

1-1 By: Hughes S.B. No. 1480
 1-2 (In the Senate - Filed March 8, 2017; March 20, 2017, read
 1-3 first time and referred to Committee on Education; April 24, 2017,
 1-4 reported adversely, with favorable Committee Substitute by the
 1-5 following vote: Yeas 9, Nays 1, 1 present not voting;
 1-6 April 24, 2017, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8 Taylor of Galveston	X			
1-9 Lucio	X			
1-10 Bettencourt	X			
1-11 Campbell	X			
1-12 Hall		X		
1-13 Huffines	X			
1-14 Hughes	X			
1-15 Seliger	X			
1-16 Taylor of Collin	X			
1-17 Uresti	X			
1-18 West				X

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 1480 By: Hall

1-21 A BILL TO BE ENTITLED
 1-22 AN ACT

1-23 relating to the guarantee of school district and charter district
 1-24 bonds by the permanent school fund.

1-25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-26 SECTION 1. Section 45.0532, Education Code, is amended by
 1-27 amending Subsections (a), (a-1), and (b) and adding Subsections
 1-28 (b-1), (b-2), (b-3), and (b-4) to read as follows:

1-29 (a) In addition to the general limitation under Section
 1-30 45.053, the commissioner may not approve charter district bonds for
 1-31 guarantee under this subchapter in a total amount that exceeds the
 1-32 charter capacity [~~percentage of the total available capacity~~] of
 1-33 the guaranteed bond program [~~that is equal to the percentage of the~~
 1-34 ~~number of students enrolled in open-enrollment charter schools in~~
 1-35 ~~this state compared to the total number of students enrolled in all~~
 1-36 ~~public schools in this state, as determined by the commissioner~~].

1-37 (a-1) The commissioner may not approve charter district
 1-38 refunding or refinanced bonds for guarantee under this subchapter
 1-39 in a total amount that exceeds one-half of the charter capacity
 1-40 [~~total amount available for the guarantee of charter district bonds~~
 1-41 ~~under Subsection (a)~~].

1-42 (b) For purposes of this section [~~Subsection (a)~~], the
 1-43 charter [~~total available~~] capacity of the guaranteed bond program
 1-44 is the percentage of the total capacity of the guaranteed bond
 1-45 program [~~limit~~] established by the board under Sections 45.053(d)
 1-46 and 45.0531 that is equal to the percentage of the number of
 1-47 students enrolled in open-enrollment charter schools in this state
 1-48 compared to the total number of students enrolled in all public
 1-49 schools in this state, as determined by the commissioner [~~minus the~~
 1-50 ~~total amount of outstanding guaranteed bonds~~]. Each time the board
 1-51 increases the limit under Section 45.053(d), the total amount of
 1-52 charter district bonds that may be guaranteed increases accordingly
 1-53 under Subsection (a).

1-54 (b-1) The charter capacity provided by Subsection (b)
 1-55 applies beginning with the state fiscal year that begins September
 1-56 1, 2021. Subject to Subsections (b-2) and (b-3), the board shall
 1-57 establish a charter capacity for the preceding state fiscal years
 1-58 by increasing the total limitation on the amount of charter
 1-59 district bonds that could be guaranteed under the law in effect on
 1-60 January 1, 2017, by the following amount:

2-1 (1) for the state fiscal year that begins September 1,
2-2 2017, 20 percent of the difference between the charter capacity
2-3 provided by Subsection (b) and the charter capacity in effect on
2-4 January 1, 2017;

2-5 (2) for the state fiscal year that begins September 1,
2-6 2018, 40 percent of the difference between the charter capacity
2-7 provided by Subsection (b) and the charter capacity in effect on
2-8 January 1, 2017;

2-9 (3) for the state fiscal year that begins September 1,
2-10 2019, 60 percent of the difference between the charter capacity
2-11 provided by Subsection (b) and the charter capacity in effect on
2-12 January 1, 2017; and

2-13 (4) for the state fiscal year that begins September 1,
2-14 2020, 80 percent of the difference between the charter capacity
2-15 provided by Subsection (b) and the charter capacity in effect on
2-16 January 1, 2017.

2-17 (b-2) For any year, the board may increase the charter
2-18 capacity by less than the amount provided by Subsection (b-1) or may
2-19 decline to increase the charter capacity by any amount if:

2-20 (1) the board determines that increasing the charter
2-21 capacity by the amount provided by Subsection (b-1) would likely
2-22 result in a negative impact on the bond ratings provided by one or
2-23 more nationally recognized investment rating firms for school
2-24 district or charter district bonds for which a guarantee is
2-25 requested under this subchapter; or

2-26 (2) one or more charter districts default on payment
2-27 of maturing or matured principal or interest on a guaranteed bond,
2-28 resulting in a negative impact on the bond ratings provided by one
2-29 or more nationally recognized investment rating firms for school
2-30 district or charter district bonds for which a guarantee is
2-31 requested under this subchapter.

2-32 (b-3) If the board makes a determination described by
2-33 Subsection (b-2) for any year and modifies the schedule provided by
2-34 Subsection (b-1) for that year, the board may also make appropriate
2-35 adjustments to the schedule for subsequent years to reflect the
2-36 modification, provided that the charter capacity for any year may
2-37 not exceed the limit provided for that year by the schedule.

2-38 (b-4) Subsections (b-1), (b-2), and (b-3) and this
2-39 subsection expire September 1, 2022.

2-40 SECTION 2. Subchapter C, Chapter 45, Education Code, is
2-41 amended by adding Section 45.0533 to read as follows:

2-42 Sec. 45.0533. COMMUNICATION WITH NATIONALLY RECOGNIZED
2-43 INVESTMENT RATING FIRM. Information obtained from a nationally
2-44 recognized investment rating firm relating to Section 45.053,
2-45 45.0531, or 45.0532 that concerns a hypothetical or actual scenario
2-46 relating to the credit rating of the permanent school fund or the
2-47 bond guarantee program of the permanent school fund, and any
2-48 communications from, or information generated by, the agency, the
2-49 board, the commissioner, or their employees relating to that
2-50 information, is confidential and not subject to disclosure under
2-51 Chapter 552, Government Code.

2-52 SECTION 3. Section 45.056, Education Code, is amended by
2-53 adding Subsection (a-1) to read as follows:

2-54 (a-1) For purposes of this subsection, "bond security
2-55 documents" include the resolution, trust agreement, indenture,
2-56 ordinance, loan agreement, deed of trust, bond, note, and any
2-57 additional document executed in connection with the issuance of a
2-58 charter district bond for which a guarantee is requested under this
2-59 subchapter. The commissioner's investigation of an application
2-60 submitted by a charter district may include evaluation of whether
2-61 the charter district bond security documents provide a security
2-62 interest in real property pledged as collateral for the bond and the
2-63 repayment obligation under the proposed guarantee. The
2-64 commissioner may decline to approve the application if the
2-65 commissioner determines that sufficient security is not provided.

2-66 SECTION 4. Subchapter C, Chapter 45, Education Code, is
2-67 amended by adding Section 45.0561 to read as follows:

2-68 Sec. 45.0561. COMMISSIONER CONSIDERATION OF ADDITIONAL
2-69 FACTORS FOR CHARTER DISTRICT BONDS. (a) In addition to

3-1 considering all other applicable requirements under this
3-2 subchapter, in determining whether to approve charter district
3-3 bonds for guarantee the commissioner may consider any additional
3-4 reasonable factor that the commissioner determines necessary to
3-5 protect the guarantee program or minimize risk to the permanent
3-6 school fund, including:

3-7 (1) whether the charter district had an average daily
3-8 attendance of more than 75 percent of its student capacity for each
3-9 of the preceding three school years, or for each school year of
3-10 operation if the charter district has not been in operation for the
3-11 preceding three school years;

3-12 (2) the performance of the charter district under
3-13 Sections 39.053 and 39.054; and

3-14 (3) any other indicator of performance that could
3-15 affect the charter district's financial performance.

3-16 (b) This section expires September 1, 2019.

3-17 SECTION 5. Section 45.0571, Education Code, is amended by
3-18 adding Subsections (a-1) and (a-2) and amending Subsections (b) and
3-19 (c) to read as follows:

3-20 (a-1) Notwithstanding Chapter 404, Government Code, the
3-21 charter district bond guarantee reserve fund is managed by the
3-22 board in the same manner that the permanent school fund is managed
3-23 by the board. The board may invest money in the charter district
3-24 bond guarantee reserve fund in accordance with the investment
3-25 standard described by Section 404.024(j), Government Code, and the
3-26 board's investment is not subject to any other limitation or
3-27 requirement provided by Section 404.024, Government Code.

3-28 (a-2) The board shall adjust the investment portfolio of
3-29 charter district bond guarantee reserve fund money periodically to
3-30 ensure that the balance of the fund is sufficient to meet the cash
3-31 flow requirements of the fund.

3-32 (b) Subject to Subsection (c), a [A] charter district that
3-33 has a bond guaranteed as provided by this subchapter must
3-34 [annually] remit to the commissioner, for deposit in the charter
3-35 district bond guarantee reserve fund, an amount equal to 20 [10]
3-36 percent of the savings to the charter district that is a result of
3-37 the lower interest rate on the bond due to the guarantee by the
3-38 permanent school fund. The amount due under this section shall be
3-39 [amortized and] paid on receipt by the charter district of the bond
3-40 proceeds [over the duration of the bond. Each payment is due on the
3-41 anniversary of the date the bond was issued]. The commissioner
3-42 shall adopt rules to determine the amount [total and annual
3-43 amounts] due under this section.

3-44 (c) Subsection (b) does not apply if, at the time the
3-45 charter district receives the proceeds of the bond guaranteed as
3-46 provided by this subchapter, the balance of the charter district
3-47 bond guarantee reserve fund is at least equal to three percent of
3-48 the total amount of outstanding guaranteed bonds issued by charter
3-49 districts. [The commissioner may direct the comptroller to
3-50 annually withhold the amount due to the charter district bond
3-51 guarantee reserve fund under Subsection (b) for that year from the
3-52 state funds otherwise payable to the charter district.]

3-53 SECTION 6. Section 45.0571, Education Code, as amended by
3-54 this Act, applies only to a charter district bond that is approved
3-55 by the commissioner of education for guarantee under Subchapter C,
3-56 Chapter 45, Education Code, on or after the effective date of this
3-57 Act. A charter district bond that is approved by the commissioner
3-58 of education for guarantee under Subchapter C, Chapter 45,
3-59 Education Code, before the effective date of this Act is governed by
3-60 the law in effect on the date the bond is approved for guarantee,
3-61 and the former law is continued in effect for that purpose.

3-62 SECTION 7. This Act takes effect September 1, 2017.

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