

SUBJECT: Revising bond eligibility for public schools' existing debt allotment

COMMITTEE: Public Education — favorable, without amendment

VOTE: 8 ayes — Sadler, Dutton, Dunnam, Hardcastle, Hochberg, Oliveira, Olivo, Smith
0 nays
1 absent — Grusendorf

SENATE VOTE: On final passage, April 9 — voice vote

WITNESSES: For — Michael Hinojosa, Fast Growth School Coalition
Against — None

BACKGROUND: State funding for public school facilities under Tier 3 of the Foundation School Program includes the existing debt allotment (EDA) and the instructional facilities allotment (IFA). EDA provides a guaranteed yield for local tax effort related to school-district bonds. Under Education Code, sec. 46.033, bonds are eligible for EDA assistance if the school district's audited debt-service collections for the 1998-99 school year included taxes levied to pay principal and interest on the bonds and if the district did not receive state assistance through the IFA. Under sec. 46.034, if the amount required to pay principal and interest on bonds in a school year is less than the district's audited debt-service collections for the 1998-99 school year, the district may not receive more aid than the difference between the amount required to pay principal and interest and the district's local revenue.

DIGEST: SB 1766 would update the definitions of bonds eligible for EDA assistance and of the limits on EDA assistance by referencing the 2000-01 school year.

The bill would take effect September 1, 2001.

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- SUPPORTERS SAY:** SB 1766 would allow school districts to receive state assistance to pay debt service on more recently issued bonds for school facilities. Under current law, bonds issued after the 1998-99 school year are not eligible for EDA assistance. During this biennium, many school districts, especially those with aging facilities or a fast-growth student population, have had to remodel facilities or build new facilities. Districts should be able to receive assistance for construction debt acquired after the 1998-99 school year.
- OPPONENTS SAY:** SB 1766 carries a significant fiscal note. According to the Legislative Budget Board, it would cost the state \$150 million in fiscal 2002-03 and \$75 million each fiscal year thereafter.
- NOTES:** HB 2879 by Sadler, which has passed both houses of the Legislature, would amend the provision on bond eligibility for EDA assistance as proposed in SB 1766 but would not amend the provision on limits on assistance.