

BILL ANALYSIS

Senate Research Center
77R11844 JMG-D

H.B. 3285
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Intergovernmental Relations
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Engrossed

DIGEST AND PURPOSE

Under current law, a county, a municipality, or an eligible school district are authorized to issue anticipation notes with a maturity of up to seven years to pay contractual obligations relating to the construction of a public work. Anticipation notes have been used by these entities for successful commercial programs. However, these entities have used these programs to provide low-cost variable financing for facilities that in some instances have useful lives greater than seven years. In addition, a legal issue regarding the maturity of anticipation notes has been raised concerning whether the notes mature under provisions relating to refunding bonds or under provisions relating to anticipation notes.

Currently, counties with a population of three million or more are not authorized to issue anticipation notes for a flood control district or a hospital district (eligible countywide district). In addition, a county may wish to enter into a contract with its flood control district under which the district would undertake flood control projects on behalf of the county. Such contracts are authorized, but a source of payment or security for the contract payments is not specified.

H.B. 3285 authorizes an eligible countywide district to issue anticipation notes, increases the maturity period to 15 years for anticipation notes, allows refunding bonds to be used, and provides funding for projects performed on behalf of a county.

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 1431.001, Government Code, to conform to Sections 3 and 4, Chapter 984, Acts of the 76th Legislature, Regular Session, 1999, and further amends it to define “eligible countywide district” and “eligible school district,” and redefine “governing body” and “issuer.”

SECTION 2. Amends Section 1431.002, Government Code, to conform to Sections 4 and 6, Chapter 984, Acts of the 76th Legislature, Regular Session, 1999, and further amends it by adding Subsection (c) and amending Subsection (a), as follows:

- (a) Authorizes the commissioners court of a county by order, on the recommendation of the county auditor or the county budget officer, as applicable, or the governing body of an eligible countywide district to authorize the issuance of an anticipation note.

- (c) Authorizes the governing body of an eligible school district by order to authorize the issuance of an anticipation note.

SECTION 3. Amends Section 1431.003(a), Government Code, to conform to Section 5, Chapter 984, Acts of the 76th Legislature, Regular Session, 1999, and further amends it to provide that this section applies only to an issuer that is a county; a municipality with a population of 80,000 or more; an

eligible school district; or an eligible countywide district.

SECTION 4. Amends Section 1431.004, Government Code, to conform to Section 4, Chapter 984, Acts of the 76th Legislature, Regular Session, 1999, and further amends it as follows:

Sec. 1431.004. Authorizes an issuer, other than an eligible school district, to use the proceeds of an anticipation note for certain purposes. Authorizes the governing body of an eligible school district to use the proceeds of an anticipation note to pay an obligation incurred or to be incurred for certain purposes. Makes conforming and nonsubstantive changes.

SECTION 5. Amends Section 1431.006, Government Code, to conform to Section 7, Chapter 984, Acts of the 76th Legislature, Regular Session, 1999, and further amends it as follows:

Sec. 1431.006. Prohibits anticipation notes issued for the purposes described by Section 1431.004(a)(2) from, in the fiscal year in which the attorney general approves the notes, exceeding a certain amount.

SECTION 6. Amends Section 1431.007, Government Code, as follows:

Sec. 1431.007. Authorizes a governing body, with an exception, to perform certain functions. Authorizes the governing body of a flood control district operating as a conservation and reclamation district that issues anticipation notes for one or more purposes described in Section 1431.004(a)(1) to perform certain functions.

SECTION 7. Amends Section 1431.009, Government Code, to conform to Section 7, Chapter 984, Acts of the 76th Legislature, Regular Session, 1999, and further amends it as follows:

Sec. 1431.009. Requires certain anticipation notes, with an exception, to mature before the seventh anniversary of the date that the attorney general approves the note. Requires certain anticipation notes to mature before the 15th anniversary of the date that the attorney general approves the note. Provides that a bond issued under Chapter 1207 to refund an anticipation note issued by a county, municipality, or eligible countywide district for a purpose described by Section 1431.004(a)(1) or by an eligible school district for a purpose described by Section 1431.004(a)(1)(C) or (b)(2) is subject to the limitation on maturity provided by Section 1207.006 and not the limitation provided by Subsection (a).

SECTION 8. Amends Section 411.003(a), Local Government Code, to authorize the contract to provide that payments due under the contract are payable from and secured by a pledge of any revenue of the county or the county's ad valorem taxes or a combination of those revenues and taxes.

SECTION 9. Provides that Section 1431.009(d), Government Code, as added by this Act, applies to bonds issued to refund anticipation notes, regardless of whether the anticipation notes were issued before, on, or after the effective date of this Act.

SECTION 10. (a) Provides that, in accordance with Section 311.031(c), Government Code, giving effect to a substantive amendment enacted by the same legislature that codifies the amended statute, the text of Sections 1431.001 through 1431.004, 1431.006, and 1431.009, Government Code, as set out in this Act, gives effect to changes made by Sections 3 through 7, Chapter 984, Acts of the 76th Legislature, Regular Session, 1999.

(b) Provides that, to the extent of any conflict, this Act prevails over another Act of the 77th Legislature, Regular Session, 2001, relating to nonsubstantive additions and corrections in enacted codes.

SECTION 11. Repealers: Sections 3 through 7, Chapter 984, Acts of the 76th Legislature, Regular

Session, 1999.

SECTION 12. Effective date: September 1, 2001.