

CHAPTER 696

S.B. No. 1407

AN ACT

relating to the issuance of bonds to finance certain state facilities.

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

SECTION 1. DEFINITIONS. In this Act:

- (1) "Authority" means the Texas Public Building Authority.
- (2) "Board" means the board of directors of the authority.
- (3) "Review board" means the bond review board.

SECTION 2. REVIEW BOARD. (a) The bond review board is composed of:

- (1) the governor;
  - (2) the lieutenant governor;
  - (3) the speaker of the house of representatives;
  - (4) the State Treasurer; and
  - (5) the comptroller of public accounts.
- (b) The governor is chairman of the review board.

(c) If the speaker of the house of representatives is not permitted by the constitution of this state to serve as a voting member of the board, the speaker serves as a nonvoting member of the board.

(d) Bonds may not be issued under this Act, and proceeds of bonds issued under this Act may not be used to finance a project, unless the issuance or project, as applicable, has been reviewed and approved by the review board.

(e) The review board may adopt rules governing application for review, the review process, and reporting requirements.

(f) A member of the review board may not be held liable for damages resulting from the performance of the member's functions under this Act.

SECTION 3. TEXAS DEPARTMENT OF CORRECTIONS MASTER PLAN. Proceeds of bonds issued under this Act may not be distributed to the Texas Department of Corrections or otherwise used to finance a project of that department unless the department has submitted to the review board a master plan for construction of corrections facilities. The plan must be in the form, contain the information, and cover the period prescribed by the review board.

SECTION 4. GENERAL OBLIGATION BONDS. (a) The authority may issue up to \$500 million in general obligation bonds and distribute bond proceeds to appropriate agencies for use for acquiring, constructing, or equipping new facilities or for major repair or renovation of existing facilities, corrections institutions, including youth correc-

tions institutions, and mental health and mental retardation institutions. The proceeds may be used to refinance an existing obligation for a purpose described by this subsection. The authority may issue general obligation bonds to refund revenue bonds issued under this Act.

(b) The bonds may be issued at a rate of interest, according to the terms, and in a form determined by the authority.

(c) The authority by rule shall establish guidelines, criteria, and procedures for distributions of bond proceeds.

SECTION 5. REVENUE BONDS. (a) The authority may issue revenue bonds and distribute bond proceeds to appropriate agencies for use for acquiring, constructing, or equipping new facilities or for major repair or renovation of existing facilities, corrections institutions, including youth corrections institutions, and mental health and mental retardation institutions. The proceeds may be used to refinance an existing obligation for a purpose described by this subsection.

(b) On issuance of the bonds under this section, the board shall certify to the appropriate agency and to the comptroller of public accounts that the funds are available and shall deposit the bond proceeds in the State Treasury to the account of the appropriate agency.

(c) Once the funds are deposited and the comptroller of public accounts has certified that the funds are available and after transfer of any reserve funds or capitalized interest certified to be reasonably required by the authority and payment of the costs of issuance of the bonds based on a statement by the authority that specifies those costs, the appropriate agency may begin approved projects.

(d) With the concurrence of the board, the State Treasurer shall invest the unexpended bond proceeds and the investment income of those unexpended proceeds in investments approved by law for the investment of state funds. Any investment income required for project costs, and not required to be rebated to the federal government or used for debt service, as determined by the board, shall be credited to the appropriate agency. Investment income not required for project costs and not required to be rebated to the federal government or used for debt service shall be allocated as provided by Section 3.042, Treasury Act (Article 4393-1, Vernon's Texas Civil Statutes).

(e) The board may provide for the repayment of the principal of and interest on the bonds issued under this section from any source of funds lawfully available to the board. Bonds may not be scheduled to mature during the state fiscal year ending August 31, 1988, or August 31, 1989, and interest on the bonds for that period shall be capitalized and paid from bond proceeds.

(f) From funds appropriated for the purpose, the appropriate agency shall pay to the board pursuant to a lease agreement an amount determined by the board to be sufficient to:

- (1) pay the principal of and interest on the bonds;
- (2) maintain any reserve fund necessary to service the debt; and
- (3) reimburse the authority for other costs and expenses relating to a project or outstanding bonds.

(g) Bonds issued under this section are subject to Sections 13, 14, 15, and 16, Texas Public Building Authority Act (Article 601d, Vernon's Texas Civil Statutes).

(h) A state agency may enter lease agreements in the name of and on behalf of this state and may spend funds appropriated by the legislature for the purpose of making lease payments under this Act. Each state agency shall include in its biennial appropriation request an amount sufficient to pay the principal of and interest on outstanding bonds issued for that agency.

(i) Property financed by the authority under this section shall not become part of other property to which it may be attached or affixed or into which it may be incorporated, regardless of whether the other property is real or personal. The rights of a state agency in property financed by the authority under this section are those of a lessee, and no

person claiming under or through such an agency shall acquire any greater rights with respect to that property.

**SECTION 6. AMOUNT OF OUTSTANDING BONDS.** At any one time, the combined amount of outstanding revenue bonds and outstanding general obligation bonds issued under this Act may not exceed \$500 million.

**SECTION 7. AUTHORIZED INVESTMENTS; SECURITY FOR PUBLIC FUNDS.**  
(a) Bonds issued under this Act are a legal and authorized investment for a bank, trust company, savings and loan association, insurance company, fiduciary, trustee, or guardian or a sinking fund of a municipality, county, school district, or political subdivision of the state.

(b) The bonds may secure deposits of public funds of the state, a municipality, a county, a school district, or another political corporation or subdivision of the state. A bond may provide this security up to its value if all unmatured coupons are attached.

**SECTION 8. REFUNDING BONDS.** The authority may issue bonds to refund all or part of its outstanding bonds issued under this Act, including matured but unpaid interest.

**SECTION 9. TAX EXEMPTION.** Bonds issued under this Act, transactions relating to the bonds, and profits made in the sale of the bonds are exempt from taxation by the state, an agency or subdivision of the state, a municipality, or a special district.

**SECTION 10. AUTHORIZATION.** Before the authority may issue and sell bonds under this Act, the legislature by law must have authorized the specific projects in this Act, the General Appropriations Act, or the Texas Public Building Authority Act (Article 601d, Vernon's Texas Civil Statutes).

**SECTION 11. AMENDMENT.** Subsection (a), Section (6), Texas Public Building Authority Act (Article 601d, Vernon's Texas Civil Statutes), is amended to read as follows:

(a) *The governor biennially shall appoint a chairman from the board's members.* The board biennially shall elect a [~~chairman and~~] vice-chairman from its members.

**SECTION 12. EFFECTIVE DATE.** (a) Except as provided by Subsection (b) of this section, this Act takes immediate effect.

(b) Section 4 of this Act takes effect on the date on which the constitutional amendment proposed by S.J.R. No. 56, 70th Legislature, Regular Session, 1987, takes effect. If that amendment is not approved by the voters, that section has no effect.

**SECTION 13. EMERGENCY.** 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 May 8, 1987, by a viva-voce vote; May 30, 1987, Senate refused to concur in House amendment and requested appointment of Conference Committee; May 31, 1987, House granted request of the Senate; June 1, 1987, Senate adopted Conference Committee Report by the following vote: Yeas 31, Nays 0. Passed the House, with amendment, on May 29, 1987, by the following vote: Yeas 139, Nays 6, one present not voting; May 31, 1987, House granted request of the Senate for appointment of Conference Committee; June 1, 1987, House adopted Conference Committee Report by a non-record vote.

Approved June 19, 1987.

Effective Aug. 31, 1987, 90 days after date of adjournment, except § 4 effective upon adoption of S.J.R. No. 56.