



HB 3...What Have We Done?

January 26, 2020



Where We Are

Studies

- Geographic Education Costs & Transportation
- Alternative Career Readiness Measures for Small & Rural Districts
- District Property Tax Compression
- Assessment Instrument Study





Geographic Education Costs & Transportation

- Geographic variations in known resource costs and costs of education due to factors beyond the control of school districts; and, school district transportation costs.
- Cost of Education Index
- Lori Taylor
 - Prevailing wage
 - Effect on rural districts
- December 1, 2020



Study on District Property Tax Compression

- Legislative Budget Board
- Study possible methods of providing property tax relief through the reduction of school M&O taxes.
- The study must evaluate: potential sources of revenue that may be used to reduce school district M&O taxes;
- Methods of limiting increases in M&O tax revenue that adjust for enrollment growth, inflation, and other relevant factors...
 - Any difference in anticipated benefits to property taxpayers based on the school district in which the taxpayer resides;
 - The cost to the state; and
 - The anticipated impact on equity in the public school finance system
- September 1, 2020



TEA Rulemaking

- Began in June 2019
- Scheduled to continue until May 2021
- Fast Growth Allotment rule adoption
- Current proposed rules:
 - Maximum Compressed Tax Rate Calculation

| Texas Education Agency HB 3 Rulemaking Schedule | | |
|--|--|-----------------------------------|
| Rule Topic | Rulemaking Body Responsible | Timeline for Filing Rule Proposal |
| Relating to issuance and renewal of master teacher certificate | State Board for Educator Certification | June 2019-August 2019 |
| Repeal of HS allotment rules (Ch 61, Sub II) | Commissioner | June 2019-August 2019 |
| Ineligible-to-work in Texas public schools reporting requirements | State Board for Educator Certification | September 2019-November 2019 |
| Registry of persons ineligible to work in Texas public schools | Commissioner | September 2019-November 2019 |
| Fast growth allotment | Commissioner | September 2019-November 2019 |
| Wealth equalization manuals/excess local revenue manuals (§62.1071 and §62.1072) | Commissioner | September 2019-November 2019 |
| Mentor program allotment (§153.1011) | Commissioner | September 2019-November 2019 |
| High-quality preK program requirements (§102.1003) | Commissioner | September 2019-November 2019 |
| Blended learning grant program | Commissioner | September 2019-November 2019 |
| 2019-20 SAAH, version 2 (§129.1025) | Commissioner | September 2019-November 2019 |
| Required PEIMS reporting | Commissioner | September 2019-November 2019 |
| NIFA (§61.1034) | Commissioner | September 2019-November 2019 |
| Additional state aid for school districts that contract to partner to operate district campus (§61.1010) | Commissioner | September 2019-November 2019 |
| Additional state aid for ad valorem tax credits under Tx Econ Dev Act (§61.1019) | Commissioner | September 2019-November 2019 |
| Maximum compressed tax rate (TEA must calculate and make available max compressed rates) | Commissioner | September 2019-November 2019 |
| Requirements for science of teaching reading instruction for elementary teacher certification | State Board for Educator Certification | December 2019-February 2020 |
| Instructional arrangements for special education (Ch 89, Sub D) | State Board of Education | December 2019-February 2020 |

| Rule Topic | Rulemaking Body Responsible | Timeline for Filing Rule Proposal |
|---|-----------------------------|-----------------------------------|
| Gifted and talented programs (Ch 89, Sub A) | State Board of Education | December 2019-February 2020 |
| College, career, or military readiness outcomes bonus | Commissioner | December 2019-February 2020 |
| College and industry exam reimbursement | Commissioner | December 2019-February 2020 |
| CTE middle school and advanced course listing | Commissioner | December 2019-February 2020 |
| Formula transition grant | Commissioner | December 2019-February 2020 |
| Report on number of disadvantaged students (§61.1027) | Commissioner | December 2019-February 2020 |
| Instructional arrangements for special education | Commissioner | December 2019-February 2020 |
| PEIMS leaver reason code for students who leave for pregnancy (§61.1025) | Commissioner | December 2019-February 2020 |
| Reporting requirements for preK and partnership classroom teachers and aides | Commissioner | December 2019-February 2020 |
| Kindergarten-Grade 2 reading assessment, including Kindergarten readiness indicator | Commissioner | December 2019-February 2020 |
| Basic allotment (§105.12) | State Board of Education | March 2020-May 2020 |
| Definition of tax levy and tax collection (§105.1) | State Board of Education | March 2020-May 2020 |
| Teacher incentive allotment | Commissioner | March 2020-May 2020 |
| Requires school districts to adopt and post early childhood literacy and mathematics proficiency plans to their website | Commissioner | March 2020-May 2020 |
| Reading standards for Kindergarten-Grade 3 | Commissioner | March 2020-May 2020 |
| Optional Flexible School Day Program (§129.1027) | Commissioner | March 2020-May 2020 |
| Bond enhancement program for districts and charters (§61.1038 and §61.1039) | Commissioner | March 2020-May 2020 |
| New rule for FSP funding for reimbursement of disaster remediation costs | Commissioner | March 2020-May 2020 |
| Contracts and tuition for education outside district (§61.1012) | Commissioner | June 2020-August 2020 |

| Rule Topic | Rulemaking Body Responsible | Timeline for Filing Rule Proposal |
|---|-----------------------------|-----------------------------------|
| Excess funds for video surveillance of special education settings (§61.1020) | Commissioner | June 2020-August 2020 |
| Ability to terminate DOI designation for non-compliance with do not hire registry (§102.1309 and §102.1315) | Commissioner | June 2020-August 2020 |
| Science lab grant program ADA (§61.1037) | Commissioner | June 2020-August 2020 |
| Cross reference updates to hazardous transportation funding (§61.1016) | Commissioner | June 2020-August 2020 |
| Cross reference updates in IFA/EDA (§61.1032 and §61.1035) | Commissioner | June 2020-August 2020 |
| Cross reference updates in severance payments (§105.1021) | Commissioner | June 2020-August 2020 |
| Cross reference updates in optional extended year program rule (§105.1001) | Commissioner | June 2020-August 2020 |
| New test codes and passing scores for EC-6 exams and student services exams (includes science of teaching reading instruction for elem tchr cert) §151.1001 | Commissioner | September 2020-November 2020 |
| Financial aid application requirement for high school graduation | Commissioner | December 2020-February 2021 |
| Repeal of rules for FSP funding for reimbursement of disaster remediation costs (§61.1013 and §61.1014) | Commissioner | March 2021-May 2021 |
| Financial aid application requirement for high school graduation (§74.11) | State Board of Education | March 2021-May 2021 |

Interim Charges: House

Committee on Public Education

- Monitor HB 3 implementation
- Examine the pay raises districts have provided to staff and the various approaches adopted to differentiate salary increases according to experience.

New Chairman of Appropriations Committee: Giovanni Capriglione (R-Keller)

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



Interim Charges: Senate

Education Committee

- Review the impact of the repeal of the Gifted and Talented allotment on programs in districts. Highlight various innovative GT programs in districts across the state, and make recommendations on methods to strengthen and promote GT programs.

Finance Committee

- Spending limit
- Business personal property tax

State Affairs

- Taxpayer lobbying: study how governmental entities use public funds for political lobbying purposes.



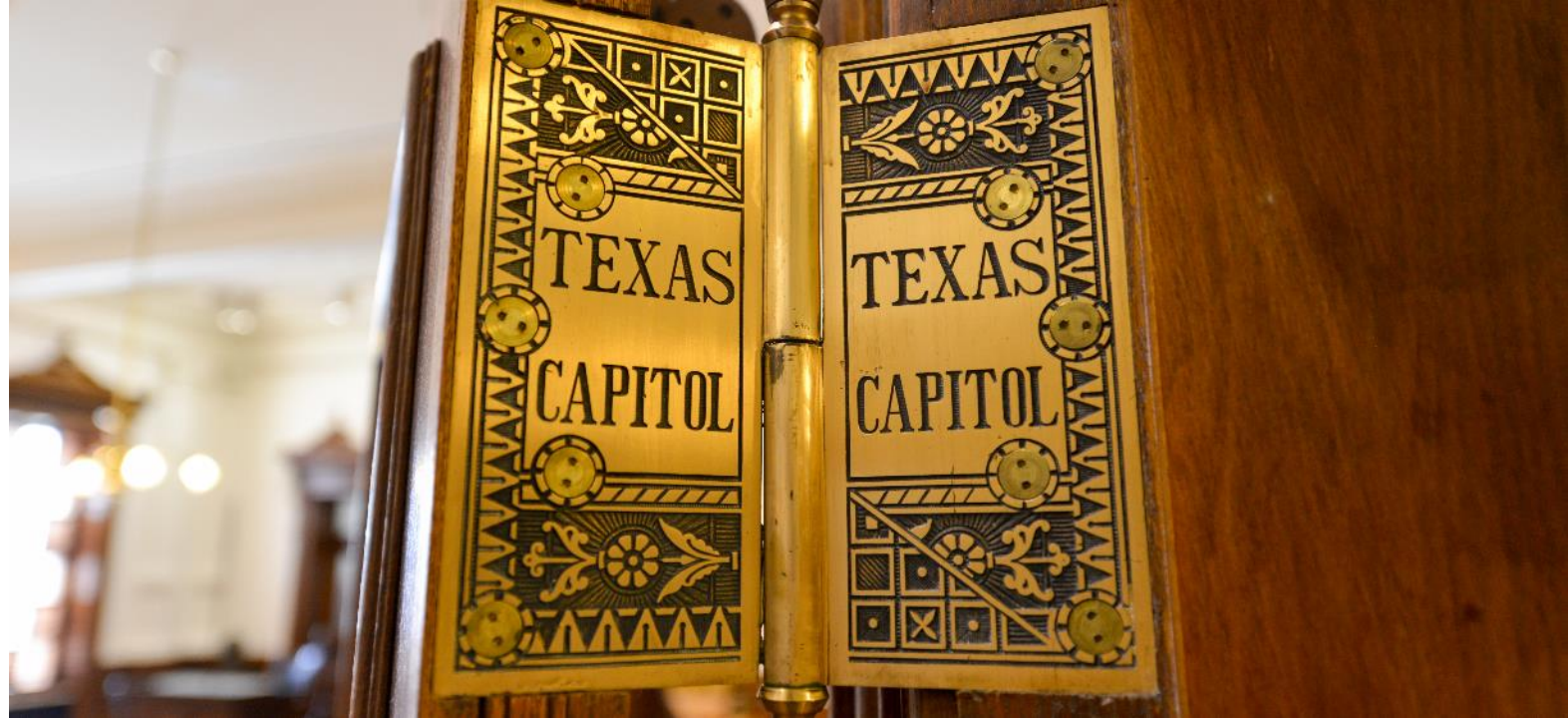
Interim Hearings

House Public Education

- October 28 – HB 3 implementation update (Fast Growth, Small District, Unintended Consequences)

Senate Finance

- Spending Limit: Examine options and make recommendations for strengthening restriction on appropriations... Consider options for ensuring available revenues above spending limit are reserved for tax relief.
- Business Personal Property Tax: Study the economic dynamics of the business personal property tax. Consider the economic and fiscal effects of increased exemptions to the tax, versus its elimination.



Unintended Consequences

- October 25, 2019
- Proposed adjustments to entitlements under House Bill 3
 - (1) P-TECH and New Tech funding
 - (2) Teacher compensation increase and Formula Transition Grant
 - (3) Special education funding for open-enrollment charter schools
 - (4) Staff Allotment and Regional Education Service Centers

Next Session

POLITICS

- Majority rule in the House
- Who will be the new speaker?
- SB 29: Taxpayer Lobbying
- Property tax working group
- Redistricting

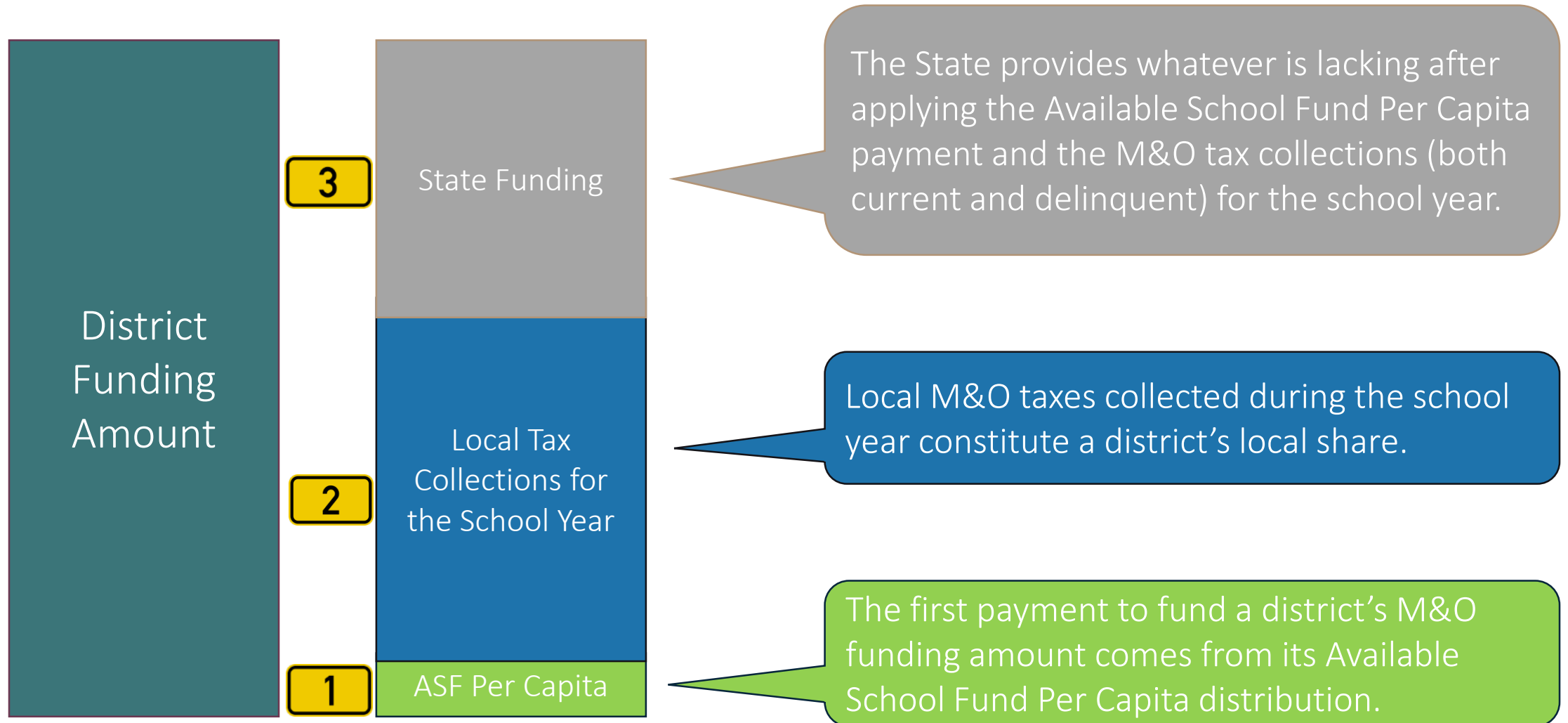


Principles of an Efficient Funding System

1. Funding for Texas' students needs to **make sense for everyone**. It cannot be based on **one district's crisis** or even on a set of runs.
2. Funding decisions must be **based on actual costs** to educate students...holding to the **TEC §48.001** promise to provide **substantially equal access to a similar education at a similar tax rate**.
3. Funding Texas' schools should be **fair to Texas' taxpayers**. Your dollar should generate the same level of funding for your children as **my dollar** does for mine.

Determining State/Local Funding for M&O

Funding Based on Students—Not District Property Wealth



What's Next?

Equity Issues to be Addressed

(Remember - Efficiency, Equity and Adequacy Require a Funding System Based on Known Costs)

Non-Cost Based Issues

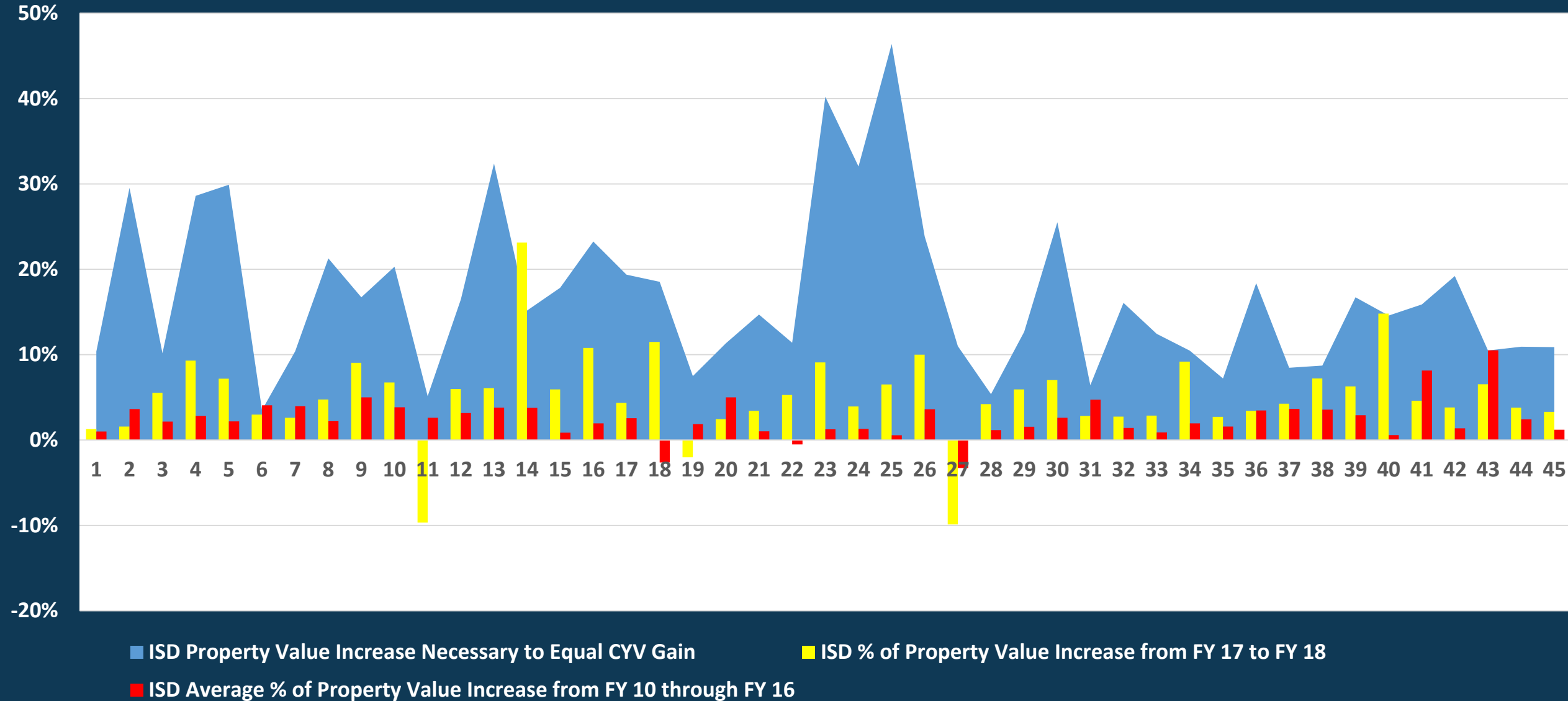
- Full Tier 1 Entitlement for Some but not for All--LOHE Funding
- Variations in Tier 1 Tax Rates
- Tier 2 Yield Gaps
- Old and New Hold Harmlesses

Cost-Based Issues

- Current Year Collections
- I&S/Facilities
- Student/District Cost Differentials (Small/Mid-sized, Geographic Variations, FGA.)
- Cost Adjustment (Driver) for the Basic Allotment
- Repurpose existing Transition Revenue to Cost Based Needs

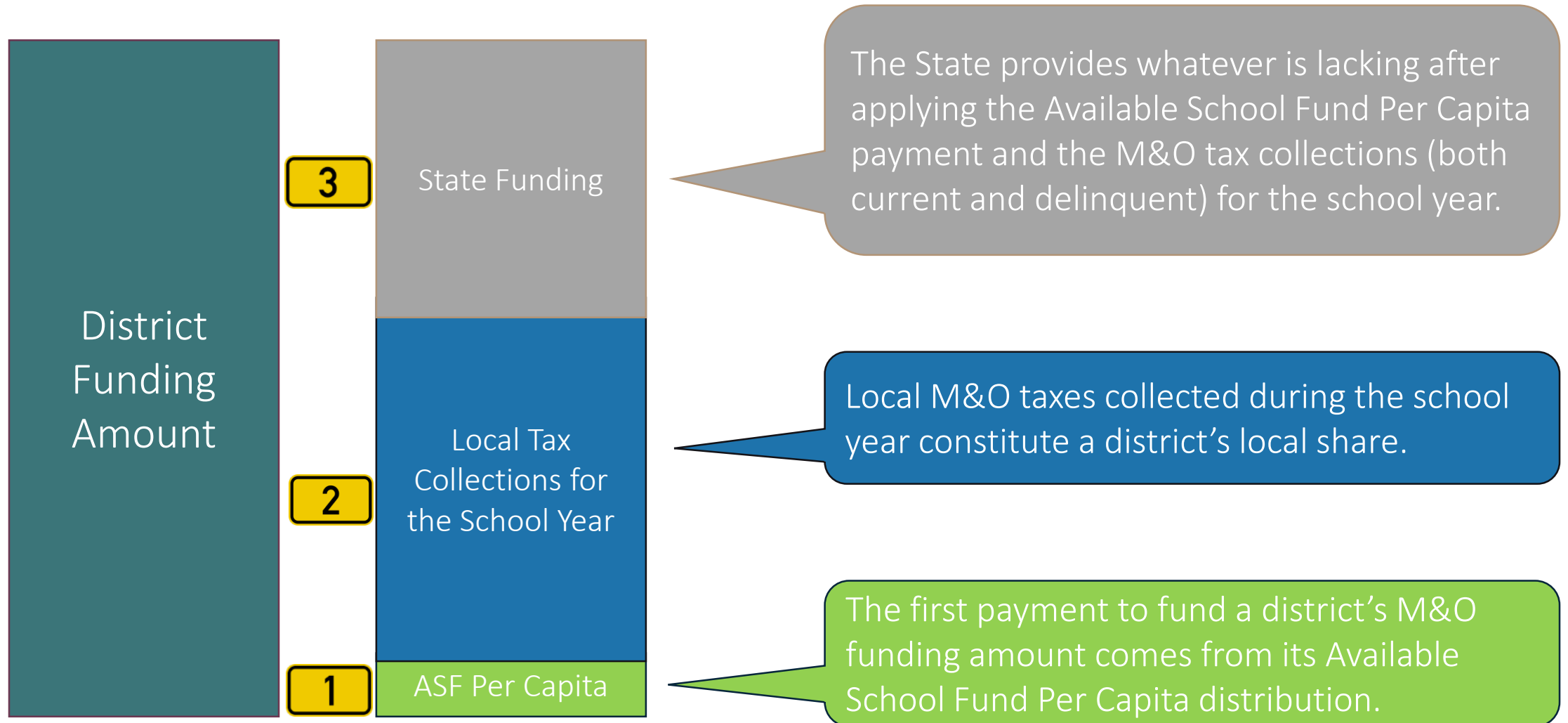


ESC Region 8 ISDs—District by District % of Property Value Growth Necessary to Equal CYV Gains



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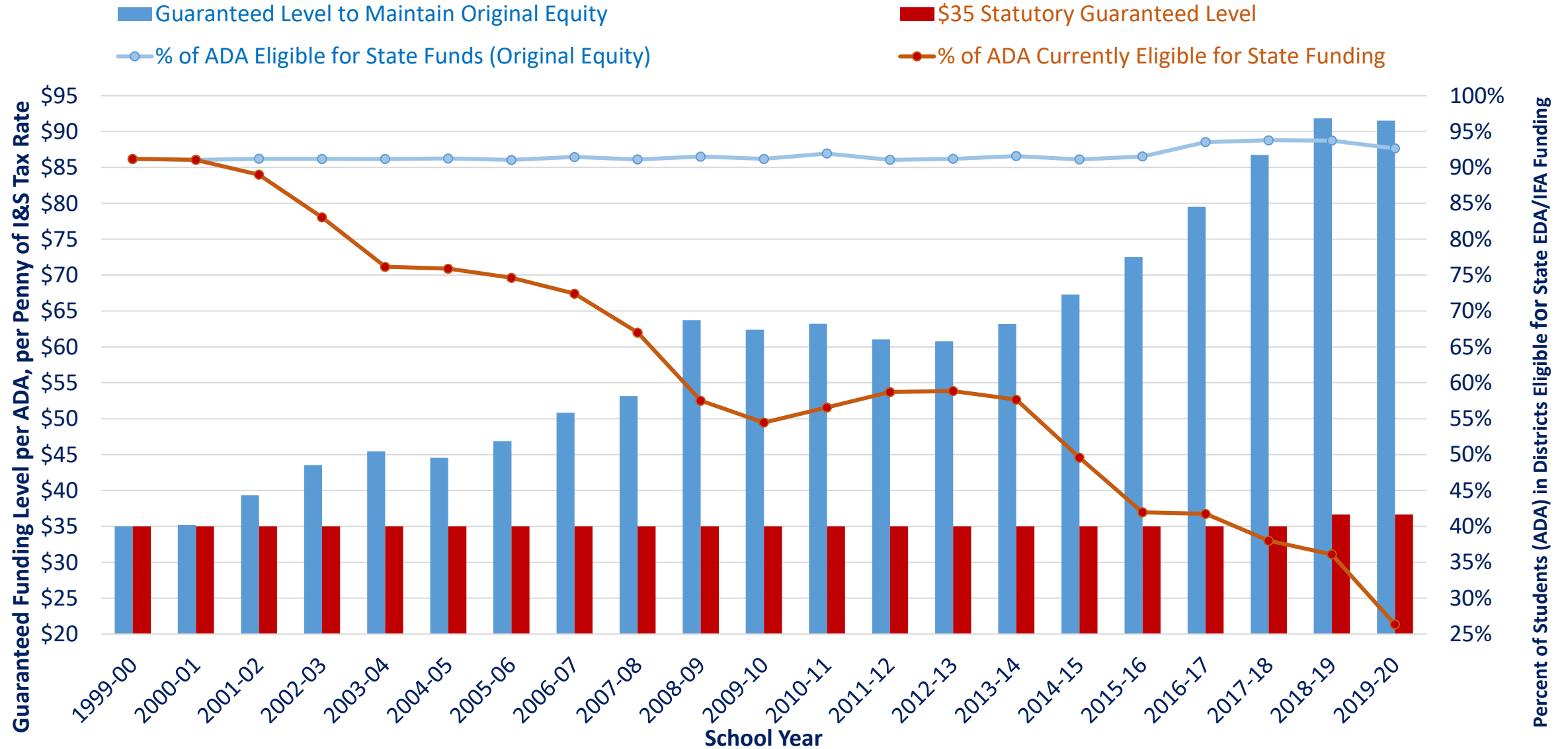
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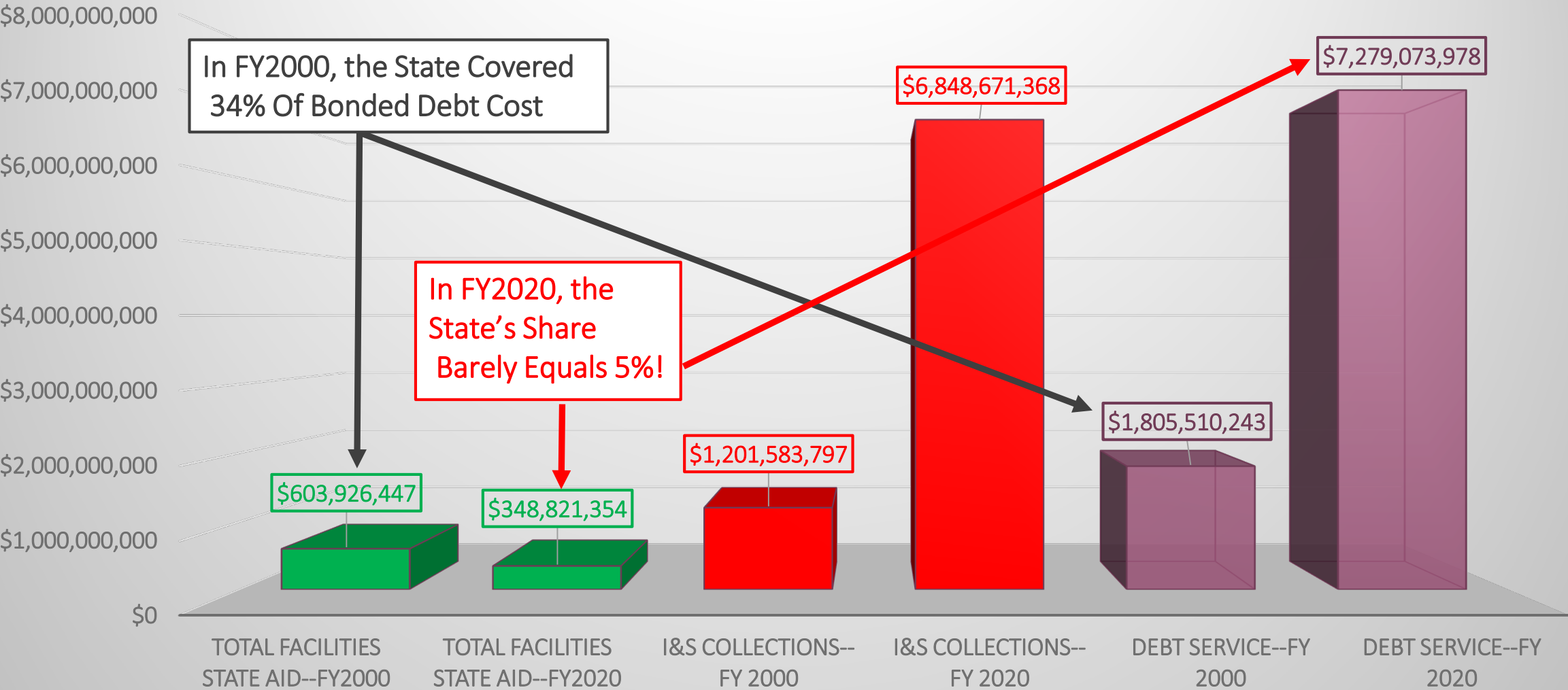


Comparison of EDA/IFA Funding Levels and Percent of ADA in Eligible Districts

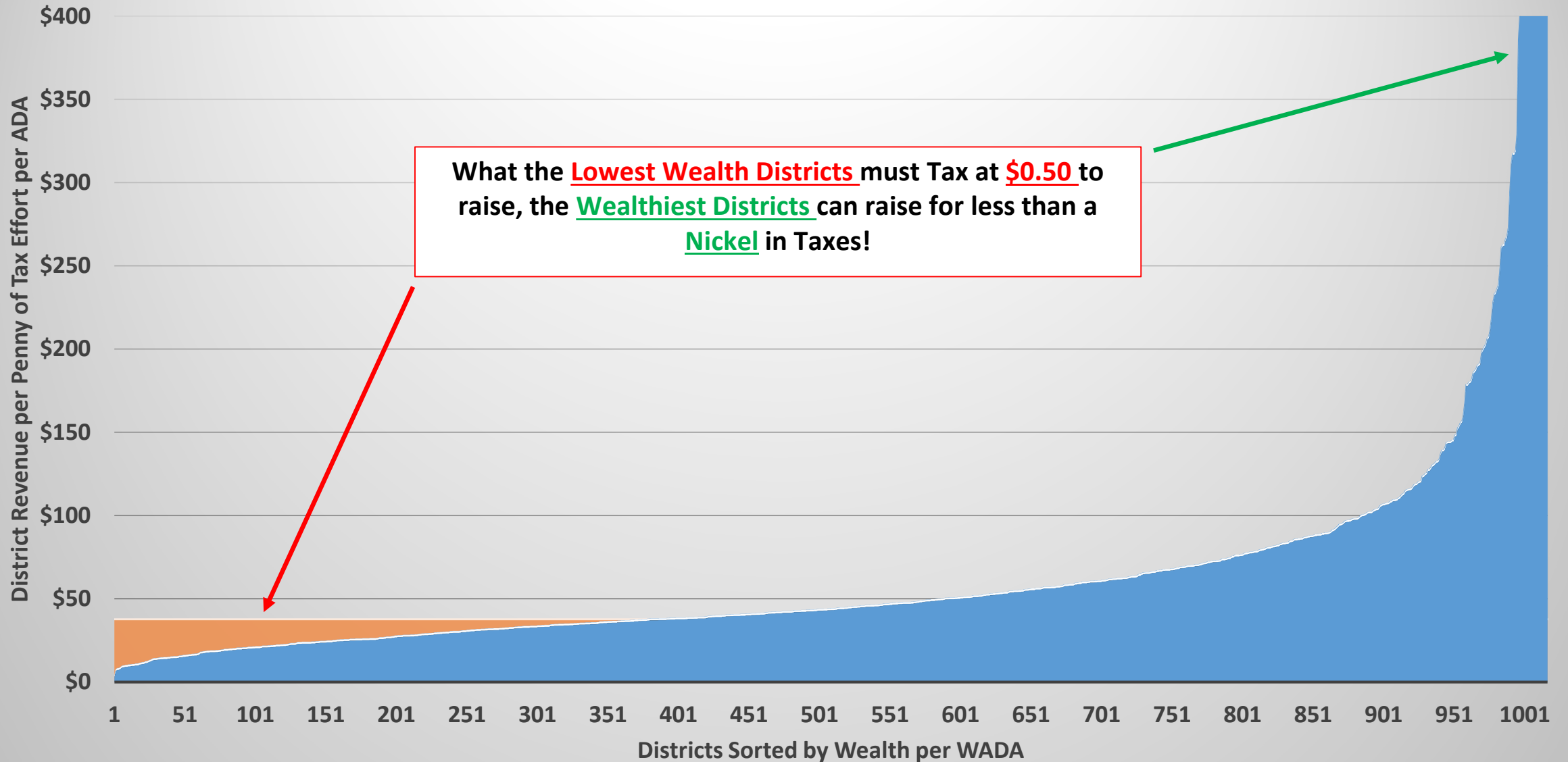
Statutorily Frozen at a \$35 Guaranteed Level vs. Original Equity Level Maintained



State & Local I&S Comparative Expenditures FY2000 & FY2020



Unequalized Funding for Facilities--EDA & IFA for FY 20



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Continued Cycle for the Evaluation & Update of Weights & Allotments

| Student Weights | Weights/Allotments | Study Cycle* |
|------------------------------|--|--------------|
| | Compensatory Education | #1 |
| | Bilingual/Dual Language Education | #1 |
| | Special Education | #2 |
| | Career Tech Education | #2 |
| | Dyslexia | #3 |
| | Kindegarten-3 | #3 |
| District/Demographic Weights | Facilities Funding (I&S) | #1 |
| | Geographic Variations (former CEI) | #1 |
| | Small & Mid-sized | #2 |
| | Fast Growth | #2 |
| | Transportation | #2 |
| | College, Career, & Military Readiness Outcomes | #3 |
| | Teacher Incentive | #3 |
| | Mentor | #3 |

*The amount of time between the recurrences of studies should be cyclical and established by statute. Obviously, depending on the weight/allotment being studied, that cycle could vary in duration. Studies would be conducted between legislative session.

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School finance shouldn't look like this...



...and that's why Equity matters.



Questions?

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