

BILL ANALYSIS

Senate Research Center
83R24441 SGA-D

C.S.S.B. 1482
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Natural Resources
4/23/2013
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

C.S.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, C.S.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.

C.S.S.B. 1482 amends current law relating to the issuance of a public security by certain special districts.

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, Government Code, by adding Subsection (c), as follows:

(c) Provides that to the extent of any conflict with Sections 49.183(a) (relating to requiring certain bonds issued by a district to be sold after advertising and receiving competitive sealed bids and awarded to the bidder whose bid produces the lowest net effective interest rate) or (b) (relating to requiring the governing body of a district to publish an appropriate notice of sale), Water Code, this section prevails.

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