Legislative Fiscal Office
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Bill Title: Relating to education service district indebtedness.

Government Unit(s) Affected: Education Service Districts, School Districts, Counties

Summary of Fiscal Impact
Costs related to the measure are anticipated to be minimal - see explanatory analysis.

Measure Description
The measure clarifies the bonding authority of education service districts (ESDs) by increasing the cap on the amount an ESD can raise by issuing bonds for capital costs. The measure stipulates that bond proceeds may be used to finance capital costs of an ESD or its component school districts. The measure establishes a limit on the aggregate principal amount of bonded indebtedness of 7.95% (0.0795) of the real market value of all taxable property within an ESD.

Fiscal Analysis
To obtain a general obligation bond, the ESD board must first adopt a resolution to propose an election and adopt ballot title language, including the proposed maximum indebtedness, maximum duration of borrowing, a list of projects for which the funds will be used, and usually an estimated levy rate. Once the resolution is adopted, ESD staff file the proposed ballot title language with the county elections office, or multiple counties if the ESD crosses county lines. The bond is then placed on the ballot for consideration by voters within the ESD. If voters approve the bond, the ESD board then certifies the results and adopts another resolution authorizing the ESD to proceed with borrowing either the entire amount or part of that amount. Once the authorization for incurring general obligation indebtedness is secured, the ESD is then authorized to levy annually for the payment of debt service of both principal and interest. The levy amount is included in the ESD's budget resolution, which is annually adopted by the ESD's board.

While the measure allows ESDs to issue bonds up to the new statutory cap, the authority to issue bonds does not necessarily create additional costs. The measure is anticipated to have a minimal fiscal impact because ESDs will only incur costs to the extent that they decide to propose a bond.

The measure is also anticipated to have a minimal impact on counties, since they conduct elections as part of their regular operations. ESDs would also be responsible for reimbursing the county or counties for the cost of holding the election.

Relevant Dates
The measure takes effect on January 1, 2026.