

**SUBJECT:** Reducing matching funds requirements for certain counties

**COMMITTEE:** Appropriations — favorable, without amendment

**VOTE:** 16 ayes — Junell, West, Cuellar, Delisi, Eiland, Farrar, Flores, Gallego, Giddings, Gutierrez, Janek, Luna, McReynolds, Mowery, Tillery, S. Turner

0 nays

11 absent — Coleman, Glaze, Hartnett, Heflin, Hochberg, P. Moreno, Pickett, Pitts, Puente, Staples, Van de Putte

**WITNESSES:** None

**BACKGROUND:** Many state programs require local communities to contribute matching funds in order to obtain additional state funds or participate in state programs.

As part of SB 370 by Armbrister, enacted last year, the Texas Department of Transportation (TxDOT) was authorized to adjust the local matching funds requirement on a case-by-case basis for economically disadvantaged counties, defined as having below average per capita taxable property values and income and above average unemployment. TxDOT examines each political subdivision's effort and ability to meet the matching requirements. To date, TxDOT has used this authority to waive as much as 89 percent of the required level of matching funds for some disadvantaged counties.

**DIGEST:** HB 3682 would enable any state agency requiring local matching funds to waive or adjust any matching funds requirement, at its discretion, for economically disadvantaged counties. An economically disadvantaged county would be defined as having below average per capita taxable property value and income and above average unemployment.

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

**SUPPORTERS SAY:** HB 3682 would authorize, but not require, state agencies to reduce the level of matching funds that an economically disadvantaged county would need to participate in state programs, receive state grants, or qualify for additional

state spending. No agency would be required to reduce matching funds levels, but they would be able to if their resources allowed. How agencies use their discretion to waive or adjust matching funds would, as with all agency spending, be subject to oversight and review by their governing boards and the Legislature.

In many communities across the state, local economic factors severely restrict local governments' abilities to raise necessary matching funds. High unemployment, low per capita income, and small tax bases prevent these communities from competing on a level playing field for state resources. In many cases, this economic disadvantage disables communities from obtaining the infrastructure and development they need to become more self-reliant. This bill provides these communities with a better chance to lift themselves up from poor economic conditions.

Many communities, especially in the Border region, have been helped by TxDOT's reducing the matching funds requirements. The 1997 legislation giving TxDOT this authority recognized that resource needs do not necessarily coincide with the ability to partially fund those needs. More widespread adoption of this principle would help all disadvantaged areas of Texas.

OPPONENTS  
SAY:

The ability to waive local matching funds requirements should be given only to a few specified agencies, and the comptroller should be required to study the effects of reduced matching fund requirements to determine whether the policy is desirable for all state agencies. When agencies provide funds in lieu of local matching funds, then they reduce the amount of overall resources available for all the state's communities.

The purpose of matching funds is to ensure that a community prioritizes its funds to best meet its needs. There is no question that some counties are at a disadvantage when it comes to tax revenues available to match state resources and to provide services. However, HB 3682 would allow some counties to shift funds from priorities requiring matching funds to other, potentially less important activities.

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OTHER  
OPPONENTS  
SAY:

The bill should require that any adjustment to the matching funds requirement be approved by the appropriate head of the agency or its oversight commission.

NOTES:

The companion bill, SB 1383 by Shapleigh, has been referred to the Senate State Affairs Committee.