

Chapter 33. Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund

Subchapter AA. Commissioner's Rules

§33.1001. Payments for Remittance to Charter District Bond Guarantee Reserve Fund.

- (a) In this section, "charter district," "combination issue," and "refunding issue," have the meanings assigned to those terms by §33.67 of this title (relating to Bond Guarantee Program for Charter Schools).
- (b) The following provisions apply to charter district bonds guaranteed under §33.67 of this title that receive final approval from the commissioner of education in the form of the permanent school fund certificate before September 1, 2017.
- (1) A charter district that has bonds guaranteed under §33.67 of this title must annually remit to the commissioner a payment for deposit in the Charter District Bond Guarantee Reserve Fund established under the Texas Education Code (TEC), §45.0571, as described in paragraphs (4) and (5) of this subsection.
 - (2) To calculate the total payments required under paragraphs (4) and (5) of this subsection for charter district bonds guaranteed under §33.67 of this title with a closing date before March 1, 2017, the first annual amount due under this section is the amount equal to 0.1% of the principal amount that is outstanding on the date the bonds were issued, which is the closing date for the bonds. The amount due annually for each subsequent payment due under this section is the amount equal to 0.1% of the principal amount that is outstanding on the anniversary of the closing date.
 - (3) To calculate the total payments required under paragraphs (4) and (5) of this subsection for charter district bonds guaranteed under §33.67 of this title with a closing date on or after March 1, 2017, the commissioner will calculate an amount equal to 10% of the savings to the charter district resulting from the lower interest rate on the bond due to the guarantee by the permanent school fund.
 - (A) The annual amount due to the Charter District Bond Guarantee Reserve Fund will be computed as $R = P \times S \times 0.1$, where:
 - (i) "R" is the amount to be contributed to Charter District Bond Guarantee Reserve Fund;
 - (ii) "P" is the outstanding principal amount on the closing date of the bond for payments made under paragraph (4) of this subsection or the outstanding principal amount on the anniversary of the closing date of the bond for payments made under paragraph (5) of this subsection; and
 - (iii) "S" is the savings to the charter district as a result of the bond guarantee under §33.67 of this title, which is computed as the difference between the preceding 36-month moving average of the Thomson Reuters Municipal Market Data index yield for the Baa twenty-year maturity and the preceding 36-month moving average of the Thomson Reuters Municipal Market Data index yield for the AAA twenty-year maturity. If the Thomson Reuters Municipal Market Data index is discontinued, the commissioner shall choose another data source for a reasonable period of time until this section can be amended with another acceptable data source.
 - (I) The savings "S" shall remain constant for the life of the newly guaranteed bond.
 - (II) If Thomson Reuters Municipal Market Data index is decomposed to reflect each ratings step within the Baa universe, the savings calculation

shall be based on the charter district's actual rating to the comparable rating in the decomposed index.

- (B) The commissioner will semi-annually compute "S," which is the value to be used to compute "R" for charter district bonds, and post it on the agency's website during the first week of September and March.
- (4) The first payment due under this section is due within 30 days of the closing date. The commissioner will direct the comptroller to withhold the amount of this first payment from the state funds otherwise payable to the charter district, on a date that falls within 30 days of the closing date. If, on that date, the state funds remaining to be paid to the charter district for the year are less than the amount due to the reserve fund for that year, the commissioner will recover the difference as authorized under the TEC, §42.258.
- (5) Each subsequent annual payment is due on the anniversary of the closing date. The commissioner will direct the comptroller to annually, during the month of the anniversary date, withhold the amount due to the reserve fund for that year from the state funds otherwise payable to the charter district. If, on the anniversary date, the state funds remaining to be paid to the charter district for the year are less than the amount due to the reserve fund for that year, the commissioner will recover the difference as authorized under the TEC, §42.258.
- (6) The commissioner will provide a charter district with a statement of the total and annual amounts due under this section within 60 days of the date that the bonds approved for the guarantee under §33.67 of this title are sold. The commissioner will calculate savings for refunding issues, and the refunding portion of combination issues, using the principal amount that is being refunded.
- (7) No payment is due on an anniversary date on which no principal amount is outstanding. The total amount due under this section is the sum of all annual payments due.
- (c) The following provisions apply to charter district bonds guaranteed under §33.67 of this title that receive final approval from the commissioner in the form of the permanent school fund certificate on or after September 1, 2017, provided that such payments shall only be required until the Charter District Bond Guarantee Reserve Fund reaches the limit established under the TEC, §45.0571.
- (1) A charter district that has bonds guaranteed under §33.67 of this title must remit to the commissioner a payment for deposit in the Charter District Bond Guarantee Reserve Fund established under the TEC, §45.0571, as described in paragraph (3) of this subsection.
- (2) To calculate the payment required under paragraph (3) of this subsection, the commissioner will calculate an amount equal to 20% of the savings over the life of the bond to the charter district resulting from the lower interest rate on the bond due to the guarantee by the permanent school fund. The calculation will be based on subsection (b)(3) of this section, but the formula in subsection (b)(3)(A) of this section will read $R = (P \times S \times 0.2) \div (1 + PV)^T$.
- (A) "PV" is the present value discount factor, which is the yield to worst of the Bloomberg Barclays US Aggregate 3-5 Year Bond Index on the last business day of the previous month. If the Bloomberg Barclays US Aggregate 3-5 Year Bond Index is discontinued, the commissioner shall choose another data source for a reasonable period of time until this section can be amended with another acceptable data source.
- (B) "T" is the number of years from the anniversary of the closing date of the bond.
- (C) The payment is equal to the sum of the amount required under subsection (b)(4) of this section and the present value of the amounts required for each year of the bond under subsection (b)(5) of this section.
- (3) The payment due under this section is due within 30 days of the closing date.
- (4) The charter district will estimate the amount due prior to pricing the bonds. The commissioner will provide a charter district with a statement of the amount due under this section after the bonds approved for the guarantee under §33.67 of this title are sold but before they close. The

commissioner will calculate savings for refunding issues, and the refunding portion of combination issues, using the principal amount that is being refunded.

Statutory Authority: The provisions of this §33.1001 issued under the Texas Education Code, §45.0571.

Source: The provisions of this §33.1001 adopted to be effective April 22, 2014, 39 TexReg 3227; amended to be effective February 23, 2017, 42 TexReg 687; amended to be effective October 29, 2017, 42 TexReg 6015.