Sec. 53.01. SHORT TITLE. This chapter may be cited as the Higher Education Facility Authority for Public Schools Act. Acts 1971, 62nd Leg., p. 3072, ch. 1024, art. 1, Sec. 1, eff. Sept. 1, 1971. Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.02. DEFINITIONS. In this chapter:

(1) "City" means an incorporated city or town in this state.

(2) "Governing body" means the council, commission, or other governing body of a city.

(3) "Authority" means a higher education facility authority created under this chapter.

(4) "Board" means the board of directors of an authority.

(5) "Institution of higher education" means any institution of higher education as defined by Subdivision (8) of Section 61.003.

(6) "Educational facility" means a classroom building, laboratory, science building, faculty or administrative office building, or other facility used exclusively for the conduct of the educational and administrative functions of an institution of higher education.

(7) "Housing facility" means a single- or multi-family residence used exclusively for housing or boarding, or housing and boarding students, faculty, or staff members of an institution of higher learning. The term includes infirmary and student union building, but does not include a housing or boarding facility for
the use of a fraternity, sorority, or private club.

(8) "Bond resolution" means the resolution authorizing the issuance of revenue bonds.

(9) "Trust indenture" means the mortgage, deed of trust, or other instrument pledging revenue or property, or creating a mortgage lien on property, or both, to secure the revenue bonds issued by the authority.

(10) "Authorized charter school" means an open-enrollment charter school that holds a charter granted under Subchapter D, Chapter 12, and includes an open-enrollment charter school designated as a charter district as provided by Section 12.135.

(11) "Borrower" means any of the following entities that is the recipient of a loan made under Section 53.34:

(A) an institution of higher education;

(B) a nonprofit corporation:
   (i) incorporated by and under the exclusive control of an institution of higher education; or
   (ii) incorporated and operating for the exclusive benefit of an institution of higher education and authorized by the governing board of the institution to enter into a transaction as a borrower under this chapter; or

(C) an accredited or authorized charter school.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Amended by:

Acts 2011, 82nd Leg., 1st C.S., Ch. 4 (S.B. 1), Sec. 59.19,
SUBCHAPTER B. ADMINISTRATIVE PROVISIONS

Sec. 53.11. CREATION OF AUTHORITY. When the governing body of a city finds that it is to the best interest of the city and its inhabitants to create a higher education facility authority, it shall pass an ordinance creating the authority and designating the name by which it shall be known. If the governing bodies of two or more cities find that it is to the best interest of the cities to create an authority to include those cities, each governing body shall pass an ordinance creating the authority and designating the name by which it shall be known.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.12. TERRITORY. The authority comprises only the territory included within the boundaries of the city or cities creating it.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.13. CORPORATE POWERS. An authority is a body politic and corporate having the power of perpetual succession. It shall have a seal; it may sue and be sued; and it may make, amend, and repeal its bylaws.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.131. AUTHORITY'S EARNINGS. A private person may not share in any of an authority's earnings.
Sec. 53.14. BOARD OF DIRECTORS. (a) The authority shall be governed by a board of directors consisting of not less than 7 nor more than 11 members to be determined at the time of creating the authority. The directors shall be appointed by the governing body of the city or by the governing bodies of the cities, and they shall serve until their successors are appointed as provided by this section. If the authority includes more than one city, each governing body shall appoint an equal number of directors unless otherwise agreed by the cities.

(b) The members of the board serve for two-year terms.

(c) No officer or employee of any such city is eligible for appointment as a director. Directors are not entitled to compensation for services but are entitled to reimbursement for expenses incurred in performing such service.

Sec. 53.15. ORGANIZATION OF BOARD; QUORUM; EMPLOYEES; COUNSEL. (a) The board shall elect from among its members a president and vice president, and shall elect a secretary and a treasurer who may or may not be directors, and may elect other officers as authorized by the authority's bylaws. The offices of secretary and treasurer may be combined.

(b) The president has the same right to vote on all matters as other members of the board.

(c) A majority constitutes a quorum, and when a quorum is present action may be taken by a majority vote of directors present.

(d) The board may employ a manager or executive director of the facilities and other employees, experts, and agents as it sees
fit. It may delegate to the manager the power to employ and discharge employees.

(e) The board may employ legal counsel.

Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

SUBCHAPTER C. POWERS AND DUTIES

Sec. 53.31. NO TAXING POWER. An authority has no power to tax.
Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.32. NO POWER OF EMINENT DOMAIN. The authority does not have the power of eminent domain.
Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.33. LIMITED POWER TO ACQUIRE, OWN, AND OPERATE EDUCATIONAL AND HOUSING FACILITIES. (a) An authority or a nonprofit instrumentality created under Section 53.35(b) may acquire, own, hold title to, lease, or operate an educational facility or housing facility or any facility incidental, subordinate, or related to or appropriate in connection with an educational facility or housing facility, but only if:

(1) the facility is or will be located within the corporate limits of the city that created the authority or nonprofit instrumentality;

(2) the governing body of an institution of higher education officially requests the authority or nonprofit instrumentality to acquire and own the facility for the benefit of
the institution of higher education;

(3) the institution of higher education officially agrees to accept, and has authority to receive legal title to, the facility not later than the date on which any bonds or other obligations issued to acquire the facility are paid in full; and

(4) the ownership of the facility by the authority or the nonprofit instrumentality is approved by official action of the governing body of:

(A) the city that created the authority or nonprofit instrumentality;

(B) the school district in which the facility is or will be located; and

(C) the county in which the facility is or will be located.

(b) An authority or instrumentality that exercises the powers granted by Subsection (a) may contract for the operation of the facility by public or private entities or persons on the terms and conditions set forth in a contract relating to the operation of the facility.

(c) The changes in law made by the amendment of this section by the 78th Legislature, Regular Session, 2003, do not affect the acquisition, ownership, construction, or improvement of a facility, or the acquisition and ownership of land that were approved by official action of the authority or nonprofit corporate instrumentality before March 15, 2003, and the law in effect immediately before the effective date of the amendment of this section by the 78th Legislature, Regular Session, 2003, is continued in effect for that purpose.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.331. REFINANCING FACILITIES. The authority may
refinance any educational or housing facility acquired, constructed, or improved.

Added by Acts 1983, 68th Leg., p. 863, ch. 200, Sec. 6, eff. Aug. 29, 1983.
Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.34. REVENUE BONDS. (a) An authority or a nonprofit instrumentality created under Section 53.35(b), including an authority or nonprofit instrumentality authorized to own facilities under Section 53.33(a), may issue and execute revenue bonds or other obligations to loan or otherwise provide funds to a borrower if:

1. The governing body of the borrower by official action requests the issuer of the bonds or other obligations to loan the proceeds under this subsection;

2. The purpose of the loan is to enable the borrower to acquire, construct, enlarge, extend, repair, renovate, or otherwise improve an educational facility or housing facility or any facility incidental, subordinate, or related to or appropriate in connection with an educational facility or housing facility, or for acquiring land to be used for those purposes, or to create operating and debt service reserves for and to pay issuance costs related to the bonds or other obligations; and

3. Under the terms of the loan, and unless a mortgage lien granted to secure the loan is in default, the ownership of the facility is required to be at all times under the exclusive control, and held for the exclusive benefit, of the borrower.

(b) In issuing revenue bonds or other obligations under this chapter, the issuer of the bonds or other obligations is considered to be acting on behalf of the city by which it was created.

(c) Bonds or other obligations issued under Subsection (a) shall be payable from and secured by a pledge of the revenues, income, or assets pledged for the purpose by the borrower. The bonds or other obligations may be additionally secured by a mortgage, deed of trust, or chattel mortgage on real or personal property, or on both real and personal property, if granted by the
borrower.

(d) A facility financed with the proceeds of a loan or loans made to a borrower under Subsection (a) is not required to be located within the corporate limits of the city that created the issuer of the bonds or other obligations.

(e) An authority or a nonprofit instrumentality that is authorized to acquire and own educational facilities and housing facilities under Section 53.33(a) may issue and execute revenue bonds and other obligations for the purpose of acquiring, owning, and operating the educational and housing facilities, to create operating reserves for the facilities, and to create debt service reserves for and to pay issuance costs related to the bonds or other obligations.

(f) Bonds or other obligations issued under Subsection (e) shall be payable from and secured by a pledge of all or any part of the gross or net revenues to be derived from the operation of the educational facilities and housing facilities being acquired and any other revenues, income, or assets, including the revenues and income of the educational facilities or housing facilities previously acquired or subsequently to be acquired. The bonds or other obligations may be additionally secured by a mortgage, deed of trust, or chattel mortgage on real or personal property, or on both real and personal property, if granted by the authority or nonprofit instrumentality issuing the bonds or other obligations.

(g) The changes in law made by the amendment of this section by the 78th Legislature, Regular Session, 2003, affect and apply only to transactions involving bonds or other obligations that are issued or executed under this chapter on or after March 15, 2003. Bonds or other obligations that are issued or executed under this chapter before March 15, 2003, are governed by the law in effect immediately before the amendment of this section by the 78th Legislature, Regular Session, 2003, and that former law is continued in effect for that purpose.

Sec. 53.35. ISSUANCE OF BONDS; PROCEDURE; ETC. (a) The bonds shall be authorized by resolution adopted by a majority vote of a quorum of the board. Bonds authorized under this section shall be issued in accordance with Chapter 1201, Government Code. The bonds shall mature serially or otherwise in not to exceed 50 years. The rate of interest to be borne by the bonds shall not exceed the maximum rate prescribed by Chapter 1204, Government Code.

(b) In addition to or in lieu of establishing an authority under the provisions of this chapter, the governing body of a city or cities may request or order created one or more nonprofit corporations to act on its behalf and as its duly constituted authority and instrumentality to exercise the powers granted to an authority under the provisions of Sections 53.33 and 53.34. If a nonprofit corporation is created for such purposes or agrees to such request, the directors thereof shall thereafter be appointed and be subject to removal by the governing body of the city or cities. In addition to the powers granted under, and subject to the limitations provided by, Sections 53.33 and 53.34, the corporation shall have all powers granted under the Texas Non-Profit Corporation Act for the purpose of aiding institutions of higher education in providing educational facilities and housing facilities and facilities incidental, subordinate, or related thereto or appropriate in connection therewith. In addition to Sections 53.33 and 53.34 and the Texas Non-Profit Corporation Act, as amended (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes), Sections 53.131, 53.14, 53.15, 53.31, 53.32, 53.331, 53.34, 53.35, 53.38, 53.40, and 53.41 of this code apply to and govern such corporation and its procedures, bonds, and other obligations.

Acts 1971, 62nd Leg., p. 3072, ch. 1024, art. 1, Sec. 1, eff. Sept. 1, 1971. Amended by Acts 1983, 68th Leg., p. 863, ch. 200, Sec. 8,
Sec. 53.351. BONDS FOR OPEN-ENROLLMENT CHARTER SCHOOL FACILITIES. (a) The Texas Public Finance Authority shall establish a nonprofit corporation to act on behalf of the state, as its duly constituted authority and instrumentality, to issue revenue bonds for authorized open-enrollment charter schools for the acquisition, construction, repair, or renovation of educational facilities of those schools.

(b) The Texas Public Finance Authority shall appoint the directors of the corporation in consultation with the commissioner of education and subject to the approval of the governor. Directors serve without compensation but are entitled to reimbursement for travel expenses incurred in attending board meetings. The board shall meet at least once a year.

(c) The corporation has all powers granted under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes), or granted to a nonprofit corporation under the Business Organizations Code, for the purpose of aiding authorized open-enrollment charter schools in providing educational facilities. In addition, Sections 53.131, 53.15, 53.31, 53.32, 53.331, 53.34, 53.35, 53.38, 53.40, and 53.41 apply to and govern the corporation and its procedures and bonds. The corporation may exercise the powers granted to the governing body of an issuer with regard to the issuance of obligations and the execution of credit agreements under Chapter 1371, Government Code.

(d) The corporation shall adopt rules governing the issuance of bonds under this section.

(e) The comptroller shall establish a fund dedicated to the
credit enhancement of bonds issued by any issuer under this subchapter for any open-enrollment charter school. The fund may receive donations. The corporation may also use the money held under this subsection to provide loans or other credit support for the obligations of any open-enrollment charter school issued by any issuer in any manner not inconsistent with the Texas Non-Profit Corporation Act (Article 1396-1.01, Vernon's Texas Civil Statutes), or the provisions of the Business Organizations Code governing nonprofit corporations. The obligation of the fund is limited to an amount equal to the balance of the fund.

(f) Except as provided by Subsection (f-1), a revenue bond issued under this section is not a debt of the state or any state agency, political corporation, or political subdivision of the state and is not a pledge of the faith and credit of any of these entities. A revenue bond is payable solely from the revenue of the authorized open-enrollment charter school on whose behalf the bond is issued. A revenue bond issued under this section must contain on its face a statement to the effect that:

(1) neither the state nor a state agency, political corporation, or political subdivision of the state is obligated to pay the principal of or interest on the bond; and

(2) neither the faith and credit nor the taxing power of the state or any state agency, political corporation, or political subdivision of the state is pledged to the payment of the principal of or interest on the bond.

(f-1) Subsection (f) does not apply to a revenue bond issued under this section for a charter district if the bond is approved for guarantee by the permanent school fund under Subchapter C, Chapter 45.

(g) An educational facility financed in whole or in part under this section is exempt from taxation if the facility:

(1) is owned by an authorized open-enrollment charter school;

(2) is held for the exclusive benefit of the school; and

(3) is held for the exclusive use of the students, faculty, and staff members of the school.
Sec. 53.352. LIMITATION ON LIABILITY OF CORPORATION. A director, officer, or employee of the nonprofit corporation established by the Texas Public Finance Authority under Section 53.351 is not personally liable:

(1) for damage, loss, or injury resulting from the performance of the person's duties under Section 53.351; or

(2) on any commitment or agreement executed on behalf of the corporation under Section 53.351.

Added by Acts 2015, 84th Leg., R.S., Ch. 800 (H.B. 2851), Sec. 2, eff. June 17, 2015.
for taxation to the city in which such property is located or situated, requesting an election on the proposition for the issuance of the bonds, the bonds shall not be issued unless an election is held and a majority vote is in favor of the bonds. The election shall be called and held in accordance with the procedure prescribed in Chapter 1251, Government Code, with the board and the president and secretary performing the functions there assigned to the governing body of the city, the mayor and city secretary, respectively. If no such petition is filed, the bonds may be issued without an election. However, the board may call an election on its own motion without the filing of the petition.

Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.37. JUNIOR LIEN BONDS; PARITY BONDS. Bonds constituting a junior lien on the net revenue or properties may be issued unless prohibited by the bond resolution or trust indenture. Parity bonds may be issued under conditions specified in the bond resolution or trust indenture.

Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.38. RESERVES FOR OPERATING AND OTHER EXPENSES. Money for the payment of not more than two years' interest on the bonds and an amount estimated by the board to be required for operating expenses during the first year of operation may be set aside for those purposes out of the proceeds from the sale of the bonds.

Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.
Sec. 53.39. REFUNDING BONDS. Bonds may be issued for the purpose of refunding outstanding bonds in the manner provided in this chapter for other bonds, and may be exchanged by the comptroller or sold and the proceeds applied in accordance with the procedure prescribed by Subchapter B or C, Chapter 1207, Government Code.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.40. APPROVAL OF BONDS; REGISTRATION; NEGOTIABILITY.

(a) Bonds issued under this chapter and the record relating to their issuance shall be submitted to the attorney general, and if the attorney general finds that they have been issued in accordance with this chapter and constitute valid and binding obligations of the authority and are secured as recited therein, the attorney general shall approve them, and they shall be registered by the comptroller of public accounts, who shall certify the registration thereon. Thereafter they are incontestable. The bonds shall be negotiable and shall contain the following provision: "The holder hereof shall never have the right to demand payment thereof out of money raised or to be raised by taxation." If the attorney general does not find that the bonds have been issued in accordance with this chapter and constitute valid and binding obligations of the authority and are secured as recited therein, the attorney general may not approve the bonds, and the bonds may not be registered by the comptroller.

(b) When bonds to be issued to benefit an institution of higher education and the record relating to their issuance are submitted to the attorney general, the authority shall deliver notice of that action to the governor, the lieutenant governor, the speaker of the house of representatives, and the Legislative Budget Board. The notice must include the amount of the bonds to be issued and a description of the facilities to be financed from the bond...
(c) The attorney general has sole authority to review the record of public notice and hearings relating to any bond financing an educational facility for an authorized charter school, and the attorney general may issue an approval as required by Section 147(f), Internal Revenue Code of 1986.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 849 (S.B. 2240), Sec. 2, eff. June 19, 2009.

Acts 2019, 86th Leg., R.S., Ch. 1193 (H.B. 4258), Sec. 1, eff. June 14, 2019.

Sec. 53.41. AUTHORIZED INVESTMENTS. All bonds issued under this chapter are legal and authorized investments for all banks, savings banks, trust companies, building and loan associations, savings and loan associations, and insurance companies of all kinds and types, and for the interest and sinking funds and other public funds of any issuer. The bonds are also eligible and lawful security for all deposits of public funds of the State of Texas and of any issuer, to the extent of the value of the bonds, when accompanied by any unmatured interest coupons appurtenant to them.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.42. INVESTMENT OF FUNDS; SECURITY. To the extent it is applicable, the law as to the security for and the investment of funds, applicable to cities, controls the investment of funds belonging to authority. The bond resolution or the indenture or both may further restrict the making of investments. The authority may invest the proceeds of its bonds, until the money is needed, in the direct obligations of or obligations unconditionally
guaranteed by the United States, to the extent authorized in the bond resolution or indenture or in both.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.43. DEPOSITORIES. The authority may select a depository or depositories according to the procedures provided by law for the selection of city depositories, or it may award its depository contract to the same depository or depositories selected by the city or cities and on the same terms.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.44. OPERATION OF FACILITIES; RATES CHARGED; RESERVE FUNDS. (a) The facilities may be operated by the authority without the intervention of private profit for the use and benefit of the public, or may be leased to an institution of higher education, or may be operated by the institution under a contract with the authority, the lease or contract to be in effect until any revenue bonds issued in connection with it have been finally retired.

(b) The board shall charge rates for the use of the facilities, or for their lease or operation, that are fully sufficient to pay all expenses in connection with the ownership, operation, and upkeep of the facilities, to pay the interest on the bonds as it becomes due, to create a sinking fund to pay the bonds as they become due, and to create and maintain a bond reserve fund and other funds and reserves that may be provided in the bond resolution or trust indenture. The bond resolution or trust indenture may prescribe systems, methods, routines, and procedures under which the facilities shall be operated.


Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701),
Sec. 1, eff. September 1, 2005.

Sec. 53.45. TRANSACTIONS WITH OTHER AGENCIES AND PERSONS. The authority may borrow money and accept grants from, and enter into contracts, leases, or other transactions with the United States, the State of Texas, any municipal corporation in the state, and any public or private person or corporation resident or authorized to do business in the state.
Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.46. AUTHORITY EXEMPT FROM TAXATION. Because the property owned by authority will be held for educational purposes only and will be devoted exclusively to the use and benefit of the students, faculty, and staff members of an accredited institution of higher education, it is exempt from taxation of every character.
Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.

Sec. 53.48. BONDS FOR AUTHORIZED CHARTER SCHOOLS. In the same manner that a corporation may issue and execute bonds or other obligations under this chapter for an institution of higher education, a corporation created under Section 53.35(b) may issue and execute bonds or other obligations to finance or refinance educational facilities to be used by an authorized charter school.
Added by Acts 1995, 74th Leg., ch. 18, Sec. 1, eff. Aug. 28, 1995.
Amended by Acts 1997, 75th Leg., ch. 1232, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1335, Sec. 5, eff. June 19, 1999; Acts 2003, 78th Leg., ch. 1266, Sec. 1.09, eff. June 20, 2003; Acts 2003, 78th Leg., ch. 1310, Sec. 11, eff. June 20, 2003.
Reenacted and amended by Acts 2005, 79th Leg., Ch. 641 (H.B. 2701), Sec. 1, eff. September 1, 2005.