



2021 TOP 10 PRIORITIES

87TH LEGISLATIVE SESSION

1. Preserve Authority to Offer Limited, Temporary Property Tax Discounts

One of the most powerful economic development tools in Texas will expire on December 31, 2022 unless the Legislature extends it. Chapter 313 of the Texas Tax Code, the authority for school districts to offer limited, temporary property tax discounts for purposes of economic development, will again be debated this session. Capital-intensive industrial projects are highly sought after around the world for their large tax base wealth and high-paying jobs. Chapter 313, or a successor program that works to the same goals, is a must-have incentive, considering that Texas is among the top five states in the nation with the highest industry property taxes and the fact that nearly all other states and countries offer similar economic development incentives.

Manufacturing projects act as magnets to attract additional vendors and suppliers, service companies, and other businesses that follow the host project. This “ripple” or “multiplier” effect creates still more quality jobs and property tax wealth for many Texas communities. In fact, every direct manufacturing job Texas creates provides an average of five jobs in other industries (*Source: National Association of Manufacturers/ IMPLAN*).

Competition for major manufacturing investment is fierce and Texas will lose jobs and investment to other states if Chapter 313 is allowed to expire without a replacement. As one Senator put it at a legislative committee hearing on tax incentives, “the 49 other states will love it when Texas abandons economic development.” The Legislature cannot let that happen and must renew or replace Chapter 313.

2. Pandemic Liability Reform

Members of Texas’ congressional delegation have previously made clear that any future pandemic relief legislation should include liability protections for business that operate during a pandemic. In fact, Texas Senator John Cornyn has drafted the [SAFE TO WORK Act](#), legislation that would “temporarily limit liability for COVID-19 exposure claims for frontline workers like nurses, doctors, teachers, and small business owners as long as they are following public health guidelines and are not grossly negligent.”

While TAM is supportive of a federal plan like the SAFE TO WORK Act, we realize that Texas cannot simply wait for a federal solution that may never arrive. Therefore, a broad coalition of industry sectors and associations is working to promote legislation that would protect Texas frontline workers and businesses in the same manner as the proposed federal legislation. Ideally, any Texas legislation would be complimentary to a federal plan, but as

the federal government stalls on providing such protections, the Texas legislation becomes more important.

It is critical for the Texas Legislature to pass some measure of protection against a battery of frivolous personal injury lawsuits related to a pandemic. Employers, healthcare professionals who provide pandemic care or services, PPE manufacturers, all types of small businesses, schools and colleges, and even churches are at risk from potential lawsuits arising from any infections in a widespread pandemic. The Texas economy's ability to respond to the COVID-19 disaster, and future events like this, is at stake.

3. Equality in Business Taxation

The Texas Legislature reformed the franchise tax over a decade ago to better reflect the modern sectors of the Texas economy, close tax loopholes, and to help finance a reduction in the school property tax. Legislative sentiment now continues to favor a phase-out or repeal of the franchise tax. TAM opposes exempting favored businesses from the tax if doing so leaves others to shoulder the entire burden. Moreover, TAM points out that because the franchise tax is low, broad, and is not imposed on employment or investment, reducing or eliminating the tax is not likely to produce significant economic gains to Texas. No franchise tax cut is a substitute for a competitive property tax environment. But if the state's policy goal is to reduce or eliminate the franchise tax, TAM insists that such relief be across-the-board so that all taxpayers are treated equally.

4. Business Personal Property Tax Reform

Some states have completely exempted tangible business personal property from their property tax assessments to grow their economies; Texas is not one of them. Business personal property includes assets that can be moved – furniture, equipment, and inventories. Inventory includes the value of raw materials, finished goods, and supplies or parts that manufacturers need to run their business. Most states have at least done away with taxing inventory – with all but seven, including Texas, still levying a tax on most business inventories.

The taxation of Texas business personal property and inventory significantly discourages capital investment and expansion here, given that approximately 90 percent of U.S. states levy a lower property tax on industry than Texas. And with our state's desire to attract more "advanced manufacturing" employers here, higher business personal property taxes are an even larger impediment, as these advanced industries require expensive high-tech equipment that depreciates quickly and must be replaced or updated, often within 3 to 5 years. These increasing real and personal property taxes are the centerpiece of an already higher overall tax burden, where Texas business and industry now pay 62 percent of all state and local taxes. The national average is 44 percent.

The Texas business inventory tax also forces many manufacturing companies to warehouse certain materials, supplies, and parts they need outside of our state. While this creates an added logistics cost in the form of unnecessary transportation and time, it is less expensive than paying an approximate 2.5 percent annual property tax on certain high-value assets.

TAM strongly believes that the Texas Legislature should consider exempting either equipment used directly in the manufacturing process, or alternatively, all business

inventories. This would provide competitive tax relief for all kinds of businesses and industries, large and small, and would create an incredible stimulus effect for the Texas economy.

5. Transportation & Critical Infrastructure

Manufacturing plants are energy intensive operations and require well-orchestrated logistics to receive raw materials and supplies and then ship finished products to customers worldwide. These activities require an ever-expanding network of transportation infrastructure, including pipelines, utility rights-of-way, highway and rail corridors, etc. that are the vital arteries necessary in sustaining these operations.

Eminent domain legislation filed last session was concerning to anyone interested in keeping our infrastructure network functioning efficiently and sustaining the quality business environment that Texas is known for across the globe. Delays in any permits to either build manufacturing plants or connect vital arteries to these operations already cost our economy millions of dollars each day. Delays to new construction jobs, plant payrolls, new local and state tax revenue, vendor purchases, and other ripple effects on our regional and state economies are real and substantial. TAM understands that property rights should be protected. However, recent proposed legislation goes too far and holds hostage a key element of our economy — the quality jobs and tax wealth our Texas communities and families depend on. The Texas business environment should not be taken for granted when reforms to eminent domain laws are considered.

6. Preserve ERCOT's Competitive Wholesale Market

Texas is home to the only truly competitive electric market in the world, within the Electric Reliability Council of Texas (ERCOT). Generation companies in ERCOT are paid only for the energy and real-time reserves they sell, not for simply owning a generator. The competitive market incentivizes top-notch performance from generation companies and has allowed businesses in Texas to thrive with a low-cost, reliable electricity supply. In recent years, low natural gas prices and increased renewable generation development has caused old, inefficient, and uneconomic generation units to retire, causing a temporary dip in installed capacity. This has encouraged some generation companies to seek radical market design changes to increase prices for customers without meaningfully impacting reliability. TAM supports maintaining ERCOT's competitive market design and opposes market changes that would unjustly enrich generators at the expense of Texas customers. TAM also supports evaluating the impact of subsidized renewable generation on reliability and market signals and considering whether intermittent generation should be responsible for addressing any adverse impacts.

7. Ensure Transparency and Oversight of Monopoly Utility Rates

Electricity is a top three production cost for most manufacturers. Regulated monopoly utilities continue to push for “rate riders” that let them increase rates quickly, with very limited review. These rate riders disadvantage utility customers because they don't provide a full picture of what a utility is earning before allowing another rate increase. In particular, riders often fail to account for cost reductions or increase revenues since the utility's last full rate case. This can cause utilities to over-earn, forcing Texas businesses to pay more than they should for electricity. TAM's priority is to protect the ratemaking process against ongoing utility efforts to reduce oversight and transparency.

8. Career and Workforce Readiness

TAM supports flexible yet rigorous pathways in K-12 public schools and higher education, recognizing there are many routes to success. Texas' education system must be aligned to prepare students to meet the diverse and evolving needs of employers. TAM supports strong career and technical education (CTE) in all Texas school districts, not only because CTE students graduate high school at higher rates, but because these programs play an integral role in introducing both careers and industries to students who might not be exposed to them otherwise. TAM supports a strong system of career, college, and military advising beginning in middle school, with a particular emphasis on "return on investment" and a recognition that many careers do not require a 4-year degree, which often is accompanied by crippling student loan debt.

TAM supports a strong accountability system for both public schools and institutions of higher education, with outcomes being paramount. TAM supports the "returned value funding formula" adopted by Texas State Technical College (TSTC), which pays the institution based on their graduates' incomes, not contact hours in the classroom. That funding system rewards quality technical training, employability, and placement in a job, which is mutually beneficial to students, employers, and the state's economy. TAM also supports the "success points initiative," which pays community/junior colleges bonus funding for certain measurable outcomes. Texas' institutions of higher education must do more to work with students, high schools, and other colleges to transfer and accept legitimate course credits.

TAM supports high-quality workforce training programs and funding that provide exceptional rate of return for the Texas economy — programs administered by the Texas Workforce Commission and local workforce boards including: the Skills Development Fund (SDF), Jobs and Education for Texans (JET) Program, and learn-while-you-earn apprenticeships. Finally, TAM supports an education and workforce training system that encourages and enables local and regional employer engagement at every level of the pipeline — from middle school through college.

9. TCEQ Regulations and Funding

TAM supports the use of clear and consistent regulations by the Texas Commission on Environmental Quality (TCEQ). These regulations should have a market-driven and incentive-based foundation rather than heavy-handed mandates or a one-size-fits-all approach. We support increased inspections at manufacturing facilities and the agency's ability to hire additional inspectors. We believe inspections should be consistent from region to region across the state. Additionally, TAM continues to support TCEQ's funding of the Expedited Permitting Program. We believe all permits should be processed in a timely fashion to help promote economic development by providing more certainty and consistency in the permitting process.

Moving forward, TAM supports enhanced salaries and training opportunities for TCEQ staff in order to maintain a qualified and experienced workforce that can meet future challenges as TCEQ prepares for Sunset review in 2023.

10. School and Workplace Health

A healthy workforce results in a more productive workforce. As we continue to navigate the COVID-19 pandemic, we are reminded of how quickly our global economy can be impacted due to illness — resulting in slowed manufacturing, the inability to get goods to consumers, job losses and lost tax revenue. Every year thousands of productive hours are lost due to sick time for students, employees and families. TAM supports efforts to prevent infectious disease in the workplace and schools. In the words of Benjamin Franklin: “an ounce of prevention is worth a pound of cure.” TAM supports the assurance of a healthy and productive workforce by eliminating attempts to create barriers and access to vaccinations for employees and communities. The ability for businesses to implement public health policies pertinent to a safer and healthier work environment should be encouraged and protected.

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The Texas Association of Manufacturers (“TAM”) actively represents the interests and priorities of more than 600 member companies in Austin and in Washington, D.C. Manufacturers in Texas account for 13 percent of the total output in the state – more than \$230 billion in 2018 – and employ more than 908,000 Texans in jobs that pay an average compensation of over \$87,809 annually. On average, each manufacturing job created also provides 5 additional jobs in our communities. Texas remains the number one exporting state for manufactured goods in the United States, now for more than a dozen years running. Learn more at www.manufacturetexas.org.