

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 8, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: HB4613 by Oliveira (Relating to the creation, operations and financing of tax increment reinvestment zones.), **As Introduced**

To the extent that provisions of the bill result in the inclusion of more property and longer durations in tax increment financing agreements, the provisions would create a cost to taxing units and the state. Because information necessary to estimate the amount of new property or extensions of tax increment financing agreements is not available, there would be an indeterminable cost to the state.

The bill would amend several provisions of Chapter 311, Tax Code regarding tax increment reinvestment zones.

The bill would add remediation of contaminated land or buildings, certain building preservation and demolition costs, and certain reinvestment zone development programs to the capital costs that may be incurred by a city or county and that are listed in the project plan for the tax increment zone.

The bill would allow the city or county that created the reinvestment zone to change the boundaries of the zone without restrictions based on the percentage of taxable real or residential property in the zone, and to extend the term of the zone after following notice and hearing requirements. No other taxing unit would be required to participate in the zone during the extended term.

The bill would include counties as entities that may administer development programs and make grants or loans. The restriction on grants and loans in excess of the amount of tax increment paid into the tax increment fund would be deleted.

The bill would strike the requirement that final project and financing plans be as consistent as possible with the preliminary plans developed for the zone. The requirement that project plans include maps, a city master plan, and a list of estimated nonproject costs would be deleted. School districts would not be required to increase the percentage or amount of their tax increment paid into a tax increment fund because of an amendment to the project plan or reinvestment zone financing plan. All figures contained in a project or reinvestment zone plan would be considered estimates.

The bill would replace "appraised" with "taxable" in the definition of "tax increment base" and would provide that the base year for any land annexed into the zone is the year in which such land was annexed.

The bill would permit agreements to specify that a taxing unit's participation may be computed on a base year later than the original base year. The bill would permit disbursement of money from the tax increment fund for certain economic development programs. Cities would be allowed to make payments pursuant to certain agreements and economic development programs from the proceeds of tax increment bonds or notes. Language requiring that tax increment bonds or notes must mature within 20 years of the date of issue would be deleted and replaced with language requiring maturity by the date on which the final payment of tax increment is due.

Provisions would extend the deadline by which the city or county must submit to the chief executive of each taxing unit a reinvestment zone status report from 90 to 150 days following the end of the fiscal year.

Varying reinvestment zone termination dates would be permitted, depending on individual circumstances in each zone.

The bill would instruct the Texas Education Agency to reduce school district revenue by the amount of payments into a tax increment zone in computing the target revenue for purposes of the state hold-harmless funding provision.

According to the Comptroller of Public Accounts, to the extent that provisions of the bill result in the inclusion of more property and longer durations in tax increment financing agreements the provisions would create a cost to taxing units and the state. Because information necessary to estimate the amount of new property or extensions of tax increment financing agreements is not available, the cost cannot be estimated.

According to the Comptroller of Public Accounts, the provision that changes the definition of tax increment base to reflect taxable value rather than appraised value would create a cost to taxing units and the state to the extent that taxable value is less than appraised value because of exemptions. In calculating a taxing unit's tax increment, the base value (reduced for exemptions under the bill) is subtracted from the captured appraised value (not reduced for exemptions under the bill) resulting in a higher tax increment which would translate into a higher payment into the tax increment fund. Because information necessary to estimate the amount of exempt property associated with future tax increment financing is unavailable, the cost of this provision cannot be estimated.

The bill would take effect immediately if it receives a vote of two-thirds of all members elected to each house. If the bill does not receive the votes required to pass, the bill would take effect September 1, 2009.

Local Government Impact

According to the Texas Association of Counties, provisions of the bill are not expected to have a significant fiscal impact on counties that currently have a tax increment reinvestment zone.

According to the Texas Municipal League, the provisions of the bill would provide greater flexibility for cities and would result in a positive fiscal impact.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, DB, TP