 focused on **mental health and firearm safety issues**



May 24 – Roundtable #3 with **survivors of mass shootings and members of communities** impacted by gun violence

Following the three roundtable discussions, Governor Abbott released the **School and Firearm Safety Action Plan**.

Texas House of Representatives: School Safety Interim Charge

In response to the Santa Fe Shooting on May 18th, Speaker Straus charged the House Committee on Public Education to explore the current school safety landscape and options for improvement.

On September 4th 2018 the Committee on Public Education issued a preliminary report that explored the following topics:



- **Mental Health and Well Being**
- **School Mental Health Professionals**
- **School Safety Planning and Training**
- **School Security Infrastructure**
- **Law Enforcement Resources**

Texas Senate: Select Committee on Violence in Schools and School Safety

The Texas Senate created a select committee to discuss four primary charges:



1. **Improve the infrastructure and design of Texas schools** to reduce security threats, and discuss various proposals to harden school facilities
2. **Study school security options and resources**, including, but not limited to, the school marshal program, school police officers, armed school personnel, the Texas School Safety Center, and other training programs
3. **Recommend strategies to early identify and intercept high-risk students**, as well as strategies to promote healthy school culture, including character education and community support initiatives.
4. **Examine whether current protective order laws are sufficient** or whether the merits of Extreme Risk Protective Orders, or “Red Flag” laws, should be considered

TEA's School Safety Survey

At the request of Legislative Leadership, the Texas Education Agency administered a survey to school districts regarding:

1. *District implementation* of various school safety infrastructure improvements.

2. *Interest in implementing* these improvements where they have not yet been implemented.

Survey Administration:

- The survey was open from July 31st through August 31st
- 895 out of 1,203 school districts and charter schools (74%) responded

School Safety Survey Questions

1. Approximately what percentage of your campuses have this feature?
2. Is your district contemplating any plans to expand this?

For the following features:

- Vestibules where doors must be remotely unlocked
- Erected vehicle barriers around campuses and stadiums
- Metal detectors at school entrances
- Security systems that monitor and record entrances, exits and hallways
- Telephones/ radios in classrooms
- Active shooter alarm systems that are separate from fire alarms

1. Approximately what percentage of doors on your campuses have this feature?
2. Is your district contemplating any plans to expand this?

For the following features:

- Locks on classroom doors from the inside
- Exterior doors that are commercial-grade, self-closing, self-locking, flush steel doors with emergency push bars

Survey Results: Building Features

Features most in use currently:

- Security systems that monitor and record entrances, exits and hallways
- Telephones/ radios in classrooms

Features least in use currently:

- Erected vehicle barriers around campuses and stadiums
- Active shooter alarm systems that are separate from fire alarms

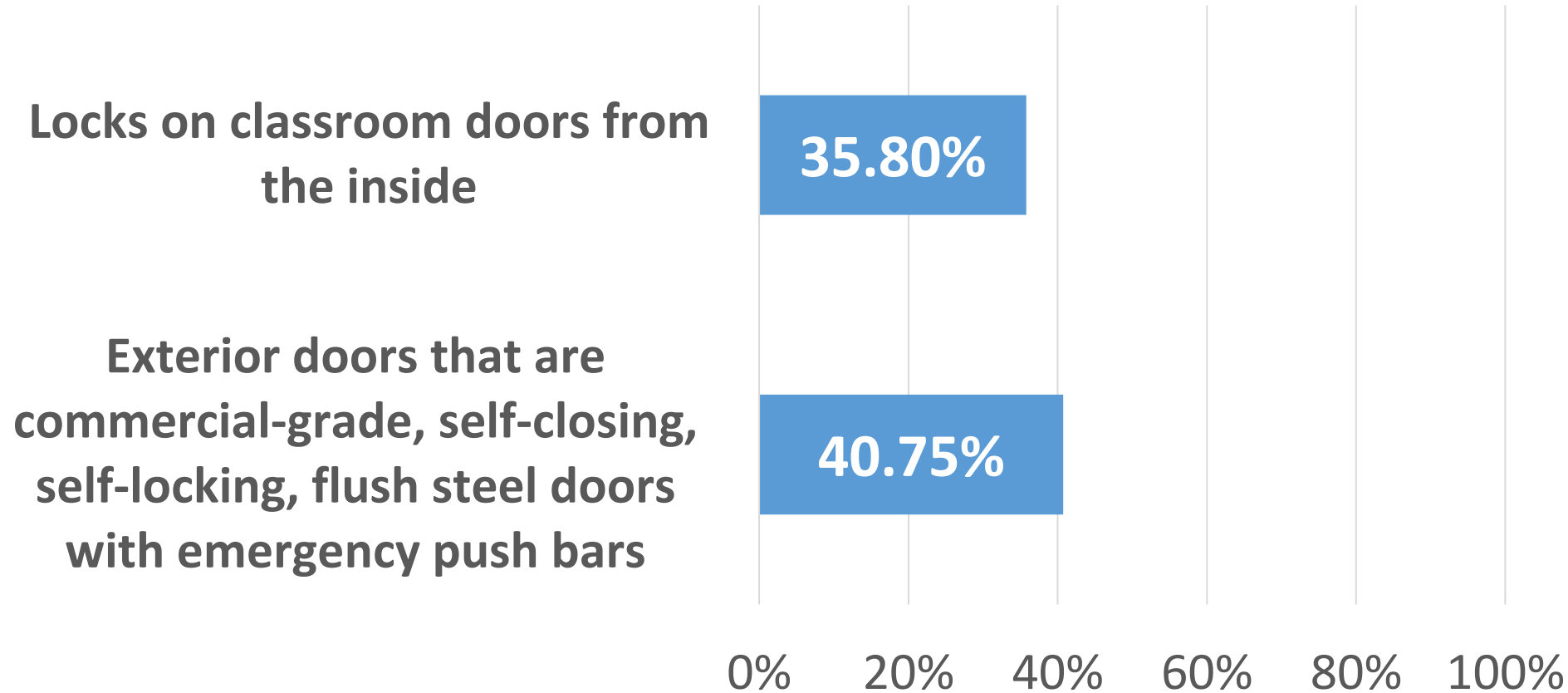
Features districts are most contemplating expanding:

- Erected vehicle barriers around campuses and stadiums
- Metal detectors at school entrances

Full results available in appendix.

Survey Results: Door Security

Over a third of districts are contemplating expanding the following features:



Full results available in appendix.

Safe and Healthy Schools Initiative Exceptional Item

Safe and Healthy Schools Initiative: Developing the Plan

The Safe and Healthy Schools Initiative is built upon information and best practices gathered through Agency participation and involvement in:



- **Governor Abbott's Round Tables on School Safety**
- **Texas House and Senate hearings convened on the issue**
- **Direct stakeholder engagement with Superintendents during Commissioner Morath's Education Service Center meetings**
- **TEA's real-time survey results to assess current school safety infrastructure needs**

Safe and Healthy Schools Initiative: Implementation Framework **Included in Introduced HB1**



**Included in
Introduced Bill**

- 1) **Safe and Healthy Schools Self-Assessment Rubric:** TEA, in collaboration with the Texas School Safety Center, will **develop a “best practices” framework and associated rubric** to help districts self-assess and identify areas for potential improvement in school safety, including mental health supports.
- 2) **State and regional level technical assistance:** TEA, in collaboration with the Regional Education Service Centers (ESCs), will set up a Safe and Healthy Schools **technical assistance program to provide guidance and assistance to schools including standing up threat assessment teams** as they work to improve the mental health coordination and supports and school culture pillars.
- 3) **Statewide coordination with other agencies** including HHSC, TxSSC, and others regarding **Mental Health First Aid, Telemedicine, trauma informed care, and coordination of access to mental health professionals.**
- 4) **Fast-Track to Safer Schools Grants:** TEA would administer **grants to assist school districts** in improving their school health and safety.

Safe and Healthy Schools Initiative: Possible Self-Assessment Rubric Framework



- 1. *Mental Health Supports:*** access to counseling resources, mental health professional networks, threat assessment protocols, and teacher and administrator training on mental health needs.
- 2. *Positive School Culture:*** character education, positive behavior supports and interventions, trauma-informed education, restorative discipline practices, suicide prevention, resiliency, anti-bullying, and anti-cyber-bullying.
- 3. *Facility Safety:*** facilities hardening and the presence of School Resource Officers (SROs) and school marshals on a campus.
- 4. *Emergency Response Coordination:*** police collaboration, drills, training on crisis and emergency response, and notification protocols.

Appendix

Safe and Healthy Schools Initiative: Funding Breakdown **Included in Introduced HB1**

Mental Health Supports and Positive School Culture Funding

Funding Amount	FTEs	Purpose	Implementation Framework
\$2.0M	6	Focus on codifying best practices, providing sample tools, resources and effective models, providing technical support, and managing statewide grants (includes IT needs).	1., 2., 3., 4.
\$20M	0	Grants (\$20M) for programs with the ultimate goal of ensuring students on every campus across the state have access to needed behavioral health services through innovative, proven programs	3. Statewide Coordination
\$5M	0	Grants to the Regional Education Service Centers (ESCs) to support one FTE at each ESC, to provide local support and training to stand up threat assessment teams, directed by the service center but advised by TEA staff and guided by the self-assessment results and TEA audit findings	2. Technical Assistance
\$10M	0	Mental Health First Aid, Telemedicine, trauma-informed care, and coordination of access to mental health professionals, including creation and maintenance of regional and local provider lists.	3. Statewide Coordination

Safe and Healthy Schools Initiative: Funding Breakdown **Included in Introduced HB1**

Facility Safety and Emergency Response Coordination

Funding Amount	FTEs	Purpose	Implementation Framework
\$10M	0	Matching Grants to LEAs for facility hardening activities as a result of their self-assessment and audit.	4. Safer Schools Grants
\$2.5M	0	Grants to Texas School Safety Center to coordinate/conduct Emergency Response audits and identify LEA need for facility or school safety improvements.	1. Self-Assessment Rubric

School Health and Safety Pilot Grants

Funding Amount	FTEs	Purpose	Implementation Framework
\$5M	0	Pilot grants for innovative programs to increase school health and safety.	4. Safer Schools Grants

TEA Actions and Correspondence:

June 8th TAA Opportunities to Improve School Safety



School Marshal Program

- Increase the number of School Marshals
- School Marshal training (June-August) will be at no-cost



Mental Health First Aid Training

- Increase MHFA training this summer
- MHFA is a free, evidence-based training available to all educators
- Teaches the general public about signs and symptoms of mental illness and substance use disorders



Behavioral Threat Assessment

- Please read *Implications for the Prevention of School Attacks in the United States*.
- Behavioral Threat Assessment training for school personnel



Law Enforcement Coordination

- Districts should be in contact with their local law enforcement, emergency managers, and first responders
- Identify no-cost partnerships

Recent TEA Actions and Correspondence: June 8th TAA Opportunities to Improve School Safety



School Safety Training

- Active Shooter Response training through ALERRT
- Safety planning training through Texas School Safety Center (TxSSC)
- Standard Response Protocol training (TxSSC)



Federal Funding

- \$62.1M in additional Title IV funding
- \$2M in STOP School Violence Grants



School Safety Website

- TEA set up a school safety resource page:

https://tea.texas.gov/About_TEA/School_Safety_Resource/

Federal Grants for School Safety

TEA received two STOP School Violence Grant Awards.



- **\$1,000,000 STOP School Violence Grant:** Statewide Approach to Training School Officials About Traumatic Stress and Mental Health.
- **\$1,000,000 STOP School Violence Grant:** Statewide Approach to the Prevention and Intervention of Violence using School Threat Assessment Teams.



At least two ISDs applied for federal grants related to school safety*:

- **\$1,000,000 Project SERV Grant-** Santa Fe ISD (awarded)
- **\$400,000 Project SERV Grant-** Italy ISD (applied)

* Multiple ISDs applied for STOP School Violence Act awards, but did not do so through TEA. For a complete list of awardees, see appendix.

STOP School Violence Act Awards

Grant Title	Awardee	Amount
Amarillo ISD's Violence Prevention Program	Amarillo Independent School District	\$249,992
STOP School Violence	Lovejoy Independent School District	\$200,000
FY 18 STOP - CAT 5	Lovejoy Independent School District	\$150,000
FY 18 STOP - CAT 5	Orangefield Independent School District	\$9,000
STOP School Violence	Lovejoy Independent School District	\$150,000
FY 18 STOP - CAT 5	Gainesville Independent School District	\$149,979
Clear Creek FY18 STOP School Violence Project	Clear Creek Independent School District	\$249,715
STOP School Violence	La Porte ISD	\$410,310
FY 18 STOP - CAT 4	San Marcos Consolidated Independent School District	\$249,396
Santa Fe, TX FY18 STOP Project	Santa Fe Independent School District	\$200,000
FY 18 STOP - CAT 5	O'Donnell ISD	\$80,000

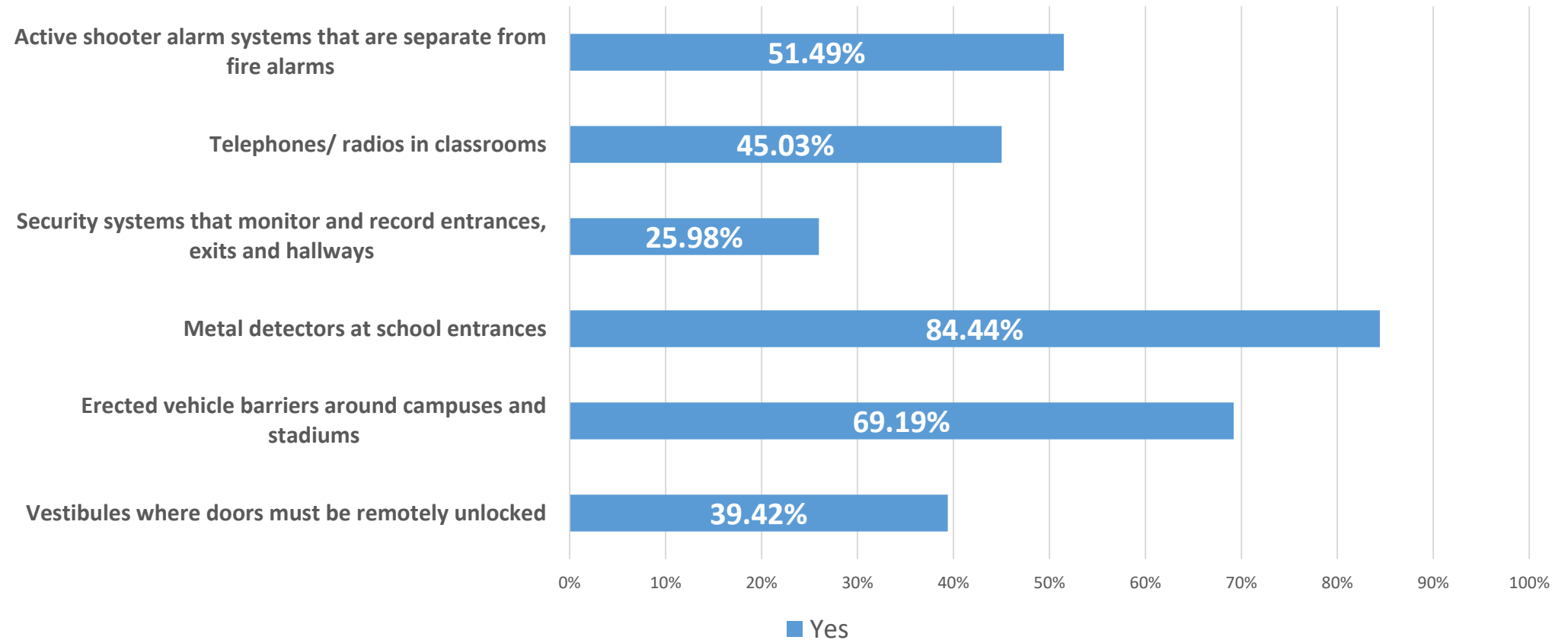
TEA School Safety Survey Results: Reducing Security Threats

Approximately what percentage of your campuses have this feature?

#	Question	None	1-10%	11-25%	26-50%	51-75%	76-100%
1	Vestibules where doors must be remotely unlocked	27.70%	5.52%	4.44%	7.55%	7.07%	47.72%
2	Erected vehicle barriers around campuses and stadiums	57.46%	9.90%	7.46%	10.88%	6.11%	8.19%
3	Metal detectors at school entrances	91.30%	5.68%	0.97%	0.72%	0.24%	1.09%
4	Security systems that monitor and record entrances, exits and hallways	8.88%	1.89%	1.54%	5.68%	10.65%	71.36%
5	Telephones/ radios in classrooms	13.05%	4.03%	4.74%	6.76%	5.69%	65.72%
6	Active shooter alarm systems that are separate from fire alarms	78.23%	1.33%	0.85%	1.09%	1.81%	16.69%

TEA School Safety Survey: Reducing Security Threats

Is your district contemplating any plans to expand this?

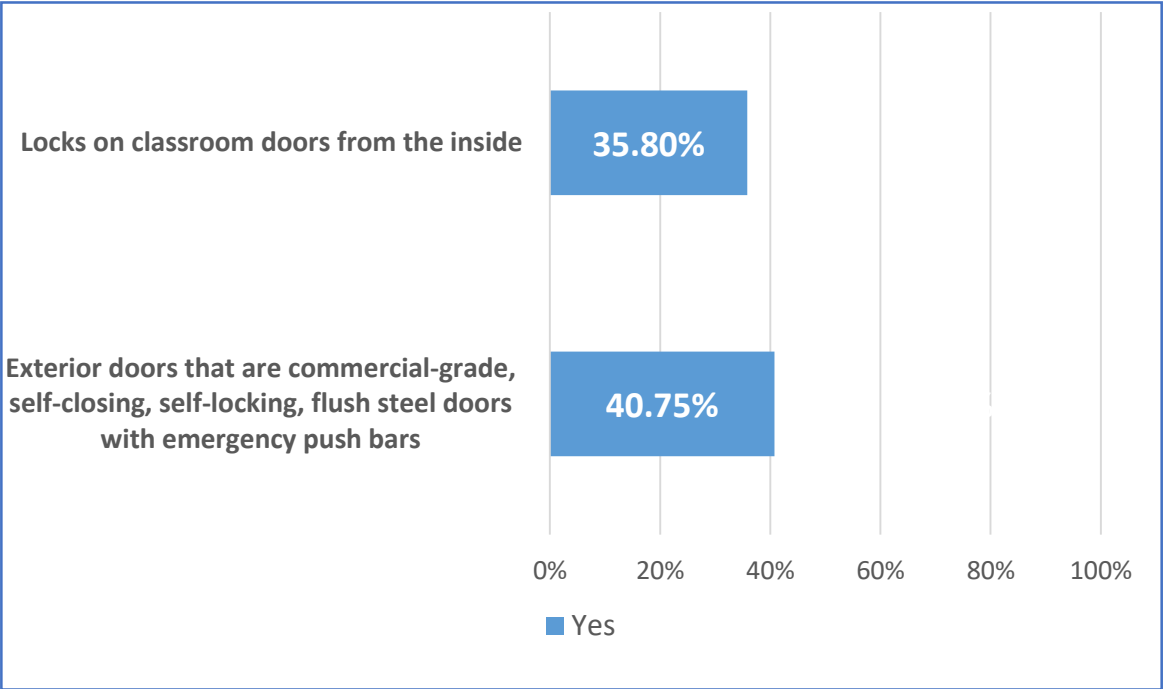


TEA School Safety Survey: Reducing Security Threats

Approximately what percentage of doors on your campuses have this feature?

#	Question	None	1-10%	11-25%	26-50%	51-75%	76-100%
1	Locks on classroom doors from the inside	11.94%	6.62%	5.79%	11.35%	14.18%	50.12%
2	Exterior doors that are commercial-grade, self-closing, self-locking, flush steel doors with emergency push bars	3.05%	2.58%	5.40%	8.33%	16.20%	64.44%

Is your district contemplating any plans to expand this?



Texas Public School Finance Overview

TEXAS EDUCATION AGENCY

FEBRUARY 4, 2019

Agenda

Foundation School Program
Tier One and Tier Two Funding (Chapter 42)
Facilities Funding (Chapter 46)
Charter School Funding
Wealth Equalization (Chapter 41)
Appendix: Facts & Figures

Foundation School Program (FSP)

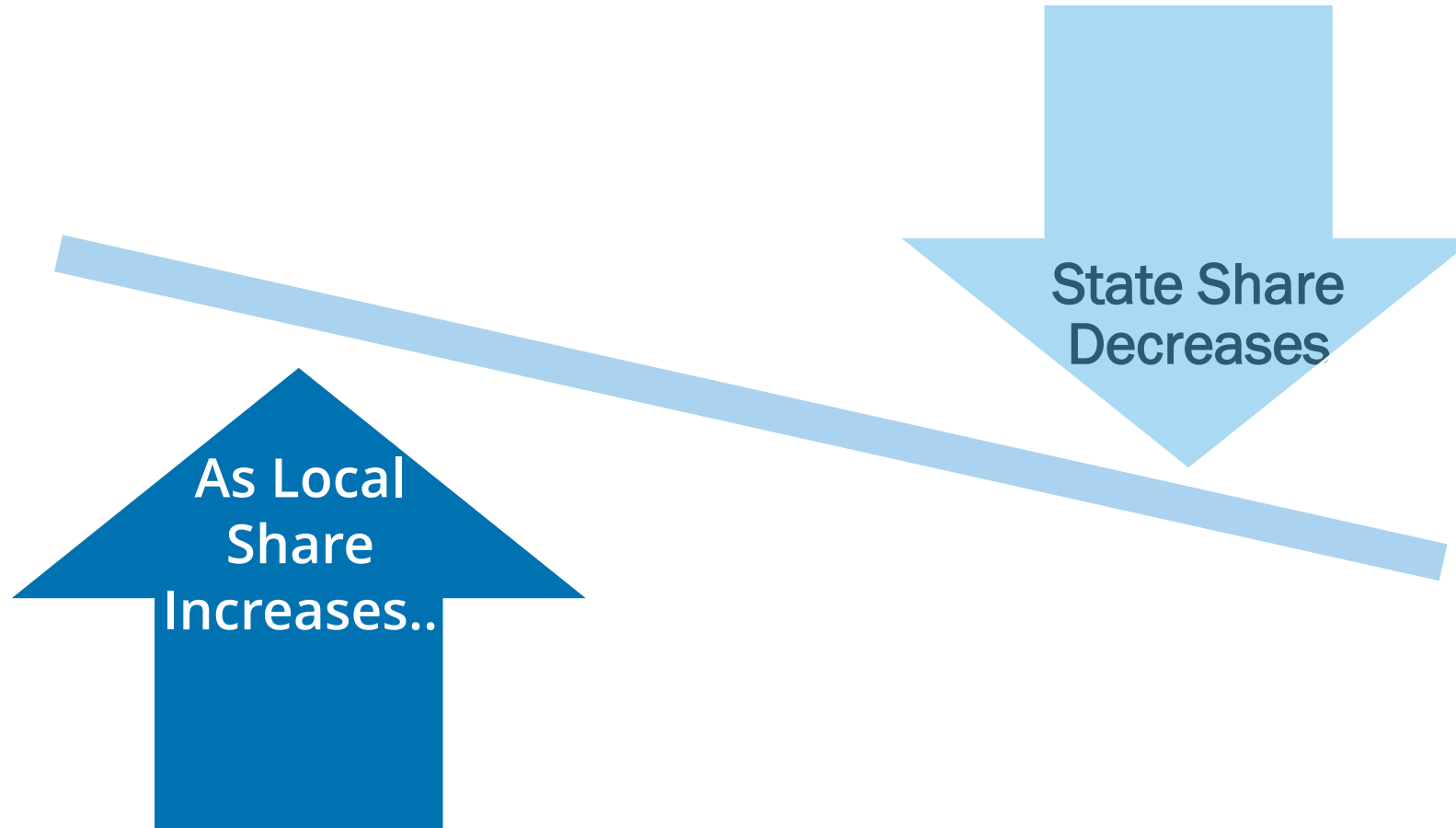
The FSP establishes how much state funding school districts and charter schools are entitled to receive.

Formulas are set in statute (Chapters 41, 42, and 46), and they consider both student and district characteristics including the number and type of students enrolled, district size and geographic factors, and local taxable property values and tax rates.

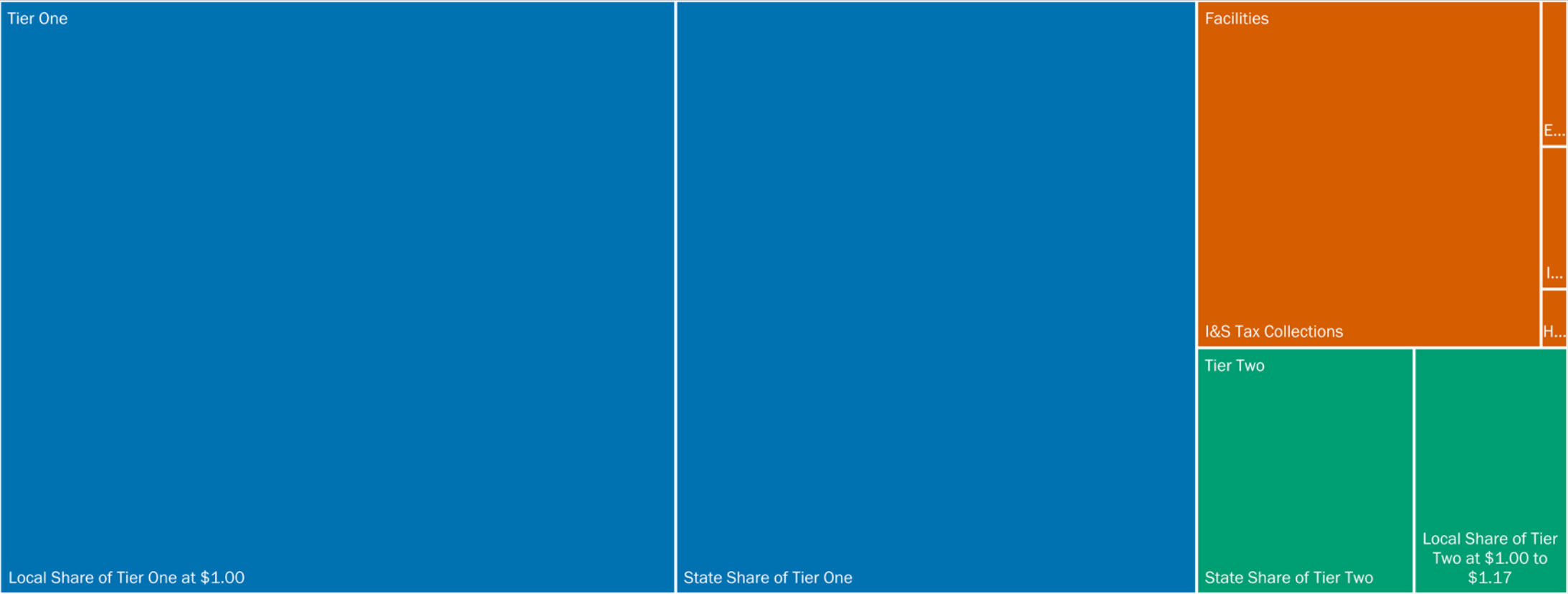
Generally, once entitlements are established, the formulas are used to determine how much a district can generate locally (**local share**) through property taxes before making up the difference with state funds (**state share**).

A balancing act:

State Share vs. Local Share



Total Statewide FSP Entitlement in FY2018



■ Tier One
 ■ Tier Two
 ■ Facilities

FSP Key Concepts: M&O local property tax rate contribution to each Tier

Tier One



RECAPTURE
LEVEL 1

Tier Two

LEVEL 1



**NO
RECAPTURE**

Tier Two

LEVEL 2



RECAPTURE
LEVEL 2

How is Tier One funding determined?

The Basic Allotment (BA) is \$5,140 per student for the 2018–2019 biennium and is set in the General Appropriations Act (GAA).

The \$5,140 BA per student is increased for school characteristics:

- **STEP 1:** Increased for the school districts' cost of education index (CEI);
- **STEP 2:** Increased if the school district qualifies as small district or mid-size district

Once the BA has been increased for school characteristics, it is used in a series of formulas that take into account student characteristics.

Cost of Education Index (CEI)

The CEI is assigned to each district to adjust for the cost of educating students in the district's particular region of the state.

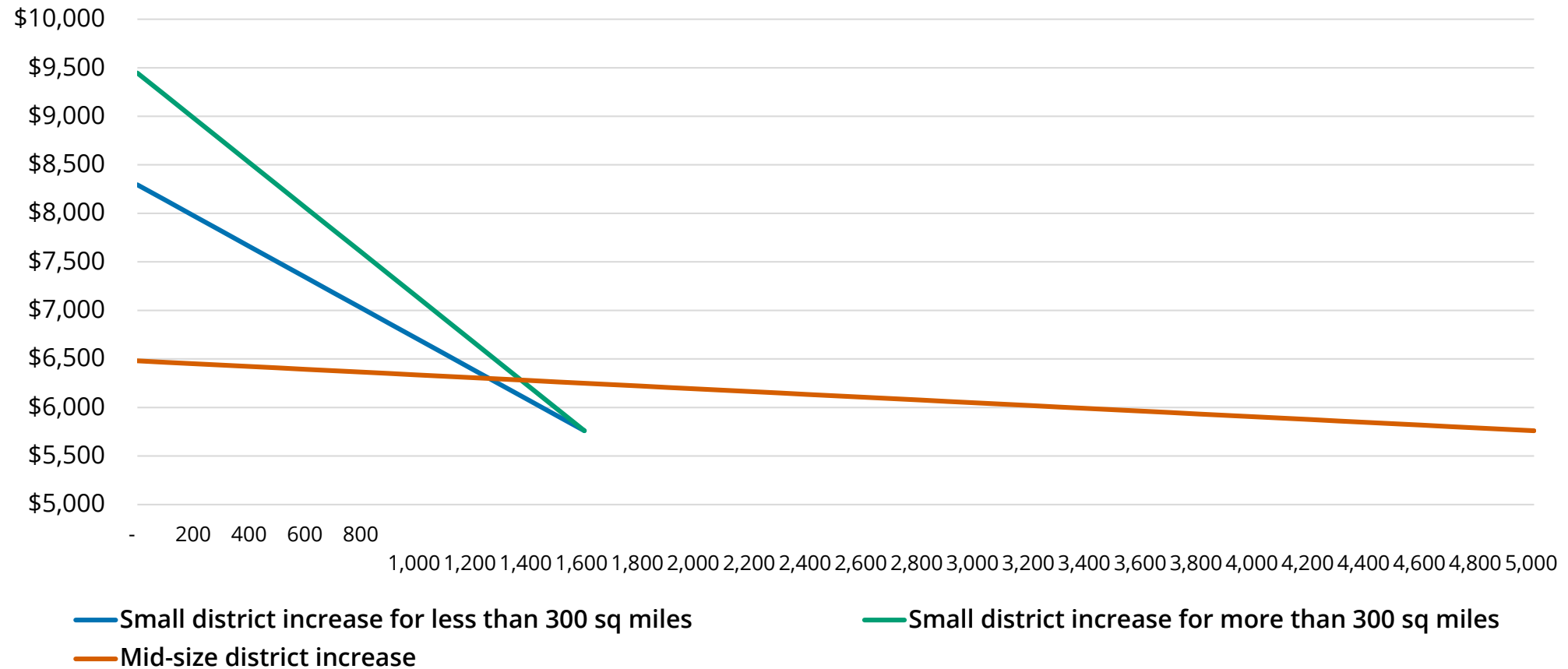
The CEI is based upon the principle that it is more expensive to provide education in some school districts than others.

Each school district was assigned a unique CEI in 1991. The CEI values have not changed since their assignment in 1991.

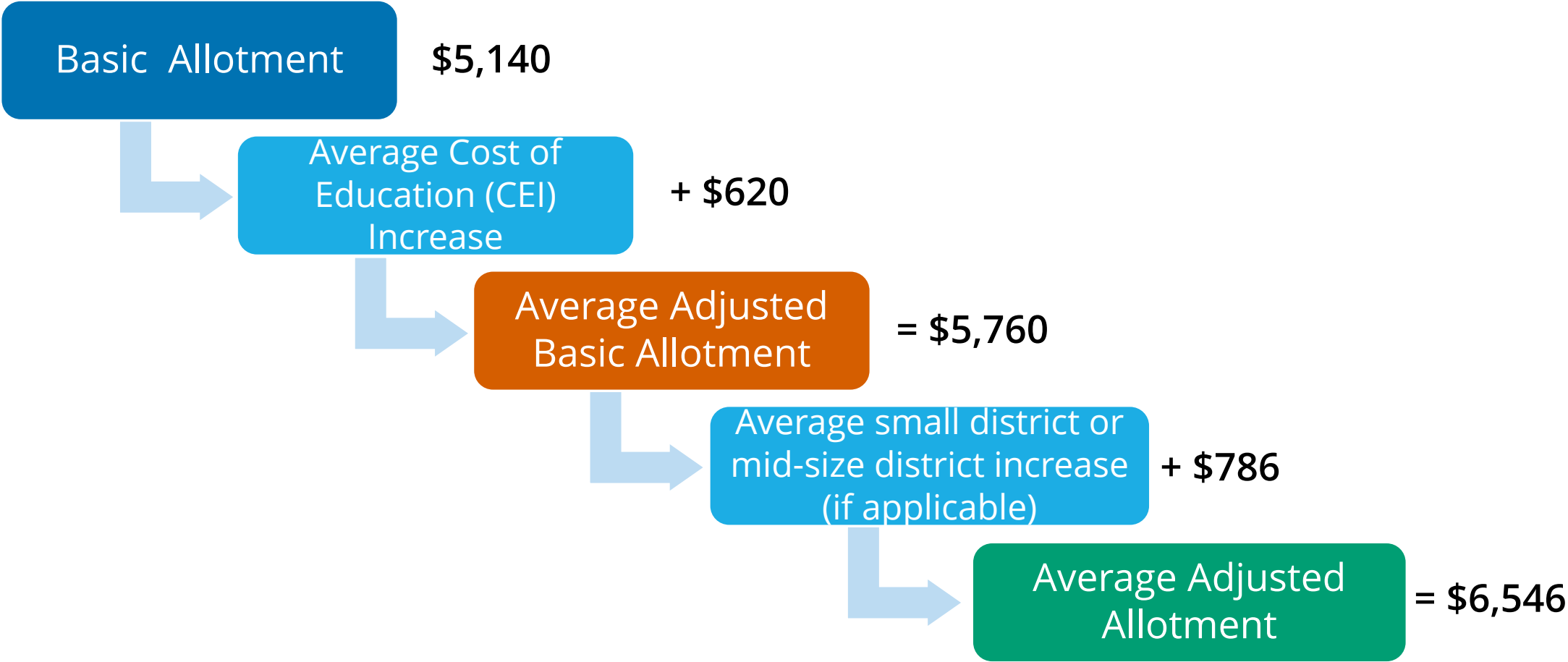
CEI values range from a low of 1.02 to a high of 1.20. The average CEI is 1.12.

The average funding increase produced is \$620 for each student in ADA in each district, and the total formula amount produced for all school districts by the CEI is estimated to be \$2.8 billion for FY2019.

“Per student” funding generated by the SDA and MDA formulas **decreases** as **ADA increases**



In Summary: How the Basic Allotment becomes the Adjusted Allotment



Tier One includes funding weights to deliver additional funding for student characteristics

Program	Funding Weight
Regular Program (ADA)	1.00
Special Education (FTE)	various weights (subtracted from regular program)
Career and Technology (FTE)	1.35 (subtracted from regular program)
Advanced CTE	\$50 per each eligible CTE course
Gifted & Talented	0.12 (capped at 5% of district ADA)
Compensatory Education (FTE)	0.20
Pregnancy Related Services (FTE)	2.41 (part of compensatory education)
Bilingual Education (ADA)	0.10
Public Education Grant (ADA)	0.10
New Instructional Facility Allotment	\$1,000 per student in ADA in the new facility
High School Allotment	\$275 per high school student in ADA

Tier One: Calculation of State Share

CHAPTER 42 DISTRICT

Tier One Total Cost	\$12,500,000
Prior Tax Year District Property Value	\$650,000,000
Local Share at \$1.00 M&O tax rate	\$6,500,000
State Share of Tier One	\$6,000,000

CHAPTER 41 DISTRICT

Tier One Total Cost	\$12,500,000
Prior Tax Year District Property Value	\$1,350,000,000
Local Share at \$1.00 M&O tax rate	\$13,500,000
State Share of Tier One	\$0

Tier Two Overview

A district's Tier Two allotment provides for enrichment funding which is intended to supplement the basic funding provided by Tier One funds.

To receive Tier One funding, school districts generally must tax at \$1.00 per each \$100 of local district property value. However, districts have local discretion to set a tax rate that is between \$1.00 and \$1.17.

Tier Two focuses on taxpayer equity by ensuring that school districts receive a guaranteed amount of funding for each penny of tax effort between \$1.00 and \$1.17 for each student in their weighted average daily attendance (WADA).

This guaranteed amount per WADA is called the **guaranteed yield**.

Tier Two: Golden and Copper Pennies



Tier Two

LEVEL 1

**Golden
Pennies:
Local
discretion to
tax between
\$1.00 & \$1.06**

**NO
RECAPTURE**

Voter Approval needed to tax above \$1.04

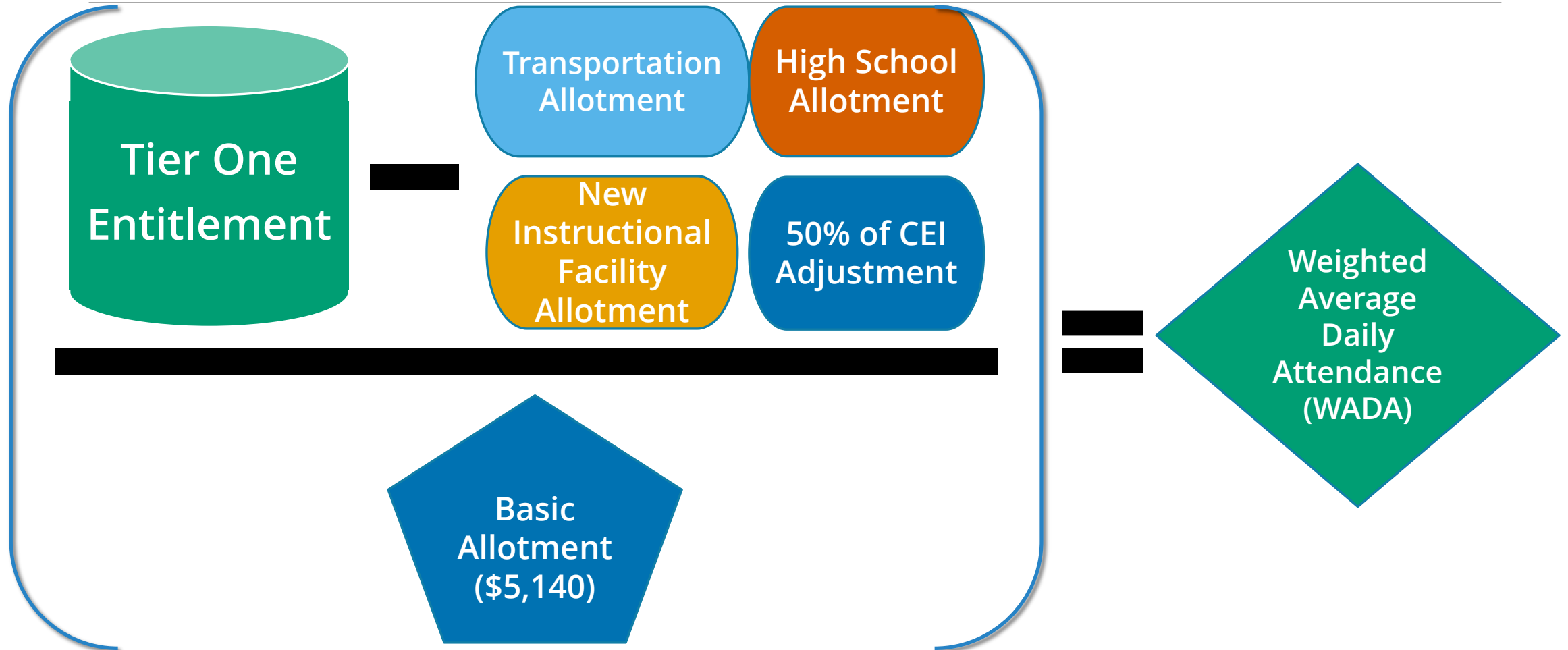
Tier Two

LEVEL 2

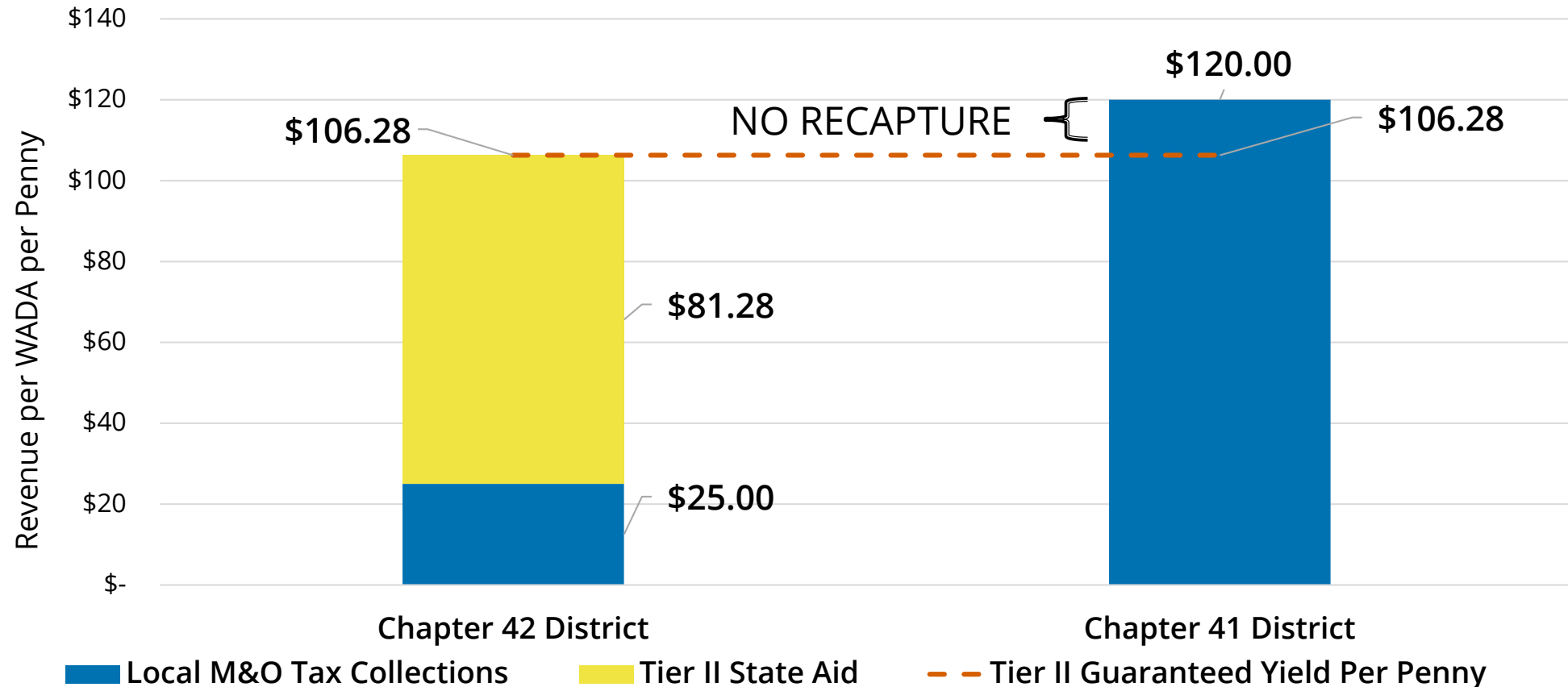
**Copper
Pennies:
Local
discretion to
tax between
\$1.06 & \$1.17**

**RECAPTURE
LEVEL 2**

Tier Two: How are the number of weighted students (WADA) in a district calculated?



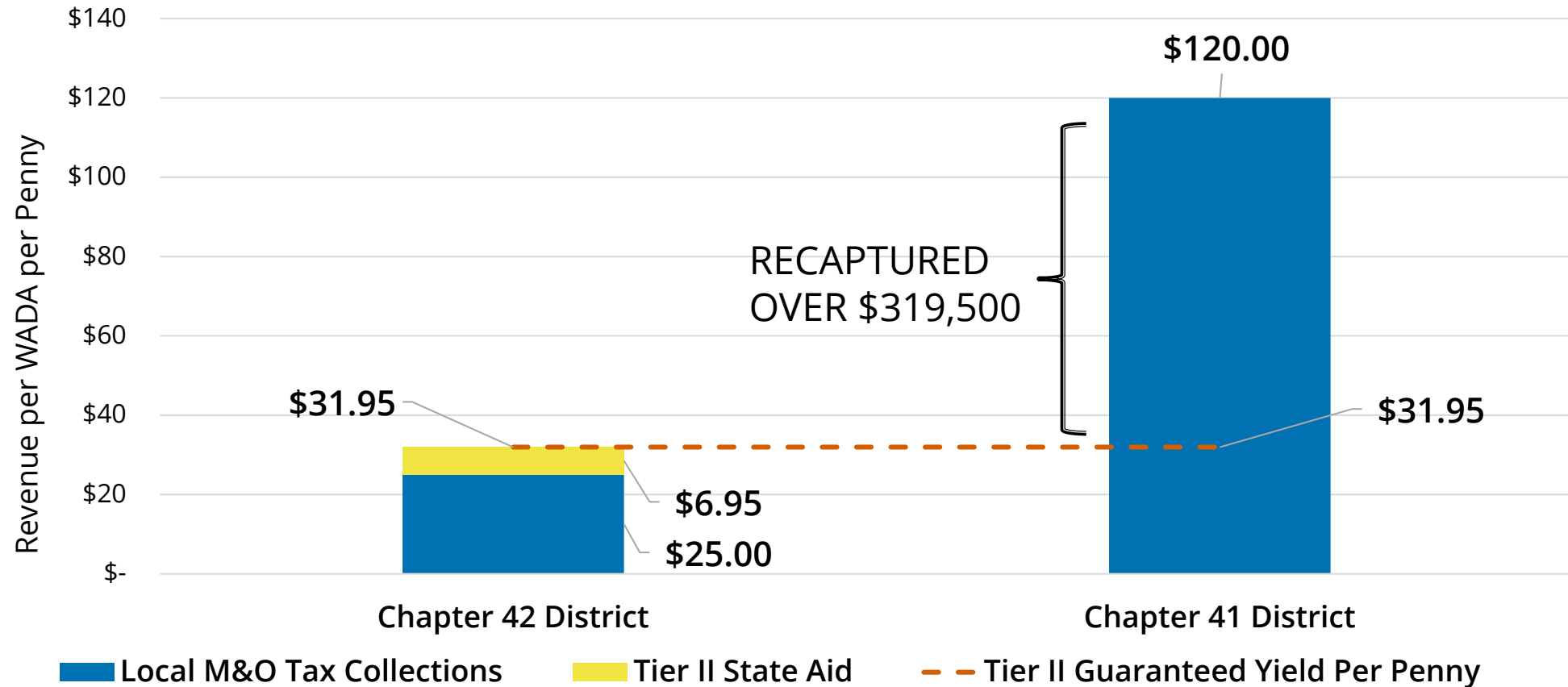
Chapter 42 districts are equalized up to AISD wealth level for the golden pennies



Golden Pennies equalized up to \$106.28 per penny of tax effort per WADA (up to Austin ISD Wealth Level).

No recapture of M&O tax collections from districts that have a wealth per WADA greater than Austin ISD.

Chapter 42 districts are equalized up to \$31.95 per WADA for the copper pennies



Copper pennies are equalized up to \$31.95 per penny of tax effort for WADA

M&O tax collections from districts that generate more than \$31.95 per penny per WADA are subject to recapture

Facilities Funding

In Texas, school districts can adopt interest & sinking (I&S) tax rates up to **\$0.50** cents to generate revenue used to fund the annual debt service payments associated with bonds that are typically issued for the construction of facilities as well as for other legal, voter-approved purposes.

I&S tax collections are **not** used to pay directly for construction costs.

Facilities Funding: Instructional Facilities Allotment (IFA)

This program was enacted by House Bill 1 of the 75th Legislature (1997).

The IFA program provides assistance to school districts in making debt service payments on qualifying bonds.

Proceeds must be used for the construction or renovation of an instructional facility only.

The program operates through applications (**prior to bond issuance**) and has award cycles. The IFA is **NOT** used to pay directly for construction costs.

Facilities Funding: Existing Debt Allotment (EDA)

Created by the Texas Legislature in 1999, and the roll-forward provision was made permanent in 2009 (HB 3646).

House Bill 21 (2017, First Called Session) increased the EDA guaranteed yield from \$35 to the *lesser of* \$40 per ADA per penny on interest and sinking fund (I&S) taxes levied by school districts to pay the principal of and interest on eligible bonds, *or* an amount that would result in a \$60 million increase in state aid from the previous yield of \$35. The yield for the 2018–2019 school year is estimated to be \$36.65.

EDA can be used to help pay for debt on both instructional and non-instructional facilities. EDA is **NOT** used to pay directly for construction costs. The program operates without applications and has no award cycles but, **to be eligible, payment of existing bonds must have been made during the final year of the previous biennium.**

Charter School Funding Overview

Open enrollment charter schools (charter schools) are entitled to Tier One and Tier Two state aid, but, because they do not have the ability to generate the local share through a property tax base, the state funds 100% of their entitlements.

Charters schools are funded using state average funding variables for Tier One, and state average tax rates for Tier Two.

Charter schools are not eligible for facilities funding under IFA or EDA but do qualify for NIFA as part of the Tier One calculation and will qualify for facilities funding beginning in FY2019.

Charter School Funding – Tier One

At an adjusted allotment of \$6,546, charter schools are funded like a “small-size” school district with a regular program ADA of 824, a CEI of 1.0795, and with fewer than 300 square miles.

While 66% (116) of charter schools *individually* have fewer than 824 ADA, *combined* they only account for 16% of total charter ADA (40,000 ADA).

The nine largest charter schools have 114,000 ADA (44% of total charter ADA) but are still funded at the “small-size” state average level.

It is worth noting that over 95% of students enrolled in school districts attend a school district with an adjusted allotment below \$6,546.

Charter School Funding – Tier Two

Charter schools do not have the authority to levy a tax rate, therefore they cannot raise local property taxes.

Therefore, charter schools' Tier Two allotments are calculated using the state average M&O tax rates for the golden and copper pennies (\$0.0573 and \$0.0490, respectively in FY2019).

Charter schools benefit as more districts hold elections to increase their M&O tax rates above \$1.04.

Charter Facilities Funding: HB 21 (85-1)

Beginning in FY2019, certain charter schools will be eligible to receive a facilities allotment calculated using the state average debt service tax rate for school districts (estimated at 21 cents), limited to \$60 million in additional statewide funding.

Funding is currently estimated at approximately **\$202** per student in average daily attendance (ADA), and is subject to change.

What is a Chapter 41 district?

Recapture?

Recapture ensures that a district's property wealth per student does not exceed certain levels, known as equalized wealth levels.

A district that is subject to recapture is often referred to as a Chapter 41 district because the provisions governing recapture are found in Chapter 41 of the Texas Education Code (TEC). Districts not subject to recapture are called Chapter 42 districts.

Districts subject to the provisions of recapture must choose a method to reduce their wealth per WADA below the equalized wealth level.

Equalized wealth levels (EWLs) per penny of tax effort

Tier One



RECAPTURE
LEVEL 1

Tier Two

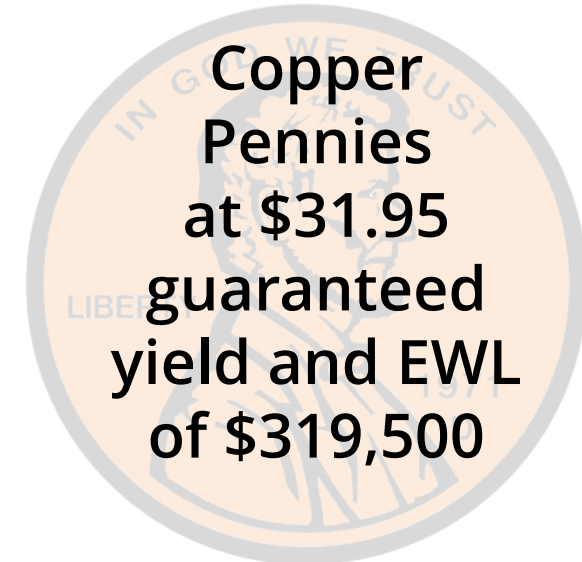
LEVEL 1



NO
RECAPTURE

Tier Two

LEVEL 2



RECAPTURE
LEVEL 2

How does a district reduce its wealth down to the equalized wealth level?

A district has five options available to reduce its property wealth per WADA (pay recapture):

- Consolidation with another district (TEC, §41.031)
- Detachment and annexation of property (TEC, §41.061)
- **Purchase attendance credits from the state (TEC, §41.091) ← This is 100% of recapture.**
- Education of nonresident students from a partner district (TEC, §41.121)
- Tax base consolidation with another district (TEC, §41.151)

If a district fails or refuses to exercise Option 1, 3, 4 or 5, the commissioner is required to achieve wealth equalization through detachment and annexation or consolidation (Option 2).

How is recapture calculated?

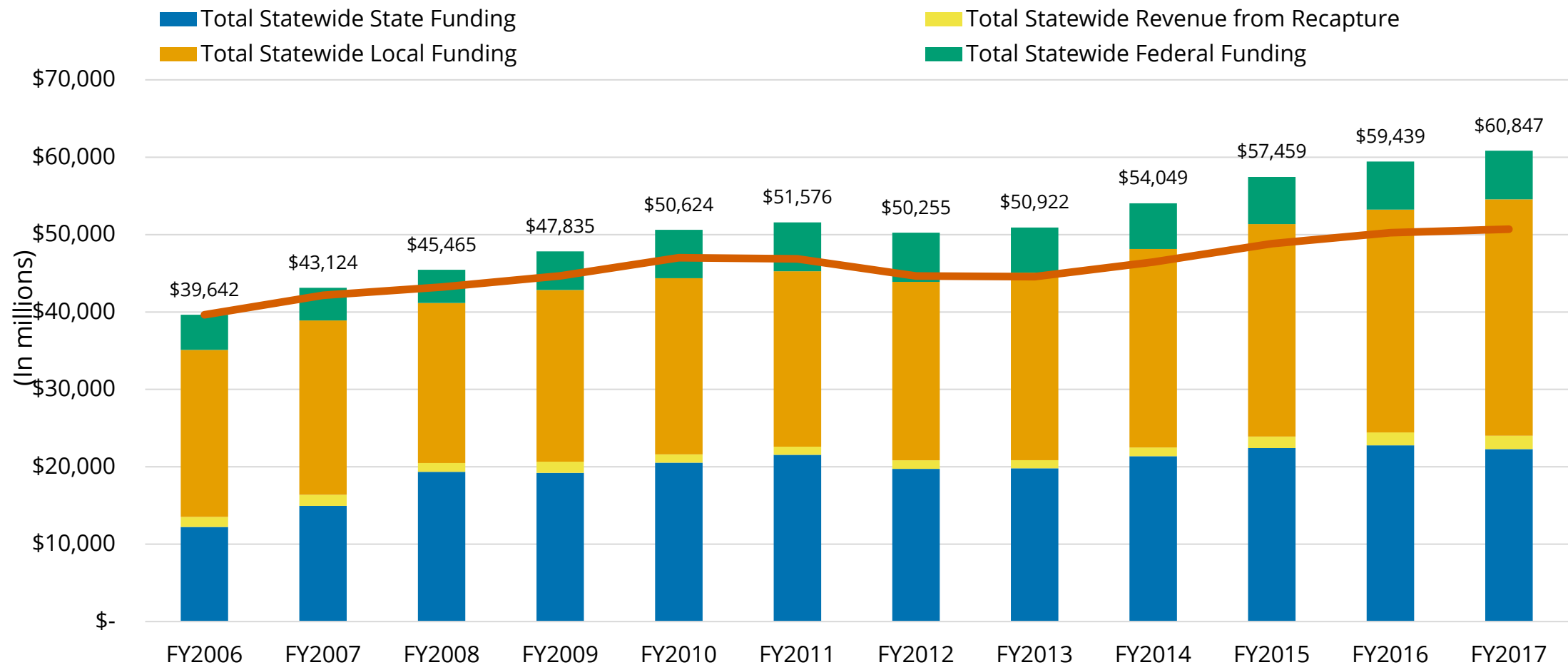
Below is a simplified example

DESCRIPTION	RECAPTURE AT \$1.00
1. District Property Value (Prior Tax Year)	\$1,350,000,000
2. Number of Weighted Students in Average Daily Attendance (WADA)	2,500
3. District Wealth per WADA (Line 1 ÷ Line 2)	\$540,000
4. State's Equalized Wealth Level (EWL) per WADA	\$514,000
5. Excess Wealth per WADA (Line 3 – Line 4)	\$26,000
6. Excess Property Value (Line 5 × Line 2)	\$65,000,000
7. Recapture Percentage (Line 6 ÷ Line 1)	4.8%
8. M&O Tax Collections at Compressed M&O Tax Rate (\$1.00)	\$13,500,000
9. Recapture before discounts (Line 8 × Line 7)	\$650,000

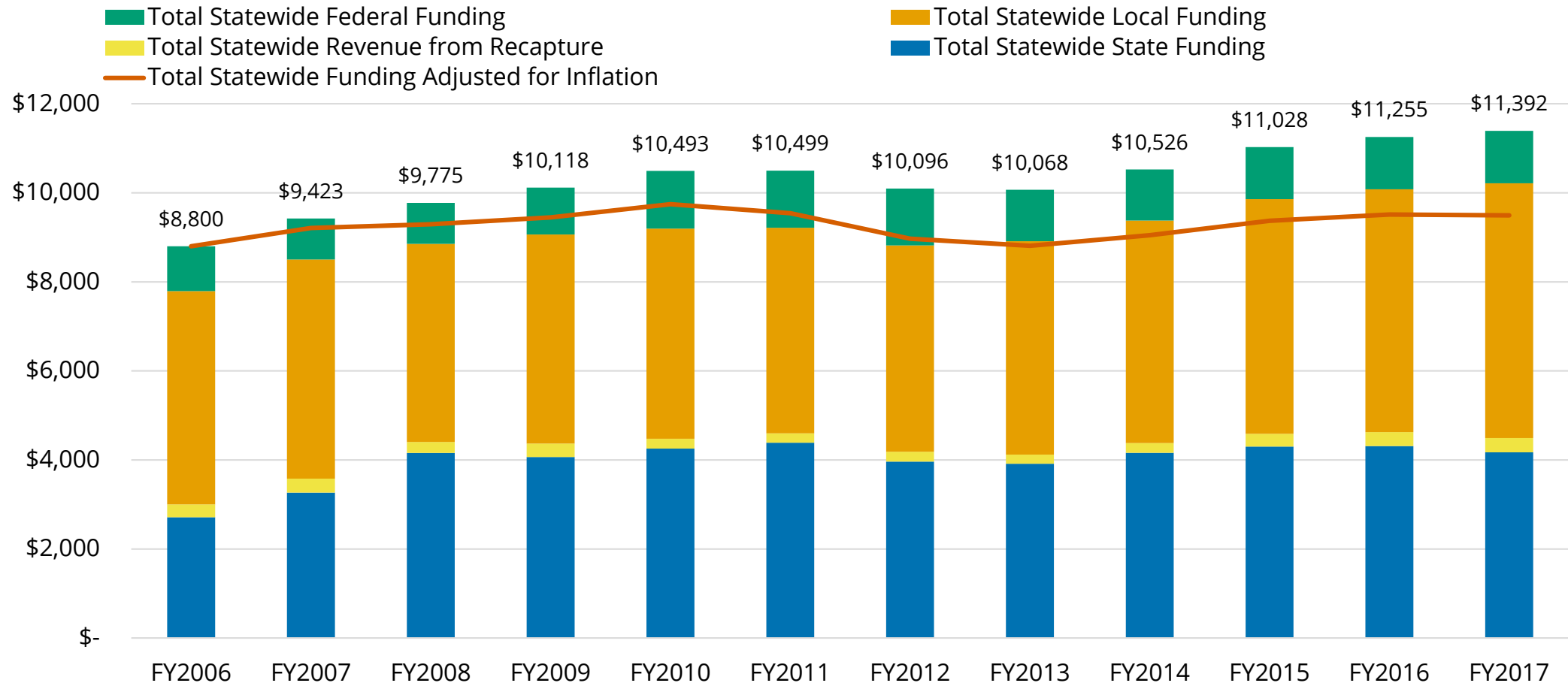
Appendix: Facts & Figures

TEXAS PUBLIC SCHOOL FINANCE OVERVIEW

Total annual funding has increased 53% (from \$39.6 billion in FY2006 to \$60.8 billion in FY2017)



Total funding per enrolled student has increased 29% (from \$8,800 in FY2006 to \$11,392 in FY2017)



Total Statewide FSP Entitlement in FY2019



5.13 million students in average daily attendance
and that number is projected to grow by more than 65,000 each year



\$47.64 billion (state & local) for FSP **M&O**
M&O = maintenance & operations -> salaries, utilities, etc.



\$6.94 billion (state & local) for FSP **I&S**
I&S = interest & sinking -> debt service payments on bonds

State FSP Appropriation breakdown for the 2018–2019 Biennium (in millions)

Item	Amount	Notes
Foundation School Fund (Fund 193)	\$28,749.4	The Foundation School Fund is an account within the General Revenue Fund used exclusively for the purpose of funding public education, largely funded by sales taxes, and occupation taxes and revenue.
Appropriated Receipts (Recapture)	\$4,570.9	Appropriated Receipts (Recapture) is authorized by Chapter 41 of the Texas Education Code.
Property Tax Relief Fund	\$3,594.2	Primarily funded through the franchise tax but also includes vehicle and tobacco sales taxes.
Available School Fund	\$3,443.9	Primarily, funded from returns on the Permanent School Fund, 25% of state's motor fuels tax revenue, and transfers from the General Land Office (GLO).
Lottery Proceeds	\$2,613.5	Approximately 60% of net lottery proceeds from the sale of Texas Lottery games is transferred to the FSP.
Total Appropriated State FSP	\$42,972.0	The FSP is a sum-certain appropriation and the mix of component revenue streams may fluctuate.

History of Funding Weights

Special Allotment / Weights	Created	Last Updated	Notes
Special Education	1984	1993	Various Weights
Compensatory Education	1984	1989	Updated for Pregnancy Related Services
Bilingual Education	1984	1984	No change
Career and Technology	1984	2003	Reduced to 1.35
Gifted and Talented	1984	1991	Gradual increase to current weight
Public Education Grant	1995	1995	
High School Allotment	2006	2009	Moved to Tier One but no change to \$275

Maintenance and Operations Tiers

TIER ONE

Refers to the district's foundation entitlement.

The calculation is based upon:

- District characteristics.
- Student characteristics.
- Number of students in average daily attendance (ADA).
- **Basic allotment** per student in ADA, which is set in the General Appropriations Act (\$5,140 in FY2018 and FY2019).
- School district tax rate (generally, \$1.00 per \$100 of local school district property value).

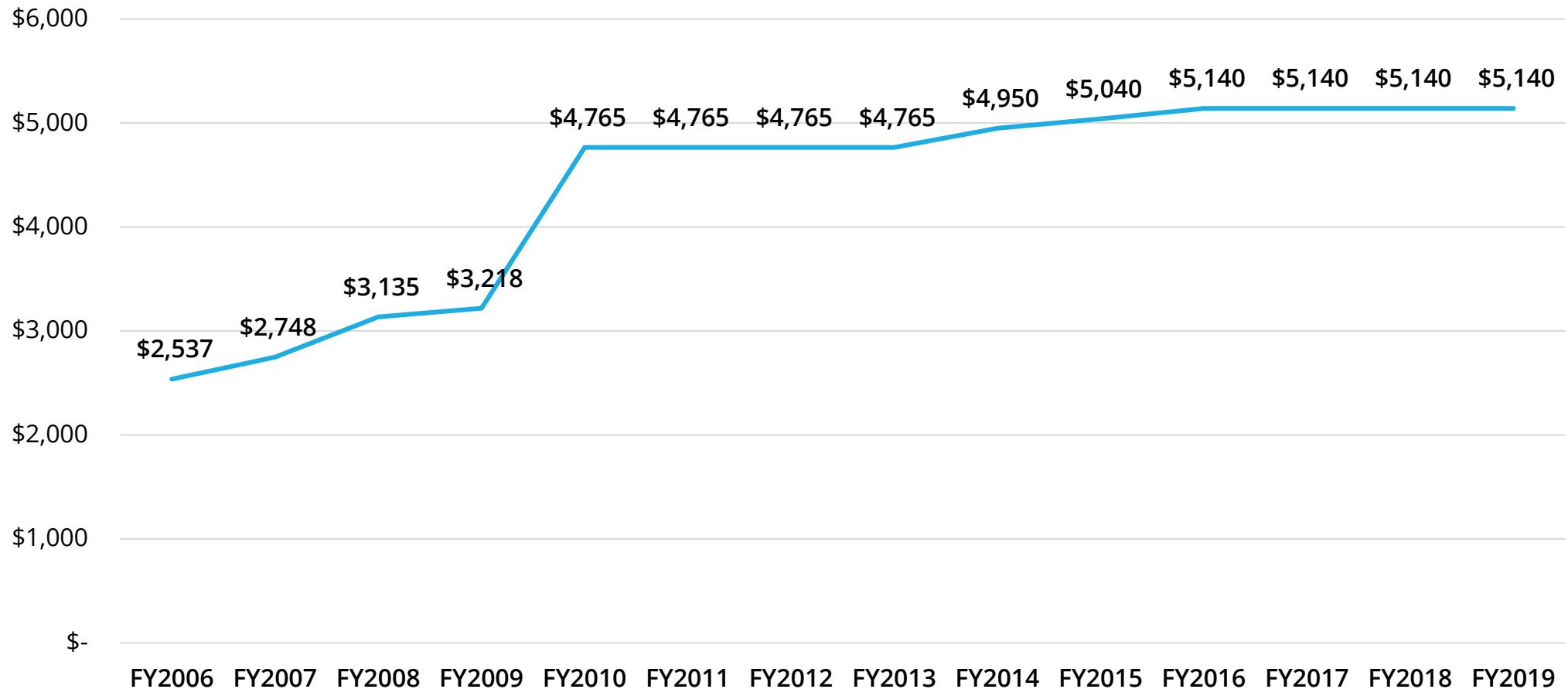
TIER TWO

Refers to the district's "enrichment" entitlement.

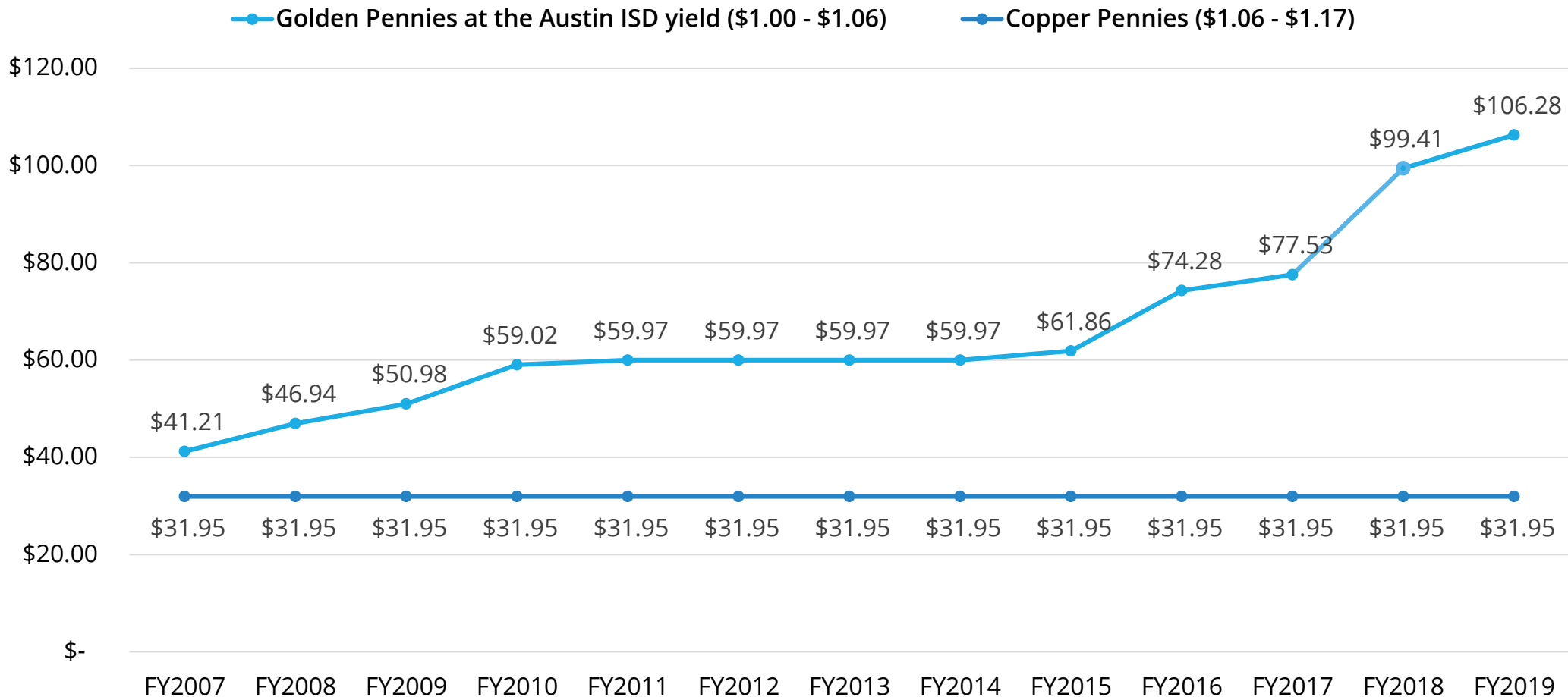
The calculation is based upon:

- Number of students in weighted average daily attendance (WADA).
- Number of pennies of tax effort above \$1.00.
- Guaranteed amounts for pennies of tax effort are set in statute and/or General Appropriations Act called the **Guaranteed Yield** Per Penny.
- School district tax rate (based on local decision to have optional tax rate between \$1.00 and \$1.17 per \$100 of local school district property value).

The Basic Allotment has more than doubled since FY2006



Tier Two Guaranteed Yield History



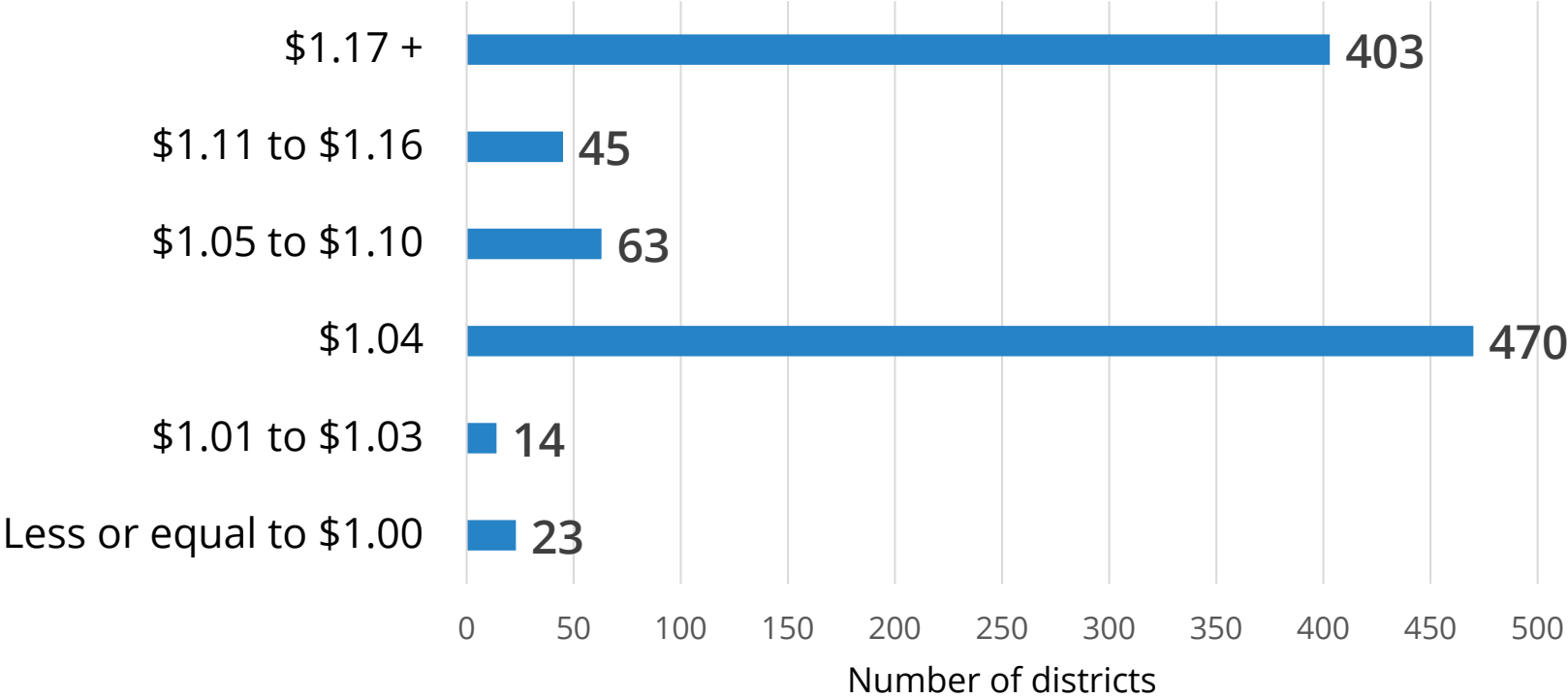
2017 M&O Adopted Tax Rates

M&O tax rates range from **\$0.05 cents to \$1.24** (certain Harris county districts are able to tax above \$1.17)

470 districts have adopted a \$1.04 tax rate

403 districts have adopted the maximum 1.17 or above

Number of Districts at Varying M&O Tax Rates



2017 I&S Adopted Tax Rates

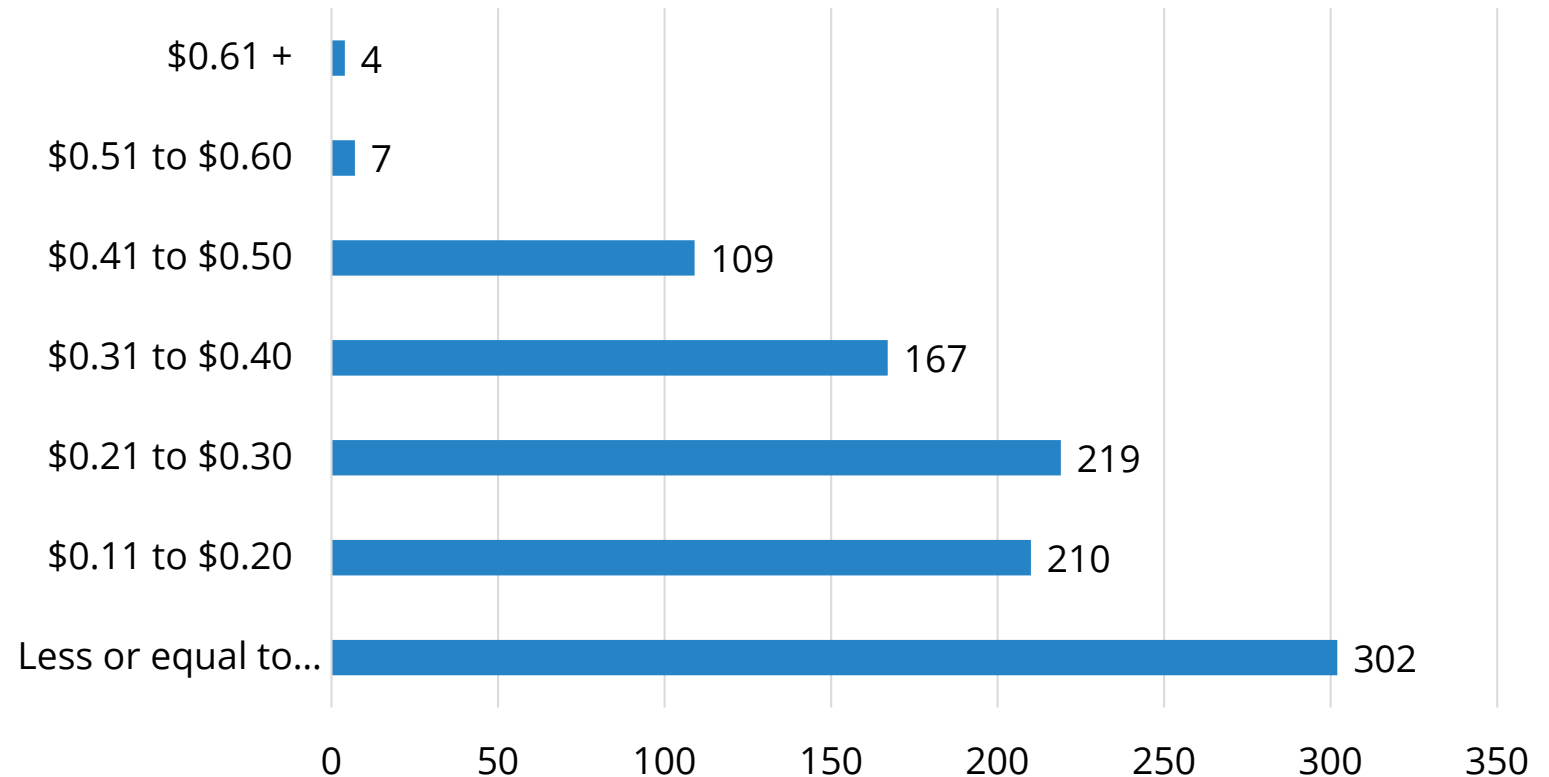
I&S tax rates range from **\$0.00 to \$0.87 cents**

173 districts have adopted a \$0.00 tax rate

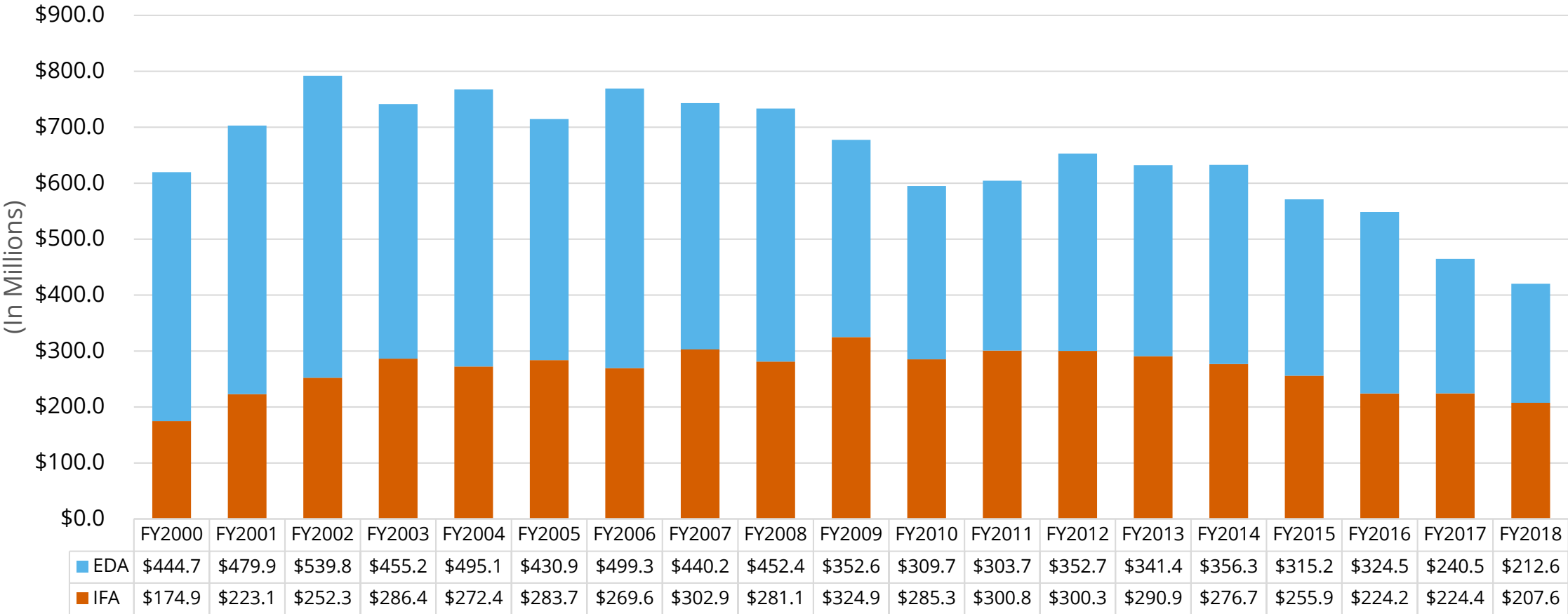
29 districts have adopted a \$0.50 tax rate

11 districts have adopted a tax rate greater than \$0.50 tax rate

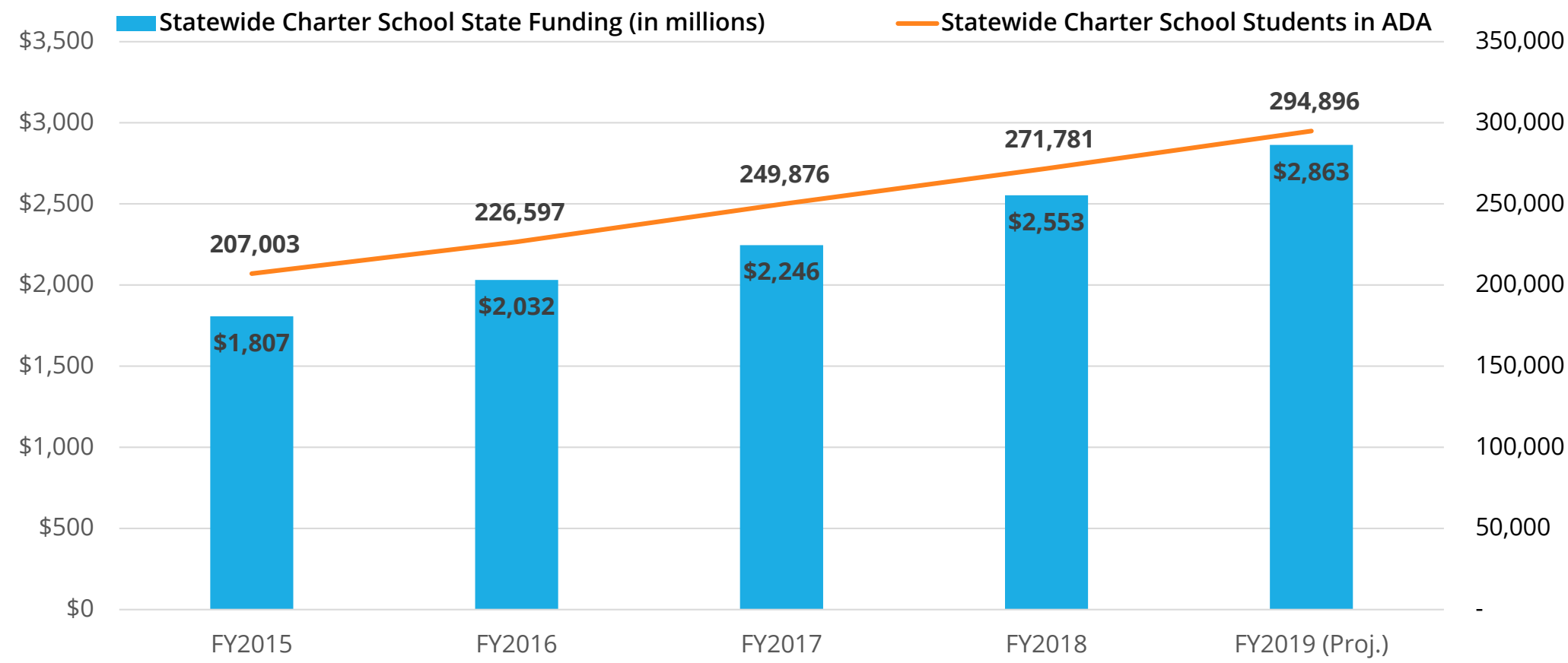
Number of Districts at Varying I&S Tax Rates



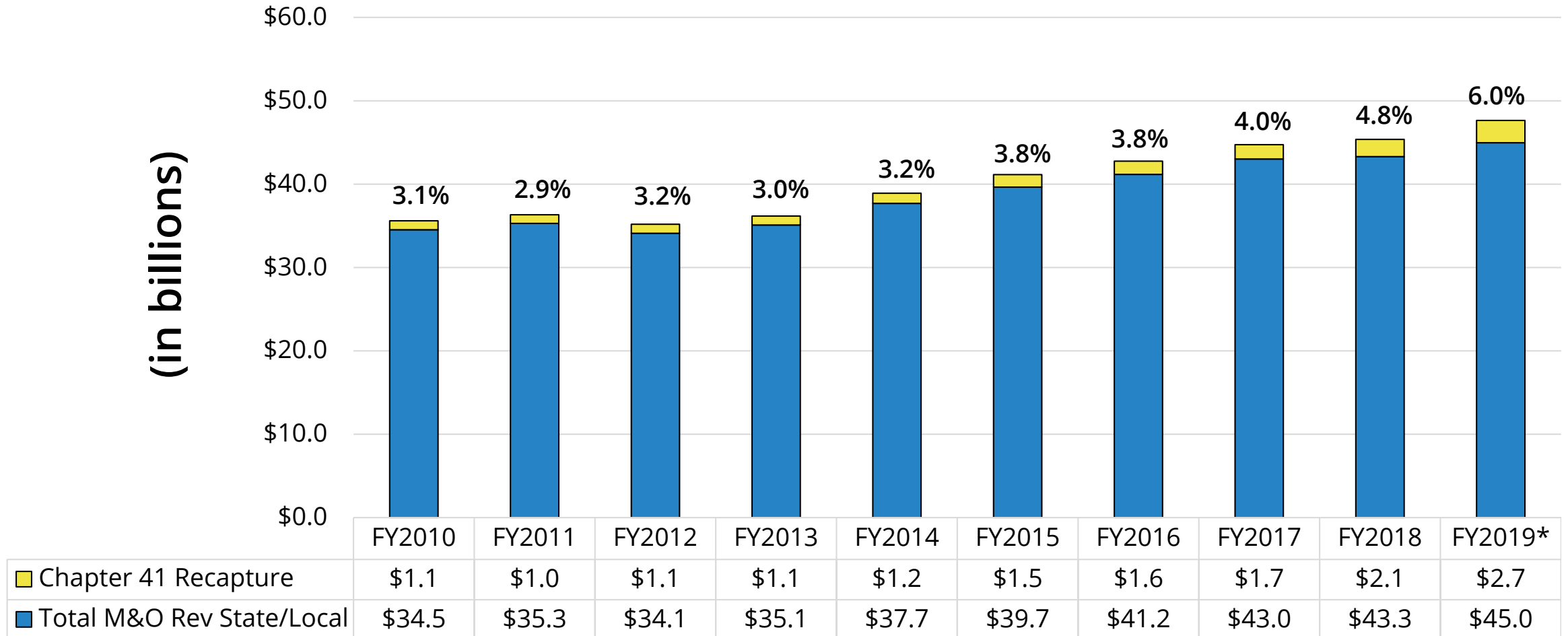
The state has contributed nearly \$12.4 billion to public school facilities funding since the inception of IFA and EDA.



In the last five years, charter school ADA has increased by 42%, driving increases to statewide charter school funding by 58%



Recapture as a percentage of total available M&O state/local revenue has nearly doubled over the last decade





House Appropriations Committee

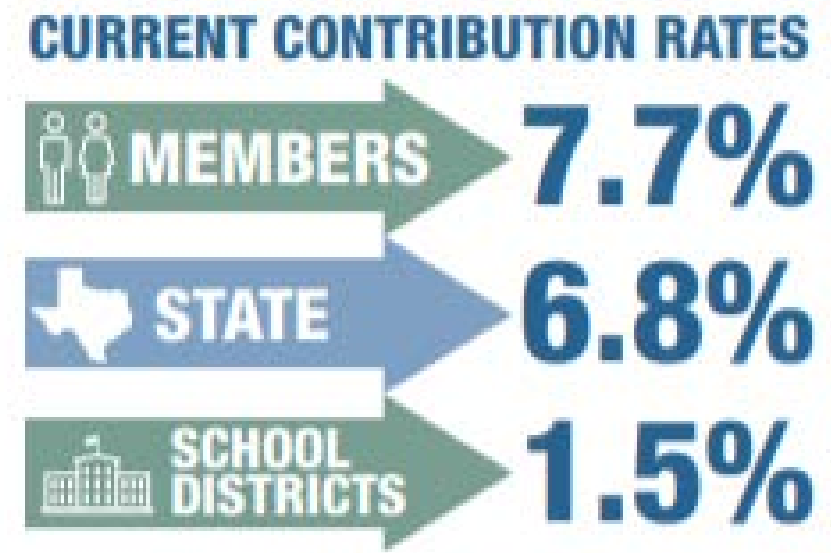
Brian Guthrie, Executive Director, TRS



February 4, 2019

TRS Overview

- The Teacher Retirement System manages a \$154.6 billion trust fund and provides pension and health care benefits. TRS serves 1.6 million active and retired members. One of every 20 Texans is a member of TRS.
- The average monthly annuity is \$2,060 per month with \$9.8 billion paid in retirement benefits in FY 2018.
- Active members contribute 7.7%* of salary
- The State of Texas contributes 6.8%* of salary
- Non-Social Security districts contribute 1.5% of salary
 - 96% of public school districts do not participate in Social Security and do not contribute 6.2% of payroll to Social Security.



*Constitution sets limits between 6% and 10%

Trust Fund Status

- The TRS pension trust fund's FY 2018 rate of return was 8.2%. The pension trust fund earned a return of 12.6% in FY 2017 and 7.4% in FY 2016.
- The Board of Trustees recently changed the assumption set to:
 - Decrease the long term rate of return from 8.0% to 7.25%
 - Decrease inflation from 2.5% to 2.3%
 - Include payroll growth of 3.0% (inflation + 0.7%)
 - Lower retirement probabilities (members waiting longer to retire)
 - Increase life expectancy slightly

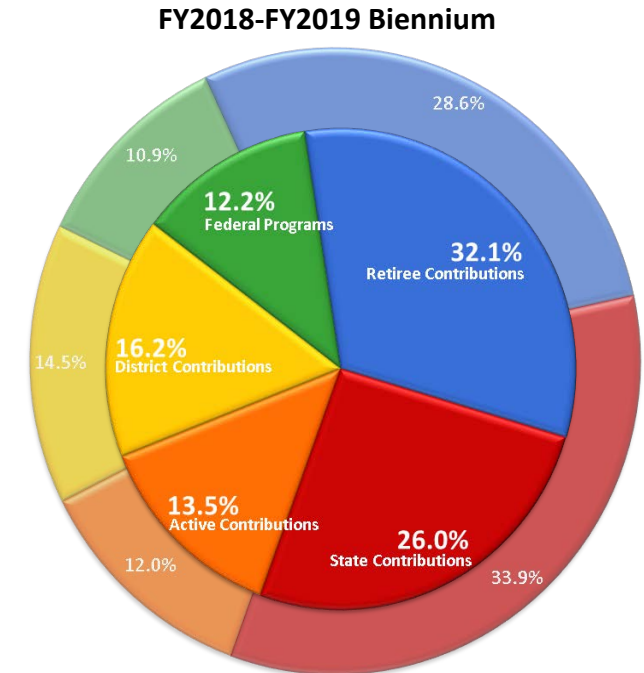
TRS Investment Performance (ending 8/31)							
Period	25-Year	20-Year	15-Year	10-Year	5-Year	3-Year	1-Year
Return	8.0%	7.0%	7.7%	7.1%	8.8%	9.4%	8.2%

Trust Fund Status

TRS Trust Fund Valuation	8/31/2018	8/31/2017
Unfunded Actuarial Accrued Liability (UAAL)	\$46.2 billion	\$35.5 billion
Funded Ratio	76.9%	80.5%
State Contribution Rate	6.8%	6.8%
District Contribution Rate <i>(applicable only to districts that do not contribute to Social Security)</i>	1.5%	1.5%
Member Contribution Rate	7.7%	7.7%
Funding period (years)	87 years	32 years
Immediate Increase in Contribution Rate needed to attain 30-year funding period	1.82%	0.15%

TRS-Care

- The TRS-Care program was created in 1985 with coverage beginning September 1, 1986 and operates through a separate trust fund. TRS-Care is funded on a pay-as-you-go basis and is subject to change based on available funding.
- The program is funded through contributions:
 - The State contributes 1.25% of active employee payroll.
 - Districts contribute 0.75% of active employee payroll.
 - Active employees contribute 0.65% of their payroll.
 - Retiree premiums.
 - Other contributions include Retiree Drug Subsidy (RDS), Medicare Part D subsidies and Investment Income.



- The inner pie chart represents the distribution of statutory funding.
- The outer ring represents the distribution when supplemental funding is included.
- Historically, the State has funded the shortfall between expenses and revenues.

Challenges for TRS-Care

- Long-term funding based on percentages of active employee payroll and not health care costs for retirees.
- At the direction of the Legislature, retiree premiums and plan designs were frozen from 2005-2017.
- During the 85th legislature, the shortfall was projected to be from \$1.06 to \$1.3 billion. The following biennium shortfall was expected to range from \$4 to \$6 billion.
- Major plan design and/or funding changes had to occur in the 85th Legislative Session.
- Non-Medicare retirees cost more than Medicare-eligible participants.

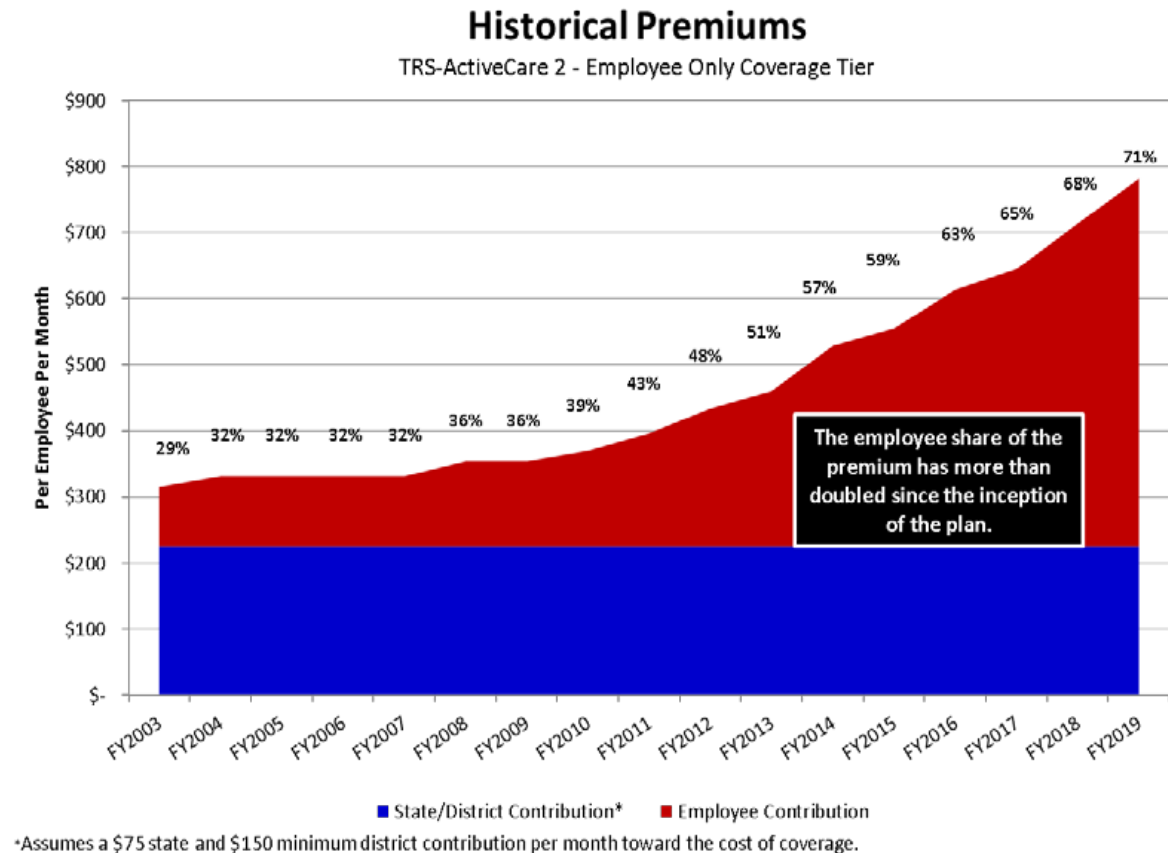
**Without legislative changes and additional funding,
the program would have become unsustainable.
FY 20/21 shortfall is projected to be approximately \$231 million.***

*TRS-Care projection will be updated throughout the legislative session based on plan experience.

TRS-ActiveCare

- The TRS-ActiveCare program provides health benefits for active public education employees and their dependents and operates through a separate trust fund.
- The TRS Board of Trustees sets premium and plan designs yearly based on available funding and experience.
- Funding is based on a fixed dollar amount per employee per month rather than actual health care costs. The program is funded through contributions:
 - State contributes \$75 per employee per month through school finance formulas.
 - Districts contribute a minimum of \$150 per employee per month (some contribute more).
 - Employees contribute the remainder of project gross premiums.

Minimum state and district contribution have not changed since plan inception in FY 2002.



TRS Funding 2020-2021

- In order for the TRS pension fund to be actuarially sound, a 1.82%* increase in the contribution rate would be required to lower the funding period to 30 years.
 - The 1.82%* increase would require an estimated additional \$1.6 billion for the biennium.
- In order to sustain the TRS-Care program, \$231 million* for the biennium for TRS-Care solvency is requested. This amount is subject to change with plan experience.
- TRS is requesting a rider seeking relief and flexibility on FTE authority to restore and improve customer service and reduce investment fees. Administrative operations do not receive general revenue.

* Numbers will be updated throughout the legislative session.

TRS Administrative Budget

- The Board of Trustees, as fiduciaries, is responsible for the administration of the system under provisions of the state constitution and laws. The Board is composed of nine trustees appointed by the Governor. **TRS administration is funded exclusively by the pension trust fund held outside the state treasury and no general revenue is used to fund TRS operations.**
- The Board approved a plan to improve customer services to TRS members and a strategy to reduce investment fees. However, TRS is constrained in the appropriations bill through a cap on the number of FTE's while the Board has the authority to approve positions. Additional resources will allow **TRS to improve member services and save over \$1.4 billion in investment fees.**

TRS is requesting a rider to seek relief and flexibility to successfully accomplish critical initiatives adopted by the TRS Board of Trustees.

The request requires no General Revenue funding.

Restore and Improve Customer Service

- Improving the Customer Experience is a multi-biennial initiative focused on addressing TRS' extraordinary member services challenges.
- TRS is experiencing historic call volumes, **excessive hold times**, and **months long waits** to meet with a benefit counselor. **The status quo is unacceptable.** In order to return to expected service levels, additional staff will be needed to manage the volume of customer service interactions, increase capacity for counseling services and expand service channel options.
 - Membership growth of 60% since the year 2000.
 - Five tiers of membership Year over year call volume is up 37%.
 - Greater than 700,000 calls expected annually.
 - E-mail traffic is up over 72%.
 - Average hold time has increased to over 23 minutes.
 - Average handle time has grown from 10 to 30 minutes.
 - Core processing volume has grown 15% annually since 2010.

TRS Reducing Investment Fees

- As the **13th largest pension fund in the world**, TRS aims to become a best-in-class global investment management fund.
- TRS' unique strengths such as trust fund size, long-term time horizon, and superior governance structure will allow the in-house investment team to produce superior returns.
- Increasing internal management and principal investment capabilities will allow TRS to reduce fees by **\$1.4 billion** or more for investments made over the next five years.

APPENDIX

TRS Overview

- Created in 1936 by Constitutional amendment (enabling legislation in 1937) and established by Article XVI, Section 67, Texas Constitution.
- Mission:
 - **to deliver retirement and related benefits** authorized by law for members and their beneficiaries; and
 - **to prudently invest and manage the assets** held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles.
- To comply with fiduciary standards:
Monies held in trust must be used exclusively for the benefit of TRS members. The Board of Trustees act as Fiduciaries.
- **Nine-member Board appointed by Governor:** The Board of Trustees is responsible for the administration of the system under provisions of the state constitution and laws. The board is composed of nine trustees appointed to staggered terms of six years.

TRS Board of Trustees

Jarvis V. Hollingsworth, Chairman

Missouri City, term ends 2023

Direct appointment

Dolores Ramirez, Vice Chair

San Benito, term ends 2019

Active member nominated

Joe Colonna

Dallas, term ends 2019

Direct appointment

David Corpus

Humble, term ends 2019

SBOE nominated

John Elliott

Austin, term ends 2021

Direct appointment



Top (left to right): Jarvis V. Hollingsworth; Dolores Ramirez; Joe Colonna;

Bottom (left to right); David Corpus; John Elliott

TRS Board of Trustees

Dr. Greg Gibson

Schertz, term ends 2021

Active member nominated

Christopher Moss

Lufkin, term ends 2021

SBOE nominated

Dick Nance

Hallettsville, term ends 2023

Retiree nominated

Nanette Sissney

Whitesboro, term ends 2023

At-Large nominated



Top (left to right): Dr. Greg Gibson; Christopher Moss

Bottom (left to right): Dick Nance; Nanette Sissney

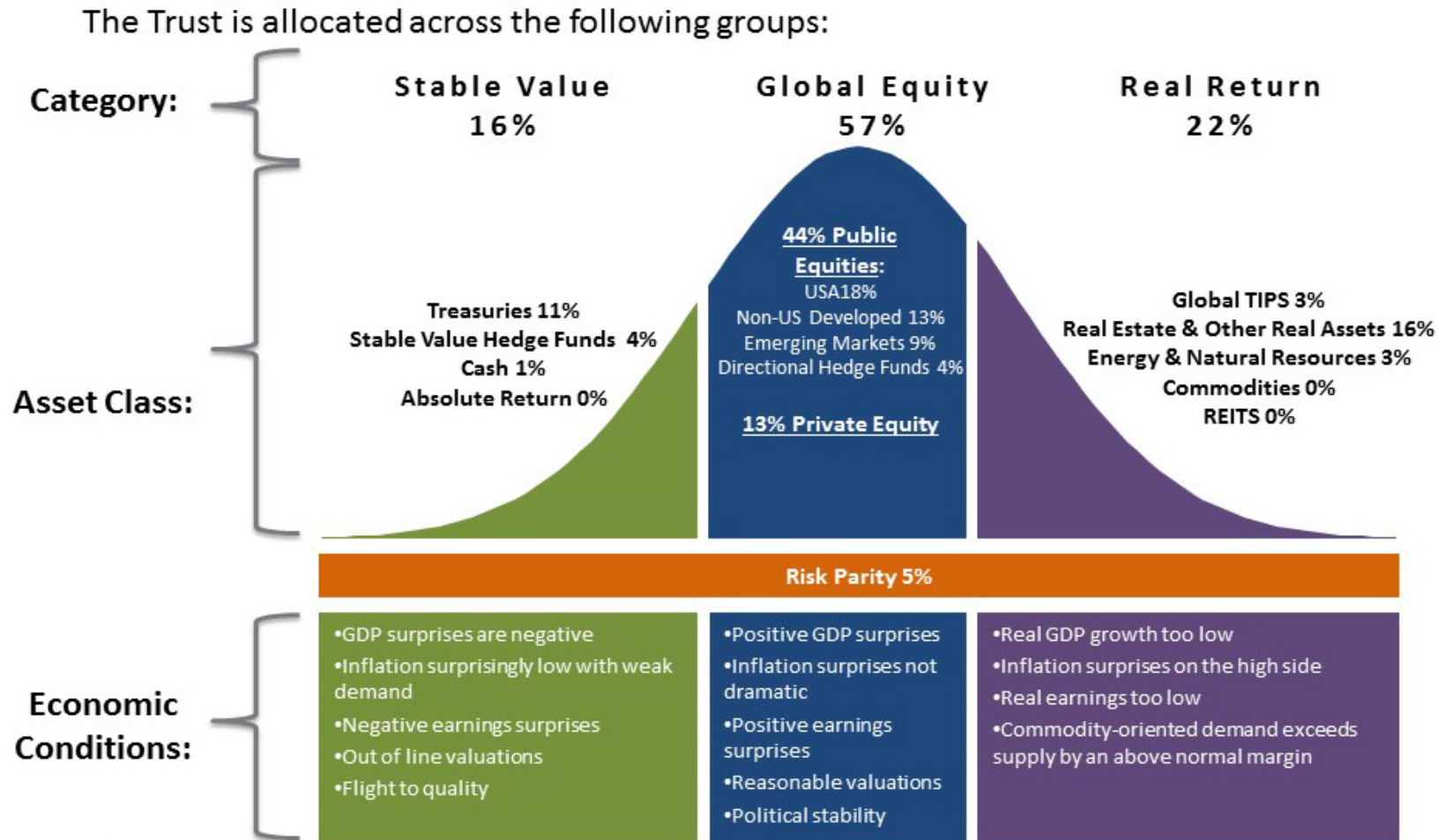
Pension Benefit Design Study

TRS recently updated the Pension Benefit Design Study which concluded that the current defined benefit plan provides current benefits at a lower cost than alternative plans.

Major findings from the study are as follows:

- A total of 96% of public school employees do not participate in Social Security.
- The current defined benefit plan provides current benefits at a lower cost than alternative plans.
- Moving new hires to an alternative plan will not eliminate existing liabilities.
- A contribution rate increase of 1.82% beginning in fiscal year 2020 will lower the funding period to 30 years.
- A phased-in contribution rate increase of 2% beginning in fiscal year 2021 will lower the funding period to 31 years.
- Combined employee and employer contribution rates for TRS are the lowest in the nation among teacher plans.
- The value of the retirement benefit available to TRS members is 30% less than the average benefits available to members of peer systems.
- Active members have borne approximately 70% of plan changes since 2005.
- All plan structure carry differing levels of risk. When examining important aspects of pension plan design, the current defined benefit plan places more risk with the State and generally offers more favorable outcomes for TRS members.
- The majority of TRS members will do significantly worse investing on their own in a plan with a defined contribution component.

Portfolio Allocation



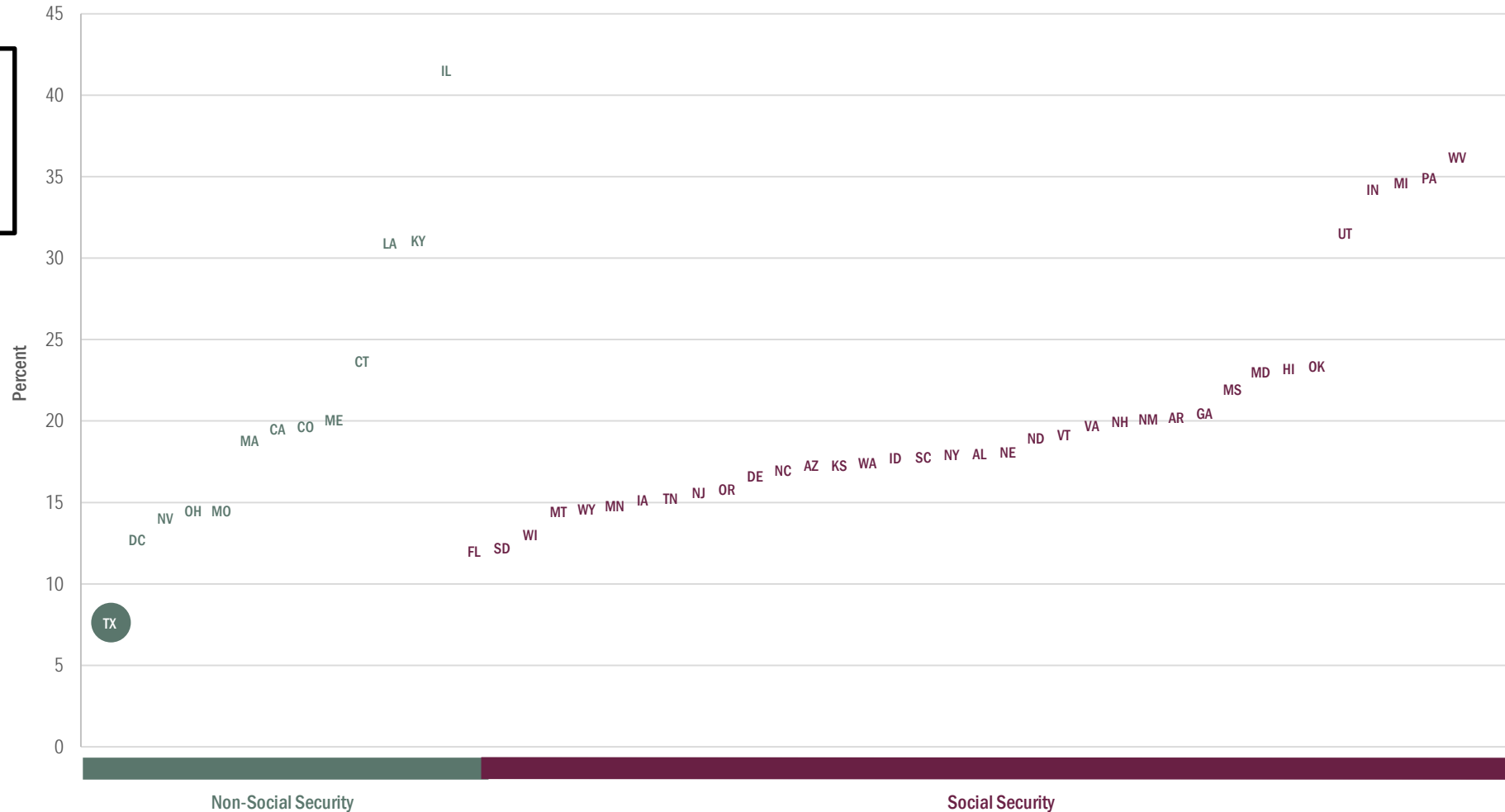
Asset allocation will be evaluated in 2019.

2018 Experience Study

- Section 825.206, Government Code requires the TRS Board of Trustees to designate an actuary (currently GRS) to conduct an experience study to review all actuarial assumptions. An actuarial audit must be performed in conjunction with the experience study at least once every five years. Last experience study conducted in 2015.
- In determining liabilities and contribution rates for retirement plans, actuaries must make assumptions about the future. Among the assumptions that must be made include: retirement rates, mortality rates, turnover rates, disability rates, investment return rate, salary increase rates, inflation rate.
- As a result of the 2018 Experience Study, the TRS Board of Trustees voted to:
 - Decrease the long term rate of return from 8.0% to 7.25%.
 - Decrease inflation from 2.5% to 2.3%.
 - Include payroll growth of 3.0% (inflation + 0.7%).
 - Lower retirement probabilities (members waiting longer to retire).
 - Increase life expectancy slightly.

Peer Employer Contribution Rates by State: Teachers Plans

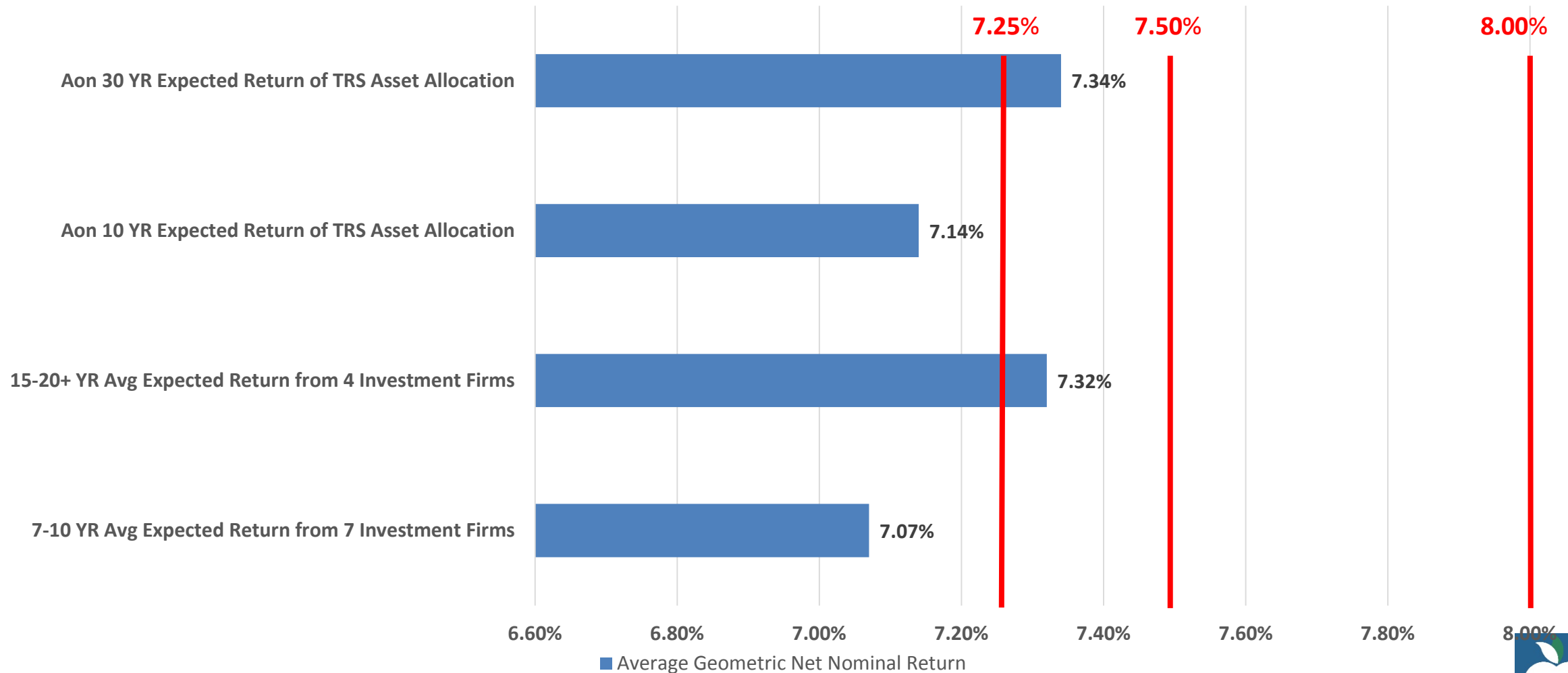
Source: NASRA
Public Funds
Survey 2017



Data reflects available contribution rates for statewide teacher pension plans. Rates shown reflect actual contributions paid by employers as a percentage of the plan's payroll base, as reported in system annual financial reports. Some plans have multiple rates for different benefits tiers; in those cases, rates reflect weighted average rates as calculated by NASRA.

Summary of Investment Return Scenarios

Expected Rate of Return Summary



TRS-Care Funding Projection as of August 2018

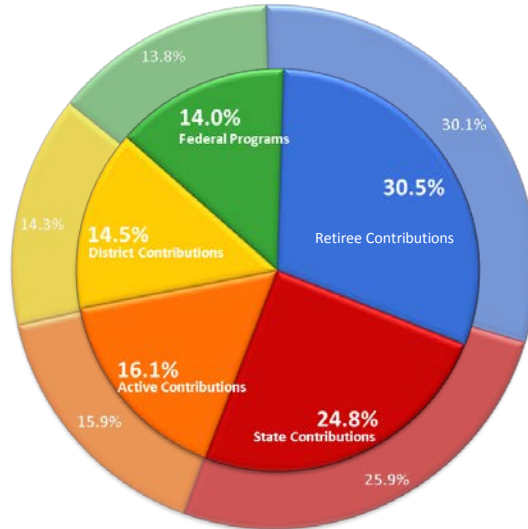
Fiscal Year	Contributions							Expenditures				Ending Balance (Incurred Basis)
	Retiree Contributions	State Contributions	Supplemental Appropriations	Active Employee Contributions	District Contributions	Investment Income	CMS, Part D and ERBP Subsidies	Medical Incurred	Drug Incurred	Medicare Advantage Premiums	Administrative Costs	
FY 1986	\$0	\$0	\$250,000	\$17,625,194	\$0	\$572,153	\$0	\$0	\$0	\$0	\$362,371	\$18,084,976
FY 1987	\$22,617,624	\$25,931,680	\$0	\$18,522,629	\$0	\$2,568,998	\$0	\$50,988,845	\$7,044,825	\$0	\$3,941,936	\$25,750,301
FY 1988	\$23,948,600	\$31,357,632	\$0	\$19,598,520	\$0	\$5,703,832	\$0	\$16,157,649	\$12,441,672	\$0	\$4,614,755	\$73,144,809
FY 1989	\$25,428,632	\$37,420,711	\$0	\$20,789,215	\$0	\$8,802,914	\$0	\$32,926,324	\$15,458,710	\$0	\$5,212,073	\$111,989,174
FY 1990	\$37,556,561	\$44,369,915	\$0	\$22,184,958	\$0	\$13,098,835	\$0	\$50,171,919	\$19,835,965	\$0	\$7,186,851	\$152,004,708
FY 1991	\$46,563,787	\$47,277,743	\$0	\$23,638,871	\$0	\$15,801,047	\$0	\$82,697,189	\$28,683,081	\$0	\$8,258,029	\$165,647,857
FY 1992	\$56,395,797	\$50,392,512	\$0	\$25,196,592	\$0	\$17,314,372	\$0	\$74,307,953	\$33,829,694	\$0	\$8,862,560	\$197,946,923
FY 1993	\$65,154,653	\$54,029,406	\$0	\$27,014,703	\$0	\$17,181,190	\$0	\$101,627,864	\$40,700,513	\$0	\$10,067,359	\$208,931,140
FY 1994	\$80,128,944	\$56,912,083	\$0	\$28,456,041	\$0	\$16,467,438	\$0	\$108,284,693	\$45,712,060	\$0	\$11,668,828	\$225,230,065
FY 1995	\$89,006,331	\$59,849,850	\$0	\$29,924,925	\$0	\$16,841,673	\$0	\$122,054,551	\$50,782,093	\$0	\$12,219,847	\$235,796,353
FY 1996	\$82,622,236	\$63,634,087	\$0	\$31,817,043	\$0	\$16,818,747	\$0	\$135,982,304	\$57,074,921	\$0	\$13,593,578	\$224,037,663
FY 1997	\$87,657,784	\$67,616,395	\$0	\$33,808,197	\$0	\$16,202,440	\$0	\$148,823,489	\$62,530,982	\$0	\$14,097,454	\$203,870,554
FY 1998	\$91,390,173	\$72,210,190	\$0	\$36,105,095	\$0	\$15,260,517	\$0	\$156,537,913	\$76,256,158	\$0	\$14,616,678	\$171,425,780
FY 1999	\$96,474,107	\$76,488,424	\$0	\$38,244,213	\$0	\$9,762,741	\$0	\$184,398,533	\$93,459,890	\$0	\$14,905,196	\$99,631,646
FY 2000	\$120,227,960	\$85,505,637	\$0	\$42,738,069	\$0	\$6,923,485	\$0	\$203,029,971	\$6,923,485	\$0	\$16,837,127	\$24,256,451
FY 2001	\$131,213,445	\$90,118,787	\$76,281,781	\$45,059,394	\$0	\$5,824,134	\$0	\$250,691,898	\$139,774,848	\$0	\$18,237,767	(\$35,950,521)
FY 2002	\$143,797,748	\$94,792,026	\$285,515,036	\$47,378,092	\$0	\$7,140,560	\$0	\$287,729,918	\$163,979,754	\$0	\$19,017,292	\$71,945,978
FY 2003	\$162,954,010	\$98,340,798	\$124,661,063	\$49,170,399	\$0	\$3,394,956	\$0	\$368,462,963	\$203,281,400	\$0	\$21,690,329	(\$82,967,487)
FY 2004	\$248,552,679	\$198,594,194	\$298,197,463	\$99,297,097	\$79,457,387	\$4,840,982	\$0	\$366,840,457	\$214,514,500	\$0	\$26,332,200	\$238,285,158
FY 2005	\$322,780,191	\$202,397,566	\$64,172,167	\$101,198,783	\$80,914,228	\$11,300,868	\$0	\$431,036,095	\$229,522,988	\$0	\$33,333,010	\$327,156,868
FY 2006	\$326,844,982	\$215,666,940	\$0	\$140,183,511	\$118,607,527	\$21,435,792	\$34,611,607	\$427,553,404	\$259,532,887	\$0	\$34,434,969	\$462,985,967
FY 2007	\$323,957,945	\$238,190,720	\$0	\$154,823,968	\$136,008,512	\$32,671,539	\$52,329,617	\$437,519,747	\$304,773,401	\$0	\$35,878,194	\$622,796,927
FY 2008	\$328,505,433	\$254,722,174	\$0	\$165,569,413	\$141,672,630	\$29,252,347	\$59,486,239	\$498,767,038	\$334,742,500	\$0	\$39,656,301	\$728,839,324
FY 2009	\$329,723,191	\$267,471,299	\$0	\$173,856,344	\$149,562,613	\$17,482,143	\$61,530,735	\$531,239,020	\$353,893,845	\$0	\$43,184,393	\$800,148,391
FY 2010	\$332,481,933	\$279,250,547	\$0	\$181,512,856	\$155,918,241	\$11,679,229	\$70,795,686	\$575,539,788	\$395,817,017	\$0	\$45,465,776	\$814,964,302
FY 2011	\$345,164,271	\$282,782,431	\$0	\$183,808,580	\$158,724,010	\$8,168,640	\$136,887,805	\$608,461,321	\$384,017,059	\$0	\$47,151,354	\$890,870,304
FY 2012	\$363,348,030	\$271,925,242	\$0	\$176,751,407	\$154,607,926	\$5,189,934	\$68,633,946	\$687,987,585	\$454,143,825	\$0	\$48,181,723	\$741,013,656
FY 2013	\$355,685,504	\$139,213,557	\$102,363,704	\$180,824,522	\$160,952,396	\$3,041,001	\$98,628,841	\$496,229,923	\$1,075,388	\$47,048,587	\$551,048,281	\$457,940,487
FY 2014	\$363,631,292	\$290,775,235	\$36,058,148	\$189,003,903	\$169,847,447	\$2,061,745	\$135,536,021	\$663,776,623	\$539,842,962	\$27,507,107	\$48,894,894	\$972,919,240
FY 2015	\$369,066,459	\$304,917,343	\$768,100,754	\$198,196,273	\$179,157,485	\$1,495,680	\$200,321,166	\$746,668,738	\$649,457,501	\$59,000,080	\$51,150,088	\$641,486,153
FY 2016	\$374,736,269	\$320,895,370	\$0	\$208,581,991	\$189,111,901	\$5,421,446	\$198,315,301	\$789,756,266	\$716,536,786	\$69,228,872	\$52,973,441	\$734,805,874
FY 2017	\$373,229,610	\$328,063,352	\$15,559,552	\$213,241,179	\$191,057,800	\$5,225,993	\$195,396,219	\$746,038,376	\$51,885,051	\$61,792,672	\$50,430,879	\$798,574,633
FY 2018	\$488,069,004	\$425,625,726	\$394,600,000	\$221,325,377	\$266,061,322	\$10,930,281	\$183,159,406	\$719,764,457	\$669,082,906	\$120,656,126	\$46,981,388	\$242,190,194
FY 2019	\$552,408,188	\$438,394,498	\$0	\$227,965,139	\$273,300,880	\$2,959,405	\$186,893,164	\$851,938,045	\$943,948,105	\$93,775,150	\$47,503,513	(\$230,756,971)
FY 2020	\$563,469,441	\$451,546,332	\$0	\$234,804,093	\$281,191,981	\$2,005,095	\$212,993,697	\$845,816,337	\$1,038,902,783	\$115,451,033	\$48,067,223	(\$856,198,552)
FY 2021	\$573,682,690	\$460,577,259	\$0	\$239,500,175	\$286,610,537	\$518,604	\$240,659,737	\$885,579,772	\$1,185,324,391	\$155,524,780	\$48,606,660	(\$1,647,368,953)
FY 2022	\$586,817,051	\$469,788,804	\$0	\$244,290,178	\$292,137,464	\$0	\$270,996,956	\$919,087,023	\$1,345,750,414	\$176,027,936	\$49,169,418	
FY 2023	\$598,356,684	\$479,184,580	\$0	\$249,175,982	\$297,774,930	\$0	\$304,101,064	\$951,579,432	\$1,520,513,286	\$198,501,507		

NOTES

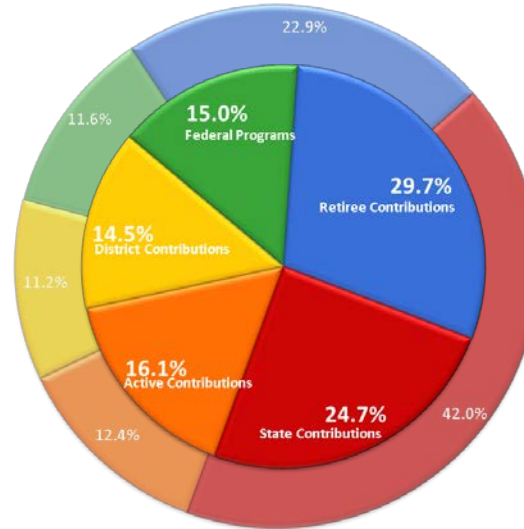
- Invoice data through August 31, 2018
- This purpose of this report is to project revenue and expenses on an incurred basis and should not be used as a projection of cash flow. Cash flow projections are usually less than incurred primarily due to a delay in receipt of federal subsidies.
- State Contribution rate of 1.25%; District Contribution rate of 0.75%; and Active Contribution rate of 0.65% beginning 9/1/2017.
- Medical trends: 6.50% in FY2019; reduced by 0.25 each year thereafter.
- Pharmacy trends: 10.25% in FY2019; reduced by 0.25 each year thereafter.
- 3.0% payroll growth in FY2019 and FY2020; 2% increase in payroll growth thereafter.
- Enrollment assumptions based on headcounts assumed in annual Other Post Employment Benefits (OPEB) valuation report.
- The impact of the Excise ("Cadillac") Tax, which is anticipated to become effective on 1/1/2022, have not been taken into account for FY2022 and beyond.

Distribution of Statutory Revenues by Biennium

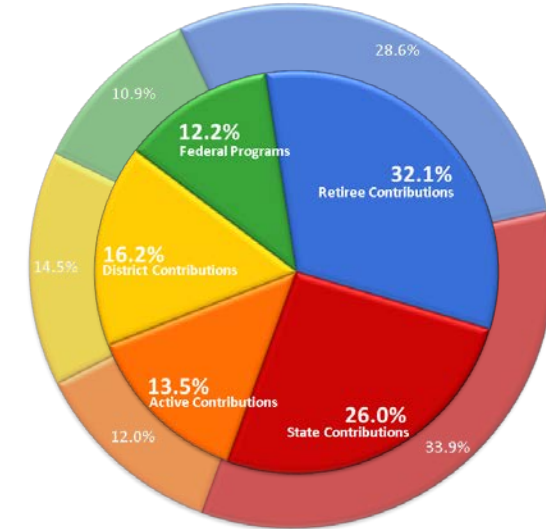
FY2014-FY2015 Biennium



FY2016-FY2017 Biennium



FY2018-FY2019 Biennium



	FY2014-FY2015	FY2016-FY2017	Projected ¹ FY2018-FY2019
Total Statutory Funding	\$2,404,010,050	\$2,634,074,532	\$3,275,793,719
Total State Supplemental Funding	\$36,058,148	\$783,660,306	\$394,600,000
Total Revenue	\$2,440,068,198	\$3,417,734,837	\$3,670,393,719
Total Expenses	\$2,786,297,995	\$3,223,017,337	\$3,640,475,267

- The inner pie chart represents the distribution of statutory funding.
- The outer ring represents the distribution when supplemental funding is included.
- Historically, the State has funded the shortfall between expenses and revenues.

¹ FY2018-FY2019 biennium is projected as of June 30, 2018.

TRS-Care Enrollment

August 2018					
Medicare Status	Relationship to Insured	HDHP Plan	Medicare Advantage Plan	Alternative Medical	Total
Medicare A&B	Retirees	14	132,351	0	132,365
	Dependents	0	23,128	0	23,128
Medicare A Only	Retirees	4	0	1,755	1,759
	Dependents	0	0	129	129
Medicare B Only	Retirees	0	5,869	466	6,335
	Dependents	0	108	29	137
Non-Medicare	Retirees	49,837	0	761	50,598
	Dependents	18,068	0	76	18,144
Total		67,923	161,456	3,216	232,595

2019 TRS-Care Premiums

Monthly Premiums for Retirees without Medicare

Retiree only	\$200
Retiree + spouse	\$689
Retiree + child(ren)	\$408
Retiree + family	\$999

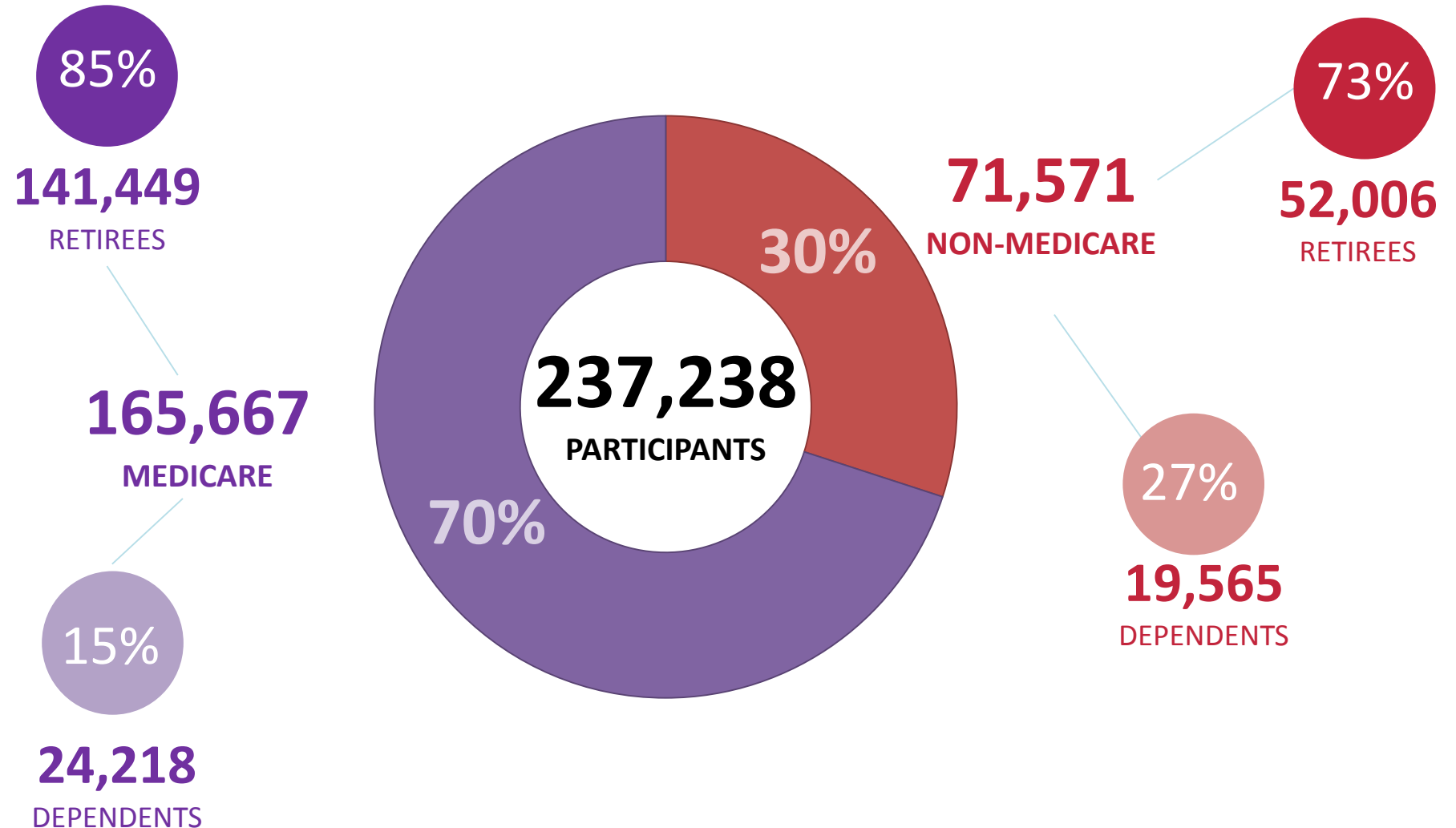
Monthly Premiums for Retirees with Medicare

Retiree only	\$135
Retiree + spouse	\$529
Retiree + child(ren)	\$468
Retiree + family	\$1,020

- Premiums are determined by the retiree's Medicare status, regardless of their dependents' Medicare status.
- Premiums for retirees without Medicare who retired due to a disability before Jan. 1, 2017 are reduced by \$200.
- Premiums for retirees with disabled children (regardless of the disabled child's age) are reduced by \$200 in tiers with covered children.

TRS-Care Implementation: 2018 Enrollment

More than **85%** of the 270,000 members stayed enrolled in TRS-Care.



TRS-Care Implementation: Disenrollments

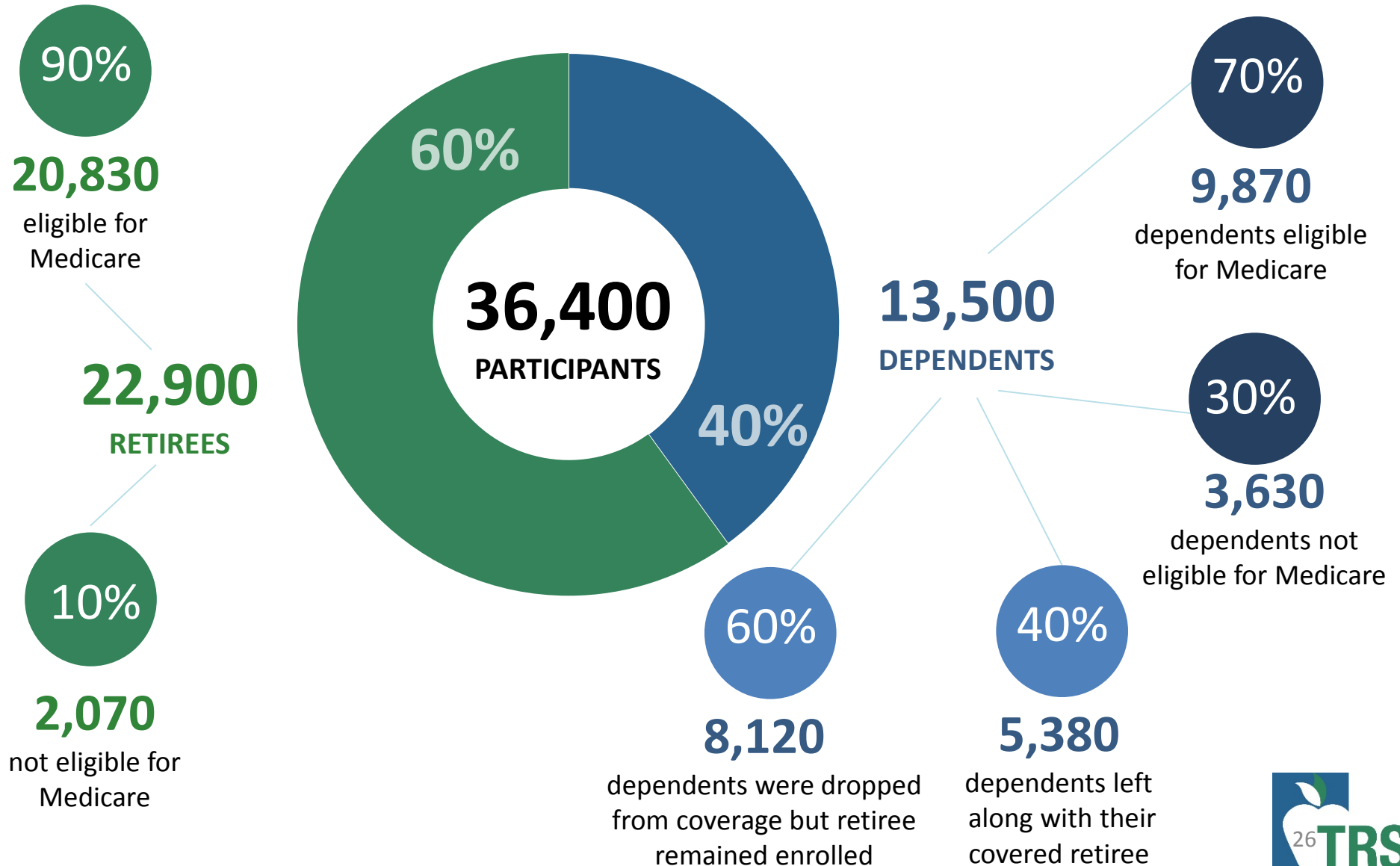
28,450 participants chose to leave TRS-Care between September 1, 2017 and January 1, 2018

7,950 terminated effective February 1 or March 1, 2018

10,040

WERE IN TRS-CARE 1

This represents 28% of all participants who left TRS-Care.



TRS-Care Comparison: Premiums

Previous Premiums	85R Legislature Illustrative Retiree Premiums	85-1 Legislature/Board Adopted Final Premiums
Prior to January 1, 2018	Calendar Year 2018	Calendar Year 2018
<p><u>Non-Medicare Retirees</u> Retiree Only = \$0 - \$310 Retiree & Spouse = \$30 - \$665 Retiree & Child(ren) = \$28 - 392 Retiree & Family = \$58 - \$747</p> <p><u>Medicare B Only Retirees</u> Retiree Only = \$0 - \$245 Retiree & Spouse = \$25 - \$600 Retiree & Child(ren) = \$34 - \$327 Retiree & Family = \$59 - \$682</p> <p><u>Medicare A&B Retirees</u> Retiree Only = \$0 - \$110 Retiree & Spouse = \$20 - \$465 Retiree & Child(ren) = \$41 - \$192 Retiree & Family = \$61 - \$547</p>	<p><u>Non-Medicare Retirees</u> Retiree Only = \$200 Retiree & Spouse = \$739 Retiree & Child(ren) = \$433 Retiree & Family = \$1,074</p> <p><u>Medicare Retirees</u> Retiree Only = \$146 Retiree & Spouse = \$590 Retiree & Child(ren) = \$504 Retiree & Family = \$1,106</p> <p><u>Current Disability Retirees not eligible for Medicare*</u> Retiree Only = \$0 Retiree & Spouse = \$539 Retiree & Child(ren) = \$233 Retiree & Family = \$874</p>	<p><u>Non-Medicare Retirees</u> Retiree Only = \$200 Retiree & Spouse = \$689 Retiree & Child(ren) = \$408 Retiree & Family = \$999</p> <p><u>Medicare Retirees</u> Retiree Only = \$135 Retiree & Spouse = \$529 Retiree & Child(ren) = \$468 Retiree & Family = \$1,020</p> <p><u>Current Disability Retirees not eligible for Medicare*</u> Retiree Only = \$0 Retiree & Spouse = \$489 Retiree & Child(ren) = \$208 Retiree & Family = \$799</p> <p><u>Retirees with adult disabled children</u> Non-Medicare Retiree & Child(ren) = \$208 Non-Medicare Retiree & Family = \$799 Medicare Retiree & Child(ren) = \$268 Retiree & Family = \$820</p>

**Applies to members who retired as a disability retiree as of 1/1/2017*

TRS-Care Comparison: Medical Plan Design

	TRS-Care 1	TRS-Care 2	TRS-Care 3	Medicare Advantage for TRS-Care 2	Medicare Advantage for TRS- Care 3	85R-Legislature Standard Plan	85R-Legislature Medicare Advantage Plan	85-1 Legislature / Board Adopted Final Standard Plan	85-1 Legislature/ Board Adopted Final Medicare Advantage Plan
Eligibility	All retirees			Retirees with both Medicare Part A & B		Non-Medicare Retirees (under age 65)	All Medicare Retirees (age 65 and older)	Non-Medicare Retirees (under age 65)	All Medicare Retirees (age 65 and older)
Deductible In- Network	\$2,350 Parts A&B \$3,900 Part B Only \$5,250 Non-Medicare	\$1,300	\$400	\$500	\$150	\$3,000 individual \$6,000 family	\$500	\$1,500 individual \$3,000 family	\$500
Maximum Out-of- Pocket In-Network	\$6,250 Parts A&B \$7,800 Part B Only \$8,250 Non-Medicare	\$5,800	\$4,900	\$3,500	\$3,150	\$6,650 individual \$13,300 family	\$3,500	\$5,650 individual \$11,300 family	\$3,500
Coinsurance	80%/20% (after deductible is met) Preventative services such routine physical exam, cancer screenings, flu shot covered at 100%	80%/20% (after deductible is met)	80%/20% (after deductible is met)	95%/5%	95%/5%	80%/20% (after deductible is met) Preventative services such routine physical exam, cancer screenings, flu shot covered at 100% \$40 Teladoc consultation: Board-certified doctors diagnose, treat and write prescriptions via phone or video, available 24/7	95%/5%	80%/20% (after deductible is met) Preventative services such routine physical exam, cancer screenings, flu shot covered at 100% \$40 Teladoc consultation: Board-certified doctors diagnose, treat and write prescriptions via phone or video, available 24/7	95%/5%
Inpatient Hospital Facility				\$500 copay per stay	\$250 copay per stay		\$500 copay per stay		\$500 copay per stay
Outpatient Hospital Facility				\$250 copay	\$75 copay		\$250 copay		\$250 copay
Emergency Room				\$65 copay	\$50 copay		\$65 copay		\$65 copay
Urgent Care				\$35 copay	\$35 copay		\$35 copay		\$35 copay
Office Visits		Non-Medicare: \$35 copay Medicare: 80%/20% (after Medicare payment)	Non-Medicare: \$25 copay Medicare: 80%/20% (after Medicare payment)	\$5 Primary Care Physician \$10 Specialist	\$5 Primary Care Physician \$10 Specialist		\$5 Primary Care Physician \$10 Specialist		\$5 Primary Care Physician \$10 Specialist

TRS-Care Comparison: Prescription Plan Design

	TRS-Care 1	TRS-Care 2	TRS-Care 3	Medicare Part D for TRS-Care 2	Medicare Part D for TRS-Care 3	1/1/2018 85-R Legislature / Board Adopted Standard Plan	1/1/2018 85-R Legislature / Board Adopted Medicare Advantage Plan
Eligibility	All retirees			Retirees with either Medicare Part A or B		Non-Medicare retirees (under age 65)	All Medicare retirees (age 65 and older)

Retail Copays

Generic	80%/20% (after deductible is met)	\$10	\$10	\$5	\$5	Preventative Maintenance \$0 80%/20% (after deductible is met)	\$5
Preferred Brand	80%/20% (after deductible is met)	\$30	\$25	\$25	\$20	80%/20% (after deductible is met)	\$25
Non-Preferred Brand		\$50	\$40	\$50	\$40	80%/20% (after deductible is met)	\$50

Mail Order Copays

Generic	80%/20% (after deductible is met)	\$20	\$20	\$15	\$15	80%/20% (after deductible is met)	\$15
Preferred Brand	80%/20% (after deductible is met)	\$75	\$50	\$70	\$45	80%/20% (after deductible is met)	\$70
Non-Preferred Brand	80%/20% (after deductible is met)	\$125	\$80	\$125	\$80	80%/20% (after deductible is met)	\$125

2019-2020 ActiveCare Gross Premiums

Coverage Tier	ActiveCare-1HD	ActiveCare-Select	ActiveCare-2
Employee Only	\$367	\$540	\$782
Employee & Spouse	\$1,035	\$1,327	\$1,855
Employee & Child(ren)	\$701	\$876	\$1,163
Employee & Family	\$1,374	\$1,668	\$2,194

- Gross monthly premiums shown before State and District Contributions
- For Employee Only coverage, the employee share of premium would be \$142 per month for the ActiveCare-1HD plan for a district contributing the minimum \$150 per month.
- A TRS informal survey of 2016 district contributions shows that more than 80% of district employees receive more than the monthly minimum employer contribution.

Monthly Contributions	Percent of Districts	Percent of Employees
\$225 Minimum contribution (State = \$75, District = \$150 min)	32.73%	17.29%
\$226 - \$400	60.22%	74.82%
\$401 or more	7.05%	7.88%

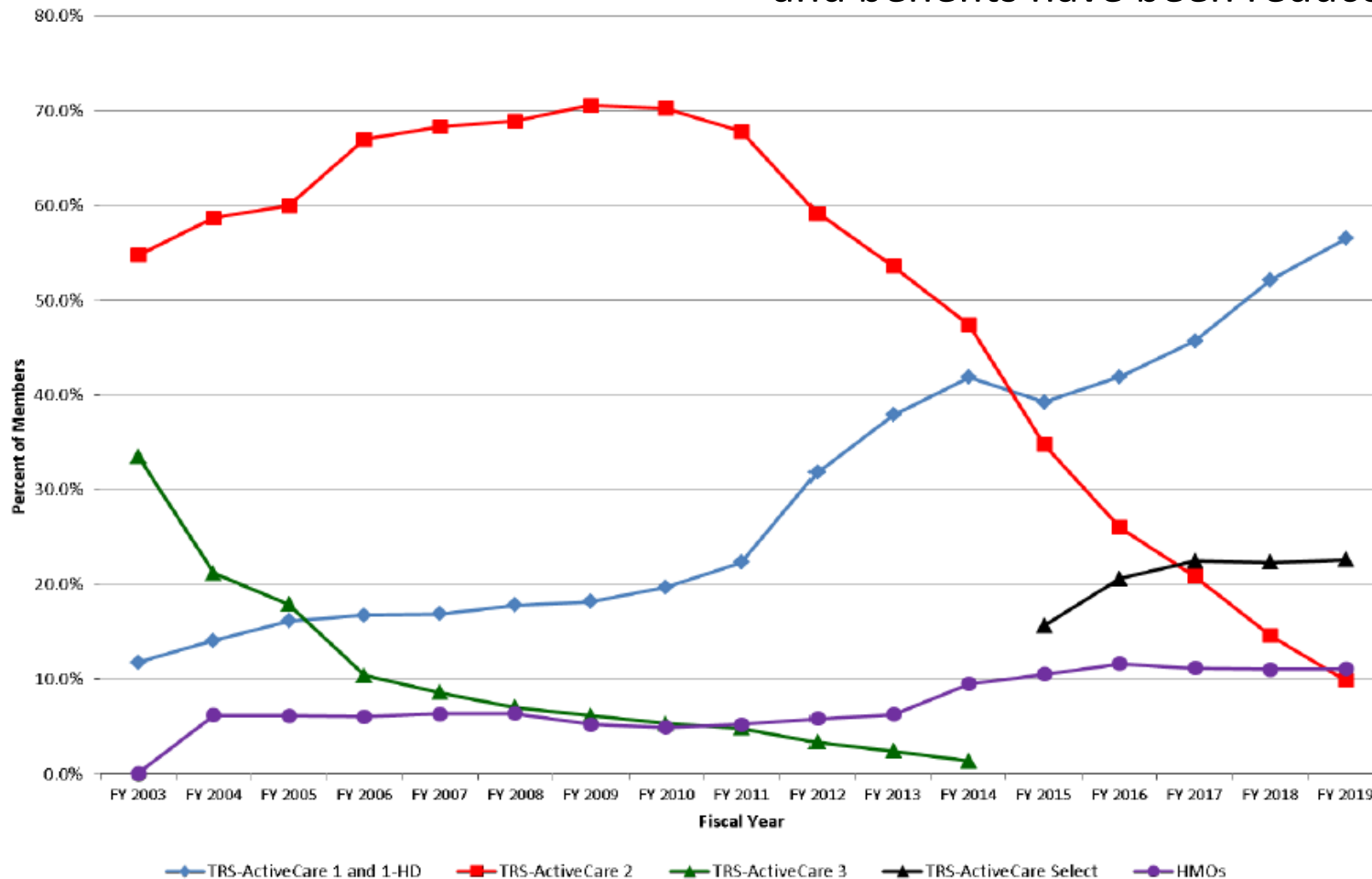
2019-2020 ActiveCare Benefits

	FY2019		
	TRS-ActiveCare-1HD	TRS-ActiveCare-Select	TRS-ActiveCare-2
In-Network Deductible			
Individual	\$2,750	\$1,200	\$1,000
Family	\$5,500	\$3,600	\$3,000
In-Network Maximum Out-of-Pocket Limit			
Individual	\$6,650	\$7,350	\$7,350
Family	\$13,300	\$14,700	\$14,700
Out-of-Network Deductible			
Individual	\$5,000	N/A	\$2,000
Family	\$10,000		\$6,000
Out-of-Network Maximum Out-of-Pocket Limit			
Individual	\$13,300	N/A	\$14,700
Family	\$26,600		\$29,400
Other			
ER Copay	20% after deductible	\$250 copay plus 20% after deductible	\$250 copay plus 20% after deductible
Free-standing ER (FER)	20% after deductible	\$500 copay plus 20% after deductible	\$500 copay plus 20% after deductible

		FY2019		
		TRS-ActiveCare-1HD	TRS-ActiveCare-Select	TRS-ActiveCare-2
MAIL ORDER & RETAIL-PLUS (up to 90 days supply)				
Generic	20% after deductible	\$45 copay	\$45 copay	
Preferred Brand		\$105 copay	\$105 copay	
Non-Preferred Brand		50% coinsurance	50% coinsurance (Min \$180, Max \$360)	
RETAIL MAINTENANCE (after 1 st fill; up to 31 days supply)				
Generic	20% after deductible; Mandatory Mail Order / Retail Plus	\$35 copay	\$35 copay	
Preferred Brand		\$60 copay	\$60 copay	
Non-Preferred Brand		50% coinsurance	50% coinsurance (Min \$90, Max \$180)	
RETAIL (up to 31 days supply)				
Generic	20% after deductible	\$20 copay	\$20 copay	
Preferred Brand		\$40 copay	\$40 copay	
Non-Preferred Brand		50% coinsurance	50% coinsurance (Min \$65, Max \$130)	
SPECIALTY PHARMACY				
Specialty	20% after deductible (31 day supply limit)	20% coinsurance (31 day supply limit)	20% coinsurance (Min\$200, Max \$900) (31 day supply limit)	

TRS-ActiveCare Enrollment History

There has been a significant shift in enrollment as premiums have increased and benefits have been reduced.



- TRS-ActiveCare 3 was closed to new enrollees in FY2014 and discontinued in FY 2015.
- TRS-ActiveCare Select was introduced in FY2014.
- TRS-ActiveCare 2 was closed to new enrollees in FY2019.

Restore and Improve Customer Service

- TRS has been developing internal technologies, infrastructure and services to provide better customer service delivery for our members. This is to align with the evolution of the technological industry while protecting member personal information.
- TRS conducts weekly advanced security testing that identifies any systems vulnerability. TRS collaborates similar testing from the Texas DIR and has engaged with the University of Texas Information Security Services to test our external systems and applications.
- **TRS averages 27,000 security alarms of varying severity a month, that averages to 1,900 events every second.**
- TRS must collect and maintain accurate and reliable data from school districts and other reporting entities while expanding the number of automated processes, and incorporating modern technologies. **Hiring FTE's with the necessary technical skill set will cost significantly less than relying on more expensive contract services.**

Average FTE Cost vs
Contractor Cost

