



LIFT PERSPECTIVE

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Texas Enterprise Fund: A sound fiscal investment

In a press release today announcing the Revised Revenue Estimate (RRE), Comptroller Carole Keeton Strayhorn called for abolishing the Texas Enterprise Fund and the Emerging Technology Fund. While the Comptroller's recommendation is irrelevant to the Proclamation issued by the Governor calling the Legislature into special session to deal with school finance, it is also worth noting that the Texas Enterprise Fund has been a successful tool for economic development.

SB 1771 (78-R) created the Texas Enterprise Fund which is an account in General Revenue which receives the following deposits: Any amounts appropriated by the legislature for the fund; interest earned on the investment of money in the fund; \$390,000,000 appropriated from the Economic Stabilization Fund ("Rainy Day Fund"); and gifts, grants, and other donations received for the fund.

The fund may be used for economic development, infrastructure development, community development, job training programs, and business incentives. The Governor, with written consent from the Lt. Governor and Speaker of the House, has all authority to grant money from the fund.

Since the inception of the Fund, Texas has twice been awarded the Governor's Cup by *Site Selection Magazine* for securing the most job creation announcements in the nation for 2004 and 2005. While multiple grants have been issued from the Fund, bringing new jobs to Texas, among those with the greatest return for the investment are:

- Texas Instruments: 1,000 jobs
- Tyson Foods: 1,600 jobs
- Toyota: 2,000 jobs
- Vought: 3,000 jobs
- Sematech: 4,000 jobs

Creating the Texas Enterprise Fund focused state economic development efforts and could be the first step toward complete consolidation of economic development programs. The failure of many government programs to spur job growth is due to their lack of defined measures and objectives. Unlike the Enterprise Fund, too many programs are spread throughout agencies too small to have an economic impact amounting to a massive waste of tax dollars. All economic programs – except for those allocated to TxDOT in Article VII – should be consolidated in the Texas Enterprise Fund.

The Comptroller's recommendation to abolish the Enterprise Fund also runs contrary to the analysis behind the Revised Revenue Estimate. The RRE explains that "the dramatic increase in available revenue is largely the product of three factors: stronger than expected national and state economic growth, sustained high oil and gas prices, and greater than expected non-tax revenue." Population increases and job growth have a decisive impact on state revenue. The Enterprise Fund has played a role in generating revenue for the state because it has helped attract new workers to Texas who pay into state coffers through consumption taxes.

Furthermore, the latest report by the Federal Reserve Bank of Dallas reinforces why the Enterprise Fund is a key element of the improved overall economic climate: "The state's expansion appears on solid ground for 2006. The Dallas Fed's Texas Leading Index rose sharply at the end of 2005 to its highest reading since 2000."

The Texas Enterprise Fund has been a sound investment for the state economy.