

BILL ANALYSIS

C.S.H.B. 3125
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Financial Institutions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current law grants a library district the ability to impose a sales tax and borrow money; however, they are not permitted to issue debt. To operate within this constraint, library districts either acquire a bank loan directly or coordinate with a municipality or county to issue a debt on their behalf to be repaid with the library district's sales taxes. Granting library districts the authority to issue their own sales tax revenue obligations is the preferred method of financing long-term projects because of the comparatively low interest rates and would allow the library districts to own and operate these library projects without any involvement by a county or a municipality. Authorizing library districts to issue bonds on their own behalf will allow a more effective use of their sales tax revenues.

C.S.H.B. 3125 would allow certain library districts to issue debt against their current sales tax revenue stream. These obligations would be reviewed and approved by the Texas Attorney General.

RULEMAKING AUTHORITY

It is the opinion of the committee that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3125 amends Chapter 326 of the Local Government Code by adding Subchapter F. C.S.H.B. 3125 defines bond and credit agreement. C.S.H.B. 3125 specifies purposes for which the money may be used. It would allow qualifying library districts to issue bonds payable by the library district's sales tax revenues. The board of trustees would be authorized to use all or part of the district's revenue or the district's sales and use tax as payment of qualifying bonds or obligations pertaining to any purpose authorized and to grant a lien on pledged revenue. C.S.H.B. 3125 removes the election provision from the original version. In order to give additional security for the bond, the library district may mortgage the property or franchise the operations of the library for a period not to exceed 20 years. In the event of default, any subsequent owner/operator would be mandated to operate it as a library. C.S.H.B. 3125 defines the allowance for the use and investment of proceeds, limit the maturity of a bond to not more than 30 years, and specify the allowance of additional obligations to improve or extend the library system. Finally, C.S.H.B. 3125 provides the authority for the board to allow a credit agreement in lieu of or in addition to providing for a cash reserve upon examination and approval of the agreement by the Texas Attorney General.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 3125 removes the election provision, previously Sec.326.154, from the original bill and renumbers the sections accordingly.