

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**March 22, 2003**

**TO:** Honorable Anna Mowery, Chair, House Committee on Land & Resource Management

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

**IN RE: HB1679** by Brown, Betty (Relating to the review of a proposed municipal annexation that prevents another municipality from engaging in any significant future annexation.), **As Introduced**

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

The bill would amend the Local Government Code to establish procedures for one municipality to seek to stop annexation plans of another municipality if the area proposed to be annexed is within one mile of the extraterritorial jurisdiction of the municipality seeking to stop the plans. The municipality seeking to stop the plans would be authorized to request that a district judge of the county in which the other municipality proposes to annex territory appoint a person to review the proposed annexation. The bill lists the qualifications a person must meet to be appointed (such as current, retired, or former judges or justices of certain courts) and what issues should be considered when determining if the planned annexation would eliminate the ability of the requesting municipality to perform any significant future annexation.

The district judge would be required to set the amount of compensation to be paid to the person appointed to conduct the review. Compensation would be paid by the municipality proposing the annexation if the decision is made against their plan or if a modification is provided by the reviewer. Compensation would be paid by the requesting municipality if the reviewer finds in favor of the annexation plan.

The bill would take effect September 1, 2003 and apply to an annexation included in an annexation plan on or after that date if the annexation occurs under Subchapter C, Chapter 43, Local Government Code. It would also apply to an annexation for which notice for the first public hearing is published on or after that date if the annexation occurs under Subchapter C-1, Local Government Code.

If a municipality that is planning to annex territory were to be prohibited from completing the annexation, there would be a loss of potential revenue. The City of Houston, for example, states that for every \$100 million in taxable value annexed, \$655,000 in taxable income is generated for the city, although costs associated with annexation, such as providing water, sewer, police, and fire protection, would lower the net revenue gain. If the municipality were not allowed to complete the planned annexation, that entity would also incur the cost of compensation to the reviewer.

If a municipality submits a request to stop another municipality's annexation plans, but the plan is approved to move forward, the requesting municipality would incur the cost of compensating the reviewer and would lose the opportunity to annex the land in question, thus losing potential tax revenue.

## **Local Government Impact**

A municipality could incur revenue loss that could be significant, depending on the size of the area that would have been annexed and the taxable value of the area. Further, one of the municipalities involved in the dispute would incur the cost of compensating the reviewer, although that expense is not anticipated to be significant.

### **Source Agencies:**

**LBB Staff:** JK, CL, DLBa, JB