

## **BILL ANALYSIS**

C.S.H.B. 3549  
By: Keffer, Jim  
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 notes the importance of the state to enhance its role in providing capital access and credit enhancement programs to encourage business growth. He recommends the creation of a “high profile state Economic Development Bank to provide a more extensive program of credit enhancements, linked deposits, direct loans, or other programs using appropriate financial criteria to enhance the viability of existing programs and promote more flexible and innovative strategies to pursue job creation and retention opportunities.” HB 3549 creates the Texas Economic Development Bank using currently existing programs and places the bank under the direction of the Texas Economic Development Office.

### **RULEMAKING AUTHORITY**

It is the committee’s opinion that rulemaking authority is expressly granted to the Texas Department of Economic Development in SECTION 19 (Section 489.002, Government Code) of this bill.

### **ANALYSIS**

HB 3549 amends the Government Code to add Chapter 489, relating to the establishment, operation, and funding of the Texas Economic Development Bank (bank.)

HB 3549 establishes an economic development bank to offer financial and tax incentives to expanding or relocating businesses, and serve as a single source of information regarding those incentives for businesses and communities in the state.

HB 3549 provides that bank fund is a dedicated account in the general revenue fund that includes any amount appropriated for the bank, and Capitol Access Fund No. 5035, Texas Leverage Fund No. 851, other investment earnings, and fees charged under this chapter.

HB 3549 requires the Texas Economic Development Office (office) to make, execute and deliver contracts, invest money, impose and collect fees, and issue bonds. The office shall also administer the Texas Small Business Industrial Development Corporation.

HB 3549 requires the office to report to the Legislature on the activities of the bank.

HB 3549 provides that the bank shall include, but is not limited to the following programs: the Texas Small Business Industrial Development Corporation, the Capitol Access Program, the Texas Leverage Program, the Linked Deposit Program, the Enterprise Zone Program, the Industrial Revenue Bond Program, the Defense Economic Adjustment Assistance Grant Program, the Defense Economic Readjustment Zone Program, the Defense Revolving Loan Program, the Texas Small Business Incubator Fund, and the federal Empowerment Zone, Enterprise Zone, and Renewal Community Program.

HB 3549 moves the following finance programs to Chapter 489 of the Government Code: the Texas Small Business Industrial Development Corporation, the Industrial Revenue Bond Program, the Texas Leverage

Fund, the Capitol Access Program, the Linked Deposit Program, the Small Business Incubator Fund, the Texas Enterprise Zone Act and the Defense Economic Readjustment Zones Program.

HB 3459 amends the Tax Code to require the comptroller to certify the employment requirements of enterprise projects.

**EFFECTIVE DATE**

September 1, 2003.

**COMPARISON OF ORIGINAL TO SUBSTITUTE**

The substitute is written in Legislative Council style and format.

The substitute makes several changes to the Enterprise Zone Program, among them: Enterprise Zones will be determined using census poverty levels; application fees will be eliminated and replaced by deducting a percentage of benefits received by the business participant; the Department of Economic Development will no longer perform the job certification audit, instead the Comptroller's office will perform this audit, along with the certification of eligible tax expenditures already performed by the Comptroller.