

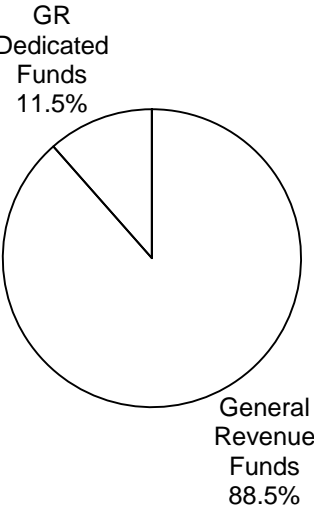
Section 1

Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$519,586	\$1,850,156	\$1,330,570	256.1%
GR Dedicated Funds	\$1,066,048	\$240,547	(\$825,501)	(77.4%)
Total GR-Related Funds	\$1,585,634	\$2,090,703	\$505,069	31.9%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$1,346,206	\$0	(\$1,346,206)	(100.0%)
All Funds	\$2,931,840	\$2,090,703	(\$841,137)	(28.7%)

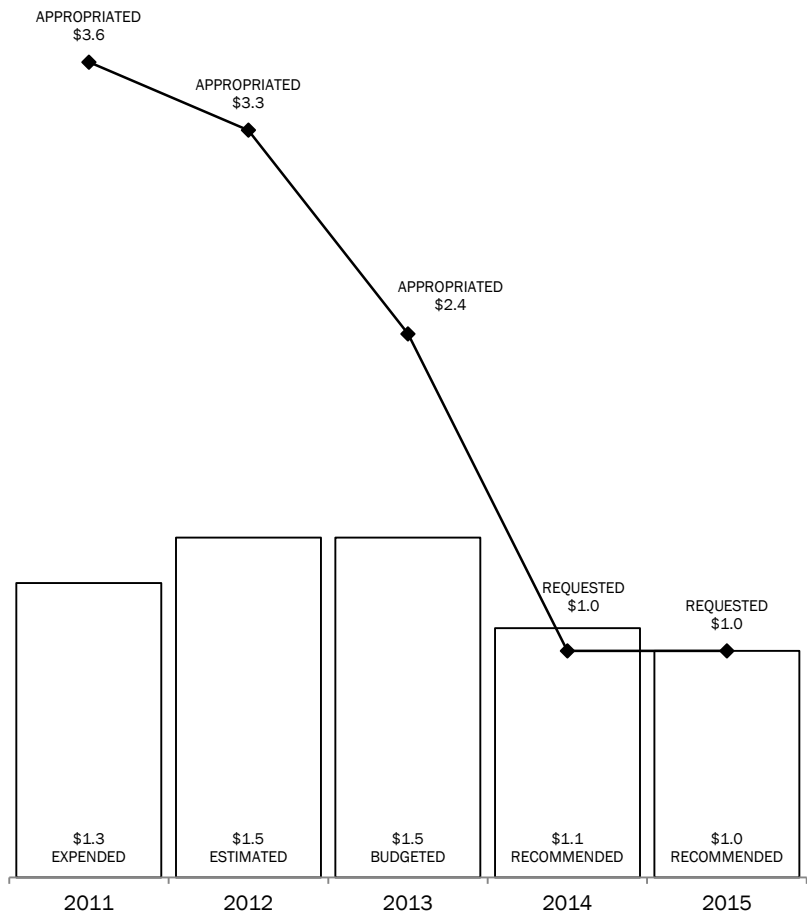
	FY 2013 Budgeted	FY 2015 Recommended	Biennial Change	% Change
FTEs	14.0	13.0	(1.0)	(7.1%)

The bill pattern for this agency (2014-15 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2014-15 biennium.

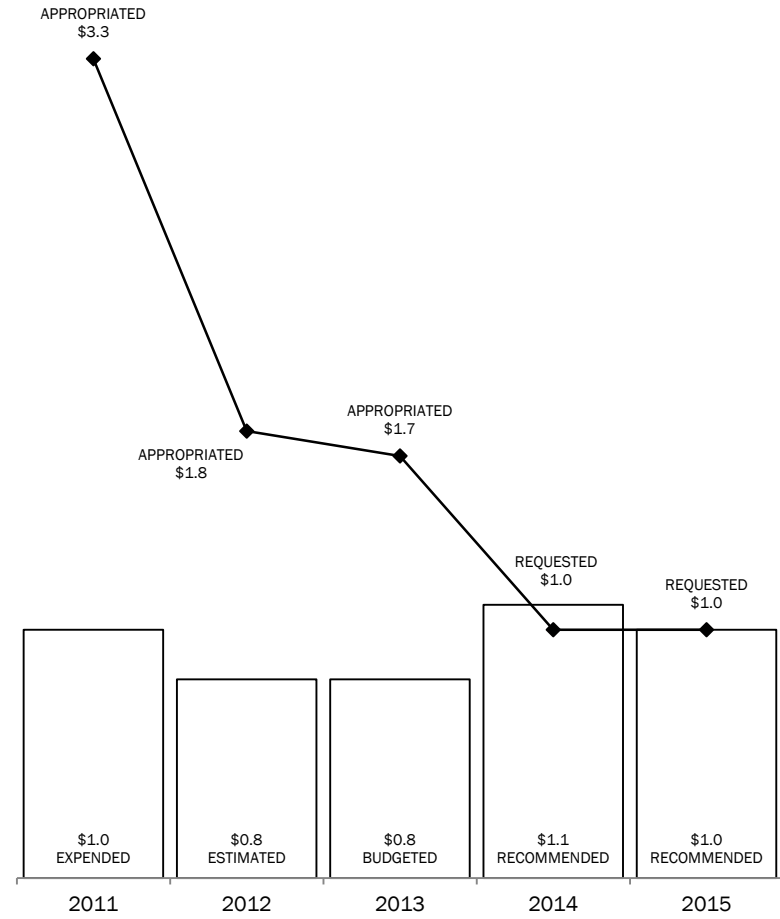
RECOMMENDED FUNDING  
BY METHOD OF FINANCING



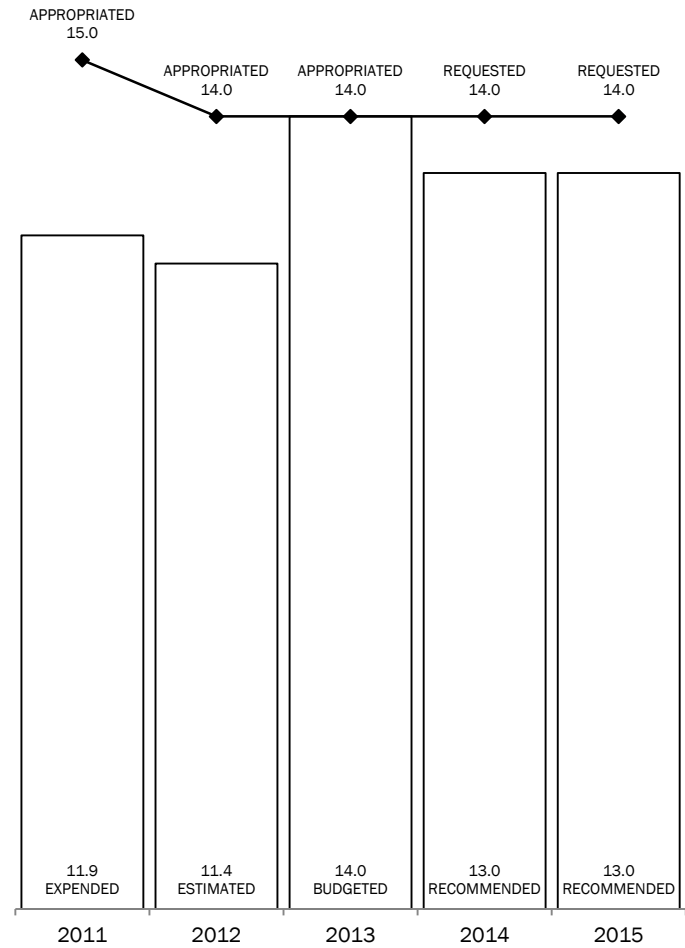
ALL FUNDS



GENERAL REVENUE AND  
GENERAL REVENUE-DEDICATED FUNDS



FULL-TIME-EQUIVALENT POSITIONS



Section 2

Public Finance Authority  
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations include a method of finance swap from Appropriated Receipts generated from the Master Lease Purchase Program (MLPP) to General Revenue Funds to maintain 2012-13 funding levels for the agency's core functions to manage bond proceeds and pay debt service in a timely manner. For more information, see Selected Fiscal and Policy Issues #1.
					Recommendations also include a decrease in Strategy A.2.1 Mange Bond Proceeds related to MLPP payments from universities out of local funds that were previously misclassified as a revenue source for the agency and are no longer included as a direct appropriation to TPFA.
					Recommendations also include a reduction of 1.0 full-time equivalent, for an unfilled financial analyst position.
ANALYZE FINANCINGS AND ISSUE DEBT A.1.1	\$929,165	\$921,378	(\$7,787)	(0.8%)	
MANAGE BOND PROCEEDS A.2.1	\$2,002,675	\$1,169,325	(\$833,350)	(41.6%)	
BOND DEBT SERVICE PAYMENTS A.2.2	\$0	\$0	\$0	0.0%	
<b>Total, Goal A, FINANCE CAPITAL PROJECTS</b>	<b>\$2,931,840</b>	<b>\$2,090,703</b>	<b>(\$841,137)</b>	<b>(28.7%)</b>	
<b>Grand Total, All Strategies</b>	<b>\$2,931,840</b>	<b>\$2,090,703</b>	<b>(\$841,137)</b>	<b>(28.7%)</b>	

Section 2

Public Finance Authority  
Summary of Recommendations - Senate, By Method of Finance -- GENERAL REVENUE FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations maintain the agency's core functions to manage bond proceeds and pay debt service timely and include an increase of \$1.3 million in General Revenue for a method of finance swap from Appropriated Receipts generated by the Master Lease Purchase Program (MLPP). According to the agency, due a decline in MLPP participation, paying down MLPP related debt, and expected increases in liquidity costs, collections generated from the 1.0 percent administrative fee would not be sufficient to cover agency operations in the 2014-15 biennium. For more information, see Selected Fiscal and Policy Issues #1.
ANALYZE FINANCINGS AND ISSUE DEBT A.1.1	\$258,754	\$921,378	\$662,624	256.1%	
MANAGE BOND PROCEEDS A.2.1	\$260,832	\$928,778	\$667,946	256.1%	
BOND DEBT SERVICE PAYMENTS A.2.2	\$0	\$0	\$0	0.0%	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$519,586	\$1,850,156	\$1,330,570	256.1%	
Grand Total, All Strategies	\$519,586	\$1,850,156	\$1,330,570	256.1%	

Section 2

Public Finance Authority  
Summary of Recommendations - Senate, By Method of Finance -- GR DEDICATED

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations include a decrease of \$0.8 million based on projected interest revenue out of the General Revenue - Dedicated State Lease Account No. 507, which takes into account an August 1 transfer of Master Lease Purchase Program payments from client agencies for the 2014-15 biennium. The decrease is primarily related to MLPP lease payments from universities out of local funds outside the treasury that were previously misclassified as a revenue source for TPFA in the General Revenue - Dedicated State Lease Account No. 507. These funds are no longer included in the Comptroller's Biennial Revenue Estimate and therefore are not appropriated directly to the agency.
ANALYZE FINANCINGS AND ISSUE DEBT A.1.1	\$0	\$0	\$0	0.0%	
MANAGE BOND PROCEEDS A.2.1	\$1,066,048	\$240,547	(\$825,501)	(77.4%)	
BOND DEBT SERVICE PAYMENTS A.2.2	\$0	\$0	\$0	0.0%	
<b>Total, Goal A, FINANCE CAPITAL PROJECTS</b>	<b>\$1,066,048</b>	<b>\$240,547</b>	<b>(\$825,501)</b>	<b>(77.4%)</b>	
<b>Grand Total, All Strategies</b>	<b>\$1,066,048</b>	<b>\$240,547</b>	<b>(\$825,501)</b>	<b>(77.4%)</b>	

Section 2

Public Finance Authority  
Summary of Recommendations - Senate, By Method of Finance -- OTHER FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations include a decrease of \$1.3 million in Other Funds due to a method of finance swap from Appropriated Receipts out of revenue generated from the Master Lease Purchase Program to General Revenue to maintain 2012-13 funding levels for core agency operations. According to the agency, due a decline in MLPP participation, paying down MLPP related debt, and expected increases in liquidity costs, collections generated from the 1.0 percent administrative fee would not be sufficient to cover agency operations in the 2014-15 biennium. For more information, see Selected Fiscal and Policy Issues #1.
					Recommendations also reflect a decrease of \$8,500 related to reimbursements generated from bond issues on behalf of the Charter School Finance Corporation. The agency does not expect to receive any reimbursements in the 2014-15 biennium due to the expected depletion of grant funds in the current biennium.
ANALYZE FINANCINGS AND ISSUE DEBT A.1.1	\$670,411	\$0	(\$670,411)	(100.0%)	
MANAGE BOND PROCEEDS A.2.1	\$675,795	\$0	(\$675,795)	(100.0%)	
BOND DEBT SERVICE PAYMENTS A.2.2	\$0	\$0	\$0	0.0%	
<b>Total, Goal A, FINANCE CAPITAL PROJECTS</b>	<b>\$1,346,206</b>	<b>\$0</b>	<b>(\$1,346,206)</b>	<b>(100.0%)</b>	
<b>Grand Total, All Strategies</b>	<b>\$1,346,206</b>	<b>\$0</b>	<b>(\$1,346,206)</b>	<b>(100.0%)</b>	

**Texas Public Finance Authority  
Selected Fiscal and Policy Issues**

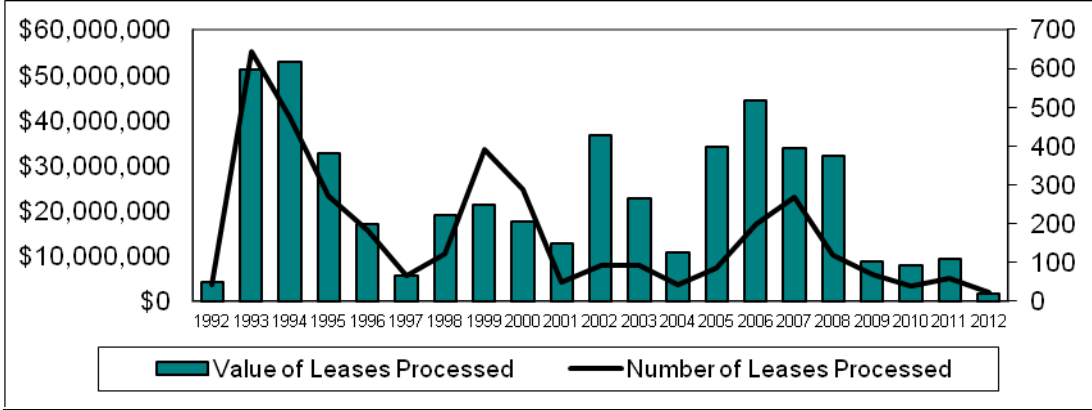
1. **Method of Finance Swap for Master Lease Purchase Program (MLPP) Receipts.** Recommendations include a decrease in the use of receipts generated by MLPP by \$1,330,570 for a method of finance swap to General Revenue. Estimated revenue from the current 1.0 percent administrative fee and unexpended balances are not anticipated to be sufficient to provide for overall agency operations in the 2014-15 biennium. For the end of fiscal year 2013, the agency projects a balance of \$479,474 in remaining MLPP receipts. This balance, combined with the expected administrative fee collections of \$1,218,911 in the 2014-15 biennium, total \$1,698,385 in available revenue for the biennium. The total anticipated expenditures for the 2014-15 biennium, based on a liquidity commitment of \$150 million at 50 basis points and not including any agency operations, total \$1,979,900, which would exceed available revenue by \$281,515.

It is not anticipated that TPFA will require additional appropriations to cover the expected shortfall related to MLPP program costs. TPFA secured a liquidity commitment of \$150 million to cover any increase in MLPP participation. If the agency were to secure a liquidity commitment equivalent to the outstanding MLPP (\$90.7 million), revenue estimated for the 2014-15 biennium is expected to be sufficient to cover the cost of the MLPP program.

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 including 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.

For the 2012-13 biennium, MLPP authority was established at \$150 million by the TPFA board based on appropriations for eligible projects to participating agencies. As of August 31, 2012, approximately \$59.3 million remains in available capacity for this program. Any new MLPP projects above the available capacity could have an impact on where the state stands in relation to the constitutional debt limit (Art. III, Sec. 49-j). Figure 1 depicts the number of MLPP leases processed, as well as the value of these leases, in each fiscal year from 1992 through 2012. Recently, MLPP participation decreased significantly in fiscal year 2009 and again in fiscal year 2012.

Figure 1



Source: Texas Public Finance Authority

The agency indicated that if MLPP participation continues to decrease, TPFA would have difficulty meeting future expenditures required for program operations, such as liquidity costs, rating agency fees, and agency operations with the 1.0 percent administrative fee charged to MLPP participants. TPFA Board could increase the MLPP administrative fee in order to generate more revenue, however to do so may require additional appropriations for participating agencies to pay MLPP lease payments. Additionally, increasing the fee could further deter participation in the program.

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 2012, market conditions provided for a less than 0.2 percent interest rate from TPFA’s commercial paper for MLPP. The 1.0 percent administrative fee provides for ongoing commercial program costs including liquidity, rating costs, remarketing and paying agent fees, and approximately 72 percent of agency operations for the current biennium.

Recommendations also include a new informational rider in the agency’s bill pattern that lists all current MLPP client agencies and associated lease payments in each year of the 2014-15 biennium. LBB staff would update this rider to reflect any updates in estimates for lease payments or decisions to increase MLPP financings at agencies.

2. **Increased Regulatory Oversight of Tax-Exempt Securities.** Since the 2008 market downturn, the level of scrutiny by federal agencies such as the Securities and Exchange Commission (SEC), Internal Revenue Service (IRS), and Municipal Securities Rulemaking Board (MSRB) on municipal issuers has increased significantly. According to a report by the Treasury Inspector General for Tax Administration, published in August 2012, the IRS has more than doubled the number of investigations for misconduct in the municipal bond sector each year. According to a recent article in the Bond Buyer, federal policymakers are looking to eliminate the tax-exempt status of municipal bonds in order to boost tax revenue.



**Texas Public Finance Authority  
FTE Highlights**

Full-Time-Equivalent Positions	Expended 2011	Estimated 2012	Budgeted 2013	Recommended 2014	Recommended 2015
Cap	15.0	14.0	14.0	13.0	13.0
Actual/Budgeted	11.9	11.4	14.0	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director, Group 4	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000

Recommendations include reduction of 1.0 FTE related to a financial analyst position. The agency has been unable to fill this position at current funding levels, and recommendations maintain 2012-13 funding levels.

State Auditor's Office Report 12-708, *Executive Compensation at State Agencies*, indicates a market average of \$134,807 for the Executive Director position. No changes to the current Group 4 classification were recommended.

Section 4

Texas Public Finance Authority (TPFA)  
Performance Review and Policy Report Highlights

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

**Texas Public Finance Authority  
Rider Highlights**

2. **(Revise) Informational Listing of Appropriated Funds.** Revise to reflect recommended debt service requirement.
4. **(Revise) Appropriation and Transfer Authority for Revenue Bond Lease Payments.** Revise to reflect estimated revenues accruing in State Lease Fund Account No. 507.
5. **(Revise) Appropriation and Transfer Authority for Master lease Purchase Program and Administrative Fees.** Revise to reflect estimated revenues accruing in State Lease Fund Account No. 507.
11. **(Revise) General Obligation Bond Debt Service for the Texas Military Value Revolving Loan Bond Program.** Revise to reflect recommended debt service requirement related to loans for defense communities.
12. **(Old) Sunset Contingency.** Delete rider related to sunset review.
12. **(New) Informational Listing: Master Lease Purchase Program Lease Payments.** Add new rider to specify MLPP client agencies and identify associated lease payments for the 2014-15 biennium.

Section 6

Public Finance Authority  
Items not Included in Recommendations - Senate

		2014-15 Biennial Total	
		GR & GR-Dedicated	All Funds
Agency Exceptional Items - In Agency Priority Order			
1. Debt Management Funding:			
a. Funding for development and implementation of a debt management tracking system;		\$ 500,000	\$ 500,000
b. Financial analyst IV position (1.0 FTE); and		\$ 152,088	\$ 152,088
c. Funding for pay raises to retain professional staff.		\$ 73,296	\$ 73,296
Total, Items Not Included in the Recommendations		\$ 725,384	\$ 725,384