HOUSE RESEARCH ORGANIZATION bill analysis — 5/2/2003

HB 3075
West
(CSHB 3075 by Hegar)

SUBJECT: Tax revenues from certain regional economic development projects

COMMITTEE: Local Government Ways and Means — committee substitute recommended

VOTE: 7 ayes — Hill, Hegar, Laubenberg, McReynolds, Mowery, Puente, Quintanilla

0 nays

WITNESSES: For — Keith Stretcher, City of Midland; *(On original version:)* Wesley Burnett, Odessa Chamber of Commerce

Against — None

BACKGROUND: V.T.C.A. Civil Statutes art. 5190.6 contains the Development Corporation Act of 1979. Section 4A of that act pertains to the establishment of industrial development corporations in cities located in counties with populations of 500,000 or fewer (or a city with a population of fewer than 50,000 located in two counties, one of which has a population of 500,000 or greater). Industrial development corporations, commonly referred to as 4A corporations, were created in statute to develop and expand manufacturing and industrial facilities, transportation facilities — including airports, ports, mass commuting facilities, and parking facilities — sewage or solid waste disposal facilities, air or water pollution control facilities, facilities for furnishing water, and distribution centers.

DIGEST: CSHB 3075 would amend the V.T.C.A. Civil Statutes art. 5190.6, sec. 4A by adding subsection (u) to allow certain development corporations and taxing units to invest in and receive tax revenues from certain regional economic development projects.

The bill would state that before entering into an agreement, a 4A corporation undertaking a project would have to designate a defined area that included the territory where the project was to be located. A taxing unit (county, city, district, or other entity authorized to tax property) could enter into an agreement with a corporation to invest in a project that was not located in the territory of the taxing unit. A corporation could enter into an agreement with more than one taxing unit.

An agreement would state the base taxable value of the property in the defined area of a project. The agreement could provide that the taxing unit was entitled to receive from the corporation, in exchange for an investment, an amount equal to a specified percentage of the revenue from taxes, imposed by the taxing unit in which the property was located, that exceeded the base taxable value, for so long as the corresponding taxing unit imposed taxes on that property. In this case, the corporation also would enter into an agreement with the taxing unit that taxed the property to recover the amount paid by the corporation to the original taxing unit that had made the investment.

The legislation would not affect a taxing unit's authority to grant a tax abatement. Also, it would not affect a corporation's authority to invest in a project or recover its total investment by contract.

The bill also would amend sec. 23(a) of the Development Corporation Act to state that the recovery of costs of an investment from a city, county, or district or another industrial development corporation under a contract could have unlimited duration.

This 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, 2003.

SUPPORTERS SAY:

CSHB 3075 would allow 4A corporations and taxing units, such as cities, counties, and water districts, to invest and receive tax revenues from regional economic development projects. Often, sister cities or counties can benefit from projects of development corporations in a nearby city, county, or district, but they would have to answer to their taxpayers for placing monies outside their immediate jurisdiction. This bill would permit a city, county, or district to enter into an agreement with a 4A corporation to invest in a project located within another taxing unit and to receive, in exchange for its investment, an amount equal to a specified percentage of the tax revenue from taxes imposed by a corresponding tax revenue where the project was located.

This legislation could confer great benefits to the cities involved. For example, a sister city could invest in a 4A corporation of a nearby county to develop an airport. This bill would offer a creative way for neighboring governments to assist each other, receive local benefits, and still get back the original investment. Currently, Texas has approximately 124 cities that have adopted 4A corporations. By encouraging development corporation projects, this bill could have a wide-reaching affect in stimulating regional economic development and creating new jobs.

OPPONENTS SAY: No apparent opposition.

NOTES: The committee substitute differs from the bill as introduced by allowing a school district to invest in a project as a taxing unit and added clarifying language that stated the bill would not affect a taxing unit's authority to grant a tax abatement or a corporation's right to recover its full investment by contract. The original bill also would have allowed corporations to enter into agreements with other corporations similar to the agreements the committee substitute would allow corporations and taxing units to reach. The committee substitute would add conforming language to art. 5190.6, sec. 23(a).