SUBJECT: Authorizing county alliances to set up industrial development corporations

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 7 ayes — Jim Solis, Homer, Keffer, Luna, Seaman, Van de Putte, Yarbrough

0 nays

2 absent — Deshotel, McClendon

WITNESSES: For — Tom Isbell, Jones County; Howard L. Limmer; Chloanne Lindsey, Scurry County; Chris Shields, Texas Economic Development Council; Ralph W. Trevey, Commissioner Pct. 1, Scurry County; James L. Wilks, Texas Mexico and Asian Corridor Alliance; Mike Hately

Against —None

BACKGROUND: The Development Corporation Act of 1979, Art. 5190.6, VTCS, authorizes a county or municipality to form an industrial development corporation to promote business and create jobs in the community. Entities that form such a corporation have the authority to issue bonds on behalf of the corporation to fund projects to help develop industrial and manufacturing enterprises that will increase employment. The bonds are paid solely from the funds provided from project revenues.

Industrial development corporations do not have taxing authority. However, municipalities that have formed industrial development corporations are authorized to levy a 0.5 percent sales tax if it does not increase the total sales tax above 8.25 percent.

DIGEST: HB 2614 would amend the Development Corporation Act of 1979 to allow two or more counties that are adjacent, or in close proximity to each other, to create an alliance to authorize an industrial development corporation. The alliance would be considered to be a single unit

**Board of Directors.** The board of directors of such a corporation would be appointed by the commissioners courts of each county in the alliance to six-year terms. An alliance of ten or fewer counties would have a board of three members from each county. Two members from each county would be named for alliances of more than ten counties.

**Bonds.** In order to issue or refund bonds, the governing body of an industrial development corporation authorized by a county alliance would have to have a resolution approved by commissioners courts of three-fifths of the members of the county alliance.

**Distribution of earnings.** HB 2614 would authorize the board of directors to distribute any net earnings of the corporation among the counties in the alliance based on a percentage of the per capita contributions made by each county.

**Becoming a member.** HB 2614 would allow a county to become a member of an established county alliance if the alliance board approved. The county seeking membership would have to agree to abide by the alliance bylaws, pay a fee, and meet any other requirements of the board of directors.

**Dissolution of a county alliance corporation.** If a county alliance authorized the dissolution of the corporation, any remaining net assets would have to be distributed among the counties in the alliance based on the percentage of per capita contributions made by each county. This bill would not require a county alliance to dissolve if a county left the alliance, as long as at least two counties remained in the alliance.

**Leaving the alliance.** A county would be allowed to leave the alliance if all the county's obligations and entitlements related to the corporation had been settled. The departing county would be prohibited from receiving funds, assets, or property of the county alliance corporation until the corporation was dissolved. The county that departed the alliance would receive assets reduced by one percent for each year the corporation continued to operate without that county.

HB 2614 would prohibit adoption of an amendment to the articles of incorporation unless each member of the county alliance approved the change.

CSHB 2614 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

SUPPORTERS SAY:

CSHB 2614 would give counties with small populations the same ability to attract new business, create more jobs, and improve their economies as large-population counties currently enjoy. Specifically, CSHB 2614 would allow smaller counties to band together to set up an industrial development corporation.

These corporations have proved themselves to be excellent tools for economic development, successfully attracting new industries and manufacturing enterprises, as well as retaining, supporting, and promoting existing industries.

Smaller counties have fewer resources and assets and therefore less power to attract new businesses than larger ones. However, their employment needs may be even greater. By allowing counties to join together to form alliances, CSHB 2614 would create a greater pool of resources for economic development of an entire area. This especially would benefit rural counties that need to diversify their economies and may not have the population base needed to make such an effort alone.

This bill would not increase taxes for counties joining an alliance to set up an industrial development corporation. Under existing law, these corporations do not have any taxing authority. However, county alliances would had the authority to issue revenue bonds for projects winning the approval of the commissioners courts of member counties. To finance projects, counties also would be able to raise money individually from private businesses or other entities with taxing authority. Member counties could then receive revenues from a project based on their per capita contribution to the project.

This bill would give counties the option to leave an alliance at any time, as long as the county's obligations and entitlements related to the corporation have been settled. To ensure fairness to all member counties, a departing county would receive assets reduced by one percent for each year the corporation operated without that county's membership in the alliance.

OPPONENTS SAY:

No apparent opposition.

NOTES: The committee substitute contains detailed criteria for counties to join existing county alliance corporations, for counties leaving an alliance, and for board membership. It contains provisions for distribution of earnings, delivery of incorporation papers, asset distribution upon dissolution of a corporation, and a prohibition against changing articles of incorporation without approval of all counties.