

1-1 By: West S.B. No. 1332  
1-2 (In the Senate - Filed March 7, 2007; March 19, 2007, read  
1-3 first time and referred to Committee on Finance; April 25, 2007,  
1-4 reported adversely, with favorable Committee Substitute by the  
1-5 following vote: Yeas 15, Nays 0; April 25, 2007, sent to printer.)

1-6 COMMITTEE SUBSTITUTE FOR S.B. No. 1332 By: Eltife

1-7 A BILL TO BE ENTITLED  
1-8 AN ACT

1-9 relating to the establishment of debt management policies and  
1-10 guidelines by the Bond Review Board, including the approval by the  
1-11 board of certain interest rate management agreements.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Section 1201.027, Government Code, is amended by  
1-14 adding Subsection (d) to read as follows:

1-15 (d) An issuer of a state security, as defined by Section  
1-16 1231.001, that selects or contracts with a person to provide  
1-17 services under Subsection (a) shall, on request, submit to the Bond  
1-18 Review Board:

1-19 (1) the request for proposals to provide the services  
1-20 not later than the date the request for proposals is published;

1-21 (2) each final proposal received to provide the  
1-22 services before a contract for the services is entered into by the  
1-23 issuer; and

1-24 (3) an executed contract entered into by an issuer for  
1-25 services under Subsection (a).

1-26 SECTION 2. Subchapter C, Chapter 1231, Government Code, is  
1-27 amended by adding Section 1231.045 to read as follows:

1-28 Sec. 1231.045. INTEREST RATE MANAGEMENT AGREEMENTS.

1-29 (a) Subject to the procedures provided by Sections 1231.042 and  
1-30 1231.043, an entity that issues a state security may not enter into  
1-31 an interest rate management agreement related to the state security  
1-32 unless:

1-33 (1) the board approves the agreement; or

1-34 (2) the related security is exempted under Section  
1-35 1231.022(2).

1-36 (b) This section does not apply to an issuer that, before  
1-37 November 1, 2006, has entered into:

1-38 (1) at least three interest rate management  
1-39 agreements; or

1-40 (2) one or more interest rate management agreements  
1-41 with notional amounts totaling at least \$400 million.

1-42 SECTION 3. Subchapter D, Chapter 1231, Government Code, is  
1-43 amended by adding Section 1231.063 to read as follows:

1-44 Sec. 1231.063. DEBT AFFORDABILITY STUDY. (a) The board,  
1-45 in consultation with the Legislative Budget Board, shall annually  
1-46 prepare a study regarding the state's current debt burden by:

1-47 (1) analyzing the state's historical debt use and  
1-48 financial and economic resources to determine the amount of  
1-49 additional not self-supporting debt the state can accommodate; and

1-50 (2) monitoring how annual changes and new debt  
1-51 authorizations affect the mechanism described in Subsection (b).

1-52 (b) The study must include a mechanism that can be used to  
1-53 determine, at a minimum, the state's debt affordability and serve  
1-54 as a guideline for debt authorizations and debt service  
1-55 appropriations. The mechanism must be designed to calculate:

1-56 (1) the not self-supporting debt service as a  
1-57 percentage of unrestricted revenues;

1-58 (2) the ratio of not self-supporting debt to personal  
1-59 income;

1-60 (3) the amount of not self-supporting debt per capita;

1-61 (4) the rate of debt retirement; and

1-62 (5) the ratio of not self-supporting debt service to  
1-63 budgeted or expended general revenue.

2-1 (c) Not later than December 1 of each year, the board shall  
2-2 submit the annual study to:

2-3 (1) the governor;

2-4 (2) the comptroller;

2-5 (3) the presiding officer of each house of the  
2-6 legislature; and

2-7 (4) the Senate Committee on Finance and House  
2-8 Appropriations Committee.

2-9 (d) The annual study submitted under Subsection (c) must  
2-10 include a target and limit ratio for not self-supporting debt  
2-11 service as a percentage of unrestricted revenues.

2-12 SECTION 4. Subsection (d), Section 1201.027 and Section  
2-13 1231.045, Government Code, as added by this Act, apply only to:

2-14 (1) a contract for which the solicitation of  
2-15 applicable bids, offers, qualifications, proposals, or other  
2-16 similar expressions of interest is published on or after September  
2-17 1, 2007; or

2-18 (2) if no solicitation described by Subdivision (1) of  
2-19 this section is published in relation to the contract, a contract  
2-20 entered into on or after September 15, 2007.

2-21 SECTION 5. This Act takes effect September 1, 2007.

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