

SUBJECT: Allowing limitations on school tax appraised value for IGCC power plants

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 5 ayes — Deshotel, Straus, Dunnam, Ortiz, Veasey

0 nays

2 absent — Kolkhorst, Morrison

WITNESSES: For — James Ray, Eastman Chemical Company (*Registered, but did not testify*); Walt Baum, Association of Electric Companies of Texas; Kyle Frazier, Clean Coal Technology Foundation)

Against — None

On — Dick Lavine, Center for Public Policy Priorities

BACKGROUND: In 2001, the 77th Legislature enacted HB 1200 by Brimer, known as the Texas Economic Development Act, which authorized school districts to negotiate limitations on the appraised value of property for maintenance and operation (M&O) property taxation with corporations and limited liability companies that would use the property for manufacturing, research and development, or renewable energy electric generation. In 2005, the 79th Legislature enacted HB 2201 by Hughes, which added clean-coal projects and coal and biomass gasification projects to the list of projects eligible for appraised value limitations.

DIGEST: CSHB 1952 would add electric generation projects using integrated gasification combined cycle (IGCC) technology to the list of projects eligible for limitations on the appraised value of property for school district M&O property taxation. A gasification project would be eligible for limitation on appraised value if the project used as feedstock coal (including lignite), petroleum residues (including petroleum coke), biomass, waste, or any mixture of those materials.

The bill would take effect January 1, 2008.

**SUPPORTERS  
SAY:**

CSHB 1952 would expand the success of Texas Economic Development Act to include IGCC power plants, which use an innovative technology to harness energy from coal while producing significantly less pollution than traditional pulverized coal plants. Property tax credits granted by school districts through the Economic Development Act have been a useful tool for local governments to encourage business expansion throughout the state. Allowing tax credits for an IGCC plant would benefit the local economy where the plant was located and increase Texas energy production with a low-emissions alternative to pulverized coal plants.

IGCC plants hold the promise of helping Texas meet a growing demand for energy while preserving the environment. The technology employed in an IGCC plant can minimize the environmental impact of coal, one of the most inexpensive and abundant energy sources on the planet.

The benefits of IGCC technology are abundant. An IGCC plant can isolate and capture CO<sub>2</sub> emissions that would be released into the atmosphere during the traditional coal-burning process, and this by-product can be injected into tapped out oil fields for enhanced oil recovery. The “syngas” created in the gasification process allows for removal of toxic impurities, such as sulfur and mercury, and allows for more efficient energy production. Other by-products could have useful applications as well, such as slag by-product for construction materials and hydrogen for fuel cells. IGCC plants could produce technology in an efficient and clean manner, and it would be in the state’s interest to encourage projects harnessing this technology.

By enacting HB 2201 by Hughes in 2005, the Legislature already has demonstrated its commitment to allowing clean coal projects to be eligible for abatements under the Texas Economic Development Act. CSHB 1952 simply would clarify that IGCC plants in particular also would be eligible for these abatements. In addition, the bill would allow abatements specifically for commercial applications of IGCC technology, encouraging industries to provide their own clean sources of power without drawing additional energy from the grid.

**OPPONENTS  
SAY:**

While the promotion of cleaner energy sources is a goal worth supporting, the Legislature should resist expanding the Economic Development Act beyond its original scope of promoting capital-intensive manufacturing and research and development projects. The incentives offered under the Economic Development Act have been most successful when tied to

projects such as the Toyota manufacturing plant in San Antonio, which directly will produce numerous, high-paying jobs. It is questionable whether IGCC plants would lead to the economic impact that large manufacturing investment provides. Because the Texas Economic Development Act essentially allows local school districts to grant tax abatements on the state's tab, the Legislature should consider carefully whether to expand the scope of projects eligible for the program.

NOTES:

The committee substitute added language to specify that a gasification project would be eligible for limitation on appraised value if the project used as feedstock coal, petroleum residues, biomass, waste, or any mixture of those materials.

According to the Legislative Budget Board, CSHB 1952 could result in the reduction of taxable property values at the expense of the Foundation School Fund.