

BILL ANALYSIS

C.S.H.B. 1952
By: Callegari
Natural Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Section 54.016, Water Code, requires a city to consent to the creation of a municipal utility district within its corporate boundaries or extraterritorial jurisdiction. This provides a city the opportunity to manage growth within its boundaries, as well to ensure that the facilities built within the district are consistent with the city's plans and specifications. Two provisions within that statute have proven problematic. Section 54.016(f) provides that if a district is included within a city's corporate limits, the city and the district may enter into an allocation agreement where the combined property taxes levied by the district and the city cannot exceed the city's property tax. In order for this to occur, the city and the district would have to lower their respective tax rates in order to levy a combined tax equal to what the city would have normally assessed. The problem with this provision is that it could leave the district without enough revenue to pay for their bonds, essentially stranding them without a means to pay for their debt for water and wastewater infrastructure.

Another problem with the consent statute is Section 54.016(h), allowing certain cities to charge residents of an annexed district a surcharge for water and wastewater services in addition to the city taxes already levied. This arrangement imposes an extra charge on the annexed district residents that effectively acts as a "double tax": where city taxes are supposed to finance water and wastewater services, the surcharge applied to annexed district residents for those services requires that they pay for them again.

C.S.H.B. 1952 repeals Section 54.016(f), Water Code, effective January 1, 2010, and repeals Section 54.016(h) on the effective date of the bill.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1952 amends the Water Code to repeal, effective January 1, 2010, Section 54.016(f), which authorizes a city to provide in its written consent for the inclusion of land in a municipal utility district that an allocation agreement between the district and the city be entered into prior to the first issue of bonds, notes, warrants, or other obligations of the district, and requires that such an agreement contain certain provisions. The bill specifies that the legislature finds that an agreement between a municipality and a municipal utility district is an allocation agreement only if the agreement strictly complies with Section 54.016(f) and is specifically designated by the parties to the agreement as an allocation agreement.

C.S.H.B. 1952 also repeals Section 54.016(h), Water Code, which authorizes a city with a population of 1.18 million or less to provide in such consent that, after the annexation, the city is authorized to set rates for water and sewer services for property that was within the territorial boundary of the district at the time of annexation that may vary from the rates for other

properties in the city for the purpose of wholly or partially compensating the city for the assumption of certain obligations.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1952 makes January 1, 2010, the effective date for repeal of the law authorizing a city to include in its written consent for the inclusion of land in a municipal utility district the requirement that an allocation agreement between the district and the city be entered into prior to the first issue of bonds, notes, warrants, or other obligations of the district and providing certain required content of such an agreement, whereas the original makes the repeal effective on the effective date of the bill. The substitute adds a provision not in the original specifying that the legislature finds that an agreement between a municipality and a municipal utility district is an allocation agreement only if the agreement strictly complies with the provision described above and is specifically designated by the parties to the agreement as an allocation agreement.