

1-1 By: Hancock S.B. No. 1384  
 1-2 (In the Senate - Filed March 7, 2013; March 18, 2013, read  
 1-3 first time and referred to Committee on Education; April 23, 2013,  
 1-4 reported favorably by the following vote: Yeas 9, Nays 0;  
 1-5 April 23, 2013, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			

1-17 A BILL TO BE ENTITLED  
 1-18 AN ACT

1-19 relating to the authority of an independent school district to  
 1-20 invest in local water projects.

1-21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-22 SECTION 1. Section 2256.0204, Government Code, is amended  
 1-23 by amending Subsections (a), (d), (e), (f), and (g) and adding  
 1-24 Subsection (c-1) to read as follows:

1-25 (a) In this section:

1-26 (1) "Corporate~~l~~, ~~—~~corporate] bond" means a senior  
 1-27 secured debt obligation issued by a domestic business entity and  
 1-28 rated not lower than "AA-" or the equivalent by a nationally  
 1-29 recognized investment rating firm. The term does not include a debt  
 1-30 obligation that:

1-31 (A) [~~(1)~~] on conversion, would result in the  
 1-32 holder becoming a stockholder or shareholder in the entity, or any  
 1-33 affiliate or subsidiary of the entity, that issued the debt  
 1-34 obligation; or

1-35 (B) [~~(2)~~] is an unsecured debt obligation.

1-36 (2) "Governing body" means the commissioners court of  
 1-37 a county or the governing body of a municipality.

1-38 (3) "Local water bond" means a secured debt obligation  
 1-39 issued by a municipality or county in which the investing school  
 1-40 district is located and that is:

1-41 (A) rated not lower than "AA-" or the equivalent  
 1-42 by a nationally recognized investment rating firm; and

1-43 (B) issued to finance a local water project.

1-44 (4) "Local water project" means the acquisition,  
 1-45 design, construction, improvement, repair, or maintenance of land,  
 1-46 buildings, equipment, facilities, or improvements found by the  
 1-47 governing body to be required or suitable for the promotion of water  
 1-48 development, including water supply facilities, wastewater  
 1-49 treatment facilities, water distribution and wastewater conveyance  
 1-50 facilities, and storm drainage, flood control, watershed  
 1-51 protection, and water conservation projects, regardless of whether  
 1-52 the land, buildings, equipment, facilities, or improvements are in  
 1-53 existence or are to be acquired or constructed after the finding is  
 1-54 made.

1-55 (c-1) In addition to authorized investments permitted by  
 1-56 this subchapter, an independent school district subject to this  
 1-57 section may purchase, sell, and invest its funds and funds under its  
 1-58 control in local water bonds that, at the time of purchase, are  
 1-59 rated by a nationally recognized investment rating firm "AA-" or  
 1-60 the equivalent and have a stated final maturity date that is not  
 1-61 later than the 10th anniversary of the date the local water bonds

2-1 were purchased.

2-2 (d) An independent school district subject to this section  
2-3 is not authorized by this section to:

2-4 (1) invest in the aggregate more than 15 percent of its  
2-5 monthly average fund balance, excluding bond proceeds, reserves,  
2-6 and other funds held for the payment of debt service, in corporate  
2-7 bonds or local water bonds; or

2-8 (2) invest more than 25 percent of the funds invested  
2-9 in corporate bonds in any one domestic business entity, including  
2-10 subsidiaries and affiliates of the entity.

2-11 (e) An independent school district subject to this section  
2-12 may purchase, sell, and invest its funds and funds under its control  
2-13 in corporate bonds or local water bonds if the governing body of the  
2-14 district:

2-15 (1) amends its investment policy to authorize  
2-16 corporate bonds or local water bonds as an eligible investment;

2-17 (2) adopts procedures to provide for:

2-18 (A) monitoring rating changes in corporate bonds  
2-19 or local water bonds acquired with public funds; and

2-20 (B) liquidating the investment in corporate  
2-21 bonds or local water bonds; and

2-22 (3) identifies the funds eligible to be invested in  
2-23 corporate bonds or local water bonds.

2-24 (f) The investment officer of an independent school  
2-25 district, acting on behalf of the district, shall sell corporate  
2-26 bonds or local water bonds in which the district has invested its  
2-27 funds not later than the seventh day after the date a nationally  
2-28 recognized investment rating firm:

2-29 (1) issues a release that places the corporate bonds  
2-30 or the domestic business entity that issued the corporate bonds, or  
2-31 the local water bonds or the municipality or county that issued the  
2-32 local water bonds, on negative credit watch or the equivalent, if  
2-33 the corporate bonds or local water bonds are rated "AA-" or the  
2-34 equivalent at the time the release is issued; or

2-35 (2) changes the rating on the corporate bonds or local  
2-36 water bonds to a rating lower than "AA-" or the equivalent.

2-37 (g) Corporate bonds or local water bonds are not an eligible  
2-38 investment for a public funds investment pool.

2-39 SECTION 2. This Act takes effect immediately if it receives  
2-40 a vote of two-thirds of all the members elected to each house, as  
2-41 provided by Section 39, Article III, Texas Constitution. If this  
2-42 Act does not receive the vote necessary for immediate effect, this  
2-43 Act takes effect September 1, 2013.

2-44 \* \* \* \* \*