

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 25, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: SB1332 by West, Royce (Relating to the establishment of debt management policies and guidelines by the Bond Review Board, including the approval by the board of certain rate management agreements.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated. The Bond Review Board (BRB) should be able to perform the duties of this bill within existing agency resources.

The bill would implement two recommendations in the *LBB Government Effectiveness and Efficiency Report* entitled "Enhance the Management and Oversight of State Debt." The goal of these recommendations is to improve the management and oversight of state debt by establishing or expanding the duties of the Bond Review Board (BRB) and other agencies with a role in the debt management process. The bill also includes a change to address interest rate management agreements.

SECTION 1 amends the Government Code, Section 1201.027 by requiring issuers of a state security to submit to the BRB upon request documents relating to the selection of services. The bill would require that issuers submit: 1) their request for proposals (RFPs) not later than the date the request for proposals is published; 2) copies of each final proposal received prior to entering into a contract for such services; and 3) an executed contract entered into by an issuer for services.

SECTION 2 amends the Government Code, Chapter 1231 by adding Section 1231.045, which requires that an entity that issues a state security may not enter into an interest rate management agreement related to a state security unless the board approves the agreement or the related security is exempted under Section 1231.022 (2). This section would 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.

SECTION 3 amends the Government Code, Chapter 1231 by adding Section 1231.063. This requires the Board, in consultation with the Legislative Budget Board, to annually prepare a debt affordability study and prescribes the mechanism to be included within that study. The study would be required to be submitted no later than December 1 of each year to the governor, comptroller, presiding officer of each house of the legislature, as well as the Senate Finance and House Appropriations Committees. The annual study must include a target and limit for debt service as a percentage of unrestricted revenues.

This Act would take effect September 1, 2007.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 352 Bond Review Board

LBB Staff: JOB, CT, JI, EM, JJO