

## **BILL ANALYSIS**

Senate Research Center

S.B. 1083  
By: Zaffirini  
Intergovernmental Relations  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Current law provides that a municipality must immediately compensate an emergency service district (ESD) after the district disannexes territory to be annexed by the municipality. This compensation is to be equivalent to the annexed territory's pro rata share of the ESD's bonded and other indebtedness, as calculated by an equation established in the Texas Health and Safety Code that includes consideration of property tax revenue.

The law, however, provides no authority for ESDs to receive compensation for an annexed territory's pro rata share of indebtedness incurred against the territory's sales tax revenue. S.B. 1038 thus would provide an alternative calculation for compensation under which such revenue may be considered. This would ensure that ESDs receive fair compensation for the total debt levied against the revenue of the territory being annexed. Without this consideration, the district's remaining territory must shoulder an undue debt burden, complicating the business of the ESD.

As proposed, S.B. 1083 amends current law relating to compensation to be paid to an emergency services district for a municipality's annexation of the district's territory.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 775.022, Health and Safety Code, by amending Subsections (c) and (e) and adding Subsection (e-1), as follows:

(c) Requires a municipality, if the municipality removes territory from a district that the municipality has annexed, to compensate the district immediately after disannexation of the territory under Subsection (a) in an amount equal to the annexed territory's pro rata share of the district's bonded and other indebtedness as computed according to the formula in Subsection (e) or (e-1), whichever yields the greater amount.

(e) Sets forth the formula to be used to determine compensation under Subsection (c), unless Subsection (e-1) would yield a greater amount. Makes no change to the formula.

(e-1) Requires the amount of compensation under Subsection (c), unless Subsection (e) would yield a greater amount, to be determined by multiplying the district's total indebtedness at the time of the annexation by a fraction:

(1) the numerator of which is the assessed value of the property to be annexed based on the most recent certified county property tax rolls at the time of annexation plus the total amount of the district's sales and use tax revenue collected by retailers located in the property to be annexed in the 12 months preceding the date of annexation, as reported by the comptroller; and

(2) the denominator of which is the total assessed value of the property of the district based on the most recent certified county property tax rolls at the time of

annexation plus the total amount of the district's sales and use tax revenue collected by retailers located in the district in the 12 months preceding the date of annexation, as reported by the comptroller.

SECTION 2. Amends Section 8437.002(d), Special District Local Laws Code, to add Section 775.022(e-1), Health and Safety Code, to a list of sections that apply to a disannexation under this section, as if the disannexation occurred under the provisions of Section 775.022(a) (relating to notice given by a municipality when a territory has been disannexed), Health and Safety Code.

SECTION 3. Amends Section 9036.002(d), Special District Local Laws Code, to make a conforming change.

SECTION 4. Amends Section 9042.002(d), Special District Local Laws Code, to make a conforming change.

SECTION 5. Effective date: September 1, 2019.