

# THE TEXAS MODEL



## The **TEXAS Model**

A TEXAS PUBLIC POLICY FOUNDATION PUBLICATION

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# Texas is in the News ...

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OCTOBER 15, 2010 12:00 A.M.

### The Texas Model

The Lone Star State speeds up its recovery with pro-business policies.

Texas already looms large in its own imagination. Its elevated self-image didn't need this: More than half of the net new jobs in the U.S. during the past 12 months were created in the Lone Star State.



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CROSS COUNTRY | SEPTEMBER 24, 2011

## Perry Is Right: There Is a Texas Model for Fixing Social Security

*Public employees in three Texas counties have benefited from an 'Alternate Plan' for 30 years.*

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### Lessons from Texas Economy

Jul 06, 2011

By Pamela Hulse Andrews CEO/Founder

Despite some signs of growth in Oregon as



# But Not Everybody is Saying Nice Things

## How to Create More Jobs By Lowering Wages: Texas

By Robert Reich | Sep 13, 2011, 8:24 PM | [Author's Website](#)

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[ime/magazine/article/0,9171,2090359,00.html](http://time/magazine/article/0,9171,2090359,00.html)

## Debunking the 'Texas Miracle.'

By ROYA WOLVERSON | Monday, Sept. 05, 2011

*“So what you need to know is that the Texas miracle is a myth, and more broadly that Texan experience offers no useful lessons on how to restore national full employment.” – Paul Krugman, The New York Times, August 14, 2011*





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*So What's the Truth?*

# Fact: Texas = Jobs

Year	Texas Employment	Change	U.S. Employment w/o Texas	Change
2001	9,423,300		121,009,700	
2008	10,439,700	1,016,400	125,400,300	4,390,600
2011	10,623,600	1,200,300	120,296,400	-713,300

1	<b>Austin-Round Rock-San Marcos, TX</b>	89.1	769.3
2	<b>New Orleans-Metairie-Kenner, LA</b>	88.9	522.6
3	<b>Houston-Sugar Land-Baytown, TX</b>	82.1	2552.3
4	<b>San Antonio-New Braunfels, TX</b>	80.7	841.3
5	<b>Dallas-Plano-Irving, TX Metropolitan Division</b>	80.6	2043.4



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# Claim

“Economists will tell you they have the same unemployment level down there you’ve had anywhere else.” – Richard Trumпка, president of the AFL-CIO



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# Fact: Texas Keeping the U.S. Employed

- Texas' unemployment rate has been at or below the national average for 53 consecutive months

State	Unemployment Rate	Employment Change Jan. 2001 - June 2011*	% Change	Net Domestic Migration 2001-2010**
Texas	8.2%	1,200,300	12.74%	781,542
New York	8.0%	179,000	2.10%	-1,570,310
Massachusetts	7.6%	-34,400	-1.04%	-328,695



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# Claim

“This is the Texas where ... a growing low-wage economy means having a job is not enough to provide the basics of life.” – Paul Harris, in the Guardian UK

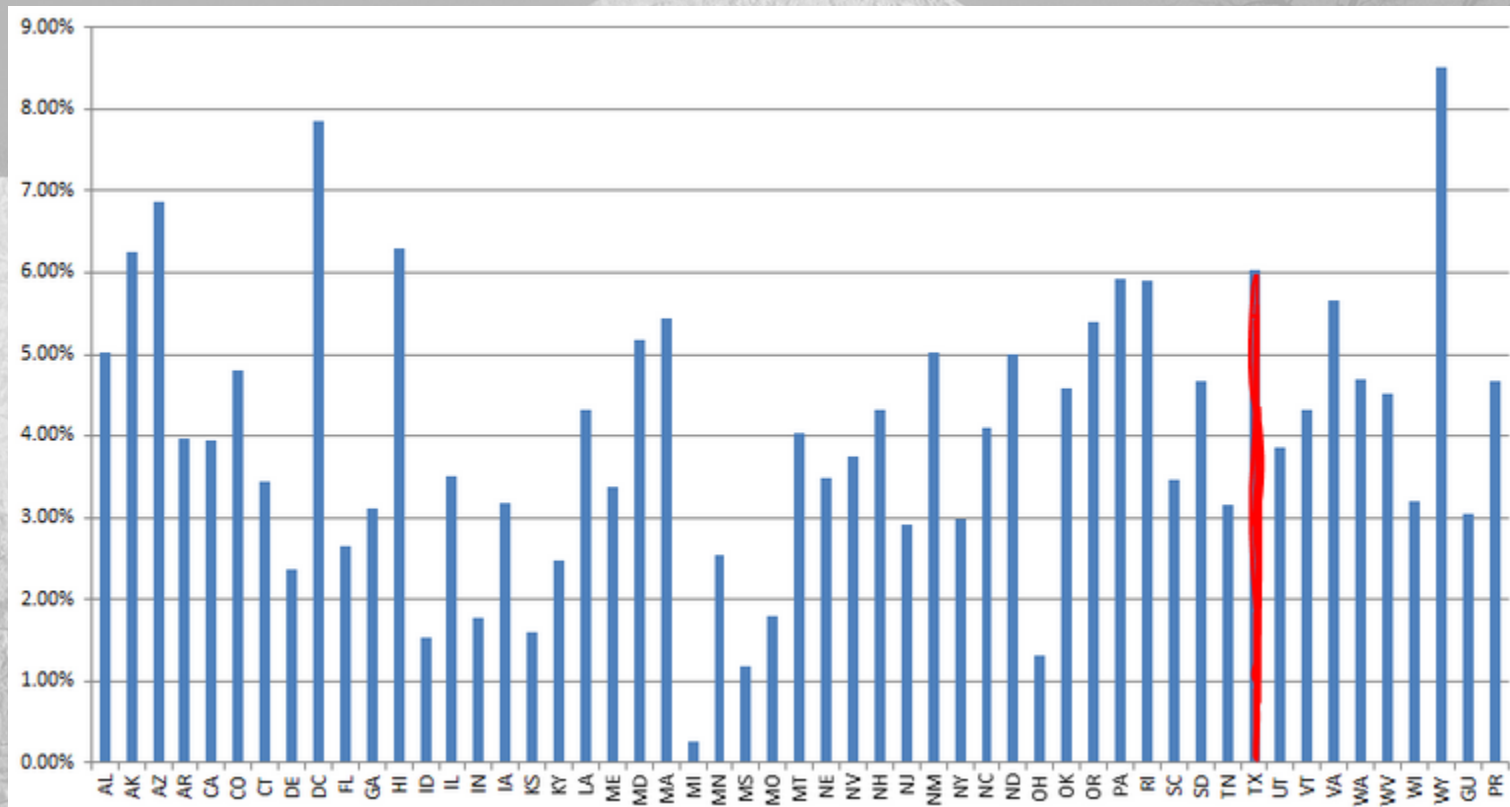


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# Fact: U.S.' 6<sup>th</sup> Fastest Wage Growth



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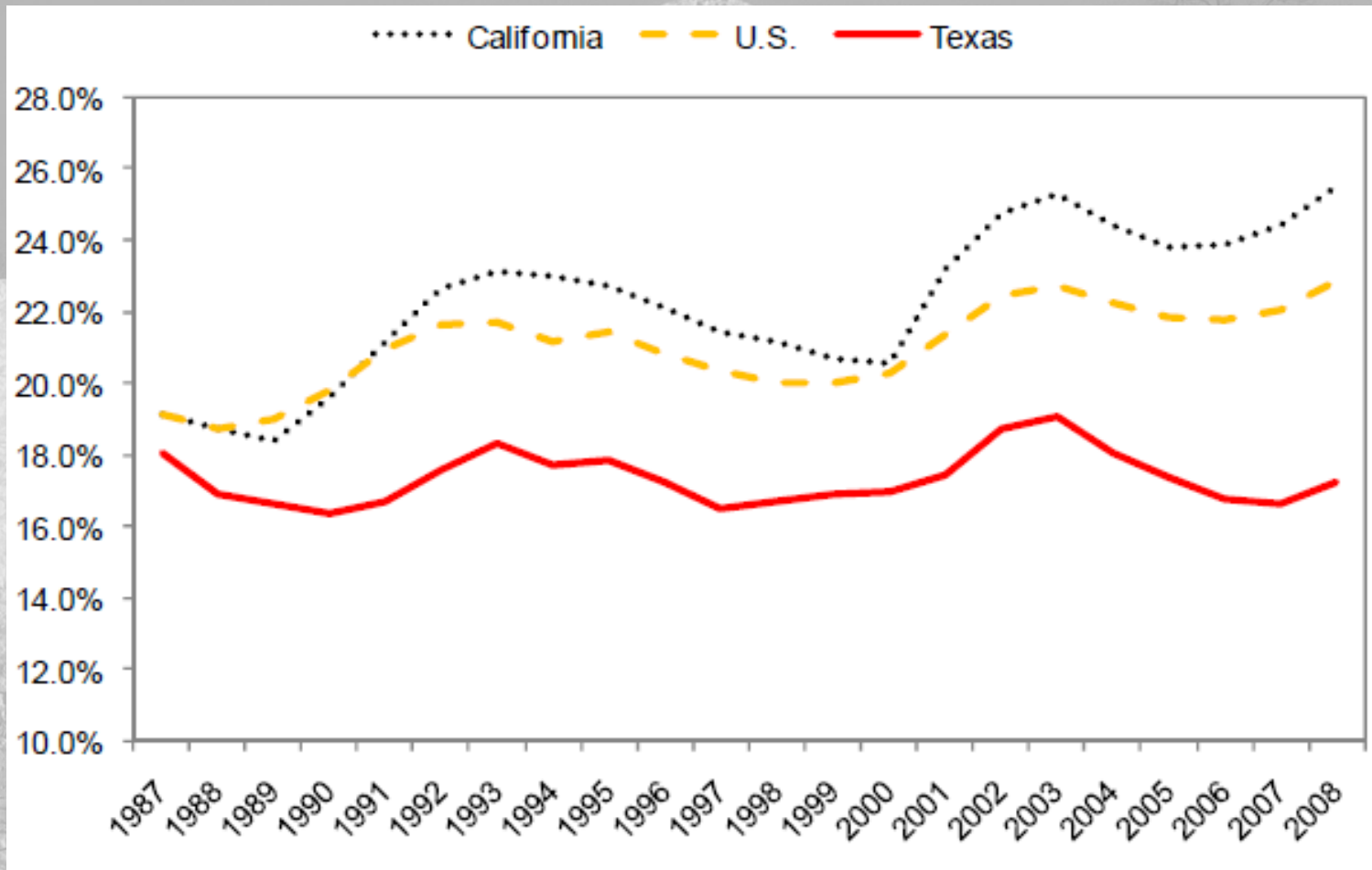


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- The Texas Model is:
  - Low spending and taxes
  - A predictable, low level of regulation and strong property rights protection
  - A sound civil justice system
  - Minimal dependence on/interference from the federal government.

# Spending



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# Spending

Table 2: Impact of State's Fiscal Policy on Economic Growth

Economic Growth 2003-2007

State Economic Policy		Job Growth	Income Growth	Population Growth
State Economic Development Spending	Lowest States per capita	10.7%	36.6%	7.9%
	Highest States per capita	7.0%	30.0%	3.2%
State & Local Tax Burdens	Lowest States per capita	11.0%	38.0%	7.4%
	Highest States per capita	4.3%	28.3%	1.9%
Change in Tax Policy	Tax Cutting States	12.6%	39.1%	9.4%
	Tax Raising States	5.0%	29.4%	4.0%



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# Regulation

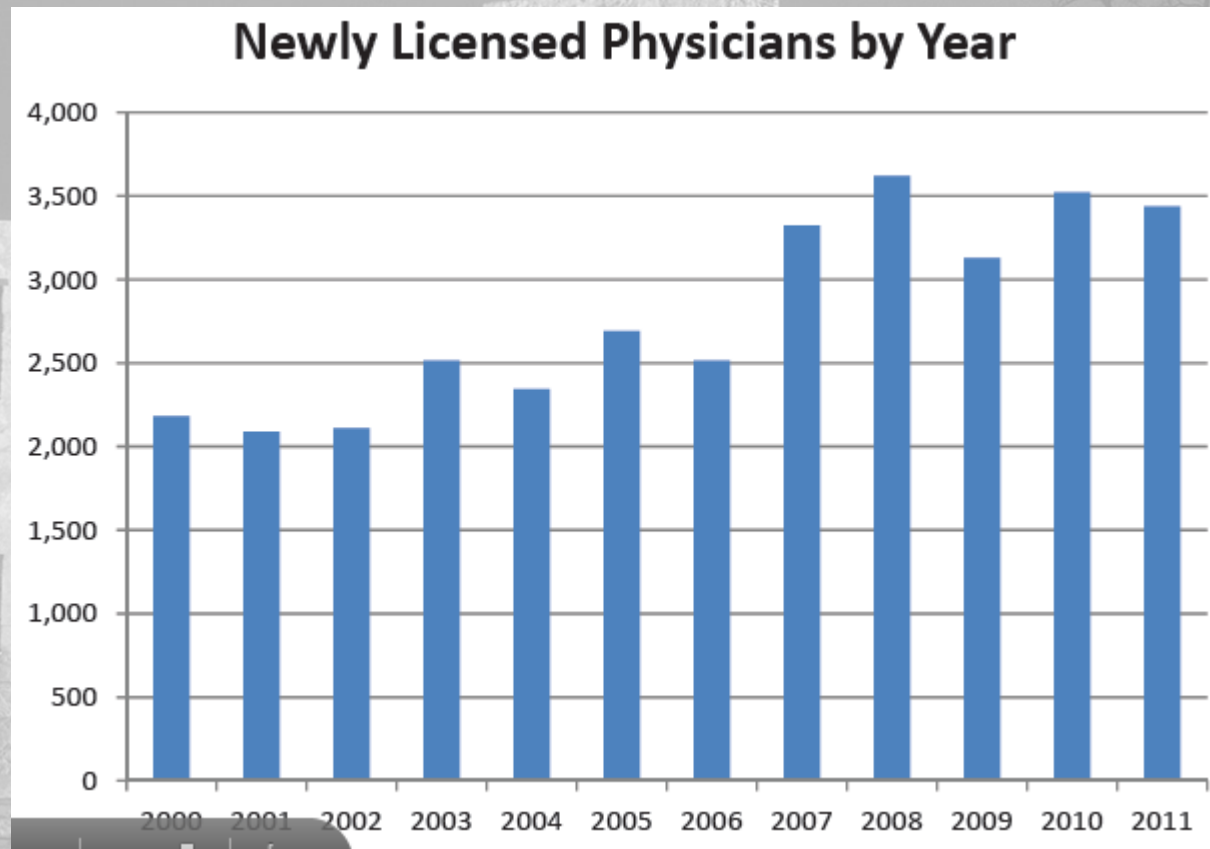
- Texas benefits from its abundant energy reserves because it avoids overly burdensome regulatory costs and delays in the energy industry.
- The same is not true for California. California's regulations make it more difficult for its people to harness the abundant natural resources available to its residents.
- Other examples
  - Telecommunications
  - Electricity
  - Air quality regulations on manufacturing



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# Tort Reform



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# Don't Mess with Texas

## or depend on the Feds

- Despite conventional wisdom, federal funds are not “free” and, in fact, contribute a great deal to the unsustainable growth of state government and a resulting decline in economic growth
- Greater reliance on federal funds by states also means greater control of state programs by federal authorities
- Relying on larger federal contributions to state programs lead to higher state spending



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# Property Rights in Texas

- Texas' strength in property rights is in its relatively limited land use controls
- The Texas Supreme Court has recently been at the forefront of protecting property rights
- Recent statutory changes have also improved property rights: SB 18
- More improvements are needed from the courts and the Texas Legislature



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# Strength: Land Use Controls

- Unlike all other large U.S. cities, Houston lacks zoning laws restricting industrial, commercial and residential construction to specific neighborhoods.
- Houston, Dallas, and other Texas metros with relatively more permissive development policies have lower housing prices.
- To halt suburban growth and reduce people's dependence on the automobile, Portland's uses an urban-growth boundary to greatly increase the area's population density.
- This limits the supply of land available for new construction. In 1990, an acre suitable for residential use in the Portland area cost \$25,000. By 1997, the cost was \$150,000 to \$200,000. The National Association of Home Builders ranked Portland the second-least affordable housing market in the country.



# Challenges: Applewhite Reservoir



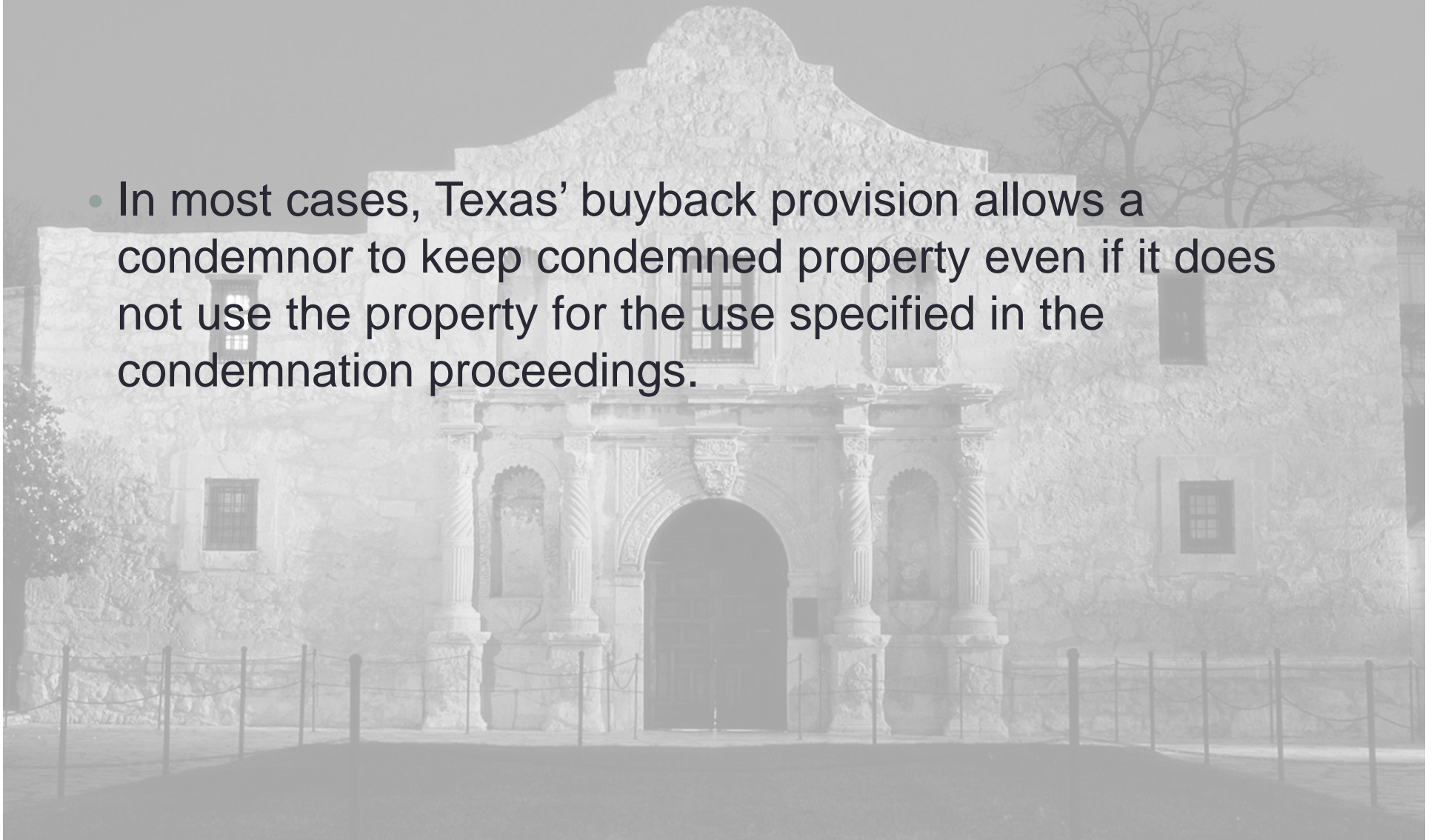
# Challenges: Applewhite Reservoir





# Challenges: The Buyback Provision

- In most cases, Texas' buyback provision allows a condemnor to keep condemned property even if it does not use the property for the use specified in the condemnation proceedings.



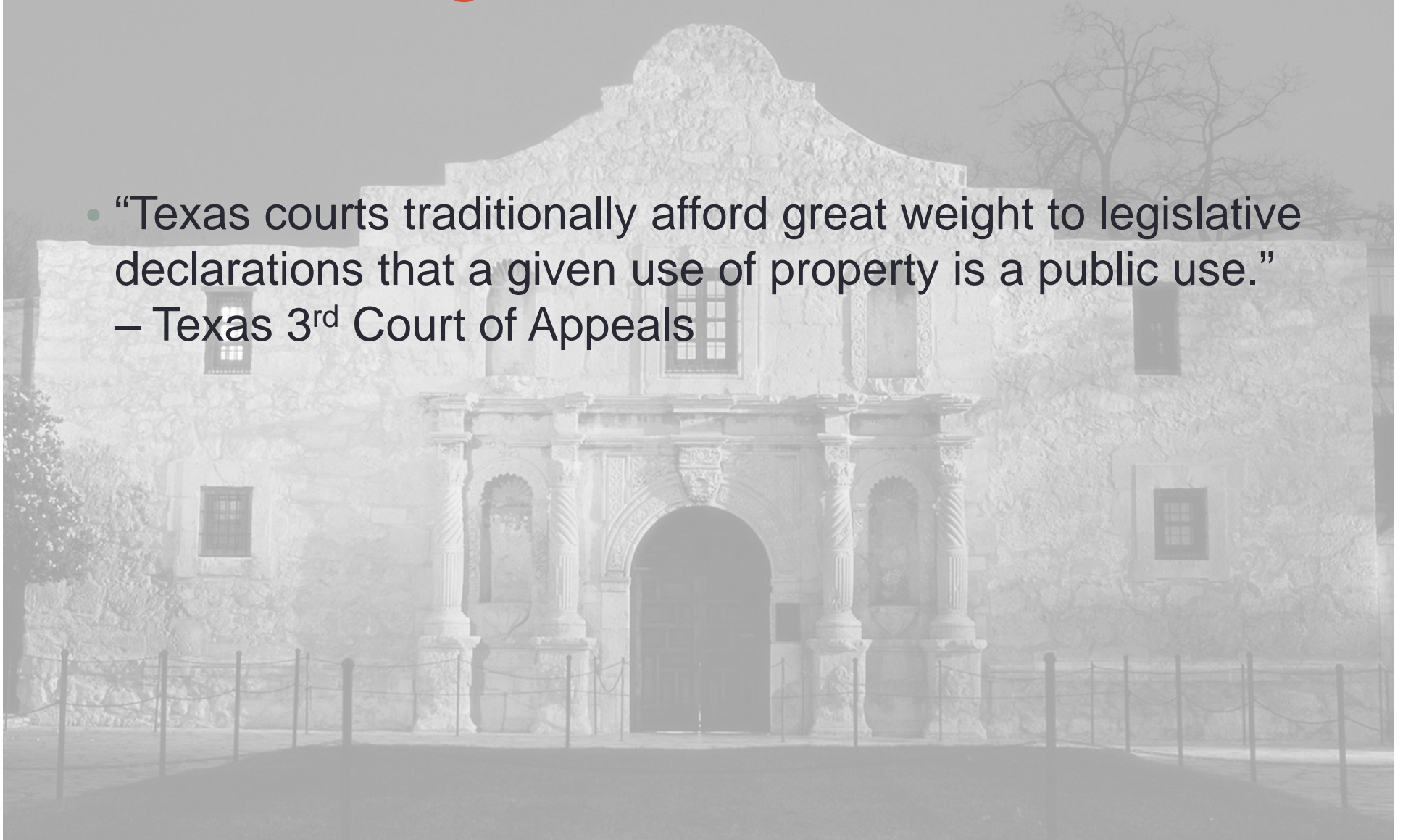


# Challenges: Harry Whittington



# Challenges: Judicial Deference

- “Texas courts traditionally afford great weight to legislative declarations that a given use of property is a public use.”  
– Texas 3<sup>rd</sup> Court of Appeals



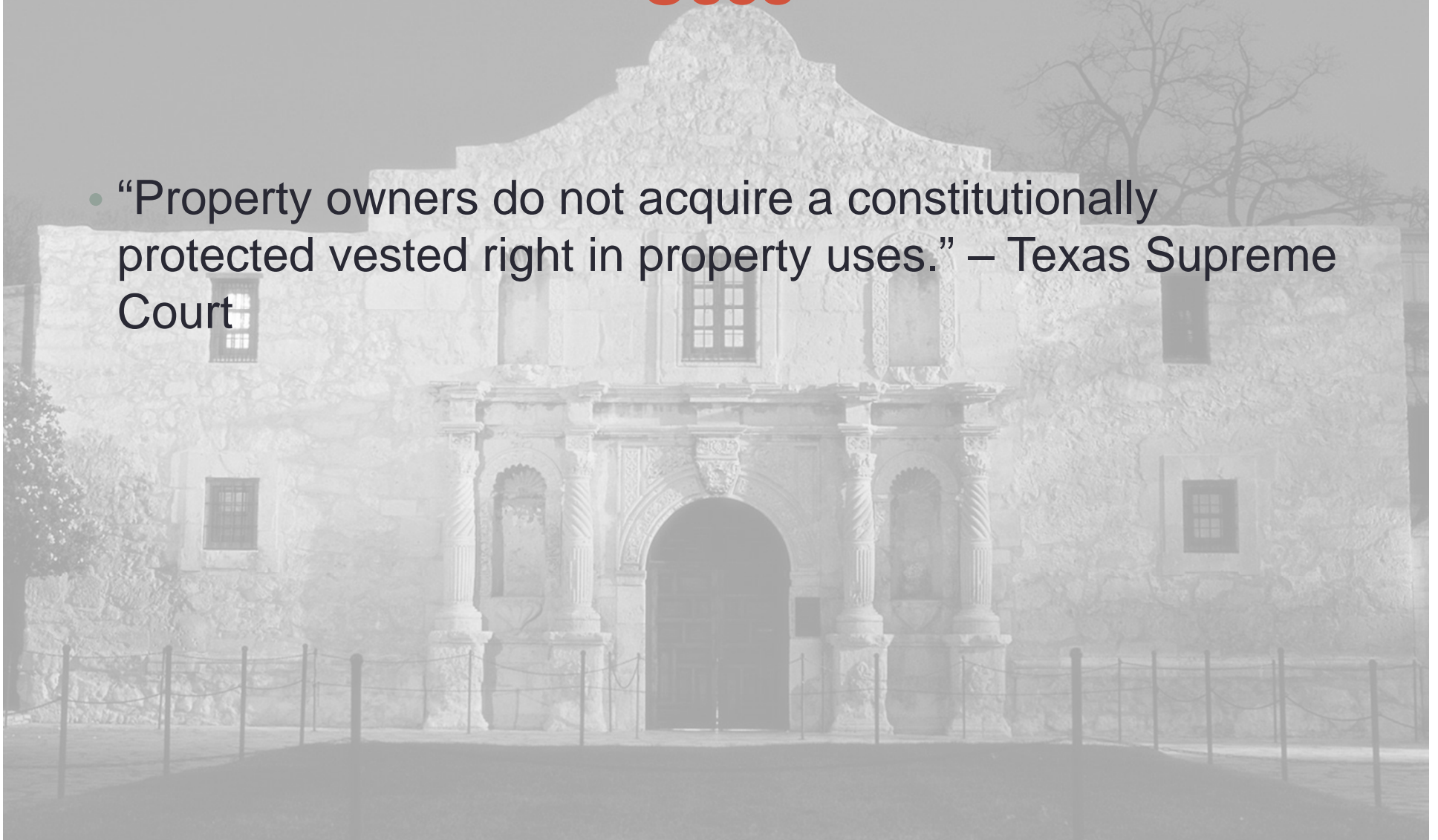
# Challenges: Woodard Paint & Body





# Challenges: No Vested Right in Property Uses

- “Property owners do not acquire a constitutionally protected vested right in property uses.” – Texas Supreme Court



# Property Rights: Recent Improvements

- HJR 14 (2009)
  - Required that taking property for the elimination of urban blight be based on the characteristics of a particular parcel of property
- SB 18 (2011)
  - Banned takings not for a public use
  - Changed some instances of “public purpose” for “public use”
- The Texas Supreme Court (2011)
  - Texas Rice Land Partners, Ltd. And Mike Latta v. Denbury Green Pipeline-Texas, LLC.
  - In Re State Of Texas v. Laws
  - City Of Dallas v. Heather Stewart
  - Barbara Robinson v. Crown Cork & Seal Company, Inc.



# Texas Model: 82<sup>nd</sup> Texas Legislature

- Balanced the budget w/o major tax increases and reduced GR/GRD spending by \$1.6
- Didn't spend the Rainy Day Fund ... yet
- Left about \$4 billion in Medicaid costs unfunded
- Passed Loser Pays & related tort reforms
- Protected Groundwater Rights
- Passed Interstate Health Compact
- Controlled Education Spending Growth
- Reduced Health Care Costs



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# Texas Model: November Constitutional Amendments

- Propositions 2 (\$6 billion-water) and 3 (\$1.86 billion-higher education) would set in place permanent debt – allowing government agencies to issue bonds over and over without ever having to approach the citizens again for a vote
- Proposition 4 allows Texas' counties to issue bonds or notes to finance the development/redevelopment of unproductive, underdeveloped, or blighted properties and pledge increases in ad valorem tax revenues imposed on property in the area for repayment of such bonds or notes



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# Texas Model: 83<sup>rd</sup> Texas Legislature

- Rainy Day spending: \$4 - \$8 billion
- Increased Medicaid Costs: \$12 - \$16 billion
- Education spending: lawsuit filed this week
- Desires to “fix” margins tax
- Desires to reduce property tax
- The need to closely examine state spending?
- More property rights reform?
  - Buyback provision
  - Public purpose to public use
  - Better compensation



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