

## **BILL ANALYSIS**

C.S.S.B. 1110  
By: Nichols  
Transportation  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties note that a county or municipality may currently contract with a public or private entity to develop a transportation project in a transportation reinvestment zone and pledge or assign all or a portion of the funds collected into the tax increment account to that entity but that a county designating such a zone is not subject to the same requirements as a municipality designating such a zone. For example, a county's order or resolution designating a zone is not required to contain findings that the promotion of the transportation project will cultivate improvement, development, or redevelopment. In addition, these parties assert that money the county receives in a tax increment or from other payments associated with the zone can be used only in connection with a transportation project in the zone but that counties should have broader authority to use these funds for other purposes as determined by the commissioners court in the same way municipalities have this broader authority for the use of unencumbered funds.

Interested parties also note that recent legislation eliminated the requirement that transportation reinvestment zones based on property tax increments be linked to pass-through projects, allowing these zones to be used for a wide range of transportation projects. These parties assert that requiring zones based on sales taxes to be linked to pass-through toll projects is inefficient and outdated and that a zone based on sales taxes should be able to implement the same types of transportation projects as a zone based on property taxes.

C.S.S.B. 1110 seeks to address these issues by amending, updating, and repealing laws relating to transportation reinvestment zones.

### **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.S.B. 1110 amends the Transportation Code to expand the purposes of municipal and county transportation reinvestment zones to include the enhancement of a local entity's ability to sponsor a transportation project authorized under provisions relating to regional mobility authorities, rather than authorized under provisions relating to pass-through tolls.

C.S.S.B. 1110 authorizes a municipality or county to create a transportation reinvestment zone to promote one or more transportation projects, rather than a transportation project, and removes the authorization for a county transportation reinvestment zone to be created for the purpose of abating property taxes or granting other relief from taxes imposed by the county on real property located in the zone.

C.S.S.B. 1110, in provisions authorizing a municipality or county to contract with a public or private entity to develop, redevelop, or improve a transportation project in a transportation reinvestment zone, prohibits the municipality or county from rescinding its pledge or assignment

of money from the tax increment or property tax assessment, as applicable, to that entity until contractual commitments, rather than bonds or other obligations, have been satisfied. The bill removes a provision prohibiting such a governing body, 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 transportation project, from rescinding its pledge or assignment until the bonds or other obligations secured by the pledge or assignment have been paid or discharged. The bill specifies that in a county transportation reinvestment zone, similar to a municipal transportation reinvestment zone, any unpledged amount received from the tax increment or assessments may be used for other purposes determined by the governing body of the county or municipality, as applicable.

C.S.S.B. 1110, in provisions prohibiting property in a municipal or county transportation reinvestment zone from being removed or excluded from the zone if any part of the tax increment or assessment, as applicable, has been assigned or pledged to secure bonds or other obligations, specifies that the prohibition is if the bonds or other obligations have been assigned or pledged directly to obtain development, in addition to funding, of a project.

C.S.S.B. 1110, in provisions specifying that a municipal or county transportation reinvestment zone terminates on December 31 of the year in which the municipality or county completes certain tasks, requires the municipality or county to complete all contractual requirements that included the pledge or assignment of all or a portion of money deposited to a tax increment account or the repayment of money owed under an agreement for the development, redevelopment, or improvement of the project or projects for which the zone was designated. The bill requires the county to complete all contractual requirements that included the pledge or assignment of the collected assessments.

C.S.S.B. 1110 requires an order or resolution designating a county transportation reinvestment zone, similar to an ordinance designating a municipal transportation reinvestment zone, to contain findings that promotion of the transportation project or projects will cultivate the improvement, development, or redevelopment of the zone.

C.S.S.B. 1110 authorizes the sales taxes collected in relation to a transportation reinvestment zone to be deposited into a tax increment account to be disbursed from the account to pay for authorized pass-through tolling transportation projects or other transportation projects.

C.S.S.B. 1110 authorizes the governing body of a county or municipality to designate a transportation reinvestment zone for a transportation project located outside the boundaries of the county or municipality if the following conditions are met: the county or municipality finds that the project will benefit the property and residents located in the zone and the creation of the zone will serve a public purpose of that county or municipality; a zone has been designated for the same project by one or more counties or municipalities in whose boundaries the project is located; and an agreement for joint support of the designated zones is entered into by the county or municipality whose boundaries do not contain the project and one or more of the counties or municipalities that have designated a zone for the project and in whose boundaries the project is located.

C.S.S.B. 1110 repeals a provision authorizing a county, in the event the county collects a tax increment, to issue bonds to pay all or part of the cost of a transportation project and to pledge and assign all or a specified amount of money in the tax increment account to secure those bonds. The bill repeals a provision defining "transportation project" for purposes of transportation reinvestment zones for other transportation projects.

C.S.S.B. 1110 repeals Sections 222.107(i-1) and 222.108(d), Transportation Code.

**EFFECTIVE DATE**

September 1, 2013.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.S.B. 1110 may differ from the engrossed version in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the engrossed and committee substitute versions of the bill.

**SENATE ENGROSSED**

**HOUSE COMMITTEE SUBSTITUTE**

SECTION 1. Subchapter E, Chapter 222, Transportation Code, is amended.

SECTION 1. Same as engrossed version.

SECTION 2. Section 222.105, Transportation Code, is amended.

SECTION 2. Same as engrossed version.

SECTION 3. Subsections (b), (c), (g), (i), (i-1), (i-2), and (j), Section 222.106, Transportation Code, are amended.

SECTION 3. Substantially the same as engrossed version.

SECTION 4. Subsections (b), (c), (e), (f), (k-1), and (l), Section 222.107, Transportation Code, are amended to read as follows:

SECTION 4. Sections 222.107(b), (c), (e), (f), (k-1), and (l), Transportation Code, are amended to read as follows:

(b) This section applies only to a county in which a transportation project is to be developed under Section 222.104 or 222.108.

(b) This section applies only to a county in which a transportation project is to be developed under Section 222.104 or 222.108.

(c) The commissioners court of the county, after determining that an area is unproductive and underdeveloped and that action under this section would further the purposes described by Section 222.105, by order or resolution may designate a contiguous geographic area in the jurisdiction of the county to be a transportation reinvestment zone to promote one or more [a] transportation projects ~~[project and for the purpose of abating ad valorem taxes or granting other relief from taxes imposed by the county on real property located in the zone]~~.

(c) The commissioners court of the county, after determining that an area is unproductive and underdeveloped and that action under this section would further the purposes described by Section 222.105, by order or resolution may designate a contiguous geographic area in the jurisdiction of the county to be a transportation reinvestment zone to promote one or more [a] transportation projects ~~[project and for the purpose of abating ad valorem taxes or granting other relief from taxes imposed by the county on real property located in the zone]~~.

(e) Not later than the 30th day before the date the commissioners court proposes to designate an area as a transportation reinvestment zone under this section, the commissioners court must hold a public hearing on the creation of the zone, its benefits to the county and to property in the

(e) Not later than the 30th day before the date the commissioners court proposes to designate an area as a transportation reinvestment zone under this section, the commissioners court must hold a public hearing on the creation of the zone, its benefits to the county and to property in the

proposed zone, and the possible abatement of ad valorem taxes or the grant of other relief from ad valorem taxes imposed by the county on real property located in the zone. At the hearing an interested person may speak for or against the designation of the zone, its boundaries, or the possible abatement of or the relief from county taxes on real property in the zone. Not later than the seventh day before the date of the hearing, notice of the hearing and the intent to create a zone must be published in a newspaper having general circulation in the county.

(f) The order or resolution designating an area as a transportation reinvestment zone must:

(1) describe the boundaries of the zone with sufficient definiteness to identify with ordinary and reasonable certainty the territory included in the zone;

(2) provide that the zone takes effect immediately on adoption of the order or resolution and that the base year shall be the year of passage of the order or resolution or some year in the future;

(3) assign a name to the zone for identification, with the first zone designated by a county designated as "Transportation Reinvestment Zone Number One, County of (name of county)," and subsequently designated zones assigned names in the same form numbered consecutively in the order of their designation;

(4) designate the base year for purposes of establishing the tax increment base of the county; ~~and~~

(5) establish an ad valorem tax increment account for the zone; and

(6) contain findings that promotion of the transportation project or projects will cultivate the improvement, development, or redevelopment of the zone.

(k-1) To accommodate changes in the limits of a ~~the~~ project for which a reinvestment zone was designated, the boundaries of a zone may be amended at any time, except that:

(1) property may not be removed or excluded from a designated zone if any part of the tax increment or assessment has been assigned or pledged directly by the county or through another entity to secure bonds or other obligations issued to:

(A) obtain financing ~~funding~~ of a ~~the~~

proposed zone, and the possible abatement of ad valorem taxes or the grant of other relief from ad valorem taxes imposed by the county on real property located in the zone. At the hearing an interested person may speak for or against the designation of the zone, its boundaries, or the possible abatement of or the relief from county taxes on real property in the zone. Not later than the seventh day before the date of the hearing, notice of the hearing and the intent to create a zone must be published in a newspaper having general circulation in the county.

(f) The order or resolution designating an area as a transportation reinvestment zone must:

(1) describe the boundaries of the zone with sufficient definiteness to identify with ordinary and reasonable certainty the territory included in the zone;

(2) provide that the zone takes effect immediately on adoption of the order or resolution and that the base year shall be the year of passage of the order or resolution or some year in the future;

(3) assign a name to the zone for identification, with the first zone designated by a county designated as "Transportation Reinvestment Zone Number One, County of (name of county)," and subsequently designated zones assigned names in the same form numbered consecutively in the order of their designation;

(4) designate the base year for purposes of establishing the tax increment base of the county; ~~and~~

(5) establish an ad valorem tax increment account for the zone; and

(6) contain findings that promotion of the transportation project or projects will cultivate the improvement, development, or redevelopment of the zone.

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project; or  
(B) provide funding for the development of a project;[-] and

(2) property may not be added to a designated zone unless the commissioners court of the county complies with Subsections (e) and (f).

(1) Except as provided by Subsection (m), a transportation reinvestment zone, a tax abatement agreement entered into under Subsection (h), or an order or resolution on the abatement of taxes or the grant of relief from taxes under that subsection[-] terminates on December 31 of the year in which the county completes:

(1) all [any] contractual requirements [requirement] that included the pledge or assignment of all or a portion of:

(A) money deposited to a tax increment account; or

(B) the assessments collected under this section; or

(2) the repayment of money owed under an agreement for the development, redevelopment, or improvement of the project for which the zone was designated.

SECTION 5. Subsection (h), Section 222.107, Transportation Code, as amended by Chapters 475 (H.B. 563) and 1345 (S.B. 1420), Acts of the 82nd Legislature, Regular Session, 2011, is reenacted.

SECTION 6. Subsection (h-1), Section 222.107, Transportation Code, as added by Chapter 1345 (S.B. 1420), Acts of the 82nd Legislature, Regular Session, 2011, is reenacted and amended.

SECTION 7. Subsection (h-1), Section 222.107, Transportation Code, as added by Chapter 475 (H.B. 563), Acts of the 82nd Legislature, Regular Session, 2011, is redesignated as Subsection (h-2), Section 222.107, Transportation Code, and amended.

SECTION 8. Subsection (a), Section 222.108, Transportation Code, is amended.

SECTION 9. Subsection (e), Section 222.110, Transportation Code, is amended.

may not be added to a designated zone unless the commissioners court of the county complies with Subsections (e) and (f).

(1) Except as provided by Subsection (m), a transportation reinvestment zone, a tax abatement agreement entered into under Subsection (h), or an order or resolution on the abatement of taxes or the grant of relief from taxes under that subsection[-] terminates on December 31 of the year in which the county completes:

(1) all [any] contractual requirements [requirement] that included the pledge or assignment of all or a portion of:

(A) money deposited to a tax increment account; or

(B) the assessments collected under this section; or

(2) the repayment of money owed under an agreement for the development, redevelopment, or improvement of the project or projects for which the zone was designated.

SECTION 5. Same as engrossed version except for recitation.

SECTION 6. Same as engrossed version except for recitation.

SECTION 7. Same as engrossed version except for recitation.

SECTION 8. Same as engrossed version except for recitation.

SECTION 9. Same as engrossed version except for recitation.

SECTION 10. Subchapter E, Chapter 222, Transportation Code, is amended by adding Section 222.111 to read as follows:

Sec. 222.111. JOINT ADMINISTRATION OF TRANSPORTATION REINVESTMENT ZONES.

(a) The governing bodies of two or more local governments that have designated a transportation reinvestment zone under Section 222.106 or 222.107 for the same transportation project or projects may enter into an agreement to provide for the joint administration of the transportation reinvestment zones. The agreement may provide for:

(1) the creation of a board of directors to oversee the transportation reinvestment zones, including the implementation of a transportation project in the zones;

(2) the establishment of a joint tax increment account for the transportation reinvestment zones;

(3) separate accounts for the maintenance of funds from a zone created under Section 222.106 and funds from a zone created under Section 222.107;

(4) the commitment of each participating entity to transfer the tax increment or assessment, or the portion thereof dedicated to a transportation project, to an account subject to the joint administration; and

(5) to the extent legally permitted, the pledge or assignment of the tax increment or assessment to an entity developing a transportation project or providing funding for a transportation project.

(b) A board of directors is composed of one person appointed by each local government that is a party to the agreement providing for joint administration of the transportation reinvestment zones and one person appointed by agreement of those local governments.

(c) Notwithstanding any other law, a local government may designate a transportation reinvestment zone for a transportation project located outside the local government's boundaries if:

(1) the local government finds that:

(A) the project will benefit the property and residents located in the zone; and

SECTION 10. Subchapter E, Chapter 222, Transportation Code, is amended by adding Section 222.111 to read as follows:

Sec. 222.111. TRANSPORTATION REINVESTMENT ZONES FOR PROJECTS LOCATED IN OTHER JURISDICTIONS.

Notwithstanding any other law, the governing body of a county or municipality may designate a transportation reinvestment zone for a transportation project located outside the boundaries of the county or municipality if:

(1) the county or municipality finds that:

(A) the project will benefit the property and residents located in the zone; and

(B) the creation of the zone will serve a public purpose of the local government;

(2) a zone has been designated for the same project by one or more local governments in whose boundaries the project is located; and

(3) an agreement for joint administration of the designated zones is entered into under this section by:

(A) the local government whose boundaries do not contain the project; and

(B) one or more of the local governments that have designated a zone for the project and in whose boundaries the project is located.

SECTION 11. Subsection (i-1), Section 222.107 and Subsection (d), 222.108, Transportation Code, are repealed.

SECTION 12. This Act takes effect September 1, 2013.

(B) the creation of the zone will serve a public purpose of that county or municipality;

(2) a zone has been designated for the same project by one or more counties or municipalities in whose boundaries the project is located; and

(3) an agreement for joint support of the designated zones is entered into under this section by:

(A) the county or municipality whose boundaries do not contain the project; and

(B) one or more of the counties or municipalities that have designated a zone for the project and in whose boundaries the project is located.

SECTION 11. Same as engrossed version except for recitation.

SECTION 12. Same as engrossed version.