

TAX INCREMENT FINANCING

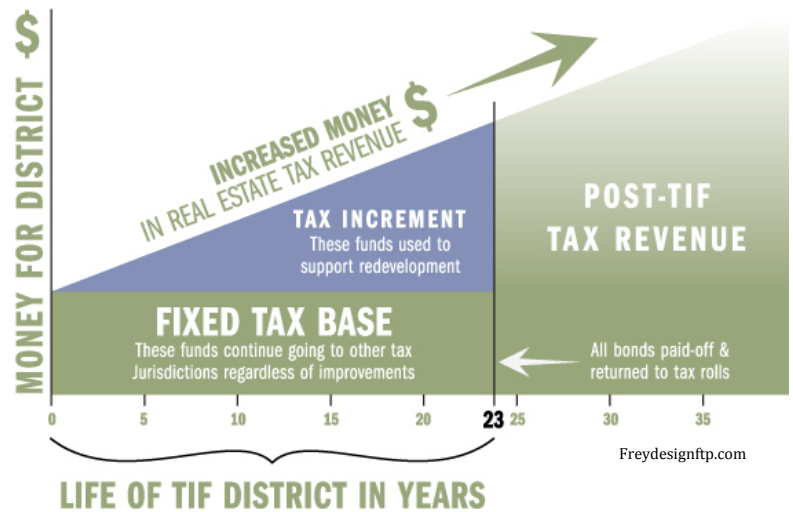
Description

Tax increment financing designates a special district or region associated with a roadway project. Property tax revenues in this designated area increase due to the roadway project's positive effect on property values. The additional revenue generated by the higher property tax revenues is used to service bonds that are issued to finance the roadway project.

A Transportation Reinvestment Zone (TRZ) is an example of tax increment financing.

Currently, TRZ revenue use is limited to planned or implemented pass-through toll agreements with TxDOT on the state highway system. To create a TRZ:

- Establish the boundaries of the zone and the property within it.
- Determine the "base" value of the property and the taxes levied and collected on the property within the zone.
- Establish a base year for the property taxes levied and collected on the property within the zone.
- Determine the increased property value that will result.
- Subtract the base from the newly determined appraised value of all property within the zone.



How Will This Help?

Provide additional funds for transportation – Creating tax increment financing plans would provide funds to reduce traffic congestion and help maintain the safety and quality of Texas roads and bridges.

Help funds keep pace with rising highway construction costs – Since 1991, roadway construction costs have almost doubled. Engaging in a tax increment financing plan would help transportation revenues keep pace with rising construction costs.

Fuel tax revenues are eroded by increased fuel efficiency – Fuel tax revenues will likely decrease over time. The expected growth in future population means more people traveling on the roadways and consuming more fuel. However, today's more fuel efficient cars and trucks pay lower fuel tax per mile than when the tax rates were last set twenty years ago. As vehicles become more fuel efficient and alternative fuel vehicles become more common, the number of gallons needed to go the same distance will decrease. While benefits such as a smaller carbon footprint and the ability to travel further per gallon are gained, the resulting decrease in fuel consumption means less gas and diesel tax revenue raised to tackle the rising transportation needs. Utilizing creative financing strategies will help slow the effects of decreasing fuel tax revenues.

Who: Local

Cost to Collect: Low

Sustainability: ●●●○○

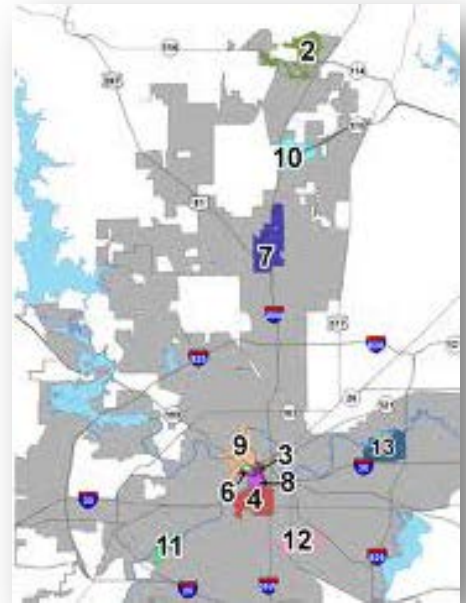
Reliability: ●●○○○

Implementation: Easy

Reduce need for borrowing – Texas has increasingly turned to debt mechanisms such as bonds as a way to finance transportation improvements. Texas could help slow a growing trend of using the “credit card” to pay for roadway projects by allowing for the use of tax increment financing.

What’s the Down-Side?

- **General opposition to fee increases** – The public has recently been opposed to tax or fee increases.
- **Non-user tax** – A localized increase in property taxes resulting from higher property values would not be limited to roadway users but would affect every property owner in the designated area.
- **Revenues are affected by the economy** – Unanticipated economic decline can reduce the revenue available to service the bonds. General Revenue funds will be used to cover any loss.



City of Fort Worth

Implementation Issues

- Low cost to implement.
- Legislative action is required to implement this funding change.
- Voters/users would need to be educated regarding the costs and benefits.

Around the State

City of El Paso: Collections for a 115,000 acre TRZ began in 2010 and will expire when revenues reach \$70 million or on December 31, 2025 (whichever comes first). The city’s 2008 tax base was used as the baseline, and any tax revenue increments over this baseline value will be deposited into a separate transportation fund.

City of Forney: Collections for a 3,810 acre TRZ began in 2009. There is no set expiration date but the TRZ can be terminated by local option. The city’s 2008 tax base was used as the baseline and 20 percent of the city tax revenue increments over this baseline value will be deposited into a separate transportation fund.

Hidalgo County: Collections for a 175,000 acre TRZ began in 2010. There is no set expiration date but the TRZ can be terminated by local option. The county’s 2008 tax base was used as the baseline value.