

THE TEXAS ENTERPRISE FUND

OVERVIEW

The Texas Enterprise Fund was created in 2003 “[to help attract new jobs and investment to the state](#)” (Office of the Governor). The fund is intended to compete with other states for businesses if the prospective businesses have an out-of-state option. All funds dedicated to these projects must be approved by Texas’ lieutenant governor and Speaker of the House. A business project that is funded must have “significant local support behind it” (Office of the Governor). Businesses must file an application with specific plans for their projects and the expected economic growth. Applications require a \$1,000 fee before processing.

The TEF had allocated a total of [\\$577,357,696](#) to various projects as of May 31, 2015 (Office of the Governor). [Allocations](#) range from \$100,000 for Alloy Polymers to \$50 million for Texas A&M University System and Lexicon Pharmaceuticals. The fund has created 77,269 jobs, according to the Governor’s website. For the 2016-2017 biennium, the Texas Legislature appropriated \$90 million for the TEF.

In September 2014, the State Auditor’s Office performed an audit of the TEF and found 11 projects that didn’t have to submit formal applications and/or weren’t required to create new, direct jobs (1). These projects received funds totaling \$222.3 million between September 2003 and August 2013 (1). The State Auditor’s Office also found that “For 49 (49 percent) of the 99 project evaluations tested, the Office could not provide documentation that it consistently reviewed all required components of applications for Texas Enterprise Fund awards” (12).

Additionally, a cost-benefit analysis is usually made for TEF projects. However, “for 88 (92 percent) of 96 cost-benefit analyses tested, auditors (1) identified errors that affected the presentation of the information packets the Office provided to the Governor, the Lieutenant Governor, and the Speaker of the House of Representatives or (2) were not able to analyze the cost-benefit analysis because the Office did not retain a copy of the information packet it provided to those individuals,” according to the State Auditor’s Office (12).



By Bill Peacock and Cody Ross

- A business funded by the TEF must file an application with specific plans for its projects and the expected economic growth.
- An audit by the state auditor’s office found 11 projects that received funding of \$222.3 million didn’t have to submit formal applications and/or weren’t required to create new, direct jobs.
- The three largest projects funded by TEF have been by Texas A&M University System and Lexicon Pharmaceuticals, Texas Instruments/University of Texas at Dallas, and Sematech.



901 Congress Avenue
Austin, Texas 78701
512.472.2700

continued

BUDGET

TEXAS ENTERPRISE FUND APPROPRIATIONS					
Biennium	2008-09	2010-11	2012-13	2014-15	2016-17
Total Appropriations	\$225,349,000	\$67,576,000	\$149,998,000	\$119,955,983	\$90,000,000

2016-17 Appropriations Strategy: Article I – Trusted Programs within the Office of the Governor		
C.1.4.	Texas Enterprise Fund	\$90,000,000

2016-17 SOURCE OF FUNDS		
Source	Dollar Amount	Percentage
GR Dedicated Account No. 5107 (Texas Enterprise Fund)	\$45,000,000	50%
GR Dedicated Account No. 5124 (Emerging Technology Fund)	\$45,000,000	50%

PROJECTS

The three largest projects funded by TEF are for the Texas A&M University System and Lexicon Pharmaceuticals, Texas Instruments/University of Texas at Dallas, and Sematech. According to the Governor's website, these three projects combined to account for 39,810 new jobs and a direct investment return of \$3.2357 billion.

Texas A&M University System and Lexicon Pharmaceuticals

A total of \$50 million was awarded to Texas A&M University and Lexicon Pharmaceuticals to establish the Texas Institute for Genomic Medicine. Texas A&M received \$15 million and Lexicon received \$35 million. This project was designed to create a library for 350,000 cloned mouse stem cells, and was aimed at attracting "biotechnology and pharmaceutical industry-related jobs" to Texas.

Texas A&M was responsible for 3,384 new jobs while Lexicon was responsible for 1,616 (State Auditor's Office). In order for jobs to count toward the job creation total, Lexicon or Texas A&M must have been "significantly responsible" for having created the jobs (State Auditor's Office). Additionally, the "TEF contract contained a multiplier that awarded A&M extra jobs credits if the average annual gross compensation for all claimed jobs exceeded \$60,000" (Texans for Public Justice).

Thousands of job credits have been awarded to Texas A&M; as a result of this multiplier, the University reported "12,250 surplus TEF job credits" as of September 8, 2010. The Governor's office reported in May of 2015 a total of 31,152 jobs created by this project.

Sematech

[Sematech](#) was created in 1987 by the federal government with computer chip manufacturers in order to address the high costs of research and development and to improve competitiveness of the U.S. semiconductor industry. Since its inception, Sematech moved its headquarters to Albany, New York, in 2008 and expanded into fields of biomedicine, cybersecurity, and alternative energy (Sematech).

In 2004, Sematech received an [award](#) for \$40,000,000 to maintain 400 pre-existing jobs with various affiliates and required Sematech to create 4,000 new indirect jobs at other high technology companies (Texans for Public Justice). The creation and maintenance of these jobs was made possible by building the Advanced Material Research Center in Austin. The award did not require Sematech to directly create a single new job, but it did require Sematech to maintain 400 jobs through 2011.

Texas Instruments

The Board of Regents of the University of Texas System received \$50 million for the construction of a new research building. The award required Texas Instruments to invest approximately “\$300 million in this research, development, and manufacturing facility, and that the University of Texas at Dallas would receive \$50 million” (State Auditor’s Office). There was no job requirement for this award and it promised no direct funds to Texas Instruments. The project was intended to help with UT Dallas’s engineering program.

Hilmar Cheese Corporation

After California had hit its production with heavy regulation, Hilmar Cheese Company received \$7.5 million from the TEF to build a new production facility in Dalhart. The creation of this new facility was to have created 376 new jobs by 2015. After some shortfalls in job creation, Hilmar had to pay the state [\\$4,195,219](#) in liquidated damages, or “clawback” repayments and penalties for not reaching this goal.

Samsung Austin Semiconductor

In 2005, the TEF awarded Samsung Austin Semiconductor \$10.8 million to build a \$2.5 billion manufacturing facility in Austin. The city of Austin also threw in \$48 million in tax incentives. By the end of 2009, this new facility was expected to create 900 new direct jobs and maintain 300 pre-existing jobs. Samsung experienced some difficulties meeting the job creation target but never suffered any clawbacks. In total, roughly \$63 million in tax breaks and incentives were given to Samsung by Texas and local governments.

Tyson Foods

In order to create jobs with a new meat plant in Sherman, Texas, the TEF awarded Tyson Foods \$7 million. Tyson also received \$3 million from the Skills Development Fund. Tyson was required to create a \$100 million meat plant and projected job creation of 1,600 low-paying jobs. Tyson was 102 jobs short of its pledge. As a result, Tyson paid [\\$545,977](#) in clawbacks (Office of the Governor). ★

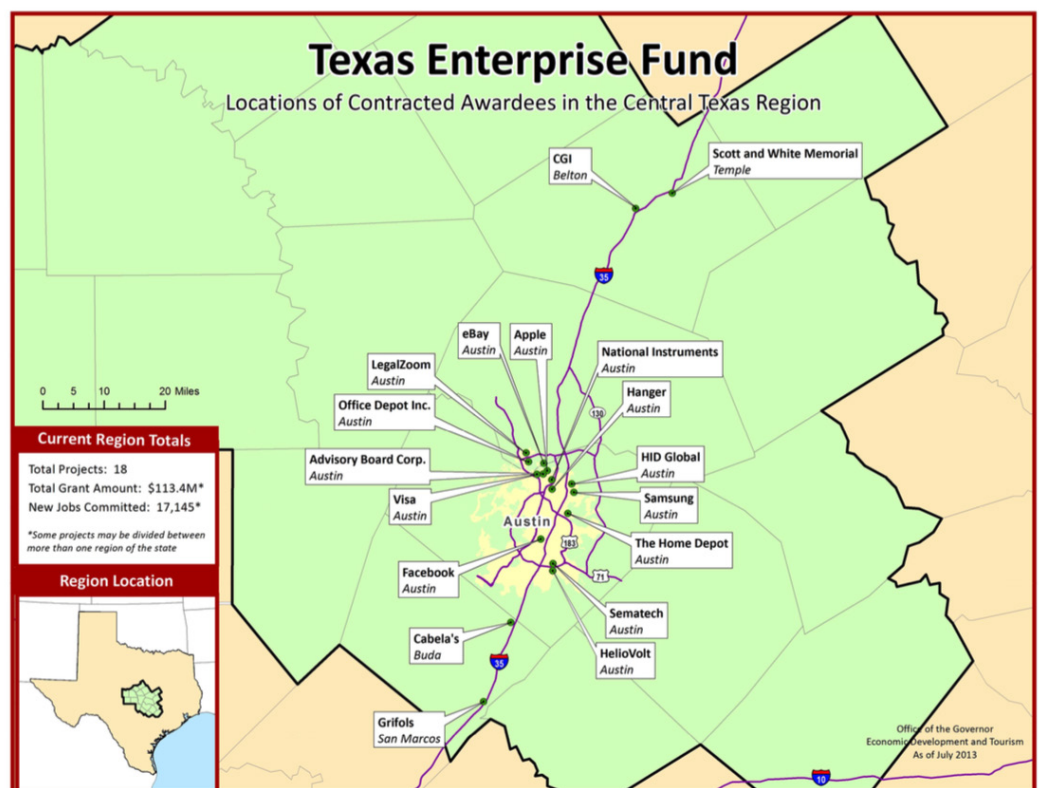
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ABOUT THE AUTHORS



Bill Peacock is the vice president of research and director of the Texas Public Policy Foundation's Center for Economic Freedom. He has been with the Foundation since February 2005. Peacock has extensive experience in Texas government and policy on a variety of issues including, economic and regulatory policy, natural resources, public finance, and public education. His work has focused on identifying and reducing the harmful effects of regulations on the economy, businesses, and consumers.

Prior to joining the Foundation, Peacock served as the Deputy Commissioner for Coastal Resources for Commissioner Jerry Patterson at the Texas General Land Office. Before he worked at the GLO, he was a legislative and media consultant, working with groups like Citizens for a Sound Economy and Putting Children First. Peacock also served as the Deputy Assistant Commissioner for Intergovernmental Affairs for Commissioner Rick Perry at the Texas Dept. of Agriculture, as a legislative aide to Rep. John Culberson in the Texas House of Representatives, and as an analyst for the Texas Senate Committee on Education.

Cody Ross is a research associate at the Texas Public Policy Foundation with the Center for Economic Freedom.

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