

SUBJECT: Adding telephone call centers to economic development qualified job list

COMMITTEE: Economic Development — favorable, without amendment

VOTE: 4 ayes — Ritter, B. Cook, Anchia, Kolkhorst

0 nays

3 absent — Deshotel, McCall, Seaman

WITNESSES: For —Carlton Schwab, Texas Economic Development Council

Against — None

BACKGROUND: The Development Corporation Act of 1979 authorizes Texas cities to establish nonprofit industrial economic development corporations, the purpose of which is to finance projects to develop certain businesses and promote the creation and retention of primary jobs.

A city may levy a sales and use tax for the benefit of a development corporation and the projects it finances. Two types of development corporations, known as "4A" and "4B," are named after the sections of the act in which they were established. A "4A" development corporation dedicates proceeds of this tax primarily to economic development projects to promote industrial and manufacturing development. A "4B" development corporation dedicates proceeds of this tax for use in financing and promoting a wide range of economic development projects, including for quality-of-life improvements.

The general definition of an economic development project includes job training and infrastructure developments, such as streets, utilities, and telecommunications improvements for the purpose of developing certain businesses. A primary job is defined as a job in a company of which the majority of products or services ultimately are exported to markets outside the city where the company is located. A primary job is also defined as a job that falls into one of various sectors delineated in the statute, including such industries as utilities, manufacturing and securities.

**DIGEST:** HB 551 would amend the Development Corporation Act to add the North American Industry Classification System (NAICS) category for telephone call centers to the definition of a primary job.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.

**SUPPORTERS SAY:** HB 551 would help bring customer service call center jobs to areas that need them. Customer service is a high-growth field that would benefit rural areas in particular. Customer service call centers provide good-paying jobs that do not require much technical training. By making call center jobs eligible for development corporation projects, HB 551 would give local communities another option for stimulating their local economies.

Although the phrase "call center" implies a business that conducts telemarketing, this phrase also encompasses businesses that take inbound calls, such as technical support centers. Many communities would focus on bringing those kinds of in-bound "back office" service centers to their communities. Cities would make the ultimate decision about which companies were offered incentives. If decision-makers felt a company would not offer quality jobs, then they would have the option of not offering incentives to that company.

When the section that defined and listed primary jobs was added to the act in 2003, those who drafted the legislation believed that call centers were considered a subset of many of the sectors listed and thus would be included as an allowable industry. Various legal experts have since determined that call centers may not be covered by the Act as it stands. HB 551 simply would clean up the oversight from 2003.

**OPPONENTS SAY:** Telemarketing would fit into the classification of a call center, and it is not an industry that pays workers well. This industry generally looks for the least expensive place to set up shop and picks communities with low expectations for treatment of workers. Companies that look for the least expensive place to set up shop are the kind that might not let their employees unionize and might not pay them a living wage.

NOTES:

The fiscal note for HB 551 indicates no anticipated fiscal implication to the state. However, tax-exempt industrial development corporations can lease authorized projects and remove them from the tax rolls, affecting local tax revenues, particularly in connection with the school finance system that increases state aid as local property values decrease.