

1-1 By: Watson S.B. No. 1688
1-2 (In the Senate - Filed March 9, 2007; March 21, 2007, read
1-3 first time and referred to Committee on Transportation and Homeland
1-4 Security; April 11, 2007, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 8, Nays 1;
1-6 April 11, 2007, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1688 By: Watson

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

1-10 relating to the creation, powers, and duties of a transportation
1-11 infrastructure services district created by a municipality;
1-12 imposing taxes and authorizing bonds.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Subtitle I, Title 6, Transportation Code, is
1-15 amended by adding Chapter 432 to read as follows:

1-16 CHAPTER 432. TRANSPORTATION INFRASTRUCTURE SERVICES DISTRICT
1-17 SUBCHAPTER A. GENERAL PROVISIONS

1-18 Sec. 432.001. DEFINITIONS. In this chapter:

1-19 (1) "Board" means a district's board of directors.

1-20 (2) "Bond" has the meaning assigned to "public
1-21 security" by Section 1201.002(2), Government Code.

1-22 (3) "District" means a transportation infrastructure
1-23 services district.

1-24 (4) "Principal municipality" means the most populous
1-25 municipality in a county.

1-26 Sec. 432.002. NATURE OF DISTRICT. A district is a special
1-27 district and a political subdivision of this state created under
1-28 Section 59, Article XVI, Texas Constitution.

1-29 Sec. 432.003. PURPOSE; DECLARATION OF INTENT. (a) The
1-30 creation of a district is essential to accomplish the purposes of
1-31 Sections 52 and 52-a, Article III, and Section 59, Article XVI,
1-32 Texas Constitution, and other public purposes stated in this
1-33 chapter.

1-34 (b) The creation of a district is necessary to ensure that
1-35 necessary infrastructure services are provided to areas abutting
1-36 controlled access highways to promote, develop, encourage, and
1-37 maintain employment, commerce, economic development, and the
1-38 public welfare in the district territory.

1-39 Sec. 432.004. FINDINGS OF BENEFIT AND PUBLIC PURPOSE.

1-40 (a) A district is created to serve a public use and benefit.

1-41 (b) All land and other property included in a district will
1-42 benefit from the improvements and services to be provided by a
1-43 district under powers conferred by Sections 52 and 52-a, Article
1-44 III, and Section 59, Article XVI, Texas Constitution, and other
1-45 powers granted under this chapter.

1-46 (c) The creation of a district is in the public interest and
1-47 is essential to:

1-48 (1) further the public purposes of:

1-49 (A) developing and diversifying the economy of
1-50 the state; and

1-51 (B) providing a safe, reliable, and adequate
1-52 transportation system;

1-53 (2) eliminate unemployment and underemployment; and

1-54 (3) develop or expand transportation and commerce.

1-55 (d) The present and prospective traffic congestion in areas
1-56 abutting a controlled access highway, the need to plan for, manage,
1-57 and control traffic and provide for the safety of pedestrians in
1-58 those areas, and the limited availability of money require the
1-59 promotion and development of transportation infrastructure by new
1-60 and alternative means. A district will serve the public purpose of
1-61 securing adequate infrastructure that is safe and will benefit not
1-62 only the land and other property in a district but also the
1-63 employees, employers, and consumers of a district and the public.

2-1 (e) A district will not act as the agent or instrumentality
2-2 of any private interest even though a district will benefit many
2-3 private interests as well as the public.

2-4 Sec. 432.005. LIBERAL CONSTRUCTION OF CHAPTER. This
2-5 chapter shall be liberally construed in conformity with the
2-6 findings and purposes stated in this chapter.

2-7 [Sections 432.006-432.050 reserved for expansion]

2-8 SUBCHAPTER B. CREATION OF DISTRICT

2-9 Sec. 432.051. AREAS ELIGIBLE FOR CREATION OF DISTRICT.

2-10 (a) A district may be created only in an area located:

2-11 (1) entirely in a county with a population of less than
2-12 1.3 million in which the principal municipality has a population of
2-13 600,000 or more;

2-14 (2) within five miles of the center line of a toll
2-15 project that passes through the extraterritorial jurisdiction or
2-16 corporate limits of the principal municipality; and

2-17 (3) inside the extraterritorial jurisdiction of the
2-18 principal municipality.

2-19 (b) The area is not required to be immediately adjacent to a
2-20 controlled access highway.

2-21 (c) The district may include homestead territory not
2-22 excluded under this subsection. The district may not include any
2-23 area consisting of a primary dwelling and two or fewer acres
2-24 surrounding the dwelling designated by the property owner as a
2-25 homestead, if the primary dwelling was constructed before September
2-26 1, 1987.

2-27 Sec. 432.052. HEARINGS. (a) Not earlier than the 60th day
2-28 or later than the 30th day before the date the governing body of the
2-29 principal municipality creates the district under Section 432.053,
2-30 the governing body must hold two hearings to consider the creation
2-31 of the proposed district.

2-32 (b) Not later than the seventh day before the date of each
2-33 hearing, the principal municipality must publish notice of the
2-34 hearing in a newspaper of general circulation in the area of the
2-35 proposed district.

2-36 (c) The notice must state:

2-37 (1) the date, time, and place for the hearing;

2-38 (2) the boundaries of the proposed district, including
2-39 a map of the proposed district;

2-40 (3) the powers of the proposed district, including the
2-41 power to impose assessments and ad valorem taxes; and

2-42 (4) the fact that a sales and use tax will be imposed.

2-43 Sec. 432.053. CREATION BY ORDINANCE. (a) The governing
2-44 body of the principal municipality by ordinance may create a
2-45 district.

2-46 (b) The ordinance must:

2-47 (1) describe the district's boundaries; and

2-48 (2) name the district the "(insert name)
2-49 Transportation Infrastructure Services District."

2-50 Sec. 432.054. MISTAKE IN BOUNDARY DESCRIPTION. A mistake
2-51 in the field notes in the municipal ordinance creating a district or
2-52 in copying the field notes of district boundaries does not in any
2-53 way affect a district's:

2-54 (1) organization, existence, or validity;

2-55 (2) right to issue any type of bond for a purpose for
2-56 which the district is created or to pay the principal of and
2-57 interest on the bond;

2-58 (3) right to impose or collect a tax; or

2-59 (4) legality or operation.

2-60 [Sections 432.055-432.100 reserved for expansion]

2-61 SUBCHAPTER C. ANNEXATION AND RELATED ISSUES

2-62 Sec. 432.101. AUTOMATIC LIMITED-PURPOSE ANNEXATION.

2-63 (a) On creation of a district, the area in the district is annexed
2-64 to the principal municipality for the limited purposes of applying
2-65 only the municipality's planning and zoning ordinances under
2-66 Section 43.121, Local Government Code, without further action by
2-67 the principal municipality.

2-68 (b) The principal municipality shall adopt a regulatory
2-69 plan not later than the 90th day after the date the district is

3-1 created.
3-2 (c) The deadline imposed by Section 43.123(d)(2), Local
3-3 Government Code, does not apply to a limited-purpose annexation
3-4 under this section.

3-5 Sec. 432.102. DEADLINE FOR FULL-PURPOSE ANNEXATION. The
3-6 principal municipality shall annex the area of the district for
3-7 full purposes not later than the 15th anniversary of the date of the
3-8 initial imposition of an ad valorem tax under Section 432.253(d).

3-9 Sec. 432.103. ANNEXATION OF DISTRICT TERRITORY BY PRINCIPAL
3-10 MUNICIPALITY. (a) The principal municipality may annex all or
3-11 part of the territory located in the district for full purposes
3-12 under Chapter 43, Local Government Code.

3-13 (b) Except as provided by Sections 432.253(d) and 432.352,
3-14 full-purpose annexation of an area in the district does not affect
3-15 the operation of the district in the area that is not annexed.

3-16 (c) Section 43.002, Local Government Code, applies to the
3-17 territory annexed under this section by the principal municipality.

3-18 Sec. 432.104. ADVISORY COMMITTEE. (a) The principal
3-19 municipality may not impose a change in its planning or zoning
3-20 ordinances that applies to any area in a district unless the
3-21 governing body of the principal municipality appoints an advisory
3-22 committee composed of representatives of a broad cross-section of
3-23 the commercial interests and residents of the district as
3-24 determined by the governing body.

3-25 (b) The advisory committee shall review all proposed
3-26 changes by the principal municipality to its planning and zoning
3-27 ordinances that would apply to the area in a district.

3-28 (c) If the advisory committee does not recommend that the
3-29 principal municipality adopt the proposed changes, the principal
3-30 municipality must hold a hearing for which notice is given and that
3-31 is conducted in the manner provided by Section 432.052 before it may
3-32 impose the changes.

3-33 Sec. 432.105. NO EXTENSION OF EXTRATERRITORIAL
3-34 JURISDICTION. A district's territory does not extend the
3-35 extraterritorial jurisdiction of the principal municipality.

3-36 [Sections 432.106-432.150 reserved for expansion]

3-37 SUBCHAPTER D. BOARD OF DIRECTORS

3-38 Sec. 432.151. GOVERNING BODY. (a) The district is
3-39 governed by a board of directors.

3-40 (b) The board is responsible for the management, operation,
3-41 and control of the district, including district property.

3-42 (c) A district's board consists of:

3-43 (1) the members of the principal municipality's
3-44 governing body;

3-45 (2) one person appointed by the principal
3-46 municipality's governing body from a list of at least three names
3-47 submitted by a nonprofit organization that promotes economic
3-48 development and real estate related issues in the county in which
3-49 the district is located;

3-50 (3) one person appointed by the principal
3-51 municipality's governing body from a list of at least three names
3-52 submitted by a nonprofit organization that represents home
3-53 builders; and

3-54 (4) two persons who are residents of the district
3-55 appointed by the principal municipality's governing body after
3-56 reviewing letters of interest submitted by district residents.

3-57 (d) The governing body may reject a list submitted under
3-58 Subsection (c)(2) or (3) and request a new list.

3-59 Sec. 432.152. TERMS. (a) A director, other than a member
3-60 of the principal municipality's governing body, serves for a term
3-61 of two years.

3-62 (b) The initial directors are divided into two groups. A
3-63 director in the first group serves a one-year term. A director in
3-64 the second group serves a two-year term. The two directors who are
3-65 residents of the district must be placed in different groups. The
3-66 grouping of initial directors and terms for the directors in each
3-67 group are determined by the board.

3-68 (c) A person may be appointed to successive terms.

3-69 (d) A director who is a member of the principal

4-1 municipality's governing body serves as a director for the term to
 4-2 which the person was elected to the governing body.

4-3 Sec. 432.153. QUALIFICATIONS. To be qualified as a
 4-4 director, a person must be at least 18 years old.

4-5 Sec. 432.154. FILING OF CONSTITUTIONAL OATH OF OFFICE. The
 4-6 constitutional oath of office must be in writing and be filed with
 4-7 the district and retained in its records.

4-8 Sec. 432.155. REMOVAL. (a) The principal municipality's
 4-9 governing body after notice and hearing may remove a director,
 4-10 other than another member of the governing body, for misconduct or
 4-11 failure to carry out the director's duties on petition by a majority
 4-12 of the remaining directors.

4-13 (b) A member of the principal municipality's governing body
 4-14 is removed and replaced as a director only if the person ceases to
 4-15 be a member of the governing body or the member's office is vacant
 4-16 as provided by other law.

4-17 Sec. 432.156. VACANCY. A vacancy in the office of a
 4-18 director, other than a member of the principal municipality's
 4-19 governing body, shall be filled for the remainder of the unexpired
 4-20 term in the manner provided for the original appointment.

4-21 Sec. 432.157. OFFICERS. (a) The presiding officer of the
 4-22 governing body of the principal municipality serves as the
 4-23 presiding officer of the board. The assistant presiding officer of
 4-24 the governing body of the principal municipality presides in the
 4-25 absence of the presiding officer or when there is a vacancy in that
 4-26 office.

4-27 (b) The board may elect any other officers the board
 4-28 considers appropriate.

4-29 Sec. 432.158. CONFLICT OF INTEREST. A director who has a
 4-30 beneficial interest in a business entity that will receive a
 4-31 pecuniary benefit from an action of the board may participate in
 4-32 discussion and vote on that action if a majority of the board has a
 4-33 similar interest in the same action or if all other similar business
 4-34 entities in the district will receive a similar pecuniary benefit.

4-35 Sec. 432.159. COMPENSATION; EXPENSES. (a) A director who
 4-36 is a member of the principal municipality's governing body serves
 4-37 without compensation or reimbursement for expenses.

4-38 (b) A director who is not a member of the principal
 4-39 municipality's governing body may not receive compensation but is
 4-40 entitled to be reimbursed for necessary and reasonable expenses
 4-41 incurred in carrying out the duties and responsibilities of a
 4-42 director.

4-43 Sec. 432.160. OTHER PUBLIC ENTITIES; EXPENSES. An employee
 4-44 of another public entity may serve as a district officer if the
 4-45 person does not receive additional compensation. The person may be
 4-46 reimbursed for reasonable and necessary expenses incurred in the
 4-47 performance of district duties.

4-48 Sec. 432.161. DOCTRINE OF INCOMPATIBILITY INAPPLICABLE;
 4-49 SERVICE IN ANOTHER PUBLIC OFFICE. (a) The common law doctrine of
 4-50 incompatibility does not apply to a director.

4-51 (b) A person serving as a director may serve in another
 4-52 public office.

4-53 [Sections 432.162-432.200 reserved for expansion]

4-54 SUBCHAPTER E. POWERS AND DUTIES

4-55 Sec. 432.201. GENERAL POWERS AND DUTIES. (a) A district
 4-56 has the powers and duties that permit it to accomplish any district
 4-57 purpose or any other purpose authorized for the district by the
 4-58 constitution, this code, or any other law.

4-59 (b) A district may do anything necessary, convenient, or
 4-60 desirable to carry out the powers expressly granted or implied by
 4-61 this chapter.

4-62 Sec. 432.202. ROAD FACILITIES. A district may:

4-63 (1) acquire a road facility, acquire property for a
 4-64 road facility, and construct or improve a road facility, inside or
 4-65 outside the district, as necessary to ensure an adequate
 4-66 transportation infrastructure; and

4-67 (2) provide financing for a road facility or for the
 4-68 construction, acquisition, or improvement of a road facility from
 4-69 money available to the district under this chapter.

5-1 Sec. 432.203. REIMBURSEMENT OF PRIVATE ENTITY FOR ROADS OR
5-2 IMPROVEMENTS; ACQUISITION BY DISTRICT. A district may reimburse a
5-3 private entity for money spent to construct a road or any other
5-4 improvement the district may make under this chapter that has been
5-5 or will be dedicated or otherwise transferred to public use, or
5-6 purchase a road or any other improvement the district may make under
5-7 this chapter that has been or will be constructed by a private
5-8 entity, regardless of whether the construction occurs before or
5-9 after the creation of the district.

5-10 Sec. 432.204. WATER SUPPLY. A district may supply water for
5-11 municipal uses, domestic uses, power, and commercial purposes and
5-12 all other beneficial uses or controls.

5-13 Sec. 432.205. STORM DRAINAGE. A district may gather,
5-14 conduct, divert, and control local storm water or other local
5-15 harmful excesses of water in a district.

5-16 Sec. 432.206. IRRIGATION. A district may irrigate the land
5-17 in a district.

5-18 Sec. 432.207. WASTE MANAGEMENT. A district may collect,
5-19 transport, process, dispose of, and control all domestic,
5-20 industrial, or communal wastes, whether in fluid, solid, or
5-21 composite state.

5-22 Sec. 432.208. ALTERATION OF LAND ELEVATION. A district may
5-23 alter land elevation in a district where it is needed.

5-24 Sec. 432.209. OTHER DRAINAGE AND FLOOD CONTROL POWERS.

5-25 (a) A district may adopt:

5-26 (1) a master drainage plan, including rules relating
5-27 to the plan and design criteria for drainage channels, facilities,
5-28 and flood control improvements;

5-29 (2) rules for construction activity to be conducted in
5-30 the district that:

5-31 (A) reasonably relate to providing adequate
5-32 drainage or flood control; and

5-33 (B) use generally accepted engineering criteria;
5-34 and

5-35 (3) reasonable procedures to enforce rules adopted by
5-36 the district under this subsection.

5-37 (b) If a district adopts a master drainage plan, the
5-38 district may:

5-39 (1) adopt rules relating to review and approval of
5-40 proposed drainage plans submitted by property developers; and

5-41 (2) by rule, require that a property developer who
5-42 proposes to subdivide land located in the district, and who is
5-43 otherwise required to obtain approval of the plat of the proposed
5-44 subdivision from a municipality or county, submit for district
5-45 approval a drainage report for the subdivision.

5-46 (c) The drainage report must include a map containing a
5-47 description of the land to be subdivided. The map must show an
5-48 accurate representation of:

5-49 (1) any existing drainage features, including
5-50 drainage channels, streams, flood control improvements, and other
5-51 facilities;

5-52 (2) any additional drainage facilities or connections
5-53 to existing drainage facilities proposed by the property
5-54 developer's plan for the subdivision; and

5-55 (3) any other parts of the property developer's plan
5-56 for the subdivision that may affect drainage.

5-57 (d) The district shall review each drainage report
5-58 submitted to the district under this section and shall approve a
5-59 report if it shows compliance with:

5-60 (1) this section;

5-61 (2) the district's master drainage plan adopted under
5-62 this section; and

5-63 (3) the rules adopted by the district under this
5-64 section.

5-65 (e) On or before the 30th day after the date a drainage
5-66 report is received, the district shall send notice of the
5-67 district's approval or disapproval of the drainage report to:

5-68 (1) the property developer; and

5-69 (2) each municipal or county authority with

responsibility for approving the plat of the proposed subdivision.

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

- (1) explaining the reasons for the rejection; and
- (2) recommending changes, if possible, that would make a revised version of the drainage report acceptable for approval.

Sec. 432.210. SUITS. A district may sue and be sued in all courts, may institute and prosecute suits without giving security for costs, and may appeal from a judgment without giving a supersedeas or cost bond.

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

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

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

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

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

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

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

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

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

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

Sec. 432.217. SERVICE TO AREAS OUTSIDE THE DISTRICT; DUPLICATION; WATER POWERS. (a) A district may purchase, construct, acquire, own, operate, repair, improve, or extend any work, improvement, facility, plant, equipment, or appliance necessary to provide any service or facility authorized to be provided by the district to an area contiguous to or in the vicinity of the district if the district does not duplicate a service or facility of another public entity.

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

7-1 Sec. 432.218. CERTIFICATE OF CONVENIENCE FOR WATER OR SEWER
7-2 SERVICES NOT REQUIRED. (a) A district is not required to hold a
7-3 certificate of convenience and necessity as a precondition to
7-4 provide retail water or sewer service to any customer or service
7-5 area. This section applies whether the customer or service area is
7-6 located inside or outside the district, or has previously received
7-7 water or sewer service from an entity required by law to hold a
7-8 certificate of convenience and necessity as a precondition for the
7-9 service.

7-10 (b) This section does not authorize a district to provide a
7-11 service in an area for which a retail public utility holds a
7-12 certificate of convenience and necessity or in another district
7-13 without that district's consent, unless the transportation
7-14 infrastructure services district has a certificate of convenience
7-15 and necessity to provide services to that area.

7-16 (c) This section does not void a certificate of convenience
7-17 and necessity existing, or impair the rights of a person holding a
7-18 certificate of convenience and necessity, on the date the district
7-19 is created.

7-20 Sec. 432.219. CONTRACT FOR OR LEASE OF PROJECT. A district
7-21 may contract, including by a lease, for the use or operation of a
7-22 project or part of a project.

7-23 Sec. 432.220. ECONOMIC DEVELOPMENT POWERS. A district may
7-24 exercise the powers of a municipality under Chapter 380, Local
7-25 Government Code.

7-26 Sec. 432.221. HEARINGS. The district may conduct hearings
7-27 and take testimony and proof, under oath or affirmation, at
7-28 hearings, on any matter necessary to implement a district purpose.

7-29 Sec. 432.222. EMPLOYEES. (a) A district may employ and
7-30 compensate persons for district purposes.

7-31 (b) An employee of another public entity may serve as a
7-32 district employee if the employee does not receive any additional
7-33 compensation for service as a district employee. The employee may
7-34 be reimbursed for any reasonable or necessary expense incurred in
7-35 the performance of a district duty.

7-36 Sec. 432.223. NO EMINENT DOMAIN POWER. A district may not
7-37 exercise the power of eminent domain.

7-38 [Sections 432.224-432.250 reserved for expansion]

7-39 SUBCHAPTER F. GENERAL FINANCIAL PROVISIONS

7-40 Sec. 432.251. GENERAL FINANCIAL POWERS. A district may
7-41 incur liabilities, borrow money on terms the board determines, or
7-42 issue bonds.

7-43 Sec. 432.252. USE OF DISTRICT REVENUE; PRINCIPAL
7-44 MUNICIPALITY. District revenue is separate from the principal
7-45 municipality's revenue. A district may use revenue only for the
7-46 benefit of the district as provided by this chapter.

7-47 Sec. 432.253. SALES AND USE TAX. (a) On creation of the
7-48 district, there is imposed in the district a sales and use tax.

7-49 (b) The tax is imposed on the receipts from the sale at
7-50 retail of taxable items in the district at the rate equal to the
7-51 sales and use tax imposed by the principal municipality. Except as
7-52 provided by Subsection (d), the tax rate changes to remain equal to
7-53 the principal municipality's rate.

7-54 (c) Except as provided by this section, Chapter 321, Tax
7-55 Code, governs the imposition, computation, administration,
7-56 governance, and abolition of a tax imposed under this section.

7-57 (d) If any territory in the district is annexed by the
7-58 principal municipality, both the municipality's and the district's
7-59 sales and use tax applies in the annexed area. If the district's
7-60 sales and use tax rate combined with any other sales and use tax
7-61 applicable in the district exceeds two percent, the district's
7-62 sales and use tax is abolished.

7-63 Sec. 432.254. AUTHORITY TO IMPOSE AD VALOREM TAX; RATE.
7-64 (a) The district may impose an ad valorem tax at a rate not to
7-65 exceed the ad valorem tax imposed by the principal municipality.

7-66 (b) Before setting or changing a tax rate, the district
7-67 shall publish notice and hold a hearing on the tax rate in the same
7-68 manner as provided by Section 432.052.

7-69 (c) After setting the tax rate, the district is governed by

8-1 the Tax Code in the same manner as a home-rule municipality that
 8-2 imposes an ad valorem tax.

8-3 (d) The initial tax rate does not take effect until the tax
 8-4 year beginning on a date after the approval of either a bond program
 8-5 or a capital improvement program at an election held under Section
 8-6 432.260.

8-7 (e) An ad valorem tax imposed under this chapter is subject
 8-8 to any existing exemption claimed by a property owner under Section
 8-9 1-d or 1-d-1, Article VIII, Texas Constitution.

8-10 Sec. 432.255. GENERAL OBLIGATION AND REVENUE BONDS.

8-11 (a) For the payment of all or part of the costs of an improvement
 8-12 project or service, the board may issue bonds payable from and
 8-13 secured by ad valorem taxes, sales and use taxes, revenue, grants,
 8-14 gifts, contracts, leases, or any combination of those sources.

8-15 (b) Bonds may be secured by liens on all or part of the
 8-16 revenue from improvements authorized under this chapter, including
 8-17 installment payments from any source pledged to their payment.

8-18 Sec. 432.256. BOND MATURITY. Bonds may mature not more than
 8-19 40 years from their date of issue. Provision may be made for the
 8-20 subsequent issuance of additional parity bonds or subordinate lien
 8-21 bonds under terms that may be stated in the order or resolution
 8-22 authorizing the issuance of the bonds.

8-23 Sec. 432.257. BOND PROCEEDS. (a) If provided by the bond
 8-24 order or resolution, the proceeds from the sale of bonds may be
 8-25 used:

8-26 (1) to pay:

8-27 (A) interest on the bonds during and after the
 8-28 acquisition or construction of any improvement project to be
 8-29 provided through the issuance of the bonds; and

8-30 (B) administrative and operation expenses to
 8-31 create a reserve fund for the payment of the principal of and
 8-32 interest on the bonds; and

8-33 (2) to create any other funds.

8-34 (b) The bond proceeds may be placed on time deposit or
 8-35 invested, until needed, in securities in the manner provided by the
 8-36 bond order or resolution.

8-37 Sec. 432.258. PLEDGES. (a) The board may pledge all or
 8-38 part of the income from improvement projects financed under this
 8-39 chapter or from any other source to the payment of the bonds,
 8-40 including the payment of principal, interest, and any other amounts
 8-41 required or permitted in connection with the bonds.

8-42 (b) The pledged income must be set and collected in amounts
 8-43 that will be at least sufficient, with any other pledged resources:

8-44 (1) to provide for all payments of principal,
 8-45 interest, and any other amounts required in connection with the
 8-46 bonds;

8-47 (2) to the extent required by the order or resolution
 8-48 authorizing the issuance of the bonds, to provide for the payment of
 8-49 expenses in connection with the bonds; and

8-50 (3) to pay operation, maintenance, and other expenses
 8-51 in connection with the improvement projects authorized under this
 8-52 chapter.

8-53 (c) Bonds may be additionally secured by a mortgage or deed
 8-54 of trust on real property relating to the facilities authorized
 8-55 under this chapter owned or to be acquired by the district and by
 8-56 chattel mortgages, liens, or security interests on personal
 8-57 property appurtenant to that real property. The board may
 8-58 authorize the execution of trust indentures, mortgages, deeds of
 8-59 trust, or other forms of encumbrance to evidence the indebtedness.

8-60 (d) The board may pledge to the payment of the bonds all or
 8-61 any part of any grant, donation, revenue, or income received or to
 8-62 be received from the United States or any other public or private
 8-63 source.

8-64 Sec. 432.259. APPLICATION OF WATER DISTRICT LAW TO DISTRICT
 8-65 BONDS. (a) Chapter 49, Water Code, applies to district bonds,
 8-66 except for sections relating to:

8-67 (1) oversight, review, or approval, by the Texas
 8-68 Commission on Environmental Quality or the commission's executive
 8-69 director, of a district's creation, operation, or dissolution; or

9-1 (2) any similar action by the commission or the
 9-2 commission's executive director.

9-3 (b) In case of a conflict between this chapter and Chapter
 9-4 49, Water Code, this chapter controls.

9-5 Sec. 432.260. BOND AND CAPITAL IMPROVEMENT PROGRAMS.
 9-6 (a) Not later than the third anniversary of the creation date of a
 9-7 district, the board shall approve a bond program or a capital
 9-8 improvement program.

9-9 (b) Revenue from a bond program or capital improvement
 9-10 program under this section may be used for any district purpose.

9-11 (c) The board shall appoint a bond committee to consider and
 9-12 propose a bond program, three-fourths of whose members must own
 9-13 real property in the district.

9-14 (d) The bond program must be based on a proposal submitted
 9-15 to the board by the bond committee.

9-16 (e) Not later than one year after the adoption by the board
 9-17 of the bond or capital improvement program, the board shall hold an
 9-18 election in the district on the question of the implementation of
 9-19 the bond or capital improvement program.

9-20 (f) If the bond or capital improvement program is approved
 9-21 by a majority of the district voters voting at the election, the
 9-22 board shall begin to implement the program not later than the first
 9-23 anniversary of the election date at which the program was approved.

9-24 (g) The board may call subsequent elections to permit the
 9-25 district voters to approve a bond or capital improvement program.

9-26 (h) A district's authorization to issue bonds resulting
 9-27 from an election held under this section, or any other law that
 9-28 allows for district voters to authorize the issuance of bonds by a
 9-29 district, remains in effect after the election unless the district
 9-30 is dissolved as provided by this chapter.

9-31 Sec. 432.261. CREDIT AGREEMENTS. A district may enter into
 9-32 a credit agreement under Chapter 1371, Government Code.

9-33 Sec. 432.262. FEES FOR USE OF DISTRICT IMPROVEMENTS.
 9-34 (a) Except as provided by Subsection (b), a district may establish
 9-35 and maintain reasonable and nondiscriminatory rates, fares,
 9-36 charges, rents, or other fees or compensation for the use of the
 9-37 improvements constructed, operated, or maintained by the district.

9-38 (b) A district may not impose a toll on a road constructed
 9-39 wholly or partly with district money.

9-40 Sec. 432.263. NO MUNICIPAL OBLIGATION. Except as provided
 9-41 by Section 432.353, the principal municipality is not obligated to
 9-42 pay any district bonds.

9-43 Sec. 432.264. BONDS EXEMPT FROM TAXATION. Bonds issued
 9-44 under this chapter, the transfer of the bonds, and income from the
 9-45 bonds, including profits made on the sale of the bonds, are exempt
 9-46 from taxation in this state.

9-47 Sec. 432.265. APPLICATION OF OTHER LAW ON PRIVATE PROPERTY
 9-48 RIGHTS. Chapter 2007, Government Code, does not apply to a tax
 9-49 imposed by a district.

9-50 [Sections 432.266-432.300 reserved for expansion]

9-51 SUBCHAPTER G. ASSESSMENTS

9-52 Sec. 432.301. GENERAL POWERS RELATING TO ASSESSMENTS. A
 9-53 district may undertake improvement projects and services that
 9-54 confer a special benefit on all or a definable part of the district.
 9-55 The district may impose assessments on property in that area, based
 9-56 on the benefit conferred by the improvement project or service, to
 9-57 pay all or part of the cost of the project or service. If the board
 9-58 determines that there is a benefit to the district, the district may
 9-59 provide an improvement or service to an area outside the district.

9-60 Sec. 432.302. SPECIFIC POWERS RELATING TO ASSESSMENTS.
 9-61 (a) An improvement project or service provided by a district may
 9-62 include the construction, acquisition, improvement, relocation,
 9-63 operation, maintenance, or provision of:

9-64 (1) lighting and signs; streets and sidewalks;
 9-65 pedestrian skywalks, crosswalks, and tunnels; drainage and
 9-66 navigation improvements; pedestrian malls; solid waste, water,
 9-67 sewer, and power facilities, including electrical, gas, steam,
 9-68 cogeneration, and chilled water facilities; parks, plazas, lakes,
 9-69 rivers, bayous, ponds, and recreation and scenic areas; historic

10-1 areas; fountains; works of art; off-street parking facilities, bus
 10-2 terminals, heliports, and mass transit systems; and the cost of any
 10-3 demolition in connection with providing any of the improvement
 10-4 projects;

10-5 (2) other improvements similar to those described in
 10-6 Subdivision (1);

10-7 (3) the acquisition of real property or any interest
 10-8 in real property in connection with an improvement project or
 10-9 service authorized by this chapter;

10-10 (4) special supplemental services for health and
 10-11 sanitation, public safety, maintenance, security, and elimination
 10-12 or relief of traffic congestion; and

10-13 (5) expenses incurred in the establishment,
 10-14 administration, maintenance, and operation of the district or any
 10-15 of its improvements, projects, or services.

10-16 (b) An improvement project on two or more streets or two or
 10-17 more types of improvements may be included in one proceeding and
 10-18 financed as one improvement project.

10-19 Sec. 432.303. PROPOSED ASSESSMENTS. A service or
 10-20 improvement project may be financed under this chapter after a
 10-21 petition and hearing notice given as required by this subchapter
 10-22 and a public hearing by the board on the advisability of the
 10-23 improvement or service and the proposed assessments.

10-24 Sec. 432.304. PETITION REQUIRED. A district may not
 10-25 finance a service or improvement project under this chapter unless
 10-26 a written petition has been filed with the board requesting the
 10-27 improvement or service signed by the owners of 50 percent or more of
 10-28 the assessed value of the property in the district to be assessed as
 10-29 determined from the most recent certified county property tax
 10-30 rolls.

10-31 Sec. 432.305. NOTICE OF HEARING. (a) A district shall
 10-32 provide notice of a hearing in a newspaper with general circulation
 10-33 in the county in which the district is located. The final
 10-34 publication must be made not later than the 30th day before the date
 10-35 of the hearing.

10-36 (b) The notice must include:
 10-37 (1) the time and place of the hearing;
 10-38 (2) the general nature of the proposed improvement
 10-39 project or service;

10-40 (3) the estimated cost of the improvement, including
 10-41 interest during construction and associated financing costs; and

10-42 (4) the proposed method of assessment.

10-43 (c) The district shall mail written notice containing the
 10-44 information required by Subsection (b) by certified mail, return
 10-45 receipt requested, not later than the 30th day before the date of
 10-46 the hearing. The notice must be mailed to each property owner in
 10-47 the district who will be subject to assessment at the current
 10-48 address of the property to be assessed as reflected on the tax
 10-49 rolls.

10-50 Sec. 432.306. CONCLUSION OF HEARING; FINDINGS. (a) A
 10-51 hearing on the service or improvement project, whether conducted by
 10-52 the board or a hearings examiner, may be adjourned from time to
 10-53 time.

10-54 (b) At the conclusion of the hearing, the board shall make
 10-55 findings by resolution or order relating to the advisability of the
 10-56 improvement project or service, the nature of the improvement
 10-57 project or service, the estimated cost, the area benefited, the
 10-58 method of assessment, and the method and time for payment of the
 10-59 assessment.

10-60 (c) If a hearings examiner is appointed to conduct the
 10-61 hearing, after conclusion of the hearing, the hearings examiner
 10-62 shall file with the board a report stating the examiner's findings
 10-63 and conclusions.

10-64 Sec. 432.307. AREA TO BE ASSESSED. (a) The area of a
 10-65 district to be assessed according to the board's findings may be the
 10-66 entire district or any part of the district and may be less than the
 10-67 area proposed in the notice of the hearing.

10-68 (b) Except as provided by Subsection (c), the area to be
 10-69 assessed may not include property that is not in the district at the

11-1 time of the hearing unless there is an additional hearing, preceded
 11-2 by the required notice.

11-3 (c) The owner of an improvement constructed, or land annexed
 11-4 to the district, after the district has imposed assessments may
 11-5 waive the right to notice and an assessment hearing and may agree to
 11-6 the imposition and payment of assessments at an agreed rate for
 11-7 improvements constructed or land annexed to the district.

11-8 Sec. 432.308. OBJECTIONS; IMPOSITION OF ASSESSMENT.

11-9 (a) At a hearing on proposed assessments, at any adjournment of
 11-10 the hearing, or after consideration of the hearings examiner's
 11-11 report, the board shall hear and rule on all objections to each
 11-12 proposed assessment.

11-13 (b) The board may amend proposed assessments for any parcel.

11-14 (c) After all objections have been heard and action has been
 11-15 taken with regard to those objections, the board, by order or
 11-16 resolution, shall impose the assessments on the property and shall
 11-17 specify the method of payment of the assessments and may provide
 11-18 that those assessments be paid in periodic installments, including
 11-19 interest.

11-20 (d) Periodic installments must be in amounts sufficient to
 11-21 meet annual costs for services and improvements as provided by
 11-22 Section 432.309 and continue for the number of years required to
 11-23 retire indebtedness or pay for the services to be rendered. The
 11-24 board may provide interest charges or penalties for failure to make
 11-25 timely payment and also may impose an amount to cover delinquencies
 11-26 and expenses of collection.

11-27 (e) If assessments are imposed for more than one service or
 11-28 improvement project, the board may provide that assessments
 11-29 collected for one service or improvement project may be borrowed to
 11-30 be used for another service or improvement project.

11-31 (f) The board shall establish a procedure for the
 11-32 distribution or use of any assessments in excess of those necessary
 11-33 to finance the service or improvement project for which those
 11-34 assessments were collected.

11-35 Sec. 432.309. APPORTIONMENT OF COST. The board shall
 11-36 apportion the cost of an improvement project or service to be
 11-37 assessed against the property in the district based on the special
 11-38 benefits accruing to the property because of the improvement
 11-39 project or service. The cost may be assessed:

11-40 (1) equally by front foot or by square foot of land
 11-41 area against all property in the district;

11-42 (2) against property according to the value of the
 11-43 property as determined by the board, with or without regard to
 11-44 structures or other improvements on the property; or

11-45 (3) on any other reasonable assessment plan that
 11-46 results in imposing fair and equitable shares of the cost on
 11-47 property similarly benefited.

11-48 Sec. 432.310. ASSESSMENT ROLL. If the total cost of an
 11-49 improvement project or service is determined, the board shall
 11-50 impose the assessments against each parcel of land against which an
 11-51 assessment may be imposed in the district. With regard to an
 11-52 assessment for a service, the board may impose an annual assessment
 11-53 that is lower but not higher than the initial assessment. The board
 11-54 shall have an assessment roll prepared showing the assessments
 11-55 against each property and the board's basis for the assessment. The
 11-56 assessment roll shall be filed with the board secretary or other
 11-57 officer who performs the function of secretary and be open for
 11-58 public inspection.

11-59 Sec. 432.311. INTEREST ON ASSESSMENTS; LIEN.

11-60 (a) Assessments bear interest at a rate specified by the board.
 11-61 The interest rate may not exceed the rate permitted by Chapter 1204,
 11-62 Government Code.

11-63 (b) Interest on an assessment between the effective date of
 11-64 the order or resolution imposing the assessment and the date the
 11-65 first installment and any related penalty is payable is added to the
 11-66 first installment. The interest or penalties on all unpaid
 11-67 installments are added to each subsequent installment until paid.

11-68 (c) An assessment or any reassessment and any interest and
 11-69 penalties on that assessment or reassessment is a lien against the

12-1 property until it is paid.

12-2 (d) The owner of any property assessed may pay at any time
12-3 the entire assessment against any lot or parcel with accrued
12-4 interest to the date of the payment.

12-5 Sec. 432.312. SUPPLEMENTAL ASSESSMENTS. After notice and
12-6 hearing in the manner required for an original assessment, the
12-7 board may make supplemental assessments to correct omissions or
12-8 mistakes in the assessment:

12-9 (1) relating to the total cost of the improvement
12-10 project or service; or

12-11 (2) covering delinquencies or costs of collection.

12-12 Sec. 432.313. APPEAL. (a) After determination of an
12-13 assessment, a property owner may appeal the assessment to the
12-14 board. The property owner must file a notice of appeal with the
12-15 board not later than the 30th day after the date the assessment is
12-16 adopted. The board shall set a date to hear the appeal.

12-17 (b) The property owner may appeal the board's decision on
12-18 the assessment to a court. The property owner must file notice of
12-19 the appeal with the court not later than the 30th day after the date
12-20 of the board's final decision with respect to the assessment.

12-21 (c) Failure to file either of the notices in the time
12-22 required by this section results in a loss of the right to appeal
12-23 the assessment.

12-24 (d) If an assessment against a parcel of land is set aside by
12-25 a court, found excessive by the board, or determined to be invalid
12-26 by the board, the board may make a reassessment or new assessment of
12-27 the parcel.

12-28 Sec. 432.314. APPEAL OF ORDER. A person against whom an
12-29 assessment is made by board order may appeal the assessment to a
12-30 district court in the county in which the district is located in the
12-31 manner provided for the appeal of a contested case under Chapter
12-32 2001, Government Code. Review by the district court is by trial de
12-33 novo.

12-34 Sec. 432.315. GOVERNMENTAL ENTITIES; ASSESSMENTS. Payment
12-35 of assessments by municipalities, counties, other political
12-36 subdivisions, and organizations exempt from federal income tax
12-37 under Section 501(c)(3), Internal Revenue Code of 1986, is
12-38 established by contract. Municipalities, counties, and other
12-39 political subdivisions may contract with the district under terms
12-40 those entities consider advisable to provide for the payment of
12-41 assessments.

12-42 [Sections 432.316-432.350 reserved for expansion]

12-43 SUBCHAPTER H. DISSOLUTION

12-44 Sec. 432.351. DISSOLUTION BY PRINCIPAL MUNICIPALITY.
12-45 (a) After a hearing, the governing body of the principal
12-46 municipality may by resolution dissolve the district.

12-47 (b) Before dissolution under this section, the principal
12-48 municipality shall publish notice and hold a hearing on the
12-49 proposed dissolution in the manner provided by Section 432.052.

12-50 Sec. 432.352. DISSOLUTION BY ANNEXATION. On the effective
12-51 date of any full-purpose annexation proceeding by the principal
12-52 municipality that results in all territory in the district being
12-53 annexed for full purposes, the district is automatically dissolved
12-54 without further action by the principal municipality's governing
12-55 body.

12-56 Sec. 432.353. ASSUMPTION OF ASSETS, DEBTS. (a) On
12-57 dissolution, the principal municipality assumes the assets, debts,
12-58 and other obligations of the district.

12-59 (b) On dissolution, the principal municipality may use any
12-60 source of revenue available to the district under Section 432.255
12-61 to pay any district debt or obligation assumed by the principal
12-62 municipality.

12-63 SECTION 2. The heading to Subtitle I, Title 6,
12-64 Transportation Code, is amended to read as follows:

12-65 SUBTITLE I. TRANSPORTATION CORPORATIONS AND TRANSPORTATION
12-66 INFRASTRUCTURE SERVICES DISTRICTS

12-67 SECTION 3. Subsection (h), Section 43.052, Local Government
12-68 Code, is amended to read as follows:

12-69 (h) This section does not apply to an area proposed for

annexation if:

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

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

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

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

(B) a strategic partnership agreement under Section 43.0751;

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

(5) the area is annexed under:

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

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

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

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

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

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

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

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