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FGSC POLICY CONTACTS

**Michelle Smith &
David Anderson**

HillCo Partners
(512) 480-8962
msmith@hillcopartners.com
danderson@hillcopartners.com

Dan Casey & Bob Popinski

Moak, Casey & Associates
(512) 485-7878
dcasey@moakcasey.com
bpopinski@moakcasey.com

Marty DeLeon

Escamilla & Poneck
(512) 415-9610
mdeleon@escamillaponeck.com

Colby Nichols

Powell & Leon
(512) 494-1177
cnichols@powell-leon.com

CONTACT FGSC

Guy Sconzo

Executive Director
(281) 352-8525
guy@fastgrowthtexas.org
401 West 15th Street, Suite 695
Austin, Texas 78701



Provide targeted assistance for rapidly growing schools and their taxpayers through EDA and IFA support.

WHAT IS THE ISSUE?

Rapidly growing school districts incur significant costs related to building new facilities; however, many of our fastest growing districts no longer receive assistance from the state because of outdated calculations. The Existing Debt Allotment (EDA) and Instructional Facilities Allotment (IFA) programs are funded on the basis of a yield of \$35 per Average Daily Attendance (ADA) for each cent of eligible tax effort. The failure to increase the \$35 yield while local property wealth increases has resulted in a number of fast-growth districts receiving little or no relief under either of these programs, resulting in higher local I&S tax rates for districts and their taxpayers.

WHAT IS THE BACKGROUND?

- **1997** — The Legislature adopted the Instructional Facilities Allotment program.
- **1999** — The Legislature adopted the Existing Debt Allotment program. Both provided state support for debt service equalized on the basis of local property wealth to address school district debt service costs associated with issuing voter-approved bonds for school construction.
- In 1999, the yield for these programs was established at \$35 per student per ADA for each cent of local tax effort. At the time, 91 percent of Texas students attended schools in districts that were eligible for state support for school district debt service. Today, the \$35 yield remains in place and covers only 43 percent of the students enrolled in Texas public schools. This is down from 56 percent in the previous biennium.
- In addition, the EDA guarantee applies only to the first 29 cents of I&S tax effort, which is now exceeded by 147 school districts eligible for EDA funding.
- At the high water mark in 2000-01, the state supported 45 percent of total school facilities debt. **As of 2015-16, the state supports a meager 7 percent of total school facilities debt**, leaving local taxpayers to pick up the tab. State assistance is set to decrease an additional \$310 million in the 2018-19 biennium due to local value growth.
- Because of the 2011 budget cuts, the state discontinued new awards to the IFA program which directly benefited school districts with the lowest property wealth. Funding was reinstated for the 2016-17 biennium in the amount of \$55.5 million **but unfortunately is not included in Senate Bill 1 (85-R) as filed.**

RECOMMENDATIONS

- Invest the state’s “savings” of \$310 million back into facilities programs. This is immediate tax relief for local property taxpayers.
- Target the 75 fastest growing school districts in the state which represent almost 80 percent of new student enrollment growth. Local taxpayers in these rapidly growing areas are unfortunately paying the bill for Texas’ success in attracting businesses.
- Reinstate IFA funds which are reduced from \$55.5 million to \$0 in Senate Bill 1 (85-R) as filed.
- Begin a phase-in of EDA and IFA yield increases to at least the 88th percentile. By increasing the yields from \$35/ADA to \$45.50/ADA, the tax rate reduction statewide for school districts would be approximately \$0.02. (If parity had been maintained with increases in the equalized wealth level, the yield would now exceed \$60 per WADA.)
- Establish the 1st equalized wealth level (EWL) as the eligibility driver - this way as the basic allotment moves, so does the eligibility of school districts for facility funding.

HELPFUL LINK

- http://tea.texas.gov/Finance_and_Grants/State_Funding/Facilities_Funding_and_Standards/Instructional_Facilities_Allotment_Program/

State Facilities Support Compared to Total Debt Service, Historical

SCHOOL YEAR	TOTAL STATE DEBT SERVICE	TOTAL STATE AID FOR DEBT	
		(EDA and IFA Programs)	% STATE AID FOR ALL DEBT
1999-00*	\$1,593,093,190	\$618,443,527	38.8%
2000-01*	\$1,574,213,053	\$702,040,387	44.6%
2001-02*	\$2,060,489,686	\$790,795,482	38.4%
2002-03*	\$2,136,434,480	\$740,317,703	34.7%
2003-04	\$2,729,275,694	\$758,202,105	27.8%
2004-05	\$2,927,019,964	\$713,433,061	24.4%
2005-06	\$3,164,066,682	\$747,933,693	23.6%
2006-07	\$3,562,689,711	\$725,215,579	20.4%
2007-08	\$4,031,164,831	\$731,986,987	18.2%
2008-09	\$4,492,685,673	\$657,735,033	14.6%
2009-10	\$4,767,307,090	\$584,814,378	12.3%
2010-11	\$5,018,884,594	\$598,707,181	11.9%
2011-12	\$5,138,800,068	\$647,757,482	12.6%
2012-13	\$5,244,448,685	\$606,166,496	11.6%
2013-14	\$5,469,559,084	\$620,033,878	11.3%
2014-15	\$5,778,696,034	\$558,852,413	9.7%
2015-16	\$6,107,086,318	\$453,706,392	7.4%