

Caps Will Hurt 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, jail and other specific core services, additional revenues to pay for 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 in the business of attracting business. If abatements are not “on the table,” the community is scratched off the list of eligible plant 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 to offer as incentives.

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, among others. Many of these are directly financed from the county general fund. Development of new state highways, bridges and farm-to-market roads, for example, require major investments by the county to purchase rights-of-way. Adequate road funding by the county, however, is not mandated by statutes or the State 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 ongoing events require the county's state-mandated services to cost more – with little statutory room for revenue growth – discretionary programs will be funded less or eliminated.