

Overview of the State's Major Economic Development Programs



**HOUSE APPROPRIATIONS COMMITTEE
PREPARED BY THE LEGISLATIVE
BUDGET BOARD
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Major Economic Development Programs



- I. Texas Enterprise Fund
- II. Texas Emerging Technology Fund
- III. Moving Image Industry Incentive Program
- IV. Major Events Trust Fund



- **I. Texas Enterprise Fund**

Establishment of the Texas Enterprise Fund



- The Texas Enterprise Fund (TEF), General Revenue-Dedicated Account No. 5107, was established by Senate Bill 1771, Seventy-eighth Legislature, Regular Session, 2003;
- TEF is statutorily administered by the Governor;
- Funds are utilized for economic development, infrastructure development, community development, job training programs, and business incentives to attract new jobs and business investment to the state.

Funding for the TEF



- No dedicated funding source, except for:
 - Interest earnings on balances held within the State treasury;
 - Gifts;
 - Grants;
 - Donations; and
 - Transfers from the Employment and Training Investment Assessment (ETIA) Holding Fund when the Unemployment Insurance (UI) Trust Fund is above 2.0 percent of taxable wages
 - ✦ Funding source removed by House Bill 2457, Eighty-second Legislature, Regular Session, 2011;

- \$285.0 million out of Economic Stabilization Funds were appropriated to provide initial grant funding in the 2004-05 biennium.

Funding for the TEF (continued)



- In fiscal year 2008, approximately \$120.0 million was transferred from the ETIA Holding Account to the TEF;
- In subsequent biennia, General Revenue, unexpended balances, and interest earnings have been appropriated by the legislature to continue the program;
- Unexpended balances in the TEF do not count toward certification of the General Appropriations Act.

History of Appropriations



Biennium	Appropriation	Unexpended Balances	Projects Funded	Total Amount Awarded*
2004-05	\$285,000,000 ESF (\$285.0 million)	\$5,336,000	22	\$279,664,000
2006-07	\$182,250,000 GR (\$140.8 million) ETIA (\$41.5 million)	\$110,392,478	15	\$75,036,000
2008-09	\$225,349,000 ETIA (\$120.0 million) Estimated UB (\$84.0 million) Estimated Interest (\$21.4 million)	\$193,619,642	18	\$36,484,196
2010-11	\$67,576,000 GR (\$20.0 million) Estimated UB (\$41.3 million) Estimated Interest (\$6.3 million)	\$174,408,862	34	\$47,649,000
2012-13	\$149,998,000 Estimated UB (\$146.4 million) Estimated Interest (\$3.6 million)	\$118,744,786**	17†	\$48,576,500
2014-15	\$119,955,983†† Estimated UB (\$118.7 million) Estimated Interest (\$1.2 million)	n/a	n/a	n/a
Total Projects Funded and Amounts Awarded			106	\$487,409,696

* Awarded amount does not always reflect encumbered amounts **LBB Estimate †As of January 1, 2013 ††As introduced in HB1



- **II. Emerging Technology Fund**

Establishment of the Emerging Technology Fund



- The Emerging Technology Fund (ETF), General Revenue-Dedicated Account No. 5124, was established by House Bill 1765, Seventy-ninth Legislature, Regular Session, 2005;
- ETF is statutorily administered by the Governor;
- Funds are meant to facilitate commercialization, increase the number of high-quality jobs in Texas, and expand higher education technology research capabilities.

ETF Programs



- **The ETF provides grants for three programs:**
 - Commercialization Program
 - ✦ Awards finance early stage ventures focused on bringing high technology products or processes to market;
 - Research Matching Program Grants
 - ✦ Institutions of higher education and companies receive state funding to acquire federal research and commercialization grants;
 - Research Superiority Program
 - ✦ Grants are awarded that allow higher education-private sector partnerships to develop research centers and attract prominent scientists.

- **The statutory allocation of ETF is as follows:**
 - Commercialization Program: 50.0 percent
 - Research Matching Grants: 16.67 percent
 - Research Superiority Program: 33.33 percent

Funding for the ETF



- No dedicated funding source, except for:
 - Interest earnings on balances held within the State treasury;
 - Gifts;
 - Grants;
 - Donations; and
 - Any benefits realized from a project undertaken with money from the fund, such as royalties or revenue realized from the commercialization of intellectual or real property developed from any ETF award;

- Approximately \$100.0 million out of Economic Stabilization Funds and \$100.0 million out of General Revenue were appropriated to provide initial grant funding in the 2006-07 biennium.

Funding for the ETF (continued)



- In subsequent biennia, General Revenue, unexpended balances, and interest earnings have been appropriated by the legislature to continue the program;
- Unexpended balances in the ETF do not count toward certification of the General Appropriations Act.

History of Appropriations



Biennium	Appropriation	Unexpended Balances
2006-07	\$200,000,000 ESF (\$100.0 million) GR (\$100.0 million)	\$105,328,178
2008-09	\$117,321,000 GR (\$75.0 million) Estimated UB (\$25.0 million) Estimated Interest (\$16.3 million)	\$80,031,965
2010-11	\$203,038,327 GR (\$24.0 million) FEMA Reimbursement (\$70.0 million) Estimated UB (\$97.1 million) Estimated Interest (\$12.0 million)	\$89,322,206
2012-13	\$140,510,000 Estimated UB (\$138.3 million) Estimated Interest (\$2.3 million)	\$7,152,774*
2014-15**	\$7,225,732 Estimated UB (\$7,152,774) Estimated Interest (\$72,958)	n/a

* LBB Estimate **As introduced in HB 1

Awards Granted



Program	Total Awards Granted	Total Amount Awarded
Commercialization Program	137	\$194,810,349
Research Matching Grants	13	\$84,659,068
Research Superiority Program	21	\$91,604,650
Total	171	\$371,074,067

Source: Texas Emerging Technology Fund Fiscal Year 2012 Legislative Report, January 2012



- **III. Moving Image Industry Incentive Program**

Establishment of the Moving Image Industry Incentive Program



- The Moving Image Industry Incentive Program (MIIIP) was established by Senate Bill 1142, Seventy-ninth Legislature, Regular Session, 2005
 - Originally known as the Film Industry Incentive Program;
 - Provides grants for production companies that filmed in Texas in order to increase local employment, tax revenues, and private spending within the state;
- MIIIP is administered by the Texas Film Commission (TFC) within the Music, Film, Television, and Multimedia Office at the Trusteed Programs within the Office of the Governor;
- House Bill 1634, Eightieth Legislature, Regular Session, 2007, amended the program to include the production of other types of multimedia, including video games
 - The program was renamed the Moving Image Industry Incentive Program.

History of MIIIP Appropriations



Biennium	Appropriation
2008-09	\$22,000,000 in General Revenue (Contingent on the Comptroller's certification that sufficient revenue is generated from the moving image industry in Texas to offset the cost of the appropriation)
2010-11	\$62,000,000 in General Revenue (\$22.0 million contingent on the Comptroller's certification that sufficient revenue is generated from the moving image industry in Texas to offset the cost of the appropriation)
2012-13	\$22,000,000 in General Revenue (Contingent on the Comptroller's certification that sufficient revenue is generated from the moving image industry in Texas to offset the cost of the appropriation)

Awards Granted

(September 1, 2009 to May 31, 2012)



Production Category	Total Grants Awarded	In-State Spending by Productions	Grant Spending by TFC
Film	39	\$119,105,892	\$18,399,726
Television	35	\$144,999,370	\$28,803,301
Commercials	206	\$40,918,753	\$2,590,241
Video Games	74	\$176,737,841	\$11,945,223
Total	354	\$481,761,856	\$61,738,491

Source: Texas Film Commission



- **IV. Major Events Trust Fund**

Overview of Major Events Trust Fund



- Mechanism to draw certain events to the state and to fund the events through the incremental increase in revenue attributed to the events.
 - Example of eligible events include:
 - ✦ Super Bowl
 - ✦ NBA All Star Game
 - ✦ Formula One automobile races
 - Revenue sources used to fund an event include:
 - ✦ State: sales and use tax, motor vehicle rental tax, hotel occupancy tax, and alcoholic beverage taxes.
 - ✦ Local: sales and use tax, hotel occupancy tax, and local allocation of the mixed beverage tax.
- Fund is outside the treasury and events funding does not require an appropriation by the legislature.

Establishment of Major Events Trust Fund



- Senate Bill 275 (Seventy-eighth Legislature, Regular Session, 2003) established the Other Events Trust Fund as a trust fund outside the treasury.

- Senate Bill 1515 (Eighty-first Legislature, Regular Session, 2009):
 - Renamed the Other Events Trust Fund the Major Events Trust Fund; and
 - Included a provision to allow for state appropriations to provide an initial payment for an eligible event ahead of the event. The revenue generated from the event may be held in the Trust Fund and made available to pay the cost of securing the event in future years, for up to 10 years. After the last event, the original appropriation is repaid.

Appropriations for the Major Events Trust Fund



- House Bill 7 supplemental bill (Seventy-eighth Legislature, Regular Session, 2003) provided \$10 million from the Economic Stabilization Fund to the Other Events Trust Fund.
 - Amounts were not expended and per House Bill 4 supplemental bill (Eighty-second Legislature, Regular Session, 2011) the funds were transferred to the treasury and deposited to the General Revenue Fund.
- 2010-11 General Appropriations Act (Eighty-first Legislature, Regular Session, 2009) appropriated \$25 million out of General Revenue for transfer to the Major Events Trust Fund.

Appropriations for the Major Events Trust Fund



- 2012-13 General Appropriations Act authorized unexpended and unobligated balances to be carried forward from the 2010-11 biennium to the 2012-13 biennium.
 - To date, the funds have not been transferred to the Major Events Trust Fund but are available for an eligible event, contingent on the following requirements in Rider 15, Unexpended Balances: Major Events Trust Fund, within the bill pattern of Fiscal Programs – Comptroller of Public Accounts, being met:
 - ✦ A written statement confirming the state's interest in the event that is signed by both the Governor and the Comptroller of Public Accounts;
 - ✦ Certification by the Comptroller that sufficient revenues will be generated by eligible events to offset the amounts appropriated;
 - ✦ An agreement with one or more endorsing municipalities or counties entered into pursuant to Article 5190.14, Section 5A(r), Vernon's Texas Civil Statutes; and
 - ✦ The receipt of local funds from the endorsing entity(s) pursuant to Article 5190.14, Section 5A(r), Vernon's Texas Civil Statutes.
- House Bill 1, as Introduced, does not include funding for the 2014-15 biennium for transfer to the Major Events Trust Fund.

Expenditures of the Major Events Trust Fund



	Number of Events	Approved State Share	Approved Local Share	Total Approved
Major Events Trust Fund	15	\$102,982,586	\$16,477,221	\$119,459,806
Other Events Trust Fund	5	\$27,841,250	\$3,062,600	\$31,443,050
Total	20	\$130,823,836	\$19,539,821	\$150,902,856

Figures are current through February 1, 2013 and includes events that have been approved but not yet funded.

Source: Comptroller of Public Accounts

Note: None of the amounts shown above include appropriated funds.