

SUBJECT: Establishing agricultural development districts

COMMITTEE: Agriculture and Livestock — favorable, with amendment

VOTE: 8 ayes — Swinford, McReynolds, Hardcastle, Miller, Brown, Green, Hupp, Kolkhorst

0 nays

1 absent — Christian

WITNESSES: For — George Christian, Texas Forest Industry Council; Tommy Engelke, Texas Agricultural Cooperative Council; Gary Joiner, Texas Farm Bureau; Don Ward, Livestock Marketing Association of Texas; Freddy Warner, Texas Poultry Federation; Ross Wilson, Texas Cattle Feeders Association

Against — None

On — Susan Combs and Lee Deviney, Texas Department of Agriculture; Jody Richardson; *On amendment:* Tom Rutledge, Texas Land Title Association

DIGEST: HB 1880, as amended, would establish an agricultural development district as a conservation and reclamation district under the Texas Constitution, Art. 16, sec. 59. The purpose of such a district would be to conserve and develop agricultural resources, conserve the soil for agricultural use, and reclaim or drain overflowed lands or provide irrigation.

On the petition of at least 10 residents of a county within a proposed district, the county commissioners court could begin establishing an agricultural development district, subject to a confirmation election. The bill would outline the contents and procedures required for the petition, which would have to include the district's pledge to make payments in lieu of taxes to any school district and county in which any real property to be owned by the district was located.

The commissioners court would have to call a public hearing at which the petition would be considered. Notice of the hearing would have to be mailed to people signing the petition and published in a newspaper in the county. The commissioners court would have to grant a petition that conformed with its requirements if the proposed development was feasible and necessary and would serve the public purpose of economic development in the counties in the district.

If it granted the petition, the commissioners court would have to appoint five people to serve as temporary directors of the district, each of whom would have to execute a bond. The temporary board would have to hold an election according to procedures outlined in the bill.

**District powers and duties.** An agricultural development district could encourage economic development in its area by fostering the growth of and stimulating innovation in agricultural enterprises, seeking to eliminate unemployment or underemployment, and developing transportation resources for agricultural purposes. It could:

- ! acquire, design, build, and operate an agricultural enterprise and engage in production, processing, marketing, and export of agricultural products;
- ! acquire vehicles, farm equipment, and other machinery for harvesting, processing, storing, packaging, distribution, and transportation;
- ! designate agricultural projects, subject to approval by the Texas Department of Agriculture and the commissioners court, and pay project costs from any source, including bond proceeds;
- ! merge with another district or districts and cooperate and contract with any navigation district;
- ! enter into contracts to implement district projects;
- ! issue any type of bond, including an anticipation note or refunding bond, for any district purpose;
- ! impose assessments on real property or agricultural products included in a petition for assessment;
- ! exercise the power of eminent domain;
- ! conduct research;
- ! accept donations, grants, or loans; and
- ! annex or exclude territory.

An agricultural development district could not impose an ad valorem tax.

A person who sold or conveyed real property located in the district would have to notify the buyer that the property was located in the district and the implications thereof.

**Governing board.** An agricultural development district's board of directors would have to meet at least once every three months. It would control and manage the district's affairs, including employing staff. Directors would serve without compensation but could be reimbursed for reasonable and necessary expenses. A director would have to execute a \$10,000 bond to ensure faithful performance of duties.

**Financial powers and duties.** A district could impose a charge for using land, facilities, or services it provided; issue bonds; borrow, lend, and invest money; and establish a system of accounts. Bonds secured by an assessment could not be issued unless the district received a petition requesting the assessment, signed by each owner of the property begin assessed. A district could apply for and receive financial assistance from the Texas Agricultural Finance Authority. It could use tax increment financing and could establish a reinvestment zone including property located in the district.

**Assessments.** A district could impose an assessment for a district expense, to finance a project or service, or for any other authorized purpose. The district could impose an assessment only on real property or products that were included in a petition for assessment, following procedures outlined in the bill. It could not impose an assessment on property owned by a utility. The board would have to establish a procedure for distributing or using surplus funds derived from an assessment. It would have to apportion the cost of the assessment and prepare and maintain an assessment roll.

The board could correct mistakes in assessment after notice and hearing. On the petition of a property owner contesting an assessment, the board could hold a rehearing. A person could appeal an assessment in the district court in the county. If the court held the assessment invalid, the board could impose a new valid assessment.

**Dissolution.** An agricultural development district would be dissolved if a majority of the board voted for dissolution and all debts and obligations had been discharged. Before the dissolution, the board could sell the district's property.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

NOTES:

The committee amendment would add the requirement that a certified copy of the order creating the district, including a legal description of the district, be filed in the county's real property records. The amendment also would provide that a person who proposed to sell or convey real property in an agricultural development district would not have to notify the buyer in advance that the property was located in the district unless a certified copy of the order creating the district, including a legal description of the district, had been recorded in the county's real property records, and that a buyer, seller, lender, real estate broker, title insurance company, and title insurance agent could rely conclusively on the recorded certified copy.