HOUSE
RESEARCH
ORGANIZATION bill analysis | 3/20/2001 | HB 1683
Goolsby, McCall, Hodge, Marchant

SUBJECT: Allowing a regional transportation authority to pledge future federal funds

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 8 ayes — Carter, Burnam, Callegari, Edwards, Ehrhardt, Hill, E. Jones, Najera

0 nays

1 absent — Bailey

WITNESSES: For — Robert Pope, DART; *Registered, but did not testify:* Jessica Balladares, Fort Worth Transit Authority; Shanna Igo, Texas Municipal League; Amanda Oneacre, Greater Dallas Chamber

Against — None

On — *Registered, but did not testify:* Christopher A. Poinsatte, DART

BACKGROUND: Transportation Code, ch. 452 regulates the regional transportation authorities of Dallas and Fort Worth. Sec. 452.357 permits a regional transportation authority to secure the payment of the authority's bonds by pledging all or part of tax revenue imposed by the authority, pledging part of the revenue of the public transportation system, or mortgaging part of the public transportation system. Sec. 452.108(c) prohibits an authority from entering a lease or financing agreement secured by the authority's assets for longer than five years unless approved by voters.

DIGEST: HB 1683 would amend Transportation Code, sec. 452.357 to permit a regional transportation authority to secure the payment of the authority's bonds by pledging all or part of anticipated future federal funds. These agreements would be exempted from sec. 452.108(c), thereby permitting lease or financing agreements that are pledging federal funds and that are secured by the authority's assets to last longer than five years without a public vote.

The bill also would add sec. 452.580 to Subchapter O, which applies only to a regional transportation authority in a subregion having a principal municipality with a population of more than 800,000 (Dallas), to permit the authority to adopt a two-year budget upon a two-thirds vote of the board.

The bill would take effect September 1, 2001.

SUPPORTERS SAY:

HB 1683 would grant greater flexibility to the Dallas and Fort Worth regional transportation authorities to finance their projects by allowing them to pledge anticipated federal funds to pay for needed transportation projects. These funds are typically part of a multi-year full-funding agreement with the Federal Transit Administration (FTA) to pay for the entire cost of a project. However, because the amount appropriated by Congress varies in any single year, all the funds may not be available when needed to pay construction costs. The transit authority therefore must issue bonds to cover the costs of the project, but the payment of these bonds may not be secured by a pledge of the federal funds guaranteed to the authority by the FTA. HB 1683 would amend the Transportation Code to allow the Dallas and Fort Worth regional transportation authorities to pledge these federal funds in order to secure the payment of the authority's bonds.

HB 1683 also would save the Dallas regional transportation authority money and staff time by allowing the authority to approve biennial, rather than annual, budgets. Dallas estimates that it would save about $750,000 per biennium from this change, and the authority always would be able to amend the budget if it became necessary during the biennium.

Because a public transit authority should be able to pledge anticipated federal funds for the full length of time that those funds are received, HB 1683 would exempt finance agreements with pledges of federal funds from the public vote requirement. Moreover, the original intent of the public vote requirement for long-term finance agreements was that voters ought to approve long-term diversions of sales tax revenue that could be put to other uses. These bonds, however, would be paid off primarily with federal funds, not sales tax revenue.

The concern that Congress may cut funding for a project is overblown. Such a decision by Congress has only rarely happened and is highly unlikely.

Moreover, the authority would still have other sources of funds, such as revenue from local taxes, to pay off the bonds.

OPPONENTS SAY: HB 1683 could put a transportation authority at financial risk by opening the authority to large bonded debt if Congress decided to cut funding for a project. Full-funding agreements by the FTA are not absolute guarantees, as Congress may choose at any time to withdraw funding. Ultimately, these commitments of funding are not binding, and a transportation authority should not expose itself to risk by depending on these funds to pay back bonds.

By exempting projects that are paid for by pledges of federal funds from the public vote requirement, HB 1683 would deprive the public of the opportunity to vote on some lease or financing agreements of the transportation authority, even when the agreements span more than five years and are secured by the assets of the authority. These kinds of agreements must currently go before voters and the addition of pledged federal funds should not change that requirement. Moreover, this exemption could be used to cover agreements that included only minimal federal funds that would not cover the costs of a project.

OTHER OPPONENTS SAY: HB 1683 would be a valuable, flexible tool that all regional transportation authorities should be able to use. HB 1683 should apply to all regional transportation authorities and not just Dallas-Fort Worth.

NOTES: Related legislation, SJR 7/SB 190 by Lucio, pending in the Senate Business & Commerce Subcommittee on Border Affairs, and HJR 13/HB 52 by Oliveira & Pickett, referred to the House Transportation Committee, would authorize the state to issue Grant Anticipation Revenue (GARVEE) bonds, which would be repaid with federal highway funds to be received in the future. Similar legislation, SJR 10/SB 241 by Lucio, also is pending in the Senate Border Affairs Subcommittee.