

BILL ANALYSIS

H.B. 3854
By: Eiland
County Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Special private activity bonds (PABs) are tax-exempt bonds that are authorized under federal law to be issued for limited private purposes. After Hurricane Ike, the federal government authorized PABs to be issued in the 27-county disaster area to finance rehabilitation and redevelopment, but current state law prohibits development corporations from issuing these PABs for all the purposes authorized by federal law.

Several weeks prior to Hurricane Ike's landfall on the Texas Gulf Coast, Galveston County called a bond election to be held on November 4, 2008. Although Galveston County sustained significant damage from the hurricane, county officials were able to conduct the election, along with general state and federal elections, and the proposed bonds were approved by county voters. The three propositions, for roads, facilities, and flood control, passed by margins of 58 percent, 69 percent, and 56 percent, respectively.

H.B. 3854 permits industrial development corporations, which are created and operated under state law, to issue a full range of special private activity bonds authorized by the federal government in response to Hurricane Ike, and validates a bond election held by Galveston County shortly after the storm.

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

H.B. 3854 amends the Local Government Code to make provisions relating to Hurricane Ike disaster relief applicable only to a corporation the creation of which was authorized by a unit wholly or partly located in the Hurricane Ike disaster area, as defined by the federal Heartland Disaster Tax Relief Act of 2008. The bill defines "project," for a corporation to which these provisions apply, to include an undertaking the costs of which are eligible to be paid from the proceeds of qualified Hurricane Ike disaster area bonds under the federal Heartland Disaster Tax Relief Act, and establishes that the definition of "project" does not include a qualified residential rental project or a project the costs of which are payable from qualified mortgage bonds, as defined by federal law. The bill excludes a project authorized under these provisions and bonds issued to pay all or part of the cost of a project from the requirements of state law relating to the administration of a project by the Texas Economic Development and Tourism Office.

H.B. 3854 amends the law to make provisions relating to governmental acts and proceedings applicable to any county located in the Hurricane Ike disaster area, as defined by the federal Heartland Disaster Tax Relief Act. The bill validates the governmental acts and proceedings of a county relating to a bond election that was held November 4, 2008, and at which the ballot proposition was approved by a majority of the voters voting on the proposition, as of the dates they occurred. The bill provides that the validation includes the preparation and wording of the

ballot proposition, any action taken by the county in calling and holding the bond election, and any other action taken by the county before the effective date of these provisions in connection with the issuance of any bonds approved in the bond election. The bill prohibits the acts and proceedings from being held invalid because they were not performed in accordance with law and authorizes a county to take any further action or conduct any further proceeding necessary to complete the issuance of the bonds approved at the bond election. The bill establishes that, when issued, the bonds are valid and binding obligations of the county in accordance with their terms.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.