

2011

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS & ECONOMIC DEVELOPMENT DISTRICT



[COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY]

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Background:

Growth in the 2000's: The Economic Environment

The 2000's have been a time of strong, sustained growth for the Texas economy as a whole. Texas led all states in job creation in the 2000's, having added more than 1.1 million in less than 10 years. Continuing a recovery that actually began in the late 1990s, the state saw employment gains in a broad array of industry sectors: electronics, software development, construction, health care services, and more. Job growth has attracted new residents, and the swelling population has in turn created more jobs.

In the Deep East Texas region, economic growth has been somewhat slower and not so broad based. Overall, the area's employment base is more highly concentrated in two industry sectors, education and health services along with manufacturing, while the service sector is less significant. These characterizations apply to individual counties to varying degrees, however; the growth experience among the 12 counties that comprise the Deep East Texas region has not been uniform in the 2000 to 2011 period.

While the statewide population grew at an average of 1.4 percent per year between 2000 and 2010, the Deep East Texas regional population lagged slightly at .5 percent annually. Yet one of the 12 DETCOG counties has outpaced the state's population growth: San Jacinto, at 1.55 percent. It is also notable that while the most recent estimates indicate population growth has been slowing in the past few years for most counties, it has accelerated for San Jacinto County.

Even with relatively modest growth in the labor supply, DETCOG's unemployment rate was slightly higher than the state and national rates in 2000, but jumped to 2 % higher with the building/construction bubble burst in late 2008. The regional average masks significant disparities in the counties' unemployment picture, however. While the regional average stood at 9.1 percent in October of 2011, rates ranged from 7.1 percent in Nacogdoches County to 16.1 percent in Sabine County. The two largest counties, Angelina and Nacogdoches, recorded lower average unemployment in 2011 than either the state or nation.

Total employment in the Deep East Texas region contracted by 2% from 2008 to 2011, while employment in the State of Texas grew 2.6%. Education and health services in Deep East Texas were particularly hard hit with a 50% reduction in workforce from 32,855 in 2008 to 16,316 in 2011. The forest products mill closing of the 2008 to 2011 period were reflected in the 2,560 person reduction in manufacturing workers (-16%). Information workers were the third worst effected in the region with a loss of 10% of their ranks.

Personal income growth in the Deep East Texas region has slowed considerably in the past three years. Averaging 6% annually in the 1990 to 2000 period, it averaged 2% a year between 2008 and 2011. Only slightly above the general level of inflation, however, it clearly indicates that the region has not had any real gains in spending power the past three years. The average weekly wage figures for 2011 were only \$36 more than in 2009. How significant this overall disparity really is in terms of standard of living, though, is difficult to determine. While the cost of living in Deep East Texas is generally considered lower than in many other areas of Texas, there is no standard cost-of-living measure for the region to quantify that differential. More significant than the absolute magnitude of difference in the regional and state average weekly wage is the fact that it grew more slowly in the region and is not making progress on catching up with the state as a whole.

Most analysts expect Texas to continue outperforming the national economy beyond the turn of the century, buoyed by a growing population and labor force, still-competitive business costs, and a central location for serving both domestic U.S. markets and the NAFTA partners. The current outlook for the DETCOG region is somewhat less robust. Population projections suggest that the area will continue to grow more slowly than the state as a whole. Forecasts of employment growth released by the Texas Workforce Commission show modest growth in the industries that are the area's traditional strengths. Such outlooks depend heavily upon historical experience, however, and assume that the future will look much like the past.

Location

The DETCOG region consists of 12 counties bordered on the east by the Texas/Louisiana state line and between interstates 20 to the north, 10 to the south and 45 to the west. The region is largely rural, with four national forests, and a number of lakes and reservoirs including Lake Livingston, Sam Rayburn Reservoir and Toledo Bend Reservoir.

Location is one of the DETCOG region's challenges since it is a relatively rural area and does not have a major interstate highway within the region. Major manufacturing projects typically require interstate access within five miles, significantly reducing the DETCOG region's attractiveness for these types of projects. Proximity to Beaumont/Port Arthur, Houston, Dallas and Shreveport, however, offsets this disadvantage to some extent since the region presents a location alternative for companies that need to be near these areas and/or major deep water ports.

Shreveport is approximately 40 miles from the closest DETCOG county, Beaumont 20 miles, Houston 40 miles, Dallas 90 and Austin 150 miles. The current lack of interstates and rural nature of the region has isolated the region from strong economic development growth and has made it a popular recreation destination.

There is not a metropolitan area within the DETCOG. The region's two largest cities, Lufkin and Nacogdoches, are located along US Highway 59, the main corridor connecting the region to Houston. This corridor has been identified as part of the future I 69 project connecting Port Huron, Michigan (adjacent to Ontario, Canada) to Laredo, Texas via Shreveport, Memphis, and Indianapolis. This project will not only be an important national development, but also provide the DETCOG region with interstate access and far greater economic expansion opportunity.

Population Characteristics

The DETCOG region is relatively rural, with a total population of 378,477 and a low population density. Over half of the region's population is located in the three most populous counties, Angelina, Nacogdoches, and Polk. Angelina County is by far the most populated area in the region, and the city of Lufkin serves as the region's major service center. Nacogdoches County, home of Stephen F. Austin University, is growing but is further from Houston. In the southern part of the region and only 50 miles from Houston, Polk County has experienced an average annual rate of 2 percent growth since 2000 and is becoming a bedroom community for north Houston employees. San Jacinto County is also positioned for growth and has seen nearly 1.5 percent annual growth since 2000.

Jasper County has over 35,000 residents and its proximity to the Beaumont/Port Arthur area makes it an attractive residential location for employees seeking a rural lifestyle. Shelby, San Jacinto, Houston, and Tyler have populations ranging from 20,000 to 25,000 and the remaining counties in the region have a population base of less than 15,000.

The DETCOG region is a popular retirement area as evidenced by the region's high percentage of population in the 65 and over age range. The age structure suggests that the future labor availability in the region will be more limited compared to other areas in the state or nation. Some of the more populated counties (Angelina, Nacogdoches, and Jasper) have a younger population than the rest of the region, but – with the exception of Nacogdoches - are still not below the state and national averages. As a college town, Nacogdoches has a far higher percentage of individuals between age 18 and 65 that are available to employers throughout the region. Polk (the residence center for the Escapees), Newton, Sabine, San Augustine, Trinity, Tyler and Shelby Counties are popular retirement areas.

The DETCOG region's population base and growth statistics suggest that the area should target small- to medium-sized companies for business investment rather than large facility locations. Most location projects with significant human resource requirements look for a concentrated population of at least 500,000 to ensure an appropriate labor pool and proximity to business support services. The area's overall population growth is a positive trend for the area, however the high proportion of population in the retired age group demonstrates the region's need to develop employment opportunities that retain the younger age groups in the area. Moreover, faster population growth in the DETCOG tends to be concentrated in only a few counties, posing a real risk of increasing economic disparity within the region. Stephen F. Austin University attracts many college age individuals to the area from around the state and is an important resource for the region. Likewise, Angelina College educates many individuals in the region that are seeking local employment in their area of training.

DETCOG Population Growth

Region	Population 2000	Population 2010	2000-2010 Percent Change
Angelina	80,130	86,771	8.3
Nacogdoches	59,203	64,524	9.0
Polk	41,133	45,413	10.4
Jasper	35,604	35,710	0.3
Shelby	25,224	25,448	0.9
San Jacinto	22,246	26,384	18.6
Houston	23,185	23,732	2.4
Tyler	20,871	21,766	4.3
Newton	15,072	14,445	-4.2
Trinity	13,779	14,585	5.8
Sabine	10,469	10,834	3.5
San Augustine	8,946	8,865	-0.9
DETCOG	355,862	378,477	6.4
Texas	21 million	25.1 million	12.7
U.S.	273 million	308.7 million	

Source: CACI: Based on Census Data

Population by Race

County	% White	% Black	% Hispanic
Sabine	89.1	7.2	3.2
San Augustine	71.9	22.7	6.0
Polk	77.3	11.5	13.1
Trinity	84.3	9.4	7.7
Houston	67.0	26.0	10.0
Shelby	68.6	17.4	16.4
Tyler	82.4	11.0	6.8
San Jacinto	82.2	10.3	10.9
Jasper	77.7	16.7	5.6
Angelina	72.1	15.0	19.8
Newton	76.9	20.1	2.8
Nacogdoches	68.6	18.2	17.6

Income Distribution

The income characteristics of the DETCOG region indicate relatively high levels of poverty in the area, which may be largely attributed to the unemployed and retirees in the region. Although the unemployed population presents an available labor pool, companies often seek to hire employees with skills and work experience. From a labor perspective, site selectors look for locations with a labor pool that either has significant experience in their particular industry or employees with relevant experience that is easily transferred and upgraded to meet their facilities' needs. One of the region's challenges is to retain skilled labor from Angelina College and Stephen F. Austin University, as well as build the skills of the existing population to ensure that companies have a trained labor pool.

The median household income in the DETCOG is 27 percent below the state average. Nearly 20 percent of the population has an income below \$10,000, which is double the state and national rate. Angelina County has the wealthiest population base, with the highest median household income and the lowest proportion of residents with incomes below \$10,000. Although Nacogdoches county has significant population in the under \$10,000 range, this may be largely due to the student population at Stephen F. Austin University. Polk and Jasper Counties are also relatively well-off compared to the rest of the region.

Income Characteristics

County	Per Capita Personal Income 2010	Percent of Households with Effective Buying Income Below \$20,000 2010
Angelina	\$20,104	21.98%
Newton	\$17,721	32.86%
Houston	\$18,813	33.19%
Jasper	\$19,182	27.02%
Polk	\$16,961	30.06%
Nacogdoches	\$18,180	31.66%
San Augustine	\$17,184	41.13%
Shelby	\$20,103	28.39%
San Jacinto	\$21,453	21.60%
Trinity	\$19,828	22.29%
Sabine	\$18,156	29.77%
Tyler	\$19,450	22.38%
DETCOG Average	\$19,004	28.57%
Texas	\$22,863	19.04%

Source: CACI: Based on Census Data

Industry and Employment

As a whole, the Deep East Texas Region was starting to see an overall business cycle decline before the most recent National Recession began in 2008. Not having participated in the development fueled expansion seen by most of the Metropolitan Areas in Texas, the construction industry in the region did not suffer the contraction those areas experienced. However, the rapid decline in demand for building products being produced in the region's forest products manufacturing facilities resulted in slowed production, mill closings and the loss of ancillary support jobs.

During the same time period the demand for poultry products declined, affected by a drop in consumer demand made worse by the recession, global trade issues and the consolidation of the poultry industry. Growers and processing facilities that were being operated 24/7 in the early 2000's are now operating at 66% of capacity. However, the production levels at the Pilgrims Pride processing plants in Nacogdoches and Lufkin have benefited from the closure of other company facilities in Dallas and North East Texas.

Deep East Texas Tourism, which is predominately based on outdoor recreation in the region's lakes and forest, has taken a major blow from the state's drought. Water levels in the region's lakes, Toledo Bend, Sam Rayburn Reservoir and Lake Steinhagen are all at, or near, record lows. Having been formed by flooding formerly forested areas, the low water levels have resulted in the exposure of fields of stumps. Also, ramps used by boaters to access the lakes currently stop several feet above the water line. The Lower Neches River Authority's staff has done their

part to “turning lemons into lemonade” by working to clean up the normally inaccessible areas below and around the ramps on the Sam Rayburn Reservoir.

The “two” in the “one-two punch” delivered to the region’s tourism by the drought came in the form of wildfires which have decimated more than 30,000 acres of forest in the 12 county Deep East Texas Region. County wide bans on outdoor burning, low lake levels and the threat of wildfires have resulted in hundreds fewer visitors to the region’s state parks and national forest. Texas Parks and Wildlife has taken the unprecedented move of asking for donations to “save the parks”, claiming a \$4.6 million shortfall caused by record drought and heat, devastating wildfires, and a drop in visitation.

Even with these downturns in the three traditionally strongest regional resources, forest products – poultry industry – tourism, there have been encouraging developments.

The renewable forests in Deep East Texas are now seeing the emergence of industries based on the use of wood (bio-mass) for fuel. One bio-mass fired electrical generation plant is already in operation in Angelina County, with others under construction in Nacogdoches and Tyler Counties. Also, European requirements for sustainable fuels to supplement coal being burned to generate electricity have led to the development of wood-pellet plants in the region. An operational plant is already located in Houston County with another announced in Tyler County and plans underway to locate a third in the region. Those facilities would use railroads to bulk transport the loose pellets to gulf ports for shipment to Europe. Although the plants themselves do not require large staffs (30–35 people), the ancillary efforts to supply the wood, and other supplies, for the mills/power plants would require another 100+ employees for each facility.

Another development in natural resources has just started benefiting the region. Southwestern sections of the “Haynesville Shale” formation extend from Louisiana into Shelby, San Augustine, Sabine and Eastern Nacogdoches Counties. Developments in directional drilling and formation fracturing technologies are allowing energy companies to extract the natural gas, and some petroleum related by-products, from the shale in profitable volumes. Land leases, production royalties and surface usage fees have benefitted effected landowners. Drilling, pipeline and processing plant construction and ongoing production operations are providing new jobs. Angelina College (Lufkin) and Panola College (Carthage) have teamed up with Nacogdoches County and the gas exploration/productions companies to train Natural Gas Production Technicians at the Angelina College extension facility in Nacogdoches.

As for the ongoing economy, the Texas Workforce Commission and Deep East Texas Workforce Solutions projections for the 2004 to 2014 period are reflective of a slowdown in manufacturing - 4.7% (\$11.76hr) and increased needs for workers in service jobs - 31.7% (\$6.94hr), computer and mathematical occupations – 26.1% (\$23.71hr) as well as the importance of health care practitioners and technical occupations – 28.1% (\$23.62hr) along with health care support occupations – 32.9% (\$8.19hr) to the areas aging population.

Deep East Texas Jobs in Demand

Source: Deep East Texas Workforce Solutions

Occupational Clusters	Annual Average Employment		Growth Rate	Average Hourly Wages	Education
	2004	2014			
TOTAL OF ALL OCCUPATIONS	128,300	148,650	15.90%	\$13.39	
Management Occupations	12,900	14,400	11.60%	\$31.24	Bachelor Degree + Work Experience
Business & Financial Operations Occupations	3,150	3,800	20.60%	\$21.52	Bachelor Degree
Computer & Mathematical Occupations	1,150	1,450	26.10%	\$23.71	Bachelor Degree
Architecture & Engineering Occupations	1,300	1,550	19.20%	\$25.78	Bachelor Degree
Life, Physical, & Social Science Occupations	700	850	21.40%	\$20.45	Bachelor Degree
Community & Social Services Occupations	2,300	2,750	19.60%	\$16.05	Bachelor Degree, except Assistants, then Associate Degree
Legal Occupations	700	900	28.60%	\$20.21	Master's Degree, except Support then Certificate/ Associate Degree
Education, Training, & Library Occupations	10,350	12,950	25.10%	\$15.38	Bachelor Degree, except Assistants and Technicians which is Certificate/ Associate Degree
Arts, Design, Entertainment, Sports, & Media Occupations	1,500	1,750	16.70%	\$14.02	Certificate to Bachelor Degree
Healthcare Practitioners & Technical Occupations	6,050	7,750	28.10%	\$23.62	Certificate to Doctoral Degree
Healthcare Support Occupations	3,950	5,250	32.90%	\$8.19	Certificate to Associate Degree
Protective Service Occupations	3,400	4,000	17.60%	\$12.18	On-the-job training to Bachelor Degree
Food Preparation & Serving Related Occupations	8,550	10,550	23.40%	\$6.78	On-the-job training
Bldg & Grounds Cleaning & Maintenance Occupations	3,550	4,300	21.10%	\$8.29	On-the-job training
Personal Care & Service Occupations	5,050	6,650	31.70%	\$6.94	On-the-job training to Certificate
Sales & Related Occupations	12,050	13,550	12.40%	\$13.05	On-the-job training to Bachelor Degree
Office & Administrative Support Occupations	17,100	18,550	8.50%	\$10.96	On-the-job training to Bachelor Degree
Farming, Fishing, & Forestry Occupations	4,200	4,600	9.50%	\$12.16	On-the-job training to Certificate
Construction & Extraction Occupations	4,250	4,900	15.30%	\$13.21	On-the-job training to Associate Degree
Installation, Maintenance, & Repair Occupations	4,550	5,200	14.30%	\$14.04	On-the-job training to Associate Degree
Production Occupations	12,650	13,250	4.70%	\$11.76	On-the-job training to Associate Degree
Transportation & Material Moving Occupations	8,800	9,750	10.80%	\$11.61	On-the-job training to Certificate

Analysis of Economic Development - Issues and Opportunities:

Location and Economic Trends

- The DETCOG region is relatively isolated from metropolitan areas and is rural in nature, limiting the region's ability to recruit large industry. The closest cities to the region are Houston, Beaumont, Shreveport and Dallas; however accessibility is limited due to the lack of a major interstate in the area.
- The future development of I-69 along the US 59 route will have a major impact on the region and will enable the area to recruit companies more easily. Although this project will not be completed for a number of years, the high priority plans for I-69 will assist economic development to a great extent in the meantime.
- With a total population of 378,477 and a population density less than half that of the state or nation, the region should not focus on recruiting industry with large human resource needs, unless the region's natural resources or other factors over-ride this issue.
- The region's population has increased by 6.4 percent since 2000, compared to an average of 20.6 percent in Texas and 9.7 percent in the US. Most of this growth has occurred in Angelina and Nacogdoches counties, the two most populated counties in the region, as well as Polk County, which has experienced substantial growth due to migration from Houston. San Jacinto has also experienced strong growth and is positioned for continued healthy growth in the future.
- The region is a popular retirement area with only Nacogdoches County exhibiting population age demographics similar to the state and national average. If job opportunities are not available in the area that retain the younger working age group, the region's future labor pool could be limited. The region's tax base could also be strained by an aging population, as school property taxes are reduced by the homestead exemption for persons over the age of 65.
- The region's income distribution suggests a large fixed-income and unemployed population in the region. Although a large unemployed population indicates labor availability, typically companies look to hire workers that are employed but have the capability of performing at a higher level than their current job demands.

- San Jacinto is challenging Angelina to be the wealthiest county in the region, with the lowest proportion of population with income under \$10,000 and the highest median household incomes in the region – San Jacinto at \$42,043 and Angelina at \$38,862 compared to state and national averages of \$48,199 and \$51,425, respectively. Trinity and Jasper counties also have better income statistics than most of the region, due to proximity to Houston and Beaumont and a wider range of higher paying job opportunities.
- Nacogdoches has a large proportion of its population with income under \$15,000; however this is likely due to the students at Stephen F. Austin University.
- Overall, the region has a strong manufacturing base, although it is heavily dependent on the timber industry and its suppliers. The DETCOG should focus on diversifying the economic base in the region due to dependence on a natural resource-based industry and a few large employers in the area.
- Angelina and Nacogdoches counties have the largest and most diversified economic bases and are continuing this trend through economic development efforts.
- Temple-Inland, International Paper, Louisiana Pacific and Meadwestvaco are some of the major timber industry employers in the region that support a multitude of suppliers and loggers. In addition, many existing companies as well as new industry to the area rely on product from these plants as a raw material.
- The major foundry in the region, Lufkin Industries, has less impact on the region than the timber industry but is a critical component of the regional economy and may serve as a basis for further diversification in the metalworking industry.
- Food processing in the region largely consists of the poultry industry, which has processing, hatcheries, and feed mill facilities located throughout Deep East Texas. Pilgrim's Pride and Tyson are two of the major poultry employers in the area.
- Tourism, although not a traditional economic development sector, is an important component in the region and is a good fit with the area's rural quality. National forests, lakes, rivers, and reservoirs have made the area a popular regional destination for hunting, fishing, and boating. As a result, many counties are developing plans to increase tourism and to capture the tax dollars associated with visitors.

- The Deep East Texas Region has been devastated by two Hurricanes in the past decade. The natural disasters dealt the region serious setbacks in development and accelerated the decline of businesses that were already experiencing a downward trend. However, recovery efforts have also provided opportunities such as the \$8 million in EDA Grants in the DETCOG Region and the \$5.8 million in HUD Recovery Funds that DETCOG allocated for economic development.

Business Climate

- Texas is typically viewed as having a favorable tax environment. The state does not have a corporate income tax, but does impose a franchise tax on businesses. There is also no personal income tax in Texas, which is a highly attractive quality for corporate executives. In comparison to surrounding states, Alabama, Arkansas, Mississippi and Louisiana, Texas taxes are quite competitive.
- Property tax rates in the region are not considered detrimental to attracting and retaining industry. Within the region, the cities of Evadale, Livingston, Hemphill, and Coldspring do not have a city property tax. Most of the areas have sales tax rates of the maximum 8.25 percent, except Evadale, Pineland, Coldspring and Groveton. In many counties, tourism is an important contributor to sales tax dollars.
- State incentives available to companies locating or expanding in Texas are primarily limited to job training assistance, with limited tax benefits available in enterprise zones. In Texas, most incentive packages are provided for at the local level. Texas' Smart Jobs program, which supports industry that increases the skills and income of an area, is an important component of the state's incentive tools.
- Locally, the DETCOG region includes six enterprise zones. The Jasper and Lufkin zones include available industrial property, which is an enticing benefit to locating businesses.
- In addition, franchise tax credit incentives are available to companies in strategic investment areas, including includes seven of the counties in the DETCOG.
- Incentives need to be made available to new, as well as existing/expanding industry. Most economic growth is a result of local expansion and many areas in the DETCOG are very dependent on few employers. Building loyalty to the area among the existing industry base is an important economic development strategy. Some areas in the DETCOG have a strong industry retention program, however all the counties in the region would benefit from such a program.

- In addition to taxes and incentives, comparisons of workers compensation rates are used by site selectors to evaluate a state's business climate. Workers compensation costs are important for industry retention since increasing costs have a heavy impact on the bottom line.
- Although the workers compensation system in Texas has been restructured compared to other states the rates are among the highest in the nation. All surrounding states have significantly lower rates, as well. Although the situation has improved in Texas since the system was overhauled nearly 10 years ago – injuries are down, worker's compensation insurance rates have decreased, and more employers have come back into the system – the state's rate remains high compared to other states. However, high rates are largely a function of the state's fast economic growth and industrial structure.
- All areas within the DETCOG meet EPA air quality guidelines and DETCOG will need to be vigilant concerning efforts to make changes to this status.
- Regionally, an inventory of available economic development resources and information would be of benefit to local companies that are interested in learning about several areas within the region.

Workforce

- Workforce issues are critically important to companies, especially since increased automation has forced all employees to attain higher skill levels, a wider range of skills, and the ability to work in a team-based environment.
- Nationally, the labor market is very tight, especially for skilled employees. Within the DETCOG region, companies enjoy an available labor pool, especially for entry-level jobs at companies that pay a competitive wage.
- The poultry industry is experiencing some difficulty recruiting labor due to high turnover rates typical in the industry. Wage rates and working conditions are largely responsible for the high turnover.
- Relatively high unemployment in the region indicates potential labor availability and a need to develop additional job opportunities in the region. In October 2011, the region registered 9.1 percent unemployment, 1.1% higher than the state average.
- The region's median population age is 39, well above the state and nation averages of 33 and 37, respectively, indicating more limited growth potential for the area's labor force.

- Employers in the region draw the majority of their labor from within a 25-mile radius. Jasper, Newton, and Tyler counties have the largest proportion of labor commuting to work in areas outside the DETCOG region, due to their proximity to high paying employers in the Beaumont-Port Arthur area. Angelina, Nacogdoches, and Houston counties offer enough job opportunities to retain most of their own residents.
- Earnings inflow and outflow data for the 12-county region indicate that Angelina County is a true regional employment center. In Newton and San Jacinto counties, residents working out-of-county jobs significantly boost local income.
- Stephen F. Austin University and Angelina College, with a combined enrollment of 19,000, provide the region with the educational institutions needed to train and educate the region's labor force. Enrollment at Stephen F. Austin University totals about 13,000, with approximately 3,000 graduating each year. Angelina College has 6,000 students enrolled in credit courses and 8,400 in non-credit courses.
- While Angelina College focuses on training the workforce in the region, Stephen F. Austin University draws about two-thirds of its students from other metro areas in Texas, especially the Houston area. Many of these students would remain in the area given appropriate job opportunities. Note: A call center employer in Nacogdoches has benefited from access to the student workforce and limited competition from other employers for new graduates.
- Labor availability for higher-skilled positions is weak in the region, and as the labor market tightens, it will become more difficult for employers to recruit skilled labor.
- Employers in the region identified a need for improved workforce skills including basic skills such as communication, professionalism, follow-through and teamwork, as well as specific skills training. Angelina College has been a great asset and resource for many employers; however a relatively low educational attainment level of the adult population has resulted in a gap between employer needs and labor force skills.
- The low turnover and strong work ethic in the region have generally enabled employers to retain their workforce, thereby reducing their need to constantly recruit and train new employees.
- Three education and training projects in particular are significant developments in the region - the Jasper Higher Education and Technology Center, the Sabine County College and Career Center, and the Shelby County Regional Training Facility.

- The Sabine County College and Career Center is a cooperative effort between Sabine County, Temple-Inland, and Angelina College as well as two large national construction companies. The center will provide local residents with day and evening classes, greatly increasing access to training. A DETCOG workforce center will also be housed in the facility.
- The Jasper Higher Education and Technology Center will also increase the level of training and education accessibility to local residents. Angelina College will provide day and evening classes in occupational training and the first two years of college. In addition, Stephen F. Austin and Lamar Universities will provide upper level and graduate classes, many through interactive distance learning.
- Educational attainment in the region is well below state and national averages, with 21 to 46 percent of the adult population in 11 of the 12 counties having less than a high school education. At 12 percent with less than a high school education, only Nacogdoches is lower than the state and national averages of 21 and 17 percent, respectively.
- A DETCOG resident is half as likely to have a college degree as a typical Texas or US resident, and the percent of population with some college is also generally below average.
- Regarding college entry exam scores, districts within Tyler, Nacogdoches and Angelina Counties fared the best on the SAT. However, exam scores indicate that school districts within the DETCOG region perform better on the ACT than the SAT. Whereas only one district's SAT mean score was higher than the U.S. average (Tyler County), five counties (Angelina, Polk, Sabine, Shelby, and Trinity) were home to districts that scored higher on the ACT than the national average.
- Labor-management relations in the region are regarded as cooperative and peaceful. Unionized companies in the DETCOG were organized decades ago, and the right-to-work policy of the state is a positive for the area. Site selectors would generally view the area as having good labor-management relations. However, companies in some industries may be hesitant to locate due to the union presence.
- Labor costs in the region are very favorable and below the national average. Most entry-level manufacturing jobs range from \$7.03 to \$8.50 per hour, experienced operators at about \$11.00 to \$12.00, and skilled crafts from \$14.00 to \$19.00.
- Premier employers offer much higher compensation, with \$11.00 to \$14.00 entry wages and operators earning \$17.00 to \$18.00 per hour. The poultry industry hires labor at \$7.25, with most operators earning slightly above \$8.50.

- Clerical wages are favorable as well, with employers able to hire labor at \$7.00 and then increase wages to the \$8.00 to \$9.00 per hour range in order to retain employees.

Infrastructure

- The Deep East Texas Council of Governments & Economic Development District has led the way in forming one of the first Rural Transportation Planning Organizations, the Deep East Texas Rural Transportation Planning Organization (DETRTPO) in Texas. DETRTPO has signed memorandums of agreement with the East Texas Rural Transportation Planning Organization on its north and the Ark-Tex Rural Transportation Planning Organization in the northeast corner of the state which should give all three organizations elevated stature when dealing with the Texas Department of Transportation and Federal Transportation Agencies.
- San Jacinto, Polk, Angelina, and Nacogdoches counties enjoy the best highway transportation, largely because US 59 runs through their territory. Residents in other counties must travel via US highways (which may be four lane) or State routes that are primarily two-lane roads to reach US 59, I-10, I-20 or I-45.
- One of the most important planned developments in the region is I-69, which will be located along the US 59 corridor. I-69 will connect Mexico and Canada via Laredo, Shreveport, Memphis, and Indianapolis. Although this project will not be completed for a number of years, it will have a significant economic impact on the region even in years preceding completion because of its high national priority.
- Houston's George Bush International is the largest commercial airport within the region, although for most areas in the DETCOG it is still quite a distance away. Jefferson County airport in Beaumont offers commuter service, as does Longview to the north. Shreveport is convenient for residents in Shelby County and San Augustine, although ticket prices tend to be higher and there are far fewer flights per day as at George Bush International.
- Nacogdoches has had commercial commuter service twice in the past and the region has an ongoing effort to attract service once again. Since past service providers were small airlines that were bought by larger companies, the region is focusing on attracting service affiliated with a large airline for long-term service stability.
- Shipping by rail is less expensive than shipping by truck and is typically used to transport raw material or other commodities that will not suffer damage in the process. Rail access within the DETCOG region, except for Tyler County, is an asset for the region and assists in the attraction of some industry.

- All counties are served by either Union Pacific or Burlington Northern/Santa Fe rail lines, except Shelby and Tyler Counties. Shelby is served by both lines, while Tyler has no rail service.
- Electric power reliability and costs in the region are quite good, except in areas served by the City of Jasper or the City of Livingston, which have high cost structures. Entergy, SWEPCO, TXU, and a number of coops serve the region, while Entex provides natural gas to most of the area.
- In general, telecommunications service is acceptable for office facilities, however some of the rural counties would benefit from improvements. Cable modem is not available in the region and would benefit business by providing increased bandwidth and higher speed Internet access.
- Water and wastewater infrastructure planning often demonstrates how well an area has planned for growth. Without sufficient water and wastewater infrastructure, a region significantly limits potential economic development. Texas has implemented a statewide water planning process to assess and plan for the future needs of areas throughout the state. Similar to the nation, metro areas in Texas are experiencing tight water supplies.
- Access to groundwater will be the major issue in the DETCOG in coming years. Currently, Texas is one of the few states that does not regulate groundwater access, however this can be expected to change in the next legislative session. This will have an impact in the DETCOG region since some companies and water districts rely on groundwater access.
- Overall, counties in the DETCOG region have access to an adequate water supply and are in the process of securing agreements or are building a reservoir to ensure longer-term supply. Some of the rural counties and high growth counties however, have a need for infrastructure improvement and/or expansion in the near-term.
- Angelina and Nacogdoches have implemented plans to secure a reliable supply of water for the future.
- Polk and San Jacinto Counties will experience continued growth and will require additional infrastructure to meet future demand levels.
- Tyler and Houston Counties are below their infrastructure capacity and have relatively low growth projections. Jasper is also well situated for both water and wastewater demand.

- Site and building availability is important for attracting prospects since most projects are seeking an existing building, and at the very least a developed site. Although companies often do not locate in the building they visit in an area, it is an excellent method of drawing prospect traffic.
- Angelina, Nacogdoches, Houston, Jasper, and Shelby counties have sites and/or buildings that are either currently available or will become available in the near future. Other counties have either very small manufacturing facilities available or buildings that are less marketable due to infrastructure support.
- Throughout the region there is land available for industrial users that could be easily developed should the need arise.

Quality of Life

- The quality of life in the region is one of the main attractions of the area. The recreational opportunities are plentiful, and due to Stephen F. Austin University, there are more cultural opportunities in the region than one may expect. The cost of living is very favorable throughout the region and cost combined with recreation has attracted many retirees to the area.
- Due to the quality of life of the area, many graduates from Angelina College would prefer to remain in the region given appropriate job opportunities. Companies also find that they can recruit some labor from Houston that would like to be in a more rural and less congested setting to raise a family.
- Additional amenities to attract and retain white-collar labor would benefit local employers that need to recruit top engineering, financial, and other professional talent from large metro areas. Easier access to Houston via the planned I-69 and any regional commercial air service would lessen the perceived isolation of the region.

Image

- The image of the area to outsiders is quite positive to those seeking natural beauty, a rural lifestyle, abundant recreational opportunities, and a low cost of living.

Goals and Objectives:

Given the background information about the region's trends and current conditions and the preceding listing of the region's economic development issues and opportunities, the district has adopted the following goals and objectives:

- ❖ **Support I-69 Planning, Development and Funding**
 - Participate in the I-69 Coalition
 - Actively encourage DETCOG&EDD members to participate in related public hearings
 - Have DETCOG&EDD and DETRTPO Officers appear in support of I-69 funding before Federal and State Highway boards and commissions

- ❖ **Support the Forest Products Industry**
 - Participate related task forces, commissioner, coalitions and trade associations
 - Support and facilitate efforts to retain forest products industry jobs in the region
 - Work with the Texas Forest Service, Stephen F. Austin State University and the National Forest Service to support the commercial development of innovative new uses for regional wood supplies

- ❖ **Support the commercial use of "Bio-Mass" fuels**
 - Support and facilitate the locating and construction of wood fueled electrical generation plants in the region
 - Support and facilitate the location and construction of wood pellet mills in the region

- ❖ **Support the exploration and production of Natural Gas**
 - Work with local governments to minimize infrastructure issues related to Natural Gas exploration and production
 - Work with local governments to maximize the benefits of Natural Gas production
 - Support regional efforts in Natural Gas exploration & production workforce development

- ❖ **Encourage and support the continued development of regional Health Care programs, facilities and healthcare worker development programs**
 - Educate regional governmental leaders as to the aging population's developing health care needs.
 - Support and facilitate the expansion of regional training health care worker training programs – Tyler County Hospital School of Vocational Nursing, Angelina College Nursing Program and Stephen F. Austin State University Nursing Program.

- ❖ **Encourage job retention/creation with Hurricane Ike Recovery Economic Development forgivable loan program**
 - Allocate \$300,000 to \$400,000 per county for the retention of jobs employing low to moderate income individuals through 24 month forgivable loans
 - Create or retain 77 jobs through this program by 2013

- ❖ **Develop and expand access to Broadband Internet service throughout the DETCOG Region**
 - Work with the Texas Department of Agriculture and its “Connect Texas” program to refine their pilot project model for providing Broadband Internet Access to underserved rural communities in the DETCOG&EDD Region.

Community and Private Sector Participation:

The Deep East Texas Council of Governments and Economic Development District has a range of representation covering the private sector, economic development professionals and elected officials on its board:

DETCOG&EDD Regional Economic Development/CEDS Committee

Mark Allen
Jasper County Judge
(Jasper County, Buna Area Chamber of Commerce)

Fritz Faulkner
San Jacinto County Judge, (Lawyer)

Willie Kitchen
Houston County Commissioner (Soil and Water Conservation District)

Jack Gorden
Mayor of Lufkin (City of Lufkin, Banks/Financial Institutions)

Tommy Boykin
Jasper City Manager (Jasper County Chamber of Commerce)

Jacques Blanchette
Tyler County Judge (Mortician)

Paul Snyder
President of Groveton Chamber of Commerce

Thom Lambert
Crockett Economic & Industrial Development Corporation

R.C. Horn
Jasper County Minority Representative

Truman Dougharty
Newton County Judge

Lonnie Hunt
Houston County Judge (KIVY Radio)

Wes Suiter
Angelina County Judge

DETCOG/EDD
Regional Economic Development/CEDS Committee
(Continued)

John Thompson
Polk County Judge (Polk County Industrial Development Corp.)

Ben Bythewood,
Mayor of Woodville (Bythewood Law Firm)

Chad Nehring,
Center City Manager (Shelby County Chamber of Commerce)

Jimmie Cooley,
Lower Neches River Authority

Jim Jeffers,
Nacogdoches City Manager (Nacogdoches Economic Development Corp.)

Paul Parker,
Lufkin City Manager (Lufkin Economic Development Corp.)

Samye Johnson,
San Augustine County Judge (Pinto Pony Cookie Factory)

Roger van Horn,
Mayor of Nacogdoches (Dentist)

Charles Watson,
Sabine County Judge

Elton Milstead
Commissioner, Nacogdoches County

Community & Private Sector Participation

Beyond its oversight committee, DETCOG&EDD has an ongoing relationship with the local economic development entities, river authorities and grant administrators in the region that are involved with economic development:

The Crockett Economic & Industrial Development Corporation

The Jasper Economic Development Corporation

Polk County Economic & Industrial Development Corporation

The Lufkin Economic Development Corporation

The Nacogdoches Economic Development Corporation McClurg & Associates

David Waxman, Inc. Raymond Van & Associates Gary Traylor & Associates

The Angelina and Neches River Authority Lower Neches River Authority Sabine River Authority

Strategic Projects, Programs And Activities:

❖ **Strategic Projects:**

- Work with local governments to minimize infrastructure issues related to Natural Gas exploration and production while maximizing the benefits of Natural Gas production.
 - Create 150 direct jobs by 2016
- Encourage and support the continued development of regional Health Care programs, facilities and healthcare worker development programs
 - Create 1,000 direct jobs by 2016

❖ **Vital Projects:**

- Continue working through the DETRTPO and I-69 Coalition to advance the planning and construction of I-69 through the DETCOG region.
 - Would result in 100's of jobs created in the region
- Encourage job retention/creation with Hurricane Ike Recovery Economic Development forgivable loan program
 - Create or retain 77 jobs through this program by 2013
- Support and facilitate the development of the "Bio-Fuels" power generating plants and wood pellet mills in the region.
 - Create 90 direct jobs and 300 support/supplier jobs by 2016
- Develop and expand access to Broadband Internet service throughout the DETCOG Region
 - Create 300 jobs by 2016

Plan of Action:

The Deep East Texas Council of Governments and Economic Development District is in a unique and influential position to provide leadership and influence to local, regional and state economic development efforts. The Deep East Texas Council of Governments and Economic Development District participates and encourages a variety of collaborative efforts directed at improving the economic and quality of life of Deep East Texas.

At a regional level the Deep East Texas Council of Governments and Economic Development District has and will continue to participate in activities that:

- Promote economic development and opportunity
- Fosters effective transportation access
- Enhances and protects the natural beauty and environment
- Maximizes effective development and use of the workforce consistent with any applicable state or regional workforce investment strategy
- Promotes the use of technology in economic development, including access to high-speed telecommunications
- Support the coordination and collaborative implementation of all CEDS goals and strategies

Additionally, the Deep East Texas Council of Governments and Economic Development District will continue to work with local economic development, workforce development, educational and water development entities in support of their activities related to the economic development, and quality of life enhancing, programs that enhance the goals of this Comprehensive Economic Development Strategy.

Performance Measures:

Performance measures will be tied directly to the long-term economic development goals as previously identified in this document. The goals are to be accomplished in a manner protective of the region's environmental quality. The following data will be monitored as the data becomes available to monitor performance of the strategy:

- Computation and comparison of regional and county unemployment rates to state and national rates;
- Computation and comparison of regional and county job creation to state and national figures;
- Computation and comparison of regional and county per capita income levels to state and national figures;
- Computation and comparison of regional and county economic development investment to state and national figures;
- Computation and comparison of regional and county job retention to state and national figures;
- Comparison of regional and county changes in the economic environment after the implementation of the CEDS.

Trends in these key economic development indicators and any significant changes in the economy will be monitored by the Deep East Texas Council of Governments and Economic Development District on a consistent and timely basis. Effectiveness in meeting goals will be evaluated and adjustments will be made to the CEDS document as required to meet the performance goals of the document and/or the economic development needs of the region.