

SUBJECT: Constitutional authorization for issuance of state building bonds

COMMITTEE: Appropriations — favorable, as amended

VOTE: 21 ayes — Chisum, Allen, Branch, B. Brown, B. Brown, Darby, J. Davis, England, Harper-Brown, Hopson, Isett, Jackson, Kolkhorst, McClendon, McReynolds, Menendez, Riddle, Taylor, Turner, Van Arsdale, Zerwas

0 nays

8 absent — Guillen, Chavez, Crownover, Dukes, Gattis, Lucio, Noriega, Otto

SENATE VOTE: On final passage, May 2 — 30-0

WITNESSES: No public hearing

BACKGROUND: Texas Constitution, Art. 3, sec. 50-f, approved in 2001, allows the Legislature to the Texas Public Finance Authority (TPFA) to issue up to \$850 million in general obligation bonds for construction and repair project and purchase of equipment by certain specified state agencies.

DIGEST: SJR 65, as amended, would amend the Texas Constitution to add Art. 3, sec. 50-g, to allow the Legislature to authorize TPFA to provide for, issue, and sell up to \$1 billion in general obligation bonds and to enter into related credit agreements for the purchase of needed equipment or maintenance, improvement, repair, and construction projects at the Building and Procurement Commission, the Parks and Wildlife Department, the Adjutant General’s Department, the Department of State Health Services, the Department of Aging and Disability Services, the Texas School for the Blind and Visually Impaired, the Texas Youth Commission, the Texas Historical Commission, the Texas Department of Criminal Justice, the Texas School for the Deaf, or the Department of Public Safety.

Proceeds from the sale of the bonds would be deposited in a separate fund or account within the state treasury created by the comptroller of public

accounts. The bonds' maximum net effective interest rate would be set by general law.

While any of the bonds or interest were outstanding and unpaid, the Legislature would have to appropriate the first money coming into the state treasury in each fiscal year, not otherwise appropriated by the Constitution, to pay the principal and interest on the bonds that matured and make payments that became due under a related credit agreement during the fiscal year, less the amount in the sinking fund at the close of the previous fiscal year.

Once these bonds were issued — after approval by the attorney general, registration by the comptroller of public accounts, and delivery to the purchasers — they would be incontestable and would be general obligations of the state of Texas under the Constitution.

The proposal would be presented to the voters at an election on Tuesday, November 6, 2007. The ballot proposal would read: "The constitutional amendment authorizing the issuance of up to \$1 billion in bonds payable from the general revenues of the state for maintenance, improvement, repair, and construction projects and for the purchase of needed equipment."

NOTES:

Committee Amendment No. 1 would authorize bonds to be issued on behalf of the Texas School for the Deaf instead of Prairie View A&M University.

The enabling legislation, SB 2033 by Williams and Etlife, which would authorize the board of directors of TPFA to provide for, issue, and sell general obligation bonds in an amount not to exceed \$1 billion for the purchase of needed equipment or maintenance, improvement, repair, and construction projects in or outside Travis County that were administered by or on behalf of a state agency listed in Texas Constitution, Art. 3, sec. 50-g, appears on today's Emergency Calendar.