

BILL ANALYSIS

Senate Research Center
83R15291 KKA-F

H.B. 2610
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Education
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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 heating, ventilation and air conditioning 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.

H.B. 2610 increases 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 increases the cap on the value of such time warrants to reflect the cost increases that have occurred since the cap was last set.

H.B. 2610 amends current law relating to the issuance of interest-bearing time warrants and certain notes by school districts.

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 Sections 45.103, Education Code, by amending Subsections (a) and (c) and adding Subsection (a-1), as follows:

(a) Requires that interest-bearing time warrants, issued 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, mature in serial installments of not more than 15 years, rather than not more than five years, from their date of issue.

(a-1) Authorizes a school district to 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) Prohibits a school district, under this subsection, from having more than \$1 million, rather than \$500,000, of time warrants outstanding at any one time.

SECTION 2. Amends Section 45.108(a), Education Code, as follows:

(a) Authorizes independent or consolidated school districts to borrow money for the purpose of paying maintenance expenses and to evidence those loans with negotiable or nonnegotiable notes, except that the loans are prohibited from exceeding 75 percent of the previous year's income at any time. Redefines "maintenance expenses" and "maintenance expenditures" as used in this section.

SECTION 3. Amends Section 1202.007(a), Government Code, as follows:

(a) Exempts the following from the approval and registration requirements of Chapter 1202 (Examination and Registration of Public Securities):

(1)-(5) Makes no change to these subdivisions;

(6)-(7) Makes nonsubstantive changes; and

(8) a nonnegotiable note issued under Section 45.108 (Borrowing Money for Current Maintenance Expenses), Education Code, in a principal amount that does not exceed \$1 million.

SECTION 4. Effective date: September 1, 2013.