

BILL ANALYSIS

Senate Research Center
84R7116 KKA-F

S.B. 1568
By: Lucio
Education
3/24/2015
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 1995, the legislature authorized school districts to issue time warrants, or short-term debt, to facilitate small-scale facilities projects without the costs and constraints that accompany a bond issue. Initially, time warrants were allowed up to \$500,000 and had to be repaid over five years. Eighteen years later, the 83rd Legislature raised the ceiling to \$1 million, and extended the payment period to 15 years.

Unfortunately, even with this update, concerned stakeholders claim that the costs of even small projects are well above this ceiling. Construction of portable buildings, renovation of kitchen facilities, or new roofs can easily exceed the \$1 million limit currently in place. To complete such projects, districts must either issue bonds, at significant cost, or deplete their fund balance, reducing their liquidity and leaving them vulnerable to temporary financial shortfalls.

To address this issue, S.B. 1568 allows school districts to issue time warrants of up to \$2 million and extends the repayment period from 15 to 20 years. With these updates, districts can more easily, efficiently, and inexpensively complete necessary facilities projects, and take advantage of historically low interest rates to give them more cash flow flexibility.

As proposed, S.B. 1568 amends current law relating to the issuance of interest-bearing time warrants 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(a) and (c), Education Code, as follows:

- (a) Requires that issue-bearing time warrants mature in serial installments of not more than 20 years, rather than 15 years, from their date of issue. Provides that 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 were, rather than was, incurred in carrying out any of those purposes.
- (c) Prohibits a school district from having outstanding at any one time warrants totaling in excess of \$2 million, rather than \$1 million, under this section.

SECTION 2. Effective date: September 1, 2015.