HOUSE
RESEARCH
ORGANIZATION bill analysis 4/25/2001

HB 2123
Tillery

SUBJECT: Reimbursing D/FW International Airport for municipal services

COMMITTEE: Transportation — favorable, without amendment

VOTE: 9 ayes — Alexander, Hawley, Y. Davis, Edwards, Hamric, Hill, Noriega, Pickett, Swinford

0 nays

WITNESSES: For — Kevin Cox and Tom Dunning, Dallas/Fort Worth International Airport; Mayor Ron Kirk, City of Dallas; Jeff Wentworth, City of Fort Worth; *Registered but did not testify:* Tracy Thompson, Dallas/Fort Worth International Airport

Against — David B. Anderson, John F. Boyle, Jr., Roger Nelson, Clydene Johnson, and Mayor William D. Tate, City of Grapevine; *Registered but did not testify:* Darlene Freed and Eddie Salamé, City of Grapevine

BACKGROUND: Transportation Code, chapter 22, subchapter D governs the regulation of joint operations of county and municipal airports. Currently, this statute applies only to Dallas/Fort Worth (D/FW) International Airport.

D/FW International was built and is owned by the cities of Dallas and Fort Worth and administered by a jointly appointed board. The airport is located primarily within the city limits of Grapevine (about 8,000 of D/FW's 18,000 acres, including all terminals and most paid parking) and, to a lesser extent, the city limits of Euless and Irving. A small portion lies within Coppell.

DIGEST: HB 2123 would require the City of Grapevine to reimburse D/FW International Airport annually for the airport's costs of providing municipal services to the airport. The airport board could require Grapevine to pay the lesser of:

- the airport's cost of providing municipal services on airport property located within Grapevine's city limits, or
- the sum of all tax revenue Grapevine derived from airport property and operations located within its city limits.

The required reimbursements would have to be paid yearly by March 31 of the year following the year in which expenses were incurred.

This bill would take effect January 1, 2002.

SUPPORTERS SAY:

HB 2123 would represent the most equitable resolution of the ongoing dispute between D/FW International Airport and the City of Grapevine in regard to the costs of providing municipal services.

D/FW International provides all of its own requisite municipal services (water, sewer, sanitation, ambulance and police and fire protection, etc.). The surrounding cities, which periodically have annexed airport land since the airport opened in the mid-1960s, receive tax revenue generated by the airport's property and commercial activities, such as car rental and parking, hotels and motels, restaurants, and vending. Service costs are rising, and the airport needs to expand to remain competitive domestically and become more competitive internationally. Two new terminals are planned this decade.

The airport and Euless and Irving have agreed to share any additional incremental revenue above a baseline year that is generated by expansion. Dallas and Fort Worth are to split two-thirds with the remainder going to Euless and Irving, respectively, as validated in 1999 by the 76th Legislature (SB 1480 by Cain). Grapevine is not party to the agreement, and negotiations have been on-going since 1995.

HB 2123 would resolve the dispute based on what Grapevine receives in tax revenue from the part of the airport within its city limits (about $11 million a year) compared to what it costs the airport to provide municipal services in the same geographic area (about $34 million a year, according to a study). The bill would require Grapevine to reimburse the airport up to an amount equal to what Grapevine receives in tax revenue — the $11 million — less debt service, about $3 million a year. Thus, Grapevine would have to pay the airport or the cities of Dallas and Fort Worth about $8 million a year.

This would be the most equitable resolution of this controversy because it would be based on proportionality. Dallas and Fort Worth bore all the risk of building and operating the airport, which is now self-sustaining, yet Dallas and Fort Worth receive none of the tax revenue generated by the airport. Grapevine bears none of the cost of the airport's municipal services. If the city is not going to negotiate an agreement, it is only fair that Grapevine reduce its share of revenue by the amount it would have to spend to provide those services.

D/FW International is an economic engine that benefits all of its adjoining cities, the entire Metroplex, and even the rest of the state. Grapevine knows that the airport must expand further into its city limits, generating additional revenue in coming years as it seeks a larger share of the international airline travel market. But if the airport cannot reduce costs, it will have to pass them along to airlines, making the airport less competitive and penalizing the Metroplex and state economies in the process. Grapevine's windfall would come at their expense.

The Legislature has a duty to help ensure D/FW's continued success as a major international airport in support of better air travel for all Texans.

OPPONENTS SAY:

The Legislature has no business dictating an interlocal agreement to a Texas city. HB 2123 is unprecedented in that it would authorize state government to order a city to share its legitimate tax revenue with other cities.

Grapevine annually provides about $1 million worth of police and fire protection and municipal court services to the airport. It also spends about $1.8 million a year promoting D/FW and its accommodations for tourism, meetings, and conventions. That sum exceeds by $300,000 what Grapevine receives in hotel occupancy tax revenue. Grapevine is justified in collecting tax revenue to offset those costs. It and the other three cities were asked to use their annexation power to help Dallas and Fort Worth acquire unincorporated land to build the airport. The cities relinquished property-tax revenue when the land became tax-exempt. They are entitled to revenue from other sources generated by the airport by virtue of their annexation. It would be unfair for the airport to change the rules this late in the game because the airport needs more space.

It would be inappropriate for the airport board to transfer tax revenue received by Grapevine to Dallas and Fort Worth. They receive no tax revenue now and bear no costs of the municipal services the airport provides.

OTHER OPPONENTS SAY:

HB 2123 would be too drastic an approach and would punish Grapevine for exercising its legitimate authority. Other bills filed this session could provide less draconian options. The real issue is the future of the airport, and legislation addressing that aspect of the problem — not current revenue streams — deserves greater consideration.

NOTES: The companion bill, SB 1228 by Carona, was considered in a public hearing by the Senate Intergovernmental Affairs Committee on March 20 and was referred to a subcommittee.

Several other bills have been introduced in the 77th Legislature addressing this issue:

- HB 2083 by G. Lewis and SB 569 by Cain would give Grapevine one-third of any incremental tax revenue generated by newly developed D/FW property within its city limits, in addition to existing tax revenue (identical to the existing agreements with Euless and Irving). HB 2083 was reported favorably as substituted by the House Transportation Committee on April 11. SB 569 was reported favorably as substituted by the Senate Intergovernmental Relations Committee on April 17.

- SB 881 by Nelson would allow Grapevine to retain 40 percent of airport tax revenue from lease payments, with Dallas and Fort Worth splitting the remainder, and would allow Grapevine, Euless, Irving, and Coppell to appoint a D/FW Airport advisory board. This bill was reported favorably as substituted by the Senate Intergovernmental Relations Committee on April 17.

- HB 9 by Truitt would change zoning and code enforcement powers of the cities of Grapevine, Euless, Irving, and Coppell related to D/FW. This bill was reported favorably without amendment by the House Land and Resource Management Committee on April 11.

- HB 2050, 2051, and 2052 by Truitt, all reported favorably by the House Land and Resource Management Committee, and SB 882 and 883 by Nelson, both pending in the Senate Intergovernmental Relations Committee, would require D/FW to divest its non-aviation property and would give Grapevine, Euless, Irving, and Coppell greater say in airport operations, land use, and condemnation.