

By: Oliveira, Smith of Tarrant, Villarreal,
Isett, Kuempel

H.B. No. 4613

Substitute the following for H.B. No. 4613:

By: Otto

C.S.H.B. No. 4613

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the creation, operations and financing of tax increment
3 reinvestment zones.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 311.002(1), Tax Code, is amended as
6 follows:

7 (1) "Project costs" means the expenditures made or
8 estimated to be made and monetary obligations incurred or estimated
9 to be incurred by the municipality or county establishing a
10 reinvestment zone that are listed in the project plan as costs of
11 public works or public improvements, programs, or other projects
12 [~~in~~] benefitting the zone, plus other costs incidental to those
13 expenditures and obligations. "Project costs" include:

14 (A) capital costs, including the actual costs of
15 the acquisition and construction of public works, public
16 improvements, new buildings, structures, and fixtures; the actual
17 costs of the acquisition, demolition, alteration, remodeling,
18 repair, or reconstruction of existing buildings, structures, and
19 fixtures; the actual costs of the remediation of conditions that
20 contaminate public or private land or buildings, the preservation
21 of the façade of a private or public building, and the demolition of
22 public or private buildings; and the actual costs of the
23 acquisition of land and equipment and the clearing and grading of
24 land;

1 (B) financing costs, including all interest paid
2 to holders of evidences of indebtedness or other obligations issued
3 to pay for project costs and any premium paid over the principal
4 amount of the obligations because of the redemption of the
5 obligations before maturity;

6 (C) real property assembly costs;

7 (D) professional service costs, including those
8 incurred for architectural, planning, engineering, and legal
9 advice and services;

10 (E) imputed administrative costs, including
11 reasonable charges for the time spent by employees of the
12 municipality or county in connection with the implementation of a
13 project plan;

14 (F) relocation costs;

15 (G) organizational costs, including the costs of
16 conducting environmental impact studies or other studies, the cost
17 of publicizing the creation of the zone, and the cost of
18 implementing the project plan for the zone;

19 (H) interest before and during construction and
20 for one year after completion of construction, whether or not
21 capitalized;

22 (I) the cost of operating the reinvestment zone
23 and project facilities;

24 (J) the amount of any contributions made by the
25 municipality or county from general revenue for the implementation
26 of the project plan; ~~and~~

27 (K) a program described in Section 311.010(h) of

1 this chapter;

2 (L) costs of buildings, schools, or other
3 educational buildings, or other educational facilities owned by or
4 on behalf of a school district, community college district or other
5 political subdivision of this state;

6 (M) costs of providing affordable housing or
7 areas of public assembly in or out of the zone; and

8 (N) payments made at the discretion of the
9 governing body of the municipality or county that the governing
10 body finds necessary or convenient to the creation of the zone or to
11 the implementation of the project plans for the zone.

12 SECTION 2. Sections 311.003(a) and (b), Tax Code, are
13 amended as follows:

14 (a) The governing body of a county by order may designate a
15 geographic area in the county or the governing body of a
16 municipality by ordinance [~~or the governing body of a county by~~
17 ~~order~~] may designate a [~~contiguous~~] geographic area that is in the
18 corporate limits of the municipality, in the extraterritorial
19 jurisdiction of the municipality, or in both [~~in the jurisdiction~~
20 ~~of the municipality or county~~] to be a reinvestment zone to promote
21 development or redevelopment of the area if the governing body
22 determines that development or redevelopment would not occur solely
23 through private investment in the reasonably foreseeable future.
24 The area need not be contiguous if the governing body finds that the
25 areas are substantially related. The designation of an area that is
26 wholly or partly located in the extraterritorial jurisdiction of a
27 municipality is not affected by a subsequent annexation of real

1 property in the reinvestment zone by the municipality. The tax
2 increment base for an area in a zone subsequently annexed into a
3 municipality shall be computed with reference to the determination
4 of taxable value of the area had it been in the municipality in the
5 year in which it was included in the zone.

6 (b) Before adopting an ordinance or order providing for a
7 reinvestment zone, the governing body of the municipality or county
8 must prepare a preliminary reinvestment zone financing plan. [~~As~~
9 ~~soon as the plan is completed, a copy of the plan must be sent to the~~
10 ~~governing body of each taxing unit that levies taxes on real~~
11 ~~property in the proposed zone.~~]

12 SECTION 3. Chapter 311, Tax Code, is amended by adding
13 Section 311.0035 to read as follows:

14 Sec. 311.0035. PROCEDURE FOR DESIGNATING JOINT
15 REINVESTMENT ZONE. (a) The governing bodies of two or more
16 municipalities by ordinance adopted by each municipality may
17 designate a contiguous area in the jurisdiction of each of the
18 municipalities to be a joint reinvestment zone. Except as
19 otherwise provided by this section, each of the municipalities must
20 follow the procedures provided by Section 311.003 to designate an
21 area as a joint reinvestment zone. The ordinances adopted by all of
22 the municipalities designating an area as a joint reinvestment zone
23 must contain the same terms and must:

24 (1) describe the boundaries of the zone with
25 sufficient definiteness to identify with ordinary and reasonable
26 certainty the territory included in the zone;

27 (2) create a board of directors for the zone and

1 specify:

2 (A) the number of directors;

3 (B) the qualifications of directors;

4 (C) the manner in which directors are appointed;

5 (D) the terms of directors;

6 (E) the manner in which vacancies on the board
7 are filled; and

8 (F) the manner by which officers of the board are
9 selected;

10 (3) provide that the zone takes effect immediately on
11 adoption of the ordinance by the last of the municipalities in the
12 jurisdiction of which the area contained in the zone is located;

13 (4) provide a termination date for the zone;

14 (5) assign a name to the zone which may include the
15 name of one or more of the designating municipalities and may
16 contain a number;

17 (6) establish a tax increment fund for the zone; and

18 (7) contain findings that:

19 (A) improvements in the zone will significantly
20 enhance the value of all taxable real property in the zone and will
21 be of general benefit to the municipalities; and

22 (B) the area meets the requirements of Sections
23 311.005(a)(1) and (2) and (a-1).

24 (b) For purposes of complying with Subsection (a)(7)(A),
25 the ordinances are not required to identify the specific parcels of
26 real property to be enhanced in value.

27 (c) The boundaries of a joint reinvestment zone may be

1 enlarged or reduced by ordinance of the governing bodies of the
2 municipalities that designated the zone, subject to the
3 restrictions contained in this section.

4 (d) The municipalities designating a joint reinvestment
5 zone may exercise any power necessary and convenient to carry out
6 this section and the other provisions of this chapter, including
7 the powers listed in Section 311.008.

8 (e) Except as otherwise provided by this section, the board
9 of directors of a joint reinvestment zone has the same powers and
10 duties and is subject to the same limitations as the board of
11 directors of a reinvestment zone designated by a single
12 municipality. Sections 311.011, 311.012, 311.0123, 311.013,
13 311.014, 311.015, 311.016, 311.0163, and 311.018 apply to the
14 municipalities designating a joint reinvestment zone, except that a
15 reference in those sections to a municipality means all of the
16 municipalities designating a joint reinvestment zone and an action
17 required of a municipality under those sections is considered to be
18 required of all of the municipalities designating a joint
19 reinvestment zone.

20 (f) Expenditures from tax increment financing funds or
21 bonds secured by tax increment financing may be made without regard
22 to the location from which the funds were derived or the location
23 within the joint reinvestment zone at which the funds are spent, but
24 only if those expenditures are authorized as required by this
25 chapter.

26 SECTION 4. Section 311.005(a), Tax Code, is amended to read
27 as follows:

1 (a) To be designated as a reinvestment zone, an area must:

2 (1) substantially arrest or impair the sound growth of
3 the municipality or county creating the zone, retard the provision
4 of housing accommodations, or constitute an economic or social
5 liability and be a menace to the public health, safety, morals, or
6 welfare in its present condition and use because of the presence of:

7 (A) a substantial number of substandard, slum,
8 deteriorated, or deteriorating structures;

9 (B) the predominance of defective or inadequate
10 sidewalk or street layout;

11 (C) faulty lot layout in relation to size,
12 adequacy, accessibility, or usefulness;

13 (D) unsanitary or unsafe conditions;

14 (E) the deterioration of site or other
15 improvements;

16 (F) tax or special assessment delinquency
17 exceeding the fair value of the land;

18 (G) defective or unusual conditions of title;

19 (H) conditions that endanger life or property by
20 fire or other cause; or

21 (I) structures, other than single-family
22 residential structures, less than 10 percent of the square footage
23 of which has been used for commercial, industrial, or residential
24 purposes during the preceding 12 years, if the municipality has a
25 population of 100,000 or more;

26 (2) be predominantly open, undeveloped, or
27 underdeveloped and, because of obsolete platting, deterioration of

1 structures or site improvements, or other factors, substantially
2 impair or arrest the sound growth of the municipality or county;

3 (3) be in a federally assisted new community located
4 in the municipality or county or in an area immediately adjacent to
5 a federally assisted new community; or

6 (4) be an area described in a petition requesting that
7 the area be designated as a reinvestment zone, if the petition is
8 submitted to the governing body of the municipality or county by the
9 owners of property constituting at least 50 percent of the
10 appraised value of the property in the area according to the most
11 recent certified appraisal roll for the county in which the area is
12 located.

13 SECTION 5. Section 311.007, Tax Code, is amended as
14 follows:

15 SEC. 311.007. CHANGING BOUNDARIES OR TERM OF EXISTING ZONE.

16 (a) ~~[Subject to the limitations provided by Section 311.006, if~~
17 ~~applicable, the]~~ The boundaries of an existing reinvestment zone
18 may be reduced or enlarged by ordinance or resolution of the
19 governing body of the municipality or by order or resolution of the
20 governing body of the county that created the zone.

21 (b) The governing body of the municipality or county ~~[may]~~
22 that created an existing reinvestment zone may by ordinance, order,
23 or resolution extend the term of all or a portion of the zone after
24 notice and hearing in the same manner as provided for the creation
25 of the zone; provided that no other taxing entity shall be required
26 to participate in the extended portion of the zone for the extended
27 term except by written agreement. ~~[enlarge an existing reinvestment~~

1 ~~zone to include an area described in a petition requesting that the~~
2 ~~area be included in the zone if the petition is submitted to the~~
3 ~~governing body of the municipality or county by the owners of~~
4 ~~property constituting at least 50 percent of the appraised value of~~
5 ~~the property in the area according to the most recent certified~~
6 ~~appraisal roll for the county in which the area is located. The~~
7 ~~composition of the board of directors of the zone continues to be~~
8 ~~governed by Section 311.009(a) or (b), whichever applied to the~~
9 ~~zone immediately before the enlargement of the zone, except that~~
10 ~~the membership of the board must conform to the requirements of the~~
11 ~~applicable subsection of Section 311.009 as applied to the zone~~
12 ~~after its enlargement. The provision of Section 311.006(b)~~
13 ~~relating to the amount of property used for residential purposes~~
14 ~~that may be included in the zone does not apply to the enlargement~~
15 ~~of a zone under this subsection.]~~

16 SECTION 6. Section 311.008, Tax Code, is amended to amend
17 Subsection (b)(2) and add a new Subsection (f) as follows:

18 (2) acquire real property by purchase, condemnation,
19 or other means [~~to implement project plans~~] and sell real [~~that~~]
20 property, on the terms and conditions and in the manner it considers
21 advisable to implement the project plans;

22 (f) The governing body of a municipality or county may
23 impose a fee reasonably related to the estimated costs of the
24 municipality or county on property owners who submit a petition
25 under Section 311.005(a)(4) for processing a petition, or for
26 reviewing a project designated or proposed to be designated
27 pursuant to this chapter.

1 SECTION 7. Section 311.0085(a), Tax Code, is amended to
2 read as follows:

3 (a) This section applies only to a municipality with a
4 population of less than 130,000 as shown by the 2000 federal
5 decennial census that has~~+~~

6 [~~(1)~~] territory in three counties~~+, and~~
7 [~~(2)~~ ~~a population of less than 120,000~~].

8 SECTION 8. Sections 311.009(a), (b), and (e), Tax Code, are
9 amended to read as follows:

10 (a) Except as provided by Subsection (b), the board of
11 directors of a reinvestment zone consists of at least five and not
12 more than 15 members, unless more than 15 members are required to
13 satisfy the requirements of this subsection. Each taxing unit
14 other than the municipality or county that created the zone that
15 levies taxes on real property in the zone may appoint one member of
16 the board if the taxing unit has approved the payment of all or part
17 of the tax increment produced by the unit into the tax increment
18 fund. A unit may waive its right to appoint a director. The
19 governing body of the municipality or county that created the zone
20 may appoint not more than 10 directors to the board; except that if
21 there are fewer than five directors appointed by taxing units other
22 than the municipality or county, the governing body of the
23 municipality or county may appoint more than 10 members as long as
24 the total membership of the board does not exceed 15.

25 (b) If the zone was designated under Section 311.005(a)(4),
26 the governing body of the city or county that created the zone may
27 provide that the board of directors of the zone consists of nine

1 members and be composed as described in this subsection. Each
2 taxing unit [~~school district, county, or municipality,~~] other than
3 the municipality or county that created the zone, that levies taxes
4 on real property in the zone may appoint one member of the board if
5 the taxing unit [~~school district, county, or municipality~~] has
6 approved the payment of all or part of the tax increment produced by
7 the unit into the tax increment fund. The member of the state
8 senate in whose district the zone is located is a member of the
9 board, and the member of the state house of representatives in whose
10 district the zone is located is a member of the board, except that
11 either may designate another individual to serve in the member's
12 place at the pleasure of the member. If the zone is located in more
13 than one senate or house district, this subsection applies only to
14 the senator or representative in whose district a larger portion of
15 the zone is located than any other senate or house district, as
16 applicable. The remaining members of the board are appointed by the
17 governing body of the municipality or county that created the zone.

18 (e) To be eligible for appointment to the board by the
19 governing body of the municipality or county that created the zone,
20 an individual must:

21 (1) if the board is covered by Subsection (a):

22 (A) be a resident citizen of the State of Texas
23 [~~qualified voter of the municipality or county, as applicable~~]; and
24 [~~or~~]

25 (B) be at least 18 years of age [~~and own real~~
26 ~~property in the zone, whether or not the individual resides in the~~
27 ~~municipality or county~~]; or

1 (2) if the board is covered by Subsection (b):

2 (A) be at least 18 years of age; and

3 (B) own real property in the zone or be an
4 employee, tenant, or agent of a person that owns real property in
5 the zone.

6 SECTION 9. (a) Section 311.0091, Tax Code, is amended by
7 amending Subsection (f) and adding a new Subsection (i) to read as
8 follows:

9 (f) Except as provided by Subsection (i), to ~~to~~ be
10 eligible for appointment to the board, an individual must:

11 (1) be a qualified voter of the municipality; or

12 (2) be at least 18 years of age and own real property
13 in the zone or be an employee or agent of a person that owns real
14 property in the zone.

15 (i) The eligibility criteria for appointment to the board
16 specified by Subsection (f) do not apply to an individual appointed
17 by a conservation and reclamation district:

18 (1) created under Section 59, Article XVI, Texas
19 Constitution; and

20 (2) the jurisdiction of which covers four counties.

21 (b) Section 311.0091, Tax Code, as amended by this section,
22 applies only to an individual appointed by a conservation and
23 reclamation district to the board of directors of a reinvestment
24 zone on or after the effective date of this Act. An individual
25 appointed by a conservation and reclamation district to the board
26 of a reinvestment zone before the effective date of this Act is
27 governed by Section 311.0091, Tax Code, as that section existed

1 immediately before the effective date of this Act, and the former
2 law is continued in effect for that purpose.

3 SECTION 10. Section 311.010, Tax Code, is amended to amend
4 Subsections (b), (g), and (h) to read as follows:

5 (b) The board of directors of a reinvestment zone and the
6 governing body of the municipality or county that creates a
7 reinvestment zone may each enter into agreements as the board or the
8 governing body considers necessary or convenient to implement the
9 project plan and reinvestment zone financing plan and achieve their
10 purposes. An agreement may provide for the regulation or
11 restriction of the use of land by imposing conditions,
12 restrictions, or covenants that run with the land. An agreement may
13 during the term of the agreement dedicate, pledge, or otherwise
14 provide for the use of revenue in the tax increment fund to pay any
15 project costs that benefit the reinvestment zone, including project
16 costs relating to the cost of buildings, schools, or other
17 educational facilities owned by or on behalf of a school district,
18 community college district, or other political subdivision of this
19 state, railroad or transit facilities, affordable housing, the
20 remediation of conditions that contaminate public or private land
21 or buildings, the preservation of the facade of a private or public
22 building, ~~or~~ the demolition of public or private buildings, or
23 the construction of a road, sidewalk, or other public
24 infrastructure in or out of the zone, including the cost of
25 acquiring the real property necessary for the construction of the
26 road, sidewalk, or other public infrastructure. An agreement may
27 dedicate revenue from the tax increment fund to pay the costs of

1 providing affordable housing or areas of public assembly in or out
2 of the zone. [~~An agreement may dedicate revenue from the tax
3 increment fund to pay a neighborhood enterprise association for
4 providing services or carrying out projects authorized under
5 Subchapters E and G, Chapter 2303, Government Code, in the zone.
6 The term of an agreement with a neighborhood enterprise association
7 may not exceed 10 years.~~]

8 (g) Chapter 252, Local Government Code, does not apply to a
9 dedication, pledge, or other use of revenue in the tax increment
10 fund for a reinvestment zone [~~by the board of directors of the zone
11 in carrying out its powers~~] under Subsection (b).

12 (h) Subject to the approval of the governing body of the
13 municipality or county that created the zone, the board of
14 directors of a reinvestment zone, as necessary or convenient to
15 implement the project plan and reinvestment zone financing plan and
16 achieve their purposes, may establish and provide for the
17 administration of one or more programs for the public purposes of
18 developing and diversifying the economy of the zone, eliminating
19 unemployment and underemployment in the zone, and developing or
20 expanding transportation, business, and commercial activity in the
21 zone, including programs to make grants and loans [~~from the tax
22 increment fund of the zone in an aggregate amount not to exceed the
23 amount of the tax increment produced by the municipality and paid
24 into the tax increment fund for the zone~~] for activities that
25 benefit the zone and stimulate business and commercial activity in
26 the zone. For purposes of this subsection, on approval of the
27 municipality or county, the board of directors of the zone has all

1 the powers of a municipality under Chapter 380, Local Government
2 Code. The approval required by this subsection may be granted in an
3 ordinance or order approving a project plan and reinvestment zone
4 financing plan or an amendment to a project plan and reinvestment
5 zone financing plan.

6 SECTION 11. Section 311.01005, Tax Code, is amended to add a
7 new Subsection (f) as follows:

8 (f) This section shall not be construed to limit the general
9 ability of a zone to finance project costs outside the zone as
10 provided in Section 311.002.

11 SECTION 12. Section 311.011, Tax Code, is amended by
12 amending Subsections (a), (b), (c), (d), and (g) and adding a new
13 Subsection (h) as follows:

14 (a) The board of directors of a reinvestment zone shall
15 prepare and adopt a project plan and a reinvestment zone financing
16 plan for the zone and submit the plans to the governing body of the
17 municipality or county that created the zone. ~~[The plans must be as~~
18 ~~consistent as possible with the preliminary plans developed for the~~
19 ~~zone before the creation of the board.]~~

20 (b) The project plan must include:

21 (1) a ~~[map showing]~~ description of existing uses and
22 conditions of real property in the zone and ~~[a map showing]~~ proposed
23 ~~[improvements to and proposed]~~ uses of that property;

24 (2) proposed changes of zoning ordinances, ~~[the master~~
25 ~~plan of the municipality,]~~ building codes, other municipal
26 ordinances, and subdivision rules and regulations, if any, of the
27 ~~[municipality or the]~~ county, if applicable; and

1 (3) ~~[a list of estimated nonproject costs; and~~
2 ~~[(4)]~~ a statement of a method of relocating persons to
3 be displaced, if any, as a result of implementing the plan.

4 (c) The reinvestment zone financing plan must include:

5 (1) a detailed list describing the estimated project
6 costs of the zone, including administrative expenses;

7 (2) a statement listing the proposed kind, number, and
8 location of all ~~[proposed]~~ public works or public improvements to
9 be financed by ~~[in]~~ the zone;

10 (3) a finding that the plan is economically feasible
11 ~~[an economic feasibility study];~~

12 (4) the estimated amount of bonded indebtedness to be
13 incurred;

14 (5) the estimated time when related costs or monetary
15 obligations are to be incurred;

16 (6) a description of the methods of financing all
17 estimated project costs and the expected sources of revenue to
18 finance or pay project costs, including the percentage of tax
19 increment to be derived from the property taxes of each taxing unit
20 anticipated to contribute tax increment to the zone that levies
21 taxes on real property in the zone;

22 (7) the current total appraised value of taxable real
23 property in the zone;

24 (8) the estimated captured appraised value of the zone
25 during each year of its existence; and

26 (9) the duration of the zone.

27 (d) The governing body of the municipality or county that

1 created the zone must approve a project plan or reinvestment zone
2 financing plan after its adoption by the board. The approval must
3 be by ordinance, in the case of a municipality, or by order, in the
4 case of a county, that finds that the plan is feasible [~~and conforms~~
5 ~~to the master plan, if any, of the municipality or to subdivision~~
6 ~~rules and regulations, if any, of the county~~].

7 (g) [~~An amendment to the project plan or the reinvestment~~
8 ~~zone financing plan for a zone does not apply to a~~] A school
9 district that participates in a [the] zone is not required to
10 increase the percentage or amount of the tax increment to be
11 contributed by the school district due to an amendment to the
12 project plan or reinvestment zone financing plan for the zone
13 unless the governing body of the school district by official action
14 approves the amendment [~~, if the amendment:~~

15 [~~(1) has the effect of directly or indirectly~~
16 ~~increasing the percentage or amount of the tax increment to be~~
17 ~~contributed by the school district, or~~

18 [~~(2) requires or authorizes the municipality or county~~
19 ~~creating the zone to issue additional tax increment bonds or~~
20 ~~notes~~].

21 (h) Unless specifically provided otherwise in the project
22 plan and reinvestment zone financing plan, all figures contained in
23 the plan shall be considered estimates, and shall not act as a
24 limitation on the described items, including without limitation
25 expenditures relating to project costs and participation by taxing
26 units.

27 SECTION 13. Section 311.012, Tax Code, is amended to amend

1 Subsections (a) and (c) as follows:

2 (a) The amount of a taxing unit's tax increment for a year is
3 the amount of property taxes levied and assessed by the unit for
4 that year on the captured appraised value of real property taxable
5 by the unit and located in a reinvestment zone or the amount of
6 property taxes levied and collected by the unit for that year on the
7 captured appraised value of real property taxable by the unit and
8 located in a reinvestment zone. The governing body of a taxing unit
9 shall determine which of the methods specified by this subsection
10 is used to calculate the amount of the unit's tax increment.

11 (c) The tax increment base of a taxing unit is the total
12 [~~appraised~~] taxable value of all real property taxable by the unit
13 and located in a reinvestment zone for the year in which the zone
14 was designated under this chapter. If the boundaries of a zone are
15 enlarged, the tax increment base shall be increased by the taxable
16 value of the real property added to the zone for the year in which
17 such property was added. If the boundaries of a zone are reduced,
18 the tax increment base shall be reduced by the taxable value of the
19 real property removed from the zone for the year in which such
20 property was originally included within the zone's boundaries. If
21 the municipality creating a zone does not levy an ad valorem tax in
22 the year the zone is created, the tax increment base shall be
23 determined by the applicable county appraisal district using
24 assumptions regarding exemptions and other relevant information
25 provided to it by the municipality.

26 SECTION 14. Sections 311.013(f), (g) and (l), Tax Code, are
27 amended as follows:

1 (f) A taxing unit is not required to pay into the tax
2 increment fund any of its tax increment produced from property
3 located in a reinvestment zone designated under Section 311.005(a)
4 or in an area added to a reinvestment zone under Section 311.007
5 unless the taxing unit enters into an agreement to do so with the
6 governing body of the municipality or county that created the zone.
7 A taxing unit may enter into an agreement under this subsection at
8 any time before or after the zone is created or enlarged. The
9 agreement may include conditions for payment of that tax increment
10 into the fund and must specify the portion of the tax increment to
11 be paid into the fund and the years for which that tax increment is
12 to be paid into the fund. In addition to such other terms as the
13 parties may agree, the agreement may specify the projects to which a
14 participating taxing unit's tax increment will be dedicated, and
15 that the taxing unit's participation may be computed with respect
16 to a base year later than the original base year of the zone. The
17 agreement and the conditions in the agreement are binding on the
18 taxing unit, the municipality or county, and the board of directors
19 of the zone.

20 (g) Subject to the provisions of Section 311.0125, in lieu
21 of permitting a portion of its tax increment to be paid into the tax
22 increment fund, and notwithstanding the provisions of Section
23 312.203, a taxing unit, including ~~[other than]~~ a municipality
24 ~~[city]~~, may elect to offer the owners of taxable real property in a
25 reinvestment zone created under this chapter an exemption from
26 taxation of all or part of the value of the property. To be
27 effective, an ~~[Any]~~ agreement to exempt real property ~~[concerning~~

1 ~~an exemption]~~ from ad valorem taxes under this subsection must be
2 approved by:

3 (1) the board of directors of the reinvestment zone;

4 and

5 (2) the governing body of each taxing unit that
6 imposes taxes on real property in the reinvestment zone and
7 deposits or agrees to deposit any of its tax increment into
8 the tax increment fund for the zone [~~shall be executed in the~~
9 ~~manner and subject to the limitations of Chapter 312;~~
10 ~~provided, however, the property covered by the agreement need~~
11 ~~not be in a zone created pursuant to Chapter 312. A taxing~~
12 ~~unit may not offer a tax abatement agreement to property~~
13 ~~owners in the zone after it has entered into an agreement that~~
14 ~~its tax increments would be paid into the tax increment fund~~
15 ~~pursuant to Subsection (f)].~~

16 (1) The governing body of a municipality or a county that
17 designates an area as a reinvestment zone may determine, in the
18 designating ordinance or order adopted under Section 311.003 or in
19 the ordinance or order adopted under Section 311.011 approving the
20 reinvestment zone financing plan for the zone, the portion of the
21 tax increment produced by the municipality or the county that the
22 municipality or the county is required to pay into the tax increment
23 fund for the zone. If a municipality or a county does not determine
24 the portion of the tax increment produced by the municipality or the
25 county that the municipality or the county is required to pay into
26 the tax increment fund for a reinvestment zone, the municipality or
27 the county is required to pay into the fund for the zone the entire

1 tax increment produced by the municipality or the county, except as
2 provided by Subsection (b)(1).

3 SECTION 15. Section 311.014(b), Tax Code, is amended to
4 read as follows:

5 (b) Tax increment and other funds deposited in the tax
6 increment fund of the zone shall be administered by the governing
7 body of the municipality or county that created the zone or, if
8 delegated by the governing body, by the board of directors of the
9 zone, to implement the project plan and reinvestment zone financing
10 plan of the zone during the life of the zone, as it may be extended,
11 and for any period of time the zone remains in existence for
12 collection and disbursement pursuant to subsection (d) of Section
13 311.016. Money may be disbursed from the fund only to satisfy
14 claims of holders of tax increment bonds or notes issued for the
15 zone, to pay project costs for the zone, to make payments pursuant
16 to an agreement made under Section 311.010(b) or a program under
17 Section 311.010(h) dedicating revenue from the tax increment fund,
18 or to repay other obligations incurred for the zone.

19 SECTION 16. Sections 311.015(a) and (l), Tax Code, are
20 amended as follows:

21 (a) A municipality or county creating a reinvestment zone
22 may issue tax increment bonds or notes, the proceeds of which may be
23 used to make payments pursuant to agreements made under Section
24 311.010(b), to make payments pursuant to programs under Section
25 311.010(h), and to pay project costs for the reinvestment zone on
26 behalf of which the bonds or notes were issued, or to satisfy claims
27 of holders of the bonds or notes. The municipality or county may

1 issue refunding bonds or notes for the payment or retirement of tax
2 increment bonds or notes previously issued by it. A municipality
3 may issue certificates of obligation under Subchapter C of Chapter
4 271, Local Government Code, to pay a zone's project costs in lieu of
5 bonds or notes under this subsection, and may use tax increment from
6 the zone to pay debt service on the certificates.

7 (1) A tax increment bond or note must mature ~~within 20 years~~
8 ~~of the date of issue~~ on or before the date by which the final
9 payments of tax increment into the tax increment fund are due.

10 SECTION 17. Section 311.016(a), Tax Code, is amended to
11 read as follows:

12 (a) On or before the 150th [~~90th~~] day following the end of
13 the fiscal year of the municipality or county, the governing body of
14 a municipality or county shall submit to the chief executive
15 officer of each taxing unit that levies property taxes on real
16 property in a reinvestment zone created by the municipality or
17 county a report on the status of the zone. The report must include:

18 (1) the amount and source of revenue in the tax
19 increment fund established for the zone;

20 (2) the amount and purpose of expenditures from the
21 fund;

22 (3) the amount of principal and interest due on
23 outstanding bonded indebtedness;

24 (4) the tax increment base and current captured
25 appraised value retained by the zone; and

26 (5) the captured appraised value shared by the
27 municipality or county and other taxing units, the total amount of

1 tax increments received, and any additional information necessary
2 to demonstrate compliance with the tax increment financing plan
3 adopted by the governing body of the municipality or county.

4 SECTION 18. Section 311.017, Tax Code, is amended by
5 amending Subsection (a) and adding new Subsections (a-1), (c), (d),
6 and (e) to read as follows:

7 (a) A reinvestment zone terminates on the earlier of:

8 (1) the termination date designated in the ordinance
9 or order, as applicable, creating the zone or an earlier or later
10 termination date designated by an ordinance or order adopted
11 [~~subsequent to the ordinance or order creating the zone~~] under
12 Section 311.007(b); or

13 (2) the date on which all project costs, tax increment
14 bonds and interest on those bonds, and other obligations have been
15 paid in full.

16 (a-1) Notwithstanding the designation of a later
17 termination date under Section 311.007(b), a taxing unit that taxes
18 real property located in the zone, other than the municipality or
19 county that created the zone, is not required to pay any of its tax
20 increment into the tax increment fund for the zone for any tax year
21 after the termination date designated in the ordinance or order
22 creating the zone unless the governing body of the taxing unit
23 enters into an agreement to do so with the governing body of the
24 municipality or county that created the zone.

25 (c) With respect to a zone established under Section
26 311.0031, the tax increment reinvestment zone shall terminate on
27 the date specified in the ordinance or order designating the zone as

1 a tax increment reinvestment zone for the expiration of the tax
2 increment aspects of the zone, notwithstanding the prior expiration
3 of the original designation of the area under the specified law.

4 (d) Subject to the provisions of subsection (a-1), if tax
5 increment bonds or obligations of the zone are outstanding when the
6 zone terminates, the zone shall remain in existence solely for the
7 purpose of collecting and disbursing tax increment with respect to
8 tax years during the designated term of the zone, as it may have
9 been extended. Such funds shall be used to pay its obligations or
10 the tax increment bonds. Notwithstanding the provisions of this
11 subsection, or the extension to the term of a zone pursuant to
12 Section 311.007, the termination date of a zone for purposes of any
13 contract entered into by the board, or by the municipality or county
14 that designated the zone, shall remain the termination date
15 designated by ordinance or order in effect on the date the contract
16 was executed, unless a subsequent amendment to the contract
17 expressly provides otherwise.

18 (e) After termination of the zone, the governing body of the
19 city or the county that created the zone, may continue the zone for
20 an additional period for the purpose of continuing the
21 implementation of the project plan and reinvestment zone financing
22 plan. In such event, although tax increment shall cease to be
23 deposited with respect to tax years following termination, the zone
24 shall retain all remaining funds, property and assets of the zone to
25 be used to implement the plans as authorized by the governing body.

26 SECTION 19. Chapter 311, Tax Code, is amended by adding a
27 new Section 311.021, as follows:

1 Sec. 311.021. ACT OR PROCEEDING PRESUMED VALID. (a) A
2 governmental act or proceeding relating to the designation,
3 operation, or administration of a reinvestment zone or
4 implementation of a project plan or reinvestment zone financing
5 plan under this chapter of a municipality or county, zone board, or
6 an entity acting pursuant to Section 311.010(f), is conclusively
7 presumed, as of the date it occurred, valid and to have occurred in
8 accordance with all applicable statutes and rules if:

9 (1) the second anniversary of the effective date of
10 the act or proceeding has expired; and

11 (2) a lawsuit to annul or invalidate the act or
12 proceeding has not been filed on or before the later of that second
13 anniversary or August 1, 2009.

14 (b) This section does not apply to:

15 (1) an act or proceeding that was void at the time it
16 occurred;

17 (2) an act or proceeding that, under a statute of this
18 state or the United States, was a misdemeanor or felony at the time
19 the act or proceeding occurred;

20 (3) a rule that, at the time it was passed, was
21 preempted by a statute of this state or the United States, including
22 Section 1.06 or 109.57, Alcoholic Beverage Code; or

23 (4) a matter that on the effective date of this
24 section:

25 (A) is involved in litigation if the litigation
26 ultimately results in the matter being held invalid by a final
27 judgment of a court; or

1 (B) has been held invalid by a final judgment of a
2 court.

3 SECTION 20. (a) The following provisions of the Tax Code
4 are repealed:

- 5 (1) Section 311.003(e), (f), and (g);
- 6 (2) Section 311.006;
- 7 (3) Sections 311.013(d) and (e); and
- 8 (4) Section 311.016(b) as amended by Acts 2005, 79th
9 Leg., R.S., Ch. 977, Sec. 2.

10 (b) Section 403.302(d)(5), Government Code, is repealed.

11 SECTION 21. Section 42.2516, Education Code, is amended by
12 amending subsection (b) to read as follows:

13 (b) Subject to Subsections (b-1), (b-2), (f-1), (g), and
14 (h), but notwithstanding any other provision of this title, a
15 school district is entitled to state revenue necessary to provide
16 the district with the sum of:

17 (1) the amount of state revenue necessary to maintain
18 state and local revenue per student in weighted average daily
19 attendance in the amount equal to the greater of:

20 (A) the amount of state and local revenue per
21 student in weighted average daily attendance for the maintenance
22 and operations of the district available to the district for the
23 2005-2006 school year;

24 (B) the amount of state and local revenue per
25 student in weighted average daily attendance for the maintenance
26 and operations of the district to which the district would have been
27 entitled for the 2006-2007 school year under this chapter, as it

1 existed on January 1, 2006, or, if the district would have been
2 subject to Chapter 41, as that chapter existed on January 1, 2006,
3 the amount to which the district would have been entitled under that
4 chapter, based on the funding elements in effect for the 2005-2006
5 school year, if the district imposed a maintenance and operations
6 tax at the rate adopted by the district for the 2005 tax year; or

7 (C) the amount of state and local revenue per
8 student in weighted average daily attendance for the maintenance
9 and operations of the district to which the district would have been
10 entitled for the 2006-2007 school year under this chapter, as it
11 existed on January 1, 2006, or, if the district would have been
12 subject to Chapter 41, as that chapter existed on January 1, 2006,
13 the amount to which the district would have been entitled under that
14 chapter, based on the funding elements in effect for the 2005-2006
15 school year, if the district imposed a maintenance and operations
16 tax at the rate equal to the rate described by Section 26.08(i) or
17 (k)(1), Tax Code, as applicable, for the 2006 tax year;

18 (2) an amount equal to the product of \$2,500
19 multiplied by the number of classroom teachers, full-time
20 librarians, full-time counselors certified under Subchapter B,
21 Chapter 21, and full-time school nurses employed by the district
22 and entitled to a minimum salary under Section 21.402; ~~and~~

23 (3) an amount equal to the product of \$275 multiplied
24 by the number of students in average daily attendance in grades nine
25 through 12 in the district; and

26 (4) an amount equal to the amount a district was
27 contractually obligated to pay into a tax increment fund for a

1 reinvestment zone under Section 311, Tax Code, at the tax rate
2 adopted for the 2005 tax year less the amount the district was
3 contractually obligated to pay into the tax increment fund in the
4 current year at the tax rate adopted for the current year.

5 SECTION 22. Section 42.253, Education Code, is amended by
6 adding a new subsection (c-1) as follows:

7 (c-1) The amounts to be paid pursuant to Section
8 42.2516(b)(4) shall be paid at the same time as other state revenue
9 is paid to the district. Payments shall be based on amounts to be
10 paid pursuant to Section 42.2516(b)(4) of the previous year. Any
11 deficiency shall be paid to the district at the time the final
12 amount to be paid to the district is determined and any overpayment
13 shall be deducted from the payments the district would otherwise
14 receive in the next year.

15 SECTION 23. (a) The legislature validates and confirms all
16 governmental acts and proceedings that were taken before the
17 effective date of this Act and relate to or are associated with the
18 designation, operation, or administration of a reinvestment zone or
19 implementation of a project plan or reinvestment zone financing
20 plan under Chapter 311, Tax Code, of a municipality or county, zone
21 board, or an entity acting pursuant to Section 311.010(f),
22 including the extension of the term of a reinvestment zone, as of
23 the dates on which they occurred. The acts and proceedings may not
24 be held invalid because they were not in accordance with Chapter
25 311, Tax Code, or other law.

26 (b) Subsection (a) of this section does not apply to any
27 matter that on the thirtieth day following the effective date of

1 this Act:

2 (1) is involved in litigation if the litigation
3 ultimately results in the matter being held invalid by a final
4 judgment of a court; or

5 (2) has been held invalid by a final judgment of a
6 court.

7 SECTION 24. APPLICATION OF CERTAIN PROVISIONS. Section 1,
8 amending Section 311.002(1), Tax Code, shall apply to all tax
9 increment reinvestment zones expenditures, regardless of when they
10 were incurred. Section 13, amending Section 311.012(c), Tax Code,
11 shall apply only to base years established after the effective date
12 of this Act; provided that any tax increment reinvestment zone base
13 years established prior to the effective date of this Act using the
14 base year as established in the amendment in Section 13 are
15 validated and shall continue in effect as if established after the
16 effective date of this Act.

17 SECTION 25. EFFECTIVE DATE. This Act takes effect
18 immediately if it receives a vote of two-thirds of all the members
19 elected to each house, as provided by Section 39, Article III, Texas
20 Constitution. If this Act does not receive the vote necessary for
21 immediate effect, this Act takes effect September 1, 2009.