

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 29, 2003

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2912 by Homer (Relating to industrial development corporations; providing a civil penalty.), **As Passed 2nd House**

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.

The bill would require majority approval in an election before certain corporations could use sales and use tax proceeds for certain projects.

The bill would also require that the city attorney, the city administrator, or the city clerk of a city that created a corporation; the county clerk or the county attorney of a county that created a corporation; and the executive director of the corporation or other person who is responsible for the daily administration of the corporation attend a training seminar regarding the operation of a related corporation.

The bill would require a performance agreement before a corporation may provide a direct incentive to or make an expenditure on behalf of a business enterprise for certain projects.

The bill would require a written contract for third-party business recruitment or development.

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.

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.

Local governments would also incur costs to attend the required training regarding the operation of

development corporations. The seminar fee would be determined by the department or its designated representative.

Source Agencies: 582 Commission on Environmental Quality

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