LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 31, 2009

TO: Honorable Burt R. Solomons, Chair, House Committee on State Affairs

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB1815** by Isett (Relating to the creation of a state agency to facilitate public-private partnerships to plan and take action regarding governmental projects.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1815, As Introduced: a negative impact of ($839,802) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	($443,901)
2011	($395,901)
2012	($395,901)
2013	($395,901)
2014	($395,901)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2009
2010	($443,901)	6.0
2011	($395,901)	6.0
2012	($395,901)	6.0
2013	($395,901)	6.0
2014	($395,901)	6.0

Fiscal Analysis

The bill would amend the Government Code to create a new state agency to do public-private partnerships. The agency, named "Texas Partnerships," would be governed by a seven-member board, appointed by the Governor with the advice and consent of the Senate. Board terms would be for staggered six-year terms. The Board would hire an Executive Director, who could hire staff necessary to implement the bill.

The bill would also authorize the Governor to appoint two arbitrators. The new agency would be subject to open meetings, sunset, and the administrative procedures law. Employees and officers would not be subject to civil suit for good faith actions within the course and scope of their jobs, but the bill also provides for full indemnification for costs of any suits (even though such suits could not be prosecuted).

Texas Partnerships would support governmental entities in the following areas:

• advising on the use of public-private partnerships;

• developing policies and procedures to assess and evaluate how projects should be financed and otherwise undertaken through the use of public-private partnerships so as to achieve optimum value for financial, social or economic benefit;

• providing public-private partnership services for governmental projects, or plan, procure, implement, undertake, finance, develop, operate, maintain, manage or rehabilitate projects, including infrastructure projects, through the use of public-private partnerships, and;

• taking any action that the Governor may direct through the use of public-private partnerships.

Additional authorities for the new agency would include contracting with governmental entities to provide service and direction. The agency would be authorized to raise revenue through fees, lease or sale of commercial rights, issuing revenue bonds, and charging other agencies with which it would contract, and perform other activities as the Governor may direct.

Finally, the bill would require the new agency and Texas Public Finance Authority (TPFA) to enter into a memorandum of understanding that allocates responsibility for issuing and selling bonds.

Methodology

It is assumed that the bill would require a total of 6 full-time-equivalent positions (FTEs) at an estimated annual cost of $364,601 (salaries and benefits); annual operating expenses of rent, other operating costs, and travel at $30,300; and a one-time cost of $48,000 in fiscal year 2010 for furniture and equipment. Staffing would include an Executive Director, General Counsel, and program staff. It is also assumed that total board member reimbursement costs would be $1,000 per year.

The bill would require a memorandum of understanding between the Texas Partnerships and the Texas Public Finance Authority (TPFA) to allocate the responsibility for issuing and selling bonds related to financing the acquisition or construction of buildings. It is assumed that TPFA could absorb these costs with existing resources.

The bill would allow Texas Partnerships through the use of public-private partnerships to finance projects and to issue revenue bonds to fund projects. The related debt service or the designated revenue source to pay the debt service cannot be determined at this time. Under federal tax law, any debt or financing arrangement with a private company would be taxable debt and would be issued at a higher rate than tax-exempt debt.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 301 Office of the Governor, 304 Comptroller of Public Accounts, 347 Public Finance Authority, 529 Health and Human Services Commission, 601 Department of Transportation, 696 Department of Criminal Justice

LBB Staff: JOB, KJG, MS, PJK