LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 10, 2007

TO: Honorable John Carona, Chair, Senate Committee on Transportation & Homeland Security

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

IN RE: **SB1406** by Wentworth (Relating to the authorization of airport authorities and the issuance of bonds and the exercise of eminent domain by the authorities.), **Committee Report 1st House, Substituted**

Because the bill would grant airport authorities an exemption from all taxes and limited powers of eminent domain, cities, counties, and school districts could see some erosion in their property tax base as a consequence of land or property removed from tax rolls.

The bill would add Chapter 27 to Title 3 of the Transportation Code to authorize the creation of airport authorities by the state, counties, and municipalities, either through independent or joint action. The bill would allow local governments and the state to donate, sell, or lease property and facilities to an airport authority, as well as take other actions that would be necessary or convenient to aid and cooperate with an airport authority in planning or operating an airport. An airport authority created under Chapter 27 would be an airport authority under Section 12, Article IX, Texas Constitution.

Airport authorities could issue revenue bonds to fund projects, to construct new airport facilities, and to provide a coordinated effort to meet a region's air travel needs. Airport authorities would have limited rights of eminent domain. All transfers of land, licenses, easements, or other property under Section 27.002 would be subject to the continuing right of a utility to maintain existing facilities in those locations and to be reimbursed for any required relocation, removal, or adjustment of those facilities.

The bill would provide airport authorities with three funding mechanisms. First, direct revenue would come from services provided to airline companies, private plane owners, and passengers for goods and services like fuel, storage, and maintenance work. Additional revenue could come from rent charged to private vendors who offered these goods and services on the authority's property. Second, an airport authority could issue revenue bonds. Any bonds issued would not create debt of the state, a county, or a municipality and would not create a charge against the credit or taxing powers of the state, a county, or a municipality. Third, an airport authority could accept donations of land, facilities, and funds from private and public groups interested in the well-being of the authority.

An airport authority's property and income would be exempt from all state, county, municipal, and other local taxation. The taxability of any property that is taxable under the Tax Code on the effective date of the bill would not be affected.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of the bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

The bill would take effect immediately if it were to receive the required two-thirds vote in each house; otherwise, it would take effect September 1, 2007.

Local Government Impact

According to analysis provided by the Comptroller of Public Accounts, because the bill would grant airport authorities an exemption from all taxes and limited powers of eminent domain, cities, counties, and school districts could see some erosion in their property tax base as a consequence of land or property removed from tax rolls.

Source Agencies: 601 Department of Transportation, 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, DB, SR, MW, KJG