

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 14, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB323 by Mowery (Relating to a revision of the procedures for municipal annexation.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would change the procedures and requirements a municipality must follow when annexing or disannexing an area, whether for full or limited purposes, including requiring the municipality to hold an election in the municipality to obtain approval by the voters within the municipality. An election would also be required in the area to be annexed. A similar process would be required before an area could be disannexed. All elections related to annexing or disannexing would be required to be held on certain uniform election dates. The municipality would be responsible for the costs of holding an election.

If the municipality still owes any debts at the time of disannexation related to the area being disannexed, the municipality would have the authority to continue to impose a property tax each year at the same rate until the pro rata share of the area in the indebtedness is paid.

Authority related to annexation and other actions regarding boundaries that currently apply only to home-rule municipalities would apply to all municipalities under the provisions of the bill.

The bill would also repeal certain sections of the Local Government Code that would conflict with the new procedures. The bill would take effect immediately if it receives a two-thirds vote in each house; otherwise, it would take effect September 1, 2005. Processes begun prior to that date would be affected by either the new statute or the old depending on which procedure is occurring and at what stage the process has reached.

Under current statute, a municipality is authorized to annex or disannex an area without consent of the residents of the area.

Local Government Impact

A municipality seeking to annex or to disannex an area would incur election costs as a result of the proposed changes to statute. Based on costs reported to the Secretary of State in the summer of 2004 by a sampling of counties, municipalities, and special districts, the average cost incurred by a local government entity for an election is \$1.29 per registered voter. The election cost per local government would vary depending on the number of voters registered in each. A municipality would incur election costs each time annexation or disannexation is sought. (Election and other procedural costs would be the only immediate/primary fiscal impact resulting from passage of the bill. Any fiscal impact that would result from an area being annexed or disannexed or that would result from failure to receive sufficient votes to go forward with a proposed annexation would be classified as secondary fiscal impact.)

Source Agencies:

LBB Staff: JOB, WK, CL, JB, DLBa