

1-1 By: Brimer S.B. No. 1251
1-2 (In the Senate - Filed March 9, 2005; March 21, 2005, read
1-3 first time and referred to Committee on Transportation and Homeland
1-4 Security; May 6, 2005, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 9, Nays 0;
1-6 May 6, 2005, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1251 By: Brimer

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to the acquisition, construction, maintenance, operation,
1-11 and provision of toll facilities and a transit system by a regional
1-12 mobility authority, and the transfer to a regional mobility
1-13 authority of the toll facilities, transit system, and related
1-14 assets of a regional tollway authority or transit provider or of
1-15 certain counties; providing criminal penalties; authorizing a tax.

1-16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-17 SECTION 1. Subchapter A, Chapter 284, Transportation Code,
1-18 is amended by adding Section 284.011 to read as follows:

1-19 Sec. 284.011. TRANSFER OF ASSETS. (a) A county, acting
1-20 through the commissioners court of the county, may submit a request
1-21 to the commission for authorization to create a regional mobility
1-22 authority under Chapter 370 and to transfer all projects under this
1-23 chapter to the regional mobility authority if:

1-24 (1) the creation of the regional mobility authority
1-25 and transfer of projects is not prohibited under the bond
1-26 proceedings applicable to the projects;

1-27 (2) adequate provision has been made for the
1-28 assumption by the regional mobility authority of all debts,
1-29 obligations, and liabilities of the county arising out of the
1-30 transferred projects; and

1-31 (3) the commissioners courts of any additional
1-32 counties to be part of the regional mobility authority have
1-33 approved the request.

1-34 (b) The county may submit to the commission a proposed
1-35 structure for the initial board of directors of the regional
1-36 mobility authority and a method for appointment to the board of
1-37 directors at the creation of the regional mobility authority.
1-38 Subsequent appointments to the board of directors are subject to
1-39 the requirements of Subchapter F, Chapter 370.

1-40 (c) After commission authorization, the county may transfer
1-41 each of its projects under this chapter to the regional mobility
1-42 authority to the extent authorized by the Texas Constitution if
1-43 property and contract rights in the projects and bonds issued for
1-44 the projects are not affected unfavorably.

1-45 (d) The commission shall adopt rules governing the creation
1-46 of a regional mobility authority and the transfer of projects under
1-47 this section.

1-48 SECTION 2. Subsection (a), Section 366.004, Transportation
1-49 Code, is amended to read as follows:

1-50 (a) The cost of acquisition, construction, improvement,
1-51 extension, or expansion of a turnpike project or system under this
1-52 chapter includes the cost of:

1-53 (1) the actual acquisition, construction,
1-54 improvement, extension, or expansion of the turnpike project or
1-55 system;

1-56 (2) the acquisition of real property, rights-of-way,
1-57 property rights, easements, and other interests in real property;

1-58 (3) machinery and equipment;

1-59 (4) interest payable before, during, and after
1-60 acquisition, construction, improvement, extension, or expansion as
1-61 provided in the bond proceedings;

1-62 (5) traffic estimates, revenue estimates, engineering
1-63 and legal services, plans, specifications, surveys, appraisals,

2-1 construction cost estimates, and other expenses necessary or
2-2 incidental to determining the feasibility of the construction,
2-3 improvement, extension, or expansion;

2-4 (6) necessary or incidental administrative, legal,
2-5 and other expenses;

2-6 (7) compliance with laws, regulations, and
2-7 administrative rulings;

2-8 (8) financing; ~~and~~

2-9 (9) the assumption of debts, obligations, and
2-10 liabilities of an entity relating to a turnpike project or system
2-11 transferred to an authority by that entity; and

2-12 (10) expenses related to the initial operation of the
2-13 turnpike project or system.

2-14 SECTION 3. Section 366.033, Transportation Code, is amended
2-15 by adding Subsection (k) to read as follows:

2-16 (k) An authority, acting through its board, may agree with
2-17 another entity to acquire a turnpike project or system from that
2-18 entity, and to assume any debts, obligations, and liabilities of
2-19 the entity relating to a turnpike project or system transferred to
2-20 the authority.

2-21 SECTION 4. Subchapter B, Chapter 366, Transportation Code,
2-22 is amended by adding Section 366.036 to read as follows:

2-23 Sec. 366.036. TRANSFER OF TURNPIKE PROJECT OR SYSTEM.

2-24 (a) An authority may transfer any of its turnpike projects or
2-25 systems to one or more local governmental entities if:

2-26 (1) the authority has commitments from the governing
2-27 bodies of the local governmental entities to assume jurisdiction
2-28 over the transferred projects or systems;

2-29 (2) property and contract rights in the transferred
2-30 projects or systems and bonds issued for the projects or systems are
2-31 not affected unfavorably;

2-32 (3) the transfer is not prohibited under the bond
2-33 proceedings applicable to the transferred projects or systems;

2-34 (4) adequate provision has been made for the
2-35 assumption of all debts, obligations, and liabilities of the
2-36 authority relating to the transferred projects or systems by the
2-37 local governmental entities assuming jurisdiction over the
2-38 transferred projects or systems;

2-39 (5) the local governmental entities are authorized to
2-40 assume jurisdiction over the transferred projects or systems, and
2-41 to assume the debts, obligations, and liabilities of the authority
2-42 relating to the transferred projects or systems; and

2-43 (6) the transfer has been approved by the
2-44 commissioners court of each county that is part of the authority.

2-45 (b) An authority may transfer to one or more local
2-46 governmental entities any traffic estimates, revenue estimates,
2-47 plans, specifications, surveys, appraisals, and other work product
2-48 developed by the authority in determining the feasibility of the
2-49 construction, improvement, extension, or expansion of a turnpike
2-50 project or system, and the authority's rights and obligations under
2-51 any related agreements, if the requirements of Subsections (a)(1)
2-52 and (6) are met.

2-53 (c) A local governmental entity shall, using any lawfully
2-54 available funds, reimburse any expenditures made by an authority
2-55 from its feasibility study fund or otherwise to pay the costs of
2-56 work product transferred to the local governmental entity under
2-57 Subsection (b), and any other amounts expended under related
2-58 agreements transferred to the local governmental entity. The
2-59 reimbursement may be made over time, as determined by the local
2-60 governmental entity and the authority.

2-61 SECTION 5. Section 370.003, Transportation Code, is amended
2-62 by amending Subdivision (14) and adding Subdivisions (16) through
2-63 (19) to read as follows:

2-64 (14) "Transportation project" means:

- 2-65 (A) a turnpike project;
- 2-66 (B) a system;
- 2-67 (C) a passenger or freight rail facility,

2-68 including:

- 2-69 (i) tracks;

3-1 (ii) a rail line;
3-2 (iii) switching, signaling, or other
3-3 operating equipment;
3-4 (iv) a depot;
3-5 (v) a locomotive;
3-6 (vi) rolling stock;
3-7 (vii) a maintenance facility; and
3-8 (viii) other real and personal property
3-9 associated with a rail operation;
3-10 (D) a roadway with a functional classification
3-11 greater than a local road or rural minor collector;
3-12 (E) a ferry;
3-13 (F) an airport;
3-14 (G) a pedestrian or bicycle facility;
3-15 (H) an intermodal hub;
3-16 (I) an automated conveyor belt for the movement
3-17 of freight;
3-18 (J) a border crossing inspection station;
3-19 (K) an air quality improvement initiative;
3-20 (L) a public utility facility; ~~and~~
3-21 (M) a transit system; and
3-22 (N) if applicable, projects and programs listed
3-23 in the most recently approved state implementation plan for the
3-24 area covered by the authority, including an early action compact.
3-25 (16) "Mass transit" means the transportation of
3-26 passengers and hand-carried packages or baggage of a passenger by
3-27 any means of surface, overhead, or underground transportation,
3-28 other than an aircraft or taxicab.
3-29 (17) "Service area" means the county or counties in
3-30 which an authority or transit provider has established a transit
3-31 system.
3-32 (18) "Transit provider" means an entity that provides
3-33 mass transit for the public and that was created under Chapter 451,
3-34 452, 453, 454, 457, 458, or 460.
3-35 (19) "Transit system" means:
3-36 (A) property owned or held by an authority for
3-37 mass transit purposes; and
3-38 (B) facilities necessary, convenient, or useful
3-39 for:
3-40 (i) the use of or access to mass transit by
3-41 persons or vehicles; or
3-42 (ii) the protection or environmental
3-43 enhancement of mass transit.
3-44 SECTION 6. Subsection (a), Section 370.004, Transportation
3-45 Code, is amended to read as follows:
3-46 (a) The cost of acquisition, construction, improvement,
3-47 extension, or expansion of a transportation project under this
3-48 chapter includes the cost of:
3-49 (1) the actual acquisition, construction,
3-50 improvement, extension, or expansion of the transportation
3-51 project;
3-52 (2) the acquisition of real property, rights-of-way,
3-53 property rights, easements, and other interests in real property;
3-54 (3) machinery and equipment;
3-55 (4) interest payable before, during, and for not more
3-56 than three years after acquisition, construction, improvement,
3-57 extension, or expansion as provided in the bond proceedings;
3-58 (5) traffic estimates, revenue estimates, engineering
3-59 and legal services, plans, specifications, surveys, appraisals,
3-60 construction cost estimates, and other expenses necessary or
3-61 incidental to determining the feasibility of the acquisition,
3-62 construction, improvement, extension, or expansion;
3-63 (6) necessary or incidental administrative, legal,
3-64 and other expenses;
3-65 (7) compliance with laws, regulations, and
3-66 administrative rulings, including any costs associated with
3-67 necessary environmental mitigation measures;
3-68 (8) financing; ~~and~~
3-69 (9) the assumption of debts, obligations, and

4-1 liabilities of an entity relating to a transportation project
4-2 transferred to an authority by that entity; and

4-3 (10) expenses related to the initial operation of the
4-4 transportation project.

4-5 SECTION 7. Section 370.031, Transportation Code, is amended
4-6 by adding Subsection (c) to read as follows:

4-7 (c) A municipality that borders the United Mexican States
4-8 and has a population of 500,000 or more has the same authority as a
4-9 county to create and participate in an authority. A municipality
4-10 creating or participating in an authority has the same powers and
4-11 duties as a county participating in an authority, the governing
4-12 body of the municipality has the same powers and duties as the
4-13 commissioners court of a county participating in an authority, and
4-14 an elected member of the municipality's governing body has the same
4-15 powers and duties as a commissioner of a county that is
4-16 participating in an authority.

4-17 SECTION 8. Section 370.033, Transportation Code, is amended
4-18 by amending Subsection (m) and adding Subsections (o) and (p) to
4-19 read as follows:

4-20 (m) If an authority receives money from the general revenue
4-21 fund, the Texas Mobility Fund, or the state highway fund it may use
4-22 the money only to acquire, design, finance, construct, operate, or
4-23 maintain a turnpike project under Section 370.003(14)(A) or (D), or
4-24 a transit system under Section 370.351.

4-25 (o) Except as provided in Subchapter J, an authority may not
4-26 provide mass transit services in the service area of another
4-27 transit provider that has taxing authority and has implemented it
4-28 anywhere in the service area unless the service is provided under a
4-29 written agreement with the transit provider or under Section
4-30 370.186.

4-31 (p) An authority, acting through its board, may agree with
4-32 another entity to acquire a transportation project or system from
4-33 that entity, and to assume any debts, obligations, and liabilities
4-34 of the entity relating to a transportation project or system
4-35 transferred to the authority.

4-36 SECTION 9. Subchapter B, Chapter 370, Transportation Code,
4-37 is amended by adding Section 370.039 to read as follows:

4-38 Sec. 370.039. TRANSFER OF TRANSPORTATION PROJECT OR SYSTEM.

4-39 (a) An authority may transfer any of its transportation projects
4-40 or systems to one or more governmental entities if:

4-41 (1) the authority has commitments from the governing
4-42 bodies of the governmental entities to assume jurisdiction over the
4-43 transferred projects or systems;

4-44 (2) property and contract rights in the transferred
4-45 projects or systems and bonds issued for the projects or systems are
4-46 not affected unfavorably;

4-47 (3) the transfer is not prohibited under the bond
4-48 proceedings applicable to the transferred projects or systems;

4-49 (4) adequate provision has been made for the
4-50 assumption of all debts, obligations, and liabilities of the
4-51 authority relating to the transferred projects or systems by the
4-52 governmental entities assuming jurisdiction over the transferred
4-53 projects or systems;

4-54 (5) the governmental entities are authorized to assume
4-55 jurisdiction over the transferred projects or systems, and to
4-56 assume the debts, obligations, and liabilities of the authority
4-57 relating to the transferred projects or systems; and

4-58 (6) the transfer has been approved by the
4-59 commissioners court of each county that is part of the authority.

4-60 (b) An authority may transfer to one or more governmental
4-61 entities any traffic estimates, revenue estimates, plans,
4-62 specifications, surveys, appraisals, and other work product
4-63 developed by the authority in determining the feasibility of the
4-64 construction, improvement, extension, or expansion of a
4-65 transportation project or system, and the authority's rights and
4-66 obligations under any related agreements, if the requirements of
4-67 Subsections (a)(1) and (6) are met.

4-68 (c) A governmental entity shall, using any lawfully
4-69 available funds, reimburse any expenditures made by an authority

5-1 from its feasibility study fund or otherwise to pay the costs of
5-2 work product transferred to the governmental entity under
5-3 Subsection (b), and any other amounts expended under related
5-4 agreements transferred to the governmental entity. The
5-5 reimbursement may be made over time, as determined by the
5-6 governmental entity and the authority.

5-7 SECTION 10. Section 370.186, Transportation Code, is
5-8 amended by amending Subsection (a) and adding Subsections (c) and
5-9 (d) to read as follows:

5-10 (a) Except as provided by Subsection (c), an [An] authority
5-11 may not construct, maintain, or operate a turnpike or toll project
5-12 in an area having a governmental entity established under Chapter
5-13 284 or 366 unless the governmental entity and the authority enter
5-14 into a written agreement specifying the terms and conditions under
5-15 which the project shall be undertaken. An authority may not
5-16 construct, maintain, or operate a transportation project that
5-17 another governmental entity has determined to be a project under
5-18 Chapter 451, 452, or 460 unless the governmental entity and the
5-19 authority enter into a written agreement specifying the terms and
5-20 conditions under which the project shall be undertaken.

5-21 (c) Subsection (a) does not apply to a turnpike or toll
5-22 project located in a county in which a regional tollway authority
5-23 has transferred under Section 366.036 or Section 366.172:

5-24 (1) all turnpike projects of the regional tollway
5-25 authority that are located in the county; and

5-26 (2) all work product developed by the regional tollway
5-27 authority in determining the feasibility of the construction,
5-28 improvement, extension, or expansion of a turnpike project to be
5-29 located in the county.

5-30 (d) An authority may not construct, maintain, or operate a
5-31 passenger rail facility within the boundaries of an intermunicipal
5-32 commuter rail district created under Article 6550c-1, Revised
5-33 Statutes, as those boundaries existed on September 1, 2005, unless
5-34 the district and the authority enter into a written agreement
5-35 specifying the terms and conditions under which the project will be
5-36 undertaken.

5-37 SECTION 11. Chapter 370, Transportation Code, is amended by
5-38 adding Subchapters I and J to read as follows:

5-39 SUBCHAPTER I. TRANSIT SYSTEMS

5-40 Sec. 370.351. TRANSIT SYSTEMS. (a) An authority may
5-41 construct, own, operate, and maintain a transit system.

5-42 (b) An authority shall determine each transit route,
5-43 including transit route changes.

5-44 (c) This chapter does not prohibit an authority,
5-45 municipality, or transit provider from providing any service that
5-46 complements a transit system, including providing parking garages,
5-47 special transportation for persons who are disabled or elderly, or
5-48 medical transportation services.

5-49 Sec. 370.352. PUBLIC HEARING ON FARE AND SERVICE CHANGES.

5-50 (a) In this section:

5-51 (1) "Service change" means any addition or deletion
5-52 resulting in the physical realignment of a transit route or a change
5-53 in the type or frequency of service provided in a specific,
5-54 regularly scheduled transit route.

5-55 (2) "Transit revenue vehicle mile" means one mile
5-56 traveled by a transit vehicle while the vehicle is available to
5-57 public passengers.

5-58 (3) "Transit route" means a route over which a transit
5-59 vehicle travels that is specifically labeled or numbered for the
5-60 purpose of picking up or discharging passengers at regularly
5-61 scheduled stops and intervals.

5-62 (4) "Transit route mile" means one mile along a
5-63 transit route regularly traveled by transit vehicles while
5-64 available to public passengers.

5-65 (b) Except as provided by Section 370.353, an authority
5-66 shall hold a public hearing on:

5-67 (1) a fare change;

5-68 (2) a service change involving:

5-69 (A) 25 percent or more of the number of transit

6-1 route miles of a transit route; or
 6-2 (B) 25 percent or more of the number of transit
 6-3 revenue vehicle miles of a transit route, computed daily, for the
 6-4 day of the week for which the change is made; or
 6-5 (3) the establishment of a new transit route.
 6-6 (c) An authority shall hold the public hearing required by
 6-7 Subsection (b) before the cumulative amount of service changes in a
 6-8 fiscal year equals a percentage amount described in Subsection
 6-9 (b)(2)(A) or (B).
 6-10 Sec. 370.353. PUBLIC HEARING ON FARE AND SERVICE CHANGES:
 6-11 EXCEPTIONS. (a) In this section, "experimental service change"
 6-12 means an addition of service to an existing transit route or the
 6-13 establishment of a new transit route.
 6-14 (b) A public hearing under Section 370.352 is not required
 6-15 for:
 6-16 (1) a reduced or free promotional fare that is
 6-17 instituted daily or periodically over a period of not more than 180
 6-18 days;
 6-19 (2) a headway adjustment of not more than five minutes
 6-20 during peak-hour service and not more than 15 minutes during
 6-21 nonpeak-hour service;
 6-22 (3) a standard seasonal variation unless the number,
 6-23 timing, or type of the standard seasonal variation changes; or
 6-24 (4) an emergency or experimental service change in
 6-25 effect for 180 days or less.
 6-26 (c) A hearing on an experimental service change in effect
 6-27 for more than 180 days may be held before or while the experimental
 6-28 service change is in effect and satisfies the requirement for a
 6-29 public hearing if the hearing notice required by Section 370.354
 6-30 states that the change may become permanent at the end of the
 6-31 effective period. If a hearing is not held before or while the
 6-32 experimental service change is in effect, the service that existed
 6-33 before the change must be reinstated at the end of the 180th day
 6-34 after the change became effective and a public hearing must be held
 6-35 in accordance with Section 370.352 before the experimental service
 6-36 change may be continued.
 6-37 Sec. 370.354. NOTICE OF HEARING ON FARE OR SERVICE CHANGE.
 6-38 (a) After calling a public hearing required by Section 370.352,
 6-39 the authority shall:
 6-40 (1) at least 30 days before the date of the hearing,
 6-41 publish notice of the hearing at least once in a newspaper of
 6-42 general circulation in the territory of the authority; and
 6-43 (2) post notice in each transit vehicle in service on
 6-44 any transit route affected by the proposed change for at least two
 6-45 weeks within 30 days before the date of the hearing.
 6-46 (b) The notice must contain:
 6-47 (1) a description of each proposed fare or service
 6-48 change, as appropriate;
 6-49 (2) the time and place of the hearing; and
 6-50 (3) if the hearing is required under Section
 6-51 370.352(c), a description of the latest proposed change and the
 6-52 previous changes.
 6-53 (c) The requirement for a public hearing under Section
 6-54 370.352 is satisfied at a public hearing required by federal law if:
 6-55 (1) the notice requirements of this section are met;
 6-56 and
 6-57 (2) the proposed fare or service change is addressed
 6-58 at the meeting.
 6-59 Sec. 370.355. CRIMINAL PENALTIES. (a) An authority by
 6-60 resolution may prohibit the use of the transit system by a person
 6-61 who fails to possess evidence showing that the appropriate fare for
 6-62 the use of the system has been paid and may establish reasonable and
 6-63 appropriate methods, including using peace officers under Section
 6-64 370.181(c), to ensure that persons using the transit system pay the
 6-65 appropriate fare for that use.
 6-66 (b) An authority by resolution may provide that a fare for
 6-67 or charge for the use of the transit system that is not paid incurs a
 6-68 penalty, not to exceed \$100.
 6-69 (c) The authority shall post signs designating each area in

7-1 which a person is prohibited from using the transit system without
7-2 possession of evidence showing that the appropriate fare has been
7-3 paid.

7-4 (d) A person commits an offense if:

7-5 (1) the person or another for whom the person is
7-6 criminally responsible under Section 7.02, Penal Code, uses the
7-7 transit system and does not possess evidence showing that the
7-8 appropriate fare has been paid; and

7-9 (2) the person fails to pay the appropriate fare or
7-10 other charge for the use of the transit system and any penalty on
7-11 the fare on or before the 30th day after the date the authority
7-12 notifies the person that the person is required to pay the amount of
7-13 the fare or charge and the penalty.

7-14 (e) The notice required by Subsection (d)(2) may be included
7-15 in a citation issued to the person by a peace officer under Article
7-16 14.06, Code of Criminal Procedure, in connection with an offense
7-17 relating to the nonpayment of the appropriate fare or charge for the
7-18 use of the transit system.

7-19 (f) An offense under Subsection (d) is a Class C
7-20 misdemeanor.

7-21 (g) An offense under Subsection (d) is not a crime of moral
7-22 turpitude.

7-23 [Sections 370.356-370.360 reserved for expansion]

7-24 SUBCHAPTER J. ACQUIRING TRANSIT SYSTEMS

7-25 Sec. 370.361. TRANSFER OF TRANSIT SYSTEMS. (a) In this
7-26 section, "unit of election" means a political subdivision that
7-27 previously voted to join the service area of a transit provider.

7-28 (b) An authority may request in writing a transit provider
7-29 to transfer the provider's transit system and taxing authority to
7-30 the authority if the board determines that the traffic needs of the
7-31 counties in which the authority operates could be most efficiently
7-32 and economically met by the transfer.

7-33 (c) On receipt of a written request under Subsection (b),
7-34 the governing body of the transit provider may authorize the
7-35 authority to solicit public comment and conduct at least one public
7-36 hearing on the proposed transfer in each unit of election in the
7-37 transit provider's service area. Notice of a hearing must be
7-38 published in the Texas Register, one or more newspapers of general
7-39 circulation in the transit provider's service area, and a
7-40 newspaper, if any, published in the counties of the requesting
7-41 authority. The notice shall also solicit written comments on the
7-42 proposed transfer. The transit provider may participate fully with
7-43 the authority in conducting a public hearing.

7-44 (d) A board may approve the acquisition of the transit
7-45 provider if the governing body of the transit provider approves
7-46 transfer of its operations to the authority and dissolution of the
7-47 transit provider is approved in an election ordered under
7-48 Subsection (e). Before approving the acquisition, the board shall
7-49 consider public comments received under Subsection (c).

7-50 (e) After considering public comments received under
7-51 Subsection (c), the governing body of the transit provider may
7-52 order an election to dissolve the transit provider and transfer all
7-53 services, property, funds, assets, employees, debts, and
7-54 obligations to the authority. The governing body of the transit
7-55 provider shall submit to the qualified voters in the units of
7-56 election in the transit provider's service area a proposition that
7-57 reads substantially as follows: "Shall (name of transit provider)
7-58 be dissolved and its services, property, funds, assets, employees,
7-59 debts, and obligations be transferred to (name of regional mobility
7-60 authority)?"

7-61 (f) An election under Subsection (e) shall be conducted so
7-62 that votes are separately tabulated and canvassed in each
7-63 participating unit of election in the transit provider's service
7-64 area.

7-65 (g) The governing body of the transit provider shall canvass
7-66 the returns and declare the results of the election separately with
7-67 respect to each unit of election. If a majority of the votes
7-68 received in a unit of election are in favor of the proposition, the
7-69 proposition is approved in that unit of election. The transit

8-1 provider is dissolved and its services, property, funds, assets,
 8-2 employees, debts, and obligations are transferred to the authority
 8-3 only if the proposition is approved in every unit of election. If
 8-4 the proposition is not approved in every unit of election, the
 8-5 proposition does not pass and the transit provider is not
 8-6 dissolved.

8-7 (h) A certified copy of the order or resolution recording
 8-8 the results of the election shall be filed with the department, the
 8-9 comptroller, and the governing body of each unit of election in the
 8-10 transit provider's service area.

8-11 (i) The authority shall assume all debts or other
 8-12 obligations of the transferred transit provider in connection with
 8-13 the acquisition of property under Subsection (g). The authority
 8-14 may not use revenue from sales and use tax collected under this
 8-15 subchapter or other revenue of the transit system in a manner
 8-16 inconsistent with any pledge of that revenue for the payment of any
 8-17 outstanding bonds, unless provisions have been made for a full
 8-18 discharge of the bonds.

8-19 Sec. 370.362. SALES AND USE TAX. (a) If an authority
 8-20 acquires a transit provider with taxing authority, the authority
 8-21 may impose a sales and use tax at a permissible rate that does not
 8-22 exceed the rate approved by the voters who reside in the service
 8-23 area of the transit provider's transit system at an election under
 8-24 this subchapter.

8-25 (b) The authority by resolution may:

8-26 (1) decrease the rate of the sales and use tax to a
 8-27 permissible rate; or

8-28 (2) call an election for the increase or decrease of
 8-29 the sales and use tax to a permissible rate.

8-30 (c) If an authority orders an election, the authority shall
 8-31 publish notice of the election in a newspaper of general
 8-32 circulation in the territory of the authority at least once each
 8-33 week for three consecutive weeks, with the first publication
 8-34 occurring at least 21 days before the date of the election.

8-35 (d) A resolution ordering an election and the election
 8-36 notice required by Subsection (c) must show, in addition to the
 8-37 requirements of the Election Code, the hours of the election and
 8-38 polling places in election precincts.

8-39 (e) A copy of the election notice required by Subsection (c)
 8-40 shall be furnished to the commission and the comptroller.

8-41 (f) The permissible rates for a sales and use tax imposed
 8-42 under this subchapter are:

8-43 (1) one-quarter of one percent;

8-44 (2) one-half of one percent;

8-45 (3) three-quarters of one percent; or

8-46 (4) one percent.

8-47 (g) Chapter 322, Tax Code, applies to a sales and use tax
 8-48 imposed under this subchapter.

8-49 Sec. 370.363. MAXIMUM TAX RATE. (a) An authority may not
 8-50 adopt a sales and use tax rate, including a rate increase, that when
 8-51 combined with the rates of all sales and use taxes imposed by all
 8-52 political subdivisions of this state having territory in the
 8-53 service area of the transferred transit system exceeds two percent
 8-54 in any location in the service area.

8-55 (b) An election to approve a sales and use tax or increase
 8-56 the rate of an authority's sales and use tax has no effect if:

8-57 (1) the voters in the service area approve the
 8-58 authority's sales and use tax rate or rate increase at an election
 8-59 held on the same day on which a municipality or county having
 8-60 territory in the jurisdiction of the service area adopts a sales and
 8-61 use tax or an additional sales and use tax; and

8-62 (2) the combined rates of all sales and use taxes
 8-63 imposed by the authority and all political subdivisions of this
 8-64 state would exceed two percent in any part of the territory in the
 8-65 service area.

8-66 Sec. 370.364. ELECTION TO CHANGE TAX RATE. (a) At an
 8-67 election ordered under Section 370.362(b)(2), the ballots shall be
 8-68 printed to permit voting for or against the proposition: "The
 8-69 increase (decrease) of the local sales and use tax rate for mass

9-1 transit to (percentage)."

9-2 (b) The increase or decrease in the tax rate becomes
9-3 effective only if it is approved by a majority of the votes cast.

9-4 (c) A notice of the election and a certified copy of the
9-5 order canvassing the election results shall be:

9-6 (1) sent to the commission and the comptroller; and

9-7 (2) filed in the deed records of the county.

9-8 Sec. 370.365. SALES TAX: EFFECTIVE DATES. (a) A sales and
9-9 use tax implemented under this subchapter takes effect on the first
9-10 day of the second calendar quarter that begins after the date the
9-11 comptroller receives a copy of the order required to be sent under
9-12 Section 370.364(c).

9-13 (b) An increase or decrease in the rate of a sales and use
9-14 tax implemented under this subchapter takes effect on:

9-15 (1) the first day of the first calendar quarter that
9-16 begins after the date the comptroller receives the notice provided
9-17 under Section 370.364(c); or

9-18 (2) the first day of the second calendar quarter that
9-19 begins after the date the comptroller receives the notice, if
9-20 within 10 days after the date of receipt of the notice the
9-21 comptroller gives written notice to the board that the comptroller
9-22 requires more time to implement tax collection and reporting
9-23 procedures.

9-24 SECTION 12. Section 451.554, Transportation Code, is
9-25 amended to read as follows:

9-26 Sec. 451.554. BOARD APPROVAL OF ANNEXATION: EFFECTIVE
9-27 DATE. (a) The addition of territory annexed under Section
9-28 451.551, or approved under Section 451.552 or 451.553, does not
9-29 take effect if, before the effective date of the addition under
9-30 Subsection (b), the board of the authority gives written notice to
9-31 the governing body of the municipality that added new territory to
9-32 the authority by virtue of annexation, or to the governing body of
9-33 the municipality or the commissioners court of the county that held
9-34 the election, that the addition would create a financial hardship
9-35 on the authority because:

9-36 (1) the territory to be added is not contiguous to the
9-37 territory of the existing authority; or

9-38 (2) the addition of the territory would impair the
9-39 imposition of the sales and use tax authorized by this chapter.

9-40 (b) In the absence of a notice under Subsection (a), the
9-41 addition of territory takes effect on the 31st day after the date of
9-42 the:

9-43 (1) municipal ordinance, if annexed by a municipality
9-44 under Section 451.551; or

9-45 (2) election, if approved under Section 451.552 or
9-46 451.553 [~~takes effect on the 31st day after the date of the~~
9-47 ~~election].~~

9-48 SECTION 13. Subsection (b), Section 370.161,
9-49 Transportation Code, is repealed.

9-50 SECTION 14. The changes in law made by this Act to Chapter
9-51 370, Transportation Code, apply to a regional mobility authority
9-52 created or participated in by a municipality described by
9-53 Subsection (c), Section 370.031, Transportation Code, as added by
9-54 this Act, or Subsection (b), Section 370.161, Transportation Code,
9-55 as it existed before the effective date of this Act, in the same
9-56 manner as they apply to any other entity that creates or
9-57 participates in a regional mobility authority.

9-58 SECTION 15. This Act takes effect immediately if it
9-59 receives a vote of two-thirds of all the members elected to each
9-60 house, as provided by Section 39, Article III, Texas Constitution.
9-61 If this Act does not receive the vote necessary for immediate
9-62 effect, this Act takes effect September 1, 2005.

9-63 * * * * *