

- SUBJECT:** Allowing counties to participate in certain tax financing zones
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 9 ayes — Hilderbran, Otto, Christian, Gonzalez, Lyne, Martinez Fischer, Murphy, Ritter, Villarreal
- 0 nays
- 2 absent — Elkins, Woolley
- WITNESSES:** For — Brian Cassidy, Alamo RMA, Central Texas RMA, Camino Real RMA, Cameron County RMA, Grayson County RMA, North East Texas RMA, Pate Taraborelli Partners; Donald Lee, Texas Conference of Urban Counties (*Registered, but did not testify*: Victor Boyer, San Antonio Mobility Coalition, Inc.; Mark Mendez, Tarrant County Commissioners Court; Lawrence Olsen, Texas Good Roads Association; Shawna Russell, Fort Worth Transportation Authority; Chris Shields, Greater San Antonio Chamber of Commerce; Paul Sugg, Texas Association of Counties; Vic Suhm, Tarrant Regional Transportation Coalition)
- Against — (*Registered, but did not testify*: Jimmy Gaines, Texas Landowners Council)
- BACKGROUND:** Texas Constitution, Art. 8, sec. 1-g(b) allows the Legislature to authorize a city or town to issue bonds or notes to finance the development of an unproductive, underdeveloped, or blighted area within the city or town and to pledge for repayment of those bonds increases in property tax revenues imposed on property in the area.
- DIGEST:** HJR 63 would amend Texas Constitution, Art. 8, sec. 1-g(b) to add counties to the political entities authorized to pledge increased property taxes to bonds issued for redeveloping property in a particular area.
- The proposal would be presented to the voters at an election on Tuesday, November 8, 2011. The ballot proposal would read: “The constitutional amendment authorizing the legislature to permit a county to issue bonds or notes to finance the development or redevelopment of an unproductive, underdeveloped, or blighted area and to pledge for repayment of the bonds

or notes increases in ad valorem taxes imposed by the county on property in the area.”

**SUPPORTERS  
SAY:**

HJR 63 is necessary to resolve a constitutional issue highlighted by a bill the House recently approved, HB 563 by Pickett. That bill would enhance local governments’ ability to designate transportation reinvestment zones, providing an important financing tool to expand and improve transportation options for local communities. The amendment is necessary because of the omission of counties from the constitutional provision that enables cities and towns to participate in dedicated taxing zones. The attorney general has noted that the omission of counties from the Constitution renders these initiatives for counties subject to constitutional challenge.

To circumvent this problem, HB 563, as passed by the House this session, would allow counties to capture revenue from increased property values associated with the development of a transportation project by abating taxes within a zone and creating a corresponding road district to capture future additional revenue equal to the abated county tax. This is a circuitous and complicated solution to a problem that could be put to rest simply by amending the relevant constitutional provision to include counties. Allowing a county to designate a reinvestment zone for a wide variety of transportation projects would maximize tools available to local governments to reduce congestion, including roads, rail, mass transit, and pedestrian and bicycle mobility projects. Enabling counties to fully use all the resources at their command is necessary to confront the great transportation challenges that face Texas.

Expanding the use of reinvestment zones statewide would allow local governments to maximize available resources without tax increases. Despite some claims, HJR 63 would not authorize a tax increase directly or indirectly, through HB 563. Although property values in a zone may increase as a result of economic development stemming from a transportation project, no property would be taxed at a higher rate due to its inclusion in a reinvestment zone.

**OPPONENTS  
SAY:**

Increasing opportunities to establish transportation reinvestment zones would represent an expansion of the troubling practice of using property taxes to fund transportation projects. This is a questionable use of property taxes — which are problematic and antiquated in themselves — and could create an incentive to increase appraisals of property in the zone. Further,

the increment dedicated to paying the costs of transportation projects would be diverted from other pressing local needs.

NOTES:

HB 563 by Pickett, which would expand the use of transportation reinvestment zones in counties, passed the House by 138-5 on March 31 and currently is pending in the Senate Homeland Security and Transportation Committee following an April 20 public hearing.