

BILL ANALYSIS

C.S.S.B. 1198

By: Ellis

Local Government Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, a city is required to contribute 100 percent of its tax increment to a tax increment fund for a tax increment reinvestment zone (TIRZ) throughout the life of the TIRZ. The proposed legislation would allow a city to reduce its participation once all non-educational facility projects have been completed.

C.S.S.B. 1198 allows cities to reduce their participation in a TIRZ to less than 100 percent. C.S.S.B. 1198 also clarifies that cities can determine the participation level upon creation of a TIRZ and protects any existing TIRZ obligations (i.e., bonds, notes, and developer reimbursement agreements). Under C.S.S.B. 1198 a city is authorized to reduce its participation only by an amount that would not impair any TIRZ payment obligations.

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

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

ANALYSIS

SECTION 1. Amends Section 311.010, Tax Code, is amended by adding Subsection (g) to read as follows:

(g) Subject to the approval of the governing body of the municipality that created the zone, the board of directors of a reinvestment zone, as necessary or convenient to implement the project plan and reinvestment zone financing plan and achieve their purposes, may establish and provide for the administration of one or more programs for the public purposes of developing and diversifying the economy of the zone, eliminating unemployment and underemployment in the zone, and developing or expanding transportation, business, and commercial activity in the zone, including programs to make grants and loans from the tax increment fund of the zone for activities that benefit the zone and stimulate business and commercial activity in the zone. For purposes of this subsection, on approval of the municipality, the board of directors of the zone has all the powers of a municipality under Chapter 380, Local Government Code.

SECTION 2. Amends Section 311.013, Tax Code, by amending Subsection (b) and adding Subsections (l) and (m), as follows:

(b) Requires each taxing unit to pay into the tax increment fund (fund) for the reinvestment zone (zone) an amount equal to the tax increment produced by the unit, less the sum of certain tax increments.

(l) Authorizes the governing body of a municipality that designates an area as a zone to determine, in the designating ordinance, the portion of the tax increment produced by the municipality that the municipality is required to pay into the fund for the zone. Provides that if a municipality does not determine the portion of the tax increment produced by the municipality that the municipality is required to pay into the fund for a zone, the municipality is required to pay into the fund for the zone the entire tax increment

C.S.S.B. 1198 79(R)

produced by the municipality, except as provided by Subsection (b)(1).

(m) Authorizes the governing body of a municipality that is located in a county with a population of more than 1.4 million but less than 2.1 million or in a county with a population of 3.3 million, in an ordinance adopted after the zone is designated, to reduce the portion of the tax increment produced by the municipality that the municipality is required to pay into the fund for the zone. Requires the portion of the tax increment produced by a municipality that the municipality is required to pay into the tax increment fund for a reinvestment zone, together with all other revenues required to be paid into the fund, to be sufficient to complete and pay for the estimated costs of projects listed in the reinvestment zone financing plan and pay any tax increment bonds or notes issued for the zone, and any other obligations of the zone.

SECTION 3. Effective date: upon passage or September 1, 2005.

EFFECTIVE DATE

September 1, 2005

COMPARISON OF ORIGINAL TO SUBSTITUTE

- I. The House Substitute broadens the applicability of subsection (m) to include Fort Worth and larger cities. Subsection (m) authorizes cities to reduce TIRZ participation under certain circumstances.
- II. The House Substitute adds language to SB 1198 to clarify that a city's option to reduce participation under subsection (m) is specifically limited to the circumstances described in that subsection.
- III. The House Substitute allows for the use of tax increment for public purposes including economic development.
 - a) Currently, TIRZ's may spend tax increment on project costs that are "public works and improvement." At the time chapter 311, Tax Code, (the "TIF Act") was enacted, economic development expenditures were not clearly "public" purposes, and were not listed as eligible project costs in the TIF Act. A constitutional amendment has since been enacted that broadens the term "public purposes" to include expenditures for economic development. The Substitute language brings the TIF Act's definition of eligible project costs in line with the current legal definition of "public purposes."
 - b) A city would have to approve an economic development program before a TIRZ could make economic development expenditures.