

AN ACT

relating to the authority of an independent school district to invest in corporate bonds.

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

SECTION 1. Subchapter A, Chapter 2256, Government Code, is amended by adding Section 2256.0204 to read as follows:

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may 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 "AA-" or the

1 equivalent and have a stated final maturity that is not later than
2 the third anniversary of the date the corporate bonds were
3 purchased.

4 (d) An independent school district subject to this section
5 is not authorized by this section to:

6 (1) invest in the aggregate more than 15 percent of its
7 monthly average fund balance, excluding bond proceeds, reserves,
8 and other funds held for the payment of debt service, in corporate
9 bonds; or

10 (2) invest more than 25 percent of the funds invested
11 in corporate bonds in any one domestic business entity, including
12 subsidiaries and affiliates of the entity.

13 (e) An independent school district subject to this section
14 may purchase, sell, and invest its funds and funds under its control
15 in corporate bonds if the governing body of the district:

16 (1) amends its investment policy to authorize
17 corporate bonds as an eligible investment;

18 (2) adopts procedures to provide for:

19 (A) monitoring rating changes in corporate bonds
20 acquired with public funds; and

21 (B) liquidating the investment in corporate
22 bonds; and

23 (3) identifies the funds eligible to be invested in
24 corporate bonds.

25 (f) The investment officer of an independent school
26 district, acting on behalf of the district, shall sell corporate
27 bonds in which the district has invested its funds not later than

1 the seventh day after the date a nationally recognized investment
2 rating firm:

3 (1) issues a release that places the corporate bonds
4 or the domestic business entity that issued the corporate bonds on
5 negative credit watch or the equivalent, if the corporate bonds are
6 rated "AA-" or the equivalent at the time the release is issued; or

7 (2) changes the rating on the corporate bonds to a
8 rating lower than "AA-" or the equivalent.

9 (g) Corporate bonds are not an eligible investment for a
10 public funds investment pool.

11 SECTION 2. This Act takes effect immediately if it receives
12 a vote of two-thirds of all the members elected to each house, as
13 provided by Section 39, Article III, Texas Constitution. If this
14 Act does not receive the vote necessary for immediate effect, this
15 Act takes effect September 1, 2011.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1543 passed the Senate on May 6, 2011, by the following vote: Yeas 27, Nays 3; May 25, 2011, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 27, 2011, House granted request of the Senate; May 29, 2011, Senate adopted Conference Committee Report by the following vote: Yeas 27, Nays 4.

Secretary of the Senate

I hereby certify that S.B. No. 1543 passed the House, with amendments, on May 24, 2011, by the following vote: Yeas 126, Nays 20, two present not voting; May 27, 2011, House granted request of the Senate for appointment of Conference Committee; May 29, 2011, House adopted Conference Committee Report by the following vote: Yeas 140, Nays 6, one present not voting.

Chief Clerk of the House

Approved:

Date

Governor