

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: HB1680 by Stick (Relating to the ad valorem tax rate imposed by municipalities on property in certain municipal utility districts and to disannexation following a failure to set that rate.),
As Introduced

No fiscal implication to the State is anticipated.

The bill would amend the Water Code to limit the tax rate levied by a municipality on property within a municipal utility district wholly contained within the municipality's boundaries if the municipality had not assumed the district's bonded indebtedness. A municipality would be required to apply a tax rate on property within the enclosed district such that the combined rate imposed by the municipality and the district would not be greater than the rate imposed on property outside the district. Registered voters within the district could petition the municipality's governing body to disannex the areas within the enclosed district if the municipality fails to provide services. The bill would take effect January 1, 2004 and apply only to ad valorem taxes imposed for a tax year beginning after that date.

Local Government Impact

If a municipality's tax rate for property within an applicable municipal utility district, combined with the rate imposed by the district, currently exceeds the rate imposed by the municipality on property outside the district, the rate would have to be reduced in the tax year beginning after January 1, 2004. This would result in a revenue loss to the municipality. The amount the tax rate is reduced would determine what level of revenue loss would occur.

If a municipality were to be forced to disannex the property, there would be a significant revenue loss. The amount would vary depending on how much property exists within the area disannexed.

Municipalities could experience a significant revenue loss.

Source Agencies: 304 Comptroller Of Public Accounts

LBB Staff: JK, CL, JB, DLBa