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PATRICIA GRAY  
STATE REPRESENTATIVE  
DISTRICT 23

RQ-0045 JC  
FILE # ML-40735-99  
I.D. # 40735

March 18, 1999

COMMITTEES:  
PUBLIC HEALTH, CHAIR  
CORRECTIONS  
SUNSET COMMISSION, VICE CHAIR

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MAR 22 1999

ATTORNEY GENERAL'S OFFICE  
*Elizabeth Robinson - 024*

The Honorable John Cornyn  
The Attorney General of Texas  
PO Box 12548  
Austin, Texas 78711  
Attention: Ms. Elizabeth Robinson

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MAR 22 1999

Opinion Committee

RE: REQUEST FOR ATTORNEY GENERAL'S OPINION REGARDING 4B  
CORPORATIONS

Dear Attorney General Cornyn:

As the State Representative for the area encompassing the City of League City, Texas, and Chairman of the House Committee on Public Health, I have been asked to seek the opinion of your office regarding Section 4B of the Development Corporation Act of 1979.

In May of 1994, the voters of League City approved a proposition to adopt a 1/4 cent sales tax increase to fund a 4B corporation for the purpose of building a youth sports complex. Recently, questions and concerns have risen from 4B board members and citizens regarding the allocation of funds, cost overruns and the transfer of portions of land purchased by the 4B corporation.

On February 12, 1997, a special joint meeting of the 4B and the League City City Council was held to address some of these problems. At that meeting the 4B board president indicated that the 4B corporation was \$250,000-500,000 short of funds to complete the sports complex. Additionally, at the meeting the 4B attorney expressed his opinion that the 4B did not fall under the laws and rules governing "political subdivisions". Also, the minutes reflect an earnest money contract that had been received by the 4B to sell 3.5 acres of land, originally dedicated to the sports complex, to an adjacent car dealership. It is also unknown whether the 4B corporation advertised the property for sale, took bids, or had the sale of the land approved by the 4B board or the League City City Council.

Attorney General John Cornyn

March 18, 1999

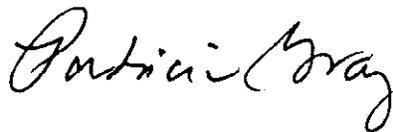
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In short, I am requesting your opinion on these five issues:

1. Whether or not a 4B corporation is subject to the laws and regulations of a governmental agency/political subdivision (as the 4B uses "public funds")?
2. Was the 4B within the law to sell the 3.5 acres without board approval or any public notice?
3. Can the City of League City give money to the 4B to cover shortfalls of 4B expenditures?
4. Can the 4B deed property to the city without compensation and, if so, can it include a reverter clause to deed it back to the 4B to use for collateral for future projects through an "interlocal agreement"?
5. Can the city extend city services (engineering, accounting, etc) to the 4B without reimbursement? Are these services considered things of value?

This opinion request was originally submitted by Senator Patterson, but was withdrawn by Senator Truan. The issue affects my district and Senator Patterson's former district. If you have any questions, or need further clarification, please do not hesitate to contact me or my office.

Sincerely,



Patricia Gray

PG/chk

encl.