

BILL ANALYSIS

Senate Research Center
77R9831 SGA-F

H.B. 3357
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Business & Commerce
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Engrossed

DIGEST AND PURPOSE

Under current law, the board of directors of a river authority engaged in the distribution and sale of electric energy is authorized to create a nonprofit corporation to act on behalf of the river authority as its authority and instrumentality. Such a nonprofit corporation has most of the same powers as the creating river authority, including the issuance of the bonds and public securities. However, it may take time for a newly formed nonprofit corporation to develop credit ratings suitable for the issuance of bonds and other securities. If a creating river authority was authorized to guarantee the obligations of the nonprofit corporation, the potential lower interest rates and improved marketability might reduce costs to the public. H.B. 3357 authorizes a river authority to guarantee with its own assets public securities and other obligations of a nonprofit corporation established by the authority.

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 Chapter 152B, Water Code, by adding Section 152.058, as follows:

Sec. 152.058. GUARANTEE AND OTHER CREDIT SUPPORT RELATING TO PUBLIC SECURITIES AND OTHER OBLIGATIONS. Defines "public security."

Authorizes a river authority that has created a corporation under Section 152.051 to guarantee or otherwise provide credit support, under Section 52-a, Article III, Texas Constitution, for any public security or other obligation or contract of that corporation if the board of directors of the river authority (board) determines that the guarantee or other credit agreement meets certain criteria. Provides that a determination of the board under this section is conclusive. Authorizes a guarantee or other credit agreement authorized by this section to provide for the guarantee of or other credit support for public securities or other obligations or contracts of the corporation, all or a portion of which may be authorized, executed, and delivered in the future. Provides that Chapter 1202 (Examination and Registration of Public Securities), Government Code, applies to a guarantee or other credit agreement under this section as if the guarantee or other credit agreement were a public security.

SECTION2. Effective date: September 1, 2001.