

Chapter 424

S.B. No. 1318

AN ACT

1  
2 relating to designation of mathematics innovation zones by the  
3 commissioner of education and to the establishment of pay for  
4 success programs to provide necessary funding.

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

6 SECTION 1. Subchapter A, Chapter 28, Education Code, is  
7 amended by adding Section 28.020 to read as follows:

8 Sec. 28.020. MATHEMATICS INNOVATION ZONES. (a) The  
9 commissioner may:

10 (1) on application of a school district or  
11 open-enrollment charter school, designate a campus of the district  
12 or school as a mathematics innovation zone; and

13 (2) from funds appropriated or donated for purposes of  
14 this section, award a grant to support implementation of innovative  
15 mathematics instruction at the campus in accordance with this  
16 section.

17 (a-1) The total amount of grants awarded under this section  
18 during the state fiscal biennium ending August 31, 2019, may not  
19 exceed \$12.5 million. This subsection expires December 1, 2019.

20 (b) A campus designated as a mathematics innovation zone  
21 must:

22 (1) implement with fidelity an innovative mathematics  
23 instructional program approved by the commissioner for purposes of  
24 this section that addresses the essential knowledge and skills of

1 the mathematics curriculum required by Section 28.002;

2 (2) comply with objectives, metrics, and other  
3 mathematics innovation zone requirements imposed by the  
4 commissioner through rules adopted under Subsection (g); and

5 (3) provide all data relating to the mathematics  
6 innovation zone requested by the agency.

7 (c) A campus designated as a mathematics innovation zone is  
8 not subject to interventions under the state accountability system  
9 described by Section 39.107(a) or (e) for the first two years of the  
10 designation, provided that the campus implements the instructional  
11 program with fidelity and complies with each mathematics innovation  
12 zone requirement to the satisfaction of the commissioner. The  
13 period that a campus is exempt from interventions as provided by  
14 this subsection is not:

15 (1) included in calculating consecutive school years  
16 under Section 39.107(a) or (e); or

17 (2) considered a break in consecutive school years of  
18 unacceptable ratings for purposes of determining the need for  
19 intervention under Section 39.107(a) or (e).

20 (d) The commissioner may revoke designation of a campus as a  
21 mathematics innovation zone and suspend associated grant funding if  
22 the commissioner determines that the campus has failed to implement  
23 the instructional program with fidelity or comply with any  
24 requirement imposed under this section.

25 (e) A school district or open-enrollment charter school may  
26 use a pay for success program approved by the commissioner under  
27 Section 44.904 to pay costs associated with designation of a campus

1 as a mathematics innovation zone.

2 (f) The commissioner may accept gifts, grants, or donations  
3 from any public or private source for purposes of this section.

4 (g) The commissioner may adopt rules as necessary to  
5 administer this section.

6 (h) A decision or determination by the commissioner under  
7 this section is final and may not be appealed.

8 SECTION 2. Subchapter Z, Chapter 44, Education Code, is  
9 amended by adding Section 44.904 to read as follows:

10 Sec. 44.904. PAY FOR SUCCESS PROGRAMS. (a) In this  
11 section, "pay for success program" means a program involving  
12 private financing under which payments are dependent on achievement  
13 of measurable outcomes.

14 (b) The commissioner may:

15 (1) structure and approve pay for success programs for  
16 use by a school district or open-enrollment charter school;

17 (2) evaluate and approve the following participants in  
18 a pay for success program:

19 (A) a private investor;

20 (B) an education service provider; and

21 (C) a third-party evaluator; and

22 (3) require an approved participant to comply with the  
23 objectives, metrics, and other pay for success program requirements  
24 prescribed by the commissioner.

25 (c) In evaluating a potential participant under Subsection  
26 (b)(2), the commissioner may:

27 (1) verify the availability and liquidity of the

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1 investment funds of a private investor;

2 (2) evaluate the credentials and effectiveness of an  
3 education service provider; and

4 (3) evaluate the credentials and independence of a  
5 third-party evaluator.

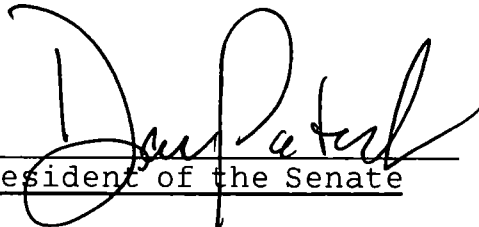
6 (d) Notwithstanding any other law, a school district or  
7 open-enrollment charter school that uses a pay for success program  
8 approved by the commissioner is not subject to state procurement  
9 requirements that would otherwise apply to the activity funded  
10 through the program.

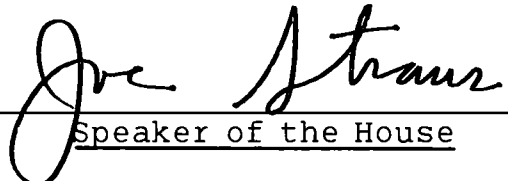
11 (e) The commissioner, the agency, and agency employees are  
12 immune from liability for actions associated with the structuring,  
13 approval, or implementation of a pay for success program.

14 (f) The commissioner may adopt rules as necessary to  
15 implement this section.

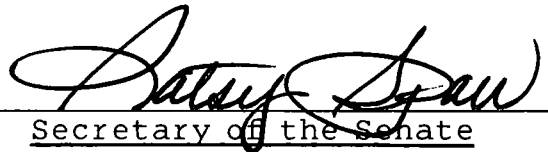
16 SECTION 3. This Act takes effect September 1, 2017.

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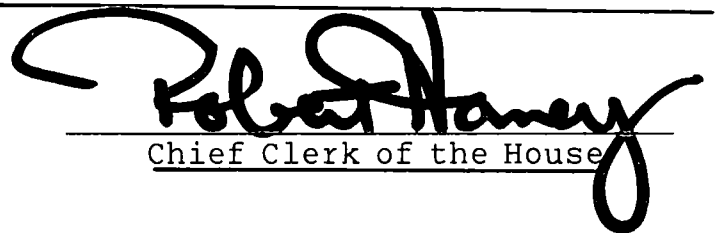
  
President of the Senate

  
Speaker of the House

I hereby certify that S.B. No. 1318 passed the Senate on May 4, 2017, by the following vote: Yeas 31, Nays 0. \_\_\_\_\_

  
Secretary of the Senate

I hereby certify that S.B. No. 1318 passed the House on May 23, 2017, by the following vote: Yeas 146, Nays 0, one present not voting. \_\_\_\_\_


  
Chief Clerk of the House

Approved:

5-31-2017  
Date

  
Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
2:00 PM O'CLOCK

JUN 01 2017  
  
Secretary of State

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 1, 2017**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1318** by Taylor, Van (Relating to designation of mathematics innovation zones by the commissioner of education and to the establishment of pay for success programs to provide necessary funding.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1318, Committee Report 1st House, Substituted: a negative impact of (\$12,500,000) through the biennium ending August 31, 2019; the bill limits the allocation to eligible campuses for the program to \$12,500,000 for the 2018-19 biennium.

Costs discussed in this estimate beginning in fiscal year 2020 are based on anticipated program design and participation in subsequent years.

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	(\$6,250,000)
2019	(\$6,250,000)
2020	(\$9,984,212)
2021	(\$9,984,212)
2022	(\$9,984,212)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2017
2018	(\$6,250,000)	2.0
2019	(\$6,250,000)	2.0
2020	(\$9,984,212)	2.0
2021	(\$9,984,212)	2.0
2022	(\$9,984,212)	2.0

## **Fiscal Analysis**

The bill would amend the Education Code to allow the Commissioner of Education to award a grant to a campus at a school district or open-enrollment charter school, designated by the Commissioner upon application, as a mathematics innovation zone. The bill would specify the requirements and certain intervention allowances under the state accountability system for a campus designated as a mathematics innovation zone. The bill would allow the Commissioner to revoke the mathematics innovation zone designation and suspend grant funding under certain circumstances.

The bill defines a pay for success program as a program involving private financing under which payments are dependent on achievement of measurable outcomes. The bill would allow a school district or open-enrollment charter school to use a pay for success program approved by the Commissioner under Education Code, Section 44.04 to pay costs associated with the designation of a campus. The bill would allow the Commissioner to accept gifts, grants, or donations from any public or private source, and adopt rules as necessary to administer, and implement the mathematics innovation zone program. The bill would limit the 2018-19 biennial funding to \$12.5 million.

The bill would amend Education Code to allow the Commissioner to structure and approve pay for success programs for use by a school district or open-enrollment charter school; evaluate and approve certain participants in a pay for success program; and require an approved participant to comply with the objectives, metrics, and other pay for success program requirements determined by the Commissioner. The bill would allow the Commissioner to evaluate potential participants in certain ways. The bill would exempt a school district or open-enrollment charter schools using a pay for success program approved by the Commissioner from certain state procurement requirements, and grant the Commissioner, the agency, and agency employees immunity for actions associated with the program.

The bill would take effect September 1, 2017.

## **Methodology**

The bill specifies the total amount of funding distributed to eligible campuses for the mathematics innovation zone grants may not exceed \$12.5 million in the 2018-19 biennium. The Texas Education Agency (TEA) estimates grant funding, including start-up technology, teacher support and training, planning, program implementation, and agency administration cost related to program operation, would total \$6.25 million in fiscal years 2018 and 2019.

Following the 2018-19 biennium, the bill does not specify a maximum appropriation. Beginning in fiscal year 2020, this analysis assumes costs based on anticipated program design and participation. However, actual program costs will be limited to amounts appropriated for that purpose.

Beginning in fiscal year 2020, designating eligible campuses as mathematics innovation zones and awarding funding for that purpose would result in a cost of approximately \$10 million in each fiscal year. As specified by the bill, the Commissioner may award a grant to support school district and open-enrollment charter school implementation of a campus designated as a mathematics innovation zone and adopt rules necessary to administer the grant program. The Texas Education Agency (TEA) estimates two-year grants would be awarded to 20 public schools for fiscal years 2018 and 2019, totaling \$9.7 million in grant awards (20 grantees x \$485,000) in each fiscal year. Following the 2018-19 biennium, TEA anticipates awarding grants in a similar way so that two-

year grants are awarded every biennium.

For purposes of grant implementation, TEA estimates that mathematics innovation zone grants would be awarded to the same 20 districts for two consecutive years. According to TEA, the first two years of the program would include a planning year and then the first year of implementation. For example, in year one (fiscal year 2018), selected districts and charters would be awarded grant funding for start-up technology, teacher support and training, and planning. In year two (fiscal year 2019), selected districts and charters would be awarded grant funding for first year student participation and continued implementation planning. TEA estimates structuring the mathematics innovation zone grants so that participating districts and charters would continue grade-level expansion for three years following the grant, but would use their own local funds for that purpose.

As specified by the bill, the Commissioner would be allowed to structure and approve pay for success programs for use by a school district or open-enrollment charter school. For purposes of the mathematics innovation zone grants, TEA indicates the Commissioner would select, through an Request for Qualification (RFQ), one or more vendors of high quality blended learning mathematics systems that districts can use in their kindergarten to Grade 8 classes. The Commissioner would require each selected system to provide a mechanism to assess the quality of implementation and have some evidence that a high quality implementation has been associated with higher levels of gains on state assessments.

According to TEA, pay for success programs would allow participating districts and charter schools a method to finance the changes necessary to successfully implement mathematics innovation zone practices upon conclusion of grant funding, and prior to using local funds. TEA estimates that after identifying investors to provide funding for the mathematics innovation zone grants, participating districts and charters would be required to implement the system at a high quality level. In structuring the pay for success program, TEA would select independent evaluators that would be used to determine both whether the quality implementation levels have been reached and to assess outcomes; and structure payback arrangements contingent upon whether those independent evaluators identified gains in state assessment proficiency rates.

TEA estimates that two FTEs would be required to determine eligible high quality and cost effective math curriculum programs to be used by districts and charter schools; design a designation process, grant opportunities, and the pay for success program; assist with rule adoption; monitor and review accountability requirements; and assist with the revocation process if necessary. The estimated cost of the FTEs, including salary, benefits, and other operating expenses, would be \$300,212 in fiscal year 2018 and \$284,212 in subsequent years.

### **Local Government Impact**

School districts and charter schools participating in mathematics innovation zone grants would incur costs related to teacher training, software, and hardware acquisitions. According to the Texas Education Agency (TEA), these initial costs would be offset by grant funds received by participating districts and charters. However, participating districts and charters would be required to use local funds to support these blended learning systems upon completion of the grant. Participation in the grant program would be voluntary.

In addition, school districts and charter schools would incur costs associated with participation in the pay for success program if the quality indicators were achieved by the district or charter. In these cases, districts and charter would be required to use local funds to pay the investor principal plus interest as determined through the payback structure designed by TEA.



However, participation in the pay for success program would be voluntary.

TEA estimates participating districts and charters could partially offset costs through changes to instructional materials purchase and staffing adjustments related to implementation of mathematics blended learning systems.

**Source Agencies:** 701 Texas Education Agency

**LBB Staff:** UP, AW, THo, AM

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 3, 2017**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1318** by Taylor, Van (Relating to designation of mathematics innovation zones by the commissioner of education and to the establishment of pay for success programs to provide necessary funding.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1318, As Introduced: a negative impact of (\$19,984,424) 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
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The bill would take effect September 1, 2017.

### **Methodology**

Designating eligible campuses as mathematics innovation zones and awarding funding for that purpose would result in a cost of approximately \$10 million in each fiscal year.

As specified by the bill, the Commissioner may award a grant to support school district and open-enrollment charter school implementation of a campus designated as a mathematics innovation zone and adopt rules necessary to administer the grant program. The Texas Education Agency (TEA) estimates two-year grants would be awarded to 20 public schools for fiscal years 2018 and 2019, totaling \$9.7 million in grant awards (20 grantees x \$485,000) in each fiscal year. Following the 2018-19 biennium, TEA anticipates awarding grants in a similar way so that two-year grants are awarded every biennium.

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