

BILL ANALYSIS

C.S.H.B. 3336
By: Murphy
Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties note that a political subdivision of the state may issue new debt in the form of bonds but raise concerns regarding the transparency of the bond proposal process. The parties assert a need to ensure that the process by which a political subdivision puts forth a bond proposal for a public vote is uniform and transparent to taxpayers. The goal of C.S.H.B. 3336 is to ensure that the process by which political subdivision bonds are approved or rejected is fair and to ensure the efficient use of bond proceeds.

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. 3336 amends the Election Code to include any sample ballot prepared for an election to authorize a political subdivision of the state to issue debt obligations among the information with which the document ordering such election is required to be posted during the 21 days before the election on the political subdivision's website prominently and together with other election-related materials, if the political subdivision maintains a website. The bill prohibits the applicable entity that establishes temporary branch early voting polling places from establishing such polling places with the intent to affect the outcome of an election at which a political subdivision submits a proposition to the voters to approve the issuance of general obligation bonds.

C.S.H.B. 3336 amends the Government Code to prohibit a political subdivision from issuing general obligation bonds to purchase, improve, or construct certain improvements or to purchase personal non-real property if the weighted average maturity of the issue of bonds to finance the improvements or personal property exceeds 120 percent of the reasonably expected weighted average economic life of the improvements or personal property financed with the issue of bonds. The bill limits a political subdivision's use of the unspent proceeds of issued general obligation bonds to the specific purposes for which the bonds were authorized, to retire the bonds, or to a purpose other than such specific purposes if the specific purposes are accomplished or abandoned and if a majority of the votes cast in an election held in the political subdivision approve the use of the proceeds for the proposed purpose. The bill requires the election order and the notice of election for such an election to state the proposed purpose for which the bond proceeds are to be used and requires a political subdivision to hold such an election in the same manner as an election to issue bonds in the political subdivision.

C.S.H.B. 3336 repeals Chapter 1332, Government Code.

EFFECTIVE DATE

September 1, 2017.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3336 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

SECTION 1. Section 4.003(f), Election Code, is amended.

SECTION 2. Section 85.062, Election Code, is amended by adding Subsection (h) to read as follows:

(h) In an election at which a political subdivision submits a proposition to the voters to approve the issuance of general obligation bonds, the entity that establishes early voting polling places under this section may not establish the polling places with the intent to affect the outcome of the election in favor of approval of the proposition.

SECTION 3. Subtitle C, Title 9, Government Code, is amended by adding Chapter 1253 to read as follows:

CHAPTER 1253. GENERAL OBLIGATION BONDS ISSUED BY POLITICAL SUBDIVISIONS

Sec. 1253.001. DEFINITION.

Sec. 1253.002. LIMITATION ON AUTHORITY TO ISSUE GENERAL OBLIGATION BONDS. (a) In this section, "improvement" and "personal property" have the meanings assigned by Section 1.04, Tax Code.

(b) Notwithstanding any other provision of law, a political subdivision may not issue a general obligation bond to purchase, improve, or construct improvements or to purchase personal property if the projected expected useful life of the improvement or personal property ends before the maturity date of the bond.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Same as introduced version.

SECTION 2. Section 85.062, Election Code, is amended by adding Subsection (h) to read as follows:

(h) In an election at which a political subdivision submits a proposition to the voters to approve the issuance of general obligation bonds, the entity that establishes early voting polling places under this section may not establish the polling places with the intent to affect the outcome of the election.

SECTION 3. Subtitle C, Title 9, Government Code, is amended by adding Chapter 1253 to read as follows:

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(b) Notwithstanding any other provision of law, a political subdivision may not issue general obligation bonds to purchase, improve, or construct improvements or to purchase personal property if the weighted average maturity of the issue of bonds to finance the improvements or personal property exceeds 120 percent of the reasonably expected weighted average economic life of the improvements or personal property financed with the issue of

Sec. 1253.003. USE OF UNSPENT GENERAL OBLIGATION BOND PROCEEDS. (a) A political subdivision may use the unspent proceeds of issued general obligation bonds only:

- (1) for the specific purpose for which the bonds were issued;
- (2) to retire the bonds; or
- (3) for a purpose other than the specific purpose for which the bonds were issued if:

(A) the specific purpose is accomplished or abandoned; and

(B) a majority of the votes cast in an election held in the political subdivision approve the use of the proceeds for the proposed purpose.

(b) The election order and the notice of election for an election described by Subsection (a)(3)(B) must state the proposed purpose for which the bond proceeds are to be used.

(c) A political subdivision must hold an election described by Subsection (a)(3)(B) in the same manner as an election to issue bonds in the political subdivision.

SECTION 4. Chapter 1332, Government Code, is repealed.

SECTION 5. Section 1253.002, Government Code, as added by this Act, applies only to a general obligation bond authorized to be issued at an election held on or after the effective date of this Act.

SECTION 6. This Act takes effect September 1, 2017.

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- (2) to retire the bonds; or
- (3) for a purpose other than the specific purposes for which the bonds were authorized if:

(A) the specific purposes are accomplished or abandoned; and

(B) a majority of the votes cast in an election held in the political subdivision approve the use of the proceeds for the proposed purpose.

(b) The election order and the notice of election for an election described by Subsection (a)(3)(B) must state the proposed purpose for which the bond proceeds are to be used.

(c) A political subdivision must hold an election described by Subsection (a)(3)(B) in the same manner as an election to issue bonds in the political subdivision.

SECTION 4. Same as introduced version.

SECTION 5. Same as introduced version.

SECTION 6. Same as introduced version.