C.S.H.B. 3335
By: Murphy
Elections
Committee Report (Substituted)

## BACKGROUND AND PURPOSE

Interested parties call for uniformity and transparency regarding the process through which political subdivisions seek voter approval for the issuance of debt obligations. C.S.H.B. 3335 seeks to address this issue by requiring a proposition seeking voter approval for debt obligation issuance to contain detailed information about the proposed debt obligation and other information relating to the political subdivision's debt obligations.

## CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

## 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. 3335 amends the Government Code to require the ballot for a measure seeking voter approval of the issuance of debt obligations by a political subdivision to specifically state a general description of the purposes for which the debt obligations are to be authorized, the total principal amount of the debt obligations to be authorized, and that taxes sufficient to pay the principal of and interest on the debt obligations will be imposed. The bill requires a ballot for a measure seeking voter approval of such issuance by a political subdivision with at least 250 registered voters on the date the governing body of the political subdivision adopts the debt obligation election order to additionally and specifically state the estimated maximum annual increase in the amount of taxes that would be imposed on a residence homestead in the political subdivision with an appraised value of $100,000 to repay the debt obligations to be authorized, if approved, based on assumptions made by the governing body of the political subdivision. The bill requires the governing body of the political subdivision to identify in the debt obligation election order the major assumptions made in connection with such an increase, including the amortization of the political subdivision's debt obligations, including outstanding debt obligations and the proposed debt obligations, changes in estimated future appraised values within the political subdivision, and the assumed interest rate on the proposed debt obligations.

C.S.H.B. 3335 requires a political subdivision with at least 250 registered voters on the date the governing body of the political subdivision adopts the debt obligation election order to prepare a voter information document for each proposition to be voted on at the election. The bill requires the political subdivision to post the voter information document in the same manner as a debt obligation election order is required to be posted, authorizes the political subdivision to include the voter information document in the debt obligation election order, and sets out the information the voter information document must distinctly state. The bill requires a political subdivision that

maintains a website to provide the information on its website in an easily accessible manner beginning not later than the 21st day before election day and ending on the day after the date of the debt obligation election. The bill establishes that, to the extent of a conflict between the bill's provisions relating to the ballot for debt obligations issued by political subdivisions and another law, the bill's provisions control.

C.S.H.B. 3335 amends the Local Government Code to change the deadline by which the initial notice of the intention to issue certificates of obligation is required to be published in a newspaper that is of general circulation in the area of the issuer from before the 30th day before the date tentatively set for the passage of the order or ordinance authorizing the issuance of the certificates to before the 45th day before that tentative date. The bill requires the notice to be published continuously on the issuer's website, provided the issuer maintains a website, for at least 45 days before the date tentatively set for the passage of the order or ordinance authorizing the issuance of the certificates. The bill removes the requirement for the notice to state the maximum amount of the certificates to be authorized and requires the notice to state the following: the then-current principal of all outstanding debt obligations of the issuer, the then-current combined principal and interest required to pay all outstanding debt obligations of the issuer on time and in full, which may be based on the expectations of the issuer as it relates to the interest due on any variable rate debt obligations, the maximum principal amount of the certificates to be authorized, and the estimated combined principal and interest required to pay the certificates to be authorized on time and in full. The bill requires the notice to state the estimated interest rate for the certificates to be authorized, or that the maximum interest rate for the certificates may not exceed the maximum legal interest rate, and the maximum maturity date of those certificates.

C.S.H.B. 3335 amends the Election Code to revise the required statements of a document ordering an election to authorize a political subdivision to issue debt obligations and to require a political subdivision that submits to the voters a proposition for the approval of the issuance of debt obligations to prescribe the wording of the proposition that is to appear on the ballot in accordance with the bill's provisions relating to such a ballot.

C.S.H.B. 3335 repeals Section 1251.002, Government Code.

**EFFECTIVE DATE**

September 1, 2017.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3335 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

| INTRODUCED | HOUSE COMMITTEE SUBSTITUTE |
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| No equivalent provision. | SECTION 1. Section 3.009, Election Code, is amended to read as follows: Sec. 3.009. CONTENTS OF DEBT OBLIGATION ELECTION ORDER. (a) In this section, "debt obligation" means an issued public security, as defined by Section 1201.002, Government Code, that is secured by and payable from ad valorem taxes. The term does not include public securities that are designated as self-supporting by the |

SECTION 1.  Section 52.072(e), Election Code, is amended to read as follows:

(e)  In addition to any other requirement imposed by law for a proposition, including a provision prescribing the proposition language, a proposition submitted to the voters for approval of [the issuance of bonds or] the imposition, increase, or reduction of a tax shall specifically state, as applicable:
(1)  [with respect to a proposition seeking

political subdivision issuing the securities.
(b)  The document ordering an election to authorize a political subdivision to issue debt obligations must distinctly state:
(1)  the proposition language that will appear on the ballot;
(2)  the purpose for which the debt obligations are to be authorized;
(3)  the principal amount of the debt obligations to be authorized;
(4)  that taxes sufficient to pay the [annual] principal of and interest on the debt obligations may be imposed;
(5)  a statement of the estimated tax rate if the debt obligations are authorized or of the maximum interest rate of the debt obligations or any series of the debt obligations, based on the market conditions at the time of the election order;
(6)  the maximum maturity date of the debt obligations to be authorized or that the debt obligations may be issued to mature over a specified number of years not to exceed the maximum number of years authorized by law [40];
(7)  the aggregate amount of the outstanding principal of the political subdivision's debt obligations as of the date [beginning of the political subdivision's fiscal year in which] the election is ordered;
(8)  the aggregate amount of the outstanding interest on debt obligations of the political subdivision as of the date [beginning of the political subdivision's fiscal year in which] the election is ordered, which may be based on the expectations of the political subdivision as it relates to variable rate debt obligations; and
(9)  the ad valorem debt service tax rate for the political subdivision at the time the election is ordered, expressed as an amount per $100 valuation of taxable property.

SECTION 2.  Section 52.072, Election Code, is amended by amending Subsection (e) and adding Subsection (f) to read as follows:
(e)  In addition to any other requirement imposed by law for a proposition, including a provision prescribing the proposition language, a proposition submitted to the voters for approval of [the issuance of bonds or] the imposition, increase, or reduction of a tax shall specifically state, as applicable:
(1)  [with respect to a proposition seeking

voter approval of the issuance of bonds:
[(A)  the total principal amount of the bonds to be authorized, if approved; and
[(B)  a general description of the purposes for which the bonds are to be authorized, if approved;
[(2)]  with respect to a proposition that only seeks voter approval of the imposition or increase of a tax, the amount of or maximum tax rate of the tax or tax increase for which approval is sought; or
(2) [(3)]  with respect to a proposition that only seeks voter approval of the reduction of a tax, the amount of tax rate reduction or the tax rate for which approval is sought.

SECTION 2.  Chapter 1251, Government Code, is amended.

SECTION 3.  Chapter 1251, Government Code, is amended by adding Subchapter B to read as follows:
SUBCHAPTER    B.    BALLOT PROPOSITION FOR BONDS ISSUED BY POLITICAL SUBDIVISION

Sec. 1251.051.  APPLICABILITY.  This subchapter applies to bonds issued by any political subdivision, including a municipality, county, school district, or special taxing district.

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voter approval of the issuance of bonds:
[(A)  the total principal amount of the bonds to be authorized, if approved; and
[(B)  a general description of the purposes for which the bonds are to be authorized, if approved;
[(2)]  with respect to a proposition that only seeks voter approval of the imposition or increase of a tax, the amount of or maximum tax rate of the tax or tax increase for which approval is sought; or
(2) [(3)]  with respect to a proposition that only seeks voter approval of the reduction of a tax, the amount of tax rate reduction or the tax rate for which approval is sought.
(f)  A political subdivision that submits to the voters a proposition for the approval of the issuance of debt obligations shall prescribe the wording of the proposition that is to appear on the ballot in accordance with the requirements of Subchapter B, Chapter 1251, Government Code.  In this subsection, "debt obligation" and "political subdivision" have the meanings assigned by Section 1251.051, Government Code.

SECTION 3. Same as introduced version.

SECTION 4.  Chapter 1251, Government Code, is amended by adding Subchapter B to read as follows:
SUBCHAPTER B.  BALLOT FOR DEBT OBLIGATIONS ISSUED BY POLITICAL SUBDIVISION
Sec. 1251.051.  DEFINITIONS.  In this subchapter:
(1)  "Debt obligation" means a public security as defined by Section 1201.002 secured by and payable from ad valorem taxes.  The term does not include public securities that are designated as self-supporting by the political subdivision issuing the securities.
(2)  "Debt obligation election order" means the order, ordinance, or resolution ordering an election to authorize the issuance of debt obligations.

(3)  "Political subdivision" means a municipality, county, school district, or special taxing district.

Sec. 1251.052. FORM. (a) A proposition seeking voter approval of the issuance of bonds shall specifically state:

(1)  a general description of the purposes for which the bonds are to be authorized;

(2)  the total principal amount of the bonds;

(3)  the rate of interest;
(4)  the imposition of taxes sufficient to pay the annual interest on the bonds and to provide a sinking fund to redeem the bonds at maturity; and
(5)  the maturity date of the bonds or that the bonds may be issued to mature serially over a specified number of years not to exceed 40.
(b)  In addition to the requirements of Subsection (a) and any other requirement imposed by law for a proposition, including a provision prescribing the proposition language, a proposition submitted to the voters for approval of the issuance of bonds

shall specifically state:

(1)  the total amount of the political subdivision's debt secured by ad valorem taxes currently outstanding;
(2)  the total amount of debt secured by ad valorem taxes, including principal and interest, to be authorized;
(3)  the amount of taxes required to be imposed on a homestead with a value of $100,000 in the political subdivision, as computed by the appraisal district, to repay the political subdivision's current debt obligations secured by ad valorem taxes;
(4)  the increase in the amount of taxes that would be imposed on a homestead with a value of $100,000 in the political subdivision, as computed by the appraisal district, to repay the bonds to be authorized, if approved; and
(5)  the maturity date of the bonds to be authorized.

Sec. 1251.052. FORM. (a) The ballot for a measure seeking voter approval of the issuance of debt obligations by a political subdivision shall specifically state:
(1)  a general description of the purposes for which the debt obligations are to be authorized;
(2)  the total principal amount of the debt obligations to be authorized; and

(3)  that taxes sufficient to pay the principal of and interest on the debt obligations will be imposed.

(b)  In addition to the requirements of Subsection (a), the ballot for a measure seeking voter approval of the issuance of debt obligations by a political subdivision with at least 250 registered voters on the date the governing body of the political subdivision adopts the debt obligation election order
shall specifically state

the estimated maximum annual increase in the amount of taxes that would be imposed on a residence homestead in the political subdivision with an appraised value of $100,000 to repay the debt obligations to be authorized, if approved, based upon assumptions made by the governing body of the political subdivision.
(c)  The governing body of the political subdivision shall identify in the debt obligation election order the major assumptions made in connection with the statement required by Subsection (b), including:
(1)  the amortization of the political

subdivision's debt obligations, including outstanding debt obligations and the proposed debt obligations;

(2)  changes in estimated future appraised values within the political subdivision; and

(3)  the assumed interest rate on the proposed debt obligations.

(d)  A political subdivision with at least 250 registered voters on the date the governing body of the political subdivision adopts the debt obligation election order must prepare a voter information document for each proposition to be voted on at the election. The political subdivision shall post the voter information document in the same manner as a debt obligation election order is required to be posted under Section 4.003(f), Election Code, and may include the voter information document in the debt obligation election order.   The voter information document must distinctly state:

(1)  the language that will appear on the ballot;

(2)  the following information formatted as a table:

(A)  the principal of the debt obligations to be authorized;

(B)  the estimated interest for the debt obligations to be authorized;

(C)  the estimated combined principal and interest required to pay on time and in full the debt obligations to be authorized; and

(D)  as of the date the political subdivision adopts the debt obligation election order:

(i)  the principal of all outstanding debt obligations of the political subdivision;

(ii)  the estimated remaining interest on all outstanding debt obligations of the political subdivision, which may be based on the expectations of the political subdivision as it relates to the interest due on any variable rate debt obligations; and

(iii)  the estimated combined principal and interest required to pay on time and in full all outstanding debt obligations of the political subdivision, which may be based on the expectations of the political subdivision as it relates to the interest due on any variable rate debt obligations; and

(3)  any other information that the political subdivision considers relevant or necessary to explain the information required by this subsection.

(c)  A political subdivision that maintains a

(e)  A political subdivision that maintains an

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website shall provide the information described by Subsection (b) on its website in an easily accessible manner.

SECTION 4. Section 271.049, Local Government Code, is amended by amending Subsections (a) and (b) and adding Subsection (e) to read as follows:
(a) Regardless of the sources of payment of certificates, certificates may not be issued unless the issuer publishes notice of its intention to issue the certificates. The notice must be published:
(1) once a week for two consecutive weeks in a newspaper, as defined by Subchapter C, Chapter 2051, Government Code, that is of general circulation in the area of the issuer, with the date of the first publication to be before the 45th [30th] day before the date tentatively set for the passage of the order or ordinance authorizing the issuance of the certificates; and
(2) if the issuer maintains a website, continuously on the issuer's website for at least 45 days before the date tentatively set for the passage of the order or ordinance authorizing the issuance of the certificates.

(b) The notice must state:
(1) the time and place tentatively set for the passage of the order or ordinance authorizing the issuance of the certificates;
(2) the [maximum amount and] purpose of the certificates to be authorized; [and]
(3) the manner in which the certificates will be paid for, whether by taxes, revenues, or a combination of the two;
(4) the following, stated as a total amount and as a per capita amount:
(A) the then-current principal of all outstanding debt obligations of the issuer;
(B) the then-current combined principal and interest required to pay all outstanding debt obligations of the issuer on time and in full;

Internet website shall provide the information described by Subsection (d) on its website in an easily accessible manner beginning not later than the 21st day before election day and ending on the day after the date of the debt obligation election.

(f) This section provides the ballot proposition language for an election to authorize the issuance of debt obligations by a political subdivision. To the extent of a conflict between this section and another law, this section controls.

SECTION 5. Section 271.049, Local Government Code, is amended by amending Subsections (a) and (b) and adding Subsection (e) to read as follows:
(a) Regardless of the sources of payment of certificates, certificates may not be issued unless the issuer publishes notice of its intention to issue the certificates. The notice must be published:
(1) once a week for two consecutive weeks in a newspaper, as defined by Subchapter C, Chapter 2051, Government Code, that is of general circulation in the area of the issuer, with the date of the first publication to be before the 45th [30th] day before the date tentatively set for the passage of the order or ordinance authorizing the issuance of the certificates; and
(2) if the issuer maintains an Internet website, continuously on the issuer's website for at least 45 days before the date tentatively set for the passage of the order or ordinance authorizing the issuance of the certificates.
(b) The notice must state:
(1) the time and place tentatively set for the passage of the order or ordinance authorizing the issuance of the certificates;
(2) the [maximum amount and] purpose of the certificates to be authorized; [and]
(3) the manner in which the certificates will be paid for, whether by taxes, revenues, or a combination of the two;
(4) the following:

(A) the then-current principal of all outstanding debt obligations of the issuer;
(B) the then-current combined principal and interest required to pay all outstanding debt obligations of the issuer on time and in full, which may be based on the expectations of

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(C) the principal of the certificates to be authorized; and
(D) the estimated combined principal and interest required to pay the certificates to be authorized on time and in full;
(5) the estimated rate of interest for the certificates to be authorized; and




(6) the maturity date of the certificates to be authorized.
(e) In this section, "debt obligation" means an issued public security, as defined by Section 1201.002, Government Code.

the issuer as it relates to the interest due on any variable rate debt obligations;
(C) the maximum principal amount of the certificates to be authorized; and
(D) the estimated combined principal and interest required to pay the certificates to be authorized on time and in full;
(5) the estimated interest rate for the certificates to be authorized or that the maximum interest rate for the certificates may not exceed the maximum legal interest rate; and
(6) the maximum maturity date of the certificates to be authorized.
(e) In this section, "debt obligation" means a public security, as defined by Section 1201.002, Government Code, secured by and payable from ad valorem taxes. The term does not include public securities that are designated as self-supporting by the political subdivision issuing the securities.

SECTION 5. Section 1251.002, Government Code, is repealed.

SECTION 6. Same as introduced version.

SECTION 6. (a) The changes in law made by this Act to Chapter 1251, Government Code, apply only to a ballot for an election ordered on or after the effective date of this Act. An election ordered before the effective date of this Act is governed by the law in effect when the election was ordered, and the former law is continued in effect for that purpose.
(b) The changes in law made by this Act to Section 271.049, Local Government Code, apply only to a certificate of obligation for which the first notice of intention to issue the certificate is made on or after the effective date of this Act. A certificate of obligation for which the first notice of intention to issue the certificate is made before the effective date of this Act is governed by the law in effect when the notice of intention is made, and the former law is continued in effect for that purpose.

SECTION 7. Same as introduced version.

SECTION 7. This Act takes effect September 1, 2017.

SECTION 8. Same as introduced version.