Texas Public Finance Authority

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Summary

The State of Texas sells millions of dollars in bonds to finance projects as wide-ranging as building construction, cancer research, and major technology purchases. Rather than every state agency going out on its own to issue and market bonds, the Legislature has centralized much of the State's debt issuance into one agency, the Texas Public Finance Authority (TPFA). TPFA's main role is to cost-effectively issue bonds and service debt for 23 state agencies and universities that generally use debt financing infrequently and lack in-house bond expertise.

House Bill 2251 continues TPFA for 12 years. The Legislature adopted all but one of the Sunset Commission's recommendations and voted to make the legislation effective immediately, maximizing the fiscal savings provided by the bill. A discussion of the bill's major provisions follows.

Sunset Provisions

1. Continue the Texas Public Finance Authority for 12 years.

House Bill 2251 continues TPFA as an independent agency, responsible for issuing and managing debt on behalf of other state entities, for 12 years. The bill also applies the standard Sunset across-the-board requirement for TPFA to develop a policy regarding alternative dispute resolution.

2. Remove a multi-million dollar obstacle to efficiently issuing state debt for cancer research bonds.

House Bill 2251 removes the requirement that the Cancer Prevention and Research Institute (CPRIT) escrow multi-year grant awards. This provision led to TPFA having to issue the total amount of bonds at one time regardless of market conditions. The bill extends TPFA's standard authority to stagger debt issuance to include CPRIT's grants, allowing TPFA to minimize debt service costs to the State. House Bill 2251 also improves the timing of debt issuance by adding CPRIT's grants to the list of projects funded by general obligation bonds that can move forward before TPFA has issued the debt, as long as TPFA and the Bond Review Board have approved the issuance.

3. Provide flexibility to state colleges and universities to use TPFA when cost-efficient.

House Bill 2251 authorizes TPFA to provide debt issuance services, upon agreement, to state colleges and universities that generally issue their own debt, and to be reimbursed for these services. The bill also removes the requirement that TPFA issue bonds for Stephen F. Austin State University, allowing the University to use TPFA or to issue its own debt for legislatively authorized projects.

Provision Added by the Legislature

4. Make the bill effective immediately.

The Legislature added a provision to make the bill effective immediately to maximize the debt service savings for this year's cancer research bonds. The bill received the constitutionally required two-thirds vote of both houses for immediate effect.

Fiscal Implication Summary

House Bill 2251 contains provisions with a positive fiscal impact of more than $33 million through the biennium ending August 31, 2013, with additional savings in future biennia. The savings result from postponing cancer research debt issuance until CPRIT actually needs funds to reimburse its grantees. The estimates in the chart below may fluctuate based on TPFA's choice of financing methods, actual market conditions, and CPRIT's timing of grant awards in the future.

Fiscal Year	Savings to the General Revenue Fund
2012	$8,892,602
2013	$24,424,609
2014	$30,280,192
2015	$40,447,198
2016	$42,728,190