

## **BILL ANALYSIS**

C.S.H.B. 1470  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND/PURPOSE**

HB 1200 (77<sup>th</sup> Legislature), created the Economic Development Act to encourage large-scale capital investments in the state to create new jobs, and to enable local government officials to compete with the economic incentives being offered by other states. The bill created a local option economic development tool for school districts (limitation on appraised value of certain property used to create jobs) allowing the state to compete for jobs and large projects.

The owner of qualified property may apply to a school district for a limitation on the appraised value for school district maintenance and operations ad valorem tax purposes of the person's qualified property. Part of the application process requires a third party economic impact evaluation of a proposed project, performed on behalf of the school district. The evaluation must be sent to the comptroller who, after review, makes a non-binding recommendation to the school district whether to approve or decline the application. HB 1200 (77th Legislature) provided that the Act expire on December 31, 2007.

HB 3 (79<sup>th</sup>, 3<sup>rd</sup>-Called Legislature), requires that the economic impact evaluations be performed by the Texas Education Agency (TEA), rather than a third party selected by the school district. HB 3 (79<sup>th</sup>, 3<sup>rd</sup>-Called Legislature) also extended the sunset date of the Act to December 31, 2011. However, the effective date of these provisions were to go into effect on January 1, 2008, which technically is a day after HB 1200 (77th Legislature) was set to expire on December 31, 2007.

CSHB 1470 extends the sunset date of the Economic Development Act and makes the nearly the same changes to the Economic Development Act as was passed in HB 3 (79<sup>th</sup>, 3rd-Called Legislature), with some exception:

- (1) Economic impact evaluations would be conducted by the comptroller rather than the TEA, which does not have the personnel or expertise to perform such complex economic evaluations;
- (2) As in current law, the comptroller would issue a recommendation to the school district whether to approve or deny the application. (In HB 3, TEA's decision was binding);
- (3) The comptroller (rather than TEA) may collect a fee sufficient to cover the cost of the evaluation;
- (4) The TEA shall determine the impact that the added infrastructure will have on the region and the effect that the applicant's proposal will have on the number or size of the school district's instructional facilities, the results of which must be included in the comptroller's recommendations.

### **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**

The bill amends Section 313.007, Tax Code, to extend the expiration date of the Texas Economic Development Act to December 31, 2011.

The bill amends Section 313.025, Tax Code, to require that three copies of a project application be sent to the comptroller, who must perform an economic impact evaluation of the application. Allows an evaluation methodology to compare economic impacts for different schedules of qualified investment or developed property. The comptroller may charge and collect a fee sufficient to cover the cost of the evaluation.

The bill requires one copy of the application to be sent to the TEA to determine the impact that the added infrastructure will have on the region and the effect that the applicant's proposal will have on the number or size of the school district's instructional facilities, the results of which must be included in the comptroller's economic impact evaluation. The governing body of the school district shall provide any requested information to the Texas Education Agency to help determine this impact, and not later than the 45th day after the date the application indicates that the comptroller received, the application, the Texas Education Agency shall make the required determinations and submit the agency's written report to the comptroller.

The bill amends Section 313.026, Tax Code, to provide that the comptroller's recommendation shall be based on the criteria already listed in that Section, but may also include any other information available to the comptroller.

The bill repeals Sections 16(a) and (d), Chapter 1, Acts of the 79<sup>th</sup> Legislature, 3<sup>rd</sup> Called Session, 2006.

The bill provides that the changes to Sections 313.025 and 313.026 apply only to an application in which the school district has not yet engaged a third party to conduct an economic impact evaluation as of the effective date of the Act.

The bill takes effect immediately if it receives a vote of two-thirds of all members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this bill does not receive the necessary votes for immediate effect, this Act takes effect September 1, 2007.

#### **EFFECTIVE DATE**

This Act takes effect immediately if it receives a vote of two-thirds of all members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this act does not receive the necessary votes for immediate effect, this Act takes effect September 1, 2007.

#### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The original stated that the comptroller could contract with a third person to conduct the evaluation, while the substitute states the comptroller shall conduct the evaluation. The original bill stated that not later than the 60th day after the date the application indicates that the comptroller received the application, the Texas Education Agency shall make the required determinations and submit the agency's written report to the comptroller. The substitute changes this deadline to not later than the 45th day.