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# Family Finance

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Family Finance

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## CREATING JOBS IN TEXAS WITH NEW FRANCHISE TAX CREDITS

*By Representative Stefani Carter, House District 102, Texas*

While Texas has struggled in a weak economy along with the rest of the country, businesses have managed to find ways to stay in or relocate to the state. In fact, Texas's economy is one of the largest in the world. Texas is home to more than 50 *Fortune 500* companies that span a wide variety of industries. The Lone Star State's ability to retain business is largely due to its business-friendly climate. Texas enjoys a reasonable regulatory environment, low taxes, limited union pressure, and a legal system virtually free from frivolous lawsuits. Each of these facts makes Texas an ideal place for companies to set up shop.

Aside from these benefits, Texas has also created and fostered innovative programs such as the Texas Enterprise Fund (TEF), which is used to assist companies with in-state relocation or expansion. The end goal of the fund is to create more jobs in Texas. Since its inception in 2003, the TEF program has brought more than 56,000 new jobs to the state and generated more than \$14.7 billion in capital investment.

Although Texas already has many tools at its disposal to encourage corporate expansion and relocation, in order to maintain its place among the top job-creating states, it must continue to explore ways to grow its economy. This mindset is what inspired me to file House Bill 3476 during the 82nd regular session of the Texas Legislature. This bill sought to offer a tax incentive for new taxable entities that relocate to and create jobs in Texas. Adopting a franchise tax credit would add one more invaluable weapon to Texas' arsenal and would ensure that the state remains competitive with the rest of the nation.

The specific provisions in House Bill 3476 would amend the Texas Tax Code to create a franchise tax credit for both sponsor taxable entities that attract new businesses to the state, as well as new taxable entities that relocate and create jobs in Texas. In order to qualify for the credit as a sponsor taxable entity, the entity must have had a place of business in Texas, have been doing business in this state for at least three years, and have convinced a new taxable entity to agree to relocate to this state as a result of the sponsor taxable entity's recruitment efforts, including written solicitations, inducements, or other incentives. In order to qualify for the credit as a new taxable entity, the entity must be an out-of-state business, have not had a place of business in Texas for at least

three years, and agree to relocate to and create jobs in Texas.

According to House Bill 3476, the tax credit would be the lesser of \$500 for each job created by the new entity, or the entity's total tax liability. The bill limits the total amount of credit available to \$3 million within a year and states that the credit may be claimed for the entity's first three consecutive reports. Tax credits would be allocated on a "first come, first served" basis according to the date of the application. The Texas Comptroller of Public Accounts would be responsible for prescribing the specific procedures involved in the application and allocation process of the credits.

Incentives such as those suggested in House Bill 3476 are not a new concept. The State of Utah has adopted a similar incentive called the Economic Development Tax Increment Financing (EDTIF) tax credit in an effort to attract businesses to the state. Utah's tax credit is available to companies seeking relocation and expansion of operations to the State of Utah, and the initiative has enjoyed a great deal of success. For example, this summer, the Utah Governor's Office of Economic Development awarded an EDTIF tax credit to EMC Corporation, a global information technology firm, to help facilitate the establishment of the company's new customer support center, which will be located in central Utah. EMC's customer support center is expected to create 500 new jobs and generate over \$14 million in new, state tax revenue over a ten-year period.



*Representative Stefani Carter*

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# RHODE ISLAND'S RENEWABLE ENERGY LAWS

*By Representative Deborah Ruggiero, House District 74, Rhode Island*



*Representative Deborah Ruggiero*

Rhode Island ranks among the lowest 10 states in the country when it comes to renewable energy. However, in the 2011 session, the General Assembly passed a suite of renewable energy laws—some of the most cohesive and comprehensive in the nation—that will leapfrog Rhode Island from laggard to leader in renewable energy. It is more than just protecting our environment; it's about creating jobs in our state.

It was an honor to chair the Small Business Renewable Energy Task Force. The SBRE Task Force was a very diverse group of stakeholders including state government (The Rhode Island Economic Development Corporation, Department of Environmental Management, Office of Energy), small businesses (rTerra, Newport Biodiesel, Central Tool Manufacturing), renewable energy advocates, and National Grid.

We focused on three key issues: organizational infrastructure for consistent, unified policies in renewable energy development; the need for a strategic plan for a sustainable renewable energy industry in Rhode Island; and the need for financing mechanisms for renewable energy development.

Frankly, the two biggest concerns we heard were: the state lacks unified, consistent policies; and it's tough to get financing to build these projects.

The package of four bills that are now law include:

1. The creation of the Renewable Energy Board which will develop a strategic plan for a sustainable renewable energy industry. It will be the first time in Rhode Island there is a coordinated evaluation of energy policy in the state.
2. Changes to the net metering law include all forms of renewable energy, raising the cap on net metering to 125 percent of a self-generator's own consumption, and allowing municipalities that generate renewable energy to credit any account they own.
3. The creation of a defined timetable and a fee schedule for interconnection. Interconnection to the grid is critical. Many developers voiced concerns about the cost and the difficulty connecting projects to the grid.
4. The promotion of distributed generation, which allows small, land-based renewable energy projects to access long-term 15-year contracts with National Grid, which will buy the renewable energy they produce. These long-term contracts mean the developers can get financing from banks.

The Distribution Generation bill is a game changer in Rhode Island because these projects are built in Rhode Island—wind, solar, hydro—and connected to the grid. That means jobs in Rhode Island. It is good economic policy and good environmental policy.

How will we measure success? By the number of renewable energy projects developed in the state and by the number of jobs created.

It was really profound that the governor signed these bills into law at Sandywoods Farms in Tiverton, which is an innovative, affordable housing project for artists and farmers.

They have had a wind turbine in their back yard for a year, since it was delivered last October. So the interconnection law now means that the turbine can begin spinning and generate 70 percent of their electricity for the 50 housing units.

I also met with planning officials in East Providence who are building a solar project on a 70-acre old landfill. They call it "bright fields on a brownfield."

They have submitted an interconnect application to National Grid and are on track with the first phase. The legislation has reduced the cost and time frame. They are also looking at the net metering law because it now includes all renewable energy so they hope to connect the solar panels at their landfill to power the city's waste water plant.

So businesses and municipalities are hip to what we're doing. We have created some of the most comprehensive and cohesive renewable energy laws in the nation.

We are taking the Renewable Energy Show to Rhode Island.

Ken Payne (Office of Energy), Julian Dash (Economic Development Corporation), and I are speaking to area chambers of commerce so small business and municipalities can learn how to move their projects forward.



Thanks to the yeoman efforts by the Office of Energy, the ceiling prices for the long-term contracts have been submitted to the Public Utilities Commission (PUC). The goal is to have contracts available by the end of this calendar year.

All of this occurred because of effective communication and collaboration. Thanks to the leadership of Senate President Teresa Paiva Weed, her policy office, the House policy office, state agencies, and National Grid.

The business and environment communities should be pleased that Rhode Island is moving from being a laggard to a leader in renewable energy.

*Rhode Island Representative Deborah Ruggiero (D-Dist. 74, Jamestown, Middletown) is chairperson of the Small Business Renewable Energy Task Force. E-mail her at [rep-ruggiero@rilin.state.ri.us](mailto:rep-ruggiero@rilin.state.ri.us).* ■

# BALANCING VERMONT'S BUDGET AFTER HURRICANE IRENE

By Senator Diane Snelling, Chittenden Senate District, Vermont

On August 28, 2011, the State of Vermont suffered its worst disaster ever. Over ten inches of heavy rains from Tropical Storm Irene fell on ground already saturated by weeks of rain, and the state experienced massive flooding and devastation. Small quiet brooks became bulldozers, and rivers ripped apart highways and buildings. Vermonters, like many Americans, are proud of being self-reliant and resilient, and we stood together to clear away the mud, debris and destruction.

As neighbor helped neighbor, stories of bravery and kindness were told and shared. The storm closed 139 State Highway Route segments, 34 State Bridges, displaced hundreds of families and left many homeless. A major state office building and the state hospital were closed. State employees, whose offices had been flooded, worked long hours, with emergency crews to continue services to people in need. Many people helped and recovery began. Vermont even borrowed bridge engineers from across the country to make certain every bridge was inspected immediately.

The roads and bridges are being repaired and replaced, most have re-opened, some are still one lane, and Vermont is engaged in the long process of moving forward. The state is helping families, business, and municipalities resolve insurance and Federal Emergency Management Agency (FEMA) claims, and assessing state infrastructure. The estimated damages could reach one billion dollars. For a state the size of Vermont, with an annual budget of about \$5 billion, it changes everything. Even with FEMA assistance and thousands of generous people who have donated millions of dollars to flood victims, the state economy has been seriously impacted. It is too early to know how lost tourist dollars, business closures, and personal losses will affect revenues.

As so many households across Vermont review their finances, and struggle to rebuild, the State must also create a new master plan. Post-Irene for Vermont is a new world, imposing itself on a weak economy in uncertain times.

Building a balanced budget during the “normal” hard times of the recent years was challenging enough – how can we possibly adjust the big picture and create a new view of budget planning for the future?

Fortunately, Vermont has already begun the transition to a budgeting process that focuses on getting the best results from every dollar. In 2008, a Joint Legislative Government Accountability Committee was formed to research and implement better long term planning and improve government effectiveness.

In 2009, after the Session had adjourned, the Committee was asked by the Speaker of the House and the Senate Pro Tem to

recommend ways to help address the budget gap by identifying at least \$30 million in reductions for that fiscal year.

Working with the Public Strategies Group the Committee engaged the Legislative leadership and the Governor to agree on mutual support for the endeavor. This was the first bi-partisan, legislative, and administrative collaboration of its kind in the country.

A steering team was formed of legislators and administration officials and in less than four months we created a series of initiatives, bold in thinking, but perhaps too radical in process.

At that time the legislative majority were Democrats, with a Republican Governor. The concept was solid: create accountability for measurable outcomes, and by understanding expenses, achieve better results, while spending less money.

However, the process was burdened by the urgency to close a looming budget gap. There was just too much to learn, understand, and act on quickly. Many differing views have been presented to promote the failure and success of the endeavor. Whatever the final determination is, the initiative did create a lasting legacy of culture change about the need for measurable results.

In 2010, Peter Shumlin, a Democrat, was elected Governor and his administration has continued to work with the Vermont Legislature on a system of measurements, which is reported quarterly.

As Vermont shifts the big picture, post-Irene, we are ready for a comprehensive system which can help the state analyze and assess different programs based on results. As we rebuild, and focus on short term and long term planning in the new normal, it's even more critical to spend every dollar wisely.

*Senator Diane Snelling was appointed to the Chittenden Senate District in January 2002 and re-elected in 2004, 2006, 2008 and 2010. She is the Chair of the Joint Legislative Government Accountability Committee and 2011 Vice-Chair of the Government Accountability Committee. ■*



Senator Diane Snelling

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During the 82<sup>nd</sup> Legislature, Texas was facing an unprecedented shortfall of up to \$27 billion. Given these budget troubles, legislation asking for taxpayer investments on projects without immediate returns struggled to gain headway. Although many understood the long-term benefits of legislation like House Bill 3476, it became a tough sell because lawmakers needed an immediate solution to the budget challenges. In the end, the bill stalled in committee. However, I look forward to supporting similar measures in the next session because I know that by

investing in a franchise tax credit program now, we can continue to secure our state's economic future.

*Stefani Carter became a Texas State Representative in House District 102 in 2010. Her district covers areas of northern Dallas, Richardson Lake Highlands, and Garland. Representative Carter holds a JD from Harvard Law School and a Master in Public Policy from the John F. Kennedy School of Government at Harvard University. ■*

# HOUSING COUNSELING: HELPING THOSE WHO NEED IT MOST

By Lauren McKown, Family Economic Success Graduate Fellow

The recent recession has resulted in millions of Americans becoming delinquent on their mortgages and at risk for foreclosure. Currently there are more than two million homeowners in foreclosure and another just under two million over 90 days delinquent.<sup>1</sup> One way to alleviate this market downturn has been providing mortgage default counseling for at risk or delinquent borrowers.

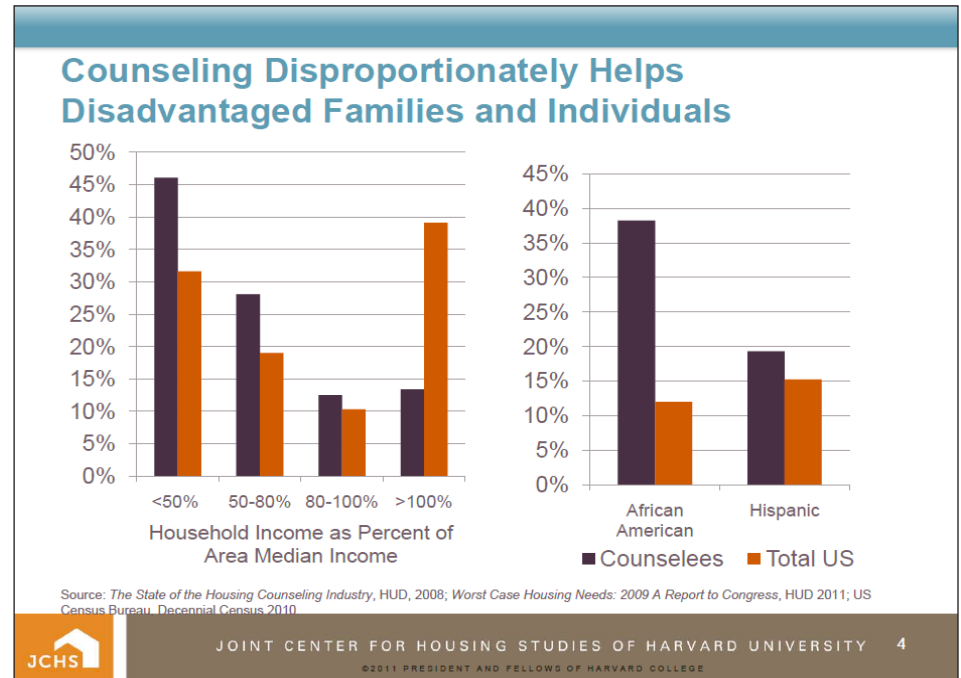
The Joint Center for Housing Studies at Harvard cites the need for counseling, and highlights the growing need for seniors, minorities, and younger homeowners as they will make up the majority of heads of households between now and 2020. Persons who receive foreclosure counseling are diagnosed as having a payment problem, given professional income reviews, aided in creating a budget, informed of potentially useful programs (i.e. food stamps enrollment), and empowered to form repayment strategies.

Evidence collected by the Joint Center for Housing Studies has shown that fiscally at risk populations who need counseling the most are receiving the help they need. As highlighted in the graph, counseling helps those in dire economic need. Nearly 50 percent of households making less than half the medium income

for one area participated in the counseling program. Counseling consistently increases the probability of receiving a loan modification plan and in fact, those receiving counseling are approximately 200 percent more likely to reform a loan plan relative to uncounseled borrowers.<sup>2</sup> Counseling also reduces the probability of REO (completed foreclosure/loss of home)

by approximately 150 percent relative to uncounseled borrowers.<sup>3</sup>

Home foreclosure programs are a worthwhile investment helping those who need it the most during this fiscal uncertainty. To read more about foreclosure counseling programs visit the Homeownership Preservation Foundation online at <http://www.995hope.org/>. ■



1. The State of the Housing Counseling Industry, HUD, 2008; Worst Case Housing Needs: 2009 A report to Congress, HUD 2011; US Census Bureau.

2. Maximilian D. Schmeiser. Federal Reserve Board of Governors. Housing Counseling Intervention: Research and Impact Report. 2011.  
3. Maximilian D. Schmeiser



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