

SUBJECT: Texas Public Finance Authority bonds for agencies, universities

COMMITTEE: Financial Institutions — committee substitute recommended

VOTE: 5 ayes — Marchant, Carona, Elkins, Gutierrez, Romo
0 nays
4 absent — Giddings, Grusendorf, Hudson, Patterson

WITNESSES: For — None
Against — None
On — Anne Schwartz

BACKGROUND: The Texas Public Finance Authority (TPFA), the state’s largest bond issuer, is authorized to issue bonds for capital construction projects of the General Services Commission, Texas Department of Criminal Justice, Texas Department of Mental Health and Mental Retardation, Texas Youth Commission and certain other state agencies.

TPFA issues general obligation (GO) bonds that draw on state general revenue to finance construction, acquisition and renovation of facilities for state prisons, youth corrections and mental health. TPFA also issues revenue bonds — some self-supporting and others that draw on general revenue — to purchase, renovate and maintain state buildings. TPFA is also responsible for a commercial paper program to provide interim financing for capital projects approved by the Legislature.

DIGEST: CSHB 1013 would give TPFA exclusive authority to issue bonds for higher education institutions, except those specifically excluded, and the Texas Department of Commerce (TDOC), Texas Higher Education Coordinating Board (THECB) and Texas Agricultural Finance Authority (TAFA).

Excluded from the program would be the University of Texas and the Texas A&M Systems, the University of Houston System, Texas Tech University and the Texas Tech University Health Sciences Center.

CSHB 1013 would require TPFAs to make a good-faith effort to award contracts to minority-owned and woman-owned business with a goal of 20 percent of the contracts for each fiscal year going to such businesses. CSHB 1013 would also require the TPFAs to give preferences to businesses maintaining an office in Texas.

CSHB 1013 would make conforming amendments to the Agriculture, Education and Government Codes.

**SUPPORTERS
SAY:**

The universities and the agencies affected by this legislation — TDOC, THECB and TAFA — are all infrequent bond issuers that could benefit from centralized bond issuance. As of May 31, 1994, TDOC had \$25 million in outstanding debt and \$45 million in authorized but unissued debt, THECB had \$450 million in outstanding debt and \$50 million in authorized but unissued debt, and the TAFA had \$20 million in outstanding debt and commercial paper and \$510 million in authorized but unissued debt. By centralizing the bonding authority in TPFAs, the costs associated with bond issuance would be reduced. Centralized bond issuance would also represent cost-effective debt management that could result in a higher overall bond rating for the state.

The agency bond consolidation was recommended by the Texas Performance Review (TPR) in its 1994 *Gaining Ground* report.

TPFAs should be required, as most other agencies are, to make a serious effort to include minority-owned and woman-owned businesses when awarding contracts so long as those businesses are equally capable of performing the contract. The provision to be added by CSHB 1013 would be nothing new; it is standard language included in statutes that other agencies must follow. Extending this effort into TPFAs merely brings TPFAs in line with other agencies.

**OPPONENTS
SAY:**

While centralization would make sense if it saved money, there is no estimate of potential savings.

There is no need to grant another special requirement for minority-owned and woman-owned business. TPFAs should be able to award contracts based solely on merit or as a fiscal decision; the race or gender of the applicant should not be a factor.

HB 1013
House Research Organization
page 3

OTHER
OPPONENTS
SAY:

The bill proposes a good step, but there is little reason to not to include other agencies and university systems. For example, TPR also recommended transferring the bonding authority of the Texas Employment Commission (TEC) to TPFA.

NOTES:

The committee substitute to HB 1013 incorporated a related bill, HB 1321 by Romo, adding the language concerning TDOC, THECB and TAFA, as well as the exclusionary language regarding the University of Houston System, Texas Tech University, and the Texas Tech University Health Sciences Center. The committee substitute also removed Asian Americans from the definition of "minority group member" to conform with other similar statutes.