

APPROPRIATIONS AND REVENUE SOURCES
BOND ISSUES

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**Tax Bonds and
Maintenance Tax**

The governing board of each junior college district shall be authorized to issue negotiable coupon bonds for the construction and equipment of school buildings and the purchase of the necessary sites therefor, and levy and pledge annual ad valorem taxes sufficient to pay the principal of and interest on said bonds as they come due, and to levy annual ad valorem taxes for the maintenance of its public junior college or junior colleges; provided that the annual bond tax shall never exceed \$0.50 on the \$100 valuation of taxable property in the district, and the annual bond tax, if any, together with the annual maintenance tax shall never exceed the aggregate of \$1 on the \$100 valuation of taxable property in the district.

Such bonds may be issued in various series or issues, and shall mature serially or otherwise not more than 40 years from their date, and shall bear interest at such rate or rates as shall be determined within the discretion of the board. Said bonds, and the interest coupons appertaining thereto, shall be negotiable instruments, and they may be made redeemable prior to maturity, and may be issued in such form, denominations, and manner, and under such terms, conditions, and details, and shall be signed and executed, as provided by the board in the resolution or order authorizing the issuance of said bonds. All bonds shall be sold to the highest bidder for not less than their par value and accrued interest.

Education Code 130.122(a)

All bonds shall be issued in accordance with the Public Security Procedures Act and Education Code 130.122. *Gov't Code 1201*

General Obligation
Bonds

Notwithstanding any other provision of law, a political subdivision, including a college district, may not issue general obligation bonds to purchase, improve, or construct one or more improvements to real property, to purchase one or more items of personal property, or to do both, if the weighted average maturity of the issue of bonds exceeds 120 percent of the reasonably expected weighted average economic life of the improvements and personal property financed with the issue of bonds. *Gov't Code 1253.003*

*Use of Unspent
Proceeds*

A political subdivision other than a school district may use the unspent proceeds of issued general obligation bonds only for the specific purposes for which the bonds were authorized, to retire the bonds, or for a purpose other than the specific purposes for which the bonds were authorized if:

1. The specific purposes are accomplished or abandoned; and

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2. A majority of the votes cast in an election held in the political subdivision approve the use of the proceeds for the proposed purpose.

The election order and the notice of election for an election described by item 2 must state the proposed purpose for which the bond proceeds are to be used. A political subdivision must hold the election in the same manner as an election to issue bonds in the political subdivision.

Gov't Code 1253.003

Capital Appreciation
Bonds

"Capital appreciation bond" means a bond that accrues and compounds interest from its date of delivery, the interest on which by its terms is payable only upon maturity or prior redemption.

A junior college district or other political subdivision may not issue capital appreciation bonds that are secured by ad valorem taxes unless:

1. The bonds have a scheduled maturity date that is not later than 20 years after the date of issuance;
2. The governing body of the political subdivision has received a written estimate of the cost of the issuance, including:
 - a. The amount of principal and interest to be paid until maturity;
 - b. The amount of fees to be paid to outside vendors, including vendors who sell products to be financed by the bond issuance;
 - c. The amount of fees to be paid to each financing team member; and
 - d. The projected tax impact of the bonds and the assumptions on which the calculation of the projected tax impact is based;
3. The governing body of the political subdivision has determined in writing whether any personal or financial relationship exists between the members of the governing body and any financial adviser, bond counsel, bond underwriter, or other professional associated with the bond issuance. The governing body of a political subdivision that makes a determination that a personal or financial relationship exists shall submit the determination to the Texas Ethics Commission; and

4. The governing body of the political subdivision posts prominently on the political subdivision's internet website and enters in the minutes of the governing body:
 - a. The total amount of the proposed bonds;
 - b. The length of maturity of the proposed bonds;
 - c. The projects to be financed with bond proceeds;
 - d. The intended use of bond proceeds not spent after completion of the projects identified in paragraph c;
 - e. The total amount of the political subdivision's outstanding bonded indebtedness at the time of the election on the bonds, including the amount of principal and interest to be paid on existing bond indebtedness until maturity;
 - f. The total amount of the political subdivision's outstanding bonded indebtedness, including the amount of principal and interest to be paid until maturity; and
 - g. The information received under item 2 and determined under item 3.

The total amount of capital appreciation bonds may not exceed 25 percent of the political subdivision's total outstanding bonded indebtedness at the time of the issuance, including the amount of principal and interest to be paid on the outstanding bonds until maturity.

The governing body of a political subdivision shall regularly update the debt information posted on the political subdivision's internet website under paragraph 4f to ensure that the information is current and accurate.

Gov't Code 1201.0245(a)–(d), (g)

Exclusions

Capital appreciation bond proceeds may not be used to purchase the following items, unless an item has an expected useful life, determined based on the depreciable life of the asset under the Internal Revenue Code of 1986, that exceeds the bond's maturity date:

1. Items more regularly considered maintenance items, including replacement HVAC units, upgraded plumbing, or similar items; or
2. Transportation-related items, including buses.

Government Code 1201.0245 does not apply to the issuance of refunding bonds under Government Code Chapter 1207 or capital

appreciation bonds for the purpose of financing transportation projects.

Gov't Code 1201.0245(e), (j)

*Unspent
Proceeds*

Capital appreciation bond proceeds unspent after completion of the project identified as the proceeds' intended use may be used only for a use identified on the political subdivision's website under paragraph 4d, above, unless another use is approved by the voters of the political subdivision at an election held for that purpose. *Gov't Code 1201.0245(f)*

*Extension of
Maturity Date*

A junior college district may not extend the maturity date of an issued capital appreciation bond, including through the issuance of refunding bonds that extend the maturity date. *Gov't Code 1201.0245(h)*

Exception

A political subdivision may extend the maturity date of an issued capital appreciation bond only if:

1. The extension of the maturity date will decrease the total amount of projected principal and interest to maturity; or
2. The political subdivision is a school district and:
 - a. The maximum legally allowable tax rate for indebtedness has been adopted; and
 - b. TEA certifies in writing that the solvency of the permanent school fund's bond guarantee program would be threatened without the extension.

Gov't Code 1201.0245(i)

Credit Agreements

A junior college district that at the time of the issuance of obligations and execution of credit agreements has at least 2,000 full-time students or the equivalent or a combined aggregate principal amount of at least \$50 million of outstanding bonds and voted, but unissued, bonds may, in the issuance of bonds as provided by Education Code 130.122, 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.

A proposition to issue bonds to which Education Code 130.1221 applies must include the question of whether the board may levy, pledge, assess, and collect annual ad valorem taxes sufficient to pay the principal of and interest on the bonds and the costs of any credit agreements executed in connection with the bonds.

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Limits

A district may not issue bonds in an amount greater than the greater of:

1. Twenty-five percent of the sum of:
 - a. The aggregate principal amount of all district debt payable from ad valorem taxes that is outstanding at the time the bonds are issued; and
 - b. The aggregate principal amount of all bonds payable from ad valorem taxes that have been authorized but not issued;
2. Twenty-five million dollars, in a district that has at least 3,500 but not more than 15,000 full-time students or the equivalent; or
3. Fifty million dollars, in a district that has more than 15,000 full-time students or the equivalent.

Government Code 1371.057 and 1371.059 govern approval by the attorney general of obligations issued under the authority of Education Code 130.1221.

Education Code 130.1221

Elections

No such bonds shall be issued and none of the aforesaid taxes shall be levied unless authorized by a majority of the electors voting at an election held for such purpose in accordance with law, at the expense of the district. Each such election shall be called by resolution or order of the board, which shall set forth the date of the election, the proposition or propositions to be submitted and voted on, the polling place or places, and any other matters deemed necessary or advisable by the board.

The election shall be held on a uniform election date.

Education Code 130.122(b); Election Code 41.001(a) [See BBB]

Call for Election

For an election to be held on a uniform election date, the election shall be called not later than the 78th day before election day. [See BBB] *Election Code 3.003, .005, 41.002*

Notice of Election

Notice of said election shall be given by publishing a substantial copy of the election resolution or order one time, at least ten days prior to the date set for the election, in a newspaper of general circulation in the district. The person responsible for giving the notice must retain a copy of the published notice that contains the name of the newspaper and the date of publication. *Education Code 130.122(b); Election Code 4.003(a)(1), (c), .005*

The governing body of a political subdivision that orders an election shall deliver notice of the election, including the location of each polling place, to the county clerk and voter registrar of each county in which the political subdivision is located not later than the 60th day before election day. *Election Code 4.008(a)*

Posting Notice of Election

In addition, notice of the election, which must include the location of each polling place, must be posted not later than the 21st day before election day, the authority responsible for giving notice of the election shall post a copy of the notice, which must include the location of each polling place, on the bulletin board used for posting notices of the meetings of the governing body of the political subdivision that the authority serves. The person posting the notice shall make a record at the time of posting stating the date and place of posting. The person shall sign the record and deliver it to the authority responsible for giving the election notice after the last posting is made. *Election Code 4.003(a)(1), (b)–(c), .004–.005*

Election Order

"Debt obligation" means an issued public security, as defined by Government Code 1201.002, that is secured by and payable from ad valorem taxes. The term does not include public securities that are designated as self-supporting by the political subdivision issuing the securities.

The document ordering an election to authorize a political subdivision, including a college district, to issue debt obligations must distinctly state:

1. The proposition language that will appear on the ballot;
2. The purpose for which the debt obligations are to be authorized;
3. The principal amount of the debt obligations to be authorized;
4. That taxes sufficient to pay the principal of and interest on the debt obligations may be imposed;
5. A statement of the estimated tax rate if the debt obligations are authorized or of the maximum interest rate of the debt obligations or any series of the debt obligations, based on the market conditions at the time of the election order;
6. The maximum maturity date of the debt obligations to be authorized or that the debt obligations may be issued to mature over a specified number of years not to exceed the maximum number of years authorized by law;

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7. The aggregate amount of the outstanding principal of the political subdivision's debt obligations as of the date the election is ordered;
8. The aggregate amount of the outstanding interest on the debt obligations of the political subdivision as of the date the election is ordered, which may be based on the political subdivision's expectations relative to variable rate debt obligations; and
9. The ad valorem debt service tax rate for the political subdivision at the time the election is ordered, expressed as an amount per \$100 valuation of taxable property.

Election Code 3.009

*Posting the
Election Order*

A debt obligation election order required under Election Code 3.009 shall be posted on election day and during early voting by personal appearance, in a prominent location at each polling place; not later than the 21st day before the election, in three public places in the boundaries of the political subdivision holding the election; and during the 21 days before the election, on the political subdivision's internet website, prominently and together with the notice of the election, the contents of the proposition, and any sample ballot prepared for the election, if the political subdivision maintains an internet website. *Election Code 4.003(f)*

Propositions

The ballot for a measure seeking voter approval of the issuance of debt obligations by a political subdivision shall specifically state:

1. A general description of the purposes for which the debt obligations are to be authorized;
2. A plain language description of the single specific purposes for which the debt obligations are to be authorized;
3. The total principal amount of the debt obligations to be authorized; and
4. That taxes sufficient to pay the principal of and interest on the debt obligations will be imposed.

Each single specific purpose for which debt obligations requiring voter approval are to be issued must be printed on the ballot as a separate proposition. A proposition may include as a specific purpose one or more structures or improvements serving the substantially same purpose and may include related improvements and equipment necessary to accomplish the specific purpose.

Gov't Code 1251.052(a)-(a-1); Election Code 52.072(f)

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Voter Information
Document

A political subdivision with at least 250 registered voters on the date the governing body of the political subdivision adopts the debt obligation election order must prepare a voter information document for each proposition to be voted on at the election. The political subdivision shall post the voter information document in the same manner as a debt obligation election order is required to be posted under Election Code 4.003(f) and may include the voter information document in the debt obligation election order. The voter information document must distinctly state:

1. The language that will appear on the ballot;
2. The following information formatted as a table:
 - a. The principal of the debt obligations to be authorized;
 - b. The estimated interest for the debt obligations to be authorized;
 - c. The estimated combined principal and interest required to pay on time and in full the debt obligations to be authorized; and
 - d. As of the date the political subdivision adopts the debt obligation election order:
 - (1) The principal of all outstanding debt obligations of the political subdivision;
 - (2) The estimated remaining interest on all outstanding debt obligations of the political subdivision, which may be based on the political subdivision's expectations relative to the interest due on any variable rate debt obligations; and
 - (3) The estimated combined principal and interest required to pay on time and in full all outstanding debt obligations of the political subdivision, which may be based on the political subdivision's expectations relative to the interest due on any variable rate debt obligations;
3. The estimated maximum annual increase in the amount of taxes that would be imposed on a residence homestead in the political subdivision with an appraised value of \$100,000 to repay the debt obligations to be authorized, if approved, based upon assumptions made by the governing body of the political subdivision; and
4. Any other information that the political subdivision considers relevant or necessary to explain the required information.

Gov't Code 1251.052(b)

The governing body of the political subdivision shall identify in the voter information document the major assumptions made in connection with the statement required by item 3, including:

1. The amortization of the political subdivision's debt obligations, including outstanding debt obligations and the proposed debt obligations;
2. Changes in estimated future appraised values within the political subdivision; and
3. The assumed interest rate on the proposed debt obligations.

A political subdivision that maintains an internet website shall provide the information described by Government Code 1251.052(b) on its website in an easily accessible manner beginning not later than the 21st day before election day and ending on the day after the date of the debt obligation election.

Gov't Code 1251.052(c)-(d)

Canvass

The board shall canvass the returns and declare the results of such election. *Education Code 130.122(b)*

Political Advertising

An officer or employee of a political subdivision, including a college district, may not knowingly spend or authorize the spending of public funds for political advertising. The restriction does not apply to a communication that factually describes the purposes of a measure if the communication does not advocate passage or defeat of the measure.

An officer or employee of a political subdivision may not spend or authorize the spending of public funds for a communication describing a measure if the communication contains information that:

1. The officer or employee knows is false; and
2. Is sufficiently substantial and important as to be reasonably likely to influence a voter to vote for or against the measure.

It is an affirmative defense for an offense under this section or the imposition of a civil penalty for conduct under this section that an officer or employee of a political subdivision reasonably relied on a court order or an interpretation in a written opinion issued by a court of record, the attorney general, or the Texas Ethics Commission.

On written request of the governing body of a political subdivision that has ordered an election on a measure, the Texas Ethics Commission shall prepare an advance written advisory opinion as to

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whether a particular communication relating to a measure complies with the section.

Election Code 255.003(a)–(b-1), (d)–(e) [See CHE]

Newsletters

A newsletter of a public officer of a political subdivision is not political advertising if:

1. It includes no more than two pictures of a public officer per page and if the total amount of area covered by the pictures is no more than 20 percent of the page on which the pictures appear;
2. It includes no more than eight personally phrased references (such as the public officer's name, "I", "me", "the city council member") on a page that is 8 1/2" x 11" or larger, with a reasonable reduction of the number of such personally phrased references in pages smaller than 8 1/2" x 11"; and
3. When viewed as a whole and in the proper context:
 - a. Is informational rather than self-promotional;
 - b. Does not advocate passage or defeat of a measure; and
 - c. Does not support or oppose a candidate for nomination or election to a public office or office of political party, a political party, or a public officer.

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Refunds

An issuer, including a college district, may issue refunding bonds under Government Code Chapter 1207 to refund all or any part of the issuer's outstanding bonds, notes, or other general or special obligations.

Subject to the provisions of Government Code Chapter 1207 and Education Code 130.122, the governing board of each junior college district is authorized to refund or refinance all or any part of any of its outstanding bonds and matured but unpaid interest coupons payable from ad valorem taxes by the issuance of negotiable coupon refunding bonds payable from ad valorem taxes.

Gov't Code 1207.002; Education Code 130.122(c)

Authorized Unissued Bonds

All tax bonds voted in any junior college district in accordance with law but unissued by September 1, 1969, may be issued in the manner provided in Education Code 130.122, without an additional election; and all maintenance taxes voted in any district in accordance with law may be levied and collected in the manner provided by law without an additional election. *Education Code 130.122(g)*