

OPINION

# PAYING FOR THE 'TEXAS MIRACLE'

Resurrecting tax giveaway program is a bad idea for Texas



(NewsArt.com/Chris Van Es)

By DEBORAH SMITH and BILL deHAAS

Chapter 313 was one of the country's worst examples of crony capitalism, funneling billions in Texas taxpayer dollars to out-of-state interests. The program still costs Texas taxpayers over \$1 billion a year in tax breaks to major oil, gas and manufacturing companies — money that could go to educating our children.

Dallas Area Interfaith, the Texas IAF, allies and a bipartisan group of legislators killed the reauthorization of Chapter 313 in the 2021 legislative session. Rather than leaving the program in the grave, industry groups are actually proposing to resurrect Chapter 313 this legislative session and make it worse in the form of House Bill 5.

Last September, in a House Ways and Means Committee hearing, industry groups painted an apocalyptic vision of Texas' economy without Chapter 313. Their statements were based on opinion. Fortunately, we can look to Louisiana to see if their fears are merited.

In 2016, Louisiana reformed its version of Chapter 313, the Industrial Tax Exemption Program. The reforms generated \$760 million in new tax revenue for schools and other public entities with no negative impacts on jobs. In fact, capital expenditures grew after the reforms.

Louisiana's experience mirrors studies on economic development incentives. The Upjohn Institute found that "75% to 98% of the time, the same decision would have been made without the incentive."

Similarly, a 2017 University of Texas study of Chapter 313 estimated that between 85% and 95% of Chapter 313 projects would have been located in Texas without the incentive. These incentives matter much less than other factors such as the labor force, education, infrastructure and access to markets and materials.

Many of the firms that received Chapter 313 tax giveaways were already located in Texas. Even the small number of jobs required by Chapter 313 often never materialized, and firms were rarely held responsible.

The total amount of tax abatements currently promised to wealthy, often multinational corporations under Chapter 313 is \$31 billion. The comptroller found that over 50% of the tax benefits of Chapter 313 leave the state, and that 50% of what stays in Texas will benefit households earning more than \$156,000.

In 2015, Gov. Greg Abbott vetoed an expansion of Chapter 313 because of "serious concerns" about the program's transparency and value. He stated, "I cannot support expansion of an incentive program that has not been proven to deliver the value taxpayers deserve." He calculated that the program cost \$341,000 for every permanent job it created.

In 2021, the *Houston Chronicle* used Abbott's calculation and discovered that Chapter 313 now costs \$1.1 million for every new job.

Despite these facts, many are determined to resurrect Chapter 313 with House Bill 5.

The proponents of HB 5 have taken Chapter 313 and made it worse. This bill would broaden the eligibility requirements for industries, reduce the minimum wage and eliminate health insurance requirements tied to these jobs, and prohibit school districts from negotiating enhanced environmental protections as part of the agreements, many of which are large petrochemical and liquefied natural gas projects. HB 5 also eliminates renewable energy projects from the program.

HB 5 would also reinstate Chapter 313's most insidious provision: that tax breaks are granted by local school boards, but paid for by state taxpayers, with no limit on the number of these deals that can be granted. Currently, school districts have promised \$31 billion in taxpayer dollars to corporations, which could be vastly expanded under HB 5.

And in what state Sen. Robert Nichols, R-Jacksonville, called "borderline corruption" during a 2022 interim hearing of the Senate Committee on Finance, companies give the school district an incentive sometimes equal to about 40% of the tax break to induce them to pass the agreement.

Local school boards have little reason not to approve the tax break because state taxpayers foot the bill.

Chapter 313's combination of tax abatements and payments in lieu of taxes — or PILOTs — created a perverse system of winners and losers for Texas schoolchildren.

Barbers Hill ISD, a district of 5,710 students, received over \$31 million per year in PILOT payments. While Barbers Hill ISD won, the 155,000 students in Dallas ISD lost. The abatements drained over \$20 million per year in potential funding for the district. Only 5% of Texas children attended a school district with a Chapter 313 project. HB 5 does nothing to address this system of winners and losers.

Dallas Area Interfaith and the Texas IAF call on legislators of both parties to stand with ordinary taxpayers, schoolchildren, small businesses and corporations that pay their fair share to reject once again HB 5's attempt to revive a failed program.

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