



To the Administrator Addressed

Commissioner Mike Morath

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DATE:	July 12, 2019
SUBJECT:	House Bill 3 (HB3) Implementation: State Compensatory Education (SCE) Allotment and the SCE Advisory Committee
CATEGORY:	Funding Allotments
NEXT STEPS:	Share with business and finance staff

House Bill 3 (HB3), as passed by the 86th Texas Legislature, was signed into law by Governor Greg Abbott. Today, you are receiving the fourth implementation notice sent to districts. Over the next several months, the Texas Education Agency (TEA) will be releasing more To the Administrator Addressed (TAA) correspondence with additional information as it becomes available. All TAA correspondence will be posted to the TEA website at tea.texas.gov/HB3. If you have any general inquiries on HB3, please send emails to HB3info@tea.texas.gov.

This letter is to inform you of the requirements regarding the State Compensatory Education (SCE) program and the creation of an advisory committee under HB3. Below is a summary of the requirements.

State Compensatory Education (SCE) Implementations for the 2019–2020 School Year

SCE Program Allotment

Beginning with the 2019–2020 school year, school districts and open-enrollment charter schools will receive an annual allotment equal to the basic allotment multiplied by one of five weights for students determined to be educationally disadvantaged. These weights are based on the tier assigned in that year to the census block group in which a student who is educationally disadvantaged resides.

School districts and open-enrollment charter schools will continue to receive an annual allotment for each 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. School districts and open-enrollment charter schools will also continue to receive an annual allotment for each full-time equivalent student who is in a remedial and support program under the TEC, §29.08, because the student is pregnant.

The purpose of the allotment is to provide funding to districts and charter schools for supplemental programs and services designed to eliminate any disparity in performance on assessment instruments or disparity in the rates of high school completion between educationally disadvantaged students and all other students as well as at-risk students and all other students.

The weights of the required allotments are prescribed under the TEC, §48.104 (a–e).

Initial Estimated Funding For SCE

Prior to HB3, economically disadvantaged data from the Texas Department of Agriculture (TDA)

was used to determine funding estimates based on the average number of students eligible for enrollment in the national school lunch program of free or reduced-price lunches for the best six months during the preceding federal fiscal year.

Under HB3, the agency will now calculate the compensatory education weight based on (a) the student's designation as educationally disadvantaged and (b) the census block group where the individual student's home or residence address is located. Individual identification practices under Community Eligibility Provision (CEP) will remain unchanged and school districts and charter schools must comply with 19 Texas Administrative Code §61.1027 for an alternative reporting method. Because the funding will be based on information collected by the school district or charter school, the identified and reported information must be accurate so that the district or charter school receives the correct amount of funding.

For initial SCE funding, TEA will use the address of each campus to determine the weight to apply for each student who is educationally disadvantaged at that campus. Initial funding for the 2019–2020 school year will be based on 2018 fall enrollment estimates. However, actual funding will be based on each student census block group submitted in the PEIMS Fall submission. Starting in the spring of 2020, the monthly Foundation School Program payments will be based on the actual student census block group submitted in the 2019 PEIMS Fall data.

Provided in the attachments are links to: (1) preliminary SCE allotment funding based on campus addresses; (2) an interactive map of all the census blocks in the state coded with tiering information along with the location of every campus in the state; and (3) an Excel file with a query of every census block in the state based on this methodology determination.

This information should be considered preliminary data and does not reflect the final formulas, as rules have yet to be adopted.

Also attached to this letter is a report created in 2018 by TEA that explains how we initially formulated the tiers for the purposes of modeling during the legislative process, and which will serve as a guide for the agency in the drafting of initial proposed rules.

A tool is being developed that will allow school districts and charter schools to easily obtain a census block group based on the student's address. The census block group will be submitted through the PEIMS submission in Fall 2019.

Census Block Groups Methodology Determination

An index will be established for economically disadvantaged census block groups in the state. Census block groups are categorized into five tiers according to the relative severity of economic disadvantage. To determine the severity of economic disadvantage in a census block group, consideration will be given to: (1) the median household income; (2) the average educational attainment of the population; (3) the percentage of single parent households; (4) the rate of homeownership; and (5) other economic criteria the commissioner determines likely to disadvantage a student's preparedness and ability to learn.

The weights assigned to the five tiers of the index are, from least to most severe economic disadvantage, 0.225, 0.2375, 0.25, 0.2625, and 0.275. If insufficient data is available for any school year to evaluate the level of economic disadvantage in a census block group, a school district or charter school is entitled to an annual allotment equal to the basic allotment multiplied by 0.225 for each student who is educationally disadvantaged and resides in that census block

group.

A student receiving a full-time virtual education through the state virtual school network may be included in determining the number of students who are educationally disadvantaged and reside in an economically disadvantaged census block group.

Use of SCE Allotment Funds

In addition to allowing SCE funds to be used for programs that meet the needs of educationally disadvantaged students, as permitted before and after the passage of HB3, the following new uses for SCE funds are permitted:

- childcare services;
- assistance with childcare expenses for students at risk of dropping out of school, as described by the TEC, §29.081(d)(5); and
- to pay the costs associated with services provided through a life skills program in accordance with the TEC, §29.085(b)(1) and (3–7).

The statute requires that at least 55 percent of the SCE funds allocated must be used to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under the TEC, Subchapter B, Chapter 39, or disparity in the rates of high school completion between: (1) students who are educationally disadvantaged and students who are not educationally disadvantaged; and (2) students at risk of dropping out of school, as defined by the TEC, §29.081, and all other students.

Additionally, the SCE allotment may continue to be used to support a program eligible under Title I of the Elementary and Secondary Education Act of 1965 and its subsequent amendments.

SCE Allotment Advisory Committee

An advisory committee will be formed this fall through selective outreach to advise the agency in adopting rules for the SCE allotment. The advisory committee will consist of members appointed by the commissioner, including: (1) school district superintendents and chief financial officers; (2) classroom teachers; (3) representatives of school districts located in an area other than an urban area, as designated by the U.S. Census Bureau; (4) at least one representative of an open-enrollment charter school; (5) demographers; (6) experts on census data; (7) public school finance experts; and (8) appropriate employees of the agency.

Additional information about this committee and other committees required by HB 3 will be addressed in a future correspondence that will be coming soon.

Rule Adoption

In October 2019, additional rules regarding the use of funds will be proposed for adoption under the Texas Administrative Code (TAC) to permit a school district or charter school to use funds for programs and services that reflect the needs of students at each campus in the district or charter school and provide for streamlined reporting on the use of those funds. Rules will also be adopted for the method of determining the number of students who qualify for an SCE allotment at a campus that participates in a CEP administered by the U.S. Department of

Agriculture. Rules that define the address to use in determining census blocks and other economic criteria likely to disadvantage a student's preparedness and ability to learn will also be proposed for adoption.

Questions

If you have any questions related to this TAA on the SCE allotment required under HB3, please contact the Division of Financial Compliance by phone at (512) 463-9095 or email at HB3info@tea.texas.gov.

Sincerely,

David Marx, CPA
Director, Financial Compliance

Attachments: [SCE Allotment Data](#)
[Tier Group Maps](#)
[Campus Census Block Group](#)
[Census Tiers by County](#)
[A Statewide Socioeconomic Tier Model For Texas School-Age Residents](#)
[Methodology and Results](#)