

BILL ANALYSIS

Senate Research Center

S.B. 797
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Education
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The Instructional Facilities Allotment (IFA) was established by the 75th Legislature in 1997 for the purpose of providing school districts with access to equalized funding for school facilities. Created initially as a grant program, the IFA was changed to a guaranteed yield structure similar to Tier 2 of the Foundation School Program in 1999. For the following two biennia funds were appropriated for this purpose. In 2003, no funds were appropriated for financing new facilities under the IFA for 2003-2004; \$20 million was appropriated for 2004-2005 contingent upon funds being available. In each instance, the cost of equalization for all qualifying facilities exceeded the funds appropriated, resulting in many property-poor districts being denied access to equalized funding for their instructional facilities.

In addition, the legislature also established the Existing Debt Allotment (EDA) in 1999 to provide tax relief by equalizing the yields and compressing the tax rates for facilities debt incurred prior to its establishment. Since many districts were left out of equalized IFA funding, the EDA was extended or "rolled forward" in 2001, to include facilities that had failed to receive equalized funding the prior biennium. When many more districts were left out of IFA support that biennium, the EDA was once again rolled forward in 2003, to cover them.

In the *West Orange Cove* decision, a major criticism of the current system by the trial court judge was the failure to consistently and substantially equalize funding for facilities, just as the failure to do so had been criticized by the Texas Supreme Court in the *Edgewood IV* decision. As proposed, S.B. 797 would assure sufficient funding for the IFA by specifying a minimum appropriation and by including the IFA in the Foundation School Program to require that any shortfall be covered in the next year's "settle-up" process. S.B. 797 would also make the EDA roll-forward provision both automatic and permanent and would transfer the preceding biennium's IFA projects to the EDA, thereby converting the IFA appropriation into the equivalent of a revolving fund.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subsection (c), Section 42.007, Education Code, to require the funding elements to include certain factors regarding the school facilities assistance program.

SECTION 2. Amends Section 42.251, Education Code, as follows:

Sec. 42.251. FINANCING; GENERAL RULE. (a) Adds the instructional facilities allotment under Subchapter A (Instructional Facilities Allotment), Chapter 46, as an element of the allotment that together constitute the total cost of the Foundation School Program.

(b) Requires the program to be financed by certain methods. Makes a conforming change.

SECTION 3. Amends Subsections (a), (b), and (c), Section 42.253, Education Code, as follows:

(a) Requires the commissioner of education (commissioner), for each school year, to determine certain money entitlements.

(b) Requires the commissioner to base the determinations for the instructional facilities allotment on the procedures specified in Subchapter A (Instructional Facilities Allotment), Chapter 46.

(c) Provides that each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1), (a)(2), and (a)(3) and the sum of Subsections (a)(4), (a)(5), (a)(6), and (a)(7). Makes nonsubstantive changes and deletes existing text relating to Subsection (a)(3).

SECTION 4. Amends Section 46.003, Education Code, by amending Subsections (a) and (h) and adding Subsection (i), as follows:

(a) Requires the total amount of state support provided each biennium to equal at least \$300 million or a higher amount provided by appropriation. Provides that the amount of state support for a school district is determined by a certain formula.

(h) Provides that until the bonds are fully paid, the instructional facility is sold, or the school district becomes eligible to receive assistance with payment of the bonds under Subchapter B (Assistance with Payment of Existing Debt), the district is entitled to receive certain state assistance.

(i) Requires the commissioner, notwithstanding any other provision of this chapter, to ensure that a school district that becomes eligible for state assistance under Subchapter B with payment of bonds for which the district initially received state assistance under this subchapter continues to receive state assistance under this subchapter as necessary to result in a total guaranteed level of state and local funds per student per cent of tax effort equal to the level provided under this subchapter for the year in which the bonds were issued.

SECTION 5. Amends Section 46.033, Education Code, as follows:

Sec. 46.033. ELIGIBLE BONDS. Provides that bonds, including bonds issued under Section 45.006, are eligible to be paid with state and local funds under certain conditions, under this subchapter.

SECTION 6. Effective date: September 1, 2005.