

BILL ANALYSIS

Senate Research Center
85R19445 TJB-D

C.S.S.B. 460
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Intergovernmental Relations
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Political subdivisions in Texas have broad discretion to issue new debt in the form of bonds. Due to this broad authority, statute should ensure that the process by which political subdivisions put forth bond proposals for a vote is uniform and transparent to taxpayers. S.B. 460 ensures the process by which bonds are approved or rejected is fair by prohibiting the strategic targeting of early voting locations that may impact the outcome of the election. It also ensures the efficient use of bond proceeds by prohibiting the use of unspent funds on any project other than the project stated on the ballot proposal and requiring that the maturation date of bonds does not exceed the life of the project being financed. In addition, S.B. 460 requires a political subdivision to provide all ballot elements on the subdivision's website, if one is maintained.

The committee substitute overall makes clarifications in the bill in regards to the life expectancy of the project by tracking I.R.S. language, which is commonly provided in a table for bond issuers.

C.S.S.B. 460 amends current law relating to general obligation bonds issued by political subdivisions.

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 4.003(f), Election Code, as follows:

(f) Requires a debt obligation election order required under Section 3.009 (Contents of Debt Obligation Election Order) to be posted, among certain other ways, during the 21 days before the election, on the political subdivision's Internet website, prominently and together with the notice of the election, the contents of the proposition, and any sample ballot prepared for the election. Makes nonsubstantive changes.

SECTION 2. Amends Section 85.062, Election Code, by adding Subsection (h), to prohibit the entity that establishes early voting polling places under this section (Temporary Branch Polling Place), in an election at which a political subdivision submits a proposition to the voters to approve the issuance of general obligation bonds (GOBs), from establishing the polling places with the intent to affect the outcome of the election.

SECTION 3. Amends Subtitle C, Title 9, Government Code, by adding Chapter 1253, as follows:

CHAPTER 1253. GENERAL OBLIGATION BONDS ISSUED BY POLITICAL SUBDIVISIONS

Sec. 1253.001. DEFINITION. Defines "political subdivision."

Sec. 1253.002. LIMITATION ON AUTHORITY TO ISSUE GENERAL OBLIGATION BONDS. (a) Defines “improvement” and “personal property.”

(b) Prohibits a political subdivision, notwithstanding any other provision of law, from issuing GOBs to purchase, improve, or construct improvements or to purchase personal property if the weighted average maturity of the issue of GOBs to finance the improvements or personal property exceeds 120 percent of the reasonably expected weighted average economic life of the improvements or personal property financed with the issue of GOBs.

Sec. 1253.003. USE OF UNSPENT GENERAL OBLIGATION BOND PROCEEDS. (a) Authorizes a political subdivision to use the unspent proceeds of issued GOBs only for certain purposes.

(b) Requires the election order and the notice of election for an election described by Subsection (a)(3)(B) (relating to authorizing the unspent proceeds of GOBs for a purpose other than the GOB was issued if approved by a majority of votes cast in an election) to state the proposed purpose for which the GOB proceeds are to be used.

(c) Requires a political subdivision to hold an election described by Subsection (a)(3)(B) in the same manner as an election to issue GOBs in the political subdivision.

SECTION 4. Repealer: Chapter 1332 (Use of Municipal Bond Proceeds for Other Purposes), Government Code.

SECTION 5. Makes application of Section 1253.002, Government Code, as added by this Act, prospective.

SECTION 6. Effective date: September 1, 2017.