

BILL ANALYSIS

H.B. 3202
By: Veasey
Local Government Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

On February 16, 2005 the Attorney General released an opinion (No. GA-0305) that states that the competitive bid statute (Chapter 252, Local Government Code) applies to expenditures of TIF funds by the TIF board of directors.

This opinion is based upon a finding that the legislature has not provided in Chapter 311 of the Tax Code that the tax increment reinvestment zone or its board is indeed an entity separate from the city, nor has it expressly provided that that tax increment fund expenditures are not subject to competitive bidding laws. This would preclude a city from reimbursing developers for work done on the city's behalf. In other words, TIF funds could not go the very entity they were designed to go to.

H.B. 3202 would clearly provide that TIF zones and boards are independent entities completely, and that the competitive bid statute does not apply to the expenditure of TIF funds.

H.B. 3202 also clarifies the TIF statute by stating that municipal contributions to a TIF are elective, not required. The bill also adds municipalities to the group of taxing entities which may exempt certain property from contribution to a TIF.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

Section 1. Amend Section 311.010 of the Tax Code by adding Subsection (g) stating that competitive bid statute (Chapter 252, Local Government Code) does not apply to a dedication, pledge or other use of revenue in a tax increment fund (TIF) for a reinvestment zone or by a TIF board of directors.

Section 2. Amend Sections 311.013 (f) and (g) in order to clarify the TIF statute. Section (f) clarifies that municipalities are not required to contribute increment to the TIF. Contribution to a TIF should be elective for all taxing entities, including the municipality which created the TIF.

Section (g) is amended to included cities in the group of taxing entities which may exempt certain property from contribution to a TIF. Cities may exempt these properties only with agreement of all parties involved in the TIF.

Section 3. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2005.

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2005.

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