

BILL ANALYSIS

Senate Research Center
82R17210 JE-F

H.B. 2785
By: Davis, John et al. (Shapiro)
Economic Development
4/27/2011
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Many signs point to a recovering economy and rebounding business investment. In an effort to jump-start their economies, many states are reviewing incentives to attract new investment and, in some cases, are becoming more aggressive in using those incentives. Over time, Texas has developed a variety of economic development incentives administered through a number of state agencies, from temporary tax relief to direct state grants and subsidies. These incentives have evolved without a comprehensive review of their effectiveness, how they compare with other states' efforts, whether they appropriately target the correct economic activity, how they should be evaluated, or how they can be coordinated with other incentives to be most effective.

H.B. 2785 seeks to address some of these issues by creating a Select Committee on Economic Development to study and make recommendations on incentives for economic development.

H.B. 2785 amends current law relating to the creation of the Select Committee on Economic Development.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. PURPOSE. Provides that the purpose of this Act is to ensure that economic development initiatives in this state are effective in encouraging new investment, employment, and income and in retaining existing facilities and employment. Requires that the economic development incentives be appropriately sized and directed and administratively efficient and allow this state to compete with other states. Provides that it is the intent of the legislature to develop objective criteria to evaluate the state's economic development initiatives that reflect sound economic principles appropriately applied in light of the diverse nature of the initiatives and the state's economy.

SECTION 2. DEFINITION. Defines, in this Act, "committee."

SECTION 3. COMPOSITION. (a) Provides that the Select Committee on Economic Development (committee) is composed of 12 members as follows:

(1) four public members appointed by the governor:

(A) two of whom must be owners or employees of a business with significant operations in this state; and

(B) one of whom must be a member of the governing body of a municipality or county;

(2) two public members appointed by the lieutenant governor, one of whom must be an owner or employee of a business with significant operations in this state;

(3) two members of the senate appointed by the lieutenant governor;

(4) two public members appointed by the speaker of the house of representatives, one of whom must be an owner or employee of a business with significant operations in this state; and

(5) two members of the house of representatives appointed by the speaker of the house of representatives.

(b) Requires each individual required to make an appointment under Subsection (a) of this section to make the appointment as soon as possible after the effective date of this Act, but not later than November 1, 2011.

SECTION 4. PRESIDING OFFICER; MEETINGS. (a) Requires the governor to select the presiding officer of the committee from among the committee members.

(b) Requires the committee to meet at the call of the presiding officer.

SECTION 5. COMMITTEE DUTIES. Requires the committee to:

(1) recommend to the legislature an economic development policy for the state;

(2) conduct a study and make recommendations to the legislature regarding state and local economic development incentives;

(3) develop criteria for evaluating the effectiveness of existing economic development policies and incentives in this state and make recommendations the committee considers necessary to improve those policies and incentives, taking into account:

(A) aspects of the state and local tax systems that encourage or hinder economic activity in the state;

(B) the types or categories of businesses eligible for incentives and whether the promotion or encouragement of a specific type or category of business activity is in the best long-term interest of the state and the citizens of this state;

(C) the extent to which an incentive should encourage the maintenance or expansion of existing capital investment within this state or attract new capital investment from outside this state;

(D) the extent to which an incentive should encourage the retention or expansion of existing employment within this state or encourage the creation of additional employment, either at existing or new business locations in this state;

(E) the direct effects of the business activity qualifying for the incentive and the indirect and induced effects associated with that activity on capital investment, employment, wages, salaries, state and local tax revenues, and demands for state or local public services;

(F) how the incentives offered in this state compare to those available in other states or countries, and how those differences affect business decisions to invest in this state or outside this state; and

(G) whether and to what extent a particular incentive should take the form of a direct grant of state or local revenue, the abatement, deferral, or limitation of a state or local tax, fee, or assessment, the provision of a specific service or program designed to benefit the business, or other direct or indirect financing mechanism;

- (4) consider the benefits of consolidating state and local economic development incentives into a single statewide office or agency;
- (5) evaluate existing state or local economic development incentives and make recommendations regarding the continuation, elimination, or modification of those incentives based on the criteria developed under Subdivision (3) of this section; and
- (6) make recommendations on whether the state should adopt new incentives to better accomplish the state's economic development policy.

SECTION 6. REPORT. Requires the committee, not later than January 1, 2013, to submit a report of the committee's findings, studies, and recommendations to the governor, lieutenant governor, the speaker of the house of representatives, and each member of the legislature.

SECTION 7. STAFF. Requires the Legislative Budget Board, Texas Legislative Council, office of the governor, senate, and house of representatives, on the committee's request, to provide the staff necessary to assist the committee in performing its duties.

SECTION 8. COOPERATION OF STATE AGENCY, DEPARTMENT, OR OFFICE. Authorizes the committee, if needed to perform the duties of the committee, to request the assistance of a state agency, department, or office. Requires the state agency, department, or office to provide the committee with the requested assistance.

SECTION 9. EXPENSES. (a) Requires that the operating expenses of the committee be paid from available funds of the office of the governor, the senate, and the house of representatives, as agreed to by those entities.

- (b) Requires a public member of the committee, when attending committee meetings, to be allowed the same mileage and per diem as are allowed members of the legislature who attend a committee meeting when the legislature is not in session.

SECTION 10. EXPIRATION DATE. Provides that the committee is abolished and this Act expires September 1, 2013.

SECTION 11. EFFECTIVE DATE. Effective date: September 1, 2011.