BILL ANALYSIS

Senate Research Center
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S.B. 1188
By: Huffman
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, state agencies and political subdivisions in Texas are investing in credit management agreements commonly known as swaps. There are many different types of swaps, such as credit default swaps, interest rate swaps, and currency swaps. It is unclear how many state agencies and political subdivisions use credit management agreements, and to what extent.

Since investing in credit management agreements is risky, S.B. 1188 requires the comptroller of public accounts of the State of Texas to conduct a study to fully understand the extent of use of credit management agreements by governmental entities.

S.B. 1188 requires that a report be submitted by December 1, 2014, and include an explanation of the various types of credit management agreements used by governmental entities, and the benefits and risks of those agreements, including the possible loss of taxpayer money.

As proposed, S.B. 1188 amends current law relating to a study on the use of certain credit management agreements by state agencies and political subdivisions.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. (a) Defines "credit management agreement," "political subdivision," and "state agency" in this section.

(b) Requires the comptroller of public accounts of the State of Texas (comptroller) to conduct a study on the use of credit management agreements by state agencies and political subdivisions. Requires the comptroller, in conducting the study, for each state agency or political subdivision that currently enters into credit management agreements, to consider:

(1) the entity's stated purpose for contracting for credit management;

(2) whether the entity's use of credit management agreements risks the loss of public funds; and

(3) if public funds are at risk as a result of the entity's use of credit management agreements, the extent of the financial risk.

(c) Requires, at the comptroller's request, a state agency or political subdivision to provide information for and assistance in conducting the study under this section.

(d) Requires the comptroller to provide a report on the results of the study to the governor, the lieutenant governor, and the legislature, not later than December 1, 2014. Requires that the report include:

(1) a detailed explanation of:

(A) the various types of credit management agreements used by state agencies and political subdivisions;

(B) the benefits, if any, resulting from the use of credit management agreements, including the enhanced marketability of bonds or other obligations issued by state agencies and political subdivisions; and

(C) the risks, if any, resulting from the use of credit management agreements, including the possible loss of public funds; and

(2) as to each type of credit management agreement examined, the comptroller's evaluation as to whether continued use of that type of agreement should be disallowed because of a risk posed to public funds.

(e) Provides that this section expires August 31, 2015.

SECTION 2. Effective date: upon passage or September 1, 2013.