

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 4, 2007

TO: Honorable Mike Krusee, Chair, House Committee on Transportation

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

IN RE: HB3722 by Krusee (Relating to pass-through financing and the creation and operation of the transportation reinvestment fund.), **Committee Report 1st House, Substituted**

Because the number of projects and the underlying terms of any agreement is unknown, the fiscal impact of the bill to the state cannot be estimated.

Although the bill would not make an appropriation, it would establish the basis for an appropriation.

The bill would amend Subchapter E of Chapter 222, Transportation Code, to create the Transportation Reinvestment Fund as an account within the state treasury. The Comptroller of Public Accounts would administer the new fund for the benefit of transportation reinvestment zones. Interest earned on the fund would be deposited to the credit of the fund. The fund would consist of reimbursements from municipalities and counties derived from pass-through tolls and limited to use in the geographic regions generating the reimbursements for the sole purpose of providing funding for authorized projects.

The bill would authorize the governing body of a municipality and a county commissioners court that entered into a pass-through toll agreement with the Texas Department of Transportation (TxDOT) to designate a contiguous geographic area within its jurisdiction to be a transportation reinvestment zone, to promote transportation projects serving specified criteria.

For property located within a zone created by the governing body of a municipality, the governing body could determine the increase in assessed property value resulting from the project and deposit the increment into a newly established ad valorem tax increment fund for the zone. The tax increment could be dedicated to reimburse not more than one-half of the money deposited to the credit of the tax increment fund, to reimburse TxDOT in an amount not greater than 50 percent of the aggregate amount of pass-through toll payments made by TxDOT to the municipality.

The county commissioners court could 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, or abate a portion of the ad valorem taxes imposed by the county on all real property located in the zone. The amount of taxes abated could not exceed the increment amount.

Under the bill, a road utility district could be formed with the same geographic boundaries as a zone to assist a county in satisfying its obligations under a pass-through financing agreement with TxDOT. A district so formed could impose a tax on property within the zone at a rate that may not exceed the amount of ad valorem taxes abated under the agreement with the county. The district could assume the obligations of a county to make payments to TxDOT to reimburse an amount no greater than 50 percent of the aggregate amount of any payments made to the county under a pass-through financing agreement; payments would be considered an operating expense of the district. Any taxes collected by the district that were not paid to TxDOT could be used for any district purpose. All reimbursement payments received by TxDOT would be deposited to the fund and used within the TxDOT district where the zone was located.

All reimbursements to TxDOT would have to be deposited to the credit of the Transportation Reinvestment Fund and used only for the projects within the TxDOT district where the zone was located, and only until the eighth anniversary of the date the zone was created. The transportation reinvestment zone(s) and a road utility district would terminate on December 31 of the year in which the municipality or county ceased to be required to make reimbursement payments to TxDOT. Any surplus remaining could be used for transportation projects in or outside of the zone.

The bill would take effect immediately if it were to receive the required two-thirds votes in each house; otherwise, it would take effect September 1, 2007.

Note: The bill would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993, and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in the bill would be subject to funds consolidation review by the current legislature.

Local Government Impact

It is anticipated that a municipality or county would create a Transportation Reinvestment Zone only if the governing body were to determine that sufficient needs existed and that the methods of financing provided by the bill would assist in off-setting costs and in meeting obligations related to pass-through toll agreements with TxDOT.

Source Agencies: 304 Comptroller of Public Accounts, 601 Department of Transportation

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