

## BUSINESS

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PAGE B1

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PAGE A8

# HOUSTON CHRONICLE

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## Session looks at tax breaks, mental health

Controversial Chapter 313 program not extended after increased scrutiny

By Mike Morris and John Tedesco  
STAFF WRITERS

The first sign that Texas' biggest corporate tax break might be in trouble appeared May 10 on the state House floor.

State Rep. Jim Murphy, R-Houston, rose from his desk to explain a bill that would renew and expand the so-called Chapter 313 program,

which gives manufacturing and energy companies deep discounts on their school property taxes.

The program enjoys wide support in the business community, and lawmakers had renewed it three times by wide margins since its initial passage in 2001.

This session, something was different.

Across the chamber, skeptics *continues on A9*



Mark Mulligan / Staff photographer

Many facilities in Mont Belvieu have gotten property tax breaks under the Chapter 313 program.

Legislature allocates nearly \$400M to bolster state psychiatric hospitals

By Alex Stuckey  
STAFF WRITER

State lawmakers took a critical step forward in expanding Texas' psychiatric hospital system last week by pumping nearly \$400 million into projects that would add more than 500 inpatient psychiatric beds across the state, as well as revamp old hospitals for mentally ill Texans.

The money will go toward adding maximum security beds at Kerrville State Hospital, a 264-bed hospital in Harris County and planning for a new, 200-bed state hospital in the Dallas-Fort Worth area. Additionally, the Legislature continued funding the rebuild of state hospitals in both Austin and San Antonio.

*Hospitals continues on A9*

## He has a nose for safety



Godofredo A. Vásquez / Staff photographer

Security officer Brandon Brinkman and his K-9 partner Maki make their rounds inside Deerbrook Mall in April.

By Amanda Drane  
STAFF WRITER

Could a bad guy with a gun be stopped by a good dog with specialized training?

That's the idea behind a program Brookfield Properties has rolled out at five of its malls in Greater Houston. A security dog monitoring Bay-

Trained to sniff out firearms, security dog monitors 5 malls

brook, Deerbrook, First Colony, Willowbrook and The Woodlands malls recently received training to sniff out firearms with his nose.

The mall operator has a

policy prohibiting guns on its properties, and the Houston-area guard dog Maki, a 4-year-old Belgian Malinois, will help make sure customers comply with regulations.

"We do have signage on our doors," said Sandy LaClave, senior general manager of Willowbrook Mall. "It doesn't necessarily mean they see it."

Maintaining safe indoor environments became even more paramount for retailers during the pandemic, when people grew accustomed to

*Malls continues on A10*

## Texas Dems ask Congress for help

But chances are slim to boost voting rights

By Benjamin Wermund and Taylor Goldenstein  
STAFF WRITERS

WASHINGTON — As Texas Democrats drew national attention over the weekend, dramatically killing a massive package of election measures that would have reduced access to the polls, they said they wanted to make a larger point about what they view as Republican efforts to suppress the minority vote.

"We knew today, with the eyes of the nation watching action in Austin, that we needed to send a message," state Rep. Trey Martinez Fischer, D-San Antonio, said at a news conference just after House Democrats staged a walk-out in the legislative session's final hours Sunday. "And that message is very, very clear: Mr. President, we need a national response to federal voting rights."

On Tuesday, President Joe Biden made clear their message was received. The Democrat denounced a "tireless assault" on the right to vote and vowed to "fight like heck with every tool at my disposal" to pass federal legislation aimed at preventing states like Texas from restricting voting.

"This sacred right is under as-  
*Voting continues on A10*

## Calling Paxton a 'weak link,' Bush announces run for AG

By Taylor Goldenstein and Jasper Scherer  
STAFF WRITERS

Texas Land Commissioner George P. Bush announced Wednesday evening that he would challenge the state's embattled attorney general, Ken Paxton, setting up a high-profile Republican primary fight between the heir to the Bush political legacy and a conservative firebrand with a growing list of legal entanglements.

A fierce face-off between a Republican incumbent and primary challenger has not been seen in Texas for nearly a decade — the last time being in 2014, when Dan Patrick, then a state senator, took down Lt. Gov. David Dewhurst in a landslide.

In kicking off his campaign in Austin, Bush took aim at Paxton's legal troubles, which include a pending felony securities fraud indictment and corruption accusations by former aides



Eric Gay / Associated Press

"Enough is enough," George P. Bush said of Texas Attorney General Ken Paxton's scandal-laden tenure.

— the latter of which is the subject of an FBI investigation. Paxton, 58, who is seeking a third term, has denied any wrongdoing.

"Enough is enough, Ken," Bush said onstage from Buford's Backyard Beer Garden. "You've brought way too much scandal and too little integrity to this office. As a career politician of 20 years, it's time for you to go. We need an attorney general that's above reproach, not under criminal indictment for securities fraud and un-

der FBI investigation for bribery and corruption."

Bush, 45, a second-term land commissioner and grandson of the late President George H.W. Bush, made the case that Paxton is too much of a vulnerability for Republicans in 2022, saying that Democrats are "all in" on the attorney general race.

"They see that Ken Paxton is our weak link," he said. "They know that if he was the lowest vote-getter  
*Bush continues on A10*

### Index

Business.....B1 | Directory.....A2 | Lottery.....A2 | Sports.....C1  
Comics.....DB | Editorials.....A12 | Markets.....B3 | TV.....D7  
Crossword....D7 | Horoscope...DB | Obituaries...B6 | Weather.....B8

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## FROM THE COVER

## 313

From page A1

tical lawmakers from both parties lined up to ask Murphy about his legislation. They offered amendments that stripped away its new business-friendly provisions and even proposed letting voters approve each tax break – a move that was unheard of in the history of Chapter 313, which is named after its place in the state tax code.

After an hour of debate, Murphy finally made a motion to delay discussion until after the legislative session, killing his own bill before it could be amended beyond recognition.

Murphy wasn't the only lawmaker who tried to renew the program. But none of the bills made it to the governor's desk. For the first time since Chapter 313 was created, the Texas Legislature declined to extend the controversial program.

Key lawmakers said the program's exponential growth – it's now saving hundreds of companies more than \$10 billion on their taxes over the 10-year life of the agreements – helped raise its profile.

And many lawmakers who looked closely at Chapter 313 disliked what they saw.

State Sen. Juan "Chuy" Hinojosa, D-McAllen, was among those who pointed to a Houston Chronicle investigation published days after Murphy's proposal imploded, which found that firms announced dozens of projects – or even started construction – before applying for the incentives.

The newspaper's investigation revealed that lawmakers had repeatedly undercut the program's job and wage goals by weakening the requirements for companies. The program's gatekeepers – the Texas Comptroller's Office and local school boards – rarely deny applications. And only one company has ever had to repay a tax break for failing to meet its job-creation target, though dozens have fallen short of those targets.

"It was being abused by the school districts and the corporations," Hinojosa said. "We have known this for years, and every year a promise is made – a promise is not kept – that it will be reformed, that they will deliver the jobs. They have not. It was time to end it."

**'Not a fair program'**

Lawmakers and lobbyists who tracked the issue said Murphy's attempt to expand the program proved to be a strategic blunder because it drew even more attention to a tax break that was already one of the most expensive in Texas.

Murphy's proposal would have expanded Chapter 313 to grant incentives not just for new projects but also for repairs and renovations of existing facilities. Business groups loved it. But the state Comptroller's office estimated the bill would, through 2049, cost the state an additional \$45 billion.

"That was a huge fiscal note and got everybody's attention," said state Sen. Paul Bettencourt, R-Houston. "That was a light-bulb



Mark Mulligan / Staff photographer

**Tax breaks under Texas' Chapter 313 program have subsidized petrochemical facilities in Mont Belvieu. The program, which gives manufacturing and energy companies deep discounts on their school property taxes, came under fire this legislative session.**

moment. That bulb came on, and it cast a long shadow."

After Murphy explained his proposal, calling Chapter 313 a "huge winner" for Texas, Rep. Tony Tinderholt, R-Arlington, offered an amendment to strip out the language allowing renovations and repairs to qualify for tax breaks.

"How long do we continue to give 313 money to organizations that are already here?" Tinderholt asked. "They've made their bed in Texas. They're doing business in Texas. Let's reserve this money to bring more business to Texas."

The lawmaker to most aggressively question Murphy in support of Tinderholt's amendment was not a fellow conservative, however, but San Antonio Democrat Rep. Trey Martinez Fischer.

Ultimately, dozens of members of both parties voted in favor of Tinderholt's amendment, and then, in similarly bipartisan fashion, tacked on three more revisions. Facing more amendments and finding himself pushing a proposal far different from his original plan, Murphy killed his own bill.

"It's a matter of political timing," Fischer later said in an interview. "Maybe Jim thought the opportunity was ripe for him to move forward. He judged it wrong."

Murphy didn't respond to messages for this story.

Lawmakers who hadn't known much about the obscure Chapter 313 program were paying attention to the debate on the House floor, Martinez said.

"The fact that we had a discussion about how expensive this program is and how very little we receive in return, I think folks recognized that this is not a fair program," he said. "And I think that echo in the House chamber made its way into the Senate."

The Houston Chronicle spent months investigating Texas' largest corporate tax break. Read the "Unfair Burden" series at [houstonchronicle.com/unfairburden](http://houstonchronicle.com/unfairburden)

Senators never weighed Murphy's proposal, as it died in the House. But the lower chamber had already passed a more benign bill by Rep. Morgan Meyer, R-Dallas, that would simply extend Chapter 313 for two years with no changes.

Critics from across the political spectrum – including the progressive nonprofit Every Texan, the conservative Texas Public Policy Foundation, and nonpartisan groups such as the Texas Industrial Areas Foundation – felt emboldened by the demise of Murphy's proposal. Still, they thought victory would mean ensuring that only Meyer's modest two-year extension passed.

Then they entered the office of Sen. Lois Kolkhorst.

The advocates said Kolkhorst – a Brenham Republican who for years has sought to reform Chapter 313 – and her staff urged them to lean on senators they thought might let the program expire, and helped them brainstorm amendments that could be offered if the proposal reached the floor.

"It was clear that she and her staff are all in on fighting it and wanted to think with us about, 'How do we help create that coalition to fight it and keep it from coming up for a vote,'" said Joe Higgs, an organizer with Gulf Coast Interfaith, part of the Industrial Areas Foundation network. "That's when we realized, 'We need to really double down.'"

The advocates were further energized when state Sen. Brian Bird-

well, R-Granbury, the sponsor of the two-year extension bill, sought to stretch the renewal to three years as he introduced the bill in the Senate Committee on Natural Resources & Economic Development. Hinojosa, a member of the committee, called this gambit "a bit on the greedy side"; Birdwell scrapped the idea by the time the divided group forwarded the bill to the full Senate.

**The clock runs out**

Ultimately, Dick Lavine, the senior fiscal analyst for Every Texan, and Doug Greco, an organizer with the Industrial Areas Foundation network, said Sen. José Menéndez, D-San Antonio, was prepared to join Kolkhorst in offering amendments to highlight flaws in the program if the bill was called to the floor.

"The senators did say, 'Well, listen, I'll start with this amendment and then if that amendment goes on, then you'll go on with the next two, it will attract votes from the other side,'" Lavine recalled.

In the end, Birdwell, who did not respond to messages seeking comment, told colleagues he couldn't muster the votes to get the bill through the Senate. The clock ran out on the legislative session with no final showdown on Chapter 313.

Unless lawmakers come back during a special legislative session to revive it, the program will end in December 2022. Existing projects will run their course, but no new Chapter 313 deals will be able to be approved.

Some senators said the weighty issues of the session – the February failure of the state power grid, COVID-19, and fights over guns, abortion and voting rights – left no bandwidth for lawmakers to grapple with a program as complex as Chapter 313. Still, it was a stunning

defeat for industry groups who warned that the Texas economy would suffer without the program.

"The Legislature failed to renew Chapter 313, our most important economic development tool, and our neighboring states are surely celebrating to see Texas throw in the towel," said Tony Bennett, president and CEO of the Texas Association of Manufacturers.

But even some Chapter 313 supporters said they welcome the opportunity to rethink how to deliver on the program's goals. State Sen. Carol Alvarado, D-Houston, said she had planned to support Meyer's bill, but is glad there is more time to review the program.

"People do see that there is some economic benefit and that it can be used as a tool to create jobs, but there's also some aspects that have perhaps invited some overreaching," Alvarado said.

Dale Craymer, president of Texas Taxpayers and Research Association, which has long been among the program's top boosters, said he has "little interest in maintaining Chapter 313 in its current form."

"We'd like to have an economic development program that works rationally, that's fair, and that's competitive with other states. I don't think Chapter 313 checks all those boxes," he said.

Kolkhorst, who said the program will be "one of the hottest topics of the interim," said Chapter 313 simply crumbled under its own weight.

"I've been so unsuccessful in making changes to the program," Kolkhorst said. "But this session, enough members were engaged and said, 'I think we need to tap the brakes on all of this,' and that's exactly what happened. It came to a screeching halt."

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## HOSPITALS

From page A1

"We are thrilled by the Legislature's investment," said Greg Hansch, executive director of the National Alliance on Mental Illness in Texas.

Since 2017, lawmakers have allocated hundreds of millions of dollars into rebuilding old hospitals and constructing new ones. But Sen. John Whitmire, D-Houston, called this year's investment significant.

"It's big numbers, but our budget is big numbers," Whitmire said. "There's no question it was talked about more than ever so, you know, it's getting more attention."

But lawmakers still have a long way to go if they want to add 656 beds to the system as outlined in a 2017 comprehensive plan, in which the Texas Health and Human Services Commission – at the direction of the Legislature – proposed numerous projects to expand the number of beds at state-funded psychiatric hospitals.

"It's never enough in Texas," Whitmire said. "We made significant contribution this year to the mental health system, but we're still short."

Lawmakers' investment in mental health hospitals comes after the Houston Chronicle earlier this year published "In Crisis," a yearlong investigation that revealed the state's mental health system has suffered for years from underfunding and insufficient oversight.



Yi-Chin Lee / Staff photographer

**The Judge Ed Emmett Harris County Mental Health Diversion Center opened in 2018 to connect individuals to services rather than jail. As of Jan. 31, there have been about 3,500 diversions.**

The investigation found that the state doesn't have enough hospital beds to serve its growing population, and it's failing to track whether patients are getting the help they need. Many find themselves in jail over and over again.

As of March, the state's 10 public psychiatric hospitals had a waitlist of nearly 1,500 people, state data shows. Individuals waited an average of 180 days for a non-maximum security bed and 366 days for a maximum security bed.

Part of the problem is that the state has not added enough pub-

licly funded beds to keep up with its burgeoning population. Advocates say states should have 50 public beds per 100,000 people. Texas has fewer than eight.

The about \$70 million allocated in the coming biennium's budget will go toward two mental hospital projects. The first, an expansion of Kerrville State Hospital, will add 70 new maximum securi-

ty beds to the existing facility. The new unit is scheduled to open in November.

The second is for a brand-new facility in Harris County, called the John S. Dunn Behavioral Sciences Center. The facility will serve patients with shorter-term commitments.

Deborah Lake, spokeswoman for UTHealth, said the funding allows them to stay on track to open next February.

The \$152 million allocation in the supplemental budget for San Antonio State Hospital fully funds the replacement of the aging, 300-bed facility. The Legislature

began funding the project in 2017 and it is scheduled for completion in January 2024.

The Austin State Hospital replacement will not add any new beds to the current hospital, which can house 240 people. With the \$124 million lawmakers put in the supplemental budget, the project is now fully funded. It is scheduled to open in June 2023.

The Dallas-Fort Worth area currently does not have a publicly run psychiatric hospital. The \$45 million provided by the Legislature from the economic stabilization fund will help officials start planning one, bringing the state a step toward bringing a 200-bed hospital to that area. State officials had hoped in 2017 that construction for the Dallas-Fort Worth hospital would be funded in the 2020-2021 budget, so the state is behind.

Lawmakers still have not allocated funding to the replacement of North Texas State Hospital – the state's maximum security facility – and Terrell State Hospital as outlined in the 2017 plan. A 2021 Health and Human Services Commission report states that replacing the hospitals is more cost effective than trying to keep up with "costly repairs that require prolonged periods of decreased census."

"If HHSC is unable to address the needs of these hospitals, the agency risks total failure of the infrastructure," the commission's report states.

The budget still must be signed by Gov. Greg Abbott.

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