

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 4, 2005

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways & Means

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

IN RE: HB2864 by Luna (Relating to the use of sales tax revenue to pay or secure certain municipal public securities.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would add Subchapter Z to Chapter 1331 of the Government Code to allow sales and use tax dollars to be used to pay or secure the payment of public securities under specified circumstances. For a city to be affected or benefit from the amendment, it would need to have a tax increment reinvestment zone created under Chapter 311 of the Tax Code; an area designated as an enterprise zone under Chapter 2303; a municipal management district created under general or local law; a public improvement district created under Chapter 372, Local Government Code; an empowerment zone or an enterprise community designated under Section 1391, Internal Revenue Code, or a renewal community designated under Section 1400E, Internal Revenue Code.

The bill would also amend Sections 321.506 and 321.507 of the Tax Code, which allows the use of sales tax revenue in the manner prescribed in Section 1331.901 of the Government Code.

Sales tax revenue historically has not been used to meet the security obligations of a municipality. This bill would allow cities, in certain instances, to access sales tax revenue to pay for a public security, including bonds, certificates, notes or other types of obligations authorized to be issued by an issuer under a statute, a municipal home rule charter or the Texas Constitution.

The bill takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this bill does not receive the vote necessary for immediate effect, this bill will take effect September 1, 2005.

Local Government Impact

The bill would not change the rate of the sales tax, and therefore it would not have any fiscal impact on local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, SM