

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 10, 2017

TO: Honorable Robert Nichols, Chair, Senate Committee on Transportation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB980 by Schwertner (Relating to state money or credit or a state guarantee used or provided for high-speed rail owned by a private entity.), **Committee Report 1st House, Substituted**

The bill could result in an indeterminate cost depending on the scope of a proposed lien or security interest agreement between the State and a private entity under the provisions of the bill.

The bill would amend the Transportation Code to prohibit the use of state money, credit, or guarantees for any purposes related to high-speed rail owned by a private entity, unless the State acquires and maintains a lien on or other security interest in property or other assets owned by the private entity. The bill would require the Bond Review Board (BRB) to review and certify an agreement to ensure that a lien or other security interest is sufficient, in accordance with generally accepted accounting standards, to protect the State's interests before an entity or official of the State enters into an agreement to provide state money, credit, or guarantee for privately owned high-speed rail purposes.

The bill would take effect on September 1, 2017.

The BRB reports that the agency currently has no staff dedicated to asset valuation nor a certified public accountant familiar with generally accepted accounting procedures regarding lien and/or security interest agreements and would use professional contract services to conduct a review. Because the nature of a proposed security interest or lien agreement between the state and a developing entity and the amount of collateral assets that may be submitted by the entity is unknown, the costs to provide the required certification cannot be determined. The BRB estimates the cost to contract could be \$250,000 to \$2.0 million depending on the complexity of the guarantee and the amount of collateral assets submitted by the developing entity.

The Texas Department of Transportation indicates that any responsibilities associated with implementing the provisions of the bill could be absorbed within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 352 Bond Review Board, 601 Department of Transportation
LBB Staff: UP, AG, EH, TG, LBe