

SUBJECT: Amending statutes governing tax increment financing zones

COMMITTEE: Local Government Ways and Means — favorable, without amendment

VOTE: 7 ayes — Hill, Hamilton, Elkins, Laubenberg, Puente, Quintanilla, Uresti
0 nays

WITNESSES: For — Brandon Aghamalian and Peter Vaky, City of Fort Worth; Don Scott, Fort Worth Southside Development District, Inc.

Against — None

BACKGROUND: Tax Code, ch. 311, the Tax Increment Financing Act, authorizes cities to use tax increment financing to develop certain areas. Assessed on all of the taxable property in the zone, the proceeds of the tax increment financing are deposited in a tax increment fund. The fund's board of directors creates a project plan, including projected costs, and a reinvestment zone financing plan. The tax increment fund is used to finance improvements within the zone consistent with the plans.

In February 2005, the attorney general issued an opinion (GA-0305) about whether or not a tax increment fund board could authorize expenditures if it had not employed competitive bidding. The opinion determined that a fund board is not explicitly a separate entity from the municipality and that competitive bidding requirements apply.

DIGEST: HB 3202 explicitly would exempt tax increment fund boards from competitive bidding requirements and explicitly would exempt municipalities from being required to pay tax increment on their property. It also would amend the provision by which certain property could be exempted from the tax increment to include approval by the board and any other taxing unit in the reinvestment zone.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.