

1-1 By: Wentworth S.B. No. 1575
1-2 (In the Senate - Filed March 8, 2007; March 21, 2007, read
1-3 first time and referred to Committee on Intergovernmental
1-4 Relations; April 11, 2007, reported favorably by the following
1-5 vote: Yeas 3, Nays 0; April 11, 2007, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to the issuance of obligations by political subdivisions
1-9 to pay unfunded liabilities for certain retirement benefits of
1-10 officers and employees of the political subdivisions.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Subtitle H, Title 9, Government Code, is amended
1-13 by adding Chapter 1436 to read as follows:

1-14 CHAPTER 1436. OBLIGATIONS OF POLITICAL SUBDIVISIONS FOR CERTAIN
1-15 RETIREMENT BENEFITS

1-16 Sec. 1436.001. DEFINITIONS. In this chapter:

1-17 (1) "Obligation" includes a bond, certificate, note,
1-18 or book entry obligation.

1-19 (2) "Unfunded liability" means an unfunded actuarial
1-20 accrued liability of a political subdivision for a nonpension
1-21 retirement benefit.

1-22 Sec. 1436.002. DEFINITION OF NONPENSION RETIREMENT
1-23 BENEFIT. In this chapter, "nonpension retirement benefit" means a
1-24 retirement benefit, including a health care benefit plan, for
1-25 retired employees or officers of a political subdivision, other
1-26 than:

1-27 (1) a continuing, organized program or plan of service
1-28 retirement, disability retirement, or death benefits for officers
1-29 or employees of a political subdivision; and

1-30 (2) a plan qualified under Section 401(a), Internal
1-31 Revenue Code of 1986.

1-32 Sec. 1436.003. NONPENSION RETIREMENT BENEFIT OBLIGATIONS
1-33 AUTHORIZED. (a) A political subdivision may issue obligations to
1-34 fund all or any part of an unfunded liability.

1-35 (b) Before authorizing issuance and delivery of an
1-36 obligation under this section, the political subdivision's
1-37 governing body must enter into a written agreement with an entity
1-38 that must have:

1-39 (1) fiduciary responsibility for:

1-40 (A) assets that fund the political subdivision's
1-41 nonpension retirement benefits; and

1-42 (B) a fund created to receive the net proceeds of
1-43 the obligations to be issued under this section; and

1-44 (2) the duty to oversee the investment and expenditure
1-45 of the assets of the fund created to receive the net proceeds of the
1-46 obligations to be issued under this section.

1-47 (c) The written agreement must state the amount of the
1-48 unfunded liability and the date or dates on which the fund created
1-49 to receive the net proceeds of the obligations to be issued under
1-50 this section will accept the net proceeds of the obligations in
1-51 payment of all or a portion of the unfunded liability.

1-52 Sec. 1436.004. PROCEEDS OF OBLIGATIONS ISSUED. The
1-53 political subdivision shall deposit the net proceeds of obligations
1-54 issued under Section 1436.003 to the credit of the fund created to
1-55 receive the net proceeds of the obligations.

1-56 Sec. 1436.005. PAYMENT OF OBLIGATIONS. An obligation
1-57 issued under Section 1436.003 may be made payable by the political
1-58 subdivision from:

1-59 (1) the fund from which compensation is paid to its
1-60 officers and employees;

1-61 (2) its general fund; or

1-62 (3) taxes, revenues, both taxes and revenues, or any
1-63 other source or combination of sources of money that the political
1-64 subdivision may use under state law to secure or pay any kind of

2-1 bond or obligation.
2-2 Sec. 1436.006. OBLIGATION AS REFINANCING. An obligation
2-3 issued under Section 1436.003 is a complete or partial refinancing
2-4 of a commitment of the political subdivision to fund its unfunded
2-5 liability.

2-6 Sec. 1436.007. SALE OF OBLIGATIONS; MATURITY. Obligations
2-7 issued under Section 1436.003 may be sold at private or public sale
2-8 and must mature not later than the 30th anniversary of the date of
2-9 issuance.

2-10 Sec. 1436.008. ADDITIONAL AUTHORITY; CREDIT AGREEMENTS.
2-11 (a) In this section, "credit agreement" and "obligation" have the
2-12 meanings assigned by Section 1371.001.

2-13 (b) The governing body of a political subdivision that
2-14 issues obligations under Section 1436.003 may exercise any of the
2-15 rights or powers of the governing body of an issuer under Chapter
2-16 1371 and may enter into a credit agreement under that chapter. An
2-17 obligation issued under Section 1436.003 is an obligation under
2-18 Chapter 1371 but is not required to be rated as required by that
2-19 chapter.

2-20 Sec. 1436.009. CHAPTER CONTROLLING. This chapter prevails
2-21 over any conflict between this chapter and:

2-22 (1) another law respecting the issuance of obligations
2-23 of a political subdivision; or

2-24 (2) a municipal home-rule charter.

2-25 SECTION 2. This Act takes effect immediately if it receives
2-26 a vote of two-thirds of all the members elected to each house, as
2-27 provided by Section 39, Article III, Texas Constitution. If this
2-28 Act does not receive the vote necessary for immediate effect, this
2-29 Act takes effect September 1, 2007.

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