



86TH
TEXAS
LEGISLATURE



TEXAS ECONOMIC DEVELOPMENT COUNCIL

86TH TEXAS LEGISLATURE

TEDC AGENDA

Founded in 1961, and with over 850 members, Texas Economic Development Council (TEDC) is the nation's largest state association of economic development professionals. TEDC is our state's leading advocate for public policies related to economic development. TEDC is dedicated to working closely with lawmakers to support legislation that will promote a positive business environment and pro-economic development initiatives to enhance Texas' ability to compete for jobs and investment.

TEDC'S LEGISLATIVE PRIORITIES

Eight Ways to Keep Texas Strong and Competitive in Economic and Community Development

- 1 Protect Economic Development Sales Tax for Economic and Community Development Purposes
- 2 Preserve Chapter 312 of Texas Tax Code – The Property Redevelopment and Tax Abatement Act
- 3 Protect Chapter 313 of Texas Tax Code
- 4 Continue Funding for Texas Enterprise Fund
- 5 Maintain Funding for Texas Workforce Development Programs
- 6 Support and Promote Innovation and Entrepreneurship
- 7 Support Programs and Initiatives for Rural Economic Development
- 8 Promote and Protect Local Control

1 PROTECT THE ECONOMIC DEVELOPMENT SALES TAX FOR ECONOMIC DEVELOPMENT PURPOSES

The Texas economic development sales tax, now more commonly known as the Type A and Type B sales tax, was created in 1989 to give smaller Texas communities the financial resources to create and attract primary jobs and build wealth. Today, more than 700 cities have voted to adopt the local economic development sales tax.

The economic development sales tax law meets the needs of both large and small communities. There is enough flexibility built into the economic development sales tax law to give cities opportunities for both economic and community development activities.

TEDC's position on this very important local economic development tool is that it be used to support projects that focus on **primary job** creation and community development investments that improve the capacity for economic development.

Primary jobs infuse new dollars into the local economy by creating or selling a product or service that is ultimately exported to regional, statewide, national and international markets.

WHAT WE SUPPORT: Keeping the Economic Development Sales Tax in its current form.

WHAT WE OPPOSE: Legislation that diverts economic development sales tax dollars for uses already supported by other dedicated tax mechanisms, and/or legislation that designates funds away from primary job creation and economic and community development purposes already outlined in the law.

HIGHLIGHTS OF MORE THAN 30 YEARS OF UNPRECEDENTED SUCCESS OF THE TYPE A AND TYPE B SALES TAX

- Projects receiving location, expansion or retention assistance from the sales tax for economic development generated an overall impact (including multiplier effects) of nearly \$100 billion in gross state product and nearly one million permanent jobs.
- The sales tax for economic development has been particularly beneficial to small and rural communities by contributing to nearly one-quarter of the state's job growth since 1990.
- On average, every \$1 in economic development sales tax collected over the past 30 years returns a cumulative \$10.84 in annual economic activity from assisted projects.
- In 2017, economic development corporations spent more than \$140 million on direct business incentives, invested over \$304 million on capital and infrastructure projects and contributed an excess of \$6.4 million on job training.

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PRESERVE CHAPTER 312 OF THE TEXAS TAX CODE - THE PROPERTY REDEVELOPMENT AND TAX ABATEMENT ACT

Chapter 312 of the Tax Code, the Property Redevelopment and Tax Abatement Act, allows the governing bodies of cities, counties and other non-school special districts to exempt all or part of the taxable value of new investments for a period of time not to exceed ten years. Chapter 312 does not apply to school districts.

To be eligible for an abatement under Chapter 312, a project must be a new facility or an expansion or modernization of an existing one. Oil and gas projects are excluded and not eligible for an abatement under Chapter 312.

Chapter 312 allows communities to attract new jobs and grow tax bases without any cost to the state or to local taxpayers.

Allowing Chapter 312 to expire in 2019 would be a great disservice to economic development efforts in Texas; leaving the state without an important economic development tool that is needed in today's highly competitive business environment. Tax abatements, such as Chapter 312, do not reduce existing local property taxes and do not cause a loss of revenue. They instead offer a temporary limit on future taxes for a facility not yet built.

These projects **add** to the tax rolls even during the time of the abatement.

As of June 2017, Chapter 312 agreements resulted in more than 98,000 new full-time jobs and more than \$2.3 billion in new payroll to the state.

WHAT WE SUPPORT: Reauthorization of Chapter 312 of the Texas Tax Code to continue the progress made on building a strong economy and tax base for Texas.

WHAT WE OPPOSE: Legislation that will eliminate Chapter 312 or diminish its effectiveness as a tool cities and counties can use to enhance their opportunities for economic development.

RECENT CHAPTER 312 AGREEMENTS AT WORK IN TEXAS COMMUNITIES

- Sanderson Farms (Smith County) – Food manufacturer with a new full-time employment requirement of 1,490 jobs and new payroll of more than \$36 million.
- Lonza Houston, Inc. (City of Pearland) – Pharmaceutical manufacturer with requirements of 45 new full-time jobs and new payroll of \$3.1 million.
- Applied Optoelectronics, Inc. (City of Sugar Land) – R&D project with employment requirement of 530 new full-time jobs and more than \$26.5 million in new payroll.

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PROTECT CHAPTER 313 OF THE TEXAS TAX CODE

The Texas Economic Development Act (Chapter 313) has helped attract billions in new investment to Texas and helped create thousands of high-paying jobs, while increasing the property tax base for school districts and local governments.

Chapter 313 allows for a 10-year limitation on the appraised property value for a portion of the school district property tax. In exchange for the value limitation, the business agrees to build or install new property and create jobs in the school district. The limitation applies to school taxes for maintenance and operations but not taxes for debt services.

Although the value limitation allows companies to realize a lower school tax burden, after the 10- year limitation expires, the school taxes are assessed in full. Also, even during the value limitation period, often other supplemental payments to school districts are made.

Ultimately, the school district participating in a Chapter 313 incentive agreement ends up with incremental revenue during the value limitation period and a larger tax base going forward.

Critics of the program contend school districts are “giving away state money” by offering the incentives. In truth, Chapter 313 makes money for the state by helping attract new taxpayers to invest here who otherwise might not be able to do so.

The Texas Comptroller determines whether the project will ultimately provide a “net benefit” to the state and whether the value limitation on school property taxes is a “determining factor” in the company’s decision to invest. For transparency, economic impact evaluations and limitation agreements are posted on the Comptroller’s website.

The Comptroller estimates the program has brought over \$80 billion in new investment to the state, creating more than 50,000 jobs.

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CONTINUE FUNDING FOR THE TEXAS ENTERPRISE FUND

In 2003, lawmakers created the Texas Enterprise Fund (TEF) to invigorate the states' renewed economic development efforts and help Texas compete globally for new jobs and high-impact investment. TEDC was a strong advocate for the creation of the TEF and continues to support this very important state-sponsored, deal-closing fund.

TEF Success Stories

- > **NTT Data, Inc.**, a data processing company, received a TEF award of \$7.5 million in 2017. The company will employ 6,377 directly and invest \$28.8 million in their Irving, Texas, location.
- > In 2016, the TEF awarded \$2 million to **CGT US Limited**, a plastic sheet manufacturer, for their new plant in New Braunfels, Texas. The company will employ 275 workers directly and invest \$81 million in the facility.
- > **Smith & Nephew, Inc.**, was awarded a TEF grant of \$730,000 in 2018. The company's advanced medical technology operations will add 100 direct jobs to Fort Worth, Texas, while investing more than \$29 million in capital improvements.

WHAT WE SUPPORT: Funding the TEF at an increased level for the 2018-2019 biennium and efforts to improve transparency in the program.

WHAT WE OPPOSE: Elimination of the fund and/or legislation that imposes mandatory funding set-aside for certain geographic regions or industries.

KEY FACTS ABOUT THE TEXAS ENTERPRISE FUND (TEF)

- The TEF is a deal-closing fund that is financed by general and special tax revenue from the state's Rainy Day Fund.
- Projects must include: competition with another state or country, significant job creation, above average wages, substantial capital investment and community involvement.
- Since 2004, the TEF has awarded over \$609 million toward projects creating nearly 94,000 direct jobs and capital investment of more than \$27 billion.

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MAINTAIN FUNDING FOR TEXAS WORKFORCE DEVELOPMENT PROGRAMS

The Skills Development Fund is Texas' premier job-training program. The Skills Development Fund provides local customized training opportunities for Texas businesses and workers to increase skill levels and wages of the Texas workforce. The Texas Workforce Commission administers funding for the program. Success is achieved through collaboration among businesses, public community and technical colleges, workforce development boards and economic development partners.

The Skills Development Fund is the only customized job-training program for economic development in Texas.

HIGHLIGHTS OF 22 YEARS OF THE SKILLS DEVELOPMENT FUND

- Helped over 4,356 existing employers
- Created 111,383 jobs
- Upgraded the skills of 245,391 incumbent workers
- Trained 356,774 workers

The Skills Development Fund includes the programs such as Skills for Small Business, Skills for Veterans and Texas Operation Welcome Home (Transitioning Texas Troops), and Recruit Texas.

The TEDC urges lawmakers to continue funding The Skills Development Fund program at its current funding level of \$48.6 million per biennium.

The TEDC supports the efforts of the Texas Workforce Commission's **High Demand Job Training Program**, which issues grants through local Texas Workforce Development Boards, in conjunction with matching funds from Type A and B Economic Development Sales Tax Corporations, to provide high-demand occupational and job training. The TEDC supports the continued funding of the High Demand Job Training Program for \$150,000 per year to each local Texas Workforce Development Board.

The **Jobs and Education for Texans (JET) grant program** allocates \$10 million each biennium to defray start-up costs associated with the development of career and technical education programs to public community and technical colleges, and independent school districts. JET grants provide potential economic returns through: (1) Supporting new, emerging industries or high-demand occupations and (2) Offering new or expanded dual credit career and technical educational opportunities in public high schools.

The TEDC supports continued funding of the JET grant program of \$10 million for the 2018-2019 biennium, as well as, increased funding of \$4 million per year in support of meeting the needs of workforce training to address skills gaps in the Texas workforce. A skilled workforce is key to continued economic prosperity throughout Texas.

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SUPPORT AND PROMOTE INNOVATION AND ENTREPRENEURSHIP

Continue support of the **Governor's University Research Initiative (GURI)**. The program is aimed at helping Texas public institutions of higher education recruit distinguished researchers from around the world to the State of Texas. The program seeks to bolster both the standing of Texas public colleges and universities and economic development efforts statewide.

Promote the role of **CPRIT (Cancer Prevention Research Institute of Texas)** in the Texas life sciences industry and its positive impact on the state as a whole. The TEDC encourages legislators to support existing programs and explore new ones in order to accelerate research and commercialization, with the ultimate goal of bringing quality, high-paying jobs and investment to Texas.

PROMOTE AND PROTECT LOCAL CONTROL

The degree to which local leaders, institutions and governing bodies can make independent or autonomous decisions about the governance and operation of their community, influences how much a community can shape their own destiny, manage their growth, and better represent their citizenry.

The idea of a one-size-fits-all is not in the best interest of Texas communities or Texans. Having a voice in the decisions that are vital to your neighborhood, community and region, are important to the continued success of Texas' businesses and the communities in which they call home.

WHAT WE SUPPORT: Programs that provide communities with a voice in their governance and the rights to control their own destiny.

WHAT WE OPPOSE: Legislation that imposes restrictions on a community to make decisions at the local level as to their community's governance, laws and commerce.

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SUPPORT PROGRAMS AND INITIATIVES FOR RURAL ECONOMIC DEVELOPMENT

Providing opportunities for investment in small communities and rural areas of the state is imperative for their survival. The TEDC supports the proposed Texas Rural Jobs Act to help attract capital investment to businesses in rural areas of Texas. The Act would promote the retention and expansion of existing jobs, stimulate the creation of new jobs, and attract new business and industry to rural Texas.

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OTHER IMPORTANT ECONOMIC DEVELOPMENT PROGRAMS AND TOOLS

These state and local economic development programs provide tools to attract jobs and investment to Texas. They are crucial for Texas to stay competitive in a global economy and to provide Texans with opportunities for quality jobs, stability and prosperity.

- Texas Enterprise Zone Program
- Chapters 380 and 381
- Event Trust Funds
- Texas Leverage Fund
- Tax Increment Reinvestment Zones
- Texas Moving Image Industry Incentives
- Freeport Exemption Program

A DIVERSIFIED ECONOMY: *Key to Sustained Economic Prosperity*

Even with fluctuations in the price of oil since the downturn in 2015, Texas continues to add jobs on a monthly basis. This is due in part to the diversification of employment sectors in the Texas economy, brought about by the fact that Texas has the best local economic development programs in the country. Having a diversified economy is imperative to endure changes in global market forces.

The TEDC supports initiatives that will give Texas every advantage for economic prosperity while also encouraging diversification across many market sectors. As such, this great state may continue to be a leader in economic development and a prime location for business.



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