

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 4, 2015

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1220 by Bettencourt (Relating to tax increment financing.), **As Introduced**

<p>No fiscal implication to the State is anticipated.</p>
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The bill would amend Tax Code, Chapter 311, the Tax Increment Financing Act. The bill would prevent cities from designating tax increment financing reinvestment zones (zones) for terms longer than 10 years.

The bill would amend Section 311.006 prohibiting cities from designating a zone if more than 10 percent of the non-public property is used for residential purposes. Currently zones can include up to 30 percent residential property. Cities would also not be able to include more than 10 percent of the total value of all taxable real property in the city in tax increment financing reinvestment zones.

The bill would amend Section 311.007 preventing cities from extending the term of all or part of a zone past the 10th anniversary of the zone's designation. The bill would require zones created before the effective date of this bill to end on the earlier of the zone's designated termination date or the date on which all project costs, tax increment bonds and interest on those bonds, and other obligations of the zone have been paid in full.

The bill would add Section 311.0111 prohibiting a zone's board of directors from adopting, and the city council from approving, an amendment to a zone's project plan that reduces or increases the geographic area of the zone, increases the amount of bonded indebtedness to be incurred, increases or decreases the percentage of a tax increment to be contributed by a taxing unit, increases the total estimated project costs, or designates additional property in the zone to be acquired by the city if the median appraised value of real property located in the zone is equal to or exceeds the median appraised value of real property outside the zone.

The bill would amend Subsections 311.015(a) & (c) and add Section 311.0151 allowing a city to issue tax increment bonds and notes only with the approval of the city's voters. The bill would allow a city to order an election on tax increment bonds and notes. The bill would require a city to post notice of the election in a local newspaper at least 31 days before the election. The bill would require the notice to state the amount authorized and the maximum maturity date of the bonds or notes.

Section 8 of the bill states that the restrictions placed on the composition of zones apply only to zones designated on or after the effective date of this Act.

Section 8 of the bill states that the restrictions placed on the board's authority to amend a zone's project plan apply only to amendments proposed and authorized on or after the effective date of this Act.

Section 8 of the bill states that the requirement for voter approval of tax increment bonds and notes applies only to bonds issued on or after the effective date of this Act.

The bill would limit the scope of use for tax increment finance reinvestment zones created on or after September 1, 2015. The bill would only impact local governments if they create tax increment finance reinvestment zones on or after September 1, 2015, and if the new limitations necessitate a change in the zones from what a local government would have created if the bill had not passed.

The bill would take effect on September 1, 2015.

Local Government Impact

The bill would limit the scope of use for tax increment finance reinvestment zones created on or after September 1, 2015. The bill would only impact local governments if they create tax increment finance reinvestment zones on or after September 1, 2015, and if the new limitations necessitate a change in the zones from what a local government would have created if the bill had not passed.

The city of Houston reported that this bill would have negative fiscal implications, but was not able to estimate an impact.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, SD, SJS