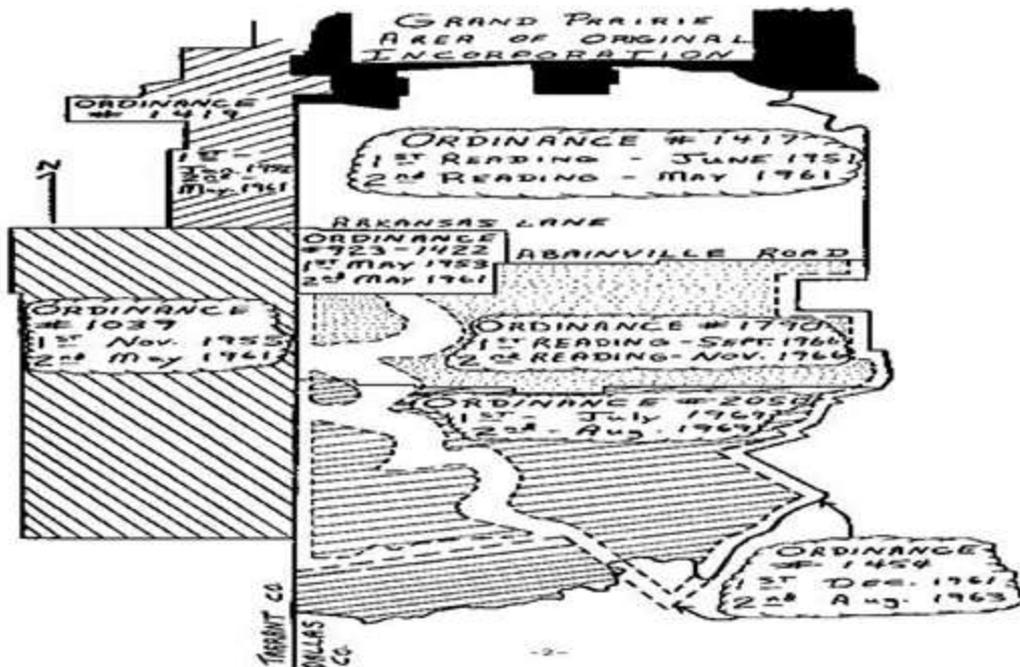


MUNICIPAL ANNEXATION: The New Reality?



Scott Houston
General Counsel
Texas Municipal League

Take Aways...

- **How we got here and at the end where we're at**
- **Their narrative**
- **Our narrative**
- **What does the new law mean?**

How did we get where we are now?

- 1836/1845 – Special law cities
- 1858 – General law cities
- 1912 – Home rule cities
- 1963 – Municipal Annexation Act
- 1999 – Senate Bill 89 (plan and exempt)
- 2001 – Election bills filed every subsequent session
- 2015 – House Bill 2221 (Died)
- 2017 – HB 424/SB 715 (Died)
- 2017 Special – SB 6 (The New Reality?)



Their Narrative...

Forced annexation is un-Texan

Greg Abbott in San Antonio Express News (July 2017)

- Texas is still the envy of the nation. With our strong economy, overall lower costs of living and **high quality of life**, the Lone Star State remains the best place to raise a family, build a business and create greater opportunity for all.
- If cities want to expand their tax base, they can attract new businesses and residents by following the state's lead: **Create a welcoming economic environment by lowering taxes, reducing burdensome regulations and speeding up permitting.**



Their Narrative...

“It’s an outrage that San Antonio would go so far outside its limits to grab taxpayers who never intended to live inside San Antonio. This isn’t self-governance, it’s abusive government that threatens a free society and property rights.”



Their Narrative...

“You aren’t giving me anything but higher taxes!!”



“My grandfather fought for the right to vote in WWII!”

Dallas Morning News – 2 Days Ago

- Another landowner, Tamlynn Clyde, estimates her family will pay at least an additional \$2,000 in city taxes a year once they're annexed. **Clyde relocated two years ago with Toyota to Texas from a small house near the beach in Los Angeles** with her husband and three kids.

If your city annexes, you aren't a real Texan...



(Check it out on YouTube)

Our Narrative...

- **THE ECONOMY**

- Texas annexation laws had been fine tuned over the past 100 years to provide an efficient and orderly way to deal with population growth.
- The proof that annexation was working well is in the results: Year after year, Texas cities are among the national leaders in attracting new businesses and new residents.
- When cities are prevented from expanding their boundaries, the city core declines and creates a slow death spiral.



The Economy = How Services are Provided. Call it “Regional Taxation” Maybe?

- **NOT** a “property rights” issue or a “democracy” issue
- **IS** a money and services issue
 - City services
 - State funding
 - Annexation power in lieu of state funding
 - Reverse intergovernmental aid
 - Other states?



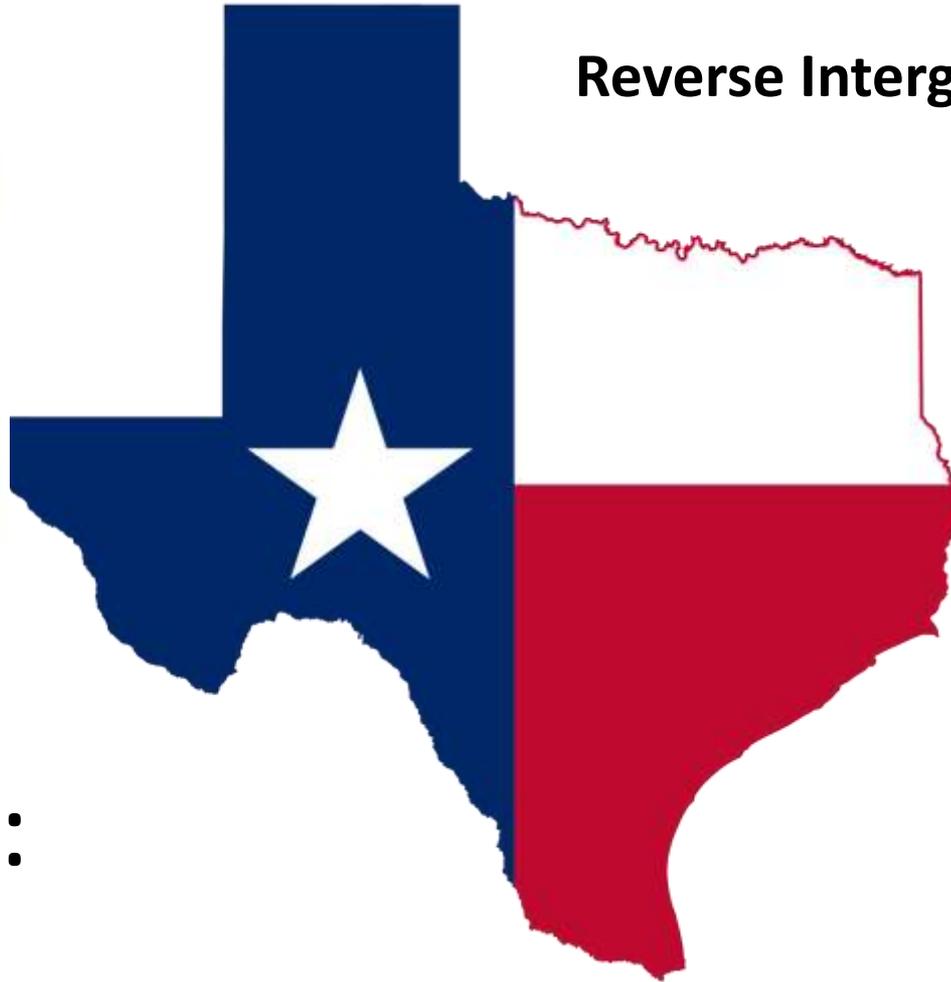
Is the system we have a problem?

- Texas ranks very low (45th) among the states in total per capita tax burden
- It ranks much higher (26th) in local taxes per capita
- WHY?
- Compared to those in other states, Texas cities and other local governments pay for more services that benefit the entire state
- And, unlike other states, Texas practices RIGA...





Reverse Intergovernmental Aid



FY 2016:

Est. \$250,000,000



Is the system we have a problem?

- That's okay (I guess) so long as cities maintain their ability to take care of **NOT ONLY THEMSELVES, BUT THE STATE AS WELL!**
- This is why revenue limitations, erosion of annexation authority, unreasonable debt limitations, and so many other local control issues are SO IMPORTANT.

Limit local control (especially in areas that generate municipal revenue) and no state revenue

=

Horrible economic experiment



But Other States Limit Annexations...

AZ is a good example of the opposite:

- Every year, that state generates more than \$1.6 billion (from the vehicle license tax, state sales tax, and state income tax) that is returned to its cities to provide services that benefit the entire region.
- Because of that, AZ cities can't annex without consent.



Cities must grow or die?

	Land Area Sq. Mi.		Population Rank		City Population		Population Change	Median household Income in 2013
	1950	2010	1950	2010	1950	2010		
Detroit	140	140	5	20	1,849,568	713,777	-61%	\$26,325
Baltimore	79	81	6	24	949,708	620,961	-35%	\$41,385
Cleveland	75	78	7	48	914,808	396,815	-57%	\$26,217
St. Louis	61	62	8	61	856,796	319,294	-63%	\$34,582

	Land Area Sq. Mi.		Population Rank		City Population		Population Change	Median household Income in 2013
	1950	2010	1950	2010	1950	2010		
Houston	160	600	14	4	596,163	2,099,451	252%	\$45,010
San Anton	70	461	25	7	408,442	1,327,407	225%	\$45,722
Dallas	112	341	22	9	434,462	1,197,816	176%	\$42,846
Austin	32	297	73	14	132,459	790,390	497%	\$53,946

Unbelievable Growth

According to the recent mid-term census data, more than 1,400 people are added to the Texas population each day. That's 490,000 last year alone. And 450,000 of them were in and around cities in an MSA. (around 165 per day to Austin area.) It's not a city's fault that growth is happening, but it is (was?) a city's responsibility to ensure that the growth in and around them is sustainable.



How did we get where we are now?

- 1836/1845 – Special law cities (150,000)
- 1858 – General law cities (600,000)
- 1912 – Home rule cities (4,500,000)
- 1963 – Municipal Annexation Act (9,800,000)
- 1999 – Senate Bill 89 (plan and exempt)(21,000,000)
- 2001 – Election bills filed every subsequent session
- 2015 – House Bill 2221 (Died) (28,000,000)
- 2017 – HB 424/SB 715 (Died)
- 2017 Special – SB 6 (The New Reality?)
- 2040 – Estimated 45,000,000 population



“Cities don’t have rights, citizens do”



Rep. Dan Huberty fights
forced annexation

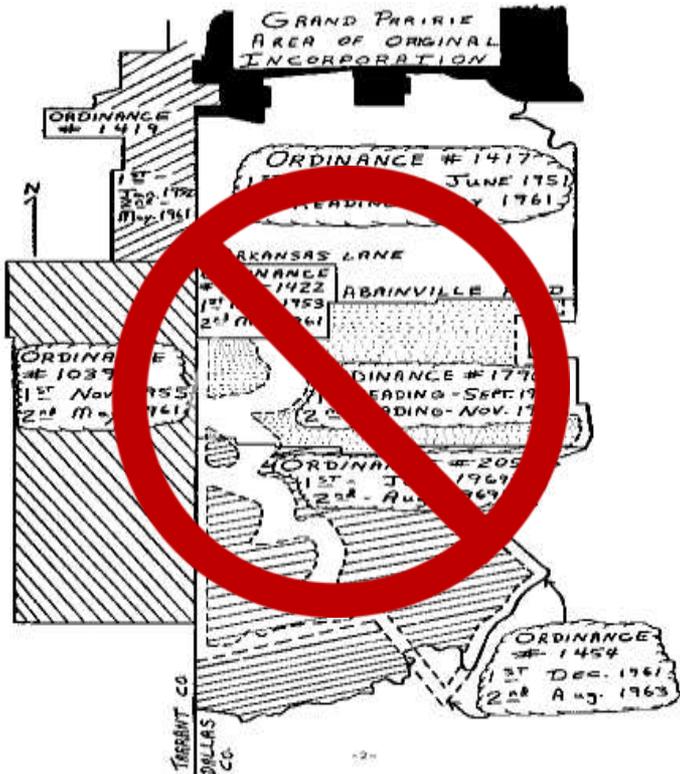
Say Thank You

SB 6 Annexation Changes

- Effective 12/1/17.
- Creates a new system of “Tier 1” and “Tier 2” counties and cities; voters can turn a Tier 1 entity into a Tier 2 (more restrictive) pretty easily by petition.
- A Tier 1 city may continue annexation if under a 3 year plan or exempt annexations.
- A Tier 2 city needs resident/landowner approval



Possible?



=

Detroit bankrupt

Largest US city to file for protection

Population:
700,000
(1.8 million in 1950)

Debt:
\$18.5 billion

Problems listed:

- ▶ Shrinking population
- ▶ Racial tensions
- ▶ Middle-class flight to suburbs
- ▶ Shrinking tax base
- ▶ Cut back on services
- ▶ Industrial layoffs
- ▶ Crime, homicide



AFP

Questions...

- **How we got here and where we're at**
- **Their narrative**
- **Our narrative**
- **SB 6: Is it all over and what does that mean?**