

OVERVIEW OF HOUSE BILL 3

In June 2019, Texas Governor Greg Abbott signed into law HB3, representing an investment in education and educators of \$6.5 billion and culminating an 18-month process that commenced at the beginning of 2018 with the formation of a year-long, bi-partisan [Commission to reform the state's school finance system](#). The final legislation reduces recapture by \$3.6 billion and requires changes that could prove transformative in improving equitable outcomes for the 5.4 million students (representing 10% of the nation's children) that are educated within the state of Texas.

The major initiatives of the legislation invest in the four key strategic levers recommended by the Commission to improve student outcomes: Ensuring that:

- “every child is ready to learn” (by creating a solid early foundation);
- “every child is ready to earn” (by ensuring ready and supported beyond K-12);
- “every educator is ready to teach” (by attracting/developing/retaining great teachers);
- “every child is supported equitably” (by providing more resources to those with higher needs)

EVERY CHILD IS READY TO LEARN (*Texas ranks 45th nationally in early literacy per NAEP*)

- **Full day PreK funding** for all low-income students and English language learners, with requirement that all districts use one of two Kinder-ready assessments to assist regional multi-district continuous improvements in PreK quality
- All 1,110+ districts must **set 5-year goals, disaggregated by race and income, for 3rd grade reading and math**, annually share progress towards goals, and provide targeted PD for K-3 teachers not meeting goals
- Funding for **optional 30-day extension of the school year** in elementary schools where significant numbers of children are behind in order to reduce/eliminate “summer slide”
- **Increased funding for dual language** to incent districts to adopt that research-based effective practice (vs. bilingual education) and reduce classroom segregation
- **\$100mm in additional funding for dyslexia identification and support**
- **Adds new reading standards for K-3 students**, requires K-3 teachers and elementary principals attend a literary achievement academy, and districts must prioritize placing “highly effective teachers” in K-2 classrooms.

EVERY CHILD IS READY TO EARN (*22% of TX 8th graders earn a post-secondary degree by age 24*)

- **Outcomes funding for every student who graduates college/career ready and accesses college, military, or an industry certificate**, with 60% higher funding (\$5,000 per student) for low income students
- All 1,100+ districts must **set five-year goals, disaggregated by race and income, for college, career, and military readiness** and annually share progress towards those goals
- **Requirement of FAFSA completion to graduate high school** (with parental / counselor opt out)
- **Funding for first GED test for those 21 or older** to assist dropouts in receiving their diploma.
- **Expansion of career/technical education (“CTE”) funding into middle school**
- **Annual SAT/ACT testing fee reimbursement to districts**

EVERY EDUCATOR IS READY TO TEACH (*Texas ranks below U.S. average in teacher pay*)

- **\$1.6 billion biannual funding to increase educator pay**, prioritizing educators with 6+ years of experience
- \$140M in estimated state funding for **districts wishing to implement a multi measure educator evaluation system. These districts can pay their top educators more (\$3,000 to \$12,000) and substantially sooner in their career.** Salary increase is 2x to 3x higher if educator teaches at a low income or rural school (Master teachers who work at high poverty schools can earn up to \$32,000/year more in annual salary). Performance and validity standards to be established by TEA and Texas Tech University.
- \$8M for mentoring new teachers

EVERY CHILD IS EQUITABLY SUPPORTED (*Texas educates 12% of all low income students in U.S.*)

- **Increase in per student discretionary funding** (via the Basic Allotment) of ~\$1,000 (\$5,140 to \$6,160)
- \$1.1 billion to fund a **12.5% to 37.5% increase in the compensatory education weight for low-income students**, with higher end of that range directed toward students living within highest levels of **concentrated poverty**.

OVERVIEW OF HOUSE BILL 3

SCHOOL FINANCE AND PROPERTY TAX REDUCTION

- Adds an **additional two pennies** of Tier II Enrichment (golden pennies) and **decouples all golden pennies from Austin ISD rate**, instead valuing them at 96th percentile of school districts, effectively \$98.56
- Sets the **Tier II copper penny yield at \$49.28** and compresses these pennies to a level not to exceed the revenue generated in the preceding year
- Sets the **state compression percentage at 93%**, resulting in a \$0.07 decrease in school district M&O rates
- Moves the school finance system to be calculated on **current year school district property values**
- Creates a formula transition grant and equalized wealth transition grant and authority for the commissioner to allocate FSP funds to meet federal special education maintenance of effort requirements

Beginning in the second year of the biennium (effective Sept. 1, 2020), compression can be applied district-by-district:

- Establishes a compression formula based on the previous year's compression percentage (\$0.93) increased by \$0.025/local property value growth
- The compression rate for 2020 would be \$0.89 (11 cents) assuming a 6% property value growth rate (.907 at 5%, .916 at 4%, etc.). This formula creates an annual compression calculation and financial obligation for the state
- Creates a "Maximum Compressed Tax Rate" structure that effectively **caps district tax rates at a 2.5% revenue growth rate**
- Provides that districts can have no more than a 10% variance across maximum compressed tax rates