

January 17, 2018

The Honorable Byron Cook
Chair, House Select Committee on Economic Competitiveness
Texas House of Representatives

Dear Chairman Cook:

Texas 2050 is an organization comprised of chambers of commerce and statewide business and civic associations that promotes the economic development and prosperity of Texas. Texas 2050 supports the work of the Committee and is pleased to offer comment on matters brought to the Committee's attention during the November and December hearings.

As Governor Abbott wrote to the Committee about our state's impressive economic achievements, "These accomplishments are not accidents. Texas has conscientiously adopted pro-growth policies." Texas 2050 endorses the model developed by state leadership and the Legislature that has made Texas the envy of the nation. Testimony before the Committee by some of Texas' most important and respected figures affirm this view.

Among the more potent observations provided by the witnesses:

- Numerous witnesses testified, and Texas 2050 agrees, that workforce development is key to the future of the Texas economy. Tom Luce told the Committee, "I don't think the Texas miracle was a miracle," but it was rather the result of intentional policies of the state and its business community and that Texas must continue to compete for a global mobile workforce. Mark Cuban also described education as "critical" for the future of the state, and Fred Humphries of Microsoft echoed that workforce talent is key when businesses are making location decisions. "You have something special here," said Humphries. Texas 2050 agrees.
- "Investment is its own metric," offered Henry Ross Perot, Jr., and Texas 2050 concurs. Typically, Texas' biggest sore thumb in competing for economic development capital is our high rate and broad base of property taxation. Texas laws that allow new investment to be temporarily taxed at reduced rates can get Texas back into the game, without which we would simply be priced out of competitiveness. Supporting such temporary reductions for long-term payoffs, Greg Sims of the Greenville Economic Development Corporation may have put it best when he said simply, "Fifty percent of something is better than 100 percent of nothing".
- Economic development efforts and business incentives, properly deployed, create neither a cost to government nor a shift of tax burden. Rather, they are money-makers for state and local treasuries and thus generate a return to taxpayers generally. Testimony by Dale Craymer of TTARA highlighted the significant disadvantage that Texas faces among the states due to the higher tax cost imposed on investment, both in

the level of tax rates and in the breadth of tax bases. Incentives, in particular, property tax incentives, are a critical and necessary element in attracting new investment and employment to Texas. Rather than picking winners and losers, these incentives alleviate the disadvantage caused by our state's unusually heavy reliance on property taxes. The City of Frisco is perhaps the fastest growing city in the United States. Mayor Jeff Cheney cited his city's 25-year study that shows that for every \$1 invested in economic development programs, \$22 in economic value has been returned, including nearly \$5 in tax revenue. Texas 2050 echoes this sentiment: business development pays dividends for communities and for the state.

- To pave the way for smart cities and a growing population, Texas' infrastructure capacity—roads, energy, water, and broadband, especially—is critical to our state's competitive edge in attracting capital investment. One of the testaments to this came from Todd Staples, with TXOGA who stated that in 2016 the Permian Basin alone received nearly \$26 billion in oil and gas investment. "So what is the economic impact of that? It doesn't mean anything – those dollars are lost if you can't move that product to the Port of Houston, Galveston, to our partners in Mexico," Staples explained. Supporting public-private partnerships, accelerating the deployment of smart infrastructure investments, and updating policies and practices that impede progress were mentioned by multiple witnesses, and Texas 2050 agrees with these policy goals.

Texas' success in economic development and job creation did not happen by accident. Texas lawmakers and leaders have created a policy and regulatory climate built for competition and growth. In turn, the entrepreneurial spirit of our innovators has flourished. We encourage a continued commitment to policies that protect consumers and the environment without placing undue regulations on free enterprise. A working relationship between business and government will encourage innovation and investment and will promote the prosperity of all Texans.

Thank you for your time and consideration.

Sincerely,

The Texas 2050 Coalition

Abilene Chamber of Commerce
Arlington Chamber of Commerce
Brady/McCulloch County Chamber of Commerce
Cedar Park Chamber of Commerce
City of Kyle
Clear Lake Area Chamber of Commerce
Dallas Regional Chamber
Fort Bend Chamber of Commerce
Fort Worth Chamber of Commerce
Frisco Chamber of Commerce
Grapevine Chamber of Commerce

HEB Chamber of Commerce
Houston Northwest Chamber of Commerce
Irving-Las Colinas Chamber of Commerce
Kyle Area Chamber of Commerce and Visitor's Bureau
Lake Houston Area Chamber of Commerce
Longview Chamber of Commerce
Lubbock Chamber of Commerce
Mansfield Chamber of Commerce
McAllen Chamber of Commerce
Mineral Wells Chamber of Commerce
New Braunfels Chamber of Commerce
Plano Chamber of Commerce
Richardson Chamber of Commerce
San Antonio Chamber of Commerce
Sherman Chamber of Commerce
CompTIA
TechNet
Texas Association of Business
Texas Association of Counties
Texas Association of Manufacturers
Texas Business Leadership Council
Texas Chemical Council
Texas Economic Development Council
Texas Foundation for Innovative Communities
Texas Healthcare & Bioscience Institute
Texas Municipal League
Texas Taxpayers and Research Association

cc: Speaker Joe Straus
Representative Senfronia Thompson, Vice Chair, House Select Committee on Economic Competiveness
Representative Angie Chen Button
Representative Sarah Davis
Representative Charlie Geren
Representative Joe Moody
Representative René Oliveira