

BILL ANALYSIS

C.S.H.B. 234
By: Martinez
Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under current law, The Development Corporation Act of 1979 limits the types of projects that an Economic Development Corporation (EDC) is authorized to utilize their 4(a) funds. Often, smaller municipalities with an EDC have only retail businesses and/or a municipal airport to assist in the creation and retention of jobs.

Small municipalities, i.e. a population less than 50,000 and/or municipalities that are economically distressed, i.e. an unemployment rate greater than the states average, with an EDC are at a competitive disadvantage when they have to compete against other municipalities for jobs. A municipality that elects to establish a 4(a) EDC should have the right to decide which project is most economically feasible for them and how their own tax dollars should be utilized.

CSHB 234 expands the definition of a project thus allowing greater discretion in the use of their locally generated 4(a) funds.

RULEMAKING AUTHORITY

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

ANALYSIS

SECTION 1. Amends Section 2(11), Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), by adding language that a project includes the land, buildings, equipment, facilities, expenditures, infrastructure, and improvements that the board of directors of an EDC finds are required or suitable for the development, retention, or expansion of airport facilities or retail businesses or facilities. At the time the project is approved by the EDC, the municipality is required to have a population of less than 50,000 or an average rate of unemployment that is greater than the state average rate of unemployment during the 12-month period for which data is available that immediately precedes the date the project is approved.

SECTION 2. Amends Section 4A(i), Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), by adding language that an EDC may undertake a project the primary purpose of which is to provide airport-related facilities, if the EDC is created by a city that has, at the time the project is approved by the EDC a population of less than 50,000 or an average rate of unemployment that is greater than the state average rate of unemployment during the 12-month period for which data is available that immediately precedes the date the project is approved.

SECTION 3. Provides the effective date of this Act.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute differs from the original in that where the two conditions are stated, the substitute changes the words "and" to "or". The substitutes broadens the bill by requiring that when the

project is undertaken by an EDC, the population must be 50,000 or less *or* have an average rate of employment greater than the state average. With the substitute, both conditions are not required to be met to qualify as an acceptable project.