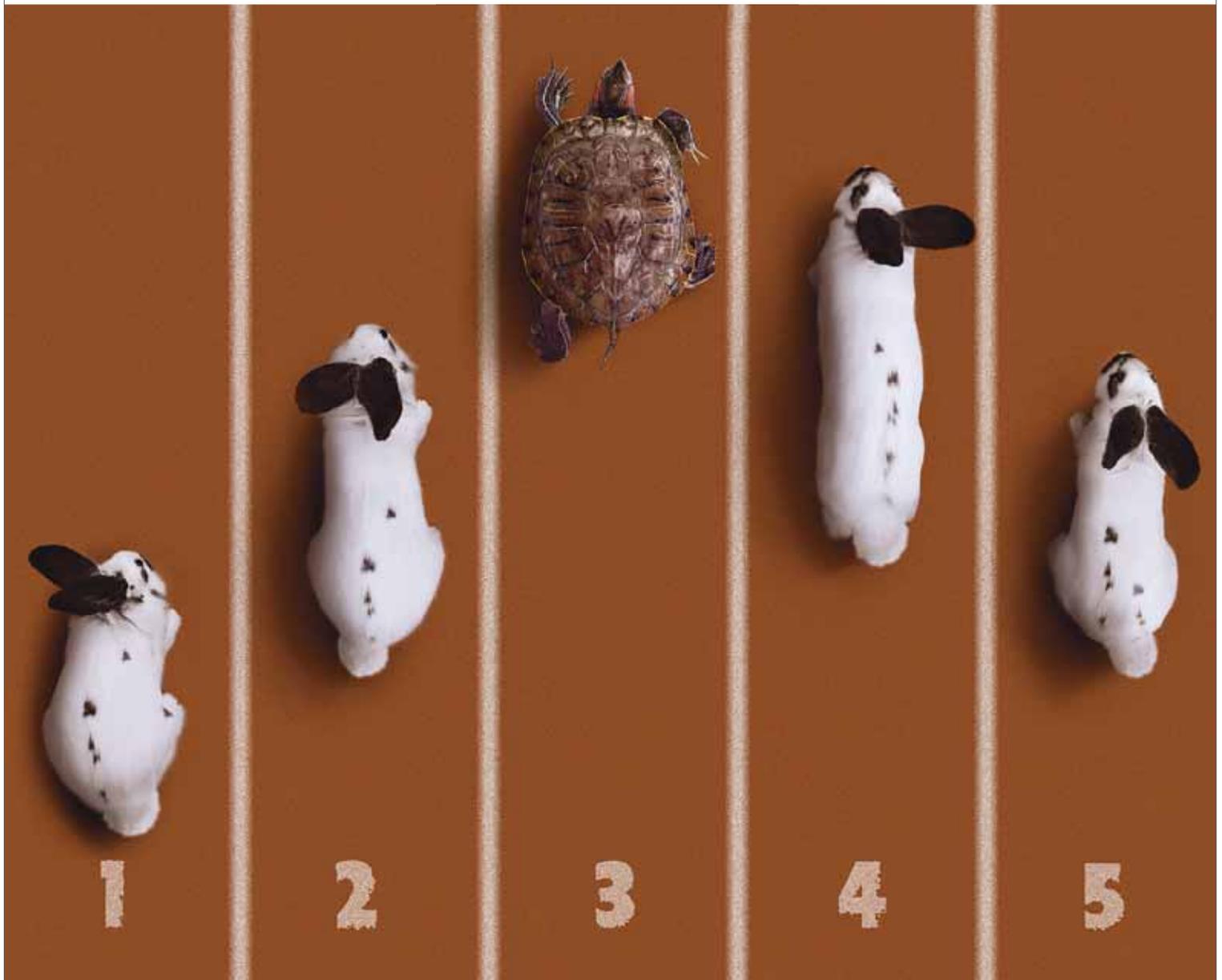




**Susan Combs** Texas Comptroller of Public Accounts

# An Analysis of Texas Economic Development Incentives 2010





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# Introduction

## OVERVIEW

### ECONOMIC INCENTIVES

The 2010 Analysis of Texas Economic Development Incentives is based on research and literature reviews conducted since the 2009 Legislature and is intended to provide information that will be useful for evaluating existing and proposed state business incentives. This report looks at some of the most common incentives offered by the state. The report does not cover locally funded incentives (except when those local programs impact state funding), or programs that utilize federal funds. Nor does it review tax exemptions that are broadly applicable and do not require specific approval.

*The fact that other states incentivize certain types of business activity does not mean that Texas will see economic gains by incentivizing the same activity.*

A common reason given for offering incentives is that Texas must offer incentives to compete successfully with other states for new investment. While this may be true, it highlights the need to carefully analyze incentive programs. The fact that other states incentivize certain types of business activity does not mean that Texas will see economic gains by incentivizing the same activity. In fact, the cost of incentive programs will increase over time if increased competition for the limited companies and jobs available in the “marketplace” at any given time prompts states to increase the value of incentives. Additionally, poorly designed incentives do not create long-term economic benefit, but merely transfer wealth from taxpayers to the incentive’s beneficiary. Conversely, well-designed incentives can build on the state’s economic base and provide long-term benefits.

Only a small part of Texas’ annual economic growth can be directly attributed to incentives. Texas has a

long history of being a low tax, business-friendly state. Texas also has a wealth of natural resources, a common border with one of the U.S.’s largest trading partner, Mexico, and a growing consumer base in a nation where consumers fuel 70 percent of economic growth.<sup>1</sup> The Texas economy will continue to grow with or without incentives. Effective incentive programs, however, can help signal the state’s aggressive desire to attract business and in encouraging growth of targeted industries.

In order for Texas to maximize the value of its incentives, it should maintain a commitment to transparency, which then allows an ongoing evaluation of each individual program by the administering agency, policy makers and the public. The state should also focus on properly evaluating both proposed and existing incentives, including whether the incentive is truly necessary to attract business, the cost of the program and whether the state fully controls the incentive cost, both in the near term and over a longer horizon.

The Texas economy has performed better than that of any other state during the recent economic downturn, due in part to its pro-business climate.<sup>2</sup> Incentives appear to be an important part of the positive performance. As with all successful programs, Texas state government needs to have a systematic review of its incentive programs to evaluate their effectiveness and to make any necessary adjustments so that the Texas economy continues to perform better than other states.

### RATIONALE FOR INCENTIVES

In his textbook *Economics*, Dr. Roger Arnold comments that economists may not always agree on how the economy operates, but a majority of them agree on what are desirable and undesirable economic states (conditions).<sup>3</sup> One of these desirable economic states is to achieve high and sustained economic growth.<sup>4</sup>

Economic growth is customarily gauged using a macro-economic measurement known as the gross domestic product (GDP) at the national level or gross state product (GSP) at the state level. GDP or GSP represents the total dollar value of all final goods and services produced within the nation or state for a given period of time (usually one calendar year).

The most common method for estimating GDP/GSP is by adding the expenditures or purchases by consumers, businesses and government, and the value of exports.<sup>5</sup> For GDP/GSP to increase — which in turn quantitatively signifies economic growth — consumer expenditures, business investments, government purchases and net exports have to rise individually or in combination.<sup>6</sup> In the case of business investments, firms will invest in new physical plant, machinery or technology and hire new workers if they know that profits could be generated.<sup>7</sup> Economic development incentives that stimulate business investments play an important role in fostering economic growth.<sup>8</sup> The resulting increased investment will entail the creation of jobs and income, which is a requisite element for consumption (the largest component of GDP/GSP) to take place.

One way to ensure profits is to lower total cost of operation/production in relation to total revenue. Among the variables that comprise a firm's total cost, taxes are not within its direct control. By obtaining incentives that offer tax abatements, tax credits, and similar tax reduction mechanisms, firms can lower their business costs, thereby increasing their investments in the state and contributing to the area's economic growth. Proof of these effects was suggested in the introduction to a study by Peter S. Fisher and Alan H. Peters in 1996.<sup>9</sup> They said that there is substantial evidence showing that incentive programs that attract jobs by reducing business costs have been more effective than previously thought. Furthermore, these programs can generate long-term benefits to communities including lower unemployment and higher annual earnings.

## JOB-CREATING INCENTIVES VS. INVESTMENT-GENERATING INCENTIVES

As noted above, economic development incentives help firms to make investment decisions by employing tax-reducing measures that could lower business costs and increase profitability. However, as a means of spurring economic growth, not all forms of incentives achieve their intended targets at the same speed and magnitude.

Generally, two types of incentives are used to generate economic activity. One type of incentive is concerned with the jobs creation.<sup>10</sup> The other incentive focuses on capital investment, such as new factories, plants or infrastructure.<sup>11</sup> There are also incentive programs and funds that have the dual aim of creating jobs and attracting capital/infrastructure investments.

While the choice of incentive to offer is strongly influenced by the community's goals, the fact remains that economic growth (GSP growth from a state perspective) is the intended consequence granting a firm an incentive. As such, the most important factor in selecting an incentive to offer is determining which option will have the most significant impact on growth.

Using data from the U.S. Department of Commerce's Bureau of Economic Analysis, Figure 1 shows that consumption accounts for almost 70 percent of all expenditures on final goods and services produced in the U.S. between the second quarter of 2001 and the same time period in 2010.<sup>12</sup>

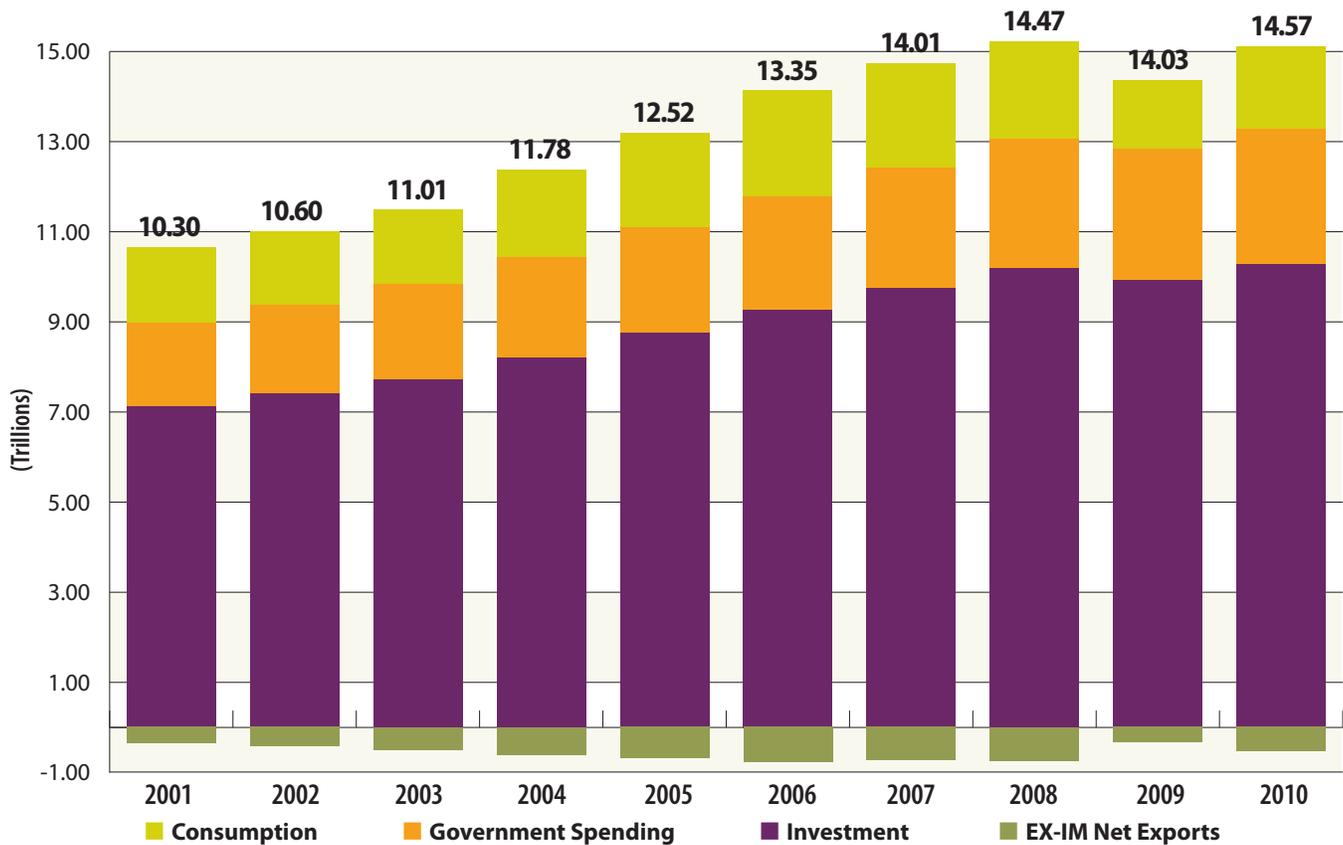
Figure 1 illustrates that U.S. GDP has risen by 41 percent from \$10.3 trillion in the second quarter of 2001 to almost \$14.6 trillion in the same period in 2010. Consumption's (C) share of this growth in GDP has increased from 69.1 percent (\$7.12 trillion) in the second quarter of 2001 to 70.5 percent (\$10.28 trillion) for the second quarter of 2010.<sup>13</sup> Despite an impressive 44 percent increase in consumption, government expenditures (G) rose by 62 percent from \$1.85 trillion in the second quarter of 2001 to \$2.99 trillion in the second quarter of 2010.

Intuitively, it should be noted that if the goal of the economy is to stimulate growth, this could best be achieved by encouraging consumer expenditure. Income obtained from gainful employment is necessary for

FIGURE 1

## SECOND QUARTER US GDP GROWTH BY COMPONENT OF SPENDING (2001-2010)

*U.S. gross domestic product rose by 4.1 percent from \$10.3 trillion in the second quarter of 2001 to almost \$14.6 trillion in the second quarter of 2010.*



Source: U.S. Department of Commerce's Bureau of Economic Analysis

consumer expenditure to increase. From the perspective of offering incentives, it seems instinctive that job creation incentives need to be used.

While the analysis presented above may be simplistic, the recommendation is not without precedent. In her discussion of the use of human versus physical capital and the role of government in regional economic development, Ann Markusen cites Wassily Leontief and his famous paradox which states that the success of the U.S. economy (as a whole) has relied on a skilled labor force rather than physical capital.<sup>14</sup>

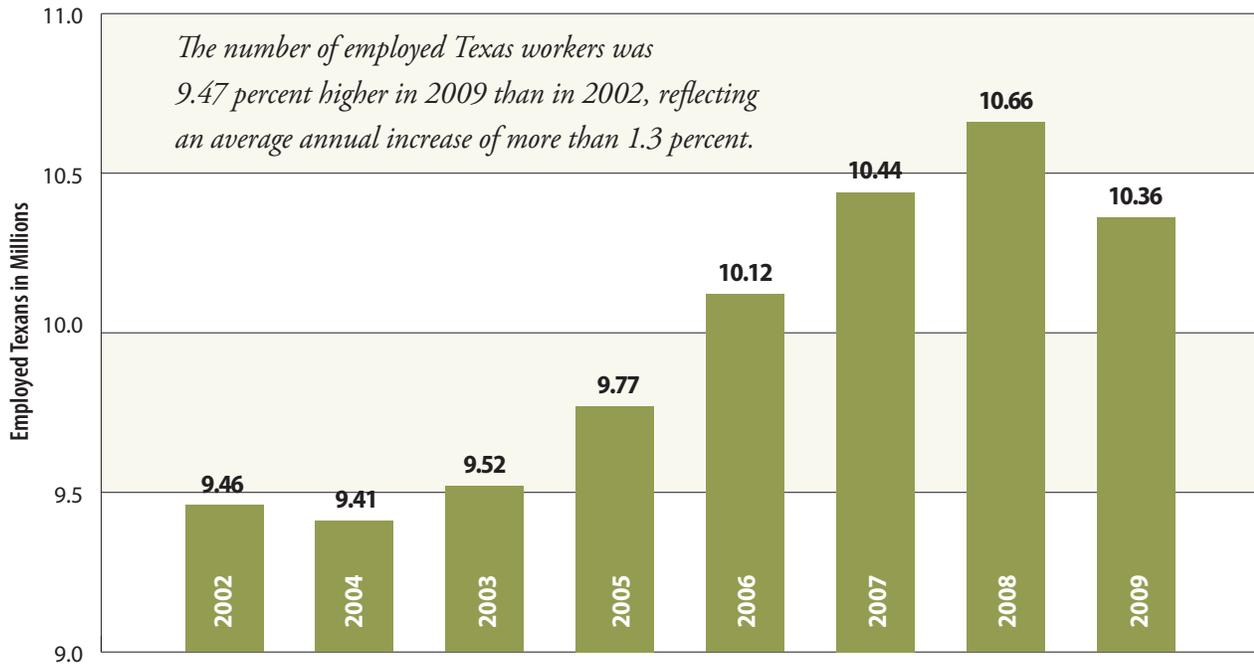
### PUTTING INCENTIVES INTO PERSPECTIVE

As noted in the previous section, consumption is the largest component of GDP and GSP. Income derived from employment helps sustain this component of economic growth. Figure 2 shows statewide employment in Texas from 2002 to 2009.

Figure 2 shows that statewide employment rose from 9.46 million workers in 2002 to 10.36 million workers in 2009. This is a 9.47 percent increase over the nine-year period or an average annual increase of more than 1.3 percent.

FIGURE 2:

TEXAS EMPLOYMENT — 2002 TO 2009



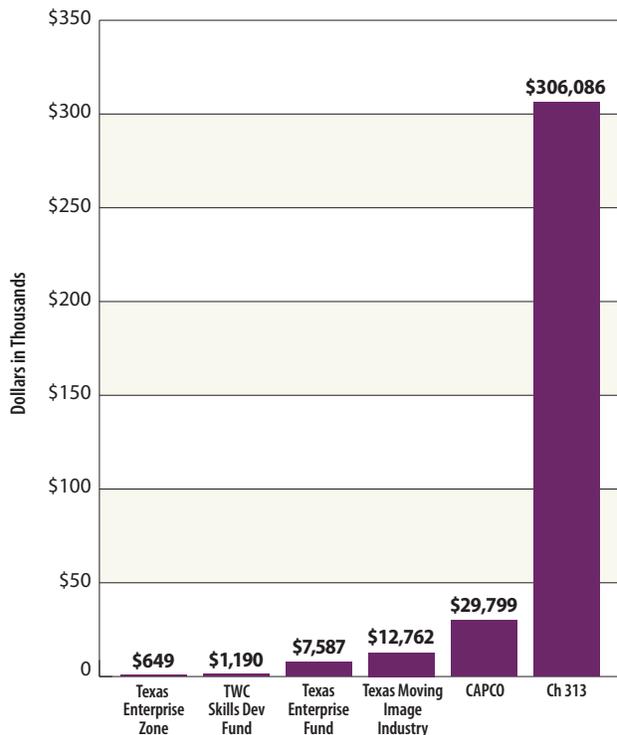
Source: EMSI Employment Data for Texas (2002-2009).

When employment peaked in 2008, approximately 10.66 million people were employed in Texas. A review of six of the incentive programs discussed in this report indicates the total number of jobs directly attributed to these programs as of 2008 represented approximately 0.8 percent of all jobs in the state that year.<sup>15</sup>

While incentive programs create jobs for the Texas economy, the total number of jobs directly attributed to incentive programs represents a small segment of statewide employment. Incentives can be beneficial for targeting specific industries or achieving specific goals, but should not be relied on for overall economic growth. Population, low taxes, markets and many other factors also are significant drivers in economic growth. In light of the information presented above, each incentive program’s relative value needs to be examined in the context of its own local economy.

FIGURE 3:

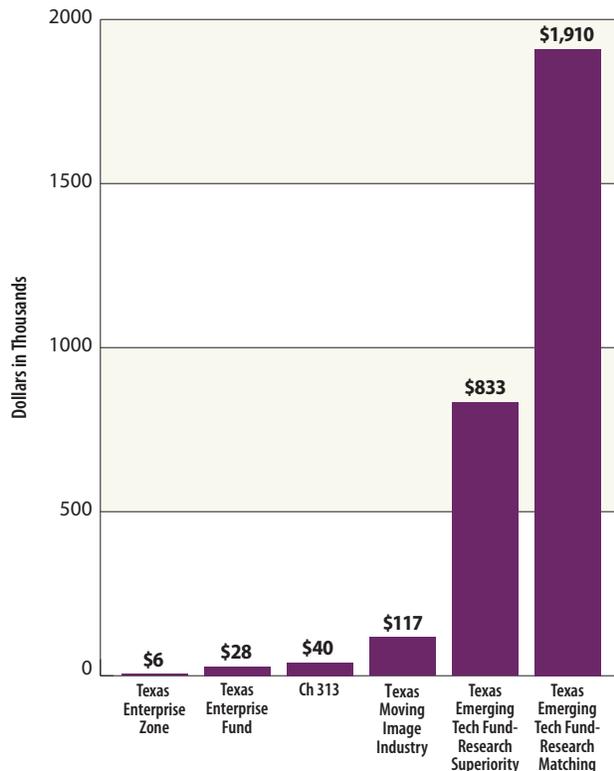
AVERAGE PROGRAM COST PER JOB CREATED/RETAINED



Source: See Table 1, Texas Incentive Grid.

FIGURE 4:

## PROGRAM COST PER \$1,000 OF CAPITAL INVESTMENT



Source: See Table 1, Texas Incentive Grid.

## RECOMMENDATIONS FOR TEXAS INCENTIVE PROGRAMS

This report looked at nine state incentive programs. These programs were selected because of the prevalence of their use. The succeeding recommendations have been offered to provide decision-makers with items to consider in helping strengthen the use of these programs as tools for economic growth.



### Texas Economic Development Act - Chapter 313 Program

The agency makes the following recommendations to the 82<sup>nd</sup> Legislature:

- **Eliminate supplemental payments by companies to districts.** Most revenue losses for districts entering into Chapter 313 agreements are offset through the state school finance system. However, the statute also requires each limitation agreement to include a provision that protect owners make up any other possible school district revenue

shortfalls out of their benefits. Supplemental payments are paid outside the school funding formula, and incentivize the districts to enter into agreements that may not be beneficial to the state. The value of supplemental payments was limited by the 81<sup>st</sup> Legislature, but in many cases the supplemental payments are still 40 percent of the tax benefit. Additionally, some agreements call for payments to foundations controlled by the district. Supplemental payments to districts are evidence that the incentives awarded are higher than necessary to attract these projects, and represent unnecessary cost to the state. These excess payments are estimated to total \$457 million over the life of the 98 agreements, according to information provided by the districts. (See table 4B, page 8 of the report of the Texas Economical Development Act.)

- **Modify the requirements pertaining to renewable energy projects, with targets and benefits that more closely correlate to those projects.** Renewable energy projects are projected to receive 38 percent of the projected lifetime tax benefits from Chapter 313, but only make up 27.6 percent of committed investments and eight percent of committed jobs. Additionally, renewable energy projects are paying supplemental payments to the districts at a rate that is twice that of the manufacturing sector.
- **Eliminate the local districts' authority to waive minimum job creation requirements.** A purpose of Chapter 313 is to "create new, high-paying jobs in this state." Since the ability to waive the minimum job creation requirement was passed in 2007, more than 60 percent of all applications have been accompanied by a waiver of the minimum job requirement. The cost per job to the state for jobs created under Chapter 313 agreements is approximately 40 times higher than the cost per job for the Texas Enterprise Fund. While Chapter 313 targets capital investment, in addition to job creation, the legislature should take measures to increase job creation under Chapter 313 agreements.
- **Evaluate the program.** Chapter 313 was passed in 2001 as an economic development tool to provide property tax benefits in return for

large scale investments and new, high paying jobs. Chapter 313 has helped Texas attract a number of large manufacturing plants that have significant employment; however, due to subsequent amendments to the chapter, it has increasingly been used to over-incentivize projects that create few or no jobs. The program should be restructured towards its original intent.

 **Texas Enterprise Fund**

- **Reporting.** In addition to the biennial statutory report completed by the Governor’s office, it is recommended that the Texas Enterprise Fund adopt more frequent reporting to inform policy makers and the public about the progress of the program goals. Semi-annual or quarterly reports should include a summary of new contracts as well as a summary of amended contracts detailing the specific contracts amended and a short description of the nature of the amendment. Additionally, including tables such as the ones below would provide ongoing summary information about the program.

	NUMBER OF AWARDS	AWARD AMOUNT
Beginning (from the ending period of the previous report)		
+ New awards during the quarter		
-Deobligated awards during the quarter		
+/- Contract Amendments		
Ending Obligations		

	NUMBER OF JOBS COMMITTED	NUMBER OF JOBS CREATED
Beginning (from the ending period of the previous report)		
+ New job creation		
+/- Contract Amendments		
Ending Job Count		

 **Economic Development Refund**

- **Program Effectiveness.** The legislature should evaluate the effectiveness of the program in consideration of the fact that 23 percent of the awards are supporting retail applicants.
- **Need for Additional Data.** If this program is funded in the future, the Comptroller’s office should be authorized to report the specific payroll and appraised value increases reported by each applicant to assist in the evaluation of the program.

 **Texas Enterprise Zone Program**

- **Review biennial allocations.** The state authorizes a limited number of designations for each biennium. While this limits the state’s potential cost, it also makes it difficult for the state to maximize the benefit from the program, because worthy projects that apply too late in the biennium may not receive an authorization, even though the project could have a better return to the state than earlier projects.
  - The legislature should evaluate the number of authorized biennial allocations, as well as the method of allocation to ensure that the program provides maximum benefits to both the state and the employers.

 **Texas Moving Image Industry Incentive Program**

- **Broaden Approval Process.** Consider broadening the incentive approval process to include more than the executive director of the Texas Film Commission.
- **Standardized Reporting.** The information reported by the Texas Film Commission is of varying dates and information is not reported by fiscal year or calendar year. CPA recommends the Texas Film Commission standardize its reporting methods and report relevant information (industry, incentive, etc.) on a regular basis.

- **Review of Award Proportions by Industry Sector.** The State should review the proportion of incentives awarded for each sector in comparison to the spending and job creation for that sector, to evaluate whether the funding is being utilized in the most efficient way to attract spending and permanent job creation.
  - The feature film industry is portable, and responds quickly to incentives — which means Texas will likely have to maintain or increase the level of incentives over time to continue to attract new projects.
  - The effective sales tax rate vs. grant availability:
    - Feature Film Production: The effective sales tax rate, (the ratio of indirect business taxes to film production spending), is less than five percent. However, these companies could potentially receive up to 17.5 percent of their total Texas spending or up to 29.25 percent of their total wage payments to Texas film workers if they spend more than \$5.<sup>16</sup>
    - Video Games: Effective sales tax rate for video game productions is over seven percent, while these video game companies can receive only up to five percent of Texas spending in grants
  - While making up only 19 percent of the grant receipts, the game industry is responsible for 41 percent of the spending and 45 percent of jobs created.



### Texas Emerging Technology Fund

- **Reporting.** It is recommended that the Texas Emerging Technology Fund incorporate additional reporting on the approval process for awards, as well as annual reporting on fund expenditures and grantee performance (the ETF will release its first statutorily required report prior to the 82<sup>nd</sup> Legislative Session, which should include additional information to assist policy makers and the public in evaluating the program).
- The Emerging Technology Fund posts information on each award on its webpage, however, due to the variety of award types, it is difficult to assess the success of the program.
- Reporting should include, at a minimum, results for each of the three subprograms (Commercialization, Research Superiority and Research Award Matching). Additionally, including tables such as the ones below would provide ongoing summary information about the program.

	NUMBER OF AWARDS	AMOUNT
Beginning Balance (from the ending period of the previous report)		
+/- New awards/ deobligated awards		
+ Funding returned to the state due to company exits or other payments to the state		
- Loss of state funds (due to bankruptcy or discontinuance of the business/research)		
Ending Balance		

	NUMBER OF CONTRACTS
Total contracts awarded to date	
Number of contracts in compliance as of reporting date	



### Certified Capital Companies (CAPCO)

- **Geographic Diversity of Investments.** If the legislature considers additional rounds of CAPCO Premium Tax Credits, an effort to promote geographic diversity to investments outside of Travis, Dallas and Harris counties. This could be as simple as requiring a more robust marketing or education program or implementing a threshold of investments that must be made outside the above mentioned counties.
- **Full Program Evaluation.** Upon completion of Program I in 2011, a full evaluation of the CAPCO program should be done. Issues that should be considered in this analysis:
  - Multiple CAPCOs can invest in the same targeted business. If one CAPCO pays off the investment of another CAPCO, both CAPCOs get credit towards their targets, but there is no economic growth with the second investment.
  - CAPCOs with an aggressive investment strategy have a higher expenditure rate and run out of funds faster than other CAPCOs with different strategies, making overall program evaluation difficult.



### Freeport Exemptions

- **Effectiveness Metrics.** The Freeport exemption is the state’s largest economic development program in terms of total dollars. Since the program is administered and monitored at the local level, the state does not have sufficient information to evaluate the return on the taxable dollar value loss granted under the exemption. The Comptroller’s office recommends that the legislature evaluate the program, and develop metrics to determine its effectiveness.



### Texas Workforce Commission Skills Development Fund

- CPA has no recommendation for this program.

*Economic development incentives help firms make investment decisions based on reduced cost and increased profitability. Incentive programs can generate long-term benefit to communities by lowering unemployment and increasing annual earnings.*

**COMPREHENSIVE SUMMARY TABLES**

**Table 1 - Texas Incentive Grid  
Overview Map**

**Table 2 - Incentive Programs Cost (select programs)**

**INTRODUCTION**

**TABLE 1:  
TEXAS INCENTIVE GRID**

	PROGRAM OBJECTIVE(S)	INCENTIVE PROGRAM	STATUTORY BASIS	AGENCY(IES) ADMINISTERING PROGRAM	MONITORING/ OVERSIGHT/COMPLIANCE/ ENFORCEMENT PROCESS	STATE APPROPRIATION <sup>1</sup>
	JOB/CAPITAL INVESTMENT CREATION	<b>TX Econ Dev Act – Chap. 313</b>	Chapter 313 of TX Tax Code	Shared between TX Comptroller of Public Accounts (CPA) & local ISD	ISD: monitoring, oversight, annual reports; Biennium report to CPA; Clawback provision <sup>5</sup>	No specific appropriation
		<b>TX Enterprise Fund</b>	TX Gov. Code § 481.078	Office of the Governor (OOG)	Site visits; Annual reports; Clawback provisions.	2007: \$225.35 Million 2009: \$67.58 Million
		<b>Economic Development Refund</b>	TX Tax Code Chapter § 111.301-111.304	Comptroller of Public Accounts (CPA)	Desk review	\$10 Million per year
		<b>Texas Enterprise Zone Program<sup>9</sup></b>	TX Gov Code Chapter 2303	Office of the Governor (OOG) and Comptroller of Public Accounts (CPA)	CPA verifies refund requests by sending field audit personnel to validate information (expenses & jobs) in refund request.	No specific appropriation
		<b>Texas Moving Image Industry</b>	TX Gov Code § 485.022	Office of the Governor (OOG)	OOG reviews, approves/ denies receipts submitted; reports provided	2007: \$22 Million 2009: \$62 Million
	RESEARCH, COMMERCIALIZATION, VENTURE CAPITAL	<b>TX Emerging Tech Fund</b>	TX Gov. Code Ann. § 490.101	Office of the Governor (OOG)	Commercialization grantees must submit an annual project compliance report. Research-Superiority & Research-Matching are contract-driven and must submit specific milestone and quarterly/annual reports.	2007: \$117.32 Million 2009: \$203.04 Million
		<b>CAPCO</b>	TX Insurance Code §228.001.228	Comptroller of Public Accounts (CPA)	Tax credits are subject to recapture in the event of decertification	\$400 Million <sup>14</sup>
	PROCESSING, WAREHOUSING AND STORAGE	<b>Freeport Exemptions</b>	TX Tax Code § 11.251	Comptroller of Public Accounts (CPA)	Oversight and annual checks by local CAD; Information on exemptions included in CPA's Property Value study	No specific appropriation
	WORKFORCE TRAINING	<b>TWC Skills Development Fund</b>	TX Labor Code, § 303.003	Texas Workforce Commission (TWC)	Agency provides annual report; colleges administer grant	2007: \$50.94 Million 2009: \$90.99 Million

Note: This table includes information at the aggregate level. Various incentive programs have multiple objectives within them. Please see each individual program for details



All data reported from the agencies administering each program.

NO. OF AWARDS	TOTAL AWARD AMOUNT	TIME PERIOD COVERED	NEW/ COMMITTED <sup>2</sup> JOBS	RETAINED JOBS	CAPITAL INVESTMENT COMMITTED	COST PER JOB <sup>3</sup>	COST PER \$1,000 OF CAPITAL INVESTMENT <sup>4</sup>
98 <sup>6</sup>	\$1.909 Billion <sup>7</sup>	2001 – 2010	6,239 Jobs <sup>8</sup>	-----	\$47.33 Billion	\$306,086	\$40 per \$1,000
71	\$411.67 Million	FY 2004 – FY 2010	54,259 Jobs	-----	\$14.614 Billion	\$7,587	\$28 per \$1,000
89	\$10 Million	2008	To be eligible for a refund under this program, it is required that a business' payroll increase by at least \$3 million or the appraised value of the business' property (subject to the tax abatement agreement) increase by at least \$4 million. Specific jobs and investments are not tracked.			information not tracked	information not tracked
89	\$33.6 Million	FY 2008 – FY 2009	13,068 Jobs	38,693 Jobs	\$5.77 Billion	\$649 <sup>10</sup>	\$6 per \$1,000
260	\$48.37 Million	April 2009 – August 2010	3,790 Jobs <sup>11</sup>	-----	\$414.9 Million <sup>12</sup>	\$12,762	\$117 per \$1,000
155	Commercialization: \$157.71 Million Research Superiority: \$76.14 Million Research Matching: \$84.66 Million	2006 – 2010	Number of jobs is rarely a specific milestone in the fund's contracts. <sup>13</sup>		Commercialization: information not tracked. Research Superiority: \$91.415 Million Research Matching: \$44.314 Million	information not tracked	Commercialization: information not tracked. Research Superiority: \$833 per \$1,000 Research Matching: \$1,910 per \$1,000
81 <sup>15</sup>	\$188.7 Million	2005 – 2009	1,892 Jobs	4,440 Jobs	\$188.7 Million	\$29,799 <sup>16</sup>	Information not tracked
5,217	\$240.34 Million	2009	Freeport exemptions apply to products stored at these Freeport locations when a value-added component (i.e., packaging or assembly) occurs. Specific employment and/or capital investment requirements are not tracked. No benefit is received if an economic activity (i.e., value-added processing, warehousing and storage) does not occur.			information not tracked	information not tracked
141	\$71.44 Million	2007 – 2009	18,624 Jobs	41,412 Jobs	information not tracked	\$1,190 <sup>17</sup>	information not tracked

Please see the following page for grid endnotes.

## ENDNOTES TO TEXAS INCENTIVES GRID, TABLE 1, PAGE 10

- <sup>1</sup> Unless otherwise specified, the appropriations refer to state appropriations from the 80th Texas Legislative Session (2007) and from the 81st Texas Legislative Session (2009). The 2007 appropriations cover fiscal 2008 and fiscal 2009. The 2009 appropriations cover fiscal 2010 and fiscal 2011.
- <sup>2</sup> This is the number of new jobs that the award recipients have committed to create.
- <sup>3</sup> This represents the value of state spending (e.g., tax limitation, tax credit, expenditure, tax refund) per job (new/committed and retained).
- <sup>4</sup> This represents the value of state spending (e.g., tax limitation, tax credit, expenditure, tax refund) per \$1,000 of capital investment.
- <sup>5</sup> During the 81st Legislative Session, House Bill 3676 added a clawback provision to the Act. If a company fails in any year of a limitation agreement to make the required qualified investment or create the required number of qualifying jobs, the company must pay a penalty equal to any tax benefit to the state.
- <sup>6</sup> The Report of the Texas Economic Development Act (2010) states that there are 101 active Chapter 313 agreements. However, three of these agreements have made no investments nor have they received any awards as of August 2010. Removing these three agreements from consideration would result in 98 active projects. This report analyzes the effects on awards, capital investment, jobs and costs associated with these 98 active projects.
- <sup>7</sup> This represents the estimated gross tax benefit (for the agreement holders) over the lifetime of the current agreements.
- <sup>8</sup> This represents the number of qualifying jobs proposed in the original application. The number of new jobs created has been waived as an eligibility criterion.
- <sup>9</sup> Information represents the total from three types of project designations: single projects, double jumbo projects and triple jumbo projects.
- <sup>10</sup> This value represents the cost associated with both new jobs created and jobs retained as a result of the program award. It should be noted that the number of new jobs created represents 25 percent of the total number of jobs associated with the program. The remaining 75 percent is attributed to retained jobs.
- <sup>11</sup> This is the total number of fulltime equivalent jobs reported by the Texas Film Commission from April 23, 2009 to Aug. 31, 2010.
- <sup>12</sup> This is spending in Texas by firms engaged in feature film, television, commercials and video games. Total spending does not correspond to capital investment.
- <sup>13</sup> Information provided by Jonathan Taylor of the Office of the Governor (e-mail correspondence on Aug. 16, 2010).
- <sup>14</sup> Total tax credits available. \$200 million was allocated in 2003 and \$200 million was allocated in 2007.
- <sup>15</sup> This is the number of unique business entities receiving CAPCO investments.
- <sup>16</sup> This value represents the cost associated with both new jobs created and jobs retained as a result of the program award. It should be noted that the number of new jobs created represent close to 30 percent of the total number of jobs associated with the program. The remaining 70 percent is attributed to retained jobs.
- <sup>17</sup> This value represents the cost associated with both new jobs created and jobs retained as a result of the program award. It should be noted that the number of new jobs created represent 31 percent of the total number of jobs associated with the program. The remaining 69 percent is attributed to retained jobs.

OVERVIEW MAP

## Counties Participating in State Economic Development Programs

*As communities strive to recruit and retain businesses, more than half of all Texas counties have participated in one or more state economic development programs.*

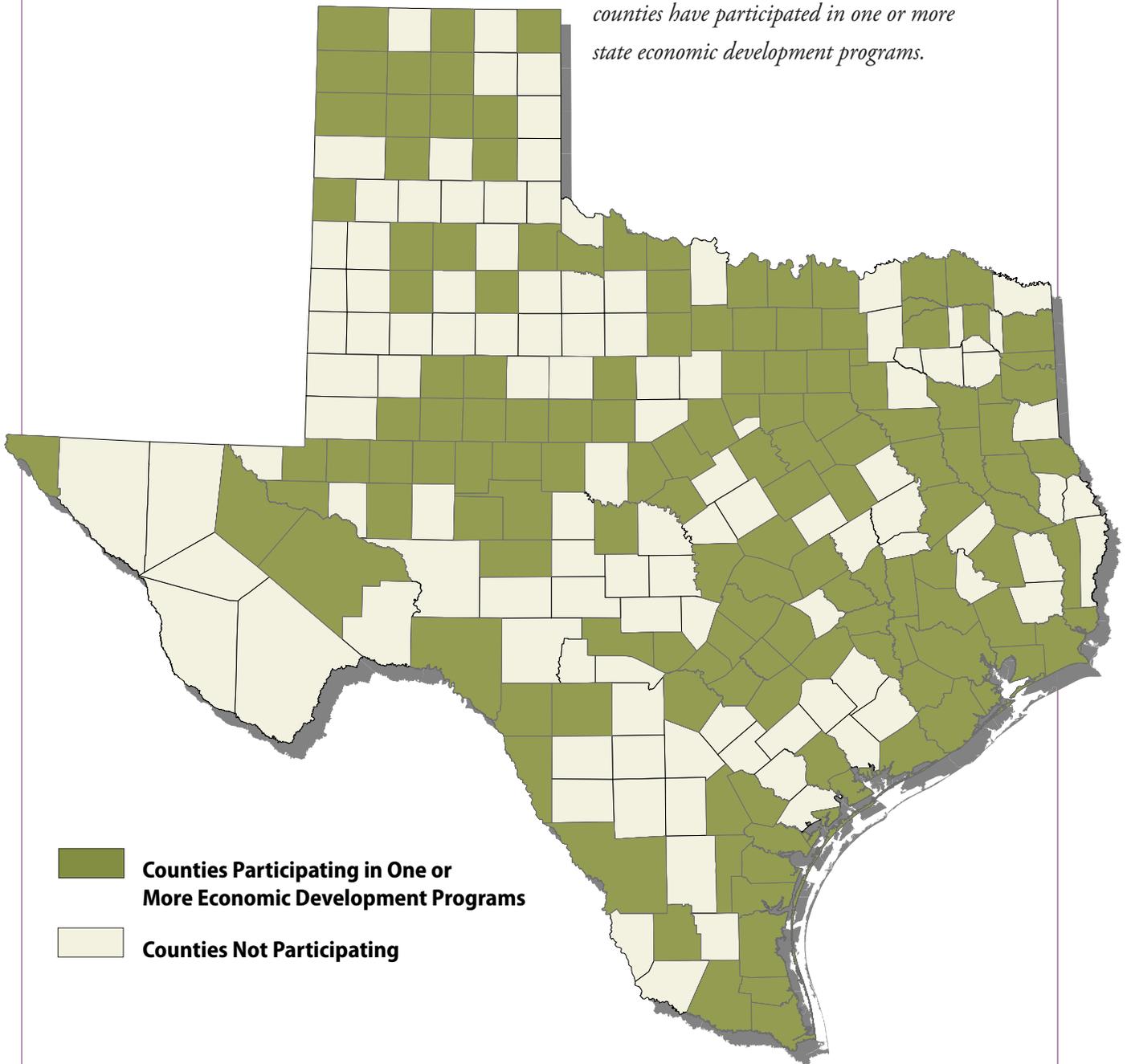


TABLE 2:

INCENTIVE PROGRAM COSTS BY INCENTIVE PROGRAM AND TYPE (SELECTED PROGRAM)

PROGRAM	TOTAL STATE AWARD AMOUNT (\$ MILLIONS)	PERIOD COVERED	NUMBER OF PROJECTS	AVERAGE STATE AWARD AMOUNT PER PROJECT (\$ MILLIONS)
(Column 1)	(Column 2)	(Column 3)	(Column 4)	(Column 5)
<b>Texas Economic Development Act - Chapter 313</b>				
Ch 313 - Manufacturing	\$801.19	<b>2001-2010<sup>1</sup></b>	28	\$28.61
Ch 313 - R&D	\$22.09		4	\$5.52
Ch 313 - Renewable Energy	\$733.65		64	\$11.46
Ch 313 - Nuclear Power	\$352.79		2	\$176.39
<b>313 TOTAL</b>	<b>\$1,909.72</b>		<b>98<sup>2</sup></b>	<b>\$19.49</b>
<b>Texas Enterprise Fund</b>				
TEF - Aerospace	\$45.25	<b>FY04-FY10</b>	8	\$5.66
TEF - Agribusiness	\$16.95		5	\$3.39
TEF - Fin. Svcs & Insurance	\$53.35		8	\$6.67
TEF - Med, BioMed, Pharm	\$97.66		10	\$9.77
TEF - Non-Renew Energy & Petrochem	\$12.83		6	\$2.14
TEF - Renew Energy (Mfg)	\$2.25		3	\$0.75
TEF - Mfg Industries	\$18.13		11	\$1.65
TEF - High Tech & Semiconductors	\$108.30		6	\$18.05
TEF - Service Industries	\$19.79		6	\$3.30
TEF - IT & Wireless Communications	\$37.18		8	\$4.65
<b>TEF TOTAL</b>	<b>\$411.67</b>	<b>71</b>	<b>\$5.80</b>	
<b>Texas Moving Image Industry Incentive Program</b>				
MIIP - Feature Film	\$12.81	<b>4/09 - 8/10</b>	28	\$0.46
MIIP - TV	\$24.53		22	\$1.12
MIIP - Commercials	\$1.99		152	\$0.01
MIIP - Video Games	\$9.03		58	\$0.16
<b>MIIP TOTAL</b>	<b>\$48.37</b>	<b>260</b>	<b>\$0.19</b>	

NOTE: Information presented in Columns 9 and 10 are two ways of representing private sector investments are generated in relation to state dollars spent on the programs.

QUALIFYING/ ANNOUNCED JOBS	AVERAGE STATE COST PER JOB	TOTAL FIRM INVESTMENTS (\$ MILLIONS)	RATIO OF STATE AWARDS TO TOTAL FIRM INVESTMENT	AVERAGE STATE AWARD PER \$1,000 OF TOTAL FIRM INVESTMENT
(Column 6)	(Column 7)	(Column 8)	(Column 9)	(Column 10)
4,821	\$166,188	\$26,600.23	3.01%	\$30.12
431	\$51,249	\$1,121.18	1.97%	\$19.70
487	\$1,505,920	\$13,045.30	5.62%	\$56.24
500	\$705,578	\$6,560.50	5.38%	\$53.77
<b>6,239</b>	<b>\$306,086</b>	<b>\$47,327.21</b>	<b>4.04%</b>	<b>\$40.35</b>
4,681	\$9,666	\$851.78	5.31%	\$53.12
5,412	\$3,132	\$436.03	3.89%	\$38.87
10,651	\$5,009	\$603.86	8.83%	\$88.35
11,351	\$8,604	\$437.10	22.34%	\$223.43
3,070	\$4,178	\$4,396.05	0.29%	\$2.92
483	\$4,648	\$115.03	1.95%	\$19.52
4,352	\$4,165	\$835.54	2.17%	\$21.70
5,520	\$19,620	\$5,786.55	1.87%	\$18.72
2,291	\$8,639	\$168.65	11.73%	\$117.35
6,448	\$5,765	\$983.50	3.78%	\$37.80
<b>54,259</b>	<b>\$7,587</b>	<b>\$14,614.08</b>	<b>2.82%</b>	<b>\$28.17</b>
692	\$18,512	\$74.00	17.31%	\$173.11
1,299	\$18,886	\$132.75	18.48%	\$184.80
105	\$18,970	\$37.36	5.34%	\$53.40
1,694	\$5,332	\$170.74	5.29%	\$52.90
<b>3,790</b>	<b>\$12,762</b>	<b>\$414.86</b>	<b>11.66%</b>	<b>\$116.60</b>

## NOTES:

- Information covers up to August 2010.
- The Report of the Texas Economic Development Act (2010) states that there are 101 active Chapter 313 agreements. However, three of these agreements have made no investments nor have they received any tax benefit as of August 2010. Removing these three agreements from consideration would result in 98 active projects. This report analyzes the effects on awards, capital investment, jobs and costs associated with these 98 active projects.



# Incentive Programs

## 1 - Texas Economic Development Act: Chapter 313

### 1.1 PROGRAM SUMMARY

#### YEAR ENACTED:

2001

#### LEGISLATIVE APPROPRIATION:

No specific appropriation

#### HISTORY:

Realizing that manufacturing has been a vital segment of the state's economy and that its ability to attract new manufacturing facilities had eroded due to other states' aggressive economic development laws and the existence of a property tax system that has not been favorable to capital intensive businesses, the 77<sup>th</sup> Texas Legislature (2001) passed House Bill 1200 and was subsequently written into law as Chapter 313 (Texas Economic Development Act) of the State's Tax Code.

The legislation has given school districts the ability to attract new taxable property and create jobs through the offering of a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operation portion of the school district property tax.<sup>17</sup>

In 2009, the 81<sup>st</sup> Legislature made significant changes to Chapter 313 regulations and restrictions. Most significantly it gave the Comptroller more time to review applications and attempted to give the Comptroller's recommendation more weight.<sup>18</sup>

#### MEASUREMENT:

To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, a clean coal project, as defined by Section 5.001, Water Code, an advanced clean energy project, as defined by Section 382.003, Health and Safety Code, renewable energy electric generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation, or a computer center used primarily in connection to one of the other categories.

The program also looks at qualifying investment and qualifying jobs as part of the eligibility requirement process.

Based on a 2010 report to the Legislature, the Chapter 313 program generated:<sup>19</sup>

- 98 active projects<sup>20</sup>
- 6,239 qualifying jobs proposed in original application
- \$47,327,208,724 in estimated capital investment for the life of the active projects

Given the estimated total gross tax benefit to recipient companies through limitation and tax credit (\$1,909,723,490) as the basis of cost, the amount of limitation and tax credit per-unit measurement of the program are as follows:

- \$19,486,974 of limitation and tax credit per active project
- \$306,086 of limitation and tax credit per job committed to in the original application of the active projects

- \$40.35 of limitation and tax credit per \$1,000 of estimated capital investment for the life of the active projects

The program has been widely used by wind farms in Texas. Of the 98 active projects in place, 64 percent are for wind farms (by number). Wind farms are responsible for 27 percent of total capital investment, and 7.2 percent of jobs commitments, but have received 37 percent of the tax benefit.

All other active projects, including manufacturing, research and development, non-wind renewable energy, and nuclear power generation projects, make up 36 percent of all Chapter 313 projects, but are responsible for 73 percent of total capital investments and 92.8 percent of job commitments however, are receiving only 63 percent of the tax benefit.



#### PROGRAM STRENGTHS:

- The program was created in statute.<sup>21</sup>
- The program has a sunset date (12-31-2014), ensuring periodic review.
- The program has claw-back provisions (but only if performance is below the statutory minimum).
- The program encourages investments in school districts/locations that might otherwise have difficulty attracting investment.
- The state, through the Comptroller, has been given additional oversight during the last two biennia.
- The Comptroller submits a biennial report assessing the progress of each Chapter 313 agreement.
- To the extent that these projects wouldn't have located in the state without this program, the program has assisted in an investment of up to \$47.3 million.



#### PROGRAM WEAKNESSES:

- Program is not appropriated in state budget — impact on state revenue is not capped
- The program has no limit on individual incentive amount.
- Despite state funding to replace local loss (i.e., making local school district whole), the state's oversight role in the approval is limited.
- Historically, companies provided a significant portion of the benefit back to the district as a part of the contract, demonstrating that the benefit amount is more than needed to attract these companies
- The program was created with an emphasis on job creation, but since 2007, more than 60 percent of projects waived the minimum job requirement.
- The program does not require competition for awards — awards are based primarily on eligibility
- The school districts enter into agreements, and it is unknown whether enforcement and oversight is adequate.
- The districts' decisions to grant or withhold approval may not be based on economic development benefits, but rather, individual benefits provided to the district.
- The wind projects are disproportionately benefiting when comparing job creation and capital investment.

#### PROGRAM DEVELOPMENTS:

In the 81<sup>st</sup> Legislative Session, bills were passed that made changes to Chapter 313. These changes are summarized in the TxCPA webpage entitled "Appraised Value Limitation and Tax Credit."<sup>22</sup>



## PROGRAM RECOMMENDATIONS:

### Texas Economic Development Act — Chapter 313 Program

The agency makes the following recommendations to the 82<sup>nd</sup> Legislature:

- **Eliminate supplemental payments by companies to school districts.** Most revenue losses for districts entering into Chapter 313 agreements are offset through the state school finance system. However, the statute also requires each limitation agreement to include a provision that project owners make up any other possible school district revenue shortfalls out of their tax benefits. Supplemental payments are paid outside the school funding formula, and incentivize the districts to enter into agreements that may not be beneficial to the state. The value of supplemental payments was limited by the 81st Legislature, but in many cases the supplemental payments are still 40 percent of the tax benefit. Additionally, some agreements call for payments to foundations controlled by the district. Supplemental payments to districts are evidence that the incentives awarded are higher than necessary to attract these projects, and represent unnecessary cost to the state. These excess payments are estimated to total \$457 million over the life of the 98 agreements, according to information provided by the districts. (See Table 4B, page 8 of the report of the Texas Economic Development Act)
- **Modify the requirements pertaining to renewable energy projects, with targets and benefits that more closely correlate to those projects.** Renewable energy projects are projected to receive 38 percent of the projected lifetime tax benefits from Chapter 313, but only make up 27.6 percent of committed investments and 8 percent of committed jobs. Additionally, renewable energy projects are paying supplemental payments to the districts at a rate that is twice that of the manufacturing sector.
- **Eliminate the local districts' authority to waive minimum job creation requirements.** A purpose of Chapter 313 is to “create new, high-paying jobs in this state.” Since the ability to waive the minimum job creation requirement was passed in 2007, over 60 percent of all applications have been accompanied by a waiver of the minimum job requirement. The cost per job to the state for jobs created under Chapter 313 agreements is approximately 40 times higher than the cost per job for the Texas Enterprise Fund. While Chapter 313 targets capital investment, in addition to job creation, the legislature should take measures to increase job creation under Chapter 313 agreements.
- **Evaluate the program.** Chapter 313 was passed in 2001 as an economic development tool to provide property tax benefits in return for large scale investments and new, high paying jobs. Chapter 313 has helped Texas attract a number of large manufacturing plants that have significant employment; however, due to subsequent amendments to the chapter, it has increasingly been used to over-incentivize projects that create few or no jobs. The program should be restructured towards its original intent.

1.2 CHAPTER 313 OBJECTIVES

**CHAPTER 313:<sup>23</sup>**

- encourage large-scale capital investments in this state, especially in school districts that have an ad valorem tax base that is less than the statewide average ad valorem tax base of school districts in this state
- create new, high-paying jobs in this state
- attract to this state new, large-scale businesses that are exploring opportunities to locate in other states or other countries
- enable local government officials and economic development professionals to compete with other states by authorizing economic development incentives that meet or exceed incentives being offered to prospective employers by other states and to provide local officials with an effective means to attract large-scale investment
- strengthen and improve the overall performance of the economy of this state;
- expand and enlarge the ad valorem property tax base of this state
- enhance this state’s economic development efforts by providing school districts with an effective local economic development option

**HOW ARE OBJECTIVES MEASURED?**

**WHAT ARE THE METRICS USED?**

1. Number of new jobs
2. Number of qualifying jobs
3. Amount of total investment
4. Amount of qualified investment
5. Wages of jobs

**WHAT IS (ARE) THE PROCESS(ES) FOR MEASURING THE METRICS?**

- Before the beginning of each regular session the Comptroller reports on the progress of the agreements as required by Tax Code, 313.009. The report is based on information certified to the Comptroller by each recipient of a value limitation agreement under Chapter 313. The report includes the following for each agreement:
  1. the number of qualifying jobs each recipient of a limitation on appraised value committed to create
  2. the number of qualifying jobs each recipient created
  3. the median wage of the new jobs each recipient created
  4. the amount of the qualified investment each recipient committed to expend or allocate per project
  5. the amount of the qualified investment each recipient expended or allocated per project
  6. the market value of the qualified property of each recipient as determined by the applicable chief appraiser
  7. the limitation on appraised value for the qualified property of each recipient
  8. the dollar amount of the taxes that would have been imposed on the market value of the qualified property if the property had not received a limitation on appraised value
  9. the dollar amount of the taxes imposed on the qualified property
  10. the number of new jobs created by each recipient in each sector of the North American Industry Classification System
  11. the number of new jobs each recipient created, the number of jobs created that provide health benefits for employees

## PROGRAM STATUS

- As mentioned earlier, a biennial report is prepared and submitted to the Legislature before the beginning of each regular session.

## PROGRAM COSTS/OUTLAYS/ALLOCATIONS

TABLE 3:

## Chapter 313 — Summary of Current Agreements

	NUMBER OF ACTIVE PROJECTS <sup>24</sup>	ESTIMATED TOTAL INVESTMENT FOR LENGTH OF AGREEMENT	REPORTED INVESTMENT THROUGH 2009	2009 MARKET VALUE	2009 TAXABLE VALUE FOR M&O IF LIMITATION WERE NOT IN EFFECT	2009 TAXABLE VALUE FOR M&O WITH LIMITATION IN EFFECT
Manufacturing	28	\$26,600,228,294	\$13,315,906,062	\$4,938,188,543	\$4,738,998,604	\$989,635,758
Research and Development	4	\$1,121,178,623	\$577,125,087	\$401,761,883	\$401,761,883	\$261,173,584
Clean Coal	0	\$0	\$0	\$0	\$0	\$0
Advance Clean Energy	0	\$0	\$0	\$0	\$0	\$0
Renewable Energy Electric Generation (Wind)	63	\$12,585,301,807	\$7,097,386,284	\$7,448,787,558	\$7,448,787,558	\$4,846,950,672
Renewable Energy Electric Generation (Non-Wind)	1	\$460,000,000	\$100,000,000	\$0	\$0	\$0
Electric Power Generation (Integrated Gasification Combined Cycle)	0	\$0	\$0	\$0	\$0	\$0
Nuclear Electric Power Generation	2	\$6,560,500,000	\$0	\$0	\$0	\$0
<b>Total</b>	<b>98</b>	<b>\$47,327,208,724</b>	<b>\$21,090,417,433</b>	<b>\$12,788,737,984</b>	<b>\$12,589,548,045</b>	<b>\$6,097,760,014</b>

	REPORTED NUMBER OF QUALIFYING JOBS CREATED THROUGH 2009	NUMBER OF QUALIFYING JOBS RECIPIENT COMMITTED TO CREATE ON APPLICATION	ESTIMATED GROSS TAX BENEFIT THROUGH 2009	ESTIMATED TOTAL M&O LEVY WITHOUT ANY LIMITATION OR CREDIT FOR LENGTH OF AGREEMENT	ESTIMATED TOTAL GROSS TAX BENEFIT TO COMPANY THROUGH LIMITATION AND TAX CREDIT FOR LENGTH OF AGREEMENT	REQUIRED QUALIFIED INVESTMENT
Manufacturing	3,475	4,821	\$112,204,168	\$1,150,707,758	\$801,192,532	\$931,000,000
Research and Development	499	431	\$1,470,862	\$62,748,967	\$22,088,315	\$290,000,000
Clean Coal	0	0	\$0	\$0		\$0
Advance Clean Energy	0	0	\$0	\$0		\$0
Renewable Energy Electric Generation (Wind)	572	446	\$41,503,543	\$981,263,806	\$712,376,734	\$731,000,000
Renewable Energy Electric Generation (Non-Wind)	0	41	\$0	\$32,907,725	\$21,277,159	\$40,000,000
Electric Power Generation (Integrated Gasification Combined Cycle)	0	0	\$0	\$0		\$0
Nuclear Electric Power Generation	0	500	\$0	\$489,759,375	\$352,788,750	\$60,000,000
<b>Total</b>	<b>4,546</b>	<b>6,239</b>	<b>\$155,178,573</b>	<b>\$2,717,387,630</b>	<b>\$1,909,723,490</b>	<b>\$2,052,000,000</b>

Source: Report of the Texas Economic Development Act (2010) – Comptroller of Public Accounts

Chapter 313 — Job Creation Summary

	REPORTED NUMBER OF QUALIFYING JOBS CREATED THROUGH 2009	NUMBER OF QUALIFYING JOBS RECIPIENTS COMMITTED TO CREATE OVER THE LIFE OF PROJECT AGREEMENT	ESTIMATED GROSS TAX BENEFIT PER QUALIFYING JOB ACTUALLY CREATED THROUGH 2009	ESTIMATED GROSS TAX BENEFIT PER COMMITTED JOB OVER LIFE OF PROJECT AGREEMENT
Manufacturing	3,475	4,821	\$230,559	\$166,188
Research and Development	499	431	\$44,265	\$51,249
Clean Coal	0	0	\$0	\$0
Advanced Clean Energy	0	0	\$0	\$0
Renewable Energy Electric Generation (Wind)	572	446	\$1,245,806	\$1,596,613
Renewable Energy Electric Generation (Non-Wind)	0	41	\$0	\$518,955
Electric Power Generation (Integrated Gasification Combined Cycle)	0	0	\$0	\$0
Nuclear Electric Power Generation	0	500	\$0	\$705,578
<b>Total</b>	<b>4,546</b>	<b>6,239</b>	<b>\$420,105</b>	<b>\$306,086</b>

1.3 CHAPTER 313 APPLICANT LIST

TABLE 4

CHAPTER 313 APPLICANTS (2003-2010)

APPLICATION #	ISD	COUNTY	APPLICANT	LIMITATION AMOUNT	FIRST QUALIFYING TAX YEAR
129	Archer City ISD	Archer County	Windthorst-1 LLC	\$40,000,000	2009
120	Olney ISD	Archer County	BP Wind Energy NA Inc	\$10,000,000	2009
18	Southwest ISD	Bexar County	Toyota Motor Manufacturing Texas Inc. et al.	\$10,000,000	2005
74	Borden County ISD	Borden County	Bull Creek Wind LLC	\$10,000,000	2008
79	Borden County ISD	Borden County	Coyote Wind LLC	\$10,000,000	2008
80	Borden County ISD	Borden County	Gunsight Mountain Wind Energy LLC	\$10,000,000	2008
1	Brazosport ISD	Brazoria County	The Dow Chemical Company	\$30,000,000	2003
24	Brazosport ISD	Brazoria County	BASF Corporation	\$30,000,000	2006
62	Brazosport ISD	Brazoria County	Air Liquide Large Industries U.S. LP	\$30,000,000	2008
21	Sweeny ISD	Brazoria County	ConocoPhillips Company	\$30,000,000	2005
106	Zephyr ISD	Brown County	Roadrunner Wind LLC	\$5,000,000	2008
45	Calhoun County ISD	Calhoun County	Formosa Plastics Corporation Texas	\$30,000,000	2008
110	Baird ISD	Callahan County	Cottonwood Wind LLC	\$20,000,000	2008
39	Clyde CISD	Callahan County	Mesquite Wind LLC	\$5,000,000	2006
145	Panhandle ISD	Carson County	Babcock & Brown	\$10,000,000	2009
166	Barbers Hill ISD	Chambers County	Enterprise Products Operating LLC	\$30,000,000	2010
87	Robert Lee ISD	Coke County	Goat Wind LP (c/o Edison Mission Energy)	\$10,000,000	2008
101	Robert Lee ISD	Coke County	Capricorn Ridge Wind II LLC	\$10,000,000	2008
16	Plano ISD	Collin County	Texas Instruments Incorporated	\$100,000,000	2005

APPLICATION #	ISD	COUNTY	APPLICANT	LIMITATION AMOUNT	FIRST QUALIFYING TAX YEAR
108	Blanket ISD	Comanche County	Roadrunner Wind LLC	\$1,000,000	2008
82	Comanche ISD	Comanche County	Roadrunner Wind LLC	\$10,000,000	2008
92	Muenster ISD	Cooke County	Wolf Ridge Wind LLC	\$10,000,000	2008
56	Paducah ISD	Cottle County	Airtricity Wild Horse Wind Farm LLC	\$5,000,000	2008
36	Dalhart ISD	Dallam County	Hilmar Cheese Company	\$1,000,000	2006
52	Sunnyvale ISD	Dallas County	American Marazzi Tile Inc.	\$40,000,000	2007
71	Spur ISD	Dickens County	McAdoo Wind Energy LLC	\$10,000,000	2008
57	Clarendon ISD	Donley County	CPV Wind Trew Ranch LLC	\$5,000,000	2008
97	Ector County ISD	Ector County	Pistol Hill Wind Energy LLC	\$80,000,000	2008
143	Huckabay ISD	Erath County	Silver Star II Power Partners	\$10,000,000	2009
68	Lingleville ISD	Erath County	Silver Star Power Partners LLC	\$5,000,000	2008
138	Lingleville ISD	Erath County	Silver Star II Power Partners	\$5,000,000	2009
141	Floydada ISD	Floyd County	Texas Land Partners	\$10,000,000	2009
117	Glasscock County ISD	Glasscock County	Airtricity Panther Wind Farm LLC	\$10,000,000	2009
85	Mclean ISD	Gray County	IBUSA Trew Ranch LLC	\$10,000,000	2008
160	Seguin	Guadalupe	Caterpillar	\$80,000,000	2010
46	Plainview ISD	Hale County	Plainview BioEnergy LLC	\$30,000,000	2007
54	Gruver ISD	Hansford County	JD Wind 1-2-3-4 LLC (Great Plains Windpower LLC)	\$10,000,000	2008
88	Gruver ISD	Hansford County	North Texas Wind Center LLC	\$10,000,000	2008
89	Gruver ISD	Hansford County	DWS Frisco LLC	\$10,000,000	2008
42	Klein ISD	Harris County	Hewlett-Packard Company	\$80,000,000	2007
133	Waller ISD	Harris County	Hewlett-Packard Company	\$10,000,000	2010
167	La Porte	Harris County	Air Liquide Large Industries	\$30,000,000	2011
96	Channing ISD	Hartley County	DWS Frisco LLC	\$10,000,000	2008
103	Big Spring ISD	Howard County	Gunsight Mountain Wind Energy LLC	\$30,000,000	2008
94	Coahoma ISD	Howard County	Wildhorse Mountain Wind LLC	\$10,000,000	2008
78	Forsan ISD	Howard County	Elbow Creek Wind Project LLC	\$10,000,000	2008
100	Forsan ISD	Howard County	Ocotillo Windpower LP	\$10,000,000	2008
124	Forsan ISD	Howard County	Airtricity Panther Wind Farm LLC	\$10,000,000	2009
26	Plemons-Stinnett-Phillips CISD	Hutchinson County	ConocoPhillips Company	\$30,000,000	2006
83	Plemons-Stinnett-Phillips CISD	Hutchinson County	Chevron Phillips Chem	\$30,000,000	2008
132	Pringle-Morse CISD	Hutchinson County	DeWind SWI Wind Farms	\$10,000,000	2009
128	Irion County ISD	Irion County	Langford Wind Power, LLC	\$40,000,000	2009
75	Bryson ISD	Jack County	Barton Chapel Wind LLC	\$10,000,000	2008
81	Jacksboro ISD	Jack County	RES America Developments Inc.	\$30,000,000	2008
86	Perrin-Whitt CISD	Jack County	RES America Developments Inc.	\$10,000,000	2008
9	Beaumont ISD	Jefferson County	ExxonMobil Corporation	\$30,000,000	2004
10	Beaumont ISD	Jefferson County	ATOFINA Chemicals Inc.	\$30,000,000	2004
66	Beaumont ISD	Jefferson County	Eastman Chemical Company	\$30,000,000	2009
7	Port Arthur ISD	Jefferson County	Premcor Corporation	\$30,000,000	2003
13	Port Arthur ISD	Jefferson County	Praxair Inc.	\$30,000,000	2004

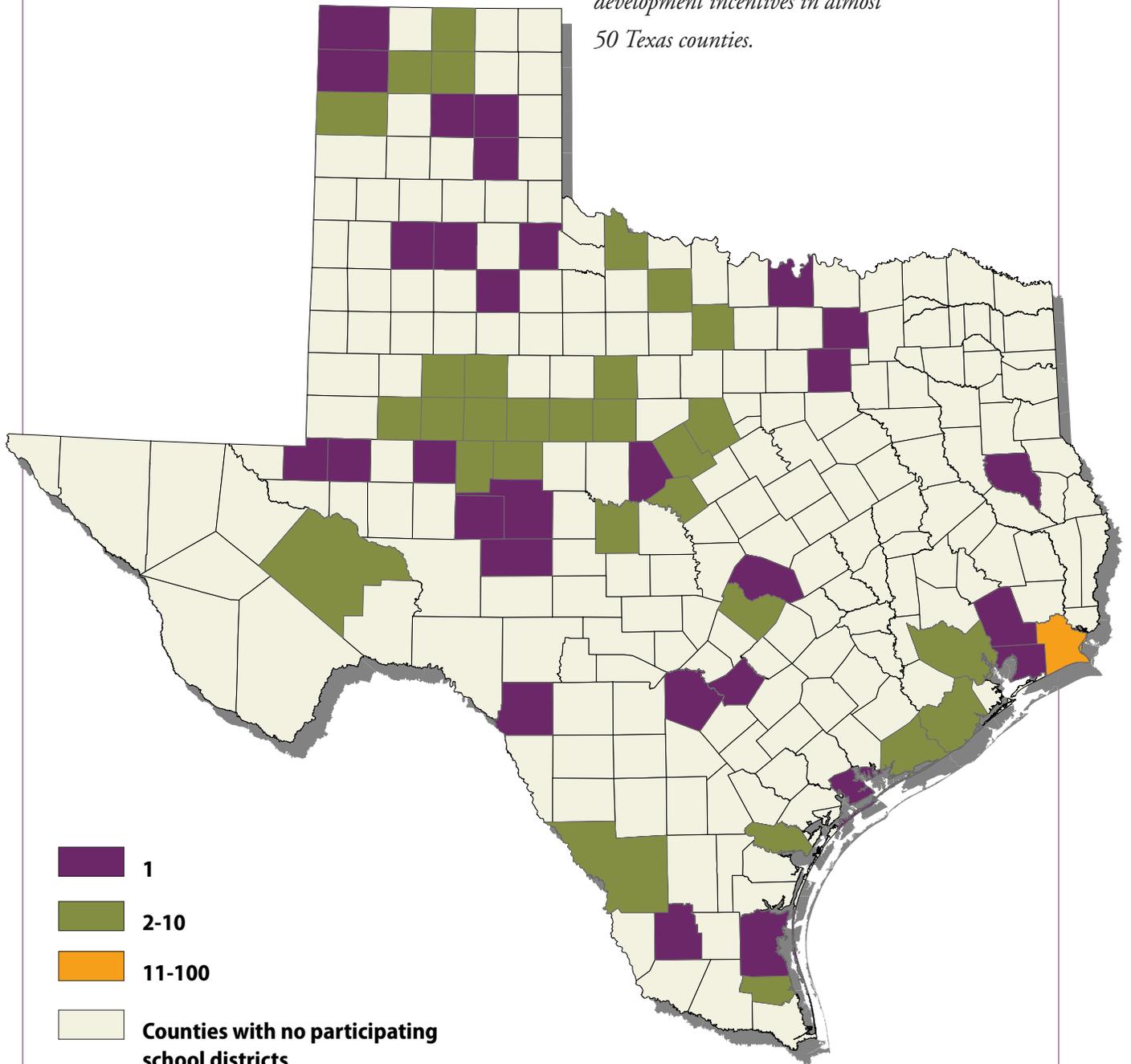
APPLICATION #	ISD	COUNTY	APPLICANT	LIMITATION AMOUNT	FIRST QUALIFYING TAX YEAR
22	Port Arthur ISD	Jefferson County	Premcor Refining Group Inc.	\$30,000,000	2005
37	Port Arthur ISD	Jefferson County	Motiva Enterprises LLC	\$30,000,000	2008
76	Port Arthur ISD	Jefferson County	Premcor Refining Group Inc.	\$30,000,000	2009
111	Port Arthur ISD	Jefferson County	TE Products Pipeline Company	\$30,000,000	2008
2	Port Neches-Groves ISD	Jefferson County	Sabina Petrochemical	\$30,000,000	2003
136	Port Neches-Groves ISD	Jefferson County	Total Petrochemicals	\$30,000,000	2009
27	Sabine Pass ISD	Jefferson County	Golden Pass LNG LLC (An Affiliate of Exxon Mobil Corporation)	\$30,000,000	2007
149	Jim Hogg County ISD	Jim Hogg County	Martifer Renewables Wind, LLC	\$10,000,000	2009
140	Kenedy County Wide CSD	Kenedy County	Heartland Wind LLC ( a subsidiary of PPM Energy Inc.)	\$10,000,000	2009
163	Brackett ISD	Kinney County	EC&R Development, LLC	\$1,000,000	2010
151	Liberty ISD	Liberty County	Boomerang Tube, LLC	\$20,000,000	2009
73	Grady ISD	Martin County	Stanton Wind Energy LLC	\$10,000,000	2008
72	Stanton ISD	Martin County	Stanton Wind Energy LLC	\$10,000,000	2008
118	Palacios ISD	Matagorda County	NRG South Texas LP	\$30,000,000	2012
119	Palacios ISD	Matagorda County	NRG South Texas LP	\$30,000,000	2013
95	Brady ISD	McCulloch County	Rattlesnake Power LLC	\$10,000,000	2008
109	Lohn ISD	McCulloch County	Rattlesnake Power LLC	\$5,000,000	2008
102	Rochelle ISD	McCulloch County	Rattlesnake Power LLC	\$5,000,000	2008
105	Mullin ISD	Mills County	Roadrunner Wind LLC	\$1,000,000	2008
107	Priddy ISD	Mills County	Roadrunner Wind LLC	\$1,000,000	2008
59	Loraine ISD	Mitchell County	Airtricity Roscoe Wind Farm LLC	\$10,000,000	2008
99	Loraine ISD	Mitchell County	Loraine Windpark Project LLC	\$10,000,000	2008
152	Dumas ISD	Moore County	Valero Energy	\$30,000,000	2010
77	Sunray ISD	Moore County	JD Wind 7 LLC; JD Wind 8 LLC; JD Wind 9 LLC	\$5,000,000	2008
153	Cushing ISD	Nacogdoches County	Nacogdoches Power	\$40,000,000	2010
12	Blackwell CISD	Nolan County	Sweetwater Wind Power LLC	\$10,000,000	2004
30	Blackwell CISD	Nolan County	FPL Energy Horse Hollow Wind GP LLC	\$10,000,000	2007
44	Blackwell CISD	Nolan County	Buffalo Gap Wind Farm LLC, Buffalo Gap Wind Farm 2 LLC, Buffalo Gap Wind Farm 3 LLC and AES SeaWes	\$10,000,000	2006
70	Blackwell CISD	Nolan County	Buffalo Gap Wind Farm LLC and SeaWest WindPower Inc.	\$10,000,000	2008
93	Blackwell CISD	Nolan County	Turkey Track Wind Enegy LLC	\$10,000,000	2008
11	Highland ISD	Nolan County	Sweetwater Wind Power LLC	\$10,000,000	2004
55	Highland ISD	Nolan County	Sweetwater Wind Power LLC	\$10,000,000	2007
64	Highland ISD	Nolan County	Airtricity Champion Wind Farm LLC	\$1,000,000	2008
63	Roscoe ISD	Nolan County	Airtricity Champion Wind Farm LLC	\$10,000,000	2008
20	Sweetwater ISD	Nolan County	Sweetwater Wind Power LLC	\$10,000,000	2005
49	Vega ISD	Oldham County	Wildorado Wind LP (converting to LLC)	\$10,000,000	2007
50	Wildorado ISD	Oldham County	Wildorado Wind LP (converting to LLC)	\$10,000,000	2007
127	Wildorado ISD	Oldham County	Wildorado Wind LP (converting to LLC)	\$10,000,000	2009
134	Fort Stockton ISD	Pecos County	SandRidge Energy	\$20,000,000	2009

APPLICATION #	ISD	COUNTY	APPLICANT	LIMITATION AMOUNT	FIRST QUALIFYING TAX YEAR
135	Fort Stockton ISD	Pecos County	SandRidge Energy	\$20,000,000	2009
67	Iraan-Sheffield ISD	Pecos County	BP Alternative Energy	\$20,000,000	2008
125	Iraan-Sheffield ISD	Pecos County	Sherbino Wind Farm LLC	\$20,000,000	2009
137	Iraan-Sheffield ISD	Pecos County	Texas Land Partners	\$20,000,000	2010
164	Gregory-Portland ISD	San Patricio County	EC&R Papalote Creek II, LLC	\$20,000,000	2010
43	Ingleside ISD	San Patricio County	Ingleside Energy Center LLC	\$30,000,000	2008
139	Odem-Edroy ISD	San Patricio County	EC & R Papalote Creek I, LLC	\$10,000,000	2009
148	Sinton ISD	San Patricio County	EC & R Papalote Creek I, LLC	\$10,000,000	2009
147	Taft ISD	San Patricio County	EC & R Papalote Creek I, LLC	\$10,000,000	2009
162	Taft ISD	San Patricio County	EC&R Papalote Creek II, LLC	\$10,000,000	2010
146	Schleicher ISD	Schleicher County	Langford Wind Power, LLC	\$10,000,000	2009
28	Hermleigh ISD	Scurry County	WKN Texas LLC	\$5,000,000	2006
60	Hermleigh ISD	Scurry County	Scurry County Wind LP	\$5,000,000	2008
115	Hermleigh ISD	Scurry County	Airtricity Pyron Wind Farm LLC	\$5,000,000	2009
61	Snyder ISD	Scurry County	Scurry County Wind LP	\$30,000,000	2008
51	Albany ISD	Shackelford County	Hackberry Wind LLC	\$10,000,000	2007
90	Moran ISD	Shackelford County	Cottonwood Wind LLC	\$5,000,000	2008
38	Sterling City ISD	Sterling County	Airtricity Forest Creek Wind Farm LLC	\$10,000,000	2007
65	Sterling City ISD	Sterling County	Goat Mountain Wind LP	\$10,000,000	2008
84	Sterling City ISD	Sterling County	Goat Wind LP (c/o Edison Mission Energy)	\$10,000,000	2008
104	Sterling City ISD	Sterling County	Sterling Wind Energy LLC	\$10,000,000	2008
150	Sterling City ISD	Sterling County	EC & R Panther Creek Wind Farm	\$10,000,000	2009
29	Jim Ned CISD	Taylor County	FPL Energy Horse Hollow Wind GP LLC	\$5,000,000	2007
116	Trent ISD	Taylor County	South Trent Wind LLC	\$10,000,000	2009
126	Christoval ISD	Tom Green County	Langford Wind Power, LLC	\$40,000,000	2009
19	Austin ISD	Travis County	Home Depot U.S.A. Inc.	\$100,000,000	2005
40	Austin ISD	Travis County	Hewlett-Packard Company	\$100,000,000	2007
34	Manor ISD	Travis County	Samsung Austin Semiconductor LLC	\$80,000,000	2006
144	Webb CISD	Webb County	Martifer Renewables Wind, LLC	\$10,000,000	2009
155	Webb CISD	Webb County	Cedro Hill Wind LLC	\$80,000,000	2010
121	Chillicothe ISD	Wilbarger County	Blue Summit Wind	\$10,000,000	2009
123	Northside ISD (Wilbarger)	Wilbarger County	Blue Summit Wind	\$5,000,000	2009
161	Lyford CISD	Willacy County	EC&R Development, LLC	\$10,000,000	2010
165	Raymondville ISD	Willacy County	EC&R Development, LLC	\$10,000,000	2010
159	San Perlita ISD	Willacy County	EC&R Development, LLC	\$10,000,000	2010
41	Round Rock ISD	Williamson County	Hewlett-Packard Company	\$100,000,000	2007
142	Kermit ISD	Winkler County	Ntrees Windpower	\$10,000,000	2009
<b>NUMBER OF APPLICATIONS FILED - 136</b>					

MAP 1.4

## 1.4 – Chapter 313 Awards 2003 through 2010

*School property tax value limitations have been approved as Chapter 313 economic development incentives in almost 50 Texas counties.*



# Incentive Programs

## 2-Texas Enterprise Fund

### 2.1 PROGRAM SUMMARY

#### YEAR ENACTED:

2003

#### RECENT LEGISLATIVE APPROPRIATION:

80<sup>th</sup> Legislative Session (2007) = \$225.35 Million  
(for the biennium)

81<sup>st</sup> Legislative Session (2009) = \$67.58 Million  
(for the biennium)<sup>25</sup>

#### HISTORY:

The Texas Enterprise Fund was created in 2003 as a response to the limited number of state-level tools used in economic development, infrastructure development, community development, job training programs, and business incentives.<sup>26</sup>

Given the scope of the fund's uses, the principal objectives of this fund are as follows:

- Job Creation — A major criterion used in determining fund recipients is the number/type of net new jobs to be created by the applicant in the State. Inherent in this selection are the wages paid to the jobs that will be created.<sup>27</sup>
- “Deal Closer” — Before a Texas Enterprise Fund application is considered for funding, local grants and incentives should have been made available or offered to the TEF applicant. The deal-closing nature of the fund is to provide an incentive for the applicant seriously consider coming or expanding their operations in Texas as opposed to moving to another state or nation.

#### MEASUREMENT:

Most of the metrics used in measuring the objectives of the Texas Enterprise Fund are based upon performance targets set forth in written agreements (contracts) between the Office of the Governor and the fund recipient. The primary metrics used by the Texas Enterprise Fund are as follows:<sup>28</sup>

- Number of net new jobs created
- Average wage per job created
- Change in capital investment by company
- Additional amounts of tax revenues to be generated by governmental entities in the state from the following:
  - ad valorem taxes
  - sales and use taxes
  - fee revenues
- Amounts of tax credits, local incentives and other money or credits estimated to be distributed to the grant recipient from local and State governmental entities
- Any other information deemed necessary by the Office of the Governor to include in the economic and fiscal impact statement

PROGRAM COSTS/OUTLAYS/ALLOCATIONS

TABLE 5:  
STATE APPROPRIATIONS

LEGISLATIVE SESSION	YEAR ENDING (AUGUST 31)	APPROPRIATION
80th (2007)	2008	\$224,441,000
	2009	\$908,000
	<b>Total for Biennium<sup>29</sup></b>	<b>\$225,349,000</b>
81st (2009)	2010	\$64,293,000
	2011	\$3,283,000
	<b>Total for Biennium<sup>30</sup></b>	<b>\$67,576,000</b>

Sources:  
 1. 80th Legislature, Text of Conference Committee Report, House Bill No. 1, Regular Session (General Appropriations Act), State of Texas, 2007.  
 2. 81st Legislature, Text of Conference Committee Report, Senate Bill No. 1, Regular Session (General Appropriations Act), State of Texas, 2009.

*The deal-closing nature of the fund is to provide a incentive for an applicant seriously considering investing in Texas instead of another state or nation.*

TABLE 6:  
PROGRAM ALLOCATIONS

PERIOD	TEF TOTAL GRANT AMOUNT FOR CONTRACTS <sup>31</sup>	NUMBER OF GRANTS	COMPANY COMMITMENTS	
			QUALIFIED JOBS	CAPITAL INVESTMENT
FY 2004 - FY 2005	\$279,664,000	22	29,645	\$6,500,281,413
FY 2006 - FY 2007	\$75,036,000	15	12,788	\$6,755,838,000
FY 2008 - FY 2009	\$37,634,196	18	7,881	\$895,169,839
FY 2010 - FY 2011	\$13,185,000	11	2,555	\$188,288,475
<b>Subtotal</b>	<b>\$405,519,196</b>	<b>66</b>	<b>52,869</b>	<b>\$14,339,577,727</b>
<b>Contracts Pending</b>	<b>\$6,150,000</b>	<b>5</b>	<b>1,390</b>	<b>\$274,505,000</b>
<b>TOTAL</b>	<b>\$411,669,196</b>	<b>71</b>	<b>54,259</b>	<b>\$14,614,082,727</b>

Source: Texas Enterprise Fund as of August 31, 2010 (Office of the Governor). [http://www.governor.state.tx.us/files/ecodev/TEF\\_Listing.pdf](http://www.governor.state.tx.us/files/ecodev/TEF_Listing.pdf)

As of August 31, 2010, the program has generated:

- 71 awards/agreements
- 54,259 jobs committed
- \$14.614 Billion in capital investment committed

Given the total amount awarded (\$411.669 Million) up to 2010, as the basis of cost, the total amount awarded cost per-unit measurement of the program are as follows:

- \$5,798,158 of total amount awarded per agreement (contract)
- \$7,587 of total amount awarded per job committed
- \$28.17 of total amount awarded per \$1,000 in capital investment committed



**PROGRAM STRENGTHS:**

**PROGRAM STRENGTHS:**

- The program was created in statute.
- The awards are published online.
- The funds are appropriated in the State Budget.
- The state has final decision making ability.<sup>32</sup>
- There is monitoring of grants with enforcement
- The program can employ clawback provisions in the event that the grant recipient is unable to meet benchmarks set forth in contract.<sup>33</sup>
- The application process allows for flexibility which allows agreements to be structured to maximize the benefit to the state.
- The program has the ability to receive applications on a rolling-basis.<sup>34</sup> This timing or speed in receiving/reviewing applications (and eventual decision regarding application) is a competitive factor in the State’s ability to recruit/retain firms.
- Community support for a project is integral.
- The program has a low cost per job and a low ratio of state investment to company investment.



**PROGRAM WEAKNESSES:**

- Due to the flexibility of the decision-making process, the program appears less transparent at times causing a perception of outside influence.
- The lack of General Revenue funds for grant management limits the program’s due diligence and compliance monitoring capabilities.



**PROGRAM RECOMMENDATIONS:**

**Texas Enterprise Fund**

- **Reporting.** In addition to the biennial statutory report completed by the Governor’s office, it is recommended that the Texas Enterprise Fund adopt more frequent reporting to inform policy makers and the public about the progress of the program goals. Semi-annual or quarterly reports should include a summary of new contracts as well as a summary of amended contracts detailing the specific contracts amended and a short description of the nature of the amendment. Additionally, including tables such as the ones below would provide ongoing summary information about the program.

	NUMBER OF AWARDS	AWARD AMOUNT
Beginning (from the ending period of the previous report)		
+ New awards during the quarter		
- Deobligated awards during the quarter		
+/- Contract Amendments		
Ending Obligations		

	NUMBER OF JOBS COMMITTED	NUMBER OF JOBS CREATED
Beginning (from the ending period of the previous report)		
+ New job creation		
+/- Contract Amendments		
Ending Job count		

## 2.2 TEXAS ENTERPRISE FUND OBJECTIVES

**Texas Enterprise Fund:**<sup>35</sup>

Subsection C of the Texas Government Code - Section 481.078, states that unless otherwise used on a temporary basis by the Comptroller's Office for cash management purposes, the Texas Enterprise Fund may be used only for the following purposes: economic development, infrastructure development, community development, job training programs, and business incentives.<sup>36</sup>

Given the scope of the fund's uses, the principal objectives of this fund are as follows:

- Job Creation - A major criterion used in determining fund recipients is the number/type of jobs to be created by the applicant. Inherent in this selection are the wages paid to the jobs that will be created.<sup>37</sup>
- "Deal Closer" - Before a Texas Enterprise Fund application is considered for funding, local grants and incentives should have been offered to the TEF applicant. The deal-closing nature of the fund is to provide an incentive for the applicant seriously consider coming or expanding their operations in Texas as opposed to moving to another state or nation.

**HOW ARE THE OBJECTIVES MEASURED?**

Most of the metrics used in measuring the objectives of the Texas Enterprise Fund are based upon performance targets set forth in written agreements (contracts) between the Office of the Governor and the fund recipient. The primary metrics used by the Texas Enterprise Fund are as follows:<sup>38</sup>

- Investment by company
- Number of jobs created
- Median wage per job created

- Additional amounts of tax revenues to be generated by governmental entities in the state from the following:
  - ad valorem taxes
  - sales and use taxes
  - fee revenues
- Amounts of tax credits, local incentives and other money or credits estimated to be distributed to the grant recipient from governmental entities in the state
- Any other information deemed necessary by the Office of the Governor to include in the economic and fiscal impact statement

**PROGRAM STATUS**

- Each grant recipient is required to submit an annual compliance verification report. This report provides a status of how the recipient is meeting its job targets and other agreed upon commitments. These reports are maintained and monitored for compliance by the Financial Services Division of the Office of the Governor.
- Based on job creation of the Texas Enterprise Fund over a period of years, it appears the program is meeting its objectives.

2.3 ENTERPRISE FUND AWARDEE LIST

■ The following pages display the Texas Enterprise Fund awardees for the period 2004 through 2010

TABLE 7  
TEXAS ENTERPRISE FUND AWARDS (AS OF AUGUST 2010)

COMPANY	LOCATION	INDUSTRY	DIRECT JOBS	CAPITAL INVESTMENT <sup>A</sup>	TEF GRANT <sup>B</sup>	ANNUAL GROSS STATE PRODUCT IMPACT <sup>C</sup>	TOTAL JOBS <sup>D</sup>	ECONOMIC RETURN (GSP/TEF)	DIRECT STATE RETURN (TAX REV./TEF)	DATE ANNOUNCED	DISBURSEMENT		LIQUIDATED DAMAGES (CLAWBACKS)	OTHER REPAYMENTS
											AMOUNT	DATE		
FY2004-FY2005 TEF PROJECTS UNDER CONTRACT			29,645	\$6,500,281,413	\$279,664,000	\$7,636,999,449	101,751	2731%			\$279,664,000	\$1,291,732	\$8,725,961	
TX Inst. For Genomic Med	Houston & College Station	Biotech	5,000	\$45,700,000	\$50,000,000	\$2,744,000,000	31,152	5488%	100%	07/05	\$50,000,000	\$16,905		
JP Morgan Chase (formerly Washington Mutual)	San Antonio	Financial Services	4,200	\$50,000,000	\$15,000,000	\$171,233,165	9,082	1142%	237%	05/05	\$10,000,000			
Sematech	Austin	High-Tech Consortium	4,000	\$190,000,000	\$40,000,000	\$245,500,000	4,623	614%	194%	03/04	\$5,000,000			
Bank of America (formerly Countrywide Financial)	Richardson	Financial Services	3,876	\$200,000,000	\$20,000,000					12/04	\$27,000,000			
Vought	Dallas	Aviation	3,000	\$598,000,000	\$35,000,000	\$2,242,200,000	29,377	6406%	368%	02/04	\$9,000,000	\$944,000		
UTHSC, MDA, GEMS	Houston	Biomedical	2,252	\$55,000,000	\$25,000,000	\$181,798,146	4,840	727%	103%	05/04	\$10,000,000			
Tyson Foods	Sherman	Food Processing	1,600	\$97,150,000	\$7,000,000	\$800,000,000	4,648	11429%	159%	01/05	\$3,500,000	\$26,899		
Texas Energy Center	Sugarland	Energy Cluster	1,500	\$20,000,000	\$3,600,000	\$49,100,000	2,500	1364%	571%	03/04	\$3,500,000			
Texas Instruments <sup>E</sup>	Richardson	Semi-conductor		\$3,000,000,000	\$50,000,000	\$323,006,000	4,035	646%	264%	06/03	\$1,600,000			
Home Depot	Austin & New Braunfels	IT & Distribution	843	\$809,170,000	\$8,500,000	\$49,061,267	1,074	577%	270%	07/04	\$5,000,000			
CITGO Petroleum	Houston & Corpus Christi	HQ & Refinery	820	\$828,000,000	\$5,000,000	\$42,500,000	3,611	850%	216%	04/04	\$3,500,000			

COMPANY	LOCATION	INDUSTRY	DIRECT JOBS	CAPITAL INVESTMENT <sup>A</sup>	TEF GRANT <sup>B</sup>	ANNUAL GROSS STATE PRODUCT IMPACT <sup>C</sup>	TOTAL JOBS <sup>D</sup>	ECONOMIC RETURN (GSP/TEF)	DIRECT STATE RETURN (TAX REV./TEF)	DATE ANNOUNCED	DISBURSEMENT		LIQUIDATED DAMAGES (CLAWBACKS)	OTHER REPAYMENTS
											AMOUNT	DATE		
Cabela's	Buda & Fort Worth	Tourist Destination	600	\$120,000,000	\$400,000	\$146,140,000	1,002	36535%	2778%	05/04	\$400,000	11/04	\$177,288	
Maxim Integrated Products	San Antonio	Semi-conductor	500	\$90,000,000	\$1,500,000	\$126,588,113	1,456	8639%	1258%	12/03	\$1,500,000	01/05		
Ruiz Foods	Denison	Food Processing	423	\$48,880,413	\$1,500,000	\$124,661,625	1,652	8311%	270%	05/05	\$1,500,000	06/05		
Huntsman	Woodlands	Chemicals	326	\$226,725,000	\$2,750,000	\$56,758,944	1,221	2064%	2212%	10/04	\$2,750,000	08/05	\$106,811	
JTEKT Automotive (formerly Koyo)	Emmis	Automotive Parts	200	\$30,000,000	\$333,000	\$152,671,470	562	45847%	1742%	08/04	\$333,000	03/05		
Raytheon	McKinney	Aerospace & Defense	200	\$21,700,000	\$1,000,000	\$125,300,000	338	12530%	409%	11/05	\$500,000 \$500,000	10/05 03/06		
Ineos USA LLC	League City	Petro-chemicals	150	\$5,720,000	\$750,000	\$18,428,608	228	2457%	531%	01/05	\$250,000 \$500,000	06/05 08/06		
Lee Container	Nacogdoches	Manufacturing	105	\$5,636,000	\$300,000	\$22,302,111	242	7434%	178%	10/04	\$300,000	05/05	\$19,080	
Superior Essex Comm.	Brownwood	Telecommunications	50	\$7,600,000	\$250,000	\$12,750,000	108	5100%	604%	08/04	\$250,000	07/05	\$749	
Baylor College of Medicine	Houston	Genetics		\$51,000,000	\$2,000,000						\$1,000,000 \$1,000,000	03/04 06/04		
LEARN & TIGRE	Statewide	Higher Education			\$9,781,000					09/04	\$6,000,000 \$500,000 \$3,281,000	04/05 05/05 06/05		\$275,610
<b>FY2006-FY2007 TEF PROJECTS UNDER CONTRACT</b>											<b>\$50,550,000</b>		<b>\$1,265,669</b>	<b>\$9,361,812</b>
Rackspace	Windcrest/ San Antonio	Webhosting	4,000	\$111,380,000	\$22,000,000	\$153,488,638	10,360	698%	267%	08/07	\$5,000,000	08/07		
Hilmar Cheese	Dalhart	Dairy	1,962	\$190,000,000	\$7,500,000	\$41,975,000	3,208	560%	222%	11/05	\$4,000,000 \$3,500,000	12/05 04/09	\$612,579	
Fidelity Global Brokerage	Town of Westlake	Financial Services	850	\$200,000,000	\$8,500,000	\$222,840,053	3,408	2622%	493%	02/07	\$4,500,000 \$4,000,000	03/07 07/08	\$484,068	\$4,000,000
Sanderson Farms	McLennan County	Poultry Processing	1,312	\$73,000,000	\$500,000	\$187,336,592	4,467	37467%	3577%	01/06	\$500,000	04/06	\$81,891	
ADP	El Paso	Solutions Center	1,028	\$23,900,000	\$3,000,000	\$70,007,049	1,619	2334%	277%	02/06	\$1,181,907 \$1,818,093	03/07 02/08		

COMPANY	LOCATION	INDUSTRY	DIRECT JOBS	CAPITAL INVESTMENT <sup>A</sup>	TEF GRANT <sup>B</sup>	ANNUAL GROSS STATE PRODUCT IMPACT <sup>C</sup>	TOTAL JOBS <sup>D</sup>	ECONOMIC RETURN (GSP/TEF)	DIRECT STATE RETURN (TAX REV./TEF)	DATE ANNOUNCED	DISBURSEMENT		LIQUIDATED DAMAGES (CLAWBACKS)	OTHER REPAYMENTS	
											AMOUNT	DATE			
Maxim Integrated Products	Irving	Semi-conductor			\$5,000,000						\$2,000,000		\$2,107,149		
Samsung	Austin	Semi-conductor	900	\$2,500,000,000	\$10,800,000	\$297,279,000	3,356	2753%	712%	04/06	\$8,000,000	05/06			
											\$2,800,000	10/07			
T-Mobile	Frisco	Wireless Communications	855	\$20,700,000	\$2,150,000	\$59,850,000	2,062	2784%	317%	11/05	\$1,500,000	03/06			
Lockheed Martin	Houston	Aerospace	800	\$58,000,000	\$5,480,000	\$619,510,000	2,043	11305%	339%	09/06	\$650,000	09/07			
											\$4,000,000	05/07			
Torchmark	McKinney	Insurance	500	\$26,600,000	\$2,000,000	\$31,000,000	1,150	1550%	392%	03/06	\$1,500,000	04/06			
Hewlett-Packard	Austin/Houston	Data Center			\$5,000,000						\$500,000	03/08			
											\$3,000,000		\$3,210,847		
Motiva	Port Arthur	Oil & Gas Refining	300	\$3,500,000,000	\$2,000,000	\$600,000,000	2,760	30000%	5704%		\$1,300,000	06/06			
Newly Weds Foods	Mount Pleasant	Food Products	115	\$27,000,000	\$450,000	\$110,755,000	292	24612%	681%	04/06	\$250,000	03/06			
											\$200,000	12/08			
Trace Engines	Midland	Aerospace	114	\$9,658,000	\$456,000	\$95,775,000	338	21003%	294%	09/06	\$250,000	09/06	\$77,099		
Alloy Polymers	Houston County	Plastics Compounding	52	\$15,600,000	\$200,000	\$17,334,820	135	8667%	811%	10/06	\$100,000	10/06	\$10,032		
											\$19,344,196		\$258,748		
<b>FY2008-FY2009 TEF PROJECTS UNDER CONTRACT</b>											<b>7,881</b>	<b>\$2,802,868,225</b>	<b>19,582</b>	<b>7448%</b>	
Caterpillar	Seguin	Engine/Machinery Mfg	1,714	\$176,800,000	\$8,500,000	\$600,000,000	3,178	7059%	415%	12/08	\$2,250,000	09/09			
Scott & White Memorial	Temple	Health Care Research	1,485	\$63,000,000	\$7,500,000	\$260,475,000	3,783	3473%	472%	11/07	\$3,000,000	11/07			
											\$2,500,000	03/09			
Medtronic Inc.	San Antonio	Medical Technology	1,384	\$23,226,000	\$6,000,000	\$136,603,076	3,426	2277%	166%	05/09	\$1,500,000	10/09			
Santana Textiles do Brasil	Edinburg	Textile Mfg	800	\$171,000,000	\$1,650,000	\$57,023,186	1,232	3456%	1010%	07/08	\$800,000	08/08	\$64,496		
Albany Engr Composites	Boerne	Aerospace Mfg	337	\$41,655,000	\$1,000,000	\$307,035,456	2,043	30704%	364%	01/08	\$300,000	03/08	\$29,716		
											\$839,196				
Rockwell Collins, Inc.	Richardson	Aerospace	105	\$6,782,500	\$900,000	\$28,674,223	867	3186%	321%	06/08	\$450,000	08/08	\$47,744		
KLN Steel Products	San Antonio	Furniture Mfg	300	\$25,000,000	\$900,000	\$28,674,223	867	3186%	321%	06/08	\$450,000	08/08	\$47,744		
Martifer-Hirschfeld Energy	San Angelo	Wind Tower Mfg	225	\$40,000,000	\$845,000	\$200,860,493	679	23770%	331%	09/08	\$500,000	10/08	\$12,180		

COMPANY	LOCATION	INDUSTRY	DIRECT JOBS	CAPITAL INVESTMENT <sup>A</sup>	TEF GRANT <sup>B</sup>	ANNUAL GROSS STATE PRODUCT IMPACT <sup>C</sup>	TOTAL JOBS <sup>D</sup>	ECONOMIC RETURN (GSP/TEF)	DIRECT STATE RETURN (TAX REV./TEF)	DATE ANNOUNCED	DISBURSEMENT		LIQUIDATED DAMAGES (CLAWBACKS)	OTHER REPAIRMENTS
											AMOUNT	DATE		
McLane Advanced Tech	Temple	IT & Logistics	225	\$9,000,000	\$1,000,000	\$147,075,037	601	14708%	385%	08/09	\$500,000	11/09		
Comerica	Dallas	Financial Services	200	\$16,250,000	\$3,500,000	\$26,202,542	668	749%	199%	03/07	\$3,500,000	09/07		
Allied Production Solutions	Gainesville	Oil & Gas Production	200	\$16,325,000	\$800,000	\$21,095,232	200	2637%	472%	09/07	\$400,000	10/07		
											\$400,000	10/09		
US Bowling Congress	Arlington	Athletic Association	198	\$13,000,000	\$610,000	\$8,092,800	364	1327%	602%	03/08	\$305,000	06/09	\$26,936	
Grifols	San Marcos	Health Care	190	\$76,623,300	\$500,000	\$265,629,376	857	53126%	1611%	07/09	\$250,000	11/09		
HelioVolt Corporation	Austin	Solar Panel Mfg	158	\$62,900,000	\$1,000,000	\$157,700,000	785	15770%	866%	04/08	\$500,000	01/09	\$45,560	
Gulfstream	Dallas	Aerospace			\$750,000						\$375,000	04/08	\$379,949	
Flight Safety International	Irving	Aerospace	125	\$116,000,000	\$720,000	\$69,089,000	222	9596%	1944%	10/08				
Authentix	Addison	Nanotechnology	120	\$6,550,000	\$1,000,000	\$316,935,004	315	31694%	293%	08/07	\$750,000	11/07	\$32,116	
Associated Hygienic Prod	Waco	Paper Products Mfg	115	\$31,078,039	\$520,000	\$200,377,800	362	38534%	790%	01/09	\$225,000	01/09		
<b>FY2010-FY2011 TEF PROJECTS UNDER CONTRACT</b>											<b>\$7,325,000</b>			
Legal Zoom	Austin	Legal Documents	465	\$11,750,000	\$1,000,000	\$222,800,000	1,377	22280%	584%	02/10	\$500,000	05/10		
G-Con	Bryan	Pharmaceutical Mfg	408	\$86,000,000	\$3,000,000	\$449,097,000	4,463	14970%	332%	05/10	\$3,000,000	05/10		
Vendor Resource Mgmt	Carrollton	Financial Services	275	\$4,600,000	\$750,000	\$104,300,000	684	13907%	689%	05/10	\$375,000	05/10		
Beckton, Dickinson & Co.	San Antonio	Medical Devices	296	\$6,350,000	\$1,560,000	\$67,316,672	570	4315%	184%	08/10				
Hanger Orthopedic	Austin	Medical Devices	236	\$4,700,000	\$1,500,000	\$28,700,000	354	1913%	338%	01/10	\$750,000	03/10		
Allstate Insurance	San Antonio	Insurance	200	\$11,607,475	\$1,100,000	\$27,325,381	429	2484%	329%	02/10	\$550,000	03/10		
Facebook	Austin	Web-Based IT	200	\$3,150,000	\$1,400,000	\$41,800,000	366	2986%	167%	02/10	\$500,000	06/10		
Kohl's Department Stores	San Antonio	E-Commerce/Cust Svc	150	\$18,000,000	\$750,000	\$204,000,013	2,197	27200%	568%	04/10	\$300,000	05/10		
Frito-Lay	Plano	Information Technology	125	\$4,500,000	\$1,125,000	\$140,371,200		12477%	278%	06/10	\$750,000	06/10		
Cardiovascular Systems	Pearland	Medical Technology	100	\$25,500,000	\$600,000	\$279,563,240	925	46594%	638%	10/09	\$400,000	06/10		

COMPANY	LOCATION	INDUSTRY	DIRECT JOBS	CAPITAL INVESTMENT <sup>A</sup>	TEF GRANT <sup>B</sup>	ANNUAL GROSS STATE PRODUCT IMPACT <sup>C</sup>	TOTAL JOBS <sup>D</sup>	ECONOMIC RETURN (GSP/TEF)	DIRECT STATE RETURN (TAX REV./TEF)	DATE ANNOUNCED	DISBURSEMENT		LIQUIDATED DAMAGES (CLAWBACKS)	OTHER REPAYMENTS	
											AMOUNT	DATE			
Zarges Aluminum Systems	Amarillo	Wind Tower Parts	100	\$12,131,000	\$400,000	\$28,504,152	380	7126%	568%	11/09	\$200,000	02/10			
<b>TEF PROJECTS ANNOUNCED, CONTRACT PENDING</b>			<b>1,390</b>	<b>\$274,505,000</b>	<b>\$6,150,000</b>	<b>\$1,435,274,976</b>	<b>5,539</b>								
Nationwide Mutual Insurance	San Antonio	Insurance	550	\$94,800,000	\$2,500,000	\$198,162,242	1,874	7926%	506%	10/09					
Natura World	Wichita Falls	Mattress Mfg	400	\$24,950,000	\$1,500,000	\$896,295,134	1,182	59753%	307%	02/10					
Caterpillar	Victoria	Construction Machinery	238	\$122,725,000	\$1,175,000	\$125,958,600	1,943	10720%	1479%	08/10					
SIPCO	Cuero	Gear Mfg	102	\$6,030,000	\$300,000	\$56,059,000	150	18686%	353%	02/10					
Tapco International	Baytown	Refinery Components	100	\$26,000,000	\$675,000	\$158,800,000	390	23526%	690%	08/10					
<b>TOTAL TEF PROJECTS ALLOCATED</b>			<b>54,259</b>	<b>\$14,614,082,727</b>	<b>\$411,669,196</b>								<b>\$2,816,149</b>	<b>\$18,467,722</b>	
<b>Total Funds Disbursed</b>											<b>\$356,883,196</b>				
<b>Total Disbursed Funds Returned</b>														<b>\$21,283,871</b>	
<b>Amount Allocated to Special Events Funds</b>															
<b>AVAILABLE TEF BALANCE FOR FISCAL YEARS 2010-2011</b>															

(Projects are listed by date of contract execution – and not by time of funding encumbrance)

Notes: <sup>A</sup> Company commitment at date of award.

<sup>B</sup> Amount granted per the contract. Final disbursement depends upon recipient performance and any enforcement of liquidated damages based on performance

<sup>C</sup> As forecasted by third-party economic impact analysis.

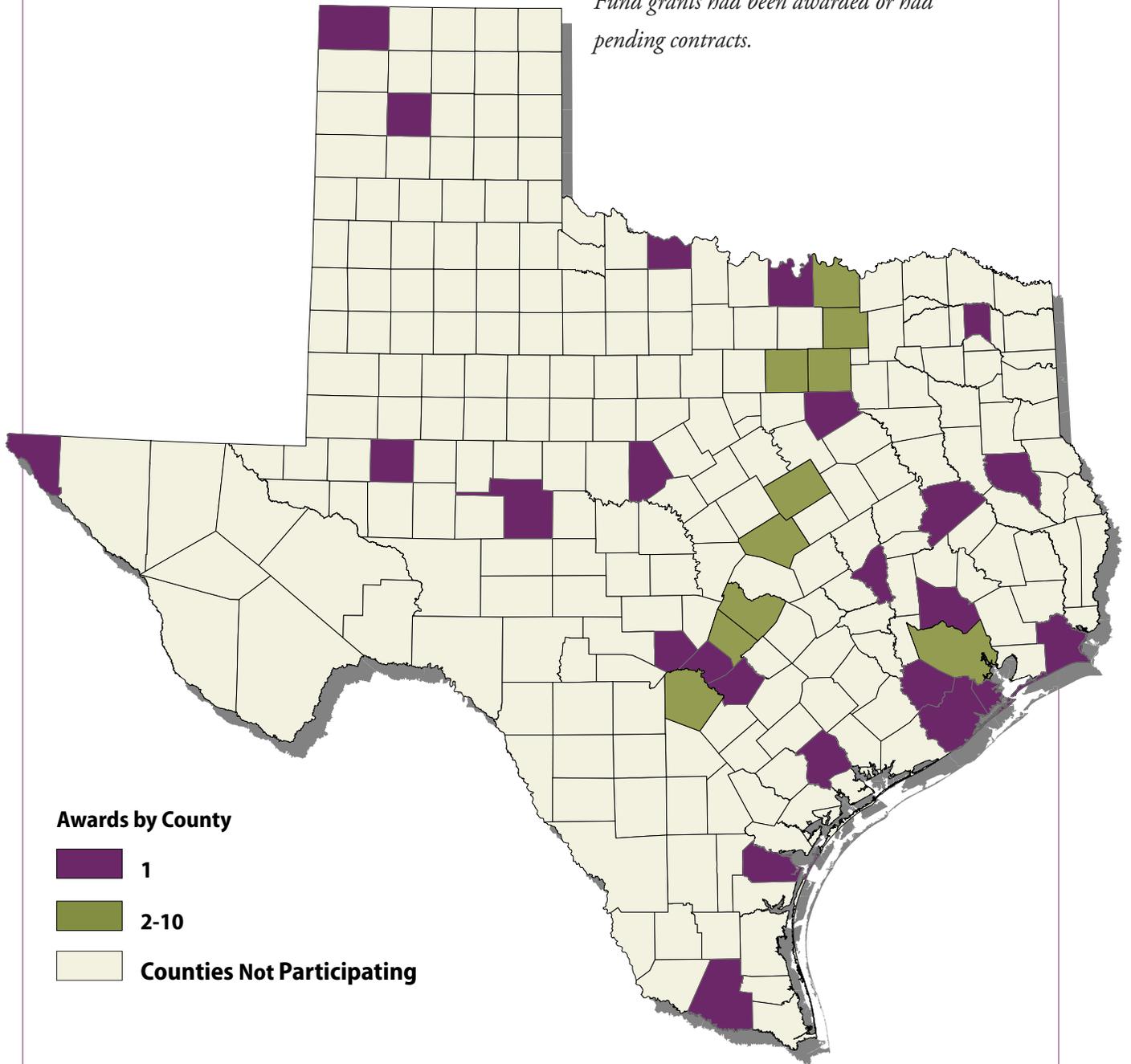
<sup>D</sup> Includes direct, indirect, and induced jobs forecasted by third-party economic impact analysis.

<sup>E</sup> Texas Instruments grant utilized by University of Texas at Dallas.

MAP 2.4

## 2.4 – Texas Enterprise Funds Awards Fiscal 2004 through Fiscal 2010

*From its launch in fiscal 2004 through August 31, 2010, 71 Texas Enterprise Fund grants had been awarded or had pending contracts.*



# Incentive Programs

## 3-Economic Development Refund

### 3.1 PROGRAM SUMMARY

#### YEAR ENACTED:

1995 (First Year of Operation: 1997)

#### LEGISLATIVE APPROPRIATION:

\$10 Million

#### HISTORY:

Sections 111.301 through 111.304 of the Tax Code provides for sales and/or franchise tax refunds to qualified property owners who entered into local property tax abatement agreements after January 1, 1996 with a city or county, but not a school district.<sup>39</sup> Property owners with tax abatement agreements entered into on or before January 1, 1996 are not eligible for these state refunds, pursuant to Section 111.301, Tax Code. They are also not eligible if their property is subject to an appraised value limitation, pursuant to Chapter 313 of the Tax Code.

To be eligible for a refund, a property owner must have established a new business in a reinvestment zone or expanded or modernized an existing business located in the zone.

Since entering into a city or county abatement agreement, the property owner must have increased the business's payroll by at least \$3,000,000, specific to its property in Texas. Or, the owner must have increased the abated property's appraised value by at least \$4,000,000.

The property owner is barred from a refund if the company has agreed to an in-lieu-of-taxes payment-including a gift, grant, donation, or provision of in-kind services-to the city or county, if the payment exceeds \$5,000 in value.

A property owner's potential sales and/or franchise tax refund equals the school property taxes paid by the owner in that tax year on property subject to a city or county abatement agreement. The maximum refund is the lesser of the school taxes paid or the amount of net sales and use tax and net franchise tax paid for the tax year the refund is claimed. The total for all refunds collectively may not exceed \$10 million, the amount made available by the Texas Legislature, pursuant to Section 111.302(c), Tax Code.

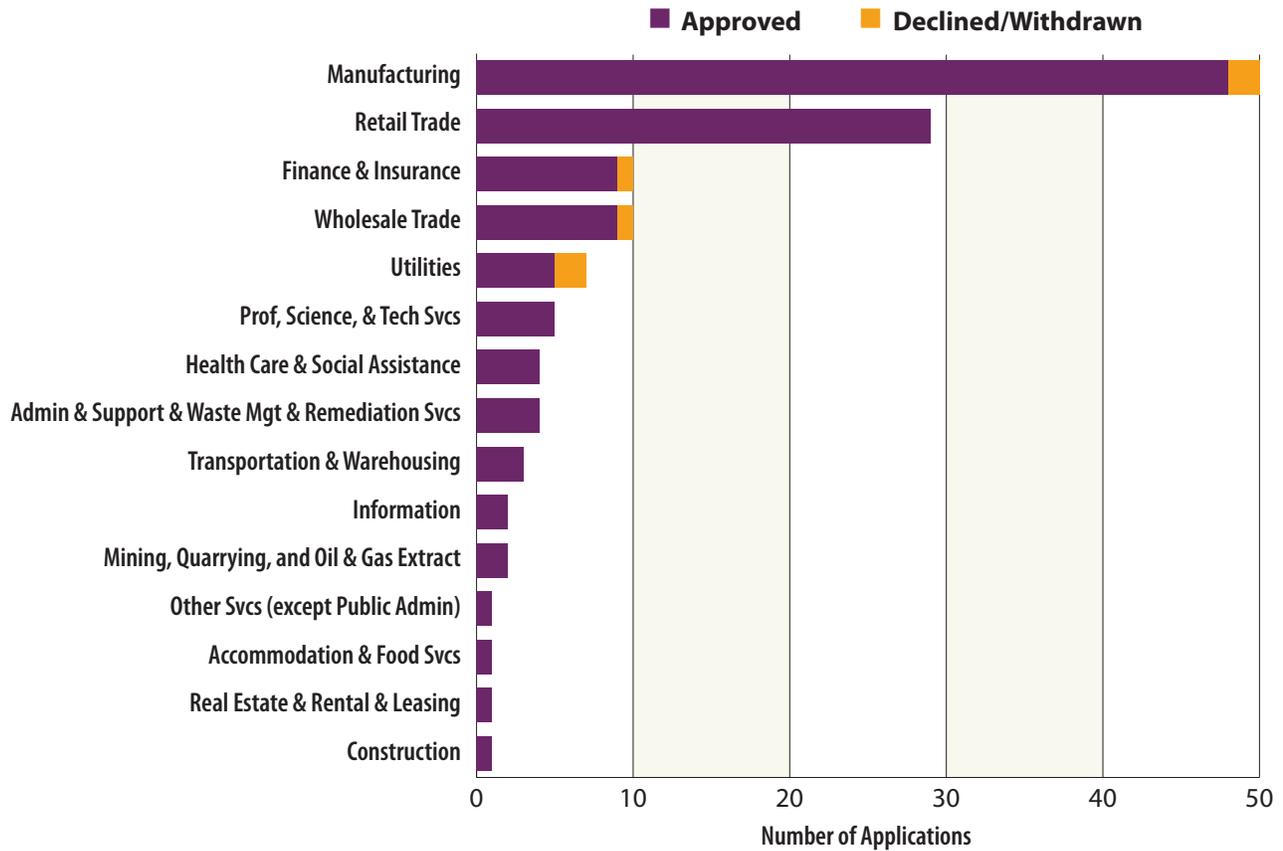
#### MEASUREMENT:

The statutory limitation of an annual distribution of \$10 million has been refunded every year except the first year of the program's creation (1997). The prorated allocation has declined from 100 percent to a low of approximately 14 percent and has stabilized for the last five years at approximately 33 percent. Total amount appropriated for the refund is the smallest among the incentive programs in this report.

FIGURE 5:

ECONOMIC DEVELOPMENT REFUND APPLICATIONS APPROVED, DENIED, OR WITHDRAWN IN 2008<sup>40</sup>

*Almost 40 percent of Economic Development Refund applications are sought by and granted to manufacturers.*



Source: Texas Comptroller of Public Accounts

Figure 5 shows the distribution of industries that have received Economic Development Refunds in 2008. Using two-digit NAICS codes to aggregate the 130 applications filed by 93 companies, the figure shows that 15 industries have received refunds.<sup>41</sup>

Out of a total of 130 applications in 2008, only six have been denied or withdrawn. Of the remaining 124 applications that have been approved, the manufacturing industry represents roughly 38.7 percent (48 applications). The types of firms that make up this industry span the spectrum from food manufacturing to chemical and petroleum & coal products manufacturing to transportation equipment and computer & electronic products manufacturing.

The retail trade, finance & insurance, wholesale trade and utilities industries round off the top five industries that have received economic development refund approvals. These four industries account for approximately 42 percent of all refund approvals. Together with manufacturing, these top five industries represent over 80 percent of the approved refunds.

TABLE 8:

**HISTORICAL DISTRIBUTIONS FROM THE ECONOMIC DEVELOPMENT REFUND (1997-2008).**

PROPERTY TAX YEAR	ALLOCATION PERCENTAGE OF APPROVED REFUND	NUMBER OF APPLICATIONS	NUMBER OF VENDOR AUDITS	NUMBER OF APPLICATIONS APPROVED	NUMBER OF APPLICATIONS DENIED OR WITHDRAWN	NUMBER OF COMPANIES RECEIVING REFUNDS
1997	100.00	16	0	13	3	10
1998	56.96	41	7	35	6	28
1999	32.79	95	18	85	10	62
2000	21.57	122	27	114	8	82
2001	15.30	155	22	139	16	90
2002	14.30	162	21	150	12	91
2003	14.76	171	18	163	8	102
2004	24.95	139	12	127	12	83
2005	33.10	155	18	130	25	82
2006	32.59	148	20	126	20	72
2007	31.61	139	19	129	10	87
2008	33.32	131	16	125	6	89

Source: Texas Comptroller of Public Accounts Property Tax Assistance Division.

**PROGRAM STRENGTHS:**

- The program was created in statute.
- The program has a limitation on the total refund amount.

**PROGRAM WEAKNESSES:**

- The program funds businesses irrespective of industry. It is arguably not an efficient use of taxpayer dollars to “incentivize” retail or other service sector jobs.
- The program does not explicitly track jobs or capital investments.
- Economic benefits accruing from the program are not readily known.
- Specific company information is confidential, making analysis difficult.

**PROGRAM RECOMMENDATIONS:****Economic Development Refund**

- **Program Effectiveness.** The legislature should evaluate the effectiveness of the program in consideration of the fact that 23 percent of the awards are supporting retail applicants.
- **Need for Additional Data.** If this program is funded in the future, the Comptroller’s office should be authorized to report the specific payroll and appraised value increases reported by each applicant to assist in the evaluation of the program.

## 3.2 ECONOMIC DEVELOPMENT REFUND OBJECTIVES

**The Economic Development Refund:**<sup>42</sup>

- The objective of the Economic Development Refund is to enhance economic development by authorizing eligible businesses to receive sales and franchise tax refunds in cases in which they were barred from participating in tax abatement agreements with school districts.<sup>43</sup> The amount of the refund would be equal to the property taxes paid to the school district if the school district on property for which a city or county tax abatement agreement exists, not to exceed the net state sales/use and state franchise taxes paid or collected and remitted during that calendar year. The refund amount is limited by a statewide appropriation of \$10 million per year.
- The property must be:
  1. located in a reinvestment zone established under Chapter 312
  2. exempt in whole or in part from the payment of ad valorem taxes imposed by a municipality or a county under a tax abatement agreement entered into with the municipality or county under Chapter 312
  3. not subject to a tax credit agreement or an agreement to limit the appraised value of property under Chapter 313 entered into by the school district

**HOW ARE OBJECTIVES MEASURED?**

- The law requires an increase in the business's payroll of \$3 million, specific to property located in this state according to records filed by the business with the Texas Employment Commission; or since an initial comparison year beginning on or after January 1, 1996, an increase of at least \$4 million in the appraised value of the business's property subject to the tax abatement agreement with the municipality or county according to the appraisal rolls. These criteria must be established in order to be eligible for a refund and can be measured.

An eligible business must submit an application (AP-186) with proof of payment of school property tax for that year and a statement from the chief appraiser stating the value of the property subject to the abatement for the initial base comparison year (the year agreement executed).

**PROGRAM STATUS**

- The statutory limitation of an annual distribution of \$10 million has been refunded every year except the first year of the program's creation (1997). The prorated allocation has declined from 100 percent to a low of approximately 14 percent and has stabilized for the last five years at approximately 33 percent.

**PROGRAM COSTS:**

- \$10 million per year

**PROGRAM OUTLAYS/ALLOCATIONS**

- Over a 12-year period, the number of applications for state tax refunds under the program has increased from 16 in 1997 to 131 in 2008. This represents more than a seven-fold increase in applications. It should be noted that the number of applications has peaked at 171 in 2003.

Although the number of approved applications has varied, the refund amount is fixed. Therefore the only variable is the amount received by each applicant.

## 3.3 ECONOMIC DEVELOPMENT REFUND APPLICATION LIST

TABLE 9

## 2008 APPLICATIONS FOR ECONOMIC DEVELOPMENT REFUNDS (AS OF OCTOBER 22, 2009)

NUMBER	NAME	TWO-DIGIT NAICS	NUMBER OF REFUNDS		
			2008 APPLICATIONS		PREVIOUS REFUNDS
			APPROVED	DENIED	
<b>MINING, QUARRYING AND OIL &amp; GAS EXTRACTION</b>					
1	Chevron USA, Inc.	21	1		
2	Halliburton Energy Services, Inc.	21	1		1
<b>UTILITIES</b>					
3	Wise County Power Company, LP	22	1		1
4	Hayes Energy, LP	22		1	5
5	Tenaska Gateway Partners, LTD	22	1		
6	West Texas Wind Energy Partner, LLC	22		1	
7	Freeport Energy Center, LP	22	1		1
8	Brazos Valley Energy, LLC	22	1		
9	Wolf Hollow I, LP	22	1		1
<b>CONSTRUCTION</b>					
10	Zackry Industrial, Inc.	23	1		2
<b>MANUFACTURING</b>					
11	Morningstar Foods, LLC	31	1		2
12	Cott Beverages, Inc.	31	1		
13	Kaneka Nutrients, LP	31	1		1
14	Frito-Lay, Inc.	31	2		3
15	PepsiCo, Inc.	31	1		3
16	Tyson Fresh Meats, Inc.	31	1		1
17	Longhorn Glass Mfg., LP	32	1		2
18	ISP Technologies, Inc.	32	1		2
19	BMC West Corporation	32	1		2
20	Atofina Par, LP	32	1		1
21	The Sun Products Corp.	32	1		1
22	Ineos USA, Inc.	32	1		1
23	Air Liquide Large Industries US, LP	32	2		
24	Champion Technologies, Inc.	32	1		3
25	PPG Industries, Inc.	32	1		2
26	John Mansville Corp.	32	1		2
27	Pactiv Corp.	32	1		4
28	Dow Chemical Company	32	1		2
29	Union Carbide Corp.	32	2		2
30	Sterilite Corp. of Texas	32	1		3
31	Chevron Phillips Chemical Company, LP	32	1		
32	Kimberly-Clark Corp.	32	2		1
33	Temple-Inland, Inc.	32	1		

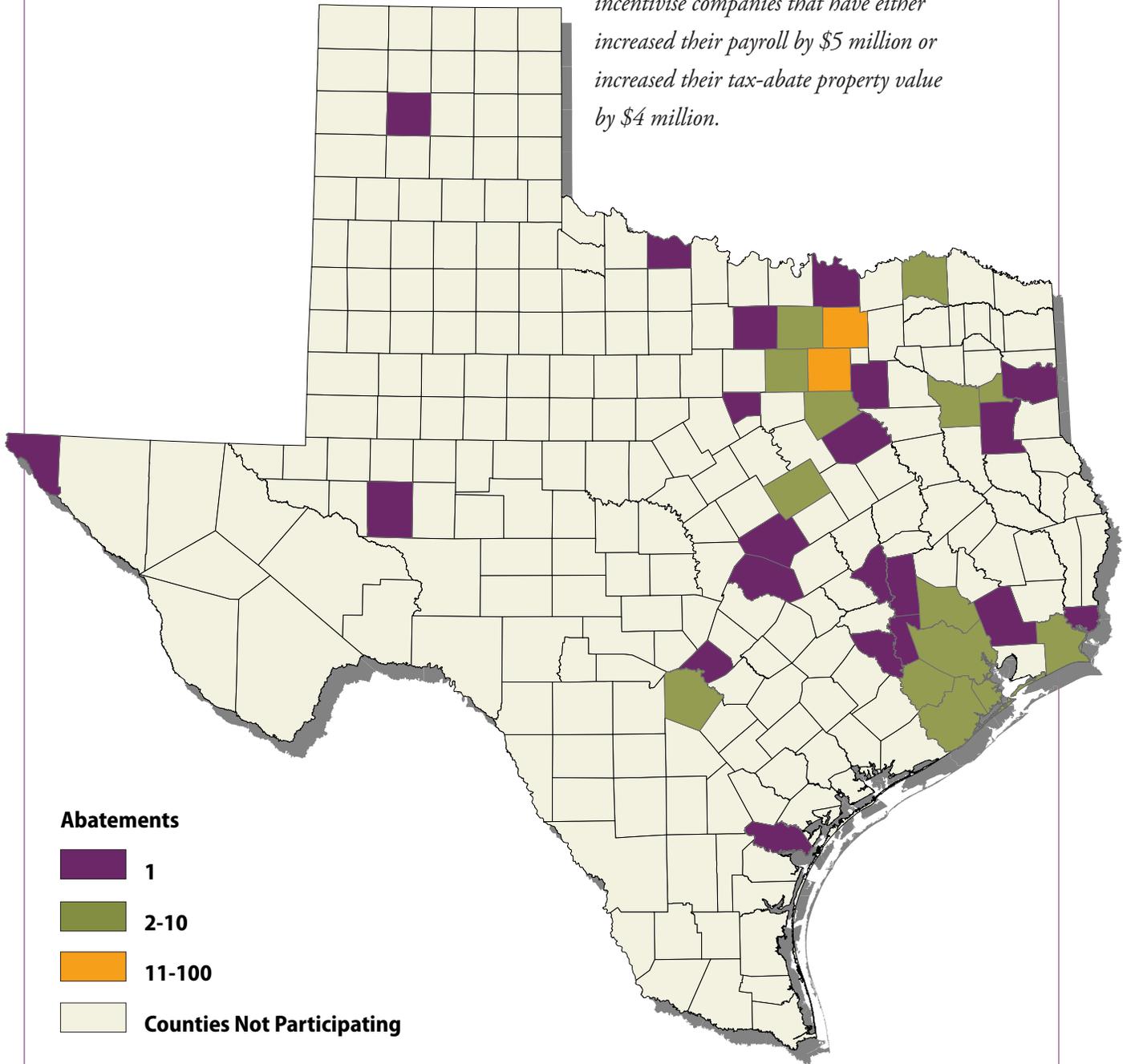
NUMBER	NAME	TWO-DIGIT NAICS	NUMBER OF REFUNDS		
			2008 APPLICATIONS		PREVIOUS REFUNDS
			APPROVED	DENIED	
34	RBF Port Neches, LLC	32	1		
35	Bell Helicopter Textron, Inc.	33	1		1
36	Temic Automotive of North America	33		1	
37	Igloo Products Corp.	33	1		3
38	Ericsson, Inc.	33	1		3
39	General Motors	33	1		2
40	National Semiconductor	33	1		1
41	Takumi Stamping Texas, Inc.	33	1		1
42	Andrew Corp.	33	4		14
43	Thermo Process Instruments, LP	33	1		2
44	Maxim Integrated Products, Inc.	33	1		2
45	Nortel Networks, Inc.	33	1		3
46	Kiewit Offshore Services, LTD	33	1		4
47	Trinity Industries, Inc.	33	1		2
48	Grant Prideco, Inc.	33	1		4
49	Carrier Corp.	33	2		7
50	FPL Energy Upton Wind, LLC	33	1		
51	Kent Moore Cabinets, LTD	33	1		
52	BASF Corp.	33	1		4
<b>WHOLESALE TRADE</b>					
53	Orgill, Inc.	42	1		
54	Tektronix	42	1		1
55	Tractor Supply Company of Texas, LP	42	1		1
56	McKesson Corp.	42	2		2
57	Samsung Telecommunications America, LP	42	1		4
58	Reedhycalog, LP	42	1		
59	Watson-Sysco Food Services, Inc.	42	1		1
60	Midlothian Energy, LP	42		1	5
61	RNDC Texas, LLC	42	1		4
<b>RETAIL TRADE</b>					
62	Walgreens	44	1		3
63	HEB Grocery Company	44	2		
64	The Men's Warehouse, Inc.	44	1		2
65	LaCerte Software Corp.	44	2		4
66	Nestle Waters North America, Inc.	44	2		
67	Tramontina USA, Inc.	44	4		5
68	Lance Manufacturing, Inc.	44	1		1
69	Lowe's Home Centers, Inc.	44	4		
70	Target Corp.	45	6		16
71	Wal-Mart Stores East, LP	45	6		17

NUMBER	NAME	TWO-DIGIT NAICS	NUMBER OF REFUNDS		
			2008 APPLICATIONS		PREVIOUS REFUNDS
			APPROVED	DENIED	
<b>TRANSPORTATION &amp; WAREHOUSING</b>					
72	Federal Express Ground Package System	48	2		4
73	Freeport LNG Development, LP	48	1		1
<b>INFORMATION</b>					
74	McGraw-Hill Companies, Inc.	51	1		
75	Cebridge Acquisition	51	1		4
<b>FINANCE &amp; INSURANCE</b>					
76	JP Morgan Chase	52	4	1	14
77	Torchmark Corp.	52	1		
78	Blue Cross - Blue Shield of Texas	52	2		8
79	Citicorp North America, Inc.	52	2		
<b>REAL ESTATE &amp; RENTAL &amp; LEASING</b>					
80	Rent-A-Center Texas, LP	53	1		
<b>PROFESSIONAL, SCIENTIFIC &amp; TECHNICAL SERVICES</b>					
81	Fluor Corp.	54	2		2
82	Crossmark, Inc.	54	1		4
83	Toyotetsu Texas, Inc.	54	1		1
84	Mesquite Wind, LLC	54	1		
<b>ADMINISTRATIVE &amp; SUPPORT &amp; WASTE MANAGEMENT &amp; REMEDIATION SERVICES</b>					
85	Plastipak Packaging, Inc.	56	1		1
86	Sabre, Inc.	56	1		1
87	Experian Information Solutions	56	1		2
88	Wal-Mart Real Estate Business	56	1		
<b>HEALTH CARE &amp; SOCIAL SERVICES</b>					
89	El Paso Healthcare Systems, LTD	62	1		1
90	Columbia Medical Center of Plano, LP	62	2		6
91	Columbia Medical Center of Lewisville	62	1		1
<b>ACCOMMODATION &amp; FOOD SERVICES</b>					
92	Sysco Food Services of Dallas	72	1		2
<b>OTHER SERVICES (EXCEPT PUBLIC ADMINISTRATION)</b>					
93	Union Tank Car Company	81	1		1
<b>TOTAL</b>			<b>125</b>	<b>5</b>	<b>221</b>

MAP 3.4

### 3.4 - Economic Development Refund Participation 2008

*Thirty-five Texas counties have used the Economic Development Refund, to incentivize companies that have either increased their payroll by \$5 million or increased their tax-abate property value by \$4 million.*



# Incentive Programs

## 4-Texas Enterprise Zone Program

### 4.1 PROGRAM SUMMARY

#### YEAR ENACTED:

1987 (Agency Rule)  
1993 (Program Codification)  
2003 (Program amended to current format)

#### LEGISLATIVE APPROPRIATION:

No specific appropriation

#### HISTORY:

The Texas Legislature codified the Texas Enterprise Zone Act in the Government Code in 1993 and amended the Act in 2003.<sup>44</sup> This legislation established a process whereby areas characterized by acute distress are identified and are provided with state and local inducements to encourage private investments through the removal of unnecessary governmental regulatory barriers to economic growth and to provide tax incentives and economic development program benefits.

In essence, the enterprise zone program has served as an economic development tool for local communities to partner with the State of Texas to promote job creation, job retention and capital investment in economically distressed areas of the state.

#### MEASUREMENT:

To receive designation and the benefits associated with the enterprise zone program, the following steps/phases need to be put into place:<sup>45</sup>

- Communities nominate projects, for a designation period up to five years, excluding a 90-day window prior to the application

deadline. Employment and capital investment commitments must be met within this timeframe.

- Projects may be physically located in or outside of an Enterprise Zone.
- If located within a zone, the company commits that at least 25 percent of their new employees will meet economically disadvantaged or enterprise zone residence requirements.
- If located outside of a zone, the company commits that at least 35 percent of their new employees will meet economically disadvantaged or enterprise zone residency requirements.
- Under limited statutory provisions, an enterprise project designation may be granted for job retention.

Designated projects are eligible to apply for state sales and use tax refunds on purchases made for use at the qualified business site. The level and amount of refund is related to the capital investment and jobs created at the qualified business site. The taxpayer (designated project) submits a detailed schedule of expenditures and employment information to the Office of the Comptroller - Audit Division. Field auditors are then sent out to verify expenditures and employment information.

- The maximum refund(s) associated with the corresponding job and investment levels are illustrated in Table 10:

TABLE 10:

**MAXIMUM REFUNDS BASED ON DESIGNATION LEVELS, CAPITAL INVESTMENTS AND JOBS CREATED/RETAINED.**

DESIGNATION TYPE	LEVEL OF CAPITAL INVESTMENT	MAXIMUM NUMBER OF JOBS ALLOCATED	MAXIMUM POTENTIAL REFUND	MAXIMUM REFUND PER JOB ALLOCATION
<b>SINGLE PROJECT</b>	\$40,000 - \$399,999	10	\$25,000	\$2,500
	\$400,000 - \$999,999	25	\$62,000	\$2,500
	\$1M - \$4,999,999	125	\$312,500	\$2,500
	\$5M - \$149,999,999	500	\$1,250,000	\$2,500
<b>DOUBLE JUMBO PROJECT</b>	\$150M - \$249,999,999	500	\$2,500,000	\$5,000
<b>TRIPLE JUMBO PROJECT</b>	\$250M or more	500	\$3,750,000	\$7,500

SOURCE: [http://governor.state.tx.us/ecodev/financial\\_resources/tax\\_incentives/](http://governor.state.tx.us/ecodev/financial_resources/tax_incentives/)

- The state is allocated 105 enterprise project designations per state biennium. However, for the current biennium, the Governor’s Office expects all designations to be allocated by the second quarter of fiscal 2011.
- Based on information obtained from the Governor’s Office and the Texas Comptroller of Public Accounts for Fiscal 2008 and 2009, the program allocations and costs are as follows:

From the information contained in Table 11, the program generated the following between fiscal 2008 and fiscal 2009:

- 89 designations
- 51,761 jobs associated with the program
  - 13,068 new jobs were committed
  - 38,693 jobs retained
- \$5.77 Billion in capital investment

TABLE 11

**PROGRAM COSTS AND ALLOCATIONS (FISCAL 2008 AND 2009)<sup>46</sup>**

FISCAL YEAR	DESIGNATION TYPE	NUMBER OF PROJECTS	CAPITAL INVESTMENT	JOBS		STATE REFUND
			(Millions)	New Commitments	Retained	(Millions)
<b>2008</b>	Single	30	\$524.36	4,553	10,220	
	Double	-	-	-	-	
	Triple	6	\$1,752.15	3,193	7,214	
	<b>Total</b>	<b>36</b>	<b>\$2,276.51</b>	<b>7,746</b>	<b>17,434</b>	<b>\$17.48</b>
<b>2009</b>	Single	42	\$920.23	3,660	14,013	
	Double	9	\$2,055.29	1,662	3,406	
	Triple	2	\$520.00	0	3,840	
	<b>Total</b>	<b>53</b>	<b>\$3,495.52</b>	<b>5,322</b>	<b>21,259</b>	<b>\$16.13</b>

Sources:

- (1) Office of the Governor, Economic Development and Tourism Division (August 31, 2009). [http://governor.state.tx.us/ecodev/financial\\_resources/tax\\_incentives/](http://governor.state.tx.us/ecodev/financial_resources/tax_incentives/)
- (2) State refund information obtained - Audit Division, TX Comptroller of Public Accounts (August 17, 2010).

Given the estimated total gross tax benefit to designees through state tax refunds (\$33.6 Million) as the basis of cost, the amount of state tax refund per-unit measurement of the program are as follows:

- \$377,739.85 of state tax refund per designation
- \$649 of state tax refund per job (committed and retained)
- \$5.82 of state tax credit per \$1,000 of estimated capital investment

In terms of capital investments, Enterprise Project companies have increased their total investments in Texas communities from \$1.58 Billion in 2003 to over \$11.64 Billion in 2009. See Figure 6.

In terms of the number of companies operating in the zone, Figure 7 shows the growth trends between 2003 and 2009.<sup>47</sup> Over the seven-year period, the number of companies receiving TX Enterprise Zone program benefits has increased from 37 in calendar year 2003 to 57 in calendar year 2009.

FIGURE 6:

CAPITAL INVESTMENTS IN TX ENTERPRISE ZONES (\$BILLIONS/YEAR)

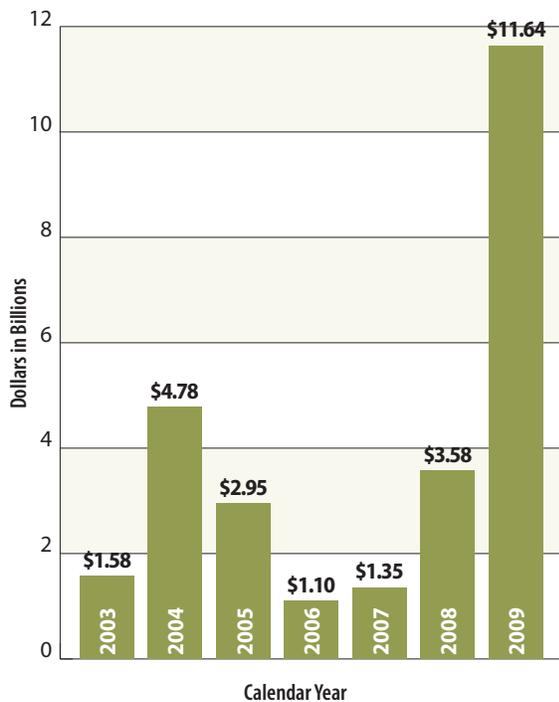


FIGURE 7:

NUMBER OF COMPANIES RECEIVING TEXAS ENTERPRISE ZONE PROGRAM BENEFITS

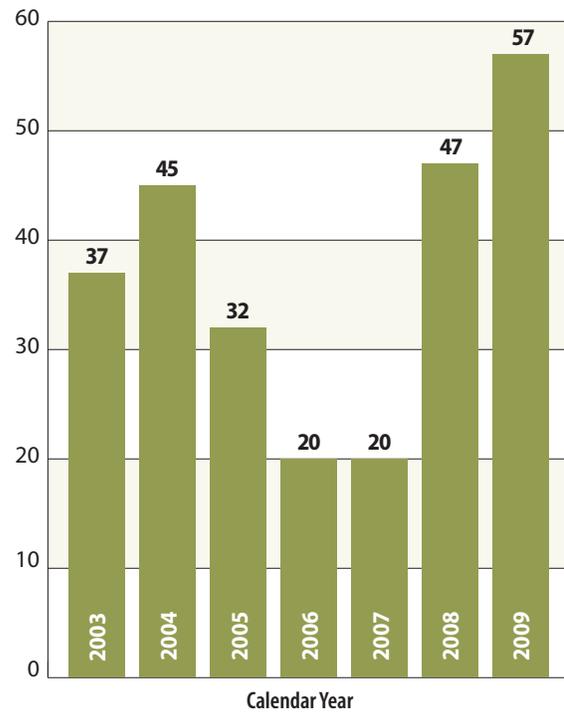


FIGURE 8:

NUMBER OF NEW AND /OR RETAINED JOBS IN TEXAS ENTERPRISE ZONES (YEAR)

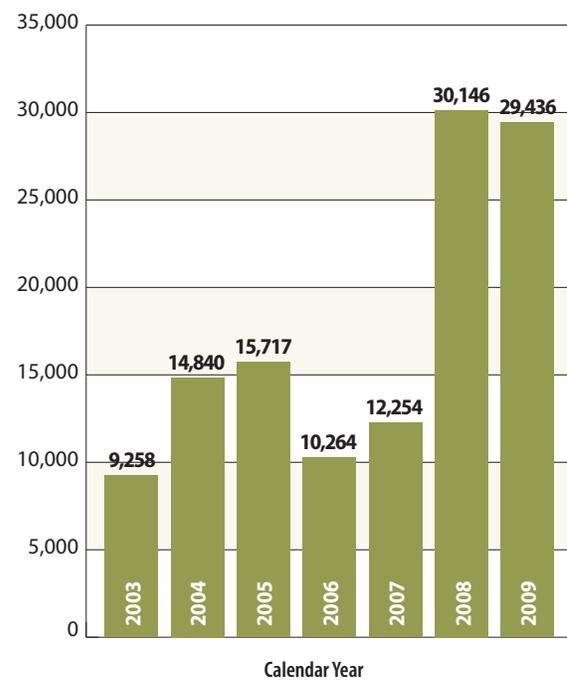


Figure 8 shows the number of jobs that have been created and/or retained by Enterprise Project companies in Texas communities between 2003 and 2009. In 2003, companies involved in the Texas Enterprise Zone created or retained 9,258 jobs. In 2009, 29,436 jobs were created or retained.



#### PROGRAM STRENGTHS:

- The program was created in statute.
- The program has limitations on the following:
  - time period for designation (five years maximum)
  - maximum refund amounts based on job creation/retention and capital investment levels (information in Table 10)
  - number of designations (105 per biennium)
- The program encourages state and local partnership in job and investment creation in distressed communities in the state.
- It is the only state incentive program geared towards job retention.
- In terms of compliance, program utilizes CPA field audits to verify refund claims on expenditures and employment.



#### PROGRAM WEAKNESSES:

- Performance is reported in the aggregate. It is impossible to determine individual performance.
- The program has a limited number of designations which may be awarded disproportionately in the biennium, causing worthy projects to not be eligible due to timing.
- In determining the cost of state refunds per job, it is difficult to differentiate between cost attributed to new/committed jobs and cost attributed to retained jobs.



#### PROGRAM RECOMMENDATIONS:

##### Texas Enterprise Zone Program

- **Review biennial allocations.** The state authorizes a limited number of designations for each biennium. While this limits the state's potential cost, it also makes it difficult for the state to maximize the benefit from the program, because worthy projects that apply too late in the biennium may not receive an authorization, even though the project could have a better return to the state than previously authorized projects.
  - The legislature should evaluate the number of authorized biennial allocations, as well as the method of allocation to ensure that the program provides maximum benefits to both the state and the employers.

## 4.2 TEXAS ENTERPRISE ZONE OBJECTIVES

### The Texas Enterprise Zone program:<sup>48</sup>

The Texas Enterprise Zone Program is an economic development tool for local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas of the state.

### Participation

Local communities must nominate a company as an Enterprise Project to be eligible to participate in the Enterprise Zone Program. Legislation limits allocations to the state and local communities per biennium. The state accepts applications quarterly with deadlines on the first working day of March, June, September and December.

### Benefits to Participation

Designated projects are eligible to apply for state sales and use tax refunds on purchases made for use at the qualified business site. The level and amount of refund is related to the capital investment and jobs created at the qualified business site.

### Participation Requirements

- Communities may nominate projects, for a designation period up to five years, non-inclusive of a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within this timeframe.
- Projects may be physically located in or outside of an Enterprise Zone.
- If located within a zone, the company commits that at least 25 percent of their new employees will meet economically disadvantaged or enterprise zone residence requirements.
- If located outside of a zone, the company commits that at least 35 percent of their new employees will meet economically disadvantaged or enterprise zone residency requirements.

### HOW ARE OBJECTIVES MEASURED?

Projects approved, projected capital investment, and new and retained jobs are tracked by the Governor's office.

## 4.3 TEXAS ENTERPRISE ZONE AWARDEE LIST

The following pages display the Texas Enterprise Zone Awardees from 2003 through 2010.

TABLE 12:

**INVESTMENTS & EMPLOYMENT IN TEXAS ENTERPRISE ZONES (calendar years 2003-2010)**

COMPANY	COUNTY	CAPITAL INVESTMENT	JOB, NEW AND/OR RETAINED
<b>CY 2003</b>			
Ethicon, Inc.	Tom Green	21,000,000	250
Tyco Fire Products, LP	Lubbock	28,400,000	325
HTP Rio Grande, LP	Hidalgo	18,607,000	113
CVS Texas Distribution, L.P.	Ellis	40,000,000	220
Excel Corporation	Hale	50,700,000	220
Gulf Coast Ford Ltd. dba Gulf Coast Ford	Brazoria	5,119,666	88
Voicestream PCS II Corporation subsidiary of T-Mobile USA, Inc.	Hidalgo	12,000,000	728
La Quinta Corporation and its Subsidiary Corporations and Other Affiliates	Bexar	33,316,000	61
Crochet & Borel Services, Inc., dba C & B Services, Inc.	Jefferson	2,200,000	91
Boeing Aerospace Operations, Inc.	Bexar	47,000,000	250
Earth Core, Inc.	Montague	5,000,000	50
Lowe's Home Centers, Inc.	Dallas	15,800,000	100
SeaSilver USA, Inc.	Hidalgo	14,305,000	100
Target Corporation - Midlothian Regional Distribution Center	Ellis	85,516,000	500
American RV & Marts	El Paso	9,900,000	30
Arrow Hose & Tubing (USA) Inc. - Texas	Tarrant	4,175,000	35
Merkafon International, Ltd.	Hidalgo	29,380,000	500
Trico Technologies Corp.	Cameron	18,771,113	70
Bank One N.A.	Dallas	60,239,000	246
Freedom Newspapers	Hidalgo	19,893,948	252
ISP Synthetic Elastomers LP	Jefferson	37,265,000	184
Lowe's Home Center, Inc.	Henderson	15,800,000	127
Lowe's Home Center, Inc.	Polk	9,116,600	127
Lowe's Home Center, Inc.	Hopkins	15,800,000	127
Lowe's Home Center, Inc.	Titus	15,800,000	127
Lowe's Home Center, Inc.	Harrison	15,800,000	127
Lowe's Home Center, Inc.	Kleberg	9,116,600	127
Owens Country Sausage Inc.	Hopkins	16,500,050	112
Pier 1 Services Company	Tarrant	100,000,000	350
RadioShack Corporation	Tarrant	190,000,000	500
Venus Initiatives LLP	Kaufman	55,725,000	500
Alcoa World Alumina LLC	Calhoun	28,050,000	595
CITGO Refining and Chemicals Company, L.P.	Nueces	458,000,000	542
Echostar Satellite Corporation	Cameron	8,251,248	607
Lowe's Home Center Inc.	Anderson	15,800,000	127

COMPANY	COUNTY	CAPITAL INVESTMENT	JOB, NEW AND/OR RETAINED
Wal-Mart Stores East, LP	Austin	55,000,000	500
Wal-Mart Stores East, LP	McLennan	9,000,000	250
<b>2003 TOTAL</b>		<b>\$1,576,347,225</b>	<b>9,258</b>
<b>CY 2004</b>			
CertainTeed Corporation	Grayson	13,800,000	35
ExxonMobil Corporation	Harris	331,800,000	1,320
FedEx Ground Package System Inc.	Dallas	61,881,566	100
Honeywell International Inc.	Denton	1,132,000	30
Miramar Designs, Ltd.	Tarrant	4,383,404	77
Schreiber Foods Inc.	Erath	42,000,000	287
Weatherford Artificial Lift Systems Inc.	Wise	14,000,000	68
Behr Process Corporation	Denton	23,800,000	100
Blue Bell Creameries, L.P.	Washington	1,800,000	10
Chavez Contracting, Inc.	Wichita	500,000	10
Encore Wire Limited	Collin	20,000,000	750
Engineered Storage Solutions, LLC	Washington	41,600	10
Excel Corporation	Parmer	50,549,000	200
Formosa Plastics Corporation, Texas	Calhoun	167,000,000	1,400
Hilton Midland Plaza	Midland	9,500,000	35
Kehe Food Distributors - Texas, L.P.	Ellis	24,800,000	180
Lavoi Corporation dba EPI Breads	Dallas	5,350,000	186
Sport Supply Group, Inc.	Dallas	515,000	110
The Grease Rack, Inc.	Jim Wells	1,080,000	15
Valero Refining - Texas, L.P.	Nueces	611,930,000	821
Weatherford Artificial Lift Systems, Inc.	Harrison	12,000,000	60
Weatherford Artificial Lift Systems, Inc.	Jim Wells	16,200,000	63
Cleveland Imaging and Surgical Hospital, L.L.C.	Liberty	9,548,000	48
Home Depot Inc. Data Center	Travis	331,500,000	500
Howe-Baker Engineers, Ltd.	Smith	2,240,000	207
ISP Technologies, Inc.	Galveston	28,000,000	173
JLC Technologies	Smith	9,000,000	159
John Soules Foods, Inc.	Smith	28,700,000	370
Koyo Steering Systems of Texas L.P.	Ellis	30,000,000	200
Lowe's Home Centers, Inc.	Washington	15,800,000	127
Lowe's Home Centers, Inc.	Denton	15,800,000	127
Lowe's Home Centers, Inc.	Parker	15,800,000	127
Slovacek Foods, L.P.	Burleson	2,500,000	29
TASUS Texas Corporation	Williamson	15,000,000	101
Toyota Motor Manufacturing Texas, Inc.	Bexar	573,000,000	1,800
Valero Refining - Texas, L.P.	Galveston	460,020,000	450
Avanzar Interior Technologies, Ltd.	Bexar	41,000,000	522
BASF Corporation	Brazoria	316,030,000	604
Bayer MaterialScience LLC	Chambers	385,497,000	898

COMPANY	COUNTY	CAPITAL INVESTMENT	JOB, NEW AND/OR RETAINED
Diamond Shamrock Refining Company, L.P.	Moore	408,900,000	451
Diamond Shamrock Refining, L.P.	Live Oak	259,570,000	289
PPG Industries, Inc.	Wichita	38,000,000	436
Vought Aircraft Industries, Inc.	Dallas	215,000,000	500
Vutex Inc.	Bexar	12,000,000	525
Western Refining Company, L.P.	El Paso	151,494,000	330
<b>2004 TOTAL</b>		<b>\$4,778,461,570</b>	<b>14,840</b>
<b>CY 2005</b>			
ASMO, Inc.	Ellis	28,609,227	103
Cabela's Retail Texas, LP	Hays	10,610,000	183
Corpus Christi Interests, LLC	San Patricio	746,270,000	65
Doctors Hospital at Renaissance, Ltd.	Hidalgo	150,000,000	1,096
East Texas Lee Container, L.P.	Nacogdoches	5,635,000	105
Genlyte Thomas Group LLC, Wide-Lite Division	Hays	10,000,000	306
LG Electronics Alabama, Inc.	Tarrant	11,800,000	700
Lowe's Home Centers, Inc.	Johnson	15,800,000	127
Ruiz Food Products, Inc.	Grayson	48,420,414	612
Seadrift Coke, L.P.	Calhoun	23,000,000	89
Stockton Plaza, LP	Pecos	10,058,815	45
Target Corporation	Tarrant	16,000,000	191
The Dow Chemical Company	Brazoria	316,600,000	4,104
Toyoda Gosei Texas, LLC	Bexar	25,000,000	158
Trinity Tank Car, Inc.	Gregg	11,922,000	1,171
Tyson Fresh Meats, Inc.	Grayson	97,800,000	1,500
Union Carbide Corporation	Galveston	158,028,400	431
We Pack Logistics LP	Lamar	5,000,000	160
ATC Logistics & Electronics, L.P.	Tarrant	6,500,000	300
BASF Corporation	Jefferson	263,900,000	182
CFAN Company	Hays	29,000,000	521
Essilor of America, Inc.	Dallas	36,656,894	380
Futaba Industrial Texas Corporation	Bexar	45,000,000	160
Guardian Industries Corp.	Navarro	49,495,200	209
Hampson Aerospace, Inc.	Dallas	3,200,000	134
Kimberly-Clark Corporation	Lamar	152,000,000	882
Lowe's Home Centers, Inc.	Kaufman	19,300,000	127
Newly Weds Foods, Inc.	Titus	27,300,000	115
Omni Fort Worth Partnership, L.P.	Tarrant	105,000,000	500
Quality Culvert Incorporated	Harrison	11,500,000	89
Southern Plastics, Inc.	Gregg	10,890,000	200
The Premcor Refining Group, Inc.	Jefferson	498,700,000	772
<b>2005 TOTAL</b>		<b>\$2,948,995,950</b>	<b>15,717</b>

COMPANY	COUNTY	CAPITAL INVESTMENT	JOB, NEW AND/OR RETAINED
<b>CY 2006</b>			
Bell Helicopter Textron Inc.	Potter	35,206,000	733
Bell Helicopter Textron Inc.	Dallas	92,900,000	1,086
Cloeren Incorporated	Orange	5,275,000	216
E. I. du Pont de Nemours and Company	Orange	150,000,000	853
Examination Management Services, Inc.	McLennan	6,950,000	276
Kiewit Offshore Services	San Patricio	5,200,000	1,000
Lance Mfg. LLC	Navarro	7,500,000	225
Campbell Soup Supply Company LLC	Lamar	17,700,000	731
Cemex Cement of Texas, L.P.	Comal	252,413,000	214
G.M. Fabricators, L.P.	Aransas	47,000,000	506
Hilmar Cheese Company	Dallam	200,000,000	168
LANXESS Corporation	Orange	9,730,000	297
ADP, Inc.	El Paso	25,000,000	1,028
BJ Services Company, U.S.A.	Harris	48,000,000	500
Owens Corning	Randall	34,000,000	594
Pied Piper Pet and Wildlife Inc.	Jones	8,887,476	153
Rattlesnake Energy, LLC dba Rattlesnake Refinery	Ward	4,000,000	31
Sanderson Farms, Inc. (Processing Division)	McLennan	67,000,000	700
Sherwin Alumina, L.P.	San Patricio	56,390,000	742
Sysco Food Services of East Texas, LLC	Gregg	31,000,075	211
<b>2006 TOTAL</b>		<b>\$1,104,151,551</b>	<b>10,264</b>
<b>CY 2007</b>			
Keppel AmFELS, Inc.	Cameron	15,171,500	923
Mesquite Fuels & Agriculture, Inc.	Jones	10,000,000	24
Orgill, Inc.	Gregg	21,300,000	264
Owens Corning Roofing and Asphalt, LLC	Dallas	7,500,000	220
Health Care Service Corporation, a Mutual Legal Reserve Company	Potter	25,000,000	500
Sabre Communications Corporation	Johnson	30,900,000	199
Stamford Millworks, Inc.	Jones	2,568,480	25
Bell Helicopter Textron, Inc.	Tarrant	266,732,366	3,674
Otis Spunkmeyer, Inc.	Travis	17,800,000	183
RTG Furniture of Texas, L.P.	Tarrant	50,000,000	300
T-Mobile USA, Inc.	Cameron	17,500,000	700
Total Petrochemicals USA, Inc.	Jefferson	268,000,000	504
Allied Production Solutions, LP	Cooke	16,523,200	200
Flint Hills Resources, LP	Nueces	250,000,000	954
Millard Refrigerated Services, Inc.	Dallas	49,065,580	110
Sanderson Farms (Processing Division)	Brazos	5,000,000	1,428
Spansion LLC	Travis	280,000,000	1,271

COMPANY	COUNTY	CAPITAL INVESTMENT	JOBS, NEW AND/OR RETAINED
StarTek USA, Inc.	Victoria	10,622,797	383
Stripes LLC	Nueces	5,000,000	291
WesTx Packaging Company	Lubbock	6,150,000	101
<b>2007 TOTAL</b>		<b>\$1,354,833,923</b>	<b>12,254</b>
<b>CY 2008</b>			
ADP, Inc.	El Paso	21,000,000	500
Albany Engineered Composites, Inc.	Kendall	34,635,000	448
Deloitte LLP	Harris	61,400,000	500
Fred Loya Insurance Agency, Inc.	Bexar	10,846,531	500
Fred Loya Insurance Agency, Inc.	Hidalgo	5,200,000	220
MAPEI Corporation	Dallas	21,242,000	28
Niagara Bottling, LLC	Dallas	56,438,000	203
Rackspace US, Inc.	Bexar	436,421,856	3,150
Tesoro Companies, Inc.	Bexar	251,000,000	854
Tindall Corporation	Bexar	25,000,000	250
Tyson Fresh Meats, Inc.	Potter	11,017,592	2,585
Tyson Refrigerated Processed Meats, Inc.	Wilbarger	5,000,000	763
Valero Services, Inc.	Bexar	6,500,000	1,559
Air Tractor, Inc.	Young	5,064,875	218
Double B Foods, Inc.	Bosque	4,212,000	295
Kent Moore Cabinets, Ltd.	Brazos	6,072,000	424
Odessa Regional Hospital, L.P.	Ector	5,000,000	488
Retractable Technologies, Inc.	Denton	7,900,000	159
Sweet Shop Candies USA	Titus	4,400,000	90
The Medical Center of Southeast Texas, L.P.	Jefferson	5,000,000	550
The Sherwin-Williams Company	Dallas	7,712,000	237
The Sherwin-Williams Company	McLennan	5,057,000	165
Walgreen Co.	Ellis	38,000,000	820
Atlas Copco Drilling Solutions, LLC	Dallas	8,940,464	200
Caterpillar Logistics Services, Inc.	McLennan	69,700,000	490
eTelecare Global Solutions - AZ, Inc.	Cherokee	1,929,312	401
Formosa Plastics Corporation, Texas	Calhoun	600,791,000	162
INVISTA S.a.r.l.	Orange	150,000,000	1,290
MillerCoors LLC	Tarrant	104,705,000	710
Tyson Prepared Foods, Inc.	Tarrant	9,600,000	409
3M Company	Brown	7,625,000	450
AGE Refining, Inc.	Bexar	12,600,000	160
Associated hygienic Products LLC	McLennan	37,178,039	300
Caterpillar Inc.	Guadalupe	176,800,000	1,465
DCFS USA LLC	Tarrant	17,559,500	663
Health Care Service Corporation, a Mutual Legal Reserve Company	Collin	265,000,000	2,753
Infinity Insurance Company	Hidalgo	7,531,657	217
International Paper Company	Cass	150,000,000	765

COMPANY	COUNTY	CAPITAL INVESTMENT	JOBS, NEW AND/OR RETAINED
L-3 Communications Integrated Systems, LP	McLennan	15,048,236	1,723
NRG South Texas LP	Matagorda	255,000,000	1,087
NRG Texas Power, LLC	Limestone	150,869,159	243
NRG Texas Power, LLC	Fort Bend	201,248,327	372
Owens Corning Insulating Systems, LLC	Ellis	23,240,840	412
Ryan, Inc.	Dallas	5,500,000	371
Solo Cup	Dallas	3,919,694	60
TXI Operations, LP	Comal	260,000,000	176
Weatherford US, LLP	Walker	15,381,000	261
<b>2008 TOTAL</b>		<b>\$3,584,286,082</b>	<b>30,146</b>
<b>CY 2009</b>			
Berry Contracting, L.P.	Nueces	5,000,000	730
Caterpillar Inc.	Guadalupe	176,800,000	1,465
Connecticut General Life Insurance Company	Collin	38,000,000	500
Doctors Hospital at Renaissance, Ltd.	Hidalgo	59,423,512	371
Frito-Lay, Inc.	Dallas	5,700,000	569
Frito-Lay, Inc.	Fort Bend	7,400,000	40
GeneralCable Industries, Inc.	Harrison	5,400,000	327
Georgia-Pacific Wood Products LLC	Liberty	31,000,000	323
Georgia-Pacific Wood Products South LLC	Polk	65,590,000	642
Georgia-Pacific Wood Products South LLC	Polk	46,882,000	402
Kalmar RT Center, LLC	Guadalupe	10,900,000	242
Lynntech, Inc.	Brazos	12,000,000	250
Neela, Inc.	Brazoria	6,050,000	54
Shearer's Foods Lubbock LLC	Lubbock	6,900,000	139
Tyson Farms	Shelby	5,000,000	1,100
United HealthCare Services, Inc.	Cameron	6,367,000	500
Anheuser-Busch, Inc.	Harris	65,000,000	696
Dairy Farmers of America, Inc.	Fayette	38,000,000	201
Delek Refining, Ltd.	Smith	30,830,000	245
Ecolab, Inc.	Dallas	13,000,000	169
EFW, Inc.	Tarrant	31,889,000	665
Glazer's Wholesale Drug Company dba Glazer's Distributing	Tom Green	7,200,000	77
Golfsmith International, L.P.	Travis	5,581,000	331
Kohler Co.	Brown	7,692,528	1,138
Martifer-Hirschfeld Energy Systems LLC	Tom Green	40,000,000	225
NRG Texas Power, LLC	Chambers	13,720,000	56
Overhead Door Corporation, Horton Automatics Division	Nueces	5,000,000	222
The Grocer's Supply Co., Inc.	Harris	150,083,602	1,085
The Toro Company	El Paso	10,250,000	272
Valero Refining - Texas, L.P.	Harris	215,500,000	300
Brookshire Grocery Company	Smith	5,000,000	887
Buffet Partners L.P.	Lubbock	5,010,000	173

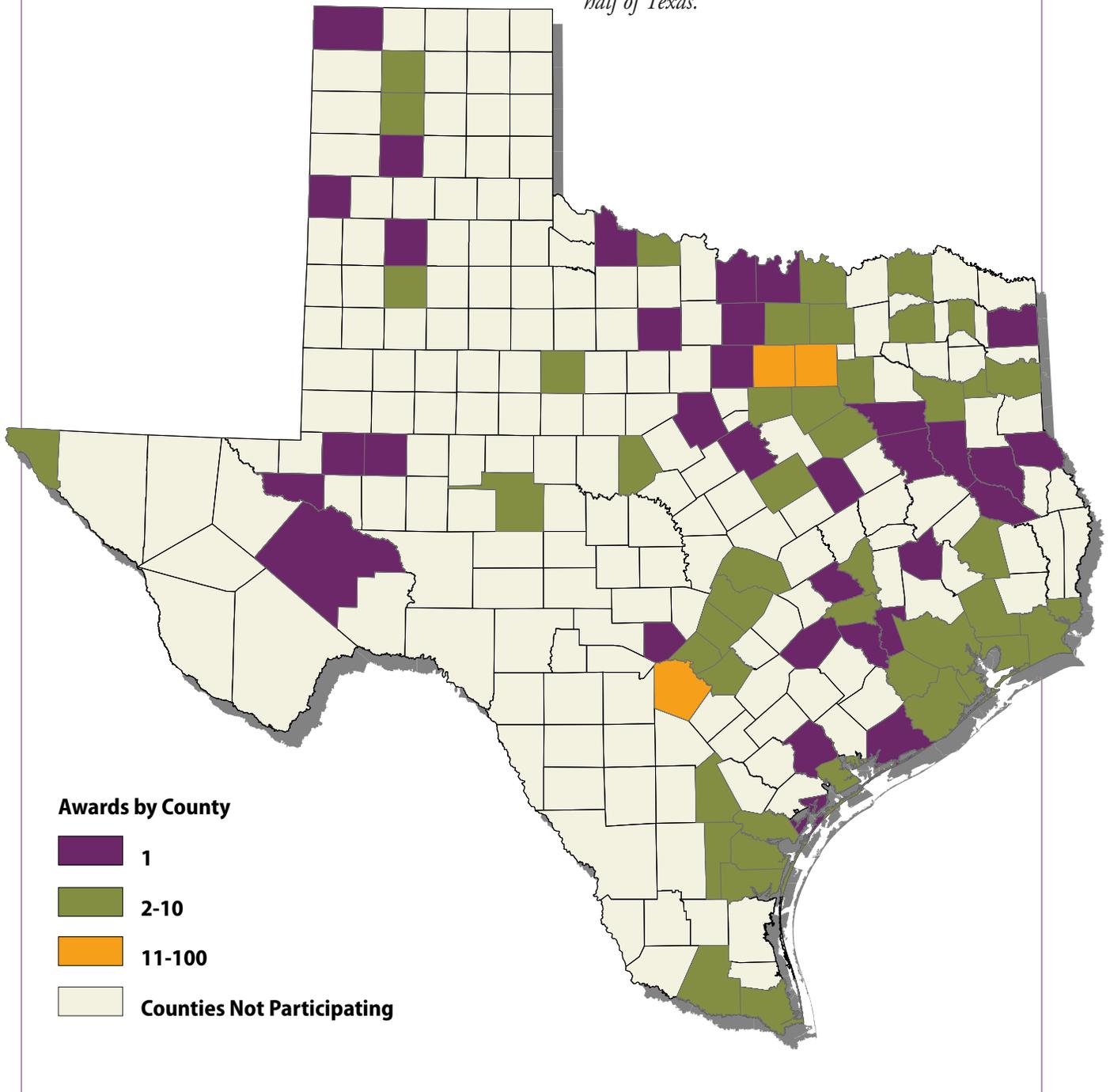
COMPANY	COUNTY	CAPITAL INVESTMENT	JOB, NEW AND/OR RETAINED
CITGO Refining and Chemicals Company, L.P.	Nueces	316,800,000	550
E. I. du Pont de Nemours and Company	Orange	280,000,000	885
Kraft Foods Global, Inc.	Dallas	5,000,000	259
Motiva Enterprises, LLC	Jefferson	7,970,000,000	1,076
Valero Refining - Texas, L.P.	Nueces	298,000,000	823
ACS State & Local Solutions, Inc.	Bexar	5,000,000	592
Agape Group Inc. dba Agape Home Healthcare	Dallas	1,500,000	125
Agape Group Inc. dba Agape Home Healthcare	Dallas	1,500,000	125
Alcon Laboratories, Inc.	Tarrant	61,574,000	1,436
Alcon Research, Ltd.	Harris	31,510,000	561
Alcon Research, Ltd.	Tarrant	151,000,000	1,865
Bayer MaterialScience LLC	Chambers	413,330,000	904
Celanese Corporation	Kleberg	5,000,000	285
Diamond Shamrock Refining Company, L.P.	Moore	200,000,000	450
Diamond Shamrock Refining Company, L.P.	Live Oak	175,000,000	290
Dresser, Inc.	Williamson	7,500,000	441
Igloo Products Corp.	Waller	5,000,000	773
INEOS USA LLC	Calhoun	36,000,000	131
Jack Henry & Associates, Inc.	Collin	6,125,000	382
Lufkin Industries, Inc.	Angelina	10,500,000	847
Redcats USA, L.P.	El Paso	1,077,000	539
Sears Logistics Services, Inc.	Dallas	5,000,000	236
The Boeing Company	El Paso	5,000,000	453
The Lubrizol Corporation	Harris	112,000,000	502
Valero Refining - Texas, L.P.	Galveston	400,000,000	510
<b>2009 TOTAL</b>		<b>\$11,635,584,642</b>	<b>29,436</b>
<b>CY 2010</b>			
Bell Helicopter Textron, Inc.	Tarrant	256,222,000	3,674
McWane, Inc. (dba Tyler Pipe)	Smith	20,000,000	359
Reliant Energy Retail Holdings, LLC	Harris	13,164,250	419
NRG Energy, Inc.	Harris	36,818,000	1,019
ETS-Lindgren L.P.	Williamson	6,088,000	242
1859 Management Partners, LP	Lubbock	6,050,000	101
Blue Bell Creameries, L.P.	Washington	5,400,000	770
INEOS USA LLC	Brazoria	219,000,000	456
Travelocity.com LP	Tarrant	5,000,000	500
Sabre, Inc.	Tarrant	5,000,000	1,998
NuStar Energy, L.P.	Bexar	150,000,000	543
<b>2010 TOTAL</b>		<b>\$722,742,250</b>	<b>10,081</b>
<b>OVERALL TOTAL (CY 2003 – February 2010 as reported on 9/3/10)</b>		<b>\$27,705,403,193</b>	<b>131,996</b>

Source: Office of the Governor (information reported to CPA on September 3, 2010)

MAP 4.4

## 4.4-Enterprise Zone Participation 2003 through 2010

*The vast majority of the 89 designated enterprise zones lie in the eastern half of Texas.*





# Incentive Programs

## 5 - Texas Moving Image Industry Incentive Program

### 5.1 PROGRAM SUMMARY

#### YEAR ENACTED:

2007(HB-1634), Revised 2009(HB-873).

#### RECENT LEGISLATIVE APPROPRIATION:

TABLE 13:

BIENNIUM	GENERAL FUND APPROPRIATION	ALLOCATION FOR ADMINISTRATIVE TRAINING ARCHIVE PROGRAM COSTS	TOTAL AVAILABLE FOR INCENTIVES
2007-08 <sup>49</sup>	\$22.0 million	\$2.0 million	\$20.0 million
2009-10 <sup>50</sup>	\$22.0 million	\$2.0 million	\$20.0 million
2009-10 (additional)	\$40.0 million	-	\$40.0 million
TOTAL	\$64.0 million	\$4.0 million	\$80.0 million

#### HISTORY:

In 2005, SB-1142 added Subchapter B to Chapter 485 of the Texas Government Code creating the Film Industry Incentive Program calling it “a grant program for production companies that produce filmed entertainments in [Texas].”

In 2007, the 80th Legislature passed HB-1634 further amending Chapter 485 to include the entire Moving Image Industry (including video games) and strengthen the guidelines and application processes for the Texas Moving Image Industry Incentive Program. Grants were available for actual spending by the film, commercial, TV, and video game industry within the State of Texas or wages to Texas residents. In 2009, HB-873 was passed further revising the Moving Image Industry Incentive Program with an effective date of implementation being April 23, 2009.<sup>51</sup> HB-873 redefined “underutilized and economically distressed area,” removed the cap on maximum grant awards, and lowered the per project spending threshold.

Initially the incentives were allowed to be funded from gifts, grants, and other donations received by the Texas Film Commission. In 2007, the legislature appropriated funds (TFC) specifically for the program. The 80<sup>th</sup> Legislature appropriated \$22 million for the biennium beginning in 2007 from the General Fund specifically for moving image incentives. In 2009, the 81<sup>st</sup> Legislature originally appropriated another \$22 million for the program out of the General Fund but then the legislature appropriated an additional \$40 million through Art IX, sec 17.21 to the Trusteed Program (Film & Music Marketing) for the purpose of the Film Incentive program.<sup>52</sup> Of the above mentioned \$84 million in appropriated funds, \$4 million was specifically allocated for administration of the film incentive program, moving image archives and film crew training and \$80 million earmarked for the incentive program.<sup>53</sup>

TABLE 14:

	GENERAL REVENUE FUND CONTINGENT APPROPRIATION FOR MOVING IMAGE INCENTIVE PROGRAM	GENERAL REVENUE FUND APPROPRIATION TO GOVERNOR'S OFFICE TRUSTEED PROGRAMS	GENERAL FUND ALLOCATION FOR FILM AND MUSIC MARKETING	TOTAL ALLOCATION
<b>2005 BIENNIUM<sup>55</sup></b>				<b>\$1,641,503</b>
Fiscal 2006	\$0	\$0	\$843,104	\$843,104
Fiscal 2007	\$0	\$0	\$798,399	\$798,399
<b>2007 BIENNIUM<sup>55</sup></b>				<b>\$23,836,328</b>
Fiscal 2008	\$11,000,000	\$0	\$939,664	\$11,939,664
Fiscal 2009	\$11,000,000	\$0	\$896,664	\$11,896,664
<b>2009 BIENNIUM<sup>56</sup></b>				<b>\$64,244,514</b>
Fiscal 2010	\$11,000,000	\$40,000,000 <sup>57</sup>	\$1,125,758	\$52,125,758
Fiscal 2011	\$11,000,000	\$0	\$1,118,756	\$12,118,756

Source: Texts of conference committee reports - General Appropriations Acts (2005, 2007, 2009)

**PROGRAM COSTS/OUTLAYS/ALLOCATIONS**

For the period of April 23, 2009 to August 31, 2010, the Texas Film Commission approved 260 applicants totaling \$48,367,343 in encumbered funds for the payment of the grant (see Table 15).<sup>58</sup>

By August 31, 2010 of the appropriated \$80 million available for the incentive program, \$5,724,249.09 has been distributed to grantees.<sup>59</sup>

In 2005 (prior to the Incentive program) 51 film/TV projects generated an estimated \$155 million in spending. In 2009, 244 film/TV projects generated an estimated \$249.7 million in spending.<sup>60</sup> Prior to 2009, if ranked, Texas would be behind many other states in terms of incentives offered.<sup>61</sup>

Almost every state offers some sort of incentive program to the motion picture industry. The additional \$40 million made available for Film and Music Marketing through the Governor's Office of Trusteed Programs allows Texas to have the potential to be a more economically viable option for industry related activities.<sup>62</sup>

One area where Texas has been considered to be aggressive was in its early inclusion of the video game industry (as of 2007 and HB-1634). However, as of a report released in March 2010 by the entertainment software association, Texas is now one of more than 20 states that offers incentives for video game production and development.<sup>63</sup>

**MEASUREMENT:**

TFC reviews all applications to ensure they meet the requirements set out by the legislature. The production company must submit proof of residency of employees, proof of spending within Texas, a copy of the script to ensure Texas and Texans are not portrayed in a negative fashion, and that no debt is owed the state.<sup>64</sup> Incentives are awarded upon approval of applications and completion of project in accordance with requirements.

The Texas Film Commission reports from April 23, 2009 to August 31, 2010:<sup>65</sup>

**Applications Approved:**

- Total Applications approved = 260
- Feature Film = 28
- Television = 22
- Commercials = 152
- Video Games = 58

**Grants Awarded:**

- Total value of grants awarded = \$48.4 million
- Film = \$12.8 million
- Television = \$24.5 million
- Commercials = \$2.0 million
- Video Games = \$9.0 million

■ **Production Jobs Reported for Approved Projects**<sup>66</sup>

- Total estimated production jobs = 27,057
- Film = 5,700 (estimated)
- Television = 13,000 (estimated)
- Commercials = 6,700 (estimated)
- Video Games = 1,700 (estimated)

■ **Full Time Equivalent Jobs (FTE) for Approved Projects**<sup>67</sup>

- Total estimated FTE = 3,790
- Film = 692 (estimated)
- Television = 1,299 (estimated)
- Commercials = 105 (estimated)
- Video Games = 1,694 (estimated)

■ **Texas Spending Planned by Approved Applicants**

- Total estimated spending within Texas by approved applicants = \$414.9 million
- Film = \$74 million (estimated)
- Television = \$132.7 million (estimated)
- Commercials = \$37.4 million (estimated)
- Video Games = \$170.7 million (estimated)

Given the estimated benefit to recipient companies through the Texas Moving Industry Incentive Program from April 2009 through August 2010 (\$48,367,343) as the basis of cost, the amount of grant awarded per-unit measurement of the program is as follows:

■ **Average Grant Award Approved (April 2009 to August 2010)**

- Overall average per approved application = \$186,028
  1. Feature Film average per approved application = \$457,518
  2. Television average per approved application = \$1,115,112
  3. Commercials average per approved application = \$13,104
  4. Video Games average per approved application = \$155,733

■ **Cost per Full Time Equivalent Job (FTE) Based on Approved Grant Award.**<sup>68</sup>

- Overall average cost per FTE = \$12,762
  1. Feature Film cost per FTE = \$18,512
  2. Television cost per FTE = \$18,886
  3. Commercials cost per FTE = \$18,970
  4. Video Games cost per FTE = \$5,332

■ **\$117 worth of grant awarded per each \$1,000 of proposed Texas spending by approved applicants.**

- For the period of April 23, 2009 through August 31, 2010, the Texas Film Commission reported the following:

TABLE 15:

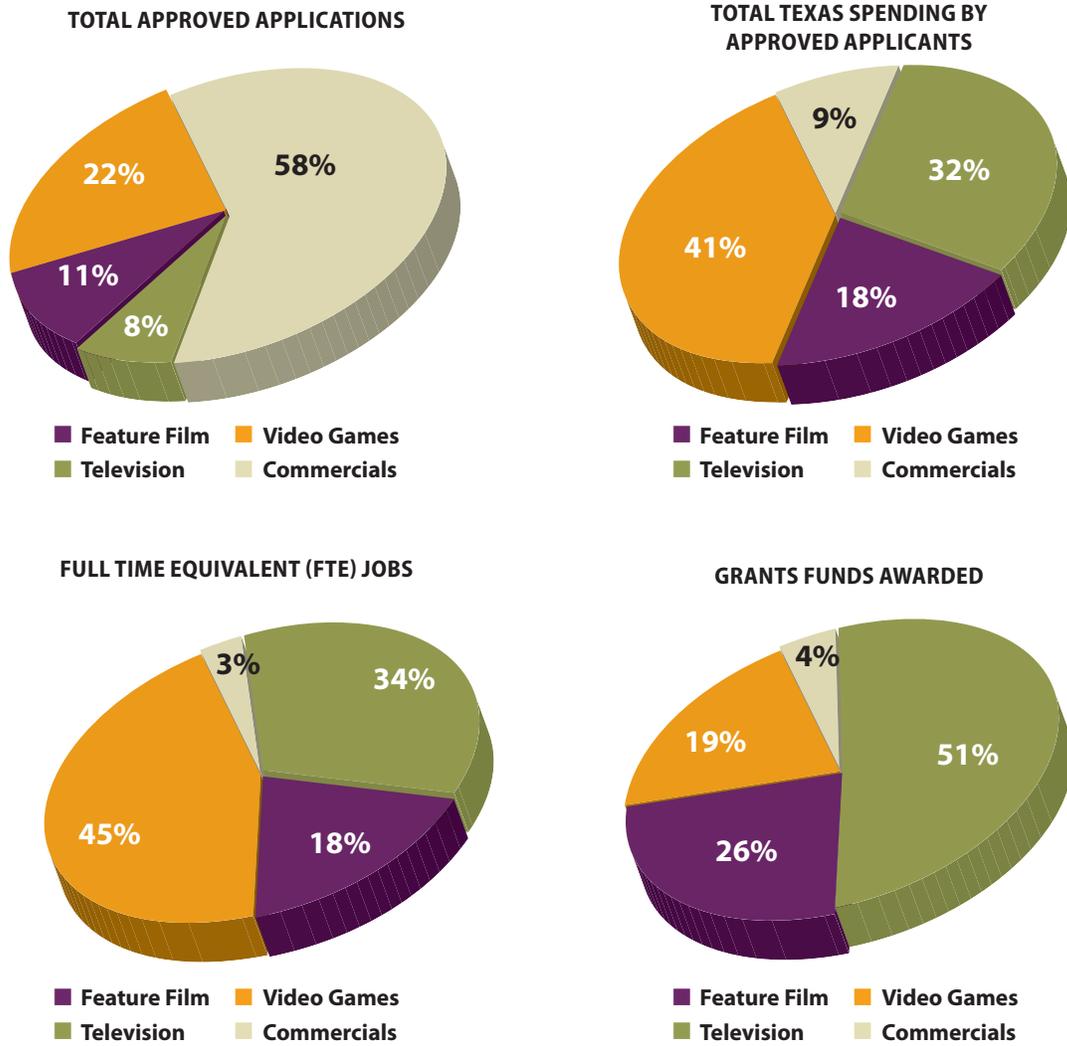
	FEATURE FILM	TELEVISION	COMMERCIALS	VIDEO GAMES	TOTALS
<b>Total Approved Applications</b>	<b>28</b>	<b>22</b>	<b>152</b>	<b>58</b>	<b>260</b>
Total Grants Funds Awarded	\$12,810,513	\$24,532,473	\$1,991,852	\$9,032,505	\$48,367,343
Average Grant Awarded	\$457,518	\$1,115,112	\$13,104	\$155,733	\$186,028
Estimated Full Time Equivalent (FTE) Jobs Reported <sup>72</sup>	692	1,299	105	1,694	3,790
Average Cost per FTE by Approved Applicants	\$18,512	\$18,886	\$18,970	\$5,332	\$12,762
Average Number of FTE per Approved Application	24.7	59	0.7	29.2	14.6
Estimated Total Texas Spending Reported by Approved Applicants	\$74,004,251	\$132,749,664	\$37,360,351	\$170,744,982	\$414,859,248
Average Amount of Spending in Texas by Approved Applicants	\$2,643,009	\$6,034,075	\$245,134	\$2,943,879	\$1,595,612
Estimated Cost to Texas for each \$1,000 of Capital Investment by Approved Applicants	\$173.11	\$184.80	\$53.31	\$52.90	\$116.59

Source: Texas Film Commission Status Report (with FTE), April 23, 2009 - August 31, 2010.

FIGURE 9:

TEXAS MOVING IMAGE INCENTIVE PROGRAM DISTRIBUTION CHARTS

(260 total applications approved between 4/23/09 and 8/31/10)



Source is information derived on Table 13.

**PROGRAM STRENGTHS:**

- The program was created in statute.
- It is industry specific.
- The program has independent office overseeing program and industry
- The program includes the video game industry, making Texas somewhat unique and more competitive
- It offers opportunities to show off Texas in a positive light through motion picture and/or television.
- The grants and incentives are based solely on actual spending and only for spending within the State of Texas, with an additional incentive for expenditures in underutilized/economically distressed areas.
- There is no cap on incentive amount.

**PROGRAM WEAKNESSES:**

- The Moving Image Industry Incentive Program supports jobs and jobs may be created during each production, however there is no job creation measurement mechanism or jobs threshold tied to the incentive.
- Most jobs created in the Film/TV/Commercials sectors are either temporary, part-time (walk-on) roles, or leave the state upon project completion.
- Spending is on reimbursement for working capital, which has relatively less long-term economic benefit to the state than job creation or capital investment.
- Project benefits tend to be highly concentrated in certain regions.
- Data on jobs created, FTE jobs, spending, grants, grantees, etc. from the implementation of the Moving Image Incentive is not standardized making analysis difficult.
- Cannot accurately determine jobs impact. The variables in the FTE Jobs calculation utilized by the TFC can vary. Notable variables include project budget and length of time.
- There is no cap on incentive amount per project.

**PROGRAM RECOMMENDATIONS:**

## Texas Moving Image Industry Incentive Program

- **Broaden Approval Process.** Consider broadening the incentive approval process to include more than the executive director of the TFC.
- **Standardized Reporting.** The information reported by the TFC is of varying dates and information is not reported by fiscal year or calendar year. CPA recommends the TFC standardize its reporting methods and report relevant information (industry, incentive, etc) on a regular basis.
- **Review of Award Proportions by Industry Sector.** The State should review the proportion of incentives awarded for each sector in comparison to the spending and job creation for that sector, to evaluate whether the funding is being utilized in the most efficient way to attract spending and permanent job creation.
  - The feature film industry is portable, and responds quickly to incentives – which means Texas may have to maintain or increase the level of incentives over time to continue to attract new projects.
  - The effective sales tax rate vs. grant availability:
    - Feature Film Production: The effective sales tax rate, (the ratio of indirect business taxes to film production spending), is less than five percent. However, these companies could potentially receive up to 17.5 percent of their total Texas spending or up to 29.25 percent of their total wage payments to Texas film workers if they spend more than \$5.<sup>68</sup>
    - Video Games: Effective sales tax rate for video game productions is more than seven percent, while these video game companies can receive only up to five percent of Texas spending in grants
  - While making up only 19 percent of the grant receipts, the game industry is responsible for 41 percent of the spending and 45 percent of jobs created.

5.2 MOVING IMAGE INCENTIVE OBJECTIVES

**THE MOVING IMAGE INDUSTRY INCENTIVE PROGRAM.<sup>69</sup>**

- The objective is to increase the number of productions within the State of Texas and therefore, create jobs and retain workforce and infrastructure within Texas.
- The Texas Moving Image Industry Incentive Program offers qualifying grants to industry sectors including:
  - Feature films (both live-action and animated projects are eligible)
  - Television programs
  - Commercials
  - Video games
  - Stand-alone post-production/finishing projects
- Each project has the opportunity to potentially receive a payment of 5-15 percent of eligible Texas spending upon completion of a review of their Texas expenditures. (See Table 16.)

**HOW ARE OBJECTIVES MEASURED?**

■ **WHAT ARE THE METRICS USED?**

1. Film and Television Projects:
  - Minimum Qualifications:
    - \$250,000 in Texas spending
    - 60 percent of shooting days completed in Texas
    - 70 percent of paid crew must be Texas residents
    - 70 percent of paid cast (including extras) must be Texas residents<sup>70</sup>
  - Incentive payments schedule is based on the following table:

TABLE 16

TOTAL QUALIFYING IN-STATE SPENDING	OPTION A <sup>71</sup>		OPTION B <sup>72</sup>	
	TOTAL TEXAS SPENDING	TOTAL TEXAS SPENDING + UNDER-UTILIZED AREA <sup>73</sup>	TEXAS WAGES	TEXAS WAGES + UNDER-UTILIZED AREA <sup>74</sup>
\$250K - \$1M	5.00%	7.50%	8.00%	12.25%
\$1M - \$5M	10.00%	12.50%	17.00%	21.25%
More than \$5M	15.00%	17.50%	25.00%	29.25%

Source: <http://www.governor.state.tx.us/film/incentives/miip/>

**2. Commercial Projects:**

- Minimum Qualifications:
  - \$100,000 in Texas spending
  - 60 percent of shooting days must be completed in Texas
  - 70 percent of paid crew, cast & extras combined must be Texas residents.
- Incentive payment is five percent of total Texas spending
  - Potential bonus of an additional 2.5 percent incentive payment if at least 25 percent of filming days is completed in an underutilized or economically distressed area of the state
  - Texas spending can include eligible pre-production, production and post-production expenditure

**3. Video Game Projects:**

- Minimum Qualifications:
  - \$100,000 in Texas spending
  - 60 percent of production days must be completed in Texas
  - 70 percent of paid employees and contract labor must be Texas residents

- Incentive payment is five percent of total Texas spending
  - Potential bonus of an additional 2.5 percent incentive payment if at least 25 percent of production is completed in an underutilized or economically distressed area of the state

#### WHAT IS THE PROCESS INVOLVED IN MEETING THE PROGRAM'S OBJECTIVE(S)?

- Pursuant to section 485.022 of Chapter 485 of the Texas Government Code, the Film Commission developed procedures whereby submissions for grant applications and grant awards are determined. These are codified in TAC §121.
- No award is made until productions have completed their spending in Texas and prove they have met or exceeded all criteria for the program. Final determination of award is based on providing documentation of spending in Texas, proof of percentage of production time in Texas and proof of residency of production employees, among other required submissions.

#### PROGRAM STATUS:

- According to the TFC, in 2009 a total 244 film/TV projects took place in Texas representing \$249.47 million in spending with the industry supporting approximately 9,149 FTE jobs and over 45,000 part-time or temporary production employment opportunities.<sup>75</sup>
- The video game production industry in Texas has proven to be successful (especially in Austin) with \$234 million in corporate spending in 2009 and the industry employing 3,400 permanent workers.<sup>76</sup>
- The TFC reports that the total reported estimated spending in the moving image industry has gone from \$330.3 million in 2006 to \$505.8 million in 2009.<sup>77</sup>
- Estimated number of permanent jobs reported by three key activities within the moving image industry (film, video and animation) increased from 10,854 in 2006 to 13,016 in 2009.<sup>78</sup>

## 5.3 MOVING IMAGE ACTUAL AWARDS PAID

TABLE 17

## TEXAS MOVING IMAGE INDUSTRY INCENTIVE PROGRAM - PAID PROJECTS (AS OF AUGUST 31, 2010)

COMPANY NAME	PROJECT NAME	LOCATIONS	TYPE OF PROJECT	TEXAS SPENDING	GRANT AMOUNT
Stone Core Films, Inc	Hasbro 6 - Nerf	Addison, TX	Television Commercial	\$112,098.35	\$5,604.92
Stone Core Films, Inc	Albertsons Home for the Holiday	Arlington, TX	Television Commercial	\$289,385.55	\$14,469.28
Seamless Entertainment, Inc.	Family Fun Football	Austin	Video Game	\$214,762.15	\$10,738.11
Thinking Pictures, Inc	Temple Grandin	Austin, Georgetown, Schwertner, Luling, Gonzales, New Braunfels, TX	Television Program	\$5,644,812.74	\$352,800.80
Coastal Productions Ltd.	Prayer OfThe Bone	Austin, La Grange, TX	Television Program	\$1,496,783.98	\$93,549.00
Crystal Lake Productions, Inc.	Friday The 13th	Austin, Marshall, Bastrop, Wimberley, TX	Feature Film	\$7,813,030.92	\$488,314.43
Sugar Film Production	Texas Title - Bumper Stickers	Austin, Seguin, TX	Television Commercial	\$199,762.28	\$12,485.14
Dario Productions, Inc.	As The Bell Rings Interstitial	Austin, TX	Television Commercial	\$513,680.05	\$25,684.00
Action Figure No. 1 Inc.	AT&T 1 - Showcase	Austin, TX	Television Commercial	\$167,733.04	\$8,386.65
Challenge Online Games, Inc.	Baseball Boss - 2009 Season	Austin, TX	Video Game	\$263,915.35	\$13,195.77
Red Fly Studio Inc	Culinary Academy AKA Cook or Be Cooked	Austin, TX	Video Game	\$1,085,419.49	\$54,270.97
Pixel Mine, Inc.	Fire Team Reloaded	Austin, TX	Video Game	\$405,754.21	\$20,287.71
Modern Times	Friday Night Lights - Storm Promo	Austin, TX	Television Commercial	\$222,657.63	\$11,132.88
Northern Entertainment Prods, Inc	Friday Night Lights Season 2	Austin, TX	Television Program	\$14,372,460.71	\$718,623.04
Directorz	Frost Bank	Austin, TX	Television Commercial	\$232,658.96	\$11,632.95
Red Fly Studio Inc	Ghostbusters - Proton	Austin, TX	Video Game	\$1,465,128.47	\$73,256.42
Action Figure No. 1 Inc.	HEB 3 - Grilling	Austin, TX	Television Commercial	\$173,129.08	\$8,656.45
Laszlo Rain	IBC Bank - FreeBee 2008	Austin, TX	Television Commercial	\$226,369.10	\$11,318.46
The Insanity Corporation	Janet, Jenner & Suggs	Austin, TX	Television Commercial	\$164,633.65	\$8,231.68
Dario Productions	Life Bites Interstitial	Austin, TX	Television Commercial	\$211,122.79	\$10,556.14
Base Camp Creates	Lipton	Austin, TX	Television Commercial	\$169,983.21	\$8,499.16
Panic Button, LLC	Lumberjacks	Austin, TX	Video Game	\$167,913.72	\$8,395.69
Aspyr Media, Inc.	Madagascar II	Austin, TX	Video Game	\$127,414.98	\$6,370.75
Challenge Online Games, Inc.	Mech Duels	Austin, TX	Video Game	\$255,195.37	\$12,759.77

COMPANY NAME	PROJECT NAME	LOCATIONS	TYPE OF PROJECT	TEXAS SPENDING	GRANT AMOUNT
Certain Affinity, Inc.	Plunder (aka Age Of Booty)	Austin, TX	Video Game	\$1,295,299.23	\$64,764.96
Aspyr Media, Inc.	Spiderman: Web of Shadows PC Port	Austin, TX	Video Game	\$108,554.14	\$5,427.71
Twisted Pixel Games	Splosion Man	Austin, TX	Video Game	\$315,420.49	\$15,771.02
Aspyr Media, Inc.	Standardized Testing Game (aka Future U)	Austin, TX	Video Game	\$677,927.26	\$33,896.36
Rio Bravo Pictures	Surplus Warehouse 1	Austin, TX	Television Commercial	\$103,361.41	\$5,168.07
Rio Bravo Pictures, LLC	Surplus Warehouse 2 - 2009	Austin, TX	Television Commercial	\$153,622.31	\$7,681.12
Robert Latorre, Inc dba Big Fish Films	Texas Lottery 10 - Big Bob	Austin, TX	Television Commercial	\$218,567.72	\$10,928.39
Amaze Entertainment	The Incredible Hulk	Austin, TX	Video Game	\$584,715.90	\$29,235.80
Mock Science Inc	Tiki Towers WiiWare Project	Austin, TX	Video Game	\$285,592.14	\$14,279.61
Radical Media	Walmart - 6 Spot Campaign	Austin, TX	Television Commercial	\$640,097.28	\$32,004.86
Green Sea, LLC	Will	Austin, TX	Feature Film	\$7,813,292.34	\$390,664.62
The Richards Group	Suddenlink	Austin, TX, Dallas, TX	Visual Effects Project - Commercial	\$101,463.00	\$5,073.15
Lyrick Studios, Inc. dba Hit Entertainment	Barney & Friends PBS Series 1200	Carrollton, TX	Television Program	\$3,038,040.34	\$151,902.02
Nola Pictures LLC	Popeye's Compare Campaign	Conroe, TX	Television Commercial	\$214,531.79	\$13,408.24
Chicago Story Piccolo Gulner, Inc dba Story	Direct Energy	Dallas, Abilene, TX	Television Commercial	\$212,211.88	\$13,263.24
Stone Core Films, Inc.	Hasbro 3 - Spiderman/Spongebob	Dallas, Fort Worth, TX	Television Commercial	\$373,335.59	\$23,333.47
20th Century Fox Television	Prison Break Season 3	Dallas, Ft. Worth, Pottsboro, South Padre, TX	Television Program	\$16,435,278.67	\$821,763.93
Brick	Toyota 1 - Lifetime Savings Event	Dallas, McKinney, Cresson, TX	Television Commercial	\$364,071.33	\$18,203.57
RCMVM LP	A Tribute To Big Red	Dallas, TX	Feature Film	\$1,125,968.28	\$56,298.41
Bonfire Studios Corporation	Age of Mythology	Dallas, TX	Video Game	\$1,005,618.19	\$75,421.36
Directorz	Baylor 1	Dallas, TX	Television Commercial	\$125,122.38	\$6,256.12
Directorz	Baylor 2	Dallas, TX	Television Commercial	\$137,604.43	\$6,880.22
Janimation Inc	Bond In game cinematic	Dallas, TX	Television Commercial	\$281,297.02	\$14,064.85
Texas Story Inc. dba The Joneses	Center for Substance Abuse PSA	Dallas, TX	Television Commercial	\$106,141.60	\$5,307.08
Directorz	Chick-fil-A	Dallas, TX	Television Commercial	\$121,015.31	\$6,050.77
Directorz	Denny's 1 - Sounds of Breakfast	Dallas, TX	Television Commercial	\$198,346.06	\$9,917.30

COMPANY NAME	PROJECT NAME	LOCATIONS	TYPE OF PROJECT	TEXAS SPENDING	GRANT AMOUNT
Directorz	Denny's 2 - M1 & M2	Dallas, TX	Television Commercial	\$135,092.46	\$6,754.62
RGD Productions, Inc. dba WAVE Films	Drive Time	Dallas, TX	Television Commercial	\$337,088.33	\$16,854.42
Directorz	Food Lion	Dallas, TX	Television Commercial	\$195,068.23	\$9,753.41
Robert Latorre, Inc dba Big Fish Films	Golden Corral 1 Food Shoot	Dallas, TX	Television Commercial	\$108,765.05	\$5,438.25
Robert Latorre, Inc dba Big Fish Films	Golden Corral 2 Food Shoot	Dallas, TX	Television Commercial	\$102,721.34	\$5,136.07
Stone Core Films, Inc.	Hasbro - 5th Grader/ Hyperslide	Dallas, TX	Television Commercial	\$240,969.25	\$12,048.46
Stone Core Films, Inc	Hasbro 10 - May 29, 2008	Dallas, TX	Television Commercial	\$440,590.04	\$22,029.50
Stone Core Films, Inc.	Hasbro 17 - GI Joe	Dallas, TX	Commercial	\$613,404.30	\$30,670.22
Stone Core Films, Inc.	Hasbro 18 - Bop It	Dallas, TX	Commercial	\$214,074.00	\$16,055.55
Stone Core Films, Inc.	Hasbro 2 - Game Boards	Dallas, TX	Television Commercial	\$604,880.05	\$30,244.00
Stone Core Films, Inc	Hasbro 4 - Catch Phrase/ Heroscape	Dallas, TX	Television Commercial	\$142,586.13	\$7,129.31
Stone Core Films, Inc	Hasbro 5 - Bullseye & Star Wars	Dallas, TX	Television Commercial	\$233,544.74	\$11,677.24
Stone Core Films, Inc	Hasbro 7 - Jan. 29 - Feb. 5, 2008	Dallas, TX	Television Commercial	\$417,407.38	\$20,870.37
Stone Core Films, Inc	Hasbro 8 - March 3, 2008	Dallas, TX	Television Commercial	\$434,587.86	\$21,729.39
Sugar Film Production	HEB Credit Card - 2 Spot Campaign	Dallas, TX	Television Commercial	\$118,484.99	\$5,924.25
Janimation, Inc.	Ironwood	Dallas, TX	Television Commercial	\$200,258.21	\$10,012.91
Directorz	Joe's Crab Shack 1	Dallas, TX	Television Commercial	\$125,291.68	\$6,264.58
Directorz	Joe's Crab Shack 2	Dallas, TX	Television Commercial	\$141,495.16	\$7,074.76
Stone Core Films, Inc	Juicy Drop Pops	Dallas, TX	Television Commercial	\$143,714.50	\$7,185.73
Stone Core Films, Inc.	Mary Kay - Think Pink	Dallas, TX	Television Commercial	\$425,106.57	\$21,255.33
Directorz	Nickelodeon	Dallas, TX	Television Commercial	\$190,514.10	\$9,525.71
Janimation, Inc	Nokia - Entertainment HUB	Dallas, TX	Television Commercial	\$210,918.77	\$10,545.94
DDTV2	Nutrasystem - Orlando	Dallas, TX	Television Commercial	\$252,995.87	\$12,649.79
Sony Pictures Animation	Open Season 2	Dallas, TX	Feature Film	\$5,658,563.00	\$282,928.15
Stone Core Films, Inc	Orkin 1 - Do Anything	Dallas, TX	Television Commercial	\$106,481.73	\$5,324.09
Monument Television & Film Company	Prison Break Promo	Dallas, TX	Television Commercial	\$103,709.43	\$5,185.47

COMPANY NAME	PROJECT NAME	LOCATIONS	TYPE OF PROJECT	TEXAS SPENDING	GRANT AMOUNT
Directorz	Publix 1	Dallas, TX	Television Commercial	\$370,969.21	\$18,548.46
Directorz	Publix 2	Dallas, TX	Television Commercial	\$346,401.31	\$17,320.07
Cyclops Productions	Rent-A-Cntr 1 - Credit Free Life	Dallas, TX	Television Commercial	\$111,790.01	\$5,589.50
Fishbowl Entertainment	Rent-A-Center 2	Dallas, TX	Television Commercial	\$103,878.93	\$5,193.95
Directorz	Salvation Army	Dallas, TX	Television Commercial	\$182,010.57	\$9,100.53
Escalation Studios LLC	Samba De Amigo	Dallas, TX	Video Game	\$161,332.43	\$8,066.62
Directorz	Shell	Dallas, TX	Television Commercial	\$265,321.02	\$13,266.05
Janimation, Inc.	Shooting Star Casino Meteor	Dallas, TX	Television Commercial	\$184,831.81	\$9,241.59
Stone Core Films, Inc	Shur Line "Hide and Seek"	Dallas, TX	Television Commercial	\$179,300.62	\$8,965.03
Robert Latorre, Inc dba Big Fish Films	Sony 1 - Heaven Product Demo	Dallas, TX	Television Commercial	\$103,706.47	\$5,185.32
Sugar Film Production	Sony 4 - BRAVIA Link (232-08)	Dallas, TX	Television Commercial	\$123,145.45	\$6,157.27
Mass Animation	Strings aka live music	Dallas, TX	Television Commercial	\$801,117.10	\$40,055.86
Directorz	Taco Cabana	Dallas, TX	Television Commercial	\$105,992.90	\$5,299.65
Sugar Film Production	Texas Lottery - Daily Four	Dallas, TX	Television Commercial	\$361,441.57	\$18,072.08
Sugar Film Production	Texas Lottery 3 - Hispanic Holiday	Dallas, TX	Television Commercial	\$116,108.68	\$5,805.43
Directorz	Texas Lottery 4	Dallas, TX	Television Commercial	\$139,216.70	\$6,960.84
Sugar Film Production	Texas Lottery 5 - Scratch Off Day	Dallas, TX	Television Commercial	\$105,772.28	\$5,288.61
Robert Latorre, Inc dba Big Fish Films	Texas Lottery 7	Dallas, TX	Television Commercial	\$249,291.26	\$15,580.70
Brick	Toyota 2 - Word Problem	Dallas, TX	Television Commercial	\$190,821.64	\$9,541.08
Directorz	Unimarc	Dallas, TX	Commercial	\$231,458.55	\$11,572.93
Directorz	WaWa 2	Dallas, TX	Commercial	\$226,990.05	\$11,349.50
Directorz	Zaxby's 2	Dallas, TX	Television Commercial	\$241,156.95	\$12,057.85
Directorz	Zaxby's 3	Dallas, TX	Television Commercial	\$141,159.34	\$7,057.97
Directorz	Zaxby's 4 - Celebrities	Dallas, TX	Television Commercial	\$259,387.13	\$12,969.36
Wilderness, LLC	Wilderness	Elgin, TX	Feature Film	\$291,433.77	\$14,571.69
Pier 1 Imports	Pier 1 Imports - Sunbelievable	Fort Worth, TX	Television Commercial	\$213,802.88	\$13,362.68

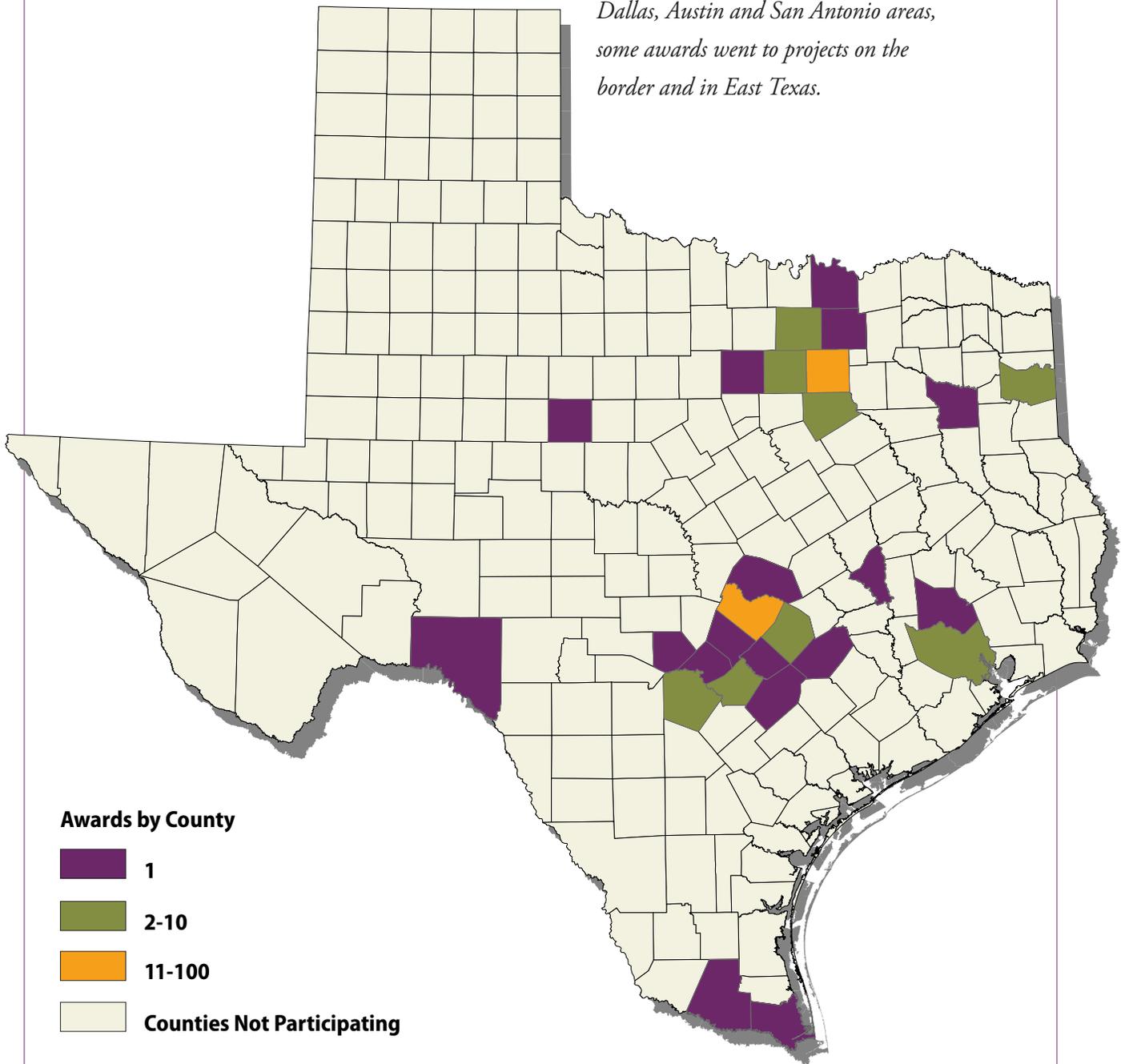
COMPANY NAME	PROJECT NAME	LOCATIONS	TYPE OF PROJECT	TEXAS SPENDING	GRANT AMOUNT
SpiderMonk Entertainment	Roogoo	Grapevine, TX	Video Game	\$923,717.06	\$46,185.85
Ntropic	AT&T 2 - Olympics	Houston, TX	Television Commercial	\$125,260.74	\$7,828.80
La Banda Films	AT&T 3 - The Other Lopez's	Houston, TX	Television Commercial	\$150,701.25	\$9,418.83
Harbor Films / Safe Harbor LLC	China Insurance	Houston, TX	Television Commercial	\$171,452.70	\$10,715.79
Schrodinger's Cat Productions, Inc.	Cristina's Court - Season 2	Houston, TX	Television Program	\$1,838,772.83	\$114,923.30
RGD Productions, Inc. dba WAVE Films	Phillips 66	Houston, TX	Television Commercial	\$383,504.80	\$23,969.05
Amazon Films, Inc.	Safeco Commercial	Houston, TX	Television Commercial	\$156,015.25	\$9,750.95
La Banda Films	Wal-Mart 2 - Wishes Fulfilled	Houston, TX	Television Commercial	\$107,921.51	\$6,745.09
Directorz	Zaxby's 1	Houston, TX	Television Commercial	\$245,998.45	\$15,374.90
Martino Flynn	Dick's Sporting Goods	Hurst, TX	Television Commercial	\$309,924.69	\$15,496.23
Terminal Reality Inc	KOF Anthology	Lewisville, TX	Video Game	\$578,859.21	\$28,942.96
Terminal Reality Inc	Samurai Showdown Anthology	Lewisville, TX	Video Game	\$422,944.40	\$21,147.22
Rio Bravo Pictures	Lone Star National Bank Image 08	McAllen, TX	Television Commercial	\$164,289.07	\$10,268.07
1080 Entertainment	Jurassic Fight Club	San Antonio, Caddo Lake, Austin, Houston, Bryan, Bastrop, Sisterdale, Del Rio, TX	Television Program	\$4,609,695.54	\$288,105.97
Switch, Inc.	Honda Ridgeline Sheep Spot	San Antonio, Fort Worth, TX	Television Commercial	\$182,687.00	\$11,417.94
Cibolo Films	CPS Energy	San Antonio, TX	Television Commercial	\$147,800.54	\$9,237.53
Sugar Film Production	HEB 2 - Spurs TV	San Antonio, TX	Television Commercial	\$158,766.81	\$9,922.93
Directorz	Whataburger 3	San Antonio, TX	Commercial	\$244,817.10	\$18,361.28
Directorz	Whataburger 1	Seguin, TX	Television Commercial	\$250,436.76	\$15,652.30
TimeGate Studios, Inc.	Section 8	Sugar Land, TX	Video Game	\$4,312,740.11	\$250,000.00
Sticks + Stones Studios	Trinity Mother Frances Hospital	Tyler, TX	Television Commercial	\$126,070.80	\$7,879.43
Directorz Inc.	Dallas Morning News	Waxahachie, TX	Television Commercial	\$161,470.58	\$8,073.53
Beacon The Movie, LLC	The Beacon	Waxahachie, TX	Feature Film	\$1,243,932.15	\$62,196.61
<b>TOTALS</b>				<b>\$106,756,233.02</b>	<b>\$5,724,249.09</b>

Source: Texas Film Commission (8/31/10)

MAP 5.4

## 5.4 Map - Texas Moving Image Industry Incentive Program

*Although the majority of grants in 2009-10 were awarded to projects in the Dallas, Austin and San Antonio areas, some awards went to projects on the border and in East Texas.*



# Incentive Programs

## 6 - Texas Emerging Technology Fund

### 6.1 PROGRAM SUMMARY

#### YEAR ENACTED:

2005 (H.B. 1188) Amended 2007, 2009

#### LEGISLATIVE APPROPRIATION:

80<sup>th</sup> Legislative Session (2007) = \$117.32 Million  
(for the biennium)

81<sup>st</sup> Legislative Session (2009) = \$203.04 Million  
(for the biennium)

#### HISTORY:

The Texas Emerging Technology Fund (ETF) was established by the 79th Legislature in 2005 in order to expand innovation and research within the State of Texas as well as increase higher education applied technology capabilities and to potentially expand the job base associated with high tech and research.

Priority is given to organizations with primary operations in Texas. Collaboration with a Texas institution of higher learning is a requirement for applicants.

Three major subprograms are associated with the Emerging Technology Fund.

- **Subchapter D – Incentives for Commercial Activities:** early-stage investments in new technology-based, private entrepreneurial entities that collaborate with Texas based institutions of higher education.
- **Subchapter E – Research Award Matching:** To create public-private partnerships in order to secure additional research funds from outside the state.

- **Subchapter F – Acquisition of Research Superiority:** To bring best and brightest research talent to Texas, especially if this research will enhance Texas' economic presence and/or attract federal and other outside funding for research superiority.

In order to screen applicants and make recommendations to the Governor, Lt. Governor and the Speaker, an ETF Advisory Committee was created as well as a series of Regional Centers of Innovation and Commercialization (RCIC)

- **The RCICs** act as the regional agent for the ETF Advisory Committee to identify, evaluate, and submit promising proposals from their respective regions to the ETF Advisory Committee. RCICs work closely with applicants in assisting with ETF proposal development, post-proposal debriefings, and commercialization activities. There are currently seven regional RCIC offices and one state-wide.
- **The ETF Advisory Committee** reviews commercialization and matching grant proposals, and makes preliminary evaluation and recommendations to the Governor, Lt. Governor and Speaker.

Monies for the ETF can be from appropriated funds, gifts, or interest and assets accumulated from investments made with the Fund. Appropriated funds are allocated, after deducting direct costs for maintaining and administering the ETF, to each Subchapter (50 percent to Subchapter D; 16.67 percent to Subchapter E; 33.33 percent to Subchapter F). All funds (appropriated or otherwise obtained) can be redistributed as needed with the unanimous approval of the Governor, Lt. Governor and Speaker.

**MEASUREMENT:**

Beginning no later than January 1, 2011, (and continuing each year thereafter) the governor shall submit to the legislature a report which includes information on the Fund for the preceding three fiscal years. The report shall include information on awards made, amount of awards and the types of awards, as well as a brief description of expected outcomes as well as actual outcomes, and the equity position taken by the governor (on behalf of the state) has taken in companies receiving awards.<sup>79</sup>

■ **PROGRAM COSTS/OUTLAYS/ALLOCATIONS**

TABLE 18  
STATE APPROPRIATIONS

LEGISLATIVE SESSION	YEAR ENDING (AUGUST 31)	APPROPRIATION
80th (2007)	2008	\$116,585,000
	2009	\$736,000
	Total for Biennium	\$117,321,000
81st (2009)	2010	\$196,721,327
	2011	\$6,317,000
	Total for Biennium	\$203,038,327

Sources:  
 1) 80th Legislature, Text of Conference Committee Report, House Bill No. 1, Regular Session (General Appropriations Act), State of Texas, 2007.  
 2) 81st Legislature, Text of Conference Committee Report, Senate Bill No. 1, Regular Session (General Appropriations Act), State of Texas, 2009.

*Emerging Technology Fund grant recipients must collaborate with a Texas institute of higher learning.*

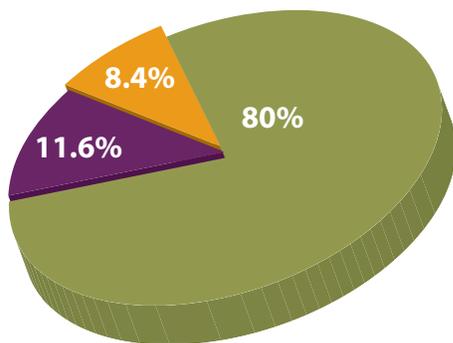
TABLE 19  
PROGRAM OUTLAYS/ALLOCATIONS

PERIOD	COMMERCIALIZATION INVESTMENTS		RESEARCH SUPERIORITY GRANTS		RESEARCH MATCHING GRANTS	
	NUMBER OF CONTRACTS	INVESTMENT	NUMBER OF GRANTS	GRANT VALUE	NUMBER OF GRANTS	GRANT VALUE
2006	11	\$12,850,000	7	\$26,717,500	5	\$13,934,068
2007	20	\$23,954,349	3	\$12,025,000	5	\$11,025,000
2008	24	\$23,235,000	4	\$15,500,000	2	\$9,700,000
2009	41	\$54,534,000	2	\$10,500,000	1	\$50,000,000
2010**	28	\$43,138,000	2	\$11,400,000		
<b>TOTAL</b>	<b>124*</b>	<b>\$157,711,349</b>	<b>18</b>	<b>\$76,142,500</b>	<b>13</b>	<b>\$84,659,068</b>

Source: Texas Emerging Technology Fund, Office of the Governor (ETF Project Dashboard October 22, 2010, [http://members.texasone.us/site/PageServer?pagename=tetf\\_homepage](http://members.texasone.us/site/PageServer?pagename=tetf_homepage)).  
 Notes:  
 \*40 contracts represent pre-seed investments with up to \$1.5M encumbered. Future investment will be based on successful accomplishment of milestones. (See Table 18 for details)  
 \*\*From ETF Report dated October 22, 2010

FIGURE 10:

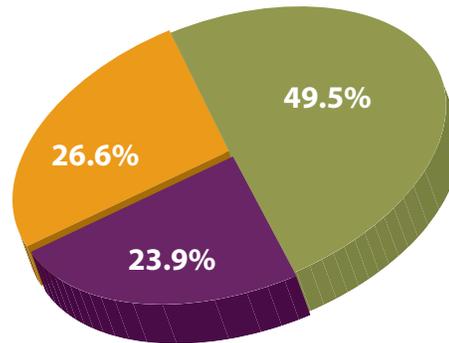
TOTAL NUMBER OF CONTRACTS/GRANTS AWARDED



- Research Superiority Grants
- Research Matching Grants
- Commercialization Investments

FIGURE 11:

TOTAL INVESTMENT/GRANT VALUE



- Research Superiority Grants
- Research Matching Grants
- Commercialization Investments

The summary report posted on the ETF website on Oct. 22, 2010 indicated that the ETF:<sup>80</sup>

- Assisted (through Grants or Investments) 155 programs or organizations.
  - 124 Commercialization Investments
  - 18 Research Superiority Grants
  - 13 Research Matching Grants
- Invested or granted \$318,512,917 for high tech and research opportunities.<sup>81</sup>
  - \$157,711,349 Commercialization Investments
    - Industry matched grants with \$91,415,000 investment
  - \$76,142,500 Research Superiority Grants
    - Industry matched grants with \$44,314,000 investments
  - \$84,659,068 Research Matching Grants

Based on the supplied information, it can be calculated that an average of \$2,054,922 was distributed per each grants/investments

- \$1,271,865 average Commercialization Investment amount
- \$4,230,138 average Research Superiority Grant amount

- \$6,512,236 Research Matching Grant amount

The estimated total benefit to recipient organizations through the ETF Research Matching Grants and the Research Superiority Grants was \$160,801,568. As the basis of cost, the amounts of benefit per-unit measurement of these two sub-programs are as follows:

- \$1,184.73 of grant dollars per \$1,000 of industry matching capital investment for the life of the projects.
  - \$833 Research Superiority Grant dollars per \$1,000 of industry matching dollars
  - \$1,910 Research Matching Grant dollars per \$1,000 of industry matching dollars



**PROGRAM STRENGTHS:**

- Program was created in statute
- Large portion of funds are appropriated
- RCIC's provide business assistance and an incubation support network for projects beyond ETF applicants at the regional level
- Funding may be terminated if it is determined that certain contract milestones are not being met

- The application process allows for flexibility which allows agreements to be structured to maximize the benefit to the state.
- The state has lien on any capital improvement implemented through awards.
- The regional involvement in the vetting process, via the RCIC’s, promotes a local incubation and commercialization culture.
- Monies are typically tied to benchmarks or other negotiated thresholds.
- There is focused on research and long-term economic growth.
- The program invests in the existing intellectual property in the state and cultivates an environment that promotes new patent growth and commercialization.
- In some cases, returns on state investments can be reinvested by the fund.



**PROGRAM WEAKNESSES:**

- There is no sunset date, however, the funding must be appropriated each biennium.
- The research does not typically translate to jobs in the short or mid-term; therefore job creation figures are not available.
- Due to the flexibility of the decision making process, the program appears less transparent at times causing a perception of outside influence.
- The expenses for the management of the Fund and/or grant are not limited. Legislation/ appropriation does not specify amounts that may be used for management of fund or for administrative overhead by grantee, however these amounts may be restricted by contract.
- The reporting mechanisms are such that one cannot definitively say how much money has been invested by the State of Texas during a given year. This is especially the case for Commercialization Investments.<sup>82</sup>

- When monies are encumbered during a specific year they are not marked as “invested” until benchmarks are reached and funds are disbursed. If/when a benchmark is reached; monies are then listed as invested in the original year of the encumbrance thus changing the reported figure for a previously reported year



**PROGRAM RECOMMENDATION:**

**Texas Emerging Technology Fund**

- **Reporting.** It is recommended that the Texas Emerging Technology Fund incorporate additional reporting on the approval process for awards, as well as annual reporting on fund expenditures and grantee performance (the ETF will release its first statutorily required report prior to the 82nd Legislative Session, which should include additional information to assist policy makers and the public in evaluating the program).
- The Emerging Technology Fund posts information on each award on its webpage, however, due to the variety of award types, it is difficult to assess the success of the program.
- Reporting should include, at a minimum, results for each of the three subprograms (Commercialization, Research Superiority and Research Award Matching). Additionally, including tables such as the ones below would provide ongoing summary information about the program.

	NUMBER OF AWARDS	AMOUNT
Beginning Balance (from the ending period of the previous report)		
+/- New awards/ deobligated awards		
+ Funding returned to the state due to company exits or other payments to the state		
- Loss of state funds (due to bankruptcy or discontinuance of the business/research)		
Ending Balance		

	NUMBER OF CONTRACTS
Total contracts awarded to date	
Number of contracts in compliance as of reporting date	

## 6.2 TEXAS EMERGING TECHNOLOGY FUND OBJECTIVES

**The ETF:**<sup>83</sup>

- The objectives of the Texas Emerging Technology Fund are as follows:
  1. Diversification of Texas' high technology economy
  2. Expedite the commercialization of Texas emerging technologies;
  3. Develop technologies originating from Texas universities
  4. Attract the world's foremost researchers with commercialization experience to relocate to Texas

**HOW ARE OBJECTIVES MEASURED?**<sup>84</sup>**WHAT ARE THE METRICS USED? WHAT IS (ARE) THE PROCESS(ES) FOR MEASURING THE METRICS?**

- At present, there are two legislatively mandated measures used to gauge the efficacy of the Texas Emerging Technology Fund. These are as follows:
  1. Number of Early-stage Companies Fostered by Emerging Technology Fund Investments and Guidance; and,
  2. Total Amount of Leverage Funds Received as a Result of Emerging Technology Fund Research Matching Grants.

**PROGRAM STATUS:**<sup>85</sup>

- As of Oct. 14, 2010, the fund has invested over \$300 million in 155 business and/or university projects. A detailed list of contracts completed and/or awarded is presented in the Emerging Technology Fund dashboard that is attached.

## 6.3 TETF COMMERCIALIZATION AWARDEE LIST

■ The following pages display the Texas Emerging Technology Fund awardees for the period 2006 through 2010.

TABLE 20

## COMMERCIALIZATION INVESTMENTS (D) (ETF DASHBOARD (10/22/10))

RECIPIENTS NAME	UNIVERSITY COLLABORATION	INDUSTRY	INVESTMENT	REGION	DATE
Viroxis	University of Texas Health Science Center San Antonio	Biopharmaceuticals	\$2,000,000.00	South Texas	14-Oct-10
Neuro Resource Group	University of Texas at Arlington	Medical Devices	\$1,500,000.00	North Texas	13-Oct-10
Iridescent Networks*	University of Texas at Dallas	Telecommunications	\$250,000.00	North Texas	13-Oct-10
DataInfoCom USA	University of Texas at Austin	Software	\$1,600,000.00	North Texas	13-Oct-10
Oncolix	University of Texas M.D. Anderson Cancer Center	Biopharmaceuticals	\$2,400,000.00	Gulf Coast	29-Sep-10
AuricX Pharmaceuticals*	University of Texas M.D. Anderson Cancer Center	Pharmaceuticals	\$250,000.00	Gulf Coast	29-Sep-10
Blue Box Health*	University of Houston	Medical Devices	\$250,000.00	Gulf Coast	29-Sep-10
Corhythm	University of Texas Health Science Center San Antonio	Medical Devices	\$3,113,000.00	South Texas	28-Sep-10
Fe3 Medical	University of Texas Health Science Center San Antonio	Medical Devices	\$2,841,000.00	South Texas	28-Sep-10
Neurolink	University of Texas Health Science Center San Antonio	Medical Devices	\$3,234,000.00	South Texas	28-Sep-10
FibeRio Technology Corp	University of Texas Pan American	Adv. Manufacturing	\$500,000.00	Rio Grande	14-Sep-10
ZS Pharma	University of North Texas Health Science Center	Pharmaceuticals	\$2,000,000.00	North Texas	30-Aug-10
Terrabon	Texas A&M University	Energy	\$2,750,000.00	Rio Grande	30-Jul-10
Savara	University of Texas M.D. Anderson Cancer Center	Pharmaceuticals	\$1,900,000.00	Central Texas	11-Jun-10
Leonardo BioSystems	University of Texas Health Science Center Houston	Nanomedicine	\$2,500,000.00	Gulf Coast	4-Jun-10
Veros Systems*	Texas A&M University	IT	\$250,000.00	Gulf Coast	4-Jun-10
Nano3D Biosciences*	Rice University	Biotechnology	\$250,000.00	Gulf Coast	4-Jun-10
Ensyce Biosciences*	Rice University	Nanomedicine	\$250,000.00	Gulf Coast	4-Jun-10
Palmaz Scientific	University of Texas Health Science Center at San Antonio	Medical Devices	\$3,500,000.00	South Texas	13-May-10
AgileMesh	University of Texas at Dallas	Defense	\$2,000,000.00	North Texas	29-Apr-10
NanoTailor*	Texas State University	Nanotechnology	\$250,000.00	Central Texas	22-Apr-10
SmartField*	Texas Tech	Agricultural Tech	\$750,000.00	West Texas	7-Apr-10
MicroZAP*	Texas Tech University	Food Safety	\$500,000.00	West Texas	29-Mar-10
SolarBridge Technologies	University of Texas at Austin	Energy	\$1,500,000.00	Central Texas	22-Mar-10
1st Detect	University of North Texas	Defense	\$1,800,000.00	Central Texas	3-Mar-10
Salient Pharmaceuticals	University of Texas M.D. Anderson Cancer Center	Pharmaceuticals	\$2,000,000.00	Gulf Coast	28-Jan-10
Photon8*	University of Texas at Brownsville	Energy	\$1,000,000.00	Rio Grande	5-Jan-10
ScanTech Sciences	Texas A&M University	Food Safety	\$2,000,000.00	Rio Grande	5-Jan-10
Mirna Therapeutics	University of Texas M.D. Anderson Cancer Center	Biopharmaceuticals	\$5,000,000.00	Central Texas	10-Dec-09

RECIPIENTS NAME	UNIVERSITY COLLABORATION	INDUSTRY	INVESTMENT	REGION	DATE
ActaCell*	University of Texas at Austin	Energy	\$1,000,000.00	Central Texas	10-Nov-09
Patton Surgical	University of Texas at Austin	Medical Devices	\$3,000,000.00	Central Texas	23-Oct-09
LaserGen*	Baylor University	Medical Devices	\$625,000.00	Gulf Coast	20-Oct-09
DEP Shape Memory Therapeutics*	Texas A&M University	Medical Devices	\$250,000.00	Gulf Coast	20-Oct-09
Qcue*	University of Texas at Austin	Software	\$1,000,000.00	Gulf Coast	20-Oct-09
iLearning Gateway*	University of Texas at Arlington	Software	\$500,000.00	North Texas	7-Oct-09
Advanced Receiver Technologies*	University of Texas at Dallas	Telecommunications	\$250,000.00	North Texas	7-Oct-09
Device Fidelity	University of Texas at Dallas	IT	\$3,000,000.00	North Texas	7-Oct-09
OnTrack Imaging*	Texas A&M University	Medical Devices	\$250,000.00	North Texas	7-Oct-09
2Cimple	University of Texas at Dallas	Software	\$1,500,000.00	North Texas	7-Oct-09
Bynari	University of Texas at Arlington	Software	\$1,500,000.00	North Texas	7-Oct-09
Interoperate.biz*	University of Texas at Dallas	Software	\$700,000.00	North Texas	7-Oct-09
Net.Orange	University of Texas Southwest Medical Center	Software & LS	\$1,900,000.00	North Texas	7-Oct-09
Varaha Systems	University of Texas at Arlington	IT	\$1,500,000.00	North Texas	7-Oct-09
Azaya Therapeutics	University of Texas Health Science Center at San Antonio	Biopharmaceuticals	\$1,045,000.00	South Texas	29-Sep-09
Turbo Trac USA	University of Texas Permian Basin	General Technologies	\$2,000,000.00	West Texas	25-Sep-09
Smooth-Stone*	University of Texas at Austin	Semiconductor	\$1,000,000.00	Central Texas	21-Aug-09
Enthuze	University of Texas at Austin	IT	\$1,650,000.00	South Texas	15-Jul-09
Advitech	University of Texas M.D. Anderson Cancer Center	Defense	\$2,500,000.00	South Texas	15-Jul-09
Americas Stem Cells	University of Texas M. D. Anderson Cancer Center	Biopharmaceuticals	\$1,250,000.00	South Texas	15-Jul-09
Pronucleotein Biotechnologies*	University of Texas Pan American	Food Safety	\$1,000,000.00	South Texas	15-Jul-09
BiO2 Medical	University of Texas Health Science Center at San Antonio	Medical Devices	\$1,000,000.00	South Texas	15-Jul-09
Animal Innovations*	Texas A&M University	Agricultural Tech	\$1,000,000.00	West Texas	29-Jun-09
Apaxis Medical*	Texas Heart Institute	Medical Devices	\$250,000.00	Gulf Coast	5-Jun-09
Pulmotect*	University of Texas M. D. Anderson Cancer Center	Biopharmaceuticals	\$1,000,000.00	Gulf Coast	5-Jun-09
Caslte Biosciences*	University of Texas M. D. Anderson Cancer Center	Biopharmaceuticals	\$1,000,000.00	Gulf Coast	5-Jun-09
NonInvasix*	University of Texas Medical Branch	Medical Devices	\$250,000.00	Gulf Coast	5-Jun-09
SeprOx*	University of Houston	Medical Devices	\$750,000.00	Gulf Coast	5-Jun-09
Agile Planet*	University of Texas at Austin	Robotics	\$650,000.00	Central Texas	27-May-09
Axelo*	University of Texas at Austin	Computer Technology	\$250,000.00	Central Texas	17-Mar-09
MacuCLEAR	Texas A&M University	Pharmaceuticals	\$1,700,000.00	North Texas	4-Mar-09
Gradalis	Texas A&M University	Biopharmaceuticals	\$1,750,000.00	North Texas	4-Mar-09
Syndiant	University of Texas at Dallas	Semiconductor	\$3,500,000.00	North Texas	4-Mar-09
Chipotle Busines Group*	University of Texas at Arlington	Biotechnology	\$700,000.00	North Texas	4-Mar-09
21-Century Silicon	University of Texas at Dallas	Energy	\$3,500,000.00	North Texas	4-Mar-09
Modria*	University of Texas at Dallas	Software	\$500,000.00	North Texas	4-Mar-09
Wham!*	University of Texas at Dallas	Telecommunications	\$1,000,000.00	North Texas	4-Mar-09

RECIPIENTS NAME	UNIVERSITY COLLABORATION	INDUSTRY	INVESTMENT	REGION	DATE
Ortho Kinematics	University of Texas at Austin	Medical Devices	\$1,500,000.00	North Texas	4-Mar-09
Solarno*	University of Texas at Dallas	Energy	\$250,000.00	North Texas	4-Mar-09
Mystic Pharmaceuticals	University of Texas Medical Branch	Medical Devices	\$1,564,000.00	Central Texas	14-Feb-09
DNAtriX*	University of Texas M. D. Anderson Cancer Center	Biopharmaceuticals	\$500,000.00	Gulf Coast	18-Nov-08
Smart Imaging Tech	University of Texas at Austin	Software	\$230,000.00	Gulf Coast	18-Nov-08
Nanomomedical Systems	University of Texas Health Science Center at Houston	Nanomedicine	\$3,500,000.00	Central Texas	17-Nov-08
Stellarray	Texas A&M University	Nanoelectronics	\$750,000.00	Central Texas	17-Nov-08
Faradox Energy Storage*	Texas State University	Nanoelectronics	\$1,000,000.00	Central Texas	17-Nov-08
Merkatum*	University of Texas at Austin	IT	\$1,000,000.00	Central Texas	17-Nov-08
Ironbridge*	University of Texas at Austin	General Technologies	\$750,000.00	Central Texas	17-Nov-08
Cryopen	University of Texas Health Science Center at Houston	Medical Devices	\$2,000,000.00	South Texas	23-Oct-08
Dentlight*	University of Texas Health Science Center at San Antonio	Medical Devices	\$250,000.00	North Texas	14-Oct-08
Coddeko	University of Texas at Dallas	Software	\$1,500,000.00	North Texas	14-Oct-08
EQMA*	Baylor University	Energy	\$250,000.00	North Texas	14-Oct-08
Cormedics*	Texas Heart Institute	Medical Devices	\$750,000.00	Gulf Coast	3-Oct-08
BetaBatt*	Rice University	Energy	\$500,000.00	Gulf Coast	3-Oct-08
Sunrise Ridge Algae*	University of Texas at Austin	Energy	\$250,000.00	Central Texas	3-Oct-08
Mayan Pigments*	University of Texas at El Paso	Organic Pigments	\$750,000.00	Trans Pecos	18-Sep-08
Image Trends	University of Texas at Austin	Software	\$1,000,000.00	Central Texas	14-Jul-08
RFMicron*	University of Texas at Austin	General Technologies	\$925,000.00	Central Texas	14-Jul-08
Receptor Logic	Texas Tech	Biopharmaceuticals	\$2,000,000.00	West Texas	18-Jun-08
Terapio	University of Texas at Arlington	Biopharmaceuticals	\$1,700,000.00	Central Texas	18-Jun-08
MicroTransponder	University of Texas at Dallas	Medical Devices	\$1,380,000.00	North Texas	28-Feb-08
Xitronix	University of Texas at Austin	Semiconductor	\$500,000.00	Central Texas	27-Mar-08
Net Watch Solutions	University of Texas at Dallas	IT	\$500,000.00	North Texas	26-Feb-08
TXL Group*	University of Texas at El Paso	Energy	\$500,000.00	Trans Pecos	25-Feb-08
Texas Micropower*	University of Texas at Arlington	Energy	\$750,000.00	North Texas	15-Feb-08
Halsa Pharmaceuticals*	Texas A&M University	Pharmaceuticals	\$1,000,000.00	Gulf Coast	3-Dec-07
StarVision	Texas A&M University	Aerospace	\$750,000.00	Gulf Coast	30-Oct-07
OrthoAccel	University of Texas at Dallas	Medical Devices	\$750,000.00	Gulf Coast	29-Oct-07
Falcon International	University of Texas Permian Basin	Defense	\$850,000.00	West Texas	23-Oct-07
Bellicum Pharmaceuticals	Rice University	Pharmaceuticals	\$1,450,000.00	Gulf Coast	27-Sep-07
SNRLabs Corporation	University of Texas at Dallas	Telecommunications	\$750,000.00	North Texas	26-Sep-07
Visualase	University of Texas M. D. Anderson Cancer Center	Medical Devices	\$750,000.00	Gulf Coast	9-Aug-07
Laser Tissue Welding	University of Texas M. D. Anderson Cancer Center	Medical Devices	\$160,000.00	Gulf Coast	31-Jul-07
Seno Medical	University of Texas Health Science Center at San Antonio	Medical Devices	\$2,000,000.00	South Texas	20-Jul-07
Secure Origins	University of Texas at El Paso	IT	\$2,000,000.00	Trans Pecos	16-Jul-07
Thrombo Vision	Texas A&M University Commerce	Medical Devices	\$1,500,000.00	Gulf Coast	3-Jul-07
PrincipleSoft	University of Texas at Dallas	Telecommunications	\$750,000.00	North Texas	26-Jun-07

RECIPIENTS NAME	UNIVERSITY COLLABORATION	INDUSTRY	INVESTMENT	REGION	DATE
Resonant Sensors	University of Texas at Arlington	Medical Devices	\$600,000.00	North Texas	18-May-07
Nanocoolers	University of Texas at Austin	Nanoelectronics	\$3,000,000.00	Central Texas	5-Mar-07
Photodigm	University of Texas at Dallas	Semiconductor	\$749,829.00	North Texas	26-Apr-07
Xtreme Power	University of Texas at Austin	Energy	\$2,000,000.00	Central Texas	27-Mar-07
PLx Pharma	University of Texas Health Science Center at Houston	Pharmaceuticals	\$2,000,000.00	Gulf Coast	27-Mar-07
Quantum Logic Devices	University of Texas at Austin	Nanoelectronics	\$600,000.00	Central Texas	27-Mar-07
Molecular Logix	University of Texas Health Science Center at San Antonio	Biopharmaceuticals	\$794,520.00	Gulf Coast	20-Mar-07
OptiSense	University of Texas at Arlington	Energy	\$1,500,000.00	North Texas	5-Mar-07
Monebo	University of Texas at Austin	Medical Devices	\$500,000.00	Central Texas	23-Oct-06
Hanson Robotics	University of Texas at Arlington	Robotics	\$1,500,000.00	North Texas	18-Oct-06
NanoComposites	Rice University	Nanocomposites	\$1,500,000.00	Gulf Coast	20-Sep-06
Endothelix	University of Texas Health Science Center at Houston	Medical Devices	\$1,000,000.00	Gulf Coast	18-Jul-06
Bauhaus	University of Texas at San Antonio	Software	\$500,000.00	South Texas	5-Jul-06
itRobotics	Rice University	Robotics	\$750,000.00	Gulf Coast	5-Jul-06
NanoSpectra	Texas A&M University	Nanomedicine	\$1,250,000.00	Gulf Coast	12-Jun-06
CorInnova	Texas A&M University	Medical Devices	\$500,000.00	Gulf Coast	31-May-06
Molecular Imprints	University of Texas at Austin	Semiconductor	\$3,000,000.00	Central Texas	30-May-06
CardioSpectra	University of Texas at Austin	Medical Devices	\$1,350,000.00	South Texas	26-May-06
Diabetica Solutions	University of Texas at San Antonio	Medical Devices	\$1,000,000.00	South Texas	25-May-06
<b>TOTAL:</b>			<b>\$157,711,349.00</b>		

NOTE: Represents pre-seed investments with up to \$1.5 million encumbered; further investment is based on successful accomplishment of milestones.

TABLE 21

## RESEARCH SUPERIORITY (F) AND RESEARCH MATCHING (E) GRANTS (ETF DASHBOARD 10/22/10)

RESEARCH SUPERIORITY (F)						
UNIVERSITY	INDUSTRY	INDUSTRY COLLABORATION	INDUSTRY MATCH	GRANT	REGION	DATE
National Institute of Renewable Energy	Energy	Alstom & Vestas	\$18,000,000	\$8,000,000	West Texas	7/10
UT - Pan American	Manufacturing	ALPS Automotive	\$3,790,000	\$3,400,000	Rio Grande	1/10
Texas A&M Health Science Center College of Medicine	Life Science	Scott & White	\$5,000,000	\$5,000,000	Central Texas	2/09
University of Houston	Life Science	Methodist Hospital Research Institute	\$5,500,000	\$5,500,000	Gulf Coast	2/09
Texas State University	Energy & HealthCare	Freescale, Motorola & Sematech	\$4,500,000	\$4,000,000	Central Texas	11/08
UT – Dallas	IT	Texas Instruments & SRC	\$9,800,000	\$4,500,000	North Texas	10/08
UT – El Paso Water Desalinization	Energy	DOD & City of El Paso	\$4,000,000	\$2,000,000	Trans Pecos	10/08
UTHSC Houston – Center for Transitional Injury	Life Science	Memorial Herman Hospital-TexShield	\$6,000,000	\$5,000,000	Gulf Coast	5/08
Texas A&M – Texas Institute for Preclinical Studies	Life Science	Research Valley Partnership	\$15,000,000	\$6,000,000	Gulf Coast	7/07
UT – Tyler – TXAIRE	Energy	Siemens-Trane	\$2,825,000	\$3,750,000	North Texas	3/07
University of North Texas HSC	Energy	Pre-Industry Match		\$2,275,000	North Texas	2/07
UT – Austin Neuroscience Imaging	Life Science	Pre-Industry Match		\$3,500,000	Central Texas	12/06
Texas Tech	Nanophotonics	Targeted Private Endowment	\$2,000,000	\$2,000,000	West Texas	12/06
SWAN (NRI-UTD-UTA-UT Austin)	Nanotechnology	Texas Instruments-NERC	\$10,000,000	\$20,000,000	Central Texas	9/06
Texas Tech Agricultural Genomics and Biotechnology	Biotechnology	Pre-Industry Match		\$1,948,500	West Texas	6/06
UT – San Antonio	IT	Pre-Industry Match		\$3,519,000	South Texas	6/06
Texas A&M – Bioenergy Alliance	Energy	Targeted Private Endowment	\$5,000,000	\$3,250,000	Gulf Coast	6/06
Alliance for Nanohealth – UTHSC, UH, Rice, A&MHSC	Nanomedicine	Pre-Industry Match		\$2,500,000	Gulf Coast	6/06
<b>TOTAL</b>			<b>\$91,415,000</b>	<b>\$76,142,500</b>		

RESEARCH MATCHING (E)						
RECIPIENTS NAME	INDUSTRY	INDUSTRY COLLABORATION	INDUSTRY MATCH	GRANT	UNIVERSITY PARTNER	DATE
National Center for Therapeutics Manufacturing	Life Science		\$2,000,000	\$50,000,000	TAMU	3/09
FUSION	Semiconductor	COSAR	\$6,000,000	\$5,000,000	UT-Austin, UT-Tyler, UTD & UTSW	2/08
Alliance for Higher Education	Nanotechnology	DARPA	\$7,474,000	\$4,700,000	UNT,UTD, & TAMU	2/08
National Trauma Institute	Life Science	DOD Combat Casualty Care	\$3,800,000	\$3,800,000	UTHSC SA&H, TAMU, UTSA & UMHB	11/07
Texas A&M	Energy	General Atomics, DARPA, US Army	\$4,025,000	\$4,025,000	TAES	9/07
Center for Commercialization of Electric Technologies	Energy	CNP, TXU, EPRI, DOE & ERCOT	\$515,000	\$500,000	TEES, UT-Austin & UT-Arlington	5/07
Global Contours	Defense	NSF & DOD	\$2,600,000	\$950,000	UNT, UTD & TSTC	2/07
UT – Austin NRI & SWAN	Nanotechnology	TI, NREC & NASA	\$1,850,000	\$1,750,000	UT-Austin, UTD, TAMU & Rice	1/07
UT – San Antonio HSC	Life Science	DARPA & NH	\$6,950,000	\$4,099,973	UTHSC San Antonio	10/06
TX Railroad Commission – FutureGen	Energy	DOE		\$3,259,095	NA	8/06
Carbon Nanotubes	Nanotechnology	NIST	\$3,500,000	\$975,000	Rice	7/06
Sematech	Semiconductor	DARPA	\$5,000,000	\$5,000,000	UT Systems & TSU	5/06
Lynntech, Inc	Energy	Air Force SBIR	\$600,000	\$600,000	TAMU	4/06
<b>TOTAL</b>			<b>\$44,314,000</b>	<b>\$84,659,068</b>		

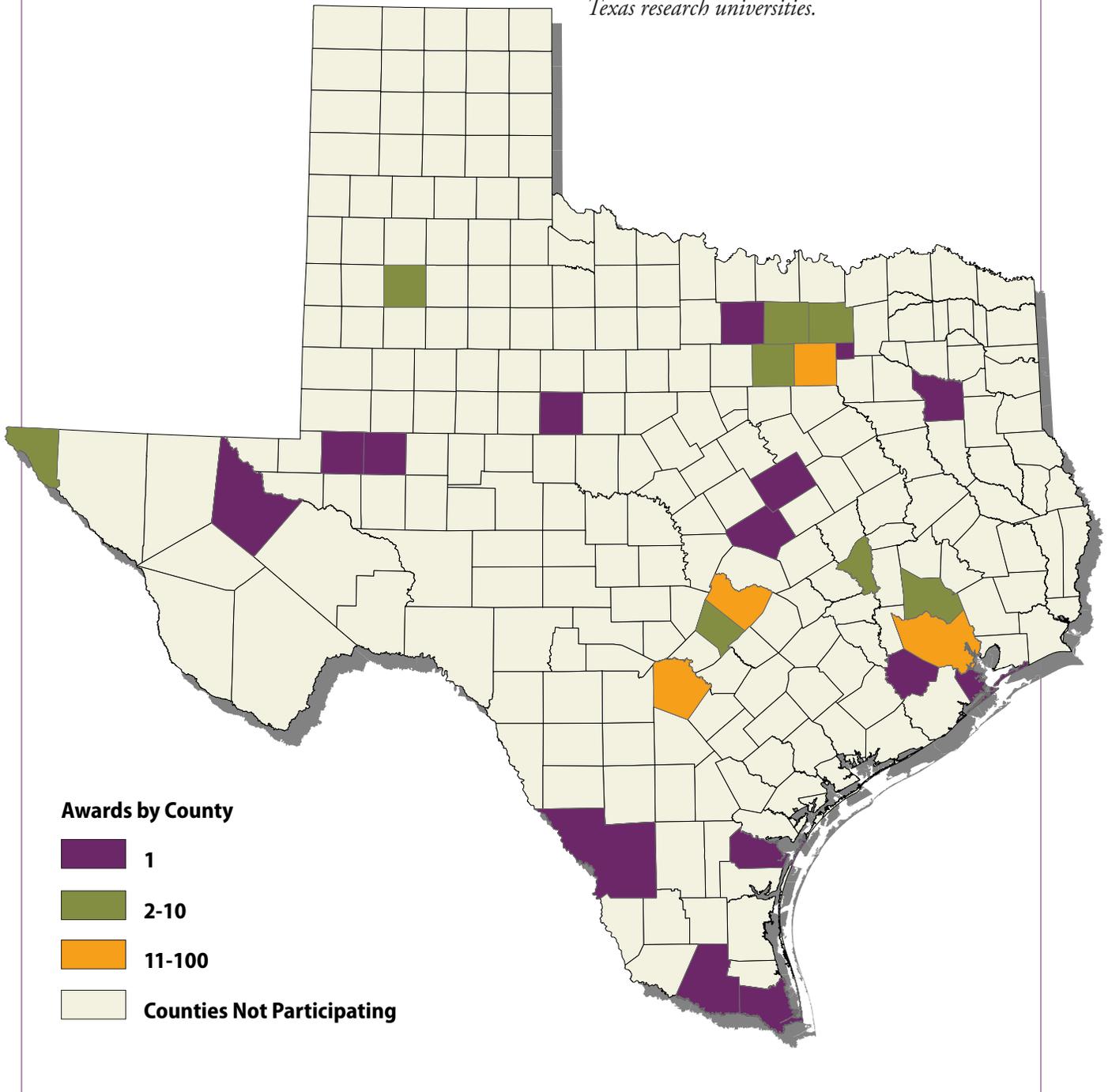
GRANTS – BY SECTOR (E) & (F)			GRANTS BY REGION (F)		
NUMBER OF DEALS	SECTOR	INVESTMENT	NUMBER OF DEALS	REGION	VALUE
9	Life Science	\$84,848,473	6	Gulf Coast	\$22,250,000
9	Energy	\$31,659,095	4	Central Texas	\$22,500,000
6	Nanotechnology	\$21,925,000	3	North Texas	\$10,525,000
3	Semiconductor	\$10,000,000	32	West Texas	\$11,948,500
2	IT	\$8,019,000	1	South Texas	\$3,519,000
1	Manufacturing	\$3,400,000	1	Rio Grande	\$3,400,000
1	Defense	\$950,000	1	Trans Pecos	\$2,000,000
<b>31</b>	<b>TOTAL</b>	<b>\$160,801,568</b>	<b>18</b>	<b>TOTAL</b>	<b>\$76,142,500</b>

Source: ETF Project Dashboard, October 14, 2010, [http://members.texasone.us/site/PageServer?pagename=tetf\\_homepage](http://members.texasone.us/site/PageServer?pagename=tetf_homepage)

MAP 6.4

## 6.4 Map - Texas Emerging Technology Fund

*ETF recipients have tended to cluster in counties that have or are near major Texas research universities.*



# Incentive Programs

## 7 - CAPCO

### 7.1 PROGRAM SUMMARY

Insurance Code Chapter 228 Premium Tax Credit for Certain Investments (Certified Capital Companies (CAPCO))

#### YEAR ENACTED:

Program I (2003); Program II (2007)

#### LEGISLATIVE APPROPRIATION:

Based on the guidelines set out in the legislation, there are no direct monies appropriated, however the state allows premium tax credits up to \$400 million.

#### HISTORY:

In 2005, the legislature passed Insurance Code Chapter 228 Premium Tax Credits for Certain Investments pertaining to Certified Capital Companies (CAPCO) and their investments in early stage businesses and/or strategic investment businesses. The initial program (Program I) was to be a series of annual \$50 million premium tax credits (totaling \$200 million) to insurance companies who invested in an approved CAPCO investment fund.<sup>86</sup> In 2007, a second round of credits (Program II) was offered for investments with the same tax credit and investment structure (series of \$50 million tax credits totaling \$200 million) for a total of \$400 million premium tax credits.

More than 110 insurance companies have participated in the program and are eligible to receive premium tax credits equal to 100

percent of the amount of their investments made during Program I (2005) and Program II (2007) not to exceed \$400 million (\$200 issued for each program) to be paid through \$50 million increments each year for eight years starting in 2008.<sup>87</sup>

- **PROGRAM COSTS/OUTLAYS/ALLOCATIONS** As of December 31, 2009, the cost is \$100 million in tax credits. The total cost over time of Programs I and II is expected to be \$400 million (see Table 22).

TABLE 22

#### CAPCO REDEMPTION OF TAX CREDITS<sup>88</sup>

YEAR	PROGRAM – I	PROGRAM – II
2007	-	-
2008	\$50,000,000	-
2009	\$50,000,000	-
2010	\$50,000,000	-
2011	\$50,000,000	-
2012	-	\$50,000,000
2013	-	\$50,000,000
2014	-	\$50,000,000
2015	-	\$50,000,000
<b>TOTAL TAX CREDITS PER PROGRAM</b>	<b>\$200,000,000</b>	<b>\$200,000,000</b>
<b>TOTAL TAX CREDITS EXPECTED OVER TIME (PROGRAMS I AND II)</b>	<b>\$400,000,000</b>	

By December 31, 2009, almost \$189 million had been invested in early stage businesses and/or strategic investment businesses throughout the State of Texas and \$100 million in premium tax credits have been issued.<sup>89</sup> CAPCO's reported 1,892 jobs created and 4,440 jobs retained due to investments made through the program.<sup>90</sup>

**MEASUREMENT:**

The Texas Treasury Safekeeping Trust certifies all CAPCO's and verifies that investments meet the legislative mandates and Comptroller's Office obligations.

The Comptroller prepares a biennial report offering the results of the implementation of the CAPCO program.<sup>91</sup>

The program also looks at qualifying investment and qualifying jobs as part of the eligibility requirement process.

According to the Texas Treasury Safekeeping Trust, as of December 31, 2009:<sup>92</sup>

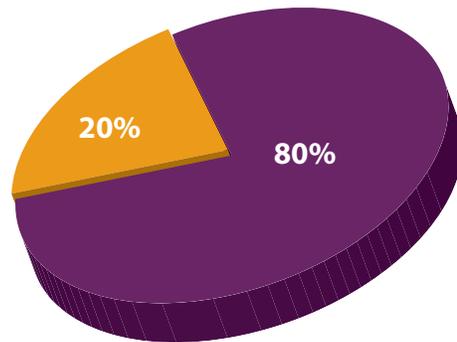
- 81 total unique businesses have been invested in
- \$100 million in premium tax credits have been earned
- 6,332 jobs have been claimed through CAPCO investments
  - 1,892 new jobs
  - 4,440 retained jobs
- \$188,690,443 in market value of actual capital investment infused

FIGURE 12:

**CAPCO INVESTMENT DISTRIBUTION CHARTS**

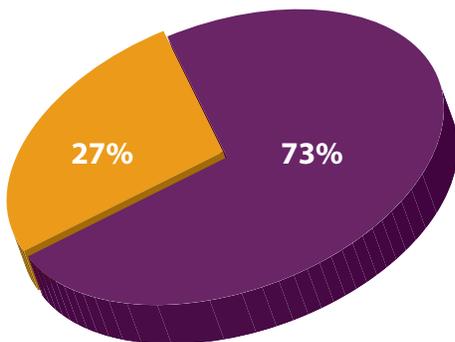
*(81 total businesses invested in through 12/2009)*

**INVESTMENTS IN CAPCO TARGETED BUSINESSES**



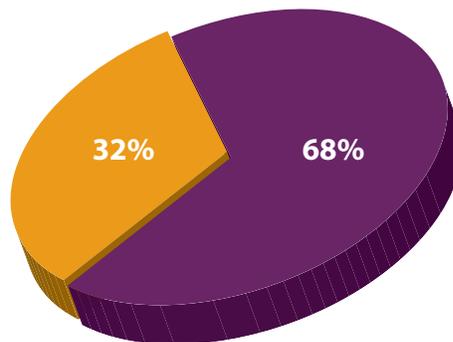
- Investments in CAPCO Non-targeted Businesses
- Investments in Targeted Businesses\*

**EARLY STAGE BUSINESS INVESTMENTS**



- Investments in Other Businesses
- Investments in Early Stage Businesses

**STRATEGIC/LOW INCOME AREA INVESTMENTS**



- Strategic and/or Low Income Area Investments
- Investments in Other Economic Areas

\* CAPCO Targeted Businesses are defined as "Early Stage Businesses" as well as "Strategic/Low Income Area" investments.

Based on the above mentioned capital investments made by CAPCOs (\$188,690,443), the per-unit measurement of the program is as follows:

- \$2,329,512 average total investment per business entity
- \$29,799 of total investment per job (created and retained)

Program is highly concentrated in three counties (Travis, Dallas, Harris) with 71 percent of investment outlays and 68 percent of total investment dollars.<sup>93</sup> In fact, of the 81 individual investment opportunities undertaken by CAPCOs, more than one-third have been made in Travis County alone (which may be a result of the fact that a number of CAPCOs are based in Austin).<sup>94</sup>



#### PROGRAM STRENGTHS:

- The program was created in statute.
- Premium tax credits are subject to recapture if the CAPCO is decertified.
- It is a true private sector evaluation of investment worth and value.
- There is opportunity for high risk investment with down-the-road potential.
- It gives a clear mandate for investments in strategic investment areas as well as investments in early stage businesses.
- It has a clear beginning and end to premium tax credit distribution.



#### PROGRAM WEAKNESSES:

- There is no direct governmental control in the investment amounts or the investees.
- There is potential for high risk investments which may have minimal economic benefit.
- Only 50 percent of all monies invested into the CAPCO program have to be invested into Texas businesses within the first five years after the program start (it should be noted that based on the current rate of capital investment, CAPCOs are on pace to exceed this threshold — see Table 23 in this section for a complete breakdown). CAPCOs may use up to 50 percent of the

amount of the initial tax credits for syndication fees/organizational fees (up to 6%) and collateral for certified investors. However, CAPCOs are required to invest an amount equal to 100% of state's tax credits in qualified Texas small businesses before the CAPCO can make distributions out of the fund.

- Focus is on viability of the investment rather than the job growth or potential impact of the investment
- Based on current reporting methods, until the final wrap-up of each Program, a full evaluation of the program and its effects on employment and success of investments cannot be accurately measured.
- In determining the CAPCO investment per job, it is difficult to differentiate between investment attributed to new/committed jobs and investment attributed to retained jobs



#### PROGRAM RECOMMENDATIONS:

##### Certified Capital Companies (CAPCO)

- **Geographic Diversity of Investments.** If the legislature considers additional rounds of CAPCO Premium Tax Credits, an effort to promote geographic diversity to investments outside of Travis, Dallas and Harris counties. This could be as simple as requiring a more robust marketing or education program or implementing a threshold of investments that must be made outside the above mentioned counties.
- **Full Program Evaluation.** Upon completion of Program I in 2011, a full evaluation of the CAPCO program should be done. Issues that should be considered in this analysis:
  - Multiple CAPCOs can invest in the same targeted business. If one CAPCO pays off the investment of another CAPCO, both CAPCOs get credit towards their targets, but there is no economic growth with the second investment.
  - CAPCOs with an aggressive investment strategy have a higher expenditure rate and run out of funds faster than other CAPCOs with different strategies, making overall program evaluation difficult.

## 7.2 CAPCO OBJECTIVES

**THE INSURANCE CODE CHAPTER 228 PREMIUM TAX CREDIT FOR CERTAIN INVESTMENTS (CERTIFIED CAPITAL COMPANIES (CAPCO)) PROGRAM:<sup>95</sup>**

- Texas Certified Capital Company Program One provided alternative sources of venture capital to Texas entrepreneurs. A Certified Capital Company (CAPCO) is a private government-sponsored venture capital company formed to increase the availability of growth capital for small businesses located in Texas and to stimulate job creation in Texas by requiring supported businesses to have at least 80 percent of payroll/manpower be located within Texas.
- Funds were provided by participating insurance companies who, in turn, received premium tax credits equal to 100 percent of the amount of their investment, interest income, and in some cases an opportunity to participate in the profits of a CAPCO.
- Funds must be distributed on a schedule established by the legislature with 30 percent of certified capital invested within 3 years and 50 percent invested within 5 years. In addition, a CAPCO must invest 25 percent of the total certified capital in operations defined as early-stage businesses (centered on manufacturing and research and development) and 15 percent into businesses with principal business operations in strategic investment areas or low income communities.<sup>96</sup>
- The State Comptroller of Public Accounts implements and administers the CAPCO program through the Texas Treasury Safekeeping Trust Company.

**HOW ARE OBJECTIVES MEASURED?**■ **WHAT ARE THE METRICS USED?**

1. CAPCO's investment in the community
  - Percentage of funds invested.
  - Investments in early-stage businesses and in strategic investment areas.
2. Number of jobs created and/or retained and the average salary.
3. Compliance with legislative and Comptroller's rules.

■ **WHAT IS (ARE) THE PROCESS(ES) FOR MEASURING THE METRICS?**

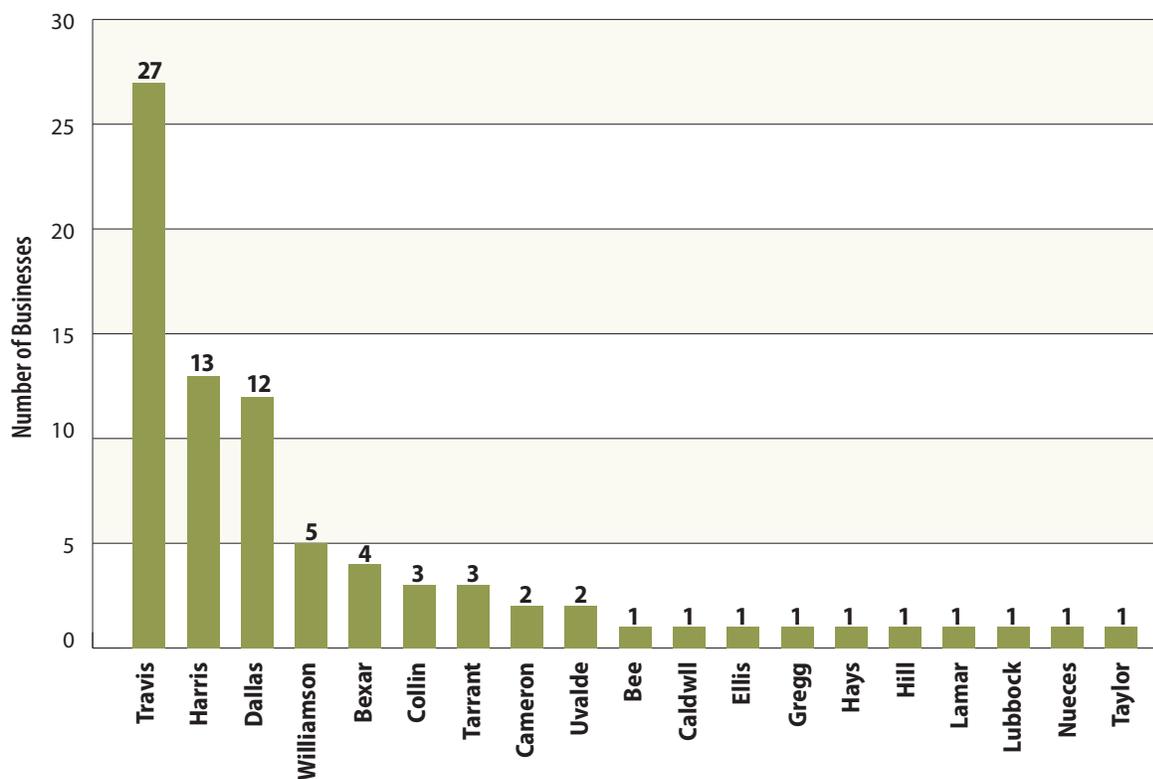
1. All CAPCO's are required to report to the Comptroller each Jan. 31 the previous calendar year's activities (including fund distribution, job creation/retention numbers, type of business funded).
2. CAPCO's are subject to audits and on-site visits by the Comptroller's office.<sup>97</sup>
3. Annual review of CAPCOs by the Comptroller's office.

**PROGRAM STATUS:<sup>98</sup>**

1. The latest biennial report indicates all CAPCOs are in compliance and have met their third year obligation by investing at least 30 percent of the first round of funding.<sup>99</sup> Evaluation of 5th year obligations as well as second round of funding will be disclosed in December 2010.
2. Through Dec. 31, 2009, eighty-one individual businesses have received investments from Texas CAPCOs. Investments have been made in nineteen counties.<sup>100</sup>

FIGURE 13:

## CAPCO - NUMBER OF BUSINESSES INVESTED IN

*(81 total businesses invested in through 12/2009)*

3. As of Dec. 31, 2009, more than 6,000 jobs were reported by the CAPCOs to have been created or retained; more than \$188 million has been invested.
4. A Biennial report from the Comptroller of Public Accounts to the Governor, Lt. Governor and the Speaker of the House details the CAPCO program results (inception-to-date and for the current biennium).

TABLE 23

THE TEXAS CERTIFIED CAPITAL COMPANIES PROGRAM

PERFORMANCE SUMMARY - CERTIFIED CAPITAL COMPANY PROGRAM I AND II						
CALENDAR YEAR	2005	2006	2007	2008	2009	TOTAL SINCE INCEPTION
Capital Received by CAPCOs from Texas Insurance Companies	\$200,000,000	-	-	\$200,000,000	-	\$400,000,000
Premium Tax Credits Available to Insurance Company Investors	-	-	-	\$50,000,000	\$50,000,000	\$100,000,000
Decertification, Tax Credits Recaptured or Forfeited	None	None	None	None	None	None
Investments by CAPCOs in Texas Businesses Program I	\$22,081,280	\$30,462,795	\$33,770,009	\$29,020,889	\$11,043,872	\$126,378,845
Investments by CAPCOs in Texas Businesses Program II				\$20,368,735	\$41,942,863	\$62,311,598
<b>Total Invested in Qualified Texas Businesses</b>	<b>\$22,081,280</b>	<b>\$30,462,795</b>	<b>\$33,770,009</b>	<b>\$49,389,624</b>	<b>\$52,986,735</b>	<b>\$188,690,443</b>
JOBS CREATED AND RETAINED THROUGH CAPCO INVESTMENTS (THROUGH 2009)						
CAPCO PROGRAM I						
Number of Jobs Created	18	267	565	455	230	1,535
Average Wages for Jobs Created	\$53,876	\$56,191	\$52,880	\$53,602	\$62,719	\$55,156
Number of Jobs Retained	106	569	1,064	1,041	657	3,437
Average Wages for Jobs Retained	\$65,848	\$56,335	\$61,332	\$55,265	\$54,767	\$56,726
CAPCO PROGRAM II						
Number of Jobs Created	-	-	-	74	283	357
Average Wages for Jobs Created	-	-	-	\$62,257	\$61,359	\$62,167
Number of Jobs Retained	-	-	-	353	650	1,003
Average Wages for Jobs Retained	-	-	-	\$47,170	\$59,298	\$55,029

As Reported by the CAPCOs (Source: the Texas Treasury Safekeeping Trust)

- The current value (cost) as of September 2010 is \$100,000,000 in tax credits. The total cost over time will be \$400,000,000.

## 7.3 CAPCO FIRMS AND RECIPIENT LIST

TABLE 24

**CERTIFIED CAPITAL INVESTED IN EACH CERTIFIED CAPITAL COMPANY**

The following pages display a list of approved CAPCOs as well as a list of recipients of CAPCO investments through 2009.

CAPCO PROGRAM I	AMOUNT OF CERTIFIED CAPITAL INVESTMENT IN EACH CAPCO
Accent Texas Fund I, LP	\$23,412,844
Aegis Texas Venture Fund, LP	\$22,534,863
Enhanced Capital Texas Fund, LLC	\$23,412,844
Lonestar CAPCO Fund, LLC	\$8,600,000
Republic Holdings Texas, LP	\$4,975,230
Stonehenge Capital Fund Texas, LP	\$23,412,844
Texas ACP I, LP	\$23,412,843
Waveland NCP Texas Ventures, LP	\$23,412,844
Whitecap Texas Opportunity Fund, LP	\$23,412,844
Wilshire Texas Partners I, LLC	\$23,412,844
<b>Total Invested in all Program I CAPCOs</b>	<b>\$200,000,000</b>

Source: 2008 Biennial Certified Capital Companies Report

CAPCO PROGRAM II	AMOUNT OF CERTIFIED CAPITAL INVESTMENT IN EACH CAPCO
Accent Texas Fund II	\$14,608,443
Aegis Texas Venture Fund II	\$27,377,297
Enhanced Capital Texas Fund II	\$27,377,297
Republic Holdings Texas II	\$24,639,567
Stonehenge Capital Fund Texas II	\$27,377,297
Texas ACP II	\$27,377,296
Texas Ventures	\$4,016,965
Waveland NCP Texas Ventures II	\$19,848,540
Whitecap Texas Opportunity Fund II	\$27,377,298
<b>Total Invested in all Program II CAPCOs</b>	<b>\$200,000,000</b>

Source: Texas Treasury Safekeeping Trust Company (9/17/2010)

NOTE: The Biennial Certified Capital Companies Report has additional information on the investments made to the qualified businesses.

**CAPCO PROGRAM LIST OF INVESTMENT RECIPIENTS**

TABLE 25

	CAPCO PROGRAM	NAME OF BUSINESS	CITY	COUNTY	CAPCO ORGANIZATION MAKING THE INVESTMENT	INVESTMENT DATE	AMOUNT OF CERTIFIED CAPITAL INVESTED	EARLY STAGE	STRATEGIC LOCATION	LOW INCOME COMMUNITY
1	II	Abrado	Houston	Harris	Texas Ventures LLC	12/18/2009	\$125,000	1	no	no
2	I	Affiniscape, Inc.	Austin	Travis	Accent Texas Fund I, LP	9/21/2007	\$1,000,000	no	no	no
3	I	Affiniscape, Inc.	Austin	Travis	Enhanced Capital Texas Fund, LLC	5/1/2008	\$500,000	no	no	no
4	II	Affiniscape, Inc.	Austin	Travis	Texas Ventures LLC	6/11/2008	\$100,000	no	no	no
5	II	ATSI Communications	San Antonio	Bexar	Texas Ventures LLC	10/2/2008	\$600,000	no	no	no
6	I	Berry Aviation	San Marcos	Caldwell	Republic Holdings Texas, LP	8/30/2006	\$746,284	no	1	no
7	II	Berry Aviation	San Marcos	Caldwell	Republic Holdings Texas, LP	3/17/2008	\$3,695,657	no	1	no
8	I	Bigfoot Networks	Austin	Travis	Accent Texas Fund I, LP	8/14/2007	\$500,000	1	no	no
9	I	BizSupplies	Ft Worth	Tarrant	Aegis Texas Venture Fund, LP	11/23/2006	\$180,000	1	no	no
10	I	BizSupplies	Ft Worth	Tarrant	Aegis Texas Venture Fund, LP	8/2/2005	\$3,200,000	1	no	no
11	II	Bizsupplies	Ft Worth	Tarrant	Texas Ventures LLC	3/1/2008	\$248,600	1	no	no
12	II	Bizsupplies	Ft Worth	Tarrant	Texas Ventures LLC	1/21/2009	\$351,400	1	no	no
13	II	BorderComm	Dallas	Dallas	Aegis Texas Venture Fund, LP	10/18/2008	\$1,500,000	1	1	no
14	II	BorderComm	Dallas	Dallas	Aegis Texas Venture Fund, LP	4/16/2009	\$1,000,000	1	1	no
15	I	Bulldog Solutions	Austin	Travis	Stonehenge Capital Fund, Texas, LP	11/26/2008	\$950,000	1	no	no
16	I	Business Connect	Brownsville	Cameron	Wilshire Texas Partners I, LLC	12/28/2005	\$3,200,000	1	1	no
17	I	Bynari	Dallas	Dallas	Accent Texas Fund I, LP	11/8/2007	\$225,000	1	1	no
18	I	Bynari	Dallas	Dallas	Aegis Texas Venture Fund, LP	12/31/2007	\$56,000	1	1	no
19	I	Bynari	Dallas	Dallas	Aegis Texas Venture Fund, LP	12/22/2005	\$100,000	1	1	no
20	I	Bynari	Dallas	Dallas	Aegis Texas Venture Fund, LP	1/5/2006	\$2,070,411	1	1	no
21	II	Bynari	Dallas	Dallas	Texas Ventures LLC	2/22/2008	\$600,000	1	1	no
22	II	Bynari	Dallas	Dallas	Texas Ventures LLC	2/3/2009	\$600,000	1	1	no
23	I	Caringo	Austin	Travis	Accent Texas Fund I, LP	10/14/2009	\$124,997	1	no	no
24	I	Caringo	Austin	Travis	Accent Texas Fund I, LP	2/28/2008	\$200,000	1	no	no
25	II	Caringo	Austin	Travis	Accent Texas Fund I, LP	10/14/2009	\$124,997	1	no	no
26	II	Central EMS	Georgetown	Williamson	Whitecap Texas Opportunity Fund, LP	10/1/2009	\$650,000	no	no	no
27	I	ClassOne Ortho	Lubbock	Lubbock	Republic Holdings Texas, LP	3/17/2008	\$246,284	1	no	no
28	I	ClassOne Ortho	Lubbock	Lubbock	Republic Holdings Texas, LP	12/18/2006	\$500,000	1	no	no
29	I	ClassOne Ortho	Lubbock	Lubbock	Republic Holdings Texas, LP	4/1/2009	\$500,000	1	no	no
30	II	CM Licensing	Ft Worth	Tarrant	Texas Ventures LLC	6/23/2009	\$25,000	1	no	no
31	II	CM Licensing	Ft Worth	Tarrant	Texas Ventures LLC	7/9/2008	\$200,000	1	no	no
32	I	Commerçant	Houston	Harris	Accent Texas Fund I, LP	7/27/2006	\$250,000	1	no	no
33	I	Commerçant	Houston	Harris	Accent Texas Fund I, LP	10/29/2005	\$1,000,000	1	no	no
34	I	Commerçant	Houston	Harris	Accent Texas Fund I, LP	12/10/2007	\$1,314,000	1	no	no
35	I	Commerçant	Houston	Harris	Aegis Texas Venture Fund, LP	12/10/2007	\$204,000	1	no	no
36	I	Commerçant	Houston	Harris	Aegis Texas Venture Fund, LP	2/1/2006	\$261,859	1	no	no
37	I	Commerçant	Houston	Harris	Aegis Texas Venture Fund, LP	11/23/2005	\$1,000,000	1	no	no
38	I	Commerçant	Houston	Harris	Aegis Texas Venture Fund, LP	12/12/2007	\$1,110,000	1	no	no

	CAPCO PROGRAM	NAME OF BUSINESS	CITY	COUNTY	CAPCO ORGANIZATION MAKING THE INVESTMENT	INVESTMENT DATE	AMOUNT OF CERTIFIED CAPITAL INVESTED	EARLY STAGE	STRATEGIC LOCATION	LOW INCOME COMMUNITY
39	I	Commercial	Houston	Harris	Texas ACP I, LP	12/12/2005	\$495,000	1	no	no
40	II	Current Solutions	Austin	Travis	Texas ACP I, LP	7/25/2009	\$3,150,284	1	no	1
41	I	Cypress Creek Crossings	Austin	Travis	Enhanced Capital Texas Fund, LLC	8/20/2008	\$3,100,186	no	no	no
42	II	Cypress Creek Crossings	Austin	Travis	Enhanced Capital Texas Fund, LLC	8/20/2008	\$399,814	no	no	no
43	I	Edel Golf	Liberty Hill	Williamson	Waveland NCP, LP	10/6/2009	\$500,000	1	no	no
44	II	Elevate Group	Dallas	Dallas	Aegis Texas Venture Fund, LP	2/28/2008	\$600,000	1	no	1
45	II	Enable Commerce	Ft Worth	Tarrant	Texas Ventures LLC	4/15/2008	\$560,000	1	no	1
46	I	ESI Healthcare	Dallas	Dallas	Aegis Texas Venture Fund, LP	6/12/2009	\$1,000,000	no	no	1
47	II	ESI Healthcare	Dallas	Dallas	Aegis Texas Venture Fund, LP	6/12/2009	\$1,010,000	no	no	1
48	I	ESO Solutions	Austin	Travis	Whitecap Texas Opportunity Fund, LP	11/1/2007	\$500,000	1	no	1
49	I	ESO Solutions	Austin	Travis	Whitecap Texas Opportunity Fund, LP	6/18/2008	\$600,000	1	no	1
50	I	ESP Solutions Group Inc	Austin	Travis	Whitecap Texas Opportunity Fund, LP	4/4/2008	\$650,000	no	no	no
51	I	Falcon Storage	Austin	Travis	Whitecap Texas Opportunity Fund, LP	1/8/2007	\$200,000	1	no	no
52	I	Falcon Storage	Austin	Travis	Whitecap Texas Opportunity Fund, LP	3/15/2007	\$200,000	1	no	no
53	I	Falcon Storage	Austin	Travis	Whitecap Texas Opportunity Fund, LP	7/14/2006	\$1,000,000	1	no	no
54	I	Find Your Customer	Austin	Travis	Whitecap Texas Opportunity Fund, LP	6/19/2007	\$2,500,000	no	no	no
55	I	First American Vacuum Services	Beeville	Bee	Accent Texas Fund I, LP	5/24/2006	\$1,888,880	1	1	no
56	I	First American Vacuum Services	Beeville	Bee	Aegis Texas Venture Fund, LP	5/16/2006	\$1,086,120	1	1	no
57	I	First American Vacuum Services	Beeville	Bee	Stonehenge Capital Fund, Texas, LP	5/24/2006	\$1,090,000	1	1	no
58	I	First American Vacuum Services	Beeville	Bee	Texas ACP I, LP	5/24/2006	\$1,090,000	1	1	no
59	I	Five States Energy	Dallas	Dallas	Waveland NCP, LP	12/10/2007	\$2,900,000	no	no	no
60	II	Five States Energy	Dallas	Dallas	Waveland NCP, LP	5/22/2009	\$1,500,000	no	no	no
61	I	Fortess Data Management	Dallas	Dallas	Wilshire Texas Partners I, LLC	12/7/2005	\$3,250,000	1	1	no
62	I	Franvest Inc.	Houston	Harris	Wilshire Texas Partners I, LLC	4/8/2008	\$450,000	1	no	no
63	I	General LED	San Antonio	Bexar	Republic Holdings Texas, LP	11/24/2009	\$746,284	1	no	no
64	II	General LED	San Antonio	Bexar	Republic Holdings Texas, LP	11/24/2009	\$3,695,935	1	no	no
65	II	H&S Production	Addison	Dallas	Aegis Texas Venture Fund, LP	11/7/2008	\$3,000,000	no	no	no
66	I	Hammers Plus	Georgetown	Williamson	Whitecap Texas Opportunity Fund, LP	8/12/2008	\$1,250,000	1	no	no
67	I	HBH Systems I, LP	Austin	Travis	Whitecap Texas Opportunity Fund, LP	9/12/2005	\$930,000	1	no	no

	CAPCO PROGRAM	NAME OF BUSINESS	CITY	COUNTY	CAPCO ORGANIZATION MAKING THE INVESTMENT	INVESTMENT DATE	AMOUNT OF CERTIFIED CAPITAL INVESTED	EARLY STAGE	STRATEGIC LOCATION	LOW INCOME COMMUNITY
68	II	Highland Campus Health Group	Abilene	Taylor	Waveland NCP, LP	5/20/2009	\$500,000	1	no	1
69	I	Hyperion Exploration LP	Dallas	Dallas	Waveland NCP, LP	2/13/2006	\$350,000	1	no	no
70	II	Hyperion Exploration LP	Dallas	Dallas	Waveland NCP, LP	3/27/2009	\$2,000,000	1	no	no
71	I	Hyperion Exploration LP	Dallas	Dallas	Waveland NCP, LP	5/17/2006	\$1,952,025	1	no	no
72	I	Hyperion Exploration LP	Dallas	Dallas	Waveland NCP, LP	7/9/2007	\$22,500	1	no	no
73	I	Hyperion Exploration LP	Dallas	Dallas	Waveland NCP, LP	10/3/2007	1/31/2203	1	no	no
74	II	InfraHealth Insurance	Austin	Travis	Enhanced Capital Texas Fund, LLC	3/11/2009	\$250,000	1	no	no
75	I	Infrastruct Security, Inc.	Houston	Harris	Stonehenge Capital Fund, Texas, LP	12/8/2006	\$187,500	1	no	no
76	I	Infrastruct Security, Inc.	Houston	Harris	Stonehenge Capital Fund, Texas, LP	6/15/2007	\$212,498	1	no	no
77	I	Infrastruct Security, Inc.	Houston	Harris	Stonehenge Capital Fund, Texas, LP	6/29/2006	\$750,000	1	no	no
78	I	Intevras Technologies	Austin	Travis	Whitecap Texas Opportunity Fund, LP	7/3/2008	\$2,000,000	1	no	1
79	I	IPMS	Cedar Park	Williamson	Stonehenge Capital Fund, Texas, LP	4/3/2008	\$750,000	1	no	no
80	I	IPMS	Cedar Park	Williamson	Waveland NCP, LP	4/3/2008	\$400,000	1	no	no
81	I	Iron Horse	Corpus Christi	Nueces	Stonehenge Capital Fund, Texas, LP	12/28/2009	\$1,000,000	1	1	no
82	II	Iron Horse	Corpus Christi	Nueces	Stonehenge Capital Fund, Texas, LP	12/28/2009	\$977,500	1	1	no
83	I	KJK Unlimited Corporation	Spring	Harris	Wilshire Texas Partners I, LLC	10/5/2005	\$2,000,000	1	no	no
84	II	Layered Technologies	Plano	Collin	Enhanced Capital Texas Fund, LLC	8/17/2009	\$2,227,500	no	no	no
85	I	Loan Oak Enterprises	Round Rock	Williamson	Wilshire Texas Partners I, LLC	9/30/2008	\$1,800,000	no	no	no
86	I	Mobile Command Systems	Waxahachie	Hill	Lonestar CAPCO Fund, LLC	8/15/2007	\$1,290,000	1	1	no
87	I	Mobile Command Systems	Waxahachie	Hill	Waveland NCP, LP	12/31/2007	\$700,000	1	1	no
88	I	Mobile Command Systems	Waxahachie	Hill	Waveland NCP, LP	5/15/2008	\$825,000	1	1	no
89	I	Mobile Medical Technologies, Inc.	Dallas	Dallas	Aegis Texas Venture Fund, LP	12/22/2005	\$10,000	1	1	no
90	I	Mobile Medical Technologies, Inc.	Dallas	Dallas	Aegis Texas Venture Fund, LP	9/29/2006	\$1,015,000	1	1	no
91	I	Mobley Oilfield Services, Inc.	Kilgore	Gregg	Republic Holdings Texas, LP	12/29/2005	\$746,248	no	1	no
92	I	Movero	Austin	Travis	Enhanced Capital Texas Fund, LLC	3/10/2008	\$1,082,310	1	no	no

	CAPCO PROGRAM	NAME OF BUSINESS	CITY	COUNTY	CAPCO ORGANIZATION MAKING THE INVESTMENT	INVESTMENT DATE	AMOUNT OF CERTIFIED CAPITAL INVESTED	EARLY STAGE	STRATEGIC LOCATION	LOW INCOME COMMUNITY
93	I	Movero	Austin	Travis	Enhanced Capital Texas Fund, LLC	4/10/2007	\$1,762,000	1	no	no
94	I	MP Publishing	San Antonio	Bexar	Waveland NCP, LP	12/20/2006	\$2,000,000	1	1	no
95	I	NovusEdge	Austin	Travis	Enhanced Capital Texas Fund, LLC	11/28/2006	\$1,750,000	1	no	no
96	I	Open Labs	Austin	Travis	Accent Texas Fund I, LP	10/23/2009	\$50,000	1	no	1
97	I	Open Labs	Austin	Travis	Accent Texas Fund I, LP	9/9/2009	\$100,000	1	no	1
98	I	Open Labs	Austin	Travis	Accent Texas Fund I, LP	11/24/2009	\$250,000	1	no	1
99	I	Open Labs	Austin	Travis	Accent Texas Fund I, LP	6/9/2008	\$398,733	1	no	1
100	I	Open Labs	Austin	Travis	Accent Texas Fund I, LP	10/22/2009	\$398,733	1	no	1
101	I	Open Labs	Austin	Travis	Accent Texas Fund I, LP	1/28/2008	\$1,000,000	1	no	1
102	I	Open labs	Austin	Travis	Accent Texas Fund I, LP	11/26/2008	\$1,000,000	1	no	1
103	I	Open Labs	Austin	Travis	Accent Texas Fund I, LP	11/25/2009	\$1,000,000	1	no	1
104	II	Open Labs	Austin	Travis	Accent Texas Fund I, LP	11/22/2009	\$1,500,000	1	no	1
105	II	Open Labs	Austin	Travis	Accent Texas Fund I, LP	6/9/2008	\$2,191,267	1	no	1
106	II	Open Labs	Austin	Travis	Texas Ventures LLC	4/30/2008	\$100,000	1	no	1
107	I	Penco	Austin	Travis	Accent Texas Fund I, LP	11/18/2009	\$308,733	no	no	no
108	I	Penco	Austin	Travis	Accent Texas Fund I, LP	6/9/2008	\$1,000,000	no	no	no
109	I	Penco	Austin	Travis	Accent Texas Fund I, LP	11/18/2009	\$2,872,140	no	no	no
110	I	Penco	Austin	Travis	Accent Texas Fund I, LP	6/22/2007	\$3,500,000	no	no	no
111	I	Penco	Austin	Travis	Accent Texas Fund I, LP	10/10/2008	\$3,500,000	no	no	no
112	II	Penco	Austin	Travis	Accent Texas Fund I, LP	10/9/2008	\$2,191,267	no	no	no
113	II	Penco	Austin	Travis	Accent Texas Fund I, LP	11/18/2009	\$2,191,267	no	no	no
114	I	Performance Alloy	Houston	Harris	Stonehenge Capital Fund, Texas, LP	9/24/2007	\$2,560,000	no	no	1
115	I	Phurnace Software, Inc.	Dripping Springs	Hays	Lonestar CAPCO Fund, LLC	5/31/2006	\$120,000	1	no	no
116	I	PTRx	San Antonio	Bexar	Stonehenge Capital Fund, Texas, LP	12/28/2007	\$10,000	1	no	no
117	I	QuantM	Waxahachie	Ellis	Lonestar CAPCO Fund, LLC	5/4/2007	\$640,000	1	no	no
118	I	QuantM	Waxahachie	Ellis	Lonestar CAPCO Fund, LLC	12/12/2006	\$650,000	1	no	no
119	I	QuickOffice	Plano	Collin	Texas ACP I, LP	5/1/2008	\$490,050	1	no	no
120	I	QuickOffice	Plano	Collin	Texas ACP I, LP	11/25/2008	\$590,000	1	no	no
121	I	QuickOffice	Plano	Collin	Texas ACP I, LP	12/6/2005	\$749,998	1	no	no
122	I	QuickOffice	Plano	Collin	Texas ACP I, LP	12/12/2006	\$1,006,000	1	no	no
123	I	SafetyTubs	Prairie	Dallas	Texas ACP I, LP	12/31/2008	\$2,462,500	no	no	no
124	II	Seda France	Austin	Travis	Aegis Texas Venture Fund, LP	3/17/2008	\$2,500,000	no	no	1
125	I	SensorTran, Inc.	Austin	Travis	Stonehenge Capital Fund, Texas, LP	11/17/2009	\$92,985	1	no	no
126	I	SensorTran, Inc.	Austin	Travis	Stonehenge Capital Fund, Texas, LP	12/8/2008	\$100,000	1	no	no
127	I	SensorTran, Inc.	Austin	Travis	Stonehenge Capital Fund, Texas, LP	9/18/2007	\$136,363	1	no	no

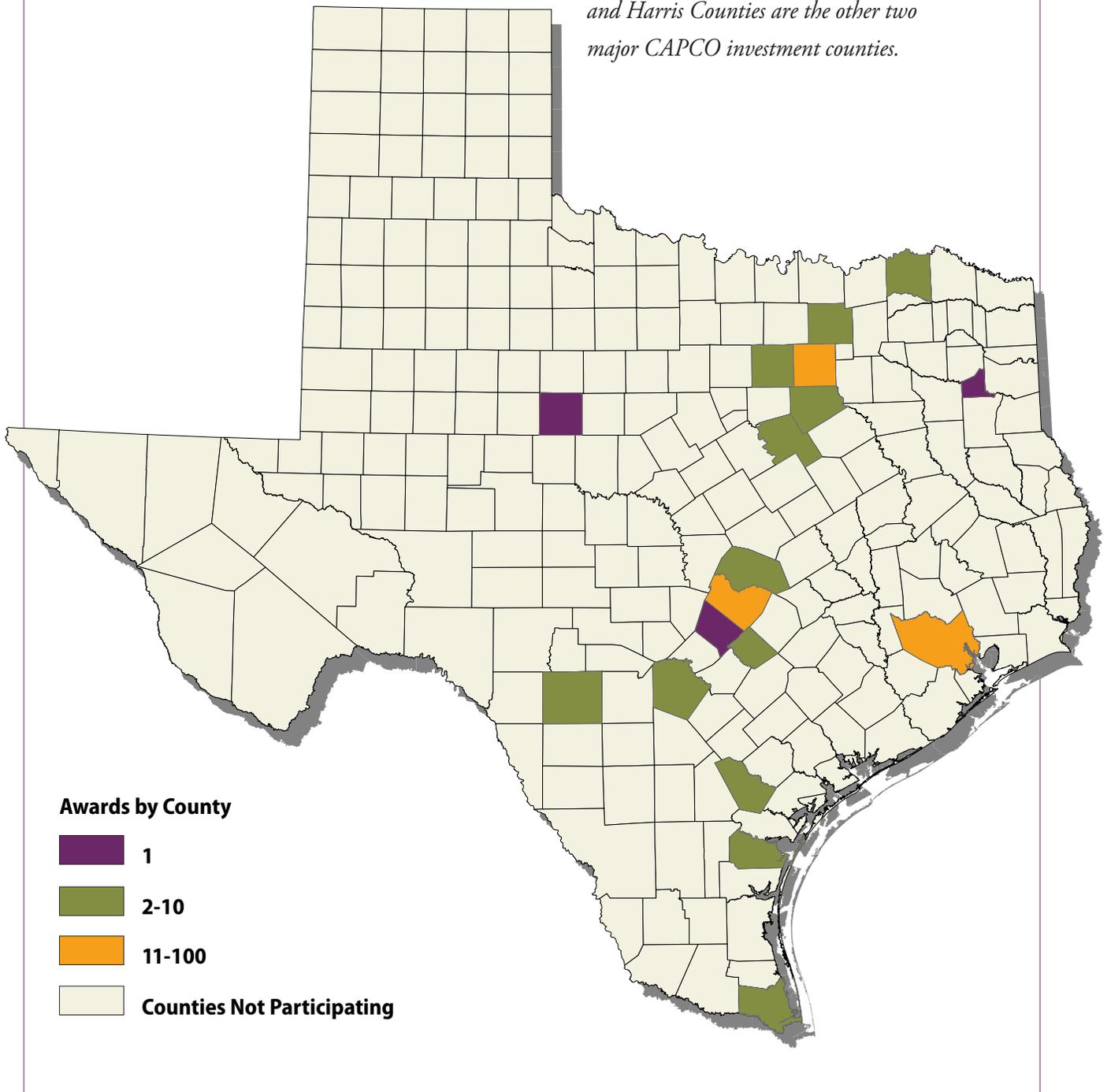
	CAPCO PROGRAM	NAME OF BUSINESS	CITY	COUNTY	CAPCO ORGANIZATION MAKING THE INVESTMENT	INVESTMENT DATE	AMOUNT OF CERTIFIED CAPITAL INVESTED	EARLY STAGE	STRATEGIC LOCATION	LOW INCOME COMMUNITY
128	I	SensorTran, Inc.	Austin	Travis	Stonehenge Capital Fund, Texas, LP	12/7/2007	\$160,826	1	no	no
129	I	SensorTran, Inc.	Austin	Travis	Stonehenge Capital Fund, Texas, LP	8/10/2006	\$500,000	1	no	no
130	I	SensorTran, Inc.	Austin	Travis	Texas ACP I, LP	3/7/2008	\$500,000	1	no	no
131	I	SensorTran, Inc.	Austin	Travis	Texas ACP I, LP	6/12/2007	\$940,000	1	no	no
132	II	SensorTran, Inc.	Austin	Travis	Stonehenge Capital Fund, Texas, LP	12/8/2008	\$132,130	1	no	no
133	II	SensorTran, Inc.	Austin	Travis	Texas ACP I, LP	3/5/2008	\$750,000	1	no	no
134	II	SensorTran, Inc.	Austin	Travis	Texas ACP I, LP	11/16/2009	\$951,892	1	no	no
135	II	SensorTran, Inc.	Austin	Travis	Texas ACP I, LP	12/1/2008	\$1,000,000	1	no	no
136	I	Sensory View of America	Austin	Travis	Lonestar CAPCO Fund, LLC	9/12/2006	\$1,250,000	1	no	no
137	I	Sierra industries Ltd	Uvalde	Uvalde	Enhanced Capital Texas Fund, LLC	12/22/2006	\$3,511,927	1	1	no
138	I	SkyPort	Houston	Harris	Aegis Texas Venture Fund, LP	12/21/2007	\$2,250,000	no	no	no
139	II	Skyway Group	Uvalde	Uvalde	Enhanced Capital Texas Fund, LLC	8/13/2009	\$750,000	1	1	no
140	I	Smart Imaging Technologies, Inc.	Houston	Harris	Aegis Texas Venture Fund, LP	2/5/2007	\$50,000	1	no	no
141	I	Smart Imaging Technologies, Inc.	Houston	Harris	Aegis Texas Venture Fund, LP	3/24/2006	\$400,000	1	no	no
142	I	SoftLayer	Plano	Collin	Aegis Texas Venture Fund, LP	2/26/2008	\$850,827	1	no	no
143	I	Softlayer	Plano	Collin	Aegis Texas Venture Fund, LP	3/31/2007	\$2,500,000	1	no	no
144	II	Softlayer	Plano	Collin	Aegis Texas Venture Fund, LP	8/6/2009	\$3,422,088	1	no	no
145	I	SSTX	Houston	Harris	Stonehenge Capital Fund, Texas, LP	4/1/2008	\$1,975,000	no	no	no
146	I	Summit Systems	Brownsville	Cameron	Wilshire Texas Partners I, LLC	12/2/2005	\$3,500,000	1	1	no
147	I	Sweet Leaf Tea	Austin	Travis	Republic Holdings Texas, LP	12/28/2007	\$646,284	1	no	no
148	I	Sweet Leaf Tea	Austin	Travis	Republic Holdings Texas, LP	10/27/2005	\$746,284	1	no	no
149	II	Sweet Leaf Tea	Austin	Travis	Accent Texas Fund I, LP	8/11/2009	\$1,304,065	1	no	no
150	II	Sweet Leaf Tea	Austin	Travis	Accent Texas Fund I, LP	12/23/2009	\$2,000,000	1	no	no
151	II	Sweet Leaf Tea	Austin	Travis	Aegis Texas Venture Fund, LP	12/24/2009	\$1,304,065	1	no	no
152	II	Sweet Leaf Tea	Austin	Travis	Republic Holdings Texas, LP	8/10/2009	\$3,695,935	1	no	no
153	II	Sweet Leaf Tea	Austin	Travis	Republic Holdings Texas, LP	12/23/2009	\$3,695,935	1	no	no
154	I	T&K Machine	Paris	Lamar	Stonehenge Capital Fund, Texas, LP	8/18/2007	\$1,485,000	no	1	no
155	I	T&K Machine	Paris	Lamar	Texas ACP I, LP	7/13/2007	\$1,485,000	no	1	no
156	I	Team Championship International	Austin	Travis	Accent Texas Fund I, LP	11/18/2005	\$518,750	1	no	no
157	I	Team Championship International	Austin	Travis	Aegis Texas Venture Fund, LP	11/18/2005	\$135,000	1	no	no
158	I	Teladoc	Dallas	Dallas	Waveland NCP, LP	9/29/2009	\$300,000	1	no	no
159	I	Teladoc	Dallas	Dallas	Waveland NCP, LP	4/13/2006	\$350,000	1	no	no
160	I	Teladoc	Dallas	Dallas	Waveland NCP, LP	9/1/2006	\$250,000	1	no	no

	CAPCO PROGRAM	NAME OF BUSINESS	CITY	COUNTY	CAPCO ORGANIZATION MAKING THE INVESTMENT	INVESTMENT DATE	AMOUNT OF CERTIFIED CAPITAL INVESTED	EARLY STAGE	STRATEGIC LOCATION	LOW INCOME COMMUNITY
161	I	Teladoc	Dallas	Dallas	Waveland NCP, LP	4/30/2007	\$149,337	1	no	no
162	I	Terry Allen Ent	Houston	Harris	Wilshire Texas Partners I, LLC	12/2/2009	\$900,000	no	no	no
163	I	Texas Power Construction	Austin	Travis	Accent Texas Fund I, LP	12/2/2007	\$500	1	no	no
164	I	THMED LLC	Dallas	Dallas	Waveland NCP, LP	12/18/2009	\$400,000	1	no	1
165	I	THMED LLC	Dallas	Dallas	Waveland NCP, LP	9/1/2009	\$500,000	1	no	1
166	II	THMED LLC	Dallas	Dallas	Waveland NCP, LP	12/18/2009	\$80,000	1	no	1
167	II	THMED LLC	Dallas	Dallas	Waveland NCP, LP	9/22/2009	\$1,900,000	1	no	1
168	I	Unwired Buyer	Austin	Travis	Accent Texas Fund I, LP	12/18/2007	\$110,000	1	no	no
169	I	Unwired Buyer	Austin	Travis	Accent Texas Fund I, LP	2/2/2006	\$750,000	1	no	no
170	I	Unwired Buyer	Austin	Travis	Aegis Texas Venture Fund, LP	3/2/2006	\$506,789	1	no	no
171	I	US Fiduciary	Houston	Harris	Texas ACP I, LP	10/19/2007	\$2,340,000	no	no	no
172	I	Vinaire	Lakeway	Travis	Lonestar CAPCO Fund, LLC	5/22/2008	\$350,000	1	no	no
173	I	Vuico	Houston	Harris	Aegis Texas Venture Fund, LP	8/22/2005	\$500,000	1	no	no
174	I	WebXites Holdings, Inc.	Houston	Harris	Aegis Texas Venture Fund, LP	8/23/2006	\$1,000,000	1	no	no
175	II	WebXites Holdings, Inc.	Houston	Harris	Texas Ventures LLC	6/5/2009	\$200,000	1	no	no
176	II	White Glove	Austin	Travis	Accent Texas Fund I, LP	6/9/2009	\$185,000	1	no	no
177	II	White Glove	Austin	Travis	Accent Texas Fund I, LP	4/22/2009	\$200,000	1	no	no
178	II	White Glove	Austin	Travis	Enhanced Capital Texas Fund, LLC	6/9/2009	\$175,000	1	no	no
179	II	White Glove	Austin	Travis	Enhanced Capital Texas Fund, LLC	4/23/2009	\$200,000	1	no	no
180	I	Whitley Printing	Austin	Travis	Whitecap Texas Opportunity Fund, LP	9/26/2006	\$2,000,000	1	no	no
<b>TOTALS</b>							<b>\$188,690,443</b>	<b>145</b>	<b>30</b>	<b>26</b>

MAP 7.4

## 7.4 Map - CAPCO

*More than one-third of CAPCO investments are in Travis County. Dallas and Harris Counties are the other two major CAPCO investment counties.*



# Incentive Programs

## 8 - Freeport Exemption

### 8.1 PROGRAM SUMMARY

#### YEAR ENACTED:

1989

#### LEGISLATIVE APPROPRIATION:

No specific appropriation

#### HISTORY:

A constitutional amendment adopted in 1989 authorizes a type of property tax exemption for items classified as “Freeport property” (Article VIII, Section 1-j). Tax Code Section 11.251 was adopted as the enabling law. Freeport property includes various types of property that are detained in Texas for a short period of time (175 days or less) to be transported out of Texas. The goods must be in Texas for certain purposes, such as assembly, storage, manufacturing, processing or fabrication. This exemption was proposed to enhance economic development.

The constitutional amendment was unusual from the standpoint that no action was necessary by taxing units that wanted to exempt Freeport property from taxation. The exemption was self-enacting unless the taxing units took specific action to tax the property. If a taxing unit decided to override the Freeport exemption and impose a local property tax, the governing bodies of the taxing units were required to take official actions to tax the property by April 1, 1990. Most taxing units took the necessary action at that time to be able to tax the Freeport goods.

A taxing unit may revoke its decision to tax the goods and choose to exempt them in order to promote economic development. Such a decision must be made by the governing body of the taxing unit by repealing the original resolution or ordinance to tax the Freeport property. If a taxing unit exempts Freeport property through the revocation, the exemption may not be repealed later. In other words, once the taxing unit chooses to exempt Freeport property, this type of property remains exempt from property taxation by that taxing unit forever.

The Freeport exemption, if adopted, applies throughout the local taxing entity’s jurisdiction. For example, if a taxing unit adopts the Freeport exemption, it applies throughout the entire taxing jurisdiction. A taxing unit may not choose to exempt Freeport property in only a portion of its territory.

Freeport goods include goods, wares, merchandise, ores, and certain aircraft and aircraft parts as defined under Article VIII, Section 1-j, Texas Constitution. It does not include oil, natural gas and other petroleum products. Petroleum products are defined as “liquid and gaseous materials that are the immediate derivatives of the refining of oil or natural gas.”

#### MEASUREMENT:

In 2003, 753 of 1033 school districts imposed taxes on Freeport goods. A school district may provide for Freeport property exemption and not have any exempt property reported on the Property Value

Study (PVS). This could happen because no eligible property is in the school district that year or a company with eligible property may not apply for the exemption timely that year, which may explain a school district reporting Freeport value loss one year and not another.

**PROGRAM COSTS:**

In Tax Year 2009, more than \$23 billion in value was removed from local taxing units appraisal rolls statewide.<sup>101</sup> Although the tax exemption is granted by the school district, the revenue losses are made up with state funds to the school district through the school finance system. The cost to the State would be the amount of general revenue that must be paid to school districts that lose money due to the exemption.

According to the PVS conducted annually by the Comptroller’s Property Tax Assistance Division until 2009, the following summary table shows the number of school districts, value loss and the total number of Freeport exemptions granted for the past 10 years from 1999 through 2009.

*Freeport goods must be in Texas for certain purposes, such as assembly, storage, manufacturing, processing or fabrication.*

TABLE 26

**FREEPORT EXEMPTIONS AND ESTIMATED COST TO THE STATE (1999-2009)**

YEAR	NUMBER OF SCHOOL DISTRICTS	TOTAL FREEPORT EXEMPTION TAXABLE DOLLAR VALUE LOSS	NUMBER OF FREEPORT EXEMPTIONS GRANTED	WEIGHTED AVERAGE ISD M&O TAX RATES <sup>102</sup>	ESTIMATED COST TO THE STATE <sup>103</sup>
(1)	(2)	(3)	(4)	(5)	(6)
1999	85	\$5,872,392,574	1,357	1.3849	\$81,326,420
2000	95	\$7,226,655,221	1,464	1.4187	\$102,527,048
2001	106	\$10,615,647,629	2,038	1.4388	\$152,739,560
2002	113	\$9,998,616,641	2,437	1.4632	\$146,300,607
2003	121	\$10,835,074,466	2,944	1.4740	\$159,713,225
2004	131	\$13,152,409,001	3,825	1.4749	\$193,979,252
2005	143	\$15,429,886,682	4,280	1.4797	\$228,315,628
2006	152	\$16,503,043,984	4,561	1.3410	\$221,313,813
2007	158	\$19,622,465,643	4,798	1.0321	\$202,518,155
2008	159	\$22,134,149,623	4,981	1.0416	\$230,546,941
2009	165	\$23,038,672,674	5,217	1.0432	\$240,343,322

Source: Texas Comptroller of Public Accounts, Property Tax Assistance Division

Based on the information provided in Table 26, the following information could be derived.

TABLE 27

YEAR	FREEPORT EXEMPTION TAXABLE DOLLAR VALUE LOSS	
	AVERAGE PER SCHOOL DISTRICT	AVERAGE PER EXEMPTION GRANTED
1999	\$69,086,971	\$4,327,482
2000	\$76,070,055	\$4,936,240
2001	\$100,147,619	\$5,208,856
2002	\$88,483,333	\$4,102,838
2003	\$89,546,070	\$3,680,392
2004	\$100,400,069	\$3,438,538
2005	\$107,901,305	\$3,605,114
2006	\$108,572,658	\$3,618,295
2007	\$124,192,821	\$4,089,718
2008	\$139,208,488	\$4,443,716
2009	\$139,628,319	\$4,416,077

Source: calculations of the Local Government Assistance and Economic Development Division, TX CPA.



**PROGRAM STRENGTHS:**

- The program was created by virtue of a constitutional amendment.
- The exemption benefit is only granted if the stated economic activity(ies) take place.
- It encourages warehousing within Texas versus the utilization of another stat.



**PROGRAM WEAKNESSES:**

- The program is not appropriated in state budget.
- The program does not track jobs or capital investments associated with the Freeport exemptions granted.
- The oversight and monitoring responsibilities are largely within the purview of the County Appraisal District.
- The Freeport designation approved by the school district but cost is made up by the state through school funding formula.



**PROGRAM RECOMMENDATIONS:**

Freeport Exemptions

- **Effectiveness Metrics.** The Freeport exemption is the state’s largest economic development program in terms of total dollars. Since the program is administered and monitored at the local level, the state does not have sufficient information to evaluate the return on the taxable dollar value loss granted under the exemption. The Comptroller’s office recommends that the legislature evaluate the program, and develop metrics to determine its effectiveness.

**8.2 FREEPORT EXEMPTION OBJECTIVES**

**FREEPORT EXEMPTION PROGRAM.<sup>104</sup>**

- The objective of the Freeport Exemption is to encourage business activity through a local property tax exemption for tangible personal property (equipment, machinery, inventory, materials etc.) that are assembled, manufactured, repaired, maintained, processed, stored, or fabricated in Texas and transported out of Texas within 175 days.<sup>105</sup>

**HOW ARE OBJECTIVES MEASURED?**

- The objective can be measured by the statewide property value attributable to the exemption as determined by the county appraisal districts since its inception in 1989.

**PROGRAM STATUS:**

- A study of the businesses that benefit from the exemptions would have to be conducted to determine if business activity has been encouraged by the exemption.

## 8.3 FREEPORT EXEMPTIONS LIST

- The following pages display the exemptions granted under the Freeport Exemption program for 2009.

TABLE 28

## FREEPORT EXEMPTIONS (SORTED BY COUNTY) 2009

COUNTY NUMBER	COUNTY NAME	SCHOOL DISTRICT NUMBER	SCHOOL DISTRICT NAME	FREEPORT EXEMPTION TAXABLE DOLLAR VALUE LOSS	NO. OF FREEPORT EXEMPTIONS GRANTED
001	Anderson	001-907	Palestine	\$14,524,650	4
001	Anderson	001-908	Westwood	\$10,072,574	5
003	Angelina	003-906	Zavalla	\$627,210	1
003	Angelina	003-905	Diboll	\$1,886,890	5
003	Angelina	003-903	Lufkin	\$86,499,901	17
005	Archer	005-901	Archer City	\$2,675,010	2
011	Bastrop	011-904	Smithville	\$3,590	1
015	Bexar	015-901	Alamo Heights	\$4,715,810	2
015	Bexar	015-916	Judson	\$111,926,320	39
015	Bexar	015-907	San Antonio	\$219,960,900	70
020	Brazoria	020-905	Brazosport	\$316,475,497	31
020	Brazoria	020-908	Pearland	\$65,342,016	32
027	Burnet	027-903	Burnet	\$4,432,560	1
027	Burnet	027-904	Marble Falls	\$4,130,430	8
028	Caldwell	028-903	Luling	\$385,380	1
031	Cameron	031-905	La Feria	\$5,383	1
031	Cameron	031-912	San Benito	\$76,071,893	10
031	Cameron	031-909	Point Isabel	\$23,405,672	15
031	Cameron	031-903	Harlingen	\$36,416,104	32
031	Cameron	031-901	Brownsville	\$150,815,444	68
043	Collin	043-912	Prosper	\$73,287	1
043	Collin	043-905	Frisco	\$24,848,302	7
043	Collin	043-914	Wylie	\$39,478,281	11
043	Collin	043-901	Allen	\$106,331,636	16
043	Collin	043-907	McKinney	\$187,149,556	23
043	Collin	043-910	Plano	\$363,414,754	82
046	Comal	046-902	Comal	\$23,066,008	12
057	Dallas	057-906	De Soto	\$1,892,705	1
057	Dallas	057-919	Sunnyvale	\$80,385,585	7
057	Dallas	057-904	Cedar Hill	\$8,800,221	12
057	Dallas	057-913	Lancaster	\$24,424,619	13
057	Dallas	057-914	Mesquite	\$64,049,434	34
057	Dallas	057-907	Duncanville	\$98,523,551	40
057	Dallas	057-910	Grand Prairie	\$349,454,415	48
057	Dallas	057-916	Richardson	\$321,740,725	103
057	Dallas	057-922	Coppell	\$491,059,802	113
057	Dallas	057-909	Garland	\$376,368,300	114
057	Dallas	057-903	Carrollton-Farmers Branch	\$927,212,494	186
057	Dallas	057-905	Dallas	\$1,706,270,108	520

COUNTY NUMBER	COUNTY NAME	SCHOOL DISTRICT NUMBER	SCHOOL DISTRICT NAME	FREEPORT EXEMPTION TAXABLE DOLLAR VALUE LOSS	NO. OF FREEPORT EXEMPTIONS GRANTED
060	Delta	060-902	Cooper	\$333,097	1
061	Denton	061-910	Argyle	\$503,515	1
061	Denton	061-901	Denton	\$195,850,282	29
061	Denton	061-902	Lewisville	\$571,610,282	70
061	Denton	061-911	Northwest	\$1,380,363,395	74
068	Ector	068-901	Ector County	\$78,775,612	54
070	Ellis	070-911	Red Oak	\$612,246	1
070	Ellis	070-908	Midlothian	\$47,300,038	11
070	Ellis	070-912	Waxahachie	\$71,701,579	20
071	El Paso	071-903	Fabens	\$23,808,525	1
071	El Paso	071-901	Clint	\$4,927,680	5
071	El Paso	071-906	Anthony	\$14,186,485	7
071	El Paso	071-907	Canutillo	\$82,423,611	22
071	El Paso	071-909	Socorro	\$700,410,553	114
071	El Paso	071-902	El Paso	\$285,253,087	131
071	El Paso	071-905	Ysleta	\$444,634,573	160
072	Erath	072-902	Dublin	\$1,535,298	1
072	Erath	072-903	Stephenville	\$74,753,205	6
078	Foard	078-901	Crowell	\$379,930	1
079	Fort Bend	079-901	Lamar Consolidated	\$10,132,450	12
079	Fort Bend	079-907	Fort Bend	\$384,317,930	36
079	Fort Bend	079-910	Stafford	\$196,348,340	42
084	Galveston	084-909	Santa Fe	\$20,698	1
091	Grayson	091-905	Howe	\$679,418	1
091	Grayson	091-909	Whitesboro	\$801,725	1
091	Grayson	091-914	Sadler-Southmayd	\$358,803	2
091	Grayson	091-908	Van Alstyne	\$583,007	2
091	Grayson	091-913	Pottsboro	\$48,410,243	3
091	Grayson	091-903	Denison	\$24,730,949	8
091	Grayson	091-906	Sherman	\$82,395,345	22
092	Gregg	092-902	Kilgore	\$72,678,530	25
094	Guadalupe	094-903	Navarro	\$944,050	1
094	Guadalupe	094-901	Seguin	\$23,119,016	8
094	Guadalupe	094-902	Schertz-Cibolo-Universal City	\$46,528,347	13
101	Harris	101-913	Humble	\$24,274,892	12
101	Harris	101-919	Spring	\$74,810,298	21
101	Harris	101-903	Alief	\$67,520,356	26
101	Harris	101-915	Klein	\$319,972,326	39
101	Harris	101-908	Deer Park	\$607,582,725	116
101	Harris	101-902	Aldine	\$1,177,898,809	163
101	Harris	101-916	La Porte	\$803,529,883	286
101	Harris	101-907	Cypress-Fairbanks	\$2,137,600,902	430
102	Harrison	102-902	Marshall	\$71,575,283	27
108	Hidalgo	108-908	Mission	\$4,708,371	3
108	Hidalgo	108-904	Edinburg	\$6,110,955	6

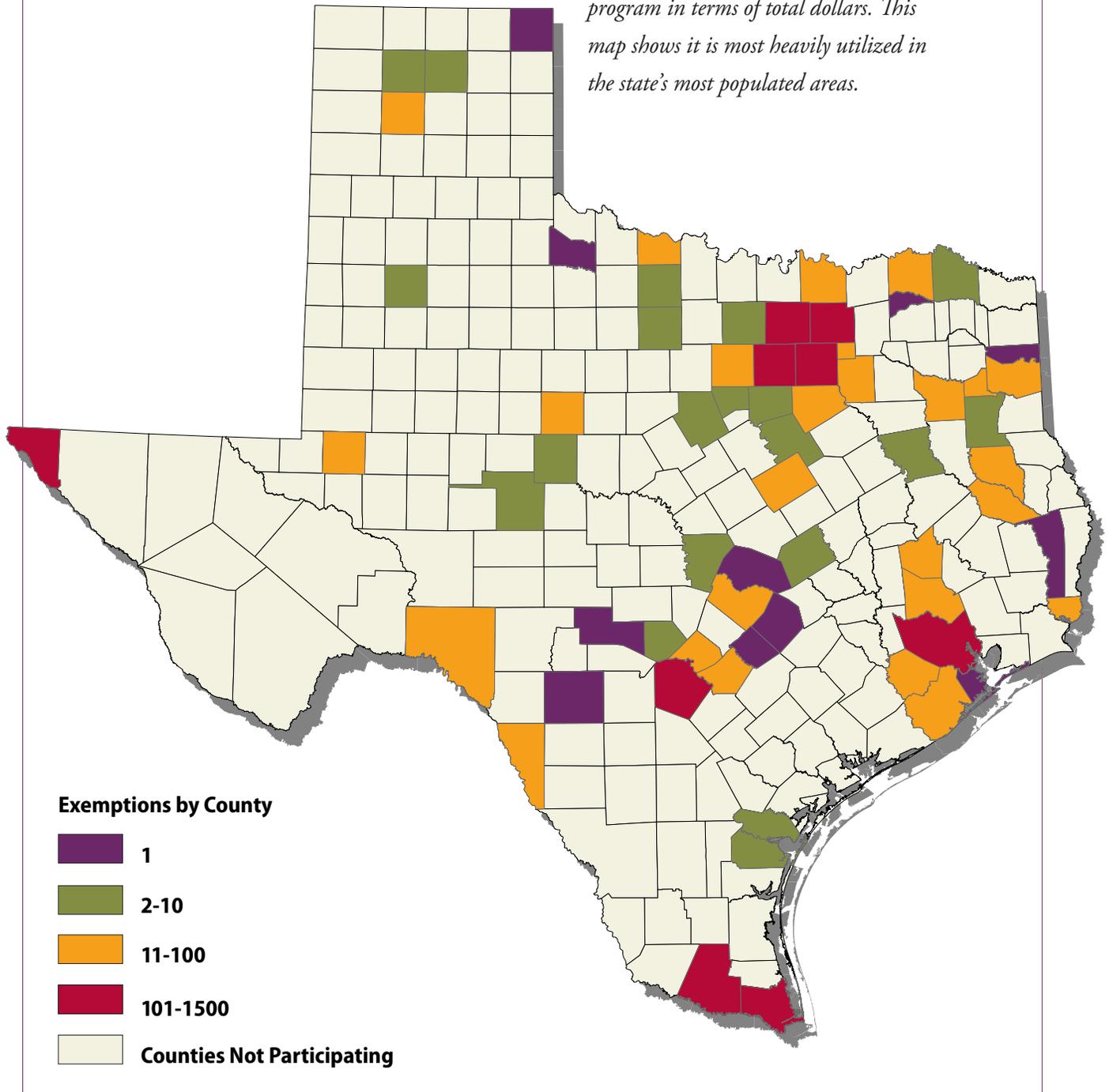
COUNTY NUMBER	COUNTY NAME	SCHOOL DISTRICT NUMBER	SCHOOL DISTRICT NAME	FREEPORT EXEMPTION TAXABLE DOLLAR VALUE LOSS	NO. OF FREEPORT EXEMPTIONS GRANTED
108	Hidalgo	108-905	Hidalgo	\$65,896,273	23
108	Hidalgo	108-911	Sharyland	\$183,841,241	33
108	Hidalgo	108-906	McAllen	\$44,333,393	43
109	Hill	109-904	Hillsboro	\$1,263,610	4
111	Hood	111-901	Granbury	\$5,763,903	5
117	Hutchinson	117-901	Borger	\$14,169,140	10
121	Jasper	121-906	Evadale	\$12,798,969	1
126	Johnson	126-901	Alvarado	\$47,166,841	6
129	Kaufman	129-906	Terrell	\$93,332,142	21
130	Kendall	130-901	Boerne	\$18,621,410	4
133	Kerr	133-903	Kerrville	\$92,220	1
139	Lamar	139-905	Chisum	\$50,206,093	8
139	Lamar	139-911	North Lamar	\$54,976,626	8
139	Lamar	139-909	Paris	\$25,071,587	13
148	Lipscomb	148-901	Booker	\$421,515	1
152	Lubbock	152-902	New Deal	\$23,235,237	4
158	Marion	155-901	Jefferson	\$526,040	1
162	Maverick	159-901	Eagle Pass	\$88,556,290	15
155	McLennan	161-923	Bosqueville	\$13,525,695	5
155	McLennan	161-906	La Vega	\$2,642,294	5
155	McLennan	161-909	McGregor	\$15,760,606	6
155	McLennan	161-914	Waco	\$56,856,775	28
166	Milam	166-904	Rockdale	\$19,916,475	4
170	Montgomery	170-903	Montgomery	\$13,866,384	5
170	Montgomery	170-902	Conroe	\$253,032,275	71
171	Moore	171-901	Dumas	\$26,354,680	3
174	Nacogdoches	174-904	Nacogdoches	\$27,077,460	14
178	Nueces	178-901	Agua Dulce	\$9,456,810	1
178	Nueces	178-909	Robstown	\$5,399,229	3
178	Nueces	178-915	West Oso	\$20,066,907	6
181	Orange	181-906	West Orange-Cove	\$170,311,470	23
184	Parker	184-911	Garner	\$11,183,460	2
184	Parker	184-907	Aledo	\$25,592	2
184	Parker	184-903	Weatherford	\$16,830,709	7
188	Potter	188-904	Bushland	\$15,360,837	5
188	Potter	191-901	Canyon	\$52,026,024	13
188	Potter	188-903	Highland Park	\$134,875,570	28
188	Potter	188-901	Amarillo	\$75,324,908	39
194	Red River	194-904	Clarksville	\$13,071,360	7
199	Rockwall	199-902	Royse City	\$3,009,958	4
199	Rockwall	199-901	Rockwall	\$25,091,542	14
200	Runnels	200-901	Ballinger	\$9,783,549	2
200	Runnels	200-904	Winters	\$8,646,018	4
201	Rusk	201-902	Henderson	\$4,991,320	8
205	San Patricio	205-903	Ingleside	\$24,156,640	3

COUNTY NUMBER	COUNTY NAME	SCHOOL DISTRICT NUMBER	SCHOOL DISTRICT NAME	FREEPORT EXEMPTION TAXABLE DOLLAR VALUE LOSS	NO. OF FREEPORT EXEMPTIONS GRANTED
212	Smith	212-901	Arp	\$25,087	1
212	Smith	212-903	Lindale	\$7,269,295	3
212	Smith	212-904	Troup	\$8,173,982	4
212	Smith	212-910	Winona	\$8,092,456	7
212	Smith	212-909	Chapel Hill	\$4,127,962	8
212	Smith	212-906	Whitehouse	\$59,020,118	10
212	Smith	212-905	Tyler	\$210,954,451	37
220	Tarrant	220-912	Crowley	\$26,142,607	4
220	Tarrant	220-907	Keller	\$9,389,161	6
220	Tarrant	220-904	Everman	\$63,674,885	20
220	Tarrant	220-908	Mansfield	\$220,633,983	47
220	Tarrant	220-902	Birdville	\$113,938,323	49
220	Tarrant	220-916	Hurst-Euless-Bedford	\$135,628,783	49
220	Tarrant	220-906	Grapevine-Colleyville	\$1,170,857,789	63
220	Tarrant	220-918	Eagle Mountain-Saginaw	\$338,164,838	67
220	Tarrant	220-905	Fort Worth	\$868,420,312	192
220	Tarrant	220-901	Arlington	\$745,904,785	274
221	Taylor	221-901	Abilene	\$31,367,219	13
226	Tom Green	226-903	San Angelo	\$11,958,663	8
227	Travis	227-909	Eanes	\$976,205	1
227	Travis	227-901	Austin	\$246,934	4
227	Travis	227-904	Pflugerville	\$268,656,919	14
227	Travis	227-907	Manor	\$221,693,387	59
232	Uvalde	232-903	Uvalde	\$966,519	1
233	Val Verde	233-901	San Felipe-Del Rio	\$32,535,172	15
236	Walker	236-901	New Waverly	\$378,374	1
236	Walker	236-902	Huntsville	\$58,736,015	4
236	Waller	237-904	Waller	\$13,877,196	7
243	Wichita	243-903	Iowa Park	\$14,453,411	1
243	Wichita	243-906	City View	\$6,549,236	3
243	Wichita	243-901	Burkburnett	\$51,330,989	5
243	Wichita	243-905	Wichita Falls	\$52,585,250	16
246	Williamson	246-902	Florence	\$92,138	1
249	Wise	249-904	Chico	\$157,620	1
249	Wise	249-905	Decatur	\$28,329,432	3
252	Young	252-901	Graham	\$2,532,440	3
<b>TOTALS</b>			<b>165 DISTRICTS</b>	<b>\$23,038,672,674</b>	<b>5,217</b>

MAP 8.4

## 8.4 – Freeport Exemptions

*The Freeport exemption is by far Texas' largest economic development incentive program in terms of total dollars. This map shows it is most heavily utilized in the state's most populated areas.*



# Incentive Programs

## 9 - Texas Workforce Commission – Skills Development Fund

### 9.1 PROGRAM SUMMARY

#### YEAR ENACTED:

Enacted in 1995 by the 74th Legislature (Texas Workforce Commission; Workforce Development; Employment Services Chapter 303).

#### LEGISLATIVE APPROPRIATION:

2007 Biennium - Appropriation: \$50,935,107 (\$26.1M for 2008; \$24.8M for 2009)<sup>106</sup>

2009 Biennium - Appropriation: \$90,986,276; (\$50.5M for 2010; \$40.5M for 2011)<sup>107</sup>

#### HISTORY:

The Skills Development Fund is technically not an incentive. However, because it is often used to provide assistance to Texas employers, it is included in this report.

Established by the 74th Legislature in 1995, The Skills Development Fund was designed to better utilize the public community and technical college system in Texas as well as other training organizations and have them partner with businesses throughout the state (with priority on small businesses) to train workers to meet the labor needs of employers and the regional labor market.

The purpose of the Skills Development Fund is to enhance the ability of public community and technical colleges, the Texas Engineering Extension Service (TEEX), or community-based organizations only in partnership with these institutions to respond to industry and workforce training needs and to develop incentives to provide customized assessment and training in a timely and efficient manner. The fund's goal is to increase the skills and wages of the Texas workforce.<sup>108</sup>

The Skills Development Fund pays for the training, the college administers the grant, and businesses create new jobs and improve the skills of their current workers. Since its inception in 1996 through 2009, the Skills Development Fund has helped 3,433 employers create 79,758 jobs and upgrade the skills of 148,388 incumbent workers for a total of 228,146 workers trained. Additionally, \$196.7 million in grants have been awarded.<sup>109</sup>

#### MEASUREMENT:

The executive director of the Texas Workforce Commission submits an annual report pertaining to the status of the program. This report must contain specific information outlining the applications received, approvals, successes, areas served, and monies allocated.

TABLE 29

#### STATE APPROPRIATIONS

LEGISLATIVE SESSION	YEAR ENDING (AUGUST 31)	APPROPRIATION
80th (2007)	2008	\$26,114,239
	2009	\$24,820,868
	Total for Biennium	\$50,935,107
81st (2009)	2010	\$50,482,305
	2011	\$40,503,971
	Total for Biennium	\$90,986,276

Sources: 80th Legislature, Text of Conference Committee Report, House Bill No. 1, Regular Session (General Appropriations Act), State of Texas, 2007.

81st Legislature, Text of Conference Committee Report, Senate Bill No. 1, Regular Session (General Appropriations Act), State of Texas, 2009.(p. VII-42 & p.XII-7)

TABLE 30

**PROGRAM OUTLAYS/ALLOCATIONS**

FISCAL YEAR	PROPOSALS RECEIVED	\$ AMOUNT OF PROPOSALS	GRANTS AWARDED	AVERAGE AMOUNT OF AWARD	TOTAL \$ AMOUNT OF ALL SDF GRANTS AWARDED	NEW JOBS CREATED	CURRENT WORKERS RETAINED
2009	92	\$38,734,272	45	\$524,714	\$23,612,149	3,567	15,949
2008	102	\$52,266,955	41	\$555,431	\$22,772,673	7,984	11,705
2007	113	\$50,820,087	55	\$464,071	\$25,059,808	7,073	13,758

Source: Texas Workforce Commission "Skills Development Fund" Annual Reports (2007, 2008, 2009)

According to the Texas Workforce Commission, from 2007 through 2009:<sup>110</sup>

- \$71,444,630 in Skills Development Fund grants awarded
- 307 Skills Development Fund applications received
- 141 applications approved and grants awarded
- 60,036 new and current jobs
  - 18,624 new jobs were reported as being created
  - 41,412 current workers were trained/retrained

Given the estimated benefit to recipient companies through the Texas Workforce Commission's Skills Development Fund during fiscal years 2007 to 2009 (\$71,444,630) as the basis of cost, the amount of grants dollars per-unit measurement of the program is as follows:

- \$506,700 average per approved application
- \$1,190 per job (new and retrained)

 **PROGRAM STRENGTHS:**

- The program was created in statute.
- It is focused on training and retraining.
- It focuses on businesses of all sizes with priority going to small businesses.
- The program encourages partnerships between businesses and colleges.

- It encourages local community and technical colleges and TEEX to focus on the needs of the local private business sector.
- The program requires transparency through legislatively mandated annual report.
- The program encourages employers to retain and or use the local labor force and assists local employees to better meet the needs of the local business community.

 **PROGRAM WEAKNESSES:**

- The allocation method makes geographical analysis difficult (businesses partnering with colleges in different districts) and hampers precise review and analysis.<sup>111</sup>
- In determining the Skills Development Fund benefit per job, it is difficult to differentiate between benefit attributed to new/committed jobs and benefit attributed to retained jobs.

 **PROGRAM RECOMMENDATIONS:**

Texas Workforce Commission Skills Development Fund

- CPA has no recommendation for this program.

## 9.2 CHAPTER SKILLS DEVELOPMENT FUND OBJECTIVES

**THE TEXAS WORKFORCE COMMISSION -  
SKILLS DEVELOPMENT FUND:** <sup>112</sup>

- The overriding objective of the fund is to increase the skill levels and wages of the Texas workforce. This objective is achieved by enhancing the ability of a grant recipient (i.e., a public community college, a technical college, the Texas Engineering Extension Service (TEEX), or a partner with community-based organization) to provide customized industry and workforce assessment and training in a timely manner.<sup>113</sup>

**HOW IS THE OBJECTIVE MEASURED?**

- The first step prior to awarding a grant (and subsequent funding) is the submission of a proposal for a Skills Development Fund grant. The proposal should contain the following information:
  1. number of proposed jobs created and/or retained
  2. a brief outline of the proposed training project which includes the skills to be acquired through training and the employer's involvement in the planning and design process
  3. a brief description of the measurable training objectives and outcomes;
  4. occupation and wages of participants who complete the customized training project (Note: prevailing wage is a statutory requirement (FN section 303.002(B)(2))
  5. a budget summary which discloses the anticipated project costs and resource contributions including the dollar amount which the private partner is willing to commit to the project<sup>114</sup>
  6. a signed agreement between the private partner or trade union and the public

community or technical college or TEEX outlining each entity's roles and responsibilities if the grant is awarded

7. a statement explaining the basis for the determination of an actual or projected labor shortage in the occupation for which the proposed training project will be provided that is not being met by an existing institution or program in the workforce area
  8. a comparison of costs per trainee for the customized training project and costs for similar instruction at the public community or technical college or TEEX
  9. a statement describing the private partner's or trade union's equal opportunity employment policy
  10. a list of proposed employment benefits
  11. an indication of a concurrent proposal to the Texas Enterprise Fund
  12. any additional information deemed necessary by TWC to complete an evaluation of the proposal<sup>115</sup>
- In the event of a successful proposal, TWC through its executive director (or an appointed designee) shall enter into a contract with the grant recipient.<sup>116</sup>

**PROGRAM STATUS:**

- As part of its contractual agreement with TWC, the grant recipient must comply with the following obligation:
  1. submission of all required reports (including financial and performance reports) in a format and time frame required by TWC
  2. maintenance of fiscal data needed for independent verification of fund expenditures received for the customized training project

- 3. cooperation and compliance with TWC monitoring activities as required by Chapter 800, Subchapter H of the Texas Administrative Code
- 4. submission of contract closeout reports
- At the end of each fiscal year, the Executive Director of the Texas Workforce Commission submits an annual report to the Governor and the Legislature pertaining to the status of the program. In the report, the following information are included:
  - 1. total number of applications submitted, approved and rejected by region of the state
  - 2. average and median weekly wage levels of trainees entering or returning to the workforce. The wage level information should be broken down as follows:
    - current employees undergoing training
    - new hires
    - region of the state
  - 3. number and percentage of training with health care insurance coverage, worker's compensation insurance coverage, and other analogous benefit programs
  - 4. total amount of money awarded in each region of the state and the percentage that amount represents of the total amount of money awarded on a statewide basis
- 5. a comparison of the percentage of total dollars awarded to each region versus each region's percentage of the following:
  - state's population
  - civilian labor force
  - number of unemployed persons
  - number of qualified grant applications submitted to the commission by public community and technical colleges
- 6. provide information as to the size of businesses
- 7. total number of jobs created or persons retained under the program:
  - by region of the state
  - by occupation classified by the two-digit standard industrial classification
  - by the wage level
  - whether jobs created or retained are attributable to either:
    - (1) Relocation of businesses to the state
    - (2) Training or retraining of employees of existing employers

9.3 SKILLS DEVELOPMENT FUND MAP & LIST

- An awardee list was not provided for this report.
- Map: Per TWC, Grants cannot be assigned to a specific area since grants often serve multiple regions and all awards are available but not by assignment to an exclusive region of the state.

# Endnotes

- <sup>1</sup> U.S. Department of Commerce, Bureau of Economic Analysis, “National Economic Accounts Gross Domestic Product,” <http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=5&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Qtr&FirstYear=2001&LastYear=2010&3Place=N&Update=Update&JavaBox=no>. (Last visited November 16, 2010.)
- <sup>2</sup> Comptroller’s Economic Outlook, updated Oct. 22, 2010. <http://www.texasahead.org/economy/outlook.html>. (Last visited on October 25, 2010).
- <sup>3</sup> Roger Arnold, *Economics*, 5th Ed., (Cincinnati, OH: South-Western College Publishing (2001), p. 115.
- <sup>4</sup> Based on his textbook, Dr. Arnold notes that the other two major economic states/conditions/goals are price stability and low unemployment. P. 115
- <sup>5</sup> Purchases from outside the country (for GDP) and out-of-state (for GSP).
- <sup>6</sup> At the state level, movements of labor and capital resources tend to be more fluid vis-à-vis resource flows at the national level. Hence, resource scarcity is not as evident when viewed from the perspective of the sub-national economy.
- <sup>7</sup> Profits = Total Revenue – Total Cost.
- <sup>8</sup> In general, the aim(s) of economic development incentive programs is to stimulate economic activity through the creation of jobs and/or capital investments.
- <sup>9</sup> Fisher, P. S. and A. H. Peters “Taxes, Incentives and Competition for Incentives.” *The Region*. (Federal Reserve Bank of Minneapolis, June 1996), [http://www.minneapolisfed.org/publications\\_papers/pub\\_display.cfm?id=3670](http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=3670). (Last visited October 21, 2010.)
- <sup>10</sup> This includes incentives that focus on raising the skills and productivity of workers [i.e., work force development.]
- <sup>11</sup> This includes investments in roads, rail, information technology infrastructure and utility sources (e.g., power generation, water, and sewer).
- <sup>12</sup> Bureau of Economic Analysis, “National Economic Accounts,” <http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=5&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Qtr&FirstYear=2001&LastYear=2010&3Place=N&Update=Update&JavaBox=no#Mid>. (Last visited October 25, 2010.)
- It should be noted that from the first quarter of 1947 (first year in the BEA dataset used) to the second quarter of 2010, consumption has historically accounted for 64.8 percent of GDP. Government expenditures have accounted for 20.2 percent of GDP while business investments and net exports contributions to GDP have historically represented 16 percent and -1 percent, respectively.
- <sup>13</sup> Second quarter data was used because this was the most current time period for 2010. Second quarter data from prior years was used for comparison purposes.
- <sup>14</sup> Ann Markusen, “Human versus Physical Capital: Government’s Role in Regional Development.” In *Public Policy for Regional Development*, ed. Jorge Martinez-Vazquez and Francois Vaillancourt, (Oxford, UK: Routledge, 2008), pp. 47-65, <http://www.hhh.umn.edu/projects/prie/pdf/160HumanvsPhysical.pdf>. (Last visited October 21, 2010); and Leontief was awarded the 1973 Nobel Memorial Prize in Economics for his work on how a change in one sector affects all other sectors of an economy.
- <sup>15</sup> The six incentive programs reviewed are: Chapter 313; Texas Moving Image Industry Incentive Program; CAPCO; Texas Enterprise Fund; TWC Skills Development Fund; and the Texas Enterprise Zone program. These programs have reported the number of jobs created.

<sup>16</sup> For every \$1 million spent on film production in Texas, only 4.66 percent of this value is received in sales taxes. For every \$1 Million that the video game industry spends in Texas, 7.61 percent of this value is received in sales taxes. Source: REMI model for the State of Texas.

According to the TFC website ([http://www.governor.state.tx.us/film/incentives/miip\\_filmtv](http://www.governor.state.tx.us/film/incentives/miip_filmtv)) a film production can receive up to 15 percent of all Texas spending plus a bonus for underutilized areas, or up to 25 percent of all Texas wages plus a bonus for underutilized areas. (Last visited December 16, 2010.)

<sup>17</sup> The legislation encourages large-scale capital investments in school districts that have an ad valorem tax base that is less than the average ad valorem tax base of school districts in the state.

<sup>18</sup> Texas Comptroller of Public Accounts, “Appraised Value Limitation and Tax Credit,” <http://www.window.state.tx.us/taxinfo/proptax/hb1200/index.html>. (Last visited November 3, 2010.)

<sup>19</sup> Texas Comptroller of Public Accounts, *Texas Economic Development Act Report 2010*, [http://www.texasahead.org/tax\\_programs/chapter313/TEDA2010-96-1359.pdf](http://www.texasahead.org/tax_programs/chapter313/TEDA2010-96-1359.pdf). (Last visited December 16, 2010.)

<sup>20</sup> According the report, there are 101 active Chapter 313 agreements. However, three of these agreements have made no investment nor have they received any incentive as of August 2010. Deducting these three dormant agreements, there are actually 98 active projects. This report analyzes the effects of incentives, investment, jobs and costs caused by the 98 active projects.

<sup>21</sup> Tex. Tax Code §313, “Texas Economic Development Act,” <http://www.statutes.legis.state.tx.us/Docs/TX/htm/TX.313.htm>. (Last visited November 10, 2010.)

<sup>22</sup> Texas Comptroller of Public Accounts, “Appraised Value Limitation and Tax Credit,” <http://www.window.state.tx.us/taxinfo/proptax/hb1200/index.html>. (Last visited November 3, 2010.)

<sup>23</sup> Tex. Tax Code §313.003.

<sup>24</sup> The three projects (agreements) that have made no

capital investments as of Aug. 27, 2010 are not considered active. They have no effect on incentives, investments, jobs or any other total number represented in Table 3.

<sup>25</sup> Includes any unexpended balances and interest earned.

<sup>26</sup> The Office of the Governor, “Texas Enterprise Fund,” [http://governor.state.tx.us/priorities/economy/investing\\_for\\_growth/texas\\_enterprise\\_fund/](http://governor.state.tx.us/priorities/economy/investing_for_growth/texas_enterprise_fund/). (Last visited November 8, 2010).

<sup>27</sup> These wages need to be above the average wages paid in the county where the project is expected to be located.

<sup>28</sup> These metrics were obtained from the Office of the Governor-Economic Development and Tourism’s *Texas Enterprise Fund Legislative Summary Report (2009)* and §481.080 of HB 1938 of the 79th Regular Legislative Session.

<sup>29</sup> Includes any unexpended balances (\$84 million) out of the general Revenue dedicated TEF Account No. 5107 to Appropriations Strategy A.1.8 (Texas Enterprise Fund). This also includes \$191.606 million unappropriated and unobligated fund balances, estimated revenue and accrued interest earnings for the biennium.

<sup>30</sup> Includes \$20 million in fiscal 2010 funding transferred from the General Revenue fund to the General Revenue dedicated TEF Account No. 5197; \$41.289 million in unexpended balances for fiscal 2010; and \$3,004,000 and \$3,283,000 in revenue and interest earnings for fiscal 2010 and 2011, respectively.

<sup>31</sup> These contract amounts are not net of claw backs. Since fiscal 2004-05, the total amount clawed back is estimated at \$2,816,149.

<sup>32</sup> This refers to the leadership from the Offices of the Governor, Lieutenant Governor and the Speaker of the House of Representatives.

<sup>33</sup> Based on the June 30, 2010, Texas Enterprise Fund project listings, the total amount of disbursed funds that have been returned totaled \$21,283,871. More than 13 percent of this amount represents liquidated damages (claw backs). The remainder represents other repayments.

- <sup>34</sup> Submission of applications is not subject to specific periods or dates.
- <sup>35</sup> Source: Office of the Governor with responsibilities for administering the fund.
- <sup>36</sup> Tex. Gov. Code §481, “Texas Enterprise Fund,” <http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.481.htm#481.078>. (Last visited November 8, 2010).
- <sup>37</sup> These wages need to be above the average wages paid in the county where the project is expected to be located.
- <sup>38</sup> These metrics were obtained from the Office of the Governor-Economic Development and Tourism’s Texas Enterprise Fund Legislative Summary Report (2009) and §481.080 of HB 1938 of the 79th Regular Legislative Session.
- <sup>39</sup> Tex. Tax Code §111.301-4 <http://www.statutes.legis.state.tx.us/Docs/TX/htm/TX.111.htm#111.301> (Last visited November 10, 2010).
- <sup>40</sup> Information as of Oct. 22, 2009.
- <sup>41</sup> North American Industrial Classification System.
- The Comptroller’s Property Tax Assistance Division (PTAD) reports 131 applications were filed as of Oct. 22, 2009. Information on only 130 applications was used in the table due to the fact that the application of a company that became bankrupt was taken out of the analysis.
- <sup>42</sup> Tex. Tax Code §111.302.
- <sup>43</sup> Source: PTAO
- <sup>44</sup> Tex. Govt. Code, §2303, “Enterprise Zones,” <http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.2303.htm>. (Last visited November 10, 2010).
- <sup>45</sup> The state can allocate a maximum of 105 enterprise project designations per biennium. Any remaining designations at the end of a biennium can be carried forward to the next biennium.
- <sup>46</sup> Additional information is available in Table 11. The data contained in the latter table (Table 11) does not provide the designation type for the various projects that received Texas Enterprise Zone benefits.
- <sup>47</sup> Data obtained from the Office of the Governor contains information up February 2010 and was reported to the Comptroller’s office on Sept. 3, 2010. Information for calendar year 2010 was not presented because data for prior years represents full years. Incorporating the limited 2010 data may not yield any meaningful comparisons. The Office of the Governor suggested in correspondence on Nov. 30, 2010 that complete 2010 data will show an increase in program use.
- <sup>48</sup> Texas Comptroller of Public Accounts, “Enterprise Zones,” [http://www.window.state.tx.us/taxinfo/enterprise\\_zone/ez\\_program.html](http://www.window.state.tx.us/taxinfo/enterprise_zone/ez_program.html). (Last visited November 9, 2010.)
- <sup>49</sup> 2007 Text of Conference Committee Report – General Appropriations Act pp. I-52, I-58, I-59. Stipulates each fiscal year \$1 million allocated for administrative, archival and crew training costs, and \$10 million to incentive fund. Stipulates that any unused funds from 2008 can be carried over to 2009
- <sup>50</sup> Source 2009 Text of Conference Committee Report – General Appropriations Act pp. I-50, I-56; Stipulates each fiscal year \$1 million allocated for administrative, archival and crew training costs, and \$10 million to incentive fund. Stipulates that any unused funds from 2010 can be carried over to 2011. Art IX, sec 17.21 stipulates the separate appropriation of \$40 million to Film and Music Marketing within the Governor’s Trusteed Programs.
- <sup>51</sup> HB 873 took effect on April 23, 2009. The most accurate information available about the Texas Moving Image Industry Incentive programs is available from that date forward and is used in this report.
- <sup>52</sup> Source: 2009 Text of Conference Committee Report
- <sup>53</sup> Source: Texas Moving Image Incentive Program Summary – Paid Projects, Texas Film Commission (TFC), Aug. 31, 2010.
- <sup>54</sup> 2005 Text of Conference Committee Report – General Appropriations Act pp. I-49, No distinction was made for film incentives. Monies were allocated to market Texas as a film location and music venue and it was stipulated that any unused funds from 2006 could be carried forward to 2007.

<sup>55</sup> 2007 Text of Conference Committee Report.

<sup>56</sup> 2009 Text of Conference Committee Report.

<sup>57</sup> Source 2009 Text of Conference Committee Report – General Appropriations Act Art IX, sec 17.21 relating to the funding for Film and Music Marketing strategy totaling \$40 million in fiscal 2010 from the General Revenue Fund / Office of the Governor. \$40 million was appropriated to the Trusteed Program (Film & Music Marketing) and is being used for the film incentive program.

<sup>58</sup> TFC Status Report (with) FTE) for April 23, 2009 to Aug. 31, 2010.

<sup>59</sup> Source: TFC, Aug. 31, 2010.

<sup>60</sup> TFC Texas Media Industries 10-Year Spending Chart (revised April 16, 2010)

<sup>61</sup> Texas Comptroller of Public Accounts, *The Current and Potential Economic and Fiscal Impacts of Texas' Moving Media Industry – Final Report*, (Austin, Dec. 1, 2008,) p. 17.

<sup>62</sup> Source: 2009 Text of Conference Committee Report.

<sup>63</sup> Source: TFC.

<sup>64</sup> Tex. Govt. Code, §485, <http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.485.htm>. (Last visited November 10, 2010.)

<sup>65</sup> Source: TFC status report, April 23, 2009 – July 1, 2010.

<sup>66</sup> Production jobs are working opportunities and may be full-time, part-time and/or temporary. It is also possible that one person might fill many production opportunities.

<sup>67</sup> FTE jobs represent the total number of full-time jobs that have been created based upon a formula used by the TFC. This formula assigns a multiplier to the production jobs created by a project to determine a full-time equivalent.

<sup>68</sup> For every \$1 million spent on film production in Texas, only 4.66 percent of this value is received in sales taxes. For every \$1 million that the video game industry spends in Texas, 7.61 percent of this value is received in sales taxes. Source: REMI model for the State of Texas.

According to the TFC website ([http://www.governor.state.tx.us/film/incentives/miiip\\_filmtv](http://www.governor.state.tx.us/film/incentives/miiip_filmtv)) a film production can receive up to 15 percent of all Texas spending plus a bonus for underutilized areas, or up to 25 percent of all Texas wages plus a bonus for underutilized areas.

<sup>69</sup> The Office of the Governor, “Texas Moving Industry Incentive Program,” <http://www.governor.state.tx.us/film/incentives/miiip/>. (Last visited November 10, 2010.)

<sup>70</sup> Except for reality TV and talk shows.

<sup>71</sup> The Option A incentive payment is based on percentage of in-state spending.

<sup>72</sup> The Option B incentive payment is based on total wages paid to Texas residents.

<sup>73</sup> A project that completes at least 25 percent of its total shooting days in an underutilized or economically distressed area of the state is eligible receive an additional 2.5 percent payment over the standard Option A incentive payment.

<sup>74</sup> A project that completes at least 25 percent of its total shooting days in an underutilized or economically distressed area of the state is eligible receive an additional 4.25 percent payment over the standard Option B incentive payment.

<sup>75</sup> TFC Texas Media Industries 10-Year Spending Chart (revised May 3, 2010). Note that data from other years is also available. 2009 information as the most current data set and reflects revised data collection methods that have changed over prior years. The chart provides reported information and may not represent a comprehensive overview. The numbers should be used for comparison purposes only.

<sup>76</sup> TFC Texas Media Industries 10-Year Spending Chart.

<sup>77</sup> TFC Texas Media Industries 10-Year Spending Chart

- <sup>78</sup> TFC Texas Media Industries 10-Year Spending Chart
- <sup>79</sup> Tex. Govt. Code §490.005, Emerging Technology Fund, <http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.490.htm#490.005>. (Last visited November 12, 2010).
- <sup>80</sup> Office of the Governor, Emerging Technology Fund - ETF Project Dashboard - Oct. 22, 2010 [PDF], [http://members.texasone.us/site/PageServer?pagename=tetf\\_homepage](http://members.texasone.us/site/PageServer?pagename=tetf_homepage) Click on ETF Project Dashboard to download PDF. (Last visited December 15, 2010.)
- <sup>81</sup> Each agreement has a set dollar amount that is encumbered to a specific year. However, each grant and/or investment may have benchmarks that need to be reached before receiving the full award. While the ETF tracks encumbered amounts, only actual invested or granted amounts are shown.
- <sup>82</sup> Tex. Govt. Code §490.
- <sup>83</sup> Tex. Govt. Code §490 .
- <sup>84</sup> General Appropriations Act of the State of Texas.
- <sup>85</sup> Tex. Govt. Code §490. Office of the Governor, Emerging Technology Fund - ETF Project Dashboard.
- <sup>86</sup> For Program I, 10 CAPCO investment funds were approved. For Program II, nine CAPCO investment funds were approved. Source: Texas Treasury Safekeeping Trust Company
- <sup>87</sup> Texas Comptroller of Public Accounts, “2008 Biennial Capital Companies Certified Report [PDF],” <http://www.window.state.tx.us/capco/reports/capco2008.pdf>. (Last visited December 15, 2010.)
- It should be noted that the number of participating insurance companies fluctuates due to mergers, acquisitions and other business transactions. (Source: Texas Treasury Safekeeping Trust Company correspondence Nov. 12, 2010.)
- <sup>88</sup> Texas Comptroller of Public Accounts, “2008 Biennial Capital Companies Certified Report [PDF].”
- <sup>89</sup> Texas Treasury Safekeeping Trust Co.
- <sup>90</sup> Texas Treasury Safekeeping Trust Company correspondence Nov. 12, 2010.
- <sup>91</sup> Tex. Insur. Code §228.053(a), Premium Tax Credits for Certain investments. <http://www.statutes.legis.state.tx.us/Docs/IN/htm/IN.228.htm#228.053>. (Last visited December 16, 2010.)
- <sup>92</sup> Texas Treasury Safekeeping Trust Co. reports that through Dec. 31, 2009, CAPCOs have reported the following unique business investments: Program I – 66; Program II – 15. This represents a total of 180 total outlays (separate investments) over the period ending December 2009.
- <sup>93</sup> Texas Comptroller of Public Accounts calculations. Determination of high concentration is based on a Herfindahl-Hirschmann Index of 2,073.
- <sup>94</sup> CAPCOs have invested in 81 individual businesses since inception. 180 outlays (investment payments) have been made to these 81 firms (see Table 25).
- <sup>95</sup> Texas Comptroller of Public Accounts, “Overview of CAPCO,” <http://www.window.state.tx.us/capco/overview.html>. (Last visited Nov. 16, 2010.)
- <sup>96</sup> Communication with Texas Treasury Safekeeping Trust Company, CAPCO programs administrator, Sept. 17, 2010.
- Chapter 228 Premium Tax Credit for Certain Investments Subchapter D Section 228.151(b)
- <sup>97</sup> Texas Comptroller of Public Accounts, History of CAPCO, <http://www.window.state.tx.us/capco/history.html>. (Last visited November 15, 2010.)
- <sup>98</sup> Texas Treasury Safekeeping Trust Company. See Tables 23, 24 and 25.
- <sup>99</sup> Texas Comptroller of Public Accounts, “2008 Biennial Capital Companies Certified Report [PDF].”
- <sup>100</sup> Texas Treasury Safekeeping Trust Company (September 2010).
- <sup>101</sup> A tax year coincides with a calendar year.
- <sup>102</sup> Maintenance and Operations (M&O) taxes generate revenue used to fund the daily needs of a school district including salaries, curriculum development, supplies, equipment, and building repairs. The rates listed in the table refer to the tax rates per \$100 of property valuation.

- <sup>103</sup> The estimated cost to the state is determined by multiplying the value in column 3 by the value in column 5 divided by 100.
- <sup>104</sup> Tex. Tax Code §11.251, <http://www.statutes.legis.state.tx.us/Docs/TX/htm/TX.11.htm#11.251>. (Last visited December 16, 2010.)
- <sup>105</sup> Source: PTAO.
- <sup>106</sup> 80th Legislature, Text of Conference Committee Report, House Bill No. 1, Regular Session (General Appropriations Act), State of Texas, 2007.
- <sup>107</sup> 81st Legislature, Text of Conference Committee Report, Senate Bill No. 1, Regular Session (General Appropriations Act), State of Texas, 2009.
- <sup>108</sup> 40 Tex. Admin. Code § 20.803.1 (TWC, Skills Development Fund.) [http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=R&app=9&cp\\_dir=&cp\\_rloc=&cp\\_tloc=&cp\\_ploc=&cp\\_g=1&cp\\_tac=&ti=40&pt=20&ch=803&rl=1](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&cp_dir=&cp_rloc=&cp_tloc=&cp_ploc=&cp_g=1&cp_tac=&ti=40&pt=20&ch=803&rl=1) (Last visited November 16, 2010.)
- <sup>109</sup> Texas Workforce Commission, *Skills Development Fund Legislative Annual Report (2009)*, <http://www.twc.state.tx.us/svcs/funds/sdfintro.html>. (Last visited December 16, 2010.)
- <sup>110</sup> Texas Workforce Commission, *Skills Development Fund Annual Reports (2007, 2008, 2009)*.
- <sup>111</sup> A good example of a statewide Skills Development Fund project that crosses multiple Comptroller Regions is a grant with the Texas Engineering Extension Service. TEEX has partnered with 19 businesses in the Aerospace Manufacturing industry to provide training that will lead to AS 9100 certifications. These businesses are located in the following Comptroller Regions: Capital; Metroplex; Upper Rio Grande; Central Texas; Southeast Texas; Alamo; Upper East Texas; West Texas. (source: Texas Workforce Commission 10/20/10)
- <sup>112</sup> Tex. Labor Code § 303.4.  
803 Tex. Admin. Code § 40.20.A-C.
- <sup>113</sup> This requires the removal of administrative barriers

that impede the ability of the grant recipients to respond (by providing customized assessments and training) in a timely for the employer.

The organization has to be in partnership with a public community/technical college or TEEX.

- <sup>114</sup> This can represent a person, sole proprietorship, partnership, corporation, association, consortium, or private organization that enters into a partnership for a customized training project with a grant recipient.
- <sup>115</sup> This can include information such as prevailing wages for occupations in the local labor market area, financial stability of the private partner, and the regional economic impact.
- <sup>116</sup> 803 Tex. Admin. Code, 40.20.C. This action is taken upon notification to the applicable workforce area of a final decision regarding Skills Development Fund grants in the aforementioned workforce area.



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