

## APPENDIX B-18: TEXAS



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### **Overview**

The Texas economy performed robustly in 2006. This was spurred by heavy demands for energy and construction. Homebuilding and exports reached record levels. Texas personal income rose at an annual average of 8.2% in 2006 according to the State Comptroller income data available. Third Quarter 2006 Bureau of Economic Analysis (BEA) data indicated that Texas ranked 11<sup>th</sup> in the nation for personal income.<sup>1</sup> However, the Texas economy is finally starting to join the rest of the nation the economy has slowed down compared to 2006 rates. According to the Business Cycle index published by the Federal Reserve Bank of Dallas, the Texas economy grew at a 3.4% annualized rate during the first seven months of 2007, compared to a 4.5% annualized rate during the same period in 2006.<sup>2</sup> However, while the US economy is enjoying an important resurgence in exports to the rest of the world, the Texas economy has been affected by the slowdown in economic activity in Mexico, which remains the state's most important external customer.

The Texas gross state product (GSP) during the fourth quarter of 2006 was \$1,096.928 billion according to the Comptroller of Public Accounts.<sup>3</sup> If Texas were a nation, its economy would rank as the 8<sup>th</sup> largest in the world, according to the Comptroller's Fall 2004 Texas Economic Update. Just one year later in the 2005 calculations this estimate dropped to 10<sup>th</sup>. Since the 1986 recession, the economy of Texas has been steadily diversifying.

In 2006, for the fifth year in a row, Texas was ranked as the number one state by export revenues. Texas exports for 2006 totaled \$150.8 billion, which is \$11.5 billion more than 2005 and represents a 17.2% increase. Recent Texas export information

<sup>1</sup> Rick Perry. "Income." Office of the Governor: Economic Development and Tourism. in Bureau of Economic Analysis. "News Release: State Personal Income, Third Quarter: 2006." 20 Dec. 2006 <http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

<sup>2</sup> "The Texas Business Cycle Index: Regional Data." Federal Reserve Bank of Dallas. <http://www.dallasfed.org/data/data/coini.tab.htm>

<sup>3</sup> Rick Perry. "Texas Gross State Product." Office of the Governor: Economic Development and Tourism. in Susan Combs, "Gross State Product and Income." Texas Comptroller of Public Accounts. <http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

indicates steady increases in exports in 2006. The state's top value-added Texas exports in 2006 were Computer & Electronic Products, Chemicals, Machinery (not electrical), Transportation Equipment, and Petroleum & Coal Products. Total 2006 exports for the United States increased over 14.6% to over \$1 trillion from \$904.3 billion in 2005.

Mexico and Canada, followed by Asian and Pacific Rim countries, were the leading destinations for Texas exports in 2006. The state's largest export market continued to be its NAFTA trading partners, which accounted for just over 50% of total state exports during 2006. Mexico continued as the top export destination with \$54.8 billion in Texas exports, representing an almost a 9.4% increase from \$50.1 billion in 2005. Canada ranked second with almost \$15.6 billion, representing a 6.6% increase from \$14.6 billion in 2005. Mainland China replaced Korea as the top destination for Texas exports in Asia. China ranked 3<sup>rd</sup> at almost \$6.6 billion, representing a 35.5% increase from almost \$5 billion in 2005. Korea ranked fourth at \$5.3 billion, an almost 15.5% decrease from \$4.6 billion in 2005.

In 2006, Port Level Data from the Bureau of Economic Analysis indicated Texas Port Level imports totaled over \$245.1 billion, up from \$235.4 billion in 2005.<sup>4</sup> 2006 Texas Imports for the top 10 countries of origin accounted for \$185.7 billion. NAFTA trading partner, Mexico, was the top country of origin for Texas imports with approximately \$123.9 billion in imported goods - or 52% of Texas imports. NAFTA trading partner, Canada, does not rank in the top ten for Texas imports, in striking contrast to its number two ranking for Texas exports in 2006. Energy, machinery, and telecom and high technology equipment were top ranked for the 2006 Texas Port Level imports by commodities. Energy imports, including petroleum, gas, coal, and power generating machinery, accounted for \$75.9 billion or 31% of 2006 Texas Port Level imports.

In the recent rankings from *Forbes*, Texas received a fairly impressive ranking in each of the major state economic ranking categories. The following chart identifies the categories and Texas' ranking:<sup>5</sup>

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<sup>4</sup> Rick Perry. "Overview of the Texas Economy." Office of the Governor: Economic Development and Tourism. in US Census Bureau: Foreign Trade Statistics: US Port Data.  
<http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

<sup>5</sup> Kurt Badenhausen. "Special Report: The Best States for Business." *Forbes Magazine*. July, 2007.  
[http://www.forbes.com/business/2007/07/10/washington-virginia-utah-bicz\\_kb\\_0711bizstates.html](http://www.forbes.com/business/2007/07/10/washington-virginia-utah-bicz_kb_0711bizstates.html)

Texas's <i>Forbes</i> Rankings	
Overall Rank	4
2006 Rank	2
Business Costs Rank	21
Labor Rank	26
Regulatory Environment Rank	7
Economic Climate Rank	10
Growth Prospects Rank	2
Quality of Life Rank	28

## **Public Policy**

The "State Competitiveness Report (SCR) 2007,"<sup>6</sup> a study by the Beacon Hill Institute ranks a state's ability to produce high income, and generally a better quality of life for its citizens. The rankings compare all the states and rank them 1-50 (with a rating of one being the best). In this study Texas received a mediocre rank of 20<sup>th</sup>. The state's overall ranking in the SCR was mirrored in the category of government and fiscal policy.

The Democratic Party held a monolithic political presence in Texas from the beginning of its statehood until the late 20th century. Like other ex-Confederate states, Texas harbored a deep resentment toward the Republican Party for its engineering of Reconstruction for years after the Civil War. Conservative Democrats held a virtual monopoly on elected offices in the state, but many began endorsing Republican presidential candidates as the national Democratic Party grew increasingly liberal. In 1978, the state elected its first Republican governor since Reconstruction. In 2003, Republicans achieved a majority in the state legislature for the first time. Today, the bulk of the Texan House delegation is Republican, and both US Senators are Republican as well. No Democrat has been elected to a statewide office in Texas since 1994. The state's base of Democratic voters is comprised primarily of African-Americans, Hispanics, and urban voters, particularly in Austin.

The Texas political atmosphere tends towards fiscal and social conservatism. Texas leads the country in the number of executions performed, and is one of the few states that permitted the execution of a mentally challenged person prior to the Supreme Court ruling prohibiting such action. The state recently adopted a resolution defining marriage as between a man and a woman, and a long-standing law making sodomy a criminal offense was overturned in 2003 only after the intervention of the Supreme Court. Austin, the state capital, is considered the state's liberal bastion, even though Austin's suburbs generally follow the conservatism of the state at large. Houston and Dallas are among the few urban areas that consistently vote Republican, but their metro areas themselves

<sup>6</sup> David Tureck, Jonathan Haughton, Frank Conte, and Christopher Doyon. State Competitiveness Report 2007. Boston: Beacon Hill Institute for Public Policy Research at Suffolk University, 2007. 58. <http://www.beaconhill.org/Compete07/Compete2007State.pdf>.

are widely divided politically. In addition, these cities tend to favor a more socially tolerant, pro-business brand of Republicanism.

### **Regulatory Affairs**

Texas is known for having a business environment that is favorable to business. This is especially the case for small businesses. *Forbes* ranked the state as the 7<sup>th</sup> best regulatory environment in the country.<sup>7</sup>

The Texas Department of Licensing and Regulation is the main state regulatory body in the state. The commission that oversees the department is composed of seven public members who volunteer their time to the agency.<sup>8</sup> The primary duties of the agency include:

- Approving and overseeing the agency budget
- Reviewing and adopting rules
- Adopting final administrative orders for contested cases
- Hiring and setting the salary for the executive director

According to the commission's mission statement, the agency takes a common-sense approach to limited governmental regulation. "Before a rule is adopted, the commission weighs the impact that the rule will have on consumers and licenses. This balanced approach promotes public protection and ensures that the regulatory process and rules are not unnecessarily burdensome. The Commission takes the same approach to enforcement and licensing matters, carefully considering each issue and case on its individual merits."<sup>9</sup>

The Texas Department of Licensing and Regulation has grown in size and responsibility. This is in large part due to increased responsibilities given to the agency from the Texas State Legislature. Licensing and accreditation for businesses and individuals in the state of Texas is fairly streamlined within this department. Governor Perry has taken the approach that the agency should be as practical and business friendly as possible.

### **Tax Policy**

Texas has some of the best tax rates in the country. The State Business Tax Climate (SBTC) is a tool for lawmakers and the media to compare the states' tax policies (with a ranking of one being the best). In this index Texas placed very well at 8<sup>th</sup> out of 50.<sup>10</sup> The state received that rating despite scoring fairly poorly in the area of corporate taxation where they were ranked 47<sup>th</sup>. Meanwhile, the 2007 Small Business Survival (SBS) index rates a state's public policies according to how friendly a state is toward entrepreneurial activity.

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<sup>7</sup> Badenshausen.

<sup>8</sup> "About the Texas Department of Licensing and Regulation." Texas Department of Licensing and Regulation. <http://www.license.state.tx.us/about.htm>

<sup>9</sup> "About the Texas Department of Licensing and Regulation."

<sup>10</sup> Chris Atkins and Curtis S. Dubay. *Background Paper: 2008 State Business Tax Climate Index*. October, 2007, Number 52. The Tax Foundation. 10. <http://www.taxfoundation.org/files/bp57.pdf>

In that study the state also placed 7<sup>th</sup> out of all states and the District of Columbia.<sup>11</sup> This report contained a more positive rank of the corporate tax environment in the state, ranking it 7<sup>th</sup> out of 50.<sup>12</sup>

While most state and local governments rely on four primary taxes - property, sales, and personal, and corporate income - Texas relies on only three of those taxes. The property tax is by far the most important source of revenue for Texas state and local governments. The property tax is followed in importance by the sales tax (\$16.0 billion) and motor fuel taxes (\$3.0 billion). Texas revenues are most notable for their lack of a personal income tax and the relative lack of importance of the corporate franchise tax (\$1.8 billion). With the exception of a fairly large tax increase for 1991 and a large tax reduction for 1993, Texas has implemented few significant tax changes over the last 17-year period.

By avoiding imposing a progressive personal income tax, Texas manages to avoid much of the instability inherent in the tax systems of many other states. This effect, in combination with fiscal restraint of the legislature, means that Texas, more than most states, is influenced by national economic trends. Texas has not been subject to the peaks and troughs brought on by good and poor economic times nearly as much as other states, in large part because it does not have a progressive personal income tax.

“Over the five-year period of 2000-2004, Texas cut taxes a net of \$0.26 per \$1,000 of personal income in absolute terms, and cut taxes a net \$1.52 per \$1,000 of personal income relative to the US as a whole.”<sup>13</sup> When compared to its neighbors, Texas cut taxes to a greater degree than all other states except Florida.

Governor Rick Perry signed a tax reform bill in May of 2006 that is expected to create a more equitable tax environment for businesses in Texas. House Bill 3, one of five bills in a legislative package, will replace the current corporate franchise tax with an alternative margins tax, beginning January 1, 2008. The changes in the tax structure are the result of a court order earlier in 2006 requiring Texas to repeal its statewide property tax and find a new venue for funding schools.

The new business tax is based on gross receipts as opposed to net income or capital. It will increase the number of businesses subject to tax liability, since under the old system certain types of partnerships and other business entities were exempt from the franchise tax. The new business tax will ultimately help make up for the reduction in property taxes—the largest property tax cut in Texas’ history.

Some of the benefits of House Bill 3 are that it:

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<sup>11</sup> Raymond J. Keating. *Small Business Survival Index 2007: Ranking the Policy Environment for Entrepreneurship Across the Nation 12<sup>th</sup> Annual Edition*. Small Business & Entrepreneurial Council, Washington, DC, November, 2007. 2. [http://sbecouncil.org/Media/pdf/SBSI\\_2007.pdf?CFID=514256&CFTOKEN=91743709](http://sbecouncil.org/Media/pdf/SBSI_2007.pdf?CFID=514256&CFTOKEN=91743709)

<sup>12</sup> Keating, 30.

<sup>13</sup> Stephen Moore, Donna Arduin, and Artur Laffer. *An Examination of Texas’ Economic State*. Texas Public Policy Foundation. September, 2005.25. <http://www.texaspolicy.com/pdf/2005-09-texaseconomy.pdf>

- Protects small employers—a vital aspect of the Texas economy
- Exempts sole proprietors and general partnerships from the tax, as well as businesses whose gross receipts total \$300,000 or less, and those whose tax bill is less than \$1,000
- Rewards employers for creating jobs and investing in employee benefits. Every time a business puts a Texan to work, pays for health insurance, or invests in a pension plan their tax liability will go down

The revised tax base is the taxable entity's margin. Margin equals the less of three calculations:<sup>14</sup>

- Total revenue minus cost of goods sold
- Total revenue minus compensation
- Total revenue times 70%

Total revenue is determined based on venue amounts reported for federal income tax minus statutory exclusions. Exclusions from revenue include:

- Dividends and interest from federal obligations, Schedule C dividends, foreign royalties and dividends under Section 78 and Sections 951-964
- Certain flow-through funds
- For health care providers, revenues from Medicaid, Medicare, Children's Health Insurance Program (CHIP, workers' compensation claims, TRICARE, and actual costs for uncompensated care
- For health care institutions, 50 percent of revenues from Medicaid, Medicare, CHIP, works' compensation claims, TRICARE, and actual costs for uncompensated care

The tax rate is 1% for most taxable entities in Texas under the revised Franchise Tax. For entities meeting the following criteria, the tax rate is 0.5%:<sup>15</sup>

- The entity is primarily engaged in the retail or wholesale trade under division F or G of the 1987 Standard Industrial Classification Manual
- The total revenue from activities in retail and wholesale trade is greater than the total revenue from activities in trades other than the retail and wholesale trade
- Less than 50% of the total revenue from activities in retail or wholesale trade comes from the sale of products it produces or products produced by an entity that is part of an affiliated group to which the taxable entity also belongs except for eating and drinking establishments
- The taxable entity does not sell retail or wholesale utilities, including telecommunications services, electricity or gas

<sup>14</sup> Susan Combs. "Revised Franchise Tax Overview." Texas Comptroller of Public Accounts. September, 2007. [http://window.state.tx.us/taxinfo/taxpubs/tx98\\_806.pdf](http://window.state.tx.us/taxinfo/taxpubs/tx98_806.pdf)

<sup>15</sup> Combs, 2.

## Innovation

The New Economy Index<sup>16</sup> (NE) rates the states according to advancements in innovation (with a rating of being the best) and being able to compete in a technology-driven economy. In this study, Texas ranked fairly well at 14<sup>th</sup> in the nation. This index also gives the state better than average rankings for the number of citizens holding patents within the state.<sup>17</sup> In addition the SCR ranks Texas somewhat lower for technological innovation, placing them 32<sup>nd</sup> out of all 50 states.<sup>18</sup> A large part of the state's lower ranking in the SCR is due to a low ranking for academic research and development (37<sup>th</sup>) and a lower ranking for the number of science and engineering degrees issued in the past year (43<sup>rd</sup>).

Although criticized in the SCR, it should be noted that several Texas universities and research institutions are leaders in electronics, medical, biotechnology, aerospace, advanced materials, and energy-related research. Data from the US Patent & Trademark Office indicates that Texas residents were issued 5,660 patents and Texas residents filed 12,951 patent applications in fiscal year 2005.<sup>19</sup> This ranked the state 2<sup>nd</sup> in the nation in both categories following California. In 2004, Texas was ranked 3<sup>rd</sup> in the nation for academic R&D expenditures by state, by the National Science Foundation, with approximately \$2.8 billion spent.<sup>20</sup>

The Texas Emerging Technology Fund is a \$200 million fund that is used for research and development activities in emerging technology industries. Eligible industries are those that will lead to immediate or long-term creation of high-quality new jobs in Texas, and/or could lead to medical or scientific breakthroughs.

A 17 member advisory committee of high-tech leaders, entrepreneurs, and research experts reviews potential TETF projects and recommends projects for funding to the governor, lieutenant governor, and speaker of the house. All three leaders must then agree on which projects should be funded. The TETF program has three main areas of investment:

- Increasing research collaboration between public and private sector entities through new Regional Centers of Innovation and Commercialization, where the seeds of an idea can take root in a university lab and grow into a new product marketed by a new or expanding firm.

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<sup>16</sup> Robert Atkinson and Daniel K. Correa. The 2007 State New Economy Index.: Benchmarking Economic Transformation in the States. Innovation Technology and Innovation Foundation. February, 2007. 13. [http://www.kauffman.org/pdf/2007\\_State\\_Index.pdf](http://www.kauffman.org/pdf/2007_State_Index.pdf)

<sup>17</sup> Atkinson, 15.

<sup>18</sup> Tureck, et al, 58.

<sup>19</sup> Rick Perry. "Research and Development." Office of the Governor: Economic Development and Tourism in "Table 8: Patents Issued To Residents of the United States" Performance and Accountability Report Fiscal Year 2005. United States Patent and Trademark Office. <http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

<sup>20</sup> Rick Perry. "Research and Development." Office of the Governor: Economic Development and Tourism: in "Academic R&D By State 2000-2004." Table 18. : Division of State Science Statistics. National Science Foundation. <http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

- Matching research grants provided by both federal and private sponsors to help innovators acquire the capital they need to bring their ideas to life.
- Attracting more top-notch research teams from other universities around the nation that will help put Texas universities on the cutting edge of technology research and development.

Three technology companies were awarded \$2.25 million under Texas' \$200 million Emerging Technology Fund (TETF) to help them get their innovations into the marketplace.

The TETF awards went to:

- Endothelix, Inc. of Houston — \$1 million for the development of new diagnostic technology that will allow physicians to more accurately, quickly, and inexpensively assess patients' cardiovascular health.
- itRobotics, Inc. of Stafford, TX — \$750,000 to support the development and production of pipe inspection robots, which will enable the inspection of a significant portion of gas, nuclear plants, power plants, and non-energy pipelines. This technology will enable compliance with the 2002 Pipeline Safety Improvement Act.
- Bauhaus, Inc. of San Antonio — \$500,000 to support development and distribution of an animation software solution that replaces hybrid paper and digital methods with a complete digital system for animation and special effects. Bauhaus technology has transformed the animation industry, and will further secure Texas' place on the map as a high-tech hub and center for the creative arts.

## **Workforce**

Texas receives a relatively poor ranking when it comes to its workforce. The SCR ranks the quality of its workforce in its "Human Resources" category. In this category, Texas ranks 41<sup>st</sup> in the country.<sup>21</sup> A large reason behind this ranking is due to the state's poor showing in the percentage of adults in the workforce with a high school degree in which the state ranks next to last (49<sup>th</sup>), the number without health insurance (50<sup>th</sup>) along with mediocre ratings for those enrolled in degree granting institutions (34<sup>th</sup>). However, the Texas ranking is aided by an above average unemployment rate (19<sup>th</sup>). In addition, the state has the best minimum wage policies for business owners and the 5<sup>th</sup> best unionization rate.<sup>22</sup>

Texas employment gained 213,200 total nonagricultural jobs in 2006 for an annual growth rate of 2.2%. December 2006 marked 27 consecutive months of employment growth. Reviewing the Texas labor market, Professional and Business Services ranked first in job creation with a gain of 46,000 jobs in 2006 for an annual growth rate of 3.9%. Next was Education and Health Services with 26,100 new jobs and a 2.2% growth rate, closely followed by Government with 25,500 new jobs and a 1.5% growth rate in 2006.<sup>23</sup>

<sup>21</sup> Tureck, et al, 58.

<sup>22</sup> Tureck.

<sup>23</sup> Rick Perry. "Employment, Current Situation." Office of the Governor: Economic Development and



Recent Southwest Economy analysis from the Federal Reserve Bank of Dallas confirms that employment growth in Texas is outpacing the nation.<sup>24</sup> Texas job growth exceeded the 37-year average of about 2.8%, while the nation's job growth slowed to just under its 37-year average of 1.8%. Texas employment in 2006 grew 5.4% while the rest of the US grew only 0.1%. All Texas' major sectors added workers at a faster pace than the rest of the country in 2006. The state's manufacturing sector added 26,300 factory jobs in 2006, a 2.9% increase, and has outperformed the nation for over a decade.<sup>25</sup>

The Texas economy enjoyed strong non-farm job gains in 2005. According to the latest employment estimates from the Texas Workforce Commission, the state gained 276,500 nonagricultural jobs from December 2005 to December 2006.<sup>26</sup>

The total Texas labor workforce stood at almost 11.9 million people in December 2006. In 2006, Texas led the nation with the largest employment gain for seasonally adjusted non-farm employment of plus 213,200, according to the US Bureau of Labor Statistics. The four largest Texas metropolitan statistical areas saw employment gains from December 2005 to December 2006.

The Texas seasonally adjusted unemployment rate fell to 4.5% in December 2006, which was the lowest level since 2001. State employers are adding workers at such an accelerated pace, some companies are reporting labor shortages. Unemployment rate data from the US Bureau of Labor Statistics show that Texas had a -0.7% rate change from December 2005 to December 2006.<sup>27</sup>

## **Education**

According to the US Chamber of Commerce's "*Leaders and Laggards: A State by State Report Card on Educational Effectiveness*" study, Texas performs especially well in providing secondary education to its residents. In this study, Texas was one of only eleven states to receive an overall rating of a "C" for the quality of its education system.<sup>28</sup> In particular the state won high marks for high achievement by low income students, and for data quality. The state also received praise for its workforce preparedness, and rigor

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Tourism." in "Employment Estimates." Texas Office of Economic Development.

<http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

<sup>24</sup> Rick Perry. "Employment Performance." Office of the Governor: Economic Development and Tourism. in Fiona Sigalla. "The Texas Economy, Almost a Boom." *Southwest Economy*. Federal Reserve Bank of Dallas. Jan/Feb. 2007. <http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

<sup>25</sup> Rick Perry. "Employment Performance." Office of the Governor: Economic Development and Tourism: in "Regional Data." Federal Reserve Bank of Data. <http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

<sup>26</sup> Rick Perry, "Employment Performance." 4.

<sup>27</sup> Rick Perry. "Employment, Current Situation." Office of the Governor: Economic Development and Tourism. in "Regional and State Employment and Unemployment: December 2006." U.S. Bureau of Labor and Statistics. 23 Jan. 2007. <http://www.bidc.state.tx.us/divisions/ecodev/bidc/overview/>

<sup>28</sup> The Institute for a Competitive Workforce. *Leaders and Laggards: A State by State Report Card on Educational Effectiveness*. US Chamber of Commerce, 2007. <http://www.uschamber.com/icw/reportcard/default>

of standards, and tax payer return on investment. However the study showed need for improvement in flexibility of administrative standards and truth in advertising.<sup>29</sup>

There are more than 100 colleges and universities and dozens of institutions engaged in research and development in Texas. The University of Texas at Austin, Texas A&M University, and the University of Houston are Texas's three largest comprehensive doctoral degree-granting institutions with a combined enrollment of over 135,000. The state is also home to Rice University, one of the country's leading teaching and research universities, ranked the 17<sup>th</sup> best university overall in the nation by *US News & World Report*. It is also home to Baylor University, the oldest university in the state; it was chartered by the Republic of Texas and Texas State University–San Marcos, where former President Lyndon B. Johnson, an education graduate, became the only US President to graduate from a public Texas University.

The state's public school systems are administered by the Texas Education Agency (TEA). Texas has over 1,000 school districts; all but one of the school districts in Texas is separate from any form of municipal government. School districts may, and often do, cross city and county boundaries. An exception to this rule is Stafford Municipal School District. School districts have the power to tax their residents and to use eminent domain.

Texas also has numerous private schools of all types. The TEA has no authority over private school operations; private schools may or may not be accredited, and achievement tests are not required for private school graduating seniors. Many private schools will obtain accreditation and perform achievement tests as a means of encouraging parents of potential students that the school is genuinely interested in educational performance.

It is generally considered to be among the least restrictive states in which to home-school. Neither TEA nor the local school district has authority to regulate home-school activities. There is no minimum number of days in a year, or hours in a day, that must be met, and achievement tests are not required for home-school graduating seniors. The validity of home-schooling was challenged in Texas, but a landmark case, *Leeper v. Arlington ISD*, ruled that home-schooling was legal and that the state had little or no authority to regulate the practice.

### **Cost of Market Entry**

The Milken Institute releases an annual study in which it ranks the states with the highest cost of doing business on a scale of 1-50 (with a ranking of 50 being the best for business).<sup>30</sup> In this study, Texas was given an average ranking with the 24th highest cost of doing business.

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<sup>29</sup> US Chamber of Commerce.

<sup>30</sup> "2007 Cost of Doing Business Index." Milken Institute. December, 2006.  
<http://www.milkeninstitute.org/pdf/2007CostofDoingBusiness.pdf>

Because the cost of market entry is relatively low, many larger corporations have decided to make a move to the state of Texas. Many of these moves were made with the assistance of the state government. Some of the more recent moves are:

A \$2.5 million Texas Enterprise Fund (TEF) grant helped bring a new Sino Swearingen Aircraft Corp. (SSAC) facility to the San Antonio, TX area. The company, which builds the SJ30 business jet, will expand its current site at San Antonio International Airport, and construct a new 220,000-square-foot manufacturing and assembly facility that will produce 100 aircraft per year.<sup>31</sup>

TRACE Engines will bring 100 new jobs to the Permian Basin area thanks to a \$456,000 grant from the TEF. TRACE Engines is also investing \$4.5 million in the expansion. “Bringing TRACE to the Permian Basin is significant for a number of reasons,” says Governor Perry. “First and foremost, it means 114 new jobs for local families over the next three years. These are high-paying jobs that offer salaries in the range of \$50,000 per year, which is a great wage for a family trying to put their kids through college, save for retirement, or buy a new home.” The Texas legislature created the TEF in 2003 and reauthorized it in 2005 to help bring new jobs to Texas. To date, the TEF has closed the deal on projects generating more than 42,000 new jobs and \$9.3 billion in capital investment in the state.<sup>32</sup>

Lockheed Martin will use a \$7.5 million TEF grant to bring approximately 1,000 new jobs to the Houston area. The TEF grant ensures that Lockheed Martin will create these jobs in the region after the company earned a multi-billion dollar contract from the National Aeronautics and Space Administration (NASA) to build the Orion Crew Exploration Vehicle, which will become the foundation of America’s next generation human space flight program. In addition to the new jobs, which will pay approximately \$65,000 a year, Lockheed Martin will invest \$68 million in the project. State officials began working with Lockheed Martin and local officials early this year to ensure that the highly sought-after contract went to a company that would create jobs in Texas.<sup>33</sup>

Perfection with Plastics Industries (PWP) has opened a 120-employee manufacturing plant in Abilene, TX. The California-headquartered producer of PET plastic packaging for the food industry spent up to \$12 million equipping an 112,500-square-foot building in the Five Points Business Park. PWP is leasing the building with an option to buy from the Development Corp. of Abilene. Production began in September.<sup>34</sup>

PWP, a division of HPC Industries, has manufacturing plants in California and West Virginia. Workforce quality, customer proximity, and support for the project from the Abilene Industrial Foundation and the Development Corp. of Abilene were major factors in the location decision, explains Ira Maroofian, president of PWP.

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<sup>31</sup> Mary Ellen McCandless. “Corporate Moves: Texas.” Business Facilities: The Location Advisor. November, 2006. [http://www.businessfacilities.com/bf\\_06\\_11\\_move3.php](http://www.businessfacilities.com/bf_06_11_move3.php)

<sup>32</sup> McCandless.

<sup>33</sup> McCandless.

<sup>34</sup> McCandless.

“I have been especially pleased with the assistance we’ve received from the local economic development groups,” says Maroofian. “The workforce in Texas is outstanding, and the proximity of this new location to our customers will improve our delivery time and allow us to respond quickly to our customer’s needs. The welcoming support we have received and availability of a modern facility has made it very easy to locate our third manufacturing plant in Texas.”<sup>35</sup>

The Texas Capital Access Program was established to support the availability of financing for businesses and nonprofit organizations that face barriers in accessing capital or that fall outside the guidelines of conventional lending. Use of proceeds may include working capital or the purchase, construction, or lease of capital assets, which include buildings and equipment. The proceeds may not be used for construction or purchase of residential housing and simple real estate investments excluding those occupied by the applicant's business.

The Texas Leverage Fund (TLF) provides an additional source of financing to communities that have adopted an economic development sales tax. Communities may leverage future sales tax revenues to support job retention or creation. Available for interim, long-term, or gap financing, TLF loans provide flexible financing terms to match the unique needs of communities, with maturities of up to 15 years available. Generally, economic development agencies can borrow four to five times annual sales tax revenues, up to \$5 million.<sup>36</sup>

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<sup>35</sup> McCandless.

<sup>36</sup> McCandless.