



## Rick Perry and the Texas Enterprise Fund

For some time conservative Texans, especially constitutionalists, have raised eyebrows at Rick Perry's Texas Enterprise Fund (TEF). The Texas Governor's website calls the fund a "development tool" providing the state's leaders with a "deal closing fund," but its administration is questionable and its existence unconstitutional.



At the [Texas Wide Open For Business](#) website an overview notes that in 2003 Governor Perry requested that the Texas Legislature establish the fund to "attract new jobs and investment to the state." The Legislature re-authorized the fund in 2005, 2007, 2009 and again this year in Texas' biennial legislative session.

The website continues that the Lone Star State has the "largest 'deal-closing' fund of its kind in the nation," and "The fund is used only as a final incentive tool where a single Texas site is competing with another viable out-of-state option. Additionally, the TEF will only be considered to help close a deal that already has significant local support behind it from a prospective Texas community.

"The TEF has invested more than \$435.3 million and closed the deal on projects generating 58,179 new jobs and more than \$14.6 billion in capital investment in Texas." A call to the Governor's office confirmed that the TEF is funded entirely by taxpayer dollars. But critics point to the fact that funding usually ends up in metropolitan areas, not every county gets an equal shot at the cash.

The website provides links to lists of awardees, which include, Samsung, ebay, Cabela's, Home Depot, T-Mobile, Bank of America, Raytheon, Lockheed Martin, Kohl's Department Store, Office Depot, Caterpillar, and the [Texas Institute for Genomic Medicine](#) — a part of the Texas A & M University System which, among other things, provides research mice to institutions worldwide. The Governor's office has used the "success" of the program to support his pro-business, economic growth stance.

With the exception of research mice, one would think these corporate giants would have plenty of their own money, (do Facebook and Bank of America really need to use our taxpayer dollars?), but it doesn't stop there. Some of these listed (Cabela's and Home Depot) have received awards to open shops in *multiple* Texas cities. And consider the real-life story of a small business owner in Austin, Bob Dacy, owner of a family hardware store, who watched as his tax dollars lured his competition to "open for business" right down the road.

But the *Dallas Morning News* (DMN) reported on January 28, 2010, that the [TEF isn't delivering](#) as promised. A number of companies had failed to create the number of jobs required by their contracts, and a study revealed that "Perry's office hammered out amendments to six deals with companies so they wouldn't be in danger of violating the terms," "quietly redefining success." The article continued, "A summary of the contract amendments released Wednesday shows that the state has reduced its job



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targets for those 11 companies from 6,472 to 3,058.”

"The governor's office has been very deliberate in obscuring the actual jobs that have been created," said former State Rep. Jim Dunning of Waco. "It's definitely not lived up to the propaganda."

The contracts enable the state to sever a contract, recover public funds or impose penalties on a company failing to do its part. *DMN* reported "As of October 2009, the state had imposed \$647,100 in penalties against 11 other companies — only 1 percent of the \$61.4 million that the state gave them under the Texas Enterprise Fund."

Two months after the *DMN* article the *Texas Observer* wrote that Perry has "lorded over a controversial stash of taxpayer money ... dispensing huge sums — to large corporations. Critics call it the [governor's slush fund](#)." Indeed, the governor's website confirms that before funds can be awarded, the governor, lieutenant governor and speaker must agree on use of the TEF for each project. That's the only oversight in place. The *Observer* reported its own investigation revealed that 20 of 55 Fund companies have either given money directly to Perry's campaigns or donated to the Republican Governors Association (RGA) (Perry is the current Chairman), and that several had done so at the same time they received grants from the TEF.

Most notably was the case of Hewlett Packard, recipient of \$3 million to open four data centers around Texas, which never materialized. HP later repaid its grant, but not before contributing \$20,000 to Perry's campaign and \$518,767 to the RGA. HP was also one of 18 TEF companies whose CEOs donated to Perry — (one was "was Joe Sanderson, the head of Sanderson Farms Inc., a Mississippi-based chicken producer that received \$500,000 from the Enterprise Fund in April 2006. Three months later, Joe Sanderson gave \$25,000 to Perry's campaign. He has since given \$75,000 more.)"

The *Observer* continued, "Eleven other Enterprise Fund recipients have sent corporate checks to the association during the past seven years, according to an *Observer* analysis of the group's campaign filings with the Internal Revenue Service. Many of them gave money repeatedly. The 12 companies contributed nearly \$1.8 million in corporate money to the association." Among those giving big money were Lockheed Martin, Home Depot, and Raytheon.

Perry received checks totaling \$1 million from the RGA in 2006. In some states, it's legal for the RGA to accept and spend corporate money, but in Texas, law forbids candidates from receiving or spending corporate funds on campaigns.

So, theoretically, taxpayer dollars could have traveled from their own pockets to the TEF, then as awards to large companies, on to the RGA, then to Perry's campaign.

Given Texas' massive budget shortfall, attempts were made to end the TEF in the 2011 legislative session, but the fund was retained.

The *DMN* noted:

National experts question the policy of states using public dollars to chase jobs projects.

'Nationally, all we are doing is moving companies around and giving them huge incentives to do what they were probably going to do anyway,' said Robert Orr, executive director of the North Carolina Institute for Constitutional Law and a former North Carolina Supreme Court justice.

The Texas and U.S. Constitutions do not give authority to their executives to aid one business at the expense of another, or a company at the expense of the taxpayer. In this case, the Governor requested, and got, the establishment of a fund over which he presides. Nor is it in the spirit of free market



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capitalism that the Governor claims to support.



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