

## **BILL ANALYSIS**

C.S.H.B. 3722  
By: Krusee  
Transportation  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Current law allows TxDOT to enter into an agreement with a public or private entity providing for the payment of “pass-through” financing to the public or private entity as reimbursement for the design, development, financing, construction, maintenance, or operation of a toll or non-toll facility on the state highway system.

C.S.H.B. 3722 would establish the Transportation Reinvestment Fund and allow a municipality or a county that has entered into a pass-through financing agreement with TxDOT to designate a Transportation Reinvestment Zone and reimburse a portion of the pass-through funding from TxDOT based on increases in the value of property in the zone.

The pass-through program has proven to be popular. This legislation creates a means to make additional funds available for pass-through projects.

### **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. Amends Subchapter E, Chapter 222, Transportation Code by adding Sections 222.105, 222.106, and 222.107 as follows:

Creates the transportation reinvestment fund (the “fund”) as a special account in the state treasury to be administered by the comptroller. Provides that the fund is exempt from the application of Section 403.095, Government Code; and that any amount deposited to the credit of the fund may be used only for the purpose of funding projects authorized under Section 222.104, Transportation Code, as determined by TxDOT.

Provides that the amount a municipality’s tax increment for a year is the amount of ad valorem taxes levied and collected by the municipality for that year on the captured appraised value of the property taxable by the municipality and located in a transportation reinvestment zone and provides details for determining captured value amounts. Provides that the governing body of a municipality that has entered into a pass-through financing agreement with TxDOT may designate a contiguous geographic area within its jurisdiction to be a transportation reinvestment zone (TRZ) to promote a transportation project authorized under Section 222.104, Transportation Code that cultivates development or redevelopment of an area determined by the governing body to be unproductive, underdeveloped, or blighted based on the criteria defined in Section 311.005(a), Tax Code, or other criteria that the governing body reasonably determines. Requires the governing body of the municipality to hold a public hearing on the creation of the TRZ. Specifies that the ordinance designating an area as a TRZ must describe the boundaries of the TRZ, establish an ad valorem tax increment fund for the TRZ, and contain certain findings. Provides that the municipality may enter into an agreement with TxDOT under which not more than one-half of the money deposited to the credit of the tax increment fund established for the TRZ will be used to reimburse TxDOT up to fifty percent of the aggregate amount of pass-through toll payments made by TxDOT to the municipality and that any remaining amount in the tax increment fund may be used for any municipal purpose in the TRZ. Provides that money received by TxDOT shall be deposited to the credit of the transportation reinvestment fund to be used only for a purpose specified in Section 222.105 and, until the eighth anniversary of the date

the TRZ was created, used only in connection with a project that is located in the TxDOT district in which the TRZ is located.

Provides that the amount of a county's tax increment for a year is the amount of ad valorem taxes levied and collected by the county for that year on the captured appraised value of the property taxable by the county and located in a TRZ. Provides that the commissioners court of a county that has entered into a pass-through financing agreement with TxDOT may by order or resolution designate a contiguous geographic area within its jurisdiction to be a TRZ to promote a transportation project authorized under Section 222.104, that cultivates development or redevelopment of an area and for the purposes of abating ad valorem taxes imposed by the county on real property located in the TRZ. Requires the commissioners court to hold a public hearing on the creation of the TRZ, and the abatement of ad valorem taxes imposed by the county on property located in the TRZ. Specifies that the order or resolution designating an area as a TRZ must describe the boundaries of the TRZ and authorizes the commissioners court to enter into an agreement with the owner of any real property located in the TRZ to abate a portion of the ad valorem taxes imposed by the county on the owner's property or to elect to abate a portion of the ad valorem taxes imposed by the county on all real property located in the TRZ. Provides that in any ad valorem tax year, the total amount of taxes abated under Section 222.107 may not exceed the amount calculated under Section 222.107(a)(1) for that year. Provides that a road utility district may be formed under Chapter 441, Transportation Code with the same geographic boundaries as a TRZ to assist a county in satisfying its obligations under a pass-through financing agreement and may impose a tax on property in the district at a rate that when applied to property in the district would impose taxes in an amount equal to the amount of taxes abated by the commissioners court under Section 222.107(g). Provides that a road utility district formed to assist a county in satisfying its obligations under a pass-through financing agreement may assume the obligations, if any, of a county to make payments to TxDOT to reimburse up to fifty percent of the aggregate amount of payments made by TxDOT to the county under a pass-through financing agreement, with such payments considered operating expenses of the district. Provides that any taxes collected by the district that are not paid to TxDOT may be used for any district purposes. Provides that money received by TxDOT under this section shall be deposited to the credit of the transportation reinvestment fund to be used only for a purpose specified in Section 222.105 and, until the eighth anniversary of the date the road utility district was created, used only in connection with a project that is located in the TxDOT district in which the road utility district is located.

### **EFFECTIVE DATE**

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The committee substitute limits the amount that a municipality may use to reimburse TxDOT to not more than one-half of the money deposited to the credit of the tax increment fund established for the TRZ and provides that any remaining amount in the tax increment fund may be used for any municipal purpose in the TRZ. The original bill did not limit the amount of money that could be used for reimbursement purposes. The committee substitute provides that money received by TxDOT for reimbursement purposes may be used only in connection with a project that is located in the TxDOT district in which the TRZ or (in the case of a county) the road utility district is located until the eighth anniversary of the date the TRZ or road utility district was created. The committee substitute also sets forth certain requirements regarding the content of the ordinance, order, or resolution designating an area as a TRZ; defines the amount of a municipality's or county's tax increment for a year, the captured appraised value of real property taxable by a municipality or county for a year, and the tax increment base of a municipality or county; and provides that a TRZ terminates on December 31 of the year in which the municipality or county ceases to be required to make reimbursement payments to TxDOT. The committee substitute also authorizes a commissioners court to enter into a tax abatement agreement with a property owner. Additionally, the committee substitute deletes a section amending the heading of Section 222.104, Transportation Code and is reorganized such that Sections 222.105, 222.106, and 222.107 are included in one section of the bill rather than in

separate sections. The committee substitute also contains other nonsubstantive differences in phrasing.