

## **BILL ANALYSIS**

S.B. 412  
By: West  
County Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Current law authorizes a public improvement district (PID) to collect assessments on properties located within its boundaries by the payment of periodic installments and to finance public improvements undertaken within its boundaries in several ways. The 81st Legislature made changes to the PID statute regarding "cash flow" districts. In an attempt to clarify interest limitations on those PIDs that did not issue bonds, the legislation inadvertently limited the interest rate associated with all obligations. S.B. 412 seeks to clarify the intent of the legislation passed by the 81st Legislature by specifically outlining the reimbursement and payment methodologies that can be used by PIDs.

As proposed, S.B. 412 amends current law relating to payment of costs of improvements of a public improvement district designated by a municipality or county.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **ANALYSIS**

SECTION 1. Amends Section 372.023, Local Government Code, by amending Subsections (a), (d), (e), and (g) and adding Subsections (a-1) and (d-1), as follows:

(a) Authorizes costs of improvements of a public improvement district to be paid or reimbursed by any combination of the methods described by this section if the improvements are dedicated, conveyed, leased, or otherwise provided to or for the benefit of:

(1) a municipality or county;

(2) a political subdivision or other entity exercising the powers granted under this subchapter as authorized by other law; or

(3) an entity that is approved by the governing body of an entity described by Subdivision (1) or (2), and is authorized by order, ordinance, resolution, or other official action for an entity described by Subdivision (1) or (2). Deletes existing text requiring the cost of an improvement made under this subchapter to be paid in accordance with this section.

(a-1) Authorizes the payment of reimbursement to be provided before or after a method of payment or reimbursement authorized by this section is entered into or issued.

(d) Authorizes costs payable from a special assessment that is payable in installments to be paid by a combination of the following methods, rather than requiring that a cost payable from a special assessment that is to be paid in installments and a cost payable by municipality or county as a whole but not payable from available general funds or other available general improvement funds to be paid:

(1) under an installment sales contract or a reimbursement agreement between the municipality or county and the person who acquired, installs, or constructs the improvements, rather than, under an installment sale contract or a reimbursement agreement with the person who contracts to install or construct the improvement for which the costs apply;

(2) 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, rather than a temporary note or time warrant issued by the municipality or county to reimburse a person for money advanced or work performed in connection with an improvement; or

(3) by the issuance and sale of bonds under Section 372.024 (General Obligation and Revenue Bonds), rather than by the issuance and sale of revenue or general obligation bonds.

(d-1) Authorizes an installment sales contract, reimbursement agreement, temporary note, or time warrant described by Subsection (d) to be assigned by the payee without the consent of the municipality or county.

(e) Prohibits the interest rate on unpaid amounts due under an installment sales contract, reimbursement agreement, temporary note, or time warrant described by Subsection (d):

(1) 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 weekly bond index approved by the governing body and reported in the month before the date the obligation was incurred; and

(2) after the period described by Subdivision (1), from exceeding two percent above the bond index rate described by Subdivision (1), rather than prohibiting the interest rate, as computed for a public security under Section 1204.005 (Computation of Net Effective Interest Rate), Government Code, on money owed or paid under Subsection (d) 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, temporary note, or time warrant.

Deletes existing text requiring the newspaper to specialize in bonds and be acceptable as a reliable source for bond interest rates to the governing body of the municipality or county that enters into the contract or agreement or that issues the bond, temporary note, or time warrant.

(g) Authorizes the cost of more than one improvement to be paid:

(1) from a single issue and sale of bonds without other consolidation proceedings before the bond issue; or

(2) 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.

SECTION 2. Repealer: Section 372.023(f) (relating to the payment of costs by municipalities and counties), Local Government Code.

### **EFFECTIVE DATE**

Effective date: upon passage or September 1, 2011.