

# HB 3 Implementation Update

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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 <sup>th</sup> Session	Implementation Estimate (1 <sup>st</sup> 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

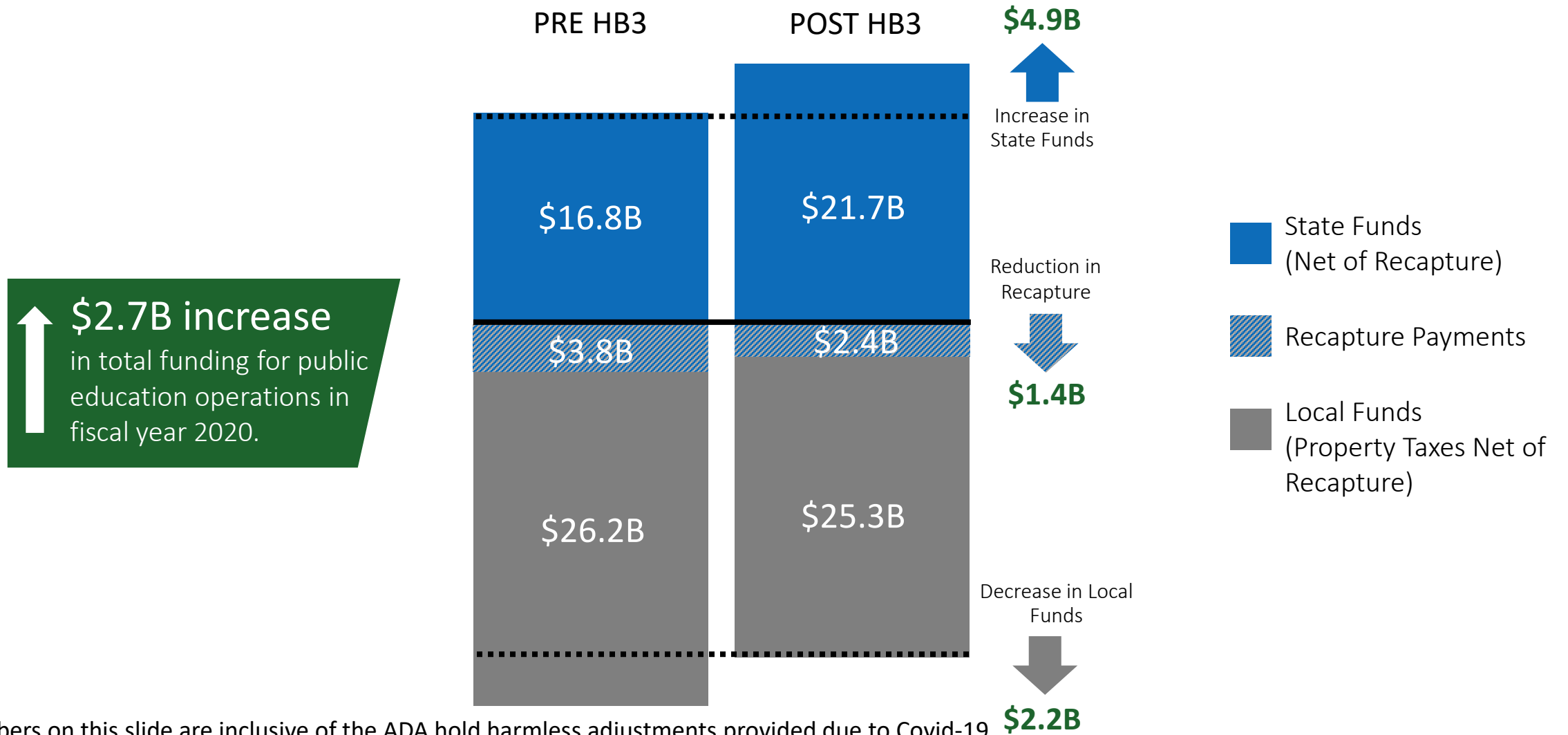
The registry developed and accessible to Texas' public and private schools and will be available to the public mid March.



## Tax Rate Reductions

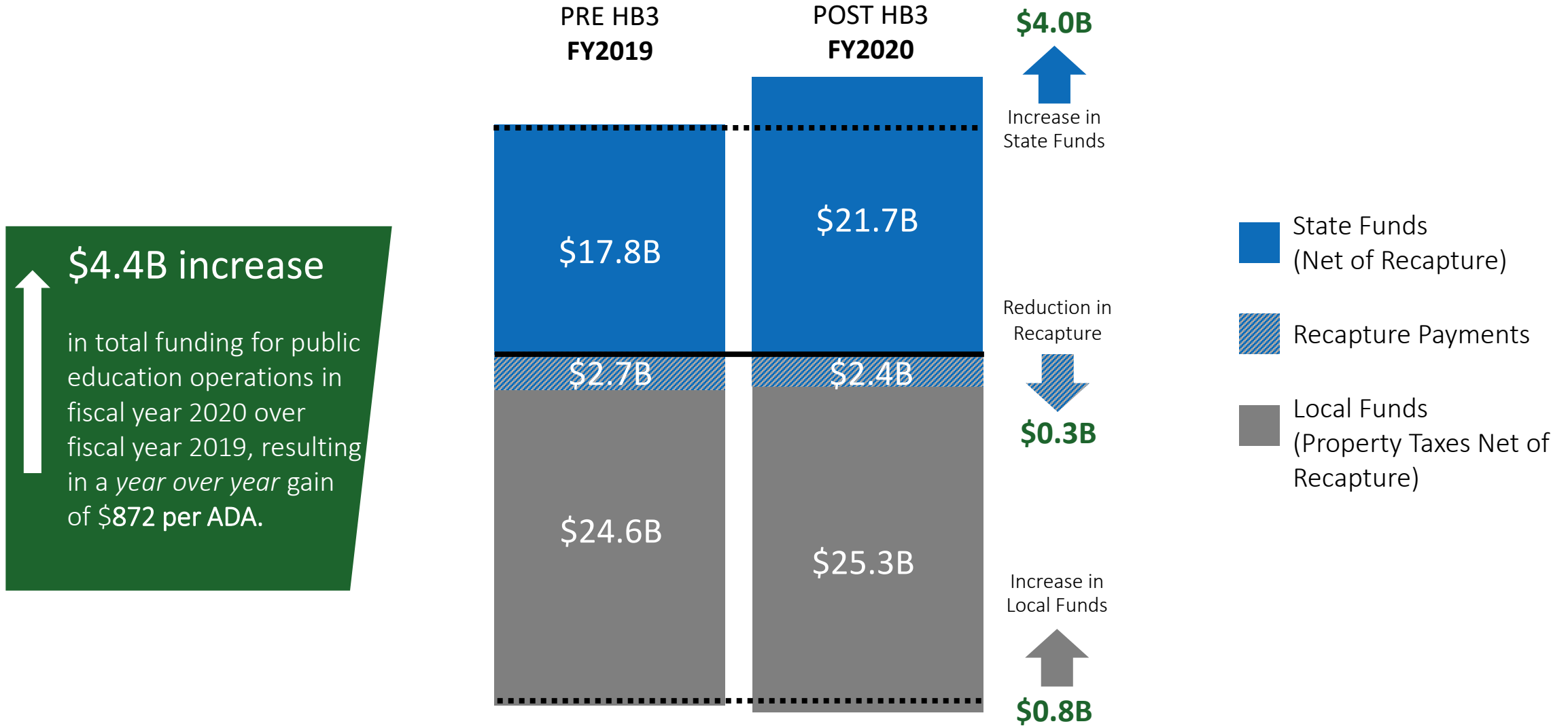
Tax rates were **reduced 8.3 cents** from 2018 to 2019.

# 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](https://tea.texas.gov/HB3)



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



**427,540**

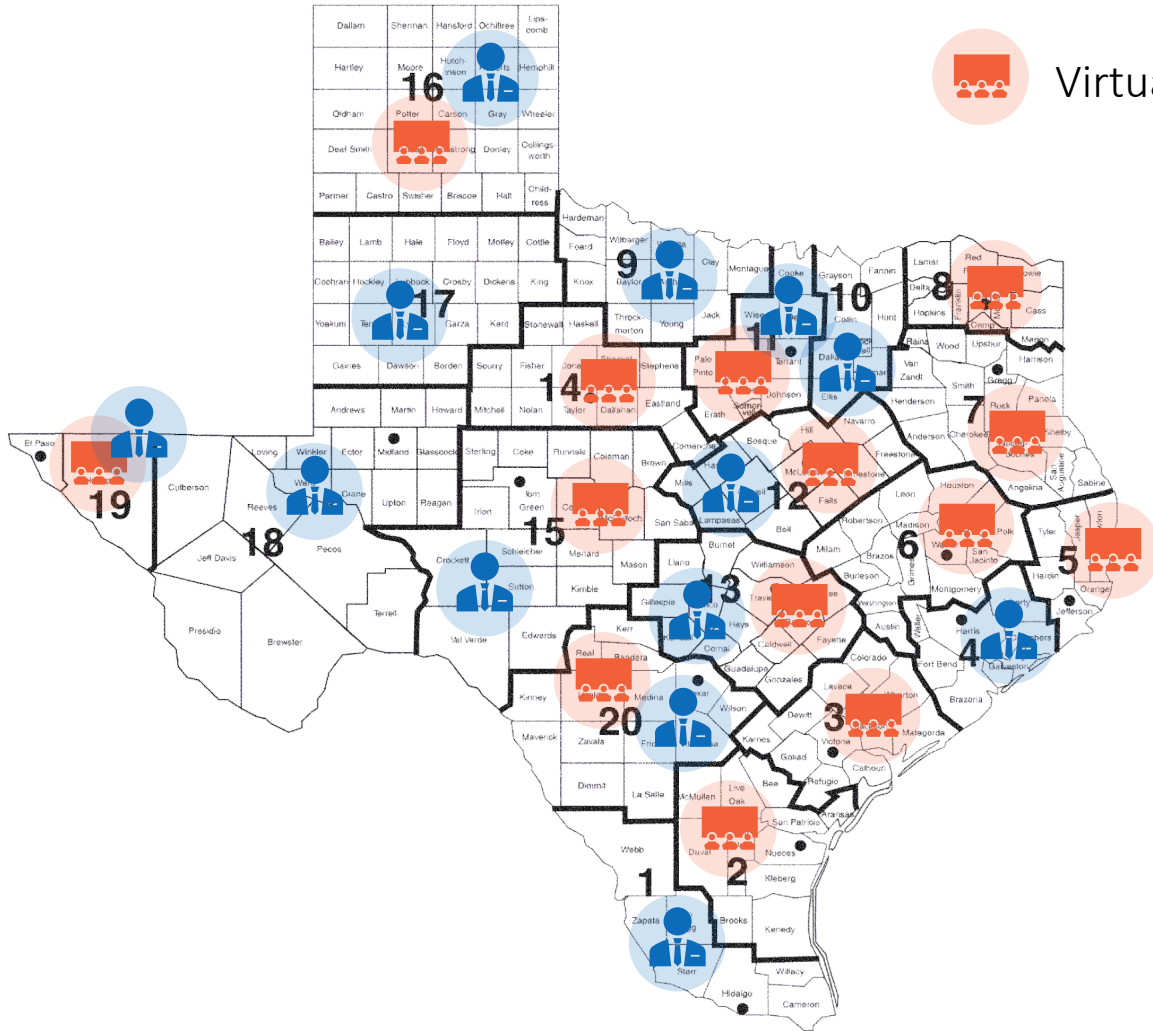
unique video views  
(as of Sept. 2020)



**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

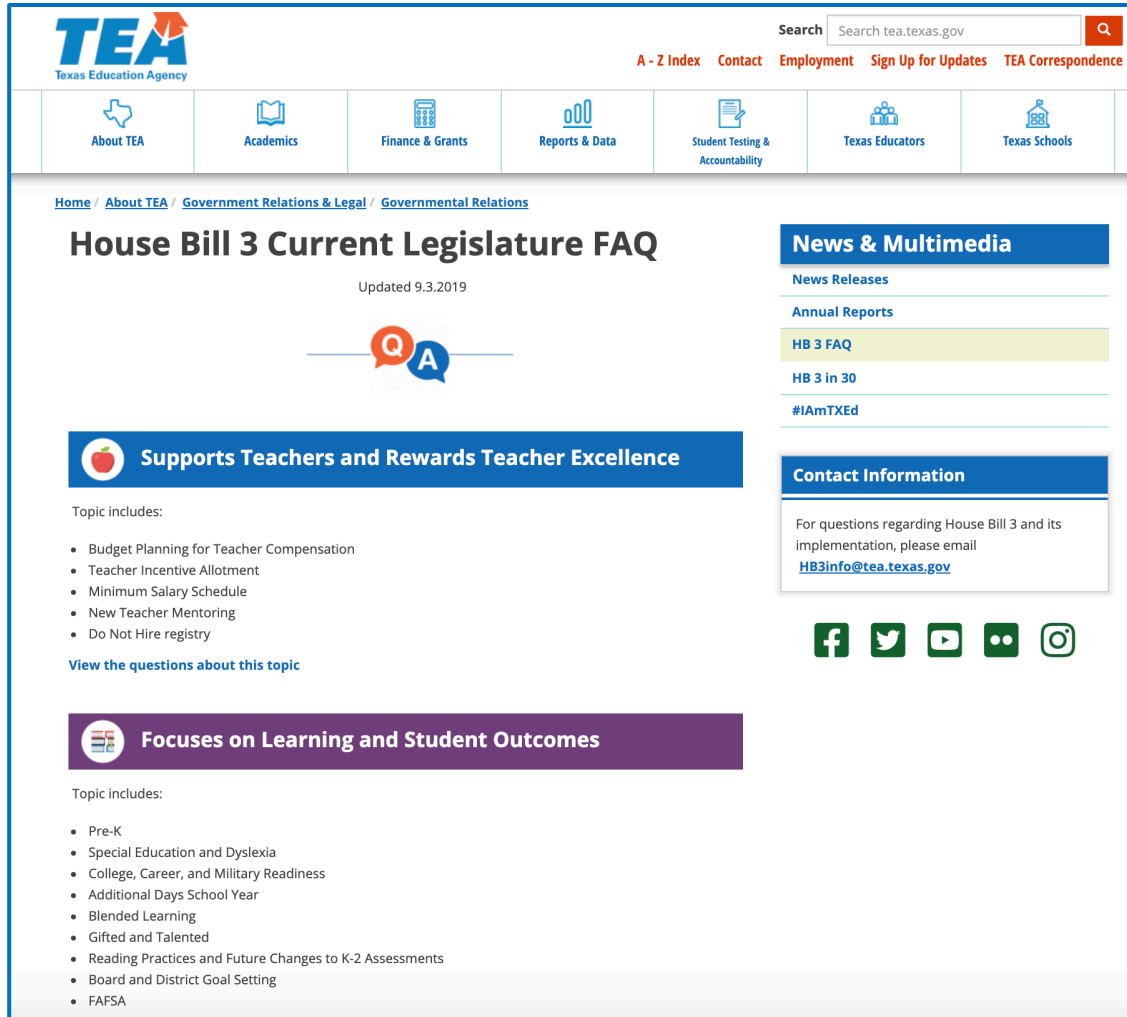
### To the Administrator letters on HB 3

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](mailto: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](https://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)**



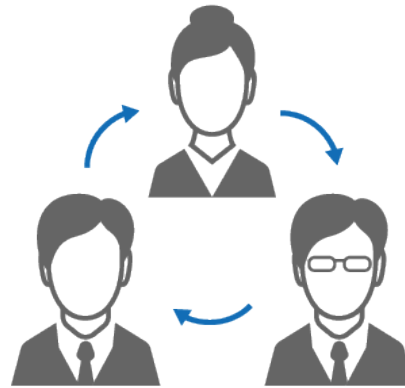
# HB 3: Advisory Committees

## Reading Standards K-3 Advisory Committee

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

## Special Education Allotment Advisory Committee

- Committee members named Oct. 31<sup>st</sup>
- 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. 7<sup>th</sup>
- 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 28<sup>th</sup>, 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

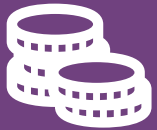
TEA is required to create a new **Do Not Hire Registry** and place individuals on the Registry who are not eligible for hire in a Texas public school based on misconduct or criminal history. TEA is also required to create a **Misconduct Reporting Portal**, so that Texas schools have a method of securely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



## 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!

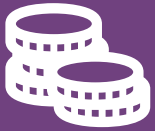
Snapshot Date: September 3, 2020



## 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



## Dual Language Programs

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**

# College, Career, and Military Readiness Plans



## 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](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

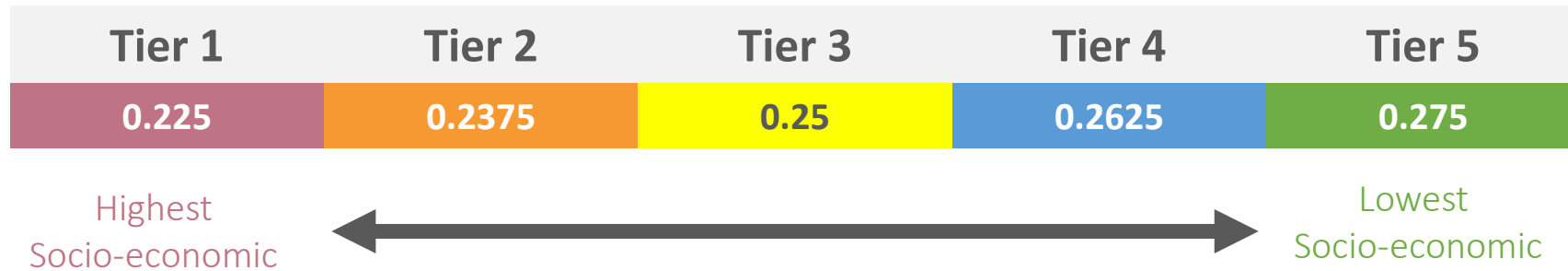
- ✓ TEA launched a survey to better estimate use and cost on September 15, 2020 but results will not be available until after September 30<sup>th</sup> when the survey closes.
- ✓ TEA will not know actual cost for FY2021 (first year of implementation) until Fall of 2021.



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

## Compensatory Education (Comp Ed)

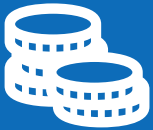
Comp Ed funding is provided for students who are educationally disadvantaged (i.e. eligible for free and reduced-priced lunch)



- 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

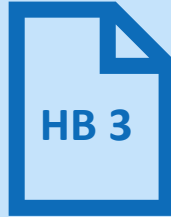


### COE Rule effective December 2019

- ✓ 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

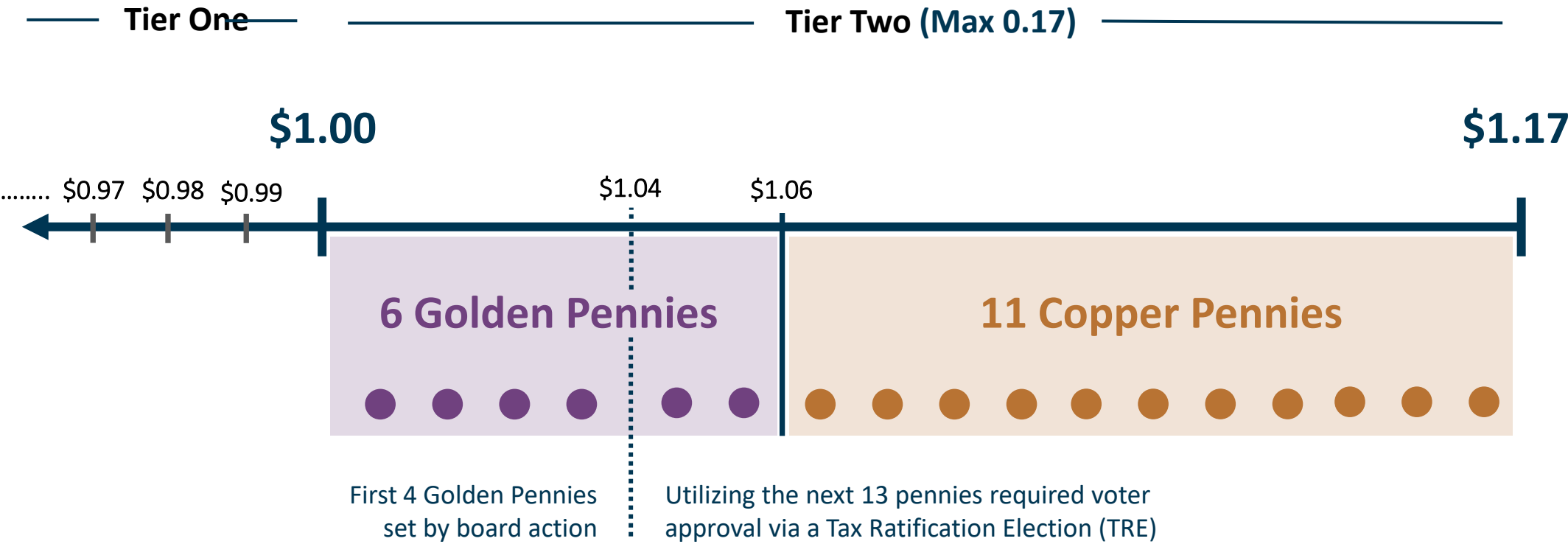


## Formula Transition Grants

- 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.



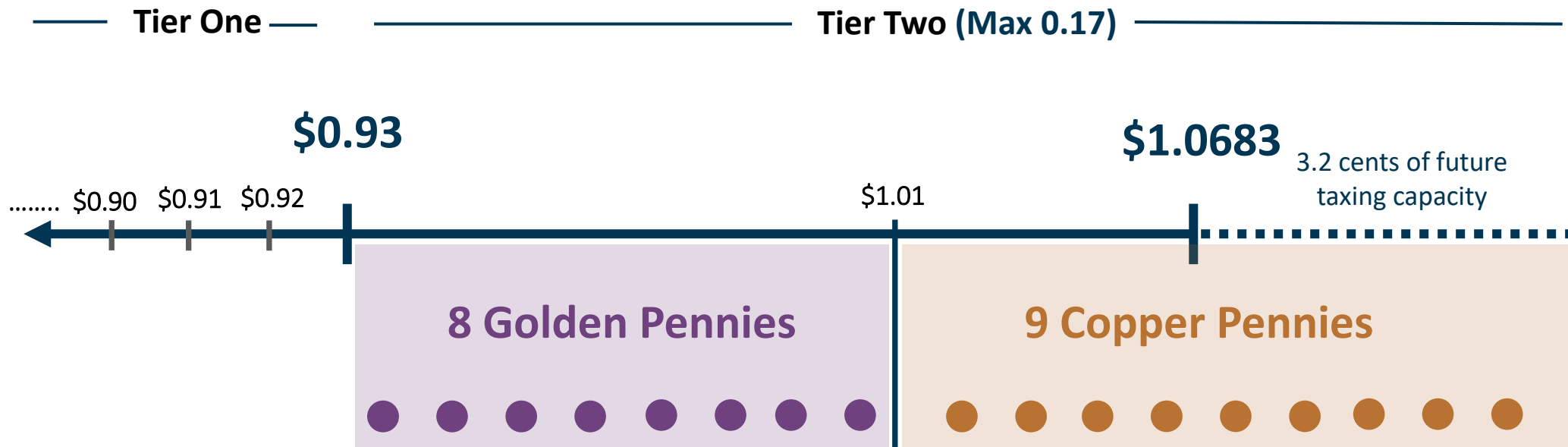
## Prior Law





## 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

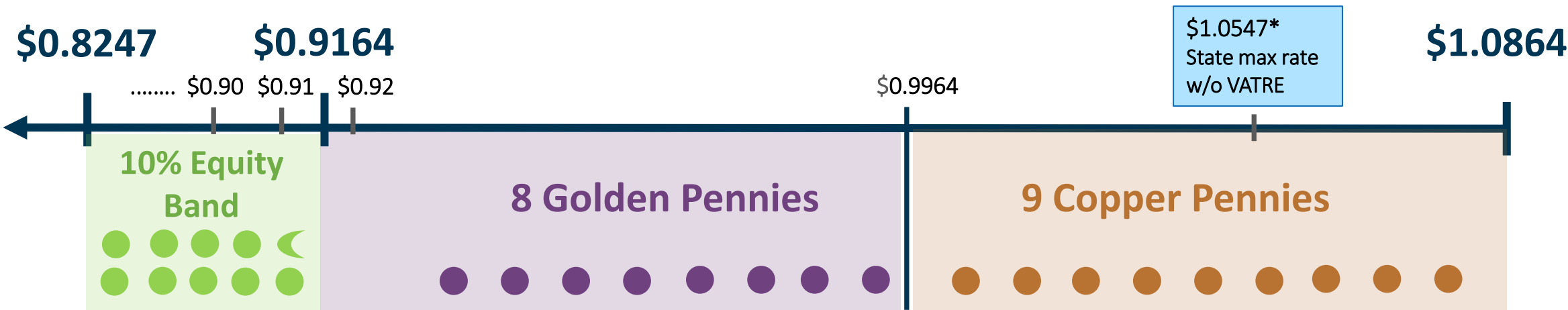
(See slide 50, Unintended Consequence #4)

- 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).

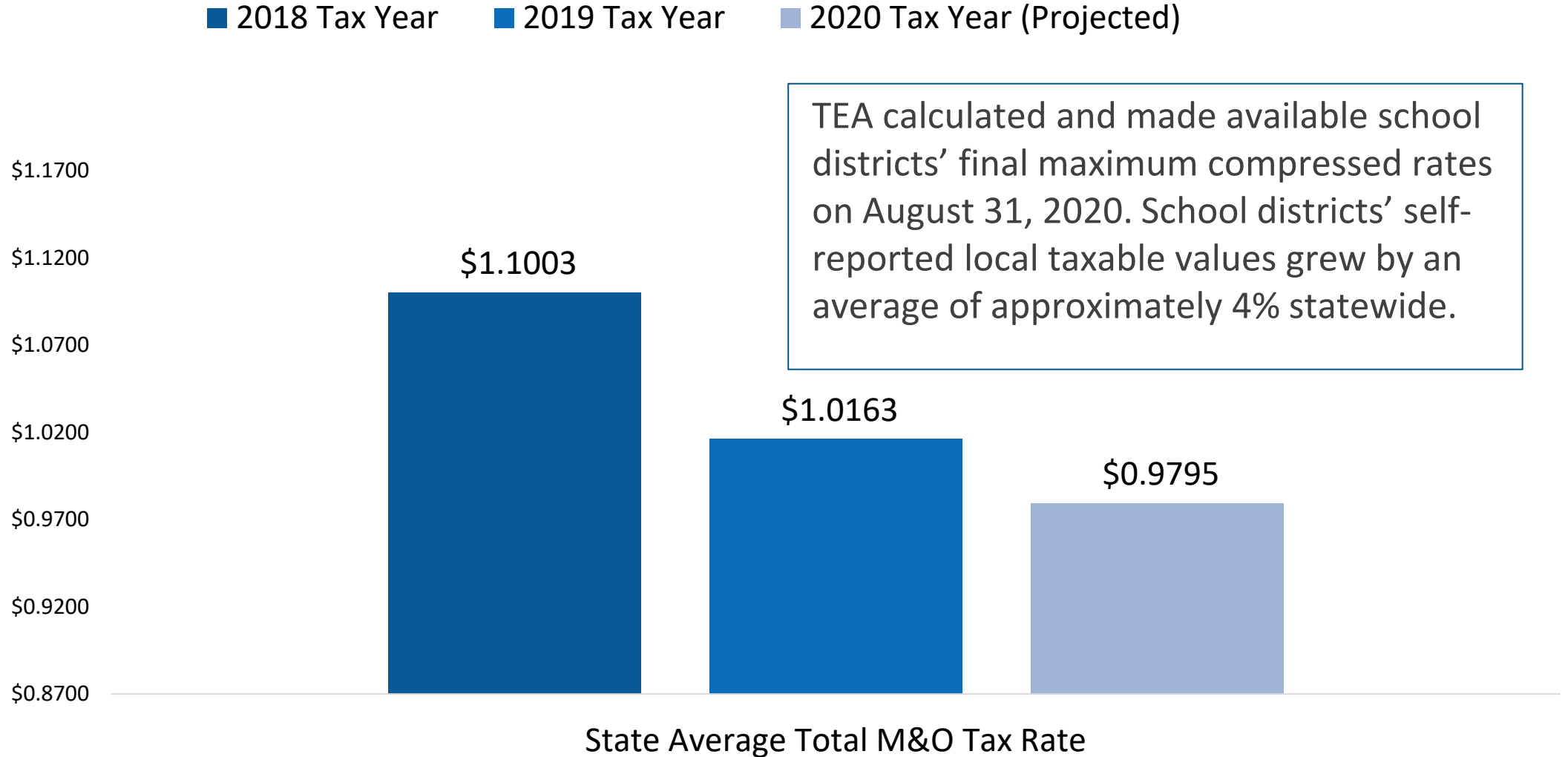
## HB 3 Year Two (FY2021)

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.