Center *for* Public Policy Priorities

TESTIMONY

March 22, 2005 House Committee on Economic Development 79th Legislature

HB 1938 Relating to the award of a grant and reporting requirements under the Texas Enterprise Fund

Introduction

Good afternoon, Chair Ritter and the Committee. My name is Don Baylor with the Center for Public Policy Priorities.

Texans place great value in openness and getting the "biggest bang for our buck." Our state's sunshine and sunset provisions demonstrate Texas' commitment to these principles. In this spirit, the public and the Legislature need better information to evaluate the Enterprise Fund's effectiveness in delivering upon its stated goal: enhancing the state's capacity to deliver high quality jobs to Texas.

As such, the Enterprise Fund should be no different than other state programs in terms of performance indicators, reporting, and accountability.

The Enterprise Fund represents a strange phenomenon in public policy. When the Enterprise Fund makes an award, it becomes difficult to argue that the grant provided the deciding factor for a company relocation or expansion. On the other hand, it becomes equally as difficult to argue that cash payments make no difference to companies seeking the best deal. Does the Enterprise Fund, according to a national expert "apply icing to cakes already baked?" Or, does the Enterprise Fund provide the big thumb on the scale that tips the balance towards Texas, and away from Oklahoma or North Carolina?

Regardless of the answer, the Enterprise Fund currently operates outside the bounds of most state-authorized economic development programs, and needs substantive reforms for real program evaluation. In particular, Enterprise Fund improvements should address the following issues:

The Three R's

- **Reporting**—The Office of Economic Development and Tourism is not required to submit a report to the Legislature
- **Retail**—Enterprise Fund can subsidize retail companies, whereas 4B economic development corporations are prohibited from offering incentives for most retail projects (see HB 2912, 2003)
- Public **Records**—Enterprise Fund contracts—once signed and binding—are not required to be disclosed to the public

Then, there's **health insurance**. Enterprise Fund agreements fail to encourage or require employer recipients to provide any form of health insurance coverage to their on-site employees.

Overall, HB 1938 represents a good effort to instill more accountability and require better data collection so that legislators can make a more informed decision about the size, scope, and purpose of the Enterprise Fund.

Recommendations

CPPP offers specific recommendations to improve the bill as filed, including:

Reporting

- Require periodic reporting to include:
    - more detailed wage data, in addition to median wages (e.g. use wage bands of $5,000)
    - Medicaid and CHIP enrollment data, by employer recipient
    - Geographic distribution by workforce development board area
- Decouple salary from "benefits" in contract language and reporting;
- Require Enterprise Fund contracts to be available on the Internet once they become binding

Program Improvements

- Limit eligibility only to those employers creating primary jobs (e.g. HB 2912, [2003]); companies that mostly create retail or service-oriented jobs should not qualify
- Require or encourage employer recipients to provide at least 50% health insurance coverage to on-site employees
- Require a minimum wage for all employees covered by Enterprise Fund projects (at or above the federal poverty line, family of 4, or $19,350)
- Spread out the cash disbursements over the contract lifespan, and directly link cash payments to job and payroll targets (e.g. Oklahoma Quality Jobs Program)
- Earmark a portion of the total Enterprise Fund to supplement state and local workforce development program funding needs