

BILL ANALYSIS

Senate Research Center
78R2788 MI-D

S.B. 717
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DIGEST AND PURPOSE

Currently, cities may annex, for limited purposes, the retail areas within boundaries of a municipal utility district (MUD) and impose a sales tax on the annexed area, receipts from which are divided between the MUD and the city. Texas law does not provide MUD voters the right to determine annexations; does not address how the additional revenue from annexation is allocated by a MUD; and does not prohibit cities from duplicating government functions already provided by the county, including fire and emergency services. As proposed, S.B. 717 requires an approval vote by MUD voters before annexation; requires revenues to be allocated towards certain areas for a MUD; and reaffirms that the county has the ultimate responsibility for providing services in unincorporated areas.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 43D, Local Government Code, by adding Section 43.0754, as follows:

Sec. 43.0754. LIMITED-PURPOSE ANNEXATION OF CERTAIN DISTRICTS; ANNEXATION AGREEMENTS. (a) Authorizes a municipality and the board of directors of a municipal utility district (MUD) that is annexed for limited purposes by the municipality to enter into an annexation agreement under which the municipality may levy and collect in the newly annexed district a tax authorized by law or municipal charter and may share the tax with the newly annexed district as provided by the annexation agreement.

(b) Prohibits the board of a MUD that is annexed for limited purposes by a municipality from entering into an annexation agreement with the municipality unless the annexation agreement has first been approved by a majority of the property owners in the MUD voting in an election held by the district for that purpose.

(c) Prohibits the board of the newly annexed MUD from reducing the district's ad valorem tax rate to a rate lower than the ad valorem tax rate of the annexing municipality.

(d) Authorizes a municipality that annexes for limited purposes a MUD to exercise within the newly annexed area only the authority to tax granted under an annexation agreement entered into under this section. Provides that the municipality has no other authority within the newly annexed area.

SECTION 2. Repealer: Sections 43.0751 and 43.0752, Local Government Code.

SECTION 3. (a) Effective date: September 1, 2003.

(b) Provides that the repeal by this Act of Section 43.0751, Local Government Code, does not apply to a strategic partnership agreement that takes effect under Section 43.0751 before the effective date of this Act. Makes application of this Act to a strategic partnership agreement prospective.