

BILL ANALYSIS

C.S.H.B. 3248
By: Riddle
County Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The city of the Woodlands is expanding into Harris County. In doing so, the Woodlands, which is a "planned community" under section 775.025(o) of the Health and Safety Code, will be importing their own existing fire and emergency medical services, as well as the resulting fees for those services, into an area that overlaps with ESD 7 in Harris County. This means that the citizens of the overlapping districts may be subject to paying taxes for both districts at the same time while unnecessarily duplicating services.

C.S.H.B. 3248 will allow, but not require, the two districts to negotiate their boundaries with each other, and provide financial compensation for the exclusive rights to provide services within the new district boundaries.

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

C.S.H.B. 3248 amends Chapter 775, Health and Safety Code, by adding Subchapter H (Change In Boundaries of District With Planned Community).

The bill defines "planned community" as a planned community of 25,000 or more acres of land originally established under the Urban Growth and New Community Development Act of 1970 that is located wholly or partly in a county with a population of 2.8 million or more, and is subject to restrictive covenants containing ad valorem or annual variable budget-based assessments on real property for use in part to finance services of the same general type provided by the district.

The bill also specifies that after a hearing, a district located wholly in a county with a population of 2.8 million or more is allowed to exclude territory by making changes in the district's boundaries in accordance with an agreement among the district and the owners of two-thirds or more in acreage and two-thirds more in taxable value, according to the most recent certified county property tax rolls, of a defined area of territory of a planned community. The bill states that this agreement must be in writing, and must describe the affected territory by metes and bounds, including the changes in the boundaries to be made, the amount of any compensation to be paid to the district as described by Section 775.205 of the Health and Safety code (which is created by this bill), the effective date for the changes in boundaries, and any other applicable terms.

The bill states that the board of emergency services commissioners secretary is required to give notice of the hearing, and that notice must contain the time and place for the hearing and a description of the territory proposed to be excluded. Under this act, the board secretary is required to post copies of the notice for at least 15 days before the date of the hearing in three public places in the district, one of which must be in the territory proposed to be excluded. The board secretary is also required to publish the notice once in a newspaper of general circulation in each county in which the excluded territory is located, and the notice is to be published not later than the 16th day before the date on which the hearing is held.

C.S.H.B. 3248 80(R)

After the hearing has been held, if the board finds that the exclusion of the territory would be feasible and would benefit the district, the board is required to adopt the agreement and approve the exclusion by a resolution entered in its minutes.

The bill says that after the adoption and approval of the exclusion, the district's tax on the property in the excluded territory will continue until all agreed compensation has been paid in full. The district is required to apply the compensation received under Section 775.205 of the Health and Safety Code, which is created by the bill, toward the payment of obligations that are described by Section 775.205(c) of the Health and Safety Code.

Section 775.205(c) of the Health and Safety Code as created by this bill says that the agreement adopted by the board must provide for the excluded territory to compensate the district in an amount equal to the excluded territory's pro rata share of the outstanding and unpaid bonds, warrants, or other direct and indirect obligations, including loans and lease-purchase agreements and written funding assistance agreements of the district and any not-for-profit fire departments and ambulance agencies or associations, for the financing and payment for firefighting, emergency medical service and emergency rescue equipment, fire and ambulance stations, or similar long-term capital assets to serve the district. The excluded territory's pro rata share is defined by the bill as the unpaid principal balances of the outstanding loans and other obligations that are enumerated above in this paragraph multiplied by a fraction, the numerator of which is the taxable value of the property in the excluded territory and the denominator of which is the taxable value of the entire district, including the excluded territory.

The bill says that the taxable value that is calculated under Section 775.205(d), Health and Safety Code, for property in the excluded territory, including as part of the entire district, does not include any special appraisal or exemptions for the property. The bill also specifies that the agreement to compensate the district does not include expenses for district operations and maintenance and expenses for district services if those expenses were incurred by the district after the boundaries change, and that the agreement to compensate the district is required regardless of whether the loans and other obligations are subject to non-appropriation by the district or termination by either party before payment in full of the unpaid principal balance. Under the provisions of this bill, a change in boundaries under this subchapter does not diminish or impair the rights of the holders of any outstanding and unpaid bonds, warrants, or other district obligations.

The bill also amends the Local Government Code to exempt emergency services districts from participating in the bidding process for obtaining land. The bill finally says that the changes in law made by this act applies only to changes in boundaries agreed to on or after the effective date of this Act.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute deletes all of Section 1 of the introduced version. The substitute changes the definition of planned community from 15,000 or more acres of land to 25,000 or more acres of land. It says that the planned community must be located wholly or partly in a county with a population of 2.8 million or more, whereas the original do not say "wholly or partly". The substitute introduces language into Subsection H that conforms to the new definition of a planned community, removes language regarding loans based on the unpaid principal balances owed for the capital assets and the appraised value of the excluded territory and the actual taxable values of the district as a whole at the time the changes in boundaries are made, regardless of whether the funding assistance agreements are subject to termination by either party before payment in full of the unpaid principal balances, and inserts a definition of pro rata share as well as technical considerations for agreements to compensate the district.