



Texas' Economic, Labor Market, and Fiscal Situation

Vance Ginn, Ph.D.

Director, Center for Economic Prosperity & Senior Economist

Updated Monthly – April 2019

#LetPeopleProsper

vginn@texaspolicy.com | www.texaspolicy.com | @vanceginn

Outline

- Texas' economy, labor market, & fiscal situation.
- Importance of institutions to prosperity.
- High taxes are always a spending problem.
- Conservative Texas Budget Coalition's [priorities](#).

Economic & Fiscal Situation

- Texas is 10th largest world economy, excluding CA:
 - Economy grew faster 2017-18 after slower 2015-16
 - Federal tax & regulatory reforms support growth
 - Federal Reserve tightening credit: rates too low for too long
 - Falling oil prices (~10% of real private economy/+20% in 80s)
- 2015 Texas Legislature:
 - Passed 2016-17 Conservative TX Budget (CTB) < 6.5% growth
 - Left billions of dollars on table & \$10 B in Rainy Day Fund
 - Passed \$4 B in tax and fee relief
- 2017 Texas Legislature:
 - Sustained 2016-17 CTB with supplemental bill < 6.5% growth
 - Passed 2018-19 CTB < 4.5% growth
 - Spent \$1 B in RDF & Delayed \$1.8 B transportation funds
 - Did not raise major taxes/fees & \$12.5 B RDF

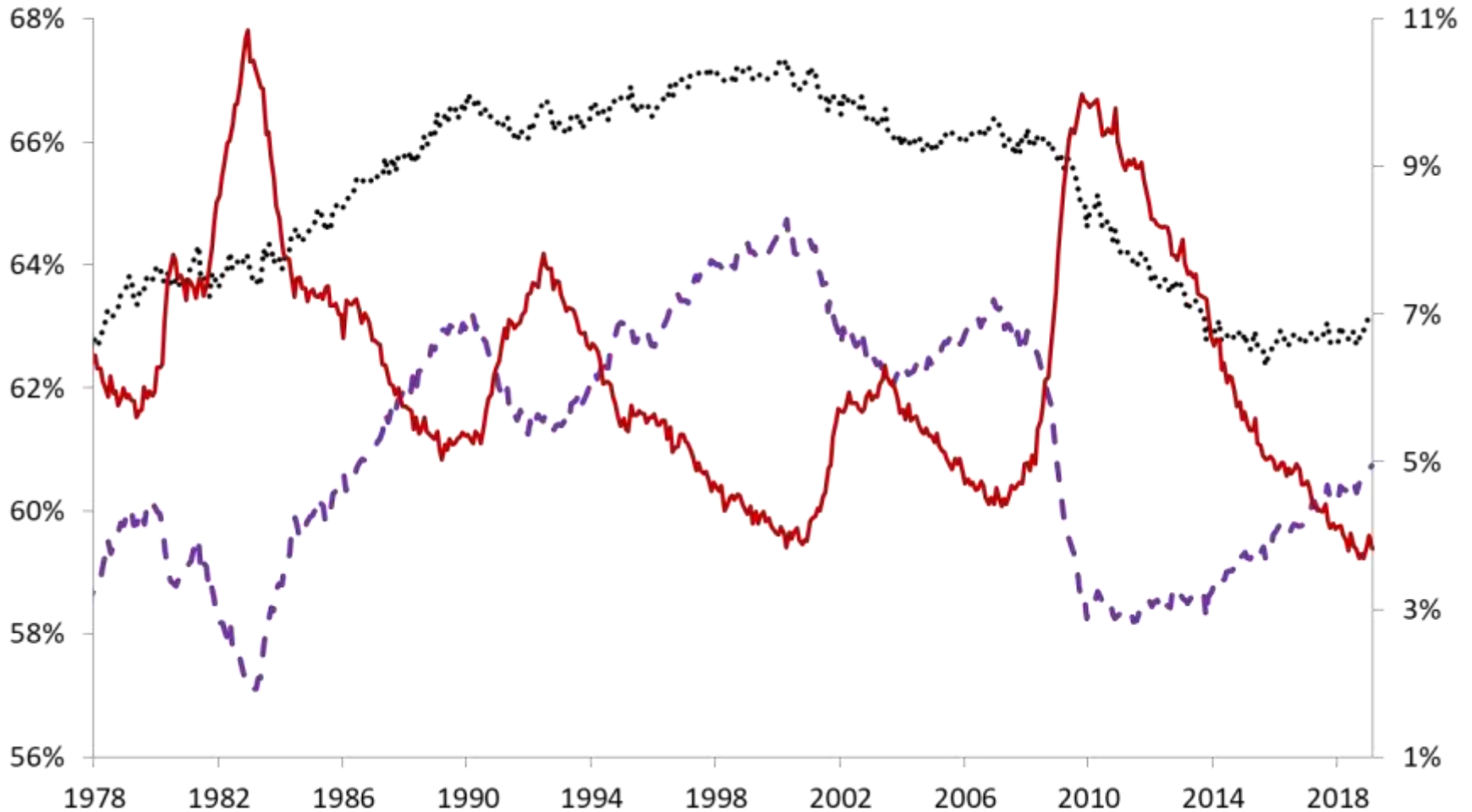
Institutions Matter: Texas Model Works

Measure	U.S.	Texas	Florida	California	New York
Economic Freedom of North America	6 th (World)	3 rd	1 st	47 th	50 th
State Business Tax Climate Index	--	15 th	4 th	48 th	49 th
State-Local Spending Burden	--	37 th	48 th	6 th	3 rd
State-Local Tax Burden	--	46 th	34 th	6 th	1 st
Avg. U-3 Unemployment Rate (00-17)	6.4%	5.8%	6.3%	7.7%	6.2%
Avg. U-6 Underutilization Rate	11.6%	10.5%	12.0%	14.3%	11.1%
Avg. Labor Force Participation Rate	65.0%	66.1%	61.7%	64.6%	62.1%
Avg. Employment-Population Ratio	61.0%	62.3%	58.0%	59.9%	58.3%
Total Civilian Emp (12/07-12/17)	+5,723,000	+2,024,000	+979,000	+1,564,000	+132,000
Avg. Top 10% Income Shares (00-15)	47.8%	47.0%	55.0%	50.2%	57.1%
Supplemental Poverty Measure (15-17)	14.1%	14.7%	18.1%	19.0%	15.5%

Note: Blue Cell=Best, Red Cell=Worst

Source: TPPF, [Do Institutions Matter for Prosperity in Texas and Beyond?](#)

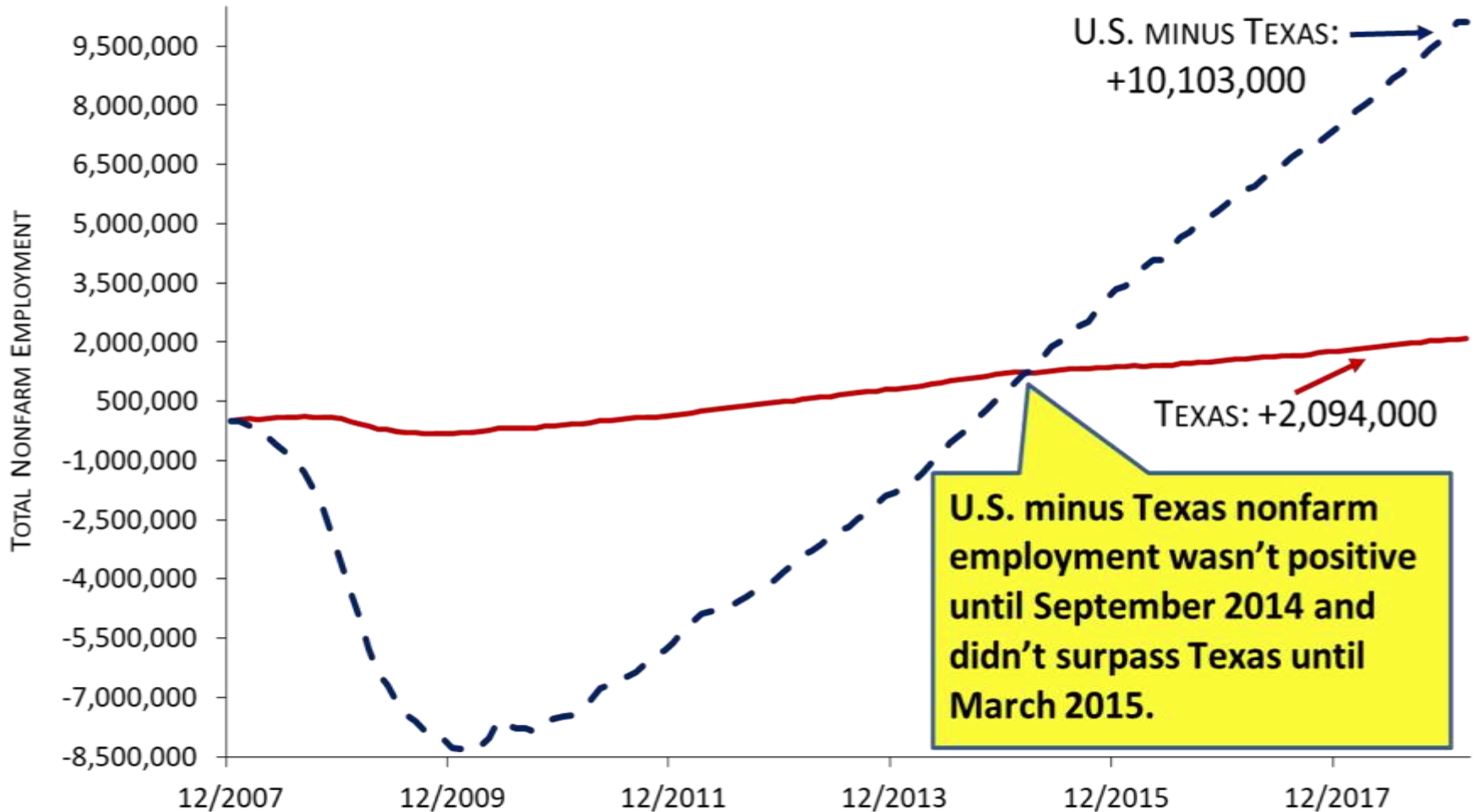
U.S. Labor Market Sends Mixed Signals



Source: [U.S. Bureau of Labor Statistics](https://www.bls.gov/)

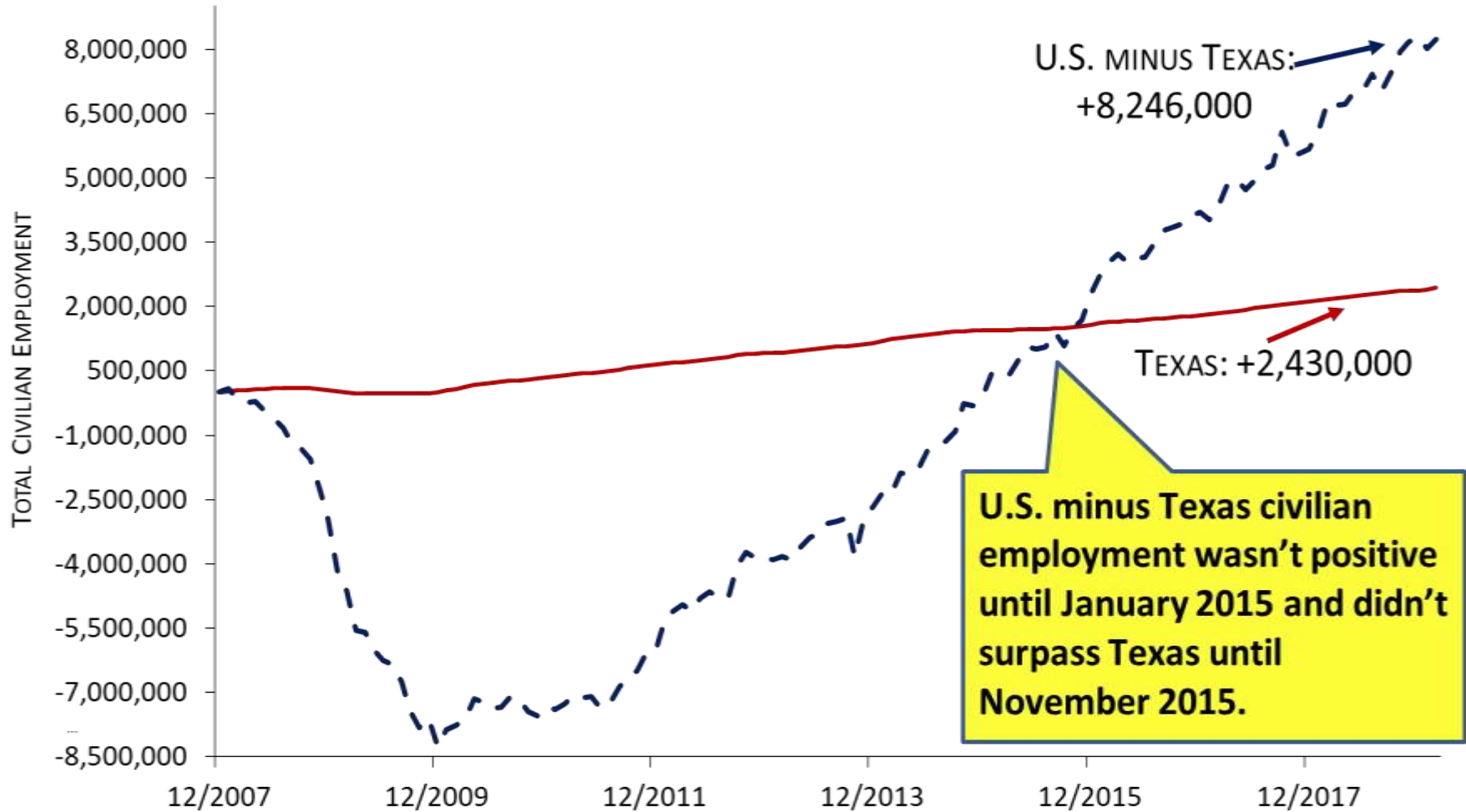
Texas, America's Jobs Engine

Texas has created 23% of total U.S. employment increase since pre-Great Recession



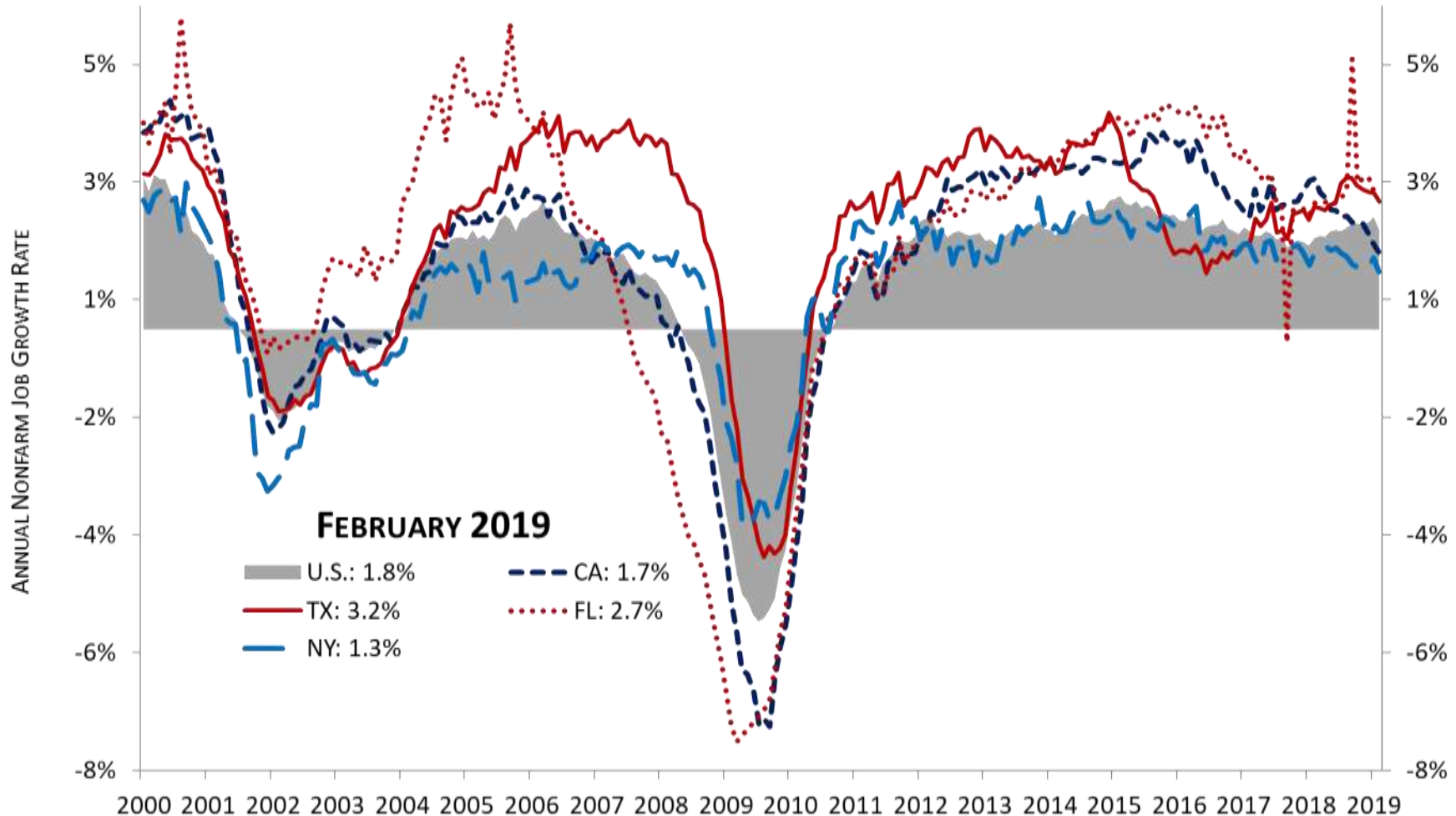
Data are Cumulative Monthly Total Civilian Employment from the [U.S. Bureau of Labor Statistics](https://www.bls.gov/) from 12/2007 to 2/2019.

Texas has Created 17% of All Nonfarm Jobs Since Great Recession Started



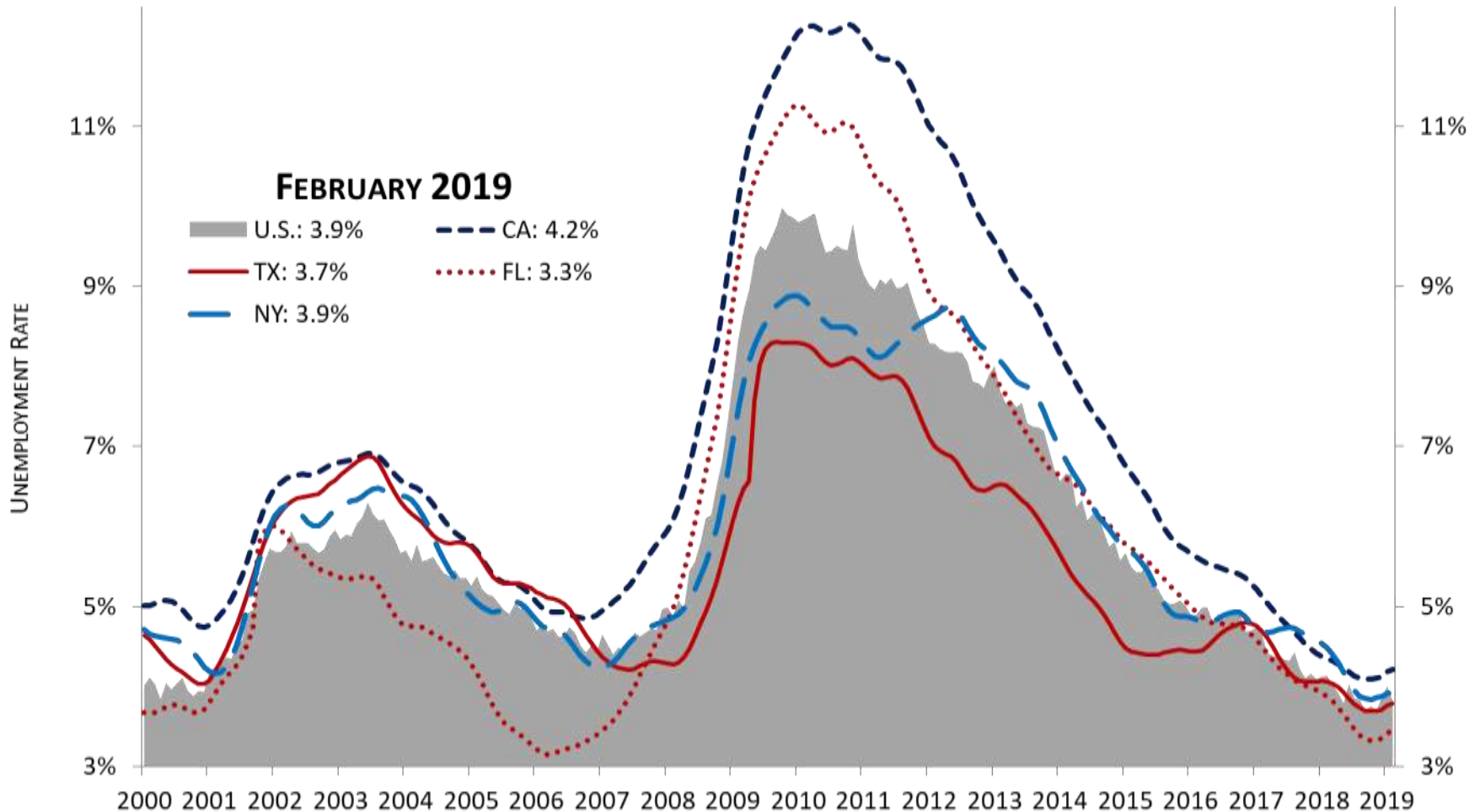
Data are Cumulative Monthly Total Nonfarm Employment from the [U.S. Bureau of Labor Statistics](https://www.bls.gov) from 12/2007 to 2/2019.

Texas Created 268,800 Net Nonfarm Jobs In the Last 12 Months



Seasonally adjusted nonfarm employment data are from the [U.S. Bureau of Labor Statistics](https://www.bls.gov/).

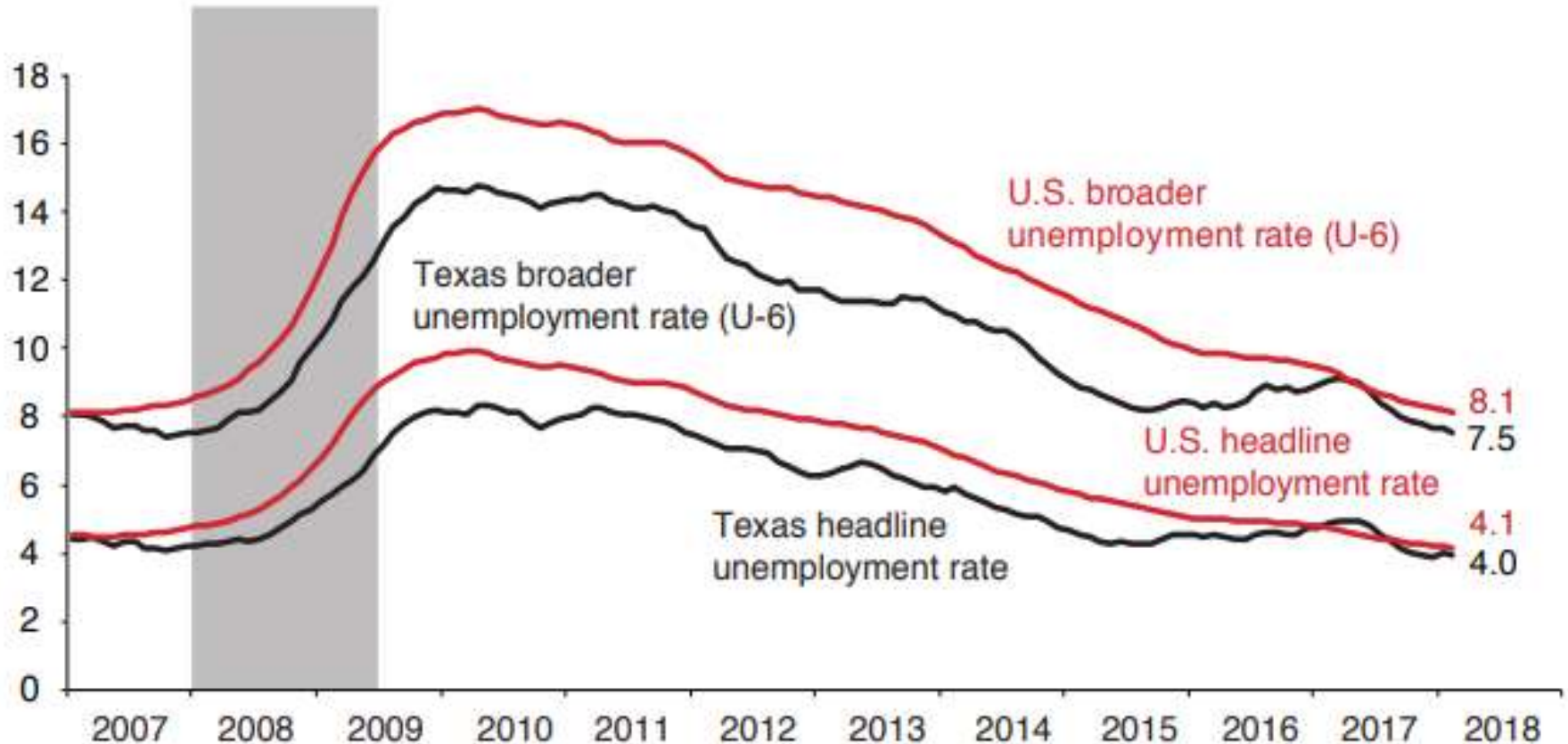
Texas' Unemployment Rate At or Below 5% for 55 Straight Months



Seasonally adjusted nonfarm employment data are from the [U.S. Bureau of Labor Statistics](https://www.bls.gov/).

Mostly Lower Unemployment Rates in Texas Since Great Recession

Percent, six-month moving average

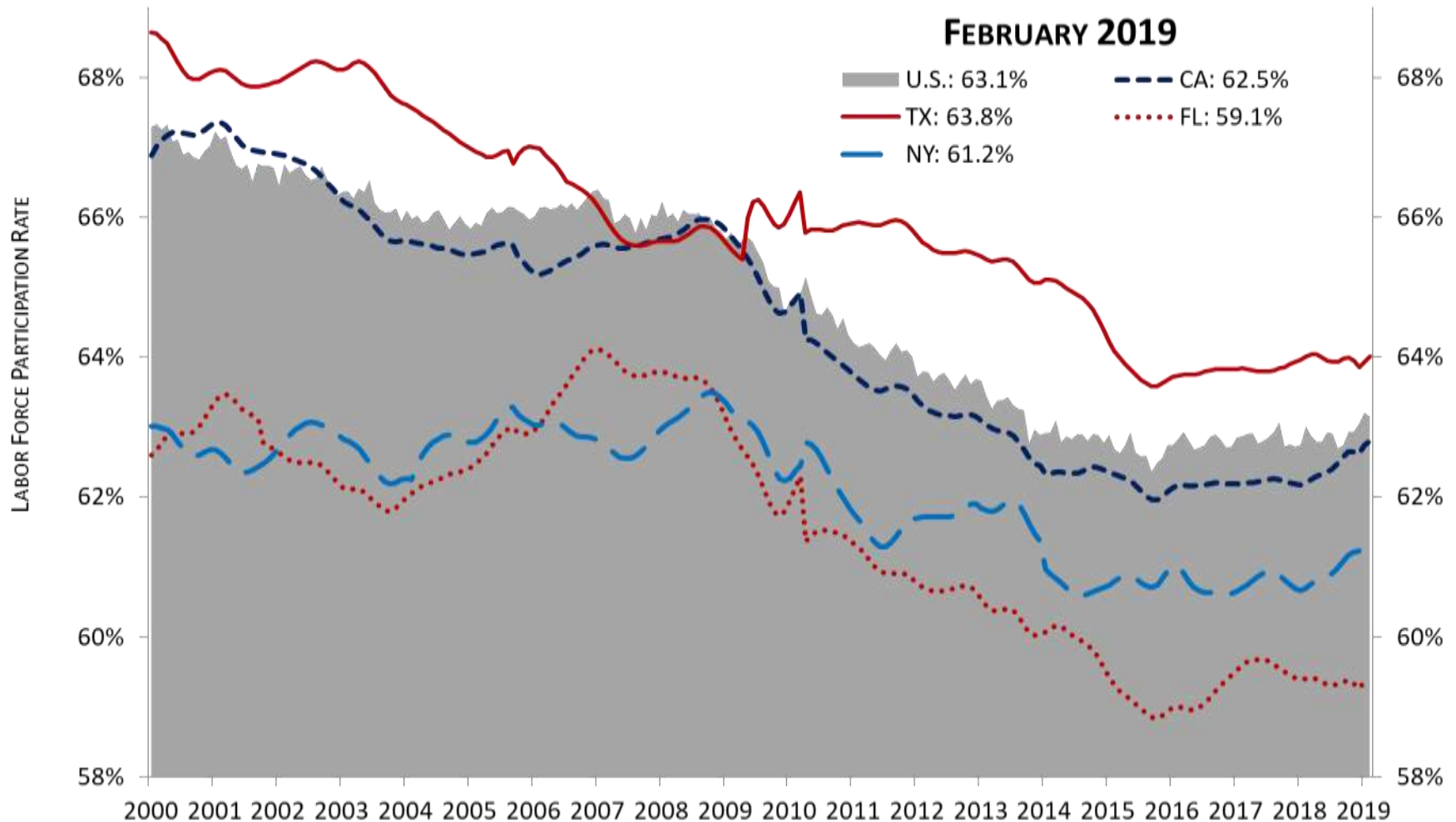


NOTES: The shaded area indicates U.S. recession. Data are through February 2018.

SOURCES: Census Bureau, Current Population Survey; seasonal and other adjustments by the Federal Reserve Bank of Dallas.

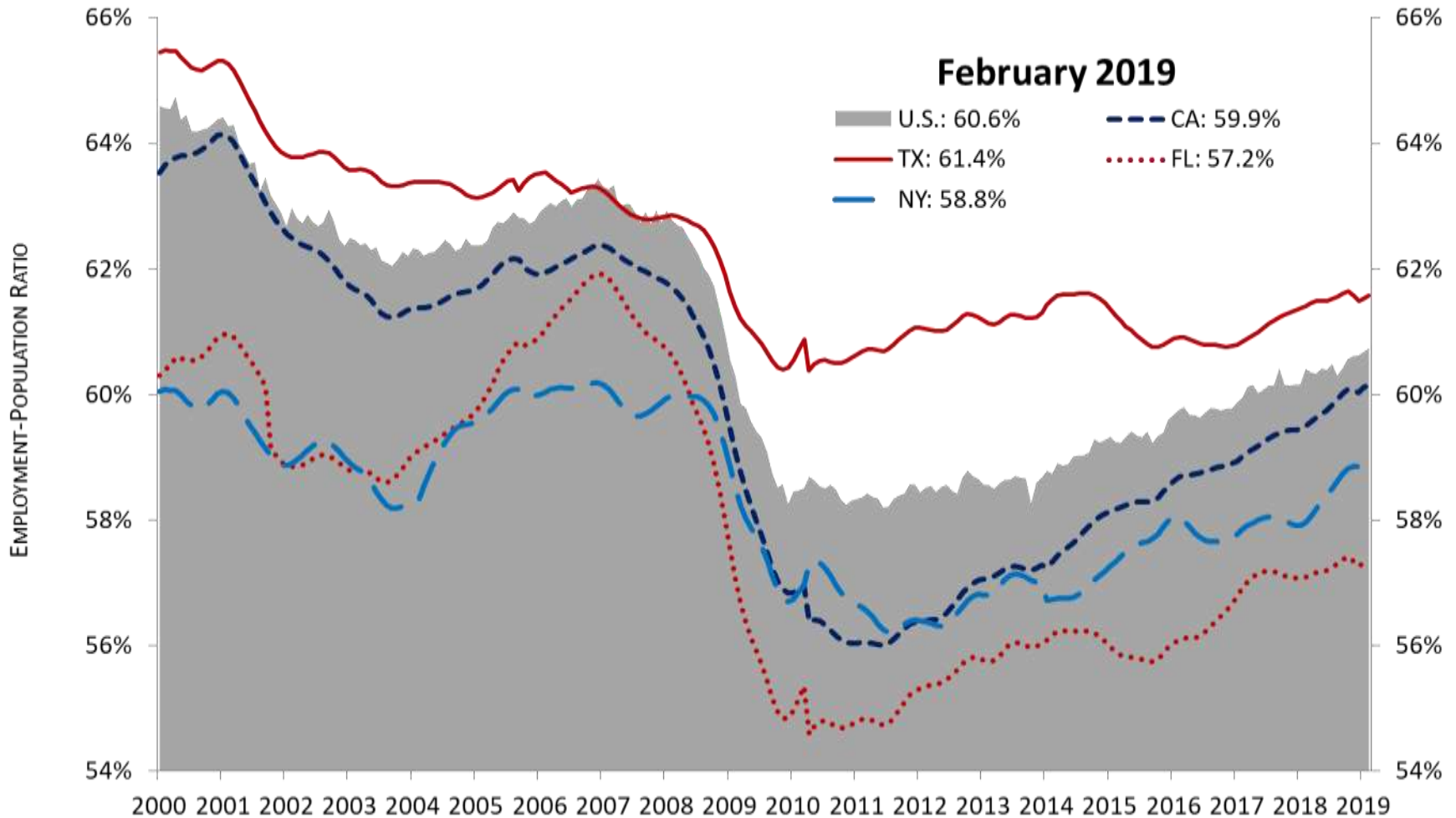
Source: Dallas Fed, [Texas Economy Starts 2018 Firing on All Cylinders](#)

Texas' Labor Force Participation Rate Remains Above Others Since 2009



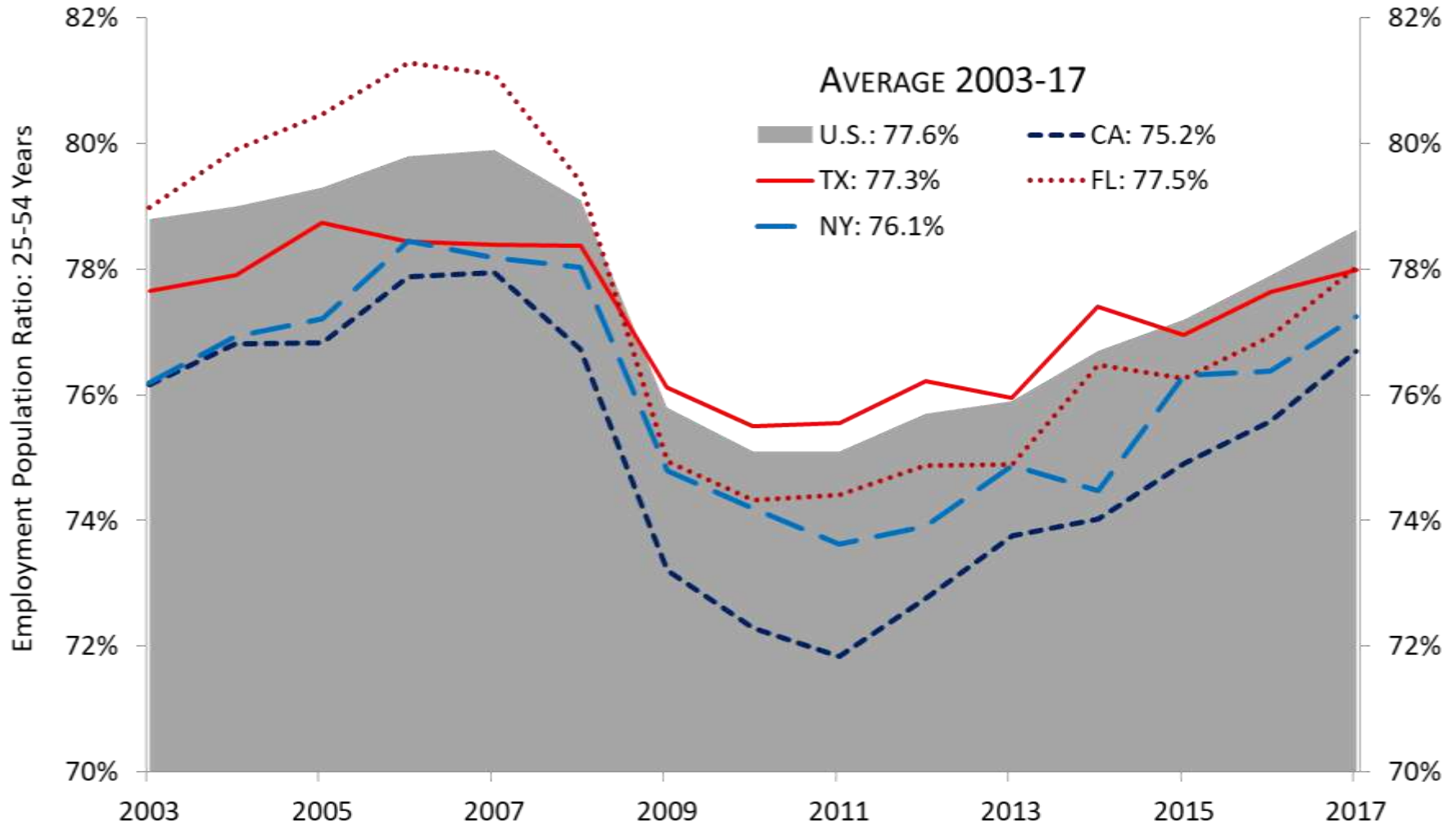
Seasonally adjusted nonfarm employment data are from the [U.S. Bureau of Labor Statistics](https://www.bls.gov/).

Texas' Employed Population Rate Remains Above Others Since 2008



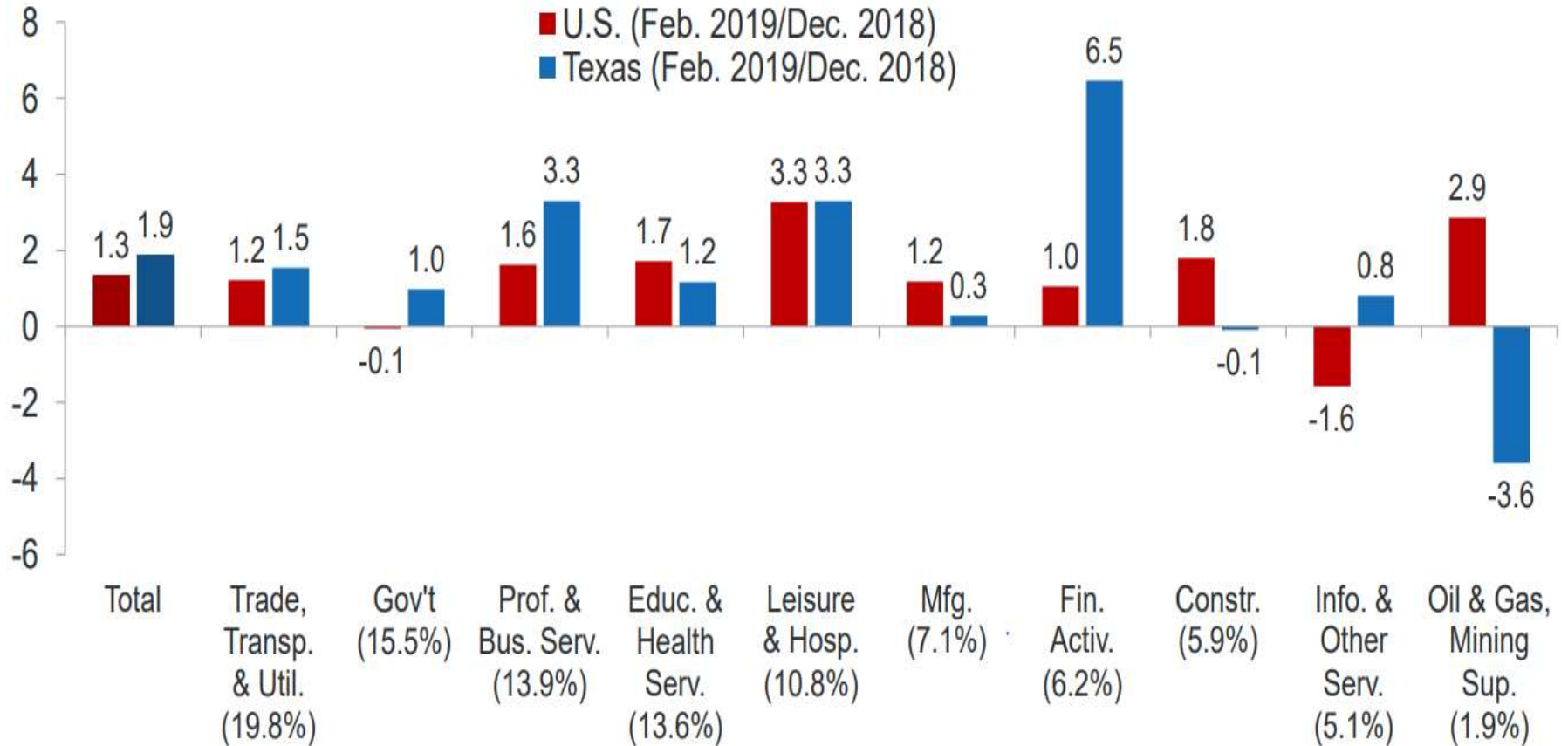
Seasonally adjusted nonfarm employment data are from the [U.S. Bureau of Labor Statistics](https://www.bls.gov/).

Texas' Prime-Age Employed Population Higher than Others Since 2009



Seasonally adjusted nonfarm employment data are from the [U.S. Bureau of Labor Statistics](https://www.bls.gov/).

Diversified TX Economy Continues Robust Job Creation Across Most Sectors



*Seasonally adjusted, annualized rate.

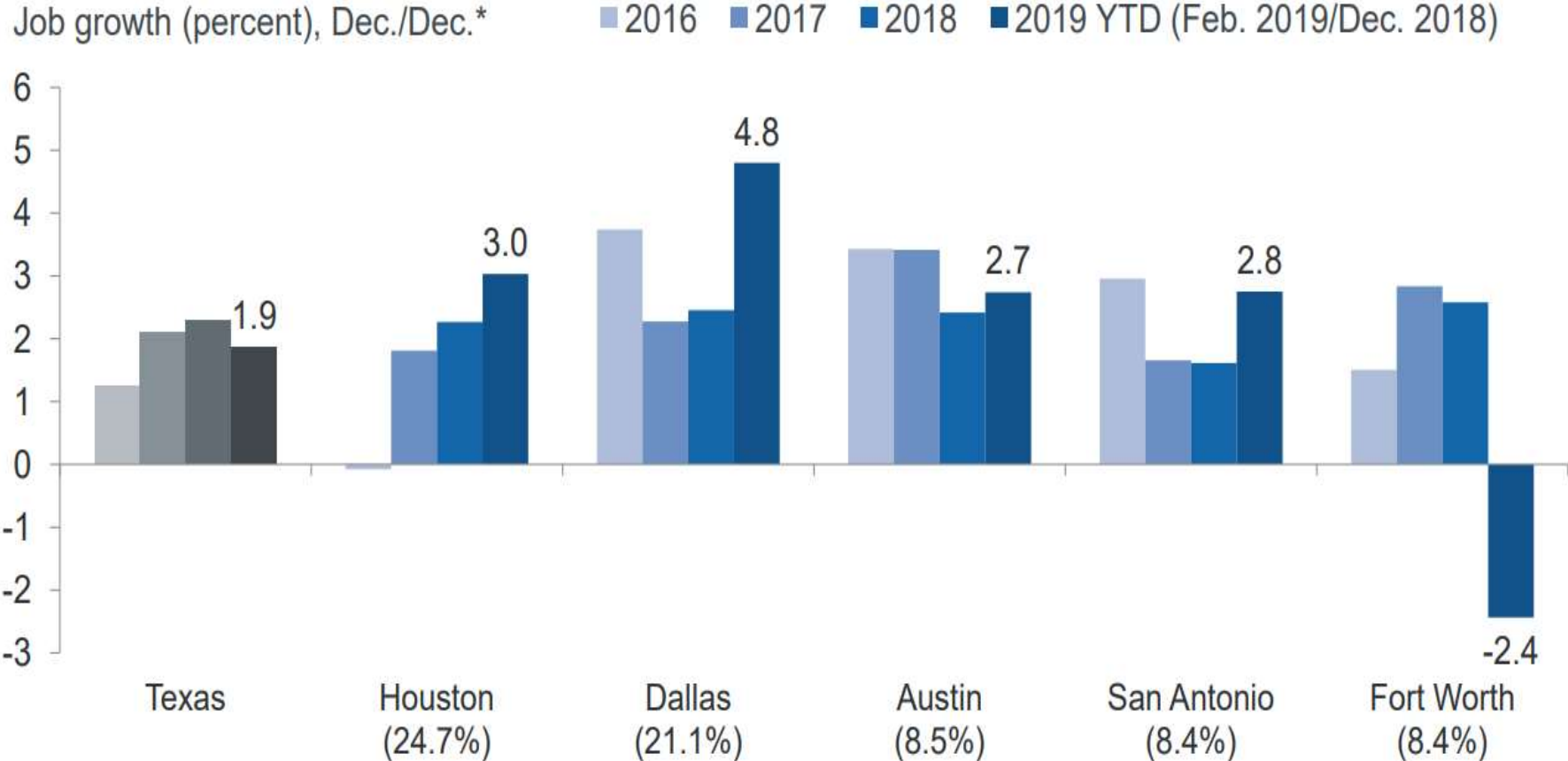
NOTE: Numbers in parenthesis indicate share of total state employment for most recent monthly data.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

DATA: <https://www.dallasfed.org/research/econdata/tx-emp-ind.aspx>

Source: Dallas Fed, [Your Texas Economy](#).

Texas' Metros Sustain Positive Job Growth



*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for most recent monthly data.

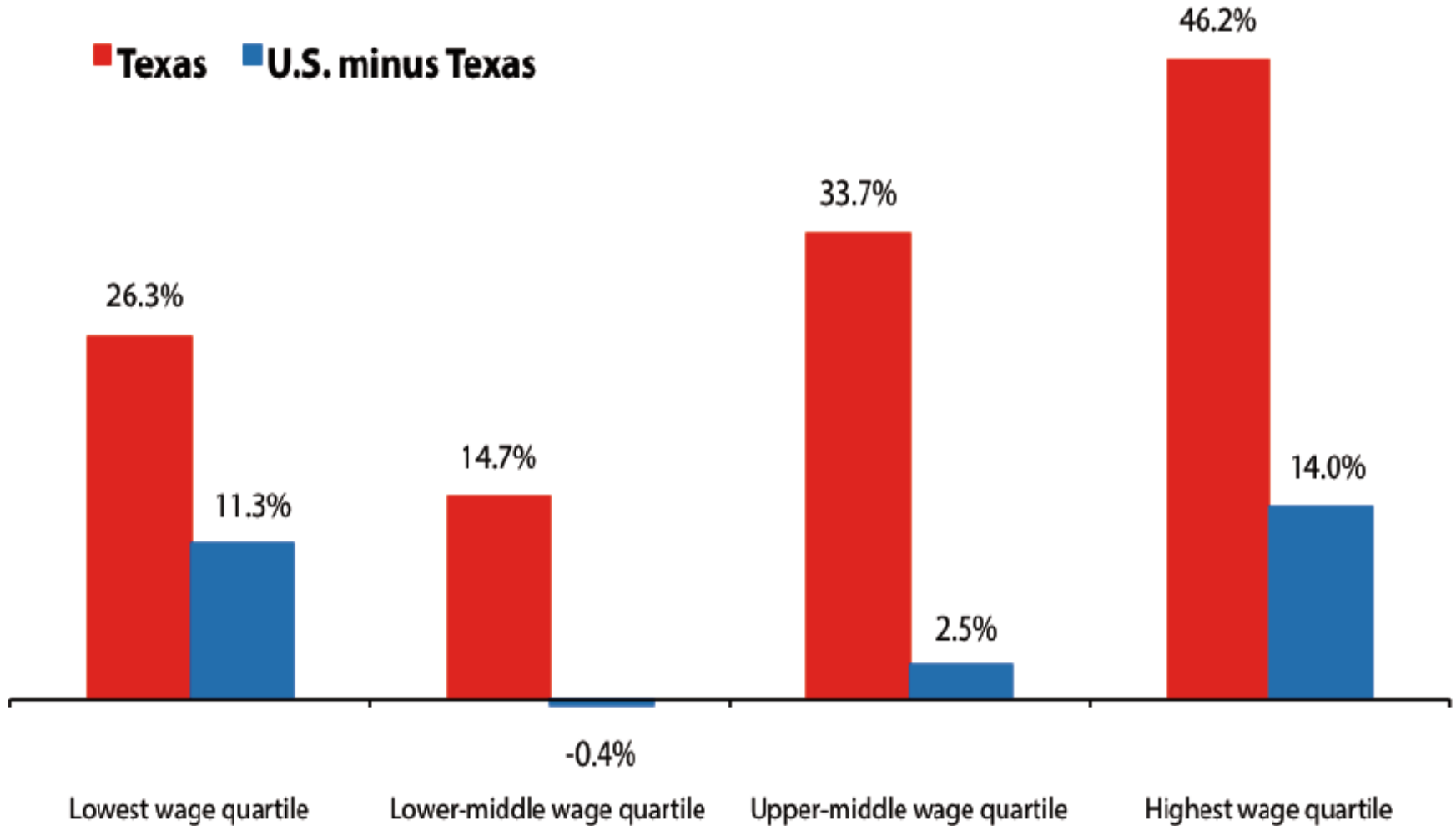
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

DATA: <https://www.dallasfed.org/research/econdata/tx-emp.aspx#tab3>

Source: Dallas Fed, [Your Texas Economy](#).

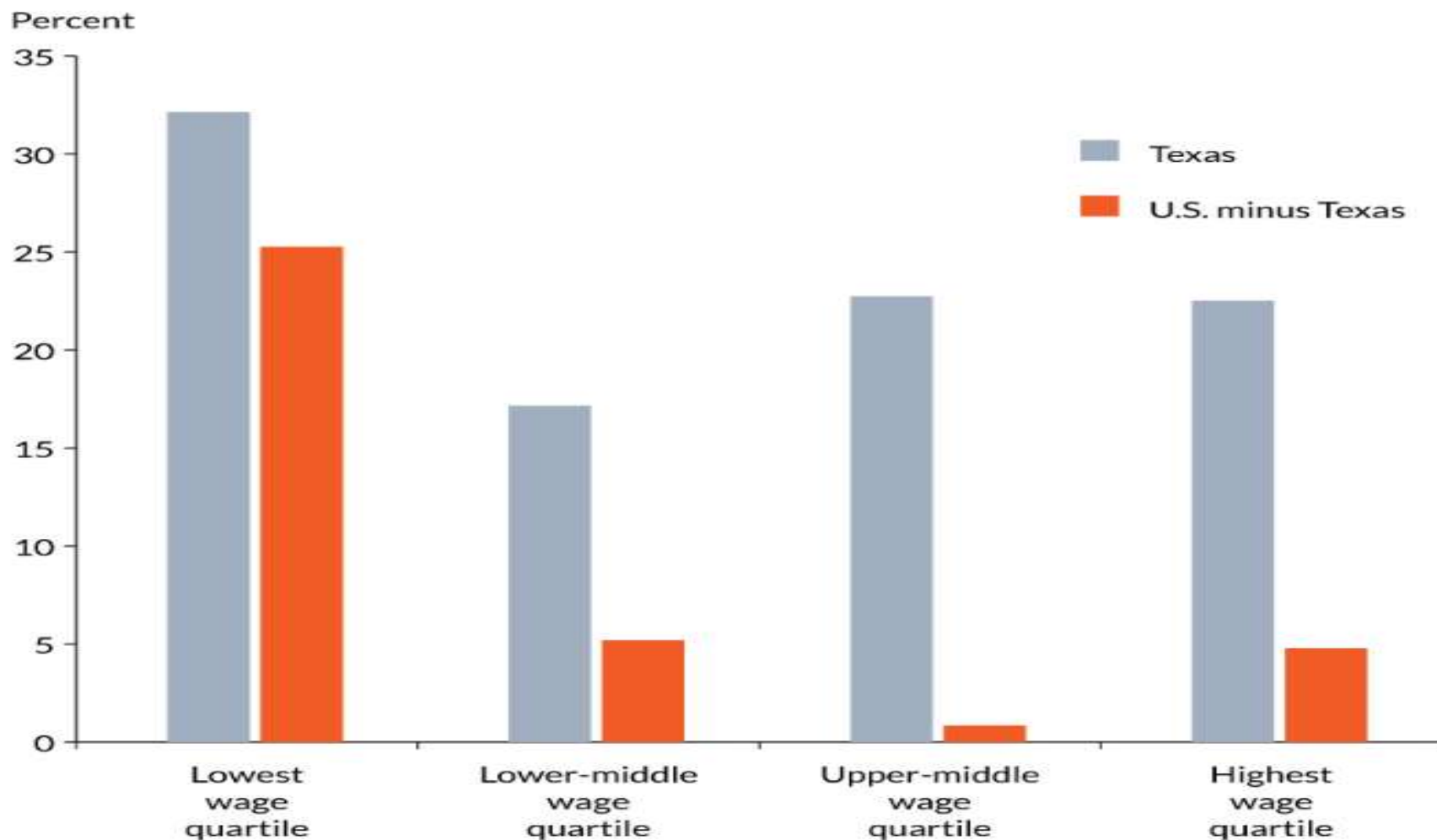


Not Just Low Wage Jobs: Job Growth Across Wage Quartiles, 2000–14



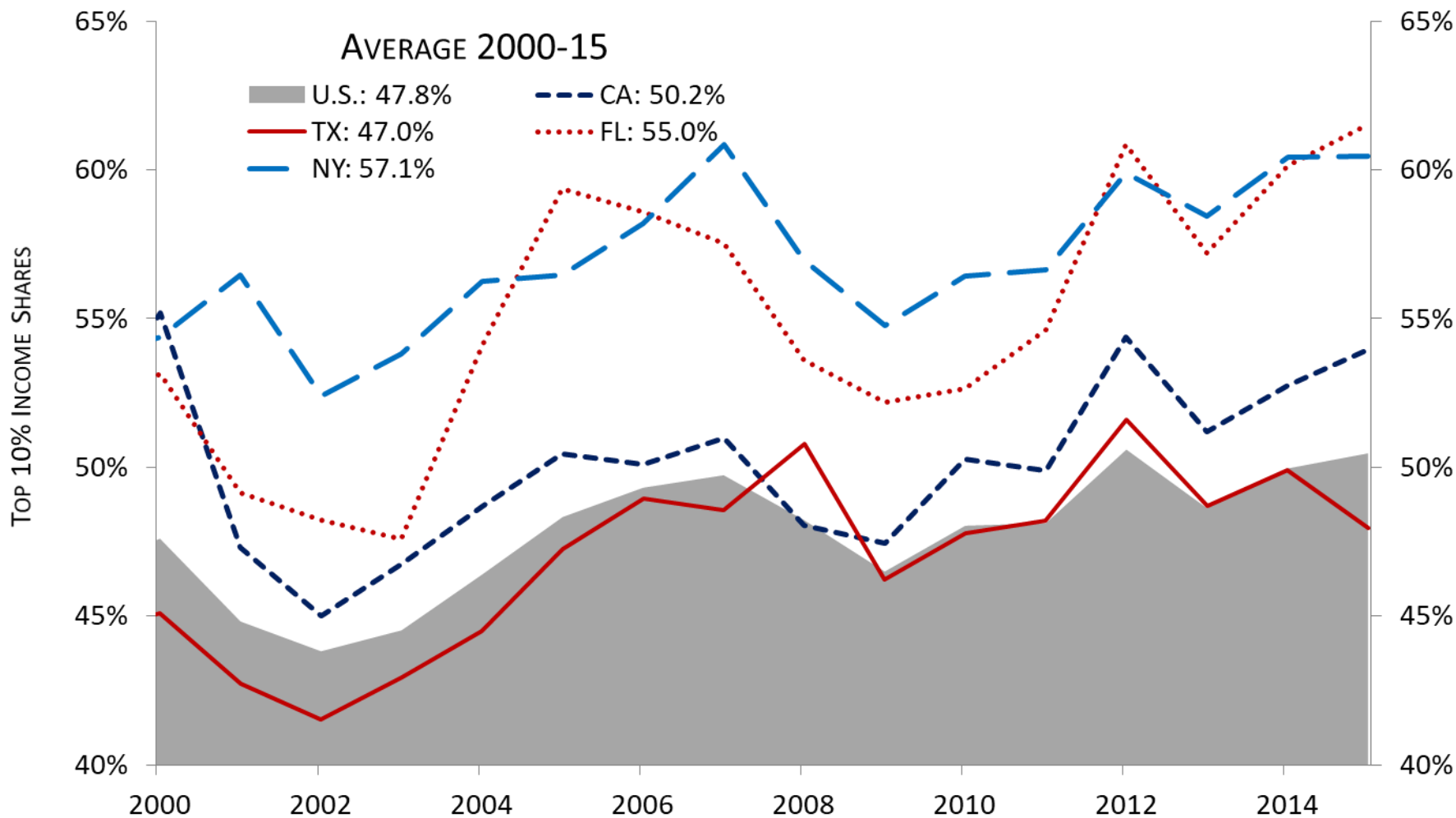
Source: TPPF, [A Labor Market Comparison: Why the Texas Model Supports Prosperity](#)

Not Just Low Wage Jobs: Job Growth Across Wage Quartiles, 2005–2014



Source: Dallas Fed, [Annual Report 2015](#)

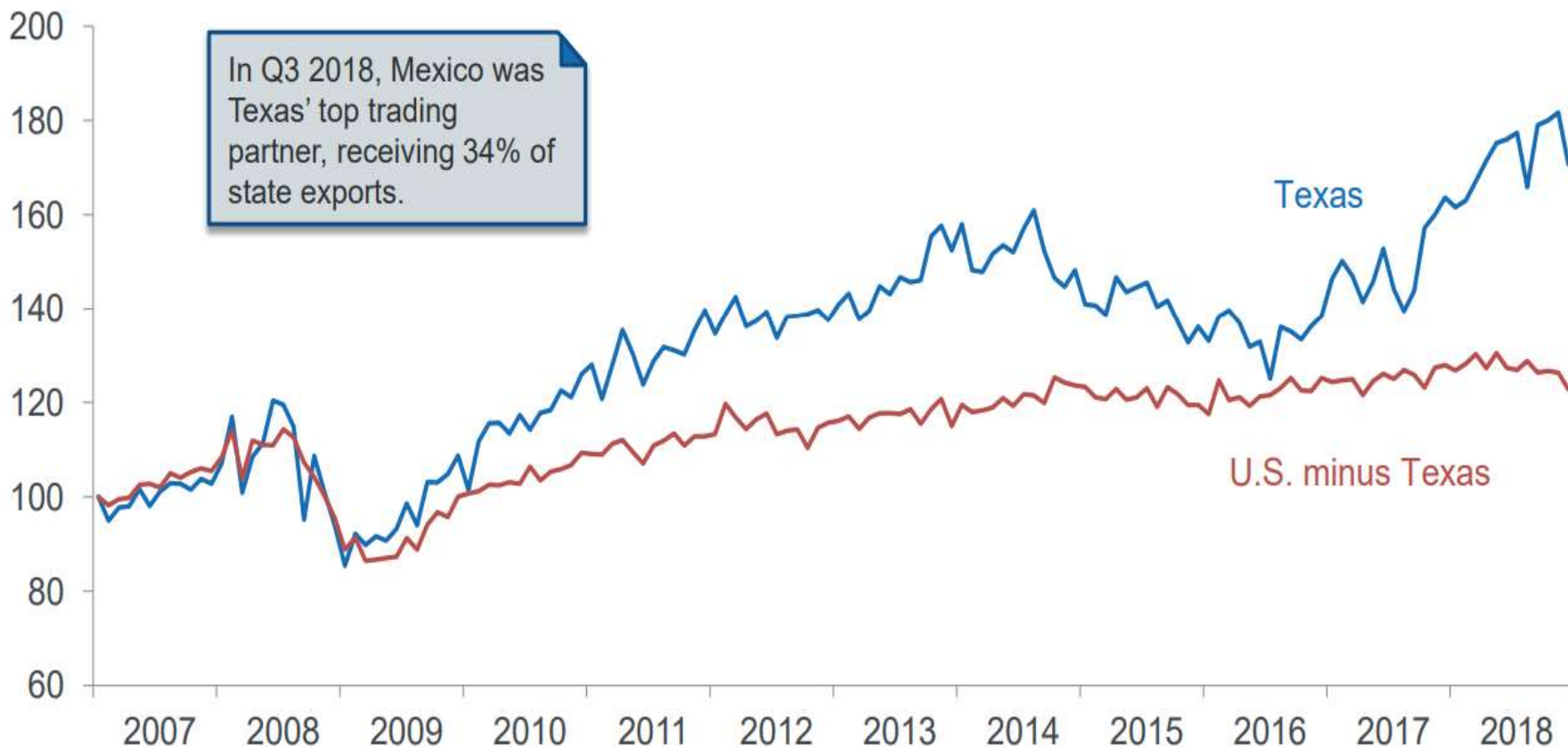
Income Inequality Lower in Texas than Other Large States and U.S. Average



Source: [Mark Frank, Sam Houston State University](#)

Texas is America's Export Leader for 17 Straight Years

Index, Jan. 2007=100*



*Seasonally adjusted, real dollars.

NOTE: Data through December 2018.

SOURCES: U.S. Census Bureau; WISERTrade; Bureau of Labor Statistics; seasonal and other adjustments by FRB Dallas.

Source: Dallas Fed, [Your Texas Economy](#).

Texas' Potential Economic Challenges

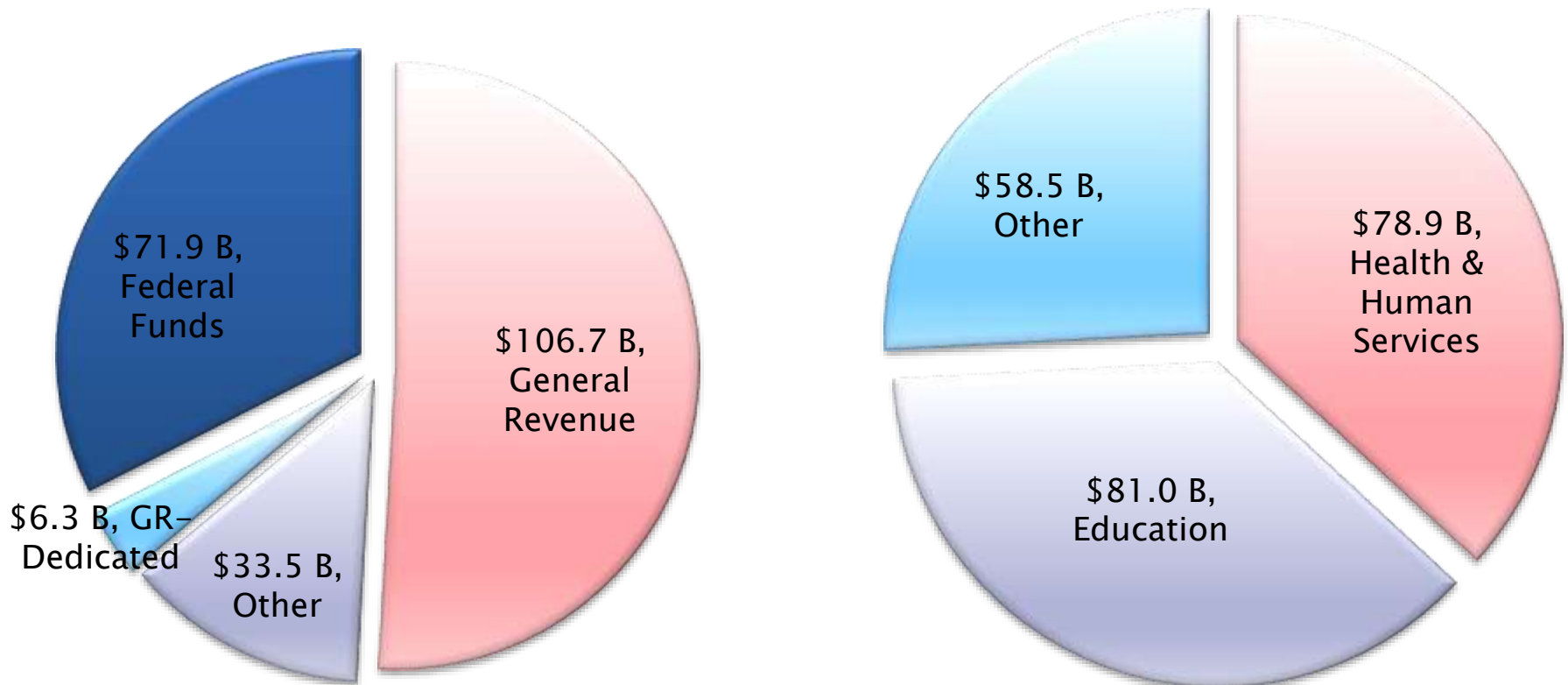
- Lower oil prices: But more diversified economy
 - 1980s: 21% of real private economy; 5% of labor force
 - Today: ~10% of real private economy; ~2% of labor force
- More diversification from market activity, [NAFTA](#), pro-growth policies
- Federal cuts in taxes & regs support growth
- Slower global growth & federal government policies may be impediments, like trade & debt

Fiscal Prospects Support Opportunity

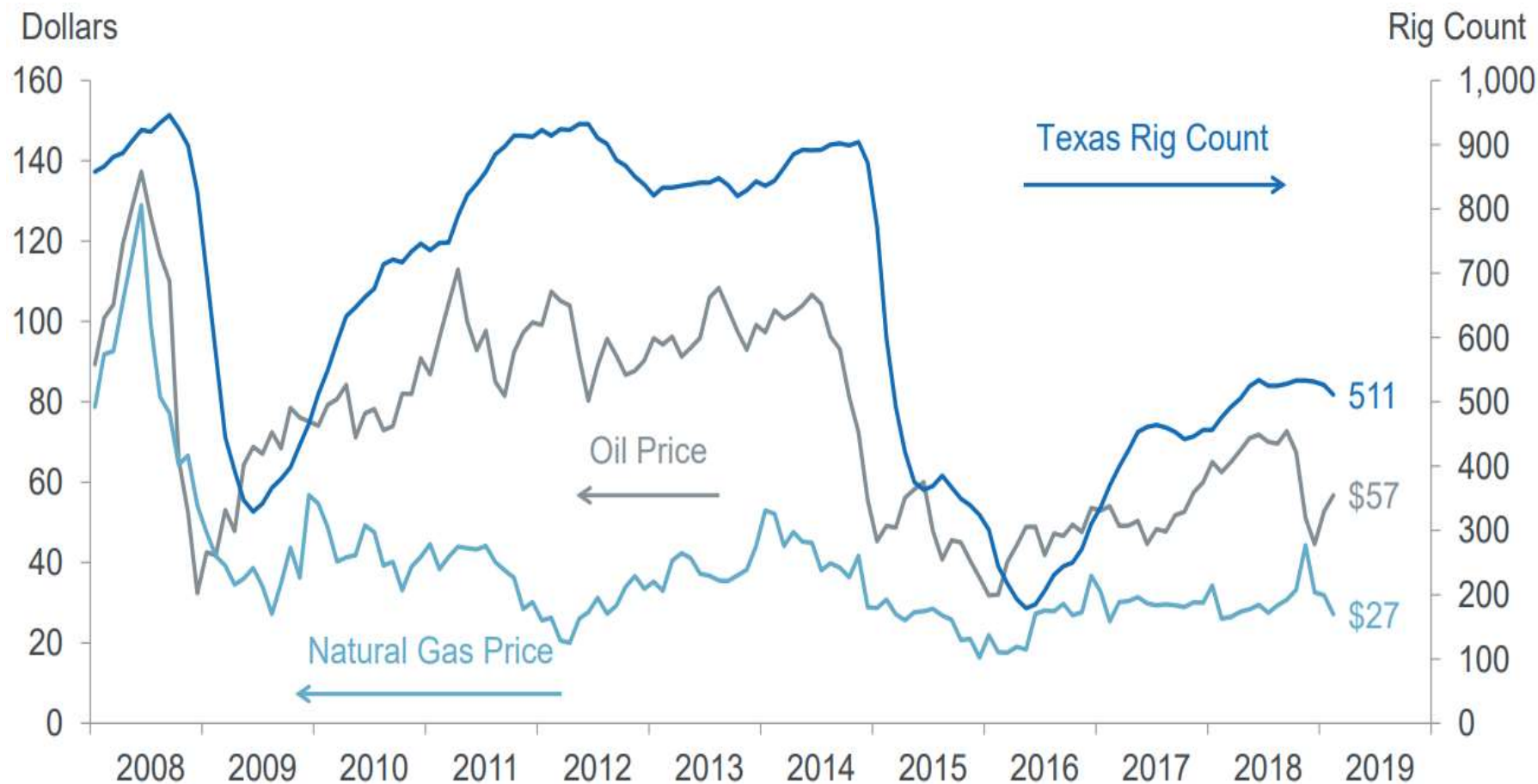
- No recent examples of consecutive Conservative Texas Budgets, defined as budget growth < pop+inf:
 - 2003: Dealt with a \$10 B shortfall and passed a CTB but massive budget increase in 2005
 - 2011: Passed a CTB but delayed payments for Medicaid & education led to a large budget increase in 2013
- Until...
 - 2015: Passed potential 2016-17 CTB, provided tax relief, and left money on the table
 - 2017: Sustained 2016-17 CTB, passed potential 2018-19 CTB, and did not raise major taxes or fees

Texas Government Budget

2018-19 Total Approps: \$218.4 B
with \$1.8 B transportation fund delay
(4.46% increase)



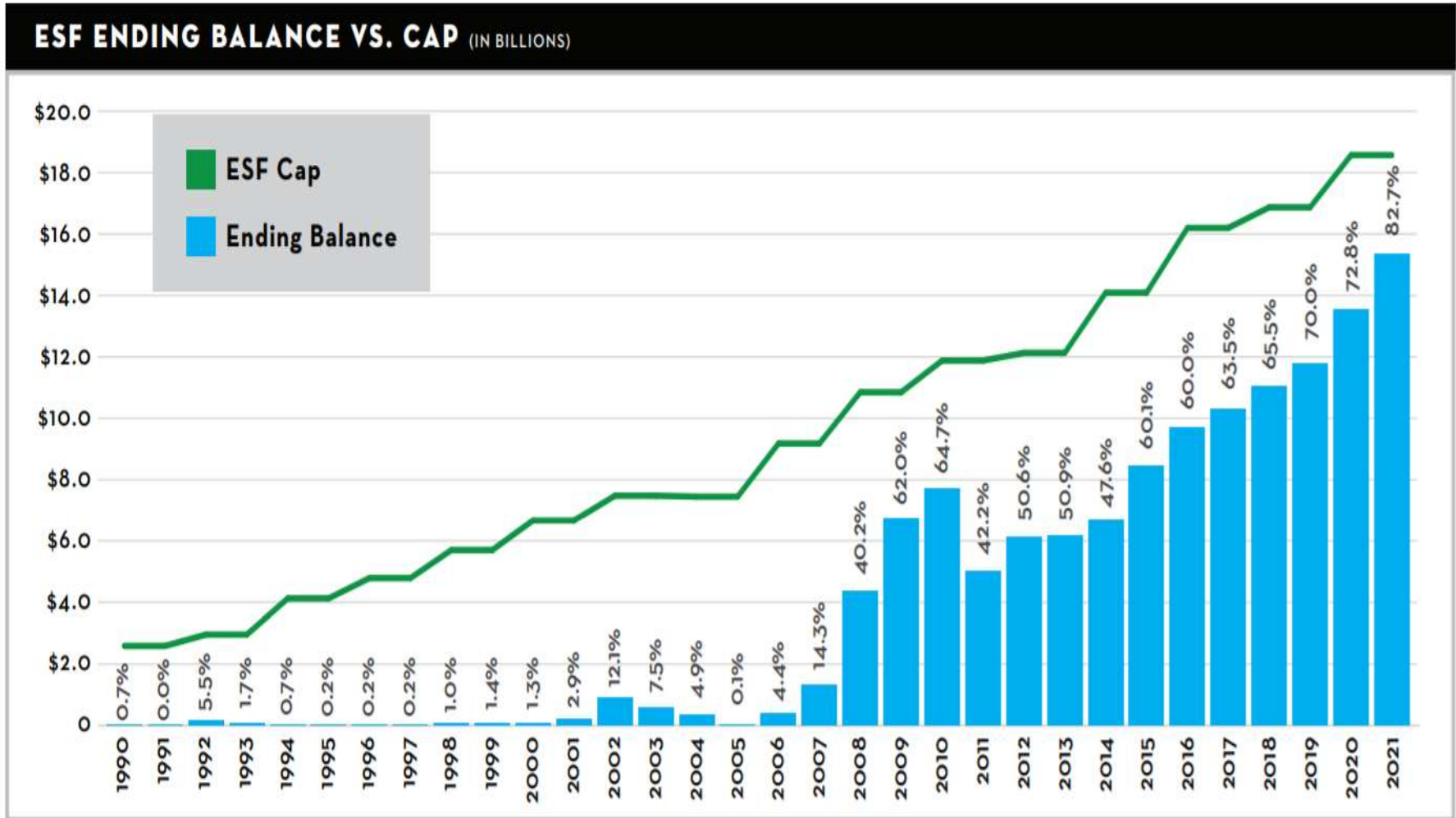
ESF Keeps Growing: 4.8 million barrels of oil/day is highest since 1981



NOTES: Oil price is dollars per barrel. Natural gas price is dollars per million Btu, multiplied by 10. Data through February 2019.
SOURCES: *Wall Street Journal*; Baker Hughes; U.S. Energy Information Administration; Haver Analytics.

Source: Dallas Fed, [Your Texas Economy](#).

Rainy Day Fund Reaching Near Cap: Lower Cap for Property Tax Relief



Source: Legislative Budget Board, [Economic Stabilization Fund](#).

General Revenue-Related Funds Estimated Up 8.1% in 2020-21 Period

BIENNIAL REVENUE ESTIMATE

January 2019

A CLOSER LOOK

The Texas Comptroller provides the Biennial Revenue Estimate (BRE) at the beginning of every regular legislative session. The estimate outlines how much state revenue is available for lawmakers to spend on programs for Texans through the 2020-21 biennium.

Revenue Available for General Purpose Spending

	2018-19	2020-21		
General Revenue-Related (GR-R) Tax Collections	+	\$99.27	\$107.32	In Billions of Dollars
Other GR-R Revenue	+	\$14.55	\$14.16	
Total GR-R Revenue	=	\$113.82	\$121.48	SUBTOTAL
Beginning Balance	+	\$1.94	\$4.18	
Total GR-R Revenue & Fund Balances	=	\$115.77	\$125.67	SUBTOTAL
Revenue Reserved for Transfers to the Economic Stabilization and State Highway Funds	-	\$5.57	\$6.34	
Amount Needed for Transfer to the Texas Tomorrow Fund*	-	\$0.00	\$0.21	
Total Revenue Available for General-Purpose Spending	=	\$110.20	\$119.12	TOTAL

*The original, constitutionally guaranteed prepaid tuition program is projected to have a cash shortfall of \$111 million in the 2020-21 biennium. The BRE assumes the shortfall will be paid from general revenue.

Note: Totals may not sum because of rounding.

General Revenue-Related Revenue

STATE TAX REVENUE



OTHER REVENUE

Fees, Investments & Other Non-Tax Revenue

Annual Sales Tax Collections / All Funds



Glenn Hegar

Texas Comptroller of Public Accounts

Source: Texas Comptroller, [Biennial Revenue Estimate](#)

Texas Comptroller's 2020-21 BRE

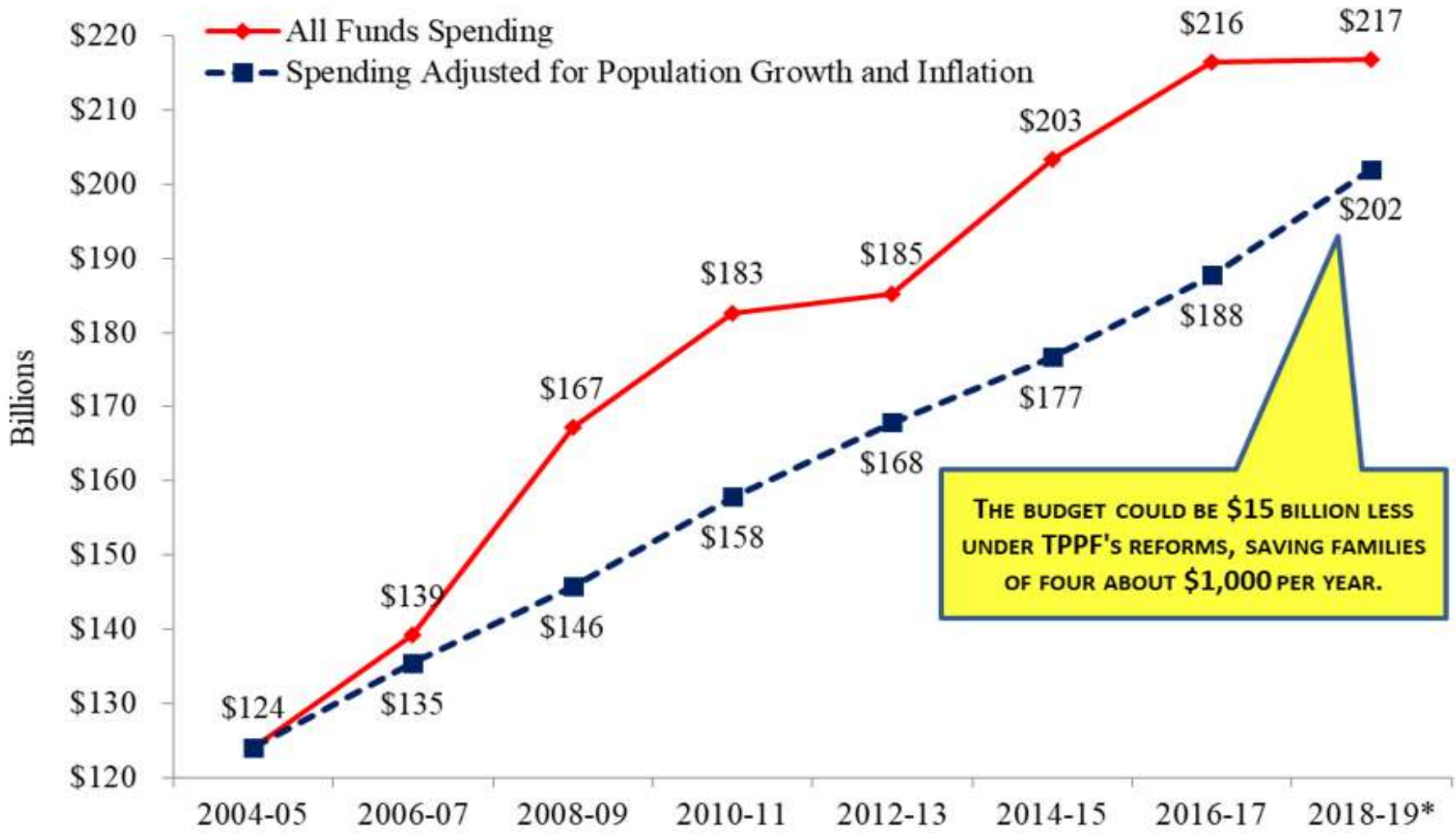
\$ in Thousands	FY2018 Proj/Actual	FY2019 Proj/Est	FY2020 Proj/Est	FY2021 Proj/Est
Real GDP	3.0%	4.0%	2.8%	2.3%
Nonfarm Employment	2.6%	2.5%	1.9%	1.3%
Unemployment Rate	4.0%	3.6%	3.5%	3.7%
Taxable Oil Price	\$60.58	\$53.00	\$50.00	\$53.00
Sales Tax	\$31,937,235	\$33,791,034	\$35,117,789	\$36,239,811
Franchise Tax	\$3,685,940	\$3,902,696	\$4,025,306	\$4,167,354
Total Tax Collections	\$55,584,775	\$58,069,491	\$59,833,023	\$62,251,435
Total Net Revenue	\$120,165,619	\$128,685,943	\$132,843,517	\$132,723,682

- 2018-19: \$2.7 B expected ending balance
- 2020-21: 9.89% spending limit based on 8.39% increase in pop&inf + 1.5% for Harvey by [LBB](#)

BUT...Texas has Challenges

- TPPF's [Texas Prosperity Promise](#)
 - Eliminate Property Taxes: Start with school M&O
 - Education: Student-centered funding, Freedom
 - Spending: State & local spending limitations
 - Accountability: End tax-funded lobbying & government collection of union dues
 - Self Governance: Prioritizing civics education
- Other issues
 - Fiscal: Spending, Taxes, Corporate Welfare
 - Education: Funding, Choice, TRS, Teacher Pay
 - Regulation: Occupational Licensing, Local Zoning
 - Energy: Oil & Gas, Resilient but Not Immune
 - Federal: Debt, Regulation, Trade

State Spending Problem



Source: TPPF, [Real Texas Budget: 2018](#)

Pass Conservative Texas Budgets

the
Conservative
TEXAS BUDGET

Appropriations Limits for 2020-21 Budget

\$156.5
BILLION
State Funds

\$234.1
BILLION
All Funds

8% Increase
based on Population & Inflation
above '18-19 appropriations

www.ConservativeTexasBudget.com

the
Conservative
TEXAS BUDGET

Supplemental Bill Limits for 2018-19 Budget

\$3.60
BILLION
State Funds

\$4.44
BILLION
All Funds

www.ConservativeTexasBudget.com

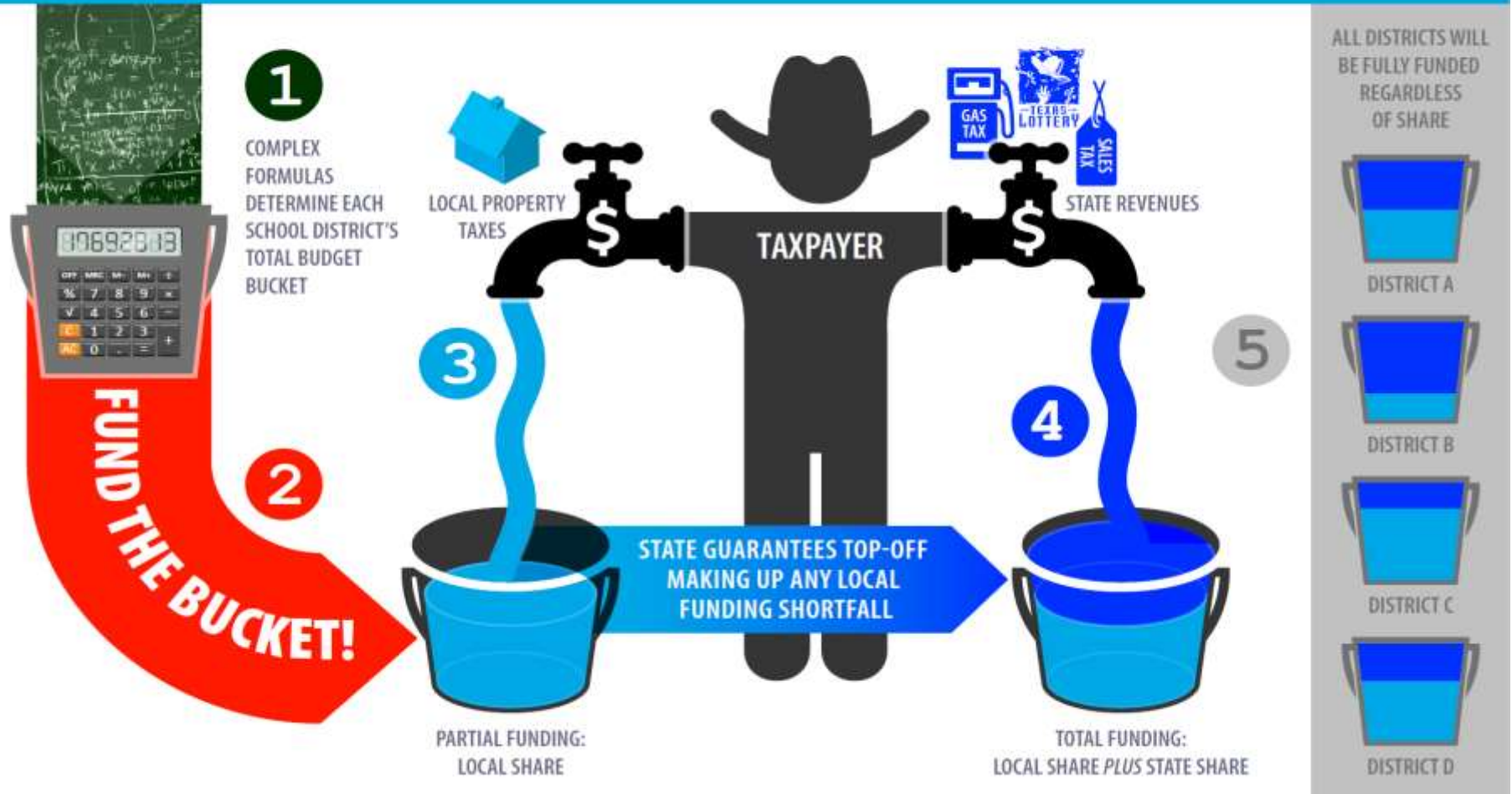
2020-21 Texas Budgets Comparison

Type (Millions)	Appropriated 2018-19	House Budget 2020-21	Senate Budget 2020-21	CTB 2020-21 Limits Pop+Inf: 8%	House v. CTB 2020-21	Senate v. CTB 2020-21
GR	\$106,663.2	\$117,423.1	\$112,204.4			
GR-D	\$6,295.4	\$6,303.5	\$6,060.1			
Other	\$31,795.0	\$41,833.1	\$37,741.5			
State Total	\$144,753.6	\$165,559.6	\$156,006.0	\$156,491.0	\$9,068.6	- \$485.0
Federal	\$71,854.7	\$80,923.9	\$80,014.4			
All Funds Total	\$216,608.3	\$246,483.5	\$236,020.4	\$234,098.5	\$12,385.0	\$1,921.9
GR Change		10.1%	5.2%			
State Change		14.4%	7.8%			
Federal Change		12.6%	11.4%			
All Change		13.8%	9.0%			

Source: TPPF, [Comparison of the Texas Legislature's Recommended Budgets](#), with Harvey recovery funds removed from where appropriate.

How Education Funding Works

LOCAL COMES FIRST: HOW A LOCAL DISTRICT'S EDUCATION FUNDING SHARE DICTATES THE STATE'S FUNDING SHARE

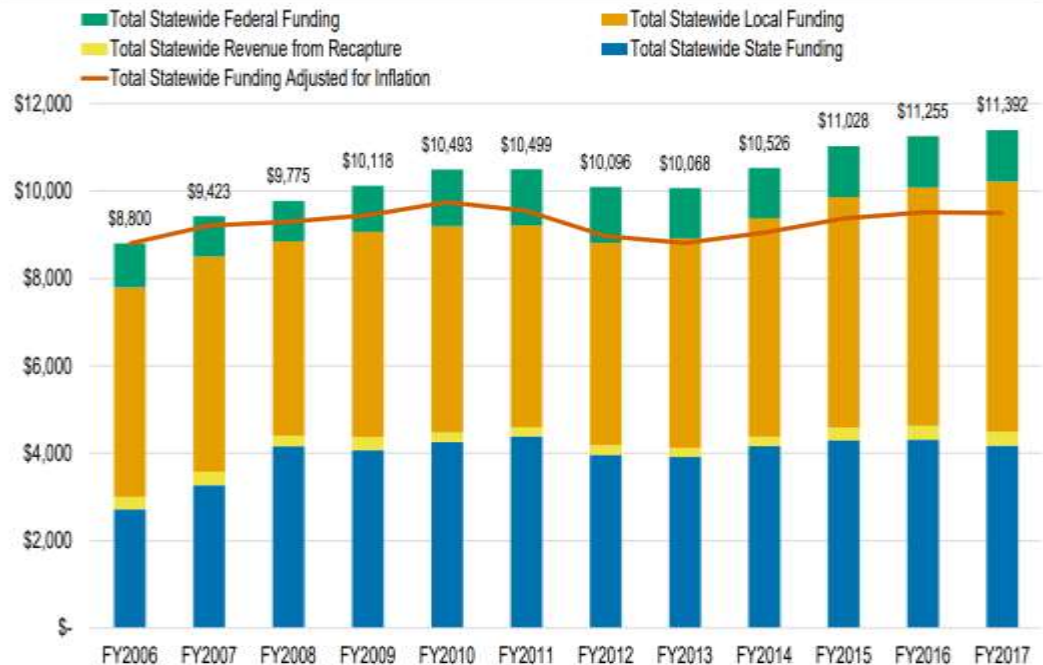


Education Spending Up Over Time



Total funding per enrolled student has increased 29% (from \$8,800 in FY2006 to \$11,392 in FY2017)

School Year	Total Public Education Spending	Per Student Spending
2004-05	\$49,936,608,405	\$11,391
2005-06	\$51,650,485,537	\$11,464
2006-07	\$53,835,495,970	\$11,762
2007-08	\$57,170,178,834	\$12,291
2008-09	\$61,167,094,728	\$12,937
2009-10	\$61,264,507,075	\$12,698
2010-11	\$58,405,027,811	\$11,889
2011-12	\$54,934,861,074	\$11,035
2012-13	\$54,973,548,649	\$10,867
2013-14	\$57,120,781,370	\$11,122
2014-15	\$61,754,759,068	\$11,841
2015-16	\$64,767,380,510	\$12,257
Real % Change (2004-16)	29.7%	7.6%

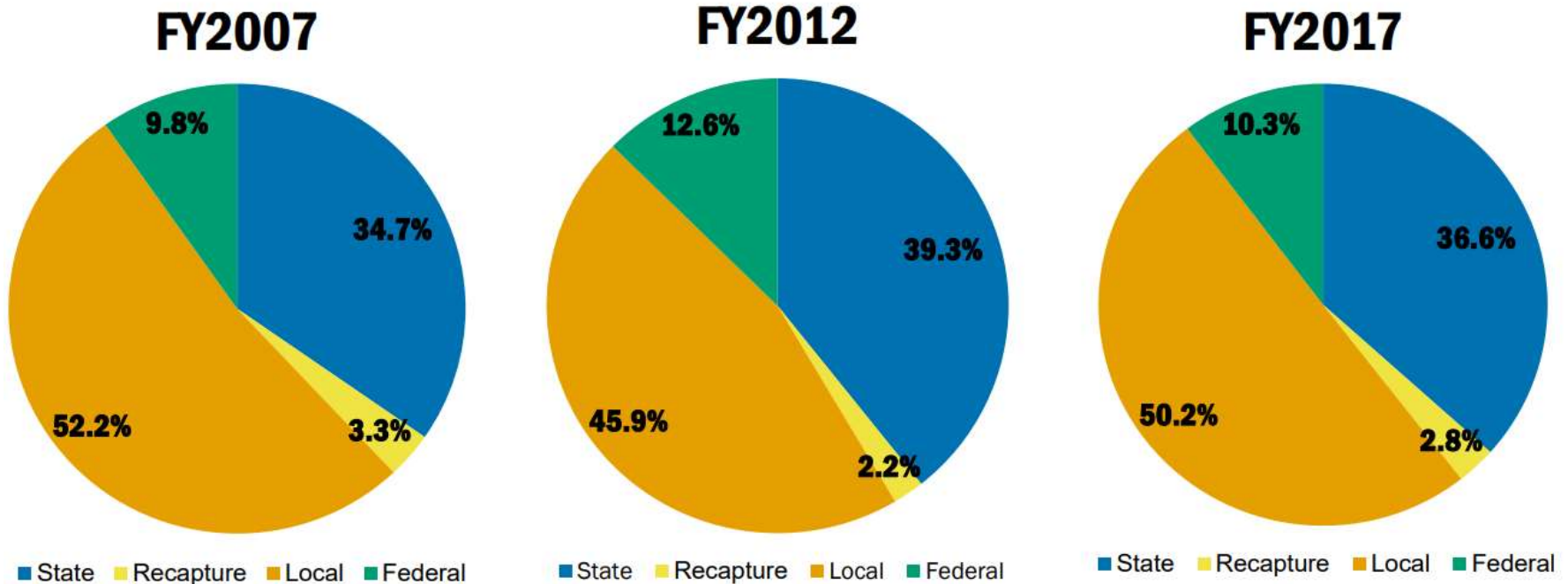


Data sources: TEA PEIMS Financial Data, TEA Payment Report, and the General Appropriations Act (January 2019)

Little Change in State Share Ed Spending

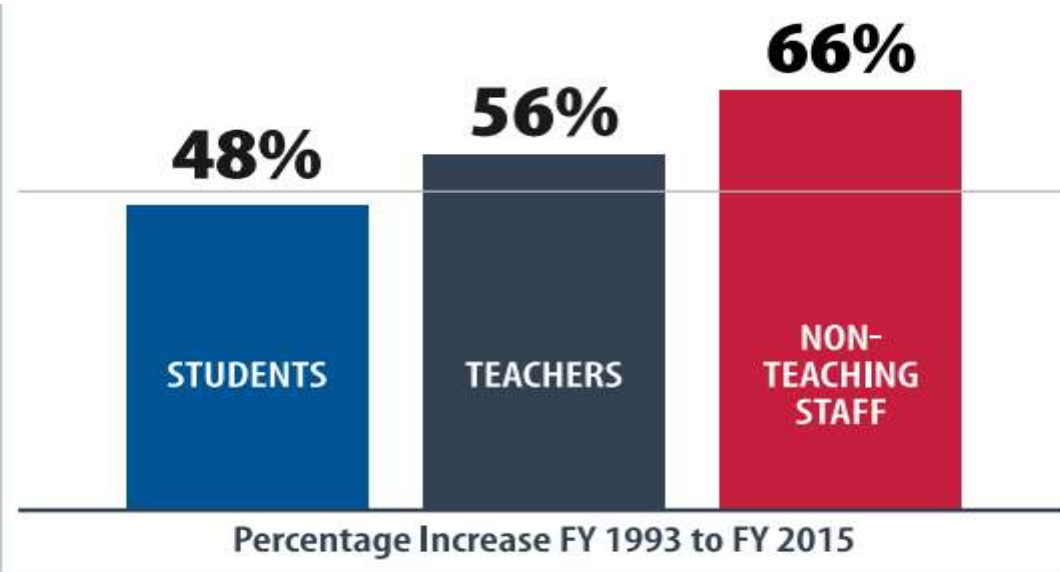


Comparison of the percentage breakdown of funding sources between FY2007 and FY2017



Data sources: TEA PEIMS Financial Data, TEA Payment Report, and the General Appropriations Act (January 2019)

Texas Should Spend More Wisely



If public schools had limited the increase in non-teaching staff *to the same rate as the increase in students*, public schools **COULD** have done one of the following...

OR

- INCREASED EACH TEACHER'S BENEFITS BY **\$6,318**
- OR
- SAVED **\$2.2 BILLION** ANNUALLY
- OR
- CREATED **\$8,000** EDUCATION SAVINGS ACCOUNTS FOR **270,311** STUDENTS TO USE TOWARD EDUCATION SERVICES THAT BEST MEET THEIR NEEDS

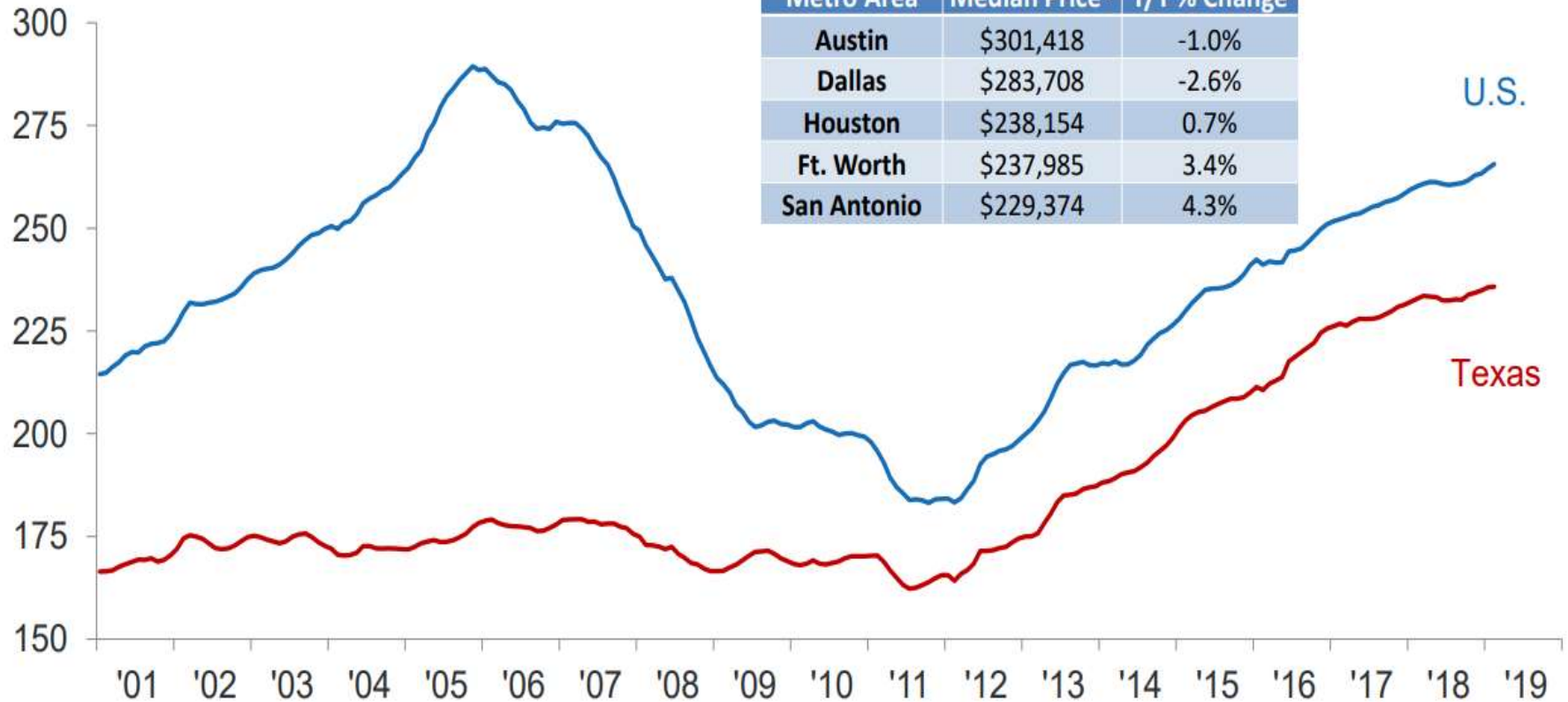
Too Many Abuses of Funds Across State



High Property Taxes: Appraisals?

Dollars (thousands), four-month moving average*

Metro Area	February Median Price*	Y/Y % Change
Austin	\$301,418	-1.0%
Dallas	\$283,708	-2.6%
Houston	\$238,154	0.7%
Ft. Worth	\$237,985	3.4%
San Antonio	\$229,374	4.3%



*Seasonally adjusted, real dollars.

NOTES: Data in real dollars. Data through February 2019.

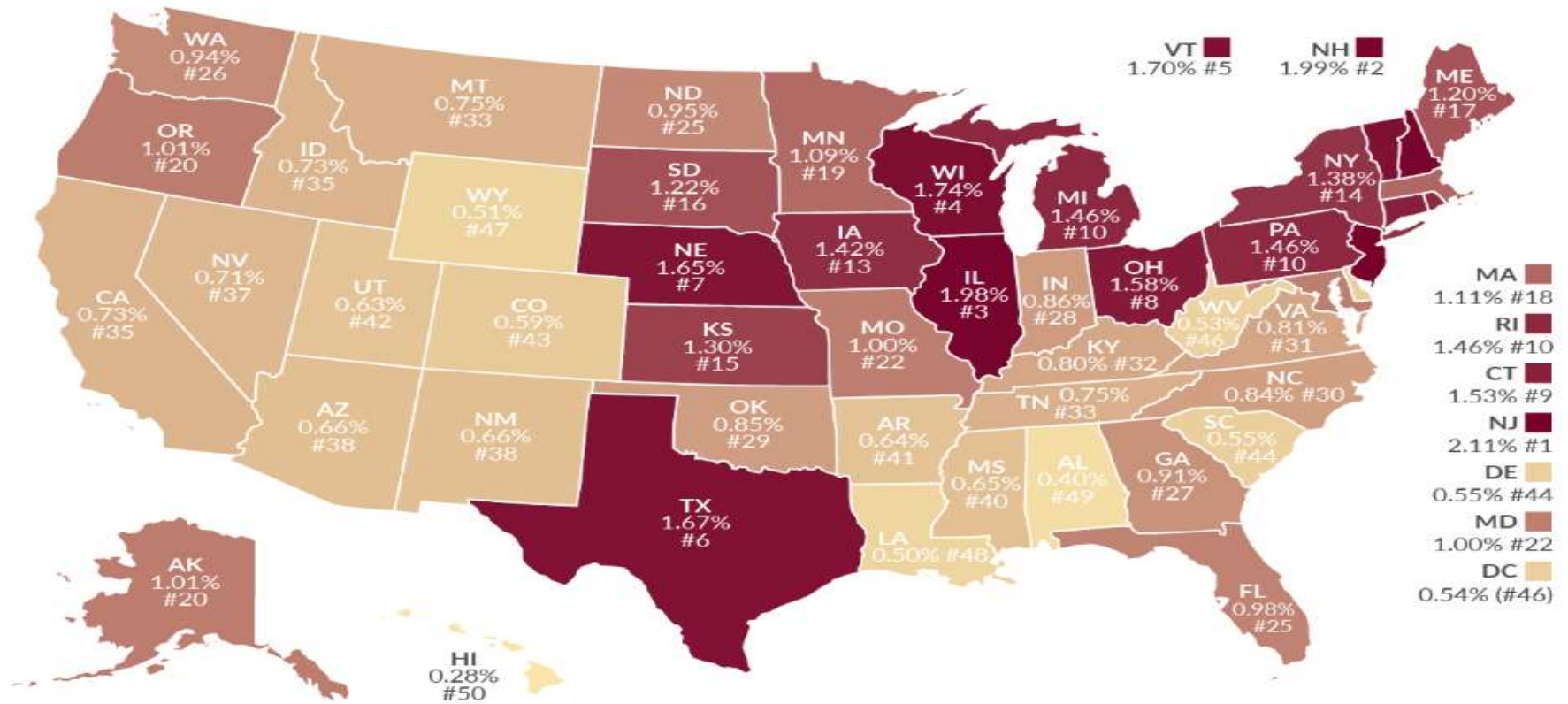
SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.

Source: Dallas Fed, [Your Texas Economy](#).

High Property Taxes: Rates?

How High Are Property Taxes in Your State?

Mean Effective Property Tax Rates on Owner-Occupied Housing, Calendar Year 2014



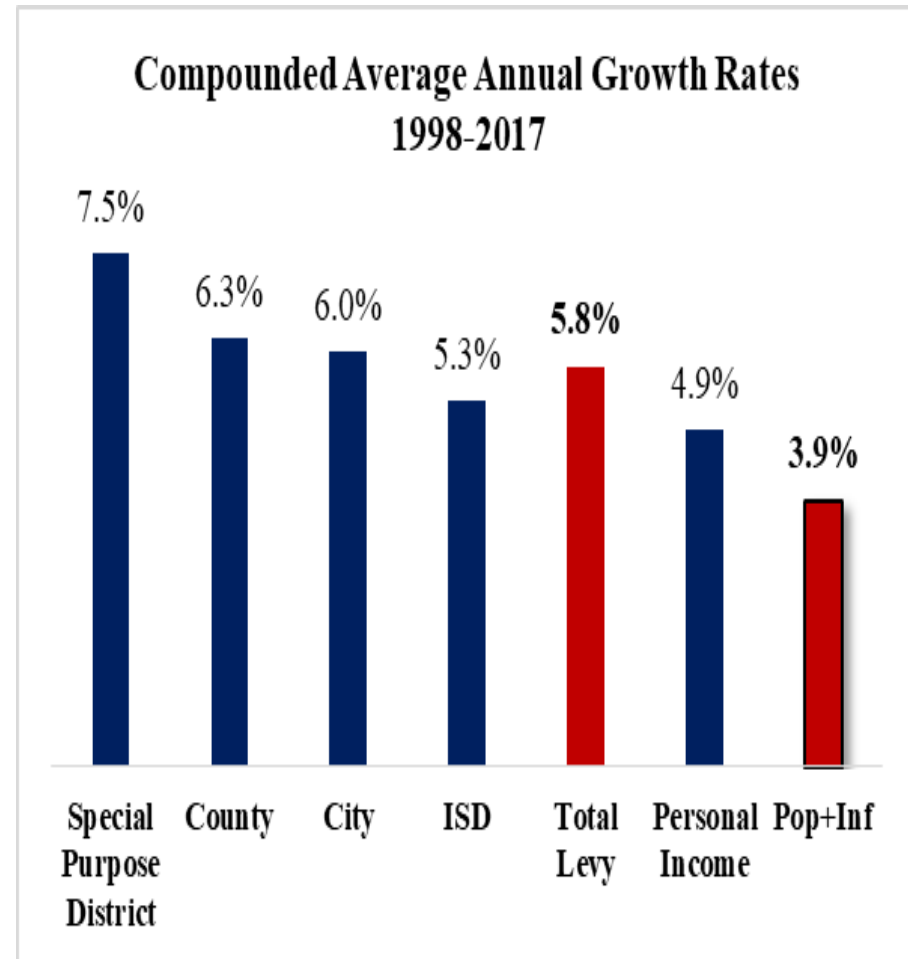
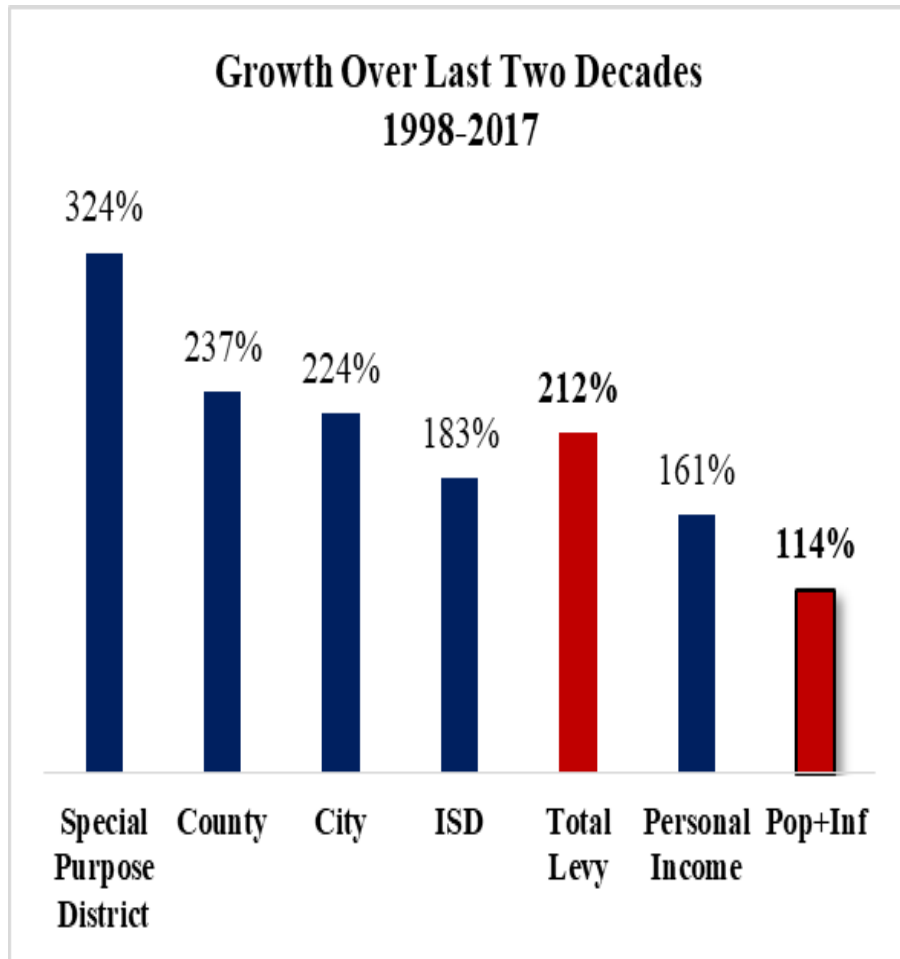
Note: The figures in this map are mean effective property tax rates on owner-occupied housing (total real taxes paid/total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: 2014 American Community Survey, available from the Census Bureau; Tax Foundation calculations.



Source: Tax Foundation, [State-Local Tax Burden Rankings](#)

Property Taxes > Texans' Ability to Pay



Source: [Texas Comptroller](#) and [Fed Fred](#)

Eliminate M&O Property Tax: 3 Steps

1. Limit Spending



A Conservative Texas Budget limits spending increases to less than population growth & inflation. To add taxpayers in the budget process, limit GRR spending to population growth of 4% and cut property taxes with rest.

Eliminate M&O Property Tax: 3 Steps

2. Impose Revenue Triggers

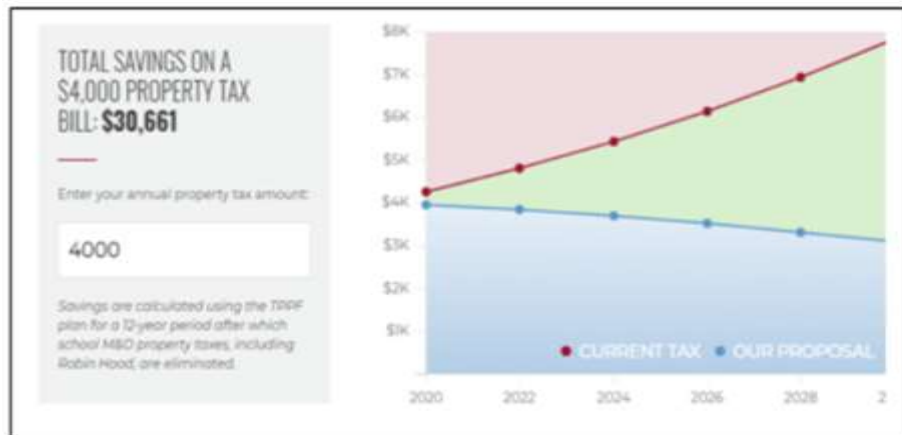
2.5%

Revenue
Triggers as
proposed by
Gov. Abbott

Cities, counties, and special purpose districts should not use rising property values as an endless stream of new money. Revenue triggers of 2.5% (unless voters approve a higher rate) would limit the escalation of tax bills.

Eliminate M&O Property Tax: 3 Steps

3. Cut M&O Property Taxes



These steps would let taxpayer dollars collected at the state level above 4% in GRR to eliminate school maintenance & operations property taxes in about 11 years. This would provide substantial tax savings as M&O makes up about half of today's property tax burden.

Proposed Property Tax Changes 2019-20

Housing/Policy Changes	Status Quo	SB 5	SB 5 & SB 2	HB 3	HB 3 & HB 2	SB 2 & HB 2537/HB 3733
\$150,000	+\$185	+\$66	-\$42	+\$122	+\$86	-\$57
\$301,000	+\$372	+\$253	+\$36	+\$232	+\$160	-\$132
\$500,000	+\$618	+\$499	+\$138	+\$377	+\$258	-\$231
Homestead Exemption	\$25k	\$35k	\$35k	\$25k	\$25k	\$25k
Election Trigger	8%	8%	2.5%	8%	2.5%	2.5%
Cut M&O Rate	--	--	--	4 Cent	4 Cent	6 Cent

Source: Austin's median listing price of \$301,000 and tax rates along with each bill's latest information.

18 Groups in Conservative Texas Budget Coalition Lege Priorities for Prosperity

- Pass another Conservative Texas Budget
- Strengthen tax and expenditure limit
- Eliminate property taxes—Start with school M&O
- Eliminate business margins tax
- Create a Tax Relief Fund
- Increase budget transparency
- More at conservativetexasbudget.com

Excessive taxes and debt are always & everywhere a government spending problem. Limit spending to let people prosper.

Taking these steps will secure that the American Dream is not dead – it has simply moved to the **Lone Star State**.





Texas' Economic, Labor Market, and Fiscal Situation

Vance Ginn, Ph.D.

Director, Center for Economic Prosperity & Senior Economist

Updated Monthly – April 2019

#LetPeopleProsper

vginn@texaspolicy.com | www.texaspolicy.com | @vanceginn