

SUBJECT: Allowing development corporations in Hidalgo County to issue bonds

COMMITTEE: Environmental Regulation — committee substitute recommended

VOTE: 5 ayes — Bonnen, Howard, Driver, T. King, Kuempel

0 nays

2 absent — Homer, W. Smith

WITNESSES: For — Lee McCormick, Community Development Association, LLC; Xavier Pena, Ricardo Perez, Pat Townsend, Jr., Mission Economic Development Corporation

Against — Carlton Schwab, Texas Economic Development Council

BACKGROUND: The Development Corporation Act of 1979 (V.T.C.S., art. 5190.6) authorizes Texas cities to establish nonprofit economic development corporations. The purpose of a development corporation created under this act is to develop industrial and manufacturing enterprises to promote employment and the public welfare. Sec. 4(b) establishes the Texas Small Business Industrial Development Corp. (TSBIDC), which can make loans to development corporations in the state. A city may levy a sales and use tax for the benefit of a corporation. Two types of development corporations, known as 4A and 4B, are named after the section of the act in which they are established. These two sections govern development corporations in cities of different sizes that have different taxing structures. Sec. 4(i) defines economic development projects financed through the purchase of bonds by TSBIDC that are suitable for the promotion of economic development.

The 78th Legislature amended the act in 2003 to require that projects promote or develop new or expanded business enterprises that create or retain “primary jobs,” jobs in certain sectors listed under the North American Industry Classification System. Projects also may include job training and certain infrastructure developments.

DIGEST: CSHB 2728 would expand the definition of a project in the Development Corporation Act of 1979 to include infrastructure, such as airports, sewer

disposal facilities, or parking facilities expenditures needed by a corporation in Hidalgo County to promote or develop business enterprises.

The 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, 2005.

**SUPPORTERS
SAY:**

CSHB 2728 would correct an unintended consequence of the 2003 statutory changes that prevent industrial development corporations from financing certain projects and creating new jobs. Areas of significant growth, such as the border areas of south Texas, are experiencing significant demands for infrastructure projects, but these projects have been stifled because the jobs they create do not meet the statutory definition of "primary jobs."

An example is an industrial development corporation seeking to issue bonds for a solid waste project. Although solid waste projects are included within the statutory definition of projects under the Act, and solid waste projects create jobs and support economic growth generally, the jobs they create in the solid waste industry do not satisfy the "primary jobs" requirement adopted in 2003. This creates a problem for communities desperate to expand or build such critical infrastructure to support rapid growth.

CSHB 2728 would solve this problem by expanding the definition of "project" for industrial development corporations in Hidalgo County, one of the fastest growing areas in the state. Expanding the definition would allow corporations in this fast-growing county to issue bonds for solid waste and other projects without having to meet the unduly restrictive "primary jobs" requirement under the Act.

**OPPONENTS
SAY:**

The existing statute should not be expanded, especially to apply to only one county. Solid waste projects and other projects that do not fit the definition of "primary jobs" should be financed through a city's general fund and not through economic development corporation sales tax revenue.

**OTHER
OPPONENTS
SAY:**

The changes in the bill should apply to corporations in other fast-growing counties, not just Hidalgo County.

NOTES: The committee substitute amended the definition of a qualifying corporation to a corporation created by a unit of local government in a county with a population of at least 500,000.