

## **BILL ANALYSIS**

S.B. 1063  
By: Hegar  
Energy Resources  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The Public Facility Corporation Act authorizes municipalities and political subdivisions to sponsor and use public facility corporations to issue bonds to finance the acquisition of public facilities, which are defined to include any property devoted to public use and authorized to be financed by the sponsor. The bonds are payable solely from program revenues and may not be payable from taxes. The Interlocal Cooperation Act (Chapter 791, Government Code) authorizes Texas local governments to contract with other local governments, including those located in other states, in cooperative purchasing programs in order to achieve, among other benefits, savings through superior buying power and economies of scale. Texas municipalities have successfully used public facility corporations, aided by a cooperative purchasing program involving both Texas and non-Texas municipal utilities, to finance the purchase of natural gas, earning savings of more than \$46,000,000 in energy costs to date for Texas municipal utilities alone. Due to uncertainty as to whether natural gas purchased for non-Texas municipalities satisfies the public use requirement of the Public Facility Corporation Act, the attorney general has declined to approve public facility corporation bonds issued for that purpose absent restrictions on the sale of purchased gas.

S.B. 1063 adds a section to the Public Facility Corporation Act to expressly include as a “public facility” any natural gas purchased for resale to a local government under a cooperative purchasing contract with the public facility corporation’s sponsor that is authorized by Section 791.025 (Contracts for Purchases) of the Interlocal Cooperation Act. The amendment would enable the attorney general to approve bonds issued by public facility corporations to finance the acquisition of natural gas for resale to local governments through a cooperative purchasing program, including Texas and non-Texas municipal utilities, when a sponsor concludes that financing such gas will benefit Texas municipal utilities by increasing their buying power, realizing economies of scale, or otherwise. Issuing bonds for this purpose is expected to help minimize the gas and electric charges paid by customers of Texas municipal gas and electric utilities.

As proposed, S.B. 1063 amends current law relating to the inclusion of natural gas as a public facility for a public facility corporation.

### **RULEMAKING AUTHORITY**

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

### **ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 303, Local Government Code, by adding Section 303.007, as follows:

Sec. 303.007. NATURAL GAS AS PUBLIC FACILITY. Provides that natural gas purchased by a corporation for resale to a local government under an interlocal cooperation contract described by Section 791.025 (Contracts for Purchases), Government Code, between the sponsor and the local government is considered a public facility for the purposes of this chapter (Public Facility Corporations).

SECTION 2. Effective date: upon passage or September 1, 2013.

### **EFFECTIVE DATE**

September 1, 2013.

