

BILL ANALYSIS

C.S.H.B. 2928
By: Kolkhorst
Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current Texas law allows voters in eligible cities to impose a local sales and use tax dedicated to helping finance their communities' economic development projects. The economic development sales tax has become a key component of local economic development programs for communities throughout Texas. Because different cities have different potential uses for this funding, there is a need to offer a broader array of options for the use of these proceeds. If passed, HB 2928 will amend the Development Corporation Act of 1979 to allow several additional ways for eligible cities to use their local sales and use tax proceeds, depending on certain criteria set forth in the bill.

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

SECTION 1. Amends Section 2 (11)(C), Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), to add that "project" also means expenditures found by the board of directors to be required or suitable for infrastructure necessary to promote or develop new or expanded business enterprises limited to sewer utilities and site improvements.

SECTION 2. Amends Section 4B(a), Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), by adding Subdivision (3) that a corporation created by an eligible city with a population of 20,000 or less "project" shall also include land, buildings, equipment, facilities, expenditures, targeted infrastructure, and improvements found by the board of directors to promote new or expanded business development.

SECTION 3. Section 40 (a), Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), is amended to add that a corporation under this Act may not provide an incentive to or make an expense on behalf of a business enterprise under a project defined by Section 2 or 4B (a)(3) unless the corporation enters into a performance agreement with the business enterprise.

SECTION 4. 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 brackets for eligibility in Section 2 of the original have been removed and replaced with a single bracket which applies only to a corporation created by an eligible city with a population of 20,000 or less and defines the eligible projects. The bill also adds language in a new section which requires that a corporation under this Act may not provide incentives to or make

expenditures on behalf of an eligible business unless the corporation has entered into a performance agreement with the business.