

# School for the Blind and Visually Impaired Summary of Budget Recommendations - House

Page III-36  
Emily Coleman, Superintendent  
Emily Navarrette, LBB Analyst

Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$37,861,866	\$43,174,049	\$5,312,183	14.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$37,861,866	\$43,174,049	\$5,312,183	14.0%
Federal Funds	\$7,916,419	\$4,300,000	(\$3,616,419)	(45.7%)
Other	\$12,604,687	\$11,318,000	(\$1,286,687)	(10.2%)
All Funds	\$58,382,972	\$58,792,049	\$409,077	0.7%

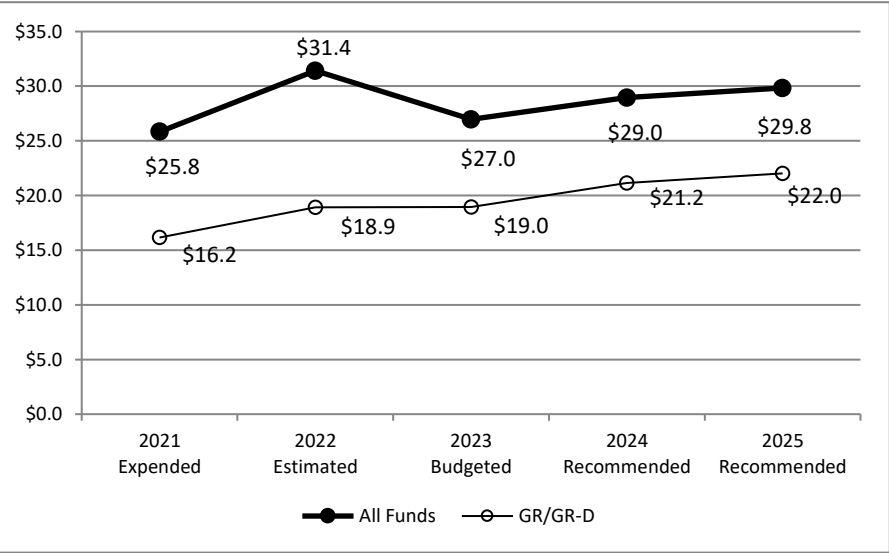
	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	370.9	371.2	0.3	0.1%

## Agency Budget and Policy Issues and/or Highlights

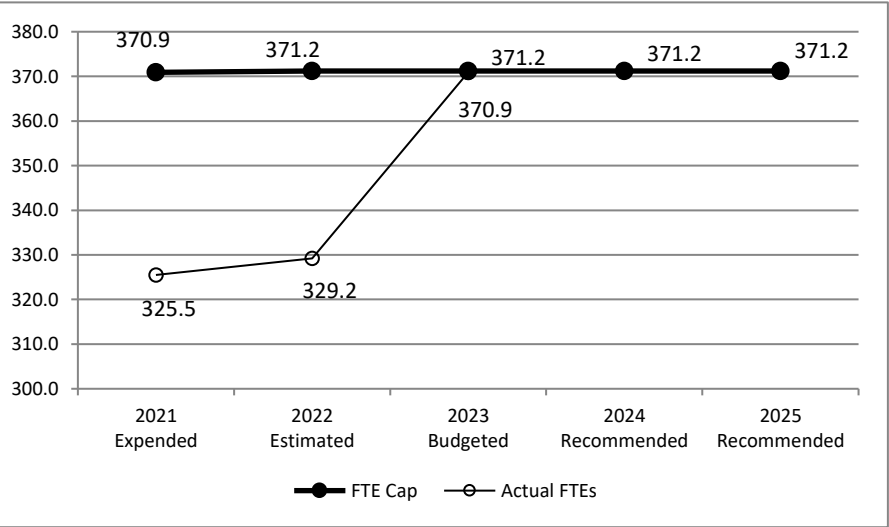
- The General Revenue increase reflects the continuation of salary increases implemented in fiscal year 2022 and a general state employee salary increase during the 2024-25 biennium.
- The Federal Funds decrease reflects the removal of onetime coronavirus relief funds received in the 2022-23 biennium.
- The Other Funds decrease reflects a decrease in Student Health and Related Services (SHARS) funding.

The bill pattern for this agency (2024-25 Recommended) represents an estimated 95.5% of the agency's estimated total available funds for the 2024-25 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)





**School for the Blind and Visually Impaired**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<b><i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i></b>							
A)	Funding to maintain fiscal year 2023 teacher salary increases in the 2024-25 biennium, based on salary increases granted by Austin ISD.	\$0.2	\$0.0	\$0.0	\$0.0	\$0.2	C.1.1
B)	Recommendations maintain salary increases provided in fiscal year 2022. (See Section 3, Item #2).	\$2.7	\$0.0	\$0.0	\$0.0	\$2.7	A.1.1, A.1.2, A.1.3, A.1.4, B.1.1, B.1.2, D.1.1, and D.1.2
C)	Increase in General Revenue for statewide employee salary increases.	\$2.6	\$0.0	\$0.0	\$0.0	\$2.6	E.1.1
D)	Decrease in Federal Funds to reflect the removal of onetime coronavirus relief funding.	\$0.0	\$0.0	(\$3.6)	\$0.0	(\$3.6)	A.1.1 and A.1.4
<b><i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i></b>							
E)	Decrease in Other Funds (Interagency Contracts) to reflect anticipated decrease in Student Health and Related Services (SHARS) funding.	\$0.0	\$0.0	\$0.0	(\$1.3)	(\$1.3)	A.1.1, A.1.3, A.1.4, and B.1.1
F)	Decrease in General Revenue to reflect the removal of onetime funding for vehicles.	(\$0.2)	\$0.0	\$0.0	\$0.0	(\$0.2)	A.1.4
<b>TOTAL SIGNIFICANT &amp; OTHER Funding Changes and Recommendations (in millions)</b>		<b>\$5.3</b>	<b>\$0.0</b>	<b>(\$3.6)</b>	<b>(\$1.3)</b>	<b>\$0.4</b>	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Increases</i>		\$5.5	\$0.0	\$0.0	\$0.0	\$5.5	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Decreases</i>		(\$0.2)	\$0.0	(\$3.6)	(\$1.3)	(\$5.1)	As Listed

NOTE: Totals may not sum due to rounding.

School for the Blind and Visually Impaired  
Selected Fiscal and Policy Issues - House

1. **Impact of Educational Professional Salary Increases.** Texas Education Code §30.024 and Rider 4 of the agency’s bill pattern require TSBVI to pay professional educators salaries equivalent to professional salary rates at Austin ISD (AISD). TSBVI’s Education Professional Salary Increase strategy is an estimated appropriation that provides additional General Revenue to grant comparable salary increases to those adopted by AISD during the 2024-25 biennium. Rider 4 provides the agency with the authority necessary to receive these funds from the Comptroller of Public Accounts (CPA). Dollar amounts are calculated annually and documented in a letter sent to the LBB and CPA.

In fiscal year 2022, TSBVI was appropriated \$0.7 million in General Revenue to implement a 2.0 percent salary increase. In fiscal year 2023, TSBVI will draw \$0.7 million in General Revenue to maintain the fiscal year 2022 increase and an additional \$0.2 million in General Revenue to implement a base pay increase of approximately \$1,000, which varies by position type and tenure, and the Professional Pathways for Teachers (PPfT) program. This program was adopted by AISD and allows teachers to earn additional pay for completing certification courses and targeted research projects.

Recommendations include an increase of \$0.2 million in General Revenue to maintain fiscal year 2023 salary levels in the 2024-25 biennium, but do not make assumptions about additional AISD salary increases in the 2024-25 biennium.

2. **Staffing Shortages.** Recommendations include an increase of \$2.7 million in General Revenue funding to maintain salary increases implemented in fiscal year 2022 to address critical staffing shortages. Recommendations include continuation of the agency’s targeted salary increases of 6.0 percent for Residential Instructors, Instructional Support Staff, Security Staff, Administrative Staff, and other Support Staff; and a 20.0 percent increase for Health Center Staff, including Registered Nurses and Licensed Vocational Nurses.

TSBVI states that it implemented these salary increases to retain current employees and recruit additional qualified applicants due to the competitive local job market, increased cost of living in the Austin area, and national shortages in education staffing. TSBVI notes that the salary increases that were implemented in fiscal year 2022 have not led to an increase in applicants. Information on vacancy rates as of August 15, 2022, after the salary increases were implemented, is below:

	Vacancies	Total Positions	Percent Vacancy
Residential Instructor	14	91	15.4%
Instructional Support Staff	10	44	22.7%
Transportation Staff	11	29	37.9%
Health Center Staff	3	18	16.7%

TSBVI has reduced program capacity due to these staffing challenges. At full capacity, TSBVI serves 154 students in its full-time comprehensive program. At current capacity, TSBVI is serving 130 students. There are 25 students across the state who have been identified as potentially eligible for enrollment, including 10 students who have been admitted without a start date and 15 students awaiting review.

In addition to the \$2.7 million in General Revenue funding for continuation of salary increases, recommendations also include \$2.6 million in General Revenue for general state employee salary increases equal to the greater of 5.0 percent or \$3,000 each fiscal year of the 2024-25 biennium. The agency has indicated that these additional funds are expected to help address staffing vacancies and return to full program capacity.

3. **Federal Funds Decrease.** Recommendations include a decrease of \$3.6 million in Federal Funds awarded in fiscal year 2022. This includes a \$3.5 million decrease in funding awarded through the Governor's Emergency Education Relief (GEER) Fund and a \$0.1 million decrease in federal grant funding for special education and deafblind centers. GEER funding was used to provide technology and security upgrades, including new fire and lockdown systems, cameras, and lights. Recommendations do not include \$2.7 million in General Revenue to continue this funding. TSBVI requests \$2.5 million in General Revenue to continue funding for school campus safety and security upgrades, including an emergency power generator. TSBVI requests \$0.2 million in General Revenue for additional technology and information resources upgrades. (See Section 5, Items # 3 and #4).

**School for the Blind and Visually Impaired  
Rider Highlights - House**

**Modification of Existing Riders**

4. **Educational Professional Salary Increases.** Recommendations amend this rider to require the computation of salary increases to be submitted no later than October 15, rather than November 1, to ensure that salary increases are accounted for in LBB recommendations.

**School for the Blind and Visually Impaired**  
**Items Not Included in Recommendations - House**

**Section 5**

	2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
	GR & GR-D	All Funds	FTEs			

**Agency Exceptional Items Not Included (in agency priority order)**

1)	General Revenue funding to grow Statewide Outreach and Technical Assistance programs.	\$1,400,000	\$1,400,000	5.0	No	No	\$1,400,000
2)	General Revenue funding to increase pass-through funding to Texas Universities to support teacher preparation programs.	\$400,000	\$400,000	0.0	No	Yes	\$400,000
3)	Onetime General Revenue funding for an emergency regeneration power project and to increase existing security systems on campus.	\$2,500,000	\$2,500,000	0.0	Yes	Yes	\$0
4)	General Revenue funding for technology and information resources upgrades.	\$200,000	\$200,000	0.0	Yes	Yes	\$60,000
5)	General Revenue funding for student travel home on the weekends.	\$700,000	\$700,000	0.0	No	Yes	\$700,000
6)	Onetime General Revenue funding for accessible playground equipment and upgrades.	\$500,000	\$500,000	0.0	No	Yes	\$0
7)	General Revenue funding for increased utility costs.	\$100,000	\$100,000	0.0	No	No	\$100,000

**Agency Rider Edit Requests Not Included**

4)	<b>Educational Professional Salary Increases.</b> Agency requests amending the rider to include an additional \$2,500 annual stipend for each contracted professional at the Texas School for the Blind and Visually Impaired.	\$675,000	\$675,000	0.0	No	No	\$675,000
----	--	-----------	-----------	-----	----	----	-----------

<b>TOTAL Items Not Included in Recommendations</b>		<b>\$6,475,000</b>	<b>\$6,475,000</b>	<b>5.0</b>			<b>\$3,335,000</b>
--	--	--------------------	--------------------	------------	--	--	--------------------

**School for the Blind and Visually Impaired**  
**Appendices - House**

<b>Table of Contents</b>		
<b>Appendix</b>	<b>Appendix Title</b>	<b>Page</b>
<b>A</b>	Funding Changes and Recommendations by Strategy	8
<b>B</b>	Summary of Federal Funds	*
<b>C</b>	FTE Highlights	10

\* Appendix is not included - no significant information to report

School for the Blind and Visually Impaired  
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
CLASSROOM INSTRUCTION A.1.1	\$16,805,762	\$16,012,380	(\$793,382)	(4.7%)	Decrease reflects the removal of \$1.2 million onetime COVID funding, which is offset by a \$0.1 million increase in GR to maintain 6.0 percent salary increase implemented in fiscal year 2022 and a \$0.3 million increase in Other Funds, including Appropriated Receipts and Interagency Contracts.
RESIDENTIAL PROGRAM A.1.2	\$7,783,644	\$8,438,670	\$655,026	8.4%	Increase reflects the continuation of 6.0 percent salary increases implemented in fiscal year 2022 using salary savings from staff turnover.
SHORT-TERM PROGRAMS A.1.3	\$3,066,573	\$3,038,092	(\$28,481)	(0.9%)	Decrease reflects reprioritization of General Revenue in the agency's base request.
RELATED AND SUPPORT SERVICES A.1.4	\$16,527,596	\$13,609,240	(\$2,918,356)	(17.7%)	Decrease reflects the removal of \$2.4 million in onetime COVID funding and a \$1.4 million decrease in Interagency Contracts to reflect an anticipated decrease in SHARS funding, which is offset by a \$0.9 million increase for the continuation of the 6.0 percent salary increase implemented in fiscal year 2022.
<b>Total, Goal A, ACADEMIC AND LIFE TRAINING</b>	<b>\$44,183,575</b>	<b>\$41,098,382</b>	<b>(\$3,085,193)</b>	<b>(7.0%)</b>	
TECHNICAL ASSISTANCE B.1.1	\$4,790,880	\$4,824,340	\$33,460	0.7%	Increase reflects reprioritization of General Revenue in the agency's base request.
PROF ED IN VISUAL IMPAIRMENT B.1.2	\$2,621,033	\$2,839,106	\$218,073	8.3%	Recommendations reflect increases due to savings in the 2022-23 biennium from universities that served fewer students than projected due to the coronavirus pandemic.
<b>Total, Goal B, STATEWIDE RESOURCE CENTER</b>	<b>\$7,411,913</b>	<b>\$7,663,446</b>	<b>\$251,533</b>	<b>3.4%</b>	
EDUC PROF SALARY INCREASES C.1.1	\$226,667	\$453,334	\$226,667	100.0%	Recommendations include \$0.2 million for Educational Professional Salary Increases to maintain salary increases implemented in fiscal year 2022. (See Section 3, Item #1). This amount is an estimated appropriation. Recommendations reflect the actual cost for fiscal year 2023 in the each year of the 2024-25 biennium.
<b>Total, Goal C, EDUCATIONAL PROF SALARY INCREASES</b>	<b>\$226,667</b>	<b>\$453,334</b>	<b>\$226,667</b>	<b>100.0%</b>	
CENTRAL ADMINISTRATION D.1.1	\$4,402,985	\$4,693,004	\$290,019	6.6%	
OTHER SUPPORT SERVICES D.1.2	\$2,157,832	\$2,289,388	\$131,556	6.1%	

School for the Blind and Visually Impaired					
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS					
Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
Total, Goal D, INDIRECT ADMINISTRATION	\$6,560,817	\$6,982,392	\$421,575	6.4%	Recommendations include \$0.4 million to maintain funding for 6.0 percent salary increases implemented in fiscal year 2022 and increase in the exempt salary authority for the Superintendent.
SALARY ADJUSTMENTS E.1.1	\$0	\$2,594,495	\$2,594,495	100.0%	Recommendations include \$2.6 million to fund statewide employee salary increases.
Total, Goal E, SALARY ADJUSTMENTS	\$0	\$2,594,495	\$2,594,495	100.0%	
Grand Total, All Strategies	\$58,382,972	\$58,792,049	\$409,077	0.7%	



**School for the Blind and Visually Impaired  
FTE Highlights - House**

<b>Full-Time-Equivalent Positions</b>	<b>Expended 2021</b>	<b>Estimated 2022</b>	<b>Budgeted 2023</b>	<b>Recommended 2024</b>	<b>Recommended 2025</b>
Cap	370.9	371.2	371.2	371.2	371.2
Actual/Budgeted	325.5	329.2	370.9	NA	NA

<b>Schedule of Exempt Positions (Cap)</b>					
Superintendent, Group 5	\$142,159	\$159,993	\$159,993	\$166,470	\$166,470

Note: Agency requests amendment to the Texas Education Code 30.023(d) to remove the provision that states that the annual salary of the Superintendent may not exceed 120.0 percent of the annual salary of the highest paid instructional administrator at the school.



# **VISION OF THE BOARD AND STAFF OF THE TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED**

All Texas students who are blind, visually impaired, or deafblind will be empowered to lead productive and fulfilling lives.

## **Mission of the Texas School for the Blind and Visually Impaired**

We serve as a leading center of expertise and resources, working in partnership with schools, families, communities, and organizations to transform outcomes for students, ages birth to 22, who are blind, visually impaired, or deafblind.

## **Philosophy of the Texas School for the Blind and Visually Impaired**

We believe in the independence of students who are blind, visually impaired, or deafblind. All staff at TSBVI collaborate to increase student potential every day.

We believe that our mission, established by the people of Texas through our legislature, is to serve all students in Texas through partnership with families and local educational teams. By doing so, TSBVI ensures that Texas receives the greatest value for its investment in the promising future of our students.

We believe that the expertise developed at TSBVI since 1856 continues to grow in its leadership for the entire state. We are committed to using this expertise to eliminate barriers through instruction in all areas of the Core and the Expanded Core Curriculum.

We believe that the State of Texas has established a statewide educational system for our students that is widely recognized as among the very best in the nation. TSBVI is honored to play a key role in the achievement of this recognition.

## **Long-Range Strategic Goals**

**Strategic Goals:** TSBVI will be a leader in providing statewide expertise and resources.

- A. Students with visual impairment will demonstrate knowledge, skills, and agency to lead vocationally, personally, and socially satisfying lives.
- B. Students with visual impairment will have access to quality education based on appropriate assessment, curriculum, and instruction.
- C. Students with visual impairment will receive a quality education from qualified professionals and trained staff.
- D. Parents of students who are blind, visually impaired, and deafblind will have a thorough understanding of their child's visual impairment and instruction in specialized skills needed to maximize learning.
- E. Partnerships will be developed so that students with visual impairment have quality resources available at the TSBVI campus and in their home district.
- F. TSBVI staff will contribute to the accomplishment of the school's mission by providing high quality products and services.
- G. Students and staff will learn and work in a quality state-of-the-art campus.





## **Texas School for the Blind and Visually Impaired 88<sup>th</sup> Legislative Session – Exceptional Items**

The Texas School for the Blind and Visually Impaired (TSBVI) requests consideration of the following exceptional items for the biennium.

### **1. Grow Statewide Outreach and Technical Assistance - \$1,400,000**

- TSBVI is seeking to add 5 FTE's to our Outreach department and also increased travel funding to provide expertise access to more districts across the state of Texas.
- In the past five years, an additional 1,000 students have been identified as blind, visually impaired, or deafblind in our state, which has increased our state population by 10%. As a state resource for all students identified in Texas, we are tasked with providing consultation, mentoring, training, family support, and technical assistance to any professional, family member, or student related to any level of visual impairment in our state.
- SBEC also approved a new certification for Teachers of Students who are Deafblind, which will need statewide support for implementation.

### **2. Increase University Funding - \$400,000**

- TSBVI provides "flow-through" funding to Texas Tech University and Stephen F. Austin University to support the teacher preparation programs for Teachers of Students with Visual Impairment, Certified Orientation and Mobility Providers, and Teachers of Students who are Deafblind.
- This would provide an extra \$100,000 per year to each University, which they believe would support an additional 20 teachers in training across the state per year.

### **3. School Campus Safety and Security Upgrades - \$2,500,000**

- The campus currently has minimal back-up power source and not enough to maintain operations. Installing campus wide generator power is part of our emergency operations plan, but we have not yet been able to fund it.
- We used a \$25,000 grant to purchase a portion of new radios four years ago, but are again in need of updating many of them and adding additional radios to campus.
- GEER funding was utilized for new fences on campus and supplies for rekeying in 21-22, however we still need to add additional security cameras throughout campus, complete our rekeying project, and install an intercom system at our main entrance.

### **4. Technology/ Information Resources Upgrades and Support - \$200,000**

- TSBVI needs funding to upgrade our wireless network campus wide. Our wireless network is over ten years old and devices are now unsupported, which also poses security risks without regular updates.

### **5. Weekends Home Transportation - \$700,000**

- TSBVI currently covers the transportation costs from local funds for travel home on weekends when our campus isn't closed, which is most of our students on most weekends.
- Travel costs increased due to weekend staffing issues and transporting almost all students weekly.
- The cost of air travel and charter buses continues to rise.

### **6. Accessible Playground Equipment and Upgrades - \$500,000**

- TSBVI's playground is currently inaccessible to students in wheelchairs and those with significant orthopedic impairments. 75% of our on-campus students have disabilities in addition to blindness.

### **7. Utility Cost Increases - \$100,000**

- Austin Energy is currently proposing at least a 6% increase in utility costs.

# School for the Deaf Summary of Budget Recommendations - House

Page III-40  
 Claire Bugen, Superintendent  
 Emily Navarrette, LBB Analyst

Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$41,057,587	\$44,662,906	\$3,605,319	8.8%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$41,057,587	\$44,662,906	\$3,605,319	8.8%
Federal Funds	\$3,840,985	\$2,017,700	(\$1,823,285)	(47.5%)
Other	\$25,750,488	\$28,124,638	\$2,374,150	9.2%
All Funds	\$70,649,060	\$74,805,244	\$4,156,184	5.9%

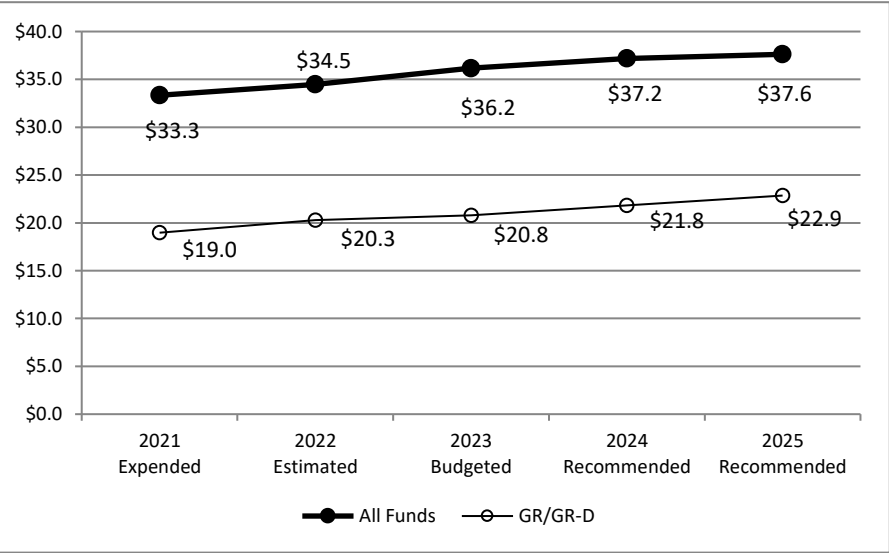
	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	445.1	445.1	0.0	0.0%

## Agency Budget and Policy Issues and/or Highlights

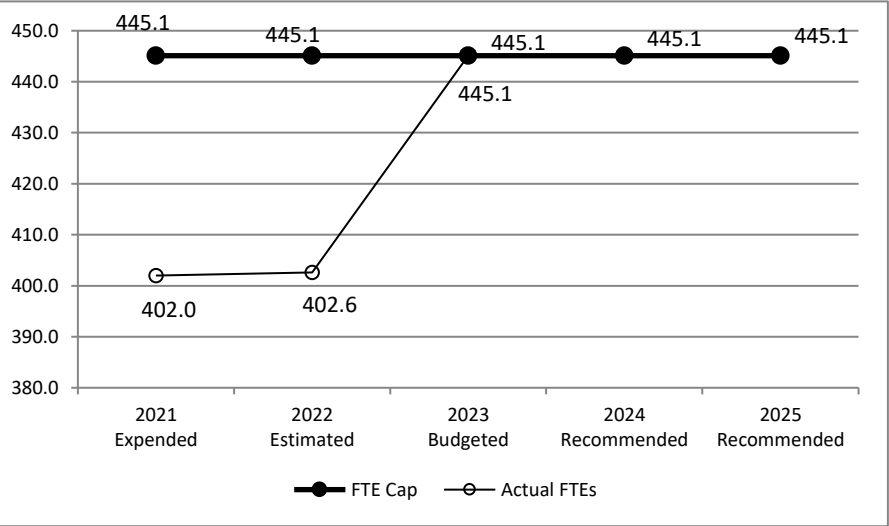
The Federal Funds decrease reflects the removal of onetime coronavirus relief funds received in the 2022-23 biennium.

The bill pattern for this agency (2024-25 Recommended) represents an estimated 81.9% of the agency's estimated total available funds for the 2024-25 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



**School for the Deaf**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<b><i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i></b>							
A)	Funding to maintain fiscal year 2022 and 2023 teacher salary increases in the 2024-25 biennium, based on salary increases granted by Austin ISD.	\$0.5	\$0.0	\$0.0	\$0.0	\$0.5	A.1.1, A.1.2, A.1.3, A.1.4, and C.1.1
<b><i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i></b>							
B)	Decrease in Federal Funds to reflect the removal of onetime coronavirus relief funding.	\$0.0	\$0.0	(\$1.8)	\$0.0	(\$1.8)	A.1.1, A.1.2, A.1.3, A.1.4, A.1.5, B.1.2, and D.1.2
C)	Increase in Other Funds (Appropriated Receipts) to transition costs funded using federal ESSER funding to Appropriated Receipts.	\$0.0	\$0.0	\$0.0	\$1.0	\$1.0	A.1.1, A.1.2, A.1.3, A.1.4, A.1.5, B.1.1, B.1.2, D.1.1, and D.1.2
D)	Increase in Other Funds (Interagency Contracts) to reflect anticipated increase in Student Health and Related Services (SHARS) funding.	\$0.0	\$0.0	\$0.0	\$1.4	\$1.4	A.1.1, A.1.2, A.1.3, A.1.4, A.1.5, B.1.1, B.1.2, and D.1.2
E)	Increase in General Revenue for general state employee salary increase.	\$3.1	\$0.0	\$0.0	\$0.0	\$3.1	E.1.1
<b>TOTAL SIGNIFICANT &amp; OTHER Funding Changes and Recommendations (in millions)</b>		<b>\$3.6</b>	<b>\$0.0</b>	<b>(\$1.8)</b>	<b>\$2.4</b>	<b>\$4.2</b>	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Increases</i>		\$3.6	\$0.0	\$0.0	\$2.4	\$6.0	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Decreases</i>		\$0.0	\$0.0	(\$1.8)	\$0.0	(\$1.8)	As Listed

NOTE: Totals may not sum due to rounding.

**School for the Deaf**  
**Selected Fiscal and Policy Issues - House**

1. **Impact of Educational Professional Salary Increases.** Texas Education Code §30.055 and Rider 3 of the agency's bill pattern require TSD to pay professional educators salaries equivalent to professional salary rates at Austin ISD. TSD's Education Professional Salary Increase strategy is an estimated appropriation that provides additional General Revenue to grant comparable salary increases to those adopted by AISD during the 2024-25 biennium. Rider 3 provides the agency with the authority necessary to receive these funds from the Comptroller of Public Accounts (CPA). Dollar amounts are calculated annually and documented in a letter sent to the LBB and CPA.

In fiscal year 2022, TSD was appropriated \$0.6 million in General Revenue to implement a 2.0 percent salary increase. In fiscal year 2023, TSD will draw \$0.6 million in General Revenue to maintain the fiscal year 2022 increase and an additional \$0.5 million to implement a base pay increase of about \$1,000, which varies by position and tenure, and the Professional Pathways for Teachers (PPfT) program. This program was adopted by AISD and allows teachers to earn additional pay for completing certification courses and targeted research projects.

Recommendations include an increase of \$0.5 million in General Revenue to maintain fiscal year 2023 salary levels in the 2024-25 biennium, but do not make assumptions about additional AISD salary increases in the 2024-25 biennium.

2. **Master Facilities Plan.** Recommendations do not include \$66.2 million for phase 3 of the Campus Master Plan, a facilities improvements and implementation plan. The 2022 update to the plan establishes the current facilities priorities, which include 56.3 million for renovations and expansions of dormitory and classroom facilities for the Adult Curriculum for Community Employment and Social Skills (ACCESS) program. TSD notes that the ACCESS program enrollment has grown by approximately 30 students over the last five years. The ACCESS program offers transition services for TSD graduates to develop job skills or prepare for college or post-secondary training. The program also offers further education on life skills such as personal finance, meal preparation, and social skills. TSD provides housing for students in the ACCESS program and requests \$47.0 million for a new housing unit to be able to house 64 students. TSD also requests \$9.3 million for renovation and expansion of ACCESS program classrooms.

Recommendations do not include TSD's exceptional item requests for two additional components of phase 3 of the Campus Master Plan. TSD requests \$0.5 million for renovations to a campus security entrance and \$9.5 million for rehabilitation of a condemned gymnasium basement to create elementary multipurpose recreational space.

3. **Superintendent Retirement.** The current Superintendent has been with TSD for 47 years, including 24 years as Superintendent, and has indicated she plans to retire. In fiscal year 2022 the Superintendent's salary was increased from \$148,908 in Group 4 to \$171,688 in Group 5. TSD notes that this increase was based on an evaluation of leadership in the following areas: instructional management, student services management, staff development and professional growth, facilities and operation, fiscal management, board relations, and community relations. TSD notes that the increase was implemented to enable TSD to offer competitive compensation when filling the position. Recommendations also include an increase in the Superintendent's salary to \$174,094 for fiscal years 2024 and 2025.

**School for the Deaf  
Rider Highlights - House**

**Modification of Existing Riders**

2. **Capital Budget.** Recommendations provide \$610,000 in capital budget authority from available Interagency Contracts funding for vehicles for student transportation.
3. **Educational Professional Salary Increases.** Recommendations amend this rider to require the computation of salary increases to be submitted no later than October 15, rather than November 1, to ensure that salary increases are accounted for in LBB recommendations.

**School for the Deaf**  
**Items Not Included in Recommendations - House**

		2024-25 Biennial Total					
		GR & GR-D	All Funds	FTEs	Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
Agency Exceptional Items Not Included (in agency priority order)							
1)	Onetime General Revenue funding for phase 3 of the Campus Master Plan, including \$47.0 million for a new housing unit and \$9.3 million for classroom expansion and renovation for the ACCESS program.	\$56,280,465	\$56,280,465	0.0	No	Yes	\$0
2)	Onetime General Revenue funding for phase 3 of the Campus Master Plan, including \$0.5 million for renovations to a campus security entrance.	\$502,648	\$502,648	0.0	No	Yes	\$0
3)	Onetime General Revenue funding for phase 3 of the Campus Master Plan, including \$9.5 million for rehabilitation of elementary mulitpurpose recreational space.	\$9,457,989	\$9,457,989	0.0	No	Yes	\$0
Agency Rider Edit Requests Not Included							
3)	<b>Educational Professional Salary Increases.</b> Agency requests amending the rider to include an additional \$2,500 annual stipend for each contracted professional at the Texas School for the Deaf.	\$800,000	\$800,000	0.0	No	No	\$800,000
TOTAL Items Not Included in Recommendations		\$67,041,102	\$67,041,102	0.0	\$800,000		



**School for the Deaf  
Appendices - House**

<b>Table of Contents</b>		
<b>Appendix</b>	<b>Appendix Title</b>	<b>Page</b>
<b>A</b>	Funding Changes and Recommendations by Strategy	7
<b>B</b>	Summary of Federal Funds	*
<b>C</b>	FTE Highlights	8

\* Appendix is not included - no significant information to report

**School for the Deaf**  
**Funding Changes and Recommendations by Strategy - House -- ALL FUNDS**

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
CLASSROOM INSTRUCTION A.1.1	\$19,348,839	\$19,553,912	\$205,073	1.1%	<ul style="list-style-type: none"> <li>• Recommendations reflect an increase of \$0.5 million for Educational Professional Salary Increases to maintain salary increases implemented in fiscal year 2023. (See Section 3, Item #1).</li> <li>• Recommendations include an increase of \$1.0 million in Appropriated Receipts to transition costs of personnel funded with Elementary and Secondary School Emergency (ESSER) funds to Appropriated Receipts associated with the Foundation School Program allotment.</li> <li>• Recommendations include a \$1.4 million increase in Interagency Contracts associated with an anticipated increase in Student Health and Related Services (SHARS) funding.</li> <li>• Recommendations include a \$1.5 million decrease in Federal Funds to reflect the removal of onetime COVID funding and a \$0.3 million decrease in Federal Funds associated with anticipated decreased grant funding.</li> </ul>
RESIDENTIAL PROGRAM A.1.2	\$10,185,299	\$10,350,120	\$164,821	1.6%	
RELATED AND SUPPORT SERVICES A.1.3	\$13,706,580	\$13,833,884	\$127,304	0.9%	
CAREER AND TRANSITION PROGRAMS A.1.4	\$5,839,030	\$6,135,122	\$296,092	5.1%	
STUDENT TRANSPORTATION A.1.5	\$5,044,605	\$5,530,212	\$485,607	9.6%	
<b>Total, Goal A, ACADEMIC, LIFE, AND WORK TRAINING</b>	<b>\$54,124,353</b>	<b>\$55,403,250</b>	<b>\$1,278,897</b>	<b>2.4%</b>	
SPECIALIZED ASSISTANCE B.1.1	\$3,153,210	\$3,233,938	\$80,728	2.6%	<ul style="list-style-type: none"> <li>• Recommendations include a \$1.5 million decrease in Federal Funds to reflect the removal of onetime COVID funding and a \$0.3 million decrease in Federal Funds associated with anticipated decreased grant funding.</li> </ul>
STATEWIDE OUTREACH PROGRAMS B.1.2	\$2,707,968	\$2,699,588	(\$8,380)	(0.3%)	
<b>Total, Goal B, OUTREACH AND RESOURCE SERVICES</b>	<b>\$5,861,178</b>	<b>\$5,933,526</b>	<b>\$72,348</b>	<b>1.2%</b>	
EDUC PROF SALARY INCREASES C.1.1	\$1,122,017	\$997,534	(\$124,483)	(11.1%)	<ul style="list-style-type: none"> <li>• Recommendations include a \$1.5 million decrease in Federal Funds to reflect the removal of onetime COVID funding and a \$0.3 million decrease in Federal Funds associated with anticipated decreased grant funding.</li> <li>Additionally, other changes reflect the reallocation of General Revenue funding in the agency's base request used for nonrecurring expenses in the 2022-23 biennium.</li> </ul>
<b>Total, Goal C, EDUCATIONAL PROF SALARY INCREASES</b>	<b>\$1,122,017</b>	<b>\$997,534</b>	<b>(\$124,483)</b>	<b>(11.1%)</b>	
CENTRAL ADMINISTRATION D.1.1	\$4,482,710	\$4,818,566	\$335,856	7.5%	
OTHER SUPPORT SERVICES D.1.2	\$5,058,802	\$4,550,628	(\$508,174)	(10.0%)	
FACILITY CONSTRUCT., REPAIR & REHAB 4.1.3	\$0	\$0	\$0	0.0%	
<b>Total, Goal 4, INDIRECT ADMINISTRATION</b>	<b>\$9,541,512</b>	<b>\$9,369,194</b>	<b>(\$172,318)</b>	<b>(1.8%)</b>	
SALARY ADJUSTMENTS E.1.1	\$0	\$3,101,740	\$3,101,740	100.0%	<ul style="list-style-type: none"> <li>• Recommendations reflect an increase of \$3.1 million for general statewide employee salary increases.</li> </ul>
<b>Total, Goal E, SALARY ADJUSTMENTS</b>	<b>\$0</b>	<b>\$3,101,740</b>	<b>\$3,101,740</b>	<b>100.0%</b>	
<b>Grand Total, All Strategies</b>	<b>\$70,649,060</b>	<b>\$74,805,244</b>	<b>\$4,156,184</b>	<b>5.9%</b>	

School for the Deaf  
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2021	Estimated 2022	Budgeted 2023	Recommended 2024	Recommended 2025
Cap	445.1	445.1	445.1	445.1	445.1
Actual/Budgeted	402.0	402.6	445.1	NA	NA

Schedule of Exempt Positions (Cap)					
Superintendent, Group 5	\$148,908	\$171,688	\$171,688	\$174,094	\$174,094

Note: During the Eighty-seventh Legislature, Regular Session, 2021, the exempt position salary was increased and moved from Group 4 to Group 5 to offer competitive compensation in anticipation of the retirement of the current Superintendent. Recommendations for the 2024-25 biennium also include an additional increase to the exempt salary (See Section 3, Item #3).



# Texas School for the Deaf

2024 – 2025 Legislative Appropriations Request  
House Appropriations Subcommittee on Article III  
February 27, 2023



Claire Bugen, Superintendent  
[claire.bugen@tsd.state.tx.us](mailto:claire.bugen@tsd.state.tx.us)  
512-462-5300

Justin Wedel, Chief Financial Officer  
[justin.wedel@tsd.state.tx.us](mailto:justin.wedel@tsd.state.tx.us)  
512-462-5351

LeAnn Loyola, Budget & Contracting Manager  
[leann.loyola@tsd.state.tx.us](mailto:leann.loyola@tsd.state.tx.us)  
512-462-5351

Gabriel Cardenas, Public Information Officer  
[gabriel.cardenas@tsd.state.tx.us](mailto:gabriel.cardenas@tsd.state.tx.us)  
512-462-5372







## Since 1856...

**Texas School for the Deaf** is an innovative leader among deaf schools, providing exemplary and comprehensive ASL/English bilingual education empowering students to be engaged, life-long learners. We are a welcoming, dynamic and diverse community collaborating with the global community.

**TSD's Mission** to provide comprehensive education and residential programs for deaf and hard of hearing students, ages birth through twenty-two, including those with additional disabilities and to serve as a Statewide Outreach Center providing outreach, technical assistance, and short-term programs to parents, professionals, and students across Texas (Texas Education Code §§30.051 - 30.059).

## Highlights Since Last Session...

- Earned full accreditation from CEASD (Conference of Educational Administrators of Schools and Programs for the Deaf).
- 48% of graduating seniors accepted in post-secondary education programs.
- Technical assistance provided to 81,000+ stakeholders via social media, website visits, ASL Storytelling Live, Deaf Mentor Program, Family Signs, Mental Health Training, and conferences and workshops.
- Expanded birth to age 3 care and coordination services to 6,595 stakeholders.
- Increased the number of students taking dual college credit classes via ongoing collaboration with Texas Workforce Commission (TWC) and Austin Community College (ACC) in Visual/Graphic Communication, Automotive Technology, and Welding Technology in addition to several academic dual credit classes.
- Middle School VEX Robotics Team(s) dominated in national competitions and qualified for both the U.S. and World Championship competitions in 2022.
- Added a second robotics team in High School.
- Three TSD students were selected to compete in Deaflympics held in Brazil.
- Hosted the Grand Opening of the Administrative Welcome Center and Early Learning Center funded by the 85th Legislature.
- Made several safety improvements including added new perimeter fencing, new S. Congress Ave. monitoring gate, and a number of electronic card readers for building entry.
- Hired a new Chief Safety Officer.



TSD's 2022 Graduation Ceremony



TSD hosted first-ever Deaf Authors Book Festival

# Our Students in the 21-22 School Year...

- 534 students from 64 counties and approximately 122 unique school districts were served in regular school year programs, and an additional 423 students served through summer and short-term programs.
- 227 reside at TSD and 307 are Austin / Tri-County area students.
- 43% are Caucasian, 34% Hispanic, 15% African American, 6% Asian, and 1% Native American.
- 37% are deaf only. 63% have additional disabilities, namely: speech impairment, other health impairments, intellectual disabilities, multiple disabilities, emotional disturbances, orthopedic impairments, visual impairments, learning disabilities, autism, and deafblindness.

# Our Challenges...

- Unable to recruit and retain teachers and specialized related and support staff.
- Numerous unfunded mandates place additional pressure and stressors on special education administrative and teaching staff; most notably HB 4545, Safety Mandates, Reading Academies and the Science of Teaching Reading Test (STR).
- Many staff critical to student services are struggling with the cost of living increases and low wages.
- Enrollment increases in students with additional disabilities generating a high demand for uniquely qualified staff in specialized instructional and related services.
- The mandate to provide all eligible TSD students to a free and appropriate public education (FAPE) under the Individuals with Disabilities Act (IDEA).
- The expanse and number of buildings on our campus create many safety and security challenges.



DPS Safety Patrols Welcomed by Superintendent, Pre-schoolers, and Board President



CODA Academy Award Winner Visits TSD



Belonging is valued at TSD



## Texas School for the Deaf • 2024 – 2025 LAR Exceptional Items

### Exceptional Item 1: Master Plan Funding for Housing and Classroom Facilities for ACCESS (18+) Program

Two-Story Housing Unit with 16 four-bedroom transitional apartments for up to 64 students

\$47,006,809

Renovation and Classroom Expansion

\$ 9,273,656

*Exceptional Item 1 Total Request*

*\$56,280,465*

We are requesting funds to build a 2-story housing unit with 16 four-bedroom apartments designed to accommodate 64 students learning critical independent living and life skills. We are also requesting funds to add 5 classrooms to our existing Kleberg Building.

Students with disabilities, including many deaf students attending TSD and other programs across the state, may not be ready for graduation following the typical K-12 educational path. Often, they arrive late at TSD, suffer from language deprivation and have not been provided an Individualized Education Plan (IEP) that meets their needs. These students often need additional transition services to develop job skills or prepare for college or post-secondary training. Others may need further education on life skills like learning to balance a checkbook, prepare a meal, or build social skills to be successful in the workplace.

TSD provides these post-secondary services through our ACCESS program (Adult Curriculum for Community Employment and Social Skills), a state approved graduation option for special education students aged 18-22 who need additional services.

ACCESS student enrollment has increased from 40 at the end of the 18-19 school year to 67 students currently with 1 admission application pending. Our current on campus housing is dispersed across the campus in a variety of dorms designed for younger students and old cottages slated for demolition. Our classrooms are makeshift from cubical-partitioned walls in an outdated vocational building which can no longer accommodate the student numbers in the program.



Current ACCESS 18+ Transitional Housing



Current Makeshift Classrooms

### Exceptional Item 2: Addition of Elizabeth Street Security Booth and Electronic Gate

Elizabeth Street Security Gate Improvements

*Exceptional Item 2 Total Request*

*\$502,648*

We are requesting funds to complete a campus security gate at the Elizabeth Street entrance, similar to the recently improved South Congress gate, funded by the 86<sup>th</sup> Legislature.

Campus safety and security begins at the perimeter of our 66-acre campus at the foot of downtown Austin. Restricting access to our campus is our first line of protection for students, faculty and staff and visitors.

This would include a reconfiguration of the roadway entrance on Elizabeth Street, a center island security booth with electronic arm swing gates for autos and buses, and installation of new cameras and license plate readers to control both visitor and pedestrian access. These gates not only serve to deter unwanted visitors but they also serve as our visitor management system.



Current Elizabeth Gate Entrance



Improved South Congress Gate

## Texas School for the Deaf • 2024 – 2025 LAR Exceptional Items

### Exceptional Item 3: Renovation and re-purposing of the lower level of Clinger Gym as an Elementary Recreation Center

#### Clinger Gym Lower-Level Restoration

#### Exceptional Item 3 Total Request

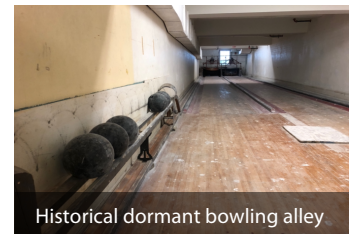
**\$9,457,989**

We are requesting funds to renovate the lower level of Clinger Gymnasium. Built in 1928, the lower level of this building remains inaccessible for students and staff due to multiple safety and code violations. This funding would repurpose the lower level to an elementary age multipurpose activity center. The basement also houses a historic two-lane bowling alley which would be restored to working condition for student use.

Recreation is important to all of our students but it is especially important at the younger ages. Our 125 + elementary aged students currently have no dedicated after school recreation space. Deaf and hard of hearing students, whether they reside on campus or attend as day students, need strong recreational programming to build their social and emotional well-being, positive socialization with peers and enhanced self-esteem and self-confidence. We consistently get requests for elementary families to offer more opportunities for their children to participate in social and recreational programs provided by staff who are trained in working with individual disabilities and providing sign language access.



Rooms in poor conditions



Historical dormant bowling alley

### Rider 3 Language Adjustment (No Change to the Education Code)

#### Allow TSD to Increase Funding for Special Education Stipends

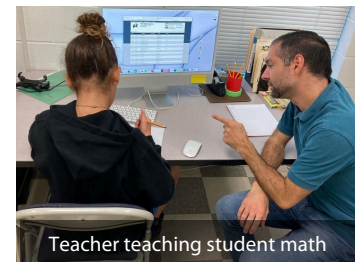
Our last request is a minor change to our Rider on professional salary increases. This request is consistent with recommendation #6 in the Texas Commission on Special Education Funding Report to the Legislature, which reads as follows: *“Appropriate funds to offer salary stipends to special education teachers and paraprofessionals.”*

The rider change requests an increase in current special education stipends to \$2,500. The mechanism for drawing down these funds remains unchanged and is already established in the Rider.

Making this change in the rider will help us combat the challenge of recruiting and retaining special education certified staff that must have more highly specialized skills to meet the needs of our students than traditional special education teachers. Our teachers and support service providers must be highly qualified in their grade level content area and subject matter, hold deaf education certification or a license in their discipline, and must also be bilingual in English and American Sign Language (ASL).

***Rider 3. Educational Professional Salary Increases.*** *The funds appropriated in Strategy C.1.1, Educational Professional Salary Increases, are estimated General Revenue amounts contingent upon the increases granted to comparable educational professionals, including assignment stipends, in the Austin Independent School District, pursuant to Texas Education Code §30.055(b)(1). In addition to increases granted to comparable educational professionals in the Austin Independent School District, an additional annual stipend in the amount \$2,500 will be added for each contracted professional at the Texas School for the Deaf.*

*No later than November 1 of each year of the biennium, the Texas School for the Deaf shall submit, in a form acceptable to the Legislative Budget Board and the Governor, a computation of the abovementioned salary increases. Computations of salary increases in fiscal years 2024 and 2025 shall be based on fiscal year 2021 actual amounts. It is the intent of the Legislature that the school include in each year of the 2026-27 biennium baseline budget request that actual amount expended for salary increases in fiscal year 2025.*



Teacher teaching student math



Teacher teaching student reading



Texas Education Agency  
Summary of Budget Recommendations - House

Page III-I

Scott Lewis, LBB, TEA non-FSP Programs and Administration

Mike Morath, Commissioner of Education

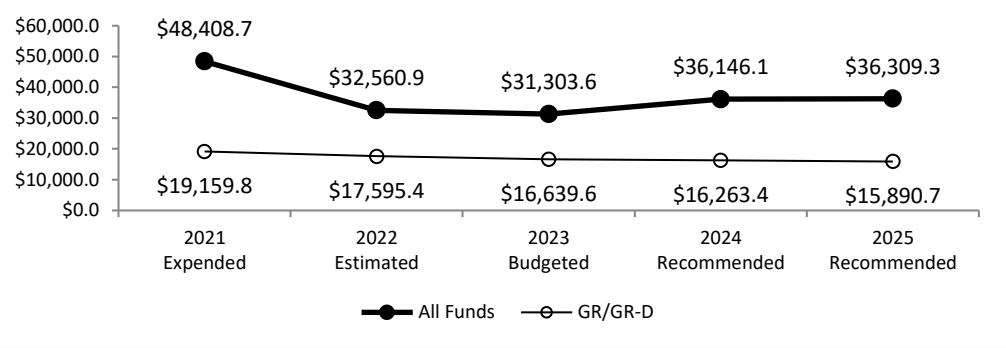
Maggie Jebson, LBB, TEA FSP

Foundation School Program Only (Less Set-Asides)				
Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$31,181,970,541	\$29,817,835,480	(\$1,364,135,061)	(4.4%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$31,181,970,541	\$29,817,835,480	(\$1,364,135,061)	(4.4%)
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$16,600,580,712	\$27,785,408,477	\$11,184,827,765	67.4%
All Funds	\$47,782,551,253	\$57,603,243,957	\$9,820,692,704	20.6%

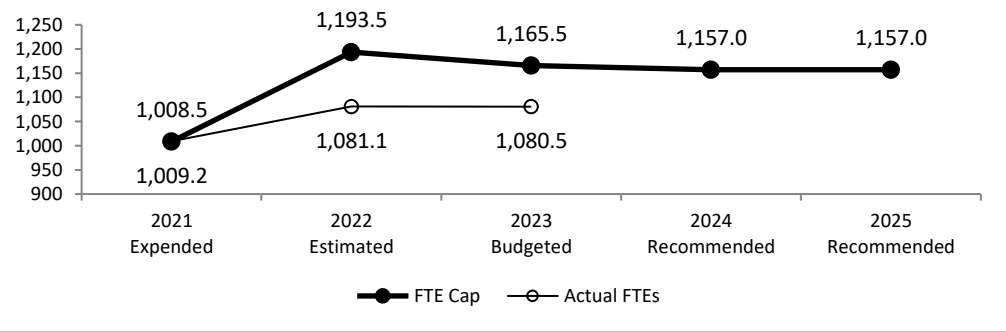
Non-FSP, Administration, and FSP Set-Asides				
Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$3,053,066,730	\$2,336,285,653	(\$716,781,077)	(23.5%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$3,053,066,730	\$2,336,285,653	(\$716,781,077)	(23.5%)
Federal Funds	\$12,706,019,114	\$12,488,360,075	(\$217,659,039)	(1.7%)
Other	\$322,871,028	\$27,559,142	(\$295,311,886)	(91.5%)
All Funds	\$16,081,956,872	\$14,852,204,870	(\$1,229,752,002)	(7.6%)

TEA Total				
Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$34,235,037,271	\$32,154,121,133	(\$2,080,916,138)	(6.1%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$34,235,037,271	\$32,154,121,133	(\$2,080,916,138)	(6.1%)
Federal Funds	\$12,706,019,114	\$12,488,360,075	(\$217,659,039)	(1.7%)
Other	\$16,923,451,740	\$27,812,967,619	\$10,889,515,879	64.3%
All Funds	\$63,864,508,125	\$72,455,448,827	\$8,590,940,702	13.5%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



Agency Budget and Policy Issues and/or Highlights

Foundation School Program (FSP) recommendations include \$15.0 billion for property tax relief and updates to major budget drivers including property value growth, enrollment growth, property tax rates, and the guaranteed yield on golden pennies.

The General Revenue reduction for Non-FSP is primarily attributable to \$598.6 million in onetime funding for programs associated with House Bill 1525, 87th Legislature, \$415.0 million in onetime funding for fiscal year 2023 added through Budget Execution Order for school safety, and the exclusion of the instructional materials unexpended balance of \$313.7 million in the agency's base. Fiscal year 2021 All Funds level reflects \$17.8 billion in onetime federal coronavirus relief funds.

The bill pattern for this agency (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

**Texas Education Agency**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
---	--------------------	--------------	------------------	-------------	-----------	---------------------------

***SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):***

A)	<b>Additional Property Tax Relief:</b> Other Funds are projected to increase due to a transfer of funds to the Property Tax Relief Fund intended for additional property tax relief above amounts required by current law.	\$0.0	\$0.0	\$0.0	\$9,725.9	\$9,725.9	A.1.1
B)	<b>Maintenance and Operations:</b> All Funds are projected to increase, primarily attributable to increased costs associated with enrollment growth, property tax relief required by current law, and the golden penny yield.	(\$1,327.4)	\$0.0	\$0.0	\$1,458.9	\$131.6	A.1.1
C)	<b>Facilities:</b> Biennial costs for facilities are projected to decrease, primarily due to increasing property values in fiscal year 2023.	(\$36.8)	\$0.0	\$0.0	\$0.0	(\$36.8)	A.1.2

***SIGNIFICANT Non-FSP Program and Administration Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):***

D)	Technology & Instructional Materials: Based on 24.3 percent of the distribution from PSF to ASF. Recommendations include a \$620.7 million increase over 2022-23 appropriations, offset by a \$313.7 million reduction due to the exclusion of unexpended balance (see Selected Fiscal and Policy Issue #11).	\$307.0	\$0.0	\$0.0	\$0.0	\$307.0	B.2.1, B.3.2, B.3.4, B.3.5
E)	Reduction associated with onetime funding for Silent Panic Alert Technology (see Selected and Fiscal Policy Issue #12).	(\$17.1)	\$0.0	\$0.0	\$0.0	(\$17.1)	B.2.2
F)	Removal of onetime funding associated with House Bill 1525, 87th Legislature (see Selected and Fiscal Policy Issue #12).	(\$598.6)	\$0.0	\$0.0	\$0.0	(\$598.6)	A.2.1, A.2.2, A.2.3
G)	Expiration of federal coronavirus relief funds (see Selected and Fiscal Policy Issue #14) .	\$0.0	\$0.0	(\$448.8)	\$0.0	(\$448.8)	A.2.1, A.2.3, B.2.2, B.3.2
H)	Reduction associated with the establishment of the Permanent School Fund Corporation.	\$0.0	\$0.0	\$0.0	(\$35.9)	(\$35.9)	B.3.2, B.3.4, B.3.5
I)	Removal of funding associated with an expiring Department of State Health Services contract related to COVID-19 (see Selected Fiscal and Policy Issue #14).	\$0.0	\$0.0	\$0.0	(\$258.0)	(\$258.0)	A.2.1
J)	Increase funding for K-12 Data Privacy Initiative (see Selected and Fiscal Policy Issue #12)	\$55.0	\$0.0	\$0.0	\$0.0	\$55.0	B.3.5
K)	Removal of onetime School Safety Funds added through Budget Execution Order, October, 2022 (see Selected and Fiscal Policy Issue #13).	(\$415.0)	\$0.0	\$0.0	\$0.0	(\$415.0)	B.3.2
L)	Onetime funding in fiscal year 2023 for Maintenance of Financial Support payment to U.S. Department of Education.	(\$107.9)	\$0.0	\$0.0	\$0.0	(\$107.9)	A.1.1

**Texas Education Agency**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<b>OTHER Funding Changes and Recommendations</b> (these issues are not addressed in Section 3 but details are provided in Appendix A):							
M)	Increase in funding above base for assessment efforts associated with HB 3906 (86th Legislature).	\$1.5	\$0.0	\$0.0	\$0.0	\$1.5	B.1.1
N)	Transfer of funding for the Adult Charter School Program to the Foundation School Program.	(\$0.3)	\$0.0	\$0.0	\$0.0	(\$0.3)	A.2.1
O)	Reduction associated with expiration of onetime funding associated with Aeronautics Magnet Program.	(\$0.6)	\$0.0	\$0.0	\$0.0	(\$0.6)	A.2.4
P)	Expiration of Reading Excellence Team Pilot Program.	(\$1.2)	\$0.0	\$0.0	\$0.0	(\$1.2)	A.2.1
Q)	Reversing a transfer of funds from the FSP for a onetime Federal Special Education Payment.	(\$2.5)	\$0.0	\$0.0	\$0.0	(\$2.5)	A.2.3
R)	Onetime grants, discretionary transfer from Fund 193, realignment of administrative funds, and other adjustments.	(\$3.3)	\$0.0	(\$3.0)	(\$1.3)	(\$7.6)	A.2.1, A.2.2, A.2.3, B.1.1, B.3.1, B.3.3, A.2.4, B.2.4, B.2.3, B.3.2, B.3.4, B.3.5
S)	Reduction related to onetime funding for the electronic administration of assesement instruments.	(\$4.0)	\$0.0	\$0.0	\$0.0	(\$4.0)	B.1.1
T)	Updated federal funds estimates for various programs.	\$0.0	\$0.0	\$244.4	\$0.0	\$244.4	A.2.2, A.2.3, A.2.4, B.2.3, B.3.1
U)	Elimination of \$12.1 million in funding associated with Hurricane Harvey.	\$0.0	\$0.0	(\$12.1)	\$0.0	(\$12.1)	A.2.4
V)	Removal of onetime funding for a technology enhancment program.	\$0.0	\$0.0	(\$3.0)	\$0.0	(\$3.0)	A.2.1
W)	Increase in funding related to TEA and Windham School District salary increases.	\$25.7	\$0.0	\$4.9	\$0.0	\$30.6	B.2.4, B.3.2, C.1.1
X)	Increase in funding of Supplemental Special Education Services to eliminate program waitlist.	\$33.3	\$0.0	\$0.0	\$0.0	\$33.3	A.2.3
Y)	Increase administrative funding to cover shortfall after seperation of Permanent School Fund Corporation.	\$11.0	\$0.0	\$0.0	\$0.0	\$11.0	B.3.2, B.3.4, B.3.5
Z)	Increase funding for Academic Decathlon	\$0.2	\$0.0	\$0.0	\$0.0	\$0.2	A.2.1
<b>TOTAL SIGNIFICANT &amp; OTHER Funding Changes and Recommendations (in millions)</b>		<b>(\$2,080.9)</b>	<b>\$0.0</b>	<b>(\$217.7)</b>	<b>\$10,889.5</b>	<b>\$8,590.9</b>	As Listed
SIGNIFICANT & OTHER Funding Increases		\$433.7	\$0.0	\$249.3	\$11,184.8	\$11,867.8	As Listed
SIGNIFICANT & OTHER Funding Decreases		(\$2,514.7)	\$0.0	(\$466.9)	(\$295.2)	(\$3,276.8)	As Listed

NOTE: Totals may not sum due to rounding.

Texas Education Agency  
Selected Fiscal and Policy Issues - House

1. Foundation School Program Major Budget Drivers Assumptions and Yields

District Property Values				
Value Change		Budget Years Affected		
CPA Projections	TY19: +10.17%	TY19	→	FY20
	TY20: +5.61%	TY20	→	FY21
	TY21: +6.04%	TY21	→	FY22
	TY22: +17.40%	TY22	→	FY23
	TY23: +3.82 %	TY23	→	FY24
	TY24: +4.56%	TY24	→	FY25

Student Growth		
	Number of Students	Rate of Growth
FY19	15,792 ADA	0.32%
FY20	40,922 ADA	0.82%
FY21	-93,725 ADA	-1.85%
FY22	-118,818 ADA	-2.39%
FY23	161,252 ADA	3.33%
FY24	15,712 ADA	0.31%
FY25	15,698 ADA	0.31%

TEA Projections

Student Growth

TEA projects annual growth in compensatory education (1.3%), career & technical education (4.0%), FTEs served in special education settings (4.2%), and special education mainstream average daily attendance (ADA) (4.1%).

10-year average annual ADA growth is 0.5%.

In the 2024-25 biennium, an annual increase of 15,700 ADA is estimated to roughly translate to an increase of 63,000 WADA per year. With a statewide average revenue of about \$7,882 per WADA for the biennium, the additional state cost to fund student growth is approximately \$500 million per year.

District Property Values (DPV)

- The Comptroller projects modest property value growth in fiscal year 2024, primarily due to depressed demand in the housing market brought on by higher mortgage interest rates. The increased volatility in oil prices over the past year has made it more difficult to estimate the taxable value of mineral properties.
- Under current law, DPV growth reduces the level of state aid needed to meet entitlement.

Tax Effort

**Assumption:** On a statewide basis, districts will successfully pass tax ratification elections each year of the 2024-25 biennium, increasing state aid by \$100.0 million for FY 2024 and \$200.0 million in FY 2025. Currently, 23 districts, or 2.3 percent, have adopted the maximum Tier 2 enrichment tax rate of \$0.17 per \$100 of valuation; 344 districts, or 33.9 percent, have adopted enrichment tax rates of \$0.1358 and 402 districts, or 39.6 percent, have adopted enrichment tax rates of \$0.05.

Yields

**Basic Allotment: \$6,160 (no change)**

**Golden Penny Yield: \$126.21 per penny per WADA in FY2024 and \$129.52 per penny per WADA in FY2025.**

Statute establishes the minimum Basic Allotment at \$6,160, but allows a higher Basic Allotment to be established in the GAA. The recommendations continue the Basic Allotment at the same level as the 2022-23 biennium.

The Golden Penny Yield, which is applied to the first eight pennies levied above the compressed tax rate, is statutorily tied to the greater of 1.6 percent of the Basic Allotment or the yield for the district at the 96<sup>th</sup> percentile of wealth per weighted student in average daily attendance (WADA). For the 2024-25 biennium, recommendations assume the yield will be based on the yield for the 96<sup>th</sup> percentile district.

Please note, updated projections will be received in Spring 2023.		
Driver	Agency	Statutory Deadline
ADA, Special Program ADA, and FTEs	TEA	October 1 - even year March 1 - odd year
Tax Rate of Each District	CPA	February 1 - each year
Total Taxable Value in State for Following Biennium	CPA	October 1 - even year March 1 - odd year

FSP Items Specified in General Appropriations Act

Item	Rider	Appropriated		Recommended	
		FY2022	FY2023	FY2024	FY2025
Basic Allotment	3	\$6,160	\$6,160	\$6,160	\$6,160
State Compression Percentage (Highest Tier 1 Tax Rate)	3	91.34%	89.41%	80.52%	78.93%
Instructional Facilities Allotment	3	\$0	\$0	\$0	\$0
New Instructional Facilities Allotment	3	\$70.0 million	\$70.0 million	\$100.0 million	\$100.0 million
Transportation Allotment	5	Transportation allotment elements are established by rider #5			

- Recommendations return funding for the New Instructional Facilities Allotment to 2020-21 historical levels.
- Recommendations do not include appropriations for Instructional Facilities Allotment (IFA) program awards to be made in 2024-25 but continue to fully fund IFA awards made in previous biennia.

2022-23 Base Adjustment and 2024-25 Current Law Costs

		GR	All Funds
2022-23 FSP INITIAL APPROPRIATION (INCLUDING SET-ASIDES)		\$38,929.5	\$51,703.0
2022-23 All Funds BASE ADJUSTMENTS FROM 2020-21 APPROPRIATED (in millions)		GR	All Funds
Cost/(Savings)			
1	<b>Enrollment Decline.</b> Significant declines in actual attendance compared to appropriated levels, related to the coronavirus pandemic.	(\$2,105.5)	(\$2,105.5)
2	<b>District Property Value Change.</b> Estimated property value growth of 6.04 percent in fiscal year 2022 and 17.4 percent in fiscal year 2023, compared to budgeted growth of 1.84 percent and 4.36 percent for fiscal years 2022 and 2023, respectively.	(\$4,364.8)	(\$4,364.8)
3	<b>Tax Compression.</b> Additional compression resulting from additional property value growth.	\$1,684.3	\$1,684.3
4	<b>Settle-Up, Prior Year and Other Adjustments.</b> Primarily due to costs of overestimated attendance in fiscal year 2023, to be recouped during fiscal year 2024 settle-up.	\$899.9	\$899.9
TOTAL, 2022-23 ALL FUNDS COST ADJUSTMENT OVER 2022-23 APPROPRIATION		(\$3,886.2)	(\$3,886.2)
MOF Shifts			
5	<b>Recapture.</b> Revenue higher than appropriated, decreasing GR draw.	(\$2,370.7)	\$0.0
6	<b>Property Tax Relief Fund (PTRF).</b> Revenue higher than appropriated, decreasing GR draw.	(\$540.5)	\$0.0
7	<b>Tax Reduction and Excellence in Education Fund (TREE).</b> Revenue higher than appropriated, decreasing GR draw.	(\$915.9)	\$0.0
TOTAL, MOF SHIFTS		(\$3,827.1)	\$0.0
TOTAL, 2022-23 BASE ADJUSTMENTS		(\$7,713.3)	(\$3,886.2)
2022-23 FSP BASE (ADJUSTED)		\$31,216.2	\$47,816.8

NOTES:

1) Amounts shown are incremental increases or decreases to amounts previously estimated for enrollment, property value growth, tax compression, and other adjustments for the 2022-23 biennium.

2) 2022-23 Initial Appropriation was reduced by \$100.6 million and \$415.0 million in General Revenue for the Budget Execution Orders dated June 28, 2022 and October 27, 2022, respectively. These reductions are taken from the FSP savings identified in Total 2022-23 Base Adjustments.

3) Payments to districts are subject to settle-up. State overpayments are recouped in subsequent years; state underpayments are owed in September.

Total General Revenue-related MOF Shifts	
Available School Fund	(\$13.1)
Lottery Revenue	\$506.8
Foundation School Fund No. 193	(\$8,207.0)
Total	\$7,713.3

2024-25 FSP COSTS OVER 2022-23 BIENNIAL BASE (ADJUSTED) (in millions)		GR	All Funds
<b>Cost/(Savings)</b>			
1	<b>Enrollment Growth.</b> 63,000 additional WADA in each fiscal year.	\$2,527.5	\$2,527.5
2	<b>Property Tax Compression.</b> Biennialization of the 2023 tax compression in the 2024-25 biennium, and additional tax compression in the 2024-25 biennium.	\$3,078.5	\$3,078.5
3	<b>District Property Value Change.</b> Projected DPV growth of 3.82% in fiscal year 2024 and 4.56% in fiscal year 2025 results in reduced state costs.	(\$6,447.9)	(\$6,447.9)
4	<b>Golden Penny Yield.</b> Increase in the golden penny yield from \$98.56 in fiscal year 2023 to \$126.21 in fiscal year 2024 and \$129.52 in fiscal year 2025, due to historic property value growth and enrollment decline in the 2022-23 biennium.	\$2,366.7	\$2,366.7
5	<b>Coronavirus Federal Funding.</b> Amount required to replace onetime federal funding, which was used to supplant state funds to help districts respond to the pandemic.	\$1,109.2	\$1,109.2
6	<b>Maintenance of Equity.</b> Onetime General Revenue funding to meet maintenance of equity requirements for coronavirus federal funding.	(\$274.5)	(\$274.5)
7	<b>Winter Storm Uri.</b> Elimination of onetime funding for Winter Storm Uri relief.	(\$35.0)	(\$35.0)
8	<b>Settle-Up and Other Adjustments.</b> Primarily related to enrollment decline in 2023 compared to appropriated levels, realized as a savings during 2024 settle-up.	(\$2,229.8)	(\$2,229.8)
<b>TOTAL, 2024-2025 ALL FUNDS COST ADJUSTMENT OVER 2022-23 BASE</b>		<b>\$94.8</b>	<b>\$94.8</b>
<b>MOF Shifts</b>			
9	<b>Recapture.</b> Biennial increase in revenue, decreasing GR draw.	(\$1,732.8)	\$0.0
10	<b>Property Tax Relief Fund (PTRF).</b> Biennial decrease in revenue, increasing GR draw.	\$459.4	\$0.0
11	<b>Tax Reduction and Excellence in Education Fund (TREE).</b> Biennial increase in revenue, decreasing GR draw.	(\$185.5)	\$0.0
<b>TOTAL, MOF SHIFTS</b>		<b>(\$1,458.9)</b>	<b>\$0.0</b>
<b>TOTAL 2024-45 COSTS OVER 2022-23 BASE</b>		<b>(\$1,364.1)</b>	<b>\$94.8</b>
<b>ADDITIONAL FSP FUNDING IN HB 1</b>			
12	<b>Property Tax Relief.</b> Recommendations include transfer of funds for property tax relief in addition to that required by current law, pursuant to Rider 81.	\$0.0	\$9,725.9
<b>TOTAL 2024-45 APPROPRIATIONS OVER 2022-23 BASE</b>		<b>(\$1,364.1)</b>	<b>\$9,820.7</b>
Note: Totals may not sum due to rounding.			
<b>TOTAL, 2024-25 FSP APPROPRIATION</b>		<b>\$29,852.1</b>	<b>\$57,637.5</b>

1) **Included in recommendations is \$15.0 billion for property tax relief.** Estimated GR cost of compression required by current law totals \$5,274.1 million for the 2024-25 biennium. Total includes \$3,078.5 million in All Funds costs in line 2 and an estimated \$2,195.6 million in additional GR due to decreases in Recapture resulting from tax compression (included as a component of Recapture estimate in line 9). Included in line 12 is \$9,725.9 million in All Funds intended for additional tax relief above amounts required by current law.

2) Changes to recapture payments due to the additional \$9,725.9 million intended for property tax relief are not included in line 10.

**Total General Revenue-related MOF Shifts**

Available School Fund (\$591.3)  
 Lottery Revenue \$56.5  
 Foundation School Fund, No. 193 (\$829.3)

**Total (\$1,364.1)**

3. **Property Tax Relief.** Recommendations for property tax relief include \$15.0 billion in increased funding from the General Revenue Fund and the Property Tax Relief Fund and a reduction of \$2.2 billion in recapture payments.

Of the \$15.0 billion, recommendations include \$5.3 billion in General Revenue and \$3.1 billion in All Funds for the 2024-25 biennium for additional property tax relief required by current law through the compression of school district property tax rates. Additionally, recommendations include \$9.7 billion from the Property Tax Relief Fund for property tax relief in addition to that required by current law, pursuant to Texas Education Agency Rider 81. Note, any changes to recapture payments related to the \$9.7 billion are currently unknown and are not reflected in recommendations.

### **HB 3 Current Law Compression**

School district M&O tax rates are made up of the district's Tier 1 tax rates and, for most districts, an additional Tier 2 tax rate, which is an optional enrichment tax rate. The maximum Tier 1 tax rate is based on statewide average property value growth and is known as the State Compression Percentage (SCP).

Following the enactment of House Bill 3, Eighty-sixth Legislature, 2019, Tier 1 tax rates are compressed annually based on the amount that a district's property value growth rate or the statewide average property value growth rate exceeds 2.5 percent, whichever is greater. For example, the State Compression Percentage (SCP) for fiscal year 2023 is 0.8941 and the Comptroller of Public Accounts projects statewide property values to increase by 3.82 percent from fiscal year 2023 to 2024. Therefore, the SCP would compress by 1.3 percent to \$0.8827 (divide \$0.8941 by 103.82 percent and multiply by 102.5 percent). If a district's property value growth exceeds the projected statewide average property value growth, the district's Maximum Compressed Rate (MCR) for Tier 1 is reduced even further until they reach the minimum MCR, equal to 90.0 percent of the SCP. For districts not at the MCR floor, this limits the growth of the Tier 1 property tax levy to 2.5 percent per year.

The legislature may further reduce the SCP in the General Appropriations Act. Texas Education Code Section 48.2552(c) requires the legislature to appropriate the amount of state savings from the prior biennium that results from limiting compression with the MCR floor to further reduce the SCP for the following biennium. For the 2022-23 biennium this amount is estimated to be approximately \$2.2 billion, which results in an SCP reduction of \$0.0775 in fiscal year 2024. Combining this decrease with the compression due to projected property value growth, the SCP is projected to decrease from \$0.8941 in fiscal year 2023 to \$0.8052 in fiscal year 2024 and \$0.7893 in fiscal year 2025 due to current law. The SCP may be reduced further due to the \$9.7 billion intended for additional property tax relief, contingent upon actions of the Eighty-eighth Legislature.

### **Limits on Compression in High-growth Years**

Current law bases compression of the SCP on the Comptroller's property value growth projections listed in the General Appropriations Act, rather than actual statewide property value growth. Combined with the 90.0 MCR floor requirement, this provision limits rate compression if actual statewide property value growth exceeds projections, particularly for faster growing districts. Once districts reach the MCR floor, any additional property value growth will increase the tax levy rather than triggering compression. For example, Texas experienced historic property value growth of an estimated 17.4 percent for fiscal year 2023, 13.04 percentage points higher than the appropriated estimate of 4.36 percent. As a result, 68.6% of districts reached the MCR floor and saw their Tier 1 property tax levies grow by more than 2.5 percent.



4. **State Share of FSP Entitlement.** Recommendations fund an increase in the combined state share of the FSP from 32.9 percent in fiscal year 2023 to 43.0 percent in fiscal year 2024 and 42.1 percent in fiscal year 2025, primarily related to the \$9.7 billion transfer intended for property tax relief above current law requirements. Other factors driving the state share increase include recommended funding increases required by current law for property tax compression, enrollment growth, and increases to the golden penny guaranteed yield.

Local property taxes are the first funding source for school district FSP entitlement; state aid funds remaining costs. Therefore, the state share of total FSP entitlement decreases over time as property value growth results in increases to the property tax levy. HB 3, Eighty-sixth Legislature, 2019, increased state aid to districts and provided for ongoing property tax rate compression to slow the growth of the property tax levy. (See Selected Fiscal and Policy Issue #3.) This resulted in an increase in the state share for the 2020-21 biennium. However, historic property value growth of 17.4 percent in fiscal year 2023 exceeded the levels of rate compression provided by HB 3, resulting in a combined state share of 32.9 percent for fiscal year 2023. Included in recommendations is \$9.7 billion for additional property tax relief pursuant to Rider 81. However, as the mechanisms for property tax relief are still unknown, estimated recapture for fiscal years 2024 and 2025 do not take this into account. It is assumed that recapture payments will decrease, but actual amounts are not known at this time.

Combined State and Local Share of FSP Entitlement (in millions)					
Fiscal Year	Local	Recapture	State	Total	% State Share
2018	\$26,939.2	\$2,004.9	\$19,100.2	\$48,044.3	39.8%
2019	\$28,780.3	\$2,702.8	\$18,424.4	\$49,907.5	36.9%
2020	\$29,724.9	\$2,433.2	\$22,128.5	\$54,286.5	40.8%
2021	\$30,179.9	\$3,042.2	\$22,513.2	\$55,735.2	40.4%
2022	\$30,639.9	\$3,066.0	\$21,241.1	\$54,947.0	38.7%
2023	\$32,810.1	\$4,956.5	\$18,537.5	\$56,304.0	32.9%
2024	\$28,153.6	\$4,696.8	\$24,877.5	\$57,727.9	43.1%
2025	\$28,440.5	\$5,058.5	\$24,504.7	\$58,003.7	42.2%

Maintenance and Operations State and Local Share of FSP Entitlement (in millions)					
Fiscal Year	Local	Recapture	State	Total	% State Share
2018	\$23,007.7	\$2,004.9	\$18,563.7	\$43,576.3	42.6%
2019	\$24,620.3	\$2,702.8	\$17,934.3	\$45,257.3	39.6%
2020	\$25,338.7	\$2,433.2	\$21,726.8	\$49,498.7	43.9%
2021	\$25,718.0	\$3,042.2	\$22,106.2	\$50,866.3	43.5%
2022	\$26,303.8	\$3,066.0	\$20,886.5	\$50,256.2	41.6%
2023	\$28,343.9	\$4,956.5	\$18,230.9	\$51,531.3	35.4%
2024	\$23,897.1	\$4,696.8	\$24,566.6	\$53,160.5	46.2%
2025	\$24,164.8	\$5,058.5	\$24,191.2	\$53,414.4	45.3%

Facilities State and Local Share of FSP Entitlement (in millions)				
Fiscal Year	Local	State	Total	% State Share
2018	\$3,931.4	\$536.6	\$4,468.0	12.0%
2019	\$4,160.0	\$490.1	\$4,650.2	10.5%
2020	\$4,386.2	\$401.6	\$4,787.8	8.4%
2021	\$4,461.9	\$407.0	\$4,868.9	8.4%

- NOTES:
- (1) Fiscal years 2023-25 are estimated. Fiscal years 2024-25 assume current law entitlement.
- (2) The State category includes appropriations from the Economic Stabilization Fund of \$806.5 million for fiscal year 2019, \$424.0 million for fiscal year 2020, and \$212.0 million for fiscal year 2021 for districts affected by Hurricane Harvey.
- (3) The State category includes federal coronavirus relief funding of \$1,145.9 million in fiscal year 2021 and \$1,109.2 million in fiscal year 2022 used to fund the attendance hold harmless during the coronavirus pandemic.
- (4) Estimates for recapture do not include effect of \$9.7 billion in additional property tax relief pursuant to Rider 81.

2022	\$4,336.2	\$354.7	\$4,690.8	7.6%
2023	\$4,466.2	\$306.6	\$4,772.7	6.4%
2024	\$4,256.5	\$310.9	\$4,567.4	6.8%
2025	\$4,275.7	\$313.5	\$4,589.3	6.8%

5. **Recapture Analysis.** Recommendations for the 2024-25 biennium include estimated recapture revenue of \$9.8 billion, a \$1.7 billion increase over 2022-23 levels.

To address inequities among school districts in terms of access to revenue for public education, the Texas Education Code, Chapter 49, requires school districts with Maintenance and Operations (M&O) tax revenue at the Tier 1 level or at the “copper penny” level to equalize their wealth. Most schools with excess revenue opt to remit tax revenues associated with property value above the entitlement directly to the state, through a process called recapture. Recapture revenue is only used as a method of financing the state's FSP obligations and is not used for any other non-FSP related appropriation.

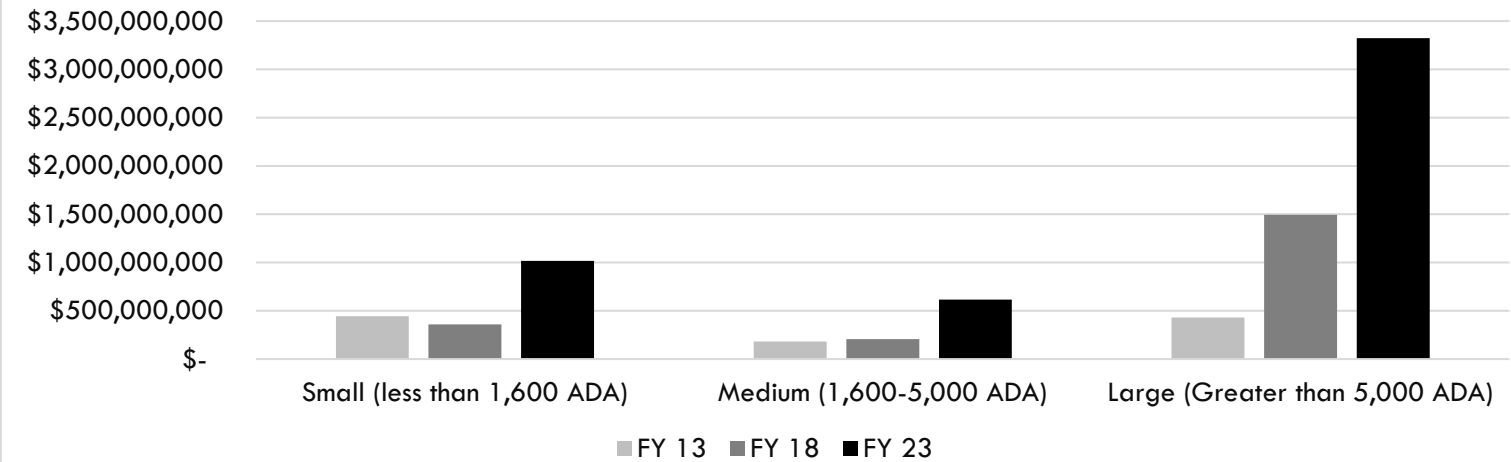
The following table provides the total recapture revenue, recapture revenue as a percentage of total M&O revenue, and the total number of districts paying recapture for fiscal years 2006 through 2025. For fiscal year 2023, recapture is estimated to be approximately 10 percent of total M&O revenue due to the historic 17.4 percent property growth in that year. Recapture estimates for fiscal year 2024-25 do not include any impacts resulting from an additional \$9.7 billion in property tax relief pursuant to TEA Rider 81.

**Tier 1 and Tier 2 Recapture**

Fiscal Year	Total Recapture Paid (in millions)	Recapture as a Percent of Total M&O Revenue	Total Districts Paying Recapture	Percent of Total ADA	Percent of Total WADA
2006	\$1,305.5	5%	142	12.5%	11.9%
2007	\$1,426.5	5%	150	12.7%	12.2%
2008	\$1,140.4	4%	178	13.2%	12.7%
2009	\$1,463.5	4%	191	17.5%	17.0%
2010	\$1,051.2	3%	201	11.4%	11.0%
2011	\$1,043.8	3%	213	12.6%	12.2%
2012	\$1,086.8	3%	222	13.6%	13.1%
2013	\$1,068.4	3%	216	12.2%	11.8%
2014	\$1,212.8	3%	226	12.3%	11.9%
2015	\$1,492.6	4%	241	14.1%	13.6%
2016	\$1,587.5	4%	231	14.7%	14.6%
2017	\$1,721.9	4%	234	16.6%	16.4%
2018	\$2,004.9	5%	185	18.3%	17.6%
2019	\$2,702.8	6%	220	27.2%	26.4%
2020	\$2,443.2	5%	150	20.1%	19.5%
2021	\$3,042.2	6%	158	22.0%	21.3%
2022	\$3,066.0	6%	156	22.1%	21.3%
2023*	\$4,956.5	9%	241	30.1%	29.1%
2024*	\$4,696.8	8%	234	29.7%	28.6%
2025*	\$5,058.5	9%	253	31.7%	30.6%

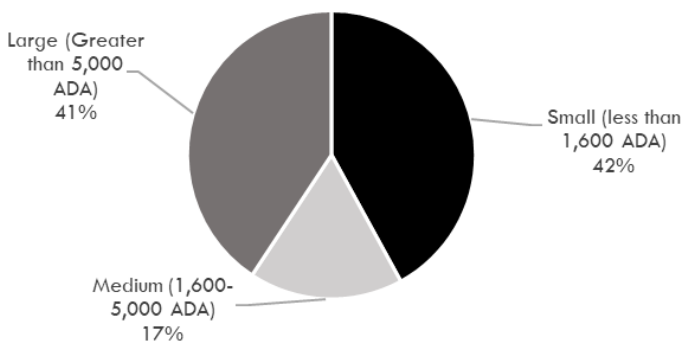
\* Fiscal years 2023 through 2025 are estimated.

Comparison of Total Recapture Paid by District Size,  
Fiscal Years 2013, 2018, and 2023

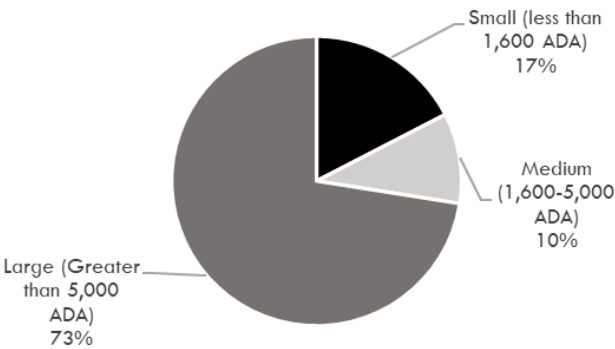


The graphs on this page provide a comparison of the total amount of recapture paid by district size in fiscal years 2013, 2018, and 2023. The categories include small districts, with an ADA of 1,600 or fewer; medium districts, with an ADA between 1,600-5,000; and large districts, with an ADA greater than 5,000. From 2018 to 2023, recapture payments by small, medium, and large districts increased 183.6 percent, 197.3 percent, and 122.5 percent, respectively. The statewide increase in recapture revenue from 2018 to 2023 totaled \$2.9 billion, the majority of which can be attributed to large districts due to a combination of rapid property value growth and slow attendance growth.

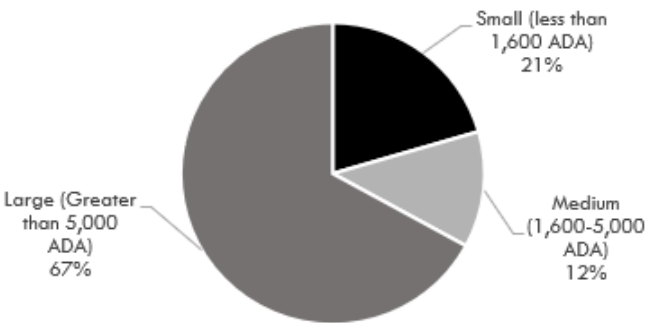
Fiscal Year 2013, Share of Total Recapture Paid  
by District Size  
Total: \$1.1 billion



Fiscal Year 2018, Share of Total Recapture Paid  
by District Size  
Total: \$2.0 billion



Fiscal Year 2023, Share of Total Recapture Paid  
by District Size  
Total: \$5.0 billion



6. FSP Formula Items Established by Appropriation

Items Established by Appropriation, Not Currently Funded

Item	Description	Program History		
		Last Funded	Appropriated/ Authorized Amount	Number of Districts Funded
Average Daily Attendance Decline	Additional state aid through the FSP formula available to districts with ADA that declines more than 2.0 percent between years. Statute limits the total amount available through ADA adjustments under this provision to the sum certain amount appropriated for this purpose.	2010-11 biennium	Up to \$22 million biennially	134 Districts for school year 2009-10
Rapid Property Value Decline	Additional state aid through the FSP formula available to districts with property values that decline by more than 4.0 percent between years.	Fiscal Year 2019	\$25 million	70 districts

Increases to the Basic Allotment

The legislature may increase the Basic Allotment (BA) by rider in the General Appropriations Act. For a year in which the BA increases, current law requires districts to spend at least 30.0 percent of all increased FSP Maintenance & Operations funding per student for staff compensation increases. Of the 30.0 percent, 75.0 percent must be spent for compensation increases for full-time teachers, librarians, counselors, and nurses; and 25.0 percent may be spent at districts’ discretion for compensation increases for other full-time staff. An increase to the basic allotment would result in an increase to the guaranteed yield of Tier 2 copper pennies, pursuant to Education Code, Section 48.202(a)(2). This would require some districts to reduce their Tier 2 tax rates to ensure that their copper penny revenue per WADA per cent of tax effort does not exceed the revenue received by the district in the preceding year under Education Code, Section 48.202(f).

EDA and IFA Yield Increase

In addition to the items listed above, the yields for both of the FSP facilities funding programs, the Existing Debt Allotment (EDA) and the IFA, can be increased by appropriation. The current yield for IFA is \$35 per ADA per penny of tax effort for eligible debt service, and the current yield for EDA is estimated to be \$40 per ADA per penny of tax effort for eligible debt service. The IFA yield was last increased in 1999 and was set at \$35. The EDA yield was increased by the Eighty-fifth Legislature by a statewide total of \$60 million in state aid above the previous yield of \$35.

Currently there are 242 districts receiving state aid through the EDA or IFA programs. The following table estimates the number of districts receiving state aid through one of these programs and the percent of districts receiving state aid through at least one of these programs compared to all districts that have eligible debt service.

Districts Receiving State Aid from IFA or EDA				
	2022	2023	2024	2025
Number of Districts	242	175	159	142
Percent of All Districts with Eligible Debt Service Receiving State Aid	28.2%	20.4%	18.6%	16.6%

7. **Update on the Teacher Incentive Allotment.** The Teacher Incentive Allotment (TIA) was established by HB 3, Eighty-sixth Legislature, 2019, to provide a pathway for high-performing teachers to earn six-figure salaries and to help attract and retain highly effective teachers at high needs and rural campuses. Districts draw down additional entitlement for teachers based on rural and economic disadvantage factors, and based on three teacher designation levels, including Recognized, Exemplary, and Master. Entitlement per designated teacher ranges from \$3,000 for Recognized teachers at non-rural campuses that do not receive the Compensatory Education Allotment to \$32,000 for Master teachers at rural campuses with the highest levels of economic disadvantage. Information on state costs and participation in TIA during the first two biennia of implementation is shown in the table below.

Fiscal Year	2020	2021	2022	2023
Number of Districts Participating	40	127	179	373
Total Cost of Allotment	\$40,400,000	\$43,046,976	\$55,437,701	\$ 187,227,012
Number of Teachers Participating	3,976	4,617	6,246	14,953
Average Allotment per Teacher	\$10,160.97	\$9,323.58	\$8,875.71	\$12,521.03

8. **Tax Relief Provided by the Eighty-seventh Legislature.** The following is a summary of property tax relief legislation enacted by the Eighty-seventh Legislature and approved by Texas voters.

HJR 125, Regular Session: Transferred disability homestead tax ceiling to a surviving spouse over the age of 55. (Retroactively effective for tax year 2020 via refunds; enabling legislation was HB 1313, Eighty-sixth Legislature, 2019.)

SB 611, Regular Session: Transferred military homestead exemption to a surviving spouse of service members killed or fatally injured in the line of duty. (Effective tax year 2022.)

SB 8, Second Called Session: Allowed new homeowners to obtain a homestead exemption during the first year after purchase. (Effective tax year 2022.)

SB 12, Second Called Session: Reduced tax ceiling for homeowners over 65 and with disabilities when district's MCR compresses. (Approved by voters and effective tax year 2023.)

SB 1, Third Called Session: Increased homestead exemption from \$25,000 to \$40,000. (Approved by voters and effective tax year 2022.)

9. School District Adopted M&O Rate and Tax Rate Election (TRE) Statistics

Fiscal Year	Pre HB 3		Post HB 3		FY20	FY21	FY22	FY23
	FY18	FY19						
Number of Districts with Taxing Authority	1,018	1,017			1,016	1,016	1,016	1,015
Number of Districts at \$1.17 M&O Cap	<b>430</b>	<b>426</b>	Number of Districts with Greater than 5.8 Copper Pennies		0	46	51	51
Number of Districts Between \$1.04 and \$1.17	129	173	Number of Districts with 5.8 Copper Pennies		<b>398</b>	<b>347</b>	<b>345</b>	<b>344</b>
			Number of Districts Greater than 8 Golden Pennies and Less than 5.8 Copper Pennies		109	119	128	128
			Number of Districts Between 5 Golden Pennies and 8 Golden Pennies		56	64	66	66
Number of Districts at \$1.04	<b>419</b>	<b>387</b>	Number of Districts with 5 Golden Pennies*		<b>0</b>	<b>374</b>	<b>402</b>	<b>402</b>
Number of Districts Between \$1.00 and \$1.04	22	13	Number of Districts with less than 5 Golden Pennies		<b>453</b>	66	24	24
Number of Districts Below \$1.00	18	18						
% of Districts at \$1.17 Cap	<b>42%</b>	<b>42%</b>	% of Districts with Greater than 5.8 Copper Pennies		0.0%	4.5%	5.0%	5.0%
% Districts Between \$1.04 and \$1.17	13%	17%	% of Districts with 5.8 Copper Pennies		<b>39.2%</b>	<b>34.2%</b>	<b>34.0%</b>	<b>33.9%</b>
			% of Districts Greater than 8 Golden Pennies and Less than 5.8 Copper Pennies		10.7%	11.7%	12.6%	12.6%
			% of Districts Between 5 Golden Pennies and 8 Golden Pennies		5.5%	6.3%	6.5%	6.5%
% of Districts at \$1.04	<b>41%</b>	<b>38%</b>	% of Districts with 5 Golden Pennies		<b>0.0%</b>	<b>36.8%</b>	<b>39.6%</b>	<b>39.6%</b>
% Districts Between \$1.00 and \$1.04	2%	1%	% of Districts with less than 5 Golden Pennies		<b>44.6%</b>	6.5%	2.4%	2.4%
% Districts Below \$1.00	2%	2%						

\* Districts may adopt up to five golden pennies by board action without a TRE.

10. **Texas Special Education Funding Commission.** House Bill 1525, Eighty-seventh Legislature, Regular Session, 2021, established the Texas Commission on Special Education Funding to evaluate and recommend changes to current funding mechanisms for special education. The Commission's recommendations are summarized below. The Commission's final report was published December 31, 2022.

FSP Formula Changes. The current FSP Special Education Allotment provides various levels of weighted funding for special education full-time-equivalent (FTE) students based on instructional arrangement. The Commission's recommendations propose transitioning to a formula with seven weighted funding tiers based on the intensity of services required by each student. Lower tiers would fund students who receive academic supports, while the highest tiers would pertain to students in day and residential placements. In addition to weighted funding, students would also generate funding if they receive specific services included in various service groups. TEA would request authority to collect data on the number of students in the relevant tiers and service groups during the initial implementation years, which the agency would use to determine formula weights.

The Commission's recommendations further include increasing the Special Education Transportation Mileage Rate, which is currently set at \$1.08 per mile in TEA Rider 5, Transportation Allotment, to between \$1.28 and \$1.38 per mile, increasing the College, Career, and Military Readiness (CCMR) Outcomes Bonus for special education students from \$2,000 to \$4,000 per student, and providing financial support for Full and Individual Initial Evaluations which are estimated to cost approximately \$1,500 per evaluation.

Other Funding Changes. The recommendations include several funding streams outside of the FSP to support special education, including six new grant programs. Three of the grant programs would focus on workforce development, including a reimbursement program for special education teacher certification exams, grants to districts to offset TRS penalties to hire retired special education teachers, and funding for Grow-Your-Own special education teacher programs. Other grant programs would reimburse costs of student evaluations, fund nonprofit organizations that serve special education students, and provide start-up funding to increase the number of day placement programs. Recommendations also include statutory changes to allow TEA to regulate certain contracting practices and allowable rates for services at residential and day placement facilities. Additionally, the Commission's recommendations include providing \$1,000 to \$2,500 stipends to special education teachers and paraprofessionals and increasing funding for the Supplemental Special Education Supports (SSES) program from \$30.0 million to \$46.0 million per year.

11. **Technology and Instructional Materials Allotment.** The Technology and Instructional Materials Allotment (TIMA) is a program that provides local education agencies with funding for technology and instructional materials. Recommendations provide \$1,042.7 million to the TIMA. Including amounts appropriated for administrative costs associated with the TIMA, the total recommended level of funding in the 2024-25 biennium is \$1,050.0 million. This is a \$307.0 million increase in funding over 2022-23 base. Excluding a \$317.4 million unexpended balance included in the agency's 2022-23 base, this level of funding represents a \$624.4 million increase from 2022-23 appropriations.

The State Board of Education (SBOE) is authorized by Article 7 of the Texas Constitution to distribute up to 6.0 percent per year to the Available School Fund (ASF). Additionally, both the SBOE and GLO are each authorized to make discretionary transfers of \$600.0 million per year from the Permanent School Fund (PSF) to ASF. Transferred funds are appropriated to TEA for the ASF per-capita distribution (a component of the Foundation School Program) and for the TIMA.

The Available School Fund (ASF) is a constitutionally dedicated fund for the support of the public education system. It is funded from distributions from returns on investment of the Permanent School Fund (PSF). The Permanent School Fund (PSF) is a constitutionally dedicated fund for the support of public education. The Permanent School Fund Corporation (PSFC) was established following the enactment of Senate Bill 1232, 87th Legislature, Regular Session, 2021. The creation of the PSFC unified governance and management of the Permanent School Fund. Prior to SB 1232, PSF assets were managed by both TEA and the School Land Board of the General Land Office (GLO). Senate Bill 1232 transferred most of these functions from TEA and GLO to PSFC, except for certain GLO activities, including management of mineral and royalty interests. For the 2024-25 biennium, recommendations assume a PSF distribution of 3.3 percent or \$1.6 billion per fiscal year and \$600.0 million in discretionary transfers from GLO each fiscal year.

LBB Recommendation on Instructional Materials Funding

Statute requires that 50.0 percent, or an alternate amount specified in the General Appropriations Act, of the amount transferred from the PSF to the ASF be deposited into the Technology and Instructional Materials Fund during each biennium. 2024-25 recommendations would set the funding level for the Instructional Materials Allotment at 24.3 percent of the distribution from the PSF to the ASF. This recommendation would provide \$1,042.7 million to the TIMA, excluding amounts appropriated for program administration. This would be a \$307.0 million decrease from 2022-23 base amounts including unexpended balances from the prior biennium. The TIMA was reduced by \$620.7 million in the 2022-23 biennium by Article IX, Section 18.15, Contingency for House Bill 1525, to provide funding for intensive educational supports established in House Bill 1525 and by the rider. With the expiration of onetime programs authorized by House Bill 1525 and its associated contingency rider, recommendations return funding for the TIMA approximately to its historical level. The recommendation provides a General Revenue savings of \$1,119.4 million that is available for the per capita distribution, as compared to a hypothetical scenario in which 50.0 percent of the PSF to ASF transfer was distributed to the Instructional Materials Allotment.

Recommendations increase TIMA funding that is set aside for administration by \$2.8 million in the 2024-25 biennium to replace the Education Materials and Textbooks (EMAT) system. EMAT is a web portal used by Texas school districts to place orders and reimbursement requests for instructional materials adopted by the SBOE.

The figure below has more information on historical funding for the Technology and Instructional and Materials Allotment, including information on unexpended balances which have been carried in the fund between biennia. It is currently too early in the fiscal year for TEA to provide an estimate of the unexpended balance likely to be carried forward from the 2022-23 biennium. Recommendations for Rider 8, Instructional Materials and Technology, provide unexpended balance authority from the 2022-23 biennium to the 2024-25 biennium.

**Technology and Instructional Materials Funding, 2016-17 to 2022-23 Biennia**

	TIMA Appropriation*	Unexpended Balance from Previous Biennium	Distribution Rate of the PSF to ASF Transfer
2016-17	\$1,059,369,568	\$109,003,521	50.0 percent
2018-19	\$1,103,381,468	\$169,313,798	44.3 percent
2020-21	\$1,049,980,630	\$312,723,282	50.0 percent
2022-23	\$424,758,690	\$313,687,861	10.2 percent
2024-25**	\$1,049,980,630	n/a	24.3 percent

Source: Legislative Budget Board and Texas Education Agency

Notes:

\*Includes administrative funds for the Technology and Instructional Materials Allotment, which are appropriated in Strategies B.3.2, B.3.4 and B.3.5.

\*\* Board Recommendation.



12. **Significant General Revenue Funding Changes for Non-FSP Programs and Administration from the 2022-23 Base.** 2024-25 recommendations include \$2,336.3 million in General Revenue Funds for Non-FSP Programs and Administration, including FSP set-asides, a 23.5 percent decrease from the 2022-23 base. This decrease is primarily attributable to a \$598.6 million decrease associated with onetime funding for House Bill 1525 that was included in the agency’s 2022-23 base and a decrease of \$432.1 million for onetime funding for school safety. Decreases are partially offset by increases of \$307.0 million for the Technology and Instructional Materials Allotment, \$55.0 million for a K-12 Data Privacy Initiative and \$25.8 million for TEA and Windham School District salary increases.

Recommendations remove onetime funding for school safety provided by budget execution order during the 2022-23 biennium, including \$17.1 million for Silent Panic Alert Technology, \$415.0 million for certain school safety-related infrastructure upgrades and for the construction of a new elementary school in Uvalde. Recommendations include Article IX, Section 17.17, which states legislative intent to provide \$600.0 million for a school safety initiative through the Supplemental Appropriations Bill.

Recommendations include a funding level of \$1,042.7 million for the Technology and Instructional Materials Fund, which is an increase of 41.6 percent from the 2022-23 base funding level, (see Selected Fiscal and Policy Issue #11). This recommendation would provide a level of instructional materials funding equivalent to 24.3 percent of the estimated transfers made by the State Board of Education and the School Land Board from the Permanent School Fund to the Available School Fund.

Recommendations for TEA administration (excluding State Board for Educator Certification and Certification Exam Administration) include \$225.6 million in General Revenue Funds, an increase of \$76.2 million over 2022-23 base funding. TEA funding for Information Systems – Technology has been increased by \$55.0 million in Fiscal Year 2024 to establish the K-12 Data Privacy Initiative to improve the ability of school systems in Texas to prevent cyberattacks from being successful.

The following pages provide a full listing of recommended funding levels for TEA’s Non-FSP Programs and Administration for 2024-25, including a comparison to 2022-23 base amounts.

**Texas Education Agency: Non-FSP Program and Administration, General Revenue (in millions)**

Program	2022-23 Base	2024-25 Recommended (Total)	2024-25 Recommended (Change)	2024-25 Recommended (Percent Change)	Notes
<b>Funding for Districts and Students</b>					
Student Success Initiative/Community Partnerships	\$10.5	\$10.5	\$	0.0%	
TX Advanced Placement	\$18.5	\$18.5	\$	0.0%	
Pathways in Technology ECHS	\$7.5	\$	\$(7.5)	-100.0%	Consolidated into a new program called College and Career Readiness School Models.
Texas Science, Technology, Engineering and Math	\$2.9	\$	\$(2.9)	-100.0%	Consolidated into a new program called College and Career Readiness School Models.
Reading Excellence Team Pilot	\$1.2	\$	\$(1.2)	-100.0%	The statute authorizing this program expired on September 1, 2021.

Reading-to-Learn Academies	\$5.0	\$	\$(5.0)	-100.0%	Consolidated with Literacy Achievement Academies.
Literacy Achievement Academies	\$8.1	\$14.3	\$6.2	75.9%	Incorporates funding from Reading-to-Learn Academies.
Math Achievement Academies	\$7.7	\$7.7	\$	0.0%	
Texas Gateway and Online Resources	\$14.6	\$14.6	\$	0.0%	
Early College High School	\$5.7	\$	\$(5.7)	-100.0%	Consolidate this program into a new program called College and Career Readiness School Models.
Gifted and Talented Performance Standards	\$0.9	\$0.9	\$	0.0%	
Adult Charter School	\$0.3	\$	\$(0.3)	-100.0%	Funding for the Adult Charter School Program has transferred to the Foundation School Program.
Early Childhood School Readiness	\$6.5	\$6.5	\$	0.0%	
TEKS Review and Revision	\$0.4	\$	\$(0.4)	-100.0%	Removal of FSP discretionary transfer.
School Improvement and Governance Support	\$2.5	\$2.5	\$	0.0%	
Incentive Aid	\$3.3	\$2.0	\$(1.3)	-38.5%	Removal of FSP discretionary transfer.
Texas Military Connected Children	\$0.5	\$	\$(0.5)	-100.0%	Removal of FSP discretionary transfer.
FitnessGram	\$1.6	\$1.9	\$0.3	18.8%	Restoration to pre-pandemic funding level.
Educator Quality and Leadership	\$29.0	\$29.0	\$	0.0%	
Educator System Support	\$4.1	\$4.1	\$	0.0%	
Online Reading Academies	\$1.2	\$	\$(1.2)	-100.0%	Consolidated with Literacy Achievement Academies.
Provide Free Reading Instruments	\$0.7	\$0.7	\$	0.0%	
Blended Learning Grant Program	\$12.0	\$12.0	\$	0.0%	
Summer CTE Grant Program	\$8.0	\$8.0	\$	0.0%	
Subsidy for High School Equivalency Exams	\$0.8	\$	\$(0.8)	-100.0%	Removal of FSP discretionary transfer
Civics Training	\$14.6	\$14.6	\$	0.0%	
Pre-K at Intergenerational Facilities	\$1.0	\$1.0	\$	0.0%	
Mobile STEM Lab	\$0.5	\$0.5	\$	0.0%	
College and Career Readiness School Models.	\$	\$16.2	\$16.2	100.0%	New program consolidated from preexisting college and career readiness programs.
Expanding Learning Options for P-TECH	\$74.5	\$	\$ (74.5)	-100.0%	Elimination of onetime funding associated with House Bill 1525.
COVID Learning Acceleration Supports	\$449.2	\$	\$ (449.2)	-100.0%	Elimination of onetime funding associated with House Bill 1525.
ESC TRS Integration and Support	\$0.2	\$	\$(0.2)	-100.0%	Elimination of onetime funding provided in 2022-23 biennium.

Strong Foundations Grant Program	\$150.0	\$150.0	\$	0.0%	
Fatherhood/Parental Involvement in Literary	\$0.5	\$0.5	\$	0.0%	
Computer Science Grant Program	\$2.6	\$2.6	\$	0.0%	
Intensive Educational Supports	\$	\$30.0	\$30.0	n/a	New program related to House Bill 1525 that is ongoing in nature.
Kindergarten Entry Assessment	\$2.0	\$2.0	\$	0.0%	
School Safety	\$415.0		\$ (415.0)	-100.0%	Onetime funding through Budget Execution Order
Miscellaneous	\$8.0	\$8.2	\$2	2.5%	Funding Increase for Academic Decathlon
<b>Subtotal</b>	\$1,271.6	\$358.8	\$(912.8)	-71.8%	
<b>Instructional Materials</b>					
Instructional Materials	\$ 716.4	\$1,022.7	\$ 306.3	42.7%	See Selected Fiscal and Policy Issue #1.
Open Source Instructional Materials	\$20.0	\$20.0	\$	0.0%	
<b>Subtotal</b>	\$ 736.4	\$1,042.7	\$ 306.3	41.6%	
<b>Pass-through Grants to Non-Governmental Organizations</b>					
Communities in Schools	\$61.0	\$61.0	\$	0.0%	Restoration to pre-pandemic funding level.
Teach for America	\$11.0	\$11.0	\$	0.0%	
Best Buddies	\$1.0	\$1.0	\$	0.0%	
Booker T. Washington Aeronautics Magnet	\$0.6	\$	\$(0.6)	-100.0%	Elimination of onetime funding provided in 2022-23 biennium.
At-Risk and Transitional Child Care	\$5.0	\$	\$(5.0)	-100.0%	Elimination of onetime funding associated with House Bill 1525.
Amachi	\$5.0	\$5.0	\$	0.0%	
Academic Innovation and Mentoring	\$4.3	\$4.3	\$	0.0%	
MathCounts	\$0.4	\$0.4	\$	0.0%	
Child I.D.	\$5.7	\$5.7	\$	0.0%	
Customized School Safety Programming	\$2.0	\$2.0	\$	0.0%	
<b>Subtotal</b>	\$96.0	\$90.4	\$(5.6)	-5.8%	
<b>Indirect Funding to TEA</b>					
Windham School District	\$115.5	\$131.3	\$ 15.8	13.6%	Increase in staff salaries.
State Funds for Assessment	\$165.9	\$167.4	\$1.5	0.9%	Restoration to pre-pandemic funding level.
ESC Dyslexia Coordinators	\$0.3	\$0.3	\$	0.0%	

Supplemental Special Education Services	\$60.0	\$93.3	\$33.3	55.5%	Increase funding to clear program wait list.
Early Childhood Intervention	\$33.0	\$33.0	\$	0.0%	
Electronic Administration of Assessment Instruments	\$4.0	\$	\$(4.0)	-100.0%	Elimination of onetime funding provided in 2022-23 biennium.
Federal IDEA Payment	\$2.5	\$	\$(2.5)	-100.0%	Removal of transfer from Foundation School Fund 193 that occurred in the 2022-23 biennium.
Regional Day School-Deaf	\$66.3	\$66.3	\$	0.0%	
ESC Core Services	\$23.8	\$23.8	\$	0.0%	
FSP Texas Juvenile Justice Department	\$8.4	\$8.4	\$	0.0%	
Juvenile Justice Alternative Education Program Funding	\$11.9	\$11.9	\$	0.0%	
School Lunch Matching	\$27.5	\$27.2	\$(0.3)	-1.0%	Removal of FSP discretionary transfer
Students with Visual Impairments/ESCs	\$11.3	\$11.3	\$	0.0%	
Silent Panic Alert Technology	\$17.1	\$	\$(17.1)	-100.0%	Elimination of onetime funding provided in 2022-23 biennium.
Grants for Students with Autism/Dyslexia	\$100.0	\$	\$(100.0)	-100.0%	Elimination of onetime funding associated with House Bill 1525.
Students with Autism	\$20.0	\$20.0	\$	0.0%	
Non-Ed Community Based Support	\$2.0	\$2.0	\$	0.0%	
Maintenance of Financial Support Obligations	\$107.9	\$	\$(107.9)	-100.0%	
<b>Subtotal</b>	\$777.4	\$596.2	\$(181.2)	-23.3%	
<b>Agency Administration</b>					
Agency Operations	\$60.1	\$60.4	\$0.3	0.5%	
Central Administration	\$18.8	\$21.0	\$2.2	11.6%	
Information Systems-Technology	\$49.2	\$113.1	\$63.9	129.9%	
State Board for Educator Certification	\$11.4	\$11.5	\$0.1	0.8%	
Certification Exam Administration	\$32.6	\$32.6	\$	0.0%	
TEA Salary Increase		\$9.9	\$9.9	100%	
<b>Subtotal</b>	\$172.1	\$248.5	\$76.4	44.4%	
<b>Non-FSP GR Total</b>	\$3,053.1	\$2,336.3	\$(716.8)	-23.5%	

Note:

\*Totals may not sum due to rounding and includes FSP set-asides.

13. **School Safety Update.** Recommendations include Article IX, Section 17.17, which states legislative intent to provide \$600.0 million to assist school districts in implementing school safety initiatives. TEA has expanded its school safety oversight and support work during the 2022-23 biennium in alignment with the Texas School Safety Center (TxSSC). This work included ensuring all schools conducted an immediate audit of safety procedures, evaluated the working order of exterior school building doors, conducted regular security drills, and trained staff on threat assessments by the start of the 2022-23 school year. In addition, TEA has hired a Chief of School Safety and Security during fiscal year 2023 to provide expertise in school security and to serve as a resource to school districts and the legislature. TEA identified one-time administrative funds that supported this position and these expanded activities in the 2022-23 biennium, but TEA noted in their LAR that the specific level of additional resources has not yet been determined.

The budget execution order dated June 28, 2022, transferred \$100.6 million from identified FSP surplus funds for the following projects: \$50.0 million for the purchase of bullet-resistant shields to aid law enforcement partners in protecting children, teachers, and schools; \$17.1 million to school districts through a formula grant to purchase silent panic alert technology; \$7.0 million to the TxSSC for on-site campus assessments to evaluate access control measures; and \$3.0 million for local law enforcement agencies to offset costs associated with taking Advanced Law Enforcement Rapid Response Training (ALERTT).

An additional budget execution order dated October 27, 2022, transferred \$400.0 million from identified FSP surplus funds to assist school districts in replacing or upgrading doors, windows, fencing, communications, and other safety measures and \$15.0 million to construct a new elementary school in Uvalde.

The table below provides an overview of historical funding for school safety initiatives at TEA, TxSSC, and TCOLE; and requested and recommended funding for the 2024-25 biennium.

School Safety Initiatives Historical Funding (in Millions)

	86 <sup>th</sup> Legislature	87 <sup>th</sup> Legislature	Budget Execution	Exceptional Items REQ 2024-25	Recommended 2024-25	Total
<b>TEA:</b>						
School Safety and Security Grants	\$100.0					\$100.0
School Safety Allotment	\$96.2	\$100.0			\$100.0	\$296.2
Silent Panic Alert Technology			\$17.1			\$17.1
School Safety Exceptional Item				*	\$600.0**	\$600.0
School Hardening Grants			\$400.0			\$400.0
<b>Texas State University:</b>						
TxSSC	\$11.0	\$11.0	\$7.0	\$9.0		\$38.0
ALERTT	\$4.0	\$4.0	\$7.0	\$6.6		\$21.6
<b>TCOLE</b>						
School Marshal Program				\$1.3	\$1.3	\$1.3
<b>Total</b>	<b>\$211.2</b>	<b>\$115.0</b>	<b>\$431.1</b>	<b>\$16.9</b>	<b>\$701.3</b>	

Note:

\* TEA Exceptional Item did not include funding proposal.

\*\* Legislative intent to provide \$600.0 million included in Article IX, Section 17.17.

14. **Overview of Education Related COVID-19 Federal Legislation and Funding.** The state received federal funding appropriated through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act, and the American Rescue Plan Act (ARPA) to help schools offset costs attributable to the COVID-19 pandemic.

The CARES Act established the Elementary and Secondary Education School Emergency Relief (ESSER) Fund. The state received \$1.3 billion in ESSER I funds from CARES, \$5.7 billion for ESSER II from CRRSA, and \$12.4 billion for ESSER III from ARPA, for a total of \$19.4 billion. School district and charter school ESSER entitlements were based on their Title I, Part A entitlements; 90 percent of ESSER funds were allocated to local education agencies (LEAs), 9.5 percent were made available for state activities, and 0.5 percent were used for administrative costs. These funds had the same general allowable uses, including any activities authorized by prior federal legislation such as the Every Student Succeeds Act (ESSA) and the Individuals with Disabilities Education Act (IDEA), and functions related to public health, distance learning, and pandemic response. Federal guidance for these three iterations of the program allows for funds to supplant state funding but requires states to maintain effort for elementary and secondary education and higher education. ARPA also requires a maintenance of equity for states and LEAs. The ESSER Funds had staggered expiration dates: ESSER I, September 30, 2022; ESSER II, September 30, 2023; and ESSER III, September 30, 2024.

HB 1525, Eighty-seventh Legislature, Regular Session created the Texas COVID-19 Learning Acceleration Supports (TCLAS) program to address the effects of COVID-19 on learning loss and teacher retention. TEA was directed to utilize \$1.9 billion in ESSER II and ESSER III for these purposes. HB 4545, Eighty-seventh Legislature, Regular Session created the Strong Foundations Grant program to provide accelerated instruction for students who fail to achieve satisfactory performance on certain assessments. TEA combined TCLAS and Strong Foundations to create the TCLAS grant to facilitate strategic planning, rigorous instruction material, high-impact tutoring, innovative school models, and support teachers. 719 LEAs have received TCLAS grants across all 20 regions.

The CARES Act also established the Governor's Emergency Education Relief (GEER) Fund. These funds were distributed to governors' offices in each state to provide flexibility to allocate funds to educational organizations that were significantly affected by the pandemic. Texas received an allocation of \$307.0 million in GEER I Funds from the CARES Act, and \$123.3 million in GEER II from the CRRSA, a total of \$430.3 million. Of these amounts, TEA received \$60.0 million in total.

CRRSA established the Emergency Assistance to Non-public Schools (EANS) program. TEA is the administrator of these funds. CRRSA allocated \$152.4 million under this program, and ARPA allocated \$151.4 million, a total of \$303.8 million.

ARPA established the Coronavirus State Fiscal Recovery (CSFR) Fund. The state received \$15.8 billion directly in CSFR Funds, and funds could be used to address government services, public health and public safety salaries, and certain infrastructure projects. The General Appropriations Act (2022-2023) included Article IX, Section 13.01 to give appropriation authority of these funds to the Texas Legislature. During the Eighty-seventh Legislature, Third Called Session, the Legislature passed Senate Bill 8, appropriating \$12.8 billion in CSFR. This included \$3.0 million to TEA for the purpose of providing funding for the Big Brothers and Big Sisters program. CSFR Funds must be obligated by December 31, 2024, and fully expended by December 31, 2026.

Additional COVID-19 awards were received by TEA, such as funding for the Child Nutrition Program from the Texas Department of Agriculture (TDA), and Coronavirus Relief Funds (CRF) from the Office of the Governor (OOG). However, these awards were received in the 2020-2021 biennium and have been fully expended. TEA was also the recipient of pass-through funds from the Department of State Health Services (DSHS) and FEMA Public Assistance reimbursements through the Texas Division of Emergency Management (TDEM) for vaccine and public health awards.

## COVID-19 funding for public education, in order of Federal Act (As of August 31, 2022)

Funding Source	Amount (in millions)	Recipient of Funds	Use of Funds
ESSER I / CARES Act	\$1,285.9	Local Education Agencies and TEA	Variety of authorized expenses, including Hold Harmless Offset, Operational Connectivity, and Texas Home Learning
CRF / CARES Act, OOG	\$200.0	Local Education Agencies	Operation Connectivity and Reimbursement of COVID-19 related expenses
GEER I / CARES Act, OOG	\$30.0	Local Education Agencies and TEA	Texas Home Learning and Supplemental Services
Rethink K-12 School Models Grant / CARES Act	\$20.0	TEA	Texas Home Learning
Child Nutrition Program / CARES Act, TDA	\$350.6	TEA	Additional operating expenses in the National School Lunch and National School Breakfast Programs.
ESSER II / CRRSA	\$5,529.6	Local Education Agencies and TEA	Variety of authorized expenses, including Hold Harmless Offset, Operational Connectivity, and Texas Home Learning
ESSER-Non-Public Schools / CRRSA	\$153.2	Non-public schools and TEA	Variety of authorized expenses, including Hold Harmless Offset, Operational Connectivity, and Texas Home Learning
Vaccine Access / CRRSA, DSHS	\$0.3	Local Education Agencies	To disseminate information about COVID-19 vaccines, help with scheduling vaccination appointments, arranging or providing accessible transportation, and provide technical assistance/support to local health departments
GEER II / CRRSA, OOG	\$30.0	Local Education Agencies and TEA	Texas Home Learning and Supplemental Services
ESSER III / ARPA	\$12,427.5	Local Education Agencies and TEA	Variety of authorized expenses, including Hold Harmless Offset, Operational Connectivity, and Texas Home Learning
ESSER-Homeless Children and Youth / ARPA	\$20.3	Local Education Agencies and TEA	Variety of authorized expenses, including Hold Harmless Offset, Operational Connectivity, and Texas Home Learning
Special Education Grants / ARPA	\$242.8	Local Education Agencies	To provide special education and related services needed to make a free, appropriate public education available to all eligible children and, in some cases, to provide early intervening services
Epidemiology and Lab Capacity / ARPA, DSHS	\$222.1	Local Education Agencies	Funds used for purpose of supporting safe in-person instruction in schools by providing screening and offering grant opportunity to schools for support activities. The program provides support to students, teachers, and staff to include COVID-19 testing
Public Health Crisis / ARPA, DSHS	\$39.2	Local Education Agencies	Funds used to establish, expand, train, and sustain the Texas public health workforce to support COVID-19 prevention, preparedness, response, and recovery. TEA will collaborate with ESCs, LEAs, and schools to hire and train qualified health professionals
CSFR / ARPA, SB 8	\$3.0	Big Brothers and Big Sisters	Technology and program enhancements
<b>Total</b>	<b>\$20,555.5</b>		

15. **Maintenance of Financial Support (MFS) Obligations under the Individuals with Disabilities Education Act.** House Bill 2, Eighty-seventh Legislature, Regular Session appropriated \$151.9 million in General Revenue Funds to TEA to ensure state compliance with federal special education funding requirements pursuant to the Individuals with Disabilities Education Act (IDEA). Of this amount, \$107.9 million had been appropriated in the prior biennium but was unspent. According to TEA, \$107.9 million will be needed to offset future withholding of funds by the U.S. Department of Education due to alleged failures to comply with maintenance of financial support (MFS) obligations in prior fiscal years.

TEA anticipates that \$33.3 million will be withheld by the U.S. Department of Education in fiscal year 2023 because of Texas' alleged failure to meet its MFS obligations in the fiscal year 2012. This amount is anticipated to be expended in fiscal year 2023. The agency anticipates that the remaining \$74.6 million will be withheld because of alleged failures to meet MFS in fiscal years 2017 and 2018. Because the date of that withholding is not known, TEA anticipates that \$74.6 million of this amount will be needed in the 2024-25 biennium.

16. **Supplemental Special Education Services (SSES).** Recommendations include \$33.3 million in additional funding for the SSES program to allow the agency to fully fund the program's waiting list. SSES, established by Senate Bill 1716, 87th Legislature, Regular Session, provides eligible families with a special education student impacted by a COVID school closure a \$1,500 grant. Families can use the grant for educational materials, resources, and services such as speech therapy.

17. **HB 4545 Implementation.** As a component of the Strong Foundations Grant Program, established through House Bill 4545, 87<sup>th</sup> Legislature, Regular Session, the agency launched a new grant opportunity available to all local educational agencies (LEAs) for school year 2022–23 to support school systems in creating and implementing a math or literacy framework. The program offers multiple years of LEA support and is intended to increase the percentage of third grade students reading on grade level. Recommendations include full continuation of \$150.0 million for the Strong Foundations Grant Program.

HB 4545 also established new requirements for targeted tutoring or similar accelerated learning options for academically struggling students. Following the implementation of these interventions, the percent of students in school year 2021-22 whose academic progress increased by more than what was expected in an average school year to reach “approaches grade level” or better increased by 13% in reading and 3% in math when compared to pre-pandemic academic progress. Recommendations for the 2024-25 biennium include \$30.0 million for ongoing learning acceleration programs.

18. **Status of the Texas Student Assessment and Accountability Programs.** Recommendations maintain base funding for TEA assessment and accountability programs at \$238.2 million in All Funds. TEA continues to implement changes to the STAAR testing program from House Bill 3906, Eighty-sixth Legislature, Regular Session, which requires tests to be redesigned to better align with classroom instruction. STAAR tests will transition to full online administration and contain writing as part of the reading/language arts assessment in grades 3-8 for the first time in spring 2023.

The agency has also begun a pilot in several subjects to determine the feasibility of a through-year replacement of STAAR.

After two years of COVID-related pauses, TEA released A–F accountability ratings for districts and campuses in August 2022. Ratings for 1,195 districts and 8,451 campuses showed promising signs of progress in Texas's efforts to catch students up academically. Driven by significant gains in student academic growth, school year 2022 saw 25 percent of LEAs and 33 percent of campuses improve their letter grade from 2019. The table below shows the number of LEAs earning each rating category.



**LEA A-F Accountability Ratings**

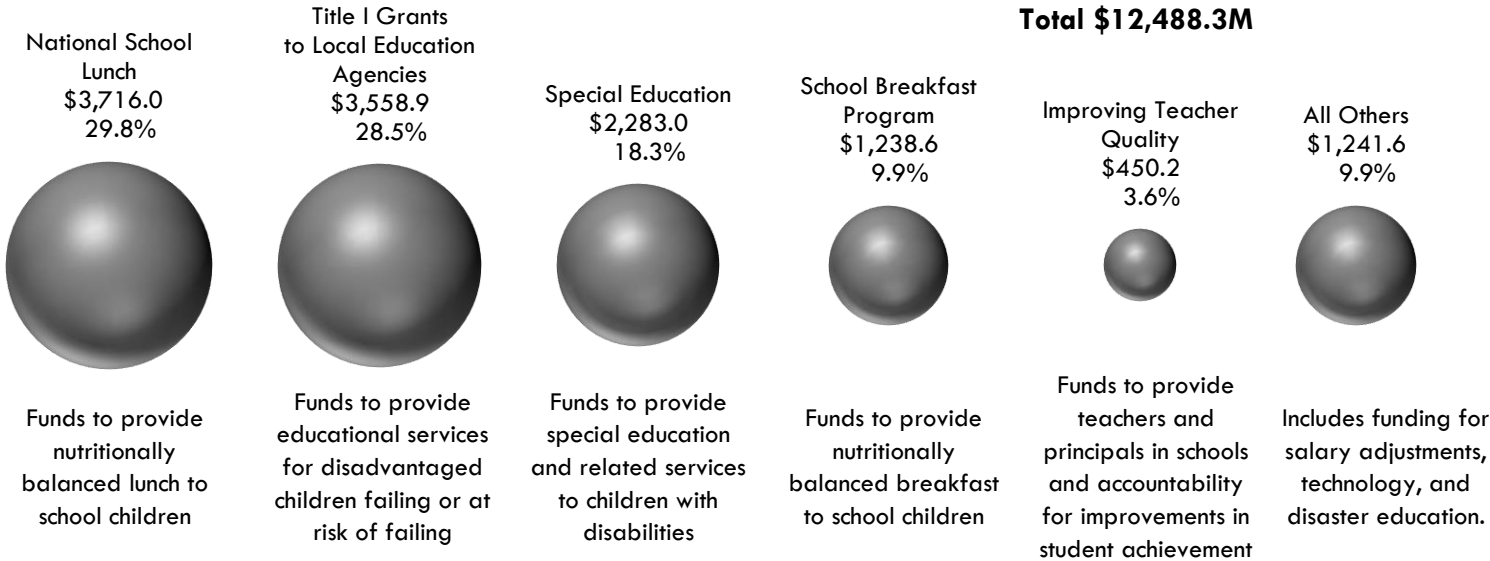
Rating	2022		2019	
A	396	33.1%	301	25.3%
B	645	54.0%	677	56.9%
C	112	9.4%	154	13.0%
D/NR (60-69)	26	2.2%	43	3.6%
F/NR (59 or less)	16	1.3%	14	1.2%
Total	1,195		1,189	

The National Assessment of Educational Progress (NAEP), often called the Nation’s Report card, is administered in reading and math for a sample of students in 4th and 8th grades roughly every two years in every state. 2022 NAEP results showed both strengths and challenges as Texas students have shown more progress than most other states in their academic recovery from learning loss during the pandemic.

Texas students are recovering quicker in reading than math. Reading results for 2022 are not statistically significantly different from 2019, an indicator that Texas is recovering well from the impacts of the pandemic in this subject. However, performance in math is statistically significantly lower than it was in 2019, even though Texas students have seen fewer declines than those in other parts of the U.S.

Texas Education Agency - House

Summary of Federal Funds (2024-25)

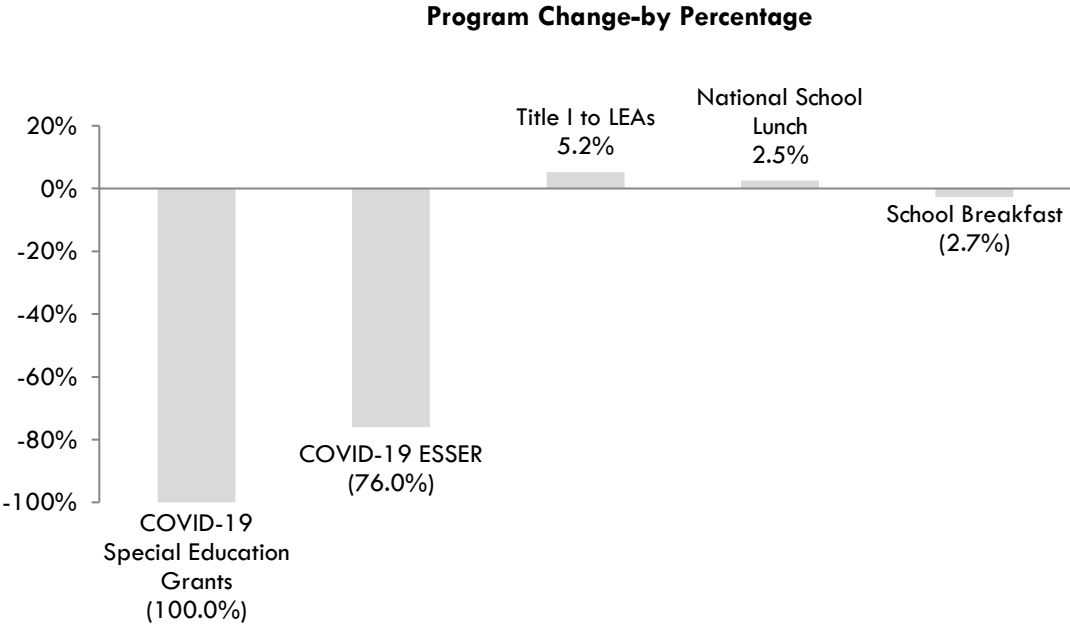
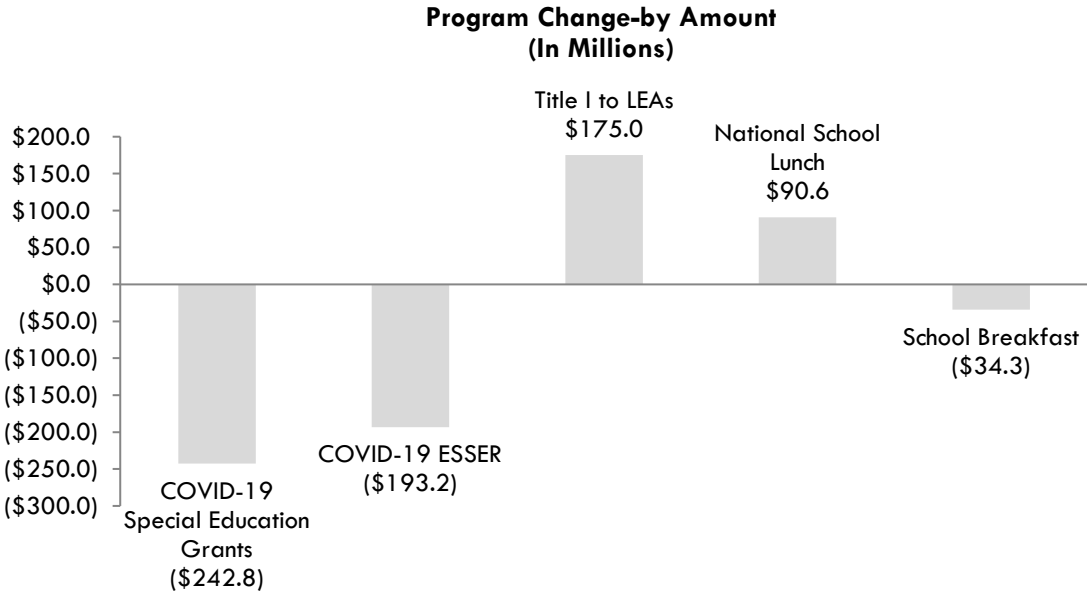


**Selected Federal Fiscal and Policy Issues**

Funds for the 2024-25 biennium include a net decrease of \$217.7 million. This is primarily attributable to decreases in COVID-19 one-time awards.

Federal Funds estimates for the National School Lunch Program and Title I Grants to Local Education Agencies reflect an increase in national funding made available to the programs.

Programs with Significant Federal Funding Changes from 2022-23



**Texas Education Agency  
Rider Highlights - House**

**Modification of Existing Riders**

3. **Foundation School Program Funding.** Recommendations revise rider to update sum-certain appropriation, yields, and assumptions. Recommendations add unexpended balance authority for the FSP from fiscal year 2024 to 2025 to align the mechanics of the appropriation with historical practice.
8. **Instructional Materials and Technology.** Conforming changes related to funding recommendations as well as an increase in amounts allocated to administrative expenses to fund the replacement of the Education Materials and Textbooks system.
11. **Reimbursement of Advisory Committee Members.** Modification deletes Financial Aid Application Requirement Advisory Committee, as this committee has completed its work.
24. **Limitation on the Transfer and Use of Funds.** Modification would provide TEA with the authority to transfer funds from a non-FSP strategy to a DCS item in the agency's capital budget, under certain circumstances.
54. **Mathematics Achievement Academies.** Modifications would align with changes made by Senate Bill 1267, Eighty-seventh Legislature, Regular Session, to allow teachers who provide mathematics instruction to students at any grade level to participate.
55. **Literacy Achievement Academies.** Incorporates language to consolidate this rider with Rider 61, Reading to Learn Academies.
58. **Pathways in Technology Early College High School.** Modification would consolidate this rider with the following riders: Rider 47: Texas Science Technology Engineering and Mathematics (TSTEM) and Rider 48: Early College High School.
61. **Report on the Effectiveness of Certain TEA Programs.** Modification would change the due date of this report from May 1, 2024 to November 1, 2024.
66. **Mobile STEM Laboratory Grant Program.** Modification would provide intra-biennium unexpended balance authority.
75. **Supplemental Special Education Services Program.** Modification establishes a contingency for program continuation beyond Fiscal Year 2024 and allows additional set aside funding.
77. **Funding for Various Programs at the Texas Education Agency.** Revised to provide funding for the High School Decathlon program.
78. **Strong Foundations Grant Program.** Revised rider would replace the contingency rider for House Bill 4545, Eighty-seventh Legislature, Regular Session, with language governing the Strong Foundations Grant Program, which was established by HB 4545.
79. **Intensive Educational Supports.** Revised rider would replace the portions of the existing rider governing the expired provisions of House Bill 1525, Eighty-seventh Legislature, Regular Session. Revised rider would include language governing the provisions of House Bill 1525 that will persist into the 2024-25 biennium.

**New Riders**

- 80. **Interagency Cybersecurity Initiative for Public Schools.** Establishes a program to provide cybersecurity services to public school districts.
- 81. **Property Tax Relief.** Transfers funds to the Property Tax Relief Fund and establishes intent to appropriate the funds for district property tax relief above amounts required by current law.
- 82. **Public Education Funding Increases.** Establishes legislative intent to provide increased funding for school districts and charter schools.

**Deleted Riders**

- 20. **Permanent School Fund.** Rider is transferred to the bill pattern of the Permanent School Fund Corporation, established by Senate Bill 1232, Eighty-seventh Legislature, Regular Session.
- 47. **Texas Science Technology Engineering and Mathematics (TSTEM).** Recommendations would consolidate this rider with Rider 64. According to the agency, this change would allow TEA to support school that are currently in the T-STEM program, which was repealed by Senate Bill 1376, Eighty-sixth Legislature, Regular Session.
- 48. **Early College High School.** Recommendations would consolidate this rider with Rider 58.
- 54. **Adult Charter School.** This rider is no longer required following the enactment of Senate Bill 1615, Eighty-seventh Legislature, Regular Session, which transferred of funding for the Adult Charter School program to the Foundation School Program.
- 60. **Reading Excellence Team Program.** The statute authorizing this program expired on September 1, 2021.
- 61. **Reading to Learn Academies.** Consolidated with Rider 55, Literacy Achievement Academies.
- 67. **Funding for Special Education Strategic Plan FTEs.** Rider no longer required, as funds and FTEs have been incorporated into the agency's regular operations.
- 80. **Administrative Cost Savings Through Strategic Insourcing.** Rider no longer required, as funds and FTEs have been incorporated into the agency's regular operations.
- 83. **Report on Telehealth Programs in Public Schools.** Report has been submitted and rider is no longer required.
- 85. **Contingency for Senate Bill 1171.** Rider no longer required, as the program has been incorporated into the agency's regular operations.

88. **Contingency for House Bill 1525.** Rider no longer required, as it was associated with one-time funding related to House Bill 1525, Eighty-seventh Legislature, Regular Session.
90. **Ensuring Grade-Level Support and COVID-19 Reimbursement.** Rider no longer required, as it was associated with one-time funding related to House Bill 1525, Eighty-seventh Legislature, Regular Session.
91. **Reimbursement for Winter Storm Uri.** Rider no longer required, as it was associated with one-time funding related to House Bill 1525, Eighty-seventh Legislature, Regular Session.
92. **Grants for Students with Autism and/or Dyslexia.** Rider no longer required, as it was associated with one-time funding related to House Bill 1525, Eighty-seventh Legislature, Regular Session.
93. **Operation Connectivity.** Rider no longer required, as it was associated with one-time funding related to House Bill 1525, Eighty-seventh Legislature, Regular Session.
94. **Contingency for House Bill 3643.** Rider no longer required, as the commission established by the bill is abolished effective January 1, 2023.
96. **Contingency for Senate Bill 1232.** Rider no longer required, as the transition plan and transfers to the Permanent School Fund Corporation are complete.
97. **Contingency for Senate Bill 1267.** Rider no longer required, as the program has been incorporated into the agency's regular operations.
98. **Informational Listing: Federal Elementary and Secondary School Emergency Relief Funds.** Rider no longer required, as the rider has fulfilled its purpose.

**Texas Education Agency**  
**Items Not Included in Recommendations - House**

2024-25 Biennial Total				Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
	GR & GR-D	All Funds	FTEs			

**Agency Exceptional Items Not Included (in agency priority order)**

1)	<b>Information Technology Deferred Maintenance.</b> Request for resources to complete deferred regular maintenance on legislatively mandated applications.	\$11,251,170	\$0	0.0	Yes	Yes	\$11,251,170
2)	<b>Windham School District (WSD).</b> The WSD request includes \$0.5 million for 3 additional staff to expand services to students in restrictive housing, \$1.9 million for 5 additional staff to expand Career and Technical Education, \$1.0 million for 8 additional staff to continue the family literacy program, and \$.8 million for 6 additional staff for a workforce coordinator program.	\$4,232,227	\$0	0.0	No	No	\$3,788,170

**Agency rider request not included**

3)	<b>Modify Rider 80: Interagency Cybersecurity Initiative for Public Schools</b> (\$55.0 million in GR and 3.0 FTEs included in HB 1 for the project). Modify rider to specify funding for placement and oversight of cybersecurity practitioners to assist schools, transfer \$5.7 million from capital to non-capital budget for ESC Grants for Cybersecurity Practitioners, transfer \$0.7 million from capital to non-capital budget to fund 3.0 FTEs for statewide planning activities, transfer \$0.4 million in payroll costs to fiscal year 2025, and modify rider to allow TEA to transfer funding between capital and non-capital budgets contingent upon LBB approval, with automatic approval after 15 business days if not disapproved.	\$0	\$0	0.0	Yes	Yes	\$0
----	---	-----	-----	-----	-----	-----	-----

**Texas Education Agency**  
**Items Not Included in Recommendations - House**

		2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
		GR & GR-D	All Funds	FTEs			
4)	<b>Amend Rider 70: Local Designation Systems and Teacher Incentives.</b> Amend rider to provide agency with administrative flexibility when fees exceed Biennial Revenue Estimate and provides unexpended balance authority both within the biennium and between biennia.	\$0	\$0	0.0	No	No	\$0
5)	<b>New Rider: Civics Training Programs.</b> Requested rider would allow TEA to transfer \$300,000 of program funds to administrative strategies and provide unexpended balance authority within the biennium.	\$0	\$0	0.0	No	No	\$0
6)	<b>Amend Rider 49: Texas Gateway and Online Resources.</b> Amend rider to allow commissioner to use appropriated funds to create and implement tools to collect, manage, and analyze performance data for rider's programs. Commissioner would notify LBB 30 days prior to expending funds.	\$0	\$0	0.0	Yes	No	\$0
<b>TOTAL Items Not Included in Recommendations</b>		<b>\$15,483,397</b>	<b>\$0</b>	<b>0.0</b>			<b>\$15,039,340</b>

Texas Education Agency - House  
Appendices

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	33
B	Summary of Federal Funds	39
C	FTE Highlights	40



**Texas Education Agency  
Funding Changes and Recommendations by Strategy - House -- Supplemental**

Strategy/Fund Type/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
<b>FSP - EQUALIZED OPERATIONS A.1.1</b>	<b>\$47,229,263,278</b>	<b>\$56,978,810,520</b>	<b>\$9,749,547,242</b>	<b>20.6%</b>	All Funds increase is attributed primarily to increases for property tax relief, enrollment growth and the golden penny yield, partially offset by district property value growth. (See Selected Fiscal and Policy Issue #2).
GENERAL REVENUE FUNDS	\$30,628,682,566	\$29,193,402,043	(\$1,435,280,523)	(4.7%)	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$16,600,580,712	\$27,785,408,477	\$11,184,827,765	67.4%	Increase due to a an increase of \$9,266.5 million in Property Tax Relief Fund (PTRF), primarily related to funding for additional property tax relief; \$1,732.8 million in Recapture; and \$185.5 million in Tax Reduction and Excellence (TREE) Fund.
<b>FSP - EQUALIZED FACILITIES A.1.2</b>	<b>\$661,216,954</b>	<b>\$624,433,437</b>	<b>(\$36,783,517)</b>	<b>(5.6%)</b>	Biennial costs for facilities are projected to decrease, primarily due to increasing property value growth, which increases the level of local revenue and reduces the amount of state aid required to fund district entitlement for facilities.
GENERAL REVENUE FUNDS	\$661,216,954	\$624,433,437	(\$36,783,517)	(5.6%)	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
<b>STATEWIDE EDUCATIONAL PROGRAMS A.2.1</b>	<b>\$1,252,316,544</b>	<b>\$495,162,608</b>	<b>(\$757,153,936)</b>	<b>(60.5%)</b>	
GENERAL REVENUE FUNDS	\$794,534,832	\$298,345,000	(\$496,189,832)	(62.5%)	Change is attributable to a reduction of \$493.6 million related to onetime funding for HB 1525, a reduction of \$1.2 million related to the expiration of the Reading Excellence Team Program, \$0.3 million related to the transfer of funding for the Adult Charter School program to the FSP, an increase of \$0.2 million for High School Decathlon, and \$1.1 million related to FSP discretionary transfers for TEKS and Subsidy High School Equivalency Exams.
FEDERAL FUNDS	\$172,659,678	\$169,659,678	(\$3,000,000)	(1.7%)	Reduction related to onetime funding for a technology enhancement program that was included in the 2022-23 Base.
OTHER FUNDS	\$285,122,034	\$27,157,930	(\$257,964,104)	(90.5%)	Reduction related to an expiring contract related to COVID-19 with the Department of State Health Services.

**Texas Education Agency  
Funding Changes and Recommendations by Strategy - House -- Supplemental**

Strategy/Fund Type/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
<b>ACHIEVEMENT OF STUDENTS AT RISK A.2.2</b>	<b>\$3,715,874,000</b>	<b>\$3,885,874,004</b>	<b>\$170,000,004</b>	<b>4.6%</b>	
GENERAL REVENUE FUNDS	\$10,000,000	\$5,000,000	(\$5,000,000)	(50.0%)	Reduction related to one time funding for HB 1525.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$3,705,874,000	\$3,880,874,004	\$175,000,004	4.7%	Increase primarily related to updated federal funds estimates for Title I programs.
<b>STUDENTS WITH DISABILITIES A.2.3</b>	<b>\$2,877,406,079</b>	<b>\$2,500,822,056</b>	<b>(\$376,584,023)</b>	<b>(13.1%)</b>	
GENERAL REVENUE FUNDS	\$299,114,327	\$229,900,168	(\$69,214,159)	(23.1%)	Change is attributable to a reduction of \$100.0 million in onetime funding for HB 1525, an increase of \$33.3 million for Supplemental Special Education Services, and a reduction of \$2.5 million related to a transfer from the FSP for a onetime Federal Special Education Payment.
FEDERAL FUNDS	\$2,578,168,784	\$2,270,798,920	(\$307,369,864)	(11.9%)	Change is attributable to a reduction of \$296.4 million related to the removal of onetime COVID-19 funding that was included in the 2022-23 base and a reduction of \$11.0 million related to updated projections for IDEA Part B formula grants.
OTHER FUNDS	\$122,968	\$122,968	\$0	0.0%	
<b>SCHOOL IMPROVEMENT &amp; SUPPORT PGMS A.2.4</b>	<b>\$640,812,160</b>	<b>\$625,222,144</b>	<b>(\$15,590,016)</b>	<b>(2.4%)</b>	
GENERAL REVENUE FUNDS	\$95,656,985	\$93,353,732	(\$2,303,253)	(2.4%)	Change is attributable to \$1.8 million FSP discretionary transfer and to a reduction of \$0.6 million funding for the Aeronautics Magnet Program.
FEDERAL FUNDS	\$544,382,209	\$531,868,412	(\$12,513,797)	(2.3%)	Change is attributable to the elimination of \$12.1 million in funding for the Hurricane Harvey Restart Program that was included in the 2022-23 Base and the reduction of \$0.3 million related to align estimates with the requested total for the Communities in Schools Program.
OTHER FUNDS	\$772,966	\$0	(\$772,966)	(100.0%)	Change is attributable to onetime disposition of closed charter school funds in 2022-23.
<b>Total, Goal A, PROVIDE ED SYS LDRSP GUID'CE RES'S</b>	<b>\$39,490,290,335</b>	<b>\$37,297,635,394</b>	<b>(\$2,192,654,941)</b>	<b>(5.6%)</b>	
GENERAL REVENUE FUNDS	\$32,489,205,664	\$30,444,434,380	(\$2,044,771,284)	(6.3%)	
FEDERAL FUNDS	\$7,001,084,671	\$6,853,201,014	(\$147,883,657)	(2.1%)	

**Texas Education Agency  
Funding Changes and Recommendations by Strategy - House -- Supplemental**

Strategy/Fund Type/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
<b>ASSESSMENT &amp; ACCOUNTABILITY SYSTEM B.1.1</b>	<b>\$226,725,609</b>	<b>\$238,205,070</b>	<b>\$11,479,461</b>	<b>5.1%</b>	
GENERAL REVENUE FUNDS	\$171,897,499	\$169,376,960	(\$2,520,539)	(1.5%)	The change is the result of a reduction of \$4.0 million related to onetime funding for the electronic administration of assessment instruments, offset by a \$1.5 million related to an increase in funding for Assessment efforts under HB 3906.
FEDERAL FUNDS	\$54,828,110	\$68,828,110	\$14,000,000	25.5%	Change related to updated federal projections associated with student assessment expenditures.
<b>TECHNOLOGY/INSTRUCTIONAL MATERIALS B.2.1</b>	<b>\$736,432,051</b>	<b>\$1,042,679,721</b>	<b>\$306,247,670</b>	<b>41.6%</b>	
GENERAL REVENUE FUNDS	\$736,432,051	\$1,042,679,721	\$306,247,670	41.6%	Recommendations include a \$620.7 million increase over 2022-23 appropriations for instructional materials, offset by a \$313.7 million reduction due to the exclusion of unexpended balance.
<b>HEALTH AND SAFETY B.2.2</b>	<b>\$621,272,746</b>	<b>\$38,083,464</b>	<b>(\$583,189,282)</b>	<b>(93.9%)</b>	
GENERAL REVENUE FUNDS	\$461,644,844	\$29,840,844	(\$431,804,000)	(93.5%)	The change is the result of reductions of \$17.1 million related to one time funding for Silent Panic Alert Technology and \$415.0 million for school hardening and Uvalde that were approved via Budget Execution Orders, partially offset by an increase of \$0.3 million to the FitnessGram program.
FEDERAL FUNDS	\$159,627,902	\$8,242,620	(\$151,385,282)	(94.8%)	Change is attributable to a reduction of \$151.4 million related to the removal of onetime COVID-19 funding that was included in the 2022-23 base.
<b>CHILD NUTRITION PROGRAMS B.2.3</b>	<b>\$4,925,837,411</b>	<b>\$4,981,877,570</b>	<b>\$56,040,159</b>	<b>1.1%</b>	
GENERAL REVENUE FUNDS	\$27,511,566	\$27,247,874	(\$263,692)	(1.0%)	Change is attributable to FSP discretionary transfer which was made to fulfill the match requirement for the Child Nutrition Program.
FEDERAL FUNDS	\$4,898,325,845	\$4,954,629,696	\$56,303,851	1.1%	Increase is attributable to updated federal estimates for the Child Nutrition Program.
<b>WINDHAM SCHOOL DISTRICT B.2.4</b>	<b>\$115,494,752</b>	<b>\$131,254,396</b>	<b>\$15,759,644</b>	<b>13.6%</b>	
GENERAL REVENUE FUNDS	\$115,494,752	\$131,254,396	\$15,759,644	13.6%	Recommendations provide for general state employee salary increase.
<b>IMPROVING EDUCATOR QUALITY/LDRSP B.3.1</b>	<b>\$498,033,427</b>	<b>\$508,639,486</b>	<b>\$10,606,059</b>	<b>2.1%</b>	
GENERAL REVENUE FUNDS	\$60,694,000	\$60,694,000	\$0	0.0%	

**Texas Education Agency  
Funding Changes and Recommendations by Strategy - House -- Supplemental**

<b>Strategy/Fund Type/Goal</b>	<b>2022-23 Base</b>	<b>2024-25 Recommended</b>	<b>Biennial Change</b>	<b>% Change</b>	<b>Comments</b>
FEDERAL FUNDS	\$437,339,427	\$447,945,486	\$10,606,059	2.4%	Change is related to updated federal estimates for the Teacher and Principal Training Program, resulting in an increase of \$11.0 million, and for the Troops to Teachers grant program, resulting in a decrease of \$0.4 million.
<b>AGENCY OPERATIONS B.3.2</b>	<b>\$183,579,809</b>	<b>\$151,964,434</b>	<b>(\$31,615,375)</b>	<b>(17.2%)</b>	
GENERAL REVENUE FUNDS	\$60,094,179	\$60,386,635	\$292,456	0.5%	Change is the result of an increase of \$1.4 million to backfill administrative operations previously funded from the Permanent School Fund and the transfer of \$1.4 million of Virtual School Network funds to Strategy B.3.5, partially offset by \$2.5 million reductions associated with onetime grants.
FEDERAL FUNDS	\$94,320,190	\$91,577,799	(\$2,742,391)	(2.9%)	Change is the result of a \$1.7 million reduction in IDEA-B discretionary transfers into this strategy and a reduction of \$1.0 million related to the removal of one time COVID-19 funding that was included in the 2022-23 base.
OTHER FUNDS	\$29,165,440	\$0	(\$29,165,440)	(100.0%)	Change is the result of a reduction of \$28.7 million in Permanent School Fund amounts, due to the establishment of the Permanent School Fund Corporation and a reduction of \$0.3 million related to the disposition of closed charter school funds in 2022-23.
<b>STATE BOARD FOR EDUCATOR CERT B.3.3</b>	<b>\$12,042,406</b>	<b>\$12,135,517</b>	<b>\$93,111</b>	<b>0.8%</b>	
GENERAL REVENUE FUNDS	\$11,422,211	\$11,515,322	\$93,111	0.8%	Change is the net of agency requested reallocation of \$0.2 million to the strategy partially offset by a decrease of \$0.1 million for onetime private grants that were included in the 2022-23 base.
FEDERAL FUNDS	\$620,195	\$620,195	\$0	0.0%	
<b>CENTRAL ADMINISTRATION B.3.4</b>	<b>\$37,606,477</b>	<b>\$36,481,446</b>	<b>(\$1,125,031)</b>	<b>(3.0%)</b>	
GENERAL REVENUE FUNDS	\$18,803,085	\$20,988,132	\$2,185,047	11.6%	Change is primarily the result of an increase of \$1.9 million to backfill administrative operations previously funded from the Permanent School Fund and the realignment of administrative funds.
FEDERAL FUNDS	\$16,695,895	\$15,386,144	(\$1,309,751)	(7.8%)	Change is primarily the result of a \$1.3 million reduction in IDEA-B discretionary transfers into this strategy.

**Texas Education Agency  
Funding Changes and Recommendations by Strategy - House -- Supplemental**

Strategy/Fund Type/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
OTHER FUNDS	\$2,107,497	\$107,170	(\$2,000,327)	(94.9%)	Change is the result of a reduction of \$1.8 million in Permanent School Fund amounts, due to the establishment of the Permanent School Fund Corporation and a reduction of \$0.2 million related to the disposition of closed charter school funds in 2022-23.
<b>INFORMATION SYSTEMS - TECHNOLOGY B.3.5</b>	<b>\$97,975,344</b>	<b>\$156,320,291</b>	<b>\$58,344,947</b>	<b>59.6%</b>	
GENERAL REVENUE FUNDS	\$49,218,342	\$113,134,072	\$63,915,730	129.9%	Change is the result of the following: an increase of \$7.7 million to backfill administrative operations previously funded from the Permanent School Fund, an increase of \$55.0 million for K-12 Data Privacy Initiative, a reduction of \$2.5 million related to one time grants, a reduction \$1.4 million funding associated with the Virtual School Network revenue collections and an inter-strategy transfer, an increase of \$4.4 million related to the realignment of funds between administrative strategies, an increase of \$0.8 million in Instructional Materials Fund amounts to support the EMAT capital budget project.
FEDERAL FUNDS	\$43,176,879	\$43,015,145	(\$161,734)	(0.4%)	Change is the result of the expiration of certain federal grants.
OTHER FUNDS	\$5,580,123	\$171,074	(\$5,409,049)	(96.9%)	Change is the result of a reduction of \$5.4 million in Permanent School Fund amounts, due to the establishment of the Permanent School Fund Corporation.
<b>CERTIFICATION EXAM ADMINISTRATION B.3.6</b>	<b>\$32,619,078</b>	<b>\$32,619,078</b>	<b>\$0</b>	<b>0.0%</b>	
GENERAL REVENUE FUNDS	\$32,619,078	\$32,619,078	\$0	0.0%	
<b>Total, Goal B, PROVIDE SYSTEM OVERSIGHT &amp; SUPPORT</b>	<b>\$1,745,831,607</b>	<b>\$1,699,737,034</b>	<b>(\$46,094,573)</b>	<b>(2.6%)</b>	
GENERAL REVENUE FUNDS	\$1,745,831,607	\$1,699,737,034	(\$46,094,573)	(2.6%)	
<b>SALARY ADJUSTMENTS C.1.1</b>	<b>\$0</b>	<b>\$14,863,585</b>	<b>\$14,863,585</b>	<b>100.0%</b>	Recommendations provide for general state employee salary increase.
GENERAL REVENUE FUNDS	\$0	\$9,949,719	\$9,949,719	100.0%	
FEDERAL FUNDS	\$0	\$4,913,866	\$4,913,866	100.0%	
<b>Total, Goal C, SALARY ADJUSTMENTS</b>	<b>\$0</b>	<b>\$14,863,585</b>	<b>\$14,863,585</b>	<b>100.0%</b>	
GENERAL REVENUE FUNDS	\$0	\$9,949,719	\$9,949,719	100.0%	
FEDERAL FUNDS	\$0	\$4,913,866	\$4,913,866	100.0%	

Texas Education Agency  
Funding Changes and Recommendations by Strategy - House -- Supplemental

Strategy/Fund Type/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
Grand Total, All Agency	\$63,864,508,125	\$72,455,448,827	\$8,590,940,702	13.5%	
GENERAL REVENUE FUNDS	\$34,235,037,271	\$32,154,121,133	(\$2,080,916,138)	(6.1%)	
FEDERAL FUNDS	\$12,706,019,114	\$12,488,360,075	(\$217,659,039)	(1.7%)	
OTHER FUNDS	\$16,923,451,740	\$27,812,967,619	\$10,889,515,879	64.3%	

**Texas Education Agency  
Summary of Federal Funds (In Millions) - House**

<b>Program</b>	<b>Est 2022</b>	<b>Bud 2023</b>	<b>Rec 2024</b>	<b>Rec 2025</b>	<b>2022-23 Base</b>	<b>2024-25 Rec</b>	<b>2024-25 Rec % Total</b>	<b>Recommended Over/(Under) Base</b>	<b>% Change from Base</b>
National School Lunch Program	\$2,125.4	\$1,500.0	\$1,858.0	\$1,858.0	\$3,625.4	\$3,716.0	29.8%	\$90.6	2.5%
Title I Grants to Local Educational Agencies (LEAs)	\$1,598.6	\$1,785.2	\$1,779.4	\$1,779.4	\$3,383.9	\$3,558.9	28.5%	\$175.0	5.2%
Special Education Grants	\$1,134.4	\$1,148.6	\$1,141.5	\$1,141.5	\$2,283.0	\$2,283.0	18.3%	\$0.0	0.0%
School Breakfast Program	\$672.9	\$600.0	\$619.3	\$619.3	\$1,272.9	\$1,238.6	9.9%	(\$34.3)	(2.7%)
Improving Teacher Quality State Grants	\$208.7	\$230.5	\$225.1	\$225.1	\$439.2	\$450.2	3.6%	\$11.0	2.5%
English Language Acquisition Grant Programs	\$124.9	\$129.7	\$127.3	\$127.3	\$254.5	\$254.5	2.0%	\$0.0	0.0%
21st Century Community Learning Centers	\$120.9	\$120.2	\$120.6	\$120.6	\$241.1	\$241.1	1.9%	\$0.0	0.0%
Student Support and Academic Enrichment Program	\$118.4	\$120.1	\$119.3	\$119.3	\$238.5	\$238.5	1.9%	\$0.0	0.0%
Vocational Education Basic Grants to States	\$80.6	\$86.2	\$83.4	\$83.4	\$166.9	\$166.9	1.3%	\$0.0	0.0%
COVID-19 Elementary and Secondary School Emergency Relief Fund	\$225.9	\$28.3	\$40.7	\$20.3	\$254.2	\$61.0	0.5%	(\$193.2)	(76.0%)
Special Education-Preschool Grants	\$24.8	\$24.7	\$24.7	\$24.7	\$49.5	\$49.5	0.4%	\$0.0	0.0%
State Assessments and Enhanced Assessment Instruments	\$24.2	\$24.2	\$24.2	\$24.2	\$48.4	\$48.4	0.4%	\$0.0	0.0%
Migrant Education Basic State Grant Program	\$24.8	\$23.1	\$23.9	\$23.9	\$47.8	\$47.8	0.4%	\$0.0	0.0%
Public Charter Schools	\$19.9	\$20.0	\$20.0	\$20.0	\$39.9	\$39.9	0.3%	\$0.0	0.0%
Education for Homeless Children and Youth	\$10.1	\$11.6	\$10.8	\$10.8	\$21.7	\$21.7	0.2%	\$0.0	0.0%
Rural and Low Income Schools Program	\$9.9	\$9.6	\$9.7	\$9.7	\$19.5	\$19.5	0.2%	\$0.0	0.0%
Temporary Assistance for Needy Families	\$4.9	\$4.8	\$4.8	\$4.8	\$9.8	\$9.7	0.1%	(\$0.1)	(0.7%)
Projects of Regional and National Significance	\$6.9	\$1.7	\$4.3	\$4.3	\$8.6	\$8.6	0.1%	\$0.0	0.0%
Developmental Disabilities Basic Support & Advocacy Grants	\$3.6	\$4.0	\$3.8	\$3.8	\$7.6	\$7.6	0.1%	\$0.0	0.0%
Gaining Early Awareness and Readiness for Undergraduate Programs	\$3.5	\$3.4	\$3.4	\$3.4	\$6.9	\$6.9	0.1%	\$0.0	0.0%
Striving Readers Comprehensive Literacy State Formula Grant (B)	\$6.2	\$0.0	\$3.1	\$3.1	\$6.2	\$6.2	0.0%	\$0.0	0.0%
Title I Program for Neglected and Delinquent Children	\$2.9	\$2.2	\$2.5	\$2.5	\$5.0	\$5.0	0.0%	\$0.0	0.0%
All Other COVID-19 Grants <sup>1</sup>	\$258.6	\$0.0	\$1.6	\$3.3	\$258.6	\$4.9	0.0%	(\$253.7)	(98.1%)
All Other Grants <sup>2</sup>	\$14.8	\$2.1	\$1.9	\$1.9	\$16.9	\$3.8	0.0%	(\$13.0)	(77.2%)
<b>TOTAL:</b>	<b>\$6,825.9</b>	<b>\$5,880.1</b>	<b>\$6,253.5</b>	<b>\$6,234.9</b>	<b>\$12,706.0</b>	<b>\$12,488.4</b>	<b>100.0%</b>	<b>(\$217.7)</b>	<b>(1.7%)</b>

<sup>1</sup>All Other COVID-19 Grants include Coronavirus State Fiscal Recovery Funds (ARPA) appropriated through Senate Bill 8, Eighty-seventh Third Called Session and vaccine funding.

<sup>2</sup>All Other Grants includes funding for salary adjustments, technology funding, and disaster education funding.

Texas Education Agency  
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2021	Estimated 2022	Budgeted 2023	Recommended 2024	Recommended 2025
Cap	1,008.5	1,193.5	1,165.5	1,157.0	1,157.0
Actual/Budgeted	1,009.2	1,081.1	1,080.5	NA	NA

Schedule of Exempt Positions (Cap)									
Commissioner of Education	\$	248,094	\$	248,094	\$	248,094	\$	250,000	\$ 250,000

Notes:

a) With the implementation of Senate Bill 1232, 87th Legislature, Regular Session, and the establishment of the Permanent School Fund Corporation, the Texas Education Agency has requested that the position of Chief Investment Officer be removed from its schedule of exempt positions. Recommendations transfer this position to the Permanent School Fund Corporation bill pattern.



# Texas Education Agency

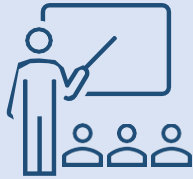
---

HOUSE APPROPRIATIONS - ARTICLE III

LAR BRIEFING – 88<sup>TH</sup> LEGISLATURE

# Every Child, Prepared for Success in College, Career, or the Military

## Strategic Priorities



Recruit, support and retain teachers and principals.



Build a foundation for reading and math.



Connect high school to career and college.



Improve low-performing schools.

## Key Actions



Supported Educators



Ready Students



Rigorous Engagement



Aligned Systems



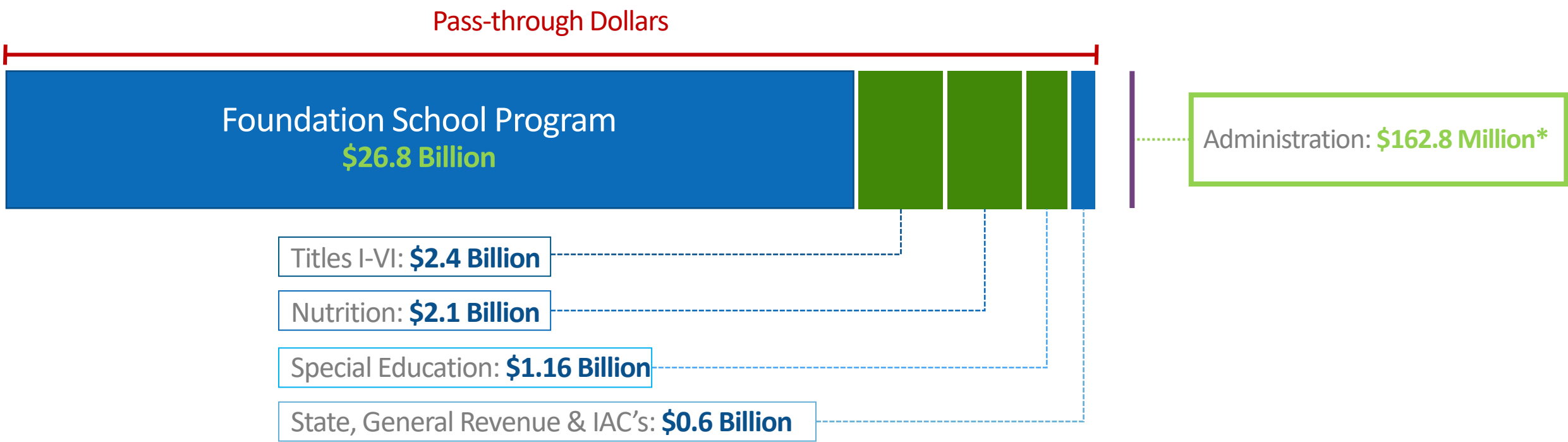
Actionable Goalsetting



Continuous Improvement

# FY 2023 TEA Agency Budget: \$33.2 Billion

The Texas Education Agency is responsible for the wise fiduciary stewardship of **\$33.2B** in state and federal funding and agency administrative costs totaling **\$162.8M\***



\*LAR amounts plus \$1.5M in PSF dollars that will be MOU'd to TEA in 2023



# TEA LAR and HB 1

---

**THANK YOU**

Method of Finance	FY 2022-2023 (Base)	FY 2024-2025 (HB 1)	Biennial Change
State Funds*	\$51.2 B	\$60.0 B	\$8.8 B
Federal Funds	\$12.7 B	\$12.5 B	\$(0.2) B
All Funds	\$63.9 B	\$72.5 B	\$8.6 B

*\*Includes recapture*

# Foundation School Program in HB 1

- ✓ Fully funds current law for the Foundation School Program
- ✓ Golden penny yield increases from \$98.56 to \$126.21 in FY24 and \$129.52 in FY25
- ✓ Includes \$15B in property tax relief (\$5.3B under current law + \$9.7B new, with mechanism TBD)

## What does this mean?

- The Golden Penny yield increase means that any district that is taxing in Tier 2 that does not have a wealth per student level above the yield will see a budget increase.
- Given average Tier 2 tax rates in the state and average property wealth projections, this translates to an average funding increase for districts of

**~ \$239 per ADA**

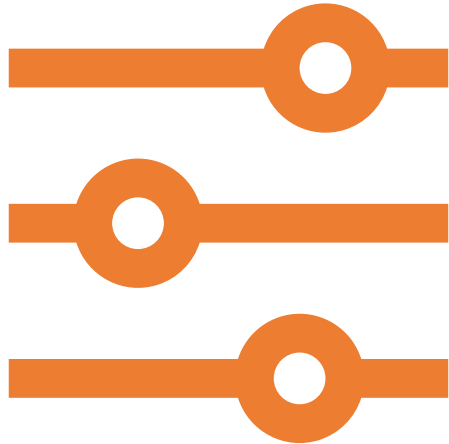
# HB 1: Funding for School Systems

- ✓ New riders indicate legislative intent to increase funding for public education
- ✓ Indicates intent to provide \$600M for school safety through supplemental appropriations bill\*
- ✓ Restores Instructional Materials Allotment to traditional levels (~\$1B per biennium)



\* Addresses TEA exceptional item

# HB 1 Funded items from TEA's LAR

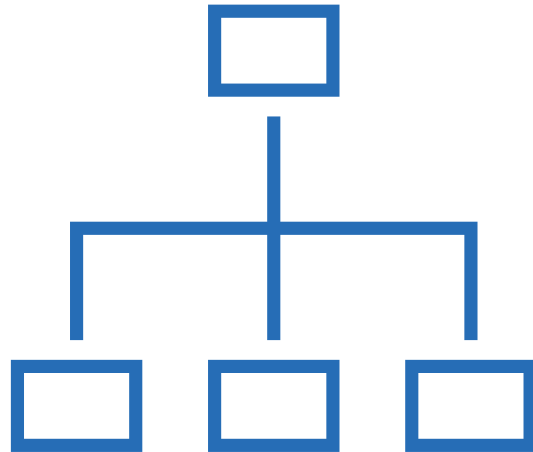


- ✓ Funds Supplemental Special Education Services program at \$93.3M
- ✓ Learning Acceleration:
  - Maintains HB 4545/Strong Foundations funding at FY22-23 level (\$150M)
  - Provides \$30M of state funds for ongoing learning acceleration/COVID recovery programs
- ✓ Funds TEA exceptional item for LEA cybersecurity\*

\* Addresses TEA exceptional item



# HB 1 Funded items from TEA's LAR

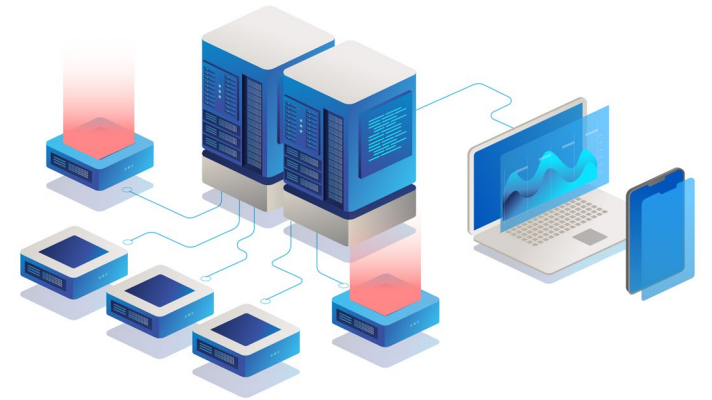


- ✓ Replaces PSF administrative funds (fills budget hole)\*
- ✓ Provides funding for employee salary increases\*
  - 5% or \$3,000 in FY24
  - Another 5% or \$3,000 in FY25
  - Indicates intent to fund increases beginning June 1 2023

\* Addresses TEA exceptional item

# LAR Items *Not* Yet Addressed

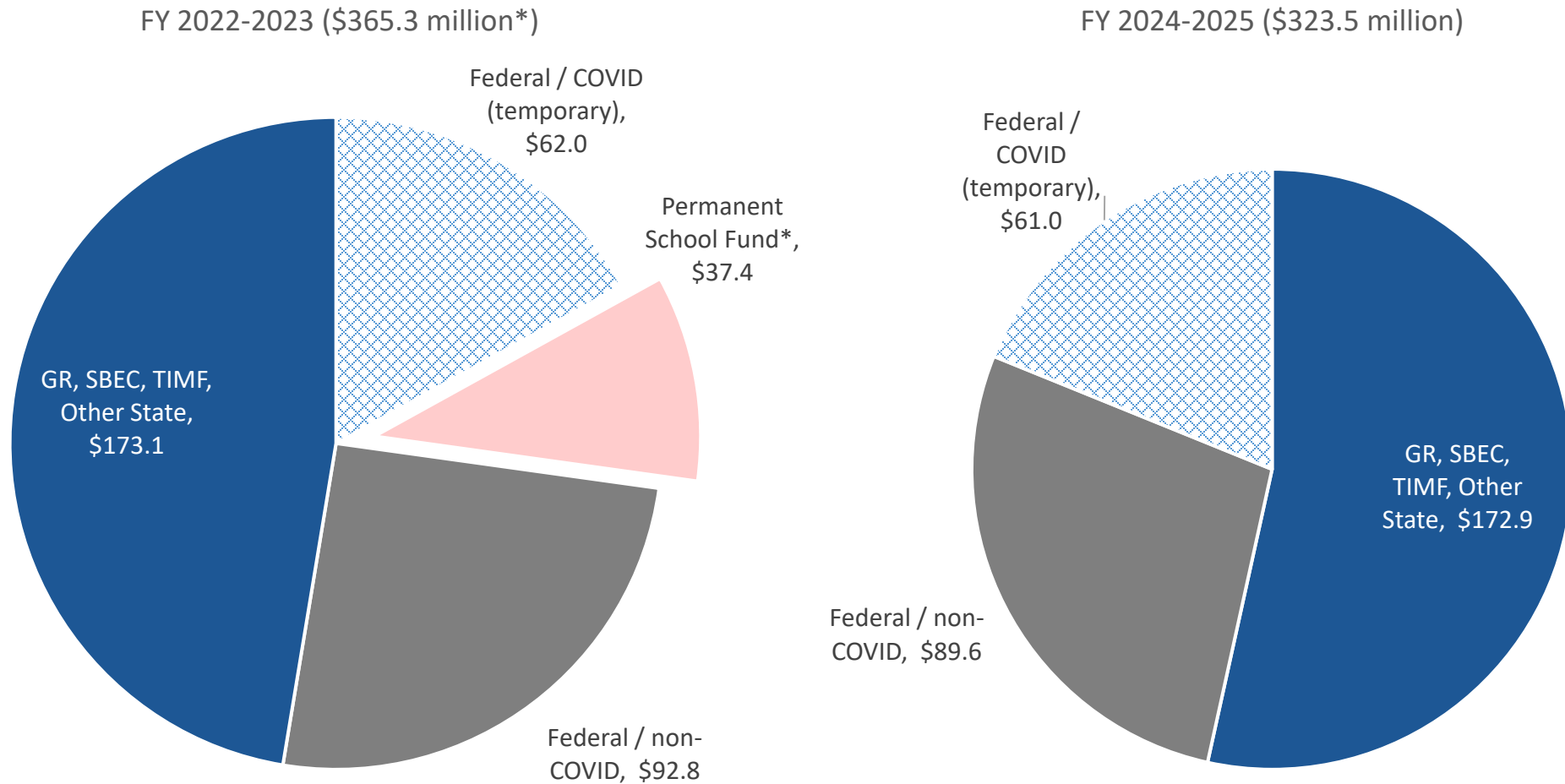
- Exceptional Item request for IT deferred maintenance funding (\$11.25M)
- Additional rider requests for flexibility and clarity (TIA, Civics Academies)
- Reappropriation of funding to address MFS shortfall (\$74.6M)



# Appendix

---

# Agency Admin by Method of Finance (\$ million)



\*LAR amounts plus \$1.5M in PSF dollars that will be MOU'd to TEA in 2023

# ESSER Formula Funds – Direct to LEAs

Formula ESSER Funds  
*As of January 6, 2023*

	ESSER I (CARES)	ESSER II (CRRSA)*	ESSER III (ARP)	Total^
<b>Hold Harmless Offset</b>	\$1,069 M	\$1,109 M	\$0	\$2,179 M
<b>Fully Available to LEAs</b>	\$88 M	\$3,869 M	\$11,185 M	\$15,142 M
<b>Total Formula Funds</b>	<b>\$1,157 M</b>	<b>\$4,979 M</b>	<b>\$11,185 M</b>	<b>\$17,321 M</b>
<i>Drawn down to date</i>	<i>\$1,155.4 M</i>	<i>\$3,060.6 M</i>	<i>\$4,243.7 M</i>	<i>\$8,459.7 M</i>
<i>Remaining</i>	<i>\$1.8 M</i>	<i>\$1,918.4 M</i>	<i>\$6,941.3 M</i>	<i>\$8,861.5 M</i>
<b>Funding Expiration Date</b>	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2024	

Totals may not sum due to rounding.

\*Includes approx. \$2 million from state discretionary that TEA transferred to statutory formula allocations

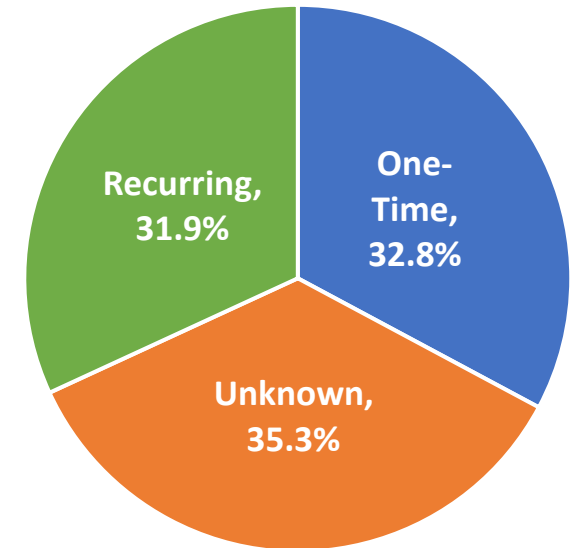
^From among discretionary ESSER funds and GEER funds, another \$227 million was provided to LEAs via the ESSER Supplemental program, \$10M was dedicated for technical assistance across formula programs, and \$304 million was provided for equitable services and support of private schools.

# How LEAs are Using Formula ESSER Funds

This chart shows totals drawn down from the combination of ESSER-SUPP, ESSER II & III as of January 1, 2023. Percentages are based on total formula funds drawn down, not funds awarded.

<b>Staffing Model &amp; Planning Supports</b>	\$1,356M	20.3%
<b>Teacher Pay Increases</b>	\$969M	14.5%
<b>Additional Teachers</b>	\$747M	11.2%
<b>Student Services (e.g., Counseling, Nursing, Food, etc.)</b>	\$754M	11.3%
<b>COVID-related Facilities Supports (e.g., cleaning, PPE)</b>	\$656M	9.8%
<b>Technology</b>	\$575M	8.6%
<b>Indirect (administrative support)</b>	\$481M	7.2%
<b>Curricular Resources</b>	\$386M	5.8%
<b>Before/After/Summer School</b>	\$318M	4.8%
<b>Tutoring</b>	\$207M	3.1%
<b>Training Time Stipends</b>	\$129M	1.9%
<b>Professional Development</b>	\$68M	1.0%
<b>Other</b>	\$29M	0.4%

Expenditure Comparison:  
Recurring vs. One-Time Costs

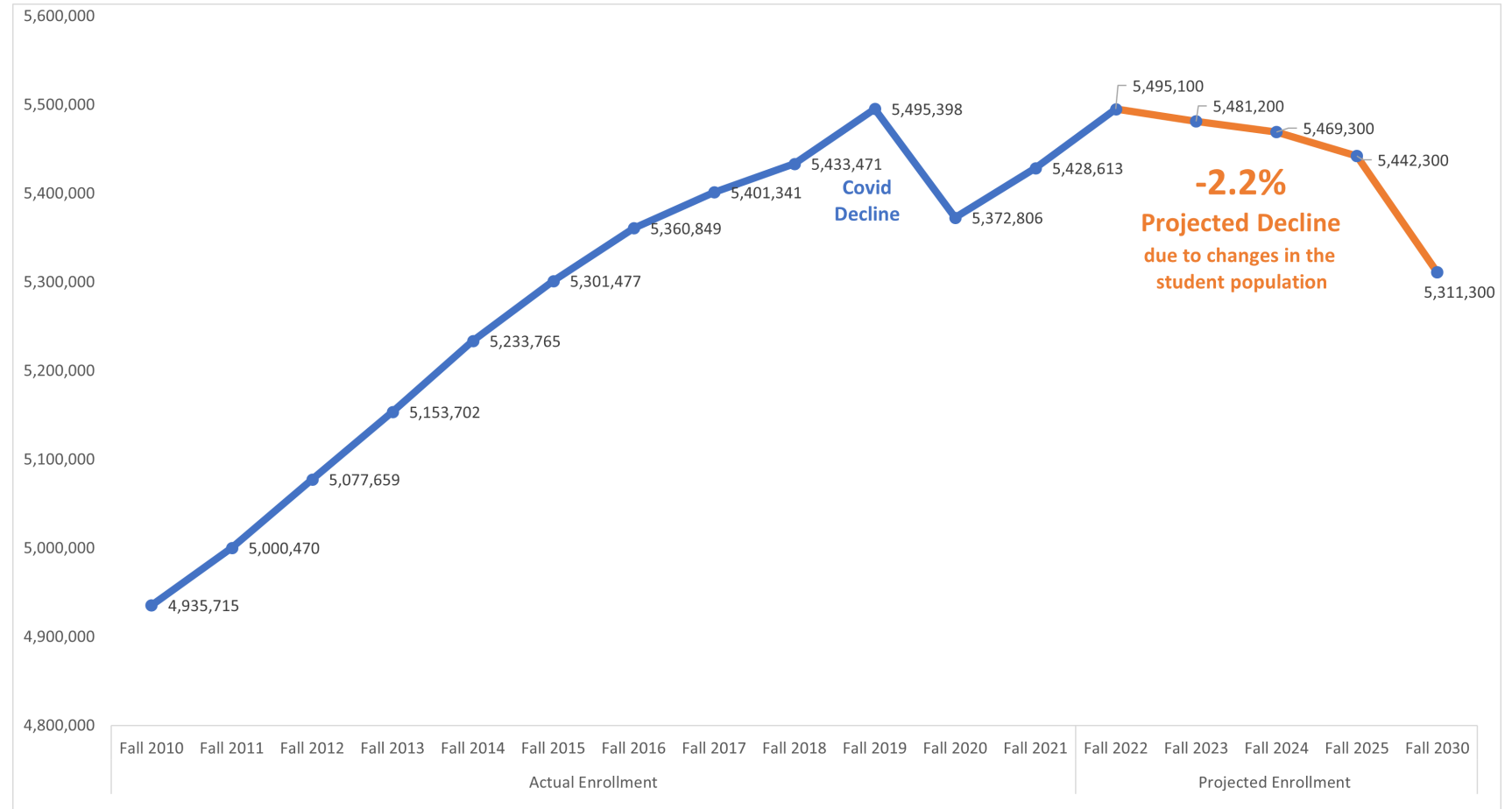


*Note: To improve transparency, TEA reviewed expenditures that LEAs previously reported under the "Other" category and reclassified those expenditures into appropriate categories whenever possible. TEA also updated LEA reporting requirements on an ongoing basis.*

## Enrollment Trends – Near & Long Term

# Statewide: Enrollment in Texas public schools is projected to decline over time

Historically, enrollment in Texas public schools has linearly **increased over time**. Texas saw a **significant drop** in enrollment with the COVID-19 pandemic. While enrollment has rebounded, NCES **projects a decline in statewide enrollment over time** due to factors that impact the school-age population.



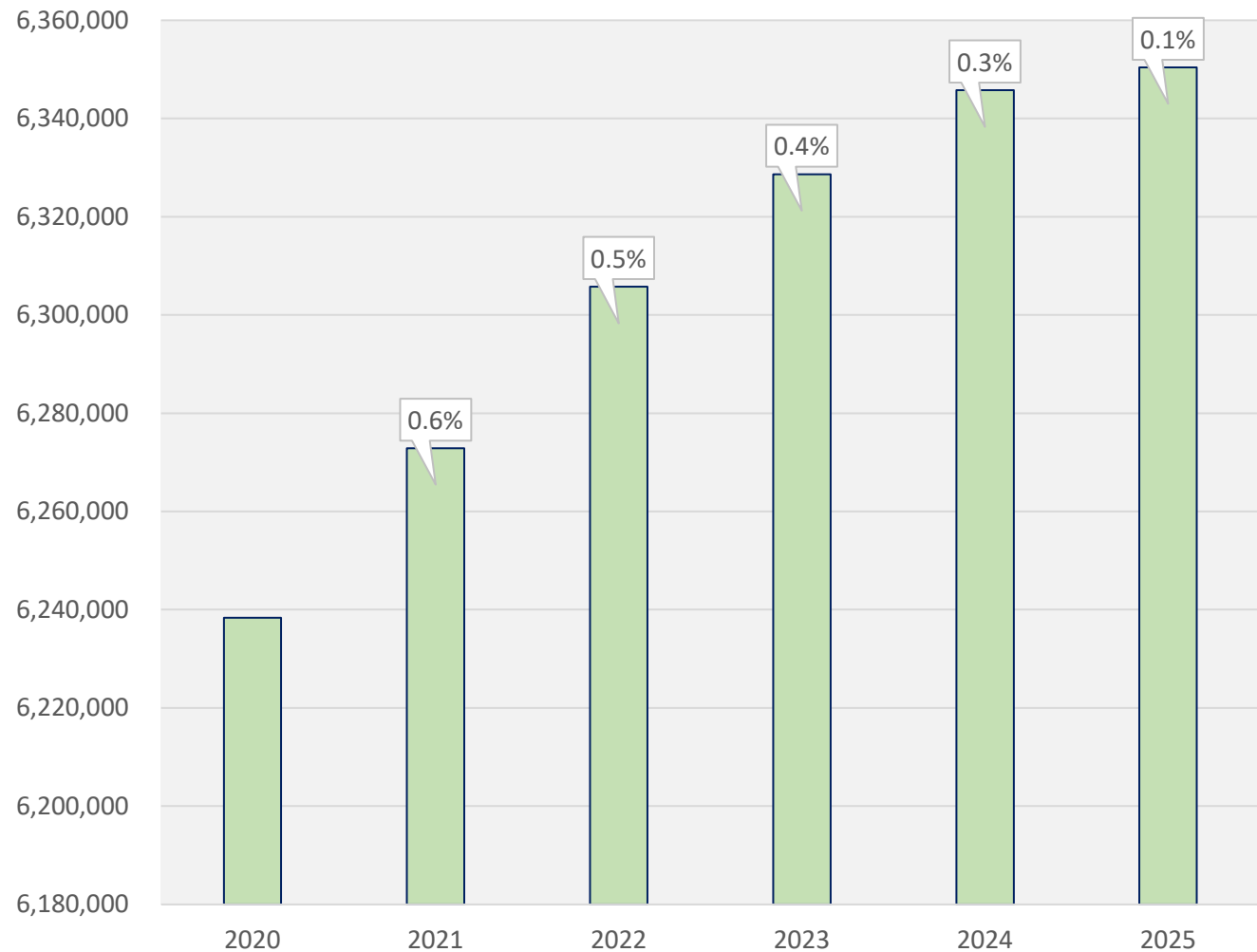
SOURCE: National Center for Education Statistics (n.d.). Digest of Education Statistics, 2022, Table 203.20. Retrieved August 18, 2022 from [https://nces.ed.gov/programs/digest/d22/tables/dt22\\_203.30.asp?current=yes](https://nces.ed.gov/programs/digest/d22/tables/dt22_203.30.asp?current=yes)



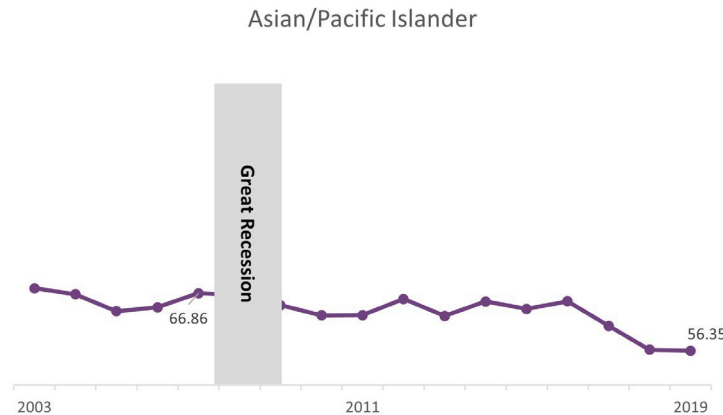
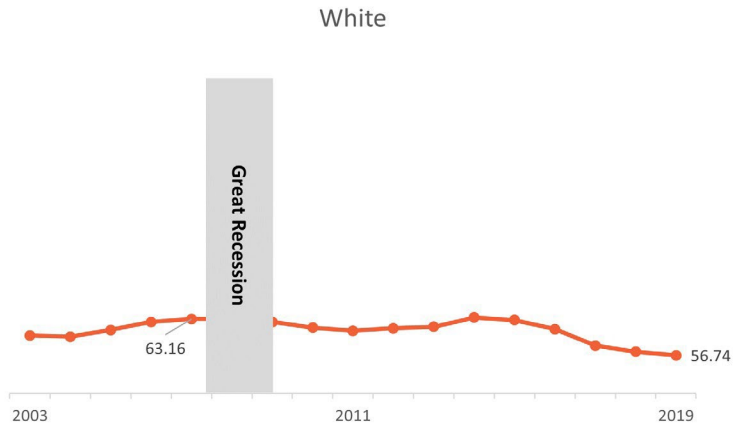
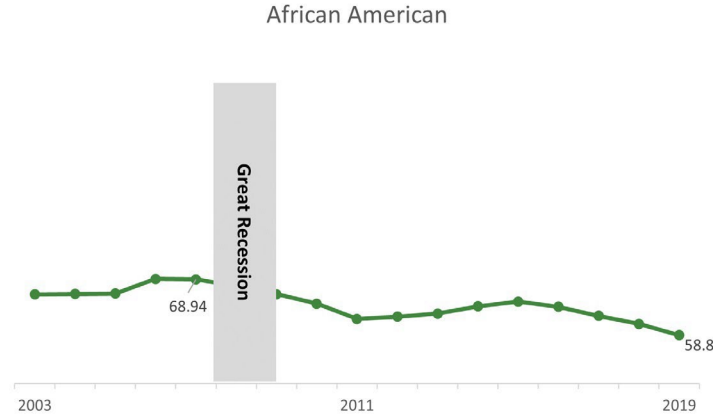
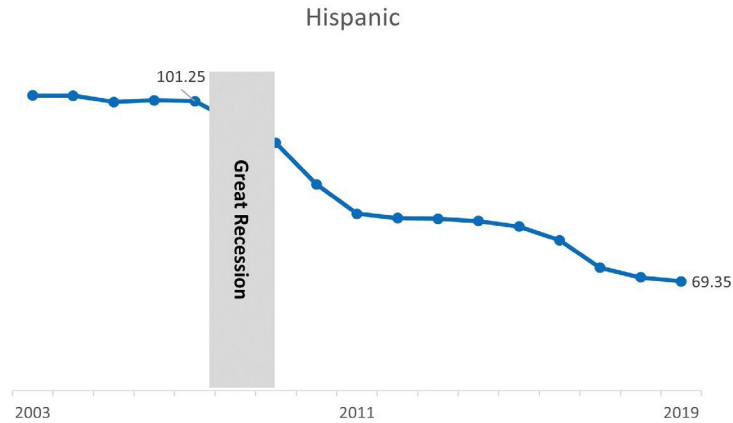
# The Texas Demographer projects modest growth for school-aged children (4-18 years) near term

Many remain outside public schools

Texas Demographer 2022 Projection



# Statewide: Texas birth rates have showed overall declines since 2007 for all racial/ethnic groups



Projections **should account for the overall decline** in fertility rates and pay attention to changes for specific racial/ethnic groups as applicable in one's local community. In addition, note that **fertility rate declines may not be off set by in-migration for the school age population.**

Fertility rates are calculated as the number of births divided by the number of females, age 15 - 44 years old in the given year(s).

**Source:** National Center for Disease Control and Prevention, National Center for Health Statistics. National Vital Statistics System, Natality on CDC WONDER Online Database. Data are from the Natality Records 2003-2019, as compiled from data provided by the 57 vital statistics jurisdictions through the Vital Statistics Cooperative Program. Accessed at <https://wonder.cdc.gov/natality-v2006.html>

# Statewide: Changes in enrollment from the prior year illustrate likely effects of birth rate declines

Great Recession:  
December 2007-June  
2009

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Early Education	-297	-1,161	-1,896	72	647	1,132	750	766	1,119	-4,892	384
Prekindergarten	702	2,531	-861	-6,410	1,624	3,479	7,367	7,469	9,580	-52,133	26,640
Kindergarten	5,253	11,188	1,092	-1,161	-13,737	-4,802	-393	2,402	10,094	-22,765	10,153
1	4,392	4,609	12,548	2,905	-2,361	-14,172	-7,168	-1,737	4,549	-10,046	4,829
2	3,513	5,803	5,228	13,708	3,147	-2,469	-14,455	-6,599	912	-8,553	3,716
3	3,968	3,568	7,030	6,322	13,071	3,368	-2,785	-14,085	-4,094	-10,660	3,737
4	1,651	2,987	4,845	6,982	6,513	14,039	2,724	-1,803	-11,905	-14,747	647
5	5,203	-1,305	6,518	5,385	5,821	6,045	14,221	3,151	-93	-21,795	-5,678
6	11,140	7,352	-3,576	7,091	6,853	7,633	4,441	15,123	5,021	-8,383	-13,910
7	8,760	11,084	8,295	-2,479	6,515	6,598	6,355	4,362	16,711	-2,198	-2,559
8	5,954	6,588	12,922	8,663	-1,809	5,804	6,232	6,450	6,224	11,233	2,039
9	2,888	8,873	5,776	11,740	8,762	3,041	1,206	3,735	12,436	-12,599	39,223
10	3,077	3,663	12,008	10,676	13,289	8,800	1,875	3,627	6,208	13,661	-12,005
11	8,507	4,623	2,542	11,687	10,250	11,614	7,938	1,342	3,995	11,235	1,011
12	251	6,858	3,614	4,959	9,668	9,289	12,247	8,025	1,273	10,288	-2,443
Total	64,962	77,261	76,085	80,140	67,663	59,399	40,555	32,228	62,030	-122,354	55,784

Fewer students born after the Great Recession show as an **enrollment decline bubble** progressing through successive grade levels. Note that statewide trends may not reflect specific LEA-level trends, historically or in the future.

Approximate birth  
year for students in  
early education:

2009      2010      2011

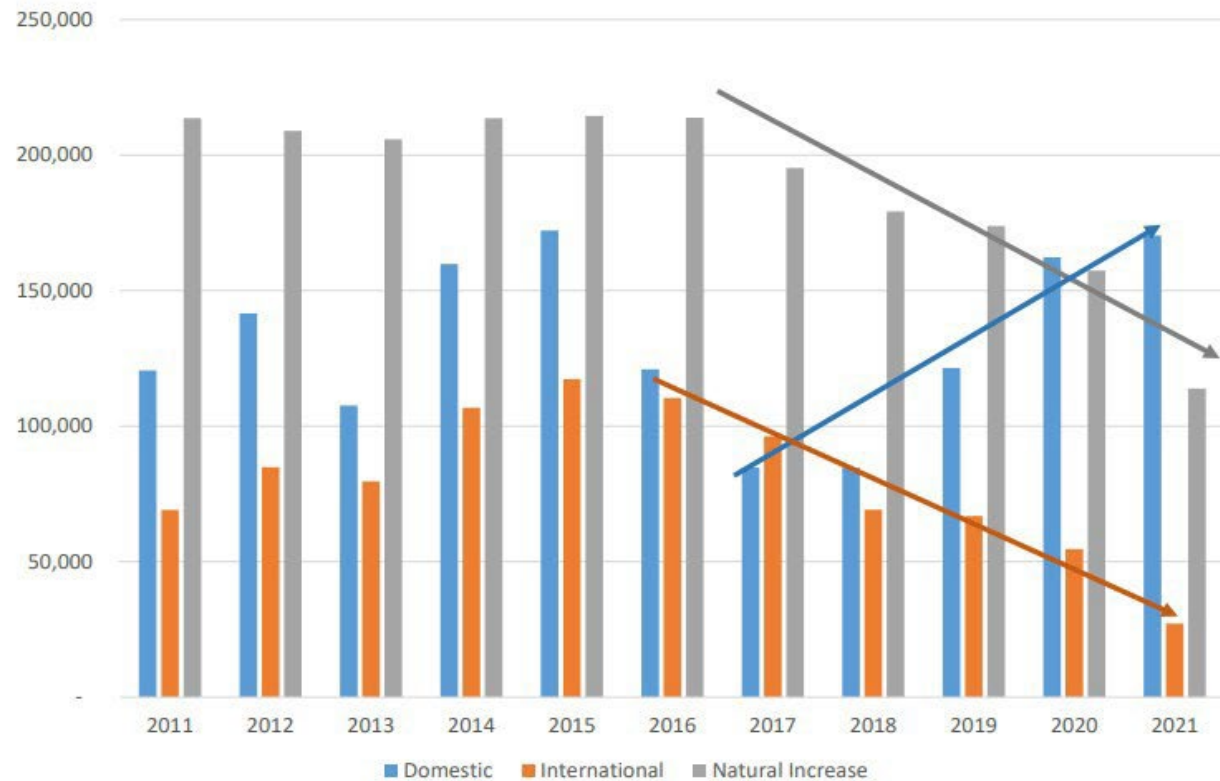
# Statewide: The relationship is complex. Declines in birth rates and international migration may be off set by domestic in-migration at the state level.

Statewide, **domestic inbound migration** now accounts for a **higher proportion of Texas student growth** than natural increases or international migration as compared to prior years.

LEA projections must consider effects from within-Texas migration. Local migration effects may or not may reflect statewide migration trends.



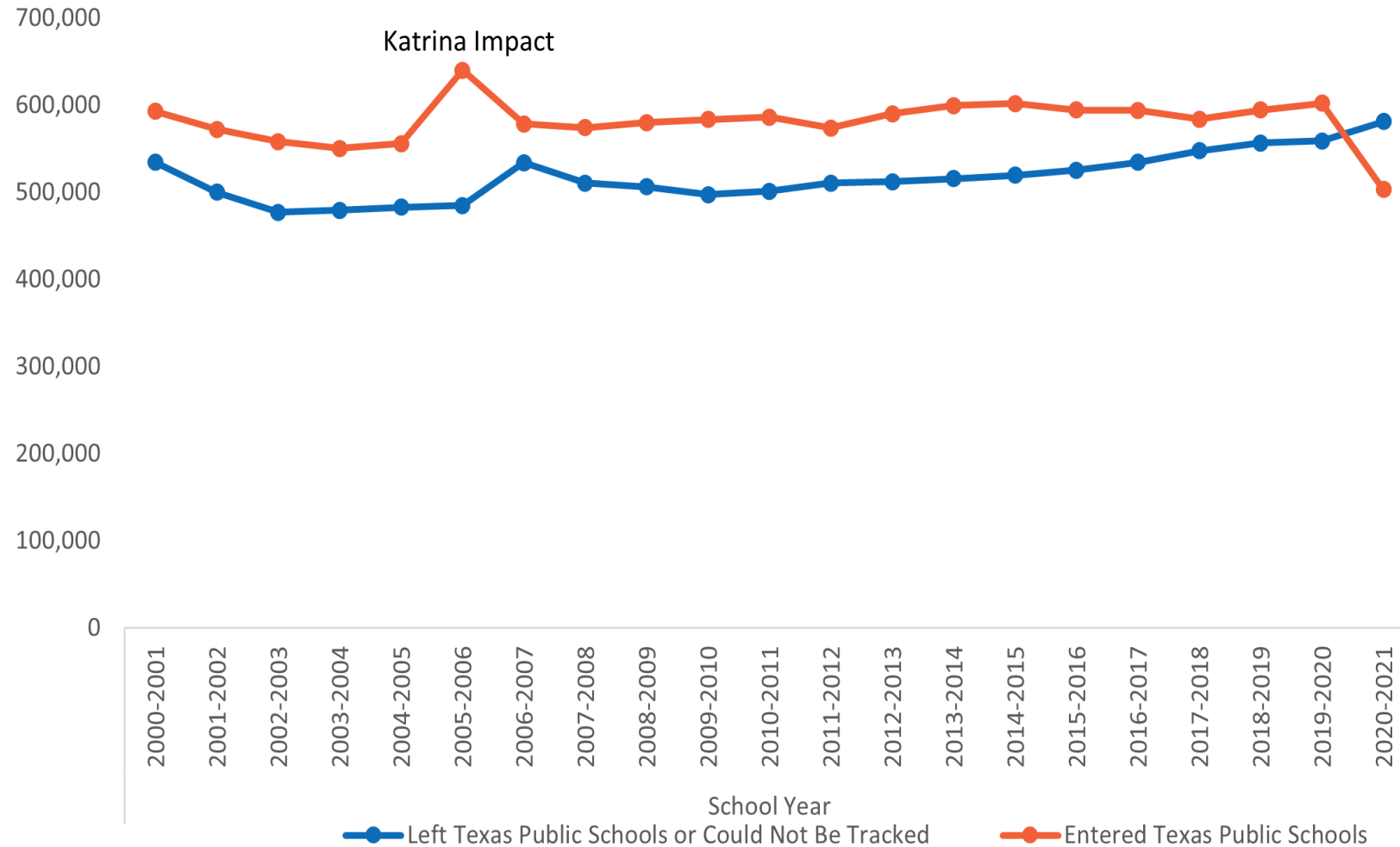
Estimated Domestic and International Migration for Texas, 2011-2021



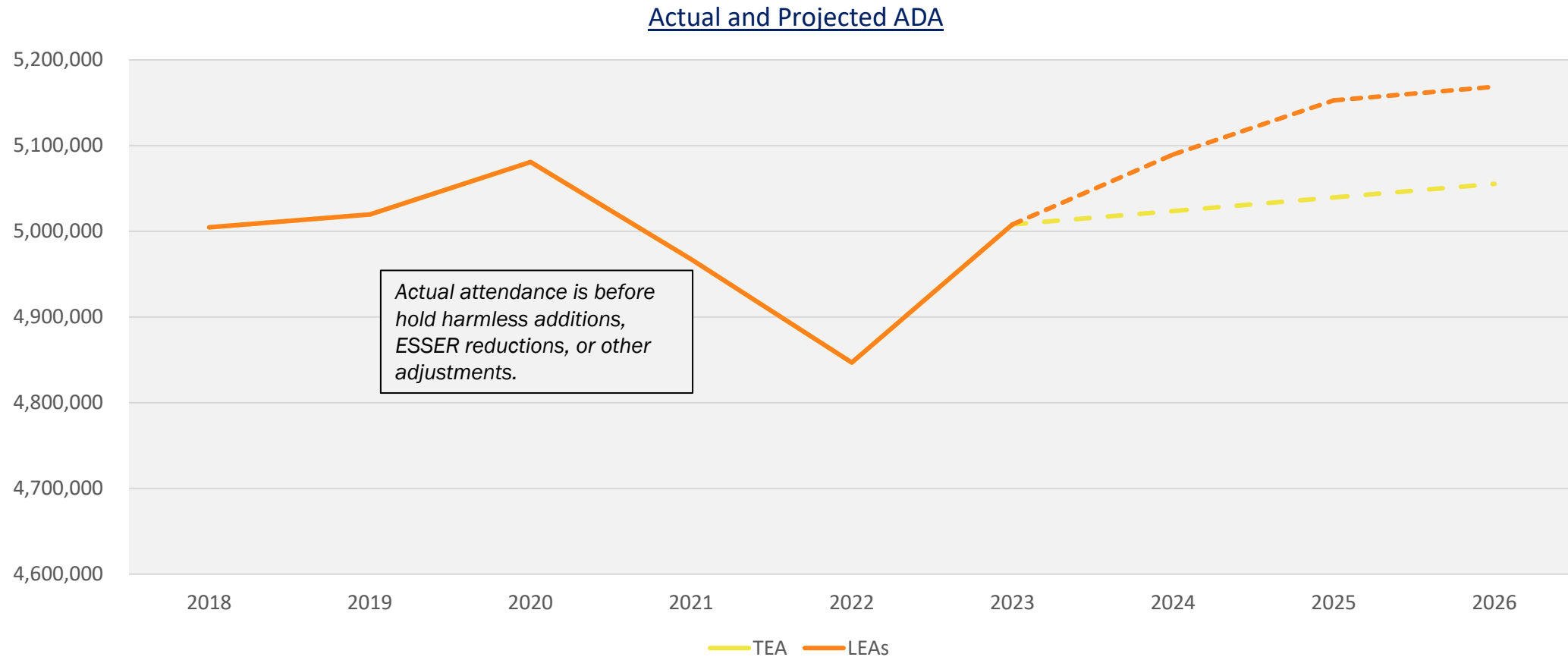
SOURCE: U.S. Census Bureau. 2020 Evaluation Population Estimates and 2021 Vintage Population Estimates

# Statewide: Students leaving Texas public schools were offset by students entering Texas public schools until 2020-21

Changes in inter-state and intra-state migration during the COVID-19 pandemic impacted new state-level enrollment in Texas public schools.

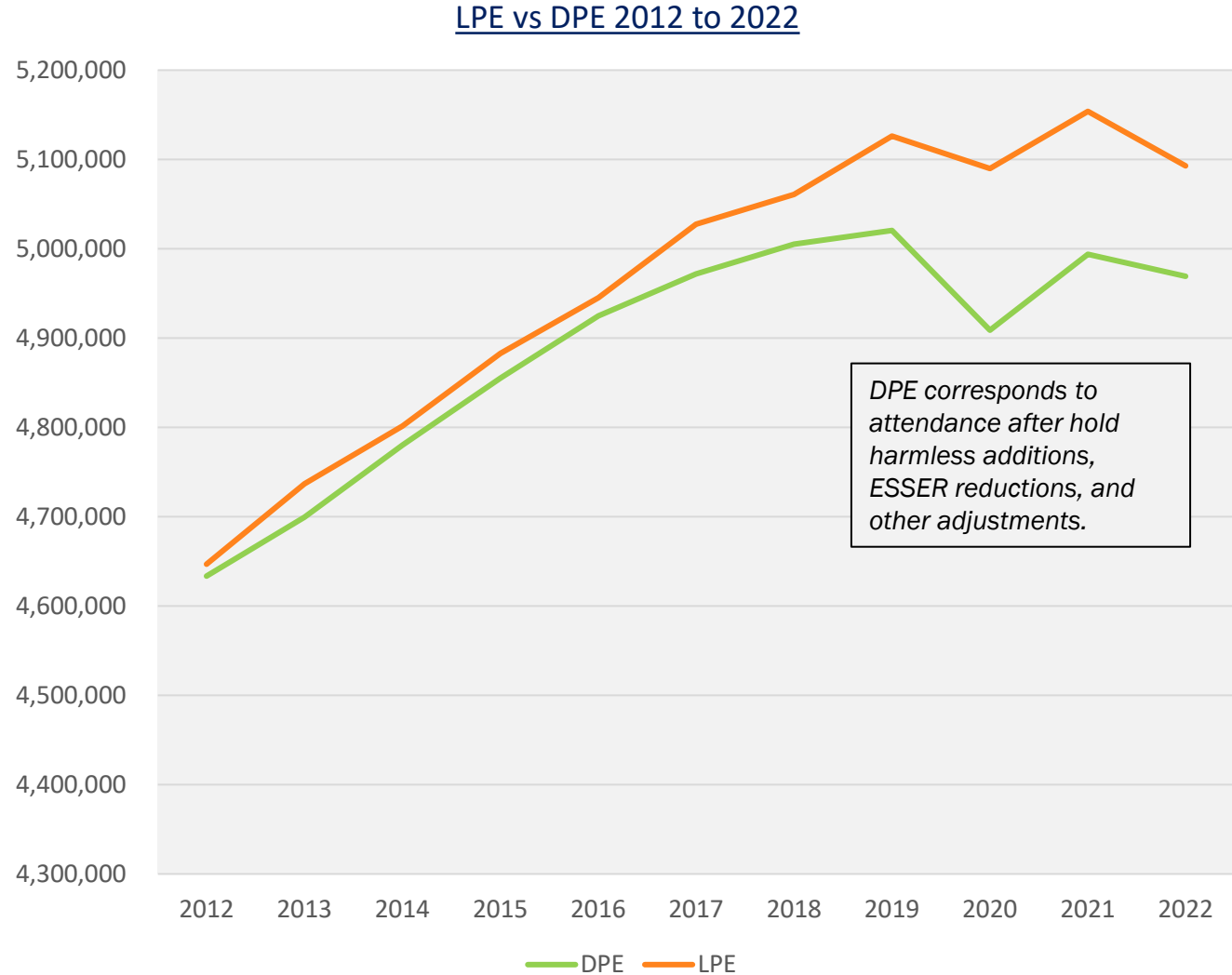


# LEAs projected significantly higher ADA than prior TEA projections



# LEAs attendance projections (LPE) have historically been higher than final ADA (DPE)

This difference became larger after 2017, when ADA growth began to slow and charter schools began educating a larger share of students. COVID years also included numerous adjustments to DPE attendance.



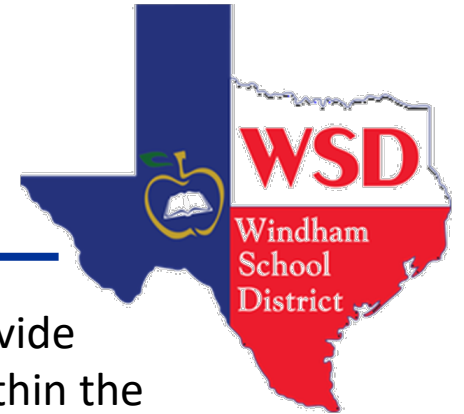


# LAR Appendix Slides



# Windham School District

Exceptional Item Request (original from LAR)  
2024 – 2025 Legislative Appropriations Request



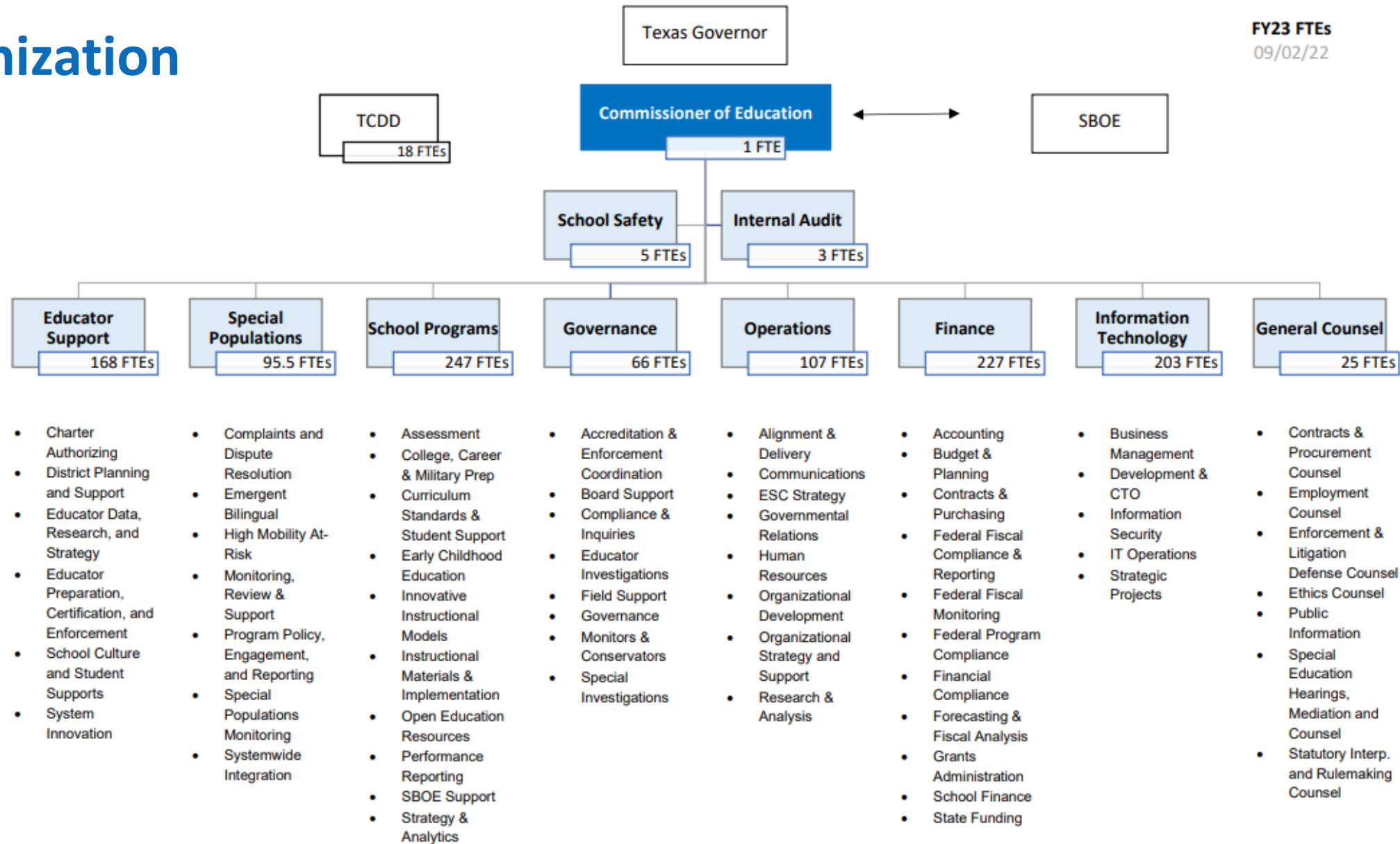
- Windham School District (WSD) was authorized by the Texas Legislature in 1969 to provide academic, life skills, and career and technical education courses to eligible students within the Texas Department of Criminal Justice. WSD is requesting an exceptional item to better achieve the goals of the district.

<b>FY 2024</b>	<b>FY 2025</b>	<b>Biennial Total Request</b>
\$5.4 million	\$4.9 million	\$10.3 million

- Components of the Exceptional Item Request
  1. Continued Funding for 10% Teacher Salary Increase: \$6.2 million
  2. Educational Services for Students in Restrictive Housing: \$488,000
  3. Career and Technical Education Expansion: \$1.9 million
  4. Family Literacy Programming: \$961,000
  5. Workforce Coordinator Program: \$744,000

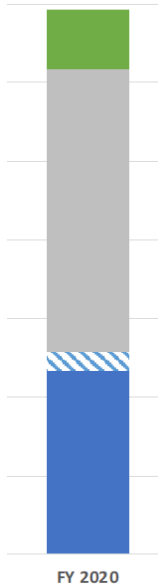
# Organization Chart

FY23 FTEs  
09/02/22



# Federal COVID Relief: More Funding to Support Learning Acceleration

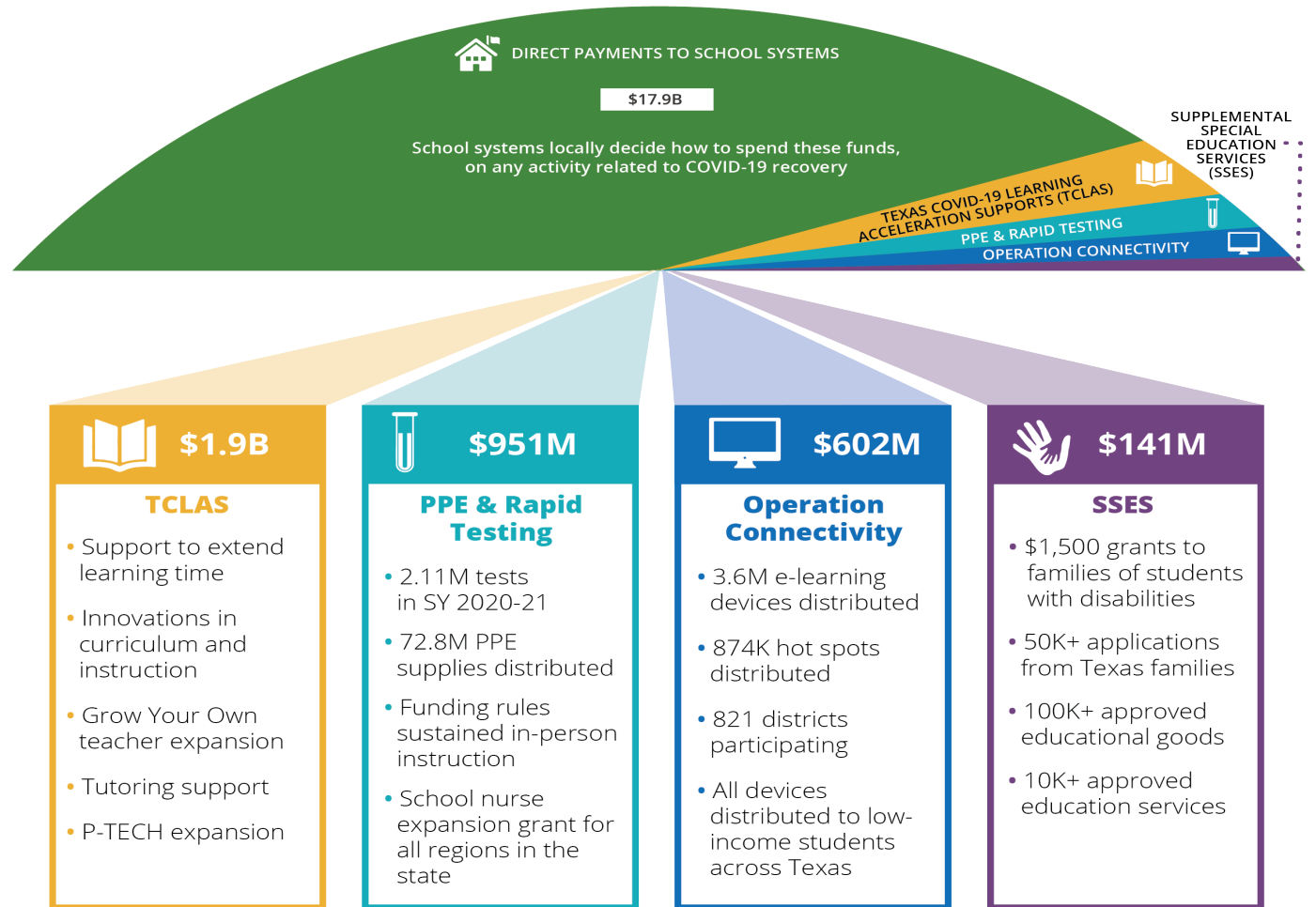
2020 Total Annual School  
Funding (all sources)



**\$69.3 Billion**



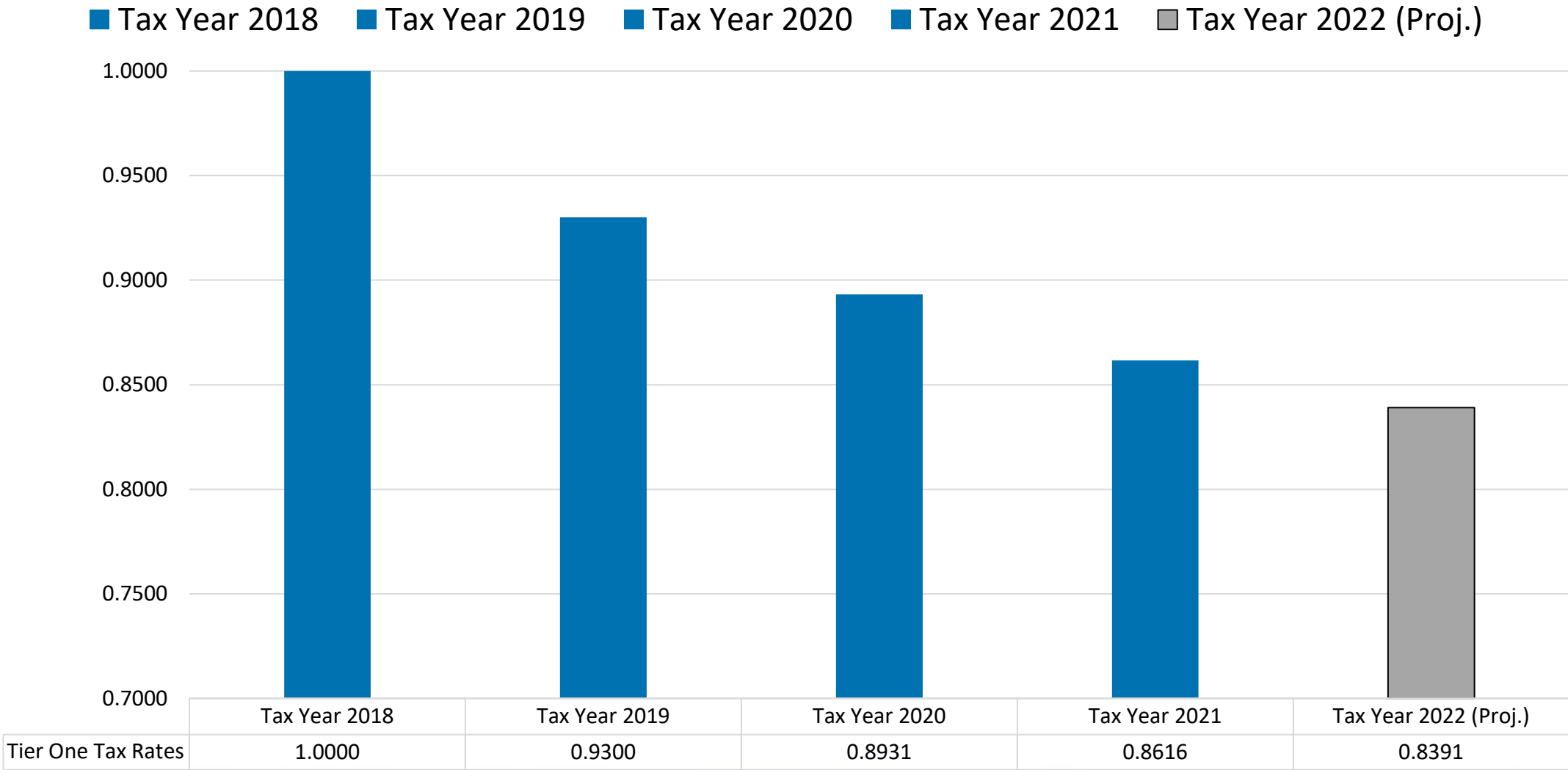
COVID One-Time Relief Funding (federal and state)



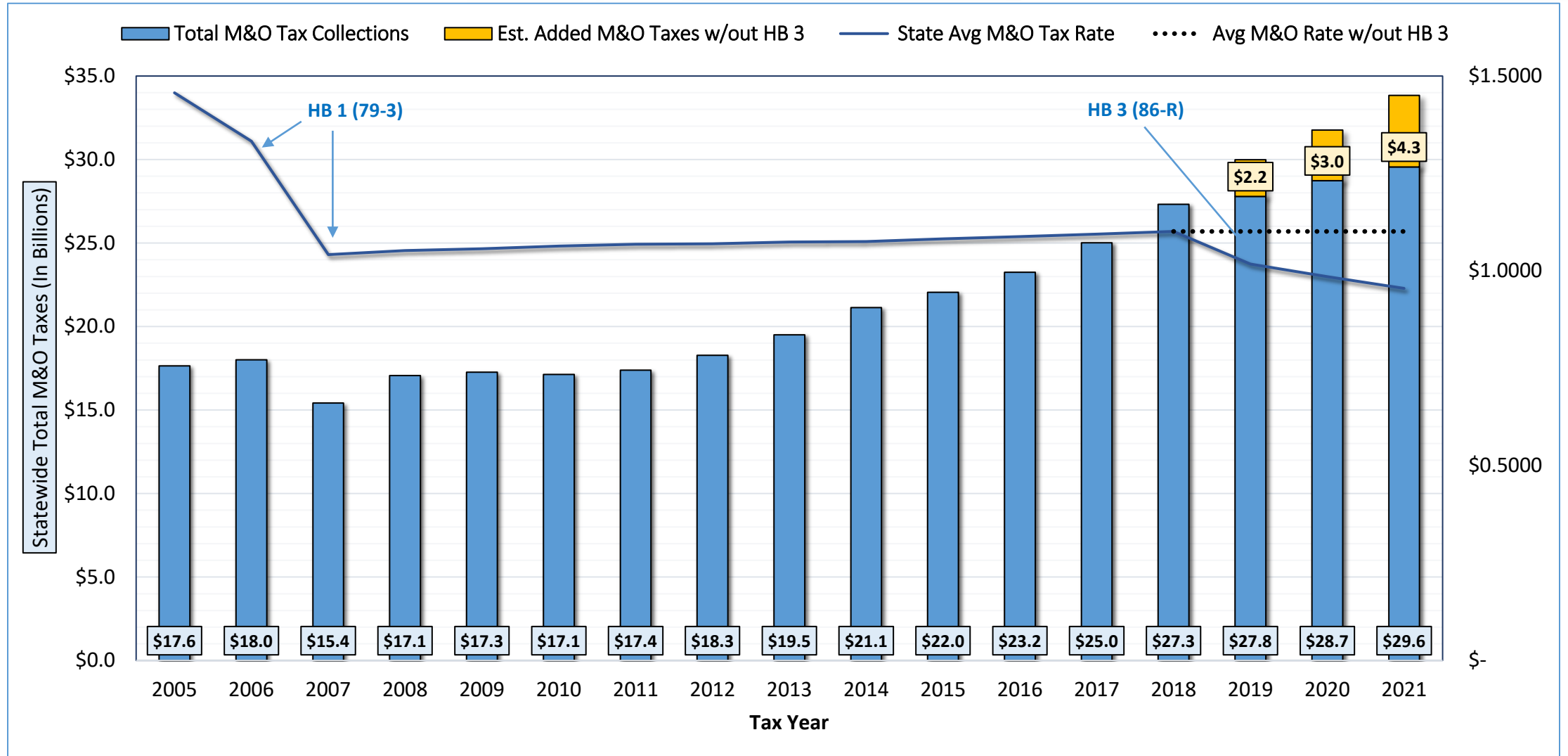
**~\$21.4 Billion**

Numbers as of 12/31/21

# HB 3 – Tier One Tax Rates and State Average Tax Compression

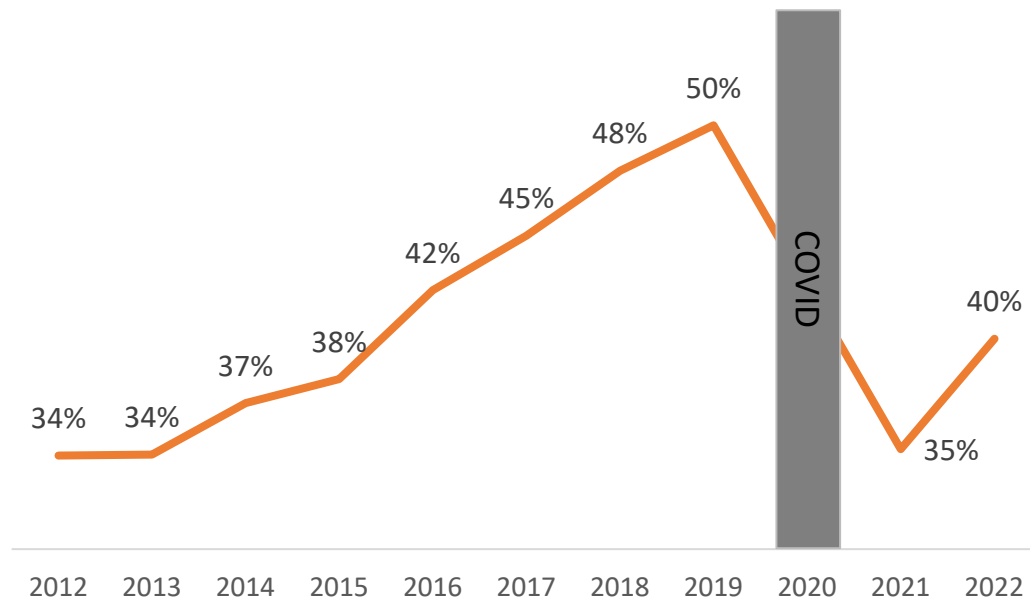


# Tax Rates and Tax Collection History

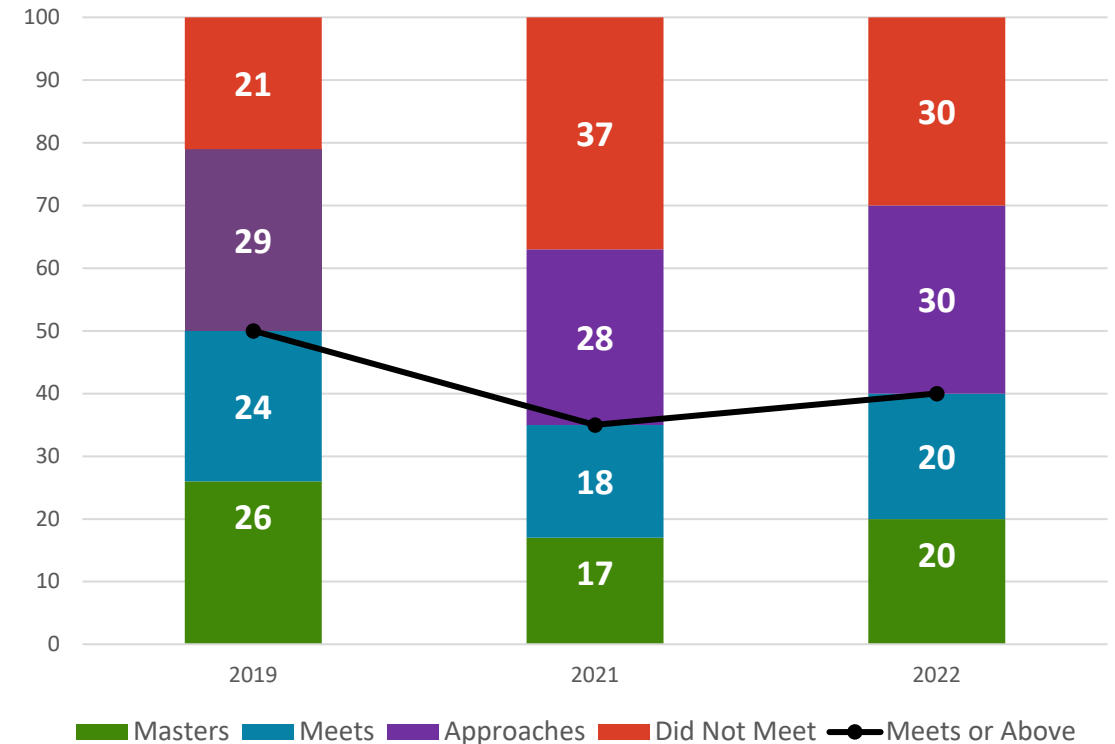


# In Math, Texas students have improved since last year, but are still recovering from the significant impacts of COVID

Percent of Students that Met Grade Level or Above in Math (Grades 3-8 and Algebra I)

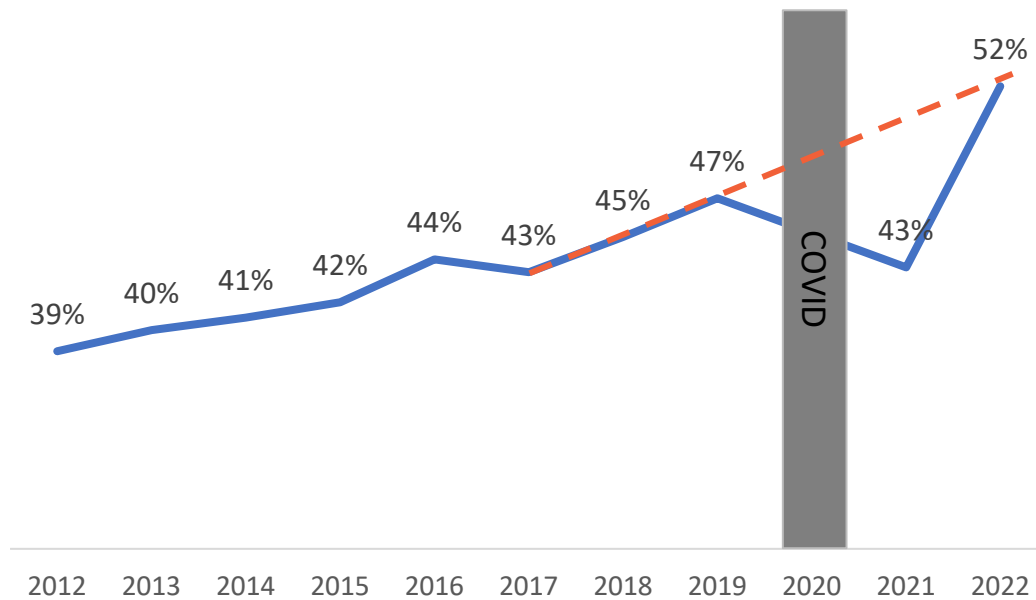


Percent of Students by Performance Level in Math (Grades 3-8 and Algebra I)

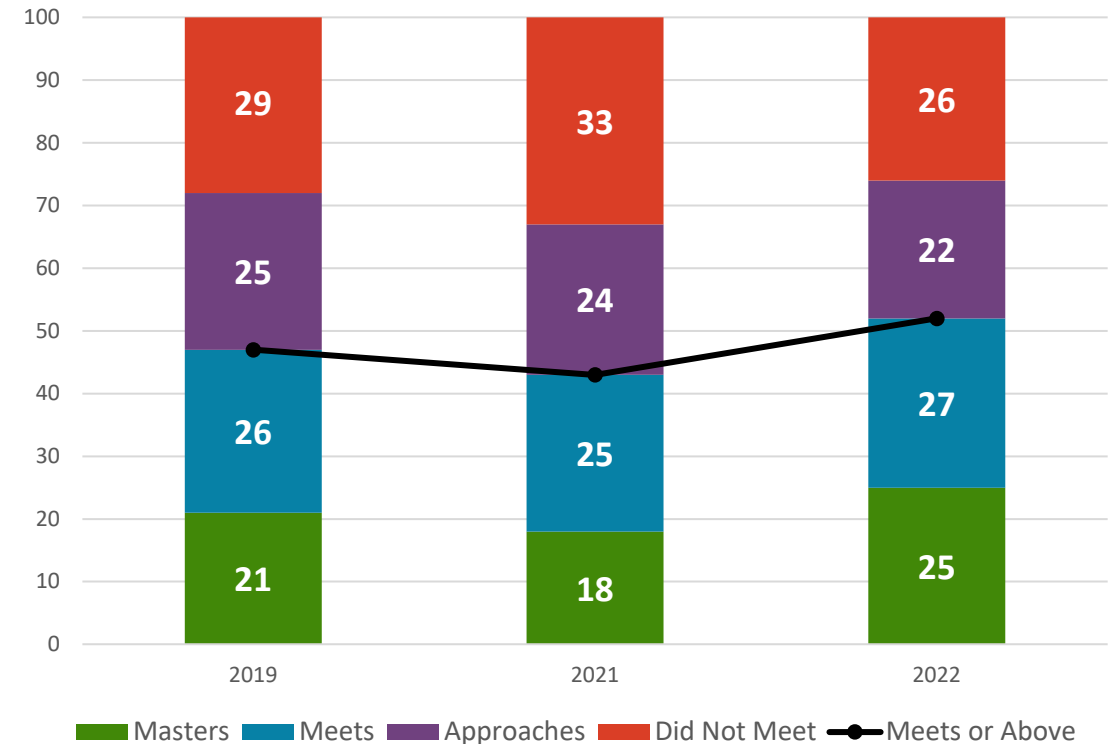


# In RLA, which was impacted less by COVID, Texas students appear to have recovered

Percent of Students that Met Grade Level or Above in Reading Language Arts (Grades 3-8, English I & II)



Percent of Students by Performance Level in Reading Language Arts (Grades 3-8, English I & II)



# Windham School District

Schools in the Texas Department of Criminal Justice



---

*Kristina Hartman, Superintendent*

*Robert O'Banion, Chief Financial Officer*

*88th Legislative Session*

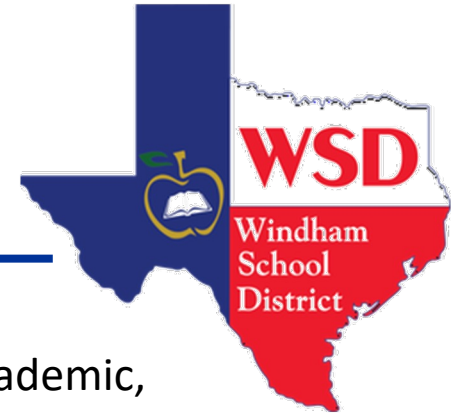
*House Appropriations - Article III Hearing, February 27, 2023*

*HB1 – Introduced*



# Windham School District

*88<sup>th</sup> Legislative Session – HB1 Introduced*



- Windham School District was authorized by the Texas Legislature in 1969 to provide academic, life skills, and career and technical education courses to eligible students within the Texas Department of Criminal Justice.
- Funded within Article III, Strategy B.2.4

HB 1 - Introduced	FY 2024	FY 2025	Biennial Total
Strategy B.2.4	\$64.1 million	\$67.1 million	\$131.2 million
➤ <u>Included</u> funding for continued 10% teacher salary increase	\$3.1 million	\$3.1 million	\$6.2 million
➤ <u>Included</u> additional staff salary increase	\$3.2 million	\$6.4 million	\$9.6 million

# Windham School District

Exceptional Item Request as Amended  
*88<sup>th</sup> Legislative Session – HB1 Introduced*



- Windham School District is requesting an amended exceptional item to better achieve the goals of the district.

Exceptional Item:

<b>FY 2024</b>	<b>FY 2025</b>	<b>Biennial Total Request</b>
\$2.3 million	\$1.9 million	\$4.2 million

- Components of the Exceptional Item Request
  1. Educational Services for Students in Restrictive Housing: \$515,000
  2. Career and Technical Education Expansion: \$1.9 million
  3. Family Literacy Programming: \$1 million
  4. Workforce Coordinator Program: \$797,000

Windham School District Exceptional Item

2024 – 2025 Legislative Appropriation Request

Submitted to the Texas Education Agency

FY24:	\$2,338,142
FY25:	\$1,894,085
Biennial Total:	\$4,232,227

**Background:**

Windham School District (Windham) was authorized by the Texas Legislature in 1969 to provide academic, life skills, and career and technical education courses to eligible individuals incarcerated within the Texas Department of Criminal Justice (TDCJ). The goals of the district in educating its students, as defined by the Texas Education Code (§19.003), are to reduce recidivism, reduce the cost of confinement or imprisonment, to increase the success of former students in obtaining and maintaining employment, and to provide an incentive to residents to behave in positive ways during confinement or imprisonment. Windham is requesting an exceptional item to better achieve these district goals.

**Educational Services for Students in Restrictive Housing**

Windham is requesting \$515,465 for the biennium to expand services to students in restrictive housing at five campuses. The expansion includes funding for specialized secure classroom desks and three academic teaching positions. Windham has successfully completed pilots to provide services to these students on a limited basis. This will allow Windham to serve an additional 126 students annually in a unique classroom arrangement and increase contact hours by 26,360 per year.

**Career and Technical Education (CTE) Program Expansion**

Windham is requesting to expand CTE programming at four campuses to provide truck driving, urban farming and culinary arts classes. The expansion will support integrated education and training to imbed academics into CTE classes. The cost to serve 478 additional students per year is \$1,891,641 for the biennium for five additional staff, additional state jail classroom space, equipment with enhanced simulation technology and operating expenses. This would increase the number of industry-based certifications by 330 per year.

**Family Literacy Programming**

Windham is requesting \$1,027,626 to continue serving 224 students per year in the Family Literacy program. This life skills program is an interactive program to support parents becoming engaged, active members in their child's education. This funding provides for seven Family Literacy Coordinator positions and a Transitional Services Specialist.

**Workforce Coordinator Program**

Windham is requesting \$797,495 for the biennium for the Workforce Coordinator program to provide six regional Transitional Service Coordinators to assist with occupational licensing applications pre and post release and to facilitate pre-release employment interviews for students. This funding will assist Windham in expanding the limited piloted program.

PSF Corporation  
Summary of Budget Recommendations - House

III - 35

B. Holland Timmins, Chief Executive Officer

Mathilde Mogensen, LBB Analyst

Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$0	\$0	\$0	0.0%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$45,477,575	\$98,473,194	\$52,995,619	116.5%
All Funds	\$45,477,575	\$98,473,194	\$52,995,619	116.5%

	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	95.7	119.7	24.0	25.1%

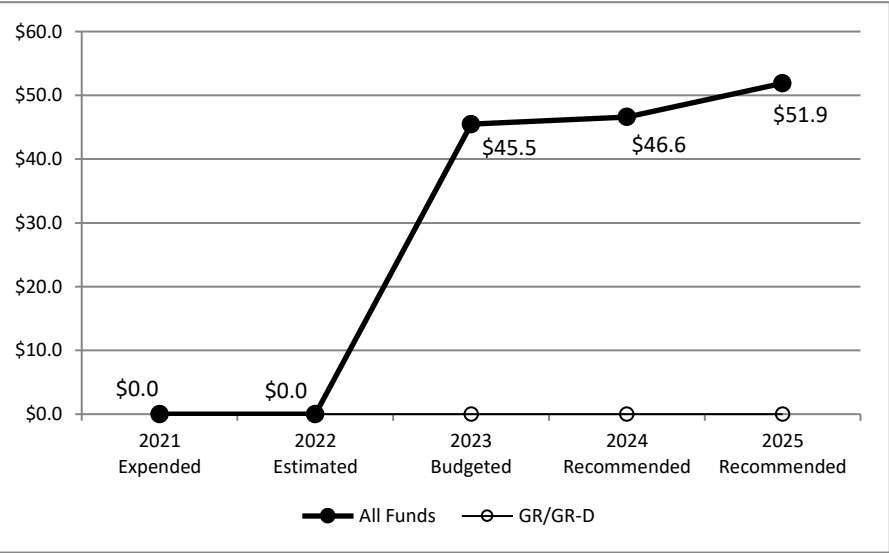
Agency Budget and Policy Issues and/or Highlights

The Permanent School Fund Corporation (PSFC) was created following the enactment of SB 1232, Eighty-seventh Legislature, Regular Session, establishing unified governance and management of the state's endowment fund for public schools. Agency functions and staff were transferred from the Texas Education Agency and General Land Office in fiscal year 2023.

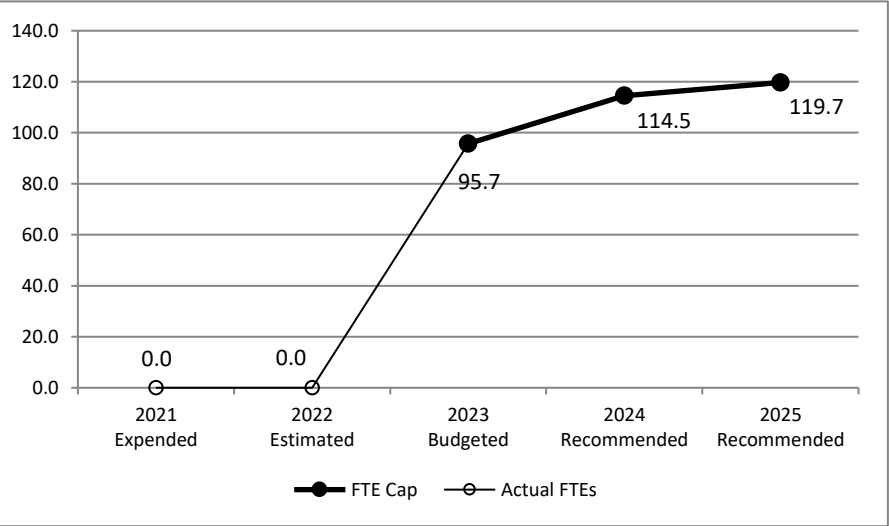
The agency is 100.0 percent funded by the Permanent School Fund, an Other Fund. The \$53.0 million biennial increase is primarily related to biennializing fiscal year 2023 operating costs and continued ramp up of agency operations during the 2024-25 biennium.

The bill pattern for this agency (2024-25 Recommended) represents an estimated 0.2% of the agency's estimated total available funds for the 2024-25 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



**PSF Corporation**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i><b>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</b></i>							
A)	Increase to reflect full biennial cost of fiscal year 2023 funding level and continued ramp-up of agency operations in the 2024-25 biennium.	\$0.0	\$0.0	\$0.0	\$45.6	\$45.6	A.1.1
B)	Increase for performance incentive compensation.	\$0.0	\$0.0	\$0.0	\$7.7	\$7.7	A.1.1
<i><b>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</b></i>							
C)	Decrease in onetime capital expenditures for furniture, equipment, and certain build-out expenses in fiscal year 2023.	\$0.0	\$0.0	\$0.0	(\$3.3)	(\$3.3)	A.1.1
D)	Increase to reflect general state employee salary increase.	\$0.0	\$0.0	\$0.0	\$3.0	\$3.0	B.1.1
<b>TOTAL SIGNIFICANT &amp; OTHER Funding Changes and Recommendations (in millions)</b>		<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$53.0</b>	<b>\$53.0</b>	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Increases</i>		\$0.0	\$0.0	\$0.0	\$56.3	\$56.3	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Decreases</i>		\$0.0	\$0.0	\$0.0	(\$3.3)	(\$3.3)	As Listed

NOTE: Totals may not sum due to rounding.

**PSF Corporation**  
**Selected Fiscal and Policy Issues - House**

1. **SB 1232 Implementation and 2024-25 Recommendations.** The Permanent School Fund Corporation (PSFC) was established following the enactment of SB 1232, 87<sup>th</sup> Legislature, Regular Session, 2021. The creation of the PSFC unified governance and management of the Permanent School Fund (PSF), which is dedicated by the Texas Constitution for the support of public schools. Recommendations include estimated biennial funding of \$45.6 million in Other Funds from the PSF to biennialize fiscal year 2023 base funding for the agency and continue ramp-up of agency operations to implement the *Senate Bill 1232 Preliminary Transition Plan* approved under General Appropriations Act (2022-23 Biennium) Article IX, Section 18.53, Contingency for Senate Bill 1232. Additionally, recommendations transfer a relevant rider and performance measures from the Texas Education Agency (TEA) bill pattern to the PSFC bill pattern.

Prior to SB 1232, PSF assets were managed by both TEA and the School Land Board of the General Land Office (GLO). SB 1232 transferred most of these functions from TEA and GLO to PSFC, except for certain GLO activities, including management of mineral and royalty interests. On October 15, 2021, the transition plan was approved by the LBB. Since its incorporation in December 2021, PSFC staff have been working to create the Corporation's operational structure and functions. On January 1, 2023, PSFC began the transfers of assets, staff, and operational funding from both the TEA and GLO. The deployment of stand-alone investment, information technology, and supporting administrative environments will continue through fiscal year 2023. During the 2024-25 biennium, PSFC plans to continue hiring additional staff, implement a laptop lease purchase program, install network infrastructure, and implement administrative functions, including a requested increase of 24.0 FTEs from fiscal year 2023 to 2025. Recommendations include the requested additional ramp-up funding and FTEs to implement the Transition Plan. Pursuant to Texas Constitution, Article 7, Section 5, PSF administration costs are subject to legislative appropriation and paid from the Fund.

2. **Fund Corpus and Distributions.** As of August 31, 2021, the PSF balance was \$55.6 billion, representing an increase of \$8.9 billion or 19.2 percent from the previous year. Total operating expenditures, net of rebates and fees were \$148.5 million, or 9.11 basis points of net assets for the same year. This represents 56.9 percent of the performance measure target of 16.00 basis points for fiscal year 2021.

The State Board of Education (SBOE) is authorized by Article 7 of the Texas Constitution to distribute up to 6.0 percent per year to the Available School Fund (ASF). Additionally, both the SBOE and GLO are each authorized to make discretionary transfers of \$600.0 million per year from the PSF to ASF. Transferred funds are appropriated to TEA for the ASF per-capita distribution (a component of the Foundation School Program) and for the Technology and Instructional Materials Allotment. Since 1969, the fund has distributed about \$37.3 billion from the PSF to the ASF. In fiscal year 2023 the SBOE distributed \$1.7 billion from the PSF to the ASF through a 4.2 percent distribution of the PSF Corpus. GLO transferred an additional \$460.0 million from the PSF to ASF. For the 2024-25 biennium, recommendations for TEA assume a PSF distribution of 3.3 percent or \$1.6 billion per fiscal year and \$600.0 million in discretionary transfers from GLO each fiscal year.

3. **Facilities Request.** In spring of 2020, the PSF Division of TEA was offered space in the under construction George H. W. Bush building for its 65.0 FTEs. At that time, the PSF Division was housed in leased, privately-owned office space at the Moody Bank Building (MBB).

The enactment of SB 1232 by the Eighty-Seventh Legislature, Regular Session, 2021, established the PSFC as an independent agency with its own administrative support staff, estimated by the agency to total approximately 120.0-125.0 FTEs once fully established. The legislation also included new Texas Education Code Section 43.064, granting the PSFC Board the authority to lease facility space from non-state entities.

PSFC states that from June 2020 to September 2021, PSF staff had ongoing conversations with the Texas Facilities Commission (TFC) regarding space and floorplan requirements. To accommodate the additional administrative FTEs for the newly established agency, PSFC indicates that TFC identified additional, non-contiguous space available within the Bush building on several different floors.

Additionally, in the fall of 2021, PSFC was notified its current MBB lease would end by August 31, 2022. In February 2022 the agency negotiated a one-year extension, with a move-out date of August 31, 2023.

In late October 2021, TFC required final decisions to begin building out the space. In response, TEA declined the space in the Bush building on the PSFC's behalf. PSFC determined it could not make an affirmative decision since members of the PSF Board of Directors had yet to be appointed and due to unresolved issues related to floorplan and lease costs, which the agency stated would prevent attracting and retaining staff and inhibit productivity.

After declining space in the Bush building, PSFC began reviewing alternative office locations in or near the Austin central business district (CBD). The agency considered 14 potential properties and on June 16, 2022, the Board selected the property at 600 West 5<sup>th</sup> Street in Austin and PSFC subsequently executed a ten-year lease with two five-year extension options. Recommendations do not include increases of \$4.4 million in Other Funds for lease payments or \$1.2 million in Other Funds for facilities build out costs for the 600 West 5<sup>th</sup> Street facility. TFC indicates it would be able to accommodate the PSFC in the newly constructed Bush building located at 1801 Congress if a decision was made prior to summer 2023.

Recommendations do not include \$5.6 million in Other Funds from the PSF for office lease payments and facilities build out costs.

4. **Performance Incentive Pay and Compensation.** Recommendations include \$7.7 million in Other Funds from the PSF in the 2024-25 biennium for Performance Incentive Pay. Recommendations also include new Rider 3, Performance Incentive Compensation, transferred from TEA's bill pattern, which authorizes PSFC to make performance incentive payments to PSFC staff.

According to the State Auditor's report *Incentive Compensation at the Permanent School Fund, General Land Office, Teacher Retirement System, and Employees Retirement System*, August 2022, in Plan Year 2021 the PSF Division at TEA awarded a total of \$4.6 million in incentive compensation to 61 employees and the GLO awarded \$0.3 million to 4 employees.

5. **Bond Guarantee Program.** The Bond Guarantee Program (BGP) provides participating local school districts and charter schools a AAA credit rating on locally issued debt, lowering interest rate payments. The amount of bonds guaranteed through the BGP has reached the \$117.3 billion federal capacity limit set by the United States Department of the Treasury and the Internal Revenue Service (IRS) in December 2009. This resulted in the closure of the BGP to new applications in December 2022. The agency estimates districts without AAA credit ratings will face an increase of between 0.5 percent and 1.0 percent in interest rates as a result of the closure of the program.

PSFC has been working with TEA and outside counsel to pursue both federal statutory and state administrative solutions. Steps taken include supporting legislation introduced by U.S. Representatives Arrington and Doggett to permanently remove the IRS limitation and securing support of the Texas congressional delegation to request the Treasury prioritize amending IRS rules on the BGP limit. On February 3, 2023, the State Board of Education voted to decrease the program reserve from 5.0 percent to 0.25 percent of the BGP total capacity via rule change. Requests from November applicants that were not able to be guaranteed due to a lack of capacity total approximately \$6.8 billion. Additional capacity, which is estimated to be between \$7 billion to \$9 billion, is anticipated to alleviate program capacity concerns in the short term and is expected to be available to February applicants.

**PSF Corporation  
Rider Highlights - House**

**New Riders**

2. **Capital Budget.** Recommended to reflect capital budget request.
3. **Permanent School Fund Annual Report.** Recommended rider transfers a part of TEA's existing Rider 20, Permanent School Fund. Rider directs PSFC to include administrative cost information in the PSF's annual report.
4. **Incentive Compensation.** Recommended rider transfers a part of TEA's existing Rider 20, Permanent School Fund. Rider allows CEO to establish an incentive compensation plan for the PSFC.
5. **Unexpended Balances.** Recommended rider transfers a part of TEA's existing Rider 20, Permanent School Fund. Rider allows PSFC to carry forward unexpended funds into the following fiscal year.



PSF Corporation  
Items Not Included in Recommendations - House

		2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Items Not Included (in agency priority order)							
1)	Funding for lease payments in fiscal years 2024 and 2025.	\$0	\$4,416,808	0.0	No	No	\$6,238,248
2)	Funding for facilities build out costs in fiscal year 2024.	\$0	\$1,174,745	0.0	No	No	\$0
Agency Rider Requests Not Included							
A)	<b>Appropriation: Texas PSF Fiduciary Finding.</b> Rider would allow and establish rules for PSFC to appropriate additional funds from the Permanent School Fund and increase FTEs in an amount identified in the PSFC's fiduciary finding.	\$0	\$0	0.0	No	No	\$0
TOTAL Items Not Included in Recommendations		\$0	\$5,591,553	0.0			\$6,238,248

**PSF Corporation**  
**Appendices - House**

<b>Table of Contents</b>		
<b>Appendix</b>	<b>Appendix Title</b>	<b>Page</b>
<b>A</b>	Funding Changes and Recommendations by Strategy	8
<b>B</b>	Summary of Federal Funds	*
<b>C</b>	FTE Highlights	9

\* Appendix is not included - no significant information to report

PSF Corporation					
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS					
Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
AGENCY OPERATIONS A.1.1	\$45,477,575	\$95,510,075	\$50,032,500	110.0%	Biennial cost changes reflect increases of \$45.6 million to biennialize fiscal year 2023 costs and continue ramp up of agency operations and \$7.7 million for performance incentive compensation. Increases are partially offset by decrease of \$3.3 million related to onetime capital expenditures in fiscal year 2023 for furniture, equipment, and facility costs.
Total, Goal A, MANAGE PERMANENT SCHOOL FUND	\$45,477,575	\$95,510,075	\$50,032,500	110.0%	
SALARY ADJUSTMENTS B.1.1	\$0	\$2,963,119	\$2,963,119	100.0%	Recommendations provide for general state employee salary increase.
Total, Goal B, SALARY ADJUSTMENTS	\$0	\$2,963,119	\$2,963,119	100.0%	
Grand Total, All Strategies	\$45,477,575	\$98,473,194	\$52,995,619	116.5%	

PSF Corporation  
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2021	Estimated 2022	Budgeted 2023	Recommended 2024	Recommended 2025
Cap	NA	NA	NA	114.5	119.7
Actual/Budgeted			95.7	114.5	119.7

Schedule of Exempt Positions (Cap)					
Chief Executive Officer	NA	NA	\$400,388	\$400,388	\$400,388
Chief Investment Officer	NA	NA	\$288,344	\$288,344	\$288,344

Notes:

a) Position classification provisions including exempt positions contained in Government Code, Chapter 654, do not apply to the PSFC due to language in the agency's enabling legislation, SB 1232. While the Chief Investment Officer of the Permanent School Fund was an exempt position under the Texas Education Agency in 2023, the estimates above for fiscal years 2024-25 are provided for informational purposes.

b) In Fiscal Year 2023, the PSFC will undergo a comprehensive compensation study. Results of the study will change the 2024 and 2025 salary of the Chief Investment Officer from amounts shown above. The actual 2024 and 2025 salary of the Chief Executive Officer will be set by the PSF Board of Directors.



EST. 1845

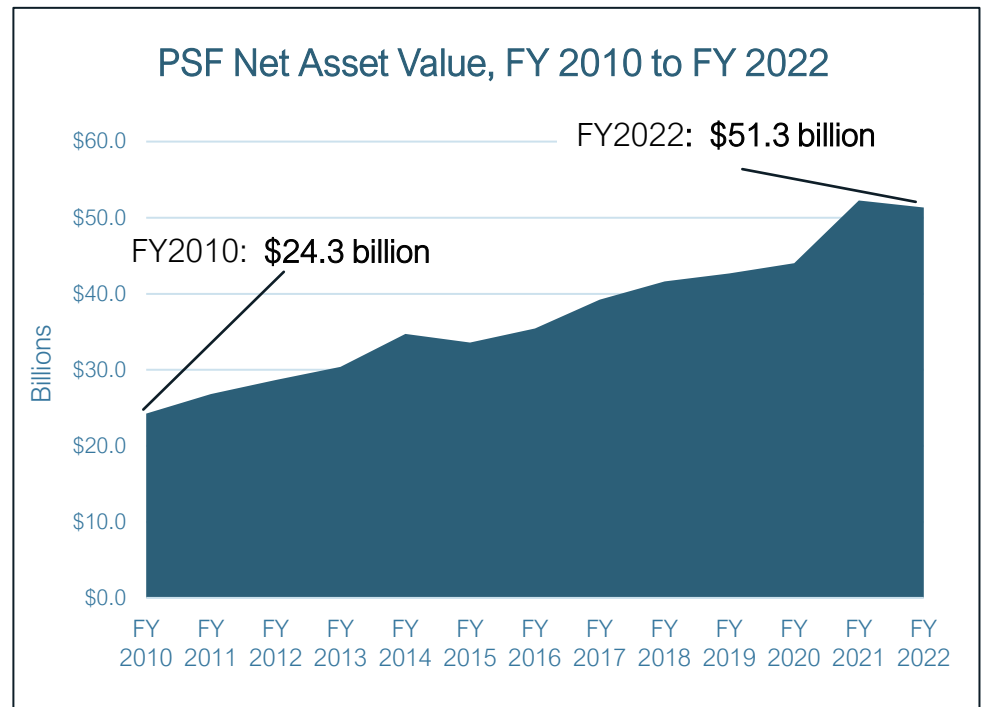
## Texas Permanent School Fund Corporation (Texas PSF) Presentation to the House Appropriations Subcommittee on Article III

February 27, 2023

## PERMANENT SCHOOL FUND (PSF) - HIGHLIGHTS

We manage Texas' \$51 billion K-12 educational endowment fund. Texas PSF's paramount responsibility is to prudently invest the PSF for the benefit of current and future schoolchildren of Texas.

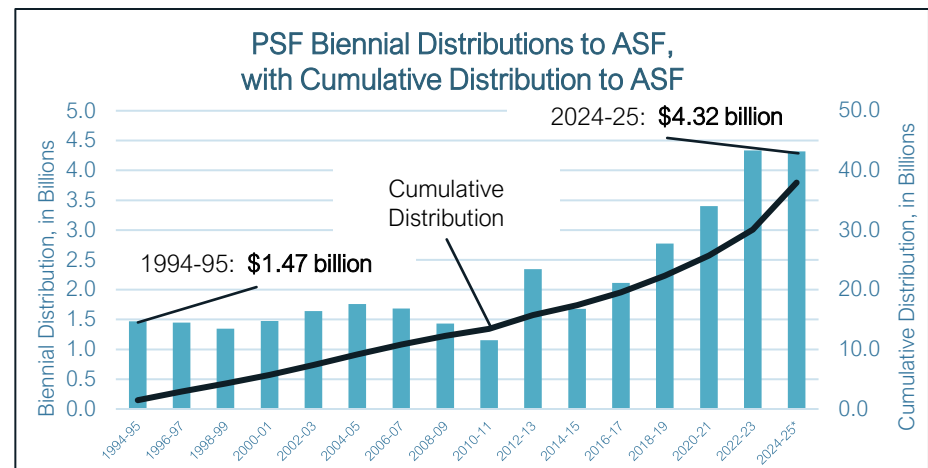
- PSF assets totaled **\$51.3 billion** at the end of FY 2022, an increase of 112% over the last 12 years.
- That is a 6.6% average annual growth rate, after \$15.6 billion in cumulative distributions over the same time period.
- In January 2023, approx. \$40.0 billion in assets managed under SBOE authority and \$11.3 billion in assets under the School Land Board were transferred to Texas PSF, pursuant to SB 1232, 87th R.S. (Taylor/Bonnen).
- Under Texas PSF's unified structure and asset allocation, investment returns are expected to increase significantly – a conservative estimate is by **~\$100 million per year** over the long run.



## PSF HIGHLIGHTS, CONTINUED

The PSF will distribute \$4.32 billion (nearly \$2.2 billion per year) to the Available School Fund (ASF) in the 2024-25 biennium. The PSF makes annual distributions to the ASF, which is allocated directly to school districts and charters to support Texas public education.

- The SBOE adopts a two-year distribution rate, as a percent of investment assets, to be transferred to the ASF.
- In addition, a distribution from PSF oil and gas royalty revenue directly to the ASF may be made annually in an amount not to exceed \$600 million per year.



**The Bond Guarantee Program (BGP).** PSF assets back bonds issued by school and charter districts, lowering their borrowing costs. This guarantee saves Texas taxpayers approximately **\$425 million per year** over the life of these bonds.

- As of FY 2022, PSF assets guaranteed \$99.5 billion in school district and charter school bonds providing cost savings to 865 public school districts, and \$3.7 billion in bonds providing cost savings to 31 Texas charter districts.

## TEXAS PSF - WHO WE ARE

- The Texas Permanent School Fund Corporation (Texas PSF) is a special-purpose governmental corporation, with fiduciary responsibilities to manage both the Fund's investment assets and mineral revenues.
- Created by (Taylor/Bonnen) to resolve the bifurcated management of similar PSF assets overseen by SBOE and GLO.

### BOARD OF DIRECTORS

- A nine-member boSB 1232, 87th R.S. and comprising: 5 State Board of Education members, the Land Commissioner, 1 Land Commissioner appointee and 2 gubernatorial appointees (the last 3 must have substantial investment experience).

### CEO AND STAFF

- Texas PSF's CEO is Holland Timmins, a nationally recognized financial leader with over 40 years of experience at Texas state investment funds.
- PSF currently comprises 96 investment and operations full-time equivalents (FTEs), projected to increase to 120 by FY 2025.

### KEY DATES

<b>June 2021</b>	SB 1232 becomes law
<b>November 2021</b>	Texas PSF incorporated by SBOE
<b>January 2022</b>	First meeting of Board of Directors
<b>January 2023</b>	Assets, staff and budget transferred from SBOE/TEA & SLB/GLO to Texas PSF

### TEXAS PSF BOARD OF DIRECTORS

- Tom Maynard (SBOE) – Chair
- Brad Wright (Governor) – Vice Chair
- Keven Ellis (SBOE)
- Pat Hardy (SBOE)
- Marisa Perez-Diaz (SBOE)
- Aaron Kinsey (SBOE)
- Dawn Buckingham, Land Commissioner
- Jim Stanislaus (GLO)
- Vacant (Governor)



## SENATE BILL 1232 IMPLEMENTATION

Since SB 1232's enactment, Texas PSF staff have been working diligently on the complex task of creating the management and governance structures of a stand-alone corporation.

On January 1, 2023, Fund assets, staff, and operational funds were transitioned from TEA and GLO to Texas PSF. IT, admin and other support systems also were either transferred or built from the ground up. Work is ongoing, but the transition has been extremely successful, with hundreds of workplans completed to-date. Key milestones include:

### FINANCE

- FY23 operating funds from TEA and GLO executed
- Mineral royalty revenue transfer process via GLO MOU

### ADMINISTRATION / IT

- Transfer of all PSF employees from TEA and GLO
- Transfer of all procurement/travel program duties
- Established HR, GR, and communications offices
- Implemented CAPPs HR/Payroll
- Implemented file mgmt. system for GLO data migration

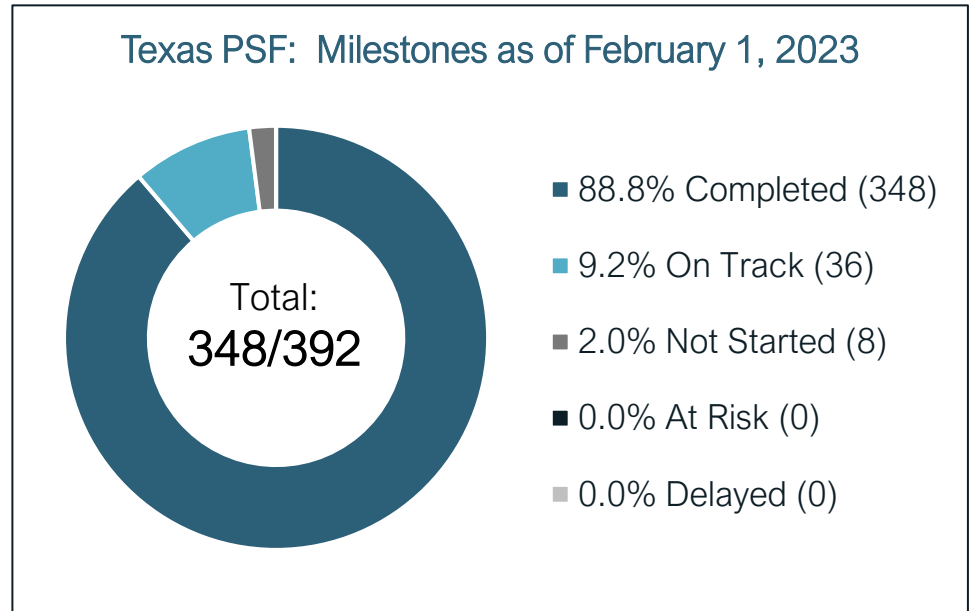
### LEGAL

- Executed TEA MOU for services after transfer date
- Ethics and investment policies approved by Board
- Implemented public information request system

### INVESTMENT MANAGEMENT

- Investment assets transitioned from TEA and GLO
- Established new accounts at BNYM
- Migrated GLO data from respective custodial banks

### Texas PSF: Milestones as of February 1, 2023



## BUDGET REQUESTS – FIDUCIARY RIDER

---

2024-25 biennium request #1: a “fiduciary rider” that would allow additional funding under certain circumstances, with limitations and reporting requirements set by the Legislature.

Texas PSF has a fiduciary duty, both constitutional and statutory, to manage the Fund on a day-to-day basis in a manner that responsibly maximizes investment returns for the benefit of Texas public schools. In order to do so, there may be circumstances in which the level of appropriations and/or FTEs in the GAA are insufficient to meet this fiduciary duty. For example, uncertainty in financial markets and the global economy, as well as the potential emergence of new investment opportunities, will require that Texas PSF's operations be flexible and agile.

Texas PSF respectfully requests a rider that would allow for an increase to appropriations and/or FTEs under such circumstances, with limitations and reporting requirements to the Legislature. This authority would be similar to what is available to all other Texas state investment funds, as well as the General Land Office for certain PSF revenues.

All appropriations to Texas PSF are from the Permanent School Fund (Other Funds), and not General Revenue.

## BUDGET REQUESTS – OFFICE SPACE

**2024-25 biennium requests #2 and #3: \$2.2 million per year for rent and operating expenses at the Horizon Bank building, and funding of \$1.2 million to finish-out the space.**

To house a stand-alone corporation responsible for all PSF assets, Texas PSF requires new office space; Texas PSF's current facility is not renewing leases after October 2023. In June 2022, the Board, under authority granted in SB 1232, approved leased space in Austin that can accommodate a staff of a size contemplated by the bill, with room for growth over the next 5-10 years as the Fund grows.

The negotiated base rent rate is:

- 10% below the average of 15 reviewed properties' rates
- 22% below Austin Central Business District rates
- 28% less expensive than a sample "trophy" building in downtown Austin

**This facility selection reflects our Board's responsibility to successfully implement SB 1232, and to fulfill its fiduciary role to do what's in the best long-term interest of the PSF, for the benefit of Texas public schools.**

Texas PSF's 2024-25 biennial administrative expenses in basis points, including this request, is estimated to remain below 10 basis points of assets under management, significantly below the average of public peer funds.

### Budget Requests #2 and #3: Office Space

Requests would be funded from PSF (Other Funds), not GR

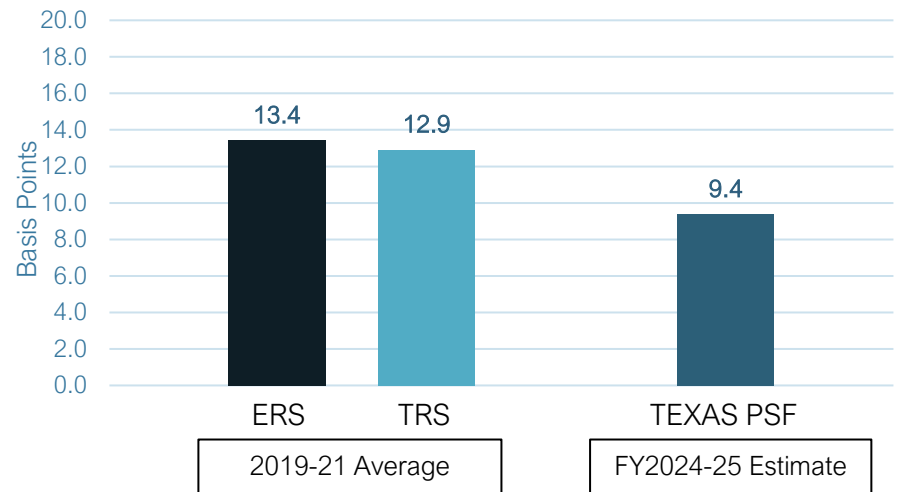
#### 2024-25 Biennium

#### Office space.

a. Rent and operating expenses	\$2.2M / year
b. Facility finish-out costs	\$1.2M

### Investment Expenses, in Basis Points of Total Assets

Source: LBB (2019-21 Data); Texas PSF LAR (FY24-25 Estimate)



## QUESTIONS AND CONTACT INFO

---

Questions?

Holland Timmins, CFA  
Chief Executive Officer  
Texas Permanent School Fund Corporation (Texas PSF)

[Holland.Timmins@TexasPSF.org](mailto:Holland.Timmins@TexasPSF.org)  
512.463.9169

Teacher Retirement System  
Summary of Budget Recommendations - House

III - 44  
Brian Guthrie, Executive Director  
Mathilde Mogensen, LBB Analyst

Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$6,591,501,256	\$6,663,220,004	\$71,718,748	1.1%
GR Dedicated Funds	\$68,563,729	\$73,731,309	\$5,167,580	7.5%
Total GR-Related Funds	\$6,660,064,985	\$6,736,951,313	\$76,886,328	1.2%
Federal Funds	\$721,337,761	\$0	(\$721,337,761)	(100.0%)
Other	\$375,093,829	\$480,092,043	\$104,998,214	28.0%
All Funds	\$7,756,496,575	\$7,217,043,356	(\$539,453,219)	(7.0%)

	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	1,047.3	1,047.3	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

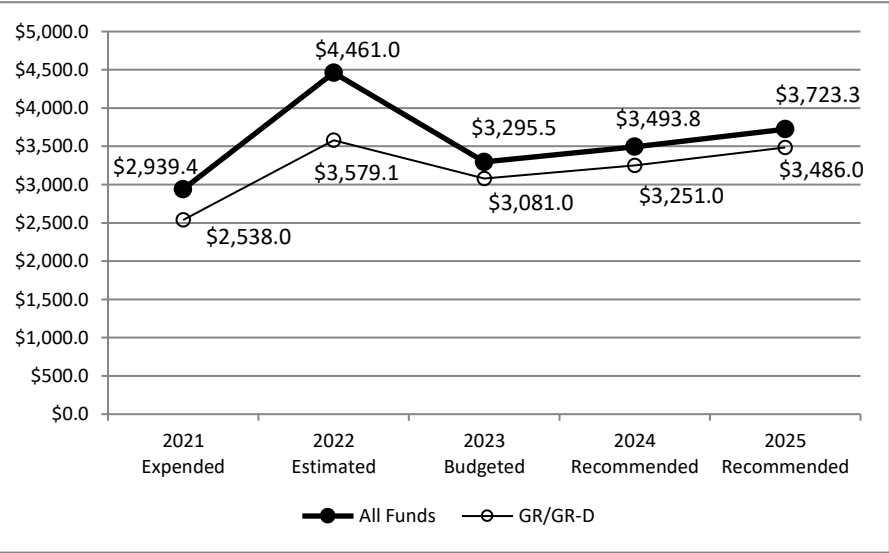
The GR and GR-Dedicated increases reflect the combined impact of an increased state contribution rate and anticipated payroll growth in public and higher education. The GR increase is offset by the removal of onetime funding for an additional annuity payment for TRS retirees in FY 2022.

The Federal Funds decrease reflects the removal of onetime appropriations in FY 2022 for TRS-Care and TRSActiveCare to prevent premium increases associated with coronavirus-related claims.

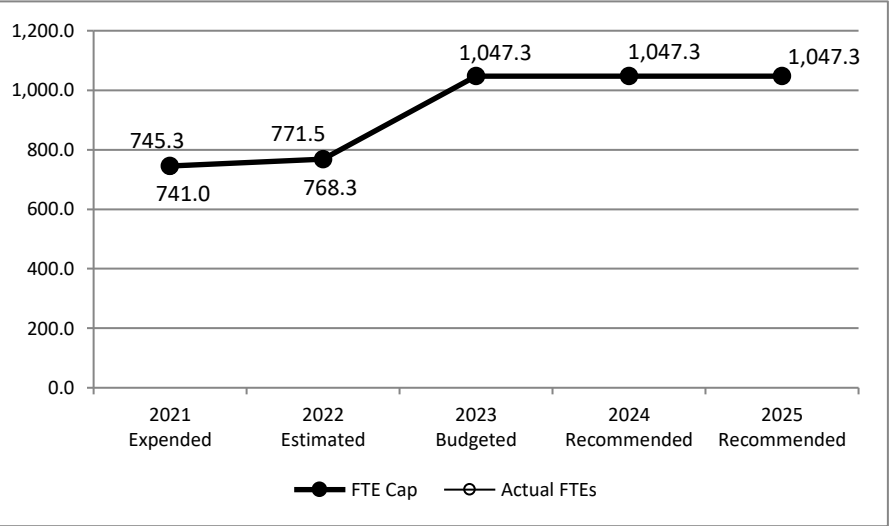
The Other Funds increase reflects administrative cost increases for the retirement program related to salaries, technology, and inflation. Administrative costs and funding for TRS-Care and TRS-ActiveCare are funded entirely with non-appropriated trust funds.

The bill pattern for this agency (2024-25 Recommended) represents an estimated 2.6% of the agency's estimated total available funds for the 2024-25 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



**Teacher Retirement System**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<b>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</b>							
<b>Changes Related to Payroll Growth</b>							
A)	Retirement: Increase funding for state retirement contributions for Public and Higher Education employees due to projected growth of covered payroll and an increase in the General Revenue share of state contributions to incorporate changes in other Methods of Finance.	\$423.2	\$5.9	\$0.0	\$4.7	\$433.8	A.1.1 and A.1.2
B)	Retirement: Increase funding for state retirement contributions for Public and Higher Education employees due to the impact of rate increases required by Senate Bill 12, Eighty-sixth Legislature.	\$324.6	(\$0.7)	\$0.0	\$0.0	\$323.9	A.1.1 and A.1.2
C)	TRS-Care: Increase funding for Retiree Health due to projected growth of covered payroll.	\$46.3	\$0.0	\$0.0	\$0.0	\$46.3	A.2.1
<b>Changes Related to Onetime Funding</b>							
D)	Decrease in onetime funding in fiscal year 2022 for additional annuity payment.	(\$701.1)	\$0.0	\$0.0	\$0.0	(\$701.1)	A.1.4
E)	Decrease in onetime funding for TRS-Care and TRS-ActiveCare programs in fiscal year 2022 to prevent premium increases associated with coronavirus-related claims.	\$0.0	\$0.0	(\$721.3)	\$0.0	(\$721.3)	A.3.1
<b>Changes Related to Administrative Operations</b>							
F)	Continue funding for Investment Data Modernization Program and Fraud Detection and Prevention tool.	\$0.0	\$0.0	\$0.0	\$21.0	\$21.0	A.1.3
G)	Increase in Other Funds (Pension Trust Fund) to reflect the full biennial cost of additional 264.0 FTEs, added via TRS Board action during fiscal year 2023.	\$0.0	\$0.0	\$0.0	\$25.3	\$25.3	A.1.3
H)	Increase in Other Funds (Pension Trust Fund) to reflect the full biennial cost of existing staff salaries and salary increases provided during the 2022-23 biennium.	\$0.0	\$0.0	\$0.0	\$27.0	\$27.0	A.1.3
I)	Increase in Other Funds (Pension Trust Fund) for Method of Finance swap to transition salaries for existing Investment staff from Commission Credits brokerage account to Pension Trust Funds.	\$0.0	\$0.0	\$0.0	\$6.0	\$6.0	A.1.3
J)	Increase in Other Funds (Pension Trust Fund) to reflect increased costs related to inflation, including contracts, utilities, and travel.	\$0.0	\$0.0	\$0.0	\$11.4	\$11.4	A.1.3
K)	Decrease in Other Funds (Pension Trust Fund) to reflect the termination of the South Congress building lease in fiscal year 2023.	\$0.0	\$0.0	\$0.0	(\$9.6)	(\$9.6)	A.1.3

**Teacher Retirement System**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
L)	Decrease in funding due to onetime settle up appropriation to TRS-Care in fiscal year 2023.	(\$21.3)	\$0.0	\$0.0	\$0.0	(\$21.3)	A.3.1
M)	Increase in Other Funds (Pension Trust Fund) to reflect increase in travel resumed after the coronavirus pandemic.	\$0.0	\$0.0	\$0.0	\$1.1	\$1.1	A.1.3
N)	Increase in Other Funds (Pension Trust Fund) to reflect increase in utility costs related to the overlap of building occupancy.	\$0.0	\$0.0	\$0.0	\$1.8	\$1.8	A.1.3
O)	Increase in Other Funds (Pension Trust Fund) to reflect general state employee salary increase.	\$0.0	\$0.0	\$0.0	\$16.2	\$16.2	B.1.1
<b>TOTAL SIGNIFICANT &amp; OTHER Funding Changes and Recommendations (in millions)</b>		<b>\$71.7</b>	<b>\$5.2</b>	<b>(\$721.3)</b>	<b>\$105.0</b>	<b>(\$539.5)</b>	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Increases</i>		\$794.1	\$5.9	\$0.0	\$114.6	\$913.8	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Decreases</i>		(\$722.4)	(\$0.7)	(\$721.3)	(\$9.6)	(\$1,453.3)	As Listed

NOTE: Totals may not sum due to rounding.

Teacher Retirement System  
Selected Fiscal and Policy Issues - House

1. **Payroll Growth Assumptions for Retirement and TRS-Care.** Funding recommendations for estimated state retirement contributions total \$5.8 billion in All Funds in 2024-25, a \$753.0 million increase from the 2022-23 base. The increase is attributable to the combined impact of anticipated payroll growth and Senate Bill 12, Eighty-sixth Legislature, Regular Session, 2019, which raised the state contribution rate from 6.8 percent in 2019 to 8.25 percent in 2024 (see item 2 below).

Funding recommendations for estimated, statutorily required state contributions to Public Education Retirement total \$5.1 billion in General Revenue in 2024-25, a \$673.0 million increase from the 2022-23 base. This funding level provides a state contribution to Public Education Retirement equal to 8.25 percent of salaries, an increase of 0.25 percent from the 2022-23 biennium. Recommendations assume 3.6 percent annual payroll growth in Public Education Retirement. These assumptions are based on five-year payroll growth trends, excluding onetime, significant pay raises in fiscal year 2020 following the enactment of House Bill 3, Eighty-sixth Legislature, Regular Session, 2019. Recommendations assume 1.6 percent growth of the General Revenue share of contributions for Public Education Retirement to reflect increases in other funding sources such as the Statutory Minimum Contribution and Federal Funds.

Funding recommendations for estimated, statutorily required state contributions to Higher Education Retirement total \$661.4 million in All Funds in 2024-25, an \$84.8 million increase from the 2022-23 base. This funding level provides a state contribution to Higher Education Retirement equal to 8.25 percent of salaries, an increase of 0.25 percent from the 2022-23 biennium. Recommendations assume 6.0 percent annual payroll growth in Higher Education Retirement. Recommendations assume 4.8 percent growth of the General Revenue share of contributions and 3.7 percent growth of the General Revenue-Dedicated share of contributions for Higher Education Retirement. These assumptions are based on five-year trends for payroll growth and the actual General Revenue and General Revenue-Dedicated share of contributions, reflecting increases in other funding sources such as Non-Educational and General Funds.

Funding recommendations for estimated, statutorily required state contributions to TRS-Care total \$960.2 million in General Revenue in 2024-25, a \$46.3 million increase from the 2022-23 base. This funding level provides a state contribution to TRS-Care equal to 1.25 percent of salaries, the same rate as the 2022-23 biennium. Recommendations assume 3.6 percent annual payroll growth and 2.5 percent growth of General Revenue contributions for TRS-Care. These assumptions are based on five-year payroll growth trends, excluding onetime, significant pay raises in fiscal year 2020 following the enactment of House Bill 3, Eighty-sixth Legislature, Regular Session, 2019.

2. **Senate Bill 12 State Contribution Rate Increases for Retirement.** Recommendations include an estimated \$323.9 million related to increases in the state contribution rates to TRS Retirement. The state contribution rate to the Teacher Retirement System has increased following the enactment of Senate Bill 12, Eighty-sixth Legislature. The following table shows the contribution rate by fiscal year.

Fiscal Year	State Contribution	Local (Employer) Contribution	Employee Contribution
2019	6.8%	1.5%	7.7%
2020	7.5%	1.5%	7.7%
2021	7.5%	1.6%	7.7%
2022	7.75%	1.7%	8.0%
2023	8.0%	1.8%	8.0%
2024	8.25%	1.9%	8.25%
2025	8.25%	2.0%	8.25%

3. **FTE and salary increase.** Recommendations include \$25.3 million in Other Funds for increased salary costs related to 264.0 additional FTEs added by the TRS Board in fiscal year 2023. The TRS Board of Trustees issued a fiduciary finding on August 12, 2022, to increase the FTE cap, pursuant to TRS Rider 20, *Exception to*



*FTE Limitation for Board Fiduciary Finding.* Rider 20 authorizes the TRS Board to increase the FTE cap upon a finding that such an increase is necessary to carry out the fiduciary duties of the Board. The FTE cap was increased by 264.0, from 783.3 to 1047.3, which includes 181.0 additional FTEs for the customer service improvement initiative and 83.0 additional FTEs to expand the number of in-house investment professionals.

Recommendations also include \$43.2 million in Other Funds for increased payroll costs for existing staff. Of this amount, \$17.0 million reflects the full biennial cost of existing FTEs that were not fully filled in the 2022-23 biennium. Additionally, \$10.0 million funds the full biennial cost of an increase in salaries to reflect the new employee classification plan, adopted by the TRS Board in fiscal year 2022, and \$16.2 million funds the general state employee salary increase. Recommendations do not include a base request of \$5.7 million increase to fund merit salary increases for Investment Management Division (IMD) staff ranging from 5.0 percent to 10.0 percent.

4. **Method of Finance Swap.** Recommendations include an increase of \$6.0 million in Other Funds to reflect a Method of Finance swap from Commission Credits to the Pension Trust Fund. Commission Credits are brokerage commissions incurred during trade execution. The recommended increase in funding provides for the salaries of 25.0 existing Investment Management Division (IMD) staff who were previously paid using Commission Credits. In fiscal year 2023, funding for the brokerage accounts decreased by \$6.5 million and the TRS Board transitioned these costs to the Pension Trust Fund. The recommended increase funds the full biennial cost of these staff for the 2024-25 biennium. Recommendations do not include a base request of \$8.7 million increase for investment professional services related to the Method of Finance swap from Commission Credits.
5. **Investment Technology Programs.** Through the fiscal year 2023 fiduciary finding (see item # 3 above), the TRS Board approved an \$8.1 million increase to the fiscal year 2023 operating budget for two new capital projects: an Investment Data Modernization (IDM) program and a new fraud detection and prevention tool. Recommendations total \$29.1 million in Other Funds in the 2024-25 biennium for both projects, a \$21.0 million increase from the 2022-23 biennium, which includes a \$20.5 million increase in Other Funds for the IDM project and a \$0.5 million increase in Other Funds for the fraud detection and prevention tool.

IDM is a five-year project to modernize TRS's investment data platform and systems to improve trust asset monitoring and fiduciary oversight. The TRS Board adopted \$5.3 million in fiscal year 2023 for the first year of the IDM project. The agency notes that the project will cost \$25.8 million in the 2024-25 biennium. Recommendations do not include requested new rider, *Investment Data Modernization Program*, which would exempt any FTEs associated with the IDM program from the current FTE limitation, until the program is fully implemented. The fraud detection and prevention tool will use artificial intelligence to help detect unusual patterns and activity in the pension member system to help protect pension funds and member data. The TRS Board adopted \$2.8 million in fiscal year 2023 for the first year of the fraud detection and prevention tool. The agency notes that the project will cost \$3.3 million in the 2024-25 biennium.

6. **TRS-ActiveCare Affordability.** TRS-ActiveCare is a healthcare benefits program for certain public school district employees enacted by the Seventy-seventh Legislature in 2001. Prior to fiscal year 2023, school districts with less than 500 employees were required to participate in ActiveCare, while larger districts could join voluntarily. Member districts were also statutorily prohibited from leaving the program. As of as of August, 2022 there are approximately 450,443 participants in TRS-ActiveCare, representing 56.0 percent of public education employees. Senate Bill 1444, Eighty-seventh Legislature, Regular Session, 2021, amends the Texas Insurance Code to prohibit participating entities from offering healthcare benefits outside of ActiveCare and authorizes all participating and eligible entities to leave or join ActiveCare, regardless of their size, for a minimum period of five years. TRS reports that 114 districts, or about 10.0 percent of participating districts filed their notice to leave ActiveCare, effective September 1, 2022. The overall cost impact has been neutral.

State law requires a minimum contribution by the state of \$75 per employee per month, which is distributed through the Foundation School Program. Participating districts are required to contribute a minimum of \$150 per employee per month toward the premiums of participating members. Minimum state and employer contributions have not changed since the program was established. About 842, or 82.0 percent of districts contribute more than the minimum. These districts generally contribute between \$225 and \$250 or less per employee per month.

Significant growth in the cost of healthcare without an increase in state and employer contributions since the program's inception has reduced the affordability of ActiveCare plans. Senate Bill 8 of the Eighty-seventh Legislature, Third Called Session, 2021, appropriated \$203.0 million to TRS-ActiveCare. CARES Act funding

awarded through the Governor’s office totaled \$435.0 million for ActiveCare. Both onetime funding sources helped contain and, in some cases, reduce participant premiums for the 2022-23 school year. TRS reports that without additional funding, premiums for the lowest cost plan option are anticipated to increase by between \$87 and \$294, or 22.0 percent in fiscal year 2024. Recommendations do not include agency exceptional item request of \$1.4 billion to hold premiums constant for the 2024 and 2025 plan years.

- 7. **Executive Director Salary Classification.** Recommendations include the Executive Director salary of \$400,000, which was increased from \$355,000 in fiscal year 2022. The Executive Director salary reflects TRS board action taken pursuant to Rider 8, *Exempt Positions*, of the TRS bill pattern, which authorizes the Board to set the salaries of exempt positions without limitation. The Executive Director is eligible for leadership and investment management oversight incentive compensation. Leadership incentive compensation is based on performance in leadership effectiveness, culture and engagement, and operational effectiveness; investment management oversight incentive compensation is based on investment performance and capped at 30.0 percent of base salary. The evaluation period aligns with the fiscal year and the evaluation process and bonus calculation are conducted in December and January. The bonus payment is awarded in February and spans over two years. As of June 30, 2022, the Executive Director’s additional pay totaled \$32,609 in fiscal year 2022.
- 8. **Update on TRS Office Relocation.** Recommendations include a \$9.6 million decrease to reflect the termination of the South Congress Avenue office lease in fiscal year 2023. TRS is moving their headquarters to two new buildings in the Mueller neighborhood in Austin. The current TRS headquarters building is located on Red River Street and houses all agency operations except the Investment Management Division (IMD), which is housed in a separate leased space on South Congress Avenue. In fiscal year 2021, the agency’s lease costs totaled \$4.3 million. On December 29, 2021, TRS purchased the Alpha building, the first of the two Mueller buildings for \$121.7 million. The purchase of the second building, Bravo, is pending, but estimated not to exceed \$144.7 million. On October 4, 2022, TRS sold their building located on Red River for \$108 million. TRS indicates that they will begin to move the IMD and Healthcare staff into the Alpha building in the summer of 2023. Remaining staff will continue to occupy the Red River building until the Bravo building is completed and ready for move-in, which is anticipated to occur in late 2024. Information about the size of each building is provided below:

Building Location	Square Feet
Red River	217,976
Congress	76,786
Alpha (Mueller)	210,428
Bravo (Mueller)	241,292

- 9. **Inflationary Cost Increases.** Recommendations include an \$11.4 million increase in Other Funds for administrative cost increases related to inflation. Significant increases include contract rates for consulting services such as outside legal counsel, IT services, and call center overflow services. Other inflationary increases include travel, utilities, and IT infrastructure cost growth.

**Teacher Retirement System  
Rider Highlights - House**

**New Riders**

21. **Contingent Appropriation for Teacher Retirement System (TRS) Retiree Benefit Enhancement.** Recommendations include the addition of this rider to express the intent of the Eighty-eighth Legislature to fund a benefit enhancement to TRS retirees, contingent on the actuarial soundness of the TRS Pension Trust Fund.

**Deleted Riders**

21. **Alternative Delivery Methods for TRS-ActiveCare.** Recommendations include deletion of this rider as the report to examine alternative methods to deliver the current benefits supplied under TRS-ActiveCare was published in August of 2022.

Teacher Retirement System  
Items Not Included in Recommendations - House

		2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Item Requests Not Included							
1)	Funding to hold TRS-ActiveCare premiums constant for the 2024 and 2025 plan years.		\$ 1,404,021,000	0.0	No	No	TBD
TOTAL Items Not Included in Recommendations			\$ 1,404,021,000	0.0	TBD		
Agency Rider Edit Requests Not Included							
2)	Limitation on Funds Appropriated to the Teacher Retirement System (TRS). Agency requests deletion of this rider. This would give the agency authority to hire an external communications consultant.	\$0.0	\$0.0	0.0	No	No	\$0
Agency New Rider Requests Not Included							
3)	Contingent Appropriation of Pension Trust Funds to Consider an Additional Regional Office. Agency requests the addition of the rider to authorize the TRS Board to spend pension funds and increase the FTE cap, should the Legislature wish for TRS to open an additional regional office.	\$0.0	\$0.0	0.0	No	No	\$0

Teacher Retirement System  
Appendices - House

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	10
B	Summary of Federal Funds	*
C	FTE Highlights	12

\* Appendix is not included - no significant information to report

Teacher Retirement System					
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS					
Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
TRS - PUBLIC EDUCATION RETIREMENT A.1.1	\$4,456,574,920	\$5,129,535,700	\$672,960,780	15.1%	Recommendations provide an increase in state contributions resulting from the enactment of Senate Bill 12, Eighty-sixth Legislature, Regular Session, 2019, which increased the state contribution rate from 7.75 percent in FY 2022 and 8.0 percent in FY 2023 to 8.25 percent in FY 2024 and 2025. Estimated appropriations reflect a payroll growth assumption of 3.6 percent and a GR growth assumption of 1.6 percent.
TRS - HIGHER EDUCATION RETIREMENT A.1.2	\$576,576,920	\$661,356,960	\$84,780,040	14.7%	Recommendations provide an increase in state contributions resulting from the enactment of Senate Bill 12, Eighty-sixth Legislature, Regular Session, 2019, which increased the state contribution rate from 7.75 percent in FY 2022 and 8.0 percent in FY 2023 to 8.25 percent in FY 2024 and 2025. Estimated appropriations reflect a payroll growth assumption of 6.0 percent, a GR growth assumption of 4.8 percent, and a GR-D growth assumption of 3.7 percent.
ADMINISTRATIVE OPERATIONS A.1.3	\$365,655,201	\$449,678,900	\$84,023,699	23.0%	TRS Administrative Operations are funded with Other Funds (Pension Trust Fund 960). The increase reflects \$25.3 million in salary costs for 264.0 additional FTEs authorized by the TRS Board and \$27.0 million in existing staff salary costs and increases. \$21.0 million is associated with the costs of the new IDM and fraud detection and prevention tool. \$11.4 million is related to inflation, including increases in contract rates, travel, utility, and IT costs. \$6.0 million reflects staff salaries related to a Method of Finance swap. \$2.8 million reflects increased travel costs associated with the increase in travel after the coronavirus pandemic and increased utility costs associated with the overlap of occupancy in the Red River building and the new Mueller headquarters. The increases are offset by a decrease of \$9.6 million related to the South Congress office lease termination that will occur at the end of fiscal year 2023.
TRS RETIREMENT-ADDITIONAL PAYMENT 1.1.4	\$701,100,535	\$0	(\$701,100,535)	(100.0%)	Senate Bill 7 and House Bill 5, Eighty-seventh Legislature, Second Called Session, 2021, provided \$701.1 million for a onetime additional annuity payment for TRS retirees. Recommendations do not include funding for an additional annuity payment in the 2024-25 biennium.

Teacher Retirement System					
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS					
Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
RETIREE HEALTH - STATUTORY FUNDS A.2.1	\$913,966,124	\$960,235,659	\$46,269,535	5.1%	Recommendations provide a state contribution rate of 1.25 percent of payroll and assume payroll growth of 3.6 percent and GR growth assumption of 2.5 percent.
RETIREE HEALTH - SUPPLEMENTAL FUNDS 1.3.1	\$742,622,875	\$0	(\$742,622,875)	(100.0%)	Senate Bill 8 of the Eighty-seventh Legislature, Third Called Session, 2021 provided \$286.3 million in onetime supplemental GR funding for TRS-Care and ActiveCare. The Office of the Governor awarded an additional \$435 million in CARES Act funding for TRS-ActiveCare in fiscal year 2022. The fiscal year 2022 TRS settle up provided \$21.3 million for TRS-Care, appropriated in fiscal year 2023. Recommendations do not include supplemental funding for TRS-Care.
Total, Goal 1, TEACHER RETIREMENT SYSTEM	\$7,756,496,575	\$7,200,807,219	(\$555,689,356)	(7.2%)	
SALARY ADJUSTMENTS B.1.1	\$0	\$16,236,137	\$16,236,137	100.0%	Recommendations provide for general state employee salary increase for TRS employees.
Total, Goal B, SALARY ADJUSTMENTS	\$0	\$16,236,137	\$16,236,137	100.0%	
Grand Total, All Strategies	\$7,756,496,575	\$7,217,043,356	(\$539,453,219)	(7.0%)	

Teacher Retirement System  
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2021	Estimated 2022	Budgeted 2023	Recommended 2024	Recommended 2025
Cap	745.3	768.3	1,047.3	1,047.3	1,047.3
Actual/Budgeted	741.0	771.5	1,047.3	NA	NA

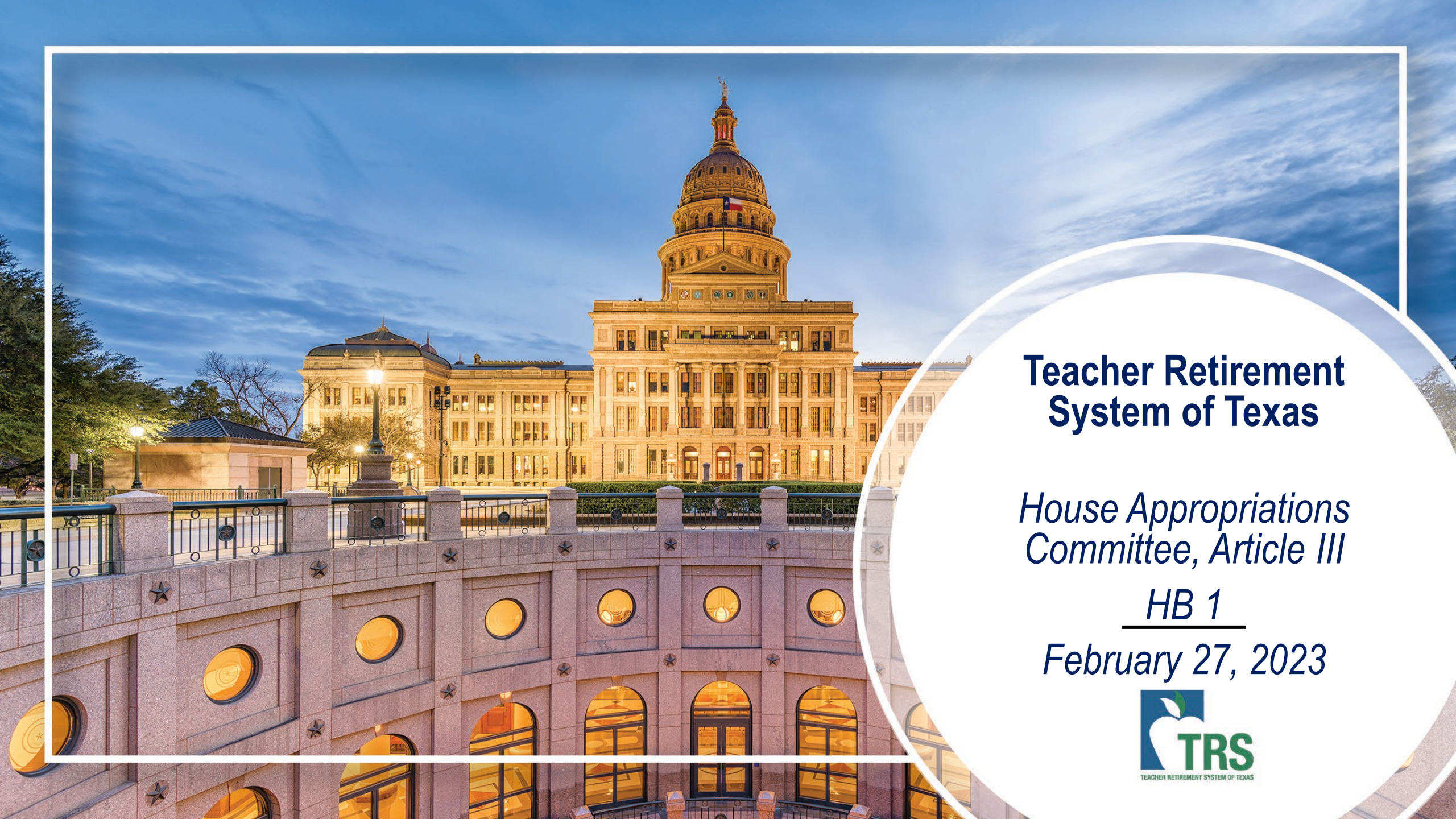
Schedule of Exempt Positions (Cap)					
Executive Director	\$355,000	\$400,000	\$400,000	\$400,000	\$400,000
Chief Investment Officer	\$551,250	\$551,250	\$551,250	\$551,250	\$551,250
Deputy Director Investment Officer	\$410,000	\$410,000	\$410,000	\$410,000	\$410,000

Notes:

a) On August 12th, 2022, TRS issued a fiduciary finding, authorized by Rider 20, *Exception to FTE Limitation for Board Fiduciary Finding* , which grants the agency authority to increase the number of FTEs if the Board of Trustees determines that additional staff are necessary to perform the fiduciary duties of the Board. The FTE cap was increased by 264.0 FTEs, including 181.0 additional FTEs for the customer service improvement initiative and 83.0 FTEs to continue to hire in-house investment professionals.

b) The Executive Director salary was increased in fiscal year 2022, pursuant to Rider 8, *Exempt Positions* , which grants the TRS Board the authority to determine the salaries of exempt positions without limitation.





# **Teacher Retirement System of Texas**

*House Appropriations  
Committee, Article III*

HB 1

*February 27, 2023*





# Teacher Retirement System (TRS) Overview

- TRS manages three separate trust funds to provide pension and health care benefits.
  - **TRS Pension Trust Fund** provides current and future retirement benefits for over 1.9 million individuals, including nearly 476,000 annuitants and nearly 1.5 million active employees. Approximately 96% of public educators do not earn Social Security.
  - **TRS-Care** provides retiree health care benefits to ~222,000 participants.
  - **TRS-ActiveCare** provides active employee health care benefits to ~444,000 participants.
- The Board of Trustees act as fiduciaries. To comply with fiduciary standards, money held in trust must be used exclusively for the benefit of TRS members.



## **TRS Mission:**

*Improving the retirement security of our members by prudently investing and managing the Trust assets and delivering benefits that make a positive difference in their lives.*

# Actuarial Valuation: TRS Trust Fund Status

- Actuarial valuations are prepared annually, as of August 31 of each year. During legislative years, a February 28 valuation update is provided. State law defines actuarial soundness as a funding period of less than 31 years.

TRS Pension Trust Fund Status		8/31/2022
Pension Fund Value		\$184.2 Billion
Unfunded Actuarial Accrued Liability (UAAL)		\$51.7 Billion
Funding Period		26 Years
Investment Return		-6.7%
Investment Return Assumption		7.00%
Funded Ratio		79%

Source: TRS actuary, GRS' 2022 Actuarial Valuation Report and 2022 Annual Comprehensive Financial Report

Note: GRS uses an estimated yield on market value investment return.

Assumes current scheduled statutory contribution rates continue and no changes to benefits

# TRS and HB 1

	HB 1		
State Retirement/TRS Care Contributions	2024	2025	Total
A.1.1 Public Education Retirement	\$ 2,460,565,824	\$ 2,668,969,876	\$ 5,129,535,700
A.1.2 Higher Education Retirement	323,115,862	338,241,098	\$ 661,356,960
A.2.1 Retiree Health - Statutory Funds	474,190,449	486,045,210	\$ 960,235,659
<b>Total</b>	<b>\$ 3,257,872,135</b>	<b>\$ 3,493,256,184</b>	<b>\$ 6,751,128,319</b>

- Public Ed: Both include funding for SB12 contribution rate increase from 8% to 8.25% and estimated 3.6% covered payroll growth.
- Higher Ed: Both include funding for SB12 contribution rate increase from 8% to 8.25% and estimated 6% covered payroll growth.
- Retiree Health: Both include funding for required contributions to TRS Care of 1.25% and estimated 3.6% covered payroll growth.

## House Bill 1 As Filed

- SB 12 (86R) final phase of increased contribution rates included
- No supplemental funding needed for TRS-Care
- New Rider 21

## Rider 21

### Contingent Appropriation for TRS Retiree Benefit Enhancement

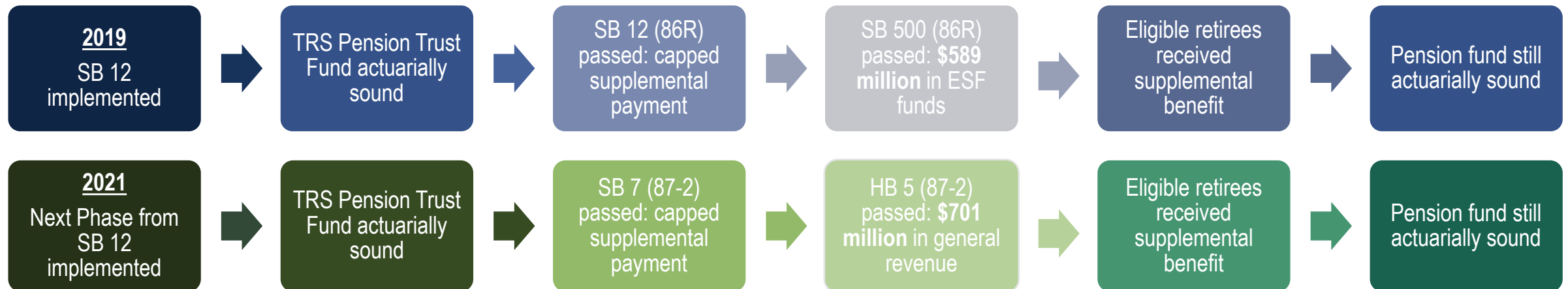
*It is the intent of the Legislature that a benefit enhancement be provided to TRS retirees, contingent on the determination that the TRS Pension Trust Fund is considered actuarially sound pursuant to Government Code, Section 824.2031*

# Options to Finance a One-Time 1% COLA

\$ in millions	Cost in FY24	Cost in FY25	Total Cost over Time	Comments
Lump Sum on Sept 1, 2023	\$1,148	\$0	\$1,148	<ul style="list-style-type: none"> <li>•Least Expensive, Significant Help from Investment Earnings</li> <li>•UAAL does not change</li> <li>•Funding Period does not change</li> </ul>
12 Year Payment Schedule (Minimum Industry Best Practice)	\$122	\$125	\$1,715	<ul style="list-style-type: none"> <li>•Increase contribution rate 0.22% of payroll, positive cash flow</li> <li>•UAAL increases, but begins to decline quickly</li> <li>•Funding Period does not change</li> </ul>
Pay-as-you-go (Annual passthrough)	\$116	\$114	\$2,327	<ul style="list-style-type: none"> <li>•State makes contribution equal to benefit payments annually</li> <li>•UAAL increases</li> <li>•Funding Period increases slightly</li> </ul>
25 Year Payment Schedule (Same as Current UAAL)	\$73	\$75	\$2,625	<ul style="list-style-type: none"> <li>•Increase contribution rate 0.13% of payroll, negative cash flow for 9 years</li> <li>•UAAL increases</li> <li>•Funding Period does not change</li> </ul>
Finance Through TRS pension Trust Fund	\$0	\$0	\$6,923	<ul style="list-style-type: none"> <li>•By far most expensive long term</li> <li>•UAAL increases, and will continue to grow until 2028</li> <li>•Funding Period increases from 26 to 27 years</li> </ul>

# Recent Supplemental Payments

- In 2019, the legislature authorized and directly paid for a supplemental payment capped at \$2,000 for eligible retirees who retired on or before Dec. 31, 2018.
- In 2021, the legislature authorized and directly paid for a supplemental payment capped at \$2,400 for eligible retirees who retired on or before Dec. 31, 2020.

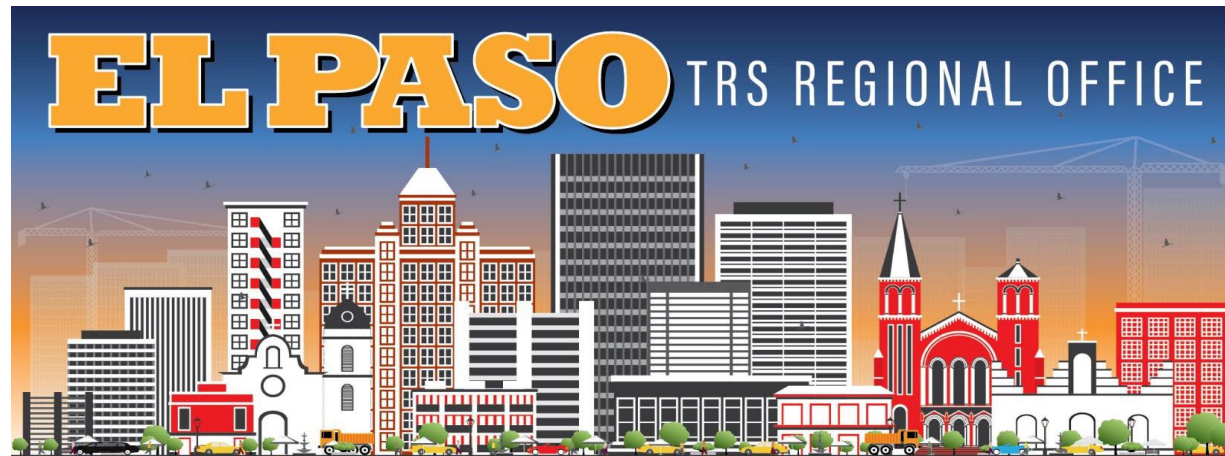


# TRS and HB 1: Rider Recommendation

## Rider Recommendation Not Included in HB 1:

Contingent Appropriation of Pension Trust Funds to consider an additional Regional Office.

*Upon a finding of fact by the Teacher Retirement System Board of Trustees that additional resources are necessary to open an additional regional office to serve other areas of Texas, the Teacher Retirement System is appropriated such funds and FTEs as approved by the Board from the Teacher Retirement System Pension Trust Fund Account No. 960. Within thirty days of such a finding, the Teacher Retirement System Board of Trustees shall provide written notification to the Legislative Budget Board and the Governor of the amounts anticipated to be necessary to achieve these purposes.*





# TRS and HB 1 Exceptional Items: TRS-ActiveCare

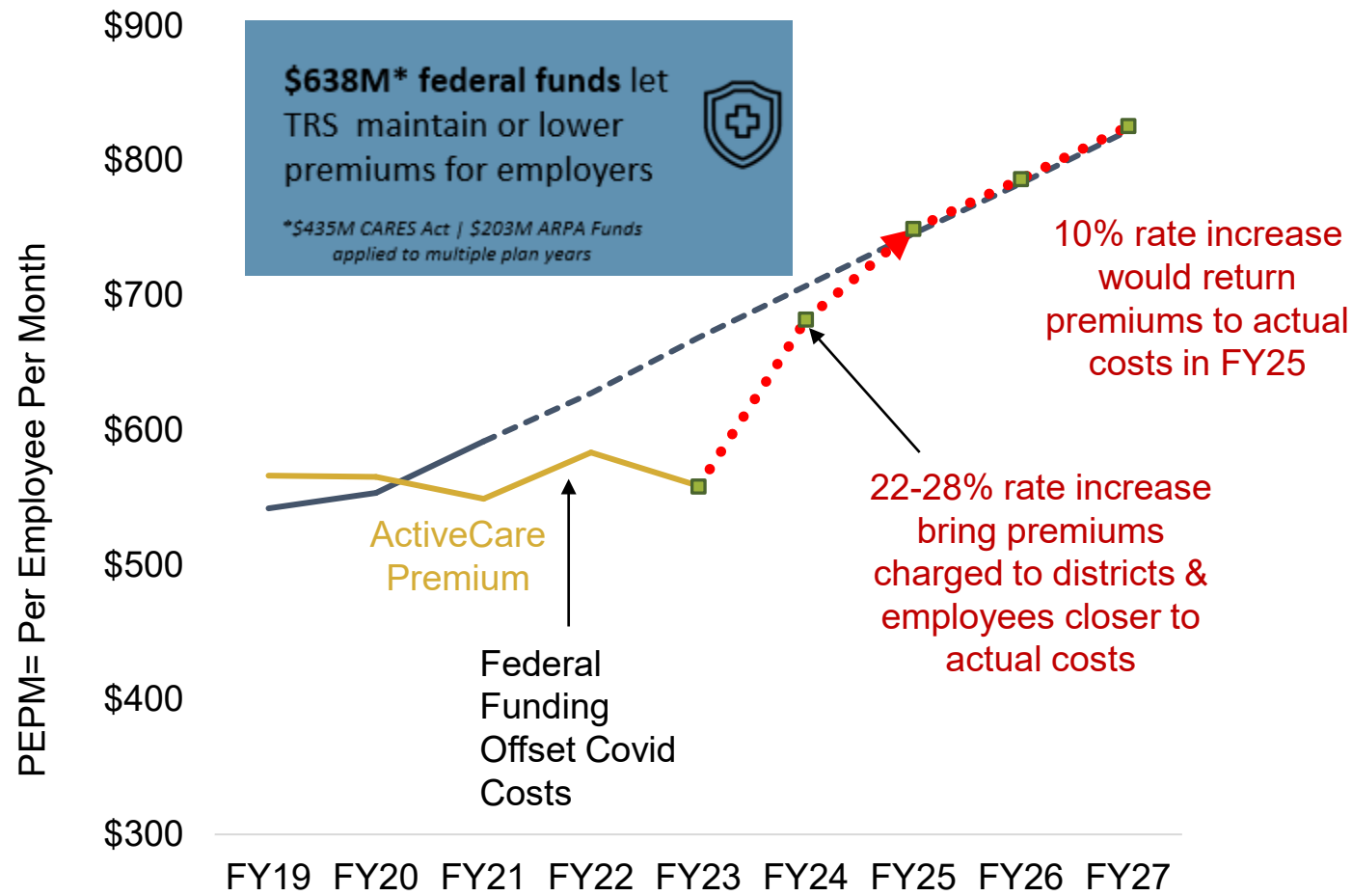
- The State provided TRS-ActiveCare with a total of **\$638** million in one-time federal funding
- **ARPA:** Senate Bill 8 (87-3)
  - **\$203M** for TRS-ActiveCare
  - The appropriation was provided to help offset future premium increases by approximately 5%
  - As a result, the overall statewide premium increase was 9.5% rather than 14.5%
- **CARES Act:** Governor Abbott and State Legislative Leadership
  - **\$435M** for TRS-ActiveCare
  - This appropriation along with ARPA allowed a further reduction of the overall statewide premium increase to **0%** to public educators, and corresponding decreases in regional rates for the plan year that began on September 1, 2022
- The use of one-time federal funds to maintain and reduce premiums creates a need for significant premium increases for the 2023-2024 school year and future years due to rising health care costs
- A significant funding increase is still needed as state and employer costs are based on contributions developed in 2001 rather than based on actual health care costs and are funded directly through the school finance formula

**Plan Year 2023:**  
Approximately **\$451M**  
was used to keep  
premium increases at  
or below 0% that  
began 9/1/22

**Plan Year 2024:**  
This leaves  
approximately  
**\$187M** for the plan  
year that begins  
9/1/23 to help offset  
costs

# TRS and HB 1 Exceptional Items: TRS-ActiveCare

## Increases in Premiums If Federal Funding is Not Replaced in FY24 and FY25



Fiscal Year	Avg. Premium Increase
FY24	\$123
FY25	\$67

**Educators pay an average \$2,280 more annually by FY25**

*\*Based on medical trend indicators, health care costs expected to grow 5% each year; premiums/funding amounts may need to increase depending on actual costs. Data and estimates as of June 2022. Actual amounts will change as more data is received. Increase in public educator contributions assumes no increases in employer contributions. FY and Plan Years are the same.*

# TRS and HB 1 Exceptional Items: TRS-ActiveCare

## Option

1

### Hold Premiums Constant for the 2024 and 2025 Plan Years

An estimated appropriation of **\$1.4 billion** for the FY24-25 biennium is needed to prevent total premiums from increasing for employers across plans and tiers.

One-time appropriations would result in the need for a premium increase by approximately 59% in FY26.

## Option

2

### Target Total Premium Increase to ~5% (Medical Trend)

An estimated appropriation of **\$875 million** for the FY24-25 biennium. ~5% premium increases in each fiscal year.

One-time appropriations would result in the need for a premium increase by approximately 30% in FY26.

## Option

3

### Target Total Premiums below ~10% Per Year

An estimated appropriation of **\$589 million** for the FY24-25 biennium and **\$386 million** for the FY26-27 biennium.

Phase in less than ~10% premium increases across four fiscal years until premiums reflect costs.

*Estimates based on medical trend indicators, current enrollment, health care costs expected to grow 5% each year; premiums/funding amounts may need to increase depending on actual costs and enrollment experience.*

# TRS and HB 1 Exceptional Items: Communications

- Rider Deletion Consideration:

- ***Limitation on Funds Appropriated to the Teacher Retirement System (TRS).***

*It is the intent of the Legislature that none of the funds appropriated by this Act or from Teacher Retirement System Pension Trust Fund Account No. 960 may be used for the purpose of hiring an external communications consultant.*

- TRS' intent to allow the use of a communications consultant is to provide flexibility and scalability if needed to address complex communication challenges related to major issues such as a data breach or cyberattack, to fully leverage industry best practices around emerging communications technology and platforms. TRS will further improve communication and outreach materials to ensure our members have the support and education needed to be secure in their retirement and healthcare benefits.



# APPENDIX

# TRS Board of Trustees



**Jarvis V. Hollingsworth,  
Chairman**

Missouri City, term  
ends 2023  
Direct appointment



**Nanette Sissney,  
Vice-Chair**

Whitesboro, term ends  
2023  
At-Large nominated



**Brittny Allred**

Dallas, term ends  
2027  
SBOE nominated



**Michael Ball**

Argyle, term ends  
2025  
Active member  
nominated



**David Corpus**

Humble, term ends  
2025  
SBOE nominated



**John Elliott**

Austin, term ends  
2027  
Direct appointment



**Dick Nance**

Hallettsville, term  
ends 2023  
Retiree nominated



**Robert H.  
Walls, Jr.**

San Antonio, term  
ends 2025  
Direct appointment



**Elvis  
Williams**

Fair Oaks Ranch,  
term ends 2027  
Active member  
nominated

Three trustees are direct appointments of the Governor.

Two trustees are appointed by the Governor from a list prepared by the State Board of Education.

Two trustees are appointed by the Governor from the three public school district active member candidates who have been nominated by employees of public school districts.

One trustee is appointed by the Governor from the three at-large member candidates nominated by retired TRS members, employees of public school districts and higher education institutions.

One trustee is appointed by the Governor from the three retired member candidates who are nominated by retired TRS members.



# TRS Governance Structure

## Governor of Texas

- Appoints Board of Trustees
- Appoints Chairman of the Board
- Issues executive orders and directives impacting TRS

## Texas Legislature

- Enacts laws related to retirement, health benefits, and TRS overall
- Sets contribution rates of State, employers, and active employees
- Confirms all trustee appointments (Senate)

## TRS Board of Trustees

- Oversees administration of TRS and investment of the funds
- Adopts rules, policies, and budget for benefits and investments
- Sets premium and plan designs for two health care programs
- Delegates responsibilities to Executive Director and staff as appropriate

## Executive Director and Staff

- Implements daily operations based on board directions, including delivering pension and health care benefits, investing funds, and managing system operations
- Recommends policy and rule changes to the board

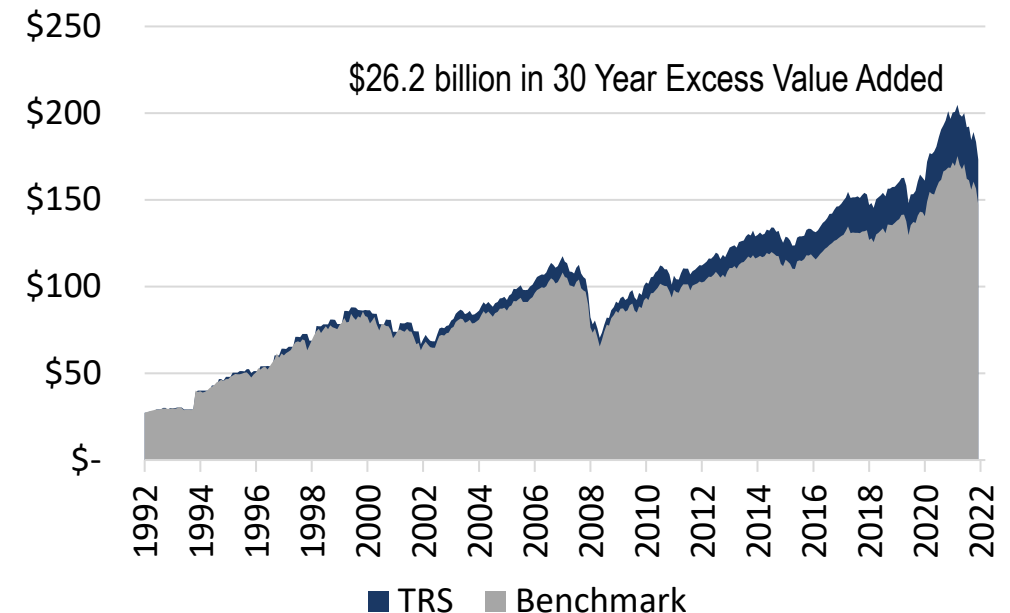
# TRS Historical Trust Returns

The majority of pension fund revenue has historically come from investment returns. Retirement benefits are funded by contributions and investment earnings.

Trust Value as of 8/31/22	1 Year	3 Year	5 Year	10 year	20 Year	30 Year
\$183.51	-6.7%	7.7%	7.3%	8.1%	7.8%	8.1%

Trust Returns (As of 9/30/2022)					
	Return	Policy Benchmark	Alpha	TUCS	Excess
1-Year	-9.90%	-10.30%	0.40%	-12.35%	2.45%
3-Year	5.60%	5.20%	0.40%	4.13%	1.47%
5-Year	6.00%	5.70%	0.30%	4.93%	1.07%
10-Year	7.40%	6.90%	0.50%	7.12%	0.28%
20-Year	7.80%	7.50%	0.30%	-	-
30-Year	7.90%	7.50%	0.30%	-	-

Growth of the Trust (as of 9/30/22)





# Benefit Enhancement History (1993-2021)

Year	Funding Period	Type	Benefit Enhancement
2021	27 years as of 8/31/20; Legislation included the next phase of contribution rate increases per statute. The state rate increased to 7.75% in FY22 and 8.00% in FY23. The active member rate increased to 8.00% for FY22 and FY23 and the employer rate increased to 1.7% for FY22 and 1.8% for FY23.	Supplemental Payment “capped 13 <sup>th</sup> Check”	Members who retired on or before 12/31/2020 received a one-time supplemental check in the amount of their monthly annuity payment or \$2,400, whichever was less. The legislature provided direct funding from the state to pay for the supplemental annuity check not as to not impact the actuarial soundness of the pension fund.
2019	87 years as of 8/31/18; Legislation phasing-in increased state, employer, and member contribution rates brought the funding period down to 29 years as of 8/31/19	Supplemental Payment “capped 13 <sup>th</sup> Check”	Members who retired on or before 12/31/2018 received a one-time supplemental check in the amount of their monthly annuity payment or \$2,000, whichever was less. The legislature provided a lump sum appropriation of \$589 million out of the Economic Stabilization Fund (Rainy Day Fund) to pay for the supplemental annuity check as to not impact the actuarial soundness of the pension fund.
2013	Never as of 8/31/12 valuation; Legislation increasing state, employer, and member contribution rates brought the funding period down to 28 years as of 8/31/13 valuation	COLA	Members who retired prior to 9/1/04 received a 3% COLA (capped at \$100 per month).
2007	Never as of 8/31/06 valuation; State contribution increase to 6.58% brought the funding period down to less than 31 years; 27.4 years as of 8/31/07 valuation	Supplemental Payment “capped 13 <sup>th</sup> Check”	Payment equal to the August 2007 monthly annuity but capped at \$2,400. Paid in January 2008.
2001	Overfunded	COLA	Members who retired between 9/1/00 and 8/31/01 received a 4.5% increase in their annuities, which was equivalent to the multiplier increase. Members who retired prior to 9/1/00 received a 6% inflation adjustment plus the 4.5% multiplier equivalent.
1999	Overfunded	COLA	Members who retired between 9/1/98 and 8/31/99 received a 10% increase in their annuities, which was equivalent to the multiplier increase. Members who retired prior to 9/1/98 received an inflation adjustment between 2 – 7% based upon the member’s retirement date and the 10% multiplier equivalent.
1997	Overfunded	COLA	Members who retired prior to 9/1/96 received an inflation adjustment ranging from 2 – 14% based upon the member’s retirement date.
1995	2.2 years as of 8/31/94 valuation 14 years as of 8/31/95 valuation	COLA	Members who retired before 9/1/93 were paid the greater of two options: <ul style="list-style-type: none"> <li>• Current annuity with an inflation adjustment ranging from 2 – 17% depending on the member’s retirement date; or</li> <li>• Recomputation of the annuity using the current minimum annual salary (\$18,500) for a classroom teacher or full-time librarian if the actual average salary was less than the current minimum.</li> </ul>
1993	28.8 years as of 8/31/92 valuation 25.1 years as of 8/31/93 valuation	COLA	Members who retired prior to 9/1/91 received an inflation adjustment ranging from 5 – 15% depending on the member’s retirement date. This was the first in a series of “catch ups,” for retirees whose annuity-purchasing power lagged behind the Consumer Price Index.

# Benefit Enhancements and Funding Policy

A cost-of-living adjustment (COLA) could be authorized without immediate funding, if the pension trust fund is actuarially sound, however the increase in cost and risk are either borne by new revenue, or by a combination of future taxpayers and the rest of the TRS membership.

During the 86th session, the legislature passed SB 2224 requiring TRS and other pension funds to adopt a pension funding policy that details the governing body's plan for achieving a funded ratio of the system that is equal to or greater than 100 percent.

The TRS Board adopted the policy that includes a provision on benefit enhancements. The policy recognizes that there may be alternative methods of financing benefit enhancements and will evaluate any proposal for consistency with the goal of a declining unfunded actuarial accrued liability (UAAL) and pursuant to Tex. Gov't Code §821.006.

# Industry Best Practices for Providing Benefit Enhancements

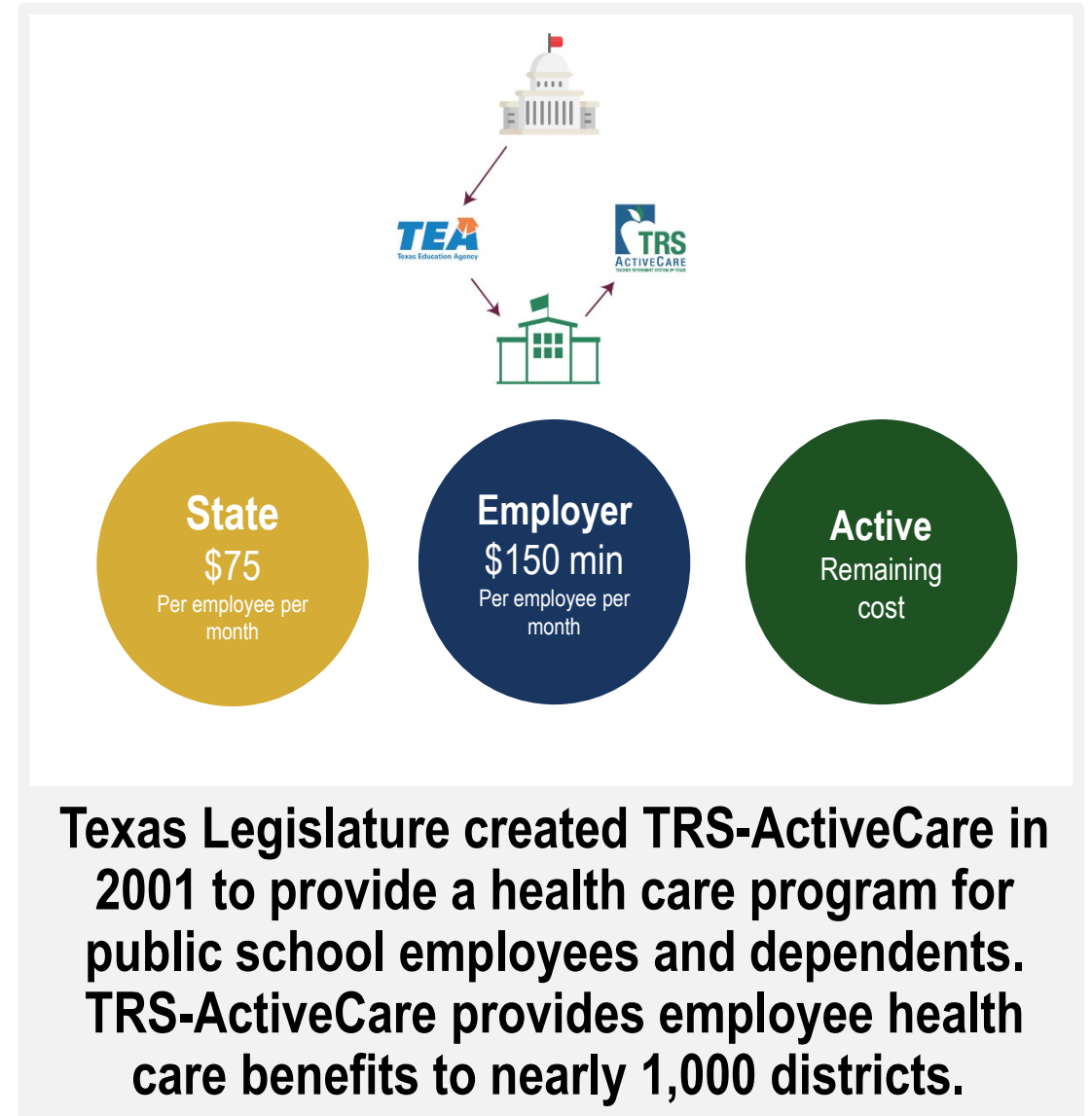
State law provides that the legislature may consider authorizing a benefit enhancement when the amortization period is less than 31 years (*Texas Gov't Code §821.006*).

## Industry Best Practices:

- From Exposure Draft for Actuarial Standard of Practice No. 4:
  - *“the actuary should select an amortization method that is expected to produce total amortization payments that are expected to fully amortize the unfunded actuarial accrued liability within a reasonable time period”*
- Blue Ribbon Panel Report on Funding Principles, published by Society of Actuaries:
  - 15-year amortization periods
- Actuarial Funding Policies and Practices for Public Pension Plans, published by the Conference of Consulting Actuaries (CCA) Public Plans Community:
  - 15 to 20-year amortization periods
- Texas Pension Review Board (PRB) Pension Funding Guidelines:
  - 10 to 25-year amortization periods

# TRS-ActiveCare Funding

- Funding for health care benefits is derived from state, employer, and active member contributions. State and employer costs are based on fixed contributions developed in 2001 rather than based on actual health care costs and are funded directly through the school finance formula.
- The 2001 law set total contribution from the state (\$75) and district (minimum \$150) at \$225 per person per month and required funding to flow through schools to TRS.
- In 2001, a \$225 contribution covered the cost of the premium for the active member; this contribution no longer covers the premium, and participating members cover the remaining cost.
- The TRS Board of Trustees sets premium and plan designs yearly based on available funding and experience.
- The use of one-time federal funds to maintain and reduce premiums creates a need for **significant** premium increases for the 2024-2025 plan year.



# TRS-ActiveCare: Regional Rating

## Regional Rates Calculation

Calculations are based on TRS-ActiveCare participants and claims, not local population.

**Step 1:** Calculate state average rate.

**Step 2:** Adjust regional rate based on regional cost of care.

Based on costs for medical services in the region. Those costs vary by the number of doctors, hospitals and how much people access care.

**Step 3:** Adjust for demographics (age, gender, risk).

If the region has an older population, or more people with diabetes than the statewide average.

**Step 4:** Evaluate historical costs.

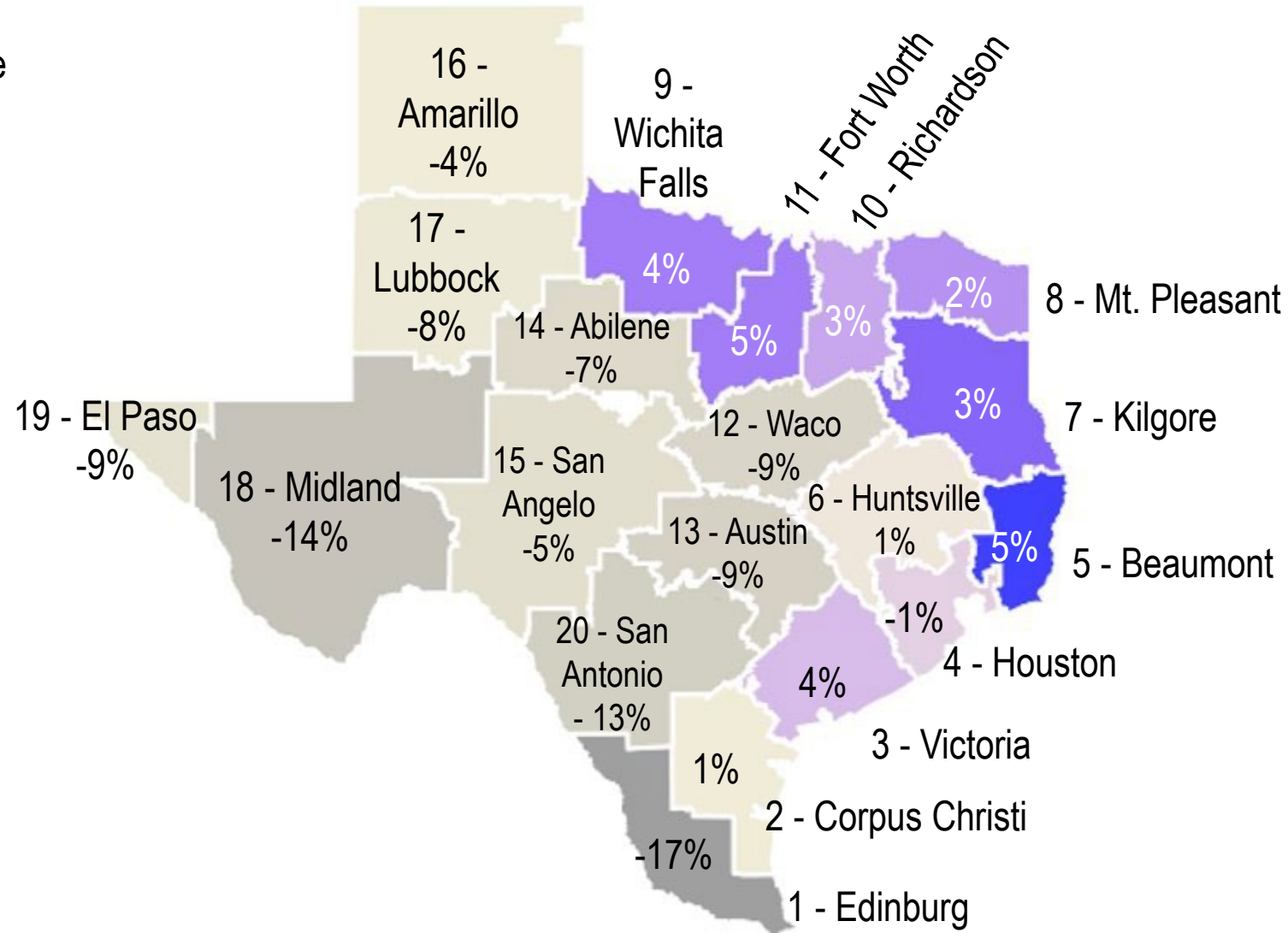
Review the region's historical health care costs and mix with expected costs.

**Step 5:** Account for benefits & network.

A plan with a higher deductible will be adjusted to have a lower rate than a plan with a lower deductible. A plan with a broad network of doctors and hospitals would reflect the plan's rate. <sup>21</sup>

# TRS-ActiveCare: Statewide Ave. Rate & Regional Rating

- For the 2023 plan year, the average statewide rate increase reduced to 0% and **no region of the state experienced a premium increase**. Most regions experienced a reduced premium based on the application of the regional rates.
- Percentages on this map reflect regional costs of healthcare for the TRS-ActiveCare population relative to the statewide average. TRS rates are a product of the specific cost for participating public education employers in the region.
- Federal Funding** for TRS-ActiveCare:
  - \$203M ARPA** (Senate Bill 8 (87-3))
  - \$435M CARES Act** (Governor Abbott and State Legislative Leadership)



# TRS-Active Care Example: Region 1, -17% Below Statewide Average



Tier	TRS-ActiveCare Primary	TRS-ActiveCare Primary+	TRS-ActiveCare HD	TRS-ActiveCare 2
Employee Only	\$331.00	\$415.00	\$341.00	\$1,013.00
Employee and Spouse	\$932.00	\$1,014.00	\$958.00	\$2,402.00
Employee and Child(ren)	\$594.00	\$668.00	\$611.00	\$1,507.00
Employee and Family	\$1,115.00	\$1,275.00	\$1,146.00	\$2,841.00

# TRS-ActiveCare Example: Region 5, +5% Above Statewide Average



Tier	TRS-ActiveCare Primary	TRS-ActiveCare Primary+	TRS-ActiveCare HD	TRS-ActiveCare 2
Employee Only	\$417.00	\$527.00	\$429.00	\$1,013.00
Employee and Spouse	\$1,176.00	\$1,290.00	\$1,209.00	\$2,402.00
Employee and Child(ren)	\$751.00	\$849.00	\$772.00	\$1,507.00
Employee and Family	\$1,405.00	\$1,622.00	\$1,445.00	\$2,841.00



# TRS-ActiveCare: Plan Summaries

At a Glance		Primary	HD	Primary +
	Premiums	Lowest	Lower	Higher
	Deductible	Mid-range	High	Low
	Copays	Yes	No	Yes
	Network	Statewide Network	Nationwide Network	Statewide Network
	PCP Required?	Yes	No	Yes
	HSA Eligible?	No	Yes	No

TRS-ActiveCare 2 *	TRS-ActiveCare Primary	TRS-ActiveCare HD	TRS-ActiveCare Primary+
<ul style="list-style-type: none"> <li>▪ Closed to new enrollees</li> <li>▪ Current enrollees can choose to stay in plan</li> <li>▪ Lower deductible</li> <li>▪ Copays for many services and drugs</li> <li>▪ Nationwide network with out-of-network coverage</li> <li>▪ No requirement for PCPs or referrals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lowest premium of all three plans</li> <li>▪ Copays for doctor visits before you meet your deductible</li> <li>▪ Statewide network</li> <li>▪ Primary Care Provider (PCP) referrals required to see specialists</li> <li>▪ Not compatible with a Health Savings Account (HSA)</li> <li>▪ No out-of-network coverage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compatible with a Health Savings Account (HSA)</li> <li>▪ Nationwide network with out-of-network coverage</li> <li>▪ No requirement for PCPs or referrals</li> <li>▪ Must meet your deductible before plan pays for non-preventive care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lower deductible than the HD and Primary plans</li> <li>▪ Copays for many services and drugs</li> <li>▪ Higher premium</li> <li>▪ Statewide network</li> <li>▪ PCP referrals required to see specialists</li> <li>▪ Not compatible with a Health Savings Account (HSA)</li> <li>▪ No out-of-network coverage</li> </ul>

# Moving Forward Together



## **New Headquarters: Improving The Member Experience**

- Improve the experience of in-person counseling office visits in a professional, modern, and inviting environment.
- Provide an easily accessible location outside of Austin's busy downtown.
- Enhance service with a seamless, coordinated visit for both pension and health care benefit counseling, if needed.
- Allow for future growth to meet the needs of a growing membership.
- Certain non-member facing departments will move in Summer 2023.
- Member facing departments and remaining departments will move in late 2024.

## **Red River Headquarters: Sold**

- Determined the maximum value to TRS was through fee simple sale.
- TRS sold the headquarters October 2022 for \$108 million.
- As part of the sale, TRS will be able to continue occupying the buildings for two years while its new Austin headquarters in the Mueller Business District is completed and readied for move-in.

# Regional Office Opened

- The El Paso Regional Office officially opened on November 14, 2022 and is located within the Region 19 Education Service Center.
- As customer service needs continue to grow, it is important that TRS explore ways in which services are provided to members.
- If data suggests the pilot office is valuable to TRS members, TRS will present options to consider establishing additional regional offices in strategic locations across Texas during the 2024-25 biennium.

## Services



Office Visits

Benefit Presentations

Group Retirement Sessions

Telephone Counseling

# Optional Retirement Program Summary of Budget Recommendations - House

III - 49  
Mathilde Mogensen, LBB Analyst

Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$246,034,923	\$245,051,767	(\$983,156)	(0.4%)
GR Dedicated Funds	\$48,926,321	\$49,909,741	\$983,420	2.0%
Total GR-Related Funds	\$294,961,244	\$294,961,508	\$264	0.0%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$294,961,244	\$294,961,508	\$264	0.0%

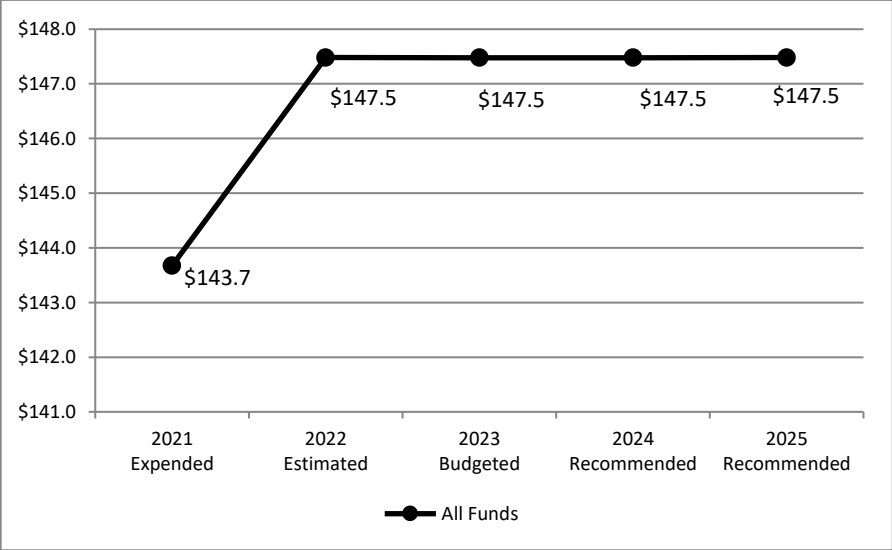
	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	0.0	0.0	0.0	0.0%

## Agency Budget and Policy Issues and/or Highlights

The Optional Retirement Program is a defined contribution retirement program offered as an alternative to TRS retirement for certain higher education faculty and professionals who require interstate mobility during their careers.

The bill pattern for this agency (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

Historical Funding Levels (Millions)



**Optional Retirement Program**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Decreased funding due to a projected decline of payroll covered by GR.	(\$1.0)	\$0.0	\$0.0	\$0.0	(\$1.0)	A.1.1
B)	Increased funding due to projected growth of payroll covered by GR-Dedicated.	\$0.0	\$1.0	\$0.0	\$0.0	\$1.0	A.1.1
<b>TOTAL SIGNIFICANT Funding Changes and Recommendations (in millions)</b>		<b>(\$1.0)</b>	<b>\$1.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	As Listed

**Optional Retirement Program  
Selected Fiscal and Policy Issues - House**

1. **State Contributions to the Optional Retirement Program.** Recommendations for the 2024-25 biennium total an estimated \$295.0 million in All Funds, an increase of \$264 from the 2022-23 base. Recommendations provide a 6.6 percent state contribution rate for ORP participants in the 2024-25 biennium, the same rate as the 2022-23 biennium.

Recommendations assume 2.15 percent annual payroll growth. Due to a decline in the institutional use of GR to fund ORP participant payroll, recommendations assume an annual negative growth rate of 0.2 percent for GR covered contributions. Recommendations assume an annual growth rate of 1.0 percent for GR-D covered contributions. These assumptions are based on the five-year average growth rates from fiscal year 2018 to fiscal year 2022 for GR and GR-D.

**Optional Retirement Program  
Appendices - Senate**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	5
B	Summary of Federal Funds	*
C	FTE Highlights	*

\* Appendix is not included - no significant information to report

Optional Retirement Program					
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS					
Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
OPTIONAL RETIREMENT PROGRAM A.1.1	\$294,961,244	\$294,961,508	\$264	0.0%	Recommendations include a state contribution rate of 6.6 percent of active member payroll. Estimated appropriations assume an annual (0.2) percent decrease in GR covered payroll and an annual 1.0 percent increase in GR-Dedicated covered payroll from FY 2022 to FY 2025. The 2022-23 base has been adjusted to reflect actual 2022 expenditures and updated projections for 2023.
Total, Goal A, OPTIONAL RETIREMENT PROGRAM	\$294,961,244	\$294,961,508	\$264	0.0%	
Grand Total, All Strategies	\$294,961,244	\$294,961,508	\$264	0.0%	