

## **BILL ANALYSIS**

Senate Research Center

S.B. 1696  
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Intergovernmental Relations  
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Enrolled

### **DIGEST AND PURPOSE**

Texas municipalities are facing sizable shortfalls in their sponsored pension plan systems. Some believe that granting legislative authority for Texas cities to issue pension obligation bonds would provide public employees and their member systems more security knowing that their system has all its financial needs met to guarantee promised pension into the future. S.B. 1696 issues obligations by certain municipalities to pay unfunded liabilities to public pension funds.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subtitle A, Title 4, Local Government Code, by adding Chapter 107, as follows:

#### CHAPTER 107. OBLIGATIONS FOR CERTAIN LIABILITIES TO PUBLIC PENSION FUNDS OF A MUNICIPALITY

Sec. 107.001. DEFINITIONS. Defines “obligation” and “unfunded liability.”

Sec. 107.002. DEFINITION OF “PUBLIC PENSION FUND.” Defines “public pension fund.”

Sec. 107.003. PENSION FUND OBLIGATIONS AUTHORIZED. (a) Authorizes a municipality to issue obligations to fund all or any part of an unfunded liability.

(b) Requires the governing body of the municipality, before authorizing issuance and delivery of an obligation under this section, to enter into certain written agreements with the governing body of the public retirement system.

(c) Requires the written agreement to state the amount of the unfunded liability and the date or dates on which the public pension fund will accept the net proceeds of the obligations to be issued in payment of all or a portion of the unfunded liability.

Sec. 107.004. PROCEEDS OF OBLIGATIONS ISSUED. Requires the municipality to deposit the net proceeds of obligations issued under Section 107.003 to the credit of the public pension fund. Provides that the amount deposited under this section becomes part of the public pension fund’s assets.

Sec. 107.005. PAYMENT OF OBLIGATIONS. Authorizes an obligation issued under Section 107.003 to be made payable by the municipality from certain funds.

Sec. 107.006. OBLIGATION AS REFINANCING. Provides that an obligation issued under Section 107.003 is a complete or partial refinancing of a commitment of the municipality to fund its unfunded liability.

Sec. 107.007. SALE OF OBLIGATIONS; MATURITY. Authorizes obligations issued under Section 107.003 to be sold at private or public sale and to mature not later than the 30th anniversary of the date of issuance.

Sec. 107.008. ADDITIONAL AUTHORITY; CREDIT AGREEMENTS. (a) Defines “credit agreement” and “obligation.”

(b) Authorizes the governing body of a municipality that issues obligations under Section 107.003 to exercise any of the rights or powers of the governing body of an issuer under Chapter 1371, Government Code, and to enter into a credit agreement under that chapter. Provides that an obligation issued under Section 107.004 is an obligation under Chapter 1371, Government Code, but is not required to be rated as required by that chapter.

Sec. 107.009. CHAPTER CONTROLLING. Provides that this chapter prevails over any conflict between this chapter and another law respecting the issuance of obligations of a municipality or a municipal home-rule charter.

SECTION 2. Effective date: upon passage or September 1, 2003.