LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 25, 2009

TO: Honorable Chris Harris, Chair, Senate Committee on Economic Development

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

IN RE: **SB313** by Wentworth (relating to the term of a reinvestment zone and to the assessment and payment of tax increments under the Tax Increment Financing Act.), **Committee Report 1st House, Substituted**

To the extent that school districts agree to continue participating in reinvestment zones for which the originating city or county has extended the termination date, there would be a cost to the state.

The bill would amend Chapter 311 of the Tax Code, regarding the Tax Increment Financing Act.

The bill would allow the termination date for a reinvestment zone to be extended by the creating unit. A taxing unit other than the zone's creating unit would not be required to continue to participate.

Under a tax increment financing agreement all or a portion of the incremental taxes collected in the zone are forwarded into a Tax Increment Fund (TIF). Under the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), school district taxes that are forwarded into a TIF are subtracted from school district collections, increasing state funding.

To the extent that school districts agree to continue participating in reinvestment zones for which the originating city or county has extended the termination date, there would be a cost to the state. Neither the future actions of cities and counties regarding reinvestment zone extensions nor the future decisions of school districts about whether to continue participating in extended reinvestment zones can be predicted. As a result, the cost of the proposed bill cannot be estimated. Also, cities and counties could lose revenue to the extent that the bill requires them to pay collections losses into tax increment funds but the amount of these losses cannot be determined.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2009.

Local Government Impact

Cities and counties could lose revenue to the extent that the bill requires them to pay collections losses into tax increment funds but the amount of these losses cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

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