

- SUBJECT:** Expanding employment eligibility for enterprise zones
- COMMITTEE:** Technology, Economic Development and Workforce — committee substitute recommended
- VOTE:** 7 ayes — Strama, Parker, F. Brown, Button, Eissler, Gattis, Harless  
0 nays  
2 absent — Ritter, Rodriguez
- WITNESSES:** For — Dennis Goehring, City of Bryan; John Kroll, HWRK, Inc.;  
(*Registered, but did not testify:* Snapper Carr, City of Corpus Christi; Paul Mayer, Garland Chamber of Commerce)  
Against — None
- BACKGROUND:** The purpose of the Texas enterprise zone program, begun in 1987, is for local jurisdictions to partner with the state to offer incentives to businesses expanding or moving to an enterprise zone. In return, the business must meet certain employment and capital investment commitments within a five-year period.
- Government Code, ch. 2303 establishes the enterprise zone program. Under Government Code, sec. 2303.131, an area can qualify for an enterprise zone designation if it is:
- a block group, as defined by the most recent federal decennial census available at the time of designation, in which at least 20 percent of the residents of the block group have an income at or below 100 percent of the federal poverty level;
  - designated by the federal government as a renewal community, a federal empowerment zone, or a federal enterprise community, including any developable area approved by the federal agency responsible for making that designation; or

- is an economically distressed county with a poverty rate above 15.4 percent in which at least 25.4 percent of the adult population does not hold a high school diploma or equivalency certificate and has had an unemployment rate consistently above 4.9 percent during the preceding five years.

Government Code, sec. 2303.402 defines a qualified business as one who is or who has committed to initiate the active conduct of a trade or business:

- in an enterprise zone, and at least 25 percent of the new employees in the enterprise zone are residents of an enterprise zone or economically disadvantaged individuals; or,
- not in an enterprise zone, and at least 35 percent of the new employees at the qualified business site are residents of an enterprise zone or economically disadvantaged individuals.

Government Code, sec. 2303.003(6a) defines a qualified business site as a specific business site of an enterprise project.

Government Code, sec. 2303.003(7) defines a qualified employee as a person who:

- works for a qualified business; *and*
- performs at least 50 percent of the person's service for the business at the qualified business site.

DIGEST:

CSHB 270 would amend the Government Code by redefining a qualified employee for purposes of the enterprise zone program to mean a person who:

- works for a qualified business and resides within the enterprise zone; *or*
- performs at least 50 percent of the person's service for the business at the qualified business site.

The bill would take effect September 1, 2009.

SUPPORTERS  
SAY:

CSHB 270 would further encourage economic development in an enterprise zone by expanding the definition for qualified employees. This

would allow businesses to claim additional credit for creating additional job opportunities for economically disadvantaged individuals, thereby spurring investment in some of the state's most underserved areas to the benefit of a greater number of businesses and communities.

The bill would allow businesses to claim credit for a refund of state sales and use tax for employees who spend a majority of their time working off-site, such as those in the areas of delivery, trucking, and home repair, but reside within the enterprise zone. Businesses currently are not able to claim credit for these types of jobs. By easing this restriction, businesses would be able to qualify for the maximum benefit while at the same time increasing the number of economically-disadvantaged employees hired.

The bill's fiscal note ignores the additional benefit the state would receive from additional employment and capital investment, as well as the positive multiplier effect this would have on the state's economy. Any cost to the state would be recovered easily by the economic growth that the program will produce in the private sector.

**OPPONENTS  
SAY:**

CSHB 2470 would expand unnecessarily a program that has been operating as intended. Additionally, the expansion of the program would result in lost sales tax revenue to the state, as denoted by the bill's fiscal note.

**NOTES:**

The bill as filed would have defined a qualified employee as anyone who works for a qualified business.

According to the Legislative Budget Board, the bill would cost the state \$1.6 million in general revenue-related funds in fiscal 2010-2011 from tax refunds paid to enterprise projects.