

By: Hughes

S.B. No. 106

A BILL TO BE ENTITLED

AN ACT

relating to the creation of a state financing program administered by the Texas Public Finance Authority to assist school districts with certain expenses; granting authority to issue bonds or other obligations.

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

SECTION 1. Subchapter E, Chapter 45, Education Code, is amended by adding Sections 45.116 and 45.117 to read as follows:

Sec. 45.116. ASSISTANCE FROM TEXAS PUBLIC FINANCE AUTHORITY. (a) A school district may:

(1) borrow money from the Texas Public Finance Authority made available in accordance with Section 1232.1031, Government Code; and

(2) as necessary in connection with obtaining loans or other financial assistance from the Texas Public Finance Authority in accordance with Section 1232.1031, Government Code:

(A) issue bonds and notes, provided that the term of an obligation issued for this purpose may not exceed 15 years; and

(B) enter into loan agreements, lease agreements, lease purchase agreements, or other appropriate financing agreements with the Texas Public Finance Authority.

(b) A school district may:

(1) make payments on an obligation or agreement issued

or executed under Subsection (a) using any available funds,
including maintenance and operations tax revenue; and

(2) secure the payment of an obligation or agreement
issued or executed under Subsection (a) through:

(A) creating a lien against equipment obtained
using the proceeds of the obligation;

(B) imposing an ad valorem tax otherwise
authorized by law; or

(C) obtaining credit enhancement under
Subchapter I.

Sec. 45.117. PAYMENT PROTECTIONS FOR TEXAS PUBLIC FINANCE
AUTHORITY. (a) In this section, "obligation" means an obligation
issued by the Texas Public Finance Authority under Section
1232.1031, Government Code, for the benefit of a school district.

(b) Immediately following a determination that a school
district will be or is unable to pay maturing or matured principal
or interest on an obligation, but not later than the fifth day
before maturity date, the school district shall notify the
commissioner.

(c) Immediately following receipt of notice from a school
district under Subsection (b), the commissioner shall instruct the
comptroller to transfer to the Texas Public Finance Authority from
the next payment of state money payable to the district from
appropriations to the Foundation School Program the amount
necessary to pay the maturing or matured principal or interest.

(d) Immediately following receipt of the funds for payment
of the principal or interest, the Texas Public Finance Authority

1 shall forward the canceled obligation to the comptroller. The
2 comptroller shall hold the canceled obligation on behalf of the
3 Texas Public Finance Authority.

4 (e) Following full reimbursement to the Texas Public
5 Finance Authority with interest, the comptroller shall cancel the
6 obligation and forward it to the school district.

7 (f) If a school district fails to pay principal or interest
8 on an obligation at maturity, other obligations not yet mature are
9 not accelerated and are not due by virtue of the school district's
10 default.

11 (g) If a total of two or more payments are made using state
12 money otherwise payable to a school district from appropriations to
13 the Foundation School Program and the commissioner determines that
14 the district is acting in bad faith, the commissioner may request
15 the attorney general to institute appropriate legal action to
16 compel the school district and the district's officers, agents, and
17 employees to comply with the duties required by law in regard to the
18 appropriate obligations. Jurisdiction of proceedings under this
19 subsection is in district court in Travis County.

20 (h) The Texas Public Finance Authority may adopt rules
21 necessary for the administration of obligations issued on behalf of
22 school districts.

23 SECTION 2. Section [45.252](#), Education Code, is amended by
24 adding Subsection (a-1) to read as follows:

25 (a-1) A school district may apply for credit enhancement
26 under this subchapter of obligations issued under Section 45.116.

27 SECTION 3. Subchapter C, Chapter [1232](#), Government Code, is

amended by adding Section 1232.1031 to read as follows:

Sec. 1232.1031. ISSUANCE OF OBLIGATIONS TO ASSIST SCHOOL DISTRICTS. (a) The authority may issue and sell obligations to finance:

(1) loans to eligible school districts for eligible purposes;

(2) the purchase by the authority of vehicles, equipment, or appliances for sale, lease, or lease purchase to eligible school districts;

(3) a lease or other agreement that concerns equipment that an eligible school district has purchased or leased or intends to purchase or lease; and

(4) costs associated with maintenance, repair, rehabilitation, or renovation of eligible school district facilities.

(b) The authority may use proceeds of obligations issued under this section to pay costs of administering this section, including costs of issuing obligations.

(c) In connection with a purchase or project financed with the proceeds of obligations issued under this section, the authority may:

(1) enter into loan agreements, lease agreements, lease purchase agreements, or other appropriate financing agreements with eligible school districts;

(2) purchase obligations issued by eligible school districts; and

(3) enter into credit agreements and exercise other

1 powers granted to issuers under Chapter 1371.

2 (d) The authority may secure payment of authority
3 obligations issued under this section with the pledge of money in
4 the school district equipment and improvement fund established
5 under Subsection (e).

6 (e) The school district equipment and improvement fund is
7 established outside the treasury as a trust fund and is
8 administered by the comptroller on behalf of the authority as
9 directed or agreed to by the board. The fund consists of proceeds
10 of obligations issued by the authority under this section and
11 obligations and agreements issued or executed by school districts
12 and purchased or funded by the authority with proceeds of authority
13 obligations. Money in the fund may be spent without appropriation
14 and may be used only to fund activities under this section or to
15 secure repayment of authority obligations. Interest and income
16 from the assets of the fund shall be credited to and deposited in
17 the fund.

18 (f) The board may establish funds and accounts determined to
19 be necessary or appropriate in connection with the activities of
20 the authority under this section.

21 (g) The aggregate amount of obligations issued by the
22 authority under this section outstanding at one time may not exceed
23 \$100 million.

24 (h) The board shall adopt rules necessary to implement this
25 section, including rules prescribing eligibility requirements for
26 school districts seeking assistance under this section, rules
27 identifying eligible purposes for purposes of Subsection (a)(1),

1 and rules identifying eligible school district facilities for
2 purposes of Subsection (a)(4). Before adopting or modifying a rule
3 under this subsection, the board shall consult with the
4 commissioner of education.

5 (i) Rules adopted under Subsection (h) may establish a
6 process under which a school district must obtain approval by the
7 commissioner of education in order to be eligible for assistance
8 under this section.

9 (j) The authority may not issue an obligation under this
10 section on or after September 1, 2021. The prohibition imposed by
11 this subsection does not apply to:

12 (1) refunding bonds issued by the authority in
13 accordance with Chapter 1207; or

14 (2) other obligations issued by the authority to
15 refinance obligations incurred under this section before September
16 1, 2021.

17 SECTION 4. This Act takes effect immediately if it receives
18 a vote of two-thirds of all the members elected to each house, as
19 provided by Section 39, Article III, Texas Constitution. If this
20 Act does not receive the vote necessary for immediate effect, this
21 Act takes effect on the 91st day after the last day of the
22 legislative session.