



Testimony

Texas Needs a Responsible Recovery Agenda

Invited testimony submitted to the Texas House Committee on Ways & Means

by Vance Ginn, PhD, Chief Economist

Chairman Meyer and Members of the Committee:

My name is Vance Ginn, and I am chief economist at the Texas Public Policy Foundation. Thank you for inviting me to testify on the Foundation's fiscal priorities. Given the [economic situation](#) with many unemployed Texans struggling from business closures due to the COVID-19 pandemic and government restrictions and by recent power outages, the Legislature should consider less spending, taxing, and regulating so Texans have more opportunities to prosper.

How Has the Texas Model Performed Relative to Comparable States?

Measure	U.S.	Texas	Florida	California	New York
Economic Freedom of North America (2020)	6th (World)	4th	2nd	47th	50th
State Business Tax Climate Index (2020)	--	11th	4th	49th	48th
State Economic Outlook Rankings (2020)		15th	7th	46th	50th
State & Local Spending Per Capita (2020)	--	32nd	45th	4th	2nd
State & Local Tax Burden (2020)	--	32nd	46th	13th	1st
Avg. U-3 Unemployment Rate (2000-19)	6.1%	5.6%	6.0%	7.2%	6.0%
Avg. Labor Force Participation Rate (2000-19)	64.6%	65.7%	61.2%	64.2%	61.9%
Avg. Emp-Pop 25-54 year old Ratio (2000-19)	77.8%	77.4%	77.7%	75.5%	76.3%
Avg. Top 10% Income Shares (2000-18)	48.2%	47.4%	56.2%	50.5%	57.2%
Supplemental Poverty Measure (2017-19)	12.5%	13.7%	15.4%	17.2%	14.4%

Notes: Dates are for publication year or data per measure. Data shaded in blue indicate "best" and in red indicate "worst" per category by state.

How Has Texas's Labor Market Done Pre- and Post-COVID?

Measure	June 2009	June 2018	February 2020	April 2020	December 2020
Labor Force Participation Rate	63.9%	64.0%	64.1%	58.4%	63.1%
Employment-Population Rate	61.7%	61.5%	61.9%	50.5%	58.5%
Unemployment Rate (U3)	8.0%	3.9%	3.5%	13.5%	7.2%
Private Sector Employment	8.5M	10.6M	10.9M	9.6M	10.6M

Data compare the following: 1) June 2009—Dated trough of the last U.S. recession, 2) June 2018—Near current private sector employment, 3) Feb. 2020—Dated peak of the last U.S. expansion, 4) Apr. 2020—Recent lows for most labor market data, and 5) Dec. 2020—Latest data available.

The Texas economy continues to recover since the steep downturn. The partial reopening of most non-essential businesses since then helped inflation-adjusted economic growth expand by the [state's record of 29.7% in Q3:2020](#), which was the 8th slowest in the nation. But this was after large contractions in both Q1 and Q2, resulting in an economy that is 3.6% below its output at the recent peak in Q4:2019. Tailwinds could be strong in 2021 if the government removes restrictions and follows responsible fiscal policy so people are free to live and earn money.

continued

Recommendations

The [Texas Model](#) should be maintained and strengthened to give individuals and businesses more freedom to thrive and earn a living so that Texans can regain and expand their prosperity and withstand any proposed burdensome federal policies which could further hinder economic growth. This includes:

- Opening safely with an end to state restrictions, especially where hospitals are not overwhelmed, and concentrate resources on the most vulnerable to the effects of COVID-19.
- Following the Foundation's [Responsible Recovery Agenda](#):
 - [Pass a Conservative Texas Budget](#) below \$246.8 billion, which the proposed [base budgets do so far](#)
 - [Reduce government spending](#) where appropriate and [use the Rainy Day Fund responsibly](#)
 - [Reduce regulatory burdens](#) as during the pandemic
 - [Cut taxes](#) on [businesses](#) and [property](#), like [school M&O](#), and [let Chapter 313 expire](#)

I appreciate your work and look forward to helping improve Texas's economic and fiscal situation so Texans can flourish.

ABOUT THE AUTHOR



Vance Ginn, PhD, is chief economist at the Texas Public Policy Foundation, a 501(c)3 nonprofit, nonpartisan research institute in Austin. He served as associate director for economic policy at the White House's Office of Management and Budget, taught at several universities, and earned his doctorate in economics from Texas Tech University.

About Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 nonprofit, nonpartisan research institute. The Foundation promotes and defends liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

