

BILL ANALYSIS

Senate Research Center

H.B. 3899
By: Troxclair et al. (Bettencourt)
Local Government
5/5/2023
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law allows local governments, such as municipalities and counties, to create local government corporations to aid and act on behalf of one or more local governments to accomplish any governmental purpose of those local governments. To accomplish their purpose, these corporations have the authority to issue bonds and notes, including debt not approved by voters. However, these corporations are not explicitly subject to the same limitations as the municipalities and counties that create them. H.B. 3899 seeks to address this issue by providing limitations on a local government corporation's authority to issue certain bonds that are similar to the limitations placed on municipalities and counties.

H.B. 3899 amends current law relating to the issuance of bonds by certain local government corporations.

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 431.003(3), Transportation Code, to redefine "local government."

SECTION 2. Amends Section 431.070(a), Transportation Code, to authorize a corporation, subject to Subchapter D-1, to issue bonds and notes to carry out its purpose.

SECTION 3. Amends Section 431.101(b), Transportation Code, to create an exception under Subchapter D-1.

SECTION 4. Amends Chapter 431, Transportation Code, by adding Subchapter D-1, as follows:

SUBCHAPTER D-1. ISSUANCE OF BONDS BY CERTAIN LOCAL GOVERNMENT CORPORATIONS CREATED BY MUNICIPALITIES OR COUNTIES

Sec. 431.120. **APPLICABILITY OF SUBCHAPTER.** Provides that this subchapter applies to a local government corporation created by a municipality or county independently or with another local government that has entered into an agreement with a municipality or county for the transfer to the corporation of revenue from ad valorem taxes that were approved by the voters of the municipality or county under Section 26.07 (Automatic Election to Approve Tax Rate of Taxing Unit Other Than School District), Tax Code.

Sec. 431.121. **DEFINITION.** Defines "bond."

Sec. 431.122. **BOND ELECTION REQUIRED.** (a) Prohibits a local government corporation, notwithstanding any other law, from issuing bonds, other than refunding bonds, to be paid wholly or partly from ad valorem taxes transferred from a municipality or county to the corporation that were approved by the voters of the municipality or county under Section 26.07, Tax Code, unless the corporation is first authorized to issue

bonds under this subchapter by the voters of the municipality or county in an election held by the municipality or county for that purpose.

(b) Authorizes bonds authorized under this subchapter to finance a project to be issued in one or more series.

(c) Requires that an election held for purposes of this section be:

(1) conducted as provided by Section 1251.003 (Conduct of Election), Government Code; and

(2) held in the municipality or county on the uniform election date in November.

Sec. 431.123. FORM OF BALLOT. (a) Requires that the ballot proposition for a measure seeking voter approval for issuance of bonds under this subchapter include:

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

(2) the principal amount not to be exceeded in the aggregate of the bonds authorized to be issued in one or more series;

(3) the maximum maturity date of the bonds to be authorized, not to exceed 40 years; and

(4) that the principal of and interest on the bonds will be wholly or partly paid from funds received pursuant to an agreement with the municipality or county for the transfer of ad valorem taxes approved by the voters of the municipality or county under Section 26.07, Tax Code.

(b) Authorizes a proposition to include as a purpose one or more structures or improvements serving the substantially same purpose and to include related improvements and equipment necessary to accomplish the purpose.

(c) Provides that the result of an election held under this subchapter does not affect the result of a prior election held under Section 26.07, Tax Code.

Sec. 431.124. CONDITION OF BONDS. Prohibits a bond authorized to be issued under this subchapter from maturing more than 40 years after the date the bond was issued.

SECTION 5. Amends Section 1207.001(1), Government Code, to redefine "issuer" to include a local government corporation.

SECTION 6. Makes application of the change in law made by Subchapter D-1, Chapter 431, Transportation Code, as added by this Act, prospective.

SECTION 7. Effective date: upon passage or September 1, 2023.