

Section 1

**Trusteed Programs Within the Office of the Governor
Summary of Recommendations - House**

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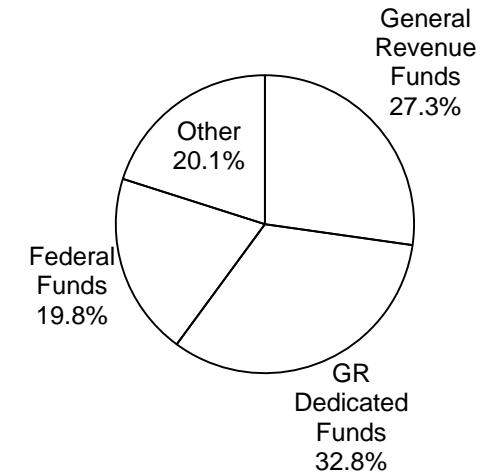
The Honorable Rick Perry, Governor

Chase Kronzer, LBB Analyst

Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$206,129,780	\$171,123,556	(\$35,006,224)	(17.0%)
GR Dedicated Funds	\$350,885,198	\$206,250,182	(\$144,635,016)	(41.2%)
<i>Total GR-Related Funds</i>	<i>\$557,014,978</i>	<i>\$377,373,738</i>	<i>(\$179,641,240)</i>	<i>(32.3%)</i>
Federal Funds	\$155,101,672	\$124,600,000	(\$30,501,672)	(19.7%)
Other	\$119,361,067	\$126,165,000	\$6,803,933	5.7%
All Funds	\$831,477,717	\$628,138,738	(\$203,338,979)	(24.5%)

	FY 2013 Budgeted	FY 2015 Recommended	Biennial Change	% Change
FTEs	155.3	149.3	(6.0)	(3.9%)

**RECOMMENDED FUNDING
BY METHOD OF FINANCING**



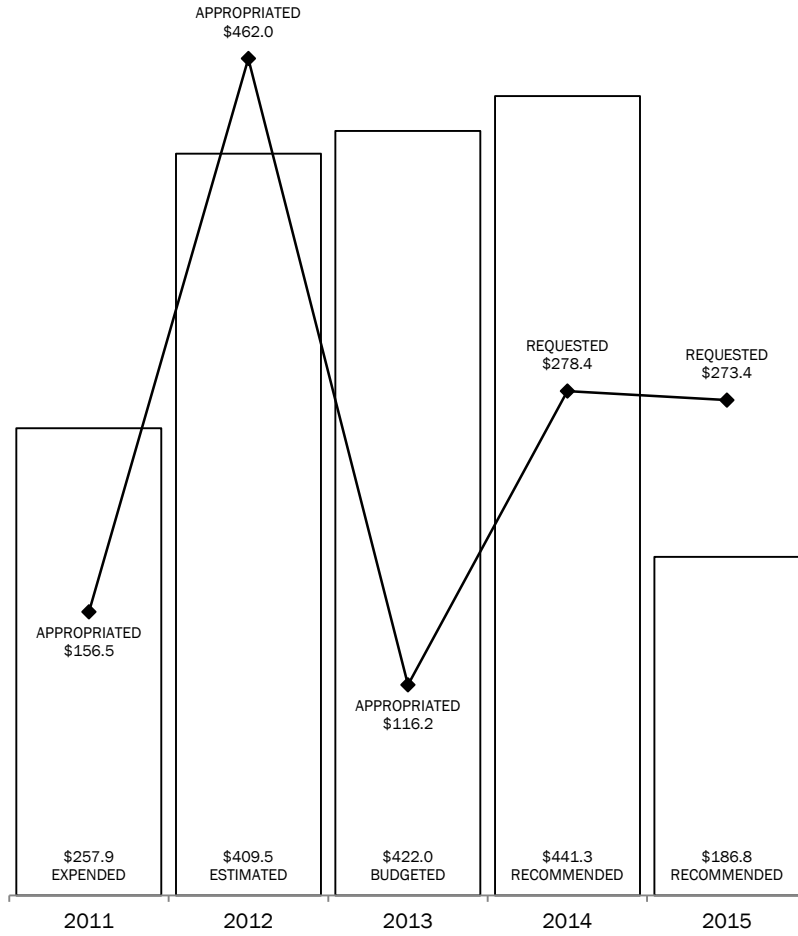
The bill pattern for this agency (2014-15 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2014-15 biennium.

Section 1
Trusted Programs Within the Office of the Governor

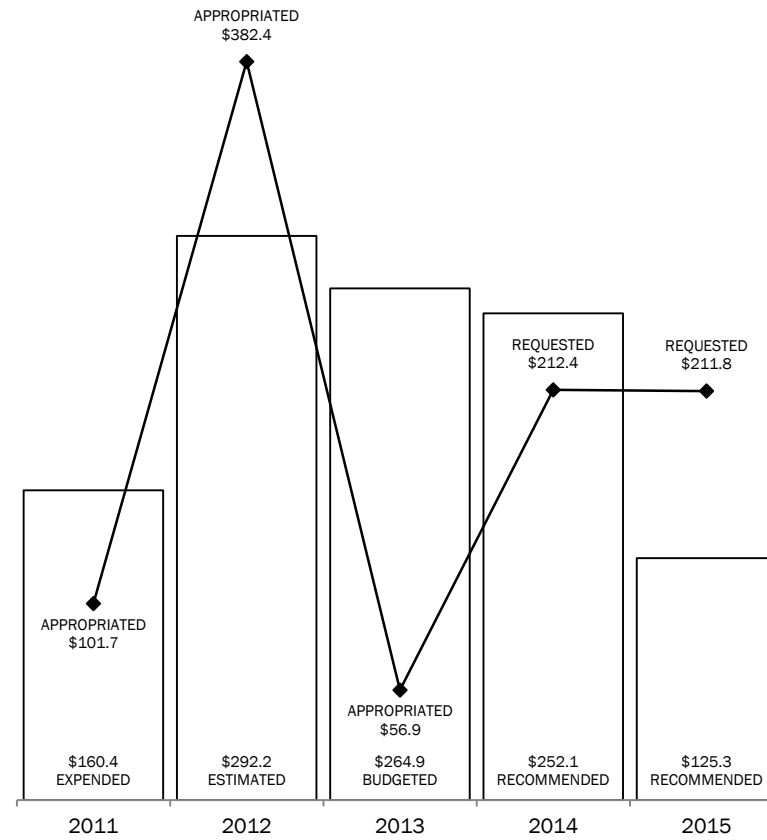
2014-2015 BIENNIUM
 IN MILLIONS

TOTAL= \$628.1 MILLION

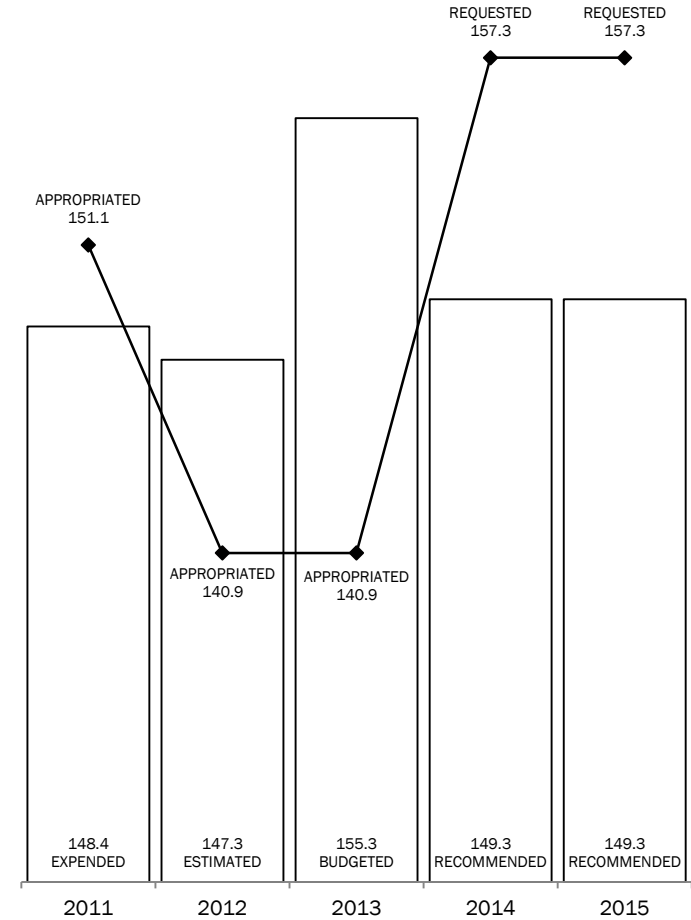
ALL FUNDS



**GENERAL REVENUE AND
 GENERAL REVENUE-DEDICATED FUNDS**



FULL-TIME-EQUIVALENT POSITIONS



Section 2

**Trusteed Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations reflect a decrease of \$203.3 million in All Funds, primarily related to the following:
					<ul style="list-style-type: none"> • General Revenue - \$35.0 million for Film and Music Marketing • General Revenue-Dedicated - \$61.3 million for the Texas Enterprise Fund, \$0.2 million for Economic Development and Tourism, and \$83.1 million for the Emerging Technology Fund • Federal Funds - \$30.5 million for Criminal Justice • Appropriated Receipts - \$0.3 million for Disaster Funds, \$0.2 million for Film and Music Marketing, and \$0.7 million for Economic Development and Tourism • Small Business Incubator Fund - \$19.0 million for Economic Development and Tourism • Texas Product Development Fund - \$18.8 million for Economic Development and Tourism
					These decreases are offset by an increase of \$45.8 million in General Obligation Bond authority for the Military Preparedness Commission.
AGENCY GRANT ASSISTANCE A.1.1	\$2,335,157	\$2,335,157	\$0	0.0%	
DISASTER FUNDS A.1.2	\$59,520,048	\$59,246,268	(\$273,780)	(0.5%)	
CRIMINAL JUSTICE A.1.3	\$219,740,423	\$189,214,003	(\$30,526,420)	(13.9%)	
FILM AND MUSIC MARKETING A.1.4	\$39,500,485	\$4,270,594	(\$35,229,891)	(89.2%)	
DISABILITY ISSUES A.1.5	\$1,512,674	\$1,512,674	\$0	0.0%	
WOMEN'S GROUPS A.1.6	\$447,450	\$447,450	\$0	0.0%	
COUNTY ESSENTIAL SERVICE GRANTS A.1.7	\$2,340,666	\$2,340,666	\$0	0.0%	
TEXAS ENTERPRISE FUND A.1.8	\$181,237,786	\$119,955,983	(\$61,281,803)	(33.8%)	
ECONOMIC DEVELOPMENT AND TOURISM A.1.9	\$146,541,543	\$107,807,618	(\$38,733,925)	(26.4%)	
MILITARY PREPAREDNESS A.1.10	\$78,806,465	\$124,586,989	\$45,780,524	58.1%	
HOMELAND SECURITY A.1.11	\$7,087,967	\$7,112,716	\$24,749	0.3%	
TEXAS EMERGING TECHNOLOGY FUND A.1.12	\$90,323,352	\$7,225,732	(\$83,097,620)	(92.0%)	
STATE-FEDERAL RELATIONS A.1.13	\$2,083,701	\$2,082,888	(\$813)	(0.0%)	
Total, Goal A, PROGRAMS ASSIGNED	\$831,477,717	\$628,138,738	(\$203,338,979)	(24.5%)	
Grand Total, All Strategies	\$831,477,717	\$628,138,738	(\$203,338,979)	(24.5%)	

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**Trusteed Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- GENERAL REVENUE FUNDS**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
AGENCY GRANT ASSISTANCE A.1.1	\$2,335,157	\$2,335,157	\$0	0.0%	
DISASTER FUNDS A.1.2	\$59,246,269	\$59,246,268	(\$1)	(0.0%)	
CRIMINAL JUSTICE A.1.3	\$17,528,683	\$17,503,934	(\$24,749)	(0.1%)	
FILM AND MUSIC MARKETING A.1.4	\$39,244,818	\$4,238,594	(\$35,006,224)	(89.2%)	Recommendations reflect a decrease of \$35.0 million out of General Revenue related to grants for the Moving Image Industry Incentive Program (See Select Fiscal and Policy Issues, #3).
					Recommendations provide \$4.2 million primarily for additional activities carried out by the Texas Film Commission, including production location research, crew referral, and information related to the development of video games and film, and the Texas Music Office, which acts as a clearinghouse and marketer for Texas' music industry.
DISABILITY ISSUES A.1.5	\$1,512,674	\$1,512,674	\$0	0.0%	
WOMEN'S GROUPS A.1.6	\$447,450	\$447,450	\$0	0.0%	
COUNTY ESSENTIAL SERVICE GRANTS A.1.7	\$2,340,666	\$2,340,666	\$0	0.0%	
TEXAS ENTERPRISE FUND A.1.8	\$0	\$0	\$0	0.0%	
ECONOMIC DEVELOPMENT AND TOURISM A.1.9	\$79,908,950	\$79,908,950	\$0	0.0%	
MILITARY PREPAREDNESS A.1.10	\$1,481,989	\$1,481,989	\$0	0.0%	
HOMELAND SECURITY A.1.11	\$336,237	\$360,986	\$24,749	7.4%	
TEXAS EMERGING TECHNOLOGY FUND A.1.12	\$0	\$0	\$0	0.0%	
STATE-FEDERAL RELATIONS A.1.13	\$1,746,887	\$1,746,888	\$1	0.0%	
Total, Goal A, PROGRAMS ASSIGNED	\$206,129,780	\$171,123,556	(\$35,006,224)	(17.0%)	
Grand Total, All Strategies	\$206,129,780	\$171,123,556	(\$35,006,224)	(17.0%)	

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Trusteed Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- GR DEDICATED

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations include all revenue for the following license plate accounts:
					<ul style="list-style-type: none"> • Tourism Account No. 5053 - \$40,000 for tourism activities • Economic Development and Tourism Account No. 5110 - \$16,000 for economic development related to aerospace and aviation • Texas Music Foundation Plates Account No. 5113 - \$18,000 for making grants to benefit music-related educational and community programs sponsored by nonprofit organizations • Daughters of the Republic of Texas Plates Account No. 5115 - \$160,000 for making grants to the Daughters of the Republic of Texas to preserve Texas historic sites or fund educational programs teaching Texas history.
AGENCY GRANT ASSISTANCE A.1.1	\$0	\$0	\$0	0.0%	
DISASTER FUNDS A.1.2	\$0	\$0	\$0	0.0%	
CRIMINAL JUSTICE A.1.3	\$48,210,068	\$48,210,069	\$1	0.0%	
FILM AND MUSIC MARKETING A.1.4	\$36,000	\$18,000	(\$18,000)	(50.0%)	
DISABILITY ISSUES A.1.5	\$0	\$0	\$0	0.0%	
WOMEN'S GROUPS A.1.6	\$0	\$0	\$0	0.0%	
COUNTY ESSENTIAL SERVICE GRANTS A.1.7	\$0	\$0	\$0	0.0%	
TEXAS ENTERPRISE FUND A.1.8	\$181,237,786	\$119,955,983	(\$61,281,803)	(33.8%)	Recommendations reflect a decrease of \$61.3 million out of General Revenue-Dedicated Texas Enterprise Fund Account No. 5107 for grants related to economic development, infrastructure development, community development, job training programs, and business incentives. (See Select Fiscal and Policy Issues, #1).
ECONOMIC DEVELOPMENT AND TOURISM A.1.9	\$24,326,262	\$24,088,668	(\$237,594)	(1.0%)	
MILITARY PREPAREDNESS A.1.10	\$0	\$0	\$0	0.0%	
HOMELAND SECURITY A.1.11	\$6,751,730	\$6,751,730	\$0	0.0%	Recommendations maintain funding at 2012-13 levels out of General Revenue-Dedicated Operators and Chauffeurs License Account No. 099.

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**Trusteed Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- GR DEDICATED**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
TEXAS EMERGING TECHNOLOGY FUND A.1.12	\$90,323,352	\$7,225,732	(\$83,097,620)	(92.0%)	Recommendations reflect a decrease of \$83.1 million out of General Revenue-Dedicated Texas Emerging Technology Fund Account No. 5124 for grants intended to help facilitate commercialization, increase the number of high-quality jobs in Texas, and expand higher education technology research capabilities.(See Select Fiscal and Policy Issues, #2).
STATE-FEDERAL RELATIONS A.1.13	\$0	\$0	\$0	0.0%	
Total, Goal A, PROGRAMS ASSIGNED	\$350,885,198	\$206,250,182	(\$144,635,016)	(41.2%)	
Grand Total, All Strategies	\$350,885,198	\$206,250,182	(\$144,635,016)	(41.2%)	

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**Trusteed Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- 5107 - Texas Enterprise Fund**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
AGENCY GRANT ASSISTANCE A.1.1	\$0	\$0	\$0	0.0%	
DISASTER FUNDS A.1.2	\$0	\$0	\$0	0.0%	
CRIMINAL JUSTICE A.1.3	\$0	\$0	\$0	0.0%	
FILM AND MUSIC MARKETING A.1.4	\$0	\$0	\$0	0.0%	
DISABILITY ISSUES A.1.5	\$0	\$0	\$0	0.0%	
WOMEN'S GROUPS A.1.6	\$0	\$0	\$0	0.0%	
COUNTY ESSENTIAL SERVICE GRANTS A.1.7	\$0	\$0	\$0	0.0%	
TEXAS ENTERPRISE FUND A.1.8	\$181,237,786	\$119,955,983	(\$61,281,803)	(33.8%)	Recommendations reflect a decrease of \$61.3 million, related to the LBB's estimated Unexpended Balances (\$118.8 million) carried across biennia and estimated interest earnings accrued in fiscal years 2014 and 2015 (\$1.2 million) (See Select Fiscal and Policy Issues, #1).
ECONOMIC DEVELOPMENT AND TOURISM A.1.9	\$0	\$0	\$0	0.0%	
MILITARY PREPAREDNESS A.1.10	\$0	\$0	\$0	0.0%	
HOMELAND SECURITY A.1.11	\$0	\$0	\$0	0.0%	
TEXAS EMERGING TECHNOLOGY FUND A.1.12	\$0	\$0	\$0	0.0%	
STATE-FEDERAL RELATIONS A.1.13	\$0	\$0	\$0	0.0%	
Total, Goal A, PROGRAMS ASSIGNED	\$181,237,786	\$119,955,983	(\$61,281,803)	(33.8%)	
Grand Total, All Strategies	\$181,237,786	\$119,955,983	(\$61,281,803)	(33.8%)	

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**Trusteed Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- 5124 - Emerging Technology Fund**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
AGENCY GRANT ASSISTANCE A.1.1	\$0	\$0	\$0	0.0%	
DISASTER FUNDS A.1.2	\$0	\$0	\$0	0.0%	
CRIMINAL JUSTICE A.1.3	\$0	\$0	\$0	0.0%	
FILM AND MUSIC MARKETING A.1.4	\$0	\$0	\$0	0.0%	
DISABILITY ISSUES A.1.5	\$0	\$0	\$0	0.0%	
WOMEN'S GROUPS A.1.6	\$0	\$0	\$0	0.0%	
COUNTY ESSENTIAL SERVICE GRANTS A.1.7	\$0	\$0	\$0	0.0%	
TEXAS ENTERPRISE FUND A.1.8	\$0	\$0	\$0	0.0%	
ECONOMIC DEVELOPMENT AND TOURISM A.1.9	\$0	\$0	\$0	0.0%	
MILITARY PREPAREDNESS A.1.10	\$0	\$0	\$0	0.0%	
HOMELAND SECURITY A.1.11	\$0	\$0	\$0	0.0%	
TEXAS EMERGING TECHNOLOGY FUND A.1.12	\$90,323,352	\$7,225,732	(\$83,097,620)	(92.0%)	Recommendations reflect a decrease of \$83.1 million, related to the LBB's estimated Unexpended Balances (\$7.1 million) carried across biennia and estimated interest earnings accrued in fiscal years 2014 and 2015 (\$0.1 million) (See Select Fiscal and Policy Issues, #2).
STATE-FEDERAL RELATIONS A.1.13	\$0	\$0	\$0	0.0%	
Total, Goal A, PROGRAMS ASSIGNED	\$90,323,352	\$7,225,732	(\$83,097,620)	(92.0%)	
Grand Total, All Strategies	\$90,323,352	\$7,225,732	(\$83,097,620)	(92.0%)	

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**Trusted Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- FEDERAL FUNDS**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
AGENCY GRANT ASSISTANCE A.1.1	\$0	\$0	\$0	0.0%	
DISASTER FUNDS A.1.2	\$0	\$0	\$0	0.0%	
CRIMINAL JUSTICE A.1.3	\$154,001,672	\$123,500,000	(\$30,501,672)	(19.8%)	Recommendations reflect a decrease of \$30.5 million related to \$17.8 million out Federal Recovery and Reinvestment Funds Account 369 not being available in 2014-15 and a decrease of \$12.7 million out of regular Federal Funds, primarily for grants for crime prevention, juvenile justice, law enforcement, courts and prosecution, victims' services, and Texas Crime Stoppers.
FILM AND MUSIC MARKETING A.1.4	\$0	\$0	\$0	0.0%	
DISABILITY ISSUES A.1.5	\$0	\$0	\$0	0.0%	
WOMEN'S GROUPS A.1.6	\$0	\$0	\$0	0.0%	
COUNTY ESSENTIAL SERVICE GRANTS A.1.7	\$0	\$0	\$0	0.0%	
TEXAS ENTERPRISE FUND A.1.8	\$0	\$0	\$0	0.0%	
ECONOMIC DEVELOPMENT AND TOURISM A.1.9	\$1,100,000	\$1,100,000	\$0	0.0%	
MILITARY PREPAREDNESS A.1.10	\$0	\$0	\$0	0.0%	
HOMELAND SECURITY A.1.11	\$0	\$0	\$0	0.0%	
TEXAS EMERGING TECHNOLOGY FUND A.1.12	\$0	\$0	\$0	0.0%	
STATE-FEDERAL RELATIONS A.1.13	\$0	\$0	\$0	0.0%	
Total, Goal A, PROGRAMS ASSIGNED	\$155,101,672	\$124,600,000	(\$30,501,672)	(19.7%)	
Grand Total, All Strategies	\$155,101,672	\$124,600,000	(\$30,501,672)	(19.7%)	

Section 2

**Trusted Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- OTHER FUNDS**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
AGENCY GRANT ASSISTANCE A.1.1	\$0	\$0	\$0	0.0%	
DISASTER FUNDS A.1.2	\$273,779	\$0	(\$273,779)	(100.0%)	Recommendations reflect a decrease of \$0.3 million out of Appropriated Receipts related to donations to the Texas Disaster Relief Program for disaster relief grants.
CRIMINAL JUSTICE A.1.3	\$0	\$0	\$0	0.0%	
FILM AND MUSIC MARKETING A.1.4	\$219,667	\$14,000	(\$205,667)	(93.6%)	Recommendations reflect a decrease of \$0.2 million out of Appropriated Receipts related to a one-time litigation settlement in fiscal year 2007 related to the Consumer Protection Against Spyware Act of 2005 and the Deceptive Trade Practices Act of 1973. These funds are primarily used for grants to benefit music-related educational and community programs sponsored by nonprofit organizations in this state.
DISABILITY ISSUES A.1.5	\$0	\$0	\$0	0.0%	
WOMEN'S GROUPS A.1.6	\$0	\$0	\$0	0.0%	
COUNTY ESSENTIAL SERVICE GRANTS A.1.7	\$0	\$0	\$0	0.0%	
TEXAS ENTERPRISE FUND A.1.8	\$0	\$0	\$0	0.0%	
ECONOMIC DEVELOPMENT AND TOURISM A.1.9	\$41,206,331	\$2,710,000	(\$38,496,331)	(93.4%)	Recommendations reflect a decrease of \$38.5 million (\$19.0 million out of Small Business Incubator Fund Account No. 588, \$18.8 million out of Texas Product Development Fund Account No. 589, and \$0.7 million out of Appropriated Receipts). Loans through the Small Business Incubator Fund and the Texas Product Development Fund are available through General Obligation Bonds of \$20.0 million and \$25.0 million, respectively, that were issued in 2005. All available loans are expected to be issued during the current biennium and 2014-15 recommendations are for debt service and administration costs related to the bonds. Appropriated Receipts are related to an advertising co-op with localities and private entities.

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**Trusteed Programs Within the Office of the Governor
Summary of Recommendations - House, By Method of Finance -- OTHER FUNDS**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
MILITARY PREPAREDNESS A.1.10	\$77,324,476	\$123,105,000	\$45,780,524	59.2%	Recommendations reflect an increase of \$45.8 million in General Obligation Bond authority for the Texas Military Value Revolving Loan Program. These bonds provide loans for economic development projects to defense-related communities.
HOMELAND SECURITY A.1.11	\$0	\$0	\$0	0.0%	
TEXAS EMERGING TECHNOLOGY FUND A.1.12	\$0	\$0	\$0	0.0%	
STATE-FEDERAL RELATIONS A.1.13	\$336,814	\$336,000	(\$814)	(0.2%)	Recommendations reflect a decrease of \$814 related to a decrease in estimated payments from contracts with other agencies that share office space in Washington, D.C.
Total, Goal A, PROGRAMS ASSIGNED	\$119,361,067	\$126,165,000	\$6,803,933	5.7%	
Grand Total, All Strategies	\$119,361,067	\$126,165,000	\$6,803,933	5.7%	

Section 3

Trusteed Programs Within the Office of the Governor Selected Fiscal and Policy Issues

Policy Issues Related to Recommendation:

1. Texas Enterprise Fund.

- Recommendations include \$118.8 million in estimated unexpended and remaining balances and \$1.2 million in estimated earned interest, totaling approximately \$120.0 million, out of General Revenue-Dedicated Texas Enterprise Fund Account No. 5107 for the 2014-15 biennium, a reduction of \$61.3 million from the 2012-13 biennium.
- The TEF, established by Senate Bill 1771, Seventy-eighth Legislature, Regular Session, 2003, is statutorily administered by the Governor and was established to attract new jobs and business investment to the state. TEF funds are utilized for overall economic development, infrastructure development, community development, job training programs, and business incentives. TEF funds are intended to help ensure that selected economic development or business projects occur in Texas and not in a competing state.
- During the 2004–05 biennium, approximately \$285.0 million out of Economic Stabilization Funds were appropriated to provide initial grant funding. The TEF does not have a dedicated funding source, other than interest earnings on balances held within the State treasury, gifts, grants, and other donations, and transfers from the Employment and Training Investment Assessment (ETIA) Holding Account when the ETIA account is above 1.0 percent of taxable wages. In fiscal year 2008, approximately \$120.0 million was transferred from the ETIA Holding Account to the TEF. In subsequent biennia, other than ETIA transfer in fiscal year 2008, General Revenue, unexpended balances, and interest earnings have been appropriated by the legislature to continue the program. Balances in TEF do not count toward certification of the General Appropriations Act.
- In fiscal year 2012, the agency reported that 10 TEF grants were awarded, totaling \$31.2 million and resulting in 5,557 direct jobs created. TEF appropriations in the 2012-13 General Appropriations Act were approximately \$150.0 million. After adjusting the agency's 2012-13 base for additional unexpended balances carried forward from the 2010-11 biennium, actual TEF funds available were approximately \$181.2 million. The agency requested no additional TEF funds for the 2014-15 biennium, and anticipates that all funds will be spent down during the current biennium; however, assuming a similar number of grants awarded in fiscal year 2013 as was awarded in fiscal year 2012, and accounting for interest earned on the account, it is anticipated that there will be unexpended balances of \$118.8 million and earned interest of \$1.2 million, totaling approximately \$120.0 million available for the 2014-15 biennium. Figure 1 below breaks out the grant funding and direct job creation from TEF grant awards for fiscal years 2004 through 2012.

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Figure 1

Grant Funding and Job Creation, Fiscal years 2004 through 2012

	2004-05 BIENNIUM	2006-07 BIENNIUM	2008-09 BIENNIUM	2010-11 BIENNIUM	Fiscal Year 2012
Number of Projects Awarded Funding	22	15	18	34	10
Direct Jobs created	29,604	12,538	7,105	8,667	5,557
Total Grants Awarded by TEF Program (In Millions)	\$279.7	\$75.0	\$36.5	\$47.6	\$31.2

Source: Office of the Governor

2. Texas Emerging Technology Fund

- Recommendations include \$7.1 million in estimated unexpended and remaining balances and \$0.1 million in estimated earned interest, totaling approximately \$7.2 million, out of General Revenue-Dedicated Emerging Technology Fund Account No. 5124 for the 2014-15 biennium, a reduction of \$83.1 million from the 2012-13 biennium.
- The Texas Emerging Technology Fund (ETF), established by House Bill 1765, Seventy-ninth Legislature, Regular Session, 2005, is statutorily administered by the Governor and managed by the Department of Economic Development and Tourism within the Truusted Programs within the Office of the Governor. According to the fund's enabling statute, ETF was established to help facilitate commercialization, increase the number of high-quality jobs in Texas, and expand higher education technology research capabilities. This is accomplished through three program areas that are statutorily limited in their allocation of funds, an allocation that can be altered with approval from the Lieutenant Governor and Speaker of the House of Representatives. The three programs are:
 - Commercialization Program (50 percent allocation) – Awards finance early stage ventures focused on bringing high technology products or processes to market.
 - Research Matching Program (16.67 percent allocation) - Institutions of higher education and companies receive state funding to acquire federal research and commercialization grants.
 - Research Superiority Program (33.33 percent allocation) - Grants are awarded that allow higher education-private sector partnerships to develop research centers and attract prominent scientists.

Section 3

- Commercialization awards use ETF funds to make an investment in a privately-owned entrepreneurial business that is seeking to bring a new or enhanced technology to the marketplace. To be eligible for a Commercialization award, a business must be partnered with one of the State's institutions of higher education. Commercialization awards made through investments are done so through equity securities (a share of equity interest in an entity such as the capital stock of a company, trust, or partnership), warrants (an equity derivative that entitles the holder to buy capital common stock of an entity issued at a specified price), equity options (an equity derivative that provides the right, but not the obligation, to purchase a quantity of stock, at a set price, within a certain period of time), or promissory notes (an instrument, wherein one party makes an unconditional contractual obligation to pay a determinate sum of money to the other, either at a fixed or determinable future time or on demand of the payee).
- The Governor's Office has reported in its Valuation of Investments within the January 2012 *Annual Report to the Texas State Legislature on the Texas Emerging Technology* that, as of the end of fiscal year 2011, the ETF has seen a return on investment, since the beginning of the program, of approximately \$4.6 million from Commercialization award activity. The agency has stated that this amount accounts for any bankruptcies that may have occurred since the inception of the program. Until a company completes the bankruptcy process, the State's warrants and equity options within the company will maintain their value, allowing for the possibility to report any losses resulting from bankruptcies in future annual reports. The January 2012 annual report also estimates that Commercialization award activities have led to the retention of 686 jobs and the creation of an additional 820.
- During the 2006–07 biennium, \$200 million out of General Revenue and Economic Stabilization Funds were appropriated to provide initial ETF grant funding. The ETF does not have a dedicated funding source, other than: interest earnings on balances held within the State treasury; gifts, grants, and other 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. In subsequent biennia, General Revenue, unexpended balances, and interest earnings have been appropriated by the legislature to continue the program. Balances in ETF do not count toward certification of the General Appropriations Act.
- ETF appropriations in the 2012-13 General Appropriations Act were approximately \$140.5 million. After adjusting the agency's 2012-13 base to account for fewer than estimated unexpended balances carried forward from the 2010-11 biennium, actual ETF funds available were approximately \$90.3 million. The agency reported that unencumbered ETF funds for fiscal year 2013 are approximately \$48.7 million, and it anticipates making awards for the remainder of the available funds in the current biennium; however, assuming a similar number of awards granted in fiscal year 2013 as was granted in fiscal year 2012, and accounting for interest earned on the account, it is anticipated that there will be unexpended balances of \$7.1 million and earned interest of \$0.1 million, totaling approximately \$7.2 million available for the 2014-15 biennium. The agency has requested an additional \$132.0 million out of General Revenue to be appropriated to ETF in the 2014-15 biennium for ETF activities, which would be a cost to the General Appropriations Act.

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3. Texas Moving Image Industry Incentive Program

- Recommendations do not include funding for the Texas Moving Image Industry Incentive Program, a reduction of \$35.0 million out of General Revenue from the 2012-13 biennium.
- The Texas Moving Image Industry Incentive Program (program) was originally established by Senate Bill 1142, Seventy-ninth Legislature, Regular Session, 2005, and known as the Film Industry Incentive Program. The program was authorized to provide grants for production companies that filmed in Texas in order to increase local employment, tax revenues, and private spending within the state. House Bill 1634, Eightieth Legislature, Regular Session, 2007, amended the program to include the production of other types of multimedia, including video games, and renamed the program the Moving Image Industry Incentive Program. The program is administered by the Texas Film Commission (TFC) within the Music, Film, Television, and Multimedia Office within Trusteed Programs within the Office of the Governor.
- The program was funded in the 2008-09 biennium with an appropriation of \$22.0 million in General Revenue. The program received an additional appropriation of \$62.0 million for the 2010-11 biennium, \$6.7 million of which was carried forward across biennia to add to a 2012-13 biennium appropriation of \$32.0 million and a \$0.5 million transfer from the Office of the Governor to Strategy A.1.4, Film and Music Marketing. Of the \$32.0 million appropriation, \$22.0 million was contingent upon certification of revenue by the Comptroller and did not cost the appropriations bill.
- Incentives offered by the program are available to film, television, commercial, and video game productions in two forms of reimbursement. Productions can either receive a reimbursement of up to 25.0 percent of eligible wages paid to Texas residents, or a reimbursement for eligible in-state spending of up to 15.0 percent for film, television, and video game productions and up to 5.0 percent for commercials. Productions in an underutilized or economically distressed part of the state are eligible for an additional reimbursement of 2.5 percent of in-state spending or 4.25 percent of eligible wages. In addition to incentives offered by the program, productions benefit from up-front sales tax exemptions on most items rented or purchased for direct use in production, refunds of the 6.0 percent state occupancy tax on hotel rooms occupied for more than 30 consecutive days, and refunds on taxes paid on fuel used off-road.
- TFC has reported that, between September 1, 2009 and May 31, 2012, the program has granted approximately \$61.7 million in incentive payments, which has resulted in the creation of an agency-estimated 6,722 full-time equivalent (FTE) jobs at a cost of \$9,185 per FTE job created. In-state spending from productions receiving incentive payments during this time period amounted to approximately \$481.8 million. Much of the in-state spending from these productions would have received up-front sales tax exemptions; however, had all expenditures been taxed at the state sales tax rate of 0.0625, resulting state revenues related to production spending would have been \$30.1 million (a \$31.6 million budgetary loss when compared to program expenditures). Figure 2 below breaks out program incentive payments by production category, related in-state spending by productions, and possible revenue collected on production spending by the state from September 1, 2009 to May 31, 2012.

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Figure 2

**Moving Image Industry Incentive Program Related Spending and Possible State Revenues
September 1, 2009 to May 31, 2012**

	In-state Spending By Productions	Grant Spending By TFC	Maximum State Sales Tax	Possible State Revenue Collections	Gain/(Loss) in State Revenues Over Program Expenditures
Film	\$119,105,892	\$18,399,726	0.0625	\$7,444,118	\$(10,955,608)
Television	\$144,999,370	\$28,803,301	0.0625	\$9,062,461	\$(19,740,840)
Commercials	\$40,918,753	\$2,590,241	0.0625	\$2,557,422	\$(32,819)
Video Games	\$176,737,841	\$11,945,223	0.0625	\$11,046,115	\$(899,108)
Total	\$481,761,856	\$61,738,491	0.0625	\$30,110,116	\$(31,628,375)

Source: Legislative Budget Board and Texas Film Commission

- Revenues related to in-state spending by productions receiving incentives from the program may not exceed the grant, but benefits of the program are realized through job creation and increased economic activity. Subsequent spending resulting from in-state spending by productions could result in hundreds of millions of dollars in future state revenues (assuming the subsequent spending is also in-state spending); however, attributing the benefits of job creation and increased economic activity to the program relies on the assumption that the economic activity related to the program would not have occurred in the program's absence.
- It is difficult to determine that Texas is chosen as a place of production over other states because of Texas' program. As of January 2011, 45 states and Puerto Rico offered some form of motion picture incentive program, including tax credits, rebates, and exemptions, with many offering comparable programs to Texas. The maximum tax benefit that a film or television production produced in Texas can receive is 23.25 percent on all in-state expenditures (this combines the maximum program reimbursement of 15 percent, discounting the additional reimbursement for producing in an underutilized or economically distressed part of the state, and an up-front sales tax exemption on all eligible in-state purchases) or 33.25 percent if the production combines the up-front sales tax exemption with the program's option to receive a reimbursement for Texas resident wages (discounting the additional reimbursement for producing in an underutilized or economically distressed part of the state). As a comparison, Figure 3 below breaks out film and television production program incentives offered by Texas' surrounding states, which could offer for productions comparable terrains, climates, architecture, history, cultural diversity, and cost of living.

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Figure 3

Film and Television Production Program Incentives Offered by Texas' Surrounding States

	Maximum Tax Reimbursement or Credit on In-state Expenditures		Maximum Tax Reimbursement or Credit on In-state Wages		Maximum Up-front Sales Tax Exemption or Credit	Total Possible Tax Benefit
Louisiana	30%	and	5%		n/a	35%
Arkansas	15%	and	10%		n/a	25%
Oklahoma	37%		n/a	or	8.5%	37%
New Mexico	25%		n/a	or	8.69%	25%
Texas	15%	or	25%	and	8.25%	23.25% or 33.25%*

* Productions in an underutilized or economically distressed part of the state are eligible for an additional reimbursement of 2.5 percent of in-state spending or 4.25 percent of eligible wages.

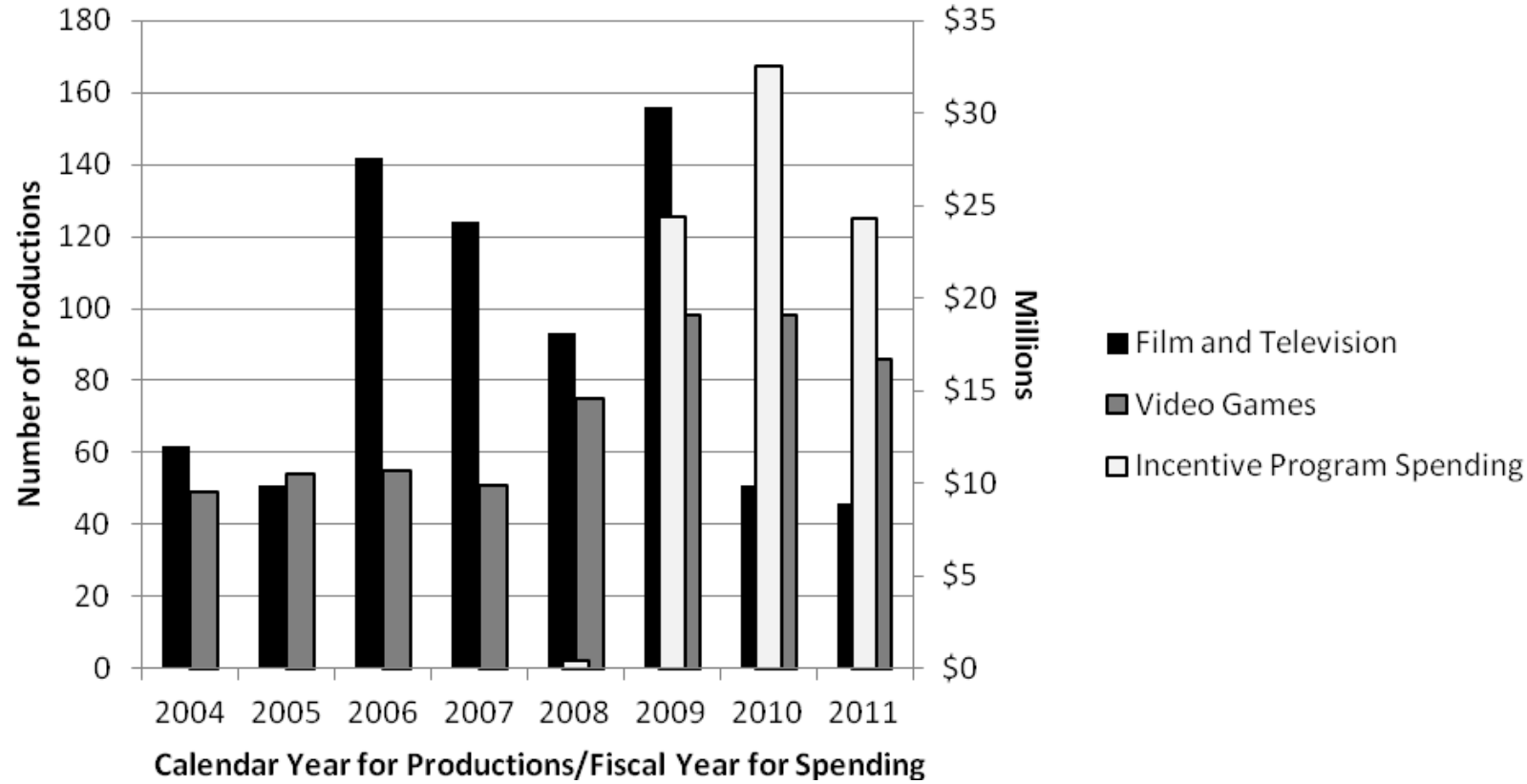
Source: Texas Film Commission, Louisiana Economic Development Department, New Mexico Film Office, Oklahoma Film and Music Office, and Arkansas Production Alliance

- While the program may be successful in incentivizing certain productions to produce in Texas, growth of the industry and related economic activity would require a growth in the overall number of productions produced in Texas. Considering available information from TFC, it cannot be determined that the overall number of productions in Texas is directly related to the program. As Figure 4 shows below, the total number of film, television, and video game productions in Texas fluctuates each year regardless of the existence of the program, and in 2010 there is an adverse effect to an increase in program incentives awarded.

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Figure 4

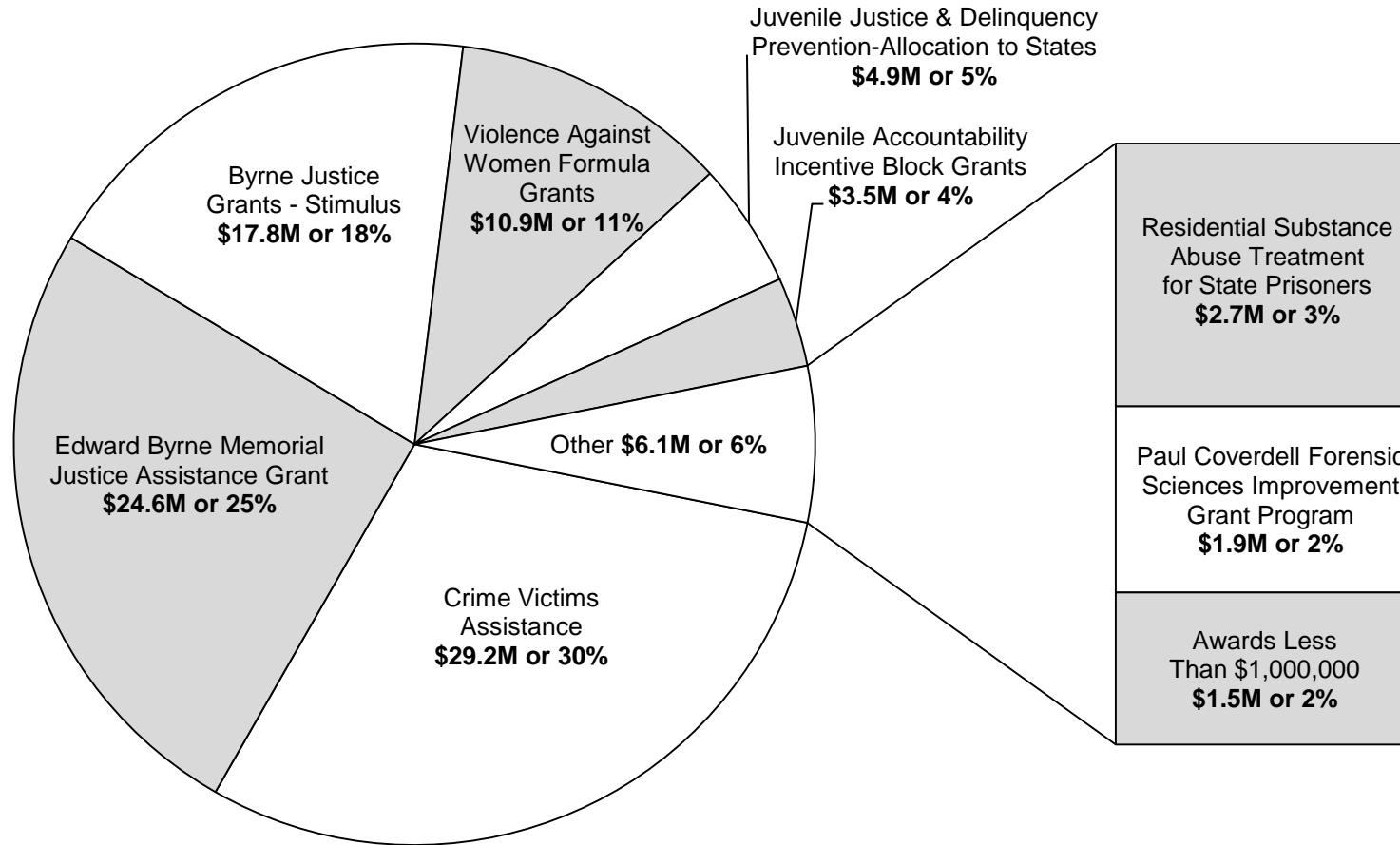
Moving Image Industry Incentive Program Spending and Film, Television, and Video Game Production, 2004 to 2011



Source: Texas Film Commission

Section 3

Trusted Programs Within the Office of the Governor
Summary of Federal Funds (Estimated 2012)
TOTAL = \$96.9M



Note: Amounts shown may sum greater/less than actual total due to rounding.

Section 3

**Trusteed Programs Within the Office of the Governor
FTE Highlights**

Full-Time-Equivalent Positions	Expended 2011	Estimated 2012	Budgeted 2013	Recommended 2014	Recommended 2015
Cap	144.1	140.9	140.9	149.3	149.3
Actual/Budgeted (a)	148.4	147.3	155.3	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director (OSFR), Group 3 (b)	\$106,260	\$125,000	\$127,500	\$127,500*	\$127,500*

(a) The increase of the FTE cap for the 2014-15 biennium is to align with the agency estimated staffing levels (an additional 2.0 FTEs above budgeted 2013 levels) for fiscal years 2014 and 2015, offset by a decrease of 8.0 FTEs due to a recommended decrease in funding for the Moving Image Industry Incentive Program in Strategy A.1.4, Film and Music Marketing. Increases of 4.3 FTEs in 2011, 6.4 FTEs in 2012 and 14.4 FTEs in 2013 are related to FTEs transferred from the Office of the Governor for additional staff in Strategy A.1.3, Criminal Justice, Strategy A.1.4, Film and Music Marketing, Strategy A.1.5, Disability Issues, Strategy A.1.12, Texas Emerging Technology Fund, and Strategy A.1.13, State-Federal Relations.

(b) State Auditor's Office Report 12-708, *Report on Executive Compensation at State Agencies*, indicates a market average of \$117,559 for the Executive Director, Office of State and Federal Relations (OSFR) position, a salary range of \$125,000 to \$145,600, and no change in Group classification from current Group 3. On November 8, 2012 the Executive Director's salary was increased to \$127,500 as permitted by Article IX, Section 3.05(b) of the 2012-13 General Appropriations Act.

*A technical adjustment will need to be made in order to reflect this change from the recommendations in House Bill 1.

Section 3

**Trusted Programs Within the Office of the Governor
Performance Measure Highlights**

	Expended 2011	Estimated 2012	Budgeted 2013	Recommended 2014	Recommended 2015
<ul style="list-style-type: none"> <i>Number of Early-stage Companies Fostered by Emerging Technology Fund Investments and Guidance (a)</i> 	13	4	20	2	2
<i>Measure Explanation: Measures the number of companies that receive an investment from the Emerging Technology Fund.</i>					

(a) Recommendations reflect a decrease related to a decrease in available funds for the 2014-15 biennium out of General Revenue-Dedicated Emerging Technology Account 5124.

Section 4

**Trusted Programs within the Office of the Governor
Performance Review and Policy Report Highlights**

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

Section 5

Trusted Programs Within the Office of the Governor Rider Highlights

2. (revised) **Emergency and Deficiency and Disaster Grants.** Revise rider to incorporate language from Article IX, Section 4.01, Emergency and Deficiency Grants Out of Special Funds, to indicate that appropriations out of “special funds” include excess revenues from General Revenue Fund-Dedicated accounts that were previously special funds above those estimated by the Comptroller in certifying the General Appropriations Act.
 11. (revised) **Appropriation of Unexpended Balances, Revenue, and Interest Earnings.** Revise rider to continue current authority in Article IX, Section 18.105 from the 2012-13 General Appropriations Act, for all unexpended and unobligated account balances in the 2014-15 biennium, that are remaining from the 2012-13 biennium, along with all revenue and interest earning accrued in the 2014-15 biennium, to the Office of the Governor or the Trusted Programs within the Office of the Governor, respectively, for the same purposes.
 15. (revised) **Texas Economic Development Bank.** Revise rider to continue current authority in Article IX, Section 18.106 from the 2012-13 General Appropriations Act, for all revenue collected by the Texas Economic Development Bank, and to remove the requirement that all revenue, fees, and interest earnings be used only for debt service payments on existing loans to local communities.
 19. (old) **Transfer of Full-Time Equivalent (FTEs) Between Agencies.** Delete rider due to authority located within the Office of the Governor’s bill pattern.
 21. (old) **Contingency Appropriation for the Moving Image Industry Grant Program.** Delete rider due to revenue contingency being met.
- Art. IX, (old) **Emergency and Deficiency Grants Out of Special Funds.** Delete rider no longer needed since provisions were incorporated in Rider 2,
Sec. Emergency and Deficiency Grants in the agency’s bill pattern.
4.01
- Art. IX, (old) **Unexpended Balances Between Biennia and Revenue and Interest Earnings.** Delete rider no longer needed since provisions were
Sec. incorporated in Rider 11, Appropriations of Unexpended Balances, Revenue, and Interest Earnings in the agency’s bill pattern.
18.105
- Art. IX, (old) **Texas Economic Development Bank: Additional Amending Provisions.** Delete rider authorizing the Texas Economic Development Bank
Sec. to make expenditures for items of expense not limited to debt service payments.
18.106

Section 6

**Trusted Programs Within the Office of the Governor
Items not Included in Recommendations - House**

	2014-15 Biennial Total	
	GR & GR-Dedicated	All Funds
1. Emerging Technology Fund Increase funding for the General Revenue-Dedicated Texas Emerging Technology Fund Account No. 5124 in Strategy A.1.12, Texas Emerging Technology Fund. The fund does not have a dedicated revenue source, and an increase in funding would be appropriated out of General Revenue.	\$ 132,000,000	\$ 132,000,000
2. Film and Music Marketing Program Increase funding for the Texas Moving Image Industry Incentive Program in Strategy A.1.4, Film and Music Marketing, and increase the FTE cap by 8.0 full-time equivalents related to the program.	\$ 35,000,000	\$ 35,000,000
3. Disaster Funding Increase funding for Strategy A.1.2, Disaster Funds, to provide additional resources to local officials and disaster response and recovery personnel.	\$ 5,000,000	\$ 5,000,000
Total, Items Not Included in the Recommendations	\$ 172,000,000	\$ 172,000,000

Rider Requests:

4. Revise Rider 11, Appropriation of Unexpended Balances, Revenue, and Interest Earnings, to allow for the appropriation across biennia and in between fiscal years 2014 and 2015 of all unexpended balances, interest earnings, and revenues received by the Office of the Governor and Trusted Programs Within the Office of the Governor, and to allow the transfer of funds in between items of appropriation within the agencies.