

## **BILL ANALYSIS**

H.B. 629  
By: Pickett  
Transportation  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

For more than five years, local governments have been able to employ new and innovative methods for delivering much-needed transportation infrastructure to their jurisdictions. Currently, local governments take control of transportation projects through the pass-through financing program. Pass-through financing allows the Texas Department of Transportation to delegate to cities and counties the authority to finance the costs and oversee the construction of road projects on the state highway system. 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.

Prior legislation addressed the authority of cities and counties that intend to complete a pass-through financing project to designate an area adjacent to the project as a transportation reinvestment zone (TRZ). Through a TRZ, the sponsoring entity can capture a portion of the increase in property tax revenue from higher property values as a result of the new road project and that captured revenue can be used to provide needed financial support for the project. Reports indicate that a local government can better control 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 by designating an area as a TRZ and entering into a pass-through financing agreement.

H.B. 629 seeks to expand the revenue sources a city or county may capture within a TRZ to include the local portion of sales and use tax attributable to the zone.

### **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**

H.B. 629 amends the Transportation Code to authorize the governing body of a municipality or county to determine, in an ordinance or order designating an area as a transportation reinvestment zone or in an ordinance or order adopted after the designation of a zone, the portion or amount of tax increment generated from the sales and use taxes imposed by the municipality or county, as applicable, and attributable to the zone, above the sales tax base, to be used to pay for certain authorized transportation projects or to pay off bonds, notes, or other obligations issued or incurred for such projects. The bill clarifies that nothing in its provisions requires a municipality or county to contribute sales tax increment. The bill requires a county that designates a portion or amount of sales tax increment for an authorized use to establish a tax increment account and requires a municipality or county to deposit the designated portion or amount of tax increment to its respective tax increment account. The bill authorizes the governing body of a municipality or county, before pledging or otherwise committing money in the tax increment account, to enter into an agreement to authorize and direct the comptroller to withhold from any payment to which the municipality or county may be entitled the amount of

the payment into the tax increment account determined by the governing body for the specified use, deposit that amount into the tax increment account, and continue withholding and making additional payments into the tax increment account until an amount sufficient to satisfy the amount due has been met. The bill restricts any disbursement from the tax increment account of the sales and use taxes deposited into the account to payment for projects authorized under a pass-through toll agreement with the Texas Department of Transportation, including the repayment of amounts owed under such an agreement, and to satisfaction of claims of holders of tax increment bonds, notes, or other obligations issued or incurred for such projects. The bill specifies that the amount deposited by a county to a tax increment account under these provisions is not considered to be sales and use tax revenue for the purpose of property tax reduction and computation of the county tax rate.

H.B. 629 defines "sales tax base" and makes a conforming change.

#### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.