

BILL ANALYSIS

Senate Research Center
82R13504 ATP-D

H.B. 3302
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Economic Development
5/9/2011
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, a municipality may devote up to one-half of one percent of its two percent discretionary local sales tax to one or both of its economic development corporations, Type A or Type B, but cannot devote more than one-half of one percent of sales tax revenue to either, and may not have two corporations of one type. Type A corporations are limited to economic development projects that primarily promote new and expanded industrial and manufacturing activities. Type A corporations in small Texas municipalities have difficulty competing with Type A corporations in larger municipalities for industrial and manufacturing projects because larger municipalities have a greater sales tax base and therefore greater revenue with which to attract such projects. For many smaller municipalities this means their Type A corporations have accumulated balances for which they have no authorized use. For municipalities with populations of 7,500 or less with both Type A and Type B corporations, H.B. 3302, with the approval of the municipality's governing body, allows Type A corporations to act as Type B corporations, and undertake a wider range of civic and commercial projects. This would remedy small municipalities' problem of having Type A corporations with balances that cannot be expended due to narrow permissible application of Type A capital.

H.B. 3302 amends current law relating to the authority of certain Type A economic development corporations to undertake certain categories of projects.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter D, Chapter 504, Local Government Code, by adding Section 504.171, as follows:

Sec. 504.171. **AUTHORITY OF CERTAIN CORPORATIONS TO UNDERTAKE TYPE B PROJECTS.** (a) Provides that this section applies only to a Type A corporation the creation of which was authorized by a municipality:

- (1) that has also authorized the creation of a Type B corporation; and
- (2) that has a population of 7,500 or less.

(b) Authorizes a Type A corporation to which this section applies, notwithstanding Section 504.152 (Election to Authorize Projects Applicable to Type B Corporations), if permitted by ordinance of the authorizing municipality, to undertake any project that a Type B corporation, the creation of which was authorized by the same municipality, may undertake under Chapter 505 (Type B Corporations).

(c) Authorizes the governing body of an authorizing municipality to by ordinance revoke any authority granted to a Type A corporation under Subsection (b). Provides that revocation under this subsection does not affect the authority of a

corporation to complete a project already undertaken or the obligation to repay any debt incurred in connection with a project under Subsection (b).

SECTION 2. Effective date: upon passage or September 1, 2011.