

By: Huffman

S.B. No. 1188

A BILL TO BE ENTITLED

AN ACT

relating to a study on the use of certain credit management agreements by state agencies and political subdivisions.

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

SECTION 1. (a) In this section:

(1) "Credit management agreement" means:

(A) an interest rate swap agreement;

(B) an interest rate lock agreement;

(C) a currency swap agreement;

(D) a forward payment conversion agreement;

(E) an agreement to provide payments based on levels of or changes in interest rates or currency exchange rates;

(F) an agreement to exchange cash flows or a series of payments;

(G) an option, put, or call to hedge payment, currency, rate, spread, or other exposure; or

(H) another agreement that enhances the marketability, security, or creditworthiness of bonds or notes.

(2) "Political subdivision" means a county, municipality, school district, junior college district, hospital district, or other special purpose district in this state.

(3) "State agency" means a department, board, bureau, commission, committee, division, office, council, or other agency of the state, including an institution of higher education as

1 defined by Section 61.003, Education Code.

2 (b) The comptroller of public accounts shall conduct a study
3 on the use of credit management agreements by state agencies and
4 political subdivisions. In conducting the study, for each state
5 agency or political subdivision that currently enters into credit
6 management agreements, the comptroller must consider:

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

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

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

14 (c) At the comptroller's request, a state agency or
15 political subdivision shall provide information for and assistance
16 in conducting the study under this section.

17 (d) Not later than December 1, 2014, the comptroller shall
18 provide a report on the results of the study to the governor, the
19 lieutenant governor, and the legislature. The report must include:

20 (1) a detailed explanation of:

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

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

27 (C) the risks, if any, resulting from the use of

1 credit management agreements, including the possible loss of public
2 funds; and

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

7 (e) This section expires August 31, 2015.

8 SECTION 2. This Act takes effect immediately if it receives
9 a vote of two-thirds of all the members elected to each house, as
10 provided by Section 39, Article III, Texas Constitution. If this
11 Act does not receive the vote necessary for immediate effect, this
12 Act takes effect September 1, 2013.