



Economic Incentive Oversight Board 2023 Legislative Report

Reporting Period: January 2021 - December 2022

Office of the Governor | Texas Economic Development & Tourism






P.O. Box 12428 | Austin, TX 78711 | (512) 936-0100 | gov.texas.gov/business |      @TexasEconDev

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Overview of the Economic Incentive Oversight Board

The Economic Incentive Oversight Board (Board) was established by House Bill 26 during the 84th Legislative Session. The Board is composed of nine public members appointed by the Governor, Lieutenant Governor, Speaker of the House, and Comptroller of Public Accounts. At least one of the appointees of the Lieutenant Governor and Speaker of the House must be from a rural county. Each appointing officer shall appoint at least one member who has expertise in the area of economic development. Administration of the Board is the responsibility of the Texas Economic Development & Tourism (EDT) office, in the Office of the Governor (OOG).

The Board has been charged with examining the effectiveness and efficiency of programs and funds administered by the Economic Development Finance division of EDT in the OOG, the Comptroller of Public Accounts (CPA), and the Texas Department of Agriculture (TDA) that award to business entities and other persons state monetary or tax incentives for which the OOG, CPA, or TDA has discretion in determining whether or not to award the incentives. Monetary incentives may include grants, loans, or tax incentives paid from state revenues.

The Board is required to develop a performance matrix that clearly establishes the economic performance indicators, measures, and metrics that will guide the Board's evaluations of those programs and funds. The Board is also tasked with developing a schedule for the periodic review of each state incentive program or fund that meets the statutory requirement for review by the Board. For each review conducted, the Board is to make recommendations regarding whether to continue the program or improve the program's effectiveness and efficiency. The Board may also recommend to the Legislative Audit Committee that an audit of the program be conducted.

Finally, the Board is required to submit a Biennial Report to the Legislature containing findings and recommendations resulting from each review. The required report is contained within.

Board Members

The following individuals have been appointed to serve as members of the Economic Incentive Oversight Board. The members of the Board serve at the pleasure of the appointing officer.

Appointed by the Governor:

Massey Villarreal, Presiding Officer – Sugar Land
Barbara D'Amato – Dallas
Dan West – Houston

Appointed by the Lieutenant Governor:

Anne Windfohr "Windi" Grimes – Houston
Vacant

Appointed by the Speaker of the House of Representatives:

Jim Goldsworthy – Gainesville

Mike Rosa – Dallas

Appointed by the Comptroller of Public Accounts:

Dale Fowler – Victoria

Catherine Q. Morse – Austin

Board Meetings

The Board held meetings during the preceding two calendar years on the following dates to review applicable economic incentive programs:

March 25, 2021

November 18, 2021

November 7, 2022

Performance Review Matrix

The Board is required to develop a performance review matrix that clearly establishes the economic performance indicators, measures, and metrics to guide the Board during its evaluation of each program. The matrix shall determine the effectiveness and efficiency of the program while also being applicable to the variety of programs and funds. The performance review matrix adopted by the Board and used for review of programs during the preceding two calendar years is contained in Exhibit A of this report.

Board Findings and Recommendations

The Board is required to make recommendations regarding the effectiveness and efficiency of the programs and funds reviewed during the preceding two calendar years. All determinations made by the Board were based on public information available to the Board. The Board reviewed the following programs during the preceding two calendar years and made the following determinations.

Governor's University Research Initiative

The Governor's University Research Initiative (GURI) is administered by EDT through the Bank and was established in 2015 by Senate Bill (S.B.) 632, House Bill (H.B.) 26, and H.B. 7, 84th Legislature. GURI is a matching grant program that assists higher education institutions in recruiting distinguished researchers and academics. The program seeks to bolster both the standing of Texas public colleges and universities and economic development efforts statewide.

Summary of Review Matrix - Items of Evaluation	Governor's University Research Initiative
The program has an efficient application process.	4
An adequate due diligence process for reviewing applications is in place.	4
After approval of the application, an adequate process for reviewing the use of state funds is in place.	4
Awarded entities/Approved applicants regularly fulfill their obligations under the program.	4
Adequate procedures are in place to penalize awarded entities/approved applicants who do not fulfill obligations.	4
Sufficient resources are available to effectively administer the program.	4
Information regarding the program, eligible entities, and the application process is clear and accessible.	4
The program is a high value incentive for the state to offer.	4
The program meets its purpose and satisfies the intent of the Legislature.	4
	Total Score
	36
	Points Possible
	45
	Percentage Score
	80.00%

Upon its review of the GURI program, the Board found the following:

- The Board agreed that the program met all of the evaluation criteria in the performance matrix and recommended that the Legislature continue the program.

Industrial Revenue Bond Program

The Industrial Revenue Bond (IRB) program is administered by EDT through the Bank and was established in 1997 by S.B. 266, 75th Legislature. The IRB program provides a source of tax-exempt or taxable bond finance for projects involving significant private activity that promote new and existing businesses, encourage employment, and expand the tax base of a community. They are issued by Industrial Development Corporations sponsored by a government unit, but their proceeds are passed on to private businesses, which are generally responsible for debt service payment.

Summary of Review Matrix - Items of Evaluation	Industrial Revenue Bond
The program has an efficient application process.	4
An adequate due diligence process for reviewing applications is in place.	4
After approval of the application, an adequate process for reviewing the use of state funds is in place.	4
Awarded entities/Approved applicants regularly fulfill their obligations under the program.	4
Adequate procedures are in place to penalize awarded entities/approved applicants who do not fulfill obligations.	N/A
Sufficient resources are available to effectively administer the program.	4
Information regarding the program, eligible entities, and the application process is clear and accessible.	4
The program is a high value incentive for the state to offer.	4
The program meets its purpose and satisfies the intent of the Legislature.	4
	Total Score
	32
	Points Possible
	40
	Percentage Score
	80.00%

Upon its review of the IRB program, the Board concluded with the following:

The review by the Bank seems to be an extra administrative step and cost for the relevant transactions that does not appear to be necessary or provide value.

Except for the criteria of having procedures in place to penalize awarded entities or approved applicants who do not fulfill obligations, which the Board found was not applicable, the Board agreed that the program met all of the evaluation criteria in the performance matrix.

- The Board found that the Bank was performing their duties as assigned in statute, but believes these duties may not be necessary for future transactions.

Events Trust Funds

The Events Trust Funds (ETF) program is administered by EDT through the Bank and was transferred from the Texas Comptroller of Public Accounts to the OOG in 2015 by S.B. 633, 84th Legislature. The ETF program is comprised of three separate funds: the Events Trust Fund (ETF), Major Events Reimbursement Program (MERP), and the Motor Sports Racing Trust Fund (MSRTF). These funds assist Texas communities with paying costs related to preparing for or conducting an event.

Summary of Review Matrix - Items of Evaluation	Event Trust Funds Program
The program has an efficient application process.	4
An adequate due diligence process for reviewing applications is in place.	4
After approval of the application, an adequate process for reviewing the use of state funds is in place.	4
Awarded entities/Approved applicants regularly fulfill their obligations under the program.	4
Adequate procedures are in place to penalize awarded entities/approved applicants who do not fulfill obligations.	4
Sufficient resources are available to effectively administer the program.	4
Information regarding the program, eligible entities, and the application process is clear and accessible.	4
The program is a high value incentive for the state to offer.	4
The program meets its purpose and satisfies the intent of the Legislature.	4
	Total Score 36
	Points Possible 45
	Percentage Score 80.00%

Upon its review of the ETF program, the Board found the following:

The program is popular and has seen an increase in applications since it was moved to EDT in 2015, particularly over the past three years. There could be additional resources allocated to effectively administer the program. The program is a high-value incentive for the state to offer.

- The Board agreed that the program met all of the evaluation criteria in the performance matrix and recommended that the Legislature continue this program.

Enterprise Zone Program

The Texas Enterprise Zone Program (EZP) was created in 1983 by the 68th Legislature and is administered by EDT through the Bank. The program is a state sales tax and refund program. The program seeks to encourage private investment and job creation in economically distressed areas of the state.

Summary of Review Matrix - Items of Evaluation	Texas Enterprise Zone
The program has an efficient application process.	4
An adequate due diligence process for reviewing applications is in place.	4
After approval of the application, an adequate process for reviewing the use of state funds is in place.	4
Awarded entities/Approved applicants regularly fulfill their obligations under the program.	N/A
Adequate procedures are in place to penalize awarded entities/approved applicants who do not fulfill obligations.	N/A
Sufficient resources are available to effectively administer the program.	4
Information regarding the program, eligible entities, and the application process is clear and accessible.	4
The program is a high value incentive for the state to offer.	4
The program meets its purpose and satisfies the intent of the Legislature.	4
	Total Score 28
	Points Possible 35
	Percentage Score 80.00%

Upon its review of the EZP, the Board found the following:

Two criteria were found to be not applicable to this program: (4) awarded entities/approved applicants regularly fulfill their obligations under the program; and (5) adequate procedures are in place to penalize awarded entities/approved applicants who do not fulfill obligations.

The Board agreed that the program met all of the other evaluation criteria in the performance matrix and recommended the Legislature should keep this program in place.

Texas Moving Image Industry Incentive Program

The Texas Moving Image Industry Incentive Program (TMIIP) is administered by EDT through the Texas Film Commission division and was established in 2007 by H.B. 1634, 80th Legislature. The purpose of the program is to increase employment opportunities for Texas media production professionals, expand tourism, and boost economic activity within Texas in the form of grants to eligible projects.

Summary of Review Matrix - Items of Evaluation	Texas Moving Image Industry Incentive Program
The program has an efficient application process.	4
An adequate due diligence process for reviewing applications is in place.	4
After approval of the application, an adequate process for reviewing the use of state funds is in place.	4
Awarded entities/Approved applicants regularly fulfill their obligations under the program.	4
Adequate procedures are in place to penalize awarded entities/approved applicants who do not fulfill obligations.	4
Sufficient resources are available to effectively administer the program.	4
Information regarding the program, eligible entities, and the application process is clear and accessible.	4
The program is a high value incentive for the state to offer.	4
The program meets its purpose and satisfies the intent of the Legislature.	4
	Total Score 36
	Points Possible 45
	Percentage Score 80.00%

Upon its review of TMIIP, the Board found the following:

The Board agreed that the program met all of the evaluation criteria in the performance matrix.

Following its review of the Texas Moving Image Industry Incentive program, the Board made the following recommendation:

- The Legislature should look at appropriating further funding to the program during future legislative sessions.

EXHIBIT A – PERFORMANCE REVIEW MATRIX

Program Name		Score					Comment
Administered by:		1	2	3	4	5	
What is the purpose of the program?							
Who are eligible applicants?							
Item of Evaluation		Score					Comment
1	2	3	4	5	6		
1	The program has an efficient application process.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A
2	An adequate due diligence process for reviewing applications is in place.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A
3	After approval of the application, an adequate process for reviewing the use of state funds is in place.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A
4	Awarded entities/Approved applicants regularly fulfill their obligations under the program.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A
5	Adequate procedures are in place to penalize awarded entities/approved applicants who do not fulfill obligations.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A
6	Sufficient resources are available to effectively administer the program.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A
7	Information regarding the program, eligible entities, and the application process is clear and accessible.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A
8	The program is a high value incentive for the state to offer.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A
9	The program meets its purpose and satisfies the intent of the legislature.	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	N/A

Score Total: XX of XX

NOTE: All determinations are made based on public information available to the Economic Incentives Oversight Board



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(p) 512.936.0100

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