LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 19, 2005

TO: Honorable Todd Staples, Chair, Senate Committee on Transportation & Homeland Security

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB2653** by Krusee (Relating to the use of tax increment financing to pay certain costs associated with certain transportation or transit projects.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated.

This bill would allow cities and counties to purchase real property rights on land outside reinvestment zones for certain purposes.

The provision would pertain to a reinvestment zone served by a "bus rapid transit project" or a "rail transportation project." A "bus rapid transit project" would mean a system designed to give preferential treatment to buses on a roadway and would include special lanes, bus stations, and maintenance facilities. A "rail transportation project" would mean a passenger rail facility including tracks, rail lines, depots, and maintenance facilities.

The bill would allow a tax increment financing (TIF) agreement to include provisions for the use of TIF funds to pay the costs of acquiring land, development rights, or conservation easements located outside the reinvestment zone if: 1) the zone were or would be served by a rail transportation project or bus rapid transit project; 2) the acquisition was for the purpose of preserving the land in its natural or undeveloped condition; and 3) the land was located in the county where the zone was located.

The city that created the reinvestment zone and the county in which the zone was located would be required to pay the same portion of their tax increment into the TIF fund.

Since TIF agreements created after September 1,1999, are not included in the property value study to determine the total taxable value for each school district, no fiscal impact to the State is anticipated.

The bill would take effect immediately upon receiving a two-thirds majority vote in both houses; otherwise, the bill would take effect September 1, 2005.

Local Government Impact

Fiscal implications of the bill on units of local government would depend on future actions by municipalities and counties relative to the execution of TIF agreements involving transportation and transit projects. Real property acquired and used for a public purpose as a result of this bill could be exempted from property taxation, causing a loss of revenue to some taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SR, WP, DLBe, KJG