

## **BILL ANALYSIS**

Senate Research Center

S.B. 1765  
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Natural Resources & Economic Development  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Tax increment reinvestment zones (TIRZ) which originated as a tool to spur reinvestment in declining neighborhoods, have emerged in recent decades as an all-purpose stimulant for development that is too often subject to abuse. Significantly, no requirements are set in place in regards to transparency and accountability as regulated or set forth in the Tax Code. To protect the public interest, governments should impose strong safeguards to ensure that TIRZ projects are implemented through a transparent, accountable process with clear and compelling goals. The process of awarding tax increment financing often takes place without sufficient public awareness and input, creating opportunity for favoritism and corruption. Information on TIRZ districts is generally available to citizens with the tenacity to obtain it from obscure government publications and agencies, and the expertise to understand it; however, because the creation of a TIRZ district is a decision with long-lasting implications for a municipality, government officials must take extra steps to ensure such information is easily accessible and understandable to the general public.

This bill provides that the TIRZ terminates not later than the 10th anniversary of the date on which the ordinance or order designating the TIRZ is adopted. The term of all or any portion of a TIRZ may be extended beyond the 10th anniversary of the date on which the ordinance or order designating the TIRZ is adopted only if the extension is approved by the voters of the TIRZ voting at an election. A member of a board of directors of a TIRZ designated by a municipality that limits the number of terms that a member of the governing body of the municipality may serve applies to the number of terms that a member of the board of directors may serve on that board. A municipality shall maintain on the municipality's Internet website a web page dedicated to providing transparency to the residents of the municipality regarding each TIRZ.

As proposed, S.B. 1765 amends current law relating to tax increment reinvestment zone transparency and accountability.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 311.004, Tax Code, by adding Subsection (d), to require an ordinance or order designating a reinvestment zone (zone) that is adopted on or after September 1, 2017, for purposes of Subsection (a)(4) (relating to requiring the ordinance or order designating a zone to provide a date for the zone's termination), to provide that the zone terminates not later than a certain date.

SECTION 2. Amends Section 311.005(a), Tax Code, to require, in addition to other certain criteria, that an area be an area that is unproductive, underdeveloped, or blighted to be designated as a zone.

SECTION 3. Amends the heading to Section 311.007, Tax Code, to read as follows:

Sec. 311.007. CHANGING BOUNDARIES OR TERM OF EXISTING ZONE; LIMITATION ON EXTENSION OF TERM.

SECTION 4. Amends Section 311.007, Tax Code, by amending Subsection (c) and adding Subsections (d), (e), and (f), as follows:

(c) Provides that the provisions of this subsection regarding extending the term of all or a portion of a zone, are subject to Subsections (d) and (e). Makes no further changes to this subsection.

(d) Prohibits the term of all or any portion of a zone, except as provided by Subsections (e) and (f), from being extended beyond the 10th anniversary of the date on which the ordinance or order designating the zone is adopted.

(e) Provides that this subsection applies only to a zone designated before September 1, 2017, the term of which extends beyond the period prescribed by Subsection (d). Requires that a zone to which this subsection applies, except as provided by Subsection (f), terminate on the earlier of:

(1) the termination date expressed in the ordinance or order designating the zone or an earlier termination date designated by an ordinance or order adopted under Subsection (c); or

(2) 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.

(f) Authorizes the term of all or any portion of a zone to be extended beyond the date prescribed by Subsection (d) or (e) only if the extension is approved by the voters of the zone voting at an election held for that purpose.

SECTION 5. Amends the heading to Section 311.009, Tax Code, to read as follows:

Sec. 311.009. BOARD OF DIRECTORS; OFFICERS.

SECTION 6. Amends Section 311.009, Tax Code, by adding Subsection (c-1), as follows:

(c-1) Provides that this subsection applies only to a member of a board of directors of a zone designated by a municipality that limits the number of terms that a member of the governing body of the municipality may serve on that governing body. Provides that the limitation on the number of terms that a member of the governing body of the municipality may serve on that governing body applies to the number of terms that a member of the board of directors may serve on that board.

SECTION 7. Amends the heading to Section 311.0091, Tax Code, to read as follows:

Sec. 311.0091. BOARD OF DIRECTORS OF CERTAIN REINVESTMENT ZONES; OFFICERS.

SECTION 8. Amends Section 311.091, Tax Code, by adding Subsection (d-1), to provide that Section 311.009(c-1) applies to a member of the board appointed under this section.

SECTION 9. Amends Chapter 311, Tax Code, by adding Section 311.0195, as follows:

Sec. 311.0195. MUNICIPAL TRANSPARENCY WEB PAGE. (a) Provides that this section applies only to a municipality that has designated a zone under this chapter (Tax Increment Financing Act).

(b) Requires that a municipality maintain an Internet website to comply with this section.

(c) Requires that a municipality maintain on the municipality's Internet website a web page dedicated to providing transparency to the residents of the municipality regarding each zone designated by the municipality. Requires that the municipality post certain documents and information for each zone designated by the municipality on the web page as soon as the document or information is available.

(d) Prohibits a municipality from removing a document or item of information required to be posted under Subsection (c) from the transparency web page until the 10th anniversary of the date the applicable reinvestment zone is terminated.

(e) Provides that the requirements prescribed by this section are in addition to any other requirement prescribed by law.

SECTION 10. Makes application of Section 311.005(a), Tax Code, as amended by this Act, prospective.

SECTION 11. Provides that the changes in law made by this Act to Sections 311.009 and 311.0091, Tax Code, do not affect the eligibility of a person serving on a board of directors of a zone immediately before the effective date of this Act to continue to serve on the board for the term to which the member was appointed.

SECTION 12. Effective date: September 1, 2017.