

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 25, 2005

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

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

IN RE: SB1440 by Hinojosa (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.

The bill would take 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 the bill does not receive the vote necessary for immediate effect, it would take effect September 1, 2005.

Sales tax revenue historically has not been used to meet the security obligations of a municipality. The 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.

Local Government Impact

Some cities would be able to take advantage of the amendment, but it cannot be determined which cities, how many cities, or how much of the tax revenue each city would gain resulting from this amendment.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, DLBa, WP, SM, KJG