



TEXAS ASSOCIATION OF
SCHOOL ADMINISTRATORS

Summary of HB 3 ESA Bill

HB 3, as filed, creates a \$1 billion Education Savings Account (ESA) program to be administered and regulated by the Texas Comptroller's Office beginning with the 2026-27 school year. It requires the comptroller to contract with a private entity to conduct compliance audits for program accounts and participant eligibility not less than once per year. The bill authorizes the comptroller to suspend the ESA of a participating child not in compliance. The comptroller is entitled to obtain criminal history records about individuals who are employees of an education service provider or vendor that intends to provide educational services to a child participating in the ESA program and who is seeking approval to receive program funds.

Program Fund

Establishes that the ESA program is composed of:

- transferred general revenue
- money appropriated to the fund
- gifts, grants and donations
- any other available money

Certified Educational Assistance Organizations

As with the Senate's ESA bill, SB 2, this legislation allows the comptroller to contract with up to five certified educational assistance organizations (CEAO). The legislation lays out requirements for CEAOs, including their qualifications, cybersecurity obligations, and methods for assisting families with program navigation. The bill mandates that the CEAOs produce annual longitudinal reports with the compilation of specified data for the ESA program.

Program Eligibility

HB 3 establishes a universal program, so any Texas student who is eligible to attend a public school or enroll in a public school's prekindergarten program may apply to the program.

Applications

A parent of an eligible child would apply to a CEAO to enroll their child in the following semester, term, or school year as determined by deadlines established by the comptroller.

Lottery System

On receipt of more applications than available funding, a CEAO would fill the available positions through a lottery system that prioritizes children with disabilities, special learning needs, and/or those who live in a household that qualifies based on criteria from the 2025 Federal Poverty Guidelines, specifically children:

- with a disability and who are members of a household with a total annual income at or below 200 percent of the guidelines
- who are members of a household with a total annual income at or below 200 percent of the guidelines
- who are members of a household with a total annual income above 200 percent but below 500 percent of the guidelines
- who are members of a household with a total annual income at or above 500 percent of the guidelines

Waiting List

The comptroller is required to create and maintain a waiting list based on the priority categories.

Participation Requirements

The bill outlines requirements that a participating parent must agree to such as spending money only for allowable expenses under the ESA program or authorizing any required assessment results to be shared with the CEAO.

Preapproved Providers and Vendors

The bill authorizes the comptroller to establish, by rule, a process for the preapproval of education service providers and vendors of educational products for participation in the program. It mandates that the comptroller may approve only a service provider or vendor that operates in Texas.

Approved Education-Related Expenses

The ESA may be used for the following expenses for a participating child:

- tuition and fees
 - private school
 - higher education provider (e.g., for a dual credit course)
 - online education courses or programs
 - industry-based certification training
- purchase of required textbooks other instructional materials, or private school uniforms, and allows for purchases made through a third-party vendor
- fees for classes or services provided by a public school or charter school, if they do not qualify the child to be included in the school's ADA
- costs for academic assessments
- fees for private tutors
- transportation (to and from school)
- educational therapies (not covered by other federal or state entities)
- the cost of breakfast/lunch at a private school

Amount of Payment

HB 3 provides that a parent of a participating child may receive payments from the state to the ESA account in an amount equal to 85 percent of the estimated statewide average amount of *state and local funding per pupil in ADA for the applicable school year.

***Note:** There is a discrepancy in the amount of per pupil funding that districts currently receive as different sources cite different numbers. As recently reported by TEA, the average M&O funding per student is \$10,800, with some districts coming in higher and some coming in lower. Some sources tack on I&S and federal funding, which varies greatly from one district to another, and implies a much higher average in per pupil funding.

A child with a disability would receive the full state entitlement for which they were eligible at a public school in the prior year that includes the average per student ADA funding and the amount a district would have received based on the calculations of the child's individualized education program (IEP) and participation in the district's special education program. The amount is not to exceed \$30,000.

A home-schooled student's account may not receive more than \$2,000 for a school year.

Unexpended Funds

Unused funds are carried forward to the next fiscal year unless the child's ESA account is closed.

IEP Evaluations

A parent of a child *not enrolled* in a school district or open-enrollment charter school may request that a district or school conduct a full individual evaluation to determine if their child is eligible for special education service funding offered in the ESA program. A district or school must conduct the evaluation within 45 days of the request. A full IEP must be developed by the public school district or school for a child who qualifies for services and must provide the IEP to TEA upon request.

Implementation Date

The legislation would be implemented beginning with the 2026-27 school year.