

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: HB568 by Campbell (Relating to a project authorized to be undertaken by certain development corporations.), **As Introduced**

No significant fiscal implication to the State is anticipated.

This bill would amend the Development Corporation Act of 1979 (the Act) to allow city development corporations created under Section 4B of the Act to undertake projects required or suitable for the development or expansion of educational facilities at an institution of higher education. Under current law, an industrial development corporation (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 to include certain educational facilities at a higher education institution, 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 certain educational facilities at a higher education institution, 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 394 cities with a Section 4B development corporation.

The Cisco Development Corporation indicated to the Comptroller's office that this bill would enable it to provide assistance to its junior college in the event that the college were to consider expanding its facilities to provide job training that might be of value in attracting an employer to the city. The San Angelo Chamber of Commerce said that it has no current plans along these lines, however the bill could allow its area corporation to provide assistance to Howard College or Angelo State University for facilities needed to train health care professionals.

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

LBB Staff: JOB, JRO, WP, DLBe