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AS SESSION GEARS UP, TEXAS BUSINESS GROUPS READY TO FIGHT FOR ECONOMIC PRIORITIES

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By Bob Sechler

If Texas business leaders wanted an excuse to slack off during the just-started legislative session, they might point to the state's historically low unemployment rate, solid economic growth and robust job creation and opt to sit this one out.

Instead, they're gearing up to convince state lawmakers that those trends didn't happen by accident.

"The 'Texas Miracle' came about because we had a plan of action," said Jeff Moseley, president of the Texas Association of Business, using a term coined early this decade to describe the state's strong economy. "There is competition (nationwide) for high-wage, high-benefit jobs, and we better be prepared" to fight for them.

Moseley's organization and other business lobbying groups in Texas consider preservation of the state's taxpayer-funded economic incentive programs — derided as "corporate welfare" by critics but lauded as essential in many economic development circles — to be a priority during the legislative session that began Tuesday and runs through May 27.

A wide array of other business issues will occupy their time as well this session, including workforce development and public education at a time when companies in Austin and elsewhere in Texas are having difficulty finding qualified applicants to fill positions. Many also will be advocating for remedies for the state's increasingly congested roads and highways, and — as always — keeping their guards up against measures that might amplify the tax and regulatory burdens shouldered by the state's employers.

Still, some say there's no bigger issue for the Texas economy this session than the fate of the various incentive tools used to lure corporate relocations and expansions to the state and diversify the industrial base.

One of the major programs — allowing local governments to enter into so-called Chapter 312 agreements to abate property taxes — must be reauthorized by lawmakers in 2019 if it is to continue. A similar program allowing school districts to waive portions of a company's property tax bill -- known as Chapter 313 agreements — survived an effort to kill it during the 2017 legislative session. Such agreements

are named for the sections of the state tax code covering them.

"We simply have to have" the ability to provide property tax breaks, said Tony Bennett, president of the Texas Association of Manufacturers. "Competition (for projects nationwide) is not going away, and your team has to have everything the other team has" to win.

Property taxes in Texas are higher than in many competing states, Bennett said, so deals to waive portions of them often just level the playing field.

Business groups also are advocating to add millions the Texas Enterprise Fund, a deal-closing incentive tool used by the governor's office as a final carrot to sway corporate decisions. Gov. Greg Abbott secured enough for the fund during the 2017 legislative session to begin the current two-year budget cycle with a balance of \$150 million — despite an effort by some lawmakers to eliminate money for it altogether — but proponents this year are pushing for a starting point of \$200 million.

Abbott recently pledged \$25 million from the enterprise fund to help lure a new Apple Inc. corporate campus to Austin, in which the company has said it plans to invest \$1 billion and eventually employ up to 15,000 people. Williamson County also has promised financial incentives for Apple. The county has estimated its incentives will total about \$16 million over 15 years if the company invests \$400 million at the site, although the incentive amount could be significantly higher if Apple goes through with its plan to spend the full \$1 billion.

"All of these (incentive programs) are just tools in the toolbox," said Justin Yancy, president of the Texas Business Leadership Council. "If we don't play that ballgame, then we're going to lose."

Meanwhile, solutions for congestion on Texas roadways is another focus of business groups.

The Greater Austin Chamber of Commerce is urging state lawmakers to utilize all the available transportation money approved by voters in referendums in 2014 and 2015 to help tackle the issue. But, the Austin chamber and other business organizations also contend that additional means of paying for roads — such as through new managed toll lanes — likely will have to be part of a solution to the congestion problem.

"We can't allow ourselves to get further behind" in dealing

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with the issue, said Jeremy Martin, a senior vice president at the Austin chamber. "There needs to be sufficient funding to provide for that (transportation) infrastructure."

However, it remains to be seen if using tolls as funding mechanisms will gain much traction this session because Abbott and Lt. Gov. Dan Patrick came out against the use of tolls for new projects in late 2017, after complaints from some heavily tolled areas of the state like North Texas.

Still, business groups are urging lawmakers to avoid toll-related controversy by allowing local communities to determine the issue for themselves.

"We just say let it be a local decision," said Moseley, of the Texas Association of Business. "Leave it as an option and let that tool remain in the toolkit."

The state's main tax on businesses — called the franchise tax — is another topic that will draw the attention of industry groups at the Legislature this year. Attempts to abolish the tax entirely fell short during the previous legislative session in 2017, but state Sen. Jane Nelson, R-Flower Mound, already has filed a bill like the one she sponsored then that would phase it out over several years.

Still, some business groups said they're more interested this year in simply lowering the franchise tax, also known as the margins tax, or ensuring that it's applied fairly than they are in seeing it abolished altogether.

"If you continue to cut all sources of (state) revenue and different types of taxes, then you are going to end up just piling on the property tax," said Bennett, of the Texas Association of Manufacturers.

Bennett said some of his group's member companies support eliminating the tax, though others fear doing so would merely "exacerbate the high property tax problem we already have," he said.

Meanwhile, the Texas Association of Business has reiterated its backing for casino gambling in Texas as a means of generating revenue to lower the franchise tax.

In a new twist, however, the organization also has thrown its support behind sports betting in the state to use the extra money for franchise tax reduction. Last May, the U.S. Supreme Court opened the door for states nationwide to make commercial sports betting legal within their boundaries, though there has been little political appetite for it in Texas so far.