

Invited Testimony of David A. Anderson
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Raise Your Hand Texas

Before the House Committee on Public Education
The Honorable Dan Huberty, Chair
August 8, 2018

KEY POINTS

- The largest nine school districts in the state would receive \$1,300 - \$1,900 more per student if they were funded at charter levels.
 - SB 1882 provides exciting opportunities for school districts to partner with open enrollment charters or other entities.
 - High performing school districts and districts partnering with state institutions of higher education should not be subjected to an extensive application process to form an 1882 partnership.
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Good afternoon. My name is David Anderson and I work for Raise Your Hand Texas. I was asked to talk about two related topics—the differences in charter and school district funding and the ability of districts to authorize local charters under the provisions of Senate Bill 1882. That legislation provides exciting opportunities for districts to partner with other entities and charters to provide innovative programs. We appreciate the efforts of the House bill sponsor Rep. Koop and the work Rep. Van Deaver did to encourage those local partnerships in his amendment last session.

CHARTER VS. DISTRICT FUNDING

Beginning with school finance, open-enrollment charters are part of the same system as school districts. Everyone begins with the same basic allotment per student. That allotment for districts is then “adjusted” based on individual district characteristics through the small and mid-size adjustments, plus the cost of education index. Charters are not individually adjusted but receive the average adjustment of districts statewide. What is surprising is that the “average” is an average of districts and not of students, so the smallest districts count the same as the largest in that average. Marathon ISD with 72 students counts the same as Houston ISD with over 200,000 when considering charter funding. Because Texas has a large number of small districts, the effect is to fund charters the same as a district with less than 1,000 students. That provides significant additional funding through the average small district adjustment compared to the larger urban and suburban districts where charters generally operate.

I've provided you a letter from the TEA dated February 13 of this year. Most of the letter deals with rulemaking issues that have been resolved, but if you look at page 3 you will see the agency's estimate of how much additional funding each of the nine largest districts in the state would receive for a student in an SB 1882 local charter which receives the same funding as an open-enrollment charter. Those nine districts range from \$1,300 to as much as \$1,900 more per student in an SB 1882-scenario charter compared to a regular district campus. That increased per-student amount also represents the existing difference in funding per student between those districts and open-enrollment charters.

Charters correctly point out that school districts have the ability to levy an I&S bond tax for facilities. Districts on average spend between \$1,400 and \$1,500 per student in those additional taxes on debt service. Charters currently receive about \$200 per student for facilities through the program adopted during the 2017 special session. It varies by district, but the state funds charters at a level that approximates total district funding, including local facilities bond taxes.

Facilities funding in districts is virtually all local funding. The yield in the state facilities program has not changed since 1997, leaving the state paying only about 7% of local facilities cost. Of the nine districts in the TEA letter, six receive no facilities aid and only one (Ysleta ISD) receives more than the \$200 per student that charters are currently receiving. Districts can argue that the state is buying facilities for charters while expecting local taxpayers to fund the cost of district facilities.

The difference in charter funding has an impact on the state budget, as well. A student costs the state appropriation more in a charter than in a larger district. For example, when a student withdraws from Houston and enrolls in Dallas, that's essentially a wash for the state budget—Houston loses a full student amount of funding and Dallas gains a similar amount. In contrast, if a student withdraws from Houston and enrolls in a charter, the state budget increases by the \$1,800 difference you see in the TEA letter.

An additional point is that charter enrollment can cause and drive recapture. Wealth, in a school finance sense, is tax base divided by student count. Removing a student via charter enrollment makes the district appear richer and thus triggers recapture or increases the amount required to be paid to the state.

SB 1882 85(R)

I'm going to shift to SB 1882 and the options it offers school districts to partner with open enrollment charters or local organizations by acting as a charter authorizer. The bill resolved a number of issues with local charter authorization and offers districts the opportunity to access the higher levels of charter funding at a campus operated by an open-enrollment charter or a nonprofit corporation, government or institution of higher education. Local charter agreements not with an open-enrollment charter are subject to Commissioner approval. The SB 1882 campus that is operated by the local charter remains part of the district and the district remains

responsible for its performance and for all state and federal funds. The partner is required to have control over the selection of instructional staff and a campus principal. Other services like transportation, food services or maintenance can be allocated by agreement of the parties.

SB 1882 provides two incentives to encourage local partnerships: a two-year “pause” in the imposition of campus-level sanctions for long-term low academic performance, plus access to the higher charter-level funding at that campus. The relief from campus sanctions supports districts working with outside entities to turn around low performing campuses and several have taken advantage of that option. I’m going to focus on the ability of school districts to utilize the additional funding for partnerships that implement innovate programs. The agency rules only took effect in April, so there has been some scrambling to apply for and implement partnerships for the coming school year. Another round of applications is expected this fall for the 2019-20 school year.

Several districts are currently applying to the agency to partner with local organizations to expand services for prekindergarten and other early childhood services. I would particularly recommend to you the relationship between Galveston ISD and the Moody Foundation in that regard.

SB 1882 offers other exciting possibilities for districts and institutions of higher education to expand early college and dual credit relationships to create more opportunities for students as they transition to higher education. Other potential discussions involve relationships with major employers to train students for technical roles through apprenticeships and career and technology courses. The greatest benefit in SB 1882 is its flexibility, allowing each community to pursue a unique set of relationships that meets its local needs.

The agency has defined an approval process that requires a significant amount from a partnership when seeking the accountability pause for a long term low performance campus. That is a good call—a campus that has failed academically three or four years should be subjected to real scrutiny before mandatory sanctions are paused. While the process for approval of partnerships involving campuses that are not academically low performing is simpler, it still asks a great deal of local partners and there is some difficulty predicting whether agreements negotiated among multiple partners will be approved by the state. In particular, a high performing school district or district partnering with a state institution of higher education should not be subjected to an extensive application process under this statute. The state has already approved the district’s performance and the higher ed institution’s bona fides.

CONCLUSION

SB 1882 has tremendous potential to change how our schools operate, particularly for early childhood and at the critical juncture where K-12 intersects with higher education. We appreciate your efforts giving districts these opportunities and hope you will give it time as districts explore its potential.

Enclosure: Texas Education Agency Letter, February 13, 2018

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February 13, 2018

Superintendent Michael Hinojosa
Dallas ISD
9400 N. Central Expressway
Dallas, Texas 75231

Dear Superintendent Hinojosa:

Thank you for your recent letter requesting more information on the implementation of HB 1842 and SB 1882. This letter provides a response to your questions related to SB 1882. We will provide a response to your questions regarding HB 1842 in the very near future.

Please see the below responses:

1. Are school district employees/trustees allowed to serve on the board of a non-profit as long as the school district is not appointing the majority of members of the board?
 - a. School districts who partner with an eligible entity, as described in TEC, §11.174 are not prohibited, according to TEC, §42.2511, from appointing a minority of the members of the board. The current proposed rule TAC, §97.1079 prohibits district staff from sitting on the board of the partner entity. Based on comments to the rule, the agency is evaluating possible changes to the rule. The final changes will be provided when §97.1079 is published on or by February 26, 2018.
2. Are districts required to use the model performance contract, model charter authorizing policy, etc., that are posted to the TEA website, or can they develop their own contracts and policies?
 - a. The model performance contract, model charter authorizing policy, model charter school application, etc. are models. They were developed to satisfy the requirements of §97.1079 and §97.1075, but they are not required to be used by districts.
 - b. Districts may amend these model templates to meet local context or develop and use their own locally developed materials.
 - c. However, to be eligible for SB 1882 benefits, the districts must demonstrate that the implementation of local authoring practices and the performance contract between the partners must meet the requirements outlined in proposed rule §97.1075.
 - d. The final rules related to §97.1079 and §97.1075 will describe the requirements for accessing SB 1882 benefits.
3. If districts use the model charter authorizing policy provided by TEA, are they automatically eligible for federal charter school startup grants next cycle, should they become available?
 - a. Unfortunately, districts who use the model charter authorizing policy provided by TEA are not automatically eligible for the existing application of the federal charter school

startup grants or upcoming applications for federal charter school start-up or replication grants. As is the case today, districts will submit their policies to TEA, TEA will submit the policies for review by the US Department of Education. Further, there are additional requirements for accessing federal charter school start up and replication funds.

- b. TEA staff are working with the US Department of Education to streamline the process so that adoption of our model policies is immediately recognized by USDE as meeting the authorizing policy requirement, but we have not completed these negotiations with the Department.
4. What should a district do if it is still in the process of selecting a partner and will not have made the final decision by February 15?
 - a. First, we want to clarify that the Letter of Intent is non-binding and does not impact eligibility approval. As per the To the Administrator Addressed letter: "We strongly encourage you to submit a Letter of Intent to TEA by February 15th. This non-binding Letter of Intent will help TEA plan for the SB 1882 benefit application process and better support interested districts." Further, the 1882 implementation website states that, "This LOI is non-binding and does NOT impact eligibility approval."
 - b. Second, we want to note that the SB 1882 implementation webpage states that "Extensions to this deadline may be offered following a request submitted to the TEA."
 - c. Third, we continue to strongly encourage districts to submit a Letter of Intent. For the purposes of submitting the LOI, districts should use the "To be determined" placeholder to answer Question 7 to indicate the district is still in the process of identifying and/or selecting a partner.
5. If a school district and a set of partners are creating a non-profit, must this entity have final IRS approval by the time the district submits its letter of intent, or its application, or is it sufficient for the non-profit entity to have requested approval from the IRS for non-profit status?
 - a. School districts and partners who are in the process of obtaining or creating a non-profit and have not received final approval by the IRS, are still eligible. It is sufficient for the non-profit entity to have requested approval from the IRS for non-profit status.
6. How much additional funding, per student, is available under a SB 1882 partnership for the following districts: (Dallas, Aldine, Austin, Corpus Christi, El Paso, Ft. Worth, Houston, San Antonio, and Ysleta). Are school districts subject to any spending requirements related to the charter school facilities funding passed during the 2017 special session?
 - a. The following table was developed using estimates. The actual amount will be determined based upon the actual students in the Subchapter C charter partnership campus.

School District	Estimated ADA Increase (If Applicable)
Aldine ISD	\$1,805
Austin ISD	\$1,739
Corpus Christi ISD	\$1,759
Dallas ISD	\$1,894
El Paso ISD	\$1,611
Fort Worth ISD	\$1,940
Houston ISD	\$1,800
San Antonio ISD	\$1,404
Ysleta ISD	\$1,332

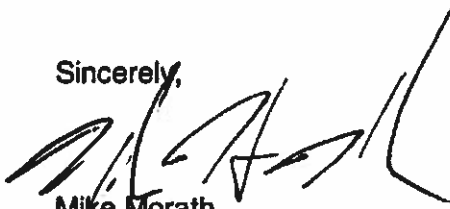
TEA is currently updating the TEA State Funding excel template and intends to have it available to school districts on the state funding website by Monday, March 5, 2018. The SB 1882 webpage will link to this document as well.

7. What if districts are not scheduled to have a board meeting prior to the deadline established by TEA regarding letter of intent? Will this prevent a district from being eligible to apply?
 - a. As stated above, we want to clarify that the Letter of Intent is non-binding and does not impact eligibility approval. As per the To the Administrator Addressed letter, "We strongly encourage you to submit a Letter of Intent to TEA by February 15th. This non-binding Letter of Intent will help TEA plan for the SB 1882 benefit application process and better support interested districts." Further, the SB 1882 implementation webpage states that, "This LOI is non-binding and does NOT impact eligibility approval."
 - b. Second, we want to clarify that there is no requirement that the Letter of Intent be approved by a school district Board of Trustees.

- c. Third, we want to note that the SB 1882 implementation webpage states that “Extensions to this deadline may be offered following a request submitted to the TEA.”
 - d. The Letter of Intent is intended to inform TEA of possible partnerships, so that we can provide additional outreach and support to districts considering partnerships. It has no bearing on eligibility to receive SB 1882 benefits.
8. What is the anticipated timeline for school districts who are interested in submitting proposals under SB 1882 for the 2019-2020 school year?
- a. TEA intends to begin accepting applications for eligibility approval beginning in October 2018 with a deadline of December 6th 2018 for 2019-2020 partnerships.

We appreciate your questions and I look forward to working with you as we navigate this exciting partnership opportunity.

Sincerely,



Mike Morath
Commissioner of Education