

BILL ANALYSIS

Senate Research Center
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S.B. 1696
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DIGEST AND PURPOSE

Texas municipalities are facing sizable shortfalls in their sponsored pension plan systems. Some believe that granting legislative authority for Texas cities to issue pension obligation bonds would provide public employees and their member systems more security knowing that their system has all its financial needs met to guarantee promised pension into the future. As proposed, S.B. 1696 issues obligations by political subdivisions of the state to pay unfunded liabilities to public pension funds.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 4C, Local Government Code, by adding Chapter 139, as follows:

CHAPTER 139. OBLIGATIONS FOR CERTAIN LIABILITIES TO PUBLIC PENSION FUNDS

Sec. 139.001. DEFINITIONS. Defines “obligation,” “political subdivision,” and “unfunded liability.”

Sec. 139.002. DEFINITION OF “PUBLIC PENSION FUND.” Defines “public pension fund.”

Sec. 139.003. PENSION FUND OBLIGATIONS AUTHORIZED. (a) Authorizes a political subdivision to issue obligations to fund all or any part of an unfunded liability.

(b) Requires the governing body of the political subdivision, before authorizing issuance and delivery of an obligation under this section, to enter into a written agreement with the governing body of the public retirement system that meets certain criteria.

(c) Requires the written agreement to state the amount of the unfunded liability and the date or dates on which the public pension fund will accept the net proceeds of the obligations to be issued in payment of all or a portion of the unfunded liability.

Sec. 139.004. PROCEEDS OF OBLIGATIONS ISSUED. Requires the political subdivision to deposit the net proceeds of obligations issued under Section 139.003 to the credit of the public pension fund. Provides that the amount deposited under this section becomes part of the public pension fund’s assets.

Sec. 139.005. OBLIGATIONS PAYABLE FROM REVENUE. (a) Requires an obligation issued under Section 139.003 to be made payable from any source of revenue available to the political subdivision for payment of its contributions to the public pension fund.

(b) Requires the political subdivision, unless otherwise provided by the political subdivision, to pay debt service on obligations issued under Section 139.003 from certain funds.

Sec. 139.006. OBLIGATION AS REFINANCING. Provides that an obligation issued under Section 139.003 is a complete or partial refinancing of a commitment of the political subdivision to fund its unfunded liability. Provides that when an obligation is issued under Section 139.003, a commitment of the political subdivision to fund its unfunded liability being refinanced by the obligations is transferred to those obligations.

Sec. 139.007. SALE OF OBLIGATIONS; MATURITY. Authorizes obligations issued under Section 139.003 to be sold at private or public sale and must mature not later than the 30th anniversary of the date of issuance.

Sec. 139.008. ADDITIONAL AUTHORITY; CREDIT AGREEMENTS. (a) Defines “credit agreement” and “obligation.”

(b) Authorizes the governing body of a political subdivision that issues obligations under Section 139.003 to exercise any of the rights or powers of the governing body of an issuer under Chapter 1371, Government Code, and to enter into a credit agreement under that chapter. Provides that an obligation issued under Section 139.003 is an obligation under Chapter 1371, Government Code, but is not required to be rated as required by that chapter.

Sec. 139.009. CHAPTER CONTROLLING. Provides that this chapter prevails over any conflict between this chapter and another law respecting the issuance of obligations of political subdivisions or a municipal home-rule charter.

SECTION 2. Effective date: upon passage or September 1, 2003.