

## **Caps Will Affect Economic Development**

**Funding for Economic Development Activities** – Chapter 381 of the Local Government Code authorizes counties to provide funding for economic development efforts by paying the expenses of county industrial commissions and county boards of development. Typically, these monies are provided through property taxes. Since state law mandates that counties pay to operate the courts, jails and other specific core services, additional revenue to pay for discretionary services such as private sector-oriented economic development programs would be difficult to find.

**Future Use of Tax Abatements and Tax Increment Financing Programs** – Since the 1980s, many counties and cities have joined together to offer tax incentives for economic development. Professionals in the business of attracting new business developments report that the offering of tax abatements indicates that a community is an aggressive player when it comes to attracting business. If abatements are not “on the table,” the community is scratched off the list of eligible locations at an early stage in the search process. Experiences in other states that have adopted the inflexible cap restrictions indicate that, as time passes, only the most necessary and required government programs are continued. If there is little tax revenue, there is little leeway to offer business incentives that stimulate job creation.

**Development of Community Infrastructure/Amenities that Enhance the Community’s Desirability** – Economically healthy communities are a result of fundamentally solid infrastructure, including major thoroughfares, convention/meeting facilities, parks, libraries and community development programs. Many of these amenities are directly financed from the county general fund. Development of new state highways, bridges and farm-to-market roads, for example, requires major investments by the county to purchase rights-of-way. Adequate road funding by the county, however, is not mandated by statute or the Texas Constitution. Similarly, as priorities are established, programs that make a community more livable often lose out to those mandated responsibilities that *must* be accomplished. As circumstances drive up the cost of state-mandated services, discretionary programs will be funded less or eliminated.