BILL ANALYSIS

DIGEST AND PURPOSE

The 76th Texas Legislature enacted S.B. 1091, allowing school districts and college districts voter authorized debt to be sold at either a competitive or a negotiated sale. This additional method of sale was designed to give the entities issuing debt another, equally beneficial method of sale and allow greater flexibility in debt structuring so as to provide certain benefits. The attorney general has interpreted the law so as to treat the commissions paid in negotiated sales differently than in those paid competitive sales. Under this interpretation, commissions paid on negotiated sales must be paid from the voter-approved debt amount. S.B. 876 allows commissions on certain negotiated bond sales to be paid above the vote-authorized amount.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 1201, Government Code, by adding Section 1201.029, as follows:

> Sec. 1201.029. COMMISSIONS NOT TO BE PAID FROM PRINCIPAL. Provides that in a public or private sale of public securities the principal amount of which is limited by law, by voted authorization, or by other means, for purposes of determining whether the principal amount of the public securities that are issued exceeds the limitation, amounts produced by the initial purchaser through market pricing of the public securities when the public securities are resold by the initial purchaser are not considered proceeds of the issuer if the amounts constitute all or part of the compensation of the initial purchaser.

SECTION 2. (a) Effective date: upon passage or September 1, 2003.

> (b) Provides that Section 1201.029, Government Code, as added by this Act, applies to bonds approved by voters before the effective date of this act if the bonds are issued on or after the effective date of this Act.