

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 26, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: HB3246 by Elkins (Relating to public improvement districts designated by a municipality or county.), **As Passed 2nd House**

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to modify several practices regarding the creation, management and authority of Public Improvement Districts (PID), including noncontiguous districts, scope of public improvement projects, utility services, higher education partnerships, assessment plans, and contracting for the collection of assessments. The bill also would alter several funding methods including reimbursements, temporary notes, time warrants, installment contracts, interest, and general obligation and revenue bonds.

The bill would require the governing body of a municipality with a population of 250,000 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 700,000 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.

If an assessment is collected and applied to pay an installment of a sales contract, reimbursement agreement, temporary note, or time warrant, the governing body of a municipality or a county would be authorized to pledge all or part of the revenue collected to pay general obligation bonds, certificates of obligation, or revenue bonds issued to refund obligations.

The bill would repeal Section 372.023(f) of the Local Government Code.

Local Government Impact

Based on the analysis from the City of Fort Worth, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. A PID could experience additional administrative costs for non-contiguous areas and increased collection fees charged by a county. The additional ability to cost improvements would result in reimbursable administrative costs and additional revenue.

The City of Grand Prairie 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 street construction is 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