

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 28, 2003

**TO:** Honorable Kent Grusendorf, Chair, House Committee on Public Education

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1227** by Eissler (Relating to public school district eligibility for state assistance under the existing debt allotment.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1227, As Introduced: a negative impact of (\$120,000,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$60,000,000)
2005	(\$60,000,000)
2006	(\$120,000,000)
2007	(\$120,000,000)
2008	(\$180,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2004	(\$60,000,000)
2005	(\$60,000,000)
2006	(\$120,000,000)
2007	(\$120,000,000)
2008	(\$180,000,000)

Fiscal Analysis

The bill amends Chapter 45 of the Texas Education Code, as it relates to the provision of state aid in the Existing Debt Allotment. This bill would extend EDA eligibility for bonds that districts issue and make payments on during the preceding biennium, effectively “rolling forward” the cut-off debt for eligible bonds every two years. This bill would provide a guaranteed yield for debt service based on interest and sinking (I & S) fund tax effort from the preceding biennium, in a manner similar to the provision of state aid for maintenance purposes in Tier II of the Foundation School Program.

Methodology

The state’s cost for the foundation school program would increase every biennium due to the automatic changes in the eligibility date for EDA debt. Although it is difficult to gauge amount of

eligible debt, an initial estimate would include the debt for which districts submitted applications for the Instructional Facilities Allotment (IFA) but did not receive IFA funding. During the past IFA application cycle, TEA was unable to fund applications representing \$51 million in annual debt service. There is not a strict correlation between unfunded IFA potential state obligations under the EDA, as some districts may not issue bonded debt unless they receive state funding, other districts will move forward with their bond sales and still others will issue debt for which no IFA application is ever received. However, based on the available information, the cost to move forward the EDA eligibility date is estimated at \$60 million per year. To the extent that additional appropriations are made available to the IFA program, costs associated with the biennial costs to advance the EDA eligibility forward would be reduced. If IFA demand exceeds the IFA appropriations substantially, the cost to advance the EDA eligibility would be significantly higher.

**Local Government Impact**

State aid for school districts would increase under the provisions of this bill. School districts would be required to set their local I&S tax rates in recognition of the EDA state aid, as required by current state law. The bill would automatically update the eligibility date every biennium. No application would be required, but districts would be responsible for ensuring that TEA has accurate information about their eligible debt

**Source Agencies:** 701 Central Education Agency

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