

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 5, 2009

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

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

IN RE: SB1633 by Nichols (Relating to certain restrictions on the composition of a tax increment financing reinvestment zone.), **As Introduced**

Depending on how many applicable municipalities would choose to increase the amount of taxable real property included in a reinvestment zone, there could be an indeterminate fiscal impact to the state.

The bill would reduce restrictions on certain municipalities creating reinvestment zones. Affected municipalities would be county seats of counties adjacent to a county with a population of 3.3 million or more where a planned community of 20,000 or more acres established under the Urban Growth and New Community Development Act of 1970 is located. Under existing law, no more than 15 percent of the total appraised value of taxable real property in the municipality and in the industrial districts created by the municipality could be included in the reinvestment zone and existing reinvestment zones. Under provisions of the bill, the 15 percent limit would be raised to 20 percent for covered cities.

The bill would be effective September 1, 2009.

According to the Comptroller of Public Accounts, for cities, the increased ability to create reinvestment zones would affect the use of any taxes collected, but not the amount. However, the revenue flowing into the Tax Increment Fund (TIF) would be unavailable to the participating taxing units for normal operating purposes.

To the extent that school districts would agree to participate in reinvestment zones for which the originating city would not have been otherwise qualified except as a result of provisions of the bill, there would be a cost to the state. Under the hold harmless provisions of legislation enacted by the Seventy-ninth Legislature, Third Called Session, 2006, school district taxes that are forwarded into a TIF are subtracted from school district collections, increasing state funding.

The fiscal impact to the state and units of local government would depend on how many applicable municipalities would choose to increase the amount of taxable real property included in a reinvestment zone; therefore, the fiscal impact to the state and units of local government cannot be determined.

Local Government Impact

The fiscal impact to units of local government would depend on how many applicable municipalities would choose to increase the amount of taxable real property included in a reinvestment zone; therefore, the fiscal impact cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, SD, DB