

BILL ANALYSIS

C.S.H.B. 440
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Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Concerns have been raised about political subdivisions and school districts in Texas having broad discretion to issue new debt in the form of bonds. C.S.H.B. 440 seeks to ensure 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.

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. 440 amends the Education Code to limit a public school district's use of the unspent proceeds of issued general obligation bonds to the specific purposes for which the bonds were authorized, to retire the bonds, or to another purpose if the original purposes are accomplished or abandoned. If the original purposes are accomplished or abandoned, the unspent proceeds may be used for another purpose if the district's board of trustees, in a public meeting held only for considering the use of the proceeds, approves in separate votes the use of the proceeds for a purpose other than to retire the bonds and for the purpose specified at the time the vote is taken. The bill requires the notice for such a meeting to include a statement that the board will consider the use of unspent bond proceeds for a purpose other than the specific authorized purposes and requires the meeting to provide the public an opportunity to address the board on the question of that use.

C.S.H.B. 440 amends the Election Code to include any sample ballot prepared for a debt obligation election among the information required to be posted together with the debt obligation election order during the 21 days before the election on a website maintained by the political subdivision issuing the debt.

C.S.H.B. 440 amends the Government Code to prohibit a political subdivision from issuing general obligation bonds to purchase, improve, or construct an improvement to real property or to purchase personal non-real property if the weighted average maturity of the issue of bonds 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 bonds. The bill limits the use of the unspent proceeds of general obligation bonds issued by a political subdivision other than a public school district to the specific purposes for which the

bonds were authorized, to retire the bonds, or to another purpose if the original purposes are accomplished or abandoned and a majority of the votes cast in an election held in the political subdivision approve the use of the proceeds for the proposed purpose. The bill requires an election order and the notice of election for such an election to state the proposed purpose for which the bond proceeds are to be used and requires the political subdivision to hold such an election in the same manner as an election to issue bonds in the political subdivision. The bill repeals provisions relating to the use of unspent municipal bond proceeds.

C.S.H.B. 440 repeals Chapter 1332, Government Code.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 440 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes provisions limiting a public school district's use of unspent proceeds of issued general obligation bonds to the specific purposes for which the bonds were authorized, to retire the bonds, or for a purpose other than such specific purposes under certain conditions.

The substitute does not include a prohibition against an entity that establishes early voting polling places establishing the polling places with the intent to affect the outcome of an election at which a political subdivision submits a proposition to the voters to approve the issuance of general obligation bonds.

The substitute does not include a definition by cross-reference to Section 1.04, Tax Code, for the term "improvement" as it relates to the limitation on the authority for a political subdivision to issue general obligation bonds based on the weighted average maturity of the issue.