

By: Hughes

S.B. No. 740

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the creation of a state financing program administered  
3 by the Texas Public Finance Authority to assist certain school  
4 districts with certain expenses; granting authority to issue bonds  
5 or other obligations.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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

9 Sec. 45.114. ASSISTANCE FROM TEXAS PUBLIC FINANCE  
10 AUTHORITY. (a) In this section, "eligible school district" means a  
11 school district that has not more than 1,600 students in average  
12 daily attendance.

13 (b) An eligible school district may:

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

17 (2) as necessary in connection with obtaining loans or  
18 other financial assistance from the Texas Public Finance Authority  
19 in accordance with Section 1232.1031, Government Code:

20 (A) issue bonds and notes, provided that the term  
21 of an obligation issued for this purpose may not exceed 15 years;  
22 and

23 (B) enter into loan agreements, lease  
24 agreements, lease purchase agreements, or other appropriate

1 financing agreements with the Texas Public Finance Authority;

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

5 (4) secure the payment of an obligation or agreement  
6 issued or executed under Subsection (a) through:

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

9 (B) imposing an ad valorem tax otherwise  
10 authorized by law; or

11 (C) obtaining credit enhancement under  
12 Subchapter I.

13 Sec. 45.115. PAYMENT PROTECTIONS FOR TEXAS PUBLIC FINANCE  
14 AUTHORITY. (a) In this section:

15 (1) "Obligation" means an obligation issued by the  
16 Texas Public Finance Authority under Section 1232.1031, Government  
17 Code, for the benefit of an eligible school district.

18 (2) "Eligible school district" means a school district  
19 that has not more than 1,600 students in average daily attendance.

20 (b) Immediately following a determination that an eligible  
21 school district will be or is unable to pay maturing or matured  
22 principal or interest on an obligation, but not later than the fifth  
23 day before maturity date, the district shall notify the  
24 commissioner.

25 (c) Immediately following receipt of notice from an  
26 eligible school district under Subsection (b), the commissioner  
27 shall instruct the comptroller to transfer to the Texas Public

1 Finance Authority from the next payment of state money payable to  
2 the district from appropriations to the Foundation School Program  
3 the amount necessary to pay the maturing or matured principal or  
4 interest.

5 (d) Immediately following receipt of the funds for payment  
6 of the principal or interest, the Texas Public Finance Authority  
7 shall forward the canceled obligation to the comptroller. The  
8 comptroller shall hold the canceled obligation on behalf of the  
9 Texas Public Finance Authority.

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

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

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

27 (h) The Texas Public Finance Authority may adopt rules

1 necessary for the administration of obligations issued on behalf  
2 eligible of school districts.

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

5 (a-1) A school district that has not more than 1,600  
6 students in average daily attendance may apply for credit  
7 enhancement under this subchapter of obligations issued under  
8 Section 45.114.

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

11 Sec. 1232.1031. ISSUANCE OF OBLIGATIONS TO ASSIST SCHOOL  
12 DISTRICTS. (a) In this section, "eligible school district" means a  
13 school district that has not more than 1,600 students in average  
14 daily attendance.

15 (b) The authority may issue and sell obligations to finance:

16 (1) loans to eligible school districts for eligible  
17 purposes;

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

21 (3) a lease or other agreement that concerns equipment  
22 that an eligible school district has purchased or leased or intends  
23 to purchase or lease; and

24 (4) costs associated with maintenance, repair,  
25 rehabilitation, or renovation of eligible school district  
26 facilities.

27 (c) The authority may use proceeds of obligations issued

1 under this section to pay costs of administering this section,  
2 including costs of issuing obligations.

3 (d) In connection with a purchase or project financed with  
4 the proceeds of obligations issued under this section, the  
5 authority may:

6 (1) enter into loan agreements, lease agreements,  
7 lease purchase agreements, or other appropriate financing  
8 agreements with eligible school districts;

9 (2) purchase obligations issued by eligible school  
10 districts; and

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

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

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

1 deposited in the fund.

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

5 (h) The aggregate amount of obligations issued by the  
6 authority under this section outstanding at one time may not exceed  
7 \$100 million.

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

16 (j) Rules adopted under Subsection (h) may establish a  
17 process under which an eligible school district must obtain  
18 approval by the commissioner of education in order to be eligible  
19 for assistance under this section.

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

23 (1) refunding bonds issued by the authority in  
24 accordance with Chapter [1207](#); or

25 (2) other obligations issued by the authority to  
26 refinance obligations incurred under this section before September  
27 1, 2023.

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