

Section 1

**Texas Education Agency
Summary of Recommendations - House**

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Michael Williams, Commissioner of Education

Aaron Henricksen, LBB Analyst (Program and Admin)

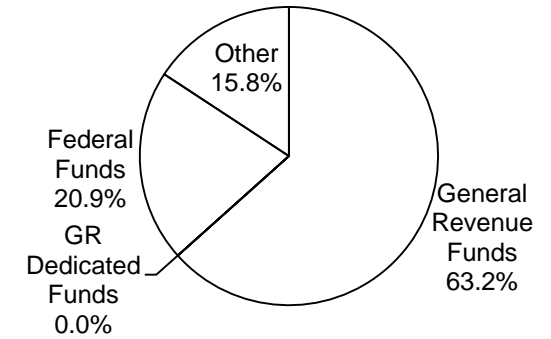
Jennifer Schiess, LBB Analyst (FSP)

FSP ONLY (LESS SET-ASIDES)				
Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$30,279,028,883	\$30,309,200,000	\$30,171,117	0.1%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	\$30,279,028,883	\$30,309,200,000	\$30,171,117	0.1%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$7,551,700,000	\$7,807,300,000	\$255,600,000	3.4%
All Funds	\$37,830,728,883	\$38,116,500,000	\$285,771,117	0.8%

NON-FSP PROGRAM AND ADMINISTRATIVE BUDGET				
Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$1,297,575,608	\$1,439,268,366	\$141,692,758	10.9%
GR Dedicated Funds	\$650,472	\$650,472	\$0	0.0%
<i>Total GR-Related Funds</i>	\$1,298,226,080	\$1,439,918,838	\$141,692,758	10.9%
Federal Funds	\$9,861,326,451	\$10,451,412,827	\$590,086,376	6.0%
Other	\$68,228,648	\$84,685,646	\$16,456,998	24.1%
All Funds	\$11,227,781,179	\$11,976,017,311	\$748,236,132	6.7%

TEA TOTAL				
Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$31,576,604,491	\$31,748,468,366	\$171,863,875	0.5%
GR Dedicated Funds	\$650,472	\$650,472	\$0	0.0%
<i>Total GR-Related Funds</i>	\$31,577,254,963	\$31,749,118,838	\$171,863,875	0.5%
Federal Funds	\$9,861,326,451	\$10,451,412,827	\$590,086,376	6.0%
Other	\$7,619,928,648	\$7,891,985,646	\$272,056,998	3.6%
All Funds	\$49,058,510,062	\$50,092,517,311	\$1,034,007,249	2.1%

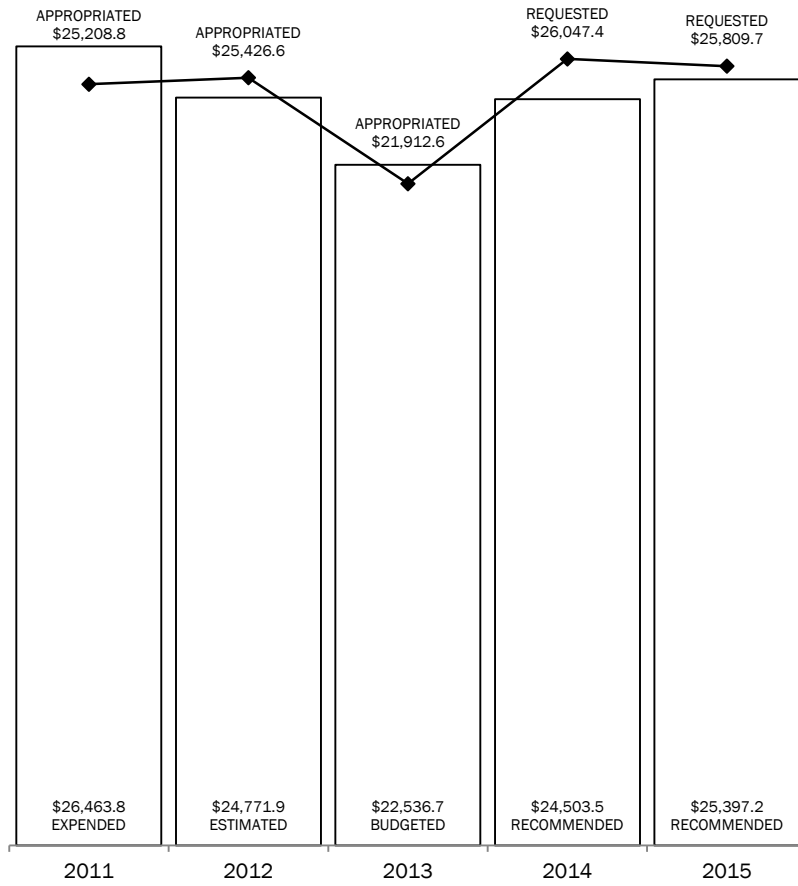
RECOMMENDED FUNDING
BY METHOD OF FINANCING



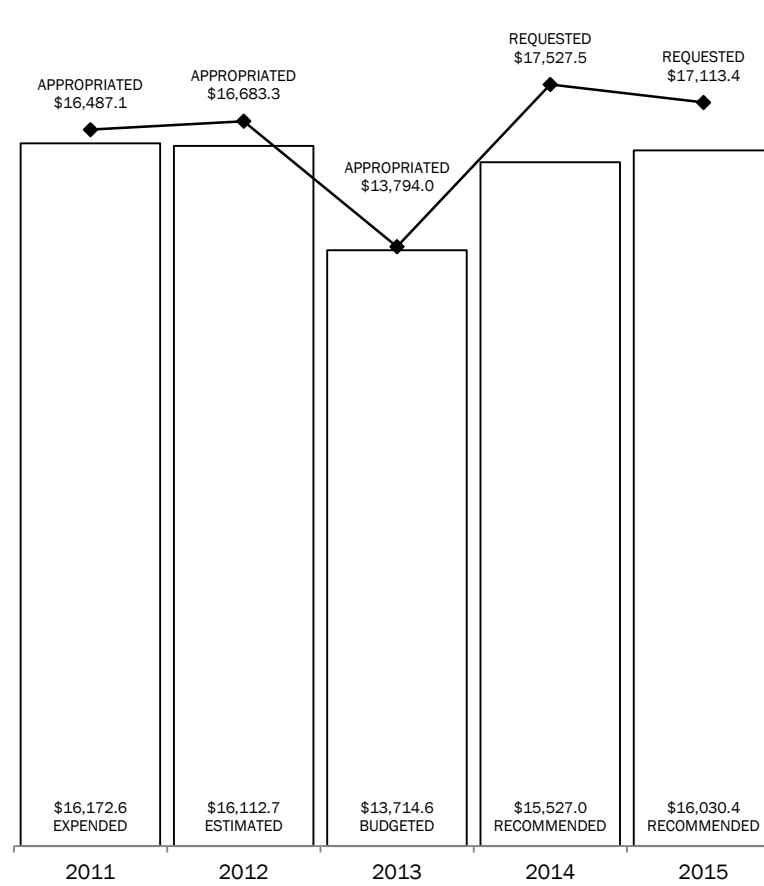
Section 1
Texas Education Agency
 2014-2015 BIENNIUM
 IN MILLIONS

TOTAL= \$50,092.5 MILLION

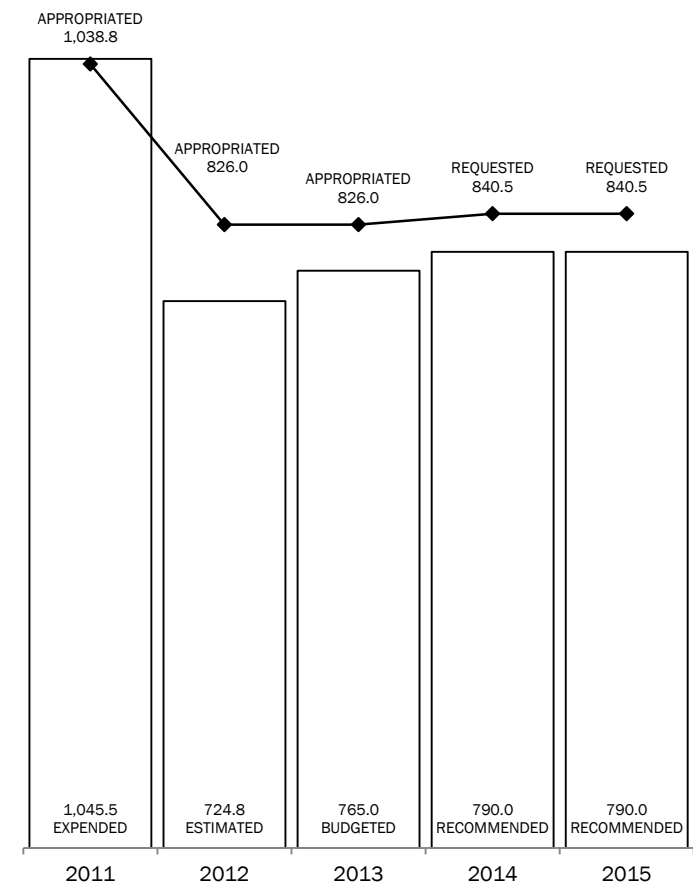
ALL FUNDS



**GENERAL REVENUE AND
 GENERAL REVENUE-DEDICATED FUNDS**



FULL-TIME-EQUIVALENT POSITIONS



Section 2

Texas Education Agency
Summary of Recommendations - House, By Method of Finance -- Supplemental

Strategy/Fund Type/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
FSP - EQUALIZED OPERATIONS A.1.1	\$36,501,100,000	\$36,800,600,000	\$299,500,000	0.8%	The primary factors in the net GR increase for A.1.1, FSP- Operations and A.1.2, 0.2% FSP- Facilities include student enrollment growth offset by reductions in state cost resulting from projected growth in local property values and savings associated with one-time costs in the 2012-13 biennium for underpayments to school districts in fiscal year 2011 and recovery of overpayments to school districts in the 2012-13 biennium. See Selected Fiscal and Policy Issues, #2.
GENERAL REVENUE FUNDS	\$28,949,400,000	\$28,993,300,000	\$43,900,000	0.2%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$7,551,700,000	\$7,807,300,000	\$255,600,000	3.4%	
FSP - EQUALIZED FACILITIES A.1.2	\$1,329,628,883	\$1,315,900,000	(\$13,728,883)	(1.0%)	Other Funds change results from an estimated \$169.3 million in increased PTRF revenues over the 2012–13 base and an estimated \$86.4 million increase in appropriated receipts (recapture) revenue. See Selected Fiscal and Policy Issues, #2.
GENERAL REVENUE FUNDS	\$1,329,628,883	\$1,315,900,000	(\$13,728,883)	(1.0%)	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
STATEWIDE EDUCATIONAL PROGRAMS A.2.1	\$273,808,717	\$271,566,576	(\$2,242,141)	(0.8%)	Includes reductions to Gifts, Grants, and Royalties, amounts transferred from the FSP to support TEKS revisions, and the Texas Primary Reading Initiative. See Selected Fiscal and Policy Issues, #7.
GENERAL REVENUE FUNDS	\$85,440,425	\$83,675,000	(\$1,765,425)	(2.1%)	
GR DEDICATED	\$650,472	\$650,472	\$0	0.0%	
FEDERAL FUNDS	\$162,317,820	\$161,841,104	(\$476,716)	(0.3%)	
OTHER FUNDS	\$25,400,000	\$25,400,000	\$0	0.0%	
ACHIEVEMENT OF STUDENTS AT RISK A.2.2	\$3,168,983,960	\$3,245,289,812	\$76,305,852	2.4%	
GENERAL REVENUE FUNDS	\$2,500,000	\$2,500,000	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	

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**Texas Education Agency
Summary of Recommendations - House, By Method of Finance -- Supplemental**

Strategy/Fund Type/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
FEDERAL FUNDS	\$3,166,483,960	\$3,242,789,812	\$76,305,852	2.4%	Increase attributable to a \$37.3 million increase to Title I Grants to Local Education Agencies (see Selected Fiscal and Policy Issues, #8) and a reallocation of \$38.9 million in Federal Funds related to assessments to this strategy (see Selected Fiscal and Policy Issue #13).
OTHER FUNDS	\$0	\$0	\$0	0.0%	
STUDENTS WITH DISABILITIES A.2.3	\$2,047,213,001	\$2,083,902,884	\$36,689,883	1.8%	
GENERAL REVENUE FUNDS	\$112,797,740	\$112,797,740	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$1,934,415,261	\$1,971,105,144	\$36,689,883	1.9%	Primarily attributable to a reallocation of \$28.0 million in Federal Funds related to assessments to this strategy. See Selected Fiscal and Policy Issue #13.
OTHER FUNDS	\$0	\$0	\$0	0.0%	
SCHOOL IMPROVEMENT & SUPPORT PGMS A.2.4	\$288,963,585	\$309,271,452	\$20,307,867	7.0%	
GENERAL REVENUE FUNDS	\$52,168,773	\$64,009,040	\$11,840,267	22.7%	Includes a reduction for Charter School Technical Assistance (2012-13 amount had been transferred from the FSP), and increases to Communities in Schools and Incentive Aid. See Selected Fiscal and Policy Issues, #7.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$236,451,812	\$245,262,412	\$8,810,600	3.7%	
OTHER FUNDS	\$343,000	\$0	(\$343,000)	(100.0%)	
ADULT EDUCATION & FAMILY LITERACY A.2.5	\$139,042,986	\$136,685,778	(\$2,357,208)	(1.7%)	
GENERAL REVENUE FUNDS	\$22,771,400	\$22,771,400	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$116,271,586	\$113,914,378	(\$2,357,208)	(2.0%)	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
Total, Goal A, PROVIDE ED SYS LDRSP GUID'CE RES'S	\$43,748,741,132	\$44,163,216,502	\$414,475,370	0.9%	
GENERAL REVENUE FUNDS	\$30,554,707,221	\$30,594,953,180	\$40,245,959	0.1%	
GR DEDICATED	\$650,472	\$650,472	\$0	0.0%	
FEDERAL FUNDS	\$5,615,940,439	\$5,734,912,850	\$118,972,411	2.1%	
OTHER FUNDS	\$7,577,443,000	\$7,832,700,000	\$255,257,000	3.4%	

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**Texas Education Agency
Summary of Recommendations - House, By Method of Finance -- Supplemental**

Strategy/Fund Type/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
ASSESSMENT & ACCOUNTABILITY SYSTEM B.1.1	\$165,727,625	\$0	(\$165,727,625)	(100.0%)	Recommendations eliminate state funding for assessments and reallocate federal funding to other strategies. See Selected Fiscal and Policy Issue #13.
GENERAL REVENUE FUNDS	\$98,407,613	\$0	(\$98,407,613)	(100.0%)	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$67,320,012	\$0	(\$67,320,012)	(100.0%)	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
TECHNOLOGY/INSTRUCTIONAL MATERIALS B.2.1	\$616,669,081	\$849,760,000	\$233,090,919	37.8%	
GENERAL REVENUE FUNDS	\$616,131,436	\$849,760,000	\$233,628,564	37.9%	Includes an increase for the Instructional Materials Allotment. See Selected Fiscal and Policy Issues, #9.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$537,645	\$0	(\$537,645)	(100.0%)	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
HEALTH AND SAFETY B.2.2	\$28,405,878	\$26,416,385	(\$1,989,493)	(7.0%)	
GENERAL REVENUE FUNDS	\$28,405,878	\$26,416,385	(\$1,989,493)	(7.0%)	Eliminates funding for the Steroid Testing Program and includes a decrease to Juvenile Justice Department related educational programs due to a projected decrease in populations served.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
CHILD NUTRITION PROGRAMS B.2.3	\$3,592,944,305	\$4,150,843,419	\$557,899,114	15.5%	
GENERAL REVENUE FUNDS	\$29,236,682	\$29,236,682	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$3,563,707,623	\$4,121,606,737	\$557,899,114	15.7%	Includes an increase to the Child Nutrition Program based on a projected increase in the student population eligible for this program.
OTHER FUNDS	\$0	\$0	\$0	0.0%	
WINDHAM SCHOOL DISTRICT B.2.4	\$95,000,000	\$95,000,000	\$0	0.0%	
GENERAL REVENUE FUNDS	\$95,000,000	\$95,000,000	\$0	0.0%	

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**Texas Education Agency
Summary of Recommendations - House, By Method of Finance -- Supplemental**

Strategy/Fund Type/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
IMPROVING EDUCATOR QUALITY/LDRSP B.3.1	\$561,296,668	\$560,246,640	(\$1,050,028)	(0.2%)	
GENERAL REVENUE FUNDS	\$40,400,000	\$40,400,000	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$520,896,668	\$519,846,640	(\$1,050,028)	(0.2%)	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
AGENCY OPERATIONS B.3.2	\$117,848,467	\$127,950,476	\$10,102,009	8.6%	Across Strategies B.3.2 - B.3.6, the recommendations for TEA's administrative budget includes an All Funds decrease of \$2.7 million, including decreases of \$1.6 million in General Revenue and \$17.9 million in Federal Funds and an increase of \$16.8 million in Other Funds.
GENERAL REVENUE FUNDS	\$34,876,855	\$31,110,230	(\$3,766,625)	(10.8%)	Includes a decrease of \$2.6 million in revenue generated from the Driver Training and Education Program that was used to supplement the agency's administrative budget, a \$0.3 million decrease for grant money received in the 2012-13 biennium that the agency does not anticipate receiving in the 2014-15 biennium (see Selected Fiscal and Policy Issues, #16), and \$0.8 million that was shifted to other administrative strategies in alignment with the agency's baseline request.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$47,011,140	\$44,079,774	(\$2,931,366)	(6.2%)	
OTHER FUNDS	\$35,960,472	\$52,760,472	\$16,800,000	46.7%	Agency lapsed \$16.8 million in fiscal year 2012 due to a delay in hiring an additional 31 FTEs that were authorized by the Eighty-second Legislature for the Permanent School Fund. The recommendations continue annual funding in the 2014-15 biennium at the fiscal year 2013 level.
STATE BOARD FOR EDUCATOR CERT B.3.3	\$7,625,104	\$7,625,104	\$0	0.0%	
GENERAL REVENUE FUNDS	\$7,625,104	\$7,625,104	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	

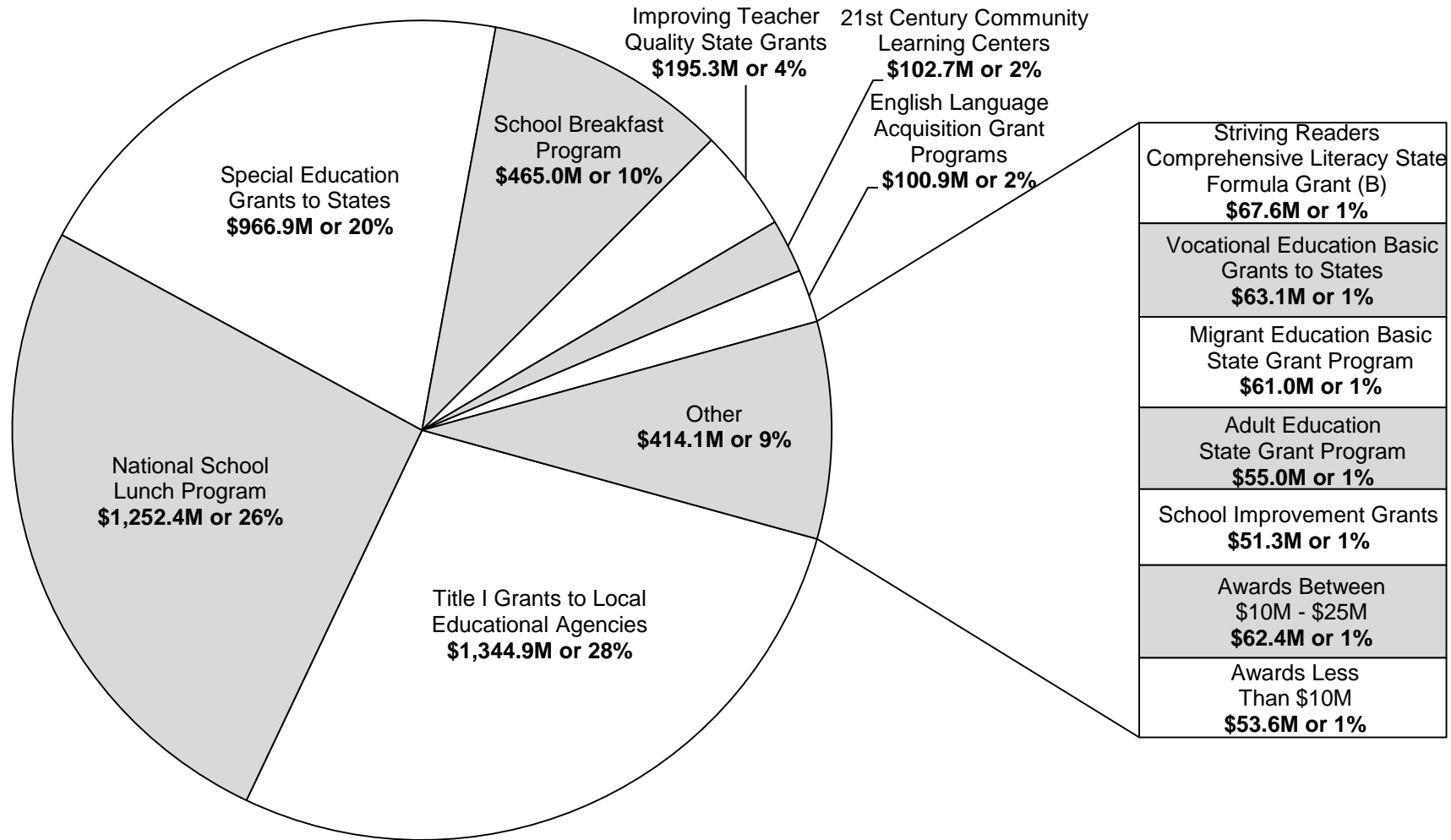
Section 2

**Texas Education Agency
Summary of Recommendations - House, By Method of Finance -- Supplemental**

Strategy/Fund Type/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
OTHER FUNDS	\$0	\$0	\$0	0.0%	
CENTRAL ADMINISTRATION B.3.4	\$25,569,897	\$25,574,848	\$4,951	0.0%	
GENERAL REVENUE FUNDS	\$15,516,469	\$15,511,470	(\$4,999)	(0.0%)	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$8,182,268	\$8,192,218	\$9,950	0.1%	
OTHER FUNDS	\$1,871,160	\$1,871,160	\$0	0.0%	
INFORMATION SYSTEMS - TECHNOLOGY B.3.5	\$70,681,905	\$57,883,937	(\$12,797,968)	(18.1%)	
GENERAL REVENUE FUNDS	\$28,297,233	\$30,455,315	\$2,158,082	7.6%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$37,730,656	\$22,774,608	(\$14,956,048)	(39.6%)	Decrease primarily attributed to a decrease of \$14.1 million in ARRA funds for the Texas Student Data System. See Selected Fiscal and Policy Issues, #12.
OTHER FUNDS	\$4,654,016	\$4,654,014	(\$2)	(0.0%)	
CERTIFICATION EXAM ADMINISTRATION B.3.6	\$28,000,000	\$28,000,000	\$0	0.0%	
GENERAL REVENUE FUNDS	\$28,000,000	\$28,000,000	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
Total, Goal B, PROVIDE SYSTEM OVERSIGHT & SUPPORT	\$5,309,768,930	\$5,929,300,809	\$619,531,879	11.7%	
GENERAL REVENUE FUNDS	\$1,021,897,270	\$1,153,515,186	\$131,617,916	12.9%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$4,245,386,012	\$4,716,499,977	\$471,113,965	11.1%	
OTHER FUNDS	\$42,485,648	\$59,285,646	\$16,799,998	39.5%	
Grand Total, All Agency	\$49,058,510,062	\$50,092,517,311	\$1,034,007,249	2.1%	
GENERAL REVENUE FUNDS	\$31,576,604,491	\$31,748,468,366	\$171,863,875	0.5%	
GR DEDICATED	\$650,472	\$650,472	\$0	0.0%	
FEDERAL FUNDS	\$9,861,326,451	\$10,451,412,827	\$590,086,376	6.0%	
OTHER FUNDS	\$7,619,928,648	\$7,891,985,646	\$272,056,998	3.6%	

Section 3

Texas Education Agency
Summary of Federal Funds (Estimated 2012)
TOTAL = \$4,842.2M

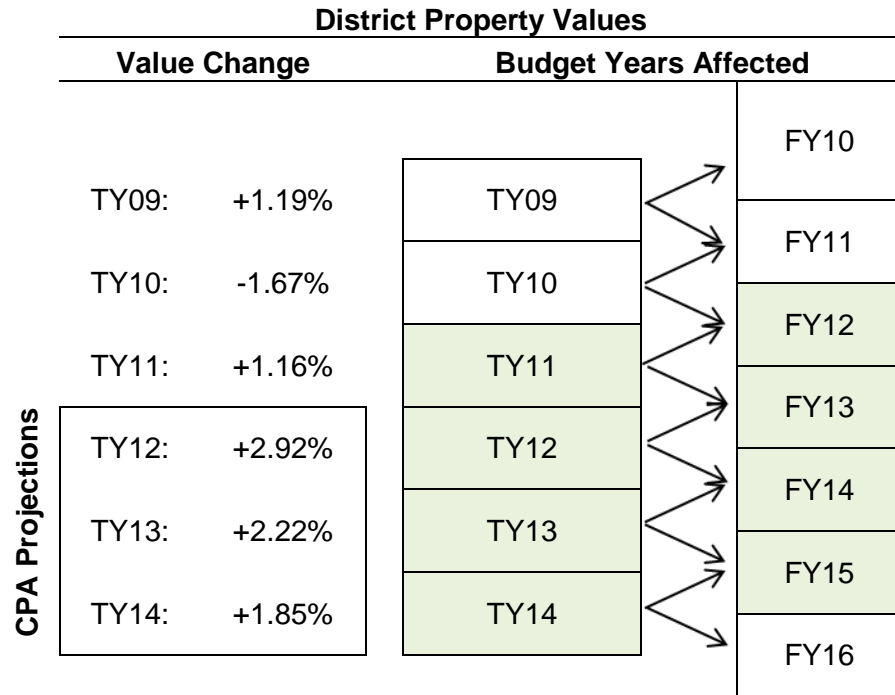


Note: Amounts/percentages shown may sum greater/less than actual total/percentages due to rounding.

Section 3

**Texas Education Agency
Selected Fiscal and Policy Issues**

1. Foundation School Program Major Budget Driver Assumptions and Yields.



District Property Values

- The Comptroller projects modest property value growth primarily due to stronger residential and mineral values.
- Under current law, DPV growth reduces the level of state aid needed to meet entitlement.

Tax Effort

Assumption: On a statewide level, approximately 40 districts are assumed to successfully pass tax ratification elections each year, drawing roughly \$30 million in additional state aid in FY2014 and \$60 million in FY2015. (Based on fall 2012 district election results.) Currently, 248 school districts have adopted the statutory maximum rate of \$1.17. About 60 percent of taxing districts (609) have adopted M&O rates of \$1.04.

Yields

Basic Allotment: \$4,765
Equalized Wealth Level: \$476,500
Austin ISD Yield: \$59.97 per penny per WADA.

Statute establishes the Basic Allotment at \$4,765, but allows a higher Basic Allotment to be established in the GAA. The Equalized Wealth Level is statutorily tied to the Basic Allotment.

The Austin ISD yields, which apply to the golden pennies in the enrichment tier (the first six pennies levied above the compressed tax rate), in FY2014 and FY2015 are projected to remain unchanged from FY2013 yield.

Based on Tax Year 2012 appraisal district values and TEA's projected student counts for Austin ISD, property value growth combined with student growth is not sufficient to increase the yield. An updated yield calculation will be made when revised projections are received in March 2013.

Student Growth

	Number of Students	Rate of Growth
FY12	76,644 ADA	1.68%
FY13	83,975 ADA	1.81%
FY14	85,497 ADA	1.81%
FY15	87,046 ADA	1.81%

TEA Projections

Student Growth

TEA projects strong growth in compensatory education (3.11%), bilingual education (2.90%), and career & technical education (4.73%)

TEA projects continuing decline in special education settings (-1.91% overall) and relatively flat mainstream special education ADA.

10-year average ADA growth is 1.83%.

An 85,000 to 87,000 annual increase in ADA roughly translates to an increase of 115,000 weighted ADA (WADA) per year. With a statewide average compressed tier revenue of about \$5,190 per WADA, this increase generates an additional ~\$600 million in state cost per cohort each year.

Section 3

2. 2014-15 Current Law Cost Compared to 2012–13 Appropriation and 2012–13 Adjusted Base (amounts in millions)

2012–13 FSP GR APPROPRIATIONS	\$29,172
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2012-13 All Funds BASE ADJUSTMENTS FROM 2012-13 APPROPRIATED	
Cost Adjustments	
<ul style="list-style-type: none"> ■ Appropriations Shortfall. Deferral estimate \$320 million higher than actual and recapture underappropriated by about \$300 million due to impact of SB 1, 82-1, and timing of appropriation. 	\$620
<ul style="list-style-type: none"> ■ Charter School State Aid. Charter School enrollment higher than anticipated. 	\$245
<ul style="list-style-type: none"> ■ DPV change, ISD enrollment, and prior year adjustments. TY11 DPV, budgeted at - 0.97, was actually + 1.16. Student enrollment in ISDs was slightly lower than projected, but increases in compensatory education enrollment largely negated impact. TEA also made prior year and other adjustments for DPV and collections adjustments and payments associated with local economic development agreements (Chapter 313 and Tax Increment Reinvestment Zones). 	(\$165)
<ul style="list-style-type: none"> ■ FY11 Settle Up in FY12. FY11 underpayments, funded in FY12, were less costly than projected. 	(\$70)
<hr/>	
All Funds Cost Adjustments over 2012–13 Appropriations	\$630
Reversal of August Payment Deferral. The recommendation includes funding to reverse the deferral of the August FSP payment to school districts enacted by the Eighty-second Legislature, which would be provided through a supplemental appropriation in fiscal year 2013 and requires statutory change to amend the FSP payment schedule established in the Education Code.	\$1,750
MOF Shifts	
<ul style="list-style-type: none"> ■ Property Tax Relief Fund 	(\$959)
<ul style="list-style-type: none"> ■ Recapture 	(\$313)
<hr/>	
TOTAL, 2012–13 GR BASE ADJUSTMENTS	\$1,108
TOTAL, 2012-13 ALL FUNDS BASE ADJUSTMENTS	\$2,380
2012–13 FSP GR BASE (ADJUSTED)	\$30,280
2012–13 FSP ALL FUNDS BASE (ADJUSTED)	\$37,831

Section 3

2014-15 FSP COSTS OVER 2012-13 BIENNIAL BASE (ADJUSTED)	
Costs	
■ Enrollment Growth. 85,000 to 87,000 additional ADA each year.	\$2,200
■ District Property Value Change. Projected DPV growth results in reduced state aid.	(\$1,500)
■ Settle Up. 2012–13 base includes \$470 million to fund underpayments associated with FY11 entitlement. DPV growth in excess of projections result in an additional \$275 million in overpayments recovered in FY14.	(\$745)
■ Facilities, Enrichment, and Prior Year and Other Adjustments. Property value growth results in slight savings in state aid for debt service. Recommendation assumes \$30 million in additional cost due to tax effort increase in each fiscal year. Assumed cost for prior year adjustments for DPV/collections and current year payments associated with local economic development agreements.	\$330
MOF Shifts	
■ Recapture Revenue over base	(\$85)
■ 14-15 PTRF increase over base	(\$170)
TOTAL 2014-2015 GR COSTS OVER 2012-13 BASE	\$30
TOTAL 2014-2015 ALL FUNDS COSTS OVER 2012-13 BASE	\$285
2014-15 FSP CURRENT LAW GR COST	\$30,309
2014-15 FSP CURRENT LAW ALL FUNDS COST	\$38,116

3. Overview of Lawsuits

The Travis County District Court is currently hearing arguments in a lawsuit against the state regarding the school finance system being pursued by six plaintiffs comprising coalitions of independent school districts, charter schools, and parents. Collectively, the following are the primary arguments made by the plaintiffs that the system is unconstitutional:

- **Adequacy** - that overall funding is inadequate to fund the actual cost of educating students;
- **Efficiency** - that the allocation of funding among public schools is inequitable and therefore inefficient,
- **Meaningful Discretion** - that school districts lack meaningful discretion in setting local property tax rates—thereby forcing a de facto state property tax;
- **Qualitative Efficiency** - that the system is “qualitatively” inefficient, presented as inefficiency resulting from regulation and lack of competition;
- **Charter Schools** - and that charter schools’ ineligibility for state facilities funding and the statutory cap on the number of charters constitutes inefficiency.

Note that not all plaintiffs are making all arguments.

Section 3

The primary provision of the state constitution in question is Article VII, Section 1: *A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.* Additionally, the Texas Constitution specifically prohibits the state from levying an ad valorem (property) tax.

The trial, which began in late October, is expected to continue through mid to late January. In the most recent suit (West Orange Cove II), the district court opinion was issued about two months after the conclusion of the trial. So, based on past experience, it would be reasonable to expect a district court ruling around the middle of the legislative session. Regardless of the outcome, it would be expected that an appeal will be filed with the Supreme Court of Texas. Again, based on past experience, it would be reasonable to expect the Supreme Court ruling within about a year after the district court ruling, which would mean final resolution of the suit in the first half of 2014.

4. The Regular Program Adjustment Factor and the Hold Harmless Reduction Percentage

The Eighty-second Legislature enacted legislation (Senate Bill 1, First Called Session) to amend FSP formulas to effect an entitlement reduction of approximately \$4 billion in the 2012–13 biennium. Two levers were established to adjust school district entitlement: the Regular Program Adjustment Factor (RPAF) and the Hold Harmless Reduction Percentage. More detail on the impact of SB 1, 82-1CS is available in Item 6 for reference.

Regular Program Adjustment Factor

The RPAF applies a percentage reduction to school district entitlement earned through the regular program allotment in the compressed tier—the portion of entitlement generated by regular unweighted students. For FY2012, the RPAF was set at 0.9239 for a reduction estimated at \$2 billion statewide. For FY2013, the RPAF was set at 0.98 for a reduction estimated at \$500 million statewide.

- Section 42.101, Education Code provides for a regular program adjustment factor of 0.98 for fiscal years 2014 and 2015 and authorizes the legislature to provide a higher factor up to 1.0 by appropriation. The regular program adjustment factor expires at the end of FY15. The cost of increasing the RPAF to 1.0 in the 2014–15 biennium is estimated at \$525 million per year.
- **The recommendation assumes the RPAF at 0.98 for the 2014–15 biennium.**

Hold Harmless Reduction Percentage

Similar to the RPAF, the Hold Harmless Reduction Percentage applies a percentage reduction to school district entitlement earned through the Additional State Aid for Tax Reduction (ASATR) or Target Revenue Hold Harmless. Because it only applies to ASATR, its impact is limited to school districts for which formula-generated entitlement is insufficient to fully fund target revenue. The Hold Harmless Reduction Percentage only applied in FY2013 and was established at 0.9235, affecting about 810 school districts and estimated to result in \$1,500 million in reduced state aid.

- Section 42.2516(i), Education Code directs the legislature to establish the Hold Harmless Reduction Percentage through the GAA (TEA Rider 3) beginning in FY2014.
- ASATR hold harmless funding expires in statute at the end of FY17 (SB 1, 82-1CS).
- Per a statement of intent adopted via SB 1, 82-1CS, continued reductions in the amount of ASATR hold harmless are anticipated between FY2014 and FY2018 accompanied by increases in the basic allotment.
- **The recommendation assumes the Hold Harmless Reduction Percentage at 0.9235 for the 2014–15 biennium.**

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5. Other FSP Funding Items Established by Appropriation

Item	Description	Program History		
		Fiscal Year Last Funded	Appropriated/ Authorized Amount	Number of Districts Affected
Instructional Facilities Allotment (IFA)	While funding supporting on-going debt service for previous IFA awards is formula-driven, funding for new awards is determined by appropriation.	FY2011	\$75 million	87 Districts (104 applications funded)
New Instructional Facilities Allotment (NIFA)	An allocation of \$250 per ADA for students attending a new instructional facility in its first two years of operation. Statute caps the total annual statewide allocation at \$26 million per year.	2010–11 biennium	Up to \$52 million biennially	135 Districts and Charters
Average Daily Attendance Decline	Additional state aid through the FSP formula available to districts with ADA that declines more than 2 percent between years. Statute limits the total amount available through ADA adjustments under this provision to the sum certain amount appropriated for this purpose.	2010–11 biennium	Up to \$22 million biennially	134 Districts for school year 2009-10
Loss Due to Property Value Decline	Subject to appropriation, the commissioner is permitted to adjust DPVs for funding purposes for districts in which DPVs decline more than 4 percent compared to the previous year.	2010–11 biennium	Up to \$52 million biennially	None (provision not implemented recently)

EDA and IFA Yield Increase

In addition to the items listed above, the yields for both of the FSP facilities funding programs, the Existing Debt Allotment (EDA) and the IFA can be increased by appropriation. The current yield for both programs is \$35 per ADA per penny of I&S tax effort for eligible debt service, which equates to about the 59th percentile of wealth per ADA. The IFA yield was last increased in 1999 when the EDA was established and both yields were set at \$35.

Generally, increasing the yield for both programs by \$1 would cost about \$110 million for the biennium.

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6. Reference Material, Senate Bill 1, Eighty-Second Legislature, First Called Session.

Summary - FY12 Model 912 FY13 Model 887, Including Edujobs

State Impact Summary	FY 2012	FY 2013
Annual Cost/(Savings)	(\$2,000,409,764)	(\$2,012,181,669)
Biennial Total		(\$4,012,591,433)
Edujobs	\$822,458,333	\$0
Biennial Total Including Edujobs		(\$3,190,133,100)

Model Description	FY 2012	FY 2013
	Adjustment Mechanisms	
	100% from Formula 0% from Hold Harmless	25% from Formula 75% from Hold Harmless
Model 912-887		
Regular Program Allotment Adjustment	0.9239	0.9800
Gain Limit / Dragback \$42.008	repealed	repealed
Target Revenue % Retained	100.00%	92.35%
Basic Allotment (current law)	\$4,765	\$4,765
Equalized Wealth Level (current law)	\$476,500	\$476,500

Target Revenue Hold Harmless Comparison	FY 2012	FY 2013
Current Law - School Districts & Charter Schools	\$2,540,903,034	\$2,500,222,601
Model 912-887	\$2,375,649,522	\$976,614,214

Districts and Charters on Formula	FY 2012	FY 2013
Current Law	127	192
Model 912-887	159	649

Weighted Average Change in Total M&O Revenue per Current Law WADA (Including Edujobs in FY12)			
Categorical Analysis		FY 2012	FY 2013
#	CATEGORY		
Wealth - 2009-10			
124	Under \$100,000 per WADA	(\$158)	(\$133)
189	\$100,000 - \$149,999 per WADA	(\$162)	(\$196)
157	\$150,000 - \$199,999 per WADA	(\$167)	(\$186)
260	\$200,000 - \$319,499 per WADA	(\$186)	(\$245)
137	\$319,500 - \$476,500 per WADA	(\$210)	(\$513)
157	Districts Subject to Recapture	(\$244)	(\$567)
1,024	STATE TOTAL (ISDs only)	(\$189)	(\$313)

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General Revenue, Summary of Increases/ (Decreases) (in millions)					
Program	2012-13 Biennium	2014-15 Biennium	2014-15 Increase/ (Decrease)	2014-15 Increase/ (Decrease) as Percent of 2012-13 Base	Notes
Instructional Materials ¹	\$ 608.1	\$ 841.8	\$ 233.6	38.4%	See Selected Fiscal and Policy Issue #9
Agency Administration	\$ 114.3	\$ 112.7	\$ (1.6)	-1.4%	See Selected Fiscal and Policy Issue #16
State Funds for Assessment	\$ 98.4	\$ -	\$ (98.4)	-100.0%	See Selected Fiscal and Policy Issue #13
Windham - FSP	\$ 95.0	\$ 95.0	\$ -	0.0%	
Regional Day School-Deaf	\$ 66.3	\$ 66.3	\$ -	0.0%	
Early Childhood Programs	\$ 40.0	\$ 40.0	\$ -	0.0%	
Student Success Initiative	\$ 36.5	\$ 36.5	\$ -	0.0%	
District Awards for Teacher Excellence	\$ 32.0	\$ 32.0	\$ -	0.0%	
School Lunch Matching	\$ 29.2	\$ 29.2	\$ -	0.0%	
Criminal Justice Programs	\$ 27.1	\$ 26.4	\$ (0.7)	-2.5%	The Juvenile Justice Department anticipates a population decrease in the next biennium in the state-operated facilities and growth in the Juvenile Justice Alternative Education Program
ESC Core Services	\$ 25.0	\$ 25.0	\$ -	0.0%	
Adult Education State Grant	\$ 22.8	\$ 22.8	\$ -	0.0%	
Communities in Schools	\$ 19.5	\$ 32.1	\$ 12.6	64.7%	See Selected Fiscal and Policy Issue #15
TX Advanced Placement	\$ 13.8	\$ 13.8	\$ -	0.0%	
High School Programs	\$ 13.0	\$ 13.0	\$ -	0.0%	
Visually Impaired/ESCs	\$ 11.3	\$ 11.3	\$ -	0.0%	
Virtual School Network	\$ 8.0	\$ 8.0	\$ -	0.0%	
Teach for America	\$ 8.0	\$ 8.0	\$ -	0.0%	
Project Share	\$ 8.0	\$ 8.0	\$ -	0.0%	
Miscellaneous Programs	\$ 7.0	\$ 7.0	\$ -	0.0%	

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Reasoning Mind	\$ 4.5	\$ 4.5	\$ -	0.0%	
Incentive Aid	\$ 2.8	\$ 3.0	\$ 0.2	8.4%	Included in agency's baseline request
Agency Transfers from FSP	\$ 2.6	\$ -	\$ (2.6)	-100.0%	
Amachi	\$ 2.5	\$ 2.5	\$ -	0.0%	
Steroid Testing	\$ 1.3	\$ -	\$ (1.3)	-100.0%	Recommendations eliminate funding for the Steroid Testing Program.
Best Buddies	\$ 0.4	\$ 0.4	\$ -	0.0%	
Gifts, Grants, Royalties	\$ 0.2	\$ -	\$ (0.2)	-100.0%	Agency identified grant money received in the 2012-13 biennium that they do not anticipate receiving in the 2014-15 biennium
Total	\$ 1,297.6	\$ 1,439.3	\$ 141.7	10.9%	

¹ Instructional Materials amounts in 2012-13 biennium exclude \$184 million in accumulated balances appropriated in fiscal year 2011 to pay fiscal year 2012 costs.

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8. Federal Funds

Federal Funds, Summary of Increases/ (Decreases)		
Program	2014-15 Increase/ (Decrease)	Percent Change Compared to 2012- 13 Base
School Lunch and Breakfast	\$ 557,899,114	15.7%
Title I	\$ 37,323,776	1.4%
Individuals with Disabilities Education Act (IDEA)	\$ 8,147,596	0.4%
English Language Acquisition and Migrant Education	\$ (610,302)	-0.2%
Adult Education State Grant	\$ 648,226	0.6%
TANF	\$ 13,001	0.1%
Other	\$ 4,374,868	0.4%
<i>American Recovery and Reinvestment and Education Jobs Fund (ARRA)</i>		
Statewide Longitudinal Data Systems*	\$ (16,771,987)	-100.0%
IDEA Part B Formula - Stimulus	\$ (1,685)	-100.0%
Ed Tech State Grants - Stimulus	\$ (904)	-100.0%
Education Jobs Fund**	\$ (935,327)	-100.0%
Total	\$ 590,086,376	6.0%

* TEA was awarded an \$18.0 million competitive grant under the federal ARRA legislation to support a statewide longitudinal data system. Funds will be expended under the grant in FYs 2011 through 2013. See Selected Fiscal and Policy Issue #12

** Although TEA was appropriated these funds in fiscal year 2012, the agency issued NOGAs in fiscal year 2011, effectively spending these funds in fiscal year 2011

Federal Sequestration

The federal Budget Control Act of 2011 requires Congress to produce a deficit reduction bill that will decrease the federal deficit by at least \$1.2 trillion. If Congress fails to enact a deficit reduction bill of this scope, then mandatory reductions in federal discretionary spending will be implemented through a process called sequestration. The Department of Education has indicated that the reductions in federal appropriations through sequestration would be in the summer of 2013, thereby affecting state fiscal year 2014. At this time, the exact reductions are not known, although it is known that the federal child nutrition programs, which make up \$4,121.6 million of the agency's \$10,451.4 million in Federal Funds will not be subject to sequestration. It is estimated that TEA's remaining federal funds budget would be reduced by 8 to 10 percent, or between \$506 and \$633 million for the 2014-15 biennium.

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9. **Instructional Materials Allotment (IMA)**

The IMA is funded by the Instructional Materials Fund, a General Revenue Fund that derives all of its revenue from the Available School Fund (ASF). The IMA was created by Senate Bill 6, Eighty-second Legislature, First-Called Session, 2011. The IMA provides each school district and charter school with an account into which funding is deposited based on average daily attendance. School districts can use those funds to purchase instructional materials for any subject and certain technology. The funds within these accounts can be carried forward between fiscal years and biennia.

Following the implementation of Senate Bill 6, school districts and charter schools have more discretion to purchase materials. They are no longer limited to purchasing instructional materials on the State Board of Education's (SBOE) adoption cycle. In addition to SBOE adopted materials, school districts now have the opportunity to purchase: instructional materials not adopted by the SBOE; state-developed open-source instructional materials; and materials approved by the Commissioner of Education, including electronic instructional material, and materials used as part of the foundation for the curriculum of science in kindergarten through grade 5 and personal financial literacy in kindergarten through grade 8. The Texas Education Code requires all districts and open-enrollment charter schools to annually certify to the SBOE and the Commissioner of Education that the instructional materials provided cover all of the Texas Essential Knowledge and Skills (TEKS) for each subject in the required curriculum. According to TEA, districts and charter schools primarily purchased from Proclamation 2011 in fiscal year 2012, but with no new proclamations scheduled until fiscal year 2015, the agency reports that many districts and charter schools are beginning to buy more materials from non-SBOE adopted sources in fiscal year 2013.

The Education Code establishes the IMA be funded with 50 percent of the distribution from the Permanent School Fund to the ASF, or a different amount determined by the Legislature. The State Board of Education adopts a rate to be transferred from the PSF to the ASF and preliminarily adopted a rate of 3.3 percent for fiscal years 2014 and 2015, resulting in an annual transfer of \$841.8 million. Using the 50 percent of the PSF to ASF distribution as a basis of recommendation, the recommendations include an appropriation for the IMA of \$841.8 million for the 2014-15 biennium.

In the 2012-13 biennium, the Texas Education Agency was appropriated a total of \$608.1 million to fund the IMA, and the agency was appropriated \$184 million in accumulated balances in fiscal year 2011 to pay fiscal year 2012 costs, resulting in a total of \$792.1 million available for the purchase of instructional materials in the 2012-13 biennium.

The recommendations modify Rider 8, Textbooks and Instructional Materials, to include appropriation authority of any balances held in the Instructional Materials Fund on the last day of the 2012-13 biennium for use in the 2014-15 biennium (see Rider Highlights #8). The funds carried forward into the 2014-15 biennium had been reserved for specific purposes in the 2012-13 biennium, but will not be expended in the 2012-13 biennium. Examples of the purposes these funds will be used for is for acquiring open source materials and instructional materials shipping costs.

10. **Student Success Initiative**

The Student Success Initiative (SSI) was created by the Seventy-sixth Legislature as part of the state accountability system and is statutorily tied to the policy against social promotion. Statute requires districts to offer accelerated instruction to students who are at risk of not being promoted to the next grade, but does not specify the mode of instruction. The SSI was intended to provide assistance to school districts in the provision of accelerated instruction. Each biennium, statute requires the Commissioner of Education to certify that SSI appropriations are adequate in order for the prohibition against social promotion for students in grades 5 and 8 to apply. Since the state accountability ratings system was suspended for fiscal year 2013 to accommodate the transition to the STAAR program, the Commissioner of Education did not make a determination of certification last year. Barring a change in statutory requirements, it would be expected that a certification determination will be considered once passing standards for the STAAR are established later this fiscal year.

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The table below provides a funding history of the SSI since the program's inception, including the total amount appropriated for the SSI, the amount set-aside for specific programs or strategies, and the amount appropriated for school district use. SSI funds have historically been allocated through grants to school districts based on the number of students failing with very few specific directions or requirements on the required use of the funds and through amounts set aside for specific statewide initiatives such as professional development.

Student Success Initiative Historical Appropriations (in millions)								
	2000-01 Biennium	2002-03 Biennium	2004-05 Biennium*	2006-07 Biennium	2008-09 Biennium	2010-11 Biennium	2012-13 Biennium	2014-15 Biennium**
Total	\$173.3	\$230.3	\$182.9	\$316.0	\$309.0	\$276.6	\$41.0	\$36.5
Amount Reserved for Specific Purposes	\$4.3	\$5.4	\$24.0	\$24.0	\$56.3	\$193.1	\$4.5	\$0.0
Amount Appropriated for School District Use	\$169.0	\$224.9	\$158.9	\$292.0	\$252.7	\$83.5	\$36.5	\$36.5

* amounts include \$18.2 million in Federal Funds

** the 2014-15 recommendations separate funding for the Reasoning Mind Program from the Student Success Initiative. It was previously carved out of SSI funding in TEA Rider #56 in the 2012-13 biennium.

In the 2012-13 biennium, TEA was appropriated \$41 million (including \$4.5 million to be used specifically for the Reasoning Mind Program). The agency reports approximately half of the funding was used to purchase two statewide licenses to provide supplemental computer-based reading and math instruction to all students in grades 3 through 8. The agency reports that the remaining \$19 million is being distributed to school districts based on the number of students below the statewide median raw score on the STAAR tests in grades 3 through 8. The recommendations for the 2014-15 biennium maintain SSI funding at 2012-13 levels, although the \$4.5 million set-aside for the Reasoning Mind program is included in a separate rider.

SSI Allocation in the 2012-13 Biennium (in millions)		
1.	Statewide Licenses for Computer-Based Reading and Math Instruction	\$17.5
2.	District Distribution on Number of Students Below Median STAAR Scores	\$19.0
3.	Reasoning Mind	\$4.5
Total		\$41.0

The agency has indicated that they are uncertain of the commissioner's ability to certify that SSI appropriations are adequate in order for the prohibition against social promotion for students in grades 5 and 8 to apply.

The recommendations modify language in Rider 51, Student Success Initiative, to eliminate references to programs eligible for SSI funding to provide the agency with more flexibility in implementing the program. The rider also eliminates references to the Reasoning Mind program as the recommendations include a dedicated rider for this program (see Rider Highlights #51 and #62).

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11. District Awards for Teacher Excellence

The District Awards for Teacher Excellence (DATE) program provides awards to teachers and principals who effectively improve student achievement as determined by objective measures; provides stipends and awards to other district employees; and supports professional development and builds data capacity.

In the 2012-13 biennium:

In the 2012-13 biennium the program received a biennial appropriation of \$40 million, which was a decrease of \$362.9 million, or 89 percent, from the previous biennium. Rider 53, District Awards for Teacher Excellence, required TEA to expend up to \$16 million of the \$40 million appropriation on set-asides for implementing standards on educator quality (up to \$5 million), an educator mentor program (up to \$10 million), and on a grant to Humanities Texas to support the Teacher Institute program (up to \$1 million). In implementing these set-asides, TEA used \$8 million reserved for an educator mentor program to support Project Share, a web-based network that provides student resources, professional development courses, academic networking, and professional learning communities to Texas educators and students.

In the 2010-11 biennium, TEA awarded DATE funds to 183 to 203 districts per year, impacting over 150,000 teachers per year. In the 2012-13 biennium, TEA focused the program's efforts on 17 school districts already receiving federal funds through the Teacher Incentive Funds (TIF). These districts were chosen so DATE would satisfy the federal requirement of a state or local match for TIF.

In the 2014-15 biennium:

In the 2014-15 biennium, the recommendations match the agency's request to maintain funding for this program at 2012-13 levels. TEA indicates that a total of 21 districts, which includes the 17 districts from the 2012-13 biennium plus four new districts, would be eligible for DATE funding in the 2014-15 biennium to act as match for the federal TIF funds. Preliminary estimates indicate that the baseline funding level may not be sufficient to provide a 100 percent match. If it is the intent of the Legislature to continue funding the DATE program as a method for providing matching funds to the TIF grant, then statutory changes to the authorizing statute for DATE in the Education Code to reflect more closely the larger scope of the TIF grant could be considered.

The recommendation for Rider 49, District Awards for Teacher Excellence, maintains the total amount of set-asides at \$16 million, but reduces the share reserved for an educator mentor program from \$10 million to \$2 million and adds a new \$8 million set-aside for Project Share to correspond with the agency's current funding stream for that program.

12. Texas Student Data System

The Texas Student Data System (TSDS) is a capital project meant to improve the availability and use of high-quality data by educators. The TSDS project is a continuation of a 2010-11 capital project that has been completely funded to date with purpose specific federal and private grants. The 2014-15 base request includes an additional \$4.4 million, including \$3 million in grant funds and \$1.4 million in federal funds. TEA is requesting an additional \$10.7 million through an exceptional item request for the 2014-15 biennium, including \$5.3 million in General Revenue funds, to fund Data Center Services costs related to TSDS, additional software licenses, and additional staff required to implement the project. The exceptional item is not included in these recommendations.

The goal of the TSDS project is to provide a data system to benefit teachers by delivering relevant, timely and actionable student data to educators to continually improve performance; provide a comprehensive, easy to use resource for student data by bringing student information from multiple sources together; and reduce reporting and collection burden to schools. The TSDS capital project is made up of two key components, a voluntary state-sponsored student information system and an education data warehouse. It will be integrated with a separate on-going capital project to update the Public Education Information Management System (PEIMS). The state-sponsored student information system will collect student information from multiple sources, and transmit the information to the education data warehouse which is capable of providing a dashboard. A dashboard utilizes information originated at the student level and aggregates information up to the classroom, campus, and district levels to help improve performance at all levels. The dashboard at the student level will provide information to the educator on a student's attendance, grades, district assessments, student profile, and academic history. The dashboard will highlight trends over time and flag negative trends and highlight students who are not meeting performance goals.

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The education data warehouse will become the primary conduit to submit PEIMS data and is intended to reduce the time districts spend in providing data.

TEA reports that the project is currently being piloted by seven districts and that the system is anticipated to be completely built in fiscal year 2013. The project will continue to roll out, with the final version of the project being available to all districts and charter schools in the 2015-16 school year. The project request during the 2014-15 biennium is to support the continued roll-out of the project. TEA estimates show an annual maintenance cost of approximately \$4.1 million per year following the completion and full roll-out of the system.

The table below shows the current expenditures to date including the requests for the 2014-15 biennium.

TSDS Expenditure History								
Method of Finance	2011	2012	2013	Baseline Request		Exceptional Item		Total Over the Life of the Project to Date
				2014	2015	2014	2015	
<i>General Revenue</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,208,653	\$ 3,847,695	\$ 8,056,348
<i>Private Funds</i>								
Michael and Susan Dell Foundation Grant	\$ 2,459,472	\$ 2,907,382	\$ -	\$ 1,518,208	\$ 1,481,792	\$ -	\$ -	\$ 8,366,854
<i>Federal Funds</i>								
ARRA	\$ 1,080,430	\$ 9,319,842	\$ 7,570,069	\$ -	\$ -	\$ -	\$ -	\$ 17,970,341
Federal Funds	\$ 235,882	\$ 3,033,450	\$ 1,441,533	\$ 1,441,533	\$ -	\$ 1,419,300	\$ 1,180,261	\$ 8,751,959
	\$ 3,775,784	\$ 15,260,674	\$ 9,011,602	\$ 2,959,741	\$ 1,481,792	\$ 5,627,953	\$ 5,027,956	\$ 43,145,502

13. State of Texas Assessments of Academic Readiness (STAAR)

As a result of actions of the Eightieth Legislature, 2007, the state transitioned to a new assessment system called the State of Texas Assessments of Academic Readiness (STAAR), which was first implemented in the 2011-12 school year. The STAAR tests students in grades 3 through 8 in math, reading, science, and social studies and includes 15 end-of-course assessment usually taken between grades 9 and 12.

In June 2012, TEA released the results of the STAAR end-of-course exams from the 2011–12 school year. The typical ninth grader would have taken the following exams: English I Writing, English I Reading, Algebra I, Biology, and World Geography. In addition to these courses, there were exams given to students who are taking courses out of the normal sequence, or who are more advanced than the average ninth grader.

Of the courses typical of a ninth grader, cumulative passing rates (for all administrations) are as follows: Biology (91 percent); Algebra I (84.7 percent); World Geography (84.8 percent); English I Reading (81.2 percent); and English I Writing (72.6 percent). Of the exams that had the highest passing rates, Biology and Algebra, only 37 percent of the questions on each exam needed to be answered correctly in order to receive a passing score for the 2011–12 school year.

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The Level II passing standards are being phased in between the 2011–12 school year and the 2015–16 school year. If the final passing standards had been in place for the 2011–12 school year, the passing rates for the courses typical of a ninth grader would have been: Biology (41 percent); Algebra I (39 percent); World Geography (40 percent); English I Reading (46 percent); English I Writing (34 percent).

Passing standards for STAAR exams in grades 3 through 8 were released in January 2013. All students in grades 3 through 8 were tested on reading and math. The reading passing rates ranged from 75 percent (grade 6) to 80 percent (grade 8); the math passing rates ranged from 68 percent (grades 3 and 4) to 77 percent (grades 5 and 6). The writing test is given to students in grades 4 and 7, and both had passing rates of 71 percent. The science test is given to students in grades 5 and 8 and had passing rates of 73 percent for grade 5 and 70 percent in grade 8. The social studies test is only given in grade 8 and had a passing rate of 59 percent.

The recommendations eliminate General Revenue funding for assessments, a reduction of \$98.4 million, and reallocate \$66.9 million in Federal Funds to other strategies in the agency's budget. The agency is requesting a restoration of these funds and an additional \$22.1 million in General Revenue Funds. The agency reports that this increase of \$22.1 million is required to replace a decrease of \$13.9 million in Federal Funds available to the agency for assessments in the 2014-15 biennium compared to the 2012-13 biennium and to address an increase of \$8.2 million in the 2014-15 biennium in contract costs for administering the STAAR. The agency reports that contract costs are increasing due to the number of end-of-course assessments that will be given in the 2014-15 biennium along with normal student population growth. More end-of-course assessments are anticipated to be given in the upcoming biennium because in fiscal year 2012, only ninth graders took end-of-course assessments, but each subsequent year another grade will be added until fiscal year 2015 when all high school students will be subject to the end-of-course assessments. Additionally, as significant percentages of students fail to pass each end-of-course exam, the costs of administering tests to students who are retaking the exam will increase as well.

14. **Windham School District**

Windham School District (WSD) funding was reduced from \$128.1 million in the 2010-11 biennium to \$95.0 million in the 2012-13 biennium (26 percent reduction). As a result of the reductions, WSD decreased its workforce by 271 FTEs, including 156 teaching positions and 21 principal positions. In order to reduce administrative costs, WSD consolidated from four regions to three regions and closed a total of eight units, with an emphasis on units where offender age averaged 40 or more. WSD had a federal grant from the U.S. Department of Education which recently expired and will reduce their funding by an additional \$2 million in federal funds in fiscal year 2013.

In order to help minimize the impact from the budget reductions, WSD utilized \$2.9 million in fund balances in each fiscal year of the 2012-13 biennium, which allowed WSD to continue funding 59 teaching positions that it would have otherwise had to eliminate. WSD will not have any additional fund balances to draw on in the 2014-15 biennium to continue to fund these positions, as a result, WSD is requesting an exceptional item totaling \$10.6 million, including:

1. \$6.0 million to continue funding 59 teaching positions that were funded in the 2012-13 biennium with fund balances;
2. \$2.0 million for GED testing materials and testing stations in order to be ready for computer-based GED testing beginning in 2014; and
3. \$2.7 million to reinstate literacy services at six prison locations that currently do not have programs.

15. **At-Risk Youth Services Project**

LBB's Texas At-Risk Youth Services Project (ARYSP) explored juvenile delinquency prevention and intervention efforts in Texas and published a report in January 2011. LBB published a follow-up report in January 2013, which provided recommendations to improve the delivery of services to at-risk youth in Texas. Among the recommendations in the follow-up report were to increase General Revenue funding for the Communities in Schools program by \$12.5 million in the 2014-15 biennium to restore funding to the 2010-11 biennial level. This recommendation is included in the TEA budget recommendations.

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16. **Agency Administration**

Agency administration at TEA was reduced from \$169.9 million in the 2010-11 biennium to \$114.3 million in the 2012-13 biennium (32.7 percent reduction). As a result of the reduction, TEA reduced its workforce through Reductions in Force (RIF) and attrition from 1,045.5 FTEs in fiscal year 2011 to 724.8 FTEs in fiscal year 2012 (30.7 percent reduction). In fiscal year 2013, the agency is estimating an average of 765 FTEs, while the agency's FTE cap during this time is 826. In the 2014-15 biennium, the agency is requesting maintaining the FTE cap at 826. Taking current and projected staffing levels into account, the recommendations lower the agency's FTE cap from 826 to 790.

The recommended funding level for agency administration in the 2014-15 biennium is \$247.0 million in All Funds, including \$112.7 million in General Revenue-related Funds, \$75.0 million in Federal Funds, and \$59.3 million in Other Funds. The recommended General Revenue-related funding level in the 2014-15 biennium represents a \$1.6 million decrease, as a result of a \$2.6 million reduction in appropriated fee revenue from the Driver Training and Education Program, \$0.3 million reduction in grants anticipated to be received, and an increase of \$1.4 million related to increased costs to maintain current obligations for the Data Center Services project.

17. **TEA Sunset Staff Report**

The Sunset Advisory Commission adopted recommendations presented in the Sunset Staff Report on TEA. The report includes 13 issues with 42 related key recommendations. Among the more significant recommendations are to transfer the adult education program from TEA to the Texas Workforce Commission; transfer the regulation of private driver training from TEA to the Texas Department of Licensing and Regulation; abolish the State Board for Educator Certification and transfer its powers and duties to the Commissioner of Education; make it easier for TEA to revoke charters for charter schools which fail to meet basic academic or financial accountability standards; and continue the agency for 12 years. The report indicates that no significant fiscal impact is expected from any of the proposed recommendations.

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**Texas Education Agency
FTE Highlights**

Full-Time-Equivalent Positions	Expended 2011	Estimated 2012	Budgeted 2013	Recommended 2014	Recommended 2015
Cap	1,038.8	826.0	826.0	790.0	790.0
Actual/Budgeted	1,045.5	724.8	765.0	NA	NA
<p>In fiscal year 2011, TEA added 21.6 federally funded FTEs exempt from the cap. Actual FTEs under the cap is 14.9</p> <p>In the 2014-15 biennium, TEA is requesting an FTE cap of 826.0, which is equal to the cap for the 2012-13 biennium (see Selected Fiscal and Policy Issue #16).</p>					
Schedule of Exempt Positions (Cap)					
Commissioner of Education	\$186,300	\$186,300	\$215,000	\$186,300	\$186,300

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**Texas Education Agency
Performance Measure Highlights**

	Expended 2011	Estimated 2012	Budgeted 2013	Recommended 2014	Recommended 2015
<ul style="list-style-type: none"> • <i>Four-Year High School Graduation Rate</i> <p><i>Measure Explanation: Percentage of students out of a 9th grade cohort who, in four years' time, graduate from high school.</i></p>	84.3%	85.9%	86.0%	86.1%	86.2%
<ul style="list-style-type: none"> • <i>Five-Year High School Graduation Rate</i> <p><i>Measure Explanation: Percentage of students out of a 9th grade cohort who, in five years' time, graduate from high school.</i></p>	85.1%	88.0%	88.1%	88.2%	88.3%
<ul style="list-style-type: none"> • <i>Four-Year High School GED Rate</i> <p><i>Measure Explanation: Percentage of students out of a 9th grade cohort who received General Educational Development (GED) certificates within four years.</i></p>	1.3%	1.1%	1.1%	1.0%	1.0%
<ul style="list-style-type: none"> • <i>Five-Year High School GED Rate</i> <p><i>Measure Explanation: Percentage of students out of a 9th grade cohort who received General Educational Development (GED) certificates within five years.</i></p>	1.9%	1.6%	1.6%	1.5%	1.5%
<ul style="list-style-type: none"> • <i>Four-Year High School Dropout Rate</i> <p><i>Measure Explanation: Percentage of students out of a 9th grade cohort who, in four years' time, fropout from high school.</i></p>	7.3%	6.8%	6.7%	6.7%	6.6%
<ul style="list-style-type: none"> • <i>Five-Year High School Dropout Rate</i> <p><i>Measure Explanation: Percentage of students out of a 9th grade cohort who, in five years' time, dropout from high school.</i></p>	10.8%	8.6%	8.5%	8.5%	8.4%

Section 4

**Texas Education Agency (TEA)
Performance Review and Policy Report Highlights**

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
Develop a Comprehensive Strategic Plan for Adult Basic Education to Meet State Workforce and Education Goals	422					
1. Include a rider directing TEA, in consultation with the Texas Workforce Investment Council, to develop and implement a comprehensive statewide strategic plan for adult basic education. This plan would address gaps in the adult basic education and literacy system, and would target specific state program goals and strategies.					Rider 62	
Texas At-Risk Youth Services Project: A Second Look (These recommendations are published in a separate report)	1					
1. Amend Rider 23 in the Texas Education Agency's (TEA) FY 2014-15 bill pattern to appropriate \$16,054,520 in General Revenue to Communities in Schools (CIS) in FY 2014 and \$16,054,520 in FY 2015. This appropriation is a \$12.5 million increase in General Revenue over CIS appropriations in the 2012-13 biennium.		(\$12,509,040) (TEA)		GR	Rider 23 (Amended)	
2. Appropriate \$14,356,226 in FY 2014 and \$12,293,047 in FY 2015 in General Revenue to TJJD, Strategy A.1.1, Prevention and Intervention, and reduce appropriations in a like amount in Goal C, Strategies C.1.1 and C.1.2 and a portion of the General Revenue in Strategy C.1.5 at the Department of Family and Protective Services (DFPS).		(\$26,649,273) (TJJD) \$26,649,273 (DFPS)		GR GR		Transfer Funds

Section 4

**Texas Education Agency (TEA)
Performance Review and Policy Report Highlights**

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
3. Include a rider that requires TJJD to allocate no less than \$3,050,000 out of funds appropriated in Strategy A.1.1, Prevention and Intervention for certain competitively procured programs. Those programs must be evidence-based prevention programs, delivered by trained full-time staff, and provide dollar-for-dollar matching funds. This rider would be identical to Rider 31 in DFPS's FY 2014-15 bill pattern. The rider would be deleted from the DFPS bill pattern.						Adopt Rider (TJJD) Delete Rider (DFPS)
4. Include riders in the DFPS and TJJD bill patterns requiring DFPS and TJJD to cooperate/collaborate in transfer of funds.						Adopt Rider (TJJD) Adopt Rider (DFPS)
5. Include a rider requiring LBB approval for transfers out of Strategy A.1.1, Prevention and Intervention.						Adopt Rider (TJJD)
6. Include a rider requiring TJJD to report prevention and intervention expenditures, specific outputs, and outcomes where possible. Require fund recipients to re-apply for funds every two years.						Adopt Rider (TJJD)
Limit the State Cost of School District Participation in Tax Increment Reinvestment Zones	445					
1. Amend statute to suspend the state TIRZ supplement paid to school districts during the 2014-15 biennium, and indefinitely for those districts for whom more than half of their contribution supports school district facility development, and adopt a contingency rider in TEA's bill pattern that suspends the supplement for each year of the 2014-15 biennium.		\$64,000,000		GR		Amend Statute Adopt Contingency Rider

Section 5

Texas Education Agency Rider Highlights

Rider numbers refer to 14-15 numbers.

3. **Foundation School Program Funding.** Updated sum certain appropriation, assumptions, and yields. Added language specifying the Hold Harmless Percentage Reduction at 92.35 percent and the Regular Program Adjustment Factor at 0.98 (See Selected Fiscal and Policy Issue #3). Amended notification requirement related to transfers between Strategies A.1.1, FSP – Operations, and A.1.2, FSP – Facilities to reduce notification period from 45 days prior to transfer to 15 days prior to transfer. Agency requested deletion of this notification.
6. **Windham Schools.** Modify language to remove a reporting requirement of the Windham School District.
8. **Textbooks and Instructional Materials.** Include appropriation authority of any balances held in the Instructional Materials Fund on the last day of the 2012-13 biennium for use in the 2014-15 biennium (see Selected Fiscal and Policy Issue #9).
19. **Estimated Appropriation for Incentive Aid.** Include language providing the authority to transfer from the Foundation School Program if the cost of Incentive Aid exceeds the estimated appropriation.
23. **Communities in Schools.** Eliminate language referencing the Best Buddies program as the recommendations include a dedicated rider for this program (see Rider #61).
25. **Appropriation Limited Revenue Collections.** Include language limiting revenue collected in support of a program to be expended only for that program.
34. **Adult Education.** Modify language to allow the agency to designate an adult education service provider if adult education services are not available in that county. The previous requirement had the agency distribute the funds proportionally to all providers eligible to serve that area. Include language providing unexpended balance authority within the biennium for the Adult Education program.
40. **Use of Federal Discretionary and Consolidated Administrative Funds.** Modify language limiting spending to teacher mentoring, recruitment and retention, and the Student Success Initiative to providing classroom support including teacher quality initiatives, professional development related to the TEKS, and diagnostics and interventions and targeted support to students needing supplemental remediation.
46. **District Awards for Teacher Excellence.** Modify set-asides within the rider to reduce the amount for an educator mentor program from \$10 million to \$2 million and include a set-aside of \$8 million for Project Share to correspond with how the agency is currently funding Project Share (see Selected Fiscal and Policy Issue #11).

Section 5

49. **Student Success Initiative.** Modify language to eliminate references to programs eligible for Student Success Initiative funding to provide the agency with more flexibility in implementing the program (see Selected Fiscal and Policy Issue #10). Also eliminate references to the Reasoning Mind program as the recommendations include a dedicated rider for this program (see Rider #62).
50. **Campus and District Intervention and Turnaround Assistance and Technical Assistance for Charter Schools.** Modify language to include districts as eligible recipients of the intervention and turnaround assistance. Remove the set-aside reserved from this program to develop financial and productivity tools.
53. **Windham School District: Pilot Programs.** Modify language to eliminate references to 1) an interim report to the Eighty-third Legislature on a pilot in computer adaptive intensive math and reading intervention programs; 2) a report on a pilot in evidence-based substance abuse treatment and behavioral health programs; and 3) a report on an investigation on alternative organization structures for the Windham School District.
59. **Best Buddies.** Add new rider requiring the agency to allocate funding for the Best Buddies program, with unexpended balance authority within the biennium. In the 2012-13 biennium, this program was funded through a set-aside in the Communities in Schools rider (see Rider Highlights #24). The recommendation continues funding for Best Buddies at the baseline funding level.
60. **Reasoning Mind.** Add new rider requiring the agency to allocate funding for the Reasoning Mind program, with unexpended balance authority within the biennium. In the 2012-13 biennium, this program was funded through a set-aside in the Student Success Initiative rider (see Rider Highlights #51). The recommendation continues funding for Reasoning Mind at the baseline funding level.
61. **Sunset Contingency.** Add standard rider making appropriations contingent on legislation by the Eighty-third Legislature continuing the agency, pursuant to the Sunset Review Process.
62. **Statewide Strategic Plan for Adult Basic Education.** Add new rider to require agency to work with the Texas Workforce Investment Council to develop a comprehensive statewide strategic plan on adult basic education related to the recommendations from the LBB report: Develop a New Five Year Strategic Plan for Adult Basic Education (see Section 4 #1).

Deleted Riders (*Rider numbers refer to 12-13 numbers*)

11. **Student Testing Program.** Delete rider in alignment with decision to zero-fund the assessment and accountability system. See Selected Fiscal and Policy Issue #13.
38. **Reimbursement for Classroom Supplies.** The agency has not had available funds to reimburse classroom teachers for supplies.
44. **Education Certification Test Development.** The current teacher certification examinations are aligned with the Texas Essential Knowledge and Skills.
47. **Evaluations for General Revenue Programs.** The agency has completed evaluations of its current General Revenue funded programs, and similar reporting requirements for any new programs could be included in the rider specific to that program.

Section 5

50. **Performance Reporting on State Assessments for the 2012-13 Biennium.** The rider directed the agency in how to report performance measures related to the new accountability system as it was being implemented in the 2012-13 biennium, and is therefore, no longer necessary.
51. **Steroid Testing.** Delete rider in alignment with decision to zero-fund the steroid testing program. See Selected Fiscal and Policy Issue #7.
52. **Federal Education Jobs Fund.** The rider directed the acceptance and appropriation of \$830.8 million in federal funds from the Federal Education Jobs Fund that are not anticipated to be available in the 2014-15 biennium.
61. **Public School Counselor Report.** The agency was not able to identify funds to complete the Public School Counselor Report.
63. **Contingency for SB 6.** Recommend deletion of this rider because the legislation was passed.
68. **Contingency for HJR No. 109.** Recommend deletion of this rider because the legislation was passed.

Section 6

**Texas Education Agency
Items not Included in Recommendations - House**

Agency Exceptional Items - In Agency Priority Order

1. Assessment Costs - request to cover the contracted costs for the assessment program through the next biennium. This includes restoration of \$98.4 million in General Revenue funds that were not included in the recommendations and an additional \$22.1 million in General Revenue funds required to replace an anticipated reduction of federal funds associated with providing assessments and an increase in contract costs required to administer the assessments program (see Selected Fiscal and Policy Issue #13).
2. Professional Development and Support - additional funding to support professional development of educators through Project Share. The funding would be focused on implementing instructional strategies relevant to achieving STAAR standards in grades 3-8, meeting the end-of-course standards in high school, and ensuring postsecondary readiness in all core content areas.
3. Agency Administration - restoration of \$2.6 million in General Revenue funding reduced in the recommendations related to driver training and education fees used to supplement the agency's administrative budget (see Selected Fiscal and Policy Issue #16).
4. Information Technology/ Texas Student Data System - additional funding and 24.0 Full-Time Equivalents to procure hosting services, associated software licenses, and staffing costs to support ongoing implementation and support of the Texas Student Data System (see Selected Fiscal and Policy Issue #12).
5. Windham School District - funding request for 59 teachers, GED testing materials and mobile testing stations, and provide literacy services to six prisons that do not currently have any education programs (see Selected Fiscal and Policy Issue #14).

2014-15 Biennial Total	
GR & GR- Dedicated	All Funds
\$ 120,546,031	\$ 120,546,031
\$ 24,000,000	\$ 24,000,000
\$ 2,600,000	\$ 2,600,000
\$ 5,349,723	\$ 10,655,909
\$ 10,612,638	\$ 10,612,638
\$ 163,108,392	\$ 168,414,578

Total, Items Not Included in the Recommendations