

SENATE AMENDMENTS

2nd Printing

By: Elkins

H.B. No. 3246

A BILL TO BE ENTITLED

AN ACT

1
2 relating to public improvement districts designated by a
3 municipality or county.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 372.0015, Local Government Code, is
6 amended to read as follows:

7 Sec. 372.0015. DEFINITIONS [~~DEFINITION~~]. In this
8 subchapter:

9 (1) "Costs" means costs and expenses paid or incurred
10 before, during, or after the establishment of a public improvement
11 district and in connection with or related to the undertaking and
12 funding of a public improvement project authorized under this
13 subchapter.

14 (2) "Extraterritorial[~~,"extraterritorial]~~
15 jurisdiction" means extraterritorial jurisdiction as determined
16 under Chapter 42.

17 SECTION 2. Subchapter A, Chapter 372, Local Government
18 Code, is amended by adding Section 372.0025 to read as follows:

19 Sec. 372.0025. PUBLIC IMPROVEMENT DISTRICT. A public
20 improvement district is an area, the boundaries of which are
21 designated by the governing body of a municipality or county under
22 this subchapter, that may include two or more noncontiguous areas
23 separated by:

24 (1) a right-of-way or other land dedicated to or

1 owned, leased, or used by a political subdivision or other
2 governmental entity, tax-exempt entity, public or private utility,
3 or railroad; or

4 (2) not more than 1,000 feet, as measured in a straight
5 line, between the nearest points on the property lines of the
6 closest situated noncontiguous areas.

7 SECTION 3. Sections 372.003(b) and (c), Local Government
8 Code, are amended to read as follows:

9 (b) A public improvement project may include:

10 (1) landscaping;

11 (2) erection of fountains, distinctive lighting, and
12 signs;

13 (3) acquiring, constructing, improving, widening,
14 narrowing, closing, or rerouting of sidewalks or of streets, any
15 other roadways, or their rights-of-way;

16 (4) construction or improvement of pedestrian malls;

17 (5) acquisition and installation of pieces of art;

18 (6) acquisition, construction, or improvement of
19 libraries;

20 (7) acquisition, construction, or improvement of
21 off-street parking facilities;

22 (8) acquisition, construction, improvement, or
23 rerouting of mass transportation facilities;

24 (9) acquisition, construction, or improvement of
25 water, wastewater, or drainage facilities or improvements;

26 (10) the establishment or improvement of parks and
27 recreation facilities;

1 (11) facilities or equipment for firefighters,
2 police, sheriffs, and emergency service providers;
3 (12) the right to receive or provide utility services;
4 (13) projects similar to those listed in Subdivisions
5 (1)-(12) [~~(1)-(10)~~];
6 (14) [~~(12)~~] acquisition, by purchase or otherwise, of
7 real property in connection with an authorized improvement;
8 (15) [~~(13)~~] special supplemental services for
9 improvement and promotion of the district, including services
10 relating to:
11 (A) advertising;
12 (B) [~~(14)~~] promotion;
13 (C) [~~(15)~~] health and sanitation;
14 (D) [~~(16)~~] water and wastewater;
15 (E) firefighters, police, sheriffs, emergency
16 service providers, and other public safety and [~~(17)~~] security
17 personnel;
18 (F) [~~(18)~~] business recruitment;
19 (G) [~~(19)~~] development;
20 (H) [~~(20)~~] recreation; [~~(21)~~] and
21 (I) cultural enhancement;
22 (16) [~~(14)~~] payment of expenses incurred in the
23 establishment, administration, and operation of the district; and
24 (17) [~~(15)~~] the development, rehabilitation, or
25 expansion of affordable housing.
26 (c) A public improvement project may be limited to the
27 provision of the services described by Subsection (b)(15)

1 [~~(b)(13)~~].

2 SECTION 4. Subchapter A, Chapter 372, Local Government
3 Code, is amended by adding Section 372.0035 to read as follows:

4 Sec. 372.0035. AUTHORIZED HIGHER EDUCATION FACILITIES;
5 LEASE TO INSTITUTION OF HIGHER EDUCATION. (a) In this section,
6 "institution of higher education" has the meaning assigned by
7 Section 61.003, Education Code.

8 (b) A public improvement project under Section 372.003 may
9 include the acquisition, construction, maintenance, or improvement
10 of buildings and other facilities commonly used for:

11 (1) teaching, research, or the preservation of
12 knowledge by an institution of higher education; or

13 (2) an auxiliary purpose of an institution of higher
14 education, including the provision of administrative services,
15 student services, student housing, athletics, performing arts, and
16 alumni support.

17 (c) The governing body of a municipality or county that
18 establishes a public improvement district to finance a public
19 improvement project described by Subsection (b) may enter into a
20 memorandum of understanding with an institution of higher education
21 that provides educational services in the municipality or county
22 under which the municipality or county leases the public
23 improvement project to the institution, at a nominal rate, for use
24 by the institution in providing teaching, research, public service,
25 or auxiliary enterprise activities to students of the institution.

26 SECTION 5. Section 372.014, Local Government Code, is
27 amended by adding Subsection (c) to read as follows:

1 (c) The assessment plan is intended to be flexible to
2 provide for various development scenarios, including:

3 (1) assessments against all property to pay the costs
4 of improvements that benefit all the property and additional
5 assessments levied against portions of the property to pay the
6 costs of improvements that benefit those portions of the property;
7 or

8 (2) assessments levied to pay the costs for all
9 improvements contemplated for all phases of development of the
10 property with different payment and collection dates for the
11 different phases determined by events established by the plan,
12 including events related to the future phased development of the
13 property.

14 SECTION 6. Section 372.015, Local Government Code, is
15 amended by adding Subsections (e), (f), (g), and (h) to read as
16 follows:

17 (e) The annual installment of an assessment payable in
18 installments may be increased or decreased by the governing body of
19 the municipality or county as reflected in the updated annual
20 service plan and the corresponding updated assessment roll.

21 (f) If a parcel is subdivided, the assessment against the
22 parcel before the parcel was subdivided may be reallocated among
23 the subdivided parcels.

24 (g) If two or more parcels are consolidated, the assessments
25 against each parcel may be reallocated to the consolidated parcel.

26 (h) If a proposed use of an undeveloped parcel changes after
27 an assessment is levied against a parcel:

- 1 (1) the change in use does not affect the validity of
2 the assessment against the parcel; and
3 (2) the aggregate amount of assessments levied against
4 multiple undeveloped parcels for which the proposed use has changed
5 may be reallocated among the undeveloped parcels.

6 SECTION 7. Subchapter A, Chapter 372, Local Government
7 Code, is amended by adding Section 372.0175 to read as follows:

8 Sec. 372.0175. CONTRACTS FOR COLLECTION OF ASSESSMENTS.
9 The governing body of a municipality or county may contract with the
10 governing body of another taxing unit, as defined by Section 1.04,
11 Tax Code, or the board of directors of an appraisal district to
12 perform the duties of the municipality or county relating to
13 collection of special assessments levied under this subchapter.

14 SECTION 8. Section 372.018, Local Government Code, is
15 amended by amending Subsections (a) and (f) and adding Subsection
16 (g) to read as follows:

17 (a) An assessment bears interest at the rate specified by
18 the governing body of the municipality or county beginning at the
19 time or times or on the occurrence of one or more events specified
20 by the governing body. If general obligation bonds, revenue bonds,
21 installment sales contracts, reimbursement agreements, time
22 warrants, or temporary notes are issued or entered into to finance
23 or pay for the improvement for which the assessment is levied
24 [assessed], the interest rate for the [that] assessment may not
25 exceed a rate that is one-half of one percent higher than the actual
26 interest rate paid on the debt. [~~Interest on the assessment between~~
27 the effective date of the ordinance or order levying the assessment

1 ~~and the date the first installment is payable shall be added to the~~
2 ~~first installment.]~~ The interest on any delinquent installment
3 shall be added to each subsequent installment until all delinquent
4 installments are paid. The added interest may be used to pay costs,
5 including the payment or prepayment of the assessment,
6 administrative costs, costs of improvements, and costs of financing
7 such as reserves for debt service.

8 (f) Delinquent installments of the assessment shall incur
9 interest, penalties, and attorney's fees in the same manner as
10 delinquent ad valorem taxes.

11 (g) The owner of assessed property may pay at any time on any
12 parcel or lot all or any part of the assessment, with interest that:

- 13 (1) has accrued on the assessment; and
14 (2) will accrue on the assessment until the next
15 scheduled prepayment or redemption date on the general obligation
16 bonds, revenue bonds, installment sales contract, reimbursement
17 agreement, temporary note, or time warrant issued or entered into
18 to finance or pay for the improvements [, on any lot or parcel].

19 SECTION 9. Section 372.023, Local Government Code, is
20 amended by amending Subsections (a), (d), (e), and (g) and adding
21 Subsections (a-1) and (d-1) to read as follows:

22 (a) Costs of improvements may be paid or reimbursed by any
23 combination of the methods described by this section if the
24 improvements are dedicated, conveyed, leased, or otherwise
25 provided to or for the benefit of:

- 26 (1) a municipality or county;
27 (2) a political subdivision or other entity exercising

1 the powers granted under this subchapter as authorized by other
2 law; or

3 (3) an entity that:

4 (A) is approved by the governing body of an
5 entity described by Subdivision (1) or (2); and

6 (B) is authorized by order, ordinance,
7 resolution, or other official action to act for an entity described
8 by Subdivision (1) or (2) [~~The cost of an improvement made under~~
9 this subchapter must be paid in accordance with this section].

10 (a-1) The payment or reimbursement may be provided before or
11 after a method of payment or reimbursement authorized by this
12 section is entered into or issued.

13 (d) Costs [~~A cost~~] payable from a special assessment that is
14 payable [~~to be paid~~] in installments may be paid by any combination
15 of the following methods [~~and a cost payable by the municipality or~~
16 county as a whole but not payable from available general funds or
17 other available general improvement funds shall be paid]:

18 (1) under an installment sales [~~sale~~] contract or a
19 reimbursement agreement between the municipality or county and
20 [~~with~~] the person who acquires, installs, or constructs the
21 improvements [~~contracts to install or construct the improvement for~~
22 which the costs apply];

23 (2) as provided by a temporary note or time warrant
24 issued by the municipality or county and payable to the [~~reimburse~~
25 a] person who acquires, installs, or constructs the improvements
26 [~~for money advanced or work performed in connection with an~~
27 improvement]; or

1 (3) by the issuance and sale of [~~revenue or general~~
2 ~~obligation~~] bonds under Section 372.024.

3 (d-1) An installment sales contract, reimbursement
4 agreement, temporary note, or time warrant described by Subsection
5 (d) may be assigned by the payee without the consent of the
6 municipality or county.

7 (e) The [~~net effective~~] interest rate[~~, as computed for a~~
8 ~~public security under Section 1204.005, Government Code,~~] on unpaid
9 amounts due under an installment sales contract, reimbursement
10 agreement, temporary note, or time warrant described by [~~money owed~~
11 ~~or paid under~~] Subsection (d):

12 (1) may not exceed, for a period of not more than five
13 years, as determined by the governing body of the municipality or
14 county, five [~~one-half of one~~] percent above the highest average
15 index [~~interest~~] rate for tax-exempt bonds reported in a daily or
16 [~~by a newspaper in a~~] weekly bond index approved by the governing
17 body and reported in the month before the date the obligation was
18 incurred; and

19 (2) after the period described by Subdivision (1), may
20 not exceed two percent above the bond index rate described by
21 Subdivision (1) [~~of the contract or agreement or the issuance of the~~
22 ~~bond, temporary note, or time warrant. The newspaper must~~
23 ~~specialize in bonds and be acceptable as a reliable source for bond~~
24 ~~interest rates to the governing body of the municipality or county~~
25 ~~that enters into the contract or agreement or that issues the bond,~~
26 ~~temporary note, or time warrant].~~

27 (g) The cost of more than one improvement may be paid:

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

3 (2) under a single installment sales contract,
4 reimbursement agreement, temporary note, or time warrant [~~an~~
5 ~~agreement with a person who contracts to install or construct the~~
6 ~~improvement and who sells the improvement to the municipality or~~
7 ~~county~~].

8 SECTION 10. Section 372.024, Local Government Code, is
9 amended to read as follows:

10 Sec. 372.024. GENERAL OBLIGATION AND REVENUE BONDS. (a)
11 The governing body of a municipality or county may issue:

12 (1) general [~~General~~] obligation bonds [~~issued to pay~~
13 ~~costs under Section 372.023(d) must be issued~~] under [~~the~~
14 ~~provisions of~~] Subtitles A and C, Title 9, Government Code;

15 (2) certificates of obligation under Subchapter C,
16 Chapter 271; and

17 (3) revenue [~~Revenue~~] bonds, issued [~~to pay costs~~
18 ~~under that subsection may be issued from time to time~~] in one or
19 more series [~~and are to be payable from and secured by liens on all~~
20 ~~or part of the revenue derived from improvements authorized under~~
21 ~~this subchapter, including revenue derived from installment~~
22 ~~payments of special assessments~~].

23 (b) The bond or obligation may be:

24 (1) issued on the terms determined by the governing
25 body of the municipality or county;

26 (2) issued to pay costs;

27 (3) issued to refund any obligation entered into or

1 issued under this subchapter, including an installment sales
2 contract, reimbursement agreement, temporary note, and time
3 warrant; and

4 (4) payable from and secured by special assessments.

5 (c) If the bond or obligation is issued for the purpose
6 described by Subsection (b)(3) and is secured wholly or partly by a
7 special assessment, the lien created by the originally levied
8 special assessment continues uninterrupted for the term of the bond
9 or obligation to secure payment of the bond or obligation.

10 SECTION 11. Section 372.026, Local Government Code, is
11 amended by adding Subsection (g) to read as follows:

12 (g) If an assessment is collected and applied to pay an
13 amount due under an installment sales contract, reimbursement
14 agreement, temporary note, or time warrant, the governing body of a
15 municipality or county may pledge all or any part of the revenue
16 collected to pay general obligation bonds, certificates of
17 obligation, or revenue bonds issued to refund those obligations.

18 The pledge authorized by this subsection:

19 (1) does not affect the lien of that assessment; and

20 (2) is not a reassessment or a new assessment.

21 SECTION 12. Section 372.023(f), Local Government Code, is
22 repealed.

23 SECTION 13. This Act takes effect immediately if it
24 receives a vote of two-thirds of all the members elected to each
25 house, as provided by Section 39, Article III, Texas Constitution.
26 If this Act does not receive the vote necessary for immediate
27 effect, this Act takes effect September 1, 2011.

ADOPTED

MAY 25 2011

Atty Gen
Secretary of the Senate

H.B. No. 3246

By: Roger W. N.

Substitute the following for H.B. No. 3246:

By: Roger W. N.

C.S. H.B. No. 3246

A BILL TO BE ENTITLED

AN ACT

relating to public improvement districts designated by a municipality or county.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 372.0015, Local Government Code, is amended to read as follows:

Sec. 372.0015. DEFINITIONS [~~DEFINITION~~]. In this subchapter:

(1) "Costs" means costs and expenses paid or incurred before, during, or after the establishment of a public improvement district and in connection with or related to the undertaking and funding of a public improvement project authorized under this subchapter.

(2) "Extraterritorial[~~,"extraterritorial]~~ jurisdiction" means extraterritorial jurisdiction as determined under Chapter 42.

SECTION 2. Subchapter A, Chapter 372, Local Government Code, is amended by adding Section 372.0025 to read as follows:

Sec. 372.0025. PUBLIC IMPROVEMENT DISTRICT. A public improvement district is an area, the boundaries of which are designated by the governing body of a municipality or county under this subchapter, that may include two or more noncontiguous areas separated by:

(1) a right-of-way or other land dedicated to or

1 owned, leased, or used by a political subdivision or other
2 governmental entity, tax-exempt entity, public or private
3 utility, or railroad; or

4 (2) not more than 1,000 feet, as measured in a
5 straight line, between the nearest points on the property lines
6 of the closest situated noncontiguous areas.

7 SECTION 3. Sections 372.003(b) and (c), Local Government
8 Code, are amended to read as follows:

9 (b) A public improvement project may include:

10 (1) landscaping;

11 (2) erection of fountains, distinctive lighting, and
12 signs;

13 (3) acquiring, constructing, improving, widening,
14 narrowing, closing, or rerouting of sidewalks or of streets, any
15 other roadways, or their rights-of-way;

16 (4) construction or improvement of pedestrian malls;

17 (5) acquisition and installation of pieces of art;

18 (6) acquisition, construction, or improvement of
19 libraries;

20 (7) acquisition, construction, or improvement of off-
21 street parking facilities;

22 (8) acquisition, construction, improvement, or
23 rerouting of mass transportation facilities;

24 (9) acquisition, construction, or improvement of
25 water, wastewater, or drainage facilities or improvements;

26 (10) the establishment or improvement of parks and
27 recreation facilities;

1 (11) facilities or equipment for firefighters,
2 police, sheriffs, and emergency service providers;
3 (12) the right to receive or provide utility
4 services;
5 (13) projects similar to those listed in Subdivisions
6 (1) - (12) [~~(1) - (10)~~];
7 (14) [~~(12)~~] acquisition, by purchase or otherwise, of
8 real property in connection with an authorized improvement;
9 (15) [~~(13)~~] special supplemental services for
10 improvement and promotion of the district, including services
11 relating to:
12 (A) advertising;
13 (B) [~~(7)~~] promotion;
14 (C) [~~(7)~~] health and sanitation;
15 (D) [~~(7)~~] water and wastewater;
16 (E) firefighters, police, sheriffs, emergency
17 service providers, and other public safety and [~~(7)~~] security
18 personnel;
19 (F) [~~(7)~~] business recruitment;
20 (G) [~~(7)~~] development;
21 (H) [~~(7)~~] recreation; [~~(7)~~] and
22 (I) cultural enhancement;
23 (16) [~~(14)~~] payment of expenses incurred in the
24 establishment, administration, and operation of the district;
25 and
26 (17) [~~(15)~~] the development, rehabilitation, or
27 expansion of affordable housing.

1 (c) A public improvement project may be limited to the
2 provision of the services described by Subsection (b)(15)
3 [~~(b)(13)~~].

4 SECTION 4. Chapter 372, Local Government Code is amended
5 to add Sec. 372.031 as follows:

6 Sec. 372.031. FINDINGS PRIOR TO ISSUANCE OF CERTAIN BONDS
7 OR OBLIGATIONS. (a) Prior to the issuance under this chapter
8 of bonds or obligations wholly or partly payable from or secured
9 by assessments, the governing body of a municipality with a
10 population of 250,000 or less or the governing body of a county
11 with a population of 1 million or less issuing the bonds or
12 obligations must find and determine the following:

13 (1) construction of all underground water,
14 wastewater, and drainage facilities and roadways to serve the
15 real property liable for assessments necessary to support the
16 payment of the bonds or obligations is at least 95 percent
17 complete; and

18 (2) construction of at least 25 percent of the
19 houses or other buildings on the real property liable for
20 assessments and necessary to support the bonds or obligations
21 has been completed.

22 (b) Prior to the issuance under this chapter of bonds
23 or obligations wholly or partly payable from or secured by
24 assessments, a municipality with a population of more than
25 700,000 or a county with a population of more than 1 million
26 issuing the bonds or obligations must obtain an independent
27 market study from a firm recognized in the area of real estate

1 market analysis supporting the development projects for the real
2 property liable for assessments and necessary to support the
3 payment of the bonds or obligations.

4 (c) Subsections (a) and (b) do not apply to general
5 obligation bonds or certificates of obligations.

6 (d) The Attorney General shall adopt rules to enforce this
7 section and to ensure the integrity and economic feasibility of
8 bonds or obligations issued under this chapter.

9 SECTION 5. Subchapter A, Chapter 372, Local Government
10 Code, is amended by adding Section 372.0035 to read as follows:

11 Sec. 372.0035. AUTHORIZED HIGHER EDUCATION FACILITIES;
12 LEASE TO INSTITUTION OF HIGHER EDUCATION. (a) In this section,
13 "institution of higher education" has the meaning assigned by
14 Section 61.003, Education Code.

15 (b) A public improvement project under Section 372.003 may
16 include the acquisition, construction, maintenance, or
17 improvement of buildings and other facilities commonly used for:

18 (1) teaching, research, or the preservation of
19 knowledge by an institution of higher education; or

20 (2) an auxiliary purpose of an institution of higher
21 education, including the provision of administrative services,
22 student services, student housing, athletics, performing arts,
23 and alumni support.

24 (c) The governing body of a municipality or county that
25 establishes a public improvement district to finance a public
26 improvement project described by Subsection (b) may enter into a
27 memorandum of understanding with an institution of higher

1 education that provides educational services in the municipality
2 or county under which the municipality or county leases the
3 public improvement project to the institution, at a nominal
4 rate, for use by the institution in providing teaching,
5 research, public service, or auxiliary enterprise activities to
6 students of the institution.

7 SECTION 6. Section 372.014, Local Government Code, is
8 amended by adding Subsection (c) to read as follows:

9 (c) The assessment plan is intended to be flexible to
10 provide for various development scenarios, including:

11 (1) assessments against all property to pay the costs
12 of improvements that benefit all the property and additional
13 assessments levied against portions of the property to pay the
14 costs of improvements that benefit those portions of the
15 property; or

16 (2) assessments levied to pay the costs for all
17 improvements contemplated for all phases of development of the
18 property with different payment and collection dates for the
19 different phases determined by events established by the plan,
20 including events related to the future phased development of the
21 property.

22 SECTION 7. Section 372.015, Local Government Code, is
23 amended by adding Subsections (e), (f), (g), and (h) to read as
24 follows:

25 (e) The annual installment of an assessment payable in
26 installments may be increased or decreased by the governing body
27 of the municipality or county as reflected in the updated annual

1 service plan and the corresponding updated assessment roll.

2 (f) If a parcel is subdivided, the assessment against the
3 parcel before the parcel was subdivided may be reallocated among
4 the subdivided parcels.

5 (g) If two or more parcels are consolidated, the
6 assessments against each parcel may be reallocated to the
7 consolidated parcel.

8 (h) If a proposed use of an undeveloped parcel changes
9 after an assessment is levied against a parcel:

10 (1) the change in use does not affect the validity of
11 the assessment against the parcel; and

12 (2) the aggregate amount of assessments levied
13 against multiple undeveloped parcels for which the proposed use
14 has changed may be reallocated among the undeveloped parcels.

15 SECTION 8. Subchapter A, Chapter 372, Local Government
16 Code, is amended by adding Section 372.0175 to read as follows:

17 Sec. 372.0175. CONTRACTS FOR COLLECTION OF ASSESSMENTS.
18 The governing body of a municipality or county may contract with
19 the governing body of another taxing unit, as defined by Section
20 1.04, Tax Code, or the board of directors of an appraisal
21 district to perform the duties of the municipality or county
22 relating to collection of special assessments levied under this
23 subchapter.

24 SECTION 9. Section 372.018, Local Government Code, is
25 amended by amending Subsections (a) and (f) and adding
26 Subsection (g) to read as follows:

27 (a) An assessment bears interest at the rate specified by

1 the governing body of the municipality or county beginning at
2 the time or times or on the occurrence of one or more events
3 specified by the governing body. If general obligation bonds,
4 revenue bonds, installment sales contracts, reimbursement
5 agreements, time warrants, or temporary notes are issued or
6 entered into to finance or pay for the improvement for which the
7 assessment is levied [~~assessed~~], the interest rate for the
8 [~~that~~] assessment may not exceed a rate that is one-half of one
9 percent higher than the actual interest rate paid on the debt.
10 [~~Interest on the assessment between the effective date of the~~
11 ~~ordinance or order levying the assessment and the date the first~~
12 ~~installment is payable shall be added to the first installment.]~~
13 The interest on any delinquent installment shall be added to
14 each subsequent installment until all delinquent installments
15 are paid. The added interest may be used to pay costs,
16 including the payment or prepayment of the assessment,
17 administrative costs, costs of improvements, and costs of
18 financing such as reserves for debt service.

19 (f) Delinquent installments of the assessment shall incur
20 interest, penalties, and attorney's fees in the same manner as
21 delinquent ad valorem taxes.

22 (g) The owner of assessed property may pay at any time on
23 any parcel or lot all or any part of the assessment, with
24 interest that:

25 (1) has accrued on the assessment; and

26 (2) will accrue on the assessment until the next
27 scheduled prepayment or redemption date on the general

1 obligation bonds, revenue bonds, installment sales contract,
2 reimbursement agreement, temporary note, or time warrant issued
3 or entered into to finance or pay for the improvements [~~on any~~
4 ~~lot or parcel~~].

5 SECTION 10. Section 372.023, Local Government Code, is
6 amended by amending Subsections (a), (d), (e), and (g) and
7 adding Subsections (a-1) and (d-1) to read as follows:

8 (a) Costs of improvements may be paid or reimbursed by any
9 combination of the methods described by this section if the
10 improvements are dedicated, conveyed, leased, or otherwise
11 provided to or for the benefit of:

12 (1) a municipality or county;

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

16 (3) an entity that:

17 (A) is approved by the governing body of an
18 entity described by Subdivision (1) or (2); and

19 (B) is authorized by order, ordinance,
20 resolution, or other official action to act for an entity
21 described by Subdivision (1) or (2) [~~The cost of an improvement~~
22 ~~made under this subchapter must be paid in accordance with this~~
23 ~~section~~].

24 (a-1) The payment or reimbursement may be provided before
25 or after a method of payment or reimbursement authorized by this
26 section is entered into or issued.

27 (d) Costs [~~A cost~~] payable from a special assessment that

1 is payable [~~to be paid~~] in installments may be paid by any
2 combination of the following methods [~~and a cost payable by the~~
3 ~~municipality or county as a whole but not payable from available~~
4 ~~general funds or other available general improvement funds shall~~
5 ~~be paid~~]:

6 (1) under an installment sales [~~sale~~] contract or a
7 reimbursement agreement between the municipality or county and
8 [~~with~~] the person who acquires, installs, or constructs the
9 improvements [~~contracts to install or construct the improvement~~
10 ~~for which the costs apply~~];

11 (2) as provided by a temporary note or time warrant
12 issued by the municipality or county and payable to the
13 [~~reimburse a~~] person who acquires, installs, or constructs the
14 improvements [~~for money advanced or work performed in connection~~
15 ~~with an improvement~~]; or

16 (3) by the issuance and sale of [~~revenue or general~~
17 ~~obligation~~] bonds under Section 372.024.

18 (d-1) An installment sales contract, reimbursement
19 agreement, temporary note, or time warrant described by
20 Subsection (d) may be assigned by the payee without the consent
21 of the municipality or county.

22 (e) The [~~net effective~~] interest rate[~~, as computed for a~~
23 ~~public security under Section 1204.005, Government Code,~~] on
24 unpaid amounts due under an installment sales contract,
25 reimbursement agreement, temporary note, or time warrant
26 described by [~~money owed or paid under~~] Subsection (d):

27 (1) may not exceed, for a period of not more than

1 five years, as determined by the governing body of the
2 municipality or county, five [one half of one] percent above the
3 highest average index [interest] rate for tax-exempt bonds
4 reported in a daily or [by a newspaper in a] weekly bond index
5 approved by the governing body and reported in the month before
6 the date the obligation was incurred; and

7 (2) after the period described by Subdivision (1),
8 may not exceed two percent above the bond index rate described
9 by Subdivision (1) [of the contract or agreement or the issuance
10 of the bond, temporary note, or time warrant. The newspaper
11 must specialize in bonds and be acceptable as a reliable source
12 for bond interest rates to the governing body of the
13 municipality or county that enters into the contract or
14 agreement or that issues the bond, temporary note, or time
15 warrant].

16 (g) The cost of more than one improvement may be paid:

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

19 (2) under a single installment sales contract,
20 reimbursement agreement, temporary note, or time warrant [an
21 agreement with a person who contracts to install or construct
22 the improvement and who sells the improvement to the
23 municipality or county].

24 SECTION 11. Section 372.024, Local Government Code, is
25 amended to read as follows:

26 Sec. 372.024. GENERAL OBLIGATION AND REVENUE BONDS. (a)
27 The governing body of a municipality or county may issue:

1 (1) general [~~General~~] obligation bonds [~~issued to pay~~
2 ~~costs under Section 372.023(d) must be issued~~] under [the
3 ~~provisions of~~] Subtitles A and C, Title 9, Government Code;

4 (2) certificates of obligation under Subchapter C,
5 Chapter 271; and

6 (3) revenue [~~Revenue~~] bonds, issued [~~to pay costs~~
7 ~~under that subsection may be issued from time to time~~] in one or
8 more series [~~and are to be payable from and secured by liens on~~
9 ~~all or part of the revenue derived from improvements authorized~~
10 ~~under this subchapter, including revenue derived from~~
11 ~~installment payments of special assessments~~].

12 (b) The bond or obligation may be:

13 (1) issued on the terms determined by the governing
14 body of the municipality or county;

15 (2) issued to pay costs;

16 (3) issued to refund any obligation entered into or
17 issued under this subchapter, including an installment sales
18 contract, reimbursement agreement, temporary note, and time
19 warrant; and

20 (4) payable from and secured by special assessments.

21 (c) If the bond or obligation is issued for the purpose
22 described by Subsection (b)(3) and is secured wholly or partly
23 by a special assessment, the lien created by the originally
24 levied special assessment continues uninterrupted for the term
25 of the bond or obligation to secure payment of the bond or
26 obligation.

27 SECTION 12. Section 372.026, Local Government Code, is

1 amended by adding Subsection (g) to read as follows:

2 (g) If an assessment is collected and applied to pay an
3 amount due under an installment sales contract, reimbursement
4 agreement, temporary note, or time warrant, the governing body
5 of a municipality or county may pledge all or any part of the
6 revenue collected to pay general obligation bonds, certificates
7 of obligation, or revenue bonds issued to refund those
8 obligations. The pledge authorized by this subsection:

9 (1) does not affect the lien of that assessment; and

10 (2) is not a reassessment or a new assessment.

11 SECTION 13. Section 372.023(f), Local Government Code, is
12 repealed.

13 SECTION 14. This Act takes effect immediately if it
14 receives a vote of two-thirds of all the members elected to each
15 house, as provided by Section 39, Article III, Texas
16 Constitution. If this Act does not receive the vote necessary
17 for immediate effect, this Act takes effect September 1, 2011.

ADOPTED

MAY 25 2011


Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: 

1 Amend C.S.H.B. No. 3246 (senate committee printing) in
2 SECTION 4 of the bill, in added Section 372.031, Local Government
3 Code, by striking Subsection (d) (page 2, lines 52-54) and
4 substituting the following:

5 (d) When a municipality or county subject to this section
6 submits bonds or obligations payable from assessments to the
7 attorney general for approval and examination, the municipality or
8 county must demonstrate compliance with this section. The attorney
9 general shall adopt rules in accordance with Chapter 1202,
10 Government Code, that require the municipality or county to
11 demonstrate the municipality's or county's:

12 (1) ability to repay the bonds or obligations; and

13 (2) compliance with the requirements of this
14 subchapter.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 26, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3246 by Elkins (Relating to public improvement districts designated by a municipality or county.), **As Passed 2nd House**

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to modify several practices regarding the creation, management and authority of Public Improvement Districts (PID), including noncontiguous districts, scope of public improvement projects, utility services, higher education partnerships, assessment plans, and contracting for the collection of assessments. The bill also would alter several funding methods including reimbursements, temporary notes, time warrants, installment contracts, interest, and general obligation and revenue bonds.

The bill would require the governing body of a municipality with a population of 250,000 or less or a county with a population of one million or less, prior to issuing bonds or obligations payable wholly or partly from or secured by assessments, to find and determine all underground water, wastewater, and drainage facilities and roadways to serve real property liable for assessments necessary to support the bonds or obligations is at least 95 percent complete; and construction of at least 25 percent of the houses or other buildings have been completed. A municipality with a population of more than 700,000 or a county with a population of more than one million would be required to obtain an independent market study prior to issuing bonds under this chapter. The Attorney General would be required to adopt rules to enforce this section and to ensure the integrity and economic feasibility of bonds or obligations.

If an assessment is collected and applied to pay an installment of a sales contract, reimbursement agreement, temporary note, or time warrant, the governing body of a municipality or a county would be authorized to pledge all or part of the revenue collected to pay general obligation bonds, certificates of obligation, or revenue bonds issued to refund obligations.

The bill would repeal Section 372.023(f) of the Local Government Code.

Local Government Impact

Based on the analysis from the City of Fort Worth, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. A PID could experience additional administrative costs for non-contiguous areas and increased collection fees charged by a county. The additional ability to cost improvements would result in reimbursable administrative costs and additional revenue.

The City of Grand Prairie recently researched the use of deferred assessments for PIDS. The city found the costs of software too high and the revenue generated would not be sufficient to cover costs for providing services for developments.

In addition, there could be costs to a municipality or a county associated with the requirements to find and determine that the facilities and street construction is 95 percent complete and at least 25 percent of the property assessed is developed as specified. The amounts would vary depending on the amount

of applicable bonds or obligations that are issued and the percentage of completion as required.

Source Agencies:

LBB Staff: JOB, KKR, TP

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 20, 2011

TO: Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3246 by Elkins (Relating to public improvement districts designated by a municipality or county.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to modify several practices regarding the creation, management and authority of Public Improvement Districts (PID), including noncontiguous districts, scope of public improvement projects, utility services, higher education partnerships, assessment plans, and contracting for the collection of assessments. The bill also would alter several funding methods including reimbursements, temporary notes, time warrants, installment contracts, interest, and general obligation and revenue bonds.

The bill would require the governing body of a municipality with a population of 250,000 or less or a county with a population of one million or less, prior to issuing bonds or obligations payable wholly or partly from or secured by assessments, to find and determine all underground water, wastewater, and drainage facilities and roadways to serve real property liable for assessments necessary to support the bonds or obligations is at least 95 percent complete; and construction of at least 25 percent of the houses or other buildings have been completed. A municipality with a population of more than 700,000 or a county with a population of more than one million would be required to obtain an independent market study prior to issuing bonds under this chapter. The Attorney General would be required to adopt rules to enforce this section and to ensure the integrity and economic feasibility of bonds or obligations.

If an assessment is collected and applied to pay an installment of a sales contract, reimbursement agreement, temporary note, or time warrant, the governing body of a municipality or a county would be authorized to pledge all or part of the revenue collected to pay general obligation bonds, certificates of obligation, or revenue bonds issued to refund obligations.

The bill would repeal Section 372.023(f) of the Local Government Code.

Local Government Impact

Based on the analysis from the City of Fort Worth, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. A PID could experience additional administrative costs for non-contiguous areas and increased collection fees charged by a county. The additional ability to cost improvements would result in reimbursable administrative costs and additional revenue.

The City of Grand Prairie recently researched the use of deferred assessments for PIDS. The city found the costs of software too high and the revenue generated would not be sufficient to cover costs for providing services for developments.

In addition, there could be costs to a municipality or a county associated with the requirements to find and determine that the facilities and street construction is 95 percent complete and at least 25 percent of the property assessed is developed as specified. The amounts would vary depending on the amount

of applicable bonds or obligations that are issued and the percentage of completion as required.

Source Agencies:

LBB Staff: JOB, KKR, TP

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 20, 2011

TO: Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3246 by Elkins (Relating to public improvement districts designated by a municipality or county.), **As Engrossed**

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to modify several practices regarding the creation, management and authority of Public Improvement Districts (PID), including noncontiguous districts, scope of public improvement projects, utility services, higher education partnerships, assessment plans, and contracting for the collection of assessments. The bill also would alter several funding methods including reimbursements, temporary notes, time warrants, installment contracts, interest, and general obligation and revenue bonds.

If an assessment is collected and applied to pay an installment of a sales contract, reimbursement agreement, temporary note, or time warrant, the governing body of a municipality or a county would be authorized to pledge all or part of the revenue collected to pay general obligation bonds, certificates of obligation or revenue bonds issued to refund obligations.

The bill would repeal Section 372.023(f) of the Local Government Code.

Local Government Impact

Based on the analysis from the City of Fort Worth, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. A PID could experience additional administrative costs for non-contiguous areas and increased collection fees charged by a county. The additional ability to cost improvements would result in reimbursable administrative costs and additional revenue.

The City of Grand Prairie recently researched the use of deferred assessments for PIDS. The city found the costs of software too high and the revenue generated would not be sufficient to cover costs for providing services for developments.

Source Agencies:

LBB Staff: JOB, KKR, TP

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 23, 2011

TO: Honorable Harold V. Dutton Jr., Chair, House Committee on Urban Affairs

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3246 by Elkins (Relating to public improvement districts designated by a municipality or county.), **Committee Report 1st House, As Amended**

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to modify several practices regarding the creation, management and authority of Public Improvement Districts (PID), including noncontiguous districts, scope of public improvement projects, higher education partnerships, assessment plans, and contracting for the collection of assessments. The bill also would alter several funding methods including reimbursements, temporary notes, time warrants, installment contracts, interest, and general obligation and revenue bonds.

The bill would repeal Section 372.023(f) of the Local Government Code.

The bill also would require a municipality or a county issuing bonds or obligations payable wholly or partly from assessments to find and determine all underground water, wastewater, and drainage facilities and all road and street construction to serve assessed property necessary to support the bonds is 95 percent complete; and at least 25 percent of the property assessed necessary to support the bonds must be developed with completed houses, builds or other vertical improvements.

Local Government Impact

Based on the analysis from the City of Fort Worth, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. A PID could experience additional administrative costs for non-contiguous areas and increased collection fees charged by a county. The additional ability to cost improvements would result in reimbursable administrative costs and additional revenue.

The City of Grand Prairie recently researched the use of deferred assessments for PIDS. The city found the costs of software too high and the revenue generated would not be sufficient to cover costs for providing services for developments.

In addition, there could be costs to a municipality or a county associated with the requirements to find and determine that the facilities and street construction is 95 percent complete and at least 25 percent of the property assessed is developed as specified. The amounts would vary depending on the amount of applicable bonds or obligations that are issued and the percentage of completion as required.

Source Agencies:

LBB Staff: JOB, KKR, TP

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 3, 2011

TO: Honorable Harold V. Dutton Jr., Chair, House Committee on Urban Affairs

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3246 by Elkins (Relating to public improvement districts designated by a municipality or county.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to modify several practices regarding the creation, management and authority of Public Improvement Districts (PID), including noncontiguous districts, scope of public improvement projects, higher education partnerships, assessment plans, and contracting for the collection of assessments. The bill also would alter several funding methods including reimbursements, temporary notes, time warrants, installment contracts, interest, and general obligation and revenue bonds.

The bill would repeal Section 272.023(f) of the Local Government Code.

Local Government Impact

Based on the analysis from the City of Fort Worth, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. A PID could experience additional administrative costs for non-contiguous areas and increased collection fees charged by a county. The additional ability to cost improvements would result in reimbursable administrative costs and additional revenue.

The City of Grand Prairie recently researched the use of deferred assessments for PIDS. The city found the costs of software too high and the revenue generated would not be sufficient to cover costs for providing services for developments.

Source Agencies:

LBB Staff: JOB, KKR, TP