

- SUBJECT:** Expanding the uses library districts may make of sales taxes
- COMMITTEE:** State, Federal and International Relations — favorable, without amendment
- VOTE:** 7 ayes — Hunter, Chavez, Elkins, Madden, Miller, Najera, Raymond  
0 nays  
2 absent — Moreno, Berman
- WITNESSES:** For — Jim Bannerot, Westbank Community Library District; Diane Koehler, Wells Branch Community Library District and all 9 library districts; Gloria Meraz, Texas Library Association.  
  
Against — None
- BACKGROUND:** In 1997, the 75th Legislature added Local Government Code, ch. 326, authorizing counties to create library districts by local option elections. Nine library districts have been created. These districts are authorized to levy sales taxes of up to one-half of one percent.  
  
Sec. 326.061(a) grants library districts all the powers, authority, rights, and duties necessary to accomplish the purposes for which the district was created. Specific powers granted to library districts include purchasing, constructing, acquiring, owning, operating, maintaining, repairing, or improving any property belonging to the district, except for land. Also, although districts may borrow money, they are not specifically authorized to pledge their sales tax revenues as collateral for their debts.
- DIGEST:** HB 995 would amend Local Government Code, sec. 326.061 to add land to the other types of property that library districts may own and manage. The bill also would amend sec. 326.095 to permit a library district to pledge its revenues as collateral on a debt that is created to further any of the district's legitimate purposes.  
  
The bill would take effect September 1, 2001.

SUPPORTERS  
SAY:

HB 995 is needed to clarify what actions a library district may take to accomplish its purposes. Although the Local Government Code purports to give library districts “all of the powers, authorities, rights and duties” that would permit them to accomplish their purposes, the current statute does not specifically give the districts power regarding land, nor does it explicitly allow them to pledge their revenues as collateral. As special taxing districts, library districts only can take those actions specifically authorized by statute.

HB 995 would eliminate current uncertainties in the statute that have had negative financial implications for library districts. For instance, one district that desire to add onto its facility had to spend about \$10,000 to obtain legal opinions assuring its lenders that the district was permitted to borrow money for the project and to use tax revenues to secure the loan. Moreover, if a library district cannot pledge its tax revenues to secure its debts, it is forced to pay higher interest rates, to mortgage the property purchased, and to pay additional expenses associated with a mortgage such as property inspection, appraisal fees, and title insurance. HB 995 would prevent such unnecessary expenditures, freeing up more money for books and library operations.

HB 995 would not substantially change the obligations of the local government or the taxpayers by permitting revenues to be pledged as collateral. Regardless of any pledge, local governments and taxpayers would be required to satisfy the library district’s obligations if they wished to dissolve the district or reduce its tax revenues.

OPPONENTS  
SAY:

Permitting a library district to pledge tax revenues to secure its debts could tie the hands of the voters and the local government. If a library district secured loans with the sales tax that voters and local government have allocated to it, future flexibility would be sacrificed. Once these revenues were pledged as collateral, the voters and local government could not change whether and how much sales taxes the library district should receive.