

BILL ANALYSIS

S.B. 1318
By: Staples
Local Government Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The 78th Legislature, Regular Session, 2003, adopted H.B. 2912. The bill's intent was to prevent and protect against the misuse of taxpayer dollars. However, H.B. 2912 created new challenges for small and rural communities because of overly restrictive language.

Current law governing the imposition and use of the 4B economic development sales tax requires "eligible projects" to relate to the promotion or retention of a primary job. Primary jobs must fall within the definition of a specific code system, the North America Industry Classification System.

S.B. 1318 expands the definition of eligible projects for communities that adopt a 4B economic development sales tax and have a population of less than 50,000 with a three-year average of less than \$400,000 in revenues. It allows an economic development corporation greater self-determination and local control in choosing how to expend taxpayer dollars to assist in economic development efforts.

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), Development Corporation Act of 1979 (Article 5190.6, V.T.C.S.), to amend the definition of "project."

SECTION 2. Amends Section 4B(a)(2), Development Corporation Act of 1979 (Article 5190.6, V.T.C.S.), to amend the definition of "project."

SECTION 3. Amends Section 4B, Development Corporation Act of 1979 (Article 5190.6, V.T.C.S.), by adding Subsection (g-1) to provide that this subsection applies only to a corporation created by an eligible city that in the preceding three years has received an average of \$100,000 or more and less than \$400,000 from taxes imposed under this section. Prohibits a corporation to which this subsection applies from using more than 35 percent of the corporation's tax proceeds for a project described by Subsection (a)(2)(f) of this section.

SECTION 4. Effective date: September 1, 2005.

EFFECTIVE DATE

September 1, 2005.