

## **BILL ANALYSIS**

S.B. 1543  
By: Wentworth  
Public Education  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties contend that current law is insufficient with regard to the authority of an independent school district to invest in corporate bonds. S.B. 1543 seeks to address that insufficiency.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

S.B. 1543 amends the Government Code to authorize an independent school district that qualifies as an issuer as defined by statutory provisions relating to obligations for certain public improvements, in addition to authorized investments for governmental entities permitted by the Public Funds Investment Act, to purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AAA" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased or lower than "AAA" or the equivalent and have a stated final maturity that is not later than the second anniversary of the date the corporate bonds were purchased.

S.B. 1543 specifies that a district that qualifies as an issuer is not authorized by the bill's provisions to invest in the aggregate more than 20 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other fund held for the payment of debt service, in corporate bonds; to invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity; or to invest any portion of bond proceeds, reserves, and other funds held for the payment of debt service in corporate bonds.

S.B. 1543 authorizes a district that qualifies as an issuer to purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district amends its investment policy to authorize corporate bonds as an eligible investment; adopts procedures to provide for monitoring rating changes in corporate bonds acquired with public funds and liquidating the investment in corporate bonds; and identifies the funds, other than bond proceeds, reserves, and other funds held for the payment of debt service, eligible to be invested in corporate bonds.

S.B. 1543 requires the investment officer of a district, acting on behalf of the district, to sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA" or the equivalent at the time the release is issued, or changes the rating on the corporate bonds to a rating lower than "AA-" or the

equivalent. The bill specifies that corporate bonds are not an eligible investment for a public funds investment pool and defines "corporate bond."

**EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.