

By: Wentworth

S.B. No. 1575

A BILL TO BE ENTITLED

AN ACT

relating to the issuance of obligations by political subdivisions to pay unfunded liabilities for certain retirement benefits of officers and employees of the political subdivisions.

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

SECTION 1. Subtitle H, Title 9, Government Code, is amended by adding Chapter 1436 to read as follows:

CHAPTER 1436. OBLIGATIONS OF POLITICAL SUBDIVISIONS FOR CERTAIN RETIREMENT BENEFITS

Sec. 1436.001. DEFINITIONS. In this chapter:

(1) "Obligation" includes a bond, certificate, note, or book entry obligation.

(2) "Unfunded liability" means an unfunded actuarial accrued liability of a political subdivision for a nonpension retirement benefit.

Sec. 1436.002. DEFINITION OF NONPENSION RETIREMENT BENEFIT. In this chapter, "nonpension retirement benefit" means a retirement benefit, including a health care benefit plan, for retired employees or officers of a political subdivision, other than:

(1) a continuing, organized program or plan of service retirement, disability retirement, or death benefits for officers or employees of a political subdivision; and

(2) a plan qualified under Section 401(a), Internal

1 Revenue Code of 1986.

2 Sec. 1436.003. NONPENSION RETIREMENT BENEFIT OBLIGATIONS  
3 AUTHORIZED. (a) A political subdivision may issue obligations to  
4 fund all or any part of an unfunded liability. Obligations may not  
5 be issued after December 31, 2011.

6 (b) Before authorizing issuance and delivery of an  
7 obligation under this section, the political subdivision's  
8 governing body must enter into a written agreement with an entity  
9 that must have:

10 (1) fiduciary responsibility for:

11 (A) assets that fund the political subdivision's  
12 nonpension retirement benefits; and

13 (B) a fund created to receive the net proceeds of  
14 the obligations to be issued under this section; and

15 (2) the duty to oversee the investment and expenditure  
16 of the assets of the fund created to receive the net proceeds of the  
17 obligations to be issued under this section.

18 (c) The written agreement must state the amount of the  
19 unfunded liability and the date or dates on which the fund created  
20 to receive the net proceeds of the obligations to be issued under  
21 this section will accept the net proceeds of the obligations in  
22 payment of all or a portion of the unfunded liability.

23 Sec. 1436.004. PROCEEDS OF OBLIGATIONS ISSUED. The  
24 political subdivision shall deposit the net proceeds of obligations  
25 issued under Section 1436.003 to the credit of the fund created to  
26 receive the net proceeds of the obligations.

27 Sec. 1436.005. PAYMENT OF OBLIGATIONS. An obligation

1 issued under Section 1436.003 may be made payable by the political  
2 subdivision from:

3 (1) the fund from which compensation is paid to its  
4 officers and employees;

5 (2) its general fund; or

6 (3) taxes, revenues, both taxes and revenues, or any  
7 other source or combination of sources of money that the political  
8 subdivision may use under state law to secure or pay any kind of  
9 bond or obligation.

10 Sec. 1436.006. OBLIGATION AS REFINANCING. An obligation  
11 issued under Section 1436.003 is a complete or partial refinancing  
12 of a commitment of the political subdivision to fund its unfunded  
13 liability.

14 Sec. 1436.007. SALE OF OBLIGATIONS; MATURITY. Obligations  
15 issued under Section 1436.003 may be sold at private or public sale  
16 and must mature not later than the 30th anniversary of the date of  
17 issuance.

18 Sec. 1436.008. ADDITIONAL AUTHORITY; CREDIT AGREEMENTS.

19 (a) In this section, "credit agreement" and "obligation" have the  
20 meanings assigned by Section 1371.001.

21 (b) The governing body of a political subdivision that  
22 issues obligations under Section 1436.003 may exercise any of the  
23 rights or powers of the governing body of an issuer under Chapter  
24 1371 and may enter into a credit agreement under that chapter. An  
25 obligation issued under Section 1436.003 is an obligation under  
26 Chapter 1371 but is not required to be rated as required by that  
27 chapter.

1       Sec. 1436.009. CHAPTER CONTROLLING. This chapter prevails  
2 over any conflict between this chapter and:

3           (1) another law respecting the issuance of obligations  
4 of a political subdivision; or

5           (2) a municipal home-rule charter.

6       Sec. 1436.010. CHAPTER DEPENDENT ON OTHER ACT. (a) A  
7 political subdivision may exercise the authority granted by this  
8 chapter only if both Senate Bill No. 1102 and House Bill No. 2365,  
9 Acts of the 80th Legislature, Regular Session, 2007, do not become  
10 law. If either or both of those bills become law, a political  
11 subdivision may not exercise the authority granted by this chapter.

12       (b) If both of those bills do not become law, this section  
13 expires September 1, 2007. If either or both of those bills become  
14 law, this chapter expires September 1, 2007.

15       SECTION 2. This Act takes effect immediately if it receives  
16 a vote of two-thirds of all the members elected to each house, as  
17 provided by Section 39, Article III, Texas Constitution. If this  
18 Act does not receive the vote necessary for immediate effect, this  
19 Act takes effect September 1, 2007.