

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

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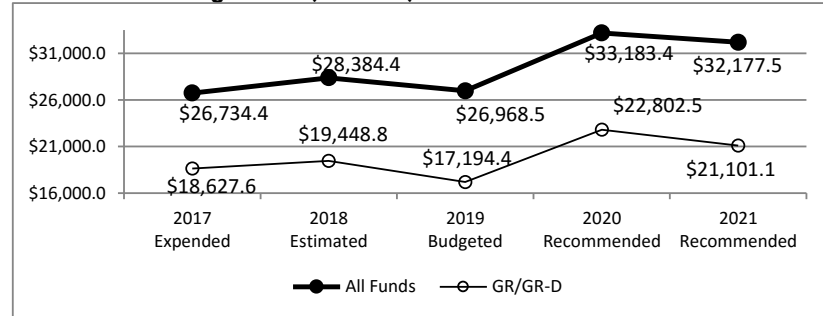
FSP ONLY (LESS SET-ASIDES)				
Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$34,619,200,000	\$41,975,500,000	\$7,356,300,000	21.2%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$34,619,200,000	\$41,975,500,000	\$7,356,300,000	21.2%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$8,100,800,000	\$10,626,200,000	\$2,525,400,000	31.2%
All Funds	\$42,720,000,000	\$52,601,700,000	\$9,881,700,000	23.1%

NON-FSP PROGRAM AND ADMINISTRATIVE BUDGET				
Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$2,024,021,464	\$1,928,174,300	(\$95,847,164)	(4.7%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$2,024,021,464	\$1,928,174,300	(\$95,847,164)	(4.7%)
Federal Funds	\$10,494,397,537	\$10,699,073,317	\$204,675,780	2.0%
Other	\$114,483,678	\$131,983,678	\$17,500,000	15.3%
All Funds	\$12,632,902,679	\$12,759,231,295	\$126,328,616	1.0%

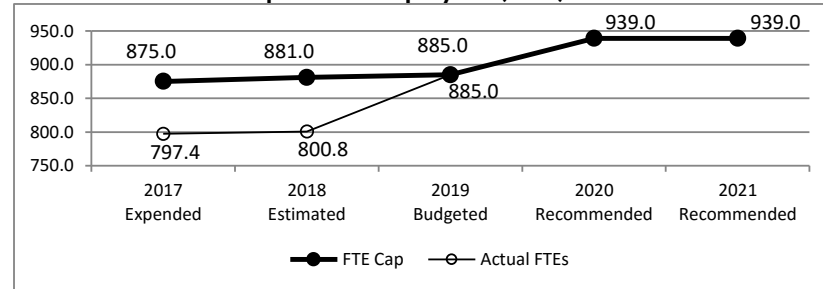
TEA TOTAL				
Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$36,643,221,464	\$43,903,674,300	\$7,260,452,836	19.8%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$36,643,221,464	\$43,903,674,300	\$7,260,452,836	19.8%
Federal Funds	\$10,494,397,537	\$10,699,073,317	\$204,675,780	2.0%
Other	\$8,215,283,678	\$10,758,183,678	\$2,542,900,000	31.0%
All Funds	\$55,352,902,679	\$65,360,931,295	\$10,008,028,616	18.1%

The bill pattern for this agency (2020-21 Recommended) represents an estimated 63.8% of the agency's estimated total available funds for the 2020-21 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



Agency Budget and Policy Issues and/or Highlights

House Bill 1 includes an additional \$9.0 billion in General Revenue Funds contingent on enactment of legislation that increases the state share of the Foundation School Program (FSP), enhances district entitlement, reduces recapture, and provides local property tax relief, while maintaining an equitable system of school finance. House Bill 1 includes updates to major FSP budget drivers including property value growth, enrollment growth, and the Austin ISD yield. House Bill 1 includes a total of \$7.4 billion increase in General Revenue Funds, and an increase of \$2.5 billion in Other Funds attributable to projected increases in revenues from the Property Tax Relief Fund and recapture payments.

House Bill 1 decreases funding for Non-FSP Program and Administration by \$95.8 million in General Revenue Funding, primarily attributable to a \$166.7 million decrease in funding for instructional materials and technology. This reduction is partially offset by \$79.7 million increase in General Revenue for various programs, including \$50.5 million in General Revenue for Special Education Supports.

House Bill 1 provides \$54.5 million in All Funds for the Safe & Healthy Schools Initiative.

**Texas Education Agency
Summary of Funding Changes and Recommendations - House**

Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
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SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):

FOUNDATION SCHOOL PROGRAM (FSP)							
(A)	Additional Foundation School Program funds contingent on enactment of legislation increasing the state share, enhancing school district entitlement, reducing recapture, and providing tax relief.	\$9,000.0	\$0.0	\$0.0	\$0.0	\$9,000.0	Rider
(B)	Maintenance and Operations: General Revenue Funds are projected to decrease due primarily to the savings from projected property value growth, and Method of Finance Shifts due to projected increases in Other Funds (including Recapture Revenue and the Property Tax Relief Fund) partially offset by the cost of enrollment growth, the cost of the Austin ISD yield growth, and other adjustments. See Selected Fiscal and Policy Issue #2.	(\$1,649.9)	\$0.0	\$0.0	\$2,525.4	\$875.5	A.1.1
(C)	Facilities: Biennial costs for facilities are projected to increase, primarily due to the annualization of increased facilities funding provided in fiscal year 2019.	\$6.2	\$0.0	\$0.0	\$0.0	\$6.2	A.1.2
FSP SIGNIFICANT Funding Changes and Recommendations (in millions)		\$7,356.3	\$0.0	\$0.0	\$2,525.4	\$9,881.7	

NON-FSP PROGRAMS AND ADMINISTRATION							
(D)	Funding for the Technology and Instructional Materials Allotment results in a decrease of \$166.7 million from 2018-19 base amounts, primarily attributable to \$169.6 million in 2016-17 unexpended balances included in 2018-19 base.	(\$166.7)	\$0.0	\$0.0	\$0.0	(\$166.7)	B.2.1
(E)	Decrease of \$25.0 million in one-time funding from Economic Stabilization Fund for E-Rate program.	\$0.0	\$0.0	\$0.0	(\$25.0)	(\$25.0)	B.2.1
(F)	Safe and Healthy Schools Initiative	\$12.0	\$0.0	\$0.0	\$42.5	\$54.5	B.2.2, B.3.2, B.3.5
(G)	Special Education Supports	\$50.5	\$0.0	\$0.0	\$0.0	\$50.5	A.2.3, B.3.5
(H)	Communities in Schools	\$10.0	\$0.0	\$0.0	\$0.0	\$10.0	A.2.4
(I)	Adult Charter School	\$5.5	\$0.0	\$0.0	\$0.0	\$5.5	A.2.1
(J)	Texas Advanced Placement Initiative	\$1.7	\$0.0	\$0.0	\$0.0	\$1.7	A.2.1

**Texas Education Agency
Summary of Funding Changes and Recommendations - House**

Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
NON-FSP PROGRAMS AND ADMINISTRATION							
(K)	Agency Operations, Administration, and Information Systems Technology: Expiration of private grants, elimination of one-time funding, and reduction to account for discretionary transfer of funds under Rider 25.	(\$7.7)	\$0.0	\$0.0	\$0.0	(\$7.7)	A.2.1, B.3.2, B.2.4, B.3.5
(L)	Federal Funds: Increased funding for School Breakfast, School Lunch, and other programs, partially offset by expiration of Hurricane Harvey grant and decreased funding for other federal programs.	\$0.0	\$0.0	\$204.7	\$0.0	\$204.7	A.2.1, A.2.2, A.2.4, B.2.1, B.2.3
(M)	Reduction in transfer from TEA to the Texas Juvenile Justice Department due to declining populations in secure juvenile facilities.	(\$1.1)	\$0.0	\$0.0	\$0.0	(\$1.1)	B.2.2
NON-FSP SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$95.8)	\$0.0	\$204.7	\$17.5	\$126.4	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$79.7	\$0.0	\$204.7	\$42.5	\$326.9	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$175.5)	\$0.0	\$0.0	(\$25.0)	(\$200.5)	As Listed
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$7,260.5	\$0.0	\$204.7	\$2,542.9	\$10,008.1	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$9,085.9	\$0.0	\$204.7	\$2,567.9	\$11,858.5	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$1,825.4)	\$0.0	\$0.0	(\$25.0)	(\$1,850.4)	As Listed

NOTE: Totals may not sum due to rounding.

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

1. Additional \$9.0 billion in General Revenue Funds Contingent on Enactment of Legislation.

House Bill 1 adds \$9.0 billion in General Revenue Funds above the amount estimated to be required to fund the 2020-21 current law FSP entitlement, contingent on the enactment of legislation that increases the state share of the FSP, enhances district entitlement, reduces recapture, and provides local property tax relief, while maintaining an equitable system of school finance.

2. Foundation School Program Major Budget Drivers Assumptions and Yields

		District Property Values		
		Value Change	Budget Years Affected	
CPA Projections	TY15:	+4.32%	TY15	
	TY16:	+4.96%	TY16	
	TY17:	+7.11%	TY17	
	TY18:	+7.04%	TY18	
	TY19:	+6.19 %	TY19	
	TY20:	+4.07%	TY20	
			FY16	
			FY17	
			FY18	
			FY19	
			FY20	
			FY21	
			FY22	

District Property Values (DPV)

- The Comptroller projects strong property value growth primarily due to oil and natural gas properties and a steadily growing housing market.
- Under current law, DPV growth reduces the level of state aid needed to meet entitlement.

Tax Effort

Assumption: On a statewide basis, approximately 40 districts will successfully pass tax ratification elections each year, drawing roughly \$40 million in additional state aid in FY2020 and \$80 million in FY2021. Currently, 430, or 42 percent, of school districts have adopted the maximum rate of \$1.17. About 41% of taxing districts (419) have adopted M&O rates of \$1.04.

Yields

Basic Allotment: \$5,140 (no change)

Equalized Wealth Level: \$514,000 (no change)

Austin ISD Yield: \$126.88 per penny per WADA in FY2020 and \$135.92 in FY2021.

Statute establishes the minimum Basic Allotment at \$4,765, but allows a higher Basic Allotment to be established in the GAA. The Basic Allotment has been set at \$5,140 since fiscal year 2016. House Bill 1 continues the Basic Allotment at the same level. 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), are projected to increase to \$126.88 per penny per WADA in FY2020 and \$135.92 per penny per WADA in FY2021, up from \$99.41 in FY 2018 and \$106.28 in FY 2019.

Based on Tax Year 2018 Travis Central Appraisal District certified values and TEA's projected student counts for Austin ISD, robust property value growth combined with a declining student population produces a significant increase in Austin ISD-based yield. An updated yield calculation will be made when revised projections are received in March 2019.

Student Growth		
	Number of Students	Rate of Growth
FY15	75,087 ADA	1.57%
FY16	69,392 ADA	1.43%
FY17	47,096 ADA	0.96%
FY18	32,741 ADA	0.66%
FY19	64,647 ADA	1.25%
FY20	65,045 ADA	1.28%
FY21	65,880 ADA	1.28%

TEA Projections

Student Growth

TEA projects growth in compensatory education (1.94%), bilingual education (3.34%), career & technical education (5.64%), FTEs served in special education settings (3.6%), and special education mainstream ADA (4.7%).

10-year average ADA growth is 1.49%.

In the 2020-21 biennium, an annual increase of 65,000 ADA is estimated to roughly translate to an increase of 120,000 weighted ADA (WADA) per year. With a statewide average revenue of about \$6,317 per WADA for the biennium, this increase generates an additional ~\$750 million in state cost per cohort per year.

Please note, updated projections will be received in February and March 2019.

Driver	Agency	Statutory Deadline
ADA, Special Program ADA, and FTEs	TEA	October 1 - even year March 1 - odd year
Tax Rate of Each District	CPA	February 1 - each year
Total Taxable Value in State for Following Biennium	CPA	October 1 - even year March 1 - odd year

FSP Items Specified in General Appropriations Act

Item	Rider	Appropriated		House Bill 1	
		FY2018	FY2019	FY2020	FY2021
Basic Allotment	3	\$5,140	\$5,140	\$5,140	\$5,140
Tax Rate Compression Percentage	3	66.67%	66.67%	66.67%	66.67%
Instructional Facilities Allotment	3	\$0	\$0	\$0	\$0
New Instructional Facilities Allotment	3	\$23.75 million	\$23.75 million	\$23.75 million	\$23.75 million
Rapid Decline of Property Values	3	\$50 million	\$25 million	\$37.5 million	\$37.5 million
Transportation Allotment	5	Transportation allotment elements are established by rider #5			

- House Bill 1 funds the New Instructional Facilities Allotment and Rapid Decline of Property Values is funded at 2018-19 biennial levels.
- House Bill 1 does not include appropriations for Instructional Facilities Allotment (IFA) program awards to be made in 2020-21, but continue to fully fund IFA awards made in previous biennia.

3. 2018-19 Base Adjustment and 2020-21 Current Law Costs

	GR	All Funds
2018-19 FSP APPROPRIATION (LESS SET-ASIDES)	\$34,773	\$42,938
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2018-19 All Funds BASE ADJUSTMENTS FROM 2018-19 APPROPRIATED (in millions)		
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New Costs/(Savings)		
1 Updated Drivers. Primarily due to student enrollment in ISDs being lower than projected.	(\$415)	(\$415)
2 Harvey. Increased costs due to Hurricane Harvey (see Selected Fiscal and Policy Issue #5).	\$271	\$271
3 Settle-Up, Prior Year and Other Adjustments. Primarily additional costs incurred due to Hurricane Harvey.	(\$74)	(\$74)
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TOTAL, 2018-19 ALL FUNDS COST ADJUSTMENT OVER 2018-19 APPROPRIATION	(\$218)	(\$218)
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MOF Shifts		
3 Property Tax Relief Fund (PTRF). 2018-19 revenue lower than appropriated, increasing GR draw.	\$163	\$0
4 Recapture. Revenue higher than appropriated, decreasing GR draw.	(\$98)	\$0
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Total, MOF Shifts	\$65	\$0
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TOTAL, 2018-19 BASE ADJUSTMENTS	(\$153)	(\$218)
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Total General Revenue-related MOF Shifts		
Available School Fund	\$45	
Lottery Revenue	\$173	
<u>Foundation School Fund No. 193</u>	<u>(\$372)</u>	
Total	\$153	
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2018-19 FSP BASE (ADJUSTED)	\$34,619	\$42,720

Payments to districts are subject to settle-up. State overpayments are recouped in subsequent years; state underpayments are owed in September.

*Totals may not sum due to rounding

2020-21 FSP COSTS OVER 2018-19 BIENNIAL BASE (ADJUSTED) (in millions)		
Costs	GR	All Funds
1 Enrollment Growth. 65,000 additional ADA in each fiscal year.	\$2,400	\$2,400
2 District Property Value Change. Projected DPV growth of 7.04% in Tax Year 2018, 6.19% in Tax Year 2019, and 4.07% in Tax Year 2020 results in reduced state costs.	(\$5,050)	(\$5,050)
3 Increase in Austin ISD Yield Growth. Rapid property value growth along with a decreasing student population in the Austin ISD has increased the Austin ISD yield applied to golden pennies from \$99.41 in fiscal year 2018 and \$106.28 in fiscal year 2019 to \$126.88 in fiscal year 2020 and \$135.92 in fiscal year 2021.	\$2,200	\$2,200
4 Ongoing Cost of 2018-19 Formula Changes. Biennialization of the increase in the Small-District Adjustment, increase in Existing Debt Allotment Yield, and Charter School Facilities Funding.	\$200	\$200
5 Harvey. Increased mandatory costs due to Hurricane Harvey (see Selected Fiscal and Policy Issue #5)	\$365	\$365
6 Special Education. Projected increase in special education population in Fiscal Years 2020 and 2021 (see Selected Fiscal and Policy Issue #6). Note: Settle-up costs due to increased special education population increases are shown in Settle-Up item below.	\$882	\$882
7 Settle Up. The 2020-21 biennium is projected to have higher settle-up costs than the 2018-19 biennium, primarily due to rising district property value collections, and the projected increase in special education students in Fiscal Year 2019 (see Selected Fiscal and Policy Issue #6).	\$120	\$120
8 Enrichment Tax Effort and Prior Year and Other Adjustments. Recommendation assumes a decrease of \$160 million in additional state cost due to the combined effects of tax effort increase and cost for prior year adjustments for DPV, collections, and payments associated with local economic development agreements.	(\$235)	(\$235)
MOF Shifts		
6 Recapture Revenue over base due to a projected increase in property values.	(\$2,354)	\$0
7 20-21 PTRF increase over base due to projected economic growth.	(\$172)	\$0
TOTAL 2020-21 COSTS OVER 2018-19 BASE	(\$1,644)	\$882
Total General Revenue-related MOF Shifts		
Available School Fund	\$102	
Lottery Revenue	\$80	
<u>Foundation School Fund No. 193</u>	<u>(\$1,826)</u>	
Total	(\$1,644)	
Total General Revenue-related MOF Shifts		
2020-21 FSP CURRENT LAW COST		
*Totals may not sum due to rounding	\$33,010	\$43,636

4. **State Share of FSP Entitlement: Current Law Compared to House Bill 1.** The state share of the total FSP entitlement has decreased in recent years, primarily due to strong property value growth. The below figures compare the state share of FSP under current law and with the additional funding included in House Bill 1 as Introduced.

Current Law State and Local Share of FSP Entitlement (in millions)

Fiscal Year	Local - Retained	Local - Recaptured	State	Total	% State Share
2014	\$21,603.7	\$1,212.8	\$18,772.6	\$41,589.1	45.1%
2015	\$22,939.4	\$1,492.6	\$18,779.1	\$43,211.0	43.5%
2016	\$24,019.2	\$1,587.5	\$19,873.3	\$45,480.0	43.7%
2017	\$25,223.7	\$1,721.9	\$19,388.2	\$46,333.8	41.8%
2018	\$26,788.6	\$2,059.2	\$19,144.4	\$47,992.2	39.9%
2019	\$28,274.9	\$2,610.0	\$18,731.9	\$49,616.8	37.8%
2020	\$29,402.7	\$3,234.9	\$18,231.5	\$50,869.0	35.8%
2021	\$30,116.4	\$3,783.8	\$17,936.9	\$51,837.1	34.6%

NOTE:

(1) Fiscal years 2019-21 are estimated.

(2) Local Retained amounts shown include local property tax revenue retained by local school districts, while Local Recaptured refers to recapture revenue remitted to the state pursuant to Chapter 41 of the Education Code.

(3) Local Retained includes maintenance and operations (M&O) and interest and sinking (I&S) property tax collections statutorily eligible for participation in the FSP.

**House Bill 1 State and Local Share of FSP Entitlement (in millions)
Including \$9.0 Billion of General Revenue Funds Above Current Law**

Fiscal Year	Local - Retained	Local - Recaptured	State	Total	% State Share
2020	\$29,402.7	\$3,234.9	\$22,731.5	\$55,369.0	41.1%
2021	\$30,116.4	\$3,783.8	\$22,436.9	\$56,337.1	39.8%

NOTE:

(1) Fiscal years 2020-21 are estimated.

(2) Local Retained amounts shown include local property tax revenue retained by local school districts, while Local Recaptured refers to recapture revenue remitted to the state pursuant to Chapter 41 of the Education Code.

(3) Fiscal years 2020-21 include \$4.5 billion per fiscal year in additional state aid pursuant to Rider 77, Additional Foundation School Program Funds for Increasing the State Share, Enhancing School District Entitlement, Reducing Recapture, and Providing Tax Relief.

5. Hurricane Harvey

Estimated required costs attributable to Harvey total \$907 million in fiscal years 2018-2021, with \$271.3 million realized and incorporated into the adjusted 2018-19 base, an additional \$636 million in fiscal years 2020 and 2021 included in House Bill 1. For an explanation of the interaction between tax year and budget years, refer to the District Property Values graphic with green boxes in Selected Fiscal and Policy Issue #2 and the additional analysis on property tax issues in Appendix G.

Mandatory FSP Costs of Hurricane Harvey (in millions)

Item	FY 18	FY 19	FY 20	FY 21	Total
1 Compensatory Education	\$103.0	\$44.0	-	-	\$147.0
2 ADA Hold Harmless	\$13.0	\$76.1	-	-	\$89.1
3 Ch. 41 Facilities Remediation	-	\$30.0	-	-	\$30.0
4 TY 17 Reappraisal	-	\$5.2	-	-	\$5.2
5 TY 18 DPV Impact (for districts that reappraised)	-	-	\$131.7	-	\$131.7
6 TY 18 DPV Impact (for districts that did not reappraise)	-	-	\$292.3	-	\$292.3
7 TY 19 DPV Impact	-	-	-	\$212.0	\$212.0
Total	\$116.0	\$155.3	\$424.0	\$212.0	\$907.3

Options for Further Legislative Consideration

Legislative discussions have included the option of providing additional Harvey-related funding in addition to the state costs required under current law. Estimates of these optional costs are shown below. The Legislature could choose to fund these items through either a supplemental appropriation or by an additional appropriation in the 2020-21 General Appropriations Act.

Item	Total
8 Ch 42 Facilities Remediation	\$60.0
9 District Loss Due to Decreased Property Tax Collections	\$574.2
Total	\$634.2

6. Special Education Allotment

House Bill 1 includes an additional \$1.05 billion above TEA's October 2018 student enrollment projections for an increase of special education students equal to 0.5% of the total student population per year with costs for fiscal years 2019, 2020, and 2021. Current estimates of the special education population equals 9.2 percent of the overall student population in fiscal year 2018.

In January 2018, the United States Department of Education (USDE) released the findings of monitoring activities relating to TEA's compliance with the Individuals with Disabilities Education Act (IDEA) and cited specific areas where Texas failed to comply with federal law. In response, TEA issued a Special Education Strategic Plan in April 2018 to address the corrective actions required by USDE. As a result of these actions, it is anticipated that the special education student population will rise dramatically in the coming years, beginning in the current 2018-19 school year and continuing to grow as capacity at school district increases. Since districts are paid based on estimates, the additional special education population identified and served in the 2018-19 school year, will not be accounted for in the FSP until the settle-up process is completed in the fall of 2019 (fiscal year 2020). Due to settle-up being due on these students in fiscal year 2020, and updated estimates that will be provided by TEA in March 2019, it is assumed that three years of additional special education funding will need to be budgeted in the 2020-21 biennium.

7. Recapture Analysis

House Bill 1 includes estimated 2020-21 recapture revenue of \$7.02 billion, a \$2.35 billion increase over 2018-19 levels. House Bill 1 changes the description of recapture revenue in the agency's Method of Financing listing from "Appropriated Receipts" to "Recapture Payments – Attendance Credits" to increase clarity and transparency.

In an effort to address inequities among school districts in terms of access to revenue for public education, the Texas Education Code, Chapter 41, requires school districts with local property values per weighted student above statutorily-established Equalized Wealth Levels (EWL) to exercise one of five options to reduce property wealth per WADA. Most school districts subject to recapture opt to remit tax revenues associated with property value above the EWL directly to the state, through a process called recapture. Recapture revenue is only used as a method of financing the state's FSP obligations, and is not used for any other non-FSP related appropriation.

The EWL applicable to a district's compressed M&O tax levy is statutorily tied to the \$5,140 basic allotment and is therefore established at \$514,000 per WADA in each fiscal year of the 2018-19 biennium. The EWL applicable to any copper pennies a district opts to levy in Tier 2 is \$319,500. Revenues associated with golden pennies levied in Tier 2 are not subject to recapture, meaning that districts retain 100 percent of those tax revenues locally.

Analysis:

For fiscal years 2006 through 2021, the following table provides the total recapture revenue, the percentage of recapture as a percentage of total M&O revenue, and the total number of districts paying recapture. Although the total amount of recapture revenue has grown in the 16 years shown, the percentage of total M&O revenue that recapture revenue composed has stayed within a general range of 3 to 5 percent until fiscal year 2019. In fiscal year 2019, recapture revenue is projected to be 6 percent of total M&O revenue, and grow to 8 percent of total M&O revenue in fiscal year 2021. The 16-year average of recapture as a percent of total M&O revenue is 4.4 percent.

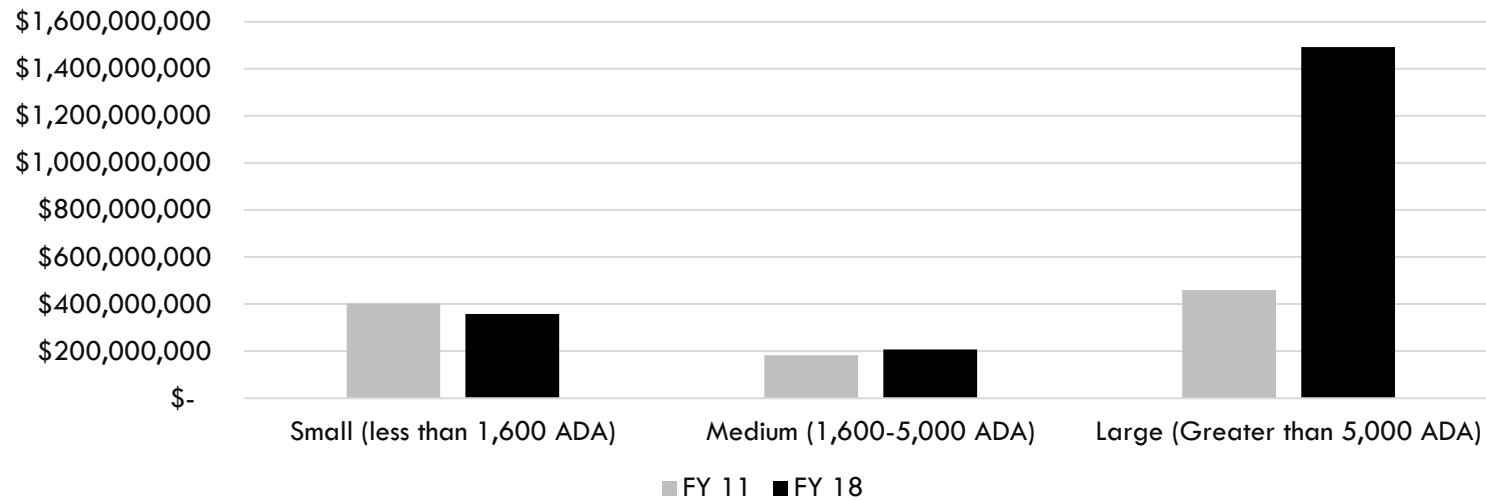
Tier 1 and Tier 2 Recapture

Fiscal Year	Total Recapture Paid (in millions)	Recapture as a Percent of Total M&O Revenue	Total Districts Paying Recapture at Tier 1 Level	Total Districts Paying Recapture Including Tier 1 and Tier 2	Percent of Total ADA	Percent of Total WADA
2006	\$1,305.5	5%	142	142	12.5%	11.9%
2007	\$1,426.5	5%	150	150	12.7%	12.2%
2008	\$1,140.4	4%	163	178	13.2%	12.7%
2009	\$1,463.5	4%	182	191	17.5%	17.0%
2010	\$1,051.2	3%	152	201	11.4%	11.0%
2011	\$1,043.8	3%	162	213	12.6%	12.2%
2012	\$1,086.8	3%	168	222	13.6%	13.1%
2013	\$1,068.4	3%	152	216	12.2%	11.8%
2014	\$1,212.8	3%	150	226	12.3%	11.9%
2015	\$1,492.6	4%	158	241	14.1%	13.6%
2016	\$1,587.5	4%	166	231	14.7%	14.6%
2017	\$1,721.9	4%	155	234	16.6%	16.4%
2018*	\$2,059.2	5%	129	191	18.7%	18.1%
2019*	\$2,610.0	6%	144	214	23.4%	22.8%
2020*	\$3,234.9	7%	164	238	25.4%	24.7%
2021*	\$3,783.8	8%	177	259	26.8%	25.9%

* Fiscal years 2018 through 2021 are estimated

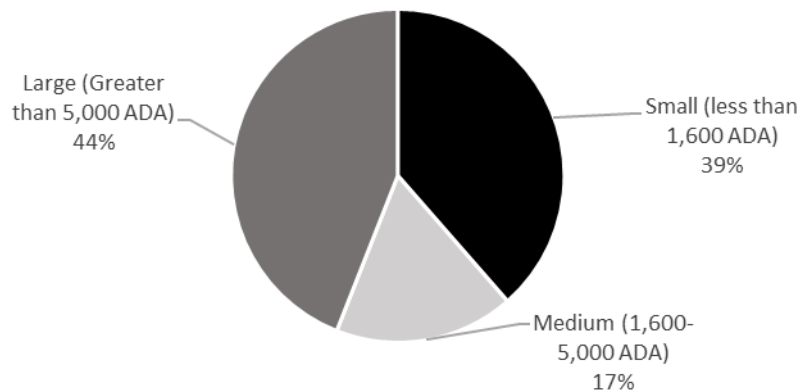
Note: No assumed impact from the \$9.0 billion contingency appropriation, which may decrease recapture in fiscal years 2020 and 2021, depending on implementation.

Comparison of Total Amount of Recapture Paid by Size of School in FY 11 and FY 18

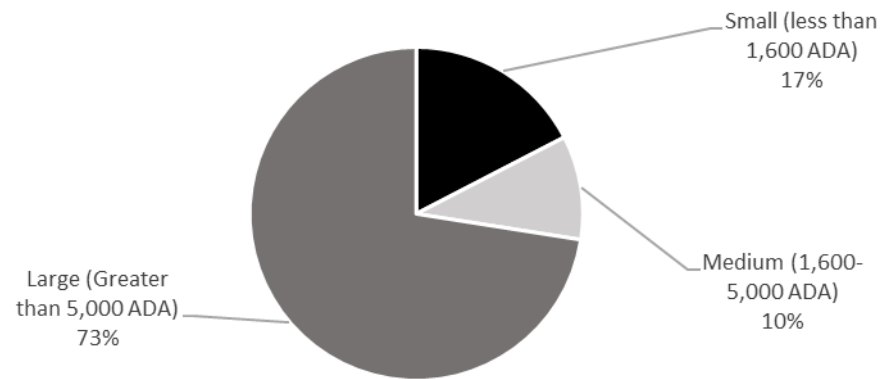


The graphs on this page provide a comparison of the total amount of recapture paid by district size in fiscal years 2011 and 2018. The categories include small districts, with an ADA of 1,600 or less; medium districts, with an ADA of 1,600-5,000; and large districts, with an ADA greater than 5,000. In this analysis, small districts experienced a decline in recapture during this time period, medium districts experienced a modest increase, **while the majority of the increase in recapture can be attributed to large districts, with a 225% increase in recapture amounts over 2011 levels.** The large increase in recapture payments remitted by large districts is likely due to rapidly growing property values in the affected districts, particularly in urban and suburban areas, mixed with a student population that is not experiencing corresponding robust growth. For example, of the 38 large districts that paid recapture in fiscal year 2018, 34.2 percent had experienced declining ADA in fiscal year 2018, while the same was only true of 15.4 percent of large districts in fiscal year 2011.

Fiscal Year 2011, Share of Total Recapture Paid by District Size
Total: \$1.045 billion



Fiscal Year 2018, Share of Total Recapture Paid by District Size
Total: \$2.059 billion



8. **FSP Formula Items Established by Appropriation**

Items established by appropriation which are not currently funded:

Item	Description	Program History		
		Biennium Last Funded	Appropriated/ Authorized Amount	Number of Districts Funded
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

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 IFA is \$35 per ADA per penny of tax effort for eligible debt service, and the current yield for EDA is \$37 per ADA per penny of tax effort for eligible debt service. The IFA yield was last increased in 1999 and was set at \$35. The EDA yield was increased by the Eighty-fifth Legislature by a statewide total of \$60 million in state aid above the previous yield of \$35.

Currently there are 401 districts receiving state aid through the EDA or IFA programs. The following table includes the number of districts receiving state aid through one of these programs and the percent of districts receiving state aid through at least one of these programs compared to all districts that have eligible debt service.

Districts Receiving State Aid from IFA or EDA				
	2018	2019	2020	2021
Number of Districts	405	401	377	344
Percent of All Districts with Eligible Debt Service Receiving State Aid	47.3%	47.5%	44.2%	40.2%

9. School District Adopted M&O Rate and Tax Rate Election (TRE) Statistics

Fiscal Year	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19*
Number of Districts with Taxing Authority	1,024	1,021	1,020	1,019	1,019	1,018	1,018	1,018
Number of Districts at \$1.17 M&O Cap	250	247	288	285	329	370	399	430
Number of Districts Between \$1.04 and \$1.17	55	73	65	88	84	87	109	129
Number of Districts at \$1.04	627	609	572	557	533	500	469	419
Number of Districts Between \$1.00 and \$1.04	43	38	41	35	33	29	22	22
Number of Districts Below \$1.00	49	54	54	54	40	32	19	18
% of Districts at \$1.17 Cap	24%	24%	28%	28%	32%	36%	39%	42%
% Districts Between \$1.04 and \$1.17	5%	7%	6%	9%	8%	9%	11%	13%
% of Districts at \$1.04	61%	60%	56%	55%	52%	49%	46%	41%
% Districts Between \$1.00 and \$1.04	4%	4%	4%	3%	3%	3%	2%	2%
% Districts Below \$1.00	5%	5%	5%	5%	4%	3%	2%	2%
Number of Successful TREs	32	37	39	24	37	44	37	51

*Data for FY19 was obtained through LBB data collection. Official Tax Year 2018 (FY19) adopted tax rates will be provided by the Comptroller in February 2019.

10. Significant General Revenue Funding Changes for Non-FSP Programs and Administration from the 2018-19 Base

House Bill 1 includes \$1,926.5 million in General Revenue Funds for Non-FSP Programs and Administration, a 4.8 percent decrease from the 2018-19 base. This decrease is primarily attributable to a \$166.7 million reduction in funding for the Technology and Instructional Materials Allotment.

For most programs, House Bill 1 funding levels are equivalent to 2018-19 base amounts and do not differ from agency requested amounts, which are largely based on 2018-19 base funding levels. Significant exceptions include the following:

- **School Safety:** House Bill 1 includes \$54.5 million in All Funds for TEA's new Safe and Healthy Schools Initiative, including \$42.5 million in Other Funds from the Economic Stabilization Fund and \$12.0 million in General Revenue Funds (see Selected Fiscal and Policy Issue # 12);
- **Special Education:** House Bill 1 includes \$50.5 million in General Revenue Funds for the new Special Education Supports Initiative to provide grants for compensatory services to students in accordance with the federal Individuals with Disabilities Education Act (see Selected Fiscal and Policy Issue # 13);
- **Communities in Schools:** House Bill 1 includes an additional \$10.0 million in General Revenue Funds;
- **Adult Charter School:** House Bill 1 includes an additional \$5.5 million in General Revenue Funds;
- **Texas Advanced Placement Initiative:** House Bill 1 includes an additional \$1.7 million in General Revenue Funds;
- **Instructional Materials Allotment:** House Bill 1 includes \$1,106.0 million for the Technology and Instructional Materials Fund (Fund 3), a decrease of 12.8 percent from the 2018-19 base funding level (see Selected Fiscal and Policy Issue #11). This would provide a level of instructional materials funding equivalent to fifty percent of the estimated transfer made by the State Board of Education from the Permanent School Fund to the Available School Fund.
- **Agency Administration:** Funding for agency administration (excluding State Board for Educator Certification and Certification Exam Administration) would be \$99.0 million in General Revenue Funds, a decrease of 6.4 percent from the 2018-19 base funding level. This decrease is in line with the agency's request and is largely attributable to the expiration of private grants and the expiration of one-time funding for cybersecurity that was excluded from the agency's base. Funding levels for administrative strategies are as follows:
 - **Agency Operations:** \$44.1 million in General Revenue Funds, a decrease of \$1.2 million, or 2.7 percent from the 2018-19 base funding level.
 - **Central Administration:** \$14.8 million in General Revenue Funds, a decrease of \$1.2 million, or 7.7 percent from the 2018-19 base funding level.
 - **Information Systems Technology:** \$40.2 million in General Revenue Funds, a decrease of \$4.3 million, or 9.6 percent from the 2018-19 base funding level.
- **FSP Transfer:** TEA is authorized by rider to transfer up to \$8.0 million in each fiscal year of the biennium from FSP to non-FSP programs. House Bill 1 includes reductions of \$0.9 million in Strategy A.2.1 in the 2020-21 biennium from Fund 193. These reductions account for the discretionary transfer of funds under Rider 25 to support the following programs in the 2018-19 biennium: Academic Decathlon, SBOE Online Tool, and TEKS Revision.
- **FSP Funding for the Texas Juvenile Justice Department:** House Bill 1 includes \$8.0 million in General Revenue Funds, a decrease of \$1.1 million, or 12.1 percent. This reduction is attributable to declining populations in secure juvenile facilities.

The following two pages provide a full listing of funding levels for TEA's Non-FSP Programs and Administration for 2020-21, including a comparison to 2018-19 base amounts.

TEA: Non-FSP Programs and Administration, General Revenue (in millions)					
Program	2018-19 Biennium	2020-21 House Bill 1 (Total)	2020-21 House Bill 1 (Change)	2020-21 House Bill 1 (Percent Change)	Notes
Funding for Districts and Students					
Safe and Healthy Schools	-	\$12.0	\$12.0	N/A	See Selected Fiscal and Policy Issue #12
Special Education Supports	-	\$50.5	\$50.5	N/A	See Selected Fiscal and Policy Issue #13
Student Success Initiative/Community Partnerships	\$11.0	\$11.0	-	-	See Appendix G
TX Advanced Placement	\$14.6	\$16.3	\$1.7	11.6%	
Pathways in Technology ECHS	\$5.0	\$5.0	-	-	See Appendix G
Texas Science, Technology, Engineering and Math	\$3.0	\$3.0	-	-	
Reading Excellence Team Pilot	\$1.4	\$1.4	-	-	See Appendix G
Reading-to-Learn Academies	\$5.5	\$5.5	-	-	See Appendix G
Literacy Achievement Academies	\$9.0	\$9.0	-	-	See Appendix G
Math Achievement Academies	\$9.0	\$9.0	-	-	See Appendix G
Texas Gateway and Online Resources	\$15.0	\$15.0	-	-	See Appendix G
Early College High School	\$6.0	\$6.0	-	-	
Gifted and Talented	\$0.9	\$0.9	-	-	
Adult Charter School	\$2.0	\$7.5	\$5.5	275.0%	
Academic Decathlon	\$0.4	\$0.0	(\$0.4)	(100.0%)	Removal of FSP discretionary transfer
SBOE Online Tool	\$0.1	\$0.0	(\$0.1)	(100.0%)	Removal of FSP discretionary transfer
Early Childhood School Readiness	\$3.5	\$3.5	-	-	See Appendix G
Early Childhood Education	\$1.0	\$1.0	-	-	
TEKS Review and Revision	\$0.4	\$0.0	(\$0.4)	(100.0%)	Removal of FSP discretionary transfer
Campus Turnaround Team	\$2.9	\$2.9	-	-	
Incentive Aid	\$2.0	\$2.0	-	-	
FitnessGram	\$2.0	\$2.0	-	-	
Educator Quality and Leadership	\$29.0	\$29.0	-	-	See Appendix G
Miscellaneous	\$2.2	\$2.2	-	-	
Subtotal	\$125.90	\$194.70	\$68.80	54.65%	
Instructional Materials					
Instructional Materials	\$1,248.2	\$1,081.4	(\$166.7)	(13.4%)	See Selected Fiscal and Policy Issue #11
Open Source Instructional Materials	\$20.0	\$20.0	-	-	
Subtotal	\$1,268.2	\$1,101.4	(\$166.7)	(13.1%)	
Pass-through Grants to Non-Governmental Organizations					
Communities in Schools	\$31.0	\$41.0	\$10.0	32.2	See Appendix G

Section 3

Teach for America	\$11.0	\$11.0	-	-	See Appendix G
Best Buddies	\$0.4	\$0.4	-	-	See Appendix G
Amachi	\$1.3	\$1.3	-	-	See Appendix G
Academic Innovation and Mentoring	\$4.5	\$4.5	-	-	See Appendix G
Mathcounts	\$0.4	\$0.4	-	-	See Appendix G
Subtotal	\$48.6	\$58.6	\$10.0	20.6%	
Indirect Funding to TEA					
Windham School District	\$104.4	\$104.4	-	-	See Exceptional Item #1, Section 5
State Funds for Assessment	\$97.4	\$97.4	-	-	
ESC Dyslexia Coordinators	\$0.3	\$0.3	-	-	See Appendix G
Council on Early Childhood Interventions	\$33.0	\$33.0	-	-	
Regional Day School-Deaf	\$66.3	\$66.3	-	-	
Infants and Toddlers with Disabilities	\$0.2	\$0.2	-	-	
ESC Core Services	\$23.8	\$23.8	-	-	
FSP Texas Juvenile Justice Department	\$9.1	\$8.0	(\$1.1)	(12.1%)	Attributable to declining populations in secure juvenile facilities.
Funding for Juvenile Justice Alternative Education	\$12.5	\$12.5	-	-	
School Lunch Matching	\$29.2	\$29.2	-	-	
Visually Impaired/ESCs	\$11.3	\$11.3	-	-	
Students with Autism	\$20.0	\$20.0	-	-	
Students with Dyslexia	\$20.0	\$20.0	-	-	
Non-Ed Community Based Support	\$2.0	\$2.0	-	-	
Subtotal	\$429.5	\$428.4	(\$1.1)	(0.3%)	
Agency Administration					
Agency Operations	\$45.3	\$44.1	(\$1.2)	(2.7%)	Decrease primarily attributable to expiration of private grants
Central Administration	\$16.0	\$14.8	(\$1.2)	(7.7%)	Decrease primarily attributable to expiration of private grants
Information Systems-Technology	\$44.5	\$40.2	(\$4.3)	(9.6%)	Decrease primarily attributable to expiration of one-time funding
State Board for Educator Certification	\$8.5	\$8.5	-	-	
Certification Exam Administration	\$37.5	\$37.5	-	-	
Subtotal	\$151.8	\$145.1	(\$6.7)	(4.4%)	
Non-FSP GR Total*	\$2,024.0	\$1,928.2	(\$95.8)	(4.7%)	

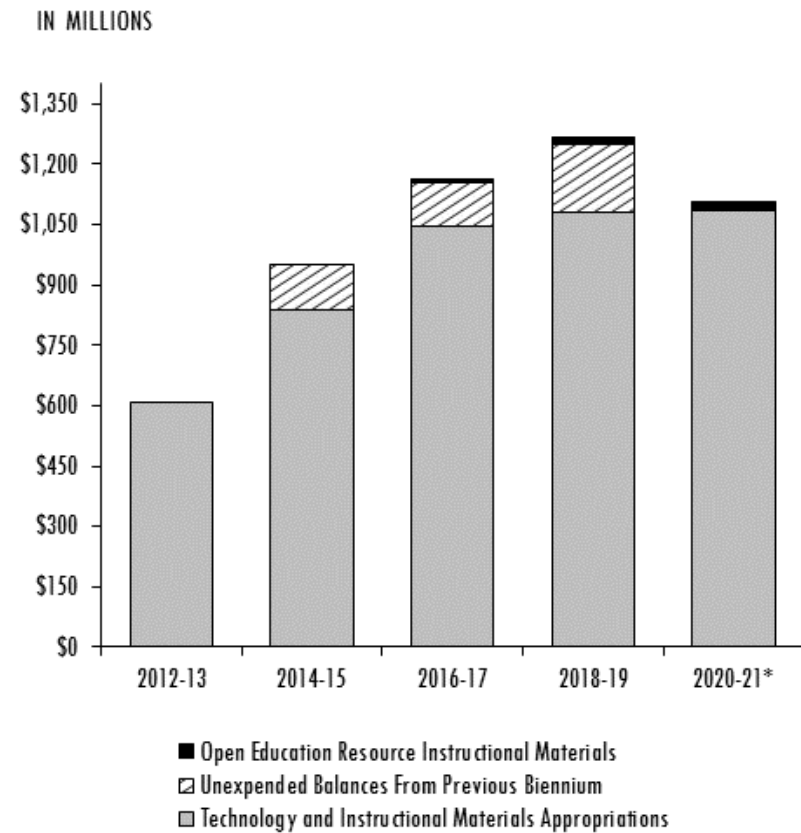
*Note: In some cases amounts may differ due to rounding

11. Permanent School Fund, Available School Fund, and the Technology and Instructional Materials Allotment

Instructional Materials Funding in House Bill 1

House Bill 1 includes a total of \$1,106.0 million for instructional materials. The amount included in House Bill 1 for instructional materials is based on an allocation of 50 percent of the SBOE transfer, with the remaining 50 percent transferred for the ASF per capita distribution. The \$1,106.0 million appropriation for instructional materials represents a \$2.6 million increase from 2018-19 appropriated amounts, but a \$166.7 million decrease from 2018-19 actual amounts. This decrease is attributable to \$169.6 million in unexpended balances from fiscal year 2017 carried into the 2018-19 biennium. It is too early in the fiscal year for TEA to provide an estimate the unexpended balance likely to be carried forward from the 2018-19 biennium.

FIGURE #2: TECHNOLOGY AND INSTRUCTIONAL MATERIALS FUNDING, 2012-13 TO 2020-21 BIENNIA



Note: 2020-21 House Bill 1 appropriation excludes unexpended balance likely to be carried forward from the 2018-19 biennium.
 Source: Legislative Budget Board and Texas Education Agency

House Bill 1 would maintain 2018-19 base funding levels of \$20.0 million for the development of open education resource instructional materials and \$2.5 million for online college readiness materials. According to the agency, the agency is in the process of developing open educational resources for grades K-12 that local education agencies may choose to adopt. The bill would provide \$1.7 million for administrative and support costs.

General Land Office and State Board of Education Management of the Permanent School Fund

The Permanent School Fund (PSF) is a constitutionally dedicated fund for the support of public education used to fund the Technology and Instructional Materials Allotment (TIMA) and the Available School Fund (ASF) per capita distribution, which is a method of finance for the Foundation School Program. The PSF is managed by the State Board of Education (SBOE), which manages a portfolio of securities within the PSF, and the General Land Office (GLO), which manages PSF lands and generates revenue through the sale and lease of land; grazing, agricultural, commercial and right-of-way uses; and oil and gas revenues. With its portion of the PSF, the GLO may, at its discretion: (1) transfer to the SBOE-managed PSF portfolio; (2) transfer directly to the ASF; or (3) transfer to both the ASF and the SBOE-managed portfolio. In the past, the GLO has regularly made a transfer to the SBOE-managed portfolio, and has supplemented that transfer with a direct transfer to the ASF only twice, in fiscal years 2013 and 2019.

On August 21, 2018, the General Land Office’s School Land Board (SLB) voted to make no transfer of PSF revenue to the SBOE portfolio in the 20-21 biennium. Instead, the SLB voted to make a transfer of PSF revenue directly to the ASF of \$600 million for the biennium, which will be applied to the per capita distribution. In November 2018, the SLB voted to transfer an additional \$55.0 million in the 2020-21 biennium, for a total transfer of \$655 million.

Before every legislative session, the SBOE adopts a rate of distribution from its PSF corpus to the ASF for the upcoming biennium. Following the SLB’s decision to increase its transfer to \$655.0 million, the SBOE adopted a final distribution rate from the PSF to the ASF of 2.981 percent. Applying the rate of 2.981 percent to an estimated PSF corpus of \$37.1 billion is expected to generate a total biennial SBOE transfer of \$2.2 billion.

FIGURE #1: GENERAL LAND OFFICE (GLO) DISTRIBUTIONS OF REVENUE DERIVED FROM PERMANENT SCHOOL FUND (PSF) LAND (IN MILLIONS), FISCAL YEARS 2012 TO 2021

FISCAL YEAR	DIRECT GLO TRANSFER TO ASF	GLO TRANSFER TO SBOE-MANAGED PSF PORTFOLIO	TOTAL GLO TRANSFER FROM PSF REVENUE	TOTAL BIENNIAL GLO TRANSFER FROM PSF REVENUE
2012	\$0	\$250	\$250	\$800
2013	\$300	\$250	\$550	
2014	\$0	\$130	\$130	\$280
2015	\$0	\$150	\$150	
2016	\$0	\$175	\$175	\$375
2017	\$0	\$200	\$200	
2018	\$0	\$235	\$235	\$790
2019	\$300	\$255	\$555	
2020	\$300	\$10	\$310	\$655
2021	\$300	\$45	\$345	

Note: The Texas Constitution was amended in November 2011 to allow the GLO to transfer PSF-derived revenue directly to the ASF.
Source: TEA’s Fiscal Year 2014 and 2017 Texas Permanent School Fund Reports

12. Safe and Healthy Schools Initiative

House Bill 1 includes \$54.5 million in all funds and 6.0 FTEs for the Texas Safe and Healthy Schools Initiative (see Rider #74). This includes:

General Revenue Funds:

- \$10.0 million for Mental Health First Aid, Telemedicine, trauma-informed care and coordination of access to mental health providers;
- \$2.0 million and 6.0 FTEs for mental health supports and positive school culture;

Economic Stabilization Funds:

- \$20.0 million for grants for mental health and positive school culture programs;
- \$5.0 million for one FTE at each Regional Education Service Center to support mental health and positive school culture;
- \$5.0 million for pilot grants for innovative school health and safety programs;
- \$10.0 million for matching grants to school districts and charters for facility hardening;
- \$2.5 million for grants to the Texas School Safety Center for emergency response audits

13. TEA's Special Education Strategic Plan and the Special Education Supports Program

House Bill 1 increases TEA's FTE cap from 885.0 to 939.0 and adds Rider 72, which species that the 54 FTEs in Strategy B.3.2, Agency Operations to support the agency's Special Education Strategic Plan are to be paid with federal Individuals with Disabilities Act (IDEA), Part B funds. The bill also increases the agency's authority to transfer IDEA, Part B funds under Rider 25 from \$5 million per biennium to \$10 million to support 54 federally funded FTEs to support the TEA Special Education Strategic Plan. The bill also includes \$50.5 million for Special Education Supports. This program would establish a fund to reimburse local education agencies (LEAs) for costs related to compensatory services for students who are identified as needing special education services who need increased support. TEA would develop a priority rubric to identify LEA needs and funding would be provided based on an LEA's score under the rubric.

In April 2018, TEA released the Special Education Strategic Plan. The plan was drafted in part to address corrective actions required by the United States Department of Education (USDOE) in a January 2018 letter that highlighted noncompliance with IDEA. According to TEA, the steps included in its Special Education Strategic Plan are broader and go farther than the requirements set forth by USDOE. The strategic plan has five primary areas of focus:

- **Monitoring:** Increasing the agency's capacity for monitoring LEAs, with a focus on student improvement.
- **Identification, Evaluation, and the offer of free appropriate public education:** Providing additional guidance and support to families and LEAs to assist with Child Find, a legally required step defined in IDEA, is the process of identifying and evaluating all children in a district who are suspected of having a disability and in need of special education and related services.
- **Training, Support, and Development:** Improving training and professional development for educators throughout the state.
- **Students, Family, and Community Engagement:** Facilitating stakeholder engagement to improve the development and implementation of services for students with disabilities.
- **Technical Assistance Networks:** Expanding technical assistance and support provided by agency staff and education service centers. Areas of focus include Child Find, community engagement, improving student outcomes, autism, small and rural LEAs, among other topics.

According to the agency, increasing the Rider 25 transfer authority by \$5 million for the 2020-21 biennium will allow the agency to pay for the additional FTEs. The transfer would result in a small reduction to the approximately \$2.0 billion in IDEA-B funded statewide programs, including a reduction in professional development for educators.

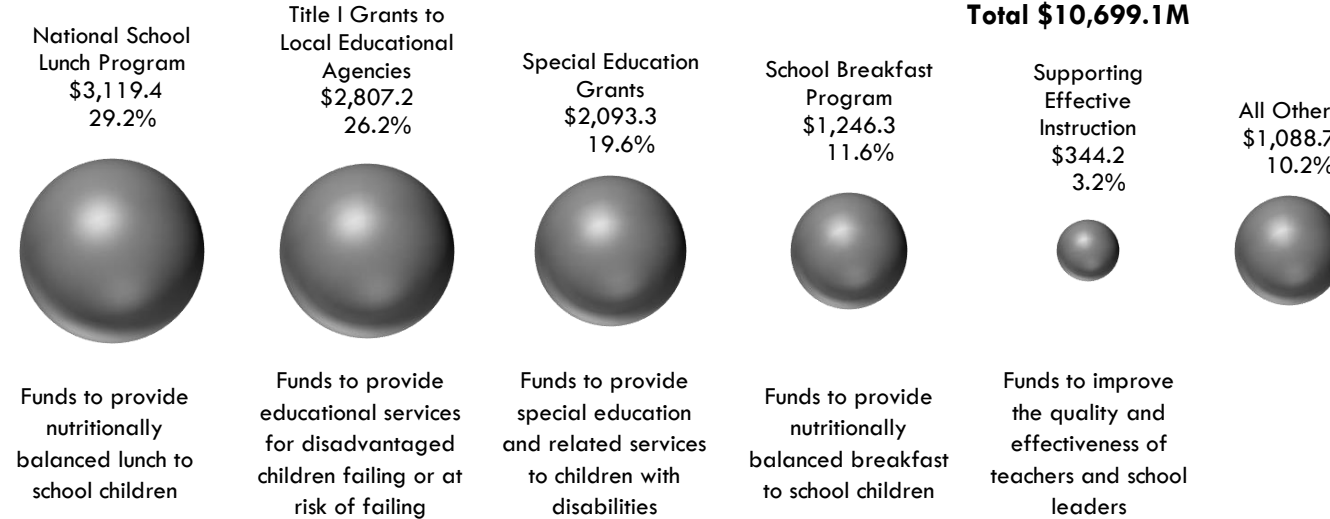
Section 3

On October 19, 2018, USDOE notified TEA that it had reviewed the agency's Special Education Strategic Plan and provided the agency with guidance for additional steps that must be taken by TEA to comply with USDOE's finding of noncompliance. In response to USDOE's notification, Commissioner Morath outline steps the agency is taking to address outstanding issues, including a plan to expand community stakeholder engagement, to provide public updates on progress toward Strategic Plan deliverables, and to provide additional information to USDOE as required components are implemented.

Texas Education Agency

Summary of Federal Funds (2020 - 21)

Total \$10,699.1M



Selected Federal Fiscal and Policy Issues

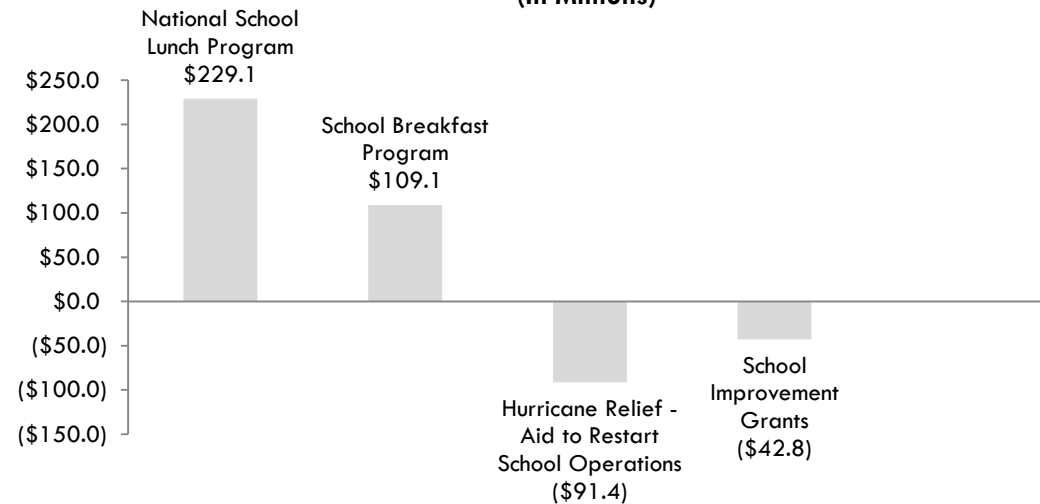
Federal Funds estimates for the 2020-21 biennium include a \$338.2 million increase for National School Lunch and School Breakfast Programs based on historical growth and anticipated increased in eligibility and participation rates.

Funds for the Hurricane Relief - Aid to Restart School Operations were awarded on a one-time basis in fiscal year 2018 to assist in meeting the needs of those affected by federally declared disasters.

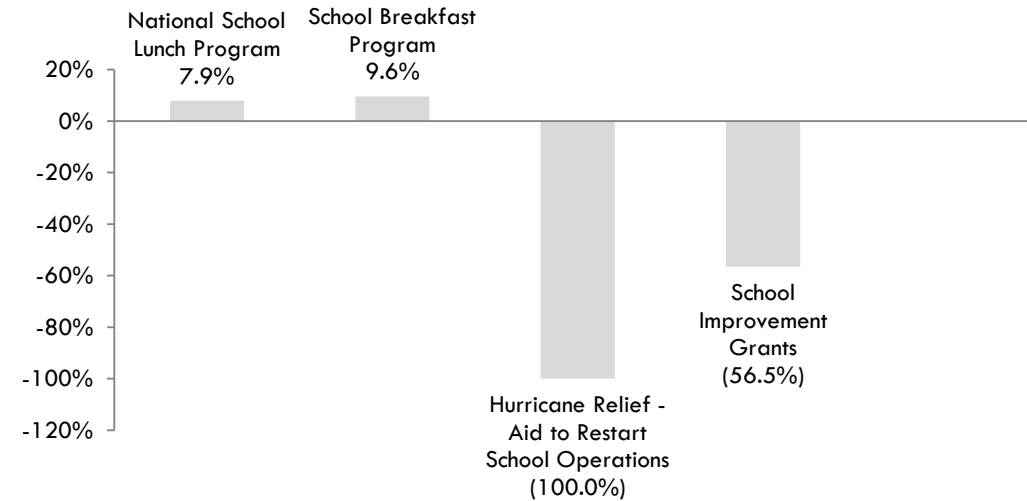
The Every Student Succeeds Act of 2015 created, modified, and eliminated some federal grant programs including the School Improvement Grants.

Programs with Significant Federal Funding Changes from 2018 - 19

Program Change-by Amount (In Millions)



Program Change-by Percentage



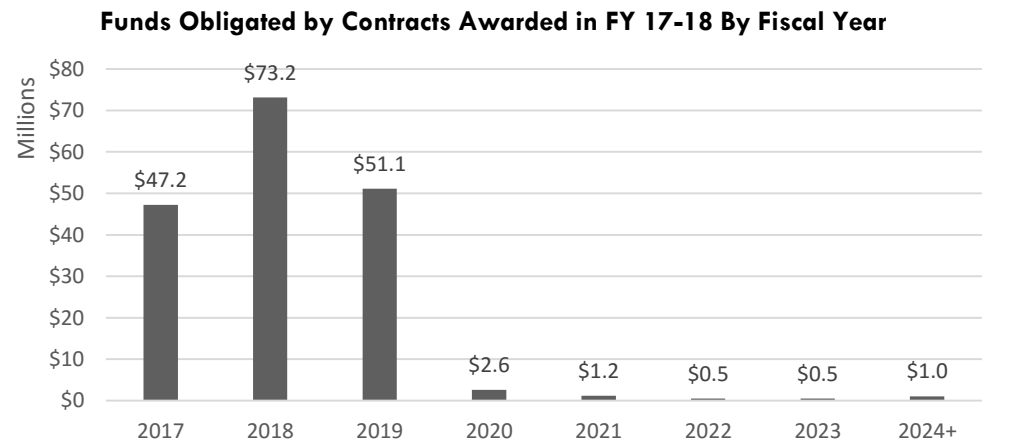
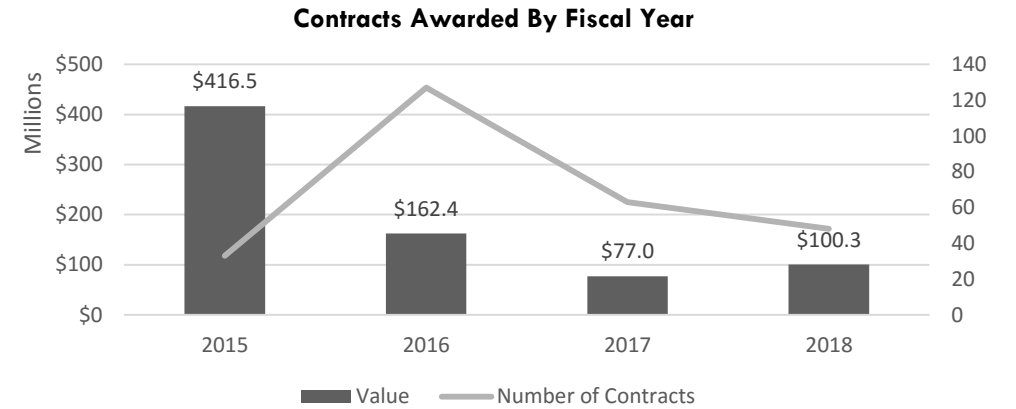
Texas Education Agency Contracting Highlights

As of 8/31/2018, the Texas Education Agency had 85 active procurement contracts valued at \$601 million.

Summary of Contracts Awarded in Fiscal Years 2017-2018 and Reported to LBB Contracts Database¹

(Dollar values rounded to the nearest tenth of a million)

	Number	Total Value	Average Value	% of total
Procurement Contracts	111	\$ 177.3	\$ 1.6	100%
Award Method				
Total Competitive Contracts	66	\$ 62.3	\$ 0.9	35.2%
Total Non-Competitive	45	\$ 115.0	\$ 2.6	64.8%
Sole Source	12	\$ 7.9	\$ 0.7	4.5%
Interagency Agreement	33	\$ 107.1	\$ 3.2	60.4%
Procurement Category				
Information Technology	12	\$ 37.4	\$ 3.1	21.1%
Professional Services	6	\$ 2.8	\$ 0.5	1.6%
Goods	7	\$ 11.8	\$ 1.7	6.7%
Other Services	64	\$ 55.8	\$ 0.9	31.5%
Legal/Financial	18	\$ 9.7	\$ 0.5	5.5%
Consulting	4	\$ 59.9	\$ 15.0	33.8%
Revenue Generating Contracts				
Competitive	57	\$ 16.0	\$ 0.3	98.5%
Non-competitive	3	\$ 0.2	\$ 0.1	1.5%



¹These figures reflect the total value of reported contracts awarded in FY 17-18 and reported to the LBB contracts database. Values can include planned expenditures for subsequent years and represent the amounts contracted which may include funds from sources other than appropriated or General Revenue Funds.

Texas Education Agency
Contracting Highlights

(Dollar values rounded to the nearest tenth of a million)

Largest Active Contracts from Previous Fiscal Years	Award Method	Total Value	% Change*	Award Date	Length	Renewals	Vendor
1 Student Assessments	Competitive	\$ 323.1	17.0%	05/18/15	4 years	0	Educational Testing Service
2 Development and Admin. For TX Educator Certification Program	Competitive	\$ 119.2	0.0%	09/01/11	7 years	0	Educational Testing Service
3 Student Assessments	Competitive	\$ 59.4	0.0%	09/01/15	4 years	0	NCS Pearson Inc
4 Data Center Services	Interagency	\$ 53.1	0.0%	05/01/12	8 years	0	Dept. of Information Resources
5 Advanced Placement Exam Fee Subsidy	Sole Source	\$ 18.1	81.0%	03/01/16	1 year	0	The College Board

Largest Competitive Contracts Awarded in FY 17-18

1 AP Capstone Exam Fee Subsidy	Competitive	\$ 5.5	0.0%	08/31/18	1 month	0	The College Board
2 Instructional Leadership	Competitive	\$ 5.3	192.8%	03/20/17	1 year	1	Relay Graduate School of Ed.
3 Open Source Instructional Materials	Competitive	\$ 5.0	0.0%	12/24/16	1 year	0	Rice University
4 Open Source Instructional Materials	Competitive	\$ 4.9	0.0%	01/02/17	7 months	0	Edge Content LLC
5 CTE Resource Integration Project	Competitive	\$ 3.3	134.4%	02/13/17	1 year	1	Safal Partners Inc

Largest Non-Competitive Contracts Awarded in FY 17-18

1 Early Childhood Intervention I	Interagency	\$ 33.0	0.0%	09/01/17	2 years	0	Health and Human Services Comm.
2 Data Center Services	Interagency	\$ 26.9	0.0%	09/01/17	2 years	0	Dept. of Information Resources
3 Early Childhood Intervention I	Interagency	\$ 16.5	0.0%	09/01/16	1 year	0	Health and Human Services Comm.
4 Early Childhood Intervention II	Interagency	\$ 10.3	0.0%	09/01/17	2 years	0	Health and Human Services Comm.
5 Special Education-Data Mining of Students	Sole Source	\$ 4.4	0.0%	09/01/17	1 year	0	AvenirEducation Inc (SPEDx)

*Note: The percent change is the difference in contract value between initial the award amount and the current contract value. This calculation includes contract amendments and renewals.

**Texas Education Agency
Rider Highlights**

Modification of Existing Riders

3. **Foundation School Program Funding.** House Bill 1 updates sum certain appropriation, assumptions, and yields. Clarifies language relating to assumptions to be used by the Commissioner of Education in making allocations to school districts to specify that such allocations are based on estimates, and that the Commissioner of Education shall settle-up with school districts if the estimates vary from actual values of the relevant variables.
8. **Instructional Materials and Technology.** House Bill 1 updates the rider to provide instructional materials funding equivalent to fifty percent of the SBOE transfer, or \$1,101.4 million for the Technology and Instructional Materials Fund (Fund 3) for the 2020-21 biennium.
12. **Student Testing Program.** House Bill 1 updates the rider to remove language relating to legislation enacted by the Eighty-Fifth Legislature that eliminated certain assessment requirements. The bill also removes language related to unexpended balance authority that was related to liquidated damages assessed in the 2016-17 biennium.
22. **Communities in Schools.** The rider is updated to reflect the \$10.0 million increase in funding for the program.
24. **Appropriation Limited to Revenue Collections.** House Bill 1 would remove the Texas Virtual School Network from this rider. Existing Rider 45 appropriates to TEA all revenues received under Texas Education Code, Chapter 30A for the purpose of administering the Virtual School Network.
25. **Limitation on the Transfer and Use of Funds.** House Bill 1 updates the rider to increase the agency's authority to transfer funds from federal IDEA, Part B funds from \$5 million per biennium to \$10 million to support implementation of the agency's Special Education Strategic Plan. (For more information see Selected Fiscal and Policy Issue #16).
28. **FSP Funding for the Texas Juvenile Justice Department.** House Bill 1 reduces the amount of the transfer from TEA to the Texas Juvenile Justice Department from \$9.1 million to \$8.0 million for the biennium due to declining populations in secure juvenile facilities.
30. **Certification of Pre-kindergarten Expenditures.** House Bill 1 modifies language requiring TEA to develop a methodology in coordination with the LBB to calculate the amount of prekindergarten funding in the FSP eligible for maintenance of effort for Temporary Assistance for Needy Families (TANF) and state match for the Child Care Development Fund.
37. **Child Nutrition Program.** House Bill 1 updates the rider to align estimated federal funds amounts for the Texas Department of Agriculture's administration of the Child Nutrition Program with amounts included in TDA's 2020-21 recommended funding level.
43. **Student Success Initiative/Community Partnerships.** House Bill 1 updates the rider to include the new name for the program that is used by TEA.
46. **Texas Advanced Placement Initiative.** The rider is updated to reflect the \$1.7 million increase in funding for the program.

- 47. **Teach for America.** House Bill 1 increases the number of Teach for America (TFA) public school employees that the Legislature intends to be employed in Texas schools from 1,800 to 2,100 to more accurately reflect the number of TFA employees in Texas.
- 56. **Adult Charter Schools.** The rider is updated to reflect the \$5.5 million increase in funding for the program.
- 70. **FSP Formula Funding for High-Quality Prekindergarten Programs.** Modify language to specify that \$236.0 million constitutes an estimated 14 percent of prekindergarten entitlement in 2020-21 biennium.
- 77. **FSP Funding Contingent on a Distribution to the Available School Fund.** Update amounts estimated to be transferred from the School Land Board at the General Land Office directly to the Available School Fund in the 2020-21 biennium.

New Riders

- 72. **Funding for FTEs implementing the Special Education Strategic Plan.** House Bill 1 adds a rider specifying that 54 FTEs in Strategy B.3.2, Agency Operations for the implementation of the Special Education Strategic Plan are to be paid for with federal Individuals with Disabilities Act (IDEA), Part B funds.
- 73. **Reimbursement of Advisory Committee Members.** House Bill 1 adds a rider authorizing reimbursement of no more than \$45,000 for the biennium for members of Windham School District's Academic Credit and Industry Recognition Task Force. Reimbursement would be made from funds otherwise appropriated to Windham School District in Strategy B.2.4. The rider would require Windham to use videoconferencing, teleconferencing, and other methods to reduce costs to the maximum extent possible.
- 74. **Texas Safe and Healthy Schools Initiative.** House Bill 1 adds a rider specifying the use of \$54.5 million in All Funds for the Safe and Healthy Schools Initiative.
- 75. **Special Education Supports.** House Bill 1 adds a rider specifying the use of \$50.5 million in General Revenue Funds for the Special Education Supports program.
- 76. **Contingency for Behavioral Health Funds.** House Bill 1 adds a rider specifying that the Comptroller of Public Accounts shall not allow the expenditure of General Revenue Funds from Strategies B.2.2, Health and Safety, B.3.2, Agency Operations, and B.3.5 as identified in Article IX Section 10.04 if the LBB determines that the use of those funds does not satisfy the requirements of the Statewide Behavioral Health Strategic Plan and Coordinated Expenditures.

Deleted Riders

60. **Office of Complaints, Investigations, and Enforcement.** House Bill 1 deletes rider, as program has been established.
68. **Individuals with Disabilities Act State Maintenance of Financial Support.** House Bill 1 deletes rider, as rider is no longer necessary; rider provisions have not been and are not expected to be utilized.
69. **E-Rate Classroom Connectivity.** House Bill 1 deletes rider for one-time funding associated with this program.
70. **Collaborative Dual Credit Program Evaluation.** Rider was vetoed by the Governor.
71. **Windham School District Employer Contribution for Retirement.** House Bill 1 deletes rider appropriating funds for 1.5 percent TRS employer contribution in the 2018-19 biennium because funds are provided in House Bill 1 as part of agency's base in the 2020-21 biennium.
72. **Administrative Support to Protect Students from Inappropriate Educator Relationships.** Funding for this program is included in LBB recommended funding for the 2020-21 biennium.
74. **Administrative Support for School Improvement and Governance.** House Bill 1 deletes rider as program has been established.
75. **Support Student and Teacher Data Privacy and Cybersecurity.** House Bill 1 deletes rider for one-time funding associated with this program.
79. **Contingency for SB 419.** Bill was not enacted by the 85th Legislature.
80. **Contingency for House Bill 1005 and House Bill 515.** Rider no longer necessary as House Bill 1005 was enacted by the 85th Legislature.

**Texas Education Agency
Items Not Included in Recommendations**

		2020-21 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2022-23
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Items Not Included (in agency priority order)							
1)	Windham School District Program Expansion: Funding initiatives include: a six percent teacher/staff pay raise (\$5.5 million), expanding female offender vocational programs (\$2.3 million), increased funding for industry certification programs (\$0.6 million), year-round school programming (\$1.0 million), and expanding apprenticeship programs (\$0.7 million).	\$10,055,054	\$10,055,054	0.0	No	No	\$10,055,054
2)	Rider Request: New rider that would provide the agency with authority to transfer federal funds from a non-capital budget item to an existing or new capital budget item for the implementation of a unanticipated project, provided that the new project is 100 percent federally funded.	N/A	N/A	N/A	No	No	N/A
3)	Rider Request: Agency requests unexpended balance authority for several non-FSP programs.	N/A	N/A	N/A	No	No	N/A
TOTAL Items Not Included in Recommendations		\$10,055,054	\$10,055,054	0.0			\$10,055,054

**Texas Education Agency
Appendices**

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* Appendix is not included - no significant information to report

**Texas Education Agency
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS**

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments (Optional)
FSP - EQUALIZED OPERATIONS A.1.1	\$41,579,400,000	\$51,454,900,000	\$9,875,500,000	23.8%	
FSP - EQUALIZED FACILITIES A.1.2	\$1,140,600,000	\$1,146,800,000	\$6,200,000	0.5%	
STATEWIDE EDUCATIONAL PROGRAMS A.2.1	\$250,961,772	\$258,460,874	\$7,499,102	3.0%	
ACHIEVEMENT OF STUDENTS AT RISK A.2.2	\$3,223,925,948	\$3,179,342,332	(\$44,583,616)	(1.4%)	
STUDENTS WITH DISABILITIES A.2.3	\$2,227,210,464	\$2,282,210,464	\$55,000,000	2.5%	
SCHOOL IMPROVEMENT & SUPPORT PGMS A.2.4	\$605,521,520	\$524,201,520	(\$81,320,000)	(13.4%)	
Total, Goal A, PROVIDE ED SYS LDRSP GUID'CE RES'S	\$49,027,619,704	\$58,845,915,190	\$9,818,295,486	20.0%	
ASSESSMENT & ACCOUNTABILITY SYSTEM B.1.1	\$166,963,743	\$166,383,475	(\$580,268)	(0.3%)	
TECHNOLOGY/INSTRUCTIONAL MATERIALS B.2.1	\$1,293,953,358	\$1,101,430,204	(\$192,523,154)	(14.9%)	
HEALTH AND SAFETY B.2.2	\$23,318,736	\$74,993,206	\$51,674,470	221.6%	
CHILD NUTRITION PROGRAMS B.2.3	\$4,056,801,322	\$4,394,965,742	\$338,164,420	8.3%	
WINDHAM SCHOOL DISTRICT B.2.4	\$104,365,440	\$104,365,440	\$0	0.0%	
IMPROVING EDUCATOR QUALITY/LDRSP B.3.1	\$382,573,389	\$382,573,389	\$0	0.0%	
AGENCY OPERATIONS B.3.2	\$138,625,921	\$137,408,717	(\$1,217,204)	(0.9%)	
STATE BOARD FOR EDUCATOR CERT B.3.3	\$8,547,870	\$8,547,870	\$0	0.0%	
CENTRAL ADMINISTRATION B.3.4	\$30,734,086	\$27,614,289	(\$3,119,797)	(10.2%)	
INFORMATION SYSTEMS - TECHNOLOGY B.3.5	\$81,876,665	\$79,211,328	(\$2,665,337)	(3.3%)	
CERTIFICATION EXAM ADMINISTRATION B.3.6	\$37,522,445	\$37,522,445	\$0	0.0%	
Total, Goal B, PROVIDE SYSTEM OVERSIGHT & SUPPORT	\$6,325,282,975	\$6,515,016,105	\$189,733,130	3.0%	
Grand Total, All Strategies	\$55,352,902,679	\$65,360,931,295	\$10,008,028,616	18.1%	

**Texas Education Agency
Funding Changes and Recommendations - House, by Strategy -- Supplemental**

Strategy/Fund Type/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	%Change	Comments (Optional)
FSP - EQUALIZED OPERATIONS A.1.1	\$41,579,400,000	\$51,454,900,000	\$9,875,500,000	23.8%	
GENERAL REVENUE FUNDS	\$33,478,600,000	\$40,828,700,000	\$7,350,100,000	22.0%	The primary factors in the net GR increase for A.1.1, FSP - Equalized Operations and A.1.2, FSP - Equalized Facilities include the \$9.0 billion in contingency funding included in Rider 77, the cost of enrollment growth, the cost of the Austin ISD yield growth, and other adjustments, partially offset by savings due to projected property value growth, and Method of Finance Shifts due to projected increases in Other Funds (including Recapture Revenue and the Property Tax Relief Fund). See Selected Fiscal and Policy Issues #1 and #2.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$8,100,800,000	\$10,626,200,000	\$2,525,400,000	31.2%	Other Funds change results from estimated increases of \$2,353.7 million in Recapture Revenue and \$171.7 million in the Property Tax Relief Fund No. 304.
FSP - EQUALIZED FACILITIES A.1.2	\$1,140,600,000	\$1,146,800,000	\$6,200,000	0.5%	Facilities funds are projected to increase, primarily due to the annualization of increased facilities funding provided in fiscal year 2019.
GENERAL REVENUE FUNDS	\$1,140,600,000	\$1,146,800,000	\$6,200,000	0.5%	
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	\$250,961,772	\$258,460,874	\$7,499,102	3.0%	
GENERAL REVENUE FUNDS	\$91,083,864	\$97,543,864	\$6,460,000	7.1%	Change is primarily attributable to the removal of 2018-19 discretionary FSP transfer, an increase of \$5.5 million for Adult Charter School, and an increase of \$1.7 million for the Texas Advanced Placement Initiative.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$131,843,908	\$132,883,010	\$1,039,102	0.8%	Primarily attributable to an increase in federal career and technical education grants of \$1.9 million.
OTHER FUNDS	\$28,034,000	\$28,034,000	\$0	0.0%	
ACHIEVEMENT OF STUDENTS AT RISK A.2.2	\$3,223,925,948	\$3,179,342,332	(\$44,583,616)	(1.4%)	
GENERAL REVENUE FUNDS	\$1,300,000	\$1,300,000	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$3,222,625,948	\$3,178,042,332	(\$44,583,616)	(1.4%)	Decrease is primarily attributable to decrease in School Improvement Grants.
OTHER FUNDS	\$0	\$0	\$0	0.0%	
STUDENTS WITH DISABILITIES A.2.3	\$2,227,210,464	\$2,282,210,464	\$55,000,000	2.5%	
GENERAL REVENUE FUNDS	\$1,527,797,740	\$2,027,797,740	\$50,000,000	32.7%	Increase attributable to funding for Special Education Supports (see Selected Fiscal and Policy Issue #16).

**Texas Education Agency
Funding Changes and Recommendations - House, by Strategy -- Supplemental**

Strategy/Fund Type/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments (Optional)
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$2,074,241,978	\$2,079,241,978	\$5,000,000	0.2%	Increase due to additional \$5.0 million of Rider 25 transfer authority from IDEA program to administrative strategy (See Selected Fiscal and Policy Issue #13).
OTHER FUNDS	\$170,746	\$170,746	\$0	0.0%	
SCHOOL IMPROVEMENT & SUPPORT PGMS A.2.4	\$605,521,520	\$524,201,520	(\$81,320,000)	(13.4%)	
GENERAL REVENUE FUNDS	\$61,446,991	\$71,546,991	\$10,100,000	16.4%	Increase due to an additional \$10.0 million for Communities in Schools.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$544,059,529	\$452,639,529	(\$91,420,000)	(16.8%)	Primarily attributable to exclusion of one-time grants for Hurricane Harvey recovery efforts.
OTHER FUNDS	\$15,000	\$15,000	\$0	0.0%	
Total, Goal A, PROVIDE ED SYS LDRSP GUID'CE RES'S	\$49,027,619,704	\$58,845,915,190	\$9,818,295,486	20.0%	
GENERAL REVENUE FUNDS	\$34,925,828,595	\$42,348,688,595	\$7,422,860,000	21.3%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$5,972,771,363	\$5,842,806,849	(\$129,964,514)	(2.2%)	
OTHER FUNDS	\$8,129,019,746	\$10,654,419,746	\$2,525,400,000	31.1%	
ASSESSMENT & ACCOUNTABILITY SYSTEM B.1.1	\$166,963,743	\$166,383,475	(\$580,268)	(0.3%)	
GENERAL REVENUE FUNDS	\$100,077,767	\$99,497,499	(\$580,268)	(0.6%)	Transfer of funds for Article IX Sec. 18.42 (Contingency for Senate Bill 1839), 2018-19 GAA to correct Strategy B.3.5, Information Systems - Technology.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$66,885,976	\$66,885,976	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
TECHNOLOGY/INSTRUCTIONAL MATERIALS B.2.1	\$1,293,953,358	\$1,101,430,204	(\$192,523,154)	(14.9%)	
GENERAL REVENUE FUNDS	\$1,268,153,358	\$1,101,430,204	(\$166,723,154)	(13.1%)	Recommendations provide 50 percent of the SBOE's PSF distribution to the ASF; see Selected Fiscal and Policy Issue #11.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$800,000	\$0	(\$800,000)	(100.0%)	
OTHER FUNDS	\$25,000,000	\$0	(\$25,000,000)	(100.0%)	Decrease of \$25.0 million in one-time funding from Economic Stabilization Fund for E-Rate program.
HEALTH AND SAFETY B.2.2	\$23,318,736	\$74,993,206	\$51,674,470	221.6%	
GENERAL REVENUE FUNDS	\$23,318,736	\$32,493,206	\$9,174,470	39.3%	Increase attributable to funding for Safe and Healthy Schools Initiative (see Selected Fiscal and Policy Issue #12), partially offset by a reduction in the transfer from TEA to the Texas Juvenile Justice Department due to declining populations in secure juvenile facilities.
GR DEDICATED	\$0	\$0	\$0	0.0%	

**Texas Education Agency
Funding Changes and Recommendations - House, by Strategy -- Supplemental**

Strategy/Fund Type/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments (Optional)
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$42,500,000	\$42,500,000	100.0%	Increase attributable to funding for Safe and Healthy Schools Initiative (see Selected Fiscal and Policy Issue #12).
CHILD NUTRITION PROGRAMS B.2.3	\$4,056,801,322	\$4,394,965,742	\$338,164,420	8.3%	
GENERAL REVENUE FUNDS	\$29,236,682	\$29,236,682	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$4,027,564,640	\$4,365,729,060	\$338,164,420	8.4%	Increase in School Breakfast and School Lunch programs.
OTHER FUNDS	\$0	\$0	\$0	0.0%	
WINDHAM SCHOOL DISTRICT B.2.4	\$104,365,440	\$104,365,440	\$0	0.0%	
GENERAL REVENUE FUNDS	\$104,365,440	\$104,365,440	\$0	0.0%	
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	\$382,573,389	\$382,573,389	\$0	0.0%	
GENERAL REVENUE FUNDS	\$40,400,000	\$40,400,000	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$342,173,389	\$342,173,389	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
AGENCY OPERATIONS B.3.2	\$138,625,921	\$137,408,717	(\$1,217,204)	(0.9%)	
GENERAL REVENUE FUNDS	\$45,267,218	\$45,559,140	\$291,922	0.6%	Decrease attributable to the expiration of private grants and the 2020-21 reallocation of funds from administrative to program strategies
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$44,372,459	\$42,863,333	(\$1,509,126)	(3.4%)	Change is attributable to agency's discretionary transfer of program funds to administrative strategy 2018-19.
OTHER FUNDS	\$48,986,244	\$48,986,244	\$0	0.0%	
STATE BOARD FOR EDUCATOR CERT B.3.3	\$8,547,870	\$8,547,870	\$0	0.0%	
GENERAL REVENUE FUNDS	\$8,547,870	\$8,547,870	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	

Texas Education Agency
Funding Changes and Recommendations - House, by Strategy -- Supplemental

Strategy/Fund Type/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments (Optional)
CENTRAL ADMINISTRATION B.3.4	\$30,734,086	\$27,614,289	(\$3,119,797)	(10.2%)	
GENERAL REVENUE FUNDS	\$16,030,746	\$14,790,471	(\$1,240,275)	(7.7%)	Decrease is largely attributable to the expiration of private grants.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$11,888,063	\$10,008,541	(\$1,879,522)	(15.8%)	Change is attributable to discretionary transfer of program funds to administrative strategy in 2018-19.
OTHER FUNDS	\$2,815,277	\$2,815,277	\$0	0.0%	
INFORMATION SYSTEMS - TECHNOLOGY B.3.5	\$81,876,665	\$79,211,328	(\$2,665,337)	(3.3%)	
GENERAL REVENUE FUNDS	\$44,472,607	\$41,142,748	(\$3,329,859)	(7.5%)	Change is attributable to decreases of \$5.0 million for the expiration of one-time funding for cybersecurity and \$0.2 million for the expiration of a private grant, partially offset by an increase of \$0.6 million to move funds for the implementation of SB 1839 (Eighty-Fifth Legislature) in an administrative strategy and \$0.3 million for the transfer of Rider 45 Virtual School Network funds from administrative strategy B.3.5 to B.3.2 using the agency's appropriation transfer authority.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$27,941,647	\$28,606,169	\$664,522	2.4%	Change is attributable to discretionary transfer of program funds to administrative strategy.
OTHER FUNDS	\$9,462,411	\$9,462,411	\$0	0.0%	
CERTIFICATION EXAM ADMINISTRATION B.3.6	\$37,522,445	\$37,522,445	\$0	0.0%	
GENERAL REVENUE FUNDS	\$37,522,445	\$37,522,445	\$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	\$6,325,282,975	\$6,515,016,105	\$189,733,130	3.0%	
GENERAL REVENUE FUNDS	\$1,717,392,869	\$1,554,985,705	(\$162,407,164)	(9.5%)	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$4,521,626,174	\$4,856,266,468	\$334,640,294	7.4%	
OTHER FUNDS	\$86,263,932	\$103,763,932	\$17,500,000	20.3%	
Grand Total, All Agency	\$55,352,902,679	\$65,360,931,295	\$10,008,028,616	18.1%	
GENERAL REVENUE FUNDS	\$36,643,221,464	\$43,903,674,300	\$7,260,452,836	19.8%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$10,494,397,537	\$10,699,073,317	\$204,675,780	2.0%	
OTHER FUNDS	\$8,215,283,678	\$10,758,183,678	\$2,542,900,000	31.0%	

**Texas Education Agency
Summary of Federal Funds - House
(Dollar amounts in Millions)**

Program	Est 2018	Bud 2019	Rec 2020	Rec 2021	2018-19 Base	2020-21 Rec	2020-21 Rec % Total	Recommended Over/(Under) Base	% Change from Base
National School Lunch Program ¹	\$1,407.9	\$1,482.4	\$1,542.4	\$1,577.1	\$2,890.3	\$3,119.4	29.2%	\$229.1	7.9%
Title I Grants to Local Educational Agencies	\$1,374.0	\$1,434.0	\$1,396.9	\$1,410.3	\$2,808.0	\$2,807.2	26.2%	(\$0.9)	(0.0%)
Special Education Grants to States	\$1,027.7	\$1,065.6	\$1,046.7	\$1,046.7	\$2,093.3	\$2,093.3	19.6%	\$0.0	0.0%
School Breakfast Program ¹	\$552.9	\$584.3	\$613.9	\$632.4	\$1,137.2	\$1,246.3	11.6%	\$109.1	9.6%
Improving Teacher Quality State Grants	\$167.9	\$176.2	\$172.1	\$172.1	\$344.2	\$344.2	3.2%	\$0.0	0.0%
English Language Acquisition Grant Programs	\$112.1	\$113.1	\$112.6	\$112.6	\$225.2	\$225.2	2.1%	\$0.0	0.0%
21st Century Community Learning Centers	\$107.1	\$107.2	\$107.2	\$107.2	\$214.3	\$214.3	2.0%	\$0.0	0.0%
Vocational Education Basic Grants to States	\$64.7	\$68.6	\$67.6	\$67.6	\$133.3	\$135.2	1.3%	\$1.9	1.4%
Student Support and Academic Enrichment Program	\$36.3	\$97.4	\$66.8	\$66.8	\$133.7	\$133.7	1.2%	\$0.0	0.0%
Migrant Education Basic State Grant Program	\$52.4	\$47.1	\$49.8	\$49.8	\$99.5	\$99.5	0.9%	\$0.0	0.0%
Public Charter Schools	\$48.0	\$38.2	\$43.1	\$43.1	\$86.2	\$86.2	0.8%	\$0.0	0.0%
State Assessments and Enhanced Assessment Instruments	\$23.4	\$23.1	\$23.2	\$23.2	\$46.5	\$46.5	0.4%	\$0.0	0.0%
Special Education-Preschool Grants	\$22.0	\$22.0	\$22.0	\$22.0	\$44.0	\$44.0	0.4%	\$0.0	0.0%
School Improvement Grants ²	\$40.0	\$35.7	\$23.1	\$9.8	\$75.7	\$32.9	0.3%	(\$42.8)	(56.5%)
Rural and Low Income Schools Program	\$8.2	\$8.1	\$8.2	\$8.2	\$16.3	\$16.3	0.2%	\$0.0	0.0%
Gaining Early Awareness & Readiness for Undergraduate Programs	\$8.2	\$6.2	\$7.2	\$7.2	\$14.3	\$14.3	0.1%	\$0.0	0.0%
Education for Homeless Children and Youth	\$7.0	\$6.3	\$6.6	\$6.6	\$13.3	\$13.3	0.1%	\$0.0	0.0%
All Other Grants ³	\$104.4	\$14.6	\$13.7	\$13.7	\$119.0	\$27.3	0.7%	(\$91.7)	(77.1%)
TOTAL:	\$5,268.4	\$5,330.4	\$5,323.0	\$5,376.1	\$10,494.4	\$10,699.1	100.0%	\$204.7	2.0%

1. The National School Lunch and School Breakfast programs include a \$338.2 million increase for the 2020-21 biennium based on historical growth and anticipated increase in eligibility and participation rates.

2. The Every Student Succeeds Act of 2015 created, modified, and eliminated some federal grant programs including the School Improvement Grants.

3. All Other Grants include \$91.4 million for Hurricane Relief - Aid to Restart School Operations. The grant was awarded on a one-time basis in fiscal year 2018 and are not included in LBB recommendations for the 2020-21 biennium.

**Texas Education Agency
FTE Highlights**

Full-Time-Equivalent Positions	Expended 2017	Estimated 2018	Budgeted 2019	Recommended 2020	Recommended 2021
Cap	875.0	881.0	885.0	939.0	939.0
Actual/Budgeted	797.4	800.8	885.0	NA	NA

Schedule of Exempt Positions (Cap)					
Commissioner of Education	\$220,375	\$234,678	\$234,678	\$234,678	\$234,678
Chief Investment Officer (Permanent School Fund)	\$265,475	\$384,375	\$384,375	\$384,375	\$384,375

Notes:

- a) In addition to budgeted amounts, TEA added 54 special education-focused employees above its FTE cap in FY 2019. The agency relied on authority provided under Article IX, Section 6.10(h) of the 2018-19 General Appropriations Act, which allows an agency to exceed its FTE cap if it is implementing an unanticipated project that is 100 percent federally funded. Recommendations include increasing FTE cap to account for new federally funded FTEs. See Selected Fiscal and Policy Issue #13.
- b) Recommendations include the deletion of Rider 75, Support Student and Teacher Data Privacy and Cybersecurity, which temporarily increased TEA's FTE cap by 2.0 in 2018 and 6.0 in 2019.
- c) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 18-705, August 2018), indicates a market average salary of \$261,152 for the Commissioner of Education position at the Texas Education Agency. The agency is not requesting any changes to this exempt position.
- d) TEA has requested that the PSF's Chief Investment Officer's salary ceiling to be set at \$416,401 in fiscal years 2020 and 2021, the same level as the ceiling for the ERS Chief Investment Officer. The State Auditor's Office Report, Executive Compensation at State Agencies (Report 18-705, August 2018), does not indicate market average salaries based on similar professional positions for this position.

**Texas Education Agency
Performance Measure Highlights**

	Expended 2017	Estimated 2018	Budgeted 2019	Recommended 2020	Recommended 2021
<ul style="list-style-type: none"> Percent of Kindergarten Students Identified as At-Risk for Dyslexia or Other Reading Difficulty 	0.00%	2.90%	2.90%	3.00%	3.20%
<p><i>Measure Explanation: New measure identifies the percentage of kindergarten students who are determined to be at risk for dyslexia or other reading difficulties.</i></p>					
<ul style="list-style-type: none"> Percent of Grade 1 Students Identified as At-Risk for Dyslexia or Other Reading Difficulty 	0.00%	2.90%	2.90%	3.00%	3.20%
<p><i>Measure Explanation: New measure identifies the percentage of grade 1 students who are determined to be at risk for dyslexia or other reading difficulties.</i></p>					
<ul style="list-style-type: none"> Number of Inappropriate Relationship Investigations Opened 	0.00	425.00	550.00	675.00	800.00
<p><i>Measure Explanation: New measure identifies the total number of investigations opened pertaining to a reported inappropriate relationship between a certified educator and a student.</i></p>					
<ul style="list-style-type: none"> Number of P-TECH and ICIA-Designated Schools 	0.00	0.00	0.00	50.00	60.00
<p><i>Measure Explanation: New measure identifies the number of campuses that have been designated as either Pathways in Technology Early College High Schools or Industry Cluster Innovative</i></p>					
<ul style="list-style-type: none"> Number of Students Enrolled in P-TECH and ICIA-Designated Schools 	0.00	0.00	0.00	12,800.00	14,800.00
<p><i>Measure Explanation: New measure identifies the number of students enrolled in Pathways in Technology Early College High Schools or Industry Cluster Innovative Academies.</i></p>					
<ul style="list-style-type: none"> Number of Students Served in Early Childhood School Ready Online Engage Platform 	0.00	0.00	0.00	186,440.00	186,440.00
<p><i>Measure Explanation: New measure identifies the number of Pre-Kindergarten students served in Early Childhood School Ready online engage platform, which is used to identify pre-</i></p>					
<ul style="list-style-type: none"> Number of Statutory Provisions from which Districts of Innovation enrolling a majority of students statewide are exempt 	0.00	0.00	0.00	3.00	3.00
<p><i>Measure Explanation: New measure that would identify the top exemptions from which Districts of Innovation exempted from through their local district of innovation plan.</i></p>					

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
1)	STAAR Liquidated Damages	The liquidated damages collected during the 2018-2019 biennium were used to fund the assessment contract. This reduction does not negatively impact the agency.	\$2,120,540	\$2,120,540	0.0	\$0	100.0%	\$2,120,540	N
2)	FSP - Texas Juvenile Justice Dept	TJJD receives funds from TEA for schools located in JJD's residential facilities. TEA reports that a 10 percent reduction would require JJD to eliminate certain contracts for educational services, dual credit opportunities, and reducing certain teaching and administrative positions. TEA reports that JJD would be unable to meet certain educational mandates with such reductions, particularly with regard to special education.	\$911,874	\$911,874	0.0	\$0	10.0%	\$9,118,736	N
3)	Funding for Juvenile Justice Alternative Education	TJJD receives funds from TEA to reimburse probation departments operating JJAEPs. TEA reports that the impact of this reduction would vary by jurisdiction based on local conditions, but may include reduction of services and staffing levels, loss of discretionary program sites, and elimination of summer school programs.	\$1,250,000	\$1,250,000	0.0	\$0	10.0%	\$12,500,000	N
4)	Windham School District	A 10% funding reduction would require a reduction of 64 teachers as well as 32 administrative and support staff for \$4.8 million. Capital, travel and equipment reductions would total \$0.4 million. The effect to WSD would be 8,192 fewer students served, a 12% reduction in contact hours and a 10% reduction in offenders passing the High School Equivalency (HSE). TEA reports that the reduction of teachers would result in higher recidivism rates, poorer employment outcomes for released offenders, delayed releases for those offenders for whom completion of the pre-release class is a prerequisite for release, and an increase of offender behavioral problems as offender idleness increases.	\$10,436,544	\$10,436,544	0.0	\$0	10.0%	\$104,365,440	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
5)	Public School Educators SB1839	TEA reports that if funding for this item is reduced by 10 percent, Information Technology Services would be unable to complete the necessary system modifications that are required to more quickly process comparable teaching certifications from out- of- state. Therefore, the process for out- of- state teachers who wish to receive comparable teaching certificates will take longer which could reduce the number of eligible educators in the state of Texas.	\$58,026	\$58,026	0.0	\$0	10.0%	\$580,268	N
6)	Texas Advanced Placement Initiative	This program provides subsidies to students to help them pay for the cost of the Advanced Placement (AP) and International Baccalaureate (IB) exams and providing teacher AP and IB training. AP exam scores of "3" or higher must be accepted by Texas institutions of higher education, thereby lowering the cost of higher education. The state currently pays for 140,000 student tests subsidies each year, largely provided to economically disadvantaged students. TEA estimates this 12.5% funding reduction will negatively impact student outcomes by increasing the cost of AP exams for low-income students decreasing the number of students taking the AP/IB exam, the number of teachers training to provide these courses, and the number of courses being offered in districts statewide.	\$1,825,000	\$1,825,000	0.0	\$0	12.5%	\$14,600,000	N
7)	FitnessGram Program	TEA currently allows school districts and charter schools to report statutorily required physical fitness assessment results either through the web-based "Fitnessgram 10" software or through the TEA's Physical Fitness Assessment Initiative (PFAI) web application. The "Fitnessgram 10" software program was created by The Cooper Institute. Each year TEA enters into a licensing agreement with The Cooper Institute for access to the program. TEA then provides the Fitnessgram program free of charge to school districts and charter schools wishing to use Fitnessgram as their reporting tool. TEA estimates that this 100% funding reduction would result in TEA being unable to provide 979 districts in 2017 with "Fitnessgram 10" software licenses or "Fitnessgram 10" software training.	\$2,000,000	\$2,000,000	0.0	\$0	100.0%	\$2,000,000	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
8)	Best Buddies	The purpose of the Best Buddies program is to provide support in creating opportunities for one-to-one friendships, integrated employment, and leadership development for Texas high school and middle school student with intellectual and developmental disabilities (IDD). TEA reports that eliminating all funding for the program would remove the valuable leadership training and social for students with IDD, a historically underserved student population.	\$400,000	\$400,000	0.0	\$0	100.0%	\$400,000	N
9)	Student Success Initiative	Consistent with the General Appropriations Act, 85th Legislature Rider 43 Student Success Initiative, the Texas Education Agency awarded grants to 40 public schools and public charter schools with high percentages of students who do not perform satisfactorily on relevant state assessments, and that serve the most struggling neighborhoods in the state. TEA anticipates that this 13.7% reduction in funding will have a significant negative impact on student achievement outcomes for students who live in some of the most impoverished neighborhoods in Texas and attend historically struggling schools. TEA anticipates current annual participation of 22,000 students could be reduced to 19,000 students, a reduction of 1 FTE, and a reduction of 3 state training conferences to 1 state training conference.	\$1,500,000	\$1,500,000	0.0	\$0	13.6%	\$11,000,000	N
10)	Texas Gateway and Online Resources	The Texas Gateway is a content management and delivery system (CMDS) through which TEA provides free online resources (e.g., lessons, courses, professional development) to teachers, students, and parents. A 10% cut will greatly reduce the ability of the agency to provide new content to the 200,200 teachers, students and parents who benefit from free instructional resources. This cut could also impact the number of course enrollments that can be made available free-of-charge each year.	\$1,500,000	\$1,500,000	0.0	\$0	10.0%	\$15,000,000	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
11)	Non-Ed Community Based Support	Non-educational community-based support services to school districts and charter schools provide certain students with disabilities and their families with a free and appropriate public education (FAPE) in the least restrictive environment (LRE). The funds may be used only for eligible students with disabilities -- who would be placed in residential facilities for their education -- without the provision of non-educational community-based support services. TEA estimates that this reduction in program funding would negatively impact the students and their families and could increase state costs as students may have to be placed in residential facilities -- away from their homes and families -- for their education.	\$345,556	\$345,556	0.0	\$0	17.5%	\$1,974,600	N
12)	Students with Autism	This funding supports a grant program that allows for ten grants to be funded for an amount up to \$1,000,000 per grant per year. TEA anticipates that a 7.5% funding reduction will result in the award of nine grants rather than 10 grants per year which would result in approximately 7,500 fewer students served.	\$1,500,000	\$1,500,000	0.0	\$0	7.5%	\$20,000,000	N
13)	Students with Dyslexia	This funding supports a grant program that allows for ten grants to be funded for an amount up to \$1,000,000 per grant per year. TEA anticipates that a 7.5% funding reduction will result in the award of nine grants rather than 10 grants per year which would result in approximately 7,500 fewer students served.	\$1,500,000	\$1,500,000	0.0	\$0	7.5%	\$20,000,000	N
14)	Educator Excellence Innovation Program	Humanities Texas is a non-profit organization that sponsors lectures and presentations on a diverse range of topics, bringing noted scholars and other experts to audiences around the state of Texas. With a 6.9% cut of the total rider funds but a 100% cut to the Humanities of Texas portion, TEA anticipates that Humanities Texas may not be able to support their programming to the extent that they have in previous years.	\$2,000,000	\$2,000,000	0.0	\$0	6.9%	\$29,000,000	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
15)	Teach For America	TFA recruits recent college graduates and professionals who commit two years to teach in Texas urban and rural areas in the state's hardest-to-staff classrooms with significant populations of low-income students. With a 10% reduction of funds, TEA approximates TFA will have to reduce the teacher cohort from 714 to 643 teachers, a loss of 71 Corps Members. These teachers would serve thousands of low-income students in hard-to-staff classrooms.	\$1,100,000	\$1,100,000	0.0	\$0	10.0%	\$11,000,000	N
16)	Texas Academic Innovation & Mentoring	The Academic Innovation & Mentoring (AIM) program is an innovative partnership between Texas Alliance of Boys and Girls Clubs and the Sylvan Learning Centers. A 100% reduction in this program would impact approximately 3000 students and approximately 850 parents who would no longer receive support and academic services each fiscal year.	\$4,500,000	\$4,500,000	0.0	\$0	100.0%	\$4,500,000	N
17)	School Improvement and Governance Support	TEA Rider 44 funds a number of initiatives including the System of Great School Network (SGS). Districts in the network get support to take school action (create new schools, partnerships, and aggressive turnaround actions). Reducing rider funding would decrease the number of districts that can received support as well as the depth of support provided. Additionally, the Professional Service Provider (PSP) Pilots are also funded through Rider 44 funds. The PSP Pilot funds support several ESCs to work towards developing better ways of supporting F rated schools. TEA reports that a reduction would inhibit the agency's ability to continue or scale the new service models. A 10% reduction in Rider 44 would also reduce governance trainings and allow for fewer monitors or conservators to be effectively trained. In addition, fewer school boards would be able to access certain agency supports.	\$285,000	\$285,000	0.0	\$0	10.0%	\$2,850,000	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
18)	Early College High School	Early College High Schools (ECHS) are innovative schools that blend high school and college coursework to help historically underserved and at-risk students earn a high school diploma and up to 60 college credit hours simultaneously at no cost to participating students. In 2017-2018, 198 designated ECHS served 69,065 students. With this 7.5% cut, TEA expects that the growing ECHS program will be unable to effectively serve students to advance college preparation, reduce barriers to college access, and achieve TEA's strategic priority of connecting high school to career and college.	\$450,000	\$450,000	0.0	\$0	7.5%	\$6,000,000	N
19)	Incentive Aid	A ten percent reduction in incentive aid for district consolidation would reduce state aid available to fund existing consolidation payments as well as any new consolidations that would occur during the 2020 and 2021 school years. Because incentive aid payments are required under TEC Chapter 13, Subchapter G, and are not subject to appropriations being made available, to the extent that the reduced appropriation for incentive aid was insufficient to fund the estimated incentive aid payments, the Texas Education Agency would be required to transfer an amount from strategy A.1., FSP – Equalized Operations to make up for the reduction. □	\$200,000	\$200,000	0.0	\$0	10.0%	\$2,000,000	N
20)	Adult Charter School	The Adult Education pilot program supports TEA's Strategic Plan by providing funding for the Excel Center for Adults, a free, public charter high school in Texas, that provides adult students ages 19-50 the opportunity to earn their high school diploma and complete career and technology education courses that lead to industry certification. The funding provides resources to this particular at-risk, adult-student population. TEA estimates this 100% funding reduction would have a significant negative impact on the Excel Center and most likely result in the charter school closure. As a result, current and future students would not be served.	\$2,000,000	\$2,000,000	0.0	\$0	100.0%	\$2,000,000	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
21)	Communities in Schools	Communities In Schools (CIS) in Texas partners with educators, students, and parents to identify needs of students who are at-risk of dropping out of school. TEA anticipates that this 46.8% funding reduction will have significant negative impacts on student participation in CIS programs and programs' ability to support students. TEA anticipates current annual participation of 85,000 students could be reduced to 45,000 students each year.	\$14,517,462	\$14,517,462	0.0	\$0	46.8%	\$31,043,632	N
22)	Early Childhood School Readiness	The Children's Learning Institute provides all districts, charter schools and other eligible entities with easily accessible, high-quality prekindergarten professional development and monitoring resources at no cost. TEA estimates that this funding reduction would have a significant negative impact on student outcomes by decreasing the number of students, teachers and classrooms benefitting from Texas School Ready! programs. It may also hinder implementation of High Quality Prekindergarten classrooms statewide pursuant to Rider 78 (85th Legislature), overall leading to fewer classrooms and schools serving Prekindergarten students.	\$262,500	\$262,500	0.0	\$0	7.5%	\$3,500,000	N
23)	Assessment	To make an additional 10% reduction would require the legislature to make statutory changes to remove several state legally required mandates.	\$9,737,696	\$9,737,696	0.0	\$0	10.0%	\$97,376,959	N
24)	Instructional Materials Fund	TEA made certain assumptions regarding the SBOE's transfer rate from the PSF to the ASF in its calculation of this item which subsequently have not occurred. In conjunction with those assumptions, TEA incorporated a ten percent reduction. Using their assumed figures, TEA reports that the IMF funding level per student would be higher in 2020-21 than it was in 2018-19.	\$124,815,336	\$124,815,336	0.0	\$0	10.0%	\$1,248,153,358	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
25)	Open Educational Resource Materials	TEA reports that using open educational resource materials could offer the state significant savings by providing free, on-line, supported access to world class materials. TEA anticipates that this 10% funding reduction will hinder the state's ability to keep developing instructional materials in core subjects. However, the number of districts that will choose to use these materials and the number of students who would be impacted is not yet known.	\$2,000,000	\$2,000,000	0.0	\$0	10.0%	\$20,000,000	N
26)	Pathways in Technology Early College High School (P-TECH)	Pathways in Technology Early College High Schools (P-TECH) are innovative high schools that blend high school and college coursework to help historically underserved and at-risk student develop technical skills, earn dual credit, and pursue high-wage, high-demand career paths at no cost to the participating students. With this 10% reduction, TEA reports that campuses will be unable to implement the P-TECH model with fidelity and fail to provide college credit and work-based learning to historically underserved and at-risk students at no cost to participants.	\$485,000	\$485,000	0.0	\$0	10.0%	\$4,850,000	N
27)	Texas Science, Technology, Engineering and Mathematics (T-STEM)	Texas Science, Technology, Engineering and Math (T-STEM) Academies are innovative grades 6-12 or 9-12 campuses that blend high school and college coursework that focus in STEM fields to help historically underserved and at-risk students develop technical skills, pursue high-wage, high-demand career paths at no cost to the students. With a ten percent reduction the 10% cut, TEA anticipates that the number of campuses providing T-STEM services would decrease and limit the number of historically underserved and at-risk student receiving STEM-focused education and career preparation.	\$300,000	\$300,000	0.0	\$0	10.0%	\$3,000,000	N
28)	Amachi	The Amachi program provides one-on-one mentoring for students who have an incarcerated parent or family member. TEA reports that a 10% funding reduction would result in significant negative impacts to the Amachi program and cause current and future students to cease to be served (if another funding source could not be located).	\$130,000	\$130,000	0.0	\$0	10.0%	\$1,300,000	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
29)	Reading Excellence Team Pilot	The Reading Excellence Team Program currently funds 5.5 FTEs across two Education Service Centers to provide targeted training and coaching of Kindergarten through grade 3 teachers and campus leaders in early literacy best practices. A 10% reduction in overall program funds would result in the reduction of 0.5 FTE, leading to up to five fewer campuses served in the program.	\$136,886	\$136,886	0.0	\$0	10.0%	\$1,368,864	N
30)	Reading to Learn (RTL) Academies	Reading-to-learn academies offer paid training to teachers who provide reading comprehension instruction to students at the fourth or fifth grade level. TEA reports that a 10% cut, equivalent to roughly 1,500 stipends for participating teachers, would significantly reduce the number of teachers trained to help struggling readers in Texas by removing financial incentive to participate in an academy.	\$550,000	\$550,000	0.0	\$0	10.0%	\$5,500,000	N
31)	Literacy Achievement Academies	Literacy achievement academies offer paid training for teachers who provide reading instruction to students at the kindergarten or first, second, or third grade level. TEA reports that a 10% reduction, equivalent to roughly 2,500 stipends for participating teachers, would significantly reduce the number of teachers trained to help students in kindergarten through grade 3 develop core reading and writing skills by removing financial incentive to participate in an academy.	\$900,000	\$900,000	0.0	\$0	10.0%	\$9,000,000	N
32)	Mathematics Achievement Academies	Mathematics achievement academies offer paid training for teachers who provide mathematics instruction to students at the kindergarten or first, second, or third grade level. TEA reports that a ten percent reduction would result in roughly 1,285 fewer teachers per year who could participate in an academy and receive a stipend.	\$900,000	\$900,000	0.0	\$0	10.0%	\$9,000,000	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
33)	Funding for Regional ESCs	Regional Education Service Centers (ESCs) assist school districts in improving student performance, enable school districts to operate more efficiently and economically, and (3) implement initiatives assigned by the legislature or the commissioner. A reduction in funding could disrupt the ability of ESCs to deliver these services. Further, ESCs played a critical leadership role during the Hurricane Harvey recovery. A 7.5% cut to ESCs would disproportionately impact the ESCs serving small and rural school districts because the funding formula is structured to provide rural ESCs with more state funding on a per pupil basis. In the event of a natural disaster, a reduction in ESC funding will mean ESCs have less capacity to support the recovery effort at school districts.	\$1,781,250	\$1,781,250	0.0	\$0	7.5%	\$23,750,000	N
34)	Funds from Closed Charter Schools	A reduction of these funds would hinder TEA's ability to efficiently close poor performing charter schools.	\$150,336	\$150,336	0.0	\$0	10.0%	\$1,503,359	N
35)	ESC Dyslexia	The purpose of the statewide education service center (ESC) Dyslexia Project is to assist the joint program of coordinators for dyslexia and related disorders services at each regional ESC pursuant to Texas Education Code (TEC) §38.003. TEA reports that this 7.5% reduction would decrease the number of teachers receiving training would decrease and education would be less effective for students with dyslexia and related disorders.	\$18,750	\$18,750	0.0	\$0	7.5%	\$250,000	N
36)	Students with Visual Impairments	The purpose of the ESC Statewide Services for Student with Visual Impairments (SSVI) Grant, Rider 15, is to support activities that improve student outcomes, and program and service effectiveness, for students who are blind or visually impaired. TEA reports that a funding reduction of 7.5% will have significant impacts on student support and services.	\$848,290	\$848,290	0.0	\$0	7.5%	\$11,310,536	N

**Texas Education Agency
Summary of Ten Percent Biennial Base Reduction Options**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
37)	Regional Day Schools Deaf	The purpose of the state appropriated formula funds for the Regional Day School Programs for the Deaf, Rider 14, is to support activities to the 54 RDSPDs across the state of Texas who serve students with hearing loss to improve student outcomes, and program and service effectiveness. TEA reports that a funding reduction of 7.5% will have significant impacts on student support and services.	\$4,969,980	\$4,969,980	0.0	\$0	7.5%	\$66,266,400	N
TOTAL, 10% Reduction Options			\$198,386,026	\$198,386,026	0.0	\$0	11.0%	\$1,808,182,692	

Texas Education Agency Supplemental Issues

1. Status of Selected Recently-Established Programs

The 85th Legislature provided \$69.4 million for four new or recently enacted programs in the 2018-19 biennium: E-Rate, P-TECH, Math Innovation Zones, and Teacher Academies. Implementation and funding information related to these programs are provided below.

E-Rate: House Bill 1 includes no funding for the E-Rate program in the 2020-21 biennium. The Legislature appropriated \$25.0 million out of Economic Stabilization Fund No. 599 in Rider 69 to TEA in fiscal year 2018 for the purpose of receiving a match of \$225.0 million in Federal Funds to make telecommunications and information services more affordable for certain school districts. According to TEA, as of the end of fiscal year 2018, \$23.4 million of the \$25.0 million had been encumbered or distributed. A total of 468 school districts will benefit from new projects that will provide high-speed internet access where it was previously unavailable. According to the agency, when these projects are complete, 99 percent of schools in Texas will be estimated to have fiber-optic connections required to meet current and future connectivity needs.

Pathways in Technology Early College High School (P-TECH): House Bill 1 includes \$5.0 million in General Revenue out of Strategy A.2.1, Statewide Educational Program, to support P-TECH. P-TECH allows students to obtain work experience while earning a high school diploma and an associate degree, certificate, or certification within six years. Funds must be used for programs that align with Early College High School Requirements and include certain additional components.

In the 2018-19 school year, Texas had 34 designated P-TECH school and 28 campuses that were in the planning stage. On October 12, 2018 the agency announced P-TECH and Industry Cluster Innovative Academy (ICIA) Planning Grants. These funds are available to campuses that are planning to open a P-TECH in the 2020-21 school year. The agency indicates that 34 schools in Texas have been designated as P-TECH Schools, with an additional 28 schools in the planning phase.

Innovative Programs: House Bill 1 includes \$14.5 million out of Strategy B.2.1, Improving Educator Quality and Leadership, to support Innovative Programs that support educator development or increase achievement outcomes in the 2020-21 biennium. These include Math Innovation Zones (MIZ), which are intended to support blended learning programs focused on improving student and teacher outcomes. Amounts included in House Bill 1 are equivalent to the agency's base amount in the 2018-19 biennium and is in line with the agency's request.

According to the agency, four school districts and one charter school were designated as MIZ Pilot Grant Sites in the 2018-19 school year, while another five school districts and four charter schools were designated as exploratory sites. The agency anticipates that the program will expand to between 10 and 15 schools districts and charter schools in the 2019-20 school year, with expanded programs serving additional grades at the 2018-19 sites. The agency plans to initiate a pay-for-success program in the 2020-21 biennium, which would provide financing to grant recipients based on successful implementation of the program.

Teacher Academies: House Bill 1 includes \$24.9 million for teacher academies, the same level of funding as the 2018-19 biennium. This includes:

- **Mathematics Achievement Academies:** \$9.0 million for the biennium to provide teachers in Kindergarten to grade three with a curriculum focused on core numeracy skills.
- **Literacy Achievement Academies:** \$9.0 million for the biennium teachers of kindergarten to grade three with a curriculum focused on how to teach core reading and writing skills.

- **Reading Excellence Teams:** \$1.4 million for the biennium directed to eligible schools with unsatisfactory scores on early reading assessments to have highly trained reading instruction specialists assist classrooms of kindergarten to grade three with instruction.
- **Reading-to-Learn Academies:** \$5.5 million to train teachers who provide reading comprehension instruction to students at the fourth or fifth grade level.

In anticipation of the projected lapses during the 2016-17 biennium, the 85th Legislature significantly reduced funding for the programs in the 2018-19 biennium. In 2018-19 the agency funded 2,484 Mathematics Academy and 2,086 Reading Academy teacher stipends in the summer of 2018. The agency also awarded contracts for development of content and training-of-trainers. The agency also initiated a blended learning component to allow educators to receive additional training throughout the school year. TEA does not anticipate lapsing funds from the academies in the 2018-19 biennium

2. Agency Contracting Procedures

In August of 2018 the Texas State Auditor's Office (SAO) released "An Audit Report on Selected Contracts at the Texas Education Agency." The report found weaknesses that affected award outcomes. In the two contracts identified management did not follow processes designed to maintain the integrity of procurements.

The SAO found that for a contract for the design and creation of web pages and content, TEA Management overrode controls in its procurement process in order to award a contract to a preferred vendor and committed other planning and procurement errors. For a second contract related for data services to the individualized education plans (IEP) process and pilot solutions, the SAO found that TEA failed to ensure the integrity of the procurement. The agency failed to conduct a needs assessment, failed to identify a professional relationship between Agency management and a contractor, and paid the contractor \$2.5 million despite receiving only one deliverable valued at \$150,000

The SAO report made several recommendations, including recommendations that the agency consistently follow a process for competitive solicitations, strengthen contract and legal review, and advertise solicitations as required by statute.

TEA responded in agreement to all findings in the audit and stated that the agency was already starting to implement an extensive and aggressive set of reforms starting in Fall of 2017. TEA has reported that they are improving their procurement processes, and that they replaced the director of contracts, hired more attorneys for legal review, and developed a five-phase contracting process.

3. Update on STAAR Testing Administration

During the spring 2018 administration of the STAAR test, TEA experienced problems with the online testing platform that impacted student test takers. In April 41,702 students were affected by testing issues, and in May 29,307 students were affected by a connection slowdown. In response to these problems TEA assessed \$100,000 in liquidated damages against Educational Testing Service (ETS), the company responsible for administering STAAR. According to TEA, this was the maximum allowable amount in the agency's contract with ETS. TEA has historically operated the state testing program through contracting with outside entities and with TEA staff providing technical support to the program. Instead of awarding the entire assessment contract to one vendor, in May 2015, TEA awarded assessment contracts to two vendors with the majority of the assessment program features awarded to Educational Testing Service (ETS) through fiscal year 2020. The following provides a breakdown of the assessment contract by vendor:

- **ETS** – Program Integration and State of Texas Assessments of Academic Readiness (STAAR) grades 3-8, end-of-course (EOC), STAAR Spanish, STAAR L and STAAR A assessments; and
- **Pearson** – STAAR Alternate 2, Texas English Language Proficiency Assessment System (TELPAS), and Texas Assessment of Knowledge and Skills (TAKS).

The following shows assessment contract costs by vendor from fiscal year 2018 to 2020.

State Testing Program Vendor Amounts Fiscal Years 2018 to 2020			
Vendor	FY 2018 Estimated	FY 2019 Estimated	FY 2020 Estimated
Pearson	\$15,554,613	\$15,381,458	\$15,678,319
ETS	\$92,973,976	\$83,534,982	\$75,903,165
Total	\$108,528,589	\$98,916,440	\$91,581,484
Source: Texas Education Agency. Note: FY 2020 amounts assume renewal of the current contracts (currently set to expire on August 31, 2019).			

The ETS contract is scheduled to expire on August 31, 2019, although the agency has the ability to extend the contract for one additional year. In May, 2018 the agency stated its intention to rebid the two agency’s contracts for assessment services after the current contracts expire. The agency intends to exercise the one-year extension of the ETS contract in order to facilitate a smoother transition should a new vendor be chosen. The agency has stated its intention to prioritize online testing functionality in its next solicitation

4. **Effectiveness of Various TEA Programs**

In the 2018-19 biennium, the Legislature added language to several riders requiring contracted entities to provide expenditure and performance data to the Commissioner to assess program success. LBB staff requested information from TEA about accountability information they had collected for such programs, and a summary of information collected by TEA is provided below:

- Mathcounts (Rider 21): The agency intends to begin collecting assessment data for students participating in the program in fiscal year 2020 in order to conduct pre- and post-assessments. This will provide the agency with performance data for all participants, rather than just the highest performers in competition.
- Communities in Schools (Rider 22): According to information collected in TEA’s CIS Tracking Management System, in school year 2017-18, 98% of case-managed students (grades 7-12) stayed in school; 96% were promoted to the next grade (K-11th grade); 94% of eligible seniors graduated; 96% targeted for social services met goals; 90% of students targeted for academics showed improvement; 74% of students targeted for attendance showed improvement; and 93% of students targeted for behavior showed improvement.
- Education Service Center Dyslexia Coordinators (Rider 29): The percent of students reported in PEIMS by school districts as having been identified with dyslexia increased from 2.9% in the 2016-2017 school year to 3.1% in the 2017-2018 school year. Further, two new performance measures for ESC Dyslexia Coordinators are likely to yield information on program effectiveness. The agency anticipates having more outcome data in a year.
- Math Innovation Zones and Replicating Great Options (Rider 41 (c)): TEA will begin collecting fidelity of implementation data for Math Innovation Zones, and this data will be used in implementing pay-for-performance in the 2020-21 biennium.
- Early Childhood School Readiness Program/Children's Learning Institute (Rider 42): According to TEA, the agency receives monthly and quarterly reports from the Children’s Learning Institute (CLI) on enrollment, professional development, and other indicators. According to TEA, CLI is working on an Annual Report which will include financial information and performance data.

- Student Success Initiative/Community Partnerships (Rider 43): Grantees are required to monitor progress data that is tied to outcomes specified in the grant. Grantees collect outcome data once every six weeks and report to TEA during regular check-in meetings. Information on outcomes is expected to be available after the 2018-19 school year.
- Texas Virtual School Network (Rider 45): During school year 2016–17, two of the state’s largest Virtual School Network Online Schools received an Improvement Required rating. These two schools collectively represent 68.0 percent of total Texas Virtual School Network Online School enrollment. Catalog course completions in school year 2015-2016, the most recent year data is available, were 91.6 percent.
- Teach for America (Rider 47): During TEA’s Strategic Fiscal Review for the 2016-17 General Appropriations Act, LBB staff reviewed several program evaluations of Teach for America (TFA). Staff concluded that “TFA has had mixed results in terms of student performance and teacher retention.” Some studies indicated that TFA teachers had shorter tenures and produced worse student achievement than traditionally credentialed teachers. In the summer of 2018, TFA provided LBB staff with information on the number of teachers employed by the program, as well as their demographic profiles and information on students served. TFA representatives highlighted improvement in various outcomes, including teacher diversity and growth in the number of TFA alumni serving in Texas schools who have three or more years of service. In the 2017-18 school year, Teach for America had 712 first and second year teachers in Texas, as well as 1,463 alumni who were their third year or higher year of teaching.
- Amachi Texas (Rider 50): 98.8 percent of students mentored for six months or more in the Amachi Mentoring Program were promoted to the next grade, while 1.4 percent were referred to the juvenile justice system and 2.8 percent were referred to an alternative education placement. TEA reports that in school year 2016-17, 90 percent of new student mentoring matches were mentored for six months or more.
- Texas Academic Innovation and Mentoring/Boys and Girls Clubs (Rider 51): Boys and Girls Clubs of Texas reports enrollment and outcome data to the agency. According to Boys and Girls Clubs of Texas, 85 percent of youth advance an academic level after completing the program.
- Texas Lesson Study (Rider 53 (c)): TEA reports that on average, student mastery scores on a pre-test and post-test for the specified TEKS objective increased by 27%. Participating teachers have reported higher levels of confidence in teaching ability, content expertise, collaborative time, and job satisfaction.
- Best Buddies (Rider 71): The organization’s 2018 annual survey showed that 85 percent of participants felt more accepted by their friends, 89 percent enjoyed their experience in the program, and 93 percent became more aware that individuals with intellectual and developmental disabilities can hold jobs in the community.

5. Evaluation of House Bill 1842 and Campus Turnaround Plans

House Bill 1842, 84th Legislature (2015) amended Chapter 39 of the Texas Education Code, establishing a process by which a public school campus that had consistently failed to meet state accountability standards would be required to develop and implement a campus turnaround plan. The bill required LBB to evaluate Sec. 39.107 of the Texas Education Code, as amended by the bill, which governs the campus turnaround plan policy, to determine whether the legislation has led to improvements to school and student performance. This evaluation was published in November 2018:

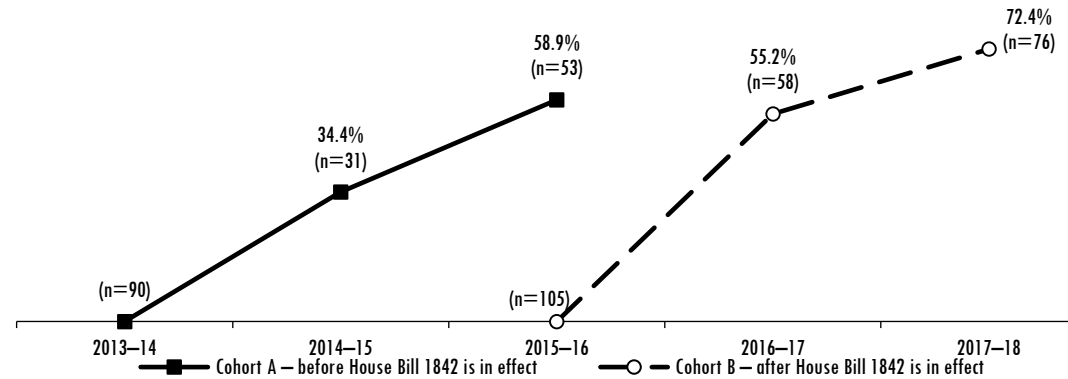
http://www.lbb.state.tx.us/Documents/Publications/Policy_Report/4886_Campus_Turnaround_Plans.pdf

In order to assess campus turnaround plan policy, LBB staff evaluated the extent to which campuses with consecutive years of unacceptable accountability ratings met standard in a subsequent school year. The analysis compares campuses with second year Improvement Required ratings before the implementation of House Bill 1842 to campuses that had second year Improvement Required ratings after implementation. This comparison is intended to illustrate whether the development or implementation of campus turnaround plans has made it more likely that campuses would meet standard in a subsequent year.

LBB staff focused on second year Improvement Required campuses that were required to develop campus turnaround plans in the 2015-16 school year. This was the first school year after the implementation of House Bill 1842. LBB staff evaluated the share of these campuses that met standard within two years. This allowed

LBB staff to evaluate second year Improvement Required campus that developed turnaround plans, as well as third year Improvement Required campuses that implemented campus turnaround plans. LBB staff compared this group with campuses that were second year Improvement Required two years before the law went into effect. For this period, these campuses were unaffected by House Bill 1842 because the bill had not been passed or implemented.

In this evaluation, LBB staff found that after the implementation of House Bill 1842 during the 2015-2016 school year, campuses with multiple years of Improvement Required ratings met standard at a higher rate than before. This finding holds true when comparing campuses with similar socio-demographic characteristics. These observations suggest that House Bill 1842 and campus turnaround plan policy has had a positive effect on student achievement and campus accountability. However, some portion of this effect could be attributable to a general improvement in accountability ratings during the period of study.



SOURCE: Legislative Budget Board.

6. **Funding for Unaccompanied Children Served by Texas Schools**

On August 21, 2018 TEA provided guidance to school districts regarding the provision of education services by Texas public schools to children under the care of the U.S. Department of Health and Human Services Office of Refugee Resettlement (ORR). This guidance was provided in response to questions from school districts and charter schools that partnered with shelters in which unaccompanied children were being detained.

Federal law under the United States Refugee Act of 1980 requires that the ORR Director arrange placement of unaccompanied refugee children before their arrival or as soon as possible thereafter. The Director is required to assume legal and financial responsibility for unaccompanied children before they are placed in care. In addition, the Flores settlement of 1993 requires that ORR-contracted facilities that house unaccompanied children assume financial responsibility for providing educational services to those children.

If Texas public schools are asked to provide educational services to these children, Texas Education Code Sec. 25.003 requires that a school district must charge tuition for a child residing in a residential facility who expenses are paid by the federal government. Section 25.003 specifies that attendance by children in federal custody is not counted for purposes of allocating state funds to a district. That is, Texas public schools can provide educational services to unaccompanied children in federal care, but payment must come from sources such as tuition and cannot receive duplicative payment through the Foundation School Program. Once a child has been released from federal custody, a child may be admitted under normal protocols and may be counted for the purposes of state funding.

7. **Additional Detail on Hurricane Harvey**

Estimated required costs attributable to Harvey total \$907 million in fiscal years 2018-2021, with \$271.3 million realized and incorporated into the adjusted 2018-19 base, an additional \$636 million in fiscal years 2020 and 2021 included in House Bill 1. For an explanation of the interaction between tax year and budget years, refer to the District Property Values graphic with green boxes in Selected Fiscal and Policy Issue #2 and the additional analysis on property tax issues following the tables.

Mandatory FSP Costs of Hurricane Harvey (in millions)

Item	FY 18	FY 19	FY 20	FY 21	Total
1 Compensatory Education	\$103.0	\$44.0	-	-	\$147.0
2 ADA Hold Harmless	\$13.0	\$76.1	-	-	\$89.1
3 Ch. 41 Facilities Remediation	-	\$30.0	-	-	\$30.0
4 TY 17 Reappraisal	-	\$5.2	-	-	\$5.2
5 TY 18 DPV Impact (for districts that reappraised)	-	-	\$131.7	-	\$131.7
6 TY 18 DPV Impact(for districts that did not reappraise)	-	-	\$292.3	-	\$292.3
7 TY 19 DPV Impact	-	-	-	\$212.0	\$212.0
Total	\$116.0	\$155.3	\$424.0	\$212.0	\$907.3

Options for Further Legislative Consideration

Legislative discussions have including the option of providing additional Harvey-related funding in addition to the state costs required under current law. Cost estimates totaling \$634.2 million are detailed below. The Legislature could choose to fund these items through either a supplemental appropriation or by an additional appropriation in the 2020-21 General Appropriations Act.

Item	Total
8 Ch 42 Facilities Remediation	\$60.0
9 District Loss Due to Property Tax Collections	\$574.2
Total	\$634.2

Property Tax Issues (Items 4-7 and 9)

Background: A primary driver for FSP entitlement and state aid are property tax values. The FSP uses both a district's property value and property tax collections at various points in a district's FSP calculation. The property tax values used are from the prior fiscal year, while collections are from the current fiscal year. As an example, Tax Year 2018 property tax bills will be paid by property owners in fiscal year 2019; as a result, the collections will affect fiscal year 2019 state aid and recapture calculations, while the Tax Year 2018 property values won't affect FSP calculations until fiscal year 2020. Property values play a larger role than

property tax collections in a district's calculation of state aid, but both are significant. For example, both property values and property tax collections are used in the calculation of Tier 2 state aid and Recapture payments, while property values alone are used in a calculation of a district's state aid under Tier 1.

Reappraisal: The Tax Code authorizes school districts to reappraise properties affected by a disaster, should they so choose. If a school district chose to reappraise the properties in their district, the final Tax Year 2017 values would have been prorated so that the lower property value only apply proportionally to the remainder of the year following the disaster. TEA indicates that 12 school districts chose to reappraise their 2017 taxable property values. LBB staff estimate the 2018-19 biennial cost of the reappraisals to be \$5.2 million.

Mandatory FSP Costs Related to Property Taxes: The amounts shown in Items 4 through 7 above represent the estimated cost of Tax Years 2017 through 2019 for both reappraising and non-reappraising districts.

Options for Further Legislative Consideration: Since property values are such a large budget driver for the FSP, and because it relies on lagged values, affected school districts realized reduced tax collections a year before the state aid was increased, potentially causing financial hardship for affected districts. Item 9 above shows the estimated impact of reduced tax collections realized by the districts.

Compensatory Education Allotment (Item 1)

The compensatory education allotment, which provides additional weighted FSP funding for economically disadvantaged students, is based on a district's highest six months of participation in the National School Lunch Program (NSLP) in the prior federal fiscal year. So NSLP participation in federal fiscal year 2017 (October 2016 - September 2017) affected the compensatory education allotment of the FSP in fiscal year 2018, and federal fiscal year 2018 (October 2017 - September 2018), affected the allotment in fiscal year 2019. School districts affected by the hurricane received a waiver from the Texas Department of Agriculture to provide free lunch to all students in August through October of 2017 through the NSLP, and for certain districts beyond October 2017. TEA currently estimates the increased cost to the FSP of this waiver to be \$103 million in fiscal year 2018 and \$44 million in fiscal year 2019.

Average Daily Attendance Hold Harmless (Item 2)

A primary driver for FSP entitlement is student counts. As students were displaced as a result of the hurricane, affected school districts can be placed into two general categories: 1) those that experienced an increase in average daily attendance (ADA) as a result of absorbing students who were displaced by the hurricane, and 2) those that experienced a decline in ADA due to students being displaced by the hurricane. Taken alone, the impact to the biennial state budget resulting from students moving from one Texas district to another would be negligible.

However, in October 2017, pursuant to statutory authority granted in Education Code §42.0051, the Commissioner of Education released a letter stating that an adjustment to ADA (referred to by TEA as a hold harmless) would be made for school districts and charter schools experiencing declines in enrollment because of Hurricane Harvey for the 2017-18 school year. To be eligible for the adjustment, the school district or charter school would have had to complete necessary applications and: 1) experience damage to at least one campus which resulted in a disruption of instruction lasting two or more weeks, or 2) had instructional facilities that were closed for the 9 or 10 hurricane related waiver days. TEA estimates the biennial cost of the adjustment to be \$89.1 million.

Since the purpose of the ADA Hold Harmless is to provide affected schools with approximately the same amount of revenue that would have occurred had the hurricane not occurred, this would not necessarily be a cost over amounts appropriated by the Eighty-fifth Legislature, since no hurricane-related student declines were included in estimates to develop the FSP appropriation. However, any additional costs incurred by districts from educating students displaced by the hurricane were realized as part of settle-up in fiscal year 2019.

Remediation (Items 3 and 8)

The Education Code provides for disaster remediation costs that are not covered by insurance or FEMA to be paid by the state through an adjustment to the FSP. The Education Code treats Chapter 41 districts (those subject to the wealth equalization provisions of the Education Code) differently from Chapter 42 districts (those not subject to the wealth equalization provisions of the Education Code).

Mandatory FSP Costs Related to Facilities Remediation: The Education Code authorizes Chapter 41 districts to reduce their recapture payments by the amount of their unreimbursed disaster remediation costs within two years of the disaster. Districts have two years to apply to reduce their recapture payments. To date, TEA has only received one request from an affected school district, although this number is expected to increase substantially in fiscal year 2019. Current estimates developed by TEA assume \$30 million in fiscal year 2019 recapture adjustments related to facilities remediation.

Options for Further Legislative Consideration: The Education Code authorizes TEA to pay for disaster remediation costs for Chapter 42 districts, only to the extent that there is a surplus in the FSP, or the Legislature makes a specific appropriation for this purpose. Should the Legislature so choose, an appropriation could be made to provide remediation to Chapter 42 districts or Chapter 41 districts that have already fully offset their recapture payments. Current estimates developed by TEA assume that the total disaster remediation costs incurred by Chapter 42 districts after accounting for FEMA and insurance payments would be \$60 million.

8. **Charter Schools.** Charter schools are not authorized to levy local property taxes. Therefore, the entire FSP entitlement for a charter school is provided as state aid.

The charter school Tier 1 entitlement is determined by multiplying counts of students enrolled in general and targeted education programs by applicable program weights and the state average of school district adjusted allotments. Enrichment funding provided through Tier 2 for charter schools is calculated using the state average number of enrichment pennies levied by school districts with taxing authority.

The following figure shows, from fiscal years 2012 to 2021, charter school state aid, the percentage of total state aid, charter school average daily attendance, and the percentage of total ADA made up by charter schools

Year	State Aid (in Millions)	Average Daily Attendance (ADA)	Percentage of Total ADA
2012	\$1,172.1	139,049	3.0%
2013	\$1,327.1	161,846	3.4%
2014	\$1,561.3	183,228	3.8%
2015	\$1,793.2	207,003	4.3%
2016	\$2,030.9	226,771	4.6%
2017	\$2,256.4	250,592	5.0%
2018	\$2,550.8	271,781	5.4%
2019*	\$2,922.2	301,882	6.0%
2020*	\$3,315.5	336,325	6.6%
2021*	\$3,608.0	363,511	7.0%

*Projected

9. Significant Legislation

House Bill 21, First Called Session, 2017 – Foundation School Program. The legislation made multiple changes affecting public education and transferred a total of \$523.0 million in General Revenue Funds of 2018–19 biennial appropriations from the Health and Human Services Commission (HHSC) to other agencies. The legislation provided the Texas Education Agency with a total of \$311.0 million in General Revenue Funds to implement the following changes and new programs within the Foundation School Program:

- the Financial Hardship Transition Program, funded at \$150.0 million, provided grants to school districts that otherwise would experience financial hardships from other statutory changes occurring during the 2018–19 biennium;
- charter schools were provided with facilities funding for the first time, totaling \$60.0 million in fiscal year 2019;
- the legislation provided \$60.0 million for an increase in the yield for the Existing Debt Allotment in fiscal year 2019; and
- the legislation provided \$41.0 million for a change in the small-sized district adjustment applied to the Basic Allotment in fiscal year 2019. The small-sized adjustment for districts with less than 300 square mile was to be increased each year from fiscal year 2019 to fiscal year 2023

The legislation established the Texas Commission on Public School Finance (see Appendix G, Issue #10), which was charged with developing and reporting recommendations on statutory changes to improve the public school finance system by December 31, 2018. The legislation also established two separate non-FSP programs to provide grants to charters and school districts providing innovative services to dyslexic and autistic students, which were each transferred \$20.0 million in General Revenue from HHSC by House Bill 30, First Called Session, 2017.

10. School Finance Commission

House Bill 21, Eighty-fifth Legislature, First Called Session, established the Texas Commission on Public School Finance to develop and make recommendations for improvements to the current school finance system or for new methods of financing public schools. The commission began meeting in January 2018 and adopted its final report in December 2018. Additional information on the commission, including a copy of the final report can be found at:

<https://tea.texas.gov/schoolfinancecommission/>.

**Texas Education Agency (TEA)
Quality Assurance Team (QAT) Highlights**

TEA has one project subject to QAT oversight. The project below is within budget and on schedule as reported to the Quality Assurance Team*

Project Name	Project Cost	Expenditures to Date	% Complete	Timeline in Months	Project Status
Cybersecurity	\$ 5.0	\$ 0.4	19.0%	14	<p>This project will implement cybersecurity procedures, policy and hardware/software using a phased approach for state-wide enterprise security of confidential student and teacher Personally Identifiable Information (PII), and Sensitive Personal Information (SPI).</p> <p>TEA began the project in FY 2018. The initial estimated project cost was \$5.0 million. The initial project start and finish dates were December 1, 2017, and August 31, 2019, respectively. Thus far, the project is successful in terms of both budget and duration.</p>

*Note: These figures reflect all project costs (Capital and Informational) and timelines from self-reported monitoring reports that are sent to the Quality Assurance Team (QAT) for review. QAT includes representatives from the Comptroller of Public Accounts, Department of Information Resources, Legislative Budget Board and the State Auditor's Office (Advisory Only).