

SUBJECT: Refinancing of jail facilities by cities and counties

COMMITTEE: Corrections — favorable, without amendment

VOTE: 5 ayes — Haggerty, Allen, Culberson, Ellis, Lengefeld
0 nays
4 absent — Staples, Farrar, Gray, Longoria

WITNESSES: None

BACKGROUND: Since the mid-1980s, some Texas cities and counties have financed new or improved jail facilities through contracts with nonprofit corporate agents that involve lease-purchase agreements, installment purchases, or similar financing arrangements. Many of these arrangements carry interest rates that are higher than current market rates.

DIGEST: HB 347 would amend Local Government Code, sec. 361.051(5) by expanding the definition of obligations authorized for financing correctional facilities to include obligations incurred by home-rule cities and counties under lease agreements, lease-purchase agreements, installment purchases, or other agreements providing for the acquisition of title to new or improved jail facilities.

HB 347 would change Local Government Code, sec. 361.052 to authorize home-rule cities and counties to finance obligations already incurred for new or improved jail facilities regardless of when the obligation is due or when title to the project is transferred to the city or county or its nonprofit corporate agent.

HB 347 would amend Local Government Code, sec. 361.053(d) to allow a home-rule city or county or its nonprofit corporate agent to secure revenue bonds for new or improved jail facilities with a deed of trust, in addition to these entities' existing authority to use trust indentures.

HB 347 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

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**SUPPORTERS
SAY:**

Some cities and counties would like to refinance their obligations for new or improved jail facilities, but no statutory provision explicitly authorizes them to do so. HB 347 would grant the explicit authority needed

HB 347 would enable cities and counties to reduce their administrative costs by refinancing their obligations for new or expanded jail facilities at lower interest rates. For example, Limestone County financed its new jail facilities through certificates of participation at an interest rate of 9.34 percent. HB 347 would allow the county to refinance these certificates at a lower interest rate. Also, the Texas Department of Criminal Justice (TDCJ) could save money because the cities and counties could charge less for housing state felons in local correctional facilities should that become necessary.

HB 347 also would free monies earned from the operation of new or improved jail facilities for use as payment on all obligations by the city or county. These operating revenues also would be eligible for use as collateral for such obligations.

**OPPONENTS
SAY:**

HB 347 would not require a city or county to pass along to TDCJ any savings they might realize by refinancing contractual obligations by lowering their per-diem charge if they housed state felons. Current law does not require a city or county to identify the portion of the per-diem charge to TDCJ that is attributable to debt financing, and the bill would not require such a disclosure.

NOTES:

A similar bill, HB 1882 by Averitt, passed the House during the 1997 session, but died in the Senate Criminal Justice Committee.