

1-1 By: Cole, et al. (Senate Sponsor - Hughes) H.B. No. 1131
 1-2 (In the Senate - Received from the House May 3, 2019;
 1-3 May 8, 2019, read first time and referred to Committee on
 1-4 Education; May 17, 2019, reported adversely, with favorable
 1-5 Committee Substitute by the following vote: Yeas 7, Nays 3,
 1-6 1 present not voting; May 17, 2019, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8 Taylor	X			
1-9 Lucio	X			
1-10 Bettencourt		X		
1-11 Campbell	X			
1-12 Fallon	X			
1-13 Hall		X		
1-14 Hughes	X			
1-15 Paxton		X		
1-16 Powell	X			
1-17 Watson	X			
1-18 West				X

1-20 COMMITTEE SUBSTITUTE FOR H.B. No. 1131 By: Lucio

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

1-23 relating to the creation of a state financing program administered
 1-24 by the Texas Public Finance Authority to assist certain school
 1-25 districts with certain expenses; granting authority to issue bonds
 1-26 or other obligations.

1-27 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-28 SECTION 1. Subchapter E, Chapter 45, Education Code, is
 1-29 amended by adding Sections 45.114 and 45.115 to read as follows:

1-30 Sec. 45.114. ASSISTANCE FROM TEXAS PUBLIC FINANCE
 1-31 AUTHORITY. A school district may:

1-32 (1) borrow money from the Texas Public Finance
 1-33 Authority made available in accordance with Section 1232.1031,
 1-34 Government Code;

1-35 (2) as necessary in connection with obtaining loans or
 1-36 other financial assistance from the Texas Public Finance Authority
 1-37 in accordance with Section 1232.1031, Government Code:

1-38 (A) issue bonds and notes, provided that the term
 1-39 of an obligation issued for this purpose may not exceed 15 years;
 1-40 and

1-41 (B) enter into loan agreements, lease
 1-42 agreements, lease purchase agreements, or other appropriate
 1-43 financing agreements with the Texas Public Finance Authority;

1-44 (3) make payments on an obligation or agreement issued
 1-45 or executed under this section using any available funds, including
 1-46 maintenance and operations tax revenue; and

1-47 (4) secure the payment of an obligation or agreement
 1-48 issued or executed under this section through:

1-49 (A) creating a lien against equipment obtained
 1-50 using the proceeds of the obligation;

1-51 (B) creating a lien against and pledging any
 1-52 funds of the district available for that purpose, including
 1-53 maintenance and operations tax revenue; or

1-54 (C) obtaining credit enhancement under
 1-55 Subchapter I.

1-56 Sec. 45.115. PAYMENT PROTECTIONS FOR TEXAS PUBLIC FINANCE
 1-57 AUTHORITY. (a) In this section, "obligation" means an obligation
 1-58 issued by the Texas Public Finance Authority under Section
 1-59 1232.1031, Government Code, for the benefit of a school district.

1-60 (b) Immediately following a determination that a school

2-1 district will be or is unable to pay maturing or matured principal
2-2 or interest on an obligation, but not later than the fifth day
2-3 before maturity date, the district shall notify the commissioner.

2-4 (c) Immediately following receipt of notice from a school
2-5 district under Subsection (b), the commissioner shall instruct the
2-6 comptroller to transfer to the Texas Public Finance Authority from
2-7 the next payment of state money payable to the district from
2-8 appropriations to the Foundation School Program the amount
2-9 necessary to pay the maturing or matured principal or interest.

2-10 (d) Immediately following receipt of the funds for payment
2-11 of the principal or interest, the Texas Public Finance Authority
2-12 shall forward the canceled obligation to the comptroller. The
2-13 comptroller shall hold the canceled obligation on behalf of the
2-14 Texas Public Finance Authority.

2-15 (e) Following full reimbursement to the Texas Public
2-16 Finance Authority with interest, the comptroller shall cancel the
2-17 obligation and forward it to the school district.

2-18 (f) If a school district fails to pay principal or interest
2-19 on an obligation at maturity, other obligations not yet mature are
2-20 not accelerated and are not due by virtue of the district's default.

2-21 (g) If a total of two or more payments are made using state
2-22 money otherwise payable to a school district from appropriations to
2-23 the Foundation School Program and the commissioner determines that
2-24 the district is acting in bad faith, the commissioner may request
2-25 the attorney general to institute appropriate legal action to
2-26 compel the district and the district's officers, agents, and
2-27 employees to comply with the duties required by law in regard to the
2-28 appropriate obligations. Jurisdiction of proceedings under this
2-29 subsection is in district court in Travis County.

2-30 (h) The Texas Public Finance Authority and the agency may
2-31 enter into a memorandum of understanding governing the duties of
2-32 the authority and the agency under this section, Section 45.114,
2-33 and Section 1232.1031, Government Code.

2-34 (i) The Texas Public Finance Authority may adopt rules
2-35 necessary for the administration of obligations issued on behalf of
2-36 school districts.

2-37 SECTION 2. Section 45.252, Education Code, is amended by
2-38 adding Subsection (a-1) to read as follows:

2-39 (a-1) A school district may apply for credit enhancement
2-40 under this subchapter of obligations issued under Section 45.114.

2-41 SECTION 3. Subchapter C, Chapter 1232, Government Code, is
2-42 amended by adding Section 1232.1031 to read as follows:

2-43 Sec. 1232.1031. ISSUANCE OF OBLIGATIONS TO ASSIST CERTAIN
2-44 SCHOOL DISTRICTS. (a) The authority may issue and sell obligations
2-45 to finance:

2-46 (1) loans to school districts for eligible purposes;
2-47 (2) the purchase by the authority of vehicles,
2-48 equipment, or appliances for sale, lease, or lease purchase to
2-49 school districts;

2-50 (3) a lease or other agreement that concerns equipment
2-51 that a school district has purchased or leased or intends to
2-52 purchase or lease; and

2-53 (4) costs associated with maintenance, repair,
2-54 rehabilitation, or renovation of eligible school district
2-55 facilities.

2-56 (b) The amount of obligations issued by the authority under
2-57 this section must be for the benefit of school districts with an
2-58 average daily attendance of 1,600 students or fewer, as determined
2-59 under Section 42.005, Education Code. Not more than two percent of
2-60 the obligations issued under this section may be for the benefit of
2-61 a single school district.

2-62 (c) The authority may use proceeds of obligations issued
2-63 under this section to pay costs of administering this section,
2-64 including costs of issuing obligations.

2-65 (d) In connection with a purchase or project financed with
2-66 the proceeds of obligations issued under this section, the
2-67 authority may:

2-68 (1) enter into loan agreements, lease agreements,
2-69 lease purchase agreements, or other appropriate financing

3-1 agreements with school districts;
3-2 (2) purchase obligations issued by school districts;
3-3 and
3-4 (3) enter into credit agreements and exercise other
3-5 powers granted to issuers under Chapter 1371.

3-6 (e) The authority may secure payment of authority
3-7 obligations issued under this section with the pledge of money in
3-8 the school district equipment and improvement fund established
3-9 under Subsection (f).

3-10 (f) The school district equipment and improvement fund is
3-11 established outside the treasury as a trust fund and is
3-12 administered by the comptroller on behalf of the authority as
3-13 directed or agreed to by the board. The fund consists of proceeds
3-14 of obligations issued by the authority under this section and
3-15 obligations and agreements issued or executed by school districts
3-16 and purchased or funded by the authority with proceeds of authority
3-17 obligations. Money in the fund may be spent without appropriation
3-18 and may be used only to fund activities under this section or to
3-19 secure repayment of authority obligations. Interest and income
3-20 from the assets of the fund shall be credited to and deposited in
3-21 the fund.

3-22 (g) The board may establish funds and accounts determined to
3-23 be necessary or appropriate in connection with the activities of
3-24 the authority under this section.

3-25 (h) The aggregate amount of obligations issued by the
3-26 authority under this section outstanding at one time may not exceed
3-27 \$100 million.

3-28 (i) The board shall adopt rules necessary to implement this
3-29 section, including rules prescribing requirements for school
3-30 districts seeking assistance under this section, rules identifying
3-31 eligible purposes for purposes of Subsection (a)(1), and rules
3-32 identifying eligible school district facilities for purposes of
3-33 Subsection (a)(4). Before adopting or modifying a rule under this
3-34 subsection, the board shall consult with the commissioner of
3-35 education.

3-36 (j) Rules adopted under Subsection (i) may establish a
3-37 process under which a school district must obtain approval by the
3-38 commissioner of education before the district may receive
3-39 assistance under this section.

3-40 (k) The authority may not issue an obligation under this
3-41 section on or after September 1, 2023. The prohibition imposed by
3-42 this subsection does not apply to:

3-43 (1) refunding bonds issued by the authority in
3-44 accordance with Chapter 1207; or

3-45 (2) other obligations issued by the authority to
3-46 refinance obligations incurred under this section before September
3-47 1, 2023.

3-48 SECTION 4. This Act takes effect immediately if it receives
3-49 a vote of two-thirds of all the members elected to each house, as
3-50 provided by Section 39, Article III, Texas Constitution. If this
3-51 Act does not receive the vote necessary for immediate effect, this
3-52 Act takes effect on the 91st day after the last day of the
3-53 legislative session.

3-54 * * * * *