

## **BILL ANALYSIS**

C.S.H.B. 3899  
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Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Current law allows for 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. C.S.H.B. 3899 seeks to address this issue by providing limitations on such a corporation's authority to issue certain bonds that are similar to the limitations placed on municipalities and counties.

### **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. 3899 amends the Transportation Code to set out provisions applicable 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 property taxes that were approved by the voters of the municipality or county voters at an automatic election to approve the tax rate of the municipality or county. The bill does the following:

- prohibits such a corporation from issuing bonds, other than refunding bonds, to be paid wholly or partly from property taxes transferred from a municipality or county to the corporation that were approved by the voters of the municipality or county voters at the automatic election to approve the tax rate of the municipality or county unless the corporation is first authorized to issue bonds under the bill's provisions by the voters of the municipality or county in an election held by the municipality or county for that purpose;
- provides that such bonds may be issued in one or more series;
- requires an election held for purposes of the required bond election to be:
  - conducted as provided under Government Code provisions relating generally to municipal and county bond elections; and
  - held in the municipality or county on the uniform election date in November;
- provides that the result of such an election does not affect the result of a prior automatic election to approve the tax rate; and

- provides that a bond authorized to be issued under the bill's provisions may not mature more than 40 years after the date the bond was issued.

C.S.H.B. 3899 provides for the required form of the ballot proposition for a measure seeking voter approval for the issuance of bonds under the bill's provisions. Accordingly, the ballot proposition must include, as follows:

- a plain language description of the purposes for which the bonds are to be authorized;
- the principal amount not to be exceeded in the aggregate of the bonds authorized to be issued in one or more series;
- the maximum maturity date of the bonds to be authorized, not to exceed 40 years; and
- 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 property taxes approved by the voters of the municipality or county at an automatic election to approve the tax rate of the municipality or county.

A proposition may include as a purpose one or more structures or improvements serving the substantially same purpose and may include related improvements and equipment necessary to accomplish the purpose.

C.S.H.B. 3899 amends the Government Code to authorize a local government corporation to issue refunding bonds.

C.S.H.B. 3899 applies only to a bond issued on or after the bill's effective date.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.

### **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 3899 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute and the introduced both provide for the applicability of their provisions to a local government corporation created by a municipality or county that has entered into a transfer agreement, but the substitute further specifies that this is with respect to a corporation that is created by a municipality or county independently or with another local government that has entered into a transfer agreement.

Whereas both the substitute and the introduced condition the issuance of bonds by an applicable local government corporation on voter approval at a bond election, they differ as follows:

- the introduced provided that a local government corporation may not issue bonds to be paid wholly or partly from property taxes approved by the voters at the automatic election to approve the tax rate of the municipality or county to pay for a specific project, unless the issuance is first approved by voters of the municipality or county in an election; but
- the substitute provides that a corporation may not issue bonds, other than refunding bonds, to be paid wholly or partly from property taxes transferred from a municipality or county to the corporation that were approved by the voters at the automatic election to approve the tax rate of the municipality or county, unless the corporation is first authorized to issue bonds under the bill's provisions by the voters of the municipality in an election held by the municipality or county for that purpose.

The substitute includes the following provisions that were absent from the introduced:

- a requirement that a bond election under the bill's provisions be held in the municipality or county on the November uniform election date;

- an authorization for bonds authorized under the bill's provisions to finance a project to be issued in one or more series;
- a provision establishing that the result of a bond election held under the bill's provisions does not affect the result of a prior automatic election held to approve an applicable tax rate;
- a provision establishing as a condition of the bonds that a bond may not mature more than 40 years after the date the bond was issued; and
- a provision including a local government corporation among the entities authorized to issue refunding bonds.

The substitute does not include the following that appeared in the introduced:

- a requirement for the governing body of an applicable municipality or county, at the election ordered on the issuance of bonds, to submit the question of whether to impose a tax on property in the municipality or county to pay interest on the bonds and to provide a sinking fund to redeem the bonds; and
- a requirement that each single specific purpose for which bonds requiring voter approval are to be issued be printed on the ballot as a separate proposition.

Both the substitute and the introduced provide for the form of the ballot for a bond election held under the bill's provisions and both require the ballot proposition to include a plain language description of the purposes for which the bonds are to be authorized. However, they differ as follows:

- the introduced required a description of the single specific purposes for which the bonds are to be authorized, but the substitute only requires a description of the purposes generally;
- the introduced required the ballot proposition to include the total principal amount of the bonds to be authorized but the substitute requires the proposition to include the principal amount not to be exceeded in the aggregate of the bonds authorized to be issued in one or more series; and
- the introduced required the ballot proposition to include that the principal of and interest on the bonds will be wholly or partly paid from property tax revenue, but the substitute clarifies that provision to specify that the proposition must include 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 property taxes approved by the voters of the municipality or county at the automatic election to approve the tax rate of the municipality or county.

The substitute changes the bill's effective date from September 1, 2023, as in the introduced, to on passage, or, if the bill does not receive the necessary vote, September 1, 2023.