

## **BILL ANALYSIS**

Senate Research Center

S.B. 1384  
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Education  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 1384 amends Chapter 2256 (Public Funds Investment) of the Government Code to allow independent school districts in Texas to invest their unassigned fund balances in local water projects.

Fund balances are the amount of assets in excess of liabilities and could include investments, cash equivalents, delinquent taxes, accounts receivable, and inventories. Currently, school districts can make expenditures from their unassigned fund balance at their discretion. The Texas Education Agency recommends that school districts maintain a minimum of two-and-a-half months of operating expenditures plus enough to cover anticipated cash flow deficits in their fund balance. Chapter 2256 of the Government Code sets forth the types of investments that are currently authorized.

S.B. 1384 gives school districts the option of making a low-risk investment in local water projects which could help address the state's water infrastructure needs.

As proposed, S.B. 1384 amends current law relating to the authority of an independent school district to invest in local water projects.

### **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 Section 2256.0204, Government Code, by amending Subsections (a), (d), (e), (f), and (g) and adding Subsection (c-1), as follows:

(a) Defines "governing body," "local water bond," and "local water project" in this section. Makes nonsubstantive changes.

(c-1) 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 local water bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity date that is not later than the 10th anniversary of the date the local water 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 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds or local water bonds; or

(2) Makes no change to this subdivision.

(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 or local water bonds if the governing body of the district:

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

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

(3) identifies the funds eligible to be invested in corporate bonds or local water bonds.

(f) Requires the investment officer of an independent school district, acting on behalf of the district, to sell corporate bonds or local water 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, or the local water bonds or the municipality or county that issued the local water bonds, on negative credit watch or the equivalent, if the corporate bonds or local water bonds are rated "AA-" or the equivalent at the time the release is issued; or

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

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

SECTION 2. Effective date: upon passage or September 1, 2013.