

**Instructional Facilities Allotment (IFA)
Frequently Asked Questions (FAQs)**
(Updated February 23, 2011)

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1) What is the Instructional Facilities Allotment (IFA) program?

The Instructional Facilities Allotment (IFA) program provides funding for the purchase, construction, renovation, and expansion of instructional facilities. A district uses this funding to make debt service payments on qualifying bonds and lease-purchase agreements.

The IFA program was authorized in House Bill 4 by the 75th Legislature in spring 1997 and became effective September 1, 1997. Chapter 46 of the Texas Education Code contains the provisions that authorize the IFA program.

To receive IFA program assistance, a district must apply to the Texas Education Agency (TEA). Proposed bond or lease-purchase proceeds must be for the purchase, construction, renovation, and/or expansion of instructional facilities. We (the TEA) determine a maximum allotment when the initial award is made based on the annual debt service payment or \$250 per student in average daily attendance (ADA), whichever is less.

A district is required to levy sufficient taxes OR to designate excess maintenance and operations (M&O) or interest and sinking (I&S) tax collections from the 1999–2000 school year or later to cover the local share of the allotment. State aid under the IFA program provides a guaranteed yield of \$35 per penny of tax effort per unweighted ADA.

2) When can our district submit an application for IFA assistance?

Your district can submit an application at any time after voter approval for general obligation bonds or the 60-day notice period for lease-purchase agreements but before the district issues the debt; however, the deadline for applications for new money appropriations is June 15 or the next business day if June 15 falls on a weekend or holiday.

If your district submits an application by June 15 and no new money is appropriated, the application is considered for the subsequent round of funding as long as your district issues the debt and receives attorney general approval within 180 days of the deadline.

3) Which forms does our district use to apply for IFA assistance?

Use the most current request for application (RFA) form. It can be found online at <http://www.tea.state.tx.us/index2.aspx?id=5516>. Scroll down to **Forms**, and click on the **Request for Application (RFA)** link. The RFA form includes detailed information on eligibility.

An application submitted using a previous RFA form is still reviewed for the current round of funding. If an award is allotted, your district should submit the final sale amendment using the current RFA documents.

4) What values are used to determine eligibility?

The values used are those found in the **Legislative Payment Estimate (LPE)** column of the *Summary of Finances* report for the **Refined Average Daily Attendance (ADA)** row and the **State Certified Property Value** row. The refined ADA is determined by first summing the number of days attended by all students in a six-week period (summing all students' days of attendance) and dividing by the number of days taught in the six-week period and then summing the results for all six six-week periods in a school year, dividing by six, and rounding to three decimal places. The state certified property value is the value received from the Comptroller's Office.

To determine eligibility, a district's property value is divided by its ADA, which yields the district's local revenue. Local revenue must be below \$350,000 per ADA for the district to receive consideration for IFA funding.

Please visit <http://www.tea.state.tx.us/index2.aspx?id=5516> for an example of a recent IFA ranking list showing each district's local revenue per ADA.

ADA Adjustments (For Ranking Purposes Only)

Your district may contest its ADA projection. If your district wishes to contest the projection, it should do so with a written appeal that includes all six-week periods in the applicable school year. The data will be used to recalculate the projected ADA for ranking purposes only; adjustments (if any) will not be used for funding.

ADA appeals and supporting reports must be received by the IFA deadline: 5:00 p.m., Central Standard Time, June 15. Mail or deliver appeals to the following address:

Document Control Center, Room 6-108
Texas Education Agency, William B. Travis Building
1701 North Congress Avenue
Austin, Texas 78701-1494

5) Does the TEA require our district to reapply for IFA assistance annually?

If the initial application is approved and funded, your district is not required to reapply.

If your district does not issue the unfunded proposed debt within 180 days after the application deadline, your district must reapply.

6) How long can a district receive IFA assistance under Chapter 46?

Texas statute guarantees IFA state aid for the life of the debt that has been approved for funding. Section 46.003(h) of the Texas Education Code states that “[u]ntil the bonds are fully paid or the instructional facility is sold [,] (1) a school district is *entitled to continue receiving state assistance* without reapplying to the commissioner” (emphasis added).

7) What occurs if the legislature does not renew the appropriation for the Chapter 46 IFA program in future years?

If the legislature does not appropriate adequate funds for the IFA program, state statute requires the commissioner of education to make a transfer from the Foundation School Program (FSP) in an amount sufficient to cover the IFA payments required of the state. This transfer would take place before any funds were distributed for the FSP or other state aid. The transfer would have the effect of slightly reducing the FSP distributions to *all* school districts in the state during the fiscal year in which the transfer took place. Each district would be entitled to reimbursement of this FSP reduction during the following fiscal year.

8) What happens if the legislature fails to appropriate funds for the Foundation School Program?

The Foundation School Program (FSP) is just what its name implies, the “foundation” of funding for virtually every school district in Texas. Failure to appropriate funds for the FSP would represent a catastrophic failure of the entire system of school finance in the state. Few local districts could operate without state funding. In previous years, when court rulings threatened to shut down Texas schools over the school finance system, special sessions of the legislature were called by the governor to avoid that possibility. Texas schools have never been shut down for a lack of state funding.

We consider a failure to appropriate FSP funds to be an extraordinarily unlikely event. However, should this unlikely event occur, the Permanent School Fund (PSF) would be available to provide debt service payments on those bonds guaranteed by the PSF Bond Guarantee Program.

9) Is an application for IFA assistance the same as an application for a guarantee under the Bond Guarantee Program?

No. A district must make a separate application for a guarantee under the PSF Bond Guarantee Program. Rules and application forms for the program may be found at <http://www.tea.state.tx.us/index2.aspx?id=6794>.

10) What are the eligibility criteria for the IFA program?

To qualify for state assistance under the IFA program, a district must issue debt for qualified instructional facilities. Specifically, a district must —

- issue eligible debt. Only the following types of debt qualify:
 - “new” money bonds as authorized under the Texas Education Code (TEC), Chapter 45, Subchapter A
 - “refunding” bonds to refund bonds as described under the TEC, §46.007
 - lease-purchase agreements as authorized by the Local Government Code, §271.004
- make payments on eligible debt for at least eight years:
 - A bond must have a weighted average maturity of at least eight years
 - A lease-purchase contract must have a term of at least eight years
- submit the application for IFA assistance *after* voters have given authority through either —
 - a successful bond election, for bond debt
 - the expiration of the 60-day notice period, for a lease-purchase contract. If voters have called for a referendum, the referendum must take place before the application is submitted
- submit the application for assistance *before* —
 - the district prices/sells the bonds, for bond debt
 - the board trustees pass an order authorizing the lease-purchase contract, for a lease-purchase contract
- levy and collect sufficient taxes to cover the local share of the IFA program allotment:
 - A district must set an I&S tax rate that generates sufficient tax revenue to cover the local share for bond debt
 - A district must levy sufficient M&O taxes to cover the local share for a lease-purchase contract

11) What is considered as IFA eligible debt service?

The IFA program covers only the debt service that the district is obligated to pay. Thus, the entire debt service is considered eligible for funding; however, the IFA program covers only the net debt service for bonds that receive a federal tax credit, such as qualified school construction bonds and Build America Bonds.

Districts that issue bonds that receive a federal tax credit are required to report the net debt service on the Schedule 4C of the application and to provide supporting documentation.

12) How much assistance does our district qualify for under the IFA program?

The amount of IFA program assistance your district qualifies for is based on the size of your district, its property values, the number of students in ADA, and the amount of your district's eligible annual debt service.

The limitation on assistance is determined by comparing your district's size factor with its debt service payments:

1. Size factor = ADA x \$250 (or \$100,000, whichever is greater)
2. Highest annual debt service = the highest debt service payment due within the biennium in which the application is being made
3. Limitation on assistance = lesser of size factor or highest annual debt service payment of biennium

Once the limitation on assistance is determined, the amount of assistance is calculated by determining the amount needed to guarantee a yield of \$35 per unweighted ADA per penny of tax effort.

Example: District ABC has property values of \$100,000,000; ADA of 1,000; and annual debt service payments of \$100,000.

- Taxable property value = \$100,000,000 property value ÷ \$100 assessed valuation = \$1,000,000
- Tax yield per penny = \$1,000,000 taxable property value x 0.01 = \$10,000
- Tax yield per penny per student = \$10,000 ÷ 1,000 ADA = \$10.00 local revenue
- State aid per penny = \$35.00 guaranteed yield – \$10.00 local revenue = \$25.00 state aid
- Percentage debt service assistance paid as state aid = $(\$25 \div \$35) \times 1 = 71.43\%$
- Amount of IFA state assistance = \$100,000 annual debt service x 71.43% state share = \$71,429
- Amount of IFA local share = \$100,000 annual debt service – \$71,429 state share = \$28,571

13) What other IFA-related tax issues should our district be aware of?

Your district must levy and collect sufficient taxes to meet the local share requirement for the IFA program. If your district has an eligible lease-purchase agreement, tax collections for the local share of the IFA program will be excluded from tax collections used to determine state aid for Tier II (Chapter 42). If your district has eligible bonded debt, the local share of the IFA will be deducted from I&S tax collections for Existing Debt Allotment (EDA) calculation purposes. Once your district has accepted funding under the IFA program, it may not collect state aid under Tier II or the EDA program for the local share of eligible debt at any time in the future.

Example: District ABC (described above) receives \$1,100,000 in tax collections.

Annual debt service = \$100,000; the state share of the IFA amount = \$71,429; and the local share of the IFA amount = \$28,571.

\$1,100,000 (tax collections)
less \$28,571 (local share IFA)
= \$1,071,429 (tax collections considered for Tier II or EDA)