

Legislative Update for HCDE Districts

November 12, 2021



**TEXAS SCHOOL
COALITION**

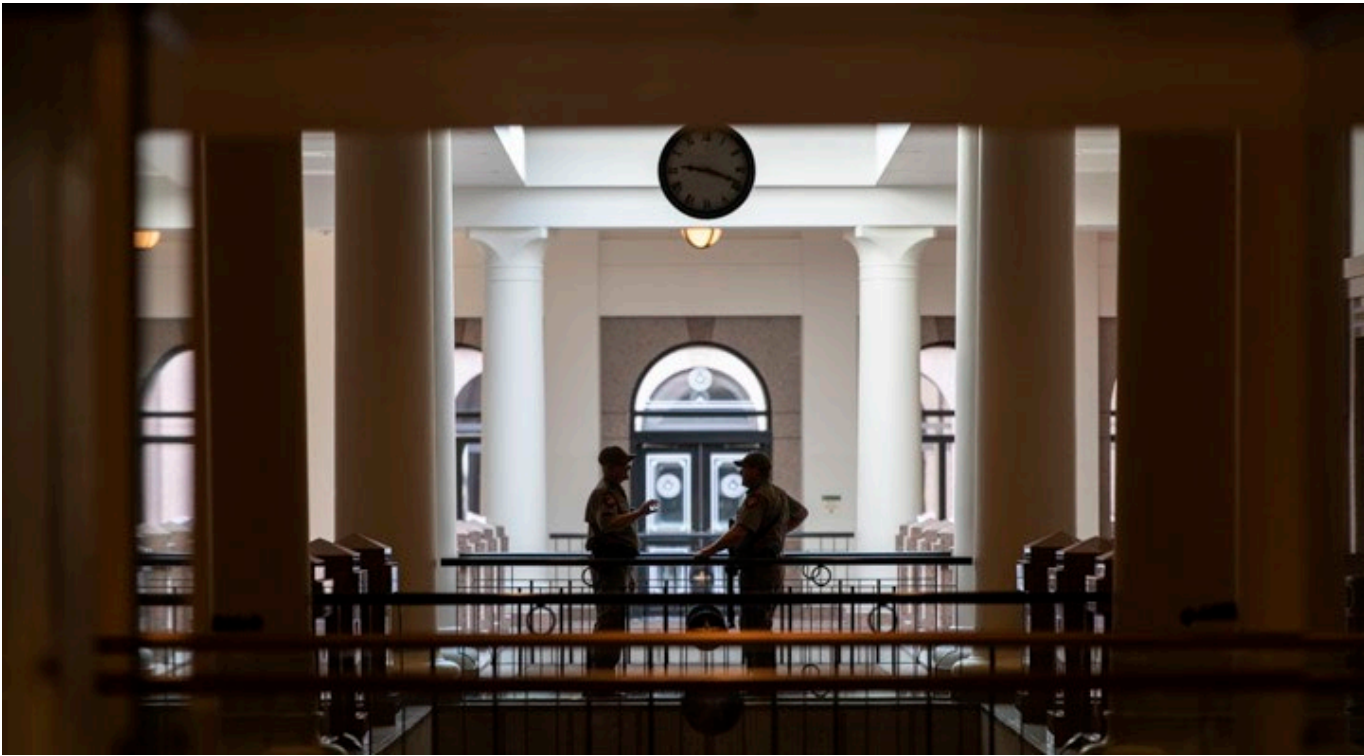
The 87th Regular Legislative Session

The legislative session like no other, that began in a quiet Capitol, requiring COVID testing, and then ended with a bang...and some unfinished business.



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87th Regular Session Recap



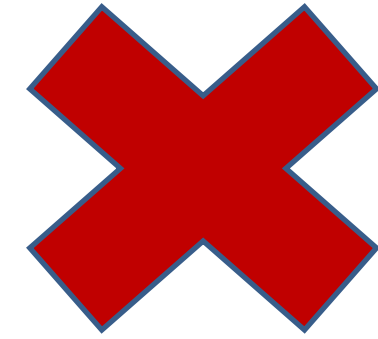
Lt. Governor Dan Patrick's 31 Priorities

Passed



- SB 1 – The State Budget
- SB 2 – ERCOT Reform
- SB 3 – Power Grid Stability
- SB 4 – Star Spangled Banner Protection Act
- SB 5 (HB 5) – Statewide Broadband Access
- SB 6 – Pandemic Liability Protection Act
- SB 8 – The Heartbeat Bill
- SB 9 (HB 1280) – Abortion Ban Trigger
- SB 13 – Oil & Gas Investment Protection
- SB 15 – Ban Sale of Personal Data from Certain State Agencies
- SB 17 (HB 19) – Protect Texas Trucking
- SB 18 (HB 1500) – Protect Second Amendment Businesses
- SB 19 – Stop Corporate Gun Boycotts
- SB 20 – Second Amendment Protections for Travelers
- SB 22 – First Responders Pandemic Care Act
- SB 23 – Stop Local Police Defunding
- SB 24 – Law Enforcement Transparency Act
- SB 25 – Family Nursing Home Visitation Rights
- SB 26 (HB 1239) – Protect Our Freedom to Worship
- SB 30 – Remove Racist Restrictions from Real Estate Deeds

Failed to Pass

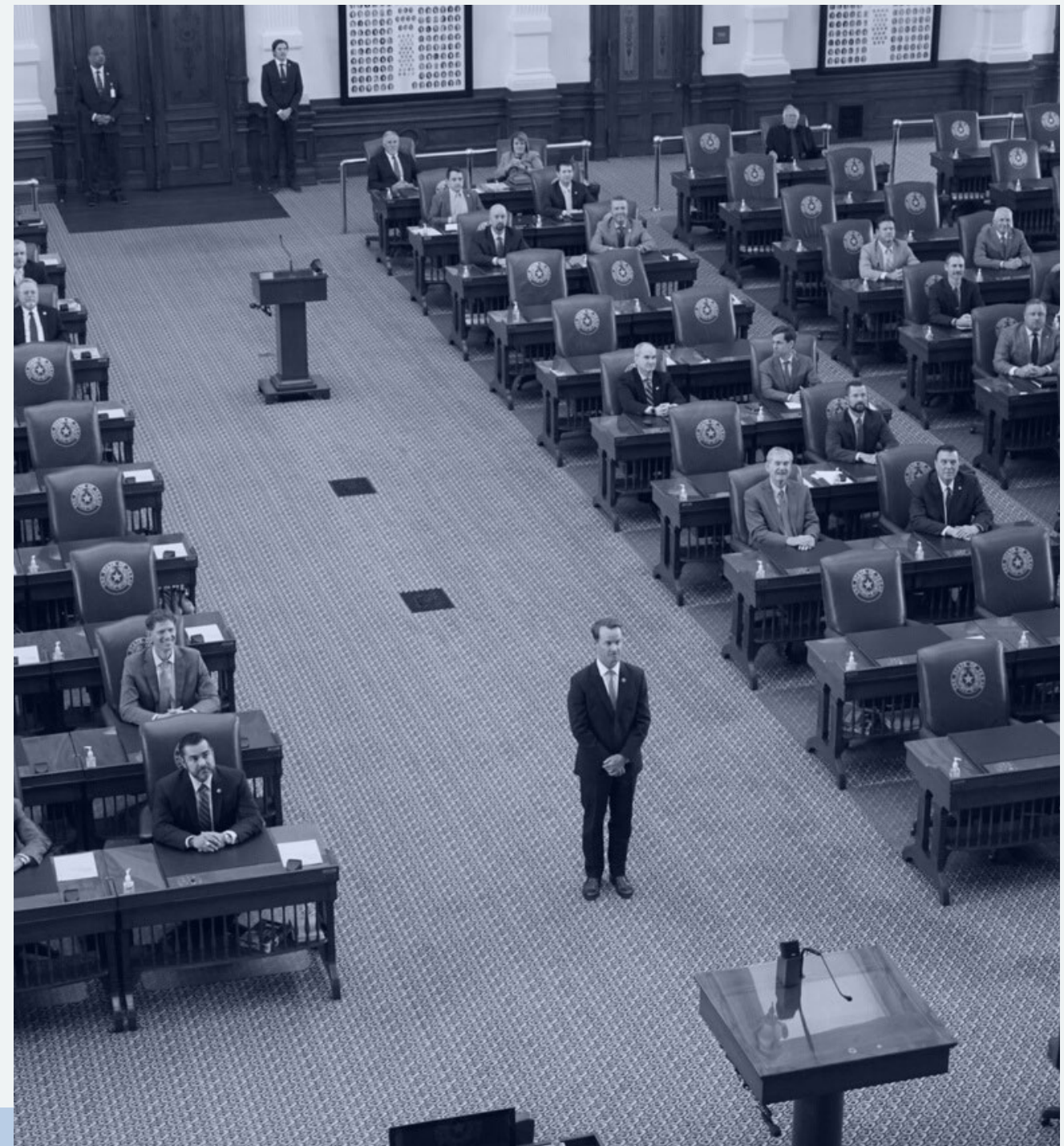


- SB 7 – Election & Ballot Security
- SB 10 – Stop Taxpayer Funded Lobbying
- SB 11 – Appellate Court Reorganization
- SB 12 – Protect Free Speech on Social Media
- SB 14 – Business Freedom and Uniformity Act
- SB 16 – Protect State-held Personal Data
- SB 21 – Bail Reform
- SB 27 – Expanding Virtual Learning
- SB 28 – Charter School Equity Act
- SB 29 – Fair Sports for Women & Girls
- SB 31 – Senate Redistricting Act



First Called Special Session

July 8 – August 6



1st Called Special Session Recap



1st Called Special Session Recap





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Second Called Special Session

August 7 – September 2



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2nd Called Special Session Recap



Education/school finance bills passed in 2nd Special Session

- **SB 3** (Hughes/Huberty), anti-Critical Race Theory (CRT)
- **SB 7** (Huffman/Rogers), the "13th check" for TRS retirees
- **SB 8** (Bettencourt/Meyer) homestead exemption tax refund for certain homebuyers
- **SB 9** (Huffman/Dutton) instruction, materials & policies for prevention of child abuse, family violence, and dating violence (requires a parental opt-in)
- **SB 12/SJR 2** (Bettencourt/Meyer) - property tax rate compression for those on frozen levy (once approved by voters in May 2022).
- **SB 15** (Taylor/Keith Bell), funding for remote instruction



HB 3979 (Toth/Creighton)

Social studies curriculum – The “Anti-Critical Race Theory Bill”

- Prohibits a teacher from being required to discuss a controversial or widely debated and contentious issue of public policy that requires that a teacher who is required to explore the topic from diverse perspectives.
- Prohibits school districts and charter schools from awarding course credit for a student's political activism or criticism, or activity involving social or public policy.
- Prohibits a school district from providing any types of training - including professional development - on the basis of race or ethnicity.
- Prohibits school districts from accepting private funding for the purchase, development, or use of curriculum or provide teacher training that presents any form of racial or sex stereotyping or blame.

Signed by the Governor; effective September 1, 2021.



SB 3 – Civics and Social Studies Curriculum

- Repeals HB 3979, to be replaced with:
 - School districts and school employees may not require or make part of a course concepts generally associated with Critical Race Theory (CRT) such as topics involving superiority, racism, or responsibility based on a person's race or sex.
 - Prohibits acceptance of private funding for CRT curriculum or training
 - Civics training for school district personnel to ensure curriculum is taught as required by law
 - Parents must have log-in info for learning management system or online portal used for instruction or instructional materials



SB 3 – Civics and Social Studies Curriculum

- Specific instructions for SBOE on social studies TEKS
- No course requirements or credits for work/service with organization engaged in lobbying/advocacy/activism.
- Prohibitions and requirements for discussions of “a widely debated and currently controversial issue of public policy or social affairs” and that any such discussions must “explore that topic objectively and without political bias.”
- Class activities that involve communications with elected officials are permitted, so long as content is not influenced



SB 9 – Instruction on child abuse, family violence, and dating violence

- SHAC must recommend appropriate grade levels and curriculum for instruction on child abuse, family violence, and dating violence (conducting at least two public meetings before adopting recommendations)
- Upon advice of SHAC, school board makes selection of materials and instruction
- District must provide written notice to parents of instruction to be provided and parents' right to review curriculum and instructional materials on these topics
- District must obtain separate written consent from parent before providing this instruction to a student
- Curriculum materials in the public domain used for instruction must have a link to those materials posted on the district's website
- District must have policy stating dating violence is not tolerated at school, and a means of reporting for victims
- Applies beginning with 2022-23 school year



Property Tax Relief

- **SB 8** allows for proportional refund of \$25,000 homestead exemption for persons who purchase their home after January 1 of a tax year. Provides additional state aid to make up for lost property tax revenue.
- **SB 12** provides for a reduction of the frozen levy to reflect property tax compression since 2019, *contingent on SJR 2*.
- **SJR 2** takes constitutional amendment for adjustment to frozen levy to the voters for approval in May 2022.

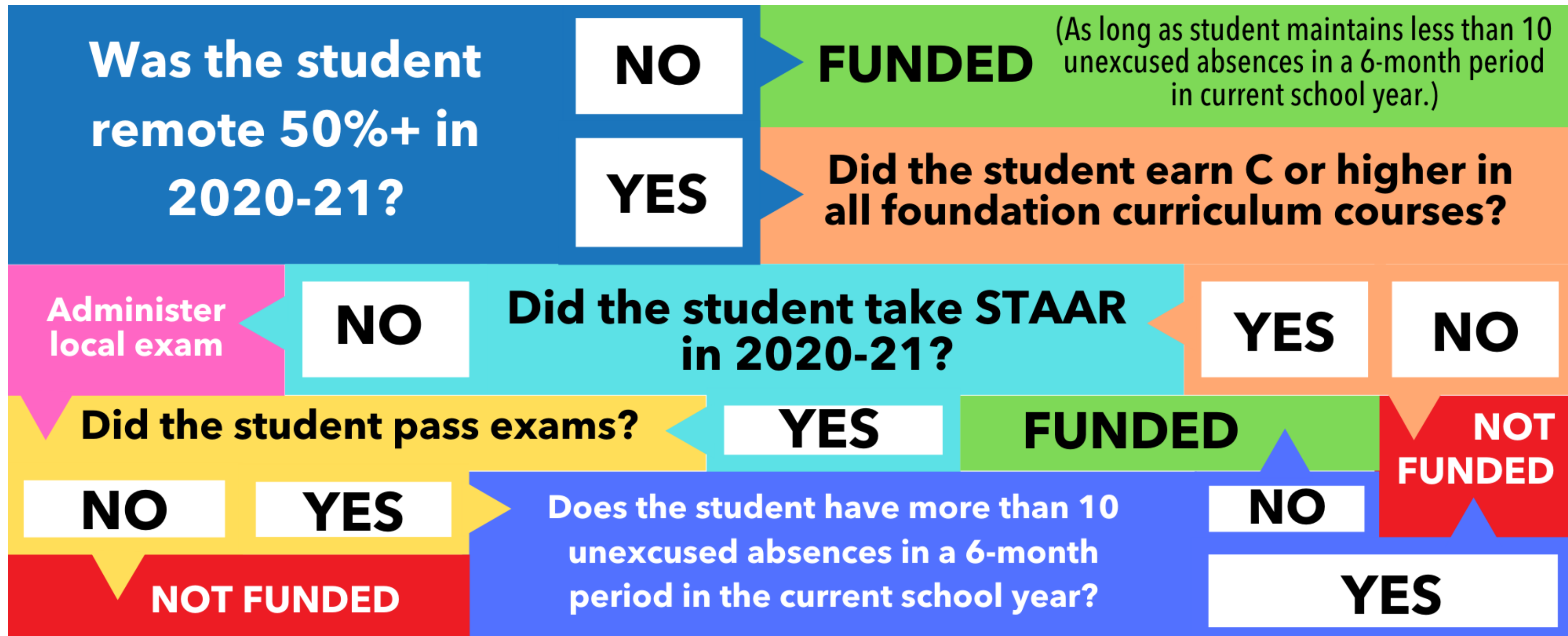


SB 15 – Remote Learning

- Allows districts rated C or better to receive funding for up to 10% of eligible enrolled students in a remote learning program
- Allows synchronous, asynchronous and blended programs
- Authorizes MOUs between districts
- Accountability for virtual programs must be separate
- Teachers may not be required to teach remote & in-person simultaneously
- Students are not eligible for funding if they were remote 50% last year and:
 - Did not pass state assessment in 2021 (or local equivalent if did not take STAAR);
 - Had more than 10 unexcused absences in 6-month period; or
 - Did not earn grade of C or higher in courses in foundation curriculum
- Allows certain existing programs to continue without enrollment cap
- September 1, 2023 expiration date



Student funding eligibility under SB 15



Lt. Governor Dan Patrick's 31 Priorities

Passed in 87R



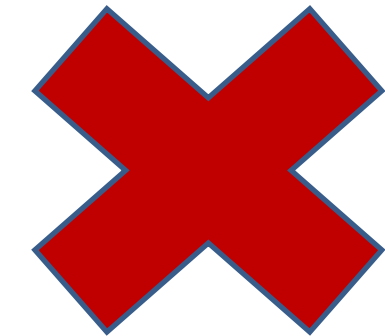
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Passed in 2nd Special



- SB 1 – Election & Ballot Security
- HB 20 – Protect Free Speech on Social Media
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Failed to Pass



1. Stop Taxpayer Funded Lobbying
2. Appellate Court Reorganization
3. Business Freedom and Uniformity Act
4. Protect State-held Personal Data
5. Charter School Equity Act
6. Fair Sports for Women & Girls
7. Senate Redistricting Act

Third Called Special Session

September 20 – October 18



Bills passed in the 3rd Special Session

- **HB 1** (Hunter/Huffman), new Texas House map
- **SB 4** (Huffman/Hunter), new Texas Senate map
- **SB 6** (Huffman/Hunter), new US Congressional map for Texas
- **SB 7** (Huffman/Hunter), new SBOE map
- **SB 5** (Lucio/Patterson) - penalties for unlawful restraint of dog
- **SB 52** (Creighton/Bonnen), \$600 million in Tuition Revenue Bonds for higher education



Education/school finance bills passed in 3rd Special Session

- **SB 8** (Nelson/Bonnen), Appropriation of \$13.3 billion in federal funds, including \$500 million for broadband and \$286 million for TRS-Care and TRSActiveCare
- **HB 25** (Swanson/Perry), UIL athletic participation to be based on participant's sex at birth
- **SB 1/SJR 2** (Bettencourt/Meyer), proposed constitutional amendment increased homestead exemption for school property taxes to \$40K, with hold harmless for schools



Lt. Governor Dan Patrick's 31 Priorities

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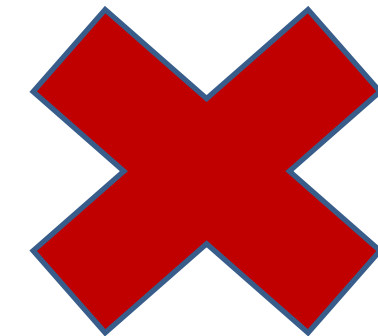
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Passed in 3rd Special



- HB 25 - Fair Sports for Women & Girls
- SB 4 - Senate Redistricting Act

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Property Tax Relief

SB 1 (Bettencourt/Meyer)

SENATE VERSION

- Reduced all MCRs by about 6 cents in 2022, with rates reverting back following year
- Prohibited VATR Elections in 2022
- Added new language on the ballot comparing rate if TRE passed vs. if it does not pass

"If the adopted tax rate is not ratified, the (name of school district) may not adopt a tax rate that exceeds _____ (insert the school district's voter-approval tax rate)."

HOUSE VERSION

- Provided a one-time payment to homeowners (expected to be roughly \$535 per homestead)
- (Paid for with federal funds)



Property Tax Relief

SB 1 (Bettencourt/Meyer)

The version that passed

- Increases homestead exemption for school property taxes by \$15,000 (from \$25,000 to \$40,000)
- Hold harmless ensures no schools lose funding (M&O and I&S for debt issued by September 1, 2021)
- To take effect in Tax Year 2022, if SJR 2 is approved by voters in May 2022
- Expected to cost more than the estimated \$355 million, and to reduce recapture by \$84 million statewide

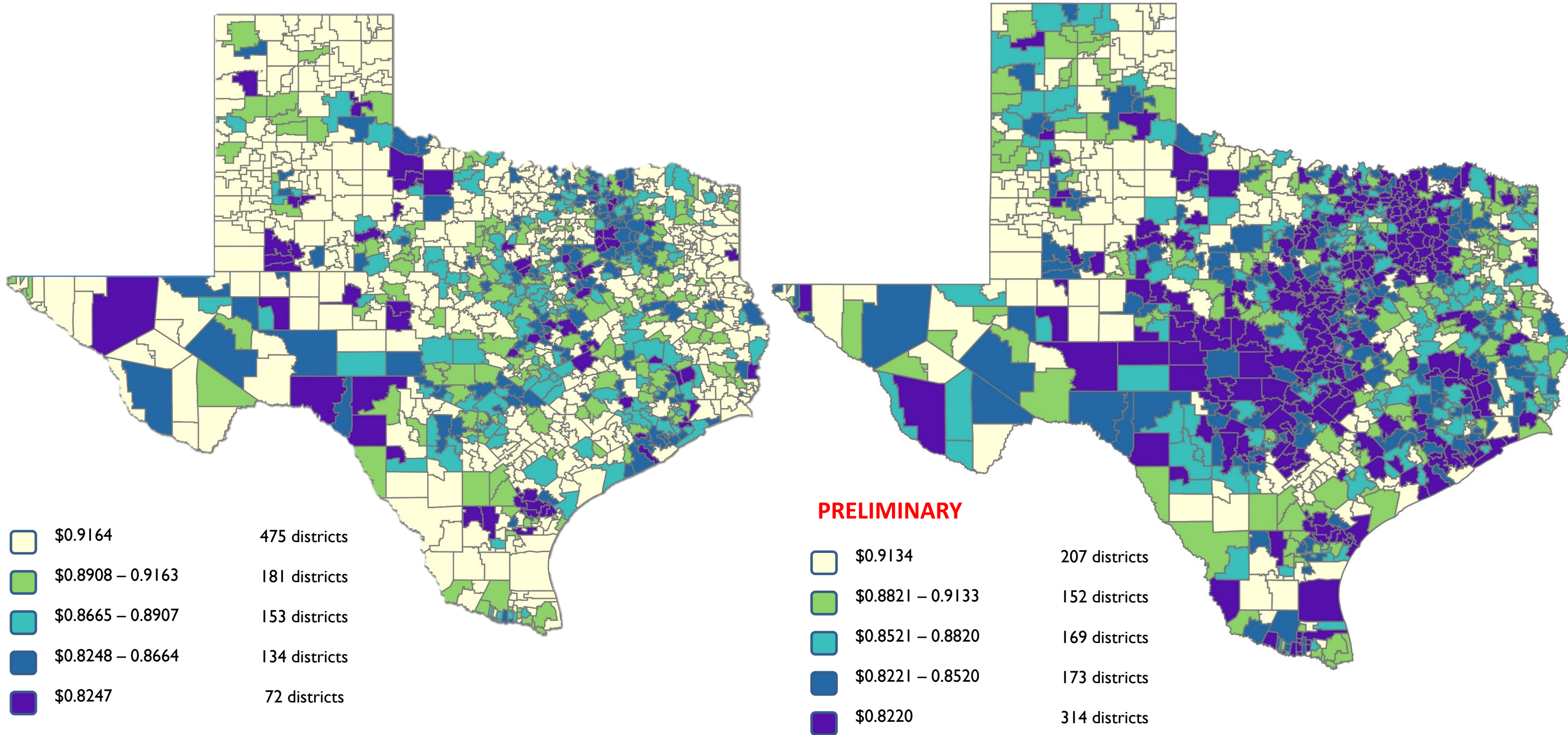


Property Taxes

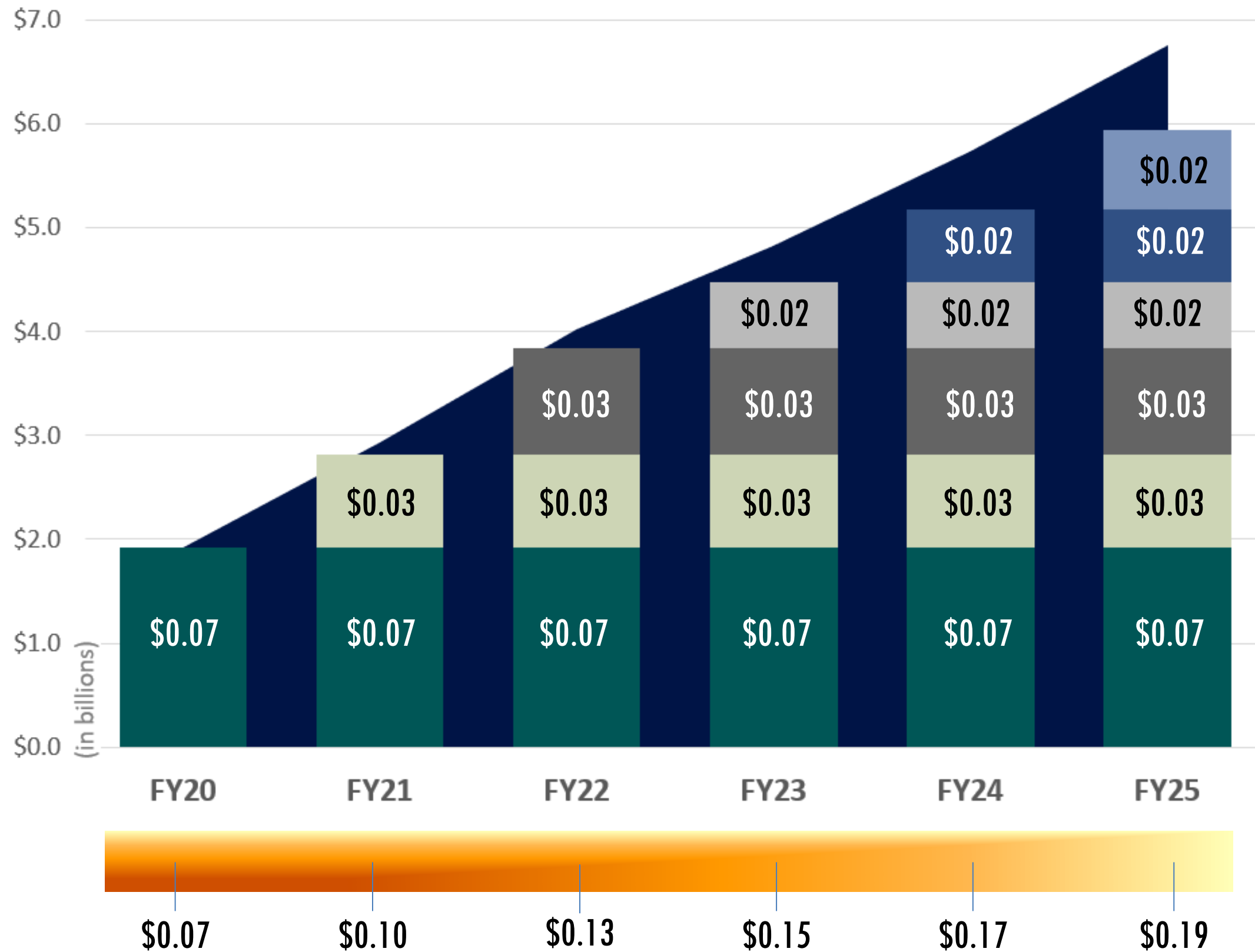
The state of property taxes
and effects of rate
compression



TAX RATE COMPRESSION: 2020 vs 2021



PRELIMINARY Cost of Tax Rate Compression



Year	Pennies Compressed	Cost (in billions)
2019-20	\$0.07	\$1.92
2020-21	\$0.03	\$0.90
2021-22	\$0.03	\$1.06

The columns show the original cost of each round of compression at the time it occurs.

The area behind the columns shows the cumulative cost of compression. Cumulative cost is higher because of growth in the tax base over time. The cumulative number of pennies “purchased” through compression is shown below the graph.



Voter-Approval Tax Rate Elections (VATRE)

	2020	2021
ADOPTED	<ol style="list-style-type: none"> 1. Arlington ISD 2. Eanes ISD 3. Fort Worth ISD 4. Franklin ISD 5. Pringle-Morse CISD 	<ol style="list-style-type: none"> 1. Alamo Heights ISD 2. Alto ISD 3. Comal ISD 4. Godley ISD 5. Highland Park ISD 6. Lake Travis ISD 7. Mansfield ISD 8. Needville ISD 9. Pampa ISD 10. Pearland ISD 11. Plemons-Stinnett-Phillips CISD 12. Rankin ISD 13. Victoria ISD 14. White Settlement ISD 15. Wink-Loving ISD
FAILED	<ol style="list-style-type: none"> 1. Garland ISD 2. Junction ISD 3. Needville ISD 4. Northwest ISD 5. Pearland ISD 6. Plemons-Stinnett-Phillips CISD 7. Rains ISD 	<ol style="list-style-type: none"> 1. Liberty ISD 2. New Diana ISD 3. Pflugerville ISD 4. Rains ISD



Voter-Approval Tax Rate Elections (VATRE)

- 42% approval rate in 2020 (5 of 12)
- 79% approval rate in 2021 (15 of 19)
- 2 districts were approved to access an additional 12-13 cents
- Most sought to access 2-3 Tier II pennies



November 2021 Bond Elections

- 59% of 63 districts passed at least one proposition
- 47% of 111 proposed propositions were approved
- 60% of the total dollar amount proposed was approved (\$5.25 billion)
- Typical approval rates hover around 80% (or higher)



November 2021 Bond Elections by Purpose

Purpose	Number Proposed	Approval Rate	Amount Approved	% of Total \$ Approved
School Building	62	55%	\$5.04 billion	65%
Athletics	30	23%	\$24 million	5%
Technology	9	89%	\$170 million	83%
Recreational Facility	4	50%	\$16.5 million	15%
Fine Arts	4	0%	\$0	0%
Refunding	2	0%	\$0	0%



Planning for the 88th Legislative Session



LEADERSHIP



GOVERNOR GREG ABBOTT

Current approval ratings are low, but will that matter in the 2022 election?



LT. GOVERNOR DAN PATRICK

It's Dan Patrick's Senate, and he makes the rules. He had 31 goals in 2021, and he accomplished 26.



SPEAKER DADE PHELAN

The original “Phelan 83” has dwindled some. Will he be elected Speaker again in 2023?



LIEUTENANTS



**SENATE FINANCE CHAIR
SENATOR JANE NELSON**

Nelson is stepping down after serving in the Senate since 1993 & as Finance Chair since 2017.



**SENATE EDUCATION CHAIR
SENATOR LARRY TAYLOR**

All things education are touched by Taylor.



**HOUSE PUBLIC EDUCATION CHAIR
REP. HAROLD DUTTON**

After 24 years on the committee, he finally became Chair.



Legislative Turnover

REDISTRICTING

Redistricting typically brings changes in party breakdown, in people, and in the schools they represent.

RETIREMENTS

As of November 10, 2021:
Four announced retirements in Senate and
18 in the House.

CHAIRMANSHIP CHANGES

Several key chairs have announced retirements, and more could change.





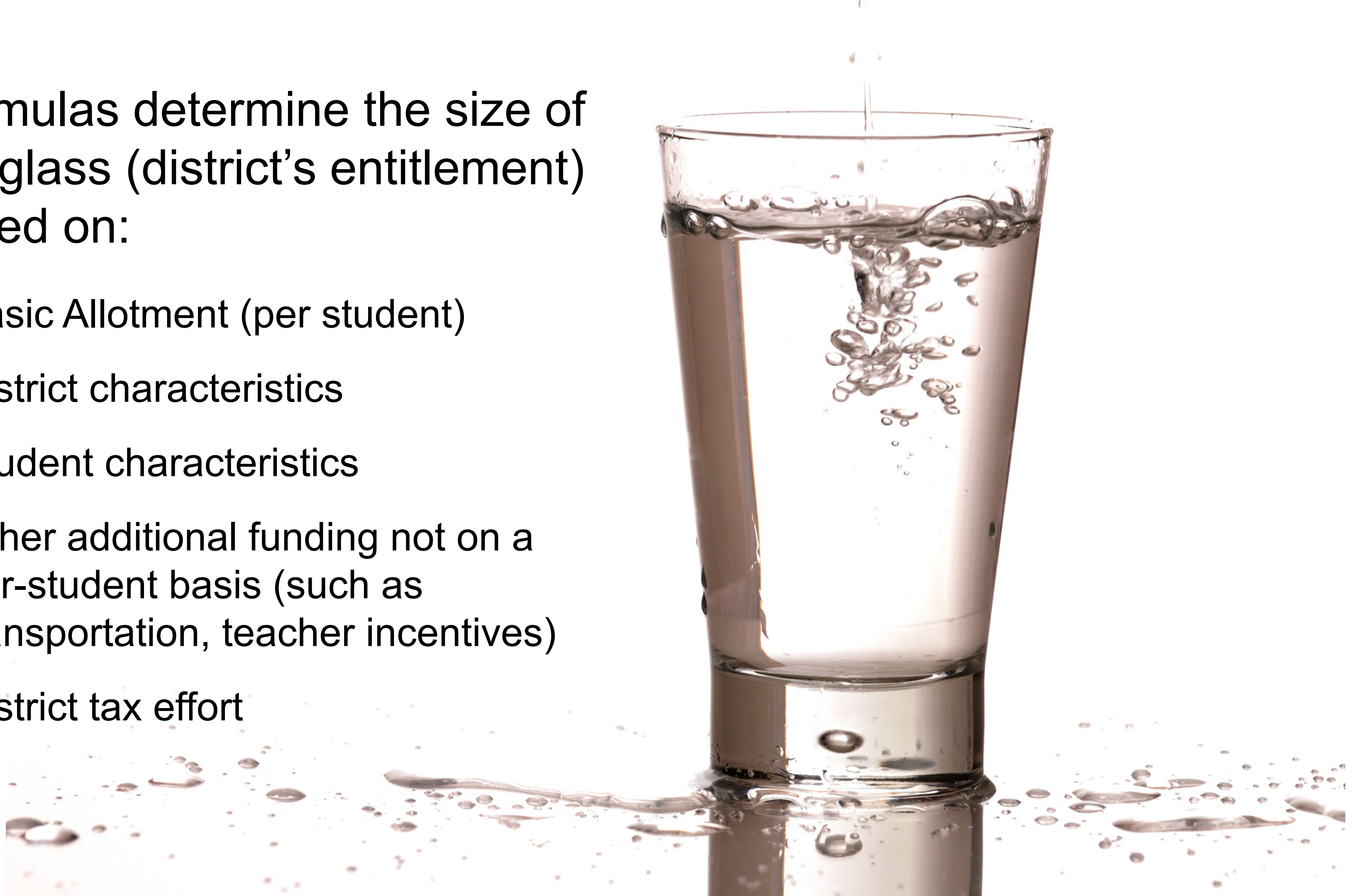
Robin Hood Recapture in 2021



TEXAS SCHOOL
COALITION

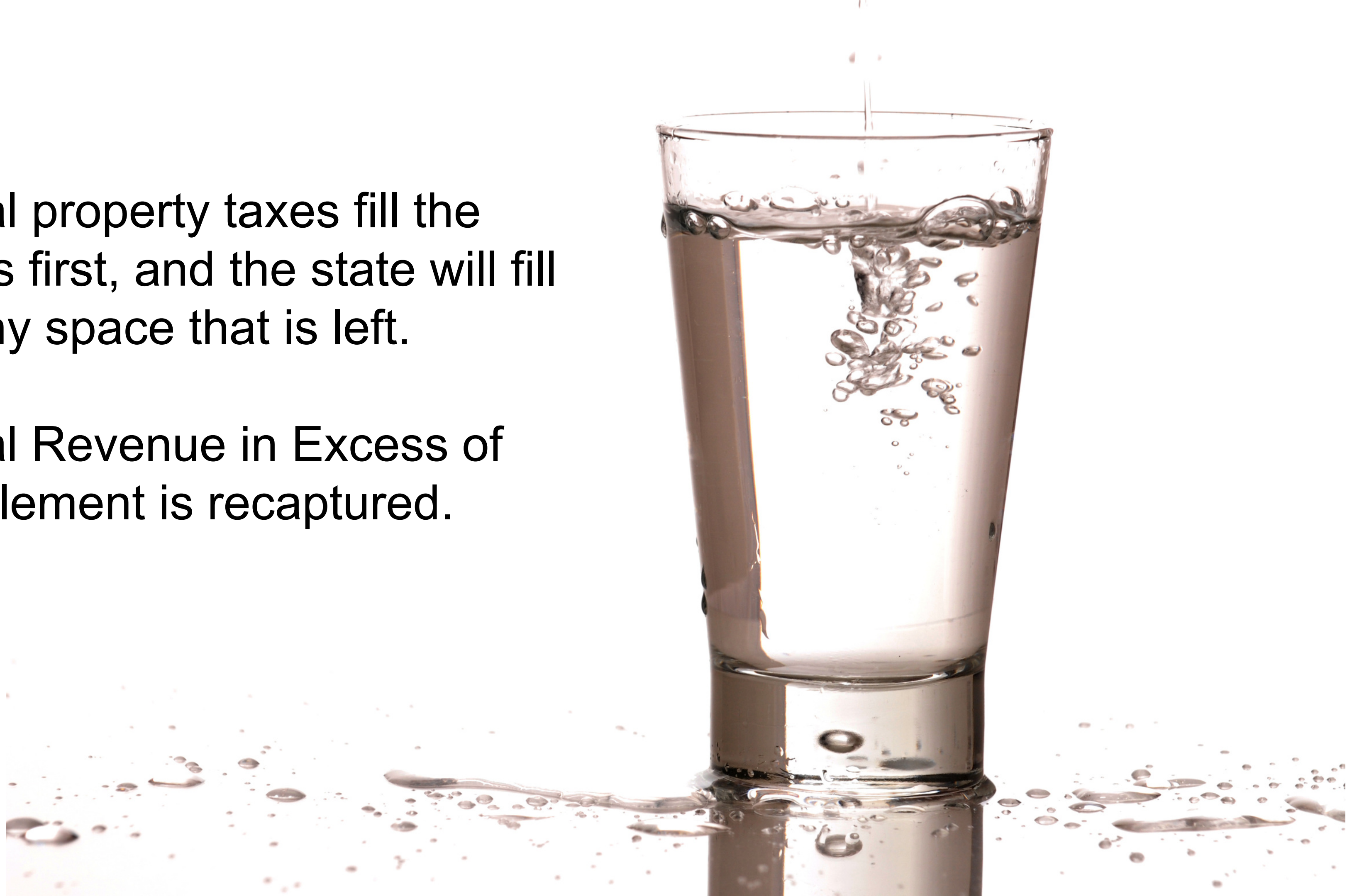
Formulas determine the size of the glass (district's entitlement) based on:

- Basic Allotment (per student)
- District characteristics
- Student characteristics
- Other additional funding not on a per-student basis (such as transportation, teacher incentives)
- District tax effort

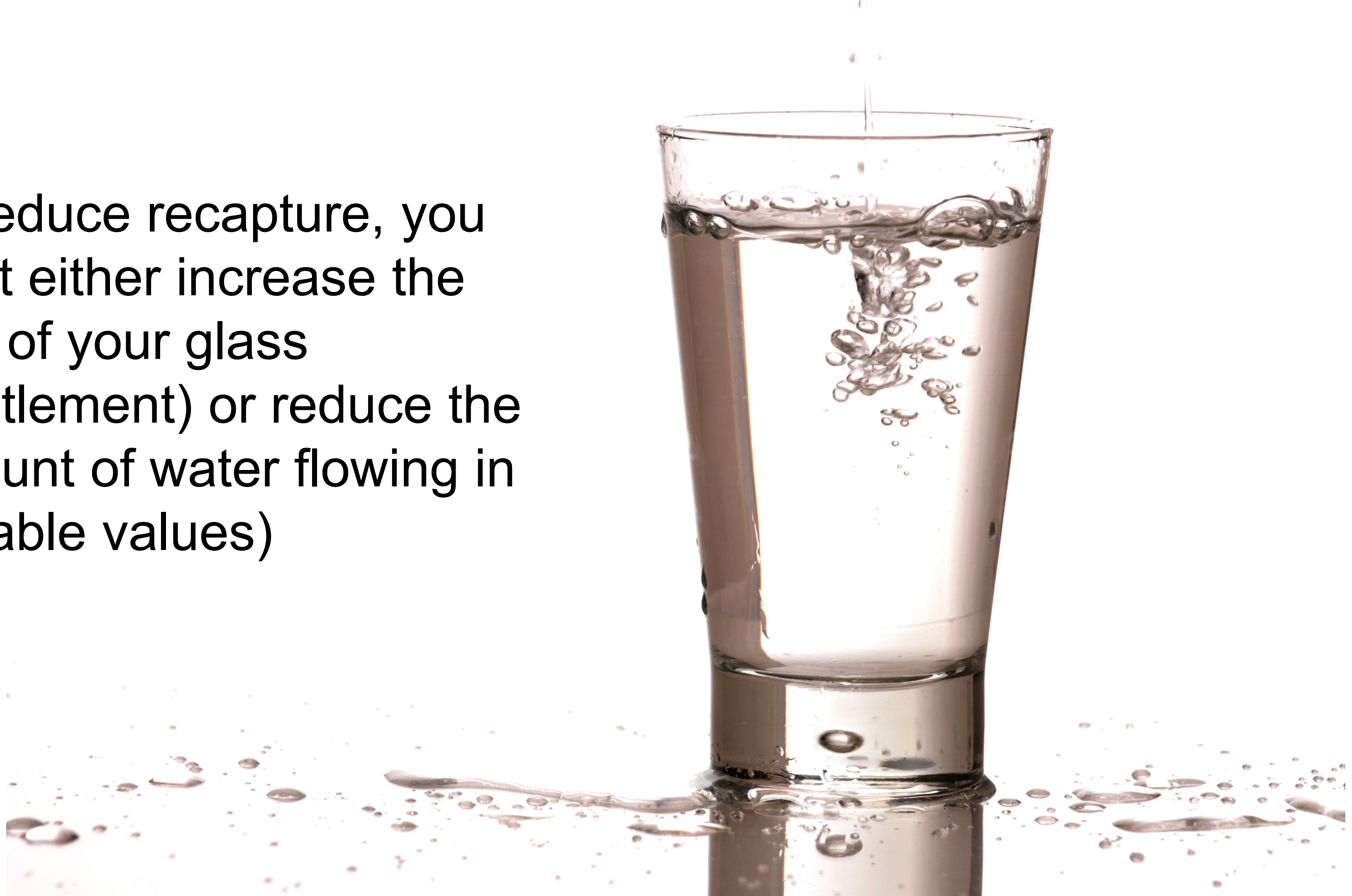


Local property taxes fill the glass first, and the state will fill in any space that is left.

Local Revenue in Excess of Entitlement is recaptured.



To reduce recapture, you must either increase the size of your glass (entitlement) or reduce the amount of water flowing in (taxable values)



Districts that pay recapture can afford it, as their students have many advantages

COMMON MISPERCEPTIONS



There is a difference in property wealth and personal wealth.



Many recapture districts serve a majority of students from severe poverty.



Formulas should adjust, but many recapture districts struggle to meet student needs.



Recaptured funds benefit schools in need with low wealth levels.

COMMON MISPERCEPTIONS



Recapture benefits the state, not other school districts.



Formulas determine entitlement; growth of recapture doesn't change that.



Funding levels are the same, so it's simply a matter of the source of funding--who pays.



The Texas Legislature reduced recapture in 2019 with HB 3

COMMON MISPERCEPTIONS



Sort of, but not really.



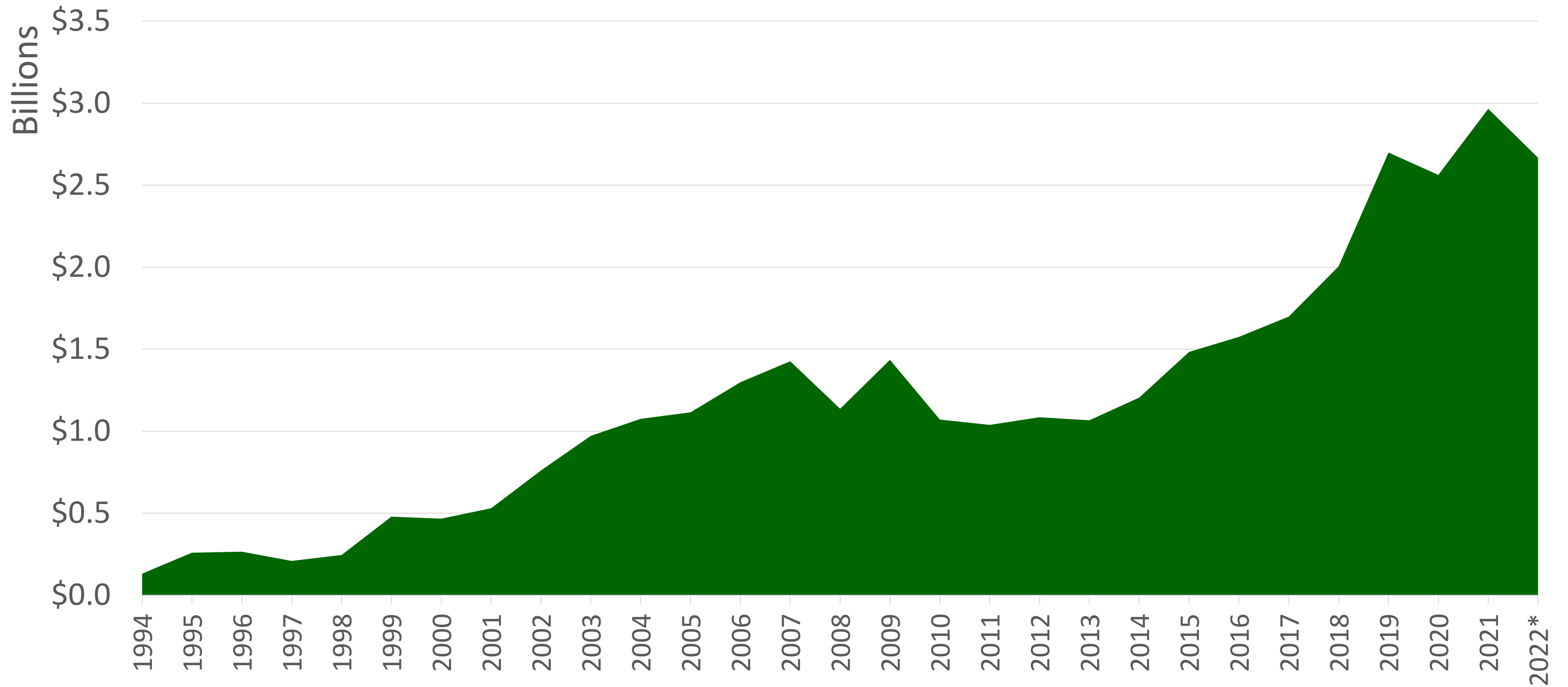
HB 3 reduced recapture compared to what it could have been absent change.



HB 3 provided a slight one-year reduction, but now recapture is back above pre-HB 3 levels.



Statewide Recapture 1994-2022



Source: TEA Summary of Finance data
* Preliminary estimated amount

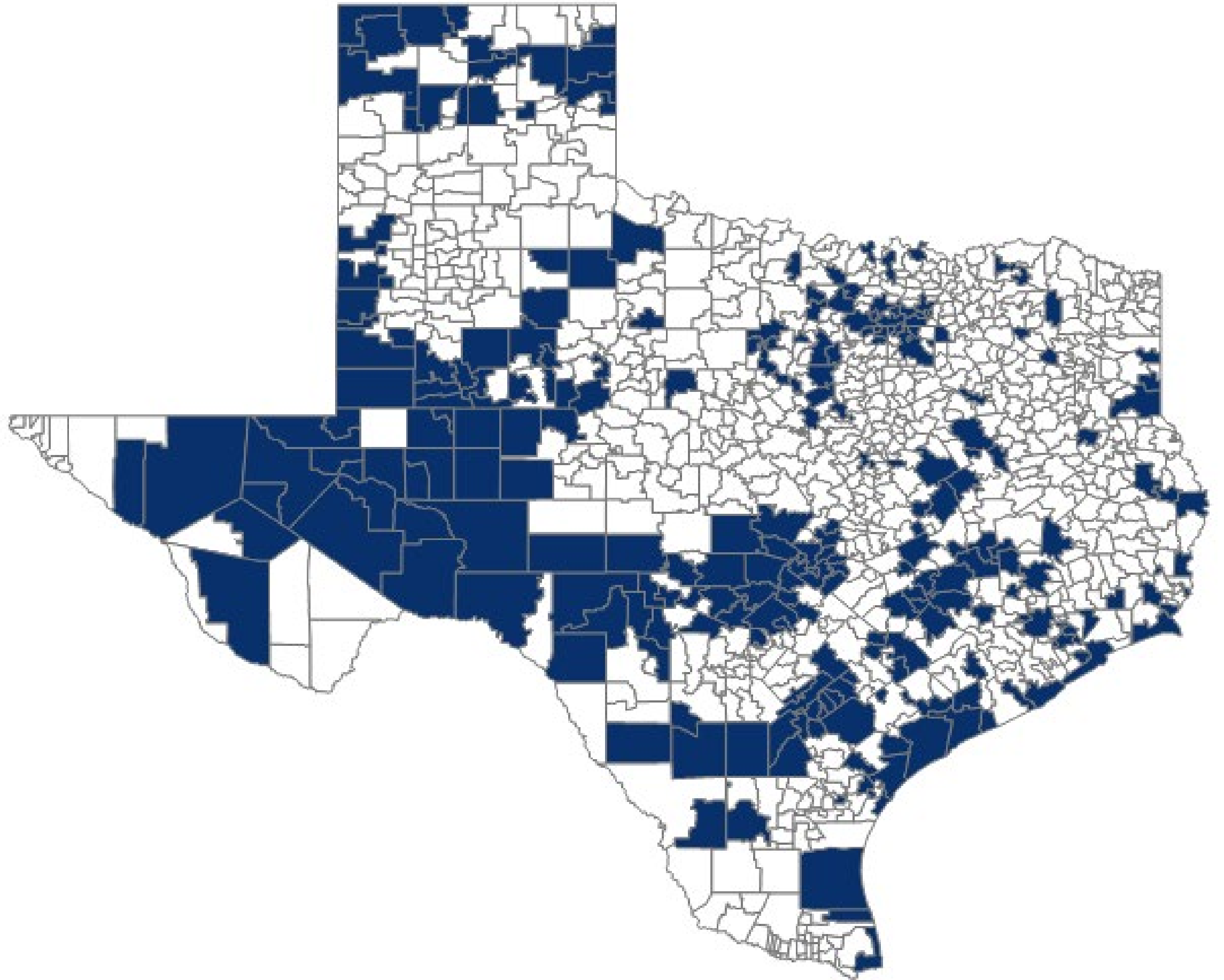


In 2021, supplemental appropriations reduced spending for Foundation School Program by \$5.2 billion for FY 20 and 21. \$1.4 billion of that was due to higher than expected recapture.

The Appropriations Shell Game

Every two years, legislators underestimate the total amount that districts will pay in recapture. Then, when districts pay more than projected, legislators use those recapture dollars to replace other state funding that would have gone to schools.

Recapture districts can be found in nearly every region of the state.



The Top Tens

Top Ten Districts Paying the Most Recapture

	School District	Recapture
1	Austin ISD	\$710,562,924
2	Houston ISD	\$197,810,414
3	Plano ISD	\$191,901,269
4	Midland ISD	\$154,436,692
5	Highland Park ISD	\$104,751,098
6	Eanes ISD	\$101,813,483
7	Pecos-Barstow-Toyah ISD	\$99,468,684
8	Wink-Loving ISD	\$87,060,824
9	Spring Branch ISD	\$61,264,358
10	Grapevine-Colleyville ISD	\$56,507,928

Top Ten Districts Paying the Most Recapture as Percent of Total M&O Tax Collections

	School District	Recapture	% of collections
	Sands CISD	\$10,982,769	99.6%
	Glasscock County ISD	\$36,087,261	86%
	Rankin ISD	\$45,577,034	84%
	McMullen County ISD	\$25,320,913	83%
	Grady ISD	\$34,440,456	83%
	Wink-Loving ISD	\$87,060,824	82%
	Kenedy County Wide CSD	\$6,995,670	80%
	Port Aransas ISD	\$18,601,544	75%
	Palo Pinto ISD	\$4,047,137	75%
	Klondike ISD	\$14,019,634	71%

Source: TEA Near Final Data, 2020-2021, as of September 24, 2021



Possible Solutions

COST OF EDUCATION ADJUSTMENT

The cost of doing business is much greater in certain districts, yet formulas don't account for that when calculating entitlement.

STOP THE SHELL GAME

Ensure money paid for recapture benefits schools, rather than just generating a state savings.

INCREASE TRANSPARENCY FOR TAXPAYERS

At the very least, ensure taxpayers know where their dollars are going.

Questions?

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