

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**May 12, 2003**

**TO:** Honorable Glenn Lewis, Chair, House Committee on County Affairs

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: SB905** by Madla (Relating to reimbursement for land removed from emergency service districts and dispute resolution relating to the amount of reimbursement.), **As Engrossed**

**No fiscal implication to the State is anticipated.**

The bill would amend the Health and Safety Code to clarify how a municipality would compensate an emergency services district (district) when a municipality annexes a portion of a district. The disannexation of territory by the district would not diminish the district's debt responsibilities, including loans and lease-purchase agreements. The bill would provide a specific formula the district would be required to use when calculating the amount of indebtedness the city would reimburse. The bill would establish provisions for binding arbitration when the city and the district cannot agree on the amount of reimbursed indebtedness; it would provide a process through which the arbitrator would be selected; and it would create procedures the arbitrator would follow. The city and the district would share the costs of arbitration.

The bill would take effect September 1, 2003, and would apply only to the removal of territory of an emergency services district on or after that date.

Current law provides no provision for arbitration in the event that the city and district do not agree on the amount of compensation. Therefore, when the city and the district cannot agree, the matter may be taken directly to court. The bill would require binding arbitration as a means of settling this form of dispute.

According to the State Association of Fire and Emergency Districts, individual districts contacted, and the City of Austin, the arbitration provision of the bill would provide a savings to districts and to cities in the event of a dispute over indebtedness reimbursement. The other amendments to the Health and Safety Code would clarify existing statute; districts anticipate this would provide a positive fiscal impact to the districts and municipalities anticipate the other amendments to the code would create a negative fiscal impact for them.

**Local Government Impact**

The fiscal impact would vary by emergency service district and by municipality, depending on the amount of applicable annexation and whether there is a dispute regarding reimbursement.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JK, DLBa