

## **BILL ANALYSIS**

Senate Research Center  
84R23562 SCL-D

H.B. 3920  
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Business & Commerce  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In the current economic climate, governmental entities frequently have substantial difficulties obtaining funding for new projects or initiatives. Interested parties note that conventional financial instruments such as general revenue or obligation bonds can become contentious within a community, even when approved by voters. The parties assert that a "pay for success initiative" is a funding model that obligates a governmental entity to pay for a program or investment only after it has been proven to save the entity money, and the parties explain that such initiatives have been implemented in multiple cities across the country. H.B. 3920 seeks to formalize the pay for success initiative process for political subdivisions in Texas.

H.B. 3920 amends current law relating to financing arrangements between political subdivisions and private entities for the implementation of pay for success initiatives.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 140, Local Government Code, by adding Section 140.011, as follows:

Sec. 140.011. PRIVATE FINANCING ARRANGEMENTS FOR PAY FOR SUCCESS INITIATIVES. (a) Authorizes the governing body of a political subdivision with the authority to issue general obligation or revenue bonds to, by order, ordinance, or similar measure enter into a private financing arrangement for a program designed and intended to address a problem facing the political subdivision.

(b) Provides that, under the financing arrangement:

- (1) private investors provide capital for the program;
- (2) a private entity enacts the program;
- (3) an independent reviewer determines the success of the program; and
- (4) the political subdivision pays the initial capital with interest to the private investors only if the independent reviewer determines that the program is successful.

SECTION 2. Effective date: September 1, 2015.