

A Review of the 86th Legislature

July 2019



Agenda

- Overview of the 86th Legislative Session
- 2020-21 State Budget
- School Finance
- Property Tax Relief
- Bonds & Ballots
- Teacher Retirement System
- Accountability & Assessment
- School Safety & Mental Health
- Other Bills of Interest
- What's Next?

Overview of the 86th Legislative Session

	Bills Tracked by MCA	Bills Passed	Percent Passed
86th Legislative Session	1,093	131	12.0%
85th Legislative Session	1,032	117	11.3%

- 15+ House Public Education Committee meetings
- 15+ Senate Education Committee meetings
- Dozens of meetings in other committees
- Over 400 tracked bills heard in committee






Major Legislation Recap

Bill	Passage
State Budget (HB 1 by Zerwas & SB 500 by Nelson)	✓
School Finance Reform (HB 3 by Huberty)	✓
\$5,000 Teacher Pay Raise (SB 3 by Nelson)	✗
Teacher Pension Fix (SB 12 by Huffman)	✓
Property Tax Reform (SB 2 by Bettencourt)	✓
Homestead Exemption Increase (SB 5 by Bettencourt)	✗
Sales Tax Swap (HJR 3 by Huberty)	✗
Severance Tax Swap (SJR 77 by Taylor)	✗

Major Legislation Recap: **Bonds & Ballots**

Bill	Passage
Bond Propositions Grouped By Type (SB 30 by Birdwell)	✓
Judicial Review of Ballot Language (SB 323 by Huffman)	✗
Use of Unspent Bond Proceeds (HB 440 by Murphy)	✓
Language Reqs. For Ballot / Voter Info. Document (HB 477 by Murphy)	✓

Major Legislation Recap: **Accountability**

Bill	Passage
HB 22 Clean-up (HB 3904 by Huberty)	
Assessment Reform (HB 3906 by Huberty)	
STAAR Readability & Accountability Pause (HB 4242 by Bernal)	 Readability study included in HB 3
STAAR Testing Contingent On Student Performance (HB 2983 by Huberty)	
Accountability Fixes for Special Needs Campuses (HB 3452 by Dutton & HB 2797 by Hinojosa)	

Major Legislation Recap: **School Safety**

Bill	Passage
School Safety Omnibus (SB 11 by Taylor)	✓
Mental Health Consortium (SB 10 by Nelson)	(Incl. in SB 11)
Mental Health Training (HB 18 by Price)	✓
Regional Mental Health Resource (HB 19 by Price)	✓
Easing School Marshals' Weapon Carry Restrictions (SB 243 by Creighton & SB 406 by Birdwell)	✗
Removing School Marshal Cap (HB 1387 by Creighton)	✓
Traumatic Injury Response (HB 496 by Gervin-Hawkins)	✓

Major Legislation Recap: **Anti-Lobbying**

Bill	Passage
Lobby Ban for Former Elected Officials (SB 13 by Creighton)	
Ban Local Gov't From Joining Advocacy Groups (SB 29 by Hall)	
Report Lobby Expenditures (HB 1495 by Toth)	

HB 3: Biennial Fiscal Impact

	2020-21 HB 3 Impact
Tax Compression	\$5.0 Billion
New Revenues to School Districts	\$6.5 Billion
Total Cost Above Current Law	\$11.5 Billion

Source: Legislative Budget Board

HB 3: MCA Model Summary

Percent Economically Disadvantaged	Percent Change of FSP Revenues
Under 10%	4.34%
10% to under 30%	4.59%
30% to under 50%	5.66%
50% to under 70%	8.29%
70% to under 90%	7.89%
90% and over	9.49%
Total	7.12%

HB 3: MCA Model Summary

Wealth per WADA Decile	Percent Change of FSP Revenues
0 – 10 th Percentile	8.95%
10 th – 20 th Percentile	8.15%
20 th – 30 th Percentile	10.60%
30 th – 40 th Percentile	8.88%
40 th – 50 th Percentile	8.26%
50 th – 60 th Percentile	6.85%
60 th – 70 th Percentile	6.17%
70 th – 80 th Percentile	4.79%
80 th – 90 th Percentile	5.00%
90 th – 100 th Percentile	9.27%
Total	7.12%

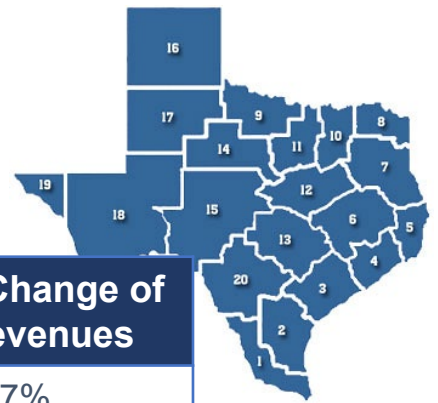
HB 3: MCA Model Summary

Enrollment Size	Percent Change of FSP Revenues
50,000 and over	6.40%
25,000 to 49,999	6.41%
10,000 to 24,999	6.31%
5,000 to 9,999	7.75%
3,000 to 4,999	9.17%
1,600 to 2,999	8.12%
1,000 to 1,599	9.28%
500 to 999	10.06%
Under 500	10.95%
Total	7.12%

HB 3: MCA Model Summary

Type	Percent Change of FSP Revenues
Major Urban	7.48%
Major Suburban	5.53%
Other Central City	6.82%
Other Central City Suburban	7.58%
Independent Town	10.21%
Non-Metro: Fast Growing	7.65%
Non-Metro: Stable	9.44%
Rural	10.60%
Total	7.12%

HB 3: MCA Model Summary



Region	Percent Change of FSP Revenues
1	7.91%
2	6.84%
3	11.03%
4	7.08%
5	11.76%
6	6.52%
7	12.74%
8	13.77%
9	11.81%
10	4.61%

Region	Percent Change of FSP Revenues
11	4.57%
12	9.60%
13	7.78%
14	10.06%
15	9.46%
16	10.68%
17	7.62%
18	5.39%
19	7.98%
20	6.92%

The background of the slide is a blue-tinted photograph of the Texas State Capitol building. The large, ornate dome is the central focus on the left side. To the right, two flags are visible: the United States flag and the Texas state flag. The text 'State Budget' is centered in white, with a short blue horizontal line positioned directly below the word 'Budget'.

State Budget

State Budget

ALL FUNDS						
(IN MILLIONS)						
FUNCTION	ESTIMATED/BUDGETED 2018–19 (1)	HOUSE 2020–21	SENATE 2020–21	CONFERENCE COMMITTEE 2020–21	COMPARISON OF CCR HB1 TO ESTIMATED/BUDGETED	
					\$ CHANGE	% CHANGE
Article I – General Government	\$7,503.3	\$7,484.7	\$6,971.9	\$7,430.0	(\$73.3)	(1.0%)
Article II – Health and Human Services	\$83,584.2	\$87,634.6	\$84,655.8	\$84,368.7	\$784.5	0.9%
Article III – Agencies of Education (3)	\$81,229.0	\$91,567.1	\$92,151.1	\$94,525.9	\$13,296.8	16.4%
<i>Public Education (3)</i>	\$60,492.7	\$70,019.6	\$70,595.0	\$72,673.1	\$12,180.3	20.1%
<i>Higher Education</i>	\$20,736.3	\$21,547.5	\$21,556.1	\$21,852.8	\$1,116.5	5.4%
Article IV – Judiciary	\$857.1	\$955.0	\$874.0	\$892.3	\$35.3	4.1%
Article V – Public Safety and Criminal Justice	\$18,378.5	\$15,884.6	\$15,998.8	\$16,040.3	(\$2,338.3)	(12.7%)
Article VI – Natural Resources	\$6,566.0	\$9,115.0	\$8,928.0	\$9,013.0	\$2,447.1	37.3%
Article VII – Business and Economic Development	\$36,587.5	\$37,406.3	\$37,063.9	\$37,057.1	\$469.6	1.3%
Article VIII – Regulatory	\$671.7	\$644.5	\$651.4	\$647.4	(\$24.3)	(3.6%)
Article IX – General Provisions (3)	\$0.0	\$0.0	\$0.0	\$285.3	\$285.3	N/A
Article X – Legislature	\$392.8	\$392.0	\$403.5	\$392.1	(\$0.8)	(0.2%)
Total, All Functions	\$235,770.2	\$251,083.6	\$247,698.4	\$250,652.1	\$14,882.0	6.3%
Amount of Tax Relief					(\$4,980.0)	
Growth Excluding Tax Relief					\$9,902.00	4.2%

NOTES:

- (1) Amounts estimated or budgeted for the 2018–19 biennium include supplemental spending adjustments in Article II for Medicaid and foster care, but do not include adjustments from Senate Bill 500.
- (2) Supplemental bill totals, less anticipated supplemental spending adjustments included in the base.
- (3) Contingent funding of \$11.5 billion for House Bill 3 has been moved from Article IX to Article III, Public Education, for the purposes of this comparison.
- (4) Excludes Interagency Contracts.

SOURCE: Legislative Budget Board.

State Budget: Article III

ARTICLE III – EDUCATION, BY METHOD OF FINANCE				
(IN MILLIONS)				
METHOD OF FINANCE	ESTIMATED/BUDGETED 2018–19	CCR HB1 2020–21	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$56,458.4	\$66,028.2	\$9,569.9	17.0%
General Revenue–Dedicated Funds	\$2,822.5	\$2,720.0	(\$102.5)	(3.6%)
Federal Funds	\$10,802.5	\$11,020.6	\$218.1	2.0%
Other Funds	\$11,145.7	\$14,757.1	\$3,611.4	32.4%
Total, All Methods of Finance	\$81,229.0	\$94,525.9	\$13,296.8	16.4%
Amount of Tax Relief			(\$4,980.0)	
Growth Excluding Property Tax Relief			\$8,316.8	10.2%

2020-21 State Budget Highlights: **Public Ed.**

HB 1 by Zerwas

HB 3
\$11.5 B

- Includes **\$6.5 billion** for increased school funding and **\$5.0 billion** for property tax relief above current law.

TRS-Care
\$230.8 M

- Additional funding above statutorily required amounts to maintain 2019 premiums and benefits.

NIFA
\$200 M

- Increased appropriations cap as part of HB 3. Lawmakers also appropriated \$100 million each year.

SB 11
\$100.0 M

- New funding for school safety allotment (\$9.72 ADA, estimated).

Tax Reduction and Excellence in Education Fund

HB 3 creates a new fund dedicated to public education & property tax relief that will receive revenues from two sources:

- Around **\$300 million** per year in new sales taxes collected from online marketplace platforms (i.e. Amazon, Etsy, Ebay, etc.)
- Up to **\$300 million** per year from increased distributions from GLO's portion of the Permanent School Fund. Will require voter approval of HJR 151.
- **Does not** currently include any severance tax collections diverted from the rainy day fund.



Supplemental Appropriation

SB 500 by Nelson

(In Millions)

Article	General Revenue	All Funds
General Government	(\$75.1)	\$267.9
Health & Human Services	\$2,228.2	\$4,957.1
Education	(\$652.8)	\$2,145.8
Judiciary	\$0.9	\$0.9
Public Safety and Criminal Justice	\$225.8	\$479.4
Natural Resources	(\$45.2)	\$1,862.0
Regulatory & Economic Development	\$6.1	\$149.0
TOTAL	\$1,687.9	\$9,862.1

Supplemental Appropriation Highlights: **Public Ed.**

SB 500 by Nelson

Hurricane Harvey
\$1,442.5 M

- Includes **\$806.5 million in ESF** for Harvey-related costs that occurred in the 2018-19 biennium and **\$636.0 million in ESF** for ongoing costs in the 2020-21 biennium due to reduced property values.

Teacher Retirement
\$1,113.0 M

- Includes **\$589.0 million in ESF** to provide a 13th check of a max of \$2,000 and **\$524.0 million in ESF** to cover the increased state contributions in FY 2020 & 2021.

FSP Adjustment
(\$903.3 M)

- Projections indicate a 2018–19 biennial surplus of **GR** attributable to lower than estimated student enrollment and prior year adjustments, and higher than estimated non-GR revenue.

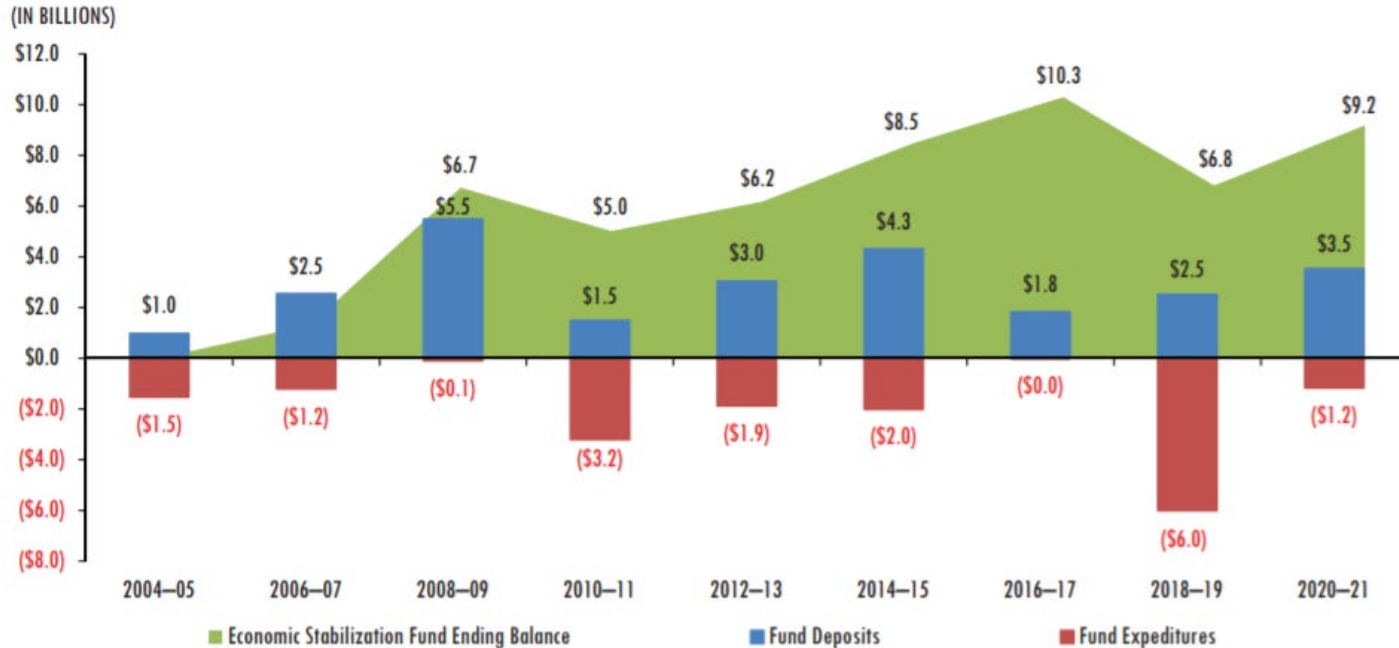
IDEA Maintenance
\$219.6 M

- Appropriation out of **GR** to ensure state compliance with federal special education funding requirements, including **\$50.5 million** to reimburse school districts.

School Safety
\$110.9 M

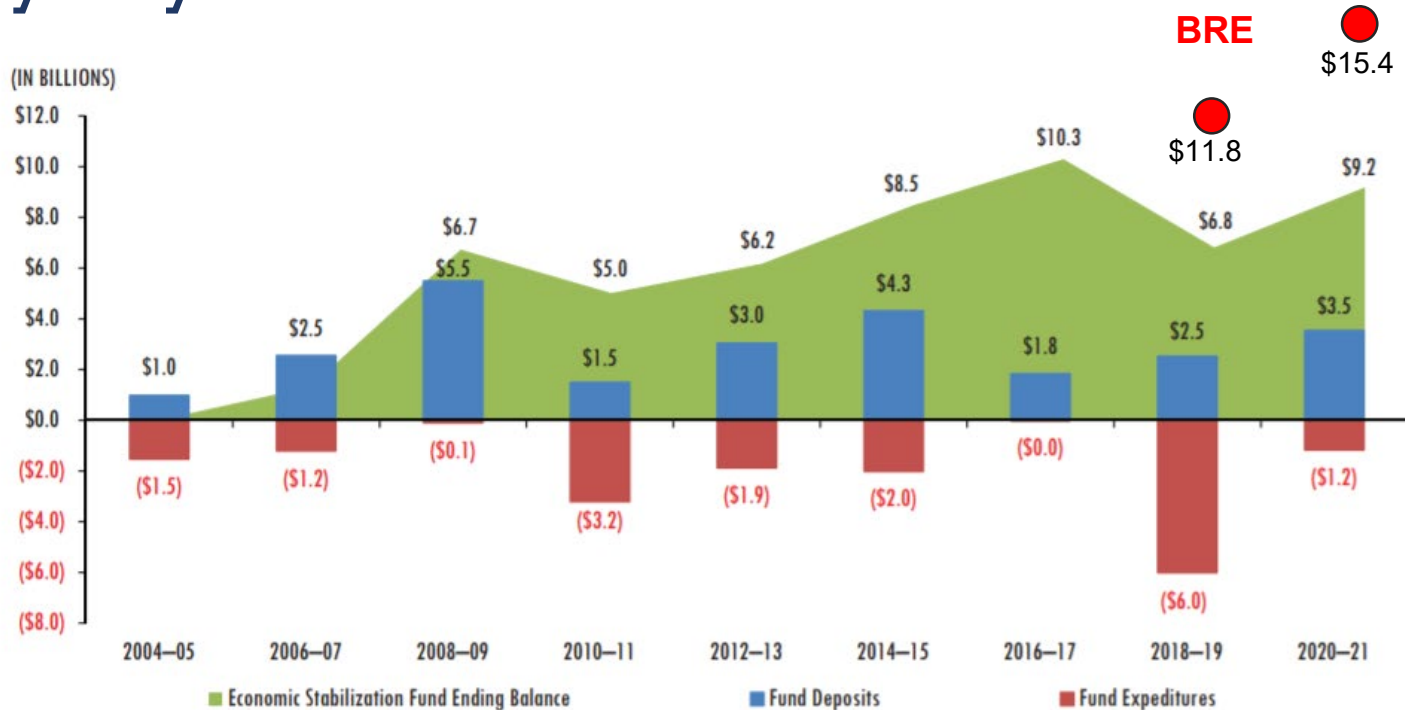
- Includes **\$100.0 M in ESF** to TEA to provide funding for school safety infrastructure enhancements and **\$10.9** for a grant to Sante Fe ISD.

Rainy Day Fund



NOTE: Amounts for fiscal years 2019 to 2021 are projections based on the Comptroller of Public Accounts' 2019 Biennial Revenue Estimate and adjusted for Economic Stabilization Fund appropriations made in the Supplemental Appropriations Bill.
 SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

Rainy Day Fund



NOTE: Amounts for fiscal years 2019 to 2021 are projections based on the Comptroller of Public Accounts' 2019 Biennial Revenue Estimate and adjusted for Economic Stabilization Fund appropriations made in the Supplemental Appropriations Bill.
 SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

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School Finance

“We will do what no one thought possible: **We will finally fix school finance in Texas.** I'm proud to tell you today we are announcing that we have done exactly that.”

- Gov. Greg Abbott



School Finance: Tier 1

TEA's "HB 3 in 30" video on the Small and Mid-Sized Adjustment is scheduled to be released:
August 22nd

	House Bill 3
Basic Allotment	\$6,160
Cost of Education Index	Repealed
Small and Mid-Sized Adjustment	<ul style="list-style-type: none">• Moves adjustment to stand-alone allotment.• Includes allotment into special education allotment calculation.• No separate formula based on ISDs square mileage.

School Finance: **Tier 1**

	House Bill 3
Teacher Compensation	<p>When the basic allotment increases, districts must dedicate 30% of per student revenue gain compared to the prior year to compensation increases for non-administrative staff.</p> <ul style="list-style-type: none">• 75% of that amount must be used for compensation increases to teachers, librarians, counselors, and nurses, prioritizing differentiated compensation for classroom teachers with more than 5 years of experience;• The remaining 25% may be used as determined by the district for compensation increases for full-time employees.

Teacher Compensation (cont.)

What revenues should be included in the calculation for “funding under this chapter?”

- TEA has specifically stated that the formula transition grants, distributions from the ASF, and financial hardship grants (TEC Sec. 42.451) should count.
- However, there are many other examples of funding sources that are not sustainable sources of revenue, or are reimbursements for specific costs.
- Further rulemaking from TEA is expected on this topic.

Teacher Compensation (cont.)

If a district underestimates its gain related to compensation increases what remedies are available? Will there be any consequences to these districts?

- TEA has indicated that if a “good faith effort” has been made, any deficiencies could be made up by an increase in expenditures the following year.
- TEA cited its enforcement of existing state spending requirements as a precedent for remedying any deficiencies in meeting the compensation increase requirement.
- TEA stated that “districts could include language in employee contracts that would allow for additional compensation increases pending the availability of newer estimates.”

School Finance: Tier 1

TEA's "HB 3 in 30" video on this topic is scheduled to be released:

October 3rd

	House Bill 3
Teacher Incentive Allotment	<ul style="list-style-type: none">• Allows districts to designate teachers as master, exemplary, or recognized based on locally developed systems.• Maxes out at \$32,000 per teacher (i.e. master teacher at Tier 1 campus).• Bill specifies that teachers that are National Board Certified may be designated as "recognized" (\$3,000-\$9,000).• 90% of funds must be used for the compensation of teachers at the campus where the teacher earning allotment is employed.

Teacher Incentive Allotment

TEA's "HB 3 in 30" video on this topic is scheduled to be released:
October 3rd

		Non Eco-Dis	Tier 5	Tier 4	Tier 3	Tier 2	Tier 1
Recognized	Non-rural	\$ 3,000	\$ 3,750	\$ 4,500	\$ 6,000	\$ 7,500	\$ 9,000
	Rural	\$ 6,000	\$ 6,750	\$ 7,500	\$ 9,000	\$ 9,000	\$ 9,000
Exemplary	Non-rural	\$ 6,000	\$ 7,500	\$ 9,000	\$ 12,000	\$ 15,000	\$ 18,000
	Rural	\$ 12,000	\$ 13,500	\$ 15,000	\$ 18,000	\$ 18,000	\$ 18,000
Master	Non-rural	\$ 12,000	\$ 14,500	\$ 17,000	\$ 22,000	\$ 27,500	\$ 32,000
	Rural	\$ 22,000	\$ 24,500	\$ 27,000	\$ 32,000	\$ 32,000	\$ 32,000

Source: Texas Education Agency

School Finance: Tier 1

TEA's "HB 3 in 30" video on this topic is scheduled to be released:

October 3rd

	House Bill 3
Teacher Incentive Allotment (cont.)	<ul style="list-style-type: none">• Commissioner will set standards for local designation systems. Cannot require the use of state assessments.• TEA has stated that it is "committed to a plan that ensures those districts who are eligible, approved and already provide related compensation to teachers in 2019-2020 will receive funding for 2019-2020."• TEA has also promised a TAA letter to come in September.

“All of our veteran teachers are going to see a total compensation package of about **\$4,000.**”

-Lt. Gov. Dan Patrick



School Finance: Tier 1

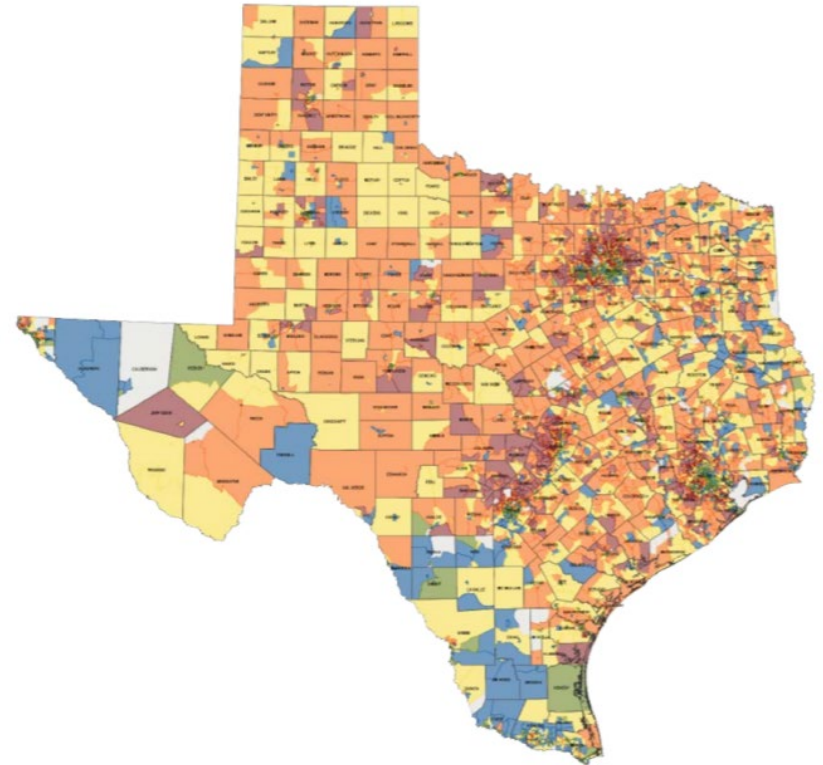
TEA's "HB 3 in 30" video on this topic is
scheduled to be released:
July 11th

	House Bill 3
Compensatory Education	<ul style="list-style-type: none">• Replaces comp. ed. allotment with one based on the census block group in which the student resides, with weights ranging from 0.225 to 0.275.• Requires Commissioner to establish an advisory committee to help determine appropriate weights.• HB 3 specifies that the following demographic variables will be used to determine which weight is assigned to the specific block group:<ul style="list-style-type: none">○ Median household income,○ Average educational attainment of the population,○ Percentage of single-parent households,○ Rate of homeownership, and○ Other criteria as determined by the Commissioner.

School Finance: **Compensatory Education**

Earlier this week, TEA released:

- A detailed methodology outlining how they assigned funding weights to Census block groups.
- A complete list of Census block groups with their comp. ed. funding tier, along with Census estimates of the variables required in HB 3.
- A list of all the campuses in the state with the corresponding Census block group.



Compensatory Education Methodology

- TEA relied on methodology developed primarily by San Antonio ISD.
- TEA assigned tiers based on data from the 2016 ACS. The 2017 ACS data was released Dec. 2018. TEA has not announced how regularly it will update these assignments.
- TEA gave **equal weighting** to the four demographic variables listed in HB 3.
- Each SES tier contains 20 percent of the state's school-age population (around 1.4 million children).

School Finance: Tier 1

TEA's "HB 3 in 30" video on these topics is scheduled to be released:
September 5th

	House Bill 3
Special Education	Increases mainstream special education weight to 1.15 .
Dyslexia	Creates new allotment for dyslexic students with a weight of 0.1 , and establishes certain criteria for the types of services that must be provided to be eligible for the allotment.

School Finance: Tier 1

TEA's "HB 3 in 30" video on the Bilingual Allotment is scheduled to be released:
September 26th

	House Bill 3
Career and Technical Education	<ul style="list-style-type: none">• Expands eligibility for CTE funding to grade 7.• Creates additional advanced CTE allotment for students enrolled at a P-TECH or New Tech Network campus.• Adds Technology Applications to funding weight – including all computer science
Bilingual Education	<p>Creates additional dual language weights of 0.15 for ELLs and 0.05 for non-ELLs.</p> <p>Current bilingual weight of 0.1 is maintained for program other than dual-language.</p>

School Finance: Tier 1

TEA's "HB 3 in 30" video on this topic is
scheduled to be released:
July 18th

	House Bill 3
Pre-K	<ul style="list-style-type: none">• Full-day pre-K services must be provided to eligible 4 year-olds, districts may provide services to those under 4.• No direct funding for additional Pre-K ADA.• Creates new early education allotment with weight of 0.1 for each K-3 student that is educationally disadvantaged or LEP and enrolled in bilingual program. Students in both categories count twice.• Funds must be spent on improving reading and math performance in Pre-K through 3rd grade.• Before a district builds or leases a facility for Pre-K, it must solicit proposals for partnerships with community-based childcare providers.• Districts may receive up to two 3-year exemption from the Commissioner, if certain conditions are met (ex: consider partnership proposals).

School Finance: Tier 1

	House Bill 3
Indirect Cost Allotments	<p>At least 55% of the funds allocated for each of the following allotments must be used for the services for which the money is allotted:</p> <ul style="list-style-type: none">• Special education,• Bilingual education,• Compensatory education,• Career and technology education,• New CCMR outcomes bonus. <p>Some special program spending requirements have been eased, particularly for comp. ed.</p> <p>Districts get one-year reprieve from comp. ed. and bilingual spending requirements.</p>

School Finance: Tier 1

TEA's "HB 3 in 30" video on GT is scheduled to be released:

August 29th

	House Bill 3
Gifted and Talented Education	<ul style="list-style-type: none">• Repeals allotment.• Districts must certify that they have a GT program that meets certain requirements. Commissioner may reduce entitlement for non-compliant districts.• Districts will need to reserve fund for a GT program that meets state standards.
High School Allotment	Repealed.

School Finance: Tier 1

TEA's "HB 3 in 30" video on the Fast Growth Allotment is scheduled to be released:
August 1st

	House Bill 3
Other New Allotments	<ul style="list-style-type: none">• Creates a new Fast Growth Allotment with weight of 0.04 for districts in top quartile of growth rates over the preceding three years.• Creates a new Mentor Program Allotment.• Creates a Dropout Recovery School and Residential Placement Facility Allotment.
Reimbursements	<ul style="list-style-type: none">• Creates a reimbursement to districts to offer one free college & one free industry entrance exam per student before they graduate

School Finance: Tier 1

TEA's "HB 3 in 30" video on transportation funding is scheduled to be released:
November 7th

	House Bill 3
NIFA	<p>Increases cap on appropriations from \$26 million to \$100 million per school year. Entitlement remains at \$1,000 per ADA.</p> <p>HB 1 appropriates \$100 million each year of the biennium.</p>
Transportation	<p>Uniform rate per mile per student as set by appropriation (\$1.00 per GAA for regular eligible ADA). Expanded to include homeless students.</p> <p>Expands CTE reimbursement to include transportation to work-based learning.</p> <p>Districts are also entitled to a per-mile reimbursement for the cost to transport a dual credit student to another campus in the district.</p>

School Finance: Tier 1

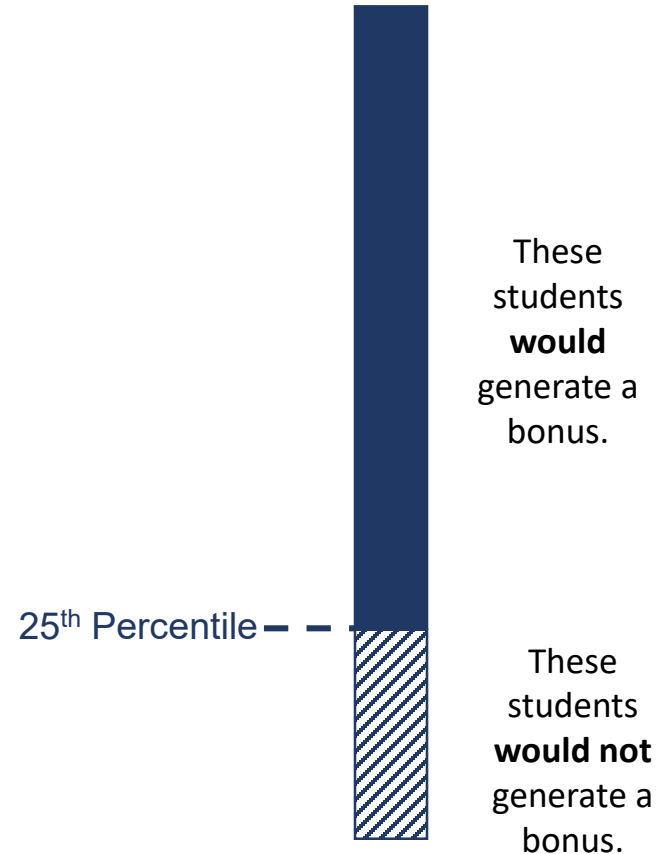
TEA's "HB 3 in 30" video on this topic is scheduled to be released:
August 8th

	House Bill 3
Performance-Based Bonuses	<p>Creates a new outcomes bonus based on the percent of graduates that are college, career or military ready.</p> <p>Districts would receive a bonus if their performance exceeded the 25th percentile in CCMR rates statewide for the following student sub-populations:</p> <ul style="list-style-type: none">• educationally disadvantaged,• non-educationally disadvantaged, and• special education. <p>The bill does not include a bonus based on 3rd Grade reading performance. It instead creates reading standards and requires teachers and principals to attend literacy academies.</p>

Check **TEA's State Aid Template** for their estimate of the number of eligible grads for your district.

Methodology for CCMR Performance-Based Bonus

- Rank order all districts based on the percent of grads demonstrating CCMR. Create three separate rankings for the three student subgroups listed in the bill.
- Identify the district at the 25th percentile in each ranking, and use that rate as the threshold for generating an allotment.
- Districts get a per-student allotment for each of their students that exceed that threshold:
\$5,000 for educationally disadvantaged, \$3,000 for non-educationally disadvantaged, and \$2,000 for special education students.
- TEA has stated that **every** special education student that graduates CCMR would receive an allotment.



School Finance: Tier 1

TEA's "HB 3 in 30" video on this topic is scheduled to be released:

October 10th

	House Bill 3
Extended Year Incentive	<ul style="list-style-type: none">• Half-day ADA funding for up to an additional 30 days of instruction (i.e. days 181 to 210) for grades Pre-K through 5th.• Not effective until 2020-21.• TEA has announced these additional instructional days are not subject to compulsory attendance.

School Finance: Tier 1/Tier 2

TEA's "HB 3 in 30" video on this topic is
scheduled to be released:
July 25th

	House Bill 3
Recapture	<p>Redefines recapture to be local share in excess of entitlement at each tier.</p> <p>Districts can pay all recapture in August.</p> <p>TEA estimates that recapture for school year 2019-20 is reduced from \$3.55 billion to \$1.95 billion (45%)</p>

School Finance: Tier 1/Tier 2

TEA's "HB 3 in 30" video on this topic is
scheduled to be released:
August 1st

House Bill 3	
Current/Prior Year Values	Moves to current year to calculate local share of FSP, as well as EDA/IFA.

School Finance: **Tier 2**

	House Bill 3
Golden Pennies	Max. number of pennies = 8 Golden penny yield = Greater of: <ul style="list-style-type: none">• Yield per penny per WADA for the district at the 96th percentile of wealth per WADA, or• \$98.56 (1.6% of the Basic Allotment)
Copper Pennies	Max. number of pennies = 9 Copper penny yield = \$49.28 (0.8% of the Basic Allotment)

School Finance: **Additional Funding**

	House Bill 3
Formula Transition Grant	<ul style="list-style-type: none">• Establishes a revenue target, based on the lesser of 103% of prior law revenue per ADA in 2019-20, or 128% of the state average of prior law revenue per ADA in 2019-20.• In even numbered years, use the 2019-20 prior law revenue as the target, and in odd numbered years, use the 2019-20 or 2020-21 revenue, whichever is greater.• Formula transition grant expires at the end of the 2023-24 school year.

School Finance: **Additional Funding**

	House Bill 3
Equalized Wealth Transition Grant	<p>Annual allotment based on the benefit from the Chapter 41 1992-93 revenue level hold harmless that the district received in the 2018-19 school year</p> <p>Reduced by 20 percent each year until fully phased out by the end of the 2023-24 school year.</p>



Property Tax Relief

Property Tax Relief for 2019-20

	House Bill 3
State Compression Percentage	93% or a lower percentage set by appropriation applied to the first dollar of the 2018-19 tax rate
Copper Penny Compression	Copper pennies are compressed when their guaranteed yield increases (i.e. when the basic allotment goes up). Compressed by ratio of old yield to new yield.

Example: ISD at \$1.17 in 2018-19

\$1.17 in 2018-19 =

\$1.00 in Tier 1

\$0.06 in Tier 2 Level 1 (Golden Pennies)

\$0.11 in Tier 2 Level 2 (Copper Pennies)

Example: ISD at \$1.17 in 2018-19

\$1.17 in 2018-19 =

~~\$1.00 in Tier 1~~

\$0.06 in Tier 2 Level 1 (Golden Pennies)

\$0.11 in Tier 2 Level 2 (Copper Pennies)

2019-20 =

\$0.93 in Tier 1

Example: ISD at \$1.17 in 2018-19

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Example: ISD at \$1.17 in 2018-19

\$1.17 in 2018-19 =

~~\$1.00~~ in Tier 1

~~\$0.06~~ in Tier 2 Level 1 (Golden Pennies)

~~\$0.11~~ in Tier 2 Level 2 (Copper Pennies)

\$1.06835 in 2019-20 =

\$0.93 in Tier 1

\$0.06 in Tier 2 Level 1

\$0.02 from Tier 2 Level 2 shift to Golden Pennies

\$0.05835 results from 9 remaining Copper pennies after compression (31.95/49.28)

Example: ISD at \$1.17 in 2018-19

- TEA guidance regarding rounding of compressed tax rate **may be changing from what was released on July 3rd.**
- We expect the agency to **round down** the thousandths place of districts' compressed tax rates (i.e. \$1.17 in 2018-19 becomes \$1.0683 in 2019-20 rather than \$1.0684).
- For a \$1.17 district in 2018-19, a tax rate of \$1.0684 would be above the voter-approval rate as defined in HB 3. **This is prohibited under HB 3 and could expose the district to objections from taxpayers.**

Property Tax Relief for 2020-21 and beyond

	House Bill 3
State Compression Percentage	<p>State compression percentage is reduced after 2019-20 based on the Comptroller's projections of state-wide property value growth.</p> <p>This would appear to result in a tier 1 compressed rate for most districts of about \$0.9165 in 2020-21 (CPA forecasts 4.01 percent annual growth).</p>
District-Level Compression	<p>Beginning in 2020-21, the bill requires additional compression of the tier 1 M&O rate if a district's property values exceeds a 2.5 percent annual growth rate.</p> <p>There is no inflation adjustment as in previous versions of the bill.</p> <p>The "circuit-breaker" is reduced to 10 percent.</p>

Property Tax Relief: **District-Level Compression**

$$\text{MCR} = (1.025 ((\text{PYDPV} + \text{E}) \times \text{PYMCR})) / \text{DPV}$$

Property Tax Relief: **District-Level Compression**

$$\mathbf{MCR} = (1.025 ((\mathbf{PYDPV} + \mathbf{E}) \times \mathbf{PYMCR})) / \mathbf{DPV}$$

MCR = Maximum Compressed Rate

Property Tax Relief: **District-Level Compression**

$$\text{MCR} = (1.025 ((\text{PYDPV} + \text{E}) \times \text{PYMCR})) / \text{DPV}$$

- **Sec. 48.2552** acts as a “circuit-breaker” for the MCR.
- A district’s MCR cannot fall below 90 percent of any other district’s MCR.
- HB 3 **requires** any “circuit-breaker” savings to be used for state-wide tax compression.

Property Tax Relief: **District-Level Compression**

$$\text{MCR} = (1.025 ((\text{PYDPV} + \text{E}) \times \text{PYMCR})) / \text{DPV}$$

PYMCR = Prior Year's Maximum Compressed Rate

Property Tax Relief: **District-Level Compression**

$$\text{MCR} = (1.025 ((\text{PYDPV} + \text{E}) \times \text{PYMCR})) / \text{DPV}$$

- HB 3 sets this at \$1.00 for 2020-21...even though the state compression percentage is .93.
- As a result, ISDs have to have annual property value growth of around **12 percent** for this MCR to be less than state compression percentage.

Property Tax Relief: **District-Level Compression**

$$\text{MCR} = (1.025 ((\text{PYDPV} + \text{E}) \times \text{PYMCR})) / \text{DPV}$$

DPV = Current Year District Property Value

Property Tax Relief: **District-Level Compression**

$$\text{MCR} = (1.025 ((\text{PYDPV} + \text{E}) \times \text{PYMCR})) / \text{DPV}$$

- Unclear how TEA will know current year DPV in time to set tax rates. Statute specifically references values from the Comptroller's Property Value Study.
- Final 2020 PVS values won't be certified until Aug. 2021.
- HB 3 gives commissioner broad power to “modify dates” relating to districts' adoption of tax rates.

Property Tax Relief: **District-Level Compression**

$$\text{MCR} = (1.025 ((\text{PYDPV} + \text{E}) \times \text{PYMCR})) / \text{DPV}$$

PYDPV + E = Prior Year District Property Value
+
Property Value That Is **Excluded** In The Prior Year
But Will Be Taxable In The Current Year (313 & 311).

Property Tax Relief

Final **MCR** is lesser of:

- ISDs MCR, or
- Statewide Compression Percentage X \$1.00.

Property Tax Relief

	House Bill 3
M&O Tax Rate Cap	<p>17 cents above the product of the district maximum compressed rate multiplied by \$1.00.</p> <p>In years in which there is copper penny compression, this cap would also be reduced in a similar fashion.</p> <p>8 golden pennies + (9 copper pennies * Copper Compression Ratio)</p>
Tax Rate Swaps	<ul style="list-style-type: none">• A district may not increase its M&O rate to create a surplus to pay debt service.• Creates a basis for injunction against collection of taxes if district found in violation

Property Tax Relief: **Rollback Rate**

	House Bill 3
Voter-Approval Rate (formerly known as the rollback rate)	For the 2019 tax year, the VAR is the sum of: <ul style="list-style-type: none">• ISDs' MCR (SCP of \$0.93)• 2018 pennies > \$1.00, minus required copper penny compression (sets floor at 4 pennies)• ISDs' current debt rate

Property Tax Relief: **Rollback Rate**

House Bill 3	
Voter-Approval Rate (formerly known as the rollback rate)	For the 2020 tax year, the VAR is the sum of: <ul style="list-style-type: none">• ISDs' MCR (likely \$0.9165)• Prior year's enrichment pennies, minus any required copper penny compression (sets floor at 5 pennies, contingent on unanimous board approval)• ISDs' current debt rate

Property Tax Relief: **Rollback Rate**

SB 2 by Bettencourt

- Versions passed by the House and the Senate did impact the calculation of school districts rollback rates. Final version signed by Abbott **does not**.
- Cities' and counties' **voter-approval rate** is now **1.035 X no-new-revenue rate**.
- SB 2 has considerable impact on appraisal district operations.

Property Tax Relief: **Rollback Rate**

	House Bill 3
TRE Restrictions	<ul style="list-style-type: none">• Requires TREs to be held on a uniform election date.• Districts with a 2018 tax rate that is at or above \$1.04 may not adopt an M&O rate for the 2019 tax year that exceeds their voter-approval rate (i.e., no TRE allowed) <p>Only exception is if board approved strategic plan that proposed a higher rate prior to Jan. 1, 2019.</p>
Efficiency Audit	<p>Bill requires school districts to conduct an efficiency audit by a third-party before seeking voter approval for a TRE. Audit results must be posted online not later than 30 days before the date of the election.</p> <p>Does not include similar provision for charters that was in prior versions of HB 3.</p>

Property Tax Relief: **Disaster Provisions**

	House Bill 3
Voter-Approval Rate Disaster Exception	<p>Adds wildfires to the list of disasters that could allow ISDs to increase the tax rate above their VAR without voter approval.</p> <p>Amount by which tax rates adopted under 26.08(a-1) exceeds the voter-approval rate does not count toward the voter-approval rate calculation the following year.</p>

Property Tax Relief: **Disaster Provisions**

- **HB 492 / HJR 34 by Shine** provides temporary property tax relief for certain properties that are at least 15 percent damaged, as determined by the chief appraiser. Contingent on voter approval of constitutional amendment.
- **SB 443 by Hancock** would extend from two years to five years the period a property owner may receive a residence homestead exemption when a residence is under repair following a disaster that rendered the residence uninhabitable.



Bonds & Ballots

Bonds & Ballots

	House Bill 3
Bond Language	Requires ballot propositions for bonds to include language: “THIS IS A PROPERTY TAX INCREASE”

Bonds & Ballots

SB 30 by Birdwell

Requires bonds for each of the following purposes to be stated in a **separate proposition**:

- Stadium
- Natatorium
- Performing arts facility
- Recreational facility other than a gym
- Teacher housing
- Technology equipment, other than for school safety

Bonds & Ballots

HB 440 by Murphy

Limits a district's use of the unspent proceeds of issued general obligation bonds to:

- The specific purposes for which the bonds were authorized;
- Retiring the bonds, or
- Another purpose if the original purposes are accomplished and the board votes to approve the use in at a public meeting

Prohibits a political subdivision from issuing general obligation bonds if the weighted average maturity of the issue of bonds exceeds **120 percent** of the reasonably expected weighted average economic life project.

Bonds & Ballots

HB 477 by Murphy

Requires the ballot to specifically state:

- A general description of the purposes for which the bonds are to be authorized;
- The total principal amount of the bonds to be authorized; and
- That taxes sufficient to pay the principal of and interest on the bonds will be imposed.

Requires the information listed above, as well as additional information, to be printed in a **voter information document**, and published on the district's website and in a newspaper. The additional information includes:

- Estimated interest for the bond to be authorized;
- Principal and estimated interest on all remaining debt;
- Maximum annual increase that would be imposed on a residence homestead with an appraised value of \$100,000; and
- Assumed interest rates used in calculations and estimated changes in appraised values.



Teacher Retirement System

Teacher Retirement System

SB 12 by Huffman

Makes the following **changes** to TRS contribution rates

Year	State	Employee	District
2019-20	7.50%	7.70%	1.50%
2020-21	7.50%	7.70%	1.60%
2021-22	7.75%	8.00%	1.70%
2022-23	8.00%	8.00%	1.80%
2023-24	8.25%	8.25%	1.90%
2024-25 and beyond	8.25%	8.25%	2.00%

Provides for a 13th check for eligible beneficiaries **up to \$2,000** (expected to be sent in early fall 2019).

Teacher Retirement System

SB 12 by Huffman

- Bill will reduce employee and district contribution rates 0.1% for each 0.1% that the state contribution dips below the rate required by statute.
- Requires districts who pay into social security to now pay into TRS at the same rate as districts who do not participate in social security.
- Over the 2020-21 biennium, SB 12 increases state costs for contributions by **\$435.8 million** and district costs for contributions by **\$77.9 million**.



Accountability & Assessment

Accountability & Assessment

HB 3906 by Huberty

- Assessments may be offered in **multiple parts over multiple days** (Gr. 3-4: 60 min.; Gr. 5-8: 75 min.)
- SBOE may designate sections of **math exam** that may/may not be completed using technology.
- When required, **graphing calculators/similar applications** on computing devices must be provided for all students
- If **writing portfolio assessments** are utilized, teachers may be required to prepare tasks and materials
- Technical and educational advisory committees will be appointed to make recommendations on the **development and validity of assessments**
- TEA must develop an integrated **formative assessment pilot** program.
- TEA and SBOE will develop **a plan to transition to online assessments** by Dec. 2020, with implementation target of Sept. 2021
- SY 21-22: Eliminates **Grades 4 and 7 Writing** as separate exams
- SY 22-23: Limits **multiple-choice questions** to 75% of each assessment, and begins transition to electronic administration

Accountability & Assessment

- **HB 1244:** Ten (10) **civics test questions** will be added to the STAAR U.S. History EOC exam that must align to the U.S. History TEKS.
- **HB 2210:** If a district and a state hospital enter into an agreement for educational services, **students receiving residential services** in a state hospital will be part of the district's accountability.
- **HB 3007:** TEA must provide ISDs **source data** included in accountability ratings.
- **HB 3011:** THECB must provide ISDs **source data** submitted by IHEs used in accountability ratings.
- **SB 54:** TEA must conduct a study of students in the **regional day school program for the deaf** (RDSPD) for accountability purposes.

Accountability & Assessment

- **SB 213: Individual Graduation Committees** (IGCs) were extended for 4 years to 2023.
- **HB 678:** Elementary students who complete a course in **American Sign Language** (ASL) will earn one HS credit.
- **HB 1051:** Adults **18 years or older** may participate in an **AEP** to earn a **HS diploma**; funding calculated through FSP.
- **HB 330:** Students in medical or residential treatment facilities would be **excluded** from completion and dropout rates.
- **HB 4205:** Additional option for **campus turnaround plan**: An accelerated campus excellence (**ACE**) turnaround plan may be submitted.



School Safety & Mental Health

School Safety & Mental Health

SB 11 by Taylor

SB 11 revises and adds to Education Code requirements regarding school safety. The bill does the following:

- Revises & increases requirements for school **multi-hazard emergency operations plans**;
- Includes **substitute teachers** among educators to receive safety training;
- Requires districts to establish **threat assessment teams** to incorporate best practices for school safety and school climate;
- Requires districts to integrate **trauma-informed practices** in the school environment;
- Requires the TEA Commissioner to adopt standards for **safe and secure school facilities**;
- Establishes a **school safety allotment** (\$9.72 per ADA) for districts to use in improving security and providing mental health personnel; and
- Establishes **Texas Child Mental Health Care Consortium** (provisions from SB 10).

School Safety & Mental Health

- **HB 2195:** Schools must have a multi-hazard emergency operation plan in place for responding to an **active shooter emergency**. A district peace officer or resource officer must complete an approved active shooter response training program.
- **SB 1707:** School districts can enter into MOUs with a local law enforcement agency for the **provision of school resource officers** for security purposes.
- **SB 2135:** Law enforcement agencies are required to provide the superintendent with **student-related information** requested for the purpose of conducting a threat assessment or preparing a safety plan related to the student.

School Safety & Mental Health

HB 18 & HB 19 by Price

HB 18 is a wide-ranging bill that includes the following provisions:

- Adds the study of mental health conditions, substance abuse, relationship management and responsible decision making to the **K-12 enrichment curriculum**.
- Adds certain mental-health related topics to the **continuing education requirements** for teachers, principals and counselors.
- Requires school counselors to implement a **comprehensive school counseling program** that meets best practice standards.
- Requires **district improvement plans** to include a plan to implement a comprehensive school counseling program and positive behavior interventions.

HB 19 requires ESCs to coordinate with local mental health authorities to employ a **non-physician mental health professional** to serve as a mental health and substance use resource for school districts located in the region.

School Safety & Mental Health

HB 496 by Gervin-Hawkins

The bill requires districts to:

- Ensure that **bleeding control stations** are located in easily accessible areas of campuses. These stations must include specific medical equipment to stop blood loss in the event of traumatic injury;
- Ensure that certain district personnel such as peace officers and school resource officers are **trained on the use of the bleeding control stations**; and
- Annually **offer training to students in grade 7 and higher** on how to use the bleeding control kits.

The bill protects from liability the school district and school district personnel who use the bleeding control station in a “good faith” effort.

School Safety & Mental Health

- **HB 76:** Districts must inform student participants in UIL athletics about **sudden cardiac arrest**, & their option to request an **electrocardiogram**.
- **HB 111:** The bill would require that existing **child abuse training** must also include information on maltreatment of students with significant cognitive disabilities.
- **HB 1143:** Districts cannot regulate the manner in which **handguns or firearms are stored** in a vehicle, as long as not in plain sight.
- **HB 1387:** **Eliminates limit** on number of school marshals.

School Safety & Mental Health: **Discipline**

- **HB 65:** Updates **reporting requirements** for out-of-school suspensions.
- **HB 692:** Prohibits districts from placing a **homeless student** in out-of-school suspension.
- **HB 811:** Schools must consider whether **a student is homeless or under State protection** when determining disciplinary consequences.
- **HB 2184:** Provides specificity for **transition plans** for students transitioning from an AEP back to general ed.
- **HB 3012:** Suspended students must be **provided course work missed** as a result of the suspension, to include an option that does not require use of the Internet.
- **SB 2432:** Requires **removal from a classroom** and assignment to a DAEP of students who commit harassment against a district employee.



Other Notable Topics

Curriculum

- **HB 1026:** The SBOE is required to integrate **positive character traits** into the K-12 TEKS. School districts must adopt a **character education program** that includes positive character traits.
- **HB 2984:** The SBOE is required to adopt **K-8 TEKS** that include coding, computer programming, computational thinking, and cybersecurity, and must review the tech. apps. curriculum every **5 years** to make sure it aligns with current or emerging professions.
- **SB 1374:** A school district may allow a student to enroll concurrently in **Algebra I and Geometry** to satisfy the HS diploma curriculum requirements for math.

Special Education

- **HB 165:** A student who is enrolled in a special education program can earn an **endorsement** on their transcript by successfully completing, with or without modifications, all curriculum requirements for an endorsement provided that the curriculum, as modified, is sufficiently rigorous as determined by the student's ARD committee.
- **SB 522:** The bill adds flexibility to the process of developing an IEP of a student with a **visual impairment**.
- **SB 712:** The bill limits the types of **behavioral interventions** that schools and contractors can use for students that receive special education services. These intervention prohibitions include practices that cause physical or emotional pain, any extreme measures used as a means to change student behavior, or denying students access to adequate facilities.

Training Requirements

- **HB 293:** The bill **eliminates the investment training requirement** (once in a two-year period) for the treasurer, chief financial officer, or investment officer of a school district or municipality if the district or municipality: (1) does not invest district or municipal funds; or (2) only deposits those funds in: (A) interest-bearing deposit accounts; or (B) certificates of deposit.

The treasurer, CFO or investment officer annually must submit to TEA a sworn affidavit identifying the applicable criteria that exempt them from the investment training.

- **HB 403:** The bill states that the SBOE shall require **trustees** of a school district to have one hour of training, every two years, on identifying and reporting potential victims of sexual abuse, human trafficking, and other maltreatment of children. The bill also requires **superintendents** to receive **2 1/2 hours of training**, every five years, on the same subject matter.

Training Requirements

- **HB 684:** The bill creates new requirements for school districts regarding students with a **seizure disorder**. Bill requires school nurses, as well as a district employee in regular contact with a student with a seizure disorder to take an online course on managing students with seizure disorders.

The bill also extends liability protections to those assisting students with seizure disorders.

- **HB 2424:** The bill would establish "**micro-credentials**" that educators could earn. TEA would approve continuing education providers to offer micro-credential courses. These credentials would be recorded in the agency's Educator Certification Online System.

Counseling

- **HB 114:** Requires school counselors to provide information regarding the **availability of college credit** awarded by institutions of higher education to those active in the **military services**.
- **SB 1276:** School districts and institutions of higher education are required to adopt common advising strategies and terminology related to **dual credit** and college readiness; provide for the alignment of **endorsements** and dual credit courses; and identify tools to assist counselors, students, and families in selecting endorsements offered by the district and dual credit courses.

Other: **Do-Not-Hire Registry**

- **HB 3** includes provisions that requires TEA to create and maintain a state-wide registry of persons not eligible for employment in public schools.
- Districts must report ineligible persons to TEA.
- Districts would be required to fire/refuse to hire applicants included in the registry.

Other

- **HB 391:** Requires a district to provide **instructional materials** to a student in a printed format if he or she does not have reliable access to technology at home.
- **HB 539:** Institutions of higher education are required to admit a student that graduated as the valedictorian of their high school in one of the two school years preceding the year for which the student is applying for **higher education admission**.
- **HB 548:** Creates additional reporting requirements in **PEIMS** regarding **truancy**.
- **HB 638:** Allows schools to award **HS diplomas** to students **posthumously**.

Other

- **SB 1679:** A child who is eligible for **enrollment in a Pre-K class** at the age of three and enrolls in Pre-K at the age of three remains eligible for enrollment in Pre-K for the following school year.
- **HB 1734:** The bill adds **new requirements for districts suing** over the defective design, construction, or renovation of a district facility.
- **SB 1746:** A student who has been **incarcerated** or has a parent or guardian who has been incarcerated is included in the list of “students **at risk** of dropping out of school.”
- **HB 4310:** Curriculum **scope & sequence** must provide adequate time for teachers to teach and students to learn, and provides for **teacher discretion**.



What's Next?

HB 3 Implementation Process

TEA has a massive amount of rulemaking to get through and guidance to provide in order to implement HB 3. Some things on the agencies long to-do list:

- Revise its data collections processes to reflect new requirements under the bill.
- Create numerous advisory boards and committees.
- Provide new resources to school districts such as a student geocoder tool and a do-not-hire registry.
- Create new standards for various new programs/allotments.
- Establish new grant programs.
- Resolve any “unintended consequences.”

As a result, it will be **very important** to stay up-to-date with all of the information put out by the agency over the next few months.

87th Legislature Could Get Messy

- Lawmakers will be taking up redistricting, which is always a heated political fight.
- Medicaid 1115 Waiver expiring in 2021-22 (\$6.2 billion per year).
- Cost of property tax relief in HB 3 will start putting real pressure on the state budget. Will likely be expectations of additional property tax relief.
- Current budget relies on an **18.6%** jump in oil production tax revenues resulting from increased pipeline capacity. Revenue growth less than this will result in a budget shortfall.



Closing Comments & Questions



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