



Watch Your Assets

January 2010

Recession Pounds Perry's Jobs Fund

The global recession that hit Texas in 2008 is playing havoc with Governor Perry's signature business-incentive program: the Texas Enterprise Fund (TEF). A review of 45 TEF projects that received \$363 million in public funds reveals that an increasing number of TEF recipients defaulted on their job commitments in 2008—with even more defaults expected to be reported in the 2009 compliance reports that TEF is now beginning to receive.

Run out of the Governor's Office,¹ TEF has been a centerpiece of Perry's administration, with the governor often convening media events to unveil TEF awards. The political role of the program has become more problematic in the last year. As a brutal economic downturn coincides with Perry's reelection campaign, the governor has not publicly addressed his job program's mounting woes. Instead, his office has quietly redefined success. When the 2008 recession struck, the Governor's Office increasingly amended TEF deals to ease the contractual requirements of what a recipient must do to hold onto its public funds. In its first four years of operation, TEF formally amended just one development deal.² Since the recession struck in 2008, Governor Perry has signed amendments diluting six additional development contracts.³ While the governor, House speaker and lieutenant governor all approve TEF grants, the Governor's Office said it acts alone when amending the deals.

TEF contracts typically permit the state to terminate an agreement—and recover public funds—when a TEF recipient falls woefully short of its initial job target. The Governor's Office has enforced the death penalty on just two TEF recipients—though many more companies have qualified for it under the terms of their contracts.

Recent TEF Contracts That Qualified For the Death Penalty But Have Not Been Terminated

Recipient	TEF Grant	Penalties Imposed*	Jobs Target
Albany Eng'd Composites	\$1,000,000	\$29,716	337
Authentix	\$1,000,000	\$17,248	120
Gulfstream	\$750,000	\$0	150
Martifer Energy Systems	\$945,000	\$4,305	225
Santana Textiles do Brasil	\$1,650,000	\$64,496	800

*Penalties TEF reported recovering as of October 2009.

Most TEF agreements contain "clawback" provisions that allow the state to impose financial penalties on recipients who fail to meet job commitments. Yet the Governor's Office does a better job of doling out state money than recovering it. The Governor's Office said that it fully recovered the public funds disbursed in the two TEF deals that it terminated with Hewlett-Packard and Maxim Integrated Products. As of October 2009, however, it had imposed \$647,100 in penalties on 11 other TEF projects studied here. These penalties recovered just 1 percent of the \$61.4 million that TEF has disbursed to these penalized grant recipients.

Governor Perry frequently boasts about Texas' economic performance, which he often attributes to TEF and state policies limiting regulations, torts and taxes. The governor's bragging made for an easier pitch as little as a year ago. Even as the U.S. economy tanked in October 2008, Perry convened a meeting on Texas' economy where he boasted that:

- The state added 252,000 jobs in 12 months; and
- Texas' 5 percent unemployment rate remained below its level during the high-tech bubble burst five years earlier.⁴

As the accompanying graph illustrates, however, Texas' employment growth rate turned negative starting in February of 2009, according to Texas Workforce Commission data. The same source reported that Texas' unemployment rate has since surpassed its peak during the dot.com-bomb,⁵ hitting 8 percent in November 2009 (below the U.S. unemployment rate of 10 percent). Lacking a TEFlon coating, many TEF-subsidized businesses have reported to the Governor's Office that they have been thrashed by the recession. As the recession took hold, the Governor's Office had to massage data to keep projecting an image of economic vibrancy. A media release it issued in January 2009 claimed, "Approximately 70 percent of the jobs created in the U.S. from November 2007-2008 were in Texas." To cook these numbers, the *Austin American-Statesman* revealed, the Texas Workforce Commission ignored all the jobs created by the 36 states that had negative job growth in that period.⁶ In fact, if you throw out just 13 more inconvenient states, Texas accounted for 100 percent all new U.S. jobs.

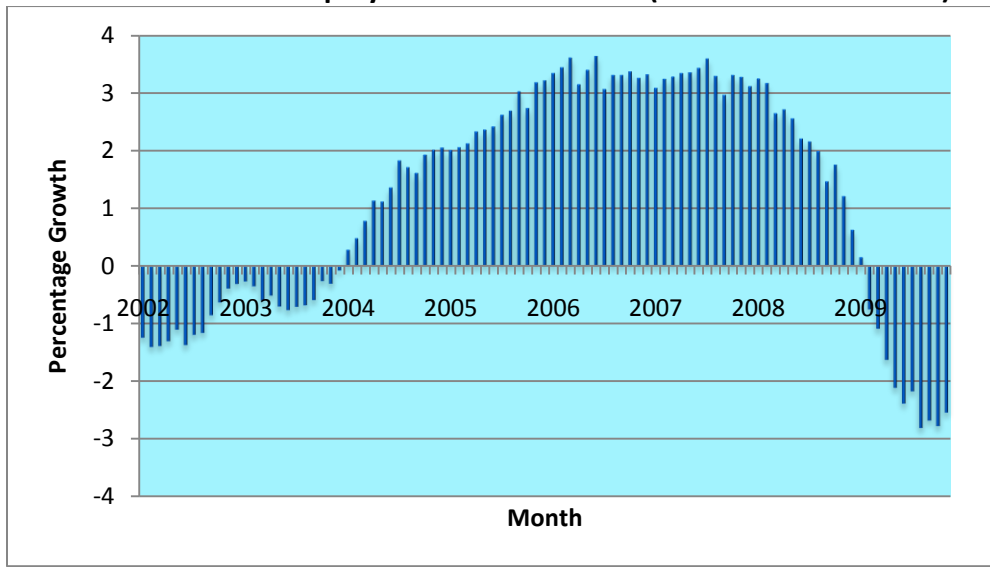
Penalized TEF Projects (As of Oct. 31, 2009)

Recipient	TEF Penalties Imposed	TEF Funds Disbursed (By 10/09)	Penalty As Percent of TEF Disbursement	Total TEF Grant
Albany Engineered Composites	\$29,716	\$300,000	10%	\$1,000,000
Alloy Polymers	\$10,032	\$100,000	10%	\$200,000
Authentix	\$17,248	\$750,000	2%	\$1,000,000
Cabela's	\$177,288	\$400,000	44%	\$600,000
*Hewlett-Packard	\$210,847	\$3,000,000	7%	\$5,000,000
Hilmar Cheese	\$282,353	\$7,500,000	4%	\$7,500,000
Lee Container	\$12,336	\$300,000	4%	\$300,000
Martifer Energia, S.A.	\$4,305	\$500,000	1%	\$945,000
*Maxim Integrated Products	\$107,149	\$2,000,000	5%	\$5,000,000
Sanderson Farms	\$14,491	\$500,000	3%	\$500,000
Santana Textiles do Brasil	\$64,496	\$800,000	8%	\$1,650,000
TX Instit. for Genomic Medicine	\$16,905	\$50,000,000	<1%	\$50,000,000
Trace Engines	\$17,930	\$250,000	7%	\$456,000
TOTALS:	\$965,096	\$66,400,000	1%	\$74,151,000

*The Governor's Office terminated this deal and said that it recovered all disbursed public funds.

Note: Penalties include repayment penalties, clawbacks and performance-based losses of additional disbursements.

Texas Non-Farm Employment Growth Rates (Jan. 2002 - Nov. 2009)



Source: Texas Workforce Commission and Texas A&M University Real Estate Center.⁷

Governor Perry claimed in February 2009 that TEF has created 54,000 jobs since the program's creation in 2003. Yet more than one-third of the jobs that Perry was counting were job *pledges* that had yet to materialize.⁸ While TEF touts job *creation*, it awarded \$51 million to three recipients to *maintain* pre-existing jobs (see Alloy Polymers, Samsung and Sematech). Nor are all TEF-subsidized jobs reserved for Texans. TEF's \$7 million contract with Tyson Foods expresses the "goal (but not requirement)" that 90 percent of the hourly workers at Tyson's Sherman plant be "Texas residents." Portugal-based Martifer Energy Systems reported in May that 11 of the 21 workers that it lined up for its TEF-subsidized plant in San Angelo were awaiting U.S. work visas.

A compilation of TEF projects that the Governor's Office published at the end of August 2009 lists 50 awardees that had job targets in their TEF contracts.⁹ Five relatively new TEF projects could not be evaluated here because they had yet to file their first compliance reports.¹⁰ TEF awarded the remaining 45 projects analyzed here a total of \$363 million to create or maintain 47,735 jobs (an average of \$7,603 per job). Many of these projects received other public subsidies in the form of property-tax abatements, job-training grants or tax credits. As of the end of 2008, these TEF projects certified that they had created or maintained 31,319 jobs.¹¹ While this accounts for just 66 percent of the total jobs that they pledged over the lives of their TEF contracts, it also represents a surplus of 7,550 more jobs than what they had pledged to produce by the end of 2008. This surplus vanishes, however, if you exclude two indulgent university projects that claim a surplus of 8,752 jobs.¹² As discussed below, these two TEF recipients negotiated contracts that give them credits for jobs that were not generated by their TEF-subsidized projects.

Twelve of the 45 projects reviewed failed to meet their contractual employment commitments, with TEF terminating two failed deals outright.¹³ More recipients would have defaulted if TEF had not amended eight contracts to ease their terms of compliance.¹⁴ Nine more TEF recipients are struggling with their job pledges, with many meeting their 2008 jobs targets only by drawing on a dwindling supply of surplus job credits from previous years. Some of these TEF recipients will almost certainly default on their 2009 job targets. Finally, the job targets in four major TEF contracts were fundamentally flawed. A \$50 million TEF contract suggests that Texas Instruments will create 1,000 new jobs, for example, but imposes no

deadlines or penalties for this amorphous target. The rest of this report takes a closer look at the 32 TEF deals that have been terminated or amended, are non-performing or troubled, or were fundamentally weak to begin with. Job-compliance reports submitted by the 13 remaining TEF recipients suggest that those deals are performing well.

Unemployment Insurance Has Funded the Enterprise Fund

Texas' Unemployment Compensation Trust Fund is running out of money to pay benefits to all the state's laid-off workers, including those laid off by companies subsidized by the Texas Enterprise Fund. The irony here is that the state unemployment fund has transferred \$161.5 million to Governor Perry's job fund since the legislature authorized such funding in 2005.¹ The Texas Workforce Commission recently announced that the unemployment-insurance taxes paid by most employers will almost triple in 2010 to cover shortfalls.² In other funding, the legislature has appropriated \$577 million for TEF since 2003 (though it snubbed Governor Perry's request for \$261 million more in 2009).³

¹ "Enterprise Fund Pulls Millions From Unemployment Taxes," Associated Press, April 1, 2009.

² "Jobless Taxes To Spike for Many Employers," *Dallas Morning News*, December 9, 2009.

³ "Perry, Dewhurst See Pet Projects Trimmed," *Dallas Morning News*, May 20, 2009. The Legislature authorized TEF in 2003 with HB 7 and SB 1771.

Status of Job-Related TEF Contracts

Recipient	Location	TEF Grant	Job Target	Deal Status
ADP	El Paso	\$3,000,000	1,028	Performing
Albany Engineered Composites	Boerne	\$1,000,000	337	Non-Performing
Allied Production Solutions	Gainesville	\$800,000	200	Amended
Alloy Polymers	Crockett	\$200,000	52	Troubled
Associated Hygienic Prod.	Waco	\$520,000	115	Fledgling
Authentix	Addison	\$1,000,000	120	Non-Performing
Cabela's	Buda, Fort Worth	\$600,000	400	Non-Performing
Caterpillar, Inc.	Seguin	\$8,500,000	1,714	Fledgling
Ctr. For Advanced Biomed. Imaging	Houston	\$25,000,000	2,252	Weak
CITGO Petroleum	Houston, Corpus	\$5,000,000	820	Performing
Comerica	Dallas	\$3,500,000	200	Troubled
Countrywide Financial	Richardson	\$20,000,000	7,500	Troubled
Fidelity Global Brokerage	Town of Westlake	\$8,500,000	1,535	Non-Performing
FlightSafety International	Irving	\$720,000	125	Fledgling
Gulfstream	Dallas	\$750,000	150	Non-Performing
HelioVolt Corp.	Austin	\$1,000,000	158	Performing
Hewlett-Packard	Austin, Houston	\$5,000,000	420	Terminated
Hilmar Cheese	Dalhart	\$7,500,000	376	Non-Performing
Home Depot	Austin, New Braunfels	\$8,500,000	843	Troubled
Huntsman	Woodlands	\$2,750,000	326	Troubled
Ineos USA LLC	League City	\$750,000	100	Performing
JTEKT Automotive	Ennis	\$333,000	200	Performing
KLN Steel Products	San Antonio	\$900,000	300	Fledgling
Lee Container	Nacogdoches	\$300,000	105	Non-Performing
Lockheed Martin	Houston	\$5,480,000	800	Amended
Martifer Energia, S.A.	San Angelo	\$945,000	225	Amended
Maxim Integrated Products	San Antonio	\$1,500,000	500	Performing
Maxim Integrated Products	Irving	\$5,000,000	1,000	Terminated
Motiva	Port Arthur	\$2,000,000	300	Performing
Newly Weds Foods	Mt. Pleasant	\$450,000	115	Performing
Rackspace	San Antonio	\$22,000,000	4,000	Amended
Raytheon	McKinney	\$1,000,000	200	Performing
Rockwell Collins	Richardson	\$1,678,392	334	Amended
Ruiz Foods	Denison	\$1,500,000	423	Performing
Samsung	Austin	\$10,800,000	900	Troubled
Sanderson Farms	Waco	\$500,000	1,312	Non-Performing
Santana Textiles do Brasil	Edinburg	\$1,650,000	800	Non-Performing
Scott & White Memorial	Temple	\$7,500,000	1,485	Performing
Sematech	Austin	\$40,000,000	400	Weak
Superior Essex Communication	Brownwood	\$250,000	50	Troubled
TX Energy Center	Sugar Land	\$3,600,000	1,500	Amended
TX Instit. for Genomic Medicine	Houston, A&M	\$50,000,000	5,000	Amended
TX Instruments (w/ UT Dallas)	Richardson	\$50,000,000	1,000	Weak
T-Mobile	Frisco	\$2,150,000	855	Performing
Torchmark	McKinney	\$2,000,000	500	Performing
Trace Engines	Midland	\$456,000	114	Non-Performing
Tyson Foods	Sherman	\$7,000,000	1,600	Troubled
US Bowling Congress	Arlington	\$610,000	175	Fledgling
Vought	Dallas	\$35,000,000	3,000	Troubled
Washington Mutual	San Antonio	\$15,000,000	4,200	Informally Amended

Terminated Deals

Hewlett-Packard Co.

When Hewlett-Packard (HP) sacked CEO Carly Fiorina in 2005 and replaced her with Mark Hurd, “cost cutting” was the new boss’s mantra. Analysts predicted that Hurd would slash up to 25,000 HP jobs.¹⁵ So perhaps it was too good to be true in October 2006 when TEF signed a \$5 million deal for HP to spend \$2 billion on four new data centers that would employ 420 Texans by 2010. Texas paid \$3 million up front, with the remainder due after HP had created the first 210 jobs. Instead, the deal went sour and HP never filed its first compliance report, according to the Governor’s Office. The parties formally terminated the contract in early 2008 because HP “was unable to meet the Job Target.”¹⁶ The Governor’s Office said it recovered HP’s \$3 million grant plus \$210,847 in penalties.

Maxim Integrated Products

Four years after awarding \$1.5 million to California-based Maxim Integrated Products for a San Antonio chip plant, TEF granted Maxim another \$5 million in 2007 to sink into a \$200 million chip facility in Irving. Maxim pledged that the Irving plant would employ 1,000 people by 2013. In its first compliance report, however, Maxim reported that “due to the economy and its effect on demand for our products, our plans for the Irving fab have been delayed.” Maxim certified that it had just nine full-time employees on location at the end of 2007, far short of the 75 jobs that it had promised by then. With Maxim reporting that it still had not opened the facility in June 2008, the parties terminated the contract. The Governor’s Office said it recovered the \$2 million it had dispersed to Maxim and \$107,149 in penalties. Maxim’s TEF-subsidized plant in San Antonio has certified that it has complied with its pledge to create 500 jobs.

Non-Performing Deals

TEF recipients that failed to meet their 2008 job targets and could not cover the shortfall with surplus job credits accumulated in previous years.

Albany Engineered Composites

TEF awarded \$1 million in early 2008 to New York-based Albany Engineered Composites, which makes fabrics used in the paper and aerospace industries. Albany pledged to invest \$40 million to expand its Boerne plant by the end of 2008 and to create 337 jobs by 2014. In its first year, Albany reported that it created just 17 of the 55 jobs it had promised. "Beginning with the second half of 2008 the global economy has suffered the most severe recession in decades," Albany reported. The company added that the recession had shuttered its now-bankrupt Eclipse Jet unit. Albany had expected Eclipse to generate 40 percent of the plant's new jobs. Instead, the company projected that it would shed from 24 to 40 additional employees in 2009 and would need up to three additional years to meet its job targets. The agreement authorizes TEF to terminate the deal and recover its funds if Albany failed to create 28 jobs by the end of 2008. TEF reported in October 2009 that it had recovered \$29,716 from Albany (10 percent of the funds that the company has received to date).

Authentix

This producer of counterfeit-detecting nanotechnology received \$1 million in taxpayer funds in October 2007 to invest \$6.6 million in the expansion of its operations in Addison. Authentix pledged to create 120 high-paying jobs by 2012. Acquired by the politically connected Carlyle Group in 2008, Authentix reported that year that it created 13 new jobs, or 12 short of its 25-job pledge. "Like other businesses in this industry sector and economy," the company reported to TEF, "Authentix is preserving its cash position and growing at a slightly slower pace than anticipated." Authentix reported that it expects to recover by 2010 and meet its job targets by 2012. Its jobs shortfall authorizes TEF to fine the company \$2,464 per missing job, terminate the agreement and demand repayment of the grant funds with interest. TEF reported in October 2009 that it had recovered \$17,248 from Authentix, or 2 percent of the company's state funding to date.

Cabela's

TEF promised in November 2004 to give this Nebraska sporting-goods retailer from \$400,000 to \$600,000 to sink \$120 million into two superstores in Buda and Fort Worth.¹⁷ The TEF agreement floridly describes Cabela's stores and their economic ripple effects. It says that the two new stores will spur "new hotels, entertainment parks, restaurants and complimentary retail stores...expected to total over \$250 million and create an additional 2,000 Texas jobs." Instead, the two stores have yet to provide the 400 relatively low-paying jobs¹⁸ for which they have been contractually responsible since 2005. TEF first forced Cabela's to repay some of its incentives in 2006, the first such repayment in the program's history.¹⁹ In previous years the company has blamed its lackluster results on hurricanes and high gas prices. "The environment continues to be difficult," notes the company's latest compliance report, "though Cabela's commitment to the [stet] Texas remains steadfast." Cabela's reported in 2008 that the hyped stores had 241 full-time jobs—159 jobs short of its pledge. To date, the state has recovered \$177,288 from Cabela's. This amounts to 44 percent of the TEF funds disbursed to the company. Cabela's last TEF report contained discouraging news about promised economic ripple effects. Due to the economic crisis, the report says, a hotel and two apartment projects slated to be built near the stores have been put on hold.

Worst- and Best-Paying TEF Jobs

Average Annual Job Compensation	Recipient	Job Target	TEF Grant
Worst-Paying TEF Jobs			
\$16,752	Lee Container	105	\$300,000
\$18,720	Sanderson Farms	1,312	\$500,000
\$23,000	Cabela's	400	\$600,000
\$23,000	Ruiz Foods	423	\$1,500,000
\$24,000	Tyson Foods	1,600	\$7,000,000
\$26,465	Hilmar Cheese	*1,962	\$7,500,000
\$26,595	Santana Textiles	800	\$1,650,000
\$28,000	Superior Essex Communication	50	\$250,000
\$29,500	Newly Weds Foods	115	\$450,000
Best-Paying TEF Jobs			
\$ 152,500	Comerica	200	\$3,500,000
\$ 112,000	Ineos USA LLC	100	\$750,000
\$ 100,000	Authentix	120	\$1,000,000
\$76,000	Lockheed Martin	800	\$5,480,000
\$77,000	Huntsman	326	\$2,750,000
\$72,000	CITGO Petroleum	820	\$5,000,000
\$72,000	HelioVolt Corp.	158	\$1,000,000
\$70,000	Sematech	400	\$40,000,000
\$70,000	Texas Energy Center	*1,500	\$3,600,000
\$70,000	UT Health Science Center	*2,252	\$25,000,000

*Includes indirect jobs (not limited to those directly created by TEF funding).

Fidelity Global Brokerage

TEF agreed in early 2007 to award \$8.5 million to Boston-based Fidelity Global Brokerage Group to invest \$200 million in expanding its operations in the Town of Westlake. Fidelity pledged to create 1,535 high-paying new jobs by the end of 2009. The company reported that it exceeded its 2007 job target of 651, amassing 132 surplus job credits. In 2008, however, Fidelity reported that it fell 509 jobs short of its target of 1,217 new jobs. Even after applying its 132-job surplus, Fidelity fell 79 jobs short of its promise. The company boosted its job count by successfully lobbying TEF to count jobs at Fidelity affiliates that were excluded from the original agreement.²⁰ TEF reported at the end of October that it had not recovered any funds from Fidelity.

Gulfstream Aerospace Services

TEF awarded \$750,000 in early 2008 to Gulfstream to invest \$20 million to expand its business-jet plant in Dallas. The deal pledged 150 new jobs by the end of 2009, with half of them due at the end of 2008. Gulfstream reported that it had created just 34 of the promised 75 jobs by the end of 2008. "The current unprecedented financial crisis, which is beyond any of our control, has caused severe economic deterioration," the jet company reported, "which has in turn slowed down our hiring plan." The agreement authorizes TEF to terminate the deal and recover its funds if Gulfstream fails to create at least 37 jobs by the end of 2008. TEF reported at the end of October that it had not recovered a dime from Gulfstream.

Hilmar Cheese Co.

Ten months after California hit Hilmar Cheese Co. with a record environmental fine (see “California’s Big Cheese”), TEF awarded the same company \$7.5 million in late 2005 to invest \$190 million to build a new cheese factory in the Panhandle town of Dalhart. Hilmar officials said they were attracted to Texas by its “common-sense approach to regulation.”²¹ Cheered in Dalhart when he announced the new plant in 2005, Hilmar Chair Richard Clauss said he “never got a welcome like that in California.”²² Hilmar pledged to create 376 new jobs directly by 2015. It also promised to spur another 1,586 “associated” jobs at new dairies created to supply the Hilmar factory. This cheese deal ripened slowly. By the end of 2008 Hilmar reported that it had created 169 direct new jobs and 326 associated jobs, falling 106 jobs short of its pledge. As a result of shortfalls, Hilmar had to repay the state almost \$282,353 (4 percent of its state funding).

California’s Big Cheese

A 2004 investigative report on Hilmar Cheese Co. found that, “For more than a decade, California water-quality enforcers have given the world’s largest cheese factory a free ride, sparing the politically connected company millions of dollars in required sewage treatment and allowing it to foul local water supplies and the air of nearby neighborhoods.”¹ This *Sacramento Bee* expose noted that Hilmar was “among the first of Gov. Gray Davis’ major donors to switch to Arnold Schwarzenegger” during California’s 2003 gubernatorial recall campaign. New Governor Schwarzenegger then tapped Hilmar founder Chuck Ahlem as undersecretary of agriculture (Ahlem’s son David became the manager of Hilmar’s Texas plant). During the late 1990s, Chuck Ahlem had served on the Central Valley Regional Water Quality Control Board.² This agency later documented that Hilmar had dumped hundreds of thousands of gallons of wastewater a day for years, attracting hordes of flies, quintupling groundwater salinity and triggering thousands of environmental violations. After Ahlem complained to the water board in 2001 about its probe of Hilmar pollution, staff regulators said that they were told “to back off” the investigation. Six weeks after the *Sacramento Bee* published its expose, the board fined Hilmar \$4 million and Chuck Ahlem resigned his state agricultural post to focus on his company’s regulatory issues (Hilmar later settled those issues for \$3 million).³

¹. “The World’s Biggest Cheese Factory Fouled Water and Air for Years,” *Sacramento Bee*, December 12, 2004.

². Appointed by Governor Pete Wilson.

³. “Hilmar Settlement Reached,” *Sacramento Bee*, March 17, 2006.

Lee Container Corp.

TEF gave Georgia-based Lee Container \$300,000 in 2005 to invest \$5.6 million in a Nacogdoches plastic-bottle plant that promised to create 105 jobs by 2010. Lee Container’s TEF contract requires these jobs to pay an average annual gross compensation of at least \$16,752, making them the worst-paying jobs in TEF history. Citing performance bottlenecks, Lee reported creating 51 new jobs in 2008—or 24 fewer than promised. TEF reported in October that it had recovered \$12,336 from Lee container (4 percent of its state funding).

Sanderson Farms

Mississippi-based Sanderson Farms landed a \$500,000 TEF grant in 2006 to invest \$73 million in a new chicken hatchery and processing plant in Waco by the end of 2007. The plant promised to create 1,312 jobs by the end of 2008. TEF requires these chicken jobs to pay an average annual gross compensation of \$18,720, making them the second-lowest TEF wages after Lee Container. Apparently these jobs have

a life expectancy akin to that of a Sanderson fryer. The TEF contract just requires Sanderson to maintain the jobs through 2009. TEF paid Sanderson \$381 per targeted job, making these the cheapest TEF jobs on record.

Sanderson reported 1,269 jobs at the end of 2008—43 jobs short of its target. To cover the deficit, Sanderson asked to draw on its surplus of 121 extra jobs from 2007.²³ Yet Sanderson did not appear on a TEF list of grantees that boasted surplus job credits at year-end 2008. Moreover, three weeks after Sanderson requested that its 2007 surplus be applied to its 2008 deficit, the chicken company asked the Governor's Office if it could count 78 contract chicken growers toward "the deficit of our total Texas jobs?" The Governor's Office said this chicken idea didn't fly. TEF data report that Sanderson returned \$14,491—or the contractually stipulated \$337 per missing job. This penalty amounted to less than three percent of Sanderson's total TEF funding.

Santana Textiles

TEF awarded \$1.65 million in August 2008 to Brazil-based Santana Textiles to invest \$170 million in a new denim plant in Edinburg by 2010. Santana pledged to create 800 low-paying jobs there by 2014, including 13 by the end of 2008. Citing "the financial crisis," Santana reported that it struck out on its 2008 job targets. The development deal authorizes TEF to terminate the agreement and recover its costs if Santana failed to create at least six jobs by the end of 2008. Instead, TEF fined the company \$64,496, or 8 percent of its TEF funding to date.

Trace Engines

TEF awarded \$465,000 in 2006 to Trace Engines to invest \$9.7 million in a plant to build engines for small aircraft.²⁴ The deal promises to create 114 jobs by 2013. While Trace's TEF application listed Oklahoma as a competitor for the plant, the company's top investors live in West Texas and intended to locate there from the get go.²⁵ "When we started more than two years ago," Trace board member L.D. 'Buddy' Sipes told the *Odessa American* in 2007, "a lot of people saw it as a way to diversify the [local] economy."²⁶ Trace reported that it had created 16 jobs by the end of 2008, or half of its commitment for that year. Trace cited the federal government as the main cause of its shortfall, reporting that the Federal Aviation Authority has yet to grant "Production Approval of our Facility." Trace requested that "no penalties be imposed...given our large contribution to Midland's tax base." As of October 2009, TEF had recovered \$17,930 from Trace, or seven percent of Trace's TEF funding to date.

Amended Deals

Allied Production Solutions

TEF agreed in October 2007 to award \$800,000 in tax dollars to Allied Production Solutions, LP, which makes equipment for the oil and gas industry.²⁷ Allied pledged to invest \$16 million to move its Oklahoma headquarters just over the Texas line to Gainesville, and to build a metal-tank factory there, too. The contract calls for 200 new jobs in Gainesville by the end of 2010. By the end of 2008, Allied reported that it created 106 jobs in Gainesville. Among these new hires, Allied listed five Oklahoma residents. It also listed four new workers with addresses near Wichita Falls—some 85 miles from the plant—and a fifth worker residing 185 miles away in Palestine, Texas. Counting the out-of-state residents as well as the employees with brutal commutes, Allied fell 39 jobs short of its 2008 commitment. The agreement authorizes TEF to penalize Allied \$1,053 for every missing job. Instead, TEF moved the goal posts. It amended Allied's contract in August 2009 because "the current global economic recession and banking crisis has caused significant unemployment in the State of Texas, and the... job creation commitments in the [original] Agreement are no longer feasible." The amended agreement, which says Allied had fallen \$3.6 million short of its investment target, gives the company two additional years to meet its job targets.

Lockheed Martin Corp.

TEF awarded \$5.48 million to Maryland-based Lockheed Martin Corp. in 2007 to invest \$58 million in a new Houston plant for its NASA Orion contract. Lockheed pledged to create 800 new jobs by the end of 2008.²⁸ The company reported 703 new employees at the end of 2008,²⁹ for an apparent shortfall of 97 jobs. Yet the same report says, "We are pleased to inform you that we exceeded the 600 job creation ... level by 17%." Asked why the compliance report's job target was so much lower than the one cited in its TEF agreement, Lockheed's point man on Orion finances, Terry Ahern, said Lockheed amended its TEF contract "when we got hit by federal cutbacks." Oddly, the Governor's Office had not provided this amendment in response to an October 2009 Public Information Act request for all TEF amendments. The Governor's Office later said it had not done so because the amendment—which Lockheed relied on in a compliance report filed in early 2009—was under negotiation for more than a year and not signed until late 2009. The rocket scientists negotiating with TEF rightfully concluded that the amendment that they sought to weaken their job targets was a *fait accompli*.

Martifer Energy Systems

TEF awarded Portugal-based Martifer Energy Systems \$945,000 in September 2008 to invest \$40 million to build a San Angelo plant that makes wind towers. Martifer promised to create 225 new jobs by 2012, including 10 by the end of 2008. With those jobs blowing in the wind in January 2009, TEF had cause to terminate the deal. Instead, it amended the agreement to give Martifer four extra months to produce the jobs. Martifer's compliance report filed in May certified that it had created just five of the 10 promised jobs. Noting that "the world has entered one of the biggest economic crisis [stet] of modern times," the Portuguese company promised to create 11 more jobs "once the individuals who will fill such positions obtain Unites [stet] States work visas." TEF reported in October 2009 that it recovered \$4,305 from Martifer for the shortfall,³⁰ or less than 1 percent of the company's state funding to date.

Rackspace US

TEF awarded \$22 million in 2007 to Internet-hosting giant Rackspace of San Antonio to invest more than \$100 million in a new headquarters for itself. The deal promised 4,000 new jobs by 2012. Rackspace reported that it exceeded its 2008 target of 475 new jobs by 54 extra employees. Citing the "current

global economic recession and banking crisis,” however, the parties amended the deal in July 2009 to dilute job commitments that were “no longer feasible.” While Rackspace promised 4,000 new jobs by 2012 in the original deal, the company now commits to just 1,225 jobs in this period (for \$8.5 million in state funding). The amended deal still pays Rackspace \$22 million if it can create 4,000 new jobs—giving it three additional years to hit this target.³¹ The amended deal downgrades higher job numbers that were contractual commitments in the original deal to optional bonuses.

Rockwell Collins

Iowa-based Rockwell Collins makes communications and aviation electronics systems. TEF awarded the company almost \$1.7 million in late 2007 to invest \$6.7 million to expand its Richardson facility. The deal promised that by the end of 2009 Rockwell would add 334 new jobs to the 947 workers that the company already employed in Texas. In a March 2008 amendment, the parties agreed to lower the baseline used to count new Rockwell employees. The revisionist amendment says that the original agreement overstated the number of Texas employees that Rockwell had at the time by 15 workers.³² Shortly before this revision, Rockwell reported that it had created 128 new jobs for 2008--121 short of its target.³³ In the same report, the company said it was trying to negotiate yet another amendment “to take into account headcount issues related to the country’s economic downturn.”

Texas Energy Center

TEF awarded the non-profit Texas Energy Center \$3.6 million in 2004 to invest \$20 million in its Sugar Land facility for research on new energy technologies. The Center is supposed to indirectly spur the creation of 1,500 jobs. Under the original deal, these jobs were to be in place by the first day of 2009. At that time the Center claimed to have spawned 1,350 jobs. An amendment that the parties signed in late 2005, however, converted this apparent job deficit into a surplus. The amendment only required 525 indirect jobs by the start of 2009. Unlike the original agreement, the amendment also allowed the Center to aggregate part-time positions into so-called “full-time equivalents.” Part-timers boosted the Center’s 1,350 jobs on New Year’s Day 2009 up to 1,405 jobs.³⁴ In this way, what would have been a deficit of 150 jobs under the original agreement was amended to a surplus of 880 jobs. The amended deal gives the Center until 2015 to hit its full target of 1,500 indirect jobs. In 2006 Waco Democratic Rep. Jim Dunningham criticized the Center for signing a \$20,000 federal lobby contract with former Tom DeLay chief of staff Drew Maloney on the same day that it signed its original TEF agreement (Governor Perry’s Office of Federal-State Relations also employed Maloney from 2002 through 2006).

Texas Institute for Genomic Medicine

TEF awarded \$50 million in July 2005 to Texas A&M University and Houston-based Lexicon Genetics, Inc. (now Lexicon Pharmaceuticals) to establish the non-profit Texas Institute for Genomic Medicine. The Institute’s mission is to amass a library of 350,000 cloned mouse stem cells. Soon after the Governor’s Office unveiled this deal, the *Houston Chronicle* reported that three families that controlled 17 percent of Lexicon’s stock had contributed more than \$325,000 to Governor Perry.³⁵ The Institute pledged to create 5,000 jobs by 2015 and maintain them through 2027 (A&M was responsible for 3,384 jobs and Lexicon for 1,616).³⁶ A&M’s jobs need not be direct hires. It can count any new job for which the Institute is “significantly responsible” through its efforts to attract or create biotechnology and drug-related positions in Texas.

In practice, A&M directed the Texas Workforce Commission to count *any new Texas jobs* in industries encompassed by the “Governor’s Biotech Cluster.” Data provided by the Workforce Commission indicate that the A&M’s job claims covered two dozen diverse industries from soybean processing to diagnostic imaging centers.³⁷ Given that A&M claims credit for all new jobs in a variety of medical-

research fields, it almost certainly is taking credit for many of the same jobs that the University of Texas' TEF-subsidized Center for Advanced Biomedical Imaging also claims to have generated (see below).

After Lexicon defaulted on some of its initial job targets, the parties amended the agreement in April 2008. The amendment relieved Lexicon of the need to produce any new jobs until 2012³⁸ and shifts the initial job burden exclusively to A&M. Under the amended deal, A&M must directly or indirectly create 357 new jobs by the end of 2008. A&M reported that it produced "3,658 actual jobs" for that period.³⁹ But why stop at "actual jobs"? A&M's TEF contract contains a multiplier that awards extra jobs credits if the average annual gross compensation for all its claimed jobs exceeds \$60,000.⁴⁰ In its compliance report covering 2008, A&M's reported that the multiplier pumped up its 3,658 actual jobs into credit for having created 5,022 jobs. In this way, A&M claims to have amassed 9,747 surplus TEF job credits during the deal's first three years!

Washington Mutual Bank

TEF awarded \$15 million in mid 2005 To Washington Mutual Bank (WaMu) to invest \$50 million in a new operations center in San Antonio. The deal calls for the creation of 4,200 new jobs by 2011, including 2,250 at the new facility. The timing could not have been worse. During the following year, WaMu cut almost 10,000 jobs, or about 16 percent of its national workforce.⁴¹ In the largest bank failure in U.S. history, federal regulators seized the \$300 billion WaMu in September 2008. Even as this ship was going down, WaMu's political committee contributed \$2,500 to Governor Perry's campaign in March 2008.⁴² Federal regulators immediately sold WaMu to JPMorgan Chase, which received \$25 billion from the federal Troubled Asset Relief Program a month later. Within six months of this acquisition, JPMorgan announced the elimination of 12,000 more WaMu jobs nationwide (JPMorgan inherited WaMu's TEF obligations).⁴³

Citing renovation delays at its new facility, WaMu missed its first job target in 2005, when it reported creating 356 jobs instead of the requisite 600. The Governor's Office wrote WaMu in March 2006, seeking to recover \$207,400 for the company's shortfall of 244 jobs. Instead of enforcing the penalty like a mortgage lender, the Governor's Office appears to have informally granted WaMu a three-month extension to make up this job shortfall.⁴⁴ By 2008 WaMu's contractual TEF target increased to 2,400 new Texas jobs. The bank reported that it created 2,208 of them—192 jobs short of its target.⁴⁵ To derive this number, WaMu reported that it aggregated together its part-time employees' hours to calculate an unspecified number of full-time-equivalent jobs. The governor's office accepted these piecemeal jobs even though WaMu's TEF agreement specifically applies to "full-time employment positions in Texas."⁴⁶ For the remainder of its deficit, WaMu appears to have relied on surplus job credits from previous years. The TEF agreement calls for 3,000 new jobs by the end of 2009, with the WaMu account still boasting 1,339 surplus job credits, according to TEF.

Troubled Deals

Alloy Polymers

Virginia-based Alloy Polymers had no Texas employees before it acquired a chemical facility in Crockett from Amapcet Corp. in May 2006. Five months later TEF agreed to award Alloy \$200,000 in tax dollars to invest \$16 million to expand that facility. Alloy pledged to create a total of 52 new jobs *at that plant* by the end of 2009, including 20 by 2007 and 35 by the close of 2008. What Alloy and TEF characterize as “new” jobs, however, sound a lot like “old” jobs. Alloy claims it “created” 32 apparently preexisting jobs through its 2006 acquisition of the Amapcet plant. It reported that it created a total of eight additional Crockett-area jobs in 2006 and 2007, resulting in an on-paper claim of 40 jobs by the end of 2007.⁴⁷ A year later, Alloy reported that its Crockett employment had dropped to 35 people—for a total increase of just three jobs beyond what existed at Amapcet when Alloy bought the plant. Alloy’s latest TEF compliance report blames its woes on Union Pacific Railroad, which it said “regularly embargoed our plant preventing delivery of raw materials to the site by rail.” TEF has recovered \$10,032 from Alloy, or 10 percent of the TEF funds that the company has received to date.

Comerica

TEF agreed in August 2007 to pay Comerica bank \$3.5 million to move its headquarters from Detroit to Dallas. The bank pledged to create 200 high-paying Texas jobs by 2010. Comerica exponentially increased its public funding a year later, when it received \$2.25 billion from the federal Troubled Asset Relief Program (TARP). By the end of 2008, Comerica told TEF that it had created 155 new jobs—or five jobs over its target for that year. Ten days after submitting this TEF report, however, the bank told investors that it would eliminate 5 percent of its national workforce.⁴⁸ The cutback does not bode well for Comerica’s 2009 TEF commitment of 172 new Texas jobs.

Countrywide Home Loans

In late 2004 TEF awarded California-based Countrywide \$20 million to expand its mortgage-lending operations in Texas and to create 7,500 new jobs here by 2010. The agreement cites Countrywide as “one of the nation’s fastest growing companies” that had expanded its workforce 23 percent since the beginning of that year! In the frothy first three years of this TEF deal, Countrywide wildly exceeded its jobs targets, racking up a 4,699 surplus job credits that it could apply to future shortfalls. As the housing market imploded in late 2007, however, Countrywide announced that it would lay off up to 12,000 of its 60,000 employees nationwide.⁴⁹ Even that year, however, Countrywide reported that it cleared its 4,000-job TEF target with a surplus of 656 extra jobs. Bank of America then acquired this ailing lender (and its TEF obligations) in mid-2008, several months before Bank of America received a \$15 billion federal bailout from the Troubled Asset Relief Program (TARP). Decrying this federal bailout, Governor Perry said “We’re certainly not interested in Washington bailing out a bunch of irresponsible mortgage brokers in an industry that has too often been run on greed.”⁵⁰ At a press conference awarding \$20 million in taxpayer money to Countrywide four years earlier, however, Perry trumpeted the deal as TEF’s “crowning jewel.”⁵¹ Countrywide told TEF that its tally of new Texas jobs dropped in 2008 to 3,876 positions, or 1,624 jobs short of its target. Although Countrywide still boast 3,090 TEF job credits from its go-go days, they alone cannot cover the 7,500 new Texas jobs that Countrywide has promised by 2010.

Home Depot

TEF awarded Home Depot \$8.5 million in 2004 to invest \$383 million in two new facilities: an Austin technology center and a customer support center in New Braunfels. Together the two complexes pledged to hire 843 people by March 2008 and to maintain them through 2014. Home Depot reported

that the two facilities employed a total of 791 people in March 2008, or 52 short of its pledge. The company made up the difference by drawing on the 695 surplus job credits that amassed in previous years.

Biggest TEF Job Claims

Jobs Pledged	TEF Awardee	TEF Amount	Deal Year	2008 Job Target	2008 Job Claim
7,500	Countrywide Financial	\$20,000,000	2004	5,500	3,876
5,000	TX Instit. for Genomic Medicine	\$50,000,000	2005	357	5,022
4,200	Washington Mutual	\$15,000,000	2005	2,400	2,208
4,000	Rackspace	\$22,000,000	2007	475	529
3,000	Vought	\$35,000,000	2004	0	821
2,252	Ctr. for Advanced Biomed. Imaging	\$25,000,000	2005	839	4,926
1,714	Caterpillar, Inc.	\$8,500,000	2009	0	0
1,600	Tyson Foods	\$7,000,000	2005	1,397	1,460
1,535	Fidelity Global Brokerage	\$8,500,000	2007	1,217	708
1,500	Texas Energy Center	\$3,600,000	2004	1,500	1,350

Huntsman Corp.

In mid-2005 TEF awarded Utah-based Huntsman Corp. \$2,750,000 to invest \$226 million in Texas. Huntsman pledged to expand its chemical facilities in Odessa and Port Neches and to build new administrative and research offices in the Woodlands. The deal promised to create 326 high-paying new jobs by the end of 2009. Huntsman had a strong start, racking up a surplus of 116 extra jobs by the end of 2005, but since has cut its workforce. After cashing in 106 job credits to meet its job targets in recent years, Huntsman closed out 2008 with just eight credits left. Apart from those credits, Huntsman must add two dozen new jobs to hit its 2009 pledge.

Samsung Austin Semiconductor

TEF agreed in 2005 to award \$10.8 million to a unit of Korea-based Samsung Electronics to invest \$2.5 billion in building a new chip plant next to its existing one in Austin. Samsung pledged that by the end of 2009 the new plant would create 900 new jobs, while maintaining at least 300 preexisting jobs in Austin. One clause in the agreement says that these 900 jobs must be above and beyond what Samsung employed when the deal was signed (separately reported to be around 1,250 people).⁵² The deal further commits Samsung to employing a total of at least 1,895 workers at its Austin facilities for the years 2010 through 2019. A Samsung spokesman told the *Austin Business Journal* that the company employed 1,001 people locally in January 2010.

Samsung's target by the end of 2008 was 375 new jobs,⁵³ with the company reporting a cumulative total of 478 new jobs—or a surplus of 103 extra jobs.⁵⁴ Yet Samsung's Austin employment is showing signs of severe strain. The 478 new jobs that Samsung reported in 2008 were down from the 827 new jobs that it had reported the year before. Samsung's latest compliance report noted that it had secured a permit to build the second part of its new plant "but construction is currently on hold."⁵⁵ Samsung reported in mid 2009 that it was laying off from 500 to 550 employees while it renovated its old plant to incorporate it into the new, highly automated plant. The company said it expected to hire back no more than 200 workers when it finishes the renovation in 2010.⁵⁶ "You don't need as many people," a Samsung spokesman told KXAN News, "you have a lot of robots back there."⁵⁷

Superior Essex Communication

Atlanta-based Superior Essex Communication received a \$250,000 TEF award in 2005 to invest \$7.6 million in expanding a Brownwood plant that makes communications wires. Superior Essex pledged to create 50 new jobs by the end of 2005 and maintain them through 2019. Living up to its name, Superior exceeded its job target in 2005, reporting 86 new jobs. But the plant's payroll has dwindled ever since.⁵⁸ Blaming the "overall economic downturn," Superior reported that it fell eight jobs short of its target in 2008. Superior drew on surplus job credits from previous years to cover the deficit.

Tyson Foods

TEF awarded Arkansas-based Tyson Foods \$7 million in 2005 to invest \$100 million in a new meat plant in Sherman by 2009. Tyson, which also received \$3 million for job training from the state Skills Development Fund,⁵⁹ pledged that the plant would provide 1,600 low-paying jobs by the end of 2009. Tyson reported that it employed 1,460 people at the new Sherman plant by the end of 2008—63 more than required at that time. Nonetheless, the Sherman plant—which must add 140 workers this year—shed 39 workers in the last three months of 2008. In an unusual provision, Tyson's TEF deal expresses a contractual "goal (but not requirement) that Texas residents comprise at least ninety percent (90%) of the hourly workforce of Tyson." The world's largest meat company has successfully defended itself from charges of employing illegal immigrants at U.S. plants by arguing that it did not knowingly hire illegal workers.⁶⁰ Tyson's compliance reports did not say what percent of its employees were Texas residents.

Vought Aircraft Industries

TEF awarded \$35 million in 2004 to Irving-based Vought Aircraft Industries to expand its aviation-parts facilities in Texas. Vought pledged to create 3,000 new jobs by the end of 2009 and maintain a total of 6,000 jobs through 2019.⁶¹ The deal did not require Vought to create any new jobs before 2009. Vought reported that at the end of 2008 it employed 3,905 people in Texas, of which 821 constituted new jobs. Significantly, this new-job count was down 32 percent from the 1,200 new jobs that the Governor's Office said that Vought had created by early 2006.⁶² Creating another 2,179 new jobs over the course of turbulent 2009 would require extraordinary lift.

Vought's original plan called for consolidating its Florida and Tennessee operations at the expanded Texas plant. These geographical consolidations were to account for about half of the company's TEF job targets. The company reported in late 2005, however, that it no longer planned to move the out-of-state operations to Texas. As Vought laid off 600 people in 2006, the *Dallas Morning News* reported that the struggling company might be able to pocket all its state funds even if it fails its job commitments.⁶³ Vought's TEF agreement is premised on the company signing a long-term lease for its headquarters, which is located on U.S. Navy property. Absent such a lease, the agreement directs the state to seek additional public funds for the company or rollback the penalties that it otherwise would face for defaulting on its TEF commitments. Vought referred questions about the lease to a spokesperson who did not return repeated calls about the matter.

Weak Deals

Sematech

The federal government and computer chip manufacturers created the high-tech research consortium Sematech in 1987, establishing its headquarters and a Sematech fabrication plant in Austin. Sematech's federal funding ended in 1997, leaving the consortium scrambling for funds. TEF awarded \$40 million to Sematech in 2004 to establish the Advanced Material Research Center (AMRC) in Austin.⁶⁴ It was TEF's "first fully funded" contract. Despite the large payout, TEF did not require Sematech to directly create new jobs. Rather the deal requires Sematech and AMRC to "maintain" a combined total of 400 employees through 2011.⁶⁵ By paying \$40 million to *maintain* 400 jobs, Sematech boasts the most-expensive TEF jobs by far (\$100,000 per job).

A "Compliance Certificate" that Sematech sent TEF in September 2009 said that the company has "complied with all Funding Conditions of the Agreement." In listing its contractual accomplishments, Sematech did not mention its Austin payroll. Sematech's compliance reports from past years indicate that its Texas employment peaked at 523 jobs in 2006. This included "direct hires, assignees and guest researchers." Sematech reported that this figure dropped to 465 in 2007. The following year, Sematech did not report its 2008 employment directly. Instead, it said that "the average of direct employment positions for the first five years (2004-2008) was 477." This average suggests that Sematech's 2008 employment fell to around 437 Texas jobs. This fulfills Sematech's commitment to 400 local jobs. Yet this number appears to be at odds with media reports.

Sematech laid off 80 of its 500 workers in January 2006.⁶⁶ The following year it landed \$300 million in public funding from the Empire State to almost triple Sematech's 250 employees at the State University of New York's Albany campus.⁶⁷ Months later Sematech laid off workers at its original fabrication plant in Austin and told workers elsewhere in Austin that they would have to move to Albany to keep their jobs.⁶⁸ In late 2008, when its Austin payroll reportedly dwindled to approximately 200 workers, Sematech appointed the head of IBM's New York-based chip center as its new CEO. Although he declined to say if he would live in Austin or New York, new CEO Daniel Armbrust hinted at where Sematech's future lies. Referring to Albany, Armbrust told the *Austin American-Statesman*, "You tend to invest where the strategy is working, and I would say it that it is working there."⁶⁹

Sematech's Albany play is hard to square with its 2004 TEF pledge not to "establish any new significant facility outside of Texas" nor "negotiate with any foreign national or domestic state or local governmental entities" to do so for seven years. The contract defines a prohibited "significant facility" as one in which the Sematech invests at least \$25 million. When New York announced its 2007 Sematech deal, then-Governor Eliot Spitzer announced that Sematech "made a financial commitment of \$400 million" to the deal and "agreed to locate its headquarters in Albany."⁷⁰ Declining to answer specific questions about the no-compete clause and its Austin payroll, Sematech issued a statement saying that it is "continuing to meet our obligations to the State of Texas."⁷¹ The Governor's Office said Sematech has pledged to keep its headquarters in Austin and TEF regards the International Sematech program in Albany as a mere extension of Sematech's preexisting presence there. "As far as we're concerned, they haven't gone against that [no-compete] provision in the agreement," Governor Perry's Assistant General Counsel, Michael Bryant, said in an interview.

Texas Instruments

TEF awarded \$50 million in March 2004 to beef up the University of Texas at Dallas' engineering program, which was launched by executives at Texas Instruments (TI). A major goal of that deal was to convince TI to invest \$3 billion in a new computer chip plant in Richardson. The University and TI both signed TEF agreements the same day. While the preamble of TI's agreement says the new plant "is expected to employ up to 1,000 people," the contract contains no formal job targets.

With a state payout of \$50,000 per expected job, the TI deal contains the second most expensive jobs in TEF history. After TI built the new chip plant, the building sat vacant for three years until TI's recent announcement that it would start production.⁷² While the new plant was mothballed, TI laid off 424 Dallas-area workers.⁷³ In October 2009 TEF and TI terminated their agreement, noting that TI, which had not reported creating any jobs, "fully satisfied its obligations." The federal government awarded TI \$51 million in tax credits in January 2010 to promote the same late-blooming plant.⁷⁴ TI said the plant would employ 250 people by the end of 2010—a fraction of the 1,000 workers touted six years earlier.

Priciest and Cheapest TEF Jobs

TEF Amount Per Job	Recipient	TEF Grant	Job Target	Average Annual Job Compensation
TEF's Priciest Jobs				
\$100,000	Sematech	\$40,000,000	400	\$70,000
\$50,000	UT-Dallas/TX Instruments	\$50,000,000	1,000	\$0
\$17,500	Comerica	\$3,500,000	200	\$152,500
\$12,000	Samsung	\$10,800,000	900	\$63,000
\$11,905	Hewlett-Packard	\$5,000,000	420	\$60,000
\$11,667	Vought	\$35,000,000	3,000	\$53,000
\$11,101	Ctr. for Advanced Biomed. Imaging	\$25,000,000	*2,252	\$70,000
\$10,083	Home Depot	\$8,500,000	843	\$36,584
\$10,000	Instit. for Genomic Medicine	\$50,000,000	*5,000	\$60,000
TEF's Cheapest Jobs				
\$381	Sanderson Farms	\$500,000	1,312	\$18,720
\$1,500	Cabela's	\$600,000	400	\$23,000
\$1,665	JTEKT Automotive	\$333,000	200	\$30,000
\$2,063	Santana Textiles	\$1,650,000	800	\$26,595
\$2,400	Texas Energy Center	\$3,600,000	*1,500	\$70,000
\$2,515	T-Mobile	\$2,150,000	855	\$44,013
\$2,667	Countrywide Financial	\$20,000,000	7,500	\$40,846
\$2,857	Lee Container	\$300,000	105	\$16,752
\$2,918	ADP	\$3,000,000	1,028	\$30,908

*Includes indirect jobs (not limited to those directly created by TEF funding).

Center for Advanced Biomedical Imaging

TEF awarded \$25 million in 2005 to the University of Texas System to create the Center for Advanced Biomedical Imaging at Research Park next to Houston's Texas Medical Center. UT's Health Science Center and MD Anderson Cancer Center spearheaded the Center, with General Electric's assistance.⁷⁵ The UT entities pledged to create a total of 2,252 new jobs by 2011. By the end of 2008, when their

target was 839 jobs, the UT entities reported creating 4,925.9 jobs. As such, the employers already have wildly exceeded their total job target due in 2011. How can this be?

While the TEF contract allows the UT Health Science Center and MD Anderson to count all new jobs at Research Park, a more expansive provision also embraces all “jobs in support of research initiatives and clinical activity.” It’s difficult to conceive of what MD Anderson and UT Health Center jobs do not “support” research and clinical activity. New jobs that the UT entities reported to TEF include plumbers, police, pharmacy technicians, a dean’s office communications specialist, room-service wait staff and an MDA Café cook. They also reported new employees in Austin, Brownsville, Dallas and San Antonio. Dr. Kenneth Shine, UT’s executive vice chancellor for health affairs, confirmed that the UT entities do not limit themselves to reporting Research Park jobs. “In negotiating the agreement,” Shine wrote, the parties recognized that “It would be almost impossible to obtain data concerning job creation and salaries from all of the contractors, subcontractors, vendors and related entities that created jobs due to work at the Research Park.”⁷⁶

TEF Projects That Started 2009 With Surplus Job Credits

Recipient	Job Surplus Year-End 2008	Total Job Target
ADP	765	1,028
Alloy Polymers	26	52
Ctr. For Advanced Biomed Imaging	4,086	2,252
CITGO Petroleum	176	820
Comerica	17	200
Countrywide Financial	3,090	7,500
Home Depot	695	843
Huntsman	8	326
JTEKT Automotive	114	200
Maxim Integrated Products*	207	500
Rackspace	54	4,000
Raytheon	143	200
Rockwell Collins	32	334
Ruiz Foods	520	423
Scott & White Memorial	241	1,485
Superior Essex Communication	7	50
T-Mobile	914	855
TX Energy Center	3,182	1,500
TX Instit. for Genomic Medicine	3,301	5,000
Torchmark	346	500
Tyson Foods	104	1,600
Washington Mutual	1,339	4,200

*San Antonio project (TEF terminated Maxim’s Irving project).

Note: TEF recipients exceeding their job targets for a given year typically receive job credits that they can apply to shortfalls in future years. According to the Governor's Office, these TEF recipients began 2009 with surpluses.

Special Thanks

TPJ thanks Don Baylor, a senior policy analyst at Austin's Center for Public Policy Priorities, for his thoughtful comments on a draft of this report.

Notes

¹ TEF is a program of the Governor's Economic Development and Tourism Office.

² TEF amended the Texas Energy Center deal in 2005. As discussed later, that same year TEF appears to have informally granted Washington Mutual an extension to meet its job targets.

³ The lieutenant governor and House speaker do not sign off on amendments to TEF agreements, according to the Governor's Office.

⁴ "Gov. Perry Meets with State Leaders to Discuss Texas Economy," Governor's Office media release, October 6, 2008. This meeting occurred days after Congress passed legislation authorizing the bank bailout called the Troubled Asset Relief Program (TARP).

⁵ Texas' unemployment rate peaked at 6.8 percent during the 2003 dot.com bomb.

⁶ "Perry's Statement on New Jobs 'Just Not True,'" *Austin American-Statesman*, January 13, 2010.

⁷ To see U.S. and Texas employment growth rates side by side, refer to the A&M Real Estate Center's "Monthly Review of the Texas Economy, November 2009." <http://recenter.tamu.edu/pdf/1862.pdf>

⁸ "Economy Cuts Both Ways for Perry," *Dallas Morning News*, March 10, 2009.

⁹ The Governor's Office listed three projects bereft of job targets. Baylor College of Medicine milked \$2 million from TEF for a no-jobs-required proposal to map the genetic structure of a cow. The parties terminated the Baylor deal in October 2009, declaring all its terms met. TEF also awarded \$9.8 million to two projects connecting major Texas universities via a fiber-optic network: The Lonestar Education & Research Network (LEARN) and the Texas Internet Grid for Research & Education (TIGRE). TEF's list treats LEARN and TIGRE as a single grant despite the fact that they signed separate TEF contracts.

¹⁰ These TEF recipients are: Associated Hygienic Products, Caterpillar, FlightSafety International, KLN Steel Products, and the U.S. Bowling Congress.

¹¹ This excludes Sematech, for which the Governor's Office provided no jobs data.

¹² A&M's Texas Institute for Genomic Medicine and UT's Center for Advanced Biomedical Imaging in Houston.

¹³ Hewlett-Packard and Maxim Integrated Product's project in Irving.

¹⁴ TEF *formally* amended contracts with Allied Production, Lockheed Martin, Martifer Energia, Rackspace, Rockwall Collins, Texas Energy Center and the Texas Institute for Genomic Medicine. At press time the Governor's Office had yet to provide a copy of its contract amendment with Lockheed. TEF also appears to have *informally* amended Washington Mutual's contract to grant it a four-month extension to meet its 2005 job targets. WaMu's 2008 compliance report also cobbled together the hours of its part-time employees to generate an unspecified number of full-time-equivalent jobs. Although WaMu's contract explicitly requires "full-time employment positions," the Governor's Office said TEF routinely accepts full-time equivalents instead.

¹⁵ "HP May Cut as Many Jobs As 25,000," *Latin American Herald Tribune*, July 19, 2005.

¹⁶ HP's first job target was a total of 180 new jobs by the end of 2007.

¹⁷ The state also kicked in \$20 million in work on the I-35 interchange near the Buda store. See "Cabela's Sought Big Incentives From State," *Austin American-Statesman*, November 22, 2005.

¹⁸ The contract stipulates that the Cabela's jobs offer an average annual gross compensation of at least \$23,000 (inflation-adjusted to \$24,408).

¹⁹ "Hiring Target Missed, Cabela's Repays Texas," *Austin American-Statesman*, August 15, 2006.

²⁰ Fidelity's 2008 tally includes six employees who worked at company subsidiaries that were not covered by its TEF agreement. The Governor's Office said that it agreed to expand the agreement to cover additional subsidies.

²¹ "Dalhart's Dairy Boom," *Dairy Today*, June/July 2007.

²² "Behold the Power of Cheese," *Texas Dairy Review*, January 2006.

²³ Sanderson's 2007 target was 669 jobs.

²⁴ The Midland Development Corp. awarded Trace another \$400,000 in public funds.

²⁵ "Airplane engine firm to hire 114," *Midland Reporter-Telegram*, August 23, 2006.

²⁶ "Revving up the economy," *Odessa American*, April 23, 2007.

²⁷ Allied is a subsidiary of Titan Tank & Vessels LLC.

²⁸ Including at least 300 direct hires and no more than 300 jobs through Orion-project subcontractors

²⁹ This included 495 direct hires and 208 Orion subcontractors.

³⁰ Reflecting the contractually stipulated \$861 per missing job.

³¹ The amended agreement calls for 4,000 jobs by the end of 2015; the original deal required 4,000 jobs by the end of 2012.

³² This amendment dropped the pre-agreement baseline from 947 Rockwell employees in Texas to 932 Texas employees.

³³ With the lower jobs baseline adopted a month after Rockwell filed this report, this deficit presumably would drop to a shortage of 113 jobs.

³⁴ The Center reported that it had a hand in creating the most jobs at EMS Pipelines Services, Inc. (817 jobs), Sunoco Logistics Partners, LP (228) and Schlumberger Technology Corp. (115).

³⁵ “Beneficiary of State Grant Has Links To Perry,” *Houston Chronicle*, August 7, 2005. The contributing stockholders were Robert McNair, William McMinn and Gordon Cain’s family (Gordon Cain died in 2002).

³⁶ The agreement also includes jobs at concerns in which Lexicon owns 50 percent or more.

³⁷ The Texas Workforce Commission credited Texas jobs in these industries to the A&M Institute: Wet Corn Milling; Soybean Processing; Other Oilseed Processing; Ethyl Alcohol Manufacturing; All Other Basic Organic Chemicals; Cellulosic Organic Fiber Manufacturing; Nitrogenous Fertilizer Manufacturing; Phosphatic Fertilizer Manufacturing; Fertilizer (Mixing Only) Manufacturing; Agricultural Chemicals Except Fertilizer; Medicinal and Botanical Manufacturing; Pharmaceutical Preparation Manufacturing; In-Vitro Diagnostic Substance Mfg; Other Biological Product Manufacturing; Electromedical Apparatus Manufacturing; Analytical Laboratory Instruments; Irradiation Apparatus Manufacturing; Surgical and Medical Instrument Mfg; Dental Equipment and Supplies Mfg; Ophthalmic Goods Manufacturing; Dental Laboratories; Testing Laboratories; Research and Development in the Physical, Engineering, and Life Sciences; Medical Laboratories; and Diagnostic Imaging Centers.

³⁸ Under the original deal Lexicon already would have had to create 1,550 new jobs by then.

³⁹ Lexicon separately reported “no new employment positions” in 2008.

⁴⁰ The original agreement requires claimed jobs to have an average annual gross compensation of \$60,000—or \$15,000 per quarter. The Workforce Commission divides quarterly payroll wages in the selected industries by \$15,000. If aggregate compensation exceeds the floor amount, A&M gets extra job brownie points.

⁴¹ “Washington Mutual Lays Off 255 Employees,” Associated Press, November 2, 2006.

⁴² The contribution came three months after the ailing bank announced that it would eliminate 3,000 jobs nationwide.

⁴³ “J.P. Morgan Chase To Cut 2,800 Jobs at WaMu,” *Dallas Morning News*, February 27, 2009.

⁴⁴ In 2006 WaMu claimed a 30-job surplus beyond its target of 1,200 jobs.

⁴⁵ WaMu reported that the new facility accounted for 1,855 of these employees.

⁴⁶ “Enterprise Fund Companies Allowed to Count Part-Time Jobs,” Associated Press, April 17, 2009.

⁴⁷ This amounts to a 20-job surplus beyond the 2007 target of 20 jobs—provided that you count the 32 preexisting Amapcet jobs as “new.”

⁴⁸ “Bank Treads Carefully,” *Dallas Morning News*, January 23, 2009.

⁴⁹ “Countrywide Plans Deep Cuts,” *New York Times*, September 8, 2007.

⁵⁰ “Perry Blasts Washington Inaction On Rescue Plan,” Associated Press, *Austin American-Statesman*, October 1, 2008.

⁵¹ “Gov. Rick Perry’s Remarks Regarding Countrywide Financing,” Office of the Governor, December 14, 2004.

⁵² “Texas-Size Stakes: Austin Lands Samsung’s \$4 Billion Fab,” *Site Selection Magazine*, May 4, 2006.

⁵³ Including 275 direct hires and 100 contract workers.

⁵⁴ 284 direct hires and 194 contractors. Yet Samsung did not appear on a TEF-provided list of grantees that maintained surplus job credits at year-end 2008. The Governor’s Office said this was because Samsung did not file all its compliance documents on time, thereby sacrificing any surplus job credits.

⁵⁵ Several day before Samsung completed its 2008 compliance report an Austin paper reported a modest layoff of fewer than 20 of Samsung’s 1,800 local employees in response to “a severe global downturn in demand for

semiconductor products." See "Samsung Reorganizes Austin Subsidiary," *Austin American-Statesman*, January 27, 2009.

⁵⁶ "Samsung Austin Semiconductors Plans To Cut 550 Jobs," *Austin American-Statesman*, August 12, 2009.

⁵⁷ "Samsung Lays Off Hundreds for Project," KXAN Austin, August 14, 2009 (updated August 15, 2009).

⁵⁸ Superior reported 78 new jobs in 2006 and 65 in 2007.

⁵⁹ "Who's Funding Workforce Development?" *The Policy Page*, Center For Public Policy Priorities, April 4, 2005. The Texas Workforce Commission administers the Skills Development Fund.

⁶⁰ "Tyson Foods Illegal Immigrant Lawsuit Thrown Out," Associated Press, February 13, 2008.

⁶¹ After 2011 Vought is allowed to count new Texas jobs created by the company's suppliers, provided that the jobs are tied to Vought's expansion.

⁶² "Vought Will Trim 600 Positions; Most of the Cuts To Be In Dallas," *Dallas Morning News*, April 5, 2006. The agreement only allows Vought to count new jobs that have been in effect for 12 months. In April 2006 the Governor's Office said that Vought had created 1,200 jobs, including 750 that had been in place for at least one year.

⁶³ "Vought's Grant Has an Escape Clause," *Dallas Morning News*, May 15, 2006. "Vought's Plans Up In Air," *Dallas Morning News*, June 13, 2005.

⁶⁴ A similar, earlier variant of the agreement is dated November 1, 2003.

⁶⁵ The deal also calls for Sematech to spur 4,000 indirect jobs by 2014.

⁶⁶ "Money Tight, Sematech Cuts 80 Jobs," *Austin American-Statesman*, January 13, 2006.

⁶⁷ "New York Made Sematech an Offer it Couldn't Refuse," *Austin American-Statesman*, May 11, 2007.

⁶⁸ "Sematech May Sell Austin Lab," *Austin American-Statesman*, October 12, 2007. Sematech sold its original Austin fab plant to California-based SVTC Technologies in December 2007.

⁶⁹ "Chip Alliance Sematech Again Taps IBM For Chief," *Austin American-Statesman*, November 18, 2009.

⁷⁰ "International Sematech Agrees to Locate Headquarters at University at Albany Nanocollege," Governor Eliot Spitzer press release, May 9, 2007.

⁷¹ Email from Sematech Director of Corporate Relations Anne Englander, January 4, 2010.

⁷² "Finally Chip-Shape: Plant Build in '06 To Begin Production," *Dallas Morning News*, September 30, 2009.

⁷³ "TI To Cut 191 Jobs," Associated Press, September 10, 2007.

⁷⁴ "Texas Instruments Wins \$51 Million Tax Credit for Richardson Plant," *Dallas Morning News*, January 9, 2010.

⁷⁵ GE has no job-creation targets.

⁷⁶ Dr. Kenneth Shine letter to Texans for Public Justice, December 22, 2009.