

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**March 22, 2011**

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

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

**IN RE: SB760** by West (Relating to the term of interlocal contracts.), **As Introduced**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend Section 791.011 of the Government Code to authorize a municipality or a county that has an interlocal contract to have a specified term of years, notwithstanding Subsections (d) and (f).

**Local Government Impact**

According to the Texas Municipal League (TML), there is no way to predict how many municipalities would enter into interlocal agreements like this, but it would provide flexibility to municipalities which would hopefully result in a positive fiscal impact to municipalities.

The City of Denton reported no significant fiscal impacts are anticipated to the city.

According to the Texas Association of Counties (TAC), the option for municipalities and counties to enter into long-term agreements through a voluntary interlocal contract without the requirement to levy an assessment, such as a sinking fund, may allow various services and programs to be merged together to function as one unit and achieve better efficiency and effectiveness of public funds and services.

Harris County reported the potential savings cannot be estimated, but considers there would be substantial, long-term fiscal and operational impacts. The provisions would allow an exception to the requirement that borrowing by cities and counties be backed by adequate tax revenues and a sinking fund, currently required under Article XI, Section 7(a) of the Texas Constitution. Cities and counties would be allowed to establish interlocal agreements for multiple years without the conservative funding that is currently required; thus, a current governing body may obligate its successors without sufficient resources to pay obligations incurred. However, the ability to make multi-year interlocal contracts between cities and counties could create a certain stability currently missing when such agreements require annual renewals and budget allocations.

El Paso County reported there would be no fiscal impact to the county.

**Source Agencies:**

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