

SUBJECT: Conversion of rural fire prevention districts to emergency services districts

COMMITTEE: County Affairs — committee substitute recommended

VOTE: 7 ayes — Lewis, W. Smith, Casteel, Chisum, Farabee, Flynn, Olivo
0 nays
2 absent — Farrar, Quintanilla

SENATE VOTE: On final passage, April 15 — voice vote

WITNESSES: None

BACKGROUND: Art. 3, sec. 48-d of the Texas Constitution, adopted in 1949, establishes rural fire prevention districts (RFPDs) and authorizes voters to assess property taxes of up to three cents per \$100 valuation to support these districts. Districts located wholly or partly in Harris County may levy a tax of up to five cents per \$100 valuation.

Art. 3, sec. 48-e, adopted in 1987, allows creation of emergency services districts (ESDs) to provide emergency medical, ambulance, rural fire prevention and control, and other services. Voters in ESDs may assess property taxes of up to 10 cents per \$100 valuation to support district operations.

The 71st Legislature in 1989 added Health and Safety Code, sec. 775.0752, which allows an ESD to call an election to impose a sales and use tax of between one-half percent and 2 percent. ESDs also may assess reasonable fees for ambulance and emergency medical services. In addition, the 71st Legislature added ch. 776, allowing development of ESDs in counties with populations of 125,000 or less. Voters in these ESDs also may impose property or sales and use taxes up to the limits for ESDs. RFPDs do not by statute have sales and use tax authority.

According to 2002 data from the Comptroller's Office, Texas has 130 RFPDs in 53 counties and 91 ESDs in 38 counties. Of the state's 254 counties, 76 have RFPDs, ESDs, or both. The 73rd Legislature in 1993 authorized RFPDs to convert to ESDs with voter approval.

The 77th Legislature in 2001 enacted HB 2744 by Carter, which revised the authority of an ESD or RFPD to increase maximum tax rates with voter approval, transfer territory between districts, and borrow money to purchase equipment or real property. Also enacted was HB 2746 by Carter, providing for creation of an ESD that overlaps the territory of an existing ESD, RFPD, or ESD created for a county with a population of less than 125,000, as long as the new ESD does not duplicate services provided by an existing ESD or RFPD. That legislation also changed the petition process for creating a new ESD by requiring petitioners to specify what kind of services the new district provides. It does not apply to an ESD or RFPD located wholly in Harris County.

DIGEST:

SB 1021 would amend Health and Safety Code, chs. 775 and 776, to convert remaining RFPDs to ESDs and establish provisions regarding the ESDs' maximum tax rates.

Each of the newly converted ESDs would assume all obligations and outstanding indebtedness of the previous RFPD. A fire commissioner of an RFPD would be an emergency services commissioner of the converted ESD upon conversion and would serve until the fire commissioner's term of appointment or election expired. If an ESD created through this bill overlapped with the boundaries of another ESD, the most recently created district could not provide services in the overlapping portion that duplicated services provided by the other district.

The bill would extend the provisions regarding duplication of services to newly formed ESDs in Harris County. An ESD in Harris County could not provide fire prevention or fire fighting services unless it originally was an RFPD that was converted to an ESD. The property tax for an ESD in Harris County could not exceed three cents per \$100. If the ESD within Harris County was originally an RFPD or was created in a territory that overlapped with the boundaries of a ESD created before September 1, 2003, the ad valorem tax could not exceed six cents.

If the ESD board in any county decided to increase the maximum tax rate, the board would have to order an election to authorize the increase. The increase could not exceed the maximum tax rate of 10 cents as provided by Texas Constitution Article 3, sec. 48-3, except for Harris County.

SB 1021 would grant an exemption from paying ad valorem taxes to a business entity that provided its own fire service and equipment that met or exceeded standards developed by the National Fire Protection Association or another nationally recognized association and for which the business entity received appropriate approval from the Texas Industrial Fire Training Board of the State Firemen's and Fire Marshals' Association of Texas.

The bill would make conforming changes to sections of the Government Code and the Local Government Code. It would repeal Health and Safety Code, sec. 775.023 relating to the petition for creation of ESDs and dissolution of RFPDs in counties of more than 375,000, and sec. 775.024 establishing election procedures to create ESDs and dissolve RFPDs in the related counties. This bill also would repeal Health and Safety Code, Ch. 794, titled Rural Fire Prevention Districts.

The bill would take effect September 1, 2003.

**SUPPORTERS
SAY:**

The Senate Intergovernmental Relations Committee's October 2002 interim report noted a growing trend of voluntary conversion of RFPDs to ESDs, finding that approximately 50 percent of existing ESDs have used the conversion options available to them since 1993. The report also determined that RFPDs find it nearly impossible to provide additional services under their current three-cent cap (except for Harris County's higher five-cent cap). Further, it states that more than 75 percent of RFPDs already tax at the highest limit and do not have local economies that allow for improvement of services without additional revenue. SB 1021 would implement the recommendation of the interim study to convert all existing RFPDs to ESDs.

Over the years, most RFPDs have maintained the same tax rate without an increase. Recent terrorist actions and threats, however, have heightened public awareness to public safety risks and have increased fire prevention and emergency services needs. This bill would satisfy demands on RFPDs without

compromising current standards for ESDs. Converting RFPDs to ESDs would give greater funding options without requiring a constitutional amendment.

The bill would afford to newly converted ESDs all the duties and authorities of existing ESDs. It would grant former RFPDs, as new ESDs, the ability to set higher property tax rates, impose sales and use taxes, and provide emergency medical services, depending on the needs and approval of their communities. In addition, converted RFPDs would be able to establish competitive bid procedures, enforce fire codes, and hire fire marshals. By integrating remaining RFPDs with ESD standards, SB 1021 would provide practical solutions to meet public safety needs relating to fire prevention and control and emergency medical services.

**OPPONENTS
SAY:**

No apparent opposition.