

LOBBY WATCH



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Political CAPCOs:

May 26, 2011

Texas Invests \$400 Million To Create 24 Jobs—in Lobby

Experts say those lobby jobs stimulated the growth of Austin's poshest restaurants and haberdasheries.

Comptroller Susan Combs and the *Austin American-Statesman* published scathing reviews¹ of a little-known state program that has doled out \$400 million to 11 venture capital companies (“CAPCOs”) since 2005 to create jobs by investing in corporate start-ups.

Although the state generates this \$400 million through insurance company tax credits, all the equity

in these deals goes to CAPCO middlemen. Nor does the state audit CAPCO job claims. This allows multiple CAPCOs to claim credit for creating the same jobs (CAPCOs claimed to create 1,892 jobs with their first \$100 million). Countering the critics, a *Lobby Watch* investigation documents for the first time that the \$400 million state program created 24 part-time jobs for lobbyists since Texas created the program in 2001.

Spending Less Than \$3 Million to Leverage \$400 Million in Public Funds

Capital Company (Parent)	Public Funding (Million\$)	Min. Lobby Spending 2001-2011	Max. Lobby Spending 2001-2011	No. of Lobby Contracts 2001-2011	Linked TX Donations 2004-2010
Accent TX Fund (Accent Capital)	\$38	\$10,000	\$25,000	1	\$1,780
Aegis TX Venture Fund (Aegis Capital)	\$50	\$0	\$0	0	\$0
ATVF II (TX Ventures)	\$4	\$0	\$0	0	\$10,600
Enhanced Capital Partners	\$51	\$300,000	\$705,000	22	\$0
Lonestar CAPCO Fund	\$8.6	\$0	\$0	0	\$0
Republic Holdings	\$29.6	\$10,000	\$25,000	1	\$240
Stonehenge Capital Co.	\$50.8	\$270,000	\$660,000	22	\$1,000
TX ACP (Advantage Capital Partners)	\$50.8	\$170,036	\$420,036	20	\$8,425
Waveland NCP TX Ventures	\$43.3	\$0	\$0	0	\$1,000
Whitecap TX Opportunity (Sentient Ventures)	\$50.8	\$0	\$0	0	\$1,000
Wilshire TX Partners (NewTek Business Srvcs.)	\$23.4	\$255,000	\$550,000	15	\$500
TOTALS:	\$400	\$1,015,036	\$2,385,036	81	\$24,545

CAPCO Contributions To Texas Politicians, 2004 Through 2010

Amount	Recipient	Office Held/Sought	Top CAPCO Contributor
\$5,500	Christopher Bell	Governor	TX Ventures' Christopher Efid
\$2,500	Joe Straus	Speaker	Advantage Capital's Steven Stull
\$2,500	Phil Wilson	Secretary of State	Various Advantage Capital partners
\$2,490	Susan Combs	Comptroller	Stonehenge's Stephen Bennett
\$2,000	Christopher G. Turner	House-96	TX Ventures' Christopher Efid
\$2,000	Carole Keeton Strayhorn	Comptroller	Accent Capital's Mansoor Ghori
\$1,000	Dan Flynn	House-2	Various Advantage Capital partners
\$1,000	Esperanza 'Hope' Andrade	Secretary of State	Waveland's D. Rick Hayes
\$1,000	Paula Hightower-Pierson	House-93	TX Ventures' Christopher Efid
\$1,000	TX League Conservation Voters	NA	Sentient's Jonathan Ring
\$750	Samuel Murphey	House-55	TX Ventures' Christopher Efid
\$500	Robert J. Miklos	House-101	TX Ventures' Christopher Efid
\$500	Allan B. Ritter	House-21	Advantage Capital's Steven Stull
\$500	Rick Perry	Governor	NewTek's Seth Cohen
\$500	Daniel R. Barrett	House-97	TX Ventures' Christopher Efid
\$425	Patrick Rose	House-45	Advantage's Danielle Delgadillo
\$350	Virginia S. McDavid	House-138	TX Venture's Bryan Emerson
\$30	David Dewhurst	Lt. Governor	Accent Capital's Mansoor Ghori
\$24,545	TOTAL		

Since Texas passed CAPCO legislation in 2001, CAPCO investment firms have spent up to \$2.4 million on 81 lobby contracts. They made their biggest expenditures to pass the legislation in 2001, when the firms spent a record \$435,000 on 13 lobby contracts.² CAPCO firms have reported spending up to \$200,000 on seven lobby contracts so far this year.

Executives at CAPCO firms also have doled out a modest \$24,545 to Texas politicians since 2004, a year before the state released the first wave of CAPCO funding. Failed gubernatorial candidate Chris Bell, the top recipient of this money, is not in much of a position to stick up for the program, even if he wanted to.

Altogether CAPCO firms spent less than \$3 million to protect their access to \$400 million in public funding. This is probably not a big enough investment to protect such a boondoggle. CAPCO executives gave 10 percent of their campaign funds to Comptroller Susan Combs. Yet that's just \$2,490 to Combs, who hasn't found many kind words for this program.

Texas' CAPCO Lobbyists, 2001 Through 2011

Lobbyist	Min. Value of Contracts	Max. Value of Contracts	No. of Contracts
Janis L. Carter	\$160,000	\$335,000	8
Stan Schlueter	\$150,000	\$300,000	5
Robert A. Stluka, Jr.	\$100,000	\$200,000	4
Pete Winstead	\$100,000	\$200,000	4
Randy Schlueter	\$75,000	\$170,000	5
Ron Hinkle	\$40,000	\$160,000	10
Paul N. Wageman	\$50,000	\$125,000	5
Kevin Cooper	\$20,000	\$110,000	8
J. Kyle Frazier	\$50,000	\$110,000	3
Kent A. Caperton	\$50,000	\$100,000	1
Robert Thomas Ratliff	\$20,000	\$80,000	5
Myra Leo	\$20,009	\$50,009	3
John M. Erskine Jr.	\$20,009	\$50,009	3
Larry D. McGinnis	\$20,009	\$50,009	3
Alexander J. Gonzales	\$20,000	\$50,000	2
John Michael Grimes	\$25,000	\$50,000	1
Gavin L. Massingill	\$25,000	\$50,000	1
Mike Meroney	\$20,000	\$50,000	2
Cal E. Varner	\$20,000	\$50,000	2
Kyle L. Janek	\$20,000	\$50,000	2
Thomas Townsend	\$10,000	\$25,000	1
Valeria Aguirre	\$0	\$10,000	1
Laci Ehlers	\$0	\$10,000	1
Marc T. Shivers	\$9	\$9	1
TOTALS:	\$1,015,036	\$2,385,036	81

CAPCOs no longer enjoy their stealth survival strategy. Austin Rep. Mark Strama, who chaired an economic development committee until January said the program's existence recently took him by surprise. Strama told the *Statesman* that his reaction upon hearing about state-funded CAPCOs was, "Really? We do that?"

Through Sunset Reviews, Texas requires state agencies to periodically defend their budgets and very existences. If state subsidy and incentive programs were subject to the same review, some would join the dinosaurs. •

CAPCO Officials Bankrolling Texas Politicians, 2004 Through 2010

Amount	Contributor	City	Capco Co	Top Recipient(s)
\$10,250	Christopher Efird	Houston	TX Ventures Partner	Chris Bell
\$3,450	Steven T. Stull	Napa, CA	Advantage Capital Pres.	Joe Straus
\$1,450	Timothy Cockshutt	Austin	Advantage Capital Partner	Susan Combs/Phil Wilson
\$1,450	Damon Rawie	Austin	Advantage Capital Mng. Dir.	Susan Combs/Phil Wilson
\$1,030	Mansoor Ghori	Austin	Accent Capital President	Carole K. Strayhorn
\$1,000	Stephen Bennett	Plano	Stonehenge Capital Director	Susan Combs
\$1,000	D. Rick Hayes	Austin	Waveland CEO	Hope Andrade
\$1,000	Jonathan Ring	Austin	Sentient Partner	League Conserv. Voters
\$800	Michael Johnson	New Orleans, LA	Advantage Capital Mng. Dir.	Phil Wilson
\$700	Maurice E. Doyle	Downers Grove, IL	Advantage Capital Mng. Dir.	Phil Wilson
\$500	Gilbert Burciaga	Austin	Accent Capital Vice Pres.	Carole K. Strayhorn
\$500	Seth Cohen	Watchung, NJ	NewTek CFO	Rick Perry
\$425	Danielle Delgadillo	Austin	Advantage Capital Vice Pres.	Patrick Rose
\$350	Bryan Emerson	Houston	TX Ventures Partner	Virginia McDavid
\$250	Cliff Mountain	Austin	Accent Capital Vice Pres.	Susan Combs
\$240	John Crew	Dallas	Republic Holdings Manager	Susan Combs
\$150	Ryan Brennan	Napa, CA	Advantage Capital Mng. Dir.	Allan Ritter
\$24,545	TOTAL			

Notes

¹ "2010 Biennial Certified Capital Companies Report," Texas Comptroller, December 15, 2010. "Qualms About Insurers' Investment Tax Credits," *Austin American-Statesman*, May 22, 2011.

² CAPCO firms reported no lobby contracts over several years preceding 2001.