



OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

RICK PERRY
GOVERNOR

United States House of Representatives
Committee on Small Business

Hearing

Beyond the Beltway: Successful State Strategies for Small Business Growth

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Chairman Graves, Ranking Member Velasquez and members of the committee my name is Aaron Demerson and I have the pleasure of serving as the Executive Director of the Economic Development & Tourism Division for the Governor's Office in the great State of Texas.

Thank you for the work your committee continues to do for small businesses and for the invitation to participate on this panel as it is indeed an appreciated privilege to do so.

Over the course of the past two days and throughout the years this committee has heard from some of the most notable representatives associated with small business.

That's as it should be and not surprising given the importance of small businesses to the US economy and in my case the Texas economy.

Small business owners are making a real difference in countless lives, for countless families in Texas....from the Panhandle to the Gulf coast.

And as we speak here today someone, somewhere in Texas is coming up with the next big idea, a better way of doing something, or doing something that's never been done before.

Fostering these types of innovations is vital to keeping Texas at the forefront of the national economy and when these innovators are ready to go to market, our hope is the efforts of this committee in collaboration with the efforts at the state-level will make it easier for them to succeed and thrive.

We all know the big companies tend to draw the biggest headlines and they do, in fact, have a very important role to play.

But we also know the drivers of job creation in Texas and our nation are our small business men and women. As we like to say, "Small business is big business in Texas." 98.7 percent of Texas employers are small businesses – these are bold entrepreneurs who take real risks pursuing their dreams of owning their own businesses. As the SBA recently profiled, Texan small businesses under 500 people were responsible for all of the state's net new jobs over the last five years. Consequently, the over 2.3 million Texas small business owners

represent the true vibrancy of the Texas economy with the nearly 4.1 million jobs they create. And their contribution to the positive economic climate is a large part of what has helped us attract employers of all sizes to the Lone Star State.

The committee is seeking information on why certain states are attractive to businesses. We have found the continued attractiveness to Texas over the years is based on a number of reasons, with a major portion of this success associated with the leadership and emphasis placed on job creation that has been championed by Governor Rick Perry and our collective statewide elected delegation.

We know that our **second to none business-friendly climate/environment** has continued to help us attract new employers and create jobs. And this past legislative session (just as we have done in the past) we took the necessary steps to preserve the business climate that's made all that possible.

In some cases these businesses were fleeing over-taxation and over-regulation in other states as they sought to expand or relocate to a place where they're free to succeed.

And it is our thought that we can expect more of them heading our way as long as we remain committed to the principles that have helped make us the best state in the country to do business.

One of the most important steps for attracting business to Texas is centered on **keeping our taxes low** because dollars do far more to create jobs and prosperity when kept in the business owner's hands.

We have worked hard to **keep a fair and predictable regulatory climate** so that a company will know what to expect a quarter, six months or a year down the line. The CEO's and CFO's understand this and continue to find it a very attractive alternative when considering expansion and/or relocation.

To that end, we have continued to enact legislation that has a positive impact on small business. This year we were able to **make permanent the small business tax relief that was passed in 2009.**

The recently signed HB500 offers over \$700 million in business tax relief and makes permanent the \$1million small business tax

exemption. This important bill provides significant tax relief to over 140,000 Texas small businesses by establishing that any business making below \$1million in revenues will always be free of any franchise tax obligation whatsoever, thereby leaving more dollars in their pockets to invest in new hires and new equipment. Additionally, the bill reduces the margin tax rate on nearly 800,000 businesses in Texas, bringing meaningful tax relief to the heart and backbone of the mighty Texas economic engine.

We have also been able to **further enhance our legal system** to make it even harder to file frivolous lawsuits in Texas and approved “loser pay” legislation which requires those who file a frivolous lawsuit and lose to pay the court costs and legal expenses of those they sued.

For us in Texas economic development begins at the local level and when you represent a state that has 254 counties and when driving for three, six, or even 14 hours you are still in that state it becomes very important that you have effective relationships at the local level to take advantage of the small business opportunities. To say that our communities are very aggressive and serious about small business and job creation is an understatement. Legislation was recently passed that

will establish a new **small business advisory committee** that will allow us to align even closer with the communities on small business initiatives and issues. We also are close to completing our marketing plan for attracting more small business to our state.

...and lastly in Texas as depicted in the attached state by state comparison document and our “brag” sheet (the Governor states that in Texas—it ain’t braggin’ if it’s true) our unemployment rate has consistently been lower than the national average and we have continued to lead the nation in job creation over the years. We also continue to have the nation’s best business climate, continue to be the number one exporter 11 years running and continue to have the highest number of expansion and relocation projects.....all of this creates a great deal of attention and continues to be of great interest to a number of small business owners in the United States looking to expand or relocate their business.

It didn’t happen by accident....it happened because, over the last decade, Texas leaders have made principled, thoughtful decisions by not over-taxing, over-regulating or over-litigating our citizens.

In Texas we have an obligation, responsibility, and goal to the taxpayers to take the necessary steps to make government more efficient and streamlined while reducing spending without raising taxes.

Our statewide elected officials continue to act on the tough decisions necessary as they recently thoughtfully made their way through the budget-writing process this session which should result in additional jobs and opportunity thus leaving Texas even more competitive than ever.

And that same process and challenge associated with tough decisions is taking place at small businesses and around kitchen tables all across our state and nation.

Small business owners have continued to find new ways to tighten their belts, separating wants from needs and making responsible decisions to live within their means.

Only by keeping our families and small businesses strong can we continue the type of prosperity we've enjoyed in Texas over this past decade.

So how do we continue to create new opportunities for Texas families and small businesses?

We do this by continuing to apply a laser-like focus on small business retention and recruitment while showcasing the best of what Texas has to offer. In addition we will continue to ensure for small businesses a climate at the state-level that is conducive to making a profit, creating jobs and enjoying success.

Our hope is that the same or a similar approach is viewed at the federal level.

I sincerely appreciate the opportunity, welcome you to visit our great state, and look forward to the discussion and answering any questions you might have.

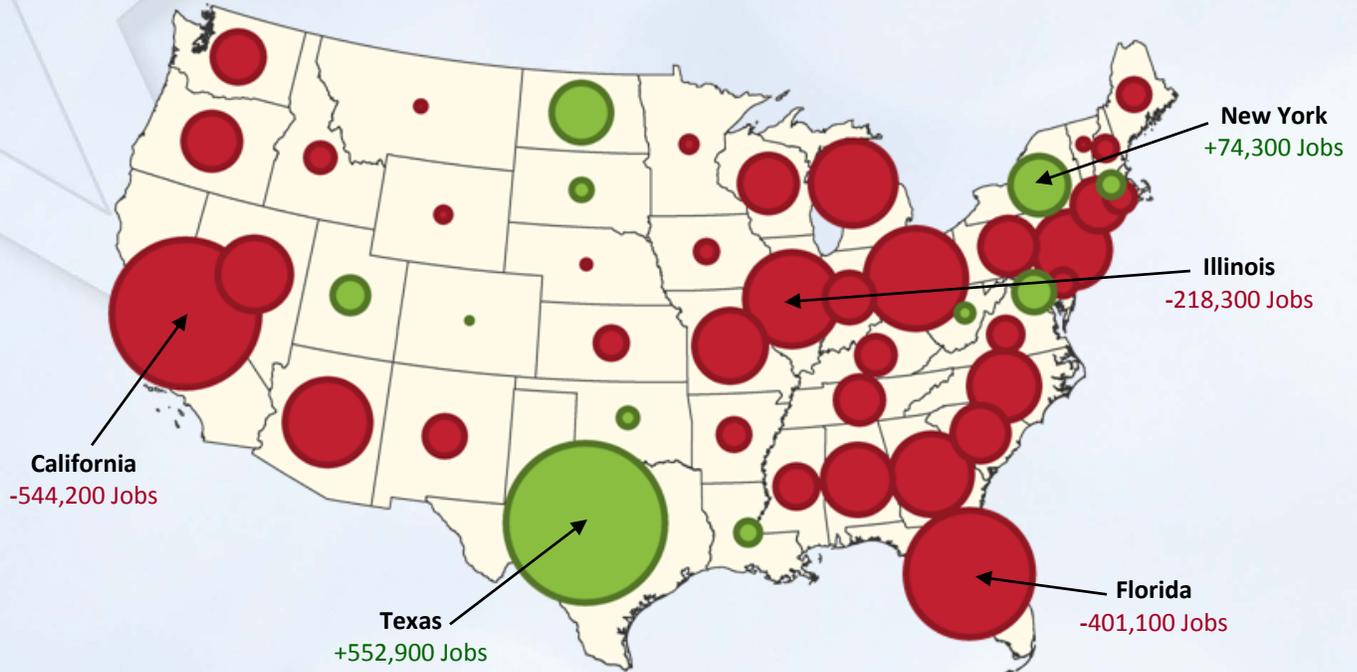


STATE-TO-STATE COMPARISON

May 2013

Bouncing Back from Recession

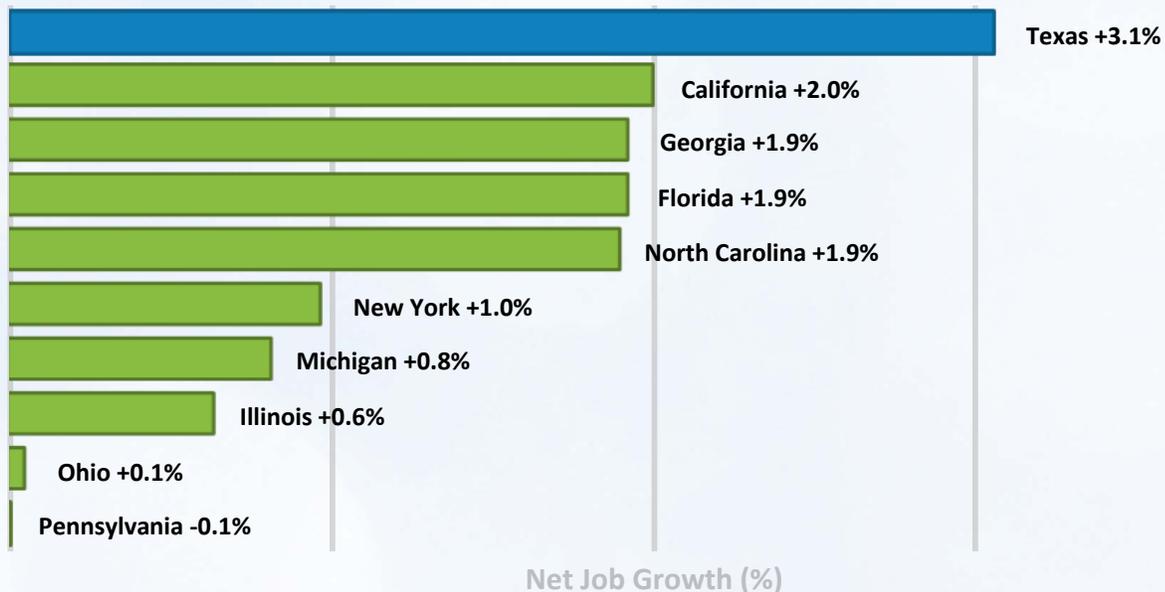
Texas has over half a million more jobs today than it did before the recession (January 2008 vs. March 2013). Most other states are still climbing out of a deep hole.



Source: U.S. Bureau of Labor Statistics

Texas Job Growth Sets the Pace

Over the past 12 months, Texas employment grew the fastest of the 10 largest states (March 2012 to March 2013)



Source: U.S. Bureau of Labor Statistics

Unemployment Rates in the Biggest States

In March 2013, Texas had the lowest unemployment rate among the ten largest states.



Source: U.S. Bureau of Labor Statistics

Job Growth in Private-Sector Industries

Over the past three years (March 2010 to March 2013), Texas led the nation in total job gains in each of the following industry sectors:

Finance

#1 Texas

- #2 California
- #3 Florida



Health Care

#1 Texas

- #2 California
- #3 New York



Energy

#1 Texas

- #2 North Dakota
- #3 Oklahoma



Construction

#1 Texas

- #2 California
- #3 New York



Source: U.S. Bureau of Labor Statistics

Texas Metros Lead Nation in Job Growth Rate

Ranking the nation's 50 largest metropolitan areas by job growth rate, Texas' major cities dominate the top of the list (March 2003 to March 2013).



→ **1 Austin, Texas** **+30.0%** **+194,700 Jobs**



→ **2 Houston, Texas** **+21.7%** **+493,400 Jobs**

3 Raleigh, North Carolina **+21.4%**

2 Salt Lake City, Utah **+19.0%**



→ **5 San Antonio, Texas** **+18.0%** **+135,300 Jobs**

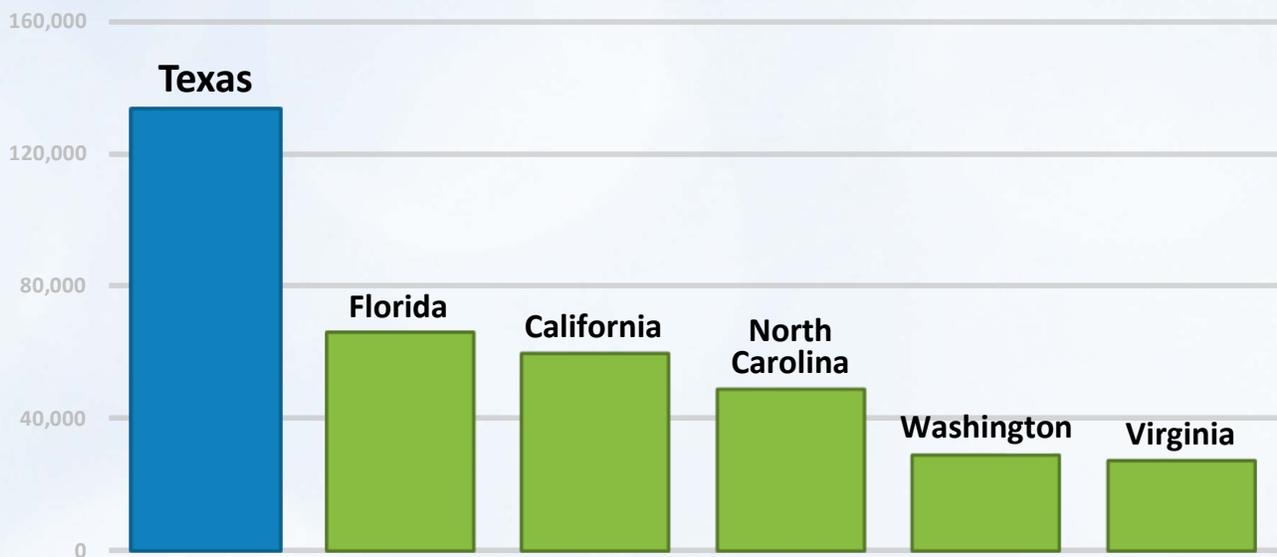


→ **6 Dallas/Fort Worth, Texas** **+15.7%** **+418,700 Jobs**

Source: U.S. Bureau of Labor Statistics

Housing Construction Booms in Texas

In 2012, Texas was the leading state for residential construction activity with more building permits issued than in No. 2 Florida and No. 3. California *combined*.



Source: U.S. Census Bureau



For more information on doing business in Texas, visit us online at www.TexasWideOpenForBusiness.com | [@TexasOne](https://twitter.com/TexasOne) [f/TexasWideOpen](https://www.facebook.com/TexasWideOpen)

“Texas is a state where a dream can be put to work.” - Governor Rick Perry



“Best State for Business”



“America’s Top State for Business 2012”



“2012 State of the Year”

FORTUNE

“A Top State for Fortune 500 HQs”



“2012 Governor’s Cup Winner & Most Competitive State Winner”

Forbes.com

Texas dominates “Best Cities for Good Jobs”

Texas dominates CNNMoney’s list of 8 best places to launch a small business list. Austin topped the list, followed by Houston (#3), San Antonio (#5), and Dallas-Fort Worth (#7).

CNNMoney.com, June 2013

Texas received Area Development’s “2013 Gold Shovel Award.” Since 2006, the magazine has awarded shovels to states for creating significant project investments and high-value jobs.

Texas has won a shovel award each year, including five silver and the three gold.

Area Development, June 2013

Chief Executive Magazine named Texas as the “Best State for Business” for the 9th consecutive year. Texas received high marks for its business-friendly tax and regulatory environment, as well as its highly regarded workforce.

Chief Executive Magazine, May 2013

Texas is home to 52 Fortune 500 companies including all six of the Oil & Gas Equipment, Services Companies; seven of the eight Pipeline Companies; and seven of the 12 Petroleum Companies.

Fortune, May 2013

Texas wins the Most Competitive State title and is two-thirds of the way to sweeping Site Selection’s annual state rankings after winning the Governor’s Cup in March.

Site Selection, May 2013

Texas led the nation in 2012 with new wind capacity.

Texas’ 12,214 MW capacity is higher than the total U.S. capacity in 2006.

AWEA.org, April 2013



TexasWideOpenForBusiness.com