

SUBJECT: Allowing economic development corporations to fund career centers

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 5 ayes — B. Cook, Anchia, Deshotel, Kolkhorst, McCall

0 nays

2 absent — Ritter, Seaman

WITNESSES: For — Julie Fairchild, Gonzales Learning and Career Center; Carlton Schwab, Texas Economic Development Council; Jonathan Such, Gonzales Learning and Career Center and Gonzales Economic Development Corporation

Against — None

BACKGROUND: The Development Corporation Act of 1979 authorizes Texas cities to establish nonprofit industrial economic development corporations for the purpose of financing projects to develop certain businesses and promote the creation and retention of primary jobs.

The act defines an economic development project to include:

- land, buildings, equipment, facilities, expenditures, targeted infrastructure, and improvements to create or retain primary jobs;
- job training; and
- infrastructure developments, such as streets, utilities, and telecommunications improvements for the purpose of promoting certain businesses.

A primary job is defined as a job in a company of which the majority of products or services ultimately are exported to markets outside the city where the company is located. A primary job also is defined as a job that falls into one of various sectors delineated in the statute, including such industries as utilities, manufacturing, and securities.

DIGEST: CSHB 1253 would expand the definition of a “project” to include career centers not located in the taxing jurisdiction of a junior college district. Money for a career center could be spent on land, buildings, equipment, facilities, improvements, and other expenditures necessary for the center.

The 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, 2005.

SUPPORTERS SAY: CSHB 1253 would ensure that regions lacking a community college had a means of educating, training, and empowering citizens with limited education in order to improve their job prospects and to attract employers to the region.

Prior to the 78th Legislature, career and learning centers could receive funding from industrial development corporations. In 2003, HB 2912 by Homer removed these centers from the list of projects that may be funded by development corporations. This change was meant to end the practice of corporations funding libraries, which some localities had designated “learning centers” to make them eligible for funding, since libraries do not fulfill the purpose of the Development Corporation Act to promote the creation and retention of primary jobs. However, this change inadvertently prohibited development corporations from funding career centers that provide job training. This investment is critical not only to help individuals improve their job opportunities, but also to help a community create a pool of skilled labor with which to attract businesses. Community colleges typically provide these services, but many rural areas do not have a community college. HB 1253 would restore the ability of economic development corporations in these areas to address the needs of their communities by funding career centers.

OPPONENTS SAY: No apparent opposition.

NOTES: The committee substitute removed language that would have expanded the definition of a project to include learning centers.

The fiscal note for CSHB 1253 anticipates no fiscal implication to the state. However, tax-exempt industrial development corporations can lease authorized projects and remove them from the tax rolls, affecting

local tax revenues, particularly in connection with the school finance system that increases state aid as local property values decrease.