

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION
Revision 1

April 22, 2009

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

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

IN RE: HB3335 by Callegari (Relating to the powers and authority of water districts.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend the Election Code to exempt certain conservation and reclamation districts from certain requirements related to elections.

The bill would amend the Local Government Code to specify that for purposes of Subchapter D of Chapter 43 (Annexation Provisions in Special Districts), "district" means a conservation and reclamation district operating under Chapter 49 of the Water Code. The bill would also specify criteria that must be met for an area to be annexed for limited purposes under Section 43.0751.

The bill would amend the Water Code to authorize certain general law districts to file suit against any person to enforce the payment of fees or charges the person owes the district under district rules.

The bill would amend the Water Code relating to joint elections held by counties with certain districts.

The bill would amend the Water Code to exempt from certain requirements a district that funds firefighting services with revenue instead of ad valorem taxes. Such a district would also be required to apply any voluntary contribution for firefighting services made with a partial payment by a customer for potable water or sewer service to apply the contribution first to the bill and any remaining amount for firefighting services.

The bill would amend the Water Code to prohibit a municipality from exercising the power of eminent domain inside a municipal utility district's boundaries if a reasonable alternative is available to the municipality outside the district's boundaries.

The bill would amend the Water Code to authorize a municipal utility district to contract to receive water or sewer service as a wholesale customer if the cost to the district for services under the wholesale contract does not exceed the cost to provide the services.

The bill would repeal Sections 54.016(f) and (h) of the Water Code regarding written consent from certain cities regarding inclusion of land in a Municipal Utility District.

Local Government Impact

The proposed changes to statute would have varying fiscal impacts on the different applicable districts and municipalities.

According to information provided by the Austin Water Utility, the proposed repeal of Sections 54.016(f) and (h) would have a significant negative fiscal impact. The City of Austin has petitioned the Texas Supreme Court requesting a review of a case related to subsection (f). According to the city, if because the subsection is repealed the supreme court would not review the case and therefore not

overturn a court of appeals' decision, the city would incur costs of \$19.5 million or more for repaying a Municipal Utility District's (MUD) debt for drainage, and water and wastewater infrastructure costs that were incurred for the MUD development.

The City of Austin also estimates a cost to the city of \$42.6 million if subsection (h) is repealed. The city reports that the loss of ability to levy annexation surcharges for a MUD in the city's extraterritorial jurisdiction would create a significant debt burden. Austin annexed the Southland Oaks MUD in December 1997. The remaining surcharge to be levied on this annexation area totals at least \$1 million. The city also cited \$41.6 million in project debt from MUDs the city has not yet annexed, but could be by 2012.

Source Agencies:

LBB Staff: JOB, SD, DB