

House Bill 3

86th Texas Legislature



HB 3 Bill Summary

House Bill 3 (HB 3), a sweeping and historic school finance bill, was passed by the 86th Texas Legislature in 2019 and signed by Governor Greg Abbott. The bill can be broken down into four major policy areas:



Supports Teachers and Rewards Teacher Excellence



Increases Funding and Equity



Focuses on Learning and Improving Student Outcomes



Reduces and Reforms Property Taxes and Recapture



SUPPORTS TEACHERS AND REWARDS TEACHER EXCELLENCE

- **Basic Allotment (BA) is increased from \$5,140 to \$6,160, which increases the minimum salary schedule (MSS) between \$5,500 - \$9,000 per creditable year of service (CYS) (HB 3 Section 1.021, 1A.005)**
- **Any year the BA is increased, districts must allocate 30% of their year-over-year budget increase toward full-time employee compensation increases - 75% for teachers, counselors, nurses, and librarians (1.021, 1A.005)**
 - ▶ Districts must report to the Legislature on salary and wage increases for the 2019-2020 school year (5.008) **by December 1, 2020**
- **The increased MSS means the state will pay more for Teachers Retirement System (TRS) contributions for teachers, so districts pay less out of their own budgets**
 - ▶ Amends language to specifically require Districts of Innovation (DOI) and charters to pay the TRS state contribution on the amount above MSS (1.062)
- **Establishes a Teacher Incentive Allotment with a stated goal of a six-figure salary for teachers and to prioritize high needs areas and rural district campuses (1.031)**
 - ▶ Districts designate Master, Exemplary, or Recognized teachers for a five- year period if they meet established criteria (2.008)
 - Designations based on T-TESS or alternative local appraisal, given standards adopted by TEA and overseen by Texas Tech University (2.008, 2.007)
 - Automatic designation as Recognized if a teacher is Nationally Board Certified. (2.008)

Unless otherwise noted, everything applies for the '19-20 school year



SUPPORTS TEACHERS AND REWARDS TEACHER EXCELLENCE

- ▶ Master Teacher = \$12,000 to \$32,000; Exemplary Teacher = \$6,000 to \$18,000; and, Recognized Teacher = \$3K to \$9K, based on teacher's placement in a campus that is rural or that has a higher compensatory education weight. *(1.031)*
 - Prior Master Teacher certificates have been repealed *(2.006; 4.001)*
- **Establishes a Teacher Mentorship program to fund stipends to mentors and other costs associated with mentoring teachers in their first two years *(1.031)***
 - ▶ Districts must meet certain quality requirements when implementing their mentoring programs, including training mentors, and the areas of focus for the mentor/mentees including data driven instruction (DDI) practices. *(2.009)*
- **Further protects students and the integrity of the teaching profession by creating a Do-Not-Hire Registry that ensures non-certified personnel will not work at schools if they have abused a child or had an inappropriate relationship with a minor. This applies to districts, charters, and DOIs *(2.001; Article 2A)***



FOCUSES ON LEARNING AND IMPROVING STUDENT OUTCOMES

Prioritizing Early Literacy, Including Pre-K

- **Requires Boards of Trustees to develop and post early childhood literacy and mathematics proficiency plans that set specific annual goals *(2.003, 2.035)***
- **Requires full day Pre-K for 4-year-olds and the programs to comply with High-Quality measures in statute, with waivers allowed and new reporting requirements *(2.019 - 2.030, 4.001)***
 - ▶ Requires districts to consider partnerships with high-quality providers prior to building or leasing new facilities for Pre-K *(2.019, 2.029)*
 - ▶ Requires TEA to make available up to two diagnostic tools to determine early literacy readiness at the beginning of Kindergarten, and allow optional diagnostic of mathematics and other school readiness domains. TEA must also publish Kindergarten readiness data in new ways *(2.012) 2020–2021 School Year*
- **Establishes an Early Education Allotment for students in grades K-3 who are educationally disadvantaged (i.e. eligible for free and reduced lunch) or limited English proficiency funded at 0.1 per Average Daily Attendance (ADA). *(1.031)***
 - ▶ Eligible uses of funds include programs and services designed to improve performance in Pre-K through 3rd grade reading and math *(1.031)*
- **Establishes a new Dyslexia Allotment of 0.1 per ADA *(1.027)***
- **Adds an extra 0.05 weight for dual language immersion/one-way or two-way programs for non-English speakers (0.05 for an English speaker in a two-way) *(1.030)***
 - ▶ Requires TEA to develop tools to assist districts and charters in bilingual education *(2.016)*



FOCUSES ON LEARNING AND IMPROVING STUDENT OUTCOMES

- **Requires several reading practice improvements (2.013)**
 - ▶ Requires all districts and charters provide for the use of a phonics curriculum that uses systematic direct instruction in K-3 (2.013)
 - ▶ Requires all K-3 teachers and principals to go through reading academies (ESCs offer this training) (2.013)
 - ▶ Requires districts to prioritize the placement of highly effective teachers in K-2 (2.013)
 - ▶ Requires districts to integrate reading diagnostics in Pre-K-3 (2.013)
 - ▶ Requires Commissioner to create an early reading advisory committee (2.013)
- **Requires State Board for Educator Certification to adopt rules that require all new Pre-K-6 teachers to pass a science of teaching reading exam (2.005) January 1, 2021**

Improving College, Career, and Military Readiness

- **Requires Boards of Trustees to develop and post CCMR plans that set specific annual goals (2.003, 2.035)**
- **Establishes a CCMR Outcomes Bonus with funding paid for each annual graduate above a certain threshold percentage. (1.031) The amounts and likely threshold percentages are:**
 - ▶ Educationally disadvantaged - \$5,000 each above the first 13% of CCMR graduates
 - ▶ Non-educationally disadvantaged - \$3,000 each above the first 25% of CCMR graduates
 - ▶ Special Education - \$2,000 for each CCMR graduate
 - ▶ Commissioner shall conduct a study on alternative career readiness measures for small and rural districts for the bonus (1.031)
- **Reimburses districts to ensure students are given at least one college preparation assessment (TSIA, SAT, ACT) and at least one industry certification exam by graduation (1.035, 1.036, 2.031; 2.034)**
- **Expands CTE funding from grades 9-12 to grades 7-12 and adds technology application courses (like computer science) for funding (1.030)**
- **Districts receive an extra \$50 per student in P-TECH and New Tech High School models (1.030)**
- **Requires completion of a FAFSA prior to graduation (2.014, 2.015) 2021-2022 School Year**
 - ▶ Allows for a parental, counselor or self (over 18) opt out (2.015)
 - ▶ Commissioner must establish an advisory committee (2.015)
- **The High School Allotment has been repealed, with funding available for these other CCMR investments (4.001)**



FOCUSES ON LEARNING AND IMPROVING STUDENT OUTCOMES

Increasing Support for Special Education

- Increases Mainstream Special Education weight from 1.1 to 1.15 (1.025)
- Requires the Commissioner to establish the Special Education Allotment Advisory Committee and provide a report with assistance from the Legislative Budget Board, Governor's Office, and the Legislature (1.026) By May 2020
- Encourages districts and charters to provide an incentive for teachers who complete training on Autism provided by a regional Education Service Center (2.010)

Expanding Learning Opportunities

- Establishes an extended-year incentive for districts that provides funding on a half-day basis for up to 30 additional instructional days over 180 days in grades PK-5 (1.014, 1.003) 2020–2021 School Year
 - ▶ Optional for districts and students; Requires TEA to provide technical assistance (2.011)
- Allows the Commissioner to establish a grant program with a private entity for summer programs offering CTE courses (2.032)
- Establishes a blended learning grant program, including through Math Innovation Zones, with priority for a program for high populations of educationally disadvantaged students (2.033)
- Sets up a high school equivalency reimbursement program in coordination with the Texas Workforce Commission (1.046)



INCREASES FUNDING AND EQUITY

- Increases compensatory education weight from 0.2 to one of five values from 0.225 - 0.275 based upon the census tier for educationally disadvantaged students (1.028)
 - ▶ Students' census block groups are determined from their home address. Census block groups are put into one of 5 tiers based on the severity of poverty using four factors: poverty measured by median household income, average educational attainment of population, percentage of single parent households, and the rate of home-ownership
 - ▶ These same census tiers are used for the Teacher Incentive Allotment
 - ▶ Requires Commissioner to establish an advisory committee on compensatory education (1.029)
- Adds a new allotment of \$275 per student in ADA in a Residential Placement Facility or Dropout Recovery School (1.034)
- Eliminates the Cost of Education Index, so districts no longer receive funding based on a decades-old metric (4.001), with funding redirected to the basic allotment
 - ▶ Requires TEA to study geographic variations in resource costs and costs of education including transportation (1.019)



INCREASES FUNDING AND EQUITY

- **Amends statute from previous year to current year property values (1.040), with funding redirected to the basic allotment**
 - ▶ This has the effect of funding all districts in Tier One the same based on formulas regardless of property wealth
- **Gifted & Talented (GT) funding is no longer provided based on identification, and instead all districts receive this funding through the basic allotment (2.017, 2.018)**
 - ▶ Requires each district to adopt a policy regarding use of funds for GT programs & certify compliance (2.017, 2.018)
 - ▶ Requires Commissioner to reduce funds to any district in non-compliance by an amount equal to the prior GT allotment (2.018)
- **Transportation Allotment is now given to all districts (including recapture ISDs)**
 - ▶ Funding is provided as a per-mile reimbursement rather than a linear density calculation as well as funding for transit to colleges for dual credit and workplaces for work-based learning (1.033)
- **The Available School Fund now equally funds all schools (including non-recapture ISDs) (1.041)**
- **Establishes the Fast Growth Schools Allotment for districts in the top 25% of enrollment growth at a 0.04 weight per ADA (1.031)**
- **Increases the cap allowed annually for New Instructional Facility Allotment (NIFA) from \$25M to \$100M (1.033)**
- **1992/93 Hold Harmless provision is phased out 20% per year over five years (Equalized Wealth Transition Grants) (1.043)**
- **Amends statute so that disaster aid, when appropriated, applies equally to recapture and non-recapture districts. (Recapture offset is no longer a funding source) (1.015, 1.042, 4.001)**
 - ▶ Disaster aid for facility repair now includes vehicles and computer equipment (1.042)
- **The Small District Allotment factor increase for sub-300 square mile districts was accelerated to take effect immediately (1.024; 4.001)**
- **A new Small District Allotment factor for districts which are the only district in a county and have fewer than 300 students is created (1.024)**
- **The Small/Mid-Sized District Allotment has been amended so that it doesn't multiply other student factors, except for special education (1.024; 1.025; 4.001)**
- **Charter schools are now funded on a weighted average funding amount for the Small and Mid-sized Allotment, as opposed to a simple state average (1.002)**
- **Recapture calculations have been amended to ensure no district has funds recaptured below their formula entitlement (1.041, 1.018, 1.049)**
 - ▶ Early Agreement Credit was repealed (4.001), with funding redirected to the basic allotment



INCREASES FUNDING AND EQUITY

- Staffing Allotment has been repealed (4.001), with funding redirected to the basic allotment
- A transition provision to the new HB 3 formulas ensures that all districts get at least 3% more funding than they would have under prior law, or for those districts who had been funded way above average, they remain funded at least at 128% of state average per ADA (1.043)



REDUCES AND REFORMS PROPERTY TAXES AND RECAPTURE

- Converts first two Copper Pennies to Golden Pennies, meaning there will be eight Golden Pennies and nine Copper Pennies, and “re-orders” pennies so that Tier One is used first, then Golden Pennies, then Copper Pennies (1.009; 1.038)
- Shifts one penny of taxation below the Tax Ratification Elections (TRE) limit, allowing boards to access up to five Golden Pennies without a TRE (1.063)
 - ▶ Requires unanimous board consent for M&O tax hike in 2021 (1.063)
- Sets the Golden Penny yield at 160% of the basic allotment, with a floor of the 96th percentile of wealth, as opposed to Austin ISD’s wealth level (1.038)
- Increases the Copper Penny yield by almost half, and as a result, cuts the number of Copper Pennies districts already accessed by roughly half (1.038)
- Compresses Tier One tax rates, multiplying by a factor of 93% (1.040; 1.063; 5.002)
Tax Year 2019
 - ▶ Requires home mortgage escrow accounts to be adjusted to account for the lower tax rate (1.064)
- Limits the amount of increased property tax collections to 2.5% per year, by automatically lowering M&O Tier One tax rates statewide for all districts given statewide property value growth above 2.5%, and locally for each district given local value growth above 2.5% (Article 1A) Tax Year 2020
 - ▶ No district Tier One M&O can be compressed more than 10% lower than the highest Tier One M&O rate (1A.007) Tax Year 2020
 - ▶ Requires LBB to study this 2.5% property tax growth limitation (1A.007) Tax Year 2020
 - ▶ Sets up a mechanism to allow higher rates of local taxation in the event the basic allotment is reduced (1A.007) Tax Year 2020
- Prohibits districts from raising Maintenance and Operation (M&O) taxes for tax year 2019 unless already planning to do so by January 1, 2019 or are under \$0.93 for Tier One. (1.008)
- Requires TREs to be conducted on uniform election dates (1.063)



REDUCES AND REFORMS PROPERTY TAXES AND RECAPTURE

- Requires Boards of Trustees to conduct an efficiency audit prior to going out for a TRE (1.001) January 1, 2020
- Adds ballot language stating “THIS IS A PROPERTY TAX INCREASE” for bond elections (1.008)
- Reinforces prior law so that M&O / Interest & Sinking (I&S) tax swaps are illegal (1.006; 1.007)
- Reimburses districts the interest included on a refund for FY 2018 and FY 2019 (1.042)
- Creates Tax Reduction & Excellence in Education Fund for certain dedicated state funding sources, including Wayfair sales tax collections (1.010) January 1, 2020
- Eliminates M&O hold harmless for the 2015 homestead exemption (4.001)



OTHER CHANGES

- Requires the Commissioner to enter into an MOU with an institution of higher education to conduct a study on the state assessment to determine whether reading passages are at the appropriate reading level (2.036) By December 1, 2019
- Applies whistleblower protections at charter schools (2.004)
- Standardizes allotment spending requirements for Special Education, Compensatory Education, Bilingual, CTE, and CCMR Outcomes at 55% of funding from the allotment, with certain reporting requirements established (1.025, 1.028, 1.030, 1.031)
- Requires tracking of pregnancy as a reason for drop-out (1.017)
- Commissioner may modify entitlement amounts and/or dates for tax rates with Legislative Budget Board and the Governor’s Office approval to implement HB 3 (1.019)
- The Commissioner continues to have waiver authority when necessary to support districts with respect to requirements to maintain minimum minutes of instruction (1.013)
- Clarifies Commissioner data sharing authority (2.002)
- Makes a number of conforming changes (Article 3, and list below), including moving chapter 41 & 42 to 48 and 49, and certain specific changes supporting transfer students, annexation/consolidation, and Texas School for the Blind and Visually Impaired/Texas School for the Deaf (TSBVI/TSD) (1.003, 1.005, 1.022, 1.035, 1.050 - 1.056, 1A.001, 1A.002)
▶ (1.011, 1.012, 1.016, 1.020, 1.023, 1.032, 1.037, 1.039, 1.044, 1.045, 1.047, 1.048, 1.057 - 1.060, 1.065)