

BILL ANALYSIS

H.B. 1400
By: Elkins
County Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

There is concern that recently enacted legislation amending the Public Improvement District Assessment Act inadvertently created an interest rate limit on bonds and other obligations issued or entered into by a city or county to finance improvements in a public improvement district although no such limit was intended to apply to bonds issued by a city or county.

H.B. 1400 seeks to correct this possible error by removing the interest rate limit on certain city- and county-issued bonds and by providing a more realistic interest rate limit for certain obligations, other than bonds, entered into by a city or county in order to encourage developers to complete the construction of public improvements before bonds are issued. The bill also seeks to clarify that public improvements financed under the act may be dedicated or conveyed to another political subdivision or to an entity authorized by ordinance or resolution to act on behalf of a city or 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

H.B. 1400 amends the Local Government Code to revise procedures for the payment of costs of an improvement made under the Public Improvement District Assessment Act. The bill authorizes costs of improvements to be paid or reimbursed by any combination of the methods described by the provisions of the act, as revised by the bill, if the improvements are dedicated, conveyed, leased, or otherwise provided to or for the benefit of a municipality or county, a political subdivision or other entity exercising the powers granted under the act, or an entity that is approved by the governing body of such an entity and is authorized by order, ordinance, resolution, or other official action to act for such an entity. The bill authorizes the payment or reimbursement to be provided before or after a method of payment or reimbursement authorized by the revised provisions is entered into or issued.

H.B. 1400 removes provisions requiring a cost payable from a special assessment that is to be paid in installments and a cost payable by the municipality or county as a whole but not payable from available general funds or other available general improvement funds to be paid by certain methods. The bill instead authorizes costs payable from a special assessment that is payable in installments to be paid by any combination of the following methods: under an installment sales contract or a reimbursement agreement between the municipality or county and the person who acquires, installs, or constructs the improvements; as provided by a temporary note or time warrant issued by the municipality or county and payable to the person who acquires, installs, or constructs the improvements; or by the issuance and sale of general obligation and revenue bonds. The bill authorizes an installment sales contract, reimbursement agreement, temporary note, or time warrant to be assigned by the payee without the consent of the municipality or county. The bill prohibits the interest rate on unpaid amounts due under an installment sales

contract, reimbursement agreement, temporary note, or time warrant from exceeding, for a period of not more than five years, as determined by the governing body of the municipality or county, five percent above the highest average index rate for tax-exempt bonds reported in a daily or weekly bond index approved by the governing body and reported in the month before the date the obligation was incurred, or from exceeding two percent above the bond index rate after such period. The bill removes a provision prohibiting that interest rate from exceeding one-half of one percent above the highest average interest rate reported by a newspaper in a weekly bond index in the month before the date of the contract or agreement or the issuance of the bond, note, or warrant, and setting out requirements for the newspaper used as a source. The bill authorizes the cost of more than one improvement to be paid under a single installment sales contract, reimbursement agreement, temporary note, or time warrant, rather than under an agreement with a person who contracts to install or construct the improvement and who sells the improvement to the municipality or county.

H.B. 1400 repeals the authorization of the governing body of a municipality or county, while an improvement is in progress and in order to pay the costs of the improvement, to issue temporary notes for money advanced or time warrants to pay for work performed in connection with the improvement and, on completion of the improvement, to issue revenue or general obligation bonds to repay the obligations incurred.

H.B. 1400 makes conforming changes.

H.B. 1400 repeals Section 372.023(f), Local Government Code.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.