

BILL ANALYSIS

Senate Research Center

S.B. 1482
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Natural Resources
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1482 gives water districts the opportunity to choose whether to issue debt at a competitive sale or a negotiated sale. This is the same financial opportunity afforded to many other political subdivisions, including state agencies, school districts, counties, cities, and emergency services districts.

Section 49.183 (Bond Sales) of the Water Code requires water districts to sell new money bonds by competitive bid sale, a limitation typically not imposed on most other issuers of public securities in the State of Texas. Additionally, in November 2011, the Municipal Securities Rulemaking Board (MSRB) amended its Rule G-23 to prohibit a financial advisory firm from bidding on an issuer's bonds in a competitive bid sale if it serves as the financial advisor to the issuer. The amended MSRB rule has led to fewer firms bidding on water district bonds, thereby limiting the competition among bidders. This primarily impacts developing water districts that are unrated, putting unrated water districts at a potential disadvantage when receiving only one or two bids in a competitive bid sale.

By exempting water districts from the specific competitive sale requirements provided under Sections 49.183(a) and (b) of the Water Code, S.B. 1482 allows a water district to choose the method of sale that will be most advantageous to it by providing the lowest possible interest rates available in the bond market at the time of sale. Because lower interest rates translate to lower taxes and public fees, granting this flexibility will result in a direct benefit to the district's taxpayers and customers.

As proposed, S.B. 1482 amends current law relating to the issuance of a public security.

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 1201.022(a), Government Code, to authorize a public security, notwithstanding any other law to the contrary including Section 49.183(a) (relating to requiring bonds issued by a district to be sold after advertising for and receiving competitive sealed bids and are required to be awarded to the bidder whose bid produces the lowest net effective interest rate) and (b) (relating to requiring the governing board of a district to publish an appropriate notice of a sale of bonds sold) of the Texas Water Code, to be issued singly or in a series; made payable in a specified amount or amounts or installments to the bearer, a registered or named person, the order of a registered or named person, or a successor or assign of a registered or named person; issued to be sold a public or private sale and under the terms determined by the governing body of the issuer to be in the issuer's best interests; and issued with other specified characteristics, on additional specified terms, or in a specified manner.

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