

By: West

S.B. No. 1332

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the establishment of debt management policies and
3 guidelines by the Bond Review Board, including the approval by the
4 board of certain interest rate management agreements.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 1201.027, Government Code, is amended by
7 adding Subsection (d) to read as follows:

8 (d) An issuer of a state security, as defined by Section
9 1231.001, that selects or contracts with a person to provide
10 services under Subsection (a) shall, on request, submit to the Bond
11 Review Board:

12 (1) the request for proposals to provide the services
13 not later than the date the request for proposals is published;

14 (2) each final proposal received to provide the
15 services before a contract for the services is entered into by the
16 issuer; and

17 (3) an executed contract entered into by an issuer for
18 services under Subsection (a).

19 SECTION 2. Subchapter C, Chapter 1231, Government Code, is
20 amended by adding Section 1231.045 to read as follows:

21 Sec. 1231.045. INTEREST RATE MANAGEMENT AGREEMENTS.

22 (a) Subject to the procedures provided by Sections 1231.042 and
23 1231.043, an entity that issues a state security may not enter into
24 an interest rate management agreement related to the state security

1 unless:

2 (1) the board approves the agreement; or

3 (2) the related security is exempted under Section
4 1231.022(2).

5 (b) This section does not apply to an issuer that, before
6 November 1, 2006, has entered into:

7 (1) at least three interest rate management
8 agreements; or

9 (2) one or more interest rate management agreements
10 with notional amounts totaling at least \$400 million.

11 SECTION 3. Subchapter D, Chapter 1231, Government Code, is
12 amended by adding Section 1231.063 to read as follows:

13 Sec. 1231.063. DEBT AFFORDABILITY STUDY. (a) The board,
14 in consultation with the Legislative Budget Board, shall annually
15 prepare a study regarding the state's current debt burden by:

16 (1) analyzing the state's historical debt use and
17 financial and economic resources to determine the amount of
18 additional not self-supporting debt the state can accommodate; and

19 (2) monitoring how annual changes and new debt
20 authorizations affect the mechanism described in Subsection (b).

21 (b) The study must include a mechanism that can be used to
22 determine, at a minimum, the state's debt affordability and serve
23 as a guideline for debt authorizations and debt service
24 appropriations. The mechanism must be designed to calculate:

25 (1) the not self-supporting debt service as a
26 percentage of unrestricted revenues;

27 (2) the ratio of not self-supporting debt to personal

1 income;

2 (3) the amount of not self-supporting debt per capita;

3 (4) the rate of debt retirement; and

4 (5) the ratio of not self-supporting debt service to
5 budgeted or expended general revenue.

6 (c) Not later than December 1 of each year, the board shall
7 submit the annual study to:

8 (1) the governor;

9 (2) the comptroller;

10 (3) the presiding officer of each house of the
11 legislature; and

12 (4) the Senate Committee on Finance and House
13 Appropriations Committee.

14 (d) The annual study submitted under Subsection (c) must
15 include a target and limit ratio for not self-supporting debt
16 service as a percentage of unrestricted revenues.

17 SECTION 4. Subsection (d), Section 1201.027 and Section
18 1231.045, Government Code, as added by this Act, apply only to:

19 (1) a contract for which the solicitation of
20 applicable bids, offers, qualifications, proposals, or other
21 similar expressions of interest is published on or after September
22 1, 2007; or

23 (2) if no solicitation described by Subdivision (1) of
24 this section is published in relation to the contract, a contract
25 entered into on or after September 15, 2007.

26 SECTION 5. This Act takes effect September 1, 2007.