

"The door is open for business in Texas, and the Texas Enterprise Fund allows us to put that sign up in neon."

– Gov. Rick Perry

In 2003, at Gov. Rick Perry's request, the 78th Texas Legislature established the Texas Enterprise Fund (TEF) to help attract new jobs and investment to the state. The fund was reauthorized by the Legislature in 2005, 2007, 2009, and 2011. As the largest "deal-closing" fund of its kind in the nation, the TEF continues to attract businesses to Texas. The fund is used only as a final incentive tool where a single Texas site is competing with another viable out-of-state option. Additionally, the TEF will only be considered to help close a deal that already has significant local support behind it from a prospective Texas community.

HOW IS THE TEF GOOD FOR TEXAS?

The TEF gives Texas the competitive edge in attracting new businesses to the state and assisting with the expansion of existing businesses that might otherwise opt to expand in another state. Recently, the TEF was the driving force behind Caterpillar's decision to relocate its engine assembly, paint and testing operations to Seguin, Texas -- a move that will generate more than \$176.8 million in capital investment and create over 1,700 new jobs for Texans.

Additionally, the conservative and thorough methodology behind the grant process and the enforcement of contractual agreements with each awarded company ensure that the public dollars invested through the TEF produce a solid return on investment. To date, the TEF has invested more than \$465.4 million and closed the deal on projects generating more than 73,009 new jobs and more than \$18 billion in capital investment in the state.

WHAT PROJECTS ARE CONSIDERED FOR THE TEF?

Projects that are considered for the TEF must demonstrate a significant rate of return on the public dollars being invested in the project. Additionally there are several primary measures that every TEF project must meet in order to be considered for an award. Those include but are not limited to the following:

- ★ Competition with another state for the project must exist and the business must not have already announced a location decision.
- ★ Projected new job creation must be significant - past recipients have typically created more than 100 jobs in urban areas or more than 50 in rural areas.
- ★ The new positions must be high-paying jobs - above the average county wage where the project would be located.
- ★ Capital investment by the company must be significant.
- ★ The project must have community involvement from the city, county and/or school district, primarily in the form of local economic incentive offers.
- ★ The applicant must be financially sound.
- ★ The applicant's business sector must be an advanced industry that could potentially locate in another state or country.



HOW ARE TEF AWARDS DETERMINED?

Each applicant to the fund undergoes a thorough 11-step due diligence process. Corporate activity, financial standing, tax status, legal issues, credit ratings, and estimated economic impacts, as well as the business climates of competition locations are assessed for each project and taken into consideration for all award decisions.

Award dollar amounts are determined using a standardized analytical model applied uniformly to each TEF applicant. This model assures that the State of Texas will see a full return on its investment within the period of a project contract, due to the resulting increase in estimated sales tax revenues. Variations in award amounts are influenced by the number of jobs to be created, the expected timeframe for hiring, and the average wages to be paid.

Lastly, the Governor, Lt. Governor, and Speaker of the Texas House must unanimously agree in favor of a project in order for an award to be granted.

HOW DOES THE STATE ENFORCE TEF AGREEMENTS?

TEF grant recipients are contractually obligated to fulfill the terms of their job creation agreements with the State of Texas. Once a company has accepted an offer from the Texas Enterprise Fund, a signed contract is required prior to the distribution of an award. The contract obligates the grantee, among other terms and conditions, to the job creation targets and commits the grantee to maintain these employment positions at or above the county average wage for the term of the agreement. Additionally, all TEF contracts contain provisions for grant repayment through clawbacks in the event that a grantee does not meet the obligations of the agreement.

WHAT COMPANIES HAVE RECEIVED TEF AWARDS?

A complete list of TEF Award grant recipients is available at http://governor.state.tx.us/files/ecodev/TEF_listing.pdf

HOW DO I APPLY FOR THE TEF?

If you have a project that can benefit from the TEF, download an application - http://governor.state.tx.us/ecodev/financial_resources/texas_enterprise_fund/ - and submit the application to the Office of the Governor, Economic Development and Tourism division, which provides information on how funds are to be utilized and how the proposed project meets the criteria of the program.

For more information visit TexasWideOpenForBusiness.com

