

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 29, 2005

TO: Honorable Allan Ritter, Chair, House Committee on Economic Development

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB234 by Martinez (relating to the authority of certain development corporations to undertake projects for airport facilities or retail businesses or facilities.), **Committee Report 1st House, Substituted**

The bill would amend the Development Corporation Act of 1979 to allow industrial development corporations (corporation) created under the Act to undertake projects: (1) that are designed to develop, retain or expand airport facilities or retail businesses or facilities; (2) by corporations created by cities with a population less than 50,000, or (3) by corporations created by cities with an average rate of unemployment that is greater than the state average.

Since the bill would expand the types of authorized projects, it would impact the amount of taxable property values and the related ad valorem taxes as well as other taxes.

This bill would amend the Development Corporation Act of 1979 (the Act) to allow industrial development corporations (corporation) created under the Act to undertake projects: (1) that are designed to develop, retain or expand airport facilities or retail businesses or facilities; (2) by corporations created by cities with a population less than 50,000, or (3) by corporations created by cities with an average rate of unemployment that is greater than the state average. Under current law, an industrial development 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 expand the types of authorized projects, it would impact the amount of taxable property values and the related ad valorem taxes as well as other taxes.

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

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, KJG, WP, DLBe