

## **BILL ANALYSIS**

C.S.H.B. 1752  
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Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

There are concerns regarding the amount of bond debt voters were recently asked to approve for independent school districts across Texas. Bonds are issued for the construction and renovation of facilities, the acquisition of land, and the purchase of capital items such as equipment. However, interested parties contend that the purchase of capital items should be limited to items with a life expectancy equal to or greater than the term of the bond. The parties note that, in the past several years, school district bond issuances have significantly increased, and it is not clear for what and how the issued bonds can be used. C.S.H.B. 1752 aims to provide clarity and structure to this debt finance tool.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **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. 1752 amends the Education Code to create an exception to the requirement that independent school district bonds mature serially or otherwise not more than 40 years from their date if the expected useful life of the asset acquired with bond proceeds is less than 40 years, in which case the bill requires bonds to mature serially or otherwise not later than the last year of the expected useful life of the acquired asset. The bill establishes that the expected useful life of an asset is determined based on the depreciable life of the asset under the Internal Revenue Code of 1986. The bill restricts the authorized uses of interest earned on school district bond proceeds to payment of the principal of and interest on the bonds.

### **EFFECTIVE DATE**

September 1, 2015.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 1752 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 45.001, Education Code, is amended by amending Subsections (a) and (b) and adding Subsections (a-1), (b-1), and (d) to read as follows:

(a) Subject to Subsection (a-1), the ~~The~~ governing board of an independent school district, including the city council or commission that has jurisdiction over a municipally controlled independent school district, the governing board of a rural high school district, and the commissioners court of a county, on behalf of each common school district under its jurisdiction, may:

(1) issue bonds for:

(A) the construction, acquisition, and equipment of school buildings in the district;

(B) the acquisition of property or the refinancing of property financed under a contract entered under Subchapter A, Chapter 271, Local Government Code, regardless of whether payment obligations under the contract are due in the current year or a future year;

(C) the purchase of the necessary sites for school buildings; and

(D) the purchase of new school buses; and

(2) ~~may~~ levy, pledge, assess, and collect annual ad valorem taxes sufficient to pay the principal of and interest on the bonds as or before the principal and interest become due, subject to Section 45.003.

(a-1) This section does not authorize bonds to be issued to pay costs associated with the initial purchase, subsequent replacement, or lease of technological equipment that is not a permanently attached fixture necessary in the initial construction of a public education facility.

(b) The bonds must mature serially or otherwise not more than 40 years from their date, except that if the expected useful life of the asset acquired with bond proceeds is less than 40 years the bonds must mature serially or otherwise not later than the last year of the expected useful life of the acquired asset. The bonds may be made redeemable before maturity.

(b-1) For purposes of Subsection (b), the expected useful life of an asset is determined based on the depreciable life of the asset under the Internal Revenue Code of 1986.

(d) Interest earned on bond proceeds may

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 45.001, Education Code, is amended by amending Subsection (b) and adding Subsections (b-1) and (d) to read as follows:

(b) The bonds must mature serially or otherwise not more than 40 years from their date, except that if the expected useful life of the asset acquired with bond proceeds is less than 40 years the bonds must mature serially or otherwise not later than the last year of the expected useful life of the acquired asset. The bonds may be made redeemable before maturity.

(b-1) For purposes of Subsection (b), the expected useful life of an asset is determined based on the depreciable life of the asset under the Internal Revenue Code of 1986.

(d) Interest earned on bond proceeds may

be used only to pay the principal of and interest on the bonds.

SECTION 2. (a) Except as provided by Subsection (b) of this section, this Act applies only to bonds authorized by voters on or after the effective date of this Act.

(b) Section 45.001(d), Education Code, as added by this Act, applies to interest that accrues on bond proceeds on or after the effective date of this Act, regardless of the date on which the bonds were authorized or issued.

SECTION 3. This Act takes effect September 1, 2015.

be used only to pay the principal of and interest on the bonds.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.