



HB 2799

Increasing Transparency and Citizen Involvement in the Chapters 312 and 313 Processes

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Purpose

HB 2799 would increase the transparency of and citizen involvement in the local government processes that offer property tax abatements or limitations for certain businesses under Chapters 312 and 313 of the Texas Tax Code.

Background

Chapters 312 and 313 of the Texas Tax Code allow counties, cities, school districts, and special purpose districts to reduce the amount of taxes paid by favored businesses that locate or expand within their geographic boundaries. They are often used by renewable energy developers; for instance, 57 percent of all 313 agreements are made with renewable energy companies. The cost of lost revenue to local governments under 313 abatements runs about \$1 billion a year, with renewable energy projects making up about \$270 million of the losses.

Exemptions from Texas' Open Meetings Act and Public Information Act and a condensed approval timeline—especially for Chapter 312 agreements, mean that negotiations over property tax reductions between the taxing entities and private businesses usually take place behind closed doors, hidden from public view.

Citizens usually receive only a 72-hour notice for the city council, commissioners court, or governing board meeting where a 312 tax abatement agreement and the related tax reinvestment zone creation are presented. Public hearings are required, but the short notice makes it difficult for citizens to have meaningful input. The governing board can approve the abatement and, if needed, the reinvestment zone, at this initial—and only—public meeting.

Analysis

HB 2799 increases transparency in the Chapters 312 and 313 processes and provides opportunities for meaningful input from residents. Section 1 allows public access to potential agreements *before* they are finalized. Sections 2 and 3 change the 312 process to more closely match the 313 process. Most importantly, they require local governments to wait at least 90 days after they have approved a 312 application before they can agree to an abatement. Section 4 repeals three statutes: 1) Section 551.087, Government Code—this change eliminates the ability of local governing bodies (city councils, county commissioners courts, school boards, etc.) to hold discussions about economic development negotiations and agreements in closed meetings; 2) Section 552.131(b), Government Code—this change eliminates the ability of local governments to hide from the public the details of the incentives they offer to business prospects; and 3) Section 313.025(f-1), Tax Code—this change eliminates the ability of school boards to waive the statutory job requirements for 313 tax abatements (currently, about half of all 313 agreements receive jobs waivers, with 87 percent of the waivers going to renewable energy projects).

Recommendations

All of the changes implemented in HB 2799 would significantly increase the transparency of and citizen input into the local tax abatement or limitation process. But the change that would give citizens the most opportunity to weigh in on local tax abatements is the requirement that local governments wait at least 90 days after approving a 312 application before taking action to enter into an abatement agreement.

One change that would improve HB 2799 would be adding a statewide job requirement under Chapter 312 similar to that which already exists for Chapter 313. Requiring 25 jobs for an agreement in an urban area and 10 jobs in a rural area, similar to Chapter 313 requirements, would increase jobs in an area and not just be a mechanism for increasing tax revenue to support increased local government spending. ★

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