

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 4525
By: Parker et al. (Ellis)
Economic Development
5/25/2009
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The most recent national jobless rate is at 8.9 percent—the highest since 1983—and is expected to continue rising. The United States has lost more than four million manufacturing jobs since 2000—almost 17 percent of all manufacturing jobs in this country. More than 80 percent of manufacturers are having difficulty finding qualified employees. Entry-level jobs in manufacturing increasingly require more sophisticated skills, education, and training due to technological advances.

Between 2001 and 2007 (before the recession began), Texas lost 202,900 manufacturing jobs, more than any other state except California. Since 1999, 40,000 manufacturing facilities have closed, with resulting job losses hitting minorities, the south, and rural areas the hardest. Manufacturing is a big part of the Texas economy—in 2007, goods manufactured in Texas constituted 94 percent of the state's merchandise exports. The leading Texas manufacturing industries, all of which require a well-trained workforce, are chemicals, computer and electronic products, petroleum and coal products, machinery, fabricated metals, nonmetallic mineral products, transportation equipment, plastics and rubber products, and motor vehicles and parts.

This bill addresses the loss of jobs generally and manufacturing jobs specifically in Texas. Additionally, manufacturing as defined by the bill includes the production of electricity. Generating plants meeting the requirements of the bill will assist with developing the domestic energy production and consequently contribute to U.S. energy security.

C.S.H.B. 4525 seeks to incentivize the manufacturing industry to create new positions and further train its workforce by offering qualified manufacturing projects a refund on half of the additional state sales tax revenue that a qualified manufacturing project brings to its region. This refund, which is capped at the lesser of \$50 million or five percent of the amount the qualified manufacturing project invests in the facility, will be invested in workforce development.

C.S.H.B. 4525 relates to qualified manufacturing project zones.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 2 (Section 399.008, Local Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Sets forth the findings of the legislature.

SECTION 2. Amends Subtitle C, Title 12, Local Government Code, by adding Chapter 399, as follows:

CHAPTER 399. QUALIFIED MANUFACTURING PROJECT ZONES

Sec. 399.001. DEFINITIONS. Defines "qualified manufacturing project" and "waste recycling."

Sec. 399.002. DATE OF QUALIFICATION. Provides that a proposed facility becomes a qualified manufacturing project on the date the owner of the facility files an election to

become a qualified manufacturing project with the comptroller of public accounts (comptroller).

Sec. 399.003. ECONOMIC IMPACT STUDY. (a) Requires the owner of a qualified manufacturing project to conduct an economic impact study of the county in which the qualified manufacturing project is located and submit the study to the comptroller for certification not later than the 120th day after the date the owner files an election for that designation under Section 399.002.

(b) Requires that the economic impact study provide an estimate of:

- (1) the general economic impact likely to occur in the county as a result of the qualified manufacturing project;
- (2) the anticipated amount of increase in the tax receipts to this state from the taxes imposed under Chapter 151 (Limited Sales, Excise, and Use Tax), Tax Code, that will occur in the county during the period that the qualified manufacturing project zone is designated and is directly attributable to the economic impact from the design, construction, or operation of the qualified manufacturing project;
- (3) the projected number of full-time equivalent employment positions likely to be available at the qualified manufacturing project; and
- (4) the investment projected to be made at the qualified manufacturing project.

Sec. 399.004. COMPTROLLER CERTIFICATION OF ECONOMIC IMPACT STUDY. (a) Requires the comptroller, not later than the 30th day after receiving the economic impact study from an owner of a qualified manufacturing project, to certify the study if the comptroller determines that the study accurately estimates the information required by Sections 399.003(b)(2)-(4), or the study was conducted by an independent third party, was conducted using generally accepted economic impact forecasting methods to estimate the information required by Section 399.003(b), and contains the information required by Section 399.003(b).

(b) Requires the comptroller, if the comptroller determines that the economic impact study submitted by the owner of the qualified manufacturing project does not meet the requirements of Subsection (a)(1) (relating to the accurate estimate of certain information) or (2) (relating to certain requirements for the study), as applicable, not later than the 30th day after the date of receiving the study, to submit a preliminary determination to the owner of the qualified manufacturing project and provide the owner of the qualified manufacturing project with an opportunity to respond or submit a new or amended economic impact study to the comptroller.

Sec. 399.005. QUALIFIED MANUFACTURING PROJECT ZONE. (a) Authorizes the owner of a qualified manufacturing project for which the comptroller has certified an economic impact study in accordance with Section 399.004 to apply to the comptroller for designation of the county in which the project is located as a qualified manufacturing project zone. Requires the comptroller, subject to Subsections (b) and (c), to approve the application on a determination that the qualified manufacturing project is the first facility in the county to apply for the designation. Provides that the designation takes effect on September 1 after the date of approval of an application for designation of the county as a qualified manufacturing project zone.

(b) Authorizes only one qualified manufacturing project that is in a qualified manufacturing project zone to qualify for benefits under this chapter at any one time.

(c) Requires the comptroller, if more than one qualified manufacturing project applies for zone designation from a single county within a calendar month, to approve the qualified application with the most investment in the proposed new or expanded facility, as determined by the economic impact study certified under Section 399.004.

(d) Provides that a qualified manufacturing project zone designation for a qualified manufacturing project remains in effect until the expiration of any tax limitations, credits, abatements, or other benefits under an agreement entered into under Chapter 312 (Property Redevelopment and Tax Abatement Act) or 313 (Texas Economic Development Act), Tax Code, for the qualified manufacturing project.

Sec. 399.006. ANNUAL CERTIFICATION. (a) Requires the owner of a qualified manufacturing project in a qualified manufacturing project zone, to receive state benefits under this chapter, to submit the report required by Subsection (b) and make a certain applicable annual certifications to the comptroller, as of the last day of the state fiscal year for each year of the zone's designation.

(b) Requires the owner of a qualified manufacturing project, at the time the applicable certification required under Subsection (a) is submitted, to also submit an annual report to the comptroller that contains a summary of wages, salaries, and health care benefits associated with the jobs created by the qualified manufacturing project.

(c) Provides that if the owner of a qualified manufacturing project fails to make the applicable certification required under Subsection (a) and submit the report required by Subsection (b), the owner forfeits the right to receive future state benefits under this chapter and is required to pay to the comptroller, not later than the 60th calendar day after the date the certification is due, the entire amount of all refunds previously received as provided by this chapter.

(d) Defines "commercial operation."

Sec. 399.007. STATE BENEFITS. Provides that the owner of a qualified manufacturing project in a qualified manufacturing project zone, subject to Section 399.006, is eligible for a refund of state sales and use taxes as provided by Section 151.4292, Tax Code.

Sec. 399.008. COMPTROLLER DUTIES. Requires the comptroller to adopt rules and forms necessary to perform the comptroller's duties under this chapter.

SECTION 3. Amends Subchapter I, Chapter 151, Tax Code, by adding Section 151.4292, as follows:

Sec. 151.4292. TAX REFUNDS FOR QUALIFIED MANUFACTURING PROJECTS.

(a) Defines "additional sales and use tax," "manufacturing workforce development," "qualified manufacturing project," and "sales tax base."

(b) Entitles the owner of a qualified manufacturing project in a qualified manufacturing project zone to receive a payment of a refund of 50 percent of the additional sales and use tax for the preceding state fiscal year provided the owner has made the applicable employment certification to the comptroller required under Section 399.006, Local Government Code, and submits the report required under that section. Prohibits a refund from being made under this subsection for any sales and use taxes paid before the date an application for designation of a qualified manufacturing project zone is provided for the project. Requires the comptroller, for the duration of a qualified manufacturing project zone designation for a qualified manufacturing project, but not to exceed 10 years, to pay the refund not later than the 60th day after the later of the date of receipt of the employment certification or the last day of the state fiscal year.

(c) Provides that the total amount of refunds that a qualified manufacturing project may receive over the course of the designation of the county in which it is located as a qualified manufacturing project zone is prohibited from exceeding an amount equal to the lesser of \$50 million or five percent of the qualified manufacturing project's investments in the facility under Chapter 399, Local Government Code.

(d) Requires that a refund received under this section, subject to Subsection (f), be used to pay for or to refund eligible expenses incurred before or after designation of the county in which the project is located as a qualified manufacturing project zone for manufacturing workforce development for the project.

(e) Provides that if the owner of a qualified manufacturing project fails to make the applicable certification and submit the report required by Section 399.006, Local Government Code, the owner forfeits the right to receive all future benefits under this section and is required to pay to the comptroller, not later than the 60th calendar day after the date the certification is due, the entire amount of all refunds previously received under this section.

(f) Requires that at least 10 percent of the amount received as a refund under this section in each state fiscal year be expended for job skills training programs that serve persons who are unemployed or whose incomes are at or below 200 percent of the federal poverty level.

SECTION 4. Effective date: upon passage or September 1, 2009.