

DATE:	August 29, 2019
SUBJECT:	House Bill 3 (HB 3) Implementation: Charter School Funding
CATEGORY:	Funding Implications
NEXT STEPS:	Share with charter school business and finance staff

House Bill (HB) 3 was passed by the 86th Texas Legislature, 2019, and signed into law by Governor Abbott on June 11, 2019.

This letter serves to inform you regarding HB3 state funding implications for open-enrollment charter schools.

Tier One Changes

1. Prior to HB 3, some charter school Tier One allotments were calculated using the state average of all school districts' adjusted allotments of \$6,545. This average recognized the state average impact of the cost of education index (CEI) and the small and mid-sized district adjustments. With the enactment of HB 3, these allotments are now calculated using the state average of all school districts' basic allotment of approximately \$6,153. This average no longer includes adjustments for CEI, which was repealed, or for small and mid-sized districts. This number will likely increase closer to \$6,160 in February 2020 after the Texas Education Agency (TEA or agency) receives district adopted M&O tax rates.
2. All charter schools regardless of size will receive a separate, stand-alone, small and mid-size allotment of approximately \$1,060 per student in average daily attendance (ADA). The allotment is based on a calculation from the small and mid-sized allotment for districts.
3. Under HB 3, a new dyslexia allotment and a new early education allotment were created and added to the list of allotments funded using the basic allotment.
4. HB 3 increased the funding weights and/or expanded program eligibility for the allotments below:
 - a. The special education mainstream weight increased from 1.10 to 1.15.
 - b. Career and technology (CTE) allotment grade levels are expanded from beginning in 9th grade to beginning in 7th grade, and now include technology applications and advanced CTE funding for P-TECH programs.
 - c. The bilingual education allotment has been expanded to include incentivized funding for dual language immersion (one-way or two-way program models) by providing for a funding weight of 0.15 for LEP students and 0.05 for native English speaking students.
 - d. The compensatory education allotment weights are increased and range from .225 to .275. Funding will be determined by the severity of disadvantage based on a five-tier spectrum of poverty determined by census blocks.
5. HB 3 added several new allotments, a bonus, and a reimbursement mechanism to Tier One which are funded on varying amounts. These include: the teacher incentive allotment;

the college, career and military readiness (CCMR) outcomes bonus; the mentor program allotment; the dropout recovery & residential placement facility allotment; and college/career entrance exam reimbursements.

Tier Two

Charters are still funded using the state average school district tax rates (DTR). For 2019-2020, the guaranteed yield for Golden Pennies is \$98.56, and the state average DTR is approximately \$0.0594. The guaranteed yield for Copper Pennies is \$49.28, and the state average DTR is approximately \$0.0264.

Salary Increases

For the 2019–2020 school year, open-enrollment charter schools will be required to increase salaries for certain staff, as prescribed under Section 48.051(c), Education Code, which states “a school district must use at least 30 percent of the amount, if the amount is greater than zero, that equals the product of the average daily attendance of the district multiplied by the amount of the difference between the district’s funding under this chapter per student in average daily attendance for the current school year and the preceding school year to provide compensation increases to full-time employees other than administrators.”

The statute also requires prioritizing differentiated compensation for classroom teachers with more than five years of experience, as prescribed under Section 48.051(c)(1), Education Code, which states “75 percent must be used to increase the compensation paid to classroom teachers, full-time librarians, full-time school counselors certified under Subchapter B, Chapter 21, and full-time school nurses, prioritizing differentiated compensation for classroom teachers with more than five years of experience.” House Bill 3 establishes an expectation that compensation increases given to experienced teachers would be higher than other compensation changes planned for the new school year.

In making the compensation increases, the statute requires a comparison of funding available to the school district or open-enrollment charter school between the 2018–2019 and 2019–2020 school years. The methodologies are detailed below.

Compensation Increase Methodology

To assist open-enrollment charter schools with requirement above, the following step-by step methodology is provided:

1. **2018–2019:** In determining the funding per student in average daily attendance (ADA) for the 2018–2019 school year, a charter school should include total state aid provided under Chapter 42. To calculate the funding per ADA, obtain the most recent 2018-2019 Summary of Finances and divide the amount on line 54, “Total FSP/ASF State Aid”, by the number on line 1 “Total Refined Average Daily Attendance (ADA)”.
2. **Calculate 2019-2020 revenue per ADA.** Obtain the “TEA Charter State Aid Excel Tool” posted to HB 3 webpage. Complete and enter the *annual average* student enrollment data in the “Estimate Data Entry” worksheet tab. Then, go to the “HB 3 State Aid” worksheet tab

and divide the “Total FSP Program State Aid” on Row 125, column D by “Refined Average Daily Attendance (ADA)” on Row 8, Column D.

3. **Determine the gain per ADA.** If the result from #2 is greater than the result from #1, then the difference between #2 and #1 is the gain per average daily attendance.
4. **Determine total gain from HB 3.** Multiply the gain per ADA from #3 by the refined ADA found on the 2019-2020 HB 3 State Aid worksheet, Row 8 Column D.
5. **Calculation of 30 percent.** Multiply #4, **total gain from HB 3** by 30%.

In making determinations of funding for the 2019–2020 school year, charter schools should make good faith efforts to estimate funding under HB3 using any readily available data. The legal responsibility for determining accurate revenue estimate rests with each individual charter school, and charter schools should consult with their attorneys when making their own estimates of the revenue provided under HB 3.

Teacher Retirement System (TRS) Contributions

HB 3 requires that open-enrollment charter schools pay the state’s contribution on the portion of a member’s salary that exceeds the statutory minimum salary for members entitled to the minimum salary schedule, for members that would have been entitled to the minimum salary for certain school personnel under former Section 16.056, TEC, as that section existed on January 1, 1995, and for members who would be entitled to the minimum salary for certain school personnel under Section 21.402, TEC, if the member was employed by a school district subject to that section instead of being employed by an open-enrollment charter school.

Questions

If you have any questions related to this TAA, please email HB3info@tea.texas.gov. We will be compiling answers to frequently asked questions (FAQs) on the <https://tea.texas.gov/hb3> webpage.

Sincerely,

Leo Lopez, RTSBA
Associate Commissioner for School Finance & Chief School Finance Officer