

1-1 By: Wentworth S.B. No. 1543  
1-2 (In the Senate - Filed March 10, 2011; March 23, 2011, read  
1-3 first time and referred to Committee on Education; April 21, 2011,  
1-4 reported adversely, with favorable Committee Substitute by the  
1-5 following vote: Yeas 6, Nays 1, 1 present not voting;  
1-6 April 21, 2011, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1543 By: Seliger

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to the authority of an independent school district to  
1-11 invest in corporate bonds.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Subchapter A, Chapter 2256, Government Code, is  
1-14 amended by adding Section 2256.0204 to read as follows:

1-15 Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT  
1-16 SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a  
1-17 senior secured debt obligation issued by a domestic business entity  
1-18 and rated not lower than "AA-" or the equivalent by a nationally  
1-19 recognized investment rating firm. The term does not include a debt  
1-20 obligation that:

1-21 (1) on conversion, would result in the holder becoming  
1-22 a stockholder or shareholder in the entity, or any affiliate or  
1-23 subsidiary of the entity, that issued the debt obligation;

1-24 (2) is secured by or payable from a pool of assets,  
1-25 receivables, or other similar collateral;

1-26 (3) is a subordinate debt obligation and inferior in  
1-27 security to a senior secured debt obligation issued by a domestic  
1-28 business entity; or

1-29 (4) is an unsecured debt obligation.

1-30 (b) This section applies only to an independent school  
1-31 district that qualifies as an issuer as defined by Section  
1-32 1371.001.

1-33 (c) In addition to authorized investments permitted by this  
1-34 subchapter, an independent school district subject to this section  
1-35 may purchase, sell, and invest its funds and funds under its control  
1-36 in corporate bonds that, at the time of purchase, are rated by a  
1-37 nationally recognized investment rating firm:

1-38 (1) "AAA" or the equivalent and have a stated final  
1-39 maturity that is not later than the third anniversary of the date  
1-40 the corporate bonds were purchased; or

1-41 (2) lower than "AAA" or the equivalent and have a  
1-42 stated final maturity that is not later than the second anniversary  
1-43 of the date the corporate bonds were purchased.

1-44 (d) An independent school district subject to this section  
1-45 is not authorized by this section to:

1-46 (1) invest in the aggregate more than 20 percent of its  
1-47 monthly average fund balance, excluding bond proceeds, reserves,  
1-48 and other funds held for the payment of debt service, in corporate  
1-49 bonds;

1-50 (2) invest more than 25 percent of the funds invested  
1-51 in corporate bonds in any one domestic business entity, including  
1-52 subsidiaries and affiliates of the entity; or

1-53 (3) invest any portion of bond proceeds, reserves, and  
1-54 other funds held for the payment of debt service in corporate bonds.

1-55 (e) An independent school district subject to this section  
1-56 may purchase, sell, and invest its funds and funds under its control  
1-57 in corporate bonds if the governing body of the district:

1-58 (1) amends its investment policy to authorize  
1-59 corporate bonds as an eligible investment;

1-60 (2) adopts procedures to provide for:

1-61 (A) monitoring rating changes in corporate bonds  
1-62 acquired with public funds; and

1-63 (B) liquidating the investment in corporate

2-1 bonds; and  
2-2 (3) identifies the funds, other than bond proceeds,  
2-3 reserves, and other funds held for the payment of debt service,  
2-4 eligible to be invested in corporate bonds.

2-5 (f) The investment officer of an independent school  
2-6 district, acting on behalf of the district, shall sell corporate  
2-7 bonds in which the district has invested its funds not later than  
2-8 the seventh day after the date a nationally recognized investment  
2-9 rating firm:

2-10 (1) issues a release that places the corporate bonds  
2-11 or the domestic business entity that issued the corporate bonds on  
2-12 negative credit watch or the equivalent, if the corporate bonds are  
2-13 rated "AA" or the equivalent at the time the release is issued; or

2-14 (2) changes the rating on the corporate bonds to a  
2-15 rating lower than "AA-" or the equivalent.

2-16 (g) Corporate bonds are not an eligible investment for a  
2-17 public funds investment pool.

2-18 SECTION 2. This Act takes effect immediately if it receives  
2-19 a vote of two-thirds of all the members elected to each house, as  
2-20 provided by Section 39, Article III, Texas Constitution. If this  
2-21 Act does not receive the vote necessary for immediate effect, this  
2-22 Act takes effect September 1, 2011.

2-23 \* \* \* \* \*