



Texas School Coalition

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SCHOOL FINANCE REFORM - HB 3 (HUBERTY, ET. AL.)

House Bill 3 seeks to invest \$6.3 billion additional dollars into public schools and to provide \$2.7 billion to cover the cost of property tax rate compression. The proposal would reduce recapture by \$3 billion over the biennium (a 38% reduction). It would also move Chapters 41 and 42 of the Texas Education Code to Chapter 48 and 49. Provisions in the committee substitute bill include:

Formula provisions for Tier 1 Entitlement:

- **Basic Allotment set to \$6,030** (an increase of \$890 over current \$5,140)
- **Repeals Cost of Education Index (CEI), High School Allotment, GT Allotment, Staff Allotment,** and the **Early Agreement Credit** for recapture districts; repeals the **92-93 hold harmless** for Chapter 41 districts through a 5-year phase-out
- **Converts Small & Mid-Sized Adjustments to be stand-alone allotments;** also allows Special Education funding weights to be based on a higher Basic Allotment amount for districts that qualify for the Small & Mid-Sized Allotment
- **Increases Special Education funding weight for mainstream students** to 1.15 from 1.1
- Modifies **Compensatory Education Weight to be based on five tiers,** relative to the degree of poverty, with the weight increasing from 0.2 to a range from 0.225-0.275
- Modifies **Bilingual Education Allotment** to include a 0.15 weight (compared to 0.1) for ELLs in a **Dual Language program,** and a 0.05 weight for non-ELL in such programs.
- Expands the **Career & Technology Education Allotment to grades 6-12** (compared to 9-12)
- Modifies **Transportation Allotment** to be based only on **miles traveled** (not linear density groupings), and **all districts qualify** for funding
- Adds new **Dyslexia Allotment** for a weight of 0.1
- Adds new **Early Education Allotment** for each student in K-3 with a weight of 0.1 for students that are disadvantaged or ELL; the allotment is 0.2 if students are both disadvantaged and ELL
- **New Instructional Facilities Allotment** (NIFA) funding may increase from \$25 to \$100 million

Recapture

- The calculation of Tier 1 recapture would no longer be based on an Equalized Wealth Level and a district's wealth per WADA.
- Recapture would be based on the **amount of local revenue generated by the district's Tier 1 tax rate that exceeds the district's Tier 1 entitlement plus the Available School Fund per-capita funding** entitlement.
- A district's local share of funding is based upon the new \$0.96 compressed tax rate multiplied by prior year property values; districts must tax at least as high as \$0.96 to qualify for their full entitlement.

Teacher Pay

- Districts will be entitled to an **Educator Effectiveness Allotment** (0.012 multiplied by the BA) for every student in ADA at a campus with highest degree of poverty OR per ADA in a district that is rural. dollars may be used to recruit or reward effective educators under a local plan for that purpose.
- The **Minimum Salary Schedule** (MSS) would be increased due to the increase to the Basic Allotment, as the schedule is indexed to the BA. Charter schools would be subject to the payment of TRS contributions for salary paid above MSS in the same manner that districts are under current law.
- At least 25 percent of a district's increase from the increase to the Basic Allotment must be used to increase staff salaries and wages.

Tax Rates

- Provides **two additional golden pennies** (bringing the total to eight)
- Golden pennies are still free from recapture, but the yield would no longer be coupled with that of Austin ISD (which is set at \$106.28 in the current school year and expected to climb to \$126.88 in FY20 and \$135.92), but would be tied to the higher of the 96th percentile of wealth per WADA or 160 percent of the Basic Allotment, making the **golden penny yield** for the 20-21 biennium **\$96.48**.
- The **copper penny yield** would be 80 percent of the Basic Allotment (**\$48.24**), which is an increase over the \$31.95 in current law. Pennies would be subject to rate compression (see below).
- In order for districts to conduct an election to increase their tax rate, they must first undergo an efficiency audit and make the results of that audit available on the district website.

Tax Rate Compression¹

- Establishes a **state compression percentage of 96 percent for Tier 1**, and makes every district's **compressed tax rate \$0.96** (for both districts that had a compressed rate of \$1.00 and those that had a compressed rate less than \$1.00—in order to access the full benefit of Tier 1 and to access any Tier 2 Enrichment pennies, districts must have a Tier 1 rate of \$0.96)
- Once districts have a compressed rate of \$0.96, the eight golden pennies will be available at tax rates \$0.97-\$1.04
- During the first year of tax compression (FY20), the new rollback rate will be \$1.00 and no district will have the authority to raise their tax rate above their new compressed rate through an election
- In FY 21, the new rollback rate will be \$1.01, and districts may seek approval from voters through an election for a rate that exceeds that amount (or their compressed rate, if their compressed rate exceeds that amount)
- Copper pennies are also subject to rate compression, indexed the amount by which the copper penny yield increases. For now, this means copper pennies are available at rates \$1.05-\$1.17, subject to further compression in the future. FY 20 rate of compression is 17% (tied to BA increase amount).
- The maximum tax rate for districts would remain \$1.17.

Other provisions:

- All school districts must provide **full-day Pre-K for eligible four year-old students**; districts may receive a waiver from this provision if not enough space is available.
- **Enhancement Services Program** would allow for a portion of the Dyslexia Allotment to provide for supplemental services as called for in a student's IEP or 504 plan so that districts may contract for additional academic services chosen by parents to serve students with disabilities.
- **Incentive for Additional Instructional Days** would provide up to an additional 30 days of half-day ADA for students grades PK-5 for the provision of summer school
- Because Chapter 41 districts and Chapter 42 districts are both included under Chapter 48 of the proposed bill, recapture districts would no longer be entitled to 50% of the **Local Option Homestead Exemption (LOHE)**...except in some instances when the LOHE would cause a district to pay more in recapture than their entitlement. In that instance, a district would be able to retain enough local tax revenue to meet their entitlement before paying recapture.

¹ The specific tax rates referenced are converted proportionally for the special law districts in Harris County.