

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 9, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2181 by Bailey (Relating to municipal development districts; providing civil and criminal penalties.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to make changes to the laws affecting municipal development districts (districts) and sellers of real property located within the district. In newly created districts, the municipality would be required to include a description of the district's boundaries and to file it with the district's records and with the county clerk. Districts would be required to file with the county clerk information showing current taxes, debt, and other information relative to the district. A director could be found guilty of a Class C misdemeanor for failure to file the required information. If a district failed to file certain information in a timely manner with the county clerk, provisions of the bill would allow the attorney general, district attorney, or county attorney to seek a writ of mandamus to require the board to prepare and file the necessary information.

The bill would require districts, at their expense, to post signs at the principle entrances of the district identifying the district. The district's fiscal accounts and records would be audited annually and the district would have to file copies of the audit with the municipality and the Comptroller of Public Accounts. Additionally, the bill would expand provisions related to where the district's board of directors could conduct its meetings, and would require the board to publish a notice of scheduled meetings in the local newspaper, if the meeting were to be held outside the district.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003. A municipal development district created before the effective date of this bill would have to file an information form as required by Section 377.210 of the Local Government Code no later than September 3, 2003.

The Office of Attorney General anticipates any additional work as a result of the passage of the bill could be reasonably absorbed with current resources.

Local Government Impact

Under current law, cities that are located in more than one county may call an election to create a municipal development district to undertake development projects that are beneficial to the district. Districts are allowed, with voter approval, to impose a sales tax at a rate up to 0.5 percent. There is no provision for imposition of a property tax. The district is governed by an unpaid board of directors and their meetings must be held within the boundaries of the municipality.

Under existing statute, there are no requirements for the districts to post signs identifying their boundaries nor are the districts required to notify the county of their boundaries, current taxes, or debt.

There are currently four municipal development districts within the state. They are located in the cities of Baytown, Aransas Pass, San Diego and Selma. The Comptroller of Public Accounts provided information obtained from officials in each of those cities regarding the impact of the bill.

According to the Aransas Pass City Manager, the bill would jeopardize the district's continued existence and could lead to the city considering a repeal of the district's sales tax and abolition of the district. The district would incur substantial costs for street and highway signs, auditing, publishing notices, survey costs, and personnel time and expenses. The city manager also anticipates additional costs would occur when the city annexes property that would also expand the district's boundaries.

The Baytown City Manager indicated that their district would incur more costs as the city annexes territory in unincorporated areas of Harris County.

The Selma Deputy Secretary had a concern about the bill's provision that would authorize 25 citizens to petition to require the district's meetings be held within the district, instead of within the city, which could result in an additional cost to the district in having to rent a place to hold its meetings. Also, a major interstate highway intersects the City of Selma, which would increase costs to mark the district's boundaries with signs.

According to the Texas Department of Transportation, the cost of a sign marking the district's boundaries can run from \$300 to \$500 for a street sign, \$400 to \$600 for a farm to market road sign and \$5,000 and up for a large green and white sign, like those located along interstate highways.

The fiscal impact would vary by affected cities and districts.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts

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