

By: Hughes

S.B. No. 740

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 45.114 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

1 maintenance and operations tax revenue; and

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

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

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

9 (C) obtaining credit enhancement under
10 Subchapter I.

11 Sec. 45.115. PAYMENT PROTECTIONS FOR TEXAS PUBLIC FINANCE
12 AUTHORITY. (a) In this section, "obligation" means an obligation
13 issued by the Texas Public Finance Authority under Section
14 1232.1031, Government Code, for the benefit of a school district.

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

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

25 (d) Immediately following receipt of the funds for payment
26 of the principal or interest, the Texas Public Finance Authority
27 shall forward the canceled obligation to the comptroller. The

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

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

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

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

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

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

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

27 (a-1) A school district may apply for credit enhancement

1 under this subchapter of obligations issued under Section 45.114.

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

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

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

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

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

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

17 (a-1) The amount of obligations issued by the authority
18 under this section must be for the benefit of school districts with
19 an average daily attendance of 1,600 students or fewer, as
20 determined under Section 42.005, Education Code. Not more than two
21 percent of the obligations issued under this section may be for the
22 benefit of a single school district.

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

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

1 authority may:

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

5 (2) purchase obligations issued by school districts;
6 and

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

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

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

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

1 (g) The aggregate amount of obligations issued by the
2 authority under this section outstanding at one time may not exceed
3 \$100 million.

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

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

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

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

21 (2) other obligations issued by the authority to
22 refinance obligations incurred under this section before September
23 1, 2023.

24 SECTION 4. This Act takes effect immediately if it receives
25 a vote of two-thirds of all the members elected to each house, as
26 provided by Section 39, Article III, Texas Constitution. If this
27 Act does not receive the vote necessary for immediate effect, this

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1 Act takes effect on the 91st day after the last day of the
2 legislative session.