

BILL ANALYSIS

H.B. 3697
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Public Education
3/12/2009
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, a school district is required to demonstrate prior to the issuance of new bonds that it has the ability to pay the principal and interest on its existing and new bonds from an Interest & Sinking Fund tax rate of 50.0 cents or less. In order to comply with this test, some school districts have been required to extend the time for repayment of their bonds resulting in additional interest costs to taxpayers.

As proposed, H.B. 3697 still requires a school district to demonstrate that it has the ability to pay the principal and interest on its existing and new bonds from an Interest & Sinking Fund tax rate of 50.0 cents or less, but provides a school district with the local option to issue new bonds with a shorter repayment period if it is able to demonstrate an actual interest cost savings of at least 10%, thus reducing the interest cost borne by taxpayers.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1, Section 45.0031, Education Code, by amending Subsection (a) and adding Subsections (c-1) and (f), as follows:

(a) Provides an alternative test in Subsection (c-1) that may be utilized to demonstrate compliance with this Subsection to the attorney general prior to the issuance of new bonds by a school district.

(c-1) In order to comply with the provisions of Subsection (a), provides a school district with the ability to utilize a pro forma debt service projection of its existing and new bonds, based upon current market rates certified by a financial advisor or consultant to the school district.

(f) If a district complies with Subsection (a), a school district has the local option of issuing new bonds in any manner that will produce an actual debt service savings of at least 10% when compared to the pro forma debt service projection utilized to comply with the provisions of Subsection (a).

SECTION 2. Effective date: September 1, 2009.