

SUBJECT: Rolling forward the Existing Debt Allotment for school facilities

COMMITTEE: Public Education — favorable, without amendment

VOTE: 8 ayes — Eissler, Hochberg, Allen, Farias, Jackson, Patrick, Shelton,
Weber

0 nays

3 absent — Aycocock, Dutton, Olivo

SENATE VOTE: On final passage, April 16 — 31-0

WITNESSES: For — Paul Colbert, El Paso ISD; (*Registered, but did not testify:* Portia Bosse, Texas State Teachers Association; Amanda Brownson, Texas School Alliance; Bill Carpenter, Texas Council of School Administrators of Special Education; Daniel Casey, Fast Growth School Coalition; Jackie Lain, Texas Association of School Boards; Casey McCreary, Texas Association of School Administrators)

Against — None

BACKGROUND: The Existing Debt Allotment (EDA) is an equalized funding program that helps qualified school districts pay existing bond debt for school facilities. Education Code, sec. 46.033 includes a cutoff date that determines eligibility for state and local facilities funding under the EDA. Under sec. 46.033, bonds for which a school district made payments during the 2006-07 school year are eligible for EDA funding.

Districts with lower wealth per student have a greater share of their debt paid by the EDA, which provides a guaranteed yield of \$35 per student per penny of debt tax effort up to 29 cents per \$100 of valuation. No application is required for a district to receive an allotment.

Each biennium, the Legislature must approve a new eligibility cutoff date in order to give school districts access to any funding appropriated to this program.

DIGEST: SB 587 would “roll forward” the eligibility date for the Existing Debt Allotment program so that bonds for which a district levied taxes and made payments during the 2008-09 school year would be eligible to be paid with state and local funds.

The bill would take effect September 1, 2009.

SUPPORTERS SAY: SB 587 would provide the statutory change needed to access an additional \$68.9 million appropriated in both the Senate-passed and House-passed versions of the general appropriations bill, SB 1 by Ogden, for school facilities under the Existing Debt Allotment (EDA). This state assistance is especially important for fast-growing school districts, which continually struggle to provide classrooms and other facilities for rapidly increasing student populations.

Low-wealth districts also would benefit from this extension of state assistance for school facilities. These districts are having difficulty keeping up with new facilities needs and maintaining existing facilities. EDA funding from the state can make the difference in whether or not a district decides to proceed with a bond program for these purposes.

The Texas Supreme Court, in its November 2005 school finance decision, cited the state’s continued funding of the EDA as a reason for not finding the state system for facilities funding to be unconstitutional. While the EDA originally may have been considered as temporary facilities assistance, continued funding of the program is a key component for maintaining the constitutionality of the state's school finance system.

OPPONENTS SAY: The EDA was intended to be a temporary measure to deal with pent-up demand for facilities and should not be continued year after year as another entitlement program. The EDA largely is responsible for the rapid increase in school districts’ bonded indebtedness over the past decade.

EDA funding should be restricted to instructional facilities so that state funds are not used to pay for football stadiums and other non-instructional facilities.

OTHER OPPONENTS SAY: Rather than having to “roll forward” the eligibility date for the EDA each biennium, the Legislature should make the program permanent. School districts and taxpayers should not have to face the uncertainty of whether or not the EDA will be rolled forward in determining their future financial

commitments. Facilities are an essential component of a high-quality education, and the state should strengthen its commitment to ensuring that all children have the opportunity to learn in safe, functional facilities. Failure to provide sufficient facilities funding for school districts that cannot raise adequate funds locally has widened the equity gap for districts that already are struggling to keep up with enrollment growth.

NOTES:

The House-passed version of SB 1 by Ogden, the general appropriations bill for fiscal 2010-11, would appropriate \$68.9 million to “roll forward” EDA eligibility.

The bill’s fiscal note estimates a cost of \$69.8 million general revenue funds for fiscal 2010-11 to “roll forward” the eligibility date.

HB 3646 by Hochberg, which includes a permanent “roll-forward” of EDA eligibility, passed the House by 142-2 on May 12 and has been referred to the Senate Education Committee.