

BILL ANALYSIS

Senate Research Center
81R4439 JD-D

S.B. 505
By: Ogden
Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 505 is the enabling legislation for S.J.R. 18 and is the same as S.B. 2051 that passed out of the senate in the 80th Legislature.

As proposed, S.B. 505 authorizes the Texas Transportation Commission (TTC) to create transportation finance zones within two miles on either side of the center line of a state highway. State sales and use tax collected within the boundaries of the transportation finance zone are required to be deposited into a separate account for the sole purpose of paying the principal of and interest on obligations issued in connection with the state highway project within the boundaries of the transportation finance zone. Before any transportation finance zone becomes effective, the legislature is required to review and approve the designation and boundaries. A transportation finance zone ends either on a date specified by TTC or when the principal and interest of the obligation are paid, whichever is earlier. The bill:

- Ensures that the funds dedicated under Section 49-k(e-1), Article III, Texas Constitution, are included in the coverage certification so that TTC is able to issue the additional debt;
- Provides flexibility in the two-mile boundary to prevent the splitting of a place of business;
- Excludes motor oil taxes deposited to the state highway fund, and sporting good taxes, which are deposited 94 percent to the Texas Parks and Wildlife Department and six percent to the Texas Historical Commission;
- Established a \$250 million annual cap on the deposit to the transportation finance zone fund; and
- Clarifies that general revenue is available to pay the obligations if the dedicated revenue results in a temporary shortfall. This language is similar to existing obligations payable from revenue to the Texas Mobility Fund.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Transportation Commission and the comptroller of public accounts in SECTION 2 (Section 201.9435, Transportation Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 201.943(e) and (f), Transportation Code, as follows:

(e) Prohibits long-term obligations in the amount proposed to be issued by the Texas Transportation Commission (TTC) from being issued unless the comptroller of public accounts (comptroller) projects in a comptroller's certification that the amount of money dedicated to the Texas Mobility Fund (fund) pursuant to Sections 49-k(e) (regarding dedication of revenue) and (e-1), Article III, Texas Constitution, rather than pursuant to Section 49-k(e), and required to be on deposit in the fund pursuant to Sections 49-k(e-1) and (f) (regarding appropriation of dedicated revenue), Article III, Texas Constitution, rather than pursuant to Section 49-k(f), and the investment earnings on that money meet certain conditions.

(f) Makes conforming changes.

SECTION 2. Amends Subchapter M, Chapter 201, Transportation Code, by adding Section 201.9435, as follows:

Sec. 201.9435. TRANSPORTATION FINANCE ZONES. (a) Provides that this section applies only to a state highway project in connection with which TTC has issued or proposes to issue obligations under Section 201.943 (Authority to Issue Obligations; Purposes; Limitations).

(b) Authorizes TTC by order or resolution to designate as a transportation finance zone (zone) an area that is adjacent to the right-of-way of an existing or proposed state highway project and within two miles on either side of the center line of the state highway. Authorizes the area designated as a zone to extend more than two miles on either side of the center line of a state highway if necessary to avoid the splitting of a location in which the sale, storage, use, or other consumption of a taxable item would be consummated.

(c) Provides that the designation of a zone is not effective until the legislature has reviewed and approved the designation and boundaries of the zone.

(d) Requires that, notwithstanding Section 151.801(a) (regarding disposition of proceeds), Tax Code, proceeds from the collection of the taxes imposed by that chapter in connection with a sale, storage, use, or other consumption that is consummated in a zone be deposited to the credit of a separate account in the fund.

(e) Authorizes that the proceeds from the collection of taxes deposited to the credit of the fund under Subsection (d) be used only for the purpose of paying the principal of and interest on obligations issued in connection with the state highway project located in the zone in which the taxes were collected or a related credit agreement.

(f) Prohibits the comptroller, in any state fiscal year, from depositing more than \$250 million to the credit of the fund under Subsection (d).

(g) Provides that a zone terminates on the earlier of the termination date, if any, specified in the order or resolution designating the zone or the date on which the principal of and interest on the applicable obligations or related credit agreement are paid.

(h) Requires TTC and the comptroller to adopt rules to implement and administer this section.

SECTION 3. Amends Section 201.944(a), Transportation Code, to make conforming changes.

SECTION 4. Effective date: January 1, 2010, contingent upon approval by the voters of the constitutional amendment authorizing the legislature to permit the Texas Transportation Commission, subject to legislative review and approval, to designate the area adjacent to a state highway project as a transportation finance zone and dedicating the proceeds of the state sales and use tax imposed in a transportation finance zone to the Texas Mobility Fund for certain purposes. Provides that if that amendment is not approved by the voters, this Act has no effect.