

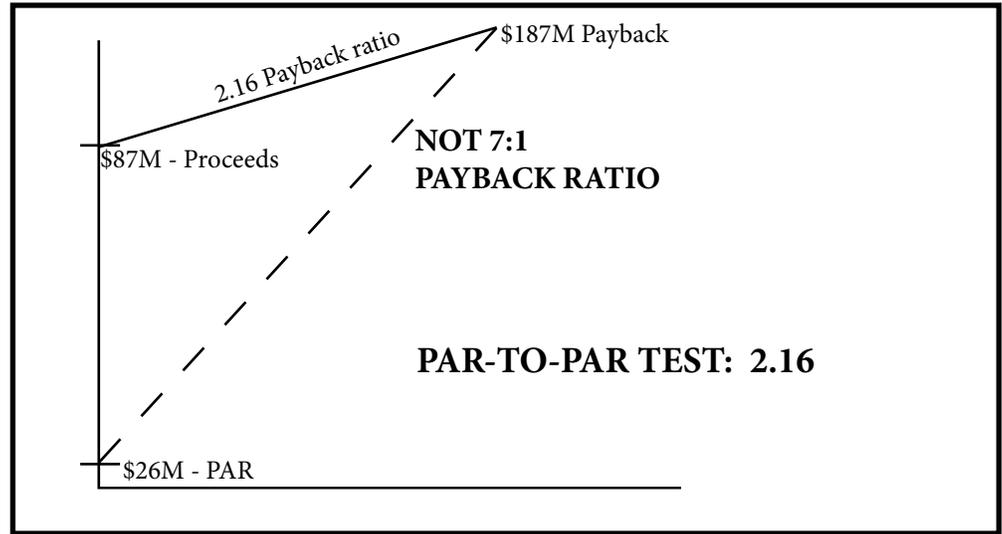


## Issues that impact Leander ISD's debt

### Issue:

Understanding how debt is structured and the time value of money, premiums and discounts, and the concept of refunding outstanding debt.

### Leander ISD Series 2012-A Refunding Bonds



### Issue:

## 50-cent Debt Test for New Bond Issuance

### What is the Issue?

The "50-cent test" that is used by the Attorney General to evaluate new bond issues before bonds are approved for issuance.

### What is the Rationale?

New bonds may only be issued if a school district demonstrates to the Attorney General that new and existing debt obligations can be met at a tax rate that does not exceed \$0.50 per \$100. This section needs to be amended or deleted to allow districts to issue voter-approved debt at a higher I&S tax rate.

### What is the Background?

- 1991 – The Texas Legislature implemented the "50-Cent Debt Test" as part of Senate Bill 351 and it is currently incorporated within Chapter 45 of the Texas Education Code. Prior to the "50-Cent Debt Test," the "debt limit" for school districts was 10% of taxable assessed valuation.
- 2001 – The Test was amended to allow a projection of taxable assessed valuations to be used to demonstrate future compliance with the Test. Since that time, in Leander ISD, student enrollment has increased, construction costs have increased, and state funding assistance for the payment of bonds has disappeared.
- 2009 - Representative Aycock (District 54) filed HB 3697 which would have allowed school districts to exceed an I&S tax rate of 50 cents if a material interest cost savings was demonstrated through a shorter repayment period and it was approved on a local option basis.

### What Else do We Need to Know?

- A number of fast-growth school districts are at or near a 50-cent I&S tax rate levy for outstanding bonded debt. For the 2011-12 school year, the average fast-growth district levied an I&S tax rate of \$0.333 per \$100, compared with an average of \$0.223 per \$100 for other school districts, an 11-cent tax rate difference. Using 2011-12 school year data, 37 fast-growth districts had I&S tax rates of \$0.40 to \$0.50 per \$100 and 14 were at or above \$0.50.
- In some cases, the current 50-cent test prevents school districts from issuing voter-approved bonds, regardless of the local need for facilities and the sentiments of local voters. In other cases, districts have been forced to seek extended maturity dates on bond issues to comply with the test, at substantially higher interest costs.
- The current statute permits school districts to pledge Chapter 46 IFA/EDA revenue and eligible Chapter 42 Tier I revenue to meet the 50-cent test requirements.