

1-1 By: Taylor S.B. No. 619
1-2 (In the Senate - Filed February 18, 2013; February 25, 2013,
1-3 read first time and referred to Committee on Natural Resources;
1-4 May 3, 2013, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 8, Nays 0; May 3, 2013,
1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8 Fraser	X			
1-9 Estes	X			
1-10 Deuell	X			
1-11 Duncan	X			
1-12 Ellis			X	
1-13 Eltife			X	
1-14 Hegar	X			
1-15 Hinojosa			X	
1-16 Nichols	X			
1-17 Seliger	X			
1-18 Uresti	X			
1-19				

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 619 By: Estes

1-21 A BILL TO BE ENTITLED
1-22 AN ACT

1-23 relating to exclusion of land from certain water districts that
1-24 fail to provide service to the land; clarifying and limiting the
1-25 authority of those districts with outstanding bonds payable from ad
1-26 valorem taxes to impose taxes on excluded land; providing for a
1-27 financial review.

1-28 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-29 SECTION 1. Section 49.3076, Water Code, is amended by
1-30 amending Subsections (a), (b), (c), (d), and (f) and adding
1-31 Subsections (c-1) and (g-1) to read as follows:

1-32 (a) The board of a district that has a total area of more
1-33 than 10,000 [5,000] acres shall call a hearing on the exclusion of
1-34 land from the district on or before the 60th day after receiving a
1-35 written petition filed with the secretary of the board by one or
1-36 more owners of [a landowner whose] land more than half the acreage
1-37 of which has been for more than 20 years included in and taxable by
1-38 the district [for more than 28 years] if any bonds issued by the
1-39 district payable in whole or in part from taxes of the district are
1-40 outstanding and the petition:

1-41 (1) is [includes a] signed by [petition evidencing the
1-42 consent of] the owners of a majority of the acreage proposed to be
1-43 excluded, as reflected by the most recent certified tax roll of the
1-44 district;

1-45 (2) includes a claim that the district does [has] not
1-46 provide [provided] the land with retail utility services;

1-47 (3) describes the property to be excluded; and
1-48 (4) provides facts necessary for the board to make the

1-49 findings required by Subsection (b) [, and

1-50 [(5) is filed before August 31, 2007].

1-51 (b) The board of a district shall [may] exclude land under
1-52 this section if [only on finding that]:

1-53 (1) the district does not provide [has never provided]
1-54 retail utility service [services] to the land described by the
1-55 petition;

1-56 (2) the district has imposed a tax on more than half
1-57 the acreage of the land for at least 20 years [more than]

1-58 [(A) 28 years if the board calls a hearing under

1-59 Subsection (a); or

1-60 [(B) 40 years if the board calls a hearing under

2-1 ~~Subsection (a-1)~~; and

2-2 (3) all taxes the district has levied and assessed
2-3 against the land and all fees and assessments the district has
2-4 imposed against the land or the owner that are due and payable on or
2-5 before the date of the petition are fully paid.

2-6 (c) Subject to Subsection (c-1), unless [Unless] the
2-7 district presents evidence at the hearing that conclusively
2-8 demonstrates that the requirements and grounds for exclusion
2-9 described by Subsection (a) ~~[or (a-1), as appropriate, and~~
2-10 ~~Subsection (b)]~~ have not been met, the board shall enter an order
2-11 excluding the land from the district and shall redefine in the order
2-12 the boundaries of the district to embrace all land not excluded.

2-13 (c-1) If on or before the date of the exclusion hearing
2-14 required by Subsection (a) the district and the owner or owners
2-15 enter into an agreement for utility service to the land proposed to
2-16 be excluded, the district is not required to enter an order
2-17 excluding the land from the district. An owner of all or part of the
2-18 land is not required to enter into a utility agreement that as of
2-19 the date of the petition:

2-20 (1) is not comparable economically or in the level of
2-21 service provided to the land to the owner's current source of
2-22 utility service, as may be determined by the owner; or

2-23 (2) does not include all utility services required to
2-24 serve the land.

2-25 (d) A copy of an order excluding land and redefining the
2-26 boundaries of the district shall be filed in the deed records of
2-27 each county in which the district is located and with the
2-28 commission.

2-29 (f) After any land is excluded under this section, the
2-30 district may issue any unissued additional debt approved by the
2-31 voters of the district before exclusion of the land under this
2-32 section without holding a new election. Additional debt issued
2-33 after land is excluded from the district may not be payable from
2-34 taxes levied against and does not create a lien against the taxable
2-35 value of the excluded land.

2-36 (g-1) This section does not apply to a district:

2-37 (1) whose primary activity is the wholesale supply of
2-38 raw water; and

2-39 (2) that has fewer than 500 retail customers.

2-40 SECTION 2. Section 49.3077, Water Code, is amended to read
2-41 as follows:

2-42 Sec. 49.3077. TAX LIABILITY OF EXCLUDED LAND; BONDS
2-43 OUTSTANDING. (a) In this section:

2-44 (1) "Adjusted gross value" means the gross assessed
2-45 value of property, as of January 1, including land, improvements,
2-46 and personal property, as determined by the appraisal district for
2-47 the tax year in which the determination is made, reduced by any
2-48 state-mandated exemptions but not reduced for any exemptions from
2-49 taxation that are within the discretion of the governing body of the
2-50 district.

2-51 (2) "Carry costs" means interest calculated at an
2-52 annual rate equal to the weighted average interest rate of the
2-53 district debt that accrues on the excluded land's share of the
2-54 district debt, with reductions for prior payments, from the later
2-55 of the exclusion date or the last interest payment date for district
2-56 debt for which district taxes have been levied and collected to the
2-57 earlier of:

2-58 (A) the date of the final interest payment on
2-59 district debt before the next delinquency for the district's tax
2-60 collection; or

2-61 (B) the earliest dates on which an aggregate
2-62 amount of district obligations equal to the district debt may be
2-63 paid at maturity or redeemed at the option of the district, provided
2-64 the amount is paid in advance of any future district tax levy, using
2-65 the redemption dates available for the district's outstanding
2-66 obligations as of the exclusion date.

2-67 (3) "District debt" means the principal outstanding
2-68 from time to time of the tax-supported debt of the district
2-69 outstanding on the exclusion date, including debt used to refund

3-1 district debt outstanding on the exclusion date.

3-2 (4) "Excluded land" means land that is excluded from a
 3-3 district under Section 49.3076.

3-4 (5) "Excluded land payment" means, with respect to
 3-5 excluded land, the sum of the excluded land's share of district debt
 3-6 plus the carry costs, less any taxes collected by the district under
 3-7 Subsection (b).

3-8 (6) "Excluded land's share of district debt" means the
 3-9 portion of the district debt that is calculated by multiplying the
 3-10 district debt by a fraction the numerator of which is the adjusted
 3-11 gross value of the excluded land on the exclusion date and the
 3-12 denominator of which is the adjusted gross value of all property in
 3-13 the district on the exclusion date.

3-14 (7) "Exclusion date" means the date that the owner
 3-15 files the petition requesting that the excluded land be excluded
 3-16 from the district with the district secretary.

3-17 (8) "Termination date" means the earlier of:

3-18 (A) the date on which the amount of taxes
 3-19 collected from the excluded land equals the excluded land payment;
 3-20 or

3-21 (B) the date on which the excluded land payment
 3-22 is made in full.

3-23 (b) Excluded land that has been pledged as security for any
 3-24 outstanding debt of the district remains pledged for the excluded
 3-25 land's share of district debt until the excluded land payment is
 3-26 paid. A district is entitled to continue to levy and collect debt
 3-27 service taxes on the excluded land until the termination date at the
 3-28 same rate those taxes are levied on the land remaining in the
 3-29 district. From the exclusion date to the termination date, the
 3-30 excluded land remains in the district for the limited purpose of
 3-31 assessment and collection of such taxes. After the termination
 3-32 date, the excluded land is excluded from the district for all
 3-33 purposes, and the district may not levy any further tax on the
 3-34 excluded land.

3-35 (c) The district shall apply the taxes collected on the
 3-36 excluded land only to payment of the excluded land payment, which
 3-37 shall be reduced by the amount of taxes collected.

3-38 (d) A person is entitled to pay to the district the excluded
 3-39 land payment, in whole or in part, at any time on or after the
 3-40 exclusion date by delivering payment to the district tax
 3-41 assessor-collector. If partial payment is made, the payment is
 3-42 credited first against all carry costs due and owing, and any
 3-43 remainder is credited against the excluded land's share of district
 3-44 debt. After a partial payment, carry costs must be calculated and
 3-45 assessed and collected only on the remaining excluded land's share
 3-46 of district debt. [Land excluded from a district under Section
 3-47 49.3076 that is pledged as security for any outstanding debt of the
 3-48 district remains pledged for its pro rata share of the debt until
 3-49 final payment is made. The district shall continue to levy and
 3-50 collect taxes on the excluded land at the same rate levied on land
 3-51 remaining in the district until the amount of taxes collected from
 3-52 the excluded land equals the land's pro rata share of the district's
 3-53 debt outstanding at the time the land was excluded from the
 3-54 district.]

3-55 [b) The district shall apply the taxes collected on the
 3-56 excluded land only to the payment of the excluded land's pro rata
 3-57 share of the debt.

3-58 [c) The owner of any part of the excluded land may pay in
 3-59 full the owner's share of the pro rata share of the district's debt
 3-60 outstanding at the time the land is excluded.]

3-61 SECTION 3. Subchapter J, Chapter 49, Water Code, is amended
 3-62 by adding Section 49.3078 to read as follows:

3-63 Sec. 49.3078. PETITION FOR EXCLUSION: ADDITIONAL DUTIES.
 3-64 A landowner who signs a petition for the exclusion of land that is
 3-65 filed with a district under Section 49.3076 must submit a copy of
 3-66 the petition to the commission. On receipt of a copy of a petition,
 3-67 the executive director shall review the most recent financial
 3-68 information for the applicable district, including current debt
 3-69 requirements, debt service cash flow, and proposed debt

4-1 obligations, to confirm that an exclusion of land conducted in
4-2 accordance with Sections 49.3076 and 49.3077 does not adversely
4-3 affect the interests of district bondholders. The executive
4-4 director shall notify the landowner and the district when the
4-5 review is complete.

4-6 SECTION 4. Subsections (a) and (c), Section 49.312, Water
4-7 Code, are amended to read as follows:

4-8 (a) Except as provided by Section 49.3077, on [Upon]
4-9 issuance of an order excluding property, that property is no longer
4-10 a part of the district and is not entitled to water service from the
4-11 district.

4-12 (c) Except as provided by Section 49.3077, once land is
4-13 [Once] excluded, the landowner has no further liability to the
4-14 district for future taxes, assessments, or other charges of the
4-15 district.

4-16 SECTION 5. Subsection (a-1), Section 49.3076, Water Code,
4-17 is repealed.

4-18 SECTION 6. Section 49.3076, Water Code, as amended by this
4-19 Act, applies only to a petition for exclusion of land that is filed
4-20 with a district on or after the effective date of this Act. A
4-21 petition filed before the effective date of this Act is governed by
4-22 the law in effect on the date the petition is filed, and that law
4-23 continues in effect for that purpose.

4-24 SECTION 7. This Act takes effect September 1, 2013.

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