

SUBJECT: Continuing the Texas Public Finance Authority

COMMITTEE: Financial Institutions — committee substitute recommended

VOTE: 8 ayes — Marchant, Ehrhardt, Elkins, Giddings, Grusendorf, Patterson,
Smith, Solomons

0 nays

1 absent — Gutierrez

WITNESSES: For — None

Against — None

On — John Hubbard and Ken Levine, Sunset Commission; Roland Smith,
Stephen F. Austin State University

BACKGROUND : The Texas Public Finance Authority (TPFA) was created in 1983 as the Texas Public Building Authority to issue tax-exempt revenue bonds on behalf of the General Services Commission to finance the acquisition, construction and renovation of office space. In 1987, the Legislature gave the TPFA its current name and the authority to issue general obligation bonds. Since that time, the Legislature has authorized the TPFA to issue bonds to finance the purchase of equipment under the Master Lease Purchase Program (MLPP) and the conversion of certain state agency and local government fleet vehicles to alternative fuels. In addition, the Legislature has mandated that 12 state agencies and one institution of higher education use the TPFA for bond issuance.

The TPFA is governed by a board of six members appointed by the governor with Senate consent to staggered six-year terms. It is funded entirely from revenue bond proceeds, appropriated receipts, and MLPP administrative fees. The TPFA had a budget of \$605,204 and a staff of 14 employees for fiscal year 1996.

The TPFA is subject to the Sunset Act and underwent Sunset Advisory Commission review during the interim. It will be abolished on September 1, 1997, unless continued by the Legislature.

DIGEST: CSHB 1077 would continue the TPFA until September 1, 2009, and implement several Sunset Commission recommendations.

The bill would consolidate within the TPFA the bonding authority of the Texas Low-Level Radioactive Waste Disposal Authority (LLRWDA), Midwestern State University, Stephen F. Austin State University and Texas Southern University. It also would require that the TPFA lease the land that the LLRWDA selects as the site for operating its disposal facility.

CSHB 1077 would require the TPFA to develop orientation material on the bond issuance process for client agencies. The material would have to include information in plain language explaining the process. The TPFA also would have to hold an orientation meeting before beginning the process. In addition, client agencies would be required to provide the TPFA with detailed project information, legislative authorization, and a list of staff designated to work with the TPFA on bond-financed projects.

The bill would add to the TPFA's enabling statute standard sunset provisions addressing:

- development by the executive director or a designee of an equal employment policy, an intra-agency career ladder, and a system of annual employee performance evaluations;
- board member appointment, training, and removal;
- designation of the board's presiding officer by the governor;
- public testimony at board meetings;
- conflicts of interest of board members and employees;
- separation of policymaking and management responsibilities;
- compliance with state and federal program and facility accessibility laws;
- distribution of information to client agencies about the TPFA's functions and complaint procedures;
- collection and maintenance of information about complaints made against the TPFA;

- management of TPFAs funds in accordance with the State Funds Reform Act; and
- preparation of an annual financial report.

The bill would take effect September 1, 1997.

**SUPPORTERS
SAY:**

CSHB 1077 would continue a necessary agency and make it even better. The bill would generate significant savings for Texas by consolidating within the TPFAs bond issuance authority three universities and one state agency whose small or infrequent bond issuances often mean higher borrowing and administrative costs. The TPFAs, on the other hand, benefits from economies of scale and has significantly lower costs of issuance. For example, the TPFAs issues bonds about 10 times less expensively, on average, than Midwestern State University. Both the Sunset Commission and the Legislative Budget Board have recognized the potential savings from CSHB 1077.

During sunset hearings, the only major complaint made by the TPFAs client agencies was that they did not understand sufficiently the terminology and process involved in a bond issuance. CSHB 1077 would solve this problem and improve the TPFAs interaction with its clients by requiring the agency to give orientation seminars before each and every bond issuance to explain the process and associated terminology. Also, since TPFAs clients all are state agencies, there is no need to develop multiple versions of the material in languages other than English.

The standard sunset provisions in the bill would provide consistency among agency statutes by standardizing many operating procedures and requirements. The equal employment opportunity provision would follow federal and state guidelines to ensure basic fairness in hiring and equal opportunity for underrepresented groups.

**OPPONENTS
SAY:**

CSHB 1077 fails to take a consistent approach to achieving the stated goal of requiring agencies and universities with high bond issuance costs to issue bonds instead through the TPFAs. The Sunset Commission recommended that two additional universities — the University of North Texas and Texas Woman's University — be required to issue bonds through the TPFAs, but

those universities have not been included in the bill. The selection process should be based on impartial financial criteria, not political considerations.

Many of the standard sunset provisions in the bill, such as the career ladder, equal employment policy and separation of policymaking and management responsibilities, are unnecessary and overly burdensome for a small agency like the TPFA, whose total staff numbers only about a dozen employees. Such micromanagement restricts flexibility and negates the other advantages of being a small agency. In addition, the provision requiring the executive director to prepare a written equal employment policy that includes procedures for determining “the extent of underuse in the authority’s workforce of all persons for whom state and federal guidelines encourage a more equitable balance and reasonable methods to appropriately address those areas of underuse” is vague and would go beyond what is required by state and federal equal employment regulations.

**OTHER
OPPONENTS
SAY:**

CSHB 1077 should provide agencies and universities that do not want to be included under the TPFA an opportunity to show that they can efficiently issue their own bonds rather than being forced to act through the TPFA.

NOTES:

The committee substitute deleted the requirement that the TPFA develop a plan to to provide reasonable access to its programs to non-English speaking persons.

The companion bill, SB 354 by Armbrister, was referred to the Senate State Affairs Committee on February 17.