

BILL ANALYSIS

Senate Research Center
83R23870 CJC-D

C.S.S.B. 1391
By: Davis
Economic Development
4/23/2013
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2001, the legislature established the Texas Economic Development Act (Act) as a tool to create jobs and attract new manufacturing facilities to the state. Although the Act, commonly referred to as Chapter 313, has attracted manufacturing facilities to the state, it has not performed well as a job creation mechanism. The comptroller of public accounts of the State of Texas (comptroller) has estimated that the cost per job to the state for jobs created under Chapter 313 agreements is approximately 40 times higher than the cost per job for the Texas Enterprise Fund. Further, it remains unclear how much taxable value these manufacturers have established at the end of the agreements, and whether this value continues after the agreement—the main reason the Act was established.

C.S.S.B. 1391 requires the comptroller to conduct a study of the Act. The purpose of the study is to determine whether the Act as implemented accomplishes the intended purposes upon creation, and complies with the intent of the legislature in establishing the Act, as expressed in the law. It further requires the comptroller to conduct an in-depth review of the cumulative economic effect of several agreements under the Act. This in-depth review of the agreements will include whether the terms of the agreement were executed in compliance with applicable laws and what changes should be made to Chapter 313, Tax Code, to increase effectiveness and efficiency of the administration of the agreement.

C.S.S.B. 1391 requires that a report of the study be submitted to the governor and the legislature not later than December 1, 2014. The report must include a complete discussion of each agreement reviewed by the comptroller and the comptroller's recommendations of ways to increase the effectiveness and efficiency of the agreements entered into under Chapter 313, Tax Code. C.S.S.B. 1391 allows the comptroller to request the state auditor's assistance and to propose legislation necessary to implement any changes recommended by the comptroller.

C.S.S.B. 1391 amends current law relating to a requirement that the comptroller perform a study of the Texas Economic Development Act.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. STUDY OF TEXAS ECONOMIC DEVELOPMENT ACT. (a) Requires the comptroller of public accounts of the State of Texas (comptroller) to conduct a study of the Texas Economic Development Act. Provides that the purpose of the study is to determine:

(1) if the Act, as implemented, accomplishes the intended purposes of the Act, as stated in Section 313.003 (Purposes), Tax Code, and complies with the intent of the legislature in enacting the Act, as expressed in Section 313.004 (Legislative Intent), Tax Code; and

(2) if legislative action is needed to increase the efficiency or effectiveness of any part of the Act.

(b) Requires the comptroller to conduct an in-depth and cumulative study of certain agreements entered into under Chapter 313 (Texas Economic Development Act), Tax Code, as determined under this subsection. Requires the comptroller, to determine the agreements to study, to perform risk assessments on each agreement entered into under Chapter 313, Tax Code, that is active on the effective date of this Act. Requires that a risk assessment conducted under this subsection, in addition to the requirements of a risk assessment prescribed by Chapter 321 (State Auditor), Government Code, specifically consider the items listed in Section 313.009(a) (relating to requiring the comptroller, before the beginning of each regular legislative session, to submit to the lieutenant governor, the speaker of the house of representatives, and each member of the legislature a report assessing the progress of each agreement entered into under this chapter and containing certain information), Tax Code, and whether the qualifying period for the agreement has expired. Requires the comptroller to select five energy-related agreements and five manufacturing-related agreements under Chapter 313, Tax Code, that pose the greatest risk to the state, as identified by the risk assessment conducted under this subsection, on which to conduct an in-depth study.

(c) Requires the comptroller, in conducting the study required by Subsection (a) of this section, to:

(1) determine for each of the 10 agreements identified:

(A) if the terms of the agreement were implemented in a manner that complies with Sections 313.003 and 313.004, Tax Code;

(B) what changes to Chapter 313, Tax Code, if any, would increase the effectiveness and efficiency of the administration of the agreement;

(C) the number of jobs actually created, and the median wage for the new jobs created, under the agreement; and

(D) whether any requirements relating to the number of jobs, or the wages paid for those jobs, specified in the agreement were waived; and

(2) consider the entire period the agreement has been in effect when making the determinations required under Subdivision (1) of this subsection.

(d) Authorizes the comptroller to require a party to an agreement under Chapter 313, Tax Code, to submit information to complete the study required by this Act.

(e) Authorizes the state auditor, at the comptroller's request, to assist the comptroller in conducting the study required by this Act.

SECTION 2. REPORT. (a) Requires the comptroller, not later than December 1, 2014, to submit a report of the results of the study to the governor and the legislature.

(b) Requires that the report include:

(1) a complete discussion of each agreement studied by the comptroller; and

(2) the comptroller's recommendations, based on the study's findings, of ways to increase the effectiveness and efficiency of agreements entered into under Chapter 313, Tax Code.

(c) Requires the comptroller to include proposed legislation necessary to implement the suggested amendment if the report recommends amending a provision of Chapter 313, Tax Code.

(d) Prohibits the report from including information that is confidential by law.

SECTION 3. EXPIRATION DATE. Provides that this Act expires January 1, 2015.

SECTION 4. EFFECTIVE DATE. Effective date: upon passage or September 1, 2013.