

- SUBJECT:** Changing certain requirements of the Texas Enterprise Zone Program
- COMMITTEE:** Economic and Small Business Development — favorable, without amendment
- VOTE:** 9 ayes — Button, Johnson, C. Anderson, Faircloth, Isaac, Metcalf, E. Rodriguez, Villalba, Vo
- 0 nays
- SENATE VOTE:** On final passage, April 14 — 31-0
- WITNESSES:** For — Brandon Aghamalian, City of Corpus Christi; (*Registered, but did not testify*: Ramiro Garza, City of Edinburg; Keith Patridge, McAllen Economic Development Corp.; Nelda Olivo, Port of Corpus Christi; Adina Christian, Ryan LLC; Fred Shannon, Texas Association of Manufacturers)
- Against — None
- BACKGROUND:** The Texas Enterprise Zone Program is a program administered by the Texas Economic Development Bank. The enterprise zone program was created to encourage local communities to partner with the state in job-creation efforts and capital investment, particularly in economically distressed areas of the state.
- Under the program, communities can nominate a company as an enterprise project. Designated projects may apply for a refund of state sales-and-use taxes paid on expenditures at the qualified business site. The amount of the refund is related to capital investment and jobs retained or created at the qualified business site. The largest enterprise projects are designated as double and triple jumbo projects.
- DIGEST:** SB 100 would make various changes to the Texas Enterprise Zone Program, including placing limits on benefits to enterprise projects designed to retain, rather than create, jobs.

The bill would amend certain requirements related to project eligibility for various designations and benefits. Projects designed to retain jobs could receive a maximum refund of \$1.25 million, whereas current law allows certain projects designed to retain jobs to receive a maximum refund of \$3.75 million. Projects could be designated as double jumbo and triple jumbo only if they created new permanent jobs. Approved enterprise projects no longer would be eligible to receive a franchise tax credit.

The bill also would allow a project designation to be split into two half designations. A half designation would use one-half of one of the enterprise project designations allowed to a nominating body and to the bank. A project that received a half-designation, referred to as a “half enterprise project,” could receive a maximum refund not to exceed \$125,000 in each state fiscal year.

Besides residents of an enterprise zone or economically disadvantaged individuals, military veterans would be among those of whom a business could commit to hiring a certain percentage to become qualified to receive benefits from the program. The bill also would amend the definition of “qualified employee” under the program to include transportation workers who resided within 50 miles of and reported to the business site.

The bill would remove the requirement that a county must have a population greater than 1 million in order to nominate a business for designation as an enterprise project. Before a county could make a nomination, the county that made a request to the program would have to enter into an interlocal agreement with the municipality that had jurisdiction of the territory in which the project would be located. The agreement would have to state whether the county or the municipality had administrative authority over the project and that both the nominating county and municipality had to approve the nomination.

This bill would take effect September 1, 2015, and would apply only to the designations of an enterprise project or an application for a designation of an enterprise project made on or after that date.

**SUPPORTERS
SAY:**

SB 100 would help grow the Texas economy by shifting the focus of the enterprise zone program from retaining jobs to creating new jobs. Currently, most of the program benefits are directed toward job retention instead of job creation. This bill would help expand the workforce, which would benefit economically distressed areas by increasing employment. It also would increase access to gainful employment among veterans by including them in the objectives of the program.

The bill would promote flexibility and collaboration between counties and municipalities by requiring nominating counties to seek interlocal agreements with municipalities that would be affected by the project or activity. During the implementation of a project, disagreements can arise between cities and counties. This bill would help address that issue.

**OPPONENTS
SAY:**

SB 100 could distort the free market by favoring some businesses over others. Small businesses already face difficulty competing in the market. When the government props up big companies with grants and incentives, other businesses have trouble competing. Texas should focus on creating a low-tax environment with a limited government that treats all businesses the same.