

BILL ANALYSIS

Senate Research Center

S.B. 1657
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Commercial paper is a short-term debt tool that can be issued for up to 270 days and has been used by the state only five times since 1986 to assist in the management of the state's cash flow needs. The Cash Management Committee must authorize the use of commercial paper along with the Tax and Revenue Anticipation Notes (TRAN).

A 2011 legislative change aimed at improving the transparency of the Cash Management Committee has led the Office of the Attorney General to determine that the reissuance or "rollover" of commercial paper is no longer permissible.

While commercial paper is not used frequently, the comptroller of public accounts of the State of Texas (comptroller) would like to have the flexibility to use commercial paper if necessary.

S.B. 1657 adds commercial paper as a short-term debt tool, once again giving the comptroller an option available prior to fiscal year 2012.

As proposed, S.B. 1657 amends current law relating to approval of the issuance of Tax and Revenue Anticipation Notes.

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. Amends Section 404.121(4), Government Code, to redefine "tax and revenue anticipation notes" and "notes" to mean notes issued under this section, including any commercial paper notes and any obligations under credit agreements entered into by the comptroller of public accounts of the State of Texas (comptroller) in connection with the issuance of the notes.

SECTION 2. Amends Section 404.124, Government Code, by amending Subsections (b) and (b-1) and adding Subsection (b-2), as follows:

(b) Authorizes the cash management committee (committee), based on the forecast and testimony provided at the hearing required by Subsection (a) (requiring the comptroller, before issuing notes, to submit to the committee a general revenue cash flow shortfall forecast, based on the comptroller's most recent anticipated revenue estimate), to approve the issuance of notes, subject to Subsections (b-1), (b-2) and (c) (authorizing the committee to determine whether the notes will be sold on a negotiated or competitive bid basis), and the maximum outstanding balance of notes in any fiscal year. Prohibits the outstanding balance from exceeding the maximum temporary cash shortfall forecast by the comptroller for any period in the fiscal year. Prohibits the comptroller from issuing notes in excess of the amount approved.

(b-1) Provides that, except as provided in Subsection (b-2), the committee's approval of the issuance of notes granted under Subsection (b) expires on the 91st day after the date

the hearing conducted under Subsection (a) concludes. Prohibits the comptroller from issuing notes on or after the 91st day unless the comptroller submits another general revenue cash flow shortfall forecast to the committee and the committee subsequently grants approval for the issuance of the notes in accordance with the procedure required by Subsections (a) and (b). Provides that each subsequent approval expires on the 91st day, rather than 61st day, after the date the hearing on which the approval was based concludes.

(b-2) Provides that the committee's approval of the issuance of commercial paper notes expires on the last day of the fiscal year for which the tax and revenue anticipation notes are approved, providing for the issuance and rollover of commercial paper notes during that fiscal year. Requires that all commercial paper notes mature and be paid in full in accordance with Section 404.123(d) (requiring that all notes mature and be paid in full during the fiscal biennium in which they were issued).

SECTION 3. Effective date: upon passage or September 1, 2015.