LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 27, 2005

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **SB1879** by Wentworth (Relating to the creation of special districts for improvements in certain counties, including authority to acquire, construct, and improve water, wastewater, and drainage improvements; providing authority to impose a tax and issue bonds.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would create a new subchapter in Chapter 372, Local Government Code, to authorize a county that has or reaches a population of 1 million or more and that receives an authorized petition to create an improvement district in the extraterritorial jurisdiction of a municipality in that county. Provisions of the bill would establish the procedures for the establishment, operation, and funding of the district and its board as well as establish the district's powers and duties.

A district created under the provisions of the bill would be authorized to enter into an agreement to make a grant or loan of public money to promote state or local economic development and to stimulate business and commercial activity in the district. If approved by the voters in an election for the purpose of approval, a grant or loan may be payable over a term of years and may include the irrevocable obligation to impose an ad valorem tax, sales and use tax, or hotel occupancy tax over a term of years not to exceed 30 years, and if also approved by the voters, the district could pay the taxes to the recipient of the grant or loan in accordance with the agreement.

The district would be authorized to enter contracts for accomplishing purposes within the district and for procurement of materials, supplies, and construction. The district could impose user fees for use of the district's property, services, or facilities. The district could issue bonds and negotiable promissory notes. The district could impose assessments, levy an ad valorem tax upon approval from the commissioners court, impose a sales and use tax in increments of 1/8 of 1 percent up to 2 percent, or impose a hotel occupancy tax to fund district needs.

If a municipality were to annex the area in which the district exists, the municipality would succeed to the district's assets, but would not be liable for the district's debt or other obligation. Under annexation, the district would be dissolved after the debt or other obligations are discharged, or two years after annexation. Upon annexation, the district could no longer impose an ad valorem tax, except as provided by Section 372.132(b), Local Government Code.

Local Government Impact

Based on the 2000 federal decennial census, the bill would currently apply only to the counties of Bexar, Dallas, Harris, and Tarrant. Because of the various financing methods available to a district by provisions of the bill, no significant fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: JOB, WP, DLBa