

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 2, 2019**

**TO:** Honorable Dustin Burrows, Chair, House Committee on Ways & Means

**FROM:** John McGeady, Assistant Director     Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB2111** by Pacheco (Relating to economic development, providing for an amendment to certain existing tax increment reinvestment zones to extend the duration of the zones.), **As Introduced**

**Passage of the bill would allow the deduction in the Property Value Study of certain tax increment zone captured appraised value that is not currently deducted and could create a cost to the state by reducing, in some school districts, the taxable value used in the state's school funding formulas.**

The bill would amend Section 403.302, Government Code, regarding determination of school district property values, by deleting certain language prohibiting the deduction in the Comptroller's school district Property Value Study (PVS) of any dollar amount exceeding the captured appraised value in a reinvestment zone created after January 1, 1999. The bill would also strike language limiting the number of years for which the total dollar amount may be deducted for any reinvestment zone to the duration of the zone as specified as required by law in the reinvestment zone financing plan approved before September 1, 1999.

The Comptroller's PVS determines the school district taxable values used in the state's school funding formulas. The bill's provisions allowing the deduction in the PVS of certain tax increment zone captured appraised value that is not currently deducted under the law could create a cost to the state by reducing, in some school districts, the taxable value used in the state's school funding formulas. A reduced school district taxable value results in increased state aid or reduced recapture.

Approximately \$237 million was deducted in the 2018 PVS in 28 school districts reporting a loss from their participation in tax increment financing zones. This loss could be reduced in future years as existing tax increment reinvestment zones reach the end of their duration as specified in their financing plans approved before September 1, 1999. Under the bill's proposal, the PVS deduction could be extended if the duration of the reinvestment zone is extended as permitted by law.

The number of school districts that would participate in a tax increment reinvestment zone with an extended duration and thereby receive an extended PVS deduction under the bill's proposal is unknown. The captured appraised value that could be deducted in the PVS in these school districts is also unknown. Consequently, the state cost cannot be estimated.

The bill would take effect immediately upon enactment, assuming it received the requisite two-

thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2019.

### **Local Government Impact**

Passage of the bill would allow the deduction in the Property Value Study of certain tax increment zone captured appraised value that is not currently deducted and could create a cost to the state by reducing, in some school districts, the taxable value used in the state's school funding formulas. A reduced school district taxable value results in increased state aid or reduced recapture.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** WP, KK, SD, SJS