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# Legislature's use of federal aid will cost Texas jobs, conservative activists say

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AUSTIN — Conservative activists, unable to persuade key lawmakers to shun stimulus money, say the Legislature's acceptance of federal aid will cost Texas jobs.

The stimulus package will increase government spending and "crowd out" private investment, denying Texas between 130,000 and 170,000 jobs, according to a study unveiled today by the Texas Public Policy Foundation, a conservative think tank.

"It would be more prudent to not use the stimulus funds, or certainly not to the degree that they are," former Rep. Talmadge Heflin, R-Houston, said of legislative budget writers.

Heflin, a foundation official who in 2003 was head of the House Appropriations Committee, said he fears the House will spend more stimulus money than the Senate. For the two-year budget it passed last week, the Senate tapped \$11 billion of stimulus funds.

"Both bodies will have missed great opportunities by not cutting back on spending," Heflin said. "If they cut spending now, then if the recession continued, there would be less of a need to cut next session."

Thirteen House Republicans, none members of Appropriations, joined several conservative groups and business associations at a Capitol news conference for release of a study by Arduin, Laffer & Moore Econometrics, a Tallahassee, Fla.-based consulting firm. A principal is Arthur Laffer, an anti-tax economist known as the father of supply side economics.

"When government grows as a percentage of the private sector, ... jobs are lost," said Donna Arduin, an author of the study, which was commissioned by the foundation. She urged using stimulus money only to speed up construction projects, such as roads, that the state planned to build eventually.

The study urged "particular caution" about some lawmakers' desire to accept \$556 million offered to Texas, though the stimulus bill would condition that on Texas' making several changes in its unemployment insurance program.

"Every time the federal government has added stimulus money for unemployment insurance, along with strings that require you to expand those programs, they've always been followed by state [employer] tax increases," Arduin said.

Leaders of the Texas Business Association and the Texas chapter of the National Federation of Business

spoke against the proposed changes in unemployment insurance, saying eventually they would saddle employers with higher taxes.

Rep. Kelly Hancock, R-North Richland Hills agreed, saying, "The right thing to do is to look out for the long term interests of Texas businesses."

However, Ed Sills, spokesman for the state AFL-CIO, urged the state to take the federal unemployment benefits money so it can soften next year's employer tax increase and help more jobless Texans.

Noting that Laffer in 2006 predicted there wouldn't be a recession, Sills said, "Citing Laffer for advice on how to run the Texas economy is like relying on candy manufacturers to set dental policy."