

BILL ANALYSIS

C.S.H.B. 2610
By: Pitts
Public Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Time warrants are financial tools public school districts can use for smaller-scale facilities projects, such as paying for the replacement of a \$600,000 HVAC system, without depleting liquidity. Interested parties note that time warrants are paid off in a much shorter life cycle than that of a typical bond and that the cap on the total value of time warrants a district is authorized to have outstanding has not been increased since the mid-1990s, despite increases in the costs of labor and materials.

C.S.H.B. 2610 seeks to address this issue by increasing the time a school district has to pay off a time warrant, with the intention of allowing districts to take advantage of lower interest rates, and by increasing the cap on the value of such time warrants to reflect the cost increases that have occurred since the cap was last set.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2610 amends the Education Code to increase from five years to 15 years the maximum maturity period of a serial installment for interest-bearing time warrants issued by a school district and to authorize a school district to issue interest-bearing time warrants to refund warrants previously issued if the refunding warrants are coterminous with the refunded obligations. The bill increases from \$500,000 to \$1 million the maximum total value of warrants a school district is authorized to have outstanding at any one time.

C.S.H.B. 2610 authorizes an independent or consolidated school district to evidence loans for the purpose of paying maintenance expenses with nonnegotiable notes, in addition to negotiable notes. The bill specifies that the term "maintenance expenses" or "maintenance expenditures" includes expenditures relating to notes issued to refund notes issued previously if the refunding notes are coterminous with the refunded obligation.

C.S.H.B. 2610 amends the Government Code to exempt a nonnegotiable note issued for the purpose of paying school district maintenance expenses, in a principal amount that does not exceed \$1 million, from approval and registration requirements of public securities.

EFFECTIVE DATE

September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2610 may differ from the original in minor or nonsubstantive ways, the

following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Sections 45.103(a) and (c), Education Code, are amended to read as follows:

(a) Any school district in need of funds to construct, repair, or renovate school buildings, purchase school buildings and school equipment, or equip school properties with necessary heating, water, sanitation, lunchroom, or electric facilities or in need of funds with which to employ a person who has special skill and experience to compile taxation data and that is financially unable out of available funds to construct, repair, renovate, or purchase school buildings, purchase school equipment, or equip school properties with necessary heating, water, sanitation, lunchroom, or electric facilities or is unable to pay the person for compiling taxation data, may, subject to this section, issue interest-bearing time warrants, in amounts sufficient to construct, purchase, equip, or improve school buildings and facilities or to pay all or part of the compensation of the person to compile taxation data, any law to the contrary notwithstanding. The warrants shall mature in serial installments of not more than 15 ~~[five]~~ years from their date of issue. The warrants on maturity may be payable out of any available funds of the school district in the order of their maturity dates. Any interest-bearing time warrants may be issued and sold by the district for not less than their face value, and the proceeds used to provide funds required for the purpose for which they are issued. The warrants shall be entitled to first payment out of any available funds of the district as they become due. Included in the purposes for which interest-bearing time warrants may be issued is the payment of any amounts owed by the school district that was incurred in carrying out any of those purposes.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 45.103, Education Code, is amended by amending Subsections (a) and (c) and adding Subsection (a-1) to read as follows:

(a) Any school district in need of funds to construct, repair, or renovate school buildings, purchase school buildings and school equipment, or equip school properties with necessary heating, water, sanitation, lunchroom, or electric facilities or in need of funds with which to employ a person who has special skill and experience to compile taxation data and that is financially unable out of available funds to construct, repair, renovate, or purchase school buildings, purchase school equipment, or equip school properties with necessary heating, water, sanitation, lunchroom, or electric facilities or is unable to pay the person for compiling taxation data, may, subject to this section, issue interest-bearing time warrants, in amounts sufficient to construct, purchase, equip, or improve school buildings and facilities or to pay all or part of the compensation of the person to compile taxation data, any law to the contrary notwithstanding. The warrants shall mature in serial installments of not more than 15 ~~[five]~~ years from their date of issue. The warrants on maturity may be payable out of any available funds of the school district in the order of their maturity dates. Any interest-bearing time warrants may be issued and sold by the district for not less than their face value, and the proceeds used to provide funds required for the purpose for which they are issued. The warrants shall be entitled to first payment out of any available funds of the district as they become due. Included in the purposes for which interest-bearing time warrants may be issued is the payment of any amounts owed by the school district that was incurred in carrying out any of those purposes.

(a-1) A school district may also issue interest-bearing time warrants to refund warrants previously issued under this section if the refunding warrants are coterminous with the refunded obligations.

(c) A school district may not issue interest-bearing time warrants in excess of five percent of the assessed valuation of the district for the year in which the warrants are issued. The payment of interest-bearing time warrants in any one year may not exceed the anticipated surplus income of the district for the year in which the warrants are issued, based on the budget of the district for that year. The anticipated income computed under this section is exclusive of all bond taxes. A school district may not have outstanding at any one time warrants totaling in excess of \$1 million [~~\$500,000~~] under this section.

SECTION 2. Section 45.108(a), Education Code, is amended.

SECTION 3. Section 1202.007(a), Government Code, is amended.

SECTION 4. This Act takes effect September 1, 2013.

(c) A school district may not issue interest-bearing time warrants in excess of five percent of the assessed valuation of the district for the year in which the warrants are issued. The payment of interest-bearing time warrants in any one year may not exceed the anticipated surplus income of the district for the year in which the warrants are issued, based on the budget of the district for that year. The anticipated income computed under this section is exclusive of all bond taxes. A school district may not have outstanding at any one time warrants totaling in excess of \$1 million [~~\$500,000~~] under this section.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.

SECTION 4. Same as introduced version.