### Overview of a School District Bond Issuance

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<td><strong>Bond</strong>: a public security approved by the Office of the Attorney General (OAG) and issued by a school district under Texas Education Code sections 45.003 or 45.004, to provide long-term financing with a maturity schedule of at least three years but not more than 40 years. A school district may levy ad valorem <strong>taxes</strong> sufficient to pay the principal and interest on the bonds. Bonds may not be issued or taxes levied unless authorized by a majority of district voters in an election held for that purpose. <strong>Tex. Educ. Code § 45.001; 19 Tex. Admin. Code § 33.65(b)(4).</strong></td>
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<td><strong>Public Security</strong>: an instrument, including a bond, certificate, note, or other type of obligation authorized to be issued by an issuer under a statute. <strong>Tex. Gov’t Code § 1201.002(2).</strong></td>
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| **Laws**: School district bond issues are governed by numerous state and federal laws:  
  - Texas Education Code, including chapter 45; Election Code; Tax Code; and Government Code chapters 1201 (the Public Security Procedures Act) through 1208 and 1251, among others  
  - 1 Tex. Admin. Code chapter 53 (OAG approval of public securities)  
  - 19 Tex. Admin. Code § 33.65 (Permanent School Fund Bond Guarantee Program)  
  - Internal Revenue Code  
  - Federal Securities Laws and SEC Rules |
| **Assess and prioritize needs**  
  - School districts may issue bonds for specific purposes:  
    - construct, acquire, and equip school buildings;  
    - acquire or refinance property financed under the Public Property Finance Act;  
    - purchase sites for school buildings;  
    - purchase new school buses;  
    - retrofit school buses with emergency, safety, or security equipment; and  
    - purchase or retrofit vehicles to be used for emergency, safety, or security purposes |
| **Select financial advisor, bond counsel, and election attorney** (See **TASB Legal Services’ Players in a School District Bond Issuance** for information on each role and **Working with Your School Attorney** for information on hiring an attorney) |
| **Order/Notice/Voter Information** (See CCA(LEGAL) and **School District Bond Election Process**  
  - Specific content requirements  
  - Publication and posting requirements  
  - Deadlines  
| **Publicity/Communication** (See **TASB Legal Services’ Campaign Speech During Elections** and the Texas Ethics Commission’s **Short Guide to The Prohibition Against Using School District Resources for Political Advertising** and **Advocating Passage or Defeat of a Measure**  
  - Educate the community and encourage voting  
  - Avoid using school resources for advocacy; disseminate facts instead (BBBD(LEGAL)) |
| **The board’s pre-election orders & resolutions regarding how bond proceeds will be spent may create a contract with the voters.** |
### Step 3: Hold the Election
- Polling places (BBBA(LEGAL))
  - Temporary branch polling places must be open on the same days as the main early voting polling place and for at least 8 hours, with limited exception
- Ballot language (CCA(LEGAL))
  - Single proposition: bonds for construction, acquisition, and equipment of school buildings, purchase of new school buses, and purchase of sites for school buildings
  - Separate propositions:
    - construction, acquisition, or equipment of specific facilities:
      - stadium with seating capacity for more than 1,000;
      - natatorium;
      - performing arts facility;
      - recreational facility other than a gymnasium, playground, or play area;
      - teacher housing determined by the district to be necessary; and
    - acquisition and update of technology equipment other than equipment used for school security purposes or technology infrastructure integral to the construction of a facility

For more on school district bond ballot requirements, see [To All Bond Counsel Letter](#) dated December 27, 2019.

### Step 4: Issue the Bonds
- Approximately 30 days after the election
- The district’s financial advisor, bond counsel, underwriter, and underwriter’s counsel are very involved in this step (See TASB Legal Services’ [Players in a School District Bond Issuance](#) for information on each role)
- OAG review of the entire transcript of proceedings (all legal and financial documents associated with the bond issue) and certification of the bonds
- Competitive or negotiated sale
  - Timing is important
    - Sell in time to have proceeds to meet cash flow needs
    - Use project schedules
    - Avoid issuing too early and paying interest
    - Reduce overall cost of borrowing; better manage tax rate
- Closing and delivery of bonds and funds

### Step 5: Implement the Bond Program
- Construction process (CV(LEGAL) series)
  - Procurement requirements
  - Other requirements
    - Bonding and insurance
    - Prevailing wages
    - Criminal history review
- Continued disclosure requirements—SEC Rule 15c2-12
- Communicate progress
- Invest proceeds (CDA(LEGAL) & (LOCAL)) only as permitted by:
  - the Public Funds Investment Act;
  - applicable statutory provisions; and
  - the district’s investment policy
- Unused proceeds may be used only:
  - for the specific authorized purposes;
  - to retire bonds; or
  - for another purpose if:
    - specific purposes were accomplished or abandoned, and
    - at a public meeting held to consider unused proceeds, the board approves in separate votes using the proceeds for:
      - a purpose other than to retire the bonds; and
      - a new purpose specified when the vote is taken
- Authorized but unissued bonds: if specific purposes have been accomplished or abandoned, the board may order an election on the question of issuing the bonds for a different purpose specified in the election order and notice
- Maturity: Bonds must be paid in full on or before the maturity date

This document is provided for educational purposes only and contains information to facilitate a general understanding of the law. It is not an exhaustive treatment of the law on this subject nor is it intended to substitute for the advice of an attorney. Consult with your own attorneys to apply these legal principles to specific fact situations.

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