

Self Evaluation Report

Revised Edition August 2002



Texas Economic Development

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I. Key Functions, Powers, and Duties

A. Provide an overview of the agency's mission, key functions, powers, and duties. Specify which duties are statutory.

Texas Economic Development markets the state nationally and internationally as a business and tourism destination. It provides services to Texas businesses and communities that support their economic growth through job creation. When businesses relocate or expand to Texas and when non-Texans travel to the state, communities are able to benefit from accompanying job creation.

**MISSION:
The mission of Texas Economic Development is to market Texas and assist communities to maximize economic development opportunities in a global economy.**

The agency assists communities through business location leads, business and tourism development, marketing cooperatives, domestic and international trade leads, research and data services, financial assistance through business incentives.

The agency accomplishes its key functions through four strategies:

Market Texas for Tourism, Market Texas for Business, Research Clearinghouse, and Business Incentives. All of these duties are statutory. Prior to FY 2003 a fifth strategy, Smart Jobs, implemented Texas Government Code, Chapter 481, Subchapter J. The legislation expired December 31, 2001.

The agency faces challenges in carrying out statutory mandates due to inadequate funding. Specific examples include:

- Market Texas for Business national advertising;
- Market Texas for Tourism international advertising;
- New mandates from the 77th Texas Legislature, such as SB 931, HB 1200, HB 275, SB 326, SB 1282 and SB 601.

Due to statutory changes in the agency, statutory clean-up is required. Through the appropriations, process the agency will seek funding to market the state as a business location. Additional funding will allow the agency to increase leads to the state's communities in support of local economic development efforts.

Lead Generation Model



The mission of Texas Economic Development (TxED) is to market the state to generate leads that expand and strengthen the economy of Texas and its communities. All agency divisions contribute to this marketing effort by using a well-developed and highly effective lead generation model to attract tourists and businesses to the state. Over the years, this model has proven successful in marketing Texas as a tourist destination, helping Texas tourism become a \$40 billion a year industry. Business leads support economic growth by providing business investment opportunities for Texas communities and trade export opportunities for Texas businesses. TxED also offers business and tax incentives and business and travel research to support the success of all lead generation activities. This continuing support, from first contact to fiscal maturity, is itself a strong selling point for Texas as a premier tourism destination and business location.

Source: Texas Economic Development
22 May 2002/smh



B. Does the agency's enabling law correctly reflect the agency's mission, key functions, powers, and duties?

Yes. The agency's enabling law correctly reflects its mission and key functions. The agency's primary statutory duties are set out in Texas Government Code, Section 481.022.

These duties include the following:

- Market the state as a tourism and business travel destination
- Market the business climate of the state
- Facilitate the location, expansion, and retention of business investment in the state
- Assist businesses with exporting products and services to international markets
- Provide businesses and communities with research and data services
- Provide information and referrals for business and community economic development, and
- Market and administer economic development programs and services

Yes. The Agency's enabling law correctly reflects its mission and key functions.

From time to time, programs have been placed in the agency that have not been added to the Texas Government Code 481.022. For example, the Electronic State Business Daily, a procurement bulletin board for Texas state agencies, was placed in the agency in 1997. This program transferred from the agency, effective September 1, 2001, to the Texas Building and Procurement Commission created by Senate Bill 311 of the 77th Legislature.

C. Please explain why these functions are needed. Are any of these functions required by federal law?

The agency's functions are needed in order for Texas to compete nationally and internationally for investment and jobs. While the majority of the economic development funding in Texas is generated by local-option sales tax and expended at the local level, there is a need for a coordinated statewide effort. The agency provides state-level economic development visibility needed for national and international tourism and business marketing, recruitment and trade investment efforts and also provides businesses and communities in Texas with economic development information, coordination, training, and incentives.

None of the programs are required by federal law. However, the agency administers the Empowerment Zone Program, a federal interagency effort to revitalize distressed and under-served urban and rural areas. The program provides access to capital, credit or tax incentives to eligible localities to create jobs and sustainable economic development opportunities.

Prior to September 1, 2001, the agency administered the federally-funded Texas Capital Fund, the economic development portion of the Community Development Block Grant Program, through an interagency contract with the Texas Department of Housing and Community Affairs. As a result of the passage of House Bill 7 of the 77th Legislature that created the Office of Rural and Community Affairs, administration of the program transferred to the Texas Department of Agriculture.

D. In general, how do other states carry out similar functions?

The state's major competitors in economic development are California, Illinois, Louisiana, Michigan, Ohio, New York, North Carolina, Pennsylvania, and Virginia. As part of the benchmarking process and the self-evaluation report process, Texas Economic Development is surveying the state economic development agencies in these nine states. The following criteria will be analyzed: strategic programs, funding, and selected economic indicators. Once the study is complete, the results will be available on the agency's web site.

E. Describe any major agency functions that are outsourced.

Texas Economic Development Major Agency Functions that are Outsourced (>\$100,000)		
Vendor/Firm	Function	Date of Contract
First Public Relations	Tourism representation service to market Texas in the United Kingdom	5/1/99-3/31/04
USA 800 Inc.	Telemarketing Service	1/1/00-8/31/03
DK Shifflett and Associates	Service to provide domestic travel patterns data, analyses, and reports	12/1/98-11/30/03
The Texas Approach	Service to represent, market and promote Texas at travel, trade and consumer exhibitions	11/1/98-8/31/03
Dean Runyan Associates	Services to provide a report of estimated economic impact of travel to and within Texas	12/1/98-11/30/03
Lone Star Direct	Mailing Service	9/1/02-8/31/03*
The Travmark Group	Tourism representation service to market Texas in Canada	5/1/99-4/30/04
McCann Erickson	Advertising and marketing service for Tourism	9/1/98-8/31/03
Mangum Management, GMBH	Tourism representation service to market Texas in Germany	10/1/00-8/31/04
Despacho Tavel, S.C.	Professional accounting service for the State of Texas - Mexico Office in Mexico City	9/1/02-8/31/03*
Texas Historical Commission	Interagency agreement to cooperate in an effort to encourage travel to state historical attractions	9/1/02-8/31/03*
Development Counsellors International	Public relations services to market and promote Texas in the US	6/7/99-3/31/04**

- To be renewed for FY 2003
- Extended for a period of six months (9/1/02 through 2/28/03)

Texas Economic Development Other Major Agency Functions that are Outsourced		
Vendor/Firm	Function	Date of Contract
Bank One	Annual review fee for the Texas Leverage Fund Program	9/1/02-8/31/03
Standard and Poor's	Annual surveillance fee for rating commercial paper	9/1/02-8/31/03
Moody's Investors Service Inc.	Annual Rating agency fees for the Texas Leverage Fund Program	9/1/02-8/31/03
Chase Manhattan Bank	Issuing and paying agent for the Texas Leverage Fund Program	9/1/02-8/31/03
Chase Securities Inc.	Issue commercial paper notes	9/1/02-8/31/03
Chase Bank of Texas	Annual administrative fees for the Texas Leverage Fund Program	9/1/02-8/31/03

F. Discuss anticipated changes in federal law and outstanding court cases as they impact the agency's key functions.

The agency provides research, marketing and financial assistance to communities that are adversely affected by the U.S. Department of Defense downsizing. The agency anticipates that Base Realignment and Closure Commission actions could impact Texas defense facilities in the future. The Bob Stump National Defense Authorization Act, passed June 27, 2002, postpones additional base realignments and closures until 2005.

G. Please fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact the agency.

Texas Economic Development Exhibit 1: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency
Government Code Chapter 481 Texas Economic Development enabling legislation	Provides governing structure; sets forth agency powers and duties; sets forth agency primary functions; authorizes the nonprofit Texas Economic Development Corporation. Chapter 481, Subchapter J, providing for the Smart Jobs Fund program, expired December 31, 2001.
Government Code Chapter 484 Texas Manufacturing Institute	Provides for a nonprofit corporation to promote manufacturing within the state. The corporation was linked functionally with the Texas Manufacturing Assistance Center (TMAC); a federal program no longer funded through the agency.
Government Code Chapter 486 Assistance to Local Areas Affected by Defense Reduction	Provides for a state-funded Defense Economic Adjustment Assistance Grant Program for Texas communities adversely affected by Department of Defense downsizing.
Government Code Chapter 1433 Bonds for Development of Employment, Industrial and Health Resources	Provides authority for communities to issue revenue bonds to finance public health, research, and medical projects.
Government Code Chapter 2303 Texas Enterprise Zone Act	Provides for business assistance in the form of tax rebates for jobs created by qualifying businesses in economically depressed communities.
Government Code Chapter 2310 Defense Economic Readjustment Zone	Provides for business assistance in the form of tax rebates for jobs created by qualifying businesses in areas adversely affected by defense downsizing.
Vernon's Texas Civil Statutes Article 5190.6 Development Corporation Act of 1979	Authorizes communities to form industrial development corporations and to levy an industrial development sales tax; provides for the Texas Small Business Industrial Development Corporation.

Vernon's Texas Civil Statutes Article 5190.14 Pan American Games; Olympic Games	Provides that the agency will assist local communities in attracting the Pan American and Olympic games and will execute games support contracts on behalf of the state for the purpose of guaranteeing state obligations under those games.
Labor Code Section 204.123 Transfer to Smart Jobs Fund, Skills Development Fund, and Compensation Fund	Provides for the transfer of excess funds in the Smart Jobs Holding Fund to the Smart Jobs Fund, the Skills Development Fund, and the Smart Jobs Rainy Day Fund. Expired December 31, 2001.
Tax Code Sections 151.429, 151.431, 171.501, 171.1015 Tax Refunds for Enterprise Projects	Provides for tax refunds under the Enterprise Zone Program.
Tax Code Section 151.4291 Tax Refunds for Defense Readjustment Projects	Provides for tax refunds under the Defense Economic Readjustment Zone Program.
Tax Code Section 156.251(d) Hotel/Motel Tax	Provides for the allocation of 1/2 of 1% of the collected hotel/motel tax to the agency's tourism advertising and marketing activities.
Title 42, United States Code, Section 1397 et seq.	Created as a federally funded, interagency effort to revitalize distressed and under-served urban and rural areas. Promotes small business creation and development, creates jobs and economic opportunities, provides increased access to capital and credit and provides tax incentives to employers who further initiative objectives.
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
Attorney General Opinion MW-206 (1980) Re: Texas Industrial Commission Economic Development Fund	The Attorney General held that funds donated to the Fund could be held outside the State Treasury and spent without an additional legislative appropriation. The Attorney General further indicated that expenditures of the Fund for travel and entertainment purposes could be constitutionally permissible.

H. Please fill in the following chart:

Texas Economic Development Exhibit 2: Agency Contacts			
	Name	Address	Telephone Number Fax Number E-mail Address
Agency Head	Jeff Moseley Executive Director	1700 N. Congress P.O. Box 12728 Austin, TX 78711	Phn:(512)936-0101 Fax: (512)936-0303 Jmoseley@txed.state.tx.us
Agency's Sunset Liaison	Tracye McDaniel Deputy Executive Director	1700 N. Congress P.O. Box 12728 Austin, TX 78711	Phn: (512) 936-0101 Fax: (512) 936-0303 Tracyem@txed.state.tx.us
Agency's Sunset Liaison	Michael West Director of Market Texas Clearinghouse	1700 N. Congress P.O. Box 12728 Austin, TX 78711	Phn:(512)936-0131 Fax: (512)936-0193 Michaelw@txed.state.tx.us

II. History and Major Events

Provide a timeline discussion of the agency's history, briefly describing the key events in the development of the agency.

<u>Year</u>	<u>Activity</u>
1820-1830	Mexican government offers free land and tax incentives to select colonists from the U.S. who pledge loyalty to the Mexican government.
1836/1840	Republic of Texas established/ First Chamber of Commerce established.
1875	In reaction to donating public domain to builders of railroads, canals, and other infrastructure improvements. Constitutional Convention includes prohibitions on gifts or grants of public money to private businesses.
1900	Chambers of Commerce established by about 125 Texas cities to regulate business practices, settle disputes, and attract businesses.
1906	Texas Hotel/ Motel Association established.
1907	Texas Industry Associations formed to attract industries.
1915	Buy-It-Made-In Texas Association formed to encourage purchase of Texas made goods; later changed to Associated Industries of Texas to secure war contracts for members.
1920s	Texas Industrial Commission formed to mediate labor-management disputes.
1930s	Governor W. Lee O'Daniel commissions statewide economic development study.

- 1950's Utility companies, railroads, banks and state agencies are increasingly active in industrial development.
- 1958 Texas Industrial Commission, with private/public funding, is charged with advertising and promoting industrial development.
- Constitutional amendment passes allowing use of state funds for advertising the state's economic and other resources.
- 1961 Legislature appropriates \$200,000 to the Texas Industrial Commission and the Texas Highway Department for industrial and tourism development.
- 1963 Legislature creates Texas Tourist Development Agency.
- 1971 The Texas Industrial Commission opens the State of Texas Mexico Office in Mexico City.
- 1979 Legislature passes the Industrial Development Corporation Act of 1979 allowing municipalities to issue Industrial Revenue Bonds.
- 1980 Under the leadership of Governor William P. Clements, Texas 2000 Commission established to formulate a state-wide strategic plan for economic development.
- 1983 Under Governor Mark White's term the Texas Industrial Commission becomes the Texas Economic Development Commission.
- 1987 Governor William P. Clements amends the Texas Constitution to provide for the creation of programs and making of loans and grants for economic development purposes.
- Texas Department of Commerce created to manage and encourage diversified economic and workforce development in Texas by the combination of eight different agencies.
- Texas Economic Development Commission
 - Texas World Trade Development Authority
 - Texas World Trade Council
 - Enterprise Zone Board
 - Technology Training Board
 - Texas Film Commission
 - Texas Tourist Development Agency and
 - Texas Music Commission.

Administration of the federal Job Training Partnership Act and the Community Development Block Grant Program also transferred to Commerce. The Office of International Business is created and given oversight of the State of Texas Mexico City Office.

One-half of one percent of hotel occupancy tax revenue allocated to the Department of Commerce for tourism marketing and advertising.

1988 Regional chambers of commerce organize as the Texas Chamber of Commerce.

Congress passes the first Base Realignment and Closure Act to downsize U.S. defense facilities.

1989 Strategic Economic Policy Commission issues a strategic economic development plan for Texas.

Section 4A Local Option Sales Tax authorized.

Texas Tourism Industry Association established.

1991 Governor Ann Richards and the Legislature restructures the Department of Commerce with an advisory Policy Board and an Executive Director appointed by the Governor; authorizes and funds foreign offices in Mexico, Taiwan, Japan, Germany, and Korea.

Community Development Block Grant Program transferred to Texas Department of Housing and Community Affairs; Film and Music program transferred to Governor's Office.

1993 North American Free Trade Agreement signed, establishes a free trade area between Canada, the United States and Mexico.

Smart Jobs Fund Program established within Commerce by diverting 1/10 of one percent of unemployment tax to provide employers with grants for customized job-training programs to replenish UIF through strong employment sector.

Legislature funds only Mexico City Office, all other Texas foreign offices close by July 1995.

- 1995 During Governor George W. Bush's term, the Texas Manufacturing Assistance Center becomes operational in the Department of Commerce; Office of Defense Transition Services created to examine and develop a coordinated approach to assistance for communities adversely affected by defense downsizing.
- Administration of the Job Training Partnership Act transferred from Commerce to the newly created Texas Workforce Commission (TWC). Skills Development Fund established at TWC to assist with worker retraining by locality.
- Texas Chamber of Commerce and Texas Association of Business merge to create Texas Association of Businesses and Chambers of Commerce
- 1997 Legislature creates the Texas Economic Development, abolishing the Texas Department of Commerce. Policy Board structure abolished and Governing Board established to oversee the agency and hire the Executive Director.
- Office of Defense Affairs, Office of Rural Affairs, and Economic Development Research Clearinghouse established within Texas Economic Development. Capital Certified Development Corporation, providing SBA loans to unserved communities, is privatized.
- \$20 million authorized for a Defense Economic Adjustment Assistance Grant Program created to assist economic development projects in communities adversely affected by actions of federal Base Realignment and Closure Commission and other defense downsizing.
- Texas Strategic Economic Development Planning Commission established and tasked with developing a ten-year economic development plan for Texas.
- 1998 Coordination and authority of most of the travel information program operated by the Texas Department of Transportation*, transferred to Texas Economic Development through a memorandum of understanding in accordance with Senate Bill 932 of the 75th Legislature, *(except for *Texas Highways* magazine and Travel Information Centers).

- 1999 Office of Rural Affairs remains at Texas Economic Development; responsibility for rural economic development is to be shared by the Agency and the Texas Department of Agriculture through a memorandum of understanding.
- Texas Manufacturing Assistance Center not funded through the Agency, but transferred and continued through former partners of Texas Economic Development.
- Buckaroo Buck\$* promotion in Canada contributed to a 19 percent increase in Canadian travel to Texas. In recognition of the promotion's success, the Travel Industry Association of American named Buckaroo Buck\$ as the recipient of its coveted *Odyssey Award* for the best international marketing program.
- Tourism advertising campaign was awarded the *Gold Effie* award by the New York American Marketing Association and the *Best of Class Award* by the American Economic Development Council.
- Tourism television advertising received *Excellent Award* from the American Economic Development Council.
- Tourism print ad received *Best of Show Award* from the American Economic Development Council.
- 2000 Tourism domestic advertising campaign selected as a finalist for the Travel Industry Association's *Odyssey Award* for best cooperative advertising program.
- Following January audit, Smart Jobs program re-engineered under corrective action plan in cooperation with State Auditor's Office. Under re-engineering, existing contracts processed and new applications are put on hold.
- 2001 Agency expands Mexico City Office to include tourism function.
- Legislature transfers Office of Rural Affairs and Texas Capital Fund to Texas Department of Agriculture. A new state agency, the Office of Rural and Community Affairs, is established. Smart Jobs expires December 31, 2001.

Completed a major redesign of the TravelTex.com web site, providing an enhanced look, improved performance and functionality and Spanish language content.

Tourism domestic advertising campaign selected as a finalist for the Travel Industry Association's *Odyssey Award* for best domestic travel advertising program.

State hotel occupancy tax collections for June and August each reflect a decrease from 2000. The first recorded year-to-year decline for these peak travel season months, indicating a decrease in business travel as a result of the onset of the looming national economic downturn.

On September 11, terrorists hijack U.S. commercial airplanes to use in an attack on World Trade Center Towers in New York City and Pentagon in Washington, D.C. U.S. Government suspends all airline travel.

U.S. Government reopens national airspace for commercial aviation on September 13 and general aviation on September 14.

On September 15, a barge accident collapses sections of the Queen Isabella Causeway Bridge, closing the only link between South Padre Island and the Texas mainland.

On October 2, TxED launches two supplemental tourism campaigns to counteract effects of 9/11 and economic downturn. "Rediscover Texas", an in-state public awareness campaign encouraging Texans to travel within the state, and "Howdy Neighbor" an advertising and marketing campaign promoting Texas tourism in contiguous states, are announced at press conferences with Lt. Governor Bill Ratliff held at Dallas' Love Field and Port Isabel

Comptroller reports state hotel occupancy tax revenues collected in November are down 28% from November 2000, the largest year-to-year monthly decline on record.

In November, the U.S. Government announces the country is in a recession.

Queen Isabella Causeway Bridge reopens on November 21st.

2002 TxED white paper, "The Effects of the Economy and 9/11 on the Travel and Tourism Industry", released in January.

To strengthen homeland security, the U.S. Immigration and Naturalization Service (INS) proposes new, stricter regulations regarding visas given to foreign business visitors and tourists traveling to the U.S.

The Texas Tour Guide, available in six different languages (English, French, German, Portuguese, Japanese and Spanish), is added to the TravelTex.com web site in downloadable PDF files, to provide site visitors with more multi-language web content.

July 3, Governor Perry declares a disaster in 29 Texas counties due to severe storms and flooding in San Antonio and Central Texas.

Between mid-May and late July, the Dow Jones stock market lost about 2,500 points, or more than 20 percent of its value.

In July, Comptroller reports year to date state hotel occupancy tax revenue collections have steadily improved since October, but remain down 7.72% from the same period in Fiscal Year 2001.

III. Policymaking Structure

A. Please complete the following chart:

Texas Economic Development Governing Board Members		
Member Name Term/Appointment Date	Address	Telephone, Fax Number E-mail Address
Hector Delgado Public Member Appointment Date: 08-17-01 Expiration Date: 02-01-07	Delgado, Acosta, Braden & Jones, P.C. 221 N. Kansas, Suite 2000 El Paso, TX 79901	Phn: (915) 544-9997 Ext. 140 Fax: (915) 544-8544
Limas Jefferson Public Member and Secretary Appointment Date: 04-12-99 Expiration Date: 02-01-05	Jefferson Associates, Inc. 1002 Gemini, Suite 140 Houston, TX 77058	Phn: (281)286-4000 Ext. 106 Fax: (281)286-1048
Mark Langdale Public Member and International Trade Designee Appointment Date: 09-16-97 Expiration Date: 02-01-03	Posadas USA, Inc. 5950 Berkshire Lane, Suite 990 Dallas, TX 75225	Phn: (214)891-3130 Fax: (214)891-3175
George T. Richardson Public Member and Rural County Designee Appointment Date: 08-20-98 Expiration Date: 02-01-03	Security State Bank P.O. Box 470 Littlefield, TX 79339	Phn: (806)385-5134 Fax: (806)385-3264
Rance G. Sweeten Public Member and Economic Development Practitioner Appointment Date: 09-16-97 Expiration Date: 02-01-03	Long, Chilton, Payte & Hardin LLP Certified Public Accountants 4100 N. 23 rd . Street McAllen, TX 78504	Phn: (956)686-3701 After Hours: (956)686-3702 Fax: (956)686-6830
Marion Szurek Public Member, Vice Chair and Tourism Designee Appointment Date: 04-12-99 Expiration Date: 02-01-05	San Angelo Convention & Visitors Bureau San Angelo Chamber of Commerce 500 Rio Concho Drive San Angelo, TX 76903	Phn: (915)653-1206 Fax: (915)658-1110 Toll Free: (800) 375-1206
Macedonio "Massey" Villarreal Public Member and Chair Appointment Date: 08-17-01 Expiration Date: 02-01-07	Precision Task Group, Inc. 9801 Westheimer, Suite 803 Houston, TX 77042	Phn: (713) 781-7481 Fax: (713) 788-8912
Thomas L. Whaley, Sr. Public Member Appointment Date: 08-17-01 Expiration Date: 02-01-07	Logan & Whaley Co. 209 N. Bolivar P.O. Box 1089 Marshall, TX 75671	Phn: (903) 938-6621 Fax: (903) 938-7644
Martha Wong Public Member Appointment Date: 04-12-99 Expiration Date: 02-01-05	15 E. Greenway Plaza Suite 16F Houston, TX 77046	Phn: (713)622-7888 Fax: (713)963-0388

B. How is the chair of the policymaking body appointed?

The Chair is appointed by the Governor pursuant to Government Code, Section 481.0043(a).

C. Describe the primary role and responsibilities of the policymaking body.

The Governing Board is responsible for directing the activities of the agency. In performing that duty, the Governing Board establishes policy, adopts rules, evaluates the implementation of new legislation that affects the agency's duties, reviews and comments on the Agency's budget, prepares an annual report of the agency's activities, conducts investigations and studies, and develops long-range plans for the future goals and needs of the agency. The Governing Board employs the Executive Director and establishes the divisions within the agency (Government Code, Sections 481.005 and 481.006).

The Governing Board is responsible for directing the activities of the Agency.

D. List any special circumstances or unique features about the policymaking body or its responsibilities.

The Governing Board also serves as the Board of Directors of the Texas Economic Development Corporation authorized by Government Code, Section 481.024, and the Texas Small Business Industrial Development Corporation, authorized by V.T.C.S. Article 5190.6, Section 4. The Governing Board is responsible for awarding Defense Economic Adjustment Assistance Grants pursuant to Government Code, Section 486.009, and, prior to September 1, 2001, awarded Texas Capital Fund grants. The agency's enabling statute requires special board member designations, as follows: at least one member of the Governing Board must be a resident of a county with a population of less than 30,000, one member must have experience in international trade, one member must have experience in tourism, and one member must be an economic development practitioner.

E. In general, how often does the policymaking body meet? How many times did it meet in FY 2000? In FY 2001?

The Governing Board is required to meet at least eight times each year. The Board met nine times in FY 2000, nine times in FY 2001, and nine times in 2002.

F. What type of training do the agency's policymaking body members receive?

Board members attend a workshop given by agency staff on the programs and functions of the agency. In addition, new board members attend a seminar sponsored by the Governor's Office that covers legal and ethical issues, budgeting, and media relations.

As required by the Public Funds Investment Act at Government Code, Section 2256.007, each member of the Governing Board attends a training course covering the Act within six months of taking office. This training has been made available on video by the Texas Higher Education Coordinating Board and includes education in investment controls, security risks, strategy risks, market risks, and compliance with the Act.

G. Does the agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, please describe these policies.

The respective roles of the Governing Board and agency staff are established by statute. The Board employs the Executive Director to manage the affairs of the agency under the Board's direction. Agency staff provides administrative support to the members of the Board as necessary for the performance of its functions.

The Board adopts rules necessary for the administration of agency programs as well as for the Board's internal management and control. These rules, found at 10 T.A.C. Chapter 190, clarify the roles of Board Officers, delegate authority to the Executive Director, provide for committee appointments, and provide for public participation at Board meetings.

H. If the policymaking body uses subcommittees or advisory committees to carry out its duties, please fill in the following chart.

Texas Economic Development Subcommittees and Advisory Committees		
Name of Subcommittee or Advisory Committee/ Legal Basis for Committee	Size/Composition/How members are appointed	Purpose/Duties
Market Texas Advisory Committee Government Code, Section 481.007	16 total members: <ul style="list-style-type: none"> • 15 public members; • 1 member from the Governing Board, ex-officio, non-voting. 	To focus on strengthening domestic and international marketing, enhancing research efforts, building on business finance and training programs, and addressing community development issues.
State of Texas-Mexico Office Advisory Committee Government Code, Section 481.007	8 total members: <ul style="list-style-type: none"> • 7 public members; • 1 member from the Governing Board, ex-officio. 	To advise the State of Texas-Mexico Office director and staff on upcoming events and issues in Mexico that will be beneficial to the Texas businesses doing business in Mexico or those seeking to do so.
Texas Border Trade Advisory Committee Government Code, Section 481.007	20 total members: <ul style="list-style-type: none"> • 18 members represent border communities and were nominated via community meetings or by Governing Board members; advisory committee members can nominate replacements; • 2 members from the Governing Board, ex-officio. 	To maintain awareness of the issues and concerns of the Texas-Mexico border communities and to assist the Agency and Governing Board in formulating its policies regarding the North American Free Trade Agreement and economic development in this region.
Tourism Advisory Committee Government Code, Section 481.007	24 total members: <ul style="list-style-type: none"> • 18 members from each of the seven tourism regions of the state; • 6 ex-officio members representing state travel associations, including 1 Governing Board member. 	To generate and maintain awareness of the tourism industry of the state and to assist the Agency's tourism division in formulating its marketing and advertising programs.

<p>Small Business Advisory Committee</p> <p>Government Code, Section 481.007</p>	<p>8 total members:</p> <ul style="list-style-type: none"> • 7 members nominated by the organizations they represent; • 1 Governing Board member, ex-officio, non-voting. 	<p>To advise the Agency's Governing Board on how to increase awareness of Agency programs, with an emphasis on helping small businesses.</p>
<p>Texas Strategic Military Planning Commission</p> <p>Government Code, Chapter 436</p> <p><i>(transferred to Governor's Office)</i></p>	<p>11 total members:</p> <ul style="list-style-type: none"> • 9 public members appointed by the Governor; • 2 ex officio members: the Chair of the House committee with jurisdiction over state, federal, and international relations and the Chair of the Senate committee with jurisdiction over veteran affairs and military installations. 	<p>To make recommendations regarding the development of policies and plans to promote the military in the event of base reduction, closure, or conversion, and the development of methods to improve employment opportunities for former members of the military.</p>
<p>Governing Board Sub Committees</p>		
<p>Governing Board Audit Subcommittee</p> <p>Government Code, Section 481.007</p>	<p>3 members:</p> <p>recommended by chair and approved by board vote</p>	<p>To provide oversight for the agency internal audit function, which includes reviewing the annual audit plan and ensuring that issues identified in internal and external audit reports are resolved by agency management.</p>
<p>Governing Board Small and Historically Underutilized Businesses Subcommittee</p> <p>Government Code, Section 481.007</p>	<p>3 members:</p> <p>recommended by chair and approved by board vote</p>	<p>To provide oversight for agency programs and services impacting small and historically underutilized businesses</p>
<p>Governing Board International Subcommittee</p> <p>Government Code, Section 481.007</p>	<p>3 members:</p> <p>recommended by chair and approved by board vote</p>	<p>To provide oversight for the agency's international business marketing efforts</p>

<p>Governing Board Community Development Subcommittee</p> <p>Government Code, Section 481.007</p>	<p>3 members:</p> <p>recommended by chair and approved by board vote</p>	<p>To provide oversight for agency programs and services that contribute to community economic development</p>
<p>Governing Board Tourism Subcommittee</p> <p>Government Code, Section 481.007</p>	<p>3 members:</p> <p>recommended by chair and approved by board vote</p>	<p>To provide oversight to the agency tourism function</p>
<p>Governing Board Sunset Review Committee</p> <p>Government Code, Section 481.007</p>	<p>3 members:</p> <p>recommended by chair and approved by board vote</p>	<p>To provide oversight of the Sunset Review process</p>

I. How does the policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of the agency?

Advisory Committees to the Board, made up in large part of public members representing regions, communities and/or industry groups for matters within the Board's jurisdiction, provide regular input to Board members. The Procedures of the Board, found at 10 Texas Administrative Code, Chapter 190, provide for oral or written communications with the Board, and public comment is also included on the agenda of each Governing Board meeting. Public comment is also solicited and included in the agency rulemaking process.

Public comment from advisory committees, focus groups, surveys and at board meetings has been utilized to effect administrative changes. For example, the Agency e-mailed a web-based survey to the Texas Economic Development Council members that solicited their input on agency issues. The survey responses were considered in development of the agency strategic plan.

IV. Funding

A. Describe the agency's process for determining budgetary needs and priorities.

Texas Economic Development does not directly solicit the public in determining funding needs; rather, it assesses what future funding is needed based on the divisions' interaction with the public and public entities throughout the biennium. The Agency communicates directly with primary stakeholder groups such as the Texas Economic Development Council, the Texas Travel Industry Association and Texas Association of Business and Chambers of Commerce regarding funding priorities.

The Texas Economic Development budgeting cycle follows several steps. The first step is the completion of the five-year Agency Strategic Plan, which is completed in the summer of even numbered years. Once the strategic plan is submitted to the Legislative Budget Board (LBB), the agency begins the process of completing the Legislative Appropriations Request (LAR).

The Agency assesses what future funding is needed based on the divisions' interaction with the public and public entities throughout the state.

The LAR process starts with each of the agency's divisions reviewing specific funding needs in relation to the agency strategic plan and identifying additional needs for funding above agency baseline amounts. After the divisions review funding needs, executive management and the agency's Governing Board members participate in a legislative workshop held early in the summer to prioritize legislative initiatives and exceptional funding items that will be placed in the LAR. Governing Board members approve the LAR prior to its submission.

During even numbered years, the agency's internal operating budget cycle begins in May. After a legislative session, the internal operating budget process begins in June or July. Each strategy receives an amount as appropriated in the most recent Appropriations Bill pattern. If a division needs more funding than was appropriated in the bill, the division justifies the additional funding request and brings the request before the Agency's executive management, who make the final decision. The operating budget is formally approved by the Governing Board in August of each year.

B. Show the agency's sources of revenue. Please include all local, state, and federal sources.

Texas Economic Development Sources of Revenue - Fiscal Year 2000 (Actual) Operating Budget Revenue		
Source	Amount	Budgeted FY2002
General Revenue Fund	5,079,079	4,918,507
Earned Federal Funds	440,850	41,893
Hotel Occupancy Tax Deposits*	19,650,116	20,103,327
Capital Access Funds	5,252,724	5,836,094
Federal Funds	4,030,237	5,584,610
Appropriated Receipts	574,067	517,197
Interagency Contracts	412,163	0
Texas Leverage Program Fund	1,786,200	3,141,740
Smart Jobs Fund	53,955,784	4,890,260
Conference Fees	59,785	0
Local Funds	5,362,534	0
License Plates Collections	0	37,500
TOTAL	96,603,539	45,071,128

* Includes fringe benefits and COLA

C. If you receive funds from multiple federal programs, show the types of federal funding sources.

**Texas Department of Economic Development
IV - C. Federal Funds – Appropriation Year 2000 - 2003**

Type of Fund	Fiscal Year	State/Federal Ratio	State Share	Federal Share	Total Funding
Rural Empowerment Zone/ Urban Enterprise Communities	2000	0/100	0	4,030,237	4,030,237
Rural Empowerment Zone/ Urban Enterprise Communities	2001	0/100	0	2,306,646	2,306,646
Rural Empowerment Zone/ Urban Enterprise Communities	2002	0/100	0	3,611,624	3,611,624
Rural Empowerment Zone/ Urban Enterprise Communities	2003	0/100	0	5,584,610	5,584,610

D. Show the agency's expenditures by strategy.

Texas Department of Economic Development IV - D. Expenditures by Strategy — Appropriation Year 2000

Goal/Strategy Cross Walk			AY 2000	AY 2001	Estimated AY 2002	Budgeted AY 2003
AY 00-01	AY 02-03	Market Texas Travel				
B.1.1	A.1.1.	Appropriation 13006 Texas Travel Promotion	17,411,883	18,815,778	18,275,756	18,912,612
		Appropriation 56001 Capital Budget-Acq of IRTS	23,965	25,733	37,500	37,500
B.1.2		Appropriation 13010 Travel Information & Services	647,874	708,359	768,856	884,100
			<u>18,083,722</u>	<u>19,549,870</u>	<u>19,082,111</u>	<u>19,834,212</u>
		Market Texas				
A.1.2	B.1.1.	Appropriation 13002 International Business	857,114	796,964	880,296	855,186
		Appropriation 56001 Capital Budget-Acq of IRTS	9,836	6,801	-	-
A.1.3		Appropriation 13003 Market Texas Businesses	514,693	516,358	366,768	493,285
		Appropriation 56001 Capital Budget-Acq of IRTS	6,732	6,150	6,000	-
A.2.1		Appropriation 13004 Community Assistance	346,512	331,790	490,701	292,412
A.2.2		Appropriation 26019 Defense Dependent	112,979	1,132,185	1,119,465	120,460
		Appropriation 56001 Capital Budget-Acq of IRTS	4,868	-	-	-
			<u>1,852,734</u>	<u>2,790,248</u>	<u>2,863,230</u>	<u>1,761,343</u>
		Provide Data				
A.3.1	B.1.2	Appropriation 13009 Collect Data	728,624	841,932	915,327	911,375
		Appropriation 56001 Capital Budget-Acq of IRTS	14,828	13,460	4,171	-
			<u>743,452</u>	<u>855,392</u>	<u>919,498</u>	<u>911,375</u>
		Incentives and Tools				
A.1.1	B.2.1	Appropriation 13001 Assist Businesses	5,888,673	3,896,441	4,794,315	7,533,682
		Appropriation 56001 Capital Budget-Acq of IRTS	15,319	14,140	5,923	16,093
		Appropriation 26002 Leverage Program	568,635	467,949	451,407	451,407
			<u>6,472,628</u>	<u>4,378,529</u>	<u>5,251,645</u>	<u>8,001,182</u>
		Work Force Incentives				
A.1.1	B.2.2	Appropriation 13001 Smart Jobs	34,976,311	754,060	897,061	-
		Appropriation 56001 Capital Budget-Acq of IRTS	14,395	-	-	-
			<u>34,990,706</u>	<u>754,060</u>	<u>897,061</u>	<u>-</u>
		Administration				
C.1.1	C.1.1	Appropriation 13800 Central Administration	1,850,827	1,833,343	1,766,961	1,583,085
C.1.2	C.1.2	Appropriation 13801 Information Resource Techs	429,439	417,406	364,747	310,980
		Appropriation 56001 Capital Budget-Acq of IRTS	-	23,399	3,160	-
C.1.3	C.1.3	Appropriation 13802 Operating/Support	380,763	419,952	351,563	302,844
			<u>2,661,030</u>	<u>2,694,099</u>	<u>2,486,431</u>	<u>2,196,909</u>
		Local Funds	<u>5,526,137</u>	<u>4,453,342</u>	<u>1,400,025</u>	<u>1,400,025</u>
		GRAND TOTAL:	70,330,408	35,475,542	32,900,001	34,105,046

E. Show the agency's expenditures and FTEs by strategy.

Texas Department of Economic Development IV - E. FTEs by Strategy — Appropriation Years 2000 - 2003

Cross Walk AY '02 - 03	Strategy AY '00-01	Number of F T E's						Budgeted FY 2003
		FY 2000		FY 2001		FY 2002		
		Budgeted	Actual	Budgeted	Actual	Budgeted	Estimated	
A.1.1	B.1.1. Texas Travel Promotion	22.17	21	22.5	21.7	30	30	30
A.1.1	B.1.2. Travel Info & Services	8	7.1	8	8	0	0	0
B.1.1	A.1.2. International Business	9.16	7.9	9.17	6.28	0	0	0
B.1.1	A.1.3. Market Texas Businesses	10.75	10.4	11	10.16	29	25.7	24
B.1.1	A.2.1. Community Assistance	6.75	6.6	5.75	5.46	0	0	0
B.1.1	A.2.2. Defense Dependent	2.5	2.1	2.25	2.25	0	0	0
B.1.2	A.3.1. Collect Data	18.25	15.2	19.5	16.04	18	16	18
B.2.1	A.1.1. Assist Businesses	45.92	41.1	45.5	38.74	11	9.5	12
B.2.2	A.1.1. Smart Jobs Fund	0	0	0	0	9	8.5	0
C.1.1	C.1.1. Central Administration	37.42	35.1	37.08	34.92	31.5	30.5	29
C.1.2	C.1.2. Information Resource Techs	7.58	7.5	8	7.6	7	6.7	6
C.1.3	C.1.3. Operating/Support	10	9.5	10	9.9	9	7	7
	Local Funds	0	0	0	0	0	0	0
	TOTAL	178.5	163.5	178.75	161.05	144.5	133.9	126

F. If applicable, please provide information on fees collected by the agency.

Texas Economic Development Fee Revenue and Statutory Fee Levels — Fiscal Year 2000					
Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue Actual 2000	Fee Revenue Budget 2002	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Credit card royalty fees Tourism Government Code, §481.021(a)(7); House Bill 1, 76 th Legislature, Art.VII- 6, Rider #7	New account \$1.00 Renewal accounts \$1.00 \$0.25 per retail transaction	4,266	31,979	No Further Collections	Appropriated Receipts
Other Licensing and Merchandising Fees Tourism Government Code, §481.021(a)(7); House Bill 1, 76 th Legislature, Art VII- 6, Rider #7	Various	64	280,813	157,500	Appropriated Receipts
Conference fees Tourism House Bill 1, 76th Legislature, Art. IX, § 9-9.08	Various	24	30,060	35,000	Conference Account
Sale of publications Texas Economic Development Research Clearinghouse Government Code, Chapter 481.212 (c); House Bill 1, 76th Legislature, Art. IX, § 9-6.18	Various	182	3,849	3,000	Appropriated Receipts
Conference fees Office of International Business House Bill 1, 76th Legislature, Art. IX, § 9- 9.08	Various	35	19,420	24,773	Conference Account

Open records requests 10 Texas Administrative Code, Chapter 192; House Bill 1, 76 th Legislature, Art. VII-5, Rider #3	Various	Various	751	0	Appropriated Receipts
Enterprise Zone application fees Enterprise Zone Program 10 Texas Administrative Code, Chapter 176.2(d); House Bill 1, 76 th Legislature, Art. VII-5, Rider #3	\$300/\$500	66	26,700	23,082	Appropriated Receipts
Industrial Revenue Bond Application fees Industrial Revenue Bonds Development Corporation Act of 1979, V.T.C.S. art. 5190.6, §24(b); House Bill 1, 76 th Legislature, Art. VII-5, Rider #3	1/10 of 1% of bond amount minimum \$500 maximum \$25,000	24	154,950	140,393	Appropriated Receipts
Texas Small Business Industrial Development Corporation Earnings Texas Small Business Industrial Development Corporation V.T.C.S. Art. 5190.6; House Bill 1, 76 th Legislature, Art. VII-5, Rider #4	Up to \$75,000 each year of the biennium. 25% of net earnings over \$150,000 for the biennium. Appropriated to strategy A.1.1.	1	75,000	75,000	Appropriated Receipts
Sale of surplus property Other Support Services House Bill 1, 76 th Legislature, Art. IX, § 9-8.04	\$25.00 each	1	25	0	Appropriated receipts

G. Purchases from Historically Underutilized Businesses (HUBs).

Texas Economic Development				
Exhibit 10: Purchases from HUBs				
FISCAL YEAR 1998				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	N/A	N/A	N/A	11.9%
Building Construction	N/A	N/A	N/A	26.1%
Special Trade	N/A	N/A	N/A	57.2%
Professional Services	\$3,153	N/A	N/A	20.0%
Other Services	\$15,035,667	\$1,827,037	12.2%	33.0%
Commodities	\$504,167	\$275,655	54.7%	12.6%
TOTAL	\$15,536,681	\$2,102,692	13.5%	
FISCAL YEAR 1999				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	N/A	N/A	N/A	11.9%
Building Construction	N/A	N/A	N/A	26.1%
Special Trade	N/A	N/A	N/A	57.2%
Professional Services	N/A	N/A	N/A	20.0%
Other Services	\$16,282,849	\$2,055,683	12.6%	33.0%
Commodities	\$795,520	\$513,892	64.6%	12.6%
TOTAL	\$17,078,369	\$2,569,575	15.0%	
FISCAL YEAR 2000				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	N/A	N/A	N/A	11.9%
Building Construction	N/A	N/A	N/A	26.1%
Special Trade	N/A	N/A	N/A	57.2%
Professional Services	\$5,000	\$0	0.0%	20.0%
Other Services	\$16,067,898	\$1,974,278	12.9%	33.0%
Commodities	\$314,934	\$108,630	34.5%	12.6%
TOTAL	\$16,357,833	\$2,082,908	12.7%	

H. Does the agency have a HUB policy? How does the agency address performance shortfalls related to the policy?

Yes. It is the Agency's policy to create an environment that enhances Historically Underutilized Business (HUB) participation in state procurement and contracts. The Agency ensures that minority and women-owned businesses are given an equal opportunity to bid on commodities, services, leases, public utilities, and construction projects. The Agency undertakes special outreach efforts to identify non-certified HUB vendors currently used by the Agency and assists them in obtaining certification. To assist in this outreach, the Agency participates in and conducts Economic Opportunity

The Agency's goal is to establish and carry out policies to enhance the competitiveness of Historically Underutilized Businesses in Texas, ensuring their viability and capacity to compete.

Forums that provide contract opportunities and training to HUBs and agency purchasers. The Agency has developed a Mentor/Protégé program for prime contractors and HUBs in accordance with General Services Commission's rules and procedures.

During August 2001 the State Auditor's Office completed a review of the Agency's compliance with the Historically Underutilized Business Requirements. They reported that the Agency had made a good-faith effort to comply with the HUB requirements.

The Agency's goal is to establish and carry out policies to enhance the competitiveness of Texas' Historically Underutilized Businesses, ensuring their viability and capacity to compete for and win government awards, purchase orders, and contracts. The Agency's policy is to pursue practices that will enable the agency to secure HUB vendors in percentages consistent with the state's goals.

The Agency has taken a proactive role in advancing its use of and support for HUBs. This is done primarily through the use of HUB contractors, promotion of Agency programs to HUBs, and participation in statewide and regional HUB forums and conferences.

Purchasing personnel actively seek and solicit bids following General Services Commission HUB rules for other delegated purchases. The Agency does not procure any services in heavy or building construction and special trade, but in the event that it does have that need, the Agency will make a good faith effort to meet the stated goals.

In the previous two fiscal years (FY 1999 and 2000), the goal of the "Other Services" category was not met because this category includes the agency's major expenditures in tourism advertising and media-related purchases through a contract with McCann-Erickson.

The current statute and rules published by the General Services Commission identify a total of \$16.4 million in purchases by the Agency that were eligible for placement with Historically Underutilized Businesses. This total includes approximately \$9.3 million of media advertising costs which we believe should be excluded when computing the Agency's HUB participation percentages.

Our media purchases are driven by market research rather than contracting goals for inclusion of Historically Underutilized Businesses. The majority of these purchases are with national television networks. Currently these networks are operated by widely held public corporations. None of these networks are owned or controlled by firms which could meet the definitions of Historically Underutilized Businesses. If these media advertising expenditures were excluded, the Agency would reflect a total of 28% of its eligible purchases were with Historically Underutilized Businesses.

Media purchases are strategically driven and placements are made in specific types of media that provide the greatest potential for reaching target demographic markets in the most cost-effective manner possible. As a result, strategic media buys may not always provide maximum opportunity for making media placements with HUB vendors. HUBs have to be Texas resident vendors and the agency places advertising out of the state. Therefore, the Tourism Division and its advertising contractor have developed an aggressive HUB utilization program that maximizes HUB subcontracting opportunities in all other expenditure categories available under the advertising contract. McCann-Erickson will still be required to make a good faith effort to try to locate HUB vendors who may be able to make the required media placements.

V. Organization

A. Please fill in the chart below. If applicable, list field or regional offices.

Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2000	Number of Actual FTEs as of August 31, 2000
Headquarters-Stephen F. Austin Building	Austin	178.5	163.5
State of Texas Mexico Office (contract employees only)		6	6

Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2001	Number of Actual FTEs as of August 31, 2001
Headquarters-Stephen F. Austin Building	Austin	178.5	155
State of Texas Mexico Office (contract employees only)		6	6

Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2002	Number of FTEs Revised by LBB (Date)	Number of Actual FTEs as of July 31, 2002
Headquarters-Stephen F. Austin Building	Austin	178.5	164	134
State of Texas Mexico Office				1*
State of Texas Mexico Office (contract employees only)		6		6

* Full-Time FTE move back to Headquarters in June 2002.

Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2003	Number of FTEs Revised by LBB (Date)	Number of Actual FTEs
Headquarters-Stephen F. Austin Building	Austin	178.5	164	N/A
State of Texas Mexico Office (contract employees only)		6		6

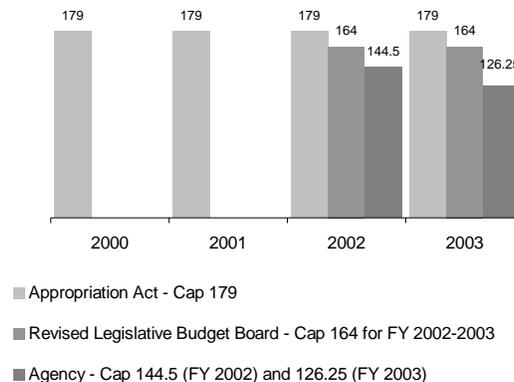
B. What was the agency’s FTE cap for FY 2000?

The agency’s FTE cap for FY 2000, as set forth in Article IX, Section VII-4 of the General Appropriations Act of the 76th Legislature was 178.5.

C. How many temporary or contract employees did the agency have as of August 31, 2000? What is the agency’s FTE’s cap for FY 2002?

As of August 31, 2000, the agency staff included 24 temporary or contract employees. The agency FTE cap for FY 2002 is 178.5 FTE’s. With the enactment of this legislation, the agency received appropriations under B.2.1 Strategy: Incentives and Tools of \$58,449 for fiscal year 2002 and \$58,849 for fiscal year 2003. The appropriation also provided that the agency’s FTE cap could be increased by one for fiscal years 2002 and 2003. The addition of this position would increase the agency’s cap to 179. However, expiration of the Smart Jobs program on December 31, 2001 and legislation including House Bill 7, House Bill 819 will reduce the number of authorized FTE’s.

**Full-Time Equivalent Employees
From
Fiscal Years 2000-2003**



D. Please fill in the chart below.

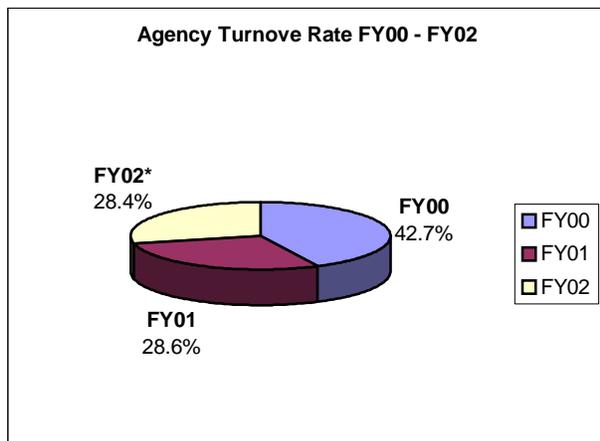
Texas Economic Development Exhibit 12: Equal Employment Opportunity Statistics							
FISCAL YEAR 1998							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	6	16.7%	5%	0%	8%	33.3%	26%
Professional	131	5.3%	7%	21.8%	7%	43.6%	44%
Technical	3	0%	13%	0%	14%	66.7%	41%
Protective Services	N/A	N/A	13%	N/A	18%	N/A	15%
Para-Professionals	7	28.6%	25%	0%	30%	100%	55%
Administrative Support	28	25%	16%	39.6%	17%	82.1%	84%
Skilled Craft	N/A	N/A	11%	N/A	20%	N/A	8%
Service/Maintenance	N/A	N/A	19%	N/A	32%	N/A	27%

Texas Economic Development Exhibit 12: Equal Employment Opportunity Statistics							
FISCAL YEAR 1999							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	5	20.0%	5%	0%	8%	20.0%	26%
Professional	135	7.4%	7%	23.0%	7%	45.9%	44%
Technical	3	0%	13%	33.3%	14%	33.3%	41%
Protective Services	N/A	N/A	13%	N/A	18%	N/A	15%
Para-Professionals	10	20.0%	25%	20.0%	30%	80.0%	55%
Administrative Support	27	25.9%	16%	44.4%	17%	77.8%	84%
Skilled Craft	N/A	N/A	11%	N/A	20%	N/A	8%
Service/Maintenance	N/A	N/A	19%	N/A	32%	N/A	27%

Texas Economic Development							
Exhibit 12: Equal Employment Opportunity Statistics							
FISCAL YEAR 2000							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	7	42.9%	5%	14.3%	8%	14.3%	26%
Professional	100	12.0%	7%	24.0%	7%	48.0%	44%
Technical	10	0%	13%	20.0%	14%	50.0%	41%
Protective Services	N/A	N/A	13%	N/A	18%	N/A	15%
Para-Professionals	23	21.7%	25%	26.1%	30%	78.3%	55%
Administrative Support	20	20.0%	16%	45.0%	17%	80.0%	84%
Skilled Craft	N/A	N/A	11%	N/A	20%	N/A	8%

Texas Economic Development							
Exhibit 12: Equal Employment Opportunity Statistics							
FISCAL YEAR 2001							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	6	33.3%	5%	0%	8%	33.3%	26%
Professional	109	11.1%	7%	27.9%	7%	54.9%	44%
Technical	9	0%	13%	22.2%	14%	55.6%	41%
Protective Services	N/A	N/A	13%	N/A	18%	N/A	15%
Para-Professionals	9.5	21.1%	25%	26.3%	30%	68.4%	55%
Administrative Support	22	27.3%	16%	45.5%	17%	77.3%	84%
Skilled Craft	N/A	N/A	11%	N/A	20%	N/A	8%
Service/Maintenance	N/A	N/A	19%	N/A	32%	N/A	27%

Texas Economic Development							
Exhibit 12: Equal Employment Opportunity Statistics							
FISCAL YEAR 2002 (Through July 31, 2002)							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	6	36.4%	5%	0%	8%	36.4%	26%
Professional	90	11.2%	7%	28%	7%	60.6%	44%
Technical	7	0%	13%	14.3%	14%	42.9%	41%
Protective Services	N/A	N/A	13%	N/A	18%	N/A	15%
Para-Professionals	6	31.8%	25%	0%	30%	51.3%	55%
Administrative Support	17	29.4%	16%	52.9%	17%	82.4%	84%
Skilled Craft	N/A	N/A	11%	N/A	20%	N/A	8%
Service/Maintenance	N/A	N/A	19%	N/A	32%	N/A	27%



* Estimated turnover rate for Fiscal Year 2002 as of July 31, 2002 is based on loss of Smart Jobs Program and reorganization of agency functions

E. Does the agency have an equal employment opportunity policy? How does the agency address performance shortfalls related to the policy?

The Human Resources Division is specifically delegated the responsibility to monitor the personnel, employment, and status change actions for all employment categories to ensure compliance by the agency. The agency ensures a wide applicant pool for vacancies by extending posting dates when necessary and advertising positions in newspapers, at educational institutions, and on the Internet.

The Agency has an equal employment opportunity (EEO) policy published as part of its personnel manual and made available to all employees.

The agency is committed to an action-oriented program of equal employment opportunity and discourages any discrimination in the admission or access to, or treatment of all individuals regardless of age, race, color, religion, sex, national origin and disability.

It is the policy of Texas Economic Development to comply fully with all non-discrimination provisions of Federal and State laws, rules, guidelines, regulations and executive orders. The Executive Director and management staff, assisted by the Director of Human Resources, monitor all employee relations activities and take measures deemed necessary to accomplish equality of employment opportunity.

To address shortfalls, the Director of Human Resources sends the Agency Staffing Matrix to each division head with the EEO make up of their division, the EEO statistics for the agency, and the State EEO hiring target. The Director of Human Resources also meets with division heads to discuss EEO hiring targets.

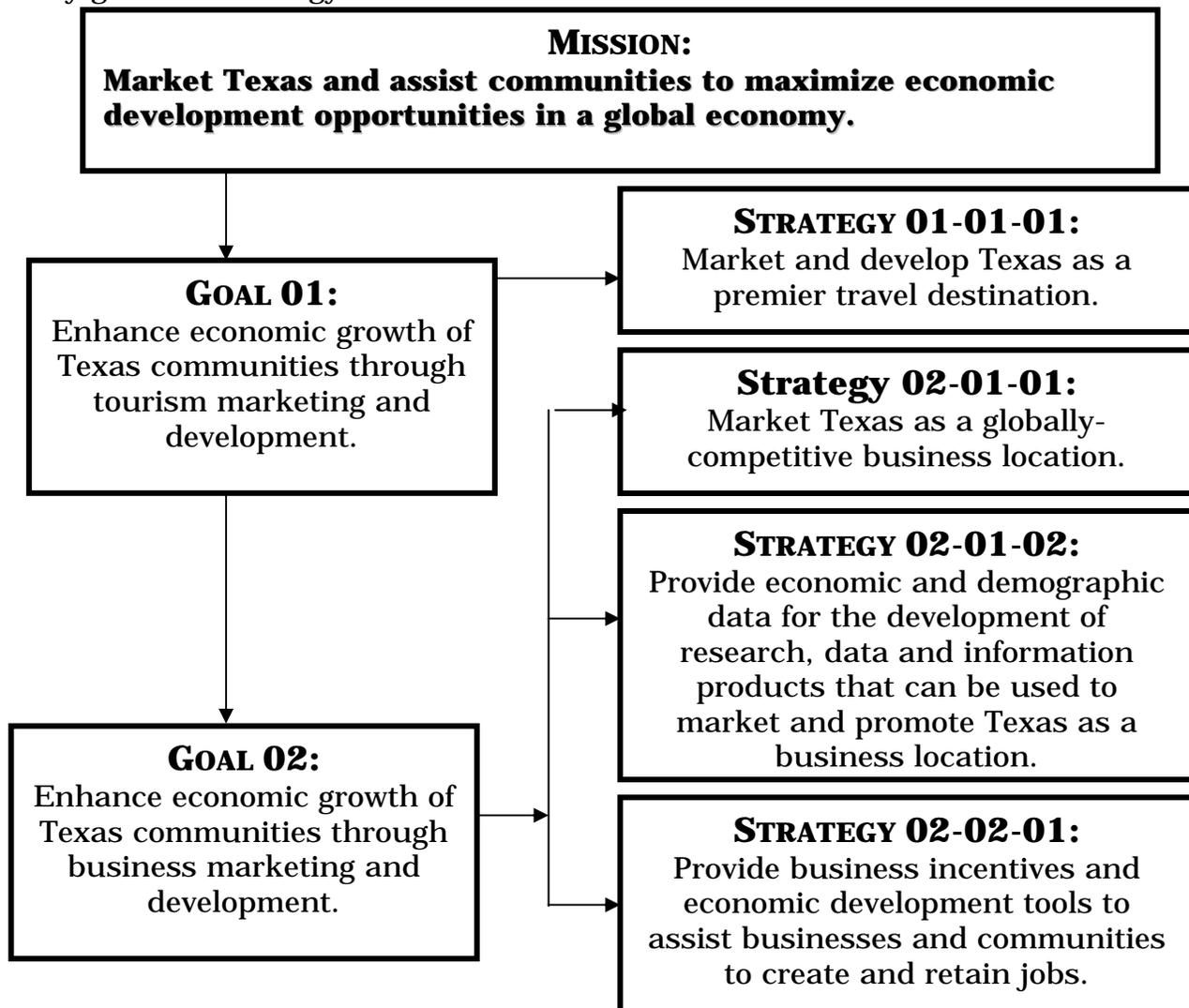
Additional information on the agency's policies on workforce diversity, program goals, and policy dissemination are available on the agency's Intranet at: <http://204.64.168.2hr/employe.htm>.

The Agency is committed to an action-oriented program of equal employment opportunity and discourages any discrimination.

VI Guide to Agency Programs

Overview of Agency Strategies

This section describes how all of Texas Economic Development's programs and services fit together to achieve the two agency goals. The programs are grouped by goal and strategy.



STRATEGY 01-01-01: MARKET TEXAS FOR TOURISM

MISSION:

Market Texas and assist communities to maximize economic development opportunities in a global economy.

GOAL 01:

Enhance economic growth of Texas communities through tourism marketing and development.

STRATEGY 01-01-01:
Market and develop Texas as a premier travel destination.

GOAL 02:

Enhance economic growth of Texas communities through business marketing and development.

Strategy 02-01-01:

Market Texas as a globally-competitive business location.

STRATEGY 02-01-02:

Provide economic and demographic data for the development of research, data and information products that can be used to market and promote Texas as a business location.

STRATEGY 02-02-01:

Provide business incentives and economic development tools to assist businesses and communities to create and retain jobs.

STRATEGY 02-02-02:

Provide workforce incentives to assist businesses and communities to create and retain jobs.

Market Texas for Tourism Strategy Description

The Department is the state's lead agency for marketing Texas business and tourism. The Tourism Marketing and Development strategy is integrally tied to the Agency's overall core mission to market Texas and assist communities to maximize economic development opportunities in a global economy.

Out-of-state tourism provides significant economic benefits for the Texas economy. However, many Texas' communities lack the resources needed to market themselves as tourist destinations to non-Texans. The Tourism Marketing and Development Strategy assists Texas communities and other travel industry partners by generating non-Texan travel to the state. By marketing the state as a tourist destination in out-of-state domestic and international markets, the strategy enhances local economic development efforts by generating non-Texan travel that creates revenues and jobs for Texas communities.

Tourism Marketing and Development is a truly integrated strategy. All services and functions support the strategy's efforts to generate non-Texan tourism to

A research-based, strategic marketing plan drives the strategy's activities.

the state, using the marketing campaign *Texas. It's Like A Whole Other Country®*. A research-based, strategic marketing plan drives the strategy's activities. Advertising is conducted in out-of-state domestic and international markets to generate consumer inquiries for Texas travel information by creating positive consumer perceptions about Texas and raising consumer awareness of the state as a premier travel destination. Advertising is placed in consumer and travel trade publications, national cable and regional television, radio, and the Internet. Texas tourism is also marketed to domestic and international travel trade, media, and consumers

through travel trade shows, consumer shows, sales and media missions, educational seminars, familiarization tours, public relations efforts and promotions. All advertising and marketing leads generated are made available to communities and other Texas travel partners via the Internet to assist them in their individual marketing efforts.

A variety of services are provided to benefit Texas communities and other travel industry partners. Cooperative marketing opportunities enable communities and other travel industry partners to jointly market their travel destinations and products with the state, both domestically and internationally, under the internationally recognized brand identity of the State of Texas. By leveraging the state's buying power and global marketing reach, cooperative program participants realize a significant cost savings over conducting such marketing activities independently, and are able to reach out-of-state markets which might otherwise be unattainable.

The strategy also markets its programs and services and provides training, assistance, and technical expertise to Texas communities and businesses through a variety of tourism outreach efforts, including community workshops, assessments and presentations. Services are also provided via the Internet. Outreach efforts are designed to help businesses, organizations and communities, particularly small and rural communities, to recognize, develop, package and market their tourism destinations and products.

Travel research provides the foundation for the Tourism Marketing and Development Strategy's efforts to increase non-Texan travel to the state. Research information and analyses is used to determine the effectiveness of marketing strategies and activities, advertising content and placement, selection of the most effective markets, and development of tourism outreach information. Customized research reports and presentations are made available in published form and via the Internet to assist communities and other travel industry partners in their own tourism marketing and development efforts.

The primary purpose of Tourism Marketing and Development has essentially remained unchanged since 1963.

The primary purpose of Tourism Marketing and Development has essentially remained unchanged since 1963, when the Legislature created the Texas Tourist Development Agency (TTDA) to market Texas as a tourist destination to generate non-Texan tourism to

the state. While its primary purpose has not changed, over the years, the program has grown in importance as a viable statewide economic development tool, enhancing and extending the local efforts of Texas communities.

In 1989, just two years after Texas voters approved a Constitutional amendment deeming economic development a “public purpose,” the 70th Legislature took several actions that enhanced economic development efforts in Texas. To finance local efforts, the Legislature created the 4a and 4b sales taxes, which provided funding for a variety of local economic development initiatives, including tourism. The 4b sales tax, in particular, together with the county and city hotel occupancy taxes, authorized in 1965 and 1981 respectively, provided Texas communities with opportunities to fund their local tourism efforts. At the state level, the Legislature merged several economic development and workforce training agencies into the newly created Texas Department of Commerce (Commerce), providing a centralized state level economic development effort. TTDA was among the agencies merged into Commerce and became the Commerce Tourism Division.

One of Commerce’s legislative charges was to “grow” the Texas economy by increasing tourism from outside the state and country – creating a heightened awareness of tourism as an important statewide economic development tool. To fund Commerce’s tourism effort, the Legislature amended the Texas tax code dedicating 1/12 of the state’s 6% hotel and motel occupancy tax revenues to Commerce for tourism advertising and marketing activities. In 1997, the Legislature abolished the Department of Commerce and created a new Texas Economic Development. The Tourism Division became part of the new economic development agency, providing increased recognition of tourism’s role as a revenue generating force for the Texas economy.

Even though the purpose of the Tourism Marketing and Development Strategy has remained essentially unchanged since 1963, the economic environment in which today’s tourism operates has changed significantly. Tourism continues to provide tremendous potential for economic growth for Texas’ communities. However, as global competition for tourism revenues intensifies, the number of public/private marketing alliances and consolidations will also increase, resulting in well-funded, marketing partnerships with worldwide reach that will overpower the efforts of individual communities. In addition, increased use of innovative technology and information systems has become commonplace for delivering tourism information to consumers throughout the world. A statewide Texas tourism marketing program, that extends and enhances community efforts, will be essential for effective competition in the global marketplace. With appropriate funding to achieve its mission, Tourism Marketing and Development should continue to be a viable catalyst for state-level economic development, generating non-Texan travel to the state, that provides revenues and jobs for Texas communities.

Tourism Marketing and Development serves any community, business or entity that seeks to grow the Texas economy through tourism.

Name of Program: Market Texas for Tourism
 Location/Division: Stephen F. Austin Bldg.
 Tourism Division
 1700 N. Congress Avenue, Suite 200
 Austin, Texas 78701

Contact Name: David Teel
 Number of Budgeted FTEs, FY 2001: 30.5
 Number of Actual FTEs as of August 31, 2001: 29.7

Market Texas for Tourism	
Programs	<ul style="list-style-type: none"> • Advertising • Sales and Marketing • Tourism Development • Travel Research
Creation Date	<ul style="list-style-type: none"> • 1987
Statutory Requirements	<ul style="list-style-type: none"> • Government Code, Chapter 481, Subchapter L
Purpose	<ul style="list-style-type: none"> • To generate non-Texan tourism to Texas
Functions	<ul style="list-style-type: none"> • Strategically market Texas as a tourist destination through advertising (e.g., radio, television, newspaper, the Internet), distribution of promotional materials, travel trade shows, trade missions and seminars, and public relations to increase tourism to the state by non-Texans. • Encourage travel by Texans to the state's scenic, historical, natural, agricultural, educational, recreational and other attractions. • Develop methods to attract tourist attractions to the state and assist communities to develop tourist attractions. • Cooperate with the Texas Parks & Wildlife, Texas Department of Transportation, Texas Historical Commission and the Texas Commission on the Arts in all matters related to promotion of tourism.
Customers	<ul style="list-style-type: none"> • Texas communities • Travel industry associations • Travel industry organizations • Travel industry businesses • International and domestic media • International and domestic consumers • Other state agencies
Eligibility Requirements	<ul style="list-style-type: none"> • Services are provided to any community, organization or individual that seeks to increase tourism to Texas.

<p>Funding Sources</p>	<ul style="list-style-type: none"> • 1/12 of the State Hotel/Motel Occupancy Tax Revenues • Licensing Royalties • Cooperative Marketing Fees • Primary funding comes from appropriation of 1/12 of the revenues collected from the state hotel occupancy tax. In FY 2001, the strategy received \$20,560,322 from this source: <ul style="list-style-type: none"> • Revenues from licensing royalties provided \$23, 288 in FY 2001. These revenues were generated by a Texas “Patch” credit card issued by MBNA America; and • cooperative marketing fees paid by industry partners for participation in joint domestic and international marketing partnerships recoup costs for participating in trade shows, events and other marketing functions. In FY 2001, travel industry partners paid \$209,543 to participate in travel events.
<p>Funding Adequacy</p>	<ul style="list-style-type: none"> • Section 156.251(d) of the Texas Tax Code authorizes the Agency to receive 1/12 of the state’s hotel/motel occupancy tax revenues for advertising and other marketing activities of the Tourism Division. The 76th and 77th Legislatures limited revenues to a sum certain appropriation for the strategy, based upon projected state occupancy tax revenue collections. • Existing funding has been generally sufficient to maintain competitive position in the U.S. domestic market. However, additional funding is needed to effectively expand marketing efforts, particularly in international markets. • The Agency’s appropriations Rider No. 16 (General Appropriations Act of the 76th Legislature) places a restriction on non-advertising expenditures, limiting other essential program marketing activities, such consumer/travel trade shows, media/trade missions, educational seminars and public relations activities, which are particularly important in international marketing and promotional efforts. The rider also limits travel research efforts, both domestically and internationally, as well as tourism development activities.
<p>Program Evaluation</p>	<ul style="list-style-type: none"> • Nationally recognized, award winning marketing and advertising programs. • Consistently recognized as one of the nation’s top state tourism programs. • Effective in creating awareness of and generating travel to Texas, helping Texas become the nation’s second most visited state and positioning tourism as one of the state’s largest industries, providing income, tax revenue and jobs for Texas communities. • Dedicated revenue from state hotel and motel occupancy tax has provided a consistent funding source for developing and maintaining successful marketing programs. • Cooperative programs enable Texas communities and travel industry partners to jointly advertise and market their travel destinations and products with the state, at substantial cost savings, while extending awareness and exposure of the Texas vacation message in domestic and international markets. • Extensive coordination with other state agencies and the Texas travel industry to maximize state resources used for tourism marketing efforts.

Coordination of the Tourism Marketing and Development Strategy

Interagency Contracts	
<i>State Agency</i>	<i>Services Provided</i>
The University of Texas at Austin	Conducts surveys to provide Texas Local Hotel Taxes Report
The University of Texas at San Antonio	<i>Travel Barometer Report</i> – provides quarterly index of key leading indicators of the state’s tourism industry, forecasting future leisure travel activity
Texas A&M University	Conducts research to determine the effectiveness and provide ongoing evaluation of tourism advertising
Texas A&M University	Conducts research to gauge consumer satisfaction with TravelTex.com web site
Texas Department of Transportation	Provides data entry of consumer and other leads, and fulfillment of CD-ROM requests generated by advertising that cannot be electronically processed through normal procedures

State Agency Coordination

No other internal program provides services or functions identical to the Agency’s Market Texas for Tourism strategy. Externally, there are other agencies involved in state tourism. As the chart, *State Tourism in Texas* shows, however, the Department is the only agency that conducts a statewide tourism marketing campaign as part of its core mission, and the only agency that primarily targets efforts in out-of-state markets.

Texas Economic Development is the only agency that conducts a statewide tourism marketing campaign as part of its core mission, and the only agency that primarily targets efforts in out-of-state markets.

The framework of Texas tourism consists of three essential core functions: 1) marketing, 2) product development, and 3) customer service. Eleven state agencies, each with different missions, provide a variety of tourism-related services that support these three functions. As the lead state agency for tourism marketing, Texas Economic Development is the only agency that conducts statewide tourism marketing as part of its core mission and the only agency that primarily targets its marketing efforts outside the state. The other ten state agencies primarily focus their tourism efforts on developing tourism products or providing customer service to tourists in the state. Some conduct limited marketing, however, these marketing efforts are focused on promoting the specific products they develop and are targeted in-state, as shown on the chart “State of Texas Tourism Marketing Model” on page 57.

State Tourism in Texas

Agency	Core Agency Mission	Tourism Functions
Texas Economic Development	Market Texas to assist communities to maximize global economic development opportunities	<ul style="list-style-type: none"> • Market Texas tourism in out-of-state domestic and international markets through TV, print and Internet advertising, travel trade and consumer shows, sales/media missions, educational seminars, public relations and consumer promotions • Advertising includes messages that market Texas Department of Transportation developed publications to consumers • Market and operate 1-800 number and TravelTex.com web site as consumer sources to obtain Texas tourism information • Conduct travel market research • Conduct workshops, assessments, and presentations to assist communities to develop and market their tourist attractions • Public relations and public service announcements to encourage Texans to travel to the state's tourist attractions
Texas Department of Transportation	Safe, effective, and efficient movement of people and goods	<ul style="list-style-type: none"> • Travel Information Centers (TICs) provide road information, travel guidance, trip routing and literature to highway users • Publish <i>Texas State Travel Guide</i>, <i>Texas Accommodations Guide</i>, <i>Texas Travel Map</i>, <i>Texas Highways</i> magazine and other materials designed to assist the traveling public and stimulate travel on state highways • Fulfill consumer requests for TxDOT publications, generated by Texas Economic Development advertising • 1-800 number to provide emergency road condition information, travel assistance and trip routing information • TEA-21 funds for development of tourism-related projects and facilities • <i>Don't Mess With Texas</i> and <i>Adopt-a-Highway</i> public awareness programs to beautify Texas highways
Texas Parks & Wildlife Department	Manage and conserve state natural and cultural resources	<ul style="list-style-type: none"> • Manage state parks (including 36 visitor centers), wildlife management areas, hatcheries, historic sites and natural areas • Provide public information and education on fishing, hunting, wildlife, boating and safety • Register and title boats and motors and issue hunting, fishing and other licenses • Promote state parks and other attractions through media relations, brochures, public service programming, web site, and <i>Texas Parks and Wildlife</i> magazine • Birding Trails and publish trail maps • Grant programs for development of tourism-related projects and facilities
Texas Commission on the Arts	Foster the development of a receptive climate for the arts	<ul style="list-style-type: none"> • Provide technical and financial assistance to communities and non-profit organizations for arts festivals and events • Assist rural and geographically isolated communities to identify and promote artistic and cultural resources • Promote cultural tourism and cultural activities in Texas through in-state media relations campaign and agency web site

<p>Texas Historical Commission</p>	<p>Protect and preserve state historic and prehistoric resources</p>	<ul style="list-style-type: none"> • Assist communities, counties and regions in preservation and development/promotion of heritage tourism attractions • Texas Main Street Program assists communities in the revitalization of historic downtown areas. • Grant programs for development/promotion of local and regional heritage tourism attractions and preservation projects • Administer state historical marker program; assist in obtaining historical designation for buildings, cemeteries, and sites • Promote heritage tourism attractions through brochures and agency web site
<p>Texas A&M University</p>	<p>Providing quality, relevant, outreach and continuing educational programs and services to the people of Texas.</p>	<ul style="list-style-type: none"> • Extension services for hospitality training, festival and event management, nature tourism, and community tourism strategy development and evaluation
<p>Office of Music, Film, Television & Multimedia</p>	<p>The Texas Film Commission's mission is to increase business to Texas workers, vendors and service providers, by creating employment opportunities from motion picture production and its support industries, and to market Texas as a filmmaking center to national and international film and television production companies.</p>	<ul style="list-style-type: none"> • Development of locations and workforce for the Texas film industry • Publicize Texas music developments and events
<p>Texas General Land Office</p>	<p>Manage natural resources and veteran programs</p>	<ul style="list-style-type: none"> • Manage the Gulf Coast to protect natural beauty, wildlife and public accessibility • Texas Coastal Management Program provides a \$2 million a year in grants for coastal enhancement projects.

<p>Texas Department of Agriculture</p>	<p>Develop the state's agribusiness industry</p>	<ul style="list-style-type: none"> • Educate landowners and agricultural businesses on how to start or expand agricultural-based, nature tourism enterprises • Provide funding assistance to landowners wanting to develop nature tourism products • Assist Texas' tourism businesses and tourists to find Texas agricultural products through the <i>GO TEXAN</i> program
<p>Texas State Preservation Board</p>	<p>Historic preservation and maintenance</p>	<ul style="list-style-type: none"> • Operate and promote Bob Bullock Texas State History Museum • Preservation and maintenance of State Capitol and General Land Office Building • Visitor services at the State Capitol and the General Land Office Building
<p>Texas Department of Public Safety</p>	<p>The Texas Department of Public Safety is an agency of this state created to provide safety services to those people in the state of Texas by enforcing laws, administering regulatory programs, managing records, educating the public and managing emergencies, both directly and through interaction with other agencies.</p>	<ul style="list-style-type: none"> • Produce publications on traffic laws and safety, law enforcement and crime prevention • Assist with visitor safety via 1-800 number for roadside assistance, locating out-of-state motorists for emergency messages, and providing information on weather and conditions affecting highway travel

The following *Comparing State Agency Tourism Marketing* table below shows there are four other state agencies that, in support of their overall core mission, conduct limited tourism-marketing activities. The purpose of these agencies' marketing functions differs substantially from the Department's in that:

- 1) their marketing efforts are primarily targeted in-state (at Texans), while the Department's efforts are targeted in out-of-state markets, at non-Texans, and
- 2) each agency's marketing efforts are limited in scope, promoting only the
- 3) products that the respective agency produces – none markets all of the state's tourism destinations and products as Texas Economic Development does.

Comparing State Agency Tourism Marketing			
Agency	Primary Purpose of Marketing	Primary Target Market	Primary Marketing Activities
Texas Economic Development	Generate non-Texan travel to Texas communities	Out-of-state domestic and international markets (non-Texans)	Consumer advertising (print, TV, Internet), TravelTex.com consumer web site; 1-800 consumer phone number for response to advertising; travel trade and consumer shows; sales/media missions; trade and media educational seminars; public relations; consumer promotions; familiarization tours; publications
Texas Parks & Wildlife	Educate Texans and create public awareness about TPW's assets, programs and services	In-state (Texans)	Media relations and non-paid media placements; brochures; agency web site; <i>Parks & Wildlife</i> magazine
Texas Department of Transportation	Encourage traffic to the state's highways	In-State (Texans)	<i>Texas Highways</i> magazine and other publications
Texas Historical Commission	Promote heritage attractions to Texans	In-State (Texans)	Brochures; agency web site; public relations; limited advertising
Texas Commission on the Arts	Promote events and activities to Texans	In-State (Texans)	Media relations; agency web site; limited advertising

The Department regularly coordinates its tourism marketing and development activities with the state's communities, travel industry and other state agencies. The Tourism Advisory Committee (TAC), a volunteer body that advises the Agency's Governing Board, consists of regular members representing a cross-section of the state's travel industry and all of the state's geographic marketing regions. TAC ex-officio members include representatives of key statewide industry associations, such as the Texas Travel Industry Association (TTIA), Texas Restaurant Association (TRA), Texas Hotel and Motel Association (THMA), Texas Association of Convention and Visitors Bureaus (TACVB), and the Texas Campground Owners Association (TCOA). Efforts are coordinated with TAC to ensure tourism marketing and development efforts best serve the needs of Texas communities and the state travel industry. Additional coordination is provided through TTIA. The Agency's Market Texas for Tourism strategy and counterparts from TxDOT, TPW, THC, and TCA all serve as ex-officio members of the TTIA Board, providing further state coordination of efforts with the state's travel industry.

The Department coordinates its efforts with other state agencies through regular contacts with a Memoranda of Understanding that structures a more formal working relationship.

Memoranda of Understanding	
Partner Agencies	Purpose
Texas Economic Development Texas Department of Transportation (TxDot) Texas Historical Commission (THC), Texas Commission on the Arts (TCA) Texas Parks & Wildlife (TPW)	Five Agency MOU to coordinate state tourism marketing and spending, including: <ul style="list-style-type: none"> • produce coordinated, annual marketing plan with goals, objectives and performance measures • produce biannual report on tourism marketing activities • establish working committees to actively address coordination issues and improve coordination related to marketing, fulfillment, technology, research, education training and publications. The Department chairs the marketing subcommittee, which is charged with developing the annual marketing plan. The Department either chairs or co-chairs three of the other four committees. • include Texas State Agency Tourism Council in coordination efforts. • adhere to marketing standards, such as use of "Texas. It's Like A Whole Other Country" slogan, the Texas "Patch" logo, and 1-800-8888TEX phone number, www.TravelTex.com web site address, seven standard geographic marketing regions to provide a consistent statewide marketing message
Texas Economic Development, Texas Historical Commission	Cooperate in development and marketing of heritage tourism. Per appropriations rider requirement, MOU includes transfer of \$300,000 from the Agency to THC during the 2000-2001 biennium for THC to use to encourage travel to the state's historical attractions.
Texas Economic Development, Texas Department of Transportation	Gives the agency authority over certain aspects of TxDOT's Travel Information Services program and control over creative production, editorial content, and design of the <i>Texas State Travel Guide</i> , the <i>Texas Accommodations Guide</i> and the cover of the <i>Texas Official Travel Map</i> to ensure a consistent, statewide marketing message and to provide the best possible product to the customer.

The five agencies (MOU agencies) that conduct tourism marketing are members of the Council and also coordinate their promotional activities through a Memorandum of Understanding (MOU). These agencies also closely interact with the Texas travel industry through TxED's Tourism Advisory Committee (TAC), the Texas Travel Industry Association (TTIA) where representatives of several state agencies, including the five MOU agencies, serve as ex-officio board members, the Texas State Agency Tourism Council and TxED's Tourism Advisory Committee. As a result of these various efforts, progress has been realized toward achieving a better coordinated tourism marketing effort. For example, under the MOU:

- the five agencies have created staff-level working committees to better coordinate efforts on a functional level for: marketing, technology, fulfillment, research, education/training and publications;
- TxED and TxDOT agreed to replace TxDOT's published literature used to fulfill overseas consumer requests received via www.TravelTex.com with no-cost, paperless downloadable files (PDF files) made available to web site users by TxED, providing a potential savings to the state of \$400,000 per year in fulfillment costs;
- to provide a more consistent marketing message, agencies agreed to use TxED's slogan "Texas. It's Like A Whole Other Country", the Texas "patch" logo, the 1-800-8888-TEX phone number and the www.TravelTex.com web site address in their tourism marketing efforts;
- TxED, at a significant savings to the state, allowed TxDOT to "piggy-back" on one of its research contracts to determine how effective TxDOT's consumer fulfillment materials are in meeting the needs of Texans who travel within the state; and
- TxED works with the other MOU agencies, soliciting input during the production stage of its advertising to ensure the TxED's out-of-state advertising campaign includes specific messages and images that effectively promote the other agencies' niche market (e.g., cultural, heritage and nature/outdoor) products.

TxED further coordinates its tourism marketing efforts by participation on the Texas State Agency Tourism Council to address issues related to state-level tourism efforts.

State Role in Texas Tourism

Product Development

Texas Parks & Wildlife
 Develop Nature Trails, State Parks, Wildlife Management Areas, Historic Sites, Natural Areas
 Grants for tourism-related projects/facilities

Texas Department of Transportation
 TEA 21 Development Grants
 Texas highway beautification programs

Texas Historical Commission
 Develop Historical Sites and Trails
 Main Street Program
 Grants for heritage project development and preservation
 Historic Site Designation

Texas Commission on the Arts
 Technical assistance and development
 Grants for arts & festivals

Texas Department of Agriculture
 Assist land owners to develop agricultural-based nature tourism products
 Grants to develop nature tourism products

Texas General Land Office
 Manage O&F Court
 Grants for Coastal Enhancement

Texas State Preservation Board
 Operate/Maintain State Buildings (Capitol, State History Museum, General Land Office Bldg.)

Texas A&M University
 Extension services for hospitality training, festivals & events management, nature tourism, and community tourism strategy development and evaluation

Office of Music, Film, Television & Multimedia
 Locations and workforce for Texas film and music industry

Marketing to Non-Texans (Out of State)

Texas Economic Development Market Texas Tourism Division
 Domestic and International Marketing and Promotion of Texas Travel Products
 Broadcast, print, and Internet advertising
 1-800# for response to advertising
www.TravelTex.com web site

Marketing to Texans (In-State)

Texas Economic Development
 Encourage in-state travel through media relations

Texas Parks & Wildlife
 Public awareness campaign through media relations, TV Show, publications, web site

Texas Department of Transportation
 Encourage highway travel through publications

Texas Historical Commission
 Promote heritage attractions through brochures, web site, public relations, advertising

Texas Commission on the Arts
 Promote arts and cultural events and activities through brochures, web site, media relations

Customers

Domestic/International Travelers
 Texas Travelers
 Domestic/International Travel Trade
 Domestic/International Media
 Texas Media

Customer Service

Texas Parks & Wildlife
 Hunting/fishing licenses
 Register/bite boats
 Public information and education on fishing, hunting, wildlife, and boating
 Staff state parks
 Maps and brochures to assist tourists

Texas Department of Transportation
 Travel Information Centers provide road information, travel guidance, trip routing and literature to highway users
 Fulfill Customer Requests for Publications
 1-800# for road condition information and traveler assistance

Texas Historical Commission
 State historical marker program

Texas State Preservation Board
 Visitor Services at Capitol and General Land Office Bldg.

Department of Public Safety
 Visitor Safety

Customers

Texas Travelers
 Texas Media
 Texas Travel Trade

3

Strategic Partnerships

Several statewide industry associations support and may, from time-to-time, promote tourism to benefit their members. These include:

- Texas Travel Industry Association (TTIA)
- Texas Association of Convention and Visitors Bureaus (TACVB)
- Texas Association of Campground Owners (TACO), Texas Hotel and Motel Association (THMA), and
- Texas Restaurant Association (TRA).

However, any tourism promotion activities are limited in scope and frequency and are conducted to serve their respective memberships. None of these associations conduct marketing functions that are identical or significantly similar to those performed by the Department.

The strategy is also funded through actual and in-kind assistance from travel industry partners who participate in Department-sponsored promotional activities. Contributions include airline transportation, accommodations, and meals for familiarization tour participants, as well as funds contributed toward promotional event costs. In FY 2001, the retail value of all such contributions totaled over \$680,000.

STRATEGY 02-01-01: MARKET TEXAS BUSINESS

MISSION:

Market Texas and assist communities to maximize economic development opportunities in a global economy.

GOAL 01:

Enhance economic growth of Texas communities through tourism marketing and development.

STRATEGY 01-01-01:

Market and develop Texas as a premier travel destination.

Strategy 02-01-01:
Market Texas as a globally-competitive business location.

GOAL 02:

Enhance economic growth of Texas communities through business marketing and development.

STRATEGY 02-01-02:

Provide economic and demographic data for the development of research, data and information products that can be used to market and promote Texas as a business location.

STRATEGY 02-02-01:

Provide business incentives and economic development tools to assist businesses and communities to create and retain jobs.

Market Texas Business Strategy Description

Market Texas Business promotes trade and investment through lead generation, lead dissemination, educational/information forums, and strategic partnerships throughout Texas.

Lead Generation

The Agency executes this strategy by generating trade and investment leads. Trade leads are inquiries concerning the purchase of a Texas company's products or services. Investment leads are inquiries concerning the construction of a new facility or expansion of existing facilities. The Agency plays a leadership role at trade shows and trade missions, conferences and seminars - both national and international and engages in strategic partnerships between communities, businesses, and other local, state and federal agencies to generate trade and investment leads. These venues are geared towards generating leads that are distributed to the Agency's customers.

Lead Dissemination

A key component of the Market Texas Business Strategy is an electronic system of lead dissemination that allows the distribution of trade and investment leads to all agency customers across the state. The system is flexible enough to enable the agency to reach targeted contacts, including over 200 Designated Community Economic Developers in Texas. Market Texas Business is currently exploring options to expand their customer base. The system also distributes leads to regional allies such as utility companies and the major Chambers of Commerce around the state.

Educational and Information Forums

The Agency also carries out the Market Texas Business strategy by educating Agency customers and providing them with important information about statewide and national resources, opportunities, and possible means of assistance. The main conduits for spreading information to customers and strategic partners are presentations, conferences, newsletters, reports and workshops. The Agency undertakes these efforts through paper, electronic and video conference media, as well as one-on-one counseling sessions, at the request of a business or community to provide answers to very specific questions. Other information-related activities include producing newsletters, guides, and reports that educate, inform, and provide outreach to the many businesses and communities in the state seeking new or expanded facilities.

Strategic Partnerships

Building relationships is a core function of Market Texas Business. In order to maximize its potential and increase its reach, the Agency partners with key related entities to coordinate efforts. Partnerships include regular contacts with peers as well as detailed and formal agreements such as Memoranda of Understanding.

The Agency's implementation of the Market Texas Business strategy is greatly impacted by the ever-increasing globalization of the economy. The advent of the Internet and recent innovations in the telecommunications industry have enabled seamless communication across borders and are connecting businesses throughout the world in ways that were unimaginable just 10 years ago. For Texas, the North American Free Trade Agreement (NAFTA) has proven to be a driving force behind many of these changes.

Texas exports totaled \$95 billion in 2001. Although Texas exports experienced a slight 8.5% decline (6.3% decline for the U.S.) in 2001, Texas exports have increased substantially over the years, nearly quadrupling since 1987. Prior to 2001, Texas exports experienced 14 consecutive years of increased growth. The North American market (i.e., Mexico and Canada) was the destination for over half of all Texas exports. Texas shipments to its largest trading partner, Mexico, increased by \$12.8 billion from 1997 to \$41.6 billion in 2001. Exports to the state's other NAFTA partner, Canada, increased by \$1.6 billion from 1997 to \$10.6 billion in 2001. Texas is the second largest exporting state after California.

The agency continues to focus on the development of global strategies in which strategic partnerships connect firms in Texas to those throughout the world. Access to technology and "remaining connected" is crucial to keeping pace with the rapidly changing global arena. The agency must be more focused on promoting the State of Texas in international markets than ever before. This includes building relationships across borders with foreign governmental counterparts and private firms. Texas businesses also must be open to operating in a business environment that is increasingly multicultural, bilingual, global and dynamic.

Name of Program:	Market Texas Business
Location/Division:	Division Stephen F. Austin Bldg. 1700 N. Congress Avenue, Suite 220 Austin, Texas 78701
Contact Name:	Aaron Demerson
Number of Budgeted FTEs, FY 2002:	29
Number of Actual FTEs as of August 31, 2002:	25.7

Market Texas for Business	
Programs	<ul style="list-style-type: none"> • International Business • Corporate Expansion and Recruitment • Small Business Assistance (will transfer to Market Texas Clearinghouse effective 9/1/02) • Defense Affairs (will transfer to Business Incentives effective 9/1/02) • State of Texas-Mexico Office
Creation Date	<ul style="list-style-type: none"> • International Business - 1987 • Corporate Expansion & Recruitment - 1958 • Small Business - 1987 • Defense Affairs - 1997 • State of Texas-Mexico Office - 1971
Statutory Requirements	<ul style="list-style-type: none"> • International Business - Government Code Chapter 481, Subchapter D • Corporate Expansion & Recruitment 481.022 and 481.0725. • Small Business 481.0068. • Defense Affairs 481.0065. • State of Texas-Mexico Office 481.027.
Purpose	<ul style="list-style-type: none"> • Identify and develop trade and investment leads for businesses and communities to expand and diversify the economic development base of the state.
Functions	<ul style="list-style-type: none"> • Lead Generation • Lead Dissemination • Education and Information Forums • Strategic Partnerships • Coordinate state-wide response on major economic development projects

Customers	<ul style="list-style-type: none"> • Individuals, businesses and economic development groups interested in pursuing international markets. • National and International governmental entities • Expanding businesses (statewide, nationally, and internationally) • Site Selection Consultants • Corporate Real Estate Executives • Texas communities • Utility Companies • Chambers of Commerce • Individuals preparing to become entrepreneurs • Small and historically underutilized businesses • Defense-dependent communities • Defense-related businesses • Military affairs groups
Eligibility Requirements	<ul style="list-style-type: none"> • All Texas communities and any business • The Defense Economic Adjustment Assistance Grants are available to local municipalities, counties or regional planning commissions representing these communities.
Funding Sources	<ul style="list-style-type: none"> • General Revenue for all activities excluding Trade Missions • Funding from participating communities through the Texas Economic Development Corporation for the Trade Missions • General Revenue in FY 1999 funded defense Economic Adjustment Assistance Grants totaling \$1,000,000.
Funding Adequacy	<ul style="list-style-type: none"> • Current level of funding is inadequate for launching a competitive national advertising campaign. With limited funding levels, it is difficult to meet the expectations of our customers, particularly when Texas communities have limited or no resources themselves for marketing. Much of Market Texas proactive marketing efforts are done by leveraging what others spend for business and this method is also risky to rely upon for continuity.
Program Evaluation	<ul style="list-style-type: none"> • Texas communities deem statewide economic development efforts critical. Marketing through the State of Texas brand provides a powerful leverage opportunity for creating job growth and investment for Texas communities and companies.

Market Texas Business serves an ever-expanding customer group. From the late 1950s, the focus was primarily on those entities interested in industrial expansion. Over the ensuing years the Market Texas Business functions have been marketed to a wide variety of customers. They range from the most basic customers or partners from Texas communities and Texas businesses to international governmental entities. In between, the Agency's customer base has grown to include expanding businesses (statewide, nationally and internationally), site selection consultants, corporate real estate executives, utility companies, Chambers of Commerce, entrepreneurs and small businesses located within Texas, and an impressive number of trade and professional organizations. Where utility companies have always played a major role in economic development activities, recent changes in deregulation have caused the utilities to alter their participation. Deregulation has caused an increase in demand for agency services. The following gives an idea of the expanding customer base.

Between 1958-1987 the customer base was

- Expanding Industrial Businesses
- Utility Companies
- Site Selection Consultants
- Chambers of Commerce

Between 1987-1997 the customer base was expanded to include

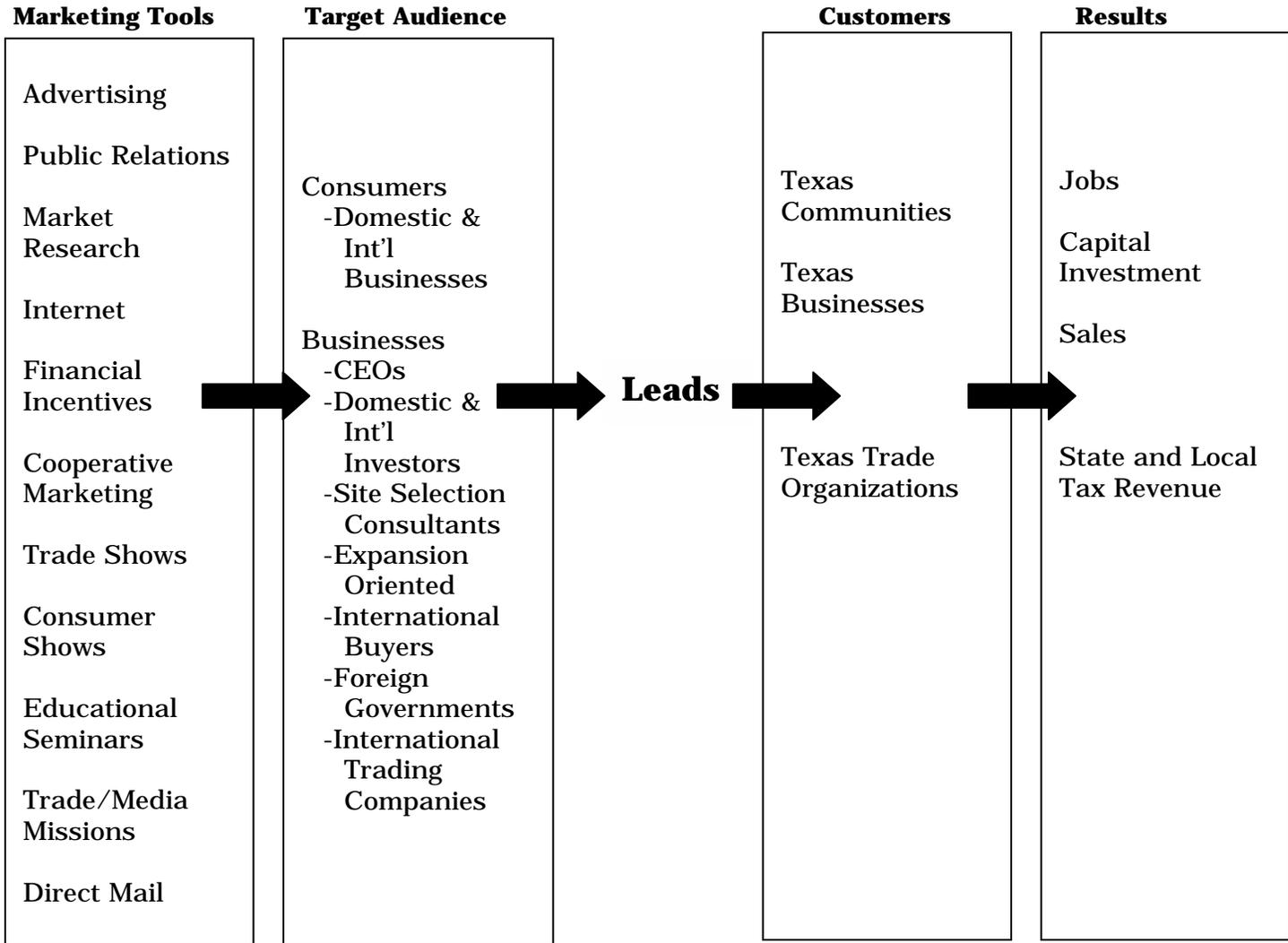
- Consulates
- Export Councils
- Small Businesses
- Universities
- Exporting Businesses
- Small Business Development Centers

Between 1997-2002 the customer base has expanded to include

- Texas Defense Aviation Aerospace Alliance
- Expanded number of Texas communities
- Defense Dependent Communities

As explained above, the Market Texas Business programs are integrated with its customers through four core functions. As Market Texas Business has evolved, customers can participate in any of the division's marketing functions and still culminate in or contribute toward the production of a trade or investment lead. The following lead generation model reflects the process:

Lead Generation Model



The mission of Texas Economic Development (TxED) is to market the state to generate leads that expand and strengthen the economy of Texas and its communities. All agency divisions contribute to this marketing effort by using a well-developed and highly effective lead generation model to attract tourists and businesses to the state. Over the years, this model has proven successful in marketing Texas as a tourist destination, helping Texas tourism become a \$40 billion a year industry. Business leads support economic growth by providing business investment opportunities for Texas communities and trade export opportunities for Texas businesses. TxED also offers business and tax incentives and business and travel research to support the success of all lead generation activities. This continuing support, from first contact to fiscal maturity, is itself a strong selling point for Texas as a premier tourism destination and business location.

MEMORANDA OF UNDERSTANDING

Market Texas Business has one federal and one international Memorandum of Understanding:

- U.S. Department of Commerce, and
- Japan External Trade Organization

The MOUs were established to assist Texas exporters with a primary emphasis on marketing to maximize exposure for Texas products and services. JETRO has one staff member and USDOC has two staff members housed within the Agency's Austin office.

Market Texas Business also has several state Memoranda of Understanding. One is with Southwest Texas University to exchange information and provide its students with international marketing internship opportunities. Another is with the Texas Natural Resource Conservation Commission (TNRCC). Highlights of this MOU have TNRCC referring small business owners to the Agency for information on financial and loan assistance and business licenses, permits, registrations, or certificates necessary to operate a place of business in Texas. The Agency also provides information on scheduled workshops, seminars, and conferences that educate small businesses on environmental concerns. Finally, there are two MOUs with the Department of Agriculture. One, providing for joint participation on all international efforts and the second relates to joint efforts on food and fiber projects. Investment leads generated by TDA are referred to the Agency for site selection assistance. Food and fiber leads directly contacting Texas Economic Development are coordinated with TDA for technical assistance.

Through Texas statute, the division also works with the Texas Strategic Military Planning Commission on projects related to active military installations. Any business development leads generated by the TSMPC are referred to the Division for site selection assistance.

As a result of the 77th Legislature, the Agency created MOUs with the Texas Department of Agriculture and the Office of Rural Community Affairs to address rural issues.

STRATEGY 02-01-02: MARKET TEXAS CLEARINGHOUSE

MISSION:

Market Texas and assist communities to maximize economic development opportunities in a global economy.

GOAL 01:

Enhance economic growth of Texas communities through tourism marketing and development.

STRATEGY 01-01-01:

Market and develop Texas as a premier travel destination.

Strategy 02-01-01:

Market Texas as a globally-competitive business location.

STRATEGY 02-01-02:

Provide economic and demographic data for the development of research, data and information products that can be used to market and promote Texas as a business location.

GOAL 02:

Enhance economic growth of Texas communities through business marketing and development.

STRATEGY 02-02-01:

Provide business incentives and economic development tools to assist businesses and communities to create and retain jobs.

Market Texas Clearinghouse Strategy Description

The Market Texas Clearinghouse (MTC) supports Texas' engagement in the global economy with economic and demographic data services and products and directly supports the development of small and Historically Underutilized Businesses.

MTC delivers a wide variety of services in support of the agency's marketing and economic development mission. Research, marketing and small business support activities include the design and maintenance of websites such as Business and Industry Data Center (www.bidc.state.tx.us), NAFTA Center (www.tded.state.tx.us/nafta), Permit Assistance (www.tded.state.tx.us/guide) and EDInfo (www.edinfo.state.tx.us); Texas Business Expansions Database (www.bidc.state.tx.us/expansions/) economic, research and small business electronic newsletters; economic impact analyses; Texas industry profiles; and the dissemination of economic and demographic information to Texas citizens.

Products in recent years include special reports (*Study of the Apparel Industry: the Border Region*); directories and guides (*Multinational Companies, Texas Economic Development Reference Book, Global Texas: International Trade Source Book, Highlights of 2000 Texas Exports and Guide to Texas Permits and Licenses*); selected industry profiles (*Microelectronics Industry, Automotive Industry, and Plastics*); customized international briefing books; and marketing tools (*Doing Business In Texas* publication).

The Market Texas Clearinghouse develops products and services driven by the needs of the agency and external customers. The Division's customer base is global and diverse; in FY 2001, MTC served over 1.6 million customers, primarily through Internet access to research products and databases. The Clearinghouse influences and supports other Agency programs, including Corporate Expansion & Recruitment and the Office of International Business. A case in point is the development of market-based research materials in support of specific expansion-recruitment projects underway in CE&R. Texas communities and businesses also utilize the division's products and services to drive their decision-making process. One example is the City of Tyler, Texas, when the Clearinghouse provided an economic impact analysis that allowed the city to make an informed decision on offering tax incentives.

**In FY 2001,
Market Texas
Clearinghouse
served over
1.6 million
customers.**

Though frequently compared to the Comptroller's Revenue Estimating and Research divisions, there is little overlap. While the Comptroller's Revenue Estimating Division and the Clearinghouse cooperate in the acquisition of the state's data sources and tools, the application and end-users are quite different. The Comptroller prepares state economic forecasts and fiscal impact analysis to support the state's revenue estimate and the budgeting divisions of state-wide elected officials. In contrast, the Clearinghouse disseminates economic and demographic information to the state's businesses, community economic developers, investors and the public at-large and provides economic impact analysis for communities. The Comptroller's Research Division prepares publications on state policies that have revenue-estimation and budgetary impact on the states counties, municipalities and other governmental units. Publications prepared by the MTC, on the other hand, are targeted to assist Texas communities and businesses in their economic development activities.

Name of Program	Economic Research to Marketing Texas
Location/Division	Stephen F. Austin Bldg. Market Texas Clearinghouse 1700 N. Congress Avenue, Suite 220 Austin, Texas 78701
Contact Name	Michael West
Number of Budgeted FTEs, FY 2000	14
Number of Actual FTEs as of August 31, 2002	16

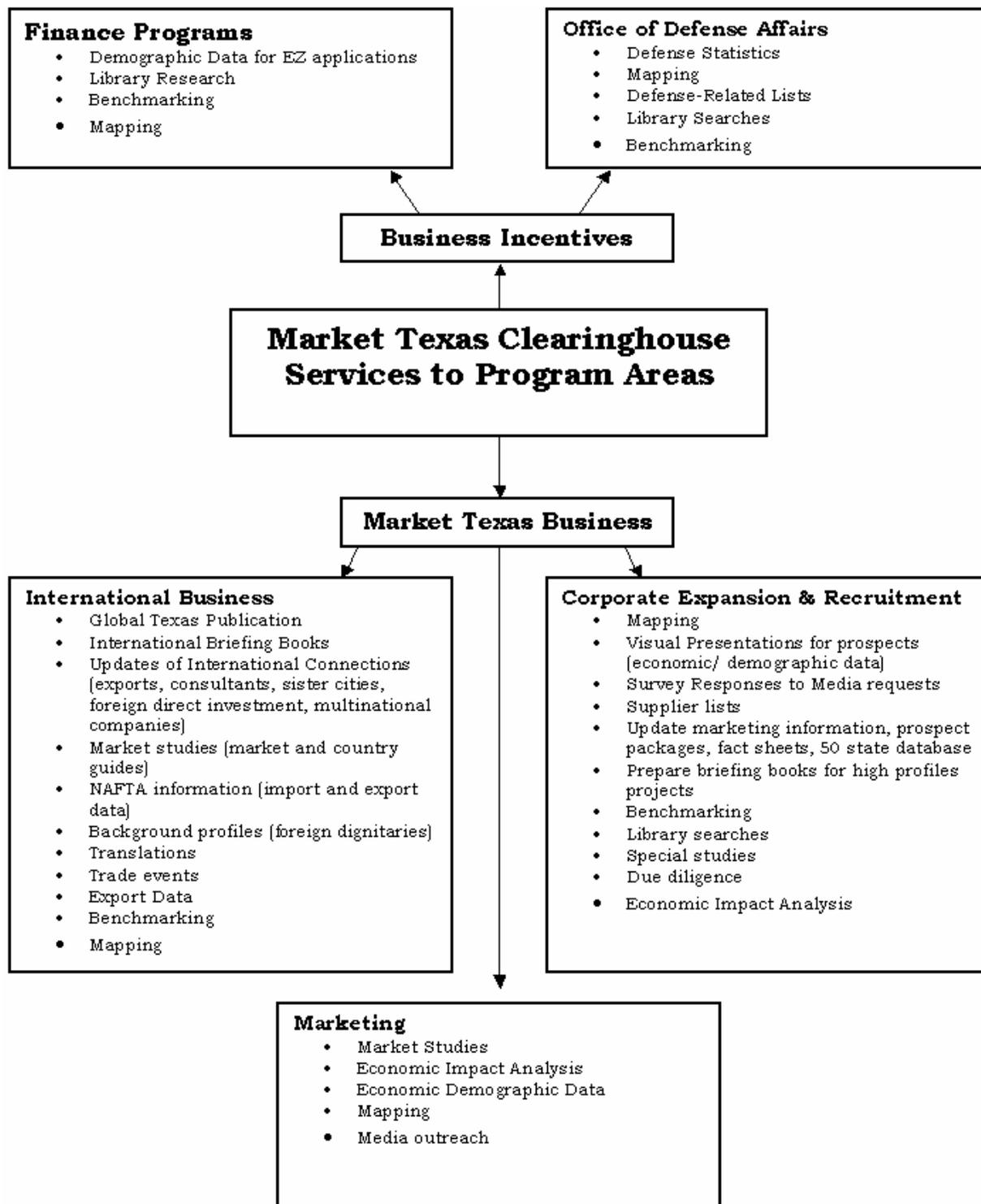
Market Texas Clearinghouse	
Programs	<ul style="list-style-type: none"> • Business Information and Referral • Research and Data Services • Texas Business and Community Economic Development Research Clearinghouse • Office of Small Business Assistance (beginning 09/02) • Texas Marketplace (transferring to Texas Building and Procurement Commission)
Creation Date	<ul style="list-style-type: none"> • 1998
Statutory Requirements	Government Code Chapter 481, Subchapter H; Subchapter K; Subchapter P; Small Business Chapter 481.0068
Purpose	<ul style="list-style-type: none"> • To provide value-added research to drive decision-making in economic development.
Functions	<ul style="list-style-type: none"> • Provide a one-stop shop for business start-up and permit assistance • Provide a one-stop shop for economic and demographic data • Provide a one-stop shop for economic impact analysis • Provide a one-stop shop for financial and technical assistance sources available from federal, state, local and private agencies. • Provide technical assistance and business climate research in support to the state's small businesses and HUBs • Provide an electronic posting system for government procurement and trade opportunities (transferred to Texas Building and Procurement Commission)
Customers	<ul style="list-style-type: none"> • Agency Program Areas: corporate expansion & recruitment, international trade, rural affairs, defense transition, and business incentives • Existing Texas and non-Texas businesses: economic development consultants, marketing agencies, manufacturers, and wholesale suppliers • Texas communities, chambers and local economic development entities: community and transportation planners, and economic development officials • New business start-ups: provide information for permit assistance, developing business and marketing plans, business climate information • Legislature: economic and demographic information for constituents, potential legislation and speeches • Governor's Office: information for constituents, regional trips, company and country profiles, speeches • Federal Government: U.S. Department of Agriculture, Housing and Urban Development, Internal Revenue Service, Small Business Development Centers • Other Texas state agencies: Comptroller, Workforce Commission, Department of Transportation, State Data Center and Business and Industry Data Center network members • Other State Governments: New York, California, Illinois, Ohio • Trade and Media: Economic development trade publications including Site Selection magazine, Area Development magazine, National Public Radio, and local radio and television stations. • Trade Associations: Texas Economic Development Council, Texas Association of Mexican-American Chambers of Commerce, Texas Association of Counties, Texas Association of Businesses • Academia: state colleges and universities, community colleges

Eligibility Requirements	<ul style="list-style-type: none"> • None
Funding Sources	<ul style="list-style-type: none"> • Funding is from general revenue appropriated by the Legislature, from earned federal funds when Federal grants are available and fees recovered from publication sales.
Funding Adequacy	<ul style="list-style-type: none"> • Funding is adequate for maintaining the Market Texas Clearinghouse Economic Development web sites (BIDC, EDInfo, NAFTA, and Permit Assistance) and for providing limited assistance to program areas. • Funding is inadequate for value-added research such as industry cluster analysis, special publications and reports; and for providing additional assistance needed by Texas businesses and communities to expand their market opportunities. • Funding is inadequate to serve the state's tens of thousands of small businesses and HUBs • With no additional funding, Market Texas Clearinghouse has also been charged with fulfilling the following statutory mandates from the 77th Legislature: House Bill 931, House Bill 1200, Senate Bill 275, Senate Bill 326, Senate Bill 1282, Senate Bill 601
Program Evaluation	<ul style="list-style-type: none"> • Since the Market Texas Clearinghouse began operations in 1987, its importance and the demand for services have grown exponentially: a 214 percent increase in just two years (FY 1998 - 2000). While this increase benefits of the states economic development efforts, it has stretched the division's severely limited resources to the extent that it challenges the MTC in meeting all statutory directives and obligations. Therefore, to meet the ever-increasing information demands of our diverse customer base and new unfunded mandates, Research Clearinghouse requires additional resources.

Strategic Partnerships

The Market Texas Clearinghouse promotes the agency's goals and mission through the formation of public/private partnerships. Partners include federal government, local governments, academia, and trade and professional associations, state agencies including Texas Workforce Commission, Comptroller of Public Accounts, the Public Utility Commission and the General Services Commission, local communities and associations including Texas Association of Counties and Small Business Development Centers, and universities including Texas A&M International University and University of Texas at San Antonio.

The Market Texas Clearinghouse also assists county clerks across the state by providing local businesses with technical assistance on permit and licensing requirements. In addition, local economic development officials rely on this strategy's permit assistance program to process comprehensive state permit applications for prospective business investors.

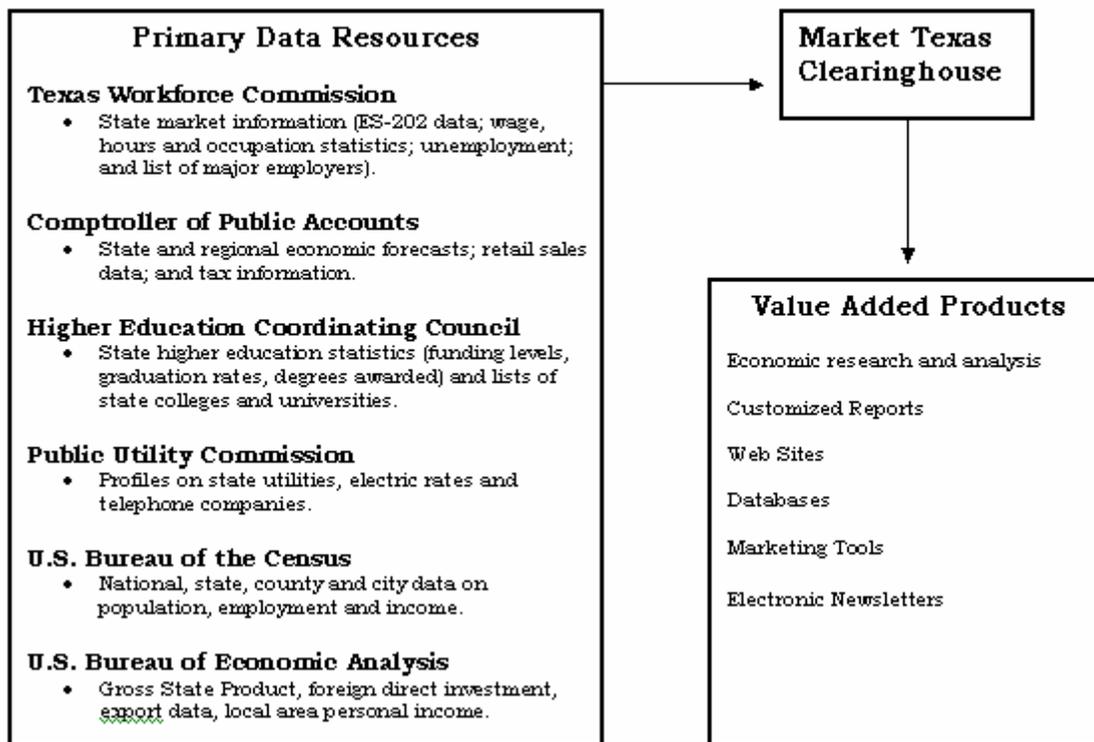


MTC is also participating in the Cross-Border Institute for Regional Development (CBIRD). CBIRD is an innovative bi-national development initiative founded on the vision of “One Region-One Future” bringing together the academic, government, NGO, foundation and private sectors on both sides of the border to rethink and identify opportunities for economic development in the expanded international region.

MEMORANDA OF UNDERSTANDING

At the state level, the Agency has formal memoranda of understanding with other agencies: the Texas Natural Resource Conservation Commission to coordinate assistance to small businesses applying for environmental permits; the Texas State Data Center to coordinate the dissemination of U.S. Census data through the Comptroller, Workforce Commission, Health and Human Services Commission, Public Utility Commission, Regional Small Business Development Centers, Texas A&M International University, and the Texas Association of Counties.

**Development of Value-Added Products:
From primary data source to final product**



MARKET TEXAS CLEARINGHOUSE

SERVICES & PRODUCTS

Economic Research & Analysis

Impact Reports
Industry Studies
Regional Analysis
Benchmark Surveys
Country Profiles
Program Design & Evaluation
E-Weekly Report

Customized Reports

(prepared in response to:)

Legislative Mandates
Governor's Requests
Public Inquiries
Agency Needs

Small Business

Annual Report
Small Business Newsletter
Business Climate Reports

Web Sites

Business & Industry Data Center
Economic Development Information
Business Permit Office
Texas Marketplace
NAFTA Center
Research Corner
Census 2000 Data

Databases

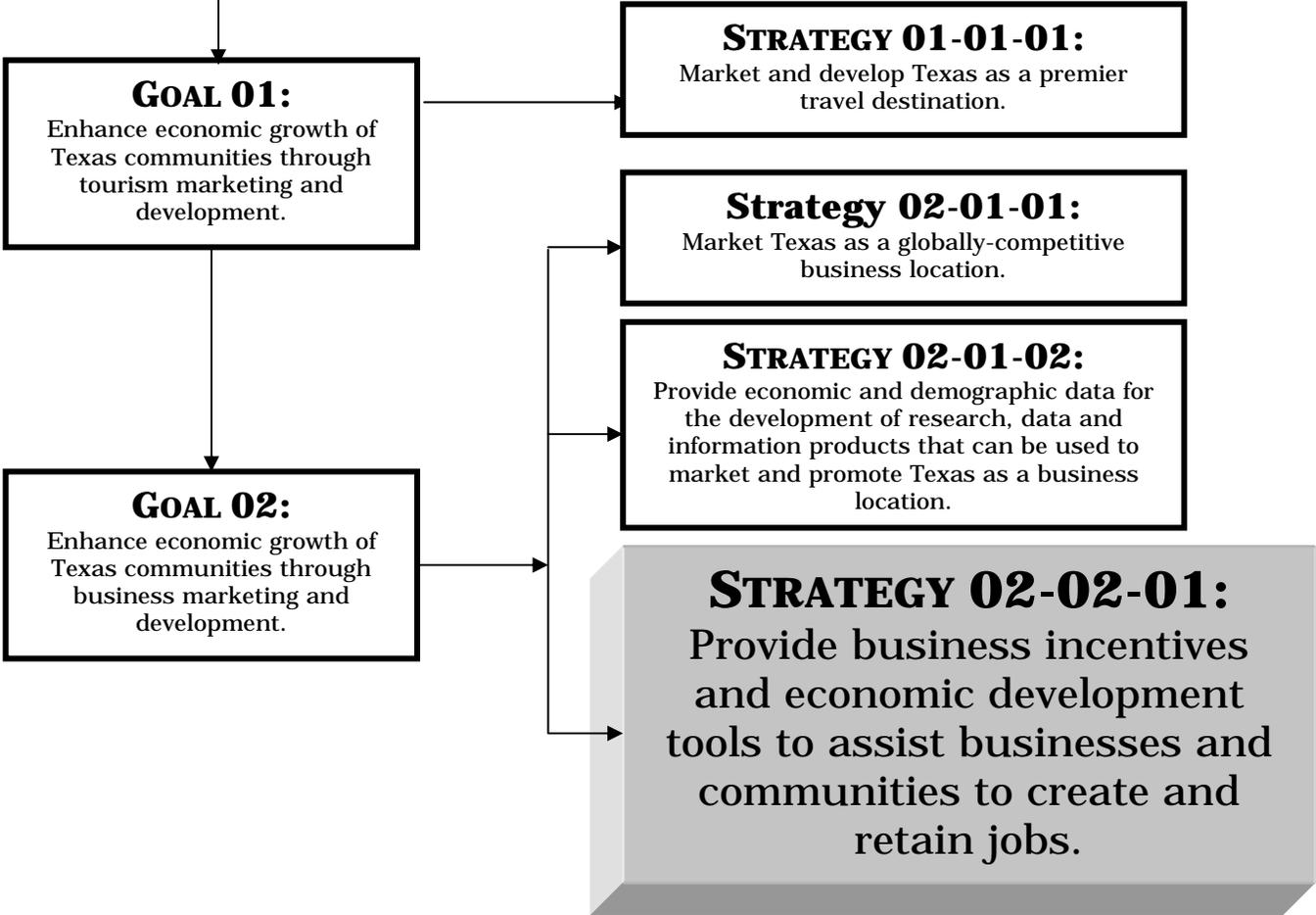
Texas Business Expansions Database
50-State Database
Texas Exports Database
Texas Country Information
Texas Business Growth Database
Economic Development Reference Guide
Permit and License Guide

Market Tools

Brochures
Electronic Newsletters
Visual Presentations
Conferences/ Seminars
Prospect Packages

STRATEGY 02-02-01: BUSINESS INCENTIVES

MISSION:
Market Texas and assist communities to maximize economic development opportunities in a global economy.



Business Incentives Strategy Description

The Agency, through the Business Incentives Strategy, provides capital to assist communities in expanding their economic base through the expansion and retention of businesses. The Agency provides this capital below current market rates. Texas communities access this funding for such improvements as infrastructure enhancement, utilities, public parks, sporting facilities, real estate acquisition and improvement, and transportation improvements.

The Business Incentives strategy aids communities in identifying and utilizing finance incentives to expand economic development of distressed areas and the Agency provides this access to capital to communities and finance institutions for eligible businesses. By identifying distressed areas and encouraging investment in these areas, the Agency aids the growth of needed capital investments and employment.

In carrying out the Business Incentives strategy, the Department markets the state's business incentives through outreach to communities, businesses and financial institutions. Through partnerships developed with trade associations and advocacy groups, the Department is able to reach a larger customer base in a more effective manner.

These customers include large and small businesses as well as rural and urban communities. Individual programs may require or place emphasis on providing assistance to certain types of businesses and/ or certain size communities.

Name of Program	Business Incentives
Location/Division	Stephen F. Austin Bldg. Business Incentives 1700 N. Congress Avenue, Suite 220 Austin, Texas 78701
Contact Name	Daniel Martin
Number of Budgeted FTEs, FY 2002	12
Number of Actual FTEs as of August 31, 2000	12

Business Incentives	
Programs	<ul style="list-style-type: none"> • Texas Enterprise Zone Program • Empowerment Zones • Texas Leverage Fund • 4A/4B Training Program • Industrial Revenue Bonds • Texas Small Business Industrial Development Corporation • Texas Capital Access Program • Linked Deposit Program
Creation Date	<ul style="list-style-type: none"> • See Specific Programs
Statutory Requirements	<ul style="list-style-type: none"> • See Specific Programs
Purpose	<ul style="list-style-type: none"> • To provide financial tools to develop and diversify the economic base of Texas communities.
Functions	<ul style="list-style-type: none"> • Administer loans, grants, and tax incentives for Texas businesses and communities.
Customers	<p>Businesses and Communities:</p> <ul style="list-style-type: none"> • Non-entitlement communities • Historically Underutilized Businesses (HUBs) • Nonprofit Organizations • Businesses located in an Enterprise Zone • Small Businesses (less than 100 employees) • Medium Businesses (less than 500 employees) • 4A/4B sales tax communities • Child Care Providers • Lending Institutions
Eligibility Requirements	<ul style="list-style-type: none"> • See Specific Programs
Funding Sources	<ul style="list-style-type: none"> • See Specific Programs
Funding Adequacy	<ul style="list-style-type: none"> • See Specific Programs
Program Evaluation	<ul style="list-style-type: none"> • The state level economic development effort has become more and more fragmented. The strategy of developing a one-stop shop for economic development has seemingly been replaced by a decentralized approach. It is important, from a competitive standpoint, that Texas continues to remain at the forefront of developing business incentives to meet the needs of communities and businesses. As more tools are added to the state's tool chest, sufficient appropriation is necessary for program administration to ensure successful implementation.

Texas Enterprise Zone Program	
Creation Date	<ul style="list-style-type: none"> • 1985
Statutory Requirements	<ul style="list-style-type: none"> • Government Code, Chapter 2303
Purpose	<ul style="list-style-type: none"> • The Texas Enterprise Zone Program creates partnerships between local communities, businesses, and the state for the promotion of business expansion and revitalization of economically distressed areas of Texas. The program identifies economically distressed areas of the state and provides state and local incentives to induce private investment and job creation in those areas.
Functions	<ul style="list-style-type: none"> • The Texas Enterprise Zone Program, instrumental in encouraging permanent job creation and capital investment in economically distressed areas of Texas, allows communities to nominate new or expanding businesses for state and local incentives. • Since 1988, approximately 425 businesses have been nominated to receive more than \$28.3 million in tax benefits under the program. Based on historical program data this figure represents less than one percent of the total \$10.0 billion in capital investment projected by the benefiting businesses.
Customers	<ul style="list-style-type: none"> • Cities • Counties • New businesses • Expanding businesses
Eligibility Requirements	<ul style="list-style-type: none"> • City and/or county must establish an Enterprise Zone by nominating a specific area within their jurisdiction. • Area must meet certain size and distress criteria, reflect the economic objectives of the community, and specify local incentives that may be offered to a business in the zone. • Projects are required to invest in the zone, create/retain jobs, and provide at least 25 percent of the new jobs to residents of the zone and/or to economically disadvantaged individuals. The process has three (3) tiers: • 1) Establishment of an Enterprise Zone - To offer incentives the nominating entity designates a specific geographic area within their jurisdiction. The area meets certain size and distress criteria to qualify. Enterprise Zone applications are accepted year-round. • 2) Nomination of an Enterprise Project - For benefit eligibility as an enterprise project located in the Enterprise Zone, a qualified business is nominated by the jurisdiction that created the zone. Program staff process project applications. Applications are accepted quarterly. Applications are evaluated and projects are designated for five years. • 3) State Benefits -To qualify for State benefits, projects must invest in the zone, create or retain jobs, and fill at least 25% of new jobs with individuals who are either economically disadvantaged or residents of the Enterprise Zone. • The process for receiving a refund of sales and use tax as an enterprise project is a two-tiered process: (1) Certification of job creation activity by staff (2) Filing for claim with the Comptroller.

Funding Sources	<ul style="list-style-type: none"> • Appropriated Receipts • The Texas Enterprise Zone Program is primarily funded with General Revenue Funds but also generates revenue from application fees ranging from \$300 to \$500. • Fees collected from the Defense Economic Readjustment Zone Program are also included in Appropriated Receipts.
Funding Adequacy	<ul style="list-style-type: none"> • In order to administer the Enterprise Zone Program, application fees are supplemented with general revenue and other finance funds. • Current funding level is below what is considered necessary for effective technical support and program administration. • Program revenue is not sufficient to support required employees.
Program Evaluation	<ul style="list-style-type: none"> • The need for this program will continue as long as economically distressed communities seek State assistance with incentives that effectively induce private capital investment and create jobs in their communities. • Staff has re-engineered this program, standardizing operating procedures, automating systems, and wherever possible, increasing efficiency. • Job descriptions have been redesigned providing more uniform roles and responsibilities. Staff has been cross-trained and is becoming more proficient in all of the duties associated with the Enterprise Zone program. • During FY 2002 (as of 8/8/02), staff approved more enterprise zones (37) and certified more jobs (3,388) than any other year in the 15-year history of the program. • As of 5/31/02, over \$485 million has been projected to be invested in Texas enterprise zones by participating companies during the next five years. Further, 2,902 jobs have been announced, and 630 jobs have been retained by these same companies. These investments and employment figures will increase significantly with the approval of fourth quarter projects at fiscal year-end. • Demand for the program is increasing, resulting in longer delays in response time for customers used to a higher level of customer services. This has resulted in some customer dissatisfaction. • Language was added to program statute during the 77th Legislative session requiring additional monitoring over and above monitoring for eligibility during the application process. No additional staff or funding was provided. • Program is understaffed.

Coordination on Texas Economic Development Enterprise Zone Program

The Texas Enterprise Zone Program creates partnerships among local communities, businesses, and the state for the promotion of business expansion and revitalization of economically distressed areas of Texas. The program identifies economically distressed areas of the state and provides state and local incentives to induce private investment and job creation in those areas.

Technical Assistance

- The Department provides technical assistance to Enterprise Zone liaisons, including Economic Development Councils, city and/or county personnel, regarding zone and project application processes.
- The Department provides technical assistance to qualified business liaisons regarding project application process and job certification process.
- The Department provides technical assistance to consultants regarding application process for zone application, project application and job certification.

State Coordination

- Coordinates with the Texas Natural Resource Information System and Water Development Board staff to provide census maps and census data to Enterprise Zone liaisons and consultants required for zone qualification.
- Coordinates with the Texas Workforce Commission staff to provide unemployment data to zone liaisons and consultants required to zone qualification.
- The Department coordinates with Comptroller's Office staff to provide technical assistance to qualified business liaisons regarding state sales and use tax refunds, as well as franchise tax reductions and/or credits.

Federal Empowerment Zones, Enterprise Communities and Renewal Communities (EZ/EC/RC)	
Creation Date	<ul style="list-style-type: none"> • 1993
Statutory Requirements	<ul style="list-style-type: none"> • Title 42, United States Code, Section 1397 et. seq.
Purpose	<ul style="list-style-type: none"> • Created as a federally funded, interagency effort to revitalize distressed and under-served urban and rural areas. • Create jobs and economic opportunities • Promote small business creation and development • Provide increased access to capital and credit • Provide tax incentives to employers who further initiate objectives
Functions	<ul style="list-style-type: none"> • As the state nominating agency for the EZ/EC/RC initiative Department staff is responsible for: <ol style="list-style-type: none"> 1) determining that the governing entity is eligible to nominate the area 2) verifying the nominated area meets the minimum eligibility requirements 3) Determining that state commitments (i.e.: programs, services, and funding) are being used appropriately. • The Agency assists EZ/EC/RC designations by the promotion of partnerships and incentive bundling that furthers the initiative objectives on a local level. • Administration of the draw approval processing for funds granted to Round I EZ/EC's falls under the Director of Finance and is completed by Department staff.
Customers	<ul style="list-style-type: none"> • The EZ/EC/RC initiative serves eight Texas designated areas. • Round I includes Dallas, El Paso, San Antonio and Waco as Urban Enterprise communities; Houston as an Enhanced Enterprise Community; and The Rio Grande Valley Rural Empowerment Zone. • Round II includes El Paso as an Urban Empowerment Zone and the combination of cities and counties including Big Wells, Eagle Pass, Crystal City, Zavala County, Uvalde County and Maverick County known as the Rural FUTURO Enterprise Community. • Round III includes El Paso County and Corpus Christi as Renewal Communities. • Since Congress created the empowerment program in 1993, 57 rural Empowerment Zones and Enterprise Communities, over 100 Champion Communities, and 5 rural Economic Area Partnership (REAP) Zones have been established.
Eligibility Requirements	<ul style="list-style-type: none"> • To offer the incentives established for the EZ/EC/RC entities the nominating authority must establish eligibility by demonstrating distress criteria specific to the designation for which they apply.
Funding Sources	<ul style="list-style-type: none"> • The Department is the pass-through agency for distribution of Round I funds. Communities submit draw requests, which are processed by Agency staff.
Funding Adequacy	<ul style="list-style-type: none"> • Funding level is not sufficient. We do not have adequate staff to help these communities realize all of the benefits available through this program.
Program Evaluation	<ul style="list-style-type: none"> • The initiative has been extended by Congress and is slated to continue until December 31, 2009. These programs have created or saved nearly 20,000 jobs and have raised an aggregate of more than \$10 for every dollar granted to them at the time of their designation.

	<ul style="list-style-type: none">• Program performance measures do not reflect actual agency efficiency or program accomplishment.• Round III added the Renewal Community designation, which provides for a \$12 million allocation for each community given the designation within the state for each year of the designation. Texas received two designations (Corpus Christi and El Paso county), and therefore is allocated \$24 million for each of the next eight years. The state is mandated to monitor/ allocate these allowances. This is a new program. Program guidelines must be written and an application must be created. Due to lack of staff, no actions have been taken to implement the Renewal Community program.
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Texas Leverage Fund	
Creation Date	<ul style="list-style-type: none"> • 1992
Statutory Requirements	<ul style="list-style-type: none"> • Article III, Section 52-a, of the Texas Constitution, and Government Code, Section 481.073
Purpose	<ul style="list-style-type: none"> • The Texas Leverage Fund acts as an “economic development bank” offering an added source of financing to communities that have passed the economic development sales tax.
Functions	<ul style="list-style-type: none"> • Provide financing for eligible projects that fall under 4A/4B guidelines.
Customers	<ul style="list-style-type: none"> • 4A/4B sales tax communities
Eligibility Requirements	<ul style="list-style-type: none"> • Industrial Development Corporations formed by cities that have passed the 4A/4B sales tax may borrow from the Texas Leverage Fund. The Industrial Development Corporation may finance a project for a business, non-profit or government entity. Proceeds can be used for anything allowed under 4A/4B guidelines.
Funding Sources	<ul style="list-style-type: none"> • Currently commercial paper is issued to fund the program, which is backed by a \$10 million letter of credit by Bank One, with authority to increase the line to \$25 million.
Funding Adequacy	<ul style="list-style-type: none"> • The Department’s sale of commercial paper backed by the Letter of Credit currently meets the program’s needs funding requirements. No General Revenue money is spent on this program.
Program Evaluation	<ul style="list-style-type: none"> • The Texas Leverage Fund is an important source of funds for the local economic development initiatives of Texas communities that have passed the 4A or 4B local economic development sales tax. Currently there are 478 communities, which have adopted the tax. Collectively these communities will collect approximately \$319 million in sales tax revenue in FY 02. Currently only 18 communities have a total of 22 outstanding TLF loans. 478 communities are potential users of this program. Many of them are in need of dollars to fund local economic development initiatives. There is significant unmet demand for this program. • Substantial program growth occurred because of an aggressive marketing strategy initiated at the beginning of FY 2002 and scheduled to extend through the next biennium. In FY 2002, the program experienced a 1,422 percent increase in the number of dollars loaned over FY 2001. Two loans awarded in FY 2001 totaled \$459,000. Ten load awarded in FY 2002 totaled over \$7 million. • A major component of the marketing strategy creating this growth is the 4A/4B Training Seminar program. HB 1138 passed in the 77th Legislative Session requires TxED to conduct this program statewide. It is a certification program, which now by law certain officials from communities and from the Economic Development Corporations (EDC’s) in those communities must attend on a biannual basis. Communities not receiving certification from the training program are subject to monetary fines. A component of each training session is a presentation on the TLF program. Since this mechanism provides a “captive audience” of community economic development officials, this is a very effective tool for getting the word out to a much larger number of communities statewide about the program’s availability.

	<ul style="list-style-type: none">• In FY2002, 10 TLF loans were awarded in the combined principal amount of more than \$7 million. These loans will leverage more than \$21 million in new capital investment in the state. Three of the five loans are for land purchase and infrastructure improvements for industrial parks which, while they will not directly generate new jobs, will eventually result in the creation of new jobs as manufacturing operations locate in them. One loan was for seed money needed to attract a \$14 million U.S. Department of Transportation grant to improve an international bridge which will result in increased traffic flow from Mexico and sales tax dollars to the city of Donna. Other loans awarded during the fiscal year created 204 new jobs and retained 56 existing jobs.• Because of increased popularity of the program stemming from the marketing effort, we recently increased our supporting letter of Credit agreement with Bank One from \$10 million to \$15 million. We anticipate further increases to \$25 million by the end of FY 2002 to accommodate a greater number of communities using this program to create new jobs and wealth.
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Coordination with other agencies:

This program offers participation to any of the 478 cities in Texas which have adopted the local 4A or 4B economic development sales tax as authorized by the Economic Development Act of 1979. That Act authorizes cities receiving revenue from the economic development sales tax to form an Industrial Development Corporation (IDC), also known as an Economic Development Corporation (EDC), for the purpose of financing projects that will positively enhance the economic climate of the city. Extensive coordination is required with cities, the respective EDC or IDC of those cities, economic development directors of cities, counties or regions, economic development consultants and chambers of commerce. Also, the Department currently contracts with several vendors to ensure the effective continued operation of the Texas Leverage Fund, including Bank One (Trustee and Letter of Credit Bank), Chase Bank (Issuing and Paying Agent), J. P. Morgan (Dealer) and Standards and Poor's (Debt Rating Agencies).

4A/4B Training Program	
Creation Date	<ul style="list-style-type: none"> • 2002
Statutory Requirements	<ul style="list-style-type: none"> • Government Code, Section 481.0231 (added by HB 3178)
Purpose	<ul style="list-style-type: none"> • Provide training to local officials or the administration of 4A/4B sales tax. The training insures compliance with the Development Corporation Act provisions.
Functions	<ul style="list-style-type: none"> • Provide training and certificate of completion to appropriate parties.
Customers	<ul style="list-style-type: none"> • City attorneys in 4A/4B sales tax communities • City administrators in 4A/4B sales tax communities • City clerks in 4A/4B sales tax communities • Executive director of the sales tax corporations in 4A/4B sales tax communities
Eligibility Requirements	<ul style="list-style-type: none"> • Must have passed 4A/4B sales tax.
Funding Sources	<ul style="list-style-type: none"> • The Department may choose a reasonable fee for the training attendees for cost recovery purposes.
Funding Adequacy	<ul style="list-style-type: none"> • Appropriated receipts are currently believed to be adequate
Program Evaluation	<ul style="list-style-type: none"> • This new program continues a statewide effort to increase the awareness of the benefits and restrictions of economic development sales tax. TxED conducted a pilot training session in Austin on April 24, at which 88 persons received certificates. Modifications to the course based on participant evaluations were made and we called for competitive bids for organizations to conduct the course in all regions in the State. Texas Economic Development Council (TEDC) was selected as a contractor. Seminars are now scheduled across the state throughout FY 2003. Three agencies make presentations at the seminars, including the Comptroller's Office, the Attorney General's Office and TxED. The TxED presentation focuses on the use of 4A/4B funds to leverage additional funding for local projects through the Texas Leverage Fund program. TEDC conducted the second seminar in Tyler in July, at which 112 persons received certificates.

Program Implementation:

Created by the 77th Legislature, program rules and guidelines are in the development process. The Department will be acting in consultation with the Comptroller's Office.

Industrial Revenue Bonds	
Creation Date	<ul style="list-style-type: none"> • 1979
Statutory Requirements	<ul style="list-style-type: none"> • Texas Civil Statutes, Article 5190.6.
Purpose	<ul style="list-style-type: none"> • The Industrial Revenue Bond Program provides tax-exempt financing to land and depreciable property for eligible industrial or manufacturing projects.
Functions	<ul style="list-style-type: none"> • Provides tax-exempt financing for land and depreciable property for eligible industrial or manufacturing projects, up to \$10 million.
Customers	<ul style="list-style-type: none"> • Cities • Counties • Conservation and reclamation districts
Eligibility Requirements	<ul style="list-style-type: none"> • Capital expenditures may not exceed \$10 million going 3 years back and 3 years forward (for a total of 6 years). Must be an eligible industrial or manufacturing project.
Funding Sources	<ul style="list-style-type: none"> • Appropriated receipts.
Funding Adequacy	<ul style="list-style-type: none"> • Funding authority for the tax-exempt bonds exceeded demand in FY 2002 because of market conditions, primarily lower prevailing interest rates. The situation in Texas mirrors a nationwide trend.
Program Evaluation	<ul style="list-style-type: none"> • Market conditions have resulted in a lower usage rate of this program when compared to earlier years. Bonds issued in FY 2002 were largely refunding bonds issued to take advantage of lower interest rates than when the bonds were originally issued. .

Coordination with other agencies:

Extensive coordination is required with Industrial Development Corporations (IDC) and Economic Development Corporations (EDC) which are involved in the sale of tax-exempt bonds to finance public and private construction projects. The Agency also directly coordinates with bond attorneys, the Attorney General's Office, and the Texas Bond Review Board.

Texas Small Business Industrial Development Corporation	
Creation Date	<ul style="list-style-type: none"> • 1986
Statutory Requirements	<ul style="list-style-type: none"> • Texas Civil Statutes, Article 5190.6.
Purpose	<ul style="list-style-type: none"> • The Texas Small Business Industrial Development Corporation program was established primarily for the purpose of providing capital at a reasonable rate to finance public facilities statewide.
Functions	<ul style="list-style-type: none"> • Approve the issuance of funds to businesses and communities. Approval of funds is based on compliance with the Development Corporation Act and program guidelines.
Customers	<ul style="list-style-type: none"> • Credit-worthy communities • Credit-worthy businesses
Eligibility Requirements	<ul style="list-style-type: none"> • Eligible costs include land, buildings, machinery and equipment. Eligible users are limited to businesses and/or communities that can secure a rating of "AA" or higher by Standard and Poor's.
Funding Sources	<ul style="list-style-type: none"> • Funding through the receipts from sale of original bond issue.
Funding Adequacy	<ul style="list-style-type: none"> • Approximately \$25 million is currently on loan to eligible applicants. Currently, \$75 million of the initial \$99.3 million issue resides in a reserve account. The Department has contacted the letter of credit bank regarding the transfer of an additional \$25 million from the reserve account to make additional fund available to businesses and communities.
Program Evaluation	<ul style="list-style-type: none"> • Texas Economic Development has an opportunity to expand program funds available to communities and businesses. This may be achieved by adjusting the balance in the reserve account with the letter-of-credit bank and marketing the program to eligible communities and businesses.

Coordination with other agencies:

The Department works closely with the letter-of-credit bank and bond counsel in the administration and marketing of this program.

Texas Capital Access Fund	
Creation Date	<ul style="list-style-type: none"> • 1997
Statutory Requirements	<ul style="list-style-type: none"> • Government Code, Chapter 481, Subchapter BB.
Purpose	<ul style="list-style-type: none"> • Provides access to capital for small and medium sized businesses and non-profit organizations.
Functions	<ul style="list-style-type: none"> • The Texas Capital Access Fund seeks to encourage lending to small and medium sized businesses and start-up ventures by establishing a reserve account at participating banks.
Customers	<ul style="list-style-type: none"> • Small and medium sized businesses (fewer than 500 employees) • Nonprofit organizations • Lending institutions
Eligibility Requirements	<ul style="list-style-type: none"> • Must be either a small business (fewer than 100 full time employees) or medium business (fewer than 500 employees), domiciled in Texas or having at least 51 percent of its employees located in Texas or must be a nonprofit organization with same residency requirements.
Funding Sources	<ul style="list-style-type: none"> • Funds were originally transferred from the Texas exporters loan fund established under Subchapter D and the Texas rural economic development fund established under Subchapter F.
Funding Adequacy	<ul style="list-style-type: none"> • TxED needs to have annual unexpended balance authority to fully maximize program potential..
Program Evaluation	<ul style="list-style-type: none"> • In the last two quarters of FY 2002, because of aggressive program marketing, there was a significant increase in lending activity. The number of loans awarded during the last two quarters was more than twice the number awarded during the first two quarters. In FY 2001, 395 Capital Access loans were awarded, representing a total capital investment of more than \$21 million. IN FY 2002, more than 400 Capital Access loans will be awarded, representing a capital investment of more than \$15.6 million. During both fiscal years, the benefit to cost ratio was 32:1. Every state dollar spent leveraged \$32 in new capital investment. • FY 2001 funding resulted in the creation and/ or retention of 2,987 jobs. FY 2002 funding will result in the creation and/ or retention of more than 1,900 jobs. .

Coordination with other agencies:

Texas Economic Development coordinates extensively with individuals and organizations in both the public and private sectors in administering this business incentive program for small and medium-sized businesses. Private sector contacts include banks and lending institutions, the Independent Banking Association of Texas (IBAT), Chambers of Commerce and owners of small and medium-sized businesses throughout Texas. Through coordination with the private sector, the Department is able to market the program in a very cost-effective manner. Public sector contacts include pertinent federal agencies such as the U. S. Small Business Administration and the U. S. Department of Housing and Urban Development, other states nationwide, Economic Development Directors of cities, counties and regions, the Comptroller’s Office, the Governing Board and the Legislature.

Linked Deposit Program	
Creation Date	<ul style="list-style-type: none"> • 1992
Statutory Requirements	<ul style="list-style-type: none"> • Government Code, Chapter 481, Subchapter N
Purpose	<ul style="list-style-type: none"> • To encourage lending to historically underutilized businesses, child-care providers, nonprofit corporations and small businesses located in Enterprise Zones.
Functions	<ul style="list-style-type: none"> • Functions as a tool for borrowers to access money at a lower cost of borrowing for their small business.
Customers	<ul style="list-style-type: none"> • Historically Underutilized Businesses (HUB) • Childcare providers • Nonprofit corporations • Small businesses located in Enterprise Zones • Lending institutions
Eligibility Requirements	<ul style="list-style-type: none"> • Must be a certified HUB (woman or minority-owned business) or a child-care facility or a nonprofit, or must be located in an Enterprise Zone. Loan amounts range from \$10,000 to \$250,000.
Funding Sources	<ul style="list-style-type: none"> • Linked Deposit is 100% funded through the Texas Treasury pool.
Funding Adequacy	<ul style="list-style-type: none"> • Currently, funding for the Linked Deposit Program is more than adequate to meet demand.
Program Evaluation	<ul style="list-style-type: none"> • During FY 2002, only two Linked Deposit loan applications were approved, one of which was ultimately withdrawn by the bank which had submitted it. Since the program's inception in FY 1995, a total of only 11 Linked Deposit loans have been made. The Linked Deposit Program as currently constructed is not an effective instrument for inducing banks into making loans to the targeted borrowers. • An example of how successful the program can be, however, is the loan of \$250,000 awarded in FY 2001, to the Denison Industrial Foundation to purchase and remodel an abandoned WalMart building for use by the Texhoma Workforce Development Center. American State Bank in Sherman financed the project with a Linked Deposit loan. Robert Crawley, President, is a strong advocate of this program and would love to see it marketed statewide and better used by more banks serving the intended underserved target audiences. However, no resources are provided with which TxED can market and/ or administer the program.

Coordination with other agencies:

Like the Capital Access Fund program, the Linked Deposit Program is also an incentive-based program designed to provide access to capital to small and medium-sized business but on a more targeted basis. Eligible businesses include those that are woman or minority-owned, child-care providers, nonprofit organizations or businesses that are located in an Enterprise Zone. The Department coordinates with depository banks, the Independent Banking Association of Texas (IBAT), Chambers of Commerce, eligible small and medium-sized businesses, the Comptroller's Office, the Texas Department of Agriculture, which has a similar incentives program which is more agriculture focused, and Small Business Development Centers for marketing the program.

VII.

Agency Performance Evaluation

A. What are the agency's most significant accomplishments?

A summary of selected agency achievements is outlined below.

MARKET TEXAS FOR BUSINESS STRATEGY

Success in Leading Texas Communities in Marketing to Biotech Industry

Texas is emerging as a leading state in the fast-growing biotech industry. One out of every 20 healthcare technology jobs in the United States is in Texas, and Texas ranks first in many crop and livestock industries making it a natural choice for agricultural biotechnology enterprises. In 1999, Texas biotech companies received \$160 million in venture capital.

To further encourage the growth of this dynamic industry within the state, the Agency's Corporate Expansion and Recruitment office formed a cooperative partnership with the Texas Healthcare and Bioscience Institute and 20 Texas communities to showcase Texas at the Bio 2001 Conference and Trade Show from June 23-28 in San Diego. Their message, "Texas - A Different Brand of Business" highlighted the unique advantages of doing business in Texas.

The Bio 2001 Trade Show broke all previous records for attendance with over 14,000 registrants, almost 5,000 international participants, and 800 exhibit booths. Participation in the trade show provided Corporate Expansion and Recruitment the opportunity to generate personal contacts and to develop individual relationships with biotech company representatives who are considering expansion or relocation of their facilities.

This is the second consecutive year, and third out of five years, for Corporate Expansion & Recruitment to coordinate this show with the Texas Healthcare and Bioscience Institute. With limited space, Texas Economic Development has consecutively recruited the maximum number of communities for participation. The draw for this show is not only biotechnology as an emerging industry, but the attendees who consist largely of key decision makers, an audience economic developers are eager to network with

BIO 2000 show in Boston generated 580 leads. This year's show generated 280 leads. Even though there was a decrease in leads this year, plans are already underway for BIO 2002 in Toronto. Several Texas entities, including other BIO tech firms, are looking to establish a "Texas area" with Texas Economic Development and the Texas Healthcare and Bioscience Institute. Other hospitality events are being discussed as well with participation from entities such as the Great Austin Chamber of Commerce. Texas Economic Development has several communities looking forward to the Agency's coordination of this event to showcase Texas.

Trade Mission to Mexico Expands Business Opportunities

The "Invest in Texas" mission for August 22-24, 2001 will be attended by seven Texas communities, 13 Texas companies, and 26 Mexican companies. The Trade & Investment missions to Mexico are important for bringing together:

- 1) a group of Texas companies to have matchmaking sessions with Mexican companies interested in distributing, representing or buying their products; and
- 2) a group of Texas communities to talk to Mexican companies interested in investing in Texas.

For this event in August 2001, it is projected that we will have 35 match-making sessions between Texas communities and Mexican companies for the investment opportunities. In adding the trade function to the seminar, Texas Economic Development has set 70 business-to-business meetings between Texas companies and Mexican companies to develop the trade opportunities.

Texans to Mexico

Purposefully planned on the eve of the inauguration of Mexican President Vicente Fox, the three-day mission kicked off November 29, 2000 with the first meeting of the new Texas-Mexico City Business Advisory Council.

Joining in the mission were 18 Texas community and company representatives, the state's Honorary Trade Representatives from the Mexican states of Chihuahua and Tamaulipas and their staff.

State representative Domingo Garcia of Dallas, Secretary of State Elton Bomer, and Railroad Commissioner Tony Garza joined the mission. Lieutenant Governor Rick Perry welcomed the Texas delegation on the final day of the mission, immediately preceding the inaugural address. Lieutenant Governor Perry also toured the Mexico City offices and conducted a press conference from that location.

Anchoring the trip was a seminar for Mexican companies on how to invest in Texas. After presentations, the State of Texas Mexico Office arranged for seven match-making sessions with attending Texas communities and Mexican companies. Subsequent to those meetings in November 2000, two of the Mexican companies have made site visit trips to Texas to review potential sites for new operations in Texas. A second seminar will occur in August 2001 and has been expanded to a larger format, to include both trade and investment opportunities. Finally, the State of Texas Mexico Office is targeting April 2002 for yet another Trade and Investment seminar.

Defense Grants Leverage Funds to Benefit Texas Defense Communities

The Office of Defense Affairs through its Defense Economic Adjustment Assistance Grant Program (DEAAG) was instrumental in leveraging over \$80 million in public and private investment. The DEAAG program disbursed \$19,131,310 to 16 grant projects in eight communities. These funds appropriated during the 1998-1999 biennium, helped create over 2,590 jobs to date with an average cost per job of \$5,081 (as of August 13, 2001).

Agency Serves Integral Role in Luring Major Facilities to Texas

Corporate Expansion & Recruitment played an integral role in bringing the **Dana Corporation** to Longview, Texas. Dana Corporation will be one of the largest economic development projects to break ground in Texas in 2001. This is significant both for what it means for Longview and Texas. The \$51 million truck frame manufacturing facility will be approximately 240,000 square feet, which is large enough to hold about six football fields. It should add an estimated \$132 million into the local economy over the next decade in direct wages to 450 employees.

The Agency's staff also played a role in the new **Wal-Mart** food distribution center project in New Caney, Texas. Wal-Mart will bring an estimated 600 jobs to the city. The facility will be over 880,000 square feet and built on over 200 acres of land. Senior Vice President of Logistics for Wal-Mart Rollin Ford said that this is a significant project that represents Wal-Mart's continued commitment to Texas as a partner in both economic development and in the community.

Supporting Area Economic Development Entities to Gain Relocation

In FY 2000, Corporate Expansion & Recruitment helped to coordinate the relocation of Fleming Companies, Inc.'s headquarters to Lewisville. Corporate Expansion & Recruitment worked closely with the Governor's office, the Greater Dallas Chamber of Commerce, the City of Lewisville, and Fleming to relocate the second largest grocery wholesaler. Fleming Companies, Inc. will create 600 jobs including 100 of the firm's top executives and invest \$8.8 million in their facility.

Mexico City Office Adds New Services to Help Texas Businesses

During FY 2001 the Agency's State of Texas Mexico Office began offering new services to Texas businesses. They include distributor search, end user search, representative search, strategic alliance partners, and value-added services to manufacturers.

By offering the specialized searches to small & mid-size Texas companies, the Mexico Office works to lower the transaction costs involved in implementing the strategies to explore the Mexico market.

MARKET TEXAS FOR TOURISM STRATEGY

Internet Travel Requests Jump by 45 Percent—Web Exceeds Traditional Methods

The number of consumer inquiries for Texas travel information received via www.TravelTex.com increased by 45 percent in FY 2001 and for the first time, consumer inquiries for Texas travel information received via the Internet exceeded those received via traditional (e.g., telephone and mail) means. As of June 19, 2002, 64 percent of all FY '02 inquiries had been generated by TravelTex.com and 45 percent of all consumer requests for traditional fulfillment materials were received via [TravelTex](http://TravelTex.com). [TravelTex](http://TravelTex.com) has also become the most cost-effective way to provide consumers with Texas travel information. For example, in FY '02, it will cost the state approximately \$2.40 to publish and mail the printed literature required to fulfill a domestic consumer request. The cost to fulfill a consumer request from Canada or Mexico will be even higher at approximately \$7.00. Meanwhile, electronic information is provided to visitors via the www.TravelTex.com web site for approximately \$0.39 per inquiry.

Leading Travel Web Site Partnership Generates Nearly 100,000 Requests

Joint advertising partnership with Travelocity.com generated more than 96,000 consumer requests for travel information during a six-week period.

Foreign Language Content Added to TravelTex Website

A major redesign of the TravelTex.com website was completed in FY 2001, providing an enhanced look performance and functionality. The redesign included adding a Spanish language version of the site. In FY 2002, the foreign language content of the site was expanded when downloadable PDF files of Texas Tour Guides were added in six languages—English, Spanish, French, Portuguese, Japanese and German.

Tourism Advertising Generates Record Consumer Responses

In FY 2001, TxED's consumer tourism advertising campaign generated a record 1,814,078 consumer inquiries. As of July 24, 2002, the Fiscal Year 2002 campaign had already surpassed the previous year's record by generating 1,835,769 inquiries.

Tourism Office in Mexico Resounding Success

The opening press conference and ceremonies for the Tourism Office in Mexico City was a resounding success. This office reinforces the commitment Texas has with the Mexican market. Over 20 different media outlets picked up the story for their publications and many of this agency's Texas and Mexican travel partners expressed to staff how appreciative they are that the State of Texas now has a visible and active tourism component to the State of Texas Mexico Office.

TxED Aggressively Responds to 9/11 and National Recession with *Rediscover Texas* and *Howdy Neighbor* Campaigns

On October 2, with the assistance of Lt. Governor Bill Ratliff, TxED announces the launch of two supplemental tourism advertising/marketing campaigns to offset the effects of 9/11 and the national economic downturn. Press conferences were held at Dallas Love Field Airport and Port Isabel.

Rediscover Texas encourages in-state travel through public and media relations efforts. The campaign features public service announcements featuring voiceovers provided by fifth-generation Texan and actor, Rip Torn.

The campaign is supported by industry associations, such as TTIA, and MOU partner agencies who use the campaign logo and message in their in-state marketing activities. State agency and private industry representatives also joined TxED in a series of editorial board visits across the state to generate media awareness of and support for the Rediscover effort and the importance of travel and tourism to the state's economy. Copies of the PSAs are also distributed to travel industry partners across the state.

Howdy Neighbor is a supplemental advertising and public relations campaign providing no cost and low cost opportunities for Texas communities and other travel industry partners to jointly promote themselves with the state in highly targeted radio, print and Internet advertising and promotions. The campaign includes an inviting, Texas-sized "Howdy, Neighbor!" greeting to make consumers in shoulder states aware of the variety of events and activities in Texas and aggressively promote the array of discounted travel opportunities available throughout the State by directing travelers to on-line discount coupons available on www.TravelTex.com. Designed to be a fall/winter effort, the campaign is highly successful in generating consumer inquiries prompting TxED to launch two subsequent spring and summer efforts.

TxED Assists South Padre Island and Valley Communities Following Collapse of Queen Isabella Causeway Bridge

Included in the October 2 launch of Rediscover Texas and Howdy Neighbor campaigns are the messages that South Padre Island is open for business, despite the closing of the Causeway bridge. TxED provides immediate public relations, marketing and advertising assistance to South Padre Island and other Valley communities to advise the public the area is accessible and open for business.

TxED Assists South Central Texas Flood Communities

TxED provides marketing and public relations support to the 29 South Central Texas Flood Counties through press releases and media interviews to inform the public that the majority of tourist attractions located throughout the area were unaffected by the floods and are open for business. A video news release is distributed throughout the state and nationally, generating press coverage in key markets for the affected communities. An interview with National Public Radio also airs nationally.

BUSINESS INCENTIVES STRATEGY

Record Breaking Year for Enterprise Zone Program

Before the end of the fiscal year it is expected that forty-two (42) enterprise zones will have been submitted by Texas communities and will received approval from the agency. The previous peak of activity, which occurred in 1990, recorded thirty-six (36) zone approvals. The average number of zones approved per year since the programs inception is fewer than twenty-three (22.7). This accelerated zone activity during the current fiscal year clearly demonstrates that Texas communities recognize how important these zones are, with their performance based state tax incentives. The zones provide assistance to communities meeting local economic development objectives. They also facilitate the creation of jobs and encourage capital investment by business participants who locate in the distressed areas identified locally. Although business expansion and investment has seen a decline nationally, most of the year communities have added, renewed or created zones to effectively increase what they may offer to business prospects searching for site locations.

A second record set by the program administrators is related to the volume of jobs actually certified for benefit. During the five-year project designations, business participants in the program must prove up or certify the actual qualified employees before they receive any state tax benefits. The level of that activity during fiscal year 02 was greater than in any other time during the 15 years of program history.

Capital Access Fund Loan Activity Increases

In the last two quarters of FY 02, because of aggressive program marketing, there was a significant increase in lending activity. The number of loans awarded during the last two quarters was more than twice the number awarded during the first two quarters.

Every State dollar spent on the capital access program during FY02 has leveraged \$32.00 in new capital investment.

Re-engineering to enable the program to meet the increasing demand for services has been completed. Staff training is on going. Governing board rules and operating procedures have been updated to ensure compliance with statutes. Databases and hardcopy documentation has been audited to ensure completeness and reliability. Desktop user interfaces have been created to ensure standardization and increased efficiency in processing applications.

Significant Increase in Texas Leverage Fund Dollars Loaned

In FY 02 the program experienced a 1,422 percent increase in the number of dollars loaned over FY 01. Ten loans awarded in FY 02 totaled \$7,050,599. Two loans awarded in FY 01 totaled \$459,000. We anticipate increases to \$25,000,000 by the end of FY 05.

These FY02 loans will leverage more than \$21,000,000 in new capital investment in the state. Three of the ten FY02 loans are for land purchase and infrastructure improvements for industrial parks which, while they will not directly generate new jobs, will eventually result in the creation of new jobs as manufacturing operations locate in them. One loan was for seed money needed to attract a \$14,000,000 U. S. Department of Transportation grant to improve an international bridge, which will result in increased traffic flow from Mexico and sales tax dollars to the city of Donna. Other loans awarded during the fiscal year created 204 new jobs and retained 56 existing jobs.

HB3178 Training Seminars Underway

TxED has developed a training program in conjunction with the Comptrollers Office and the Attorney Generals Office and is leading a statewide effort to increase local government awareness of the benefits and responsibilities associated with being a sales tax city. HB 3178 requires economic development coordinators and certain city officials to attend this training once every two years. TxED conducted a pilot training session in Austin on April 24, at which 88 persons received certificates. Modifications to the course based on participant evaluations were made and we called for competitive bids for organizations to conduct the course in all regions in the State. Texas Economic Development Council (TEDC) was selected as a contractor. Seminars are now scheduled across the State throughout FY 03. Three agencies make presentations at the seminars, including the Comptroller's Office, the Attorney General's Office and TxED. The TxED presentation focuses on the use of 4A/4B funds to leverage additional funding for local projects through the Texas Leverage Fund program. TEDC conducted the second seminar in Tyler in July, at which 112 persons received certificates.

RESEARCH CLEARINGHOUSE STRATEGY

New Web-based NAFTA Center--Online Resource Guide

In the first six years of its existence, NAFTA has become an ever-increasing force behind many changes in North America's economic arena. Since its implementation, trade among the US, Canada and Mexico has increased by 97 percent from \$289 US billion in 1994 to \$570 US billion in 1999. More specifically Texas exports to Mexico have grown from \$23.8 US billion in 1994 to \$51.7 US billion in 2000. These dramatic increases have fostered a need for a reliable and insightful source of information pertaining to the rapidly changing NAFTA environment. In response, the Agency's Research Clearinghouse has created the NAFTA Center.

The primary role of the NAFTA center is to provide users with an online resource guide for NAFTA. It serves as a "one-stop" destination to provide reliable information through an array of online resources and linkages to institutions and organizations who are dedicated to the study and understanding of the North American Free Trade Agreement. Individuals and communities can utilize this informational infrastructure to gain a better understanding about NAFTA and its relevant impact. The NAFTA Center also serves as a primary source of information for local, state and national policy makers.

50 State Database Now Available to Public Aids in Business Expansion, Recruitment and Relocation

The **50 State Database**, www.bidc.state.tx.us/50state/, once a proprietary customized product, is now available to the public. This user-friendly database includes over 200 variables that will assist businesses and economic development officials in comparing Texas with other states. The database provides comparisons on population, business climate, infrastructure and energy, taxes and government finance, quality of life, education, labor force and income. This database is maintained and updated by the Agency's Business and Industry Data Center, which uses data from the federal government, national trade associations and private companies to ensure the most current and compatible information. This site maintains a high degree of reliability and enables the user to develop customized reports.

Texas Country Information Helps Texas in Global Marketplace

The **Texas Country Information**, www.bidc.state.tx.us/cr/, was created for Texas businesses and communities interested in participating in the global market. This database provides a wide array of international data and lists. The following information is now available: Texas exports, Texas companies with operations abroad, foreign companies with operations in Texas, foreign direct investment, sister cities, and non-stop international flights. These are some of the relationships Texas has with countries throughout the world.

SMART JOBS STRATEGY

Smart Jobs Fund Program Closed Out

The Smart Jobs Statute expired on December 31, 2001. The staff is completing program closeout in a timely manner. During FY02, 178 Smart Jobs contracts were closed representing 6,480 employees trained for new jobs and 3,343 trained for existing jobs (a total of 9,823). These contractors received a total of \$20,865,494 in reimbursements for training costs. With the exception of a training contract awarded to Dana Corporation in December of 2001, the few remaining contracts will be closed by August 31, 2002.

Dana Corporation was awarded a Smart Jobs Fund training grant in the amount of \$393,798 to reimburse the company for part of the future costs it will incur training of 414 employees in new jobs. Dana's training project was approved and the contract was signed on December 31, 2001. In part, Dana Corp's decision to locate a plant in Longview was in response to a January 12, 2000 commitment by TxED to award the company a Smart Jobs grant if it relocated to Texas.

Dana's training project period will end March 14, 2004. The employee retention period is scheduled from March 15, 2004 to June 15, 2004. The final reporting and reconciliation period will begin June 16, 2004 and end August 16, 2004.

AGENCY-WIDE

Agency Continues to Increase HUB Participation

The Agency continues to increase its HUB participation by requiring contractors to subcontract with HUBs. The majority of the agency's annual expenditures is its contract with McCann-Erickson who provides advertising and out-of-state media-related services for the Agency's Tourism campaign. Media purchases are strategically driven and placements are made in specific types of media that provide the greatest potential for reaching target demographic markets in the most cost effective manner.

When the media expenditures are removed from the McCann-Erickson tourism advertising program, 46 percent of the remaining expenditures were spent with HUBs.

The Agency took the lead role with 3 other agencies in sponsoring its first building-wide HUB forum, which was very well attended and yielded many good potential HUB vendors. The Agency's HUB Coordinator also attended over 20 HUB-related events such as ACCESS 2001 in Arlington, Texas, where there were approximately 2,000 participants, and will be attending several others such as the Texas Association of Mexican American Chambers of Commerce (TAMACC) Conference and BOSS/TCBM/MEDWEEK 2001 where similar numbers of participants are expected.

HUB Mentor/ Protégé Agreement Between McCann-Erickson and Lopez Advertising

Texas Economic Development (TxED) mentor-protégé program, which is designed to encourage vendors to provide various forms of assistance to Historically Underutilized Businesses (HUBs), has led to their first partnership between McCann-Erickson Southwest and Lopez Advertising Group, Inc. from El Paso, TX. The Texas Economic Development mentor-protégé program was implemented in June 2001 to foster long-term relationships between prime contractors, such as McCann-Erickson, and HUBs, such as Lopez Advertising, Inc. This will, in turn, increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract. Through this partnership, which will run through August 2003, Lopez Advertising Group, Inc. will provide assistance to McCann-Erickson Southwest on creative development and production of promotional and collateral items such as annual reports, coupon sales sheets, CD Rom press kits, assistance with Spanish translations and guidance on Hispanic marketing and copywriting/ editorial assistance and other projects deemed appropriate by McCann-Erickson Southwest and Texas Economic Development.

B. Describe the internal process used to evaluate agency performance, including how often performance is formally evaluated and how the resulting information is used by the policymaking body, management, the public, and customers.

Texas Economic Development continuously seeks to enhance and improve performance. In order to build upon the performance management activities initiated during 2000 the agency created an executive management team comprised of division directors and other senior management staff.

In January 2000 the agency created a new deputy executive director position and realigned its organizational reporting responsibilities. It also adopted a new format for its internal policies and procedures. The new policies clearly identify authority and responsibilities of the Board and management in the development and implementation of management and programmatic procedures.

Also the agency implemented new internal processes for monthly reviews of performance measures reported by all areas of the agency. These reviews include explanations for variances in performance in relation to established targets and program actions to be taken to improve performance. Other steps taken by the agency to improve performance management include:

- Clarifying performance issues and factors affecting attainment of goals
- Identifying opportunities for improving the agency's performance
- Promoting responsible and accountable management
- Recognizing the agency's successes, and
- Enhancing senior management's knowledge of each sector of the agency's business.

The Agency's performance management mechanisms produce valuable information that is used by Governing Board members, division directors, program managers, and staff to continually improve the agency's operations. Future initiatives planned in this area include putting performance information on the agency web site and in the newsletter in order to facilitate external customer and taxpayer feedback.

Performance Review of Agency Programs

Each of the Market Texas program areas performs a quarterly analysis and evaluation against a set of performance measures in the agency's LBB-approved budget structure.

The Agency uses the performance objectives and measures outlined in the agency's Strategic Plan to monitor the agency's effectiveness and efficiency. Each month, all agency divisions and program offices that have measures listed in the Strategic Plan analyze their performance and present both written and verbal reports on their performance to the Deputy Executive Director and the Director of Strategic Planning. During this performance review session, the Division Directors and Program managers discuss performance issues and identify opportunities for improvement.

Performance Review of Internal Support Functions

The Agency's commitment to continuously identify more effective and efficient ways to provide services extends beyond the agency's programs to its internal operations. Performance objectives are being developed for internal support functions and will be reported in a manner similar to that of the program areas. The agency's internal support divisions include the Human Resources Division, the Accounting and Finance Division, the Materials Management Division, the Information Systems Division and the Contract Management division.

Additional Agency Performance Management Practices

In addition to the mechanisms described above, the Agency has instituted additional performance management practices. Several are listed below.

- Brief Texas Economic Development Board members at each Board Meeting on the agency's performance in addition to key measures identified in the General Appropriations Act.
- Participate in the University of Texas Survey of Organizational Excellence every two years to assess the agency's staff's perceptions of Agency performance.
- Establish an employee team to formulate corrective actions based upon the perceptions identified in the University of Texas Survey of Organizational Excellence.
- Implement extensive corrective action plans based on the State Auditor's Office and internal audit findings and recommendations for improvement, and
- Conduct customer satisfaction measurement efforts such as focus group meetings and a survey of external customers regarding agency service; more information on customer satisfaction measurement activities can be found in Section 7-G.

- Establish Governing Board subcommittees to develop expertise in various agency administrative and program areas. Board subcommittees and special committees created October 16, 2001 are: Audit/Finance, Small and Historically Underutilized Businesses, International, Community Development, Tourism, and Sunset Review. Governing Board meetings have been restructured, with subcommittee chairs reporting on agenda items within each subcommittee's jurisdiction.

C. What are the agency's biggest opportunities for improvement?

MARKET TEXAS FOR TOURISM

Tourism

International markets provide the greatest potential for increasing tourism to Texas and for generating additional tourism revenues and jobs for the state's communities. International travel to Texas from overseas countries has grown at a rate faster than international travel to the United States. However, because so much of the Market Texas for Tourism strategy's budget must be allocated to retaining domestic market share, existing funds are insufficient to expand current international efforts. The Agency believes an additional allocation of \$5 million per fiscal year from the state hotel occupancy tax revenues will fund the research, advertising and marketing activities needed to conduct a successful international campaign.

The aftermath of 9/11 and the effects of the national recession have created a shift in domestic consumer travel patterns towards shorter travel distances, short stay time and a selection of auto transportation instead of air. While consumer surveys appear to indicate these changes in travel patterns were primarily economy driven, it is unclear whether these trends will have a long or short-term impact on the travel industry. Nonetheless, these factors are opportunities in future marketing activities. While the division must continue to pursue a nation-wide advertising and marketing campaign, efforts must also be made to further develop regional opportunities, such as the "Howdy Neighbor" campaign, to market Texas tourism to consumers who live within driving distance of the state.

MARKET TEXAS FOR BUSINESS

Integrated Database/ Tracking System

Several different organizational units maintain project-tracking data for differing purposes. Agency staff spends a considerable amount of time preparing status reports on specific projects when there has not been sufficient development of integrated databases to accumulate and report agency-wide. While ongoing development of such systems is in progress, many efforts are done by staff as an ancillary duty, impeding fast implementation of improvements. Many of these efforts have been performed in response to the numerous reviews of program areas by staff from the State Auditor's Office, the Comptroller's Office and the Sunset Commission.

Defense Affairs (ODA)

The future opportunities for Defense Affairs will be to continue to improve the state's role in supporting defense transition in Texas with the ever-looming possibility of another round of Base Realignment and Closure. Part of this effort involves improving information dissemination between Defense Affairs and federal defense officials, defense-dependent communities and their representative organizations, and defense-related employers.

Corporate Expansion & Recruitment

One of the greatest opportunities for Corporate Expansion & Recruitment (CER) will be to involve the Agency's allies in cooperative participation in a statewide marketing campaign. Allies include local economic development organizations, chambers of commerce, private sector and public utilities, and the state's network of economic development professionals as represented in the Texas Economic Development Council.

Areas for an enhanced statewide marketing campaign include cooperative advertising with the Texas Economic Development Council and communities with similar interests. Other opportunities also include the development of an international marketing program, participation with allies in trade shows or marketing missions that target specific industries, and development of marketing outreach program targeting nationally recognized site selection consultants.

BUSINESS INCENTIVES

Business Incentives

The largest opportunity for improvement of our business incentives program, under existing statutes, is to increase participation in the Texas leverage fund and capital access programs and the Renewal Community Program.

There are 497 sales tax cities in Texas. These are the local governments that are eligible to apply for the Texas leverage fund. Only eighteen of these cities have taken advantage of the program. We can increase participation in the Texas leverage fund program by informing qualified communities about the merits of the program. HB 3178, passed by the 77th Legislature, requires that, every two years, officials and economic development corporation administrators from these cities attend a training seminar on the benefits and responsibilities associated with being a sales tax city. At these seminars, the TxED presentation focuses on the use of 4A/4B funds to leverage additional funding for local projects through the Texas Leverage Fund program.

Targeting the marketing of the capital access program on community development finance institutions (CDFIs) and on the call centers of traditional lending institutions will help us to increase capital access program participation. Efforts to market the program to CDFIs have met with significant success. Marketing to the call centers of more traditional lenders will ensure that, when loan officers contact their call centers for assistance when considering a near bankable loan, the capital access program will be considered.

D. How does the agency ensure its functions do not duplicate those of other entities?

RESEARCH CLEARINGHOUSE

Clearinghouse staff works with other agencies and organizations to ensure non-duplication of efforts by reviewing data, information, and products of other agencies for applicability to the Agency's customer needs. If the information is available on the Internet, hyperlinks are provided directly to the source. Research Clearinghouse also encourages entities to provide hyperlinks to the agency's web site, as appropriate.

MARKET TEXAS FOR BUSINESS

As with the Agency's other divisions, staff are constantly working with other agencies and organizations to avoid duplication. Strategic partnerships are one of the Market Texas for Business highlighted functions. These strategic partnerships have been established with various agencies such as the Comptrollers Office, Texas Department of Agriculture, Texas Aerospace Commission, Texas Natural Resource Conservation Commission, the Governor's office, and other economic development agencies, associations, or organizations that have economic development as part of their mission. Through these relationships, the Agency assists Texas communities and businesses with activities that produce trade and investment leads, creating economic development opportunities.

BUSINESS INCENTIVES

Contacts maintained with other state agencies, federal agencies, nonprofit corporations, local government representatives, and economic development corporations, particularly those that serve as funding resources. This cooperative effort works to compare programs offered, and determine what resources are needed by businesses or communities for economic development.

MARKET TEXAS FOR TOURISM

The Agency is the state's only public or private entity that markets the entire state as a tourist destination to non-Texans. The Agency is also the only state agency that performs tourism marketing functions as part of its core mission.

The Department works to eliminate duplication by coordinating efforts with other state agencies through regular communications, meetings, efforts undertaken through Memoranda of Understanding, and participation in the Texas State Agency Tourism Council (TSATC).

The Department also works to ensure non-duplication of efforts with the state's travel industry through regular interaction with the Tourism Advisory Committee and key, statewide tourism industry associations, such as TTIA.

E. Are there any other entities that could perform any of the agency's functions?

RESEARCH CLEARINGHOUSE

Throughout state government, agencies such as Texas Workforce Commission, Housing & Community Affairs, Texas Higher Education Coordinating Board, and the Department of Agriculture perform certain defined research functions. In contrast, Clearinghouse offers a wide spectrum of economic development research products and services needed by the agency in order to have analysis and data to market the state and its communities. Marketing and market research perform best as part of an integrated agency team.

MARKET TEXAS FOR BUSINESS

Only a handful of states in the country have privately funded programs and their success has not been overwhelming. Market Texas for business provides a central point of contact in marketing the state. Once again in referring to the four core functions of Market Texas for business, we play a critical role in the economic development network of state, regional, and local allies. There is a basic need for a coordinated delivery of marketing services and the Agency fulfills that.

MARKET TEXAS FOR TOURISM

Comprehensive, statewide tourism marketing and development is not an integral component to any other state agency's core mission. Consequently, there is no other state agency that could effectively perform the Agency's tourism marketing and development function.

There are also no other private entities equipped to or capable of performing the Agency's comprehensive, broad-based tourism marketing functions.

F. What process does the agency use to determine customer satisfaction and how does the agency use this information?

Texas Economic Development is committed to providing highly professional service to its customers, stakeholders and allies in a timely manner. To determine whether agency programs and services are meeting the needs of customers, the Agency conducts numerous customer satisfaction surveys and holds focus group meetings regularly to obtain customer feedback on the services we provide. We also solicited input from these groups to formulate the Agency's 5 Year Strategic Plan which was submitted in July 2002. Input received from these sources is continually reviewed and used to improve the quality of the services we provide.

In accordance with the provisions of SB 1563 the Agency developed its "Compact With Texans" and published it on our website. Any customer reading this Compact can respond directly with the customer service representative by e-mail, telephone or fax numbers provided within the Compact.

The Compact sets forth agency-wide customer service standards for each of the programs offered through the Economic Information Clearinghouse Division, the Corporate Expansion and Recruitment, the Office of Small Business Affairs, the Office of International Business, and the Office of Defense Affairs. The Agency's primary products are a comprehensive marketing campaign, financing programs and information. Our commitment to customers reflects response time guarantees from each of the program areas.

During FY 2002 the Agency conducted a Customer Service Survey. The survey was administered during the spring of 2002 by the Survey of Organizational Excellence Group (SOE) at The University of Texas at Austin School of Social Work for the Texas Economic Development (TxED). The survey project's intent was to measure customer service perceptions from the recipients of agency services. The data also addresses the requirements of Customer Service Standards Act (1999), SB 1563.

Results are provided both for the survey conducted via the paper and pencil instrument and for the data collected through the ongoing online assessment process. For the sample surveyed, a low yet acceptable response rate (11%) was achieved. The items were scored on a five-point scale with 5 being strongly agree and 1 being strongly disagree. Overall the agency had a positive overall satisfaction rating with 67% of the respondents stating that overall; they were satisfied with their experience with the agency. Of the remaining respondents, 20% were neutral on this item and 13% disagreed.

The highest scoring items were those of the printed material containing accurate and thorough information and the customer being able to obtain the materials they requested. The items regarding the web were the lowest. It is very important to note that some individuals indicated that they did not have access to the Internet. This would tend to move this score towards 3 (neutral). Overall satisfaction by purpose of contacting TxED varies greatly from a low of 3.04 for assistance with permitting/licensing to a high of 4.37 for travel information.

Also the Agency has created several advisory committees to serve each of the major program areas of the Agency. These advisory committees are made up customers vitally interested in the services and products we provide. They meet regularly and discuss the performance of agency programs and the services we provide. We utilize input from these committees for guidance in the development of advertising campaigns, selection of advertising agencies, and development of specific targeted programs to promote tourism in Texas. The committees also help the Agency design and operate programs that match the services most sought after by our customers.

G. Describe the agency's process for handling complaints against the agency, including the maintenance of complaint files and procedures for keeping parties informed about the process. If the agency has a division or office, such as an ombudsman, for tracking and resolving complaints from the public or other entities, please provide a description.

The Agency recently adopted a formal policy and procedure for handling complaints. This policy and procedure will establish a centralized reporting point for collecting information on all complaints received by the Agency. It will require that all complaints be logged into the "Agency Complaint Tracking System" maintained in a Microsoft Access database. All complaints will be routed to the Deputy Executive Director. The responsibility for handling each complaint will be assigned and each complaint will be responded to within 48 hours. See the appendix at the back for the copies of the policy and procedure adopted for the handling of complaints.

The agency will establish an information file for each complaint. If any investigation into a complaint is still unresolved after 90 days, the status of the investigation will be reported to the parties to the complaint.

The "Agency Complaint Tracking System" will be used to record and report the status of all complaints received to the Governing Board at least annually.

This system will replace the decentralized method of handling complaints previously utilized by the Agency.

H. Please fill in the following chart. The chart headings may be changed if needed to better reflect the agency's practices.

As stated previously, the Agency was in the process of adopting the system described above during FY 2000. Accordingly the chart presented below is not complete for the data reflected during FY 2000, and the data for FY 2002 is current through August 15, 2002.

Texas Economic Development			
Exhibit 15: Complaints Against the Agency - Fiscal Years 2000 - 2002			
	FY 2000	FY 2001	FY 2002
Number of complaints received	2	11	5
Number of complaints resolved	2	9	5
Number of complaints dropped/found to be without merit	0	1	0
Number of complaints pending from prior years	0	0	0
Average time period for resolution of a complaint	34	25	20

I. What process does the agency use to respond to requests under the Public Information (Open Records) Act?

Requests for information under the Texas Public Information Act are forwarded to the Legal Assistant in the Legal Division, who serves as the Open Records Officer. The Open Records Officer coordinates with the program or other area of the agency regarding the requested information, assists in its compilation as needed, and ensures that public information is released in a timely fashion.

The Open Records Officer routes a copy of the request to the General Counsel when it is received. If deemed necessary by the General Counsel, the Open Records Officer also routes the responsive information to the General Counsel for review and a decision regarding whether the information should be disclosed or referred to the Attorney General's Open Records Division.

J. Please fill in the following chart with information that is as current and up-to-date as possible:

Contact list is available.

VIII. 77th Legislative Session Chart

Legislation Enacted in the 77 th Legislative Session		
Bill Number Author/ Sponsor	General Subject	Summary of Key Provisions/ Impact on Agency
HB 7 CHISUM/ SIBLEY	Office of Rural Community Affairs (ORCA)	<p>Creates the Office of Rural Community Affairs (office). The new rural office will:</p> <ul style="list-style-type: none"> • Develop a rural policy for the state in consultation with local leaders representing all facets of rural community life, academic and industry experts, and state elected and appointed officials with interests in rural communities; • Work with other state agencies and officials to improve the results and the cost-effectiveness of state programs affecting rural communities through coordination; • Develop programs to improve the leadership capacity of rural community leaders; • Monitor developments that have a substantial effect on rural Texas communities, especially actions of state government, and compile an annual report describing and evaluating the condition of rural communities; • Administer the federal community development block grant nonentitlement program; • Administer programs supporting rural health care as provided by Subchapters D-H; • Perform research to determine the most beneficial and cost-effective ways to improve the welfare of rural communities; • Ensure that the office qualifies as the state's office of rural health for the purpose of receiving grants from the Office of Rural Health Policy of the United States Department of Health and Human Services under 42 U.S.C. Section 254r; and • Manage the state's Medicare rural hospital flexibility program under 42 U.S.C. Section 1395i-4. <p><i>Impact:</i> Pursuant to HB 7, the current interagency contract authority which exists between TDHCA and the Agency to administer a portion of the federal non-entitlement community block grant program will transfer to the new rural office and Texas Department of Agriculture.</p>

		<p>HB 7 provides that:</p> <ul style="list-style-type: none"> On the date by which a majority of the members of the executive committee of the Office of Rural Community Affairs have taken office, all powers, duties, obligations, rights, contracts, leases, records, personnel, property, and unspent and unobligated appropriations and other funds of the Texas Department of Housing and Community Affairs related to the federal community development block grant nonentitlement program are transferred to the Office of Rural Community Affairs. A reference to Texas Economic Development in a rule of the Texas Department of Housing and Community Affairs relating to the administration of the Texas Capital Fund means the Department of Agriculture. <p>The rural office executive committee is composed of the following nine members: (1) three members appointed by the governor; (2) three members appointed by the lieutenant governor; and (3) three members appointed by the speaker of the house of representatives.</p>
<p>HB 819 COUNTS/ DUNCAN</p>	<p>Office of Rural Affairs</p>	<p>HB 819 transfers all powers, duties, rights, and obligations of the Agency relating to the Office of Rural Affairs to the Texas Department of Agriculture.</p> <p><i>Impact:</i></p> <ul style="list-style-type: none"> <u>Affects Government Code Section 481.0067.</u> HB 819 requires that the transfer occur on the date specified in an interagency contract among the governing board of Texas Economic Development, the director of the office, and TDA, as soon as practicable after the effective date (September 1, 2001) but not later than January 1, 2002. <p>[Provisions in HB 2914 specifically transfers no less than \$212,612 per year and no fewer than 4 FTEs from the Agency to TDA contingent upon passage of HB 819 and the bill becoming law.]</p>
<p>HB 820 GIDDINGS/ WEST</p>	<p>Texas Enterprise Zone Program</p>	<p>HB 820 increases from 65 to 85 the maximum number of qualified businesses the Agency may designate as enterprise projects for each nominating body during any biennium.</p> <p>The maximum number of qualified businesses that the Agency is authorized to designate as enterprise projects for each nominating body during any biennium is: four, plus two additional bonus projects the agency may award in a municipality or county with a population of less than 250,000; or six, if the governing body of the Enterprise Zone is the governing body of a municipality or county with a population of 250,000 or more.</p>

<p>HB 931 SOLIS/ SHAPLEIGH</p>	<p>Coordinated state economic development plan</p>	<p>House Bill 931 requires that the Agency, in consultation with the Comptroller, develop a comprehensive statewide economic development plan to be adopted no later than September 1, 2002 and updated every five years. The plan is intended to be used as a guide to state economic development policy. The plan must:</p> <ul style="list-style-type: none"> • establish goals and standards to measure whether state efforts are having a positive economic effect; • track benefits and wage and retention performance measures; and • reevaluate economic development initiatives that offer fewer benefits in relation to their costs. • Provide legislative recommendations that the agency believes are needed and desirable to facilitate more voluntary economic development. <p><i>Impact:</i> <u>Adds to Government Code Section 481.101-105.</u></p> <p>The agency is required to:</p> <ul style="list-style-type: none"> • take the plan into consideration in matters coming before it. • disseminate the plan to local governments and to encourage the local governments to use the suggested standards to improve efficient allocation and use of economic development resources. • adopt (by rule) guidance principles for the state economic development plan that reflect the public interest of the entire state, including the needs of rural and urban areas, economically depressed areas, and areas experiencing significant changes in population. • deliver the state economic development plan and each update of the plan to the governor, the lieutenant governor, and the speaker of the house of representatives and present the plan for review to the appropriate legislative committees.
<p>HB 1200 BRIMER/ HARRIS</p>	<p>Economic Development Act</p>	<p>HB 1200 establishes the Texas Economic Development Act which provides a local option economic development tool, primarily in the form of ad valorem tax relief, that allows the state to compete for and attract certain corporations and limited liability companies that promise to make large investments that create jobs.</p> <p><i>Impact:</i> <u>Amends Government Code Section 481.0044</u> <u>Adds to Government Code Section 481.168</u></p> <p>Upon request, the Agency is required to provide assistance to the governing body of a school district in determining whether to grant an application.</p>

		<p>Each year the chief appraiser shall compile and send to the Agency a list of properties in the appraisal district that in that tax year:</p> <ol style="list-style-type: none"> (1) have a market value of \$100 million or more; or (2) are subject to a limitation on appraised value under Chapter 313. <p>In addition to the information the Agency's governing board is required to report to the governor annually and to the legislature at each regular session on the agency's activities (Section 481.0044, Government Code), the governing board must include in its report:</p> <ul style="list-style-type: none"> • a listing of the properties in this state that are compiled and reported to the Agency under Section 23.03, Tax Code; • a listing of the school districts in this state, classified according to the categories established by Sections 313.022 and 313.052, Tax Code; • a listing of prospective projects identified by the business development division of the Agency that proposed to invest at least \$100 million in this state, including prospective projects that worked with the Agency or of which the agency was aware but that located in another state or country; • information identifying the other state or country in which a prospective project located and stating the primary reason identified by the agency that the prospective project did not locate in this state; and • an assessment as to the effectiveness of the incentives provided by Chapter 313, Tax Code, accompanied by information on the number of agreements entered into by school districts under that chapter during the preceding biennium, a description of each project covered by an agreement, and the details of the agreement. <p>[The Comptroller shall assist the governing board and the agency in complying with these requirements]</p> <p>The Agency is required, in a joint effort with the Attorney General, the Comptroller and the Council on Workforce and Economic Competitiveness:</p> <ul style="list-style-type: none"> • to conduct a survey of tax incentive laws and economic development laws enacted in other states since 1990; and • to deliver to the governor, the lieutenant governor, and the speaker of the house of representatives a joint report of the results of the survey. • To include recommendations for legislative action in the report. <p>[The initial joint report must be delivered before December 31, 2002. An update of the joint report shall be delivered before December 31 of each subsequent year]</p>
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<p>HB 1333 JUNELL/ ELLIS</p>	<p>Emergency Appropriations</p>	<p>H.B. 1333 transfers unencumbered amounts to provide emergency appropriations to the Texas Department of Health, Texas Department of Criminal Justice, and the State Office of Risk Management. The bill also provides additional funding to certain other state agencies.</p> <p><i>Impact:</i> The agency is authorized to expend the unencumbered amount of \$4,000,000 from Smart Jobs Fund No. 891 during the remainder of the fiscal year ending August 31, 2001, for the purpose of awarding grants in communities in this state in connection with the creation of qualified defense-related jobs.</p> <p>The unexpended balance of these funds remaining at the end of the Fiscal Year ending August 31, 2001, is appropriated from Smart Jobs Fund No. 891 to the Agency for the fiscal year beginning September 1, 2001, for the purpose of awarding grants in communities in this state in connection with the creation of qualified defense-related jobs.</p>
<p>HB 2686 SOLIS/ LUCIO</p>	<p>State and Federal Economic and Empowerment Zone Program Incentives Enhancement</p>	<p>HB 2686 makes substantive changes to the Texas Enterprise Zone Program and Defense Economic Readjustment Zone Program and provides for increased incentives for certain businesses located in an enterprise zone, federal empowerment zone, or federal enterprise community.</p> <p><i>Impact:</i> Requires the Agency, in its administration of business incentive programs affected by the bill, to take into account the following amendments to the Government and Tax Codes and other provisions:</p> <ul style="list-style-type: none"> • Amendment of the Government Code to prohibit the number of new permanent jobs or retained jobs eligible to be included in a computation of a tax refund for the enterprise project from exceeding 250, rather than 625, or a number equal to 110 percent of the number of anticipated new permanent jobs or retained jobs specified in the application for designation of the business as an enterprise project, whichever is less. • Amendment to Section 2303.504, Government Code, providing that an enterprise project is entitled to a franchise tax credit rather than to a deduction from taxable capital under the Tax Code. Requires the comptroller, not later than the 60th day after the last day of each fiscal year, to report to the agency the statewide total of the tax refunds and credits made under this section during that fiscal year. • Amendment of the Government Code authorizing the agency to monitor a qualified business or enterprise project to determine whether and to what extent the business or project has followed through on any commitments made by it or on its behalf under this chapter.

		<ul style="list-style-type: none"> • Amendment of Section 2310.404 of the Government Code providing that a defense readjustment project is eligible for a franchise tax credit rather than to a deduction from taxable capital under the Tax Code. • Amendment of the Government Code authorizing the agency to monitor a defense readjustment project to determine whether and to what extent the project has followed through on any commitments made by it or on its behalf under this chapter. • Amendment of the Tax Code to provide that an enterprise project is eligible for a refund in the amount provided by this section of the taxes imposed by this chapter on purchases of tangible personal property purchased and consumed in the normal course of business in the enterprise zone and taxable services. • Provisions that an enterprise project, subject to the specific limitations, qualifies for a refund of taxes under this section of \$5,000, rather than \$2,000, for each new permanent job or job that has been retained by the enterprise project for a qualified employee. • Amendment of the Tax Code to define "defense readjustment project," "enterprise project," "enterprise zone," and "readjustment zone," and redefine "qualifying job." • Amendment of the Tax Code to authorize a corporation to claim a credit or take a carry forward credit without regard to whether the strategic investment area, Enterprise Zone, or readjustment zone in which it created the qualifying jobs subsequently loses its designation as a strategic investment area, Enterprise Zone, or readjustment zone, if applicable. • Amendment of the Tax Code to authorize a corporation that has been designated as an enterprise project or as a defense readjustment project, subject to Section 171.755, to claim the entire credit earned during an accounting period against the taxes imposed for the corresponding reporting period. • Amendment to the Tax Code to define "defense readjustment project " and redefine "qualified capital investment." • Amendment to the Tax Code to authorize a corporation that has been designated as an enterprise project or as a defense readjustment project, subject to Section 171.805, to claim the entire credit earned during an accounting period against the taxes imposed for the corresponding reporting period.
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<p>HB 2908 HAWLEY/ TRUAN</p>	<p>Strategic Military Planning Commission</p>	<p>HB 2908 moves the commission from Texas Economic Development to the Office of the Governor in order to enhance its profile. The Commission remains as an advisory commission to the Office of Defense at Texas Economic Development, which will continue to provide administrative support.</p> <p><i>Impact:</i> <u>Amends Government Code Section 481.0066.</u></p> <p>HB 2908 requires that the Agency continue to provide administrative support to the commission.</p>
<p>HB 2914 BONNEN/ DUNCAN</p>	<p>State Fiscal Matters</p>	<p>HB 2914 makes technical and policy changes to several statutes relating to the state's fiscal management and the comptroller's powers and duties to administer those laws.</p> <p><i>Impact:</i> Provisions of the bill state that as part of the transfer of personnel and appropriations made by HB 819:</p> <ul style="list-style-type: none"> • Any appropriation to the Agency relating to the Office of Rural Affairs is transferred to the Agency of Agriculture, including no less than \$212,612 each fiscal year of the 2002-2003 biennium; and • No fewer than 4.0 full-time equivalent positions must be transferred by Texas Economic Development to the Department of Agriculture.
<p>HB 3178 SOLIS/ SHAPLEIGH</p>	<p>Economic development training</p>	<p>HB 3178 requires certain persons associated with development corporations to complete a seminar developed by the Agency.</p> <p><i>Impact:</i> <u>Adds to Government Code Section 481.0231.</u></p> <p>HB 3178:</p> <ul style="list-style-type: none"> • Requires the agency, in conjunction with the attorney general and the comptroller, by rule to develop a training seminar to ensure that the officers of a corporation created by a municipality or county under, and the officials of the municipality or county that created a corporation under the Development Corporation Act of 1979 properly and legally operate the corporation and administer a tax imposed for the benefit of the corporation. • Authorizes the agency to include in the seminar any information regarding training programs offered by the agency, the attorney general, or the comptroller that would assist a person attending the seminar with the operation and administration of a development corporation. • Requires the agency to issue a certificate of completion to each person who completes the training seminar.

		<ul style="list-style-type: none"> • Requires the agency to hold the training seminars in different regions in the state for the convenience of persons required to complete the training seminar under Section 39, Development Corporation Act of 1979. • Authorizes the agency to enter into an agreement for the provision of a training seminar developed under this section by any person determined by the agency to be qualified to provide the training seminar. Authorizes a person who provides a training seminar under this subsection to charge a reasonable fee for attending the seminar. <p>HB 3178 amends the Development Corporation Act of 1979 as follows:</p> <ul style="list-style-type: none"> • Provides that this act applies only to a corporation created under Section 4A or 4B of this Act or an entity that creates a corporation under Section 4A or 4B of this Act. • Requires certain persons, at least once in each 24-month period, to attend a training seminar sponsored by the agency. • Requires a corporation to present proof of compliance with the Act to the comptroller by presenting the certificates of completion issued by the agency, for each person that was required to attend the training seminar. • Authorizes the comptroller to impose an administrative penalty, in an amount not to exceed \$1,000 for each violation, against a corporation that fails to present proof in accordance with this section. • Authorizes a corporation to spend corporate revenue to pay the costs of attending a training seminar. • Requires the Texas Economic Development to develop the training seminar not later than January 1, 2002. • Requires a person who, on the effective date of this Act, is required to take a training seminar to do so before January 1, 2004.
<p>SB 1 ELLIS/ JUNELL</p>	<p>State Appropriations Bill</p>	<p>Provided base funding for agency functions and operations for 2002-2003 biennium. For more detail please refer to attached summary of agency appropriation bill pattern.</p>
<p>SB 309 HARRIS/ BOSSE</p>	<p>Sunset Review Process</p>	<p>SB 309 resets the Sunset Advisory Commission review schedule for a number of state agencies, boards and commissions.</p> <p><i>Impact:</i> Amends Government Code Section 481.003</p> <p>Provision in SB 309 relevant to the Agency: ARTICLE 1. ENTITIES GIVEN 2003 SUNSET DATE SECTION 1.01. TEXAS ECONOMIC DEVELOPMENT. a) Section 481.003, Government Code, is amended to read as follows:</p>

		<p>Sec. 481.003. SUNSET PROVISION. Texas Economic Development is subject to Chapter 325 (Texas Sunset Act). Unless continued in existence as provided by that chapter, the agency is abolished and this chapter expires September 1, 2003 [2004].</p>
<p>SB 326 LUCIO/ SOLIS</p>	<p>Texas- Mexico Commerce and International Relations Initiative Unit</p>	<p>SB 326 creates the Texas-Mexico Commerce and International Relations Initiative Unit (Initiative Unit) for the development of a Texas-Mexico Commerce and International Relations Coordinated Plan to organize state agency initiatives regarding trade relations with Mexico.</p> <p>Members of the Initiative Unit include: 1) Texas Department of Health; (2) Texas Water Development Board; (3) Texas Natural Resource Conservation Commission; (4) Texas Department of Housing and Community Affairs; (5) Health and Human Services Commission; (6) Parks and Wildlife Department; (7) Texas Department of Transportation; (8) Department of Public Safety of the State of Texas; (9) office of the secretary of state; (10) Department of Agriculture; (11) Texas Department of Insurance; (12) Railroad Commission of Texas; and (13) office of the comptroller.</p> <p><i>Impact:</i> <u>Adds to Government Code Section 481.451-459.</u></p> <p>SB 326:</p> <ul style="list-style-type: none"> • Requires the Agency to designate one of the members of the initiative unit to serve as its presiding officer. • Requires the Agency, with the assistance of the initiative unit, to study trade relations between Texas and Mexico and between Texas and states that border Texas and to develop and adopt the plan to propose a course of action that the state, including the Agency and each agency and office represented by the initiative unit, should take. • Sets forth requirements regarding recommendations and initiatives to be included in the plan and authorizes each agency and office represented by the initiative unit to incorporate the applicable recommendations and initiatives into the agency or office's operations. • Requires each agency and office represented by the initiative unit to submit quarterly reports to the Agency regarding the actions taken by the agency or office on behalf of the initiative unit or in furtherance of a plan or recommendation of the initiative unit and sets forth provisions regarding the contents of the report.

		<ul style="list-style-type: none"> • Requires the Agency to form a partnership with the agencies and offices represented by the initiative unit to ensure that the Texas Business and Community Economic Development Research Clearinghouse has current knowledge of the plan and the actions taken by the initiative unit and the agencies and offices represented by the initiative unit. • Specifies that provisions regarding state agency advisory committees do not apply to the initiative unit. • Requires the initiative unit to adopt an updated plan before the fourth anniversary of the date that the plan is adopted or the date an updated plan is adopted. • Requires the Agency to submit, not later than September 1, 2002, to the governor, lieutenant governor, speaker of the house of representatives, members of the legislature, and Legislative Budget Board a detailed written report of the plan and the results of its study of trade relations, accompanied by recommended solutions to any problems identified by the initiative unit and recommendations for legislative action.
<p>SB 1164 TRUAN/ LUNA</p>	<p>Office of Defense Affairs Five-year Infra-structure Plan</p>	<p>SB 1164 requires the Agency's Office of Defense Affairs, in conjunction with the Texas Strategic Military Planning Commission, to request a report developing a five-year infrastructure plan from each defense-dependent community in Texas.</p> <p><i>Impact:</i> SB 1164 requires the Agency's Office of Defense Affairs, in cooperation with the Texas Strategic Military Planning Commission, to identify each defense dependent community in Texas and request that each community coordinate with the office and develop a five-year strategic infrastructure plan and submit the plan to the office as soon as possible but no later than July 1, 2002.</p> <p>The bill sets forth the contents of the strategic infrastructure plan and requires the office to compile all plans submitted to the office into a single report, include in the report its own recommendations in relation to a comprehensive review of the submitted plans, and submit a copy of the report and recommendations to the governor, lieutenant governor, the speaker of the house of representatives, and the chair of each legislative committee with jurisdiction over defense affairs by December 1, 2002.</p>
<p>SB 1282 LUCIO/ OLIVEIRA</p>	<p>Texas Port Transportation and Economic Development Fund</p>	<p>SB 1282 creates a port access account fund to facilitate regional economic development, international trade, and expedite the flow of NAFTA-related traffic through Texas's 14 active seaports.</p> <p><i>Impact:</i> SB 1282 amends Title 4A, Transportation Code, by adding Chapter 55, as follows:</p>

		<p>TEXAS PORT TRANSPORTATION AND ECONOMIC DEVELOPMENT FUNDING:</p> <p>DEFINITIONS. Defines "committee," "department," "fund," and "port transportation or facility project."</p> <p>TEXAS PORT TRANSPORTATION AND ECONOMIC DEVELOPMENT FUNDING.</p> <ul style="list-style-type: none">• Requires the agency to fund, from money in the port access account fund, port transportation or facility projects, or port studies.• Prohibits the agency from funding a port transportation or facility project unless an amount at least equal to the amount provided by the agency is invested in a project by a port authority or navigation project.• Sets forth the port facility or transportation projects that are eligible for funding under this chapter.• Requires the agency, in consultation with the Texas Port Transportation and Economic Development Advisory Committee (committee), to review the list of projects recommended by the committee to evaluate the economic benefit of each project.• Requires the agency, in consultation with the committee, to approve projects or studies for funding based on its review. <p>GIFTS AND GRANTS. Authorizes the agency to accept gifts, grants, and donations from any source for the purposes of this chapter.</p> <p>AUDIT.</p> <ul style="list-style-type: none">• Authorizes the agency to subject a project that receives money under this chapter to a final audit.• Authorizes the agency to adopt rules and perform other acts necessary or convenient to ensure that the final audits are conducted and that any deficiency or questioned costs noted by the audit are resolved. <p>PORT ACCESS ACCOUNT FUND.</p> <ul style="list-style-type: none">• Provides that the port access account fund is an account in the general revenue fund. Requires that certain money be credited to the fund.• Authorizes money in the fund to be appropriated only to the agency to perform the agency's powers and duties concerning port transportation and economic development under this chapter and to pay the agency's expenses incurred under this chapter.• Provides that the financial transactions of the fund are subject to audit by the state auditor.
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		<p>TEXAS PORT TRANSPORTATION AND ECONOMIC DEVELOPMENT ADVISORY COMMITTEE.</p> <ul style="list-style-type: none"> • Sets forth the composition of the committee: (1) a member of the governing body of each of the ports that are members of the Texas Ports Association or their designees; and (2) as a nonvoting member, the executive director or the designee of the agency. • Requires the committee to develop bylaws under which it operates. Requires the bylaws to specify the procedure by which the presiding officer of the committee is elected. Provides that a majority of voting members constitutes a quorum sufficient to conduct meetings and business of the committee. Provides that a vote of the majority of the voting members present is sufficient for any action of the committee, unless the bylaws of the committee require a greater vote for a particular action. • Requires the committee to meet at the call of its presiding officer, at the request of a majority of its membership, or at times prescribed in its bylaws. Requires the committee to meet at least semiannually. Provides that a member is not entitled to compensation for service on the committee but is entitled to reimbursement for reasonable expenses the member incurs in performing committee duties. Provides that Sections 2110.002 (Composition of Advisory Committees) and 2110.008 (Duration of Advisory Committees), Government Code, do not apply to the committee. <p>DUTIES OF COMMITTEE.</p> <ul style="list-style-type: none"> • Requires the committee to perform certain actions. • Grants rulemaking authority to the committee related to evaluating projects that may be funded under this chapter. <p>CAPITAL PROGRAM.</p> <ul style="list-style-type: none"> • Requires the committee to prepare a two-year port capital program defining the goals and objectives of the committee concerning the development of port facilities and an inter-modal transportation system. • Requires the port capital program to include projects or studies submitted by each port that is a member of the committee and certain recommendations. • Requires the committee to update the port capital program annually and submit the capital program not later than February 1 of each year to certain individuals and entities. • Texas Economic Development to convene the initial meeting of the Texas Port Transportation and Economic Development Advisory Committee, as created by this Act, before January 1, 2002.
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<p>SB 1458 DUNCAN/ GEORGE</p>	<p>Texas Online Portal</p>	<p>Senate Bill 1458 establishes an electronic government program management office in the Department of Information Resources to guide, promote, and facilitate the implementation of select e-government projects and to manage the ongoing development of the Texas Online portal.</p> <p><i>Impact:</i> SB 1458, in part, provides: ONLINE SERVICE FOR NEW BUSINESSES. (a) The office (Electronic Government Program Management Office of the Department of Information Services), with assistance from the business permit office of Texas Economic Development and any other affected state agencies, shall develop and implement a plan for the creation of an electronic government project to provide new businesses in this state a single source for information and permitting.</p> <p>Texas Economic Development, Secretary of State, Texas Natural Resource Conservation Commission, Texas Department of Licensing and Regulation, Texas Department of Transportation, comptroller, and any other state agency involved in issuing permits to new businesses shall assist the office in the development and operation of the project. State agencies shall cooperate with the office to structure their procedures to facilitate participation in the project.</p>
<p>SB 1815 TRUAN/ LUNA</p>	<p>Office of Defense Affairs Revolving Loan Program</p>	<p>SB 1815 authorizes the Office of Defense Affairs to administer a revolving loan program to help an eligible community develop infrastructure to minimize the possibility of or the negative effects of a base closure on that community.</p> <p><i>Impact:</i> SB 1815:</p> <ul style="list-style-type: none"> • Authorizes the loans to be granted to an eligible community before the neighboring defense base is closed. • Requires the office by rule to establish criteria and procedures for evaluations of applications for loans under the program. • Requires the office by rule to establish categories of eligible infrastructure projects for which an eligible community is authorized to apply for a loan. • Provides that the community infrastructure development revolving loan account is an account in the general revenue fund. • Authorizes the account to be used only for loans made under this subchapter. • Requires the Office of Defense Affairs to adopt rules and procedures so that the office may begin to offer loans under Chapter 486B, Government Code, as added by this Act, on or before September 1, 2003.

Other Bills Impacting the Texas Economic Development		
Bill Number Author/ Sponsor	General Subject	Summary of Key Provisions/ Impact on Agency
HB 612 MAXEY/ DUNCAN	Tax Increment Financing Act	<p>HB 612 requires municipalities to submit reports of tax increment financing agreements to the comptroller/</p> <p>The Agency and the comptroller are authorized to provide assistance upon request to a municipality relating to the administration or execution of the bill's provisions.</p>
HB 1027 COOK/ BROWN	Cleanup of contaminated property	<p>HB1027 provides for the cleanup of brownfields (abandoned or underused property owing to the liability associated with contamination from old industrial activity) through the use of sales and use tax proceeds, the elimination of barriers discouraging the use of property tax breaks for contaminated sites, and encouraging the use of supplemental environmental projects/</p> <p>HB 1027 authorizes the Agency, with the assistance of the Texas Natural Resource Conservation Commission (TNRCC), to encourage the cleanup of contaminated property by certain industrial development corporations through the use of sales and use tax proceeds. The bill clarifies that use of 4A or 4B revenues is contingent upon an election and approval for an allowed purpose.</p>
SB 275 SHAPLEIGH/ SOLIS	Comptroller Report on State and Local Economic Development Activities and Projects	<p>SB 275 requires the comptroller of public accounts to collect and make available information prior to each legislative session for purposes of evaluating the effect of certain activities on economic development in the state/</p> <p>SB 275 amends the Government Code to require the comptroller before each regular session of the legislature, to collect and make available information that:</p> <ul style="list-style-type: none"> • lists the strategies in the General Appropriations Act identified as meeting the statewide priority goal or service category of economic development, if any, of each state agency and institution of higher education; • lists all investments financed with money from the Texas growth fund; • contains a summary of the information reported to the comptroller by each 4A and 4B industrial development corporation and a copy of the report submitted by each of the 10 corporations with the largest total revenue in the most recent fiscal year ending before the date the information compiled is made available; • contains a summary of the required report on the effect of certain tax provisions and information on the effect on revenues of allocation or apportionment of taxable capital or taxable earned surplus;

		<ul style="list-style-type: none"> contains a summary of reports the comptroller is required to submit by other law to evaluate the effectiveness of tax provisions, including certain biennial reports; to the extent practicable, contains information on employment, capital investment, and personal income relating to at least two of the provisions on the following taxes: sales, excise and use tax, franchise tax, school district property taxes, and any other tax generating more than five percent of state tax revenue in the prior fiscal year. <p>SB 275:</p> <ul style="list-style-type: none"> Provides that the information compiled by the comptroller must cover the five-year period ending on the last day of the fiscal year ending before the date the information is made available. Authorizes the comptroller to request information needed to compile the information described by these provisions from any appropriate entity or agency. Requires each entity or agency to provide the information and requires the Legislative Budget Board to provide information regarding strategies in the General Appropriations Act.
<p>SB 311</p>	<p>General Services Commission Sunset Bill</p>	<p>S.B. 311 abolishes GSC and provides for the transfer of its functions to other agencies, including the newly created Texas Building Commission and the newly created Texas Procurement Commission/</p> <p>Sections of SB 311 relevant to the Agency include:</p> <p>SECTION 2262.054. PUBLIC COMMENT.</p> <ul style="list-style-type: none"> The attorney general by rule may establish procedures by which each state agency is required to invite public comment by publishing the proposed technical specifications for major contracts on the Internet through the information service known as the Texas Marketplace or through a suitable successor information service. <p>SECTION 7.02.</p> <ul style="list-style-type: none"> Subsections (c), (d), (f), (k), and (l), Section 2155.83, Government Code, are amended to read as follows: (c) The <u>commission</u> [department] each business day shall produce and post a business daily in an electronic format. The <u>commission</u> [department] shall post in the business daily information as prescribed by this section about each state agency procurement that will exceed \$25,000 in value. The <u>commission</u> [department] shall also post in the business daily other information relating to the business activity of the state that the <u>commission</u> [department] considers to be of interest to the public. (d) The <u>commission</u> [department] shall make the business daily available on the Internet [through its information service known as the Texas Marketplace or through a suitable successor

		<p>information service that will make the information available on the Internet]. Each [The department and each] state agency shall cooperate with the commission in making the electronic business daily available.</p> <p>SECTION 7.08. On October 1, 2001:</p> <ul style="list-style-type: none"> • All functions and activities performed by Texas Economic Development relating to the business daily under Chapter 2155, Government Code, or other law immediately before that date are transferred to the Texas Building and Procurement Commission; • A rule or form adopted by Texas Economic Development that relates to the business daily under Chapter 2155, Government Code, or other law is a rule or form of the Texas Building and Procurement Commission and remains in effect until altered by the commission; • A reference in law to Texas Economic Development that relates to the business daily under Chapter 2155, Government Code, or other law means the Texas Building and Procurement Commission; • All rights and obligations of Texas Economic Development related to the business daily under Chapter 2155, Government Code, or other law are transferred to the commission; and • All property, including records, in the custody of Texas Economic Development related to the business daily under Chapter 2155, Government Code, or other law is transferred to the Texas Building and Procurement Commission.
<p>SB 322 LUCIO/ GALLEGO</p>	<p>Department of Housing and Community Affairs Sunset Bill</p>	<p>SB 322 continues TDHCA for a two-year probationary period and contains the Sunset Advisory Commission's recommendations to better position TDHCA to address the state's housing and community support services needs/</p> <p>SB 322 provides for regional development coordinator positions or contract assistance at TDHCA to:</p> <ol style="list-style-type: none"> (1) assisting local communities in determining how to address affordable housing and community development needs; (2) establishing regional planning and resource-sharing partnerships; and (3) facilitating the leveraging of available local, state, and federal funds. <p>TDHCA regional development coordinators are required to gather and manage data about affordable housing and community development from a variety of sources, including Texas Economic Development.</p>

<p>SB 429 LUCIO/ SOLIS</p>	<p>Council on Workforce and Economic Competitiveness</p>	<p>SB 429:</p> <ul style="list-style-type: none"> • Requires the Council on Workforce and Economic Competitiveness (council), with the governor's approval, to establish a funding formula to determine the level of support that each state agency represented on the council must provide. • Requires the council to engage in strategic planning by selecting or developing two types of performance measures and provides that all measures must be selected, to the fullest extent possible, from the measures already developed and approved before September 1, 2001, by one or more state agencies that administer workforce programs. • Authorizes the council to develop a new measure only if the council identifies a gap in accountability or determines that at least one state agency administering a workforce program cannot report under the measures developed and approved before September 1, 2001. • Sets forth provisions regarding the composition, development, review, and approval of the performance measures. • Requires the Legislative Budget Board (LBB) to provide technical assistance to the council to ensure that the measures and associated reporting criteria are consistent with the state's performance budget and accounting system and requires the council and LBB to complete the development, review, and approval of the performance measures on or before September 1, 2002. • Authorizes the council to exempt a state agency that administers a workforce program from any requirement to use a less formal measure. • Requires the council to provide to the Texas Workforce Commission (TWC) information required to be reported to the governor and the legislature in periodic and annual reports, information required to be reported to the governor and legislature regarding analysis of work development programs focusing on welfare to work initiatives, and information on implementation of the strategic plan establishing the framework for the budgeting and operation of the workforce development system. • Requires TWC to include the information it receives under these provisions that relates to the administration and operation of the state's workforce development system with other information TWC provides to the public on the Internet/ <p>SB 429 authorizes the establishment of a proportional funding formula to enable equitable funding by the following five council agencies: the State Board of Education; the Texas Higher Education Coordinating Board; the Texas Board of Human Services, Texas Economic Development, and the Texas Workforce Commission.</p>
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<p>SB 601 CARONA/ SOLIS</p>	<p>Certified Capital Companies</p>	<p>SB 601 authorizes the creation of certified capital companies and provides a tax credit to insurance companies that invest funds/</p> <p>SB 601:</p> <ul style="list-style-type: none"> • Amends the Insurance Code to require the comptroller of public accounts (comptroller) to administer the provisions of the bill and authorizes the comptroller to adopt rules and forms to implement the provisions. • Requires the comptroller to prepare a biennial report to the governor, lieutenant governor, and speaker of the house with respect to the implementation of the provisions of the bill and sets forth the required content of that report. • Requires the comptroller to implement the provisions of the bill not later than the 60th day after the effective date of the bill. • Requires the Agency to promote the program established by this proposal in the Texas Business and Community Economic Development Research Clearinghouse.
<p>SB 746 STAPLES/ HAWLEY</p>	<p>Department of Agriculture Rural Economic Development Program</p>	<p>SB 746 amends the Agriculture Code to require the Department of Agriculture (department) to administer and maintain an economic development program for rural areas in the state/</p> <p>SB 746 sets forth procedures required of the department in its administration of the program, including the requirement that it enter into a memorandum of agreement before December 1, 2001 to work cooperatively with Texas Economic Development, the Texas Agricultural Extension Service, and other entities the agency deems appropriate to further program objectives.</p>
<p>SB 939 SHAPLEIGH/ NAJERA</p>	<p>Texas Strategic Military Planning Commission</p>	<p>SB 939 requires the Texas Strategic Military Planning Commission to conduct a study to review practices in other states and determine how Texas can attract new military installations and retain existing ones. The study is to also estimate the cost savings for the military that could be generated by implementing those practices/</p> <p>SB 939 does not specifically require any action by the agency but it should be noted that legislation passed by the 77th legislature (HB 2908 by Hawley) and signed by the Governor transfers the Texas Strategic Military Planning Commission from the agency to the Office of the Governor. However, HB 2908 requires the agency to provide administrative support to the commission.</p>
<p>SB 1458 DUNCAN/ GEORGE</p>	<p>Texas Online Portal</p>	<p>Senate Bill 1458 establishes an electronic government program management office in the Department of Information Resources to guide, promote, and facilitate the implementation of select e-government projects and to manage the ongoing development of the Texas Online portal/</p>

		<p>SB 1458, in part, provides: ONLINE SERVICE FOR NEW BUSINESSES. (a) The office (Electronic Government Program Management Office of the Department of Information Services), with assistance from the business permit office of Texas Economic Development and any other affected state agencies, shall develop and implement a plan for the creation of an electronic government project to provide new businesses in this state a single source for information and permitting.</p> <p>Texas Economic Development, Secretary of State, Texas Natural Resource Conservation Commission, Texas Department of Licensing and Regulation, Texas Department of Transportation, comptroller, and any other state agency involved in issuing permits to new businesses shall assist the office in the development and operation of the project. State agencies shall cooperate with the office to structure their procedures to facilitate participation in the project.</p>
Legislation Not Passed in the 77th Legislative Session		
Bill Number Author/ Sponsor	General Subject	Summary of Key Provisions/ Impact on Agency
<p>HB 3452 GALLEGO/ SIBLEY</p>	<p>Department Sunset Bill</p>	<p>Relating to the continuation and functions of Texas Economic Development.</p> <p><i>Final House Version of HB 3452 :</i></p> <p><u>Sunset expiration date:</u> Extended the agency's sunset expiration date to August 31, 2003.</p> <p><u>Tourism:</u></p> <ul style="list-style-type: none"> • Created a Tourism Coordinating Council with the Governor's appointee serving as presiding officer. • Requires the agency to consult with LBB and the Tourism Council to develop tourism performance measures that measure specific outcomes including return on investment. <p><u>Oversight of Agency:</u> Required certain criteria to be used to determine if the agency has successfully implemented proper management and oversight controls and required the agency to report to the Sunset Commission on the status of the implementation.</p>

		<p><u>Governing Board:</u></p> <ul style="list-style-type: none"> • Reduced the board from nine members to five members and removed designated representation requirements of the board members. • Requires the board to develop and implement policies that clearly separate the board's policy-making responsibilities from the agency's management responsibilities • Requires board members from exercising official duties until they complete specified training. <p><u>Office of Defense Affairs:</u></p> <ul style="list-style-type: none"> • Requires the office to serve as a clearinghouse for information about defense strategies and programs used by other states • Requires the office to administer and oversee implementation of the Defense Economic Adjustment Assistance Grants and Defense Economic Readjustment Zones. • Requires the office to serve as the state's focal point for the coordination of all issues and policies that affect military installations and defense-related businesses. <p><u>Fund-raising:</u> Authorized the agency's non-profit corporation to raise money only for market Texas program and authorizes the office of the governor to use all money raised by the corporation for specific purposes.</p> <p><u>Smart Jobs Program:</u></p> <ul style="list-style-type: none"> • Amended Section 481.154 of the Government Code, regarding the Smart Jobs Program, by retaining the Smart Jobs Program at the Agency but changing its trust fund status to a dedicated account in the general revenue fund. • Prohibited the agency from awarding a grant under the Smart Jobs Program on or after the effective date of the Act. • Required Texas Economic Development to perform its duties under all Smart Jobs Fund Program contracts in existence on the effective date of the Act. • Authorized the Texas Workforce Commission to request an emergency transfer of money from the Smart Jobs Fund if money in the unemployment insurance holding fund is insufficient to prevent the unemployment insurance trust fund from incurring a deficit tax. • Required the Texas Workforce Commission to transfer any money remaining in the Holding Fund and any money collected by the employment training investment assessment to the unemployment compensation fund.
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<p>HB 32 McCLENDON</p>	<p>Agency Board membership</p>	<p>The Sunset Advisory Commission staff recommended reducing the nine-member governing board to five members. HB 32, which reduces the agency's governing board to five members, was subsumed into the House version of HB 3452 (sunset bill), which failed.</p>
<p>HB 297 SEAMAN</p>	<p>Hotel Occupancy Tax</p>	<p>HB 297 allocates one percent of the revenue derived from the state hotel occupancy tax imposed on hotels located in an eligible small coastal general-law or home-rule municipality to be used for cleaning and maintaining public beaches in that municipality.</p> <p>LBB estimates a loss to Agency's Tourism Account 5003 in FY 2002 of \$28,583 increasing incrementally to \$39,417 in FY 2006.</p>
<p>HB 755 GALLEGO</p>	<p>Allocation to State Tourism Account</p>	<p>HB 755 would amend Chapter 151 of the Tax Code to allocate a portion of the limited sales and use tax collected from certain industry sectors (including restaurants and hotels) for the promotion of tourism.</p>

		The bill would create the GR Account - State Tourism and establish a formula to be used by the Comptroller to determine the annual amount of tax revenue, if any, that would be transferred to the new account, subject to a \$10 million cap. One-half of the revenue in the new account (\$5 million) could be appropriated only to the tourism division of the Agency, to be used for promoting tourism.
HB 1177 COLEMAN	Tourism Promotion	HB 1177 authorizes the agency to promote Texas to Texans as part of its duty to promote Texas as a tourism destination nationally and internationally, effectively changing national and international marketing focus to promote tourism to Texans as well as non-Texans,
HB 3271 COLEMAN	Public Subsidy Performance and Accountability Act	<p>HB 3271 amends the Government Code to establish the Public Subsidy Performance and Accountability Act to provide that any entity that receives a public subsidy for economic development purposes from the state must enter into a subsidy agreement that describes specific goals for the subsidy.</p> <p>The bill requires a state agency, after a public hearing, to adopt eligibility and other criteria for granting a subsidy and sets forth criteria requirements and requires the state agency to submit a copy of the criteria to Texas Economic Development for review and comment. The bill authorizes a state agency to modify the criteria adopted by the agency, subject to review and approval by the agency.</p>
SB 825 TRUAN	Hotel Occupancy Tax	<p>SB 825 amends Section 156 of the Tax Code (Hotel Occupancy Tax) by allocating one percent of the state hotel occupancy tax generated by coastal municipalities located wholly or partly on a barrier island or having boundaries within thirty miles of Mexico for cleaning and maintaining public beaches in the eligible communities.</p> <p><i>LBB fiscal note:</i> As Introduced: negative impact of \$(2,242,167) through the biennium ending August 31, 2003. Estimates a loss to agency's Tourism Division Account 5003 in FY 2002 of \$97,833, increasing incrementally to \$134,750 in FY 2006.</p>
SB 1425 TRUAN	Transfer of Office of Defense Affairs	<p>This bill transfers the Office of Defense Affairs from Texas Economic Development to the Office of the Governor removing ODA from the Agency's Market Texas function.</p> <p>This transfer would move three full-time equivalent positions and \$1,343,540 in appropriations out of the General Revenue Fund for the 2002-03 biennium from Texas Economic Development to the Office of the Governor.</p>

IX. Policy Issues

ISSUE I:

A. Brief Description of Issue

The role of the state's lead economic development agency and the programs offered by the agency should be consistent and stable. Lack of continuity in the programs offered and the administration of those programs result in less than optimal usage by the communities and businesses targeted by the programs' legislative authors. Further, the state has no consistent method of evaluating the effectiveness of its wide variety of economic development programs, which now reside at more state agencies in FY 2002 than they did two years ago.

B. Discussion

Texas Economic Development was established to serve as the state agency for promoting and developing the state economy and as the state's first point of contact for businesses interested in locating or expanding in Texas. The Agency promotes Texas tourism, oversees the state's economic investment programs and serves as a central source for economic development information.

Since its creation in 1987, the Texas Department of Commerce, its successor agency, the Texas Department of Economic Development, and the state's economic development programs have been the subjects of repeated legislative reorganization and restructuring. For instance:

- In 1991, the Texas Legislature transferred the Department of Commerce's Community Development Block Grant program to the Texas Department of Housing and Community Affairs and Film and Music program to the Office of the Governor. In addition, the Legislature restructured Commerce with an Advisory Policy Board and an Executive Director appointed by the Governor.
- In 1993, the Legislature established the Smart Jobs Fund Program within Commerce to provide employers with grants for customized job-training programs.

- In 1995, the Legislature added the Texas Manufacturing Assistance Center and Office of Defense Transition Services to Commerce, and eliminated state funding for all foreign offices except the Mexico City Office. In addition, the Legislature transferred administration of the Job Training Partnership Act from Commerce to the Texas Workforce Commission.
- In 1997, the Texas Legislature abolished Commerce and created the Texas Department of Economic Development. In doing so the Legislature abolished the Policy Board structure and established a Governing Board to oversee the new agency and hire an Executive Director. The Office of Defense Affairs, Office of Rural Affairs, and Economic Development Clearinghouse were established within the new Agency.
- In 1999, the Legislature zero-funded the Agency's Texas Manufacturing Assistance Center and transferred $\frac{3}{4}$ of the funding and FTEs from the Office of Rural Affairs to the Texas Department of Agriculture while leaving the rural mandates at the Agency.
- In 2001, the Texas Legislature appropriated funds, but failed to reauthorize the Smart Jobs Fund Program. In addition, the Legislature transferred the Office of Rural Affairs from the Agency to the Texas Department of Agriculture and transferred the Texas Capital Fund program from the Agency to the newly-created Office of Rural Community Affairs for administration by the Texas Department of Agriculture.

C. Recommendations and Impact

Recommendations:

Empower an interim, joint economic development committee to evaluate the state's economic development priorities and programs across all agencies and make a recommendation to the Legislature to stabilize the administration and funding of these programs. At the same time, seek a consistent methodology to evaluate the state's Return on Investment (ROI) on funds devoted to economic development incentives.

Expand and stabilize the resources of Texas Economic Development or its successor agency, and continue its program structure for a period of time sufficient for the Agency to demonstrate the effectiveness of its programs in implementing its mission.

Impact:

Continuity and stability are essential for the Agency to maintain its strategic focus and to retain professional staff with the institutional knowledge and expertise required to successfully manage its programs. This recommendation will allow the Agency to focus its efforts on its core statutory responsibilities and provide a stable and consistent economic development effort at the state level that complements and enhances the effectiveness of the local economic development activities.

The Agency believes that it would be possible to develop a consistent methodology for evaluating the Return on Investment – ROI – for similar economic development incentives. For example, the State has finance programs to subsidize and encourage economic development of specific sectors of the economy at several agencies including Texas Economic Development, Department of Agriculture, the Comptroller, General Land Office, Department of Housing and Community Affairs and the Office of Rural Community Affairs.

To reliably measure the effectiveness of any economic development program, the implementing agency needs stability. To this end, the Agency or its successor must at least maintain its current profile of programs. At this time, all of the Agency's programs operate interdependently; the benefit to the state is greater than each division working alone. For instance, international trade and the Texas Business and Community Economic Development Clearinghouse are integral parts of the Market Texas for Business expansion and recruitment activities.

It would seem less than efficient to separate the state's business recruitment and expansion and recruitment efforts into two parts—domestic and international—and then house these functions at different agencies with dissimilar missions and statutory charges as contemplated in one version of the Agency's Sunset legislation this past session. It is equally inefficient to separate economic development research from international trade or business expansion and recruitment. Economic impact studies, demographic data, trend analysis, and industry data are vital for everything from strategic planning and market studies to business plans and identifying expansion opportunities for the state's regions.

It is essential that development of the state's tourism industry remain closely identified with economic development. One way to accomplish this would be to continue all current tourism functions at the Agency or its successor. As the fourth largest industry and a major employer in the state, the tourism industry needs an effective advocate and a central point of contact for industry information.

As an economic development program, research-backed marketing of Texas as a tourism destination requires a strong national and international branding and promotional campaign to help increase tourism and hotel tax revenues and create jobs.

The success of the Agency's Tourism Marketing program is a shining example of what the state can accomplish when continuity of programming, stability of funding and resources, retention of institutional knowledge and expertise and reliance on research for the program's investment decisions is maintained over an extended period of years. Similar continuity of programming, funding and resources would allow the state and the Agency to retain the expertise and establish the knowledge base to achieve successful long-term results in all economic development initiatives.

ISSUE II:

A. Brief Description of Issue

In order to remain competitive, the state needs to fund international advertising. This could be achieved by creating a statutorily dedicated fund from state hotel occupancy tax revenues specifically for the purpose of promoting international tourism to Texas.

B. Discussion

From 1990-2000, international travel (including Canada and Mexico) to the U.S. has grown 47.2 percent and overseas travel has grown 72.5 percent. The competition among states to capture a share of this rapidly growing market is intensifying. The Travel Industry Association (TIA) reports that during 1999-2000, 24 states increased spending on international advertising, with six increasing spending from 100 percent to over 4700 percent. Illinois, Florida, North Carolina, Hawaii, Louisiana, Pennsylvania, Texas and Massachusetts each spent approximately \$1 million or more on international advertising in 2000 and 2001. However, due to intense competition and rising media costs in the domestic market, each year the Tourism Division of the Texas Department of Economic Development is required to allocate more funds to domestic advertising and promotion simply to maintain Texas' domestic market share of travelers. As a result, while other states are increasing international spending, the Division's international advertising spending has remained flat at \$1 million per year since 1997.

Statutory Authority - The Agency is mandated to promote the state as a premier tourist and business travel destination. More specifically, the Tourism Division is mandated to promote and advertise the state, domestically and internationally, to non-Texans. The Division is also mandated to conduct a public relations campaign to create a responsible and accurate national and international image of the state.

Previous Legislative Action - HB 2778 was filed during the 76th Legislative Session to amend Section 156.251 of the Tax Code to dedicate an additional 1/8 of 1 percent of revenue from the state hotel occupancy tax to the Tourism Division for international marketing activities. The bill was left pending in the House Ways and Means Committee.

Industry Partner Input - This issue was initially proposed by industry partners. The Tourism Division is surveying other industry partners to determine their position on this issue.

C. Recommendation(s) and Impact

Recommendation:

Legislation is required to dedicate additional revenue from the state hotel occupancy tax for international marketing activities.

Impact:

This funding would enable the Tourism Division to expand international consumer advertising; develop cooperative marketing opportunities with Texas tourism industry partners, including convention and visitors bureaus and airlines; support international travel to the state and expand the reach of the Texas brand; expand local tourism development efforts to assist communities in developing and marketing their tourism products to international travelers; and conduct research that would target marketing efforts and measure the impact, effectiveness and return on investment of international advertising and marketing activities. Currently, international travelers comprise approximately three percent of total travel to the state, but spending by international tourists (\$3.7 billion in 1999) accounts for 10 percent of all travel spending in the state. As a result of expanded international marketing activities, travel volume and spending would be expected to increase in a market that is receptive to the Texas travel product. The Agency anticipates such legislation would require no changes in FTEs and would positively impact Tourism Division performance measures.

If the Legislature dedicated 1/8 of one percent of additional revenue from the state hotel occupancy tax for international marketing activities, this funding would generate approximately \$10 million (in FY 2000 dollars) over the biennium.

ISSUE III:

A. Brief Description of Issue

Texas does not have a nationally competitive marketing and advertising campaign to market Texas as a business location. Funding and staffing for marketing Texas as a business location has been limited to taking advantage of specific opportunities and not driven by a well-funded and executed marketing plan. Stable funding would be most likely to leverage community funds in cooperative efforts and private funds through the Texas Economic Development Corporation.

B. Discussion

The Market Texas for Business strategy faces a number of challenges in establishing a nationally competitive marketing and advertising campaign. Each of these challenges was recognized to some degree by the Texas Strategic Economic Development Commission in its *Strategic Economic Development Plan for Texas, 1998-2008*.

Statewide marketing - in order to be most effective, the Agency must develop a statewide marketing strategy and gain the support and participation of state, regional and local economic development officials. The campaign would be developed based on feedback from customer groups and recent research supported by the Texas Economic Development Council.

Research driven - an effective, long-term marketing program will produce in-depth business climate and economic research to drive marketing and advertising. One of the great successes of the Agency's Tourism Marketing program has been its reliance on research results.

Brand recognition - the State of Texas has an image, but the challenge remains to develop a nationally and even internationally recognized "brand" for Texas as a business location. A Texas business location brand would reinforce the vibrant image of Texas around the world and become common to the marketing campaigns of all participating regions and communities.

Secure, long term funding - the greatest challenge is identifying a secure, long term funding source for a nationally competitive marketing and advertising campaign.

Secure, long term funding for a statewide marketing and advertising campaign is needed to provide a firm foundation for the private sector to leverage its marketing efforts to promote the state as a business location. The Texas Economic Development Corporation, a non-profit at the Agency, would provide a mechanism for funding these public-private marketing initiatives. A long-term commitment by the state would allow for long term commitments by private sector partners to participate through their contributions to marketing Texas.

C. Recommendation(s) and Impact

Recommendation:

Legislation is required to identify and set aside state revenues for the purpose of marketing Texas as a business location.

Impact:

With reliable, long-term funding and a research driven marketing and advertising campaign, Texas would be able to leverage public and private funds and energies to field a nationally-competitive marketing effort. This new, branded marketing campaign would take the message of the competitive advantages of the incredible variety of Texas business locations to the world. The business location leads resulting from this campaign would be available to participating partners to spur economic development throughout the state.

ISSUE IV:

A. Brief Description of Issue

The Agency's enabling legislation contains many references to programs or entities that are obsolete and could be repealed. In addition, some of the Agency's legislation is unclear or repetitive and could benefit from amendment.

B. Discussion

The Agency's enabling legislation has changed often over the years. It currently contains many references that are outdated, which can be confusing for agency stakeholders and program users. In addition, some portions of the statute are unclear or repetitive, as set forth below:

Obsolete references

Government Code, Section 481.005(d) contains a reference to the abolished Texas Department of Commerce Policy Board.

Chapter 481, Subchapter C, contains legislation establishing the Texas Strategic Economic Development Planning Commission that has expired.

Section 481.059 relates to the Texas Exporters Loan Fund that was abolished by the 75th Legislature in 1997.

Section 481.077 relates to the Capital Certified Development Corporation that was privatized in 1998.

Chapter 481, Subchapter F, relates to the Rural Economic Development Loan Guarantee fund that was abolished in 1997.

Section 481.172 requires the Tourism Division to promote horse and greyhound racing if funds are appropriated. Funds have never been appropriated for this function.

Section 481.379 contains language relating to an expired program, the Committee on the Design of Apprenticeship and Career Pathways Programs for Youth.

Chapter 484 establishes the Texas Manufacturing Institute; an advisory committee associated with the Texas Manufacturing Assistance Center that is no longer administered by the Agency.

Education Code, Chapter 146 establishes a Texas-Mexico Development Fund that has never received an appropriation.

The General Appropriations Act of the 77th Legislature contains several appropriations riders in Article VII, Texas Department of Economic Development, which apply to programs that will transfer from the Department. These include Texas Capital Fund, Office of Rural Affairs, and Texas Strategic Military Planning Commission, and the Smart Jobs program that expires December 31, 2001. It will be important to review each of these riders before the beginning of the 78th Legislative Session in order to remove or transfer those that no longer apply to the agency.

Unclear or repetitive language

Vernon's Texas Civil Statutes, Article 5190.6 contains repetitive and confusing language related to industrial revenue bonds. This statute was scheduled for nonsubstantive revision and codification in the Government Code during the 76th legislative session, then postponed.

Government Code, Section 481.0068 contains 22 mandates for the Office of Small Business Assistance, many of which are repetitive.

Section 481.024 relates to the Agency's nonprofit corporation. The language is confusing and could be simplified.

Section 481.028 contains several statutory MOU requirements, some of which may be unnecessary.

C. Recommendation(s) and Impact

Recommendation:

Review legislation related to the agency and amend and repeal confusing, duplicative, or unnecessary language.

Impact:

Clear and precise Agency mandates will assist stakeholders in understanding and accessing the Agency's programs.

ISSUE V:

A. Brief Description of Issue

TxED's Enabling Legislation for Tourism Promotion conflicts with State HUB Good Faith Effort Requirements.

B. Discussion

Enabling legislation mandates the agency to advertise and promote the state as a tourist destination to non-Texans. To comply with this mandate, tourism advertising and marketing must be conducted outside the state. This requires the purchase of advertising placements and marketing services from out-of-state vendors who cannot qualify as HUB vendors because, by statutory definition, HUB vendors must be Texas residents.

For example, in fiscal year 2001, the agency's contract for tourism advertising services totaled approximately \$14.6 million. Approximately \$800,000 in expenditures were amounts paid directly to the contractor (e.g., monthly service fee, etc.), leaving approximately \$13.8 million available for subcontracting, upon which the good faith effort criteria is based. However, of this \$13.8 million, approximately \$9.3 million (64.7%) was spent on out of state advertising placements with non-Texas vendors. The remaining \$4.5 million available for subcontracting with HUBs constitutes only 32.6% of the total available for subcontracting, meaning the contractor could subcontract 100% of the remaining \$4.5 million with HUB vendors and still not meet the 33% HUB good faith effort requirement. The contractor has developed a plan to make a good faith effort to award at least 33% of the total value of all non-advertising placement expenditures each year with HUB vendors. In order to facilitate meeting this goal, our current advertising agency has consented to participate in the agency's mentor/protégé program.

C. Recommendation(s) and Impact

Recommendation:

Since there are few, if any, practical opportunities for the agency to subcontract the purchase of its tourism advertising placements and international marketing services with HUB vendors, the agency suggests international marketing services with HUB vendors, the agency suggests that a new comp object code (s) be created for out-of-state tourism advertising placements and marketing services. The agency further suggests that expenditures made under the new comp object code(s) be exempted from state HUB subcontracting requirements.

ISSUE VI:

A. Brief Description of Issue

The Market Texas Clearinghouse hosts several web sites which provide economic and demographic data accessed by more than one and one half million businesses, communities and economic developers each year. This volume of exposure on the Internet provides that agency with an opportunity to increase funding from outside the agency through the sale of banner advertising on our web sites. The Tourism Division currently has this statutory authority and has generated over \$100,000 in revenues in support of their marketing efforts annually over the past two years. While the anticipated revenues would be much less, the agency seeks a statutory change to provide this authority for the Market Texas Clearinghouse.

B. Discussion

The Market Texas Clearinghouse currently publishes a large number of publications providing economic, demographic and trade data to businesses, communities, economic developers and researchers. With the growth of the Internet, most researchers currently enjoy the ability to access similar economic and demographic data in electronic format. As recently as FY 2001, The Clearinghouse was able to sell publications for revenues of \$2,600. At this time, fewer and fewer persons have been willing to purchase publications and revenues have fallen to approximately \$1,800 in FY 2002. Even so, the agency believes that the provision of this data will continue to be of benefit to the economic development community.

In order to offset the fall in revenues from lost sales of publications, the Clearinghouse proposes gaining statutory authority to sell Internet Banner Advertising. The Clearinghouse will continue to develop publications, but focus on electronic access to the publications in a downloadable format. Banner advertising, focusing on the market segments most interested the publication or data offered, would be able to command a reasonable fee.

The general authority of this agency to collect fees is not sufficient to sell advertising. Attorney General's Letter Opinion Number 93-4 affirms that state agencies must have express authority to engage in certain commercial activities. In the same letter, the Attorney General acknowledges a previous Sunset Commission recommendation that the Department of Commerce, Tourism Division receive this authority in order to solicit advertising as a source of revenue.

C. Recommendation(s) and Impact

Recommendation

Legislation is required to expressly grant authority to the Market Texas Clearinghouse to solicit and sell advertising as a source of revenue.

Impact

Statutory authority to solicit and sell advertising will allow the agency to continue to support the development and dissemination of a full range of publications over the Internet through the leveraging of state appropriations with private funds.

X. Appendix

Administrative Policy

Complaint Policy	No. 00112-10
	Date: August 20, 2002
	Revision: New Policy
	Page 1 of 2

1.0 Purpose This policy establishes a standardized process and procedure for receiving and handling complaints related to the programs and services provided by the Texas Economic Development based on Government Code section 481.12 (Public Interest and Complaints) and on the provisions of Senate Bill 1563, 76th Legislature, 1999.

2.0 Revision History

August 20, 2002	1.0	New Policy
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3.0 Persons Affected All Texas Economic Development Staff

4.0 Policy The Division Directors and all Agency staff will work to facilitate the courteous and prompt review of poor service and/or inappropriate conduct complaints.

5.0 Definitions Complaints are defined as any external customer's reports of dissatisfaction with programs or services provided by the Agency or any reported inappropriate conduct of Agency staff. Complaints can be received by mail, email, or in person.

Any contacts from external customers which can not be handled to the satisfaction of the customer by staff will be considered to be a complaint and should be referred to their Division Director.

6.0 Responsibilities All Texas Economic Development Staff

7.0 Procedures All written complaints received by the Agency and all

Complaint Policy	No. 00112-10
	Date: August 20, 2002
	Revision: New Policy
	Page 2 of 2

7.0 Procedures - continued

electronic complaints received via email (agency website) should be forwarded to the respective Division Director.

All complaint calls should be forwarded to the appropriate Division Director.

All complaints in person should immediately be brought to the attention of the appropriate Division Director.

The Division Director will record all such complaints (written, verbal, email) in their complaint tracking system. Any complaints which can not be resolved by the Division Directors with 48 hours should be forwarded to the Deputy Executive Director.

The Deputy Executive Director will have the complaint logged into the Agency Complaint Tracking System and assign a person to be responsible for handling the complaint.

The person assigned should respond to the complaint within 48 hours. They will also provide an update/status to the Deputy Executive Director and have the status reflected in the Agency Complaint Tracking System

The Agency shall keep an information file about each complaint filed with the Agency that the Agency has the authority to resolve. If a written complaint is filed with the Agency that the Agency has authority to resolve, the Agency, at least quarterly and until final disposition of the complaint, shall notify the parties to the complaint unless the notice would jeopardize an undercover investigation.

**Texas Economic Development
Administrative Procedure**

Complaint Procedure	No. 00112-10-1
	Date: August 20, 2002
	Revision: New Procedure
	Page 1 of 5

1.0 Purpose This procedure establishes a standardized procedure for receiving and investigating formal complaints of poor service or inappropriate staff conduct for the Texas Economic Development

2.0 Revision History

August 20, 2002	1.0	New Procedure
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3.0 Persons Affected All Texas Economic Development Staff

4.0 Policy See Administrative Policy 00112-10 Complaints

5.0 Definitions See Administrative Policy 00112-10 Complaints

6.0 Responsibilities The Division Directors and staff supervisors will work to facilitate the courteous and prompt review of poor service and/or inappropriate conduct complaints.

Complaints may be taken by any staff member.

Staff receiving a formal complaint call will forward the call to a division director.

Staff receiving a formal complaint in person will refer complainant to a division director.

The investigating division director or staff member assigned will examine all reported incidents in a confidential manner.

Texas Economic Development Administrative Procedure

Complaint Procedure	No. 00112-10-1
	Date: August 20, 2002
	Revision: New Procedure
	Page 2 of 5

7.0 Procedures

Responsibility (Person)

Staff

Action

1. Receives an incoming call from customer complaining about service or inappropriate staff conduct.

2. If possible, staff resolves customer complaint, and for recording keeping purposes fills out a "Complaint Form" recording customer name, date, time, description of complaint, and disposition of complaint.

3. Information pertaining to the complaint and the resultant action will be entered into a database and forwarded to the Division Director within 24 hours of the close of the complaint investigation.

4. If unable to resolve complaint, the "Complaint Form" and the call is referred to Division Director.

5. The Division Director receives "Complaint Form" and telephone call or places call to the customer.

6. The Division Director resolves the customer complaint and resolution on the "Complaint Form", or discusses nature of complaint and details from the customer noting them on the form.

Division Director

**Texas Economic Development
Administrative Procedure**

Complaint Procedure	No. 00112-10-1
	Date: August 20, 2002
	Revision: New Procedure
	Page 3 of 5

7.0 Procedures - continued

Responsibility (Person)

Division Director - continued

Action

7. If the complaint is found to be valid, the Division Director will take the one or more of the following actions:

- a) Policy/Procedure Change
- b) Technical Correction/Training
- c) Staff Correction

8. Any corrective action taken with respect to staff will be kept confidential.

9. Upon completion of the investigation, the Division Director will contact the complainant with the investigation results. The contact may be made by telephone, but will be followed up by a written letter to the complainant.

10. A copy of the completed investigation form, including complainant contact results and action with staff, will be forwarded to the affected staff and the Department Director.

11. Information pertaining to the complaint and the resultant action will be entered into a database by the Division Director within 24 hours of the close of the complaint investigation.

Deputy Executive Director

12. If Division Director is unable to resolve the complaint to the satisfaction of the

**Texas Economic Development
Administrative Procedure**

Complaint Procedure	No. 00112-10-1
	Date: August 20, 2002
	Revision: New Procedure
	Page 4 of 5

7.0 Procedures - continued

Responsibility (Person)

Deputy Executive Director -
continued

Action

12. -continued
customer, the "Complaint Form" will be forwarded to the Deputy Executive Director.

13. The Deputy Executive Director will further investigate the complaint and if warranted will take the one or more of the following actions:

- a) Policy/Procedure Change
- b) Technical
Correction/Training
- c) Staff Correction

14. Upon completion of the investigation, the Deputy Executive Director will contact the complainant with the investigation results. The contact may be made by telephone, but will be followed up by a written letter to the complainant.

15. A copy of the completed investigation form, including complainant contact results and action with staff, will be forwarded to the affected staff and the Division Director.

16. Information pertaining to the complaint and the resultant action will be entered into a the Agency Complaint Tracking Database by the Deputy Executive Director within 24 hours of the close of the complaint investigation.

**Texas Economic Development
Administrative Procedure**

Complaint Procedure	No. 00112-10-1
	Date: August 20, 2002
	Revision: New Procedure
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7.0 Procedures - continued

Responsibility (Person)

Staff

Action

17. Staff will prepare and file a “Complaint Form” with their Division Director when an unusual event or interaction with a customer occurs in the office, on the phone or in the field.

18. Staff will fully cooperate in the investigation of a complaint.

Approved: _____

Date: _____