

## **BILL ANALYSIS**

H.B. 586  
By: Cole  
Public Education  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

There have been calls to authorize the Texas Public Finance Authority (TPFA) to work alongside public school districts to help finance projects that are smaller in scope or shorter in term than projects typically funded through traditional bonds, akin to the financing efforts presently available for state agencies and public universities. It has been suggested that this would be of particular benefit to smaller districts and those located in rural areas that typically have fewer traditional financing options available when seeking to upgrade or repair facilities or purchase items such as buses or appliances. H.B. 586 seeks to aid in the financing of certain projects at the local school district level by creating a state financing program administered by TPFA to assist school districts with certain expenses.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the State Board of Education in SECTION 4 of this bill and to the board of directors of the Texas Public Finance Authority in SECTION 6 of this bill.

### **ANALYSIS**

H.B. 586 establishes provisions that provide for the creation of a state financing program under which the Texas Public Finance Authority (TPFA) may assist public school districts to fund eligible expenses.

H.B. 586 amends the Government Code to authorize TPFA to issue and sell obligations to finance the following:

- loans to eligible public school districts for eligible purposes;
- the purchase by TPFA of vehicles, equipment, or appliances for sale, lease, or lease purchase to eligible districts;
- a lease or other agreement that concerns equipment that an eligible district has purchased or leased or intends to purchase or lease; and
- costs associated with the improvement of existing instructional facilities, limited to the maintenance, repair, rehabilitation, or renovation of eligible district facilities.

H.B. 586 authorizes TPFA to use proceeds of the issued obligations to pay costs of administering related bill provisions. The bill establishes that vehicles, equipment, and appliances are considered furnishings of instructional facilities for purposes of the permanent school fund (PSF) bond guarantee program. The bill authorizes TPFA, in connection with a purchase or project financed with the proceeds of the obligations, to enter into appropriate financing

agreements with eligible districts, purchase obligations issued by eligible districts, and enter into credit agreements and exercise other powers of issuers of obligations for certain public improvements.

H.B. 586 restricts the source of funds used by TPFA as security for payment of applicable obligations to the pledge of money in the school district equipment and improvement fund. The bill, with respect to the fund:

- establishes the fund as a trust fund outside the treasury and administered by the comptroller of public accounts on behalf of TPFA as directed or agreed to by the TPFA board of directors;
- establishes that the fund consists of proceeds of the following:
  - obligations issued by TPFA under the bill's provisions; and
  - obligations and agreements issued or executed by districts and purchased or funded by TPFA with proceeds of TPFA obligations;
- authorizes the expenditure of money in the fund without appropriation but restricts the uses of the money to funding activities related to the provision of financing to districts or securing repayment of TPFA obligations; and
- requires interest and income from fund assets to be credited to and deposited in the fund.

H.B. 586 authorizes the TPFA board to establish funds and accounts determined to be necessary or appropriate in connection with TPFA activities related to the provision of financing to districts. The bill caps the aggregate amount of such obligations issued by TPFA at \$100 million. The bill sets out the method of determining whether an issuance of obligations to refund outstanding obligations is included or excluded in determining the maximum aggregate amount. The bill prohibits TPFA from issuing an obligation under the bill's provisions on or after September 1, 2025, but exempts from this date restriction refunding bonds issued by TPFA or other obligations issued by TPFA to refinance obligations incurred before September 1, 2025.

H.B. 586 requires the TPFA board to adopt rules necessary to implement the bill's provisions relating to the provision of financing to districts and, with respect to those rules:

- specifies the inclusion of rules prescribing eligibility requirements for districts seeking assistance, rules identifying eligible purposes, and rules identifying eligible district facilities;
- requires the board to consult with the commissioner of education before adopting or modifying a rule; and
- authorizes the establishment by rule of a process under which a district must obtain commissioner approval in order to be eligible for assistance.

H.B. 586 establishes that an applicable obligation issued by TPFA is not a debt or pledge of the faith and credit of the state or of any state agency, political corporation, or political subdivision and requires the face of such an obligation to contain a certain related statement. The bill requires Bond Review Board approval of such an obligation before its issuance and provides for TPFA's submission of the obligation to the attorney general for review, including a demonstration of the applicable district's repayment ability.

H.B. 586 amends the Education Code to authorize a district to borrow money from TPFA and authorizes a district to do the following:

- as necessary in connection with obtaining loans or other financial assistance from TPFA, issue bonds and notes with a maximum term of 15 years and enter into appropriate financing agreements with TPFA;
- make payments on such an obligation or agreement using any available funds, including maintenance and operations tax revenue; and
- secure the payment of such an obligation or agreement through creating a lien against equipment obtained using the proceeds of the obligation or imposing a maintenance tax otherwise authorized by law.

The bill requires a district that secures payment of an obligation or agreement through imposing a maintenance tax to include that obligation or agreement in the district's total maintenance tax debt service when submitting public securities for the attorney general's review before issuance.

H.B. 586 includes bonds issued by TPFA to assist districts among the bonds that, on approval by the commissioner of education, are guaranteed by the corpus and income of the PSF. In seeking that guarantee, TPFA is subject to each provision relating to the PSF bond guarantee program that applies to a district seeking such a guarantee, except as provided by State Board of Education (SBOE) rules. The bill authorizes the SBOE to adopt rules modifying program requirements as necessary to facilitate the guarantee of bonds issued by TPFA. The bill requires the rules to provide for the application of certain statutory provisions relating to a default in the payment of PSF-guaranteed bonds in a manner that provides for the withholding of state aid that would otherwise be paid to the defaulting district. The bill clarifies that a reference to bonds issued by TPFA in provisions relating to the program includes short-term debt obligations and any other obligations TPFA is authorized to issue under the bill's provisions.

**EFFECTIVE DATE**

September 1, 2021.