

BILL ANALYSIS

Senate Research Center
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S.B. 2380
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Business & Commerce
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The purpose of this bill is to establish a pilot program that injects educational and economic prosperity into rural Texas. This bill uses proven tools to aid communities in reaching their full potential by recognizing that prosperity is a consequence of at least three related factors: economic freedom, low taxation and high school graduates who are college, career or military ready (CCMR). This bill authorizes areas included in the pilot program to utilize Rural School Innovation Zones and Special Economic Zones to foster growth in the designated areas of the state.

The Rural School Innovation Zones (RSIZ) Pilot Program is designed to increase educational equity and improve workforce preparation and student outcomes in rural Texas. Specifically modeled after strategies invented in rural Texas school districts, RSIZs encourage districts to work together to provide innovative high school options to rural students.

These partnerships will include Pathways in Technology Early College High Schools, Early College High Schools, and traditional high schools. Through providing innovative high school offerings, rural students in RSIZs will have access to similar educational opportunities as urban school districts that provide all students with an associate's degree, create a streamlined transfer of credits between institutions of higher education, and meet the needs of the local workforce.

Special economic zones are not a new development tool. They have been used throughout the United States and the world, but not in exactly the same way as proposed by this bill. These zones are areas that host economic laws different from the rest of the nation that foster, promote, and business growth. The reforms included in the pilot program are designed to also create a reimagined role of government in business through the creation of special economic zones. The zones would have reduced regulations and costs associated with the creation or expansion of businesses, which will spur new opportunities and growth in Texas.

This bill will help small businesses, nonprofit corporations, municipalities, counties, and independent school districts within the special economic zone by waiving or reducing permitting fees, reducing taxes, reducing occupational licensing costs, and encouraging development of readily-available permits for industrial activities conducted within the zone

As proposed, S.B. 2380 amends current law relating to the creation of certain pilot programs to encourage economic and educational opportunities in certain regions of this state.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the pilot program in SECTION 1 (Section 682.002, Business & Commerce Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle C, Title 15, Business & Commerce Code, by adding Chapter 682, as follows:

CHAPTER 682. SPECIAL ECONOMIC ZONE PILOT PROGRAM

Sec. 682.001. DEFINITIONS. Defines "department" and "pilot program" for purposes of this chapter.

Sec. 682.002. ESTABLISHMENT OF PILOT PROGRAM. (a) Requires the Texas Department of Licensing and Regulation (TDLR), in cooperation with the secretary of state (SOS), the comptroller of public accounts of the State of Texas (comptroller), the Texas Commission on Environmental Quality (TCEQ), other state agencies, and political subdivisions of this state that provide occupational licenses, to establish a pilot program to create special economic zones in eligible counties of this state for the purpose of reducing barriers and costs of entry to occupations and entrepreneurship for residents of and new and existing businesses located in or relocating to a special economic zone.

(b) Requires TDLR to select eligible counties for participation in the pilot program, at least one of which is required to have a school district in the county participating in the Rural School Innovation Zones pilot program established under Subchapter O, Chapter 29, Education Code.

(c) Requires the pilot program, to the extent not prohibited by law, to, unless TDLR determines that the activity endangers or is likely to endanger the health, safety, or welfare of the public, to provide for the following in participating counties:

- (1) waiving fees for filing a certificate of formation with SOS;
- (2) waiving all professional licensing fees imposed by state agencies;
- (3) waiving minimum time periods or examination requirements for offering reciprocity to out-of-state occupational license holders;
- (4) waiving minimum credit hours and other educational prerequisites for eligibility to sit for certain occupational licensing exams and allowing licensure from the passage of the relevant licensing exam;
- (5) waiving or reducing permitting fees and allowing expedited processing of certain environmental permits issued by TCEQ, including:
 - (A) waiving fees or issuing refunds for air permits by rule and waiving requirements for certain standard air permits for small businesses, nonprofit corporations, municipalities, counties, and independent school districts;
 - (B) exempting facilities permitted by rule from additional permits or registrations required by local air pollution control agencies;
 - (C) expanding the readily available permit program of TCEQ, including by developing additional readily available permits tailored for manufacturing, wood-processing, and other industrial sectors and facility types commonly found in East Texas; and
 - (D) reducing or waiving fees and waiving requirements for obtaining a TCEQ occupational license, including waiving the requirement that an individual to be in compliance with the payment of guaranteed student loans to be eligible for a license;
- (6) suspending any duplicative local government occupational license requirements;
- (7) waiving the annual requirement to file a "no tax due" franchise tax report with the comptroller; and

(8) a \$2 million minimum deduction from the state franchise tax.

Sec. 682.003. ELIGIBLE COUNTIES: SPECIAL ECONOMIC ZONE LOCATION. (a) Authorizes a special economic zone to be created in counties in this state that meet one or more of the following criteria, as measured during the five years preceding the creation of the zone:

(1) school districts in the region received an overall district performance rating under Section 39.054 (Methods and Standards For Evaluating Performance) or made achievements under the closing the gaps domain under Section 39.053(c) (relating to requiring school districts and campuses to be evaluated based on certain domains of indicators of achievement) lower than the state average;

(2) the percentage of the population with a bachelor's degree or higher was lower than the state average;

(3) population growth was negative or lower than the state average;

(4) zero or very few new building permits were issued;

(5) retail sales per capita were lower than the state average;

(6) the number of employer establishments was lower than the state average;

(7) median household income was lower than the state average;

(8) the number of persons living in poverty was higher than the state average for communities of the same size; and

(9) unemployment rates were stagnant or increasing.

(b) Requires a pilot program to be created in eligible counties that, to the extent possible, represent different regions of this state.

Sec. 682.004. REPORT. Requires TDLR, not later than December 1 of each even-numbered year, to submit to the legislature a report on the effectiveness of the pilot program. Requires TDLR to include in the report a recommendation regarding whether the pilot program should be continued, expanded, or terminated.

Sec. 682.005. EXPIRATION. Provides that this chapter expires September 1, 2025.

SECTION 2. Amends Chapter 29, Education Code, by adding Subchapter O, as follows:

SUBCHAPTER O. RURAL SCHOOL INNOVATION ZONES PILOT PROGRAM

Sec. 29.601. DEFINITIONS. Defines "institution of higher education" and "pilot program" for purposes of this subchapter.

Sec. 29.602. ESTABLISHMENT. (a) Provides that the Rural School Innovation Zones pilot program is established to align the delivery of educational services in eligible regions of the state to maximize workforce preparation and improve student outcomes at the primary, secondary, and postsecondary levels.

(b) Authorizes a school district located in an eligible region of the state designated under Section 29.605 to elect to participate in the pilot program by entering into an agreement with one or more other school districts in that region to establish a regional administrator to manage the educational and career opportunities that

will be offered under the pilot program to high school students enrolled at the participating districts.

Sec. 29.603. REGIONAL ADMINISTRATOR. (a) Requires the governing body of a regional administrator established under Section 29.602(b) to include:

(1) at least one representative of:

(A) the applicable regional education service center; and

(B) each participating school district; and

(2) representatives of the business community or institutions of higher education in the applicable region that have experience in operating a P-TECH program under Subchapter N (Pathways in Technology Early College High School (P-TECH) Program).

(b) Requires the members described by Subsection (a)(2) to be appointed by the commissioner of education in a number that exceeds the number of members affiliated with participating school districts.

(c) Requires the governing body to hire an executive director for the regional administrator.

(d) Requires the regional administrator to:

(1) manage the portfolio of educational and career opportunities offered by participating school districts;

(2) enter into:

(A) articulation agreements with institutions of higher education in the region to offer to high school students enrolled at participating school districts dual credit courses aligned with the programs offered under the pilot program under Section 29.604;

(B) memoranda of understanding with regional business partners to provide high school students enrolled at participating school districts access to work-based training and education; and

(3) facilitate discussion between the participating school districts, business partners, and institutions of higher education to align program offerings under the pilot program;

(4) manage student transportation between the participating school districts, business partners, and institutions of higher education;

(5) collaborate with:

(A) parents of students enrolled at participating school districts to identify programs of interest; and

(B) local businesses and local workforce development boards to identify regional workforce needs;

(6) work with child care and prekindergarten providers in the region to improve the quality of those programs and allow for a seamless transition to kindergarten;

(7) provide supports to educators who develop ideas for new programs or schools that fulfill educational or workforce needs in the region; and

(8) develop and provide college and career counseling services to high school students enrolled at participating school districts.

Sec. 22.604. PROGRAM REQUIREMENTS. (a) Requires each participating school district to offer educational or career-oriented pathways of focus to all high school students enrolled at participating districts in the region.

(b) Provides that the programs offered under the pilot program:

(1) are required to:

(A) enable each high school student enrolled at a participating district to graduate high school with an associate degree;

(B) include a P-TECH program in each community in the region; and

(C) include an open-enrollment early college high school program in at least one community in the region; and

(2) are authorized to enable each high school student enrolled at a participating district to graduate high school with a two-year postsecondary certificate or industry certification.

(c) Requires any agreement with a business partner to participate in the pilot program to require the business partner to offer paid internships to high school students enrolled at participating districts.

Sec. 22.605. ELIGIBLE REGION. Requires a region, to be an eligible region under the pilot program, to meet one or more of the following criteria, as measured during the five years preceding the participation of school districts in the region in the pilot program:

(1) school districts in the region received an overall district performance rating under Section 39.054 or made achievements under the closing the gaps domain under Section 39.053(c) lower than the state average;

(2) the percentage of the population with a bachelor's degree or higher was lower than the state average;

(3) population growth was negative or lower than the state average;

(4) zero or very few new building permits were issued;

(5) retail sales per capita were lower than the state average;

(6) the number of employer establishments was lower than the state average;

(7) median household income was lower than the state average;

(8) the number of persons living in poverty was higher than the state average for communities of the same size; and

(9) unemployment rates were stagnant or increasing.

Sec. 29.606. REPORT. Requires the Texas Education Agency (TEA), not later than December 1 of each even-numbered year, to submit to the legislature a report on the

effectiveness of the pilot program. Requires TEA to include in the report a recommendation regarding whether the pilot program should be continued, expanded, or terminated.

Sec. 29.607. EXPIRATION. Provides that this subchapter expires September 1, 2025.

SECTION 3. Provides that Subchapter O, Chapter 29, Education Code, as added by this Act, applies beginning with the 2019–2020 school year.

SECTION 4. Effective date: September 1, 2019.