

Amend CSSB 422 by inserting the following appropriately numbered SECTIONS:

SECTION 1.____. Subchapter C, Chapter 45, Education Code, is amended by adding Section 45.0561 to read as follows:

Sec. 45.0561. PRIORITY FOR CERTAIN BONDS. (a) In determining which bonds to approve for guarantee under this subchapter, the commissioner shall give priority to a school district that has had bonds refunded and defeased under Subchapter D, Chapter 46.

(b) The commissioner may adopt rules to administer this section.

(2)

SECTION 1C.____. Chapter 46, Education Code, is amended by adding Subchapter D to read as follows:

SUBCHAPTER D. REFUNDING TO INCREASE PERMANENT
SCHOOL FUND CAPACITY

Sec. 46.091. DEFINITIONS. In this subchapter:

(1) "Allocated revenue" means that portion of state assistance under Subchapter A or B equal to the scheduled debt service payments in effect immediately before the refunding of eligible bonds being refunded under this subchapter.

(2) "Authority" means the Texas Public Finance Authority.

(3) "Authority obligation" means any type of revenue obligation, including a bond, note, certificate, or other instrument issued under this subchapter. The term includes an obligation issued to refund an obligation issued under this subchapter.

(4) "Credit agreement" has the meaning assigned by Section 1371.001, Government Code.

(5) "Obligation administrative expenses" means expenses incurred in administering authority obligations, including:

(A) administrative expenses incurred by the commissioner or the authority relating to the administration of this subchapter; and

(B) fees for:

(i) paying agents, trustees, and attorneys;
(ii) other professional services necessary
to ensure compliance with applicable state or federal law; and
(iii) a school district with eligible bonds
refunded under this subchapter, professional service expenses in an
amount approved by the commissioner.

Sec. 46.092. ISSUANCE OF AUTHORITY OBLIGATIONS. (a) If the
commissioner determines that it is feasible to refund eligible
school district bonds as provided by this subchapter, the
commissioner may request that the authority issue authority
obligations necessary to accomplish the refunding. On request of
the commissioner, the authority shall issue authority obligations,
in accordance with Title 9, Government Code, in an amount
sufficient to:

- (1) refund eligible bonds;
- (2) pay all obligation administrative expenses;
- (3) pay the costs of issuing the authority
obligations;
- (4) pay the costs of any credit agreement; and
- (5) provide any reserve funds.

(b) Authority obligations and any related credit agreements
must be secured by allocated revenue.

(c) The commissioner's request for the issuance of
authority obligations must state:

- (1) the maximum principal amount of bonds to be
refunded under this subchapter;
- (2) the maximum term of bonds to be refunded; and
- (3) the amount of state assistance under Subchapter A
or B to support the payment of the bonds to be refunded.

(d) To best achieve the economic goals of this subchapter
and accomplish the borrowing at the lowest practicable cost, the
authority may determine:

- (1) the method of sale of authority obligations;
- (2) the type and form of obligation;
- (3) the maximum interest rates and other terms of
authority obligations; and
- (4) the need for related credit agreements.

(e) The authority shall certify to the commissioner that each series of authority obligations issued under this subchapter will result in an aggregate present value savings.

(f) Section 46.007 does not apply to the issuance of authority obligations under this subchapter.

Sec. 46.093. ELIGIBILITY OF BONDS FOR REFUNDING. School district bonds are eligible for refunding under this subchapter if:

(1) the district receives state assistance for payment of the bonds under Subchapter A or B; and

(2) the principal and interest of the bonds are guaranteed by the permanent school fund under Subchapter C, Chapter 45.

Sec. 46.094. IDENTIFICATION OF ELIGIBLE BONDS; NOTICE TO SCHOOL DISTRICTS. (a) If the commissioner determines that it is feasible to refund eligible school district bonds as provided by this subchapter, the commissioner shall periodically identify which outstanding school bonds are eligible for refunding under this subchapter. The commissioner shall notify the school districts issuing the bonds that:

(1) the bonds are subject to being refunded and defeased through the issuance of authority obligations; and

(2) a school district whose bonds are refunded under this subchapter is entitled to priority in the allocation of resulting increases in the capacity of the permanent school fund to guarantee school district bonds under Subchapter C, Chapter 45, as provided by Section 45.0561.

(b) The district may elect to direct the commissioner to include any of the district's eligible bonds for consideration for refunding under this subchapter. If the district does not elect to direct the commissioner to include the district's bonds for consideration for refunding within the time prescribed by this subsection, the bonds may not be refunded under this subchapter.

(c) Notice under Subsection (a) must:

(1) identify the bonds the commissioner proposes to refund under this subchapter;

(2) state that the school district may elect to direct the commissioner to include any of the district's bonds for

consideration for refunding; and

(3) advise the district of:

(A) the effect of electing to have the bonds considered for refunding; and

(B) the effect of not electing to have the bonds considered for refunding.

Sec. 46.095. AGREEMENT BETWEEN COMMISSIONER AND AUTHORITY.

(a) To permit the authority to pledge allocated revenue to the payment of authority obligations, the commissioner shall enter into an agreement with the authority under which:

(1) the commissioner, acting on behalf of each school district whose bonds are being refunded under this subchapter, may pledge the allocated revenue to secure the payment of the principal of and interest and premium on authority obligations; and

(2) each school year, the commissioner shall allocate and distribute to the authority allocated revenue equal to the scheduled debt service payments for that year on the bonds being refunded.

(b) An agreement under this section must state that the funding for allocated revenue is subject to legislative appropriation. A distribution to the authority under the agreement is considered to be a distribution for purposes of Section 46.009. If the commissioner determines that the amount appropriated for any year for allocated revenue is insufficient, the commissioner may act under Section 46.009(b) to ensure the sufficiency of allocated revenue.

Sec. 46.096. USE OF PROCEEDS OF AUTHORITY OBLIGATIONS. (a)

The authority shall use the proceeds of authority obligations, less the cost of issuing those obligations and the cost of administrative expenses incurred by the commissioner or the authority relating to the administration of this subchapter, to refund and defease eligible bonds as requested by the commissioner. To accomplish the refunding and defeasance:

(1) the commissioner, on behalf of the school districts issuing the bonds, may:

(A) exercise any reserved right of optional redemption; and

(B) issue any required notice of redemption and defeasance; and

(2) the authority, on behalf of the districts issuing the bonds, may enter into escrow agreements and purchase escrow securities as provided by Chapter 1207, Government Code, with the same effect under that chapter as if the authority were the issuer of the bonds being refunded and defeased.

(b) The authority shall provide to a school district whose bonds are refunded under this subchapter appropriate documentation showing that the bonds have been refunded and defeased.

Sec. 46.097. PAYMENT OF OBLIGATION ADMINISTRATIVE EXPENSES. After paying the current debt service on authority obligations, the authority may use allocated revenue to pay obligation administrative expenses.

Sec. 46.098. DISTRIBUTION OF ALLOCATED REVENUE IN EXCESS OF DISTRICT'S ENTITLEMENT TO STATE ASSISTANCE. (a) If the commissioner allocates and distributes to the authority allocated revenue for a school district's bonds refunded under this subchapter in an amount in excess of the state assistance to which the district is entitled in connection with all of the district's bonds, the district shall reimburse the commissioner in the amount of the excess.

(b) If a school district elects not to reimburse the commissioner in the amount of excess state assistance as required under Subsection (a), the commissioner shall direct the comptroller to withhold the amount of the excess from the succeeding payment of state assistance payable to the school district and credit the amount to the account or accounts from which the excess payment was made.

(c) A school may reimburse the commissioner under this section from any lawfully available source.

Sec. 46.099. REFUNDING OF AUTHORITY OBLIGATIONS. The authority may issue authority obligations to refund any previously issued authority obligations if the authority by resolution determines that the issuance of refunding obligations will result in the lowest practicable borrowing cost to the state and school districts with outstanding eligible bonds.

Sec. 46.100. AUTHORITY OBLIGATIONS NOT A PLEDGE OF STATE'S CREDIT. (a) Authority obligations and any related credit agreements are not:

(1) a debt of the state, a state agency, or a political subdivision of the state; or

(2) a pledge of the faith and credit or taxing power of the state, a state agency, or a political subdivision of the state.

(b) Authority obligations and any related credit agreements are payable solely from allocated revenue pledged to the payment of those obligations.

(c) Subject to the limitations of Subsection (a), as long as authority obligations are outstanding, the state may not:

(1) take any action to limit or restrict the authority's responsibility to pay the authority obligations; or

(2) in any way impair the rights and remedies of the owners of authority obligations.

(d) The reallocation of allocated revenue to secure authority obligations to refund school district bonds is:

(1) consistent with the original authorization, allocation, and application of state assistance under Subchapter A or B;

(2) in furtherance of any covenants, agreements, or undertakings by school districts or the commissioner to cause allocated revenue to be credited to debt service funds for school district bonds; and

(3) consistent with all statutory and regulatory dedications and restrictions on the allocated revenue.