



2013 Legislative Priorities



The City of McKinney and McKinney Chamber of Commerce adopt shared legislative priorities that are in the best interest of our community and allow us to maintain a healthy economic climate to attract and retain jobs and investment and provide a high level of service to our residents and businesses. The City and Chamber oppose legislation that impedes on local control and/or creates unfunded mandates.

Texas has had a strong tradition of limited regulatory burdens on business in order to create and maintain a business friendly environment conducive for job creation. We encourage the legislature to ensure we maintain a pro-business environment as we continue to evolve our regulations relating to key components of the 21st century economic engines, such as the internet, emerging technologies and proven job producing endeavors in the development of infrastructure and manufacturing. Texas needs to ensure that the private sector can utilize competition to produce better prices, new services and more choices for Texans and not burdened with over-regulation.

ECONOMIC DEVELOPMENT

Type A/Type B Sales Tax Revenue -Support continued use of a locally approved 1/2 cent sales tax collected by cities to fund economic development efforts and oppose efforts to reduce local control of these funds or efforts to limit the uses of these funds. Because these funds are local funds, taxpayers should retain the right to manage their use for community and economic development.

Support continued funding for the **Texas Enterprise Fund and Texas Emerging Technology Fund** programs to include unexpended balances and restoring funding to be consistent with FY 10-11 biennial budget levels.

Tax abatements and other economic development incentives. Continue to support local control and flexibility in the use of tax abatements, tax increment financing, reinvestment zones and other incentives to promote economic development and job creation.

EDUCATION AND WORKFORCE

Funding. Restore the \$5.4 billion in funding cuts to public schools and replace the current funding system with adequate and equitable formula that allows for growth based funding.

Local Control. Ensure districts have flexibility to meet the needs of their students and discretionary funds to meet local community needs.

Accountability. Reexamine the public school accountability system in Texas and rely less on standardized testing. Support the efforts of the Texas Education Consortium to present a more comprehensive approach to accountability.

Community Colleges. Support education at the community college level as an important contributor to training students for jobs in the workforce.

HEALTHCARE

Healthcare will continue to be a very important issue that affects every employer and will continue to be a central concern over the next 12 to 18 months as we learn more about the impact of the Affordable Healthcare Act. We will continue to be engaged in monitoring this issue and its impacts on our business members.

TRANSPORTATION

Principles and Priorities

Principles. – All transportation policy decisions should be focused on increasing efficiency and ease of movement of people and goods across Texas. We must understand our system needs in the short-term while envisioning a system that is sustainable for the next several decades. While financing options, project sizes, and decision processes are limiting factors to implementation, we cannot originate infrastructure goals based solely or primarily on funding. Financing methodology is an important but secondary question. Instead, we must first envision the system the state deserves and then figure out how to pay for it. Prioritization for transportation projects should include potential economic impact in addition to current levels of service of existing roadways.

Constitutional amendment mandating transportation related funds not be diverted for non-transportation purposes.

McKinney Road Priorities – Our current road infrastructure priorities include the following:

- **FM546 Replacement** to improve access to the area surrounding Collin County Regional Airport
- **Virginia Parkway (FM 3038)** Mallard Lakes to US 75 - traffic on Virginia Parkway currently exceeds the capacity for a four lane roadway. This project will increase capacity of the roadway by 50% by installing a new lane in each direction to the outside of the existing lanes.
- **Virginia Parkway** – Ridge to Mallard Lakes - This project will increase capacity of the roadway by 50% by installing a new lane in each direction to the outside of the existing lanes.
- **Stacy Road** – Ridge to SH 121 – Traffic on Stacy Road has increased steadily since it was completed several years ago and is currently nearing capacity for a four lane roadway. This project will increase capacity of the roadway by 50% by installing one new lane in each direction in the median of the existing roadway.
- **SH 5 Construction** – FM546 to US 380 – This roadway is the main commercial corridor for McKinney east of US 75. A separate planning project is currently underway through a partnership between the City, NCTCOG and TxDOT. This project will implement the findings of the study and is anticipated to include paving, median, sidewalk, landscape, lighting and other enhancements.

TAXES & SPENDING

Fiscal policy. Continue to support fiscal restraint in state spending and transparency in budgeting so that taxpayers know exactly what dollars are collected and where they are spent.

Franchise (margin) tax—Review and restructure the franchise (margin) tax.

- Business losses. Support authorizing a business's losses on the franchise (margin) tax to be carried forward for up to 10 years.
- Exemption of flow-through funds. Support an exemption from the franchise (margin) tax of all flow-through funds that are mandated by contract to be distributed to other entities.
- Research and development tax credit. Support reinstating the research and development tax credit (provided under the previous franchise tax) and allowing it to be carried forward.

WATER

Perhaps no other issue is as critical for all businesses in Texas as our water supply. The latest update to the Texas State Water Plan confirms that in drought conditions, Texas businesses do not have the water that is needed to sustain economic opportunity. The report projects that by 2060 water supplies will decrease by 10% while our population will grow by 82%, from 25.4 million to over 46 million and the need for additional water in Texas during drought conditions will reach 8.3 million acre-feet.

Conservation of existing water resources, development of additional cost-effective supplies and sound scientifically-based and economically rational standards for protecting water quality will be key to our ability to continue to attract business opportunity to Texas.

State Water Plan. Adequate funding for the implementation of the State Water Plan.

Water Conservation. Support efforts to ensure that water users are required to develop and enforce stringent water conservation measures as a condition of receiving any state financial or technical assistance for water resource planning and development.

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Legislative Agenda
Approved by McKinney ISD Board of Trustees at the
Regular Board Meeting, November 13, 2012

Oppose School Vouchers

While cloaked in the calculated language of "school choice," vouchers will divide Texans and divert resources from the state budget for public education precisely when we should all be working together to continue to improve our public schools.

Vouchers have been shown to have little or no effect on student achievement, and will not serve the needs of the majority of Texas students. Regardless of what clever name they are given, the fact remains that school vouchers are simply taxpayer-funded subsidies for private school tuition.

Curriculum: Multiple Pathways, Equal Rigor

The current one-size-fits-all 4x4 curriculum, while well intended, is not aligned with college or workforce expectations. Moreover, research shows that a lack of relevance contributes to increased dropout rates.

- **Expand the current 4x4 curriculum with additional rigorous pathways to graduation under the Recommended High School Program.** Maintain the 4x4 as the math/science pathway, while creating additional rigorous pathways for Career and Technical Education and Fine Arts ***with the same core courses as the 4x4*** that substitute other equally rigorous courses for the fourth year of math and science.

Funding for Texas Schools

Texas is ranked second in the nation in total public school enrollment, and adequate funding is necessary to meet the needs of Texas students. According to the Comptroller for Public Accounts, Texas' revenue position will be greatly improved when the legislative reconvenes. Texas students should be first in line to receive the benefits of an improved revenue situation.

Pre-K/Early Childhood

- **Fully fund full-day Pre-K for all Texas 3 and 4 year olds meeting current eligibility requirements.**
- **Restore full funding for the Pre-Kindergarten Early Start (PKES) Grant Program.** In 2011, the legislature did not continue funding for this program, which allows districts to offer full-day pre-kindergarten programs (\$201.1 million in GR).
- **Restore full funding for the Kindergarten Readiness System to evaluate early childhood programs to ensure high-quality inputs and measurable student outcomes (cut from \$15 million to \$7 million in 2011).**

- Increase the subsidy rate provided by the Texas Workforce Commission (TWC) to private childcare providers so that low-income families have access to high-quality child care options in their local communities.

School Funding

- Fully restore historic funding cuts made to public education in 2011 (\$4.0 billion from Foundation School Program, \$1.3 billion in GR).
- Fully fund future student enrollment growth so that districts aren't penalized by an increase in student enrollment.
- Commit to the future of Texas public education by implementing a school finance system that is logical, fair and appropriately funded.

Improve Texas' Testing and Accountability Systems

Testing

- Reduce the impact of high-stakes testing on students:
 - Eliminate the requirement that end-of-course exams count for up to 15% of a student's final grade; and
 - Reduce the number of exams that a student must pass in order to graduate from high school, which has gone from 4 under TAKS to 12 under STAAR.

Accountability

Texas' current accountability system is both too complex for school districts to navigate effectively, and provide little to no meaningful information to parents about the academic progress of their child or the performance of their child's school.

- **Simplify and align state and federal accountability requirements and reporting.** School districts are currently subjected to accountability standards that are unduly complex, and are reported at three different times during the year. This results in wasted efforts by administrators and confuses the public.
- **Adopt accountability measures that reflect student progress.** A one-size-fits-all accountability system does not provide an accurate reflection of either student achievement or the quality of the instruction being delivered at a campus.

Charter Schools

While there are excellent charter schools, charter schools as a group underperform Texas' traditional public schools under the accountability system. To ensure that only high-quality charter school providers are allowed to serve Texas students, McKinney ISD recommends:

- **Require Commissioner to revoke charters of schools that fail to meet fiscal and accountability standards.**

- **Issue a three-year provisional license to newly qualified applicants to ensure that only qualified applicants receive a charter.**
- **Maintain current standards that limit charter expansion (“replication”) to charter providers earning an Exemplary or Recognized rating under the standard accountability system (or Acceptable under alternative accountability).**

Virtual Education

Maintain requirements that full-time virtual education providers operate only under the administrative and fiscal oversight of TEA through the Texas Virtual Schools Network (TxVSN), and remain subject to the same accountability requirement as traditional public schools.

- **Close the loophole that allows for-profit private providers to evade consequences by moving to another “host” district or charter school, one step ahead of the Commissioner of Education.**
- **Require fiscal transparency for virtual schools, including requiring that contracts between private providers of virtual education and host districts or charters be public information that is available online.**
- **Prevent further expansion of full-time virtual schools until an objective evaluation of the student performance and cost effectiveness of full-time virtual schools is performed.**

TEXAS

MAINTAINING OUR EDGE
IN ECONOMIC DEVELOPMENT



Texas Economic Development Council Legislative Agenda

83rd Texas Legislature



TEXAS ECONOMIC DEVELOPMENT COUNCIL

Six Ways to Keep Texas Economic Development on Track

No. 1 Protect the Economic Development Sales Tax.

- In its current form, the law governing the economic development sales tax provides just the right amount of flexibility to meet the needs of both larger cities and the smallest towns.
- The TEDC believes that the economic development sales tax should be used on projects that focus on **primary jobs** and wealth creation and for community development that improves the capacity for economic development.

• The TEDC opposes using the economic development sales tax to support libraries, hospitals, schools or for use to support general city services.

Primary jobs are jobs available at a company for which a majority of the products or services of that company are ultimately exported to regional, statewide, national or international markets, infusing new dollars into the local economy.

Key Facts about the Economic Development Sales Tax:

- More than 700 cities have voted to enact the local economic development sales tax.
- The Type A tax, was first introduced in 1989, followed two years later by the Type B tax, which authorized a broader range of expenditures to support traditional economic development activities.
- In 2009, the Development Corporation Act was re-codified to Chapters 501-505 of the Local Government Code. With the re-codification, EDCs formerly known as 4A and 4B corporations are now referred to as Type A and Type B corporations.
- In 2010-2011, the ED sales tax generated more than \$500 million annually for local economic development. EDCs during this period spent more than \$150 million annually on direct business incentives and \$187 million to finance capital projects such as roads and other infrastructure in support of economic development projects in their communities.

No. 2 Make the Texas Economic Development Act Permanent.

- With an estimated gross tax benefit of \$1.9 billion, Chapter 313 property tax value limitations are by far the most valuable tax incentive available to large-scale projects in Texas.
- These highly sought after incentives will expire in 2013 without legislative action.
- The TEDC strongly supports permanent extension of this critical tax incentive.

Owners of Chapter 313 projects have invested approximately \$21.1 billion in Texas through 2009, and have projected a \$47.3 billion investment over the lifetime of the project agreements. *Source: Texas Comptroller of Public Accounts, December 2010.*

Key Facts about Chapter 313 Incentives:

- In 2001, the 77th Texas Legislature enacted House Bill 1200 creating the Texas Economic Development Act (Chapter 313, Tax Code).
- The Act allows school districts to participate in certain large-scale economic development projects by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax.
- In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain dollar amount.
- The law requires that the Texas Comptroller conduct an economic impact evaluation of the project, including an analysis of the impact on state and individual units of government.
- Of the 98 active Chapter 313 projects, 29 percent are manufacturing (as of August 2010). These 98 projects are projected to create 6,239 jobs and pay an estimated \$807 million in local property taxes over the life of their agreements.

Key Milestones in Texas Economic Development

1987

Texas voters approve constitutional amendment authorizing use of public funds for economic development purposes.

1989

Texas Legislature authorizes Section 4A local option economic development sales tax.

1991

Texas Legislature authorizes Section 4B local option economic development sales tax.

1995

Texas Legislature creates The Skills Development Fund.

2001

Texas Legislature passes "Texas Economic Development Act" authorizing school property tax incentives for high impact projects (HB 1200).

No. 5 Maintain Funding for the Texas Emerging Technology Fund.

- The Texas Emerging Technology Fund (TETF) was established in 2005 to encourage innovation and research in Texas and to support technology transfer at Texas higher education institutions.
- The TEDC supports funding for the TETF at the same level or more as the last biennium (\$140 million).

Key Facts about the TETF:

- The TETF awards cash grants to businesses and higher education institutions to promote new technology and innovation. All grants must be approved by the Governor, Speaker and Lt. Governor.
- The TETF awards three different kinds of grants: Commercialization Awards help companies take ideas from concept to development to marketplace; Matching Awards create public-private partnerships to leverage the unique strengths of Texas universities, federal government grant programs, and industry; and Research Superiority Acquisition Awards enable Texas higher education institutions to recruit the best research talent in the world.
- TETF investments have been made in each of the state's identified industry clusters (semiconductors; information and computer technology; microelectromechanical systems; manufacturing; energy systems; nanotechnology; and biotechnology).

Other Important Policy Issues:

Data Center Incentives Data centers represent the next wave of modern manufacturing—housing the hardware, servers, networking and telecommunications equipment that support the research, design and development of new software, applications and products. The U.S. data center market is projected to grow to \$18 billion annually by 2020, however, Texas is losing market share to other states that are aggressively recruiting data centers with lucrative incentive packages and favorable tax policies. If Texas wants to remain a leader in manufacturing and attract high-paid jobs, state lawmakers should make incentives available to this increasingly important economic sector. Specifically, the TEDC recommends that data centers be added to the list of industries eligible for Chapter 313 property tax incentives and that Texas follow the lead of other states and extend a sales tax exemption on equipment utilized in a qualified data center.

Natural Gas Texas is fortunate to be enjoying a period of historically cheap and abundant natural gas. The TEDC believes the State of Texas should carefully study and consider new economic development strategies that take advantage of this cheaper, more environmentally-friendly energy source. The opportunity to attract new manufacturing plants,

No. 6 Restore the R&D Tax Credit.

- Texas authorized an R&D tax credit in 1999 as part of SB 441.
- The R&D tax credit was abolished in 2006 when the margins tax replaced the corporate franchise tax.
- Because R&D is a driving force behind economic development activity, the TEDC strongly supports the restoration of a Texas R&D tax credit.

Key Facts about the R&D Tax Credit:

- The Texas R&D tax credit was similar to the federal credit and good for as much as five percent of qualified research expenditures with a twenty-year carry forward.
- Under the Texas program, companies that made qualified R&D expenditures in Strategic Investment Areas (areas with above state average unemployment and below state average per capita income) received enhanced benefits.
- The credit was based on the company's increase in research expenditures, compared to an established spending pattern.
- When the R&D tax credit was active, it was claimed by companies located all over the state.

petrochemical plants and even steel mills are avenues that should be explored, as should the job creation potential of retrofitting conventional vehicles and converting gas engines to run on natural gas.

Transportation Funding Texas cannot maintain its competitive edge in economic development if the state does not invest in modern and efficient transportation infrastructure. The TEDC supports efforts that promote the efficient and sustainable movement of people and goods in Texas, including the use of the Texas Rainy Day Fund to fund critical infrastructure projects.

Water Because abundant water resources are essential to economic development, the TEDC supports the ongoing efforts of the Texas Water Development Board and other entities that are committed to ensuring the availability of this precious resource. Even the perceived shortage of water in Texas has potentially serious economic repercussions. As such, the TEDC supports conservation and other water management and development strategies that ensure a long-term supply of water in all parts of the state. The TEDC also supports using a portion of the Texas Rainy Day Fund to create a Water Infrastructure Development Bank that has the resources to begin implementing the State Water Plan.

2006

Texas Legislature enacts business tax reform.

2007

Texas Legislature extends sunset date for Texas Economic Development Act until 2013.

Texas Legislature reauthorizes Office of Rural and Community Affairs.

2009

Texas Legislature extends Property Redevelopment and Tax Abatement Act to 2019.

Texas Legislature recodifies the economic development sales tax statute.

2011

HB 2785 created a Select Committee on Economic Development to study and make recommendations on economic development incentives.