

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 28, 2005

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

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

IN RE: HB551 by Phillips (Relating to a project of a development corporation in connection with a primary job.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Development Corporation Act of 1979 (the Act) to add telephone call centers to the definition of "primary job." Under current law, an industrial development corporation (corporation) can lease authorized projects to a non-exempt 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 to include call centers under certain conditions, it could 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 could 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 to include call centers under certain conditions, 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.

According to the Comptroller's office, the number of development corporations created by counties and cities statewide is unknown. However, city corporations created under Sections 4A and 4B of the Act are required to file an annual report with the Comptroller. For fiscal 2004, there were 517 cities with a 4A and/or 4B development corporation(s).

The Denison Development Corporation indicated to the Comptroller's office that it has a 30,000 square foot building that was constructed specifically to accommodate a telephone call center. The corporation indicated that it has been contacted by a company that would like to locate a telephone call center there and, should this bill become law, it would enable the corporation to provide incentives necessary to contract with the company to open a center in the corporation's facility. The company has indicated that it would open with 150 employees and an annual payroll of \$2.8 million, paying an average hourly wage of \$9.22 per hour plus benefits. Once fully operational, the company said it would employ 300 with an annual payroll of \$5.3 million.

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

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