

APPROPRIATIONS AND REVENUE SOURCES
CERTIFICATES OF INDEBTEDNESS

CAF
(LEGAL)

Any school district, including a junior college district, situated in a county with a population of 200,000 or more may issue interest-bearing certificates of indebtedness to provide funds for erecting or equipping school buildings in the boundaries of the district or refinancing outstanding certificates as provided by Education Code 45.111. "Certificates" includes all obligations authorized to be issued under Education Code 45.111 and the interest on those obligations. *Education Code 45.111(a)*

**Payment of
Certificates**

The governing body of the district shall provide for the payment of the certificates by appropriating and pledging local school funds derived from maintenance taxes levied and assessed under Education Code 45.002 and 130.122, Vernon's Texas Civil Statutes Article 2784g, or other similar law that limits the amount of tax that may be levied for maintenance purposes as distinguished from bond requirements. The appropriation and pledge may be in the nature of a continuing irrevocable pledge to apply the first moneys collected annually from the tax levy to the payment of the obligations or by the irrevocable present levy and appropriation of the amount of the maintenance tax required to meet the annual debt service requirements of the obligations, in which event the governing body shall covenant to annually set aside the amount in the annual tax levy, showing the same is a portion of the maintenance tax. The governing body shall annually budget the amount required to pay the principal and interest of the obligations that may be scheduled to become due in any fiscal year. This section may not be construed as permitting the levy of a maintenance tax in excess of the amount approved by the qualified voters of the district. *Education Code 45.111(b)*

**Outstanding
Certificates**

A district may not at any time have certificates outstanding and unpaid in principal amount in excess of \$250,000, unless the excessive amount becomes the obligation of the district by assumption under Education Code 45.111(k) or the new certificates are being issued to refund or refinance outstanding obligations under Education Code 45.111(i). *Education Code 45.111(c)*

**Principal Maturity
and Amount**

The principal amount of certificates that may be authorized at any one time and the scheduling of their principal maturity are further restricted as follows:

1. If the assessed valuation is more than \$1 million and less than \$15 million, the limiting factor is 25 cents;
2. If the assessed valuation is \$15 million or more but less than \$35 million, the limiting factor is 15 cents; and
3. If the assessed valuation is \$35 million or more, the limiting factor is 5 cents.

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Assessed valuation means the valuation for school district purposes on the tax rolls of the district most recently approved before the authorization of the certificates. The limiting factor for a particular district, as prescribed above, is multiplied by the assessed valuation of the district, and the product is the maximum amount of debt service requirements on the certificates that may be scheduled to become due in any fiscal year on a cumulative basis. A district that has an assessed valuation less than \$1 million may not issue certificates under this section.

Education Code 45.111(d)–(e)

Maturity

Certificates authorized to be issued under this section shall be payable at the times and be in such form and denomination or denominations either in coupon form or registered as to principal, interest, or both. The certificates may contain options for redemption before the scheduled maturity and may be payable at the place and may contain other provisions as the governing body of the district determines. A certificate may not mature over a period exceeding 25 years from date of the certificate. *Education Code 45.111(f)*

Interest

A certificate may not bear interest at a rate in excess of seven percent per annum. *Education Code 45.111(f)*

Procedures

Certificates of indebtedness shall be issued in accordance with Education Code 45.111.