

House Bill 3: Years Later and Still Worth Bragging About

Written Testimony Submitted to the Senate Committee on Education/House Public Education Committee

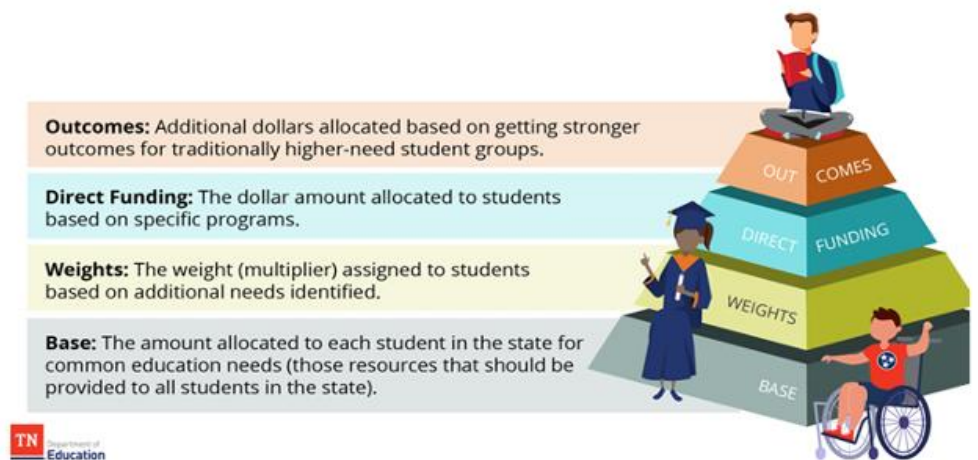
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House Bill 3 was a complicated piece of legislation. There are billions of dollars flowing through dozens, if not hundreds, of calculations. What is often lost in the intricate discussions of school finance is reflecting on the good work the Legislature accomplished in 2019. House Bill 3 resulted in a more fair, more equitable, and more productive system. With faithful implementation, it should over time lead to improved student outcomes. The following testimony lays out 8 pieces on data on House Bill 3.

1. House Bill 3 updated almost every existing student weight and doubled the number of overall formula adjustments. Of the 13 weights and adjustments in the old system, 4 were removed, 7 were updated, and 12 were added.¹ The property tax system undergirding and providing funding to every district in Texas was also updated through a series of local and statewide compressions.

2. House Bill 3’s approach to school finance is being copied by other states. Tennessee recently proposed a comprehensive school finance overhaul (see graphic below). Included in the changes was a fast growth allotment, an increase in

compensatory education funding, funding for concentrated campus poverty, outcomes funding based on career and college readiness, and a restructuring of their fundamental system mechanics to make this all possible. This is very similar to the fundamental mechanics of the Texas system after House Bill 3.²



¹ House Bill 1525 (87R) added the Gifted and Talented weight back into the formulas.

² <https://www.tn.gov/education/tnedufunding.html>

3. House Bill 3 removed outdated elements that occluded the formula calculations. A core principle of school finance policy in Texas is that the earlier a calculation or element occurs in the formula, the more outsized its impact will be. For example, the Basic Allotment is important and very costly to update because it is the very first number in our system, all other calculations are subsequently impacted by that variable. In the old formulas, the Cost of Education Index (CEI) was the first calculation made after the Basic Allotment. This meant that the CEI had more bearing on a student’s funding than what types of needs that student had. While the CEI was conceptually logical, the weight was never updated after its creation in 1990. This meant that the Legislature was putting \$2 billion per biennium into a thirty-year-old formula, functionally funding districts in 2019 at the same rates they did when the Berlin Wall came down.³ The impacts of the former CEI calculation are hard to grasp, but the following example should help explain the power of removing such an outdated weight: San Antonio ISD (SAISD) had a CEI of 1.14 while North East ISD (NEISD) had a CEI of 1.11.⁴ Assuming an English Language Learning and compensatory education student moves a few streets from SAISD to NEISD, NEISD would receive \$142 less to educate that child because of the difference in their CEIs despite that child having the same educational needs and requiring the same services in the same city.⁵

4. House Bill 3 prevents any district from being funded below their entitlement. Under the prior system, Tier One recapture could happen before a district had their entitlement met. This created a systemic inequity in the system where districts were not given the funding the formulas said they needed to educate their students. At the time, this created a significant underfunding among all kinds of districts, for example Houston ISD which was underfunded \$49 million in 2018.⁶ This formula flaw resulted in 91 districts being underfunded in 2017.⁷ House Bill 3 ensured even greater equity through the recapture system by removing this formula flaw.

³ <https://tea.texas.gov/sites/default/files/Texas%20Public%20School%20Finance%20Overview%202018-2019%20January%202019.pdf>. For a good history and explanation of the CEI see:

https://www.lbb.texas.gov/Documents/Publications/Primer/2999_Cost_Education_Index.pdf

⁴ CEIs of SAISD and NEISD found at:

https://www.austinisd.org/sites/default/files/dept/legislature/docs/2017Lege_CEI_WCAG.pdf

⁵ To compute the funding difference, we calculated the ABAs of each district, $ABA = BA \times (((CEI - 1) \times 0.71) + 1)$, then multiplied the individual ABAs by 10% for ELL and 20% for Compensatory Education. The difference between those two numbers was \$145.

⁶ https://static.texastribune.org/media/files/f89e1896058c500f5b3ee70e1527c05c/Gov_Abbott_Staff_Briefing_-_October_29_-_Presentation_v2.pdf?_ga=2.99116316.342066472.1653063117-1205432902.1651091176

⁷ Ibid.

5. House Bill 3 made

innovative changes to the

compensatory education allotment and substantially increased its funding. These structural changes made way for some promising updates to the student weights. By differentiating poverty levels, the state is better able to flow more funding to higher-need students. Under House Bill 3, compensatory education funding went up 33%

on a per student basis and has continued to grow (up 4.6% in the 2020 school year).⁸ Meanwhile, the Regular Program allotment has stayed flat on a per student basis. This means that even without a Basic Allotment increase during that time period, money going to students in poverty has increased.⁹

6. House Bill 3 significantly increased special education funding. Special Ed funding increased 12.58% per student (20.94% overall) and a dyslexia funding program was created, providing an additional increase in district funding of \$616 per student with dyslexia.¹⁰

7. House Bill 3 funded high-impact and student-first strategies through the Early Education Allotment and its related Reading Academies requirement. These new formula additions were created to address the academic needs at key educational gateways: 3rd grade reading and high school graduation. The Reading Academies were specifically patterned after the literacy efforts Mississippi started in 2013, which included mandatory training on the Science of Teaching Reading for all teachers. Mississippi was worth copying because they have seen dramatic performance improvements on the National Assessment of Educational Progress (NAEP). Until Mississippi made their reading reforms, Texas typically beat them by around 10 - 15 points on NAEP (% at Basic). However, after the reading reforms, Mississippi beat Texas within just 4 years. Currently Texas is 4% behind Mississippi on the most recent NAEP (see chart to the right).¹¹ The Reading Academies requirement is a step in the right direction for Texas, and the data indicates that Mississippi has seen solid growth in their NAEP scores after emphasizing the Science of Teaching Reading

⁸ Calculations based on TEA’s Statewide Summary of Finance. Details available upon request.

⁹ Analysis of Comp Ed funding using State Summary of Finance was not done for the 2021 and 2022 school years because of the Comp Ed ESSER Hold Harmless, making the years not an apples to apples comparison.

¹⁰ Calculations based on TEA’s Statewide Summary of Finance. Details available upon request.

¹¹ Texas 2036 Data Lab, “NAEP.” Available at: <https://datalab.texas2036.org/igxywpc/national-assessment-of-educational-progress-naep-assessments-of-united-states>

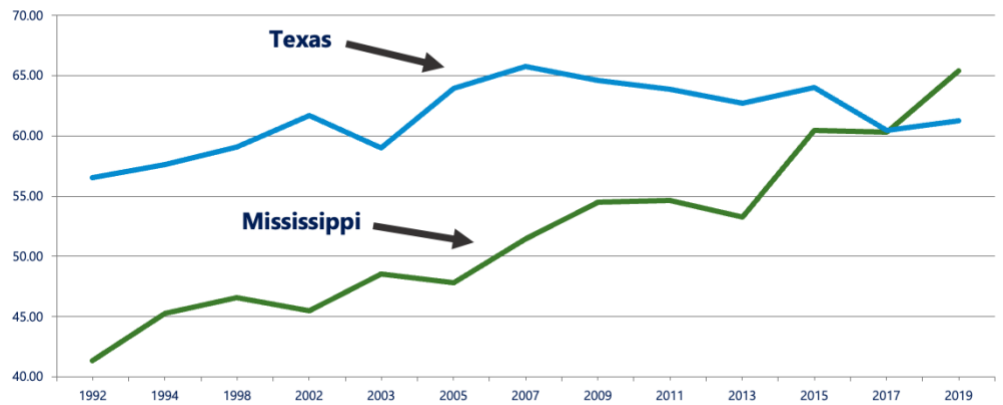
(as our Reading Academies do). Our organizations believe that the program should continue, and we urge the Legislature to

continue support of this requirement next session.

8. House Bill 3 flows more money to students who have traditionally been left behind. It has often been said in public education that low-income, high-achieving students are one of the most marginalized and left behind in our system. House Bill 3 works against this narrative through its College Career and Military Readiness allotment. A

student in poverty draws down 67% more bonus funding than their more affluent peers. If that student has a disability, they draw down 133% more in outcomes bonuses. In addition to their compensatory education weights, students in early education who are high-poverty get 10% additional base funding. For a standard student with no further adjustments, that's at least \$616.¹²

Texas v. Mississippi NAEP 4th Grade Reading Scores Over Time



By the numbers House Bill 3 is a great improvement over the prior system. Our organizations are committed to maintaining these changes and continuing to promote HB 3's positive reforms at our engagements across the state and the country. The work that the Legislature did to invest in our state's future outcomes and commit to developing and sustaining a fair, transparent, and workable system for all school districts is truly something we can all be proud of. These reforms, taken in conjunction with the state's strong approach to assessment and accountability, offer the state the opportunity to work toward improving student outcomes quickly.

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¹² Calculations based on CCMR outcomes bonus amounts. Details available upon request.

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