

SUBJECT: Extending the expiration date of the Texas Economic Development Act

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Burrows, Guillen, Cole, Martinez Fischer, Murphy, Noble,
E. Rodriguez, Sanford, Wray

1 nay — Shaheen

1 absent — Bohac

WITNESSES: For — Bob Adair, Phillips 66; Richard A. "Tony" Bennett, Texas Association of Manufacturers; Hector Rivero, Texas Chemical Council; Dale Craymer, Texas Taxpayers and Research Association; (*Registered, but did not testify*: Jeffrey Clark, Advanced Power Alliance; Adam Burklund, Amshore US Wind LLC; Mark Stover, Apex Clean Energy Inc.; Fred Shannon, Applied Materials, Hewlett Packard Enterprise; Dana Harris, Austin Chamber of Commerce, Texas 2050 Coalition; Janis Carter, Avangrid Renewables; Mike Meroney, BASF Corporation; Jake Posey, Bell; Paula Bulcao, BP America; Anthony Moline, Cedar Park Chamber of Commerce; Matt Barr, Cheniere Energy; Randy Cain, City of Dallas; Leticia Van de Putte, City of Del Rio; Eddie Solis, City of Frisco Economic Development Corporation; Angela Hale, City of McKinney, Frisco Chamber of Commerce, McKinney Chamber of Commerce, McKinney Economic Development Corporation; Leslie Pardue, Clearway Energy; Sarah Matz, Computing Technology Industry Association; Shayne Woodard, Corteva Agriscience, Enbridge Energy, Tyson Foods, Freeport LNG; Jim Allison, County Judges and Commissioners Association of Texas; Charlie Hemmeline, Cypress Creek Renewables, EDF Renewable Energy, Innergex Renewables USA, Lincoln Clean Energy, Longroad Energy, Native Solar, Orsted, Texas Solar Power Association, The Brandt Companies LLC; Priscilla Camacho, Dallas Regional Chamber, Metro 8 Chambers of Commerce; Daniel Womack, Dow Chemical; Royce Poinsett, Duke Energy Renewables Inc.; Lisa Hughes, E.ON Climate and Renewables; Suzi McClellan, EDF Renewables; Eric Wright, EDF Renewables, Lincoln Clean Energy;

Shannon Meroney, Enel Green Power North America; Jamie Weber, EOG Resources; Samantha Omey, ExxonMobil; Trent Townsend, First Solar; Rebecca Young-Montgomery, Fort Worth Chamber of Commerce; Mark Borskey, General Electric Corp.; Steven Will, Greater Houston Partnership; Greg Sims and Terry Thomas, Greenville Board of Development, Type A EDC; Debbie Ingalsbe, Hays County; Mark Vane, HB Strategies; John Kroll, HMWK LLC; Shannon Ratliff, Invenergy; Jay Barksdale, Irving-Las Colinas Chamber of Commerce, Plano Chamber of Commerce; Jennifer Rodriguez, Lockheed Martin Aeronautics Company; Mindy Ellmer, Lyondellbasell, Olin; Neal T. Buddy Jones and Daniel Casey, Moak, Casey & Associates; Holli Davies, North Texas Commission; Randy Cubriel, Nucor; Christina Wisdom, Occidental Petroleum; Amber Pearce, Pfizer; Neftali Partida, Phillips 66; Christopher Shields, Port San Antonio, Toyota Inc.; Scott Dunaway, Powering Texas; Lucas Meyers, Recurrent Energy LLC; Stephanie Reyes, San Antonio Chamber of Commerce; Sophie Torres, San Antonio Hispanic Chamber of Commerce; Michael Jewell, Solar Energy Industries Association; Thomas Ratliff, Sunfinity Solar and Tri-Global Energy; David Edmonson, TechNet; John R. Pitts, Texas Advanced Business Alliance; James Hines, Texas Association of Business; Justin Yancy, Texas Business Leadership Council; Carlton Schwab, Texas Economic Development Council; Thomas Kowalski, Texas Healthcare and Bioscience Institute; Virginia Schaefer, Texas Instruments; James LeBas, Texas Oil and Gas Association; Julia Parenteau, Texas Realtors; Lynette Kilgore, Texas Schools for Economic Development; Tyler Schroeder, The Boeing Company; Mark Walter, Tradewind Energy; Trace Finley, United Corpus Christi Chamber of Commerce; John Pitts Jr., UPS; Jay Brown, Valero; D. Dale Fowler, Victoria Economic Development Corp; James Popp)

Against — Adam Cahn, Cahnman's Musings; Dick Lavine, Center for Public Policy Priorities; Mark Goloby; (*Registered, but did not testify*: Rene Lara, Texas AFL-CIO; Bill Peacock, Texas Public Policy Foundation; Michael Potter; Lacia Ryan)

On — Robert Wood, Comptroller of Public Accounts

BACKGROUND: The Texas Economic Development Act (Tax Code ch. 313) authorizes school districts to agree to temporary abatements of property tax in exchange for businesses using property in the district for:

- manufacturing;
- research and development;
- a clean coal project;
- an advanced clean energy project;
- renewable energy electric generation;
- electric power generation using integrated gasification combined cycle technology;
- nuclear electric power generation;
- a computer center primarily used in connection with one or more activities described above conducted by the business; or
- a project on which the business has committed to expend or allocate a qualified investment of more than \$1 billion, known as a Texas priority project.

Districts entering into such agreements are held harmless by the state for purposes of state education aid.

The Texas Economic Development Act expires December 31, 2022.

DIGEST: HB 2129 would extend the expiration date of the Texas Economic Development Act to December 31, 2032.

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, 2019.

SUPPORTERS SAY: HB 2129 would allow school districts across the state to continue to use a tool that has proved successful in attracting large-scale capital investment to Texas.

In exchange for a temporary abatement of school property taxes, companies agree to build new facilities within the school district. These

investments result in more jobs in the state and additional benefits to the economy. During the term of the abatement, any pre-existing property and inventory would still be subject to property tax. When the abatement ends, new facilities would be taxed at full value, meaning that states would have to pay less aid to these districts. Thus, Chapter 313 agreements both expand and promote the long-term stability of school districts' tax base by attracting investments that otherwise would not have come to the state.

Chapter 313 agreements provide a counterweight to the relatively high property taxes that businesses face when considering making an investment in Texas. Other states offer tax abatements to recruit businesses, and discontinuing the program would leave Texas at a competitive disadvantage. In many cases, businesses would not have invested in projects in Texas without these abatements. Chapter 313 agreements allow projects in Texas get closer to the national average for property taxes.

By renewing Chapter 313 this session, HB 2129 would provide businesses currently considering an investment in a project in Texas with needed certainty. Concerns about whether Chapter 313 will expire during the process of site selection could preclude Texas from consideration for these projects, putting the state at a disadvantage.

Chapter 313 agreements require the approval of both the school district and the comptroller, which helps to ensure that an investment would not have located in Texas but for the abatement.

**OPPONENTS
SAY:**

HB 2129 would extend prematurely an unnecessary program that imposes a strain on the state budget.

Chapter 313 puts a burden on the state budget because the state pays school districts for any school taxes relinquished due to these abatements, leading to less money going toward other state budgetary needs and increased inequality among school districts. Many Chapter 313 agreements concern projects in school districts that are already wealthy, meaning that these districts forfeit less money to the state and that the

state has fewer funds to send to poorer districts.

The abatement is largely unnecessary, as many of the businesses that have entered into Chapter 313 agreements would have located to Texas even without the abatement. Many of the projects that have applied for Chapter 313 agreements are dependent on the geography and resources of Texas. The large amount of supplemental payments that companies routinely pay to school districts to incentivize approval of Chapter 313 agreements further demonstrate that businesses would have been attracted to Texas without these abatements.

HB 2129 would extend the expiration of the Texas Economic Development Act without addressing key problems that have been identified by the Legislative Budget Board and the comptroller. The act currently does not expire until December 31, 2022. Delaying the continuation of Chapter 313 until the next legislative session would allow for a full interim review of the costs and effectiveness of Chapter 313.

NOTES:

The Legislative Budget Board (LBB) estimates that HB 2129 would have no fiscal impact through the biennium ending August 31, 2021. It estimates that the bill could have a negative impact to general revenue related funds of \$252,000 in fiscal 2023 and \$166 million by fiscal 2029. The LBB notes that the bill would make no appropriation but could be the legal basis for an appropriation of funds to implement the provisions of the bill.