

BILL ANALYSIS

C.S.H.B. 647
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. Harris County, the only county that currently is an issuer under Chapter 1371, uses that law as the statutory authority for its issuance of voter-approved debt in the form of commercial paper notes.

As proposed, C.S.H.B. 647 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 C.S.H.B. 647 would be to increase the number of counties that are issuers under Chapter 1371 by 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.

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 Section 1371.001(4), Government Code, which changes the definition of an issuer to include a county that has a population of 3.3 million or more; or that, on the date of issuance of obligations, has authorized, outstanding, or any combination of authorized and outstanding, indebtedness of at least \$100 million secured by and payable from the county's ad valorem taxes and the authorized long-term indebtedness of which is rated by a nationally recognized rating agency of securities issued by local governments in one of the four highest rating categories for a long-term obligation.

SECTION 2. Amends Section 1371.057, Government Code, by adding Subsection (c), which adds that if the obligation authorization provides that the issuer intends to refinance an obligation or loan under a credit agreement with refunding bonds, then the obligation or loan is required to be treated, for purposes of attorney general review and approval, as having the intended term and payment schedule of the refunding bonds.

SECTION 3. Effective Date

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 647 79(R)

The Substitute removes the amendment of Section 1371.001(2), Government Code, which adds to the definition of an eligible project, a project for which there exists authorized but unissued obligations payable from ad valorem taxes without approval by the voters. It also adds a new SECTION 2 which amends Section 1371.057, Government Code, by adding Subsection (c) which states that if the obligation authorization provides that the issuer intends to refinance an obligation or loan under a credit agreement with refunding bonds, then the obligation or loan is required to be treated, for purposes of attorney general review and approval, as having the intended term and payment schedule of the refunding bonds.