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<th>Acknowledged Organizations</th>
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<td>Amarillo Area Foundation (Amarillo)</td>
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<td>Buena Vista Foundation (Austin)</td>
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<td>Educate Texas/Communities Foundation of Texas (Dallas)</td>
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<td>Greater Texas Foundation (Bryan/College Station)</td>
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In 2015, the Texas Legislature approved House Bill 4 and created the High-Quality Pre-K Grant Program, an effort championed by Governor Greg Abbott, bipartisan policymakers, and leaders from the business, faith, law enforcement, and education sectors across the state. Demand for the new grants has been high. In the summer of 2016, the Texas Education Agency (TEA) announced that 530 independent school districts (ISDs) and 43 charter districts would receive grants through the program to improve the quality of pre-k for currently eligible children.

In light of the research demonstrating the effectiveness of high-quality pre-k and the need to improve school readiness among young children in Texas, there is substantial interest in ensuring the success of HB 4, learning from its implementation, and building on it in the future to ensure Texas achieves the short- and long-term educational gains and cost savings associated with high-quality pre-k programs.

The Texas Education Grantmakers Advocacy Consortium (TEGAC) supported this report as a step towards reaching those goals. TEGAC is a group of 35 private and community foundations from across the state dedicated to protecting and improving Texas public education by providing policymakers with objective data on important education policy questions. As investors in and supporters of quality pre-k programs across the state, these philanthropists wanted to know how districts were planning to use pre-k dollars made available through HB 4 and what additional support districts need to boost the quality of their pre-k programs.

This report represents a preliminary statewide analysis of the grants awarded under HB 4 using TEA data on HB 4 grants and Texas school district enrollment and demographics. In collaboration with Texans Care for Children and TEGAC, six non-profit, non-partisan groups working in Austin, Dallas, Fort Worth, Houston, the Rio Grande Valley, and Waco will conduct more locally-focused assessments of HB 4 implementation and community pre-k priorities. These six entities* from across the state will publish their reports prior to the 2017 legislative session.

This statewide report and the local research efforts will provide Governor Abbott, legislators, the Texas Education Commissioner, local education leaders, and others with key data on HB 4 implementation and community pre-k priorities. Additional research will be needed to measure the impact of HB 4 funding on pre-k quality in the classroom and assess what other support may be needed to ensure every child in the state’s pre-k program has an effective pre-k learning experience.

* The six groups are Greater Houston Partnership, Commit!, Early Learning Alliance, United Way for Greater Austin, Children’s Defense Fund - Texas, and Prosper Waco.
KEY FINDINGS

Key findings highlighted in this report include:

1. **There is high demand for HB 4 funding.** The districts that received HB 4 grants educated 189,810 pre-k students during the 2015-2016 school year, representing 86 percent of the state’s pre-k enrollment.

2. **HB 4 grants are serving pre-k students in school districts across the economic spectrum.** Eighty-three percent of pre-k students in lower poverty districts (those in which fewer than 40 percent of students are economically disadvantaged) will benefit from the grants compared to 87 percent of those in higher poverty districts (those in which more than 60 percent of students are economically disadvantaged). Nonetheless, total HB 4 funding will be more concentrated in higher poverty districts because significantly more pre-k students are in higher poverty districts (68 percent) compared to lower poverty districts (9 percent).

3. **School districts with more than 100 pre-k students are much more likely to participate in HB 4 compared to smaller districts.** Ninety-one percent of pre-k students in districts with a pre-k enrollment above 100 students will benefit from the HB 4 grants compared to just 50 percent of those in the smaller independent school districts and charter districts.

4. **The relatively low level of per-student funding provided to districts through HB 4 may limit the effectiveness of the grant program.** The two tranches of HB 4 funding provided to school districts to use during the 2016-2017 school year totaled $734 per student, approximately half of the amount originally envisioned in the Governor’s proposal.

5. **HB 4 application rates were lower in certain regions of the state, even when accounting for the size of school districts.** Among school districts with more than 100 pre-k students, only fifty-one percent of districts in Education Service Center (ESC) Region 11 (Fort Worth) applied while a mere 15 percent of those in Region 16 (Amarillo) applied, falling short of application rates for districts with more than 100 pre-k students in other ESC Regions.
A growing body of research shows that positive early childhood experiences shape the trajectory of children throughout school and beyond. Decades of research on pre-k programs across the country show that high-quality pre-k programs are associated with school success, including improved school readiness, higher test scores, and higher educational attainment.

Research also demonstrates that many children start kindergarten without the cognitive, social, and emotional skills required to succeed in elementary school. Starting behind their peers, many of them struggle to ever catch up.

Investing in pre-k is one of the primary ways that policymakers in Texas and across the country have sought to harness the power of high-quality early childhood experiences and ensure more children start school on grade level and succeed in school and beyond.

Under state law, Texas school districts are required to offer at least a half day (3 hours) of voluntary pre-k to four-year-olds who:

- are eligible for free or reduced-price lunch,
- are learning English,
- have ever been in foster care,
- have a parent who is on active duty with the military or was killed or injured on active duty, or
- are homeless.

School districts are exempt if fewer than 15 eligible students request pre-k. The per-student formula funding that the state provides to each school district pays for half-day pre-k for each student. Texas pre-k served 221,101 children during the 2015-2016 school year.

Many Texas districts, seeking to improve educational outcomes and respond to local interest in pre-k, implement programs that go beyond the basic structure required by the state. For example, some districts:

- use other funds to extend pre-k to a full day (six hours or more),
- offer pre-k to three-year-olds who meet pre-k state eligibility requirements,
- reduce class sizes or student-teacher ratios,
- allow four-year-olds who do not meet the eligibility criteria to pay tuition to enroll in pre-k, and/or
- partner with Head Start or private child care providers to deliver pre-k programs to eligible children.
During his 2014 gubernatorial campaign, and during the 2015 legislative session, Governor Greg Abbott made pre-k one of his top priorities. Discussing the importance of pre-k during the legislative session, he said, “The road to elevating Texas to become first in the nation for education begins with pre-k.”

The Governor’s focus on pre-k reflected the research showing the importance of high-quality pre-k for improving educational outcomes and the strong support for pre-k among business leaders, economists, education experts, law enforcement, faith leaders, and elected leaders from both sides of the aisle. Echoing the sentiments of many other Texas business leaders, Daniel Waldmann, an executive at Tenet Healthcare and Board Member of Early Matters Dallas, explains, “Quality pre-k gives kids a strong foundation for success in school and a lifetime of learning that is critical for the careers that will power the Texas economy in the future.”

This heightened focus on Texas pre-k also emerged amid concerns regarding the loss of state grants to school districts to extend pre-k from half-day to full-day. In 2009, the last legislative session in which the Early Start Grant program was funded, the Legislature appropriated $208 million to invest over the 2010-2011 biennium. Then, in 2011, the Legislature made broad and deep cuts to education funding and eliminated the grant program. Those cuts raised concerns about school districts’ ability to provide quality pre-k to a growing population of eligible children in Texas.
pre-k, yet Texas had – and still has – no limits on
class size or ratios in statute or administrative
rules. In fact, shortly before publication of this
report, a study commissioned by TEA at the
request of the Legislature recommended that
Texas establish a pre-k class size limit of 22
students and a student-teacher ratio limit of
11:1 for classes with more than 15 students.⁸

Representative Dan Huberty filed, and Senator
Donna Campbell sponsored, House Bill 4 to
create the High-Quality Pre-k Grant Program
during the 2015 legislative session. The
legislation passed 25-6 in the Senate and 129-
18-1 in the House, and the Governor signed
the bill into law. The Legislature appropriated
$118 million to fund the grant program starting
in the second school year of the biennium.
Although the $118 million appropriation for
HB 4 received wide support, the investment
falls far short of the $208 million appropriation
in 2009 for the state’s Early Start Grants for
pre-k.

HB 4 directs TEA to establish a grant program
providing up to $1,500 per pre-k student to all
school districts that apply for the funding and
meet the eligibility criteria. Participating school
districts receive that funding in addition to the
approximately $3,650 per student they receive
for half-day pre-k through the Foundation
School Program. According to TEA, to
qualify for the funding, districts must "meet
certain enhanced quality standards related to
curriculum, teacher qualifications, academic
performance, and family engagement." ⁹

School districts that receive the grants must
report their kindergarten readiness data,
teacher qualifications, family engagement plan,
and other information to TEA at the end of the
2016-2017 school year. HB 4 also requires all
school districts with pre-k programs to report
to TEA on the size of their pre-k classes, their
ratio of instructional pre-k staff to students,
whether they provide full-day pre-k, and other
information.

During the legislative debate, many lawmakers
and stakeholders (including Texans Care for
Children) supported this new investment as
a good step towards improving pre-k quality.
Many community leaders and education
experts also expressed concerns about the
limitations of HB 4.

They noted:

- The legislation does not establish
certain key quality standards, such as a
limit on class sizes or student-teacher
ratios, either statewide or for districts
participating in the grant program;

- The unpredictable nature of grant
funding would make it difficult for
districts to commit to sustained pre-k
improvements;

- The HB 4 appropriation of $118
million is lower than the $208 million
appropriation for the state’s previous
pre-k grant program; and

- The legislation’s cap of $1,500 per
student – and the even lower level of
per-student funding given expected
high demand for the grants – may limit
districts’ ability to make any deep and
lasting quality improvements.
Interested school districts submitted applications to TEA by April 8, 2016 for review by the agency. In July 2016, TEA announced that 530 traditional school districts and 43 charter districts received HB 4 grants.

High Demand for Grants

The districts that received the pre-k grants educated 189,810 pre-k students during the 2015-2016 school year, representing 86 percent of the state’s pre-k enrollment. The high demand for the grants demonstrates the significant value that local education leaders place on quality early childhood education. A total of 530 independent school districts (ISDs), representing 54 percent of all ISDs with pre-k programs, received grants.

While most charter schools do not offer pre-k, 60 percent of those with pre-k programs received HB 4 grants. In fact, charter schools with pre-k were slightly more likely to participate in HB 4 compared to their ISD counterparts. However, given the high number of charter schools without pre-k, only 22 percent of the state’s 207 charter districts applied.

A total of 479 ISDs, or nearly half of those in the state, chose not to apply. Those districts educated 25,412 pre-k students in 2015-2016, representing just 11 percent of the state’s pre-k enrollment but a significant number of children nonetheless.

Most large school districts applied for and received HB 4 grants. Of the 42 school districts with over 30,000 students, only Mesquite and Amarillo ISDs did not apply. The only other district of this size that is not participating in HB 4 is Aldine ISD, which applied to TEA and was deemed eligible but later declined the funding.

HB 4 grants are serving pre-k students in school districts across the economic spectrum. In fact, pre-k students in lower poverty districts are almost as likely to benefit from the grants as their peers in higher poverty districts. Statewide, 59 percent of students are considered economically disadvantaged. Our analysis considered ISDs and charter districts with fewer than 40 percent economically disadvantaged students to be lower poverty and those over 60 percent economically disadvantaged to be higher poverty. Eighty-three percent of pre-k students in lower poverty districts will benefit from the grants compared to 87 percent of those in higher poverty districts. While students in both categories of districts will participate in HB 4 pre-k programs, total HB 4 funding will be more concentrated in higher poverty districts because significantly more pre-k students are in higher poverty districts (68 percent) compared to lower poverty districts (9 percent).

Small Size of Grants

The high demand for the grants coupled with the Legislature’s $118 million appropriation for the program led to grant awards that were considerably smaller than the $1,500 per student envisioned in the Governor’s original proposal. TEA awarded school districts $734 per student to spend during the 2016-2017 school year. In addition to the $734 per student, the state’s Foundation School Program provides districts with approximately $3,650 per pre-k for a half day of instruction.
Fig. 2: HB 4 Participation Among Districts Offering Pre-K in 2015-2016

Independent School Districts

- Awarded: 530 (54%)
- Did Not Apply: 428 (44%)
- Application Approved but District Declined Funding: 19 (2%)

Charters

- Awarded: 43 (60%)
- Did Not Apply: 27 (38%)
- Application Approved but District Declined Funding: 2 (3%)

Sum of percentages may not equal 100% due to rounding.

Fig. 3: Number of Pre-K Students in Districts Funded and Not Funded Under HB 4

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<tr>
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<th>Districts Awarded Grants</th>
<th>Districts That Did Not Apply</th>
<th>Districts That Declined Grants</th>
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<tbody>
<tr>
<td>In Districts With Over 100 Pre-K Students</td>
<td>176,697 kids</td>
<td>13,021 kids</td>
<td>5,237 kids</td>
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<tr>
<td>In Districts With Under 100 Pre-K Students</td>
<td>13,113 kids</td>
<td>12,291 kids</td>
<td>842 kids</td>
</tr>
<tr>
<td>Total</td>
<td>189,810 kids</td>
<td>25,312 kids</td>
<td>6,079 kids</td>
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HB 4 funding per student for 2016-2017 school year

$734

HB 4 vision for funding per student

$1500

The HB 4 awards were divided into two tranches totaling $367 per student, one tranche identified for the already completed 2015-2016 school year and another for the 2016-2017 school year, though in practice both tranches will be expended for the 2016-2017 school year. While every district received a total of $734 per pre-k student, the size of the total grant awards ranged from less than $10,000 for several smaller school districts to $9.2 million for Houston ISD. (The total annual budget for Houston ISD is $2.3 billion.)

While district applications clearly reflected a desire for additional state funds to support local pre-k priorities, the relatively small size of the grants may limit school districts’ ability to improve the effectiveness of their pre-k programs, increase student achievement, and meet the requirements of the grant program.

21 Districts Declined HB 4 Grants

Four HB 4 applicants were deemed ineligible because they do not serve pre-k students: three charter schools and the Windham School District, which educates inmates in the state correctional system.

Of the districts that TEA approved, 19 ISDs and two charter schools declined the funding. Those districts served 6,079 pre-k students, approximately three percent of all pre-k children in Texas. The three largest districts that turned down the funding were Aldine ISD in Harris County (total enrollment of 70,400), Duncanville ISD in Dallas County (total enrollment of 12,800), and Lockhart ISD in Caldwell County (total enrollment of 5,400).

School districts have cited the low grant awards in explaining their decisions to reject the funding. They have also noted that the uncertainty about continued HB 4 funding in the future discouraged them from participating. Springtown ISD’s superintendent told the Texas Tribune “Upon receiving notification of award and reviewing the proposed allotment, it was determined that the resource allocations (human, fiscal, and physical) required to meet the enhanced standards and curricular requirements were too significant. ... We simply could not afford to implement the program.”

Explaining its decision to decline the funding, Duncanville ISD told the Associated Press that the size of the grants was significantly lower than what they had expected.

Characteristics of Districts Choosing Not to Apply

There are 428 ISDs and 27 charter districts that have pre-k programs but did not apply for HB 4 grants.

Pre-k students are much less likely to benefit from HB 4 grants if their school districts have fewer than 100 pre-k students. Ninety-one percent of pre-k students in the larger districts...
will benefit from the grants compared to just 50 percent of those in the smaller ISDs and charter districts.

**Fig. 5: Percentage of Pre-K Students in Districts Receiving HB 4 Grants, By Size of Districts**

Districts with fewer than 100 pre-k students represent a small but not insignificant proportion of the state’s pre-k population. Over 13,000 pre-k students statewide are in districts with fewer than 100 pre-k students that did not receive the grants. Three out of five Texas school districts have fewer than 100 pre-k students.

**Rural districts were less likely to apply for and receive HB 4 grants, although the gap largely reflects differences in the size of pre-k programs.** Excluding districts with no pre-k programs and charter schools, and using TEA’s labels for districts, our analysis found that 68 percent of urban and suburban districts received grants compared to 48 percent of rural districts. Of the state’s 35,376 rural pre-k students, 71 percent are in districts that received funding compared to 92 percent of pre-k students in suburban and urban districts.

However, when accounting for the size of pre-k programs, rural districts were slightly more likely to receive HB 4 grants compared to their urban and suburban counterparts. Forty-three percent of rural districts with fewer than 100 pre-k students received funding compared to forty percent of small urban and suburban districts. Similarly, 87 percent of rural districts with more than 100 pre-k students received grants compared to 83 percent of their urban and suburban counterparts.

**HB 4 application rates vary widely among Education Service Center (ESC) regions.** For example, Region 1 (based in Edinburg) had the highest percentage of districts apply, 77 percent, while Region 16 (Amarillo) had the lowest application rate, 15 percent.

However, when considering the size of pre-k programs, the two areas with noticeably low application rates are Region 11 (Fort Worth) and Region 16 (Amarillo). Setting aside those districts that have fewer than 100 students enrolled in pre-k, district participation rates ranged from 67 to 100 percent for the state’s other 18 regions. Yet only fifty-one percent of larger districts in Region 11 (Fort Worth) applied while a mere 15 percent of larger districts in Region 16 (Amarillo) turned in applications.

There is significant diversity among ESC regions in terms of number of students, size of school districts, concentration of rural districts, and other factors. For example, Region 8 (Mount Pleasant) is composed of 100 percent rural districts educating a total of 61,000 students, while Region 4 (Houston) is more urban and includes over one million students. Nonetheless, the regional participation rates may also reflect local and regional leadership, support from regional ESCs, or other non-demographic factors that can be examined and addressed by policymakers.
Fig. 6: HB 4 Application Rates By ESC Region (Districts with More than 100 Pre-K Students)
CONCLUSION AND RECOMMENDATIONS

HB 4 is off to a solid start. School districts serving 86 percent of the state’s pre-k students are participating in the grant program in the 2016-2017 school year. The high demand for the grants reflects the value that local leaders place on quality early childhood education.

However, the small size of the grants on a per-student basis will pose a challenge as districts seek to improve educational outcomes for students. Additionally, the lower application rates among districts serving fewer than 100 pre-k students and among districts in ESC regions 11 and 16 suggest further work is necessary to determine if all school districts serving pre-k students have the support and information necessary to benefit from HB 4.

Recommendations for Ensuring the Success of HB 4

- Ensure HB 4 per-student funding is adequate to meet the goals of the legislation, providing at a minimum $236 million for the 2018-2019 biennium (i.e., continuing the current funding level of $118 million per school year)
- Offer school districts more certainty by providing HB 4 funding through the state’s education formula funding system
- Work with school districts, community leaders, and Education Service Centers to ensure that all districts, particularly those with lower application rates, have the information and support they need to apply for HB 4 grants if they wish to participate in the future
- Monitor the implementation of HB 4 to ensure districts comply with the law’s requirements
- Consider the low level of HB 4 per-student funding during evaluation of the grant program’s effectiveness

Recommendations for Additional Steps to Improve Pre-k in Texas

- Support community and school district priorities for expansion of quality pre-k, whether the priorities are increased access for three-year-olds, offering more full-day options, strengthened parent engagement, additional partnerships with child care or Head Start, or other efforts
- Provide state funding to interested school districts for expanding from half-day to full-day pre-k
- Establish a statewide limit on pre-k class size and pre-k student-teacher ratios as recommended by national standards and the 2016 study commissioned by TEA
- Identify opportunities for additional pre-k program improvements using the data on class size, student ratios, student progress, and other program characteristics that all districts will submit to TEA under new HB 4 requirements