

1-1 By: Hughes S.B. No. 740  
 1-2 (In the Senate - Filed February 8, 2019; March 1, 2019, read  
 1-3 first time and referred to Committee on Education; April 29, 2019,  
 1-4 reported adversely, with favorable Committee Substitute by the  
 1-5 following vote: Yeas 8, Nays 1, 1 present not voting;  
 1-6 April 29, 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 S.B. No. 740 By: Hughes

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 school districts  
 1-25 with certain expenses; granting authority to issue bonds or other  
 1-26 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 SCHOOL  
2-44 DISTRICTS. (a) The authority may issue and sell obligations to  
2-45 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 authority may use proceeds of obligations issued  
2-57 under this section to pay costs of administering this section,  
2-58 including costs of issuing obligations.

2-59 (c) In connection with a purchase or project financed with  
2-60 the proceeds of obligations issued under this section, the  
2-61 authority may:

2-62 (1) enter into loan agreements, lease agreements,  
2-63 lease purchase agreements, or other appropriate financing  
2-64 agreements with school districts;

2-65 (2) purchase obligations issued by school districts;  
2-66 and

2-67 (3) enter into credit agreements and exercise other  
2-68 powers granted to issuers under Chapter 1371.

2-69 (d) The authority may secure payment of authority

3-1 obligations issued under this section with the pledge of money in  
 3-2 the school district equipment and improvement fund established  
 3-3 under Subsection (e).

3-4 (e) The school district equipment and improvement fund is  
 3-5 established outside the treasury as a trust fund and is  
 3-6 administered by the comptroller on behalf of the authority as  
 3-7 directed or agreed to by the board. The fund consists of proceeds  
 3-8 of obligations issued by the authority under this section and  
 3-9 obligations and agreements issued or executed by school districts  
 3-10 and purchased or funded by the authority with proceeds of authority  
 3-11 obligations. Money in the fund may be spent without appropriation  
 3-12 and may be used only to fund activities under this section or to  
 3-13 secure repayment of authority obligations. Interest and income  
 3-14 from the assets of the fund shall be credited to and deposited in  
 3-15 the fund.

3-16 (f) The board may establish funds and accounts determined to  
 3-17 be necessary or appropriate in connection with the activities of  
 3-18 the authority under this section.

3-19 (g) The aggregate amount of obligations issued by the  
 3-20 authority under this section outstanding at one time may not exceed  
 3-21 \$100 million.

3-22 (h) The board shall reserve 40 percent of the amount  
 3-23 available for issuing obligations under this section for the  
 3-24 benefit of school districts with an average daily attendance of  
 3-25 1,600 students or fewer, as determined under Section 42.005,  
 3-26 Education Code. Not more than five percent of the obligations  
 3-27 issued under this section may be for the benefit of a single school  
 3-28 district.

3-29 (i) The board shall adopt rules necessary to implement this  
 3-30 section, including rules prescribing requirements for school  
 3-31 districts seeking assistance under this section, rules identifying  
 3-32 eligible purposes for purposes of Subsection (a)(1), and rules  
 3-33 identifying eligible school district facilities for purposes of  
 3-34 Subsection (a)(4). Before adopting or modifying a rule under this  
 3-35 subsection, the board shall consult with the commissioner of  
 3-36 education.

3-37 (j) Rules adopted under Subsection (i) may establish a  
 3-38 process under which a school district must obtain approval by the  
 3-39 commissioner of education before the district may receive  
 3-40 assistance under this section.

3-41 (k) The authority may not issue an obligation under this  
 3-42 section on or after September 1, 2023. The prohibition imposed by  
 3-43 this subsection does not apply to:

3-44 (1) refunding bonds issued by the authority in  
 3-45 accordance with Chapter 1207; or

3-46 (2) other obligations issued by the authority to  
 3-47 refinance obligations incurred under this section before September  
 3-48 1, 2023.

3-49 SECTION 4. This Act takes effect immediately if it receives  
 3-50 a vote of two-thirds of all the members elected to each house, as  
 3-51 provided by Section 39, Article III, Texas Constitution. If this  
 3-52 Act does not receive the vote necessary for immediate effect, this  
 3-53 Act takes effect on the 91st day after the last day of the  
 3-54 legislative session.

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