

**SUBJECT:** Amending the County Development District Act

**COMMITTEE:** Economic Development — favorable, without amendment

**VOTE:** 5 ayes — Yarbrough, Keffer, Luna, Seaman, Van de Putte  
0 nays  
4 absent — Oliveira, Greenberg, Raymond, Siebert

**SENATE VOTE:** On final passage, April 25 — 27-0; 1 present, not voting (Ellis)

**WITNESSES:** For — Jeff Krueger and Tom Leonard, Denton County Commissioners Court

Against — None

**BACKGROUND** : The 74th Legislature enacted the County Development District Act authorizing counties with populations of less than 400,000 to create special districts to promote county economic development. Upon voter approval, districts can issue bonds, levy sales and use taxes, and build projects authorized under sec. 4B(a)(2) of the Development Corporation Act, including recycling facilities, sports facilities, public parks, and museums.

The maximum sales tax that may be levied is one-half cent; this tax does not count towards the two-percent limit imposed on county sales taxes. A county is qualified to levy the tax if no part of it is located within a rapid transit authority or a regional transportation authority. The county tax may not take effect if approved on the same date that a municipality having territory within the county adopts a sales and use tax, and the combined rate of the taxes would exceed the state-imposed two percent cap on sales taxes,

A district is governed by a board of five directors appointed by county commissioners. Directors are prohibited from receiving compensation for service on the board, but can be reimbursed for expenses.

Before the board issues bonds, it may on its own or on request of a landowner in the district, petition the county commissioners court for the

addition or exclusion of land in the district. The board also may petition the commissioners court to dissolve the district if all bonds have been paid.

**DIGEST:** SB 658 would amend the County Development District Act to allow the division of districts and amend other procedures now allowed.

SB 658 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

**Division of districts.** SB 658 would allow districts located in a county with a population of less than 75,000 to divide into two or more districts. To qualify, the district could not have any outstanding debt and not levy ad valorem taxes. The board could order a special election for the division of the district and specify the metes and bounds of the boundaries of the new districts. The board would be required to pay the expenses of the election.

If the district was divided, the districts would be governed by a board of five directors elected when the division was approved. Candidates would have to meet the requirements for the board of directors of a water control and improvement district. The five candidates receiving the most votes in each new district would be elected. If a full board of directors was not elected, the board of the original district would appoint persons to serve as directors.

Each new district would be a county development district and a conservation and reclamation district, and would retain the option of converting into a water control and improvement district.

**Board authority and functions.** The general law governing the qualifications of directors of all districts would govern the qualifications of board members of a county development district. Director could be disqualified from serving if they had a financial interest in land involved in a district project. Candidates seeking appointment to the board would be required to submit affidavits stating they met the qualifications for the position and were not otherwise disqualified. A director would be entitled to receive fees of office and reimbursement of expenses, not to exceed those governing other districts.

SB 658 would allow district boards to establish an office outside of the county in addition to the office located within the county.

**Inclusion of land within the district.** Land within a municipality's corporate limits or extraterritorial jurisdiction would be excluded from a district unless the governing board of the municipality approved its inclusion by a two-thirds vote. At least 14 days prior to the adoption of a resolution or ordinance granting the inclusion of land within the district, the governing body of the municipality would be required to conduct a hearing on the issue. The commissioners court could then create the district upon a two-thirds vote.

The order would become final if no appeal was filed with the district court within 30 days after the order was issued. Orders entered prior to January 1, 1997, creating a county development district that had not been made the subject of a lawsuit prior to June 3, 1997, would be determined to be final and nonappealable, and all of the findings included in the order could not be contested.

A petition filed by landowners requesting land to be added to or excluded from the district could be submitted prior to the issuance of bonds. If the petition requested that land be added to the district, it would have to describe work proposed to be done, the cost of the project, the feasibility of addition of land to the district, and how the project would serve the public purpose of attracting visitors or tourists to the county.

**Sales and use taxes.** SB 658 would allow counties to levy up to a one-half cent sales and use tax only if the combined rate of all local sales and use taxes imposed by the county and political subdivisions having territory in the district did not exceed two percent. The sales and use tax levied by the district would count toward the two percent limit imposed on county sales and use taxes. SB 658 would allow a county sales tax adopted under the act to be in effect even if a municipality also adopted a tax on the same date.

SB 658 would allow districts to issue bonds and lease purchase contracts as authorized for Municipal Management Districts.

**Dissolving districts.** SB 658 would allow a district to be dissolved if a petition signed by at least five percent of the number of registered voters of the district who voted in the previous gubernatorial election was presented to the commissioners court. Upon request of the petitioners, the court would be required to order a dissolution referendum.

If all liabilities of the district had been retired, the ballot proposition would allow voters to vote for or against the dissolution. If liabilities were outstanding, the dissolution would be effective upon the retirement of the debt, and the district's actions would be limited to satisfying existing liabilities and collecting and liquidating its assets.

A district could also be dissolved if, prior to the first anniversary of the date of the election approving a local sales and use tax, it had not entered into binding agreements requiring expenditures for a project. The commissioners court would be required to conduct a hearing during the first full calendar month following the first anniversary date to investigate the issue. An order dissolving a district would be final.