HOUSE RESEARCH ORGANIZATION bill analysis | 4/25/2007 | HB 1470 Eissler, Swinford (CSHB 1470 by Bonnen)

SUBJECT: Economic Development Act continuation and comptroller evaluation

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 5 ayes — Keffer, Ritter, Otto, Bonnen, Pena

0 nays

4 absent — Y. Davis, Flores, Paxton, Pitts

WITNESSES: For — Lynn M. Moak; (*Registered, but did not testify*: Brandon Aghamalian, Eastman Chemical Corporation; Dale K. Craymer, Texas Taxpayers and Research Association; Steve Hazelwood, Dow Chemical)

Against — None

On — Dick Lavine, Center for Public Policy Priorities; (*Registered, but did not testify*: Robert Wood, Comptroller of Public Accounts)

BACKGROUND: In 2001, the 77th Legislature enacted HB 1200 by Brimer, known as the Texas Economic Development Act, which authorized school districts to negotiate limitations on the appraised value of property for maintenance and operation (M&O) property taxation with corporations and limited liability companies that would use the property for manufacturing, research and development, or renewable energy electric generation. Districts negotiating their appraised values through such agreements are held harmless by the state for purposes of state education aid. Under Tax Code sec. 313.007, the Economic Development Act expires December 31, 2007.

In 2005, the 79th Legislature enacted HB 2201 by Hughes, which added clean-coal projects and coal and biomass gasification projects to the list of projects eligible for appraised value limitations.

DIGEST: CSHB 1470 would extend the expiration date of subch. B, C, and D of the Economic Development Act from December 31, 2007 to December 31, 2011. These sections govern:

- limitation on appraised value of certain property used to create jobs;
- limitation on appraised value of property in certain rural school districts; and
- school tax credits.

CSHB 1470 also would require the governing body of a school district to deliver three copies of an application for a limitation on appraised value to the comptroller and request that the comptroller provide an economic impact evaluation of the application to the school district. The school board would provide a copy of the evaluation to the applicant upon request. The comptroller would complete this evaluation and provide it to the school district as soon as practical. The school board would provide a copy of the evaluation to the applicant upon request.

The comptroller would have to submit a recommendation to the school board on whether the application should be approved before the sixty-first day after the comptroller received the copy of the application. The comptroller's recommendation would be based on the information it included in the economic impact analysis and the application provided by the school district.

The comptroller could charge a fee to cover the cost of providing an economic impact evaluation. As part of the economic impact evaluation, a methodology to allow comparisons of economic impact for different schedules of the addition of qualified investment or qualified property could be developed.

A copy of an application from a school board would be delivered by the comptroller to the Texas Education Agency (TEA). TEA would determine the impact that the new infrastructure would have on the region and the effect the proposal would have on the school district's instructional facilities. This report would be submitted to the comptroller within 45 days of the date the comptroller received the application.

The bill would affect only an application for which a school board had not engaged a third party to conduct an economic impact evaluation.

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, 2007.

SUPPORTERS SAY:

By extending the successful Texas Economic Development Act for four years, HB 1470 would continue the success of this innovative program that has empowered local school districts to take a leading role in recruiting large scale economic development projects. Agreements authorized under the Economic Development Act have been essential in recruiting industry expansion projects throughout the state, including the Toyota manufacturing plant in San Antonio, the Samsung center in Manor, and Texas Instruments facility near Dallas. The Economic Development Act has enabled local school districts to compete with economic incentives offered by other states, bringing new investment and employment to the state of Texas.

The Comptroller's Office is a more appropriate agency than TEA to perform the economic impact analysis for school districts required under the Economic Development Act. Comptroller's Office staff possess the expertise in economic forecasting that is essential in evaluating the impact of a proposal by an entity applying for appraised value limitations under the Economic Development Act.

OPPONENTS SAY:

Rather than simply extending the sunset date of the Texas Economic Development Act by four years, the Legislature should take this opportunity to thoroughly review and audit the effectiveness of this program. When the Economic Development Act was initiated, it was given a sunset date in order to prompt a review of the projects initiated by school districts under the act. HB 1470 would extend the Economic Development Act by four years without investigating whether the program adequately has served its purpose or whether the often expensive abatements paid for by the state have generated an economic return equal to their costs. The Legislature should take this opportunity offered under HB 1470 to direct the Sunset Commission or the State Auditor's Office to review the effectiveness of the program and determine any improvements that could be made, including whether the program should be discontinued.

NOTES:

In the original version of the bill, a school board could have contracted with a third party to perform an economic impact evaluation. As filed, TEA would have had to submit its report on impact of the proposal to the comptroller within 45 days of the date the comptroller received the application.

The companion bill, SB 746 by Seliger, has been referred to the Senate Finance Committee.