

**Public Finance Authority
Summary of Recommendations - House**

Section 1

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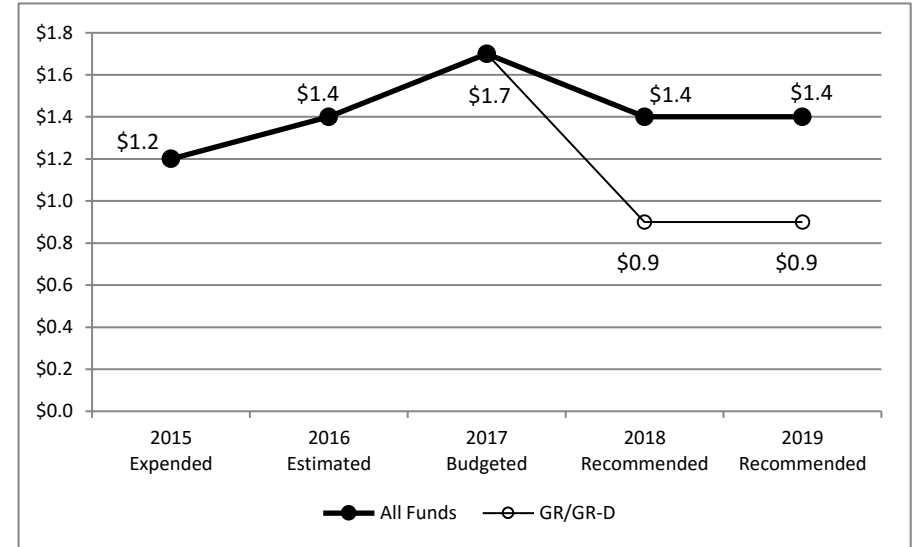
Lee Deviney, Executive Director

Lara Bell, LBB Analyst

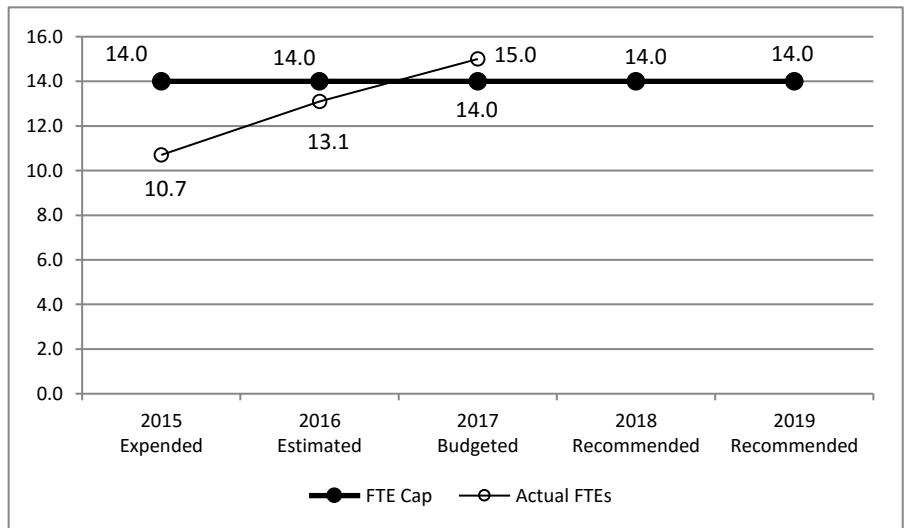
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$3,070,726	\$1,877,677	(\$1,193,049)	(38.9%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$3,070,726</i>	<i>\$1,877,677</i>	<i>(\$1,193,049)</i>	<i>(38.9%)</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$9,967	\$1,000,000	\$990,033	9,933.1%
All Funds	\$3,080,693	\$2,877,677	(\$203,016)	(6.6%)

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	15.0	14.0	(1.0)	(6.7%)

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

Public Finance Authority
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Reduce funding by \$70,219, related to the removal on one-time appropriation in 2016-17 for IT enhancements and PC replacements.	(\$70,219)	\$0	\$0	\$0	(\$70,219)	A.1.1, A.2.1
B)	Reduce funding by \$1.0 million in General Revenue and increase funding by \$1.0 million in Other Funds - T.P.F.A. Series B Master Lease Project Fund related to a method of finance swap with balances accrued in Master Lease Purchase Program administrative fees.	(\$1,000,000)	\$0	\$0	\$1,000,000	\$0	A.1.1, A.2.1
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
C)	Reduce funding by \$122,830, related to replacement of temporary personnel services in the 2016-17 biennium with full time employees in the 2018-19 biennium and reductions in staff training expenses pursuant to the 4 percent reduction.	(\$122,830)	\$0	\$0	\$0	(\$122,830)	A.1.1, A.2.1
D)	Reduce funding by \$9,967, related to IT services provided to the Bond Review Board in the 2016-17 biennium through an interagency contract.	\$0	\$0	\$0	(\$9,987)	(\$9,987)	A.1.1, A.2.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations		(\$1,193,049)	\$0	\$0	\$990,013	(\$203,036)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0	\$0	\$0	\$1,000,000	\$1,000,000	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$1,193,049)	\$0	\$0	(\$9,987)	(\$1,203,036)	As Listed

**Public Finance Authority
Selected Fiscal and Policy Issues - House**

1. **Removal of One-time Funding.** Recommendations include a decrease of \$70,219 in General Revenue across all strategies related to one-time funding appropriated to the agency for the 2016-17 biennium for IT enhancements and PC replacement and reallocated by the agency for other purposes.

Recommendations do not include the agency's request to reallocate \$70,219 in General Revenue in the 2018-19 biennium for the following items related to agency operations:

- \$11,000 for a capital budget purchase of a file server;
- \$10,198 for salary increases for current staff;
- \$36,434 for travel for staff trainings and board meetings; and
- \$12,587 for other personnel costs.

2. **Master Lease Purchase Program (MLPP) Receipts.** Recommendations include \$1.0 million in Other Funds collected from the balances appropriated in a method of finance swap with General Revenue for agency operations in the 2018-19 biennium. The agency estimates a balance of \$2.3 million in Other Funds at the end of fiscal year 2017 related to Master Lease Purchase Program fees. The balance is partially retained by the agency for program cash flow purposes.

Background: MLPP is a not self-supporting lease revenue-financing program authorized by statute to finance equipment acquisitions for state agencies. MLPP projects primarily include computer equipment, hardware and software, energy saving performance contracts, vehicles, telecommunications equipment, furniture, and construction projects. TPFA primarily issues commercial paper or short-term debt to finance MLPP projects approved by the legislature, and General Revenue is typically appropriated to participating agencies for the related debt service. Rider 12, Information Listing: Master Lease Purchase Program Lease Payments provides information on appropriations to participating agencies and will be updated as budget recommendations for affected agencies are finalized.

MLPP authority is established at \$150.0 million by the TPFA board, authorized by Government Code 1232.103, and based on appropriations for eligible projects to participating agencies. However, only up to \$100.0 million in MLPP short-term debt may be outstanding due to the cap on liquidity provided by the Comptroller. As of August 31, 2016, approximately \$55.5 million remains in available capacity for this program. MLPP debt obligations can be paid off at any time due to the issuance of short-term, commercial paper as the financing instrument. According to TPFA, there was \$44.5 million in outstanding MLPP debt as of August 31, 2016.

TPFA assumes an interest rate of 5.0 percent for MLPP leases and a 1.0 percent administrative fee on the outstanding principal balance of each lease. During fiscal year 2016, market conditions have provided for a less than 0.2 percent interest rate from TPFA's commercial paper for MLPP. During September 2016, however, the average interest rate increased to 0.7 percent. The 1 percent administrative fee provides for ongoing commercial program costs including liquidity, rating costs, remarketing and paying agent fees. In FY 2016, the MLPP program revenue, after program costs were paid, is estimated to be \$336,405. Prior to the 2014-15 biennium the legislature appropriated these funds to support agency operating costs. Due to the decline in the program's use, the fees were not sufficient to fund the agency in 2016-17 and the agency is currently funded with General Revenue.

**Public Finance Authority
Rider Highlights - House**

Modification of Existing Riders

2. **Information Listing of Appropriated Funds.** Recommendations revise this rider to reflect updated debt service requirements of \$322.9 million in FY 2018 and \$346.3 million in FY 2019.
3. **Appropriation and Transfer Authority of Interest and Sinking Funds for General Obligation Bond Debt Service Payments.** Recommendations revise this rider to align with current business practices of TPFA and the Comptroller.
5. **Appropriation and Transfer Authority for Revenue Commercial Paper Programs: Payments and Administrative Fees.** Recommendations revise this rider to address all revenue commercial paper programs administered by the agency.
10. **Information Listing Master Lease Purchase Program Lease Payments.** Recommendations revise this rider to reflect recommended Master Lease Purchase Program payments at affected agencies.

Deleted Riders

3. **Capital Budget.** Recommendations delete this rider as funding has been expended for the intended purpose.
12. **Unexpended Balances: Automated Debt Management System.** Recommendations delete this rider as authority was carried forward from fiscal year 2015 into the 2016-17 biennium and the project should be completed prior to the 2018-19 biennium.

Public Finance Authority
Items Not Included in Recommendations - House

Section 5

	2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items - In Agency Priority Order

1)	Restore one-time funding removed from the 2016-17 base to fund staff, board travel, and the purchase of a network server.	\$0	\$70,219	1.0	Yes	No	\$59,218
2)	Salary increases for current staff to achieve equity with similar positions at other state agencies.	\$0	\$256,634	0.0	No	No	\$256,634
3)	Salary and Authority increase for the Exempt Position - Executive Director.	\$0	\$151,144	0.0	No	No	\$151,144
4)	One accountant FTE position to assist with Centralized Accounting and Payroll/Personnel System (CAPPS) implementation.	\$0	\$127,411	1.0	Yes	No	\$0
5)	Modification to Rider 6, Appropriation and Transfer Authority for Revenue Commercial Paper Programs: Payments and Administrative Fees, to allow revenue commercial paper program to fund agency administration.	\$0	\$0	0.0	No	No	\$0

TOTAL Items Not Included in Recommendations		\$0	\$605,408	2.0			\$466,996
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**Public Finance Authority
Appendices - House**

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* Appendix is not included - no significant information to report

Public Finance Authority					
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS					
Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
ANALYZE FINANCINGS AND ISSUE DEBT A.1.1	\$1,534,185	\$1,432,964	(\$101,221)	(6.6%)	Recommendations include a decrease of \$61,169 in General Revenue related to the replacing temporary personnel services with full time employees and reductions in staff training expenses, pursuant to the 4 percent reduction; a decrease of \$35,088 in General Revenue related to one-funding in the 2016-17 biennium for IT enhancements; and a decrease of \$4,964 in Interagency Contracts related to a contract with Bond Review Board for IT services.
MANAGE BOND PROCEEDS A.2.1	\$1,546,508	\$1,444,713	(\$101,795)	(6.6%)	Recommendations include a decrease of \$61,661 in General Revenue related to the replacing temporary personnel services with full time employees and reductions in staff training expenses, pursuant to the 4 percent reduction; a decrease of \$35,131 in General Revenue related to one-funding in the 2016-17 biennium for IT enhancements; and a decrease of \$5,003 in Interagency Contracts related to a contract with Bond Review Board for IT services.
BOND DEBT SERVICE PAYMENTS A.2.2	\$0	\$0	\$0	0.0%	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$3,080,693	\$2,877,677	(\$203,016)	(6.6%)	
Grand Total, All Strategies	\$3,080,693	\$2,877,677	(\$203,016)	(6.6%)	

Public Finance Authority					
Funding Changes and Recommendations - House, by Strategy -- GENERAL REVENUE FUNDS					
Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
ANALYZE FINANCINGS AND ISSUE DEBT A.1.1	\$1,529,221	\$932,964	(\$596,257)	(39.0%)	Recommendations include a decrease of \$500,000 related to a method of finance swap with balances accrued in Master Lease Purchase Program administrative fees; a decrease of \$61,169 related to the replacing temporary personnel services with full time employees and reductions in staff training expenses, pursuant to the 4 percent reduction; and a decrease of \$35,088 related to one-funding in the 2016-17 biennium for IT enhancements.
MANAGE BOND PROCEEDS A.2.1	\$1,541,505	\$944,713	(\$596,792)	(38.7%)	Recommendations include a decrease of \$500,000 related to a method of finance swap with balances accrued in Master Lease Purchase Program administrative fees; a decrease of \$61,661 in General Revenue related to the replacing temporary personnel services with full time employees and reductions in staff training expenses, pursuant to the 4 percent reduction; and a decrease of \$35,131 in General Revenue related to one-funding in the 2016-17 biennium for IT enhancements.
BOND DEBT SERVICE PAYMENTS A.2.2	\$0	\$0	\$0	0.0%	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$3,070,726	\$1,877,677	(\$1,193,049)	(38.9%)	
Grand Total, All Strategies	\$3,070,726	\$1,877,677	(\$1,193,049)	(38.9%)	

Public Finance Authority					
Funding Changes and Recommendations - House, by Strategy -- OTHER FUNDS					
Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
ANALYZE FINANCINGS AND ISSUE DEBT A.1.1	\$4,964	\$500,000	\$495,036	9,972.5%	Recommendations include an increase of \$500,000 in Other Funds - T.P.F.A. Series B Master Lease Project Fund Account No. 735 related to a method of finance swap with General Revenue, offset by a decrease of \$4,964 in Interagency Contracts related to a contract with Bond Review Board for IT services.
MANAGE BOND PROCEEDS A.2.1	\$5,003	\$500,000	\$494,997	9,894.0%	Recommendations include an increase of \$500,000 in Other Funds - T.P.F.A. Series B Master Lease Project Fund Account No. 735 related to a method of finance swap with General Revenue, offset by a decrease of \$5,003 in Interagency Contracts related to a contract with Bond Review Board for IT services.
BOND DEBT SERVICE PAYMENTS A.2.2	\$0	\$0	\$0	0.0%	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$9,967	\$1,000,000	\$990,033	9,933.1%	
Grand Total, All Strategies	\$9,967	\$1,000,000	\$990,033	9,933.1%	

Public Finance Authority
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
Cap	14.0	14.0	14.0	14.0	14.0
Actual/Budgeted	10.7	13.1	15.0	NA	NA

Schedule of Exempt Positions (Cap)					
Executive Director, Group 4	\$123,624	\$130,091	\$130,091	\$130,091	\$130,091

- Notes:
- a) The agency is requesting an increase in compensation for the Executive Director Exempt Position from \$130,091 to \$200,000 per year, adjusted from Group 4 to Group 6, and the inclusion of the position in Article IX, Section 3.04(c)(6).
- b) The State Auditor's Office Report, Executive Compensation at State Agencies (Report No. 16-706, August 2016), indicates a market average salary of \$156,644 for the Executive Director position at the Public Finance Authority and recommends a change from the current Group 4 classification to Group 5.

Public Finance Authority
Performance Measure Highlights - House

Appendix D

	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
• Number of Requests for Financings Approved	6	7	14	11	7
<i>Measure Explanation: Adjust targets based on actual number of requests for financing received by the agency.</i>					
• Number of Financial Transactions Including Debt Service Payments	4,582	4,313	5,500	4,700	4,700
<i>Measure Explanation: Adjust targets based on actual number of financial transactions performed by the agency.</i>					

Public Finance Authority
Summary of Ten Percent Biennial Base Reduction Options Recommendations - House

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs			
1)	Across the Board Reductions	Reduction will eliminate salaries and other personnel costs for two (2) FTEs and the reduction of one (1) TPFA board meeting. This reduction would impact the agency's ability to: issue debt efficiently, comply with federal tax law and bond covenants, and could affect the agency's ability to pay debt service in a timely manner.	\$294,790	\$294,790	2.0	\$0	10%	No
TOTAL, 10% Reduction Options			\$294,790	\$294,790	2.0	\$0		