

## CHAPTER 40

## S.B. No. 1069

## AN ACT

relating to the financing of correctional facilities.

*Be it enacted by the Legislature of the State of Texas:*

SECTION 1. Section 361.054, Local Government Code, is amended to read as follows:

Sec. 361.054. LIMITATIONS ON OBLIGATIONS AND LEASE OBLIGATIONS. (a) Obligations issued or lease obligations incurred hereunder shall be within the interest rate limitations of Chapter 3, Acts of the 61st Legislature, Regular Session, 1969 (Article 717k-2, Vernon's Texas Civil Statutes).

(b) From the proceeds from the sale of obligations an entity may set aside amounts for payments into the interest and sinking fund and reserve funds, and for interest and operating expenses during construction and development, as may be specified in the authorizing proceedings. Proceeds of obligations and amounts on deposit in interest and sinking funds and reserve funds may be invested pending their use for the purpose for which issued, in the manner described in Chapter 656, Acts of the 68th Legislature, Regular Session, 1983 (Article 717q, Vernon's Texas Civil Statutes).

(c) All obligations, lease obligations, and the records and contracts relating thereto shall be submitted prior to their delivery to the attorney general of Texas for examination and, if he finds that they have been issued or incurred in accordance with the constitution and this Act and that they will be binding special obligations of the entity issuing same, he shall approve them, and thereupon they shall be registered by the comptroller of public accounts of the State of Texas, and after such approval and registration they shall be valid and incontestable.

(d) Obligations may not be issued under this subchapter or any other law for eligible projects that include a lease obligation as both terms are defined by this subchapter without the prior approval of the Bond Review Board.

(e) Before an entity as defined by this subchapter may issue and sell obligations under this subchapter or any other law for eligible projects that include a lease obligation as both terms are defined by this subchapter, the legislature must have authorized the specific projects and method of financing by special act or in the general appropriations act, *however this section does not apply to a 400-bed intermediate sanction facility located in a county with a population of 2.8 million or above.*

(f) Refunding bonds may be issued to refund obligations in the manner now or hereafter provided by general law, including, without limitation, Chapter 503, Acts of the 54th Legislature, Regular Session, 1955 (Article 717k, Vernon's Texas Civil Statutes), and Chapter 784, Acts of the 61st Legislature, Regular Session, 1969 (Article 717k-3, Vernon's Texas Civil Statutes).

(g) The provisions of the Bond Procedures Act of 1981 (Article 717k-6, Vernon's Texas Civil Statutes) apply to obligations issued or lease obligations incurred hereunder, and such obligations shall constitute a "security" within the meaning of Chapter 8, Business & Commerce Code.

(h) An entity may not use proceeds from the sale of obligations under this subchapter to acquire, construct, equip, or enlarge a correctional facility unless the facility complies with federal constitutional standards and applicable court orders [~~and receives and retains, as an individual facility, accreditation from the American Correctional Association~~].

SECTION 2. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on March 25, 1993: Yeas 31, Nays 0; passed the House on April 19, 1993: Yeas 132, Nays 0, one present not voting.

**Ch. 40, § 2**

Approved April 22, 1993.

Effective April 22, 1993.