



COALITION OF ORGANIZATIONS OPPOSE HB 5 - CHAPTER 313 RENEWAL

May 4, 2023

Legislators,

As organizations committed to equitable and sustainable economic development, quality education, and responsible fiscal policy, we, the undersigned members express our opposition to HB 5, and any efforts to revive the failed Chapter 313 program for the following reasons:

1. Diversion of Resources from Public Education: The \$31 billion cost resulting from Chapter 313 agreements falls on Texas taxpayers and the school districts not participating in the program and diverts scarce resources from education and other state priorities. [A small number of districts receive applications, meanwhile all of the other districts shoulder the burden.](#) This diversion of resources further undermines the equitable distribution of funds for our education system. **HB 5 would vastly expand the categories of eligible projects, add expansion projects and not just new facilities to those eligible, increase the size of a corporation's tax break, and result in expanding costs to taxpayers and the program's inequitable impact among ISD's.**
2. Unsustainable Fiscal Policy: Unlike other states that rely on income taxes for revenue, Texas primarily depends on property taxes for funding. This means that abating corporate property taxes selectively for major, often multinational companies places a heavier and more unfair burden on our Texas families. By allowing companies to use these abatements, the state is picking winners and losers, and promoting an unsustainable fiscal policy that will only worsen over time. **HB 5 does nothing to address the unfair burden placed on ordinary taxpayers and other businesses that do not receive these public subsidies. Further, unlike Chapter 313, HB 5 has no sunset date.**
3. Ineffective and Wasteful Program: Research from the [Upjohn Institute shows](#) us that corporate tax breaks have exceptionally limited effectiveness in incentivizing corporate relocation, and that these incentives come far behind other factors such as the labor force, infrastructure, and access to markets and materials. Texas highly

excels in these categories. A 2017 study from the [University of Texas](#) estimated that between 85% and 95% of Chapter 313 projects would have located in Texas without the incentive. This same study found that those applying for Chapter 313 tax breaks sometimes pay more than 40% of their tax savings back to the school district in supplemental payments, making tax abatements an unnecessary, ineffective, and wasteful corporate welfare program. **HB 5 continues Chapter 313's low-threshold of only asking companies to state that the tax break is "a determining factor" (among other factors) in building the project, rather than certifying that they could not otherwise build the project without the incentive (a strict "but-for" requirement).**

4. Lack of Transparency and Accountability: Over the years, Chapter 313 tax abatements have been granted with limited public scrutiny or oversight, leading to questions about the fairness and effectiveness of the program. Chapter 313 has given rise to a cottage industry of consultants, who make money from these taxpayer funded subsidies by charging large fees to school districts and the companies. Also, when companies cannot meet the already weak job and wage requirements, it can be waived with no consequence. It is crucial for the state to ensure that all economic development incentives are transparent and accountable to taxpayers, who deserve to know exactly how their tax dollars are being spent. **HB 5 inexplicably shortens the period of public discussion to 35 days from the time the Comptroller recommends the project to the school board approval of the project, does nothing to address the cottage industry of consultants, and waters down the already weak job creation and wage requirements that existed in Chapter 313.**

In conclusion, we respectfully request that you vote against the renewal of Texas Tax Code Chapter 313 in the form of HB 5. Instead, we urge you to support alternative policies that promote fair and transparent economic development, adequately fund our public education system, and ensure a level playing field for all businesses in Texas.

Thank you for your attention to this critical issue, and we look forward to your support in safeguarding the interests of Texas communities, taxpayers, and our children's future.

Sincerely,

*Network of Texas IAF Organizations**
EveryTexan
Texas Campaign for the Environment
Texas AFT
Texas State Teachers Association
Texas AFL-CIO
CHISPA
South Texas Human Rights Center

Texas Public Interest Research Group
Friends of the Wildlife Corridor
The Environmental Defense Fund
BetterBrazoria + Save RGV
Sierra Club Lone Star Chapter
ProgressTexas

*Texas IAF network includes: COPS Metro, ICAN, The Border Organization, Valley Interfaith, The Metropolitan Organization, EPISO and Border Interfaith, Central Texas Interfaith Interfaith, Dallas Area Interfaith, The West Texas Organizing Strategy.