

<b>DATE:</b>	<b>June 12, 2025</b>
<b>SUBJECT:</b>	<b>House Bill 2 (HB 2) Implementation: Teacher Retention Allotment and Support Staff Retention Allotment</b>
<b>CATEGORY:</b>	<b>Teacher Compensation; Funding Implications</b>
<b>NEXT STEPS:</b>	<b>Share with school system administrators and business staff</b>

The Teacher Vacancy Task Force, established in 2022 by Governor Abbott, worked to examine teacher retention and recruitment challenges across Texas. The first recommendation of the task force was to increase overall compensation and support strategic compensation strategies. House Bill (HB) 2 was passed by the 89th Legislature and signed into law by Governor Abbott on June 4, 2025, implementing this recommendation.

HB 2 established the Teacher Retention Allotment (TRA) and Support Staff Retention Allotment (SSRA) as two separate allotments for school systems to compensate and retain teachers and support staff. These allotments will require school systems to amend budgets and salary schedules for the 2025-26 school year. It also expanded the Teacher Incentive Allotment (TIA) in several ways, including by establishing and funding Enhanced TIA.

While many details of HB 2 implementation are still being refined, the following information is being provided to support immediate decision-making for districts and open-enrollment charter schools (i.e., school systems) related to TRA and SSRA requirements for the 2025-26 school year. All requirements of TRA and SSRA outlined in this TAA apply to both districts and open-enrollment charter schools.

## Teacher Retention Allotment (TRA)

### How Is Funding Determined?

The Teacher Retention Allotment provides a school system with an allotment for each classroom teacher as follows:

- For school systems with 5,000 or fewer enrolled students:
  - \$4,000 for each classroom teacher with at least 3 years and less than 5 years of experience.
  - \$8,000 for each classroom teacher with five or more years of experience.
- For school systems with more than 5,000 enrolled students:
  - \$2,500 for each classroom teacher with at least 3 years and less than 5 years of experience.
  - \$5,000 for each classroom teacher with five or more years of experience.

Funding under TRA is not based on ADA nor enrollment and instead flows based upon the employment of personnel that meet the statute’s description, as reported to TEA. The TRA statute (Texas Education Code (TEC), Sec. 48.158) defines a classroom teacher for TRA allotment purposes as a person who is employed by a school system and who, not less than an average of four hours each day, teaches in an academic instructional setting or a career and technology instructional setting and who works in a role that would typically require possession of a State Board for Educator Certification (SBEC) teaching certification. The term under TRA includes individuals who do not hold a certificate who otherwise

meet the definition. The term is not limited to teachers of record and instead includes any individual who meets the teaching role requirement noted above. It does not include a teacher's aide or a full-time administrator. The TRA statute also includes individuals who meet the definition of a classroom teacher even if they are employed by an entity with which the school system has entered into a contract (e.g., charter management organizations, SB 1882 partnerships, and shared service arrangements (SSAs)).

To determine which classroom teachers generate funding for pay increases based on years of experience, school systems should use total years of experience, which is calculated based on the number of verifiable years of creditable experience specified in 19 TAC, Chapter 153.1021. Classroom teachers will generate the increases in the year after they have completed three (or five) years of verifiable and creditable experience, not when they are entering the year when they will earn that creditable experience.

Personnel data used to determine the TRA allotment has historically been submitted to TEA as part of the PEIMS Fall Submission. Accordingly, TEA will calculate the total TRA allotment based on this data submission. For the upcoming school year, TEA will count the number of classroom teachers classified as a Teacher (Staff Classification (E0721) is 087) and Total Years Professional Experience (E0130) as submitted in the PEIMS Fall Submission for the 2025–2026 school year.

1. If a PersonID with Staff Classification of 087 has multiple FTE entries within a school system, all FTE values are summed to calculate the total FTE.
2. A PersonID with a total FTE greater than or equal to 0.5 is considered a full-time teacher. TEA will derive instructional FTEs, or the portion of a person's FTE that is used to perform classroom functions.

For contracted staff, such as those employed by an SB 1882 partnership organization or via an SSA, the number of classroom teachers will be identified based on Staff Types 3 or 4 with Staff Classification of 087. In the past, requirements related to reporting individuals who work as classroom teachers through these contracts have not been consistent, so TEA will be updating guidance in the coming months to ensure clarity in reporting for the PEIMS Fall Submission. More details will be available in the FAQ.

As funding attaches to these submissions, it is of even greater importance that school systems ensure that staff classification, total years of experience, and teacher responsibility data are accurate when completing the 2025-2026 PEIMS Fall Submission, which must be finalized by January 2026. Payments will be made based upon data certified by Superintendents as final from the PEIMS Fall Submission. The PEIMS Fall Submission window provides time for school systems to review this data to understand which teachers will likely be eligible to generate funds for the Teacher Retention Allotment.

In the coming weeks, TEA will be creating and sharing a report containing data from school year 2024–2025 in Texas Education Agency Login (TEAL). School systems can use this data to understand which teachers will likely be eligible to generate funds for the TRA. This same data will be used as the basis for payment estimates until data for school year 2025–2026 is available after the PEIMS Fall Submission window is closed. (See below for additional information on estimated FY26 payments.) Similar reports will be added to the Texas Student Data System (TSDS) moving forward.

### **How Are School Systems Required to Spend Funding from this Allotment?**

With a narrow exception related to Enhanced TIA described below, the statute requires school systems to spend the allotment on increasing salaries for each teacher who generated the allotment. The spending requirement functions such that the allotment should be thought of as a pass-through to those employees, and it must be a pass-through implemented as part of the employee's salary. Functionally, this means that school systems must update their salary schedules.

Consequently, school system salary schedules for 2025-2026 should reflect a base salary for classroom teachers who have already completed three creditable years of service (CYS) that is \$2,500 (or \$4,000 based on school system size) higher than the base salary of teachers who have completed two years of creditable service based on the 2024-25 school year's salary schedule. These changes would be sustained for year 4 CYS teachers, and then a similar increase in pay would occur for year 5 CYS teachers. A more detailed explanation with a sample is included in the attached FAQ.

For the purposes of this allotment, salary increases must be increases in base pay for the eligible staff member and will be reported as base pay in the PEIMS Fall Submission. Some school systems use a single salary schedule for Chapter 21 campus personnel, such as librarians and nurses. These school systems will likely need to adopt a salary schedule specific to classroom teachers moving forward.

When considering school years beyond 2025-26, it is important to note that the funding provided under TRA is based on classroom teachers employed each year. This means that in any given year, TRA funding levels in a school system could increase or decrease depending upon the mix of experience and the number of classroom teachers actually employed. As new teachers rise to at least 3 or 5 years of service, funding is provided for them. If teachers with that level of service leave a district, funding is no longer provided for them. The funding mechanism and spending requirements are targeted in such a way that a change to the district salary schedule ensures full compliance with the TRA statute moving forward.

It is also important to note that additional TRS obligations and other payroll tax or benefit obligations may be incurred based upon these increases in salary. TRA funding cannot be used on those additional costs, as TRA funding must be used only to increase salaries. However, additional funding has been provided by HB 2 to support those costs, via the new allotment for basic costs, an increase in the basic allotment, and an increase to the small/mid-sized allotment, among other funding increases provided by HB 2.

### **How should a School System Interested in Enhanced TIA consider the Teacher Retention Allotment?**

HB 2 creates a school system-level Enhanced TIA designation for systems who want to use TIA as a foundation and go further with evidenced-based shifts in the way they evaluate and compensate teachers, principals, and assistant principals. School systems who apply in 2025-26 to be an Enhanced TIA system or earn this designation in subsequent years have the option to use funds generated from the Teacher Retention Allotment for compensation based on teacher performance and in line with the structures of the Teacher Incentive Allotment, as opposed to making the changes to their salary schedule based on creditable years of service as noted above.

For a school system to consider this option when implementing the TRA in the 2025-26 school year, the school system would likely already need to have an approved TIA system that covers all or nearly all types of teachers, and beyond that, will need to commit to meeting the broader requirements of Enhanced TIA as spelled out in HB 2. If your school system is interested in exploring this option for 2025-26 or subsequent school years, please email [tia@tea.texas.gov](mailto:tia@tea.texas.gov). More detailed information will be

shared about Enhanced TIA and other TIA changes in future correspondence, given that many TIA funding changes will take effect in the 2026-27 school year.

## **Support Staff Retention Allotment**

### **How Is Funding Determined?**

The Support Staff Retention Allotment provides a school system with an allotment of \$45 for each student in adjusted average attendance. Adjusted average attendance is the quotient of the sum of the district's allotment under TEC, Chapter 48, Subchapter B, and, if applicable, the allotment under TEC, Section 48.101, and the basic allotment for that school year (which has the effect of increasing ADA when calculating the SSRA for small/mid-sized districts and charters). For ISDs, students who do not reside in the district and are enrolled in a full-time virtual program are excluded.

To support school systems in estimating this amount, the agency will post by next week a list of estimated amounts for the SSRA for 2025-26 based upon legislative estimates of ADA on the [State Funding Reports and Data webpage](#).

### **How Are Districts Required to Spend Funding from this Allotment?**

School systems are required to spend the allotment on increasing salaries for non-administrative staff. For the purposes of this section of statute, salaries would include hourly wages for employment types that do not have an option for salaried pay. Salary increases under SSRA must be increases in base pay for the eligible staff member (as base salary or base hourly wage) and should be reported as base pay.

When determining what types of non-administrative staff are eligible for SSRA, statute provides specific details. Eligible support staff include teachers not eligible for a salary increase under the TRA, such as those with less than three years of experience. Eligible staff also include school counselors, librarians, school nurses, teacher's assistants, custodial staff, food services staff, bus drivers, administrative assistants, and other support staff. Ineligible staff include the superintendent, chief executive officer, assistant superintendents or equivalents, principals or assistant principals, and employees in a centralized supervisory role.

It is important to note that additional payroll tax or benefit obligations may be incurred based upon these increases in salary (or hourly wage) levels. SSRA funding cannot be used on those additional costs, as SSRA funding must be used only to increase salaries (or hourly wages). However, additional funding has been provided by HB 2 to support those costs, via the new allotment for basic costs, an increase in the basic allotment, and an increase to the small/mid-sized allotment, among other funding increases provided by HB 2.

## **Impact on Budgets and Funding**

### **How will the budget amendments related to the Teacher Retention Allotment and the Support Staff Retention Allotment impact the Financial Integrity Rating System of Texas (FIRST) ratings?**

This correspondence is focused solely on immediate implementation requirements related to Article 1 of HB 2. Given the need for immediate action, and the many other changes to school finance from HB 2, school systems should anticipate having to make more budget amendments after the budget is initially adopted in the upcoming school year than is typical.

The agency is aware that Indicator 10 of FIRST compares, on a three-year rolling average, the budgeted revenues reported at Snapshot to actual revenues reported in mid-year PEIMS. As the agency has been doing for the past four years, before final issuance of FIRST ratings of relevance to the 2025-26 school year, the TEA will analyze the data collected and determine if the indicator functions as intended or whether, based on the legislative changes, the indicator needs to be paused.

### **What is the payment timeline?**

In September 2025, the preliminary 2025–2026 summary of finances (SOF) reports will be updated with estimated data as mentioned above. For cashflow purposes, school systems will be paid based on these estimates until the SOF reports are updated in March 2026 with PEIMS Fall Submission data for the current year.

### **Additional Questions or Support**

A [frequently asked questions \(FAQ\) document](#) related to TRA and SSRA has been posted and will be updated with more information and additional questions.

To support HB 2 implementation, the agency has launched a web page specific to communicating relevant 89<sup>th</sup> Legislature bill implementation information. Given the comprehensive nature of HB 2, along with other changes made by legislation adopted during the 89<sup>th</sup> Legislature, this page will be updated throughout the remainder of 2025 with more information. The page is accessible at: <https://tea.texas.gov/89th>.

School system personnel may reach out to [HB2@tea.texas.gov](mailto:HB2@tea.texas.gov) with additional questions related to House Bill 2.