

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 13, 2009

TO: Honorable Allan Ritter, Chair, House Committee on Natural Resources

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

IN RE: HB1952 by Callegari (Relating to a municipal consent agreement regarding the inclusion of land in the extraterritorial jurisdiction of a municipality on the creation or expansion of certain municipal utility districts.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would repeal Sections 54.016(f) and (h) of the Water Code. Removal of subsection (f) would remove the provision that a city may provide in its written consent for the inclusion of land in a district that a contract ("allocation agreement") between a municipal utility district and the city be entered into prior to the first issue of bonds, notes, warrants, or other obligations of the district. Repealing subsection (f) would also remove the requirements of what must be included in an allocation agreement.

Subsection (h) applies to a city with a population of 1.18 million or less. Repeal of subsection (h) would remove the provision that a city of that size may provide in its written consent for the inclusion of land in a district that after annexation the city may set rates for water and/or sewer services for property that was within the territorial boundary of such district at the time of annexation, which rates may vary from those for other properties within the city for the purpose of wholly or partially compensating the city for the assumption of obligation under the Water Code if certain actions/requirements occur. Another part of subsection (h) applies to a city with a population of 500,000 or more located in a certain county, also regarding written consent to the inclusion of land in a district.

Local Government Impact

The bill would remove a city's ability to set higher rates for recently annexed properties that were in a municipal utility district (MUD). The bill could have a significant potential fiscal impact to cities because of the financial obligations of a MUD that are absorbed at the time of annexation. Cities might, for example, be forced to raise utility rates for all customers or carry long-term debt. The City of Nacogdoches states that the bill could have a fiscal impact totalling "hundreds of thousands of dollars."

Source Agencies:

LBB Staff: JOB, SD, JB, DB