

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

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

**May 5, 2003**

**TO:** Honorable Glenn Lewis, Chair, House Committee on County Affairs

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

**IN RE: SB420** by Nelson (Relating to county development districts; providing penalties.), **As Engrossed**

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

The bill would amend the Local Government Code to establish additional requirements for county development districts. A petition to create a district in a municipality's extraterritorial jurisdiction would require proof of written notice to the municipality of the district's proposed creation and boundaries. A district would be required to obtain a municipality's consent to include within the district land that is in the corporate limits of the municipality. In turn, the municipality may provide consent only if petitioned to do so by a certain number of the affected landowners.

The district would be prohibited from imposing an ad valorem tax, although with approval from the municipality, the district may issue bonds, notes, warrants, or other obligations. A district would be allowed to construct or finance infrastructure within a residential subdivision only if the infrastructure were to serve the purpose of attracting visitors and tourists to the county.

A district would be required to post signs stating the district's existence at two principal entrances to the district. District board meetings would be required to be held only in the district if requested by the voters.

Districts would be required to have an annual audit performed by a certified public accountant or a public accountant licensed under Chapter 901 of the Occupations Code, and to file the audit with the county commissioners court, the Comptroller of Public Accounts, and the district's office. The district would also be required to file with the Comptroller an annual filing affidavit and the Comptroller would be required to report noncompliant districts to the Office of Attorney General.

The district board would be required to file with the county clerk a map or plat of the district, information regarding the district's boundaries, finances and functions, and any amendments to the filed information. Affirming information that is inaccurate would be a Class C misdemeanor.

The Hays County Development District No. 1 would be exempt from the provisions of the bill and current law would continue to apply to that district.

The bill would take effect immediately if it receives a two-thirds vote in each house; otherwise, it would take effect September 1, 2003.

The Office of Attorney General anticipates very few cases related to noncompliance by districts and would therefore be able to absorb costs associated with implementation of the bill using existing resources.

The Comptroller estimates administrative costs for the agency the first year of implementation would total \$141,602 to update local tax publications, create applicable rules, notify sales taxpayers, and to handle additional telephone calls related to the changes. Thereafter, the Comptroller estimates the agency would incur \$2,300 in costs annually for additional telephone calls.

Counties, municipalities, and districts that could be affected by the provisions of the bill reported that the fiscal impact would likely be insignificant. District costs are expected to be approximately \$2,500 annually for travel expenses if board meetings are held in the district rather than the district's developer's or attorney's office outside the district (current practice) and anywhere from \$2,500 to \$15,000 for the cost of an annual audit. Initial filings required to be made with the county clerk would cost approximately \$1,500. That expense would recur only if amendments are made to maps, plats, or other filed information. Because the Hays County Development District No. 1 would be exempt from the provisions of the bill, that district would not experience the additional expenses.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

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

**LBB Staff:**

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