By:  Cole, et al. (Senate Sponsor - Hughes) H.B. No. 1131

(In the Senate - Received from the House May 3, 2019; May 8, 2019, read first time and referred to Committee on Education; May 17, 2019, reported adversely, with favorable Committee Substitute by the following vote: Yeas 7, Nays 3, 1 present not voting; May 17, 2019, sent to printer.)

COMMITTEE VOTE

                    Yea Nay Absent  PNV

Taylor            X

Lucio                X

Bettencourt              X

Campbell             X

Fallon               X

Hall                     X

Hughes               X

Paxton                   X

Powell               X

Watson               X

West                                 X

COMMITTEE SUBSTITUTE FOR H.B. No. 1131 By:  Lucio

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 certain 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 45.114 and 45.115 to read as follows:

Sec. 45.114.  ASSISTANCE FROM TEXAS PUBLIC FINANCE AUTHORITY. A school district may:

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

(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;

(3)  make payments on an obligation or agreement issued or executed under this section using any available funds, including maintenance and operations tax revenue; and

(4)  secure the payment of an obligation or agreement issued or executed under this section through:

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

(B)  creating a lien against and pledging any funds of the district available for that purpose, including maintenance and operations tax revenue; or

(C)  obtaining credit enhancement under Subchapter I.

Sec. 45.115.  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 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 shall forward the canceled obligation to the comptroller. The comptroller shall hold the canceled obligation on behalf of the Texas Public Finance Authority.

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

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

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

(h)  The Texas Public Finance Authority and the agency may enter into a memorandum of understanding governing the duties of the authority and the agency under this section, Section 45.114, and Section 1232.1031, Government Code.

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

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

(a-1)  A school district may apply for credit enhancement under this subchapter of obligations issued under Section 45.114.

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 CERTAIN SCHOOL DISTRICTS. (a) The authority may issue and sell obligations to finance:

(1)  loans to school districts for eligible purposes;

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

(3)  a lease or other agreement that concerns equipment that a 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 amount of obligations issued by the authority under this section must be for the benefit of school districts with an average daily attendance of 1,600 students or fewer, as determined under Section 42.005, Education Code. Not more than two percent of the obligations issued under this section may be for the benefit of a single school district.

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

(d)  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 school districts;

(2)  purchase obligations issued by school districts; and

(3)  enter into credit agreements and exercise other powers granted to issuers under Chapter 1371.

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

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

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

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

(i)  The board shall adopt rules necessary to implement this section, including rules prescribing requirements for school districts seeking assistance under this section, rules identifying eligible purposes for purposes of Subsection (a)(1), and rules identifying eligible school district facilities for purposes of Subsection (a)(4). Before adopting or modifying a rule under this subsection, the board shall consult with the commissioner of education.

(j)  Rules adopted under Subsection (i) may establish a process under which a school district must obtain approval by the commissioner of education before the district may receive assistance under this section.

(k)  The authority may not issue an obligation under this section on or after September 1, 2023. The prohibition imposed by this subsection does not apply to:

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

(2)  other obligations issued by the authority to refinance obligations incurred under this section before September 1, 2023.

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

\* \* \* \* \*