

# San Antonio Express-News

## Taylor: Like a zombie, Texas corporate welfare threatens to rise from its grave and plague taxpayers

Michael Taylor

March 29, 2023

A surprising legislative success in 2021 is on track to be undone in 2023, unless a grass roots left-right coalition can block legislation and the forces behind it that are trying to go backward.

In the name of jobs and economic development, a 2012 tax code trick called Chapter 313 essentially funneled state money, via school district property tax breaks, to private companies doing new industrial construction. The school districts that granted tax breaks under Chapter 313 were reimbursed — and many still are being reimbursed — by the state, meaning we as taxpayers reimbursed them. It was the ultimate insider game of channeling public benefit to private companies.

Surprisingly, Chapter 313 was halted by lawmakers in 2021. But a new bill proposed by a state representative from Corpus Christi seeks to bring it — or a new version of it — back.

### **Channeling state tax dollars**

The original Chapter 313 was deeply problematic.

Studies by University of Texas at Austin professor Nathan Jensen showed the vast majority of companies that sought Chapter 313 tax breaks would not have left Texas regardless of whether Chapter 313 existed, undermining the program's original stated purpose.

As if energy companies in the Houston or Corpus Christi areas pretending they would leave for greener pastures would actually do so — to where,

Nebraska? Get outta here. Texas is obviously where they were going to do business. So the only question was whether they could also get tax incentives while they were at it.

When it comes to economic development schemes, this type of “pay them to do what they were already going to do” is the rule rather than the exception.

Meanwhile, the economic benefit achieved in return for the state paying industry's school property taxes typically yielded a hugely inefficient “cost per job,” as companies had to claim a certain number of jobs would be “created” by the tax breaks.

The program's cost far exceeded what was originally intended, reaching \$10 billion by the time it was halted in 2021.

But then the next crazy thing happened. After businesses and insiders realized Chapter 313 would sunset at the end of 2022, a gold rush began. From mid-2021 to mid-2022, companies applied in droves for barely planned energy projects to lock in that sweet corporate welfare.

In January, a Hearst newspapers report estimated the costs of proposed Chapter 313 projects will balloon to \$31 billion — even after the law was supposed to sunset — over the next three decades. The report calculated that 90 percent of that \$31 billion benefit will be captured by companies after 2022.

School districts almost always approved these 10-year tax breaks, since the state would make them whole. Also, the state reimbursement money was often less restricted and, therefore, attractive to school districts. In this way, it was an end-around program for channeling state tax dollars to specific companies, usually in the energy industry, both in renewables and fossil fuels.

The comptroller's office approved 95 percent of the projects, making that office an unreliable filter for ensuring only worthy economic development plans passed through.

## **Corruptalism vs. capitalism**

Whenever insiders find a way to channel public benefit (taxes) for private gain (corporate profits), our spidey sense should tingle. We should ask: “Is this a formula for corruption?”

If it's not outright corruption, it is definitely the state of Texas allowing insiders to pick winners and losers. It certainly is the opposite of free-market capitalism. It is corporate welfare. I would call it corruptalism, not capitalism.

Calling the Chapter 313 program “crony capitalism,” the right-leaning Texas Public Policy Foundation recently published an opinion piece titled “Why bring back a crony tax break program in Texas?”

It's a good question.

The foundation astutely pointed out that “many politicians want (Chapter 313) restored because taking our money and handing it over to others buys them power, favors and campaign donations.”

And because it is corporate welfare rather than people welfare, the nonpartisan but left-leaning coalition known as Texas Industrial Areas Foundation is also opposed.

In San Antonio, Mike Phillips is a COPS/Metro leader, a member of the Texas IAF. His organization and others rallied in Austin on March 21 to call attention to the inequities that school district tax breaks cause statewide.

“This is money that could instead be going to public schools. We are working this session with legislators from both parties and a range of allies to oppose taxpayer-funded corporate giveaway programs that involve school finance and school district decision-making,” Phillips said.

## **The undead proposal**

The Industrial Areas Foundation cleverly brought a man dressed as Dracula to its rally to dramatize how Chapter 313 unfairly drained school districts of funds and that reviving this bad economic development deal would be akin to raising the undead.

As the 2023 legislative session continues, House Bill 5, filed Feb. 28 by Rep. Todd Hunter, R-Corpus Christi, is the undead proposal to resurrect corporate welfare in the name of economic development.

Interestingly and probably not coincidentally, HB 5 is a shell bill, not specifying exactly how the corporate welfare gimmick will work. In the absence of specifics, the bill is proposed as Chapter 403, subchapter S. So far, it states that its objective is to “provide a temporary and limited competitive economic incentive for attracting to this state large-scale manufacturing projects that, in the absence of this subchapter, would likely locate in another state.”

A shell bill avoiding specifics is fitting, considering that companies in 2022 rushed to file shell plans under Chapter 313 to construct their projects many years from now. It’s all a pretty cynical shell game. This is not a left-right issue, as the coalition opposing it shows. It’s an insider-outsider issue.

## **So which are you, an insider or an outsider?**

Something as sweet as corporate welfare will have many friends and allies inside and around the lobby of the Texas Legislature.

There are 150 members of the Texas House of Representatives. HB 5 has 50 original signatories — the primary author, four joint authors and 45 co-authors. Are you curious whether your representative supports this corporate welfare? Look it up at [bit.ly/3ZqillX](https://bit.ly/3ZqillX).

If you’re not an insider, perhaps with an energy company, on this \$31 billion — and counting — corporate welfare giveaway, you’ll be paying this benefit to the insiders for decades.

And if legislators pass HB 5, and you’re not an insider, you’ll be paying for that one for decades, too.