

BILL ANALYSIS

H.B. 1131
By: Cole
Public Education
Committee Report (Unamended)

BACKGROUND AND PURPOSE

It has been suggested that there is a need for additional financing options for public school districts beyond traditional bond financing. H.B. 1131 seeks to address this need by creating a state financing program administered by the Texas Public Finance Authority to assist districts with certain expenses.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the State Board of Education in SECTION 3 of this bill and to the board of directors of the Texas Public Finance Authority in SECTION 6 of this bill.

ANALYSIS

H.B. 1131 amends the Government Code to authorize the Texas Public Finance Authority (TPFA) to issue and sell obligations to finance the following:

- loans to eligible public school districts for eligible purposes;
- the purchase by TPFA of vehicles, equipment, or appliances for sale, lease, or lease purchase to eligible districts;
- a lease or other agreement that concerns equipment that an eligible district has purchased or leased or intends to purchase or lease; and
- costs associated with maintenance, repair, rehabilitation, or renovation of eligible district facilities.

H.B. 1131 authorizes TPFA to use proceeds of the issued obligations to pay costs of administering related bill provisions, including costs of issuing obligations. The bill authorizes TPFA, in connection with a purchase or project financed with the proceeds of the obligations, to enter into loan agreements, lease agreements, lease purchase agreements, or other appropriate financing agreements with eligible districts; purchase obligations issued by eligible districts; and enter into credit agreements and exercise certain other powers.

H.B. 1131 authorizes TPFA to secure payment of obligations issued to assist districts with the pledge of money in the school district equipment and improvement fund. The bill, with respect to the fund:

- establishes the fund as a trust fund that is outside the treasury and administered by the comptroller of public accounts on behalf of TPFA as directed or agreed to by the TPFA board of directors;
- provides that the fund consists of proceeds of the obligations issued by TPFA under the

bill's provisions and obligations and agreements issued or executed by districts and purchased or funded by TPFA with proceeds of TPFA obligations;

- authorizes money in the fund to be spent without appropriation but restricts use of the money to funding activities related to the issuance of obligations to assist districts or securing repayment of TPFA obligations; and
- requires interest and income from the assets of the fund to be credited to and deposited in the fund.

H.B. 1131 authorizes the TPFA board to establish funds and accounts determined to be necessary or appropriate in connection with the activities of TPFA related to the issuance of obligations to assist districts. The bill caps the aggregate amount of outstanding obligations issued by TPFA under the bill's provisions at one time at \$100 million. The bill prohibits TPFA from issuing an obligation under the bill's provisions on or after September 1, 2023. The bill exempts from this prohibition refunding bonds issued by TPFA or other obligations issued by TPFA to refinance obligations incurred before September 1, 2023.

H.B. 1131 requires the TPFA board to adopt rules necessary to implement the bill's provisions relating to the issuance of obligations to assist districts and, with respect to those rules:

- specifies that the rules include rules prescribing eligibility requirements for districts seeking assistance, rules identifying eligible purposes, and rules identifying eligible district facilities;
- requires the board to consult with the commissioner of education before adopting or modifying a rule; and
- establishes that the adopted rules may establish a process under which a district must obtain approval by the commissioner in order to be eligible for assistance.

H.B. 1131 amends the Education Code to authorize a district to borrow money from TPFA and authorizes a district to do the following:

- as necessary in connection with obtaining loans or other financial assistance from TPFA, issue bonds and notes, provided that the term of an obligation may not exceed 15 years, and enter into loan agreements, lease agreements, lease purchase agreements, or other appropriate financing agreements with TPFA;
- make payments on such an obligation or agreement using any available funds, including maintenance and operations tax revenue;
- secure the payment of such an obligation or agreement through creating a lien against equipment obtained using the proceeds of the obligation, imposing a property tax otherwise authorized by law, or obtaining credit enhancement; and
- apply for credit enhancement, under the intercept credit enhancement program, of obligations issued under these provisions.

H.B. 1131 includes bonds issued by TPFA to assist districts among the bonds that, on approval by the commissioner of education, are guaranteed by the corpus and income of the permanent school fund. The bill authorizes the State Board of Education (SBOE) to adopt rules modifying bond guarantee program requirements as necessary to facilitate the guarantee of bonds issued by TPFA. The bill sets out a requirement for the rules regarding the application of certain statutory provisions to a default in the payment of bonds issued by TPFA.

H.B. 1131 subjects TPFA, in seeking the guarantee of bonds, to each provision relating to the bond guarantee program that applies to a district seeking guarantee of district bonds, except as provided by SBOE rules. The bill clarifies that a reference in provisions relating to the program to bonds issued by TPFA includes short-term debt obligations and any other obligations TPFA is authorized to issue under the bill's provisions.

EFFECTIVE DATE

September 1, 2019.