

SUBJECT: Road building powers of municipal utility districts

COMMITTEE: County Affairs — favorable, without amendment

VOTE: 8 ayes — R. Allen, W. Smith, Casteel, Coleman, Farabee, Naishtat, Olivo, Otto

1 present not voting — Laney

0 nays

SENATE VOTE: On final passage, May 3 — 31-0, on Local and Uncontested Calendar

WITNESSES: For — Angela Stepherson, Huffines Communities

Against — Bruce Beaty, Rockwall County Court

BACKGROUND: Water Code, ch. 54, governs the powers and duties of municipal utility districts (MUDs). Sec. 54.234 allows MUDs to assume the powers that are granted to road utility districts with the approval of the Texas Commission on Environmental Quality (TCEQ). The powers and duties of road utility districts are defined in Transportation Code, ch. 441, which grants the authority to construct, acquire, and improve road facilities with the approval from the Texas Transportation Commission (TTC).

Texas Constitution, Art. 3, sec. 52(b)(3) authorizes political subdivisions and districts to issue bonds to finance the construction, maintenance, and operation of toll and non-toll roads. The issuance of bonds to finance road projects requires a two-thirds majority vote of the registered voters in a district. The total amount of bonds issued cannot exceed one-fourth of the value of the property in the district.

DIGEST: SB 1660 would regulate the ability of MUDs to assume the powers of road districts as defined in Texas Constitution, Art. 3, sec. 52(b)(3). In order for an MUD to gain the authority to construct, maintain, and operate road facilities, a simple majority vote in the district would have to approve the proposal. A majority vote of two-thirds would be required for a district to obtain the authority to issue bonds. The bill would limit the amount of

bonds and obligations issued to a quarter of the value of the property inside the district. The bill would not apply to MUDs in Harris County or adjacent counties.

A MUD with the powers of a road district would be able to issue bonds only if the “combined projected tax rate” for the district was less than \$1.50 per \$100 of taxable value and the “combined no-growth tax rate” was less than \$2.50 per \$100 of taxable value. The “combined projected tax rate” would be calculated based on projections of the taxable value of property in the district in future years. The “combined no-growth tax rate” would be calculated based on the current taxable value of property in the district.

SB 1660 would authorize a MUD with road district powers to reimburse expenses for construction contracts without approval. A MUD with road district powers would be required to maintain roads unless another political subdivision or a county assumed the responsibility.

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, 2003.

**SUPPORTERS
SAY:**

SB 1660 would increase the cost effectiveness of urban financing by limiting the abilities of MUDs with road building authority to issue bonds. The bill would limit a district’s bonding authority to one-fourth of the taxable value of property in the district to prevent the over-issuance of bonds by road building authorities. Additionally, SB 1660 would restrict the authority to issue bonds to those MUDs with reasonable current and projected taxation rates to protect taxpayer dollars.

The bill would provide consistency in the law and remove obstacles that MUDs currently face. After obtaining voter approval, a MUD no longer would be required to go through the process of applying for permission from TCEQ to assume road utility district powers. The bill would empower MUDs to acquire, build, and maintain their own streets according to the particular needs of individual communities. SB 1660 would not apply to Harris County and surrounding counties due to the tremendous costs associated with road projects in that metropolitan area.

**OPPONENTS
SAY:**

The provisions in the bill would not apply across the board to all counties in Texas — Harris County and adjacent counties would be exempt. Given the comparable size and urban character of the Dallas and Houston metropolitan areas, it only follows that those two areas should be governed by similar state laws. Counties surrounding the Dallas area should have the same regulations or exemptions from regulation as those surrounding Harris County.