

**ATTACHMENT II**  
**Text of Proposed Amendment to 19 TAC**

**Chapter 61. School Districts**

**Subchapter CC. Commissioner's Rules Concerning School Facilities**

**§61.1032. Instructional Facilities Allotment.**

- (a) Definitions. The following definitions apply to the instructional facilities allotment (IFA) governed by this section:
- (1) Instructional facility--real property, an improvement to real property, or a necessary fixture of an improvement to real property that is used predominantly for teaching the curriculum required by Texas Education Code (TEC), §28.002.
  - (2) Noninstructional facility--a facility that may occasionally be used for instruction, but the predominant use is for purposes other than teaching the curriculum required by TEC, §28.002.
  - (3) Necessary fixture--equipment necessary to the use of a facility for its intended purposes, but which is permanently attached to the facility, such as lighting and plumbing.
  - (4) Debt service--as used in this section, debt service shall include regularly scheduled payments of principal and interest that are made between September 1 and August 31 each year on general obligation bonded debt or the underlying bonded debt applicable to an eligible lease-purchase agreement as reported in the final official statement (FOS) or in the bond order, if the bonds are privately placed, to the state information depository. Debt service payments that are not reported to the state information depository are not eligible to receive IFA state assistance.
  - (5) Allotment-- the amount of eligible debt service that can be considered for state aid. The total allotment is made up of a combination of state aid and local funds. The state share and local share are adjusted annually based on changes in average daily attendance (ADA), property values, and debt service.
  - (6) State information repository--the Municipal Advisory Council of Texas (MAC).
  - ~~(6) Interest rate management agreement--an agreement that provides for an interest rate transaction, including a swap, basis, forward, option, cap, collar, floor, lock, debt derivative transaction, or hedge transaction, for a transaction similar to those types of transactions, or for a combination of any of those types of transactions, as described in the Texas Government Code, §1231.001.~~
  - (7) Sale date--the date of the award (i.e., the official acceptance by the issuer of a bid or an offer to purchase a new issue of municipal securities by an underwriter).
- (b) Application process. A school district must complete a separate application requesting funding under the IFA for each debt issue or lease-purchase agreement proposed for funding. The commissioner of education may require supplemental information to be submitted at an appropriate time after the application is filed to reflect changes in amounts and conditions related to the debt. The application shall contain at a minimum the following:
- (1) a description of the needs and projects to be funded with the debt issue or other financing, with an estimate of cost of each project and a categorization of projects according to instructional and noninstructional facilities or other uses of funds;
  - (2) a description of the debt issuance or other financing proposed for funding, including a projected schedule of payments covering the life of the debt;
  - (3) an estimate of the weighted average maturity of bonded debt; and
  - (4) drafts of official statements or contracts that fully describe the debt and that are filed with the state information repository , as soon as available.

- (c) District eligibility. All school districts legally authorized to enter into eligible debt arrangements as defined in subsection (d) of this section are eligible to apply for an IFA.
- (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.
  - (1) The debt service must be an obligation of a school district that is entered into pursuant to the issuance of bonded debt under TEC, Chapter 45, Subchapter A; an obligation for refunding bonds as defined in TEC, §46.007; or an obligation under a lease-purchase agreement authorized by Local Government Code, §271.004.
  - (2) Application for funding of bonded debt service must be received at the Texas Education Agency (TEA) before the sale date of an issue ~~[on which a district or its representatives price the bonds]~~ .
  - (3) Application for funding of lease-purchase payments must be received at the TEA before the passage of an order by the school district board of trustees authorizing the lease-purchase agreement.
  - (4) Eligible bonded debt must have a weighted average maturity of at least eight years. The term of a lease-purchase agreement must be for at least eight years. For purposes of this section, a weighted average maturity shall be calculated by dividing bond years by the issue price, where "bond years" is defined as the product of the dollar amount of bonds divided by 1,000 and the number of years from the dated date to the stated maturity, and "issue price" is defined as the par value of the issue plus accrued interest, less original issue discount or plus premium.
  - (5) Funds raised by the district through the issuance of bonded debt must be used for an instructional facility purpose as defined by TEC, §46.001. The facility acquired by entering into a lease-purchase agreement must be an instructional facility as defined by TEC, §46.001.
  - (6) If the bonded debt is for a refinancing or a combination of refinancing and new debt, the refinanced portion must meet the same eligibility criteria with respect to dates of first debt service as a new issue as defined by TEC, §46.003(d)(1). The method used for the allocation of debt service between qualified and nonqualified projects and between eligible and ineligible debt will be applied to the debt service schedule resulting from a refinancing of IFA-supported debt.
  - (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 the provisions in TEC, §46.009(e), will apply ~~[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) In addition to the provisions in TEC, §46.007, refunding ~~[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.]~~

(A) [(C)] The refinancing of bonds must result in a present value savings as defined by TEC, §46.007 ~~[, 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 clauses (i)-(iii) ~~[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.

- (B) [(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.

~~(C) [(E)] [Effective January 1, 2008, a]~~ A district may refinance IFA-supported debt up to two times after the issuance of the original IFA-supported debt. Upon the third or subsequent refinancing transaction, the TEA may ~~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 conversion ~~[results of this evaluation]~~ within 180 days of receiving notification of the third or subsequent 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.

- (11) In addition to I&S fund taxes collected in the current school year, other district funds budgeted for the payment of bonds may be eligible for the IFA program for the purpose of meeting local share requirements pursuant to TEC [Texas Education Code] , Chapter 46.
- ~~[(A) Funds budgeted by a district for payment of eligible bonds may include I&S fund taxes collected in the 1999-2000 school year or a later school year in excess of the amount necessary to pay the district's local share of debt service on bonds in that year, provided that the taxes were not used to generate other state aid.]~~
- ~~[(B) Funds budgeted by a district for payment of eligible bonds may include maintenance and operations (M&O) taxes collected in the 1999-2000 school year or a later school year that are in excess of amounts used to generate other state aid.]~~
- (A) ~~[(C)]~~ District revenues that qualify for meeting a district's local share requirement for the IFA are specified in the TEC, §46.003(b)-(d). The commissioner will provide each district with information on which ~~[about what]~~ tax collections were not equalized by state assistance in the preceding school year and worksheets to enable districts to calculate tax collections that will not receive state assistance in a current school year. The commissioner will determine the amount of excess collections, if any, to be applied to the IFA local share requirement.
- (B) ~~[(D)]~~ I&S fund taxes collected during a school year will be attributed first to satisfy the local share requirement of debts eligible for EDA state aid for that school year and, secondly, to satisfy the local share requirements of any IFA debts for that school year. [The commissioner of education will determine the amount of excess collections, if any, to be applied to the IFA local share requirement.]
- (12) If a district issues debt that requires the deposit of payments into a mandatory I&S fund or debt service reserve fund, the deposits will be considered debt payments for the purpose of the IFA if the district's bond covenant calls for the deposit of payments into a mandatory and irrevocable fund for the sole purpose of defeasing the bonds or if the final statement stipulates the requirements of the I&S fund and the bond covenant.
- ~~[(13) If a district enters into an interest rate management agreement related to debt that is supported by IFA funds, the district shall provide a schedule or schedules demonstrating the anticipated effect of the interest rate management agreement on the debt service for the related bonds within 180 days of entering the interest rate management agreement, subject to the provisions of paragraph (8) of this subsection.]~~
- ~~[(14) I&S fund taxes collected during a school year will be attributed first to satisfy the local share requirement of debts eligible for EDA state aid for that school year, second to satisfy the local share requirements of any debts eligible for IFA state aid for that school year, and third to excess taxes that may raise the limit for the EDA program in a subsequent biennium if collected in the second year of a state fiscal biennium.]~~
- ~~[(15) When the TEA considers an application for IFA funding, the TEA shall remove from consideration under the IFA program any debt that meets the eligibility requirements of the EDA program unless a district's existing debt tax rate exceeds the limit for that program described in TEC, §46.034, during the year in which the IFA application is evaluated.]~~
- (e) Biennial limitation on access to allotment. The guaranteed amount of state and local funds that a district may be awarded under TEC, §46.003, is prescribed by TEC, §46.005. [The cumulative amount of new debt service for which a district may receive approvals for funding within a biennium shall be the greater of \$100,000 per year or \$250 per student in average daily attendance per year.] A district may submit multiple applications for approval during the same biennium. Timely application before executing the bond order for bonds or authorizing the order for a lease-purchase agreement must be made to ensure eligibility of the debt for program participation. [The calculation of the limitation on assistance shall be based on the highest annual amount of debt service that occurs within the state fiscal biennium in which payment of state assistance begins.]

- (f) Additional applications. For previously awarded debt, increases in a district's debt allotment to pay for increases in debt service payment requirements in subsequent biennia must receive approval through one or more additional application(s). The portion of any increase in eligible, qualified debt service that may be funded in subsequent biennia is the amount that exceeds any previously awarded and approved allotments, within the biennial limitation on funding as calculated at the time of approval of the additional applications. If additional IFA state aid is approved, the allotment limit will be amended to reflect the increased IFA support for the applicable debt issuance.
- (g) Finality of award. Awards of assistance under TEC, Chapter 46, will be made based on the information available to TEA at the deadline for receipt of applications for that application cycle. Changes in the terms of the issuance of debt, either in the length of the payment schedule or the applicable interest rate, that occur after the time of the award of assistance will not result in an increase in the debt service considered for award.
- (1) Any reduction in debt service requirements resulting from changes in the terms of issuance of debt shall result in a reduction in the amount of the award of assistance. Such a reduction in debt service requirements may result in an adjustment to the allotment awarded for the last application on the prioritization list to receive funding during an application cycle, if that application was not fully funded because of a lack of sufficient appropriations. In no case will changes to debt service amounts result in the awarding of additional IFA allotments for other eligible applications that were not funded during that application cycle because of a lack of sufficient appropriations.
  - (2) Refinancing of the bonds or lease-purchase agreements that receive IFA state aid may result in amendments to the allotment for the original IFA-supported debt issuance and may result in the designation of allotment amounts to be associated with the new debt issuances that include refundings of the original IFA-supported debt issuance.
- (h) Data sources.
- (1) For purposes of determining the limitation on assistance and prioritization, the projected ADA as adopted by the legislature for appropriations purposes shall be used.
  - (2) For purposes of prioritization, the final property values certified by the comptroller of public accounts for the tax year preceding the year in which assistance is to begin shall be used. If final property values are unavailable, the most recent projection of property values shall be used.
  - (3) For purposes of both the calculation of the limitation on assistance and prioritization, the commissioner may consider, before the deadline for receipt of applications for that application cycle, adjustments to data values determined to be erroneous.
  - (4) For purposes of prioritization, enrollment increases over the previous five years shall be determined using Texas Student Data System Public Education Information Management System (TSDS PEIMS) (~~(PEIMS)~~) submission data available at the time of application.
  - (5) For purposes of prioritization, outstanding debt is defined as voter-approved bonded debt or lease-purchase debt outstanding at the time of the application deadline.
  - (6) All final calculations of assistance earned shall be based on property values as certified by the comptroller for the preceding school year, and the final ADA for the current school year. A district must request any adjustment to state assistance based on changes in the final ADA, property values, or debt service or based on any other reason no later than three years following August 31 of the state fiscal year for which the adjustment is sought.
  - (7) For the TEA to determine eligible debt service applicable to eligible bonded debt or the underlying bonds of an eligible lease-purchase agreement, the debt service schedule a district submits on the application must reflect the debt service schedule the district reported in the FOS or, if no FOS is prepared, in the final bond order or other official document describing the relevant financing activity, including a final debt service schedule. Failure to submit the required amended application packet to the TEA following any refinancing transaction as required by subsection (d)(7) of this section will result in the disqualification of debt service as prescribed in subsection (d)(8) of this section. IFA state aid for debt service payments that are later determined to be

disqualified may be recovered through the reduction of future IFA state aid payments for the affected debt issuance.

- (i) Allocation of debt service between qualified and nonqualified projects. Debt service shall be allocated between qualified and nonqualified purposes and between eligible and ineligible categories of debt. The method used for allocation between qualified and nonqualified purposes shall be on the basis of pro rata value of the instructional facility versus the noninstructional purposes over the life of the debt service. The method of allocation of debt service between eligible and ineligible categories shall be on the basis of the pro rata value of the refinanced portion of the bond issue versus the new money portion of the bond issue. The method used for the allocation of debt service between qualified and nonqualified projects and between eligible and ineligible debt will be applied to the debt service schedule for the original bond issuance and for the revised debt service schedule that results from the refinancing of IFA-eligible bonds. This allocation method will also be applied to determine the eligible and qualified portions of the debt service on the bonds that are issued to refinance IFA-supported debt. Total IFA-eligible debt service for refinanced bonds is determined by the following method.
  - (1) The amount of remaining debt service on the original IFA-funded debt service must be reflected in the revised debt service schedule reported in the FOS, or (if no FOS is prepared) in a schedule submitted to the TEA, for that bond issue. The amount of IFA-related debt service for this bond series will be determined using the same pro rata allocation that was used to allocate the debt service for the original IFA allotment award as described in this subsection.
  - (2) The portion of the IFA-eligible debt service on the bond issue that refunds the IFA-supported debt is determined by:
    - (A) multiplying the debt service on the refunding bonds by the ratio that results from dividing the principal of refunding bonds by the total issue amount to determine the amount of IFA-related debt service associated with the refunding bonds; and
    - (B) then allocating the IFA-related debt service associated with the refunding bonds using the same pro rata allocation that was used to allocate the debt service for the original IFA allotment award as described in this subsection.
  - (3) The total amount of qualified, eligible IFA-related debt service is determined by the sum of IFA-related debt service as determined in paragraphs (1) and (2) of this subsection.
- (j) Payments and deposits.
  - (1) Payment of state assistance shall be made as soon as practicable after September 1 of each year. No payments shall be made until the execution of the bond order or the authorization of the lease-purchase agreement, whichever is applicable, has occurred. Requests for payments and/or adjustments submitted to the TEA after December 15 ~~may~~ ~~shall~~ be processed with the payments due for the following fiscal year in accordance with TEC, §46.009(d). Debt service for IFA-supported debt that is subject to the provisions of subsection (d)(7) of this section because of a refinancing or other transaction as described in subsection (d) of this section is not eligible for IFA state aid until a complete amended application packet has been submitted to the TEA, subject to the provisions of subsection (d)(8) of this section.
  - (2) Funds received from the state for bonded debt must be deposited to the I&S fund of the school district and must be considered in setting the tax rate necessary to service the debt.
  - (3) Funds received from the state for lease-purchase agreements must be deposited to the general fund of the district and used for lease-purchase payments.
  - (4) A final determination of state assistance for a school year will be made using final attendance data and property value information as may be affected by TEC, §42.257. Additional amounts owed to districts shall be paid along with assistance in the subsequent school year, and any reductions in payments shall be subtracted from payments in the subsequent school year.
  - (5) As an alternative method of adjustment of payments, the commissioner may increase or decrease allocations of state aid under TEC, Chapter 42, to reflect appropriate increases or decreases in assistance under TEC, Chapter 46.

- (6) Adjustments to state assistance based on changes in the final counts of ADA, changes to a district's property value, changes in the debt service schedule, or changes for any other reason must be requested no later than three years following the close of the school year for which the adjustment is sought. Changes to the debt service schedule will be subject to the provisions of subsection (d)(8) of this section, including the disqualification of debt service associated with a refinancing transaction as described in subsection (d)(7) of this section, if deadlines for reporting the refinancing transaction have not been met.
- (k) Approval of attorney general required. All bond issues and all lease-purchase agreements must receive approval from the attorney general before a deposit of state funds will be made in the accounts of the school district.
- (l) Deadlines.
- (1) The commissioner of education shall conduct an annual application cycle with a deadline of June 15 or the next working day after June 15 every year based on the availability of appropriations for the purpose of awarding new allotments. If no funding is available, the commissioner shall cancel the June 15 deadline.
- (2) The commissioner shall establish the relevant limit on the date of first debt service payment from property taxes for eligible bonded debt that will be considered for funding in the announced application cycle.
- (3) An application received after the deadline shall be considered a valid application for the subsequent period unless withdrawn by the submitting district before the end of the subsequent period.
- (4) If the bond order or the lease-purchase agreement has not been approved by the attorney general within 180 days of the deadline for the current application cycle, the TEA shall consider the application withdrawn.
- (5) The school district may not submit an application for bonded debt before the successful passage of an authorizing proposition. The election to authorize the debt must be held before the close of the application cycle. An application for a lease-purchase agreement may not be submitted before the end of the 60-day waiting period in which voters may petition for a referendum, or until the results of the referendum, if called, approve the agreement.
- (m) Prioritization and notice of award. Upon close of the application cycle, all eligible applications shall be ranked in order of property wealth per student in ADA. State assistance will be awarded beginning with the district with the lowest property wealth and continue until all available funds have been used. Each district shall be notified of the amount of assistance awarded and its position in the rank order for the application cycle. A district's wealth per student may be reduced if any or all of the following criteria are met.
- (1) A district's wealth per student is first reduced by 10% if the district does not have any outstanding debt at the time the district applies for assistance.
- (2) A district's wealth per student is next reduced if a district has had substantial student enrollment growth in the preceding five-year period. For this purpose, the district's wealth per student is reduced:
- (A) by 5.0%, if the district has an enrollment growth rate in that period that is 10% or more but less than 15%;
- (B) by 10%, if the district has an enrollment growth rate in that period that is 15% or more but less than 30%; or
- (C) by 15%, if the district has an enrollment growth rate in that period that is 30% or more or <sup>12</sup>
- ~~[(D) by 25%, if the district demonstrates, in a manner prescribed by the commissioner, that the district must construct, acquire, renovate, or improve one or more instructional facilities to serve the children of military personnel transferred to a military installation in or near the district under the Defense Base Closure and Realignment Act of 1990 (10 USC~~



~~§2687). To qualify for this reduction, the district must include in its application for IFA funding one or more project descriptions for facilities that will serve the children of military personnel who are transferred to the military installation in or near the district. This subparagraph expires September 1, 2012.]~~

- (3) If a district has submitted an application with eligible debt and has not previously received any assistance due to a lack of appropriated funds, its property wealth for prioritization shall be reduced by 10% for each biennium in which assistance was not provided. The reduction is calculated after reductions for outstanding debt and enrollment are completed, if applicable. This reduction in property wealth for prioritization purposes is only effective if the district actually entered the proposed debt without state assistance before the deadline for a subsequent cycle for which funds are available.
- (n) Bond taxes. A school district that receives state assistance must levy and collect sufficient eligible taxes to meet its local share of the debt service requirement for which state assistance is granted. Failure to levy and collect sufficient eligible taxes shall result in pro rata reduction of state assistance. The requirement to levy and collect eligible taxes specified in this subsection may be waived at the discretion of the commissioner for a school district that must maintain local maintenance tax effort in order to continue receiving federal impact aid.
- (o) Exclusion from taxes. The taxes collected for bonded debt service for which funding under TEC, Chapter 46, is granted shall be excluded from the tax collections used to determine the amount of state aid under TEC, Chapter 42. For a district operating with a waiver as described in subsection (n) of this section, the amount of the local share of the allotment shall be subtracted from the total tax collections used to determine state aid under TEC, Chapter 42.
- (p) Calculation of bond tax rate (BTR) for lease-purchase agreements. The value of BTR in the formula for state assistance for a lease-purchase agreement shall be calculated based on the lease-purchase payment requirement, not to exceed the relevant limitations described in this section. The lease-purchase payment shall be divided by the guaranteed level (FYL), then by ADA, and then by 100. The value of BTR shall be subtracted from the value of district tax rate (DTR) as computed in TEC, §42.302, before limitation imposed by TEC, §42.303.
- (q) Continued treatment of taxes and lease-purchase payments. Taxes associated with bonded debt may not be considered for state aid under TEC, Chapter 42. Bonded debt service or lease-purchase payments that were excluded from consideration for state assistance due to prioritization or due to the limitation on assistance may be considered for state assistance in subsequent biennia through additional applications. A modified application may be provided for previously rejected debt service or lease-purchase payments.
- (r) Variable rate bonds. Variable rate bonds are eligible for state assistance under the IFA. For purposes of calculating the biennial limitation on access to the allotment, the payment requirement for a variable rate bond shall be valued at the minimum amount a district must budget for payment of interest cost and the scheduled minimum mandatory redemption amount, if applicable. For purposes of calculating state assistance under TEC, Chapter 46, the lesser of the actual payment or the limitation on the allotment shall be used. A district may exercise its ability to make payments in amounts in excess of the minimum, but the excess amount shall not be used in determining the value of BTR or in the calculation of state assistance under TEC, Chapter 46, in that year.
- (s) Fixed-rate bonds. Computation for fixed-rate bonds shall be based on published debt service schedules as contained in the FOS or, for a private placement, in a supplemental filing with the TEA. Prepayment of a bond, either through an early call provision or some other mechanism, shall not increase the state's obligation or the computed state aid pursuant to the IFA. To the extent that prepayments reduce future debt service requirements, the computation of state aid shall also be appropriately adjusted.
- (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) an electronic [a] copy of the FOS that is filed with the state information repository, or, if an FOS is not available, an electronic copy of the final bond order or other official document describing the relevant financing activity that is filed with the state information repository, including a final debt service schedule; and
  - (E) an electronic [a] copy of the letter from the attorney general approving the transaction that is filed with the state information repository, 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.