

## **BILL ANALYSIS**

C.S.H.B. 3920  
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Investments & Financial Services  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

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. C.S.H.B. 3920 seeks to formalize the pay for success initiative process for political subdivisions in Texas.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 3920 amends the Local Government Code to authorize the governing body of a political subdivision with the authority to issue general obligation or revenue bonds to enter by order, ordinance, or similar measure into a private financing arrangement for a program designed and intended to address a problem facing the political subdivision. The bill establishes that under the financing arrangement private investors provide capital for the program, a private entity enacts the program, an independent reviewer determines the success of the program, and the political subdivision pays the initial capital with interest to the private investors only if the independent reviewer determines that the program is successful.

### **EFFECTIVE DATE**

September 1, 2015.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3920 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

## INTRODUCED

SECTION 1. Chapter 140, Local Government Code, is amended by adding Section 140.011 to read as follows:

Sec. 140.011. PRIVATE FINANCING ARRANGEMENTS FOR PAY FOR SUCCESS INITIATIVES. (a) The governing body of a political subdivision with the authority to issue general obligation or revenue bonds may 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) 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.

(c) The Bond Review Board shall by rule establish procedures for entering into the private financing arrangements, including procedures for the manner in which:

(1) the financing arrangement is approved;

(2) the financing arrangement is implemented; and

(3) a payment under the financing arrangement is received.

SECTION 2. This Act takes effect September 1, 2015.

## HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Chapter 140, Local Government Code, is amended by adding Section 140.011 to read as follows:

Sec. 140.011. PRIVATE FINANCING ARRANGEMENTS FOR PAY FOR SUCCESS INITIATIVES. (a) The governing body of a political subdivision with the authority to issue general obligation or revenue bonds may 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) 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. Same as introduced version.