BILL ANALYSIS

DIGEST

Currently, Sections 4A and 4B of the Development Corporation Act authorize certain cities to impose an "economic development" sales tax with local voter approval. Revenue from the "4A" tax may be used by "4A corporations" to build business airports, recycling, manufacturing and industrial facilities. Revenue from the "4B" tax may be used by "4B corporations" to fund certain civic projects such as sports facilities and parks, as well as many of the industrial projects authorized under Section 4A of this Act. There is concern that current law makes it difficult for cities to transfer from the 4A to 4B tax because voters must approve two separate ballot propositions: one to abolish the 4A tax and another to impose the 4B tax. This bill authorizes 4A corporations to use 4A tax proceeds to fund projects traditionally reserved for 4B corporations after holding a public hearing and obtaining local voter approval. The bill also authorizes cities that levy the 4A tax to repeal the 4A and adopt the 4B tax in a single ballot proposition. Additionally, the bill makes several technical and clean-up changes to the development corporation act.

PURPOSE

As proposed, C.S.H.B. 1525 authorizes certain corporations to use tax proceeds upon approval by the voters.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 4A(n) and (o), Article 5190.6, V.T.C.S. (Development Corporation Act of 1979), as follows:

> (n) Provides that a sales and use tax imposed for a limited period under this subsection expires on the date set by the governing body under this section or on an earlier date if the tax is abolished under Subsection (o) of this section, rather than on an earlier date if, by a majority of the voters voting in an election held in the city, the tax is repealed. Deletes text regarding an abolition election. Provides that a tax that is approved without a limit on its period of imposition is effective until abolished in accordance with Subsection (o) of this section, rather than providing that such a tax is effective until repealed by election. Prohibits a municipality that has imposed a tax under this section from extending the period of the tax's imposition or reimposing the tax unless the extension or reimposition is approved by a majority of the qualified voters of the municipality voting in an election called and held for that purpose, rather than prohibits the extension of the period of the tax's imposition after its expiration date.

> (o) Requires the ballot to be printed in the same manner as the ballot under Subsection (m) of this section, except that the ballot to abolish the tax shall be printed to provide for voting for or against the proposition. Sets forth the language for the ballot. Provides that Section 321.102(a), Tax Code, applies to the abolition of a tax under this subsection. Sets forth provisions applicable if before the date of the election the corporation had issued bonds or incurred other obligations secured by the tax. Sets forth a prohibition regarding a tax imposed under this section.

SECTION 2. Amends Section 4A, Article 5190.6, V.T.C.S., as follows:

(s) (1) Authorizes a city that creates or has created a corporation governed by this section to submit to the voters of the city, at a separate election to be held on an available uniform election date or at an election held under another provision of this Act, including certain elections, a ballot proposition that authorizes the corporation to use the sales and use tax, including any amount previously authorized and collected, for a specific project or for a specific category of projects that does not qualify under this section but qualifies under Section 4B of this Act. Provides that prior approval of a specific project approved at an election does not prohibit a city from seeking voter approval of an additional project or category of projects under this subsection to be funded from the same sales and use tax.

(2) Requires, in the election to authorize the use of the sales or use tax for a specific project or for a specific category of projects not authorized under this section, the project or category of projects to be clearly described on the ballot so that a voter will be able to discern the limits of the specific project or category of projects authorized by the proposition. Sets forth a requirement regarding ballot language.

(3) Requires the corporation to comply with the public notice and hearing requirements prescribed by Section 4B(a-1) of this Act, before an election may be held.

(4) Prohibits another election from being held on the same project or category of projects, before the first anniversary of the date of the most recent election disapproving the project or category of projects, under certain conditions.

SECTION 3. Amends Section 4B, Article 5190.6, V.T.C.S., by redesignating Subsection (a-1) as Subsection (a-3) and adding new Subsections (a-1) and (a-4), as follows:

(a-1) Sets forth provisions regarding the undertaking or spending of money to undertake a project. Sets forth related provisions regarding notice.

(a-3) Authorizes a corporation to undertake a project under this section except under certain conditions.

(a-4) Requires the municipality, before spending money to undertake a specific project or general type of project that was not authorized in a previous election, to submit to the voters for approval a ballot proposition defining the specific project or general type of projects.

SECTION 4. Amends Section 4B(c), Article 5190.6, V.T.C.S., to provide that notwithstanding any other provision of this subsection, if a city dissolves a corporation created under Section 4A of this Act and creates a corporation under this section, a person serving as a director of the corporation created under Section 4A of this Act at the time of dissolution may serve on the board of the corporation created under this section.

SECTION 5. Amends 4B, Article 5190.6, V.T.C.S., by amending Subsections (e) and (f) and adding Subsections (i-1), (i-2) and (i-3),

(e) Requires the ballot proposition at the election held to adopt the tax to clearly state that the voters are voting on the adoption of a new sales and use tax to specify the specific project or general type of project and identify the proposed use of or purpose for the tax revenue. Requires the ballot, if maintenance and operating costs are to be paid from the tax, to clearly state that fact. Deletes existing Subsection (e) regarding adoption of the tax.

(f) Sets forth provisions regarding the ballot proposition for an election to impose the tax under this section and to impose or change the rate of the additional municipal sales and use tax. Sets forth provisions regarding an election under this section.

(i-1) Sets forth provisions applicable upon a petition of 10 percent or more of the registered

voters of the city requesting an election on the dissolution of the corporation. Sets forth requirements and ballot language for the election. Sets forth provisions applicable if a majority of the voters voting approve the dissolution. Sets forth provisions applicable when the last of the obligations is satisfied. Prohibits a tax imposed under this section from being collected after a certain time.

(i-2) Sets forth authorizations regarding the calling and holding of an election on the issue of abolishing the tax imposed under this section. Sets forth ballot language. Provides that Section 321.102(a), Tax Code, applies to the abolition of a tax under this subsection. Sets forth provisions applicable if before the date of the election the corporation had issued bonds or incurred certain other obligations. Prohibits a tax imposed under this section from being collected after the last day of the first calendar quarter beginning after the date of notification to the comptroller. Makes conforming changes.

(i-3) Authorizes the city, at an election held to adopt a sales and use tax under this section, to allow the voters to vote to limit the time during which the tax may be imposed. Sets forth required language for the ballot. Sets forth a requirement for the governing body of the city. Sets forth provisions applicable if the corporation is dissolved under Subsection (i-1) of this section. Sets forth provisions regarding revenue collected under this section. Prohibits a city that has imposed a tax under this section from extending the period of the tax's imposition or from reimposing the tax except under certain conditions.

SECTION 6. Provides that an election held before the effective date of this Act to impose a sales and use tax is valid for a limited time period and the municipality may impose the tax if certain conditions are met. Makes application of this Act prospective.

SECTION 7. Provides that this Act does not affect the authority of an industrial development corporation created before the effective date of this Act to continue a project that the corporation has undertaken before the effective date of this Act.

SECTION 8. Repealer: Article 5190.6, Section 4B(n), V.T.C.S. (Development Corporation Act of 1979).

SECTION 9. Effective date: September 1, 1997.

SECTION 10. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Redesignates proposed SECTION 1 as SECTION 2. Sets forth new SECTION 1.

SECTION 2.

Redesignated from proposed SECTION 1. Amends Section 4A(s)(1), Article 5190.6, to set forth provisions regarding an available uniform election date. Requires the corporation, before an election may be held under this subsection, to comply with the public notice and hearing requirements prescribed by Section 4B(a-1) of this Act. Redesignates proposed SECTION 2 as SECTION 10.

SECTIONS 3-9.

Sets forth new text.

SECTION 10.

Redesignated from SECTION 2 without the effective date.