

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**April 14, 2011**

**TO:** Honorable John Davis, Chair, House Committee on Economic & Small Business Development

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

**IN RE: HB3465** by Sheffield (Relating to the period for which a school district's participation in certain tax increment financing reinvestment zones may be taken into account in determining the total taxable value of property in the school district.), **Committee Report 1st House, Substituted**

**If a school district participates in a reinvestment zone in a geographic area specified by the bill, and according to other requirements specified by the bill after January 1, 2017, the bill would create a cost to the participating school district and the state through the operation of the school funding formula in fiscal 2018 and afterward.**

The bill would amend Section 403.302 of the Government Code to require that the number of years for which a deduction is made in the Comptroller's property value study for school district value lost from payments into a tax increment fund be based on the duration of the tax increment reinvestment zone determined under Section 311.017 of the Tax Code. Current law requires that the number of years for which the deduction is made be limited to the duration of the zone previously specified under Section 311.011(c)(9) of the Tax Code in a reinvestment zone financing plan approved before September 1, 1999.

The bill would apply only to a reinvestment zone created by a municipality that, on or after January 1, 2017, designates a reinvestment zone termination date that is later than the termination date designated in the ordinance creating the zone, that has a population of 70,000 or less, and that is located in a county containing all or part of a military installation.

If a school district participates in a reinvestment zone in a geographic area specified by the bill, and according to other requirements specified by the bill after January 1, 2017, the bill would create a cost to the participating school district and the state through the operation of the school funding formula in fiscal 2018 and afterward. It cannot be predicted whether a school district would participate in a tax increment reinvestment zone under these requirements after January 1, 2017. Consequently, the bill's fiscal impact cannot be estimated.

The bill would take effect on September 1, 2011.

**Local Government Impact**

If a school district participates in a reinvestment zone in a geographic area specified by the bill, and according to other requirements specified by the bill after January 1, 2017, the bill would create a cost to the participating school district in fiscal 2018 and afterward.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, AG, TP, SD, SJS