HOUSE RESEARCH ORGANIZATION bill analysis 4/4/2001

HB 1723
Seaman, et al.
(CSHB 1723 by Truitt)

SUBJECT: Taxing authority for rural county employment development programs

COMMITTEE: Land and Resource Management — committee substitute recommended

VOTE: 6 ayes — Walker, F. Brown, Geren, Krusee, Truitt, B. Turner

0 nays

3 absent — Crabb, Howard, Mowery

WITNESSES: For — Spencer Chambers, Texas Association of Business and Chambers of Commerce

Against — None

On — Robert Prock, Texas Engineering Extension Service; Chas Semple, Comptroller's Office

BACKGROUND: In 1995, the 74th Legislature created local workforce development boards as part of the restructuring of the Aid to Families with Dependent Children (AFDC) program. Government Code, ch. 2308 establishes guidelines for the creation and administration of local workforce development areas and local workforce development boards. Sec. 2308.252 requires the governor to designate local workforce development areas that:

- consist of more than one contiguous unit of general local government that includes at least one county;
- are consistent with either local labor market, a metropolitan statistical area, or one of the state's planning or service areas; and
- are sufficiently large enough to provide for effective planning, management, and delivery of workforce development.

Currently in Texas there are 28 local workforce development boards, which are regionally organized. Their main function is to act as a pass-through for federal grant programs. Sec. 2308.256 requires that a majority of the board members be representatives from the private sector. Board membership also must include representatives of labor or community-based organizations, educational agencies, vocational rehabilitation agencies, public assistance agencies, economic development agencies, public employment services, local literacy councils, and adult basic and continuing education organizations.

In addition to the 6.25 percent sales tax levied by the state, local governments may levy up to an additional 2 percent in combined sales and use taxes, with the aggregate total state and local sales and use tax rate capped at no more than 8.25 percent in any geographic area. Texas cities currently are allowed to levy up to a maximum of 1 percent for general purposes, which leaves cities and other local governments 1 percent to levy for special purposes.

DIGEST: CSHB 1723 would amend Subtitle B, Title 12 of the Local Government Code by adding ch. 386, which would permit counties with populations of 50,000 or less to impose a sales and use tax of one-eighth of one percent or designate up to 3 cents per $100 valuation of the property tax to create a county workforce development board.

Board membership. CSHB 1723 would permit the county commissioners to appoint a board with nine, 11, 13, or 15 members, including:

- a member of the commissioners court;
- a superintendent or representative appointed by the superintendent from a school district within the county;
- a public community college representative or a person with experience in workforce training, economic development, or higher education;
- an official from another governmental entity in the county;
- at least five business representatives;
- and any other person the board believed would assist workforce development.

CSHB 1723 would require that business representatives be a majority on the board. The term of service would be two years, expiring on February 1 of each odd-numbered year.

Board powers and duties. CSHB 1723 would permit the board to establish and operate programs to provide economic assistance for career training and promote adult job training, economic development, and career and technology education in the county. The board could hire staff and work with public schools, higher education institutions, businesses, local workforce development boards, the Texas Agricultural Extension Service, an economic development corporation, or other partnership to develop training and economic development programs.

The board could impose a fee for those who participate in the programs in addition to the sales or property tax. The board would have to contract with the county auditor to review its finances each fiscal year and abide by the requirements of the Open Meetings Act and Public Information (Open Records) Act.

Sales and tax use election and administration. CSHB 1723 would permit the county commissioners to call an election of county voters to impose a sales and use tax of one-eighth of one percent. The election would be held on or after the 45th day after the commissioners ordered the election, and the ballot would read "The adoption of a local sales and use tax at the rate of one-eighth of one percent to provide funding for the operation of a program for rural economic assistance for career training in ______ (the name of county)." The tax would have to be approved by a majority of county voters. The county commissioners also could call an election to abolish the tax.

The additional tax for the county employment development board would not be available in counties if its adoption would exceed the state limit of 2 percent for sales and use tax in any location in the county.

Tax revenue only could be used for the county employment development programs, which could include grants to local businesses, school districts, or other entities.

Property tax. CSHB 1723 would allow county commissioners to levy a new property tax of up to 3 cents per $100 valuation or to designate up to 3 cents per $100 valuation in existing property tax to fund the county development board.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

SUPPORTERS SAY:

CSHB 1723 would provide a needed revenue source for rural counties that wish to provide job training programs. Job training and workforce development are an integral part of economic development. Federal and state resources for these programs already are spread very thinly throughout the state, and this legislation would give county voters the ability to raise money locally for job training projects.

Although the existing workforce development boards have responsibility for job programs in rural areas, most of their efforts tend to be concentrated in urban areas. Providing training and job creation programs in rural areas presents unique problems because of the smaller and sparser populations. Job training programs in rural areas especially need the flexibility to provide transportation and child care so that enough trainees can attend training sessions and classes.

Creation of county employment development boards would fill in the gaps in service and would foster cooperation among existing programs rather than lead to duplication of services. County employment development boards would know the needs of their own communities and could help the local workforce development boards provide better programs for the entire service area.

CSHB 1723 would provide the mechanism to work with state agencies, other local governments, school districts, and community colleges, as well as economic and industrial development corporations on an integrated approach to economic development. Job training is important, but it must be part of a comprehensive economic development program.

CSHB 1723 could allow counties to provide the “seed money” so that classrooms, capital equipment, and other initial costs could be provided to establish new programs. State funding is available through the workforce development boards, the Texas Engineering Extension Service, and the Texas Agricultural Extension Service for existing programs, but local resources are needed to fund beginning programs. Local funds also could be used to recruit and retain local citizens who have the expertise needed to train others.

Local citizens and their elected officials would retain control over the funding and administration of the county employment development boards. Citizens would have the right to vote to impose the sales tax or abolish the program if it no longer were needed. County commissioners would answer to local voters on the decision to impose additional property taxes for county employment development boards. State law also provides limits on increases of county sales and property taxes.

OPPONENTS SAY:

Creation of the county employment development boards could duplicate existing programs and lead to the creation of little fiefdoms in the rural areas. County boards could dilute the efforts of the local workforce development boards that must already take an area-wide view of economic development.

Too much burden already has been placed on the county property and sales taxes. Both taxes are inherently regressive, and increases in sales tax would fall disproportionally on those with lower incomes — the group that this program is intended to benefit.

OTHER OPPONENTS SAY:

CSHB 1723 would provide only limited assistance because it would be available only to counties with populations of less than 50,000. Many of those counties are already at or near the state limit on property or sales taxes and could not take advantage of this new taxing authority. Only 52 of almost 200 counties with populations under 50,000 would have room under the sales tax cap to use this tax for county employment development boards.

NOTES:

The committee substitute added the requirement that the county employment development board include a person with experience in workforce training, economic development, or higher education. Other provisions would authorize the board to hire staff and to work with other entities, and would require the board to contract with the county auditor to review its financial records and to comply with the Open Meetings Act and Public Information (Open Records) Act.