

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

February 24, 2003

TO: Honorable Robert Talton, Chair, House Committee on Urban Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB397 by Mowery (Relating to requiring voter approval for the issuance by a municipality or county of certain certificates of obligation.), **As Introduced**

No fiscal implication to the State is anticipated.
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The bill would amend the Local Government Code by lowering from 5 percent to 2 percent the percentage of qualified applicable voters that must sign a petition protesting the issuance of certificates of obligation or refinancing certificates before a municipality or county would be required to hold an election to obtain voter approval for issuing the certificates. Additionally, a new section would be added to the Local Government Code that would require voter approval if proposed certificates to be issued at one time totaled \$2 million or more. The election would have to be held on a uniform election date. The bill would take effect immediately if it receives a vote by two-thirds of each house; otherwise, it would take effect September 1, 2003. Statutory changes would apply only to certificates of obligation ordered on or after the effective date.

Local Government Impact

Under current statute, municipalities and counties may issue certificates of obligation without voter approval, except when 5 percent of the voters sign a petition protesting the issuance. Under the proposed amendment, municipalities and counties proposing to issue certificates of obligation would be required to hold an election to issue certificates totaling more than \$2 million, which would result in an increased number of elections. The lower percentage of voters required to sign a petition of protest could also result in more elections regarding issuing certificates of obligation.

All elections for certificates of obligation would be held on uniform election days because only institutions of education may hold bond elections on non-uniform election days. If elections were to be held on the uniform dates in February or September, it is likely the certificates would be the only issue on the ballot because counties must elect officers in November and a general election of city officers may not be held on the February or September uniform election dates.

Although the number of elections regarding certificates of obligation that each municipality or county would have to conduct annually is unknown, local government entities would incur full election costs if the certificates are the only item on the ballot. If the issue were to appear on the ballot on a uniform election date along with other issues or elections of local government officials, election costs would be increased, but usually not significantly, according to the Secretary of State.

According to data from the Bond Review Board, there were 26 issuances of certificates of \$2 million or more in fiscal year 2002 by counties and 110 by cities. The Comptroller of Public Accounts calculated 89-cents as an average cost per registered voter in a county election based on the number of registered voters in the 26 counties in which certificates of \$2 million or more were issued in fiscal year 2002 and the combined costs of elections held in those counties. Using the same formula, but based on the number of cities for which voter registration numbers were available in which applicable certificates were issued, the Comptroller determined 98-cents as the average cost per registered voter in a city election.

Assuming there would be the same number of issuances for certificates of \$2 million or more each year, and that half (13 for counties, 55 for cities) would require an additional election per year, the combined cost to counties to hold elections before issuing certificates of \$2 million or more would exceed \$2.2 million annually and the combined cost to cities would be almost \$1.9 million.

The cost per affected county would vary depending on the number of registered voters per county. For example, a county with approximately 500,000 registered voters would incur a cost of \$445,000 per election in which the issuing of certificates is the only issue on the ballot. The cost per affected city would vary depending on the number of registered voters per city. For example, a city with approximately 300,000 registered voters would incur a cost of \$294,000 per election in which issuing of certificates is the only issue on the ballot.

Source Agencies: 304 Comptroller Of Public Accounts, 307 Secretary Of State, 352 Bond Review Board
LBB Staff: JK, JB, DLBa