

SUBJECT: Selection option for MUDs in dual ETJs

COMMITTEE: Land and Resource Management — favorable, without amendment

VOTE: 6 ayes — Bosse, B. Turner, Hamric, Howard, Mowery, Staples
0 nays
3 absent — Crabb, Jackson, Krusee

SENATE VOTE: On final passage, April 18 — 29-0

WITNESSES: For — Chris Mann, Block House MUD
Against — None

BACKGROUND : A municipal utility district (MUD) is a political subdivision of the state authorized under the Water Code to provide water and wastewater service to a specific region. A MUD may purchase or construct and operate facilities that serve the region and issue bonds to finance the purchase or construction of such facilities.

The 74th Legislature enacted SB 1375 by Wentworth, allowing certain narrowly defined MUDs located within overlapping jurisdictions to choose to be wholly contained in the ETJ of one municipality under certain conditions.

DIGEST: SB 1137 would allow the board of any MUD located in the ETJ of more than one municipality to select by resolution the municipality that may exercise authority within the district as a whole. The board would have to file certified copies of the resolution with each affected municipality and in the real property of records of each county in which the MUD was located.

On the effective date of the resolution, the MUD would be wholly contained in the ETJ of the selected municipality without the need for any action or approval by a municipality. A board that selected an ETJ under the provisions of SB 1375 also could confirm the selection by adopting a resolution under SB 1137.

The bill also would specify legislative intent to validate and confirm all resolutions, orders, and other acts and attempted acts of a board adopted or taken under SB 1375.

SB 1137 would not apply to districts located in the ETJ of a municipality with territory in three or more counties.

The bill would take immediate effect if finally approved by a record two-thirds vote of the membership in each house.

**SUPPORTERS
SAY:**

SB 1137 would clarify the options available to a MUD when it is located within the ETJ of two municipalities. MUDs subject to annexation by more than one municipality have no chance to develop a relationship with the municipality that may annex them because of the uncertainty of which municipality would exercise annexation rights. MUDs deserve the option to choose which municipality can exercise control within the district. SB 1137 would ensure MUDs located in the ETJ of two municipalities have a say in their future.

SB 1137 also would prevent double taxation of property located in a MUD and a municipality's ETJ. If a municipality annexed only a portion of a MUD with existing indebtedness, the city would not assume its debts; residents of the annexed portion of the MUD would have to pay taxes to the city and to the MUD on the bonds issued before annexation occurred.

**OPPONENTS
SAY:**

SB 1137 would usurp cities' powers to control their ETJs and plan for future development. Cities need broad annexation authority to prevent urban decay and to ensure the city's growth and prosperity. These powers should not be limited in any way. The bill also would undermine any investments that a city may have made in its ETJ, including the area covered by the MUD. At the least, a MUD should be required to repay for such investments if it removes itself from the taxing authority of the city.

NOTES:

Three bills enacted by the 74th Legislature transferred MUDs from the ETJ of Austin to the ETJs of other cities: SB 421 by Wentworth (Cedar Park), SB 1375 by Wentworth (Round Rock) and SB 1397 by Barrientos (Manor).