

SUBJECT: Rolling forward the Existing Debt Allotment for school facilities

COMMITTEE: Public Education — favorable, without amendment

VOTE: 6 ayes — Eissler, Zedler, Branch, Delisi, Hochberg, Patrick

0 nays

3 absent — Dutton, Mowery, Olivo

WITNESSES: For — Daniel T. Casey, Fast Growth School Coalition; Wayne Pierce, Equity Center; David Thompson, Texas Association of School Administrators and Texas Association of School Boards; (*Registered, but did not testify*: David Anthony, Texas School Alliance; David Duty, Texas Association of School Boards; William C. (Bill) Grusendorf, Texas Association of Rural Schools; Dwight Harris, Texas Federation of Teachers; Martin Peña, South Texas Association of Schools)

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. Currently, under Education Code, sec. 46.003, bonds for which a school district made payments during the 2004-05 school year are eligible for EDA funding.

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. The 79th Legislature in 2005 appropriated \$180 million to “roll forward” the eligibility cutoff date and cover two more years of school facilities debt under the program.

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.

DIGEST: HB 1922 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 2006-07 school year would be eligible to be paid with state and local funds.

The bill would take effect September 1, 2007.

SUPPORTERS SAY: HB 1922 would provide the statutory change needed to access an additional \$150 million appropriated in HB 1 by Chisum, the House-passed version of the general appropriations bill, 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, particular in the face of rising construction costs and other inflationary pressures. 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.

It is not practical for school districts to try to separate instructional and non-instructional facility bond debt in determining eligibility for the EDA. Voters often consider a variety of facilities, most of which are used for instructional purposes, as part of a school district’s bond package. It would be costly and impractical to have a separate bond election to secure voter approval for each type of facility.

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 state already is providing about \$1.3 billion in facilities assistance for existing bond debt and should not continually assume the responsibility for additional bond debt. The EDA

largely is responsible for the rapid increase in school districts' bonded indebtedness over the past decade. Voter-approved bonded indebtedness for Texas schools has risen from less than \$10 billion in 1992 to nearly \$40 billion in 2006.

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 HB 1 by Chisum, the general appropriations bill for fiscal 2008-09, would appropriate \$1.55 billion to the Texas Education Agency for fiscal 2008-09 for facilities funding. This would include \$150 million to "roll forward" eligibility for the EDA for the 2006-07 school year. The bill passed the Senate by 26-5 on April 12.

The bill's fiscal note estimates a cost of \$150 million general revenue related funds for fiscal 2008-09 (\$75 million for each biennium) to "roll forward" the eligibility date for the EDA for the 2006-07 school year.