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After backlash, Texas comptroller abandons plan to hide details of controversial tax break program

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Texas' Chapter 313 program offers energy and manufacturing companies steep discounts on their school property tax bills. The $10 billion program is set to expire at the end of 2022.
Mark Mulligan, Houston Chronicle / Staff photographer

Texas Comptroller Glenn Hegar is backing away from a proposal to reduce the information his office collects on the state's largest corporate incentive program amid an avalanche of criticism from Texans concerned about the future cost to the state.

Hundreds of residents and some lawmakers submitted comments on the proposal after Hegar's office made it public in November - and nearly all of them opposed the idea.
"I'm not going to adopt it as proposed," Hegar said Friday. "The data that people are concerned about or want is still going to be available."

Comptroller spokesman Chris Bryan said Friday it's too early to say how the revised rule will be phrased, but emphasized that any effort to modernize the collection of financial data for the corporate incentive program won't result in limiting public information.

Hegar echoed these sentiments Friday, saying, “We are working through trying to find a way of trying to make this process transparent but more efficient.”

Hegar’s office had said limiting reporting related to Chapter 313, a provision of the state tax code that gives manufacturing and energy companies deep discounts on school property taxes, would be logical given that the Legislature failed to renew the law last year. The program, which was the subject of a Houston Chronicle investigation, will expire at the end of this year.

Much of the program’s cost to taxpayers, however, is still to come. Companies with active deals in early 2020 were projected to receive $10.8 billion over the 10-year life of their agreements. More than 76 percent of that cost was projected to come after 2019.

The cost will only grow in the months to come: Observers expect a rush of applications this year - and nearly all of these requests will likely be approved. The Chronicle investigation found the comptroller’s office denied less than 2.5 percent of all applications.

Hegar’s original proposal would have obscured the total value of the companies’ tax breaks and their future costs to the state. The rule changes also would have omitted some information about jobs and wages at each project.

Under the comptroller’s proposal, companies would have been required to report financial data for the previous two years. The current rules require comprehensive reporting over a much longer time frame, from the start of the 10-year agreements to projections extending beyond the end of the tax breaks.

A comptroller spokesman also said the agency would stop producing a spreadsheet that was the only source of centralized data on the agreements, and on which analysts and journalists rely to evaluate the program.

The proposal would have made it entirely or practically impossible to replicate key findings from the Chronicle's investigation. Among them: The program's projected $10.8 billion cost; that Texas is paying $211,600 in tax incentives for each job created; and the projects that had returned fully to the tax rolls by 2019 did so at just 41 percent of their peak values.
Out of 350 public comments about the proposal, nearly every person — 348 — objected to it, and another expressed concerns about part of it.

"We need more transparency not less when it comes to corporate reporting on the tax breaks they receive from taxing authorities," wrote Houston resident Renee Stern. "I hope you will demand full accountability from corporations so the people of Texas will know that we are getting our money's worth with these incentives."

About 125 commenters said they were members of interest groups affiliated with the Industrial Areas Foundation, one of several nonprofit advocacy groups that pushed lawmakers not to renew the program last year. Other commenters simply identified themselves as concerned citizens.

Some Texas lawmakers weighed in against the proposal, including 43 members of the House Democratic caucus and state Sens. Juan "Chuy" Hinojosa, D-McAllen, and Paul Bettencourt, R-Houston. Informed of Hegar's comments, Bettencourt cheered the decision to scrap the proposed to limit data collection, calling it "a bad idea."

"This decision recognizes the obvious: that transparency is what we should be all about on tax policy in the state of Texas," Bettencourt said. "Transparency is the key to the public believing that their money is being well spent."

Dick Lavine, senior fiscal analyst for the progressive nonprofit Every Texan, was cautious when informed of Hegar's comments, noting that the comptroller's pledge to make the information "available" leaves ample wiggle room.

“It’s an opportunity to actually improve on reporting — maybe add more about actual wages and total number of jobs, and make it all as transparently available as possible -- including in one large database that can be searched without having to click through a million PDF forms,” Lavine said.

The lone voices of full-throated support for the scrapped rule change came from longtime boosters of the program, the Texas Taxpayers and Research Association and the Texas Association of Manufacturers, who argued that the program’s arduous reporting requirements reduce companies’ tax savings.

“We commend the agency for streamlining the very complicated and costly administrative requirements,” the groups wrote. “Companies inform us that the administrative compliance costs of a Chapter 313 agreement far exceed those of similar abatement programs in other states.”

Comptroller officials had cast the proposal as a way to lessen administrative burdens for the office’s staff and the companies receiving tax breaks, replacing a “paper-based reporting system with an online system.”

The forms the rule change were to replace, however, must already be submitted electronically, according to the comptroller website; paper forms are “no longer accepted.” Bryan later clarified that the office’s “overall effort” seeks to reduce the use of electronic copies of paper forms.