

By: Estes

S.B. No. 1627

A BILL TO BE ENTITLED

AN ACT

relating to consulting agreements, limitation on appraised value,  
and supplemental payments under the Texas Economic Development Act.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter A, Chapter 313, Tax Code, is amended  
by adding Section 313.008 to read as follows:

Sec. 313.008. CERTAIN CONSULTING AGREEMENTS PROHIBITED.

(a) In this section, "compensation" has the meaning assigned by  
Section 305.002, Government Code.

(b) A person may not for compensation act as a consultant on  
behalf of a school district in relation to an application or  
agreement for a limitation on appraised value authorized by this  
chapter if the person is:

(1) an employee of the school district, including the  
superintendent of the district;

(2) a member of the board of trustees of the school  
district; or

(3) related to a person described by Subdivision (1)  
or (2) in the first degree by consanguinity or affinity, as  
determined under Chapter 573, Government Code.

SECTION 2. Section 313.022(b), Tax Code, is amended to read  
as follows:

(b) For purposes of determining the required minimum amount  
of a qualified investment under Section 313.021(2)(A)(iv)(a), ~~and~~

1 ~~the minimum amount of a limitation on appraised value under Section~~  
2 ~~313.027(b),~~] school districts to which this subchapter applies are  
3 categorized according to the taxable value of property in the  
4 district for the preceding tax year determined under Subchapter M,  
5 Chapter 403, Government Code, as follows:

6	CATEGORY	TAXABLE VALUE OF PROPERTY
7	I	\$10 billion or more
8	II	\$1 billion or more but less than \$10 billion
9	III	\$500 million or more but less than \$1 billion
10	IV	\$100 million or more but less than \$500 million
11	V	less than \$100 million

12 SECTION 3. Section 313.025(a), Tax Code, is amended to read  
13 as follows:

14 (a) The owner or lessee of, or the holder of another  
15 possessory interest in, any qualified property described by Section  
16 313.021(2)(A), (B), or (C) may apply to the governing body of the  
17 school district in which the property is located for a limitation on  
18 the appraised value for school district maintenance and operations  
19 ad valorem tax purposes of the person's qualified property. An  
20 application must be made on the form prescribed by the comptroller  
21 and include the information required by the comptroller, and ~~it~~  
22 must be accompanied by:

23 (1) ~~[the application fee established by the governing~~  
24 ~~body of the school district,~~

25 ~~(2)]~~ information sufficient to show that the real and  
26 personal property identified in the application as qualified  
27 property meets the applicable criteria established by Section

1 313.021(2); and

2 (2) [~~3~~] any information required by the comptroller  
3 for the purposes of Section 313.026.

4 SECTION 4. Sections 313.027(b), (c), and (f), Tax Code, are  
5 amended to read as follows:

6 (b) The amount agreed to by the governing body of a school  
7 district under Subsection (a)(2) must be an amount that is:

8 (1) determined for each tax year in which the  
9 limitation under Subsection (a) applies; and

10 (2) equal to at least 33.3 percent of the market value  
11 of the person's qualified property for that tax year. [~~in~~  
12 ~~accordance with the following, according to the category~~  
13 ~~established by Section 313.022 to which the school district~~  
14 ~~belongs.~~

[ <del>CATEGORY</del>	[ <del>MINIMUM AMOUNT OF LIMITATION</del>
[ <del>I</del>	\$100 million
[ <del>II</del>	\$80 million
[ <del>III</del>	\$60 million
[ <del>IV</del>	\$40 million
[ <del>V</del>	\$20 million]

21 (c) The limitation amounts determined under [~~listed in~~  
22 Subsection (b) are minimum amounts. A school district, regardless  
23 of category, may agree to a greater amount than those amounts.

24 (f) In addition, the agreement:

25 (1) must incorporate each relevant provision of this  
26 subchapter [~~and, to the extent necessary, include provisions for~~  
27 ~~the protection of future school district revenues through the~~

1 ~~adjustment of the minimum valuations, the payment of revenue~~  
2 ~~offsets, and other mechanisms agreed to by the property owner and~~  
3 ~~the school district];~~

4 (2) may provide that the property owner will protect  
5 the school district in the event the district, in accommodating a  
6 temporary increase in student enrollment attributable to the  
7 project, incurs the following extraordinary education-related  
8 expenses:

9 (A) expenses related to [~~the project that are not~~  
10 ~~directly funded in state aid formulas, including expenses for~~] the  
11 purchase of portable classrooms; or [~~and~~]

12 (B) expenses related to the hiring of additional  
13 personnel [~~to accommodate a temporary increase in student~~  
14 ~~enrollment attributable to the project~~];

15 (3) must require the property owner to maintain a  
16 viable presence in the school district for at least five years after  
17 the date the limitation on appraised value of the owner's property  
18 expires;

19 (4) must provide for the termination of the agreement,  
20 the recapture of ad valorem tax revenue lost as a result of the  
21 agreement if the owner of the property fails to comply with the  
22 terms of the agreement, and payment of a penalty or interest, or  
23 both, on that recaptured ad valorem tax revenue;

24 (5) may specify any conditions the occurrence of which  
25 will require the district and the property owner to renegotiate all  
26 or any part of the agreement;

27 (6) must specify the ad valorem tax years covered by

1 the agreement;

2 (7) must require the property owner to provide a  
3 supplemental payment to the district or another entity on behalf of  
4 the district in an amount equal to \$25 per student per year in  
5 average daily attendance, as defined by Section 42.005, Education  
6 Code, for each ad valorem tax year covered by the agreement, except  
7 that in a tax year, no district may collect in supplemental payments  
8 from all property owners in the district an amount equal to more  
9 than two percent of the district's budget; and

10 (8) [(7)] must be in a form approved by the  
11 comptroller.

12 SECTION 5. The heading to Section 313.031, Tax Code, is  
13 amended to read as follows:

14 Sec. 313.031. RULES AND FORMS [~~, FEES~~].

15 SECTION 6. Section 313.052, Tax Code, is amended to read as  
16 follows:

17 Sec. 313.052. CATEGORIZATION OF SCHOOL DISTRICTS. For  
18 purposes of determining the required minimum amount of a qualified  
19 investment under Section 313.021(2)(A)(iv)(a) [~~and the minimum~~  
20 ~~amount of a limitation on appraised value under this subchapter~~],  
21 school districts to which this subchapter applies are categorized  
22 according to the taxable value of industrial property in the  
23 district for the preceding tax year determined under Subchapter M,  
24 Chapter 403, Government Code, as follows:

25 CATEGORY TAXABLE VALUE OF INDUSTRIAL PROPERTY

26 I \$200 million or more

27 II \$90 million or more but less than \$200 million

- 1        III        \$1 million or more but less than \$90 million
- 2        IV        \$100,000 or more but less than \$1 million
- 3        V        less than \$100,000

4            SECTION 7. Section 313.054, Tax Code, is amended to read as  
5 follows:

6            Sec. 313.054. LIMITATION ON APPRAISED VALUE. (a) For a  
7 school district to which this subchapter applies, the amount agreed  
8 to by the governing body of the district under Section  
9 313.027(a)(2) must be an amount that is:

10            (1) determined for each tax year in which the  
11 limitation under this subsection applies; and

12            (2) equal to at least 33.3 percent of the market value  
13 of the person's qualified property for that tax year. [~~in~~  
14 accordance with the following, according to the category  
15 established by Section 313.052 to which the school district  
16 belongs:

17	[ <del>CATEGORY</del>	<del>MINIMUM AMOUNT OF LIMITATION</del>
18	[ <del>I</del>	<del>\$30 million</del>
19	[ <del>II</del>	<del>\$25 million</del>
20	[ <del>III</del>	<del>\$20 million</del>
21	[ <del>IV</del>	<del>\$15 million</del>
22	[ <del>V</del>	<del>\$10 million]</del>

23            (b) The limitation amounts determined under [~~listed in~~]  
24 Subsection (a) are minimum amounts. A school district, regardless  
25 of category, may agree to a greater amount than those amounts.

26            SECTION 8. Sections 313.027(i) and 313.031(b), Tax Code,  
27 are repealed.

1           SECTION 9. The change in law made by this Act applies only  
2 to an agreement entered into pursuant to an application filed under  
3 Chapter 313, Tax Code, on or after the effective date of this Act.  
4 An agreement entered into pursuant to an application filed under  
5 that chapter before the effective date of this Act is governed by  
6 the law in effect on the date the application was filed, and the  
7 former law is continued in effect for that purpose.

8           SECTION 10. This Act takes effect September 1, 2017.