HB 3 in 30: Small and Mid-sized District Allotment for School Districts

8/22/2019
TEA Staff

Leo Lopez
Associate Commissioner for School Finance

Al McKenzie
Director of Forecasting & Fiscal Analysis

Amy Copeland
Assistant Director of State Funding

Nora Rainey
FSP Operations Manager
1. Small/Mid-Sized District Allotment
   - Background

2. Law Prior to HB 3

3. HB 3 Law Change
Small and Mid-sized Allotment Background
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, except the small and mid-sized adjustment continues to be a multiplier for the special education allotment to ensure maintenance of financial support.

- 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 what district the student attends.
What Changed?

- Small and mid-sized adjustment now a stand-alone allotment
  - In calculating Tier One funding, no more adjusted allotment
    - CEI is repealed, with funding redirected to the basic allotment
    - Small and mid-sized adjustment is a stand-alone allotment in Tier One
    - Small and mid-sized adjustment does not affect other funding except special education
  - This change from existing formulas to create a new allotment is cost neutral with the increase to the basic allotment.

To the Administrator Addressed: Small and Mid-sized District Allotment August 22, 2019

In Statute:
Texas Education Code, Section 48.101 – (HB 3, Enrolled Page 40)
Small and Mid-sized Adjustments Before HB 3
How was Tier One funding determined prior to HB 3?

The Basic Allotment (BA) was $5,140 per student for the 2018–2019 biennium and is set in the General Appropriations Act (GAA).

The $5,140 BA per student was increased for district characteristics:

- Increased for the school districts’ cost of education index (CEI);
- Increased if the school district qualifies as small district or mid-sized district

Once the BA was increased for district characteristics, it (the adjusted allotment) was used in a series of formulas that recognized student characteristics.
Tier One Allotments that use the AA / BA

Pre HB 3
The allotments funded using the district’s average allotment (AA)

- Regular Program Allotment
- Special Education
- Career & Technology
- Gifted & Talented
- Compensatory Education
- Bilingual Education
- Public Education Grant
The mid-sized district adjustment (MDA) applied to all school districts with less than 5,000 students in regular program average daily attendance.

\[
MDA = (1 + ((5,000 - ADA) \times 0.000025)) \times \text{Adjusted Basic Allotment}
\]

The formula resulted in an increase to the district's basic allotment before it was used to calculate the district's Tier One allotments.
Small district adjustments prior to HB 3

The small district adjustment (SDA) applied to districts with less than 1,600 students in regular program average daily attendance (ADA) and had two formulas that provided differing levels of funding:

- For districts < 300 square miles, \( SDA^1 = (1 + ((1,600 – ADA) \times 0.00025)) \times \) Adjusted Basic Allotment

- For districts > 300 square miles, \( SDA^2 = (1 + ((1,600 – ADA) \times 0.00040)) \times \) Adjusted Basic Allotment

The formula resulted in an increase to the district's basic allotment before it was used to calculate the district's Tier One allotments.
The elimination of the 300 square mile bonus under prior law

In 2017, House Bill 21 (85-1) created a six-year transition period to merge the two adjustments together. The transition period began in FY2019 and by FY2024, there would only be one formula to govern all small-size districts, regardless of the number of square miles in the district. For districts with < 300 square miles, the adjustment factor was scheduled to increase from 0.000025 (FY2018) to 0.00040 (FY2024).

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>SDA Factor</th>
<th>Fiscal Year</th>
<th>SDA Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>0.000275</td>
<td>FY2022</td>
<td>0.000350</td>
</tr>
<tr>
<td>FY2020</td>
<td>0.000300</td>
<td>FY2023</td>
<td>0.000375</td>
</tr>
<tr>
<td>FY2021</td>
<td>0.000325</td>
<td>FY2024</td>
<td>0.000400</td>
</tr>
</tbody>
</table>

HB 3 accelerated this schedule so there is no longer a difference in funding for small districts based on square miles.
Small and Mid-sized District Adjustments under old law

- Small district increase for less than 300 sq miles
- Small district increase for more than 300 sq miles
- Mid-size district increase
Small and Mid-sized Allotment With HB 3
How is Tier One funding determined under HB 3

The Basic Allotment (BA) is increased to $6,160 per student for the 2019–2020 biennium and is set in the General Appropriations Act (GAA).

No more adjusted allotment (AA):

- CEI is repealed, with funding redirected to basic allotment
- Small and mid-sized formula is a stand-alone allotment in Tier One
- Small and mid-sized formula does not affect other funding except special education

BA, not the AA, is used in a series of formulas that consider student characteristics, except for special education which uses the small and mid-sized adjustments.
Changes to Tier One Allotments that use the AA / BA

Pre HB 3
The allotments funded using the district’s adjusted allotment (AA)
- Regular Program Allotment
- Special Education
- Career & Technology
- Gifted & Talented
- Compensatory Education
- Bilingual Education
- Public Education Grant

HB 3
The allotments are funded using the district’s basic allotment ($6,160)
- Regular Program Allotment
- **Special Education**
- Career & Technology
- Compensatory Education
- Bilingual Education
- Public Education Grant
- Dyslexia Allotment
- Early Education Allotment
- Fast Growth Allotment

*These allotments have been expanded or increased*
Additional New Tier One Allotments

- Teacher Incentive Allotment
- CCMR Outcomes Bonus
- Mentor Program Allotment
- Dropout Recovery & Residential Placement Facility Allotment
- College / Career Entrance Exam Reimbursements
The mid-sized district allotment (MDA) applies to all school districts with less than 5,000 students in regular program average daily attendance.

$$MDA = ((5,000 – ADA) \times 0.000025) \times \text{Basic Allotment}$$
The small district formula provides for separate Tier One allotment per student in regular program average daily attendance (ADA) for some school districts.

The small district allotment (SDA) applies to districts with less than 1,600 students:

\[ ((1,600 - ADA) \times 0.00040) \times \text{Basic Allotment} \]

Reflects immediate phase-in of 0.0004 factor for all small districts
HB 3 created a new carve out for small districts that have fewer than 300 students in average daily attendance and are the only school district located and operating in a county.

These school districts have a factor of 0.00047 substituted for the 0.0004 that other small districts receive.

\[
((1,600 - \text{ADA}) \times 0.00047) \times \text{Basic Allotment}
\]
Small and Mid-sized District Allotments Under HB 3

- Single-County Districts fewer than 300 students
- Districts with fewer than 1,600 students
- Mid-size district increase

TEA School Finance Model June 2019
A new allotment was created for charter schools based on the small and mid-sized district allotment, but it is more accurate to think of it as a charter allotment.

It is calculated based on a weighted average of the small and mid-sized district allotment, and interested stakeholders can find more information in next week’s webinar on charter school funding, which can be found at [www.tea.texas.gov/hb3](http://www.tea.texas.gov/hb3)
Stay tuned for the most up-to-date information from TEA on the implementation of House Bill 3

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

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

Additional questions: Email HB3info@tea.texas.gov

(include the topic name in the subject line)