



TEXAS LEGISLATIVE STUDY GROUP

An Official Caucus of the Texas House of Representatives

Representative:

Desk:

Bill Analysis for House Bill 3

Wednesday, April 3, 2019

Author: Rep. Dan Huberty Committee: Public Education

Recommendation: Favorable

CSHB 3 Evaluated By: Marissa Gorena
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OVERVIEW

The committee substitute for HB 3 is the most significant attempt to update and improve the public school finance system in several sessions. CSHB 3 would adjust the school finance formulas to better sustain the Foundation School Program (FSP) by requiring available state funds to be used before requesting locally generated revenue.

CSHB 3 allocates \$9 billion state dollars approved by the Texas House HB 1 budget; designating \$6.3 billion for public education and \$2.7 billion for property tax relief over the biennium, providing a statewide average of approximately \$890 per pupil in additional funding.




The LSG encourages members to look carefully at the runs to determine the impact CSHB3 will have on your local school districts.

Four changes in CSHB 3 that would have a dramatic impact on public school funding and property taxation:

-  The pivotal change in CSHB 3 is the increase in the basic allotment from \$5,140 to \$6,030.
-  The bill provides a reduction in recapture payments that is driven by an increase in the basic allotment as well as several other funding weights that include additional funding for low income and English Language Learners. There is also a creation of two new “golden pennies.” This allows school districts that typically contribute a large portion of their local tax dollars to equalize funding in property poor districts to ease the impact of recapture.
-  Although the bill does not provide funding and eligibility for Full-Day Pre-K for all children, it does create an Early Education Allotment that would allow districts to invest in Full-Day Pre-K.
-  The property tax relief portion of this bill comes from the 4-cent reduction in the M&O tax rate from \$1.00 to \$0.96, a reduction that amounts to a statewide annual average savings of approximately \$100 for homeowners.

In terms of equity, in the first year of the biennium, CSHB 3 would close the “equity gap” by approximately \$200, but the impact of additional tax rate compression could widen that gap somewhat in year two. CSHB 3 is able to reduce recapture payments for many districts because state funding is being significantly increased. Should future legislatures be faced with reductions in state revenue, equity issues will have to be addressed.







CSHB3 makes other significant changes to the formula weights and allotments.

-  **Compensatory Education Allotment.** CSHB 3 would allow the TEA commissioner to create a 5-tier index, based on census block data, consisting of weights from 0.225 to 0.275 for economically disadvantaged students. Concerns have been expressed about using census block data as the primary data source being used, given that funding could be impacted should the federal government adopt policy that leads to a significant census undercount.
-  **Educator Effectiveness Allotment:** CSHB 3 creates the Educator Effectiveness Allotment that lets school districts pay their teachers more if they teach in rural areas or those that serve low-income students. The districts are entitled to this allotment with a funding weight of 0.012 and can use this weight if the teacher is assigned to teach low income students as defined by the compensatory education index or teaches in a district that qualifies as a rural area. While this incentive is a step in the right direction, CSHB 3 does not contain a direct pay raise for teachers or support staff, and instead leaves the decision to local school districts about how to use additional state funding provided by CSHB 3.
-  **Bilingual Allotment:** A new Bilingual Allotment was created. For students who are not of limited English proficiency, but are enrolled in a bilingual program through dual-language immersion, there is a weight of 0.05. For students who are of limited English proficiency but use a dual language program there is a weight of 0.15. For students who are of limited English proficiency but do not use a dual language program the weight is 0.1.







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-  **Dyslexia Allotment:** CSHB 3 creates a new allotment for students with dyslexia that has a weight of 0.10 multiplied by the number of students served. The weight for students in a school district who have been identified as having dyslexia or a related disorder will be calculated into the funding for their schools.
-  **Transportation Allotment:** CSHB 3 allows for regular transportation to be funded through a single mileage reimbursement rate instead of the original linear density calculations and expands on the definition of “regular eligible student” when calculating the rate per mile of students in the transportation system. There is an approximate reimbursement rate of \$1.04 for the districts on a per-mile basis.
-  **New Instructional Facilities Allotment:** This allotment increases the cap on appropriations for facilities from \$25 million to \$100 million and removes a section that previously allowed school districts to recapture a credit under the allotment.
-  **Small and Mid-Size Districts:** The current small and mid-size district “adjustment” was made within the basic allotment and it is replaced as an “allotment” that is additional to the basic allotment.
-  **Gifted and Talented Allotment:** This allotment was designed to encourage accelerated programs for gifted and talented students and has been accounted for into the Basic Allotment.
-  **Cost of Education Index:** This CEI was originally designed to recognize the difference in costs for providing educational services and basic needs in different areas of the state, and CSHB3 would eliminate it.

The LSG’s favorable recommendation on CSHB3 acknowledges that many witnesses and educators have expressed honest differences and concerns about certain details in CSHB 3, something that is to be expected given the complexities involved in crafting a major school finance bill. We also recognize that efforts have been made to address many of those concerns in CSHB 3. Those concerns relate to several important issue areas.

-  Local school officials and educators who support CSHB3 have expressed concerns about how the bill’s funding provisions would hold up when additional state revenue is not readily available. Neither this bill nor any other legislation is likely to provide the long term, reliable state revenue source that will be necessary to realize a long-term school finance solution.
-  Special education funding authority is delegated to the TEA Commissioner, who must determine whether or not the amount of funding in the allotment is satisfactory, based on federal law, and use FSP funds to adjust for deficiencies in special education if and when they are found.
-  Some have advocated for an across the board teacher pay raise and others have advocated for a merit pay policy, but these decisions have thus far been left up to the local school districts in CSHB 3 to provide flexibility as they determine how additional state funding would be used.
-  Others have proposed tripling the homestead exemption to provide more property tax relief for homeowners than the proposed tax compression rate.

These are all legitimate points worthy of consideration, but the fact that they are not addressed in CSHB 3 does not negate the positive changes CSHB 3 would make. This bill would increase the state share of education funding and ease the funding burden that has been placed on local school districts and their property taxpayers, something the voters demanded in 2018. By doing so, CSHB 3 reverses a trend that has diminished the state share of education funding and provides the most significant investment in public education in some time, earning the support of over 100 coauthors who signed on to the bill.