

- SUBJECT:** Establishing rules to fund intermunicipal commuter rail district
- COMMITTEE:** Transportation — committee substitute recommended
- VOTE:** 9 ayes — Phillips, Darby, Y. Davis, Fletcher, Harper-Brown, Lavender, Martinez, McClendon, Pickett
- 0 nays
- 2 absent — Bonnen, Rodriguez
- WITNESSES:** For — Ross Milloy, Lone Star Rail District; (*Registered, but did not testify*: William Bingham, Lone Star Rail District; Victor Boyer, San Antonio Mobility Coalition, Inc.; Thomas Guevara, Bexar County Commissioners Court; Joe Morris, Rail Relocation and Improvement Association; Richard Perez, The Greater San Antonio Chamber of Commerce; Jim Reed, San Antonio Medical Foundation; Monty Wynn, Texas Municipal League)
- Against — (*Registered, but did not testify*: Celeste Morris)
- DIGEST:** CSHB 3030 would change the Transportation Code to permit an intermunicipal commuter rail district to contract with one or more local governments to create an agreement to finance a rail project. An agreement could establish one or more transportation zones that could consist of a contiguous or noncontiguous geographic area within the territory of one or more local governments. A district could acquire property rights for underdeveloped land for the purpose of the rail project.
- The bill would authorize an intermunicipal commuter rail district to establish a tax increment fund, which would include:
- revenue from the sale of tax increment bonds or notes issued for the purpose of a commuter rail;
  - revenue from the sale of any property acquired under the commuter rail plan; and
  - other revenue used to implement the plan.

A local government included in the commuter rail agreement could issue tax increment bonds or notes, including refunding bonds, secured by revenue in the local government's tax increment fund. The bond proceeds could be used to pay project costs for the zone or satisfy claims of bond or note holders.

Under the bill, tax increment bonds and notes would be payable, both principal and interest, solely from the tax increment fund. The local government could pledge all or part of the fund to pay the tax increment bonds or notes. Any part of the fund pledged for payment could be used only to pay the bonds, notes, or interest until the bonds or notes had been fully paid. Bond holders would have a lien against the fund for payment of the bonds or notes and interest and could protect or enforce the lien at law or in equity.

A tax increment bond or local taxes identified for the purpose of commuter rail would not be classified as a general obligation of the local government and would not give rise to a charge against the general credit or taxing powers of the local government. A tax increment bond or note that pledged payments would have to state the restrictions of its use. The debt from a tax increment bond could not be included in the local government's balance.

The bill would take effect September 1, 2011.

**SUPPORTERS  
SAY:**

CSHB 3030 would permit local governments to develop agreements for major transportation projects. The bill would allow municipalities to establish a tax increment financing district, which would allow the participating local governments to decide how best to finance commuter rail.

The tax increment fund would be used to secure revenue bonds to pay for a commuter rail project. The bill would provide the bond holder and other investors with assurances that all funds could only be used for a rail project. The bill would also provide protections for local communities by separating the rail project debt from the local governments' balance sheets and prohibiting a bond holder from seeking repayment from a local government's general revenue.

Texas has experienced a dramatic growth in population, and the congestion on the state's major highways requires development of

transportation alternatives. CSHB 3030 would empower local communities to generate local solutions on their terms to help alleviate major transportation problems within the state.

**OPPONENTS  
SAY:**

CSHB 3030 would permit an intermunicipal commuter rail district to establish tax increment funds. This would represent an expansion of the troubling practice of using property taxes to fund transportation projects, which would only be used by some residents. This is a questionable use of property taxes and could create an incentive to increase property appraisals in the district. Further, the increment dedicated to paying the costs of transportation projects could be diverted from other pressing local needs.

**NOTES:**

The companion bill, SB 1611 by Wentworth, was reported favorably as substituted by the Senate Transportation and Homeland Security Committee on May 9.