

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 4, 2005

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

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

IN RE: HB2928 by Kolkhorst (Relating to projects that may be undertaken by or supported by the tax proceeds of certain development corporations.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Section 2 (11), Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), relating to the projects that may be undertaken by or supported by the tax proceeds of certain development corporations. The bill would include sewer utilities and site improvements in the definition of projects.

The bill would allow 4B corporations that have not received more than \$50,000 in 4B sales taxes on average over the last two years, to use those taxes for any eligible project after the governing body of the city creating the corporation adopts a resolution authorizing the project after having two separate readings. The bill would also allow 4B development corporations that, in the preceding three years received an average of less than \$400,000 a year from taxes, to use no more than 35 percent of the corporation's tax proceeds for improvement of a building of historic significance located in a downtown area that is used for a business enterprise.

While the number of development corporations created by counties and cities statewide is unknown, city corporations created under Sections 4A and 4B of the Act are required to file an annual report with the Comptroller of Public Accounts. The Comptroller reported that there were 98 4B development corporations that received less than \$50,000 in sales tax revenues for either of the two previous fiscal years and 285 4B development corporations with less than \$400,000 in sales tax revenue over the preceding three years. It is unknown, however, how many eligible development corporations would elect to undertake sewer utilities and site improvement projects or undertake projects on buildings of historic significance.

The act would take effect September 1, 2005.

Local Government Impact

The fiscal impact to local governments cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

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