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Report: Stimulus money could end up costing Texas jobs

Austin Business Journal

A new report from the **Texas Public Policy Foundation** argues that the money flowing in to the state from the federal stimulus package could actually hinder private sector growth and end up costing Texas more than 131,000 jobs.

The report, titled *The Economic Impact of Federal Spending on State Economic Performance—A Texas Perspective*, was released at the Capitol on Monday.

Researchers looked at historical patterns of economic growth and spending by federal, state and local governments; the implications for Texas unemployment payments and taxes; and estimated effects that the recently passed federal stimulus package will have on Texas private sector economic activity and employment.

“These findings show clearly that growth in government crowds out growth in the private sector,” said Talmadge Heflin, director of the Foundation’s Center for Fiscal Policy and a former chairman of the Texas House Appropriations Committee. “Texas taxpayers and workers will pay a high price if our legislators use this supposedly free, one-time federal money to expand state government programs.”

Heflin said there is a clear negative correlation between increased government spending and reduced private sector output. The report concluded that the federal stimulus package would reduce net business output by 2.5 percent. The report’s authors say that would translate to a loss of between 131,400 and 171,900 jobs.

Heflin said the findings emphasize the importance of the legislature “rejecting the unemployment stimulus funds, as well as all others that would lead to permanent increases in state government spending.”

The Texas Public Policy Foundation is an Austin-based conservative think tank.

The foundation commissioned research firm Arduin Laffer & Moore Econometrics to complete the report, which is available on the foundation’s **[Web site](#)**.

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