

SNG-Don't Mess with Texas-2-8-16

Texas culture—individualism on steroids

By Jim Nowlan

Austin, TX— Texas culture is that of tall-in-the-saddle individualism on steroids. And to paraphrase the late General Motors CEO Charlie Wilson, “The business of Texas is business.”

If you want to start a business, whoever you are, Texas is here to help—and otherwise stay out of your way.

Are there any lessons struggling Illinois can learn from a state that is on target to grow its population by 20 percent yet again this decade?

There are elements we can't replicate: the weather, oil, and maybe Texas pride, among them. And state government is of course but one factor, maybe a minor one, in the vitality of a state's economy.

California has, for example, higher taxes and equally burdensome regulations to those in our state, yet in Silicon Valley these negatives are trumped by a concentration of genius, a highly talented techie workforce, and copious amounts of venture capital.

In the past couple of weeks, I have interviewed Texans about what has caused their state to grow so steadily over the decades. The Texas Model as I understand it can't be transported whole cloth to the Prairie State, yet there may be some lessons of value.

In its annual surveys of state business friendliness, the marketing company Thumbtack consistently finds that Texas receives A+ for ease of starting a business, its tax code and regulatory environment, and overall friendliness. Illinois received F grades last year in all these categories.

Texas also goes very light on the taxes. In 2012, according to the Tax Foundation, a D.C. business-oriented group, Texans paid on average \$2,332 per capita in taxes to their state and local governments, versus \$3,238 for the U.S., and \$4,015 in Illinois.

There are reasons for this low spending. If Texas allowed residents onto its Medicaid health care rolls at the same rate as does Illinois, Texas would have about six million on the rolls rather than the four million it does accommodate. With spending of about \$2,500 in state dollars per enrollee, which comes to \$5 billion “saved.”

Texans would retort that the state’s citizens provide more private charity per capita than the rest of the U.S., and some of that goes to provide health care for many of those not on the Medicaid rolls.

Texas is also exempt from the \$8 billion Illinois commits, belatedly, each year to meet its underfunded pension obligations.

The Lone Star State spends almost \$4,000 less per each of its 5 million school pupils than does Illinois, another whopping \$20 billion not spent by state government. And yet, surprising to me, Texas pupils also score better on national tests than do Illinois pupils, a topic I will explore in another column.

Overall, Texas spends about \$110 billion a year versus the \$70 billion or so (who knows this year!) Illinois will spend in fiscal 2016. But Texas has more than twice as many residents!

As a result of its parsimony, the state has been able to build a \$3 billion Texas Enterprise Fund. According to Dan Zehr, a business editor for the Austin daily, this is “a deal closing fund” that adds state dollars to local incentives to attract new business to the state.

Texas also has an \$8 billion “rainy day fund” to augment the state budget during economic downturns. In contrast, the tiny Illinois rainy day fund is a joke, raided every year to pay unpaid bills.

Texas does have its problems. Its transportation infrastructure has not kept up with growth. I-35 from Dallas to Austin is, to cite just one example, a 150-mile traffic jam.

Texans in this drought-plagued state also worry about where they will find the water to support their 27 million people, and growing.

By the way, these Texas problems with infrastructure and water, in particular, are strengths here in Illinois that we must market aggressively, in addition to the plus of our central location.

Here are some recommendations for Illinois:

- Hold a conclave among Gov. Rayner and local government officials to develop a game plan for eliminating our worst-in-the-nation regulatory climate;
- Develop long-term strategies for investment to keep our best-in-the-nation infrastructure of highways, rail, water and air transport;
- Explore how Texas students are able to perform relatively well on such little money, and
- Shape a consensus on how to build our state, such as Texas has done over the decades, in place of the present enervating acrimony.