

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 20, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: SB1574 by Watson (Relating to the use of money in a tax increment fund to pay costs related to public improvements used for social services programs that promote the development or redevelopment of a reinvestment zone.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 311 of the Tax Code, regarding tax increment financing, to allow a reinvestment zone created in a county with a population of less than 1.5 million and primarily contains a city that has a population of at least 775,000 to acquire, construct, reconstruct, renovate, rehabilitate, install, or equip public improvements for certain social services programs. The programs would include provision of food, clothing, shelter, health care, mental health care; educational, employment and other services to promote self-reliance; provide education, physical and mental health, and crime prevention programs; provision of family and societal support services; and encourage personal development and community enrichment programs.

The tax increment financing agreement would be permitted to provide for the use of revenue from the tax increment fund to pay the costs of operating or administering the programs described above, and to pay the costs of operating or administering those programs. A city or county would not be permitted to use the dedicated tax increment fund revenue to replace revenue the city or county would otherwise have spent from other sources for that purpose.

The bill permits but does not require additional tax increment funding for social services programs in the specified reinvestment zone. Consequently, the bill would not create a cost to units of local government. The Comptroller would not deduct any additional school district payments into a tax increment fund from the property values used in the school funding formula, and therefore there would be no fiscal impact on the state even in the event that school districts choose to participate in tax increment financing agreements under the bill.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2011.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, AG, SD, KK