

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 14, 2011**

**TO:** Honorable Rene Oliveira, Chair, House Committee on Land & Resource Management

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

**IN RE: HB524** by Brown (Relating to a court order to disannex an area from a municipality.), **As Introduced**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend the Local Government Code to authorize a petition to be filed against a municipality that has failed or refused to disannex an area within 60 days of receipt of a petition. The bill also would permit a district court to order the municipality to disannex an area if the municipality has not met certain obligations as defined by the provisions of the bill.

**Local Government Impact**

There could be a significant fiscal impact to a municipality that failed to comply with disannexation in a timely manner; however, the cost would vary depending on the number of annexation cases filed, the value of land that resulted in a loss of ad valorem and possible sales tax revenue.

The City of Austin indicated that under current statute, if an area is disannexed, the city must refund taxes and fees to property owners less the amount spent for the direct benefit of the area during the period that the area was part of the city. Therefore, the potential fiscal impact would be negative and could be significant; however, due to the complicated method for determining a potential refund, the exact amount is difficult to estimate and would vary for each distinct area that is disannexed.

The City of Houston indicated that it is impossible to determine the fiscal impact on the city because all annexations and disannexations are unique in area, population, land value and costs of city services to serve each particular area. The city also noted that for every disannexation there is a loss of ad valorem revenue, and in some cases, sales tax revenue, and that each potential disannexation is analyzed on a case-by-case basis.

**Source Agencies:**

**LBB Staff:** JOB, SZ, TP