
House Public Education Committee

Testimony on HB 3



Anne McCausland, Trustee

Increased Funding and New Allotments

House Bill 3 includes \$9 billion over enrollment growth significantly increasing the state's share of the cost of public education. Through an increase to the Basic Allotment, new allotments, and reallocation of existing allotments, HB 3 simplifies the school finance system and increases its sustainability for the long term.

Basic Allotment Increase

HB 3's increase of the basic allotment to \$6,030 represents an \$890 increase over the past four years at \$5,140 and an increase of \$1,265 over the current statutory basic allotment level. Importantly, this increase is made statutorily, rather than by appropriation eliminating the need for the legislature to reauthorize this level of basic allotment every biennium, as has been the case for the past two sessions. This increase represents a significant commitment to increasing the state share of the cost of public education. However, preliminary runs do suggest that some school districts will still receive less funding in 2019-2020 than under current law. While the formula changes in HB 3 are transformational and absolutely vital to the sustainability of the school finance system, the basic allotment should be increased to a level to ensure that all school districts receive at least as much funding as they would under current law. In the context of education a generation of Texans, there should be no losers, only winners.

New Allotments

HB 3's new allotments are a major investment in the education of Texas students in need of the most help. The dyslexia allotment, early literacy allotment, and the changes to the compensatory education allotment, ensure that school districts are provided the resources to effectively educate all students, regardless of circumstances or background. With regard to the dyslexia allotment, HB 3's inclusion of students who have completed a dyslexia instructional program but are currently receiving accommodations is vital to providing the necessary resources for school districts to serve dyslexic students as effectively as possible.

Tier 2 Guaranteed Yield Levels

By tying the Tier 2 guaranteed yields to a percentage of the basic allotment, HB 3 eliminates the arbitrary measure of Austin ISD's wealth level, allows the entire school finance system to move as a whole, and provides more certainty for school district funding.

Property Tax Relief and Recapture Reform

House Bill 3 provides meaningful property tax relief while also restraining property tax growth and significantly reforming the recapture system. These changes will have a major, positive impact on taxpayers and school districts across the state, while increasing the state share of public education funding and ensuring that school districts are fully funded prior to paying recapture.

Tier 1 Compression

HB 3's 4 cent tax rate compression at the Tier 1 level provides immediate property tax relief to every property taxpayer across the state. Coupled with the underlying formula changes, this compression reduces reliance on local property tax revenues by shifting funding responsibility to the state from the local taxpayers. This Tier 1 compression also provides a mechanism for future property tax relief that allows for the state to continue increasing its share of public education funding and continue to reverse the trend of increasing reliance on local property tax revenue.

Tier 2 Compression

HB 3's Tier 2, copper penny tax rate compression provides additional property tax reform to slow the increase in local property taxes by insuring Tier 2, copper penny local revenues do not increase year over year. This compression, coupled with the increase in the guaranteed yield level ensures that districts continue to receive necessary funding while helping to reduce the growth of the burden on local property taxpayers

Recapture Reform

The tax compressions significantly reduce recapture payments while maintaining the equity of the system with additional state funds for property-poor districts. In addition, HB 3's change of the recapture calculation ensures that all districts receive their full Tier 1 entitlement before making any recapture payments.

Teacher Pay

HB 3 signals a commitment to improving teacher pay by increasing the minimum salary schedule, decompressing the pay scale, and adding an allotment based on teacher performance. However, a

large amount of funding is set aside for a merit-based pay program that requires some form of student assessment to be included in the teacher evaluation system.

Increase in the Minimum Salary Schedule

HB 3's approximately \$5,000 increase to the minimum salary schedule begins to address the teacher pay equity problem across the state. This approach targets funding at those school districts most in need of additional resources to address teacher salaries. In addition, increasing the minimum salary schedule increases the state's portion of TRS contributions for all districts freeing up additional resources for school districts.

Decompression of the Pay Scale

In many districts throughout the state, starting teacher salaries are competitive with other industries for a recent college graduate. However, current pay scales are tightly compressed meaning that salary growth over time is minimal. The revised minimum salary schedule helps to decompress the pay scales providing for increased salary growth with teacher experience.

Educator Effectiveness Allotment

The educator effectiveness allotment creates an optional merit-based pay system. However, this system requires that school districts include student performance on an assessment instrument in the evaluation of teachers. As a result, teachers in all grades and in all subjects would have to administer assessments in order to qualify for a designation that would result in additional pay. It is unclear how a school district could implement a student assessment in fine arts subjects or if such teachers are meant to be excluded from the opportunity to receive additional pay. In addition, the designations are based on a forced distribution meaning that two-thirds of teachers, no matter how proficient, will never be eligible for a designation. Finally, because designations are based on a comparison of teachers across the state, it is unclear how differences in district evaluation systems will affect the designations. Although the flexibility provided to districts for the educator effectiveness allotment is important, a forced distribution that compares teachers across different evaluation systems does not seem to be an accurate indicator of educator effectiveness.

Conclusion

HB 3 makes transformational changes to the school finance system and represents a major investment and commitment to public education by the state. The underlying formula funding adjustments are extremely important for the effectiveness and sustainability of the funding system, and the significant increase to the basic allotment helps to ensure that public education is adequately funded. HB 3, though not perfect, accomplishes many of the most important goals for school finance and property tax reform.