

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.051. DEFINITIONS.

In this subchapter:

- (1) "Board" means the State Board of Education.
- (1-a) "Charter district" means an open-enrollment charter school designated as a charter district under Section [12.135](#).
- (2) "Paying agent" means the financial institution that is designated by a school district or charter district as its agent for the payment of the principal of and interest on guaranteed bonds.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.052. GUARANTEE.

- (a) On approval by the commissioner, bonds issued under Subchapter A by a school district or Chapter [53](#) for a charter district, including refunding and refinanced bonds, are guaranteed by the corpus and income of the permanent school fund.
- (b) Notwithstanding any amendment of this subchapter or other law, the guarantee under this subchapter of school district or charter district bonds remains in effect until the date those bonds mature or are defeased in accordance with state law.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.053. LIMITATION; VALUE ESTIMATES.

- (a) Except as provided by Subsection (d), the commissioner may not approve bonds for guarantee under this subchapter if the approval would result in the total amount of outstanding guaranteed bonds under this subchapter exceeding an amount equal to 2-1/2 times the cost value of the permanent school fund, as estimated by the board and certified by the state auditor.
- (b) Each year, the state auditor shall analyze the status of guaranteed bonds under this subchapter as compared to the cost value of the permanent school fund. Based on that analysis, the state auditor shall certify whether the amount of bonds guaranteed under this subchapter is within the limit prescribed by this section.
- (c) The commissioner shall prepare and the board shall adopt an annual report on the status of the guaranteed bond program under this subchapter.
- (d) The board by rule may increase the limit prescribed by Subsection (a) to an amount not to exceed five times the cost value of the permanent school fund, provided that the increased limit is consistent with federal law and regulations and does not prevent the bonds to be guaranteed from receiving the highest available credit rating, as determined by the board. The board shall at least annually consider whether to change any limit in accordance with this subsection. This subsection may not be construed in a manner that impairs, limits, or removes the guarantee of bonds that have been approved by the commissioner.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.0531. ADDITIONAL LIMITATION: RESERVATION OF PERCENTAGE OF PERMANENT SCHOOL FUND VALUE.

- (a) In addition to the limitation on the approval of bonds for guarantee under Section [45.053](#), the board by rule may establish a percentage of the cost value of the permanent school fund to be reserved from use in guaranteeing bonds under this subchapter.
- (b) If the board has reserved a portion of the permanent school fund under Subsection (a), each year, the state auditor shall analyze the status of the reserved portion compared to the cost value of the permanent school fund. Based on that analysis, the state auditor shall certify whether the portion of the permanent school fund reserved from use in guaranteeing bonds under this subchapter satisfies the reserve percentage established.
- (c) If the board has reserved a portion of the permanent school fund under Subsection (a), the board shall at least annually consider whether to change the reserve percentage established to ensure that the reserve percentage allows compliance with federal law and regulations and serves to enable bonds guaranteed under this subchapter to receive the highest available credit rating, as determined by the board.
- (d) This section may not be construed in a manner that impairs, limits, or removes the guarantee of bonds that have been approved by the commissioner.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.0532. LIMITATION ON GUARANTEE OF CHARTER DISTRICT BONDS.

- (a) In addition to the general limitation under Section [45.053](#), the commissioner may not approve charter district bonds for guarantee under this subchapter in a total amount that exceeds the charter capacity of the guaranteed bond program.
- (a-1) The commissioner may not approve charter district refunding or refinanced bonds for guarantee under this subchapter in a total amount that exceeds one-half of the charter capacity.
- (b) For purposes of this section, the charter capacity of the guaranteed bond program is the percentage of the total capacity of the guaranteed bond program established by the board under Sections [45.053](#)(d) and [45.0531](#) that is equal to the percentage of the number of students enrolled in open-enrollment charter schools in this state compared to the total number of students enrolled in all public schools in this state, as determined by the commissioner. Each time the board increases the limit under Section [45.053](#)(d), the total amount of charter district bonds that may be guaranteed increases accordingly under Subsection (a).
- (b-1) The charter capacity provided by Subsection (b) applies beginning with the state fiscal year that begins September 1, 2021. Subject to Subsections (b-2) and (b-3), the board shall establish a charter capacity for the preceding state fiscal years by increasing the total limitation on the amount of charter district bonds that could be guaranteed under the law in effect on January 1, 2017, by the following amount:
 - (1) for the state fiscal year that begins September 1, 2017, 20 percent of the difference between the charter capacity provided by Subsection (b) and the charter capacity in effect on January 1, 2017;
 - (2) for the state fiscal year that begins September 1, 2018, 40 percent of the difference between the charter capacity provided by Subsection (b) and the charter capacity in effect on January 1, 2017;
 - (3) for the state fiscal year that begins September 1, 2019, 60 percent of the difference between the charter capacity provided by Subsection (b) and the charter capacity in effect on January 1, 2017; and
 - (4) for the state fiscal year that begins September 1, 2020, 80 percent of the difference between the charter capacity provided by Subsection (b) and the charter capacity in effect on January 1, 2017.
- (b-2) For any year, the board may increase the charter capacity by less than the amount provided by Subsection (b-1) or may decline to increase the charter capacity by any amount if:
 - (1) the board determines that increasing the charter capacity by the amount provided by Subsection (b-1) would likely result in a negative impact on the bond ratings

provided by one or more nationally recognized investment rating firms for school district or charter district bonds for which a guarantee is requested under this subchapter; or

- (2) one or more charter districts default on payment of maturing or matured principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings provided by one or more nationally recognized investment rating firms for school district or charter district bonds for which a guarantee is requested under this subchapter.
- (b-3) If the board makes a determination described by Subsection (b-2) for any year and modifies the schedule provided by Subsection (b-1) for that year, the board may also make appropriate adjustments to the schedule for subsequent years to reflect the modification, provided that the charter capacity for any year may not exceed the limit provided for that year by the schedule.
- (b-4) Subsections (b-1), (b-2), and (b-3) and this subsection expire September 1, 2022.
- (c) Notwithstanding Subsections (a) and (b), the commissioner may not approve charter district bonds for guarantee under this subchapter if the guarantee will result in lower bond ratings for school district bonds for which a guarantee is requested under this subchapter.
- (d) The commissioner may request that the comptroller place the portion of the permanent school fund committed to the guarantee of charter district bonds in a segregated account if the commissioner determines that a separate account is needed to avoid any negative impact on the bond ratings of school district bonds for which a guarantee is requested under this subchapter.
- (e) A guarantee of charter district bonds must be made in accordance with this chapter and any applicable federal law.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.0533. COMMUNICATION WITH NATIONALLY RECOGNIZED INVESTMENT RATING FIRM.

Information obtained from a nationally recognized investment rating firm relating to Section [45.053](#), [45.0531](#), or [45.0532](#) that concerns a hypothetical or actual scenario relating to the credit rating of the permanent school fund or the bond guarantee program of the permanent school fund, and any communications from, or information generated by, the agency, the board, the commissioner, or their employees relating to that information, is confidential and not subject to disclosure under Chapter [552](#), Government Code .

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.054. ELIGIBILITY OF SCHOOL DISTRICT BONDS.

To be eligible for approval by the commissioner, school district bonds must be issued under Subchapter A of this chapter or under Subchapter A, Chapter [1207](#), Government Code, to make a deposit under Subchapter B or C of that chapter, by an accredited school district.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.0541. ELIGIBILITY OF CHARTER DISTRICT BONDS.

To be eligible for approval by the commissioner, charter district bonds must:

- (1) without the guarantee, be rated as investment grade by a nationally recognized investment rating firm; and
- (2) be issued under Chapter [53](#).

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.055. APPLICATION FOR GUARANTEE.

- (a) A school district or charter district seeking guarantee of eligible bonds under this subchapter shall apply to the commissioner using a form adopted by the commissioner for the purpose. The commissioner may adopt a single form on which a school district seeking guarantee or credit enhancement of eligible bonds may apply simultaneously first for guarantee under this subchapter and then, if that guarantee is rejected, for credit enhancement under Subchapter I.
- (b) An application under Subsection (a) must include:
 - (1) the name of the school district or charter district and the principal amount of the bonds to be issued;
 - (2) the name and address of the district's paying agent for those bonds; and
 - (3) the maturity schedule, estimated interest rate, and date of the bonds.
- (c) An application under Subsection (a) must be accompanied by a fee set by rule of the board in an amount designed to cover the costs of administering the programs to provide the guarantee or credit enhancement of eligible bonds.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.056. INVESTIGATION.

- (a) Following receipt of an application for the guarantee of bonds, the commissioner shall conduct an investigation of the applicant school district or charter district in regard to:
 - (1) the status of the district's accreditation; and
 - (2) the total amount of outstanding guaranteed bonds.
- (a-1) For purposes of this subsection, "bond security documents" include the resolution, trust agreement, indenture, ordinance, loan agreement, deed of trust, bond, note, and any additional document executed in connection with the issuance of a charter district bond for which a guarantee is requested under this subchapter. The commissioner's investigation of an application submitted by a charter district may include evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The commissioner may decline to approve the application if the commissioner determines that sufficient security is not provided.
- (b) If following the investigation the commissioner is satisfied that the school district's bonds should be guaranteed under this subchapter or provided credit enhancement under Subchapter I, as applicable, or the charter district's bonds should be guaranteed under this subchapter, the commissioner shall endorse the bonds.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

**TEC, §45.0561. COMMISSIONER CONSIDERATION OF ADDITIONAL FACTORS FOR
CHARTER DISTRICT BONDS.**

- (a) In addition to considering all other applicable requirements under this subchapter, in determining whether to approve charter district bonds for guarantee the commissioner may consider any additional reasonable factor that the commissioner determines necessary to protect the guarantee program or minimize risk to the permanent school fund, including:
- (1) whether the charter district had an average daily attendance of more than 75 percent of its student capacity for each of the preceding three school years, or for each school year of operation if the charter district has not been in operation for the preceding three school years;
 - (2) the performance of the charter district under Sections [39.053](#) and [39.054](#); and
 - (3) any other indicator of performance that could affect the charter district's financial performance.
- (b) This section expires September 1, 2019.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.057. GUARANTEE ENDORSEMENT.

- (a) The commissioner shall endorse bonds approved for guarantee with:
 - (1) the commissioner's signature or a facsimile of the commissioner's signature; and
 - (2) a statement relating the constitutional and statutory authority for the guarantee.
- (b) The guarantee is not effective unless the attorney general approves the bonds under Section [45.005](#) or [53.40](#), as applicable.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.0571. CHARTER DISTRICT BOND GUARANTEE RESERVE FUND.

- (a) The charter district bond guarantee reserve fund is a special fund in the state treasury outside the general revenue fund. The following amounts shall be deposited in the fund:
 - (1) money due from a charter district as provided by Subsection (b); and
 - (2) interest earned on balances in the fund.
- (a-1) Notwithstanding Chapter [404](#), Government Code, the charter district bond guarantee reserve fund is managed by the board in the same manner that the permanent school fund is managed by the board. The board may invest money in the charter district bond guarantee reserve fund in accordance with the investment standard described by Section [404.024\(j\)](#), Government Code, and the board's investment is not subject to any other limitation or requirement provided by Section [404.024](#), Government Code.
- (a-2) The board shall adjust the investment portfolio of charter district bond guarantee reserve fund money periodically to ensure that the balance of the fund is sufficient to meet the cash flow requirements of the fund.
- (b) Subject to Subsection (c), a charter district that has a bond guaranteed as provided by this subchapter must remit to the commissioner, for deposit in the charter district bond guarantee reserve fund, an amount equal to 20 percent of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the permanent school fund. The amount due under this section shall be paid on receipt by the charter district of the bond proceeds. The commissioner shall adopt rules to determine the amount due under this section.
- (c) Subsection (b) does not apply if, at the time the charter district receives the proceeds of the bond guaranteed as provided by this subchapter, the balance of the charter district bond guarantee reserve fund is at least equal to three percent of the total amount of outstanding guaranteed bonds issued by charter districts.
- (d) Each year, the commissioner shall:
 - (1) review the condition of the bond guarantee program and the amount that must be deposited in the charter district bond guarantee reserve fund from charter districts; and
 - (2) determine if charter districts should be required to submit a greater percentage of the savings resulting from the guarantee.
- (e) The commissioner shall make recommendations to the legislature based on the review under Subsection (d).

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.058. NOTICE OF DEFAULT.

Immediately following a determination that a school district or charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, but not later than the fifth day before maturity date, the school district or charter district shall notify the commissioner.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.059. PAYMENT OF SCHOOL DISTRICT BOND ON DEFAULT.

- (a) Immediately following receipt of notice under Section [45.058](#) that a school district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the commissioner shall instruct the comptroller to transfer from the appropriate account in the permanent school fund to the district's paying agent the amount necessary to pay the maturing or matured principal or interest.
- (b) Immediately following receipt of the funds for payment of the principal or interest, the paying agent shall pay the amount due and forward the canceled bond or coupon to the comptroller. The comptroller shall hold the canceled bond or coupon on behalf of the permanent school fund.
- (c) Following full reimbursement to the permanent school fund with interest, the comptroller shall further cancel the bond or coupon and forward it to the school district for which payment was made.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.0591. PAYMENT OF CHARTER DISTRICT BOND ON DEFAULT.

- (a) Immediately following receipt of notice under Section [45.058](#) that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the commissioner shall instruct the comptroller to transfer from the charter district bond guarantee reserve fund created under Section [45.0571](#) to the district's paying agent the amount necessary to pay the maturing or matured principal or interest.
- (b) If money in the charter district bond guarantee reserve fund is insufficient to pay the amount due on a bond under Subsection (a), the commissioner shall instruct the comptroller to transfer from the appropriate account in the permanent school fund to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest.
- (c) Immediately following receipt of the funds for payment of the principal or interest, the paying agent shall pay the amount due and forward the canceled bond or coupon to the comptroller. The comptroller shall hold the canceled bond or coupon on behalf of the fund or funds from which payment was made.
- (d) Following full reimbursement to the charter district bond guarantee reserve fund and the permanent school fund, if applicable, with interest, the comptroller shall further cancel the bond or coupon and forward it to the charter district for which payment was made.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.060. BONDS NOT ACCELERATED ON DEFAULT.

If a school district or charter district fails to pay principal or interest on a guaranteed bond when it matures, other amounts not yet mature are not accelerated and do not become due by virtue of the school district's or charter district's default.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.061. REIMBURSEMENT OF FUNDS.

- (a) If the commissioner orders payment from the permanent school fund or the charter district bond guarantee reserve fund on behalf of a school district or charter district, the commissioner shall direct the comptroller to withhold the amount paid, plus interest, from the first state money payable to the school district or charter district. Except as provided by Subsection (a-1), the amount withheld shall be deposited to the credit of the permanent school fund.
- (a-1) After the permanent school fund has been reimbursed for all money paid from the fund as the result of a default of a charter district bond guaranteed under this subchapter, any remaining amounts withheld under Subsection (a) shall be deposited to the credit of the charter district bond guarantee reserve fund.
- (b) In accordance with the rules of the board, the commissioner may authorize reimbursement to the permanent school fund or charter district bond guarantee reserve fund with interest in a manner other than that provided by this section.
- (c) The commissioner may order a school district to set an ad valorem tax rate capable of producing an amount of revenue sufficient to enable the district to:
 - (1) provide reimbursement under this section; and
 - (2) pay the principal of and interest on district bonds as the principal and interest become due.
- (d) If a school district fails to comply with the commissioner's order under Subsection (c), the commissioner may impose any sanction on the district authorized to be imposed on a district under Subchapter G, Chapter [39](#), including appointment of a board of managers or annexation to another district, regardless of the district's accreditation status or the duration of a particular accreditation status.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.062. REPEATED DEFAULTS.

- (a) If a total of two or more payments are made under this subchapter or Subchapter I on the bonds of a school district and the commissioner determines that the school district is acting in bad faith under the guarantee program under this subchapter or the credit enhancement program under Subchapter I, the commissioner may request the attorney general to institute appropriate legal action to compel the school district and its officers, agents, and employees to comply with the duties required of them by law in regard to the bonds.

- (a-1) If a total of two or more payments are made under this subchapter on charter district bonds and the commissioner determines that the charter district is acting in bad faith under the guarantee program under this subchapter, the commissioner may request the attorney general to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the bonds.

- (b) Jurisdiction of proceedings under this section is in district court in Travis County.

TEXAS EDUCATION CODE
TITLE 2. PUBLIC EDUCATION
SUBTITLE I. SCHOOL FINANCE AND FISCAL MANAGEMENT
CHAPTER 45. SCHOOL DISTRICT FUNDS
SUBCHAPTER C. GUARANTEED BONDS

TEC, §45.063. RULES.

The board may adopt rules necessary for the administration of the bond guarantee program.