

BILL ANALYSIS

C.S.H.B. 3323
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Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In *Texas Our Texas: An Assessment of Economic Development Programs and Prospects in the Lone Star State* by Dr. Ray Perryman, he states that the designation of a discretionary pool of money to secure key incentives on an expedited basis for major projects represents one of the most significant opportunities currently facing Texas. The report continues by stating that “providing the Governor (possibly with input from a few others) the ability to deploy such revenues as part of an overall state and local government inducement strategy can be (and often is) the difference between success and failure. The Governor, as the primary spokesperson for the State, is a vital part of modern economic development and needs to have flexibility to make this happen.” CSHB 3323 creates this type of fund as the Texas Enterprise Fund, an account in the general revenue fund.

RULEMAKING AUTHORITY

It is the committee’s opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

CSHB 3323 amends the Government Code to add Section 481.078 creating the Texas Enterprise Fund as an account in the general revenue fund.

CSHB 3323 provides that the fund shall be composed of any amount appropriated by the legislature and gifts, grants, and other donations received for the fund.

CSHB 3323 provides that the fund may be used for economic development, infrastructure development, community development, job training programs, and business incentives.

CSHB 3323 requires that interest earned from the fund account shall be deposited back into the economic stabilization fund.

CSHB 3323 allows that the enterprise fund account may be temporarily used by the Comptroller for cash management purposes.

CSHB 3323 gives the Governor authority to negotiate on behalf of the state to grant money from the fund, and states that the Governor may only appropriate funds along with the express written consent of the Lieutenant Governor and the Speaker of the House of Representatives.

CSHB 3323 allows for a “clawback” provision stating that before granting money from the fund, the Governor may enter into a written agreement with the entity being granted funds specifying that if all or any portion of the amount of the grant is used to build infrastructure or make any other type of capital improvement, the state must:

- retain a lien or other interest in the capital improvement in proportion to the percentage of the grant amount used to pay for the capital improvement;

- ensure that if the capital improvement is sold, the recipient repays the department, with interest at the agreed rate and terms, any state money used to pay for the capital improvement and shares with this state a proportionate amount of any profit realized from the sale; and
- if, upon the expiration of a date provided in the agreement, the grant recipient fails to use an amount awarded under this section for any of the purposes for which the grant was intended, the recipient shall repay that amount and any related interest to the state at the agreed rate and terms.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute is drafted in Legislative Council style and format.

The substitute provides that the fund is composed of money appropriated by the Legislature.

The substitute requires that both the Lieutenant Governor and Speaker of the House consent to any money awarded from the fund.