

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 186

51st Legislature, 1st Session, 2013

Tracking Number: .191142.1

Short Title: Payment of School Lease-Purchase Arrangements

Sponsor(s): Senator Howie C. Morales

Analyst: Sarah Amador-Guzman

Date: February 5, 2013

Bill Summary:

Among its provisions SB 186:

- adds a new section to the *Education Technology Equipment Act*, to allow lease-purchase arrangements of school districts to be paid from the State Equalization Guarantee (SEG)¹ distribution;
- allows the Department of Finance and Administration (DFA), in the event of a potential late payment, to provide school districts with the current fiscal year's SEG distribution for payments on lease-purchase arrangements for education technology equipment, by the due date;
- permits the use of SEG funds as a temporary funding source to be considered if payment of principal and interest may be late otherwise;
- applies only to lease-purchase arrangements entered into by a school district on or after July 1, 2013; and
- allows the Public Education Department (PED) to initiate an audit of the school district to determine the reason for the nonpayment and, if necessary, assist in developing and implementing measures to ensure future payments are made on time.

Fiscal Impact:

SB 186 does not contain an appropriation.

According to the DFA bill analysis, if a school district uses SEG funds for lease-purchase arrangements for education technology equipment and fails to replenish the funds with other revenues, the SEG appropriation may be impacted as a result.

Fiscal Issues:

According to the PED bill analysis, the revenue source for lease-purchase arrangements of school districts for educational technology equipment is:

- based upon a property tax levied on behalf of the school district; and
- collected through property tax assessments by the county in which the school district is located.

¹ The SEG is also referred to as the Public School Funding Formula.

Substantive Issues:

According to the PED bill analysis, SB 186:

- provides a mechanism for timely payment of lease-purchase arrangement for education technology equipment; and
- allows a school district to transfer delinquent property taxes later collected into its general fund to restore SEG distributions withheld, without specifying a threshold limitation.

Technical Issues:

According to the PED bill analysis, SB 186 includes similar language used in the *Public School Code* section on “Timely Payments of School District Obligations.” The implementation of this section has assisted school districts in:

- receiving better bond ratings due to the assurance of the repayment of the debt through the SEG;
- preventing bond ratings from dropping, which could increase the bond’s interest rate and require a proportionate mill levy increase upon tax payers.

Background:

In 2007, the *Public School Code* section on “Timely Payments of School District Obligations,” was enacted to allow SEG funds to be used as a temporary funding source to make payments for general obligation (GO) bonds in the event that they are late.

In 2003, legislation (SB 847) was enacted to guarantee school district GO bonds with funding from the state equalization guarantee distribution in order to contribute toward school districts’ maintaining or improving their respective bond ratings, which, in turn, would result in lower interest rates when the bonds are sold.

Committee Referrals:

SEC/SJC/SFC

Related Bills:

None as of February 5, 2013.