

Texas Public Policy Foundation

Keeping Texas Competitive

A Legislator's Guide to the Issues 2013-2014



Jobs and the Texas Model

The Issue

Texas has long led the nation in job creation and economic growth. In 2011, the Texas economy created more than 200,000 net new jobs, making it the first large state to see its labor market returned to pre-recession employment levels. Over the last 10 years, the level of job growth has been even more impressive: Texas created more than 1 million jobs during this period, more than all other states combined; while California, New York, Florida, and Illinois lost 930,000 jobs combined.

In terms of economic growth, Texas' economy grew at a quicker pace than did the rest of the nation. In 2011, Texas' real gross domestic product grew by 2.4% whereas the nation's GDP grew by just 1.6%. This year, Texas' economy is again expected to grow slightly faster than the nation as a whole.

So the question is: How has Texas been able to achieve so much while many other states are still struggling?

Simple. It's kept taxes low, kept regulations to a minimum, passed a series of reforms to create a sound civil justice system, and has generally kept reliance on the federal government at a lower level than other states. This has become known as the Texas Model.

Some examples of the Texas Model in action over the years include:

- **Balancing the Budget with Available Revenue.** In the last legislative session, state lawmakers closed a \$15 billion budget shortfall without raising taxes, opting instead to cut spending to match available revenue. Total state spending declined for the first time in more than 50 years, shrinking the cost of government and keeping more money flowing through the private sector.
- **Maintaining Texas' Right-to-Work Status.** Texas has long been a right-to-work state; it allows residents to work regardless of whether they choose to join a union. This also provides employers with greater flexibility in meeting their workforce and business needs, and allows them to control their cost of doing business.
- **Deregulation.** In the decade since Texas deregulated its electricity market, companies have invested \$41 billion in new generation and transmission capacity. This has allowed Texas' electricity supply to keep pace with our state's rapid growth, and for retail electricity rates to be lower today than they were in the final days of Texas' utility monopolies.
- **Sensible Land Use Policies.** Texas' relatively open land-use policies have allowed housing to remain well balanced between supply and demand, largely protecting our state from the booms and busts that have so dramatically affected the east and west coasts.
- **Lawsuit Reform.** The Lone Star State has been a leader in lawsuit reform since the mid-1990s. Through a series of legislative proposals and constitutional amendments—including non-economic damage caps in medical malpractice lawsuits and last year's "loser pays" legislation—Texas has acted decisively to reduce the number of frivolous lawsuits filed in the state.

By cultivating an environment of low taxes and limited government, past Texas legislatures have helped transform the state

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into America's economic engine. And by continuing to pursue these free market, limited government policies, the next legislature can help to make sure that it stays that way.

The Facts

- Texas' state and local tax burden ranked 45th nationally in fiscal 2009, according to the Tax Foundation. This compared favorably to other large states like New York (2nd), California (6th), Illinois (13th), and Florida (31st).
- In 2011, Texas' economy added more than 200,000 jobs returning the state's labor market to pre-recession levels.
- Texas' unemployment rate is a full percentage point lower than the national average. Moreover, the state's unemployment has been at or below the national average for over five years.
- Texas' real gross domestic product grew by 2.4% in 2011, while the nation's GDP grew by just 1.6%.

Recommendations

- Texas should not deviate from the Texas Model: low spending and taxes, a predictable, low level of regulation with strong property rights protection, a sound civil justice system, and minimal dependence on/interference from the federal government.
- Balance the state's 2014-15 budget with available revenue, without raising taxes and fees or creating new revenue streams, while safeguarding the Economic Stabilization Fund.

Resources

Why the Texas Economy is Booming by Talmadge Heflin, Texas Public Policy Foundation (Mar. 2012).

The Texas Model: Texas v. U.S. Unemployment Rate Update by James Quintero, Texas Public Policy Foundation (Feb. 2012).

The Texas Model by Bill Peacock, Texas Public Policy Foundation (Jan. 2012).

Texas' Economic Leadership Due to Our Leadership in Limited Government Policies by Bill Peacock, Texas Public Policy Foundation (June 2011).

