

Greater Port Arthur Chamber of Commerce

2021-22 Legislative Agenda

This is Southeast Texas ...

AND OUR IMPACT ON THE STATE'S AND NATIONAL ECONOMY:

Southeast Texas, which includes Jefferson and Orange counties, is a major player in the economy of both Texas and the US. The country's energy independence begins and ends in our backyard.

It's tough to live in the shadow of your pretty big sister, which is the story of the area of southeast Texas known locally as the Golden Triangle, and by extension, the Sabine-Neches Waterway. It means that you have to work harder and do it better, just to get noticed. The area today is doing just that.

Since the first major new facility in the area was constructed in 2003, the area has seen continued significant growth in both the refining and petrochemicals businesses. Additionally, it has become a major hub for storage and export of crude oil, condensate, and refined transportation fuels, as well as LNG and renewable fuels. Today, the area and Sabine-Neches Waterway can claim the following as a partial list of its growth and importance to the Texas and US economies:

1. Home to the largest single refinery in the US.
2. Home to the largest methanol facility in the US.
3. Home to four major refineries, with a total throughput capacity of 1.671 MM barrels per day, fully 8.8 percent of 2019 US refining capacity, but importantly 13 percent of transportation fuels-gasoline, diesel and jet fuel per the Energy Information Agency (EIA).
4. Home to over 35 chemical and petrochemical facilities.
5. Home to the largest single owner crude terminal in the US, as well as one of the largest single owner refined products and transportation fuels terminals.
6. Home to the Dept. of Energy Strategic Petroleum Reserve (SPR) intake facility for both the Big Hill and West Hackberry storage facilities, which account for 57% of the nation's crude oil strategic reserve, approximately 400 MM barrels.
7. Home to the largest LNG exporter in the US, with two additional major facilities either being converted to export capability or under construction.
8. The Sabine-Neches Waterway is the # 1 liquid bulk cargo waterway in the US.
9. The area is an Origin for 3 major petroleum products pipelines; supplying by pipeline the entire eastern and mid-continent US (except New England) with transportation and home heating fuels.

Jointly, the Sabine-Neches Waterway; comprised of the Ports of Beaumont, Port Arthur, and Sabine Pass in Jefferson County and the Port of Orange in Orange County, operate as the 3rd largest port/waterway complex in the nation in terms of tonnage and is home to two Strategic Military Ports that function as the nation's #1 commercial military out-load port. Export revenue for the waterway was \$30.2 billion in 2018. The projections for 2026 are \$73.1 billion, which is in keeping with expected increases in petroleum exports forecast for the entire Gulf Coast area refineries and petrochemical facilities.

The completed projects and proposed expansions already identified will make the area even more important in the future. It could not have been done without the complete joint effort cooperation and “can-do” attitude of private industry, the public ports, Texas state, local municipal and county governments, Texas and Federal regulatory agencies, the Sabine-Neches Navigation District, the Sabine Pilots Association and the South East Texas Waterway Advisory Council (SETWAC), a US Coast Guard sponsored local industry advisory council to the Captain of the Port for the area.

Unlike her big sister to the west, the Sabine-Neches Waterway and Golden Triangle cities and counties have ample expansion capabilities along our waterway. Opportunity identification and cooperation to safely achieve expansion goals has long been a strong suit of the area public and private entities. A perfect example is now the approved \$1.4 billion waterway deepening and improvement project that will eliminate most, if not all, constraints on waterway traffic. With those constraints lifted, vessel capacity expansion of up to 25% is both feasible and likely, given the history of private and public cooperation since 2003. This increase in waterway vessel capacity will correlate to an even greater increase in waterway tonnage.

KEY TAKEAWAY DATA

FOR OUR STATEMENT OF ECONOMIC IMPACT

- \$54 billion in announced and proposed industrial projects along the Sabine-Neches Waterway in SETX.
- Currently SETX represents 1.53% of GDP, 5.9% of the manufacturing GDP and 1.52% of labor force.
- Texas is ranked 2nd in the US for waterborne commerce. The Sabine-Neches Waterway handles 22% of Texas’s cargo and 4.7% of the US cargo total. This generates \$5 billion in state and local revenue and \$9 billion in federal revenue annually.
- Texas represents 30% of the US refining capacity and SETX represents 26.5% of Texas refining capacity.
- Texas governmental expenditures for all counties is \$98.3 billion with SETX receiving less than 1% with only \$995.8 million. The current allocation of funds fails to represent SETX 1.53% of the GDP by over 30%. This is without counting the \$54 billion in expansion projects thereby increasing the state’s revenue and tax base proportionally.

WE HAVE A RARE OPPORTUNITY FOR SOUTHEAST TEXAS TO BECOME A CRITICAL PART OF OUR STATE AND NATIONAL REEMERGENCE FROM OUR COVID ERA ECONOMY. TO DO THAT WE WILL NEED THE SUPPORT OF THE STATE AND OUR LEGISLATURE. WE MUST ENSURE OUR INFRASTRUCTURE IS ADEQUATE TO SUPPORT PRIVATE ENTERPRISE AND THE ANTICIPATED GROWTH. SEED MONEY MUST ALSO BE INVESTED BY THE STATE ALONG THE SNWW TO ALLOW IT TO BENEFIT FROM THE FEDERAL IMPROVEMENT PROJECTS. THIS IS IN LIGHT OF THE FACT THAT THERE IS NOT ONLY A GUARANTEED RATE OF RETURN IN ADDITION TO THE INCREASED TAX BASE FOR THE STATE. AFTERALL OUR INFRASTRUCTURE GUARANTEE AND OUR UNDERLYING FINANCIAL SUPPORT IS ONE OF THE MOST SUBSTANTIVE OFFERINGS THAT WE CAN GIVE INDUSTRY WHEN COMPARED WITH OTHER COASTAL STATES IN THE REGION. TO FOLLOW IS A LIST OF ITEMS THAT WE NEED TO HAVE ADDRESSED BY THE LEGISLATURE IN VARIOUS CAPACITIES. TOGETHER WE CAN HELP ENSURE TEXAS’ FUTURE IS DIVERSE AND SUCCESSFUL.

ECONOMIC DEVELOPMENT

- Support Governor's Broadband Development Council's recommendation that the Texas Legislature create a state broadband plan and establish a broadband office and incentive. The Council also recommends the development of a state broadband funding program to incentivize providers to expand coverage into rural areas.
- Creating a broadband office within the public utility would allow for the federal government's funding these projects. Both the U.S. Department of Agriculture and the Federal Communications Commission have budgeted hundreds of millions of dollars for support of broadband services in rural areas.
- Lack of appropriate internet service is stymieing Port Arthur's economic development, education and access to health services. In our COVID era economy internet is critical to our survival as an economic force, our future industrial expansion and welfare of our population.
- Local municipalities request that receipt of individual grants not count against the calculation of their general fiscal needs by the state due to the strict usage and accountability rules.
- Port Arthur does not have the fiscal resources to provide levels of government services necessary to provide the poor and disadvantaged a minimum standard of living and equal access to governmental services essential to economic success without access to federal grants. Congress authorized the issuance of grants to ensure uniform levels of essential governmental services throughout the nation; however, they both have the right and the obligation to ensure through the carrot of grant-in-aid programs and the stick of federal requirements that certain national goals, such as civil rights, equal employment opportunities, protection for the environment, and care for the poor and aged, are met. Therefore, due to the strict usage and accountability rules, local municipalities request to not have receipt of individual grants counted against the calculation of their general fiscal needs by the state.
- Expedite permitting process through TCEQ, TxDOT, General Land Office and other entities to move projects forward thereby creating jobs and upgrading infrastructure.
- Oppose legislation that would provide for state preemption of municipal authority in general.

EDUCATION & WORKFORCE DEVELOPMENT

- Request increase in formula funding to provide the 2nd half of parity funding to provide similar funding to the state colleges as received by other 2-year college peers. First half was granted by 86th Legislature, allowing the College to reduce tuition by 29%, resulting in a 12% increase in enrollment.
- Amend requirement that School Districts Budget all tax monies received. Current situation is that often large corporate entities prepay taxes but file suit to contest valuation. This leaves school districts with funds that they are required to budget and spend and then are later required to repay once valuation is reduced via the courts. Look at the possibility of creating an escrow account for these monies until the contested portion of the valuation is resolved.

- Support legislation to prevent the valuation of grants to be used against educational facilities in determining their funding. Often these grants are temporary and have a stipulation on expenditures and are not general use funds.
- Additional Mental Health and Counseling monies needed for ISDs to combat disconnect with students and the educational process due to unanticipated COVID remote learning environment with lack of stability (at home) and routine. Looming “uncertainty” hurting entire generation of students. PA is especially hard hit with history of multiple hurricanes, battered homes, economically and socially disadvantaged students making them a most extreme case of “at risk” student population. Designation of Ch 41 District only rich by association with industry. Population is very poor. Furthermore, Port Arthur was named 2nd most miserable city in the US due to poor living situations resulting in educational deficits and thereby lack of upward mobility.
- \$55 million needed to build a new Allied Health Building for LSCPA, allowing the College to address state and local nursing shortage. Current buildings are 70-100 years old and too expensive to renovate.

ENVIRONMENTAL QUALITY & STEWARDSHIP

- Our local marine ecosystem is being decimated and we need swift assistance from the state to prevent its destruction. The removal of rigs and other offshore structures destroyed large portions of the marine habitat and immediate action is necessary to save this industry by deploying the manmade reefs. The reefs were purchased with monies from the BP settlement, but the state’s help is needed to transport and place structures. Our area produces 23% of the shrimp nationwide and is considered to be some of the highest quality product available. We are at risk of losing this industry as well the damaging the fishing lifestyle for outdoorsmen including the associated entertainment and competitive events.
- Promote a market-based solution to meet the state’s water needs while protecting junior water rights. In light of population growth in the State of Texas supplies of water for industrial use will be severely stretched. A lack of water supply will affect economic development throughout the state and could result in new businesses locating to other states with a more plentiful supply of water.
- Promote water reuse incentives and sustainability initiatives developed by industry. The most cost-effective mechanism for maintaining an adequate water supply is to encourage reductions in the use of fresh water and to find creative ways to reuse existing water supplies.
- Maintain and fund cost-effective programs like Texas Emissions Reduction Plan (TERP) that are critical to reduce air emissions and reach attainment of National Ambient Air Quality Standards. Texas still has significant work to be done to address Ozone and Fine Particulate Matter standards. On a cost per ton basis, TERP is the most cost-effective way to obtain emission reductions.
- Encourage industry investment in technologically and economically feasible best management practices to prevent significant emission events. Recent industrial incidents have led TCEQ to consider stricter regulatory measures. Sensible best management practices can be more effective than a heavy-handed regulatory approach.
- Support enhanced funding for the Texas Commission on Environmental Quality (TCEQ) to maintain a well trained and experienced staff. TCEQ is seeking an additional \$5.8 million in its Fiscal Year 2022/2023 budget in order to support targeted pay increases for key positions including region inspectors.

- Continue support for streamlining efforts in permitting at TCEQ across all media. Timely and efficient processing of environmental permits is critical to attract new industry to the state and to encourage expansion of existing facilities.
- Support the use of clear and consistent regulations when assessing administrative penalties for violations of environmental regulations and the assignment of Compliance History ratings. TCEQ is considering changes to its Penalty Policy and Compliance History programs. Changes are being contemplated in response to recent industrial incidents.

HEALTHCARE

- Outpatient Mental Health - These services, in particular receive insufficient funding. Those who are inpatient on a committal have no place to go for care upon discharge and end up on the streets or in jail.
- Medicaid rates for hospitalizations are too low. They do not cover out of pocket costs. This causes rationing of beds and places inpatient psychiatric facilities at risk of closing.
- Catastrophic Health Coverage - The state abandoned the high-risk insurance pool upon adoption of the Affordable Care Act. There are literal instances when hospitals can no longer help them due to lack of coverage. When this happens, the only choice is hospice.
- The high-risk pool must be reinstated.
- Reinvestment in Infrastructure - Community hospitals are at a disadvantage when it comes to investment in infrastructure. Tertiary hospitals receive proportionally higher state investment and Disproportionate Share payments, which permits investment into facilities. As a result, community hospitals lag behind in both technology and brick/mortar updates and are therefore unable to compete with urban medical centers.
- FQHC rules are stacked against multi-hospital systems, prohibiting community hospitals from reaching into rural, underserved markets. As a result, rural patients tend to suffer most with chronic health conditions and are more acutely ill when presenting to the emergency department. The patients are usually un or under-funded and increase the cost burden upon the hospital. They also tend to be cyclical patients that utilize the ER as their primary care provider. The state must close this gap and supplement the funding of chronic disease/rural care clinics affiliated with community hospitals. Secondarily this should be supported at the federal level to remove this restriction.
- Expansion of Medicaid coverage for breast and GYN for all diagnoses of cancer.
- Information Portability - The state needs to support infrastructure to promote a health information exchange (i.e., medical records) across all state licensed facilities; housed and maintained by an independent third party, to prevent competitive advantage while permitting the exchange of medical information between providers. This will greatly eliminate duplication of tests, studies, procedures and exams performed simply to ensure correct information and cover medical legal aspects of care. This wastes millions of dollars annually in Medicaid, Medicare, Insurance, funded and unfunded patient spending. This money could be recaptured and lessen the states healthcare burden.

INSURANCE & TAXES

- Support efforts to ensure the sustainability of TWIA and the opportunity for affordable insurance rates while working toward private insurance competition in coastal communities.

- Support the continued expansion and development of the Texas Windstorm Insurance Association Voluntary Market Depopulation Program.
- Support statewide risk sharing initiatives developed by the legislature to address Texas Windstorm Insurance Association's ongoing sustainability and affordability issues.
- Support requiring government to restrict budget growth to population and inflation indices and to ensure there are no unfunded mandates from the state to local taxing entities.
- Oppose legislation imposing a revenue and/or tax cap of any type.
- Oppose any limitations on overall city expenditures, exclusion of the new property adjustment in effective rate and rollback rate calculations, or legislation that lowers the rollback rate and gives a city council the option to re-raise the rollback rate.

TRANSPORTATION, ENERGY INFRASTRUCTURE

- Advocate for the actual funding of the Sabine Neches Waterway Channel Improvement Project. The revolving fund was created by the 86th Legislature to be managed by TxDOT for the benefit of the waterway, but it was never funded. This is an exceptional opportunity for investment of a portion the Rainy-Day Fund due to the fact that this is a loan with
- Need to continue the TxDOT rider on the state's budget. This is vital but needs to be expanded to include rail connectivity. Best case scenario would go even further to allow state investment within the gates of the port to assure seamless transportation of products and get maximum use of facilities. The ports collectively represent 40% of Gross Domestic Product in Texas (Martin Study).
- Need to address Hwy 82 in Sabine Pass. The narrow 2 lane road is the only means of ingress and egress for that area. This sole road must support industry, their expansion, the workforce and residents. Critical to address ASAP before it hurts expansion of the tax base. Also, there is no other means of evacuation in the event of an industrial accident, explosion or hurricane.
- Hwy 87 is major route for transportation to and from the port. The road is in such poor condition that it no longer meets TxDOT standards for cargo transport. This includes military equipment, routine port traffic, support of our industry and their expansion projects which are crucial to economic recovery post COVID.
- We request support of a modernized electric grid that provides reliable service and allows for rapid and prudent recovery of associated expenses.
- Support planning, design and construction of a new interchange at US Highway 69, 96, 287 and State Highway 73, including completion of frontage roads, signage and illumination.
- Support expansion of Interstate 10 from Jefferson County through Orange County.
- Support access to alternative funding to assist with financing critical infrastructure improvement projects.