

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 15, 2003

TO: Honorable Bill Ratliff, Chair, Senate Committee on State Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2912 by Homer (Relating to industrial development corporations; providing a civil penalty.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would modify the types of projects an industrial development corporation (corporation) could undertake. Under current law, a corporation can lease authorized projects to a nonexempt entity and that project is exempt from ad valorem, sales, and use taxes or any other taxes levied or imposed by this state or any political subdivision of the state. Since the bill would change the types of authorized projects, it could impact the amount of taxable property values and the related ad valorem taxes as well as other taxes.

This bill would allow city development corporations (corporation) created under Section 4A of the Development Corporation Act of 1979, and local taxing units, other than school districts, to enter into agreements to undertake projects and share subsequent tax revenue where the project would not be located within the boundaries of the developments corporation's city.

In addition, the bill would require an election if the city receives a petition from more than 10 percent of the registered voters for an election on a project. An election would also be required for a project authorized by a corporation created by a land-locked community.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller and a change in state costs to the Foundation School Fund.

Local Government Impact

Since the bill would change the types of authorized projects, it could impact the amount of taxable property values and the related ad valorem taxes as well as other taxes collected by units of local government.

The bill would provide a means of tax revenue sharing from projects created between taxing units, such as the city and county where the project would be located, and the city and county where the corporation could then participate in the funding of a project located in another city/county, and the taxing units where the project would be located could enter into an agreement with the corporation and the taxing units from the corporation's city/county to share future tax revenue generated by the project, up to the original amount of investment made. Passage of this bill may change the distribution of local tax revenue. However, no significant fiscal impact to units of local government is anticipated.

In addition, if the governing body of the city receives a petition from more than 10 percent of the registered voters of the city where the petition requests that an election be held before that specific project or that general type of project is undertaken, then costs to local entities to implement the provisions of the bill would involve scheduling an election, with the election being more expensive if

it is not held on a uniform election date. The city of Castle Hills (population 4,202) has reported costs of \$4,000 to hold an election, while Harris County (population 3.5 million, annual budget of \$970 million) has reported costs from \$45,000 for the issue to be on a general election ballot to \$450,000 for a single issue special election.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts

LBB Staff: JK, RR, WP, DLBe, KG