

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1543
By: Wentworth
Education
4/20/2011
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

C.S.S.B. 1543 amends current law relating to the authority of an independent school district to invest in corporate bonds.

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 Subchapter A, Chapter 2256, Government Code, by adding Section 2256.0204, as follows:

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) Defines, in this section, "corporate bond."

(b) Provides that this section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001 (Definitions).

(c) Authorizes an independent school district subject to this section, in addition to authorized investments permitted by this subchapter, to purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase are rated by a nationally recognized investment rating firm:

(1) "AAA" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased; or

(2) lower than "AAA" or the equivalent and have a stated final maturity that is not later than the second anniversary of the date the corporate bonds were purchased.

(d) Provides that an independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 20 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds;

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity; or

(3) invest any portion of bond proceeds, reserves, and other funds held for the payment of debt service in corporate bonds.

(e) Authorizes an independent school district subject to this section to purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for monitoring rating changes in corporate bonds acquired with public funds, and liquidating the investment in corporate bonds; and

(3) identifies the funds, other than bond proceeds, reserves, and other funds held for the payment of debt service, eligible to be invested in corporate bonds.

(f) Requires the investment officer of an independent school district, acting on behalf of the district, to sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Provides that corporate bonds are not an eligible investment for a public funds investment pool.

SECTION 2. Effective date: upon passage or September 1, 2011.