

SUBJECT: Changing requirements for 4B corporations to hold pre-project hearings

COMMITTEE: Economic Development — favorable, without amendment

VOTE: 4 ayes — Deshotel, Straus, Kolkhorst, Morrison
3 nays — Dunnam, Ortiz, Veasey

WITNESSES: For —Sandra F. Mauldin, Lockhart Economic Development Corporation
Against —None

BACKGROUND: The Development Corporation Act of 1979 allows eligible cities to impose a local sales-and-use-tax to help finance their communities' economic development efforts. Cities are required to create corporations to administer these funds under sec. 4A and 4B of the act. With some exceptions, "4A" corporations are confined to cities in counties with fewer than 500,000 residents. Cities in larger counties and cities eligible under sec. 4A, are eligible to form "4B" corporations.

"4A" corporations are authorized to undertake projects mainly to encourage manufacturing and industrial development, including projects to provide a general service airport, port-related facilities, or airport-related facilities. 4B corporations approve the expenditure of funds for many of the same type of projects that 4A corporations approve, which are listed in sec. 2 of the Development Corporation Act. However, 4B corporations also are allowed to expend funds for sports, recreation, and parks projects. While 4A corporations are not required to hold public hearings for projects authorized under sec. 4A, 4B corporations must hold public hearings before expending funds for any project, including 4A projects.

DIGEST: HB 2308 would require a 4B corporation to hold public hearings only for projects unique to its section, including sports, recreation, and parks projects, as well as, economic development, housing, and water conservation projects.

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, 2007.

**SUPPORTERS
SAY:**

HB 2308 would equalize the requirements for 4A and 4B corporations with regard to projects that both can undertake under sec. 2 of the Development Corporation Act. 4A corporations have been very successful in undertaking projects without the need for public hearings, and this bill simply would institute the same requirements for 4B corporations undertaking similar projects.

The bill also would allow 4B corporations to compete more effectively with 4A corporations for projects because 4B corporations would no longer be disadvantaged by onerous hearing requirements that can delay the competitive bidding process. It also would decrease costs for 4B corporations by no longer requiring them to spend money to publish and advertise notice of some hearings. Furthermore, HB 2308 would not change existing requirements for 4B corporations to hold public hearings for 4B projects affecting important public interests, such as larger recreation, economic development, and housing projects.

**OPPONENTS
SAY:**

4B corporations often are located in larger communities than 4A corporations. Considering the larger scale of 4B corporations and the greater impact these projects have on their communities, the public hearing requirement should not be removed for any project undertaken by such a corporation.