

LOCAL REVENUE SOURCES
LOANS AND NOTES

CCF
(LEGAL)

**Loans for Current
Maintenance
Expenses**

A district may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable or nonnegotiable notes, except that the loans may not at any time exceed 75 percent of the previous year's income. The notes may be payable from and secured by a lien on and pledge of any available funds of the district. The term "maintenance expenses" or "maintenance expenditures" as used in this provision means any lawful expenditure of the district other than payment of principal of and interest on bonds. The term includes expenditures relating to notes issued to refund notes previously issued under this provision if the refunding notes are coterminous with the refunded obligation. The term also includes all costs incurred in connection with environmental cleanup and asbestos cleanup and removal programs implemented by the district or in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties. Notes issued pursuant to this provision may be issued to mature in not more than 20 years from their date. Notes issued for a term longer than one year shall be treated as "debt" as defined in Tax Code 26.012(7).

Notes may be issued under this provision only after a budget has been adopted for the current school year. Notes must be authorized by resolution adopted by a majority of the board, signed by the president or vice president, and attested to by the secretary. A note may contain a certification that it is issued pursuant to and in compliance with this provision and pursuant to a resolution adopted by the board. The certification is sufficient evidence that the note is a valid obligation of the district.

Education Code 45.108

**Short-Term
Obligations and
Credit Agreements**

The district may issue, sell, and deliver certain obligations under Government Code Chapter 1371 to the extent authorized by Education Code 45.003 if the district:

1. Has an average daily attendance of 50,000 or more; or
2. Has:
 - a. A principal amount of at least \$100 million in outstanding long-term indebtedness, proposed long-term indebtedness, or a combination of outstanding or proposed long-term indebtedness; and
 - b. Some amount of long-term indebtedness, outstanding or proposed, to be issued that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal

securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

Gov't Code 1371.001(4)(L), (P), .0521

Subject to the restrictions of Education Code 45.0011(c) and (d), a district with an average daily attendance of at least 2,000 or a combined aggregate principal of at least \$50 million in outstanding and voted but unissued bonds may, in the issuance of bonds as provided by Education Code 45.001 and 45.003(b)(1) [see CCA], exercise the powers granted to the governing body of an issuer with regard to the issuance of obligations and execution of credit agreements under Government Code Chapter 1371. *Education Code 45.0011*

**Maximum Interest
Rate**

The maximum rate of interest for any issue or series of public securities shall be a net effective interest rate of 15 percent. *Gov't Code 1204.006*

Short-term notes shall be issued in accordance with the Public Security Procedures Act. *Gov't Code Ch. 1201*