HOUSE
RESEARCH
ORGANIZATION bill analysis   5/9/2005

HB 1644
Callegari
(CSHB 1644 by Bonnen)

SUBJECT: Allowing certain contracts between water districts

COMMITTEE: Natural Resources — committee substitute recommended

VOTE: 7 ayes — Puente, Bonnen, Campbell, Geren, Hardcastle, Hope, Laney

                0 nays

                2 absent — Callegari, Hilderbran

WITNESSES: For — Tony Corbett, Freeman and Corbett

                Against — None

BACKGROUND: Water Code, ch. 51 governs water control and improvement districts. Ch.
                54 governs municipal utility districts (MUDs). Although it has been
                repealed, ch. 52 governed underground water conservation districts.

                Water districts are local political subdivisions of the state governed by
                boards of directors and created either by special or general law. Special
                districts can be created by an act of the Legislature under the Texas
                Constitution, Art. 16, sec. 59, and their powers are determined by their
                enabling legislation.

DIGEST: CSHB 1644 would allow a water control and improvement district or
                MUD to enter into a contract with an authorized water district or water
                supply corporation. The contract could allow the district or MUD through
                issuance of debt or other means to acquire and convey to the authorized
                district or corporation:

                • a water supply, treatment, or distribution system;
                • a sewage collection or treatment system; or
                • land drainage improvements.

                Under the terms of the contract, the district or MUD could rehabilitate the
                facilities or be required to pay fees for service provided by facilities to the
                authorized district or corporation. The contract also could allow the
                authorized district or corporation to purchase facilities from a district or

MUD through periodic payments. An authorized district or corporation could operate the facilities conveyed by a district or MUD. The district or MUD could be required under the contract to make water available to the authorized district or corporation for services within the district or MUD.

If water, sewer, or drainage facilities were conveyed to an authorized district or corporation upon construction, the authorized district or corporation could pay the district or MUD to provide services to residents or customers of the authorized district or corporation.

Under the contract, the district or MUD could convey the facilities at no cost and require the authorized district or corporation to use those facilities to provide service to customers within the district or MUD.

The contract would have to be approved by the governing bodies of the two parties. Voters would have to approve taxes imposed under a contract to the extent required under current law. A district or MUD would be able to issue bonds for purposes outlined in the bill.

Any contract entered into by a district or MUD before the bill's effective date allowing the district or MUD to convey facilities to an authorized district or corporation would be validated by the bill. This provision would not apply to an agreement held invalid by a court.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.

SUPPORTERS SAY:	CSHB 1644 would allow an improvement district or MUD to transfer ownership of water or sewer facilities to another water district, a power that districts currently lack. By authorizing such agreements, CSHB 1644 would encourage districts to work together and construct regional water facilities that could provide quality, affordable water services to residents throughout an area. The bill would provide districts with cost saving opportunities by granting increased flexibility when planning for the needs of their residents.
OPPONENTS SAY:	No apparent opposition.

NOTES: The committee substitute would allow a district or MUD to acquire facilities "through the issuance of debt or other means." The substitute also would allow a contract to require a district or MUD to pay fees to an authorized district or corporation.

The companion bill, SB 901 by Lindsay, was reported favorably, without amendment, by the Senate Natural Resources Committee on May 4.