



# HB 3 in 30: Charter School Funding

August 29, 2019



## Key TEA Personnel

### Relevant Staff

#### **Leo Lopez**

Associate Commissioner for School Finance

#### **Amy Copeland**

Assistant Director of State Funding

#### **Nora Rainey**

FSP Manager

#### **Dina Black**

State Funding Specialist



## Presentation Agenda

- 1. Charter School State Aid Before and After HB3**
  - Tier One
    - Small and Mid-Sized Charter Allotment
    - Maintenance of Effort
  - Tier Two
- 2. Calculation of the “30 Percent” for salary increases**
- 3. TRS Contributions for Charter Schools**
  - Staff Subject to Minimum Salary Schedule
- 4. Next Steps For Charter Schools**

# Charter School Tier One State Aid Before and After HB 3

# Charter School State Aid – Changes to Tier One

## Pre HB 3

Charter Tier One allotments were calculated using the state average of all school districts' **adjusted allotments (AA)** of \$6,545.

- This average recognized the state average impact of the cost of education index (CEI) and the small/mid-sized district adjustments.
- Total average M&O funding per ADA (including Tier One, Tier Two and Other Programs) for charters was **\$9,815**

## After HB 3

Charter Tier One allotments are calculated using the state average of all school districts' **basic allotment (BA)** of \$6,153\*

- This average no longer includes adjustments for CEI (repealed) or small/mid-sized district (created as a stand-alone allotment).
- Total average M&O funding per ADA (including Tier One, Tier Two and Other Programs) for charters is estimated at **\$10,386**

\*This number may increase closer to \$6,160 in February 2020 if districts adopt higher M&O tax rates.

# Charter School State Aid – Changes to Tier One Allotments that use the AA / BA

## Pre HB 3

The allotments funded using the average AA (\$6,545)

- Regular Program Allotment
- Special Education
- Career & Technology
- Gifted & Talented
- Compensatory Education
- Bilingual Education

## After HB 3

The allotments are funded using the average BA (\$6,153)

- Regular Program Allotment
- Special Education\*
- Career & Technology\*
  
- Compensatory Education\*
- Bilingual Education\*
  
- Dyslexia Allotment
- Early Education Allotment

\*These allotments were changed under HB 3.

# Charter School New Tier One Allotments

- ✓ Teacher Incentive Allotment
- ✓ CCMR Outcomes Bonus
- ✓ Mentor Program Allotment
- ✓ Dropout Recovery & Residential Placement Facility Allotment
- ✓ College / Career Entrance Exam Reimbursements
- ✓ Small/Mid-sized (Charter) Allotment

# Small and Mid-sized Allotment for Charters



# Small/Mid-sized Allotment for Charters

- ✓ With the elimination of an Adjusted Allotment multiplier for student weights, charter schools will receive a district-level allotment.
- ✓ Every charter school, regardless of size, gets the allotment.
- ✓ The allotment is based on a calculation from the small/mid-sized allotment for districts.

## New Development

The commissioner will seek to exercise the provision of HB 3 related to unintended consequences to make adjustments for Special Education Maintenance of Effort. More information on this is coming in future communications from the agency.

# Why Change the Allotment Structure?

- This new allotment, based on a recommendation from the [Texas Commission on Public School Finance's Final Report](#), improves transparency and separates student centric weights from district centric weights.
- The stand-alone allotment increases public transparency toward spending associated with districts by size characteristics, while helping the state streamline formulas to focus more on the needs of the student, regardless of what district the student attends.

# How Statute Prescribes the Per ADA Calculation

## Step 1

Charter School Small and Mid-Sized Allotment Per ADA

Total Small and Mid-sized Allotment for school districts

---

Total Regular Program ADA of Small and Mid-sized Districts

= **\$988**

**x**

## Step 2

**1 +**

Total Regular Program ADA of Small and Mid-Sized Districts

---

Total Regular Program ADA Statewide for school districts (excluding charters)

= **\$1,185**

**-**

## Step 3

**\$125**

Removes impact of the increase to the Basic Allotment resulting from the move to Current Year Values

**=**

## Step 4

Charter School Small and Mid-Sized Allotment Per ADA

**~ \$1,060 per ADA\***

### In Statute:

Texas Education Code, Section 1.002 – (HB 3, Enrolled – Page 3)



**Question**

**Are charter schools eligible for the Fast Growth Allotment?**



**Answer**

No, Charter Schools are not eligible for the Fast Growth Allotment. Texas Education Code, Section 12.106 (a) – (HB 3, Enrolled – Page 3) excludes the Fast Growth Allotment from charter school funding.

# Frequently Asked Question



## Question

How will charters meet Maintenance of Effort (MOE) requirements?



## Answer

MOE related to special education compares year over year expenditures for students with disabilities, not the size of the Tier One allotment for the charter school.



## Key Takeaway

Charter schools may use funds from the small and mid-sized district charter allotment to meet MOE requirements.

# Charter School Tier Two State Aid Before and After HB 3

# Charter School State Aid – Changes to Tier Two

**While the formulas for tier two state average tax rates did not change under HB 3, the underlying tax rates did change.**

## Pre HB 3 (2018-2019)

- Guaranteed Yield of \$106.28 for Golden Pennies
- State Average Number of Golden Pennies = \$0.0592
- Guaranteed Yield of \$31.95 for Copper Pennies

## After HB 3

- Guaranteed Yield of \$98.56 for Golden Pennies
- State Average Number of Golden Pennies = \$0.0594
- Guaranteed Yield of \$49.28 for Copper Pennies

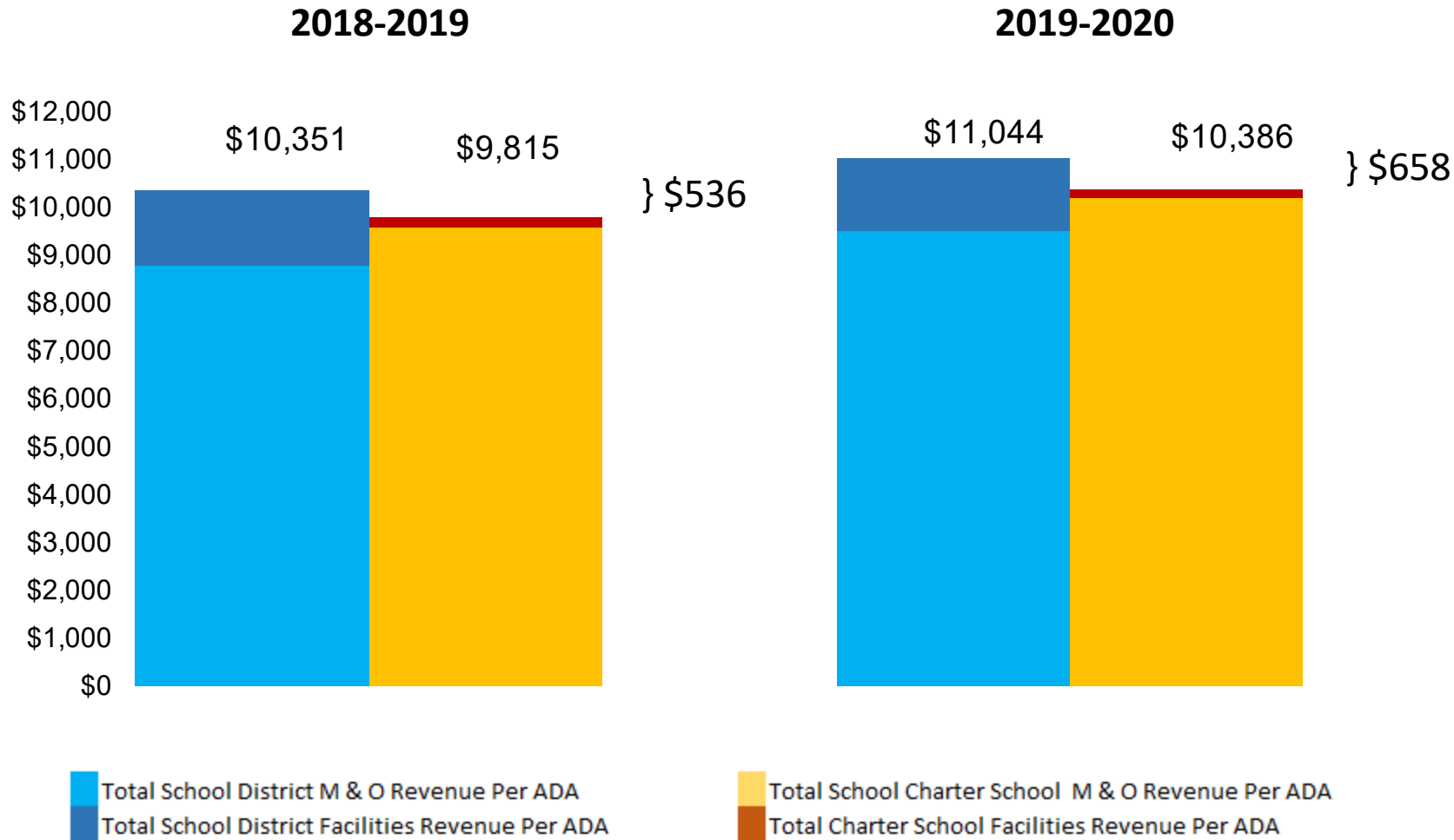
➤ State Average Number of

➤ State Average Number of

# Total Funding Comparison



# HB 3 increased overall per ADA funding for school districts and charter schools



On average, school districts total per pupil funding increased more than charter per pupil funding.

Also, charter school gains will be offset by increased TRS contribution requirements that districts were not subject to.

# Other HB 3 FAQs For Charters



Question

How does HB 3 change Pre-K requirements for charters?



Answer

The requirement for charters to offer Pre-K was not changed with HB 3. But for charters who choose and are approved to offer Pre-K, those requirements have changed. For more information, please watch the [Pre-K HB 3 in 30 video](https://youtu.be/8kXCOGvrTPc) at <https://youtu.be/8kXCOGvrTPc>.

# Frequently Asked Question



Question

How does HB 3 change charter requirements for Gifted & Talented students?



Answer

HB 3 does not change charter requirements for Gifted and Talented. Please watch the *HB 3 in 30* video on Gifted & Talented for more information.

# How Should Charters Calculate the 30 Percent for Compensation Increases?

# Calculation of the 30 Percent for Charter Schools

1. Use the **REFINED ADA** and **TOTAL FSP/ASF STATE AID** from the latest **2018-2019 SOF** to calculate the 2018-2019 Revenue per ADA.
2. Complete the Estimate of State Aid template by entering the estimated **annual average** student data on the ESTIMATE DATA ENTRY worksheet.
3. Calculate the 2019-2020 revenue per ADA from the STATE AID HB 3 worksheet (Total FSP State Aid/ Refined ADA).
4. If #3 is greater #1, the gain per ADA is the difference between #3 and #1.
5. Multiply the “gain per ADA” by the projected 2019-2020 ADA to arrive at the “total gain” from HB 3
6. Multiply the result from #5 by 30%.

- The gain per ADA is **not** the difference in 2019-2020 Prior Law State Aid revenue per ADA and HB 3 State Aid revenue per ADA.
- The gain per ADA is the difference between 2019-2020 revenue per ADA and 2018-2019 revenue per ADA



# Employee Compensation Increase Requirements for Charters

- Compensation increases are for full-time employees other than administrators
- This requirement applies for future school years where the basic allotment is increased.
- **75 Percent (of the 30 Percent)**
  - Must be used to increase compensation paid to classroom teachers, full-time librarians, full-time counselors, and full-time nurses.
  - Charter schools must prioritize [differentiated compensation \(which includes benefits such as insurance premiums\)](#) for classroom teachers with more than five years of experience

## **In Statute:**

[Texas Education Code, Section 48.051\(c\) – \(HB 3, Enrolled – Page 37\)](#)

- This category may also include the categories of employees captured under the 75 percent

# Frequently Asked Question



## Question

Are charters who newly exist in 2019-20 required to calculate compensation increases?



## Answer

No, the compensation increase requirement applies to increases realized 2019-2020 over the 2018-2019 school year. Charters that did not exist in the prior year have no basis to calculate the 30%, so they are not subject to this requirement.





# Frequently Asked Question



## Question

Do charters have to increase salaries up to the minimum salary?



## Answer

No, charter schools are not subject to the minimum salary schedule.



## Key Takeaway

Charter schools are still required to use 30% of their funding gain for compensation increases for employees who would be subject to the minimum salary schedule if they were employed at a school district.

# Budget Planning for Compensation Increase

For a full discussion of this topic, please see the HB 3 in 30 video on Budget Planning for Teacher Compensation at <https://tea.texas.gov/hb3>

# TRS Contributions for Charter Schools

Even though charter schools are not subject to the state minimum salary schedule:

- ✓ Charter schools are now required to pay the contribution that districts are required to pay. Specifically, this is the portion of an employee's salary that exceeds the thresholds defined by the state's minimum salary schedule for the four categories of employees covered.
- ✓ For a full discussion of this topic, please see the HB 3 in 30 video on Budget Planning for Teacher Compensation at <https://tea.texas.gov/hb3>

# Frequently Asked Question



**Question**

**Does an educator's certification status matter when determining TRS Payments a charter must make?**



**Answer**

No. It's any employee that fits the category, even if they aren't certified. The four categories of employee are: classroom teacher, school librarian, school counselor, and school nurse.



# Charter Next Steps

- Charter Schools should download the Charter School Estimate of State Aid Excel Tool to help them estimate their 2019-2020 revenue per ADA.
- Districts should consult with attorneys before making decisions related to compensation increases and/or TRS contributions
- Charter schools must ensure that they are remitting the appropriate amount of TRS contributions related to salaries above the MSS
- Charter Schools should refer to all HB 3 in 30 –videos for more specific information. Videos are available on [tea.texas.gov/HB3](http://tea.texas.gov/HB3).

# House Bill 3 Resources

Stay tuned for the most up-to-date information from TEA on the implementation of House Bill 3



[tea.texas.gov/HB3](https://tea.texas.gov/HB3)

Visit [tea.texas.gov/HB3](https://tea.texas.gov/HB3) for the most up-to-date information



[HB3info@tea.texas.gov](mailto:HB3info@tea.texas.gov)

Email [HB3info@tea.texas.gov](mailto:HB3info@tea.texas.gov) with any questions



A photograph of a classroom scene. A teacher in a white shirt is standing at the front, gesturing with both hands raised. Several young students are seated at a table, also with their hands raised. The background shows blue bookshelves filled with books and colorful educational posters on the wall. A semi-transparent white box with text is overlaid on the center of the image.

# Thank you!

Additional questions: Email [HB 3info@tea.texas.gov](mailto:HB 3info@tea.texas.gov)  
(include the topic name in the subject line)