

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**Revision 1**

**March 31, 2003**

**TO:** Honorable Robert Talton, Chair, House Committee on Urban Affairs

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1204** by Baxter (Relating to the authority of municipalities and counties to regulate subdivisions and certain development in a municipality's extraterritorial jurisdiction.),  
**Committee Report 1st House, Substituted**

**No fiscal implication to the State is anticipated.**

The bill would amend the Local Government Code to require counties and municipalities that were required to enter into an agreement regarding regulating subdivisions and certain development in a municipality's extraterritorial jurisdiction (ETJ), but have not done so by the effective date of the bill, to enter into arbitration to reach an agreement. The bill defines the procedures that must be followed in seeking arbitration.

Until an agreement is reached, the county would have exclusive authority to regulate plats and subdivisions in the ETJ in accordance with Chapter 232, Local Government Code, and other applicable statutes. If a regulation adopted during arbitration conflicts with a proposal or plan of the metropolitan planning organization, the planning organization would prevail.

The county and the municipality would be equally liable for the costs of arbitration. The section of the proposed statute relating to arbitration would expire on September 1, 2005.

The bill would take effect immediately if it were to receive two-thirds vote in each house; otherwise, it would take effect September 1, 2003 and would apply only to a development agreement or subdivision plat that is filed on or after the effective date.

Under current statute, a municipality and a county may not both regulate subdivisions in the ETJ in certain circumstances, and the municipality, rather than the county, has exclusive authority to regulate subdivisions in the ETJ. Current statute also requires a municipality and a county to enter into a written agreement to determine which entity has authority to regulate plats and related permits in the ETJ, and sets out what should be contained in the agreement. Some exceptions apply to counties that contain the ETJ of a municipality with a population of 1.9 million or more, within a county located within 50 miles of an international border, or within an economically distressed county.

The provisions of the bill that would require arbitration if an agreement has not already been reached would result in the county and municipality sharing the cost of arbitration. The fiscal impact of the agreement reached would vary, depending on the provisions included, but it is anticipated that an attempt to have a mutually beneficial agreement would keep the fiscal impact insignificant. It is also anticipated that the shared cost of arbitration would be insignificant.

If a municipality is currently regulating plats and related permits in the ETJ and, during arbitration or as a result of arbitration, the county assumes those responsibilities, associated costs and revenue would shift from the municipality to the county. If there is a difference in standards regarding infrastructures, municipalities anticipate that there could be significant costs for upgrades if the areas under county regulation were eventually annexed by the municipality.

## **Local Government Impact**

The fiscal impact to units of local government would vary depending on the agreement reached between the county and the municipality.

### **Source Agencies:**

**LBB Staff:** JK, DLBa