

BILL ANALYSIS

Senate Research Center
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S.B. 1332
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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.

As proposed, S.B. 1332 requires the Bond Review Board to complete an annual debt affordability study (DAS) to identify additional debt capacity and monitor the state's debt burden; create a debt management committee composed of a variety of entities involved in the state's debt process to facilitate communication among these entities and provide guidance in the creation of policies; and integrate capital planning in DAS. 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 swap agreements to gain approval by the board before entering the interest rate swap agreements.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Bond Review Board in SECTION 2 (Section 1231.025, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1201.027, Government Code, by adding Subsections (d) and (e), as follows:

(d) Provides that Subsection (a) (requiring each entity that issues a state security to report to the bond review board its security transactions) does not impair the authority of the Bond Review Board (board) to approve issuance costs under Section 1231.081 (General Requirements) for services described by Subsection (a).

(e) Requires 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 to the 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 documentation required by the board relating to a contract entered into by an issuer for services under Subsection (a), including an explanation for the selection of the service provider, not later than the seventh day after the date the issuer entered into the contract.

SECTION 2. Amends Subchapter B, Chapter 1231, Government Code, by adding Sections 1231.024 and 1231.025, as follows:

Sec. 1231.024. DEBT MANAGEMENT COMMITTEE. (a) Provides that the debt management committee is created to provide the board with expertise on debt-related issues, matters, and concerns; assistance on debt-related projects, as necessary; policy guidance for the debt affordability study required under Section 1231.063 (Debt Affordability Study); and assistance and expertise on evaluating and ranking capital project proposals under Section 1231.025 (Capital Project Evaluation).

(b) Provides that the committee consists of one representative of state issuers, selected by the executive director of the board, and one representative from each of certain entities.

(c) Provides that Chapter 2110 (State Agency Advisory Committees) does not apply to the committee.

Sec. 1231.025. CAPITAL PROJECT EVALUATION. (a) Requires the board by rule to develop procedures for evaluating and ranking by priority each capital project proposal by using objective criteria to compare each proposal to other proposals.

(b) Requires state agencies to comply with a rule adopted under Subsection (a) requiring the submission of capital project proposals to the board.

SECTION 3. Amends Subchapter C, Chapter 1231, Government Code, by adding Section 1231.045, as follows:

Sec. 1231.045. INTEREST RATE SWAP AGREEMENTS. Prohibits an entity that issues a state security from entering into an interest rate swap agreement related to the security unless certain conditions exist, subject to the procedures provided by Sections 1231.042 and 1231.043.

SECTION 4. Amends Subchapter D, Chapter 1231, Government Code, by adding Section 1231.063, as follows:

Sec. 1231.063. DEBT AFFORDABILITY STUDY. (a) Requires the board, in consultation with the Texas Public Finance Authority and the Legislative Budget Board, to annually prepare a study (study) regarding the state's current debt burden by analyzing certain pertinent information, and monitoring how annual changes and new debt authorizations affect the mechanism described in Subsection (b).

(b) Requires the study to include a mechanism that can be used to determine the state's debt affordability and serve as a guideline for debt authorizations and debt service appropriations. Requires the mechanism to calculate the 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.

(c) Requires the board, not later than December 1 of each year, to submit the study to certain government officials.

(d) Requires the study submitted under Subsection (c) to include a target and limit for debt service as a percentage of unrestricted revenues.

SECTION 5. Amends Section 1231.081, Government Code, by adding Subsection (d) to require each entity that issues a state security to submit to the board for prior approval all proposed issuance costs described by Subsection (c) while planning the issuance of the state security.

SECTION 6. Amends Section 2306.351, Government Code, by adding Subsection (e) to require the board to approve an interest rate swap agreement authorized under this section before the department may enter into the agreement.

SECTION 7. Amends Section 161.074, Natural Resources Code, by adding Subsection (d) to require the board to approve an interest rate swap agreement authorized under Subsection (a) before the board may enter into the agreement.

SECTION 8. Amends Section 162.052, Natural Resources Code, by adding Subsection (d) to require the board to approve an interest rate swap agreement authorized under Subsection (a) before the board may enter into the agreement.

SECTION 9. Amends Section 164.010, Natural Resources Code, by adding Subsection (d) to require the board to approve an interest rate swap agreement authorized under Subsection (a) before the board is authorized to enter into the agreement.

SECTION 10. Makes application of Section 1231.025, Government Code, as added by this Act, prospective.

SECTION 11. Provides that Sections 1201.027(e), 1231.045, 1231.081(d), and 2306.351(e), Government Code, and Sections 161.074(d), 162.052(d), and 164.010(d), Natural Resources 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.

SECTION 12. Requires the board to comply with Section 1231.025, Government Code, as added by this Act, not later than October 1, 2007.

SECTION 13. Effective date: September 1, 2007.