

- SUBJECT:** General-obligation bonds for state agency construction and repair projects
- COMMITTEE:** Financial Institutions — committee substitute recommended
- VOTE:** 8 ayes — Averitt, Solomons, Denny, Grusendorf, Hopson, Menendez, Pitts, Wise  
0 nays  
1 absent — Marchant
- WITNESSES:** For — Travis LaGrone and Charles A. Alcorn, Battleship Texas Foundation; William P. Conner, San Jacinto Museum of History; Rear Admiral Chuck Grojean, USN (ret.), Admiral Nimitz Foundation; *Registered but did not testify:* George Donnelly, San Jacinto Museum of History.  
  
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; Martin Hubert, Texas Department of Agriculture; Steve Robinson, Texas Youth Commission; Andrew Sansom, Texas Parks and Wildlife Department; Wayne Scott, Texas Department of Criminal Justice; Jim Smith, Texas School for the Deaf
- BACKGROUND:** The Texas Constitution, Art. 3, sec. 49 limits the creation of debt by or on behalf of the state without voter approval of a joint resolution approved by at least two-thirds of the members of each house of the Legislature.
- DIGEST:** CSHJR 97 would amend the Texas Constitution by adding Art. 3, sec. 50-f to allow the Legislature to authorize the Texas Public Finance Authority (TPFA) to issue and sell up to \$800 million in general-obligation bonds. TPFA would prescribe the form, terms, and denominations of the bonds, the interest they would bear, and installments in which they would be issued.

The maximum net effective interest rate on the bonds could be set by general law.

The bond proceeds would have to be held by the comptroller in a separate account and could be spent only for repair and construction projects that the Legislature authorized and that were administered by or on behalf of the following agencies:

- ! General Services Commission (GSC),
- ! Texas Youth Commission (TYC),
- ! Texas Department of Criminal Justice (TDCJ),
- ! Texas Department of Mental Health and Mental Retardation (MHMR),
- ! Texas Parks and Wildlife Department (TPWD),
- ! Adjutant General's Department,
- ! Texas School for the Deaf (TSD),
- ! Texas Department of Agriculture,
- ! Texas Department of Public Safety,
- ! State Preservation Board (SPB),
- ! Texas School for the Blind and Visually Impaired,
- ! Texas Natural Resource Conservation Commission, and
- ! Texas Department of Transportation (TxDOT).

Until the bonds were repaid, the first money coming into the state treasury each fiscal year and not otherwise appropriated by the Constitution would have to be appropriated to pay the principal and interest on bonds that matured or came due during that year. The sinking-fund amounts left over from the previous fiscal year would have to be used to reduce the amounts appropriated for making these principal and interest payments. Once the bonds were approved by the attorney general, registered by the comptroller, and delivered to purchasers, they would be incontestable general obligations of the state.

The proposed amendment would be presented to Texas voters at an election on November 6, 2001. The ballot proposal would read: "The constitutional amendment authorizing the issuance of up to \$800 million in bonds payable from the general revenues of the state for construction and repair projects."

SUPPORTERS  
SAY:

Using bonds for capital improvements is an appropriate way to stretch state dollars to pay for long-term projects, such as for construction and repair. CSHJR 97 is desperately needed. In the current budget cycle, most of the agencies that the proposed bonds would benefit had large exceptional-item requests for crucial projects that could not be fully addressed because of the limited funds available.

For example, TxDOT requested \$97.3 million for construction of buildings and facilities and would receive \$13.7 million under the House-approved version of SB 1 by Ellis, the general appropriations bill for fiscal 2002-03. SPB, which came in under budget on the state history museum, requested \$10.8 million for repair and replacement of buildings, including repairs to the Capitol dome and replacing parts of the fire alarm and sprinkler system. SPB would receive only \$2.5 million under the House version of SB 1.

MHMR requested \$22 million to make necessary repairs and upgrades, such as fire alarms and sprinkler systems, for its buildings to meet minimum safety standards, but would receive only \$14.1 million. TPWD sought \$16 million to address critical infrastructure repairs; TDCJ asked for \$80 million to repair its prisons and other facilities; and TYC sought \$13 million to build a new educational facility for juvenile offenders and to repair existing facilities. Because of lack of funds, none of these agencies would be appropriated funds for these purposes under current versions of the appropriations bill. Instead, these requests were placed in the Article 11 “wish list.”

CSHJR 97 would allow the Legislature to authorize the issuance of the bonds and appropriate the bond proceeds. This would maintain legislative control and oversight of how and when the agencies spent the bond proceeds. Moreover, the bond proceeds could be spent on projects administered for one of the agencies by a different agency, if the Legislature considered that desirable.

OPPONENTS  
SAY:

Many of the agencies that could receive bond proceeds under CSHJR 97 have a history of mismanaging their finances. For instance, the Sunset Advisory Commission recently found that both GSC and TPWD could manage their construction and repair projects better. Similarly, the Legislature authorized bonds for TSD to build facilities in 1989, and for a

variety of reasons — some not within TSD’s control — TSD ran significantly over budget on those projects.

Bonds should not be issued to finance repair projects. Repairs are a predictable cost for which agencies can and should budget. The fact that available revenues are more limited this biennium is no excuse for incurring debt. The state has failed to keep up with repairs even during prosperous years. Furthermore, unlike construction projects, repairs have too short of a useful life to justify incurring long-term debt to finance them.

NOTES:

The committee substitute altered the filed version by increasing the maximum amount of the bonds from \$10 million to \$800 million and added a number of agencies for whose projects the bond proceeds might be issued, including the Adjutant General’s Department, Texas School for the Deaf, Texas Department of Agriculture, Texas Department of Public Safety, State Preservation Board, Texas School for the Blind and Visually Impaired, Texas Natural Resource Conservation Commission, and Texas Department of Transportation. The substitute also modified the proposed ballot proposition wording to change the amount of the bonds authorized.

HB 3064 by Wise, which would authorize TPFA to issue bonds under the proposed new section of the Texas Constitution, contingent on its approval, has been set on today’s General State Calendar.