

By: Watson

S.B. No. 1688

A BILL TO BE ENTITLED

AN ACT

relating to the creation, powers, and duties of a transportation infrastructure services district created by a municipality; imposing taxes and authorizing bonds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle I, Title 6, Transportation Code, is amended by adding Chapter 432 to read as follows:

CHAPTER 432. TRANSPORTATION INFRASTRUCTURE SERVICES DISTRICT

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 432.001. DEFINITIONS. In this chapter:

(1) "Board" means a district's board of directors.

(2) "Bond" has the meaning assigned to "public security" by Section 1201.002(2), Government Code.

(3) "District" means a transportation infrastructure services district.

(4) "District voters" means qualified voters within the district. Property owners qualify as district voters as determined from the most recent certified county property tax rolls.

(5) "Principal municipality" means the most populous municipality in a county.

Sec. 432.002. NATURE OF DISTRICT. A district is a special district and a political subdivision of this state created under Section 59, Article XVI, Texas Constitution.

1       Sec. 432.003. PURPOSE; DECLARATION OF INTENT. (a) The  
2 creation of a district is essential to accomplish the purposes of  
3 Sections 52 and 52-a, Article III, and Section 59, Article XVI,  
4 Texas Constitution, and other public purposes stated in this  
5 chapter.

6       (b) The creation of a district is necessary to ensure that  
7 necessary infrastructure services are provided to areas abutting  
8 controlled access highways to promote, develop, encourage, and  
9 maintain employment, commerce, economic development, and the  
10 public welfare in the district territory.

11       Sec. 432.004. FINDINGS OF BENEFIT AND PUBLIC PURPOSE.

12       (a) A district is created to serve a public use and benefit.

13       (b) All land and other property included in a district will  
14 benefit from the improvements and services to be provided by a  
15 district under powers conferred by Sections 52 and 52-a, Article  
16 III, and Section 59, Article XVI, Texas Constitution, and other  
17 powers granted under this chapter.

18       (c) The creation of a district is in the public interest and  
19 is essential to:

20               (1) further the public purposes of:

21                       (A) developing and diversifying the economy of  
22 the state; and

23                       (B) providing a safe, reliable, and adequate  
24 transportation system;

25               (2) eliminate unemployment and underemployment; and

26               (3) develop or expand transportation and commerce.

27       (d) The present and prospective traffic congestion in areas

1 abutting a controlled access highway, the need to plan for, manage,  
2 and control traffic and provide for the safety of pedestrians in  
3 those areas, and the limited availability of money require the  
4 promotion and development of transportation infrastructure by new  
5 and alternative means. A district will serve the public purpose of  
6 securing adequate infrastructure that is safe and will benefit not  
7 only the land and other property in a district but also the  
8 employees, employers, and consumers of a district and the public.

9 (e) A district will not act as the agent or instrumentality  
10 of any private interest even though a district will benefit many  
11 private interests as well as the public.

12 Sec. 432.005. LIBERAL CONSTRUCTION OF CHAPTER. This  
13 chapter shall be liberally construed in conformity with the  
14 findings and purposes stated in this chapter.

15 [Sections 432.006-432.050 reserved for expansion]

16 SUBCHAPTER B. CREATION OF DISTRICT

17 Sec. 432.051. AREAS ELIGIBLE FOR CREATION OF DISTRICT.

18 (a) A district may be created only in an area located:

19 (1) entirely in a county with a population of less than  
20 1.3 million in which the principal municipality has a population of  
21 600,000 or more;

22 (2) within the area between a line that is two miles to  
23 the east of the center line of a toll project that passes through  
24 the extraterritorial jurisdiction or corporate limits of the  
25 principal municipality and, to the west, the principal  
26 municipality's eastern full-purpose boundaries in a distance not to  
27 exceed five miles; and

1           (3) inside the extraterritorial jurisdiction of the  
2 principal municipality.

3           (b) The area is not required to be immediately adjacent to a  
4 controlled access highway.

5           (c) The district may include homestead territory not  
6 excluded under this subsection. The district may not include any  
7 area consisting of a primary dwelling and two or fewer acres  
8 surrounding the dwelling designated by the property owner as a  
9 homestead, if the primary dwelling was constructed before September  
10 1, 1987.

11           Sec. 432.052. HEARINGS. (a) Not earlier than the 60th day  
12 or later than the 30th day before the date the governing body of the  
13 principal municipality creates the district under Section 432.053,  
14 the governing body must hold two hearings to consider the creation  
15 of the proposed district.

16           (b) Not later than the seventh day before the date of each  
17 hearing, the principal municipality must publish notice of the  
18 hearing in a newspaper of general circulation in the area of the  
19 proposed district.

20           (c) The notice must state:

21                   (1) the date, time, and place for the hearing;

22                   (2) the boundaries of the proposed district, including  
23 a map of the proposed district;

24                   (3) the powers of the proposed district, including the  
25 power to impose assessments and ad valorem taxes; and

26                   (4) the fact that a sales and use tax will be imposed.

27           Sec. 432.053. CREATION BY ORDINANCE. (a) The governing

1 body of the principal municipality by ordinance may create a  
2 district.

3 (b) The ordinance must:

4 (1) describe the district's boundaries; and

5 (2) name the district the "(insert name)  
6 Transportation Infrastructure Services District."

7 Sec. 432.054. MISTAKE IN BOUNDARY DESCRIPTION. A mistake  
8 in the field notes in the municipal ordinance creating a district or  
9 in copying the field notes of district boundaries does not in any  
10 way affect a district's:

11 (1) organization, existence, or validity;

12 (2) right to issue any type of bond for a purpose for  
13 which the district is created or to pay the principal of and  
14 interest on the bond;

15 (3) right to impose or collect a tax; or

16 (4) legality or operation.

17 Sec. 432.055. DISTRICT VOTERS ELIGIBLE TO VOTE IN MUNICIPAL  
18 ELECTIONS. Upon creation of a district as authorized by this  
19 subchapter, the qualified district voters who are residents of the  
20 district are entitled to vote in municipal elections regarding the  
21 election or recall of members of the governing body of the principal  
22 municipality, the election or recall of the controller, if the  
23 office of controller is an elective position of the principal  
24 municipality, and the amendment of the municipal charter of the  
25 principal municipality.

26 [Sections 432.056-432.100 reserved for expansion]

1           SUBCHAPTER C. ANNEXATION AND RELATED ISSUES

2           Sec. 432.101. ANNEXATION OF DISTRICT TERRITORY BY PRINCIPAL  
3 MUNICIPALITY. (a) The principal municipality may annex all or  
4 part of the territory located in the district for full purposes  
5 under Chapter 43, Local Government Code.

6           (b) Except as provided by Sections 432.253(d) and 432.402,  
7 full-purpose annexation of an area in the district does not affect  
8 the operation of the district in the area that is not annexed.

9           (c) Section 43.002, Local Government Code, applies to the  
10 territory annexed under this section by the principal municipality.

11          Sec. 432.102. ADVISORY COMMITTEE. (a) The principal  
12 municipality may not impose a change in its planning or zoning  
13 ordinances that applies to any area in a district unless the  
14 governing body of the principal municipality appoints an advisory  
15 committee composed of representatives of a broad cross-section of  
16 the commercial interests and residents of the district as  
17 determined by the governing body. At least 75 percent of the  
18 persons on the advisory committee must be property owners in the  
19 district and the advisory committee must include the persons  
20 appointed per Section 432.151(c)(3)-(5).

21          (b) The advisory committee shall review all proposed  
22 changes by the principal municipality to its planning and zoning  
23 ordinances that would apply to the area in a district.

24          (c) If the advisory committee does not recommend that the  
25 principal municipality adopt the proposed changes, the principal  
26 municipality must hold a hearing for which notice is given and that  
27 is conducted in the manner provided by Section 432.052 before it may

impose the changes.

Sec. 432.103. NO EXTENSION OF EXTRATERRITORIAL JURISDICTION. A district's territory does not extend the extraterritorial jurisdiction of the principal municipality.

[Sections 432.104-432.150 reserved for expansion]

SUBCHAPTER D. BOARD OF DIRECTORS

Sec. 432.151. GOVERNING BODY. (a) The district is governed by a board of directors.

(b) The board is responsible for the management, operation, and control of the district, including district property.

(c) A district's board consists of:

(1) the mayor of the principal municipality who serves as a presiding non-voting member of the board except when necessary to cast a vote in the event of a tie;

(2) the city council of the principal municipality;

(3) two persons appointed by the principal municipality's governing body from a list of at least six names submitted by a nonprofit organization that promotes economic development and real estate related issues in the county in which the district is located;

(4) two persons appointed by the principal municipality's governing body from a list of at least six names submitted by a nonprofit organization that represents home builders; and

(5) two persons who are residents of the district appointed by the principal municipality's governing body after reviewing letters of interest submitted by district residents.

1       (d) The governing body may reject a list submitted under  
2 Subsection (c)(2) or (3) and request a new list.

3       Sec. 432.152. TERMS. (a) A director, other than a member  
4 of the principal municipality's governing body, serves for a term  
5 of two years.

6       (b) The initial directors are divided into two groups. A  
7 director in the first group serves a one-year term. A director in  
8 the second group serves a two-year term. The two directors who are  
9 residents of the district must be placed in different groups. The  
10 grouping of initial directors and terms for the directors in each  
11 group are determined by the board.

12       (c) A person may be appointed to successive terms.

13       (d) A director who is a member of the principal  
14 municipality's governing body serves as a director for the term to  
15 which the person was elected to the governing body.

16       Sec. 432.153. QUALIFICATIONS. To be qualified as a  
17 director, a person must be at least 18 years old.

18       Sec. 432.154. FILING OF CONSTITUTIONAL OATH OF OFFICE. The  
19 constitutional oath of office must be in writing and be filed with  
20 the district and retained in its records.

21       Sec. 432.155. REMOVAL. (a) The principal municipality's  
22 governing body after notice and hearing may remove a director,  
23 other than another member of the governing body, for misconduct or  
24 failure to carry out the director's duties on petition by a majority  
25 of the remaining directors.

26       (b) A member of the principal municipality's governing body  
27 is removed and replaced as a director only if the person ceases to



1 be a member of the governing body or the member's office is vacant  
2 as provided by other law.

3 Sec. 432.156. VACANCY. A vacancy in the office of a  
4 director, other than a member of the principal municipality's  
5 governing body, shall be filled for the remainder of the unexpired  
6 term in the manner provided for the original appointment.

7 Sec. 432.157. OFFICERS. (a) The presiding officer of the  
8 governing body of the principal municipality serves as the  
9 presiding officer of the board. The assistant presiding officer of  
10 the governing body of the principal municipality presides in the  
11 absence of the presiding officer or when there is a vacancy in that  
12 office.

13 (b) The board may elect any other officers the board  
14 considers appropriate.

15 Sec. 432.158. CONFLICT OF INTEREST. A director who has a  
16 beneficial interest in a business entity that will receive a direct  
17 pecuniary benefit from an action of the board may participate in  
18 discussion and vote on that action if a majority of the board has a  
19 similar interest in the same action or if all other similar business  
20 entities in the district will receive a similar pecuniary benefit.

21 Sec. 432.159. COMPENSATION; EXPENSES. (a) A director who  
22 is a member of the principal municipality's governing body serves  
23 without compensation or reimbursement for expenses.

24 (b) A director who is not a member of the principal  
25 municipality's governing body may not receive compensation but is  
26 entitled to be reimbursed for necessary and reasonable expenses  
27 incurred in carrying out the duties and responsibilities of a

1 director.

2 Sec. 432.160. OTHER PUBLIC ENTITIES; EXPENSES. An employee  
3 of another public entity may serve as a district officer if the  
4 person does not receive additional compensation. The person may be  
5 reimbursed for reasonable and necessary expenses incurred in the  
6 performance of district duties.

7 Sec. 432.161. DOCTRINE OF INCOMPATIBILITY INAPPLICABLE;  
8 SERVICE IN ANOTHER PUBLIC OFFICE. (a) The common law doctrine of  
9 incompatibility does not apply to a director.

10 (b) A person serving as a director may serve in another  
11 public office.

12 [Sections 432.162-432.200 reserved for expansion]

13 SUBCHAPTER E. POWERS AND DUTIES

14 Sec. 432.201. GENERAL POWERS AND DUTIES. (a) A district  
15 has the powers and duties that permit it to accomplish any district  
16 purpose or any other purpose authorized for the district by the  
17 constitution, this code, or any other law.

18 (b) A district may do anything necessary, convenient, or  
19 desirable to carry out the powers expressly granted or implied by  
20 this chapter.

21 Sec. 432.202. ROAD FACILITIES. If there is a net benefit to  
22 the district, the district may:

23 (1) acquire a road facility, acquire property for a  
24 road facility, and construct or improve a road facility, inside or  
25 outside the district, as necessary to ensure an adequate  
26 transportation infrastructure; and

27 (2) provide financing for a road facility or for the

1 construction, acquisition, or improvement of a road facility from  
2 money available to the district under this chapter.

3 Sec. 432.203. REIMBURSEMENT OF PRIVATE ENTITY FOR ROADS OR  
4 IMPROVEMENTS; ACQUISITION BY DISTRICT. A district may reimburse a  
5 private entity for money spent to construct a road or any other  
6 improvement the district may make under this chapter that has been  
7 or will be dedicated or otherwise transferred to public use, or  
8 purchase a road or any other improvement the district may make under  
9 this chapter that has been or will be constructed by a private  
10 entity, regardless of whether the construction occurs before or  
11 after the creation of the district.

12 Sec. 432.204. WATER SUPPLY. A district may supply water for  
13 municipal uses, domestic uses, power, and commercial purposes and  
14 all other beneficial uses or controls.

15 Sec. 432.205. STORM DRAINAGE. A district may gather,  
16 conduct, divert, and control local storm water or other local  
17 harmful excesses of water in a district.

18 Sec. 432.206. IRRIGATION. A district may irrigate the land  
19 in a district.

20 Sec. 432.207. WASTE MANAGEMENT. A district may collect,  
21 transport, process, dispose of, and control all domestic,  
22 industrial, or communal wastes, whether in fluid, solid, or  
23 composite state.

24 Sec. 432.208. ALTERATION OF LAND ELEVATION. A district may  
25 alter land elevation in a district where it is needed.

26 Sec. 432.209. OTHER DRAINAGE AND FLOOD CONTROL POWERS.  
27 (a) A district may adopt:

1           (1) a master drainage plan, including rules relating  
2 to the plan and design criteria for drainage channels, facilities,  
3 and flood control improvements;

4           (2) rules for construction activity to be conducted in  
5 the district that:

6                   (A) reasonably relate to providing adequate  
7 drainage or flood control; and

8                   (B) use generally accepted engineering criteria;  
9 and

10           (3) reasonable procedures to enforce rules adopted by  
11 the district under this subsection.

12           (b) If a district adopts a master drainage plan, the  
13 district may:

14                   (1) adopt rules relating to review and approval of  
15 proposed drainage plans submitted by property developers; and

16                   (2) by rule, require that a property developer who  
17 proposes to subdivide land located in the district, and who is  
18 otherwise required to obtain approval of the plat of the proposed  
19 subdivision from a municipality or county, submit for district  
20 approval a drainage report for the subdivision.

21           (c) The drainage report must include a map containing a  
22 description of the land to be subdivided. The map must show an  
23 accurate representation of:

24                   (1) any existing drainage features, including  
25 drainage channels, streams, flood control improvements, and other  
26 facilities;

27                   (2) any additional drainage facilities or connections

1 to existing drainage facilities proposed by the property  
2 developer's plan for the subdivision; and

3 (3) any other parts of the property developer's plan  
4 for the subdivision that may affect drainage.

5 (d) The district shall review each drainage report  
6 submitted to the district under this section and shall approve a  
7 report if it shows compliance with:

8 (1) this section;

9 (2) the district's master drainage plan adopted under  
10 this section; and

11 (3) the rules adopted by the district under this  
12 section.

13 (e) On or before the 30th day after the date a drainage  
14 report is received, the district shall send notice of the  
15 district's approval or disapproval of the drainage report to:

16 (1) the property developer; and

17 (2) each municipal or county authority with  
18 responsibility for approving the plat of the proposed subdivision.

19 (f) If the district disapproves a drainage report, the  
20 district shall include in the notice of disapproval a written  
21 statement:

22 (1) explaining the reasons for the rejection; and

23 (2) recommending changes, if possible, that would make  
24 a revised version of the drainage report acceptable for approval.

25 Sec. 432.210. SUITS. A district may sue and be sued in all  
26 courts, may institute and prosecute suits without giving security  
27 for costs, and may appeal from a judgment without giving a

1 supersedeas or cost bond.

2 Sec. 432.211. DISTRICT PROPERTY; IMPROVEMENTS. (a) A  
3 district may acquire by grant, purchase, gift, devise, lease, or  
4 otherwise and may hold, use, sell, lease, or dispose of real and  
5 personal property, licenses, patents, rights, and interests  
6 necessary, convenient, or useful for the full exercise of its  
7 powers.

8 (b) A district may purchase, construct, acquire, own,  
9 operate, maintain, repair, improve, or extend inside and outside  
10 its boundaries any and all works, improvements, facilities, plants,  
11 equipment, and appliances necessary to accomplish any district  
12 purpose authorized by the constitution, this code, or other law,  
13 including all works, improvements, facilities, plants, equipment,  
14 and appliances incident, helpful, or necessary to accomplish the  
15 purposes of this chapter.

16 (c) A district may acquire property under a conditional sale  
17 contract, lease, equipment trust certificate, or any other form of  
18 contract or trust agreement.

19 (d) A district may sell, lease, convey, or otherwise dispose  
20 of any of its rights, interests, or property that are not needed for  
21 or, in the case of leases, that are not consistent with, the  
22 efficient operation and maintenance of the district's  
23 improvements.

24 Sec. 432.212. SURPLUS PROPERTY. A district may sell,  
25 lease, or otherwise dispose of any surplus property not needed for  
26 its requirements or for the purpose of carrying out its powers under  
27 this chapter.

1       Sec. 432.213. SERVICES. A district may provide services  
2 inside and outside its boundaries.

3       Sec. 432.214. JOINT AGREEMENTS. (a) A district may enter  
4 into an agreement with any person, public or private, for the joint  
5 use of a facility, installation, or other property.

6       (b) A district may act jointly with any other person, public  
7 or private, whether within this state or the United States, to  
8 perform any power or duty under this chapter.

9       Sec. 432.215. OTHER CONTRACTS; GRANTS. A district may  
10 enter a contract, lease, or other agreement with and accept a grant  
11 or loan from the United States, this state, a county, a  
12 municipality, or any other political subdivision, a public or  
13 private corporation, or any other person and may perform all acts  
14 necessary for the full exercise of the powers vested in it on any  
15 terms the board determines advisable.

16       Sec. 432.216. INSURANCE PREMIUMS. A district may procure  
17 and pay premiums to insurers for insurance of any type in amounts  
18 considered necessary or advisable by the board.

19       Sec. 432.217. SERVICE TO AREAS OUTSIDE THE DISTRICT;  
20 DUPLICATION; WATER POWERS. (a) If there is a net benefit to the  
21 district, the district may purchase, construct, acquire, own,  
22 operate, repair, improve, or extend any work, improvement,  
23 facility, plant, equipment, or appliance necessary to provide any  
24 service or facility authorized to be provided by the district to an  
25 area contiguous to or in the vicinity of the district if the  
26 district does not duplicate a service or facility of another public  
27 entity.

1        (b) A district providing potable water and sewer utility  
2 services to household users may not provide a service or facility to  
3 serve an area outside the district that is also in the corporate  
4 limits of a municipality unless the municipality consents by  
5 resolution or ordinance for the district to serve the area in the  
6 municipality.

7        Sec. 432.218. CERTIFICATE OF CONVENIENCE FOR WATER OR SEWER  
8 SERVICES NOT REQUIRED. (a) A district is not required to hold a  
9 certificate of convenience and necessity as a precondition to  
10 provide retail water or sewer service to any customer or service  
11 area. This section applies whether the customer or service area is  
12 located inside or outside the district, or has previously received  
13 water or sewer service from an entity required by law to hold a  
14 certificate of convenience and necessity as a precondition for the  
15 service.

16        (b) This section does not authorize a district to provide a  
17 service in an area for which a retail public utility holds a  
18 certificate of convenience and necessity or in another district  
19 without that district's consent, unless the transportation  
20 infrastructure services district has a certificate of convenience  
21 and necessity to provide services to that area.

22        (c) This section does not void a certificate of convenience  
23 and necessity existing, or impair the rights of a person holding a  
24 certificate of convenience and necessity, on the date the district  
25 is created.

26        Sec. 432.219. CONTRACT FOR OR LEASE OF PROJECT. A district  
27 may contract, including by a lease, for the use or operation of a



1 project or part of a project.

2 Sec. 432.220. ECONOMIC DEVELOPMENT POWERS. A district may  
3 exercise the powers of a municipality under Chapter 380, Local  
4 Government Code.

5 Sec. 432.221. HEARINGS. The district may conduct hearings  
6 and take testimony and proof, under oath or affirmation, at  
7 hearings, on any matter necessary to implement a district purpose.

8 Sec. 432.222. EMPLOYEES. (a) A district may employ and  
9 compensate persons for district purposes.

10 (b) An employee of another public entity may serve as a  
11 district employee if the employee does not receive any additional  
12 compensation for service as a district employee. The employee may  
13 be reimbursed for any reasonable or necessary expense incurred in  
14 the performance of a district duty.

15 Sec. 432.223. NO EMINENT DOMAIN POWER. A district may not  
16 exercise the power of eminent domain.

17 [Sections 432.224-432.250 reserved for expansion]

18 SUBCHAPTER F. GENERAL FINANCIAL PROVISIONS

19 Sec. 432.251. GENERAL FINANCIAL POWERS. A district may  
20 incur liabilities, borrow money on terms the board determines, or  
21 issue bonds.

22 Sec. 432.252. USE OF DISTRICT REVENUE; PRINCIPAL  
23 MUNICIPALITY. District revenue is separate from the principal  
24 municipality's revenue. A district may use revenue only for the  
25 benefit of the district as provided by this chapter.

26 Sec. 432.253. SALES AND USE TAX. (a) On creation of the  
27 district, there is imposed in the district a sales and use tax.

1        (b) The tax is imposed on the receipts from the sale at  
2 retail of taxable items in the district at the rate equal to the  
3 sales and use tax imposed by the principal municipality. Except as  
4 provided by Subsection (d), the tax rate changes to remain equal to  
5 the principal municipality's rate.

6        (c) Except as provided by this section, Chapter 321, Tax  
7 Code, governs the imposition, computation, administration,  
8 governance, and abolition of a tax imposed under this section.

9        (d) If any territory in the district is annexed by the  
10 principal municipality, both the municipality's and the district's  
11 sales and use tax applies in the annexed area. If the district's  
12 sales and use tax rate combined with any other sales and use tax  
13 applicable in the district exceeds two percent, the district's  
14 sales and use tax is abolished.

15        Sec. 432.254. AUTHORITY TO IMPOSE AD VALOREM TAX; RATE.

16        (a) The district may impose an ad valorem tax at a rate not to  
17 exceed the ad valorem tax imposed by the principal municipality.

18        (b) Before setting or changing a tax rate, the district  
19 shall publish notice and hold a hearing on the tax rate in the same  
20 manner as provided by Section 432.052.

21        (c) After setting the tax rate, the district is governed by  
22 the Tax Code in the same manner as a home-rule municipality that  
23 imposes an ad valorem tax.

24        (d) The initial tax rate does not take effect until the tax  
25 year beginning on a date after the approval of either a bond program  
26 or a capital improvement program at an election held under Section  
27 432.260.

1       (e) An ad valorem tax imposed under this chapter is subject  
2 to any existing exemption claimed by a property owner under Section  
3 1-d or 1-d-1, Article VIII, Texas Constitution.

4       Sec. 432.255. GENERAL OBLIGATION AND REVENUE BONDS.

5       (a) For the payment of all or part of the costs of an improvement  
6 project or service, the board may issue bonds payable from and  
7 secured by ad valorem taxes, sales and use taxes, revenue, grants,  
8 gifts, contracts, leases, or any combination of those sources.

9       (b) Bonds may be secured by liens on all or part of the  
10 revenue from improvements authorized under this chapter, including  
11 installment payments from any source pledged to their payment.

12       Sec. 432.256. BOND MATURITY. Bonds may mature not more than  
13 40 years from their date of issue. Provision may be made for the  
14 subsequent issuance of additional parity bonds or subordinate lien  
15 bonds under terms that may be stated in the order or resolution  
16 authorizing the issuance of the bonds.

17       Sec. 432.257. BOND PROCEEDS. (a) If provided by the bond  
18 order or resolution, the proceeds from the sale of bonds may be  
19 used:

20               (1) to pay:

21                       (A) interest on the bonds during and after the  
22 acquisition or construction of any improvement project to be  
23 provided through the issuance of the bonds; and

24                       (B) administrative and operation expenses to  
25 create a reserve fund for the payment of the principal of and  
26 interest on the bonds; and

27               (2) to create any other funds.

1       (b) The bond proceeds may be placed on time deposit or  
2 invested, until needed, in securities in the manner provided by the  
3 bond order or resolution.

4       Sec. 432.258. PLEDGES. (a) The board may pledge all or  
5 part of the income from improvement projects financed under this  
6 chapter or from any other source to the payment of the bonds,  
7 including the payment of principal, interest, and any other amounts  
8 required or permitted in connection with the bonds.

9       (b) The pledged income must be set and collected in amounts  
10 that will be at least sufficient, with any other pledged resources:

11       (1) to provide for all payments of principal,  
12 interest, and any other amounts required in connection with the  
13 bonds;

14       (2) to the extent required by the order or resolution  
15 authorizing the issuance of the bonds, to provide for the payment of  
16 expenses in connection with the bonds; and

17       (3) to pay operation, maintenance, and other expenses  
18 in connection with the improvement projects authorized under this  
19 chapter.

20       (c) Bonds may be additionally secured by a mortgage or deed  
21 of trust on real property relating to the facilities authorized  
22 under this chapter owned or to be acquired by the district and by  
23 chattel mortgages, liens, or security interests on personal  
24 property appurtenant to that real property. The board may  
25 authorize the execution of trust indentures, mortgages, deeds of  
26 trust, or other forms of encumbrance to evidence the indebtedness.

27       (d) The board may pledge to the payment of the bonds all or

1 any part of any grant, donation, revenue, or income received or to  
2 be received from the United States or any other public or private  
3 source.

4 Sec. 432.259. APPLICATION OF WATER DISTRICT LAW TO DISTRICT  
5 BONDS. (a) Chapter 49, Water Code, applies to district bonds,  
6 except for sections relating to:

7 (1) oversight, review, or approval, by the Texas  
8 Commission on Environmental Quality or the commission's executive  
9 director, of a district's creation, operation, or dissolution; or

10 (2) any similar action by the commission or the  
11 commission's executive director.

12 (b) In case of a conflict between this chapter and Chapter  
13 49, Water Code, this chapter controls.

14 Sec. 432.260. BOND AND CAPITAL IMPROVEMENT PROGRAMS.

15 (a) Not later than the third anniversary of the creation date of a  
16 district, the board shall approve a bond program or a capital  
17 improvement program.

18 (b) Revenue from a bond program or capital improvement  
19 program under this section may be used for any district purpose.

20 (c) The board shall appoint a bond committee to consider and  
21 propose a bond program, three-fourths of whose members must own  
22 real property in the district.

23 (d) The bond program must be based on a proposal submitted  
24 to the board by the bond committee.

25 (e) Not later than one year after the adoption by the board  
26 of the bond or capital improvement program, the board shall hold an  
27 election in the district on question of:

1           (1) the implementation of the bond or capital  
2 improvement program; and

3           (2) the application of the principal municipality's  
4 planning and zoning ordinances under Section 432.351.

5           (f) If the question is approved by a majority of the  
6 district voters voting at the election, the board shall begin to  
7 implement the bond or capital improvement program not later than  
8 the first anniversary of the election date at which the program was  
9 approved.

10          (g) The board may call subsequent elections under this  
11 section.

12          (h) A district's authorization to issue bonds resulting  
13 from an election held under this section, or any other law that  
14 allows for district voters to authorize the issuance of bonds by a  
15 district, remains in effect after the election unless the district  
16 is dissolved as provided by this chapter.

17          Sec. 432.261. CREDIT AGREEMENTS. A district may enter into  
18 a credit agreement under Chapter 1371, Government Code.

19          Sec. 432.262. FEES FOR USE OF DISTRICT IMPROVEMENTS.

20          (a) Except as provided by Subsection (b), a district may establish  
21 and maintain reasonable and nondiscriminatory rates, fares,  
22 charges, rents, or other fees or compensation for the use of the  
23 improvements constructed, operated, or maintained by the district.

24          (b) A district may not impose a toll on a road constructed  
25 wholly or partly with district money.

26          Sec. 432.263. NO MUNICIPAL OBLIGATION. Except as provided  
27 by Section 432.403, the principal municipality is not obligated to

pay any district bonds.

Sec. 432.264. BONDS EXEMPT FROM TAXATION. Bonds issued under this chapter, the transfer of the bonds, and income from the bonds, including profits made on the sale of the bonds, are exempt from taxation in this state.

Sec. 432.265. APPLICATION OF OTHER LAW ON PRIVATE PROPERTY RIGHTS. Chapter 2007, Government Code, does not apply to a tax imposed by a district.

[Sections 432.266-432.300 reserved for expansion]

SUBCHAPTER G. ASSESSMENTS

Sec. 432.301. GENERAL POWERS RELATING TO ASSESSMENTS. A district may undertake improvement projects and services that confer a special benefit on all or a definable part of the district. The district may impose assessments on property in that area, based on the benefit conferred by the improvement project or service, to pay all or part of the cost of the project or service. If the board determines that there is a net benefit to the district, the district may provide an improvement or service to an area outside the district.

Sec. 432.302. SPECIFIC POWERS RELATING TO ASSESSMENTS.

(a) An improvement project or service provided by a district may include the construction, acquisition, improvement, relocation, operation, maintenance, or provision of:

(1) lighting and signs; streets and sidewalks; pedestrian skywalks, crosswalks, and tunnels; drainage and navigation improvements; pedestrian malls; solid waste, water, sewer, and power facilities, including electrical, gas, steam,

1 cogeneration, and chilled water facilities; parks, plazas, lakes,  
2 rivers, bayous, ponds, and recreation and scenic areas; historic  
3 areas; fountains; works of art; off-street parking facilities, bus  
4 terminals, heliports, and mass transit systems; and the cost of any  
5 demolition in connection with providing any of the improvement  
6 projects;

7           (2) other improvements similar to those described in  
8 Subdivision (1);

9           (3) the acquisition of real property or any interest  
10 in real property in connection with an improvement project or  
11 service authorized by this chapter;

12           (4) special supplemental services for health and  
13 sanitation, public safety, maintenance, security, and elimination  
14 or relief of traffic congestion; and

15           (5) expenses incurred in the establishment,  
16 administration, maintenance, and operation of the district or any  
17 of its improvements, projects, or services.

18           (b) An improvement project on two or more streets or two or  
19 more types of improvements may be included in one proceeding and  
20 financed as one improvement project.

21           Sec. 432.303. PROPOSED ASSESSMENTS. A service or  
22 improvement project may be financed under this chapter after a  
23 petition and hearing notice given as required by this subchapter  
24 and a public hearing by the board on the advisability of the  
25 improvement or service and the proposed assessments.

26           Sec. 432.304. PETITION REQUIRED. A district may not  
27 finance a service or improvement project under this chapter unless



1 a written petition has been filed with the board requesting the  
2 improvement or service signed by 75 percent or more of the owners of  
3 property in the district to be assessed as determined from the most  
4 recent certified county property tax rolls.

5 Sec. 432.305. NOTICE OF HEARING. (a) A district shall  
6 provide notice of a hearing in a newspaper with general circulation  
7 in the county in which the district is located. The final  
8 publication must be made not later than the 30th day before the date  
9 of the hearing.

10 (b) The notice must include:

11 (1) the time and place of the hearing;

12 (2) the general nature of the proposed improvement  
13 project or service;

14 (3) the estimated cost of the improvement, including  
15 interest during construction and associated financing costs; and

16 (4) the proposed method of assessment.

17 (c) The district shall mail written notice containing the  
18 information required by Subsection (b) by certified mail, return  
19 receipt requested, not later than the 30th day before the date of  
20 the hearing. The notice must be mailed to each property owner in  
21 the district who will be subject to assessment at the current  
22 address of the property to be assessed as reflected on the tax  
23 rolls.

24 Sec. 432.306. CONCLUSION OF HEARING; FINDINGS. (a) A  
25 hearing on the service or improvement project, whether conducted by  
26 the board or a hearings examiner, may be adjourned from time to  
27 time.

1        (b) At the conclusion of the hearing, the board shall make  
2 findings by resolution or order relating to the advisability of the  
3 improvement project or service, the nature of the improvement  
4 project or service, the estimated cost, the area benefited, the  
5 method of assessment, and the method and time for payment of the  
6 assessment.

7        (c) If a hearings examiner is appointed to conduct the  
8 hearing, after conclusion of the hearing, the hearings examiner  
9 shall file with the board a report stating the examiner's findings  
10 and conclusions.

11        Sec. 432.307. AREA TO BE ASSESSED. (a) The area of a  
12 district to be assessed according to the board's findings may be the  
13 entire district or any part of the district and may be less than the  
14 area proposed in the notice of the hearing.

15        (b) Except as provided by Subsection (c), the area to be  
16 assessed may not include property that is not in the district at the  
17 time of the hearing unless there is an additional hearing, preceded  
18 by the required notice.

19        (c) The owner of an improvement constructed, or land annexed  
20 to the district, after the district has imposed assessments may  
21 waive the right to notice and an assessment hearing and may agree to  
22 the imposition and payment of assessments at an agreed rate for  
23 improvements constructed or land annexed to the district.

24        Sec. 432.308. OBJECTIONS; IMPOSITION OF ASSESSMENT.  
25 (a) At a hearing on proposed assessments, at any adjournment of  
26 the hearing, or after consideration of the hearings examiner's  
27 report, the board shall hear and rule on all objections to each

1 proposed assessment.

2 (b) The board may amend proposed assessments for any parcel.

3 (c) After all objections have been heard and action has been  
4 taken with regard to those objections, the board, by order or  
5 resolution, shall impose the assessments on the property and shall  
6 specify the method of payment of the assessments and may provide  
7 that those assessments be paid in periodic installments, including  
8 interest.

9 (d) Periodic installments must be in amounts sufficient to  
10 meet annual costs for services and improvements as provided by  
11 Section 432.309 and continue for the number of years required to  
12 retire indebtedness or pay for the services to be rendered. The  
13 board may provide interest charges or penalties for failure to make  
14 timely payment and also may impose an amount to cover delinquencies  
15 and expenses of collection.

16 (e) If assessments are imposed for more than one service or  
17 improvement project, the board may provide that assessments  
18 collected for one service or improvement project may be borrowed to  
19 be used for another service or improvement project.

20 (f) The board shall establish a procedure for the  
21 distribution or use of any assessments in excess of those necessary  
22 to finance the service or improvement project for which those  
23 assessments were collected.

24 Sec. 432.309. APPORTIONMENT OF COST. The board shall  
25 apportion the cost of an improvement project or service to be  
26 assessed against the property in the district based on the special  
27 benefits accruing to the property because of the improvement

1 project or service. The cost may be assessed:

2 (1) equally by front foot or by square foot of land  
3 area against all property in the district;

4 (2) against property according to the value of the  
5 property as determined by the board, with or without regard to  
6 structures or other improvements on the property; or

7 (3) on any other reasonable assessment plan that  
8 results in imposing fair and equitable shares of the cost on  
9 property similarly benefited.

10 Sec. 432.310. ASSESSMENT ROLL. If the total cost of an  
11 improvement project or service is determined, the board shall  
12 impose the assessments against each parcel of land against which an  
13 assessment may be imposed in the district. With regard to an  
14 assessment for a service, the board may impose an annual assessment  
15 that is lower but not higher than the initial assessment. The board  
16 shall have an assessment roll prepared showing the assessments  
17 against each property and the board's basis for the assessment. The  
18 assessment roll shall be filed with the board secretary or other  
19 officer who performs the function of secretary and be open for  
20 public inspection.

21 Sec. 432.311. INTEREST ON ASSESSMENTS; LIEN.

22 (a) Assessments bear interest at a rate specified by the board.  
23 The interest rate may not exceed the rate permitted by Chapter 1204,  
24 Government Code.

25 (b) Interest on an assessment between the effective date of  
26 the order or resolution imposing the assessment and the date the  
27 first installment and any related penalty is payable is added to the

1 first installment. The interest or penalties on all unpaid  
2 installments are added to each subsequent installment until paid.

3 (c) An assessment or any reassessment and any interest and  
4 penalties on that assessment or reassessment is a lien against the  
5 property until it is paid.

6 (d) The owner of any property assessed may pay at any time  
7 the entire assessment against any lot or parcel with accrued  
8 interest to the date of the payment.

9 Sec. 432.312. SUPPLEMENTAL ASSESSMENTS. After notice and  
10 hearing in the manner required for an original assessment, the  
11 board may make supplemental assessments to correct omissions or  
12 mistakes in the assessment:

13 (1) relating to the total cost of the improvement  
14 project or service; or

15 (2) covering delinquencies or costs of collection.

16 Sec. 432.313. APPEAL. (a) After determination of an  
17 assessment, a property owner may appeal the assessment to the  
18 board. The property owner must file a notice of appeal with the  
19 board not later than the 30th day after the date the assessment is  
20 adopted. The board shall set a date to hear the appeal.

21 (b) The property owner may appeal the board's decision on  
22 the assessment to a court. The property owner must file notice of  
23 the appeal with the court not later than the 30th day after the date  
24 of the board's final decision with respect to the assessment.

25 (c) Failure to file either of the notices in the time  
26 required by this section results in a loss of the right to appeal  
27 the assessment.

1        (d) If an assessment against a parcel of land is set aside by  
2 a court, found excessive by the board, or determined to be invalid  
3 by the board, the board may make a reassessment or new assessment of  
4 the parcel.

5        Sec. 432.314. APPEAL OF ORDER. A person against whom an  
6 assessment is made by board order may appeal the assessment to a  
7 district court in the county in which the district is located in the  
8 manner provided for the appeal of a contested case under Chapter  
9 2001, Government Code. Review by the district court is by trial de  
10 novo.

11        Sec. 432.315. GOVERNMENTAL ENTITIES; ASSESSMENTS. Payment  
12 of assessments by municipalities, counties, other political  
13 subdivisions, and organizations exempt from federal income tax  
14 under Section 501(c)(3), Internal Revenue Code of 1986, is  
15 established by contract. Municipalities, counties, and other  
16 political subdivisions may contract with the district under terms  
17 those entities consider advisable to provide for the payment of  
18 assessments.

19        [Sections 432.316-432.350 reserved for expansion]

20                SUBCHAPTER H. PLANNING AND ZONING AUTHORITY

21        Sec. 432.351. APPLICATION OF MUNICIPALITY'S PLANNING AND  
22 ZONING ORDINANCES; ELECTION. (a) The election held under Section  
23 432.260 must also propose, as part of the same ballot question, the  
24 question of the imposition of the principal municipality's planning  
25 and zoning ordinances in the district.

26        (b) If approved by a majority of the voters voting in the  
27 election, the principal municipality's planning and zoning

1 ordinances apply in the district.

2 Sec. 432.352. INTERIM PLANNING AND ZONING AUTHORITY. Until  
3 a bond or capital improvement program and the application of the  
4 principal municipality's planning and zoning ordinances in the  
5 district are approved at an election held under Section 432.260,  
6 the principal municipality's planning and zoning ordinances apply  
7 within 1,000 feet of the center line of the toll project that made  
8 the area eligible for creation of a district under Section 432.051.

9 [Sections 432.353-432.400 reserved for expansion]

10 SUBCHAPTER I. DISSOLUTION

11 Sec. 432.401. DISSOLUTION BY PRINCIPAL MUNICIPALITY.

12 (a) After a hearing, the governing body of the principal  
13 municipality may by resolution dissolve the district.

14 (b) Before dissolution under this section, the principal  
15 municipality shall publish notice and hold a hearing on the  
16 proposed dissolution in the manner provided by Section 432.052.

17 (c) Upon dissolution of the district by the principal  
18 municipality under this section, the application of the principal  
19 municipality's planning and zoning ordinances, as authorized by an  
20 election under Section 432.260(e), is repealed.

21 Sec. 432.402. DISSOLUTION BY ANNEXATION. On the effective  
22 date of any full-purpose annexation proceeding by the principal  
23 municipality that results in all territory in the district being  
24 annexed for full purposes, the district is automatically dissolved  
25 without further action by the principal municipality's governing  
26 body.

27 Sec. 432.403. ASSUMPTION OF ASSETS, DEBTS. (a) On

1 annexation of any part or dissolution of any part of the district,  
2 the principal municipality assumes the assets, debts, and other  
3 obligations of the district.

4 (b) On annexation of any part or dissolution of any part of  
5 the district, the principal municipality may use any source of  
6 revenue available to the district under Section 432.255 to pay any  
7 district debt or obligation assumed by the principal municipality.

8 Sec. 432.404. EXPIRATION. A district shall automatically  
9 expire within six years of the date of its creation under Section  
10 432.053 if the question under Section 432.260(e) is not approved by  
11 a majority of the district voters during that six-year period.

12 SECTION 2. The heading to Subtitle I, Title 6,  
13 Transportation Code, is amended to read as follows:

14 SUBTITLE I. TRANSPORTATION CORPORATIONS AND TRANSPORTATION  
15 INFRASTRUCTURE SERVICES DISTRICTS

16 SECTION 3. Subsection (h), Section 43.052, Local Government  
17 Code, is amended to read as follows:

18 (h) This section does not apply to an area proposed for  
19 annexation if:

20 (1) the area contains fewer than 100 separate tracts  
21 of land on which one or more residential dwellings are located on  
22 each tract;

23 (2) the area will be annexed by petition of more than  
24 50 percent of the real property owners in the area proposed for  
25 annexation or by vote or petition of the qualified voters or real  
26 property owners as provided by Subchapter B;

27 (3) the area is or was the subject of:



1 (A) an industrial district contract under  
2 Section 42.044; or

3 (B) a strategic partnership agreement under  
4 Section 43.0751;

5 (4) the area is located in a colonia, as that term is  
6 defined by Section 2306.581, Government Code;

7 (5) the area is annexed under:

8 (A) Section 43.026, 43.027, 43.029, or 43.031; or

9 (B) Subchapter B, Chapter 432, Transportation  
10 Code;

11 (6) the area is located completely within the  
12 boundaries of a closed military installation; or

13 (7) the municipality determines that the annexation of  
14 the area is necessary to protect the area proposed for annexation or  
15 the municipality from:

16 (A) imminent destruction of property or injury to  
17 persons; or

18 (B) a condition or use that constitutes a public  
19 or private nuisance as defined by background principles of nuisance  
20 and property law of this state.

21 SECTION 4. This Act takes effect immediately if it receives  
22 a vote of two-thirds of all the members elected to each house, as  
23 provided by Section 39, Article III, Texas Constitution. If this  
24 Act does not receive the vote necessary for immediate effect, this  
25 Act takes effect September 1, 2007.