

- SUBJECT:** Allowing local governments to jointly administer TRZs
- COMMITTEE:** Transportation — committee substitute recommended
- VOTE:** 10 ayes — Phillips, Martinez, Burkett, Y. Davis, Fletcher, Guerra, Harper-Brown, Lavender, Pickett, Riddle
- 0 nays
- 1 absent — McClendon
- WITNESSES:** For — Duane Gordy, Community Development Education Foundation; (*Registered, but did not testify:* C. Brian Cassidy, Alamo RMA, Cameron County RMA, Camino Real RMA, Central Texas RMA, Grayson County RMA, North East Texas RMA; Randy Erben, Port of Corpus Christi Authority; Jeff Heckler, Raba Kistner Infrastructure; Mike Heiligenstein, Central Texas Regional Mobility Authority; Mark Mendez, Tarrant County Commissioners Court; Rider Scott, Dallas Regional Mobility Coalition; Monty Wynn, Texas Municipal League)
- Against — None
- On — (*Registered, but did not testify:* James Bass, Texas Department of Transportation)
- BACKGROUND:** Current law allows municipalities and counties to establish transportation reinvestment zones (TRZs) in their boundaries to fund highway projects. Municipalities and counties may dedicate to a TRZ a *tax increment* from property taxes collected in the zone annually. For a municipality (Transportation Code, sec. 222.106) or county (Transportation Code, sec. 222.107) establishing a TRZ:
- the *tax increment base* of a local entity is the total appraised value of all real property located in a zone for the year in which the zone was designated;
 - the *captured appraised value* is the total appraised value of all real property in a zone for a subsequent year, minus the entity's *tax increment base*; and
 - a *tax increment* is the amount of property taxes assessed for one

year on the *captured appraised value* of real property in the zone.

DIGEST: CSHB 1290 would add Transportation Code, sec. 222.111, allowing two or more local governments jointly to administer TRZs that the entities designated.

A local government could designate a TRZ outside its boundaries upon finding that the project would serve a public purpose and would benefit property and residents in the zone. The zone would have to be designated for the same project by contiguous local governments and would have to be subject to an agreement for joint administration by participants.

An agreement for joint administration could provide for:

- creating a board of directors, comprising one person appointed by each party to the agreement and one person jointly selected by all members, to oversee the zones;
- establishing a joint tax increment account;
- maintaining separate accounts for funds from these zones;
- commitments from participating entities to transfer tax increments to a joint account; and
- pledging the tax increment to an entity developing a transportation project.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

CSHB 1290 would enhance the ability of counties and municipalities to use an existing tool, transportation reinvestment zones, to finance transportation projects in cooperation with other local governments. Under the bill, a local government that would benefit from a transportation project outside its jurisdiction could create a zone and pledge funds to assist in securing financing for the project.

Current law allows local governments to establish TRZs to finance transportation projects in their jurisdictions. By their very nature, however, transportation improvements span jurisdictions, and an efficient transportation network requires coordination among many different entities.

Current law has no provisions sanctioning local governments to enter into formal cooperative agreements. CSHB 1290 would provide the specific authorization needed to enable local governments who currently operate or are considering establishing TRZs to finance these projects collaboratively with neighboring government entities.

The bill would take a small but worthwhile step toward improving a transportation financing option available to local governments in an era of increasing congestion and limited resources. While there may be other approaches to securing additional funding for highways, fee and tax increases have proved a political impossibility in recent sessions. In a context of fixed state and federal funds for transportation projects, it is critical to maximize the options available for developing transportation projects. At present, five reinvestment zones have been designated throughout the state, and at least three local governments are planning zones.

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

OPPONENTS
SAY:

Increasing opportunities to establish TRZs represents 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 is diverted from other pressing local needs.

CSHB 1290 would continue the state's piecemeal approach to transportation finance without addressing the core funding issue facing the state. Reinvestment zones do not provide any additional state revenue to local entities and further a longstanding precedent of evading difficult decisions about transportation funding for the state.

NOTES:

CSHB 1290 added language to the filed bill that would allow a local government to designate a TRZ outside its boundaries upon finding that

the project would serve a public purpose and would benefit property and residents in the zone. The committee substitute also added a provision that would govern the composition of a board of directors for a jointly administered reinvestment zone and expanded the list of subjects an agreement could include.