

## **BILL ANALYSIS**

C.S.S.B. 542  
By: Lindsay  
Natural Resources  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Currently no specific authorization exists for a water district to de-annex property in the event that it does not have enough capacity for development, and the taxpayers of the district do not want to undertake a new bond issue to add improvements. The last few landowners are left with land that cannot be used without access to utilities and have no alternative method to obtain utilities. C.S.S.B. 542 authorizes a property owner in a water or reclamation district which is larger than 5,000 acres and which the property has been taxed for facility bonds more than 28 years to petition the district for exclusion of the property from the district's property tax roll if the district does not provide services and the district has no outstanding bonded indebtedness supported by taxes as provided for in Sections 49.3076 and 49.3077.

### **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**

SECTION 1. Amends Chapter 49, Water Code, by adding Section 49.3075, as follows:

Sec. 49.3075. EXCLUSION FOR FAILURE TO PROVIDE SUFFICIENT SERVICES; NO OUTSTANDING BONDS.

(a) Requires the governing body of the district (board) to call a hearing on the exclusion of land from a district on a written petition filed with the secretary of the board by a landowner whose land has been included in and taxable by the district for more than 20 years if any bonds issued by the district payable in whole or in part from taxes of the district are no longer outstanding and the petition includes or describes certain entries.

(b) Requires the board to hold the hearing at the earliest practicable time after receipt of the petition.

(c) Requires the board, unless the district presents evidence at the hearing that conclusively demonstrates that the requirements and grounds for exclusion described by Subsection (a) have not been met, to enter an order excluding the land from the district and to redefine in the order the boundaries of the district to embrace all land not excluded.

(d) Requires a copy of an order excluding land and redefining boundaries of the district to be filed in the deed records of the county or counties in which the district is located.

(e) Provides that this section does not apply to irrigation districts governed by the Water Code, Chapter 58.

Sec. 49.3076. EXCLUSION FOR FAILURE TO PROVIDE SUFFICIENT SERVICES; BONDS OUTSTANDING.

(a) Requires the governing body of a district that has more than 5,000 acres to call a hearing on the exclusion of land from a district on a written petition filed with the secretary of the board by a landowner whose land has been included in and taxable by the district for more than 28 years if any bonds issued by the district payable in whole or in part from taxes of the district are outstanding and the petition includes or describes certain entries.

(b) Requires the board to find in the affirmative that the district has never provided service to the land included in the petition, that the land has been taxed for more than 28 years, and that the land is current with any previous assessed taxes.

(c) Requires the board, unless the district presents evidence at the hearing that conclusively demonstrates that the requirements and grounds for exclusion described by Subsection (a) and (b) have not been met, to enter an order excluding the land from the district and to redefine in the order the boundaries of the district to embrace all land not excluded.

(d) Requires a copy of an order excluding land and redefining boundaries of the district to be filed in the deed records of the county or counties in which the district is located.

(e) The exclusion of land under this section does not impair the rights of holders of any bonds, warrants, or other indebtedness of the district.

(f) After exclusion of land, the district may issue any unissued debt approved by the voters of the district before exclusion of land without holding a new election. Any additional debt which may be issued may not be payable from taxes against the assessed value of the excluded land.

(g) Provides that this section does not apply to irrigation districts governed by the Water Code, Chapter 58.

(h) As used in this section and Sec. 49.3077, the word "land" includes any improvements to the land and has the same meaning assigned to real property by Section 1.04, Tax Code.

#### SEC. 49.3077. TAX LIABILITY OF EXCLUDED LAND; BONDS OUTSTANDING.

(a) Land excluded from a district under Section 49.3076 remains pledged to its pro rata share of the outstanding debt until final payment is made.

(b) Requires the district to apply all taxes collected from excluded land only to the payment of the excluded land's pro rata share of the debt.

(c) Allows the owner of any part of land excluded to pay in full the owner's share of the pro rata share of the district's debt outstanding at the time the land is excluded.

#### SECTION 2. Effective date.

#### **EFFECTIVE DATE**

On passage, or if the Act does not receive the necessary vote, the Act takes effect on September 1, 2003.

#### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

C.S.S.B. 542 differs from original in SECTION 1 by adding new Sections 49.3076 and 49.3077, Water Code.

Section 49.3076 of the substitute provides requirements which a petitioner must meet in order for any land to be excluded from a district larger than 5,000 acres, taxed more than 28 years and receiving no utility service. It also requires the board to find in the affirmative that the district has never provided service to the land included in the petition, that the land has been taxed for more than 28 years, and that the land is current with any previous assessed taxes. C.S.S.B. 542 provides that an exclusion removes the identified property from the jurisdiction of the district, and provides that the exclusion of property does not diminish or impair the rights of holders of any outstanding or unpaid bonds, warrants, or other obligations of the district. It provides that the excluded property is not released from payment of its pro rata share of the district's debt existing on the date of the exclusion order. It requires the district to continue to levy taxes each year on the excluded property equal to the property's share of the debt. It also requires the taxes collected to be exclusively applied to the payment of that debt. The bill provides that the excluded property is not subject to any debt of the district incurred after the date of the exclusion order. It provides that this section does not apply to irrigation districts governed by the Water Code, Chapter 58.

Section 49.3077 of the substitute requires that land excluded from a district under Section 49.3076 remains pledged to its pro rata share of the outstanding debt until final payment is made. It requires the

district to apply all taxes collected from excluded land only to the payment of the excluded land's pro rata share of the debt. The bill allows the owner of any part of land excluded to pay in full the owner's share of the pro rata share of the district's debt outstanding at the time the land is excluded.