

- SUBJECT:** Authorizing use of economic development sales taxes for job training
- COMMITTEE:** Economic Development — favorable, without amendment
- VOTE:** 6 ayes — Jim Solis, Homer, Keffer, McClendon, Seaman, Yarbrough
0 nays
3 absent — Van de Putte, Deshotel, Luna
- WITNESSES:** For —Chris Shields, Texas Economic Development Council
Against —None
- BACKGROUND:** The Development Corporation Act of 1979 allows certain cities to levy up to a half-cent sales and use tax for certain economic development projects. The tax only can be levied after its approval by local voters. The proceeds of the Section 4A sales tax primarily are dedicated by statute to economic development projects to promote new and expanded industrial and manufacturing activities. The 4A sales tax generally is available to cities located within a county of less than 500,000 population.
- The Section 4B sales tax can be used for a wide range of civic and commercial projects in eligible Texas cities. Legislation approved in 1993 broadened the availability of the Section 4B tax to any city eligible to adopt a Section 4A sales tax. Since 1989, over 378 cities have levied an economic development sales tax. Of these, 126 adopted a Section 4A sales tax, 205 cities have adopted a Section 4B sales tax, and 47 cities have adopted both.
- DIGEST:** HB 1916 would amend the Development Corporation Act to allow projects funded by economic development sales taxes to include job training programs. This tax money could be used only for job training offered through a business if that business would create new jobs paying at least the average weekly wage in the county as defined by the Texas Workforce Commission. It would be acceptable for companies to pay 90 percent of the average weekly wage in counties with the higher unemployment rates.

HB 1916 would require companies to use this money for no more than 50 percent of the costs of the job training program. A corporation would not be able to spend tax revenue for a job training project if other state or federal funds dedicated to job training were used in the project, except in counties with unemployment rates greater than or equal to 1.5 times the state average unemployment rate.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS
SAY:**

Use of these sales taxes for economic development has been one of the most effective tools used by cities throughout the state to promote economic development. Although authorization of the local option tax has been in effect only since 1989, over 378 cities have chosen to levy economic development sales taxes, cumulatively raising in excess of \$200 million dollars a year.

Job training programs have become an important incentive in attracting new businesses and retaining existing ones. But current law does not specify that economic development sales taxes may be used for this purpose. HB 1916 would authorize this important approach.

Businesses would pay at least half the cost of job training themselves and would not be able to use other state or federal job training funds unless they were locating in higher unemployment counties. HB 1916 also would ensure that local tax funds would go to businesses that train workers for jobs paying average salaries, not low-wage jobs.

Under HB 1916, businesses would have easier access to job training funds than through other state programs such as the Smart Jobs Fund. The Smart Jobs Fund is highly competitive and involves a long application process. HB 1916 would allow businesses to receive funds more quickly to train local workers.

The exemptions for economic development corporations located in counties with high unemployment are reasonable. These areas have a more difficult time attracting new business. Texas should make special efforts to assist these areas because it would benefit the whole economy.

OPPONENTS
SAY:

HB 1916 could negatively affect cities that want to use the local economic development sales tax for job training, making them less likely to get assistance through the Smart Jobs Fund and Skills Development Fund. The Texas Department of Economic Development and the Texas Workforce Commission, which administer the funds for these highly competitive programs, could be less likely to award grants in these areas if it was apparent they could raise money through local taxes.

HB 1916 would require businesses to pay at least the average weekly wage in the county. This does not take into account the type of job. This would require some businesses to pay wages that are too high for certain jobs in order to qualify for job training grants.

NOTES:

A related bill, HB 3029 by Oliveira, which would add a number of new, eligible projects to the Development Corporation Act and also has a provision that would include job training as an eligible project for which economic development sales tax funds could be used, was reported favorably by the House Economic Development Committee and also is on today's calendar.