LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 7, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1188** by Huffman (Relating to a study on the use of certain credit management agreements by state agencies and political subdivisions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1188, As Introduced: a negative impact of ($1,400,000) 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	($700,000)
2015	($700,000)
2016	$0
2017	$0
2018	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1
2014	($700,000)
2015	($700,000)
2016	$0
2017	$0
2018	$0

Fiscal Analysis

The bill would require the Comptroller of Public Accounts (CPA) to perform a study on the use of credit management agreements by state agencies and political subdivisions. The bill would require the study to consider and include a detailed explanation for each state agency or political subdivision that currently enters into credit management agreements: (1) the entity's stated purpose for contracting for credit management; (2) whether the entity's use of credit management agreements risks the loss of public funds; and (3) if public funds are at risk as a result of the entity's use of credit management agreements and the extent of the financial risk. The bill would also require the CPA to explain the benefits and risks associated with credit management agreements and evaluate whether continued use of the agreements examined should be disallowed due to the risk posed to public funds.

At the CPA's request a state agency or political subdivision would be required to provide information and assistance for the study. No later than December 1, 2014 the CPA would provide a report to the governor, lieutenant governor, and the legislature relating to credit management agreements used by state agencies and political subdivisions.

The bill would take effect immediately if a two-thirds majority vote in both houses of the legislature is received. Otherwise, the bill would take effect on September 1, 2013 and the bill expires on August 31, 2015.

Methodology

The CPA estimates $700,000 would be needed each fiscal year of the biennium to hire consultants that have expertise and understanding of various debt instruments or credit management agreements as defined by the bill to perform the analysis on the use of these instruments by state agencies and political subdivisions. The CPA indicates that their office does not have the required expertise to do this type of analysis.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KKR, EP, BM, KK, LCO