Bond Financing 101

School bond funding is a method that school districts use to raise money for large capital projects, such as building new schools, renovating existing facilities, or upgrading infrastructure like technology or safety systems. Here's how it typically works:

1. Issuance of Bonds

- **School Board Decision**: The school district's board of education assesses the data regarding capital improvements and decides to propose a bond measure to fund capital projects.
- **Bond Measure on Ballot: The bond measure is placed on a local election ballot, allowing the community to vote on whether to approve the bond.** This typically occurs during general elections but can be held during special elections as well.

2. Voter Approval

- **Community Vote**: For the bond measure to pass, it requires a majority vote (50% plus 1).
- **Bond Authorization**: If the measure is approved by voters, the school district is authorized to issue bonds up to a specified amount. In our case, the amount is $4.4 billion. These bonds are essentially loans that the district will repay over time, usually with interest.

3. Sale of Bonds

- **Selling Bonds**: The school district then sells the bonds to investors through an investor banking consortium. This can be done in the public market, where bonds are bought by individuals or institutional investors.
- **Receiving Funds**: The district receives the proceeds from the bond sales, which is the money they will use to fund the capital projects.

4. Use of Funds

- **Capital Projects**: The money from the bond issuance is used exclusively for the projects specified in the bond measure. This can include constructing new buildings, renovating existing structures, upgrading technology systems, improving safety features, and more.
- **Legal Restrictions**: The funds cannot be used for operational costs like salaries or utilities. They are strictly for capital expenditures.

5. Repayment of Bonds

- **Property Taxes**: The repayment of the bonds comes from property taxes levied on residents within the school district. The bond measure will not impact the tax rate which is currently $.1667 given the current assumptions.
- **Long-Term Repayment**: Repayment will be spread over 30 years, similar to a mortgage. The district makes regular payments (including interest) to bondholders every six months.

6. Financial Oversight and Accountability: There will be oversight committees or regular audits to ensure that the bond funds are used as intended and that projects are completed efficiently.

7. Impact on Community and Taxpayers: The community will experience the investments of the bond at its school sites. In some cases, taxpayers may see a change in their tax rate, however that is not the case for the prospective 2024 bond in HISD.