

Frequently Asked Questions
House Bill 1
August 24, 2006 - Updated

SALARY INCREASE AND HEALTH INSURANCE

HB 1 included a mandated pay raise of \$2,500 for teachers and other employees who are subject to the minimum salary schedule. This includes \$500 that was previously designated as supplemental compensation (which was repealed and replaced with wages). The net pay raise for teachers is \$2,000. This increase is part of the base salary and cannot be used as an incentive or stipend. The minimum salary schedule is increased by \$2,500 (which does include \$500 that was previously supplemental compensation). Districts are directed to pay employees who remain employed by that district no less than they will be paid in 2006-07. Employees may continue to designate the amounts for their cafeteria plan.

Other full-time professionals, except administrators, will receive a wage increase of \$500 and part-time employees will receive a wage increase of \$250. These amounts replace the supplemental compensation currently received by these employees. These wages may be designated for a cafeteria plan. Eligibility for these wages will be identical to those that are currently in place for the supplemental compensation. Reporting the number of eligible employees is also expected to remain the same.

Charter school employees will also receive wage increases and have their supplemental compensation converted to wages. Charter employee eligibility depends on whether the school currently participates in the ActiveCare program. Charter schools that begin operation after January 1, 2006 are not eligible. For charter schools in ActiveCare, teachers and others who would be subject to the minimum salary schedule at a school district would receive the same raise as teachers in school districts. Other full-time employees (except administrators) and part-time employees would receive the same wage supplement as district employees. For charter schools that are not currently in ActiveCare, teachers and others who would be subject to the minimum salary schedule at a school district will receive \$2,000.

1. When will TEA come out with a new salary schedule so we can know what our TRS statutory minimum will be?

The new salary schedule was posted on June 1, 2006.

2. Clarification is needed on how the \$500 salary increase (that is reclassification of the health insurance supplement) can be tax sheltered and not subject to TRS contributions as it was presented at the TETN session on May 24, 2006.

Employees should ask their employers about the availability of ways to tax-shelter the amounts paid as salary under HB 1, such as through a cafeteria plan, or to defer taxes, such as by making contributions to a 457 or 403(b) plan offered by their employers.

With respect to TRS contributions on these salary amounts, while our original interpretation followed the language of the bill regarding TRS contributions on amounts designated for health care supplementation, we have now been told by the Teacher Retirement System (TRS) that these provisions create a conflict with federal law. The TRS Board of Trustees has adopted a rule that requires that any salary amounts designated by an employee as health care supplementation under HB 1 will be considered salary for TRS purposes, and contributions should be paid to TRS. Contributions paid on these salary amounts to the TRS retirement plan will be tax-deferred. Please check with TRS for further information.

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- 3. Will districts that utilize the TASB mid-point system receive any guidance from TEA (similar to the Commissioner's Opinion issued in 1999) as to whether they will be required to give teachers, counselors, nurses, and librarians an additional salary step increase based on the previous year "hiring" schedule vs. a "salary" schedule?**

The legislature used the same wording for this year's pay raise as used in 1999. We assume the Commissioner's decision from that legislation is valid precedent and should be followed. However, the outcome of any dispute could depend on the wording of a local schedule or policy. Districts should also consult the agency rule implementing the 1999 pay increase at 19 TAC 153.1022.

(<http://www.tea.state.tx.us/rules/tac/chapter153/ch153cc.html>)

TEA advises districts to consult their legal counsel regarding the applicability of the mandated pay raise to local hiring schedules.

- 4. Will the minimum salary schedule be increased \$2,000 or \$2,500? HB 1 refers to both amounts in different sections so it is not clear what its impact is on the actual minimum foundation salary schedule.**

The minimum salary schedule is increased by \$2,500 at each step. (The reference to \$2,000 is for charter school employees in charter schools that did not participate in ActiveCare in 2005-06.)

- 5. Will the teacher minimum pay scale be increased by \$2,500 per step? If schools have been absorbing the \$500 cut back for insurance made a couple of years ago, will they receive replacement or does it have to go for salary?**

This depends upon whether the \$500 was part of the salary schedule. In the case of teachers and others on the minimum salary schedule, the bill directs districts to pay these amounts in addition to "any local supplement and money representing a career ladder supplement the employee would have received in 2006-07." In the case of the other employees who will receive the new wage supplement, the bill directs districts to pay these amounts "in addition to wages the district would otherwise pay the employee during the school year." The funds for pay raises are not intended to supplant local funds that have been used to pay wages.

- 6. Did HB 1 completely eliminate the \$500 insurance supplement provided to every employee except administrators by the State? If so, does this mean that the original \$1,000 insurance supplement has now been rolled into the \$2,500 salary increase for a net salary increase of \$1,500 for teachers, counselors, librarians, and nurses when compared to the 2003 fiscal year?**

HB 1 converted the compensation supplement into a wage increase for the same employees who were previously eligible to receive the supplement. Teachers and other employees who are subject to the minimum salary schedule will receive a pay increase of \$2,500 in the 2006-2007 school year, which includes \$500 in salary formerly paid as the compensation supplement in the 2005-2006 school year. Thus, they will have a net pay increase of \$2,000 over their 2005-06 salary.

- 7. Does the \$2500 apply for speech therapists, diagnosticians, LSSP's, occupational therapist, etc.?**

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No, the \$2,500 applies only to those employees who are subject to the minimum salary schedule – classroom teachers, full-time nurses, full-time counselors, and full-time librarians. There are no minimum salary requirements for any other class or type of employee.

- 8. Does the additional salary increase that was passed (\$2500.00) get added as a permanent addition to our salary scale to be funded year after year? Or, is this a one time funded increase?**

The minimum salary is increased by \$2,500 for each year on the schedule. The bill also mandates that districts must continue paying these employees at least as much as they made in 2006-07 as long as they remain employed by the district. There is currently no expiration of the requirement or the state funding.

- 9. Is the \$2,500 salary increase considered part of base salary or can it be an incentive or stipend?**

This is part of base salary. It may not be treated as a stipend or incentive.

- 10. How will TEA collect the data on the number of employees that will be needed to calculate the \$2,000 teacher pay increase, and the Health Insurance Allotment? Will monthly reporting be required, or will PEIMS data be used, or some other method?**

This is currently being decided with regard to the data on teachers and other employees subject to the minimum salary schedule. We may continue to use PEIMS for those employees, or we may develop an alternate reporting mechanism. The other eligible employees will continue to be reported as they are currently reported through the web-based FSP system.

- 11. Are districts that have an approved “step schedule” or their pay is tied to the teacher minimum pay scale required to give a step increase in addition to the \$2,500 increase?**

The statute requires pay to be based on “the monthly salary the employee would have received for the 2006-2007 school year under the district’s salary schedule for the 2005-2006 school year, if that schedule had been in effect for the 2006-2007 school year, inclusive of any local supplement and any money representing a career ladder supplement the employee would have received in the 2006-2007 school year”. If the employee would be entitled to an increment of salary in 2006-07 under the 2005-06 schedule, that amount should be paid.

Districts that have a step schedule must give the \$2,500 in addition to the step. Districts that have salary schedules tied to the state minimum will also need to increase their schedules accordingly.

- 12. Will districts that do not have a “step schedule” be required to give an increase in addition to the \$2,500 increase? These districts are not tied to the teacher minimum pay scale. This would apply to all districts that use the TASB Mid-point system for teachers.**

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The requirement to increase pay is not linked solely to the minimum salary schedule. The bill indicates that districts should provide \$2,500 in addition to the salary the employee would have received in 2006-07 using the 2005-06 salary schedule. If the 2005-06 salary schedule would have provided an increase, the district must provide that increase in addition to the \$2,500.

- 13. Is the 90 day waiting period for the \$500 insurance supplement assumed to be removed from the law since it is now seemingly rolled into salary?**

The 90-day waiting period was repealed. There is no waiting period under the new statute.

- 14. It seems that we may not get the \$500 per eligible employee supplemental compensation that used to be distributed through TRS next year. Also, what about the \$900 per employee FSP Health Insurance?**

The \$500 per eligible employee will be converted from a compensation supplement to wages. The provisions regarding the \$900 per employee were not repealed. Districts will continue to receive hold harmless funds for these expenditures if they are eligible.

- 15. Are current eligible employees for the health care supplement (\$500 for full-time and \$250 for part-time) also eligible for the \$500 increase? Define what support/auxiliary staff means related to the \$500 pay increase. What about the part-time employees currently eligible? The current eligibility rules are defined based on PEIMS codes and job descriptions/duties. Will there be eligibility rules provided later on by TEA?**

The same employees will be eligible. TEA plans to use the same role codes and job descriptions to determine eligibility.

- 16. In the past the insurance supplement was recorded in a Special Revenue Fund, 418. The general fund is responsible for a budget to cover the benefits (Medicare portion of FICA, workers compensation, etc.) related to this money. Will the HB 1 insurance supplement be handled in the same manner?**

Since the insurance supplement is now considered an increase in salary, fund code 418 is no longer needed. These funds will be recorded in the general fund.

- 17. Will the formula for charter schools receiving money from the state be changed so that the schools will receive additional funding like the ISDs? If so, will there be a template? Will charters qualify for the high school student ADA \$275/student? How will that work?**

Charter schools will be eligible to receive the funds for their eligible employees' wage increases. They will also be eligible to receive funds for the high school allotment for the students they serve in grades 9 – 12. If the charter school does not serve high school students, it will not be eligible to receive high school allotment funds.

- 18. Do the current insurance rules stay in place, i.e. Active Care I, 2, & 3 along with the other companies, or do school districts now have to go out for bids and find their own health insurance companies?**

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No changes were made to health insurance. The only change was the conversion of the supplement to wages.

- 19. HB 1 states Districts will receive an additional \$2,500 for teacher pay increases and that districts will lose the \$500 Insurance supplement for teacher, librarian, and counselor FTES. Is this raise ONLY for district's whose salary scale is directly linked (ex- state min + \$2,000) to state min scale? If so, do those districts who are not linked to state min scale receive any monies? If not, is the Insurance Supplement still dropped for these districts? If so, would this result in a net LOSS in revenue for district and employees (pay/benefits)?**

This is incorrect. Districts will continue to receive \$500/\$250 for their employees who are currently eligible to receive those amounts as a compensation supplement. Teachers, full-time counselors, full-time nurses, and full-time librarians will receive a pay increase of \$2,500, \$500 of which is intended to replace the \$500 they currently receive as a compensation supplement for health care. This should result in a net pay raise of at least \$2,000. The raise must be given in addition to any other step increase or local supplement that would have otherwise been paid. The requirement to provide the raise and the state funds to pay for those raises apply to all districts, not just those subject to the minimum salary schedule.

- 20. Are retire/rehires eligible for the \$2000 pay raise allotment from the state?**

A retire/rehire within the definition of Section 21.402(a) is entitled to the state minimum salary and the pay increase in the same manner as any other employee.

- 21. If an employee elects to designate money for a health reimbursement account, is this money sheltered from the TRS deduction?**

The TRS Board of Trustees has adopted a rule that requires that any salary amounts designated by an employee as health care supplementation under HB 1 will be considered salary for TRS purposes, and contributions should be paid to TRS. Contributions paid on these salary amounts to the TRS retirement plan will be tax-deferred. Please check with TRS for further information.

- 22. What about the other programs and funding related to health insurance?**

All other provisions related to health care remain in place. The ActiveCare program and the provisions related to Additional State Aid for Health Insurance (state aid = \$900 per employee) are both still in place.

- 23. How do the salary changes described in HB 1 affect charter schools?**

The extra pay applies to all classroom teachers, full-time counselors, and full-time librarians employed by charter schools. Charter schools are not required to hire certified teachers other than those in special education and bilingual education. In addition, HB1 intended that full-time librarians and full-time counselors employed by charter schools be considered for the pay raise regardless of whether those individuals are certified under Chapter 21 of the Texas Education Code. Full-time school nurses (RNs) must be licensed

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by the Board of Nurse Examiners in order to receive the pay raise. There is no requirement for charter schools to pay teachers based on the minimum salary schedule. The requirement is to deliver the pay raise to those who would have been eligible for placement on the minimum salary schedule if they worked in a school district. The amount of the pay raise depends upon whether the charter school participated in the state health insurance program during 2005-06. If the charter school did participate in the state health insurance program, the pay raise amount is \$2,500. If the charter school did not participate in the state health insurance program, the pay raise is \$2,000. Please note that the pay raise is not applicable to new charter schools that began operation on or after 01/01/2006.

24. Is the extra money to go on top of what charter school employees would normally make?

Charter schools are directed to deliver the pay raise in addition to what they would have otherwise been paid.

25. What are the requirements for brand new teachers at charter schools?

The requirement is to pay \$2,500 or \$2,000 more than the beginning teacher at the charter school would have otherwise received. See Question 23 for further clarification.

26. What are the requirements for teachers who have taught before but are new to the charter school? Does this mean that they must pay more than what they would have made at their previous school or more than they would have made if they had taught at the charter school the year before?

The requirement is to pay \$2,500 or \$2,000 more than the teacher would have otherwise received (See Question 23). The charter school must increase pay for eligible employees in addition to the amount they would have made if they had been employed at the charter school during the 2005-06 school year. Section 21.402 (d) states that "A classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse is employed by a school district in the 2006-2007 school year is entitled to a salary that is at least equal to the salary the employee received for the 2006-2007 school year, as long as the employee is employed by the same district." Therefore, once a teacher moves to a new school district or a charter school, the teacher will be subject to the new school district or charter school salary schedule.

27. If a charter school chooses to follow the state-based minimum chart, will this chart reflect the additional pay? If so, has it been updated?

Yes, the state minimum salary schedule does reflect the increase at the \$2,500 rate. It was posted on June 1, 2006.

HIGH SCHOOL ALLOTMENT

The high school allotment provides to districts \$275 per student in average daily attendance in grades 9-12. School districts and campuses must use high school allotment funds to:

- Implement college readiness programs to prepare underachieving students for college

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- Implement programs that encourage students toward advanced academic opportunities, such as dual credit and AP
- Implement programs that give students opportunities to take academically rigorous course work, including four years of math and science
- Implement programs that align the curriculum for grades 6 through 12 with postsecondary curriculum
- Implement other high school completion and success initiatives in grades 6 through 12 as approved by the commissioner.

The funds will flow to districts, beginning in September 2006. We anticipate adding a line to the Summary of Finances that reflects the amount for the high school allotment. Districts would be paid according to their payment class. Funds for Chapter 41 districts can be netted against recapture costs. Open-enrollment charter schools will receive funds in the same manner as a school district. Districts may use these funds to pay for existing programs, as long as those programs meet the statutory requirements under the high school allotment. Proposed rules are expected to be published in the *Texas Register* on August 18, 2006.

28. Will TEA require these funds to be accounted for in a specific manner, such as compiled that is tracked by program intent code 24 and 30? If there is no separate accounting, how will TEA know how these funds are actually spent? Will the 85% rule apply to this allotment and 15% can be set aside for administrative costs?

TEA will require a separate accounting for the high school allotment funds in the same manner as other allotments. The statute creating the high school allotment does not authorize an indirect cost allocation; however, the agency will consider what expenditure is encompassed by a specific program as part of its rulemaking.

The high school allotment should be coded to locally defined special revenue codes 423 through 428 and for PEIMS reporting it will be rolled to fund code 429. TEA is working on establishing a unique fund code, but until this fund code is established in PEIMS, districts should use fund code 429. There will not be a special program intent code as these funds can be used across the current program areas.

29. Can these funds be expended for programs that the district currently offers that meet the statute requirements that are specified in HB1 (beginning on page 126) or will the district be required to offer additional programs that meet these requirements? For example, if we currently offer several dual credit classes and college classes, can we fund our current staff from these funds?

Expenditures for existing programs that meet the statutory requirements can be funded with the high school allotment.

30. Are there exceptions to uses of the high school allotment?

Beginning in the 2008-09 school year, a school district can use the high school allotment funds on any instructional program other than an athletic program if:

- The district is recognized as exceptional under the new academic accountability indicator that will measure progress toward preparation for postsecondary success (Section 39.051 (b) (13))

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- The district's completion rate for grades 9 through 12 meets or exceeds completion rate standards required to achieve an exemplary rating (95% or more for 2007).

31. What if districts need to begin planning before rules are proposed in August?

TEA recognizes that district planning for the 2006-07 school year may begin before the proposed rules are published. If districts/campuses implement programs before the proposed rules are published, districts should closely adhere to the language in Section 39.114. Districts/campuses may fund effective high school completion and college readiness programs that have been successful and are already in place on the campus.

32. How may districts use High School Allotment funds?

Section 39.114 High School Allotment states that school districts and campuses must use funds under 42.2516 (b) (3) to:

- Implement college readiness programs to prepare underachieving students for college
- Implement programs that encourage students toward advanced academic opportunities, such as dual credit and AP
- Implement programs that give students opportunities to take academically rigorous course work, including four years of math and science
- Implement programs that align the curriculum for grades 6 through 12 with postsecondary curriculum
- Implement other high school completion and success initiatives in grades 6 through 12 as approved by the commissioner

33. What is the timeline for the rulemaking process?

Commissioner's rules are published and adopted under a timeline that gives opportunity for stakeholder input and comments, and for TEA to incorporate comments.

Expedited timeline to publish proposed high school allotment rules before the start of the 2006-07 school year:

- Stakeholder meetings/forums
 - TASSP—June 7-8
 - UT/TASA Summer Conference—June 26-27
 - Stakeholder meeting at TEA—TBD
- Commissioner's rules filed on August 7, 2006
- Commissioner's rules published on August 18, 2006
- 30-day comment period ends in September 2006
- Commissioner's rules are effective at the end of October 2006

34. Is the state making any plans to provide additional money for districts to hire science and math teachers to meet the new standards to be implemented by 2011?

At this time, the Legislature has not indicated whether or not there are plans to provide additional money for science or math teachers.

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FUNDING

35. Will the higher hold harmless amount result in higher recapture?

HB 1 reduces the cost of recapture for all districts that are subject to Chapter 41 from the costs they would have experienced had the law not changed.

36. When calculating the hold-harmless, are the high school allotment and the salary increase allotment included in the formula for calculating the hold harmless?

The revenue target hold harmless includes state aid for tax reduction, the high school allotment, and the money for the teacher pay raise.

37. Can a district pay an experienced teacher that has retired to serve as the mentor for his/her replacement who may be a young, fairly inexperienced teacher?

Districts can hire retired teachers, but if they function as classroom teachers, they must be paid according to the district's salary schedule based on their actual years of experience.

38. Are there any ideas about revenue sources for the second year?

There are no provisions to reduce state funding for local value growth in the second year.

39. When will the schools be receiving the \$275/ADA for the high school allotment, is there an application process?

There will be no application process. We anticipate adding a line to the Summary of Finances that reflects the amount for the high school allotment. Districts would be paid according to their payment class.

40. Are there runs available that predict financial impact on school districts? If so, when will the template be available to allow districts to calculate projected revenue?

There is a template available on the Region XIII website, and TEA maintains a link to that site. The template is being revised frequently as implementation issues are addressed, so users should check regularly for updates.

41. There are concerns about the financial burden that still affects some districts due to Hurricane Rita. Will additional financial assistance be available to assist the districts for the 06-07 school year?

No special provisions were made.

42. How will current TIF agreements be impacted by the new legislation?

There are provisions in the bill that were intended to keep the TIF agreements whole and to deliver state funding to assist districts in making those payments.

43. Will the pre-kindergarten program for military children be fully funded or only for those who already have the pre-kindergarten expansion grants?

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Pre-kindergarten for military children will be funded the same as it is for other eligible students. The Foundation School Program will provide 1/2 day funding. Districts with expansion grants may serve the children for the full day, but the grant amount cannot be amended to include the additional students.

44. What functions should be included in the budget summary report for the per student and aggregate spending on the defined areas? Will the per student be based on student enrollment or ADA?

The summary of the budget should be presented in the following function areas.

- (A) Instruction - functions 11, 12, 13, 95
- (B) Instructional Support – functions 21, 23, 31, 32, 33, 36
- (C) Central Administration – function 41
- (D) District Operations – functions 51, 52, 53, 34, 35
- (E) Debt Service – function 71
- (F) Other – functions 61, 81, 91, 92, 93, 97, 99

The per student will be based on student enrollment.

CURRICULUM

45. Does the requirement addressing four years of science instruction and four years of math instruction include all high school students or only those on the RHSP (Recommended Plan) and the Distinguished Plan for graduation? When do the additional math and science courses take effect?

There are a number of science and math courses currently included in the secondary TEKS that can be used to meet the new requirements which affect the Recommended High School and Distinguished Achievement Programs. A number of students are already taking four courses in math and science. The requirement takes effect for those students entering 9th grade in 2007-2008 school year. Regarding any potential changes to graduation requirements, the State Board of Education will be discussing these new course requirements at the July 2006 meeting since rule must be adopted by January 1, 2007.

46. Are there certain math and science courses that should be used for the 4th year or do we have some flexibility based on our teacher's strengths?

The State Board of Education will be discussing this topic at the July board meeting since rule must be adopted by January 1. The requirement will take effect for those students entering 9th grade in 2007-2008 school year (Section 5.09). There are a number of math and science courses currently included in the secondary TEKS that can be used to meet the requirement.

PRE-KINDERGARTEN

47. When does Pre-Kindergarten eligibility change take effect?

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This provision takes effect for the 2006-2007 school year.

48. What is meant in the bill by "member of the armed forces"? (§6.01)

The definition of "member of the armed forces" is as follows: Active Duty uniformed members (parents or official guardians) of the Army, Navy, Marine Corps, Air Force, or Coast Guard who are assigned to duty stations in Texas or who are Texans who have eligible children residing in Texas. Guard and Reserve--Activated/Mobilized uniform members of the Texas National Guard (Army or Air Guard), or the Activated/Mobilized Members of the Reserve components of the Army, Navy, Marine Corps, Air Force, or Coast Guard who are Texas residents regardless of the location of the reserve unit. In addition, children of a uniformed service member who is Missing in Action (MIA) would qualify under this code. The services would provide the MIA appropriate documentation.

49. What type of documentation is needed to verify eligibility for pre-kindergarten under Article 6 of the bill?

a.) To verify that a Service member is Active duty—the sponsor parent or guardian would present the Department of Defense identification. (Note: this is a DoD photo identification.)

b.) To verify that a Service member is an active member or mobilized Reservist or member of the Texas National Guard:

He/she would request a "Statement of Service" from the Installation Adjutant General (AG)/Director of Human Resources. This office would use the military personnel systems and documentation to verify that the Service member is in fact on active duty in Texas or a Texas mobilized Reservist. (Note: a Texas Reservist is a resident of the state of Texas though his/her unit might be located or headquartered outside of Texas). For Texas National Guard members (Army or Air Guard), the Texas National Guard's Office of The Adjutant General (TAG), could also provide documentation.

The Service member might also present an official letter from a commander (at or above the Lieutenant Colonel or, for the Navy at the Commander level) that he/she is active/mobilized.

c.) For a Service Member who Dies or is Killed:

The family would present a copy of the Death Certificate using the Service appropriate Department of Defense form, or a Department of Defense form that indicates that the reason for the separation from service was because of death. In either case the DoD form would show that the service member died while serving on active duty.

If the Department of Defense form is not available, the family would ask the Casualty Assistance Office of the closest Casualty Area Command (in Texas) to provide a memorandum signed by the Casualty Office stating the Service member was Killed in Action or died while serving.

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d.) For an Active Duty Service member or Mobilized Reservist/Guardsman that was injured while serving on active duty:

If wounded or injured in combat, a copy of the Purple Heart orders or citation would be presented.

If the Service member was NOT wounded or injured in combat (and was hospitalized or lost more than 24 hours of duty) a copy of the Line Of Duty Determination documentation or, if such is not available, a copy of an official letter from a commander (at or above the Lieutenant Colonel or, for the Navy at the Commander level) the Service member was wounded or injured while on active duty.

ASSESSMENT

50. Will consideration be given to moving the TAKS testing date to a later date to allow for the lost instructional days in August?

The Agency will review the implications of moving the testing dates, taking into consideration a number of policy and implementation issues.

51. Under Accountability and TEA, is TEA really going to evaluate each student in Texas and give them an expected level for improvement? Would this be the same as creating an IEP for each child for testing?

The bill requires the agency to determine a method for measuring annual improvement in student achievement that is tied to preparation to pass the exit level graduation test. The agency is required to report this information to school districts, and districts in turn are required to report the measure to teachers and parents. This measure is not viewed by the agency as an IEP for testing for each student but will be a measure reported at the individual student level.

TAX RATES AND COLLECTIONS

State aid for 2006-07 will be based on the district's adopted rate for 2005 x .8867, thus all tax rates are proportional reduced by the same amount. A district that adopted a \$1.50 M&O rate in 2005 would be compressed to \$1.33. A district with a 2005 adopted rate of \$1.43 would be compressed to \$1.27. In 2007-08, the compression rate is reduced to the lesser of 66.67% of \$1.50 or the effective M&O tax rate plus \$0.06 times the state compression rate. The calculation of the effective rate includes the funds the district will receive for tax rate compression.

Rollback rates

The rollback calculation for **2006-07** will be based on:

2005 Adopted tax rate x state compression rate
+ \$0.04
+ debt service rate
= 2006 rollback rate

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The rollback calculation for **2007 and beyond** will be based on the **lesser** of:

- \$1.50 x state compression rate
+ \$0.04
+ pennies previously approved by a rollback election
+ debt service rate
= 2007 (or later) rollback rate

OR

- Effective M&O tax rate
+ \$0.06 x state compression rate
+ debt service rate
= 2007 (or later) rollback rate

Districts that wish to exceed the rollback rate must conduct an election.

Maximum M&O rate

The maximum M&O tax rate is amended from \$1.50 to the sum of:

State compression rate x \$1.50 + \$0.17

Frozen levies

The provisions in the bill that would reduce frozen levies are not effective unless a constitutional amendment is passed. The accompanying legislation did not pass during the special session. Thus, only those homeowners who become eligible during the 2006 tax year will receive the benefit of the tax rate compression during the 2006-07 school year.

52. Will the Comptroller's Office be providing training with HB 1 considerations for Truth in Taxation (setting tax rates)?

The Comptroller's Office plans on conducting 4 regional seminars (Richardson, Austin, San Antonio and Houston Education Service Centers) July 19, 21, 24, and 26 and additional "Distance Learning" broadcasts from Austin Region 13 Education Service Center on July 17, 28 and 29 for school district Truth-in-Taxation provisions. All dates and locations are not yet final. More information will follow soon.

53. When can districts expect rollback calculation templates (from TEA) and the Truth-in-Taxation booklet (from the State Comptroller) since districts with a July 1 fiscal year are required to publish a tax and budget notice in the newspaper in early June?

Rollback calculation templates are now available on the Region XIII website. TEA has a link to this site from the State Funding webpage.
(<http://www.tea.state.tx.us/school.finance/index.html>)

54. HB 1 defines the rollback rate for 2006-07 as the compressed tax rate plus \$.04. Can a district go above this rate with a successful rollback election or is this amount the "ceiling" that cannot be exceeded under any circumstance?

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Under Section 26.08 of the Tax Code as added by HB1, a district's rollback limit in 2006 is its compression rate (88.67 percent of 2005 rate), plus four cents. A rollback election is allowed for a greater rate, up to the maximum rate authorized in Section 45.003. In 2006, the maximum rate will be \$1.50, with some exceptions for districts that had maintenance and operations rates above \$1.50 pursuant to a special law in 2005. In 2007, the rollback calculation becomes more complex and the absolute limit for maintenance and operations tax rates will be reduced as the state compression percentage decreases.

Districts can go above their 2005 Adopted rate x .8867 + \$0.04 with a successful rollback election.

55. If we are below the tax cap of \$1.50, do we still multiply our tax rate by the 88.67% to figure our reduction rate?

Yes, you will multiply your adopted 2005 tax rate by .8867, regardless of whether or not you were taxing at \$1.50.

56. Does HB 1 read we can raise 4 pennies for 06-07 AND another 4 pennies in 07-08 without voter approval?

No. The rollback limit in 2007 becomes the lesser of the state compression rate and four cents, or an effective tax rate to maintain maintenance and operations revenue, plus the state compression rate times six cents. Any tax rate authorized by the voters above the rollback limit in 2006 or thereafter will also carry over to increase subsequent rollback limits.

In 2007-08, you must first compress your 2005 adopted rate by 66.67%, and then add 4 pennies. If you had pennies approved in a rollback election in 2006, you can add those pennies before you hit the rollback limit.

57. How does the legislature intend for districts to fund future inflationary growth in salaries and expenses?

The legislature has not expressed its intent with regard to funding changes related to inflation.

STATE AID TEMPLATES AND PRELIMINARY ESTIMATES

The template maintained by Region XIII is currently being revised, and we will re-establish our link to that template when the new version is available. We hope to produce preliminary Summaries of Finances by mid-June, sooner if we can.

New revenue can be generated by accessing the \$0.04 available in the rollback rate calculation. The \$0.04 can be increased by a rollback election. These four pennies will be enriched to produce the same level of funding per weighted student as the Austin ISD. For 2006-07, the guaranteed yield on those four pennies will be \$41.21. Tax effort in excess of the state compression rate x 2005 adopted rate + \$0.04 will be equalized to at \$31.95. Chapter 41 districts will have no recapture on their \$0.04. Tax effort that exceeds the state compression rate x 2005 adopted rate + \$0.04 will be recaptured at the \$319,500 level.

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CHAPTER 41

Districts will be allowed to retain 2005-06 profits. Profits from 2006-07 partner agreements may be retained only if they are sent to another entity, i.e. JJAEP or technology consortium at the regional service center. Any profits that exceed what is sent to the other entity in 2006-07 are reduced from the Additional State Aid for Tax Reduction.

58. Will the funds for the Salary Increase Allotment, Health Insurance Allotment, and the High School Allotment flow to all districts, including Chapter 41 and Chapter 42, or will the recapture payments of Chapter 41 districts be reduced to offset these allotments?

All districts are eligible to receive these funds. Chapter 41 districts will have the option to net their recapture costs against these new sources of funds. In some cases, that will result in the Chapter 41 district not sending any recapture funds to the state or other districts.

59. How will the gain from Chapter 41 agreements be treated under the new legislation? Will districts have the same latitude as they did under previous legislation that would allow funds to flow to ESCs for use under law?

Districts are held harmless for the gains they received in 2005-06. However, beginning in 2006-07, they may keep only those profits that are sent to another entity (ESC or JJAEP). Any remaining profit will be deducted from their Additional State Aid for Tax Reduction.

60. For districts that are new to Chapter 41 beginning in 06-07, will their options to equalize excess wealth remain the same as under current law?

Yes, the provisions to equalize excess wealth are the same.

61. For districts that are established Chapter 41 districts and wish to exercise previously un-vote approved Option 4, will they be allowed to vote and implement that option under new law?

Yes. A Chapter 41 district can always hold an election to authorize an additional option.

Districts may exercise the options that have been authorized by voters, even if they have not used that option in the past. If a district wishes to exercise an option that has not been previously approved, they will need to conduct another election.

ELECTIONS

62. If a town is unincorporated, but a Hospital District exists that has elections in May, could a district hold their election in conjunction with the Hospital District in May rather than the General Election?

No. The statute says "municipality" and that means an incorporated city.

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- 63. What will be the process for establishing the election date for board elections? Could the boards proceed now through board resolution to establish the date/month for their elections or will there be a special form coming from the Secretary of State's Office that requires board action?**

The Secretary of State's Office has submitted HB1 for pre-clearance under the federal Voting Rights Act. Local Boards may proceed by resolution to change an election date, subject to pre-clearance of both the legislation and the local change.

- 64. If a city does not hold an election in a given year, when may local board of trustee elections be held?**

A school district must select an election option that actually coincides with a municipal election or a state and county election. However, a district may select an option that does not coincide each year. For example, a district with three-year terms may elect to hold elections on the state and county election date despite the fact that some district elections in odd-numbered years may not coincide with a state or county election.

- 65. In regard to the election law changes, for a district that must change their election date, when will board members whose term is expiring run for office? Will the election simply be postponed and their terms extended until the next called election?**

Under Section 11.0581(d) of the Education Code as added by HB1, a board of trustees may lengthen or shorten terms to coincide with a new election date.

OTHER

- 66. Will the University Interscholastic League (UIL) and TEA align their calendars? As it looks for next year, football work outs will begin August 1, and nearly a month later, August 27th school will start. Will UIL move the official start date to later in August?**

The Legislative Council of the UIL is responsible for setting the UIL calendars. Please contact UIL at (512) 471-5883 for information about upcoming calendars.