

2015

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS & ECONOMIC DEVELOPMENT DISTRICT



[STATE OF THE REGION]

CONTENTS

OVERVIEW 3
EXECUTIVE SUMMARY 4
REGIONAL ECONOMIC INDICATORS 5
 Population: 5
 Employment: 6
 Local Sale Tax Allocations: 7
DETCOG ACTIVITIES: 8
 Forgivable Loans: 8
 Economic Development Administration Grants: 8
 Housing Rental Vouchers: 8
 Disaster Recovery Housing Construction: 8
 Disaster Recovery Shelter Grants: 8
CONCLUSION: 9

OVERVIEW

Every three years the Deep East Texas Council of Governments (DETCOG) updates its Comprehensive Economic Development Strategy. It is a requirement of the U.S. Department of Commerce's Economic Development Administration (EDA) planning grant that gives us the additional title of "Economic Development District".

The format and data needed for that update is prescribed by the EDA. However, during that process DETCOG Staff started seeing a concerning pattern in regional trends. This report is meant to bring light to those findings, share some of our experiences and make suggestions of ways we might positively affect the future of our region.

EXECUTIVE SUMMARY

After decades of slow, steady, population growth the twelve county region appears to be experiencing a decline in population. The five counties along the U.S. Hwy 59 corridor are no longer growing quickly enough to offset population losses in the other seven counties.

There has been no confirmable growth in the number of jobs in the DETCOG Region for several years. We have been fortunate to have Construction and Oil & Gas jobs offsetting the losses in other sectors. The small-percentage variations in total reported jobs could be attributed to the techniques used to calculate the numbers. In effect, they are within the “margin of error” for the gathering and reporting process.

After starting an upward trend following the “Great Recession”, total local sales tax allocations for the region turned back down in 2014. The nearly five-billion dollars in regional taxable sales dropped by over eighty-five-million dollars between 2013 and 2014.

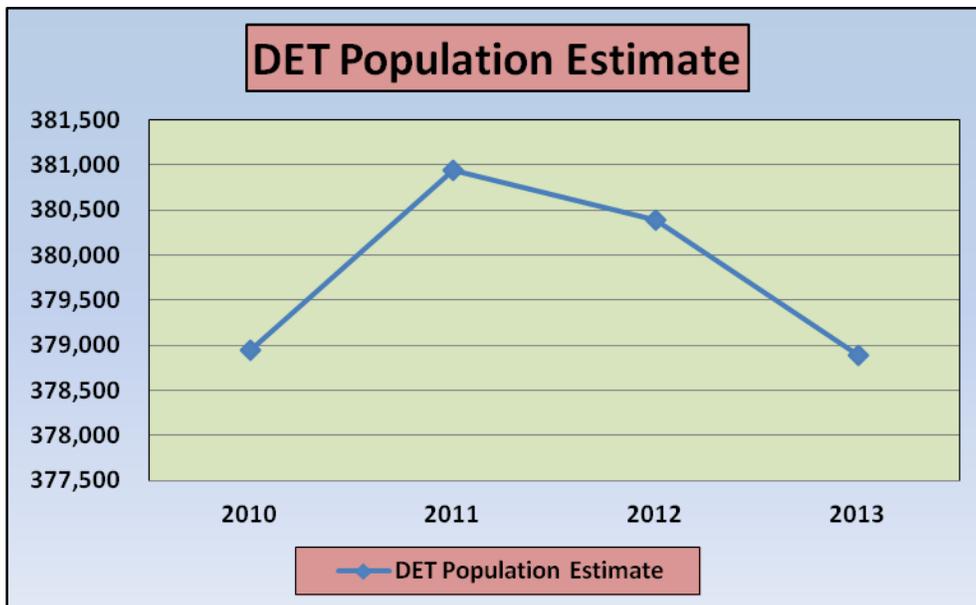
Of the nearly \$50 million dollars the Texas Comptroller’s Office distributes to entities in our twelve county region, \$4.8 million dollars is designated by eleven cities and towns for Industrial and Economic Development. This is almost the exact amount of Hurricane Ike Disaster Recovery funds DETCOG has devoted to creating jobs through its Forgivable Loan Program. We have drawn some conclusions from that experience that we want to share.

REGIONAL ECONOMIC INDICATORS

Population:

After a nearly seven percent growth in regional population from 2000 to 2011 the U.S. Census estimates that the DETCOG Region population has declined by over two-thousand from 2010 to 2013.

	2010	2011	2012	2013
DET Population Estimate	378,942	380,949	380,391	378,896

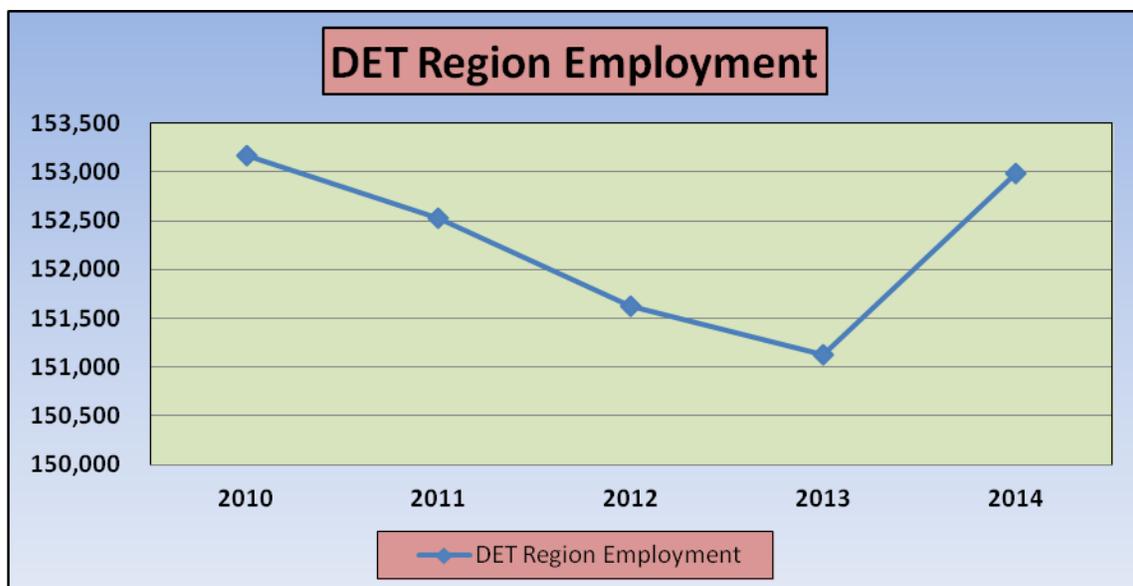


*Source: Census.Gov - American FactFinder: Annual Estimates of the Resident Population

Employment:

This batch of data becomes somewhat less concerning once you read the U.S. Department of Labor's eight-page explanation of how they calculate the employment/unemployment rate. As alarming as the 2010 to 2013 appears on this graph it is just over two thousand jobs which is 1.35% of the total workforce. What alarms us is the overall lack of growth in employment indicated between 2010 and 2014.

	2010	2011	2012	2013	2014
DET Region Employment	153,164	152,524	151,620	151,129	152,986

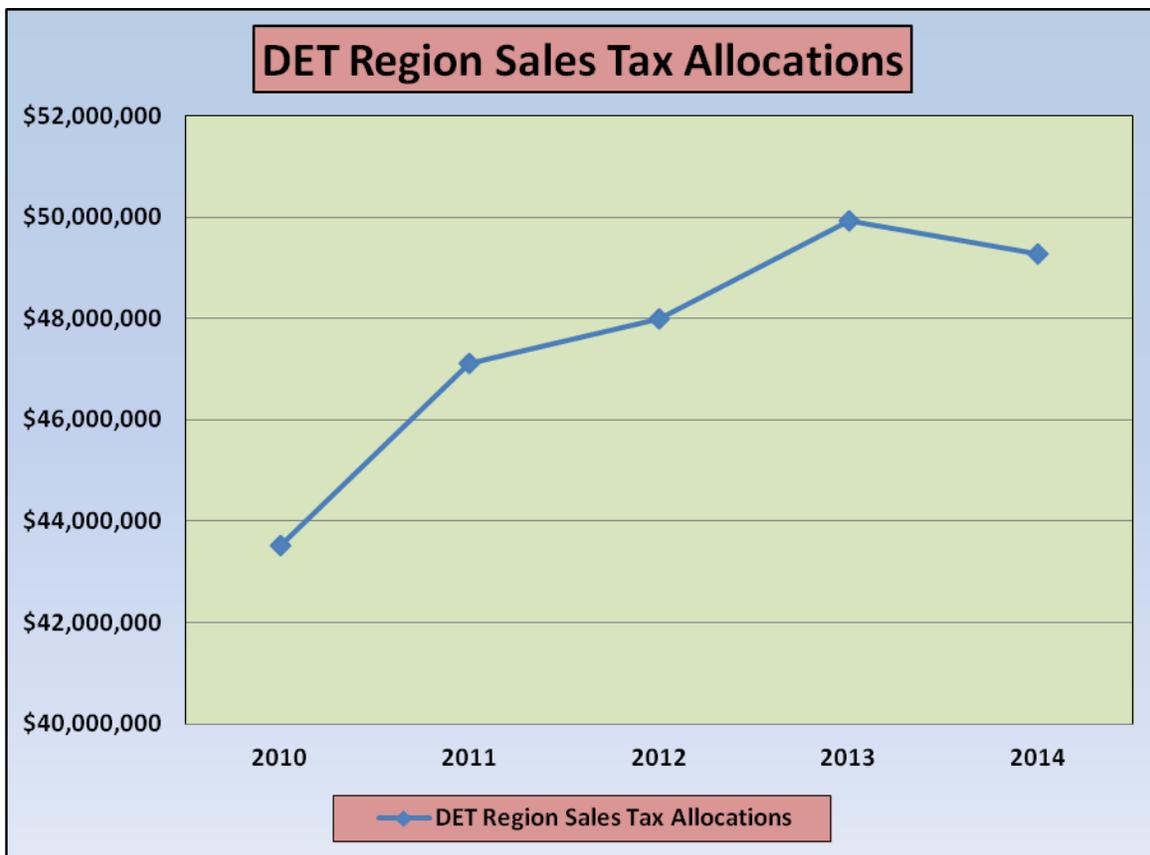


* Local Area Unemployment Statistics (LAUS) – www.Tracer2.com, Texas Workforce Commission

Local Sale Tax Allocations:

This data comes from our recently developed comprehensive Regional Sales Tax Allocation report. For several years we have prepared a monthly report showing sales tax trends for several of counties and cities in the region. This new report was devised as a comprehensive annual report and we were not expecting to see the up and down numbers for 2013 and 2014.

	2010	2011	2012	2013	2014
DET Region Sales Tax Allocations	\$43,520,052	\$47,114,862	\$47,997,021	\$49,927,482	\$49,266,498



* Window on State Government – Glenn Hegar, Texas Comptroller of Public Accounts

As alarming as these charts and graphs may be, we think recognizing the implications early on is a wake-up call that could lead to changes that have the potential to reverse these trends.

DETCOG ACTIVITIES:

Forgivable Loans:

DETCOG used \$5 Million in Hurricane Ike Disaster Recovery money to formulate a job creating Forgivable Loan program. Recipients pledge to create or retain a minimum of one low to moderate income job per \$50,000 received for 24 months. In return they must sign personal guarantees and put up collateral to ensure repayment if they don't comply with the terms of the loan. It is all contractual and we require the recipients to provide employee household income certifications and payroll records as evidence of compliance. When they comply with the terms of the agreement and maintain the jobs for a total of 24 months the loan becomes a grant.

There are 12 businesses, pledging 300 jobs, which have qualified for \$4.2 million in Forgivable Loans. We expect to have all of them closed and funded in the first half of 2015.

Economic Development Administration Grants:

The Deep East Texas Council of Governments & Economic Development District works with the U.S. Department of Commerce – Economic Development Administration to encourage, develop and facilitate applications for its Economic Development Grant Program. In the past four years entities in the DETCOG&EDD Region have received nearly \$9 million dollars in grants for Industrial Park Infrastructure, a Commerce Center and Water/Sewer Infrastructure improvements.

Housing Rental Vouchers:

DETCOG is the regional administrator of the U.S. Department of Housing and Urban Development Section 8 Rental Voucher program. This program assists in paying part of the rent on 1,800 units of housing yearly in the Deep East Texas Region. Those payments put nearly \$10 million dollars annually into the regional economy.

Disaster Recovery Housing Construction:

DETCOG is also administering the Hurricane Ike Housing Recovery Program in the region. We have completed 26 site built, single family, homes. There are also an additional 53 homes either authorized to be built or being built. Under our current contract we are projecting to build a total of 110 new homes in the region.

Disaster Recovery Shelter Grants:

Both Lufkin and Nacogdoches have received \$5 million in Texas General Land Office administered Community Development Block Grants (CDBG) to build, or enhance, storm shelters in their communities. Those funds, allocated through DETCOG, have been used in the expansion of their civic centers. These facilities were used to house evacuees during both Hurricane Rita and Hurricane Ike.

CONCLUSION:

Coming out of the “Great Recession” the State of the DETCOG Region is showing some signs of decline. However, with this recognition comes the opportunity to try new approaches to building our counties and cities.

The usual and customary approach to Industrial and Economic Development is to focus on “hitting home runs” by bringing in new industry. We are not advocating giving up on the immediate tax boost a new industry would give local schools. However, the overall rural nature of the DETCOG Region may better lend itself to a focus on Just Creating Jobs! Cumulatively we may gain greater benefit from offering incentives to local businesses to create one, two or three new jobs. Over time it would add up to the equivalent of a new business. It also has the advantage of helping established local businesses, who are already paying taxes, to grow.

Because of its experience with the Forgivable Loan Program, EDA Grants and its past Small Business Administration Loans, DETCOG is a strong advocate of economic development programs that are accountable and contractually based. However, they must be designed as to not be so complex and burdensome that they repel business owners.

As a region, we keep raising and graduating our children only to have them move away because they cannot find good jobs. Creating additional jobs would mean that more of them could live where they grew up, pay for goods and services and buy homes (and pay local taxes).