

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

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H.B. No. 21

A BILL TO BE ENTITLED

AN ACT

relating to the public school finance system.

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

SECTION 1. Section 11.158(a), Education Code, is amended to read as follows:

(a) The board of trustees of an independent school district may require payment of:

(1) a fee for materials used in any program in which the resultant product in excess of minimum requirements becomes, at the student's option, the personal property of the student, if the fee does not exceed the cost of materials;

(2) membership dues in student organizations or clubs and admission fees or charges for attending extracurricular activities, if membership or attendance is voluntary;

(3) a security deposit for the return of materials, supplies, or equipment;

(4) a fee for personal physical education and athletic equipment and apparel, although any student may provide the student's own equipment or apparel if it meets reasonable requirements and standards relating to health and safety established by the board;

(5) a fee for items of personal use or products that a student may purchase at the student's option, such as student publications, class rings, annuals, and graduation announcements;

- 1           (6) a fee specifically permitted by any other statute;
- 2           (7) a fee for an authorized voluntary student health  
3 and accident benefit plan;
- 4           (8) a reasonable fee, not to exceed the actual annual  
5 maintenance cost, for the use of musical instruments and uniforms  
6 owned or rented by the district;
- 7           (9) a fee for items of personal apparel that become the  
8 property of the student and that are used in extracurricular  
9 activities;
- 10          (10) a parking fee or a fee for an identification card;
- 11          (11) a fee for a driver training course, not to exceed  
12 the actual district cost per student in the program for the current  
13 school year;
- 14          (12) a fee for a course offered for credit that  
15 requires the use of facilities not available on the school premises  
16 or the employment of an educator who is not part of the school's  
17 regular staff, if participation in the course is at the student's  
18 option;
- 19          (13) a fee for a course offered during summer school,  
20 except that the board may charge a fee for a course required for  
21 graduation only if the course is also offered without a fee during  
22 the regular school year;
- 23          (14) a reasonable fee for transportation of a student  
24 who lives within two miles of the school the student attends to and  
25 from that school[~~, except that the board may not charge a fee for~~  
26 ~~transportation for which the school district receives funds under~~  
27 ~~Section 42.155(d)] ; or~~

1 (15) a reasonable fee, not to exceed \$50, for costs  
2 associated with an educational program offered outside of regular  
3 school hours through which a student who was absent from class  
4 receives instruction voluntarily for the purpose of making up the  
5 missed instruction and meeting the level of attendance required  
6 under Section 25.092 [~~or~~

7 [~~(16) if the district does not receive any funds under~~  
8 ~~Section 42.155 and does not participate in a county transportation~~  
9 ~~system for which an allotment is provided under Section 42.155(i),~~  
10 ~~a reasonable fee for the transportation of a student to and from the~~  
11 ~~school the student attends].~~

12 SECTION 2. Effective September 1, 2018, Section  
13 12.106(a-1), Education Code, is amended to read as follows:

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

16 (1) [~~7~~] adjustments under Sections 42.102, [~~42.103,~~]  
17 42.104, and 42.105 are based on the average adjustment for the  
18 state; and

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

22 SECTION 3. Section 29.153(c), Education Code, is amended to  
23 read as follows:

24 (c) A prekindergarten class under this section shall be  
25 operated on a half-day basis. A district is not required to provide  
26 transportation for a prekindergarten class [~~7 but transportation,~~  
27 ~~if provided, is included for funding purposes as part of the regular~~

1 ~~transportation system~~].

2 SECTION 4. Sections 29.918(a) and (b), Education Code, are  
3 amended to read as follows:

4 (a) Notwithstanding Section [~~39.234 or~~] 42.152, a school  
5 district or open-enrollment charter school with a high dropout  
6 rate, as determined by the commissioner, must submit a plan to the  
7 commissioner describing the manner in which the district or charter  
8 school intends to use the compensatory education allotment under  
9 Section 42.152 [~~and the high school allotment under Section 42.160~~]  
10 for developing and implementing research-based strategies for  
11 dropout prevention. The district or charter school shall submit  
12 the plan not later than December 1 of each school year preceding the  
13 school year in which the district or charter school will receive the  
14 compensatory education allotment [~~or high school allotment~~] to  
15 which the plan applies.

16 (b) A school district or open-enrollment charter school to  
17 which this section applies may not spend or obligate more than 25  
18 percent of the district's or charter school's compensatory  
19 education allotment [~~or high school allotment~~] unless the  
20 commissioner approves the plan submitted under Subsection  
21 (a). The commissioner shall complete an initial review of the  
22 district's or charter school's plan not later than March 1 of the  
23 school year preceding the school year in which the district or  
24 charter school will receive the compensatory education allotment  
25 [~~or high school allotment~~] to which the plan applies.

26 SECTION 5. Subchapter C, Chapter 30, Education Code, is  
27 amended by adding Section 30.0561 to read as follows:



1       Sec. 30.0561. TRANSPORTATION ALLOTMENT. The Texas School  
2 for the Deaf is entitled to a transportation allotment paid from the  
3 foundation school fund. The commissioner shall determine the  
4 appropriate allotment.

5       SECTION 6. Section 30.087(c), Education Code, is amended to  
6 read as follows:

7       (c) A school district may receive an allotment paid from the  
8 foundation school fund for transportation of students  
9 participating in a regional day school program, as determined by  
10 the commissioner [~~in the same manner as an allotment for the~~  
11 ~~transportation of other special education students~~].

12       SECTION 7. Section 34.002(c), Education Code, is amended to  
13 read as follows:

14       (c) The commissioner shall reduce the basic allotment  
15 provided under Section 42.101 for each student in average daily  
16 attendance by \$125 for a [A] school district that fails or refuses  
17 to meet the safety standards for school buses established under  
18 this section [~~is ineligible to share in the transportation~~  
19 ~~allotment under Section 42.155~~] until the first anniversary of the  
20 date the district begins complying with the safety standards.

21       SECTION 8. Section 34.007, Education Code, is amended by  
22 adding Subsection (c) to read as follows:

23       (c) A county transportation system is not entitled to  
24 receive funding for transportation costs directly from the state.  
25 Funding for a county transportation system is provided by each  
26 school district participating in the county transportation system  
27 in accordance with the terms of the interlocal contract under

1 Chapter 791, Government Code, under which the county provides  
2 transportation services for the participating districts.

3 SECTION 9. Section 39.0233(a), Education Code, as amended  
4 by H.B. 2223, Acts of the 85th Legislature, Regular Session, 2017,  
5 is amended to read as follows:

6 (a) The agency, in coordination with the Texas Higher  
7 Education Coordinating Board, shall adopt a series of questions to  
8 be included in an end-of-course assessment instrument administered  
9 under Section 39.023(c) to be used for purposes of Subchapter F-1,  
10 Chapter 51. The questions adopted under this subsection must be  
11 developed in a manner consistent with any college readiness  
12 standards adopted under [~~Section 39.233 and~~] Subchapter F-1,  
13 Chapter 51.

14 SECTION 10. Section 41.099(a), Education Code, is amended  
15 to read as follows:

16 (a) Sections [~~41.002(e),~~] 41.094, 41.097, and 41.098 apply  
17 only to a district that:

18 (1) executes an agreement to purchase all attendance  
19 credits necessary to reduce the district's wealth per student to  
20 the equalized wealth level;

21 (2) executes an agreement to purchase attendance  
22 credits and an agreement under Subchapter E to contract for the  
23 education of nonresident students who transfer to and are educated  
24 in the district but who are not charged tuition; or

25 (3) executes an agreement under Subchapter E to  
26 contract for the education of nonresident students:

27 (A) to an extent that does not provide more than

1 10 percent of the reduction in wealth per student required for the  
2 district to achieve a wealth per student that is equal to or less  
3 than the equalized wealth level; and

4 (B) under which all revenue paid by the district  
5 to other districts, in excess of the reduction in state aid that  
6 results from counting the weighted average daily attendance of the  
7 students served in the contracting district, is required to be used  
8 for funding a consortium of at least three districts in a county  
9 with a population of less than 40,000 that is formed to support a  
10 technology initiative.

11 SECTION 11. Section 41.257, Education Code, is amended to  
12 read as follows:

13 Sec. 41.257. APPLICATION OF SMALL AND SPARSE ADJUSTMENTS  
14 [~~AND TRANSPORTATION ALLOTMENT~~]. The budget of the consolidated  
15 district must apply the benefit of the adjustment or allotment to  
16 the schools of the consolidating district to which Section 42.103  
17 or [7] 42.105 [~~or 42.155~~] would have applied in the event that the  
18 consolidated district still qualifies as a small or sparse  
19 district.

20 SECTION 12. Section 42.006(a-1), Education Code, is amended  
21 to read as follows:

22 (a-1) The commissioner by rule shall require each school  
23 district and open-enrollment charter school to report through the  
24 Public Education Information Management System information  
25 regarding the number of students enrolled in the district or school  
26 who are identified as having dyslexia or related disorders. The  
27 agency shall maintain the information provided in accordance with

1 this subsection.

2 SECTION 13. Section 42.101(a), Education Code, is amended  
3 to read as follows:

4 (a) For each student in average daily attendance, not  
5 including the time students spend each day in special education  
6 programs in an instructional arrangement other than mainstream or  
7 career and technology education programs, for which an additional  
8 allotment is made under Subchapter C, a district is entitled to an  
9 allotment equal to the lesser of \$5,140 [~~\$4,765~~] or the amount that  
10 results from the following formula:

11 
$$A = \underline{\$5,140} [\del{\$4,765}] \times (\text{DCR}/\text{MCR})$$

12 where:

13 "A" is the allotment to which a district is entitled;

14 "DCR" is the district's compressed tax rate, which is the  
15 product of the state compression percentage, as determined under  
16 Section 42.2516, multiplied by the maintenance and operations tax  
17 rate adopted by the district for the 2005 tax year; and

18 "MCR" is the state maximum compressed tax rate, which is the  
19 product of the state compression percentage, as determined under  
20 Section 42.2516, multiplied by \$1.50.

21 SECTION 14. Effective September 1, 2023, Sections 42.103(b)  
22 and (d), Education Code, are amended to read as follows:

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

26 
$$AA = (1 + ((1,600 - \text{ADA}) \times .0004)) \times \text{ABA}$$

27 (d) The basic allotment of a school district that offers a

1 kindergarten through grade 12 program and has less than 5,000  
2 students in average daily attendance is adjusted by applying the  
3 formula, of the following formulas, that results in the greatest  
4 adjusted allotment:

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

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

8 SECTION 15. Effective September 1, 2018, Section 42.103(c),  
9 Education Code, is amended to read as follows:

10 (c) The basic allotment of a school district that contains  
11 less than 300 square miles and has not more than 1,600 students in  
12 average daily attendance is adjusted by applying the following  
13 formulas [~~formula~~]:

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

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

16 i

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

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

19 i

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

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

22 i

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

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

25 ; and

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

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

1 SECTION 16. Subchapter B, Chapter 42, Education Code, is  
2 amended by adding Section 42.1041 to read as follows:

3 Sec. 42.1041. INELIGIBILITY FOR SMALL OR MID-SIZED DISTRICT  
4 ADJUSTMENT OR SPARSITY ADJUSTMENT. (a) This section applies only  
5 to a school district that:

6 (1) borders the Red River; and

7 (2) has a student enrollment of less than 90, with more  
8 than 50 percent of the enrollment consisting of students who have  
9 transferred from another school district.

10 (b) Notwithstanding Section 42.103, 42.104, or 42.105, a  
11 school district to which this section applies is ineligible for an  
12 adjustment under Section 42.103 or 42.105 for any school year  
13 during which the district:

14 (1) issues bonds for the construction of a new  
15 instructional facility on property more than five miles from a  
16 property that before the issuance of the bonds was owned by the  
17 district and was the location of an instructional facility for the  
18 previous five years; or

19 (2) makes payments on bonds described by Subdivision  
20 (1).

21 SECTION 17. Subchapter B, Chapter 42, Education Code, is  
22 amended by adding Section 42.107 to read as follows:

23 Sec. 42.107. SPECIAL-PURPOSE SCHOOL DISTRICTS OPERATED BY  
24 GENERAL ACADEMIC TEACHING INSTITUTIONS. (a) In each fiscal year of  
25 the biennium, the commissioner shall allocate funding from the  
26 foundation school program to each special-purpose school district  
27 established under Section 11.351 that is operated by a general

1 academic teaching institution as defined by Section 61.003, in an  
2 amount equivalent to the basic allotment in Section 42.101(a)  
3 multiplied by the number of full-time equivalent students who are  
4 enrolled in the school district and who reside in this state.

5 (b) In allocating funding to special-purpose school  
6 districts under this section, the commissioner shall use a payment  
7 schedule consistent with the payment schedule adopted for  
8 open-enrollment charter schools.

9 (c) A special-purpose school district that receives state  
10 funding for a resident student under this section may not charge  
11 tuition or fees to that student for the academic term for which  
12 state funding is received, other than fees permitted under Section  
13 11.158.

14 (d) A special-purpose school district may elect not to  
15 receive state funding under this section.

16 SECTION 18. Section 42.151(h), Education Code, is amended  
17 to read as follows:

18 (h) Funds allocated under this section, other than an  
19 indirect cost allotment established under State Board of Education  
20 rule or amounts made available for the transportation of special  
21 education students, must be used in the special education program  
22 under Subchapter A, Chapter 29.

23 SECTION 19. Section 42.153(a), Education Code, is amended  
24 to read as follows:

25 (a) For each student in average daily attendance in a  
26 bilingual education or special language program under Subchapter B,  
27 Chapter 29, a district is entitled to an annual allotment equal to

1 the adjusted basic allotment multiplied by 0.11 [~~0.1~~].

2 SECTION 20. Section 42.154(a), Education Code, as effective  
3 September 1, 2017, is amended to read as follows:

4 (a) For each full-time equivalent student in average daily  
5 attendance in an approved career and technology education program  
6 in grades eight [~~nine~~] through 12 or in career and technology  
7 education programs for students with disabilities in grades seven  
8 through 12, a district is entitled to:

9 (1) an annual allotment equal to the adjusted basic  
10 allotment multiplied by a weight of 1.35; and

11 (2) \$50, if the student is enrolled in two or more  
12 advanced career and technology education classes for a total of  
13 three or more credits.

14 SECTION 21. Section 42.154(c), Education Code, is amended  
15 to read as follows:

16 (c) Funds allocated under this section, other than an  
17 indirect cost allotment established under State Board of Education  
18 rule or amounts made available for the transportation of career and  
19 technology education students, must be used in providing career and  
20 technology education programs in grades eight [~~nine~~] through 12 or  
21 career and technology education programs for students with  
22 disabilities in grades seven through 12 under Sections 29.182,  
23 29.183, and 29.184.

24 SECTION 22. Section 42.1541(a), Education Code, is amended  
25 to read as follows:

26 (a) For the 2017-2018 and subsequent school years, the [~~The~~]  
27 State Board of Education shall by rule revise [~~increase~~] the



1 indirect cost allotments established under Sections 42.151(h),  
2 42.152(c), 42.153(b), and 42.154(c) [~~42.154(a-1) and (c)~~] and in  
3 effect for the 2016-2017 [~~2010-2011~~] school year to reflect any  
4 increase in the percentage of total maintenance and operations  
5 funding represented by the basic allotment [~~in proportion to the~~  
6 ~~average percentage reduction in total state and local maintenance~~  
7 ~~and operations revenue provided under this chapter for the~~  
8 ~~2011-2012 school year~~] as a result of [~~S.B. Nos. 1 and 2,~~] Acts of  
9 the 85th [~~82nd~~] Legislature, 1st Called Session, 2017 [~~2011~~].

10 SECTION 23. Subchapter C, Chapter 42, Education Code, is  
11 amended by adding Section 42.1561 to read as follows:

12 Sec. 42.1561. ALLOTMENT FOR STUDENT WITH DYSLEXIA OR  
13 RELATED DISORDER. (a) Subject to Subsection (b), for each student  
14 that a school district serves who has been identified as having  
15 dyslexia or a related disorder, the district is entitled to an  
16 annual allotment equal to the district's adjusted basic allotment  
17 as determined under Section 42.102 or Section 42.103, as  
18 applicable, multiplied by 0.1 for each school year or a greater  
19 amount provided by appropriation.

20 (b) A school district is entitled to the allotment under  
21 Subsection (a) only for a student who:

22 (1) is receiving instruction that:

23 (A) meets applicable dyslexia program criteria  
24 established by the agency; and

25 (B) is provided by a person with specific  
26 training in providing that instruction; or

27 (2) has received the instruction described by

1 Subdivision (1) and is permitted, on the basis of having dyslexia or  
2 a related disorder, to use modifications in the classroom and  
3 accommodations in the administration of assessment instruments  
4 under Section 39.023.

5 (c) Funds allotted under this section must be used in  
6 providing services to students with dyslexia or related disorders.

7 (d) A school district may receive funding for a student  
8 under this section and Section 42.151 if the student satisfies the  
9 requirements of both sections.

10 (e) Not more than five percent of a district's students in  
11 average daily attendance are eligible for funding under this  
12 section.

13 SECTION 24. Section 42.2518(a), Education Code, as  
14 effective September 1, 2017, is amended to read as follows:

15 (a) Beginning with the 2017-2018 school year, a school  
16 district is entitled to additional state aid to the extent that  
17 state and local revenue under this chapter and Chapter 41 is less  
18 than the state and local revenue that would have been available to  
19 the district under Chapter 41 and this chapter as those chapters  
20 existed on September 1, 2015, excluding any state aid or adjustment  
21 in wealth per student that would have been provided under former  
22 Section 41.002(e)-(g), 42.155, 42.160, 42.2513, or 42.2516, if the  
23 increase in the residence homestead exemption under Section 1-b(c),  
24 Article VIII, Texas Constitution, and the additional limitation on  
25 tax increases under Section 1-b(d) of that article as proposed by  
26 S.J.R. 1, 84th Legislature, Regular Session, 2015, had not  
27 occurred.

1 SECTION 25. Subchapter E, Chapter 42, Education Code, is  
2 amended by adding Section 42.2541 to read as follows:

3 Sec. 42.2541. ESTIMATED PROJECTIONS. (a) In this section,  
4 "equivalent equalized wealth level" means an equalized wealth level  
5 for a state fiscal biennium that results in approximately the same  
6 number of school districts that are required to take action under  
7 Chapter 41 to reduce wealth as the number of school districts that  
8 were required to take that action during the preceding state fiscal  
9 biennium.

10 (b) Not later than November 1 of each even-numbered year,  
11 the agency shall:

12 (1) submit to the legislature a projection for an  
13 equivalent equalized wealth level for the following biennium based  
14 on the agency's estimate of:

15 (A) student enrollment under Section  
16 42.254(a)(1);

17 (B) the comptroller's estimate of any increase in  
18 total taxable value of all property in the state under Section  
19 42.254(a)(2);

20 (C) the number of school districts offering a  
21 local optional residence homestead exemption under Section  
22 11.13(n), Tax Code;

23 (D) the number of school districts adopting a tax  
24 rate below the maximum tier one tax rate determined under Section  
25 42.252;

26 (E) the projected amount of maintenance and  
27 operations tax revenue per student in weighted average daily

1 attendance of the Austin Independent School District; and  
2 (F) the number of school districts adopting a  
3 maintenance and operations tax rate of \$1.17; and  
4 (2) provide projections for the equalized funding  
5 elements under Section 42.007 for the following biennium as  
6 necessary to achieve the equivalent equalized wealth level  
7 projected under Subdivision (1).

8 SECTION 26. Sections 42.259(c), (d), and (f), Education  
9 Code, are amended to read as follows:

10 (c) Payments from the foundation school fund to each  
11 category 2 school district shall be made as follows:

12 (1) 22 percent of the yearly entitlement of the  
13 district shall be paid in an installment to be made on or before the  
14 25th day of September of a fiscal year;

15 (2) 18 percent of the yearly entitlement of the  
16 district shall be paid in an installment to be made on or before the  
17 25th day of October;

18 (3) 9.5 percent of the yearly entitlement of the  
19 district shall be paid in an installment to be made on or before the  
20 25th day of November;

21 (4) 7.5 percent of the yearly entitlement of the  
22 district shall be paid in an installment to be made on or before the  
23 25th day of April;

24 (5) five percent of the yearly entitlement of the  
25 district shall be paid in an installment to be made on or before the  
26 25th day of May;

27 (6) 10 percent of the yearly entitlement of the

1 district shall be paid in an installment to be made on or before the  
2 25th day of June;

3 (7) 13 percent of the yearly entitlement of the  
4 district shall be paid in an installment to be made on or before the  
5 25th day of July; and

6 (8) 15 percent of the yearly entitlement of the  
7 district shall be paid in an installment to be made after the 5th  
8 day of September and not later than the 10th day of September of the  
9 calendar year following the calendar year of the payment made under  
10 Subdivision (1) [~~on or before the 25th day of August~~].

11 (d) Payments from the foundation school fund to each  
12 category 3 school district shall be made as follows:

13 (1) 45 percent of the yearly entitlement of the  
14 district shall be paid in an installment to be made on or before the  
15 25th day of September of a fiscal year;

16 (2) 35 percent of the yearly entitlement of the  
17 district shall be paid in an installment to be made on or before the  
18 25th day of October; and

19 (3) 20 percent of the yearly entitlement of the  
20 district shall be paid in an installment to be made after the 5th  
21 day of September and not later than the 10th day of September of the  
22 calendar year following the calendar year of the payment made under  
23 Subdivision (1) [~~on or before the 25th day of August~~].

24 (f) Except as provided by Subsection (c)(8) or (d)(3),  
25 previously [~~Previously~~] unpaid additional funds from prior fiscal  
26 years owed to a district shall be paid to the district together with  
27 the September payment of the current fiscal year entitlement.

1 SECTION 27. Sections 42.2591(c) and (e), Education Code,  
2 are amended to read as follows:

3 (c) Payments from the foundation school fund to an  
4 open-enrollment charter school under this section shall be made as  
5 follows:

6 (1) 22 percent of the yearly entitlement of the school  
7 shall be paid in an installment to be made on or before the 25th day  
8 of September of a fiscal year;

9 (2) 18 percent of the yearly entitlement of the school  
10 shall be paid in an installment to be made on or before the 25th day  
11 of October;

12 (3) 9.5 percent of the yearly entitlement of the  
13 school shall be paid in an installment to be made on or before the  
14 25th day of November;

15 (4) four percent of the yearly entitlement of the  
16 school shall be paid in an installment to be made on or before the  
17 25th day of December;

18 (5) four percent of the yearly entitlement of the  
19 school shall be paid in an installment to be made on or before the  
20 25th day of January;

21 (6) four percent of the yearly entitlement of the  
22 school shall be paid in an installment to be made on or before the  
23 25th day of February;

24 (7) four percent of the yearly entitlement of the  
25 school shall be paid in an installment to be made on or before the  
26 25th day of March;

27 (8) 7.5 percent of the yearly entitlement of the

1 school shall be paid in an installment to be made on or before the  
2 25th day of April;

3 (9) five percent of the yearly entitlement of the  
4 school shall be paid in an installment to be made on or before the  
5 25th day of May;

6 (10) seven percent of the yearly entitlement of the  
7 school shall be paid in an installment to be made on or before the  
8 25th day of June;

9 (11) seven percent of the yearly entitlement of the  
10 school shall be paid in an installment to be made on or before the  
11 25th day of July; and

12 (12) eight percent of the yearly entitlement of the  
13 school shall be paid in an installment to be made after the 5th day  
14 of September and not later than the 10th day of September of the  
15 calendar year following the calendar year of the payment made under  
16 Subdivision (1) [~~on or before the 25th day of August~~].

17 (e) Except as provided by Subsection (c)(12), previously  
18 [~~Previously~~] unpaid additional funds from prior fiscal years owed  
19 to an open-enrollment charter school shall be paid to the school  
20 together with the September payment of the current fiscal year  
21 entitlement.

22 SECTION 28. Section 42.302(a), Education Code, is amended  
23 to read as follows:

24 (a) Each school district is guaranteed a specified amount  
25 per weighted student in state and local funds for each cent of tax  
26 effort over that required for the district's local fund assignment  
27 up to the maximum level specified in this subchapter. The amount

1 of state support, subject only to the maximum amount under Section  
2 42.303, is determined by the formula:

$$3 \quad \text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

4 where:

5 "GYA" is the guaranteed yield amount of state funds to be  
6 allocated to the district;

7 "GL" is the dollar amount guaranteed level of state and local  
8 funds per weighted student per cent of tax effort, which is an  
9 amount described by Subsection (a-1) or a greater amount for any  
10 year provided by appropriation;

11 "WADA" is the number of students in weighted average daily  
12 attendance, which is calculated by dividing the sum of the school  
13 district's allotments under Subchapters B and C, less any allotment  
14 [~~to the district for transportation, any allotment~~] under Section  
15 42.158 [~~or 42.160,~~] and 50 percent of the adjustment under Section  
16 42.102, by the basic allotment for the applicable year;

17 "DTR" is the district enrichment tax rate of the school  
18 district, which is determined by subtracting the amounts specified  
19 by Subsection (b) from the total amount of maintenance and  
20 operations taxes collected by the school district for the  
21 applicable school year and dividing the difference by the quotient  
22 of the district's taxable value of property as determined under  
23 Subchapter M, Chapter 403, Government Code, or, if applicable,  
24 under Section 42.2521, divided by 100; and

25 "LR" is the local revenue, which is determined by multiplying  
26 "DTR" by the quotient of the district's taxable value of property as  
27 determined under Subchapter M, Chapter 403, Government Code, or, if



1 applicable, under Section 42.2521, divided by 100.

2 SECTION 29. Chapter 42, Education Code, is amended by  
3 adding Subchapter H to read as follows:

4 SUBCHAPTER H. FINANCIAL HARDSHIP TRANSITION PROGRAM

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

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

12 (c) Funding provided to a district under this subchapter is  
13 in addition to all other funding provided under Chapter 41 and this  
14 chapter.

15 (d) The commissioner may obtain additional information as  
16 needed from a district or other state or local agency to make  
17 determinations in awarding grants under this subchapter.

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

21 
$$\underline{HG = (PL-CL) \times (TR) \times (TAHG/TEHG)}$$

22 where:

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

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

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

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

5 "TAHG" is the total funding available for grants under  
6 Section 42.455 for a school year; and

7 "TEHG" is the sum of the combined amounts for all districts  
8 calculated by applying the formula  $(PL-CL) \times (TR)$  for each  
9 district.

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

12 (1) the amount equal to 10 percent of the total amount  
13 of funds available for grants under this subchapter for that school  
14 year; or

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

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

19 (1) if the value of  $(PL-CL)$  for a school district  
20 results in a negative number, use zero for the value of  $(PL-CL)$ ;

21 (2) 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 (3) 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 Sec. 42.453. ELIGIBILITY OF OPEN-ENROLLMENT CHARTER  
6 SCHOOL. An open-enrollment charter school is eligible for a grant  
7 under this subchapter in the same manner as a school district.

8 Sec. 42.454. REGIONAL EDUCATION SERVICE CENTERS AND COUNTY  
9 DEPARTMENTS OF EDUCATION NOT ELIGIBLE. A regional education  
10 service center or a county department of education is not eligible  
11 for a grant under this subchapter.

12 Sec. 42.455. FUNDING LIMIT. The amount of grants awarded by  
13 the commissioner under this subchapter may not exceed \$125 million  
14 for the 2017-2018 school year or \$75 million for the 2018-2019  
15 school year.

16 Sec. 42.456. NO ADJUSTMENT BASED ON REVISED DATA. The  
17 commissioner may not adjust the amount of a school district's grant  
18 under this subchapter based on revisions to the district's data  
19 received after a grant has been awarded.

20 Sec. 42.457. RULES. The commissioner may adopt rules as  
21 necessary to administer this subchapter.

22 Sec. 42.458. DETERMINATION FINAL. A determination by the  
23 commissioner under this subchapter is final and may not be  
24 appealed.

25 Sec. 42.459. EXPIRATION. This subchapter expires September  
26 1, 2019.

27 SECTION 30. Section 466.355(c), Government Code, as

1 repealed by Chapter 431 (S.B. 559), Acts of the 83rd Legislature,  
2 Regular Session, 2013, and amended by Chapter 1410 (S.B. 758), Acts  
3 of the 83rd Legislature, Regular Session, 2013, is reenacted and  
4 amended to read as follows:

5 (c) The [~~Each August the~~] comptroller shall:

6 (1) estimate the amount to be transferred to the  
7 foundation school fund on or before September 15; and

8 (2) notwithstanding Subsection (b)(4), transfer the  
9 amount estimated in Subdivision (1) to the foundation school fund  
10 before [~~August~~] installment payments are made under Section  
11 42.259(c)(8) or (d)(3) [~~42.259~~], Education Code.

12 SECTION 31. (a) The following provisions of the Education  
13 Code are repealed:

14 (1) Section 29.097(g);

15 (2) Section 29.098(e);

16 (3) Section 39.233;

17 (4) Section 39.234;

18 (5) Sections 41.002(e), (f), and (g);

19 (6) Section 42.1541(c);

20 (7) Section 42.155, as amended by S.B. 195, Acts of the  
21 85th Legislature, Regular Session, 2017;

22 (8) Section 42.160; and

23 (9) Section 42.2513.

24 (b) Effective September 1, 2023, Section 42.103(c),  
25 Education Code, is repealed.

26 SECTION 32. The changes made by this Act to Sections 42.259  
27 and 42.2591, Education Code, apply only to a payment from the

1 foundation school fund that is made on or after September 1, 2018.  
2 A payment to a school district from the foundation school fund that  
3 is made before that date is governed by Sections 42.259 and 42.2591,  
4 Education Code, as those sections existed before amendment by this  
5 Act, and the former law is continued in effect for that purpose.

6 SECTION 33. Except as otherwise provided by this Act:

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

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

ADOPTED

AUG 15 2017

*Hatley Spaw*  
Secretary of the Senate

By: J Taylor

H.B. No. 21

Substitute the following for H.B. No. 21:

By: Larry Taylor

C.S. ~~H.~~B. No. 21

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the public school finance system.

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

4 SECTION 1. Effective September 1, 2018, Section 12.106,  
5 Education Code, is amended by amending Subsection (a-1) and adding  
6 Subsections (d) and (e) to read as follows:

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

9 (1) [7] adjustments under Sections 42.102, [42.103]  
10 42.104, and 42.105 are based on the average adjustment for the  
11 state; and

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

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

21 (1) the state average interest and sinking fund tax  
22 rate imposed by school districts for the current year; or

23 (2) a rate that would result in a total amount to which  
24 charter schools are entitled under this subsection for the current

1 year equal to \$60 million.

2 (e) A charter holder is entitled to receive funding under  
3 Subsection (d) only if the most recent overall performance rating  
4 assigned to the open-enrollment charter school under Subchapter C,  
5 Chapter 39, reflects at least acceptable performance.

6 SECTION 2. Effective September 1, 2023, Sections 42.103(b)  
7 and (d), Education Code, are amended to read as follows:

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

11 
$$AA = (1 + ((1,600 - ADA) \times .0004)) \times ABA$$

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

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

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

20 SECTION 3. Effective September 1, 2018, Section 42.103(c),  
21 Education Code, is amended to read as follows:

22 (c) The basic allotment of a school district that contains  
23 less than 300 square miles and has not more than 1,600 students in  
24 average daily attendance is adjusted by applying the following  
25 formulas [~~formula~~]:

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

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

1 i

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

3 AA = (1 + ((1,600 - ADA) X .00030)) X ABA

4 i

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

6 AA = (1 + ((1,600 - ADA) X .000325)) X ABA

7 i

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

9 AA = (1 + ((1,600 - ADA) X .00035)) X ABA

10 ; and

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

12 AA = (1 + ((1,600 - ADA) X .000375)) X ABA

13 SECTION 4. Chapter 42, Education Code, is amended by adding  
14 Subchapter H to read as follows:

15 SUBCHAPTER H. FINANCIAL HARDSHIP TRANSITION PROGRAM

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

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

23 (c) Except as provided by Subsection (d), funding provided  
24 to a district under this subchapter is in addition to all other  
25 funding provided under Chapter 41 and this chapter.

26 (d) A district is not eligible for funding under this  
27 subchapter for a school year if the district receives for that



1 school year an adjustment of the district's taxable value of  
2 property under Section 42.2521. A district may decline an  
3 adjustment under Section 42.2521 to maintain eligibility for  
4 funding under this subchapter.

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

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

11 
$$\text{HG} = (\text{PL} - \text{CL}) \times (\text{TR}) \times (\text{TAHG} / \text{TEHG})$$

12 where:

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

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

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

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

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

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

27 (b) A school district's hardship grant awarded under this

1 subchapter for a school year may not exceed the lesser of:

2 (1) the amount equal to 10 percent of the total amount  
3 of funds available for grants under this subchapter for that school  
4 year; or

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

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

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

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

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

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

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

23 (d) If funds remain available under this subchapter for a  
24 school year after determining initial grant amounts under  
25 Subsection (a), as adjusted to reflect the limits imposed by  
26 Subsection (b), the commissioner shall reapply the formula as  
27 necessary to award all available funds.

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

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

9       Sec. 42.454. REGIONAL EDUCATION SERVICE CENTERS AND COUNTY  
10 DEPARTMENTS OF EDUCATION NOT ELIGIBLE. A regional education  
11 service center or a county department of education is not eligible  
12 for a grant under this subchapter.

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

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

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

5           Sec. 42.458. RULES.    The commissioner may adopt rules as  
6 necessary to administer this subchapter.

7           Sec. 42.459. DETERMINATION FINAL.    A determination by the  
8 commissioner under this subchapter is final and may not be  
9 appealed.

10          Sec. 42.460. EXPIRATION.    This subchapter expires September  
11 1, 2019.

12          SECTION 5.   Effective September 1, 2018, Section 46.032(a),  
13 Education Code, is amended to read as follows:

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

$$19 \quad \text{EDA} = (\text{EDGL} \times \text{ADA} \times \text{EDTR} \times 100) - (\text{EDTR} \times (\text{DPV}/100))$$

20 where:

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

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

26                 (1) \$40 [~~\$35~~] or a greater amount for any year provided  
27 by appropriation; or

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

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

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

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

17           SECTION 6. (a) The amount of \$311,000,000 of the  
18 unencumbered appropriations from the general revenue fund for the  
19 state fiscal biennium ending August 31, 2019, made by S.B. 1, Acts  
20 of the 85th Legislature, Regular Session, 2017 (the General  
21 Appropriations Act), to the Health and Human Services Commission is  
22 transferred to the Texas Education Agency to be used by the agency  
23 during that state fiscal biennium as follows:

24           (1) \$150,000,000 is allocated to fund financial  
25 hardship grants under Subchapter H, Chapter 42, Education Code, as  
26 added by this Act;

27           (2) \$60,000,000 is allocated to fund payments to

1 open-enrollment charter schools under Section 12.106(d), Education  
2 Code, as added by this Act;

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

6 (4) \$41,000,000 is allocated for the small-sized  
7 district adjustment under Section 42.103, Education Code, as  
8 amended by this Act.

9 (b) The Health and Human Services Commission shall identify  
10 the strategies and objectives out of which the transfer under  
11 Subsection (a) of this section is to be made.

12 (c) Notwithstanding the sum-certain appropriations  
13 specified in Rider 3, Chapter 605 (S.B. 1), Acts of the 85th  
14 Legislature, Regular Session, 2017 (the General Appropriations  
15 Act), to the bill pattern of the appropriations to the Texas  
16 Education Agency, the Legislative Budget Board shall determine the  
17 sum-certain appropriation to the Foundation School Program for each  
18 year of the state fiscal biennium beginning September 1, 2017,  
19 based on the amount specified in that rider, the other provisions of  
20 the General Appropriations Act, and other law, including the  
21 provisions of this Act.

22 SECTION 7. Effective September 1, 2023, Section 42.103(c),  
23 Education Code, is repealed.

24 SECTION 8. Except as otherwise provided by this Act:

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

1 and

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

ADOPTED

AUG 14 2017

*Antony Spaw*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: L. TAYLOR

1 Amend C.S.H.B. 21 (senate committee printing) by adding the  
2 following appropriately numbered SECTIONS to the bill and  
3 renumbering subsequent SECTIONS of the bill accordingly:

4 SECTION \_\_\_\_ . Section 13.054(g), Education Code, as amended  
5 by Chapter 425 (S.B. 1353), Acts of the 85th Legislature, Regular  
6 Session, 2017, is amended to read as follows:

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

23 SECTION \_\_\_\_ . Section 5, Chapter 425 (S.B. 1353), Acts of the  
24 85th Legislature, Regular Session, 2017, is repealed.



ADOPTED

AUG 14 2017

FLOOR AMENDMENT NO. 2

*L. Taylor*  
Secretary of the Senate

*L. Taylor*

1 Amend C.S.H.B. No. 21 (senate committee printing) as  
2 follows:

3 (1) In the recital to SECTION 1 of the bill (page 1, line  
4 28), strike "Subsections (d) and (e)" and substitute  
5 "Subsections (d), (e), (f), and (g)".

6 (2) In SECTION 1 of the bill, immediately following added  
7 Section 12.106(e), Education Code (page 1, between lines 51 and  
8 52), insert the following:

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

11 (1) to lease an instructional facility;

12 (2) to pay property taxes imposed on an instructional  
13 facility;

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

16 (4) for any other purpose related to the purchase,  
17 lease, sale, acquisition, or maintenance of an instructional  
18 facility.

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

ADOPTED

AUG 14 2017

FLOOR AMENDMENT NO. 3

BY:

*Joan Huffman*

*Atay Spaw*  
Secretary of the Senate

1 Amend C.S.H.B. No. 21 (senate committee report) by adding  
2 the following appropriately numbered SECTION to the bill and  
3 renumbering SECTIONS of the bill accordingly:

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

17 (b) The Teacher Retirement System of Texas may use the  
18 money 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  
22 Insurance Program authorized by Chapter 1575, Insurance Code;  
23 and

24 (2) reduce costs for an enrolled adult child with a  
25 mental disability or a physical incapacity during the 2018 and  
26 2019 plan years.

27 (c) The Teacher Retirement System of Texas shall determine  
28 the most efficient allocation of the money transferred under  
29 Subsection (a) of this section to achieve the maximum benefit

1 for participants in the program.

ADOPTED

FLOOR AMENDMENT NO. 4

VV  
AUG 14 2017

*no amendment*  
*Leta Spaul*  
Secretary of the Senate

BY: *Joan P. Hoffmann*

1 Amend C.S.H.B. No. 21 (senate committee printing) by adding  
2 the following appropriately numbered SECTION to the bill and  
3 renumbering subsequent SECTIONS of the bill accordingly:

4 SECTION \_\_\_\_\_. Subchapter A, Chapter 29, Education Code, is  
5 amended by adding Sections 29.026 and 29.027 to read as follows:

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

11 (b) A school district, including a school district acting  
12 through a district charter issued under Subchapter C, Chapter  
13 12, and an open-enrollment charter school, including a charter  
14 school that primarily serves students with disabilities, as  
15 provided under Section 12.1014, may apply for a grant under this  
16 section.

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

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

22 (2) the program incorporates:

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

24 (B) the use of empirical data on student  
25 achievement and improvement;

26 (C) parental support and collaboration;

27 (D) the use of technology;

28 (E) meaningful inclusion; and

29 (F) the ability to replicate the program for

1 students statewide;

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

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

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

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

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

12 (d) A school district or open-enrollment charter school  
13 may not:

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

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

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

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

24 (e) A program under this section may:

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

27 (2) coordinate services with private or community-  
28 based providers;

29 (3) allow the enrollment of students without  
30 disabilities or with other disabilities, if approved by the  
31 commissioner; and

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

4           (f) The commissioner shall adopt rules creating an  
5 application and selection process for grants awarded under this  
6 section.

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

11           (h) The commissioner shall award grants to fund not more  
12 than 10 programs that meet the eligibility criteria under  
13 Subsection (c). In selecting programs, the commissioner shall  
14 prioritize programs that are collaborations between multiple  
15 school districts, multiple charter schools, or school districts  
16 and charter schools. The selected programs must reflect the  
17 diversity of this state.

18           (i) The commissioner shall select programs and award grant  
19 funds to those programs beginning in the 2018-2019 school year.  
20 The selected programs are to be funded for five years.

21           (j) A grant awarded to a school district or open-  
22 enrollment charter school under this section is in addition to  
23 the Foundation School Program funds that the district or charter  
24 school is otherwise entitled to receive.

25           (k) The commissioner shall set aside an amount not to  
26 exceed \$20 million from the total amount of funds appropriated  
27 to the Foundation School Program for the 2018-2019 fiscal  
28 biennium to fund grants under this section. The commissioner  
29 shall use \$10 million for the purposes of this section for each  
30 school year in the state fiscal biennium. A grant recipient may  
31 not receive more than \$1 million for the 2018-2019 fiscal

1 biennium. The commissioner shall reduce each district's and  
2 charter school's allotment proportionally to account for funds  
3 allocated under this section.

4 (l) The commissioner and any program selected under this  
5 section may accept gifts, grants, and donations from any public  
6 or private source, person, or group to implement and administer  
7 the program. The commissioner and any program selected under  
8 this section may not require any financial contribution from  
9 parents to implement and administer the program.

10 (m) The commissioner may consider a student with autism  
11 who is enrolled in a program funded under this section as funded  
12 in a mainstream placement, regardless of the amount of time the  
13 student receives services in a regular classroom setting.

14 (n) Not later than December 31, 2021, the commissioner  
15 shall publish a report on the grant program established under  
16 this section. The report must include:

17 (1) recommendations for statutory or funding changes  
18 necessary to implement successful innovations in the education  
19 of students with autism; and

20 (2) data on the academic and functional achievements  
21 of students enrolled in a program that received a grant under  
22 this section.

23 (o) This section expires September 1, 2024.

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

29 (b) A school district, including a school district acting  
30 through a district charter issued under Subchapter C, Chapter  
31 12, and an open-enrollment charter school, including a charter

1 school that primarily serves students with disabilities, as  
2 provided under Section 12.1014, may apply for a grant under this  
3 section.

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

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

9 (2) the program incorporates:

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

11 (B) the use of empirical data on student  
12 achievement and improvement;

13 (C) parental support and collaboration;

14 (D) the use of technology;

15 (E) meaningful inclusion; and

16 (F) the ability to replicate the program for  
17 students statewide;

18 (3) the program gives priority for enrollment to  
19 students with dyslexia;

20 (4) the program limits enrollment and services to  
21 students who are:

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

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

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

28 (d) A school district or open-enrollment charter school  
29 may not:

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



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

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

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

9           (e) A program under this section may:

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

12           (2) coordinate services with private or community-  
13 based providers;

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

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

20           (f) The commissioner shall adopt rules creating an  
21 application and selection process for grants awarded under this  
22 section.

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

27           (h) The commissioner shall award grants to fund not more  
28 than 10 programs that meet the eligibility criteria under  
29 Subsection (c). In selecting programs, the commissioner shall  
30 prioritize programs that are collaborations between multiple  
31 school districts, multiple charter schools, or school districts

1 and charter schools. The selected programs must reflect the  
2 diversity of this state.

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

6 (j) A grant awarded to a school district or open-  
7 enrollment charter school under this section is in addition to  
8 the Foundation School Program funds that the district or charter  
9 school is otherwise entitled to receive.

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

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

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

30 (n) Not later than December 31, 2021, the commissioner  
31 shall publish a report on the grant program established under

1 this section. The report must include:

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

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

8 (o) This section expires September 1, 2024.

ADOPTED

✓✓  
AUG 14 2017

FLOOR AMENDMENT NO. 6

*Atty. Gen.*  
Secretary of the Senate BY:

*Stephen R. Garcia*

1 Amend C.S.H.B. No. 21 (senate committee report) in SECTION  
2 1 of the bill, in added Section 12.106(e), Education Code (page  
3 1, line 51), immediately following the underlined period, by  
4 inserting "This subsection does not apply to a charter holder  
5 that operates a school program located at a day treatment  
6 facility, residential treatment facility, psychiatric hospital,  
7 or medical hospital."

ADOPTED

✓✓  
AUG 14 2017

FLOOR AMENDMENT NO. 7

*DeWayne Spaw*  
Secretary of the Senate

BY: *[Signature]*

1 Amend C.S.H.B. No. 21 (Senate committee printing) in  
2 SECTION 6(b) of the bill, following "is to be made." (page 4,  
3 line 47), by adding the following:  
4 If the commission makes the amount of appropriations transferred  
5 under Subsection (a) of this section available by delaying until  
6 the state fiscal biennium beginning September 1, 2019, the  
7 monthly capitation payments otherwise due in August 2019 to  
8 managed care organizations that contract with the commission to  
9 provide health care services to Medicaid recipients, the  
10 commission shall make the delayed payments as soon as possible  
11 out of available money appropriated to the commission for that  
12 state fiscal biennium.

ADOPTED

✓✓  
AUG 14 2017

*L. Taylor*  
Secretary of the Senate

FLOOR AMENDMENT NO. 11

BY: L. Taylor

1 Amend C.S.H.B. 21 (senate committee printing) by adding the  
2 following appropriately numbered SECTIONS and renumbering  
3 subsequent SECTIONS of the bill accordingly:

4 SECTION \_\_\_\_ Chapter 42, Education Code, is amended by  
5 adding Subchapter L to read as follows:

6 SUBCHAPTER L. TEXAS COMMISSION ON PUBLIC SCHOOL FINANCE

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

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

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

14 (b) The commission is composed of 13 members, consisting of  
15 the following:

16 (1) four members appointed by the governor;

17 (2) four members appointed by the lieutenant governor;

18 (3) four members appointed by the speaker of the house  
19 of representatives; and

20 (4) a member of the State Board of Education, as  
21 designated by the chair of that board.

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

24 (1) one person who is a current or retired classroom  
25 teacher with at least 10 years of teaching experience;

26 (2) one person who is a member of the business  
27 community; and

28 (3) one person who is a member of the civic community.

29 (d) The appointments made by the lieutenant governor and the

1 speaker of the house of representatives must each consist of:

2 (1) three members of the applicable legislative  
3 chamber; and

4 (2) an administrator in the public school system or an  
5 elected member of the board of trustees of a school district.

6 (e) In making appointments under Subsections (b)(1), (2),  
7 and (3), the governor, lieutenant governor, and speaker of the  
8 house of representatives shall coordinate to ensure that the  
9 membership of the commission reflects, to the extent possible, the  
10 ethnic and geographic diversity of this state.

11 Sec. 42.603. PRESIDING OFFICER. The governor shall  
12 designate the presiding officer of the commission.

13 Sec. 42.604. COMPENSATION AND REIMBURSEMENT. A member of  
14 the commission is not entitled to compensation for service on the  
15 commission but is entitled to reimbursement for actual and  
16 necessary expenses incurred in performing commission duties.

17 Sec. 42.605. ADMINISTRATIVE SUPPORT AND FUNDING.

18 (a) Staff members of the agency shall provide administrative  
19 support for the commission.

20 (b) Funding for the administrative and operational expenses  
21 of the commission shall be provided by appropriation to the agency  
22 for that purpose.

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

26 (1) the purpose of the public school finance system  
27 and the relationship between state and local funding in that  
28 system;

29 (2) the appropriate levels of local maintenance and  
30 operations and interest and sinking fund tax effort necessary to  
31 implement a public school finance system that complies with the

1 requirements under the Texas Constitution; and

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

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

9 Sec. 42.607. REPORT. Not later than December 31, 2018, the  
10 commission shall prepare and deliver a report to the governor and  
11 the legislature that recommends statutory changes to improve the  
12 public school finance system, including any adjustments to funding  
13 to account for student demographics.

14 Sec. 42.608. PUBLIC MEETINGS AND PUBLIC INFORMATION.  
15 (a) The commission may hold public meetings as needed to fulfill  
16 its duties under this subchapter.

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

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

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

22 SECTION \_\_\_\_\_. Not later than the 30th day after the effective  
23 date of the section of this Act adding Subchapter L, Chapter 42,  
24 Education Code, the appropriate persons shall make the appointments  
25 and designations required by Section 42.602, Education Code, as  
26 added by this Act.



ADOPTED

V ✓  
AUG 14 2017

FLOOR AMENDMENT NO. 12

*Antony Spaw*  
Secretary of the Senate

BY: *Janet Huffman*



1 Amend Floor Amendment #4 by Huffman, to C.S.H.B. No. 21, as  
2 follows:

3 (1) on page 3, line 20, strike "five", and substitute  
4 "two"

5 (2) on page 3, line 24, after "receive.", insert "A grant  
6 awarded under this section may not come out of Foundation School  
7 Program funds."

8 (3) on page 3, line 27, strike "to the Foundation School  
9 Program"

10 (4) on page 4, line 14, strike "2021", and substitute  
11 "2020"

12 (5) on page 4, line 23, strike "2024", and substitute  
13 "2021"

14 (6) on page 7, line 5, strike "five", and substitute  
15 "two"

16 (7) on page 7, line 9, after "receive.", insert "A grant  
17 awarded under this section may not come out of Foundation School  
18 Program funds."

19 (8) on page 7, line 12, strike "to the Foundation School  
20 Program"

21 (9) on page 7, line 30, strike "2021", and substitute  
22 "2020"

23 (10) on page 8, line 8, strike "2024", and substitute  
24 "2020"

25

**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)

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2017</b>
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 <i>Foundation School Fund</i> 193	Probable (Cost) from <i>Reduced Recapture</i> 193	Probable Savings from <i>Foundation School Fund</i> 193	Probable (Cost) from <i>General Revenue Fund</i> 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 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**

**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.

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**

**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.

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