

## **BILL ANALYSIS**

Senate Research Center  
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S.B. 1611  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 1611 makes several amendments to Chapter 173 (Intermunicipal Commuter Rail Districts), Transportation Code, originally codified as Article 6550c-1 of the Civil Statutes, which provides for the creation of an intermunicipal commuter rail district. Chapter 173 puts in place the framework necessary to create, finance, and operate passenger rail service between two or more municipalities. Chapter 173 was the result of a recodification of Article 6550c-1 in 2009.

The original legislation permitting local governments to organize commuter rail districts was passed in 1997, and since then, several districts have been organized by local governments, including the Lone Star Rail District located in the Austin-San Antonio Corridor.

S.B. 1611 amends current law to add a definition, provide additional criteria for establishing transportation infrastructure zones, allow uses of funds from transportation infrastructure zones, and provide for a tax increment fund for the zones and the issuance of bonds or notes based upon tax increments from these zones. The bill also provides for the payment of economic development costs associated with district projects.

As proposed, S.B. 1611 amends current law relating to the funding of projects in the boundaries of an intermunicipal commuter rail district.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 173.002, Transportation Code, as effective April 1, 2011, by adding Subdivision (2-a), to define "commuter rail service."

SECTION 2. Amends Sections 173.256(b), (d), and (e), Transportation Code, as effective April 1, 2011, as follows:

(b) Authorizes an intermunicipal commuter rail district (district) to enter into an interlocal contract with one or more local government members, rather than with a local government member, for the financing of transportation infrastructure that is constructed or that is to be constructed in the territory of the local governments, rather than the local government, by the district.

(d) Authorizes the agreement to establish one or more transportation infrastructure zones, which may consist of a contiguous or noncontiguous geographic area in the territory of one or more local governments. Authorizes the district and the local government to agree that, at one or more specified times, the local government will pay to the district an amount that is calculated on the basis of increased ad valorem tax collections in a zone that are attributable to increased values of property located in the zone resulting from an infrastructure project. Prohibits the amount from equaling or exceeding an amount that is equal to the increase in ad valorem tax collections in the zone for the specified period, rather than prohibiting the amount from exceeding an

amount that is equal to 30 percent of the increase in ad valorem tax collections for the specified period.

(e) Authorizes money received by the district under this section to be used for certain purposes, including to acquire property rights for underdeveloped lands in the transportation infrastructure zone to be preserved for the benefit of the public.

SECTION 3. Amends Subchapter G, Chapter 173, Transportation Code, as effective April 1, 2011, by adding Sections 173.305 and 173.306, as follows:

Sec. 173.305. TAX INCREMENT FUND FOR TRANSPORTATION INFRASTRUCTURE ZONE. Requires the district to establish a tax increment fund. Requires all revenue from the sale of tax increment bonds or notes under Section 173.306, revenue from the sale of any property acquired as part of a plan adopted to use tax increment financing, and other revenue to be used in implementing the plan, in addition to the amount of tax increment deposited to the tax increment fund, to be deposited in the tax increment fund for the zone.

Sec. 173.306. TAX INCREMENT BONDS AND NOTES ISSUED BY LOCAL GOVERNMENT MEMBER. (a) Authorizes a local government member of a district creating a transportation infrastructure zone to issue tax increment bonds or notes, including refunding bonds, secured by revenue in the local government's tax increment fund. Authorizes proceeds of bonds issued under this section to be used to:

(1) pay project costs for the zone on behalf of which the bonds or notes were issued; or

(2) satisfy claims of holders of the bonds or notes.

(b) Provides that tax increment bonds and notes are payable, as to both principal and interest, solely from the tax increment fund established for the transportation infrastructure zone. Authorizes the local government to pledge irrevocably all or part of the fund for payment of tax increment bonds or notes. Authorizes the part of the fund pledged in payment to be used only for the payment of the bonds or notes or interest on the bonds or notes until the bonds or notes have been fully paid. Provides that a holder of the bonds or notes or of coupons issued on the bonds has a lien against the fund for payment of the bonds or notes and interest on the bonds or notes and may protect or enforce the lien at law or in equity.

(c) Provides that a tax increment bond or note is not a general obligation of the local government issuing the bond or note. Provides that a tax increment bond or note does not give rise to a charge against the general credit or taxing powers of the local government and is not payable except as provided by this section.

(d) Provides that a local government's obligation to deposit sales and use taxes into the tax increment fund is not a general obligation of the local government. Provides that an obligation to make payments from sales and use taxes does not give rise to a charge against the general credit or taxing powers of the local government and is not payable except as provided by this section. Requires a tax increment bond or note issued under this section that pledges payments to state the restrictions of this section on its face.

(e) Prohibits a tax increment bond or note from being included in any computation of the debt of the issuing local government.

SECTION 4. Effective date: September 1, 2011.