

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 19, 2011**

**TO:** Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

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

**IN RE: HB1400** by Elkins (Relating to the boundaries and financing of public improvement districts designated by a municipality or county.), **Committee Report 2nd House, Substituted**

**No fiscal implication to the State is anticipated.**

The bill would amend Chapter 372 of the Local Government Code relating to the boundaries and financing of public improvement districts (PIDs).

The bill would authorize payment of expenses to include expenses related to the operation and maintenance of mass transportation facilities.

The bill would add Section 372.0035 to Subchapter A that would apply only to a municipality that has a population of more than one million and a council-manager form of government and that is located wholly or partly in a county with a population of more than two million; and a public improvement district established under this subchapter and solely composed of territory in which the only businesses are hotels.

The bill would require the governing body of a municipality or a county to estimate the appraised value of taxable real property liable for assessment in the district and the cost of the improvement before holding a hearing for a proposed improvement under Section 372.005 that includes a deferred assessment.

The bill would require the governing body of a municipality with a population of one million or less or a county with a population of one million or less, prior to issuing bonds or obligations payable wholly or partly from or secured by assessments, to find and determine all underground water, wastewater, and drainage facilities and roadways to serve real property liable for assessments necessary to support the bonds or obligations is at least 95 percent complete; and construction of at least 25 percent of the houses or other buildings have been completed. A municipality with a population of more than 250,000 or a county with a population of more than one million would be required to obtain an independent market study prior to issuing bonds under this chapter. The Attorney General would be required to adopt rules to enforce this section and to ensure the integrity and economic feasibility of bonds or obligations.

**Local Government Impact**

According to the City of Grand Prairie, the city recently researched the use of deferred assessments for PIDS. The city found the costs of software too high and the revenue generated would not be sufficient to cover costs for providing services for developments.

In addition, there could be costs to a municipality or a county associated with the requirements to find and determine that the facilities and roadways are at least 95 percent complete and at least 25 percent of the property assessed is developed as specified. The amounts would vary depending on the amount of applicable bonds or obligations that are issued and the percentage of completion as required.

**Source Agencies:**

**LBB Staff:** JOB, KKR, TP