

BILL ANALYSIS

S.B. 1266
By: Brimer
Transportation
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Under the current pass-through financing program, local entities, including cities and counties, may be designated to finance costs and oversee construction of certain roads and be reimbursed by the state for costs over a period of time. The success of this program has led to concerns about availability of funding for future projects to sustain the pass-through financing model.

SB 1266 creates a transportation reinvestment fund and authorizes local governments to dedicate a portion of revenue from the development of road projects to the fund in order to sustain the pass-through financing program and fund future projects and programs.

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:

Sec. 222.105. TRANSPORTATION REINVESTMENT FUND. (a) Defines "fund."

(b) Provides that the transportation reinvestment fund (fund) is a special account in the state treasury and is administered by the comptroller of public accounts (comptroller). Exempts the fund from the application of Section 403.095 (Use of Dedicated Revenue), Government Code. Requires the interest earned on the fund to be credited to the fund.

(c) Provides that the fund consists of money received under Section 222.106 or 222.107. Authorizes any amount deposited to the credit of the fund to be used only for the sole purpose of providing funding for projects authorized under Section 222.104, as determined by the Texas Department of Transportation (TxDOT).

Sec. 222.106. MUNICIPAL TRANSPORTATION REINVESTMENT ZONES. (a) Sets forth the tax increment amount for a year, the captured appraisal value of certain real property, and the tax increment base of a municipality for the purposes of this section.

(b) Provides that this section applies only to a municipality the governing body of which has entered into a pass-through toll agreement (agreement) with TxDOT under Section 222.104.

(c) Authorizes the governing body of a municipality, if the governing body determines the area to be unproductive, underdeveloped, or blighted, to designate, by ordinance, a contiguous geographic area within its jurisdiction to be a transportation reinvestment zone (zone) to promote certain transportation projects.

(d) Sets forth the criteria the governing body of a municipality is authorized to use in determining whether an area is unproductive, underdeveloped, or blighted.

(e) Requires the governing body of a municipality to hold a public hearing on the creation of the zone and its benefits to the municipality and to the property in the proposed zone not later than the seventh day before the date the governing body of the municipality proposes to adopt an ordinance designating an area as a zone. Authorizes an interested person at the hearing to speak for or against the creation of the zone or its boundaries. Requires notice of the public hearing to be published in a newspaper having general circulation in the municipality not later than the seventh day before the public hearing.

(f) Provides that the designation of an area as a zone by adoption of an ordinance constitutes designation of the area as a reinvestment zone under Chapters 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act), Tax Code, without further hearings or procedural requirements.

(g) Sets forth the content requirements of an ordinance designating an area as a zone.

(h) Requires the municipality, from taxes collected on property in the zone, to pay into the tax increment fund for a zone an amount equal to the tax increment produced by the municipality.

(i) Authorizes the governing body of a municipality, by ordinance, to 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 zone will be used to reimburse TxDOT an amount that is not greater than 50 percent of the aggregate amount of any payments made by TxDOT to the municipality under the agreement. Authorizes any remaining amount in the tax increment fund to be used for any municipal purpose in the zone.

(j) Requires the money received by TxDOT to be deposited to the credit of the fund and authorizes that money to be used only for certain purposes and, until the eighth anniversary of the date the zone was created, only in connection with a project that is located in TxDOT district in which the zone is located.

(k) Provides that a zone terminates on December 31 of the year in which the municipality ceases to be required to make reimbursement payments to TxDOT under Subsection (i). Authorizes any surplus remaining on the termination of the zone to be used for transportation projects of the municipality in or outside the zone.

Sec. 222.107. COUNTY TRANSPORTATION REINVESTMENT ZONES; TAX ABATEMENTS; ROAD UTILITY DISTRICTS. (a) Sets forth the tax increment amount for a year, the captured appraisal value of certain real property, and the tax increment base of a county for the purposes of this section.

(b) Provides that this section applies only to a county the commissioners court of which has entered into an agreement with TxDOT under Section 222.104.

(c) Authorizes the commissioners court of a county, by order, to designate a contiguous geographic area within its jurisdiction to be a zone to promote certain transportation projects.

(d) Requires the commissioners court of a county to hold a public hearing on the creation of the zone, its benefits to the municipality and to the property in the proposed zone, and the abatement of ad valorem taxes imposed by the county on certain real property, not later than the seventh day before the date the commissioners court of the county proposes to designate an area as a zone. Authorizes an interested person at the hearing to speak for or against the creation of the zone or its boundaries. Requires notice of the public hearing to be published in a newspaper having general circulation in the county not later than the seventh day before the public hearing.

(e) Sets forth the content requirements for an order or resolution designating an area as a zone.

(f) Provides that the designation of an area as a zone under this section constitutes designation of the area as a reinvestment zone under Chapters 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act), Tax Code, without further hearings or procedural requirements.

(g) Authorizes the commissioners court, by order or resolution, to enter into an agreement with the owner of any real property located in the zone to abate a portion of the ad valorem taxes imposed by the county on the owner's property. Authorizes the commissioners court, in the alternative, by resolution or order, to elect to abate a portion of the ad valorem taxes imposed by the county on all real property in the zone. Prohibits the total amount of taxes abated under this section, in any ad valorem tax year, from exceeding the amount calculated under Subsection (a) for that year.

(h) Authorizes a road utility district, in order to assist a county in complying with the terms of an agreement with TxDOT, to be formed under Chapter 441 (Municipal Utility Districts), Transportation Code, with the same geographic boundaries as a zone created under this section.

(i) Authorizes a road utility district formed with the same geographic boundaries as a zone created under this section to impose a tax on property within the zone at a rate which is equal to the amount of ad valorem taxes abated by the commissioners court of a county under Subsection (g). Provides that, notwithstanding Section 441.192(a) (Maintenance Tax), an election is not required to approve the imposition of the taxes.

(j) Authorizes a road utility district formed as provided by Subsection (h) to enter into an agreement with the county to assume the obligations of a county to reimburse TxDOT an amount not greater than fifty percent of the aggregate amount of any payments made by TxDOT to the county under an agreement under Section 222.104. Provides that any amount paid to TxDOT under this subsection is considered to be an operating expense of the district. Authorizes any taxes collected by the district that are not paid to TxDOT under this subsection to be used for any district purpose.

(k) Requires the money received by TxDOT to be deposited to the credit of the fund and requires that money to be used only for certain purposes and, until the eighth anniversary of the date the district was created, only in connection with a project that is located in TxDOT district in which the district is located.

(l) Provides that a tax abatement agreement or an order or resolution on the abatement of taxes, terminates on December 31 of the year in which the county ceases to be required to make reimbursement payments to TxDOT under the agreement.

SECTION 5. Effective date: upon passage or September 1, 2007.

EFFECTIVE DATE

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