

**SUBJECT:** Use of impact fees to back municipal-bond security

**COMMITTEE:** Financial Institutions — committee substitute recommended

**VOTE:** 5 ayes — Marchant, Carona, Elkins, Gutierrez, Romo  
0 nays  
4 absent — Giddings, Grusendorf, Hudson, Patterson

**WITNESSES:** For — Joe Paniagua, City of Fort Worth  
Against — None

**BACKGROUND:** Cities may assess impact fees on new residential and commercial developments for utility services the city plans to improve or expand for the development. Impact fees are assessed according to the city's capital improvements plan.  
  
City bond credit ratings depend in part on the amount of revenue pledged as security to support city-issued bonds. Cities are not allowed to pledge impact fees as security for city bonds.

**DIGEST:** CSHB 2388 would authorize cities to pledge impact fees as security for the payment of debt service on bonds issued to finance the improvement or expansion of city utilities. The city would have to certify that the impact fees would be used only for facilities identified in the city's capital improvements plan.

**SUPPORTERS SAY:** CSHB 2388 would let cities take the reasonable step of pledging impact fees as security for city bonds, like other types of city utility revenue. This would strengthen a city's revenue situation and reduce a city's need to raise water and sewer rates to bolster reportable income and support credit ratings.

**OPPONENTS SAY:** No apparent opposition.

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NOTES: The original bill specified that a impact fees would be included in a city's income, notwithstanding other provisions, and could be used as payment for bonds.

The companion bill, SB 1329 by Nelson, passed the Senate by 31-0 on the Local and Uncontested Calendar on April 12 and was reported favorably, without amendment, by the House Financial Institutions Committee on April 18. SB 1329 is eligible to be considered in lieu of HB 2388.