

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 12, 2011**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

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

**IN RE: HB563** by Pickett (Relating to the purposes and designation of a transportation reinvestment zone.), **As Passed 2nd House**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Chapter 222 of the Transportation Code regarding use of taxes collected on property in a municipal transportation reinvestment zone and in a county transportation zone and deposited into a tax increment account. The bill also would change the criteria for which municipalities and counties would be authorized to create a transportation reinvestment zone.

The bill would add Sections 222.108 and 222.109 to Subchapter E, Chapter 222, Transportation Code, to authorize a municipality or a county, notwithstanding other subsections, to establish a transportation zone for any transportation project. In addition, if all or part of a transportation project in the zone is subject to oversight by the Texas Department of Transportation (TxDOT), TxDOT would be required, at the option of the governing body of the municipality, the county or TxDOT to the extent permitted by law to delegate full responsibility for the development, design, letting of bids, and construction of the project, including project oversight and inspection to the municipality or county. After assuming a project under this subsection, a municipality or a county shall enter into an agreement with the department. Any portion of a transportation project that is on the state highway system or is located in the state highway right-of-way must comply with applicable state and federal requirements and criteria for project development, design, and construction, unless TxDOT grants an exception, and must be approved by the department.

TxDOT would be prohibited from penalizing a municipality or a county with a reduction in traditional transportation funding because of the designation and use of a transportation reinvestment zone. Any funding from TxDOT identified for a project before the date that a zone is designated may not be reduced because the zone is designated in connection with that project.

TxDOT would be prohibited from reducing any allocation of traditional transportation funding to any of its districts because a district contains a municipality or county that contains a transportation reinvestment zone.

The bill would amend the Transportation Code to authorize the governing body of a municipality or a county to designate an area as a transportation reinvestment zone and establish a tax increment account. The municipality or county would be allowed to use a portion of tax increment generated from sales and use taxes imposed for deposit into a tax increment account and could use those funds to pay for authorized projects, tax increment bonds, notes or other obligations, but not for property tax reduction or computation of a county tax rate.

The bill would allow the governing body of a municipality or a county to authorize the Comptroller to withhold from any payment into the account, amounts due that are related to the transportation reinvestment zone. The bill would require a municipality or a county to hold a public hearing not later than the 30th day before the date the entity proposes to designate a portion of sales tax increment and not later than the 7th day prior to the hearing, publish a notice in a general circulation newspaper in the county or municipality.

Sections that are amended or added by the bill apply to a transportation reinvestment zone that are governed by those sections designated before the effective date of the bill. The bill would take effect September 1, 2011.

Based on the analysis by TxDOT, it is assumed any costs or duties associated with implementing the provisions of the bill could be absorbed within the agency's existing resources.

According to the Comptroller of Public Accounts, there would be no administrative costs to the agency and no fiscal impact on the state.

### **Local Government Impact**

The fiscal impact of implementing the proposed requirements for use of tax increments in a transportation reinvestment zone would vary depending on the projects to be funded. Regarding change in eligibility to create a transportation reinvestment zone, it is assumed that a municipality or a county would designate a transportation reinvestment zone and undertake a transportation project only if there were sufficient resources available or the net fiscal impact would be positive.

The Texas Municipal League noted that transportation reinvestment zones are optional for municipalities; therefore, it is assumed that a municipality would designate a transportation reinvestment zone and undertake a transportation project only if there were sufficient resources available or the net fiscal impact would be positive.

**Source Agencies:** 304 Comptroller of Public Accounts, 601 Department of Transportation

**LBB Staff:** JOB, KJG, MW, TP, TG