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Gov. Abbott responds to Straus over business-development fund concerns

By Peggy Fikac | April 12, 2018 | Updated: April 12, 2018 12:50pm

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Photo: Jon Shapley, Staff / Houston Chronicle

IMAGE 1 OF 5

Gov. Gregg Abbott speaks at a VIP reception at the annual Houston Hispanic Chamber of Commerce Business Expo and Luncheon Thursday, April 9, 2015, in Houston. (Jon Shapley / Houston Chronicle)

AUSTIN — Gov. Greg Abbott staunchly defended the operation of the Texas Enterprise Fund in the face of recent concerns from House Speaker Joe Straus, saying the speaker’s hometown has had the highest approval rate for grants during his tenure as governor.

Straus, R-San Antonio, last month **questioned whether the business-development fund actually closes deals as intended**, and whether enough consideration has been given to projects outside of North Texas.

Abbott, repeating a point made by his staff immediately after Straus wrote to him about his concerns, noted that unanimous agreement among the speaker, lieutenant governor and governor is required for a grant to be approved.

“Of the nearly 50 projects I have submitted for your approval during my time as Governor (some of which have not yet been announced), you have only withheld your approval on three projects,” Abbott wrote to Straus, “leading me to believe your assessment of each of those projects led you to the same conclusion I reached: the applicant represented a successful opportunity to create additional jobs for Texas.”

Straus didn’t have an immediate comment on Abbott’s response.

While the review process for grants doesn’t include the intended location of a business, Abbott said that San Antonio has had the highest approval rate since 2015, at 70 percent.

That approval rating amounted to five grants totaling nearly \$9.4 million to GM Financial, W.W. Grainger, Hulu, Ernst & Young, and — in nearby New Braunfels — CGT U.S. Unlimited.

The total for the San Antonio area was part of \$70 million spent from the fund to create jobs over the past three years, Abbott told Straus

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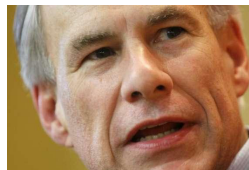
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in a letter dated April 4. Abbott took office as governor in January 2015 and is seeking reelection this year.



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The Alamo City's approval rate was followed by 64 percent for applications from non-metropolitan and rural areas, Abbott wrote.

By contrast, 57 percent of applications from the Dallas-Fort Worth region have resulted in offers of grants since 2015, Abbott said. While the percentage is lower, the number of grants and money allotted was about three times higher. The region received 14 grants with a total of nearly \$37 million, including five in Irving alone.

Abbott said the average approval rate statewide is 53 percent.

In his March letter to Abbott, Straus had cited a Dallas Morning News analysis that found North Texas got \$237 million in grant awards between 2004 and early 2017 - 39 percent of the total allocated. That was \$100 million more than distributed in the Houston or Austin region, according to the newspaper.

"Since then, this trend has continued, with 10 of the 21 project recommendations provided by your office going to this region," Straus wrote last month.

While companies decide which communities to consider, Abbott's office plays an active role in recruitment and is the "initial arbiter" of which projects should be considered for Enterprise Fund grants, Straus wrote.

Straus also said many North Texas project recommendations are in the districts of lawmakers who have wanted to eliminate the fund — although he added that politics shouldn't be part of a grant decision.

Abbott said the review process doesn't include legislative districts and that he doesn't advocate for one Texas community over another or allow “political calculations” to play a role.

Straus also questioned whether some projects “fully intended to come to Texas and if receiving additional cash from the state was just an afterthought.” The speaker said that awards have been made in recent years to companies with “significant numbers of existing employees and capital investment.”

Abbott responded that nearly every Fortune 100 company has a Texas presence. But the governor said that an award only will be made “for new jobs created and new capital investment where a single Texas site is competing with another viable out-of-state option.”

Straus — a business-aligned Republican who has been at odds with Abbott on a number of issues, and who isn't running for re-election — added in last month's letter that he consistently has supported the Enterprise Fund and other programs aimed at job creation and economic development.

He also praised Abbott for implementing recommendations from a 2014 audit that the speaker said had greatly increased transparency in grant awards. But Straus said there are opportunities to make the program work “even better.”

Besides implementing audit recommendations, Abbott said he has made other moves such as strengthening the grant contract to ensure job-creation commitments are met.

Abbott said the Texas Enterprise Fund helped close the deal on 27 projects in 2015-2017 that made a commitment to more than \$820 million in new capital investments and more than 16,000 new, direct jobs.

Abbott said that the \$70 million from the fund that was invested over the last three years also helped close the deal on the relocation of six corporate headquarters to Texas.

“I have stated repeatedly that I view this program as a critical tool in our ability to continue to grow the Texas economy and to grow jobs for Texans all across this great state, and I will work to ensure future Legislatures continue to support this critical economic development program,” Abbott wrote.

Dale Craymer, president of the business-based Texas Taxpayers and Research Association, said the Texas Enterprise Fund “is an important tool, but by itself is rarely sufficient to sway a project. After all, it’s a deal ‘closing’ fund, not a deal ‘making’ fund.”

“Property tax abatements are far more important in dollar terms for most projects,” Craymer said. “The Enterprise Fund, though, gets the Governor directly involved in negotiations, who can then close the deal.”

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