

SUBJECT: Allowing the use of MDD project funds outside a district

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 7 ayes — Cortez, Holland, Bernal, Campos, Gates, Jarvis Johnson, Morales Shaw

1 nay — Slaton

1 absent — Minjarez

WITNESSES: For — Ray Tipton, Brownwood Municipal Development District; Ken Becker, Sweetwater Economic Development MDD; (*Registered, but did not testify*: Steve Edwards, 3M; Will McAdams, Associated Builders and Contractors of Texas; Joe Morris, Brown County Legislative Committee; Carlton Schwab, Texas Economic Development Council; Daniel Hutson)

Against — None

On — (*Registered, but did not testify*: Leslie Brock, Office of Attorney General)

DIGEST: HB 1554 would allow a municipal development district (MDD) to use money in a development project fund to pay costs related to a development project outside the district if the board determined that the project would provide an economic benefit to the district and the project was approved by, as applicable:

- the municipality that created the district;
- each municipality in whose corporate limits or extra-territorial jurisdiction (ETJ) the project was located; and
- the commissioners court of the county in which the project was located, if the project was not located in a municipality or its ETJ.

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, 2021.

**SUPPORTERS
SAY:**

HB 1554 would encourage economic development, especially in rural areas of the state, by allowing a municipal development district (MDD) to develop projects outside of the district under certain circumstances. Many larger companies in rural Texas are outside the boundaries of any MDD, and under current law MDDs would not be able to develop projects related to such companies regardless of the positive return on investment and economic revitalization they might provide. HB 1554 would free MDDs to pursue projects outside their boundaries while guaranteeing public involvement, transparency, and approval by local elected officials who could be held accountable by voters.

HB 1554 would simply provide a permissive tool for economic development programs that already exist in statute. Additionally, the bill would not enable an MDD to expand its taxing authority. Allowing an MDD to incentivize industries' continued development in a region would provide a major public benefit to citizens of the area.

**CRITICS
SAY:**

HB 1554 would expand the scope of taxpayer-funded development projects, which would not be an appropriate government activity.

NOTES:

The author plans to offer a floor amendment that would require MDD projects outside the district to be located in the ETJ of the municipality that created the district and would remove references to approval by the commissioners court of the county for MDD projects not located in a municipality or its ETJ.