



Texas Legislative Study Group

An Official Caucus of the Texas House of Representatives

LSG Analysis for HB 1

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Committee: Educational Opportunity & Enrichment — 10 Ayes, 4 Nays, 0 PNV, 1 Absent

Recommendation: Unfavorable

Executive Summary

Public education is society’s greatest equalizer. The mission of free public education is to ensure that all children, regardless of zip code or socioeconomic background, have access to a quality education that enables them to achieve their potential.

HB 1’s Education Savings Account (ESA) program poses an existential threat to our neighborhood schools, which educate the vast majority of Texas students now and for the foreseeable future. Texas taxpayers cannot afford two separate education systems, and looking at voucher-like programs in other states, it is clear that vouchers/ESAs would likely be more harmful than beneficial. ESAs give wealthier families discounts on private school tuition rather than supporting poor and middle-class families, deepen inequities, and cost taxpayers more money with zero accountability or transparency. To add insult to injury, numerous credible studies have found that voucher programs do not improve student outcomes.

Bottom line, public money belongs in public schools.

In addition to \$500 million to establish a growing ESA program, HB 1 also includes “sweeteners” to encourage support for a bill that would ultimately damage our public education system. These include a one-time teacher bonus, a raise in the basic allotment, long-overdue changes to special education funding mechanisms, and the increase or creation of several allotments. Lastly, HB 1 creates a new framework for virtual education.

Even if HB 1 was stripped of ESAs, education organizations have still expressed concerns with the bill, mostly centered around continued underinvestment in our children’s schools and teachers, as well as the expansion of entirely virtual schools.

Any bill, no matter the increase in school funding, wouldn’t be worth the long-term detrimental impacts of a state voucher/ESA system. Unfortunately, while Gov. Abbott holds additional school dollars hostage, our schools are dipping into deficit funding to keep staff and services.

This LSG Floor Report examines the key provisions of HB 1.

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The Cost of HB 1

The cost of HB 1 is \$7.6 billion for the 2024-25 biennium. Of that, approximately \$5 billion has already been appropriated in the General Appropriations Act (GAA) for school funding, a “school choice” program, and virtual education. Therefore, an additional \$2.6 billion would need to be appropriated to implement HB 1.

Increasing the Basic Allotment

The basic allotment is the state’s baseline per-student funding for public schools. It is also the foundation for many allotment calculations. It has been set at \$6,160 each fiscal year since 2019.

HB 1 sets the basic allotment to \$6,700 for the 2024-25 biennium, an increase of \$540. This falls short of the \$7,506 for 2024 and \$7,671 for 2025 needed for the basic allotment to account for inflation.

HB 1 guarantees an inflation adjustment to the BA in 2025, 2027, and each subsequent 2nd year of the biennium based on the average annual percentage increase in the Texas Consumer Price Index (CPI) for the preceding 10 years.

Teacher Compensation and Retention

HB 1 does not guarantee every teacher a pay raise. It does, however, provide a one-time teacher bonus for the current school year, as follows: increases the basic allotment in fiscal year 2025, 30% of which goes towards teacher and staff compensation; and institutes a new Minimum Salary Schedule (MSS). HB 1 also makes changes to the Teacher Incentive Allotment.

Teacher Bonus & Increase to the Basic Allotment

HB 1 provides for a one-time bonus for the 2023-24 school year in the amount of \$4,000 for full-time and \$2,000 for part-time teachers, counselors, librarians, and nurses. There is no permanent, ongoing allotment specifically for teacher salaries. Presumably, the increase to the Basic Allotment (BA) and other school funding increases would allow districts to maintain an increase going forward, although some school finance advocates disagree.

Additionally, although HB 1 guarantees an increase to the BA in each biennium starting in FY 2026-27, districts primarily decide how to distribute the 30% portion dedicated to compensation. HB 1 also includes a salary transition allotment to offset a funding shortfall in districts that cannot pay at least the state minimum salary.

New Minimum Salary Schedule (Sec. 1.10)

Currently, full-time teachers, librarians, counselors and nurses are entitled to a minimum salary based on their creditable years of service (Texas Administrative Code (TAC) §153.1021). Districts can, and often do, pay teachers more than the minimum salary.

HB 1 changes the Minimum Salary Schedule (MSS) to factor in certifications and changes the monthly minimum salary to an annual minimum salary. The chart below compares the current MSS to HB 1’s MSS:

Current MSS		
Years of Experience Credited	Monthly Salary	Annual Salary (10 month contract)
0	\$3,366	\$33,660
1	3,439	34,390
2	3,510	35,100
3	3,583	35,830
4	3,735	37,350
5	3,888	38,880
6	4,041	40,410
7	4,183	41,830
8	4,317	43,170
9	4,444	44,440
10	4,563	45,630
11	4,677	46,770
12	4,785	47,850
13	4,885	48,850
14	4,981	49,810
15	5,071	50,710
16	5,157	51,570
17	5,237	52,370
18	5,314	53,140
19	5,386	53,860
20 & Over	5,454	54,540

MSS Proposed by HB 1	
Annual Salary	
For those with less than 5 years experience:	
No certification	\$35,000
Teacher intern, trainee, or probationary certificate under Subchapter B	\$37,000
Base certificate under §21.003(a)	\$40,000
Has a designation under §21.3521	\$43,000
Has a residency educator certificate/ completed residency partner program	\$43,000
At least 5 years:	
No certification	\$45,000
Teacher intern, trainee, or probationary certificate under Subchapter B	\$47,000
Base certificate under §21.003(a)	\$50,000
Has a designation under §21.3521	\$53,000
At least 10 years:	
No certification	\$55,000
Teacher intern, trainee, or probationary certificate under Subchapter B	\$57,000
Base certificate under §21.003(a)	\$60,000
Has a designation under §21.3521	\$63,000

Concerns

While it is commendable that some teachers may receive a raise under the new MSS, there are some concerns.

Under the current MSS, teachers automatically earn a raise every year. However, under HB 1, a teacher’s minimum salary would only increase every 5 years. Even though districts may choose to raise teacher pay annually, they are not obligated to. Annual salary increases better position families to deal with everyday inflation increases.

Additionally, HB 1’s MSS stops salary increases after 10 years, rather than 20 years as is the current system. As a result, longevity in the profession is disincentivized. An additional five or ten years of experience makes a world of difference. Additionally, more experienced teachers may take on extra responsibilities mentoring less experienced teachers. Their experience should be adequately compensated.

While it is positive that the bill’s MSS differentiates pay for uncertified versus certified individuals, it is concerning that an uncertified teacher should continue to see an increase in

salary with years of experience. If that individual is not committed to becoming certified or fully trained, then there should be no incentive to remain in the profession.

There are also concerns that a Residency Partnership Program certificate, created by the bill in Sec. 1.18, qualifies for higher starting pay in comparison to the base certification. Regardless of the merits of the Residency Partnership Program, many traditional high-quality educator preparation programs in existence should qualify for comparable increases. Compensation based solely on preparation route is discriminatory: non-traditional students or older students with families may not be able to afford a year without full-time work. These educators would never be able to “catch up to” the small number of educators trained in a residency pathway. According to the Texas State Teachers Association, this would disproportionately impact educators of color and many grow-your-own candidates.

There are also concerns that districts would not be obligated to pay teachers on the salary scale for an unsatisfactory Texas Teacher Evaluation and Support System (T-TESS) evaluation, which creates a perverse incentive to push out rather than develop educators.

Teacher Incentive Allotment

The goal of the Teacher Incentive Allotment (TIA) is to reward highly effective teachers. Currently, districts with teachers who earn a designation as Recognized, Exemplary, or Master receive an allotment in which at least 90% must be spent on teacher compensation for the designated teacher’s campus.

HB 1 amends the TIA designations by adding an "acknowledged " designation and making it so nationally board-certified teachers are designated “nationally board certified,” rather than "recognized."

<u>Current Designations:</u>	<u>HB 1 Designations:</u>
Master — \$12K- 32K	Master — \$12-36k
Exemplary — \$6K- 18K	Exemplary — \$9-25k
Recognized — \$3K- 9K	Recognized — \$5-15k
	Acknowledged — \$3-9k
	Nationally Board Certified — \$3-9k

Concerns

The increase in TIA funds will not reach all highly-qualified teachers because not all districts offer these incentives. In 2022, only about 14% of districts (179 districts out of roughly 1,200) received TIA funding. Additionally, while the Nationally Board Certified teacher designation amount will remain the same, its tier is demoted below “Recognized.” National Board Certification is the highest professional credential in the field of teaching. These certifications should advance a level in designation and pay, as recommended by the 87th House Committee on Public Education Interim Report. Lastly, there are concerns that expanding the TIA program continues to overemphasize pay based on test scores or teacher evaluations rather than certification, years’ experience, advanced degrees, and certificates or rigorous professional development.

ESA Program Beginning Next School Year

HB 1 would create an Education Savings Account (ESA) program in which state taxpayer funds are used to help fund expenses for private school and other educational expenses, such as tutoring and uniforms.

The ESA amount would be equal to 75% of the estimated statewide average funding per student (Sec. 29.361). This means that as per-pupil funding grows, so does the ESA program. For the 2024-25 school year, the ESA would be around \$10,400.

Home-schooled children can also receive up to \$1,000 per school year.

\$500 million is already appropriated by the General Appropriations Act (GAA) for such a program, but participation and costs are expected to grow over time. Estimates show around 50,000 expected participants in 2024-25 and nearly 78,000 the following year.

All students – regardless of whether they are already in private school – are eligible to receive ESA funds. Additionally, the bulk of the program administration would not be in the hands of the state. Instead, the Comptroller would certify outside organizations, designated as educational assistance organizations, to conduct the application and prioritization process, hold and transfer funds, and monitor compliance.

Even though voucher-proponents claim that ESAs help those with disabilities or who can't afford private school, HB 1's prioritization scheme does not limit the program to these populations.

Student Eligibility, Selection, and Requirements (Sec. 29.355)

All students are eligible to apply to receive ESA funds. This includes students currently enrolled in a Texas public school, private school, homeschooled students, and students enrolling in kindergarten or first grade for the first time. Siblings of an eligible or participating student are also eligible if they all apply to the same school in the same year. Children of elected state representatives or state senators are not eligible.

A child can participate in the program until they:

- graduate from high school;
- enroll in a public school;
- are no longer eligible to attend public school; or
- fail to perform satisfactorily for the 2nd consecutive year on required assessments.

Participating students in good standing would not be required to submit a new application annually. Instead, the Comptroller may require an annual notice for continued participation.

Selection Process (Sec. 29.356)

If demand exceeds funding, which is almost certain according to previous fiscal notes by the Legislative Budget Board, assistance organizations must prioritize applicants. The first tier of prioritization is children who would be new to the program. The second tier is students who have exited the program to enroll in a public school. Within each tier, applicants must be prioritized in the following order:

- (A) children with a disability and members of a household with a total annual income that is at or below 400 percent of the federal poverty guidelines (\$120,000 for a family of four);
- (B) children of a household with a total annual income that is at or below 185 percent of the federal poverty guidelines (\$55,500 for a family of four);
- (C) children of a household with a total annual income that is above 185 percent of the federal poverty guidelines and below 400 percent of the federal poverty guidelines; and
- (D) children who are members of a household with a total annual income that is at or above 400 percent of the federal poverty guidelines.

Accepted applications that exceed program limits are placed on a waiting list and accepted the following year.

ESA Infrastructure & Administration

HB 1 lays out the establishment of the ESA program. This would require the Comptroller and Texas Education Agency to create an entirely new infrastructure from scratch for administration, service provider and vendor approval, compliance, auditing, and assessment administration.

Certified Educational Assistance Organizations (Sec. 29.354)

Assistance Organizations would accept, process, and track applications; assist prospective applicants and program participants with finding pre-approved vendors; accept and process payments for approved education-related expenses; and verify that program funding is used only for approved education-related expenses. The only criteria is to be in good standing with the state and have the ability to perform one or more of the aforementioned functions.

Participating Vendors (Sec. 29.358)

The Comptroller will establish rules for “pre approved” educational service providers and vendors of educational products. Learning pods and home schools do not qualify. Vendors must agree to:

- disburse funds on the approved schedule,
- accept money only for approved education-related expenses,
- notify the comptroller if it no longer qualifies, and
- return any money in violation of the subchapter.

Private tutors, therapists, or a teacher services employees must meet certain standards and provide a national criminal history record to the Comptroller.

Approved Education-Related Expenses (Sec. 29.359)

Participating parents and students may use ESA funds for:

- Private school tuition and fees
- Textbooks required by private schools
- Uniforms required by private schools
- Other instructional materials through a third-party vendor required by private schools
- Private tutors
- Costs of private schools’ breakfast or lunch
- Transportation
- Computer hardware and software prescribed by a physician (not to exceed 10% of the ESA amount)
- Before and after school child care by a public school in a partnership with provider
- Fees for private tutors or teaching services
- Tuition and fees for online courses that provides training for an industry-based credential

(Not an all-exhaustive list)

Flow of Funding (Sec. 29.360 & Sec. 29.362)

The Comptroller disperses funds to the certified educational assistance organization for each participant that they are responsible for. Assistance organizations hold the money in a trust and make quarterly payments to the ESA account (Sec. 29. 362). Upon a request from a participating parent, the assistance organization sends payment to the vendor for an allowable expense.

The Comptroller can authorize a direct payment from the assistance organization to the vendor.

Amount of Appropriation (Sec. 29.3521)

The appropriation amount cannot exceed the preceding biennium or the amount of money necessary to provide the amount for all participating children, plus those on the wait list during the preceding biennium. The comptroller and assistance organizations may solicit and accept gifts, grants, and donations from any public or private source (Sec. 29.370).

HB 1 specifies that the governor cannot use the executive authority of the office to repurpose or transfer funds for the administration of the program. Additionally, no funds from the Available School Fund or Instructional Materials Fund (Sec 29.361) may go toward ESAs.

Attempts at Guardrails & Accountability

Required Assessments for Voucher Students (Sec. 29.371)

Each participating child must take the state's standardized testing for public school students or a nationally norm-referenced assessment that assesses student performance in an equivalent manner. Assessments may be administered by a school district, regional education service center, or private school.

Voucher Parent Requirements (Sec. 29.357 & Sec. 29.356)

Annually and upon program enrollment, parents of participating children must be given a "participant handbook" with information on allowable expenses, a list of pre-approved vendors, the responsibilities of program participants, and a description of the program expenditures process.

Participants of the program must agree to:

- Spend money only on allowable expenses
- Refrain from selling items purchased with ESA funds
- Notify the assistance organization when the child becomes ineligible for the program (graduates, enrolls in public school, is not eligible for public school enrollment)
- Share assessment data with the child's certified educational assistance organization

ESA money cannot be used to pay a person related to the participating child within the third degree of consanguinity or affinity. It is unclear how the state would determine such affinity.

State Reporting & Notifications

Assistance organizations must notify participants that private school is not subject to federal and state laws regarding providing educational services to a child with a disability (Sec. 29.367).

HB 1 requires a private entity to audit the program at least once a year Sec. (29.363).

HB 1 also includes annual reporting requirements (Sec. 29. 372). Assistance organizations must collaborate to produce an annual report with: (1) the number of program applications received, accepted, and wait-listed; (2) program participant satisfaction; (3) assessment results; (4) the effect of the program on public and private school capacity and availability; (5) cost savings accruing to the state as a result of the program; (6) in an even-numbered year only, an estimate of the total amount of funding required for the program for the next state fiscal biennium; (7) the amount of gifts, grants, and donations received; and (8) the number of participating children who, within one year after graduating from high school, are college, career, or military ready, based on surveys of former program participants or other sources available to the organizations.

It is important to note that the assistance organizations providing the annual report have a vested interest in positive results.

Vendor Guardrails

A vendor cannot charge a participating child more than the standard amount the vendor charges for the service. (Sec. 29.355)

Penalties for non-compliance

The Comptroller must suspend an account of a program participant who falls out of compliance. The participating parent has 30 days to take corrective action (Sec. 29.364)

If the comptroller obtains evidence of fraudulent use of money or any other violation of the law, the comptroller must notify the local county or district attorney (Sec. 29.366).

Reimbursements are permissible for non-allowable expenses or expenditures when a child was not eligible to participate. Failure to reimburse will constitute a debt to the state.

Special Education Funding

700,000 Special Education students attend Texas public schools, and their individual needs have not been adequately addressed by the 2024-25 state budget or HB1. Although HB 1 implements some positive recommendations by the Texas Commission on Special Education, no new funding for special education was included in the 2024-25 budget other than the minimal increase to the basic allotment, which already addresses a variety of funding needs. The basic allotment increase is insufficient to dent a \$2 billion shortfall in state special education funding. Other than the evaluation reimbursements, the implementation of the new special education funding has been pushed to the next biennium, meaning that future funding for the changes would depend on future legislatures.

Below are some of the recommendations by the Commission on Special Education that were included in HB 1:

- Transition to a Service Intensity Based Formula System — allows state funds for special education to be based on the student's needs rather than the placement in which the student receives services. The TEA Commissioner would define the seven tiers of intensity. There are some concerns that HB 1 allows too much discretion for the TEA Commissioner to determine these tiers of intensity without public input.
- Provide a cost offset for full and individual initial evaluations (FIEs) — provides districts an allotment of \$500 (or greater, subject to appropriation) for initial student evaluations to determine if they qualify for special education services. 100,000 evaluations are projected in 2024, increasing by 5,000 annually.
- Increase the per-mile reimbursement rate for special education transportation — increases the rate per mile for a district that provides special transportation services, which is currently set between \$1.00- \$1.08 per mile per fiscal year to \$1.75 per mile or greater, subject to appropriation.
- Increase the College, Career, and Military Readiness (CCMR) Outcomes Bonus for Students Served by Special Education — Raises the Special Education allotment for College, Career, or Military Readiness (CCMR) credentials from \$2,000 to \$4,000.

Virtual Education

Similar to SB 1861 during the 88th Regular session, HB 1 repeals the Texas Virtual School Network and establishes a framework for hybrid and virtual campuses. Research has shown that virtual education may be less effective than in-person learning, especially for younger students. Additionally, online courses do not provide opportunities for necessary social-emotional learning. However, virtual, remote options for schooling have been helpful to some students in specific circumstances, such as those with medical conditions.

Hybrid and Virtual Campus Authorization

Under HB 1, a “virtual campus” is a school district or charter school in which at least half of the students are enrolled in a “full-time virtual program” in which instruction is online and in-person attendance is minimal or not at all. A “hybrid campus” is a school district or charter school in which at least half of the students are enrolled in a “full-time hybrid program” in which instruction is delivered online and in-person in which in-person attendance is less than 90% of the time. Additionally, HB 1 requires that virtual education be considered as an alternative to expulsion.

In addition to ISDs and open-enrollment charters, a consortium of schools, an institution of higher education or a regional service center may deliver instruction through a virtual or hybrid course. A virtual course must meet the necessary requirements in terms of Texas Essential Knowledge and Skills (TEKS), content, rigor, and alignment with grade-level expectations, and meets standards established by the Commissioner. If the commissioner has not established standards for virtual courses, the school must follow the National Standards for Quality Online

Courses published by the Virtual Learning Leadership Alliance, Quality Matters, and the Digital Learning Collaborative, or any updated version.

Required state assessment instruments must be delivered the same manner as an in-person student.

To operate as a full-time hybrid or virtual campus, the entity must meet rules established by the commissioner that include application processes, academic planning requirements, and serving special needs or at-risk populations. Requires expedited authorization if the district or school operates already under the current state virtual school network or operates a virtual education program of any kind. The Commissioner must revoke hybrid or virtual campus authorization if, for the three preceding school years, the campus needs improvement or unacceptable performance rating under Subchapter C, Chapter 39 or an unacceptable rating on a performance evaluation approved by the commissioner, or any combination of the ratings.

A school district must offer in-person instruction. However, an open-enrollment charter school may require a student to attend a full-time hybrid or full-time virtual campus.

Schools may charge tuition and fees for a virtual course provided to a student who is not eligible to enroll in a public school in this state; or is not enrolled in the school.

Vendor Authorization

A district or school may use a private or third-party vendor to operate the campus or act as a “whole program virtual instruction provider” but must notify the commissioner. The commissioner would establish standards of ineligibility. A provider’s ineligibility would expire after five years. An ineligible third party may be used if the commissioner approves.

Student Eligibility

Any Texas student in a public school is eligible for a hybrid campus. In order for a student to be eligible for a full-time virtual campus, they

- a) must have attended a public school in Texas for a minimum of six weeks;
- b) is in the first grade or lower;
- c) Was not required to attend public school in Texas due to nonresidency in the preceding school year;
- d) Is a dependent of a Member of the military who has been deployed;
- e) Or has been placed in substitute care in this state.

Student and Teacher Rights

Schools may not require a student to enroll in a virtual course. Students enrolled in virtual courses have the same opportunity to participate in school-sponsored extracurricular UIL activities as other students in the school. A virtual course offered to a student receiving special education services or other accommodations must meet the needs of the participating student in a manner consistent with the special education program and federal law, including the federal Individuals with Disabilities Education Act and Section 504 of the federal Rehabilitation Act of 1973.

Schools cannot mandate that a teacher simultaneously provide virtual and in-person instruction for a course in the same class period, with some exceptions. A classroom teacher can only instruct a virtual course if they have received proper professional development or if the school deems the teacher to have adequate prior experience. A school cannot force classroom teachers hired for in-person instruction to accept assignments for virtual courses or full-time hybrid campus teaching.

Assessments and Attendance

Unless specifically allowed by commissioner rule, assessment instruments administered to students enrolled in virtual courses must be administered in the same manner as students enrolled in in-person courses at their respective school. A student enrolled in a virtual course is included in the district's or school's average daily attendance (ADA) just like students not enrolled in a virtual course. The commissioner shall provide proportionate funding to the applicable school district or open-enrollment charter school for a student that alternates between in-person and hybrid or virtual.

Concerns

The important determinant of student success is having a qualified, dedicated teacher in the classroom. That fact is underscored by the impact the pandemic had on teaching and learning. And, although teaching and learning is best achieved in the classroom, some students need alternatives to have an opportunity to succeed. HB 1 could be the mechanism that meets the needs of these students. However, there are numerous for-profit online schools that see students as commodities. **There are serious concerns that ESAs, in combination with virtual school expansion, open the door for a virtual voucher program in which an estimated 750,000 homeschooled would qualify at the state's expense.**

Although HB 1 provides some guidance, the approval to operate virtual schools and vendor approval is left to the discretion of the Commissioner. Additionally, little detail is given as to how the special education services would be provided as students must have "reasonable access" to in-person services, but this could include a generic "school facility" if the student is enrolled in a private, third-party virtual school.

Other Provisions

HB 1 states that the bill's provisions are severable so that if a court strikes down any portion of the bill, the rest of the bill is still enforceable. HB 1 mandates that any appeals in an action brought against a person enforcing the bill must be taken directly to the Supreme Court, rather than the next highest court as is typical.

HB 1 pauses school accountability ratings temporarily from 2023-2026 as the bill's provisions are implemented (Sec. 9.02).

Appendix: School Finance Changes

Some of these changes have already been discussed in earlier sections of this report.

Changes to existing allotments:

SY 2023-24

- Raises the special education allotment for College, Career, or Military Readiness (CCMR) credentials from \$2,000 to \$4,000.

SY 2024-25

- Raises the Basic Allotment (BA) by roughly \$540 from \$6,160 to \$6,700 or greater amount by appropriation. The basic allotment would need to be \$7,506 for 2024 and \$7,671 for 2025 to account for inflation.
- Increases the weights for the Small and Midsize allotment, much of which go to rural schools.
- Increases the allotment weights for students in residential placement facilities, such as a residential treatment center or half-way home.
- Removes the cap on Fast Growth Allotment for districts with enrollment growth in excess of 250 students over a period of six years.

SY 2025-26

- Increases the amount of Facilities Funding that charter schools can receive from the state in a stair-step method from the current \$60 million cap to \$252 million by the 2028-29 school year (Sec. 4.01).
- Removes the cap for the supplemental services and instructional materials grant for special education students (Sec. 4.03 & Sec. 48.306).
- Increases the rate per mile for special transportation services for special education students from \$1 per mile to \$1.75 (Sec. 4.15).
- Increases the per-student allotment from \$50 to \$150 for a campus dedicated as a Pathways in Technology Early College High (P-TECH) school or a campus that is a member of the New Tech Network (Sec. 4.10).

- Qualifies pre-k for the educationally disadvantaged or emergent bilingual allotment (Sec. 4.11).
- Increases the ceiling that a teacher could earn under a teacher designation system and increases the weight of the high needs and rural factor (Sec. 4.12).
- Removes the \$5 million per year cap on allotments and outcomes bonuses if money is specifically allocated for those purposes (Sec. 4.14).
- Changes statute so that school districts that experience a decline of five percent, rather than 2 percent, in average daily attendance (ADA) would be funded on the basis of an average daily attendance of 95 percent of the actual average daily attendance of the preceding school year. For each school year, the Commissioner will adjust the ADA so that the total cost to the state does not exceed \$50 million, rather than an amount appropriated for that specific purpose (Sec. 4.04).
- Lowers the number of days of instruction from 180 days to 175 to calculate ADA (Sec. 4.05).
- The Commissioner shall adjust the value of “B” for the first year of the state fiscal year by a factor equal to the average annual percentage increase in the Texas Consumer Price Index for the previous 10 years (Sec. 4.06).

New allotments and grants:

SY 2023-24

- Creates a Fine Arts Allotment for grades 6 – 12.
- Creates a \$60 million for Property Value Study Hardship Grants to offset a reduction of district funds caused by the use of the state value for property taxes in the 2022-23 years.

SY 2024-25

- Creates an allotment of \$500 (or greater subject to appropriation) for initial student evaluations to determine if they qualify for special education services.
- Creates an allotment pp to \$10 million per biennium for districts offering alternative language methods approved by TEA.
- Creates an allotment, capped at 10,000 students by 2027, for pre-k provided through a contract with a community-based childcare provider.
- Creates an allotment for Military Transition Aid for any student entering their first year at the district and connected to the military.
- Creates the Regional Disaster Insurance Variance Allotment in which the Commissioner determines eligibility standards based on the percentage spent on property and casualty insurance expenses incurred.

SY 2025-26

- Transitions to a Service Intensity Based Formula System funded by enrollment rather than ADA (Sec. 4.07).
- Creates a service group allotment for special education students (Sec. 4.08).
- \$2,000 allotment to the district for up to 40 new teachers that participate in a mentoring program (Sec. 4.13)
- \$10 allotment per student for Advanced Mathematics Pathway and Certain Programs of Study.
- Up to \$50 million for a \$50,000 allotment per campus for schools that participate in the Communities in Schools program, a dropout prevention program already established in code.
- Day Placement Program Funding allotment for special education student placement that a regional education service center makes available in partnership with a school district or shared services arrangement, the center is entitled to \$250,000 for the first year of operation and \$150,000 for each subsequent year (Sec. 4.18).

SY 2026-27

- Includes an inflation adjustment for the basic allotment (Sec. 4.06).