

Chapter 8

H.B. No. 21

1 AN ACT
2 relating to public school finance, including funding for the
3 recruitment and retention of teachers and the support of
4 participants in the public school employees group insurance
5 program.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Effective September 1, 2018, Section 12.106,
8 Education Code, is amended by amending Subsection (a-1) and adding
9 Subsections (d), (e), (f), and (g) to read as follows:

10 (a-1) In determining funding for an open-enrollment charter
11 school under Subsection (a):

12 (1) [7] adjustments under Sections 42.102, ~~[42.103]~~
13 42.104, and 42.105 are based on the average adjustment for the
14 state; and

15 (2) the adjustment under Section 42.103 is based on
16 the average adjustment for the state that would have been provided
17 under that section as it existed on January 1, 2018.

18 (d) Subject to Subsection (e), in addition to other amounts
19 provided by this section, a charter holder is entitled to receive,
20 for the open-enrollment charter school, funding per student in
21 average daily attendance in an amount equal to the guaranteed level
22 of state and local funds per student per cent of tax effort under
23 Section 46.032(a) multiplied by the lesser of:

24 (1) the state average interest and sinking fund tax

1 rate imposed by school districts for the current year; or

2 (2) a rate that would result in a total amount to which
3 charter schools are entitled under this subsection for the current
4 year equal to \$60 million.

5 (e) A charter holder is entitled to receive funding under
6 Subsection (d) only if the most recent overall performance rating
7 assigned to the open-enrollment charter school under Subchapter C,
8 Chapter 39, reflects at least acceptable performance. This
9 subsection does not apply to a charter holder that operates a school
10 program located at a day treatment facility, residential treatment
11 facility, psychiatric hospital, or medical hospital.

12 (f) Funds received by a charter holder under Subsection (d)
13 may only be used:

14 (1) to lease an instructional facility;

15 (2) to pay property taxes imposed on an instructional
16 facility;

17 (3) to pay debt service on bonds issued to finance an
18 instructional facility; or

19 (4) for any other purpose related to the purchase,
20 lease, sale, acquisition, or maintenance of an instructional
21 facility.

22 (g) In this section, "instructional facility" has the
23 meaning assigned by Section 46.001.

24 SECTION 2. Section 13.054(g), Education Code, as amended by
25 Chapter 425 (S.B. 1353), Acts of the 85th Legislature, Regular
26 Session, 2017, is amended to read as follows:

27 (g) In order to assist with the costs of facility

1 renovation, repair, and replacement, a district to which territory
2 is annexed under this section is entitled to additional state aid
3 for five years, beginning with the school year in which the
4 annexation occurs. The commissioner shall determine the amount of
5 additional state aid provided each year by dividing the amount of
6 debt service taxes received by the district during the tax year
7 preceding the tax year in which the annexation occurs by the number
8 of students enrolled in the district immediately preceding the date
9 of annexation, and multiplying that result by the number of
10 additional students enrolled in the district on September 1 after
11 the date of annexation. The commissioner shall provide additional
12 state aid under this subsection from funds appropriated for
13 purposes of the Foundation School Program [~~and available for that~~
14 ~~purpose~~]. A determination by the commissioner under this
15 subsection is final and may not be appealed.

16 SECTION 3. Subchapter A, Chapter 29, Education Code, is
17 amended by adding Sections 29.026 and 29.027 to read as follows:

18 Sec. 29.026. GRANT PROGRAM PROVIDING SERVICES TO STUDENTS
19 WITH AUTISM. (a) The commissioner shall establish a program to
20 award grants to school districts and open-enrollment charter
21 schools that provide innovative services to students with autism.

22 (b) A school district, including a school district acting
23 through a district charter issued under Subchapter C, Chapter 12,
24 and an open-enrollment charter school, including a charter school
25 that primarily serves students with disabilities, as provided under
26 Section 12.1014, may apply for a grant under this section.

27 (c) A program is eligible for a grant under this section if:

1 (1) the program operates as an independent campus or a
2 separate program from the campus in which the program is located,
3 with a separate budget;

4 (2) the program incorporates:

5 (A) evidence-based and research-based design;

6 (B) the use of empirical data on student
7 achievement and improvement;

8 (C) parental support and collaboration;

9 (D) the use of technology;

10 (E) meaningful inclusion; and

11 (F) the ability to replicate the program for
12 students statewide;

13 (3) the program gives priority for enrollment to
14 students with autism;

15 (4) the program limits enrollment and services to
16 students who are:

17 (A) at least three years of age; and

18 (B) younger than nine years of age or are
19 enrolled in the third grade or a lower grade level; and

20 (5) the program allows a student who turns nine years
21 of age or older during a school year to remain in the program until
22 the end of that school year.

23 (d) A school district or open-enrollment charter school may
24 not:

25 (1) charge a fee for the program, other than those
26 authorized by law for students in public schools;

27 (2) require a parent to enroll a child in the program;

1 (3) allow an admission, review, and dismissal
2 committee to place a student in the program without the written
3 consent of the student's parent or guardian; or

4 (4) continue the placement of a student in the program
5 after the student's parent or guardian revokes consent, in writing,
6 to the student's placement in the program.

7 (e) A program under this section may:

8 (1) alter the length of the school day or school year
9 or the number of minutes of instruction received by students;

10 (2) coordinate services with private or
11 community-based providers;

12 (3) allow the enrollment of students without
13 disabilities or with other disabilities, if approved by the
14 commissioner; and

15 (4) adopt staff qualifications and staff to student
16 ratios that differ from the applicable requirements of this title.

17 (f) The commissioner shall adopt rules creating an
18 application and selection process for grants awarded under this
19 section.

20 (g) The commissioner shall create an external panel of
21 stakeholders, including parents of students with disabilities, to
22 provide assistance in the selection of applications for the award
23 of grants under this section.

24 (h) The commissioner shall award grants to fund not more
25 than 10 programs that meet the eligibility criteria under
26 Subsection (c). In selecting programs, the commissioner shall
27 prioritize programs that are collaborations between multiple

1 school districts, multiple charter schools, or school districts and
2 charter schools. The selected programs must reflect the diversity
3 of this state.

4 (i) The commissioner shall select programs and award grant
5 funds to those programs beginning in the 2018-2019 school year. The
6 selected programs are to be funded for two years.

7 (j) A grant awarded to a school district or open-enrollment
8 charter school under this section is in addition to the Foundation
9 School Program funds that the district or charter school is
10 otherwise entitled to receive. A grant awarded under this section
11 may not come out of Foundation School Program funds.

12 (k) The commissioner shall set aside an amount not to exceed
13 \$20 million from the total amount of funds appropriated for the
14 2018-2019 fiscal biennium to fund grants under this section. The
15 commissioner shall use \$10 million for the purposes of this section
16 for each school year in the state fiscal biennium. A grant
17 recipient may not receive more than \$1 million for the 2018-2019
18 fiscal biennium. The commissioner shall reduce each district's and
19 charter school's allotment proportionally to account for funds
20 allocated under this section.

21 (l) The commissioner and any program selected under this
22 section may accept gifts, grants, and donations from any public or
23 private source, person, or group to implement and administer the
24 program. The commissioner and any program selected under this
25 section may not require any financial contribution from parents to
26 implement and administer the program.

27 (m) The commissioner may consider a student with autism who

1 is enrolled in a program funded under this section as funded in a
2 mainstream placement, regardless of the amount of time the student
3 receives services in a regular classroom setting.

4 (n) Not later than December 31, 2020, the commissioner shall
5 publish a report on the grant program established under this
6 section. The report must include:

7 (1) recommendations for statutory or funding changes
8 necessary to implement successful innovations in the education of
9 students with autism; and

10 (2) data on the academic and functional achievements
11 of students enrolled in a program that received a grant under this
12 section.

13 (o) This section expires September 1, 2021.

14 Sec. 29.027. GRANT PROGRAM PROVIDING SERVICES TO STUDENTS
15 WITH DYSLEXIA. (a) The commissioner shall establish a program to
16 award grants to school districts and open-enrollment charter
17 schools that provide innovative services to students with dyslexia.

18 (b) A school district, including a school district acting
19 through a district charter issued under Subchapter C, Chapter 12,
20 and an open-enrollment charter school, including a charter school
21 that primarily serves students with disabilities, as provided under
22 Section 12.1014, may apply for a grant under this section.

23 (c) A program is eligible for a grant under this section if:

24 (1) the program operates as an independent campus or a
25 separate program from the campus in which the program is located,
26 with a separate budget;

27 (2) the program incorporates:

- 1 (A) evidence-based and research-based design;
2 (B) the use of empirical data on student
3 achievement and improvement;
4 (C) parental support and collaboration;
5 (D) the use of technology;
6 (E) meaningful inclusion; and
7 (F) the ability to replicate the program for
8 students statewide;
9 (3) the program gives priority for enrollment to
10 students with dyslexia;
11 (4) the program limits enrollment and services to
12 students who are:
13 (A) at least three years of age; and
14 (B) younger than nine years of age or are
15 enrolled in the third grade or a lower grade level; and
16 (5) the program allows a student who turns nine years
17 of age or older during a school year to remain in the program until
18 the end of that school year.
19 (d) A school district or open-enrollment charter school may
20 not:
21 (1) charge a fee for the program, other than those
22 authorized by law for students in public schools;
23 (2) require a parent to enroll a child in the program;
24 (3) allow an admission, review, and dismissal
25 committee to place a student in the program without the written
26 consent of the student's parent or guardian; or
27 (4) continue the placement of a student in the program

1 after the student's parent or guardian revokes consent, in writing,
2 to the student's placement in the program.

3 (e) A program under this section may:

4 (1) alter the length of the school day or school year
5 or the number of minutes of instruction received by students;

6 (2) coordinate services with private or
7 community-based providers;

8 (3) allow the enrollment of students without
9 disabilities or with other disabilities, if approved by the
10 commissioner; and

11 (4) adopt staff qualifications and staff to student
12 ratios that differ from the applicable requirements of this title.

13 (f) The commissioner shall adopt rules creating an
14 application and selection process for grants awarded under this
15 section.

16 (g) The commissioner shall create an external panel of
17 stakeholders, including parents of students with disabilities, to
18 provide assistance in the selection of applications for the award
19 of grants under this section.

20 (h) The commissioner shall award grants to fund not more
21 than 10 programs that meet the eligibility criteria under
22 Subsection (c). In selecting programs, the commissioner shall
23 prioritize programs that are collaborations between multiple
24 school districts, multiple charter schools, or school districts and
25 charter schools. The selected programs must reflect the diversity
26 of this state.

27 (i) The commissioner shall select programs and award grant

1 funds to those programs beginning in the 2018-2019 school year. The
2 selected programs are to be funded for two years.

3 (j) A grant awarded to a school district or open-enrollment
4 charter school under this section is in addition to the Foundation
5 School Program funds that the district or charter school is
6 otherwise entitled to receive. A grant awarded under this section
7 may not come out of Foundation School Program funds.

8 (k) The commissioner shall set aside an amount not to exceed
9 \$20 million from the total amount of funds appropriated for the
10 2018-2019 fiscal biennium to fund grants under this section. The
11 commissioner shall use \$10 million for the purposes of this section
12 for each school year in the state fiscal biennium. A grant
13 recipient may not receive more than \$1 million for the 2018-2019
14 fiscal biennium. The commissioner shall reduce each district's and
15 charter school's allotment proportionally to account for funds
16 allocated under this section.

17 (l) The commissioner and any program selected under this
18 section may accept gifts, grants, and donations from any public or
19 private source, person, or group to implement and administer the
20 program. The commissioner and any program selected under this
21 section may not require any financial contribution from parents to
22 implement and administer the program.

23 (m) The commissioner may consider a student with dyslexia
24 who is enrolled in a program funded under this section as funded in
25 a mainstream placement, regardless of the amount of time the
26 student receives services in a regular classroom setting.

27 (n) Not later than December 31, 2020, the commissioner shall

1 publish a report on the grant program established under this
2 section. The report must include:

3 (1) recommendations for statutory or funding changes
4 necessary to implement successful innovations in the education of
5 students with dyslexia; and

6 (2) data on the academic and functional achievements
7 of students enrolled in a program that received a grant under this
8 section.

9 (o) This section expires September 1, 2021.

10 SECTION 4. Effective September 1, 2023, Sections 42.103(b)
11 and (d), Education Code, are amended to read as follows:

12 (b) The basic allotment of a school district that [~~contains~~
13 ~~at least 300 square miles and~~] has not more than 1,600 students in
14 average daily attendance is adjusted by applying the formula:

15
$$AA = (1 + ((1,600 - ADA) \times .0004)) \times ABA$$

16 (d) The basic allotment of a school district that offers a
17 kindergarten through grade 12 program and has less than 5,000
18 students in average daily attendance is adjusted by applying the
19 formula, of the following formulas, that results in the greatest
20 adjusted allotment:

21 (1) the formula in Subsection (b), if [~~or (c) for~~
22 ~~which~~] the district is eligible for that formula; or

23 (2) $AA = (1 + ((5,000 - ADA) \times .000025)) \times ABA$.

24 SECTION 5. Effective September 1, 2018, Section 42.103(c),
25 Education Code, is amended to read as follows:

26 (c) The basic allotment of a school district that contains
27 less than 300 square miles and has not more than 1,600 students in

1 average daily attendance is adjusted by applying the following
2 formulas [~~formula~~]:

3 (1) for the fiscal year beginning September 1, 2018:

4 $AA = (1 + ((1,600 - ADA) \times \underline{.000275} [\del{.00025}])) \times ABA$

5 i

6 (2) for the fiscal year beginning September 1, 2019:

7 $AA = (1 + ((1,600 - ADA) \times \underline{.00030})) \times ABA$

8 i

9 (3) for the fiscal year beginning September 1, 2020:

10 $AA = (1 + ((1,600 - ADA) \times \underline{.000325})) \times ABA$

11 i

12 (4) for the fiscal year beginning September 1, 2021:

13 $AA = (1 + ((1,600 - ADA) \times \underline{.00035})) \times ABA$

14 ; and

15 (5) for the fiscal year beginning September 1, 2022:

16 $AA = (1 + ((1,600 - ADA) \times \underline{.000375})) \times ABA$

17 SECTION 6. Chapter 42, Education Code, is amended by adding
18 Subchapter H to read as follows:

19 SUBCHAPTER H. FINANCIAL HARDSHIP TRANSITION PROGRAM

20 Sec. 42.451. FINANCIAL HARDSHIP GRANTS. (a) From amounts
21 appropriated for this subchapter, the commissioner may administer a
22 grant program that provides grants to school districts to defray
23 financial hardships resulting from changes made to Chapter 41 and
24 this chapter that apply after the 2016-2017 school year.

25 (b) The commissioner shall award grants under this
26 subchapter to districts as provided by Section 42.452.

27 (c) Except as provided by Subsection (d), funding provided

1 to a district under this subchapter is in addition to all other
2 funding provided under Chapter 41 and this chapter.

3 (d) A district is not eligible for funding under this
4 subchapter for a school year if the district receives for that
5 school year an adjustment of the district's taxable value of
6 property under Section 42.2521. A district may decline an
7 adjustment under Section 42.2521 to maintain eligibility for
8 funding under this subchapter.

9 (e) The commissioner may obtain additional information as
10 needed from a district or other state or local agency to make
11 determinations in awarding grants under this subchapter.

12 Sec. 42.452. AWARD OF GRANTS; AMOUNT. (a) The
13 commissioner shall award grants to school districts based on the
14 following formula:

15
$$\text{HG} = (\text{PL} - \text{CL}) \times (\text{TR}) \times (\text{TAHG} / \text{TEHG})$$

16 where:

17 "HG" is the amount of a district's hardship grant;

18 "PL" is the amount of funding under previous law to which a
19 district would be entitled under Chapter 41 and this chapter as
20 those chapters existed on January 1, 2017, determined using current
21 school year data for the district;

22 "CL" is the amount of current law funding under Chapter 41 and
23 this chapter to which a district is entitled;

24 "TR" is a district's maintenance and operations tax rate, as
25 specified by the comptroller's most recent certified report;

26 "TAHG" is the total funding available for grants under
27 Section 42.456 for a school year; and

1 "TEHG" is the sum of the combined amounts for all districts
2 calculated by applying the formula (PL-CL) X (TR) for each
3 district.

4 (b) A school district's hardship grant awarded under this
5 subchapter for a school year may not exceed the lesser of:

6 (1) the amount equal to 10 percent of the total amount
7 of funds available for grants under this subchapter for that school
8 year; or

9 (2) the amount by which "PL" exceeds "CL" for that
10 district for that school year.

11 (c) For purposes of calculating the formula under
12 Subsection (a), the commissioner shall:

13 (1) in determining the values of "PL" and "CL" for a
14 school district, exclude the amount of revenue received by the
15 district as a result of Section 13.054 or an administrative rule
16 related to that section;

17 (2) if the value of (PL-CL) for a school district
18 results in a negative number, use zero for the value of (PL-CL);

19 (3) if a school district's maintenance and operations
20 tax rate ("TR") is greater than \$1, use \$1 for the value of "TR";

21 (4) use a maintenance and operations tax rate ("TR")
22 of \$1 for each open-enrollment charter school, each special-purpose
23 school district established under Subchapter H, Chapter 11, and the
24 South Texas Independent School District; and

25 (5) if (TAHG/TEHG) equals a value greater than one,
26 use a value of one for (TAHG/TEHG).

27 (d) If funds remain available under this subchapter for a

1 school year after determining initial grant amounts under
2 Subsection (a), as adjusted to reflect the limits imposed by
3 Subsection (b), the commissioner shall reapply the formula as
4 necessary to award all available funds.

5 (e) If the commissioner reapplies the formula in accordance
6 with Subsection (d), a school district that was ineligible under
7 Section 42.455 for a grant during the initial application of the
8 formula for that school year is eligible to receive a grant as a
9 result of the formula reapplication.

10 Sec. 42.453. ELIGIBILITY OF OPEN-ENROLLMENT CHARTER
11 SCHOOL. An open-enrollment charter school is eligible for a grant
12 under this subchapter in the same manner as a school district.

13 Sec. 42.454. REGIONAL EDUCATION SERVICE CENTERS AND COUNTY
14 DEPARTMENTS OF EDUCATION NOT ELIGIBLE. A regional education
15 service center or a county department of education is not eligible
16 for a grant under this subchapter.

17 Sec. 42.455. CERTAIN SCHOOL DISTRICTS NOT ELIGIBLE. Except
18 as provided by Section 42.452(e), a school district is not eligible
19 for a grant under this subchapter if for the 2015-2016 school year
20 the district's expenditures per student in weighted average daily
21 attendance, excluding bond debt service payments, capital outlays,
22 and facilities acquisition and construction costs, exceeded an
23 amount that is equal to 120 percent of the state average amount for
24 that school year of expenditures per student in weighted average
25 daily attendance, excluding bond debt service payments, capital
26 outlays, and facilities acquisition and construction costs, as
27 those amounts are determined by the commissioner.

1 Sec. 42.456. FUNDING LIMIT. The amount of grants awarded by
2 the commissioner under this subchapter may not exceed \$100 million
3 for the 2017-2018 school year or \$50 million for the 2018-2019
4 school year.

5 Sec. 42.457. NO ADJUSTMENT BASED ON REVISED DATA. The
6 commissioner may not adjust the amount of a school district's grant
7 under this subchapter based on revisions to the district's data
8 received after a grant has been awarded.

9 Sec. 42.458. RULES. The commissioner may adopt rules as
10 necessary to administer this subchapter.

11 Sec. 42.459. DETERMINATION FINAL. A determination by the
12 commissioner under this subchapter is final and may not be
13 appealed.

14 Sec. 42.460. EXPIRATION. This subchapter expires September
15 1, 2019.

16 SECTION 7. Chapter 42, Education Code, is amended by adding
17 Subchapter L to read as follows:

18 SUBCHAPTER L. TEXAS COMMISSION ON PUBLIC SCHOOL FINANCE

19 Sec. 42.601. DEFINITION. In this subchapter, "commission"
20 means the Texas Commission on Public School Finance.

21 Sec. 42.602. TEXAS COMMISSION ON PUBLIC SCHOOL FINANCE.

22 (a) The Texas Commission on Public School Finance is established
23 to develop and make recommendations for improvements to the current
24 public school finance system or for new methods of financing public
25 schools.

26 (b) The commission is composed of 13 members, consisting of
27 the following:

- 1 (1) four members appointed by the governor;
2 (2) four members appointed by the lieutenant governor;
3 (3) four members appointed by the speaker of the house
4 of representatives; and
5 (4) a member of the State Board of Education, as
6 designated by the chair of that board.

7 (c) The members appointed by the governor must have an
8 interest in public education and include at least:

- 9 (1) one person who is a current or retired classroom
10 teacher with at least 10 years of teaching experience;
11 (2) one person who is a member of the business
12 community; and
13 (3) one person who is a member of the civic community.

14 (d) The appointments made by the lieutenant governor and the
15 speaker of the house of representatives must each consist of:

- 16 (1) three members of the applicable legislative
17 chamber; and
18 (2) an administrator in the public school system or an
19 elected member of the board of trustees of a school district.

20 (e) In making appointments under Subsections (b)(1), (2),
21 and (3), the governor, lieutenant governor, and speaker of the
22 house of representatives shall coordinate to ensure that the
23 membership of the commission reflects, to the extent possible, the
24 ethnic and geographic diversity of this state.

25 Sec. 42.603. PRESIDING OFFICER. The governor shall
26 designate the presiding officer of the commission.

27 Sec. 42.604. COMPENSATION AND REIMBURSEMENT. A member of

1 the commission is not entitled to compensation for service on the
2 commission but is entitled to reimbursement for actual and
3 necessary expenses incurred in performing commission duties.

4 Sec. 42.605. ADMINISTRATIVE SUPPORT AND FUNDING.

5 (a) Staff members of the agency shall provide administrative
6 support for the commission.

7 (b) Funding for the administrative and operational expenses
8 of the commission shall be provided by appropriation to the agency
9 for that purpose.

10 Sec. 42.606. RECOMMENDATIONS. (a) The commission shall
11 develop recommendations under this subchapter to address issues
12 related to the public school finance system, including:

13 (1) the purpose of the public school finance system
14 and the relationship between state and local funding in that
15 system;

16 (2) the appropriate levels of local maintenance and
17 operations and interest and sinking fund tax effort necessary to
18 implement a public school finance system that complies with the
19 requirements under the Texas Constitution; and

20 (3) policy changes to the public school finance system
21 necessary to adjust for student demographics and the geographic
22 diversity in the state.

23 (b) The commission may establish one or more working groups
24 composed of not more than five members of the commission to study,
25 discuss, and address specific policy issues and recommendations to
26 refer to the commission for consideration.

27 Sec. 42.607. REPORT. Not later than December 31, 2018, the

1 commission shall prepare and deliver a report to the governor and
2 the legislature that recommends statutory changes to improve the
3 public school finance system, including any adjustments to funding
4 to account for student demographics.

5 Sec. 42.608. PUBLIC MEETINGS AND PUBLIC INFORMATION.

6 (a) The commission may hold public meetings as needed to fulfill
7 its duties under this subchapter.

8 (b) The commission is subject to Chapters 551 and 552,
9 Government Code.

10 Sec. 42.609. COMMISSION ABOLISHED; EXPIRATION OF
11 SUBCHAPTER. (a) The commission is abolished January 8, 2019.

12 (b) This subchapter expires January 8, 2019.

13 SECTION 8. Effective September 1, 2018, Section 46.032(a),
14 Education Code, is amended to read as follows:

15 (a) Each school district is guaranteed a specified amount
16 per student in state and local funds for each cent of tax effort to
17 pay the principal of and interest on eligible bonds. The amount of
18 state support, subject only to the maximum amount under Section
19 46.034, is determined by the formula:

20
$$EDA = (EDGL \times ADA \times EDTR \times 100) - (EDTR \times (DPV/100))$$

21 where:

22 "EDA" is the amount of state funds to be allocated to the
23 district for assistance with existing debt;

24 "EDGL" is the dollar amount guaranteed level of state and
25 local funds per student per cent of tax effort, which is the lesser
26 of:

27 (1) \$40 [~~\$35~~] or a greater amount for any year provided

1 by appropriation; or

2 (2) the amount that would result in a total additional
3 amount of state funds under this subchapter for the current year
4 equal to \$60 million in excess of the state funds to which school
5 districts would have been entitled under this section if the
6 guaranteed level amount were \$35;

7 "ADA" is the number of students in average daily attendance,
8 as determined under Section 42.005, in the district;

9 "EDTR" is the existing debt tax rate of the district, which is
10 determined by dividing the amount budgeted by the district for
11 payment of eligible bonds by the quotient of the district's taxable
12 value of property as determined under Subchapter M, Chapter 403,
13 Government Code, or, if applicable, under Section 42.2521, divided
14 by 100; and

15 "DPV" is the district's taxable value of property as
16 determined under Subchapter M, Chapter 403, Government Code, or, if
17 applicable, under Section 42.2521.

18 SECTION 9. (a) The amount of \$311,000,000 of the
19 unencumbered appropriations from the general revenue fund for the
20 state fiscal biennium ending August 31, 2019, made by S.B. 1, Acts
21 of the 85th Legislature, Regular Session, 2017 (the General
22 Appropriations Act), to the Health and Human Services Commission is
23 transferred to the Texas Education Agency to be used by the agency
24 during that state fiscal biennium as follows:

25 (1) \$150,000,000 is allocated to fund financial
26 hardship grants under Subchapter H, Chapter 42, Education Code, as
27 added by this Act;

1 (2) \$60,000,000 is allocated to fund payments to
2 open-enrollment charter schools under Section 12.106(d), Education
3 Code, as added by this Act;

4 (3) \$60,000,000 is allocated for the existing debt
5 allotment under Section 46.032, Education Code, as amended by this
6 Act; and

7 (4) \$41,000,000 is allocated for the small-sized
8 district adjustment under Section 42.103, Education Code, as
9 amended by this Act.

10 (b) The Health and Human Services Commission shall identify
11 the strategies and objectives out of which the transfer under
12 Subsection (a) of this section is to be made. If the commission
13 makes the amount of appropriations transferred under Subsection (a)
14 of this section available by delaying until the state fiscal
15 biennium beginning September 1, 2019, the monthly capitation
16 payments otherwise due in August 2019 to managed care organizations
17 that contract with the commission to provide health care services
18 to Medicaid recipients, the commission shall make the delayed
19 payments as soon as possible out of available money appropriated to
20 the commission for that state fiscal biennium.

21 (c) Notwithstanding the sum-certain appropriations
22 specified in Rider 3, Chapter 605 (S.B. 1), Acts of the 85th
23 Legislature, Regular Session, 2017 (the General Appropriations
24 Act), to the bill pattern of the appropriations to the Texas
25 Education Agency, the Legislative Budget Board shall determine the
26 sum-certain appropriation to the Foundation School Program for each
27 year of the state fiscal biennium beginning September 1, 2017,

1 based on the amount specified in that rider, the other provisions of
2 the General Appropriations Act, and other law, including the
3 provisions of this Act.

4 SECTION 10. (a) The amount of \$212,000,000 of the
5 unencumbered appropriations from the general revenue fund for the
6 state fiscal biennium ending August 31, 2019, made by S.B. 1, Acts
7 of the 85th Legislature, Regular Session, 2017 (the General
8 Appropriations Act), to the Health and Human Services Commission is
9 transferred to the Teacher Retirement System of Texas and may be
10 used by the retirement system during that state fiscal biennium to
11 increase school districts' recruitment and retention of school
12 teachers and provide support to participants in the Texas Public
13 School Employees Group Insurance Program authorized by Chapter
14 1575, Insurance Code. The Health and Human Services Commission
15 shall identify the strategies and objectives out of which the
16 transfer is to be made.

17 (b) The Teacher Retirement System of Texas may use the money
18 transferred under Subsection (a) of this section to:

19 (1) decrease the premiums and deductibles that would
20 otherwise be paid during the 2018 and 2019 plan years by
21 participants in the Texas Public School Employees Group Insurance
22 Program authorized by Chapter 1575, Insurance Code; and

23 (2) reduce costs for an enrolled adult child with a
24 mental disability or a physical incapacity during the 2018 and 2019
25 plan years.

26 (c) The Teacher Retirement System of Texas shall determine
27 the most efficient allocation of the money transferred under

1 Subsection (a) of this section to achieve the maximum benefit for
2 participants in the program.

3 SECTION 11. Section 5, Chapter 425 (S.B. 1353), Acts of the
4 85th Legislature, Regular Session, 2017, is repealed.

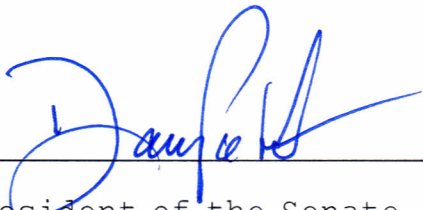
5 SECTION 12. Effective September 1, 2023, Section 42.103(c),
6 Education Code, is repealed.

7 SECTION 13. Not later than the 30th day after the effective
8 date of the section of this Act adding Subchapter L, Chapter 42,
9 Education Code, the appropriate persons shall make the appointments
10 and designations required by Section 42.602, Education Code, as
11 added by this Act.

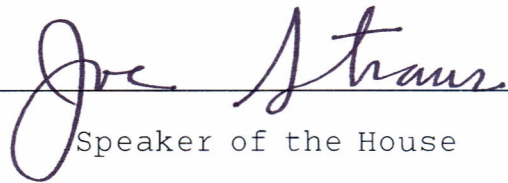
12 SECTION 14. Except as otherwise provided by this Act:

13 (1) this Act takes effect September 1, 2017, if this
14 Act receives a vote of two-thirds of all the members elected to each
15 house, as provided by Section 39, Article III, Texas Constitution;
16 and

17 (2) if this Act does not receive the vote necessary for
18 effect on that date, this Act takes effect on the 91st day after the
19 last day of the legislative session.



President of the Senate



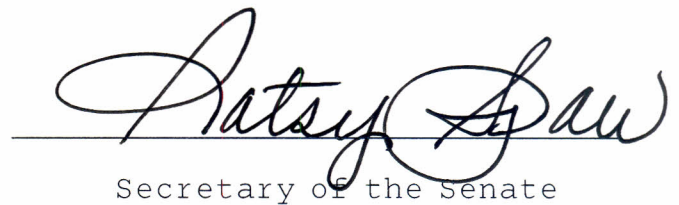
Speaker of the House

I certify that H.B. No. 21 was passed by the House on August 7, 2017, by the following vote: Yeas 130, Nays 13, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 21 on August 15, 2017, by the following vote: Yeas 94, Nays 46, 1 present, not voting.



Chief Clerk of the House

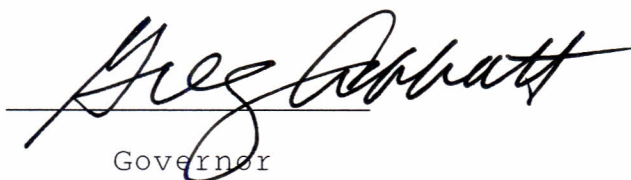
I certify that H.B. No. 21 was passed by the Senate, with amendments, on August 15, 2017, by the following vote: Yeas 25, Nays 6.



Secretary of the Senate

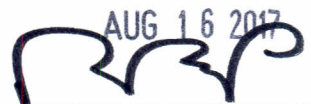
APPROVED: 8-16-2017

Date



Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
3:25 PM O'CLOCK



Secretary of State

AUG 16 2017

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

August 15, 2017

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB21, As Passed 2nd House: a positive impact of \$720,550 through the biennium ending August 31, 2019.

There could be an additional General Revenue cost to supplemental appropriations in fiscal year 2019 and certain other methods of finance, including Federal Funds, could be affected depending on the approach adopted by the Health and Human Services Commission to execute the transfer as directed in the legislation.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$231,000,000
2019	(\$230,279,450)
2020	(\$202,411,817)
2021	(\$244,904,116)
2022	(\$289,103,263)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2018	\$563,000,000	(\$20,000,000)	(\$212,000,000)	(\$100,000,000)
2019	\$0	(\$20,000,000)	\$0	(\$210,279,450)
2020	\$0	\$0	\$0	(\$202,411,817)
2021	\$0	\$0	\$0	(\$244,904,116)
2022	\$0	\$0	\$0	(\$289,103,263)

Fiscal Year	Change in Number of State Employees from FY 2017
2018	1.0
2019	1.0
2020	0.0
2021	0.0
2022	0.0

Fiscal Analysis

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula to districts and charters meeting certain eligibility criteria.

Beginning in fiscal year 2019, the bill would provide additional state aid to charter schools with an acceptable performance rating equal to the guaranteed level of state and local funds per cent of tax effort under Section 46.032(a) of the Education Code multiplied by a rate equal to the lesser of the state average interest and sinking fund tax rate imposed by school districts or the rate that would result in total entitlement of \$60 million per year.

Beginning in fiscal year 2019, the bill would increase the guaranteed yield for the FSP Existing Debt Allotment for school districts each year to the lesser of \$40 or the amount that would result in a \$60 million increase in state aid from the level of state aid provided by a yield of \$35.

The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY18.

The bill would create two programs one to provide grants for innovative services to students with autism and a second to provide innovative services to students with dyslexia.

The bill would transfer from the Health and Human Services Commission (HHSC) \$351 million in General Revenue appropriations made by Senate Bill 1, Eighty-fifth Legislature, Regular Session, for the 2018-19 biennium to the Texas Education Agency for the same biennium to implement certain provisions of the legislation, as described in the Methodology section below: \$150 million to fund financial hardship grants, \$60 million to fund payments to open enrollment charter schools, \$60 million to support the existing debt allotment, \$41 million to fund the increase in the small district adjustment and \$40 million to fund the grant programs for services to students with autism and dyslexia. The bill would provide that in the event that the transfer is accomplished by delaying payments to that are due to managed care organizations in August 2019, the bill would require the Commission to provide those payments as soon as possible from available appropriations in the following biennium.

The bill would also transfer from the Health and Human Services Commission \$212 million in General Revenue appropriations made by Senate Bill 1, 85th Legislature, Regular Session, for the 2018-19 biennium to the Teacher Retirement System of Texas (TRS) to be used to provide support to participants in the Texas Public School Employees Group Insurance Program (TRS-Care) by: 1)

reducing costs for participants, including premiums, deductibles, and prescription drugs, during the 2018 and 2019 plan years; and 2) reducing the premium and maximum out-of-pocket cost for an enrolled adult child with a mental disability or a physical incapacity during the 2018 and 2019 plan years.

HHSC is granted authority with respect to the strategies and programs from which the funds would be transferred, and depending on the approach adopted by HHSC to execute the transfer, there could be an additional cost to supplemental appropriations in fiscal year 2019 and certain other methods of finance, including Federal Funds, could be affected. HHSC is granted authority with respect to the strategies and programs from which the funds would be transferred, and depending on the approach adopted by HHSC to execute the transfer certain other methods of finance, including Federal funds, could be affected.

The bill would create the Texas Commission on Public School Finance which would have the responsibility to develop and make recommendations for improvements to the current public school finance system or for new methods of financing public schools.

Methodology

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to statute in place for fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$100.0 million in fiscal year 2018 and \$50 million in fiscal year 2019.

This analysis assumes the additional state aid to charter schools equal to the guaranteed level of state and local funds per cent of tax effort under Section 46.032(a) of the Education Code multiplied by a rate that would produce total entitlement of \$60 million per year, beginning in fiscal year 2019.

This analysis further assumes that the increase for the guaranteed yield for the Existing Debt Allotment for school districts would result in a \$60 million increase in state aid, beginning in fiscal year 2019.

The phased-in increase in the small district adjustment would be estimated to increase state cost for the Foundation School Program by \$41.3 million in fiscal year 2019 increasing to \$124.9 million by fiscal year 2022.

The bill would establish two, two-year grant programs. One program would provide grants for innovative services for students with autism with total funding for the 2018-2019 biennium of \$20 million. The second program would provide grants for innovative services for students with dyslexia, also with total funding of \$20 million for the biennium. Funding for each grant program would be provided from funds transferred to the Texas Education Agency from the Health and Human Services Commission. The Texas Education Agency would incur costs associated with administering grant programs for innovative services to students with autism and to students with dyslexia as specified in the bill. For the purpose of this estimate, it is assumed that administrative costs would be paid from funds transferred for the purpose of the grant programs.

Administrative costs associated with the grant programs are estimated to total \$186,884 in fiscal year 2018 consisting of \$115,444 for one FTE and initial program development costs plus \$71,440 for stakeholder meetings, rulemaking activities and review of grant applications (\$35,720 for each grant program). In FY19, the Agency would incur costs of \$107,444 for the FTE administering the

programs.

The bill would create the Texas Commission on Public School Finance which would have the responsibility to develop and make recommendations for improvements to the current public school finance system or for new methods of financing public schools. The bill would require staff members of the Texas Education Agency (TEA) to provide administrative support for the commission. The bill would abolish the commission on January 8, 2019. It is assumed for the purpose of this estimate that staff support costs would be accommodated with existing resources.

As noted above, provisions would be financed in the 2018-19 biennium via a transfer from the Health and Human Services Commission.

Local Government Impact

The bill would increase state aid for school districts and charter schools through the hardship program, facilities funding mechanisms, and the increased small district adjustment. School districts and charter schools that are grant recipients would also realize additional funding.

Source Agencies:

LBB Staff: UP, SD, JSp, AG, AM, AH

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

August 11, 2017

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB21, Committee Report 2nd House, Substituted: a positive impact of \$720,550 through the biennium ending August 31, 2019.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$211,000,000
2019	(\$210,279,450)
2020	(\$202,411,817)
2021	(\$244,904,116)
2022	(\$289,103,263)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2018	\$311,000,000	(\$100,000,000)
2019	\$0	(\$210,279,450)
2020	\$0	(\$202,411,817)
2021	\$0	(\$244,904,116)
2022	\$0	(\$289,103,263)

Fiscal Analysis

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula to districts and charters meeting certain eligibility criteria.

Beginning in fiscal year 2019, the bill would provide additional state aid to charter schools with an acceptable performance rating equal to the guaranteed level of state and local funds per cent of

tax effort under Section 46.032(a) of the Education Code multiplied by a rate equal to the lesser of the state average interest and sinking fund tax rate imposed by school districts or the rate that would result in total entitlement of \$60 million per year.

Beginning in fiscal year 2019, the bill would increase the guaranteed yield for the FSP Existing Debt Allotment for school districts each year to the lesser of \$40 or the amount that would result in a \$60 million increase in state aid from the level of state aid provided by a yield of \$35.

The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY18.

The bill would transfer from the Health and Human Services Commission (HHSC) \$311 million in General Revenue appropriations made by Senate Bill 1, Eighty-fifth Legislature, Regular Session, for the 2018-19 biennium to the Texas Education Agency for the same biennium to implement certain provisions of the legislation, as described in the Methodology section below: \$150 million to fund financial hardship grants, \$60 million to fund payments to open enrollment charter schools, \$60 million to support the existing debt allotment, and \$41 million to fund the increase in the small district adjustment. HHSC is granted authority with respect to the strategies and programs from which the funds would be transferred, and depending on the approach adopted by HHSC to execute the transfer certain other methods of finance, including Federal funds, could be affected.

Methodology

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to statute in place for fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$100.0 million in fiscal year 2018 and \$50 million in fiscal year 2019.

This analysis assumes the additional state aid to charter schools equal to the guaranteed level of state and local funds per cent of tax effort under Section 46.032(a) of the Education Code multiplied by a rate that would produce total entitlement of \$60 million per year, beginning in fiscal year 2019.

This analysis further assumes that the increase for the guaranteed yield for the Existing Debt Allotment for school districts would result in a \$60 million increase in state aid, beginning in fiscal year 2019.

The phased-in increase in the small district adjustment would be estimated to increase state cost for the Foundation School Program by \$41.3 million in fiscal year 2019 increasing to \$124.9 million by fiscal year 2022.

As noted above, these provisions would be financed in the 2018-19 biennium via a transfer from the Health and Human Services Commission.

Local Government Impact

The bill would increase state aid for school districts and charter schools through the hardship program, facilities funding mechanisms, and the increased small district adjustment.

Source Agencies:

LBB Staff: UP, AG, AM, AH

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

August 9, 2017

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB21, As Engrossed: a positive impact of \$126,864,054 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$898,606,371)
2019	\$1,025,470,425
2020	(\$1,024,903,074)
2021	(\$1,085,639,913)
2022	(\$1,216,669,162)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from Foundation School Fund 193	Probable (Cost) from Reduced Recapture 193	Probable Savings from Foundation School Fund 193	Probable (Cost) from General Revenue Fund 1
2018	(\$722,123,418)	(\$176,351,284)	\$0	(\$131,669)
2019	(\$680,099,853)	(\$221,405,191)	\$1,927,070,381	(\$94,912)
2020	(\$731,658,081)	(\$293,150,081)	\$0	(\$94,912)
2021	(\$756,926,885)	(\$328,713,028)	\$0	\$0
2022	(\$862,013,454)	(\$354,655,708)	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2017
2018	1.0
2019	1.0
2020	1.0
2021	0.0
2022	0.0

Fiscal Analysis

The bill would revise formulas used to determine entitlement under the Foundation School Program (FSP).

The bill would set the minimum basic allotment equal to \$5,140. The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY17.

The bill would add an allotment to the Foundation School Program (FSP) providing weighted funding for each student in average daily attendance (ADA) receiving instruction in a dyslexia program or who has received instruction in such a program and continues to receive academic modification and accommodation. Funding per ADA would be equal to a district's adjusted allotment multiplied by a weight of 0.1. Funding would be limited to a total of 5% of total ADA. Funding received through the allotment could only be used to provide services to students with dyslexia or related disorders.

The bill would increase the bilingual education allotment from 0.1 to 0.11. The bill would expand weighted funding under the FSP career and technology education (CTE) allotment to include participation by students in grade 8.

The bill would repeal a number of separate funding streams that either flow outside the equalized system or are not fully realized by all school districts due to exclusion from the calculation of the count of weighted students. The bill would repeal current provisions that result in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993.

Beginning with fiscal year 2019, the bill would defer the August Foundation School Fund (FSF) payment until early September.

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula.

The bill would take effect September 1, 2017 or on the 91st day after the end of the legislative session depending on the voting margin by which it is enacted.

Methodology

Fiscal implications to the state have been estimated assuming a basic allotment amount of \$5,350 beginning in fiscal year 2018 relative to a current law basic allotment amount of \$5,140. Under this scenario, the level of total entitlement previously distributed via the high school allotment, the allocation of aid for nonprofessional salaries, and the transportation allotment is assumed to flow through the increased basic allotment, with growth in the associated entitlement occurring in response to growth in the underlying student population and weighted student counts.

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$125 million in fiscal year 2018 and \$75 million in fiscal year 2019.

This estimate assumes that participation by Grade 8 students in CTE would phase-in gradually over several years as schools expand course offerings and adjust scheduling options to accommodate increased Grade 8 CTE enrollment at a cost of \$40.7 in fiscal year 2018 and \$51.5 in fiscal year 2019.

The bill would result in estimated state savings for the Foundation School Program for the 2018-2019 biennium. Increased state cost for FSP entitlement, including hardship grant awards, is estimated to be \$898.5 million in fiscal year 2018 and \$901.5 million in fiscal year 2019. This biennial cost of \$1,800.0 million would be offset in fiscal year 2019 by one-time savings of \$1,927.1 million due to changing the final FSF payment of the biennium from August 2019 to September 2019.

The bill would reduce recapture paid by school districts by approximately \$176.4 million in fiscal year 2018, \$221.4 million in fiscal year 2019, and \$354.7 million by fiscal year 2022.

Based on information provided by TEA, it is assumed that the agency would need to hire one fulltime equivalent for the administration of the hardship program at a cost of \$102,912 in fiscal year 2018, and \$94,912 in fiscal years 2019 and 2020, including salary, benefits, and other operating expenses. TEA also indicates an additional technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Technology

TEA indicates a technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Local Government Impact

Under the bill, 96 percent of school districts and charter schools serving 99 percent of students in average daily attendance would experience gains in revenue relative to current law for fiscal years 2018 and 2019. The bill includes a hardship grant program that would provide additional revenue to certain districts on a formula basis.

The bill would penalize school districts that fail or refuse to meet safety standards for school buses by reducing the district's basic allotment by \$125 per ADA. Under certain circumstances, a school district meeting certain geographic and student population characteristics would not be eligible for the FSP small or mid-sized district adjustment.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, AG, AM, AH

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017
Revision 1

July 31, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB21, Committee Report 1st House, Substituted: a positive impact of \$126,864,054 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$898,606,371)
2019	\$1,025,470,425
2020	(\$1,024,903,074)
2021	(\$1,085,639,913)
2022	(\$1,216,669,162)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Foundation School Fund 193</i>	Probable (Cost) from <i>Reduced Recapture 193</i>	Probable Savings from <i>Foundation School Fund 193</i>	Probable (Cost) from <i>General Revenue Fund 1</i>
2018	(\$722,123,418)	(\$176,351,284)	\$0	(\$131,669)
2019	(\$680,099,853)	(\$221,405,191)	\$1,927,070,381	(\$94,912)
2020	(\$731,658,081)	(\$293,150,081)	\$0	(\$94,912)
2021	(\$756,926,885)	(\$328,713,028)	\$0	\$0
2022	(\$862,013,454)	(\$354,655,708)	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2017
2018	1.0
2019	1.0
2020	1.0
2021	0.0
2022	0.0

Fiscal Analysis

The bill would revise formulas used to determine entitlement under the Foundation School Program (FSP).

The bill would set the minimum basic allotment equal to \$5,140. The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY17.

The bill would add an allotment to the Foundation School Program (FSP) providing weighted funding for each student in average daily attendance (ADA) receiving instruction in a dyslexia program or who has received instruction in such a program and continues to receive academic modification and accommodation. Funding per ADA would be equal to a district's adjusted allotment multiplied by a weight of 0.1. Funding would be limited to a total of 5% of total ADA. Funding received through the allotment could only be used to provide services to students with dyslexia or related disorders.

The bill would increase the bilingual education allotment from 0.1 to 0.11. The bill would expand weighted funding under the FSP career and technology education (CTE) allotment to include participation by students in grade 8.

The bill would repeal a number of separate funding streams that either flow outside the equalized system or are not fully realized by all school districts due to exclusion from the calculation of the count of weighted students. The bill would repeal current provisions that result in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993.

Beginning with fiscal year 2019, the bill would defer the August Foundation School Fund (FSF) payment until early September.

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula.

The bill would take effect September 1, 2017 or on the 91st day after the end of the legislative session depending on the voting margin by which it is enacted.

Methodology

Fiscal implications to the state have been estimated assuming a basic allotment amount of \$5,350 beginning in fiscal year 2018 relative to a current law basic allotment amount of \$5,140. Under this scenario, the level of total entitlement previously distributed via the high school allotment, the allocation of aid for nonprofessional salaries, and the transportation allotment is assumed to flow through the increased basic allotment, with growth in the associated entitlement occurring in response to growth in the underlying student population and weighted student counts.

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$125 million in fiscal year 2018 and \$75 million in fiscal year 2019.

This estimate assumes that participation by Grade 8 students in CTE would phase-in gradually over several years as schools expand course offerings and adjust scheduling options to accommodate increased Grade 8 CTE enrollment at a cost of \$40.7 in fiscal year 2018 and \$51.5 in fiscal year 2019.

The bill would result in estimated state savings for the Foundation School Program for the 2018-2019 biennium. Increased state cost for FSP entitlement, including hardship grant awards, is estimated to be \$898.5 million in fiscal year 2018 and \$901.5 million in fiscal year 2019. This biennial cost of \$1,800.0 million would be offset in fiscal year 2019 by one-time savings of \$1,927.1 million due to changing the final FSF payment of the biennium from August 2019 to September 2019.

The bill would reduce recapture paid by school districts by approximately \$176.4 million in fiscal year 2018, \$221.4 million in fiscal year 2019, and \$354.7 million by fiscal year 2022.

Based on information provided by TEA, it is assumed that the agency would need to hire one fulltime equivalent for the administration of the hardship program at a cost of \$102,912 in fiscal year 2018, and \$94,912 in fiscal years 2019 and 2020, including salary, benefits, and other operating expenses. TEA also indicates an additional technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Technology

TEA indicates a technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Local Government Impact

Under the bill, 96 percent of school districts and charter schools serving 99 percent of students in average daily attendance would experience gains in revenue relative to current law for fiscal years 2018 and 2019. The bill includes a hardship grant program that would provide additional revenue to certain districts on a formula basis.

The bill would penalize school districts that fail or refuse to meet safety standards for school buses by reducing the district's basic allotment by \$125 per ADA. Under certain circumstances, a school district meeting certain geographic and student population characteristics would not be eligible for the FSP small or mid-sized district adjustment.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, AG, AM, AH

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

July 25, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB21, Committee Report 1st House, Substituted: a positive impact of \$26,864,054 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$898,606,371)
2019	\$925,470,425
2020	(\$1,024,903,074)
2021	(\$1,085,639,913)
2022	(\$1,216,669,162)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from Foundation School Fund 193	Probable (Cost) from Reduced Recapture 193	Probable Savings from Foundation School Fund 193	Probable (Cost) from General Revenue Fund 1
2018	(\$722,123,418)	(\$176,351,284)	\$0	(\$131,669)
2019	(\$780,099,853)	(\$221,405,191)	\$1,927,070,381	(\$94,912)
2020	(\$731,658,081)	(\$293,150,081)	\$0	(\$94,912)
2021	(\$756,926,885)	(\$328,713,028)	\$0	\$0
2022	(\$862,013,454)	(\$354,655,708)	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2017
2018	1.0
2019	1.0
2020	1.0
2021	0.0
2022	0.0

Fiscal Analysis

The bill would revise formulas used to determine entitlement under the Foundation School Program (FSP).

The bill would set the minimum basic allotment equal to \$5,140. The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY17.

The bill would add an allotment to the Foundation School Program (FSP) providing weighted funding for each student in average daily attendance (ADA) receiving instruction in a dyslexia program or who has received instruction in such a program and continues to receive academic modification and accommodation. Funding per ADA would be equal to a district's adjusted allotment multiplied by a weight of 0.1. Funding would be limited to a total of 5% of total ADA. Funding received through the allotment could only be used to provide services to students with dyslexia or related disorders.

The bill would increase the bilingual education allotment from 0.1 to 0.11. The bill would expand weighted funding under the FSP career and technology education (CTE) allotment to include participation by students in grade 8.

The bill would repeal a number of separate funding streams that either flow outside the equalized system or are not fully realized by all school districts due to exclusion from the calculation of the count of weighted students. The bill would repeal current provisions that result in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993.

Beginning with fiscal year 2019, the bill would defer the August Foundation School Fund (FSF) payment until early September.

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula.

Beginning in fiscal year 2019, the bill would provide additional state aid to charter schools equal to the guaranteed level of state and local funds per cent of tax effort under Section 46.032(a) of the Education Code multiplied by the state average interest and sinking fund tax rate imposed by school districts for the current year, up to \$25 million per year. Beginning in fiscal year 2019, the bill would increase the guaranteed yield for the FSP Existing Debt Allotment for school districts

each year to the lesser of \$40 or the amount that would result in a \$75 million increase in state aid from the level of state aid provided by a yield of \$35.

The bill would take effect September 1, 2017 or on the 91st day after the end of the legislative session depending on the voting margin by which it is enacted.

Methodology

Fiscal implications to the state have been estimated assuming a basic allotment amount of \$5,350 beginning in fiscal year 2018 relative to a current law basic allotment amount of \$5,140. Under this scenario, the level of total entitlement previously distributed via the high school allotment, the allocation of aid for nonprofessional salaries, and the transportation allotment is assumed to flow through the increased basic allotment, with growth in the associated entitlement occurring in response to growth in the underlying student population and weighted student counts.

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$125 million in fiscal year 2018 and \$75 million in fiscal year 2019.

Based on current information concerning the average debt service rate, the additional state aid delivered to charter schools for facilities would be controlled by the limit specified in the bill of \$25 million per year, beginning in fiscal year 2019. Likewise, the guaranteed yield for the Existing Debt Allotment for school districts would increase to an effective guarantee level that would be less than \$40, providing additional state aid equal to \$75 million, beginning in fiscal year 2019. This estimate assumes that participation by Grade 8 students in CTE would phase-in gradually over several years as schools expand course offerings and adjust scheduling options to accommodate increased Grade 8 CTE enrollment at a cost of \$40.7 in fiscal year 2018 and \$51.5 in fiscal year 2019.

The bill would result in estimated state savings for the Foundation School Program for the 2018-2019 biennium. Increased state cost for FSP entitlement, including hardship grant awards, is estimated to be \$898.5 million in fiscal year 2018 and \$1,001.5 million in fiscal year 2019. This biennial cost of \$1,900.0 million would be offset in fiscal year 2019 by one-time savings of \$1,927.1 million due to changing the final FSF payment of the biennium from August 2019 to September 2019.

The bill would reduce recapture paid by school districts by approximately \$176.4 million in fiscal year 2018, \$221.4 million in fiscal year 2019, and \$354.7 million by fiscal year 2022.

Based on information provided by TEA, it is assumed that the agency would need to hire one full-time equivalent for the administration of the hardship program at a cost of \$102,912 in fiscal year 2018, and \$94,912 in fiscal years 2019 and 2020, including salary, benefits, and other operating expenses. TEA also indicates an additional technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Technology

TEA indicates a technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Local Government Impact

Under the bill, 96 percent of school districts and charter schools serving 99 percent of students in average daily attendance would experience gains in revenue relative to current law for fiscal years 2018 and 2019. The bill includes a hardship grant program that would provide additional revenue to certain districts on a formula basis. The bill provides additional state aid to charter schools for facilities funding. School districts with eligible debt service that have local yields below the increased guarantee level for the Existing Debt Allotment provided by bill would realize additional state aid.

The bill would penalize school districts that fail or refuse to meet safety standards for school buses by reducing the district's basic allotment by \$125 per ADA. Under certain circumstances, a school district meeting certain geographic and student population characteristics would not be eligible for the FSP small or mid-sized district adjustment.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, AG, AM, AH

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017
Revision 1**

July 31, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB21, As Introduced: a positive impact of \$160,087,857 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$857,942,413)
2019	\$1,018,030,270
2020	(\$958,441,853)
2021	(\$1,009,302,094)
2022	(\$1,079,216,072)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Foundation School Fund 193</i>	Probable (Cost) from <i>Reduced Recapture 193</i>	Probable Savings from <i>Foundation School Fund 193</i>	Probable (Cost) from <i>General Revenue Fund 1</i>
2018	(\$684,950,039)	(\$172,860,705)	\$0	(\$131,669)
2019	(\$692,485,987)	(\$216,459,212)	\$1,927,070,381	(\$94,912)
2020	(\$673,534,733)	(\$284,812,208)	\$0	(\$94,912)
2021	(\$690,835,542)	(\$318,466,552)	\$0	\$0
2022	(\$737,499,212)	(\$341,716,860)	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2017
2018	1.0
2019	1.0
2020	1.0
2021	0.0
2022	0.0

Fiscal Analysis

The bill would revise formulas used to determine entitlement under the Foundation School Program (FSP).

The bill would set the minimum basic allotment equal to \$5,140. The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY17.

The bill would add an allotment to the Foundation School Program (FSP) providing weighted funding for each student in average daily attendance (ADA) receiving instruction in a dyslexia program or who has received instruction in such a program and continues to receive academic modification and accommodation. Funding per ADA would be equal to a district's adjusted allotment multiplied by a weight of 0.1. Funding would be limited to a total of 5% of total ADA. Funding received through the allotment could only be used to provide services to students with dyslexia or related disorders.

The bill would increase the bilingual education allotment from 0.1 to 0.11.

The bill would repeal a number of separate funding streams that either flow outside the equalized system or are not fully realized by all school districts due to exclusion from the calculation of the count of weighted students. The bill would repeal current provisions that result in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993.

Beginning with fiscal year 2019, the bill would defer the August Foundation School Fund (FSF) payment until early September.

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula.

Beginning in fiscal year 2019, the bill would provide additional state aid to charter schools equal to the guaranteed level of state and local funds per cent of tax effort under Section 46.032(a) of the Education Code multiplied by the state average interest and sinking fund tax rate imposed by school districts for the current year, up to \$25 million per year. Beginning in fiscal year 2019, the bill would increase the guaranteed yield for the FSP Existing Debt Allotment for school districts each year to the lesser of \$40 or the amount that would result in a \$75 million increase in state aid from the level of state aid provided by a yield of \$35.

The bill would take effect September 1, 2017 or on the 91st day after the end of the legislative session depending on the voting margin by which it is enacted.

Methodology

Fiscal implications to the state have been estimated assuming a basic allotment amount of \$5,350 beginning in fiscal year 2018 relative to a current law basic allotment amount of \$5,140. Under this scenario, the level of total entitlement previously distributed via the high school allotment, the allocation of aid for nonprofessional salaries, and the transportation allotment is assumed to flow through the increased basic allotment, with growth in the associated entitlement occurring in response to growth in the underlying student population and weighted student counts.

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$125.0 million in fiscal year 2018 and \$34 million in fiscal year 2019.

Based on current information concerning the average debt service rate, the additional state aid delivered to charter schools for facilities would be controlled by the limit specified in the bill of \$25 million per year, beginning in fiscal year 2019. Likewise, the guaranteed yield for the Existing Debt Allotment for school districts would increase to an effective guarantee level that would be less than \$40, providing additional state aid equal to \$75 million, beginning in fiscal year 2019.

The bill would result in estimated state savings for the Foundation School Program for the 2018-2019 biennium. Increased state cost for FSP entitlement, including hardship grant awards, is estimated to be \$857.8 million in fiscal year 2018 and \$908.9 million in fiscal year 2019. This biennial cost of \$1,766.8 million would be offset in fiscal year 2019 by one-time savings of \$1,927.1 million due to changing the final FSF payment of the biennium from August 2019 to September 2019.

The bill would reduce recapture paid by school districts by approximately \$172.9 million in fiscal year 2018, \$216.5 million in fiscal year 2019, and \$341.7 million by fiscal year 2022.

Based on information provided by TEA, it is assumed that the agency would need to hire one full-time equivalent for the administration of the hardship program at a cost of \$102,912 in fiscal year 2018, and \$94,912 in fiscal years 2019 and 2020, including salary, benefits, and other operating expenses. TEA also indicates an additional technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Technology

TEA indicates a technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Local Government Impact

Under the bill, 96 percent of school districts and charter schools serving 99 percent of students in average daily attendance would experience gains in revenue relative to current law for fiscal years 2018 and 2019. The bill includes a hardship grant program that would provide additional revenue

to certain districts on a formula basis. The bill provides additional state aid to charter schools for facilities funding. School districts with eligible debt service that have local yields below the increased guarantee level for the Existing Debt Allotment provided by bill would realize additional state aid.

The bill would penalize school districts that fail or refuse to meet safety standards for school buses by reducing the district's basic allotment by \$125 per ADA. Under certain circumstances, a school district meeting certain geographic and student population characteristics would not be eligible for the FSP small or mid-sized district adjustment.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, AG, AM, AH, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

July 24, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB21, As Introduced: a positive impact of \$160,087,857 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$857,942,413)
2019	\$1,018,030,270
2020	(\$958,441,853)
2021	(\$1,009,302,094)
2022	(\$1,079,216,072)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Foundation School Fund 193</i>	Probable (Cost) from <i>Reduced Recapture 193</i>	Probable Savings from <i>Foundation School Fund 193</i>	Probable (Cost) from <i>General Revenue Fund 1</i>
2018	(\$684,950,039)	(\$172,860,705)	\$0	(\$131,669)
2019	(\$692,485,987)	(\$216,459,212)	\$1,927,070,381	(\$94,912)
2020	(\$673,534,733)	(\$284,812,208)	\$0	(\$94,912)
2021	(\$690,835,542)	(\$318,466,552)	\$0	\$0
2022	(\$737,499,212)	(\$341,716,860)	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2017
2018	1.0
2019	1.0
2020	1.0
2021	0.0
2022	0.0

Fiscal Analysis

The bill would revise formulas used to determine entitlement under the Foundation School Program (FSP).

The bill would set the minimum basic allotment equal to \$5,140. The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY17.

The bill would add an allotment to the Foundation School Program (FSP) providing weighted funding for each student in average daily attendance (ADA) receiving instruction in a dyslexia program or who has received instruction in such a program and continues to receive academic modification and accommodation. Funding per ADA would be equal to a district's adjusted allotment multiplied by a weight of 0.1. Funding would be limited to a total of 5% of total ADA. Funding received through the allotment could only be used to provide services to students with dyslexia or related disorders.

The bill would increase the bilingual education allotment from 0.1 to 0.11.

The bill would repeal a number of separate funding streams that either flow outside the equalized system or are not fully realized by all school districts due to exclusion from the calculation of the count of weighted students. The bill would repeal current provisions that result in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993.

Beginning with fiscal year 2019, the bill would defer the August Foundation School Fund (FSF) payment until early September.

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula.

Beginning in fiscal year 2019, the bill would provide additional state aid to charter schools equal to the guaranteed level of state and local funds per cent of tax effort under Section 46.032(a) of the Education Code multiplied by the state average interest and sinking fund tax rate imposed by school districts for the current year, up to \$25 million per year. Beginning in fiscal year 2019, the bill would increase the guaranteed yield for the FSP Existing Debt Allotment for school districts each year to the lesser of \$40 or the amount that would result in a \$75 million increase in state aid from the level of state aid provided by a yield of \$35.

The bill would take effect September 1, 2017 or on the 91st day after the end of the legislative session depending on the voting margin by which it is enacted.

Methodology

Fiscal implications to the state have been estimated assuming a basic allotment amount of \$5,350 beginning in fiscal year 2018 relative to a current law basic allotment amount of \$5,140. Under this scenario, the level of total entitlement previously distributed via the high school allotment, the allocation of aid for nonprofessional salaries, and the transportation allotment is assumed to flow through the increased basic allotment, with growth in the associated entitlement occurring in response to growth in the underlying student population and weighted student counts.

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$125.0 million in fiscal year 2018 and \$34 million in fiscal year 2019.

Based on current information concerning the average debt service rate, the additional state aid delivered to charter schools for facilities would be controlled by the limit specified in the bill of \$25 million per year, beginning in fiscal year 2019. Likewise, the guaranteed yield for the Existing Debt Allotment for school districts would increase to an effective guarantee level that would be less than \$40, providing additional state aid equal to \$75 million, beginning in fiscal year 2019.

The bill would result in estimated state savings for the Foundation School Program for the 2018-2019 biennium. Increased state cost for FSP entitlement, including hardship grant awards, is estimated to be \$857.8 million in fiscal year 2018 and \$908.9 million in fiscal year 2019. This biennial cost of \$1,766.8 million would be offset in fiscal year 2019 by one-time savings of \$1,927.1 million due to changing the final FSF payment of the biennium from August 2019 to September 2019.

The bill would reduce recapture paid by school districts by approximately \$172.9 million in fiscal year 2018, \$216.5 million in fiscal year 2019, and \$341.7 million by fiscal year 2022.

Based on information provided by TEA, it is assumed that the agency would need to hire one full-time equivalent for the administration of the hardship program at a cost of \$102,912 in fiscal year 2018, and \$94,912 in fiscal years 2019 and 2020, including salary, benefits, and other operating expenses. TEA also indicates an additional technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Technology

TEA indicates a technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

Local Government Impact

Under the bill, 96 percent of school districts and charter schools serving 99 percent of students in average daily attendance would experience gains in revenue relative to current law for fiscal years 2018 and 2019. The bill includes a hardship grant program that would provide additional revenue

to certain districts on a formula basis. The bill provides additional state aid to charter schools for facilities funding. School districts with eligible debt service that have local yields below the increased guarantee level for the Existing Debt Allotment provided by bill would realize additional state aid.

The bill would penalize school districts that fail or refuse to meet safety standards for school buses by reducing the district's basic allotment by \$125 per ADA. Under certain circumstances, a school district meeting certain geographic and student population characteristics would not be eligible for the FSP small or mid-sized district adjustment.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, AG, AM, AH

LEGISLATIVE BUDGET BOARD

Austin, Texas

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

85TH LEGISLATURE 1st CALLED SESSION - 2017

August 11, 2017

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **Committee Report 2nd House, Substituted**

The bill would gradually increase the small district multiplier applicable to school districts having fewer than 1,600 students and encompassing less than 300 square miles until the multiplier is equal to that provided for school districts with fewer than 1,600 students that encompass 300 or more square miles. More than 50% of the additional revenue produced through the increased adjustment would flow to districts in the two lowest quintiles of property wealth per weighted student beginning in FY19.

The bill would provide a program of hardship grant awards on a formula basis for fiscal years 2018 and 2019. The formula would provide aid for changes in the statutory structure of the FSP that occur after January 1, 2017 within the parameters of specific eligibility criteria. Under this language, the formula for grant awards would recognize effects related to the expiration of Additional State Aid for Tax Reduction (ASATR) and effects resulting from legislation enacted by the 85th Legislature affecting Chapters 41 and 42 Education Code. Hardship grant awards would primarily flow to school districts in the two highest quintiles of wealth per WADA. Current estimates indicate 90% or more of hardship grant funding in each year would flow to districts in the two highest quintiles of wealth per WADA.

Beginning in FY19, the bill would increase the guarantee level for school district debt service equalized under the Existing Debt Allotment. The current guarantee level of \$35.00 would be increased to the lesser of \$40 or the guarantee level that would increase state aid by \$60 million. The additional equalization would primarily benefit districts having lower property wealth per student.

Source Agencies:

LBB Staff: UP, AG

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

85TH LEGISLATURE 1st CALLED SESSION - 2017

August 9, 2017

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **As Engrossed**

The bill would make formula and structural changes to the Foundation School Program. The bill contains a number of elements that would be anticipated to improve equity among Texas school districts relative to current law. The bill would also provide a formula-based hardship grant award that would flow primarily to school districts in the two highest quintiles of wealth per WADA. The hardship grant award mechanism would expire at the end of fiscal year 2019.

The bill would repeal several funding streams that either flow outside the Foundation School Program's (FSP) equalized system or are not fully realized by all school districts. Among these provisions are: aid provided for the purpose of paying nonprofessional staff wage supplements which currently flows entirely outside the equalized system; the high school allotment which is codified as a Tier 1 FSP allotment but, per statute, flows outside of the operation of the Tier 1 equalized system; and the transportation allotment which also is codified as a Tier 1 allotment but stops short of functioning fully since its lack of inclusion in the calculation of weighted average daily attendance (WADA) prevents a reduction in recapture similar to that experienced for standard Tier 1 allotments, such as the regular program allotment. Flowing similar or increased levels of funding through the basic allotment in place of the existing structures would move the revenue inside the equalized system of the FSP.

The bill would repeal statute that results in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993. Having a higher equalized wealth level allows a district to keep more revenue per WADA than an equally wealthy district that is held to the statutory equalized wealth level. The repeal of Section 41.002(e)-(g), Education Code, proposed under the bill would eliminate this access to additional unequalized revenue by ensuring that the standard equalized wealth level applies to all districts.

Beginning in fiscal year 2018, the bill would provide increased FSP entitlement through the equalized FSP formula system to about 96% of school districts and more than 98% of students.

The bill would provide a program of hardship grant awards on a formula basis for fiscal years 2018 and 2019. The formula would provide aid for changes in the statutory structure of the FSP that occur after January 1, 2017. Under this language, the formula for grant awards would recognize effects related to the expiration of Additional State Aid for Tax Reduction (ASATR) and effects resulting from legislation enacted during the 85th legislative session affecting Chapters

41 and 42 Education Code. Hardship grant awards would primarily flow to school districts in the two highest quintiles of wealth per WADA. Current estimates for HB21 indicate more than 90% of hardship grant funding in each year would flow to districts in the two highest quintiles of wealth per WADA.

Source Agencies:

LBB Staff: UP, AG

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

85TH LEGISLATURE 1st CALLED SESSION - 2017

Revision 1

July 31, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **Committee Report 1st House, Substituted**

The bill would make formula and structural changes to the Foundation School Program. The bill contains a number of elements that would be anticipated to improve equity among Texas school districts relative to current law. The bill would also provide a formula-based hardship grant award that would flow primarily to school districts in the two highest quintiles of wealth per WADA. The hardship grant award mechanism would expire at the end of fiscal year 2019.

The bill would repeal several funding streams that either flow outside the Foundation School Program's (FSP) equalized system or are not fully realized by all school districts. Among these provisions are: aid provided for the purpose of paying nonprofessional staff wage supplements which currently flows entirely outside the equalized system; the high school allotment which is codified as a Tier 1 FSP allotment but, per statute, flows outside of the operation of the Tier 1 equalized system; and the transportation allotment which also is codified as a Tier 1 allotment but stops short of functioning fully since its lack of inclusion in the calculation of weighted average daily attendance (WADA) prevents a reduction in recapture similar to that experienced for standard Tier 1 allotments, such as the regular program allotment. Flowing similar or increased levels of funding through the basic allotment in place of the existing structures would move the revenue inside the equalized system of the FSP.

The bill would repeal statute that results in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993. Having a higher equalized wealth level allows a district to keep more revenue per WADA than an equally wealthy district that is held to the statutory equalized wealth level. The repeal of Section 41.002(e)-(g), Education Code, proposed under the bill would eliminate this access to additional unequalized revenue by ensuring that the standard equalized wealth level applies to all districts.

Beginning in fiscal year 2018, the bill would provide increased FSP entitlement through the equalized FSP formula system to about 96% of school districts and more than 98% of students.

The bill would provide a program of hardship grant awards on a formula basis for fiscal years 2018 and 2019. The formula would provide aid for changes in the statutory structure of the FSP that occur after January 1, 2017. Under this language, the formula for grant awards would

recognize effects related to the expiration of Additional State Aid for Tax Reduction (ASATR) and effects resulting from legislation enacted during the 85th legislative session affecting Chapters 41 and 42 Education Code. Hardship grant awards would primarily flow to school districts in the two highest quintiles of wealth per WADA. Current estimates for HB21 indicate more than 90% of hardship grant funding in each year would flow to districts in the two highest quintiles of wealth per WADA.

Source Agencies:

LBB Staff: UP, AG

LEGISLATIVE BUDGET BOARD
Austin, Texas

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

85TH LEGISLATURE 1st CALLED SESSION - 2017

July 25, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **Committee Report 1st House, Substituted**

The bill would make formula and structural changes to the Foundation School Program. The bill contains a number of elements that would be anticipated to improve equity among Texas school districts relative to current law. The bill would also provide a formula-based hardship grant award that would flow primarily to school districts in the two highest quintiles of wealth per WADA. The hardship grant award mechanism would expire at the end of fiscal year 2019.

The bill would repeal several funding streams that either flow outside the Foundation School Program's (FSP) equalized system or are not fully realized by all school districts. Among these provisions are: aid provided for the purpose of paying nonprofessional staff wage supplements which currently flows entirely outside the equalized system; the high school allotment which is codified as a Tier 1 FSP allotment but, per statute, flows outside of the operation of the Tier 1 equalized system; and the transportation allotment which also is codified as a Tier 1 allotment but stops short of functioning fully since its lack of inclusion in the calculation of weighted average daily attendance (WADA) prevents a reduction in recapture similar to that experienced for standard Tier 1 allotments, such as the regular program allotment. Flowing similar or increased levels of funding through the basic allotment in place of the existing structures would move the revenue inside the equalized system of the FSP.

The bill would repeal statute that results in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993. Having a higher equalized wealth level allows a district to keep more revenue per WADA than an equally wealthy district that is held to the statutory equalized wealth level. The repeal of Section 41.002(e)-(g), Education Code, proposed under the bill would eliminate this access to additional unequalized revenue by ensuring that the standard equalized wealth level applies to all districts.

Beginning in fiscal year 2018, the bill would provide increased FSP entitlement through the equalized FSP formula system to about 96% of school districts and more than 98% of students.

The bill would provide a program of hardship grant awards on a formula basis for fiscal years 2018 and 2019. The formula would provide aid for changes in the statutory structure of the FSP that occur after January 1, 2017. Under this language, the formula for grant awards would recognize effects related to the expiration of Additional State Aid for Tax Reduction (ASATR) and

effects resulting from legislation enacted during the 85th legislative session affecting Chapters 41 and 42 Education Code. Hardship grant awards would primarily flow to school districts in the two highest quintiles of wealth per WADA. Current estimates for HB21 indicate more than 90% of hardship grant funding in each year would flow to districts in the two highest quintiles of wealth per WADA.

Beginning in FY19, the bill would increase the guarantee level for school district debt service equalized under the Existing Debt Allotment. The current guarantee level of \$35.00 would be increased to the lesser of \$40 or the guarantee level that would increase state aid by \$75 million. The additional equalization would primarily benefit districts having lower property wealth per student.

Source Agencies:

LBB Staff: UP, AG

LEGISLATIVE BUDGET BOARD
Austin, Texas

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

85TH LEGISLATURE 1st CALLED SESSION - 2017

Revision 1

July 31, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **As Introduced**

The bill would make formula and structural changes to the Foundation School Program. The bill contains a number of elements that would be anticipated to improve equity among Texas school districts relative to current law. The bill would also provide a formula-based hardship grant award that would flow primarily to school districts in the two highest quintiles of wealth per WADA. The hardship grant award mechanism would expire at the end of fiscal year 2019.

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Source Agencies:

LBB Staff: UP, AG

LEGISLATIVE BUDGET BOARD
Austin, Texas

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

85TH LEGISLATURE 1st CALLED SESSION - 2017

July 24, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB21 by Huberty (Relating to the public school finance system.), **As Introduced**

The bill would make formula and structural changes to the Foundation School Program. The bill contains a number of elements that would be anticipated to improve equity among Texas school districts relative to current law. The bill would also provide a formula-based hardship grant award that would flow primarily to school districts in the two highest quintiles of wealth per WADA. The hardship grant award mechanism would expire at the end of fiscal year 2019.

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