

BILL ANALYSIS

C.S.H.B. 1889
By: Rodriguez
Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Concerns have been raised that the public sale of bonds of certain special purpose districts results in the bonds being sold at a comparatively high interest rate and with high transaction costs which negatively impacts taxpayers. Evidence suggests that the selling of these bonds through a private sale, as is allowed for other governmental entities, should result in a lower interest rate and lower transaction costs and subsequently benefit taxpayers. C.S.H.B. 1889 seeks to address this issue by providing for the private sale of bonds by certain special purpose districts.

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. 1889 amends the Water Code to remove the exception for refunding bonds and for bonds sold to a state or federal agency or to the North American Development Bank from requirements that bonds issued by certain special purpose districts be sold after the advertisement for and receipt of competitive sealed bids, that the bonds be awarded to the bidder whose bid produces the lowest net effective interest rate to the district, and that the board of the district publish applicable notice of the bond sale. The bill restricts these requirements to the public sale of bonds and authorizes the private sale of district bonds.

C.S.H.B. 1889 authorizes a district to do the following for bonds sold by private sale:

- authorize the following:
 - the principal amount of bonds that may be issued;
 - the principal amount to mature each year;
 - the maximum rate of interest to be borne by the bonds; and
 - any other term the district considers relevant to the issuance of the bonds; and
- delegate to any officer or director of the district the authority to carry out the sale of the bonds.

C.S.H.B. 1889 authorizes the district, in exercising the authority delegated by the district, to establish the terms related to the issuance and sale of the bonds, including the following:

- the form of the bonds;
- the principal amount of the bonds and the amount of the bonds to mature each year;
- the dates, price, interest rates, interest payment dates, principal payment dates, and redemption feature of the bonds; and

- any other term relating to the issuance and sale of the bonds as specified by the district in the proceedings authorizing the issuance of the bonds.

C.S.H.B. 1889 establishes that a finding or determination made by a director or officer acting under the authority delegated to that director or officer has the same force and effect as a finding or determination made by the district.

C.S.H.B. 1889 repeals Section 49.183(c), Water Code, which requires a bond issue to be considered to be refunding bonds and prohibits competitive bids from being required if a district is issuing bonds and refunding bonds as one issue and if the initial principal amount of refunding bonds is 50 percent or more of the total initial principal amount of bonds being issued.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1889 differs from the original in minor or nonsubstantive ways by conforming to certain bill drafting conventions.