

Perry's Piggybank:

**Texas Enterprise Fund Recipients Gave \$7 Million
To Rick Perry and His Republican Governors Association**



Texans for Public Justice

October 2011

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Governor Rick Perry sold the Texas Legislature in 2003 on the creation of the Texas Enterprise Fund (TEF). Perry has made the program, which awards taxpayer money to companies to create jobs in Texas, a centerpiece of his gubernatorial and presidential campaigns. TEF awards are jointly approved by the governor, lieutenant governor and House speaker. Perry's office claimed in August 2011 that TEF had awarded \$439,833,196 to create 59,157 jobs (TPJ's [Phantom Jobs report](#) analyzes how Perry inflates these jobs claims).

TEF also helps pay Perry's campaigns bills, as the *Texas Observer* reported in 2010.¹ This report finds that 43 companies that landed a total of \$333 million in TEF awards contributed almost \$7 million to Perry's campaign and the Perry-affiliated Republican Governors Association (RGA). TEF companies sometimes made corporate contributions directly to the RGA, while company PACs, owners or executives gave to both the RGA and to Perry's campaign (which cannot accept corporate funds).² These contributions included \$1,652,159 to Perry's gubernatorial campaigns and \$5,331,701 to the RGA. The 43 TEF recipients that contributed to Perry and/or the RGA represent about half of the 90 companies that received TEF awards but received 76 percent of all TEF-awarded funds.³

Critics allege that Perry uses TEF as a political slush fund. If true, political contributions could offer a useful way to identify some of the most politicized TEF projects. This study finds much wreckage among the TEF projects that have generated the most political contributions. Many TEF projects that heavily supported Perry or the RGA have defaulted on job promises, amended their contracts to lower their job promises, use accounting scams to inflate their job claims or have terminated their TEF contracts altogether.

Perry's No. 1 contributor, the RGA has given Perry's gubernatorial campaigns \$4 million since 2006. According to Perry's chief political consultant, Dave Carney, Perry became involved in RGA fundraising that same year.⁴ Perry has since served as the overall chair and the finance chair of the RGA (see TPJ's report [Crony Capitalism: The Republican Governors Association in the Perry Years](#)). This study tracks TEF-associated contributions to the RGA since January 2006 and TEF associated contributions to Perry's gubernatorial campaign since January 2001. The timing of these TEF-related contributions runs the gamut. TEF recipients made their political contributions before signing their TEF contract, after signing their contract—or both. The Washington-based Center for Responsive Politics provided RGA contributions data used in this report.

For the 13 TEF grant recipients that contributed more than \$200,000 apiece to Rick Perry and the RGA, this report summarizes what is known about their political contributions and the degree to which they have complied with their TEF contracts.

Enterprise Fund-Tied Contributions to Perry & the Republican Governors Assn.

Total To Perry & RGA	TEF Recipient	Perry Total 1/01 To 7/11	RGA Total 1/06 To 7/11	TEF Award	Award Year
\$720,251	Hewlett-Packard Co.	\$25,650	\$694,601	\$5,000,000	2006
\$640,700	General Electric Co.	\$18,000	\$622,700	\$4,200,000	2011
\$628,350	Golden Living (GGNSC)	\$0	*\$628,350	\$2,100,000	2011
\$607,495	Frito-Lay (PepsiCo)	\$0	\$607,495	\$1,125,000	2009
\$591,500	TX Instit. for Genomic Med.	\$506,500	*\$85,000	\$50,000,000	2005
\$454,233	G-Con, LLC	\$354,233	\$100,000	\$3,000,000	2010
\$362,430	McLane Co., Inc.	\$261,126	\$101,304	\$1,000,000	2009
\$300,000	VCE (Cisco & EMC Corp.)	\$10,000	\$290,000	\$2,450,000	2011
\$292,145	Sanderson Farms, Inc.	\$165,000	*\$127,145	\$500,000	2006
\$248,450	Motiva (Shell Oil Co.)	\$13,000	*\$235,450	\$2,000,000	2006
\$232,800	Lockheed Martin Corp.	\$26,000	\$206,800	\$5,480,000	2006
\$208,775	Fidelity Global Brokerage	\$4,000	\$204,775	\$8,500,000	2007
\$200,900	Office Depot, Inc.	\$0	*\$200,900	\$300,000	2011
\$197,056	Home Depot USA	\$11,000	\$186,056	\$8,500,000	2004
\$168,825	Raytheon Co.	\$17,500	\$151,325	\$1,000,000	2005
\$145,725	3M Co.	\$3,500	\$142,225	\$194,000	2011
\$130,500	Nationwide Mut. Insurance	\$30,500	\$100,000	\$2,500,000	2010
\$124,000	Caterpillar, Inc.	\$14,000	*\$110,000	\$9,675,000	'09/'10
\$110,900	Medtronic, Inc.	\$0	\$110,900	\$6,000,000	2009
\$87,500	ebay, Inc.	\$5,000	\$82,500	\$2,800,000	2011
\$77,925	T-Mobile USA, Inc.	\$0	\$77,925	\$2,150,000	2005
\$59,950	Texas Instruments	\$59,950	\$0	\$50,000,000	2003
\$58,500	Washington Mutual, Inc.	\$8,500	\$50,000	\$15,000,000	2005
\$57,000	Countrywide Home Loans	\$7,000	*\$50,000	\$20,000,000	2004
\$50,000	Samsung Group	\$0	*\$50,000	\$10,800,000	2006
\$35,000	Comerica, Inc.	\$10,000	*\$25,000	\$3,500,000	2007
\$35,000	Rackspace Hosting	\$35,000	\$0	\$22,000,000	2007
\$35,000	Tyson Foods, Inc.	\$0	\$35,000	\$7,000,000	2005
\$25,000	IDX Corp.	\$0	\$25,000	\$360,000	2011
\$22,500	MD Anderson Cancer Ctr.	\$22,500	\$0	\$25,000,000	2004
\$20,000	Kohl's Corp.	\$0	\$20,000	\$750,000	2010
\$15,000	Allstate Insurance Co.	\$10,000	\$5,000	\$1,100,000	2010
\$8,450	Scott & White Hospital	\$8,450	\$0	\$7,500,000	2007
\$8,000	Vought Aircraft	\$8,000	\$0	\$35,000,000	2004
\$6,250	Auto. Data Processing (ADP)	\$0	*\$6,250	\$3,000,000	2006
\$5,000	Sino Swearingen	\$5,000	\$0	\$2,500,000	2006
\$4,250	Trace Engines, LP	\$4,250	\$0	\$456,000	2006
\$2,500	Torchmark Corp.	\$2,500	\$0	\$2,000,000	2006
\$2,000	Ineos USA, LLC	\$2,000	\$0	\$750,000	2005
\$1,000	Hanger Orthopedic Group	\$1,000	\$0	\$1,500,000	2010
\$1,000	Huntsman LLC	\$1,000	\$0	\$2,750,000	2004
\$1,000	KLN Steel Products	\$1,000	\$0	\$450,000	2008
\$1,000	Texas Energy Center	\$1,000	\$0	\$3,600,000	2004
\$6,983,860	TOTALS	\$1,652,159	\$5,331,701	\$333,490,000	

*RGA donor that did not give to RGA in the preceding period, from October 2002 through December 2005.

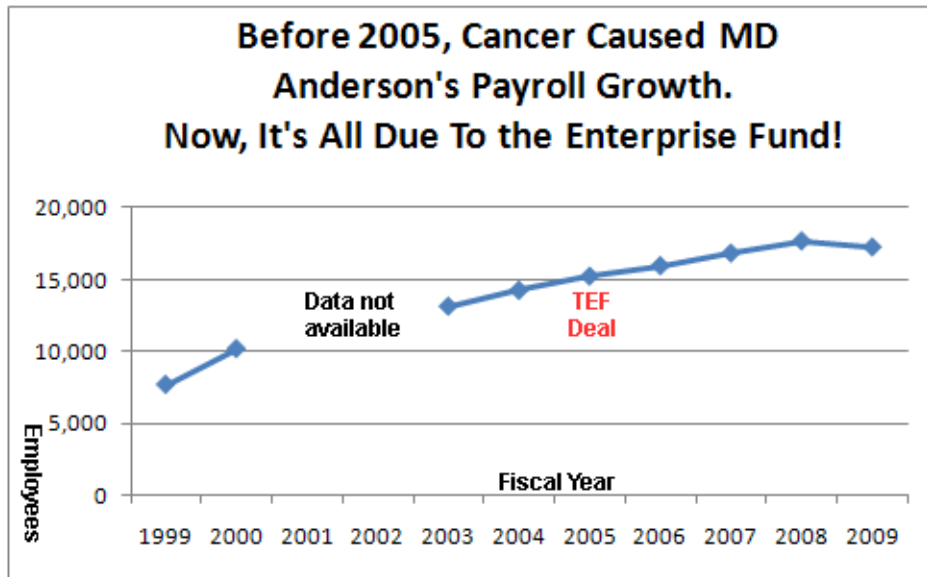
As this report was being compiled, Governor Perry closed a 15-year-old blind trust and publicly disclosed the contents of that investment portfolio. Governor Perry reported that his blind trust held stock in 37 companies during 2010. Texans for Public Justice was surprised to discover that three of these companies had received TEF awards totaling \$12.2 million. What are the chances that eight percent of the stocks picked by Perry's blind trustee happen to have received grants from Perry's jobs fund?

Perry's trust held stock in Hewlett-Packard and General Electric, which are TEF's top two political contributors to Perry and the RGA. Perry reported that his trust sold its holdings of both of these companies (which received total TEF awards of \$9.2 million) at a loss during 2010's roller-coaster market. TEF awarded \$5 million to **Hewlett-Packard** (\$720,251 to Perry/RGA) in 2006 to create 420 jobs. The parties terminated this contract in 2008 before Hewlett-Packard filed a single job-compliance report. The Governor's Office reported that it recovered the money dispersed to this company.

Perry Stock In TEF-Subsidized Companies

TEF Award	Company	Perry Shares	RP's Loss/Gain (If Sold)	Total Donations To Perry & RGA
\$5,000,000	Hewlett-Packard	100-499	-<\$5,000	\$720,251
\$4,200,000	General Electric	500-999	-\$5,000-\$9,999	\$640,700
\$3,000,000	ADP	100-499	NA	\$6,250
\$12,200,000	TOTALS			\$1,367,201

TEF awarded \$4.2 million in 2011 to **General Electric** (\$640,700 to Perry/RGA) for a Fort Worth train factory that promised to create 775 jobs. GE's new TEF project has yet to face job-creation targets. GE also is a junior partner involved with the \$25 million that TEF awarded in 2005 to the University of Texas System's **MD Anderson Cancer Center** to create the Center for Advanced Biomedical Imaging. This project pledged to create 2,252 jobs. To pump up job-creation numbers, however, this TEF project does not just count new jobs at the TEF-funded imaging center. Instead it counts virtually any new job at the UT Health Center or MD Anderson. MD Anderson's payroll has been growing like a cancer for years— long before TEF's birth. To suggest that TEF is responsible for every new MD Anderson job after 2005 is a farce.



Source: MD Anderson Annual Reports.

Perry reported that he continued to hold 100 to 499 shares in **Automated Data Processing (ADP)** in 2010. ADP has reported that it is complying with the terms of the \$3 million that TEF awarded to ADP in 2006 to create 1,028 jobs in El Paso. ADP CEO Gary Butler, who is not a regular RGA contributor, gave RGA \$6,250 on September 8, 2010. The payroll company's Texas payroll fell 96 jobs short of the 1,028 new jobs that it had promised to create in 2010. ADP was not technically in default, since it had stockpiled surplus TEF job credits in better years.

A nursing home chain calling itself **Golden Living** or **GGNSC** ranks No. 3 among TEF donors to Perry/RGA. TEF recently awarded Golden Living \$2.1 million, a large amount to create just 100 jobs. TPJ found that GGNSC began moving \$628,350 to Perry's RGA in 2008. But researchers could not find out much more about Golden Living or GGNSC until they discovered that Drumm Investors, LLC owns GGNSC. The Government Accountability Office (GAO) mentions Drumm in a recent study on how private investment firms are buying out nursing homes, making it hard to trace nursing-home ownership.⁵ That report suggests that Drumm and San Francisco-based Fillmore Capital Partners bought out the notorious nursing home company Beverly Enterprises in 2006 (Beverly contributed \$513,155 to RGA between late 2002 and early 2006).⁶ After Beverly overextended itself in a debt-fueled buyout of nursing homes, the company cut costs by slashing its nursing staff. This triggered regulatory negligence charges across multiple states and earned Beverly dishonorable mention in the 1992 book *America: What Went Wrong?*⁷ The GAO report suggests that GGNSC stands for Golden Gate National Senior Care.

TEF awarded \$1,125,000 to **Frito-Lay** in 2009 to create 125 jobs. Parent company Pepsico gave \$607,495 to the RGA. According to the Governor's Office, Frito-Lay exceeded its job pledge by creating 140 new jobs in 2010.

The **Texas Institute for Genomic Medicine** ranks No. 5 among TEF donors to Perry/RGA. Perry's *alma mater*, Texas A&M University, and Houston-based **Lexicon Pharmaceuticals** established the Institute to clone mouse stem cells with a 2005 TEF award of \$50 million. The *Houston Chronicle* revealed that three families that have been big backers of Perry's campaign controlled 17 percent of Lexicon's stock.⁸ Led by Houston Texans owner Robert McNair, these investors have contributed \$591,500 to Perry/RGA. After

Lexicon defaulted on some of its initial job targets, Governor Perry's office amended its contract in 2008. The amendment says Lexicon need not produce *a single* new job until 2012. If you visit the Institute for Genomic Medicine, you won't find the 5,000 new jobs that it promised to create. In its creative accounting for these jobs, TEF assumes that the Institute is responsible for *every new Texas job* that falls into any of 24 biotech industry classifications.

The Institute for Genomic Medicine is but one example of the keen interest that Perry's development slush funds have shown in the governor's *alma mater*. Perry's office triggered 2009 legislative inquiries when it moved \$50 million from TEF into the Emerging Technology Fund and bypassed an advisory panel to award that money to Texas A&M University. A&M received money to create a fast-track drug lab called the National Center for Therapeutics Manufacturing.⁹ Around that time Perry's slush funds also granted state money to two intertwined biotech firms that work with A&M. The Emerging Technology Fund awarded \$1.75 million in 2009 to Gradalis, Inc. and TEF awarded \$3 million in 2010 to **G-Con, LLC**. Gradalis owns 10 percent of G-Con and two big Perry contributors own stakes in Gradalis, according to the *Dallas Morning News* and *New York Times*.¹⁰ Gradalis investor John McHale of Austin ordinarily backs Democrats. Yet when Perry's slush funds awarded a total of \$4.75 million to Gradalis and G-Con in 2009 and 2010, McHale contributed a total of \$100,000 to Perry's campaign. Longtime Perry patron James Leininger (\$339,233 to Perry/RGA) also owned Gradalis stakes. Finally, David Shanahan, a principal at both Gradalis and G-Con, contributed \$15,000 more to Perry's campaign.

Four-Year Money Timeline For G-Con and Gradalis

Date	Event
3/19/07	Gradalis investor Jim Leininger gives RGA \$50,000.
6/12/07	Gradalis investor Jim Leininger gives RGA \$50,000.
9/19/07	Gradalis investor Jim Leininger gives Perry a \$19,232 jet flight.*
12/6/07	G-Con/Gradalis principal David Shanahan gives Perry \$5,000.
12/11/08	Gradalis investor Jim Leininger gives Perry \$25,000.
2/19/09	ETF awards Gradalis \$1.75 million.
6/26/09	Gradalis investor Jim Leininger gives Perry \$25,000.
11/10/09	G-Con/Gradalis principal David Shanahan gives Perry \$10,000.
12/4/09	Gradalis investor John McHale gives Perry \$50,000.
5/1/10	TEF awards G-Con \$3 million.
9/3/10	Gradalis investor John McHale gives Perry \$50,000.

* Leininger flew Perry and his son, Griffin, to Florida to meet Gov. Jeb Bush.

TEF awarded \$1 million in 2009 to a unit of the McLane Group, a grocery wholesale company run by longtime Perry supporter and Houston Astros owner Drayton McLane, Jr. (\$362,430 to Perry/RGA). That TEF contract says **McLane Advanced Technologies, LLC** will create 225 jobs by the end of 2011. Perry's office periodically updates a list of TEF projects posted on the [Internet](#). Copies of that list printed around the time of TEF's 2009 grant to McLane dutifully list this project as producing 225 jobs. In late 2010, however, the Governor's Office began posting versions of that list that left the "Jobs" field blank for the McLane project. In another anomaly, under the Public Information Act Texans for Public Justice obtained from the Perry's office a chart summarizing 2010 TEF job numbers (presumably taken from the TEF compliance reports that the Governor's Office has yet to release). That chart oddly makes no mention of McLane, which promised to create 100 jobs by the end of 2010 and 225 jobs by the end of 2011.

Computer companies Cisco and EMC Corp. started **Virtual Computing Environment Co. (VCE)**. Intel also invested in this computer venture, which landed a \$2.45 million TEF contract in 2011 to create 434 jobs. Cisco and Cisco CEO John Chambers gave \$240,000 to RGA. Chambers also gave \$10,000 to Perry's campaign. Intel gave the RGA \$50,000. VCE complied with its initial pledge to create 55 jobs by the end of 2010, according to the Governor's Office.

TEF awarded **Sanderson Farms** \$500,000 in 2006 for a chicken hatchery and processing plant that pledged to create 1,312 low-paying jobs lasting through 2009. Sanderson fell 200 jobs short in 2009, reportedly paying \$81,891 in penalties. Starting in 2007, Sanderson Farms and CEO Joe Sanderson, Jr., began moving a total of \$127,145 to the RGA. Joe Sanderson also gave \$165,000 to Perry's campaign.

TEF awarded \$2 million in 2006 to **Motiva Enterprises** (a joint venture of Shell Oil and Saudi Aramco) to create 300 refinery jobs by the end of 2010. In 2008 Motiva laid off workers and rolled back the completion date for its refinery expansion from 2010 to 2012. The parties amended the contract in 2009, giving Motiva two more years to deliver the 300 jobs. Motiva reported 258 jobs in 2010, 42 jobs short of its original contract but 108 jobs over its amended contract. Starting in late 2006, Motiva partner Shell began moving \$235,450 to the RGA. Shell also contributed \$13,000 to Perry's campaign.

TEF awarded \$5.48 million to **Lockheed Martin Corp.** in 2007 to create 800 new jobs at a Houston rocket plant. Falling 97 jobs short in 2008, Lockheed amended the contract to just require the company to create 550 jobs. In 2009 Lockheed reported 677 jobs, which surpassed the amended target but fell 123 jobs short of its original pledge. By 2010 Lockheed reported 503 new jobs, which didn't even fulfill its amended contract. Lockheed, which gave \$232,800 to Perry/RGA, announced that it would lay off 1,200 workers nationwide in 2011.¹¹

Office Depot scored a \$300,000 TEF award in 2011 to create 203 jobs. Office Depot, which began backing the RGA the year before it landed this grant, has given the RGA \$200,900. The Governor's Office has not released any details on this grant.

Fidelity Global Brokerage landed an \$8.5 million TEF grant in 2007 to create 1,535 jobs. Fidelity gave \$208,775 to Perry/RGA. After defaulting on its job promises, Fidelity got Perry's office to amend its contract. The amendment slashed Fidelity's job targets from 1,535 to 850 jobs, gave it five more years to produce fewer jobs and required the company to repay \$4 million of its grant. Fidelity reported 177 jobs in 2010. That falls 1,358 jobs short of its original promise and 13 jobs short of its amended pledge.

Notes

¹ "Slush Fun: At Least One Texan Has Benefited from Rick Perry's Enterprise Fund," *Texas Observer*, March 11, 2010.

² This report tracks contributions made by known investors in some smaller TEF companies (G-Con, Lexicon Pharmaceuticals, Sino Swearingen and Trace Engines).

³ TPJ tracked 92 TEF grants to 90 recipients (TEF awarded two grants apiece to both Caterpillar and Maxim). TPJ's list included TEF's aborted \$2.5 million award to Sino Swearingen Aircraft, which does not appear on the list of TEF awards circulated by the Governor's Office.

⁴ "Rick Perry to Lead RGA," *Politico*, November 12, 2010.

⁵ "Nursing Homes: Complexity of Private Investment Purchases Demonstrates Need for CMS to Improve the Usability and Completeness of Ownership Data," U.S. Government Accountability Office, October 27, 2010.

⁶ "A Fresh Perspective: Ron Silva, CEO, Fillmore Capital Partners," *McKnight's Long-Term Care News*, April 17, 2006.

⁷ *America: What Went Wrong?* Donald Bartlett and James Steele, Andrews and McMeel, 1992.

⁸ "Beneficiary of State Grant Has Links To Perry," *Houston Chronicle*, August 7, 2005. McNair gave \$330,000 to Perry and \$85,000 to the RGA. The other Lexicon investors are chemical magnate William McMinn (\$126,000 to Perry) and the family of Gordon Cain (\$50,500), who died in 2002.

⁹ "A&M Grant Raises Concern," *Dallas Morning News*, March 24, 2009. "Panel Didn't Vet Perry's Fund Transfer," *Dallas Morning News*, March 27, 2009. "A&M Grant Skirts Panel," *Austin American-Statesman*, March 27, 2009.

"Some Question Perry's Transfer of Funds to Texas A&M," *Dallas Morning News*, August 15, 2009.

¹⁰ "Perry's Tech Fund Aided Firms With Ties to His Donors," *Dallas Morning News*, October 3, 2010. "Perry Mines Texas System to Raise Cash," *New York Times*, August 20, 2011.

¹¹ "Defense Giant to Lay Off 1,200 Workers This Year," *Wall Street Journal*, June 15, 2011.