

BILL ANALYSIS

Senate Research Center
82R5041 VOO-F

S.B. 1559
By: Carona
Transportation & Homeland Security
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, the Dallas Area Rapid Transit Authority (DART) is authorized to enter into multi-year commodity (concrete, copper or steel) or utility service (water, electricity, natural gas, or telecommunications) agreements secured by assets of the authority only when such agreements are limited to a five-year period, unless DART obtains voter approval authorizing longer term agreements. The five-year limit does not prevent DART from entering into a longer term procurement agreement for such services or commodities provided they are unsecured. It is not clear whether this five-year limitation on secured multi-year commodity or utility service agreements would also apply to the use of the financial agreements. Financial hedge agreements are used by DART to reduce the substantial fluctuations in costs that would otherwise occur from year to year.

S.B. 1559 allows DART to enter into a financial hedge agreements extending beyond five years when they relate to procurement of commodities and utility services that are unsecured. The ability to increase the length of financial hedge agreements beyond five years would allow DART to control costs over extended periods of time by allowing it to take advantage of favorable market conditions.

As proposed, S.B. 1559 amends current law relating to requirements for certain arrangements or agreements of certain regional transportation authorities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 452.108, Transportation Code, by adding Subsection (g), as follows:

(g) Provides that Subsection (c) (relating to the authorization for an authority to enter into a lease or financing agreement) does not apply to a multiyear commodity or utility service purchase arrangement or agreement.

SECTION 2. Provides that the change in law made by this Act applies only to an arrangement or agreement entered into on or after the effective date of this Act.

SECTION 3. Effective date: upon passage or September 1, 2011.