

**BILL ANALYSIS**

Senate Research Center  
80R18239 PAM-F

C.S.S.B. 2042  
By: Watson  
Intergovernmental Relations  
5/8/2007  
Committee Report (Substituted)

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

This bill enables the City of Pflugerville (city) and a local municipal utility district (MUD) developer in the city's extraterritorial jurisdiction to enter into an allocation agreement that will permit the city to annex part but not all of the New Sweden Municipal Utility District (district). The city expects to eventually annex the entire district, but both the city and the developer envision an intermediate period during which only part of the district is located in the city.

C.S.S.B. 2042 creates an exception to Section 43.071 (Authority to Annex Water or Sewer District), Local Government Code, that provides that when a city annexes any territory in a MUD, it is required to dissolve and annex the entire district. This bill authorizes the city and the district to enter into an agreement to allocate tax revenues in a manner proportionate to the delivery of services.

**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 Subtitle F, Title 6, Special District Local Laws Code, by adding Chapter 8159, as follows:

CHAPTER 8159. NEW SWEDEN MUNICIPAL UTILITY DISTRICT NO. 1

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 8159.001. DEFINITIONS. Defines "board," "director," and "district."

[Reserves Sections 8160.002-8160.100 for expansion.]

SUBCHAPTER B. POWERS AND DUTIES

Sec. 8159.101. GENERAL POWERS AND DUTIES. Provides that the New Sweden Municipal Utility District No. 1 (district) has the powers and duties provided to a municipal utility district by general law, including Chapters 49 (Provisions Applicable to All Districts) and 54 (Municipal Utility Districts), Water Code, and Chapters 42 (Extraterritorial Jurisdiction of Municipalities) and 43 (Municipal Annexation), Local Government Code, and all the powers and duties necessary or appropriate to accomplish the purposes for which the district was created by the Texas Commission on Environmental Quality.

Sec. 8159.102. ADDITIONAL POWERS RELATED TO ANNEXATION AND TAX ALLOCATION AGREEMENTS. (a) Provides that this section applies only to a certain municipality.

(b) Authorizes the district and the municipality to agree to provide for the annexation, including limited purpose annexation, by the municipality of all or a part of the territory of the district, and allocation, following annexation of all or

part of the district by the municipality, of taxes imposed on real property in the district between the district and the municipality.

(c) Provides that the district is granted the powers under Subchapter J (Service for Certain Defined Areas and Designated Property), Chapter 54, Water Code, for certain purposes, notwithstanding the limitations otherwise imposed by that subchapter.

(d) Provides that this chapter does not eliminate any right granted to a municipality under general law to annex all or part of the district. Provides that the powers granted to the district and a municipality under this chapter are cumulative of powers granted under other law.

Sec. 8159.103. SPECIFIC PROVISIONS OF TAX ALLOCATION AGREEMENT. Authorizes the tax allocation agreement made under Section 8159.102 to contain a method by which the district continues to exist following annexation by the municipality of all or part of the district territory, if the district is initially located outside the corporate boundaries of the municipality; an allocation of the ad valorem tax revenues of the district and the municipality from property in the district as the district and the municipality may agree; an allocation of governmental services to be provided by the municipality or the district following the date of the inclusion of all or part of the district territory in the corporate boundaries of the municipality, which must be proportionate to the allocation of taxes to which the district and the municipality agreed; an agreement under which the district assesses and collects ad valorem taxes on all taxable property at certain rates; a provision permitting district bonds in an area designated as a defined area as provided by Subchapter J, Chapter 54, Water Code, to be sold by a negotiated contract, notwithstanding other law; a provision that the allocation agreement will end on a certain date; and any other terms considered appropriate by the municipality and the district.

SECTION 2. (a) Provides that all requirements of the constitution and the laws of this state and the rules and procedures of the legislature with respect to the notice, introduction, and passage of this Act are fulfilled and accomplished.

(b) Provides that the governor has submitted the notice and Act to the Texas Commission on Environmental Quality (TCEQ).

(c) Provides that TCEQ has filed its recommendations relating to this Act with certain officials.

(d) Provides that the general law relating to consent by political subdivisions to the creation of districts with conservation and reclamation powers and the inclusion of land in those districts has been complied with. Provides that all requirements of the constitution and laws of this state and the rules and procedures of the legislature with respect to notice, introduction, and passage of this Act have been fulfilled and accomplished.

SECTION 3. Effective date: upon passage or September 1, 2007.