

Instructional Facilities Allotment (IFA) Amendments—When, Where, What, How, and Why

When Are Amendments Required?

Commissioner rules require your district to notify the IFA program administrator immediately when financing activities such as the following occur:

- Refunding or refinancing of bond issues
- Renegotiation of lease-purchase terms
- Change in use of bond proceeds
- Other actions taken by your district that might affect state funding requirements

IFA payments may be held until all required information is received, processed, and approved.

(See links to statute and rules that apply to the IFA program under "Why Does the TEA Require Amendments?")

Where Should We Send the Amendment?

Send amendments and supporting documents to the IFA program administrator at the following mailing address:

TEA - State Funding Division
Attn: IFA Program Administrator
1701 N. Congress Avenue
Austin, Texas 78701-1494

What Exactly Is Required to Amend an Application, and How Do I Complete the Forms?

Changes to the original, approved IFA application require a full amendment to the application as well as official supporting documentation that supports information provided in the amended schedules. Detailed instructions can be found on each form. Additional information and details for required forms and supporting documentation follow.

Amendments: Required Forms (Schedules)

<http://ritter.tea.state.tx.us/school.finance/facilities/ifa/ifaschedulesfrms.html>

Submit two sets (originals) of the following schedules (please clip, staple, or bind each set):

- **Schedule #1** - General Information. Complete, sign, and date this form. One original should be attached to each set of amendments. **This schedule serves as a cover sheet/certification for each set of amendments.**
- **Schedule #4A** - Debt Description. Provide a description of the form of debt (bond or lease-purchase), including an identifying designation of the debt (such as series name), date of voter authorization, expected date of school board approval of bond order or expected date of school board approval of a project lease. **This schedule identifies/matches the amendment to the appropriate IFA document control number.**

Sample Excerpt for Schedule 4A:

Title/name of applicable debt instrument (bond issue): For refunding amendments, list the title/name of the original bond issue <i>and</i> the title of the refunding bond issue: Original Series XXXX and Refunding Series XXXX
Dollar amount of total bond issue: List total amount of principal issued for refunding series; include the total issue amount (including ineligible amounts not applicable to original IFA).
Dollar amount of "new" bonds: If the refunding issue includes new dollars not used for refunding, list the amount of NEW principal \$\$\$ here.
Dollar amount of "refunding" bonds: List total principal amount of all funds applicable to any refunding for the refunding issue, including amounts not applicable to the new IFA.
Dollar amount of "eligible refunded" bonds: List only the amount of the total issue (principal only) applicable to the refunding of the original IFA debt.
Date of voter authorization (successful bond election): N/A (unless this is a new bond that refunds a lease debt)
Date the school board authorized the bond issuance: N/A (unless this is a new bond that refunds a lease debt)
Note: The dollar amount of the total bond issue should equal the amount of "new" bonds plus the amount of "refunded" bonds.

- **Schedule #4B** - Project Description. **Required conditionally: only if the original proposed projects have been completed or have otherwise changed.** Use this schedule to verify the calculation of qualified versus nonqualified project costs that are applied to schedule 4C.
- **Schedule #4C** - Allocation of Debt Service. Provide a schedule of the revised annual payment amounts, indicating the eligible and ineligible categories of debt and the qualified and nonqualified (if any) uses for proceeds. **Use the form titled IFA Schedule #4C Amendment Form for Partial or Multipurpose Refinancing.**
- **Schedule #4E** - Refunding Bond Requirements and Calculations. Provide a schedule of original debt service, new/refunded debt service, and net present savings. Also supply old and refunded maturity and redemption dates. **Use the form titled IFA Schedule #4E Amendment Form for Partial or Multipurpose Refinancing. Be advised that the district must show a net present value savings of at least one dollar to retain eligibility.**

Required Official Supporting Documentation

Information summarized on the amendments must correspond to information provided in official documents tied to the IFA-supported debt. Any documents related to the Bond Guarantee Program that your district sends to the TEA are not provided to the IFA program administrator. Thus, your district must also provide one hard copy of each of the following documents (pertaining to the IFA-supported debt, including any debt that refunds the original IFA):

- **Approval letter** from the Office of the Attorney General
- **Final official statement (FOS)** (When the FOS is not available, submit the final bond order with the final official debt service schedule.)

Why Does the TEA Require Amendments?

IFA payments are generated based on data that begins with eligible annual debt service. Statute and commissioner's rules require our office to verify continued debt eligibility. All awards are subject to audit.

Texas Education Code—Applicable Excerpt

Chapter 46, Assistance with Instructional Facilities and Payment of Existing Debt, Subchapter A, Instructional Facilities Allotment, [§46.007, Refunding Bonds](#)

Sec. 46.007. REFUNDING BONDS. A school district may use state funds received under this subchapter to pay the principal of and interest on refunding bonds that:

- (1) are issued to refund bonds eligible under Section 46.003;
- (2) do not have a final maturity date later than the final maturity date of the bonds being refunded;
- (3) may not be called for redemption earlier than the earliest call date of the bonds being refunded; and
- (4) result in a present value savings, which is determined by computing the net present value of the difference between each scheduled payment on the original bonds and each scheduled payment on the refunding bonds. The present value savings shall be computed at the true interest cost of the refunding bonds.

Added by Acts 1997, 75th Leg., ch. 592, Sec. 1.04, eff. Sept. 1, 1997. Amended by Acts 1999, 76th Leg., ch. 396, Sec. 1.27, eff. Sept. 1, 1999.

Texas Administrative Code—Applicable Excerpts

Chapter 61, School Districts, Subchapter CC, Commissioner's Rules Concerning School Facilities, [§61.1032, Instructional Facilities Allotment](#)

(d) Debt eligibility. In order to be eligible for state funding under this section, a debt service requirement must meet all of the criteria of this subsection.

...

- (7) An amended application packet is required for any IFA-supported bonds or IFA-supported lease-purchase agreement that has undergone changes, including, but not limited to, refinancing, restatement, or any other transaction that materially affects the terms of the bonds or the terms of the lease-purchase agreement, including transactions that materially affect the terms of the underlying bonds. Amended application packets must be submitted to the TEA no later than 180 days following the date on which the transaction was approved by the attorney general, if the transaction required approval by the attorney general. If approval by the attorney general was not required, the amended application packet is due within 180 days of the date that the school board approved the transaction.
- (8) Failure to submit the amended application packet to the TEA division responsible for state funding within the 180-day period defined in paragraph (7) of this subsection will result in the suspension of IFA state aid payments for the applicable IFA allotment award. This suspension has the following effects.
 - (A) Debt service payments associated with the applicable IFA allotment will be disqualified for IFA state aid upon expiration of the 180-day period defined in paragraph (7) of this subsection. Debt service payments made after the 180-day period expires will not earn IFA state aid.

- (B) IFA state aid associated with the applicable allotment will resume on the date the amended application packet, including any required supporting documentation, is received. The IFA state aid will be based on eligible debt service payments scheduled on or after the date the amended application packet is received.
 - (C) Current and future IFA state aid payments may be adjusted to reflect the disqualified debt service payments. If no IFA state aid is due in a fiscal year that is affected by such an adjustment, a district will be notified about the disqualified amount and will be required to remit that amount to the TEA no later than 30 days after notification.
 - (D) Unless otherwise requested, payments of IFA state aid based on the updated eligible debt service reported in the completed amended application packet shall be made with the payments due for the following fiscal year in accordance with TEC, §46.009(d).
- (9) Refunding bonds must also meet the following criteria, the first three of which are defined by TEC, §46.007.
- (A) Refunding bonds may not be called for redemption earlier than the earliest call date of the bonds being refunded.
 - (B) Refunding bonds must not have a final maturity date later than the last day of the last fiscal year applicable to the final maturity date of the bonds being refunded.
 - (C) The refinancing of bonds must result in a present value savings, which is determined by computing the net present value of the difference between each scheduled payment on the original bonds, or on the most recently approved debt service schedule, if the bonds have been previously modified, and each scheduled payment on the newly revised debt applicable to the modified bonds.
 - (i) Present value savings for fixed rate bonds shall be computed at the true interest cost of the refinanced bonds.
 - (ii) In a refinancing of variable rate bonds with fixed rate bonds, present value savings will be calculated based on:
 - (I) an assumed interest rate for the variable rate bonds equal to the Municipal Market Data index (or other comparable index) of "AAA" general obligation tax-exempt bonds for the month in which the bonds were originally issued; and
 - (II) the rate, if any, used to determine the amount deposited into a mandatory and irrevocable fund for the sole purpose of defeasing the bonds in a variable rate mode.
 - (iii) In a refinancing of fixed rate bonds with variable rate bonds, present value savings will be calculated based on an assumed interest rate for the variable rate bonds equal to the ten-year average of the Municipal Market Data index (or other comparable index) of "AAA" general obligation tax-exempt bonds bearing interest in a variable rate mode comparable to the variable rate mode in which the refinanced bonds will be issued.
 - (iv) The financial advisor to a district must certify the projected net present value savings for refinancing described in clause (ii) and (iii) of this subparagraph based on the parameters prescribed therein. The district's financial advisor to the refinancing transaction must sign and date the certification. The district must submit the certification to the TEA division responsible for state funding no later than 180 days after the date the refunding bonds were approved for sale by the attorney general if refunding bonds are issued. If refunding bonds are not issued, the district must submit the certification no later than 180 days after the refinancing transaction is approved by the school

district board of trustees. The district must submit the certification in a format prescribed by the commissioner.

- (D) A conversion of the period, mode, or index used to determine the interest rate for eligible debt in accordance with the order authorizing the issuance or delivery of such eligible debt shall not be considered a refunding of eligible debt, and a district shall be eligible for state funding assistance based on the new debt service schedule contingent upon receipt of the required amended application packet as defined in paragraph (7) of this subsection.
 - (E) Effective January 1, 2008, a district may refinance IFA-supported debt up to two times after the issuance of the original IFA-supported debt. Upon the third refinancing transaction, the TEA will evaluate the IFA-supported debt for conversion to the Existing Debt Allotment (EDA) program. Determination of eligibility for conversion will be based on the district's remaining capacity in the EDA program and the district's other IFA-supported debt. The TEA will notify the district of the results of this evaluation within 180 days of receiving notification of the third refinancing transaction involving an IFA-supported debt.
 - (F) Debt that has been refinanced three or more times before January 1, 2008, will be evaluated for possible conversion and districts will be notified of the results of that evaluation no later than January 1, 2009. This subparagraph expires January 1, 2009.
- (10) Certain other refinanced debt may be eligible for the funding under this subsection.
- (A) When a district issues a general obligation bond to acquire a facility that is the subject of an existing lease-purchase agreement of the district or refinances an existing lease-purchase agreement with another lease-purchase agreement, the transaction is considered a refinancing of the lease-purchase agreement for purposes of continued participation in the IFA program. Any transactions affecting the lease-purchase agreement, including those that affect the underlying bonds, are subject to the amendment requirements and eligibility criteria specified in paragraphs (7)-(9) of this subsection, including the restrictions related to early redemption and extension of maturity dates, and the requirement for the refinancing transactions to produce present value savings.
 - (B) A lease-purchase agreement in the IFA program that is refinanced with a general obligation bond or another lease-purchase agreement at a present value savings and without extension of the original term of the lease-purchase agreement shall remain part of the IFA program. Any transaction that reduces the term of the lease-purchase agreement to less than eight years will result in the disqualification of IFA state aid on debt service that is associated with the lease-purchase agreement, beginning with the date that the transaction is approved by the school district board of trustees.
 - (C) Any portion of a bond issue that refinances a portion of a lease-purchase agreement that was originally ineligible for IFA funding shall remain ineligible. Ineligible debt includes refunded bonds that fail to meet the criteria under TEC, §46.007, and/or bonds used for purposes not meeting the definition of qualified projects as described in TEC, §46.001 and §46.002.
 - (D) Any portion of a bond issue that refinances a portion of an original lease-purchase agreement that was eligible for IFA consideration but exceeded the IFA limit shall not be eligible for consideration in future funding cycles.
 - (E) General obligation bonded debt that is used to refinance a lease-purchase agreement that is not in the IFA program shall gain eligibility for the IFA by the terms of that program. Any interest and sinking (I&S) fund tax effort associated with the bonded debt payments may be counted for purposes of computing the IFA. For the refinancing to be considered for IFA funding, a district must submit an application to the program that identifies the refinancing as a new debt before the refinancing of the lease-purchase agreement.

- (F) If any portion of a maturity of an IFA debt is refinanced at a present value cost or with an extension of the term beyond the fiscal year in which the final maturity occurs in the original debt service schedule, the entire amount of annual debt service associated with that maturity shall be removed from eligibility for further IFA state aid.
- (G) Debt that is refinanced in a manner that disqualifies it for eligibility for funding within the IFA program shall be treated as new bonded debt at the time of issuance for the purpose of EDA funding consideration.

...

- (t) Reports required. The commissioner shall require such information and reports as are necessary to assure compliance with applicable laws.
 - (1) The commissioner shall require immediate notification by a district of relevant financing activities as described in subsection (d)(7) of this section. Failure by a district to make such notification will result in the disqualification of debt service from IFA state aid as described in subsection (d)(8) of this section. A district is also required to report changes in use of bond proceeds or other actions taken by the district that might affect state funding requirements by submitting a complete amended application packet. Failure to submit the amended application packet will result in the suspension of IFA state aid payments for the applicable IFA allotment award, as described in subsection (d)(8) of this section.
 - (2) A complete amended application packet, as prescribed by the commissioner, includes:
 - (A) the appropriate schedules needed to identify the original IFA allotment award or the most recently approved revised allotment award including the assigned document control number and changes to the title of the debt issuance, the authorization to issue the debt, and other relevant terms;
 - (B) the appropriate schedules needed to describe changes in the use of the bond proceeds, if applicable;
 - (C) the appropriate schedules needed to describe changes in debt service schedules to demonstrate present value savings;
 - (D) a copy of the FOS, or, if an FOS is not available, the final bond order or other official document describing the relevant financing activity, including a final debt service schedule; and
 - (E) a copy of the letter from the attorney general approving the transaction, if the transaction required approval by the attorney general.
 - (3) Receipt of the complete amended application packet is required before debt service payments on the relevant debt issuances will be qualified for IFA state aid.
 - (4) Upon evaluation of the complete amended application packet, the TEA may request additional supporting documentation.

Revised 04/16/2010