

BILL ANALYSIS

Senate Research Center
87R7249 JXC-D

H.B. 4577
By: Deshotel (Creighton)
Local Government
5/11/2021
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chambers County Improvement District No. 1 (district)

- The petition requirement was intended to apply to management districts operating under Section 375 of the Government Code. Unfortunately, the act which created the district incorporates provisions of the Government Code which impose the petition requirement on the district. The district has the powers of a municipal utility district. A petition is not required for the issuance of bonds by municipal utility districts which are regulated by the Texas Commission on Environmental Quality (TCEQ) and which provide basic municipal services such as water, sewer, and drainage within their boundaries.
- More recently created improvement districts do not include the petition requirement.
- The district's costs associated with the issuance of debt have reduced substantially since the time of creation. The district's series 2020 road bonds carried an underlying rating of A2 from Moody's. Reduced borrowing costs have allowed the district to continue to finance additional infrastructure while maintaining a competitive tax rate.
- Requiring a petition from a majority of the taxpayers prior to calling a bond election would effectively render the district unable to issue bonds to provide the basic services to its customers. Consider the impact on a city providing similar services if a petition from a majority of taxpayers was required prior to calling a bond election.
- The primary limitation on the district's debt is the district's tax rate. Nevertheless, a majority of the district's debt is reviewed and approved by TCEQ, which reviews each bond issue for reasonableness and is required by statute to determine the feasibility of the bond issue prior to issuance. The stated purposes of the district include the promotion of economic development. The district endeavors to maintain a low tax rate, currently \$0.68, and recognizes the importance of balancing infrastructure quality and a low tax rate in continuing to attract development to the district.
- By financing the infrastructure in the district, the district has added well in excess of \$1 billion in taxable value with the consent, approval, and support of the City of Baytown and Chambers County and has created hundreds of new jobs.
- There are no homesteads in the district.

Failure to remove the petition requirement and the debt limit will render the district unable to finance further infrastructure to support additional economic development and employment, which is the purpose for which the district was created.

H.B. 4577 amends current law relating to the authority of the Chambers County Improvement District No. 1 to issue bonds and impose certain taxes or assessments.

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 Section 3854.152, Special District Local Laws Code, as follows:

Sec. 3854.152. ELECTIONS. Requires the Chambers County Municipal Improvement District No. 1 (district), except as provided by Section 3854.202 (Tax and Bond Elections), to hold elections as provided by Subchapter L (Elections), Chapter 375 (Municipal Management Districts in General), Local Government Code. Makes a nonsubstantive change.

SECTION 2. Amends Section 3854.202, Special District Local Laws Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Requires the district, except as provided by Subsection (c), to hold an election in the manner provided by Subchapter L, Chapter 375, Local Government Code, to obtain voter approval for the district to impose a maintenance tax or issue bonds payable from ad valorem taxes or assessments.

(c) Provides that Section 375.243 (Petition Required for Bond Election), Local Government Code, does not apply to the district.

SECTION 3. Amends Section 3854.205(b), Special District Local Laws Code, to provide that a petition under Section 375.114 (Petition Required) or 375.243, Local Government Code, is not required for the board of directors of the district to levy a tax, assessment, or impact fee to finance improvement projects and services under Chapter 3854 (Chambers County Improvement District No. 1).

SECTION 4. Repealer: Section 3854.209(b) (relating to prohibiting the district, with certain exceptions, from issuing bonds of a certain amount payable from an ad valorem tax imposed over the entire district), Special District Local Laws Code.

Repealer: Section 3854.209(c) (relating to providing that if TCEQ approves the feasibility of certain district bonds, the limit on the amount of bonds to be issued is the amount set by TCEQ), Special District Local Laws Code.

Repealer: Section 3854.209(d) (relating to providing that Subsection (b) does not limit the district's authority to issue bonds that are not payable from ad valorem taxes imposed over the entire district), Special District Local Laws Code.

SECTION 5. Provides that all requirements of the constitution and laws of this state and the rules and procedures of the legislature with respect to the notice, introduction, and passage of this Act have been fulfilled and accomplished.

SECTION 6. Effective date: upon passage or September 1, 2021.