

By: Cole

H.B. No. 586

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the creation of a state financing program administered
3 by the Texas Public Finance Authority to assist school districts
4 with certain expenses; granting authority to issue bonds or other
5 obligations.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Section 45.051, Education Code, is amended to
8 read as follows:

9 Sec. 45.051. DEFINITIONS. In this subchapter:

10 (1) "Authority" means the Texas Public Finance
11 Authority.

12 (2) "Board" means the State Board of Education.

13 (3) [~~(1-a)~~] "Charter district" means an
14 open-enrollment charter school designated as a charter district
15 under Section 12.135.

16 (4) [~~(2)~~] "Paying agent" means the financial
17 institution that is designated by a school district, a [~~or~~] charter
18 district, or the authority as its agent for the payment of the
19 principal of and interest on guaranteed bonds.

20 SECTION 2. Section 45.052, Education Code, is amended to
21 read as follows:

22 Sec. 45.052. GUARANTEE. (a) On approval by the
23 commissioner, bonds issued under Subchapter A by a school district,
24 [~~or~~] Chapter 53 for a charter district, or Section 1232.1031,

1 Government Code, by the authority, including refunding and
2 refinanced bonds, are guaranteed by the corpus and income of the
3 permanent school fund.

4 (b) Notwithstanding any amendment of this subchapter or
5 other law, the guarantee under this subchapter of school district,
6 [~~or~~] charter district, or authority bonds remains in effect until
7 the date those bonds mature or are defeased in accordance with state
8 law.

9 (c) In seeking the guarantee of bonds under this subchapter,
10 the authority is subject to each provision of this subchapter that
11 applies to a school district seeking guarantee of school district
12 bonds, except as provided by board rules adopted under Section
13 45.063.

14 (d) A reference in this subchapter to bonds issued by the
15 authority includes short-term debt obligations and any other
16 obligations the authority is authorized to issue under Section
17 1232.1031, Government Code.

18 SECTION 3. Section 45.057(b), Education Code, is amended to
19 read as follows:

20 (b) The guarantee is not effective unless the attorney
21 general approves the bonds under Section 45.005 or 53.40 of this
22 code or Section 1232.1031, Government Code, as applicable.

23 SECTION 4. Section 45.063, Education Code, is amended to
24 read as follows:

25 Sec. 45.063. RULES. The board may adopt rules necessary for
26 the administration of the bond guarantee program, including rules
27 modifying requirements imposed under this subchapter as necessary

1 to facilitate the guarantee of bonds issued by the authority. The
2 rules must provide for the application of Sections 45.058, 45.059,
3 45.060, 45.061, and 45.062 to a default in the payment of bonds
4 issued by the authority and guaranteed under this subchapter in a
5 manner that provides for the withholding of state aid under Section
6 45.061 that would otherwise be paid to the school district on whose
7 behalf the authority issued its bonds.

8 SECTION 5. Subchapter E, Chapter 45, Education Code, is
9 amended by adding Section 45.114 to read as follows:

10 Sec. 45.114. ASSISTANCE FROM TEXAS PUBLIC FINANCE
11 AUTHORITY. (a) A school district may:

12 (1) borrow money from the Texas Public Finance
13 Authority made available in accordance with Section 1232.1031,
14 Government Code; and

15 (2) as necessary in connection with obtaining loans or
16 other financial assistance from the Texas Public Finance Authority
17 in accordance with Section 1232.1031, Government Code:

18 (A) issue bonds and notes, provided that the term
19 of an obligation issued for this purpose may not exceed 15 years;
20 and

21 (B) enter into loan agreements, lease
22 agreements, lease purchase agreements, or other appropriate
23 financing agreements with the Texas Public Finance Authority.

24 (b) A school district may:

25 (1) make payments on an obligation or agreement issued
26 or executed under Subsection (a) using any available funds,
27 including maintenance and operations tax revenue; and

1 (2) secure the payment of an obligation or agreement
2 issued or executed under Subsection (a) through:

3 (A) creating a lien against equipment obtained
4 using the proceeds of the obligation; or

5 (B) imposing an ad valorem maintenance tax
6 otherwise authorized by law.

7 (c) A school district that secures payment of an obligation
8 or agreement issued or executed under Subsection (a) through
9 imposing an ad valorem maintenance tax must include the obligation
10 or agreement in the district's total maintenance tax debt service
11 when submitting public securities for review to the attorney
12 general under Chapter 1202, Government Code.

13 SECTION 6. Subchapter C, Chapter 1232, Government Code, is
14 amended by adding Section 1232.1031 to read as follows:

15 Sec. 1232.1031. ISSUANCE OF OBLIGATIONS TO ASSIST SCHOOL
16 DISTRICTS. (a) The authority may issue and sell obligations to
17 finance:

18 (1) loans to eligible school districts for eligible
19 purposes;

20 (2) the purchase by the authority of vehicles,
21 equipment, or appliances for sale, lease, or lease purchase to
22 eligible school districts;

23 (3) a lease or other agreement that concerns equipment
24 that an eligible school district has purchased or leased or intends
25 to purchase or lease; and

26 (4) costs associated with improvement of existing
27 instructional facilities, limited to the maintenance, repair,

1 rehabilitation, or renovation of eligible school district
2 facilities.

3 (b) The authority may use proceeds of obligations issued
4 under this section to pay costs of administering this section,
5 including costs of issuing obligations.

6 (c) Vehicles, equipment, and appliances are considered
7 furnishings of instructional facilities for purposes of Section
8 5(d), Article VII, Texas Constitution.

9 (d) In connection with a purchase or project financed with
10 the proceeds of obligations issued under this section, the
11 authority may:

12 (1) enter into loan agreements, lease agreements,
13 lease purchase agreements, or other appropriate financing
14 agreements with eligible school districts;

15 (2) purchase obligations issued by eligible school
16 districts; and

17 (3) enter into credit agreements and exercise other
18 powers granted to issuers under Chapter 1371.

19 (e) The authority may secure payment of authority
20 obligations issued under this section only with the pledge of money
21 in the school district equipment and improvement fund established
22 under Subsection (f).

23 (f) The school district equipment and improvement fund is
24 established outside the treasury as a trust fund and is
25 administered by the comptroller on behalf of the authority as
26 directed or agreed to by the board. The fund consists of proceeds
27 of obligations issued by the authority under this section and

1 obligations and agreements issued or executed by school districts
2 and purchased or funded by the authority with proceeds of authority
3 obligations. Money in the fund may be spent without appropriation
4 and may be used only to fund activities under this section or to
5 secure repayment of authority obligations. Interest and income
6 from the assets of the fund shall be credited to and deposited in
7 the fund.

8 (g) The board may establish funds and accounts determined to
9 be necessary or appropriate in connection with the activities of
10 the authority under this section.

11 (h) The aggregate amount of obligations issued by the
12 authority under this section may not exceed \$100 million. An
13 issuance of obligations to refund outstanding obligations is not
14 included in determining the maximum aggregate amount under this
15 subsection if the principal amount of the refunding obligations
16 does not exceed the principal amount of the refunded obligations.
17 If the principal amount of the refunding obligations exceeds the
18 principal amount of the refunded obligations, the excess amount of
19 the refunding obligations is included in determining the maximum
20 aggregate amount.

21 (i) The board shall adopt rules necessary to implement this
22 section, including rules prescribing eligibility requirements for
23 school districts seeking assistance under this section, rules
24 identifying eligible purposes for purposes of Subsection (a)(1),
25 and rules identifying eligible school district facilities for
26 purposes of Subsection (a)(4). Before adopting or modifying a rule
27 under this subsection, the board shall consult with the

1 commissioner of education.

2 (j) Rules adopted under Subsection (i) may establish a
3 process under which a school district must obtain approval by the
4 commissioner of education in order to be eligible for assistance
5 under this section.

6 (k) The authority may not issue an obligation under this
7 section on or after September 1, 2025. The prohibition imposed by
8 this subsection does not apply to:

9 (1) refunding bonds issued by the authority in
10 accordance with Chapter 1207; or

11 (2) other obligations issued by the authority to
12 refinance obligations incurred under this section before September
13 1, 2025.

14 (l) An obligation issued under this section is not a debt of
15 the state or any state agency, political corporation, or political
16 subdivision of the state and is not a pledge of the faith and credit
17 of any of those entities. The obligation may only be payable from
18 all or part of the amounts on deposit in the school district
19 equipment and improvement fund established under Subsection (f).

20 (m) An obligation issued under this section must contain on
21 the obligation's face a statement to the effect that:

22 (1) neither the state nor a state agency, political
23 corporation, or political subdivision of the state is obligated to
24 pay the principal of or interest on the obligation except as
25 provided by this section; and

26 (2) neither the faith and credit nor the taxing power
27 of the state or any state agency, political corporation, or

1 political subdivision of the state is pledged to the payment of the
2 principal of or interest on the obligation.

3 (n) The authority may not issue an obligation under this
4 section until the Bond Review Board has approved the issuance under
5 Chapter [1231](#).

6 (o) In submitting an obligation for review under Chapter
7 [1202](#) or [1371](#), as applicable, the authority shall demonstrate to the
8 attorney general the ability of the eligible school district to
9 repay the loan or other financing agreement executed with the
10 authority.

11 SECTION 7. This Act takes effect September 1, 2021.