

BILL ANALYSIS

S.B. 1332
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Financial Institutions
Committee Report (Unamended)

BACKGROUND AND PURPOSE

It is necessary to improve the state's debt management and oversight by providing for a more comprehensive review of state debt; assisting with the challenges presented in a decentralized debt structures to improve communication among entities involved in the debt process; and strengthening and refining the oversight functions involving and related to state bonds issuance.

S.B. 1332 requires the Bond Review Board to complete an annual debt affordability study (DAS) regarding the state's current debt burden, to identify additional not self-supporting debt that the state can accommodate and monitor how annual changes and new debt authorizations affect certain economic indicators. The bill also improves the oversight of the board by requiring entities' cost issuance information to be submitted to the board for approval, service providers to submit a request for proposals to the board, and issuers who want to enter into interest rate management agreements to gain approval by the board before entering the interest rate management agreements.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1332 amends Section 1201.027, Government Code, by adding Subsection (d), requiring an issuer of a state security, as defined by Section 231.001, that selects or contracts with a person to provide services under Subsection (a) to submit, on request, to the Bond Review Board (board) the request for proposals to provide the services not later than the seventh day before the date the request for proposals is published; each final proposal received to provide the services before a contract for the services is entered into by the issuer; and an executed contract entered into by an issuer for services under Subsection (a).

S.B. 1332 amends Subchapter C, Chapter 1231, Government Code, by adding Section 1231.045, prohibiting an entity that issues a state security from entering into an interest rate management agreement related to the security unless certain conditions exist, subject to the procedures provided by Sections 1231.042 and 1231.043. S.B. 1332 also provides that this section does not apply to an issuer that, before November 1, 2006, has entered into at least three interest rate management agreements; or one or more interest rate management agreements with notional amounts totaling at least \$400 million.

S.B. 1332 amends Subchapter D, Chapter 1231, Government Code, by adding Section 1231.063, requiring the board, in consultation with the Legislative Budget Board, to annually prepare a study (study) regarding the state's current debt burden by analyzing certain information, and monitoring how annual changes and new debt authorizations affect the mechanism described in Subsection (b). S.B. 1332 requires the study to include a mechanism that can be used to determine, at a minimum, the state's debt affordability and serve as a guideline for debt authorizations and debt service appropriations. S.B. 1332 also requires the mechanism to be designed to calculate the not self-supporting debt service as a percentage of unrestricted revenues, the ratio of not self-supporting debt to personal income, the amount of not self-supporting debt per capita; the rate of debt retirement, and the ratio of not self-supporting debt service to budgeted or expended general revenue. S.B. 1332 requires the board, not later than December 1 of each year, to submit the study to certain government officials and requires the

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study submitted under Subsection (c) to include a target and limit ratio for not self-supporting debt service as a percentage of unrestricted revenues.

S.B. 1332 provides that Sections 1201.027(d) and 1231.045, Government Code, as added by this Act, apply only to a contract for which the solicitation of applicable bids, offers, qualifications, proposals, or other similar expressions of interest is published on or after September 1, 2007, or if none of the above mentioned solicitations is published in relation to the contract, a contract entered on or after September 15, 2007.

EFFECTIVE DATE

September 1, 2007.