

BILL ANALYSIS

C.S.H.B. 1525
By: Huberty
Public Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

After the historic passage of House Bill 3 by the 86th Legislature in 2019, it is necessary to correct certain provisions that had unintended consequences. C.S.H.B. 1525 seeks to address and remedy issues relating to local taxation and revenue, charter school funding, changes to the career and technology education allotment and the fast growth allotment, early literacy training requirements for educators, and the teacher incentive allotment, among other matters.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of education in SECTIONS 6 and 13 of this bill and to the Texas Education Agency in SECTION 17 of this bill.

ANALYSIS

C.S.H.B. 1525 amends the Education Code, Government Code, and Labor Code to make revisions to the public school finance system relating to local taxation and revenue, charter school funding, certain student-based allotments, early literacy training requirements for educators, and the teacher incentive allotment, among other matters.

Local Taxation

C.S.H.B. 1525 requires the commissioner of education to reduce state aid or adjust the limit on a public school district's local revenue level by an amount equal to the amount of revenue generated by a district's tax effort that does not comply with statutory election requirements and related tax rate limitations or with provisions governing the foundation school program.

C.S.H.B. 1525 clarifies the language of a certain restriction on district maintenance tax to prohibit a district from imposing such a tax at a rate intended to create a surplus in maintenance tax revenue for paying the district's debt service. The bill requires the Texas Education Agency (TEA) to take the following actions to enforce the prohibition:

- develop a method to identify districts that may have adopted a tax rate in violation of the prohibition, which must include a review of data over multiple years;
- investigate each identified district as necessary; and
- if TEA determines that a district has violated the prohibition:
 - order the district to comply with the prohibition not later than three years after the date of the order; and

- assist the district in developing a corrective action plan that, to the extent feasible, does not result in a net increase in the district's total tax rate.

The implementation of a corrective action plan expressly does not prohibit a district from increasing the district's total tax rate as necessary to achieve other legal purposes. The bill authorizes the commissioner to impose any accountability interventions or sanctions the commissioner deems appropriate against a district that fails to take action under a corrective action plan. A conservator or management team imposed on the district on those grounds is exempt from the statutory prohibition against a conservator or management team setting a tax rate for the district to which the conservator or team is appointed.

C.S.H.B. 1525 changes the district taxable property value used to calculate a district's maximum compressed tax rate (MCR) from the value determined by a study conducted by the comptroller of public accounts to a value determined by TEA by rule using locally determined property values, adjusted for certain exemptions and other deductions. The bill changes the MCR to be adopted for a district whose MCR is otherwise more than 10 percent below the rate in another district from the adopting district's MCR value for the preceding tax year to 90 percent of the comparison district's MCR value. The bill requires local appraisal districts, public school districts, and the comptroller to provide to TEA any information necessary to implement the prescribed MCR calculation methods. A school district may appeal the TEA determination of the district's taxable property value to the commissioner, whose decision is final and may not be appealed.

Local Revenue Level in Excess of Entitlement (Recapture)

C.S.H.B. 1525 establishes that only the foundation school program operations funding that is allocated to the district from the available school fund is excepted from being used to offset a district's local revenue in excess of entitlement. The district's other tier one funding entitlements and all of its tier two entitlements may be used for such an offset. If the commissioner determines that a school district has a local revenue level in excess of entitlement after the date the commissioner sends a related notification for the applicable school year, the commissioner must include the amount of the excess revenue in the following school year's review of the district's local revenue levels.

C.S.H.B. 1525 provides for an adjustment to a district's funding levels to preserve the district's full entitlement under the teacher incentive allotment if the district is subject to recapture but its tier one local revenue level, when reduced as required, falls below the minimum known as the recapture floor and is subject to a related correction. The bill adds a temporary provision set to expire September 1, 2025, excluding an adjustment to preserve the teacher incentive allotment from the calculation of the district's maintenance and operations revenue for purposes of the formula transition grant.

Incentive Aid for Consolidated Districts

C.S.H.B. 1525 revises a consolidated district's entitlement to incentive aid as follows:

- repeals provisions relating to a form of incentive aid that is available to a consolidated district created by agreement to reduce local revenue in excess of entitlement and that adjusts allotments to the district for the first two school years after consolidation to preserve any effects of the sparsity adjustment that were lost to the consolidating districts through the consolidation process; and
- makes any district consolidated by agreement for that same purpose instead eligible for an alternate form of incentive aid that, for a maximum period of ten years, preserves any foundation school program funding entitlements that were lost to the consolidating districts through the consolidation process.

Open-Enrollment Charter Schools

C.S.H.B. 1525 requires the commissioner, to ensure compliance with a federal requirement to maintain the level of state support for special education from one fiscal year to the next, to make the following adjustments to open-enrollment charter school funding:

- if necessary, increase the amount of a charter school's special education allotment to the amount of the school's entitlement for the 2018-2019 school year; and
- reduce the amount of the charter school's small and mid-sized district allotment by the amount of the special education allotment increase, if applicable.

This requirement expires September 1, 2025.

C.S.H.B. 1525 repeals provisions establishing an annual state aid allocation to support wage increases for applicable employees of certain charter schools.

Career and Technology Education Allotment

C.S.H.B. 1525 revises the career and technology education (CTE) allotment as follows:

- changes the basis of the allotment for applicable districts to the sum of the basic allotment and the district's small or mid-sized district allotment;
- replaces the 1.35 funding weight with a three-tiered funding weight scale as follows:
 - 1.0 for a student in CTE courses not in an approved program of study;
 - 1.28 for a student in levels one and two CTE courses in an approved program of study; and
 - 1.48 for a student in levels three and four CTE courses in an approved program of study;
- removes the requirement that a student be enrolled in two or more advanced CTE classes for a total of three or more credits to be eligible for an additional entitlement of \$50 per student, without removing the eligibility for campuses designated as a P-TECH school or a campus that is a member of the New Tech Network;
- defines "approved career and technology education program" for purposes of the allotment as a sequence of CTE courses, including technology applications courses, authorized by the State Board of Education and qualifying for high school credit; and
- defines "approved program of study" as a course sequence that provides students with the knowledge and skills necessary for success in the students' chosen careers and is approved by TEA for purposes of the federal Strengthening Career and Technical Education for the 21st Century Act.

Fast Growth Allotment

C.S.H.B. 1525 revises the fast growth allotment as follows:

- makes a district eligible for the allotment if its student enrollment during the school year immediately preceding the current school year exceeds its enrollment during the school year three years preceding the current school year by more than 50 students;
- effective from the 2024-2025 school year, entitles an eligible district to an annual allotment with a funding weight of 0.86 for each student by which the district's enrollment growth over the specified period exceeded 50;
- effective from the 2024-2025 school year, caps the statewide total amount of the allotment at \$320 million; and
- provides for proportional reduction of each district's allotment if the total amount to which districts are entitled for a school year exceeds the cap.

C.S.H.B. 1525, in temporary provisions set to expire September 1, 2025, sets out the following transitional funding weights and statewide caps for the fast growth allotment:

- for the 2021-2022 school year, a funding weight of 0.72 and statewide cap of \$270 million;
- for the 2022-2023 school year, a weight of 0.84 and statewide cap of \$310 million; and

- for the 2023-2024 school year, a weight of 0.85 and statewide cap of \$315 million.

C.S.H.B. 1525 provides for distribution of fast growth allotment funds for the 2021-2022 school year to a district that is not entitled to the allotment in that year but received the allotment for the 2019-2020 school year. The bill requires TEA to provide to each such district the allotment amount the district received for the 2019-2020 school year but caps the total amount that may be distributed to eligible districts at \$40 million. The bill provides for proportional reduction of each district's distribution if the total amount of district entitlements to those distributions exceeds the cap. These provisions expire September 1, 2023.

Other Allotments

C.S.H.B. 1525 includes in the compensatory education allotment an allocation at the highest funding weight of that allotment for each student who is a homeless child or youth as defined by federal law.

C.S.H.B. 1525 removes a provision entitling a district subject to recapture to the school safety allotment in the form of a credit against the amount of attendance credit the district is required to purchase for recapture purposes.

Student Outcomes

C.S.H.B. 1525 establishes that for purposes of the college, career, and military readiness outcomes bonus an annual graduate who earns an associate degree while attending high school or during a time period established by commissioner rule may be counted under college readiness outcomes.

C.S.H.B. 1525 authorizes the commissioner by rule to allow a student to take a nationally norm-referenced college admissions test at state cost if the student was prevented by circumstances from selecting and taking the test in the spring of the 11th grade or during the 12th grade, as a high school student is otherwise entitled to do. The bill requires TEA to negotiate with approved vendors a price for each college preparation test eligible for administration at the district's or student's discretion in grades 8 to 12 and to reimburse a district in the negotiated amount.

C.S.H.B. 1525 transfers funding responsibility for certain subsidies for high school equivalency examinations to the Texas Workforce Commission (TWC) and removes a requirement for TEA to transfer applicable appropriations to the TWC under a memorandum of understanding.

Teachers and Staff

C.S.H.B. 1525 revises requirements relating to early literacy training for educators as follows:

- extends the deadline by which applicable educators who are existing employees must have attended a teacher literacy achievement academy from the 2021-2022 school year to the 2023-2024 school year;
- revises the deadline for certain educators who are initially employed at an applicable grade level or campus to attend such an academy to require attendance by the end of the first year of the placement and to apply to educators initially employed for the 2023-2024 school year; and
- establishes that a demonstration of proficiency in the science of teaching reading on a certification examination, as required to teach any grade level from prekindergarten through grade six, is a permitted alternative to the academy attendance requirement for existing teachers.

C.S.H.B. 1525 entitles a regional education service center to state aid for staff salary increases in the following amounts:

- \$500 for each full-time employee other than administrators, classroom teachers, librarians, certified school counselors, or school nurses; and
- \$250 for each part-time center employee other than administrators, teachers, librarians, certified school counselors, or school nurses.

A determination by the commissioner concerning a center's total entitlement is final and may not be appealed.

C.S.H.B. 1525 authorizes a district or charter school to designate any classroom teacher, regardless of certification status, as a master, exemplary, or recognized teacher under a local optional teacher designation system.

C.S.H.B. 1525 entitles the Texas School for the Deaf and the Texas School for the Blind and Visually Impaired to the teacher incentive allotment. The bill authorizes the commissioner to use the average point value assigned for the home districts of students enrolled in those schools for purposes of calculating the high needs and rural factor for the allotment if the commissioner determines that it is impractical to assign point values based on the census blocks in which the students reside.

C.S.H.B. 1525 establishes that increased compensation paid to a teacher by a district using teacher incentive allotment funds is subject to report and deduction for member contributions and subject to credit in benefit computations under the Teacher Retirement System of Texas.

Repealed Provisions

C.S.H.B. 1525 repeals the following provisions:

- Sections 12.133(d), (d-1), and (e), Education Code;
- Sections 49.054(a) and (c), Education Code;
- Section 2, Chapter 1036 (H.B. 548), Acts of the 86th Legislature, Regular Session, 2019; and
- Section 8, Chapter 1060 (H.B. 1051), Acts of the 86th Legislature, Regular Session, 2019.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1525 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute excludes a district's available school fund allocation from funding entitlements that may be used to offset the district's required reduction of its local revenue level.

With respect to the career and technology education (CTE) allotment, the substitute includes the following changes:

- a certain formula adjustment for districts eligible for the small and mid-sized district allotment;
- replacement of the single funding weight with a three-tiered range that assigns greater weights to courses in an approved program of study and to courses at more advanced levels; and
- a definition of "approved program of study" that provides for certain federal funding eligibility and a revised definition of "approved career and technology education program."

The substitute removes the requirement for a student to be enrolled in two or more advanced CTE classes for a total of three or more credits to be eligible for an additional funding entitlement.

With respect to the fast growth allotment, the substitute makes the following changes:

- does not include provisions incorporating a range of four growth categories with an associated scale of funding weights; but
- includes the following:
 - a change of eligibility criteria from student enrollment growth in the top quartile of districts in the state over a three-year period to an increase of more than 50 enrolled students over the same period;
 - a cap on the statewide total amount of allotment funding provided;
 - provisions for proportional reductions in allotment funding provided to districts if total entitlements exceed the applicable cap;
 - temporary provisions establishing increasing scales of funding weights and statewide caps during a transition period consisting of the 2021-2022, 2022-2023, and 2023-2024 school years; and
 - a requirement for TEA to provide allotment funding for the 2021-2022 school year to a district at the level provided for the 2019-2020 school year level if the district received the allotment for 2019-2020 but is not entitled to the allotment for 2021-2022.

The substitute includes the following provisions relating to educators and relating to the teacher incentive allotment:

- an authorization for a district or charter school to designate any classroom teacher as a master, exemplary, or recognized teacher;
- a provision requiring certain adjustments to preserve the full teacher incentive allotment entitlement for a district that is subject to recapture but whose revenue level, when reduced for recapture purposes, falls below the minimum known as the recapture floor; and
- explicit entitlements to the teacher incentive allotment for the Texas School for the Deaf and the Texas School for the Blind and Visually Impaired.

With respect to requirements for applicable educators to attend a teacher literacy achievement academy, the substitute extends certain deadlines to the 2023-2024 school year and provides an option to substitute a certain demonstration of proficiency on a certification examination for the academy attendance requirement.

The substitute does not include a clarification of the definition of average daily attendance for purposes of the small and mid-sized district allotment.

The substitute does not include the repeal of provisions relating to the following:

- an authorization for a district receiving a transfer student to charge a certain tuition fee;
- contracts between districts for the education of students at grade levels not offered by their district of residence, including related tuition payments; and
- the tuition allotment for a district required to pay tuition to another district under such a contract.