

PUBLIC COMMENTS

HB 4242

HOUSE COMMITTEE ON WAYS & MEANS

Hearing Date: April 26, 2021 10:00 AM - or upon final adjourn./recess or bill referral if permission granted

Jennifer Cross, Dr.

self

Frisco, TX

Significant revisions to Chapter 313 need to be made before an extension is granted. First, only the very few deals that actually require the tax abatement to come to Texas should be approved--and research shows that currently 85% of the deals already granted would have come here without this incentive. Second, abolish job-creation waivers. Our countless small businesses across the state create millions of jobs for Texans and do not receive these tax breaks. A company receiving the tax break must provide the minimum number of high-quality jobs. Third, much more oversight is needed. Currently only 3 deals per year (out of the approximate 570 active agreements) are audited for compliance. This must change. Fourth, school districts with failing TEA Academic Accountability Ratings and/or Financial Integrity Ratings of Texas (FIRST) should not be allowed to negotiate these deals, as they cannot even adequately manage their own district's academics and finances. Fifth and finally, supplemental payments districts receive must be entered into state funding formulas. It's not fair some districts receive hundreds, or even thousands, of extra dollars PER STUDENT per year, while other districts receive none--and their taxpayers plug the funding revenue for these deals to exist in the first place. We need to either make Chapter 313 deals a win-win for all Texans or put them to pasture.

Nathan Jensen

University of Texas at Austin

Austin, TX

I am a professor of government at UT and I have published peer reviewed research on Chapter 313. Chapter 313 is a controversial economic development program that has never been subject to a formal evaluation. Both the Texas Democratic Party and Republican Party platforms have called for the elimination of this program.

The Texas Economic Development Oversight Board recommended an evaluation of this program in their latest report.

Evaluations of incentive programs have become best practices across states and are relatively easy to implement. States ranging from Virginia to Oklahoma have conducted extensive evaluations of programs to inform lawmakers of policy reforms.

As a UT employee I will not comment directly on this bill, but I feel that it is my duty to give some context to the state of economic development in the US and how Texas is lagging. Serious evaluations protect taxpayers and help build better incentive programs that help Texas business. A serious evaluation will probably cost less than 1/100 of a single 313 deal, and could save millions, if not hundreds of millions of taxpayer dollars.

Heather Golden, Mrs.

Self, Public Education Advocate

Houston, TX

Chapter 313 deals are not good for Texans. It is simply a giveaway for corporations. And that giveaway is growing. It is estimated to cost Texas \$1 billion in revenue, annually. Ordinary Texans are left to fill that hole in the budget with our property taxes. A study by the University of Texas shows that 85% of Chapter 313 recipients would have located their projects in Texas without the tax abatement. The Texas Observer found that roughly half of all businesses receive a job creation waiver as well. These

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agreements also create school funding inequities. Texas' Robin Hood system works to ensure a child's zip code doesn't determine the funding his/her school receives. However, these deals very much give advantages to students where they are enacted. Barber's Hill ISD is able to pay teachers an average of \$73k, the state average is \$57k. What teacher would not apply to work there?

It also doesn't make sense that school districts negotiate and oversee these deals. School districts are not economic development experts. And with the supplemental payments available to them, there is a conflict of interest because taxpayers from all over the state are paying for decisions made by leaders we can't influence and who are not accountable to us. A Dallas resident has no recourse if Barbers Hill ISD in Mont Belvieu creates 34 concurrent agreements. They are simply stuck with the bill when state revenue is used to keep the district whole.

Going forward, these agreements should be negotiated and monitored by economic development experts. Deals should only be granted if it is THE deciding factor to come to the state. Businesses who do receive the tax abatements should be required to submit documentation proving they are employing the required number of Texans while removing job-creation waivers, using Texas-based vendors, and meeting a minimum level of economic investment here. Supplemental payments must be accounted for in the school funding formulas. Maybe then Texans would not be paying the third-highest single-family home property taxes in the nation. Ultimately, these deals just don't make sense for average Texans. Either overhaul the program or put it out to pasture.

Martin Gutierrez, Mr.

San Antonio Hispanic Chamber of Commerce

San Antonio, TX

For over 91 years, the San Antonio Hispanic Chamber of Commerce (SAHCC) has been San Antonio's leading advocate for Hispanic businesses and Hispanics in business. We pride ourselves on five pillars of success: small business, economic development, international trade, education, and leadership. On behalf of the Hispanic Chamber's more than 900 members, I write to you today to express our support for HB 4242, which reauthorizes Chapter 313 of the Texas Economic Development Act. One of our top fifteen legislative priorities this legislative session is maintaining and strengthening the availability of economic development incentives as a business recruitment tool that encourages significant jobs and capital investment including the ability for local governments to leverage economic development tools to encourage growth tailored to their region.

In a globally competitive economy, it is important that Texas has every economic development tool in the toolbox to recruit new businesses. School district property tax incentives keep Texas competitive with states which we compete for large capital investment projects. According to the most recent report by the Texas Comptroller, the 509 current and executed Chapter 313 agreements represent \$217 billion in capital investment and estimated gross tax benefit of \$10 billion. The data is clear – Chapter 313 works and one of the most important incentives in the toolbox.

As we continue our economic recovery from the COVID-19 Pandemic, Texas needs all tools in the toolbox to attract large, capital-intensive projects to Texas. The San Antonio Hispanic Chamber of Commerce urges you to support HB 4242.

Shelly Leung

Powell Law Group, LLP

Austin, TX

Thank you, Chairman Meyer and Members of the Ways & Means Committee:

My name is Shelly Leung, I am the Director of Economic Development with Powell Law Group, LLP. I am submitting written testimony to you on behalf of Powell Law Group, LLP and myself. We appreciate Chairman Meyer's support of an extension of the Texas Economic Development Act, under Texas Tax Code § 313, as is.

I have registered to testify "on" House Bill 4242 should there be a committee substitute filed that would have an unfavorable impact towards Texas public schools. Based on my experience in assisting school districts in their consideration of Chapter 313 property value limitation agreements, I strongly support Chairman Meyer's proposed renewal of the Chapter 313 program. It has been a very successful tool in attracting major capital investments throughout Texas. In fact, 2019 was a record high for the number of applications submitted to the Texas Comptroller. If an interim study will be conducted to determine whether it is

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necessary to reform the Texas Economic Development Act, we are in support of this decision.

Additionally, I want to comment on the impact of the Chapter 313 program on many rural school districts across Texas. The expansion of their I&S tax bases as a direct result of Chapter 313 projects locating within their school districts have allowed them to update their school facilities for the benefit of their students and communities for future generations to come, without having to raise taxes on their local taxpayers. An examination of the locations of Chapter 313 projects would clearly demonstrate that these investments have been a major economic boost for much of rural Texas to help move these communities ahead.

Thank you, Chairman Meyer and Ways & Means Committee members.