

# Commentary: Complacency is economic kiss of death

STATE-GOVERNMENT By Tony Bennett and Dale Craymer - Special to the American-Statesman

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Texas can't take growth for granted. Texas has been an economic powerhouse for so long that many have become complacent about all that makes Texas attractive to major capital investment, the foundation of our economic might. It's not by accident that Texas has been the nation's number one exporting state for manufactured goods for 14 years running.

Unfortunately, smart policy like the Texas Economic Development Act (also known as Chapter 313) is in the cross-hairs. Senate Bill 600 would eliminate Chapter 313 outright and several other bills would significantly harm the program. Lawmakers should oppose these proposals because Chapter 313 is the state's single-most important economic development program. Without it, the state cannot compete for many new industrial and energy-related projects.

Other states are falling all over themselves to out-compete Texas to land major industrial projects and the thousands of jobs that come with them. It's smug to suggest that Texas doesn't need to compete and can afford to disarm itself at a time when other states are becoming more aggressive with investment incentives.

Chapter 313 helps new projects overcome Texas' crippling property taxes by allowing school districts to offer temporary tax reductions on a portion of their investment. For a project to be eligible for a Chapter 313 limitation, the State Comptroller must certify that the tax reduction is a determining factor in the company's decision to invest in Texas and that the project will generate more new tax revenue than the amount of tax benefits the project receives.

Chapter 313 is invaluable because Texas ranks among the top five states with the highest property tax rates on industrial property in the nation. According to the Council on State Taxation (COST), Texas businesses and industries pay 62 percent of all state and local taxes while the national average is 44 percent.

In addition, Chapter 313 is the most transparent economic development program in the nation. To be considered for a reduction, a project must file an application detailing the scope of the project, its investment, hiring and the tax benefits it seeks. The project must file an annual report to determine if it is still eligible and a progress report every two years – even after it is operational. These reports are open records and available on the Comptroller's website.

Misinformation surrounds Chapter 313. Despite claims to the contrary, Chapter 313 agreements make money for state and local governments. Like all industrial projects, Chapter 313 projects pay property taxes (the reduction is temporary), sales taxes, franchise taxes, motor fuels, motor vehicles sales taxes and several other taxes – revenue that would not exist without Chapter 313, because the projects would not exist without Chapter 313.

When a project locates in a school district, it becomes “wealthier” from a property perspective, which in turn saves the state precious school finance funds.

If Texas takes jobs for granted by eliminating tax incentives, other states will pounce. Louisiana, South Carolina, New York, Michigan and many other states already have aggressive programs designed to attract projects. Company CEOs cannot ignore significant tax savings and will consider other locations if Texas eliminates Chapter 313.

Texans should fight for manufacturing jobs because they’re among the best jobs in the state. Texas manufacturing employs 860,000-plus workers who earn an average compensation of \$82,400 a year. According to the U.S. Department of Commerce Bureau of Economic Analysis, for each direct manufacturing job, additional related jobs are created. The multiplier ratio can be as high as 5-to-1 with five indirect jobs supported by each manufacturing job created in sectors like the petrochemical, aerospace, or automotive industries.

Texas is not immune to competition. Without smart economic development policy, Texas loses its competitive edge. Other states have more than sufficient infrastructure to accommodate new investment—ports, pipelines and refineries. Other states have natural resources. Other states have a ready workforce. Other states have aggressive investment incentive programs – and lower property taxes.

Texas is not so mighty to think we can walk off the field and remain a champion. Texans deserve policies that maintain and create quality jobs and economic progress

*Bennett is president and CEO of the Texas Association of Manufacturers. Craymer is president of the Texas Taxpayers & Research Association. Hector Rivero, president and CEO of the Texas Chemical Council, also authored this article.*