

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

Page III-I
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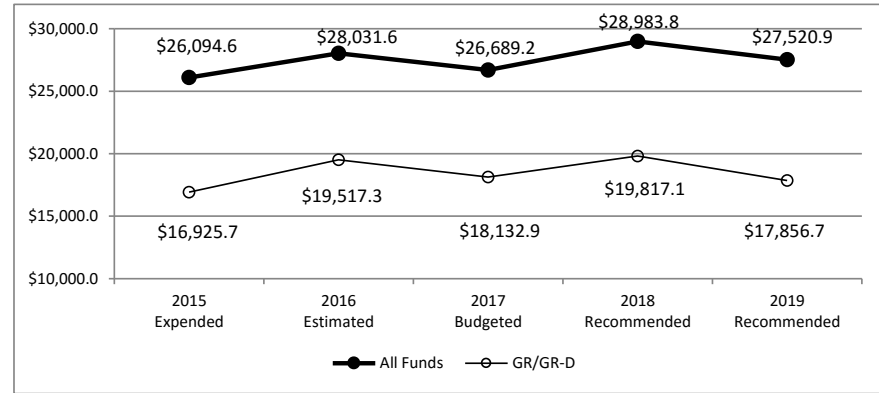
FSP ONLY (LESS SET-ASIDES)				
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$35,555,900,000	\$35,555,900,000	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$35,555,900,000	\$35,555,900,000	\$0	0.0%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$6,797,200,000	\$8,278,500,000	\$1,481,300,000	21.8%
All Funds	\$42,353,100,000	\$43,834,400,000	\$1,481,300,000	3.5%

NON-FSP PROGRAM AND ADMINISTRATIVE BUDGET				
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$2,094,339,325	\$2,117,950,915	\$23,611,590	1.1%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$2,094,339,325	\$2,117,950,915	\$23,611,590	1.1%
Federal Funds	\$10,187,228,601	\$10,466,241,424	\$279,012,823	2.7%
Other	\$86,105,987	\$86,105,987	\$0	0.0%
All Funds	\$12,367,673,913	\$12,670,298,326	\$302,624,413	2.4%

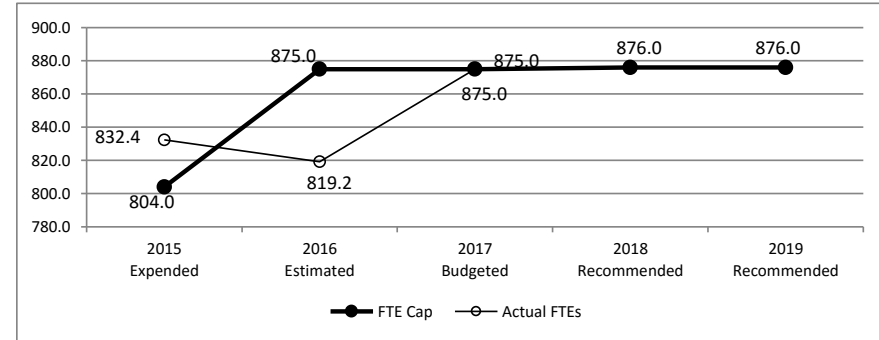
TEA TOTAL				
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$37,650,239,325	\$37,673,850,915	\$23,611,590	0.1%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$37,650,239,325	\$37,673,850,915	\$23,611,590	0.1%
Federal Funds	\$10,187,228,601	\$10,466,241,424	\$279,012,823	2.7%
Other	\$6,883,305,987	\$8,364,605,987	\$1,481,300,000	21.5%
All Funds	\$54,720,773,913	\$56,504,698,326	\$1,783,924,413	3.3%

The bill pattern for this agency (2018-19 Recommended) represents an estimated 65.2% of the agency's estimated total available funds for the 2018-19 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



Agency Budget and Policy Issues and/or Highlights

FSP: House Bill 1 includes updates to major budget drivers including property value growth, enrollment growth, and the Austin ISD yield. House Bill 1 includes an additional \$1.5 billion over the amount estimated to be required to fund the current law FSP entitlement. This represents level funding in General Revenue Funds, and an increase of \$1.5 billion in Other Funds attributable to projected increases in revenues from the Property Tax Relief Fund and recapture payments.

Non-FSP: House Bill 1 increases funding for Non-FSP Program and Administration funding by \$23.6 million in General Revenue Funding from the 2016-17 Biennium. This increase is primarily due to a \$64.6 million increase in funding for instructional materials and technology, offset by a \$41.0 million change in program funding.

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

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
FOUNDATION SCHOOL PROGRAM (FSP)							
A)	House Bill 1 includes an additional \$1,470.2 million above the amount estimated to be required to fund the current law FSP entitlement out of General Revenue Funds contingent on school finance legislation.	\$1,470.2	\$0.0	\$0.0	\$0.0	\$1,470.2	Rider Appropriation
B)	Maintenance and Operations: General Revenue costs are projected to decrease and Other Funds are projected to increase, primarily due to method of finance shifts resulting from increasing recapture revenue and revenue from the Property Tax Relief Fund.	(\$1,396.7)	\$0.0	\$0.0	\$1,481.3	\$84.6	A.1.1
C)	Facilities: Biennial costs for facilities are projected to decrease primarily due to rising property values.	(\$73.6)	\$0.0	\$0.0	\$0.0	(\$73.6)	A.1.2
FSP SIGNIFICANT Funding Changes and Recommendations (in millions)		\$0.0	\$0.0	\$0.0	\$1,481.3	\$1,481.3	As Listed
NON-FSP PROGRAMS AND ADMINISTRATION							
D)	Increase in supplemental funding for prekindergarten. Funding is allocated on the basis of eligible prekindergarten students in average daily attendance.	\$117.0	\$0.0	\$0.0	\$0.0	\$117.0	A.2.1.
E)	Increase in funding for the Instructional Materials Allotment (IMA) based on a distribution rate of 50 percent of the Permanent School Fund (PSF) to the Available School Fund (ASF).	\$64.6	\$0.0	\$0.0	\$0.0	\$64.6	B.2.1
F)	Elimination of one-time expenditures and funding for programs including High Quality Prekindergarten Grant Funding, Reasoning Mind, FitnessGram, and Subsidy for Certification Examination.	(\$127.3)	\$0.0	\$0.0	\$0.0	(\$127.3)	A.2.1 and B.2.2

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

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
G)	Reduction of funding for programs including Mathematics Achievement Academies, Literacy Achievement Academies, Reading-to-Learning Academies, Reading Excellence Team Pilot, Teach for America, State Funds for Assessment, Texas Gateway, Virtual School Network, Texas Advanced Placement Initiative, and Incentive Aid.	(\$30.4)	\$0.0	\$0.0	\$0.0	(\$30.4)	A.2.1, B.1.1, B.2.1, and B.3.1

OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):

NON-FSP PROGRAMS AND ADMINISTRATION							
H)	Increase in funding for the Child Nutrition Programs based on increased cost of food per Texas Department of Agriculture (TDA).	\$0.0	\$0.0	\$229.8	\$0.0	\$229.8	B.2.3
I)	Changes in federal funding including Title I, English Language Acquisition grants, Individuals with Disabilities Education Act (IDEA) Part B, Striving Readers, Striving Readers and Title II Teacher and Principal Training funding.	\$0.0	\$0.0	\$44.9	\$0.0	\$44.9	Multiple
J)	Other changes in funding for administration and programs.	(\$0.3)	\$0.0	\$4.3	\$0.0	\$4.0	Multiple
NON-FSP SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$23.6	\$0.0	\$279.0	\$0.0	\$302.6	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$181.6	\$0.0	\$279.0	\$0.0	\$460.6	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$158.0)	\$0.0	\$0.0	\$0.0	(\$157.7)	As Listed

TEA TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$23.6	\$0.0	\$279.0	\$1,481.3	\$1,783.9	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$1,651.8	\$0.0	\$279.0	\$1,481.3	\$2,015.4	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$1,628.3)	\$0.0	\$0.0	\$0.0	(\$231.3)	As Listed

NOTE: Totals may not sum due to rounding.

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

1. Foundation School Program Major Budget Drivers Assumptions and Yields

District Property Values (DPV)

- The Comptroller’s October 2016 estimate projects strong property value growth primarily due to strong single-family and multi-family residential values.
- 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 FY2018 and \$80 million in FY2019. Currently, 370, or 36 percent, of school districts have adopted the maximum rate of \$1.17. About 49% of taxing districts (500) have adopted M&O rates of \$1.04.

Yields

Basic Allotment: \$5,140

Equalized Wealth Level: \$514,000

Austin ISD Yield: \$99.85 per penny per WADA in FY2018 and \$106.37 in FY2019.

Statute establishes the minimum Basic Allotment at \$4,765, but allows a higher Basic Allotment to be established in the GAA. The Basic Allotment was set at \$5,140 in each year of the 2016-17 biennium. 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 \$99.85 per penny per WADA in FY2018 and \$106.37 per penny per WADA in FY2019, up from \$74.28 in FY 2016 and \$77.53 in FY 2017.

Based on Tax Year 2016 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 2017.

District Property Values		
Value Change	Budget Years Affected	
TY13: +5.83%	TY13	FY14
TY14: +8.77%	TY14	FY15
TY15: +4.32%	TY15	FY16
TY16: +6.60%	TY16	FY17
TY17: +5.85 %	TY17	FY18
TY18: +4.89%	TY18	FY19
		FY20

CPA Projections

Student Growth		
	Number of Students	Rate of Growth
FY16	69,175 ADA	1.43%
FY17	75,824 ADA	1.54%
FY18	81,796 ADA	1.64%
FY19	83,110 ADA	1.64%

TEA Projections

Student Growth

TEA’s October 2016 estimate projects growth in compensatory education (1.65%), bilingual education (3.86%), career & technical education (5.13%), FTEs served in special education settings (1.27%), and special education mainstream ADA (2.98%).

10-year average ADA growth is 1.64%.

An 82,000 annual increase in ADA roughly translates to an increase of 122,000 weighted ADA (WADA) per year. With a statewide average revenue of about \$6,215 per WADA for the biennium, this increase generates an additional ~\$750 million in state cost per cohort.

Item	Rider	Appropriated		Recommended	
		FY2016	FY2017	FY2018	FY2019
Basic Allotment	3	\$5,140	\$5,140	\$5,140	\$5,140
Hold Harmless Reduction Percentage	3	92.63%	92.63%	NA	NA
Tax Rate Compression Percentage	3	66.67%	66.67%	66.67%	66.67%
Instructional Facilities Allotment	3	\$0	\$55.5 million	\$0	\$0
New Instructional Facilities Allotment	3	\$23.75 million	\$23.75 million	\$23.75 million	\$23.75 million
Transportation Allotment	5	Transportation allotment elements are established by rider #5			

- House Bill 1 includes funding the New Instructional Facilities Allotment (NIFA) at 2016-17 levels. The Education Code §42.158 specifies that the maximum allowable appropriation for NIFA in a school year is \$26.0 million.
- House Bill 1 does not include appropriations for new Instructional Facilities Allotment awards, but does fully fund previous Instructional Facilities awards.

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

2. 2016-17 Base Adjustment and 2018-19 Current Law Costs

	GR	All Funds
2016-17 FSP APPROPRIATION (LESS SET-ASIDES)	\$35,507	\$42,302
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2016-17 All Funds BASE ADJUSTMENTS FROM 2016-17 APPROPRIATED		
<hr/>		
New Costs/(Savings)		
1 Updated Drivers. Primarily due to student enrollment in ISDs being lower than projected.	(\$590)	(\$590)
2 Settle-Up, Prior Year and Other Adjustments. FY2015 and FY2016 underpayments led to larger than projected costs in FY2016 and FY2017. TEA also made prior year and other adjustments.	\$640	\$640
<hr/>		
TOTAL, 2016-17 ALL FUNDS COST ADJUSTMENT OVER 2016-17 APPROPRIATION	\$50	\$50
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MOF Shifts		
3 Property Tax Relief Fund (PTRF). 2016-17 revenue higher than appropriated, decreasing GR draw.	(\$380)	\$0
4 Recapture. Revenue lower than appropriated, increasing GR draw, primarily related to the increase in the homestead exemption and the projected impact of Houston ISD detachment of property value (see Selected Fiscal and Policy Issue #5).	\$380	\$0
<hr/>		
Total, MOF Shifts	\$0	\$0
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TOTAL, 2016-17 BASE ADJUSTMENTS	\$50	\$50
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Total General Revenue-related MOF Shifts		
Available School Fund	\$19	
Lottery Revenue	\$215	
<u>Foundation School Fund No. 193</u>	<u>(\$184)</u>	
Total	\$50	
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2016-17 FSP BASE (ADJUSTED)	\$35,556	\$42,353

- Payments to districts are subject to settle-up. State overpayments are recouped in subsequent years; state underpayments are owed in September.
- Based on TEA's current interpretation of the detachment and annexation process, the state will not receive Houston ISD's recapture payment in FY 2017, estimated to be \$144.8 million, nor will that local revenue offset state aid in the 2016-17 biennium.

*Totals may not sum due to rounding

2018-19 FSP COSTS OVER 2016-17 ADJUSTED BASE USING OCTOBER 2016 PROJECTIONS

Costs		GR	All Funds
1	Enrollment Growth. 82,000 additional ADA in FY2018 and 83,000 additional ADA in FY2019.	\$2,650	\$2,650
2	District Property Value Change. Projected DPV growth of 6.6% in Tax Year 2016, 5.85% in Tax Year 2017, and 4.89% in Tax Year 2018 results in reduced state costs. Includes estimated savings to the state of \$160 million due to decreased state aid for district receiving Houston ISD property (see Selected Fiscal and Policy Issue #5).	(\$3,560)	(\$3,560)
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 \$74.28 in fiscal year 2016 and \$77.53 in fiscal year 2017 to \$99.85 in fiscal year 2018 and \$106.37 in fiscal year 2019.	\$1,050	\$1,050
4	Savings Due to ASATR Expiration. See Selected Fiscal and Policy Issue # 6.	(\$600)	(\$600)
5	Settle Up. The 2018-19 biennium is projected to have higher settle-up costs than the 2016-17 biennium, primarily due to rising district property value collections.	\$250	\$250
6	Enrichment Tax Effort and Prior Year and Other Adjustments. House Bill 1 assumes a net \$220 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.	\$220	\$220
MOF Shifts			
7	Recapture Revenue over base due to a projected increase in property values.	(\$1,130)	\$0
8	18-19 PTRF increase over base due to projected economic growth.	(\$350)	\$0
TOTAL 2018-19 CURRENT LAW COSTS OVER/(UNDER) 2016-17 BASE		(\$1,470)	\$10
Total General Revenue-related MOF Shifts			
	Available School Fund	\$247	
	Lottery Revenue	(\$111)	
	<u>Foundation School Fund No. 193</u>	<u>(\$1,606)</u>	
	Total	(\$1,470)	
ADDITIONAL FSP APPROPRIATIONS IN HB 1			
9	HB 1 FSP appropriations in addition to funding needed for anticipated enrollment growth and all other statutory obligations	\$1,470	\$1,470
	HB 1 FSP Cost Over 2016-17 Base	\$0	\$1,480
	TOTAL 2018-19 FSP APPROPRIATIONS IN HB 1	\$35,556	\$43,834

• Estimates for the Property Tax Relief Fund (PTRF) and Lottery Revenue will be updated to reflect amounts included in the 2018-19 Biennial Revenue Estimate.

• Estimates will be updated for the Conference Committee based on March updates.

*Totals may not sum due to rounding

3. **Additional \$1.47 billion in General Revenue Funds Above Amounts Needed for Anticipated Enrollment Growth and All Other Statutory Obligations.**

House Bill 1 provides \$1.47 billion in General Revenue Funds in addition to the amounts estimated to be needed to fully fund 2018-19 student enrollment growth and all other statutory obligations. The additional funding is contingent on school finance legislation that improves equity, reduces recapture, and increases the state share of the Foundation School Program.

4. **State Share of FSP Entitlement.** The state share of the total FSP entitlement has decreased in recent years, primarily due to strong property value growth.

State and Local Share of FSP Entitlement (in millions)

Fiscal Year	Local	State	Total	% State Share
2012	\$20,486	\$17,388	\$37,874	45.9%
2013	\$21,358	\$17,415	\$38,773	44.9%
2014	\$22,817	\$18,773	\$41,589	45.1%
2015	\$24,432	\$18,779	\$43,211	43.5%
2016	\$25,568	\$19,783	\$45,351	43.6%
2017	\$27,329	\$19,029	\$46,359	41.0%
2018	\$28,828	\$19,599	\$48,427	40.5%
2019	\$30,177	\$19,142	\$49,319	38.8%

NOTE: (1) Fiscal years 2017-19 are estimated. State funds are increased by \$735.1 million in each fiscal year of the 2018-19 biennium for additional FSP funds contingent on school finance legislation that improves equity, reduces recapture, and increases the state share of the FSP.
 (2) Local share amounts reflected above include recapture revenue.

5. **Recapture Analysis**

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 student above statutorily-established Equalized Wealth Levels (EWL) to exercise one of five options to reduce property wealth per WADA, a system referred to as recapture. Most school districts subject to recapture opt to remit tax revenues associated with property value above the EWL directly to the state. 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 basic allotment and is therefore established at \$514,000 per WADA in each fiscal year of the 2016-17 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 2004 through 2019, 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 2018. In each fiscal year of the 2018-19 biennium, recapture revenue is projected to be 6 percent of total M&O revenue, which is higher than the 16-year average of 3.7 percent.

Fiscal Year	Total Recapture Paid (in millions)	Recapture as a Percent of Total M&O Revenue	Total Districts Paying Recapture	Percent of Total ADA	Percent of Total WADA
2004	\$1,075.6	4%	125	11.1%	10.6%
2005	\$1,114.3	4%	128	12.3%	11.7%
2006	\$1,305.5	5%	142	12.5%	11.9%
2007	\$1,426.5	5%	150	12.7%	12.2%
2008	\$1,140.4	4%	178	13.2%	12.7%
2009	\$1,463.5	4%	191	17.5%	17.0%
2010	\$1,051.2	3%	201	11.4%	11.0%
2011	\$1,043.8	3%	213	12.6%	12.2%
2012	\$1,086.8	3%	222	13.6%	13.1%
2013	\$1,068.4	3%	216	12.2%	11.8%
2014	\$1,212.8	3%	226	12.3%	11.9%
2015	\$1,492.6	4%	241	14.1%	13.6%
2016*	\$1,592.9	4%	229	16.6%	16.3%
2017*	\$1,871.4	5%	249	15.3%	14.7%
2018*	\$2,143.9	6%	239	13.6%	13.2%
2019*	\$2,453.0	6%	264	15.0%	14.5%

* Fiscal years 2016 through 2019 are estimated. Figures above are calculated on current law entitlement, and because the method of funding distribution has yet to be determined, exclude any impact of the \$1.5 billion above what is estimated to be required to fund the current law entitlement.

6. Houston ISD

In fiscal year 2017, Houston ISD is subject to recapture for the first time with an estimated payment of \$77.5 million. Statute requires any district subject to recapture to receive voter approval to purchase attendance credits from the state. On November 8, 2016 the vote to authorize Houston ISD to remit recapture payments to the state failed. The Education Code provides that, should such a vote fail, the Commissioner of Education shall detach certain non-residential properties from the Houston ISD and annex these properties to other school districts.

On February 9, 2017, the Commissioner of Education identified properties with a combined estimated value of \$8.0 billion to be detached from Houston ISD and annexed to the Aldine Independent School District, effective July 1, 2017. Because the receiving district's property tax base will increase, state aid would decrease. LBB preliminary estimates included a savings of \$160 million in the 2018-19 biennium in House Bill 1.

On February 9, 2017, the Houston Independent School District Board of Trustees approved an additional election to be held on May 6, 2017 to reconsider the vote to remit recapture revenue to the state. Should the vote fail, the property detachment and annexation will proceed.

7. Additional State Aid for Tax Reduction (ASATR) (Hold Harmless) Expiration

Hold Harmless State Aid, or ASATR, is state aid based on a comparison of total state and local entitlement per weighted student in average daily attendance (WADA) under Tier 1 to school district "Target Revenue." Target Revenue was established pursuant to legislation enacted in 2006 to reduce local school property taxes and updated in subsequent legislation in 2009 as a mechanism for ensuring that school districts did not lose revenue as a result of tax compression implemented during that era. Essentially, school districts were guaranteed the same amount of total revenue per weighted student as they received through local tax revenue and state aid combined as they had available prior to tax compression.

Pursuant to legislation enacted in 2011, the hold harmless structure began phasing out beginning in fiscal year 2013, through the "Hold Harmless Reduction Percentage", which decreased Target Revenue for districts receiving ASATR, and **the entire hold harmless mechanism expires at the end of fiscal year 2017.**

Analysis:

An analysis of the data shows that 161 school districts would receive hold harmless state aid in fiscal year 2018 if it were not to expire at the end of fiscal year 2017. The "loss" to school districts of the hold harmless state aid that they would otherwise receive in fiscal year 2018 ranges from \$10 per WADA to \$4,727 per WADA, with a weighted average "loss" among these districts projected to be approximately \$512 per WADA. However, it is worth noting that these districts are projected to have a weighted average Maintenance and Operations (M&O) revenue which is more than \$415 per WADA higher than non-ASATR districts in fiscal year 2017, and many of these districts have likely benefited from an ASATR-assisted higher revenue level ever since ASATR was established in fiscal year 2007.

Note: The analysis above is calculated on current law entitlement, and because the method of funding distribution has yet to be determined, excludes any impact of the \$1.5 billion above what is estimated to be required to fund the current law entitlement.

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
Loss Due to Property Value Decline	Subject to appropriation, the commissioner is permitted to adjust DPVs for funding purposes for districts in which DPVs decline more than 4 percent compared to the previous year.	2010-11 biennium	Up to \$52 million biennially	None

EDA and IFA Yield Increase

In addition to the items listed above, the yields for both of the FSP facilities funding programs, the Existing Debt Allotment (EDA) and the IFA, can be increased by appropriation. The current yield for both programs is \$35 per ADA per penny of tax effort for eligible debt service, which equates to about the 39th percentile of wealth per ADA in fiscal year 2018.

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

Fiscal Year	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17*
Number of Districts with Taxing Authority	1,025	1,024	1,024	1,021	1,020	1,019	1,019	1,018
Number of Districts at \$1.17 M&O Cap	179	219	250	247	288	285	329	370
Number of Districts Between \$1.04 and \$1.17	47	52	55	73	65	88	84	87
Number of Districts at \$1.04	681	651	627	609	572	557	533	500
Number of Districts Between \$1.00 and \$1.04	61	50	43	38	41	35	33	29
Number of Districts Below \$1.00	57	52	49	54	54	54	40	32
% of Districts at \$1.17 Cap	17%	21%	24%	24%	28%	28%	32%	36%
% Districts Between \$1.04 and \$1.17	5%	5%	5%	7%	6%	9%	8%	9%
% of Districts at \$1.04	66%	64%	61%	60%	56%	55%	52%	49%
% Districts Between \$1.00 and \$1.04	6%	5%	4%	4%	4%	3%	3%	3%
% Districts Below \$1.00	6%	5%	5%	5%	5%	5%	4%	3%
Number of Successful TREs	29	60	32	37	39	24	37	44

*Data for FY17 was obtained through LBB data collection. Official Tax Year 2016 (FY17) adopted tax rates will be provided by the Comptroller in February 2017

10. Biennial Funding Comparison for Non-FSP Programs and Administration

The figure below provides biennial General Revenue funding amounts for non-FSP programs and administration for the 2016-17 base compared to 2018-19 funding provided in House Bill 1, As Introduced. As shown, House Bill 1 provides \$2,118.0 million in General Revenue Funds appropriations, a \$23.6 million increase compared to the 2016–17 biennium. The increase is due primarily to a \$64.6 million increase in funding for instructional materials and technology, offset by \$41.0 million in decreases to numerous programs. Changes in program funding are shown on the following page.

Texas Education Agency: Non-FSP Program and Administration, General Revenue (in millions)				
Program	2016-17 Base	2018-19 House Bill 1, As Introduced	Biennial Change (HB1 Compared to Base)	Percent Change in Funding (HB1 Compared to Base)
Supplemental Prekindergarten Funding	\$30,000,000	\$146,955,193	\$116,955,193	390%
Instructional Materials Allotment	\$1,163,872,847	\$1,228,458,092	\$64,585,245	6%
Funding For Texas Juvenile Justice Department	\$7,916,688	\$9,587,675	\$1,670,987	21%
Communities in Schools	\$30,943,632	\$31,043,632	\$100,000	0%
High Quality Prekindergarten Grant	\$118,000,000	\$0	(\$118,000,000)	-100%
Math Achievement Academies	\$22,816,546	\$17,540,926	(\$5,275,620)	-23%
Teach for America	\$12,000,000	\$7,000,000	(\$5,000,000)	-42%
State Funds for Assessment	\$104,346,032	\$99,916,032	(\$4,430,000)	-4%
Reasoning Mind	\$4,000,000	\$0	(\$4,000,000)	-100%
Texas Gateway (Project Share)	\$18,000,000	\$14,400,000	(\$3,600,000)	-20%
Texas Virtual School Network	\$8,000,000	\$4,800,000	(\$3,200,000)	-40%
Literacy Achievement Academies	\$17,816,546	\$15,164,354	(\$2,652,192)	-15%
One-Time Expenditures	\$2,320,066	\$0	(\$2,320,066)	-100%
FitnessGram	\$2,000,000	\$0	(\$2,000,000)	-100%
Reading to Learn Academies	\$11,111,126	\$9,287,304	(\$1,823,822)	-16%
Reading Excellence Teams	\$3,070,272	\$1,368,864	(\$1,701,408)	-55%
TX Advanced Placement	\$16,300,000	\$14,600,000	(\$1,700,000)	-10%
Administration - General Revenue	\$80,443,614	\$78,751,067	(\$1,692,547)	-2%
Subsidy for Certification Examination	\$1,000,000	\$0	(\$1,000,000)	-100%
Incentive Aid	\$3,000,000	\$2,000,000	(\$1,000,000)	-33%
Administration - Certification and Assessment Fees	\$56,408,486	\$56,126,446	(\$282,040)	0%
Administration - Instructional Materials Fund	\$4,564,048	\$4,541,908	(\$22,140)	0%
Windham School District	\$103,000,000	\$103,000,000	\$0	0%
Regional Day School-Deaf	\$66,266,400	\$66,266,400	\$0	0%
Early Childhood Intervention (FSP Set-Aside)	\$32,996,204	\$32,996,204	\$0	0%
Educator Quality and Leadership	\$32,000,000	\$32,000,000	\$0	0%
Student Success Initiative	\$31,700,000	\$31,700,000	\$0	0%

Program	2016-17 Base	2018-19 House Bill 1	Biennial Change (HB1 Compared to Base)	Percent Change in Funding (HB1 Compared to Base)
School Lunch Matching	\$29,236,682	\$29,236,682	\$0	0%
ESC Core Services	\$25,000,000	\$25,000,000	\$0	0%
Juvenile Justice Alternative Education	\$12,500,000	\$12,500,000	\$0	0%
Visually Impaired/ESCs	\$11,310,536	\$11,310,536	\$0	0%
Early Childhood School Readiness	\$7,000,000	\$7,000,000	\$0	0%
Early College High School	\$6,000,000	\$6,000,000	\$0	0%
Texas AIM	\$4,500,000	\$4,500,000	\$0	0%
School Improvement and Governance Support	\$3,500,000	\$3,500,000	\$0	0%
T-STEM	\$3,000,000	\$3,000,000	\$0	0%
Amachi	\$2,500,000	\$2,500,000	\$0	0%
Adult Charter School Pilot	\$2,000,000	\$2,000,000	\$0	0%
Non-Ed Community Based Support	\$1,974,600	\$1,974,600	\$0	0%
Gifted and Talented (FSP Set-Aside)	\$875,000	\$875,000	\$0	0%
Best Buddies	\$400,000	\$400,000	\$0	0%
MATHCOUNTS (FSP Set-Aside)	\$400,000	\$400,000	\$0	0%
Dyslexia Coordinators	\$250,000	\$250,000	\$0	0%
Total	\$2,094,339,325	\$2,117,950,915	\$23,611,590	1%

11. Instructional Materials

House Bill 1, As Introduced, provides a total \$1,228.5 million for the 2018-19 biennium to the Instructional Materials Fund, a \$64.6 million increase in General Revenue funding compared to the 2016-17 base. House Bill 1 provides funding based on a distribution rate of 50 percent of the Permanent School Fund (PSF) to the Available School Fund (ASF) in the 2018-19 biennium. The Education Code specifies that 50 percent of the amount transferred from the PSF to the ASF, or another amount determined by the Legislature, be transferred to the Instructional Materials Fund. Out of instructional materials funding, \$10.0 million is provided for the development of open-source instructional materials and \$2.5 million for online college readiness materials.

The figure below provides an overview of instructional materials funding from the 2012-13 biennium to 2018-19 recommended.

Instructional Materials Funding (in millions) 2012-13 Biennium to 2018-19 Recommendations						
Program	2012-13 Biennium	2014-15 Biennium	2016-17 Base	2018-19 House Bill 1	Biennial Change (from 16-17)	Percent Change (from 16-17)
Instructional Materials	\$608.1	\$951.9	\$1,153.9	\$1,218.5	\$64.6	6%
Open Source Instructional Materials	\$0.0	\$0.0	\$10.0	\$10.0	\$0.0	0%
Total	\$608.1	\$951.9	\$1,163.9	\$1,228.5	\$64.6	6%

For the 2016-17 biennium, appropriations for instructional materials totaled \$1,054.8 million dollars to be distributed in fiscal year 2016. Due to unexpended balance provisions associated with instructional materials funding, school districts are permitted to carry forward instructional materials funding within and between biennia. In fiscal year 2016, TEA reported \$109.0 million in unexpended balances related to instructional materials funding which reflected an increase in instructional materials funding in 2016-17 base level funding.

Beginning in the 2016-17 biennium, House Bill 1474, Eighty-fourth Legislature, 2015, changed the IMA from an annual to a biennial allocation. The IMA provides each school district and charter school with an account into which funding is deposited based on Average Daily Attendance (ADA). Beginning September 1, 2015, the IMA provided funding to school districts and charter schools for instructional material and educational technology purchase for two full school years instead of one.

12. **Prekindergarten Funding**

House Bill 1, As Introduced, provides funding to prekindergarten education through the Foundation School Program (FSP), Supplemental Prekindergarten Funding, and the Early Childhood School Readiness program. The following table shows a funding overview for prekindergarten education and prekindergarten programs for the 2016-17 biennium and the 2018-19 recommendations and provides a description of each program.

Prekindergarten Funding (in millions), Fiscal Years 2016 to 2019								
Program	Description	FY 2016	FY 2017	2016-17 Biennium	FY 2018	FY 2019	2018-19 Biennium	Biennial Change
Foundation School Program	The state funds half-day prekindergarten through the Foundation School Program (FSP). School districts and charter schools identifying more than 15 4-year old children who meet statutory eligibility requirements are required to offer at least a half-day prekindergarten program. School districts and charters may offer the program to eligible 3-year old children as well.	\$754.0	\$761.0	\$1,515.0	\$786.0	\$794.0	\$1,580.0	\$65.0
Supplemental Prekindergarten Funding	Additional prekindergarten funding for school districts and charters that serve students eligible for the FSP-	\$15.0	\$15.0	\$30.0	\$73.5	\$73.5	\$147.0	\$117.0

	prekindergarten program pursuant to Texas Education Code, Chapter 29 Subchapter E.							
Early Childhood School Readiness Program	Funding supports high-quality early childhood education programs by providing a developmentally appropriate curriculum, continuous student progress monitoring, and professional development for teachers.	\$15.2	\$15.2	\$30.4	\$15.2	\$15.2	\$30.4	\$0.0
High Quality Prekindergarten Grant Program	Grant program for eligible districts and charter schools that agree to the program requirements. Grant requirements include: 1) use a curriculum aligned with the Prekindergarten Guidelines; 2) increase prekindergarten teacher training and/or qualifications; 3) implement student progress monitoring, provide kindergarten readiness results; and 4) develop quality family engagement plans.	*\$59.0	*\$59.0	\$118.0	\$0	\$0	\$0	(\$118.0)
Total		\$843.2	\$850.2	\$1,693.4	\$874.7	\$882.7	\$1,757.4	\$64.0
Note: Although TEA awarded funding for the High Quality Prekindergarten Grant Program in both fiscal years, implementation of the program was entirely in fiscal year 2017. Fiscal year 2016 Foundation School Program entitlement is based on reported actual FSP-eligible prekindergarten attendance and participation. Fiscal year 2017-2019 estimates are based on TEA's October 2016 projections of prekindergarten attendance.								

13. Use of Liquidated Damages Assessed to ETS for Problems with STAAR Administration

House Bill 1, As Introduced, includes a reduction of \$4.43 million to the state assessment program in conjunction with new TEA rider authority to use equivalent unexpended balances from 2016-17 for the same purpose in 2018-19.

During school year 2015-16, the state experienced significant logistical problems with STAAR administration, including the distribution of test materials. Several districts also experienced issues with computerized on-line testing of some students during the December 2015 test administration. Although the administration of the test was problematic, the agency indicates it has full confidence in the 2015-16 STAAR accountability results. In August 2016, the agency assessed ETS with \$5.7 million in liquidated damages and required an investment of \$15.0 million by ETS related to improvements. TEA returned \$1.27 million of the liquidated damages to the federal government for its share.

House Bill 1 provides TEA unexpended balance authority in modified Rider 12, Student Testing Program, to use \$4.43 million of the \$5.7 million assessed in liquidated damages in the 2018-19 biennium instead of encumbering the funding in the 2016-17 biennium. Accompanying recommended rider language is included in Section 4.

14. New Programs Funded in the 2016-17 Biennium

The 84th Legislature provided \$172.0 million in General Revenue for new programs in the 2016-17 Biennium. Implementation information and funding provided in House Bill 1, As Introduced, related to four of these programs is provided below. Information on the High Quality Prekindergarten Grant Program is provided as part of *Selected Fiscal and Policy Issue #12*.

Mathematics Achievement Academies – The Legislature appropriated \$22.8 million/biennium to provide professional development for teachers who provide reading instruction to students in Kindergarten and Grades 1-3. The Regional Education Service Centers (RESCs) provided professional development for eligible teachers instructing Grades 2 and 3 in summer 2016. During summer 2016, the academies provided training to 7,937 teachers. Teachers who attended the academies received a \$350 stipend and access to online resources hosted on the Texas Gateway to support mathematics instruction. According to the agency, professional development for eligible teachers instructing Kindergarten and Grade 1 is planned for summer 2017. Additional training for Grades 2 and 3 teachers may also be available in summer 2017 since the agency budgeted for 19,234 stipends for Grade 2-3 teachers.

House Bill 1 includes \$17.5 million for Mathematics Achievement Academies. This recommendation reduces funding by \$5.3 million which includes \$5.0 million in one-time content development costs and \$324,542 for administrative costs. While continuing administrative costs of \$324,542 have been removed from overall program funding, these costs have been included in funding for agency administration.

Literacy Achievement Academies – The Legislature appropriated \$17.8 million/biennium to provide professional development for teachers who provide reading instruction to students in Kindergarten and Grades 1-3. The RESCs provided professional development for eligible teachers instructing Kindergarten and Grade 1 in summer 2016. During summer 2016, the academies provided training to 8,494 teachers. Teachers who attended the academies received a \$350 stipend and access to online resources hosted on the Texas Gateway to support reading instruction. According to the agency, professional development for eligible teachers instructing Grades 2 and 3 is planned for summer 2017. Additional training for Kindergarten and Grade 1 teachers may also be available in summer 2017 since the agency budgeted for 16,340 stipends for K-1 teachers.

House Bill 1 includes \$15.2 million for Literacy Achievement Academies. This recommendation reduces funding by \$2.6 million which includes \$2.3 million in one-time content development costs and \$324,542 for administrative costs. While continuing administrative costs of \$324,542 have been removed from overall program funding, these costs have been included in funding for agency administration.

Reading-to-Learn Academies – The Legislature appropriated \$11.1 million/biennium to provide professional development for teachers who provide reading comprehension instruction to students in grades 4 and 5. The agency indicates the academies are under development due to the ongoing revision of the English Language Arts and Reading (ELAR) Texas Essential Knowledge and Skills (TEKS) with plans for implementation in each of the 20 RESC regions in summer 2017.

House Bill 1 includes \$9.3 million for Reading-to-Learn Academies. This recommendation reduces funding by \$1.7 million which includes \$1.7 million in one-time content development costs and \$162,272 for administrative costs. While continuing administrative costs of \$162,272 have been removed from overall program funding, these costs have been included in funding for agency administration.

Reading Excellence Team Pilot – The Legislature appropriated \$3.1 million/biennium to provide support to high-need campuses. The pilot program provides assistance to eligible struggling campuses in school year 2016-17. The agency has coordinated with the Education Service Centers (ESCs) V, XII, XVIII, and XX to assemble teams of instructional coaches to provide the intensive, ongoing support to the selected campuses. 24 high-need campuses have been selected for participation in school year 2016-17 based on student assessments in reading. Once support strategies are implemented and campus results are available for analysis, the agency indicates it will conduct an evaluation of the pilot program to measure its effectiveness and recommend the best course of action for potential expansion of the program in subsequent years.

House Bill 1 includes \$1.4 million for the Reading Excellence Team Pilot, which reduces funding by \$1.5 million for funding lapsed in fiscal year 16 and \$162,272 for administrative costs. While continuing administrative costs of \$162,272 have been removed from overall program funding, these costs have been included in funding for agency administration.

15. Special Education: Noncompliance with Individuals with Disabilities Education Act (IDEA), Part B Maintenance of Financial Support, and Special Education Representation in the Performance-Based Monitoring Analysis System (PBMAS)

Noncompliance with Individuals with Disabilities Education Act (IDEA), Part B Maintenance of Financial Support

In January 2017, TEA was informed by the United States Department of Education (USDE) of their proposed determination that Texas is not eligible to receive \$33.3 million of its federal Individuals with Disabilities Education Act (IDEA), Part B funding due to failure to meet the federal maintenance of State financial support (MFS) requirement in fiscal year 2012. The USDE determination is subject to agency appeal. Without an appeal, the reduction in federal funding is expected in federal fiscal year 2018 but may be spread over five consecutive years, subject to federal approval. House Bill 1, As Introduced, includes anticipated federal IDEA, Part B funding of \$998.4 million each fiscal year.

Special Education Representation in the Performance-Based Monitoring Analysis System (PBMAS)

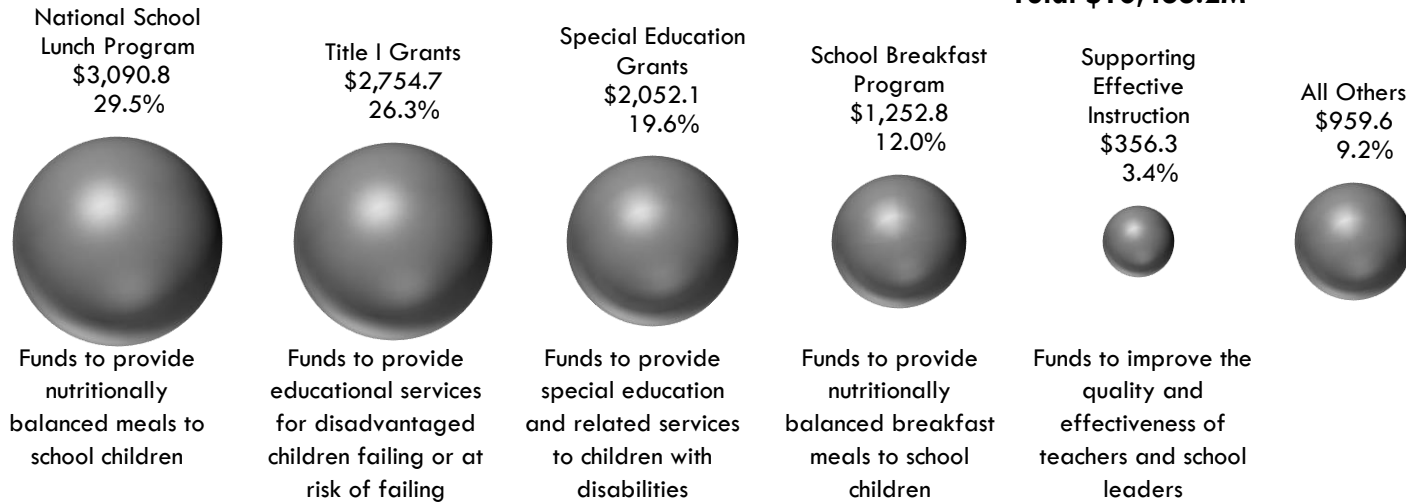
In September 2016, the Houston Chronicle released a report entitled “*Denied: How Texas keeps tens of thousands of children out of special education*” that suggested TEA officials had arbitrarily selected an 8.5 percent benchmark for special education enrollment in the Performance-Based Monitoring Analysis System (PBMAS) beginning in 2004, resulting in a decline in the state’s special education enrollment from 12 percent in 2004 to 8.5 percent in 2015. The report also suggested that TEA audits school districts with enrollments that exceed that rate for students with disabilities resulting in a “systematic denial of services by school districts to tens of thousands of families of every race and class across the state.” Since September, the Houston Chronicle has released several additional reports about the agency’s provision of special education services for different student populations.

Given the concern related to the indicator, TEA decided not to use the special education percentage indicator (Indicator 10) for the purpose of interventions staging moving forward. In addition, in the upcoming rule-making process (spring 2017), TEA plans to propose PBMAS rules in an effort it began several years ago to re-develop certain PBMAS indicators (including all four special education representation indicators) to align with evolving federal requirements related to disproportionality and the over-identification of students in special education. The agency contends these actions will ultimately effectively eliminate the PBMAS indicator related to overall special education representation.

Foundation School Program (FSP) appropriations are driven by TEA student projections, which reflect higher growth in mainstream special education than overall student growth. No additional assumptions beyond TEA’s student projections were made for special education populations.

Texas Education Agency
 Summary of Federal Funds (2018 - 19) - House

Total \$10,466.2M

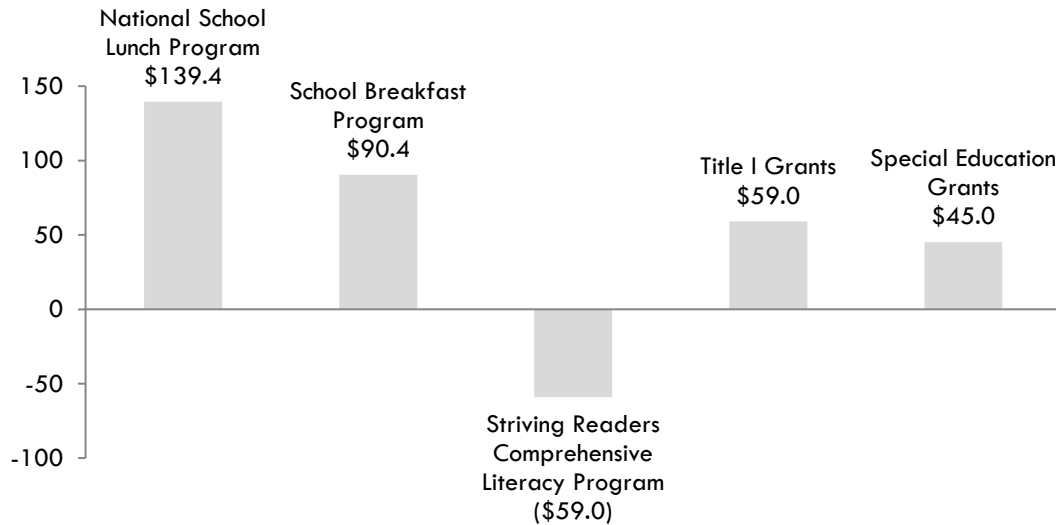


Selected Federal Fiscal and Policy Issues

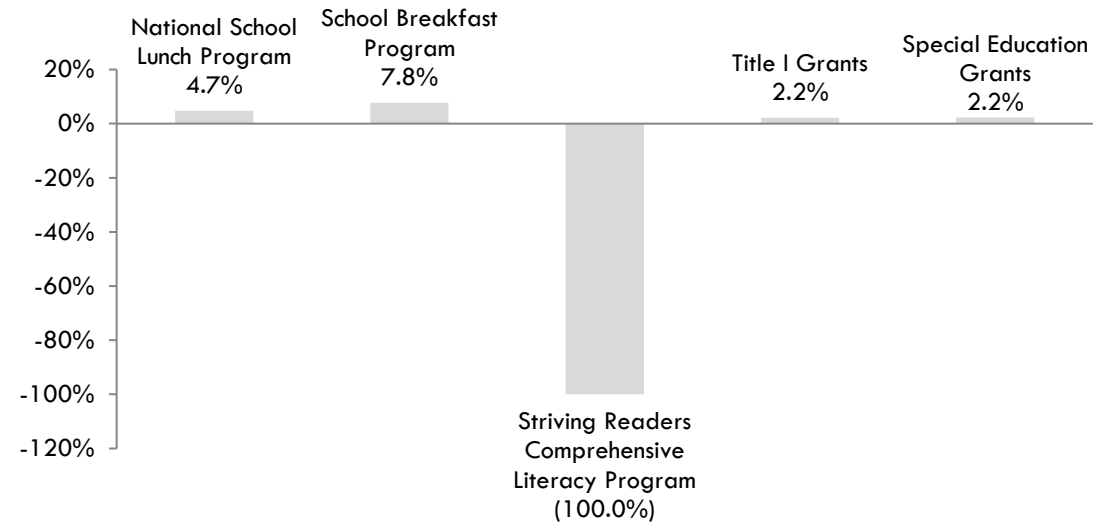
1. Federal Funds estimates for the 2018-19 biennium include a \$229.8 million increase for National School Lunch and School Breakfast Programs based on historical growth and anticipated increases in eligibility and participation rates.
2. The 2015 Every Student Succeeds Act (ESSA) reauthorized the Elementary and Secondary Education Act. ESSA created, modified, and eliminated some federal grant programs, many of which are now allowable uses under new ESSA programs.
3. See Appendix F: Supplemental Selected Fiscal and Policy Issues #1.

Programs with Significant Federal Funding Changes from 2016 - 17

Program-by Amount



Program-by Percentage



**Texas Education Agency
Contracting Highlights - House**

Summary of Contracts Awarded 09/01/2014 to 01/17/2017 and Reported to LBB Contracts Database*

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

	Number	Total Value	Average Value	% of total
Procurement Contracts	146	\$ 522.1	\$ 3.6	100%

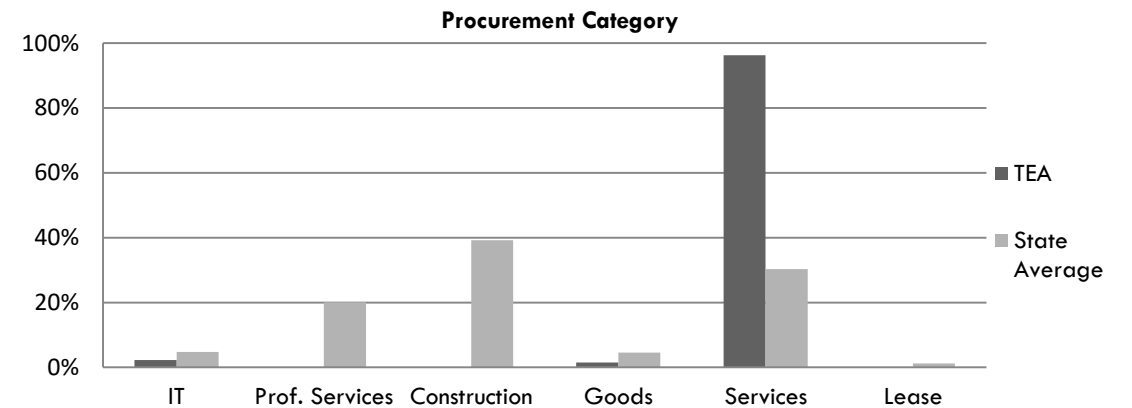
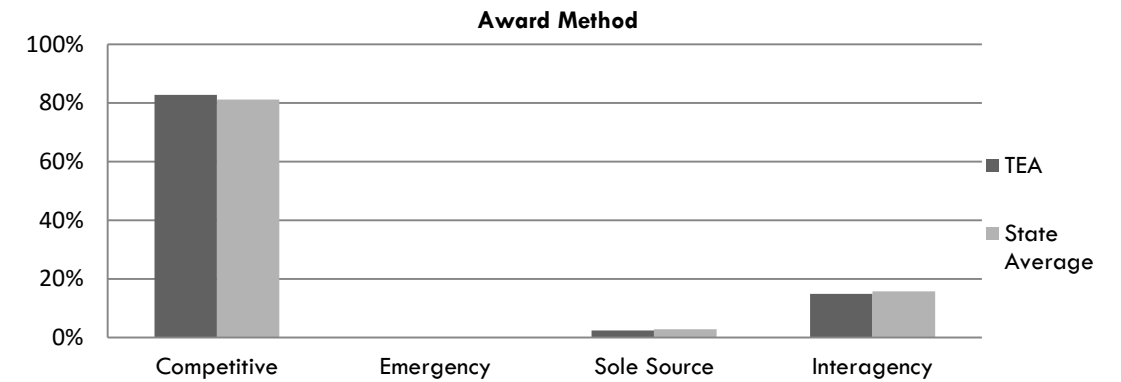
Award Method

Total Competitive Contracts	62	\$ 431.8	\$ 7.0	82.7%
Total Non-Competitive	84	\$ 90.3	\$ 1.1	17.3%
<i>Emergency</i>	1	\$ 0.1	\$ 0.1	0.0%
<i>Sole Source</i>	6	\$ 12.3	\$ 2.1	2.4%
<i>Interagency Agreement</i>	77	\$ 77.9	\$ 1.0	14.9%

Procurement Category

Information Technology	8	\$ 11.4	\$ 1.4	2.2%
Professional Services	0	\$ -	\$ -	0.0%
Construction	0	\$ -	\$ -	0.0%
Goods	2	\$ 7.9	\$ 4.0	1.5%
Other Services	136	\$ 502.7	\$ 3.7	96.3%
Lease/Rental	0	\$ -	\$ -	0.0%

Comparisons with State Averages



*Note: These figures reflect the total value of reported contracts awarded 09/01/2014 to 01/17/2017 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 - House**

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

Largest Competitive Contracts Awarded 09/01/14 - 01/17/17								
	Award Method	Total Value	% Change*	Award Date	Length	Renewals	Vendor	
1	Contracted Services for Student Assessment	Competitive	\$ 278.2	0.8%	05/18/15	4 years	-	Educational Testing Service
2	Contracted Services for Student Assessment	Competitive	\$ 59.4	-	05/18/15	4 years	-	NCS Pearson Inc.
3	Student Success Initiative Support Programs	Competitive	\$ 14.0	-6.1%	12/15/15	2 years	-	Think Through Learning Inc.
4	Student Success Initiative Support Programs	Competitive	\$ 10.0	-	03/01/16	1.5 years	-	iStation
Largest Non-Competitive Contracts Awarded 09/01/14 - 01/17/17								
1	Early Childhood Intervention	Interagency	\$ 33.0	-	09/01/15	2 years	-	DARS
2	Early Childhood Intervention	Interagency	\$ 16.5	-	09/01/15	1 year	-	HHSC
3	Advanced Placement Exam Fee Subsidy	Sole Source	\$ 10.0		03/01/16	1.5 years	-	The College Board
4	Texas Virtual School Network	Interagency	\$ 4.5	-	09/01/15	2 years	-	Education Service Center Region 10
Largest Active Contracts from Previous Fiscal Years								
1	Development & Admin. Of Tx Educator Cert. Program	Competitive	\$ 101.9	-	09/01/11	8 years	-	Educational Testing Service
2	Data Center Services (DIR)	Interagency	\$ 53.1	-	05/01/12	4 years	-	Department of Info Resources
3	Technology-based Supplementary Instruction in Math	Sole Source	\$ 13.0	-	09/01/13	6 years	-	Reasoning Mind Inc.
4	Platform for Trading, Portfolio Mgmt, and Risk Assmt	Competitive	\$ 9.5	101.4%	06/27/13	3 years	-	Blackrock Financial Mgmt Inc.

*Note: The percent change in contract value between initial award amount and the current contract value. Includes contract amendments and renewals.

**Texas Education Agency
Rider Highlights - House**

Modification of Existing Riders

3. **Foundation School Program Funding.** Update sum certain appropriation, assumptions, and yields. Add in language that previously existed in Rider 25, Limitation on the Transfer and Use of Funds, authorizing the transfer of Foundation School Program funds from the second year of the biennium to the first if there is a shortfall in the first year of the biennium. Add in language that previously existed in Rider 41, Limitation on Funding for Property Tax Relief and Foundation School Program.
6. **Windham Schools.** Modify language to add the specific appropriation amounts for each fiscal year, update the contact hour rates according to projected performance measures, and specify that contact hour rates are estimated.
8. **Textbooks and Instructional Materials.** Modify the reference from “textbooks” to “instructional materials” to align terminology with statute and modify the reference to State Instructional Materials Fund.
11. **Reimbursement of Advisory Committee Members.** Modify the list of committees receiving reimbursement to eliminate committees that are no longer active or receiving reimbursement and add new committees that do receive reimbursement.
12. **Student Testing Program.** Modify language to give the agency unexpended balance authority across biennia to allow \$4.3 million in liquidated damages received in the 2016-17 biennia to be used in the 2018-19 biennia.
18. **Estimated Appropriation for Incentive Aid.** Modify rider title to increase transparency on the rider’s purpose.
22. **Communities in Schools.** Modify language to eliminate requirement that the agency utilize three FTEs for the purposes of providing expanded administrative services of the CIS program and include language specifying the amount of TANF funds allocated for administrative purposes.
24. **Appropriation Limited Revenue Collections.** Modify language to standardize appropriation limited revenue collections riders across all Articles.
25. **Limitation on the Transfer and Use of Funds.** Move language related to requests to transfer Foundation School Program funds from the second year of the biennium to the first if there is a shortfall in the first year of the biennium to Rider 3, Foundation School Program Funding. Recommendations modify language to define administrative and non-administrative programs, expressly prohibit the transfer of non-FSP non-administrative funds, reduce the amount of Foundation School Program transfer allowance to \$8.0 million in each year of the biennium, and specify that the \$1.0 million transfer allowance in each fiscal year is included within the \$8.0 million allowance.
29. **Regional Education Service Center Dyslexia and Related Disorders Coordinators.** Modify language to make the \$275,000 per year allocation mandatory rather than discretionary.
31. **Recorded Instructional Materials.** Modify language to update terminology from “textbooks” to “instructional materials”, and include prekindergarten within the range of students for whom digital audio technology is provided.
32. **Local Educational Agency Risk Pool.** Modify language to make the rider internally consistent.
33. **Early Childhood Intervention.** Modify language to reflect the transfer of funds to the Health and Human Services Commission (HHSC) since the Department of Assistive and Rehabilitative Services was abolished on September 1, 2016 as a result of Senate Bill 200, 84th Legislature, 2015. Recommendations further modify language to require the TEA to enter into a memorandum of understanding (MOU) with HHSC, include a listing of the specific services the funding will support, and provide a signed copy to the LBB and the Governor no later than October 1, 2018.

34. **Funding for Regional Education Service Centers.** Modify language to require TEA to request approval of the distribution formula only if there is a change from the prior year. Recommendations also add language to include the reporting requirements associated with program transfers and contracts to the RESCs (previously included in Rider 13).
36. **Motor Vehicle Fees for Specially Designed License Plates.** Modify language to revise statute reference to Foundation School Program and eliminate Anthropos Arts plates because it was never developed.
41. **Educator Quality and Leadership.** Modify language to replace “an amount not to exceed” language with a sum certain amount; to remove contingency language due to passage of House Bill 7, 84th Legislature, 2015; and to reflect General Revenue Funds instead of Educator Excellence Funds. Recommendations add language to allow for agency flexibility to target specific programs identified as successful through the existing Educator Excellence Innovation Program (EEIP) instead of requiring implementation of all activities outlined in statute.
42. **Early Childhood School Readiness Program.** Modify language to more accurately describe the existing program, to include all five primary developmental domains for content, and to give the Commissioner the authority to request any expenditure and performance data deemed necessary to assess the success of the program.
43. **Student Success Initiative.** Modify language to give the Commissioner the authority to request any expenditure and performance data deemed necessary to assess the success of the program.
44. **School Improvement and Governance Support.** Amend the rider title to “School Improvement and Governance Support” to more concisely reflect the rider content and modify the rider structure to delineate the activities included in funding. Recommendations also modify language to include governance as a result of enactment of House Bill 1842, 84th Legislature, 2015 and to clarify that assistance can be provided to charters and districts for governance, student performance, and financial concerns.
45. **Virtual School Network.** Modify language to give the Commissioner the authority to request any expenditure and performance data deemed necessary to assess the success of the program.
47. **Teach for America.** Modify language to require the implementation of the retention plan developed during the 2016-17 biennium.
50. **Amachi Texas.** Modify language to give the Commissioner the authority to request any expenditure and performance data deemed necessary to assess the success of the program.
51. **Texas Academic Innovation and Mentoring.** Modify language to give the Commissioner the authority to request any expenditure and performance data deemed necessary to assess the success of the program.
53. **Best Buddies.** Modify language to give the Commissioner the authority to request any expenditure and performance data deemed necessary to assess the success of the program.
54. **Texas Gateway and Online Resources.** Modify the title to accurately reflect the rider content (Texas Gateway and Online Resources).
55. **Temporary Transfer from the Foundation School Program to the Instructional Materials Fund.** Modify the rider to reference Government Code §403.093(d) which allows for the temporary transfer from the Foundation School Program to the Instructional Materials Fund as outlined in the rider.
57. **Adult Charter School.** Modify the title to remove “pilot” since the charter school has been in operation since 2014. Recommendations also modify language to give the Commissioner the authority to request any expenditure and performance data deemed necessary to assess the success of the program.
58. **Truancy Data Report.** Modify the rider to require another report in January 1, 2019. This recommendation is dependent on the quality of the required report which will not be completed until January 1, 2017.

59. **Supplemental Funding for Prekindergarten.** Modify the rider to specify that funding is changed from \$15.0 million each fiscal year to \$73.5 million each fiscal year.
60. **Reporting on Year-Round Schools.** Modify the rider to remove the one-time requirement that the agency conduct an evaluation of year-round schools.
61. **Open Source Instructional Materials.** Modify the reporting language to require the same type of information to be reported in each fiscal year.
64. **Mathematics Achievement Academies.** Modify the title to align with statutory terminology, update rider language to allow for flexibility in the number of days the academies will be provided, clarify that academies will be hosted since content development took place in the 2016-17 biennium, and specify that academies may occur during the summer and the school year.
65. **Literacy Achievement Academies.** Modify language to allow for flexibility in the number of days the academies will be provided.

New Riders

66. **Reading Excellence Team Pilot.** Add a new rider authorizing General Revenue funds for the purpose of administering a reading excellence pilot program in accordance with Texas Education Code, Section 28.0061 (SB 935, 84th Legislature). This rider is in Article IX, Section 18.63 in the 2016-17 GAA.
67. **Reading to Learn Academies.** Add a new rider authorizing General Revenue funds for the purpose of administering training academies for public school teachers who provide reading comprehension instruction to students in grades 4 and 5 in accordance with Texas Education Code, Section 21.4554. This rider is in Article IX, Section 18.64 in the 2016-17 GAA.
68. **Disposition of Property and Use of Funds from Closed Charter Schools.** Add a new rider appropriating funds after the revocation or cessation of charter schools to the Texas Education Agency for the management and closure of charter schools and specifying the disposition of state property under Chapter 12, Texas Education Code. The rider also directs 100 percent of the receipts of property sold resulting from the revocation or cessation of charter schools to the Texas Education Agency for the same purpose. This rider is a combination of two riders in Article IX, Sections 8.02(h) and 8.03(b) in the 2016-17 GAA.
69. **Individuals with Disabilities Education Act Maintenance of Financial Support.** Add a new rider to specify that to the extent necessary, amounts from the Regular Program Allotment are made available within the Foundation School Program for maintenance of financial support for Part B of the Individuals with Disabilities Education Act.
70. **Collaborative Dual Credit Program Evaluation.** Add a new rider to increase appropriations to TEA by \$72,131 in General Revenue Funds in each year of the biennium and increase the limit on full-time equivalent (FTE) positions by one. The rider directs those funds and FTE to be used to improve the state's evaluation of dual credit program outcomes.
71. **Contingent Appropriation for School Finance Legislation.** Add a new rider providing an additional \$1,470.2 million in General Revenue Funds for the Foundation School Program contingent on legislation that reforms the school finance system in a manner that improves equity, reduces recapture, and increases the state share of the Foundation School Program.

Deleted Riders

13. **Reporting on Program Transfers to and Contracts with the Regional Education Service Centers.** Delete the rider and merge the reporting requirements for Regional Education Service Centers with Rider 35, Funding for Regional Education Service Centers.
38. **Use of Federal Discretionary and Consolidated Administrative Funds.** Delete rider to decrease confusion on the allowable use of funds. Available federal discretionary and consolidated administrative funds must be expended only for legal uses as provided in the federal grant statutes.

- 41. **Limitation on Funding for Property Tax Relief and Foundation School Program.** Move the language of this rider into Rider 3, Foundation School Program Funding.
- 57. **Sunset Contingency.** Delete rider because House Bill 3123 passed during the 84th Legislative Session and continues the agency until September 1, 2025.
- 61. **Southern Regional Education Board.** Delete rider in accordance with the Governor's Veto Proclamation.
- 62. **Houston ISD and North Forest ISD Consolidation.** Delete rider because the consolidation occurred in fiscal year 2014.
- 64. **Subsidy for Certification Examination.** Delete rider in accordance with funding decisions in House Bill 1, As Introduced.
- 67. **FitnessGram Program.** Delete rider in accordance with funding decisions in House Bill 1, As Introduced.
- 68. **Reasoning Mind.** Delete rider in accordance with funding decisions in House Bill 1, As Introduced.

**Texas Education Agency
Agency Exceptional Items - In Agency Priority Order
House**

	2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items - In Agency Priority Order

1)	<p>Math Innovation Zone Grants to Vastly Improve Student Math Performance Funding to provide \$19.5 million for two-year grants to eligible K-8 campuses for high quality blended learning math curriculum software aligned to the Texas Essential Knowledge and Skills (TEKS). The agency anticipates the program implementation would require 2.0 FTEs and cost \$500,000 over the biennium.</p>	\$20,000,000	\$20,000,000	2.0	No	Yes	\$20,000,000
2)	<p>Increase funding for High-Quality Pre-K Initiative (HB 4) Funding to provide \$117,675,458 in each fiscal year to continue providing grants in the 2018-19 biennium. In the 2016-17 biennium, TEA awarded grant funding in both fiscal years with required program implementation in fiscal year 2017 (school year 2016-17). In its base request, TEA reduced funding by 0.3 percent or \$324,542 and included all High-Quality Prekindergarten Program funding (\$117,675,458) in fiscal year 2018 (school year 2017-18) to continue the same level of grant funding provided to 578 school districts and charters in school year 2016-17. House Bill 1, As Introduced, does not provide funding for the High Quality Prekindergarten Grant program.</p>	\$235,350,916	\$235,350,916	0.0	No	No	\$235,350,916
3)	<p>Protect Students from Inappropriate Educator Relationships via Investigation and Prosecution Funding to support two additional investigators and one support staff member to address the increased case volume of inappropriate relationships between educators and students. The agency indicates the number of new cases increased by 20 percent from fiscal year 2011 to fiscal year 2015, and the total number of open cases is now more than 1,100.</p>	\$391,134	\$391,134	3.0	No	No	\$391,134

**Texas Education Agency
Agency Exceptional Items - In Agency Priority Order
House**

		2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
		GR & GR-D	All Funds	FTEs			
4)	Implementation of Texas Student Data System (TSDS) to Provide Reliability, Accessibility, and Ensure Actionable, Real-Time District, Charter and Student Data is Available Funding for two initiatives: 1) ongoing maintenance of the TSDS (\$1.6 million and 8.0 FTEs); and 2) incorporate the five most critical non-Public Education Information Management System (PEIMS) applications into TSDS (\$4.4 million and 3.5 contractor FTEs).	\$5,032,000	\$6,000,000	11.5	Yes	Yes	\$1,600,000
5)	E-Rate - High-Speed Internet Infrastructure for Classroom Connectivity to Improve Student Access to On-Line Resources Funding to provide \$25.0 million as a local funding share to be eligible for an additional \$225 million in E-Rate funding to help rural and economically disadvantaged school districts and campuses build certain broadband infrastructure. A federally-required evaluation would cost an estimated \$250,000.	\$25,250,000	\$25,250,000	0.0	No	Yes	\$0
6)	Ensure Student and Teacher Data Privacy and Cybersecurity Funding for a three-phased Security Master Plan initiative: 1) remediate the teacher certification application to ensure educator data privacy (\$6.7 million and 6.5 Contractor FTEs in FY 18 and 13 Contractor FTEs in FY 2019); 2) address significant gaps in the agency's information security programs (\$5.2 million and 2 Contractor FTEs in FY 18 and 4 Contractor FTEs in FY 19); and 3) transfer and secure the student and teacher records from closed charter schools (\$1.5 million and 0 FTEs).	\$13,410,120	\$13,410,120	17.0	Yes	Yes	\$2,000,000
7)	Effectively Implement Low-Performing Campus Turnaround under HB 1842 and Monitoring of Districts of Innovation Best Practices Funding for two initiatives: 1) provide technical assistance to districts developing turnaround plans, ensure timely and comprehensive agency review of plans, and hold campuses accountable for those plans (\$900,000 and 6.0 FTEs); and 2) provide technical assistance, monitor, and provide best practice information related to Districts of Innovation (\$100,000 and 1.0 FTE).	\$1,000,000	\$1,000,000	7.0	No	No	\$1,000,000

**Texas Education Agency
Agency Exceptional Items - In Agency Priority Order
House**

		2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
		GR & GR-D	All Funds	FTEs			
8)	Funding for Release of for STAAR Test Items Included in the Four Percent Reduction With this funding, the agency indicates it would be able to improve transparency by releasing STAAR test items annually instead of the statutorily required minimum of once every three years.	\$4,173,842	\$4,173,842	0.0	No	Yes	\$4,173,842
9)	Funding for Expansion of Windham School District Program Initiatives Funding for expansion of certain Windham School District programs (\$7,421,448).	\$7,421,448	\$7,421,448	35.0	No	No	\$7,421,448
10)	Rider Request: Agency requests ability to transfer up to 2 percent of program funding into administrative strategies through changes to two riders (Rider 25 and Rider 45 in 2018-19 Recommendations). The agency's request to transfer up to 2 percent of program funding for the administration of programs could result in a transfer of up to \$15.0 million for administrative purposes if all non-FSP programs were included.						
11)	Rider Request: Agency requests unexpended balance authority for all non-FSP programs and most administrative strategies through a new rider.						

TOTAL Agency Exceptional Items		\$312,029,460	\$312,997,460	75.5			\$271,937,340
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**Texas Education Agency
Appendices - House**

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

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
FSP - EQUALIZED OPERATIONS A.1.1	\$41,072,400,000	\$41,157,000,000	\$84,600,000	0.2%	<p>The primary factors in the net GR decrease for A.1.1, FSP - Equalized Operations and A.1.2, FSP - Equalized Facilities include the cost of enrollment growth, the cost of the Austin ISD yield growth, a decrease in settle-up payments to the state and other adjustments. These costs are offset by state savings attributable to district property value growth, the expiration of ASATR, and Method of Finance Shifts due to projected increases in Other Funds (including Recapture Revenue and the Property Tax Relief Fund) and corresponding decreases in General Revenue costs.</p> <p>House Bill 1 includes an additional \$1,470.2 million above the amount estimated to be required to fund the current law FSP entitlement out of General Revenue Funds contingent on school finance legislation. However, this increase is not reflected on this appendix because the funding is not yet attributed to a specific strategy. See Selected Fiscal and Policy Issues #2 and 3.</p>
GENERAL REVENUE FUNDS	\$34,275,200,000	\$32,878,500,000	(\$1,396,700,000)	(4.1%)	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$6,797,200,000	\$8,278,500,000	\$1,481,300,000	21.8%	
FSP - EQUALIZED FACILITIES A.1.2	\$1,280,700,000	\$1,207,200,000	(\$73,500,000)	(5.7%)	
GENERAL REVENUE FUNDS	\$1,280,700,000	\$1,207,200,000	(\$73,500,000)	(5.7%)	
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	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
STATEWIDE EDUCATIONAL PROGRAMS A.2.1	\$486,655,961	\$461,060,223	(\$25,595,738)	(5.3%)	
GENERAL REVENUE FUNDS	\$297,889,490	\$274,391,641	(\$23,497,849)	(7.9%)	Includes the following changes: <ul style="list-style-type: none"> • A decrease of \$11.5 million associated with the Mathematics, Literacy, and Reading-To-Learn Academies; Reading Excellence Teams Pilot; and High Quality Prekindergarten Grant Program. These programs had one-time content development and administrative costs; • A decrease of \$5.0 million for programs including Reasoning Mind and Subsidy for Certification Examination. Districts may access both programs through other available funding sources (i.e. IMA and federal funds); • A decrease of \$1.7 million for the Texas Advanced Placement Incentive Program. The program lapsed funding in the 2016-17 biennium; • A decrease of \$3.6 million in assorted reductions related to program funding changes; and • A decrease of \$0.7 million for one-time Foundation School Program (FSP) Transfer funding as authorized by Rider 26, Limitation: Transfer Authority for additional Texas Essential Knowledge and Skills (TEKS) and Reading Diagnostic material development.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$163,882,471	\$161,784,582	(\$2,097,889)	(1.3%)	Includes the following anticipated federal funding changes: <ul style="list-style-type: none"> • An increase of \$0.7 million for the Career and Technical Education Basic Grant; and • A decrease of \$2.7 million for the Texas Kindergarten Entry Assessment System.
OTHER FUNDS	\$24,884,000	\$24,884,000	\$0	0.0%	
ACHIEVEMENT OF STUDENTS AT RISK A.2.2	\$3,124,989,313	\$3,186,126,976	\$61,137,663	2.0%	
GENERAL REVENUE FUNDS	\$2,500,000	\$2,500,000	\$0	0.0%	

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

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$3,122,489,313	\$3,183,626,976	\$61,137,663	2.0%	Includes the following anticipated federal funding increases: <ul style="list-style-type: none"> • \$58.1 million for Title I Grants; • \$2.2 million for English Language Acquisition Grants; and • \$0.8 million in assorted federal funds targeting students at risk.
OTHER FUNDS	\$0	\$0	\$0	0.0%	
STUDENTS WITH DISABILITIES A.2.3	\$2,108,308,102	\$2,153,748,838	\$45,440,736	2.2%	
GENERAL REVENUE FUNDS	\$112,797,740	\$112,797,740	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$1,995,339,616	\$2,040,780,352	\$45,440,736	2.3%	Includes the following anticipated federal funding increases: <ul style="list-style-type: none"> • \$44.2 million for Individuals with Disabilities Education Act (IDEA), Part B; and • \$1.2 million for IDEA, Part B Preschool.
OTHER FUNDS	\$170,746	\$170,746	\$0	0.0%	
SCHOOL IMPROVEMENT & SUPPORT PGMS A.2.4	\$303,469,229	\$302,433,434	(\$1,035,795)	(0.3%)	
GENERAL REVENUE FUNDS	\$63,343,632	\$61,943,632	(\$1,400,000)	(2.2%)	Includes the following changes: <ul style="list-style-type: none"> • A decrease of \$1.0 million for Incentive Aid. The program has a decrease in the amount of anticipated need in the 2018-19 biennium; • A decrease of \$0.5 million in one-time FSP transfer funding for military connected children as authorized by Rider 26, Limitation: Transfer Authority; and • An increase of \$100,000 for the Communities In Schools program. Funding level is consistent with funding appropriated in the 2016-17 biennium.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$240,125,597	\$240,489,802	\$364,205	0.2%	Includes an anticipated increase of approximately \$0.4 million for 21st Century Community Learning Centers Grants.
OTHER FUNDS	\$0	\$0	\$0	0.0%	

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

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
Total, Goal A, PROVIDE ED SYS LDRSP GUID'CE RES'S	\$48,376,522,605	\$48,467,569,471	\$91,046,866	0.2%	
GENERAL REVENUE FUNDS	\$36,032,430,862	\$34,537,333,013	(\$1,495,097,849)	(4.1%)	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$5,521,836,997	\$5,626,681,712	\$104,844,715	1.9%	
OTHER FUNDS	\$6,822,254,746	\$8,303,554,746	\$1,481,300,000	21.7%	
ASSESSMENT & ACCOUNTABILITY SYSTEM B.1.1	\$167,836,677	\$163,079,116	(\$4,757,561)	(2.8%)	
GENERAL REVENUE FUNDS	\$104,346,032	\$99,916,032	(\$4,430,000)	(4.2%)	Includes a decrease of \$4.43 million for state assessment funding to offset new agency authority to use the \$4.43 million in liquidated damages assessed to Educational Testing Services (ETS) in 2016 in the 2018-19 biennium.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$63,490,645	\$63,163,084	(\$327,561)	(0.5%)	Includes an anticipated decrease of approximately \$0.3 million associated with the federal Grants for State Assessments and Related Activities.
OTHER FUNDS	\$0	\$0	\$0	0.0%	
TECHNOLOGY/INSTRUCTIONAL MATERIALS B.2.1	\$1,171,872,847	\$1,233,258,092	\$61,385,245	5.2%	
GENERAL REVENUE FUNDS	\$1,171,872,847	\$1,233,258,092	\$61,385,245	5.2%	Includes the following changes: <ul style="list-style-type: none"> • An increase of \$64.6 million to the Instructional Materials Allotment (IMA) in the 2018-19 biennium based on a distribution rate of 50 percent of the Permanent School Fund (PSF) to the Available School Fund (ASF). • A decrease of \$3.2 million to the Texas Virtual School Network (TxVSN). The program lapsed funding in the 2016-17 biennium.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
HEALTH AND SAFETY B.2.2	\$22,416,688	\$22,087,675	(\$329,013)	(1.5%)	

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

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
GENERAL REVENUE FUNDS	\$22,416,688	\$22,087,675	(\$329,013)	(1.5%)	Includes the following changes: <ul style="list-style-type: none"> • A decrease of \$2.0 million for FitnessGram. The program lapsed funding in the 2016-17 biennium and district and charter school have the ability to instead use the free agency-developed Physical Fitness Assessment Inventory (PFAI) web application; and • An increase of \$1.7 million for funding to the Texas Juvenile Justice Department. The program has an increasing service population in the 2018-19 biennium.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
CHILD NUTRITION PROGRAMS B.2.3	\$4,142,973,871	\$4,372,802,652	\$229,828,781	5.5%	
GENERAL REVENUE FUNDS	\$29,236,682	\$29,236,682	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$4,113,737,189	\$4,343,565,970	\$229,828,781	5.6%	Includes the following anticipated federal funding increases: <ul style="list-style-type: none"> • \$139.4 million associated with the National School Lunch Program; and • \$90.4 million associated with the School Breakfast Program.
OTHER FUNDS	\$0	\$0	\$0	0.0%	
WINDHAM SCHOOL DISTRICT B.2.4	\$103,000,000	\$103,000,000	\$0	0.0%	
GENERAL REVENUE FUNDS	\$103,000,000	\$103,000,000	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	

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

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
IMPROVING EDUCATOR QUALITY/LDRSP B.3.1	\$460,224,731	\$393,624,582	(\$66,600,149)	(14.5%)	
GENERAL REVENUE FUNDS	\$44,400,000	\$39,400,000	(\$5,000,000)	(11.3%)	Includes a \$5.0 million decrease for Teach for America. The program has a declining service population related to the number of public school employees employed in Texas schools.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$415,824,731	\$354,224,582	(\$61,600,149)	(14.8%)	Includes the following anticipated federal funding decreases: <ul style="list-style-type: none"> • \$58.1 million associated with the Striving Readers Comprehensive Literacy Program grant; and • \$3.7 million associated with the Supporting Effective Instruction State Grant.
OTHER FUNDS	\$0	\$0	\$0	0.0%	
AGENCY OPERATIONS B.3.2	\$130,356,183	\$131,047,513	\$691,330	0.5%	
GENERAL REVENUE FUNDS	\$40,604,893	\$40,859,815	\$254,922	0.6%	Recommendations include the following changes: <ul style="list-style-type: none"> • An increase of \$1.3 million associated with ongoing administrative funding for the academies and high quality prekindergarten funding; • A decrease of \$1.0 million associated with one-time Foundation School Program (FSP) Transfer funding for implementation of HB 1842, 84th Legislature as authorized by Rider 26, Limitation: Transfer Authority; • An increase of \$144,262 for an additional full-time equivalent related to the collaborative dual credit program evaluation (TEA Rider 71). • A decrease of \$100,000 to remove transferred administrative funding for the Communities in School program.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$38,912,665	\$39,429,680	\$517,015	1.3%	Includes a \$0.5 million increase in Federal Fund 148 for administrative purposes.
OTHER FUNDS	\$50,838,625	\$50,758,018	(\$80,607)	(0.2%)	Includes a decrease of \$80,607 in the Permanent School Fund for administrative purposes.

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

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
STATE BOARD FOR EDUCATOR CERT B.3.3	\$8,590,067	\$8,547,870	(\$42,197)	(0.5%)	
GENERAL REVENUE FUNDS	\$8,590,067	\$8,547,870	(\$42,197)	(0.5%)	Includes a decrease of \$42,197 in Certification and Assessment Fees for administrative purposes.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
CENTRAL ADMINISTRATION B.3.4	\$27,620,348	\$27,865,617	\$245,269	0.9%	
GENERAL REVENUE FUNDS	\$15,908,128	\$15,842,647	(\$65,481)	(0.4%)	Includes a decrease of \$65,481 for administrative purposes pursuant to agency request.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$9,516,119	\$9,644,040	\$127,921	1.3%	Includes an increase of \$127,921 in Federal Fund 148 for administrative purposes.
OTHER FUNDS	\$2,196,101	\$2,378,930	\$182,829	8.3%	Includes an increase of \$182,829 in Permanent School Funds and Interagency Contracts for administrative purposes.
INFORMATION SYSTEMS - TECHNOLOGY B.3.5	\$71,638,526	\$74,082,848	\$2,444,322	3.4%	
GENERAL REVENUE FUNDS	\$39,711,756	\$36,636,199	(\$3,075,557)	(7.7%)	Includes the following decreases: <ul style="list-style-type: none"> • \$2.2 million associated with the Michael and Susan Dell Foundation grant; • \$412,291 for administrative purposes pursuant to agency request; • \$343,200 associated with PC Replacement funding; • \$120,066 for one-time Foundation School Program (FSP) Transfer funding as authorized by Rider 26, Limitation: Transfer Authority associated with implementation of SB 1, 84th Legislature, 2015.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$23,910,255	\$29,532,356	\$5,622,101	23.5%	Includes the following anticipated federal funding changes: <ul style="list-style-type: none"> • An increase of \$5.6 million associated with Federal Fund 148; and • A decrease of \$0.1 million in other federal funding for administrative purposes.

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

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
OTHER FUNDS	\$8,016,515	\$7,914,293	(\$102,222)	(1.3%)	Includes a \$102,222 decrease in the Permanent School Fund and Interagency Contracts related for administrative purposes.
CERTIFICATION EXAM ADMINISTRATION B.3.6	\$37,721,370	\$37,532,890	(\$188,480)	(0.5%)	
GENERAL REVENUE FUNDS	\$37,721,370	\$37,532,890	(\$188,480)	(0.5%)	Includes a \$188,480 decrease in Certification and Assessment fees for administrative purposes.
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	\$6,344,251,308	\$6,566,928,855	\$222,677,547	3.5%	
GENERAL REVENUE FUNDS	\$1,617,808,463	\$1,666,317,902	\$48,509,439	3.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$4,665,391,604	\$4,839,559,712	\$174,168,108	3.7%	
OTHER FUNDS	\$61,051,241	\$61,051,241	\$0	0.0%	
Grand Total, All Agency	\$54,720,773,913	\$55,034,498,326	\$313,724,413	0.6%	
GENERAL REVENUE FUNDS	\$37,650,239,325	\$36,203,650,915	(\$1,446,588,410)	(3.8%)	NOTE: Amounts shown here do not reflect the additional \$1.47 billion contingency for school finance legislation rider appropriation contained in House Bill 1 because it is not attributed to a specific strategy (or strategies).
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$10,187,228,601	\$10,466,241,424	\$279,012,823	2.7%	
OTHER FUNDS	\$6,883,305,987	\$8,364,605,987	\$1,481,300,000	21.5%	

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

Appendix B

Program	Est 2016	Bud 2017	Rec 2018	Rec 2019	2016-17 Base	2018-19 Rec	2018-19 Rec % Total	Recommended Over/(Under) Base	% Change from Base
National School Lunch Program	\$1,454.6	\$1,496.8	\$1,524.1	\$1,566.6	\$2,951.4	\$3,090.8	29.5%	\$139.4	4.7%
Title I Grants to Local Educational Agencies	\$1,318.9	\$1,376.8	\$1,377.3	\$1,377.3	\$2,695.7	\$2,754.6	26.3%	\$58.9	2.2%
Special Education Grants to States	\$981.3	\$1,025.8	\$1,026.1	\$1,026.1	\$2,007.1	\$2,052.1	19.6%	\$45.0	2.2%
School Breakfast Program	\$569.8	\$592.5	\$613.9	\$638.9	\$1,162.4	\$1,252.8	12.0%	\$90.4	7.8%
Supporting Effective Instruction State Grants	\$181.8	\$178.1	\$178.1	\$178.1	\$359.9	\$356.3	3.4%	(\$3.6)	(1.0%)
English Language Acquisition Grants	\$105.4	\$107.5	\$107.7	\$107.7	\$212.9	\$215.3	2.1%	\$2.4	1.1%
21st Century Community Learning Centers	\$101.4	\$101.7	\$101.6	\$101.6	\$203.1	\$203.2	1.9%	\$0.1	0.0%
Career and Technical Education Basic Grants	\$63.9	\$64.6	\$64.6	\$64.6	\$128.6	\$129.1	1.2%	\$0.6	0.4%
Migrant Education Basic State Grant Program	\$58.1	\$58.1	\$58.2	\$58.2	\$116.3	\$116.3	1.1%	\$0.0	0.0%
School Improvement Grants	\$0.0	\$84.3	\$42.4	\$42.4	\$84.3	\$84.8	0.8%	\$0.5	0.6%
Grants for State Assessments and Related Activities	\$23.3	\$23.0	\$23.0	\$23.0	\$46.3	\$45.9	0.4%	(\$0.4)	(0.8%)
Special Education Preschool Grants	\$20.8	\$22.0	\$22.0	\$22.0	\$42.8	\$44.1	0.4%	\$1.3	3.0%
Mathematics and Science Partnerships	\$14.5	\$14.5	\$14.5	\$14.5	\$29.0	\$29.0	0.3%	\$0.0	0.0%
Public Charter Schools	\$9.7	\$9.7	\$10.0	\$10.0	\$19.4	\$20.1	0.2%	\$0.7	3.7%
Rural and Low Income Schools Program	\$6.6	\$6.9	\$6.9	\$6.9	\$13.5	\$13.7	0.1%	\$0.3	1.9%
Education for Homeless Children and Youth	\$5.9	\$6.4	\$6.4	\$6.4	\$12.3	\$12.8	0.1%	\$0.5	4.3%
Early Awareness & Readiness for Undergraduate Programs	\$5.0	\$4.9	\$4.9	\$4.9	\$9.9	\$9.9	0.1%	(\$0.0)	(0.3%)
Temporary Assistance for Needy Families	\$4.8	\$4.8	\$4.8	\$4.8	\$9.7	\$9.7	0.1%	\$0.0	0.0%
Developmental Disabilities Basic Support & Advocacy Grants	\$4.5	\$4.5	\$4.5	\$4.5	\$9.0	\$9.0	0.1%	(\$0.0)	(0.0%)
Advanced Placement Fee Pay Incentive Program	\$2.9	\$2.9	\$2.9	\$2.9	\$5.8	\$5.8	0.1%	\$0.0	0.0%
Statewide Longitudinal Data Systems	\$0.6	\$0.7	\$3.2	\$2.5	\$1.3	\$5.7	0.1%	\$4.5	356.3%
Title I Program for Neglected & Delinquent Children and Youth	\$2.2	\$2.2	\$2.2	\$2.2	\$4.4	\$4.4	0.0%	(\$0.0)	(0.4%)
Troops to Teachers	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5	\$0.7	0.0%	\$0.2	35.7%
Migrant Education Coordination Program	\$0.1	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	0.0%	\$0.1	100.0%
School Safety National Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%	(\$0.0)	(100.0%)
Competitive Grants for State Assessments	\$1.7	\$1.1	\$0.0	\$0.0	\$2.8	\$0.0	0.0%	(\$2.8)	(100.0%)
Striving Readers Comprehensive Literacy Program	\$59.0	\$0.0	\$0.0	\$0.0	\$59.0	\$0.0	0.0%	(\$59.0)	(100.0%)
TOTAL:	\$4,997.1	\$5,190.1	\$5,199.7	\$5,266.5	\$10,187.2	\$10,466.2	100.0%	\$279.0	2.7%

**Texas Education Agency
Summary of Select Grant Programs Eliminated
Pursuant to the Every Student Succeeds Act (ESSA) - House**

ESSA Funding Source	Description	Eliminated No Child Left Behind Programs
Title I Grants to Local Educational Agencies	ESSA increases Title I Grants to Local Educational Agencies authorization levels. ESSA requires states to set aside seven percent of Title I funds for school improvement, compared to four percent required by the No Child Left Behind Act.	School Improvement Grants
Student Support and Academic Enrichment Grant	ESSA establishes the Student Support and Academic Enrichment Grant to fund a wide range of activities that improve student academic achievement. ESSA consolidates many programs into this new formula block grant.	Mathematics and Science Partnerships Advanced Placement Fee Pay Incentive Program School Safety National Activities
Literacy Education for All	ESSA establishes the Literacy Education for All program, which includes the Comprehensive Literacy State Development and Innovative Approaches to Literacy competitive grants.	Striving Readers Comprehensive Literacy Program

**Texas Education Agency
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
Cap	804.0	875.0	875.0	876.0	876.0
Actual/Budgeted	832.4	819.2	875.0	NA	NA

Schedule of Exempt Positions (Cap)					
Commissioner of Education, Group 8	\$215,000	\$220,375	\$220,375	\$229,226	\$229,226
Permanent School Fund Chief Investment Officer	\$0	\$265,475	\$265,475	\$384,375	\$384,375

Notes:

a) The State Auditor's Office report entitled Executive Compensation at State Agencies (Report No. 16-706, September 2016) indicates a market average salary of \$260,753 for the Commissioner of Education position at the Texas Education Agency and does not recommend changing the Group classification for the position. The agency is not requesting any changes to its Exempt Positions.

**Texas Education Agency
Performance Measure Highlights - House**

	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
<ul style="list-style-type: none"> Total Average Daily Attendance (ADA) - Includes Regular and Charter Schools <p>Measure Explanation: Total students in average daily attendance in Texas school districts and charter schools.</p>	4,853,101	4,922,276	4,998,100	5,079,897	5,163,007
<ul style="list-style-type: none"> Total Average Daily Attendance (ADA) - Open-enrollment Charter Schools Only <p>Measure Explanation: Total students in average daily attendance in Texas charter schools.</p>	207,003	226,752	251,120	279,952	309,082
<ul style="list-style-type: none"> Compensatory Education Student Count <p>Measure Explanation: The estimated number of students used in the calculation of funding for compensatory education programs.</p>	3,228,820	3,272,933	3,318,604	3,373,443	3,428,945
<ul style="list-style-type: none"> Bilingual Education/English as a Second Language Average Daily Attendance <p>Measure Explanation: The estimated number of students in average daily attendance that are being served in a bilingual/English as a Second Language education program.</p>	818,705	850,606	883,042	917,059	952,572
<ul style="list-style-type: none"> Career and Technical Education Full-time Equivalent (FTEs) <p>Measure Explanation: The estimated number of full-time equivalent students that are participating in an approved career and technology education program.</p>	246,000	261,221	274,426	288,460	303,276
<ul style="list-style-type: none"> Special Education Full-time Equivalent (FTEs) <p>Measure Explanation: The estimated number of full-time equivalent students who are receiving special education services.</p>	116,831	118,955	120,556	122,177	123,641
<ul style="list-style-type: none"> Percent of District Instructional Materials Allotment (IMA) Purchases Related to Instructional Materials <p>Measure Explanation: This new measure identifies the percentage of the IMA spent statewide on instructional materials including consumable, bilingual education materials, supplemental instructional materials, and college preparatory materials.</p>	96.00%	93.00%	87.00%	87.00%	87.00%
<ul style="list-style-type: none"> Percent of District Instructional Materials Allotment (IMA) Purchases Related to Technology <p>Measure Explanation: This new measure identifies the percentage of the IMA spent statewide on allowable technology purchases including equipment.</p>	3.00%	5.00%	10.00%	10.00%	10.00%

**Texas Education Agency
Performance Measure Highlights - House**

<ul style="list-style-type: none"> Percent of District Instructional Materials Allotment (IMA) Purchases Related to Support Material/Technology Personnel 	2.00%	2.00%	3.00%	3.00%	3.00%
<p><i>Measure Explanation: This new measure identifies the percentage of the IMA spent statewide on support material and technology personnel.</i></p>					
<ul style="list-style-type: none"> Percent of Districts Earning an Overall A or B Rating 	0.00%	0.00%	0.00%	30.00%	30.00%
<p><i>Measure Explanation: This new measure identifies the percentage of districts earning an overall A rating (indicating exemplary performance) or B rating (indicating recognized performance) based on the new A-F accountability ratings resulting from House Bill 2804, 84th Legislature. The new rating system will be implemented in school year 2016-17.</i></p>					
<ul style="list-style-type: none"> Percent of Districts Earning an A or B Rating in Domains 1-3 	0.00%	0.00%	0.00%	10.00%	10.00%
<p><i>Measure Explanation: This new measure identifies the percentage of districts earning an A rating (indicating exemplary performance) or B rating (indicating recognized performance) in Domain 1 (Student Achievement), Domain 2 (Student Progress), and Domain 3 (Closing Performance Gaps) based on the new A-F accountability ratings resulting from House Bill 2804, 84th Legislature. Statute requires that 55 percent of the overall rating be determined based on these three domains.</i></p>					
<ul style="list-style-type: none"> Percent of Non Early College High School Students who Successfully Completed a Dual Credit Course 	0.00%	0.00%	69.00%	66.00%	64.00%
<p><i>Measure Explanation: This new measure identifies the percentage of public school students who are not enrolled in Early College High Schools and who successfully complete a dual credit course within an academic year.</i></p>					
<ul style="list-style-type: none"> Percent of Students Graduating Under the Foundation High School Program with An Endorsement 	0.00%	60.00%	75.00%	82.00%	84.00%
<p><i>Measure Explanation: Beginning in school year 2014-15, all students entering ninth grade were required to indicate the endorsement plan they intended to pursue. Students may opt out of the endorsement in 10th grade with agreement of a parent/guardian. This measure represents the percentage of students who are successfully earning the endorsement plans out of all students graduating under the Foundation High School Program.</i></p>					

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

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill ?
			GR & GR-D	All Funds	FTEs			
1)	FSP - TX Juvenile Justice Department	Funding is provided to the Texas Juvenile Justice Department (TJJD) to support the system of schools operated at its five residential facilities and additional education services provided in TJJD's eight halfway houses through agreements with local entities. TEA indicates a 10 percent reduction in school funding would require TJJD to take steps such as eliminating any remaining non-zero dollar contracts with external entities for education services, dual credit opportunities, vocational programming, or other areas; reducing teaching staff (approximately 1 position per \$60,000 reduction); and/or scaling back on administrative oversight, curriculum development, planning, site visits, workforce/education re-entry activities, and family engagement. TEA reports that TJJD would not be able to meet statutory requirements under such reductions, especially related to special education.	\$760,002	\$760,002	0.0	\$0	10%	No
2)	Funding for Juvenile Justice Alternative Education	Funding is provided to TJJD to reimburse probation departments that operate a JJAEP. TEA indicates a 10 percent reduction in JJAEP funds would vary by jurisdiction based on local conditions, but may include: a reduction of services and staffing levels; a loss in discretionary program sites (1 to 6 sites, up to 176 students); and the elimination of summer school programs (162 youth in 9 programs). TJJD performance measures and reports to the Legislative Budget Board would likely reflect an inability to meet performance goals.	\$1,200,000	\$1,200,000	0.0	\$0	10%	No

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

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill ?
			GR & GR-D	All Funds	FTEs			
3)	Windham School District	Funding is provided to Windham School District (WSD) to meet its statutory goals related to incarcerated adults. TEA indicates a 10 percent reduction in funding would have a significant negative impact on the district which would require a reduction of 64 teachers as well as 31 administrative and support staff. The effect to WSD would be 7,361 fewer students served, a 12 percent reduction in contact hours and a 13 percent reduction in offenders passing the High School Equivalency (HSE). The agency reports that the reduction of teachers will 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.	\$9,888,000	\$9,888,000	0.0	\$0	10%	No
4)	Early Childhood School Readiness	Funding is provided to the Children's Learning Institute, which in turn provides all districts, charter schools and other eligible entities with easily accessible, high-quality prekindergarten professional development and monitoring resources at no cost. TEA indicates a 15 percent reduction in funding would have a significant negative impact on student outcomes by decreasing the number of students, teachers and classrooms benefitting from Texas School Ready! (TSR) programs. It may also hinder implementation of High-Quality Prekindergarten Program classrooms statewide if the CIRCLE progress monitoring tool developed through the Texas School Readiness program was impacted.	\$1,050,000	\$1,050,000	0.0	\$0	15%	No

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

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill ?
			GR & GR-D	All Funds	FTEs			
5)	Adult Charter School Pilot	Funding is provided to support the Excel Center, a free public charter high school in Texas that provides adults ages 19-50 the opportunity to earn their high school diploma, complete an in-demand professional certification, and begin post-secondary education. TEA indicates a 50 percent reduction in funding would result in negative effects including but not limited to a reduction in services and staffing at the Excel Center (for Adults) charter school. A 50 percent reduction would represent a per-student cut of approximately \$3,401 per year (or \$6,803 over the biennium). TEA reports that such a reduction would make it unlikely that the pilot program could continue.	\$1,000,000	\$1,000,000	0.0	\$0	50%	No
6)	Amachi	Funding is provided to Big Brothers Big Sisters for the Amachi program which provides one-on-one mentoring for students who have an incarcerated parent or family member. Amachi serves 1,800 students per year throughout Texas. TEA indicates a 50 percent reduction in funding would result in approximately 900 fewer students with an incarcerated parent or family member who will receive one-on-one mentoring each year of the biennium.	\$1,250,000	\$1,250,000	0.0	\$0	50%	No
7)	Non-Educational Community-Based Support	Funding is provided to non-educational community-based support services to school districts and charter schools to provide certain students with disabilities and their families with a free and appropriate public education (FAPE) in the least restrictive environment (LRE). TEA indicates a 90 percent 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.	\$1,777,140	\$1,777,140	0.0	\$0	90%	No

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

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill ?
			GR & GR-D	All Funds	FTEs			
8)	FitnessGram Program	Funding is provided to allow TEA to provide the Fitnessgram program to school districts and charter school to use as a reporting tool for statutory reporting. TEA indicates a 10 percent reduction in funding would result in TEA being unable to provide 1,670 campuses with Fitnessgram 10 software licenses or Fitnessgram 10 software training. However, school districts would still have access to TEA's free Physical Fitness Assessment Initiative web application for reporting student data. As a result, the impact on TEA and school districts and charter schools may not be significant.	\$192,000	\$192,000	0.0	\$0	10%	Yes
9)	Teach for America	Funding is provided to support Teach for America (TFA) which 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. TEA indicates a 10 percent reduction in funding would negatively impact the TFA program and the students it serves. TEA estimates TFA will have to reduce its 2018 and 2019 teacher cohort from 380 to 320 teachers, a loss of 120 teachers for the biennium. These teachers would serve thousands of low-income students in hard-to-staff classrooms.	\$1,152,000	\$1,152,000	0.0	\$0	10%	Yes
10)	Project Share	Funding is provided to support TEA's online, statewide resource sharing platform called the Texas Gateway (formerly called Project Share) and to develop needed teacher and student resources. TEA indicates a 13.5 percent reduction in funding would significantly negatively impact Texas teachers.	\$2,116,801	\$2,116,801	0.0	\$0	12%	Yes
11)	Texas Advanced Placement Initiative	Funding is provided to support subsidies to students to help them pay for the cost of the Advanced Placement (AP) and International Baccalaureate (IB) exams and provides teacher AP and IB training. TEA estimates a 7 percent funding reduction will negatively impact student outcomes by 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.	\$1,083,950	\$1,083,950	0.0	\$0	7%	Yes

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

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill ?
			GR & GR-D	All Funds	FTEs			
12)	Virtual School Network	Funding is provided to support the two components of the Texas Virtual School Network (TxVSN): 1) the statewide course catalog which provides supplemental online courses for high school, Advanced Placement, and dual-credit courses by approved providers; and 2) TxVSN Online Schools which offers free, full-time virtual instruction to eligible public school students in grades 3-12 who enroll in one of the six TEA-accredited approved public schools. TEA indicates a 7 percent funding reduction will have significant negative impacts. While it is not anticipated that this reduction will impact central operations or the maintenance of the Texas Virtual School Network's systems, the statewide course catalog and offerings will likely decrease, as will the number of new course offerings and course enrollment efforts to increase student participation in the program.	\$560,000	\$560,000	0.0	\$0	7%	Yes
13)	Communities in Schools	Funding is provided to Communities In Schools (CIS) in Texas which partners with educators, students, and parents to identify needs of students who are at-risk of dropping out of school. TEA indicates a 36 percent funding reduction will have significant negative impacts on students' participation in CIS programs. TEA anticipates current annual participation of 45,000 students could be reduced to 25,000 students each year. In addition, LBB performance measures will be negatively impacted.	\$11,227,635	\$11,227,635	0.0	\$0	36%	No

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

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill ?
			GR & GR-D	All Funds	FTEs			
14)	Student Success Initiative	Funding is provided to contract with outside vendors for licenses that provide all school districts and charter schools with statewide, free-of-charge access to online math and reading programs for use by individual students who need instructional support, in some cases, because of their performance on the STAAR. As part of TEA's statewide license, the online programs can be used by any student in Texas free of charge to the student, district or charter school. TEA indicates a 90 percent reduction in funding would have a negative impact on students and teachers. TEA may have to eliminate the statewide licenses for reading and math programs for students in grades 3-8, in English I and II, and in Algebra I. It is anticipated that more than 4.5 million students would be impacted by this reduction.	\$28,530,000	\$28,530,000	0.0	\$0	90%	No
15)	Supplemental Funding for Prekindergarten	Funding is provided to school districts and charter schools for the purpose of providing supplemental funds for prekindergarten consistent with statute to be allocated on the basis of eligible prekindergarten students in average daily attendance. TEA estimates a per capita amount of approximately \$157 for each eligible prekindergarten student in the 2018-19 biennium, and indicates that a 42.6 percent reduction in funding may be absorbed by school districts due to the regular FSP funding provided to the prekindergarten program.	\$12,777,621	\$12,777,621	0.0	\$0	43%	No
16)	Open Source Instructional Materials	Funding is provided to support the development of open-source instructional materials aligned to the state's Texas Essential Knowledge and Skills (TEKS). TEA indicates a 8.9 percent reduction in funding would 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.	\$890,000	\$890,000	0.0	\$0	9%	No

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

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill ?
			GR & GR-D	All Funds	FTEs			
17)	Campus Turnaround Team	Funding is provided to support campus and district intervention and turnaround assistance and technical assistance for school districts and charter schools. TEA indicates a 10 percent funding reduction would negatively impact TEA's ability to turn around schools. TEA estimates it will have fewer monitors and conservators trained and available to assist districts reduced services to charter schools and extended response and intervention time.	\$350,000	\$350,000	0.0	\$0	10%	No
18)	Reasoning Mind	Funding is provided to support Reasoning Mind, a technology-based, blended learning mathematics instructional program provided to students in grades 2-6. The program serves more than 25,000 students and just under 700 teachers in approximately 175 campuses in just over 40 school districts annually. TEA indicates a 7 percent reduction in funding would adversely impact student results as approximately 18 fewer campuses could implement the program and student yearly participation would decrease by about 2,800 students. However, districts and charters may use their Instructional Materials Allotment (IMA) to purchase this program and can choose to participate on their own.	\$268,800	\$268,800	0.0	\$0	7%	Yes
19)	Assessment	Funding to support the development and administration, scoring and reporting, release of tests, and other required services for the major testing programs (STAAR, TELPAS, and TAKS) of the Texas Assessment Program. TEA indicates an additional 10 percent reduction would require the legislature to make statutory changes to remove several state legally required mandates, such as eliminating requirements that TEA maintain the TAKS test, and instead, have the commissioner designate alternative assessment with appropriate cut scores, such as the STAAR or other nationally recognized assessment. TEA estimates that such a change in statute is estimated to save the state \$4.0 million for the biennium.	\$10,017,219	\$10,017,219	0.0	\$0	10%	Partial

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

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill ?
			GR & GR-D	All Funds	FTEs			
20)	Administration	Funding to support TEA administration including agency finance, state and federal program administration, assessment, and financial and academic accountability systems. TEA indicates a 0.5 percent reduction in administrative funding would adversely impact student outcomes because TEA would have to reduce FTEs by 3. If the Legislature makes this reduction, TEA also requests that the Legislature help to reduce unnecessary and inefficient agency tasks that are currently required identified in TEA's Strategic Plan for 2017 to 2021 in the Redundancies and Impediments section.	\$400,221	\$400,221	3.0	\$0	0.5%	Yes
21)	Administration - Certification & Assessment Fees	Funding to support TEA administration including the Educator Preparation and Program Accountability, Certification and Testing, Investigations, and Legal Services Divisions. TEA estimates a 0.5 percent reduction in administrative funding would adversely affect these functions by requiring the reduction of staffing by at least one FTE. TEA reports that this could adversely impact the processing of teacher certifications and the ability of TEA to investigate teachers for misconduct.	\$280,632	\$280,632	1.0	\$0	0.5%	Yes
22)	Instructional Materials Fund	Funding is provided for the Instructional Materials Allotment (IMA) which provides school districts and charter schools the ability purchase adopted or non-adopted instructional materials, technological equipment, and technology-related services. TEA indicates a 10 percent reduction in IMA funding will adversely impact student outcomes. TEA expects the per student allotment to decline from \$197 to \$167 per year if reduced. The impact to each school district will vary, but will reduce the number of instructional materials that can be purchased and/or will limit their ability to meet technological needs.	\$110,771,792	\$110,771,792	0.0	\$0	10%	No
TOTAL, 10% Reduction Options			\$197,543,813	\$197,543,813	4.0	\$0		

Texas Education Agency
Appendix F: Supplemental Selected Fiscal and Policy Issues - House

1. Changes in Accountability and Assessment

Changes to federal and state accountability requirements have impacted the structure of the state's accountability and assessment programs. At the federal level, the Every Student Succeeds Act (ESSA) was enacted in December 2015 and governs federal education programs for kindergarten to grade 12. ESSA programs will be fully implemented beginning in school year 2017–18. Compared to its predecessor, the No Child Left Behind Act of 2001 (NCLB), ESSA gives states more discretion and decision-making ability in several policy areas, including accountability and standards. ESSA also requires each state to submit a Title I state plan to the U.S. Department of Education (USDE) and develop the plan along with stakeholder engagement to include the Governor, the Legislature, other stakeholders.

At the state level, House Bill 2804, 84th Legislature, 2015 established five domains of indicators by which districts and campuses must be evaluated and sets the percentage performance rating assigned to the domains. Districts and charters will be subject to the new accountability system beginning in school year 2016-17. HB 2804 requires that the state accountability system will assign a rating of A, B, C, D, or F to each domain, district, and campus and requires districts to assign themselves ratings for each of the indicators of community and students engagement. The ratings will be issued for the first time in August 2018. In January 2017, TEA released a Provisional A-F Rating Report showing the ratings that each district and campus would have received for Domains I-IV for school year 2015-16 if the A-F rating system had been in place.

House Bill 2804 also established the Texas Commission on Next Generation Assessments and Accountability which submitted a report to the Legislature and the Governor on September 1, 2016 outlining a long-term vision related to the Texas system of student assessment and accountability, recommending changes to improve the state's systems, and highlighting considerations for future study. Significant changes to the state assessment program include the alternative writing pilot program required by House Bill 1164, 84th Legislature, and the reduction in the length of the State of Texas Assessment of Academic Readiness (STAAR) as required by House Bill 743, 84th Legislature, 2015.

2. State Testing Program

TEA has historically operated the state testing program through contracting with outside entities and with TEA staff providing technical support to the program. Beginning in 2010, the Texas Education Agency contracted with NCS Pearson Inc. (Pearson) for many assessment functions through a \$438.3 million five-year contract. Pearson was responsible for many components of the state assessment including item development, production and distribution of test administration materials, maintenance of student-level history files of assessment results, production of erasure analyses and item analyses after major test administrations, creation and maintenance of a master schedule of tasks for all contracted activities, and general technical support.

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). 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 2015 to 2020. According to the agency, this data is based on current contract agreements and includes liquidated damages (discussed below) received in fiscal year 2016.

State Testing Program Vendor Amounts Fiscal Years 2015 to 2020						
Vendor	FY 2015 Actual	FY 2016 Actual	FY 2017 Budgeted	FY 2018 Estimated	FY 2019 Estimated	FY 2020 Estimated
Pearson	\$82,432,543	\$13,543,540	\$14,403,687	\$16,292,616	\$15,139,943	\$15,058,250
ETS	NA	\$70,387,864	\$69,350,871	\$67,807,750	\$68,559,246	\$70,740,965
Total	\$82,432,543	\$83,931,404	\$83,754,558	\$84,100,366	\$83,699,189	\$85,799,215
Source: Texas Education Agency. Note: Amounts for FY 17 and beyond do not include pending amendments with ETS.						

3. Charter School Closure and Asset Disposition

House Bill 1 includes a new TEA Rider 66, Disposition of Property and Use of Funds from Closed Charter Schools, authorizing the appropriation of funds recovered from closed charter schools to the agency for the management and closure of charter schools and the disposition of state property under Chapter 12, TEC. The rider also directs 100 percent of the receipts of property sold resulting from the revocation or cessation of charter schools to the agency for the same purposes. This rider is a combination of two riders in Article IX, Sections 8.02(h) and 8.03(b) in the 2016-17 GAA.

Senate Bill 2, Eighty-third Legislature, Regular Session, 2013, significantly changed the process of granting and closing charter schools. The bill transferred the authority to grant charters from the State Board of Education (SBOE) to the Commissioner of Education and amended the cap on the total number of open-enrollment charters that may be issued by the state. Related to charter closure, SB2 set requirements for TEA to revoke or not renew a charter for not meeting certain educational performance or financial standards.

The Texas Education Code, Section 12.128, defines the disposition process for charter school assets purchased or leased with state funds and states that property purchased with funds received from the state after September 1, 2001, are considered public property for all purposes pursuant to state law. The Commissioner of Education is required to take possession and assume control of the property and supervise the disposition of assets “in accordance with law.” However, the applicable law that TEA is to rely upon in such proceedings is not specified. TEA reports that the ambiguity in the statute governing the process for the disposition of an open-enrollment charter school’s assets upon closure has resulted in lawsuits against the state and has made obtaining title and disposing of property in a timely manner more difficult. In addition, the agency has encountered issues transferring and maintaining student records from closed charter facilities. Statute requires records of an open-enrollment charter school that ceases to operate to be transferred in a manner specified by the Commissioner to a designated custodian.

As part of the agency’s exceptional items, the agency has requested \$1.5 million to move the management of student records for closed charter schools from Regional Education Service Center XIII to TEA and secure the student and teacher records from closed charter schools. The agency indicates there are 11 years of files with an estimated 70,000 student and teacher records from 71 closed charter schools that need to be scanned into TEA’s existing secure Enterprise Content Management System (ECM). This request is not included in House Bill 1, As Introduced.

4. Tri-Agency Initiative

In March 2016, Governor Abbott established the Tri-Agency Workforce Initiative and tasked the Commissioners of TEA, the Texas Higher Education Coordinating Board (THECB), and the Texas Workforce Commission (TWC) with working together to establish strong links between public and higher education and industry. The five charges focused on identifying initiatives that make college and workforce more accessible; coordinating with industry partners and promote postsecondary success; linking stakeholders to high-

demand jobs and the educational requirements to secure the jobs; enhancing educational and employment services for Texas veterans; and building the skills of the Texas workforce.

The following Tri-Agency Workforce recommendations specifically relate to existing TEA programs and TEA exceptional item requests included in the 2018-19 LAR:

Tri-Agency Recommendation 2: Strengthen prekindergarten through high school academic instruction to establish students' foundational skills in math, science, language arts, and social studies so that students graduate career and college ready and are prepared for lifetime learning. Major initiatives to support this recommendation include:

- 1) improve student math skills through teacher professional development tools and grants to incentivize school districts to adopt math programs (through TEA Exceptional Item #1 – Math Innovation Zone);
- 2) adopt performance measures for college and career readiness and incorporate this into the state's curriculum; and
- 3) improve the teacher ranks through recruitment, preparation, and training (through Mathematics, Literacy and Reading-to-Learn Academies and by employing High-Impact Practices in higher education).

Tri-Agency Recommendation 3: Build a proactive, ongoing partnership among the TEA, THECB, TWC and other stakeholders to align the educational goals of Texas with the state's higher education plan of 60x30TX, which aims for 60 percent of 25- to 34-year-olds to hold either a certificate or degree by 2030, with the goal of growing the state's workforce, industry, and the economy. Major initiatives to support this recommendation include:

- 1) improve education and career guidance by developing a statewide online advising tool and expanding advising programs;
- 2) develop adult learner, dropout recovery, and achievement models; and
- 3) fund grants for Texas Industry Innovative Academies (Funded in the 2016-17 biennium as part of the Early College High School model. These academies will have a workforce focus and will be required to meet the ECHS blueprint. TEA allocated \$3.0 million to this program. An additional \$3.2 million was provided by TWC and \$1.0 million by THECB.)