

- SUBJECT:** Establishing county development district programs to promote tourism
- COMMITTEE:** County Affairs — favorable, without amendment
- VOTE:** 6 ayes — W. Smith, Naishtat, Coleman, Farabee, Harless, Heflin
0 nays
3 absent — Bolton, Leibowitz, T. Smith
- WITNESSES:** For — Julie Houston, Winstead, P.C.; Tim McKnight, Rayzor Ranch, L.P.
Against — None
- BACKGROUND:** Local Government, ch. 383 allows the commissioners court of a county with a population of 400,000 or less, on petition of the owners of land and after conducting a public hearing, to create a county development district, which serves the public interest by promoting the economic welfare through incentives for the location and development of projects that attract visitors and tourists and that result in employment and economic activity. A district must conduct an election to confirm its creation and authorize the levy of a sales and use tax, which may be used to support revenue bonds to defray all or part of the cost of any project created by the county development district. The state currently caps local sales and use taxes at 2 percent.
- Bond proceeds collected under ch. 383 may be used to:
- pay interest on the bonds;
 - pay administrative and operating expenses;
 - create a reserve fund for the payment of principal and interest; and
 - pay expenses incurred in issuing, selling, and delivering the bonds.
- Tex. Const., Art. 3, sec. 52(a) allows the Legislature, with local voter approval, to allow the creation of programs and the making of loans and grants of public money for the public purposes of economic development, employment creation, agricultural innovation and enterprises, or transportation and commerce.

DIGEST: HB 3706 would allow a county development district to establish or administer a program to promote:

- the attraction of visitors and tourists to the district;
- employment, economic activity, and travel in the district; and
- travel by county residents within the county.

The bill would allow a district to use taxes collected for revenue bonds as allowed by Local Government, ch. 383 or to make loans or grant public money, as allowed by Tex. Const., Art. 3, sec. 52(a).

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, 2007.

SUPPORTERS
SAY:

HB 3706 bill would allow county development districts to use more tools in promoting tourism and economic development. County development districts currently may issue revenue bonds only to create programs. When issuing bonds, roughly 18 to 20 percent of the funds are lost to transaction costs. Instead, county development districts would like to make direct loans or grants to qualifying projects in order to generate economic development in the area. This bill would allow the county development districts more readily to attract private business development in newly established communities.

The bill would eliminate unfair location advantages that current development districts may have. County development districts now must use funds to attract tourists from other counties. This can prove difficult for municipalities that are in the center of more urbanized counties. The bill would allow county development districts to support economic development opportunities that could attract tourists from outside the county but would be intended predominantly for those within the district.

OPPONENTS
SAY:

No apparent opposition.