

- SUBJECT:** Authorizing TPFA to issue certain construction and repair bonds
- COMMITTEE:** Financial Institutions — committee substitute recommended
- VOTE:** 8 ayes — Averitt, Solomons, Denny, Grusendorf, Hopson, Menendez, Pitts, and Wise
- 0 nays
- 1 absent — Marchant
- WITNESSES:** For — Charles A. Alcorn, Battleship Texas Foundation
- Against — None
- On — *Registered but did not testify:* Joe Dykes and Dorothy Sinclair, General Services Commission; Kim Edwards, Texas Public Finance Authority; Karen Hale, Texas Department of Mental Health and Mental Retardation; Phil Hatlen and Barney Schultz, Texas School for the Blind and Visually Impaired; Steve Robinson, Texas Youth Commission; Wayne Scott, Texas Department of Criminal Justice; Jim Smith, Texas School for the Deaf
- BACKGROUND:** Under Government Code, sec. 1232.108, with certain exceptions, before the Texas Public Finance Authority (TPFA) may issue and sell bonds, the Legislature must have authorized the specific project for which the bonds are to be issued and sold and the estimated cost of the project or the maximum amount of bonded indebtedness that could be incurred.
- DIGEST:** CSHB 3064 would grant the Texas Public Finance Authority (TPFA) the exclusive power to issue general-obligation bonds under Art. 3, sec. 50-f of the Texas Constitution (which would be added by an amendment proposed by HJR 97 by Junell and J. Davis). TPFA would have to issue up to \$800 million in bonds for construction or repair projects administered by or on behalf of a state agency listed in the new section of the Constitution. (See analysis of CSHJR 97 in this issue of the *Daily Floor Report*.) TPFA would have to invest the proceeds of the bonds as it invests other bond proceeds. The bond proceeds could be spent only on the projects for which the

Legislature had authorized the bonds to be issued and in accordance with the Legislature's appropriation of the proceeds.

The bill would take effect on the date that HJR 97 took effect. If HJR 97 was not approved by voters, CSHB 3064 would have no effect.

**SUPPORTERS
SAY:**

CSHB 3064 will be necessary if voter approve the constitutional amendment that CSHJR 97 would propose, so TPFA's authority to issue the new bonds should be put in place now. TPFA is the appropriate entity to issue these bonds, because it has had experience issuing bonds for most of the agencies for which CSHJR 97 would permit bonds to be issued.

The bonds that TPFA would issue under CSHB 3064 are desperately needed. In the current budget cycle, most of the agencies that would benefit from the bond proceeds had large exceptional-item requests for crucial projects that could not be fully addressed given the limited funds available.

**OPPONENTS
SAY:**

The fact that available revenues are more limited this biennium is no excuse for incurring debt. Many of the agencies that could receive proceeds from the bonds that CSHB 3064 would authorize TPFA to issue have a history of mismanaging their finances. Also, it would be inappropriate to authorize the issuance of bonds to pay for repair projects. Also, unlike construction projects, repairs have too short of a useful life to justify incurring long-term debt to finance them.

NOTES:

The committee substitute increased the amount of the bonds that could be issued to \$800 million to match the increase in CSHJR 97. The substitute also modified the filed version to allow bond proceeds to be spent on a project administered by a state agency on behalf of another agency.

HJR 97 by Junell would propose a constitutional amendment authorizing issuance of up to \$800 million in general-obligation bonds for repair and construction projects by or on behalf of various state agencies. HJR 97 is on today's Constitutional Amendments Calendar.