

## **BILL ANALYSIS**

H.B. 3872  
By: Morrison  
Natural Resources  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties note that the Port O'Connor Municipal Utility District was created by the legislature several decades ago to provide water, sewer, and drainage facilities to a residential community located in an unincorporated part of Calhoun County along the intercoastal waterway. The parties report that the district is seeking a name change and the authority to levy a sales and use tax. H.B. 3872 seeks to address these requests.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 3872 amends Chapter 693, Acts of the 65th Legislature, Regular Session, 1977, to rename the Port O'Connor Municipal Utility District as the Port O'Connor Improvement District.

H.B. 3872 authorizes the district to adopt a sales and use tax if authorized by a majority of the voters of the district voting at an election held for that purpose. The bill authorizes the district's board of directors by order to call an election to authorize the adoption of the sales and use tax and sets out provisions relating to the election date, notice and manner of the election, and ballot language.

H.B. 3872, after the date the results are declared of a sales and use tax election at which the voters approved imposition of the tax, requires the board to determine and adopt by resolution or order the initial rate of the tax, which must be in one or more increments of one-eighth of one percent. The bill authorizes the board to increase or decrease the rate of the tax by one or more increments of one-eighth of one percent after the election. The bill caps the initial rate of the tax or any rate resulting from subsequent increases or decreases at the lesser of the maximum rate authorized by the district voters at the election or a rate that would result in the maximum combined rate of two percent as prescribed by the Municipal Sales and Use Tax Act at any location in the district when added to the rates of all sales and use taxes imposed by other political subdivisions with territory in the district. The bill sets out provisions relating to the determination of whether the combined sales and use tax rate will exceed the prescribed maximum combined rate at any location in the district. The bill requires the board to notify the comptroller of public accounts in a certain manner of any changes made to the tax rate.

H.B. 3872 establishes that revenue from the sales and use tax is for the use and benefit of the district and may be used for any district purpose. The bill authorizes the district to pledge all or part of the revenue to the payment of bonds, notes, or other obligations, and specifies that such pledge of revenue may be in combination with other revenue, including tax revenue, available to the district.

H.B. 3872 authorizes the board to abolish or decrease the sales and use tax without an election

but prohibits the board from abolishing or decreasing the tax if the district has outstanding debt secured by the tax and repayment of the debt would be impaired by the abolition or decrease of the tax. The bill requires the board to notify the comptroller in a certain manner if the board abolishes or decreases the tax. The bill, if the board abolishes the tax or decreases the tax rate to zero, requires a new election to authorize a sales and use tax to be held before the district may subsequently impose the tax.

H.B. 3872 establishes that the Municipal Sales and Use Tax Act governs the imposition, computation, administration, enforcement, and collection of the district sales and use tax except to the extent the act is inconsistent with certain provisions of the bill. The bill specifies that a reference in the act to a municipality or the governing body of a municipality is a reference to the district or the board, respectively.

H.B. 3872 establishes that the district retains all rights, powers, privileges, authorities, duties, and functions that it had before the bill's effective date. The bill provides for the validation and confirmation of certain district actions and proceedings taken before the bill's effective date.

#### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.