

BILL ANALYSIS

C.S.H.B. 2313
By: Krusee
County Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Chapter 1371, Government Code, was enacted in 1999 as a codification of former Article 717q, Vernon's Texas Civil Statutes, as amended. Chapter 1371 gives certain entities ("issuers") the authority to issue debt obligations described by Chapter 1371. Under the current provisions of the chapter, the only counties permitted to issue obligations under Chapter 1371 are counties with populations of 3.3 million or more or counties operating under Chapter 334, Local Government Code (the "Brimer Bill") relating to venue projects. Harris County uses that law as the statutory authority for its issuance of voter-approved debt in the form of commercial paper notes.

As proposed, the Bill would amend Chapter 1371 to widen the number of counties permitted to issue obligations under Chapter 1371. Specifically, the Bill would permit counties with outstanding ad valorem tax backed debt of at least \$100 million to be issuers under Chapter 1371, as long as the long-term debt of such counties is rated in one of the four highest rating categories by a nationally recognized rating agency ("affected counties").

The practical effect of the Bill would be to increase the number of counties that are issuers under Chapter 1371 to approximately twelve to fourteen. One of them, Williamson County, is interested in possible use of the authority conferred by the Bill to establish a commercial paper program similar to that of Harris County.

As amended by the committee substitute, the Bill would also amend the definition of "eligible project" under Chapter 1371 to include not only projects financed by voter approved ad valorem tax obligations, but also projects that may be financed by ad valorem tax obligations for which state law does not otherwise require voter approval. The primary example of that type of obligation is certificates of obligation that under current law may be issued by cities and counties pursuant to Subchapter C, Chapter 271, Local Government Code. Thus, as amended, the Bill would permit certain cities and counties to finance a project under Chapter 1371 with non-voted ad valorem tax-supported obligations, including commercial paper notes.

In addition, the Bill substitute would permit affected counties to use commercial paper notes to finance not only voter-approved projects, but also projects that may be financed without voter approval under current law. The amended Bill does not remove the requirement of voter approval where voter approval is required under current law; rather, it simply permits issuers to use commercial paper notes as a means of financing projects that are already exempt from voter approval under current law. The primary law under which counties may finance projects using ad valorem taxes without voter approval is the Certificate of Obligation Act of 1971, Subchapter C, Local Government Code. Thus, the primary effect of the amendment is to permit counties to finance projects permitted by the Certificate of Obligation Act of 1971 using commercial paper notes.

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

- Section 1. Amends Sec. 1371.001(2) and (4) to change the definition "eligible project" to include projects for which no voter approval is required and to change the definition of "issuer" to include affected counties.
- Section 2. Governs the effective date of the Bill.

EFFECTIVE DATE

This Act takes effect immediately if it receives two-thirds vote in each house, or it takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute addresses the “eligible project” and “issuer” language and affected sections as well as clarifies indebtedness in relationship to the issuance of obligations and so affected sections in order to make all conforming changes.