To All Bond Counsel:

Re: School District Bonds

As you know, section 20.09 of the Education Code, added and amended by S.B.351 and H.B.2885, respectively, Acts of the 72nd Legislature, Regular Session, adds additional requirements for Attorney General approval of school bonds. For school bonds, other than bonds exempt under subsection (c) of section 20.09, the district must demonstrate that the payment of principal of and interest on those bonds, and other outstanding bonds not exempt under subsection (c), will not require a bond tax rate in excess of $.50 per $100 over the life of the bonds, and a school district total tax (this does not include the tax levied by the county education district) in excess of $.78 per $100 over the life of the bonds. (Next year the school district total tax will decline to $.68. However, that change does not affect the calculation to be made for bonds issued this tax year.) Our determination that a school district has made the required demonstration will be made on the following basis.

1. For the $.50 bond tax test, the school district must have (i) used a projection of the most recently available assessed valuation of the district, with no assumption of increasing assessed valuation, (ii) assumed a collection rate of 90%, unless the district has an historical collection rate in excess of 90%, and (iii) based its demonstration on the maximum annual debt service over the life of the bonds.

2. The same methodology must be used for determining that the issuance of the bonds will not require a school district total tax rate in excess of that set out in subsection (a) of section 20.09. The most recent total tax rate of the district, excluding taxes levied for bonds, will be used in making this determination. For example, for the 1991 tax year, a school district with an actual tax rate of $.58 has $.20 available for non-exempt bonds ($.78 minus $.58). This available $.20 will not be affected by future changes in the maximum under subsection (a). Thus, this district would do the calculations set out in no. 1, but must demonstrate that debt service on the bonds and any other non-exempt bonds would not exceed $.20, rather than $.50.
3. Property poor school districts may utilize the guaranteed yield provisions of section 16.302(a) in determining the rate necessary to meet debt service on the bonds.

Undoubtedly, additional questions will arise with respect to school bond approval. We will endeavor to deal with such questions on a timely basis and to keep the bond community informed.

Sincerely,

[Signature]

Jim Thomassen
Assistant Attorney General
Chief, Public Finance Section

JT:jh