

## **BILL ANALYSIS**

C.S.H.B. 563  
By: Pickett  
Transportation  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

For almost a decade, local governments have been able to use new and innovative methods for delivering much-needed transportation infrastructure to their jurisdictions. Currently, a local government is authorized to take control of a transportation project through the pass-through financing program. Pass-through financing allows the Texas Department of Transportation to delegate to a city and county the authority to finance the costs and oversee the construction of a local road project. The state then reimburses the community for those costs over a period of time. This can accelerate the delivery of a project to a community by many years.

More recently, a city or county that intends to complete a pass-through financing project was given the authority to designate an area adjacent to the project as a transportation reinvestment zone. Through a transportation reinvestment zone, the sponsoring entity is allowed to capture a portion of the increase in property tax revenue from the higher property values that result from the new road project. The captured revenue can be used to provide needed financial support for the project. By designating an area as a transportation reinvestment zone and entering into a pass-through financing agreement, a local government can take control of its transportation needs, accelerate the construction of needed projects, determine the best method of delivery, and develop a plan for financing the project with its own sources of revenue or in partnership with the private sector. C.S.H.B. 563 provides clarification relating to a transportation reinvestment zone. Among other provisions, the bill authorizes a municipality or county to establish a transportation reinvestment zone for any transportation project.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 563 amends the Transportation Code to expand the projects for which a municipality or county has the authority to establish a transportation reinvestment zone to include any transportation project, rather than only a pass-through toll project. The bill requires the Texas Department of Transportation (TxDOT), to the extent permitted by law, to delegate full responsibility for the development, design, letting of bids, and construction of a transportation project that is subject to oversight by TxDOT and located in a transportation reinvestment zone to the municipality or county at the option of the governing body of the municipality or the commissioners court of the county, as appropriate. The bill requires the municipality or county, after assuming responsibility for a project, to enter into an agreement with TxDOT that prescribes the development process, the roles and responsibilities of the parties, and the timelines for any required reviews or approvals. The bill requires any portion of a transportation project in a transportation reinvestment zone that is on the state highway system or is located in the state highway right-of-way to comply with applicable state and federal requirements and criteria for project development, design, and construction, unless TxDOT grants an exception to the municipality or county. The bill requires the development, design, and construction plans and

specifications for such a portion of a project to be reviewed and approved by TxDOT under the agreement between TxDOT and a municipality or county entered into under the bill's provisions. The bill defines "transportation project" by reference to the Transportation Code.

C.S.H.B. 563 prohibits a municipality or county from being penalized with a reduction in traditional transportation funding because of the designation and use of a transportation reinvestment zone and prohibits any funding from TxDOT committed to a project before the date that a transportation reinvestment zone is designated from being reduced because the transportation reinvestment zone is designated in connection with the project. The bill prohibits TxDOT from reducing an allocation of traditional transportation funding to a TxDOT district because the district contains a transportation reinvestment zone designated by a municipality or county.

C.S.H.B. 563 requires an ordinance, or order or resolution, as appropriate, designating an area as a transportation reinvestment zone to designate the base year for purposes of establishing the tax increment base of the municipality or county.

C.S.H.B. 563 requires all, or the portion specified by the municipality, of the money deposited to a tax increment account to be used to fund the transportation project for which the zone was designated, as well as aesthetic improvements within the zone. The bill requires the municipality's payment into the tax increment account to be less any amount allocated under previous agreements, including agreements under provisions relating to municipal economic development programs or the Tax Increment Financing Act.

C.S.H.B. 563 authorizes a county to assess all or part of the cost of a transportation project in a transportation reinvestment zone against property within the zone to further development of the project. The bill authorizes the assessments to be levied and payable in installments in the same manner as assessments levied by public improvement districts, provided that the installments do not exceed the total amount of the tax abatement or other relief granted under the bill's provisions. The bill authorizes the county to adopt and apply provisions applicable to public improvement districts to the assessment of costs and the issuance of bonds by the county to pay the cost of a transportation project. The bill authorizes the commissioners court of a county to enter into an agreement with a property owner to abate all, as an alternative to only a portion of, the property taxes imposed by the county, or to grant other relief from the taxes, in an amount not to exceed the amount of the county's tax increment for the year, less any amounts allocated under previous agreements, including agreements under provisions relating to a county industrial commission or the Property Redevelopment and Tax Abatement Act and makes conforming changes.

C.S.H.B. 563 authorizes the governing body of a municipality or the commissioners court of a county, as appropriate, to contract with a public or private entity to develop, redevelop, or improve a transportation project in a transportation reinvestment zone and to pledge and assign to that entity all or a specified amount of the municipality's revenue from a tax increment account or the county's revenue from property tax assessments, as appropriate. The bill authorizes a county's contract with the entity to include aesthetic improvements in connection with the project. The bill prohibits the municipality or county from rescinding its pledge or assignment if the entity that received the pledge or assignment has itself pledged or assigned that amount to secure bonds or other obligations issued to obtain funding for the project. The bill makes the prohibition apply until the bonds or other obligations secured by the pledge or assignment have been paid or discharged. The bill authorizes any surplus amount a county receives from installment payments of the assessments not pledged or assigned in connection with the transportation project to be used for other purposes associated with the transportation project or in the zone and authorizes any surplus remaining in a tax increment account on termination of a transportation zone in a municipality to be used for other purposes as determined by the municipality. The bill makes a conforming change in provisions relating to assistance from a road utility district in developing a transportation project.

C.S.H.B. 563 authorizes the boundaries of a transportation reinvestment zone to be amended at any time to accommodate changes in the limits of a project, except the bill provides that property may not be removed or excluded from a designated zone if revenue from a tax increment account or from assessments, as appropriate, has been assigned or pledged directly by the municipality or county, as appropriate, or through another entity, to secure bonds or other obligations issued to obtain funding of the project. The bill prohibits property from being added to a designated zone unless the governing body of the municipality or the commissioners court of the county, as appropriate, complies with requirements relating to the designation of an area as a transportation reinvestment zone.

C.S.H.B. 563 makes its provisions relating to a tax increment account, property tax assessment, tax relief agreement, contract authority, boundary change, assistance from a road utility district, termination of a transportation reinvestment zone, use of a transportation reinvestment zone for other transportation projects, and prohibition against certain funding reductions applicable to a transportation reinvestment zone that is governed by those provisions designated before the effective date of the bill. The bill makes conforming and nonsubstantive changes.

### **EFFECTIVE DATE**

September 1, 2011.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 563 differs from the original by specifying that the requirement for the Texas Department of Transportation (TxDOT) to delegate full responsibility for the development, design, letting of bids, and construction of a transportation project in a transportation reinvestment zone to a municipality or county applies only to the extent permitted by law, whereas the original makes the requirement contingent on whether the Texas Transportation Commission or TxDOT is authorized to take any action that in its reasonable judgment is necessary to comply with any federal requirement to enable the state to receive federal-aid highway funds. The substitute differs from the original by including the requirement that a municipality or county, after assuming responsibility for a project, enter into an agreement with TxDOT that prescribes certain elements. The substitute differs from the original by requiring any portion of a transportation project that is on the state highway system or is located in the state highway right-of-way to comply with applicable state and federal requirements and criteria for project development, design, and construction, unless TxDOT grants an exception to the municipality or county, whereas the original requires a transportation project that is on the state highway system to comply with state design criteria, unless an exception is granted to the municipality or county. The substitute differs from the original by requiring the development, design, and construction plans and specifications for certain portions of a project to be reviewed and approved by TxDOT under the agreement between TxDOT and a municipality or county.

C.S.H.B. 563 differs from the original by prohibiting a reduction in funding from TxDOT committed to a project before the date a transportation reinvestment zone is designated in connection with the project, whereas the original prohibits a reduction in funding identified for a project before a zone is designated in connection with the project. The substitute differs from the original by making its provisions relating to a tax increment account, property tax assessment, tax relief agreement, contract authority, boundary change, assistance from a road utility district, termination of a transportation reinvestment zone, use of a transportation reinvestment zone for other transportation projects, and prohibition against certain funding reductions applicable to a transportation reinvestment zone that is governed by those provisions designated before the effective date of the bill.