



To the Administrator Addressed

Commissioner Mike Morath

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DATE:	August 1, 2019
SUBJECT:	House Bill 3 (HB 3) Implementation: Current year values
CATEGORY:	Funding Implications; Tax rate compression
NEXT STEPS:	Share with business and finance staff

House Bill 3, as passed by the 86th Legislature, was signed into law June 11th 2019 by Governor Abbott. Over the next several months, the agency will be releasing more To the Administrator Addressed (TAA) correspondence with additional information, as it becomes available. All TAA correspondence will be posted to our website at tea.texas.gov/HB3. If you have any general inquiries on HB 3 please email HB3info@tea.texas.gov.

This letter is to inform you about the change to use current year property values to calculate the local share of the Foundation School program (FSP) under HB 3. Statutory citations below refer to the Texas Education Code as amended by the bill.

Statutory change

Section 48.256, Education Code, as amended by HB 3, 86th legislature provides for using the current, rather than preceding taxable value of property in calculating a district's local share of the FSP. This change applies to all FSP local share calculations including those for the Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) under Chapter 46, Education Code.

Benefit to school districts

The Texas Commission on Public School Finance recommended the state change to current year values. The move to current year values eliminates any potential mismatch between the values a district was using as a base for local tax collections and the values used by the state to compute a districts local share of the FSP.

The change means that a district's state and local funding will be based on the needs of the district's students. A system based on current year values ensures similar students will receive the same funding, regardless of where they live. In addition, by moving to current year values the Legislature was able to significantly raise the basic allotment for all students and provide more funding to the vast majority of districts.

Estimates

For the 2020 school year the agency will use the 2018 final certified values from the comptroller's Property Tax Assistance Division (PTAD) inflated by 5.76 percent as required by Rider 3, Article III of the General Appropriations Act

Fast-growth Allotment

The Commission on Public School Finance also advocated for creating a fast growth allotment as part of their recommendation to use current year property values. This allotment recognizes the additional challenges and costs to districts experiencing rapid enrollment growth. The fast growth allotment is established in Section 48.111, Education Code. School districts in the top quartile of growth in student enrollment over the preceding three years will be eligible for the allotment. The allotment will be calculated based on applying a funding weight of 0.04 to the basic allotment and multiplying by eligible districts' refined daily attendance. The Agency will be adopting rules regarding the allotment by the fall.

Estimates

For the 2020 school year the agency will begin the year using the 2018 final certified values from the comptroller's Property Tax Assistance Division (PTAD) inflated by 5.76 percent as required by Rider 3, Article III of the General Appropriations Act to calculate the legislative payment estimate (LPE) used to flow money during the school year. Once we receive preliminary Tax year 2019 values in February we will update the LPE estimate and districts will see their payment schedule change to reflect the current year values. The agency will receive final tax year 2019 values from the comptroller in August of 2020 and we will incorporate them as part of the settle-up process in November.

Questions

If you have any questions related to this TAA on using current year values to calculate the local share of the FSP under House Bill 3, please contact the division of state funding by phone at (512) 463-9238 or by email at HB3info@tea.texas.gov.

Sincerely,

Al McKenzie
Director of Forecasting and fiscal analysis