



The Push For Gaming In Texas

Keeping our money at home.

The Texas business climate is strong; the State is growing by leaps and bounds, but with all that growth comes challenges. New schools, roads and water supplies are needed to handle the influx of people, and all that costs money.

For years, billions of Texas dollars have gone to our neighboring states because they all allow gaming and have set up shop right across the Texas border.

“The gaming companies that build and run those facilities do more than just provide money to state coffers,” said TAB President and CEO Bill Hammond. “Those companies bring new jobs and economic development as well. We are always looking for new economic development opportunities. It seems like this is a very logical one for the state.”

Texans spend billions of dollars every year gaming, yet the state has no way to benefit. A recent study shows that Texans spent almost \$3 billion at casinos in New Mexico, Louisiana and Oklahoma. That number does not include the additional \$1.41 billion spent on food, lodging and travel expenses.

“A portion of that money could have gone toward building roads, schools and creating new jobs in Texas,” said Hammond. “Instead, it did all those things



TAB President Bill Hammond speaks at a gaming news conference

for New Mexico, Louisiana and Oklahoma.”

Gaming in Texas also could help the ailing race horse industry. It wasn't that long ago that Texas was ranked third in the country with a \$5.5 billion dollar horse racing industry that employed 36,000 people and produced 4,000 registered foals. This year industry experts predict there will only be around 300 foals produced in Texas. “Allowing Texans to vote

WORKFORCE Q&A

How would mandatory E-Verify in a Comprehensive Immigration Reform Bill impact small business?

(see page 2)

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TAB MISSION

*To make the Texas
business climate the
best in the world.*

WORKFORCE Q&A



Kevin Lashus,
Jackson Lewis LLP, Austin

How would mandatory E-Verify in a Comprehensive Immigration Reform Bill impact small business?

At a House Judiciary Committee hearing on February 5th, Chairman Bob Goodlatte (R-Va.) noted that there is agreement that “our nation’s immigration system is in desperate need of repair.” The Senate held its first hearing on February 13, 2013. Department of Homeland Security Secretary Janet Napolitano testified that, “[a] key part of our immigration enforcement efforts has been strengthening enforcement against employers that hire undocumented immigrants.”

“Under that strategy,” she continued, “since January 2009, ICE has audited nearly 9,000 employers suspected of hiring undocumented workers, debarred 917 companies and individuals [from soliciting federal contracts], and imposed more than \$101 million in financial sanctions, which exceeds the total amount of audits and debarments during the entire previous administration.” She concluded that any comprehensive bill should include mandatory electronic employment verification.

E-Verify, a system operated by DHS’s U.S. Citizenship and Immigration Services and the Social Security Administration, verifies applicants’ work eligibility electronically. Currently, only employers in certain states and federal contractors are obligated to participate in the program. Anticipated immigration reform legislation will change that.

Employers need to consider: (1) what is involved in E-Verifying new hires AND, potentially, the entire workforce, AND (2) what it would cost.

E-Verify is an expense and would require a significant investment in human capital. “False positives” would require additional HR effort and could result in the removal of workers. According to E-Verify’s internal database audit, a national mandate would deem 1.2 to 3.5 million legal employees initially ineligible to work. The government’s study also projected 770,000 erroneous final non-confirmations, requiring employers to separate the affected employees.

Bloomberg Government estimates, if E-Verify became mandatory, businesses with fewer than 500 workers would bear 99 percent of the \$2.7 billion participation cost. A 2008 Congressional Budget Office Report estimated that requiring E-Verify would cut federal tax revenue by more than \$17 billion.

Employers should examine their protocols to identify the impact E-Verify may have on their compliance systems. There is nothing more exciting for a government prosecutor than finding a company that does not follow its own policies and procedures. I-9 inspections and E-Verify review via government data-mining activity is no different.

Employment Relations questions?

**Don't forget to call TAB's Employment Relations Hotline
for your next HR Question
1.800.856.6721, ext. 164 or E-mail smcgee@txbiz.org**

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Session 2013

Where our issues stand.

We are entering the home stretch of this legislative session, and it looks like it will be another successful one for TAB.

Going into this session, one of our main goals was to get the statewide water plan funded, and we are well on our way to accomplishing that goal. HB 4, the bill that sets up the revolving fund that will help finance future local water projects is moving through the process, having already passed the House. The key bill for us now is HB 11, which actually provides the money to put in that newly created fund. We expect that money (\$2 billion) will come from the Rainy Day Fund. We still face some challenges with that bill, but we believe it will pass by the end of the session.

Another major issue for TAB and for the entire state, is finding new money to pay for transportation projects. We all know that traffic is bad in our major cities, but the state is quickly running out of money to build new roads, let alone repair the roads we have. We are backing a five-point funding plan that includes ending diversions of money away from the transportation fund and raising vehicle registration fees by \$50 per year with a local option increase of another \$10. The other points of the plan include setting aside motor vehicle sales tax proceeds to pay for new road construction and creating the State Infrastructure Bank, funded by \$1.7 billion of Rainy Day Fund money. The fifth point calls for all of this new revenue, adding up to approximately \$3.6 billion, to only be spent on new construction.

“At this point in the session, I am comfortable about where all of our issues,” said TAB President and CEO

Bill Hammond. “We are working very hard and spending some very long days at the Capitol to ensure that the business climate in Texas remains the best in the country and in the world.”

The biggest bill of every session is facing the budget, and that issue is now facing a House/Senate conference committee. “Our TAB team spent the day monitoring and lobbying for changes in the budget when it was debated in the House,” said Hammond. “You never get everything you want, but I feel this budget will help Texas maintain economic strength and keep up with growth.”



Legislators hit the session home stretch under the dome.

There are literally hundreds of other pieces of legislation that we continue to monitor, including our “Smart on Crime” initiative. We feel that progress will be made on all of these issues this session, but as it usually happens, time will run out before lawmakers are able to address all of our concerns.

The Push For Gaming In Texas

continued from page one

on expanded gaming not only allows everyone to have a say on the issue, but also, if passed, could help bring back a very proud industry to Texas,” said Hammond.

There are several constitutional amendments that TAB is supporting this session regarding gaming. SJR 64 by Sen. John Carona, SJR 36 by Sen. Juan Hinojosa and HJR 121 by Rep. Richard Raymond will simply allow people to vote on the expansion of gaming.

“Texans deserve the right to vote on this issue,” said Hammond. “We need to keep these billions of dollars in the state. We need to support economic development because Texas needs the thousands of new jobs this would create. We have been talking about this issue for years, but now it is finally time for a decision from our voters.”

Of course, this will not be easy. “It will take a two-thirds vote in both the House and Senate to get this put on a ballot later this year,” said Hammond. “That is never an easy thing to do, especially with an issue like this one. I am looking at this strictly from the side of economic development and infrastructure. We are struggling to find ways to handle our incredible growth that won’t severely increase taxes and/or hurt our economy and job creation. It seems like this is a way to both grow the economy and help us pay for that growth.”

MEMBER PROFILE

State Tax Group, LLC – A Leader in State and Local Tax

State Tax Group, LLC is a leading state and local tax advisory and consulting firm with offices in both Dallas and Houston. The firm's services include sales and use tax audit defense services, audit representation, compliance filings, nexus reviews, compliance reviews, tax process improvements, letter rulings, legal opinions, reverse audits, tax recovery, tax appeals, business tax credits and incentives, franchise tax filings, property tax reviews, total tax outsourcing and accounts payables audits.

State Tax Group has a proven track record of success in the following industries: oil & gas, power & utilities, retail, transportation, telecommunication, construction, and manufacturing. State Tax Group's management team has more than 100 years of combined state and local tax experience.

Such experience contributes to the phenomenal service for which State Tax Group is known. In fact, State Tax Group defines success with the "WIN3 Principle:" a win for the client, a win for the firm and a win for you.

State Tax Group was founded in 2005 by Managing Principal and CEO Richard Fleming, who is currently celebrating 20 years in the state and local tax field. Fleming was the recipient of the 2012 Minority Business Enterprise Executive Scholarship from Exxon-Mobil, and, in turn, attended Dartmouth College Tuck School of Business Executive Leadership Training.

Fleming is a newly appointed member of TAB's Board of Directors and has been recognized for his leadership, character, and stewardship in the community. In addition to his position on TAB's Board, Fleming is involved with numerous other organizations statewide, including Texas Comptroller Susan Combs's Taxpayer Advisory Group (TAG), the Texas Association of School Boards (TASB), and the North Texas Area Association of School Boards (NTAASB).

Mr. Fleming also serves as school board trustee of the Carrollton-Farmers Branch Independent School District, the same district from which he graduated in 1986. The

district serves the cities of Farmers Branch, Carrollton, Dallas, Irving and Coppell.

After graduating from R.L. Turner High School in Carrollton, Fleming received an athletic scholarship to Cameron University, located in Lawton, Oklahoma, where he was recruited to play football. During his college career, Fleming was a member of the 1987 NAIA Division I National Football Championship team. Fleming received both his BBA and MBA from Cameron.

State Tax Group provides superior service, with its leadership role throughout the state playing an integral part.

State Tax Group continually monitors key policy changes at the local, state, and federal levels to ensure that its clients in key industries understand the impact of proposed policy changes and how those changes could potentially affect their bottom line.

"As an actively involved part of commerce and capital, I am able to see the importance of being aware of what's going on legislatively," explains Fleming.

With his perspective on the importance of legislative awareness, coupled with the fact that legislative monitoring is a chief aspect of his business, Fleming believes membership in TAB has benefitted State Tax Group and its operations: "It's

an honor to be associated with TAB. The efforts and engagements of Bill Hammond, along with the work that the TAB team does to positively affect business in Texas and Washington D.C., are simply unmatched."

"The efforts and engagements of Bill Hammond, along with the work that the TAB team does to positively affect business in Texas and Washington D.C., are simply unmatched."

***- Richard Fleming, CEO
State Tax Group, LLC***



From left to right: P.D. Williams, Director of Tax Services; Michelle Montgomery, Director of Business Services; Sheri Stone, Director of Operations; and founder Richard Fleming, CEO and Managing Principal

Best Companies Success



For the first time TAB, *Texas Monthly*, and Best Companies hosted an evening awards banquet to unveil the 2013 winners of the “Best Companies to Work For in Texas.”

Around 700 people attended the ceremony, highlighted by a speech from Governor Rick Perry. The event was hosted by K-VET Radio’s Bama Brown and featured Miss Dallas 2013, Monique Evans, as the award presenter.



TAB members who were winners include: University Title Company; K2Share, LLC; Summit Industrial Products; Industrial Safety Training Council; Providence Companies; Airrosti Rehab Centers; Austin Bank; Burns and McDonnell; Texas Mutual Insurance Company; and Ryan LLC.

To see a full list of the winners, check out www.bestcompaniestx.com, or pick up a copy of the May issue of *Texas Monthly*.



QUOTES

“In 2011, business paid almost \$57 billion combined in taxes, so we’d like to see the tax relief for business.”

– TAB President and CEO Bill Hammond on KUT Radio

“It would erase the progress we have made in Texas closing the gaps between student groups.”

– TAB President and CEO Bill Hammond in the *Fort Worth Star Telegram* on HB 5.

“Today, the Texas House took a huge step to ensure our water future is secure.”

– TAB President and CEO Bill Hammond on the passage of HB 4 in the *Austin Business Journal*.

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Talk **About** Business

Investing Isn't Spending



Bill Hammond, TAB President

There is a big debate in the Legislature over whether using money in the Economic Stabilization Fund, or the Rainy Day Fund, should count against the state's constitutional spending limit. If we are talking about actually increasing the state's budget by growing the size of government, then the answer may be yes. If we are simply making up for a temporary revenue shortfall for a priority that is already budgeted, the answer may be no. But if we are transferring money on a one-time basis to other accounts that will be used help finance critical water and transportation projects, the answer is emphatically no.

The money proposed to be used for transportation and water infrastructure will not be spent. It will be invested. There is a very big difference. The money may be used to underwrite local obligations to obtain better credit terms for infrastructure projects. This use is basically the same as a parent using their good credit rating to save their children money by co-signing their first car loan. In that case the parent's money stays where it is and earns interest while the new car owner spends less money. In the same way, local citizens save money through lower water rates and

transportation costs. That can hardly be considered an expense.

The money can also be loaned to local infrastructure project sponsors. In this case, the loans are secured by the water utility rates and other revenues generated from projects at the local level. The essential point is this - the money loaned out will be paid back. When a bank makes a loan it considers that loan an asset on its balance sheet, not an expense. Why should be State of Texas be any different? Why should Texas water utility customers and drivers be asked to pay any more in new fees or taxes than necessary when the State has billions of dollars of revenue that we can put to productive use? The answer is they shouldn't be.

TAB is supporting HB 652 and similar legislation that makes it clear that certain uses of the Rainy Day Fund do not count against the state spending limit. Some legislators, however, believe that any use should count and that there should be a vote to exceed the spending limit for any transfer from the Rainy Day Fund. It will be a challenge getting the required two-thirds vote to move Rainy Day Fund money into new funds for water and transportation in

the first place. Adding another vote to break the spending cap might doom our efforts to ensure these future projects are built.

Then there are those who say we shouldn't move any money out of the Rainy Day Fund. I appreciate the conservative and careful position that suggests that we should always retain sufficient resources to address disasters and emergencies. But the fact is that the potential impact of our failure to address the basic infrastructure needs of our population is an emergency. It may not have the immediate visibility of a hurricane, but the economic impact to the state can be just as significant and even longer lasting.

I would ask those who oppose using any of the Rainy Day Fund what the better alternatives are for funding the water and transportation projects our state desperately needs. There is clearly not enough revenue that can be cut from education or health and human service budgets to fund infrastructure. In fact, to fully fund our transportation needs will probably require new sources of revenue, but we should certainly make the most use of money we already have before we ask for more.