

SUBJECT: Allowing EDCs to spend tax revenue on public state college housing

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 5 ayes — Dutton, Alvarado, Anchia, Elkins, J. Rodriguez
0 nays
2 absent — Leach, Sanford

WITNESSES: For — Carl Parker, City Of Port Arthur; Dwight Wagner, Port Arthur EDC
Against — Carlton Schwab, Texas Economic Development Council

BACKGROUND: Local Government Code, ch. 501, subch. D, grants economic development corporations (EDCs), the ability to finance certain local economic development projects.

DIGEST: HB 2473 would grant EDCs the ability to spend local sales-tax revenue for the development or construction of housing facilities on or adjacent to the campuses of public state colleges (Lamar State College - Orange, Lamar State College - Port Arthur, or the Lamar Institution of Technology).

This 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, 2013.

SUPPORTERS SAY: HB 2473 would allow EDCs to spend local sales-tax revenue on housing facilities on or adjacent to university and college campuses. These housing facilities would strengthen local institutions of higher education, which are proven public and private sector job creators. These new jobs would help revitalize surrounding areas.

It would be appropriate to allow EDCs to use tax funds to strengthen the Lamar State Colleges in Orange and Port Arthur and the Lamar Institute of Technology because these schools do an excellent job of improving the technical and industrial skills of the local workforce. These improvements

would have a multiplier effect on the local economy, fulfilling the charge EDCs have to grow the local economy.

HB 2473 would not start a slippery slope because every expansion of the economic development laws would need legislative approval. If a proposed expansion were inappropriate, the legislature could reject it.

The bill would not require EDCs to fund college dormitories. It only would grant them the flexibility to do so where the economic return made sense.

According to the fiscal note, the bill would have no effect on the state budget.

**OPPONENTS
SAY:**

The Legislature should not use EDCs to fund projects or industries that have historically had their own funding mechanisms. Higher education institutions have multiple funding sources, including taxes, tuition, and tuition-revenue bonds. EDC funds should be reserved for those projects in which the state and local governments have no other way to make needed investments.

It would be inappropriate to create specific carve outs in economic development law because they place some Texas localities on an unequal footing with others. It is much better to have robust, generally applicable economic development laws that allow all of Texas to better compete globally and with other states.

A specific carve out for college dorms for the Lamar college system could create a slippery slope leading to approval by future legislatures of the same authority for similar projects at other colleges and universities. This only would reduce already limited funds for other deserving projects.