

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 21, 2007

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

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

IN RE: HB2510 by Martinez, "Mando" (Relating to the creation, administration, powers, duties, operations, and financing of a commuter rail district; granting the authority to issue bonds; granting the power of eminent domain.), **As Passed 2nd House**

The fiscal impact on the state cannot be estimated.

The bill would add Article 6550c-3 to Chapter 13, Title 112, Revised Statutes, to authorize the commissioners court of a county to create a commuter rail district to provide commuter rail service to counties along the Texas-Mexico border. The bill stipulates the steps for creating a district and establishing the district's board; the powers and duties of the district; how the district shall operate; and methods of funding the district and its operations. In addition, the Texas Transportation Commission would be authorized to enter into an interlocal agreement with a district under which the district may exercise a power or duty of the commission for the development and efficient operation of an intermodal corridor in the district.

A district would be authorized to contract with a county or other political subdivision to provide commuter rail transportation services to an area outside the boundaries of the district on such terms and conditions as the parties agree. A district's property, material purchases, revenues, and income and the interest on a bond or note issued by a district would be exempt from taxes imposed by the state or a political subdivision. The district would be authorized to impose any kind of tax except an ad valorem property tax. A municipality located within a district and that wants to be served by district commuter rail facilities must pay for construction of a commuter rail station.

The bill would add Chapter 329 and amend Section 321.101 of the Tax Code, relating to sales and use taxes by certain municipalities located wholly or partly in a district created under Article 6550c-3, Revised Statutes. The bill would create a 1 percent cap on transit sales and use taxes. The bill would exclude the transit tax in these municipalities from counting toward the total combined local tax rate.

The bill would take effect September 1, 2007.

Under current law, the total combined rate of all local sales and use taxes cannot exceed 2 percent. Local sales and use taxes imposed by transit authorities are part of the combined 2 percent maximum. The bill would exclude the local sales and use tax imposed by transit authorities in the specified municipalities from counting toward the 2 percent maximum. The bill would establish a maximum of 1 percent for local sales and use taxes imposed by transit authorities in those municipalities, in effect allowing a 3 percent maximum rate for all sales and use taxes within those municipalities.

Whether the affected municipalities would adopt new or modify their current local sales or use taxes is unknown; therefore, the fiscal impact on the state or units of local government cannot be estimated.

Local Government Impact

Because the bill would grant a district the ability to establish fees, maintain rates, obtain grants, and issue bonds at a level to pay all expenses necessary for operations, maintenance, and repayment of any bond debt, as well as impose taxes, it is assumed that the fiscal impact for the creation and operation of a district would be recouped.

The fiscal impact to units of local government that would choose to participate in obtaining commuter rail services would vary depending on the services that would be provided under the provisions of the bill. Costs to local governmental entities for participating in the promotion, facilitation, development, and improvement of commuter rail along the Texas-Mexico border would depend on the size and type of the projects that are constructed, but it is assumed those entities would enter into agreements only if the entity has sufficient funding.

As indicated above, whether the affected municipalities would adopt new or modify their current local sales or use taxes is unknown; therefore, the fiscal impact on units of local government cannot be estimated.

Source Agencies: 601 Department of Transportation

LBB Staff: JOB, KJG, DB