

SUBJECT: Financial disclosure for county reinvestment zone boards of directors

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 7 ayes — Craddick, Ramsay, Grusendorf, Heflin, Horn, Stiles, Williamson
0 nays
4 absent — Holzheuser, Oliveira, Telford, Thompson

WITNESSES: None

BACKGROUND : County reinvestment zones are established by the Legislature to encourage economic development in special districts within counties. The districts are governed by boards of directors appointed by county commissioners. Directors are required to be 21 years of age, a resident citizen of the state, and a qualified voter in the county in which the district is located.

DIGEST: CSHB 3317 would require members of the board of a county reinvestment zone, upon appointment, to submit personal financial statements and statements accounting for any financial activity of their spouses and children over which they had control during the preceding year. Directors would have submit statements annually for the duration of their term and for five years after leaving the board.

Upon appointment, directors would submit a signed affidavit stating that they did not have a vested financial interest in the creation or expansion of the district and would not have such an interest for five years after leaving the board.

CSHB 3317 would take effect September 1, 1997.

SUPPORTERS SAY: CSHB 3317 would infuse needed accountability to the financial affairs of boards of directors of county reinvestment zones. Reinvestment zones are excellent economic development tools for the state, and their important work must not be compromised by directors whose financial interests could conflict with the best interests of the community. Many public servants, including state legislators, make financial statements affirming their

commitment to avoid conflicts of interest. Directors in these zones should be held to an equal standard of responsibility, and CSHB 3317 would provide such a standard.

Because directors do not have to live in the district they would serve, the bill would not make it difficult to find qualified individuals without financial ties to the district. Business and community leaders from adjoining districts could serve a nearby reinvestment zone, contributing their experience and expertise without risking a conflict of interest.

CSHB 3317 would ensure that management of community reinvestment zones is motivated purely by the best interests of the community involved, and not by potential financial gain for those making the decisions. The bill would bolster citizens' confidence in the fiscal propriety of economic development in their communities, fostering a positive and cooperative environment among all parties.

**OPPONENTS
SAY:**

CSHB 3317 could inadvertently harm community reinvestment zones by disqualifying the best candidates for boards of directors because of their financial activities. The economic development activities undertaken in reinvestment zones are best managed by individuals with experience in such activities who know the special needs and strengths of the area in question.

Though fiscal accountability is certainly desirable, the bill could prevent the reinvestment zones from recruiting the best available leadership, and therefore from achieving the greatest possible level of success. The bill's goal of fiscal propriety in economic development should be fervently pursued, but in a way that does not unduly limit the options of the projects themselves.

NOTES:

The committee substitute added the requirement that directors sign affidavits stating they did not have a vested financial interest in the district.