

## **BILL ANALYSIS**

Senate Research Center

H.B. 3029  
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Economic Development  
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Engrossed

### **DIGEST**

The sales tax for economic development has been an effective tool used by cities throughout the state to promote economic development. Although authorization for the local option tax has been in effect only since 1989, over 378 cities have levied an economic development sales tax. The cities that have voted to adopt this tax have cumulatively raised in excess of \$200 million annually, which is dedicated to the promotion of local economic development. The purpose of this bill is to clarify and strengthen the Development Corporation Act of 1979. H.B. 3029 redefines "project" to include targeted infrastructure and improvements to promote new and expanded business development, job creation and retention, job training, and educational facilities. This bill provides that the costs of a publicly owned and operated project that is purchased or constructed under this section include the maintenance and operating costs of the project. This bill allows the public to petition for the dissolution of, reduction in, or increase in the rate of a sales and use tax. This bill also exempts the projects from property taxation by local tax units.

### **PURPOSE**

As proposed, H.B. 3029 relates to certain industrial development corporations, projects of industrial development corporations, and the taxes levied for projects.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the board of directors of a corporation created by an eligible county in SECTION 6 (Section 4E(g) and (h), Article 5190.6, V.T.C.S.) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 2(10), Article 5190.6, V.T.C.S., to redefine "project."

SECTION 2. Amends Section 4A, Article 5190.6, V.T.C.S., by adding Subsection (c-1), to provide that the costs of a publicly owned and operated project that is purchased or constructed under this section include the maintenance and operating costs of the project. Authorizes the proceeds of taxes imposed under this section to be used to pay the maintenance and operating costs of a project, unless within 60 days of the date notice of this specific use of the tax proceeds is first published, the governing body of a city receives a petition from more than 10 percent of the registered voters of the city requesting that an election be held before the tax proceeds may be used to pay the maintenance and operating costs of a project.

SECTION 3. Amends Section 4B(a)(1), Article 5190.6, V.T.C.S., to redefine "eligible city."

SECTION 4. Amends Section 4B, Article 5190.6, V.T.C.S., by adding Subsection (e-1) and amending Subsection (i), to provide that in a city in which a sales and use tax for the benefit of a corporation has been imposed under this section, in the same manner and by the same procedure, the city by majority vote of the qualified voters of the city voting at an election called and held for the purpose, is authorized to reduce or increase the tax. Authorizes the rate to be reduced in one or more increments of one-eighth of one percent to a minimum of one-eighth of one percent or increased in one or more increments of one-eighth of one percent to a maximum of one-half of one percent. Requires the governing body of the city, on petition of 10 percent or more of the registered voters of the city requesting an election on the increase or reduction of the tax under this section, to order an election on the issue. Requires the ballot, in an election to increase or reduce the tax under this section, to be printed to provide for voting for or against the proposition. Sets forth the specific language to be placed on the ballot. Requires the governing body, on petition of 10 percent or more of the registered voters of the city requesting an election on the dissolution of the corporation, to order an election on the issue at the next available uniform election date that is within

45 days of the date on which the petition is filed. Requires the election to be conducted according to the applicable provisions of the Election Code. Sets forth the required text and format of the ballot. Requires the corporation, if a majority of voters voting on the issue approve the dissolution, to continue operations only as necessary to pay the principal of and interest on its bonds and to meet obligations incurred before the date of the election and, to the extent practicable, to dispose of its assets and apply the proceeds to satisfy those obligations. Requires any remaining assets of the corporation, when the last of the obligations is satisfied, to be transferred to the city, and provides that the corporation is dissolved. Prohibits a tax, rather than a sales and use tax, imposed under this section from being collected after the last day of the first calendar quarter beginning, rather than occurring, after notification to the comptroller by the corporation that the last of its obligations is satisfied. Deletes text providing that certain bonds and obligations have been set aside in a trust account dedicated to the payment of the bonds and other obligations.

SECTION 5. Amends Article 5190.6, V.T.C.S., by adding Section 4D, as follows:

Sec. 4D. Provides that the legislature finds for all constitutional and statutory purposes that projects are owned, used, and held for public purposes for and on behalf of the eligible city incorporating the corporation, and that Section 23(b) of this article and Section 25.07(a), Tax Code, are not applicable to leasehold or other possessory interests granted by the corporation during the period projects are owned by the corporation on behalf of the eligible city. Exempts projects from taxation under Section 11.11, Tax Code, for that period.

SECTION 6. Amends Article 5190.6, V.T.C.S., by adding Section 4E, as follows:

Sec. 4E. DEVELOPMENT CORPORATION FOR SPACEPORT FACILITIES. Defines “eligible entity,” “project,” “spacecraft,” and “spaceport.” Authorizes an eligible entity to create a corporation under this Act by this section (corporation). Sets forth powers of the corporation. Provides that this section prevails over other sections and provisions of this Act. Sets forth required and authorized language of the articles of incorporation of the corporation. Sets forth actions the corporation is authorized to undertake. Prohibits a corporation from issuing bonds or acquiring property unless a site in the territory of the eligible entity that established the corporation has been designated as the site for a spaceport. Requires a corporation to obtain a resolution approving a proposed condemnation from the governing body of a county or municipality in which the property is located, before exercising the power of eminent domain. Provides that the territory in the extraterritorial jurisdiction of a municipality is considered to be in the jurisdiction of the municipality. Provides that the exercise of the power of eminent domain by the corporation is governed by Chapter 21, Property Code. Sets forth provisions regarding contracts and agreements a corporation is authorized to enter. Provides that a corporation is governed by a board of seven directors (board). Sets forth provisions regarding the appointment of members to the board, terms of office, and meeting requirements. Authorizes the board, by rule, to provide for the election of certain officers. Authorizes a board, by rule, to develop a plan for higher education courses and degree programs to be offered at or near a spaceport, which must be related to the purposes of this chapter. Requires the Texas Aerospace Commission and the Texas Higher Education Coordinating Board to cooperate with and advise a board in carrying out this section. Authorizes a corporation to impose a charge for using a spaceport or a service the corporation provides; issue a bond; borrow money; loan money to fund a spaceport or a service provided by the ; and invest money under its control. Exempts a corporations’ property, income, and operation from certain taxes. Requires a corporation to make a payment to each political subdivision of the state in an amount equal to the ad valorem taxes that would be paid on the land of the corporation if the land were privately owned. Exempts certain property from taxes. Authorizes a corporation to issue bonds that are not an obligation or a pledge of the faith and credit of the state or certain other entities. Sets forth requirements regarding bonds issued under this section. Provides that Section 24 of this Act does not apply to a corporation.

SECTION 7. Amends Article 5190.6, V.T.C.S., by adding Section 30A, as follows:

Sec. 30A. Defines “defense base development corporation.” Specifies acts of a defense base development corporation that are validated and confirmed as of the date they occur. Sets forth acts, proceedings, and elections to which this section does not apply.

SECTION 8. Effective date: September 1, 1999.

SECTION 9. Emergency clause.

