

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 17, 2013

TO: Honorable Jim Pitts, Chair, House Committee On Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1959 by Cortez (Relating to the retirement of certain state debt.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1959, As Introduced: a negative impact of (\$391,124) through the biennium ending August 31, 2015.

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
2014	(\$235,037)
2015	(\$156,087)
2016	(\$156,087)
2017	(\$156,087)
2018	(\$156,087)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2013
2014	(\$235,037)	2.0
2015	(\$156,087)	2.0
2016	(\$156,087)	2.0
2017	(\$156,087)	2.0
2018	(\$156,087)	2.0

Fiscal Analysis

The bill would amend Government Code to create a Debt Retirement Fund (DRF) in the state treasury that would consist of monies transferred at the direction of the Legislature or any gift or grant made to the fund. The Bond Review Board (BRB) would authorize the comptroller to disburse money from the DRF to call or purchase for the purpose of retiring not self-supporting

state public securities. The bill would require BRB staff to estimate each fiscal year (a) the present value of savings from calling all not self-supporting bonds eligible to be called in that fiscal year; and (b) the cost of calling those securities in that fiscal year. The bill would require the Bond review board to determine the bonds with the highest ratio of net present value savings to the cost of defeasance and prioritize these bonds for the comptroller's disbursement of funds. The bill would allow the BRB to direct the comptroller to purchase securities if the BRB determines that the ratio of net present value savings to cost of purchase represents a greater benefit to the state than retiring the security. Analysis assumes that BRB would work with state debt issuers to collect comprehensive data on refunding or redemption opportunities and prioritize this data based on the most beneficial opportunities to the state.

The bill would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either within or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature

Methodology

The Comptroller of Public Accounts estimates there would be a minimal cost associated with implementing the provisions of the bill. However, this analysis assumes it could be absorbed with existing resources.

The BRB estimates that there are 1,457 not self-supporting bonds currently outstanding and they would need to add one Financial Analyst position to update existing databases and perform the annual review. This analysis assumes a need for one Account Tech to update and maintain the list of callable bonds. The estimated costs associated with these additional FTEs would be approximately \$136,087 in each fiscal year for salary and benefit costs.

Technology

The BRB indicated that there would be additional technology related costs in order to obtain updated certain software licenses, used to process size, structure, and refund calculations for debt issuances. Because additional license are not available due to the outdated nature of the software, BRB would need to purchase updated software. The BRB estimates the cost to purchase updated software at \$78,950 in the first year, and \$20,000 for maintenance in the first year and every subsequent year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 352 Bond Review Board

LBB Staff: UP, KK, EP, EMo