

**SUBJECT:** Increasing the maximum number of local enterprise zone programs

**COMMITTEE:** Technology, Economic Development, and Workforce — favorable, without amendment

**VOTE:** 8 ayes — Strama, Parker, F. Brown, Button, Eissler, Gattis, Harless, Rodriguez  
0 nays  
1 absent — Ritter

**WITNESSES:** For —Rudy Garza, City of Corpus Christi; Sarah A. Roberts; (*Registered, but did not testify*: Luke Bellsnyder, Texas Association of Manufacturers; Jay Brown, Valero Energy; Randy Erben, Port of Corpus Christi Authority; Shanna Igo, Texas Municipal League; James LeBas, Texas Oil and Gas Association; Bill Oswald, Flint Hills Resources; Karin Richmond, Intelligent Incentives Inc., International Economic Development Council; Amy Swank, Texas Economic Development Council; Christina Wisdom, Texas Chemical Council)  
Against — None

**BACKGROUND:** Government Code, ch. 2303 establishes the Texas Enterprise Zone program through which the state teams with local governments to offer tax incentives to businesses that locate in economically distressed cities and counties. Businesses that provide employee benefits or hire displaced workers receive an advantage in the selection process. Businesses in the program can be eligible for up to \$3.75 million in state sales tax refunds, depending on the amount of capital investment and the number of jobs created by the project.  
  
Currently, local entities with populations of less than 250,000 may nominate up to four enterprise projects for the program, plus two additional bonus projects. Local entities with populations of 250,000 or more may nominate up to six. A maximum of 105 project slots are available for the program statewide.

**DIGEST:** HB 271 would increase from four to six the number of projects that cities and counties with populations of less than 250,000 could nominate for the Texas Enterprise Zone program. It would increase from six to nine the number of Texas Enterprise Zone slots for cities and counties with populations of 250,000 or more.

The bill would take effect September 1, 2009.

**SUPPORTERS SAY:** The Texas Enterprise Zone program has been highly effective in creating and retaining jobs in economically distressed areas. In Waco, the enterprise zone program created or retained more than 4,000 jobs between 2006 and 2008. City officials in Waco would like to use the program to create even more jobs, but already have used the maximum number of slots allotted for a city of their size. HB 271 would allow Waco and other cities and counties to expand their enterprise zone programs to create even more job opportunities.

With Texas beginning to feel the effects of the global economic crisis, it is even more important for the Legislature to support initiatives that bring capital investment to the state. The city of Corpus Christi has used the enterprise zone program to attract \$4 billion in capital investment to the city's local refinery industry. Significant capital investments of this sort establish a foundation for long-term economic growth. Unlike the Texas Enterprise Fund, the Texas Enterprise Zone program considers capital investment as well as job creation when selecting projects.

The Texas Enterprise Zone program is one of the most important resources in the economic development tool kit for many smaller cities and counties in the state. Larger cities, like Houston and Dallas, have a number of economic development tools at their disposal, while smaller cities often lack the resources and economic diversity to develop such tools on their own. HB 271 would give businesses an incentive to operate in smaller cities at a time when the overall economic climate favors major metropolitan areas.

HB 271 would not cost the state money because it would not increase the total number of enterprise zone project slots available in the state. Texas has a total of 105 enterprise zone project slots, and 39 are currently unused. HB 271 would allow cities and counties that have exhausted their enterprise slots to nominate two or three more business projects to the

program. Any loss in sales tax revenue would be offset by the tremendous economic gains achieved by the program.

OPPONENTS  
SAY:

Although HB 271 would not increase the total number of project slots available statewide, it potentially would increase the total number of businesses requesting refunds of sales taxes at a time when revenues already are down.

NOTES:

HB 3694 by Deshotel, enacted by the 80th Legislature in 2007, increased the total number of enterprise zones in the state from 85 to 105 for any biennium.