

GOVERNMENT CODE  
SUBTITLE B. PROVISIONS APPLICABLE TO SECURITIES ISSUED BY STATE  
GOVERNMENT

CHAPTER 1231. BOND REVIEW BOARD  
SUBCHAPTER A. GENERAL PROVISIONS

Sec. 1231.001. DEFINITIONS. In this chapter:

- (1) "Board" means the Bond Review Board.
- (2) "State security" means:
  - (A) an obligation, including a bond, issued by:
    - (i) a state agency;
    - (ii) an entity that is expressly created by statute and has statewide jurisdiction; or
    - (iii) an entity issuing the obligation on behalf of this state or on behalf of an entity described by Subparagraph (i) or (ii); or
  - (B) an installment sale or lease-purchase obligation that is issued by or on behalf of an entity described by Paragraph (A) and that has:
    - (i) a stated term of more than five years;
    - (ii) an initial principal amount of more than \$250,000.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.002. CERTAIN RIGHTS OF ISSUERS NOT AFFECTED. This chapter does not affect the right of an issuer of state securities to select its own bond counsel, underwriter, financial advisor, or other service provider in connection with the issuance of state securities.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

SUBCHAPTER B. BOND REVIEW BOARD

Sec. 1231.021. BOND REVIEW BOARD; PRESIDING OFFICER. (a) The board is composed of:

- (1) the governor;
  - (2) the lieutenant governor;
  - (3) the speaker of the house of representatives; and
  - (4) the comptroller.
- (b) The governor is the presiding officer of the board.
- (c) A member of the board may designate another person to act on the member's behalf.
- (d) If the speaker of the house of representatives is prohibited by the constitution of this state from serving as a voting member, the speaker serves as a nonvoting member.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.0031, eff. Sept. 1, 2001.

Sec. 1231.022. RULES. The board may adopt rules:

- (1) relating to applications for review, the review process, and reporting requirements;
- (2) exempting certain state securities from the application of Subchapter C if the board finds that review of the securities is unnecessary or impractical; and
- (3) delegating to the director of the bond finance office the authority to approve a state security on behalf of the board.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.023. DEBT ISSUANCE POLICIES AND GUIDELINES. (a) The board shall adopt debt issuance policies to guide issuers of state securities and to ensure that state debt is prudently managed. The policies must be sufficiently flexible to allow the state and issuers of state securities to respond to changing economic conditions.

(b) The board shall consult with issuers of state securities in developing the policies.

- (c) The board shall adopt policies that:
- (1) provide a mechanism for evaluating the amount of state debt that can be managed prudently;
  - (2) address opportunities to consolidate debt authority;
  - (3) include guidelines for:
    - (A) appropriate levels of reserves;
    - (B) the types of state security that should be issued under various circumstances; and
    - (C) the terms or structure of a state security;
  - (4) help the board and issuers of state securities to evaluate:

(A) the potential risks involved in the issuance of a state security; and

(B) the effect that the issuance of a state security will have on the finances and on the overall debt position of the issuer and of the state; and

(5) recommend other advisable practices related to the issuance of a state security.

Added by Acts 2001, 77th Leg., ch. 530, Sec. 1, eff. June 11, 2001.

#### SUBCHAPTER C. BOARD APPROVAL OF ISSUANCE OF STATE SECURITY

Sec. 1231.041. APPROVAL OF STATE SECURITY. An entity, including a state agency, may not issue a state security unless:

(1) the board approves the issuance; or

(2) the security is exempted under Section 1231.022(2).

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.042. APPLICATION FOR APPROVAL OF ISSUANCE OF STATE SECURITY. To obtain the approval of the board to issue a state security, a state agency or other entity must:

(1) apply to the board, in the manner prescribed by the board; and

(2) file with the application any information, including documents, required by the board.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.043. APPROVAL OF ISSUANCE. The board shall approve the issuance of a state security if, after examining the application and documents or items of information required by the board, the board determines that the issuance is advisable.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.044. STATE AUDITOR REVIEW OF STATE SECURITY PROCEEDS; REPORT. (a) On the board's request, the state auditor shall review the disposition of state security proceeds.

(b) The state auditor shall prepare a report of the review and file a copy of the report with:

(1) the board;

(2) the governor;

(3) the lieutenant governor;

(4) the speaker of the house of representatives;

(5) the secretary of state; and

(6) each member of the legislature.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Amended by Acts 1999, 76th Leg., ch. 1064, Sec. 12, eff. Sept. 1, 1999.

#### SUBCHAPTER D. REPORTS TO LEGISLATURE

Sec. 1231.061. REVIEW OF CERTAIN UNISSUED STATE SECURITIES; BIENNIAL REPORT TO LEGISLATURE. (a) The board shall review all state securities, including general obligation and revenue bonds, that have been authorized but are unissued.

(b) Not later than October 31 of each even-numbered year, the board shall submit to the legislature a report that recommends whether the authorization for a state security should be revoked.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.004, eff. Sept. 1, 2001.

Sec. 1231.062. BIENNIAL DEBT STATISTICS REPORT. (a) Not later than October 31 of each even-numbered year, the board shall submit to the legislature a statistical report relating to:

(1) state securities; and

(2) bonds and other debt obligations issued by local governments.

(b) A report must include:

(1) total debt service as a percentage of total expenditures;

(2) tax-supported debt service as a percentage of general revenue expenditure;

(3) per capita total debt;

(4) per capita tax-supported debt;

(5) total debt and tax-supported debt as a percentage of personal income;

(6) total personal income per capita;

(7) total debt per capita as a percentage of total personal income per capita;

(8) total debt and tax-supported debt as a percentage of real property valuations;

(9) total debt and tax-supported debt as a percentage of annual revenues and expenditures;

(10) principal required to be repaid in five years and principal required to be repaid in 10 years;

(11) growth rates of total debt per capita and total debt per dollar of personal income;

(12) recent trends in the issuance of short-term notes;

(13) recent trends in issuance costs;

(14) savings from recent refundings;

(15) recent trends in capitalized interest use;

(16) debt service coverage ratios, if applicable; and

(17) other information the board considers relevant.

(c) The attorney general, each state agency, and each local government shall provide to the board, at the times required by the board, information that the board determines to be necessary to prepare the statistical report.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

#### SUBCHAPTER E. SECURITY TRANSACTION REPORTS

Sec. 1231.081. GENERAL REQUIREMENTS. (a) Each entity that issues a state security shall report to the board its security transactions.

(b) A report must:

(1) be itemized;

(2) state in dollars the information required by Subsection (c) or Sections 1231.082-1231.085 for money paid to each business and classify each of the businesses that money was paid to according to:

(A) the race, ethnicity, and gender of the controlling ownership of each business; and

(B) whether the business is domestic or foreign; and

(3) be made in compliance with board rule.

(c) For any security transaction, the report must state each issuance cost, including the cost of:

(1) bond counsel;

(2) financial advisor;

(3) rating agencies;

(4) official statement preparation;

(5) official statement printing;

(6) bond printing;

(7) paying agent or registrar;

(8) escrow agent;

(9) escrow verification agent;

(10) trustee;

(11) attorney general;

(12) dealer fee;

(13) remarketing fee; and

(14) credit enhancement.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.082. REPORT OF STATE SECURITY SOLD COMPETITIVELY. A report concerning a state security that is sold competitively must state:

(1) the components of the gross spread, including:

(A) gross takedown;

(B) expenses; and

(C) syndicate profit and loss;

(2) a summary of obligation orders and allotments by maturity, firm, and order type; and

(3) each syndicate firm's gross takedown and share of syndicate profit or loss.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.083. REPORT OF STATE SECURITY SOLD THROUGH NEGOTIATION. A report concerning a state security sold through negotiation must state:

(1) the components of the spread, including:

(A) management fee;

(B) structuring fee;

(C) underwriting risk;

(D) takedown; and

(E) spread expenses;

(2) each firm's share of underwriting risk;

(3) the underwriter's counsel;

(4) a summary of obligation orders and allotments by maturity, firm, and order type; and

(5) each syndicate firm's share of management fee, structuring fee, underwriting risk fee, and takedown.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.084. REPORT OF STATE SECURITY SOLD THROUGH PRIVATE PLACEMENT. A report concerning a state security sold through private placement must state:

(1) each component of the private placement fee, including the:

- (A) management fee;
- (B) placement agent fee; and
- (C) expenses; and

(2) the placement agent's counsel's fee.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.085. REPORT OF REFUNDING OR ESCROW-RELATED TRANSACTION. A report concerning a refunding or escrow-related transaction must state the spread paid on the purchase or sale of an escrow security.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.086. ANNUAL BOARD REPORTS. (a) On May 15 of each year, the board shall send to the joint committee charged with monitoring the implementation of goals for participation by historically underutilized businesses a report of the information received under this subchapter for the six months preceding March 1 of that year.

(b) On November 15 of each year, the board shall send to the lieutenant governor, the speaker of the house, each member of the legislature, and the joint committee a report of the information received under this subchapter for the fiscal year ending August 31 of that year.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

SUBCHAPTER F. BOND FINANCE OFFICE

Sec. 1231.101. BOND FINANCE OFFICE. (a) The board shall appoint a director to:

- (1) manage the bond finance office; and
- (2) select the staff of the office.

(b) When practical, the office shall make use of:

- (1) the resources of the Legislative Budget Board;

and

- (2) the offices of the governor and the comptroller.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.102. ANNUAL REPORT. Not later than 90 days after the end of each state fiscal year, the bond finance office shall publish a report listing:

- (1) the amount of state securities outstanding;
- (2) applicable repayment schedules; and
- (3) other information the office considers relevant.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1231.103. PROVISION OF INFORMATION RELATING TO OTHER BONDS. The bond finance office may provide information for inclusion in a prospectus related to any bond issued under authority of state law or municipal ordinance.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.