

BILL ANALYSIS

Senate Research Center
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H.B. 440
By: Murphy et al. (Lucio)
Property Tax
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The bond issuance process is a valuable way for voters to have a say in how their cities, counties, and school districts use funds. However, when a bond-financed project is completed with money from the issuance left over, or if such a project is abandoned before completion, there is little guidance in law on how that left-over money should be used. Without clarity on this issue, political subdivisions may use these voter-approved, taxpayer dollars for purposes other than their original intention.

H.B. 440 ensures that the will of the voters is represented in the use of bond proceeds by limiting the uses of excess funds from bond issuances. Under this bill, unspent funds from a bond may only be used for a separate purpose if approved by the voters of a political subdivision other than a school district, or if approved by the board of trustees of a school district. Additionally, bonds may not be issued for a project if the cost of the bonds significantly outstrips the worth of the building or improvement that they would finance. By improving constituent input into the use of bond proceeds, H.B. 440 better aligns public finance with the will of voters.

H.B. 440 amends current law relating to general obligation bonds issued by political subdivisions.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter E, Chapter 45, Education Code, by adding Section 45.1105, as follows:

Sec. 45.1105. USE OF UNSPENT GENERAL OBLIGATION BOND PROCEEDS. (a) Authorizes a school district to use the unspent proceeds of issued general obligation bonds only:

- (1) for the specific purposes for which the bonds were authorized;
- (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) the board of trustees at a public meeting held only for the purpose of considering the use of the unspent bond proceeds approves in separate votes the use of the proceeds for:
 - (i) a purpose other than to retire the bonds; and

(ii) the purpose specified at the time the vote is taken.

(b) Requires notice of a public meeting held under this section, in addition to other requirements of law, to include a statement that the board of trustees will consider the use of unspent bond proceeds for a purpose other than the specific purposes for which the bonds were authorized.

(c) Requires a public meeting held under this section to provide the public an opportunity to address the board of trustees on the question of using the unspent bond proceeds for a purpose other than the specific purposes for which the bonds were authorized.

SECTION 2. Amends Section 4.003(f), Election Code, as follows:

(f) Requires a debt obligation election order required under Section 3.009 (Contents of Debt Obligation Order) to be posted:

(1)–(2) makes no changes to these subdivisions; and

(3) during the 21 days before the election, on the political subdivision's Internet website, prominently and together with the notice of the election, the contents of the proposition, and any sample ballot prepared for the election, if the political subdivision maintains an Internet website. Makes a nonsubstantive change.

SECTION 3. Amends Subtitle C, Title 9, Government Code, by adding Chapter 1253, as follows:

CHAPTER 1253. GENERAL OBLIGATION BONDS ISSUED BY POLITICAL
SUBDIVISIONS

Sec. 1253.001. DEFINITION. Defines "political subdivision" for purposes of this chapter.

Sec. 1253.002. LIMITATION ON AUTHORITY TO ISSUE GENERAL OBLIGATION BONDS. Defines "personal property" for purposes of this section.

(b) Prohibits a political subdivision, notwithstanding any other provision of law, from issuing general obligation bonds to purchase, improve, or construct an improvement to real property or to purchase personal property if the weighted average maturity of the issue of bonds to finance the improvement or personal property exceeds 120 percent of the reasonably expected weighted average economic life of the improvement or personal property financed with the issue of bonds.

Sec. 1253.003. USE OF UNSPENT GENERAL OBLIGATION BOND PROCEEDS. (a) Authorizes a political subdivision other than a school district to use the unspent proceeds of issued general obligation bonds only:

(1) for the specific purposes for which the bonds were authorized;

(2) to retire the bonds;

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

(c) Requires a political subdivision to 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. Repealer: Chapter 1332 (Use of Municipal Bond Proceeds For Other Purposes), Government Code.

SECTION 5. Makes application of Section 1253.002, Government Code, as added by this Act, prospective.

SECTION 6. Effective date: September 1, 2019.