

- SUBJECT:** Revising enterprise zone program
- COMMITTEE:** Economic Development — committee substitute recommended
- VOTE:** 7 ayes — Deshotel, Straus, Kolkhorst, Dunnam, Morrison, Ortiz, Veasey
0 nays
- WITNESSES:** For — Tom Utter, City of Corpus Christi; Karin Richmond; (*Registered, but did not testify*: Aaron Day, City of Fort Worth; Robert Howden, Texas Association of Manufacturers; Carlton Schwab, Texas Economic Development Council, Chris Shields, Radio Shack and Toyota; Ken Trevino, Corpus Christi Chamber of Commerce)

Against — None

On — Mark Mendez, Tarrant County (*Registered, but did not testify*: Michael Chrobak, Office of Governor)
- BACKGROUND:** The Texas Enterprise Zone program began in 1987. The purpose of the program is for local jurisdictions to partner with the state to offer incentives to businesses expanding or moving to an enterprise zone, an economically distressed county with a poverty rate above 15.4 percent in which at least 25.4 percent of the adult population does not hold a high school diploma or equivalency certificate. Through the enterprise zone program, the Texas Economic Development and Tourism Office (TEDTO) can authorize incentives of state sales and franchise tax refunds for businesses that agree to locate, invest, and create jobs in communities that the department has identified as economically distressed.
- DIGEST:** CSHB 3694 would expand the Texas Enterprise Zone Program to promote job creation and capital investment in local jurisdictions. It would allow the Texas Enterprise Bank to designate up to 120 enterprise zones, instead of the current maximum of 85, during any biennium. Any designations remaining at the end of one biennium could be carried forward into the next one.

The bill would consider territory in the municipal boundaries and in the extraterritorial jurisdiction of a municipality as within the jurisdiction of

the municipality. Counties could not nominate for designation as an enterprise project a project within a municipality's jurisdiction.

A participating business that made a capital investment of between \$150,000,000 and \$249,999,000 could receive a refund of up to \$5,000 per job with a maximum refund of \$2,500,000 for the creation or retention of 500 jobs if the Texas Enterprise Bank designated the project as a "double jumbo" enterprise project. A business that invested \$250,000,000 or more could receive a refund of up to \$7,500 per job with a maximum refund of \$3,750,000 for the creation or retention of at least 500 jobs if the bank designated the project as a "triple jumbo" enterprise project.

Instead of being eligible for a sales-and-use tax refund only for specified items, including machinery and construction materials, CSHB 3694 would allow a business to receive a sales-and-use tax refund on all taxable items purchased for use at the qualified business site related to the project.

CSHB 3694 would designate the comptroller as the monitoring agency for qualified businesses or enterprise projects. The bill also would require the business to file a certified report to the comptroller of the actual number of jobs created and the capital investment made. In response, the comptroller would have to submit to the Texas Enterprise Bank a report stating the actual impact of the enterprise project no later than 30 days after the comptroller had completed the enterprise project's close-out.

CSHB 3694 also would stipulate that a business or project could not obtain a state benefit for moving jobs from one area of the state to another area of the state.

The bill would take effect September 1, 2007.

**SUPPORTERS
SAY:**

CSHB 3694 would clarify and streamline the enterprise zone program. These improvements would make it easier for companies to access and participate in the program, for the Comptroller's Office to audit and monitor the program, and for the Governor's Office to administer the program. The bill also would maintain the goal of producing legitimate economic development and job growth in disadvantaged regions by limiting the ability of businesses to receive designations for simply moving jobs from one region of the state to a disadvantaged region.

The bill also would increase the number of projects from 85 to 120 over any biennium. These projects have the biggest potential return on investment of any economic development program. Furthermore, they provide targeted focused credits and detailed criteria to which companies must adhere.

The author plans to offer a floor amendment that would allow counties with populations of 750,000 or more to nominate up to three designations in any one municipality during a biennium.

**OPPONENTS
SAY:**

CSHB 3694 would restrict a municipality from nominating for designation an enterprise project from a business that was not wholly or partially in a municipality's boundaries, including its extraterritorial jurisdiction. In large counties, there is almost no part of the county that does not encroach upon another municipality's extraterritorial jurisdiction. This provision would limit the ability to utilize project nominations.

NOTES:

According to the Legislative Budget Board, the bill would cost the state \$5.6 million in general revenue-related funds in fiscal 2008-09 from tax refunds paid to enterprise projects.

The substitute differs from the original in that the substitute would include a job retention provision in the hiring of people from the enterprise zone or those who are economically disadvantaged. The substitute also would align provisions in the Tax Code for double and triple jumbo enterprise projects with those in the Government Code.