

CHAPTER 242

S.B. No. 819

AN ACT

relating to financial assistance programs administered by the Veterans' Land Board.

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

ARTICLE 1

SECTION 1.01. Section 161.001, Natural Resources Code, is amended to read as follows:

Sec. 161.001. DEFINITIONS. (a) In this chapter:

- (1) "Board" means the *Veterans'* [~~Veterans~~] Land Board.
- (2) "Commissioner" means the Commissioner of the General Land Office.

- (3) "Land office" means the General Land Office.
- (4) "Program" means the *Veterans'* [~~Veterans~~] Land Program.
- (5) "Fund" means the *veterans'* [~~veterans~~] land fund.
- (6) "Bonds" means *general obligation* [~~veterans land~~] bonds *issued by the board for the purpose of funding the program.*
- (7) "Veteran" means a person who:

(A)(i) served not less than 90 continuous days [~~after September 16, 1940~~], unless sooner discharged by reason of a service-connected disability, on active duty in the Army, Navy, Air Force, Coast Guard, United States Public Health Service (as constituted under 42 U.S.C. Section 201 et seq.),[s] or Marine Corps of the United States *after September 16, 1940, and who on* [~~and has not been dishonorably discharged or released from any of these branches as of~~] the date of filing *an application under the program has not been dishonorably discharged from the branch of the service in which the person served;*

(ii) *has at least* [~~his application, or who has completed~~] 20 years of active or reserve military service *as computed when determining the person's eligibility to receive retired pay* [~~creditable for retirement~~] under applicable federal law; [~~laws,~~] or

(iii) *has enlisted or received an* [~~who has completed all initial active duty training required as a condition of enlistment or~~] appointment in the Texas National Guard, *who has completed all initial active duty training required as a condition of the enlistment or appointment, and who on the date of filing the person's application has not been dishonorably discharged from the Texas National Guard;*

(B) at the time of *the person's* [~~his~~] enlistment, induction, commissioning, *appointment,* or drafting was a bona fide resident of this state or has resided in this state at least five years immediately before the date of filing *an* [~~his~~] application *under this chapter* [~~for a loan~~]; and

(C) at the time of *the person's* [~~his~~] application [~~for a loan~~] under this chapter is [~~a citizen of the United States and~~] a bona fide resident of this state. The term includes the unmarried surviving spouse of a veteran who died *or who is identified as missing in action if the deceased or missing veteran meets the requirements of this section, with the exception that the deceased or missing veteran need not have served 90 continuous days under Paragraph (A)(i) of this subdivision, and if the deceased or missing veteran* [~~in the line of duty provided the deceased veteran~~] was a bona fide resident of this state at the time of enlistment, induction, commissioning, *appointment,* or drafting. [~~In order for the surviving spouse to qualify, the deceased veteran must meet the requirements in this section with the exception that the deceased veteran need not have served 90 continuous days.~~]

(b) Notwithstanding Subdivision (7) of Subsection (a) of this section, the board may by rule change the definition of "veteran" as necessary *or appropriate* to protect the best interests of the program [~~in response to changes in the laws of the United States as they may affect the program~~].

SECTION 1.02. Section 161.061, Natural Resources Code, is amended to read as follows:
Sec. 161.061. GENERAL DUTIES OF BOARD. The board shall:

- (1) authorize and execute negotiable bonds as provided by law;
- (2) provide by resolution for use of the fund in a manner that will effectuate the intent of the constitution and the law;
- (3) *prescribe* [~~fix~~] the interest rates as provided by law;
- (4) provide for the forfeiture of contracts of sale and purchase and resale of forfeited land;
- (5) conduct investigations it considers necessary; and
- (6) formulate policies and rules necessary and not in conflict with the law to ensure the proper administration and to carry out the intent and purposes of the law.

SECTION 1.03. Subchapter C, Chapter 161, Natural Resources Code, is amended by adding Section 161.074 to read as follows:

Sec. 161.074. BOND ENHANCEMENT AGREEMENTS. The board may at any time and from time to time enter into one or more bond enhancement agreements that the board determines to be necessary or appropriate to place the obligation of the board, as represented by the bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the board. Bond enhancement agreements may include, on terms and conditions approved by the board, interest rate swap agreements, currency swap agreements, forward payment conversion agreements, agreements providing for payments based on levels of or changes in interest rates or currency exchange rates, agreements to exchange cash flows or a series of payments, or agreements, including options, puts, or calls, to hedge payment, currency, rate, spread, or other exposure. A bond enhancement agreement is an agreement for professional services and shall contain the terms and conditions and be for the period that the board approves. The fees and expenses of the board in connection with the issuance of bonds and the purchase and sale of land may be paid from money in the fund, provided that payments due from the board under a bond enhancement agreement, other than fees and expenses, that relate to the payment of debt service on bonds constitute payments of principal of and interest on the bonds.

SECTION 1.04. The heading of Subchapter D, Chapter 161, Natural Resources Code, is amended to read as follows:

SUBCHAPTER D. GENERAL OBLIGATION BONDS

SECTION 1.05. Section 161.113, Natural Resources Code, is amended to read as follows:

Sec. 161.113. INTEREST RATE. ~~[(a)]~~ The bonds shall bear the rate or rates of interest prescribed by the board.

~~[(b) The weighted average annual interest rate of the bonds, as that phrase is commonly and ordinarily used and understood in the municipal bond market, may not be more than six percent in each installment.]~~

SECTION 1.06. Section 161.114, Natural Resources Code, is amended to read as follows:

Sec. 161.114. PAYMENT AND MATURITY OF BONDS. (a) The bonds shall be payable as provided by the board and shall mature serially or otherwise not later than 40 years from their date.

(b) Bonds previously issued shall mature according to their provisions.

(c) The board shall determine the medium of payment for both principal of and interest on the bonds.

(d) The board at its own option may make the bonds redeemable or subject to tender for purchase before maturity at the price and under the terms and conditions fixed by the board in the resolution providing for the issuance and sale of the bonds.

SECTION 1.07. Section 161.116, Natural Resources Code, is amended to read as follows:

Sec. 161.116. MANNER OF EXECUTION. (a) The bonds shall be executed by and on behalf of the board and the state as obligations of the state in the manner provided in Subsection (b) of this section.

(b) The bonds shall be signed by the chairman and the executive secretary of the board and the seal of the board shall be impressed on the bonds. In addition, the bonds shall be signed by the governor and attested by the Secretary of State with the seal of the state impressed on the bonds.

SECTION 1.08. Section 161.118, Natural Resources Code, is amended to read as follows:

Sec. 161.118. APPROVAL BY ATTORNEY GENERAL. Before bonds are delivered to the purchasers, the record relating to the bonds shall be examined by the attorney general. *If the record demonstrates that the bonds have been issued in accordance with the constitution and this subchapter, the* ~~[and the record and]~~ bonds shall be approved by the attorney general.

SECTION 1.09. Section 161.119, Natural Resources Code, is amended to read as follows:

Sec. 161.119. REGISTRATION WITH COMPTROLLER. After the bonds are approved by the attorney general, they shall be registered in the office of the ~~[state]~~ comptroller.

SECTION 1.10. Section 161.123, Natural Resources Code, is amended to read as follows:

Sec. 161.123. NOTICE FOR BIDS ON BONDS. ~~[(a)]~~ If the board authorizes the issuance of a series of bonds and decides to call for bids, it shall publish an appropriate notice at least one time not less than 10 days before the date of the sale in a ~~[daily newspaper of general statewide circulation that is published not less than seven times a week.~~

~~[(b) The notice shall be published for the number of times the board determines in one or more popularly] recognized financial journal [journals] of general circulation.~~

SECTION 1.11. Section 161.124, Natural Resources Code, is amended to read as follows:

Sec. 161.124. SECURITY FOR BID. *The* ~~[At its option, the]~~ board may require bidders, ~~other than administrators of state funds listed in Section 161.122 of this code,~~ to accompany their bids with exchange or bank cashier's checks in an amount considered adequate by the board to be a forfeit guaranteeing the acceptance and payment for bonds covered by the bids and accepted by the board.

SECTION 1.12. Section 161.125, Natural Resources Code, is amended to read as follows:

Sec. 161.125. SALE OF BONDS. *Bonds may be sold at public or private sale at a price or prices and on terms determined by the board* ~~[(a) No bonds may be sold for less than their face value with accrued interest from their date and shall be sold after competitive bidding to the highest and best bidder.~~

~~[(b) The provisions of Subsection (a) of this section do not apply to administrators of the state funds that are given a priority if they exercise the right of priority to take the bonds at the highest price bid by another within 15 days after notice is given.~~

~~[(c) If two or more administrators of state funds desire to exercise their right of priority to purchase the bonds, the board shall prorate the bonds to the administrators who desire to make the purchase].~~

SECTION 1.13. Section 161.128, Natural Resources Code, is amended to read as follows:

Sec. 161.128. BONDS AS INVESTMENTS AND SECURITY. (a) Bonds issued under ~~[Article III, Section 49-b of the Texas Constitution, and]~~ this chapter are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, insurance companies, fiduciaries, trustees, guardians, and for the sinking funds of cities, towns, villages, counties, school districts, and other political subdivisions and public agencies of the state.

(b) The bonds ~~[if accompanied by unmatured coupons appurtenant to them,]~~ are legal and sufficient security for the deposits in the amount of the par value of the bonds.

SECTION 1.14. Section 161.129, Natural Resources Code, is amended to read as follows:

Sec. 161.129. TAXATION OF BONDS. Bonds ~~[issued under Article III, Section 49-b of the Texas Constitution, and laws implementing that section of the constitution,]~~ are exempt from any tax by the state and by cities, towns, villages, counties, school districts, and other political subdivisions and public agencies of the state.

SECTION 1.15. Subchapter D, Chapter 161, Natural Resources Code, is amended by adding Sections 161.130, 161.131, and 161.132 to read as follows:

Sec. 161.130. CONSTITUTIONAL APPROPRIATIONS. (a) *If during the existence of the fund or during the time general obligation bonds are payable from the fund the board determines that there will not be sufficient money in the fund during the following biennium available to pay principal of or interest on the bonds that are to come due and to be paid from the fund during that biennium, the comptroller shall transfer to the fund the first money coming into the State Treasury not otherwise appropriated by the constitution in amounts sufficient to pay the obligations.*

(b) *The money appropriated shall be used to pay the obligations only if at the time the principal or interest actually become due there is not sufficient money in the fund available to pay the amount due.*

Sec. 161.131. MINORITY-OWNED BUSINESSES. (a) *The board shall make a good faith effort to award to minority-owned businesses:*

(1) *contracts relating to the issuance of bonds by the board under this chapter in the amount of at least 20 percent of the total costs of issuing those bonds; and*

(2) contracts for the items to be financed by bonds issued by the board in the amount of at least 20 percent of the proceeds of those bonds.

(b) Not later than October 31 of each year, the board shall file with the governor and each house of the legislature a written report containing the following information for the previous year for all businesses and for minority-owned businesses classified by minority group:

(1) the total number of contracts relating to the issuance of bonds by the board under this chapter and to the items to be financed by those bonds;

(2) the total dollar amount the board must pay under each contract described by Subdivision (1) of this subsection; and

(3) the total number of businesses submitting bids or proposals relating to the issuance of bonds by the board under this chapter and to the items to be financed by those bonds.

(c) In this section:

(1) "Minority-owned business" means a business entity at least 51 percent of which is owned by members of a minority group or, in the case of a corporation, at least 51 percent of the shares of which are owned by members of a minority group, and that is managed and controlled by members of a minority group in its daily operations.

(2) "Minority group" includes:

(A) African Americans;

(B) American Indians;

(C) Asian Americans; and

(D) Mexican Americans and other Americans of Hispanic origin.

Sec. 161.132. **WOMEN-OWNED BUSINESSES.** (a) The board shall make a good faith effort to award to women-owned businesses:

(1) contracts relating to the issuance of bonds by the board under this chapter in the amount of at least 10 percent of the total costs of issuing those bonds; and

(2) contracts for the items to be financed by bonds issued by the board in the amount of at least 10 percent of the proceeds of those bonds.

(b) Not later than October 31 of each year, the board shall file with the governor and each house of the legislature a written report containing the following information for the previous year for all businesses and for women-owned businesses classified by minority group:

(1) the total number of contracts relating to the issuance of bonds by the board under this chapter and to the items to be financed by those bonds;

(2) the total dollar amount the board must pay under each contract described by Subdivision (1) of this subsection; and

(3) the total number of businesses submitting bids or proposals relating to the issuance of bonds by the board under this chapter and to the items to be financed by those bonds.

(c) In this section:

(1) "Women-owned business" means a business entity at least 51 percent of which is owned by women or, in the case of a corporation, at least 51 percent of the shares of which are owned by women, and that is managed and controlled by women in its daily operations.

(2) "Minority group" includes:

(A) African Americans;

(B) American Indians;

(C) Asian Americans; and

(D) Mexican Americans and other Americans of Hispanic origin.

SECTION 1.16. The heading of Subchapter E, Chapter 161, Natural Resources Code, is amended to read as follows:

SUBCHAPTER E. VETERANS' [VETERANS] LAND FUND

SECTION 1.17. Section 161.171, Natural Resources Code, is amended to read as follows:

Sec. 161.171. MONEY AND LAND INCLUDED IN [VETERANS LAND] FUND. (a) The *veterans'* [~~veterans~~] land fund shall include:

(1) land purchased by the board *from money in the fund* [~~until the sale price, interest, and penalties due have been received by the board~~];

(2) money attributable to *general obligation* bonds issued and sold by the board, including proceeds from the issuance and sale of the bonds;

(3) money received from the sale or resale of land or rights in land purchased with the proceeds from the *general obligation* bonds;

(4) money received from the sale or resale of land or rights in land purchased with other money attributable to the *general obligation* bonds;

(5) *proceeds derived from the sale or other disposition of the board's interest in contracts for the sale of land or rights in land*;

(6) interest and penalties received from the sale or resale of the land or rights in the land;

(7) [(6)] bonuses, income, rents, royalties, and any other pecuniary benefit received by the board from the land;

(8) [(7)] money received as indemnity or forfeiture for the failure of any bidder for purchase of *general obligation* bonds to comply with *the person's* [his] bid and accept and pay for the bonds or for the failure of a bidder for purchase of land comprising a part of the fund to comply with *the person's* [his] bid and accept and pay for the land *and amounts received by the board under bond enhancement agreements with respect to the bonds*; and

(9) [(8)] interest received from investments of this money.

(b) Money in the fund shall be deposited in the State Treasury to the credit of the fund.

[(c) The provisions of this section may not be construed to prevent the board from accepting for a portion of a tract of land.]

SECTION 1.18. Section 161.173, Natural Resources Code, is amended to read as follows:

Sec. 161.173. INVESTMENT OF MONEY IN FUND [~~PAYMENT OF PRINCIPAL AND INTEREST; INVESTMENTS~~]. (a) [~~The principal of and interest on bonds issued by the board shall be paid from money in the fund as provided in the constitutional provision authorizing the bonds.~~

[(b)] Except as limited by Subsection (b) [(c)] of this section, money in the fund that is not immediately committed to paying principal of and interest on the bonds, to the purchase of land, or to the payment of expenses as provided in this chapter may be invested in:

(1) direct security repurchase agreements and reverse security repurchase agreements made with state or national banks domiciled in this state or with primary dealers as approved by the Federal Reserve System;

(2) direct obligations of or obligations the principal and interest of which are guaranteed by the United States;

(3) direct obligations of or obligations guaranteed by the Federal Home Loan Banks, the Federal National Mortgage Association, the Federal Farm Credit System, the Student Loan Marketing Association, the Federal Home Loan Mortgage Corporation, or a successor organization to one of those organizations;

(4) bankers' acceptances that:

(A) are eligible for purchase by members of the Federal Reserve System;

(B) do not exceed 270 days to maturity; and

(C) are issued by a bank that has received the highest short-term credit rating by a nationally recognized investment rating firm;

(5) commercial paper that:

(A) does not exceed 270 days to maturity; and

(B) has received the highest short-term credit rating by a nationally recognized investment rating firm;

(6) contracts written by the board in which the board grants the purchaser the right to purchase securities in the board's marketable securities portfolio at a specified price over a specified period and for which the board is paid a fee and specifically prohibits naked-option or uncovered option trading;

(7) obligations of a state or an agency, county, city, or other political subdivision of a state and mutual funds composed of these obligations;

(8) an investment instrument, obligation, or other evidence of indebtedness the payment of which is directly or indirectly guaranteed by the full faith and credit of the United States;

(9) an investment, account, depository receipt, or deposit that is fully:

(A) insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or a successor organization to one of those organizations; or

(B) secured by securities described by Subdivision (2), (3), or (8) of this subsection;

(10) a collateralized mortgage obligation fully secured by securities or mortgages issued or guaranteed by the Government National Mortgage Association (GNMA) or any entity described by Subdivision (3) of this subsection;

(11) a security or evidence of indebtedness issued by the Farm Credit System Financial Assistance Corporation, the Private Export Funding Corporation, or the Export-Import Bank; and

(12) any other investment authorized for investment of state funds by the treasurer under Section 404.024, Government Code.

(b) [(e)] The board may not invest in or purchase obligations of a private corporation or other private business entity doing business in the Republic of South Africa unless the corporation or other entity:

(1) has:

(A) adopted the Statement of Principles for South Africa as they existed in 1987, as described in the Report on the Signatory Companies to the Statement of Principles for South Africa published by Arthur D. Little, Inc., Cambridge, Massachusetts, and has obtained a performance rating in Category 1 or 2 of the Statement of Principles for South Africa rating system as determined by Arthur D. Little, Inc.; or

(B) agreed to the Code of Conduct that is enforced by the United States Department of State under Section 208, Comprehensive Anti-Apartheid Act of 1986 (Pub. L. No. 99-440) and has received a rating of "Making Satisfactory Progress"; and

(2) does not supply strategic products or services for use by the government, military, or police of the Republic of South Africa.

(c) [(d)] In this section:

(1) "Direct security repurchase agreement" means an agreement under which the board buys, holds for a specified time, and then sells back any of the following securities, obligations, or participation certificates:

(A) United States government securities;

(B) direct obligations of or obligations the principal and interest of which are guaranteed by the United States;

(C) direct obligations of or obligations guaranteed by the Federal Home Loan Banks, the Federal National Mortgage Association, the Federal Farm Credit System, the Student Loan Marketing Association, the Federal Home Loan Mortgage Corporation, or a successor organization to one of those organizations; or

(D) any other investment instrument, obligation, or other evidence of indebtedness the payment of which is directly or indirectly guaranteed by the full faith and credit of the United States.

(2) "Doing business in the Republic of South Africa" means conducting or performing manufacturing, assembly, or warehousing operations within the Republic of South Africa and for a bank or other financial institution, lending money to the government of the Republic of South Africa or any of its agencies or instrumentalities.

(3) "Market value" means the fair and reasonable prevailing price at which a security is being sold on the open market at the time of the appraisal of the security by the board.

(4) "Reverse security repurchase agreement" means an agreement under which the board sells and after a specified time buys back any of the securities, obligations, or participation certificates listed in Paragraphs (A) through (D) of Subdivision (1) of this subsection.

(5) "Strategic products or services" means articles designated as arms, ammunition, or implements of war as provided by 22 Code of Federal Regulations Part 121 or data processing equipment or computers sold for military or police use or for use in connection with restriction on travel within the Republic of South Africa by residents of that country.

SECTION 1.19. Section 161.174, Natural Resources Code, is amended to read as follows:

Sec. 161.174. *USE OF FUND TO PAY PRINCIPAL AND INTEREST [DIVISIONS; USE OF MONEY IN DIVISIONS TO PAY FOR VARIOUS BOND ISSUES].* *The principal of and interest on bonds issued by the board shall be paid from money in the fund as provided by the constitutional provision authorizing the bonds [a) A division consists of money attributable to bonds issued and sold under a single constitutional authorization and land purchased with money from that issue.*

~~[(b) If a division of the fund contains sufficient money to retire bonds secured by the division, the money attributable to that division, except that portion necessary to retire bonds in that division, may be used at the discretion and direction of the board to pay principal of and interest on and authorized expenses for other bonds issued and sold by the board. However, the amount of money necessary to retire bonds in the division shall be set aside and shall remain a part of that division for the purpose of retiring these bonds.~~

~~[(c) No use of money as provided in Subsection (b) of this section may be made contrary to the rights of a holder of bonds issued and sold by the board or violative of a contract to which the board is a party].~~

SECTION 1.20. Section 161.175, Natural Resources Code, is amended to read as follows:

Sec. 161.175. *USE OF FUND TO PAY [FOR] EXPENSES RELATED TO THE LAND.*

(a) The board may use money in the fund attributable to bonds that have been issued and sold to pay:

- (1) expenses of surveying and monumenting the land and the tracts of land;
- (2) the cost of constructing roads on the land or the tracts of land;
- (3) legal fees, recordation fees, and advertising costs arising from the purchase and sale or resale of the land and the tracts of land; and
- (4) other similar costs necessary or incidental to the purchase and sale of land acquired by the board.

(b) These expenses shall be added to the price of the land when sold or resold by the board.

(c) *The board may award a contract in an amount not to exceed \$10,000 to purchase supplies, materials, services, and equipment for use by the board in connection with improvements to, repairs to, or maintenance of land and with roadways and improvements located on land that are undertaken by the board under this chapter to make the land more marketable or useable without the necessity of soliciting or obtaining competitive bids. The board may not award a contract under this subsection in an amount that exceeds \$10,000 without soliciting or obtaining competitive bids [No money in the fund before November 11, 1967, may be used to pay the expenses listed in Subsection (a) of this section until there is sufficient money in the division to retire all bonds secured by the division, at which time, all money except that needed to retire the bonds secured by the division, which shall be retained in the division to retire the bonds, may be used to pay the expenses as fully as the money attributable to bonds].*

SECTION 1.21. Section 161.176, Natural Resources Code, is amended to read as follows:
 Sec. 161.176. USE OF FUND TO PAY BOND EXPENSES. ~~[(a)]~~ The board may use money in the fund attributable to bonds issued and sold to pay:

- (1) legal fees and fees for financial advice necessary in the opinion of the board to the sale of bonds;
- (2) the expense of publishing notice of sale of an installment of bonds;
- (3) the expense of printing the bonds;
- (4) the expenses of issuance of the bonds, including the actual costs of travel, lodging, and meals of board members, officers or employees of the board, the [state] comptroller, and the State Treasurer, and the attorney general that are necessary in the opinion of the board to effectuate the issuance, rating, and delivery of the bonds;
- (5) the cost of manually signing the bonds;
- (6) remuneration to any agent employed by the board to pay the principal of and interest on the bonds;
- (7) any amounts required to be paid to maintain the federal tax exemption of interest on the bonds; and
- (8) all other costs, fees, and expenses relating to the issuance of the bonds.

~~[(b) No money in a division of the fund created before November 11, 1967, may be used to pay the expenses listed in Subsection (a) of this section until there is sufficient money for the division to retire all bonds secured by the division, at which time all money, except that which may be needed to retire the bonds, may be used to pay the expenses under Subsection (a) of this section as fully as money attributable to bonds issued and sold in the future. The money in the division needed to retire the bonds shall remain in the division.]~~

SECTION 1.22. Section 161.179, Natural Resources Code, is amended to read as follows:

Sec. 161.179. *SALE OF LAND AND LAND CONTRACTS. Notwithstanding any other provision of this chapter, the board may sell at public or private sale, with or without public bidding, any or all of the land contracts and related land. Proceeds from the sale shall be deposited in the fund or account from which the contracts or related land were sold and otherwise applied in the manner set forth in this chapter, except that at the direction of the board the sale proceeds may be used by the board, together with other available money, to discharge, pay, or redeem, in whole or in part, outstanding bonds issued by the board* ~~[LEGISLATIVE APPROPRIATIONS. To the extent not otherwise appropriated by the constitution:~~

~~[(a) During the existence of the fund, if the board determines that there will not be sufficient money in the fund during the following biennium to pay principal of or interest on the bonds or both principal and interest that are to come due during the following biennium, the legislature shall appropriate from the General Revenue Fund sufficient money to pay the obligations.~~

~~[(b) The money appropriated shall be used to pay the obligations only if at the time the principal or interest or both actually become due there is not sufficient money in the fund to pay the amount due].~~

SECTION 1.23. Subchapter E, Chapter 161, Natural Resources Code, is amended by adding Section 161.180 to read as follows:

Sec. 161.180. *TEMPORARY TRANSFERS. Amounts temporarily transferred from the fund to the veterans' housing assistance fund or the veterans' housing assistance fund II under the Texas Constitution shall be returned to the fund as soon as practicable. Investment earnings allocated by the board to the transferred amounts shall be credited to the fund as if the transfer had not been made.*

SECTION 1.24. Section 161.216, Natural Resources Code, is amended to read as follows:

Sec. 161.216. *COST OF LAND SOLD BY [TO] BOARD. Except for forfeited land that may be resold by [to] the board at less than actual cost under Section 161.319 of this code, land shall not be sold by [to] the board at less than its actual cost.*

SECTION 1.25. Subsections (a) and (b), Section 161.222, Natural Resources Code, are amended to read as follows:

(a) The purchaser shall make an initial payment in an amount set by the board's rules for land sold under this chapter. ~~[In no event shall the payment be more than \$1,000 together with an additional down payment as provided in Sections 161.175 and 161.231 through 161.234 of this code or Subchapter G of this chapter.]~~

(b) The balance of the selling price shall be amortized over a period determined by the board not to exceed 40 years together with interest at a *fixed, variable, floating, or other rate or rates* ~~[to be]~~ determined by the board.

SECTION 1.26. Section 161.319, Natural Resources Code, is amended to read as follows:

Sec. 161.319. RESALE OF FORFEITED LAND. (a) Resale of forfeited land under this chapter may be made to the highest bidder~~[- but the sale shall be made only to a qualified purchaser under Article III, Section 49-b of the Texas Constitution, and]~~ under terms and conditions and at the time and in the manner prescribed by the board in its rules, the provisions of this chapter notwithstanding.

(b) The board may reject any and all bids.

(c) If the successful bidder refuses to execute a contract of sale and purchase, the money submitted with *the person's* ~~[his]~~ bid is forfeited and shall be deposited in the State Treasury and credited to the fund.

ARTICLE 2

SECTION 2.01. Section 162.001, Natural Resources Code, is amended to read as follows:

Sec. 162.001. DEFINITIONS. (a) In this chapter:

(1) "Board" means the Veterans' Land Board.

(2) "Fund" means the veterans' housing assistance fund.

(3) "Home" means a dwelling within this state in which a veteran intends to reside *as the veteran's* ~~[his]~~ principal residence.

(4) "Lending institution" means a bank, trust company, savings bank, national banking association, savings and loan association, building and loan association, mortgage banker, mortgage company, credit union, life insurance company, or other financial institution that customarily provides service or aids in the financing of mortgages on single-family residential housing which has been approved for participation in the program by the board. The term includes a holding company for any of the foregoing.

(5) "Loan" means a veterans' housing assistance loan made or acquired by the board under this chapter secured by a mortgage on a veteran's home.

(6) "Program" means the Veterans' Housing Assistance Program.

(7) "Commission" means the Texas Veterans Commission.

(8) "Veteran" means a person who:

(A)(i) served not less than 90 continuous days, unless sooner discharged by reason of a service-connected disability, on active duty in the Army, Navy, Air Force, Coast Guard, United States Public Health Service (as constituted under 42 U.S.C. *Section* 201 et seq.), or Marine Corps of the United States after September 16, 1940, and who on the date of filing *a* ~~[his]~~ loan application has not been dishonorably discharged from the branch of the service in which *the person* ~~[he]~~ served;

(ii) has at least 20 years of active or reserve military service as computed when determining the person's eligibility to receive retired pay under applicable federal law; or

(iii) has enlisted or received an appointment in the Texas National Guard, who has completed all initial active duty training required as a condition of the enlistment or appointment, and who on the date of filing the person's loan application has not been dishonorably discharged from the Texas National Guard;

(B) at the time of *the person's* [his] enlistment, induction, commissioning, appointment, or drafting was a bona fide resident of this state or has resided in this state at least five years immediately before the date of filing *an* [his] application for a loan; and

(C) at the time of *the person's* [his] application for a loan under this chapter is [a citizen of the United States and] a bona fide resident of this state. The term includes the unmarried surviving spouse of a veteran who died *or who is identified as missing in action* [in the line of duty] if the deceased *or missing* veteran meets the requirements in this section, with the exception that the deceased *or missing* veteran need not have served 90 continuous days under Paragraph (A)(i) of this subdivision, and if the deceased *or missing* veteran was a bona fide resident of the state at time of enlistment, induction, commissioning, appointment, or drafting.

(b) Notwithstanding Subdivision (8) of Subsection (a) of this section, the board may by rule change the definition of "veteran" as necessary *or appropriate* to protect the best interests of the program [in response to changes in the laws of the United States as they may affect the program].

SECTION 2.02. Subsection (a), Section 162.001, Natural Resources Code, is amended by adding Subdivision (9) to read as follows:

(9) "*Veterans' housing assistance fund*" means the *Veterans' Housing Assistance Fund* established under Article III, Section 49-b-1, of the Texas Constitution.

SECTION 2.03. Subject to Subsection (b) of Section 6.01 of this Act, Subdivision (9), Subsection (a), Section 162.001, Natural Resources Code, as added by Section 2.02 of this Act, is amended to read as follows:

(9) "*Veterans' housing assistance fund*" means the *Veterans' Housing Assistance Fund* established under Article III, Section 49-b-1, of the Texas Constitution or the *Veterans' Housing Assistance Fund II* established under Article III, Section 49-b-2, of the Texas Constitution. Each fund shall be separate and distinct from the other fund and the provisions of this chapter dealing with the fund shall relate to each fund separately and to the separate assets, liabilities, and administration of each fund.

SECTION 2.04. Section 162.002, Natural Resources Code, is amended to read as follows:

Sec. 162.002. MONEY AND INTERESTS INCLUDED IN THE VETERANS' HOUSING ASSISTANCE FUND. (a) The veterans' housing assistance fund shall include:

(1) any interest of the board in [all] home mortgage loans made *from money in the fund* to veterans pursuant to this chapter including any insurance thereon or on the homes, ~~until the principal amount together with any interest and penalties due have been received by the board~~;

(2) *the proceeds derived from the sale or other disposition of the board's interest in home mortgage loans*;

(3) the money attributable to any bonds issued and sold by the board to provide money for the fund which shall include but shall not be limited to the proceeds from the issuance and sale of such bonds;

(4) [(3)] income, rents, and any other pecuniary benefit received by the board as a result of making these loans;

(5) [(4)] sums received by way of indemnity or forfeiture for the failure of any bidder for the purchase of any such bonds to comply with *the person's* [his] bid and accept and pay for such bonds *and amounts received by the board under bond enhancement agreements with respect to the bonds*;

(6) [(5)] interest received from investments of any such money; *and*

(7) [(6)] any equitable interest in properties encumbered under this program *and attributable to the fund*.

(b) Money in the fund shall be deposited in the State Treasury to the credit of the fund.

SECTION 2.05. Subchapter A, Chapter 162, Natural Resources Code, is amended by adding Section 162.005 to read as follows:

Sec. 162.005. SALE OF LOANS. *Notwithstanding any other provision of this chapter, the board may sell at public or private sale, with or without public bidding, any or all of the*

loans in the fund. Proceeds from the sale shall be deposited in the fund and otherwise applied in the manner provided by this chapter, except that at the direction of the board the sale proceeds may be used by the board, together with other available money, to discharge, pay, or redeem, in whole or in part, outstanding bonds issued by the board under this chapter.

SECTION 2.06. Subchapter A, Chapter 162, Natural Resources Code, is amended by adding Section 162.006 to read as follows:

Sec. 162.006. TEMPORARY TRANSFERS. Amounts temporarily transferred from either veterans' housing assistance fund to the veterans' land fund or to the other veterans' housing assistance fund under the Texas Constitution shall be returned to the fund as soon as practicable. Investment earnings allocated by the board to the transferred amounts shall be credited to the fund as if the transfer had not been made.

SECTION 2.07. Section 162.011, Natural Resources Code, is amended to read as follows:

Sec. 162.011. LOANS. (a) The board shall make or acquire loans with money from the veterans' housing assistance fund in accordance with this chapter and the rules adopted by the board.

(b) To qualify for a loan under this chapter, a person must be a veteran at the time *the person [he]* applies for the loan. If an eligible veteran dies after filing an application, the surviving spouse may complete the transaction.

(c) ~~The [A loan under this chapter may not exceed \$45,000 and the] final principal payment on any [the] loan under this chapter shall be made not later than 40 years after the date of the loan. The board shall determine the maximum principal amount of loans to any veteran that may be outstanding at any time, except that a loan under this chapter to a veteran to finance the acquisition of a home may not exceed \$45,000[, and such a loan may not previously have been granted to the same veteran under this chapter. The board in its discretion may waive this requirement for circumstances the board deems appropriate, including but not limited to veterans who financed homes with a loan under this chapter who are forced to move due to a change in employment or because their homes are condemned through no fault of the veteran].~~

(d) The board shall obtain insurance covering at least 50 percent of all losses anticipated in connection with veteran payment defaults on loans secured by first or second mortgages, based upon the advice of one or more qualified consultants to the board as to potential losses which may be reasonably expected on the loans as determined by analysis, including but not limited to actual experience in the residential mortgage lending industry on similar types of mortgage loans, or, in the alternative, the board shall obtain insurance which shall insure repayment of at least 50 percent of the outstanding principal amount of all loans in the event of the nonpayment of the loans by the veterans.

(e) ~~[Funds approved for disbursement under this chapter shall be forwarded directly to a lending institution.~~

~~[(f)]~~ All fees to be charged to a veteran receiving a loan under this chapter must be approved by the board. The board may enter into contracts with lending institutions to assist in processing, originating, servicing, or administering loans under this chapter. Any fees and expenses incurred in connection with a loan, including the cost of insurance, may be charged to the veteran and made a part of the veteran's payments.

SECTION 2.08. Section 162.013, Natural Resources Code, is amended to read as follows:

Sec. 162.013. INTEREST RATE. A loan under this chapter shall bear a *fixed, variable, floating, or other [an interest] rate or rates of interest determined [fixed]* by the board. The board may set the interest rate *or rates* to provide a margin over the rate paid by the board on its bonds issued under this chapter. The difference between the cost of the money to the board and the interest rate *or rates* charged to a veteran may be used in whole or in part to defray the expense of administering the program. To assure the maximum benefit of the program to the veteran, the board shall adopt rules relative to the fees, charges, and interest rates charged by the lending institutions on the financing of the home with money other than from the fund and shall limit to the maximum extent practical such fees, charges, and interest rates to those which would be collected by the lending institution in the normal course of its residential mortgage lending business.

SECTION 2.09. Section 162.015, Natural Resources Code, is amended to read as follows:

Sec. 162.015. INITIAL PAYMENT OR EQUITY. The board may require an initial payment on a loan ~~[of not more than five percent of the loan]~~ or may require an investment in the home by the veteran in an amount or amounts *set by the board's rules under this chapter* ~~[not to exceed five percent of the amount of the loan].~~

SECTION 2.10. Section 162.031, Natural Resources Code, is amended to read as follows:

Sec. 162.031. ISSUANCE AND SALE OF BONDS; DISPOSITION OF PROCEEDS.

(a) By appropriate action, the board may provide by resolution for the issuance and sale of negotiable bonds authorized by the constitution, and the proceeds shall be a part of the fund, *except that the proceeds of bonds issued under the authority of Article III, Section 49-b-1, of the Texas Constitution for the purpose of making loans to veterans shall be a part of the veterans' housing assistance fund established by that provision, and the proceeds of bonds issued under the authority of Article III, Section 49-b-2, of the Texas Constitution for the purpose of making loans to veterans shall be a part of the veterans' housing assistance fund established by that provision.*

(b) The board may use money in the fund attributable to bonds *issued to provide money for the fund* to pay all costs of issuance of the bonds, including costs, fees, and expenses of the sort the board is authorized to pay from the *veterans'* ~~[veterans]~~ land fund in connection with the issuance of the *veterans'* ~~[veterans]~~ land bonds.

SECTION 2.11. Section 162.034, Natural Resources Code, is amended to read as follows:

Sec. 162.034. PAYMENT AND MATURITY OF BONDS. (a) The bonds shall be payable as provided by the board and shall mature serially or otherwise not later than 40 years from the date of their issuance.

(b) The board may make the bonds redeemable *or subject to tender for purchase* before maturity at the price and under the terms and conditions fixed by the board in the resolution providing for the issuance and sale of the bonds.

SECTION 2.12. Subsection (b), Section 162.036, Natural Resources Code, is amended to read as follows:

(b) The bonds shall be signed by the chairman and the *executive* secretary of the board and the seal of the board shall be impressed on the bonds. In addition, the bonds shall be signed by the governor and attested by the secretary of state with the seal of the state impressed on the bonds.

SECTION 2.13. Section 162.044, Natural Resources Code, is amended to read as follows:

Sec. 162.044. SALE OF BONDS. *Bonds* ~~[The bonds]~~ may be sold *at public or private sale* at a price or prices and on terms determined by the board ~~[after competitive bidding to the highest and best bidder provided the bonds are sold for not less than par value and accrued interest].~~

SECTION 2.14. Section 162.047, Natural Resources Code, is amended to read as follows:

Sec. 162.047. BONDS AS INVESTMENTS AND SECURITY. (a) Bonds issued under ~~[Article III, Section 49-b-1, of the Texas Constitution and]~~ this chapter are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, insurance companies, fiduciaries, trustees, guardians, and the sinking funds of cities, towns, villages, counties, school districts, and other political subdivisions and public agencies of the state.

(b) The bonds are legal and sufficient security for the deposits in the amount of the par value of the bonds.

SECTION 2.15. Section 162.050, Natural Resources Code, is amended to read as follows:

Sec. 162.050. CONSTITUTIONAL APPROPRIATIONS. (a) If, during the existence of the fund or during the time any *general obligation* bonds are payable from the fund, the board determines that there will not be sufficient money in the fund during the following biennium *available* to pay principal of or interest on the bonds or both principal and interest that are to come due *and to be paid from the fund* during the following biennium, the comptroller ~~[of public accounts]~~ shall transfer to the fund the first money coming into the

State Treasury not otherwise appropriated by the constitution in amounts sufficient to pay the obligations.

(b) The money appropriated shall be used to pay the obligations only if at the time the principal or interest or both actually become due there is not sufficient money in the fund available to pay the amount due.

SECTION 2.16. Subchapter C, Chapter 162, Natural Resources Code, is amended by adding Section 162.051 to read as follows:

Sec. 162.051. PURCHASE AND DESTRUCTION OF BONDS. (a) The board may use money in the fund to purchase on the open market any bonds it has issued and sold to provide money for the fund, and the debt represented by those bonds when purchased is considered canceled.

(b) Bonds purchased by the board under Subsection (a) of this section shall be mutilated, burned, or otherwise destroyed by the state treasurer, who shall certify this fact to the board under the seal of office.

(c) Interest may not be paid on those bonds after their purchase by the board.

SECTION 2.17. Subchapter C, Chapter 162, Natural Resources Code, is amended by adding Section 162.052 to read as follows:

Sec. 162.052. BOND ENHANCEMENT AGREEMENTS. The board may at any time and from time to time enter into one or more bond enhancement agreements that the board determines to be necessary or appropriate to place the obligation of the board, as represented by the bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the board. Bond enhancement agreements may include, on terms and conditions approved by the board, interest rate swap agreements, currency swap agreements, forward payment conversion agreements, agreements providing for payments based on levels of or changes in interest rates or currency exchange rates, agreements to exchange cash flows or a series of payments, or agreements, including options, puts, or calls, to hedge payment, currency, rate, spread, or other exposure. A bond enhancement agreement is an agreement for professional services and shall contain the terms and conditions and be for the period that the board approves. The fees and expenses of the board in connection with the issuance of bonds and the making of loans may be paid from money in the related fund, provided that any payments due from the board under a bond enhancement agreement, other than fees and expenses, that relate to the payment of debt service on bonds constitute payments of principal of and interest on the bonds.

ARTICLE 3

SECTION 3.01. Title 7, Natural Resources Code, is amended by adding Chapter 164 to read as follows:

CHAPTER 164. VETERANS' FINANCIAL ASSISTANCE PROGRAM

Sec. 164.001. PURPOSE AND POLICY. (a) The legislature declares that it is the policy of the state to provide financial assistance to veterans of the state in recognition of their service to this state and the United States.

(b) The legislature declares that existing mechanisms for implementing the policy stated in Subsection (a) of this section may be enhanced by adoption of this chapter and implementation of the financial assistance programs authorized by this chapter.

(c) The legislature finds that this chapter and the financial assistance programs authorized by this chapter are in furtherance of a public purpose.

Sec. 164.002. DEFINITIONS. (a) In this chapter:

(1) "Board" means the Veterans' Land Board.

(2) "Bonds" means the revenue bonds issued by the board under this chapter.

(3) "Financial assistance" means the purchase of land, the sale of land to veterans, and the making of home mortgage loans to veterans, as provided for in this chapter.

(4) "Home" means a dwelling within this state in which a veteran intends to reside as the veteran's principal residence.

(5) "Lending institution" means a bank, trust company, savings bank, national banking association, savings and loan association, building and loan association, mortgage banker, mortgage company, credit union, life insurance company, or other financial institution that customarily provides service or aids in the financing of mortgages on single-family residential housing that has been approved for participation by the board, including a holding company for a lending institution.

(6) "Veteran" means a person who:

(A)(i) served not less than 90 continuous days, unless sooner discharged by reason of a service-connected disability, on active duty in the Army, Navy, Air Force, Coast Guard, United States Public Health Service (as constituted under 42 U.S.C. Section 201 et seq.), or Marine Corps of the United States after September 16, 1940, and who on the date of filing an application for financial assistance under this chapter has not been dishonorably discharged from the branch of the service in which the person served;

(ii) has at least 20 years of active or reserve military service as computed when determining the person's eligibility to receive retired pay under applicable federal law; or

(iii) has enlisted or received an appointment in the Texas National Guard, who has completed all initial active duty training required as a condition of the enlistment or appointment, and who on the date of filing the person's application has not been dishonorably discharged from the Texas National Guard;

(B) at the time of the person's enlistment, induction, commissioning, appointment, or drafting was a bona fide resident of this state or has resided in this state at least one year immediately before the date of filing an application; and

(C) at the time of the person's application under this chapter is a bona fide resident of this state. The term includes the unmarried surviving spouse of a veteran who died or who is identified as missing in action if the deceased or missing veteran meets the requirements in this section, with the exception that the deceased or missing veteran need not have served 90 continuous days under Paragraph (A)(i) of this subdivision, and if the deceased or missing veteran was a bona fide resident of the state at the time of enlistment, induction, commissioning, appointment, or drafting.

(b) Notwithstanding Subdivision (6) of Subsection (a) of this section, the board may by rule change the definition of "veteran" as necessary or appropriate to protect the best interests of the program.

Sec. 164.003. **FINANCIAL ASSISTANCE PROGRAMS.** The board may establish one or more programs for providing financial assistance to veterans under this chapter. A program may be limited to the purpose of purchasing land, selling land to veterans, or making home mortgage loans to veterans. To the extent a financial assistance program is for the purpose of purchasing land or selling land to veterans, the program shall be administered, to the extent consistent with this chapter and otherwise deemed practicable and desirable by the board, in accordance with the board's Veterans' Land Program. To the extent a financial assistance program is for the purpose of making home mortgage loans to veterans, the program shall be administered, to the extent consistent with this chapter and otherwise deemed practicable and desirable by the board, in accordance with the board's Veterans' Housing Assistance Program.

Sec. 164.004. **RULES.** The board shall adopt rules providing for the administration of its financial assistance programs established under this chapter, including rules concerning:

- (1) the purchasing of land and the selling of land to veterans;
- (2) the making of home mortgage loans to veterans;
- (3) the use of insurance on land and homes as deemed appropriate by the board, as further security for land sold or home mortgage loans made;
- (4) the criteria for approving lending institutions participating in programs;
- (5) the terms and conditions of a contract made with a lending institution; and

(6) other matters as the board deems appropriate.

Sec. 164.005. **RIGHTS AND POWERS OF BOARD.** *In connection with the administration of its financial assistance programs under this chapter, the board has and may exercise, to the extent not inconsistent with this chapter, all the rights and powers granted to it by Chapters 161 and 162 of this code relating to the administration of the board's Veterans' Land Program and Veterans' Housing Assistance Program.*

Sec. 164.006. **ISSUANCE OF BONDS.** *For the issuance of bonds under this chapter, the board may exercise the authority granted to the governing body of an issuer with regard to issuance of obligations under Chapter 656, Acts of the 68th Legislature, Regular Session, 1983 (Article 717g, Vernon's Texas Civil Statutes), to the extent that it is not inconsistent with this chapter.*

Sec. 164.007. **CONDITIONS FOR ISSUANCE OF BONDS.** (a) *Bonds may be issued in various series and issues.*

(b) *Bonds shall be payable as provided by the board and may mature serially or otherwise.*

(c) *Bonds shall be redeemable before maturity or subject to tender for purchase at the price or prices and under the terms and conditions fixed by the board in the resolution providing for the issuance and sale of the bonds.*

(d) *Bonds may bear a fixed, variable, floating, or other rate or rates of interest or may bear no interest, as determined by the board.*

(e) *Bonds may be sold at public or private sale at a price or prices and on terms determined by the board.*

(f) *Bonds issued under this chapter for a purpose other than buying back or refunding general obligation bonds issued under Article III, Section 49-b, 49-b-1, or 49-b-2, of the Texas Constitution may not in the aggregate exceed \$250 million.*

Sec. 164.008. **FORM OF BONDS.** (a) *The bonds may be issued in the form, denominations, and manner and under the terms, conditions, and details as provided by the board in the resolution authorizing their existence.*

(b) *The bonds shall be signed and executed as provided by the board's resolution or order authorizing the issuance of the bonds.*

Sec. 164.009. **SECURITY FOR THE BONDS.** (a) *The bonds issued under this chapter shall be special obligations of the board. As security for the payment of the bonds, the board may provide for a pledge of and lien on:*

(1) *receipts of all kinds of the veterans' land fund and the veterans' housing assistance fund that are determined by the board, on the basis of facts, circumstances, and expectations at the time of issuance of the bonds, not to be required for the payment of the principal of or interest on the general obligation bonds issued under Article III, Sections 49-b and 49-b-1, of the Texas Constitution or to make payments with respect to principal or interest under a bond enhancement agreement with respect to the general obligation bonds;*

(2) *the assets of the veterans' land fund or the veterans' housing assistance fund determined by the board, on the basis of facts, circumstances, and expectations at the time of issuance of the bonds, not to be required for the purposes of the fund;*

(3) *the repayments received by the board from financial assistance provided under this chapter;*

(4) *other program revenues; and*

(5) *other lawfully available revenues of the board.*

(b) *The pledge and lien are to be provided for and determined in accordance with the resolution of the board providing for the issuance and sale of the bonds.*

Sec. 164.010. **BOND ENHANCEMENT AGREEMENTS.** *The board may at any time and from time to time enter into one or more bond enhancement agreements that the board deems to be necessary or appropriate to place the obligation of the board, as represented by the bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the board. Bond enhancement agreements may include, on terms and conditions*

approved by the board, interest rate swap agreements, currency swap agreements, forward payment conversion agreements, agreements providing for payments based on levels of or changes in interest rates or currency exchange rates, agreements to exchange cash flows or a series of payments, or agreements including options, puts, or calls, to hedge payment, currency, rate, spread, or other exposure. A bond enhancement agreement is an agreement for professional services and shall contain the terms and conditions and be for the period that the board approves. The cost to the board of the bond enhancement agreement may be paid from the proceeds of the sale of the bonds to which the bond enhancement agreement relates or from any other source, including the revenues of the board that are available for the purpose of paying the bonds or that may otherwise be available to make those payments.

Sec. 164.011. **FUNDS.** (a) In the resolution authorizing the issuance of bonds, the board may make additional covenants with respect to the bonds and the pledged revenues and may provide for the flow of funds and the establishment, maintenance, and investment of funds.

(b) The funds established may include an interest and sinking fund, a reserve fund, and other funds that will be kept and maintained by or under the direction of the board.

(c) Funds established by the board under this chapter are not to be part of the State Treasury but, at the direction of the board, may be kept and held in escrow and in trust by the state treasurer on behalf of the board and the owners of the bonds and used only as provided by this chapter.

(d) Money in a fund shall be invested in authorized investments as provided by a bond resolution or order of the board.

(e) Legal title to money in a fund is in the board unless or until paid from the fund as provided by this chapter or the resolution authorizing the issuance of the bonds.

(f) The state treasurer, as custodian of the fund, shall administer the fund solely and strictly as provided by this chapter and the resolution authorizing the issuance of the bonds, and the state may not take any other action relating to the fund except those specified in this chapter and the resolution authorizing the issuance of the bonds.

Sec. 164.012. **RESOLUTIONS.** (a) The resolution authorizing the issuance of the bonds may prohibit the further issuance of bonds or other obligations payable from the pledged revenues or may reserve the right to issue additional bonds to be secured by a pledge of and payable from the revenue on a parity with or subordinate to the lien and pledge in support of the bonds being issued.

(b) The resolution of the board authorizing the issuance of the bonds may include other provisions and covenants that the board determines necessary.

(c) In a resolution authorizing the issuance of bonds, the board may prescribe systems, methods, routines, and procedures under which the board will function.

(d) The board may adopt and have executed any other proceedings or instruments necessary or convenient in the issuance of bonds.

Sec. 164.013. **INVESTMENT SECURITIES.** The bonds and any interest coupons are investment securities under Chapter 8, Business & Commerce Code, and may be issued registrable as to principal or as to both principal and interest or may be made redeemable before maturity at the option of the authority or may contain a mandatory redemption provision.

Sec. 164.014. **APPROVAL OF THE ATTORNEY GENERAL.** Bonds issued under this chapter are subject to review and approval by the attorney general in the same manner and with the same effect as provided by Chapter 656, Acts of the 68th Legislature, Regular Session, 1983 (Article 717g, Vernon's Texas Civil Statutes).

Sec. 164.015. **REFUNDING BONDS.** (a) The board may issue refunding bonds to refund all or part of its outstanding bonds issued under this chapter, including matured but unpaid interest.

(b) The board may refund bonds in the manner provided by general law for revenue bonds.

Sec. 164.016. **BONDS AS INVESTMENTS AND SECURITY.** (a) The bonds are legal and authorized investments for banks, savings banks, trust companies, savings and loan

companies, insurance companies, fiduciaries, trustees, guardians, the sinking funds of cities, towns, villages, counties, school districts, and other political subdivisions of the state, and other public funds of the state and its agencies.

(b) The bonds are eligible to secure deposits of public funds of the state and cities, counties, school districts, and other political subdivisions of the state. The bonds are lawful and sufficient security for deposits to the extent of their par value.

Sec. 164.017. TAX EXEMPT. Since the board is performing an essential governmental function in the exercise of the powers conferred on it by this chapter, the bonds issued under this chapter, and the interest and income from the bonds, including any profit made on the sale of bonds, and all fees, charges, gifts, grants, revenues, receipts, and other money received or pledged to pay or secure the payment of bonds are free from taxation and assessments of every kind by this state and any city, county, district, authority, or other political subdivision of this state.

Sec. 164.018. NO PLEDGE OF STATE FAITH AND CREDIT; COVENANT WITH OWNERS OF BONDS. (a) Bonds issued under this chapter are special obligations of the board and are payable only from and secured only by the revenues and assets pledged to secure payment of the bonds under the Texas Constitution and this chapter, and the bonds are not and do not create or constitute a pledge, gift, or loan of the faith, credit, or taxing authority of the state.

(b) Each bond must include a statement that the faith or credit and the taxing authority of the state are not pledged, given, or loaned to secure payment of the principal of, or premium or interest on the bonds.

(c) The state pledges to and agrees with the owners of bonds issued under this chapter that the state will not limit or alter the rights vested in the board to fulfill the terms of agreements made with the owners of the bonds or in any way impair the rights and remedies of those owners until the bonds, together with any premium and interest, interest on any unpaid premium or installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those owners, are fully met and discharged. The board may include this pledge and agreement of the state in an agreement with the owners of the bonds.

Sec. 164.019. ENFORCEMENT BY MANDAMUS. A writ of mandamus and all other legal and equitable remedies are available to a party in interest to require the board and any other party to carry out agreements and to perform functions and duties under this chapter, the Texas Constitution, or the board's bond resolutions or orders.

SECTION 3.02. Subject to Subsection (b) of Section 6.01 of this Act, Section 164.009, Natural Resources Code, as added by Section 3.01 of this Act, is amended to read as follows:

Sec. 164.009. SECURITY FOR THE BONDS. (a) The bonds issued under this chapter shall be special obligations of the board. As security for the payment of the bonds, the board may provide for a pledge of and lien on:

(1) the receipts of all kinds of the veterans' land fund, the veterans' housing assistance fund, and the veterans' housing assistance fund II determined by the board, on the basis of facts, circumstances, and expectations at the time of issuance of the bonds, not to be required for the payment of principal of or interest on the general obligation bonds issued under Article III, Sections 49-b, 49-b-1, and 49-b-2, of the Texas Constitution or to make payments with respect to principal or interest under a bond enhancement agreement with respect to the general obligation bonds;

(2) the assets of the veterans' land fund, the veterans' housing assistance fund, or the veterans' housing assistance fund II determined by the board on the basis of facts, circumstances, and expectations at the time of issuance of the bonds not to be required for the purposes of the fund;

(3) the repayments received by the board from financial assistance provided under this chapter;

(4) other program revenues; and

(5) other available revenues of the board.

(b) The pledge and lien are to be provided for and determined in accordance with the resolution of the board providing for the issuance and sale of the bonds.

ARTICLE 4

SECTION 4.01. Article 4, State Purchasing and General Services Act (Article 601b, Vernon's Texas Civil Statutes), is amended by adding Section 3.052 to read as follows:

Sec. 3.052. PURCHASES BY THE VETERANS' LAND BOARD. This Act does not apply to purchases of supplies, materials, services, or equipment for use by the Veterans' Land Board in connection with improvements to, repairs to, or maintenance of land or other activities undertaken by the Veterans' Land Board with respect to land under the provisions of Section 161.175, Natural Resources Code.

ARTICLE 5

SECTION 5.01. Sections 161.122, 161.172, and 161.211, Natural Resources Code, are repealed.

ARTICLE 6

SECTION 6.01. (a) Except as provided by Subsection (b) of this section, this Act takes effect immediately.

(b) Sections 1.23, 2.03, 2.06, 2.10, and 3.02 of this Act take effect on the date on which the constitutional amendment proposed by S.J.R. No. 34, 73rd Legislature, Regular Session, 1993, takes effect. On the adoption of that amendment, Section 2.03 of this Act shall supersede and replace Section 2.02 of this Act, and Section 2.02 of this Act shall have no further effect, and Section 164.009, Natural Resources Code, as added by Section 3.02 of this Act shall supersede and replace Section 164.009, Natural Resources Code, as added by Section 3.01 of this Act, and Section 164.009, Natural Resources Code, as added by Section 3.01 of this Act shall have no further effect. If that amendment is not approved by the voters, Sections 1.23, 2.03, 2.06, 2.10, and 3.02 of this Act have no effect.

SECTION 6.02. 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 according to its terms, and it is so enacted.

Passed the Senate on April 21, 1993: Yeas 30, Nays 0; passed the House on May 11, 1993, by a non-record vote.

Approved May 22, 1993.

Effective Aug. 30, 1993, 90 days after date of adjournment, except §§ 1.23, 2.03, 2.06, 2.10, and 3.02 of this act effective upon approval of constitutional amendment proposed by Acts 1993, 73rd Leg., S.J.R. No. 34.