

FOREWORD

Over the past several years, there has been a sustained interest among the states in a new concept in legislative review popularly described as sunset. Since 1976, more than half the states have enacted legislation which embodies the primary element of sunset, the automatic termination of an agency unless continued by specific action of the legislature.

The acceptance of this concept has been aided by a general agreement that the normal pressures of the legislative process tend to prevent a systematic review of the efficiency and effectiveness with which governmental programs are carried out. The sunset process is, then, an attempt to institutionalize change and to provide a process by which a review and redefinition of state policy can be accomplished on a regular systematic basis.

The Texas Sunset Act (Article 5429K, V.A.C.S., as amended) was enacted by the 65th Legislature in 1977. Under the provisions of the Act, agencies are automatically terminated according to a specified timetable, unless specifically continued by the legislature.

To assist the legislature in making the determination of whether an agency should be continued and, if continued, whether modifications should be made to its operations and organizational structure, the Act establishes a ten-member Sunset Advisory Commission composed of eight legislative members and two public members. The commission is required to evaluate the performance of the agency in accordance with specific criteria set out in the Act and to recommend necessary changes resulting from the findings of the evaluation.

The process by which the commission arrives at its recommendations moves through three distinct phases beginning with a self-evaluation report made by the agency to the commission. The second phase involves the preparation of a report to the commission by its staff, evaluating the activities of the agency, and proposing suggested changes for commission consideration. The final phase involves public hearings on the need to continue or modify an agency and the development of commission recommendations and legislation, based on the agency self-evaluation, staff report, and public testimony.

The Sunset Commission's findings, recommendations, and proposed legislation are then required to be transmitted to the legislature when it convenes in regular session.

INTRODUCTION AND ORGANIZATION OF AGENCY REVIEW

The Texas Sunset Act abolishes this agency on September 1, 1983 unless it is re-established by the 68th Legislature.

The staff reviewed the activities of this agency according to the criteria set out in the Sunset Act and has based its conclusions on the findings developed under these criteria.

Taken as a whole, these criteria direct the review of an agency to answer four primary questions:

1. Does the state need to perform the function or functions under review?
2. Could the public still be adequately served or protected if the functions were modified?
3. Is the current organizational structure the only practical way for the state to perform the function?
4. If the agency is continued and continues to perform the same functions, can changes be made which will improve the operations of the agency?

The report is structured to present the performance evaluation of the agency. The application of the across-the-board recommendations developed by the commission to deal with common problems are presented in a chart at the end of the report and are not dealt with in the text except in one instance. When the review develops a position which opposes the application of a particular recommendation, the rationale for the position is set forth in the text.

SUMMARY OF STAFF FINDINGS AND CONCLUSIONS

SUMMARY

The Texas Industrial Commission was created in 1920. The primary functions of the agency can be grouped into five basic areas: 1) providing information to target groups served by the agency; 2) promotional activities designed to attract/expand/maintain business entities from throughout the state/nation/world; 3) training opportunities provided by and through the commission; 4) loan/bond processing functions; and 5) technical assistance to businesses, individuals and communities throughout the state.

The results of the review indicated that the agency is generally operated in an efficient and effective manner. The review also examined the need for each of the commission's functions and determined that there is a continuing need for state involvement in these areas.

The review included an analysis of the need to continue these functions in their current organizational setting. While the results of the analysis indicated that there were no substantial benefits to be gained from merging the agency with other agencies involved in the economic development processes of the state, such a merger has been considered. The review also indicated that if the agency is continued, several modifications should be made which would improve the efficiency and effectiveness of agency operations.

Approaches for Sunset Commission Consideration

I. MAINTAIN THE COMMISSION WITH MODIFICATIONS

A. Agency Operations

1. Evaluation of Programs

a. Loan/Bond Processing

1. The statute should be amended to authorize the commission to set a reasonable and necessary filing fee with a maximum fee of \$1,500 per issue. (statutory change)
2. The agency should develop guidelines which cities could consider when designating economically blighted or depressed areas. (statutory change)

B. Recommendations for Other Sunset Criteria

1. Public Participation

- a. The statute should be amended to require the commission to meet quarterly to assure access by the public. (statutory change)
 - b. The statute should be amended to provide that the chairperson of the Advisory Council on Small Business Assistance be appointed by the Governor from the membership of the council. (statutory change)
 - c. The statute should be amended to require the composition of the Advisory Council on Small Business Assistance to be six members who are owners or employees of small businesses, one representative of the financial community, one representative from the insurance field and two public members. (statutory change)
2. Conflict of Interest
- a. The statute should be amended to ensure that the type of process currently used by the agency to inform commission members and agency personnel of their responsibilities under conflict-of-interest statutes will be continued in the future. (statutory change)

AGENCY EVALUATION

The review of the current operations of an agency is based on several criteria contained in the Sunset Act. The analysis made under these criteria is intended to give answers to the following basic questions:

1. Does the policy-making structure of the agency fairly reflect the interests served by the agency?
2. Does the agency operate efficiently?
3. Has the agency been effective in meeting its statutory requirements?
4. Do the agency's programs overlap or duplicate programs of other agencies to a degree that presents serious problems?
5. Is the agency carrying out only those programs authorized by the legislature?
6. If the agency is abolished, could the state reasonably expect federal intervention or a substantial loss of federal funds?

BACKGROUND

Organization and Objectives

The Texas Industrial Commission was created in 1920 and is currently active. The commission is composed of 12 members appointed by the Governor with the advice and consent of the Senate for overlapping six-year terms. Each member must be from a different geographical area of the state. Five members are appointed from the general public, three must be residents of rural areas, two must be employees or laborers, and two must be employers of labor. Operations of the commission are carried out by a staff of 50.1 FTE employees and are supported in fiscal year 1982 by an appropriation of approximately \$2 million in general revenue and an estimated half million in federal grants and funds for a total of about \$2.5 million.

The commission was originally created by the 36th Legislature, Fourth Called Session, as an advisory board to the Governor. The five appointed members were to investigate controversies between employers and employees when requested by the Governor and to make full reports to the Governor and the legislature. The commission was inactive from 1920 until 1947 when it was called on to investigate a dispute between a telephone company and a labor union. The commission was called upon only sporadically thereafter and in 1959, its responsibilities were altered to carry out an amendment to Section 56 of Article XVI of the Texas Constitution which authorized the development of information "about the historical, natural, agricultural, industrial, educational, marketing, recreational and living resources of Texas". Under statutes enacted pursuant to this amendment, the commission became responsible for promoting the creation of new jobs for Texans by attracting new industry into the state, expanding existing industries and encouraging and developing commerce with other states and foreign countries.

Currently, the Texas Industrial Commission is responsible for carrying out several functions in order to meet these mandates. These functions fall within five basic areas: 1) providing information to the target groups served by the agency; 2) promotional activities designed to attract/expand/maintain business entities from throughout the state/nation/world; 3) training opportunities provided by and through the commission; 4) loan/bond processing functions; and 5) technical assistance to businesses, individuals and communities throughout the state.

Information Services. In its role as the state's economic development agency, the commission is engaged in obtaining and dispersing information which will assist in attracting and expanding industries and businesses. The agency has developed a variety of information which is directed toward encouraging the decision to locate a business operation within the state or to expand an existing business. This same type of information gathering and use is carried out to provide assistance to small businesses, counties with high unemployment levels, and businesses interested in developing foreign export transactions.

Economic Promotion. The Texas Industrial Commission utilizes various methods to promote the advantages of the state to the business community. The agency solicits industrial prospects through mass mail campaigns, as well as advertisements and articles in newspapers, trade magazines and technical journals.

The commission also actively seeks Texas companies to participate in foreign trade missions, trade shows and fairs. The agency provides access to foreign government officials and businesses, and guidance in protocol for manufacturers wishing to enter Latin American markets. The agency also aids in matching Mexican buyers with Texas suppliers.

Training. The commission is involved in a variety of training opportunities designed to attract industry, promote industrial energy conservation, and improve the management skills of persons operating small businesses. The agency provides training to community leaders to recruit industry to their area. As an inducement to industrial prospects, the state offers limited assistance in start-up training for new employees and TIC coordinates arrangements for the start-up training with the provider agencies, the Texas Employment Commission and the Texas Education Agency.

Loan/Bond Processing. In 1971 and again in 1979 the legislature declared, as a public purpose, the promotion and development of new and expanded industrial and manufacturing enterprises. In compliance with this mandate, the agency approves and finances rural industrial development loans which offer low cost direct financing to non-profit corporations or foundations for expansion of existing Texas industries. The agency also approves bond applications as provided in the Development Corporation Act of 1979 (Article 5190.6, V.A.C.S.). This program was created to provide industries a more direct method of financing industrial

expansion or location by allowing issuance of low cost, tax-free bonds which are secured or guaranteed by the private sector but issued through a non-profit corporation.

Technical Assistance. To foster the economic development of the state, TIC provides technical assistance to businesses, communities, and interested individuals. The agency offers aid to communities in goal setting and in the establishment of economic development groups and small and minority business assistance programs.

The agency also will assist small businesses if problems occur in the state contract bidding process. In addition, TIC will assist the small business owner or potential owner in the development of a business plan and in obtaining financing to start or expand their business.

The review of the operations of the commission indicated that, in general, the agency has been efficient and effective in carrying out its responsibilities. Areas of evaluation that are of particular importance or concern are covered in the material that follows dealing with the review of the operations of the agency.

REVIEW OF OPERATIONS

The evaluation of the operations of the commission is divided into general areas which deal with: 1) a review and analysis of the policy-making body to determine if it is structured so that it fairly reflects the interests served by the agency; and 2) a review and analysis of the activities of the agency to determine if there are areas where the efficiency and effectiveness can be improved both in terms of the overall administration of the agency and in the operations of specific agency programs.

Policy-making Structure

In general, the structure of a policy-making body should have as basic statutory components, specifications regarding the composition of the body and the qualifications, method of selection, and grounds for removal of the members. These should provide executive and legislative control over the organization of the body and should ensure that members are competent to perform required duties, that the composition represents a proper balance of interests affected by the agency's activities, and that the viability of the body is maintained through an effective selection and removal process.

The Texas Industrial Commission is composed of 12 members appointed by the Governor with the advice and consent of the senate for overlapping six-year terms. Each member must be from a different geographic area of the state. Five members are appointed from the general public, two must be employees or laborers, two must be employers of labor and three must be residents of rural areas. A person residing in a rural area is statutorily defined as a person who resides in a county which "has no city located on or within its boundaries with a population of 50,000 or more..." and the person must not "reside in an incorporated city or town which has a population of more than 10,000...".

The review of the broad goals of the agency, to encourage and support the development and expansion of business and industry, indicated that the composition of the board should be structured so as to include representation from all areas of the state and that there should be a general mix of backgrounds and experience. The analysis of the current statutory structure indicates that the geographical requirement has generally worked to provide representation from all areas of the state. Also, the statutory mix of persons representing the general public, employers, and employees has generally worked to ensure that a broad range of

interests, rather than specific business interests, has been represented. The results of the review and analysis indicates that the policy-making structure is appropriate and functions effectively as it currently exists.

Overall Administration

The evaluation of the overall agency administration focuses on determining whether the operating policies and procedures of the agency provide a framework which is adequate for the internal management of personnel and cash resources, and which satisfies reporting and management requirements placed on the agency and enforced through other state agencies.

The results of the evaluation indicated that the agency's administrative operations function adequately. The agency has developed definitive management policies and procedures which are closely adhered to by all departments. Divisional and departmental monitoring of activities and budgetary considerations are conducted on a regular basis. An analysis of the divisional organization indicated it was logical and that each division is directed toward a primary statutory objective of the agency. Further, the analysis indicated that the various activities or tasks assigned to each division were compatible with the overall objective of the particular division.

The agency's current organizational structure reflects that the three major division heads report directly to the executive director which provides appropriate channels for communication at all levels of management. This appears to result in effective use of the agency's time, personnel, and funds.

The review did not indicate any significant problems in the administrative framework of the agency.

Evaluation of Programs

The activities of the Texas Industrial Commission can be divided into five functions: 1) information exchange; 2) economic promotion; 3) training; 4) loan/bond processing; and 5) technical assistance. Agency activities in these areas were evaluated to determine how well they had functioned and where improvements could be made.

Information Exchange

The information exchange function is performed in four of the agency's departments. The Industrial Locations and Services Department responds to inquiries about Texas as a potential site for the location or expansion of an

industry, refers industrial prospects to appropriate "allies", and aids communities in on-site evaluations of potential industrial locations. The Business Development Department creates a master list of small businesses, produces an annual report of state contracts awarded to small businesses, and aids Texas communities in attracting new businesses. The State of Texas, Mexico City Office provides trade leads for Texas manufacturers and directs business inquiries to proper Latin American markets. The Energy Utilization Department holds an annual industrial energy conservation conference, develops regional energy societies, and manages the case history exchange program.

To evaluate the agency's efforts in the exchange of information, each program was examined to see if the information was obtained and dispersed in an efficient and effective manner.

Industrial Information. In response to inquiries about locating or expanding an industry in Texas, the agency will identify communities in the state with the potential for meeting the needs of a particular industry. Once communities are identified, profiles will be furnished to the person making the inquiry. A community profile includes the following information: 1) location of the city or town in the state; 2) distance from an SMSA; 3) elevation; 4) city and county population given in the last three census; 5) climate; 6) community facilities; 7) transportation; 8) utilities; 9) available industrial sites; 10) financial institutions; 11) major employers; 12) labor analysis; and 13) local laws dealing with industry. The agency will also provide information on industrial revenue bonds and other forms of financing and will discuss the availability of start-up training for new employees.

Once an industrial prospect expresses interest in locating in the state, the agency refers the prospect to appropriate industrial "allies". These are local economic development groups and the development divisions of electrical and gas utilities, telephone companies, railroads, and financial institutions. The agency will identify these groups for the prospect and inform the allies of the industry's interest in their community. The agency's efforts in this area usually include arranging visits for the prospect and may involve a TIC staff person accompanying the prospect to the various areas.

To aid communities in their efforts to attract industry and to ensure that industrial prospects are referred to appropriate communities, the agency will conduct on-site evaluations of potential industrial locations. This includes an

evaluation of 11 basic factors which include geographic location, topographic conformation, drainage, aesthetic environment, the amount of exposure to the public eye, cost, availability of utilities, access to transportation, police and fire protection, taxes and insurance, and type of zoning. The agency has conducted a total of 36 on-site evaluations during the period under review. The locations of these evaluations are indicated on Exhibit 1, TIC On-Site Evaluations for Fiscal Years 1979-1982.

Business Information. As defined in the Small Business Assistance Act of 1975, there are approximately 260,000 small businesses in the state. The agency has not tried to identify each one, but has focused its efforts on the identification of the small businesses with the potential to bid on state contracts. In July of 1982, this resulted in publication of the Directory of Small Businesses. The directory provides approximately 1,500 profiles which describe the type of business by Standard Industrial Classification (SIC) Code, name, location, telephone number, contact person, year the business began, number of employees, and available products and/or services. The agency plans to mail a copy of this directory to each state agency by the end of September 1982, to aid the agencies in determining which small businesses could meet their needs for a particular product or service.

Since fiscal year 1975, the Texas Industrial Commission has annually published the Small Business Report, a compilation of information indicating the amount of contracts awarded to small businesses by all state agencies. This information is obtained by the commission through direct mail canvass and phone contact with state agencies. Of the 202 agencies contacted for the fiscal year 1981 report, 179 agencies or 88.6 percent responded. An analysis of the percent of state procurement going to small businesses in fiscal years 1980 and 1981, as shown in Exhibit 2, indicates an increase in five out of six categories.

In addition, the agency has begun to identify the counties in Texas with levels of unemployment above the national average. This is a fairly static group of 25 to 35 counties. Once identified, the agency informs the counties of the services available to them through TIC. The agency has also informed communities throughout the state of types of financing available to them which might increase their attractiveness to small businesses considering development or expansion.

Mexico City Information. In 1971, when Governor Preston Smith was seeking to place the responsibility for providing Texas businesses with direct, personalized access to Mexican and other Latin American markets, he utilized the existing

Exhibit 2

COMPARISON OF PERCENT OF STATE PROCUREMENT WITH
SMALL BUSINESS IN FY 1980 AND FY 1981

Category	Total Amount in FY 1981	Amount With Small Business in FY 81	% of Total For FY 81	% of Total For FY 80	Difference Between FY 80 & 81
Open Market, Contract & Delegated Purchases Through State Purchasing & General Services Commission	\$ 502,621,475.00	\$148,629,814.00	29.60%	28.80%	+ .80
Spot and Emergency Purchases	199,499,574.47	56,469,997.88	28.30%	24.45%	+ 3.85
Services Purchased	44,094,509.53	21,087,171.93	47.82%	42.23%	+ 5.59
Architectural and Engineering Contract Awards	26,863,467.94	21,799,297.07	81.14%	49.62%	+31.52
Construction Contract Awards	923,227,305.46	297,687,940.47	32.24%	27.27%	+ 4.97
Consultant Contract Awards	18,972,351.53	9,503,209.01	50.08%	53.60%	- 3.52
TOTAL	\$1,715,278,683.93	\$555,177,430.36	AVG 32.36%	AVG 28.00%	AVG +4.29

International Trade Division within TIC. Attorney General Opinion M-909 affirmed the authority of the commission to open the Mexico City Office and spend appropriations for its operation. This office has the responsibility: 1) to provide a year-round transmittal of trade leads from prospective Mexican buyers directly, or through the TIC central office, to appropriate Texas manufacturers; and (2) to direct Texas' business inquiries to potential Mexican and other Latin American markets.

The review of the exchange of information which occurs indicated that the Mexico City Office responds promptly to requests from both Mexican and Texas businesses. A contracted staff of two, a manager and an administrative manager, serves as liaison between Texas businesses with products to sell and Mexican businesses who want to buy. The following exhibit shows the number of "trade leads" processed during the past four years and the number of both Texas and Mexican business contacts made by the office staff.

Exhibit 3
TRADE WITH MEXICO

Type of Business Activity	1979 Actual	1980 Actual	1981 Actual	1982 Projected
Trade Leads (Actual Business Results)	103	85	80	80
Business Contacts (Actual Business Contact Made In Mexico City)	950*	193	200	200

*Method of recording contacts this year counted each contact up to four times depending on the number of ways in which an individual was assisted. The counting method was changed in 1980 to determine the primary type of contact with an individual, then counting it only once.

Since the location of the office is centrally situated within the downtown commercial/financial district of the city, the facilities are used by Texas businessmen as a place to meet with prospective clients, individually or collectively; as a reference center for using/obtaining information about the city/country; and as a centralized place of information on Latin American customs and contacts. Due to its centralized location on the ground floor of a downtown hotel, the office receives "walk in" business from Texans and Mexicans alike. The agency rents

1,000 square feet of office space at a current rate of \$1,629 per month including Mexican tax. The rental rate has only been raised once since the office opened in 1971.

Contacts with individuals who had received assistance in making business contacts or in getting trade leads were supportive of the Mexico City Office and its efforts on their behalf. One individual whose business contacts are worldwide was extremely complimentary of the staff's efforts and of the excellent image of Texas which he felt was being portrayed through the office. He compared it favorably with other international offices with which he is familiar.

Energy Information. The Energy Utilization Department is the result of both state and federal interest in energy conservation. In 1977, the U.S. Department of Energy required approved State Energy Conservation Plans for the 50 states. The State of Texas was approved for several energy conservation programs, one of which is an industrial program. The Texas Energy and Natural Resources Advisory Council (TENRAC) is the state agency receiving the federal funds for these programs, and has contracted with the commission to carry out an industrial energy conservation program for Texas businesses. TENRAC is the recipient of federal funds for four other energy plans and has contracted with various state agencies to conduct these programs. (As a management decision, TENRAC has determined that it will maintain only a small core staff and contract with other appropriate agencies to conduct federally-funded programs.)

At present, the Energy Utilization Department is entirely funded by federal monies through June 1983. Anticipating a discontinuation of federal funds at that time the agency, in its 1984-85 budget request, asked for state funds to continue the program. Since 42 to 57 percent of Texas' energy use is industrial, and at the end of a four-year period Texas industries had saved \$3.68 billion as a direct result of the operation of the program, the agency is seeking continuation of the program through this state funding request. TENRAC personnel who work in the energy efficiency area have indicated, however, a strong possibility that federal funding will be continued beyond June of 1983 at about the same level as currently funded (approximately \$339,600 for the period 2/1/82 - 6/30/83). This possibility should be confirmed by the federal government in January of 1983.

The review of the exchange of information which takes place between TIC and Texas industries indicated that the department has established a national reputation for its annual Industrial Energy Conservation Technology Conference.

Energy User News has rated the conference second among all other energy conferences in the nation. The conference has existed since 1979 and is held in Houston, Texas. It has an international scope although 75 percent of the attendees come from Texas. The three-day conference brings leading experts together to exchange information about the current "state-of-the-art" in energy utilization. There are technical presentations by various industrial, academic and governmental speakers and an exhibition of commercial energy conservation equipment and services. The year-by-year growth of the conference is shown in Exhibit 4- Technical Conference. In 1978 there was a one-day conference on boiler efficiency which served as a vehicle for training the staff to stage a major conference. The conference has grown from 120 technical papers, 77 exhibit booths and 832 attendees in 1979 to 168 technical papers, 100 exhibit booths and 1,472 attendees in 1982. No state or federal funds will be put into the conference as of 1982 and the 1983 conference will be 100 percent self-supporting. Increased booth fees and registration fees will accomplish this self-sufficiency. Fees collected are put into the General Revenue Fund. TIC tracks the conference fees separately within its internal accounting system.

Another information exchange occurs through the department's sponsorship and development of regional energy societies. Membership in these societies is made up of energy managers, plant owners or managers, maintenance managers and other professionals. These groups meet bi-monthly to hear guest speakers, engage in discussion and exchange ideas on furthering their energy management programs. There are five such societies in Texas.

The case history exchange program furthers energy information exchange in Texas. One hundred case histories of successful actions in energy management, provided by Texas industries, are available from the department. The title and a brief abstract of each case history are in a booklet which contains an order form for use by interested parties. Information is upgraded as new case histories are obtained from industry.

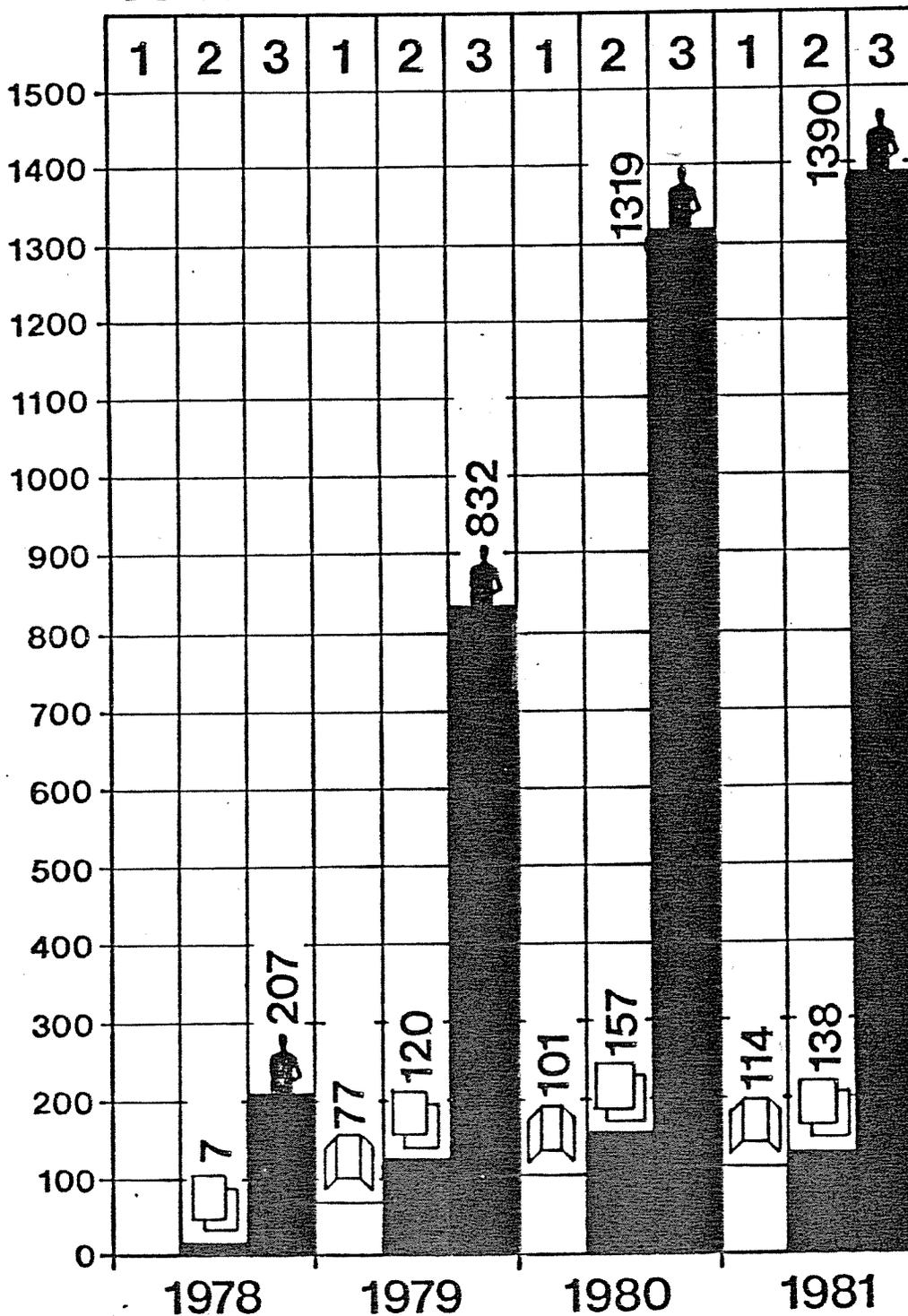
The review of the information exchange function indicated that the methods utilized by the agency to obtain and disperse information were generally efficient and effective.

Economic Promotion

In the evaluation of the agency, three programs were identified which deal with the economic promotion function. The Industrial Locations and Services

Texas Industrial Commission
Energy Utilization Department

Technical Conference



100/168/1472

- 1.) Exhibit Booths 
- 2.) Technical Papers 
- 3.) Attendees 

Department solicits industrial prospects through the media and monitors the prospect's interest in Texas as a potential site for location or expansion. The International Trade Department organizes trade missions and trade shows/fairs, and relays export trade leads to Texas businesses. The Mexico City Office offers consultation to Texans and makes appointments for them with Mexican business owners and government officials.

To evaluate the effectiveness of the economic promotion function, the review focused on whether the manner in which prospects were developed and monitored by the agency was appropriate.

Industrial Promotion. To revitalize rural economies and promote the economic growth of the entire state, the agency solicits industrial prospects through mass mail campaigns and the placement of advertisements and articles in newspapers, magazines, and trade journals. During fiscal year 1982, the agency mailed 6,107 letters and placed 38 ads in journals and newspapers. These efforts have resulted in a total of 1,137 responses. Out of this group, 13 became prospects and one of these has resulted in a location providing five new jobs.

The review indicated that the agency utilizes appropriate methods for determining the type of industry on which to focus the mass mailings. These campaigns are carefully timed to arrive during industrial slack periods when management might be considering relocation or expansion. In addition, the agency appears to have developed appropriate methods for selecting journals and monitoring ad response to ensure that the state is getting an adequate return on each dollar spent on advertising.

Once an industry has expressed an interest in locating in Texas, the agency maintains monthly contact with this prospect until the decision to locate in the state is finalized or abandoned. Communication with people who had dealt with the Texas Industrial Commission indicated that the staff's assistance was beneficial and an important factor in their decision to locate or expand their industry in the state. As Exhibit 5 portrays, the development of prospects has resulted in 335 new plant locations or expansions and the creation of 131,474 jobs during the period under review.

Exhibit 5

IMPACT OF PROSPECT DEVELOPMENT

Fiscal Year	1979	1980	1981	1982
Prospects Developed	613	345	377	379
New Plants/Expansions	92	53	105	85
Jobs Created	41,970	33,968	35,720	19,816

An analysis of new plant locations during fiscal year 1982, as shown by Exhibit 6, indicates that these new plants are scattered throughout the state, but with the heaviest concentrations falling between Dallas and Bexar counties and in and around Harris county.

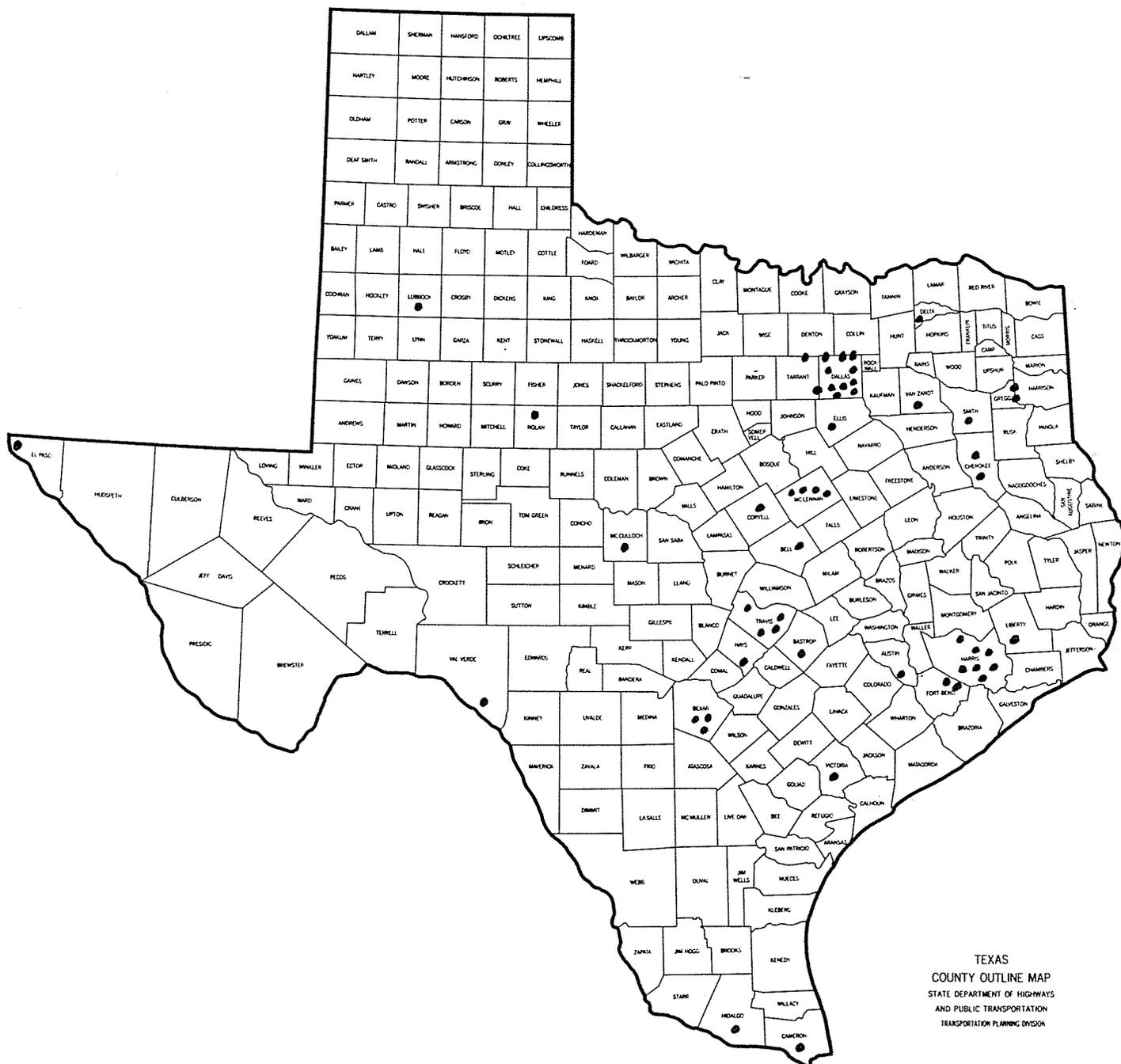
International Promotion. The International Trade Department of TIC serves to attract foreign manufacturers to locate in Texas and to increase exports of Texas products to foreign markets, thereby increasing industrial production and creating additional jobs for Texans. The department organizes trade missions to bring potential buyers of Texas products face-to-face with Texas producers. Through contacts with embassy and consular officials abroad, private meetings are arranged with potential buyers and Texas businessmen interested in selling a particular product overseas. By sponsoring an area for Texas displays at select international trade shows, TIC provides businessmen an opportunity to offer their products overseas. The department provides publications and information on regulations affecting foreign trade, conducts seminars on exporting methods and techniques, works with chambers of commerce and furnishes trade leads to 16,000 Texas manufacturers engaged in export.

Expansion into such foreign markets has offered new sales opportunities to these Texas businessmen. Texas' deepwater ports, large air terminals and international border offer unique advantages and access to foreign markets eager for American-made goods. In fact, in terms of present trade activity, if Texas were a country, instead of a state, it would rank fifteenth in the world in international trade.

There are two major sources of contact a Texas businessman may initially have with prospective foreign buyers. These are trade missions and trade shows/fairs. The Texas Industrial Commission makes both opportunities available to interested parties. A trade mission usually occurs after a TIC staff member has

Exhibit 6

TIC-ASSISTED INDUSTRIAL PLANT
LOCATION ANNOUNCEMENTS - FISCAL YEAR 1982



made a survey trip to a prospect country or group of countries to ascertain the possibilities for successfully taking a trade mission group to that area. Factors considered in determining the potential for an actual trade mission to the area include: 1) availability of foreign contacts; 2) U.S. embassy input; 3) market research and analysis; 4) financial status of the prospect(s); 5) sanction of the U.S. Department of Commerce; and 6) the on-site staff visit. Once it has been ascertained that trade potential exists, Texas manufacturers who produce the types of equipment/services needed by the foreign country (i.e., oil, agriculture, etc.) are contacted by the department to commit a company representative to participation in the trade mission. Companies pay the way of their own representatives while TIC pays for staff travel. One or two staff persons will accompany a mission depending upon the number of Texas representatives going. Generally, a high-ranking elected state official is requested to go as the official representative of the state, particularly to nations where such protocol is of major importance. The state official is responsible for his/her own expenses. Most missions usually last from one week to ten days with more than one stop planned within a country so that maximum contact with potential buyers is assured. It may take over a year to bring the trade mission plan to fruition. In fiscal year 1980, TIC sponsored a trade mission to the Republic of China for offshore oil businessmen. Twelve business representatives, two TIC staff and the lieutenant governor of Texas made the trip. The travel costs plus the three weeks of time required have so far resulted in \$274 million in business.

The second source of contact Texas businesses may have with potential buyers is through trade shows/fairs. TIC's International Trade Department gets the information about an upcoming show from the U.S. Department of Commerce about a year in advance. The department determines the usefulness of the show to Texas businesses. Since Texas primarily concentrates on oil field equipment, some shows are rapidly eliminated. TIC then determines how many exhibit booths it wants at that particular show and notifies the sponsor asking for strategically-located space, such as that near an entrance/exit. Once the number of booths is confirmed, the agency then recruits companies to exhibit their equipment. There is usually no problem with finding businesses who want to participate, particularly if they have had prior experience with a show or have heard of the successes of other participants. In 1981 at the Maracaibo, Venezuela "Petroavance '81" show, 30 Texas companies participated. Reported sales from some of the companies

(most refuse to give sales figures) were \$22 million. And in February of 1982, at the Mexico City trade show (31 companies participating) \$39 million in orders were written by the companies who would confirm sales totals. If a business participates in a show but all of its equipment is not sold off the floor, the United States will pay the cost of shipping the equipment back to the point of origin. These shows are not usually open to the public. Ordinarily, a maximum of two TIC staff persons will travel to, and participate in, a trade show. The host country provides the publicity, assistance for exhibitors at the show location, etc. A briefing about the show is held before it opens for all exhibitors. Texas emblems, state seals, etc. are prominently displayed in each booth as well as the manufacturer's display. The following exhibit indicates the activity of both trade missions and shows within the period under review.

Exhibit 7
TRADE MISSION/SHOW ACTIVITY

Type of Activity	1979	1980	1981	1982 Projected
Texas Companies Entering Export Market	26	46	49	50
Amount of Orders Written By Companies	\$54 million	\$127 million	\$126 million	\$130 million
Trade Missions/Shows	4	4	3	3

A third way in which a Texas manufacturer may become involved in exporting is through trade leads generated either from a prospective buyer or through the U.S. Department of Commerce. A buyer may call TIC seeking suppliers. The agency gets the information on the product(s) needed, then looks in the Manufacturing Directory for the SIC (Standard Industrial Classification) Code. Once a list of potential suppliers has been obtained from this source, the agency contacts a supplier to ascertain their interest. If the supplier indicates interest, the product requirement information is sent in a letter or Telex by the agency, with a request that the supplier deal with the buyer directly. The following exhibit indicates the trade leads processed during the period under review.

Exhibit 8

TRADE LEADS PROCESSED

Activity	1979	1980	1981	1982
Number Leads Processed	112	73	102	Projected 90
Foreign Buyer/Seller Responses	570	178*	102*	100*
Foreign Inquiries Processed	40	43	106	100

*Extensive cuts in 1980 - 1982 advertising budgets caused a cessation of mail responses from ads formerly run in major publications.

Since every U.S. embassy in the world generates trade leads, the agency plans to use its data center to electronically scan Texas manufacturers to find companies to fill such trade leads, eliminating an average 15 to 45 day time lag in matching buyer and producer.

Mexico City Promotion. The Mexico City Office assists in the economic promotion of Texas through the provision of encouragement and assistance to Texas manufacturers who are interested in exporting to Mexico. Texas holds a unique position in Mexico--it is the only state which is presently allowed to have a "foreign office" in the country. Other states have tried to obtain permission from the Mexican government to open such offices but have been refused, i.e., Alabama, Arizona, Louisiana, Georgia, Pennsylvania and Michigan. If Texas should ever close its Mexico City Office, this state would probably never be given an opportunity to re-establish an office in Mexico. Because of the unique position held by the State of Texas, Texas manufacturers are the recipients of invaluable assistance from an on-the-spot staff. Staff members have spent and do spend time making the business and government contacts essential to doing business in another country. They assist in setting up definite appointments with the proper persons for interested Texas manufacturers. The staff is also available to counsel with Texans about the cultural differences which affect the manner in which business may be successfully conducted. The following exhibit shows the number of persons so assisted during the period under review.

Exhibit 9
MEXICO CITY ASSISTANCE

Type of Assistance	1979	1980	1981	1982
Consultations Conducted	215	102	50	50
Appointments Made	225	130	63	60

Contacts with persons who had been assisted by the Mexico City Office within the past year indicated that they had found the staff very helpful. One internationally-oriented business person stated that the Mexico City Office was "the only bureaucratic entity I could ever rave about".

The review indicated that prospects are developed and monitored by the agency in an efficient and effective manner. The methods used appear to be appropriate for fulfilling the economic promotion function of the agency.

Training

The review of the agency indicated that three departments are involved in the training function. The Industrial Locations and Services Department offers industrial team training, simulated prospect visits and capital formation clinics to community leaders, and promotes and coordinates industrial start-up training. The Business Development Department conducts management training seminars for small business owners. The Energy Utilization Department conducts energy conservation workshops and an annual energy auditor's training course.

The criteria used to examine these programs included a determination if the request for training was based on a valid need, and if the training was efficiently scheduled, provided by competent personnel and met the needs of the trainees.

Industrial Training. The agency has determined that the provision of training is one mechanism for promoting and encouraging the state's industrial development. The validity of the need for this training is based on the belief that the final sale of an industrial location rests with community leaders. Because of the necessity for a business to be accepted by a community, industry places great emphasis on personal contact with community leadership; thus, the demand exists for a voluntary team of community leaders who understand the problems of industry and are prepared to help the industry on behalf of their community.

To help community leaders fulfill their roles as the sales representatives for their town or city, the agency offers three types of training: 1) industrial team training; 2) simulated prospect visits; and 3) capital formation clinics. In general, the subject areas covered in the industrial team training are sites, existing buildings, and zoning; industrial financing; utilities; labor; construction and insurance; government and taxation; transportation; education and training; and resources and services. Once the team members feel they are experts in these areas, an industrial prospect visit is simulated. This involves an agency staff person portraying the role of a prospect visiting the community and asking questions of the industrial team members. After the simulation, the staff person meets with the team to critique their performance. Exhibit 10 indicates the number of team trainings, prospect simulations, and trainees involved during fiscal years 1980, 1981, and 1982.

Exhibit 10

INDUSTRIAL TRAINING OF COMMUNITY LEADERS

Training Efforts	FY 1980	FY 1981	FY 1982
Number of industrial team trainings	4	5	5
Number of trainees	42	56	78
Number of prospect simulations	2	1	1
Number of trainees	37	23	11

Almost 70 percent of the industries that contact the Texas Industrial Commission looking for plant sites inquire about available financing, especially for land and buildings. To ensure that community leaders are aware of all potential sources of financing, the agency conducts capital formation clinics. In fiscal year 1982, 138 clinics were conducted for 656 trainees.

In addition to training community leaders, TIC is involved in industrial start-up training. Section 11.18(e) of the Texas Education Code authorizes appropriations to the Texas Education Agency for skill training in direct support of industrial expansion and start-up, and those locations, industries, and occupations designated by the Texas Industrial Commission. The commission's authority to designate the recipients of start-up training has been used as an incentive in TIC's efforts to encourage industrial location in the state. Although the agency does not

provide the training, they have responsibility for informing new industry of its availability and for coordinating the efforts of the Texas Education Agency and the Texas Employment Commission in planning and presenting the start-up training program. As shown in Exhibit 11, the agency has been involved in 142 start-up training programs with a total of 16,681 trainees involved during the period under review.

Exhibit 11
START-UP TRAINING

Fiscal Year	Programs Coordinated	Individuals Trained
1979	48	5,405
1980	28	3,646
1981	35	4,929
1982	31	2,701
Total	142	16,681

Contact with industries who had utilized the training indicated strong support for its continuation. It was considered beneficial to both the potential employer and employee. The training provides a clear understanding of the job requirements, the employer's expectations, and the available benefits. It appears that awareness of these factors has increased job satisfaction and thereby reduced staff turnover. The counties in which the start-up training programs have been conducted during fiscal year 1982 are indicated on Exhibit 12.

Business Training. The commission cooperates with business, professional, and educational organizations and state agencies and makes available to them information about the management, financing and operation of small businesses. The agency's efforts in this area have taken two forms. Initially TIC was involved in developing entrepreneurship training programs at the community college level. The agency focused on curriculum development and recruitment of instructors from the business and financial community. The training programs provided in-depth courses in business management from the perspective of the owner.

Due to funding cuts, TIC can no longer participate at this level. Agency staff are now involved in the provision of training at seminars set up by TIC or at workshops sponsored by various organizations. The increasing demand for these training programs, as shown in Exhibit 13, indicates that the agency has developed an appropriate method of meeting the training needs of persons involved in small businesses.

Exhibit 13

ENTREPRENEURSHIP TRAINING

Fiscal Year	Training Programs	Participants
1980	20	543
1981	32	1,678
1982	43	2,139
Total	95	4,360

Energy Training. As previously mentioned, the Energy Utilization Department of the Texas Industrial Commission was created in late 1977 to provide Texas industries with instructional and informational programs on energy conservation. Funding is provided by the U.S. Department of Energy and administered by the Texas Energy and Natural Resources Advisory Council (TENRAC). During the period under review, this funding has totalled \$2.2 million. An independent audit by Arthur Young and Company, requested by TENRAC, revealed an energy savings of \$ 1,672.72 for every dollar spent on the program. One of the major means of providing such savings to Texas businesses is through industrial energy conservation training.

The department conducts a series of one-day workshops dealing with 10 topic areas. Each workshop addresses a specific topic area and explains improvements in energy management and equipment which have the potential to generate substantial energy and dollar savings. The agency contracts with professional engineers who are experts in the particular topic areas to be presented in the workshops. Attendees receive a comprehensive workbook to keep as a future reference. The workbooks have been prepared by professional engineers with proven experience in the subject addressed. The department attempts to update and upgrade the quality of workshop information so that individuals can benefit from recurring sessions.

Some workshops are prescheduled, however the majority of them are conducted at the request of communities, industries and civic organizations who act as sponsors. From the beginning of the program in 1977 through the end of 1980, the department selected the dates and sites for workshops and published an annual schedule. Attendance was generated by direct mail and a \$25 registration fee was charged. By 1981 communities began to make specific requests for workshops to be scheduled in their areas. In response to these requests, the department devised the plan for community-sponsored workshops. Local sponsors such as utility companies, universities, industries and chambers of commerce support the workshops by contacting and bringing in attendees and by providing meeting facilities, lunch and refreshments. The department provides the speakers and workbooks at no expense to the community and at no charge to the attendees. The department sees this type of cooperation as essential to generating attendance in smaller cities and to extend the reach of the program across the state. Exhibit 14 (Workshops Conducted) shows how the number of workshops has increased from year to year. The largest percentage of growth, 46 percent, which occurred from 1980 to 1981, reflects the impact of the sponsorship program. Exhibit 15 (Average Workshop Attendees) shows that attendance dropped from 1979 to 1980 and then realized a significant gain in 1981. The department primarily attributes this turnaround to the sponsorship program. Increased attendance is also attributed to the continuing rise in the cost of energy, and industry's ongoing search for assistance and guidance in energy conservation.

A second method of energy conservation training used by the department is the annual energy auditor's training course. This comprehensive and intensive one-week course is designed to update graduate engineers in the methodology and technology for conducting industrial energy audits, thereby improving the quality of energy audits throughout the state. The program began in 1979 when the deans of Colleges of Engineering in five state universities worked together to design the 47-hour short course. In 1981 the first course was conducted, and as mentioned above, is now considered an annual event.

The results of such training programs, as well as other energy conservation efforts mentioned in previous sections of this report have, over the period under review, resulted in cumulative savings which equate to 92.9 million barrels of oil, or \$3.68 billion of avoided energy costs to Texas industries. Annual savings are reflected in Exhibit 16, (Economic Impact-Cumulative).

Exhibit 14

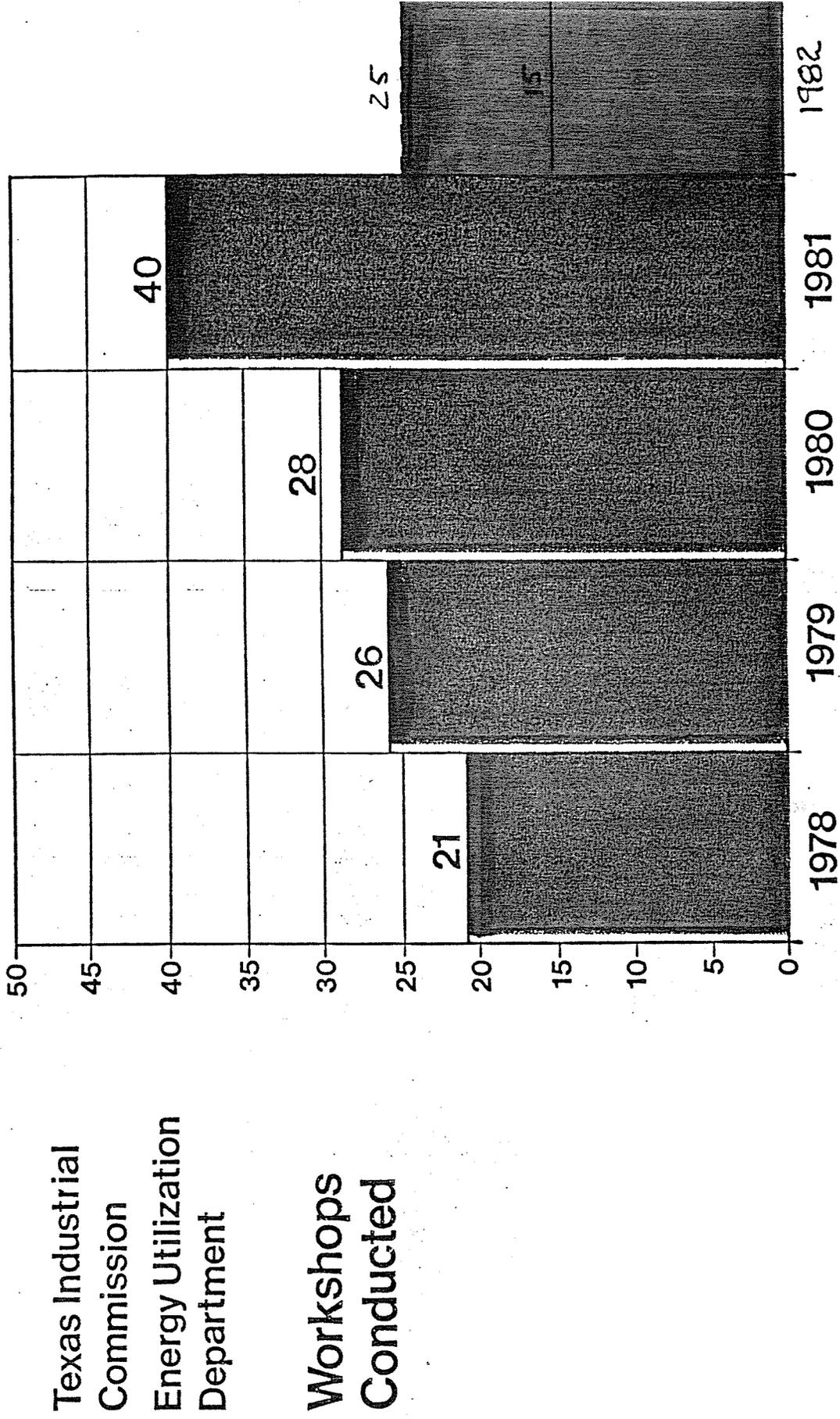
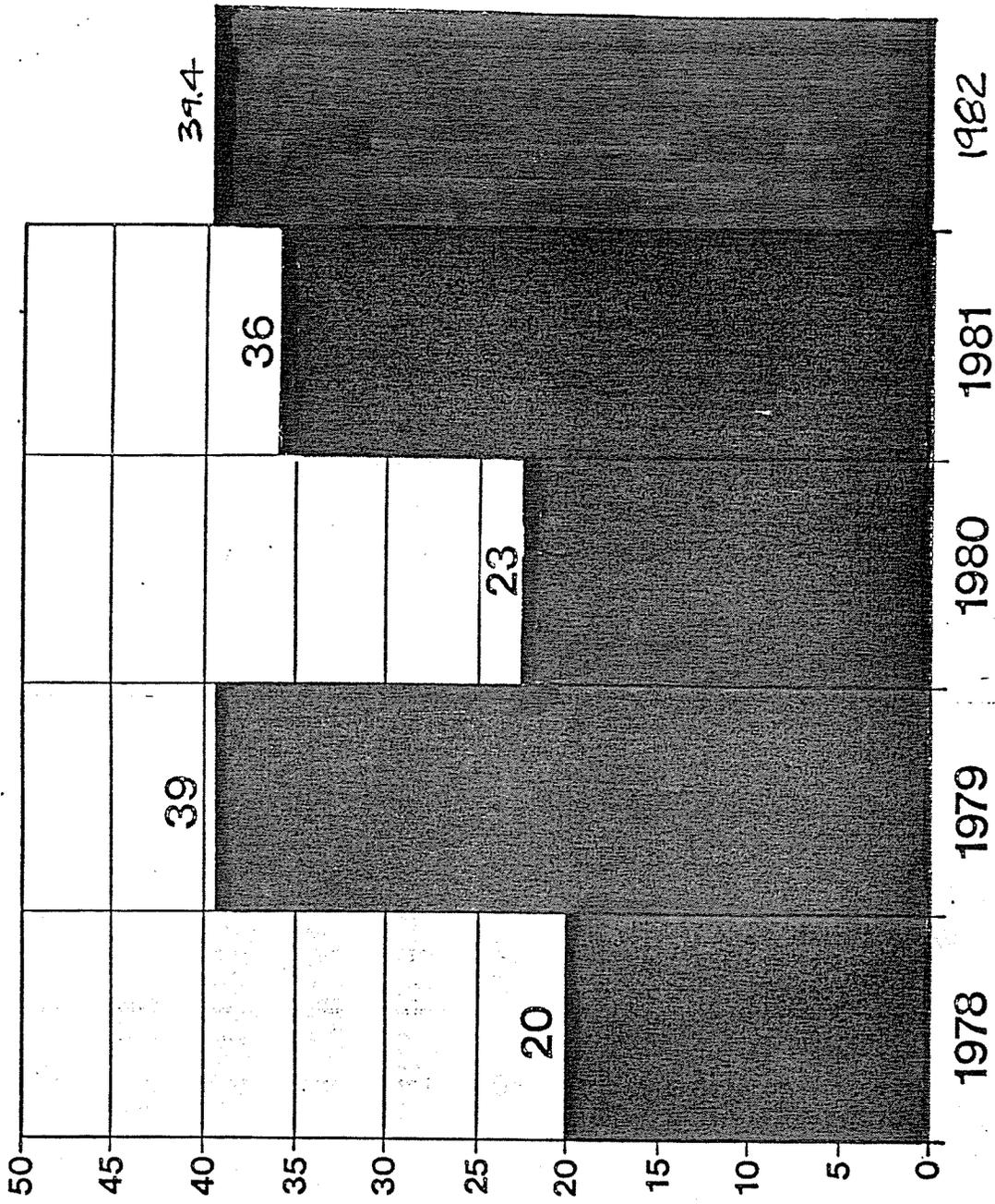


Exhibit 15

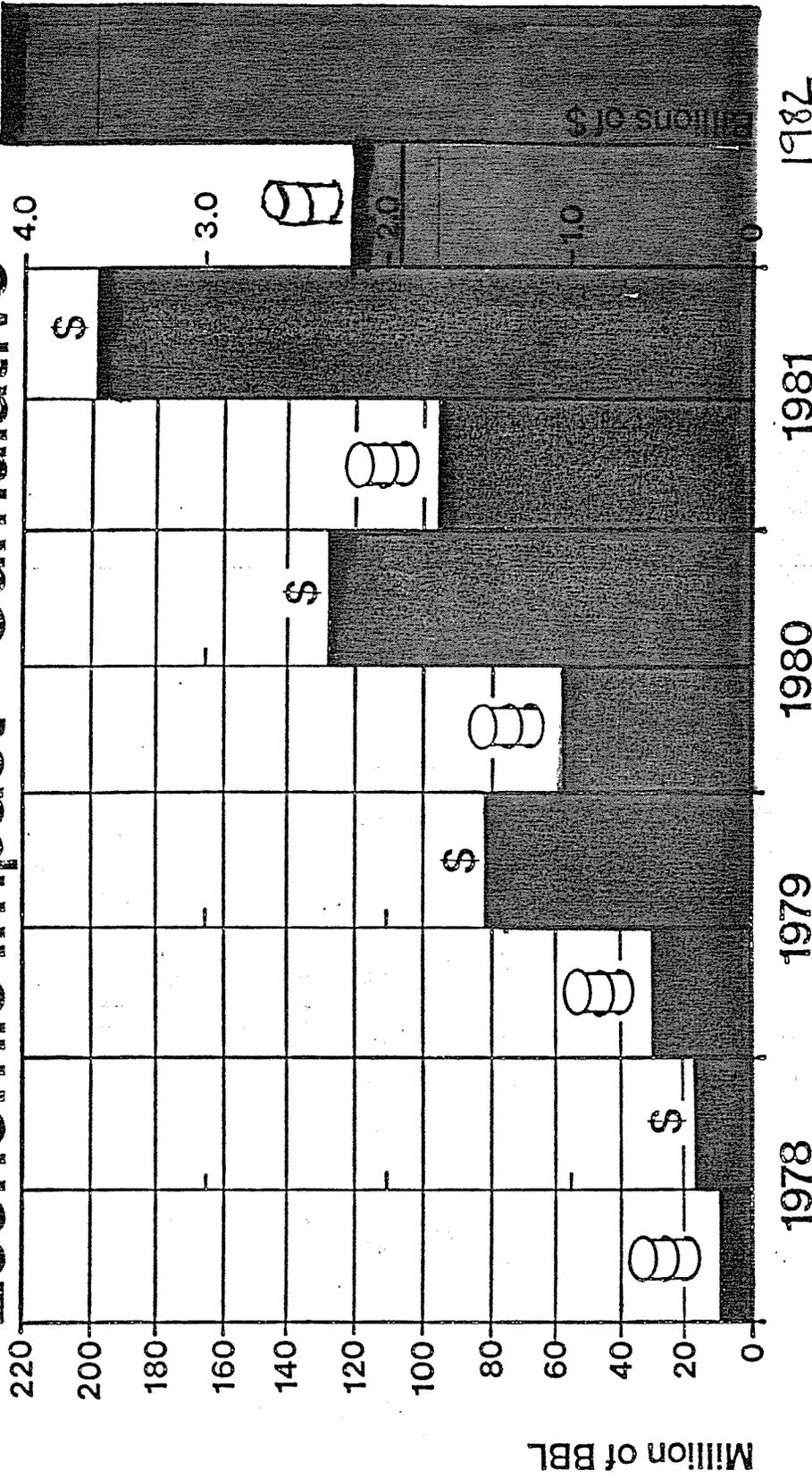


Texas Industrial
Commission
Energy Utilization
Department

Average
Workshop
Attendees

Texas Industrial Comm. - Energy Utilization Dept.

Economic Impact - Cumulative



○ Economic Impact (Cumulative)

○ Barrels of oil equivalent saved (In Millions)

\$ Dollars of industrial avoided energy cost (In Billions)

The criteria used to examine the training function determined that requests for training were based on valid needs, and that training was efficiently scheduled, provided by competent personnel, and met the needs of trainees.

Loan/Bond Processing

The Rural Loan Fund and Industrial Revenue Bond Division performs the loan/bond processing function for the agency. This division responds to questions about either form of financing. It reviews rural loan applications, dispenses funds when appropriate, and monitors repayment of the loans. The division also reviews industrial revenue bond (IRB) applications and approves the issuance of bonds by local development corporations.

To evaluate the effectiveness of these services, the review focused on whether the methods of delivering the services were appropriate and met the needs of the recipients.

Processing Rural Loans. The Rural Industrial Development Fund was created in fiscal year 1973 to promote and develop new and expanded industrial and manufacturing enterprises in rural areas of the state. This special revolving loan fund received an appropriation of \$600,000 in fiscal year 1973, a grant of \$300,000 in 1980 from the Greater Southwest Border Regional Commission, and a \$1 million appropriation in fiscal year 1981 for a total of \$1.9 million.

To obtain a loan from this fund, an applicant (which in all cases is an industrial development agency) meets with TIC staff for a preliminary review of the proposed project. If the project appears to accomplish the public purposes for which the fund was created, the industrial development agency completes an application according to the format prescribed by TIC rules and regulations. The staff of the commission reviews the application for completeness, conducts an on-site visit of the project, and obtains and evaluates credit reports on the intended buyer or tenant of the project. The application and findings of the staff are presented at the next quarterly meeting of the Texas Industrial Commission. Public testimony is also heard at this time.

In reviewing an application, the commission considers: 1) the needs of the area to be served in relation to the needs of other areas of the state; 2) if the benefits of the loan to the rural area will exceed the financial commitment of the commission; and 3) whether approval of the project will help to alleviate unemployment, assist in the industrial development of the state, and benefit the state and its taxpayers.

If the proposed project meets these public purposes, the commission lends the industrial development agency an amount not to exceed 40 percent of the project cost. The industrial development agency must pledge at least 10 percent of the cost of the project in funds or property and obtain financing for the remaining costs from another source.

Upon approval of the loan by the commission, the applicant provides TIC with the appropriate legal and fiscal documents and TIC arranges for the transfer of funds from the State Treasury to the applicant. TIC staff is responsible for monitoring receipt of payments on the loan.

The Texas Industrial Commission made the first loan from this fund in March of 1974. Thirteen cities have received a total of 15 loans ranging in size from \$25,000 to \$395,000. The current unobligated balance in the fund is approximately \$308,000. As indicated by Exhibit 17, the state has loaned a total of \$2,034,700 resulting in the creation of 1,116 jobs.

The review indicated that the methods used to approve rural loan applications and to monitor payments on these loans were effective. It appears that this service is meeting the needs of the recipients by promoting and developing new and expanded industrial and manufacturing enterprises in rural Texas.

Processing Bond Applications. In 1979, the legislature declared that the right to gainful employment and the general welfare of the people of Texas required as a public purpose the promotion and development of new and expanded industrial, manufacturing, and commercial enterprises. It was determined that for Texas to compete with other states for the location or expansion of such enterprises, financial assistance was necessary. This assistance was provided for by the Development Corporation Act of 1979 (Article 5190.6, V.A.C.S.) which allows Texas communities to take advantage of revenue bond financing.

Forty-eight states, including all the states bordering on Texas, have been using this industrial location tool for years. Bonds of this type were first issued in the state of Mississippi in 1936. By late 1960, most states had some provision allowing cities or other political subdivisions to issue bonds.

In Texas, political subdivisions such as cities, counties and districts can create nonprofit, tax-exempt corporations to act on their behalf in issuing revenue bonds for financing industrial, manufacturing and commercial projects. The financial obligation incurred does not rest with the industrial development corporation (IDC), the community, or the state, but with the user of the project or facility.

Exhibit 17

RURAL INDUSTRIAL DEVELOPMENT FUND LOANS OUTSTANDING

City Date of Loan	Company (Product)	Loan Participants	State's Participation	Total Project Cost	Jobs	State's Investment Per Job	Annual Payroll	Estimated Annual State Taxes Generated	Rate & Length of Loan (yrs.)
Mexia (1) 3/17/74	IMC Magnetics (computer motors)	State - 100,000* Local - 265,000 Federal - 193,000	17%	\$ 538,000	188	\$ 531	\$1,200,000	\$ 25,139	5.5% (15)
Alice 10/24/74	Indianapolis Glove (all types of gloves)	State - 160,000* Local - 226,269 Foun. - 100,000	32%	486,269					5.5% (20)
Brenham (1) 10/24/74	Velmont Industries (street light poles)	State - 150,000* Federal - 850,000	15%	1,000,000	120	1,250	900,000	30,474	5.5% (15)
Corsicana 4/16/75	Regal Tool & Rubber Co. (rubber bumpers for off-shore drilling rigs)	State - 150,000* Local - 337,000	32%	487,000	240	625	1,000,000	35,000	5.5% (15)
Hereford 7/17/75	Sue-Ann (women's apparel)	State - 40,000* Local - 90,000	30%	130,000	190	210	1,000,000	37,000	5.5% (15)
Royse City 9/24/76	DDR & Hollows-Common (extrusion tools)	State - 35,000* Local - 322,000	10%	357,000	44	795	367,000	32,000	5.5% (15)
Grandview 6/6/77	Dark's Silk Flowers, Inc. (custom decorative flowers & hobby craft)	State - 25,000* Local - 155,000	14%	180,000	40	625	500,000	17,126	** (10)
Trenton 10/1/79	Frontier Mfg. Co. (metal shelves)	State - 85,000* Local - 388,000	22%	473,000	40	2,125	640,000	13,749	5.5% (20)
Luling 3/1/80	Luling Iron Foundry (grey iron)	State - 200,000* Local - 367,504	35%	567,504	44	4,545	444,320	19,449	5.5% (17)

RURAL INDUSTRIAL DEVELOPMENT FUND LOANS OUTSTANDING
(Continued)

City Date of Loan	Company (Product)	Loan Participants	State's Percent Participation	Total Project Cost	Jobs	State's Investment Per Job	Annual Payroll	Estimated Annual State Taxes Generated	Rate & Length of Loan (yrs.)
Seguin 11/1/80	Olson Metal Products (metal stamping tools and dies)	State - 238,200* Local - 377,350	39%	\$ 615,550	37	\$6,438	\$ 525,000	\$ 21,189	5.5% (20)
McAllen 10/31/80	Form-O-Uth (women's apparel)	State - 220,000* Local - 330,000	40%	550,000	40	5,500	350,000	6,896	8.75% (20)
Brenham (2) 2/28/81	Steadley Company (box spring & related bedding)	State - 92,800* Local - 139,200	40%	232,000	15	6,187	207,000	31,032	8.75% (15)
San Benito 7/1/81	Gulf Packing Company (full dressed carcasses and cattle)	State - 114,700* Local - 192,975	37%	307,675	30	3,823	240,000	7,215	8.75% (20)
Sweetwater 10/1/81	Ludlum Measurements, Inc. (precision measurement tools & equipment)	State - 29,000* Local - 50,000	37%	79,000	8	3,625	119,561	2,069	8.75% (5)
Mexia (2) 12/1/81	Hobbs Bonded Fibers (synthetic fibers)	State - 395,000* Local - 592,500	40%	987,500	80	4,938	900,000	35,522	8.75% (20)
TOTALS		\$2,034,700*	30% (Avg.)	\$7,010,498	1,116	\$1,823 (Avg.)	\$8,392,881	\$313,860	

*State's participation in dollars.

**Two loans have been made to Dark's Silk Flowers, Inc.; first loan for \$11,000 at 5.5% and second loan for \$14,000 at 8.75%.

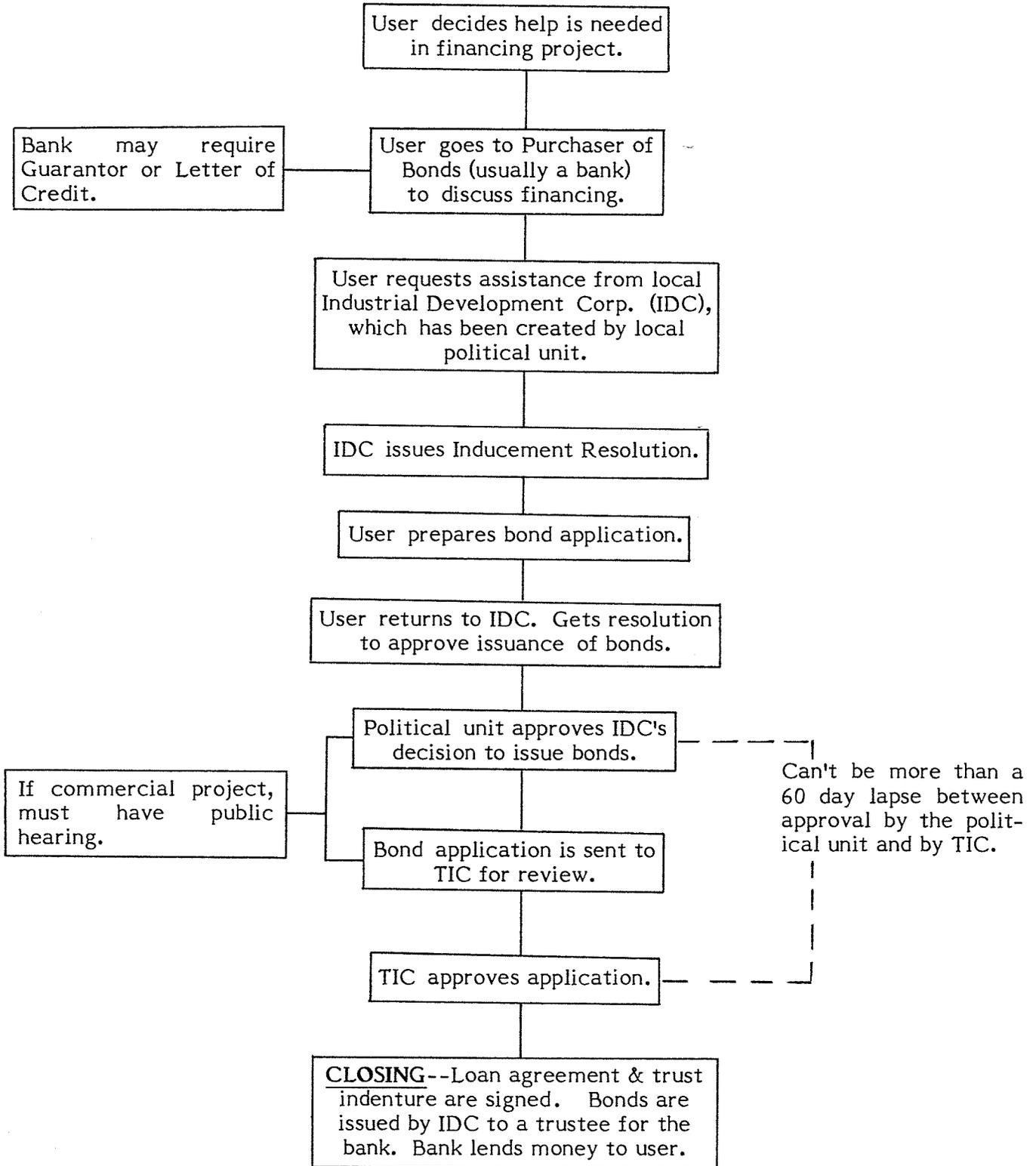
To obtain this type of low-interest loan, the potential user discusses the financing of the project with a bank and then requests assistance from the local industrial development corporation. After making a preliminary investigation of the user's financial stability and credit, the IDC issues an Inducement Resolution in support of the project. At this point, preparation of the bond application and data required by TIC and the development corporation begins. This information is submitted to the IDC for review. If the application is acceptable, the industrial development corporation issues a resolution approving the issuance of the bonds. The local political unit then ratifies the IDC's decision to issue bonds. However, if the bonds are for a commercial project, a public hearing is required prior to the local political unit issuing a resolution approving the bonds. The bond application is then sent to the Texas Industrial Commission for review. This application must be accompanied by a \$1,500 filing fee.

Agency staff reviews the application and any related lease, sale, or loan agreement and presents an application summary to an internal bond review committee. If the review committee: 1) finds that the proposed project complies with the standards set forth by TIC's rules and will further the public purposes of the Act; and 2) approves the loan agreement, TIC's executive director conditionally approves the issuance of the bonds. Final approval occurs upon delivery by the IDC of the required opinions, evidence, certificates, instruments, and/or other documents to an authorized representative of the commission. At the time of closing, the loan agreement and trust indenture are signed. The bonds are issued by the industrial development corporation to a trustee for the bank which then loans the money for the project to the user. Exhibit 18 provides a summary of the steps involved in the process.

The first industrial revenue bond (IRB) application was approved in December of 1979. As of August 1982, a total of 565 applications have been approved resulting in over \$2 billion in low-interest loans. These projects have created approximately 39,112 jobs and approximately 58,907 more jobs are considered indirect or induced employment as a result of the issuance of the bonds.

Estimates of the effect of these projects on the economy, based on multipliers derived from the Texas Input-Output Model, 1972, (published by the Texas Department of Water Resources), have been calculated by TIC staff. These calculations are contained in the following three categories: 1) new taxes generated annually; 2) federal taxes foregone on IRB interest; and 3) net taxes

Exhibit 18
IRB TRANSACTION IN TEXAS



generated. Annual new taxes generated refers to taxes collected on the federal, state and local level. Federal taxes foregone on IRB interest refers to taxes not collected by the federal government since the interest on the bonds is tax-exempt. This amount is calculated by multiplying the corporate income tax rate by the first year of interest on a project. Net taxes generated refers to an amount determined by subtracting the amount of federal taxes foregone from the total amount of annual new taxes generated.

An analysis of these figures indicates that in 61 projects the amount of federal taxes foregone exceeded the amount of new taxes generated. However, the total amount of net taxes generated as a result of the 565 projects financed by industrial revenue bonds as of August 1982, as shown in Exhibit 19, is over \$393 million.

Exhibit 19

ESTIMATE OF NET TAXES GENERATED BY IRB-FINANCED PROJECTS

Number of Issues	Annual New Taxes Generated			Federal Taxes Foregone on IRB Interest	Net Taxes Generated
	Federal	State	Local		
61	\$ 9,749,006	\$ 995,036	\$ 786,293	\$ 29,858,196	\$(18,327,861)
<u>504</u>	<u>413,179,859</u>	<u>39,643,560</u>	<u>29,850,457</u>	<u>71,220,643</u>	<u>411,453,233</u>
565	\$422,928,865	\$40,638,596	\$30,636,750	\$101,078,839	\$393,125,372

The review focused on whether the methods of performing the bond review function were appropriate and met the needs of the recipients. In general, the procedures established by the agency for the processing of industrial revenue bond applications are appropriate. In reference to the value of the service to the recipients, the method of delivering the service appears to have adequately met their needs, but several concerns were identified. These relate to the failure of the agency to create the Texas Small Business Industrial Development Corporation, the variation across the state in the cost to the user of obtaining IRB financing, the filing fee charged by the agency for processing bond applications, and the determination of eligibility for revenue bond financing for commercial projects.

When the Development Corporation Act of 1979 was amended by the 67th Legislature, authorization for the creation of the Texas Small Business Industrial Development Corporation was included. The corporation was to be created by TIC

to act in behalf of the state in issuing revenue bonds for financing industrial, manufacturing and commercial projects. The intent was to make this form of low-interest financing available for small businesses. It was believed that an IDC operated on a statewide basis by TIC could "pool" small revenue bond issues and thereby reduce the administrative costs of this form of financing. By keeping the fees charged by the Texas Small Business Industrial Development Corporation at a lower rate than local development corporations, small business owners would find this form of financing economically feasible.

However, on August 24, 1981, the Department of Treasury and the Internal Revenue Service issued Revenue Ruling 81-216 placing stringent limitations on composite issues. As a result, the commission has not gone through the necessary steps to create the Texas Small Business Industrial Development Corporation.

On September 10, 1982, federal legislation effectively removed the prohibition against pooling bond issues. The federal tax bill authorizes composite issues or "umbrella bonds" if no user finances more than one facility from the same composite issue, no composite issue includes facilities in more than one state, and no franchises are allowed to use umbrella bonds.

With the removal of the federal restrictions, TIC plans to begin implementation of this part of the Act on October 1, 1982. An appropriation to the commission was made by the 67th Legislature which provides the funds for the development and implementation of the Texas Small Business Industrial Development Act.

The second concern deals with the fees charged by the local industrial development corporations to issue IRBs. Since the program was begun, 146 IDCs have been involved in the issuance of industrial revenue bonds. Ninety-six development corporations are currently active.

A review of the fee schedules submitted to TIC indicates wide variation across the state in the amount charged by local IDCs. Eight industrial development corporations charge no fees. Out of the remaining 85 IDCs, 97.6 percent charge a filing fee, 20 percent charge a processing fee, 60 percent charge a closing fee, and 14.1 percent charge a continuing cost or annual fee for the life of the bond. The filing fees range in amounts from \$200 to \$5,000 with 56 development corporations charging \$1,000. Almost one-third of the IDCs that have a processing fee charge \$4,000 with the fees of the remaining twelve IDCs ranging in amount from \$100 to \$20,000. Forty-eight of the 51 IDCs with closing fees base this charge on the size of the bond issue, as do 10 of the 12 IDCs with continuing costs or annual fees.

This variation in fees, as shown in Exhibit 20, indicates a discrepancy in the cost of this form of financing for the user depending on the IDC issuing the bonds.

The third concern developed during the review has to do with the \$1,500 filing fee charged by the Texas Industrial Commission for processing bond applications. Authority for this fee was given to TIC by the 67th Legislature in an amendment to the Development Corporation Act of 1979 (Article 5190.6, Section 24(b), V.A.C.S.) to ensure that the administration of the Act would not become a burden on state taxpayers. The agency began collecting the fee on September 1, 1981, and, as of September 17, 1982, had collected a total of \$525,000 which is deposited to the General Revenue Fund.

Revenue generated from this fee should approximate the cost to the agency of performing the function. The review indicates that the present filing fee greatly exceeds the cost to the agency of processing a bond application. Based on the average amount of staff time required for processing a bond application, participating in the internal review process, sending out letters of conditional approval, and entering appropriate data into the computer, the agency's fee appears to exceed the cost per issue by approximately \$1,400.

To reduce the amount paid in fees by the users of IRB financing, yet ensure that TIC can cover the cost of performing this function as requirements change, the Act should be amended to authorize the commission to set a reasonable and necessary filing fee with a maximum fee of \$1,500 per issue.

The final concern has to do with the determination of eligibility for revenue bond financing for commercial projects. The Act authorizes commercial projects in blighted or economically depressed areas, federally-assisted new communities located within a home-rule city, or a federally-designated economically depressed county of less than 50,000 persons according to the last federal decennial census. Blighted or economically depressed areas are defined as those areas within and/or immediately adjacent to a city which the city determines substantially impair or arrest the sound growth of the city, or constitute an economic or social liability and, in their present condition and use, are a menace to the health, safety and welfare of the public because of one of the following conditions: 1) the presence of a substantial number of substandard, slum, deteriorated or deteriorating structures; 2) a high relative rate of unemployment; 3) the designation and inclusion of the area in a tax incremental district; or 4) any combination of these three conditions.

Exhibit 20

IDC FEE SCHEDULES

Fee Schedules of River and Port Authorities' IDCs

Name	Filing Fee	Processing Fee	Closing Fee	Continuing Costs (Annual)
Angelina-Neches River Authority IDC	\$ 1000		1% of aggregate principal if under \$1 million. For \$1-5 million, charge = \$10,000 plus amount = to .25% of amount exceeding \$1 million. For \$5-10 million, charge is \$20,000 plus amount = .125% of amount exceeding \$5 million.	
Brazos Harbor IDC		-NO FEES -		
Guadalupe - Blanco River Authority IDC				.125% on principal
Lower Neches Valley Authority IDC	\$1,000			
Port of Brownsville IDA	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Port Development Corp. (Houston)	\$1,000	\$4,000		\$500 per million
Red River IDA	\$1,000	\$4,000		\$5,000 to \$5 million; \$1,000 per million above \$5 million
Sabine River IDA	\$ 500	\$5,000	\$5,000 to 1 million + 1/500 of remainder of issue	
San Antonio River IDA	\$1,000	\$4,000	\$5,000 to \$5 million; \$1,000 for every million over \$5 million	
Trinity River IDA	\$5,000	\$ 500	1/5th of 1% of issue.	

IDC FEE SCHEDULES
Fee Schedules of Remaining IDCs

Name	Filing Fee	Processing Fee	Closing Fee	Continuing Costs (Annual)
City of Arlington IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Athens IDC	\$ 200	\$ 100/yr.		
Austin IDC	\$ 500		.15% of size of issue minus \$500. \$500 minimum.	
Ballinger IDA		- NO FEES -		
Bastrop Co. IDC	\$ 500		.05% of amount	
Brazos Co. IDC	\$1,000		½ of 1%	
Brookshire IDC	\$1,000	\$20,000		
Burnet Co. IDC	\$ 500		\$500 per million	
Cameron Co. IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Capital IDC	\$2,000		\$300 per \$100,000	
Cherokee Co. IDC	\$ 500			
Comal Co. IDA	\$2,000	\$11,000	½ of 1%	\$1,000
Corpus Christi IDC	\$1,000		1% of principal	
IDC of Corpus Christi	\$1,000		\$10,000 per \$1 million or 1% thereof	
Corsicana IDA	\$ 500			
Duncanville IDC	\$2,500	\$ 200 each action		¼ of 1%

IDC FEE SCHEDULES
Fee Schedules of Remaining IDCs
(Cont.)

Name	Filing Fee	Processing Fee	Closing Fee	Continuing Costs (Annual)
Ector Co. IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
City of El Paso IDA	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
El Paso Co. IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
IDC of Ennis		- NO FEES -		
City of Farmer's Branch IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Fort Bend Co. IDC	\$2,500 + \$5,000 deposit for services	\$10,000 deposit for services		
Galveston IDC	\$1,000	\$5,000	\$1,000 per million	
Garland IDA	\$1,000	\$1,000		1/10 of 1%
Grand Prairie IDA	\$ 500	\$2,500	\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Grayson Co. IDC		- NO FEES -		
Gregg Co. Dev. Corp.	\$1,000			10¢ per \$250 or \$1,000 whichever is less.
Grimes Co. IDC	\$1,000			

IDC FEE SCHEDULES
Fee Schedules of Remaining IDCs
(Cont.)

Name	Filing Fee	Processing Fee	Closing Fee	Continuing Costs (Annual)
Gulf Coast IDA	\$1,000	\$4,000	\$5,000 to \$5 million. \$1,000 per million over \$5 million.	
Haltom City IDC	\$1,000		\$500 per million	
IDA of Harlingen, Inc.	\$1,800			0.1% to \$3 million 0.75% to 5 million 0.50% to \$10 million
Harris Co. IDC	\$1,000		1/20 of 1%. Minimum of \$2,500	
Harrison Co. IDA, Inc.		- NO FEES -		
Hays Co. IDC	\$1,000			
Howard Co. IDC	\$ 500		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Hunt Co. IDC	\$ 500			
Lamar Co. IDC	\$ 300		\$500 per million	
Lampasas Co. IDC	\$1,000		\$1,000	
Lancaster IDA			1/10 of 1%, maximum \$1,000	
The Greater Laredo IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Leon Co. Dev. Corp.		- NO FEES -		
Lewisville IDA	\$1,000			

IDC FEE SCHEDULES
Fee Schedules of Remaining IDCs
(Cont.)

Name	Filing Fee	Processing Fee	Closing Fee	Continuing Costs (Annual)
Lipscomb Co. IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Longview Indus. Corp.	\$1,000		10¢ per \$1,000, maximum of \$250	
Lufkin IDA	\$1,500	\$1,000		
McKinney IDC	\$1,000		\$2,000 to \$2.5 million \$4,000 to \$5 million \$6,000 to \$7.5 million \$8,000 to \$10 million	
Maverick Co. IDC	\$1,000			
Mesquite IDC	\$ 500		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Midland IDC	\$1,000			1% to 1 million. \$1-5 million = \$10,000 + .75%. \$5-10 million = \$37,500 + .50% of amount over \$5 million. Over \$10 million = \$50,000+ .25% of amount over \$10 million
IDC of Mineral Wells	\$1,000		\$1,000	
Montgomery Co. IDC		- NO FEES -		
Nacogdoches IDA, Inc.	\$2,500			
Navarro Co. IDC	\$ 500		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	

IDC FEE SCHEDULES
Fee Schedules of Remaining IDCs
(Cont.)

Name	Filing Fee	Processing Fee	Closing Fee	Continuing Costs (Annual)
North Central Texas IDA, Inc.	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
North Richland Hills IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$3,000 to \$7.5 million \$4,000 to \$10 million	
Ochiltree Co. IDC		- NO FEES -		
Odessa Econ. Dev. Corp.	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Potter Co. IDC	\$1,000		\$500 per million	
Red River Co. IDC	\$1,000		\$5,000 to and including \$5 million; over \$5 million = \$1,000 per million	
Rockwall IDC	\$1,000			
Sabine Pass IDC	\$1,000			
Saginaw IDA	\$1,000		\$500 per million	
City of San Antonio IDA	\$5,000	\$4,000	\$5,000 to and including \$5 million. Over \$5 million = \$1,000 per million	
San Marcos IDC	\$1,000			1/10 of 1% to maximum \$5,000
City of Selma IDA	\$1,000			
Stephenville IDC	\$1,000			

IDC FEE SCHEDULES
Fee Schedules of Remaining IDCs
(Cont.)

Name	Filing Fee	Processing Fee	Closing Fee	Continuing Costs (Annual)
Sunnyvale IDC	\$1,000	\$1,000	\$500 per million	
Taylor IDC	\$1,000			
Taylor Co. IDC	\$1,000		\$500 per million	
Temple IDC	\$ 750		\$1,000 to \$2.5 million \$2,000 to \$5 million \$3,000 to \$7.5 million \$4,000 to \$10 million	
Texarkana IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Waco IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
Waller Co. IDC	\$1,000			\$100 per \$1,000; minimum \$500
Ward Co. IDC	\$1,000			
Waxahachie IDA	\$1,000		\$500 per million	
Weatherford IDC	\$ 500			\$300
Webb Co. IDC	\$1,000		\$1,000 to \$2.5 million \$2,000 to \$5 million \$4,000 to \$7.5 million \$6,000 to \$10 million	
City of Weslaco IDC	\$1,000			
Wichita Co. IDC	\$ 250		\$1,000	

IDC FEE SCHEDULES
Fee Schedules of Remaining IDCs
(Cont.)

Name	Filing Fee	Processing Fee	Closing Fee	Continuing Costs (Annual)
Willis IDC	\$1,000			
Wood Co. IDC	\$ 500			
Young Co. #1 IDC	\$1,000			

SOURCE: Texas Industrial Commission, as of June 22, 1982

This definition has been broadly interpreted and many areas of the state are being designated as economically blighted or depressed. To ensure the intent of the legislature is fulfilled, TIC should develop guidelines which cities could consider when designating economically blighted or depressed areas. The guidelines might include such factors as rates of unemployment, per capita income, percentage of housing built before 1940, percentage of housing lacking plumbing, percentage of children in the population receiving AFDC benefits, rate of population decline, average property tax rate, and per capita real property valuation.

Technical Assistance

Two departments within the agency provide technical assistance to communities, small businesses, and interested individuals. The Industrial Locations and Services Department aids communities in determining methods of attracting industry to their area. The Business Development Department assists with the Main Street Program; organizes economic development groups; and aids small business owners in obtaining state contracts, financing, and individualized "business plans".

The criteria for the review of the two programs included a determination if the request for technical assistance reflected a valid need, and if the service was provided in a timely manner by personnel competent to meet the needs of the recipient.

Industrial Assistance. The agency conducts economic development clinics to aid communities in determining goals and setting priorities. The creation of new jobs and expansion of the tax base appear to be primary concerns in the majority of communities. To accomplish these goals, the agency provides technical assistance on methods of attracting industry to the town or city. This assistance focuses on five areas: (1) recognition of the "first impression" that visitors get upon arrival; (2) awareness of what the community has to "sell", i.e., natural resources, a particular market with unmet needs, or an available labor supply, and who is interested in "buying"; (3) identification of a good industrial site(s); (4) formulation of various industrial financing plans; and (5) knowledge of the most effective form of advertising and who it should target. During fiscal years 1980-1982, the agency conducted 118 clinics serving 125 communities and 1,723 individuals as shown in Exhibit 21.

Exhibit 21

ECONOMIC DEVELOPMENT CLINICS

Fiscal Year	# of Clinics	Communities Involved	Participants
1980	33	35	675
1981	45	50	657
1982	40	40	391
Total	118	125	1,723

Business Assistance. The agency is also involved in other types of technical assistance to communities. Since the inception of the Texas Historical Commission's Main Street program in 1981, TIC has provided assistance to the Main Street towns in the organization of SBA-certified development companies and in the development of financial packages. The agency will also inform local business owners in Main Street communities of other available services.

In addition, upon request of any community, TIC will assist in organizing economic development groups. These include industrial foundations, industrial development corporations, certified development companies, and economic development corporations. The agency assisted in the formation of 18 of these groups in fiscal year 1981 and 14 during the first 11 months of fiscal year 1982.

TIC also provided assistance to a total of 871 small business owners or potential owners during the first 11 months of fiscal year 1982. The agency helped small business owners identify state contracts on which they could bid and served as a liaison between the State Purchasing and General Services Commission and the small business owner when problems arose in the bidding process. From the first of September 1981 through the end of July 1982, the Industrial Commission assisted 101 clients in obtaining \$11.4 million in state contracts.

During this same period, the agency assisted 17 clients in obtaining financing to start or expand a business. This effort resulted in the creation of 1,060 jobs. The agency also provides guidance to small business owners or potential owners in the development of a four-part individualized "business plan". It includes the following: 1) a marketing section which identifies target areas where the product or service can be sold; 2) a technical operations section which provides job descriptions, the number and type of employees needed, and details on how to

conduct the day-to-day operations of the business; 3) a sales plan which determines the cost of raw materials required and the cost and fair market value of the product made or service provided; and 4) a financial plan which includes a two to five-year projection of expenses and sales, cash flow for one year, and a break-even analysis.

The review of this function indicated that appropriate methods were used by the agency to determine if requests for technical assistance reflected valid needs and that services were provided in a timely manner by personnel competent to meet the needs of the recipients.

EVALUATION OF OTHER SUNSET CRITERIA

The review of the agency's efforts to comply with overall state policies concerning the manner in which the public is able to participate in the decisions of the agency and whether the agency is fair and impartial in dealing with its employees and the general public is based on criteria contained in the Sunset Act.

The analysis made under these criteria is intended to give answers to the following questions:

1. Does the agency have and use reasonable procedures to inform the public of its activities?
2. Has the agency complied with applicable requirements of both state and federal law concerning equal employment and the rights and privacy of individuals?
3. Has the agency and its officers complied with the regulations regarding conflict of interest?
4. Has the agency complied with the provisions of the Open Meetings and Open Records Act?

EVALUATION OF OTHER SUNSET CRITERIA

The material presented in this section evaluates the agency's efforts to comply with the general state policies developed to ensure: 1) the awareness and understanding necessary to have effective participation by all persons affected by the activities of the agency; and 2) that agency personnel are fair and impartial in their dealings with persons affected by the agency and that the agency deals with its employees in a fair and impartial manner.

Open Meetings/Open Records

The review of this area indicated that the agency has generally complied with the provisions of the Open Records Act and the Open Meetings Act. The review indicated that those records held confidential by the agency are generally appropriate. Meetings have been posted properly through the Texas Register and executive sessions have occurred only to discuss personnel matters and pending litigation.

EEOC/Privacy

The review of the agency's performance regarding equal employment opportunities shows the agency last updated its affirmative action plan in 1978. Although the review indicated that historically the agency has had a very low turnover rate, the agency should update its affirmative action plan. The agency indicates that procedures to review and update the plan are underway.

Public Participation

In general, the review of public participation consists of an evaluation of the extent to which persons served by the department and the general public have been informed of agency activities and the extent to which the agency is responsive to the changing demands and needs of the public. The commission encourages public participation and informs the public of its activities and services through press releases, newsletters, public hearings, seminars, workshops, and conferences. In addition, the commission's composition provides for representation of the major groups served, as well as five members who represent the general public. The commission has traditionally met quarterly, but there is no statutory provision for their meetings. Given the importance of public participation in an agency's policy-making process, it would be appropriate for quarterly meetings to be a part of the commission's statutory mandate.

To ensure that the agency is aware of the needs of the small business community, the legislature created the Advisory Council on Small Business Assistance (Article 5190.3, Sec. 4, V.A.C.S.). It is composed of the executive director of the Industrial Commission as chairperson and nine members, appointed by the Governor with the advice and consent of the senate. According to the statute, at least six of the nine members are to be owners or employees of small businesses. The council's purpose is to provide assistance, guidance, and expertise to the Industrial Commission in the administration of the Small Business Assistance Act of 1975. It is to meet at least once each quarter at the call of the chairperson.

The review and evaluation of this advisory body indicates that it has only provided limited assistance to the commission. The council has not met since 1980. As a result, the Governor found it necessary to create a task force to examine the same type of issues that could have been dealt with by the advisory council. Some minor changes in the structure of the advisory council would provide a mechanism to see that pertinent issues are addressed in the future.

The agency's statute should be amended to provide that the chairperson be appointed by the Governor from the members of the advisory council. To ensure that this advisory body has the necessary expertise to advise the commission, it should be composed of six members who are owners or employees of small businesses, one representative of the financial community, one representative from the insurance field, and two public members.

Conflict of Interest

The review showed that the agency has established adequate procedures for making commission members and employees aware of their responsibilities under the conflict of interest statutes. Each new commission member and employee receives a copy of the statute on standards of conduct of state officers and employees with a request that the law be read. Each new employee is required to sign a written statement indicating that the employee has received a copy of the statute. While the agency's procedures are adequate, it would be more appropriate if this were part of the statutory framework of the agency because of the importance of proper notification to commission members and employees. The agency's statute should therefore be amended to require that the type of procedure currently used by the commission is continued.

A concern which was noted was the failure by one of the agency's 12 commissioners to file a required financial statement in 1981. All TIC commis-

sioners should make every effort to meet the required deadlines for financial disclosure information.

One of the statutorily-designated functions of the commission is to "approve the contents of any lease, sale, or loan agreement made" under the Development Corporation Act of 1979 (Article 5190.6, V.A.C.S.), which authorizes the issuance of industrial revenue bonds. The possibility exists for potential conflicts of interest where the commission members might have a direct or indirect interest in the approval of a particular bond application. Currently, the commission has delegated this approval authority to the executive director of TIC, as provided for in Section 24(c) of the Act, however, the commission could reassume the bond approval authority at any time. In order to avoid future conflicts of interest, the standards for public members in the Sunset Advisory Commission across-the-board recommendation should be altered so that TIC commissioners having conflicts of interest would be disqualified from voting on such matters. This practice has been followed in the past, however, to ensure its continuation, it should be reflected in the agency's statute.

**NEED TO CONTINUE AGENCY FUNCTIONS
AND
ALTERNATIVES**

The analysis of the need to continue the functions of the agency and whether there are practical alternatives to either the functions or the organizational structure are based on criteria contained in the Sunset Act.

The analysis of need is directed toward the answers to the following questions:

1. Do the conditions which required state action still exist and are they serious enough to call for continued action on the part of the state?
2. Is the current organizational structure the only way to perform the functions?

The analysis of alternatives is directed toward the answers to the following questions:

1. Are there other suitable ways to perform the functions which are less restrictive or which can deliver the same type of service?
2. Are there other practical organizational approaches available through consolidation or reorganization?

NEED

The analysis of need and alternatives is divided into: 1) a general discussion of whether there is a continuing need for the functions performed and the organizational setting used to perform the function; and 2) a specific discussion of practical alternatives to the present method of performing the function or the present organizational structure.

Functions and Agency

The primary functions of the Texas Industrial Commission are to participate in an information exchange with existing businesses and potential locators/investors from within and without the state and nation; to assist in the economic promotion of the business advantages of the State of Texas; to provide a variety of training to communities and potential and existing businesses in the state; to approve and process industrial revenue bonds and rural loans; and to offer technical assistance to Texas businesses and communities where needed and appropriate. The review examined each of these areas to see if a need still exists for these functions. The information exchange services provided to potential and existing businesses and investors have been among the earliest provided by the agency. With its revised 1959 mandate to develop and maintain effective business information for the assistance of business and industry, it has become apparent that an exchange of information is vital for the state to continue to attract new and expanded industry. Since Texas now rates among the top three states in the country in economic growth, the need for increased and better information is still vital, indicating a continuing need for this function.

In assisting the economic promotion of the business advantages of the state, the agency's primary efforts have been placed within several departmental areas. The continuing effort to locate new businesses within the state has been a united effort between program and administrative areas. With the continuous inclusion of new and expanded data in the agency's computerized files, current information is available to share with prospective locators which will assist in their decision for Texas. Through resolutions and appropriations, the legislature has clearly indicated its interest in the inclusion of Texas products in the international marketplace. As the U.S. economy has declined and the Texas economy has begun to be affected, the importance of soliciting trade with other prosperous nations has increased and continues to accelerate as economies fluctuate. The entrance of other states into

the race for international trade increases the importance of continuing efforts in economic promotion, indicating a continuing need for the function.

The function of providing various types of training to potential and existing businesses has grown and changed as the variety of programs within the agency has increased. Since 1971, TIC has worked with other state agencies to coordinate industrial start-up training opportunities for prospective business locators. While the agency's role is that of coordinator and not trainer, Texas' ability to offer such training to prospects increases the probabilities for industrial location in the state. The agency's efforts in training industries in energy conservation, though relatively new, have already resulted in large dollar savings to businesses within the state and should continue to increase as energy demands accelerate. The other types of training in which the agency is involved have been the results of specific needs expressed from a variety of sources ranging from communities to utility companies. As competition for businesses to locate intensifies, such training efforts will become more necessary. The review of the agency's training efforts indicates a need exists to continue the function.

The agency's function of approving and processing rural loan and industrial revenue bond applications is relatively recent, with the authority for rural loans given in 1971 and industrial revenue bonds in 1979. With the responsibility to offer low cost direct financing to non-profit corporations or foundations to aid in expanding existing Texas industries or to acquire facilities, equipment and land for new industries, to date the agency has loaned over \$2 million dollars and aided in the creation of approximately 1,100 new jobs for Texans. Industrial revenue bonds were meant to provide a more direct method of financing industrial, manufacturing and commercial expansion or location by allowing issuance of the low cost, tax free bonds which are secured or guaranteed by the private sector but issued through a non-profit corporation. Since 1979, bonds totaling approximately \$2 billion have been approved, creating approximately 39,112 new jobs for Texans. Since growth has accelerated so rapidly, and indications are that this growth will continue, it appears that a need for this function still exists. Furthermore, pending federal legislation would require each state to monitor the issuance of industrial revenue bonds. Since the agency already has a mechanism in place for such tracking, it appears that the function should continue.

The agency's final function of offering technical assistance to Texas businesses and communities covers a wide range of areas and activities. Since 1961,

the agency has provided to businesses, communities and individuals the expertise not available locally. The agency's efforts for the small and minority businessman received state funding for the first time in 1982; prior funding had been federal. The number of clinics conducted to aid communities in attracting industry to a town or city has steadily grown during the past several years. Such steady growth, in all business and community areas assisted by the agency, appear to indicate a need to continue its technical assistance function.

Based on the analysis of need, it was determined that the need to perform the functions assigned to the Texas Industrial Commission still exists.

ALTERNATIVES

Agency Reorganization

While the agency's functions are necessary, a review was also made to determine whether it is reasonable to continue these functions in their current organizational setting. The analysis indicated that of 40 states surveyed by the National Association of State Development Agencies, 34 have a more comprehensive organizational arrangement which includes more than industrial economic development. Combined in various ways are industrial, community, tourism, planning and economic development. The survey also revealed that approximately 20 of the 40 states have the tourism function combined with the economic development function. Legislation considered by the 67th Legislature would have combined various functions of different agencies into one central Department of Commerce or Department of Commerce and Economic Development. Included were such functions as: 1) industrial development; 2) small business development; 3) travel; 4) tourism; and 5) film production. Although no bill passed, an outcome of the idea was the realization that the economic development efforts being made in the state by various agencies were complex and little understood. In Executive Order WPC-33, the Governor directed the Governor's Task Force on Industrial and Tourist Development to examine the overall condition of the Texas economy and the state's efforts to adequately promote economic development.

The Task Force identified major needs which it felt should be addressed in order to maximize the state's orderly growth potential. As a consequence of these identified areas, the Task Force recommended the creation of an entity within state government with the responsibility for coordinating, monitoring and encouraging the orderly growth and economic development of Texas. However, no merging of any existing state agencies or portions thereof was recommended.

The Subcommittee on the Department of Commerce of the House Business and Industry Committee was also directed to look at the feasibility of a Department of Commerce and Tourism, including the Texas Industrial Commission. This committee was to determine whether the travel division of the Texas Department of Highways and Public Transportation, the Texas Tourist Development Agency, the Texas Film Commission, and the Texas Industrial Commission should be consolidated into one agency. The full committee returned no recommendation but did recommend strengthening TIC in several ways.

The staff's analysis of all facets of an alternatively-structured TIC indicated that while a combination of these agencies might enhance some economic development efforts in the state, there is little support for such a combination and there is a lack of agreement on the specific pieces to be combined. Therefore, a continuation of functions within the current agency structure would appear to be appropriate.

ACROSS-THE-BOARD RECOMMENDATIONS

TEXAS INDUSTRIAL COMMISSION

Applied	Modified	Not Applied	Across-the-Board Recommendations
			A. ADMINISTRATION
	X	*	1. Require public membership on boards and commissions.
X			2. Require specific provisions relating to conflicts of interest.
X			3. A person registered as a lobbyist under Article 6252-9c, V.A.C.S., may not act as general counsel to the board or serve as a member of the board.
X			4. Appointment to the board shall be made without regard to race, creed, sex, religion, or national origin of the appointee.
X			5. Per diem to be set by legislative appropriation.
X			6. Specification of grounds for removal of a board member.
X			7. Board members shall attend at least one-half of the agency board meetings or it may be grounds for removal from the board.
X			8. The agency shall comply with the Open Meetings Act, and the Administrative Procedure and Texas Register Act.
X			9. The board shall make annual written reports to the governor and the legislature accounting for all receipts and disbursements made under its statute.
X			10. Require the board to establish skill oriented career ladders.
X			11. Require a system of merit pay based on documented employee performance.
X			12. The state auditor shall audit the financial transactions of the board during each fiscal period.
X			13. Provide for notification and information to the public concerning board activities.
		*	14. Require the legislative review of agency expenditures through the appropriation process.

Texas Industrial Commission
(Continued)

Applied	Modified	Not Applied	Across-the-Board Recommendations
X			B. LICENSING
		X	1. Require standard time frames for licensees who are delinquent in renewal of licenses.
		X	2. A person taking an examination shall be notified of the results of the examination within a reasonable time of the testing date.
		X	3. Provide an analysis, on request, to individuals failing the examination.
			4. (a) Authorize agencies to set fees. (b) Authorize agencies to set fees up to a certain limit.
		X	5. Require licensing disqualifications to be: 1) easily determined, and 2) currently existing conditions.
		X	6. (a) Provide for licensing by endorsement rather than reciprocity.
		X	(b) Provide for licensing by reciprocity rather than endorsement.
		X	7. Authorize the staggered renewal of licenses.
			C. ENFORCEMENT
		X	1. Authorize agencies to use a full range of penalties.
		X	2. Require files to be maintained on complaints.
		X	3. Require that all parties to formal complaints be periodically informed in writing as to the status of the complaint.
		X	4. Specification of board hearing requirements.
			D. PRACTICE
		X	1. Revise restrictive rules or statutes to allow advertising and competitive bidding practices which are not deceptive or misleading.
		X	2. The board shall adopt a system of voluntary continuing education.