



STATE OF THE STATE OF TEXAS ECONOMIC DEVELOPMENT

Economic Development Summit, Cuero, Texas

Presented by Carlton Schwab, President & CEO
Texas Economic Development Council

May 6th, 2024

About The TEDC

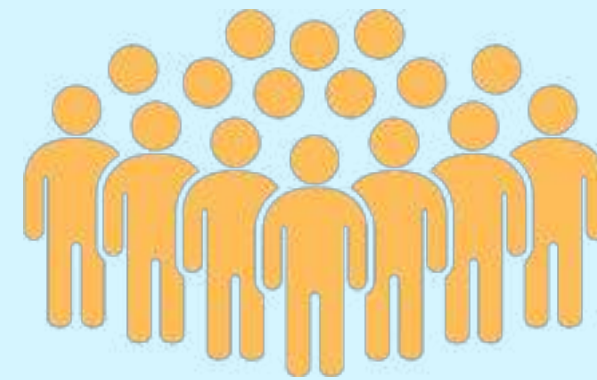
Established in 1961



Nearly 1,100
Members



Largest Association of
Economic Development
Professionals in the country



Governed by a 30-member board



What Does TEDDC Offer?



Education &
Career
Development



Conferences &
Networking



Resources &
Publications



Advocacy &
Legislative Affairs



Award
Programs



Texas Tops the Charts...

#1 STATE FOR CORPORATE EXPANSIONS AND LOCATIONS

SITE SELECTION 2023

#1 BEST STATE FOR BUSINESS

CHIEF EXECUTIVE 2022

#1 STATE FOR EXPORTS

U.S. CENSUS BUREAU 2022

#1 MOST FORTUNE 500 COMPANIES

OFFICE OF THE TEXAS GOVERNOR 2023

#1 BEST STATE TO START A BUSINESS

LENDIO 2023

#1 BEST BUSINESS CLIMATE

BUSINESS FACILITIES 2023

Source: Texas Economic Development Corporation

What Makes Texas Attractive to Business Investment?

Texas has ranked #1 as the Best State for Business by CEO Magazine for the 20th Year in a Row.

Why Texas?

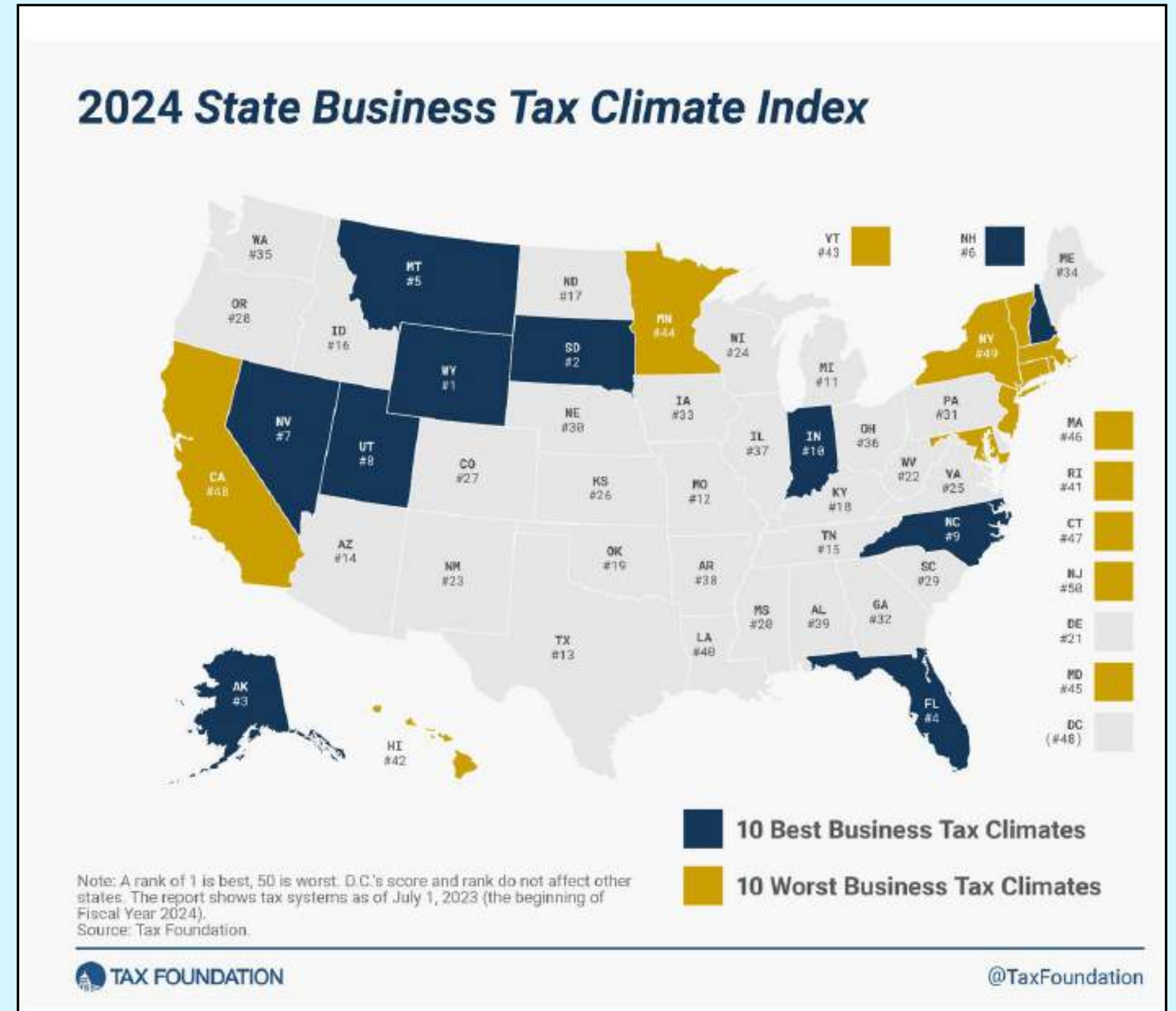
- No corporate income tax
- Large population
- Low regulatory environment
- Access to markets
- Central Time Zone
- Energy resources
- USMCA
- ~~Lots of land~~ ^{*However, Texas' margins tax affects a business' overall tax liability.}



Texas Business Tax Index

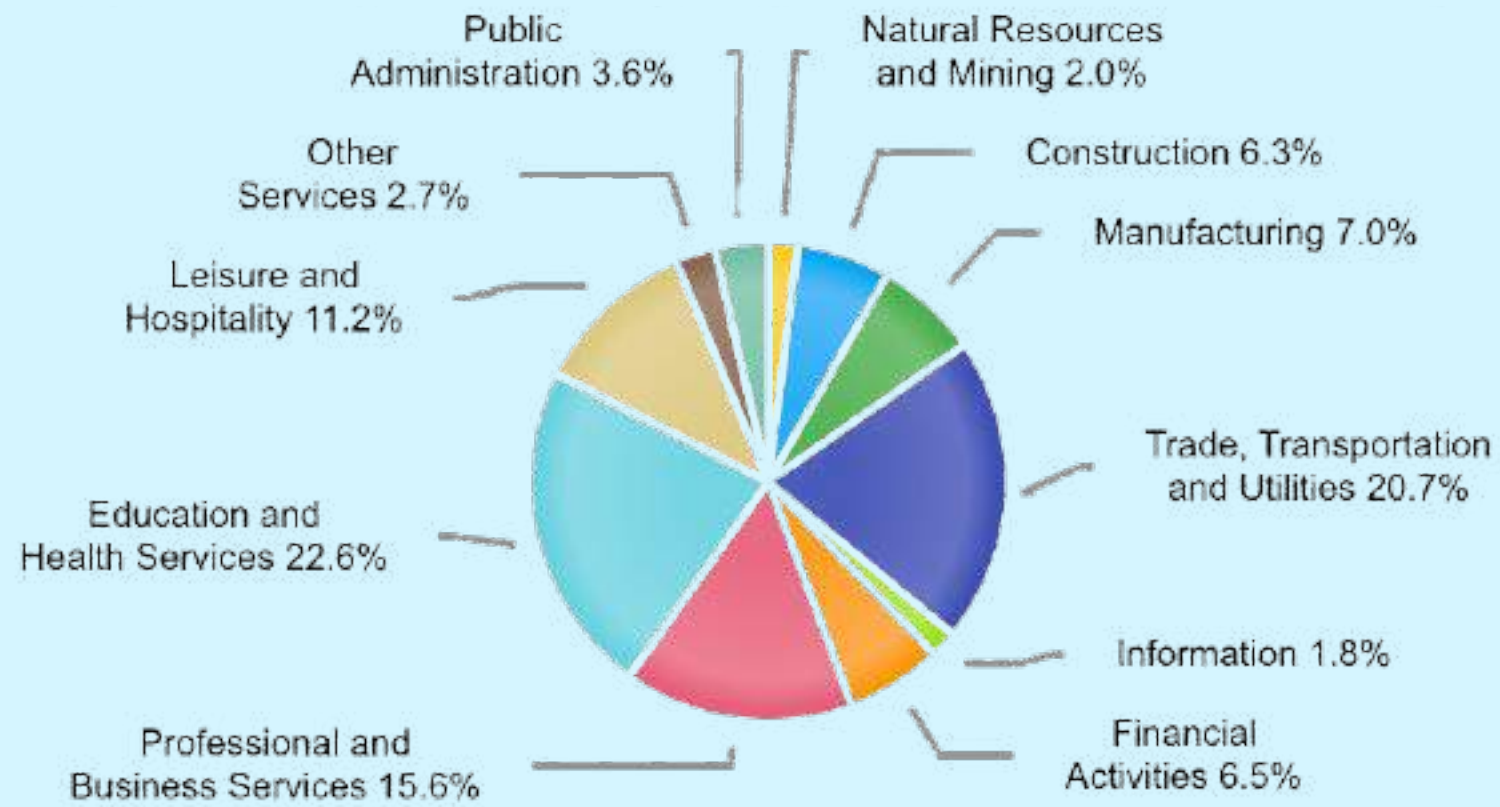
Texas ranks **13th** in the Tax Foundation's 2024 State Business Tax Climate Index

- 46th for corporate tax rate
- 7th for individual tax rate
- 37th for sales tax rate
- 39th for property tax rate
- 8th unemployment insurance tax rate



Texas Labor Market...

Texas Employment by Industry Sector (3rd Qtr. 2023- Percent Change)



Source: Labor Market Information

Texas Nonagricultural Wage and Salary Employment Seasonally Adjusted				
INDUSTRY TITLE	Dec 2023*	Dec 2022	Dec '22 to Dec '23	Dec '22 to Dec '23
			Absolute Change	Percent Change
Total Nonagricultural	14,103,300	13,733,700	369,600	2.7
Total Private	12,031,300	11,716,500	314,800	2.7
Goods Producing	2,024,100	1,952,100	72,000	3.7
Mining and Logging	226,400	211,300	15,100	7.1
Construction	822,000	789,200	32,800	4.2
Manufacturing	975,700	951,600	24,100	2.5
Service Providing	12,079,200	11,781,600	297,600	2.5
Trade, Transportation, and Utilities	2,803,400	2,752,300	51,100	1.9
Information	240,300	235,800	4,500	1.9
Financial Activities	929,300	898,700	30,600	3.4
Professional and Business Services	2,141,700	2,113,100	28,600	1.4
Education and Health Services	1,932,200	1,850,600	81,600	4.4
Leisure and Hospitality	1,482,300	1,452,100	30,200	2.1
Other Services	478,000	461,800	16,200	3.5
Government	2,072,000	2,017,200	54,800	2.7

Source: Texas Workforce Commission



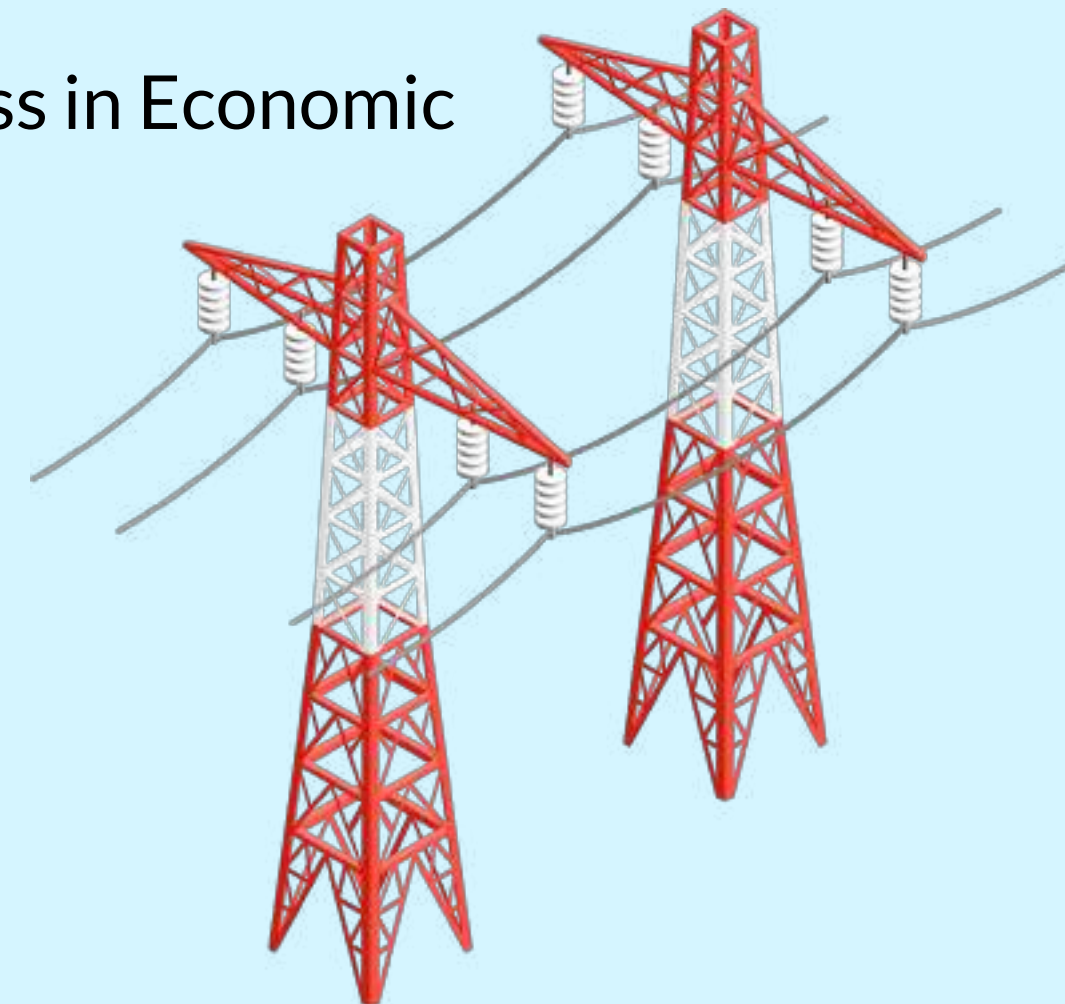
**What is Happening at
the MACRO Level
that is Impacting
Economic
Development in
Texas NOW?**

Electric Grid Reliability

A reliable electric grid is vital to the current needs of business, in addition to the future growth and expansion of all industry sectors.

A perception of a disruption or inadequate supply of electricity will negatively impact economic development opportunities.

Reliability - Sustainability - Success in Economic
Development

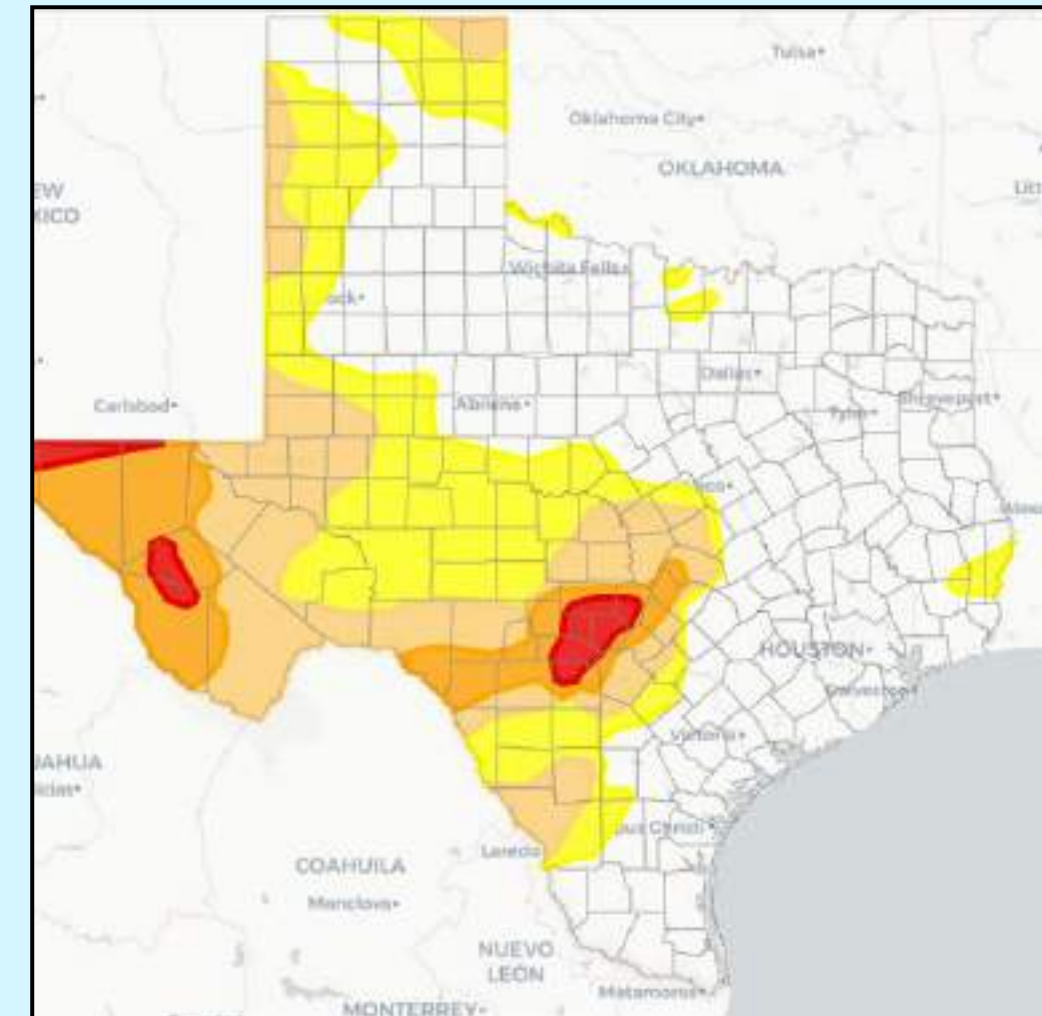


What is Happening at the MACRO Level that is Impacting Economic Development in Texas NOW?

Water Supply

Adequate water supply is crucial to the operations of all business sectors - especially semiconductor manufacturing - a burgeoning industry in Texas.

Desalination can help mitigate the affects of drought, however, those efforts are slow to address current needs.



Texas Drought Monitor (April 2024)

Source: Waterdatafortexas.org

What is Happening at the MACRO Level that is Impacting Economic Development in Texas NOW?

Climate Change

Warming temperatures, rising sea levels and extreme weather will damage critical infrastructure, adversely affect property, livestock and crops, and negatively impact human capital as well.

Economic developers should include climate impact mitigation in their strategic planning process in order to address business continuity.



What is Happening at the MACRO Level that is Impacting Economic Development in Texas NOW?

Workforce Availability

If the state's labor force grows at the same rate it grew in 2021, the Texas labor force will grow from 15 million to 17.9 million by 2036. Almost half of this growth will be among 25 to 44-year-olds.

If current trends continue, Texas may not have enough workers on its own to fill new jobs if economic growth continues as expected.

Maintaining a robust Texas economy and mitigating the talent shortage forecast for the next decade requires addressing several long-term challenges to the Texas workforce.

Source: Texas 2036



What is Happening at the MACRO Level that is Impacting Economic Development in Texas NOW?

Education

A strong education system today ensures a strong workforce and a prosperous economy tomorrow and creates a direct pipeline of highly skilled workers.

By 2036, more than 70% of jobs in Texas will require a postsecondary credential. But today, only about 1 in 3 Texas high school graduates obtain a postsecondary credential within six years of graduation.

A highly educated workforce is also critical to ensuring economic security for all Texans. Workers with a postsecondary credential, or even just some college experience, are over eight times as likely to hold a good job (earning around \$65,000 or more per year) as workers with only a high school diploma or below — but less than half of the Texas workforce have such a credential.

Source: Texas2036



What is Happening at the MICRO Level that is Impacting Economic Development in Texas NOW?

Legislative Policy and Rulemaking

Over the past several Texas Legislative sessions, economic development and local control have been under attack!

Voter participation is key to protecting economic development tools to continue Texas' success in economic development.



Examples of the Attacks on Important Economic Development Tools



Economic Development Sales Tax (Type A/Type B)

- Has been under attack every legislative session for the past 15 years
- The most effective tool at the local level to spur economic development
- Has transformed Texas into the economic powerhouse that it is today
- Bills filed every legislative session attempting to divert EDC's funds for non-economic development purposes

Examples of the Attacks on Important Economic Development Tools



Chapter 311/312 Agreements

- First past by the legislature in 1987
- Provisions added in 2019
 - require posting of agreements 30 days prior to adoption
 - require a public hearing
 - requiring posting of the abatement guidelines on the EDC's website
- Effective January 2024, a database must be maintained by the Texas Comptroller to include total monetary value and source of funds

• Extended to 2029

TEDC supports reasonable transparency methods as long it is intended for the public good and does not adversely affect economic development at the local level.

Examples of the Attacks on Important Economic Development Tools



Chapter 380/381 Agreements

- A tool created by the legislature in 1989
- Is used by most economic development organizations to attract and retain businesses
- Chapter 380 and 381 Agreements are one of the most effective tools in attracting both large industry and small businesses across the state
- Since 2021 a database of 380/381 agreements must be maintained by the Texas Comptroller's Office
- More bills have been filed to add a 15-day waiting period which could negatively impact the business' decision (speed of business and disclosure affecting competition)

Examples of the Attacks on Important Economic Development Tools



Chapter 313/Chapter 403

- 313 was the most significant tool available for large capital investment projects
- Without 313 there would be no Samsung plant in Austin/Taylor or a Texas Instruments plant in Sherman
- Allowed to expire in 2022
- Replaced with a watered-down incentive tool in 2023 - Chapter 403
- Texas has already lost several large capital investment projects with thousands of jobs since Chapter 313 expired
- Chapter 403 is expected to diminish Texas' ability to compete for large-scale projects that create many high-paying jobs and significantly add to the tax base.

The Economic Impact of the Uninsured in Texas

Since the expiration of COVID-19-related provisions requiring states to keep residents enrolled in Medicaid, an estimated 2.1 million Texans have lost their coverage.

The economic costs of decreasing the number of Texans covered by health insurance by 2.1 million, if the situation persists, is **estimated to cost the State of Texas \$58.9 billion in annual gross product and almost 509,200 jobs** (including multiplier effects). Economic harms are spread across the state.

This is an Economic Development Issue!

Source: The Perryman Group



What Can We Do To Maintain Our Excellence in Economic Development?

- Take seriously the Texas legislature's assault on local control
- Vote for state representatives and state senators who respect and support the 150+ year tradition of local control in our state
- Respond with a sense of urgency...this is serious business



Check Out Our New Publication



WHAT IS
**ECONOMIC
DEVELOPMENT**
AND WHY IS IT IMPORTANT?



WWW.TEXASEDC.ORG

The Texas Economic Development Council is PRO



Business



Public Investment



Local Control



Questions



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