

BILL ANALYSIS

Senate Research Center

S.B. 1557
By: Sibley
Economic Development
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As Filed

DIGEST

Currently, school districts are authorized to participate in tax abatement agreements and tax increment financing plans. Under current law, the comptroller includes the value of property subject to a tax abatement agreement executed after May 31, 1993, when calculating a school district's property wealth. As a result, the majority of school districts that have granted tax abatements since May 31, 1993, are financially penalized. The comptroller excludes the value of property subject to a tax increment financing plan when calculating a school district's property wealth. As a result, school districts that participate in tax increment financing plans are not financially penalized, but their participation in such plans imposes a state cost. This bill would prohibit school districts from entering into tax abatement agreements after September 1, 1997, and from increasing their level of financial participation in tax abatement agreements entered into before September 1, 1997. Additionally, this bill would prohibit school districts from participating in new tax increment financing projects and from increasing their financial participation in existing tax increment financing projects.

PURPOSE

As proposed, S.B. 1557 prohibits school districts from entering into tax abatement agreements after September 1, 1997, and from increasing their level of financial participation in tax abatement agreements entered into before September 1, 1997. Additionally, this bill prohibits school districts from participating in new tax increment financing projects and from increasing their financial participation in existing tax increment financing projects.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 311.002(4), Tax Code, to redefine "taxing unit."

SECTION 2. Amends Sections 311.003(e) and (f), Tax Code, to delete any reference to a school district. Makes conforming changes.

SECTION 3. Amends Section 311.006(c), Tax Code, to make a conforming change.

SECTION 4. Amends Section 311.009(b), Tax Code, to make conforming changes.

SECTION 5. Amends Section 311.011, Tax Code, by amending Subsection (c) and by adding Subsection (f), to require the reinvestment zone financing plan to include, among other items, a description of the methods of financing all estimated project costs and the expected sources of revenue to finance or pay project costs, including the percentage of tax increment to be derived from the property taxes of each taxing unit that levies taxes on real property in the zone, except that a project plan or reinvestment zone financing plan approved under this section on or after September 1, 1997, is prohibited from including a tax increment or any other funds derived from a school district as a source of revenue to finance or pay project costs. Prohibits a project plan or reinvestment zone financing plan approved before September 1, 1997, from being amended on or after September 1, 1997, to increase the percentage of a tax increment to be contributed by a school district to a tax increment fund; to increase the duration of time a school district is to contribute to a tax increment

fund; to allow a school district that was not included in the originally approved project plan or reinvestment zone financing plan to contribute a tax increment or any other funds to a tax increment fund; or to allow a school district to pay into a tax increment fund any additional tax increment or funds derived from property added to the reinvestment zone under this section or Section 311.007, Tax Code, or after September 1, 1997. Makes a conforming change.

SECTION 6. Amends Section 311.013(g), Tax Code, to prohibit a school district from entering into an agreement under this subsection on or after September 1, 1997. Prohibits an agreement entered into by a school district under this subsection before September 1, 1997, from being amended on or after September 1, 1997, to include any of the conditions prohibited by Section 311.011(f).

SECTION 7. Amends Section 312.002, Tax Code, by adding Subsections (e) and (f), to define "taxing unit," and to prohibit, on or after September 1, 1997, a school district from entering into a tax abatement agreement under this chapter.

SECTION 8. Amends Section 312.208, Tax Code, by adding Subsection (c), to prohibit a tax abatement agreement entered into by a school district before September 1, 1997, from being modified on or after September 1, 1997, to add property to be exempt from taxation by a school district under the agreement; to increase the portion of the value of the property exempt from taxation by a school district under the agreement; or to increase the duration of the participation by a school district under the agreement.

SECTION 9. Effective date: September 1, 1997.
Makes application of this Act prospective.

SECTION 10. Emergency clause.