

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 3, 2017

TO: Honorable Craig Estes, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1765** by Garcia (Relating to tax increment reinvestment zone transparency and accountability.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 311, Tax Code, relating to tax increment reinvestment zone transparency and accountability.

The bill would amend Section 311.004, Tax Code by adding Subsection (d) to require an ordinance or order designating a reinvestment zone adopted on or after September 1, 2017, to provide that the zone would terminate not later than the 10th anniversary of the date on which the ordinance or order designating the zone is adopted.

The bill would amend Section 311.005(a), Tax Code by adding subsection (4)(B). The bill would add "unproductive, underdeveloped, or blighted" to the criteria required for creating a reinvestment zone when described in a petition requesting the area be designated as a reinvestment zone. The provision would apply if the petition is submitted to the governing body of the municipality or county by the owners of property constituting at least 50 percent of the appraised value of the property in the area according to the most recent certified appraisal roll for the county in which the area is located.

The bill would amend Section 311.007, Tax Code by amending subsection (c) and adding subsections (d), (e) and (f). The bill would prohibit the extension of the term of all or any portion of a reinvestment zone beyond the 10th anniversary of the date on which the ordinance or order designating the zone is adopted, unless certain conditions are met.

The bill would require a reinvestment zone designated before September 1, 2017 for a term which is to extend longer than 10 years to terminate on the earlier of the termination date expressed in the ordinance or order designating the zone; 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 unless the extension is approved by the voters of the zone.

The bill would amend Section 311.009, Tax Code, by adding Subsection (c-1) to limit the number of terms that a member of a board of directors of a reinvestment zone designated by a municipality that limits the number of terms that a member of a government body may serve on that governing body. The limitation on the number of terms a member of the governing body of the municipality may serve on the governing body applies to the number of terms a member of the board of

directors may serve on that board.

The bill would amend Section 311.0091, Tax Code to apply the Section 311.009 (c-1) as amended to a reinvestment zone designated by a municipality wholly or partially located in a county with a population of less than 1.8 million in which the principal municipality has a population of 1.1 million or more.

The bill would amend Chapter 311, Tax Code by adding Section 311.0195 to require a municipality that has designated a reinvestment zone under this chapter to maintain a website and to provide certain information on the website pertaining to each reinvestment zone designated by the municipality.

The bill would require the website to include certain documents and information for each reinvestment zone designated by the municipality on the web page as soon as the document or information is available. The required information would include the ordinance designating an area as the zone; the project plan adopted for the zone under Section 311.011; the reinvestment zone financing plan adopted for the zone under Section 311.011; the annual report for the zone required by Section 311.016; each agreement entered into between the board of directors of the zone and the municipality; and the budget and annual financial report prepared for the zone, if applicable.

The bill would require the website to include a comprehensive explanation of the criteria described by Section 311.005 that formed the basis for the municipality's designation of the zone; the project plan adopted for the zone; the reinvestment zone financing plan adopted for the zone; the benefits that are projected to result from designation of the zone, including any projected increase in tax revenue or projected creation of new jobs; and the date the zone will be terminated.

The bill would require the website to include comprehensive financial information for the tax increment fund for the zone, including: the amount of revenue deposited to the fund; the amount of disbursements from the fund; the amount of project costs and a description of those costs; and a list of all persons receiving money from the fund.

The bill would require the website to include the agenda and minutes of each public meeting of the board of directors of the zone; the contact information of a municipal officer or employee who can answer questions regarding the zone; the contact information for each member of the board of directors of the zone; and any other document or information that the governing body of the municipality considers appropriate to be posted on the webpage.

The bill would prohibit a municipality from removing a document or item of information required to be posted under this subsection from the transparency web page until the 10th anniversary of the date the applicable reinvestment zone is terminated.

The requirements prescribed by this section are in addition to any other requirement prescribed by law.

The bill would apply amendments to Section 311.005(a), Tax Code, only to a reinvestment zone designated on or after the effective date of this bill. A reinvestment zone designated before the effective date of the bill would be governed by the law as it existed immediately before the effective date of the bill, and that law is continued in effect for that purpose.

The bill would not apply the changes to Sections 311.009 and 311.0091, Tax Code, to the eligibility of a person serving on a board of directors of a reinvestment zone immediately before

the effective date of the bill and allow the member to continue to serve on the board for the term to which the member was appointed.

The bill would take effect September 1, 2017.

Local Government Impact

Passage of the bill would amend Chapter 311, Tax Code, relating to tax increment reinvestment zone transparency and accountability. To understand the potential impact of the bill, the Comptroller's office contacted the City of Houston. The City of Houston stated the costs of the bill would be substantial, but it is not possible to calculate an estimate.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, SD, SJS