

By: Hancock

S.B. No. 1384

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the authority of an independent school district to
3 invest in local water projects.

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

5 SECTION 1. Section 2256.0204, Government Code, is amended
6 by amending Subsections (a), (d), (e), (f), and (g) and adding
7 Subsection (c-1) to read as follows:

8 (a) In this section:

9 (1) "Corporate~~[, "corporate]~~ bond" means a senior
10 secured debt obligation issued by a domestic business entity and
11 rated not lower than "AA-" or the equivalent by a nationally
12 recognized investment rating firm. The term does not include a debt
13 obligation that:

14 (A) [~~(1)~~] on conversion, would result in the
15 holder becoming a stockholder or shareholder in the entity, or any
16 affiliate or subsidiary of the entity, that issued the debt
17 obligation; or

18 (B) [~~(2)~~] is an unsecured debt obligation.

19 (2) "Governing body" means the commissioners court of
20 a county or the governing body of a municipality.

21 (3) "Local water bond" means a secured debt obligation
22 issued by a municipality or county in which the investing school
23 district is located and that is:

24 (A) rated not lower than "AA-" or the equivalent

1 by a nationally recognized investment rating firm; and

2 (B) issued to finance a local water project.

3 (4) "Local water project" means the acquisition,
4 design, construction, improvement, repair, or maintenance of land,
5 buildings, equipment, facilities, or improvements found by the
6 governing body to be required or suitable for the promotion of water
7 development, including water supply facilities, wastewater
8 treatment facilities, water distribution and wastewater conveyance
9 facilities, and storm drainage, flood control, watershed
10 protection, and water conservation projects, regardless of whether
11 the land, buildings, equipment, facilities, or improvements are in
12 existence or are to be acquired or constructed after the finding is
13 made.

14 (c-1) In addition to authorized investments permitted by
15 this subchapter, an independent school district subject to this
16 section may purchase, sell, and invest its funds and funds under its
17 control in local water bonds that, at the time of purchase, are
18 rated by a nationally recognized investment rating firm "AA-" or
19 the equivalent and have a stated final maturity date that is not
20 later than the 10th anniversary of the date the local water bonds
21 were purchased.

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

24 (1) invest in the aggregate more than 15 percent of its
25 monthly average fund balance, excluding bond proceeds, reserves,
26 and other funds held for the payment of debt service, in corporate
27 bonds or local water bonds; or

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

4 (e) An independent school district subject to this section
5 may purchase, sell, and invest its funds and funds under its control
6 in corporate bonds or local water bonds if the governing body of the
7 district:

8 (1) amends its investment policy to authorize
9 corporate bonds or local water bonds as an eligible investment;

10 (2) adopts procedures to provide for:

11 (A) monitoring rating changes in corporate bonds
12 or local water bonds acquired with public funds; and

13 (B) liquidating the investment in corporate
14 bonds or local water bonds; and

15 (3) identifies the funds eligible to be invested in
16 corporate bonds or local water bonds.

17 (f) The investment officer of an independent school
18 district, acting on behalf of the district, shall sell corporate
19 bonds or local water bonds in which the district has invested its
20 funds not later than the seventh day after the date a nationally
21 recognized investment rating firm:

22 (1) issues a release that places the corporate bonds
23 or the domestic business entity that issued the corporate bonds, or
24 the local water bonds or the municipality or county that issued the
25 local water bonds, on negative credit watch or the equivalent, if
26 the corporate bonds or local water bonds are rated "AA-" or the
27 equivalent at the time the release is issued; or

1 (2) changes the rating on the corporate bonds or local
2 water bonds to a rating lower than "AA-" or the equivalent.

3 (g) Corporate bonds or local water bonds are not an eligible
4 investment for a public funds investment pool.

5 SECTION 2. This Act takes effect immediately if it receives
6 a vote of two-thirds of all the members elected to each house, as
7 provided by Section 39, Article III, Texas Constitution. If this
8 Act does not receive the vote necessary for immediate effect, this
9 Act takes effect September 1, 2013.