89th Legislature: Post-Legislative Update

TASBO Policy & Research Team

Inflation

What has inflation been since the FY20 implementation of HB3?

Actual and Projected Inflation by Year FY20-FY27

	Source: CRE 10/5/2023	Source: BRE 1/13/2025						
U.S. Economy	**2020**	**2021**	**2022**	**2023**	**2024***	**2025***	**2026***	**2027***
Consumer Price Index (1982-4=100)	258.1	266.6	287.7	302.3	311.8	319.0	327.1	334.2
Annual percent change	*1.5*	*3.3*	*7.9*	*5.1*	*3.1*	*2.3*	*2.5*	*2.2*

* Estimated or projected

Source: Texas Comptroller of Public Accounts

Certification Revenue Estimate for 2024-2025 (CRE) 10/5/2023 https://comptroller.texas.gov/transparency/reports/certification-revenue-estimate/

Biennial Revenue Estimate for 2026-2027 (BRE) 1/13/2025 https://comptroller.texas.gov/transparency/reports/biennial-revenue-estimate/

Basic Allotment Increase – Cost Estimates

Assumes all other aspects of FSP remain current law

State Cost and Related Implications per Various Increases in FSP Basic Allotment assumed to take effect in FY26

Basic Allotment *(FY26 & Beyond)*	Increase from Current Law	Annual State Cost (in billions)	Biennial State Cost (in billions)
$6,260	$100	$0.735	$1.5
$6,360	$200	$1.470	$2.9
$6,460	$300	$2.200	$4.4
$6,560	$400	$2.960	$5.9
$6,660	$500	$3.7	$7.4
$6,760	$600	$4.4	$8.8
$6,910	$750	$5.6	$11.2
$7,160	$1,000	$7.4	$14.8
$7,500	$1,340	$9.9	$19.8

Sources: Texas Education Agency: 2026 & 2027 Student Counts https://tea.texas.gov/finance-and-grants/state-funding/additional-finance-resources/attendance-projections
Comptroller of Public Accounts: 9/30/2024 Estimated Statewide Property Value Growth Tax Years 2025 and 2026

Likelihood of Legislative Changes

Less Likely

More Likely

Current law, requiring no changes

Ideas that are in the introduced budgets on both sides but require a separate bill to pass

Ideas that are only supported by one side or that may be held up in exchange for agreement on other items

House Bill 2

Fully Flexible

- Increased regular program allotment, but traded off against golden pennies, so not really fully-flexible
- Small /Midsized Allotment Increase

Funding for Existing Costs

- Full Initial Evaluation Allotment
- ABC Allotment
- Special Education Formula Increases

Required Spending Increases Aligned with District Norms

- Teacher Salary Increase
- Support Staff Allotment

New Targeted Investments

- TIA Changs
- Early Education Interventions
- Math Academies
- Educator Preparation
- ADSY Expansion

HB 2 – Comprehensive School Finance Bill

- $8.4 Billion Cost
- Over 200 pages, divided into 7 articles
- School Finance provisions in each

HB 2 as Sent to the Governor:

- Article 1: Teacher & Staff Support Retention Allotments; TIA Changes
- Article 2: PREP Allotments; Teacher Certification
- Article 3: Teacher Rights; Student Discipline
- Article 4: Special Education Funding Overhaul & Program Reforms
- Article 5: Early Literacy & Mathematics; ADSY
- Article 6: Career & Technology; College, Career & Military Readiness
- Article 7: Additional School Finance Reforms

Spending Flexibility

- Compensatory Education
  - **REPEALED**: TEC 48.104: (j-1) related to allowable uses of funds, (k) requiring 55% to be used for specific purposes, (l) allowing the commissioner to adopt rules for use of funds, (m) requiring SBOE to adopt rules requiring report on use of funds, and (n) requiring the commissioner to review use of funds annually, and (o) requiring withholding of funds for districts not meeting spending requirements.
  - **NOT REPEALED**: 29.081 Related to required programs for students
    - Use of performance data to design appropriate accelerated services
    - Accelerated instruction requirements for students who fail EOC or who are at-risk,
    - A requirement to separately budget sufficient funds for that purpose
    - A requirement to evaluate and document the effectiveness of accelerated instruction programs and hold a public hearing to consider the results

Spending Flexibility

- Bilingual Education
  - Modified allowable costs to clearly include teacher salaries

- Retire / Rehire
  - The prohibition against passing on cost of retire – rehire surcharge was repealed

Early Childhood

- Reading and Mathematics Academies
  - New requirement for TEA to evaluate effectiveness of reading and math academies
  - New requirement for TEA to develop reading and math intervention academies
  - Requires stipends for teachers who attend academies if attendance is on the teacher's personal time
  - By 2030-2031, all k-3 classroom teachers who teach math, all principals and assistant principals at schools with those grades, and all math instructional coaches and interventionists at schools with those grades must attend a math achievement academy

Early Childhood

- Assessments
  - Creates a kindergarten literacy assessment to be administered within the first 60 days of school
  - Creates early literacy and numeracy assessments in grades K – 3 to be administered multiple times per year
  - Results to be discussed at a board meeting and shared with parents

- Interventions
  - Interventions must be provided to students who fail two consecutive assessments. Interventions must continue until the student is no longer deemed "at risk" or enters 4th grade (not during the foundation curriculum or a time of physical activity)
  - A parent directed tutoring grant program is created for these students *(beginning 2026-27)*
  - New $250 allotment for up to 10% of students *(beginning 2026-27)*
  - Partial recovery of funds for students who remain unsuccessful in third grade

Early Childhood

- Children of classroom teachers are eligible for FSP PreK
- School districts may not construct, lease or repurpose a classroom facility for prekindergarten without receiving a determination from a prekindergarten partnership intermediary that partners have been considered and are unable to provide services *(beginning with 2027-28)*
- 85% of FSP funds generated must be passed on to the private provider
- School districts may not charge tuition for ineligible students unless an intermediary determines that no private partner is available *(beginning with 2027-2028)*
- Requires reporting of data on vision screenings

Early Childhood

- ADSY Modifications
  - Adjusts minimum required number of days before ADSY can be accessed to 175 (from 180)
  - Expands ADSY to grade 8
  - Increases ADSY funding by 50% for districts or charter schools that offer 200 full days of instruction for students in grade pk – 8
  - Provides new ADSY-like funding for reading interventions

Property Taxes

Property Tax Relief Package:

SB 4, SB23, HB 9

(assuming passage of constitutional amendments in November election)

Effective Tax Year 2025

- SB 4: Increases Homestead Exemption from $100,000 to $140,000
- SB 23: Increases Over-65 & Disabled Homestead Exemption from $10,000 to $60,000

Effective Tax Year 2026

- HB 9: Increases Business Personal Property Exemption from $2,500 to $125,000

Property Tax Relief Package:

SB 4, SB23, HB 9

(assuming passage of constitutional amendments in November election)

SB 4, SB23

- Will affect MCR calculations
- Lower values due to change in homestead exemption may mean less compression than you were initially estimating
- Bill states MCRs to be calculated as if new exemptions are approved by voters and adds a new process for legislative input to ensure the variables used match intent
- TNT calculations also directed to assume new exemptions are approved by voters
- Tax Bills also to assume approval by voters

Property Tax Relief Package:

SB 4, SB23

Language passed last time the homestead exemption increased:

- Provides automatic adjustment of tax ceilings on frozen properties when there is an increase in the homestead exemption and also when there is an increase in the mandatory over-65 and disabled persons exemption

- **Expect a significant drop in frozen levy**

Property Tax Relief Package:

- Additional State Aid for Homestead Exemption
    - For I&S, covers debt eligible (we think that may mean delivery date) as of 9/1/2025
    - Any collections above what is needed, when combined with state aid for debt service, to make minimum debt payments will net against $100 - $140 ASAHE

Other Property Tax Bills

Effective
TY 2026

- HB 22: Intangible personal property is NOT taxable.
- HB 30: School district disaster pennies are still available but **follow the requirements.**
- SB 1023: Hyperlinks in TNT forms
  - Hyperlink to a document that evidences the accuracy of each entry in the form
- SB 1502: No disaster pennies after unsuccessful VATRE in the same tax year
  - School board adopts a tax rate > VATR
  - District holds a VATRE
  - Proposition to approve the adopted tax rate is **not** approved
  - Board must adopt a tax rate that does not exceed the VATR; the rate cannot include disaster pennies (even if it could have if that had been the rate the board adopted initially)

Other Property Tax Bills

Effective
TY 2026

- SB 1453: Debt service tax rate calculation
  - Amends Tex. Educ. Code § 44.004(c)(5)(A)(ii)(b):

    "[I]n the case of "Interest & Sinking Fund," is the tax rate that, . . . , would provide the minimum dollar amount required to be paid to service the district's debt."
  - Allows the board to exceed this rate only if **60%** of the members of the board approve a motion that:
    - States the minimum rate, the proposed rate, and the difference between the two rates; and
    - Describes the purpose for which excess revenue will be used.

SB 1173: Competitive Procurement

- Amends Education Code § 44.031
- Increases competitive procurement threshold from $50,000 to $100,000
- Makes similar changes to other procurement statutes

Thank you!

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