

SUBJECT: Texas public finance authority act recodification

COMMITTEE: Financial Institutions — favorable, without amendment

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

0 nays

WITNESSES: For — None

Against — None

On — Anne L. Schwartz, Texas Public Finance Authority

BACKGROUND: In 1991 the Legislature ordered consolidation of most of the state's special funds into separate accounts within the general revenue fund as of August 31, 1993. (SB 3 by Montford, 72nd Legislature, first called session, now Government Code secs. 403.094 and 403.095). The accounts were to retain their dedication through August 31, 1995, unless individually exempted by the Legislature or to comply with state constitutional or federal requirements. The state lease fund, which pays the rents, fees, and installments on behalf of state agencies, was one of the funds that was to be consolidated by the Funds Review Advisory Committee.

DIGEST: HB 1587 would recodify the Texas Public Authority Act of 1983, reorganizing the provisions applying to general obligation bonds and revenue bonds into one statute. It would also combine VACS arts. 601d and 601d-1.

The bill also would make the substantive change of rededicating the state lease fund as a fund outside the general revenue fund.

The bill would take effect September 1, 1995.

SUPPORTERS  
SAY:

HB 1587 proposes a nonsubstantive recodification of the Texas Public Finance Authority Act. The act is now fragmented into two articles, and many of the provisions concerning bonds are in a third. This recodification is designed to clean up all of the additions and reauthorizations made since 1983 to create one simple, concise article dealing with the Texas Public Finance Authority.

The provision to return the state lease fund to a separate dedicated fund apart from the general revenue fund will be eliminated in a floor amendment. The amendment would keep the lease fund as a separate account in the general revenue fund.

The recreation of a separate fund has drawn fire, but the truth is that placing the dedicated revenue funds in the general revenue fund was a budgeting technique used to allow the comptroller to certify a revenue estimate higher than the actual amount available. Even within the general revenue fund, these accounts are dedicated to fulfilling certain obligations and cannot be reauthorized through the appropriations process to do anything else. Keeping the state lease fund separate would ensure the bond rating and stability that the fund has enjoyed in the past.

OPPONENTS  
SAY:

The bill should be amended to eliminate the designation of the state lease fund as a separate account in the general revenue fund. The only reason a fund should be outside the general revenue fund is if mandated by the state Constitution or a federal directive. Otherwise, all previously dedicated funds should be consolidated into separate accounts within the general revenue fund so that the revenue certification process completed by the Comptroller's Office can continue to be accurate.

NOTES:

The author indicated he would accept a floor amendment to HB 1587 that would keep the state lease fund as a separate account in the general revenue fund.