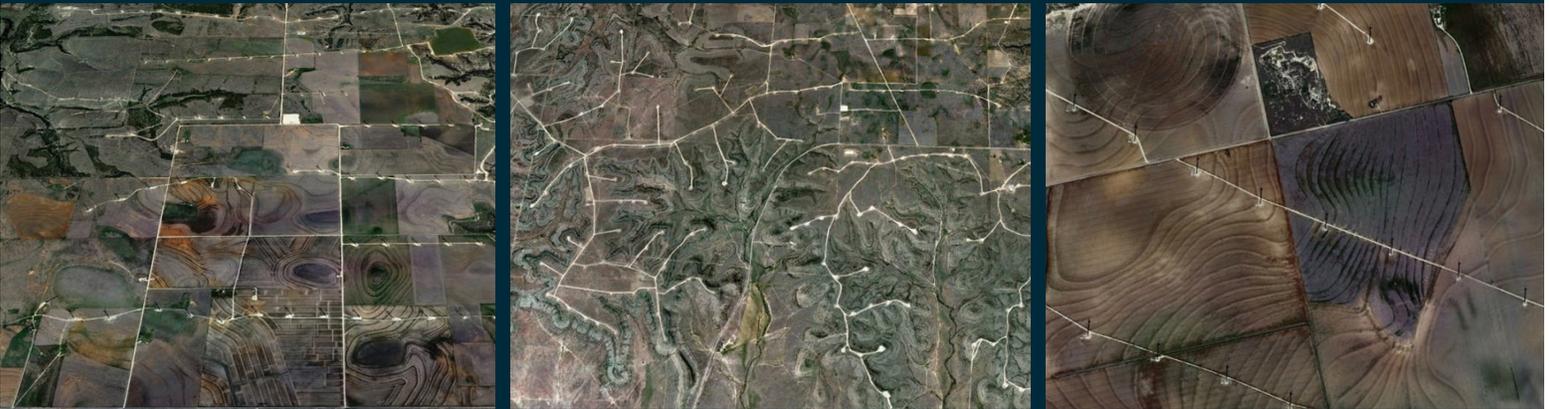


by Stanley T. Greer

January 2019

# Local Tax Abatements



# and the Texas Wind Industry

How Chapters 312 & 313 Are Scarring Rural Texas

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Texas Public Policy Foundation  
by Stanley T. Greer



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COVER PHOTOS CREDIT: Google Earth (L to R: Buffalo Gap Wind Farm, Nolan and Taylor counties; Capricorn Ridge Wind Farm, Sterling and Coke counties; Roscoe Wind Farm, Mitchell, Nolan and Scurry counties)

# Local Tax Abatements and the Texas Wind Industry

## How Chapters 312 & 313 Are Scarring Rural Texas

by Stanley T. Greer

### What Price Are Texans Willing to Pay to Be the Leading State for Wind-Generated Energy?

A 2017 scholarly review of tax abatements offered to businesses under Chapter 313 of the Texas Tax Code, conducted by professor Nathan Jensen of the University of Texas, found that “only 15% of the firms participating in the program would have invested in another state without this incentive” ([Jensen, 1](#)). While no single study is definitive, the fact is that proponents of tax abatements offered under Chapters 312 and 313 offer no credible evidence whatsoever to show that these programs result in any net overall increase in job-creating business investment in the Lone Star State. Texas has greatly outpaced the U.S. as a whole in job and income growth throughout the vast majority of the years since World War II, with only rare and relatively brief intervals in which the state economy lagged behind the nation’s. No marked widening of Texas’ long-term advantage followed in the wake of the passage of either of the two tax code provisions.

On the other hand, tax-abatement proponents can very convincingly claim that Chapter 312 and, to an even greater extent, Chapter 313 have played key roles in encouraging the growth of renewable energy, especially wind-generated electricity, in Texas. Writing for a renewable-energy trade journal in the summer of 2017, prominent wind lawyer Clyde Rankin and a trainee at his firm boasted about the clout of “Texas wind”:

With approximately 25% of the nation’s installed wind power capacity, Texas is the leading state for wind-generated electricity. There are nearly 12,000 operating turbines with an overall installed capacity of 21,000 MW, and new projects currently under way do not give rise to any serious concerns about the continued growth of renewable energy in Texas, at least in the short term ([Rankin and Wolf](#)).

Proponents and opponents of tax waivers agree that the Texas renewable-energy industry would in all likelihood be significantly smaller if the waivers and abatements had never been authorized. Five years ago, when Chapter 313 was set to expire unless state lawmakers reauthorized it, renewable energy champion Marita Mirzatumy estimated that, of the \$24 billion in wind energy investments across 56 Texas counties that had been made up to that time, “\$15 billion ... was a direct result of Chapter 313” ([Mirzatumy](#)).

Of course, Mirzatumy did not mention the fact that even as it has spurred investment in renewable energy and certain other favored industries, Chapter 313 has siphoned away billions of tax dollars ([Hegar](#)) that state lawmakers could otherwise have spent on state programs such as higher education and health and human services, or returned to taxpayers. The question apologists for Chapters 312 and 313 beg is whether or not the larger renewable energy industry it has built is worth the cost to Texans.

### KEY POINTS

- Local tax abatements for Texas wind energy cost Texan taxpayers money and have not been proven to generate a net overall increase in job-creating investment.
- The wind mainly blows in remote areas of the state and it costs additional money to transport the energy created to more populated areas.
- Wind energy is also unreliable because the wind mainly blows when the energy generated is less needed. For example, Texans rely on fossil fuel generators during heat waves, not wind energy.
- People who live near wind turbines report harmful effects on their health and happiness.

## High Temperatures Debilitate Wind Power Generators

It's common knowledge that the demand for energy in Texas is the highest on hot days. Unfortunately for Texas taxpayers who have invested a great deal of money into wind, hot days are also the time when wind power generators don't work very well. One notable case was early July 2017, when temperatures across Texas soared into triple digits. Early in the heat wave, Bloomberg published a news article warning state residents that they shouldn't count on wind power to keep their air conditioners running, even though wind farms "account for about a fifth of the state's power mix." Why not? High heat "keeps [wind] turbines from spinning" ([Sullivan and Collins](#))!

Wind generation may peak at about 5,900 megawatts on Thursday [July 6] and 6,900 megawatts Friday [July 7], less than two-thirds of what they totaled a week earlier, according to grid manager Electric Reliability of Texas, or Ercot. ... ([Sullivan and Collins](#))

The only reason more Texans didn't suffer from heat stroke that summer was that "fossil-fuel generators such as coal and natural gas plants" were available to step up their energy generation to meet the demand ([Sullivan and Collins](#)). States that use wind and/or solar to generate a substantial portion of their energy must retain multiple natural gas, coal-fired, or nuclear plants in reserve so that energy is available during "extraordinary" events such as the 2017 Texas heat wave.

All electricity systems require some surplus "so they can cover unexpected generator outages and transmission-line failures," as *Wall Street Journal* reporter Rebecca Smith noted in a 2013 article regarding the pitfalls California was encountering as it expanded its renewable capacity. But when renewable energy's share of electricity production gets to a certain level, the price "excess" generators can competitively charge for electricity during "normal" times gets so low that they can't afford to make "refurbishments required by pending federal regulations" ([Smith](#)). Barring major policy changes, many of the "excess" generators in the Golden State are likely to cease operating over the next few years and the energy grid will become less and less stable.

While states that rely heavily on renewable energy have trouble getting enough energy on exceptionally hot, cloudy, or windless days, at other times they run the risk, in the words of *Daily Caller* energy reporter Andrew Follett, "of producing too much power which can overload and fry the power grid" ([Follett 2015a](#)).

To prevent this from happening, electrical companies sometimes have no choice, as incredible as it seems, but to "pay consumers to take electricity" ([Follett 2015a](#)). In 2015, journalist Daniel Gross recounted one such strange-but-true incident that had just taken place in Texas:

[Early in the morning on September 15,] in the desolate flats of West Texas, the ... wind was turning hundreds of wind turbines, producing tons of electricity at a time when comparatively little supply was needed.

And then a very strange thing happened: The so-called spot price of electricity in Texas fell toward zero, hit zero, and then went negative for several hours. As the Lone Star State slumbered, power producers were paying the state's electricity system to take electricity off their hands. At one point, the negative price was \$8.52 per megawatt hour ([Gross](#)).

As Gross later explained, one key reason wind operators in Texas and other states can afford to pay people to take their power under certain circumstances is the federal production tax credit of 2.3 cents per kilowatt hour, which "applies to every kilowatt of power produced." No parallel federal tax credit is furnished for coal (with the minor exceptions of refined and Indian coal) or natural gas generators. For high-income individuals and executives and shareholders of profitable corporations who invest in wind power, this credit is as good as cash:

[E]ven if wind operators give the power away or offer the system money to take it, they still receive a tax credit equal to \$23 per megawatt hour. Those tax credits have a monetary value—either to the wind-farm owner or to a third party that might want to buy [it].

As a result, in periods of slack overall demand and high wind production, it makes all the economic sense in the world for wind-farm owners to sell lots of power into the system at negative prices.

## Plentiful in Places Where It Isn't Much Needed, and Very Expensive to Transport

In addition to being frequently in short supply when consumers need power the most and in surplus when they need it the least, renewable energy, especially wind power, is typically generated far away from where the vast majority of consumers live. According to a press release issued in March 2017 by the American Wind Energy Association, 99 percent of wind turbines at that time were "located in rural areas" ([AWEA](#)). Transporting wind power from the lightly

populated communities where it is nearly always generated to the suburban and urban communities where roughly 85 percent of Texans live is not remotely cheap.

In 2005, there was immense pressure from wind developers to sway Texas to build transmission lines for electricity from wind generation across the state. Developers wanted desperately to capture the benefits of the federal production tax credit. But they could not do so unless they could transport large volumes of electricity from wind farms located in the northern and western parts of the state to the population centers in the state's eastern half. To solve this problem, the Texas Legislature authorized the Public Utility Commission of Texas to build thousands of miles of transmission without going through the normal process of determining whether the lines were necessary. The PUC approved the construction of a 3,000-mile network of transmission lines in 2008 for the primary purpose of bringing wind-generated power to cities and suburbs where it could be used. The so-called Competitive Renewable Energy Zone (CREZ) lines initiative ultimately took six years to complete and cost electricity ratepayers in Texas a total of \$6.8 billion.

As the CREZ project neared its completion in late 2013, energy reporter Emily Pickrell quoted Dan Woodlin, the director of system operations for ERCOT, regarding its impact. He sounded ecstatic:

“We used to have a lot of limitations moving power from West Texas to the I-35 sector [referring to the interstate connecting Dallas-Fort Worth with Austin and San Antonio]. We have seen no limitations now. The wind generators are able to generate as much wind as they can” ([Pickrell](#)).

Barely more than a year later, ERCOT bureaucrats were singing a completely different tune. In a February 2015 news story for the *Dallas Morning News*, reporter James Osborne suggested that, roughly a year after it was finished, the CREZ system might already be “nearing capacity again.” He quoted Warren Lasher, ERCOT's director of system planning:

“A lot has changed since the CREZ project was first established. ... We're seeing a lot of interest in the Panhandle. And if additional wind farms [proceed with construction], above a certain point we will need new transmission” ([Osborne](#)).

It wasn't long before advocates for the Texas renewables industry were suggesting that the long-term solution to periodic excess generation of electricity at times of relatively low demand is to build transmission lines that extend into other states. In an August 2016 contribution to *Popular Mechanics*, environmental consultant David Grossman, the head of the Green Light Group, admitted that Texas turbines may “have to rest idle at times” in order not to overload the state's electric grid despite the recently completed \$6.8 billion expenditure on the CREZ system, but cheerfully called it a “safe bet” that “Texas wind” would “soon be powering homes” in New Mexico ([Grossman](#)).

To put it mildly, this scenario is currently economically unfeasible and will remain so for the foreseeable future. The vast majority of the energy infrastructure in the U.S. today is incapable of efficiently transmitting large quantities of wind or solar power. In order to cope with the “constantly changing amounts of electricity” generated by these sources, utilities have to build (typically at ratepayers' expense) “a 500kv high voltage circuit transmission single or double circuit system to minimize transport losses,” as Follett explained in a 2015 article regarding a far-fetched proposal to export solar power from Morocco to European markets ([Follett 2015b](#)).

Just to move the power the 372 miles, as the crow flies, from Morocco's giant solar plant in the desert city of Ourzazate to Gibraltar:

would require first building an electricity transmission system costing a minimum of \$819 billion to as much as \$1.3 trillion with a circuit system of \$663 billion using HVDC. Thus, transporting the electricity produced by the Ouarzazate solar plant to the European market would be 91 to 149 times more expensive than generating the power ([Follett 2015b](#)).

Given the host of differences between Morocco and Texas, it is likely that, on balance, building transmission lines capable of exporting Lone Star wind power to other states would not be as dumbfounding of an expense as completing the infrastructure needed to make Morocco a “solar superpower” would be. However, barring a stunning breakthrough that makes it possible to build so-called smart grids at a far lower cost than is possible today, the construction cost would very likely still be far greater than the cost of generating the power.

## Real-World Experience Show Renewable Energy Is Still Far More Expensive, Not Cheaper

Despite the extraordinarily high costs stemming from its intermittency and the need to transmit it over vast distances, industry spokesmen and their allies claim that renewable energy is actually cheap and getting cheaper. One characteristic example is a headline for an article appearing in the progressive news website *ThinkProgress* in November 2017. It assured readers that “building new renewables is now cheaper than just running old coal and nuclear plants” ([Romm](#)).

The fact is that making comparisons of the long-term cost of electrical generation using different technologies is not a simple matter. As Earl Ritchie, a specialist in energy construction management who lectures at University of Houston, has explained, in order to estimate the “total cost of generation” in dollars per megawatt hour (\$/MWh), technically referred to as the “levelized cost of energy” (LCOE), you have to take into account “capital costs, operating and maintenance costs and fuel cost.” You also have to make assumptions about what the utilization rate will be and what future interest rates will be ([Ritchie](#)).

Certain widely cited levelized cost estimates, including those propounded by the investment firm Lazard, the source for the *ThinkProgress* article, “exclude such costs as network upgrades, integration and transmission, which can become significant as renewables penetration increases” ([Ritchie](#)). Levelized cost estimates, Ritchie continues, are based “on a large number of assumptions, not the least of which is the future cost of fossil fuels.” They also usually try to estimate and include the so-called social cost of carbon into their calculations. Differing assumptions are undoubtedly a key reason why Lazard’s estimates show that, even in a hypothetical market without subsidies, investments in utility-scale solar and onshore wind are “competitive with natural gas,” while other estimates, such as those made by the International Energy Agency (IEA), show they are not ([Ritchie](#)).

No ordinary mortal, no matter how knowledgeable, can predict the intermediate or distant future with any certainty, and that truism is likely especially apt when it comes to future energy prices. There is ample evidence that, at least in the recent past, currently, and in the short-term future, the large-scale use of renewable energy is associated with substantially higher costs for consumers. Germany is the single most compelling illustration. It embarked on a renewable-energy revolution referred to inside the country as the *Energiewende* a little more than a decade ago.

As Jeffrey Ball of Stanford’s Steyer-Taylor Center for Energy Policy and Finance explained in *Fortune* in March 2017, Germany has done exactly what proponents of rapidly increasing the use of renewable energy in the U.S. recommend that our country do:

At the center of the transformation has been a slate of renewable-energy subsidies that have dramatically scaled up once-niche solar and wind technologies and in the process have slashed their cost, making them competitive in some cases with fossil fuels ([Ball](#)).

Germans have long been renowned all over the globe for their engineering skills, and, not surprisingly, from a purely technological perspective the *Energiewende* has been successful. By 2016, Germany was producing enough renewable energy to cover 32% of the country’s electrical consumption, “a staggeringly large proportion by global standards,” Ball observed.

The dramatic expansion of renewable energy use has not been good for Germans’ pocketbooks. Even as he remained hopeful that history will judge the *Energiewende* favorably, Ball couldn’t help but admit it had come at an extraordinarily high price:

Germany spent 25 billion euros (\$26 billion) on renewable energy in 2016, most of which—23 billion euros—consumers paid through a surcharge on their electricity bills. The rise in the surcharge is the single biggest reason that the amount the average German household spent on electricity rose to 1,060 euros in 2016, up 50% from 2007 ([Ball](#)).

Part of the reason electricity has become so expensive in Germany is that much of the country’s energy infrastructure is wasted. In theory, electric generating capacity from renewables is now almost even with the capacity of other fuel sources, but much of the renewable capacity is frequently lying idle.

Due to the intermittency of renewables, Germany has had to retain a number of nonrenewable energy plants to fill in the gaps. At first it might seem German politicians who have committed themselves to reducing sharply their country’s greenhouse gas emissions and phasing out nuclear energy would want such plants to be powered by natural gas, which is far cleaner than coal and easier to switch on and off. However, as a *Wall Street Journal* editorial explained, green-minded Germany has in recent years actually favored high greenhouse gas-emitting coal over relatively low greenhouse gas-emitting natural gas, because

the former is less costly as a “back up” for renewable power plants:

[In Germany], gas is more expensive than coal, and the peak daytime consumption hours when gas could recoup that investment are also the times utilities are more likely to be required to buy overpriced solar power ([WSJ Editorial Board](#)).

### **‘It Was Squealing; It Was Just Horrific’**

In addition to the direct financial and opportunity costs of tax abatements for renewable energy, many people around the world who live near wind turbines have complained for years that the noise they generate has a negative impact on their health. An incomplete list of the health problems cited by people who live in the immediate vicinity of wind farms includes insomnia, headaches, memory loss, ear pain, anxiety, and nausea.

Videotaped interviews conducted in 2017 by the Texas Public Policy Foundation (TPPF) with half a dozen residents of rural Comanche County (2010 population: 13,450), located in the center of the state, show homeowners who live near the Logan’s Gap windfarm, which began operating in 2015, having largely the same problems as their counterparts in states as far away as Wisconsin and Vermont as well as in other countries, including Canada and the United Kingdom ([TPPF](#)).

One longtime Comanche County resident described what she had experienced while trying to fall asleep just a couple of nights prior to the interview:

The wind was horrible, and it sounded like one of them was making even a different noise than normal. It was squealing; it was just horrific. I’m here by myself for a while and I sat there, and I just screamed . . . , “Would y’all just stop for a while?” It just gets so annoying that you don’t know what to do. You’ve got the window blinds shut, you’ve got the curtains pulled, too, and . . . still it’s just nonstop ([TPPF](#)).

This interviewee went on to acknowledge that at other times the noise is not nearly so bothersome, and the level and quality of the sound produced by wind turbines undeniably varies sharply depending upon a number of factors. According to Michigan citizen activist and indefatigable researcher Carolyn Weed, wind turbine noise “varies with terrain, atmospheric conditions, wind speed and direction. . . . Downwind beyond about 300 meters from the source, sound volume can actually increase for some distance before decreasing” ([Weed](#)). In other words, the noise can be

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much louder for someone located half a mile or a mile away, downwind, from the turbines than for someone standing right under them! Another counterintuitive aspect of wind turbine noise pollution is that the most disturbing sounds often occur when wind speeds are low where the person hearing it is located, but “high at the source.” This often happens at night, when winds are commonly “high at rotor heights but low near the ground” ([Weed](#)).

Even harsh critics of the wind energy industry like Robert Bryce of the Manhattan Institute acknowledge that some wind projects do not appear to cause any noise problem at all. Unfortunately, the fact that a person can’t hear the noise generated by a wind farm does not necessarily mean he or she is not harmed by it.

“[T]he most problematic noise generated by the turbines,” explains Bryce, are “low-frequency sound (20 to 100 hertz) and infrasound (0 to 20 Hz) . . .” Some people do not seem to be harmed at all by infrasound, but the harmful effects it has on a substantial share of the people who are exposed to it on a regular basis are well documented. Bryce cites a 2001 report published by the National Institutes of Health, which stated that “exposure to infrasound can cause vertigo as well as ‘fatigue, apathy, and depression, pressure in the ears, loss of concentration, drowsiness’” ([Bryce](#)).

### **‘We Had No Warning’**

A retired education professional and farmer’s wife residing in Comanche County who was interviewed by TPPF is one of many who has major problems as a consequence of wind turbine infrasound. The wind turbines located a couple of thousand feet away, surrounding her residence on three sides, began operating in 2015. She doesn’t appreciate the pervasive “wind turbine view” she and her husband now have when they go out into the yard, look out the window, or even stare into the fireplace, but that is far from the worst of it. She explained:

It’s not necessarily the sound we hear that bothers us—

particularly me. The infrasound that [the wind turbines] produce is what bothers me more than anything, and that's the sound your body reacts to, but you don't actually hear because it's too low a pitch. And I know because, when they first turned on, the minute they turned on, I couldn't sleep at all. And I was miserable for the first few months [after] they came on in September of '15. I went to the doctor. I tried over-the-counter medications. I tried two prescription medications. I still couldn't sleep. Still don't. ... I manage. I don't sleep.

I'm retired. I was retired when they came on. It's a good thing because I was an educational diagnostician, which requires a lot of concentration, focus, critical-thinking skills, communication skills. ... I could not have performed the duties of my job and lived in the condition I'm living in now. And that's strictly because of the turbines.

Noise ranging from infrasound to the normal audible range is a primary complaint neighbors have regarding Logan's Gap. The visual pollution from 87 turbines located in a rural area, each roughly 260 feet high (taller than a typical 15-story building), and the flashing red lights placed on many of the 177-foot-long turbine blades at night, is also a major concern raised by Comanche County residents whom TPPF interviewed.

Other issues raised in TPPF's interviews include damage to rural roads caused by large trucks coming into Comanche County to build and repair the turbines and an apparently rapidly growing rodent population that is believed by some to be the result of the turbines' either killing or (more likely) driving away hawks.

Neighbors' dissatisfaction about the turbines undoubtedly could have been lessened significantly if fewer turbines had been placed at Logan's Gap, if they had been placed farther away from other people's homes, and if they were not spinning continuously. But imposing government regulations on Texas wind power comparable to those currently imposed on fossil fuels and nuclear energy would undercut, often severely, the ability of local politicians to use Chapters 312 and 313 to lure renewable energy projects to their jurisdictions. Proponents of these tax code provisions are therefore unlikely to agree to regulations that would substantially mitigate the harm inflicted on neighbors.

Instead of attempting to placate opposition by changing where projects are located or reducing the number of wind turbines or the hours of operations, public officials and renewable energy companies cutting Chapter 312 and

313 deals can sidestep opposition by taking advantage of the exemption from disclosure that discussions over such subsidies enjoy under the Texas Open Meetings Act and the Texas Public Information Act. This seems to be what happened in Comanche County, where some residents interviewed by TPPF reported that the first time they found out about a wind farm being built near their homes was when the trucks began bringing in turbine parts.

According to James Robert Arthur, a retired county judge and a cheerleader for the Logan's Gap project, notices regarding the proposed abatements were given in the local newspaper and on the radio—but perhaps not until after it was too late for would-be opponents to make any difference. This is how the retired educator whose property is now almost surrounded by turbines recalls it:

Neighbors did ... hear of one possible opportunity to speak to county commissioners, but that was after it was already basically accepted, and that particular day I ... was going with one of my parents to the doctor, and ... I wasn't able to attend that day. And that's the only thing I'm aware of. And they were already beginning the construction phase at that point. ...

We had no warning. And we are surrounded on three sides by the main lessee to this company. ... I can walk around the house and count 57 of the 87 turbines. ... We have 10 within two miles of us.

Under the Open Meetings Act and the Public Information Act, discussions and deliberations on the public use of state and local taxpayer money to subsidize business investments are completely exempt from requirements that government meetings be open to the public and that information created in the conduct of public business be made available to citizens upon request. Only the final votes over such deals have to be made in public.

In the neighborhood where this paper's author resides, a developer is preparing to construct and operate a four- and five-story-high multi-residential building geared primarily toward college students in a location currently zoned for business use. The proposal does not involve any public funding, and the potential impact on neighbors is miniscule by comparison with Logan's Gap, yet the developer's public relations department deemed it appropriate to contact homeowners associations located throughout the neighborhood and request meetings to discuss the proposal several months before it got around to making an application with the city council.

For better or worse, such proactive solicitation of community input well in advance of any formal decisions being made is the norm for business projects that require any type of government approval in modern America. The fact that the commissioners in Comanche County saw no need (by Arthur's own tacit admission) to hear anything from their neighbors at all prior to rubber-stamping the abatement for Logan's Gap is an illustration of how far outside the democratic traditions of public negotiation and compromise Chapters 312 and 313 operate today.

Something has gone dramatically wrong in Texas. Merely tweaking these tax code provisions can't possibly set things right.

### **Fortune Favors the Bold**

The good news for opponents of crony capitalism in the Lone Star State is that the special interests who benefit from school district and other property tax abatements, while representing only a small share of Texas citizens along with a number of other people who live outside the state, are so diverse that citizens who favor ending these abatements cannot credibly be accused of picking on anybody in particular.

The beneficiaries of the status quo include, as we have discussed, local school officials who have used and are using Chapter 313 to expand their funding without really being accountable to local taxpayers for how they spend the extra money, since the extra money does not come out of local taxpayers' pockets. The losers include state taxpayers throughout Texas, especially those who cherish the principle that state lawmakers whom they can potentially vote to oust from office should make the important decisions about how their state tax dollars are allocated.

Other beneficiaries are the owners of successful manufacturing firms who would be happy to invest money somewhere in Texas, and quite possibly in a rural county where land prices are low and underutilized labor is available, without being offered any special incentives at all, but are even happier when they can get a very sweet deal on their property taxes for a factory that already made good business sense. The losers in such cases are local and state taxpayers who have to pay more or get less for their money because certain favored businesses pay less, as well as competitors of the firms receiving the abatements who don't qualify for them for one reason or another.

Still other beneficiaries are the owners of many more marginal firms in the renewable energy industry that would

never have had viable business plans to build facilities in the Texas communities where they are now located or will be locating soon were it not for Chapter 312 and/or Chapter 313. The losers in such cases are taxpayers, consumers who end up paying a higher price for less reliable energy, and rival energy providers who find it impossible to compete with wind during its peak production periods as a consequence of the federal renewable energy production tax credit.

Finally, the property owners who lease out their land to the renewable-energy companies receiving tax abatements are potential, but far from certain, beneficiaries of the status quo. Presumably, they agree to allow the companies to use their property because the compensation offered in exchange makes it worthwhile for them to do so. But it can be impossible to ascertain how happy contracted landowners are once the facilities are placed on their property and operating, because, as journalist Emily Le Coz noted in an article published by the *Lubbock Avalanche-Journal* in December 2017, some wind-industry covenants actually "bar people from suing or even publicly criticizing the projects" ([Le Coz](#)). Meanwhile, neighbors who are bothered by loud noises and/or low-frequency vibrations, shadow flicker, and other problems associated with turbines are clear losers.

Chapter 312 will expire on September 1, 2019, unless it is reauthorized by the Texas Legislature. By refusing to perpetuate this tax code provision, lawmakers would simply take away local politicians' ability to grant special tax favors to some businesses at the expense of other businesses and homeowners.

Eliminating Chapter 312 could not reasonably be criticized as "anti-business," either. Allowing Chapter 312 to expire would not prevent county, city, and other local governments from reducing property tax rates to make their communities more attractive to investors. It would merely prevent local politicians from making some businesses pay higher taxes so that others can get an abatement.

Chapter 313 is set to expire on December 31, 2022, unless it is reauthorized before the end of the Texas Legislature's 2021 regular session. The political pressure on lawmakers to keep Chapter 313 going will undoubtedly be even greater than for Chapter 312 reauthorization, because, unlike Chapter 312, Chapter 313 enables localities (that is, school districts) to hand out favors to select businesses with money extracted from taxpayers across the state, instead of exclusively from other taxpayers in their own jurisdiction.

The minority of Texas school districts that benefit financially from Chapter 313 at the expense of the majority of school districts as well as other government services and taxpayers will undoubtedly fight hard to save it. Taxpayers statewide should not be forced to pay more so that certain school districts can provide tax breaks to favored businesses, regardless of what industry the businesses are in.

As we have seen, neither Chapter 312 or Chapter 313 was written with the specific intent of benefiting renewable energy. They were both sold as measures to bring more job-creating businesses to Texas. Scholars like Jensen plausibly argue subsidies do not result in any net increase in job creation. And when it comes to renewable energy projects, there is very little job creation at all. The vast majority of the 313 applications seek waivers in order to bring less than the already small 10 required jobs for projects in rural Texas. Additionally, the continued growth of wind generation spurred on by the local tax abatements is doing significant harm to the reliability of the Texas electric grid ([Ritchie](#); [McConnell](#)). The evidence that the abatements for renewable projects are costly and have an array of unintended negative consequences is clear.

**Editor's Note:** *This is the fourth and last in a series of research papers examining the problems with Chapter 312 and Chapter 313 local tax abatements. The papers examine the overall problems with the abatements and the particular problems with their use for renewable energy projects. This research is timely because Chapter 312 will expire in 2019, and Chapter 313 will expire in 2022. If not renewed by the Legislature in 2019, Chapter 312 and the ability of local governments to offer tax abatements will go away. Likewise, if not renewed by the Legislature in 2021, Chapter 313 and the ability of school districts to offer tax abatements will go away. The next two legislative sessions will provide Texans and their elected state officials the opportunity to examine whether these programs deliver the jobs and economic development they promise.*

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## About the Author



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