

SUBJECT: Increasing the number of enterprise projects allowed in enterprise zones

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 6 ayes — Solis, Deshotel, Homer, Luna, Seaman, Yarbrough

0 nays

3 absent — Keffer, Clark, McClendon

WITNESSES: For — Hammond Perot, City of Dallas

Against — None

BACKGROUND: The Texas Enterprise Zone Act (Government Code, chapter 2303) authorizes the creation of enterprise zones in economically distressed areas to encourage private investment. To be eligible to receive the designation, areas must meet specific criteria for unemployment rates, income levels, and population or job loss rates. Cities and counties may nominate up to three areas for designation by the Texas Department of Economic Development (TDED). The governing board of the enterprise zone is the governing board of the municipality.

An enterprise zone may nominate a business to TDED for designation as an enterprise project. To be eligible as an enterprise project, a business must locate in an enterprise zone and commit to hiring at least 25 percent of its new employees from among zone residents or economically disadvantaged people. Enterprise projects may receive rebates on state sales taxes equaling \$2,000 per job created for five years, up to a maximum of \$250,000 per year, as well as a franchise tax reduction. The municipality also must offer other incentives, such as tax abatements, fee waivers, and expedited permitting.

By law, TDED may designate up to 65 businesses as enterprise projects in any biennium. Regulations in the Texas Administrative Code limit each enterprise zone's governing body to four enterprise projects in any enterprise zone within its jurisdictions.

DIGEST: CSHB 820 would increase from 65 to 85 the number of businesses that TDED could designate as enterprise projects during any biennium. The bill would limit the number of businesses that TDED could designate as projects in any one enterprise zone to four for cities with a population of fewer than 250,000 and to six for cities with a population of 250,000 or more.

The bill would take effect September 1, 2001.

SUPPORTERS SAY: CSHB 820 would promote greater economic development in economically distressed areas by increasing the number of enterprise projects that TDED could designate during any biennium. Such businesses revitalize these areas and improve the quality of life for zone residents through their commitments to locate in these zones and to hire at least 25 percent of their new employees from zone residents or economically disadvantaged people. Since inception of this program in the late 1980s, enterprise projects have created more than 82,000 new jobs and have invested \$9.9 billion in capital in these zones.

A floor amendment would limit the number of businesses that TDED could designate as projects in any city, rather than in any one enterprise zone, to four for cities with a population of fewer than 250,000 and to six for cities with a population of 250,000 or more. This change would codify the current administrative rule. Larger cities need these extra projects to create jobs for their larger populations who live in economically distressed areas.

The bill would not result in fewer projects being available to cities with populations below 250,000, since it would increase the total number of projects that TDED could designate per biennium. Although cities now may qualify for two “bonus” projects, few cities with fewer than 250,000 residents have reached the four-project limit, and none has used a bonus project. To date, only Dallas and El Paso have qualified for and used a bonus project.

OPPONENTS SAY: CSHB 820 would remove the opportunity for a city with fewer than 250,000 residents to receive additional projects, potentially resulting in fewer projects in these cities. Although these cities now are limited to four projects each,

they can receive two bonus projects based on a competitive scoring process, and several smaller cities have qualified for these bonus projects.

NOTES:

The committee substitute removed provisions in the original bill that would have prohibited TDED from designating more than three areas as enterprise zones in a city or county, except for cities with a population of 250,000 or more. The substitute added provisions increasing the number of businesses that TDED could designate as enterprise projects in any biennium and setting a maximum number of projects for any single enterprise zone.

The author intends to offer a floor amendment that would limit the number of businesses that TDED could designate as projects in any city, rather than in any one enterprise zone, to four for cities with a population of fewer than 250,000 and to six for cities with a population of 250,000 or more.