

SUBJECT: Authority for emergency services districts to increase property taxes

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — Oliveira, Otto, Bohac, Hartnett, C. Howard, Paxton, Pena,
Taylor, Villarreal

0 nays

1 present not voting — P. King

1 absent — Hilderbran

WITNESSES: (*On original version:*)

For — Ken Campbell, State Association of Fire and Emergency Services Districts; Howard Katz, Harris County ESD No. 28; Scott Kerwood; Keith Lewis, State Association of Fire and Emergency Districts; James Linardos, Lake Travis Fire and Rescue, Travis County ESD No. 6; Ron Moellenberg, Travis County ESD No. 2; Don Smith, Williamson County ESD No. 8; Debbie Tanner-Jacobs, Lake Travis Fire and Rescue, Travis County ESD No. 6; (*Registered, but did not testify:* John Carlton, State Association of Fire and Emergency Districts; Jim DeWitt, Travis County ESD No. 6; John Grasshoff, Travis County ESD No. 2; Barker Keith II, Lake Travis Fire and Rescue, Travis County ESD No. 6; John Kiracofe, Williamson County ESD No. 1; Donna Lewis; Barbara Marzean, VFIS of Texas; Glen Reid, Travis County ESD No. 10; Shelton Robert, Williamson County ESD No. 7, Florence Fire Department; Terry L. Struble, Travis County Emergency Services District No. 2)

Against — (*Registered, but did not testify:* Paige Fish, ConocoPhillips; Michele Gregg, Texas Apartment Association; Virginia Strama, Texas Oil and Gas Association)

BACKGROUND: Health and Safety Code, sec. 775.074 requires emergency services districts to impose annual taxes on real and personal property located in the district and subject to district taxation. Sec. 775.0745 requires any emergency services district that wishes to increase such a tax to order an election to authorize such an increase.

Election Code, sec. 4.004 requires each election notice to include the nature and date of the election, the hours the polls will be open, and the location of each polling place, unless notice of the election is given by posting the notice in election precincts. The notice of a special election must also state the proposition stating each measure to be voted on.

DIGEST:

HB 3477 would authorize emergency services districts to increase real and personal property taxes and would require that taxes imposed or increased be targeted towards operations and capital.

The bill would authorize an emergency services board to impose an additional ad valorem tax on real and personal property in the district subject to taxation for the exclusive purpose of acquiring land, equipment, or apparatus, or for capital improvement construction. The board could use the tax for related purposes or to pay the principal or interest on any bonds, notes, or loans used for those purposes. The bill would allow an emergency services district board to increase any such tax above the current statutory rate of 10 cents per \$100 property valuation (HJR 112, an accompanying proposed constitutional amendment, would limit any tax increase to an additional 5 cents per \$100 property valuation).

Revenue from these taxes would have to be kept in a separate account. An increase in any real or personal property tax authorized for acquiring land, equipment, or apparatus, or for making capital improvements, would expire once the purchase price of the capital assets was paid in full and the bonds, notes, loans, or other indebtedness were paid in full.

If an emergency services board decided to impose a property tax for the purposes listed above, the board would have to hold an election. The board would have to file a capital improvements plan with the district's administrative office at least 30 days before the election date. The capital improvements plan would be open to public inspection and would describe the planned acquisition or construction. The plan would not be considered part of a proposition to be voted on or a contract with the voters.

The election notice would have to contain the information specified by Election Code sec. 4.004, plus a cost estimate of whatever land, equipment, or apparatus was to be purchased, or of whatever capital improvements were to be made, along with an estimate of any incidental expenses related to the issuance of bonds or other indebtedness notes.

If HJR 112 were approved by the Legislature and by the voters, the bill would take effect January 1, 2010. Otherwise, it would have no effect.

**SUPPORTERS
SAY:**

HB 3477 would provide increased funding for emergency services districts and allow them to continue the good work they are doing. Many of these districts are struggling to provide basic services in the face of extended drought conditions and population growth. The bill would allow emergency services districts to raise the capital needed to build new emergency service centers and purchase vital equipment. Any increase in taxes would not be significant, and would have to be approved by the voters.

The bill also would provide transparency by requiring that a district's capital improvements plan be made available to the public at least 30 days before the election, that taxes imposed and purchases made correspond to that plan, and that any tax revenue raised be kept in an account separate from the operating fund and expire as soon as the assets financed by the tax were paid off.

**OPPONENTS
SAY:**

While funding emergency services is a worthy goal, property taxes should not be raised above the amount currently allowed by the Texas Constitution. HB 3477 would increase the size of government beyond what is appropriate.

NOTES:

Rep. Bolton plans to offer an amendment requiring that an election on whether to levy an additional emergency services district property tax be held only on the uniform election date in November.

The committee substitute differs from the bill as filed by amending existing statutory language on emergency services district tax authority, rather than creating a new subsection; prohibiting any authorized tax from being imposed once the capital expenditure and bonds, loans, or other debt has been paid for; and stating the notification requirements for any election held to authorize these taxes.

HJR 112 by Bolton, proposing a constitutional amendment to allow emergency services districts to exceed the 10 cents per \$100 cap on property taxes by 5 cents for the acquisition of land, equipment, or apparatus or the construction of capital improvement, passed the House on second reading by 90-48 and third reading was postponed until today.

Its companion, SJR 43 by Lucio, was reported favorably, without amendment, by the Senate Finance Committee on April 28.

The companion bill, SB 2212 by Lucio, was reported favorably, as substituted, by the Senate Finance Committee on April 30.