

By: Guerra

H.B. No. 3920

A BILL TO BE ENTITLED

AN ACT

relating to financing arrangements between political subdivisions and private entities for the implementation of pay for success initiatives.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 140, Local Government Code, is amended by adding Section 140.011 to read as follows:

Sec. 140.011. PRIVATE FINANCING ARRANGEMENTS FOR PAY FOR SUCCESS INITIATIVES. (a) The governing body of a political subdivision with the authority to issue general obligation or revenue bonds may by order, ordinance, or similar measure enter into a private financing arrangement for a program designed and intended to address a problem facing the political subdivision.

(b) Under the financing arrangement:

(1) private investors provide capital for the program;
(2) a private entity enacts the program;
(3) an independent reviewer determines the success of the program; and

(4) the political subdivision pays the initial capital with interest to the private investors only if the independent reviewer determines that the program is successful.

(c) The Bond Review Board shall by rule establish procedures for entering into the private financing arrangements, including procedures for the manner in which:

- 1 (1) the financing arrangement is approved;
- 2 (2) the financing arrangement is implemented; and
- 3 (3) a payment under the financing arrangement is
- 4 received.

5 SECTION 2. This Act takes effect September 1, 2015.