HOUSE
RESEARCH
ORGANIZATION bill analysis 5/3/2013

HB 1809
Lucio

SUBJECT: New authority for cultural education facilities finance corporations

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 8 ayes — Hilderbran, Otto, Bohac, Button, Eiland, N. Gonzalez, Martinez Fischer, Strama

0 nays

1 absent — Ritter

WITNESSES: For — Greg Eden, National Campus and Community Development Corp.; Janet Robertson, Haynes and Boone

Against — None

BACKGROUND: The Cultural Education Facilities Finance Corporation Act (Vernon's Texas Civil Statutes, art. 1528m) allows cities to create cultural education facilities finance corporations to issue bonds to finance the acquisition, construction, or renovation of cultural, educational, and health facilities.

DIGEST: HB 1809 would allow a cultural education facilities finance corporation to finance the acquisition of property by lease-purchase for the purpose of accomplishing its stated goals and to acquire or improve property, including buildings, personal property, or equipment for use by government entities for authorized purposes.

The bill would authorize a city or county that had created a corporation to exercise its authority within or outside the city or county limits of the city or county that created it. It would remove provisions limiting this authority to corporations created by a county with a population greater than 300,00 or by a city in a county with a population greater than 300,000.

The bill would take effect September 1, 2013.

SUPPORTERS SAY: HB 1809 would give governmental entities another tool to obtain financing for critical public use projects that do not meet the current definition of a cultural facility, such as water projects, fire stations, and courthouses. It also would save taxpayers money by allowing governmental entities to finance revenue-generating public use facilities with tax-exempt conduit revenue bonds instead of by increasing taxes to pay for tax-supported bonds. The bonds issued by a conduit issuer would be non-recourse, typically secured by pledge of project revenue and a mortgage on the property.

This common sense measure, which currently is allowed in 45 states, would give cities more financial flexibility to build infrastructure with tax-exempt bonds that save taxpayers money.

OPPONENTS SAY:

HB 1809 would give governmental entities a new way to run up debt without having to get permission from voters to issue tax-supported bonds. If a city or county needs a facility, it should use the traditional revenue-supported bonds to transparently raise the funds for a facility.