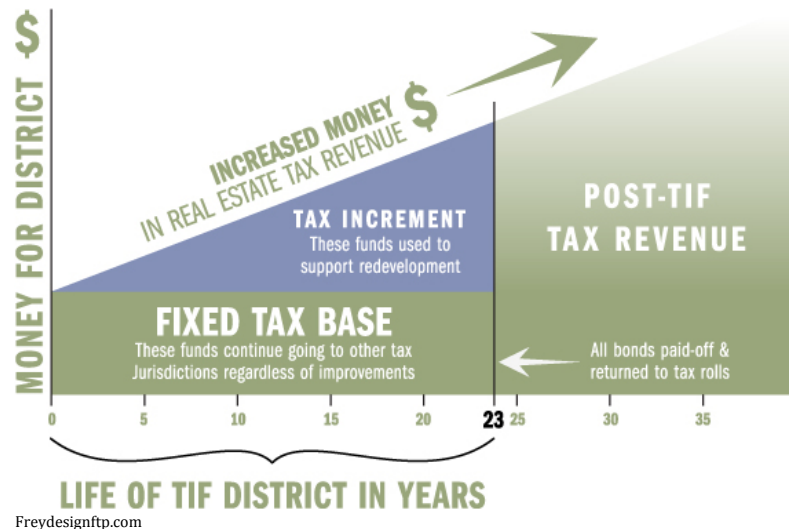


# TAX INCREMENT FINANCING

## 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.



## 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.
- **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.

### It's a Fact...

One tax increment financing method in Texas is a Transportation Reinvestment Zone (TRZ). TRZs encourage inter-agency coordination of investment strategies with the objective of stimulating private investment.

## 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.