

Ray Perryman, Ph.D. – Texas, Our Texas: An Assessment of Economic Development Programs and Prospects (summary by Krishna Akundi, Ph.D.)

A Synopsis of the Perryman Report Recommendations
from
An Assessment of Economic Development Programs and Prospects

SECTION VII **Recommendations for Achieving Long-Term Economic Development and Sustainable Prosperity in Texas** [pages 184 - 200]

A. **Attitude Adjustment!**

- Perryman makes the point that the prevailing wisdom in Texas, particularly during economic good times– the 1970's and 1990s– was that
 1. Texas has no reason to be actively involved in economic development
 2. State government should not commit extensive effort or fiscal resources to such purposes.[page 184, para 2]
- This mentality has to change. He asserts that just as transportation, municipal services, education, and other functions that promote economic well-being are treated as public goods so too should economic development. If we accept that paradigm, then the State has a valid and necessary role to play in economic development..[page 184, para 3]
- Economic Development strategies must, at a minimum, “meet the market”. In other words, **economic development efforts need to create an environment where a company’s location/investment in a community benefits both the buyer and the seller.** [page 186, para 2]
- **Any inducement package that the State is considering to offer a prospective business ought to be accompanied by an ROI (Return-on-Investment) analysis.** We need to show that the benefits to the State exceed the costs. [page 186, para 1]

B. **Simplify! Simplify! Simplify!**

- **Streamline regulatory requirements and incentive programs.** “Many of the implementation rules for regulations related to environmental guidelines, permitting, taxation and other parameters are difficult to interpret and subject to unpredictable outcomes..... the administrative structure of Smart Jobs was one of the inherent problems that precipitated its demise” [page 188, para 1- 2]

“While Texas prides itself on being ‘business friendly’, this perception is not shared by

site selection consultants and economic development decision makers.” [page 188, para 3]

C. [Back to Basics!](#)

Under this heading, Perryman makes recommendations on some of the basic functions of government that are necessary to implement an effective economic development program. These basic functions include education, environment, energy (electric power), economy (tax policy), transportation, and telecommunications. [page 189-191]

- Education: “Performance levels must be enhanced, dropout rates reduced, college enrollment increased.” This task falls to the Texas Education Agency, Texas Higher Education Coordinating Board, and the Texas Workforce Commission.
- Environment: “...ecological conditions in an area can materially impact its desirability and feasibility as a site for economic growth.” Therefore, the State must adequately establish and fund compliance plans to meet federal mandates.
- Electric Power: Compared to other large states, Texas has “a well-defined power grid and a surplus of power to sustain growth.” Perryman asserts that if the state is to recruit electricity-intensive industries, Texas must maintain its energy advantage and adhere to a consistent set of reasonable and straightforward guidelines.
- Tax Policy: Perryman calls for an overhaul of the state’s tax system— perhaps not a thorough fundamental change but an incremental approach. Why an overhaul? Perryman finds that “the Texas tax structure is typically ranked near or below the middle among all states in attractiveness for new business activity and is not particularly well regarded by site selection consultants.” [page 42, para 2]

Perryman suggests that the Legislature should begin with reviewing the school finance system since it represents a large share of overall state and local spending. While ‘Robin Hood’ provided Texas with one of the most equitable school finance systems in the country, that system is beginning to show signs of age. Specifically, educators and taxpayers have demanded the following:

[page 44, para 2 & 3]

- i Robin Hood recapture should be reduced or eliminated
- ii Property tax relief ought to be granted
- iii Alternative or additional sources of school funding need to be provided.

The Perryman group considered six alternative sources for funding [page 47, para 1]:

- (i) State Property Tax
- (ii) Sales Tax
- (iii) Business Activity Tax
- (iv) Franchise Tax
- (v) Gross Receipts Tax

(vi) Income Tax

- Transportation: Have available and make optimal use of financial resources. Without an adequate transportation infrastructure, future economic growth is likely to be derailed. Thus, the recently established toll equity funding mechanisms and a mobility fund are important and necessary first steps. The state also should encourage public-private partnerships to accelerate development.
- Telecommunications: Broadband accessibility in all regions of Texas, especially in rural and border regions. Having this state-of-the-art telecommunications capability can redefine the state's poorer regions in terms of education opportunities and health care. And this in turn could lead to new and expanded business activity in the state.

D. [Show Me the Money!](#)

If the state is to improve its competitive position as a quality business location, in relation to other states, Texas must be ready to provide prospective businesses with an appealing inducement packet. To that end, Perryman suggests six viable mechanisms:

[page 192-194]

- (i) Deal-Closing Fund
- (ii) Increase the R&D Tax Credit
- (iii) Simplify HB 1200
- (iv) Expand and Simplify the Investment and Job Tax Credits
- (v) Maintain and Strengthen the Economic Development Sales Tax
- (vi) Develop an Equitable and Competitive Inventory Tax System.

E. [Get the Job Done!](#)

Supplement the Texas Skills Development and Self-Sufficiency funds with a comprehensive, employer driven program— a program focused on specific employer needs not on societal goals. Perryman contends that the Texas Workforce Commission would be the appropriate agency to develop and manage and evaluate a new employer-driven program. [page 194]

F. [Find Me the Money!](#)

Texas should encourage private-sector lending and investment in the state; enhance existing credit programs such as linked deposit; create business incubators; develop an Economic Development Bank to oversee and promote capital access efforts. [page 195]

G. [Help From Above!](#)

The federal government through the Economic Development Administration and Small Business Administration among the many federal agencies provides grants and other resources that can serve as a boon to Texas communities. The State should make a concerted effort to monitor and access such external funds. [page 195]

H. [Sell It!](#)

Marketing is the key to any competitive framework. Texas has a proven and highly successful program to promote tourism. That program must be maintained and provided with sufficient

resources to be more effective. TPG finds that other states are increasing their promotional campaigns. In a comparable vein, business development efforts need to be sufficiently funded. [page 195]

I. **Focus It!**

“In order to effectively utilize state resources for maximum impact, strategies should be focused toward clusters of production where Texas is presently competitive or has the potential to be competitive.” **Thus, a key economic development strategy is cluster analysis and development.** [page 196]

J. **Spread It Around!**

Texas is a vast and diverse state. Any economic development strategy– whether it is drafting a cluster study or evaluating an economic inducement package or preparing an assessment– requires analysis at a manageable ‘unit of analysis’ or geographic scale. Perryman and TPG used the twenty-four planning regions or Councils of Governments as their unit of analysis for this report. [page 196]

After his assessment of economic development in Texas, Dr. Perryman focused on the role of the Texas Economic Development agency. Do we need one? Of course we do but all economic development efforts should not be consolidated under one roof. “Texas Economic Development is the proper place for tourism, marketing and lead generation. Texas Workforce Commission is the proper place for workforce development and job training. The Comptroller of Public Accounts is the proper entity for administering tax incentives. The economic development efforts of these and other entities must be coordinated. Perryman contends that Texas Economic Development could serve that function yet only if the agency is fully integrated with the Governor’s Office: “Texas must maintain a department tasked with the most visible aspects of promoting business expansion and job creation. This activity should be closely integrated with the Office of the Governor.” [page 197-198]

Perryman lists seven key tasks for a reinvigorated state economic development agency: [page 198-200]

- Coordinate Economic Development Efforts
- Administer the State Tourism Campaign
- Market Texas as an Industrial Location
- Coordinate Foreign Trade Expansion Efforts
- Serve as a ‘Super’ Clearinghouse for Economic Development Initiatives
- Assist in Program Administration and Approval
- Provide Economic Development Assistance to Individual Areas- to medium sized communities in particular