HOUSE
RESEARCH
ORGANIZATION bill analysis 5/10/2001

HJR 89
Eiland

SUBJECT: Allowing counties to issue bonds to build or repair city streets

COMMITTEE: County Affairs — favorable, without amendment

VOTE: 6 ayes — Ramsay, G. Lewis, Chisum, Farabee, Salinas, Shields

0 nays

3 absent — Brown, Hilderbran, Krusee

WITNESSES: For — Ken Clark, Galveston County Commissioners Court

Against — None

BACKGROUND: Texas Constitution, Art. 3, sec. 52 establishes guidelines for counties, cities, and other political corporations and subdivisions related to lending credit and issuing bonds. If authorized by the Legislature, any local entity, upon a two-thirds majority vote of qualified voters, may issue bonds or lend credit in an amount up to one-fourth of the assessed valuation of its real property and may levy and collect taxes to pay the interest on the bond or credit, to provide for the improvement of navigation and irrigation systems and finished roads and turnpikes.

Attorney general's opinions (JC-0036, April 19, 1999) have concluded that a county may use county funds to improve, maintain, or repair city streets that are not integral parts of or connecting links with a county road system if those expenditures serve a county purpose, but a county cannot expend the proceeds of bonds issued under Art. 3, art. 52 for such city streets.

DIGEST: HJR 89 would propose amending Art. 3, sec. 52 of the Constitution to authorize a county to use any available funds, including those derived from bonds or other authorized debt, to build, maintain, or improve any street, road, or highway of a city, town, or village in the county.

The proposal would be presented to Texas voters at an election on November 6, 2001. The ballot proposal would read: "The constitutional amendment to allow the use of county funds to construct, maintain, or improve in the county any street, road, or highway of a city, town, or village."

SUPPORTERS SAY:

HJR 89 is necessary to allow counties to issue bonds to build and improve roads that are not connected on either end to a federal, state, or county road. Issuing bonds for the repair of these roads would make sense, especially in fast-growing areas along the Gulf Coast where an increasing tax base would allow the county to repay these bonds relatively quickly. Coastal cities rely on their ports, and the roads leading from the ports are an essential aspect of commerce. Counties cannot generate enough tax revenue alone to pay for these roads.

It is appropriate for counties to have multiple options for financing critical city infrastructure projects within their boundaries. Revenue bonds are the most cost-effective way to finance high-cost construction or improvement of long-lasting infrastructure, which may be used while the debt is being paid off. Authorizing revenue bonds would give counties the opportunity to provide much-needed support for constructing and maintainance of city roads where appropriate without diverting available county revenue from other priorities.

OPPONENTS SAY:

The fact that available revenues are limited is no excuse for incurring debt. Debt forces taxpayers into paying higher debt-service payments far into the future. It would be inappropriate to authorize the issuance of bonds to pay for city street maintenance and repair projects because, unlike construction projects, repairs have too short of a useful life to justify incurring long-term debt to finance them. Cities have their own tax base and should be responsible for constructing and maintaining their own roads without county assistance.