

BILL ANALYSIS

C.S.H.B. 3397
By: Bonnen, Dennis
Special Purpose Districts
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties note that the comptroller of public accounts recently issued a series of reports on local debt in Texas and that the reports have generated concern regarding the growth of such debt in the last decade. The parties assert that taxpayers have been asked to approve billions of dollars in debt without sufficient context and often with little idea of existing debt loads or annual debt service payments. C.S.H.B. 3397 seeks to address this issue in order to provide financial accountability and transparency as it pertains to certain special purpose districts.

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

C.S.H.B. 3397 amends the Special District Local Laws Code to require the governing body of a special district that has outstanding debt or imposes a tax, assessment, or fee to conduct a comprehensive review of the district at least once every six years. The bill requires the governing body of a special district that has issued debt or imposed a tax, assessment, or fee before the bill's effective date to conclude the first comprehensive review cycle not later than September 1, 2014. The bill requires the governing body of a special district that issues debt or imposes a tax, assessment, or fee for the first time on or after September 1, 2013, to conduct the first comprehensive review not later than the third anniversary of the date the governing body issues the debt or imposes the tax, assessment, or fee. The bill defines "special district" for purposes of its provisions and specifies that the term does not include a school district or junior college district, or a political subdivision that receives financial assistance through the state water implementation fund created by the 83rd Legislature, Regular Session, 2013.

C.S.H.B. 3397 requires the governing body after conducting the review to publish a written self-evaluation report by a certain deadline and sets out report requirements. The bill authorizes the district, instead of replicating in the self-evaluation report required information that is posted separately on the special district's Internet website or on another authorized website, to provide in the report a direct link to, or a clear statement describing the location of, the separately posted information. The bill requires the governing body to make the self-evaluation report available for inspection by any person and to take action to ensure that the self-evaluation report is posted continuously on the special district's Internet website or on another authorized website. The bill requires the governing body to conduct a public hearing on the self-evaluation report and requires the governing body to take action to ensure that certain information relating to the hearing is posted on the special district's Internet website or on another authorized website by a certain deadline. The bill sets out requirements for notice of the hearing.

C.S.H.B. 3397 generally requires a special district to maintain or cause to be maintained an Internet website to comply with the bill's provisions. The bill requires a special district that did not maintain an Internet website or cause a website to be maintained on January 1, 2013, to post

the information required by the bill's provisions on the special district's website, if the special district chooses to maintain the website or cause the website to be maintained, or on a website in which the special district controls the content of the posting, including a social media site, provided that the information is easily found by searching the name of the special district on the Internet.

EFFECTIVE DATE

September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3397 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Title 1, Special District Local Laws Code, is amended by adding Chapter 2 to read as follows:

CHAPTER 2. COMPREHENSIVE REVIEW OF CERTAIN SPECIAL DISTRICTS

Sec. 2.001. DEFINITION. In this chapter, "special district" means a political subdivision of this state that has a limited geographic area, is created by local law or under general law for a special purpose, and is authorized to impose a tax, assessment, or fee. The term does not include a school district or junior college district.

Sec. 2.002. COMPREHENSIVE REVIEW REQUIRED. (a) At least once every six years, the governing body of a special district that has outstanding debt or imposed a tax, assessment, or fee shall conduct a comprehensive review of the district under this chapter.

(b) The governing body of a special district that issues debt or imposes a tax, assessment, or fee for the first time on or after September 1, 2013, shall conduct the first comprehensive review not later than the first anniversary of the date the governing body issues the debt or imposes the tax, assessment, or fee.

Sec. 2.003. COMPREHENSIVE SELF-

SECTION 1. Title 1, Special District Local Laws Code, is amended by adding Chapter 2 to read as follows:

CHAPTER 2. COMPREHENSIVE REVIEW OF CERTAIN SPECIAL DISTRICTS

Sec. 2.001. DEFINITION. In this chapter, "special district" means a political subdivision of this state that has a limited geographic area, is created by local law or under general law for a special purpose, and is authorized to impose a tax, assessment, or fee. The term does not include:

(1) a school district;

(2) a junior college district; or

(3) a political subdivision that receives financial assistance through the state water implementation fund created by the 83rd Legislature, Regular Session, 2013.

Sec. 2.002. COMPREHENSIVE REVIEW REQUIRED. (a) At least once every six years, the governing body of a special district that has outstanding debt or imposes a tax, assessment, or fee shall conduct a comprehensive review of the district under this chapter.

(b) The governing body of a special district that issues debt or imposes a tax, assessment, or fee for the first time on or after September 1, 2013, shall conduct the first comprehensive review not later than the third anniversary of the date the governing body issues the debt or imposes the tax, assessment, or fee.

Sec. 2.003. COMPREHENSIVE SELF-

EVALUATION REPORT. (a) After conducting the review, the governing body must publish a written self-evaluation report not later than the 30th day before the date of the public hearing required by Section 2.005.

(b) The self-evaluation report must include:

(1) an identification of the statutory provision authorizing the special district;

(2) an identification of the mission, goals, and objectives intended for the special district and an assessment of the extent to which the mission, goals, and objectives have been achieved, have failed to be achieved, or are continuing to be achieved;

(3) an identification of the problem or need that the special district was created to address and an assessment of the extent to which the problem or need has been addressed, has failed to be addressed, or is continuing to be addressed;

(4) an identification of the activities of the special district that overlap or duplicate those of other governmental entities;

(5) an identification of each tax, assessment, fee, or penalty that the special district is authorized to impose or collect;

(6) a statement of the revenue collected by the special district and an assessment of whether the revenue exceeds the amount needed to accomplish the mission, goals, and objectives of the district; and

(7) an identification of the special district's financial liabilities, including bonds and other obligations.

No equivalent provision.

(c) The governing body must make the self-evaluation report available for inspection by any person. The governing body must take action to ensure that the self-evaluation report is posted continuously on the special district's

EVALUATION REPORT. (a) After conducting the review, the governing body must publish a written self-evaluation report not later than the 30th day before the date of the public hearing required by Section 2.005.

(b) Except as provided by Subsection (c), the self-evaluation report must include:

(1) an identification of the statutory provision authorizing the special district;

(2) an identification of the purpose of the special district and an assessment of the extent to which the purpose has been achieved, has failed to be achieved, or is continuing to be achieved;

No equivalent provision.

(3) an identification of the activities of the special district that overlap or duplicate those of other governmental entities;

(4) an identification of each tax, assessment, fee, or penalty that the special district is authorized to impose or collect;

(5) a statement of the revenue collected by the special district and an assessment of whether the revenue exceeds the amount needed to accomplish the purpose of the district; and

(6) an identification of the special district's financial liabilities, including bonds and other obligations.

(c) Instead of replicating in the self-evaluation report information required by Subsection (b) that is posted separately on the special district's Internet website, or on a website as authorized by Section 2.006(b)(2), the district may provide in the report a direct link to, or a clear statement describing the location of, the separately posted information.

(d) The governing body must make the self-evaluation report available for inspection by any person. The governing body must take action to ensure that the self-evaluation report is posted continuously on the special district's Internet website, or on a website as

Internet website.

Sec. 2.004. NOTICE OF HEARING. (a) Not earlier than the 30th day or later than the 15th day before the date of the hearing required by Section 2.005, the governing body of the special district must publish notice of the hearing in at least one newspaper of general circulation in the county in which the district is located and on the district's Internet website. The notice on the website must remain posted until the conclusion of the hearing.

(b) The notice must contain a statement in the following form:

"NOTICE OF PUBLIC MEETING TO CONSIDER THE COMPREHENSIVE SELF-EVALUATION REPORT OF THE (INSERT NAME OF SPECIAL DISTRICT)

"The (insert name of the district) was created in (insert year) to (insert purpose for district's creation). The district imposes a (insert type of tax, assessment, or fee, as appropriate, and the appropriate rate or amount). State law requires the district to hold a hearing at least every six years to consider the district's comprehensive self-evaluation report. The hearing will be held on (insert date) at (insert time) at (insert location). A copy of the district's comprehensive self-evaluation report is available at (insert the physical address of the district's main office, or the physical address of the main office of another local political subdivision if the district does not maintain an office, and the district's website address where the comprehensive self-evaluation report is posted)."

Sec. 2.005. PUBLIC HEARING. (a) The governing body of a special district must conduct a public hearing at which persons interested in the self-evaluation report are given the opportunity to be heard.

(b) Not later than the 10th day after the date of the public hearing, the governing body must post on the special district's Internet website:

authorized by Section 2.006(b)(2).

Sec. 2.004. NOTICE OF HEARING. (a) Not earlier than the 30th day or later than the 15th day before the date of the hearing required by Section 2.005, the governing body of the special district shall take action to ensure that the notice of the hearing is published in at least one newspaper of general circulation in the county in which the district is located and on the district's Internet website, or on a website as authorized by Section 2.006(b)(2). The notice on the website must remain posted until the conclusion of the hearing.

(b) The notice must contain a statement in the following form:

"NOTICE OF PUBLIC MEETING TO CONSIDER THE COMPREHENSIVE SELF-EVALUATION REPORT OF THE (INSERT NAME OF SPECIAL DISTRICT)

"The (insert name of the district) was created in (insert year) to (insert purpose for district's creation). The district imposes a (insert type of tax, assessment, or fee, as appropriate, and the appropriate rate or amount). State law requires the district to hold a hearing at least every six years to consider the district's comprehensive self-evaluation report. The hearing will be held on (insert date) at (insert time) at (insert location). A copy of the district's comprehensive self-evaluation report is available at (insert the physical address of the district's main office, or the physical address of the main office of another local political subdivision if the district does not maintain an office, and the website address where the comprehensive self-evaluation report is posted)."

Sec. 2.005. PUBLIC HEARING. (a) The governing body of a special district must conduct a public hearing at which persons interested in the self-evaluation report are given the opportunity to be heard.

(b) Not later than the 10th day after the date of the public hearing, the governing body shall take action to ensure that the following is posted on the special district's Internet website, or on a website as authorized by Section 2.006(b)(2):

- (1) the minutes of the hearing;
- (2) the estimated number of members of the public in attendance at the hearing; and
- (3) the number of witnesses testifying at the hearing.

Sec. 2.006. INTERNET WEBSITE. A special district shall maintain an Internet website to comply with this chapter.

No equivalent provision.

SECTION 2. The governing body of a special district to which Section 2.002, Special District Local Laws Code, as added by this Act, applies that has issued debt or imposed a tax, assessment, or fee before the effective date of this Act must conclude the first comprehensive review cycle required by that section not later than September 1, 2014.

SECTION 3. This Act takes effect September 1, 2013.

- (1) the minutes of the hearing;
- (2) the estimated number of members of the public in attendance at the hearing; and
- (3) the number of witnesses testifying at the hearing.

Sec. 2.006. INTERNET WEBSITE. (a) Except as provided by Subsection (b), a special district shall maintain or cause to be maintained an Internet website to comply with this chapter.

(b) If a special district did not maintain an Internet website or cause a website to be maintained on January 1, 2013, the special district shall post the information required by this chapter on:

- (1) the special district's website, if the special district chooses to maintain the website or cause the website to be maintained; or
- (2) a website in which the special district controls the content of the posting, including a social media site, provided that the information is easily found by searching the name of the special district on the Internet.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.