

**SUBJECT:** Financing of alternative fuels projects with state bond authority

**COMMITTEE:** Financial Institutions — committee substitute recommended

**VOTE:** 9 ayes — Marchant, Carona, Elkins, Giddings, Grusendorf, Gutierrez, Hudson, Patterson, Romo

0 nays

**WITNESSES:** For — Randy Fritz, Southern Union Gas; Jody Richardson, Mesa, Inc.

Against — None

On — Jim Thomasson, Office of the Attorney General; Sol Sussman, Texas General Land Office; Mike Hatchman, Texas Railroad Commission and the Alternative Fuels Council; Anne L. Schwartz, Texas Public Finance Authority.

**DIGEST:** CSHB 1441 would authorize the Texas Public Finance Authority to issue bonds and other obligations to finance conversion of local government motor vehicles to alternative fuels. Bond proceeds also could be used for constructing, acquiring and maintaining fueling stations supplying alternative fuels and equipment that enhance the use of engine-driven technology to support motor vehicles and other energy applications that use alternative fuels.

The TPFA would be allowed to use the proceeds of a sale of obligations to purchase a governmental entity's obligations, if it was demonstrated that the debt could be repaid. Eligible entities would include municipalities, counties, hospital districts or authorities, housing authorities and water districts.

This bill would take immediate effect if approved by two-thirds of the membership of each house.

**SUPPORTERS SAY:** CSHB 1441 is necessary to give the Texas Public Finance Authority (TPFA) clear authority to issue bonds for alternative fuel projects for cities, counties and other local governments, as the state intended under its alternate fuels program.

SB 737, enacted by the 73rd Legislature, created the Alternative Fuels Council to coordinate an alternative fuels program and to make no interest loans and grants to state agencies, school districts and mass transit authorities to comply with alternative fuel requirements.

Up to \$50 million of bonds and obligations were authorized for projects promoting alternative fuels, including the conversion of state agency, school district and mass transit vehicles and development of fueling stations. However, the Attorney General's Office had ruled the statute was not clear on whether local governments, such as city and county governments, had the authority to enter into debt for the program. As a result no bonds have been sold, and clear authority is needed in order to advance the program.

HCR 145 by Holzheuser, also on today's resolutions calendar, would express legislative intent that local governments are authorized to issue obligations as evidence of repayment of TPFA loans for alternative fuels. The Attorney General's Office, Finance Division, has stated that adoption of HCR 145 would cause the attorney general to withdraw a pending appeal of a district court order validating proposed TPFA alternative fuels bonds and approve bond sales for state agencies, mass transit authorities and school districts. However, a statutory change would still be required in order to get approval of bonds for cities, counties and special districts, according to the finance division.

**OPPONENTS  
SAY:**

No apparent opposition.

**NOTES:**

CSHB 1441 would amend the Texas Public Finance Act; the original bill proposed a new act.