

BILL ANALYSIS

Senate Research Center
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S.B. 84
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

- Texas spends more than \$8 billion annually building streets and highways. However, Texas roadway spending has significantly trailed population growth, vehicle miles growth, and the growth in licensed drivers.
- Texas has become the nation's second most populated state and added nearly as many new residents over the past decade as California, which is much larger. Traffic has grown substantially due to this increase.
- The Texas Department of Transportation (TxDOT) estimates that present resources are able to finance barely 30 percent of optimal future needs.
- Spending per capita in Texas has fallen 34 percent since 1980, and now trails the national average by 12 percent.
- Projections indicate that Texas will continue to grow at rates well above the national average. By 2025, Texas is likely to add another 55 percent to its population to reach more than 32 million.

The Texas highway system requires improvements to keep pace with such significant state population growth. To address the current shortfall of financial resources for the transportation needs of Texas and to satisfy Texas' surface transportation requirements, they advocate testing a new financing mechanism incremental increases of state sales tax.

This practice of establishing "tax increment zones" is not a new concept. Many municipalities across the state have established such zones specifically targeting economic development. S.B. 84 would allow a pilot project test of such tax increment reinvestment zones specifically targeting TxDOT highway projects. The benefit to this type of financing is that the primary beneficiaries of the project, geographically speaking, would also be the primary ones shouldering the cost.

The tax increment zones created by S.B. 84 would extend one mile on either side of the centerline of a new highway project under a design-build contract. The Office of the Comptroller of Public Accounts would estimate the projected annual increase in state sales tax revenue during the calendar year over the amount of sales tax in the zone during the year in which the zone was established. S.B. 84 requires the comptroller's office to transfer one-twelfth of this amount into a separate account each month, to be kept for the purpose of financing the pilot project.

Municipalities in which the project is located would be required to assume responsibility for project costs for rights-of-way and utility relocation.

As proposed, S.B. 84 amends current law relating to a pilot project for financing certain Texas Department of Transportation projects.

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 Subchapter F, Chapter 223, Transportation Code, by adding Section 223.251, as follows:

Sec. 223.251. DEPARTMENT PILOT FINANCING PROJECT USING ECONOMIC IMPACT ZONE. (a) Authorizes the Texas Department of Transportation (TxDOT) to select one nontolled highway project under a design-build contract to be financed, including through the issuance of bonds, wholly or partly using revenue from transportation reinvestment zones under Subchapter E (Toll Facilities), Chapter 222 (Funding and Federal Aid), and an economic impact zone under Subsection (b).

(b) Authorizes TxDOT to establish an economic impact zone for an area that extends not more than one mile on either side of the centerline of the project. Provides that, if a zone is created:

(1) TxDOT is required to notify the Texas comptroller of public accounts (comptroller) of the establishment of the zone not later than the 30th day after the date of its establishment; and

(2) the comptroller is required to estimate the projected annual increase in state sales tax revenue in the zone during the calendar year over the amount of state sales tax revenue in the zone during the year in which it was established. Requires the comptroller to deposit monthly one-twelfth of the projected annual increase into a separate account outside the treasury, and transfer, at the end of each calendar year, from the account to TxDOT an amount necessary to pay the costs of the project, not to exceed a certain increase in sales tax revenue, and transfer any remaining amount in the account to the general revenue fund.

(c) Authorizes TxDOT to require that the municipalities in which the project is located assume responsibility for project costs for rights-of-way and utility relocation.

(d) Provides that revenue described by Subsection (b) may be used only for development and construction of the project, payment of debt incurred for the project, and maintenance of the project.

(e) Requires that financing agreements for a project financed under this section contain provisions to allow the early retirement of debt using money from an economic impact zone or money appropriated by the legislature.

(f) Prohibits the maturity date of any bonds issued for the project from being extended after the bonds are issued, including through the use of refunding bonds or other refinancing agreements, unless the extension of the maturity date will decrease the total amount of interest to be paid until maturity.

SECTION 2. Effective date: August 31, 2017.