

Texas Commission on Public School Finance

Funding for Impact: Equitable Funding for Students Who Need It the Most

Final Report

December 31, 2018

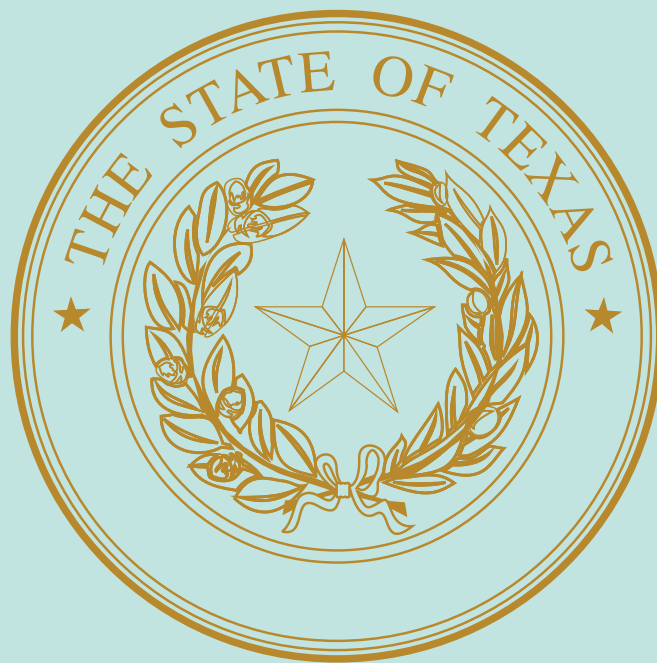


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Overview of the Commission

The 85th Texas Legislature, First Called Session, through House Bill (HB) 21, established a Commission to develop and make recommendations for improvements to the state's current public school finance system. The Commission was charged with developing recommendations to address several issues including:

1. *The purpose of the public school finance system and the relationship between state and local funding in that system;*
2. *The appropriate levels of local maintenance and operations and interest and sinking fund tax effort necessary to implement a public school finance system that complies with the requirements under the Texas Constitution; and*
3. *Policy changes to the public school finance system necessary to adjust for student demographics and the geographic diversity in the state.*

The 13-member Commission was appointed by Governor Greg Abbott, Lt. Governor Dan Patrick, House of Representatives Speaker Joe Straus, and chair of the State Board of Education Donna Bahorich. It was chaired by former Texas Supreme Court Justice Scott Brister. Six Commission members were appointed from the Texas Legislature, all of whom serve on the education committees in their respective chambers (including both committee chairs) and include both Republican and Democratic members. The Commission also included an elected representative from the State Board of Education, a current district superintendent, a school district chief financial officer, a classroom teacher, and community leaders.

Members created three working groups: one focused on determining current student outcomes and recommendations to improve them, chaired by Todd Williams; a second focused on examining and recommending changes in current school finance system expenditures, chaired by Representative Dan Huberty; and a third focused on current revenue streams which fund public education today and recommendations for options to improve them given our desired outcomes, chaired by Senator Paul Bettencourt.

Members first convened in January 2018 and continued meeting monthly throughout the year. At its essence, the 2018 Commission served as a year-long interim study on public school finance, current educational outcomes, and best practices occurring around the state. All totaled, Commission members heard over 80 hours of testimony from more than 155 individuals, including representatives from 19 school districts, six institutions of higher education, and more than 100 advocates, policy experts, and stakeholders.

This final report is the result of numerous hours of study, deliberation, and discussion among Commission members. It is the Commission's humble intent that this set of comprehensive recommendations be used as the foundation of legislation in 2019 and beyond that could materially change the way Texas commits to resourcing the education of our students and equipping them for life and career success. In pursuing such legislation, the Commission believes that a comprehensive redesign of the school finance system may be necessary to implement the principles and to achieve the goals outlined herein.

The Commission has taken the guidance of the Texas Supreme Court to heart: Texas students "deserve transformational, top-to-bottom reforms that amount to more than Band-Aid on top of Band-Aid." This report seeks to start the dialogue about how to create a fully-aligned education and property tax system that will meet the needs of Texas students to ensure that our state's future remains bright for all Texans.

December 31, 2018

The Texas Commission on Public School Finance Final Report

Respectfully submitted,

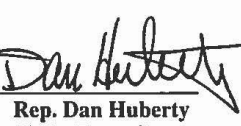


Justice Scott Brister

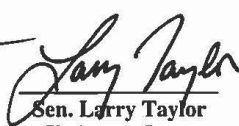
Chairman,
Texas Commission on
Public School Finance



Sen. Paul Bettencourt
Chair, Revenues
Working Group
Member, Senate Public
Education and Higher
Education Committees



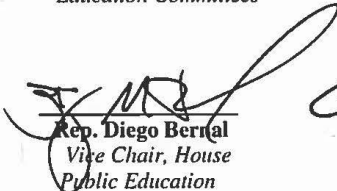
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Chair, Expenditures
Working Group
Chairman, House
Public Education



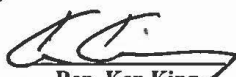
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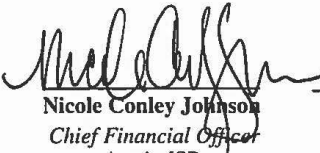
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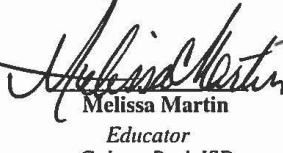
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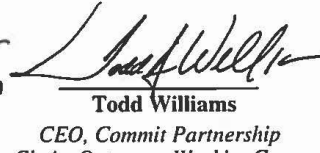
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Educator
Galena Park ISD



Todd Williams
CEO, Commit Partnership
Chair, Outcomes Working Group

Executive summary

HB 21 (85th Texas Legislature, First Called Session) created the bipartisan **Texas Commission on Public School Finance** (the “Commission”) which met for twelve months during calendar year 2018. It heard over 80 hours of testimony from over 155 different stakeholders, including the Texas Education Agency (“TEA”), the Texas Higher Education Coordinating Board (“THECB”), classroom educators, school district and campus leaders, parents, researchers, policy groups, government entities, non-profits, foundations, and business interests¹.

After thoughtful deliberation, the Commission is pleased to submit the following report to the 86th Texas Legislature for its consideration as required by statute. This report includes both the Commission’s findings as well as 35 separate recommendations to significantly improve the state of Texas’s school finance system and, more importantly, its resulting educational outcomes for our 5.4 million students.

These recommendations were made in the belief that Texas’s school finance system to date has not systemically focused its attention on outcomes, a critical component of ensuring that the state’s workforce can sustain our current and future economy and quality of life. Only 22 percent of Texas eighth-graders currently achieve a post-secondary credential six years following their scheduled high school graduation,² and post-secondary completion rates for our low-income Texas students now only equal 12 percent, an especially troubling outcome given that this student population now represents a significant six out of every ten public school students in Texas. We believe strongly that the need for equitable reform of our school finance system is both important and urgent if we want Texas’s current economic growth to continue and for all of our students to equally participate in its prosperity.

Summary of major recommendations

The Commission has made a series of recommendations to fundamentally restructure the Texas school finance system. The recommendations are both extensive and build upon one another. When taken in their totality, we believe that they will:

- Create a long-term systemic balance between the state and local share of district foundation funding for public education.
- Restructure the Texas school finance system by reallocating outdated or otherwise inefficient allotments, weights, and programs.
- Substantially increase the level of equity in the system with significantly greater investment in low-income and other historically underperforming student groups to markedly grow their educational outcomes by the year 2030.
- Significantly reduce the growth rate of property taxes and reliance on recapture as a method of finance for the state, while simultaneously substantially reducing the growth in recapture.
- Encourage widespread adoption of data-informed best practices that deliver improved results for students.

¹ Archive of presentations and testimony to the Commission can be found online at tea.texas.gov/schoolfinancecommission/.

² THECB Eighth-Grade Cohort Study, 2016 report.

- Immediately infuse, net of property tax relief and new funding needed for student growth, significant additional state resources to fund the data-informed strategies that will improve student outcomes.
- Formulaically increase per pupil funding in the future (relative to current law) as outcomes-based funding grows from the successful investments in early learning, teacher effectiveness, and high school supports made possible by the implementation of these recommendations.

The school finance reforms recommended in this document reflect a comprehensive effort to redesign the entirety of our state's funding system to reflect the needs of the 21st century. These recommendations should be viewed as a package that relies on components to (1) ensure that every child in Texas has an equal opportunity to participate in the prosperity of Texas through access to an equitably funded, quality education; (2) ensure that tax dollars are spent most efficiently; and (3) solve the underlying structural flaws of our current finance and revenue systems.

The Commission's major recommendations, detailed later under referenced sections of this report, are as follows:

1. **Establish a statewide goal of 60 percent or higher proficiency for critical preK–12 outcomes by the year 2030, consistent with Texas's higher education goal of 60x30TX, and align public school board goals and interim progress measures with these outcomes.** Student outcomes in our public preK–12 school system should align with our current post-secondary achievement goals based on a desire for all Texas students to participate equally in the prosperity of our economy while concurrently reducing the burden of social safety net and incarceration costs attributable to our educational and societal failures. Ensuring that all Texas students have the opportunity to graduate from high school ready for college, a future career, or military service—and that they are supported in making that transition—should be the guiding principle around which a new school finance system is designed. (*See Section A: Establishing a Statewide Goal for Texas's PreK–12 Education System.*)
2. **Reallocate \$3.5 billion in existing revenues toward more impactful spending and greater system-wide equity, grow the basic allotment, and inject significant additional and reliable state revenue, beyond that needed for enrollment growth, to fund new strategic allotments and weights outlined below to further improve adequacy and equity in funding.** The Commission recommends that \$3.5 billion in select current annual allotments and outdated hold harmless provisions, detailed later in this report, be eliminated to free up monies to fund recommended strategies contained in this report, including, most importantly, an increase in compensatory education funding benefitting our low-income students. In addition, we believe that the downward slide in the state's share of school funding should be stopped, and that substantial new state funding will likely be required for many of the proposed new allotments outlined below, including but not limited to, those for early literacy outcomes, effective educators, an extended school year, and increased Tier II yields. These critical investments are likely to have the most impact on Texas schools and students; given that they will be very likely unmet by the reallocation of the \$3.5 billion of funding discussed above, students and districts deserve and justify a commitment of additional, diversified, reliable funding beginning with the 2020–2021 biennium. (*See Section F: Proposed Reallocation of Existing Revenues.*)

3. **Use current-year district property values in the Foundation School Program (FSP) formulas as opposed to prior-year values** and establish a fast-growth allotment. Making this property value change will create a one-time \$1.8 billion cost savings for the state and will eliminate what is known as the formula lag, which can cause a misalignment of state and local revenues if/when local district property value growth slows/falls in the future. To mitigate the impact of this change on and provide for the additional costs of districts experiencing fast enrollment growth, the Commission recommends establishing a fast-growth allotment for the top-quartile-growth districts, allocated on a per student basis, at a cost of approximately \$280 million. (See *Section F: Proposed Reallocation of Existing Revenues*.)
4. **Unless otherwise noted, all funding recommendations in this report should be formula funded and significantly directed toward student populations with the greatest needs.** All dollars should be formula funded to ensure transparency so that school leaders and boards have sufficient confidence that the funding will exist in subsequent years. Any recommendations for reallocations of existing funding or new investments should be prioritized toward low-income and English language learner students given that they are achieving only one-third to one-half of our recommended 60-percent statewide proficiency goal. (See *Overview of Current PreK–12 Educational Outcomes in Texas*.)
5. **Focus additional state resources on early education to substantially increase third-grade reading levels.** The Commission recommends that every low-income or English language learner (ELL) student in kindergarten through third grade receive an additional 0.1 weight (students who are both low-income and ELL would therefore receive a combined weight of 0.2 weight) to provide campuses statewide with an estimated **\$780 million of collective additional funding to improve critical early literacy levels.** Public schools would be free to invest the dollars (specifically across preK through third grade) at their discretion across a variety of strategies outlined in Section B, including, but not limited to, providing optional full-day preK. In return for this funding, all districts offering optional preK (87 percent of districts currently do so) will be required to offer it in a quality manner for any enrolled student, defined as (1) a full-day offering for four-year-old pre–K; and (2) a classroom adhering to quality standards governing desired student-teacher ratios, etc. Should public schools currently have an insufficient number of seats, either directly or in partnership with private providers, such that the requirement to offer full-day preK would result in fewer students being served, TEA waivers may be obtained by public schools until additional preK seats can be constructed or located. (See *Section B: Proposed Third-Grade Reading Allotment*.)
6. **Texas’s school finance system should shift a portion of its focus toward outcomes-based funding targeting two critical preK–12 “gates” reflecting current high levels of academic “melt.”** The Commission recommends providing \$800 million of outcomes-based funding (allocated and paid beginning in the 2019–2020 school year based on current proficiency levels) to public schools to provide key resources and help ensure ongoing, strategic focus by school leaders on substantially increasing outcomes in two critical areas: (1) **early literacy**, where over 225,000 Texas third-grade children fail to meet the state standard in reading (estimated targeted funding of \$400 million); and (2) **post-secondary access of career, military, or higher education without the need for remediation**, where over 200,000 high school graduates annually fail to achieve a post-secondary education within six years of graduation (estimated targeted funding of \$400 million).

As detailed later in this report, all outcomes-based funding **would be equitably distributed** to provide campuses with **much higher per-student funding for their low-income students** facing greater needs such that campuses with high concentrations of low-income students would receive total funding that is ~28 percent higher than campuses with no low-income students. Equally important, as these initial resources are wisely invested in key strategies to improve outcomes, campuses will be able to see their outcomes-based funding increase meaningfully as part of formula funding separate and apart from any increases in the basic allotment. (See *Section C: Proposed Key Outcomes Funding*.)

7. **Creation of an effective educator allotment for districts wishing to differentiate compensation to pay their strongest educators higher salaries sooner in their careers.** The Commission is recommending creating an optional, effective educator allotment in formula funding for participating districts. Funding of this allotment would commence in the 2020–2021 biennium at \$100 million (growing an additional \$100 million each subsequent year, reaching \$1.0 billion in the 2028–2029 school year) to provide discretionary funding to districts wishing to implement locally developed multiple-measure evaluation and compensation systems to enhance the retention and strategic staffing of their more effective educators across their districts. We would encourage educators to be a critical part in the development of each local evaluation system, and we would encourage the Texas Legislature to define what an acceptable evaluation system application to TEA would contain, including the variety of components and multiple types of assessments that could be used to determine educator proficiency, after receiving input from school leaders and classroom educators (a starting guideline can be found in Section D-2).

The state should set a goal to ensure that its top teachers have a realistic path to a \$100,000 annual salary. In addition to helping attract and keep their effective educators in the classroom, public schools implementing these systems would be able to identify their more effective educators and then provide incentives for them to teach at their most challenged campuses, increasing the equitable distribution of effective educators. This evaluation system will also enable districts to target professional development to individual teachers' needs and provide critical, much-needed feedback to teacher preparation programs to help them continuously improve their own training. (See *Sections D-1 and D-2: Proposed Educator Effectiveness Allotment*.)

8. **Create optional program for districts to offer up to an additional 30 instructional days by providing half-day funding (up to \$50 million in year one) for each instructional day beyond the district's designated end of school year for high-needs students in preK through fifth grade.** Analysis indicates that more time on task for our younger, struggling learners, very often from low-income backgrounds, will notably increase the percentage of students who achieve the state's Meets Grade Level standard in sixth grade by up to 12 to 14 percent while increasing annual pay for participating teachers by up to \$6,000 annually given the extra 30 days of teaching required. Should this initial program prove effective, we would encourage the funding of its scaling in subsequent years given the critical importance of ensuring a solid early foundation and eliminating the impact of "summer slide" for our low-income populations. (See *Section E: Proposed Other New Allotments and Programs to Improve Early Literacy*.)
9. **Creation of additional allotments/programs targeting early learning.** The Commission recommends incentivizing the use of dual language (vs. bilingual) strategies (these funds would be delivered through a funding weight of 0.15) above the

current bilingual weight of 0.10, and supporting greater dyslexia identification and student supports. It is estimated that these recommendations would involve the estimated additional expenditure of up to \$150 million annually. *(See Section E: Proposed Other New Allotments and Programs to Improve Early Learning.)*

10. **Change existing allotments and formula weights**, the large majority of which are recommended to be equitably adjusted, including increased compensatory education funding to invest annually an estimated \$1.1 billion dollars additionally in supporting students with the largest needs. *(See Section G: Proposed Changes in Existing Allotments/Formula Weights.)*
11. **Increase the current yields on Tier II tax rates to equal \$43.50 per penny and tie future increases to a fixed percentage of the basic allotment while initially compressing the rate to provide future taxing flexibility.** Many school districts have provided local enrichment through tax ratification elections and have reached the statutory maximum \$0.17 Tier II tax rate. Increasing the initial yield of the last eleven pennies (“copper pennies”) to \$43.50 per penny and then tying that rate going forward to the percentage of the basic allotment established in fiscal year 2020 should allow for some inflationary protection on a district’s Tier II yields. Initially compressing districts’ Tier II rates will provide taxpayers with immediate tax relief while providing districts with future capacity to seek approved increases in funding via a school board vote or a tax ratification election. Compressing the tax rates as values rise is essential to ensuring that districts maintain meaningful discretion over their enrichment tier tax rates. *(See Section I: Proposed Changes in Tier II Yields.)*
12. **Substantially reduce the growth in recapture.** The Commission recommends that recapture growth should be substantially reduced by a variety of methods. In addition to any increases in the basic allotment, the legislature should also consider other strategies as outlined in Section J, including potentially compressing Tier I tax rates. In considering the compressing of local Tier I tax rates annually, local district entitlement must be unaffected and compression can only affect the local share of required funding, with the state providing the remaining resources needed from overall general revenue *(See Section J: Proposed Strategies to Slow Property Tax and Recapture Growth.)*
13. **An important note regarding special education.** All students in the State of Texas deserve to have their educational needs met. As the Commission examined the special education weight, it became clear that the Texas special education system is undergoing significant reform. Given this rapid change, the Commission deemed it prudent to wait to implement special education formula changes until the Corrective Action Plan, having been approved by the Department of Education, can be fully implemented. Focusing on improving student outcomes for all students is the aim of this Commission and conversations about outcomes for students with severe disabilities should be ongoing and prioritized.

Conclusion

Currently, Texas's Article III spending represents over 50 percent of the state's budget,³ with total kindergarten through twelfth-grade funding from local, state, and federal sources totaling roughly \$60 billion during the 2018–2019 academic year.⁴ Upon extensive review of data and informed testimony from multiple experts, we have concluded that those funds are currently being allocated in part by funding formulas and allotments that are not only complex, but are also outdated, inefficient, and unaligned with the substantially evolving needs of Texas's kindergarten through twelfth-grade population. **As a result, too few of our own students are participating in the prosperity of Texas, and our future workforce and economic health are at real risk if substantive changes are not enacted in the near term.**

Based on testimony from numerous witnesses, the Commission unanimously believes that:

- The purpose of any school finance system should be realigned to adequately resource specific outcomes and goals while providing incentives for desired actions and outcomes at specific points, backed by research, that are critical to a student's educational journey.
- Simply investing more dollars per student represents some risk of "more of the same" without a high degree of confidence regarding an appropriate return on our significant annual investment in preK–12 education.
- However, investing meaningful additional funds in specific, data-driven strategies that are currently showing strong results within our state represents the potential to significantly accelerate Texas educational outcomes and provide a real, substantive chance to reach our state's 60x30TX goal.

In summary, to help ensure the future of Texas, Commission members believe in the following core principles:

1. Every child should be able to read sufficiently by third grade.
2. Every student should be taught by a well-prepared, effective and appropriately compensated educator.
3. Every student should graduate our preK–12 system without needing remediation and should be supported in accessing a post-secondary education, a career certification, or enlistment in the military that will enable them to obtain a living-wage career beyond high school.
4. Every student with greater needs should receive additional, equitable resources to allow all students, regardless of background, the chance to achieve and live a productive life. These include higher needs attributable to low income, language fluency, special education needs, or mental health.

The Commission drafted these recommendations with the 5.4 million Texas public school students in mind (versus the interests of any one particular school district or any one region of the state), and this group of recommendations should be considered in their entirety rather than as a set of pieces to be divided. Given our charge, these recommendations seek to increase the efficiency, efficacy, and equity of the current system while removing outdated allotments and reducing the system's complexity. Proposed new allotments, weights, and incentives will address the evolving needs of a state reflecting an increasingly higher proportion of low-income

³ Legislative Budget Board, Fiscal Size Up 2018–2019.

⁴ TEA presentation to Texas Commission on Public School Finance, May 3, 2018.

and ELL students, all aligned to better prepare our students for what lies immediately beyond public school, whether it be a post-secondary education, a living wage career, or the military. **In considering the reforms recommended by this report, we encourage the legislature to take a fresh look at every aspect of our school finance system and not be bound to the compromises of the past when the needs of the future are so very clear.**

Given the increasing levels of both economically disadvantaged and English language learners within Texas's preK–12 public school system, and our economy's continued technological displacement of historical living wage jobs, **it is critical that our state begin now to make the additional needed investments that strategically address key areas of weakness within our public educational/workforce pipeline.** While we acknowledge the known and competing sizable budgetary challenges currently faced by the legislature, including growing costs associated with Hurricane Harvey, Medicaid, pension costs, etc., the successful implementation of these recommendations will help ensure that all Texas students (93 percent of which attend a public school) have a realistic chance at a quality educational outcome, culminating in a post-secondary credential that prepares them for success in a rapidly evolving 21st century economy.

Ultimately, what becomes of our students will dictate what becomes of our state. We greatly appreciate the opportunity to share these thoughtful recommendations addressing one of the most critical issues and opportunities facing the state of Texas.

Major Commission findings

Many students, teachers, principals, schools, and districts have achieved remarkable success. The legislature's charge to "develop recommendations" for improving the school finance system necessarily required that most of the Commission's time and attention focus on identifying problems and shortcomings in the current system and areas for needed improvement. But it would be a disservice to fail to recognize the many stories of academic success, professional accomplishment, efficient management, financial support, sacrificial service, personal dedication, and plain hard work that came to our attention during the course of our proceedings. Nothing in this report should be construed to impugn or belittle the remarkable men, women, and children in this state involved in each and every one of those success stories.

Major Commission findings were as follows:

1. **Our school finance system needs a clear, "true north" goal to target and measure its progress.** A critical component for any budget (especially one that comprises such a sizeable spending item within Texas government) should be a clear, widely understood goal for educational outcomes against which annual progress can be measured (with strategies and state investments altered as needed in subsequent years by the legislature to build upon success). While statute provides some select, overarching goals for education, the culmination of those goals should be ensuring that all students graduate college, career, or military ready and should be supported in achieving those goals. We currently lack a specific, top-line goal to measure our progress.
2. **Our school finance system hasn't kept pace with the state's changing demographics.** The current school finance system was designed and implemented in the early 1980s and has been patched over time without a holistic reform since its implementation. During this time, our student population has changed significantly. Over the last decade the state has added ~770,000 students, with roughly eight in ten of those students classified as low income and nearly four in ten of those new students considered an English language learner.⁵ As a result, Texas now currently ranks second in the nation in the percent of English learners and ninth nationally in the percent of students qualifying for free or reduced lunch.⁶ (See *Exhibits A and B.*)

Our failure to align our investment with the changing student needs associated with these rapidly growing populations can be seen in annual state academic achievement measurements. Proficiency rates on State of Texas Assessments of Academic Readiness (STAAR) for low-income and English language learner students across all grades and subjects now only equal 36 percent and 24 percent, respectively, achievement that is roughly just one-third to one-half of their non-low-income English speaking peers.⁷ Despite their best efforts, even the highest performing districts⁸ in the state for low-income student achievement reflect only ~50-percent proficiency levels, reflecting a need for the wise investment of additional resources. (See *Exhibits C-1, C-2, C-3, and D.*)

The school finance system currently in place is substantially more equitable than the one enacted in the 1980s, but more work must be done to more appropriately allocate

⁵ Texas Education Agency, TAPR 2007–2017 Reports.

⁶ National Center for Education Statistics, 2017.

⁷ 2018 TEA STAAR report at Meets Grade Level.

⁸ Highest-performing district is Southlake Carroll ISD (one percent low income).

resources. Because the Commission believes that all children in Texas deserve an equal opportunity to thrive regardless of their background or where they live, it is clear that our funding system needs substantially greater equity than exists within our current approach.

3. **Current student outcome shortfalls are evidenced very early within our preK–12 system.** While Texas students outperform national peers in demographically adjusted student outcomes, our scores lag when analyzed on unadjusted performance. Only 58 percent of Texas students currently come to school assessed as kindergarten ready,⁹ and in 2018, only four in ten students met the state’s third-grade reading standard.¹⁰ STAAR results show that subsequent achievement in later grades and subjects fails to materially exceed third-grade reading proficiencies, highlighting the importance of being able to “read to learn” by the end of third grade. (See *Exhibits E and F.*) Per the 2017 National Assessment of Educational Progress (NAEP), also known as the Nation’s Report Card, Texas children rank 46th in the country in fourth-grade reading proficiency, a decline of five spots since their 2015 ranking. Improving early literacy is critical to the future of Texas students. Results from across the state show that the most effective and financially efficient way to close educational attainment gaps and reduce the expense of costly remediation is through focusing investment on improving student outcomes in early childhood education, before the gaps compound over subsequent years.
4. **Texas low-income students are failing to capitalize on substantial federal dollars available for their post-secondary education.** Annual community college tuition rates across Texas are highly subsidized by local and state dollars such that all are below the average annual US Pell grant of ~\$4,010 per student,¹¹ making post-secondary tuition in thirteen and fourteenth grades effectively free for every low-income student who is a US citizen in Texas if they fill out a Free Application for Federal Student Aid form (FAFSA). However, due in part to inadequate advising ratios that approximate 450 students for every high school counselor,¹² Texas FAFSA completion rates trail leading states (Tennessee and Louisiana) by almost 30 percent, and currently only 62 percent of our low-income high school graduates (and only 43 percent of our low-income eighth graders) ultimately enroll each year in Texas public higher education institutions in the fall following their actual/scheduled high school graduation.¹³ (See *Exhibits G, H, I, and J.*) The net result is that well over \$300 million of Pell grants available *per year* for the post-secondary education of low-income Texas students is unclaimed with each and every graduating class,¹⁴ representing a tremendous opportunity if additional investment in counseling supports for students can be funded and a post-secondary education expectation can be created culturally on every campus.
5. **“Summer slide” reduces outcomes for low-income students in all subjects and for upper-income students in mathematics and science.** Data shows a significant

⁹ Commit Partnership, March 19, 2018, testimony to outcomes working group. Kindergarten readiness: The percent of students deemed kindergarten ready based on assessments given by districts at the beginning of the year to kindergarteners.

¹⁰ Texas Education Agency, STAAR indicators: Achievement levels represent percentage of students achieving Meets Grade Level standard on 2018 STAAR exams.

¹¹ <https://trends.collegeboard.org/student-aid/figures-tables/maximum-and-average-pell-grants-over-time>

¹² Texas Education Agency, PEIMS Standard Reports, 2017–2018.

¹³ Texas Higher Education Coordinating Board, Eighth-Grade Cohort Longitudinal Study, Class of 2011.

¹⁴ Twelfth graders and completers in 2017–2018 National FAFSA Tracker:

<https://national.fafsatracker.com/currentRates>

FAFSA eligible (59 percent in 2016–2017), 2017 Texas Academic Performance Report; Average Pell Grant (\$3,740 in 2016–2017).

amount of educational gains achieved by low-income students during the school year are subsequently lost during summer months, with our school calendars likely contributing to the underperformance of certain student groups. Time on task is important to maintain educational gains, yet the average Texas school teaches 177 days vs. 210 for most higher-performing Asian nations. RAND has studied effective summer instruction programs and has found that if academic instruction is offered three to four hours a day for five to six weeks, the impact of the summer slide is eliminated. Were this to be funded in Texas, it is estimated that the percentage of students achieving the state's Meets Grade Level standard on STAAR in sixth-grade reading and mathematics would rise by 12 percent and 14 percent, respectively, absent any other instructional improvements that might occur over that time period.

6. **Texas post-secondary completion rates fall far short in ensuring students are being prepared to contribute to our state's economy and participate in its prosperity.** While Texas graduates 90 percent of its public high school students,¹⁵ only 28 percent of our state's graduates are subsequently achieving a post-secondary credential within six years of their high school graduation.¹⁶ This percentage is less than half of the state's higher education goal (established in 2015) of 60 percent of all adults ages 25 to 34 having a post-secondary credential by the year 2030 (60x30TX goal), with our workforce historically relying heavily on educated talent imported from outside the state to meet its needs.

Per TEA, only one in six Texas high school graduates are currently deemed to have a college-ready SAT or ACT assessment,¹⁷ and roughly 40 percent of Texas high school graduates who enroll in Texas public higher education are required to take remedial education courses at their own cost while receiving no college credit.¹⁸ For Texas students to prosper, we must additionally invest in high schools (including remediation efforts where needed) so that their diploma truly reflects readiness for college, career, or the military. (See *Exhibits E and K*.)

7. **Too few Texas students are prepared for military service.** While the Constitution states that our education system is "essential to the preservation of the liberties and rights of the people," too many Texas high school graduates cannot enlist in the armed forces due to insufficient scores on the Armed Services Vocational Aptitude Battery (ASVAB). Twenty-two percent of Texas graduates failed to meet the minimum test scores to allow for enlistment in the Army. A larger percentage are ineligible when health and criminal justice issues are also incorporated.
8. **Maximizing post-secondary completion rates represents substantial opportunity for Texas's economy.** Each year over 200,000 students graduate a Texas public high school, but six years later still do not have a post-secondary education, a critical credential in today's economy.¹⁹ With holders of post-secondary degrees (two- or four-year degree or industry certificate) earning roughly \$1.0 million more in their lifetime than a high school graduate, this represents a significant foregone opportunity cost

¹⁵ Texas Education Agency, 2016–2017 Accountability System, four-year federal graduation rate.

¹⁶ THECB Eighth-Grade Cohort Study, 2016 report.

¹⁷ As defined as having scored at least a 24 on the ACT or 1110 on the SAT (reading and mathematics), TEA TAPR 2017.

¹⁸ THECB remediation and enrollment data, percentage of students needing remediation in any subject.

¹⁹ The Commit Partnership, median earnings found and adjusted for inflation (2017 dollars) in US Census, American Community Survey Briefs, "Work-life Earnings by Field of Degree and Occupation for People with a Bachelor's Degree: 2011," post-secondary attainment numbers estimated using THECB Higher Education Attainment report, high school graduating classes of 2008 through 2010.

approximating \$200 billion in lifetime earnings with each and every graduating class—an amount equal to roughly one-eighth of the Texas’s annual \$1.6 trillion economy. (See *Exhibit L.*)

9. **Texas’s future prosperity and sources of state revenue are threatened by current trends in educational outcomes.** Per analysis presented to the Commission’s outcomes working group by Texas 2036 (a non-profit recently organized to create a broad, strategic plan for the state), the state must add between 4.5 million and 7.8 million jobs by the state’s bicentennial year of 2036—an amount roughly equivalent to the current number of total jobs in the Dallas/Ft. Worth and Houston metro areas combined—for Texas unemployment rates to remain at current levels given our projected population. However, current educational outcomes for our demographic mix will likely make that task impossible without substantial improvement. If trends do not change, Texas 2036 predicts that per capita income and sales tax revenue will begin to decline by the year 2030, indicating that Texas must resolve to successfully educate “many more of our own” in order to maintain both its financial prosperity as well as its state revenues to fund investments in education, transportation, water, and other state government services.
10. **High variation in school outcomes reflect similar demographics.** Our prior accountability system did not sufficiently prod districts to adopt strategies that produce much better student outcomes in campuses with similar demographics. As a result, tremendous differences in outcomes for similar campuses remain, often due to the varying importance placed by districts and school boards on data-proven strategies, such as ensuring quality early learning, creating sufficient preK classrooms, ensuring the equitable placement of effective teachers, placing high importance on principal selection and training, the use of dual language vs. bilingual education, the provision of appropriate college access counselors, and the creation of early college offerings just to name a few. As a result, districts and campuses reflecting similar levels of economic disadvantage can reflect vastly different proficiency levels on state STAAR assessments and college readiness/enrollment success rates that can vary by up to 30 to 60 percent across the state. (See *Exhibit N.*)
11. **Texas is facing a growing teacher crisis, reflecting high turnover with insufficient numbers of effective, experienced teachers working in schools that need them the most.** Educator compensation based on traditional seniority-based pay (1) does not financially encourage experienced teachers to work in schools reflecting greater needs/challenges; and (2) does not pay meaningful raises to better retain experienced teachers who quickly demonstrate strong effectiveness in their craft. As a result, a large percentage of effective teachers tend to (1) gravitate away from low-performing campuses with high concentrations of low-income students that need them the most;²⁰ and (2) often seek additional compensation by deciding to leave the classroom, either going into school administration or leaving the education profession altogether.

Despite the fact that national research consistently shows that teacher quality is the most important in-school factor in student achievement,²¹ the number of Texas university graduates majoring in education has declined 22 percent since 2010 while our student population has grown approximately 11 percent (or 500,000 students) during that same time frame.²² (See *Exhibits O-1 and O-2.*) Currently one in six Texas teachers leaves

²⁰ Texas Education Agency, TAPR and STAAR, 2018.

²¹ RAND Education. *Teachers Matter: Understanding Teacher Impact on Student Achievement.*

²² State Board of Educator Certification.

their district each year,²³ with high low-income, challenged campuses often seeing teacher turnover twice or triple those already high levels due to significantly higher percentages of inexperienced teachers, impairing campus culture and exacerbating already large achievement gaps. There is not a more important source of equity for a low-income or English language learner in Texas than receiving their fair share of effective teachers.

12. **School funding formulas are complicated, outdated, and haven't kept pace with educational costs.** Current formulas contain allotments and adjustments that have not been updated in decades, resulting in school funding that has not kept pace with changing costs or demographics, while producing growing inequities for students that should be rectified. For example, the basic per student allotment has only increased by eight percent in ten years; the career and technology education allotment has not been updated since 2003 (15 years); the Cost of Education Index ("CEI") has not been updated since 1991 (27 years); and the transportation allotment has not been updated since 1984 (34 years).
13. **The reliance on property taxes in Texas to fund public education has resulted in high tax rates.** Robust property value growth, combined with government entities failing to lower corresponding tax rates in the face of this growth, has resulted in total property taxes that now rank well above the national average. This problem has been exacerbated by school districts being functionally forced to maintain fixed Tier I tax rates despite rising property values and increased total collections. In addition, school districts often feel compelled to seek additional tax rate increases through tax ratification elections to grow per pupil revenues in the face of basic allotment increases which have not kept pace with inflation. If no changes are made to the current system and this trend continues, the portion of Texas public education funded by property taxes is projected to reach 68 percent by 2023.
14. **Current revenues may be sufficient to meet projected needs, but further options should be considered if necessary.** The Commission received reports suggesting a high likelihood that the state would receive a significant influx of additional revenues from existing revenue streams (including the sales tax and severance tax) for the upcoming biennium. To ensure long-term funding stability for the education and tax reforms contemplated herein, the Commission concluded that any revenue streams dedicated toward these goals should be sufficiently stable to meet the anticipated cost growth in future biennia. If required to achieve the desired student outcomes or to slow growth in property taxes, the Commission believes that the legislature may want to consider additional new revenue sources should current sources prove inadequate.
15. **Recapture as currently structured is growing rapidly and becoming increasingly unsustainable.** Recapture payments paid by districts to the state under "Robin Hood" provisions are expected to reach nearly \$2.7 billion during the 2018–2019 school year and are projected to nearly double to over \$5.0 billion by 2023, based on current property growth estimates and equalized wealth levels.²⁴ Today over 200 "Chapter 41" school districts across the state now make recapture payments (vs. 34 districts when the innovative concept of recapture was first introduced in 1993 to equalize value differences between "property rich" and "property poor" districts).²⁵ Recapture is now causing large urban districts with high concentrations of low-income students (Austin

²³ Texas Education Agency, TAPR 2017 Report.

²⁴ Texas Education Agency.

²⁵ Texas Education Agency, 1994–2019 Chapter 41 Recapture Districts.

ISD, Houston ISD, and Dallas ISD) to send hundreds of millions of local tax dollars annually to the state, joining affluent districts such as Plano, Highland Park, and Eanes ISD. If not significantly addressed, recapture paid by local school districts is projected to exceed state funding levels in less than a decade, bringing state contributions down to just 20 percent of education funding. (See *Exhibits Q-1 and Q-2*.)

Overview of current preK–12 educational outcomes in Texas

Today, the state of Texas educates 5.4 million students within its public schools, representing 93 percent of all children statewide. The majority (59 percent) of Texas public school enrollment (more than three million students) are considered low-income, an increase from 44 percent two decades ago. Another 1.0 million students (19 percent of our preK–12 system) are considered English language learners²⁶.

While Texas students perform well in demographically adjusted comparisons against other states and the nation as a whole, there is room for significant improvement in unadjusted proficiency levels. In reviewing the data, it is clear to the Commission that our collective efforts and investments in preK–12 should be primarily focused on these two growing at-risk populations. Across all grades and subjects assessed by STAAR, students who are not considered low-income are already collectively exceeding our suggested 60-percent proficiency goal statewide at TEA's "Meets" standard (with some districts as high as 80-percent+ proficiency for their non-low-income students.²⁷ However, low-income and English language learner populations reflect proficiency rates that are roughly one-third to one-half of their non-low-income and English-speaking peers. Significant gaps also exist by race. Per TEA, white students reflect five times higher college readiness levels on the SAT and ACT than their peer students of color, as well as higher high school graduation and post-secondary completion levels. (*See Exhibits C-1 and C-2.*)

Achievement for each of these groups is not only materially lower, but it also reflects broad disparities among districts and within districts. This indicates both a high need for focused investment on this subset of students and the potential for great progress once resources are increased, outcomes funding mechanisms are put in place to reward strategic focus, and strategies are altered to reflect best practices already occurring in select campuses and districts across the state.

Today, roughly 42 percent of all Texas adults ages 25 to 34 reflect a post-secondary credential vs. our state's 60x30TX goal.²⁸ This attainment is a blend of (1) educated talent that migrates to the state from outside its boundaries; and (2) what we produce with our own education/workforce pipeline. While Texas has been very successful in importing educated talent given our broad and robust job growth (per testimony, roughly half of our annual population growth comes from in-migration²⁹), over the last several years our state's own education pipeline has been reflecting stagnant, dilutive results toward this goal, with only 21 percent of our most recent eighth-grade cohort graduating with any type of post-secondary education ten years later (i.e., six years following their scheduled high school graduation).³⁰

Based on these current outcomes, the Commission believes we cannot rely on importing talent to meet our state's 60x30TX goal. Per a recent report issued by the Dallas Federal Reserve Bank, today's unemployment rates of under four percent are at historic lows, yet labor participation rates are not increasing because skills needed by unfilled jobs do not match the skillsets reflected within our current unemployed adult population. Recent Federal Reserve surveys indicate that tight labor markets are now the No. 1 concern of business, with 70 percent

²⁶ Texas Education Agency, Texas Academic Performance Report, 2016–2017 State Performance.

²⁷ Texas Education Agency, 2018 STAAR report at Meets Grade Level.

²⁸ THEBC accountability system, 2016.

²⁹ Lloyd Potter, Texas State Demographer, "Student Population in Texas," January 23, 2018.

³⁰ THECB Eighth-Grade Cohort Study, 2016 Report.

of business executives reporting difficulty finding and hiring qualified workers, resulting in an increase in overall labor costs.³¹

The roughly four in five Texas students that we are annually failing to sufficiently educate to achieve a living wage credential represents both a poor return on the ~\$125,000+ we invest in each student's preK–12 education *and* a substantial missed opportunity to capture the tremendous unrealized potential of our Texas youth. The annual starting salary difference for post-secondary credential holders vs. high school graduates can now easily exceed \$20,000, and every year Texas high schools collectively graduate roughly 200,000 seniors who, six years later, have still have not attained a post-secondary degree. If each high school graduate could instead obtain an industry certificate or a two/four-year degree in the same ratio as our current post-secondary graduates, they would collectively realize roughly \$200 billion more in future lifetime earnings (an amount equal to roughly one-eighth of our current \$1.6 trillion Texas economy) with each and every graduating class.³²

Not only is the current opportunity cost for our state's economy tremendous, the resulting costs to our state of an undereducated workforce is also substantial and growing. Our state's uninsured medical costs now exceed \$6 billion annually (primarily from patients in occupations without employer covered health insurance).³³ In addition, students who are not at grade level often face significant obstacles later in life and are more likely than their peers to end up incarcerated. National research indicates that 75 percent of state prison inmates did not complete high school or can be classified as "low literate,"³⁴ and the Texas Department of Criminal Justice reports that the average reading level for Texas inmates is below an eighth-grade level. The costs of incarcerating young men and women in Texas now exceeds \$3.2 billion annually.³⁵ Our state prisons house roughly 147,000 inmates at an annual cost of ~\$22,000 per inmate, equal to more than twice what we spend annually per student on K–12 education.³⁶

³¹ "DFW's Continued Breakneck Growth Depends on a Cascade of New Workers," Dallas Federal Reserve Bank, June 16, 2018.

³² The Commit Partnership, median earnings found and adjusted for inflation (2017 dollars) in US Census, American Community Survey Briefs, "Work-Life Earnings by Field of Degree and Occupation for People with a Bachelor's Degree: 2011," post-secondary attainment numbers estimated using the THECB Higher Education Attainment report, high school graduating classes of 2008–2010.

³³ Anne Dunkelberg, Center for Public Policy Priorities, presentation, outcomes working group, May 29, 2018.

³⁴ *The Relationship Between Incarceration and Low Literacy*, March 2016.

³⁵ State and Local Spending on Corrections and Education, US Department of Education Brief, July 2016.

³⁶ Texas Department of Criminal Justice, 2016.

Section A: Establishing a statewide goal for Texas's preK–12 education system

In 2015, Governor Greg Abbott and the Texas Higher Education Coordinating Board established a statewide goal of having 60 percent of all adults ages 25–34 (regardless of where educated) reflect the attainment of a post-secondary degree or workforce credential by the year 2030 (the 60x30TX goal). This goal is in line with numerous studies showing that at least 60 percent of jobs will require some kind of post-secondary education or career certification beyond high school by the year 2030. Today, Texas's preK–12 education system does not have a similar quantifiable statewide goal to measure its progress against.

Recommendation #1

In keeping in alignment with the state's ultimate 60x30TX goal, **the Commission recommends establishing a preK through twelfth-grade goal** of at least 60 percent proficiency at TEA's "Meets" standard at two key "checkpoints" along the state's public preK through twelfth grade educational continuum:

- Sixty percent of all students meeting the state's "Meets" standard at third-grade reading.
- Sixty percent of all high school seniors graduating without the need for remediation and achieving (1) an industry-accepted certificate aligned with a living wage job; or (2) enrolling in post-secondary education; or (3) enrolling in the military.

Each year, the Commission recommends that TEA and THECB should collectively report to the legislature on the state's combined progress in achieving both 60 percent preK–12 proficiency rates and 60 percent post-secondary completion rates solely for our own education pipeline (in addition to our progress for all adults, regardless of where educated) against our statewide 60x30TX goal. Results should be disaggregated by and within various student groups, including by family income, by native language, by ethnicity, by gender, and by special population. (See *Exhibit C-1, C-2, and C-3 for example.*)

In addition, the Commission recommends that each public school district or charter network be required to establish at least a three-year and five-year locally developed board goal for each of these two metrics, disaggregated by and within various student groups, including by family income, by native language, by ethnicity, by gender, and by special population and annually report their progress publicly toward these two goals along with any other board goals that they measure their progress against. This data should be made available at the district and campus level.

Section B: Proposed third-grade reading allotment

In 2018, third-grade reading achievement per STAAR assessments fell by three percent, with ~225,000 of Texas's third-grade students (or 59 percent) failing to reach the state's "Meets" standard.³⁷ Because subsequent STAAR and college readiness achievement have historically not materially exceeded third-grade reading proficiency levels, it is clear that third grade is clearly where our education pipeline is first so severely impacted that it can't sufficiently recover to help meet our 60x30TX goal.

Recommendation #2

With only six in ten children statewide currently coming to school assessed as kindergarten ready,³⁸ and only 32 percent and 21 percent of low-income and ELL students, respectively, meeting the state's third-grade reading standard,³⁹ it is critical that the state invest now in our earliest years to materially improve current early reading proficiency. **The Commission recommends that districts receive an additional 0.1 weight for every student in kindergarten through third grade who is low income or an English language learner** (a student who is both would receive a 0.2 weight), producing total available estimated funding of \$780 million annually starting in 2019–2020. In return, public schools receiving this weight would agree to overall systemic changes (as outlined below) to meet the state's required goals.

Funding from this third-grade reading investment must be spent across preK through third grades with full discretion given to public schools on how the funding is invested. Strategies may include but are not limited to:

- Optional full-day preK for three- or four-year-olds (testimony reflected that students who were kindergarten ready were more than three times more likely to meet the state standard for third-grade reading vs. those students who weren't).
- Specialized multi-year early childhood professional development, expanded dual language programming, personalized learning pilots; a longer school day or a longer school year.

In return for this funding, all districts offering preK (87 percent do so today, with over half of students attending today on a full-day basis) will be required to do so in a quality manner for any enrolled student, defined as (1) a full-day offering for preK for four-year-olds; and (2) a classroom adhering to quality standards governing desired student-teacher ratios, etc. Districts can use a portion of new funds to supplant any current maintenance and operations (M&O) funds being used today for those already offering full-day preK. Should campuses have an insufficient number of seats such that the requirement to offer full-day preK would result in fewer students accessing preK, TEA waivers may be obtained by public schools until additional preK seats can be constructed/located. Schools would also be encouraged to develop partnerships with private centers containing available preK seats to accelerate their preK offerings. (See *Exhibit M*.)

³⁷ Texas Education Agency, 2018 STAAR report at Meets Grade Level.

³⁸ Commit Partnership, Mary 19, 2018 testimony to outcomes working group. Kindergarten readiness: the percent of students deemed kindergarten ready based on assessments.

³⁹ Texas Education Agency, 2018 STAAR report at Meets Grade Level.

In addition, every public school would commit to the following to enhance continuous improvement efforts:

1. Districts are currently required to assess kindergarten readiness within 60 days of enrollment for diagnostic purposes only. To enhance continuous improvements, the Commission recommends that districts be required to use the state's current KEA assessment tool (provided free by the state to all public schools and currently utilized by 33 percent of districts statewide, both large and small, including Arlington, Austin, Beaumont, Dallas, Conroe, Houston, and Fort Worth ISD), in order to benchmark the efficacy of their preK efforts vs. similar districts. Districts within an education service center ("ESC") may opt out of this requirement if they mutually instead choose to use a different multi-dimensional assessment approved by TEA across all districts within the ESC.
2. Kindergarten readiness assessments should be required to be shared with parents within 60 days following assessment to better inform future decisions, not only for their kindergartner, but also for their student's younger siblings.
3. Districts would annually report the number and percent of students (both preK eligible and non-preK eligible) meeting the state's Meets standard in third-grade reading and mathematics who also attended the district in kindergarten and who:
 - Were assessed as kindergarten ready four years earlier vs. those who were not.
 - Attended district preK vs. those who did not.

Section C: Proposed key outcomes funding

Commission testimony continually reinforced that our current educational system and its stakeholders respond to incentives. Certain aspects of our current accountability system unfortunately encourage actions to the detriment of student achievement and post-secondary success. Specific examples among many would include:

- Strong kindergarten through second-grade educators being placed by principals in the later STAAR-tested elementary grades because that is where current state accountability focuses.
- Beginning teachers seeking to obtain a teaching certificate as quickly and as inexpensively as possible because (1) they are not paid more in starting salary if they attend a higher-quality preparation program that requires substantial pre-service training; and (2) better preparation (and resulting teaching effectiveness) are also not rewarded via higher salaries in subsequent years given the fixed annual pay steps found within traditional seniority-based salary systems.
- The state's current accountability system focuses high school staff attention more on STAAR end-of course testing (EOCs) and high school graduation vs. the more important factors of (1) college readiness/need for remediation; and (2) supporting a student's successful access to either a living wage career certificate or a post-secondary education.
- Emphasis is placed on passage of the STAAR exam instead of demonstrating mastery of grade-level content. Students are advanced on to the next grade when they have "approached" grade level vs. "meets" or "masters."

As a result, the Commission recommends that:

1. State formula funding changes should contain outcomes-based funding, paid annually beginning in the 2019–2020 school year, that very consciously seeks to intentionally alter systemic focus and actions toward the two critical gate points of (1) **third-grade reading**, and (2) **college, career, and military readiness and access**.
2. Outcomes-based funding should be **equitably distributed** in recognition that students with higher needs will need more resources. As a result, outcomes-based funding per student rewarding low-income student proficiency should be materially higher than outcomes-based funding per student rewarding non-low-income student achievement, such that campuses with a 100 percent low-income population would receive roughly 28 percent more than a campus with zero percent economic disadvantage consistent with the recommended changes in compensatory education funding found in Recommendation #15.
3. The following outcomes-based funding amounts recommended (1) were judged to be fiscally appropriate but also large enough that their potential receipt will alter district and campus principal behavior; and (2) should be calculated in such a way as to reduce the importance of any one assessment (possibly by rewarding proficiency on a multi-year trailing average of measured outcomes).

Recommendation #3: Proposed third-grade reading outcomes funding (estimated cost of \$400 million).

Given the critical nature of being able to "read to learn" across all subjects after third grade, the Commission recommends that each district or charter network annually receive incremental

funding above the basic allotment for every third-grader achieving reading proficiency at the state's "Meets" standard. TEA data indicates that third-grade students who met the state's "Meets" reading standard in 2011–2012 (vs. those who didn't) were:

- 2.8 times more likely to achieve the state's "Meets" standard in eighth-grade reading five years later.
- 2.0 times more likely to either achieve the state's "Meets" standard in eighth-grade mathematics or, more importantly, take the more difficult Algebra 1 course in eighth grade.

Based on a current desire to provide outcomes-based funding equitably based on current 2018 proficiency levels, districts would receive outcomes funding equivalent to an additional weight equating to \$3,400 for every low-income student achieving third-grade reading proficiency at the Meets standard and an additional weight that would equate to \$1,450 for every non-low-income student achieving proficiency at the Meets standard, producing a total outcomes funding pool of approximately \$400 million funded in 2019–2020, assuming proficiency levels are similar to 2018. (Actual weights to be determined once the basic allotment is determined.) As proficiency increases in the future due to the investment of these resources provided beginning in Year 1, outcome funding amounts would grow. (See *Exhibits R-1 and R-2*.)

Funds from this proposed third-grade outcomes-based funding must be spent in preK through third grade, with schools receiving full flexibility on how it is invested. Potential strategies that schools could invest in would include but are not limited to the following:

- Optional, full-day preK for three- and four-year-olds, including spending to build parental awareness in the community or to facilitate partnerships with nearby private providers to create additional quality seats.
- Teacher literacy training, including hiring of instructional specialists.
- Implementation of interim assessment tools such as CLASS to inform teacher professional development.
- Student literacy interventions.
- Increased dual language strategies and bilingual teacher stipends.
- Longer school day or year.
- Personalized learning expansion.

Recommendation #4: Proposed college, career, and military readiness ("CCM-R") outcomes funding (estimated at \$400 million)

Given the critical nature of achieving a post-secondary education beyond high school, the Commission recommends that each public school annually receive incremental funding above the basic allotment for every graduating high school senior that does not require post-secondary remediation (as determined by ACT, SAT, TSIA, or ASVAB) and either:

- Enrolls in a post-secondary institution; or
- Graduates high school having achieved an industry-accepted certificate; or
- Enlists in the military.

Based on a current desire to provide outcomes-based funding equitably based on current 2018 proficiency levels, districts would receive funding of (1) an additional weight that would equate to \$5,380 for every low-income senior graduating and meeting one of the three targeted achievements listed above; and (2) an additional weight that would equate to \$2,015 for every

non-low-income senior meeting the target, producing a total outcome funding pool of approximately \$400 million funded in 2019–2020, assuming proficiency levels are similar to 2018. As proficiency increases in the future due to the investment of these resources provided beginning in Year 1, outcome funding amounts would grow. TEA should purchase National Student Clearinghouse data annually and provide to each public school at no cost so that post-secondary access can be easily determined. (See *Exhibits R-3 and R-4*.)

Although roughly 90 percent of Texas high school students currently graduate within four years, less than 40 percent of those students are assessed as post-secondary ready on either the SAT, ACT, or TSIA assessment.⁴⁰ As a result, far too many students graduate believing they are ready for post-secondary education, only to spend valuable time and money on developmental education courses for no college credit. This further wastes both student loan and Pell grant funds on remediation that should have occurred prior to high school graduation. Additionally, students receive inadequate support on their FAFSA and college applications, causing our state to forego nearly \$300 million worth of annual federal Pell grants with every class of graduating seniors.

By providing the resources and outcomes-based funding to increase a high school's focus on ensuring each and every student does not require remediation post high school and subsequently accesses a career, the military, or enrolls in a post-secondary institution (vs. just high school graduation), the following systemic benefits should occur:

Significantly better alignment between graduation rates and readiness rates. By financially rewarding districts for reducing the need for remediation classes post high school, remediation efforts can instead be pushed into grades nine through twelve where they belong and can preserve critical student loan and Pell grant dollars for credit-bearing classes toward a student's post-secondary degree or industry certification.

Substantial access of federal dollars to benefit Texas students and economy.

Only 40 percent of Texas's 240,000 low-income eighth-graders enroll in college four years later;⁴¹ the other 60 percent (at an average Pell grant award of \$4,010 per student per year) conservatively represent over \$300 million per year per cohort of untapped federal resources available for their post-secondary education.⁴² Through this proposed incentive, high schools will now have the counseling and student support resources to adequately assist FAFSA completion to access these untapped federal dollars.

Increased high school graduation rates and alignment of curriculum to post-secondary pathways meeting workforce needs. Current workforce needs, associated salaries and required credentials/pathways are not adequately disseminated to middle school and high school students due to overloaded and often undertrained counselors/advisors, helping create significant mismatches between what students pursue and what the regional work force needs/requires. In addition, the lack of student flexibility to take a coherent sequence of career and technology education (CTE) courses, coupled with the lack of transparency on the applicability of high school coursework to a career, too often leads to low-income students failing to complete their

⁴⁰ As defined as having scored at least a 24 on the ACT or 1110 on the SAT (reading and mathematics), TEA TAPR 2017.¶

⁴¹ THECB Eighth-Grade Cohort Study, 2016 Report.

⁴² Twelfth graders and completers in 2017–2018, National FAFSA Tracker:

<https://national.fafsatracker.com/currentRates>;

FAFSA eligible (59 percent in 2016–2017), 2017 Texas Academic Performance Report; Average Pell Grant (\$4,010 in 2017–2018).

high school degree (33 percent of low-income eighth-graders don't graduate high school four years later)⁴³ because courses too often feel irrelevant and without purpose.

Greater knowledge and ownership within high school staff of each student's post-secondary or career success. Public high schools are currently neither held fully accountable nor financially incentivized to (1) maximize the number of students accessing and completing a post-secondary education; or (2) minimize the number of students requiring remediation in college. While the data is publicly available, high schools are typically not aware of the post-secondary outcomes of their graduates given the difficulty of collection and lack of incentive to do so. This creates a significant disconnect that precludes continuous improvement efforts.

Funds from this CCM-R outcomes-based funding could be used by public high schools for (but wouldn't be limited to) the following:

- Reduction in high school counselor loads (which currently approach one per 450 students), perhaps by (1) hiring college access counselors with higher education admission experience to support FAFSA completion and postsecondary applications; and (2) training CTE teachers to assist with advising on high in-demand jobs and certifications required, provide FAFSA completion support, etc.
- Supporting SAT/ACT/TSIA preparation classes to enhance a student's ability to receive scholarship support.
- Support funding critical remediation efforts in high school as needed.
- Increased salaries to attract hard-to-recruit science, technology, engineering, mathematics, and advanced placement teachers.
- Increase early college, CTE, and Pathways in Technology Early College High School (P-TECH) offerings which can substantially reduce the student cost of post-secondary attainment and allow schools to form corporate relationships providing mentorships and internships.
- Implement/expand JROTC programs, which allow those who ultimately enlist to receive paygrade advancement and also helps those enrolling in post-secondary education to qualify for ROTC scholarships.

⁴³ THECB 2008 Cohort Study, 2016 Report.

Section D-1: Proposed educator effectiveness allotment

The Commission believes that meaningful efforts should be made to provide every child with a well-prepared and effective educator, including actions that ensure:

- Our top college graduates increasingly view teaching as an attractive and impactful profession.
- Every new teacher candidate is encouraged to seek high-quality educator preparation programs.
- Effective teachers are paid well enough to stay in the profession and in the classroom if they desire.
- A sufficient number of our better teachers are placed in front of our students facing the most challenges and are in front of them as early as possible in their educational journey.

Recommendation #5

The Commission recommends providing optional funding via weights in the school finance formula to provide districts with the substantial and necessary funds to pay meaningfully higher salaries to their most effective teachers should they elect to implement a multiple-measure evaluation system to determine who those effective educators are. The Commission recommends that this differentiated pay should be higher for those educators willing to serve higher-needs campuses reflecting the greatest current academic challenges under the state's accountability system. Funding of this allotment would commence in the 2019–2020 school year at approximately \$100 million per year (growing an additional \$100 million each subsequent year, reaching \$1.0 billion in the 2028–2029 school year) to provide discretionary funding to districts wishing to enhance the retention and strategic staffing of their more effective educators across their districts.

Due to overall costs, we have suggested that this incentive be phased in over ten years by approving district evaluation systems (as they are constructed and approved by local districts) covering no more than ten percent of the state's teachers on a cumulative basis per year (i.e., after three years no more than 30 percent of the state's teachers would be covered, after five years no more than 50 percent of the state's teachers would be covered, etc.). Should the number of districts submitting evaluation systems exceed this cap in any one year, preference should be given by TEA toward to those districts serving greater percentages of low-income students and reflecting greater numbers of Improvement Required or F campuses.

In the spirit of using compensation to encourage better preparation and ongoing coaching of new teachers, we would suggest that (1) districts could consider using a small percentage of dollars received to pay signing bonuses to the portion of their beginning teachers that choose to attend preparation programs featuring rigorous clinical residency requirements; and (2) teachers receiving the highest salaries under each district's evaluation system would also be expected to serve as a mentor/coach to both student teachers and beginning teachers new to the district. The Commission also recommends the legislature consider the critical role that the lead campus principal has on a campus as its primary instructional leader (and a primary factor in a teacher's decision to stay in the classroom) and consider allocating ~two to three percent of total funds (the ~9,300 K–12 campus leaders represent ~two percent of the 350,000 teachers in Texas) for merit pay to reward outstanding performance in this critical function. Funds could also be used to pay for evaluation "backbone" costs needed to support a differentiated system.

School districts who opt into this evaluation and pay incentive would individually (or in collaboration with surrounding other districts due to cost efficiencies) submit their own differentiated evaluation system to TEA for approval. Multiple evaluation measures, developed by local districts in partnership with all stakeholders, including, most importantly their educators, would include, but would not be limited to, campus leader observations, teacher peer review, student surveys, and student achievement growth. (See section D-2 for suggested educator effectiveness evaluation guidelines that would be approved by TEA to provide public schools both guidance and flexibility in implementation.)

The state may also consider having TEA create an optional version of an educator effectiveness program that districts can choose to opt into if they lack the resources to develop such a program on the local level.

All applying public schools would track and provide to TEA the number, percentage, and annual retention of teachers reaching each of their respective distinction levels within the district and the certifying entity for each teacher at each distinction level so that (1) overall feedback statewide to each educator preparation program could be given on the specific teachers they trained; and (2) TEA and the legislature could evaluate the efficacy of this proposed statewide incentive. We believe this step is an incredibly critical one for school finance reform in that it would:

1. Attract more of our best and brightest to the teaching profession given that teachers are consistently cited as the most important in-school factor in student outcomes.⁴⁴ Per a 2010 study by McKinsey,⁴⁵ only one in four new US teachers comes from the top third of their college graduating class, and compensation was the primary differentiating factor cited by top-third graduates who declined a career in education in favor of their chosen industry. Per a 2017 report by ACT, only one in five students who declared their intention to major in education met ACT college ready benchmarks.⁴⁶
2. Provide incentives for prospective teachers to complete rigorous (and more expensive) educator preparation programs reflecting substantially higher levels of (1) clinical residency experience, and/or (2) ongoing coaching support. Under current seniority-based pay systems (where starting salaries are not adjusted to reflect the rigor of each beginning teacher's preparation program, and subsequent raises are generally fixed lockstep increases not tied to a teacher's effectiveness), there is little financial incentive for new teachers to seek preparation via rigorous programs.
3. Inform districts whether their more effective educators are being equitably distributed across their campuses and allow districts to create financial incentives for their effective teachers to move to the district's higher need schools, increasing the equitable distribution of effective educators.
4. Allow districts to (1) systemically assign student teachers to be trained by their better teachers, enhancing their preparation; (2) target professional development to each teacher's development needs, to allow more effective coaching and development; and (3) provide robust feedback to educator preparation programs on their preparation of new teachers, which today is woefully non-existent and would create a critical continuous improvement loop to help teaching programs get better.

⁴⁴ RAND Education, *Teachers Matter: Understanding Teacher Impact on Student Achievement*.

⁴⁵ Closing the Teaching Talent Gap, McKinsey & Co., 2010.

⁴⁶ The Condition of College and Career Readiness 2017, National ACT.

The Commission was meaningfully influenced in making this recommendation based on the tremendous success seen in Dallas ISD since it implemented robust principal and teacher evaluations in the 2013–2014 school year and eliminated seniority-based pay in lieu of salary adjustments based on educator effectiveness. Over the past four years, despite reflecting a student population that has 1.5x the state average in economic disadvantage and 2.3x the state average in English language learners, Dallas ISD has (1) increased student achievement across all grades and subjects by 13 percentile points (a rate roughly twice the growth rate of the state during that time frame) and has reduced the percentage of students educated on a campus rated Improvement Required from 19 percent of all students enrolled to just one percent. Improvement Required campuses were reduced by 90 percent during that same time frame, declining from 43 IR campuses in 2013–2014 to just four IR campuses in 2017–2018. Twelve of the district’s 13 Accelerating Campus Excellence (“ACE”) campuses, all rated multi-year IR, met standard the following year and collectively received the equivalent of a “B” grade in 2017–2018 following their full reconstitution and strategic re-staffing with more effective educators. The district received a “B” grade from TEA for the 2017–2018 school year and had the highest percentage of campuses scoring 90 accountability points or above (the TEA equivalent of an “A” grade - 26 percent of their campuses in total) of any urban school district in Texas.

Analysis of teacher retention and compensation shows that Dallas ISD is now retaining over 90 percent of its more proficient teachers with teachers scoring at its highest levels of effectiveness receiving compensation in the \$80,000 to \$90,000 range. Teachers who agree to work on an ACE campus with higher challenges and needs can receive an additional \$8,000 to \$10,000 to their already-adjusted salary based on effectiveness. (*See Exhibits P-1, P-2, and P-3.*)

Section D-2: Proposed educator effectiveness allotment

Initial guidelines for a multiple-measure evaluation system (further educator input needed)

The following are suggested criteria for TEA approval of a multiple-measure evaluation system that qualifies a district to receive effective teacher allotment funding. The multiple-measure evaluation system must:

- Be locally developed, approved by the district administration and its board of trustees.
- Involve the active and documented role of teachers and principals in the local development process.

Districts can amend the existing Texas Teacher Evaluation and Support System (T-TESS) to include the Student Achievement and Student Perception components noted below or are free to develop their own system.

- The multiple-measure evaluation system must include, but is not limited to, the following three required components:
 - Student Achievement, defined as the use of one or more acceptable assessments that can be used to measure both (1) absolute student achievement; and (2) student achievement growth, either during the year and/or year-over-year. Assessments could include state standardized assessments, Measures of Academic Progress (MAP), I-Station, ITBS, or any other standard assessment used by the district across all its campuses. Assessments utilized must go through a district process to ensure the validity and reliability of the testing instrument.
 - Administrator Observations (principal, assistant principal, etc.).
 - Student Perception surveys (third through twelfth grade).
- Other components of an acceptable multiple-measure evaluation system could include (1) incorporation of peer review of fellow educators; (2) absolute achievement or growth for the entire campus to foster collaboration and peer support; (3) educator's contribution to campus leadership or community initiatives; and (4) other measures as determined by local district.
- In order to be approved as an acceptable multiple-measure evaluation system by TEA, the three required components listed above must equal or exceed the following percentages of an educator's overall evaluation rating consistent with national best practices as recently published by the National Center on Teacher Quality:
 - Student Achievement: minimum TBD.
 - Administrator Observation: minimum TBD.
 - Student Perception survey: minimum TBD.
- Evaluation component weights should be adjusted for teacher type (i.e., a second-grade teacher will not have a Student Perception survey, so the other components weights will be adjusted accordingly).
- The Student Achievement portion of the evaluation must allow for an educator to receive the same amount of evaluation points for exemplary student growth as would be available for exemplary student performance on an absolute basis.
- The Administrator Observation portion of the evaluation must include a minimum of two "coaching" observations and one formal summative observation per semester, which can be reduced to one observation and one summative observation per year as long as a teacher has received a proficient rating for the prior two years.

- The process and regulations for administering Student Perception surveys must be created and shared transparently to teachers and administrators.
- Districts must group their teachers into at least five distinctions consistent with the current T-TESS standards, with the ability to create classifications within those distinctions if they so choose:
 - Improvement Needed (or Unsatisfactory).
 - Progressing (or Developing).
 - Proficient.
 - Accomplished (or Exemplary).
 - Distinguished (or Mastery).
- Districts must create and require testing protocols be put in place for any assessment to be used in the Student Achievement metric, and protocols must be clearly outlined in district regulations to ensure reliability and security of assessments.
- In order to ensure that teachers receive observation scores that are as fair and accurate as possible, districts must create a process to ensure “inter-rater reliability” between administrators who are observing teachers and a requirement that administrators who fail to follow the process are ineligible to observe teachers for purposes of their evaluation.
- Each district administering a multiple-measure evaluation system must submit an annual report to TEA which includes the following:
 - The number and percent of teachers within each distinction level and the average salary paid to teachers within each distinction level.
 - Correlation of a district’s overall educator ratings to both absolute student achievement and growth.
 - Correlation of district educator ratings by teacher to years of service.
 - Results of each district’s teacher satisfaction survey on its evaluation system to inform the state’s continuous improvement process.
 - Educator ratings segmented by race, ethnicity, and subject/grade level.
 - Human capital equity report (i.e., distribution of teachers by effectiveness level, new teacher candidates hired by EPP program, by race/gender, etc.).

Section E: Proposed other new allotments and programs to improve early literacy

Recommendation #6: Create a new dual language allotment (estimated at \$50 million in Year 1)

English language learners (ELLs) represent 1.0 million students, or roughly one out of every five public school students in the state of Texas.⁴⁷ Ninety percent of our ELL students speak Spanish. Compelling data reviewed by the Commission indicates that dual language strategies are highly effective vs. bilingual or pullout strategies. Currently, the school finance system reflects a single bilingual education weight of 0.1, which includes students in both bilingual and dual language programs. While the total annual cost to the state of this current weight is \$570 million, it does not encourage (nor provide sufficient funding for) school districts to offer dual language programs despite evidence of greater effectiveness.

To better incentivize and resource school districts to offer these effective programs, the Commission recommends that the state create an additional allotment at an additional 0.05 weight (for a total 0.15 weight) for dual language programs. Depending on the amount of participation, it is estimated that this weight could reflect an initial annual incremental cost to the state of between \$15 and \$50 million, which could exceed \$100M by 2023.

Recommendation #7: Create a new dyslexia allotment (estimated at \$100 million)

During the 2017–2018 school year, less than 2.5 percent of students in Texas received services for dyslexia and other related disorders,⁴⁸ yet national data indicates that dyslexia affects, on average, five to ten percent of public school students. This under-identification is likely attributable to the fact that Texas school districts do not receive direct funding to support students with dyslexia or related disorders outside of the Individuals with Disabilities Education Act (“IDEA”). Given that undiagnosed dyslexia can often contribute to both academic challenges and behavioral issues associated with student frustrations, it is likely that the costs of appropriately identifying and treating dyslexia will be offset by decreased costs associated with additional remediation and counseling.

The Commission recommends that the state create a new allotment for students with dyslexia at a weight of 0.1. The additional funding will help school districts provide the early identification and intervention that can improve these students’ academic success. The estimated annual cost to the state is \$100 million (assuming the 0.1 weight is applied to only those students currently identified as dyslexic).

Recommendation #8: Create an extended-year incentive program (estimated at \$50 million)

Student achievement levels typically drop during the summer months, commonly referred to as the “summer slide.” Studies show that summer instruction programs that offer between three and four hours of daily instruction over five to six weeks are an effective method of reducing (or altogether eliminating) this decline and would occur absent any other instructional

⁴⁷ Texas Education Agency, Enrollment in Texas Public Schools, 2017–2018.

⁴⁸ Texas Education Agency, PEIMS Special Education Report, 2018.

improvements over that time period. The majority of funds used for this reform would also result in an increase in teacher salaries for the possible addition of 30 instructional days.

The Commission recommends that the state create an extended-year incentive program to provide a half-day of funding to school districts opting to offer additional instructional days up to 30 days beyond the scheduled end of the school year for students in preK through fifth grade opting/needing to attend based on proficiency. In addition to improving student outcomes, an extended-year program would provide additional compensation to teachers and assist families with child care during the summer. The annual cost to the state for an extended-year incentive program is estimated to be \$50 million.

Section F: Proposed reallocation of existing revenues

The Commission believes the following existing allocations within the school finance formula should be terminated and reallocated either to other priorities or to the basic allotment due to either (1) their outdated nature; or (2) the fact that the goals of the allotments are no longer being met or are no longer as impactful as compared to other potential uses of the funding. These recommendations collectively identify \$3.55 billion in current annual funds and \$1.8 billion in a one-time adjustment for reallocation in Year 1 of the 2020–2021 biennium.

Recommendation #9: Reallocate funds associated with the Cost of Education Index (CEI)

The CEI provides an adjustment intended to account for variances in the cost of educating students in school districts across the state, ranging from a 1.02 to 1.20 multiple applied to the basic allotment. Although the CEI is statutorily required to be updated annually, the number has stayed the same since 1991 and the current numbers are based on 1989 data. The CEI does not reflect current variances in local education costs (for example, Rio Grande City ISD at 1.18 has a higher CEI than Austin ISD at 1.10), as the biennial political process has proven incapable of keeping it updated.

The Commission has also adopted comprehensive reform policies designed to target the issues that the CEI was designed to address. For example, the CEI was designed to adjust for differential district costs, 85 percent of those coming from the variations in teacher salary. As the Commission has adopted a teacher effectiveness allotment in the formulas, funding is being provided to districts to target this issue. While cost-based adjustments might be presumed to help urban and suburban school districts recruit their fair share of effective teachers, these same districts can have an easier time recruiting and retaining teachers because they offer more amenities and activities for teachers and their families vs. rural districts, who often have a much harder time recruiting and retaining educators.

Equally important, we believe allocating funding based on student need takes priority over allocating funding to regions based on variances in the cost of living, especially in light of the fact that school districts with the highest student needs in our state are also regions reflecting higher costs of living. As such, we recommend terminating the CEI adjustment and reallocating those funds to other, more impactful areas.

The Commission recommends that the CEI be reallocated, providing approximately \$2.9 billion of annual available funding for reallocation.

Recommendation #10: Reallocate Chapter 41 hold harmless recapture reduction

To mitigate the impact on school districts after recapture was implemented in 1993, the state provided three years of hold harmless, via a reduction in recapture for districts negatively impacted by recapture. Originally intended to be temporary, this provision was extended twice and then made permanent in 1999. Today, the recapture reduction only affects 40 school districts across the state and is decades removed from the budget cuts it was designed to alleviate.

The Commission recommends that the Chapter 41 hold harmless funds be reallocated, providing \$30 million of annual available funding for reallocation.

Recommendation #11: Reallocate Chapter 41 early agreement credit funds

Beginning in 1995, school districts subject to recapture could earn a credit against their total recapture amounts by committing to purchase attendance credits from the state by September 1. Currently, nearly all school districts subject to recapture take advantage of the Chapter 41 early agreement credit. However, this practice does not provide a benefit to the state, as it is not a discount for early payment of the recapture amounts.

The Commission recommends that the Chapter 41 early agreement credit be reallocated, providing \$50 million of annual funding available for reallocation.

Recommendation #12: Reallocate the gifted and talented allotment funds

By law, school districts must provide gifted and talented programs (GT) for students. Created in 1984 and last updated in 1991, the purpose of the GT allotment is to financially support districts in offsetting the costs associated with GT programs. However, funding is currently limited to five percent of a district's average daily attendance ("ADA") and nearly all school districts currently receive the maximum funding allowed under this allotment. As such, the same result could be achieved by simply distributing these funds to all school districts through the basic allotment.

It's important to note that this reallocation would not discontinue GT programming in Texas, as there is a statutory requirement to provide it regardless of how it is funded. Instead, redistributing these funds into the basic allotment would more efficiently disperse the dollars to school districts and lift the arbitrary cap on the number of students that school districts currently identify as GT in the expectation of receiving funding.

The Commission recommends that the GT allotment funds be reallocated, providing \$165 million of annual available funding for reallocation, and that TEA report annually to the legislature on GT identification to help ensure that students identified at GT do not decline as a result of this change and that inequities in identification are quickly addressed.

Recommendation #13: Reallocate high school allotment funds

Created in 2006 and amended in 2009, the high school allotment provides \$275 per student in average daily attendance (ADA) in grades nine through twelve within a school district. The allotment was created to support programs aimed at decreasing high school dropouts and increasing college readiness. However, since the allotment is distributed through ADA, these funds do not necessarily flow to the students who need the most support.

The state can better accomplish this goal by redistributing the high school allotment into other existing allotments that target high-needs students and college readiness initiatives, such as compensatory education and career and technology education ("CTE").

The Commission recommends that the high school allotment funds be reallocated, providing \$400 million of annual available funding for reallocation.

Recommendation #14: Move from prior-year district property values to current-year property values and establish a fast growth allotment

Currently, the state school finance system utilizes prior-year district property values to calculate a school district's wealth per student, local share of the Foundation School Program (FSP), and thus the state's contribution toward a district's education budget. This practice creates a lag in the funding system such that formulas do not accurately reflect actual revenues from local property tax collections.

Moving to current-year district property values would more accurately reflect increases or declines in property values across the state, providing a clearer, more equitable picture of the needs of Texas schools. Moving to current-year district property values would, in effect, fast-forward the reflection of property value growth by one year. For districts with rising property values, this acceleration would accurately capture their wealth per student and subsequently increase their projected recapture payments and local share of the FSP. However, by reinvesting the immediate savings to the state from this change into the basic allotment, the state would mitigate the resulting increased recapture payments or loss of state aid for school districts.

To further offset the impact of this change, the Commission recommends that a fast growth allotment be established to assist the state's higher growth districts dealing with the impacts of significant increases in student enrollment, including the cost of unplanned expenditures, such as hiring staff or purchasing new equipment and supplies.

The Commission recommends that the state school finance system utilizes current-year district property values rather than the current practice of utilizing prior-year property values, providing a one-time \$1.8 billion in available funding for reallocation. In addition, the Commission recommends that a fast growth allotment be established for the top quartile growth districts, calculated by determining the growth rate for all districts (defined as the percentage growth in new students relative to the district's current student population) with districts then ranked based on a three-year rolling average of their growth rates. The Commission recommends allocating \$280 million for this allotment, distributed on a per student basis.

Section G: Proposed changes in existing allotments/formula weights

This section identifies programs, weights, and allotments that could be altered and funded by the resources freed up by Section E. We believe that the following recommended herein to existing allotments will improve the equity, efficiency, fairness, and transparency of the state school finance system.

Recommendation #15: Increase compensatory education funding by \$1.1 billion and allocate on a spectrum

The compensatory education weight, created in 1984, provides a 0.2 weight applied to the basic allotment for each student who is considered low-income as determined by their eligibility in the federal National School Lunch Program. This weight is commonly referred to as “free and reduced lunch.” The purpose of the compensatory education weight is to provide additional resources that low-income students need vs. their peers.

While research shows that higher concentrations of low-income students within a campus and district result in lower student achievement due to a host of factors (including the increased difficulty in recruiting experienced, effective teachers to those campuses), our state’s current system places an equal weight on all low-income students regardless of the district’s depth or concentration of low-income students.

To increase the system’s equity and provide additional resources toward students with the highest needs, the Commission recommends an increase in compensatory education funding and an allocation based on a spectrum approach, to direct more funding to public schools with higher concentrations of low-income students based on their respective home residences.

The Commission recommends that the state school finance system use a sliding scale of a 0.225 weight to a 0.275 weight depending on a school’s level and concentration of low-income students (vs. the current baseline 0.2 weight) and consider the use of alternative measures of low income for this allotment (vs. solely using a student’s simple eligibility for the National School Lunch Program). The total annual cost to the state to supplement the compensatory education weight with a campus-specific spectrum, using these suggested weights, would be \$1.1 billion.

Recommendation #16: Base transportation funding on mileage

The transportation allotment is currently based on a linear density formula, which has not been updated since 1984. At that time, the allotment covered between 70 and 80 percent of a school district’s transportation cost vs. only 25 percent of a district’s transportation costs today. Additionally, the current system excludes certain routes—and therefore students—that are not advantageous to a district’s linear density calculation.

The Commission recommends that the state adopt a mileage approach to transportation funding, with a mileage rate of at least 80 cents that is set in the General Appropriations Act. This approach is more straightforward and will reduce administrative costs associated with calculating linear density formulas. This recommendation is cost-neutral as capped.

Recommendation #17: Provide transportation funding to Chapter 41 districts

Currently, Chapter 41 school districts do not receive direct state support for transportation costs, effectively creating a disincentive to provide transportation services for their students. The Commission believes that school districts should not be sending recaptured dollars back to the state for costs associated with basic student transportation.

The Commission recommends that the state provide transportation funding for Chapter 41 school districts at an annual cost to the state of \$60 million.

Recommendation #18: Recreate small and mid-size district adjustments as a stand-alone allotment

Currently, small and mid-size districts each have their own independent adjustments in the funding formula. The small district adjustment was created in 1974 and amended in 2017 to phase in the full adjustment for districts under 300 square miles in size. The mid-size district adjustment was created in 1995 and then amended in 2009 to include eligible Chapter 41 districts based on size. These adjustments make no differentiation between those districts that are small by necessity and those that are small by choice, which results in funding inefficiencies and redundant administrative expenses. Texas is just one of three states (including Alaska and Arizona) to place these district adjustments at such an early point in the formula, where they have compounding effects on all subsequent weights.

The Commission recommends that the state create a stand-alone allotment for small and mid-size school districts. The allotment would increase public transparency toward spending associated with districts electing to remain small to mid-size, while helping the state streamline formulas to focus more on the needs of the student, rather than the community where the student resides. It is recommended that the cost or benefit of this recommendation be neutral to the state and the impacted districts collectively.

Recommendation #19: Increase New Instructional Facility Allotment appropriation to \$100 million per year

The New Instructional Facility Allotment (“NIFA”) provides funding for operational expenses associated with opening a new instructional campus. The NIFA was originally created in 1999 at a rate of \$250 per average daily attendance (ADA). Over time, this funding became insufficient for school districts, particularly fast-growth districts, to open new instructional facilities. The NIFA was subsequently updated in 2017 to a rate of \$1,000 per ADA; however, no additional funding was appropriated by the legislature for this allotment. Because numerous school districts requested funds through NIFA due to the increased rate with no increase in appropriation, an actual allotment of only \$235 per ADA was awarded for fiscal year 2018.

The Commission recommends that the state appropriate sufficient funds to fully satisfy the intended rate of \$1,000 per ADA at an annual cost to the state of \$76.3 million. However, based on trends in student growth, this estimate may be inadequate. The Commission also recommends that this allotment be studied further and that the appropriations request fully fund the intended rate.

Recommendation #20: Expand the career and technology allotment to include courses in sixth through eighth grade

The career and technology (CTE) allotment was created in 1984 and most recently updated in 2003. Currently, the allotment only applies to courses in ninth through twelfth grades. Increases in career and technology programs are promising efforts to help build the college and career readiness of our students while concurrently reducing the substantial student cost for many of post-secondary enrollment. The state is investing more heavily in Pathways in Technology Early College High School (“P-TECH”) and other career and technology programs.

The Commission recommends greater K–12 alignment of career and technology education by expanding the career and technology allotment to include CTE courses taught in sixth through eighth grades in order to better excite and prepare students to enter P-TECH and similar programs in high school. The estimated annual cost to the state of expanding the career and technology allotment to courses in sixth through eighth grades is \$20 million.

Section H: Proposed change to basic allotment

Recommendation #21: The Commission recommends that the state statutorily increase the basic allotment with all remaining funds freed from the streamlining of outdated formula elements

The basic allotment is the fundamental and invariable level of per student funding that all school districts receive per student from the school finance formula. Following an increase of \$1,547 in fiscal year 2010, or 48 percent (from \$3,218 to \$4,765 per student), the basic allotment has remained the same in statute. In fiscal year 2019 (and in previous years), the legislature has supplemented the basic allotment with additional funds, raising the effective basic allotment to \$5,140. This represents an increase of \$375, or eight percent, over the last decade.

Increasing the basic allotment gives school districts the flexibility to spend the additional funds where most needed, can increase equity within the system, and can lessen the amount of any recapture owed to the state by reducing Chapter 41 school districts' equalized wealth levels per student in average daily attendance (ADA).

Section I: Proposed changes in Tier II yields

Recommendation #22: Link Tier II copper penny yield to a percentage of the basic allotment

In 2006, House Bill 1 established multiple equalized wealth levels in the school finance system. The yield from Tier II “copper pennies,” which are those pennies within a school district’s property tax rate from \$1.06 up to \$1.17, was equalized up to \$31.95 per penny—the 88th percentile in terms of wealth per student at the time. However, this yield has not been adjusted since 2006. Today, a yield of \$31.95 represents only the 47th percentile of wealth per student, a significant decrease from the originally set 88th percentile. Since 2006, many districts have maxed out their taxing capacity by utilizing tax ratification elections to access all \$0.17 of Tier II taxing authority. Without a mechanism to compress copper pennies, those districts are locked in at their current tax rates for perpetuity.

The Commission recommends that the Tier II copper penny yield be increased initially to approximately \$43.50 with an initial estimated statewide cost of between \$0 and \$286 million dollars due to additional Tier II state aid and a reduced copper penny recapture. Subsequent increases in the basic allotment would also concurrently increase this Tier II copper penny yield using its same initial ratio in the 2020–2021 biennium. Any increase in the yield would benefit school districts taxing above \$1.06, with Chapter 42 districts seeing an increase in their Tier II aid while Chapter 41 districts would see a reduction in their recapture payments.

An increase in copper penny yields should be paired with initial automatic compression of a district’s tax rate to provide taxpayers with immediate tax relief and provide districts with future capacity to seek increases in funding after a reasonable timeframe via an initial, one-time school board vote up to the previously authorized level or a subsequent tax ratification election thereafter. After the automatic compression, limitations and requirements for future tax rate increases will require some further consideration beyond the purview of this Commission to reach the goal of property tax relief.

Recommendation #23: Link Tier II golden penny yield to a set percentage of the basic allotment

In addition to the copper pennies, House Bill 1 in 2006 established the “golden pennies,” or the first six cents of a school district’s property tax rate above a dollar (from \$1.01 to \$1.06), which were equalized up to the Austin ISD wealth level. Golden pennies were called such because they were not subject to recapture and could be authorized by a school board vote, with the last two golden pennies (and any copper pennies) requiring a tax ratification election.

In 2006, the Austin ISD wealth level was the 95th percentile in terms of wealth per student at \$41.22. The yield on golden pennies has never been decoupled from Austin ISD, which given its dramatic property value growth now represents the 99th percentile in terms of wealth per student at \$106.28.

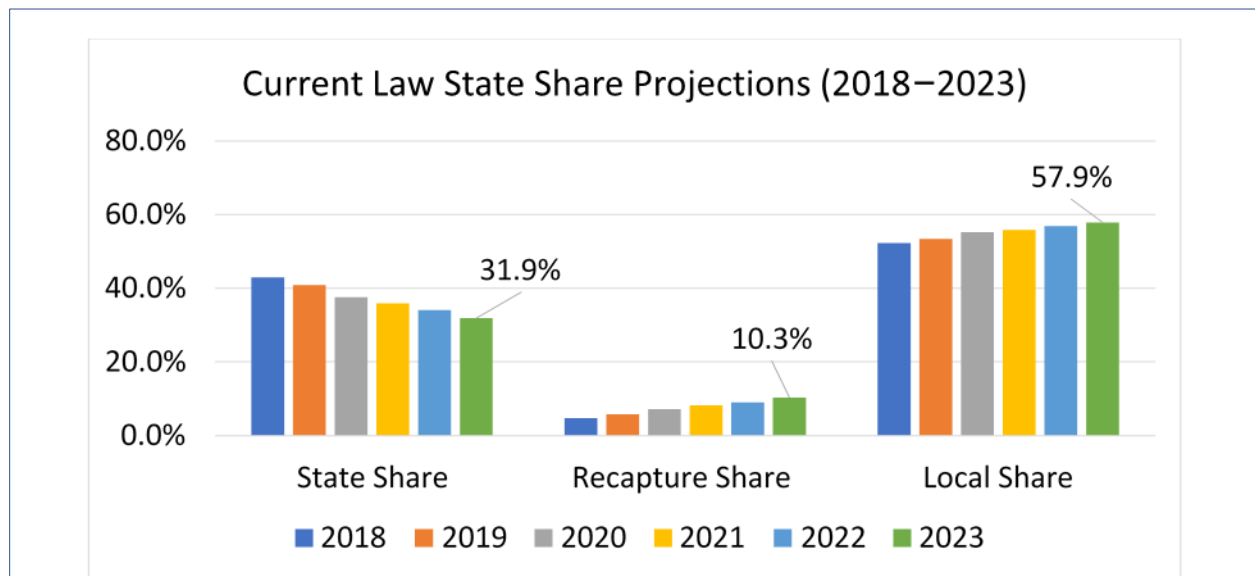
The Commission recommends that the Tier II golden penny yield be decoupled from Austin ISD and set at a certain percentile of basic allotment per student. In doing so, the state would provide more predictability in the system and remove a variable—Austin ISD’s wealth level—that is tied to neither district nor student needs. The annual cost to the state will be determined by the percentile of basic allotment at which the Tier II golden penny yield is set.

While this decoupling will prevent districts from receiving what was viewed as an additional source of revenues (caused by the continual rising value of Austin ISD's wealth level), the Commission believes that statewide property growth will continue to benefit these pennies and that additional funds districts can receive from the two outcomes funding provisions found in Recommendations 3 and 4 will assist in this area as performance improves due to the resources made available from strategic investing. Additional revenues will also be more predictable and under greater district control (vs. fluctuating Austin property values), encouraging districts to align actions and invest extra funding in strategies that will yield even more outcomes funding payments in subsequent years.

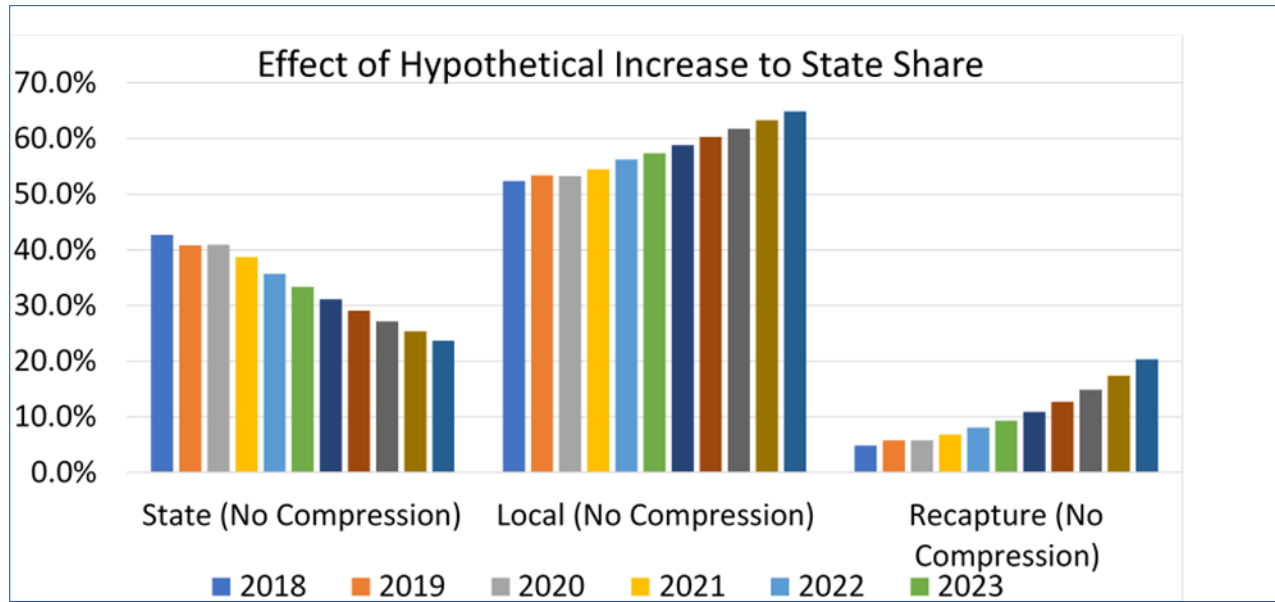
Section J: Proposed strategies to slow property tax and recapture growth

While the large majority of the recommendations found in this report have focused on how to improve student outcomes for all of Texas's public school students, the Commission was also tasked with developing recommendations related to the "relationship between state and local funding" and "the appropriate levels of local maintenance and operations and interest and sinking fund tax effort."

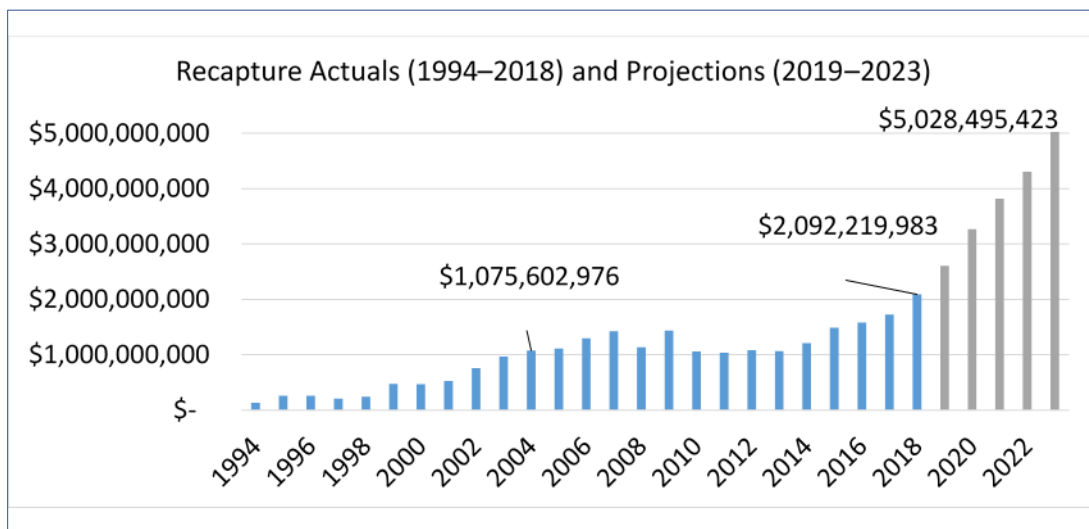
The Commission believes that the current school finance system's reliance on property tax growth and recapture is unsustainable. For fiscal year 2018, just 43 percent of maintenance and operations funding for Texas public schools came from state tax revenues. The balance comes from the local share (52.3 percent) and "Robin Hood" recapture payments (4.7 percent), which are both generated by local property taxes. If the system is left unchanged, the decline in the state's share will continue its negative trajectory. By 2023, the state share would approximate 31.9 percent vs. a local share of 57.9 percent, and 10.3 percent would be funded by recapture payments, meaning that 68.2 percent of the system is funded by local property taxes.



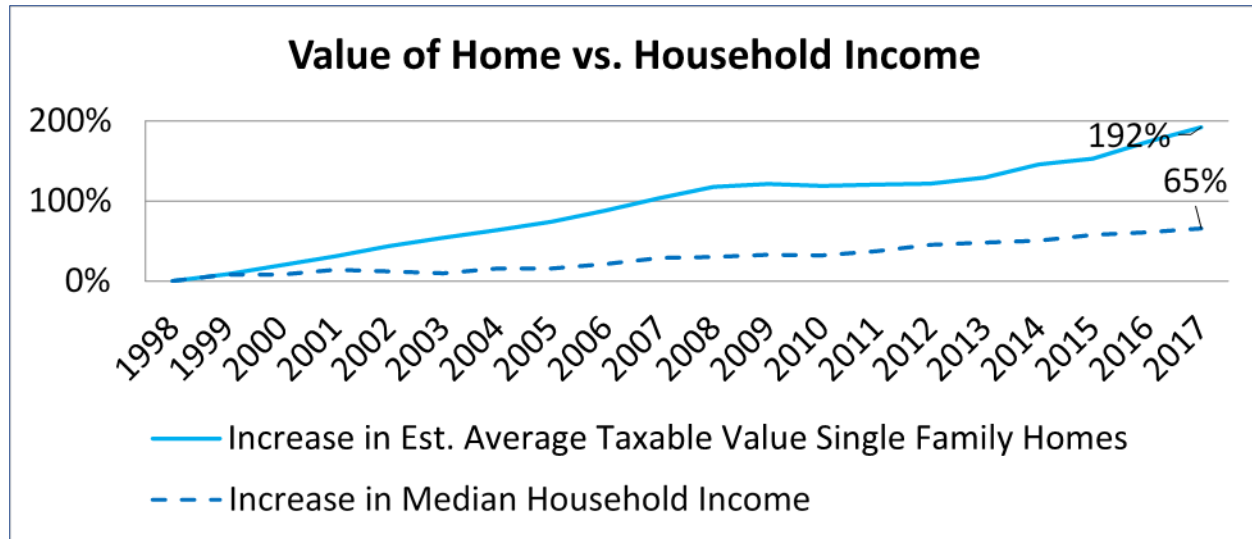
Additional state education spending, which is contemplated in this report, will not resolve these trends without addressing the underlying property tax problems. As shown below, a hypothetical increase of more than \$2 billion in additional state spending injected each year into the current, broken system does not materially change the negative trend lines. The state must pair the critical education reforms outlined herein with concurrent property tax reforms to have any hope of resolving state/local share issues without massive tax increases.



The growth of recapture under current law is perhaps most alarming. When originally implemented, only a handful of school districts paid into recapture and total collections were \$181 million. It took a decade before total collections eclipsed \$1 billion annually, and another 14 years before the state crossed the \$2 billion threshold. However, if the system is left unchanged, 375 school districts are now projected to pay a total of \$5 billion per year by 2023. This rapid and unchecked growth in recapture demonstrates that, just as the state cannot afford to wait before pursuing critical education reforms, it likewise cannot wait to reform its current property tax system.



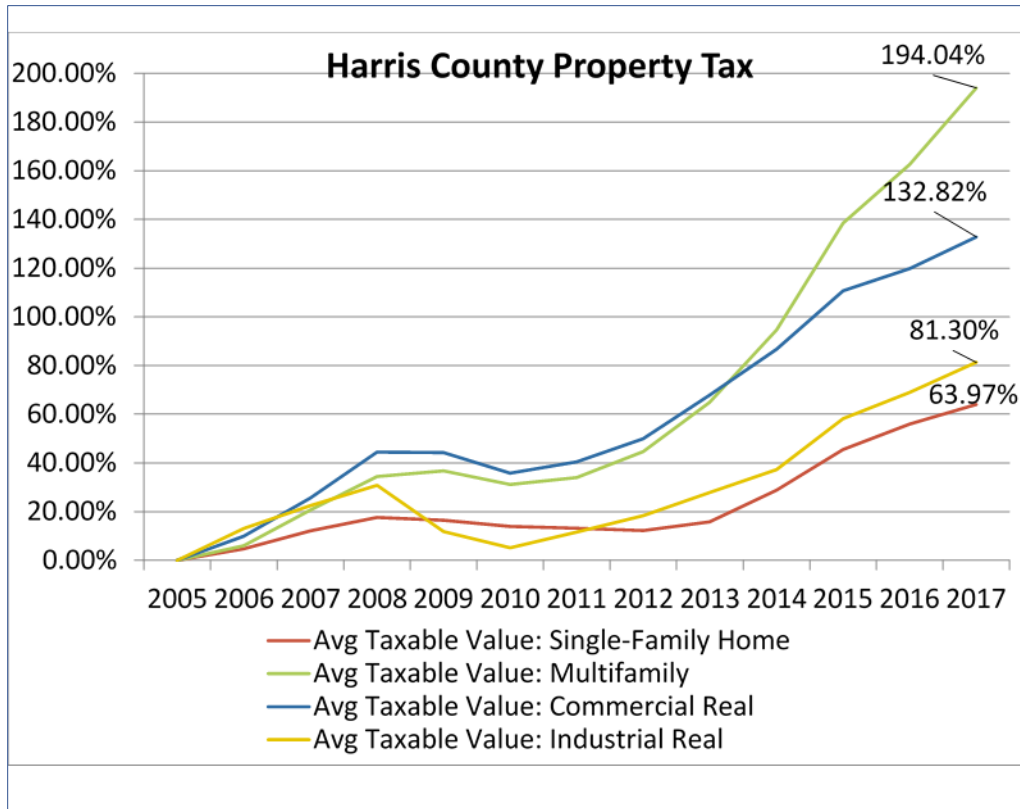
Property value increases, paired with fixed tax rates, cause tax bills to increase rapidly across the state, pushing more and more districts into recapture. As the chart below shows, the average taxable value of single-family homes has risen steadily over the past 20 years, nearly tripling over this time and rising far faster than median household income. Significant efforts by the legislature to address these issues, including the 2015 increase of the homestead exemption, only served to briefly slow these increases.



In 2006, the legislature passed significant property tax relief, buying down maintenance and operations (M&O) tax rates by 33 percent. Since 2008, Tier I tax rates have been functionally fixed at the Tier I compression ratio (which, for most districts, is \$1.00). During this same time, property values across the state have increased rapidly. With a fixed tax rate, increases in appraised values directly cause increases in a taxpayer's total tax bill. Valuations are rising statewide, and five of the nation's ten fastest growth home markets over the past decade are located in Texas.

Metro Area	Percent Change in Home Prices
Austin-Round Rock	72.6 percent
Dallas-Plano-Irving	68.5 percent
Fort Worth-Arlington	59.9 percent
Houston-The Woodlands-Sugar Land	57.1 percent
San Antonio-New Braunfels	44.5 percent

These tax increases don't just harm homeowners—they directly impact businesses and renters, neither of which benefit from homestead exemptions or appraisal limits. (See the following chart, which shows Harris County data from 2005–2017). Many areas of the state are entering into housing affordability crises, with gentrification and migration effects already underway. The Commission heard testimony from representatives of small business and Habitat for Humanity, both of which stressed the unsustainability of these increases if the state wishes to remain a viable option for entrepreneurs and middle-income families. Future economic development faces risk if total tax levies continue to rise unchecked.



Recommendation #24: The Commission heard multiple proposals to slow property tax and recapture growth, three of which are forwarded for legislature consideration

Option A: The Governor's comprehensive property tax and recapture reform. The state should compress districts' Tier I tax rates as local property tax values rise, which will significantly slow the growth of local property tax bills. If property tax levy increases are capped at 2.5 percent per year, with state tax revenues making up any balance to ensure school district entitlements are fully funded, the state can structurally prevent the collapse in the state share and slow the rapid growth in recapture. Further investments in education, discussed elsewhere in this report, could allow for the state share to increase. According to TEA estimates, of the three options proposed, the Governor's model gives the greatest tax relief over the long term with a 12-cent reduction in M&O taxes forecast by 2023, which would continue to grow over time as property values rise. The Governor's model also costs the most in additional state aid, gives the most relief to recapture, and produces the greatest reduction in future local property tax increases. In addition, some districts will receive net increases in revenue due to reforms to the calculation of recapture. Under this proposal, recapture and traditional school districts are treated equally, and districts only pay Tier I recapture on the amount *above* their formula entitlement.

Option B: Texas Taxpayers and Research Association's (TTARA) recapture funded tax compression. The state should use future recapture growth as a revenue source to fund statewide compression of tax rates. This proposal is projected to reduce Tier I tax rates by \$0.07 over four years and prevent nearly \$600 million in annual recapture growth by 2023. The TTARA proposal gives taxpayers more relief in the fiscal

year 2020–2021 biennium, but the rate of growth for that relief slows in future years due to reliance on recapture as a funding stream.

Option C: Share recapture plan. This plan would share recapture dollars with school districts, taxpayers, and the state. The exact percentage that would flow to each group would need to be further evaluated. Based on the initial data of dividing it equally would result in lower funding to districts in outer years, which is not the objective of this plan. This plan should be examined in additional detail to determine if there is a percentage allocation that accomplishes the goals of the plan; which are improving funding, improving equity and reducing recapture for school districts, reduce M&O tax rate for homeowners and businesses and for the state to plug resources in where it's needed within the state budget.

Recommendation #25: The Commission recommends equitably distributing constitutionally dedicated funds of the Available School Fund (ASF)

Portions of income from the Permanent School Fund distributed to the ASF are intended to be provided to school districts on a per-student basis; however, not all districts equally benefit from the ASF. For non-recapture districts, this money counts toward the total entitlement funding a district receives. For recapture districts, the constitutional funds are often provided on top of the locally generated entitlement funding and therefore subject to recapture which prevents some districts from receiving all of their constitutional funding. To provide this funding more equitably, all districts should receive ASF funding as the first method of finance before incorporating local and other state revenues into the funding calculations.

Section K: Additional recommendations

Beyond the above recommendations, we urge the legislature to seriously take under consideration the following general recommendations related to Texas's preK–12 education system:

Recommendation #26: Provide sufficient funding (~\$20 million per TEA) for the state to pay for one in-school SAT, ACT, or TSIA optional assessment for every student in Texas during high school

Recommendation #27

Consider amending high school graduation requirements to require the completion of either (1) the FAFSA (for US citizens) or the Texas Application for State Financial Aid (TASFA) form (for Noriega-eligible students); or (2) a district parental or guardian opt-out form indicating that the parent does not wish to complete a FAFSA or TASFA (if the student is 18 or older, they may complete the opt-out form themselves). In addition, the legislature should hear testimony and consider legislation during the 2019 session regarding replicating the effectiveness of emerging Promise efforts across Texas to significantly impact FAFSA completion and post-secondary enrollment and persistence rates. Despite being the ninth-highest state in the country in the percentage of students considered low-income, Texas FAFSA completion rates trail national leading states such as Tennessee and Louisiana by almost 30 percent, leaving hundreds of millions of unaccessed Pell grants and state aid on the table each year. In 2017–2–18, Louisiana enacted this graduation requirement and saw (1) FAFSA completion rates spike to now lead the nation at 83 percent (vs. 55 percent in Texas); and (2) saw no discernible decline in high school graduation rates. The funds recommended in the CCM-R outcomes-based funding (Recommendation #4) would provide the advising resources necessary for this support.

Recommendation #28: For districts providing a full-day preK program, consider crediting the appropriate full-day attendance for purposes of funding within the Foundation School Program.

If school districts opt to provide full-day preK for some or all of their students, their weighted average daily attendance (WADA) calculation for Tier II recapture purposes would reflect a full-day allotment more reflective of their program expenditures.

Recommendation #29

Amend legislation to allow school reconstitution for public school elementary and middle school campuses receiving an “F” for two consecutive years with a school turnaround program comparable to the Accelerating Campus Excellence program (ACE) in Dallas ISD (where better educators have been purposely placed at the struggling campus) with the state providing matching funds to reduce district costs. Early learning is critical to a child's success, and the negative impact to a student of being within a highly challenged school for five straight years will very likely never be overcome. The ACE program has shown tremendous success in allowing elementary and middle schools to get off the state's Improvement Required list after being on it multiple straight years (for example, preliminary data indicates that all 13 ACE elementary campuses across Dallas ISD and Ft. Worth ISD met standard in their first year), and we believe that the state should act with much more urgency on behalf of our younger learners if districts

are not taking the necessary steps quickly to reconstitute highly challenged schools with more effective experienced educators.

Recommendation #30

To reduce juvenile justice and prison recidivism and its associated costs, TEA should (1) amend the accountability system to not penalize districts that help formerly incarcerated individuals receive their high school diploma or GED; and (2) consider expanding Texas Challenge Academy locations across the state (from their current single location serving only ~300 students ranging in age from 16 to 18 year olds who are current dropouts). By tenth grade, the state will on average have invested more than \$100,000 in a student's education, and we should invest more in getting them back on track. Every year at least 30,000 students fail to graduate, representing a significant but recoverable drain on our educational outcomes with smart, additional investment and system changes.

Recommendation #31: State funding should target professional development training toward schools/districts willing to launch blended learning models.

In a strategic implementation of the blended learning model, teachers are able to leverage technology to diagnose current student content knowledge—be it below, at, or above grade level—and to differentiate instruction for each student, leading to strong academic growth for all learners.

Recommendation #32

Allow three- and four-year-old children of Texas public school educators to be eligible for free public full-day preK funding to (1) increase the attraction and retention of working in public education in Texas; and (2) increase the diversity of public school preK classrooms, which today are principally limited to low-income and English language learner students. If a district is preK classroom seat constrained, preference would be given to serving eligible preK children (due to their low-income or English language learner status, etc.) first. The estimated cost of this recommendation is roughly \$50 million annually.

Section L: Overview of potential revenue items for legislature to consider

The Commission received reports suggesting a high likelihood that the state would receive a significant influx of additional revenues from existing revenue streams (including the sales tax and severance tax) for the upcoming biennium. To ensure long-term funding stability for the education and tax reforms contemplated herein, the legislature should ensure that any revenue streams dedicated toward these goals are sufficiently stable to meet the anticipated cost growth in future biennia. Recommendations are based upon best data available.

Recommendation #33: Prioritize projected revenue growth to fund education and property tax reforms

The Texas Comptroller of Public Accounts will be releasing the Biennial Revenue Report (BRE) in January 2019 that will provide the exact amount of revenue available for allocation in the next biennium. While no official estimates are available at the time of this report's drafting, informal estimates suggest substantial increases in available revenue since publication of the 2017 BRE. Since January 2017, the Comptroller has increased the revenue estimate from \$104.9 billion to \$110.2 billion in July 2018, a \$5.3 billion increase. Sales tax revenue represents 58 percent of all state tax collections, and have been trending in a positive direction during the last two fiscal years. Historically state general revenue has grown an average of ten percent every biennium since 2004–2005, and current trends indicate an increase of general revenue available for budgeting for the next biennium.

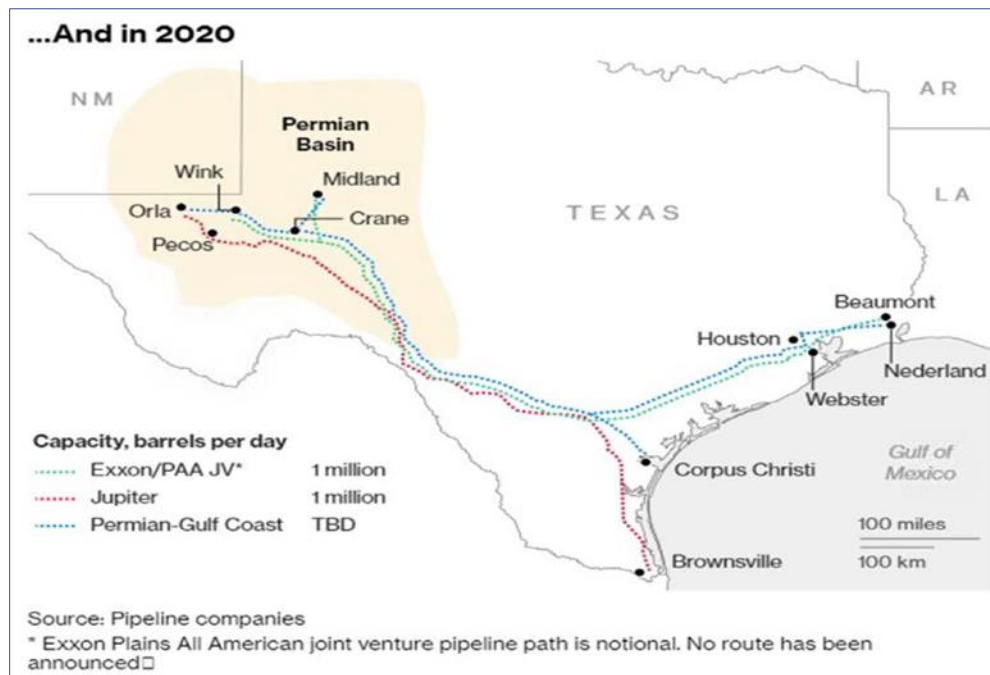
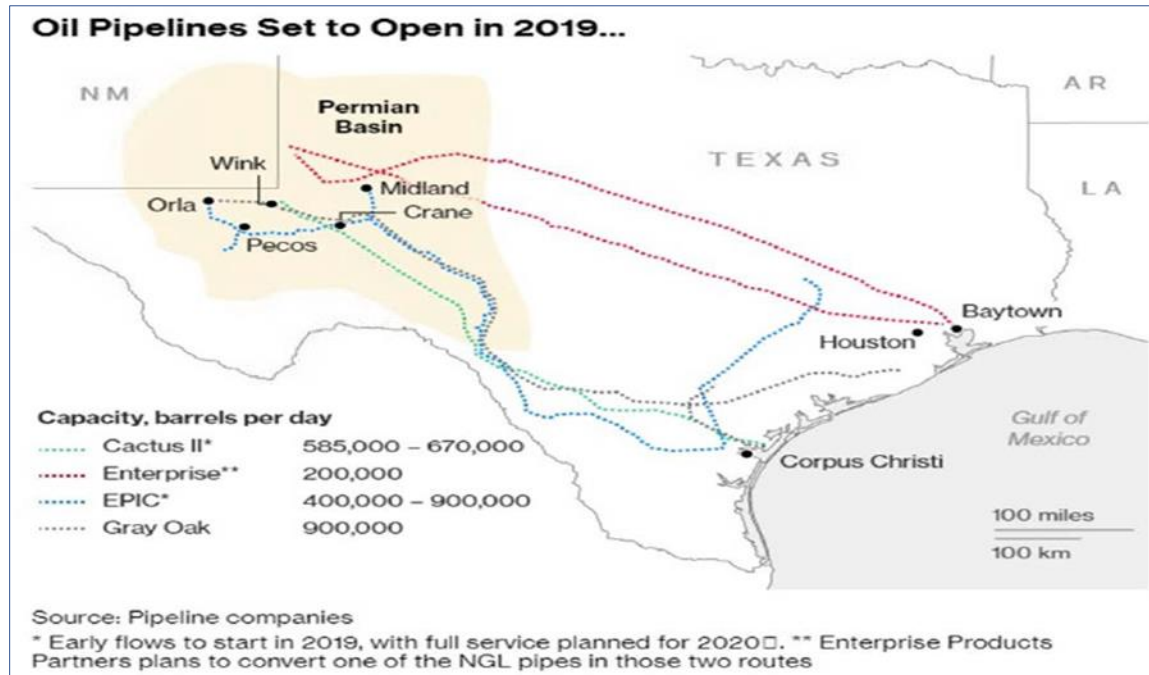
The charts below show the amount of sales tax growth over the past two full fiscal years and the beginning months of the current fiscal year:

	2016-17	2017-18	% Change		2017-18	2018-19	% Change
Septemeber	\$ 2,128,221,000	\$ 2,356,666,000	10.41%	Septemeber	\$ 2,356,666,000	\$ 2,706,622,000	14.85%
October	\$ 2,290,300,000	\$ 2,458,543,000	6.94%	October	\$ 2,458,543,000	\$ 2,637,335,000	7.27%
November	\$ 2,499,590,000	\$ 2,784,661,000	11.12%	November	\$ 2,784,661,000	\$ 2,997,742,000	7.65%
December	\$ 2,437,750,000	\$ 2,745,041,000	12.30%	December	\$ 2,745,041,000		
January	\$ 2,439,299,000	\$ 2,672,488,000	9.06%	January	\$ 2,672,488,000		
February	\$ 2,397,932,000	\$ 2,612,239,000	8.56%	February	\$ 2,612,239,000		
March	\$ 2,229,512,000	\$ 2,400,001,000	7.19%	March	\$ 2,400,001,000		
April	\$ 2,427,420,000	\$ 2,766,470,000	13.45%	April	\$ 2,766,470,000		
May	\$ 2,494,191,000	\$ 2,758,373,000	10.18%	May	\$ 2,758,373,000		
June	\$ 2,426,348,000	\$ 2,769,213,000	13.74%	June	\$ 2,769,213,000		
July	\$ 2,553,076,000	\$ 2,741,744,000	6.93%	July	\$ 2,741,744,000		
August	\$ 2,473,082,000	\$ 2,871,796,000	15.81%	August	\$ 2,871,796,000		
Total	\$ 28,796,721,000	\$ 31,937,235,000	10.51%	Total	\$ 31,937,235,000	\$ 8,341,699,000	9.76%

Recommendation #34

Redirect a portion of severance taxes currently designated for the Economic Stability Fund (ESF) (also known as the “Rainy Day Fund”) given the growing size of the ESF due to unprecedented energy activity in the state, particularly in the Permian Basin. While oil prices may fluctuate, the rate of growth in the Permian Basin is stable and will provide increased

revenues for years to come as new pipeline capacity in 2019 will bring in two million barrels per day, followed by an additional two plus million barrels per day pipeline capacity in 2020.



Recommendation #35

Expanding the sales tax base to include internet sales associated with vendors not having a physical presence in the state of Texas (as made possible by the recent *Wayfair* Supreme Court decision in 2018 allowing state taxation to occur).

Additional revenue items for consideration

If the legislature determines that the currently identified revenues do not fully cover projected costs for outcomes improvements or property tax reform, the legislature may need to consider additional revenue options, including those listed in Appendix 1. While the proposals found in Appendix 1 were discussed by the Commission, inclusion in this report is for reference purposes only.

Appendix 1: Additional revenue items for consideration

The following proposals for potential tax increases, if needed, were discussed by the Commission, but are included for reference only. (Estimates produced by the Texas Comptroller of Public Accounts):

1. Expand sales tax base and eliminate exclusions for certain Business and Professional Services (~\$4.8 billion per biennium).

Service	2020 Revenue	2021 Revenue
Legal Services	\$589.6	\$619.9
Accounting and Auditing Services	\$381.7	\$401.3
Architectural and Engineering Services	\$551.4	\$579.7
Management Consulting and PR	\$213.7	\$224.7
Contract Computer Programming	\$251.8	\$264.7
Marketing Research and Public Opinion Polling	\$44.2	\$46.4
Outdoors Display Advertising	\$21.2	\$22.2
Financial Services Brokerages	\$183.5	\$192.9
Other Financial Services	\$112.3	\$118.1
Airplanes and Motor Boats	\$0.06	
Reinstate Controlled Substance Tax	Estimate Unavailable	

2. **Increase motor fuel tax to \$0.30, an increase of \$0.10, for gas and diesel fuel (~\$900 million per biennium).** With 25 percent of the fuel tax going to the Available School Fund (ASF), Texas could expect an additional \$460 million dedicated to the ASF in 2020 and \$470 million dedicated to the ASF in 2021
3. **Dedicate interest income and \$1 billion from Economic Stabilization Fund to "hard costs" in education** (school safety, Existing Debt Allotment, New Instructional Facility Allotment, Instructional Facilities Allotment) ~\$130 million in 2018. Based on current cash reports from the Comptroller, expected interest income is \$135.9 million in 2018 and \$204.9 million in 2019.
4. **Replace high-cost gas tax rate with natural gas production rate ~\$600 million per biennium.** Estimates given in 2017 were around \$360 million per year. Comptroller estimates for subsequent years are as follows:

Fiscal Year	Estimated Tax Loss
2018	383,300,774
2019	284,094,634
2020	266,581,239
2021	260,677,850
2022	282,190,414
2023	289,369,121

5. **Dedicate any additional revenue offset from a property tax value increase to state contribution to public education ~\$3 billion per biennium.** Not new money, but ensure dedication by the state to not decrease support to public schools (according to TEA this would be \$3.7 billion dollars per biennium).
6. **Increase the alcoholic beverage tax by 50 percent ~\$100 million per biennium.** Estimates based on Comptroller 2018 tax exemptions and tax incidence report.

7. **Provide a local option sales tax of one percent for school districts to provide property tax relief.** Potential revenue would be dependent upon each locality.

The following recommendations are offered without an estimated financial impact since the working group did not formally consider them:

1. Expand sales tax base to include additional other goods.
2. Consider an annual registration fee for hybrid vehicles.
3. Transfer a portion of the Rainy Day fund into the Permanent School Fund (PSF) and place into slightly higher yield investments to increase distributions.
4. Allow schools/appropriate personnel to be an "in-network provider" so that ISDs can provide and bill for health and mental health services.
5. Consider a "mobility fee" for large employers to replace the 25-percent sales tax diversion to the State Highway Fund and reallocate dedicated sales tax to public education.
6. Ask the legislature to work collaboratively with the State Board of Education and School Land Board to work towards maximizing the availability of funding allocated to the Available School Fund (ASF).
7. Reduce the state's use of recapture as a method of finance for the state to reduce tax burden and the overreliance on property taxes by the state. Options could include:
 - Reducing assessment caps for residential homeowners from ten percent to five to seven percent. In this way, current homeowners are not adversely affected by market appreciation. Due to escalating property values, many home owners couldn't qualify for mortgages today for the same homes they are living in.
 - Replacing recapture as a method of finance for the state with a one-percent increase in sales tax.
 - Limiting the Chapter 41 liability of a school district, not to exceed 35 percent of total maintenance and operations (M&O) tax collections. The current rate of recapture from some ISDs can exceed over 50 percent of the tax levy. If the state limited property tax collections to not exceed 35 percent of levy, school districts could lower property tax rates. Since the state largely benefits from increasing property values, local taxpayers are experiencing higher property tax bills, while conversely, facing possible reductions in programming and services due to tightening school budgets.
 - Providing school districts with the flexibility to lower M&O tax rates after successful passage of a tax ratification election to take advantage of changing market conditions.
 - Decoupling the basic allotment and equalized wealth levels and update them to ensure that the system is equalized at the 85th percentile.
 - Consolidating the two equalized wealth levels and update/index to reflect new property value growth.
 - Applying the Cost of Education Index (CEI) weight at 100 percent when calculating weighted average daily attendance (WADA).
 - Updating the CEI and applying as a credit against recapture.
 - Provide transportation allotment to Chapter 41 districts as a credit against recapture.
 - Providing school districts with the authority to provide property tax exemption for teachers and other school staff (food service workers, bus drivers, etc.).
 - Authorizing circuit breakers program to mitigate the property tax burden on middle- and low-income households.

Appendix 2: Exhibits

Exhibit A

With Changing Demographics, State Can't Sustain Texas's Economic Prosperity without Equitably Investing in its Fastest Growing Populations

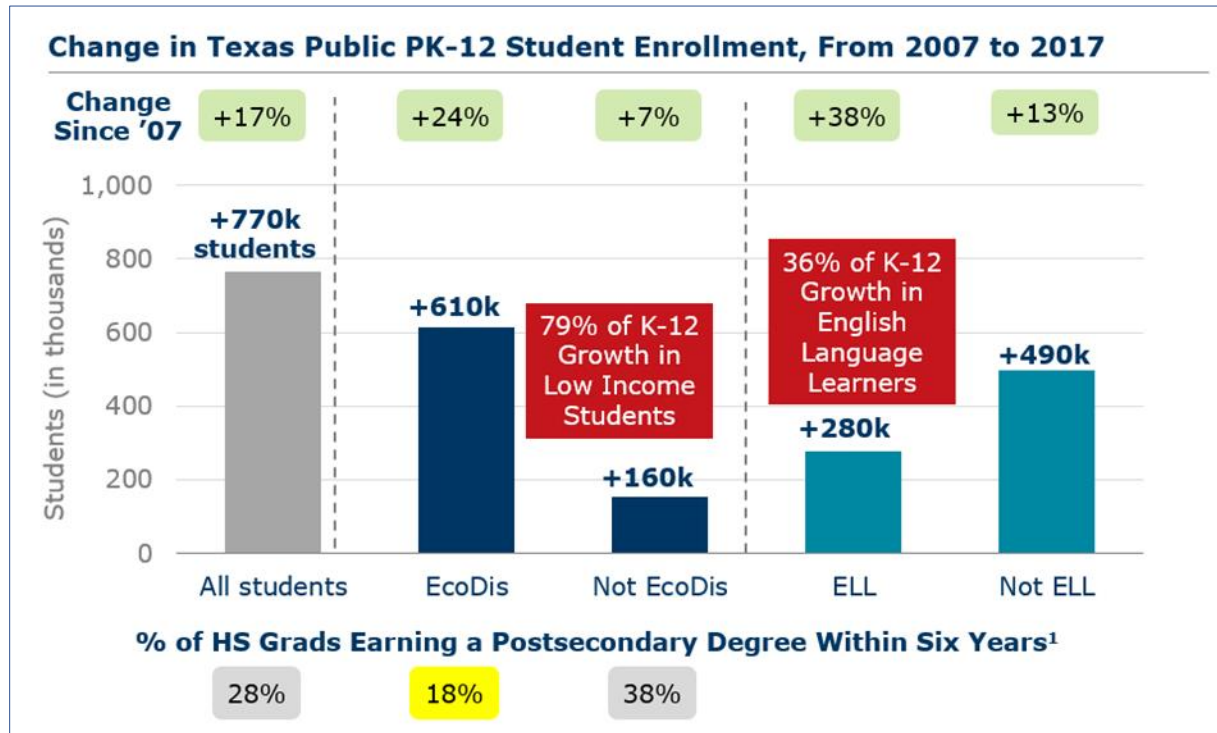


Exhibit B

Texas Ranks Second and Ninth in the Percent of Students Who are Economically Disadvantaged and English Language Learners

% English Language Learners K–12 Enrollment		% Economically Disadvantaged K–12 Enrollment	
1	California	1	Mississippi
2	Texas	2	New Mexico
3	Nevada	3	Arkansas
4	New Mexico	4	Georgia
5	Alaska	5	Oklahoma
6	Colorado	6	Louisiana
7	Kansas	7	South Carolina
8	Washington	8	Kentucky
9	Illinois	9	Texas
10	Florida	10	California
11	Hawaii	11	Nevada
12	Oregon	12	Tennessee
13	Minnesota	13	Florida
14	Massachusetts	14	North Carolina
15	Virginia	15	Oregon

Exhibit C-1

Data Clearly Indicates That Investments Should Target Low-Income and ELL Students, Who Are Both Well Below a State Goal of 60% Proficiency

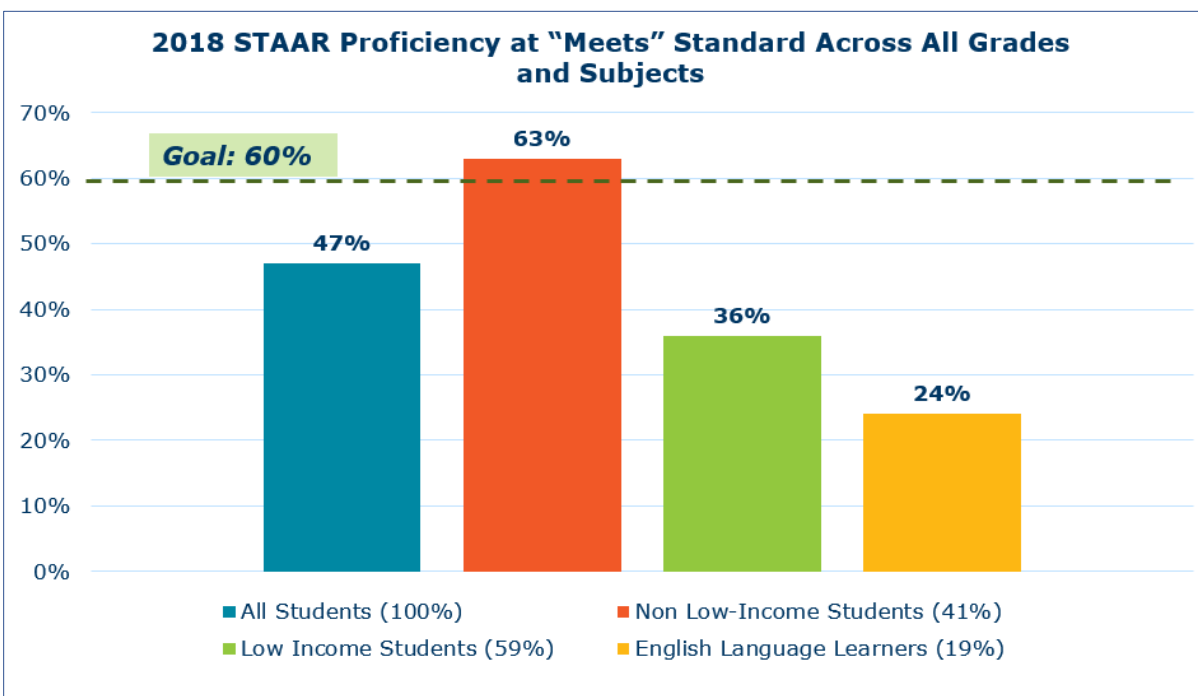


Exhibit C-2

Achievement Gaps in Third-Grade Reading Exist in Texas by Income, Race, and Language Proficiency

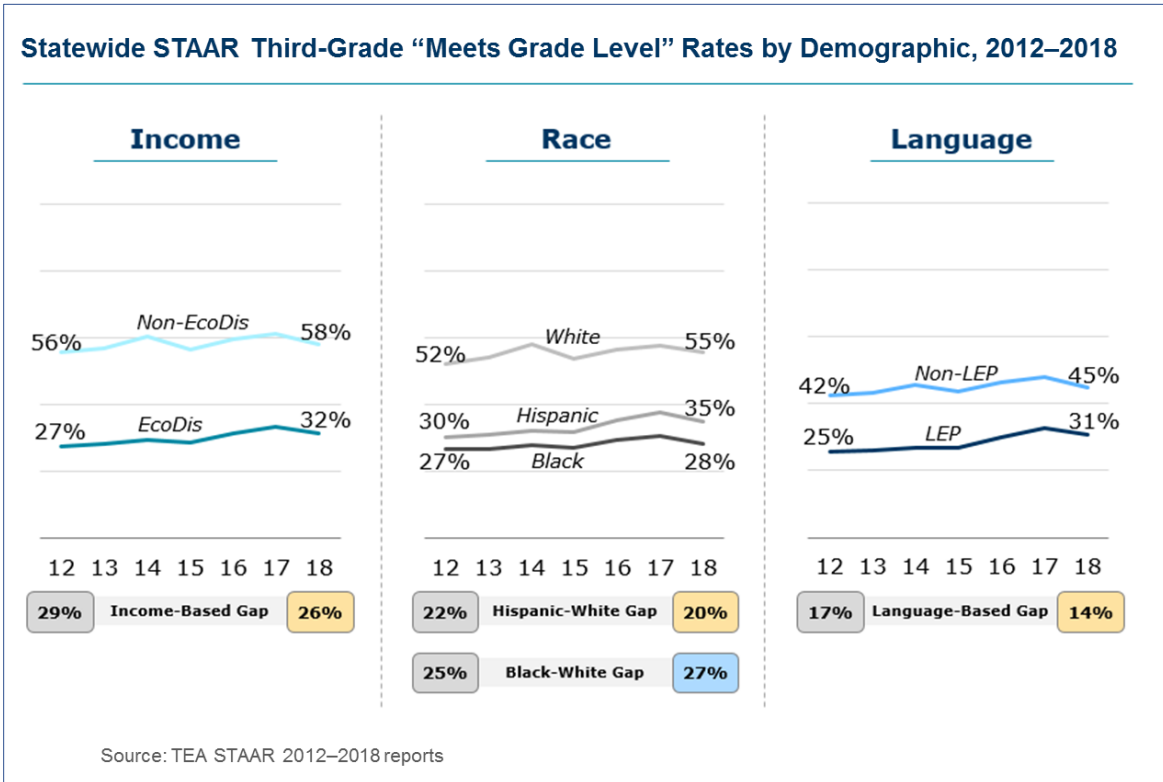
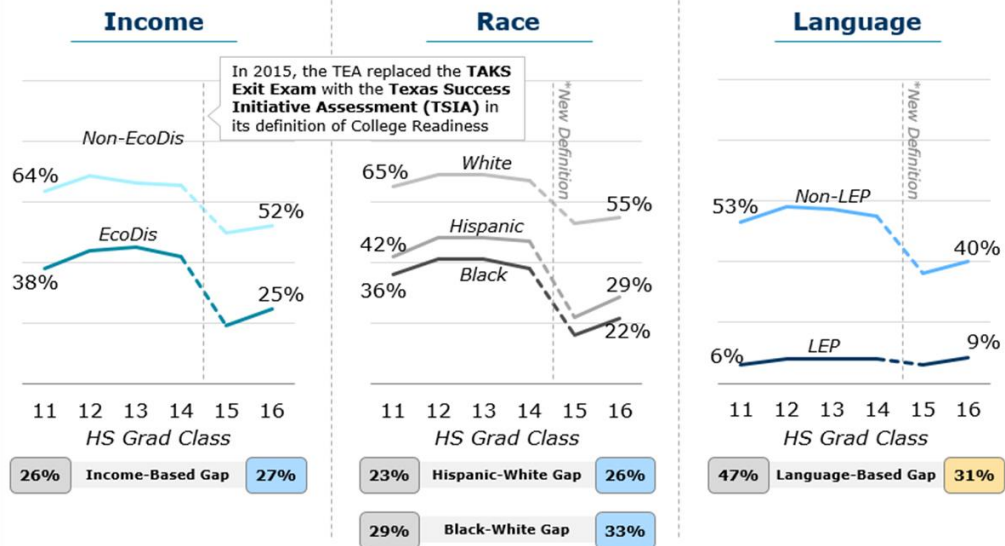


Exhibit C-3

College Readiness Rates Show That Achievement Gaps Persist into High School

Statewide College Readiness Rates (SAT/ACT/TSIA) of High School Graduates by Demographic, 2011–2016 High School Graduating Classes



Source: TEA TAPR 2012–2017 reports; for weighted averages (Non-EcoDis, non-LEP), TEA Accountability Reports (2012–2017), 4-Year HS Graduation Rates

Note: LEP/non-LEP HS grad counts are not published by TEA TAPR standard files; these numbers found in TEA Accountability Reports (4-Year Longitudinal Graduation Rates, 2011–2016)

Exhibit D

The Need for Targeted Resources: Even the State's 15 Highest-Performing Systems Serving Low-Income and English Language Learners Fall Well Below a 60-Percent STAAR Proficiency Goal

Economically Disadvantaged Students Only				ELL Students Only			
ISD or Charter	Eco. Dis. %	Enroll.	STAAR 2018 % Meeting Std.	ISD or Charter	ELL %	Enroll.	STAAR 2018 % Meeting Std.
WYLIE	26%	14,972	55%	COPPELL	11%	12,349	42%
LOS FRESNOS	77%	10,827	54%	ROMA	68%	6,528	42%
SHARYLAND	61%	10,026	53%	TOMBALL	11%	14,882	41%
IDEA	89%	29,334	52%	IDEA	34%	29,334	40%
HEB	52%	23,065	50%	KATY	17%	75,231	39%
KATY	29%	75,231	50%	CROWLEY	15%	15,185	35%
MIDWAY	30%	7,886	49%	SHARYLAND	29%	10,026	35%
ROMA	88%	6,528	49%	DALLAS	44%	157,787	35%
TOMBALL	22%	14,882	49%	WYLIE	10%	14,972	35%
YES PREP	87%	10,258	48%	KIPP	35%	13,346	34%
KIPP	91%	13,346	47%	GRAND PRAIRIE	29%	29,287	33%
PEARLAND	28%	21,516	47%	MT. PLEASANT	39%	5,312	32%
BROWNSVILLE	96%	46,799	47%	LOS FRESNOS	22%	10,827	31%
EAGLE PASS	77%	14,779	46%	LAMAR	14%	30,744	31%
SOCORRO	71%	45,804	46%	WHITE SETTLEMENT	12%	6,794	31%

Exhibit E

Where We Stand Today: Texas's Education and Workforce Pipeline Need for about 90,000 Additional Students Completing to Meet 60x30TX Goal

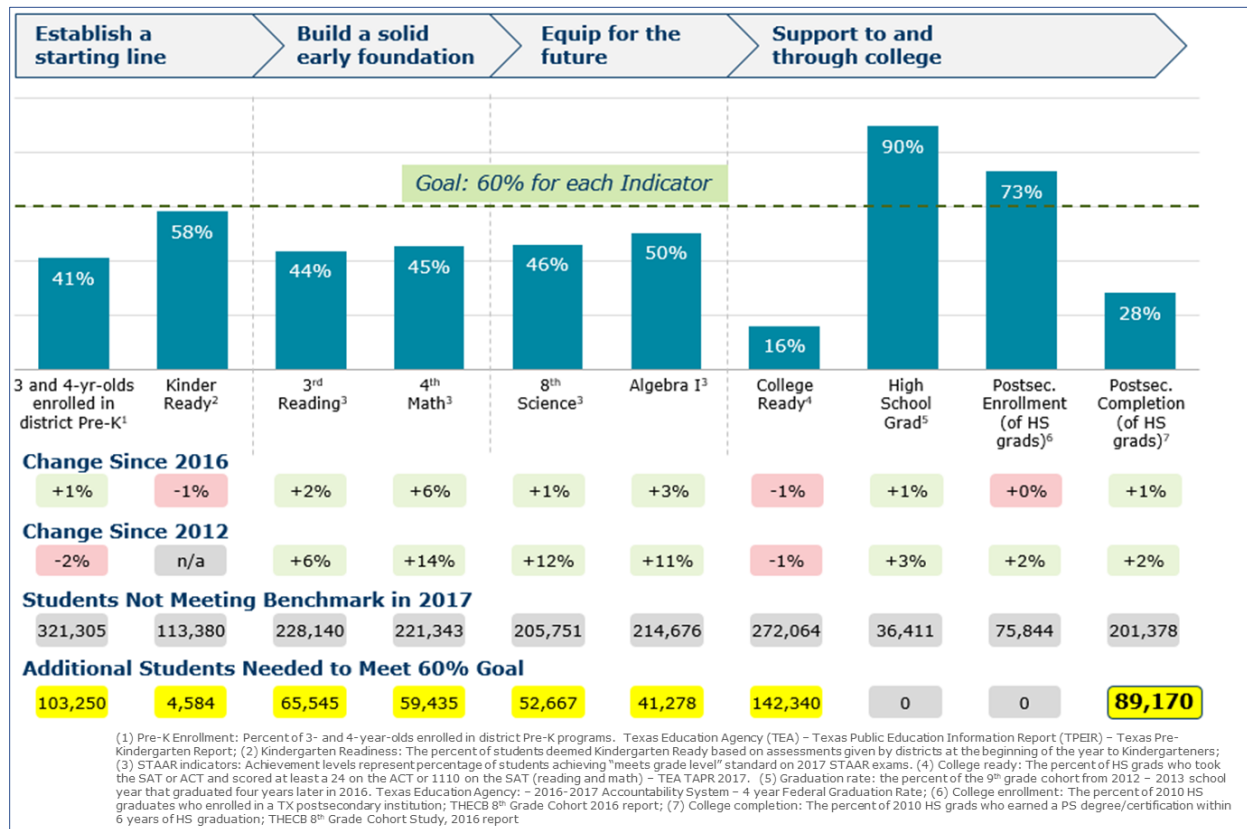


Exhibit F

Troubling outcomes resulting from relationship of our spending relative to our growing student needs, particularly in literacy

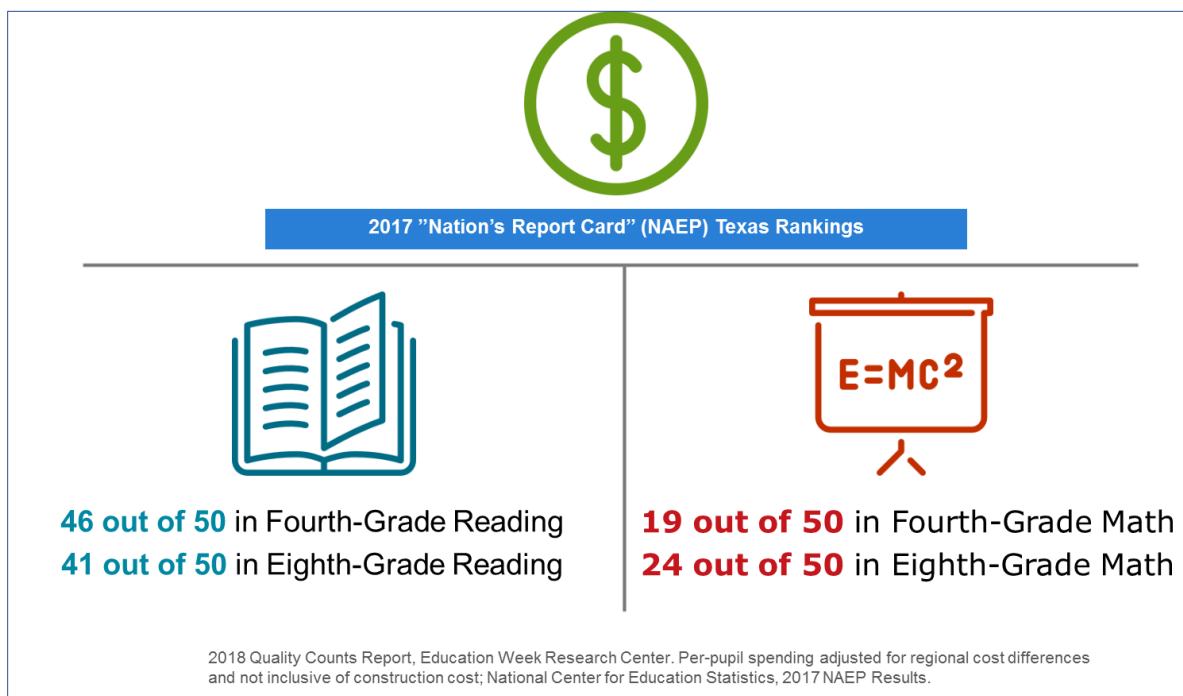


Exhibit G

Across Texas, Community College Tuition Rates (Fourth-Lowest in US) Are Below Average Annual US Pell Grant, Making Tuition for all Low-Income US Citizens in Texas Free

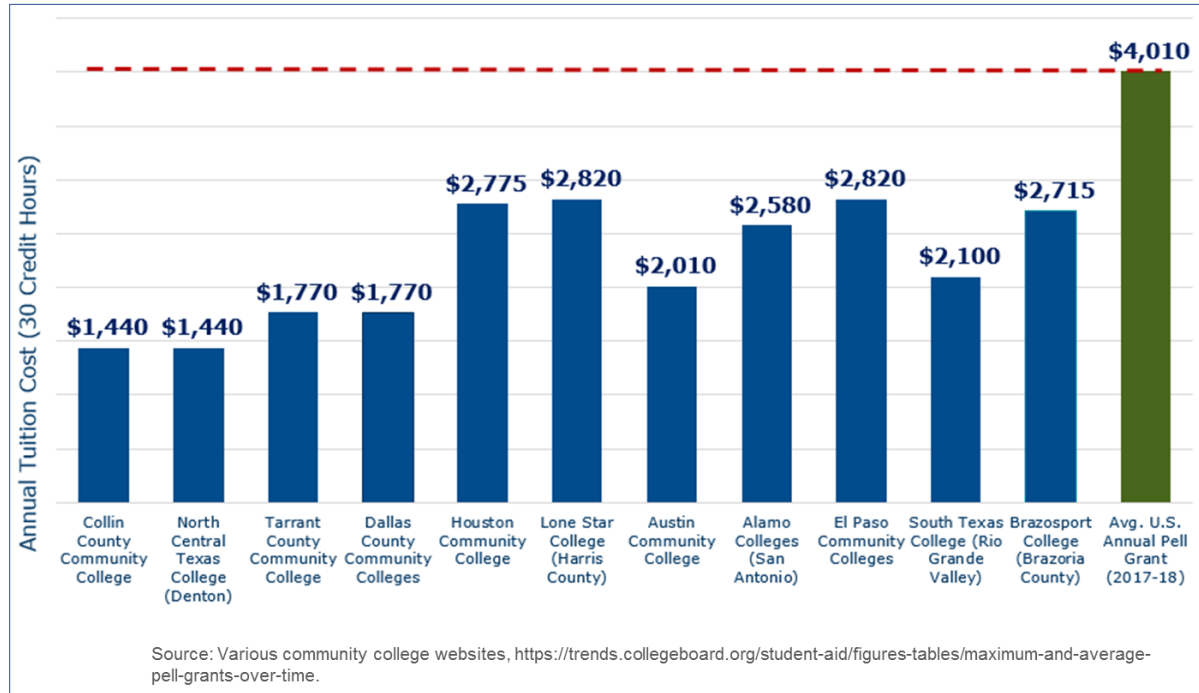


Exhibit H

Louisiana and Tennessee Lead the Nation (and Texas) in FAFSA Completion and Accessing US Aid via Pell Grants Because of Their Statewide Initiatives, Despite Texas Ranking Ninth in US in Percentage of Economically Disadvantaged Students

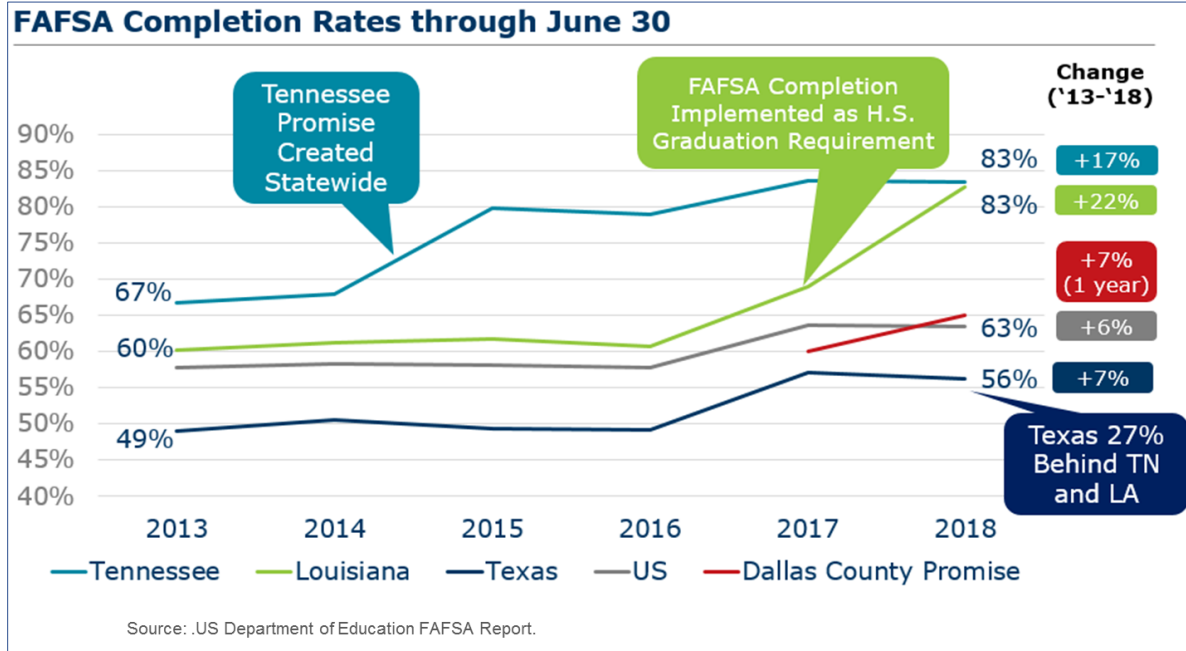


Exhibit I

Economically Disadvantaged Students, Whether as a Percentage of Eight-Graders or of High School Graduates, Enroll in Post-Secondary Education at Rates 2/3rds to 3/4ths of Their Non-Economically Disadvantaged Peers

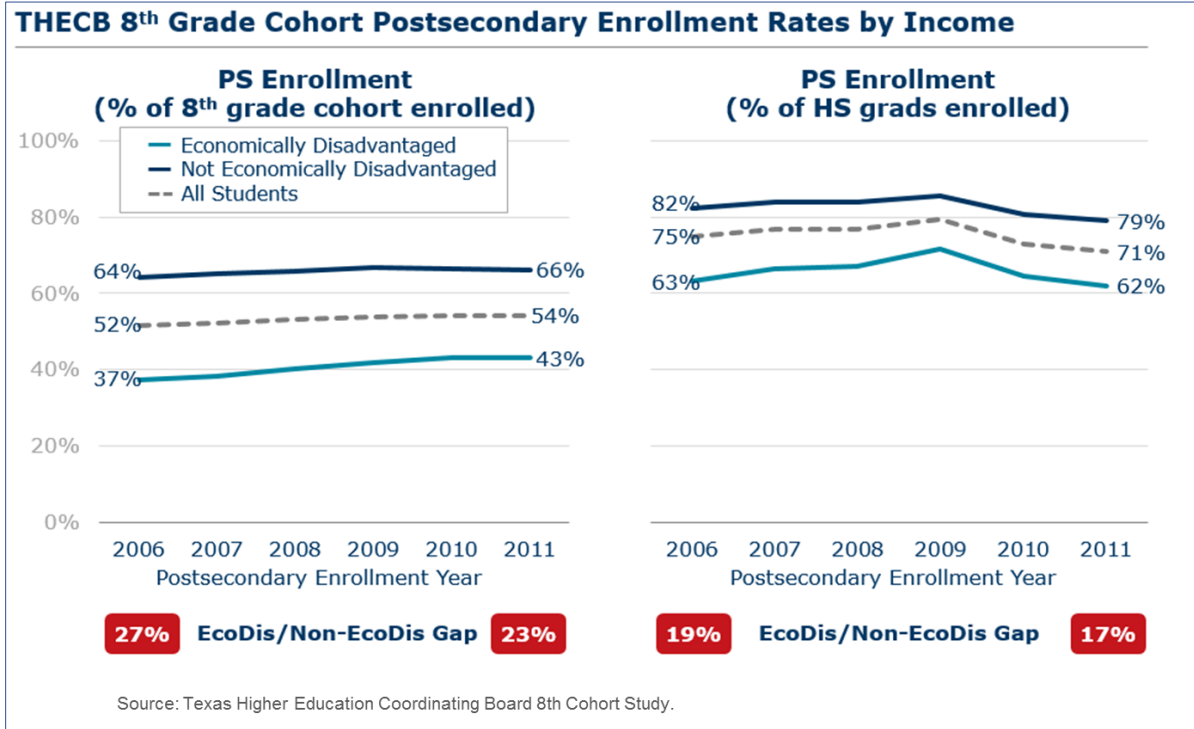


Exhibit J

Texas Students Leave at Least \$310 Million in Annual US Aid for *Each* High School Senior Cohort on the Table Due to Failure to Complete FAFSA

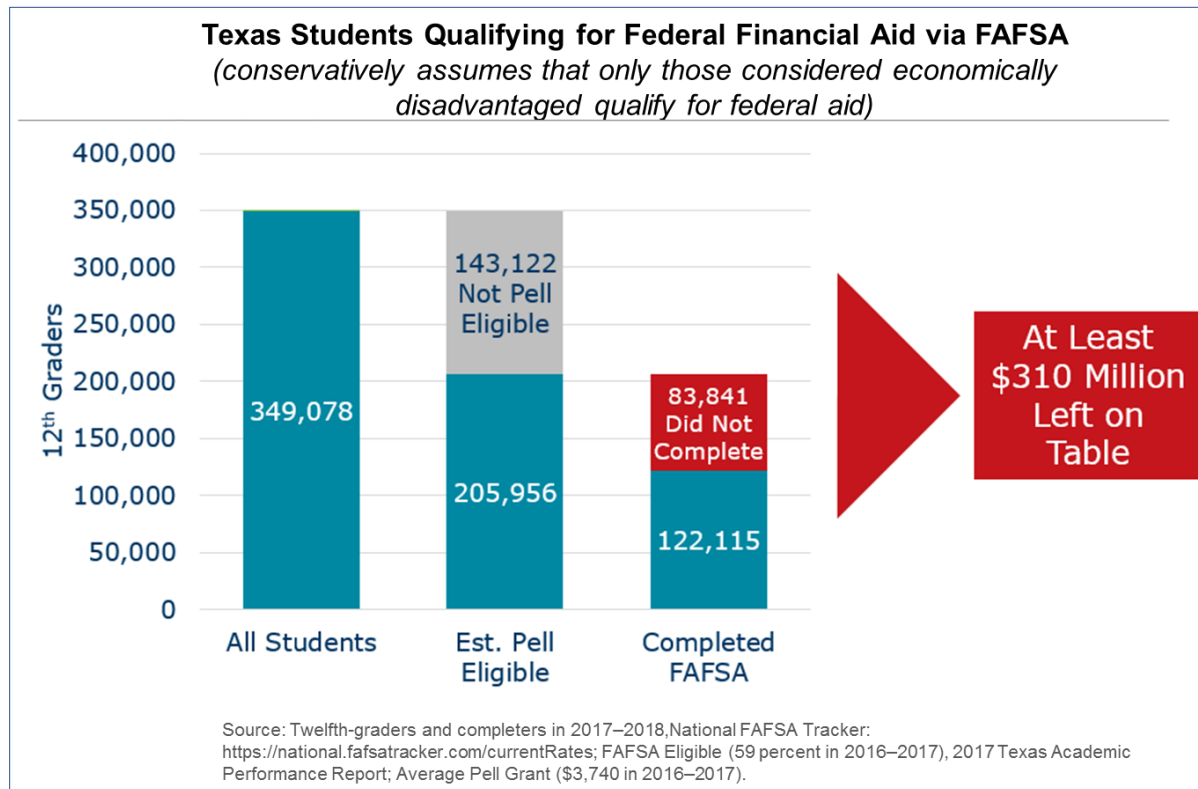


Exhibit K

Economically Disadvantaged Students, Whether as a Percentage of Eighth-Graders or of High School Graduates, Ultimately Attain a Post Secondary Degree at Rates One Third to One Half of Their Non-Disadvantaged Peers

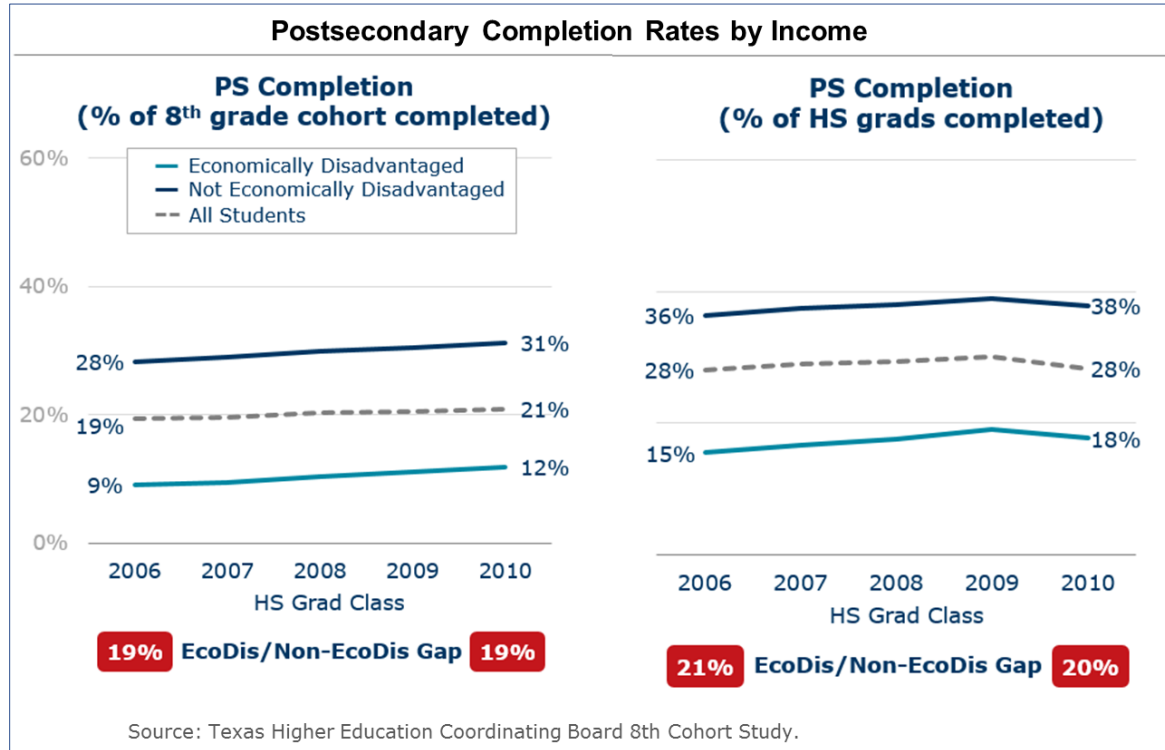


Exhibit L

Roughly \$200 Billion Dollars Foregone by Each Texas High School Class by Not Obtaining Post-Secondary Credentials

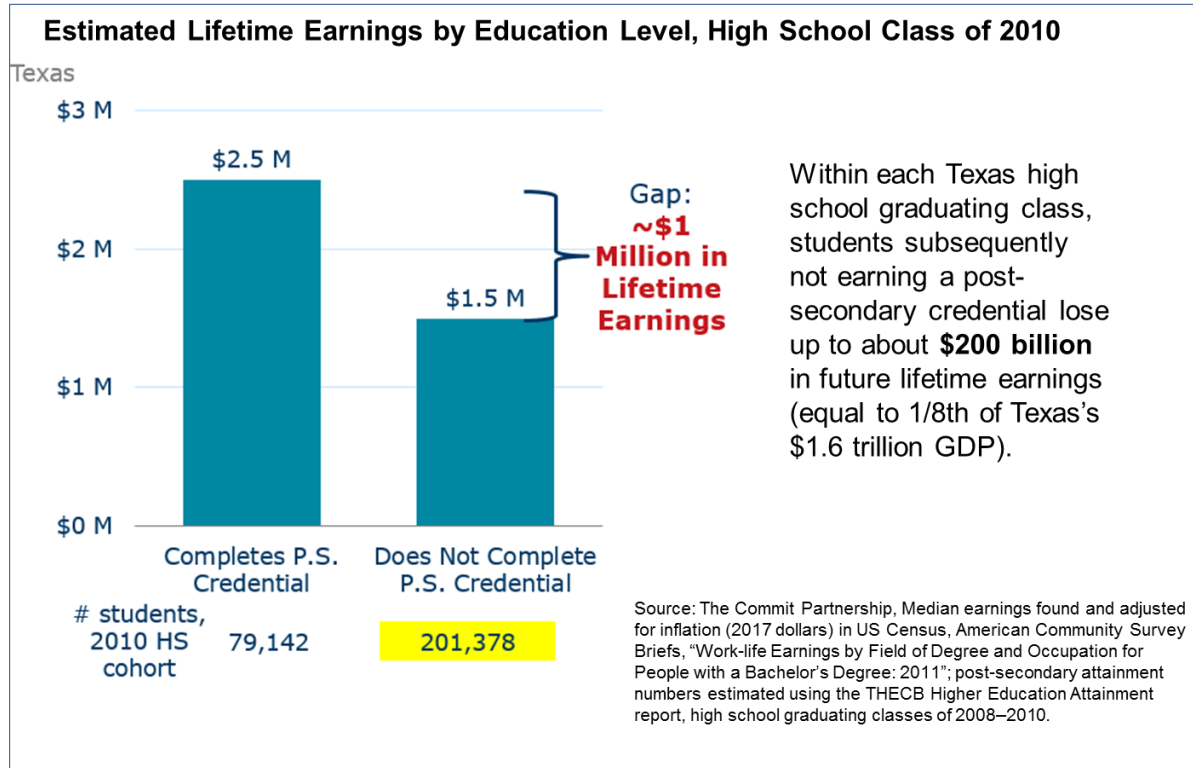


Exhibit M

87 Percent of School Districts Offer PreK Programs; about 70 Percent of Those Offering PreK Have Full-Day Offerings; about 54 Percent of Currently Enrolled Three- and Four-Year-Olds Attend Full-Day PreK

Public PreK Enrollment by Full or Half Day Program and ADA Eligibility for 2016–2017 School Year							
		2016–2017					
		Total Enrolled		ADA Eligible		Not Eligible for ADA	
		Students Enrolled	Percent Enrolled	Students Enrolled	Percent Enrolled	Students Enrolled	Percent Enrolled
Age 3	Full-Day	14,546	53%	13,857	53%	689	54%
	Half-Day	13,042	47%	12,454	47%	588	45%
	Total	27,588	100%	26,311	100%	1,277	100%
Age 4	Full-Day	107,497	55%	100,600	54%	6,897	60%
	Half-Day	89,029	45%	84,508	46%	4,521	40%
	Total	196,526	100%	185,108	100%	11,418	100%
Total	Total	224,114	100%	211,419	100%	12,695	100%

Number of Districts Offering Full and Half Day PreK		
2016–2017		
	Districts Providing PreK	Schools Providing PreK
Full-Day Only	452	1,464
Half-Day Only	296	1,369
Full and Half-Day	303	519
Total	1,051	3,352

Exhibit N

Current Outcomes Impacted by Poverty: But Wide Variations in Outcomes among Districts with Similar Demographics Show That Strategies, Priorities, and Resource Allocations Can Matter Greatly

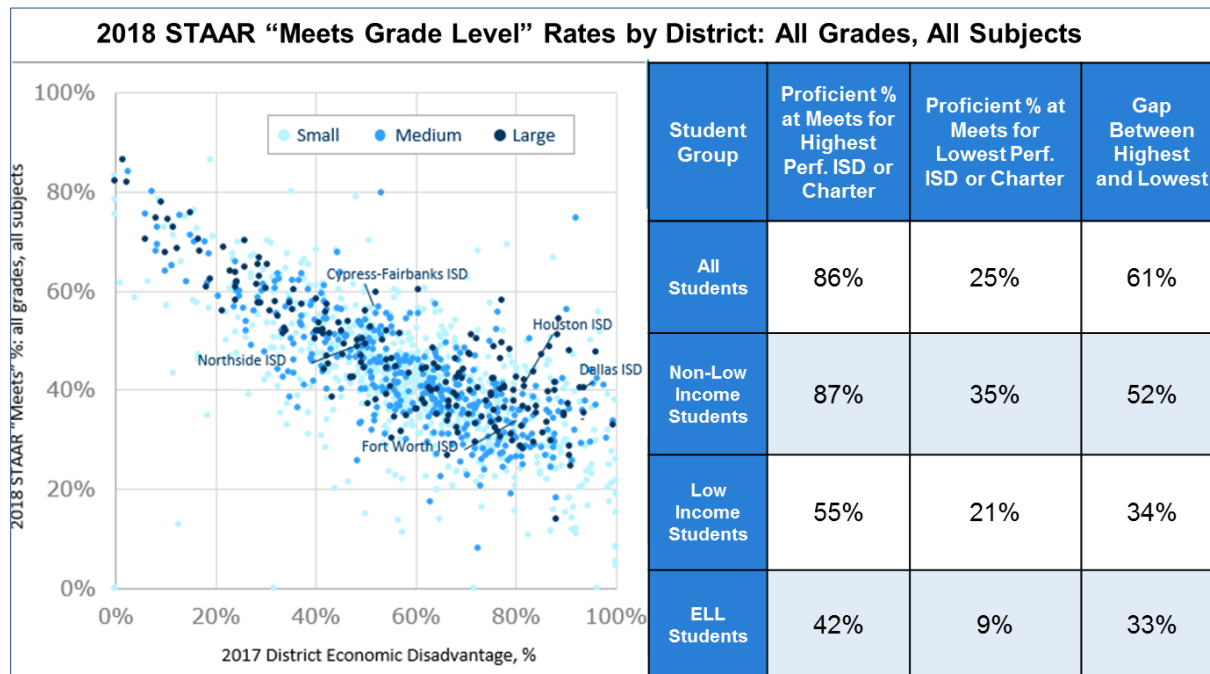


Exhibit O-1

Teacher Supply Provided by Institutions of Higher Education Continues to Decline Statewide
(15-Percent Decline since 2012)

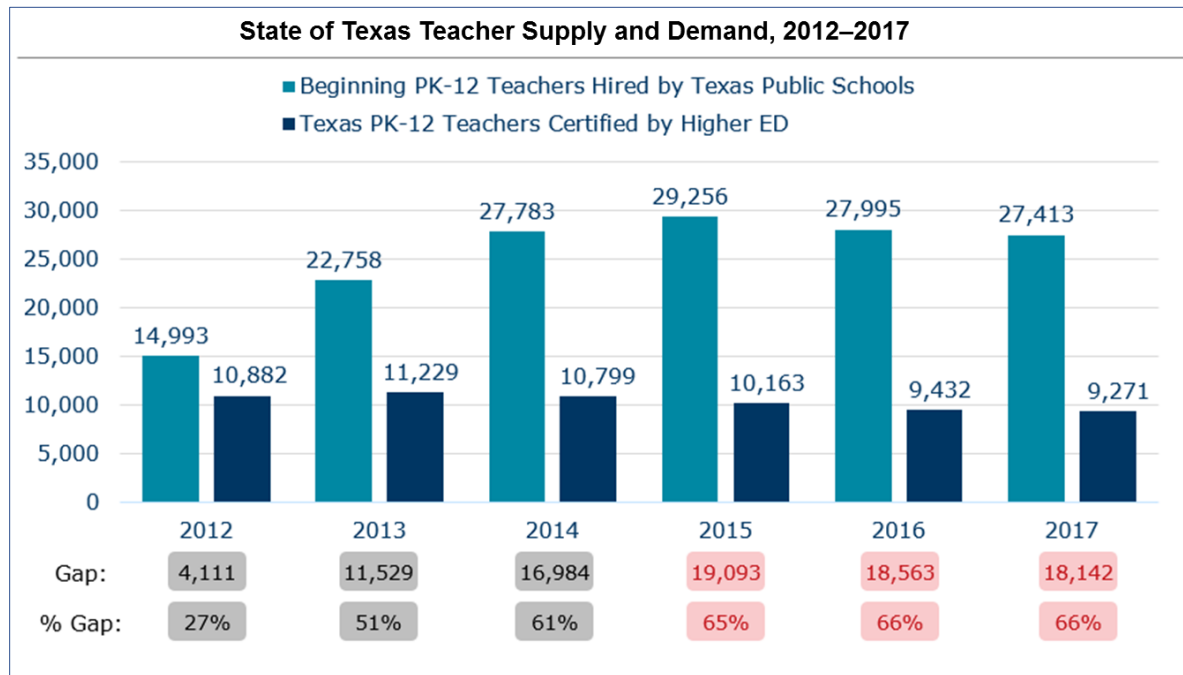


Exhibit O-2

Lower Income Districts Increasingly Have More Beginning Teachers and Higher Teacher Turnover, Impacting Low-Income Achievement

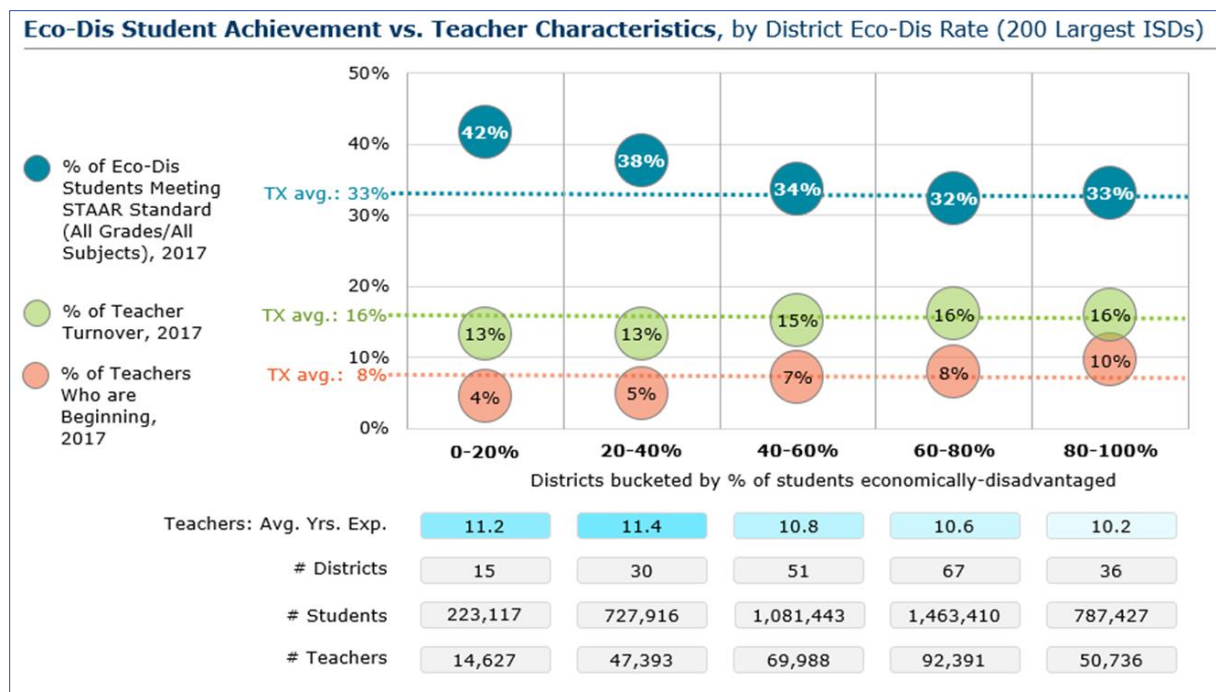


Exhibit P-1

Dallas ISD Has Made Significant Academic Progress by Implementing a Number of Key Initiatives Focused on Early Childhood, Educator Pay and Strategic Staffing, and Early College and P-TECH

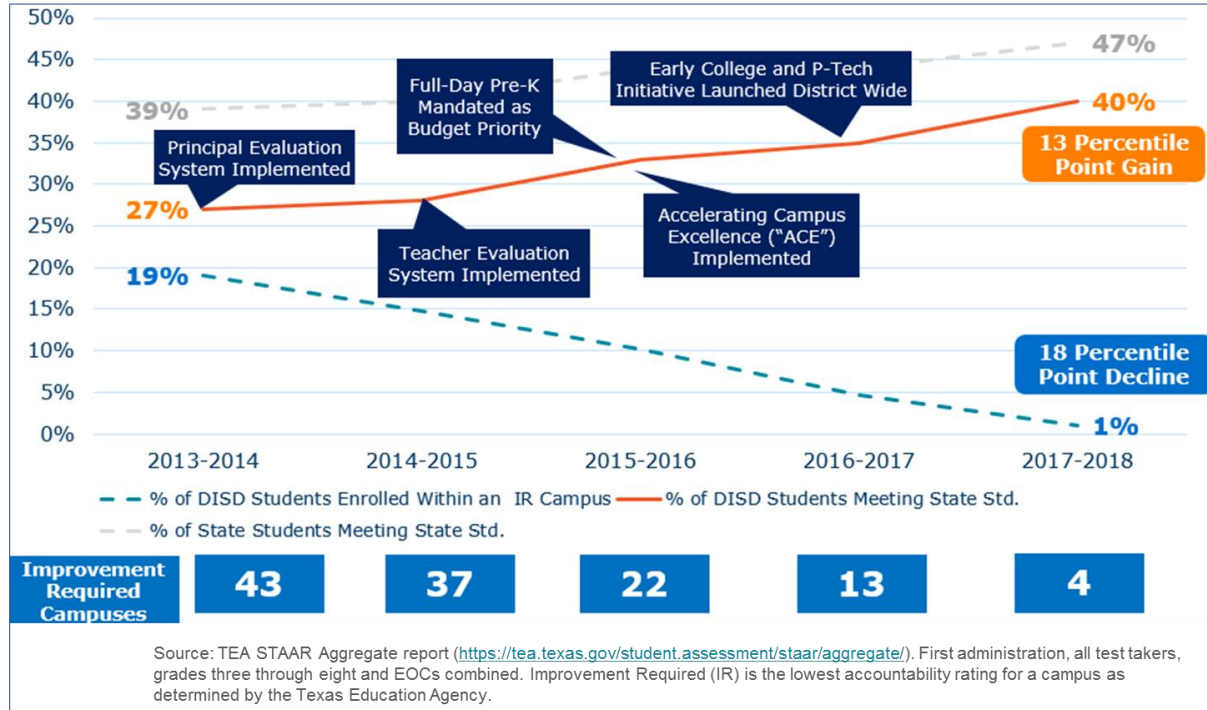


Exhibit P-2

Dallas ISD Retains over 90 Percent of Teachers Rated at Higher Levels of Proficiency, with Salaries Ranging as High as \$75K to \$90K before Adjustments for Participation in ACE or Increases Due to TRE Passage

2018-2019 Effectiveness Levels	N Teachers	% Change from Previous Year	Average CYS	N/% Retained in TEI Eligible Position	Average % Salary Increase	Average Salary	
						2017-2018	2018-2019
Unsatisfactory	82	-6.8%	8.4	48 (58%)		\$53,371	\$53,371
Progressing I	1414	-8.2%	2.7	1098 (78%)	1.6%	\$51,739	\$52,548
Progressing II	2002	-15.5%	7.0	1597 (81%)	2.7%	\$53,515	\$54,945
Proficient I	4206	2.6%	11.6	3549 (84%)	2.7%	\$56,913	\$58,447
Proficient II	1172	5.3%	12.7	1058 (90%)	3.5%	\$59,669	\$61,734
Proficient III	702	26.3%	13.2	654 (93%)	4.3%	\$63,644	\$66,392
Exemplary I	133	30.4%	14.3	124 (94%)	9.1%	\$68,610	\$74,843
Exemplary II	110	48.6%	14.4	102 (93%)	4.9%	\$79,209	\$83,051
Master	3	100%	8.3	3 (100%)	9.8%	\$82,000	\$90,000
Total*	9824		9.7	8292(84%)	2.9%	\$56,671	\$58,309

*This total reflects preliminary Effectiveness Level data through September 26, 2018; teachers with No Level are excluded from this data set. Dallas ISD passed a \$126 million Tax Ratification Election on November 6, 2018 to provide additional funding in part to continue to grow teacher compensation, including adding more effective teachers who qualify for higher salary bands.

Exhibit P-3

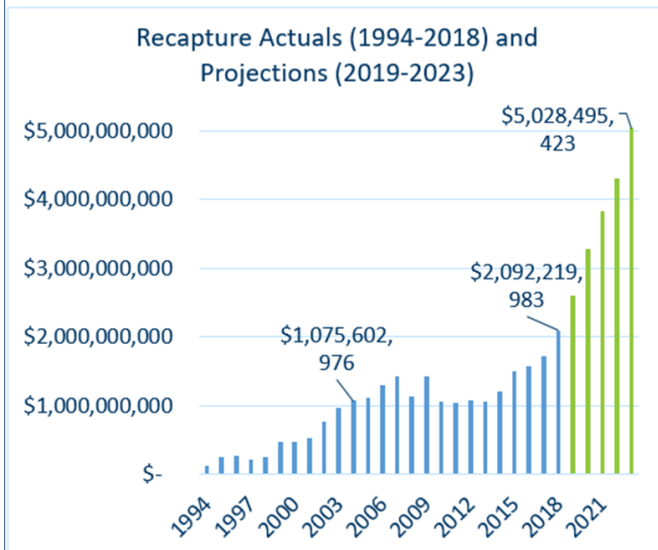
The ACE Initiative Resulted in 12 of 13 of Dallas ISD's Multi-Year IR Campuses (92 Percent)
Going Off State's Improvement Required List After One Year

Campus	Year 1 of ACE	Type (Elm. or Mid.)	% Eco Dis.	% ELL	% Mob.	Rating Prior To ACE	Rating Following Year 1 of ACE	2017-18	
								Points per TEA	Equiv. Grade
Blanton	15-16	ES	92%	63%	21%	IR 5	Met Std.	93	A
J.W. Ray	17-18	ES	94%	3%	36%	IR 4	Met Std.	91	A
Mills	15-16	ES	91%	45%	28%	IR 5	Met Std.	89	B
U. Lee	15-16	ES	92%	31%	35%	IR 2	Met Std.	85	B
Titche	17-18	ES	84%	42%	33%	IR 5	Met Std.	88	B
J.N. Ervin	17-18	ES	97%	12%	38%	IR 2	Met Std.	85	B
Hernandez	17-18	ES	84%	33%	48%	IR 2	Met Std.	87	B
Rusk	17-18	MS	92%	59%	24%	IR 2	Met Std.	84	B
Edison	15-16	MS	91%	34%	28%	IR 5	IR	76	C
Dade	15-16	MS	100%	27%	31%	IR 3	Met Std.	78	C
Zumwalt	15-16	MS	97%	15%	43%	IR 3	Met Std.	74	C
C.F. Carr	17-18	ES	92%	34%	18%	IR 5	Met Std.	76	C
Pease	15-16	ES	92%	3%	44%	IR 3	Met Std.	59	F
Totals or Average for 13 Schools		10 ES and 3 MS	91%	32%	31%	Avg of 3.9 Yrs.	12 of 13 Met Std (92%).	82	B

Exhibit Q-1

If unaddressed, recapture will become an even larger burden for a growing number of Chapter 41 school districts over the next five years

Actual and Projected Recapture Collections, 1994 to 2023



The \$2.7 billion that the state collects in recapture payments from Chapter 41 school districts is projected to nearly double in just five years, **up to over \$5B by 2023** under the current school finance system.

Source: Texas Commission on Public School Finance, November 13, 2018, presentation by Governor's Office of Budget and Policy.

Exhibit Q-2

If current formulas and structure not addressed, recapture will become an even larger burden, exceeding the state's share of funding in a decade.

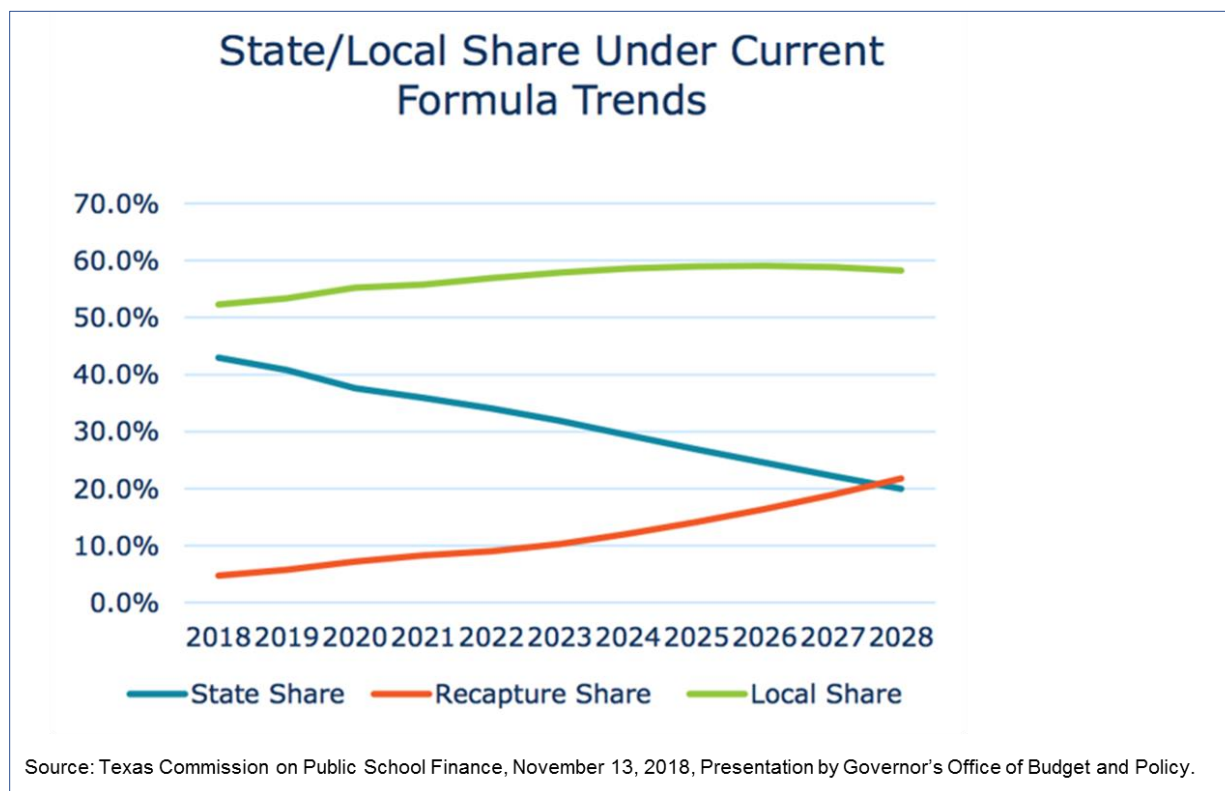


Exhibit R-1

Initial State Investment of about \$780 Million in Third-Grade Reading Allotment and about \$400 Million of Outcomes-Based Funding Could Meaningfully Increase Third-Grade Reading Achievement

Economically Disadvantaged 3 rd Grade Students						
Outcomes Based Funding Per Student	Current Proficient % in Reading	Current Number of Students Proficient	Total Outcomes Funding in Yr. 1 (MM's)	Stretch Proficient % in Reading	Stretch Number of Students Proficient	Stretch Total Outcomes Funding (MM's)
\$3,400	32%	79,754	\$271.2	55%*	139,203	\$473.3
Non Economically Disadvantaged 3 rd Grade Students						
\$1,450	58%	86,900	\$126.0	68%	102,005	\$147.9
Total 3 rd Grade Students						
41%	166,654	\$397.2	60%	241,208	\$620.2	
Resulting Change in 3 rd Grade Reading Outcomes and Funding						
			+19%	+74,554	\$222.0	
*Roughly 300 elementary campuses in Texas are achieving 55-percent proficiency today for their low-income students.						

Exhibit R-2

Proposed Third-Grade Outcome Funding in Year 1 Will Equitably Support Campuses and Can Improve as Outcome Dollars are Wisely Invested

Assuming a District Has 1,000 Third-Grade Students (about 50 Classrooms)					
District Economic Disadvantage %	0%	25%	50%	75%	100%
Number of Eco. Dis. Students	-	250	500	750	1,000
Number of NON Eco. Dis. Students	1,000	750	500	250	-
Proficient Eco. Dis. Students (Using State Average of 32%)	-	79	158	236	315
Proficient NON Eco. Dis. Students (Using State Average of 58%)	579	434	290	145	-
Funding for Eco. Dis. Students @ \$3,400/student	-	\$267,847	\$535,693	\$803,540	\$1,071,386
Funding for NON Eco Dis Students @ \$1,450/student	\$839,989	\$629,991	\$419,994	\$209,997	-
Total Outcome Funding (in \$000's)	\$840k	\$898k	\$956k	\$1.01m	\$1.07m
Under proposed outcomes funding, a district that is 100-percent economically disadvantaged would receive 28 percent more new funding than a district that has zero poverty, consistent with comp ed spectrum recommendations.					

Exhibit R-3

Initial State Investment of about \$400 Million in High School Graduate CCM-R Outcomes-Based Funding Could Help Meaningfully Increase Post-Secondary Success

Economically Disadvantaged High School Graduates						
Outcomes Based Funding Per Student	Current Proficient % In CCMR	Current Number of Students Proficient	Total Outcomes Funding in Yr. 1 (MM's)	Stretch Proficient % in CCMR	Stretch Number of Students Proficient	Stretch Total Outcomes Funding (MM's)
\$5,380	25%	48,687	\$261.9	55%	108,413	\$583.3
Non Economically Disadvantaged High School Graduates						
\$2,015	50%	68,518	\$138.1	68%	94,144	\$187.7
Total High School Graduates						
35%	117,205	\$400.0	60%	201,557	\$771.0	
Resulting Change in High School Graduate CCMR Outcomes/Funding						
			+25%	+84,352	\$371.0	

Because graduates can earn \$1.0 million in incremental lifetime earnings for every post-secondary credential, if only 25 percent of college-ready graduates complete a credential, that equates to **\$21 billion in lifetime earnings with each and every graduating class.**

Exhibit R-4

Proposed CCM-R Outcome Funding in Year 1 Will Equitably Support Campuses and Can Improve as Outcome Dollars are Wisely Invested

Assuming a District Has 1,000 Seniors					
District Economic Disadvantage %	0%	25%	50%	75%	100%
Number of Eco. Dis. Students	-	250	500	750	1,000
Number of NON Eco. Dis. Students	1,000	750	500	250	-
Proficient Eco. Dis. Students (Using State Average of 25%)	-	62	123	185	247
Proficient NON Eco. Dis. Students (Using State Average of 50%)	500	375	250	125	-
Funding for Eco. Dis. Students @ \$5,380/student	-	\$332,214	\$664,428	\$996,642	\$1,328,856
Funding for NON Eco Dis Students @ \$2,015/student	\$1,007,934	\$755,950	\$503,967	\$251,983	-
Total Outcome Funding (in \$000's)	\$1.01m	\$1.09m	\$1.17m	\$1.25m	\$1.33m

Under proposed outcomes funding, a district that is 100-percent economically disadvantaged would receive 28 percent more new funding than a district that has zero poverty, consistent with comp ed spectrum recommendations.

Appendix 3: Letters from Commission members



TEXAS HOUSE *of* REPRESENTATIVES

Diego M. Bernal

State Representative, District 123

December 19th, 2018

Chairman Brister and fellow Commissioners,

I am grateful and inspired by the time, attention, and care that this Commission has dedicated to Texas students over the past year. The resulting document is a product of hours of thoughtful listening, discussion, and deliberation, and includes new approaches and strategies that I believe will absolutely better serve the 5.3 million children that sit in our public school classrooms. The potential and value of some of these recommendations, especially those that consider the complexities of student poverty, are reason enough for me to vote to send this report to the full Legislature for further debate. Among them are:

- The increase of the Compensatory Education weight based on a poverty spectrum which will infuse additional dollars to students with the most need to get them the best help, recognizing that not all poverty looks the same across the state, and should result in higher-need campuses -often those surrounded by generational poverty- receiving concentrated higher-dollar support.
- The additional weight allotted for younger Compensatory Education students and English Language Learners (ELL) demonstrates an understanding, and a truly new commitment, to the importance of early childhood education.
- The creation of a new dual language allotment recognizes what researchers have been saying for years: dual language programs produce the best results. Any additional money to support districts in their dual language endeavors is an improvement.

With that said, there are some outstanding issues and concerns that I believe still require full deliberation by the Legislature to resolve. In particular, the following deserve further discussion:

- The tension between proposed sources of revenue, property tax relief, and investment in education must be addressed.
- How the recommendations would affect individual districts, as well as the recommendations' effects on equity, remains unknown.
- The additional support for dual language programs mentioned above is critical and strategic, however, due to the large number of ELL students in the state who will not have immediate, or perhaps even long-term, access to a dual language program, we must be more robust in our support of other effective ELL programs as well.
- The debate between funding schools based on student need versus funding schools based on student performance warrants further consideration by the Legislature.



TEXAS HOUSE *of* REPRESENTATIVES

Diego M. Bernal

State Representative, District 123

Although there is still work to be done, I believe the Commission is now prepared to hand that work to the Texas House and Senate during the 86th Legislature, and support the Commission's decision to do so.

Respectfully,

A handwritten signature in black ink, appearing to read "Diego M. Bernal".

Diego Bernal

State Representative, District 123



December 20, 2018

SENATOR PAUL BETTENCOURT
DISTRICT 7

Texas Commission on Public School Finance
1701 Congress Avenue
Austin, Texas 78701

Dear Chairman Brister,

One of the best features of serving on the Commission of Public School Finance was to review best practices from around the state that demonstrated public education programs working well for students, parents, and taxpayers. While I can point to one of my local school districts, Cy-Fair ISD, for their best in class administrative expense levels, clearly Dallas ISD, Dallas Community College and area businesses like American Airlines and IBM have formed a high quality partnership in P-Tech and Promise. P-Tech and Promise have shown that low performing campuses can become high performing campuses, when business and education entities work together towards a common goal of better student outcomes.

I believe that all members of the Commission recognize that leadership matters, and these Dallas entities have made a great difference in student graduation rates by the use of these programs that should be adopted around the State of Texas. I can only strongly recommend Houston ISD, Houston Community College, the Greater Houston Partnership and others to do so in the Houston Metro area.

Commenting on a report change that occurred yesterday, I don't believe with using the SAT/ACT/TSIA or ASVAB assessments should be used in place of End of Course (EOC) exams, as these assessments are designed to measure college readiness. They are not designed to measure student progress and performance related to the state-specific TEKS. While we did not have the opportunity to hear the results of a study published in March 2018, by Achieve, an independent, nonpartisan, nonprofit education reform organization, stated the SAT/ACT/TSIA or ASVAB assessments were not developed as measures of how well students are meeting state mathematics and English language arts (ELA) standards, which is the primary purpose of EOC state accountability tests. The Legislature has heard testimony on this issue in recent sessions and has also been discussed in interim hearings with the conclusion that these tests should not replace EOC exams as an option because they are designed to measure college readiness.

Finally, if the Commission had the time or scope, I would love to extoll the virtues of SB 251, recently filed, that would expand Dual Credit opportunities from the Harris County pilot plan to statewide. Nothing spends taxpayers money more wisely and demonstrates College readiness any better than high school graduates getting their diploma and associate degree at the same time!

It was an honor to serve with you and our fellow members of the Commission.

Sincerely,

A handwritten signature in cursive script that reads "Paul Bettencourt".

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COMMITTEES:
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INTERGOVERNMENTAL RELATIONS - VICE-CHAIR
EDUCATION
FINANCE
HIGHER EDUCATION

DISTRICT OFFICE
11451 KATY FREEWAY, SUITE 209
HOUSTON, TEXAS 77079
(713) 464-0282
FAX: (713) 461-0108



December 19, 2018

Dear Commission Members:

It has been a great privilege and honor to serve on the school finance commission with you to advance our state's progress on curing the flaws of our school finance system. We think we can all safely agree the system is "undeniably broken," even though we may disagree on the methods to remedy the system.

Our efforts to address school finance, one of the most important and formidable issues facing our State, should not be assailed given the countless hours we spent hearing testimonies; researching, analyzing and debating data; and, deliberating policy, as well as the sheer attention given to this matter. The complexities of, and debate within our school finance system alone, would have been enough to stymie progress. However, we as a commission didn't buckle to the pressures. Instead, we delivered an impressive foundation to move the school finance system forward toward a more meaningful investment in public education.

While there are elements of our report that give pause, we generally support the recommendations that move us forward and allow us to make progress on providing improved funding to school districts so that all of our students can be successful. Aligning funding to support our changing demographics so students who need the most support are fully served; and, supporting educational programs with a proven track record of success like: full-day pre-k and dual language programs are steps in the right direction. However, as we finalize our report, that will hopefully serve as the impetus for school finance bills going into the legislative session, we would like the commission to consider the following:

- Our first charge as a commission is to make recommendations on the purpose of the public school finance system and the relationship between state and local funding in that system. While we are recommending that new funding is infused into the system, under the current structure with no intervention, as property tax growth occurs, the state's share will continue to decline. We recommend that we **set an aspirational goal for the state to substantially increase its invest in public education and restore the state's share to a level that matches local taxpayer investment over time.** In this way, we can ensure there isn't erosion of the new funding investments being sought by the commission.
- Under HB21, the commission was established to develop and make recommendations for improvements to the current public school finance system or for new methods of financing public schools. At the same time, there is a great need to provide meaningful property tax relief since local property taxes are the primary source of funding public education. Given the commission's purpose, we need to ensure that recommendations

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reflect proposals that result in, at a minimum, **state funding increases for public education that are equal to the investments made for property tax relief.**

- The Revenue Working Group did not fully vet potential alternatives to reduce recapture outside of, the Governor’s proposal and a few others. Given this, the commission should consider **increasing the Equalized Wealth Levels (EWL) that serve as the threshold for determining a locality’s Recapture liability.** As with other elements of the formula, the market conditions that existed when EWL thresholds were set in law have substantially changed, therefore, they don’t reflect current market values.
- Including a caveat to the Expenditure Working Group recommendation to eliminate the CEI which contemplates the need to adjust formulas for regional cost variability, and consider adding a provision to establish a more reasonably known indicator or element to the formula that allows for such adjustments in subsequent years. **Many school districts will experience funding losses due to the elimination of the CEI coupled with the recommendation to shift from prior year to current year property values** to calculate entitlements. Therefore, replacing the CEI with another indicator could offset these losses.
- In the report, denoting **the need for increases in the Basic Allotment consistent with cost increases in the market and/or property values** so that school districts won’t be expected to absorb inflationary costs. While there was debate on whether or not it was appropriate for the commission to tie the hands of the Legislature in the future, compelling our State leaders to do so would ensure that new investments don’t lose value over time.

The commission has had some spirited debate regarding these concerns. And, while they were not universally agreed upon, we urge the commission to reconsider these options for the final report as a way to improve upon the solid foundation we are advancing.

It has been a privilege to serve with—and learn from— our fellow Commissioners. We look forward to continuing to work with you to ensure our state delivers on the promise of public education for all of Texas—and for all Texans. The future economy and social fabric of the Lone Star State is being shaped in our classrooms today. By investing in our greatest assets—our young people—we can ensure Texas continues to thrive and lead in an ever-increasing, competitive and global marketplace.

Sincerely,



Nicole Conley Johnson
Chief Financial Officer
Austin Independent School District



Dr. Doug Killian
Superintendent
Pflugerville Independent School District



Dr. Douglas Killian, Superintendent

December 19, 2018

School Finance Commission
State of Texas

Chairman Brister, Commissioners, & the Texas Legislature;

Thank you for the opportunity to serve and contribute to the 2018 Finance Commission. The many reports we have received, public comments listen to, and thoughtful discussion has been enlightening and hopeful. My fellow commissioners have been thoughtful in their work, and I have been impressed with their efforts. I would also like to thank the Chair for the opportunity to share this letter to be included in the final Commission Report.

We Texans have valued the education of our children from the earliest days of our creation. The 1836 Texas Declaration of Independence listed the Mexican government's failure "to establish any public system of education..." among the grievances and reasons for severing political ties with Mexico. However, Texas, both as a nation and state, has struggled with making suitable provisions for adequate funding and greater equity within a public school system. I implore the commission and the legislature to be as bold as Texans in this latest attempt to fund an efficient public school system; and think of public education not as an expense, but as an investment in the future of Texas. We cannot continue to move from commission to lawsuit to injunction to short-term fixes repeatedly. Neither of our political parties has been able to set a course that lasts for more than a few decades, at most, before whatever system implemented collapses under its own weight and incomplete funding structure.

The current system, a somewhat thoughtful compromise, met many of our needs for some time, before suffering from the state failing to provide updates to the formulas, indexes, and allotments. Instead of merely equalizing districts to the 95th percentile of wealth with proper funding accounting for inflation, we band-aided the solution with recapture, the Cost of Education Index (CEI) was never revisited, and we utilized an over-reliance on taxing property. Some thoughtfulness was used to establish small/mid-size schools adjustments, special education weights and equalization mechanisms including the much-derided recapture element. However, a host of other items and issues disrupted the otherwise useful finance system: time, lack of will to adjust for inflation, rising property valuations to meet the State Comptrollers property study requirements on appraisal districts, emerging educational requirements, tax compression without an adequate funding source, and hold harmless features coupled with overlaid programs implemented outside the equalized system. I worry that our current path for new legislation will once again create a new school finance system that will not employ provisions for inflation, will provide limited equity that will erode over time, and continue with the over-reliance and burden of property taxes to fund this new system.

As legislators start to move forward with modifying or changing the system, please use district "runs" to determine impacts. Some will urge you not to, for fear that impacts equate to political

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backlash. Analyzing “runs” provides the opportunity to see the unanticipated consequences of actions. The system we are tasked with changing is an important one and is very complex. It is too easy for us to damage good practices through well-intentioned adjustments to the system damaging equity.

We have heard testimony regarding the inflationary needs and costs that require additional monetary resources from school districts to achieve our state’s desired outcomes, particularly for students with higher educational needs. I appreciate the Commission’s forward thinking and recommendations pertaining to these areas. New funding approaches based on student poverty density with sliding scales, language, special needs, and mental health are much-needed changes. However, we will fall short in our recommendations if we do not include funding streams that will keep up with inflationary costs or provide funding to meet regular district costs. For example, the Commission is not addressing the fact that the transportation allotment has not been updated since the 1980s. There is a proposal to change how that allotment is calculated, but it does not anticipate any net change in funding for school districts. With inflationary expenses not accounted for since the 1980s, district resources will continue to be pulled away from other areas to meet these transportation costs. I implore the legislature to update allotments including transportation and others and find additional revenue streams that adjust with time. If not, we are doomed to repeat that same process that has plagued previous finance systems.

I fear without court-ordered political cover we will continue to tinker with the system and apply more band-aids rather than be bold Statesmen who will tackle the overall issue of school finance. I still have hope when I hear suggestions such as a graduated weight for dual language programs and the implementation of a density scale with additional funding for compensatory education. These suggestions are grounded in research that direct funding to needs. Similarly, Commission recommendations for a dyslexia weight are long overdue, as is a move to flow funding to early childhood endeavors where testimony has demonstrated successes.

While I appreciate the direction of many of the Commission's proposals, I do have concerns with several of the allotment and incentive programs recommended. The Third Grade Reading Allotment does not appropriately address the funding of full-day Pre-K. The Commission heard testimony that participation in Prekindergarten had an effect not only on third-grade success but on post-secondary readiness as well. Armed with that level of findings, and with no organized statewide Pre-k efforts and standards in place when these results were produced, why would the Commission or legislature not choose to fund Pre-K with the high quality Pre-K guidelines now in place?

Just as bilingual education, special education, dyslexia, and compensatory education programs utilize funding to address the needs of special populations, so does the gifted and talented allotment. I applaud the Commission for recognizing that this allotment is in the wrong place in the formula, but folding it into the basic allotment is also out of place. The GT allotment serves the need of a special population, just like the aforementioned weights, and as such should have weight in the formula and should not have an artificial limit placed on it and is akin to the special education cap improperly placed on districts by the Texas Education Agency in the recent past. Rolling the funding in the basic allotment creates a de facto under-funded mandate.

With respect to the Teacher Compensation Program, without increases in basic allotment to help fund teacher and staff pay to keep up with market pressures, funding an incentive program only is like providing dessert without the funds for the basic meal. With the state’s unemployment rate hovering around 3%, we are effectively fully employed. Finding qualified and certified candidates to enter the profession or take high-demand jobs is difficult without raising wages. These incentive plans provide

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funds only for test-targeted areas. We have high needs like computer science teachers, health professions teachers, bilingual teachers, nurses, police officers and many more that will not be touched by state assessment based compensation plans. I urge the commission and legislature to be mindful of these needs and the important role they play in graduating students who are safe, healthy, college, career and military ready. While crafting an updated finance structure, the need for local discretionary funding is critical, and the vast majority of any additional revenue to public schools should be designated for discretionary use since the needs of districts vary widely. Additional state funding for school districts should be provided in a manner that supports local needs with local control.

Let us not over-rely on a single statewide assessment to define our success as an educational system. Flowing new state funds solely on the basis of state assessment scores is a recipe for failure, and creates schools that simply focus on a test. The opportunities, lessons, and skills that enrichment programs provide is equally important to standardized test preparation. Non-state-tested subjects in schools are also essential and tying funding to tested areas will devalue courses that teach students other necessary skills pertaining to computer science, career and tech classes, health science, communications, and so many more. Keep in mind the role that music, drama, art, and sports play in the development of our children. These areas also have an impact in the development of our students. Texas children should not lose the opportunity to participate in these activities because of a lack of funding due to a zip code.

I want to again express concern about the use of Prior Year vs. Current Year Property Values. From a practical standpoint, the timeline for issuing property value estimates and calculating state funding for school budgeting is such that districts see a change in state funding in the middle of their fiscal year. When state funding is reduced at that point, there is no way for a district to adjust. Additionally, given the value growth experienced in fast growth districts, they will be disproportionately be adversely affected when there would no longer be a one-year lag between value growth and state funding reduction. Additionally, some allotment to address the pressures of Fast Growth would need to be included. The use of current year values would be impractical for many school districts as well. School districts would have to prepare budgets with little knowledge about values, and using current values would not allow time to settle appraisal appeals. Those appeals have a direct impact on the resources available to districts. For Chapter 41 districts, prior year values help districts predict what they will owe in recapture payments. Prior year values are reliable because they have been through the state Property Values Study and appraisal appeals process. Further, Legislators would write two-year budgets without even knowing preliminary values. Without predictability in property values, sizable economic swings could force legislators to spend billions of dollars to fill holes with supplemental budgets. While the move would save \$1.8 billion for the state, it is a risky change for sound budgeting practices in many of our districts.

With respect to comments about the small and mid-size schools adjustment, not all schools receiving these funds are small or midsize by choice. Many face density challenges, sparsity, and other issues that the adjustment seeks to address. Please be mindful that any change in these adjustments will have impacts that may be unforeseen and impractical. If efficiency is the motivation for these proposals, I would suggest that the legislature look no further than the inefficiency of the separate charter funding system. Paying the statewide funding average to charters has forced the state to inefficiently flow money to charter schools in areas where costs could be lower. Paying charters the same rate as the district in which the charter is located would save the state hundreds of millions of dollars. The state share of traditional public school funding has fallen much more dramatically due to

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charter funding that was not included in the initial calculation. Approximately 1/6th of state funding goes to charter schools that educate only about 7% of the state's children. That is an inefficient system. Charter schools funding is forcing \$1,000 to \$2,000 more in state aid per child than the public school districts in which they reside. That funding model is systematically destroying equity and adequacy in our state funding formulas. Just as important, this disparity is forcing the state to spend more and more money inefficiently.

During Commission meetings, we received testimony that demonstrated decreases in state aid to school districts. The proportionate share of state aid versus local funds has dramatically fallen and is compounded by the overspending on charter schools with taxpayer dollars. Additionally, TEA's recent Legislative Appropriations Request for 2020-21 shows a decrease in state aid of \$3.5 billion to school districts due to property value growth. There is also a decrease of \$280 million in facilities funding, also attributed to the increase in property value growth. Property value growth has provided additional funding or savings not to the local school districts or their taxpayers, but to the State. Increases in property values should benefit the taxpayer and the school district, not the State. Inflationary cost coverage or tax rate relief should be the result of rising property values. It should not be used to offset the state's share of funding public education. In doing so, the State is relying more on local taxpayers to fund their public schools, while still not providing local control and autonomy.

I understand the need to provide taxpayers with meaningful property tax relief. However, any reduction in property taxes should be equally distributed across the state to maintain Texas as an attractive business destination. The Legislature should take care to uphold the standard of "similar revenue for similar tax effort" in our school funding system for there to be meaningful equity. Taxpayers believe the money they pay in local school property taxes go to public schools, and specifically their public schools. Instead, much of the increases due to rising property tax appraisals actually just reduce the funding received by the State. Some of that increase could be used to adjust the Basic allotment for inflation, while the remainder could be used to lower taxes at a local level. Adding to the basic allotment is transparent, is equitable and could limit tax rate increases. As the Legislature moves forward, I ask that the much-needed relief in property taxes does not take away from the necessary infusion of additional state aid for public schools and the students they serve. Public Education is not an expense; it is an investment in our future democracy and the economic well-being of this great state.

For my three sons, Jackson, Jacob and Joshua, for their children and all of our state's children, may the funding system we ultimately create be adequate and equitable so that we can provide educational opportunities for all. I leave you with the words of Thomas Jefferson: "Educate and inform the whole mass of people. They are the only sure reliance for the preservation of our liberty... If a nation expects to be ignorant and free, in a state of civilization, it expects what never was and never will be." Let us fund our schools to educate the masses, ensuring freedom and prosperity for our great state of Texas.

In the best interest of children,



Douglas Killian, Ph.D.

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KEN KING

TEXAS HOUSE OF REPRESENTATIVES
District 88

December 19, 2018

Dear Commission Members:

The purpose of the letter is include my comments in the final report of the Texas Commission on Public School Finance.

Let me begin by reiterating my concern over suggested changes to the small and mid-sized school allotment. This allotment currently compounds funding for these schools and I believe the intention of compounding this funding was to reflect the higher cost per student in each allotment. By making this funding a stand-alone allotment, we are failing to consider the extra cost attributed to providing services for smaller groups of students. It costs more per student to provide special education classes, transportation, career and technology courses, etc. to 300 students than it costs for 3,000 students.

Additionally, I want to make sure that it is not implied from this report that schools should be funded on a single industry. While the severance tax has been a good source of funding in the past, the volatility of the oil and gas industry could negatively impact school funding. However, expanding the severance tax to include all energy producers should be considered to diversify this funding source and ensure a consistent revenue flow. Additionally, the Legislature should consider revenue from a multitude of sources beyond the energy sector to secure a sustainable and reliable income to finance public schools.

My final concern is with the recommendation for differentiated pay being higher for those educators willing to serve higher needs campuses. As discussed in our final meeting, I believe this would create a negative impact to small schools that would not be able to satisfy the requirement of differentiating high needs campuses. Many of my schools are in a single campus, some of which serve high needs areas. In addition, rural schools should be seen as high needs because of the trouble they have recruiting teachers to their area. I believe that in shaping legislation, campus and district sizes should be taken into consideration.

I appreciate the hard work that each member put into compiling this report and look forward to working on these issues during the 86th Legislative Session.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken King".

Ken King
State Representative
House District 88

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December 20, 2018

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Ellen Wood
Co-Founder
Teaching Trust

Dear Chairman Brister,

I want to thank you for your willingness to serve as our chairman and I am incredibly appreciative of the time dedicated by my fellow Commission members as well as by staff members at both TEA and various legislative offices. Our final report would not have been possible without their expertise and hard work.

Let me start off by saying that as a product of public education myself, I am awed by its power to transform lives if funded adequately and implemented well. Given my own upbringing, it certainly transformed mine. My teachers inspired me, taught me a love of reading and math and how to write, and told me about doors that I could open when I didn't even know that a door existed. Clearly, our public education system is the bedrock of both the American dream and our nation's democracy.

The reason that I retired from the private sector to dedicate this last phase of my life to public education was that I became convinced that a child growing up in the same neighborhood that I grew up in had much less of a chance today to succeed in life than I did. That conclusion was due to number of factors, including the amount of resources we invest in them and the effectiveness of our investment. I believe that every child is truly our child, and that it is our community's responsibility, led by their parents, to collectively own and support their success.

Public education cannot be what our country needs it to be if we don't sufficiently invest in our children to provide them the resources that they need to have an equal chance to thrive in our society. It also cannot be what we need it to be if we don't address head on the many systemic challenges that hinder its success. **Public education will not succeed in Texas if it does not meaningfully address both challenges.**

Teachers are the most important in-school factor in a child's academic success. It should be hard to become a teacher. Training should be rigorous, with ample clinical experience before one is given the responsibility to teach a child. They should be treated and paid like the professionals that they are, with ample ability to grow their compensation as they develop mastery and coach others while staying in the classroom. They should be empowered and not micro-managed, and they should be given the resources to teach vs. digging into their own pockets to support the children they love and lead. Most importantly, our best teachers should be placed systemically in front of our children who need them the most, and they should be paid more for taking on the additional challenges of hunger, homelessness, trauma and toxic stress too often found in high-poverty communities.

That is not the state of teaching today in Texas, and we as a community own and need to fix that.

Every child should come to school ready to learn. 90% of a child's brain develops by the age of 5, and every child should receive a quality early education that allows them to read early, read well and read often. We should place as many of our effective teachers in critical foundational grades that are not state-assessed as we place in our later grades that are. If a child is not ready, we should intensify our resources rather than socially promote them, which only places subsequent pressure on both the child and their educator tasked with teaching students of varying levels of proficiency in the same grade. Assessments should inform, and if their results are important, all should share in the consequences of that importance vs. just the child.

That is not the state of early education today in Texas, and we as a community own and need to fix that.

In today's ever changing economy, it is critical that every student believe that some form of a post-secondary education beyond high school is not only expected of them but is supported and is affordable. Students should be counseled by well-trained advisors about the breadth of opportunities beyond high school, what they pay, and what credentials are necessary to access those careers. They should spend time on a college campus, experience an office setting, walk a high-tech industry floor. If we want all of our children to reach for the stars, they must first be able to see them.

If a student is not ready for post-secondary education, they should learn that early in high school and receive the necessary resources to remediate that deficiency before graduation vs. discover that fact upon enrolling in higher education and be forced to take developmental education at their expense with no college credit. And if, for whatever reason, personal choices or mistakes cause a child to go off the desired path, we should still support their success and their return to complete their education, provide for their family, and allow our community to realize the return on the already substantial investment made in them.

That is not the state of post-secondary access today in Texas, and we as a community need to own and fix that.

I believe that public schools would opt to be financially rewarded with additional resources for doing the right things to address many of the systemic issues described above vs. being publicly criticized through A-F accountability if they do not. These resources should be distributed in higher amounts to schools with higher challenges such that high-poverty schools receive more resources to meet similar goals, and those resources grow substantially as achievement increases. But regardless of the state's approach, allowing a child to be the only person to bear the consequences of an inadequate education is neither morally right nor economically wise.

I am resolute in the belief that there is no quicker way to eliminate the concentrated poverty and income inequality that exists in our state than striving to ensure that every young adult who leaves our PK-12 system attains a living wage job with benefits. The Commission found that every year, over 200,000 Texas students graduate high school and six years later still do not have a post-secondary education. If they did, they would on average earn \$1.0 million more in their lifetime than they would with just a high school diploma. That is equivalent to \$200 billion of foregone impact on our state's economy – an amount equal to 1/8th of Texas' GDP – with each and every graduating class. Future state revenues alone associated with an increase in economic activity of that magnitude would easily exceed \$5 billion from each graduating class, compounding with each subsequent year.

The payoff of additional and substantial monies invested wisely and strategically in public and higher education is enormous for our state, and the benefit of ensuring that all students, regardless of zip code, have the ability to participate in Texas' prosperity is beyond measure.

Two decades ago, Nelson Mandela said "The true character of society is revealed in how it treats its children." I came away from this year-long Commission highly encouraged by the resolve of its members to sufficiently invest sizable monies in educational strategies that are proven to work, and which will address many of the items cited above that we, as a collective community, own and need to fix.

Our kids, which represent 10% of the nation, and our state's future, are counting on us.

With sincere appreciation,

A handwritten signature in black ink, appearing to read "Todd A. Williams", with a long, sweeping horizontal line extending to the left.

Todd A. Williams
Chairman and CEO
The Commit Partnership

Appendix 4

This appendix is an administrative document of the Texas Education Agency and provides background information about key issues and concepts considered by the Texas Commission on Public School Finance at Commission meetings and working group meetings throughout 2018. Because the appendix provides background information only, its contents were not officially adopted by the Commission.

Presentations made to the Commission, if provided by the presenter, are available on the Commission's web site at tea.texas.gov/schoolfinancecommission/. Additional information about the Texas school finance system is available on the Texas Education Agency website at tea.texas.gov/finance/statefunding/.

Academic accountability

For students

Texas uses a comprehensive and transparent set of standard expectations for all public school students called the Texas Essential Knowledge and Skills (TEKS). The TEKS are developed with input from educators, parents, business and industry representatives, and employers, and approved by the State Board of Education. The standards describe what students should know and be able to do, by grade level, in the foundation curriculum (English language arts, mathematics, science, and social studies) and the enrichment curriculum (career and technical education, fine arts, health education, languages other than English, physical education, and technology applications), and are vertically aligned so that each successive grade level, when applicable, builds upon the previous one.

The Texas Education Agency (TEA) uses State of Texas Assessments of Academic Readiness (STAAR), which are designed to measure the extent to which students have learned and are able to apply the knowledge and skills defined in the TEKS. Every STAAR question is directly aligned to the TEKS currently implemented for the grade/subject or course being assessed. The following are the STAAR performance levels, which provide comprehensive assessments of each student's academic attainment, including the likelihood of passing freshman-level college courses:

Masters grade level. Performance in this category indicates that students are expected to succeed in the next grade or course with little or no academic intervention. Students in this category demonstrate the ability to think critically and apply the assessed knowledge and skills in varied contexts, both familiar and unfamiliar.

For students at the end of high school, this is associated with a 75-percent chance of passing freshman-level college courses.

Meets grade level. Performance in this category indicates that students have a high likelihood of success in the next grade or course but may still need some short-term, targeted academic intervention. Students in this category generally demonstrate the ability to think critically and apply the assessed knowledge and skills in familiar contexts.

For students at the end of high school, this is associated with a 60-percent chance of passing freshman-level college courses.

Approaches grade level. Performance in this category indicates that students are likely to succeed in the next grade or course with targeted academic intervention. Students in this category generally demonstrate the ability to apply the assessed knowledge and skills in familiar contexts.

This is the passing standard applied by the state to students who take the end-of-course tests (EOCs), and for students in the fifth and eighth grade in reading and mathematics STAAR.

Does not meet grade level. Performance in this category indicates that students are unlikely to succeed in the next grade or course without significant, ongoing academic intervention. Students in this category do not demonstrate a sufficient understanding of the assessed knowledge and skills.

For school districts and campuses

In 2015, the Texas Legislature passed House Bill (HB) 2804, which required TEA to make changes to the state public school accountability system and to issue school districts and campuses a rating of A, B, C, D, or F for performance in each of five domains and for overall performance.

In 2017, the Texas Legislature passed HB 22, which changed the number of domains for measuring the academic performance of school districts and campuses from five to three: student achievement, school progress, and closing the gaps. TEA collaborated with multiple advisory boards consisting of educators, school board members, business and community representatives, professional organizations, and legislative representatives from across the state to develop the details of the new A–F system. The three domains are measured as follows:

Student achievement domain. TEA evaluates performance across all subjects for all students, on both general and alternate assessments; college, career, and military readiness (CCM-R) indicators; and graduation rates.

School progress domain. TEA measures school district and campus outcomes in two areas: (1) the number of students that grew at least one year academically (or are on track to do so) as measured by STAAR results, and (2) the achievement of all students relative to school districts or campuses that have similar percentages of economically disadvantaged students.

Closing the gaps domain. TEA uses disaggregated data to demonstrate differentials among racial and ethnic groups, socioeconomic backgrounds, and other factors. The indicators included in this domain, as well as the domain's construction, align the state accountability system with the Every Student Succeeds Act (ESSA).

In August of 2018, TEA issued ratings for school districts for overall performance, as well as for performance in each domain. Beginning in August of 2019, individual campuses will also receive A–F ratings.

Formerly incarcerated students

Students who have been incarcerated may return to school well behind their grade level and school districts may dedicate extra resources and support in order to help them achieve academic success. As Commission members noted, however, the lower academic performance of these students may have a negative effect upon the accountability ratings of the districts that serve them.

Recommendations

In keeping in alignment with the state’s ultimate *60x30TX* goal, the Commission recommends establishing a prekindergarten through twelfth-grade goal of at least 60-percent proficiency at TEA’s “Meets” standard at two key “checkpoints” along the state’s public prekindergarten through twelfth-grade educational continuum:

- Sixty percent of all students meeting the state’s “Meets” standard at third-grade reading.
- Sixty percent of all high school seniors graduating without the need for remediation and achieving (1) an industry-accepted certificate aligned with a living wage job; or (2) enrolling in post-secondary education; or (3) enrolling in the military.

Commission recommendation #1

To reduce juvenile justice and prison recidivism and its associated costs, TEA should (1) amend the accountability system to not penalize districts that help formerly incarcerated individuals receive their high school diploma or GED; and (2) consider expanding Texas Challenge Academy locations across the state (from their current single location serving only ~300 students ranging in age from 16 to 18 year olds who are current dropouts).

Commission recommendation #30

For more information

Presentations to the Commission and Other Resources
Mike Morath, Texas Education Agency, “Texas Public Education Outcomes,” January 23, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539619828
Penny Schwinn, Texas Education Agency, “Texas Student Performance: Outcomes Working Group,” May 2, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539621844

Accelerating Campus Excellence (ACE), Dallas Independent School District

Implemented in 2015, Dallas Independent School District's Accelerating Campus Excellence (ACE) initiative focuses on improving chronically underperforming campuses by changing the campus leadership and culture. The district assigns the campus a new principal and then implements an entirely new staffing plan. Rather than simply moving a few high-performing teachers to the campus, as other programs have done, the ACE program involves hiring a large number of quality teachers. Because of the district's [Teacher Excellence Initiative \(TEI\)](#) evaluation process, high-performing teachers in the district can be easily identified and are recruited to the campus with significant salary increases.

The initiative uses strategies that include increased exposure to mathematics and reading through an extended school day, social and emotional learning and development programs, parent engagement, specialized professional development for teachers, and a culture of high expectations to guide students toward graduation and college readiness.

Since its inception, the initiative has been extended to 17 campuses and has significantly improved student achievement on those campuses, demonstrated by higher scores on State of Texas Assessments of Academic Readiness (STAAR) tests. District superintendent Michael Hinojosa testified before the Commission that the ACE program has also improved the attendance rate at participating schools, and noted that the sharp decline in the number of discipline referrals on ACE campuses can be attributed to effective teachers, who have the ability to keep students engaged.

Recommendations

The Commission recommends providing optional funding via weights in the school finance formula to provide school districts with the substantial and necessary funds to pay meaningfully higher salaries to their most effective teachers should they elect to implement a multiple-measure evaluation system to determine who those effective educators are.

Commission recommendation #5

Amend legislation to allow school reconstitution for public school elementary and middle school campuses receiving an "F" for two consecutive years with a school turnaround program comparable to the Accelerating Campus Excellence program (ACE) in Dallas ISD (where better educators have been purposely placed at the struggling campus) with the state providing matching funds to reduce district costs.

Commission recommendation #29

For more information

Presentations to the Commission and Other Resources	
Michael Hinojosa, Dallas Independent School District, February 22, 2018, " Achieving Improved Student Outcomes "	
tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620269	
Accelerating Campus Excellence web site	
www.dallasisd.org/ACE	

Average daily attendance (ADA)

Average daily attendance, or ADA, is a term used in the state's school finance system and is a factor in the formula used to calculate each school district's funding entitlement under the [Foundation School Program](#). It is defined in statute as the number of actual students in attendance on the average school day, or the sum of attendance for each day of the minimum number of days of instruction divided by the minimum number of days of instruction:

$$\text{ADA} = \text{sum of attendance counts} \div \text{days of instruction}$$

ADA is different from [WADA](#) (number of students in weighted average daily attendance), which is also used in the school finance system. Please see the definition of WADA elsewhere in this appendix.

ADA is used to calculate [Tier I](#) allotments to school districts.

For school districts that operate under an optional flexible year or optional flexible school day program or have significant migrant student populations, ADA is calculated slightly differently.

For more information

Presentations to the Commission and Other Resources	
Mike Morath, Texas Education Agency, " Texas Public Education Outcomes ," January 23, 2018	tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539619828
Texas Education Agency, " Texas Public School Finance Overview ," April 2018	tea.texas.gov/finance/statefunding/manuals/
Texas Education Code §42.005	
Texas Education Code §25.081(a)	
Texas Education Code §29.0821	
Texas Education Code §29.0822	
Title 19 Texas Administrative Code, Part 2 §129.1021	

Basic allotment (BA)

The basic allotment (BA) is the apportionment of funds that is given to each school district each school year to provide a basic level of education for the district's students. The allotments are paid primarily from the state's general revenue funds (primarily sales tax revenue) and local school district property taxes.

The minimum BA amount is set in statute, but the Texas Legislature can set a higher amount in the General Appropriations Act (GAA) for each biennium. For the 2018–2019 school year, the basic allotment is \$5,140 per student.

The BA is a starting point for further calculations that determine the actual amount that each school district receives (the adjusted allotment). These calculations are based upon both school district characteristics and student characteristics.

The BA is first adjusted based upon the school district's [cost of education index \(CEI\)](#), and then increased if the school district qualifies as a [small or mid-size district](#).

After these adjustments, the school district's particular student characteristics are taken into account, and additional funding is calculated according to how many students the district has in various allotment categories. Please see the entry for [weighted student funding](#) elsewhere in this appendix.

For any school year, the legislature can appropriate a greater amount for the BA than the minimum set in statute. The table below shows the BA amount set in the GAA for the past decade.

School Year	Basic Allotment
2008–2009	\$3,218
2009–2010	\$4,765
2010–2011	\$4,765
2011–2012	\$4,765
2012–2013	\$4,765
2013–2014	\$4,950
2014–2015	\$5,040
2015–2016	\$5,140
2016–2017	\$5,140
2017–2018	\$5,140
2018–2019	\$5,140

Recommendations

The Commission recommends that the state statutorily increase the basic allotment with all remaining funds freed by the streamlining of outdated formula elements.

Commission recommendation #21

Link Tier II copper penny yield to a percentage of the basic allotment.

Commission recommendation #22

Link Tier II golden penny yield to a set percentage of the basic allotment.

Commission recommendation #23

For more information

Presentations to the Commission and Other Resources
Texas Education Agency, " Texas Public School Finance Overview ," April 2018 tea.texas.gov/finance/statefunding/manuals/
Texas Education Code §42.101(a)

Bilingual education

Texas public school students identified as English learners (ELs) are provided with language services designed to help them attain full English proficiency. School districts must choose from six program models in either English as a Second Language (ESL) or bilingual education. ESL programs provide grade-level content instruction in English language arts, with minimal support in the student's primary language, and may be appropriate on campuses that lack a concentrated population of students (fewer than 20) who share the same primary language. Bilingual education programs provide students who share the same primary language with instruction in that language and in English.

School districts commonly select a program model based upon the number of ELs enrolled who share the same primary language and other local factors, but the lack of instructional resources also influences their decision. Currently, Texas has a significant shortage of both teachers who are certified in ESL and teachers who are certified in bilingual education. Districts can request exceptions from the Texas Education Agency (TEA) if they do not have adequate instructional resources to meet the requirements to serve ELs.

Dual language

While school districts have the discretion to select a program model based upon their needs and resources, research shows that the academic outcomes for students served by the different models vary widely. Dual language programs, which serve 48.7 percent of students in bilingual programs and about 256,000 students statewide, have been shown to be by far the most effective program in terms of improving overall student achievement.

Students in dual language programs achieve much higher test scores than their counterparts in ESL programs and other bilingual programs, and their scores actually close the gap between ELs and students in regular education programs. Leo Gómez of the Dual Language Training Institute presented data to the Commission that showed that at McAllen Independent School District, students in dual language programs significantly outperformed students in regular education programs in fifth-grade reading. On 2018 fifth-grade reading tests, for example, 44 percent of dual language students received a masters grade level score, compared to only 21 percent of regular education program students. Only 11 percent of students in the traditional bilingual program received a masters grade level score.

Several presenters referred to the research of Wayne Thomas and Virginia Collier of George Mason University, who have studied the effects of dual language programs since the 1990s. Their research from 2002, which has been confirmed in continued studies involving over six million student records, shows the following:

- That ELs in effective dual language programs score higher on standardized tests than ELs in other programs.
- That these differences in performance continue to increase in the elementary and middle school grades, as the tests and curriculum grow more cognitively demanding, and are most pronounced in the high school grades.
- That ELs who are in dual language programs for six to eight years score higher than the average students who are native English speakers.

The following table provides the basic elements of dual language programs:

Dual language, one way	Program elements
<i>Goal: to help students achieve English proficiency and develop bilingualism and biliteracy, high levels of academic achievement in all core content areas, and sociocultural competence.</i>	• Serves ELs that share the same primary language. • Students receive instruction from a bilingual education–certified teacher in grade-level core content in the primary language as well as in English in a language immersion setting (for example, instruction exclusively in Spanish for one part of the day and instruction exclusively in English for another part of the day). • Grade-level core content is based upon Texas Essential Knowledge and Skills (TEKS) standards and is used to develop high levels of vocabulary and language skills in both the primary language and English. • Students may receive more instruction in the primary language at the beginning of the program, but over time, receive half of their instruction in their primary language and the other half in English (for example, instruction exclusively in Spanish in the morning and instruction exclusively in English in the afternoon). • Students must achieve English proficiency in six to seven years, although students receive the maximum benefit when they remain in the program for a longer amount of time.
Dual language, two way	Program elements
<i>Goal: to help ELs achieve English proficiency and to help all students develop bilingualism and biliteracy, high levels of academic achievement in all core content areas, and sociocultural competence.</i>	• Like the one-way dual language program, but also serves students who are proficient in English, which helps both student groups understand and navigate between two cultures.

The state’s school finance system funds dual language programs and other methods of bilingual education, such as ESL, at the same rate through the bilingual education allotment, despite research presented to the Commission that demonstrates the improved educational outcomes that result from dual language programs.

Bilingual education allotment

Per the Texas Education Code (§42.153), for each student in [average daily attendance](#) in a bilingual education or special language program, the district is entitled to an annual allotment equal to ten percent of the adjusted basic allotment. Students identified as English learners (ELs) are eligible to receive language services until they attain full English proficiency.

In fiscal year 2018, the total bilingual education allotment for the state was over \$505 million. The allotment has a minimum direct spending requirement of 52 percent. School districts are allowed to use the allotment for classroom instructional materials that are aligned to the [Texas Essential Knowledge and Skills \(TEKS\)](#), hiring bonuses and stipends for certified bilingual and English as a Second Language (ESL) teachers, classroom technology enhancements, and salaries for bilingual and ESL teacher aides and paraprofessionals. The allotment may not be used for salaries for bilingual and ESL teachers, administrators, or coordinators.

Only California has more ELs than Texas. According to Texas Education Agency (TEA) data for 2016–2017, of the 5.34 million public school students in Texas, 18.9 percent (over one million

students) are ELs. This percentage grew by three percent between 2016 and 2017, a trend that is expected to continue as the population of Texas changes.

The graduation rate for this student group is about 70 percent, lagging well behind the overall state average of 89 percent.

For nearly 90 percent of the current ELs in Texas schools, Spanish is their primary language.

Recommendations

Create a new dual language allotment (estimated at \$50 million in Year 1).

Commission recommendation #6

For more information

Presentations to the Commission and Other Resources
Leo Lopez and Justin Porter, Texas Education Agency, “Weighted Student Funding Trends under the Foundation School Program,” May 3, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539621810
Justin Porter, Texas Education Agency, “Bilingual Education Funding under the Foundation School Program,” June 5, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539622676
Leo Gómez, Dual Language Training Institute, “One-Way Dual Language Enrichment for ELLs,” June 5, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539622650
Virginia P. Collier and Wayne P. Thomas, <i>Dual Language Education for a Transformed World</i> (Albuquerque, NM: Fuente Press, 2012), p 91
Zahava Stadler, EdBuild, “Texas School Funding Reform in Context,” February 8, 2018 tea.texas.gov/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=51539620061&libID=51539620062
Emily Parker, Education Commission of the States, “School Finance in Texas,” February 8, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620058

Blended learning programs

Blended learning is a type of education program that integrates traditional classroom methods with online digital instruction, assessment, and feedback. Students attend regular schools with a teacher providing face-to-face classroom instruction, but also learn content online at their own pace, following an individualized path, and receiving immediate feedback on their progress.

Cisco Independent School District

Using a grant awarded by Raise Your Hand Texas, which covered start-up costs for hardware and software, Cisco Independent School District implemented blended learning in 2016 in its elementary school and junior high school, primarily for mathematics and science instruction. The district has historically demonstrated high achievement on standardized tests, so its goal was to use blended learning to raise the academic achievement level in mathematics and science of students who did well on assessment tests, and to help identify gaps in learning for students who did not do well on assessment tests, or who could achieve higher scores. In this way, the district hoped to raise the academic achievement of all students to the highest possible level.

Students in blended learning classrooms spend some time working through online content at their own pace, and some time working in teams on projects that allow them to apply the content they've learned. Teachers provide guidance to all students throughout the day and are able to provide individualized attention and instruction to students as needed. The online content is aligned with the [Texas Essential Knowledge and Skills \(TEKS\)](#).

The district uses the MAP™ assessment system and other software to measure student growth and proficiency. The data allows teachers and administrators to determine the status of each student in terms of the content he or she needs to acquire and the areas in which he or she may require individual attention and instruction. Students use the system to see their own progress, including their strengths and weaknesses, and can set their own goals. Teachers and students update and use the system daily.

After only one year, the initiative has improved [State of Texas Assessments of Academic Readiness \(STAAR\)](#) test scores, particularly in science; has improved student attendance rates; and has decreased the number of classroom discipline issues. Amy Dodson, Director of Blended Learning at Cisco Independent School District, described to the Commission how blended learning helps high-achieving students use technology to keep learning even after they acquire the required content, and helps students who previously struggled with STAAR tests receive individual attention and instruction from teachers and use personal goal-setting to improve their scores dramatically. She also described how blended learning has helped motivate teachers and reinforce their commitment to the teaching profession.

Pasadena Independent School District

Pasadena Independent School District implemented blended learning on three campuses in 2015 and expanded the program to 34 campuses in 2018. The district had a 90-percent high school graduation rate, but only 54 percent of graduates entered college after high school and only 27 percent completed a college degree within six years. The district implemented blended learning in fourth grade through eleventh grade with the goal of increasing college readiness in their high school graduates.

Using the Connect Personalized Learning model, the district structures its blended learning program around one-on-one mentorship, collaborating on real-world projects, and individualized learning time. This structure helps students acquire content, but also helps them develop habits of success and the cognitive skills they will need after high school. Karen Hickman, Deputy Superintendent of Academic Achievement at Pasadena Independent School District, testified that the blended learning program has resulted not only in dramatically improved STAAR test scores, but in students that demonstrate confidence, presentation skills, and cognitive thinking and learning skills. The program has also helped teachers develop beyond their usual role and allows them to intervene as needed, and motivate and guide their students.

Recommendations

State funding should target professional development training toward schools/districts willing to launch blended learning models.

Commission recommendation #31

For more information

Presentations to the Commission and Other Resources

Amy Dodson, Director of Blended Learning, Cisco Independent School District and Karen Hickman, Deputy Superintendent of Academic Achievement, Pasadena Independent School District, "[Blended Learning in Texas Public Schools](#)," March 7, 2018
tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620911

Career and technology education (CTE) allotment

Per the Texas Education Code (§42.154), for each full-time equivalent student in average daily attendance in an approved career and technology education (CTE) program in ninth through twelfth grades (or in CTE programs for students with disabilities in seventh through twelfth grades), a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.35; and \$50 for every student enrolled in two or more advanced CTE classes for a total of three or more credits.

CTE programs must comply with certain standards. Texas has established 112 recognized programs of study developed and aligned with 16 career clusters. Texas high schools are required to offer a minimum of one CTE program of study from each of three different clusters. Each state-recognized program of study includes:

- Rigorous secondary academic courses based on the Foundation High School Program.
- Postsecondary education programs leading to associate's, bachelor's, and/or graduate degrees.
- A relevant, coherent sequence of CTE course options, including postsecondary connections for dual credit, statewide articulated courses, locally articulated courses, and advanced placement college credit opportunities.
- Opportunities for industry-recognized certifications and licensures where appropriate and available.
- Extended learning experiences, including curricular, extracurricular, work-based learning, service learning, and professional associations.

In fiscal year 2018, the total CTE allotment for the state was over \$2.2 billion. The allotment has a minimum direct spending requirement of 58 percent. School districts are allowed to use the allotment for items such as salaries and extra-duty pay for CTE teachers, paraprofessionals, and administrators; expenses related to improving or modernizing CTE equipment and supplies; the cost of renovating existing CTE facilities; and expenses for motorized vehicles and trailers used exclusively for the benefit of CTE students in the CTE program.

Commission members discussed the importance of CTE courses and their availability, both in rural settings and for earlier grades, to ensure that students have the opportunity, experience, and credentials to pursue meaningful careers after high school.

Recommendations

Expand the career and technology allotment to include courses in sixth through eighth grade.

Commission recommendation #20

For more information

Presentations to the Commission and Other Resources

Leo Lopez and Justin Porter, Texas Education Agency, "[Weighted Student Funding Trends under the Foundation School Program](#)," May 3, 2018
tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539621810

Chapter 41

Chapter 41 of the Texas Education Code makes provisions for certain school districts to share their local property tax revenue with other school districts. Districts must share their revenue if their relative wealth (measured in terms of the taxable value of property that lies within the school district borders) divided by the number of students in [weighted average daily attendance \(WADA\)](#) is above a certain statutory wealth threshold. The funds that are shared by these districts (designated as “Chapter 41 districts”) are “recaptured” by the state’s school finance system to help finance public education for all school districts. This system is often referred to as “Robin Hood.”

The Chapter 41 provisions provide all school districts with substantially equal access to similar revenue per student for a similar rate of property tax. This equal access is achieved through a system that both provides a guaranteed yield on each penny of maintenance and operations (M&O) tax levied by non-Chapter 41 districts and also recaptures revenue on the tax collections of Chapter 41 districts. Please see the entry for [Foundation School Program \(FSP\)](#) elsewhere in this appendix for more details.

For the 2018 fiscal year, the total recapture amount from Chapter 41 districts was \$2.06 billion.

Equalized wealth levels

Chapter 41 establishes three wealth thresholds, called equalized wealth levels or EWLs. Each level represents the maximum property tax base that a school district is allowed to retain at various levels of property tax rates.

The first EWL as defined in the General Appropriations Act is applied to the tax effort associated with a district’s compressed tax rate (CTR). A district’s CTR is its 2005 adopted M&O tax rate multiplied by the state compression rate. For 2017–2018, the state compression rate was 66.67 percent. The first EWL is indexed to the yield provided by the [basic allotment](#).

The second EWL is determined by the funding provided to school districts for their tax effort that exceeds the CTR. If the state’s equalization program for school districts is not funded to provide tax revenue equivalent to that raised by Austin Independent School District on the first six pennies of tax effort that exceed the CTR, then Chapter 41 school district revenue on the equivalent tax effort is recaptured.

The third EWL is set in statute and applies to any tax effort that exceeds the CTR plus six cents.

For example:

2005 M&O tax rate = \$1.50
CTR = $\$1.50 \times 66.67\% = \1.00
2017 M&O tax rate = \$1.17

	Tax Effort	2017–2018 Wealth per WADA
First EWL	\$1.00	\$514,000
Second EWL	\$0.06	Unlimited
Third EWL	\$0.11	\$319,500
Total tax effort	\$1.17	

A school district with property wealth per WADA that exceeds the lowest of the equalized wealth levels (the third EWL) is subject to the provisions of Chapter 41. However, the final determination of whether the district will be required to make recapture payments is based on the district's actual tax effort and the extent to which it exceeds the EWL, and whether the district charges tuition to transfer students.

Procedures for Chapter 41 school districts

School districts that are designated by the Texas Education Agency (TEA) as Chapter 41 districts (which usually occurs in mid-July) must select one of the following five options for reducing their property wealth per WADA by mid-January of the following year.

1. Consolidation with another district.
2. Detachment of property for annexation to another district.
3. Purchase of attendance credits from the state (requires voter approval).
4. Education of nonresident students from a partner district (requires voter approval).
5. Tax base consolidation with another district.

If a district fails to exercise any of these options, the Commissioner of Education is required to achieve wealth equalization through detachment and annexation of the district's property (Option 2).

For the last several years, nearly every Chapter 41 district has selected Option 3, which is to reduce the district's WADA by purchasing attendance credits from the state. This process is referred to as [recapture](#).

Chapter 41 districts pay their recapture amount in seven equal installments to TEA from February through August. Funds received by TEA from recapture are appropriated in the General Appropriations Act as a method of finance to help pay for the FSP.

Chapter 41 districts that fail to meet the requirements and provisions of Chapter 41 are not allowed to adopt a tax rate until they have achieved wealth equalization, and are subject to actions by TEA to equalize wealth (Option 2 from the list above).

Recommendations

Reallocate Chapter 41 hold harmless recapture reduction.

Commission recommendation #10

Reallocate Chapter 41 early agreement credit funds.

Commission recommendation #11

The Commission heard multiple proposals to slow property tax and recapture growth, three of which are forwarded for legislature consideration:

Option A: The Governor's comprehensive property tax and recapture reform. The state should compress districts' Tier I tax rates as local property tax values rise, which will significantly slow the growth of local property tax bills. If property tax levy increases are capped at 2.5 percent per year, with state tax revenues making up any balance to ensure school district entitlements are fully funded, the state can structurally prevent the collapse in the state share and slow the rapid growth in recapture. Further investments

in education, discussed elsewhere in this report, could allow for the state share to increase. According to TEA estimates, of the three options proposed, the Governor's model gives the greatest tax relief over the long term with a 12-cent reduction in M&O taxes forecast by 2023, which would continue to grow over time as property values rise. The Governor's model also costs the most in additional state aid, gives the most relief to recapture, and produces the greatest reduction in future local property tax increases. In addition, some districts will receive net increases in revenue due to reforms to the calculation of recapture. Under this proposal, recapture and traditional school districts are treated equally, and districts only pay Tier I recapture on the amount above their formula entitlement.

Option B: Texas Taxpayers and Research Association's (TTARA) recapture funded tax compression. The state should use future recapture growth as a revenue source to fund statewide compression of tax rates. This proposal is projected to reduce Tier I tax rates by \$0.07 over four years and prevent nearly \$600 million in annual recapture growth by 2023. The TTARA proposal gives taxpayers more relief in the fiscal year 2020–2021 biennium, but the rate of growth for that relief slows in future years due to reliance on recapture as a funding stream.

Option C: Share recapture plan. This plan would share recapture dollars with school districts, taxpayers, and the state. The exact percentage that would flow to each group would need to be further evaluated. Based on the initial data of dividing it equally would result in lower funding to districts in outer years, which is not the objective of this plan. This plan should be examined in additional detail to determine if there is a percentage allocation that accomplishes the goals of the plan; which are improving funding, improving equity and reducing recapture for school districts, reduce M&O tax rate for homeowners and businesses and for the state to plug resources in where it's needed within the state budget.

Commission recommendation #24

For more information

Presentations to the Commission and Other Resources	
Texas Education Agency, "Texas Public School Finance Overview," April 2018 tea.texas.gov/finance/statefunding/manuals/	
Texas Education Agency, Manual for Districts Subject to Wealth Equalization, 2017–2018 School Year tea.texas.gov/finance/statefunding/manuals/	

College, career, or military readiness (CCM-R)

The Texas Education Code states that “The mission of the public education system of this state is to ensure that all Texas children have access to a quality education that enables them to achieve their potential and fully participate now and in the future in the social, economic, and educational opportunities of our state and nation.” To measure its success in fulfilling this mission, the Texas Education Agency (TEA) relies on a variety of “proxies” for subjective concepts such as “achieving potential.” These proxies include the high school graduation rate and the college, career, or military readiness (CCM-R) of high school graduates.

In 2017, the Texas Legislature passed House Bill (HB) 22, which provides specific measures that should be used to determine a high school graduate’s college, career, or military readiness, as shown in the chart below.

CCM-R Readiness Measures	
College ready	Meet criteria on Advanced Placement and International Baccalaureate exams.
	Meet Texas Success Initiative criteria in reading and mathematics (on ACT, SAT, TSIA, or college prep course).
	Complete a college prep course offered by a partnership between a school district and an institution of higher education as required by HB 5.
	Complete a course for dual credit.
	Complete a course in the OnRamps dual-enrollment program.
	Earn an associate’s degree while in high school.
	Meet standards on a composite of indicators indicating college readiness.
Career ready	Earn industry certification.
	Be admitted to post-secondary industry certification program.
Military ready	Enlist in the United States Armed Forces.

Mike Morath, the Commissioner of Education, stated to the Commission that these are valid measures of CCM-R because there is a relationship between the performance of students on these measures and what the students ultimately achieve in the longer term, including employment and college completion. Specifically, the college readiness benchmarks on the SAT test (1,110 or higher on the reading and mathematics sections) and the ACT test (24 or higher composite score) have been shown to correlate with roughly a 75-percent chance of passing freshman-level college courses.

TEA measures long-term achievement by using college completion rates for both two-year and four-year degrees, and well as employment and earning figures. For all of the proxies mentioned above, the agency can gather and analyze quantitative data that, used together, provides an accurate picture of overall student achievement.

Joe May of the Dallas County Community College District and Eric Ban of Dallas County Promise testified that Texas high schools lack accountability in terms of ensuring that their graduates are prepared for post-secondary opportunities. They recommended that high schools begin using the ACT, SAT, or TSIA (Texas Success Initiative assessment) tests to evaluate the post-secondary readiness of their students. SAT and ACT tests can be used each year to assess the post-secondary readiness of eighth- through eleventh-grade students, creating clear

longitudinal data. In addition, parents can easily understand these scores, allowing them to make informed decisions about their children's continued education. Several other states have successfully made the transition from end-of-course exams to standardized tests.

Pedro Martinez, superintendent of San Antonio Independent School District, also recommended to the Commission that school districts be allowed to focus more on preparing students for the TSIA or SAT tests and less on preparing students for end-of-course exams.

Recommendations

Proposed college, career, and military readiness ("CCM-R") outcomes funding (estimated at \$400 million).

Commission recommendation #4

Provide sufficient funding (~\$20 million per TEA) for the state to pay for one in-school SAT, ACT, or TSIA optional assessment for every student in Texas during high school.

Commission recommendation #26

Consider amending high school graduation requirements to require the completion of either (1) the FAFSA (for US citizens) or the Texas Application for State Financial Aid (TASFA) form (for Noriega-eligible students); or (2) a district parental or guardian opt-out form indicating that the parent does not wish to complete a FAFSA or TASFA.

Commission recommendation #27

For more information

Presentations to the Commission and Other Resources	
Mike Morath, Texas Education Agency, " Texas Public Education Outcomes ," January 23, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539619828	
Texas Education Code §4.001(a)	
Joe May, Dallas County Community College District and Eric Ban, Dallas County Promise, " The Dallas Promise Network ," March 7, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620978	
Pedro Martinez, San Antonio Independent School District, " Innovative Approaches to Public School Options and Poverty ," March 7, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620909	

Compensatory education allotment

The state's 20-percent compensatory education funding weight supports programs and services that are designed to supplement the regular education program for students identified as at risk of dropping out of school. The goal of these programs and services is to reduce any disparity in performance on assessments or in rates of high school completion between students at risk of dropping out of school and all other district students.

Per the Texas Education Code (§42.152[c]), for each student who is educationally disadvantaged or who is a student who does not have a disability and resides in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted [basic allotment](#) multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program because the student is pregnant.

In fiscal year 2018, the total compensatory education allotment for the state was over \$4 billion. The allotment has a minimum direct spending requirement of 52 percent. School districts are allowed to use the allotment for items that *supplement* regular program costs *and* are designed for student at risk of dropping out of school. These items include supplementary equipment and other supplies required for quality instruction, staff that can help reduce class size or provide individualized instruction for at risk students, and stipends and extra-duty pay. School districts may not use the allotment for items that replace or *supplant* items purchased with regular program allotments.

Defining poverty

Texas statute (Texas Education Code §29.081[d]) provides 13 different definitions of a student who is at risk of dropping out of school and should receive compensatory education services. To identify those students for purposes of the funding weight, Texas uses a student's economic status as a proxy for "at risk" and calculates each district's allotment based upon the average number of students in the district that enrolls in the National School Lunch Program (NSLP) for free or reduced-price lunches, the School Breakfast Program (SBP), and the Community Eligibility Provision (CEP) meal service option for the prior federal fiscal year.

Researchers and states have traditionally counted economically disadvantaged students by using the number of students that receive a free or reduced-price lunch through the NSLP, but that factor has become increasingly less reliable as the federal program expands eligibility to more and more students.

Experts testified to the Commission that the way Texas identifies economically disadvantaged students should be reevaluated. Zahava Stadler of EdBuild recommended that Texas use the federal NSLP data, but also develop its own method to ensure that the appropriate students are actually being counted.

Pedro Martinez, superintendent of San Antonio Independent School District, testified that using the free or reduced-price lunch data to measure poverty is an outdated method, and that his district has developed a more reliable and nuanced method to identify the socioeconomic status of its students. The district uses four types of census data (median household income, whether the household owns the home, single-parent households, and adult education level in the household) to categorize each student address into one of four blocks. This method allows the district to identify the student demographics for each individual campus, gives the district the

ability to “reserve” seats in high-demand campuses for students who need them the most, and allows the district to implement other improvement strategies as well.

Superintendent Martinez recommended that the state use this type of method to identify the socioeconomic status of all Texas students and allow for a more accurate analysis of a student’s socioeconomic status and the additional academic support that he or she may need.

Recommendations

Increase compensatory education funding by \$1.1 billion and allocate on a spectrum.

Commission recommendation #15

For more information

Presentations to the Commission and Other Resources
Texas Education Code §42.152(c)
Texas Education Code §29.081(d)
Texas Education Code §42.152(b)
Zahava Stadler, EdBuild, “Texas School Funding Reform in Context,” February 8, 2018 tea.texas.gov/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=51539620061&libID=51539620062
Pedro Martinez, San Antonio Independent School District, “Innovative Approaches to Public School Options and Poverty,” March 7, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620909

Copper and golden pennies

Within the school finance system, a school district's compressed maintenance and operations tax rate (generally \$1.00) is the basis for calculations that determine the most significant portion of funding (called [Tier I](#) funding) that a school district is entitled to each school year. Please see the entry for [Foundation School Program](#) elsewhere in this appendix.

School districts can choose to adopt a tax rate that is above \$1.00, up to a maximum allowable tax rate of \$1.17 per each \$100 of property value.

The state provides additional funds to school districts that choose a tax rate above \$1.00 through [Tier II](#), a supplement to Tier I funding. Through Tier II, school districts receive a guaranteed amount of funding for each penny of tax levied between \$1.00 and \$1.17 for each student in their [weighted average daily attendance \(WADA\)](#). The guaranteed amount is called the guaranteed yield.

The first six pennies levied above the Tier I level are called golden pennies. For its golden pennies, a district is guaranteed the same yield per penny per WADA as Austin Independent School District (\$106.28 in fiscal year 2019). If a district's yield exceeds the Austin Independent School District yield, no recapture is paid for the golden pennies. The additional pennies levied above the first six are called *copper pennies*. For each copper penny, a district is guaranteed a fixed yield of \$31.95 per WADA. Any yield above \$31.95 is recaptured.

Recommendations

Link Tier II copper penny yield to a percentage of the basic allotment.

Commission recommendation #22

Link Tier II golden penny yield to a set percentage of the basic allotment.

Commission recommendation #23

For more information

Presentations to the Commission and Other Resources	
Texas Education Code §42.302	
Texas Education Code §42.302	

Cost of Education Index (CEI)

The state's Cost of Education Index (CEI) is a unique value assigned to each district to adjust for the cost of educating students in the district's particular region of the state. Annual state funding allotments are therefore not based solely upon the number of students in each district, but also account for the varied costs of education throughout the state. Each district's CEI is applied to the annual calculations of both the district's [basic allotment](#) and its [weighted average daily attendance \(WADA\)](#).

Adopted in 1991, the CEI has not been updated since that time and is currently based upon the size of the district, the teacher salaries of neighboring districts, and the percentage of low-income students in the district in the 1989–1990 school year.

The average value of the CEI across all school districts is 1.12, and ranges from a low of 1.02 to a high of 1.20. School districts receive an average funding increase based upon the CEI calculation of \$620 for each student in [average daily attendance](#) in their district. The total formula amount produced for all school districts by the CEI is estimated to be \$2.7 billion for fiscal year 2018.

Zahava Stadler of EdBuild recommended to the Commission that the state eliminate the CEI because the underlying data used is so outdated that the CEI no longer accurately reflects the actual cost of education throughout the state.

Recommendations

Reallocate funds associated with the Cost of Education Index (CEI).

Commission recommendation #9

For more information

Presentations to the Commission and Other Resources
Texas Education Code §42.102
Zahava Stadler, EdBuild, " Texas School Funding Reform in Context ," February 8, 2018 tea.texas.gov/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=51539620061&libID=51539620062
Zahava Stadler, EdBuild, " EdBuild Presentation to the Expenditures Working Group ," June 6, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539622756

Direct spending requirements for special allotments

In their authorizing statutes, several special allotments have direct spending requirements. These requirements establish minimum percentages of the allotment received that a school district must spend on items directly related to the programmatic goals of the allotment. The requirements also prohibit school districts from spending the allotment funds on certain items. The following table shows the minimum spending percentage of each special allotment

Special Allotment	Percentage
Bilingual education allotment	52%
Compensatory education allotment	52%
Career and technology education allotment	58%
Gifted and talented student allotment	55%
High school allotment	100%
Special education	52%

For more information

Presentations to the Commission and Other Resources
Texas Education Code §§42.152(c), 42.153, 42.154, 42.156, and 42.160
Title 19 Texas Administrative Code, Part 2 §§61, 89, 109, 127, 128, and 130

Dyslexia

The Texas Education Code provides the following definitions:

“Dyslexia” means a disorder of constitutional origin manifested by a difficulty in learning to read, write, or spell, despite conventional instruction, adequate intelligence, and sociocultural opportunity.

“Related disorders” include disorders similar to or related to dyslexia, such as developmental auditory imperception, dysphasia, specific developmental dyslexia, developmental dysgraphia, and developmental spelling disability.

The Texas Education Code also mandates that students be screened or tested for dyslexia, and that students determined to have dyslexia or related disorders be provided with treatment by their school districts in accordance with a program approved by the State Board of Education (SBOE). Besides SBOE rules, a variety of state and federal laws describe the specific requirements that school districts must meet in providing services to students with dyslexia, including assessment and evaluation standards and procedures.

In 2017, the Texas Legislature passed House Bill 1886, which requires that all kindergarten and first-grade students be included in screening for dyslexia and related disorders, and that *all* students be screened or tested as appropriate after the first grade. These new requirements are likely to result in an increase in the number of students identified as having dyslexia or related disorders. According to the Texas Education Agency, in the 2017–2018 school year, 169,043 students were identified as dyslexic out of the total student population of 5.4 million.

School districts use [Foundation School Program \(FSP\)](#) funds, compensatory education allotments, and federal and local funds to cover the cost of providing dyslexia services. Districts may also use a portion of their special education funds for students whose disability warrants special education services. Federal special education funds, however, can only be used as supplemental funds and should not be used to supplant local, state, or other federal program dollars.

Recommendations

Create a new dyslexia allotment (estimated at \$100 million).

Commission recommendation #7

For more information

Presentations to the Commission and Other Resources	
Penny Schwinn, Texas Education Agency, “Texas Student Performance: Outcomes Working Group,” May 2, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539621844	
Texas Education Agency, The Dyslexia Handbook—2018 Update: Procedures Concerning Dyslexia and Related Disorders , November 2018 tea.texas.gov/academics/dyslexia/	
Texas Education Code §38.003	
Texas Education Code §7.028(b)	
Texas Education Code §28.006	
Title 19 Texas Administrative Code, Part 2 §74.28	
Individuals with Disabilities Education Act of 2004	
Rehabilitation Act of 1973, Section 504	

Early agreement credit (Chapter 41)

See [Recapture](#).

Early college high school (ECHS)

In 2003, the legislature authorized the Texas Education Agency (TEA) to establish an early college high school program. Early college high schools (ECHS) target students at risk of dropping out of school and those who wish to accelerate their instruction. The program provides those students with an opportunity to earn a high school diploma and an associate's degree or 60 college credit hours. Early college high schools must do all of the following:

- Provide dual credit courses at no cost to students.
- Offer rigorous instruction and accelerated courses.
- Provide academic and social support services to help students succeed.
- Increase college readiness.
- Reduce barriers to college access.

ECHS were originally established through grant programs. Beginning with the 2010–2011 school year, TEA established a designation process for campuses interested in implementing an ECHS. The TEA designation process ensures that districts and colleges operating ECHS maintain the integrity of the ECHS model.

The ECHS program is part of the state's College and Career Readiness School Models (CCRSM) network of programs that blend high school and college coursework to help historically underserved, at-risk students, and those who wish to accelerate their learning, develop technical skills, earn dual credit, and pursue in-demand career paths. The other programs in the network are [Pathways in Technology Early College High School \(P-TECH\)](#), Industry Cluster Innovative Academies, and Texas Science, Technology, Engineering, and Mathematics Academies.

Pharr-San Juan-Alamo Independent School District

Pharr-San Juan-Alamo Independent School District (PSJA ISD) implemented a district-wide ECHS program in 2008. The district's partners in the program are South Texas College and the University of Texas Rio Grande Valley. Both institutions waive tuition and share costs with the district for instructors, facilities, and equipment.

Daniel King, superintendent of PSJA ISD, testified about the success of the program, which improved the district's high school graduation rate from 62 percent in 2007 to 91 percent in 2016, a rate that exceeds the state average. In addition, thousands of district students have completed college credit hours in high-demand fields while still in high school. In the graduating class of 2017, half of the student body had completed at least 12 college credit hours and 30 percent had completed at least 30 college credit hours.

The district's goal is for 60 percent of its students to earn post-secondary certificates or degrees by 2025, which their graduates will likely achieve at age 18. This goal exceeds the goal of the state's [60x30TX](#) plan to increase the number of 25- to 34-year-olds with post-secondary certificates or degrees by 2030.

Superintendent King estimated that the annual cost for the program is \$2.7 million, with textbooks costing about \$0.5 million and instructors costing \$1 million.

Dallas Promise Network

The Dallas Promise Network was created by the Dallas County Community College District Foundation and a nonprofit organization called Commit. The initiative is made up of programs that provide financial and other assistance to high school students in the Dallas area.

The initiative's overall goal mirrors the state's 60x30TX goal to ensure that 60 percent of 25- to 34-year-olds hold either a certificate or degree by 2030 and focuses on filling the high demand for a skilled, educated workforce that currently exists throughout the state and the country. In Dallas County, while 65 percent of living-wage jobs require an education beyond high school, only 37 percent of adults hold two- or four-year degrees. This gap is reflected in the steady decline in household income in the county over the last fifteen years, which has increased the number of people living in poverty by 42 percent.

The initiative's efforts focus on the untapped resource of low-income students in Dallas County, who graduate from high school, enroll in secondary education, and earn college degrees in very small numbers. For example, only ten percent of eighth-grade low-income students earn two- or four-year degrees within six years following their high school graduation. By directing resources to low-income students at key transition points in their education (between the eighth and ninth grade, between high school and college, and at college completion), the initiative seeks to reach its goal of increasing the number of new college degrees and industry credentials completed to 55,000 by 2030.

The initiative relies upon partnerships with the University of North Texas at Dallas and Southern Methodist University, as well as dozens of industry partners.

The primary component of the initiative is the Dallas County Promise program, which provides every high school senior at 31 participating Dallas-area high schools the opportunity to receive scholarships that cover the entire cost of tuition at any Dallas County Community College for up to three years or until he or she completes an associate's degree. Another program under the Dallas Promise Network seeks to increase the number of high school students who successfully complete the Free Application for Federal Student Aid (FAFSA) and Texas Application for State Financial Aid (TASFA). Completion of these applications is a significant factor that determines whether or not a student goes to college, so the program supports campus staff in getting as many students as possible to participate in the application process.

While the initiative has only been in place for one year, enrollment in the partner institutions has increased significantly, particularly among the low-income students the initiative most wanted to reach. The number of students who complete FAFSA and TASFA forms has increased by 67 percent.

The costs of the initiative are shared by the participating school districts, monetary and in-kind contributions by the higher education and industry partners, and philanthropic donations.

Recommendations

Provide sufficient funding (~\$20 million per TEA) for the state to pay for one in-school SAT, ACT, or TSIA optional assessment for every student in Texas during high school.

Commission recommendation #26

Consider amending high school graduation requirements to require the completion of either (1) the FAFSA (for US citizens) or the Texas Application for State Financial Aid (TASFA) form (for Noriega-eligible students); or (2) a district parental or guardian opt-out form indicating that the parent does not wish to complete a FAFSA or TASFA.

Commission recommendation #27

For more information

Presentations to the Commission and Other Resources
Texas Education Code §29.908(b)
Title 19 Texas Administrative Code, Part 2, §102.1091
Daniel P. King, Pharr-San Juan-Alamo Independent School District, " Scaling Early College High School ," March 7, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620458
Joe May, Dallas County Community College District and Eric Ban, Dallas County Promise, " The Dallas Promise Network ," March 7, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620978
Dallas County Promise website, 2018 dallascountypromise.org/

Early learning programs and prekindergarten

Research in early learning shows that by the age of five, 90 percent of a child's brain has already developed. More than one million new neural connections get created every second in the first few years of a child's life. These connections form the child's brain architecture, which serves as the foundation for all subsequent learning and development.

Prekindergarten (preK) programs capitalize upon this window of brain development in young children and can help children be ready for kindergarten and achieve higher academic outcomes in later grades as well.

PreK programs in Texas are funded by the state's [Foundation School Program \(FSP\)](#). Free, half-day preK programs are open to eligible three- and four-year-old children. Per the Texas Education Code §29.153(b), an eligible child must be one of the following:

- At least three years old.
- Unable to speak and comprehend the English language.
- Educationally disadvantaged.
- Homeless.
- The child of a member of the armed forces of the United States who was injured or killed while serving on active duty.
- Currently or at one time in foster care.
- The child of a person eligible for the Star of Texas Award.

House Bill (HB) 4, passed by the 84th Texas Legislature in 2015, provided additional funding through grant programs to districts and open-enrollment charter schools. The purpose of the funding was for grant recipients to implement specific high-quality standards in their preK programs. The bill also allows school districts to enter into contracts with eligible private child development entities to provide services for high-quality preK programs. The 85th Texas Legislature did not appropriate funds to continue the grant, but for the 2018–2019 biennium, added Rider 78 in the Texas Education Agency's section of the General Appropriations Act. Rider 78 is intended to ensure that districts and open-enrollment charter schools that receive FSP funds for preK programs use at least 15 percent of those funds to implement HB 4's high-quality standards.

Currently, only 67 percent of the state's eligible four-year-olds are enrolled in preK programs, and only nine percent of eligible three-year-olds. Many parents and even school districts are not aware that three-year-old children are eligible for preK programs.

Research shows that children who attend high-quality preK programs are more likely to be kindergarten ready, to earn higher scores on third-grade reading and mathematics assessment tests, and ultimately, to graduate from high school on time and enroll in college.

Jacque Porter of the Texas Education Agency (TEA) testified that preK programs meaningfully increase kindergarten readiness, particularly among eligible children. Among eligible children who attend public preK programs, 58 percent are kindergarten ready, while only 42 percent of eligible children who do not attend preK are kindergarten ready.

In turn, kindergarten readiness is the strongest predictor of a student's subsequent performance on [State of Texas Assessments of Academic Readiness \(STAAR\)](#) assessments in both reading and mathematics. Information presented to the Commission indicated that kindergarten

readiness increased the odds of students meeting or exceeding grade-level standards on STAAR assessments in later grades.

Attending a high-quality preK program also benefits students in the much longer term. Research from TEA shows that the effects of high-quality preK programs continue to benefit students as they get older, reducing their likelihood of dropping out of school by two percent, and increasing their likelihood of graduating from high school on time (by six percent), enrolling in college (by seven percent), and attending a second year of college (by six percent).

The positive effects of attending preK programs are not all purely academic in nature. Children in preK programs also learn basic life skills, such as critical thinking, problem solving, regulating their behavior, engaging in conversations, waiting their turn, and being persistent and resilient. In addition, preK programs can benefit the school district and community at large. PreK students are more likely to have better attendance and are less likely to repeat grades.

The TEA research combines the results of attendance in both half-day and full-day preK programs. However, full-day programs provide students with more time to focus on tasks and address a practical concern for parents whose children can only attend full-day preK programs because of limited half-day child care options. In the 2016–2017 school year, only 452 school districts in Texas provided a full-day preK program, and an additional 303 school districts provided a combination of full- and half-day preK.

TEA estimates that expanding the current preK program from half-day to full-day could cost over \$800 million each year.

Recommendations

The Commission recommends that districts receive an additional 0.1 weight for every student in kindergarten through third grade who is low income or an English language learner (a student who is both would receive a 0.2 weight), producing total available estimated funding of \$780 million annually starting in 2019–2020.

Commission recommendation #2

Proposed third-grade reading outcomes funding (estimated cost of \$400 million).

Commission recommendation #3

For districts providing a full-day preK program, consider crediting the appropriate full-day attendance for purposes of funding within the Foundation School Program.

Commission recommendation #28

Allow three- and four-year old children of Texas public school educators to be eligible for free public full-day preK funding.

Commission recommendation #32

For more information

Presentations to the Commission and Other Resources
Center on the Developing Child, Harvard University, “Five Numbers to Remember About Early Childhood Development.” Brief, 2009
Texas Education Code §29.153(b)
Jacquie Porter, Texas Education Agency, “ Prekindergarten in Texas ,” February 22, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620277
Susan Dawson, E ³ Alliance, “ Child Outcomes ,” May 3, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539621819

Extended school year

See [Summer learning programs.](#)

Foundation School Program (FSP)

The state's Foundation School Program (FSP) establishes the amount of funding that each school district is entitled to receive each year (the entitlement) and is the primary source of state funding for Texas school districts.

Funding amounts are calculated using a series of formulas that are set in statute (Texas Education Code Chapters 41, 42, and 46). The formulas consider both student and school district characteristics, including the number and type of students enrolled, district size and geographic factors, and local taxable property values and tax rates.

Generally, once a school district's entitlement is established using the formulas, a calculation is used to determine how much the district is expected to generate locally through property taxes, which is called the local share. The difference between the entitlement and the local share is then made up with state funds, called the state share.

Because the amount of local share is based upon local property values, which can fluctuate, the amount of state share also fluctuates each biennium. In recent years, Texas property values have been increasing steadily, which means that overall, the percentage of local share has been increasing and the percentage of state share has been decreasing.

The FSP consists of two funding tiers called Tier I and Tier II. The two tiers combined support each school district's ongoing maintenance and operations (M&O) costs. Both state share and local share contribute to each tier amount. Each school district's tier amounts are calculated based upon the following factors:

	Factors Used in Calculation
Tier I	• District characteristics. • Student characteristics. • Number of students in average daily attendance (ADA). • Basic allotment per student in ADA, which is set in the General Appropriations Act (\$5,140 in fiscal years 2018 and 2019). • School district tax rate (generally \$1.00 per \$100 of local school district property value).
Tier II	• Number of students in weighted average daily attendance (WADA). • Number of pennies of tax levied above the district's compressed tax rate (generally \$1.00 per \$100 of local school district property value). • Guaranteed amounts, called the guaranteed yield, for each penny of tax levied above the district's compressed tax rate. • School district tax rate (based on local decision to set a tax rate between \$1.00 and \$1.17 per \$100 of local school district property value).

Tier I

Tier I funding is determined by multiplying the basic allotment amount by the number of students in average daily attendance (ADA) and making adjustments based upon student and district characteristics. The resulting Tier I entitlement amount is then compared to the district's local

share. If the Tier I entitlement is larger than the local share, the district receives a state share amount to make up the difference.

However, if a district's Tier I entitlement is the same amount or less than its local share amount, the district does not receive a state share amount and is also subject to [recapture](#) under Chapter 41 of the Texas Education Code.

Tier II

Tier II is intended to supplement Tier I by providing additional funds to school districts that have decided to adopt a tax rate above their compressed tax rate (generally \$1.00 per each \$100 of property value) used to calculate Tier I funding. Through Tier II, school districts that have adopted higher tax rates receive a guaranteed amount of funding for each penny of tax levied between their compressed tax rate (generally \$1.00) and \$1.17 (the maximum tax rate) for each student in their [weighted average daily attendance \(WADA\)](#). The guaranteed amount is called the guaranteed yield.

For the first six pennies levied above the Tier I level (called golden pennies), a district is guaranteed the same yield per penny per WADA as Austin Independent School District (\$106.28 in fiscal year 2019). For each additional penny levied above the first six (called copper pennies) a district is guaranteed a yield of \$31.95 per WADA.

Districts that are able to raise tax revenue that is more than \$31.95 per copper penny per WADA are subject to [recapture](#) on the funds collected for the copper pennies.

For more information

Presentations to the Commission and Other Resources
Texas Education Code Chapters 41, 42, and 46

Gifted and talented (GT) student allotment

Per the Texas Education Code (§42.156), for each identified student a school district serves in a program for gifted and talented students, a district is entitled to an annual allotment equal to the district's adjusted [basic allotment](#) multiplied by a weight of 0.12 or a greater amount provided by appropriation.

School districts must use the GT student allotment to provide programs for gifted and talented students, including programs sanctioned by International Baccalaureate and Advanced Placement (AP), or in developing programs for gifted and talented students. Not more than five percent of a district's students in [average daily attendance](#) are eligible for the GT student allotment funding.

In fiscal year 2018, the total gifted and talented allotment for the state was over \$160 million. The allotment has a minimum direct spending requirement of 55 percent. School districts are allowed to use the allotment for items such as textbooks and other instructional materials that are designed to meet the needs of students in gifted and talented programs, advanced placement courses designated as part of the GT program, salaries for administrators that only work in GT programs and services, and stipends for teachers that provide services only to students in the GT program outside of their regular teaching duties.

The allotment may not pay a teacher's salary when the teacher serves a mix of GT and regular education students during a class period, as part of his or her regular duties, unless the class is an AP course designated as part of the GT program, nor may it cover costs related to teacher certifications.

The Commission heard testimony that a majority of districts receive GT funding that is capped at five percent of their students.

Recommendations

Reallocate the gifted and talented allotment funds.

Commission recommendation #12

For more information

Presentations to the Commission and Other Resources
Texas Education Code §42.156

High school allotment

Per the Texas Education Code (§42.160), a school district is entitled to an annual allotment of \$275 for each student in [average daily attendance](#) in ninth through twelfth grades in the district.

The high school allotment was created by the Texas Legislature in 2006 to:

- Prepare underachieving students to enter institutions of higher education.
- Encourage students to pursue advanced academic opportunities.
- Provide opportunities for students to take academically rigorous courses.
- Align secondary and postsecondary curriculum and expectations.
- Support other promising high school completion and success initiatives in sixth through twelfth grades approved by the Commissioner of Education.

In fiscal year 2018, the total high school allotment for the state was over \$390 million. The allotment has a minimum direct spending requirement of 100 percent. School districts are allowed to use the allotment for items such as professional development for teachers providing instruction in advanced academic courses, hiring of additional highly qualified teachers to reduce class sizes in core content areas, textbooks and other instructional materials, tuition and fees for students taking dual credit classes and ACT and SAT tests, transportation, equipment, activities that support college readiness and awareness, and expenses related to providing student with information about and access to college financial aid. The allotment may not be used for indirect or administrative costs or athletic programs.

Recommendations

Reallocate high school allotment funds.

Commission recommendation #13

For more information

Presentations to the Commission and Other Resources
Texas Education Code §42.160

Hold harmless (Chapter 41)

See [Recapture](#).

Local share of Foundation School Program

The [Foundation School Program \(FSP\)](#) formulas given in Chapters 41, 42, and 46 of the Texas Education Code mandate the use of a school district's *prior-year* property values to calculate both the district's local share of the FSP and its wealth per student in the current school year. For Chapter 41 districts, the wealth per student is used to calculate the district's recapture amount. Using prior-year property values in these crucial calculations can result in funding amounts that do not accurately reflect the amount of tax revenue that is actually collected by the district when the calculations are made. This discrepancy is often referred to as the "funding lag."

When local property values rise, districts collect more local property tax in the current year, but their "local share" calculation is artificially low because it is calculated using lower property values from the prior year. The result is that the district has an artificially high amount of overall revenue that is never adjusted to reflect the actual entitlement they should receive according to statute. This means that the artificially low "local share" calculation results in a district either receiving more state funding, or reduced payments, in amounts that exceed what the formulas determine an equitable allocation to be.

Conversely, when local property values decline, districts collect less local property tax but receive a local share amount that is artificially high because it is calculated using higher property values. The result is a funding gap in the district's overall revenue. Both of these situations cause a discrepancy between what districts are entitled to receive under statute and what they actually receive.

Recommendations

Move from prior-year district property values to current-year property values and establish a fast growth allotment.

Commission recommendation #14

For more information

Presentations to the Commission and Other Resources
Texas Education Code Chapters 41, 42, and 46

National Assessment of Educational Progress (NAEP)

The National Assessment of Educational Progress (NAEP) is an assessment that measures academic achievement in various subjects across the country. NAEP is a congressionally mandated project administered by the National Center for Education Statistics within the US Department of Education and the Institute of Education Sciences.

Texas fourth-graders performed well in mathematics on the 2017 NAEP assessment, scoring higher than the national average. Eighth-graders performed at about the national average. When assessment results are separated by the demographic subgroups of white, African-American, and Hispanic, however, Texas students in each of these groups outperformed their peers, ranking in the top ten in the nation.

In reading, Texas students scored lower than the national average in both fourth and eighth grades, which is similar to the results on the previous NAEP assessment in 2015. The national average in reading also remained the same between 2015 and 2017.

For more information

Presentations to the Commission and Other Resources
National Assessment of Educational Progress website nces.ed.gov/nationsreportcard/

New Instructional Facility Allotment (NIFA)

The New Instructional Facility Allotment (NIFA) is a reimbursement program for start-up costs, such as outfitting classrooms with furniture and equipment, for new campuses. The reimbursement is available to all school districts and charter schools that construct, repurpose, or lease new campuses. The NIFA provides up to \$1,000 per student in [average daily attendance \(ADA\)](#) in the first year of operation of the new campus and up to \$1,000 for each additional student in ADA at the campus in the second year of operation. These amounts are subject to legislative appropriations.

To be eligible for the NIFA:

- The facility for which funds are requested must be used for teaching the curriculum required by Chapter 28 of the Texas Education Code and must be one of the following:
 - A newly constructed instructional facility.
 - A repurposed instructional facility.
 - A leased facility operating for the first time as an instructional facility with a minimum lease term of not less than ten years.
- The new instructional facility must have its own campus identification number as designated by the Texas Education Agency (TEA).
- The new instructional facility must have its own principal or be eligible to receive an accountability rating through standard analysis as described in the most current TEA accountability manual.
- The new instructional facility must have its own assigned instructional staff and instructional program distinct from those for other facilities.
- The new instructional facility must have its own record of expenditures that is not a subset of another campus budget and its own attendance data that can be reported for those students assigned to the campus.
- The new instructional facility must be physically separate from other existing campus structures. However, a covered walkway may connect the new facility to another building.

The facility for which funds are requested cannot be:

- For a program for students enrolled in another public school (such as summer school or evening school).
- An expansion of existing facilities.
- A portable or temporary structure.

The NIFA reimbursements are subject to legislative appropriations. The 85th Texas Legislature passed House Bill 1081, which increased the NIFA amount from \$250 to \$1,000 per student in ADA, but the statewide appropriation was not increased. Such a large number of eligible districts applied for the NIFA reimbursement that the reimbursement amount was prorated to \$235 per student in ADA.

Recommendations

Increase New Instructional Facility Allotment appropriation to \$100 million per year.

Commission recommendation #19

For more information

Presentations to the Commission and Other Resources
Texas Education Code §42.158

Pathways in Technology Early College High School (P-TECH)

Pathways in Technology Early College High School (P-TECH) is a program created by the Texas Legislature in 2017 to provide students with work-based education. The P-TECH program is part of the state's College and Career Readiness School Models (CCRSM) network of programs that blend high school and college coursework to help historically underserved, at-risk students, and those who wish to accelerate their learning, develop technical skills, earn dual college credit, and pursue in-demand career paths. The other programs in the network are [Early College High Schools \(ECHS\)](#), Industry Cluster Innovative Academies, and Texas Science, Technology, Engineering, and Mathematics Academies.

P-TECH schools must

- Provide students in ninth through twelfth grades the opportunity to complete a course of study that combines high school and post-secondary courses.
- Within six years, enable students to earn a high school diploma, an associate's degree, a two-year post-secondary certificate or industry certification, and complete work-based training.
- Allow students to gain work experience through an internship, apprenticeship, or other work-based education program.
- Enter into partnerships with Texas institutions of higher education (IHEs) and regional businesses and industries to give students access to post-secondary education and workforce training opportunities.

The Texas Education Agency (TEA) has a designation process for the P-TECH program to ensure that school districts with P-TECH high schools maintain the integrity of the P-TECH model. Districts must apply to have a high school designated as a P-TECH campus, and ensure that their program

- Is provided at no cost to students.
- Has open enrollment.
- Includes articulation agreements with IHEs in Texas.
- Provides participating students flexibility in class scheduling and academic mentoring.
- Ensures that agreements with business and industry partners emphasize that P-TECH students who complete the program will have priority in interviewing with the applicable employer.
- Follows all requirements given in Texas Education Code §29.556.

Dallas Independent School District currently has 18 high schools designated as P-TECH schools. Students apply in eighth grade for a free ninth- through twelfth-grade program (lasting four to six years). Students select a pathway and courses that provide the academic, technical, and workplace skills for their career; and also receive student support services, mentoring, job shadowing, internships, pre-apprenticeships, and other workplace educational experiences. In Dallas, there are 60 businesses in a network of more than 400 large and small companies working with schools to provide career training and mentorships in fast-growing industries.

For more information

Presentations to the Commission and Other Resources	
Texas Education Code §§29.551–29.557	
Title 19 Texas Administrative Code, Part 2 §102.1095	
General Appropriations Act, Article III, Rider 67, 85th Texas Legislature, 2017	

Prekindergarten (PreK)

See [Early learning programs and prekindergarten.](#)

Recapture

[Chapter 41](#) of the Texas Education Code (TEC) makes provisions for certain school districts to share their wealth with other school districts.

A school district's wealth is calculated based upon the taxable value of the property that lies within its borders, divided by the number of students in its [weighted average daily attendance \(WADA\)](#). If the result is above one of the two equalized wealth thresholds set in statute of \$319,500 or the higher of the [basic allotment](#) set in statute (\$476,500) or set in the General Appropriations Act (\$514,000), and depending upon its adopted maintenance and operations (M&O) tax rate, the excess revenue generated by the districts is "recaptured" by the state's school finance system to help finance public education for all school districts. This system is often referred to as "Robin Hood."

Districts that meet the requirements to share their local tax revenue are called Chapter 41 districts. Their recapture amounts are estimated in the summer before each school year based on estimated WADA and final prior-year property values. These districts must select a method to reduce their wealth from five available options.

Nearly all Chapter 41 districts select Option 3, which is to reduce their wealth by purchasing attendance credits. This option is referred to as recapture.

The cost of recapture for a Chapter 41 district is based upon the cost of an attendance credit, which is established in TEC §41.09(a) as an amount equal to the greater of (1) the amount of the district's maintenance and operations tax revenue per student in WADA for the school year for which the district must pay recapture; or (2) the amount of the statewide district average of maintenance and operations tax revenue per student in WADA for the school year preceding the school year for which the district must pay recapture.

Chapter 41 districts pay their recapture amounts in seven equal monthly installments beginning February 15 and ending August 15 of the relevant school year. While the amounts paid by districts can be significant, the state's recapture collections make up a fairly small portion of the total public school funding amount each year, with the percentage of that total rising above four percent only once in the last ten years (fiscal year 2010). The usual percentage is between three and four percent.

It is possible for a district to be above the \$319,500 wealth level and not have any funding recaptured because it does not have a tax rate that is more than six pennies above its compressed M&O tax rate (generally \$1.00).

Early agreement credit (Chapter 41)

School districts that are required to make recapture payments to the state can reduce the amount of those payments under a provision in TEC §41.098 called an early agreement credit. This credit is available to Chapter 41 districts that select Option 3, the purchase of attendance credits from the state, to reduce their property wealth.

To qualify for the credit, the district must submit a fully executed Option 3 agreement (a form called "Agreement for the Purchase of Attendance Credits") on or before the due date for early agreement credits (usually September 1).

The credit amount is equal to the lesser of (1) four percent of the total calculated recapture cost calculated; or (2) \$80 per attendance credit purchased.

The total annual amount of the early agreement credit is approximately \$50 million.

Hold harmless (Chapter 41)

Chapter 41 of the TEC contains a hold harmless provision that allows a school district to retain more wealth than it would otherwise keep at the [equalized wealth level \(EWL\)](#). A district is eligible for this provision if the revenue per weighted average daily attendance (WADA) generated by applying a \$1.17 rate to the tax base at the EWL is less than what the district's revenue per WADA was in 1992–1993. This provision allows a district to keep a higher tax base, referred to as the hold harmless tax base, so that its 1992–1993 revenue per WADA is maintained.

For fiscal year 2018, 40 school districts received the benefit of the hold harmless provision. The total annual amount of the hold harmless provision is approximately \$30 million.

Recommendations

Reallocate Chapter 41 hold harmless recapture reduction.

Commission recommendation #10

Reallocate Chapter 41 early agreement credit funds.

Commission recommendation #11

The Commission heard multiple proposals to slow property tax and recapture growth, three of which are forwarded for legislature consideration:

Option A: The Governor's comprehensive property tax and recapture reform. The state should compress districts' Tier I tax rates as local property tax values rise, which will significantly slow the growth of local property tax bills. If property tax levy increases are capped at 2.5 percent per year, with state tax revenues making up any balance to ensure school district entitlements are fully funded, the state can structurally prevent the collapse in the state share and slow the rapid growth in recapture. Further investments in education, discussed elsewhere in this report, could allow for the state share to increase. According to TEA estimates, of the three options proposed, the Governor's model gives the greatest tax relief over the long term with a 12-cent reduction in M&O taxes forecast by 2023, which would continue to grow over time as property values rise. The Governor's model also costs the most in additional state aid, gives the most relief to recapture, and produces the greatest reduction in future local property tax increases. In addition, some districts will receive net increases in revenue due to reforms to the calculation of recapture. Under this proposal, recapture and traditional school districts are treated equally, and districts only pay Tier I recapture on the amount above their formula entitlement.

Option B: Texas Taxpayers and Research Association's (TTARA) recapture funded tax compression. The state should use future recapture growth as a revenue source to fund statewide compression of tax rates. This proposal is projected to reduce Tier I tax rates by \$0.07 over four years and prevent nearly \$600 million in annual recapture growth by 2023. The TTARA proposal gives taxpayers more relief in the

2020–2021 biennium, but the rate of growth for that relief slows in future years due to reliance on recapture as a funding stream.

Option C: Share recapture plan. This plan would share recapture dollars with school districts, taxpayers, and the state. The exact percentage that would flow to each group would need to be further evaluated. Based on the initial data, dividing recapture dollars equally would result in lower funding to districts in outer years, which is not the objective of this plan. This plan should be examined in additional detail to determine if there is a percentage allocation that accomplishes the goals of the plan; which are improving funding, improving equity, reducing recapture for school districts, reducing the M&O tax rate for homeowners and businesses, and for the state to plug resources in where needed within the state budget.

Commission recommendation #24

For more information

Presentations to the Commission and Other Resources	
Texas Education Agency, “Texas Public School Finance Overview,” April 2018 tea.texas.gov/finance/statefunding/manuals/	
Texas Education Code Chapter 41	
Texas Education Code §41.093(a)	
Texas Education Code §41.002(e)	
Texas Education Agency, Manual for Districts Subject to Wealth Equalization, 2017–2018 School Year tea.texas.gov/finance/statefunding/manuals/	

60x30TX

The state's higher education plan, *60x30TX*, was implemented in 2015 by the Texas Higher Education Coordinating Board. The main goal of the plan is for 60 percent of the 25- to 34-year-olds in Texas (about 550,000 people) to hold a career certificate, a two-year degree, or a four-year degree by 2030.

The plan was developed to respond to research that shows that by 2020, 60 percent of Texans will need a certificate or degree for the state to be competitive in the labor market. In 2006, only 20 percent of Texas eighth-grade students graduated from college by 2017, which is far below the number that will be needed to fill the jobs that will be available in the future.

In addition, research has shown that over a lifetime, those with bachelor's degrees can earn nearly double the wages of those that hold only a high school diploma, and higher wages can stimulate the state economy. The goals of *60x30TX* focus on building a highly educated and skilled workforce not just for the benefit of Texas students, but for the benefit of the state as a whole.

The Commission heard testimony about *60x30TX* that clarified how the state's public education system can contribute to the ultimate success of the plan. The Commission's outcomes working group therefore designed its recommendations based upon strategies that can improve the educational outcomes of the entire system and substantially increase the number of Texas public school students that complete post-secondary education.

Recommendations

In keeping in alignment with the state's ultimate *60x30TX* goal, the Commission recommends establishing a prekindergarten through twelfth-grade goal of at least 60-percent proficiency at TEA's "Meets" standard at two key "checkpoints" along the state's public prekindergarten through twelfth-grade educational continuum:

- Sixty percent of all students meeting the state's "Meets" standard at third-grade reading.
- Sixty percent of all high school seniors graduating without the need for remediation and achieving (1) an industry-accepted certificate aligned with a living wage job; or (2) enrolling in post-secondary education; or (3) enrolling in the military.

Commission recommendation #1

For more information

Presentations to the Commission and Other Resources	
Raymund A. Paredes, Texas Higher Education Coordinating Board, “K–12 Efforts Support 60x30TX Success,” January 23, 2018	tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539619827
Eric Ban, Dallas County Promise and Joe May, Dallas County Community College District, “The Dallas Promise Network,” March 7, 2018	tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620978
David Gardner, Texas Higher Education Coordinating Board, “Overview of 60x30TX Goals and Targets,” April 4, 2018	tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539623143
Raymund A. Paredes, Texas Higher Education Coordinating Board, “60x30TX Progress,” July 10, 2018	tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539623516

Small and mid-sized districts

Small school districts in Texas are defined as those with fewer than 1,600 students in average [daily attendance \(ADA\)](#). Mid-size districts are defined as those with fewer than 5,000 students in ADA.

School districts that meet one of these definitions receive increases to their adjusted [basic allotment](#) to compensate for diseconomies of scale (the cost of educating a single student increases as the number of students in a district decreases). Districts cannot receive both the small and the mid-size district adjustment.

The basic allotment is first adjusted based upon the school district's [cost of education index \(CEI\)](#), and then increased if the school district qualifies as a small or mid-size district.

After these adjustments, the school district's particular student characteristics are taken into account, and additional funding is calculated according to how many students the district has in various allotment categories ([weighted student funding](#)).

Zahava Stadler of EdBuild testified that besides Texas, only Alaska and Arizona make these adjustments in this order, and that the Texas method magnifies the effect of the district-level adjustments, minimizes the effect of the student characteristics, and can result in overall per-pupil funding that is not equitable. For example, all districts receive additional funding based upon their population of educationally disadvantaged students ([compensatory education allotment](#)). However, the funding in this example is calculated as a percentage (20 percent) of each district's adjusted basic allotment, which will vary because of the district-level characteristics. In other words, districts will receive more or less funding for each of their educationally disadvantaged students because of their district's characteristics and not their students' actual needs.

Recommendations

Recreate small and mid-size district adjustments as a stand-alone allotment.

Commission recommendation #18

For more information

Presentations to the Commission and Other Resources	
Zahava Stadler, EdBuild, " Texas School Funding Reform in Context ," February 8, 2018	
tea.texas.gov/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=51539620061&libID=51539620062	

Special education

Public school students who have disabilities as defined by federal law are eligible to receive special education services.

Most of the funding for special education services comes from the state. In fiscal year 2018, special education funding made up \$3 billion of the \$37.1 billion in the state's total [Tier I](#) funding amount.

The state's funding portion is based upon the amount of time each student with disabilities is served in his or her instructional arrangement or in the mainstream instructional arrangement. The instructional arrangement or setting is assigned by the student's school district depending upon the type of services he or she requires.

For each district's special education student population, the state also calculates the [average daily attendance \(ADA\)](#), contact hours (eligible days present multiplied by a certain amount according to the instructional arrangement), and student full-time equivalents or FTEs (30 contact hours per week between a student and applicable program personnel). All of these factors and a funding weight determined by each student's instructional arrangement are used to calculate the district's special education allotment. The funding weights are shown below:

Instructional Arrangement	Funding Weight
Homebound	5.0
Hospital class	3.0
Speech therapy	5.0
Resource room	3.0
Self-contained, mild and moderate	3.0
Self-contained, severe	3.0
Off home campus	2.7
Nonpublic day school	1.7
Vocational adjustment class	2.3
Residential care and treatment	4.0
State schools	2.8
Mainstream (ADA, not FTE basis)	1.1 (effectively 2.1 because allotment not reduced by FTE weight)

Special education services are also partially funded by federal formula grants awarded to school districts under Part B of the Individuals with Disabilities Education Act of 2004 (IDEA-B).

For more information

Presentations to the Commission and Other Resources
Leo Lopez, Texas Education Agency, " Special Education Funding Weights ," May 4, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539621845
Texas Education Code §42.151(f)

State of Texas Assessments of Academic Readiness (STAAR)

See [Academic accountability](#).

Summer learning programs

Research shows that during the summer, many students forget some of the knowledge and skills that they have acquired during the school year. Measuring academic performance at the end of the summer shows that students lose an average of one month of the academic gains they made during the previous school year.

Research also shows that summer learning loss has a disproportionately large effect on economically disadvantaged students. All students lose some mathematics skills over the summer, but economically disadvantaged students tend to lose reading skills as well. For economically disadvantaged students, the learning loss has a cumulative effect, contributing to the achievement gap between students of different income levels over time.

Summer learning programs, in which school districts provide high-quality instruction to students during the summer months, have been shown to be effective in helping students to reverse summer learning loss, to make gains in learning, and for economically disadvantaged students, to learn content they did not learn during the previous school year.

Summer learning programs generally add instructional days to a school district's calendar, thereby extending the school year. The most effective summer learning programs are offered for five to six weeks for at least three to four hours each day.

Recommendations

Create an extended-year incentive program (estimated at \$50 million).

Commission recommendation #8

For more information

Presentations to the Commission and Other Resources
Jennifer Sloan McCombs, Catherine H. Augustine, Heather L. Schwartz, et al; <i>Making Summer Count: How Summer Programs Can Boost Children's Learning</i> (RAND Corporation, 2011)
Catherine H. Augustine, Jennifer Sloan McCombs, Heather L. Schwartz, Laura Zakaras; <i>Getting to Work on Summer Learning: Recommended Practices for Success</i> (RAND Corporation, 2018)

Teacher quality

Research shows that teacher quality is the single most important school factor influencing student academic achievement. Further, according to TNTP's research, effective teachers can not only dramatically improve assessment results in their students, but can also help students learn two to three additional months' worth of mathematics and reading compared to an average teacher, and five to six additional months more compared to low-performing teachers. In addition, students with effective teachers are more likely to go to college and earn higher salaries as adults and are less likely to become teenage parents.

Another education expert, Eric Hanushek, presented research to the Commission that quantifies the effect of teacher quality on a student's lifetime earnings, showing that students with effective teachers earn more than students with average teachers, and that students with ineffective teachers earn less than students with average teachers.

While the benefits of having high-quality teachers in the classroom are obvious, there may be many systemic barriers that keep the number of high-quality teachers as low as 20 percent of all teachers nationwide, as estimated by TNTP. Expert testimony revealed the following:

- Effective teachers are often not placed where they are needed most. Within school districts, the best teachers are often placed in the grade levels where they can help improve test scores (third and eighth grades) instead of the grade levels where they can contribute most significantly to learning (earlier grades). Across districts, teacher quality is usually lower in low-performing campuses and campuses with large numbers of economically disadvantaged and minority students.
- Most efforts to retain teachers are not targeted toward keeping the best teachers and tend to retain low-performing teachers at the same rate. Conversely, when districts have to trim their budgets, they often lay off their newest teachers instead of their lowest-performing teachers.
- Most salary schedules in Texas reward longevity and not necessarily teacher effectiveness.
- Teachers who seek higher salaries and increased responsibilities in leadership roles often have no option but to leave the classroom and become administrators.
- Teacher shortages are most significant in the areas of mathematics and science, and teacher shortages are usually felt the most strongly in low-performing campuses and campuses with large numbers of economically disadvantaged and minority students.

Dallas Independent School District

To overcome some of the systemic barriers to recruiting and retaining a workforce of high-quality teachers, some districts have implemented innovative strategies. In 2014, Dallas Independent School District implemented its Teacher Excellence Initiative (TEI), which provides both an evaluation and compensation system for all of the district's 10,000 teachers. All teachers are evaluated each year in two or three basic areas: effectiveness level (determined by classroom observations), student achievement (determined by raw test scores as well as relative improvement in test scores compared to peer groups), and student experience (determined by student surveys). The weight given to each of these components is differentiated by the subject and grade level taught.

The district uses the results of the evaluation process to assign each teacher to one of the following effectiveness levels: unsatisfactory, progressing (I and II), proficient (I, II, and III),

exemplary (I and II), and master. The district provides ongoing support and professional development opportunities to help teachers achieve their highest potential and remain focused on continuous improvement.

Since the district implemented TEI, it has experienced significant increases in both teacher effectiveness and the retention of the district's highly effective teachers. The number of teachers in the unsatisfactory level has dropped from 129 to 88, while the number of proficient II teachers has grown from 735 to 1,113. The district had no teachers at the exemplary II level in 2014–2015 but now has 74.

TEI's compensation system is based upon a teacher's effectiveness level and provides significant salary increases for teachers that perform at the highest levels. These increases allow the best teachers to earn salaries significantly above the state average within only a few years. The following chart shows the average salary increases across the district over the last three years for each effectiveness level:

Average Salary Increase by Effectiveness Level			
Effectiveness Level	Average Salary Increase		
	2015–2016	2016–2017	2017–2018
Unsatisfactory	\$0	\$0	\$0
Progressing I	\$2,627	\$718	\$621
Progressing II	\$2,732	\$1,088	\$1,117
Proficient I	\$2,484	\$1,383	\$1,224
Proficient II	\$3,703	\$3,120	\$2,160
Proficient III	\$4,439	\$4,242	\$4,367
Exemplary I	\$4,792	\$4,739	\$11,993
Exemplary II	\$1,993	\$5,000	\$17,555
Overall average	\$2,739	\$1,553	\$1,652

The initiative has greatly improved teacher retention in the district, resulting in fewer vacancies to fill with new teachers every year. Most significantly, however, the teachers that perform at the highest levels are choosing to remain in district classrooms, which benefits student outcomes and is key to improving student outcomes throughout the state. The following chart shows the distribution of teachers who remain with the district and those who have left:

Teacher Retention by Effectiveness Level						
Effectiveness Level	Still Teaching in District			Left District		
	2015–2016	2016–2017	2017–2018	2015–2016	2016–2017	2017–2018
Unsatisfactory	54 (42%)	48 (59%)	45 (51%)	74 (57%)	33 (40%)	43 (49%)
No level	239 (67%)	165 (77%)	156 (77%)	111 (31%)	49 (23%)	47 (23%)
Progressing I	1,603 (77%)	1,484 (79%)	1,187 (77%)	474 (23%)	398 (21%)	351 (23%)
Progressing II	2,113 (80%)	2,071 (83%)	1,924 (81%)	513 (19%)	413 (17%)	432 (18%)
Proficient I	3,219 (86%)	3,386 (87%)	3,583 (87%)	439 (12%)	433 (12%)	468 (11%)
Proficient II	671 (91%)	985 (92%)	2,022 (91%)	35 (5%)	69 (6%)	80 (7%)
Proficient III	298 (90%)	362 (95%)	522 (94%)	17 (5%)	12 (3%)	22 (4%)
Exemplary I	94 (89%)	79 (98%)	97 (95%)	8 (8%)	1 (1%)	5 (5%)
Exemplary II	n/a	55 (98%)	71 (96%)	n/a	0 (0%)	1 (1%)
Overall average	8,291 (82%)	8,635 (85%)	8,596 (85%)	1,668 (16%)	1,408 (4%)	1,449 (14%)

Lubbock Independent School District

Lubbock Independent School District has implemented two initiatives focused on improving teacher quality. Developed with Battelle for Kids, a national nonprofit organization, the e3 Educator Performance Awards Program rewards district instructional, support, and leadership staff for their contributions to student progress and achievement, and is available on all district campuses. The program uses a tiered structure of monetary awards in four “strands”: campus progress, content area progress, campus achievement, and individual progress. Staff are assigned an effectiveness level (one through five), and the effectiveness level and other factors, such as grade level, content area, student performance, and Texas Education Agency accountability ratings, are used to determine the amount of the monetary award in each strand. For teachers, the district uses the SAS® TXVAAS® teacher evaluation tool to measure the effect a teacher has on student academic progress.

The following chart shows the distribution of awards over the last six years:

	Award Payout across Years						
	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015	2015–2016	2016–2017
Total payout	\$946,593	\$1,108,344	\$1,193,674	\$1,245,173	\$1,223,591	\$1,177,952	\$1,259,464
Number of employees receiving an award	1,418	1,461	1,744	1,967	1,935	2,211	2,207
Highest award received	\$2,700	\$2,900	\$4,050	\$3,150	\$3,289.50	\$3,600.50	\$3,550
Average award	\$668	\$758	\$672	\$633	\$628	\$533	\$570
Number of awards \$1,000+	373	449	415	473	426	439	473
Number of campuses receiving an award	36	39	45	43	40	40	43

The district's r3 Award Program is an enhancement of the e3 program, and provides additional monetary awards to instructional staff on the four campuses designated as “turnaround schools” by the district superintendent. The program uses the same strands and tiers as the e3 program and provides additional matching awards for strands I and II, an additional \$10,000 for strand III, and an additional \$2,000 for strand IV.

Both of these programs have resulted in improved student performance and teacher retention in the district.

Another benefit has been the development of highly effective teachers into instructional coaches that can help other teachers improve.

Other district initiatives

The following are just a few of the school districts throughout the state that have implemented strategies to address teacher compensation through teacher performance.

Austin Independent School District. The district offers incentives and support for teachers who wish to pursue the National Board Certified Teachers (NBCT) credential. The rigorous NBCT certification process covers all teaching areas and can take 12 to 24 months to complete. The district helps teachers that pursue the credential by paying for up-front costs, providing support during the certification process, and offering stipends of \$2,000 per year as long as the teacher maintains the certification, regardless of the teacher's campus placement. NBCT teachers have been shown to have a positive effect on student growth.

Longview Independent School District. The district operates an innovative three-tiered teacher performance pay model to reward the work of teachers and campuses that are closing academic achievement gaps.

Pharr-San Juan-Alamo Independent School District. The district offers a performance pay model based upon a teacher effectiveness rubric that requires both classroom observation and student growth data.

Recommendations

The Commission recommends providing optional funding via weights in the school finance formula to provide school districts with the substantial and necessary funds to pay meaningfully higher salaries to their most effective teachers should they elect to implement a multiple-measure evaluation system to determine who those effective educators are.

Commission recommendation #5

For more information

Presentations to the Commission and Other Resources
TNTP, <i>The Irreplaceables: Understanding the Real Retention Crisis in America's Urban Schools</i> (New York: 2012)
National Council on Teacher Quality, <i>Making a Difference: Six Places Where Teacher Evaluation Systems Are Getting Results</i> (2018)
Leo Lopez, Texas Education Agency, " Teacher Compensation Trends ," February 22, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620280
Eric Hanushek, Hoover Institution, Stanford University, " School Finance and School Outcomes: The Role of Incentives ," February 22, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620279
Michael Hinojosa, Dallas Independent School District, " Achieving Improved Student Outcomes ," February 22, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620269
Berhl Robertson Jr., Lubbock Independent School District, " Lubbock ISD e3 Awards ," February 22, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620276
Gary G. Godsey, Executive Director, Association of Texas Professional Educators, " Testimony from Association of Texas Professional Educators ," February 22, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620270
Cody Newcomb, Superintendent, Center Point, Independent School District and Brian Stroman, Superintendent, Bloomburg Independent School District, " The Rural School View ," February 22, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539620278
Mike Morath, Texas Education Agency, " Teacher Compensation Practices ," May 29, 2018 tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539623118

Texas Essential Knowledge and Skills (TEKS)

See [Academic accountability](#).

Transportation allotment

School districts in Texas are authorized by state law to establish and operate an economical public school transportation system, or to contract with another entity to establish and operate a transportation system. The transportation allotment provides state funds to school districts for certain transportation of eligible students.

School districts can receive transportation allotment funds for transporting two types of eligible students. The first is “special-program students,” who are students with disabilities who require specialized transportation to access their academic programs and certain other related services, and who meet other eligibility requirements given in statute. The second is “regular-program students,” who do not require specialized transportation to access their academic programs.

School districts can receive transportation allotment funds for four categories of transportation services:

- Regular route services.
- Special route services.
- Career and technical education (CTE) route services.
- Private route services.

A school district’s transportation allotment for the previous school year is calculated by multiplying the total eligible mileage for the category by the per-mile rate for the category. The per-mile rate is determined using the district’s “effective linear density” and its cost per mile for the preceding school year.

Effective linear density is calculated by dividing the total average daily ridership attributable to students who live two or more miles from campus by the total eligible mileage attributable to transporting those students to and from school. Average daily ridership is annualized for all school districts by multiplying it by 180 before dividing by annual mileage, regardless of the number of days the district’s routes actually operated. The district’s per-mile rate is the lesser of the district’s cost per mile for the previous school year and a rate assigned according to the district’s linear density, as shown in the following table established by the Texas Legislature:

Linear Density Rate per Mile of Approved Route	
2.400 or above	\$1.43
1.650–2.399	\$1.25
1.150–1.649	\$1.11
0.900–1.149	\$0.97
0.650–0.899	\$0.88
0.400–0.649	\$0.79
Up to 0.399	\$0.68

The total transportation allotment for the 2017–2018 school year was \$379 million.

Because school districts designated as [Chapter 41](#) districts have local shares that exceed their total cost of [Tier I](#) entitlement, and because transportation is excluded from the calculation of [weighted average daily attendance \(WADA\)](#), they do not receive the benefit of the transportation allotment.

Recommendations

Base transportation funding on mileage.

Commission recommendation #16

Provide transportation funding to Chapter 41 districts.

Commission recommendation #17

For more information

Presentations to the Commission and Other Resources	
Texas Education Code §12.106(b) and §42.155	
Texas Education Agency, School Transportation Allotment Handbook. Effective Beginning with 2017–2018 School Year	
tea.texas.gov/finance/statefunding/manuals/	

Weighted average daily attendance (WADA)

The term weighted average daily attendance (WADA) refers to a specialized calculation of the number of students that is used in calculations involving the [Foundation School Program \(FSP\)](#). In general, the number of WADA is calculated by summing a district's [Tier I](#) allotments, making some adjustments, and dividing that sum by the amount of the [basic allotment](#). The calculation of WADA is described in the Texas Education Code §42.302(a) as follows:

“WADA” is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district’s allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section 42.158 or 42.160, and 50 percent of the adjustment under Section 42.102, by the basic allotment for the applicable year.

WADA is used to calculate [Tier II](#) and Chapter 41 [recapture](#) amounts.

For more information

Presentations to the Commission and Other Resources
Texas Education Code §42.302(a)

Weighted student funding

Like that of many other states, the Texas school finance system provides school districts with a regular per-pupil funding amount and also provides additional funds for students that have certain characteristics that may increase the cost of their education, such as bilingual students, gifted and talented students, and educationally disadvantaged students (compensatory education). This student weighting system entitles school districts to an annual allotment calculated by multiplying the district's per-pupil allotment by a funding weight established in statute. The table below shows the current funding weights:

Program	Funding Weight
Regular program (ADA)	1.00
Special education (FTE)	various weights (subtracted from regular program)
Career and technology (FTE)	1.35 (subtracted from regular program)
Advanced CTE	\$50 (per each eligible CTE course)
Gifted and talented	0.12 (capped at 5% of district average daily attendance [ADA])
Compensatory education (FTE)	0.20
Pregnancy related services (FTE)	2.41 (part of compensatory education)
Bilingual education (ADA)	0.10
Public education grant (ADA)	0.10
New Instructional Facility Allotment	up to \$1,000 (per student in ADA in the new facility)
High school allotment	\$275 (per high school student in ADA)

For more information

Presentations to the Commission and Other Resources
Texas Education Agency, "Texas Public School Finance Overview," April 2018 tea.texas.gov/finance/statefunding/manuals/