Senate Committees on Education & Finance

Joint Report to the 80th Legislature
December 2006
December 2006

The Honorable David Dewhurst  
Lieutenant Governor of the State of Texas  
Members of the Texas Senate  
P.O. Box 12068  
Austin, Texas 78711

Dear Governor Dewhurst and Members of the Texas Senate:

The Senate Committees on Education & Finance are pleased to submit their final interim report with recommendations for consideration by the 80th Legislature in preparation for the regular session.

Respectfully submitted,

Florence Shapiro, Chair
Senator Royce West, Vice-Chair
Senator Kip Averitt

Robert J. Deuell, Jr.
Senator Bob Deuell

Juan "Chuy" Hinojosa
Senator Jane Nelson
Senator Leticia Van De Putte

Tommy Williams

Steve Ogden, Chair
Judith Zaffirini, Vice-Chair
Kim Brimer
Senator Robert Duncan
Senator Kyle Janek

Senator Todd Staples
Senator John Whitmire
# TABLE OF CONTENTS

Joint Charge to the Senate Education And Senate Finance Committee ................................................................. 1

Executive Summary ................................................................................................................................. 2

Report........................................................................................................................................... 3

Letters from Members.......................................................................................................................... I

Endnotes........................................................................................................................................... i
Joint Charge to Senate Education and Senate Finance Committees:

1. Review and make recommendations that address the state's facility infrastructure needs for public schools, including ineffective models for state funding as well as efficient methods to ensure responsible use of public tax dollars.
EXECUTIVE SUMMARY

Joint Charge - Facilities

1) Combine the existing facilities funding programs, IFA and EDA, into a single tier of equalized facilities funding.
2) Ensure delivery of start-up facilities funding to the state's lowest property wealth districts.
3) The state should put limitations on what qualifies for state assistance.
4) The state should include incentives for efficient construction.
5) The state should explore avenues to ensure each district has the ability to build the necessary facilities to meet science lab needs.
6) Raise the rate of the multiplier used in the permanent school fund bond backing guarantee program by seeking a change in IRS rule and changing state statute, but ensure the triple A bond rating afforded by the program is not jeopardized.
7) Grandfather current lease-purchase agreements, but prohibit future lease purchases.
8) The state should reward consistently high performing charters with facility funding.
9) As an additional reward for consistently high performing charters the state should explore mechanisms for credit assistance in the issuance of bonds for instructional facilities.
Facilities

Joint Charge to Senate Education and Senate Finance Committees: Review and make recommendations that address the state's facility infrastructure needs for public schools, including effective models for state funding as well as efficient methods to ensure responsible use of public tax dollars.

The Senate Education Committee and the Senate Finance Committee held a joint hearing on October 17, 2006, and received both invited and public testimony on joint interim charge one. Digital recordings of the hearing are available via the Education Committee’s website and may be found at http://www.senate.state.tx.us/75r/senate/commit/c530/c530.htm or the Senate Finance Committee’s website at http://www.senate.state.tx.us/75r/senate/commit/c540/c540.htm.

Facilities Programs

Recommendations

1) Combine the existing facilities funding programs, IFA and EDA, into a single tier of equalized facilities funding.
2) Ensure delivery of start-up facilities funding to the state's lowest property wealth districts.
3) The state should put limitations on what qualifies for state assistance.
4) The state should include incentives for efficient construction.
5) The state should explore avenues to ensure each district has the ability to build the necessary facilities to meet science lab needs.
6) Raise the rate of the multiplier used in the permanent school fund bond backing guarantee program by seeking a change in IRS rule and changing state statute, but ensure the triple A bond rating afforded by the program is not jeopardized.
7) Grandfather current lease-purchase agreements, but prohibit future lease purchases.
Committee Comments

The state operates four programs designed to assist districts with their facility needs. A constitutional amendment created the bond guarantee program to guarantee district bonds. This guarantee allows districts to enjoy the highest bond ratings and avoid the costs associated with private bond insurance. Second, the instructional facilities allotment (IFA), created by the 75th Legislature in 1997, provides state aid for debt service for new instructional facilities, additions or renovations. Eligibility for this allotment is generally based on wealth with other mitigating factors. Third, the existing debt allotment (EDA) provides state aid for debt service not covered by IFA. It applies to debt issued prior to a coverage date established by the legislature. For budget purposes the legislature traditionally establishes the coverage date to include all debt issued prior to the fiscal biennium covered by the appropriations bill. Each session since its inception, the legislature has 'rolled forward' the coverage date to cover the two years that elapsed since the previous coverage date. Finally, the New Instructional Facilities Allotment provides funds to help offset the start up costs of new campuses for the first two years.

<table>
<thead>
<tr>
<th>State Expenditures on IFA, EDA</th>
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<td>$796 million and NIFA; FY 2006</td>
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The current IFA and EDA programs create inefficiency and uncertainty in district facility planning. IFA and EDA differ in the type of facilities for which they provide assistance for debt service. This creates difficulties when districts try to re-finance bonds. The current structure requires districts to track the IFA and EDA covered bond issuances separately. In addition, the uncertainty in coverage by IFA and EDA disrupts efficient facility planning by districts as it creates incentives to meet eligibility windows based on program availability rather than district need. The state could create a more predictable and efficient facility assistance program by combining the current IFA and EDA programs and ensuring that low wealth districts receive the start up assistance required.
Charter Schools

Recommendations

1) The state should reward consistently high performing charters with facility funding.
2) As an additional reward for consistently high performing charters the state should explore mechanisms for credit assistance in the issuance of bonds for instructional facilities.

Committee Comments

In 1995, Senate Bill 1 allowed the operation of charter schools in Texas. Free from the normal restrictions placed on traditional public schools; great variances exist in the missions, operations and performance of charter schools. Some have characterized charter schools as the research and development sector of public schools. Some charter schools such as the North Hills School of Irving or YES College Preparatory School of Houston have been recognized in Newsweek Magazine's list of the top 100 high schools in America. Charters achieve this success with student populations that range from relatively homogenous to traditionally considered 'hard to serve'. The common difficulty faced by these schools is the lack of funds necessary to build adequate instructional facilities. Absent these funds, the ability of these schools to maintain their current campuses or expand their successful approach remains uncertain.
LETTERS FROM MEMBERS

SENATE COMMITTEES
ON EDUCATION & FINANCE

JOINT REPORT TO THE
80TH LEGISLATURE
November 28, 2006

The Honorable Steve Ogden and the Honorable Florence Shapiro
Senate Committees on Education & Finance
P.O. Box 12068, Room E1.038
Austin, Texas 78711-2068

Dear Chairman Ogden and Chairwoman Shapiro:

As always, I appreciate your leadership as chairs of the Senate Committees on Education & Finance and your diligence during the interim in regards to the facilities funding issue.

Overall, the report provides many alternative recommendations that offer viable solutions to facilities funding issues in Texas. For that reason, I affix my signature to the report.

However, I do find it necessary to submit a letter outlining several concerns. During testimony before the Senate Committees on Education & Finance, we heard testimony about a lack of full facilities funding for our traditional schools. We were also made aware of the consequences of “fast growth” and “property poor” districts not being able to meet their facilities’ needs through a depleted Instructional Facilities Allotment and Existing Debt Allotment.

I think it unwise that we would create an additional facilities program when we can’t honor our current obligations to our traditional schools.

While high performing charter schools are to be congratulated on their success, I feel that they should not be rewarded by redistributing already limited facilities revenue. Instead, we should wait until such time as facilities in our current public school system are fully funded and then, look to reward consistently high performing charter schools.

Again, thank you for your tireless leadership and hard work on these issues. I look forward to working with you in the upcoming session as we search for solutions that prioritize the needs of Texas schoolchildren and Texas public schools.

Sincerely,

Royce West
State Senator
District 23

RW:lb
November 27, 2006

Senator Florence Shapiro, Chair  
Senate Education Committee

Senator Steve Ogden, Chair  
Senate Finance Committee

Dear Chair Shapiro and Chair Ogden:

Thank you for your leadership as Chairs of the Senate Education and Finance Committees. It is my privilege to serve with you and to share my perspective regarding our Interim Committee report. I support most of the recommendations and will sign the report, but with the reservations expressed herein included as part of the report.

In combining existing facilities funding programs into one, we must account for their important differences. Without the Instructional Facilities Allotment (IFA), many districts could not raise revenue to pay the debt service on bonds to qualify for the Existing Debt Allotment (EDA). Accordingly, we must provide funding to allow property-poor districts to issue bonds. In ensuring the delivery of start-up facilities funding to the state's lowest property wealth districts, it is imperative that we enable all poor districts to participate in the proposed single program.

Additionally, I believe the state should honor its current obligations and provide a permanent revenue source to fund the existing state facilities programs and meet the needs of property-poor and fast-growth school districts before supporting facilities funding for charter schools. Experts testified that there is tremendous unmet need for facilities funding. We cannot afford to create an additional facilities program before funding current programs adequately.

Count on my continued leadership to help ensure that every Texan has access to a quality education. I look forward to continue working with you and other members of our committees during the forthcoming legislative session. May God bless you.

Very truly yours,

Judith Zaffirini, PhD

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November 21, 2006

The Honorable Steve Ogden and Honorable Florence Shapiro
Capitol Building
Austin, Texas 78701

Dear Chairman Ogden and Chairwoman Shapiro:

Thank you for your leadership as chairs of the Senate Committees on Education & Finance. The issue of facilities funding is a complex one of which you and your staffs have done a wonderful job providing some clarity.

Because the report has many positive recommendations for viable solutions to addressing the facilities funding issue in Texas, I am happy to sign it. However, I feel it is quite important that I point out those portions of the report that I strongly believe could be improved.

As I share in the Senate Education Committee report, while I would love for the state to provide high performing charter schools with facilities funding, I cannot support doing so until we are adequately funding facilities under our current system. Those of us with "fast growth" districts cannot keep up with increased enrollment. Some of us have districts that have difficulty passing bonds to meet building needs - one of my campuses is comprised completely of portables! These students have not seen a bricks and mortar classroom for 3 years now. I also know of a Texas school that has to evacuate all its students every time it rains because it floods. I strongly feel that at this time we cannot afford to re-distribute over a larger number of schools any of the small and diminishing amount of money we appropriate for facilities funding. I do, however, look forward to the time when we adequately fund facilities under our current system and can possibly reward high performing charters.

Again thank you for your leadership on this most important issue and I look forward to us working together towards finding more viable solutions for our schools and the students who attend them.

Sincerely,

Leticia Van de Putte, R. Ph.
November 30, 2006

The Honorable Steve Ogden  
Chair, Senate Finance Committee  
1400 Congress, Capitol E1.038  
Austin, Texas  78711

The Honorable Florence Shapiro  
Chair, Senate Education Committee  
440 Sam Houston Building  
Austin, Texas  78711

Dear Committee Chairs Ogden and Shapiro:

I have reviewed the recommendations issued in response to the Joint Charge to Senate Education and Senate Finance Committees, and I have chosen to decline signing the report.

Though I appreciate the time and research that helped shape the recommendations, I do not consider it in the education system's or the state's best interests to pursue recommendations 8 and 9, as doing so could result in charter schools receiving already-limited state funding for facilities.

Ideally, the educational funding system would have enough money to provide facilities funding to public, independent school districts as well as consistently high-performing charter schools. However, permanent facilities funding assistance still has not been guaranteed to existing school districts, and many existing districts have facilities that are in disrepair or are too small for their student populations. We should not plan on diluting an already under-funded and non-permanent debt assistance program by supporting the debt of charter schools. To do so would create further financial uncertainty for the many property-poor Texas schools which rely on IFA and EDA to serve their students' needs.

Sincerely,

Juan "Chuy" Hinojosa  
State Senator, District 20
ENDNOTES

i Section 5(d) Article VII, Texas Constitution


viii Chris Barbie, Head of Schools YES College Preparatory School Texas Senate Education Committee Public Hearing. October 13, 2006.

ix Barbara Kantrowitz and Pat Wingert The 100 Best High Schools in America Newsweek, May 8, 2006 at 52

x Chris Barbie October 13, 2006.