

Who Is Funding Texas Gov. Rick Perry's Partisan Job-Piracy Trips?

by

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Executive Summary

Texas Gov. Rick Perry has turned interstate job piracy into a partisan sport this year. He has personally traveled six consecutive times to states led by governors of the opposing political party, staging visits that are highly publicized and sometimes become confrontational. To our knowledge, in the decades-long “economic war among the states,” there has never been such a partisan streak of job piracy.

In federal tax returns of the non-profit 501(c)(3) corporation that sponsors TexasOne, which funds these trips, readers are led to believe that only private monies, not taxpayer dollars, pay for TexasOne’s activities. However, a close examination of TexasOne indicates otherwise. Scores of local Economic Development Corporations (EDCs) funded by local sales taxes, as well as some city and town governments, and other local government agencies in Texas, form the most numerous group of dues-paying members to TexasOne. The EDCs and localities accounted for about one fourth of its revenue in FY2012.

Gov. Perry’s press releases announcing his trips include a funding disclaimer that may feature some important omissions.

They say *state* funds aren’t used to pay for the advertising air time or Gov. Perry’s travel or accommodations, but they are silent on *local* taxpayer dollars, and the trips involve many other expenses.

Undisclosed to date are the additional costs of producing the advertisements, airfare, ground transportation, staff time for traveling personnel including the Governor’s, advance staffing, meals, meeting rooms, receptions, and newly created state-specific website pages tied into the advertisements. Given all of these piracy-trip related expenses, the question arises: how much are Perry’s partisan trips financed by taxpayer dollars via the EDCs and other public agency memberships in TexasOne?

The job-piracy trips represent an enormous surge in spending for television and radio advertisements that feature Gov. Perry himself. Already this calendar year, TexasOne has spent about \$1.8 million in advertising buys to publicize six Gov. Perry’s job-piracy trips. That sum exceeds TexasOne’s entire FY2012 budget by more than half a million dollars. It is also about nine times what TexasOne spent on advertising and promotion in FY2012.

Funding for TexasOne also comes from 40 corporations, including two dozen that are publicly traded companies or subsidiaries of such companies.

Some of the companies that fund TexasOne serve national markets; some even have headquarters or large facilities *in states that Perry is trying to lure jobs from*. These include Lockheed Martin in Maryland and Citigroup and Verizon in New York. Others have significant facilities in target states, such as: the ExxonMobil and Shell refineries in California; the

Union Pacific rail facilities in California, Illinois and Missouri; Capital One's banking networks in Maryland and New York and Citigroup's in California and Illinois; and various production facilities of Altria (Illinois), Lockheed (California and New York) and Novartis (California and New York).

And for consumer-oriented companies such as AT & T, Verizon and Capital One, the question naturally arises: would their customers approve of the companies' funding partisan job piracy?

Texas Gov. Rick Perry's Partisan Job Piracy

The so-called “economic war among the states”—including states soliciting companies to relocate across state lines—is a decades-long phenomenon. But between February and September of 2013, Texas Gov. Rick Perry took interstate job piracy to a new red state-blue state partisan extreme. To Good Jobs First’s long knowledge, never before has the governor of one political party personally and publicly recruited companies from states led by governors of the other political party six times in a row. As we report below, Gov. Perry has done this in California, Illinois, Connecticut, New York, Missouri and, as this study is released, Maryland.

Gov. Perry’s trips have generally followed similar outlines. The announcement of his trip is accompanied by a media buy that generates advance earned media coverage. Then a few days later, Perry arrives and conducts various closed-door meetings with business executives, and also sometimes site location consultants, also making himself available to the news media. Perry emphasizes tax and regulatory issues generally, but also sometimes calls out the state or its governor on specific matters. During this advance media and the trip itself, the state’s governor and cabinet members feel compelled to

respond, defending the state’s economic performance and business climate. The square-off provides an easy-to-transcribe controversy for the news media.

Gov. Perry’s Partisan Job-Piracy Tour

California (February 10-13) After a very small advance radio ad buy in which he said: “Building a business is tough, but I hear building a business in California is next to impossible,” Gov. Perry traveled to the Los Angeles, San Francisco, and San Jose/Silicon Valley areas to meet with companies. Gov. Jerry Brown dismissed the \$24,000 ad campaign: “It’s not even a burp; it’s barely a fart.” For that response, as the *San Francisco Chronicle* reported: “Perry thanked Brown for what was easily a million dollars in free publicity. ‘Oh, it was awesome,’ said Perry, during an interview in his room at the Omni Hotel in the Financial District on Monday. ‘I couldn’t have’ - pausing – ‘thank you, Jerry, he’s the gift that keeps on giving.’”

Illinois (April 22-23) When Gov. Perry bought ads in Illinois as part of his attempt to poach jobs, he didn’t hide the deeply partisan nature of his message. Perry openly stated that: “This is a good

red state blue state conversation we're having." The Governor then likened Illinois to a burning building on the verge of collapse while touting Texas's lack of a personal income tax and lower worker's compensation rates.

Connecticut and New York (June 16-20) Gov. Perry's trip to Connecticut and New York occurred six months after the Newtown, Connecticut tragedy at Sandy Hook Elementary School, where 20 children and 6 educators were fatally shot. In the wake of the tragedy, Connecticut and New York were among those states that enacted new gun safety measures.

After Perry visited the firing range at Connecticut's Colt Manufacturing Co., Colt President and CEO Dennis Veilleux issued a statement saying Perry had assured the company that it would "always be welcome in Texas." Connecticut Gov. Dannel P. Malloy made "an unannounced visit to [Perry's] meeting in Hartford" and later said of Sandy Hook and Perry's trip: "I don't think he understands that kind of loss and how it's affected people in our state."

Seeking to belittle the Cuomo Administration's effort to lure companies by promoting the idea the New York was now "Open for Business," Perry's ads said: "The new New York sounds a lot like the old New York...Higher Taxes. Stifling regulations. Bureaucrats telling you wheth-

er you can even drink a Big Gulp." Perry created a website called Texas Wide Open for Business was seen as an attempt to one-up Cuomo.

The Daily Show with Jon Stewart on Comedy Central aired a tart segment produced by Lewis Black in response to Perry's New York foray. The piece first described Perry's California and Illinois trips, then in response to the New York trip concluded with a montage of diverse New Yorkers conveying obscenities to Texas.

Missouri (August 29) Gov. Perry's trip to the Show-Me State had an unusual feature: he was invited by the Missouri Chamber of Commerce and his appearance at Chamber events caused enormous controversy. Perry used his advertisements and his visit to weigh in on a pending legislative debate. His radio ads bluntly criticized Missouri Gov. Jay Nixon: "Unfortunately your governor vetoed a bill that would have lowered taxes and controlled wasteful spending." In his radio pitch, Perry also told Missourians that their taxes had been raised: "Vetoing a tax cut is the same thing as raising your taxes."

Perry had clear legislative instructions for a crowd of local business leaders and Republican lawmakers at an event in Chesterfield, Missouri. In his speech to that crowd, Perry said: "this legislature can send a message all across the country

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that Missouri is back open for business. This veto override is about the future of this state... Make this happen! Grow Missouri! Override that veto!" (The veto override failed despite Republican supermajorities in both houses.)

Maryland (September 18) Ahead of Gov. Perry's trip, radio and TV advertisements costing "nearly \$500,000" began airing. The radio ad specifically criticized Gov. Martin O'Malley's tax policies, saying in part: "Unfortunately, your governor has made Maryland the tax and fee state... Since taking office in 2007 he's approved 40 new taxes and fees, projected to cost you \$9.5 billion more through 2014, that's a job killer. He's even passed a rain tax on some property owners, a tax even New York doesn't have."

Rhetoric in the run-up to the visit grew quite hot, with O'Malley using an expletive at a fundraiser while recounting a 2011 debate he had with Perry when they chaired their parties' respective governors associations.

Guns also figured in Gov. Perry's Maryland visit. Two days before his arrival, a gunman shot and killed 12 people at the Washington, DC Navy Yard (not far from the Maryland border). The following day, CNN reported that Perry would visit Beretta USA, the state's largest gun manufacturer, in Accokeek.

TexasOne: A Program of a State-Sponsored Non-Profit Corporation

TexasOne, the stated source of funds for Gov. Perry's trips, is "the primary program" of the Texas Economic Development Corporation (TEDC), a non-profit 501(c)(3) corporation that is sponsored by the state and controlled by Gov. Perry. He launched TexasOne "as a part of TEDC" in 2003. In TEDC's recent federal tax returns, TexasOne is the only named program activity. TEDC's stated revenues in those tax returns resemble those reported on TexasOne's FY2012 annual report on its website.

TEDC, in turn, resides statutorily within the Texas Economic and Development and Tourism Office, and its enabling legislation describes TEDC's annual financial reporting obligations as those of an organization whose "charter specifically dedicates the corporation's activities to the benefit of [the Texas Economic Development and Tourism Office] or the Texas Department of Economic Development..."

Under the same statute, the Governor of Texas appoints all members of TEDC's board of directors.

Gov. Perry's Partisan Job-Piracy Trips: A Surge in Advertising Spending

We could find no public record of the travel and related expenses incurred by Gov. Perry's 2013 job-piracy trips. But his office has announced the cost of five of the six states' television and radio advertising buys, and news media has reported a dollar value for the sixth, attributing it to Perry's spokesman. So far in calendar 2013, they total about \$1.8 million, as detailed in the chart below.

The job-piracy trips represent an enormous surge in spending by TexasOne, for television and radio advertisements that feature Gov. Perry himself. This total of about \$1.8 million over just eight months for the purchase of advertising airtime alone exceeds TexasOne's entire budget for FY2012 (\$1,265,433) by more than half a million dollars. It is also about nine

times what TexasOne spent on advertising and promotion in FY2012.

Of course, the advertisements are only one cost element of the trips: undisclosed to date are the additional costs of producing the advertisements, airfare, ground transportation, staff time for traveling personnel including the Governor's, advance staffing, meals, meeting rooms, receptions, and newly created state-specific website pages tied into the advertisements.

TexasOne, Job-Piracy Trips and Taxpayer Dollars

With a statement on its sponsor's federal tax return, readers are routinely led to believe that TexasOne is not funded by taxpayers. However, an examination of TexasOne's revenue sources indicates otherwise. And a gubernatorial press re-

Gov. Perry's Job-Piracy Advertising Expenditures

Amount	Expenditure	Information Source
\$24,000	California radio	San Francisco Chronicle 2/12/13
\$80,450	Total Illinois radio and print	Perry press release 4/17/13
\$1,000,000	New York and Connecticut TV	Perry press release 6/10/13
\$50,000	New York radio	Perry press release 6/12/13
\$100,000	Missouri radio	Perry press release 8/22/13
\$106,400	Missouri TV	Perry press release 8/22/13
	Maryland TV/radio "nearly \$500,000"	
\$500,000		Perry press release 9/12/13
\$1,860,850	Total	

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lease disclaimer regarding the funding for Gov. Perry's job-piracy trips may feature important omissions.

The tax return statement appears in the federal tax returns of the Texas Economic Development Corporation, sponsor of TexasOne. It states that:

TEXASONE IS FUNDED THROUGH PRIVATE CONTRIBUTIONS BY BUSINESSES, ORGANIZATIONS AND INDIVIDUALS INTERESTED IN THE PROMOTION OF THE BUSINESS CLIMATE, ECONOMIC DEVELOPMENT AND JOB CREATION IN THE STATE OF TEXAS.

The words "private contributions" in the tax returns—and the lack of any reference to other sources of revenue—suggest all of TEDC's funds come from private-sector businesses or from private individuals. However, TexasOne's named dues-paying members include about 80 local Economic Development Corporations (EDCs) and municipalities.

The EDCs are the most numerous kind of public agency funding TexasOne. In Texas, local EDCs are primarily funded by local sales tax revenues. (EDC-dedicated local sales tax increments can be as high as half a percent, as enabled under state law). EDCs, combined with local governments and local public agencies, accounted for about one fourth of TexasOne's attributed revenue in its FY2012 annual report.

An investigative article by the *Houston Chronicle* in February 2013, looking at three years of revenue, found a larger public share: "some 45 percent—more than \$2 million of the \$4.7 million raised in the last three years—came from local governments or their economic development corporations, which are funded entirely through sales taxes." It also reported that the third-largest funder for the three years was the Brownsville Economic Development Council, at \$192,250, and that its spokeswoman "said it is funded through an economic development corporation that levies a local sales tax."

The disclaimer appears in Gov. Perry's press releases announcing his trips; it may feature some important omissions. They typically include a sentence like this one from his September 12 Maryland press release:

The nearly \$500,000 TV and radio ad buys and the governor's trip are paid for by TexasOne - no state tax dollars will be used for his travel and accommodations, or for the ad buy.

The phrase "no state tax dollars" here carefully omits the local sales tax dollars (and perhaps local property tax dollars) that Texans pay and that find their way to TexasOne via local EDCs, city and town governments and other local government agencies. (Texas has no income tax.)

We also note that the disclaimer refers only to "*his* travel and accommodations" (emphasis added), but not to the cost of the Governor's *staff* travel and accommodations expenses, or to the numerous other costs of the trips, such as his time and the time of his accompanying staff, meals, meeting rooms, and advance staffing.

The disclaimer also only refers to "the ad buy" and does not mention the costs of producing the television and radio advertisements or of creating the new state-specific website pages that tie into the advertisements.

There is no mention of any segregation of funds between those from public agencies and those from private corporations in TEDC's tax returns or in TexasOne's FY2012 annual report. As well, TexasOne's FY2013 annual report with member/contributor list has not been published yet (its FY ended August 31, 2013). But the sheer size of the advertising airtime expenses, together with other piracy-trip expenses, raise the question: are funds from the EDCs, localities, and other public agencies partly funding the partisan job-piracy trips?

National Companies and Interstate Job Piracy

Apart from the economic development corporations and other local government agencies, TexasOne's other dues-paying members are businesses, including two dozen major corporations. Among the best known of these are AT&T, Capital One, ExxonMobil, Lockheed Martin, Novartis, Shell Oil, Union Pacific and Verizon Communications—each of which is listed in the TexasOne annual report as having paid up to \$75,000 in annual dues. Also on the membership list are subsidiaries of other large companies such as Altria, Berkshire Hathaway and Textron. Although they are less numerous than the EDCs, businesses provided about half of TexasOne's funding in FY2012.

Given that Texas is a big state with a large budget and lots of economic development subsidies, it is clear why corporations might fund TexasOne as a way to curry favor with the state's governor. But does it make sense for companies that serve national markets—and even have headquarters or a large presence in states that Gov. Perry seeks to pirate—to support his partisan interstate job piracy?

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Companies such as AT&T, Capital One and Verizon that do business nationwide have nothing to gain if Perry succeeds in luring companies to move to Texas. Dislocated workers experience periods of unemployment and usually get reemployed at lower wages, and median paychecks are lower in Texas (every one of the six states Perry has targeted has a higher median four-person family income than Texas; Maryland and Connecticut's are more than 50 percent higher). Both of those facts mean less disposable income for phone, internet, television, and credit card purchases.

In fact, consumer-oriented companies can risk losing customers if they are identified as financial backers of controversial groups or causes. That's apparently why dozens of large companies canceled their memberships in the American Legislative Exchange Council (ALEC) when it became identified with heated issues such as minority voter suppression and stand-your-ground gun laws.

Moreover, some of the companies funding TexasOne are headquartered in states that Perry has targeted. These include Lockheed Martin in Maryland and Citigroup and Verizon in New York. Others have significant facilities in target states, such as: the ExxonMobil and Shell refineries in California; the Union Pacific rail facilities in California, Illinois and Missouri; Capital One's banking networks in Maryland and New York and Citigroup's in California and Illinois; and various production facilities of Altria (Illinois), Lockheed (California and New York) and Novartis (California and New York).

By supporting Perry's job piracy efforts, these companies could offend public officials, employees and customers in states outside Texas. For companies serving national markets, bankrolling high-profile and partisan interstate job piracy would appear to be risky business.

Endnotes

- 1 This study does not explore the effectiveness of Texas' job-piracy efforts. For that topic, we refer readers to a study we released in January 2013 entitled *The Job-Creation Shell Game*. There, we chronicle the history of interstate competition for capital, and detail several arguments why interstate job piracy is wasteful and ineffective. We refer readers to that study for those arguments. One key point we demonstrated is that Texas, like every other state, gains or loses microscopic shares of firms and jobs due to interstate in-migration (net of out-migration). All or very nearly all of the job-creation action is attributable to the expansion of existing firms (net of contractions) and to start-ups (net of firm deaths). Therefore, state resources are most effectively spent helping firms start up and grow (and helping them avoid layoffs and shutdowns). At <http://www.goodjobsfirst.org/sites/default/files/docs/pdf/shellgame.pdf> (regarding Texas specifically, see pages 4-5 and 16-20)
- 2 There has been one other partisan piracy effort this year, which may be a "copycat" move stimulated by Perry's high-profile trips. In spring and summer 2013, Florida Gov. Rick Scott sent direct-mail solicitations to companies in at least eight states also led by governors of the opposite political party: California, Connecticut, Colorado, Illinois, Kentucky, Maryland, Massachusetts, and Minnesota. Source: Robert Trigaux, "As Gov. Scott direct sells CEOs on Florida economy, eight targeted states fight back," *Tampa Bay Times*, August 23, 2013.
- 3 Shan Li, "Texas governor woos California firms; Rick Perry and others court companies they believe may be ready to move out of state." *Los Angeles Times*, February 13, 2013.
- 4 Andrew S. Ross, "Perry sees Brown's rip as free money" *San Francisco Chronicle*, February 12, 2013. Given California's size, it is inevitably a source of business relocations to Texas. During his visit, Perry taunted California: "Come to Texas and try to lure companies—you're welcome to do it." He apparently didn't know it, but California is doing just that: according to a study by the Public Policy Institute of California using an extremely detailed business census, Texas is the third-largest source of companies moving *into* California. Source: David Neumark, Junfu Zhang, and Brandon Wall. "Are Businesses Fleeing the State? Interstate Business Relocation and Employment Change in California." *California Economic Policy* 1:4. Public Policy Institute of California, October 2005. Available at <http://www.ppic.org/main/publication.asp?i=640>. The report also found that 96.3 percent of California business relocations from 1993-2002 stayed within the state. In addition to New York and Nevada exceeding Texas as sources of in-migrations to California, it also found that Texas was only the third most common out-of-state destination after Arizona and Nevada.
- 5 Ibid
- 6 <http://www.dallasnews.com/news/politics/state-politics/20130422-texas-gov.-rick-perry-to-illinois-gov.-pat-quinn-i-m-certainly-going-to-bring-the-competition.ece>
- 7 <http://www.texaswideopenforbusiness.com/cms-assets/documents/108260-423525.escape-illinois.pdf>
- 8 Ibid.
- 9 Stephen Singer, "Perry, Daugaard visit Conn. gun manufacturers in wake of stricter gun regulations in the state," Associated Press, June 18, 2013.

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¹⁰ <http://www.texaswideopenforbusiness.com/opportunity/>

¹¹ "Rick Perry Attempts to One-Up Governor," *Albany Times-Union*, June 16, 2013 (via Nexis).

¹² Lewis Black, "Back in Black - New York vs. Texas" at <http://www.thedailyshow.com/watch/wed-july-17-2013/back-in-black---new-york-vs--texas>. *The Daily Show with Jon Stewart*, July 17, 2013.

¹³ Kevin McDermott, "Texas Gov. Perry's visit is shaking up Missouri tax fight," *St. Louis Post-Dispatch*, August 28, 2013.

¹⁴ Kevin McDermott, "Texas governor urges override of tax-cut veto in Missouri," *St. Louis Post-Dispatch*, August 30, 2013.

¹⁵ John Eligon, "Missouri Republicans Fail to Block Vetoes on 2 Bills," *New York Times*, September 11, 2013.

¹⁶ <http://www.youtube.com/watch?v=89oaeEJdDQs>

¹⁷ Erin Cox, "Gov. Martin O'Malley has tough words for Texas Gov. Rick Perry." *Baltimore Sun*, September 12, 2013 at http://articles.baltimoresun.com/2013-09-12/news/bal-gov-martin-omalley-has-tough-words-for-texas-gov-rick-perry-20130912_1_o-malley-perry-maryland-governor

¹⁸ Peter Hamby, "First on CNN: Perry to tour gun facility near Washington, September 17, 2013 at <http://politicalticker.blogs.cnn.com/2013/09/17/first-on-cnn-perry-to-tour-gun-facility-near-washington/>

¹⁹ "About TexasOne" at <http://www.texasone.us/about.php>

²⁰ Texas Economic Development Corporation, Forms 990, viewed for FY 2009, FY 2010 and FY 2011 (tax years are one year prior) at Guidestar.org

²¹ The TexasOne FY2012 annual report is at <http://www.texasone.us/files/texasone-annual-report-2012.pdf>

²² Texas Code Section 481.024 at <http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.481.htm>

²³ Ibid

²⁴ TexasOne Program 2012 Annual Report. Available online at <http://www.texasone.us/files/texasone-annual-report-2012.pdf>

²⁵ Reflects the omission of local Chambers of Commerce from the count.

²⁶ Patricia Kilday Hart and Lise Olsen, "Economic development group promotes Perry and business," *Houston Chronicle*, February 20, 2013.

²⁷ Membership lists can be found both on the TexasOne website at <http://www.texasone.us/current-members.php> and in the TexasOne 2012 annual report, posted at <http://www.texasone.us/files/texasone-annual-report-2012.pdf>. Those lists do not match completely. This report treats companies as TexasOne members if they appear on either of the lists.

²⁸ TexasOne Program 2012 Annual Report. Available online at <http://www.texasone.us/files/texasone-annual-report-2012.pdf>.