

SUBJECT: Imposing new taxes or fees in freshwater supply districts

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 8 ayes — Craddick, Ramsay, Grusendorf, Heflin, Holzheuser, Oliveira, Stiles, Telford

0 nays

3 absent— Horn, Thompson, Williamson

WITNESSES: None

BACKGROUND : Freshwater supply districts are created by county commissioners' courts to supply drinking water to unincorporated areas. The state has 38 such active districts, some of which also supply wastewater services to their residents.

DIGEST: HB 2258 would prohibit a political subdivision from imposing a new tax or fee on persons living within a freshwater supply district unless the voters of the district approved such payments through a ballot proposition.

A subdivision would have to notify in writing the district's board of supervisors of its intention to impose a new tax or fee at least 180 days before the tax or fee would be imposed. The board would be required to conduct an election at least 10 days before the tax or fee was scheduled to be imposed. If a majority of voters disapproved the proposition, the political subdivision could not impose the fee and would be prohibited from proposing any new taxes or fees within the district for five years from the date of the election.

HB 2258 would take effect September 1, 1997, and would apply to the imposition of new taxes and fees on or after its effective date; it would not apply to changes in taxes or fees already imposed by a political subdivision.

SUPPORTERS SAY: HB 2258 would protect the rights of citizens in unincorporated areas to retain their independence and self-sufficiency. Texans who live in freshwater supply districts have proved that they can take care of their own needs. They purposely live outside city limits in order to enjoy the benefits

of unincorporated status. They do not need nor welcome the encroachment of political subdivisions that levy additional, sometimes redundant, taxes.

The proliferation of special districts and political subdivisions with overlapping taxing authority has become exceedingly burdensome to such taxpayers. HB 2258 would introduce needed accountability to Texas' increasingly complicated tax system and prevent residents of multiple taxing entities from facing excessive taxation.

OPPONENTS
SAY:

The fact that a freshwater supply district overlaps the boundaries of a political subdivision should not override the taxing authority of that subdivision. The Legislature has endowed political subdivisions with certain powers of taxation that do not require the approval of new taxes by voters. The provisions of HB 2258 could effectively subvert these powers by preventing the imposition of taxes or fees within a few districts without an election.

Residents of freshwater districts may have taken care of their own drinking water needs, but they still often look to other jurisdictions for fire protection, emergency services, hospital care, and the other services provided by other political subdivisions.

Furthermore, HB 2258 would allow all voters of a freshwater supply district to vote on a proposed tax or fee, not just those who reside within the political subdivision. This would allow voters unaffected by the proposed tax or fee to vote on and potentially decide the issue. Only voters affected by the proposition should be entitled to vote for or against its passage.

OTHER
OPPONENTS
SAY:

Five years is too long to prohibit a political subdivision from attempting to gain approval for new taxes or fees after being rejected by the voters. A subdivision's needs, as well as the wishes of the voters, can change far more quickly than that. Local jurisdictions must have flexibility to deal with changes through a responsive system of taxation.