

SUBJECT: Extending the Texas Economic Development Act (Ch. 313) for two years

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 10 ayes — Meyer, Thierry, Button, Cole, Guerra, Martinez Fischer,
Murphy, Rodriguez, Sanford, Shine

1 nay — Noble

WITNESSES: For — Shelly Leung, Powell Law Group; Hector Rivero, Texas Chemical Council; (*Registered, but did not testify*: Jeffrey Clark, Advanced Power Alliance; James LeBas, AECT and TXOGA; Kara Mayfield, Association of Rural Communities in Texas; Dana Harris, Austin Chamber of Commerce, Texas 2050 Coalition, and Metro 8 Chambers of Commerce; Martha Landwehr, BASF Corporation; Price Ashley, Cheniere Energy, Inc.; Guadalupe Cuellar, City of El Paso; David Parker, Coalition of East Tarrant Chambers; Charles Reed, Dallas County Commissioners Court; Matt Garcia, Dallas Regional Chamber; Eric Wright, EDPR Renewables and Orsted; Mike Meroney, Enel North America; Logan Spence, Engie N.A.; Lauren Spreen, Enterprise Products Partners LP; Daniel Casey, Moak, Casey, and Associates; Jennifer Rodriguez, North Texas Commission; Eric Blackwell, NRG; Julie Moore, Occidental Petroleum; Matt Grabner, Ryan, LLC; Grover Campbell, TASB; Carrie Simmons, Texas Advanced Energy Business Alliance; Megan Herring, Texas Association of Business; Wroe Jackson, Texas Association of Manufacturers; Colby Nichols, Texas Association of School Administrators; Carlton Schwab, Texas Economic Development Council; Ryan Paylor, Texas Independent Producers and Royalty Owners Association; Julia Parenteau, Texas Realtors; Christy Rome, Texas School Coalition; Craig Eiland, Texas Schools for Economic Development; Taylor Sims, Texas Solar Power Association; Dale Craymer, Texas Taxpayers and Research Association; Tyler Schroeder, The Boeing Company; Julie Campbell)

Against — Dick Lavine, Every Texan; Carine Martinez, Texas Public Policy Foundation; (*Registered, but did not testify*: Minerva Camarena

Skeith, Central Texas Interfaith; Rene Lara, Texas AFL-CIO; Laura Atlas Kravitz, Texas State Teachers Association; Patty Quinzi, TX American Federation of Teachers)

On — (*Registered, but did not testify*: Robert Wood, Comptroller of Public Accounts)

BACKGROUND: Tax Code ch. 313, the Texas Economic Development Act, authorizes school districts to agree to temporary abatements, or limitations, of property tax in exchange for businesses using property in the district for certain projects, including manufacturing, research and development, energy projects, computer centers, and projects on which the business has committed to expend or allocate a qualified investment of more than \$1 billion, known as a "Texas priority project."

The chapter expires December 31, 2022.

DIGEST: HB 4242 would extend the Texas Economic Development Act through December 31, 2024.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2021.

SUPPORTERS SAY: HB 4242 would allow school districts across the state to continue to use a tool that has proved successful in attracting large-scale capital investment to Texas. In exchange for a temporary abatement of school property taxes, companies agree to build new facilities in the school district. These investments result in more jobs in the state and benefits to the economy. During the term of the abatement, any pre-existing property and inventory would still be subject to property tax. When the abatement ends, new facilities would be taxed at full value, meaning that states would have to pay less aid to these districts. Chapter 313 agreements both expand and promote the long-term stability of school districts' tax base by attracting investments that otherwise would not have come to the state.

They provide a counterweight to the relatively high property taxes that businesses face when considering making an investment in Texas. Other states offer tax abatements to recruit businesses, and discontinuing the program would leave Texas at a competitive disadvantage. In many cases, businesses would not have invested in projects in Texas without these abatements. Chapter 313 agreements allow projects in Texas to get closer to the national average for property taxes. By renewing chapter 313 for two years this session, CSHB 4242 would provide businesses currently considering an investment in a project in Texas with more certainty and would give the Legislature the opportunity to continue the conversation on potential reforms to the program.

CRITICS
SAY:

CSHB 4242 would extend an unnecessary program that places a strain on the state budget. The state pays school districts for any school taxes relinquished due to these abatements, leading to less money going toward other budgetary needs and increased inequality among school districts. Abatement is largely unnecessary, as many of the businesses that have entered into chapter 313 agreements would have located to Texas even without the abatement. Many of the projects that have applied for chapter 313 agreements are dependent on the geography and resources of Texas. The Legislature should end the program rather than extending it for another two years.

OTHER
CRITICS
SAY:

The Legislature should provide vital reforms to chapter 313 this session, while extending the program. Chapter 313 is an important economic development program but should be amended to streamline the process and remove certain outdated payment practices in current agreements that allow school districts to receive funds that are not counted towards school finance formulas, leading to unbalanced education funding.

NOTES:

According to the Legislative Budget Board, the bill would have no impact through fiscal 2023 but would have a negative impact to the Foundation School Program of about \$857,000 starting in fiscal 2025, gradually increasing to \$98.5 million in fiscal 2031.