

## **BILL ANALYSIS**

Senate Research Center  
89R3672 CS-D

S.B. 878  
By: Birdwell  
Economic Development  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Chapters 380 and 381 of the Local Government Code have been utilized frequently to promote economic development for local communities and the state. The broad authorization has led to creative and beneficial agreements, while leaving the door open to agreements with questionable practices and little transparency. As such, there is a need to improve taxpayer confidence and transparency and implement sensible guardrails to protect public dollars and ensure the programs remain viable. S.B. 878 seeks to implement those guardrails and improve transparency measures across Chapters 380 and 381, Local Government Code, as well as Chapter 312, Tax Code.

As proposed, S.B. 878 amends current law relating to limitations on the use of public money under certain economic development agreements or programs adopted by certain political subdivisions.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 380, Local Government Code, by adding Sections 380.005, 380.006, 380.007, 380.008, and 380.009, as follows:

Sec. 380.005. PROHIBITION ON AD VALOREM TAX RELIEF UNDER THIS CHAPTER. (a) Prohibits a municipality from granting an exemption or other relief from ad valorem taxation under Chapter 380 (Miscellaneous Provisions Relating to Municipal Planning and Development).

(b) Provides that this section does not limit the authority of a municipality to make a loan or grant under this chapter to a recipient who enters into a tax abatement agreement with the municipality under Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code, or in conjunction with a tax abatement agreement entered into by the municipality under Chapter 312, Tax Code.

Sec. 380.006. PUBLIC MEETING AND NOTICE REQUIREMENTS. (a) Requires the governing body of a municipality, before a municipality is authorized to make a loan or grant under this chapter, to hold a public hearing regarding the proposed loan or grant at which members of the public are given the opportunity to be heard.

(b) Requires a municipality that maintains an Internet website to post the current version of the proposed loan or grant under this chapter on the website.

(c) Requires that the public notice of a meeting at which the governing body of a municipality will consider the adoption of a proposed loan or grant under this chapter, in addition to any other requirement of law, contain certain information.

(d) Requires a municipality, except as otherwise provided by this section, to give the notice of a meeting required by this section in the manner provided by Chapter 551 (Open Meetings), Government Code.

(e) Requires a municipality to give notice of a meeting required by this section not less than 15 business days but not more than 30 business days before the meeting.

(f) Requires a municipality, if the municipality postpones a meeting required by this section to a later date, to hold the postponed meeting not more than 10 business days after the date for which the meeting was originally scheduled. Requires the municipality, if the postponement would result in the meeting being held more than 30 business days after the date the municipality gave notice of the meeting, to give a new notice of the meeting as provided by Subsection (e).

Sec. 380.007. PERFORMANCE METRICS REQUIREMENT. (a) Requires that an agreement for a loan or grant under this chapter include appropriate performance metrics relating to the goals of an economic development program established under this chapter.

(b) Prohibits an agreement for a loan or grant under this chapter from being renewed under Section 380.008(b) unless the municipality determines that the performance metrics under the agreement have been met.

Sec. 380.008. PERIOD OF AGREEMENT; RENEWAL. (a) Prohibits a municipality, except as otherwise provided by this section, from entering into an agreement to make a loan or grant under this chapter for a period exceeding 10 years.

(b) Authorizes a municipality, subject to Section 380.007(b), to renew an agreement under this chapter. Authorizes an agreement to be renewed no more than three times, and prohibits each renewal period from exceeding five years.

(c) Prohibits the total combined period for an agreement under this chapter, including the initial agreement and renewal periods, from exceeding 25 years.

Sec. 380.009. CONFIDENTIALITY OF PROPRIETARY INFORMATION. Provides that information that is provided to a municipality in connection with an application or request for a loan or grant under this chapter and that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which a loan or grant is sought is confidential and not subject to public disclosure until the loan or grant agreement is executed. Provides that information that is in the custody of a municipality after an agreement has been executed is not confidential under this section.

SECTION 2. Amends Chapter 381, Local Government Code, by adding Sections 381.006, 381.007, 381.008, 381.009, and 381.010, as follows:

Sec. 381.006. PROHIBITION ON AD VALOREM TAX RELIEF UNDER THIS CHAPTER. (a) Prohibits a county from granting an exemption or other relief from ad valorem taxation under Chapter 381 (County Development and Growth).

(b) Provides that this section does not limit the authority of a county to make a loan or grant of county money under this chapter to a recipient who enters into a tax abatement agreement with the county under Chapter 312, Tax Code or to use county money for a purpose authorized by this chapter in conjunction with a tax abatement agreement entered into by the county under Chapter 312, Tax Code.

Sec. 381.007. PUBLIC MEETING AND NOTICE REQUIREMENTS. (a) Requires the commissioners court of a county, before the county is authorized to use county money for a purpose authorized by this chapter, to hold a public hearing regarding the proposed use at which members of the public are given the opportunity to be heard.

(b) Requires a county to post the current version of the proposed use of county money under this chapter on the county's Internet website.

(c) Requires that the public notice of a meeting at which the commissioners court of a county will consider the adoption of a proposed use of county money under this chapter, in addition to any other requirement of law, contain the name of the recipient of the county money, a general description of the public purpose for which the county money is provided, and if applicable, the amount of and period of time for a loan or grant of county money.

(d) Requires a county, except as otherwise provided by this section, to give the notice of a meeting required by this section in the manner provided by Chapter 551, Government Code.

(e) Requires a county to give notice of a meeting required by this section not less than 15 business days but not more than 30 business days before the meeting.

(f) Requires a county, if the county postpones a meeting required by this section to a later date, to hold the postponed meeting not more than 10 business days after the date for which the meeting was originally scheduled. Requires the county, if the postponement would result in the meeting being held more than 30 business days after the date the county gave notice of the meeting, to give a new notice of the meeting as provided by Subsection (e).

Sec. 381.008. **PERFORMANCE METRICS REQUIREMENT.** (a) Requires that an agreement relating to the use of county money under this chapter include appropriate performance metrics relating to the goals of an economic development program established under this chapter.

(b) Prohibits an agreement under this chapter from being renewed under Section 381.009(b) unless the county determines that the performance metrics under the agreement have been met.

Sec. 381.009. **PERIOD OF AGREEMENT; RENEWAL.** (a) Prohibits a county, except as otherwise provided by this section, from entering into an agreement to make a loan or grant under this chapter for a period exceeding 10 years.

(b) Authorizes a county, subject to Section 381.008(b), to renew an agreement under this chapter. Provides that an agreement is authorized to be renewed no more than three times, and prohibits each renewal period from exceeding five years.

(c) Prohibits the total combined period for an agreement under this chapter, including the initial agreement and renewal periods, from exceeding 25 years.

Sec. 381.010. **CONFIDENTIALITY OF PROPRIETARY INFORMATION.** Provides that information that is provided to a county in connection with an application or request for a loan or grant under this chapter and that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which a loan or grant is sought is confidential and not subject to public disclosure until the loan or grant agreement is executed. Provides that information that is in the custody of a county after an agreement has been executed is not confidential under this section.

**SECTION 3.** Amends Subchapter A, Chapter 312, Tax Code, by adding Section 312.009, as follows:

Sec. 312.009. **LIMITATION ON TAX ABATEMENT AGREEMENTS.** Provides that, in a tax abatement agreement entered into under Chapter 312, a taxing unit is authorized

to only provide an abatement of the taxing unit's ad valorem taxes and is prohibited from providing a loan or grant of public money from any other source.

SECTION 4. Amends Section 312.207, Tax Code, by amending Subsection (d) and adding Subsections (e) and (f), as follows:

(d) Requires that the notice of a meeting required by Section 312.207 (Approval by Governing Body) be given in the manner required by Chapter 551, Government Code, except as otherwise provided by this section, rather than except that the notice is required to be provided at least 30 days before the scheduled time of the meeting.

(e) Requires a municipality or other taxing unit to give notice of a meeting required by this section not less than 15 business days but not more than 30 business days before the meeting.

(f) Requires a municipality or other taxing unit, if the municipality or other taxing unit postpones a meeting required by this section to a later date, to hold the postponed meeting not more than 10 business days after the date for which the meeting was originally scheduled. Requires the municipality or other taxing unit, if the postponement would result in the meeting being held more than 30 business days after the date the municipality or other taxing unit gave notice of the meeting, to give a new notice of the meeting as provided by Subsection (e).

SECTION 5. Makes application of this Act prospective.

SECTION 6. Effective date: September 1, 2025.