

- SUBJECT:** Authorizing development corporations to fund certain job-training projects
- COMMITTEE:** Economic and Small Business Development — committee substitute recommended
- VOTE:** 6 ayes — J. Davis, Vo, Bell, Isaac, Murphy, Workman
3 nays — Y. Davis, Perez, E. Rodriguez
- WITNESSES:** For — None
Against — Carlton Schwab, Texas Economic Development Council
On — Betty McCrohan, Wharton County Junior College
- BACKGROUND:** Local Government Code, ch. 501, subch. C enables political subdivisions in the state to operate projects to create primary jobs. These projects are for the creation or retention of jobs and approved by the board of a corporation, such as an economic development corporation (EDC). Sec. 501.102 includes job training within the definition of an authorized project, with the purpose to promote the expansion of business and other enterprises.

Local Government Code, ch. 504 authorizes municipalities located in counties with a population of 500,000 or less, or meeting certain other conditions, to create Type A economic development corporations, which can contract with another private corporation to carry out economic development programs. Local Government Code, ch. 505 authorizes municipalities with a population of 400,000 or more, or located in counties with populations of more than 500,000, to create a Type B corporation, which can also perform economic development projects.
- DIGEST:** CSHB 2181 would amend Government Code, ch. 501, subch. C to enable job training projects at high schools, junior colleges, and technical institutes. The projects could consist of expenditures toward facilities, programs, and training equipment. Economic development corporations (EDCs) could contract with one or more educational institutions to finance these job-training projects.

The bill would require the board of a Type A or Type B corporation's authorizing municipality to authorize an EDC to use sales tax revenue to undertake a job-training project at an educational institution. If the board received a petition from at least 10 percent of the voters who participated in the most recent local general election, the municipality would have to order an election regarding this use of funds.

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, 2013.

**SUPPORTERS
SAY:**

Smaller communities across the state are experiencing population losses as people leave their hometowns because there are not enough jobs. CSHB 2181 would expand what economic development corporations were authorized to fund to include developing primary jobs. EDCs currently do not have the authority to allocate funding for job development beyond existing facilities used for training. Funding for these facilities is limited to public junior colleges and technical institutes.

The bill would broaden the scope of EDCs to allow the funding of training equipment and programs and the expanding of these opportunities to secondary schools. In an increasingly technical world, a deterrent to luring well-paid vocational jobs is the reality that funding for the equipment needed falls to a particular business. Allowing the purchase of this equipment by an authorizing municipality would remove this obstacle. This bill would not contain new taxes or anything that would result in costs to the state.

Nothing in the bill would allow EDC funding to be expanded beyond job-training equipment and programs. In many instances, residents of small communities do not have access to a technical institute or junior college. This bill would let high schools create programs for those interested in vocational training so they could find productive jobs in their areas. In addition, the committee substitute would put this expanded capacity of EDCs (both Type A and B) to a local vote, either by the majority of a governing body of a specific municipality or by 10 percent of the electorate from the last general election.

**OPPONENTS
SAY:**

HB 2181 is unnecessary. Local Government Code, sec. 501.102 already allows economic development corporations to purchase equipment for training purposes as an incentive for businesses considering an expansion

to a community. Additionally, the bill would open up the law addressing EDCs to areas that already have tax-supported funding mechanisms, such as that of public junior colleges. This would detract from the true economic development projects that EDCs are authorized to do.