

BILL ANALYSIS

S.B. 1660
By: Carona
County Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The purpose of this bill is to increase the efficiencies and cost effectiveness of the use of public financing of urban development. Current law allows for the development of water, sewer, and drainage infrastructure by use of special districts that are authorized to impose ad valorem taxes and to issue tax exempt bonds that are secured by a pledge of such taxes. Current law also allows certain types of special districts the authority to build, acquire, or finance roads and streets. The districts that currently have authority to build and maintain arterial roads and feeders are those districts created under Chapter 54, Water Code, which are authorized to request such authority from the Texas Commission on Environmental Quality (TCEQ), and land developments in counties adjacent to Dallas County, which have authority to acquire, build and maintain streets and roads. This bill will extend the authority for street and road financing to land developments located in areas of the state other than Harris County and its surrounding counties, avoid the time and expense of an application to the TCEQ, and make uniform the ability of districts covered by the Act to build streets in addition to arterials and feeder roads.

Harris County and those counties that surround it are subject to extensive rainfall and subsidence, and must spend large amounts of money on drainage control and improvements, so that special districts there cannot absorb the costs related to roads at a tax rate that is competitive in the real estate market. In addition, Harris, Montgomery, and Fort Bend counties are urban. These counties are accustomed to building and maintain urban-quality roads.

In contrast, many counties near the Dallas-Fort Worth metroplex are rural in nature. These counties do not have expertise to build suburban and urban-quality roads and streets and do not have the wealth to perform maintenance duties. These counties need and desire the subdivisions themselves to acquire, build, and maintain their own streets and roads, as is being accomplished with water, sewer, and drainage.

S.B. 1660 controls the expansion of road-building powers by limiting applicability of the power to only districts created under Chapter 54, Water Code. In addition, an election is required before road district powers are acquired at which a two-thirds vote must be obtained. Moreover, in compliance with existing constitutional limitations, the total amount of debt issued may not exceed one-fourth of the assessed valuation of real property in the district.

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 54, Water Code, by adding Subchapter I, as follows:

SUBCHAPTER I. ROAD DISTRICT POWERS AND DUTIES

Sec. 54.771. **APPLICABILITY.** Provides that this subchapter does not apply to a municipal utility (district) located in certain counties.

Sec. 54.772. **AUTHORITY; ELECTION TO ASSUME ROAD DISTRICT POWERS.** Authorizes the board of directors of a district (board) covered by this section to order an election to be held in the district to determine whether the district assumes the powers and duties of a road district under Section 52(b)(3) (pertaining to the construction,

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maintenance and operation of macadamized, graveled, or paved roads and turnpikes), Article III, Texas Constitution.

(b) Requires the ballots for the election to be printed to provide for voting for or against the assumption by the district of a road district under Section 52(b)(3) (pertaining to the construction, maintenance and operation of macadamized, graveled, or paved roads and turnpikes), Article III, Texas Constitution.

(c) Provides that if a majority of the individuals voting in the election vote in favor of the proposition, the district assumes the powers and duties of a road district operating under certain laws.

Sec. 54.773. BONDS; ELECTION. (a) Prohibits a district that has assumed road district powers under this subchapter from issuing bonds or otherwise lending its credit for road district purposes except on approval of two-thirds or more of the voters of the district voting at an election held for that purpose.

(b) Prohibits the total amount of bonds and other obligations of the district issued or incurred under this section from exceeding one-fourth of the assessed valuation of real property in the district.

(c) Authorizes the attorney general to approve certain bonds.

Sec. 54.774. LIMITATION ON ISSUANCE OF BONDS. (a) Authorizes a district that has assumed road district powers under this subchapter to issue bonds for road district purposes only if the combined projected tax rate for the district does not exceed \$1.50 per \$100 of taxable value and the combined no-growth tax rate for the district does not exceed \$2.50 per \$100 of taxable value.

(b) Defines "combined projected tax rate," "combined no-growth tax rate," "no-growth debt service tax rate," and "projected debt service tax rate."

(c) Requires the calculation of tax rates under this section, other than projected tax rates, to be based on the most recent taxable values certified by the appropriate appraisal district. The calculation of projected tax rates must be based on projected increases in those taxable values.

Sec. 54.775. REIMBURSEMENT OF CONSTRUCTION CONTRACT EXPENSES. Authorizes a district that has assumed road district powers under this subchapter to, following approval of a construction contract by the board, reimburse expenditures without obtaining any additional approval.

Sec. 54.776. MAINTENANCE OF ROADS. Requires a district that has assumed road district powers under this subchapter to maintain all roads constructed or purchased by the district unless the county or political subdivision assumes responsibility for maintaining roads.

Sec. 54.777. APPLICABILITY OF OTHER LAW. Provides that Sections 49.181 (Authority of Commission Over Issuance of District Bonds) and 49.182 (Commission Supervision of Projects and Improvements) do not apply to a road project undertaken by the district or to bonds issued by the district to finance the project.

SECTION 2. Effective date

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

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