

## **BILL ANALYSIS**

Senate Research Center  
85R7707 SMH-D

S.B. 650  
By: Bettencourt  
Natural Resources & Economic Development  
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As Filed

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

Under current law, one of the avenues for property to be placed into a reinvestment zone is via a petition put forward by at least fifty percent of the appraised property owners in the proposed zone. However, there is little guidance for those petitioning to help understand what type of land would qualify. S.B. 650 adds the requirement that the land to be included via land owner petition must be unproductive, underdeveloped, or blighted. Additionally, it directs the Texas attorney general to develop definitions for these terms. Furthermore, S.B. 650 requires the use of dedicated revenue to be used on land located inside of the zone.

S.B. 650 also adds a notice requirement prior to the issuance of tax increment bonds or notes. It provides that notice must be given to property owners in the municipality in which the district is located, members of the commissioners court, and each state senator and representative whose district includes territory in the county in which the zone is located. Additionally, it must provide notice to the commissioners court and members of the legislature in which the zone is located when the municipality submits their request for approval to the Texas attorney general.

Finally, S.B. 650 gives direction to the attorney general to follow when they are asked to determine legal sufficiency when a municipality asks for permission to issue the initial tax increment bonds for the zone.

As proposed, S.B. 650 amends current law relating to tax increment financing.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Texas attorney general in SECTION 1 (Section 311.005, Tax Code) and SECTION 5 (Section 311.0155, Tax Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 311.005, Tax Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Includes the requirements that to be designated a reinvestment zone, an area must be an area that is described in a petition requesting that the area be designated as a reinvestment zone, if the petition is submitted to the governing body of the municipality or county by the owners of property constituting at least 50 percent of the appraised value of the property in the area according to the most recent certified appraisal roll for the county in which the area is located, and unproductive, underdeveloped, or blighted.

(c) Requires the Texas attorney general (attorney general) to determine, by application of accepted legal principles, the meaning of "unproductive," "underdeveloped," and "blighted" for purposes of Subsection (a)(4) and by rule define those terms.

SECTION 2. Amends Section 311.0085(c), Tax Code, as follows:

(c) Authorizes a municipality, in addition to exercising the powers described by Section 311.008, to enter into a new agreement, or amend an existing agreement, with a school district that is located in whole or in part in a reinvestment zone created by the

municipality to dedicate revenue from the tax increment fund to the school district for acquiring, constructing, or reconstructing an educational facility located in the zone, rather than located in or outside of the zone.

SECTION 3. Amends Section 311.010(b), Tax Code, by changing references to in or out of the zone to in the zone.

SECTION 4. Amends Section 311.015, Tax Code, by adding Subsection (m) and (n), as follows:

(m) Requires the municipality, not later than the seventh day before the date of the meeting at which the governing body of the municipality will vote on an ordinance to issue tax increment bonds or notes, to provide notice of the date, time, and place of the meeting by delivering the notice by mail to certain stakeholders.

(n) Requires the municipality, at the time a municipality submits tax increment bonds and the record of proceedings relating to the authorization of the bonds to the attorney general under Section 1202.003 (Review and Approval of Public Securities), Government Code, to deliver notice of the submission by mail to the commissioners court of each county in which a portion of the reinvestment zone is located and each state senator and representative whose district includes territory in a county in which a portion of the reinvestment zone is located.

SECTION 5. Amends Chapter 311, Tax Code, by adding Section 311.0155, as follows:

Sec. 311.0155. ATTORNEY GENERAL DETERMINATION REGARDING REINVESTMENT ZONE. (a) Prohibits a municipality designating a reinvestment zone from undertaking the initial issuance of tax increment bonds for the zone unless the municipality provides evidence to the attorney general demonstrating that the zone meets certain requirements and the attorney general determines that the evidence is legally sufficient.

(b) Requires the attorney general to provide a legal sufficiency determination not later than the 60th business day after the date the evidence required by Subsection (a) is received. Requires the attorney general, if the attorney general cannot provide a legal sufficiency determination within the 60-business-day period, to notify the municipality in writing of the reason for the delay and authorizes the attorney general to extend the review period for not more than 30 business days.

(c) Authorizes the municipality, after the attorney general issues a legal sufficiency determination, to supplement the evidence submitted or amend the ordinance designating the reinvestment zone to facilitate a redetermination by the attorney general of the prior legal sufficiency determination issued under this section.

(d) Authorizes the attorney general to adopt rules as necessary to implement this section.

SECTION 6. Repealer: Section 311.01005 (Costs Associated With Transportation or Transit Projects), Tax Code.

Repealer: Section 311.014(f) (relating to the transfer of money from the tax increment fund for a reinvestment zone to an adjacent zone), Tax Code.

SECTION 7. Requires the attorney general to adopt rules under Section 311.005(c), Tax Code, as added by this Act, not later than January 1, 2018.

SECTION 8. Makes application of Section 311.005(a), Tax Code, as amended by this Act, prospective.

SECTION 9. Makes application of Sections 311.0085(c) and 311.010(b), Tax Code, as amended by this Act, prospective.

SECTION 10. Provides that the repeal of Section 311.01005, Tax Code, by this Act does not affect an agreement described by former Section 311.01005(c), Tax Code, that is entered into before the effective date of this Act. Provides that an agreement described by former Section 311.01005(c), Tax Code, that is entered into before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 11. Provides that the repeal of Section 311.014(f), Tax Code, by this Act does not affect a transfer of money described by that subsection that occurs before the effective date of this Act. Provides that a transfer of money described by former Section 311.014(f), Tax Code, that occurs before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 12. Makes application of Section 311.015(m), Tax Code, as added by this Act, prospective.

SECTION 13. Makes application of Section 311.015(n), Tax Code, as added by this Act, prospective.

SECTION 14. Makes application of Section 311.0155, Tax Code, as added by this Act, prospective.

SECTION 15. Effective date: September 1, 2017.