

BILL ANALYSIS

H.B. 1852
By: Sanford
Pensions, Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

It has been noted that private activity bond financing is a critical financing tool for infrastructure, student loans, and residential rental housing in Texas. In Texas, a private activity bond must be fully funded at closing. It has been suggested that partial funding of private activity bonds, a practice allowed in other states, should be allowed in Texas because under that practice interest is paid only on the amount funded, thereby making the loan less costly and more efficient. Partial funding also allows more of the bond proceeds to be used for other expenses, such as actual construction costs in a construction project. H.B. 1852 seeks to provide for this partial funding by revising the definition of "closing" for purposes of statutory provisions relating to the issuance of private activity bonds and certain other bonds by the state or a local government.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 1852 amends the Government Code to revise the definition of "closing" as it pertains to provisions governing the issuance of private activity bonds and certain other bonds by the state or a local government as follows:

- by removing the issuance of a bond by an issuer in exchange for the required payment for the bond; and
- by including the delivery of a bond in exchange for a partial payment for the incremental funding of the bond in accordance with the terms of the bond, provided that the partial payment is not less than 10 percent of the required payment for the bond.

EFFECTIVE DATE

September 1, 2021.