

Veritas

A PUBLICATION OF THE TEXAS PUBLIC POLICY FOUNDATION



Keeping TEXAS Competitive

Lone Star Economic Freedom | "Fed Up!" Book Tour | And More!

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FEATURES

4 Keeping Texas Competitive
Read about Dr. Laffer's research evaluating the economic policies of Texas and California, and find out why this research received coast-to-coast media coverage.

8 Economic Freedom—Texas Style
Texans are fond of proclaiming how everything is bigger—and better—in Texas. But what is happening today goes beyond typical Texas bravado. Texas' economic miracle is real and it is helping to keep the rest of the country afloat during these hard times.

12 "Fed Up!" Book Tour with Governor Perry
The Texas Public Policy Foundation embarked on a whirlwind book tour across the Lone Star State with Texas Governor Rick Perry to help roll out his new book "Fed Up! Our Fight to Save America from Washington."

14 Texas' Budget Shortfall
Public policy gurus led members of the legislature and the public through the thick underbrush of the state budget late in September to offer recommendations on how to deal with the Texas budget shortfall in 2011.

DEPARTMENTS

Message from the President	page 3
The Foundation's New Faces	page 7
Join the Visionaries Meeting	page 17
9th Annual Policy Orientation for the Texas Legislature	page 18

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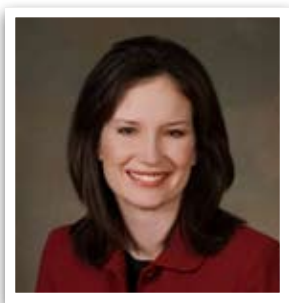
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Veritas is a quarterly publication of the Texas Public Policy Foundation, a 501(c)3 non-profit, non-partisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach. Our goal is to lead the nation in public policy issues by using Texas as a model for reform.





Message from the President

Wow! A cry for freedom rang out at the polls in November in response to the last two years of government's ever increasing interference in our lives. It was an exciting day to experience.

Yet one could argue that this cry is similar—though louder—to the cries we have heard over the last 40 years or so as the people have shifted their affections back and forth between the political parties.

How can we explain the shifting sentiments of voters?

I believe what we've seen is not a case of Americans bouncing back and forth between freedom and the welfare state. Most Americans want freedom, not oppression. What they have been doing is hoping that this time the politicians they vote for are really going to do what they say they will do. Because as we all know, politicians always promise freedom in the months leading up to elections. The problem is what they do after the election is over.

Texas is fortunate. Our strong support for freedom at the polls has translated into support for freedom in the months following. As you'll see in the article, "Economic Freedom, Texas Style," this focus on freedom has made Texas a leading job creator in the U.S. economy.

At the Texas Public Policy Foundation, we go to great lengths to let everyone know about the economic success of Texas, and the good public policy that has helped bring this about. Don't get me wrong; I don't think the government can do too much to make an economy grow, but it sure can do an awful lot to make it fall on its face.

Another article in this issue of *Veritas* tells about the great success we've had in promoting economic freedom through our recently released paper, "Competitive States 2010: Texas vs. California." In it, Dr. Art Laffer details why Texas is doing better than California in just about every economic measure you can think of. Of course, California isn't the best competition these days, but we also stack up pretty well against the rest of the country. Which is why this bulky research paper comparing two states became such a national story.

Another reason for its success is because it is becoming apparent to millions of Americans the best progress in

the fight for freedom is being made in the states, not in Washington, D.C. Protecting the movement toward state-based liberty is why Texas Governor Rick Perry wrote his recently-released book, *Fed Up! Our Fight to Save America from Washington* (see pages 12 & 13 for photos from the governor's book tour). The governor has graciously donated the proceeds from the sale of his book to support the work of the Foundation's Center for Tenth Amendment Studies.

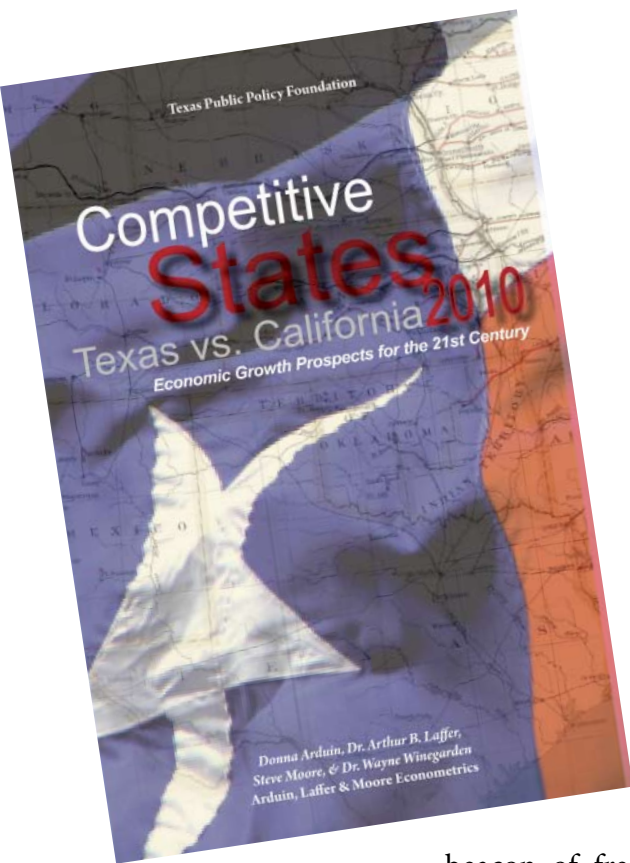
Part of that work includes our just concluded national conference in Washington, *Back to the Future: Restoring the Role of States in our Constitution*. Governor Perry joined with constitutional experts to explore how the powers exercised by the federal government can be put back within the Constitution's constraints. The need for states to reclaim their proper role in our constitutional order has never been more obvious—or more urgent.

Of course, if we are going to insist that states take a lead role in protecting liberty, Texans have more work cut out for them. The pending budget shortfall of \$11 billion or more will challenge all of us. But with more conservatives than ever in the Texas Legislature, I have great hopes we will be able to tackle this challenge.

To make sure we keep our focus on freedom, the Foundation recently released, "Keeping Texas Competitive: An Agenda for Prosperity and Growth." We want Texas policy-makers to do four things during the upcoming legislative session: Reduce Texas' Tax and Spending Burden, Stand Up Against Federal Overreach, Improve Educational Quality for Texas Students, and Foster a Free Market Economy.

Of course, that is easier said than done. That is why we are so glad to be able to work alongside you and many other Texans who believe in freedom. With your help, we will continue to advance the principles of free enterprise, limited government, and individual responsibility. We thank you for your commitment to this work. Together we will help ensure that Texas continues to serve as a role model for the nation.

Brooke Rollins
President & CEO



KEEPING TEXAS COMPETITIVE

Texas has long had a solid self-image of being a strong, independent, over-achieving beacon of freedom and prosperity. From the legends of the Alamo to more modern day heroes such as Nolan Ryan and Roger Staubach, Texas has always been associated with “winners.” And today, in an economic competition among the states—specifically between Texas and California—Texas is once again deemed to be the “winner” in economic growth, job creation, and a stable regulatory climate.

Recently, the Foundation commissioned world-renowned economist Dr. Arthur Laffer of Arduin, Laffer & Moore Econometrics, to do a follow up to a 2008 report that put the nation’s two economic heavyweights—Texas vs. California—

against each other in a head-to-head competition to see which state’s policies were creating greater job growth and prosperity for its citizens. As in 2008, all signs point to Texas as the clear winner in the economic battle.

With more than half of the net new jobs in the U.S. during the past 12 months being created in the Lone Star State, it is crystal clear that Texas is doing something right!

“According to the Bureau of Labor Statistics, 214,000 net new jobs were created in the United States from August 2009 to August 2010. Texas created 119,000 jobs during the same period,” said Jonah Goldberg writing in *National Review Online*. “If every state in the country had performed as well, we’d have created about 1.5 million jobs nationally during the past year, and maybe ‘stimulus’ wouldn’t be such a dirty word.”

State and Local Tax Burden vs. 10-Year Economic Performance

	Tax Burden % PI	Gross State Product Growth	Personal Income Growth	Population Growth	Net Domestic In-Migration as a % of Population	Non-Farm Payroll Employment Growth
Texas	8.40%	94.5%	67.6%	20.5%	3.4%	13.7%
U.S. Average	9.70%	66.34%	65.54%	10.08%	0.80%	10.42%
California	10.50%	70.1%	56.6%	10.3%	-3.9%	2.5%

Source: Arduin, Laffer & Moore Econometrics, “Competitive States 2010: Texas vs. California,” Texas Public Policy Foundation (Oct. 2010).

Even amid the United States' worst economic setback in decades, Texas' competitive edge over California remains sharp, according to research from the report.

"A comparison between Texas and California is not only valid but vital for our country," said Dr. Arthur Laffer. "Both are large, strategically located states, with strong demographics and bountiful natural resources. But California's regulatory and tax costs, coupled with budgetary and policy instability, render it an impotent competitor when standing next to low-tax, business-friendly Texas, which levies no capital gains or income taxes to support its affordable government."

The Foundation released the report, "Competitive States 2010: Texas vs. California," during the luncheon of the *Keeping Texas Competitive Summit* in San Antonio. The report updates the scoreboard from internationally renowned economist Dr. Arthur Laffer's 2008 report comparing the two states on six broad categories proven to affect a state's economic competitiveness: taxes on labor, taxes on capital, taxes on consumption, overall tax environment, regulatory environment, and government spending policies.

CONTINUED »

TOP: Gov. Rick Perry is interviewed by the media following his speech at the *Keeping Texas Competitive Summit* in San Antonio.

MIDDLE: The Honorable Talmadge Heflin speaks with Nancy Windham of the Frisco Economic Development Corporation prior to the event.

BOTTOM: Foundation president Brooke Rollins discusses Texas' economic climate with event attendee Nick Serafy, president of the Board of TexasOne, following the program.



“With all due respect to California, it’s hard to beat our state’s combination of low taxes, predictable regulations, fair legal system, and world-class workforce.”
~Gov. Rick Perry

“Texas’ superior economic performance is noteworthy,” Dr. Laffer said. “It’s just striking how the states with no income tax outperform the states with high income taxes. And the reason is simple: employers move to the location that promises better after-tax returns. Texas constantly focuses on improving its economic competitiveness and the citizens of Texas are benefiting because of it.”

The research shows that Texas’ economy has been growing stronger and with less volatility than California or the nation as a whole.

“If people needed any reminder of why Texas is the greatest place in America to live, work, and raise a family, this report certainly provides it,” said Texas Gov. Rick Perry. “With all due respect to California, it’s hard to beat our state’s combination of low taxes, predictable regulations, fair legal system, and world-class workforce. The fact that Texas has created more jobs this year than any other state is confirmation that our state is on the right track.”

To promote the Foundation’s “Competitive States 2010: Texas vs. California” report, we distributed two press releases: one tailored to Texas media through our main media database, and one tailored to California and national media.

The California/national release was re-posted on Yahoo! Politics, Reuters, TheStreet.com, and the websites of more than 40 major busi-

ness journals. *Investor’s Business Daily* cited the report in an October 15 staff editorial, while *The Wall Street Journal* did likewise on October 27.

The *Orange County Register* and the *Sacramento Bee* both blogged the initial release. The *Register’s* October 26 lead editorial was on our report, while the *Bee’s* Dan Walters (arguably California’s top statehouse reporter) quoted the report in his October 17 column which was published by the McClatchy newspapers in Sacramento, Modesto, Fresno, and San Luis Obispo.

FoxNews.com posted an online article that was listed prominently in its “Latest News” box. That article was also re-published on the websites of more than 10 local Fox affiliates—including Los Angeles, Washington, and Minneapolis.

National Review editor Rich Lowry featured the report in his nationally syndicated column—prominent placements include *National Review Online*, the *New York Post*, *Oregon Live*, *Real Clear Politics*, and *Jewish World Review*. Lowry’s column has been linked on major conservative websites including *Frum Forum*, nationally syndicated radio host Neal Boortz’s website, and *Commentary Magazine*.

The *New York Times* referenced our report in an October 26 article, citing the large shadow Texas was casting in the California statewide elections. The article was also published by the *Pittsburgh Post-Gazette* and several other major newspapers.

In two weeks, the “Competitive States 2010: Texas vs. California” report had received a total of 172 mentions: 100 in traditional media outlets and 72 on non-media websites. Combining print and online readership, these mentions had resulted in 24.2 million total impressions. ★

Read the full report at: www.texaspolicy.com.

NEW FACES

New Staff Helps Foundation Increase Outreach Efforts



Andrea Antal

Development Events Manager

Prior to joining the Foundation, Andrea was Finance Director for the Republican Party of Texas. While there, Andrea worked with grassroots activists, legislators, and donors from all over Texas to raise funds for the party's activities. She also organized rallies, conventions, and banquets with attendance ranging from hundreds to thousands of people.



Mario Loyola

Director, Center for Tenth Amendment Studies & Policy Analyst, Armstrong Center for Energy & Environment

Mario served in the Pentagon as a special assistant to the Under Secretary of Defense for Policy, and on Capitol Hill as counsel for foreign and defense affairs to the U.S. Senate Republican Policy Committee. He also worked as a state policy advisor for Senator Kay Bailey Hutchison. Mario has written extensively for national and international publications, including features for *National Review*, *The Weekly Standard*, and *The Wall Street Journal*. He has appeared on *The Glenn Beck Show*, *CNN International*, *BBC Television*, *Radio America*, and more.



James Golsan

Policy Analyst, Center for Education Policy and Higher Education

James joined the Center for Education Policy in October 2010. Prior to joining the Foundation, James completed his Master's of Arts degree in English at Texas Tech University. He recently had an article published in the Spring 2010 edition of *South Central Review Journal for Literary Criticism*.



Vikrant Reddy

Policy Analyst, Center for Effective Justice

Vikrant earned his B.A. from the University of Texas at Austin and his law degree from the Southern Methodist University Dedman School of Law in Dallas. He has worked as a research assistant at The Cato Institute, as a law clerk to the Hon. Gina M. Benavides of the Thirteenth Court of Appeals of Texas, and as an attorney in private practice, focusing on trial and appellate litigation.



Spencer Harris

Policy Analyst, Center for Health Care Policy

Spencer joined the Foundation in 2010 as a Health Care Policy Analyst. No stranger to Texas public policy, Spencer worked in the House of Representatives for Rep. Warren Chisum where he covered health care issues, immigration issues, and the Licensing and Administrative Committee.



Rikki Risinger

Accounting & Operations Manager

Rikki is the Accounting and Operations Manager at the Texas Public Policy Foundation. She graduated in May of 2010 with a Bachelor's Degree in Accounting from Texas A&M University, and immediately moved to Austin to begin her career at the Foundation. She grew up in Cypress and is a fifth generation Texan.

Economic Freedom

TEXAS Style

by Bill Peacock



freedom

SOMETHING extraordinary is happening in Texas.

Of course, we Texans are fond of proclaiming how everything is bigger—and better—in Texas. But what is happening today goes beyond typical Texas bravado.

Here are just a few of the facts:

- Texas has created more jobs in the last year—and the last 10 years—than all of the other states combined.
- The five largest cities in Texas rank in the top seven nationally—out of 66—when it comes to job growth.
- Supply-side economist Dr. Art Laffer ranks Texas as having the third best state economic performance—and first among the most populous 44 states—in the last 10 years.
- The *Atlantic*, in an article, “How Texas Is Dominating the Recession,” says, “No state is thriving in the wake of the Great Recession. But compared to the rest of the country, Texas is experiencing something like an economic boom.”

WHAT DOES THIS TELL US ABOUT WHAT IS HAPPENING IN TEXAS?

Well, one obvious thing is we are dominating economic growth and job creation in the United States. Some have called this the Texas Economic Miracle.

Not everyone buys that label, however. One critic said, “Take a tech-oriented region like Greater Bos-

ton or the Bay Area, subtract out a housing collapse and add in an energy boom, and I suspect you’ve covered most of the discrepancy in performance” between Texas and other states.

Perhaps it is true that if Texas’ housing and energy markets had collapsed along with most of the rest of the country, our economy might look a lot like Massachusetts’ or California’s. But they didn’t. And it doesn’t.

Other critics point to our 8.2 percent unemployment rate—22nd in the country and equal with New York—as evidence that Texas is not doing so well. But they overlook the fact that Texas’ unemployment rate stands at 8.2 percent after a net inflow of 1.78 million job seekers and their families in the last 10 years. New York, on the other hand, lost 847,000 during the same time.

Texas, in fact, has kept much of the country employed. Over the last 10 years, while the rest of the country lost 1.3 million jobs, Texas had a net increase of 843,000 jobs.

Texas’ economic miracle is real and it is helping to keep the rest of the country afloat during these hard times.

Yet, what is really so extraordinary about Texas is not our economic growth, but our consistent commitment to freedom despite constant assaults.

We shouldn’t be surprised by this; freedom is nothing new to Texas. Almost 165 years ago, Davy Crockett wrote this to his two children:

“I have no doubt [this] is the richest country in the world. Good land, plenty of timber, and the best springs. ... I am rejoiced at my fate. ... I am in great hopes of making a fortune for myself and my family.” ~Davy Crockett

There is a world of country to settle. It is not required here to pay down for your League of Land; every man is entitled to his head right of 4000 & 428 acres. They may make the money to pay for it off the Land. ...

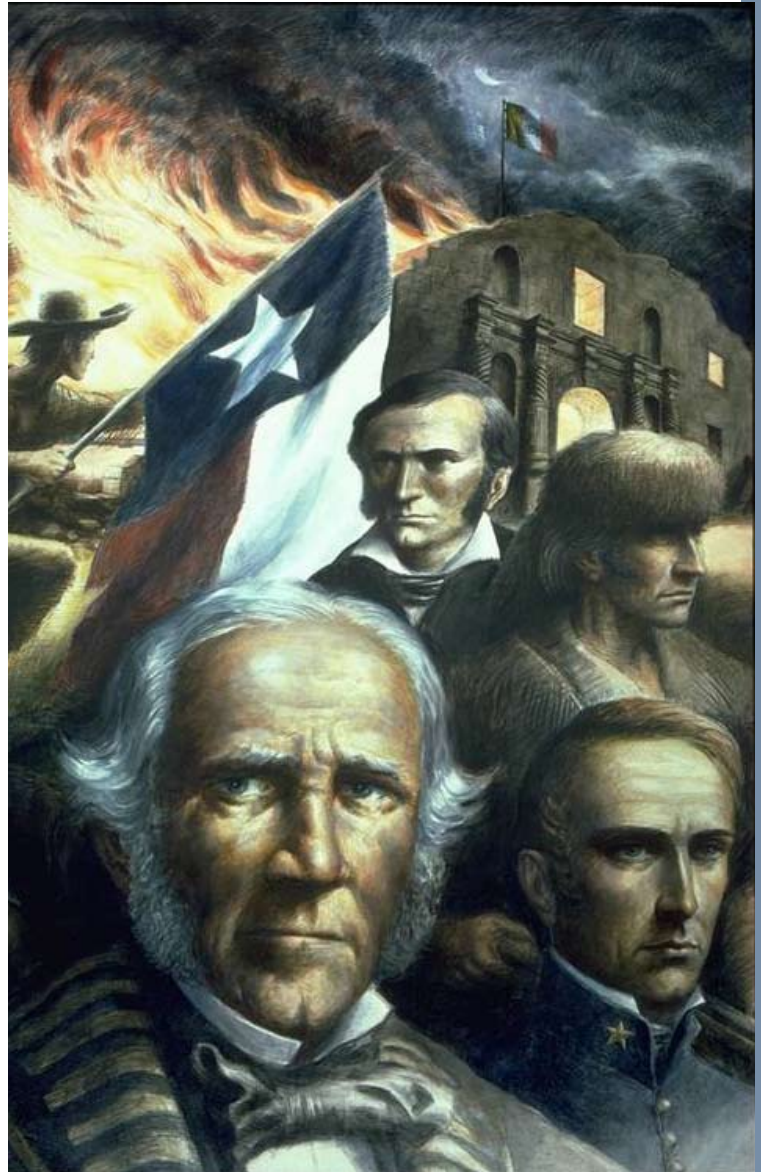
I have no doubt [this] is the richest country in the world. Good land, plenty of timber, and the best springs. ... I am rejoiced at my fate. I had rather be in my present situation than to be elected to a seat in Congress for life. I am in great hopes of making a fortune for myself and my family.

When Crockett wrote this letter to his children from St. Augustine, Texas in January 1836, his future prosperity was far from certain. Santa Anna was preparing to bring his army to Texas, and only a few days after his letter to his children, Crockett enlisted in the Texian army.

Yet in spite of the hard realities of frontier life and war that stood before him, Crockett was optimistic about his future because in Texas he was free to work and to use his property in the pursuit of the opportunities he saw before him.

The same can be said of Texas today—especially when compared to much of the rest of our country. And it is this extraordinary freedom to own and use property and to work and to conduct business—in other words, economic freedom—that is the main reason why Texas continues to attract hundreds of thousands of new “settlers” each year seeking opportunity.

continued next page >>



Texas heroes who fought for liberty and freedom.

prosperity

Economic freedom doesn't get much press these days, and it gets even less attention from our courts and legislatures. This shouldn't be the case, though, because economic freedom is the most fundamental of all of our freedoms. What good is freedom of speech, assembly, or petition if our property, money, and ability to work are taken away from us?

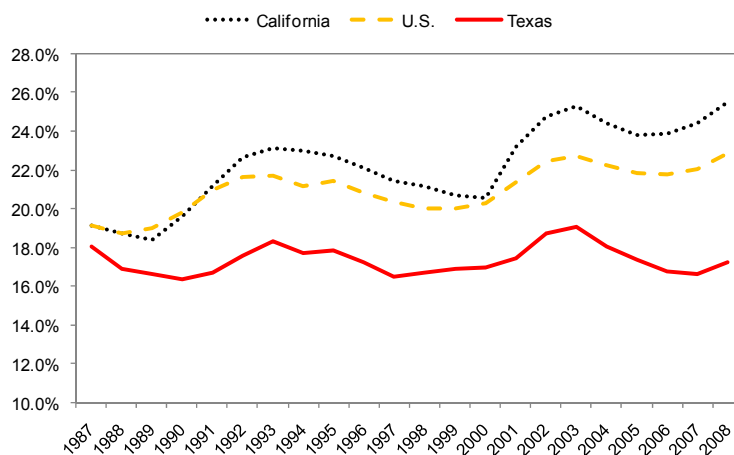
Not much. Yet that is exactly what is happening all across our country today. The government takes away our freedom to work and support ourselves; then, when the economy—predictably—begins to fall apart and jobs disappear, it gives us some combination of government economic development programs, economic stimulus packages, and welfare. When all we really want is our old jobs back. And our freedom.

A recent study by the Federal Reserve Bank of St. Louis confirms the connection between economic freedom and jobs. "We find that states with greater economic freedom—defined as the protection of private property and private markets operating with minimal government interference—experienced greater rates of employment growth."

At the Texas Public Policy Foundation, we've been doing a lot of research recently on what we call "Economic Development: Texas Style." What we mean by this is that rather than rely on government payouts to businesses, government spending, or government programs to keep the economy growing, Texas tends to rely on economic freedom. There are several ways this shows up in the public policy choices made by policymakers in Austin.

The first way is in lower government spending. Texas state government spent only \$3,380 per capita in 2008, ranking dead last among the states. The nearby chart from our recent paper, "Competitive States 2010: Texas vs. California," shows that Texas has much lower government spending as a percentage of the private economy than the U.S. or our largest competitor, California. The reason for this is that when the spending burden has begun to grow—usually during a recession, Texas policymakers have stepped up to the plate and brought it under control. This is quite obvious after the 2001 recession when in 2003 Texas met the challenge of balancing the state's budget without raising taxes. Because of this policy decision, Texas' 2008 spending burden remained slightly below its 1987 levels—a major accomplishment since our

Total State and Local Expenditures as a Percentage of Private GDP: California, Texas, U.S. (1987–2008)



Source: *Competitive States: Texas vs. California*, Texas Public Policy Foundation, October 2010.

paper also shows a close negative correlation between government spending and economic growth: the less spending, the more growth.

But now, only eight years later, Texas faces this challenge again. The spending burden has increased and Texas has an \$11 billion plus budget shortfall, both as a result of the most recent recession. So for the third time in 20 years, a significant danger arises for Texas. If the current growth in the expenditure burden is not reduced by the Texas Legislature, it will create a change in Texas' long run trend of controlled government spending and put Texas on California's path toward overspending and economic weakness.

Next, it follows that if a state keeps its spending low, its taxes will be low as well. Indeed, that is the case here in Texas. And low taxes are the second way in which Texas fosters economic growth through economic freedom.

Texas ranks 43rd in state tax collections at \$1,646 per capita. One reason for this is that we don't have a state income tax. Both of these facts are important.

Over the last 10 years, the economies of states with the lowest tax burdens have grown by 88 percent, while those with the highest tax burden have grown only 58 percent. The same picture emerges for those states with no income tax versus those with the highest income tax rates; the economic growth is 86 percent versus 59 percent, respectively.

This again points to the challenge Texas faces in 2011. We can either balance our budget through spending restraint or raising taxes. It won't be easy to find \$11 billion or more in budget savings, but the alternative is to move from a high growth to a low growth economy, with more budget shortfalls, more taxes, and fewer jobs in the future.

Finally, Texas promotes economic freedom through a focus on protecting private property rights. There are two parts to this: stopping the government from taking our property through eminent domain, and stopping the government from limiting our ability to use our property through land-use restrictions and economic regulation.

Texas has engaged in relatively little of the *Kelo*-style eminent domain takings made famous when the U.S. Supreme Court approved of New London, Connecticut's taking of Susette Kelo's home in order to increase its tax revenues. And in response to *Kelo*, the Texas Legislature has made it harder to engage in these types of takings.

Likewise, we have much fewer land use restrictions in Texas than elsewhere. Houston is the best example. Besides being the only major U.S. city without zoning, Houston is also the only major city where both per capita income and job growth have increased faster than the U.S. average. This is not a coincidence. Houston's lack of zoning was the main reason that it avoided most of the ill effects of the housing bubble—the ability of Houstonians to put their property to the most efficient and economical use kept housing prices from spiraling upward and then downward along with the rest of the nation.

In much the same way, Texas' relative lack of economic regulation—think price controls, environmental regulation, and other interference with market transactions—has allowed markets to operate quite efficiently.

To sum it all up, Texas is the national leader in economic freedom because we spend less, tax less, and regulate less.

One key reason we are doing so well in this is that no state has done a better job than Texas of standing up to the federal government's encroachment on our

Texas' economic size and strength makes it best suited to lead our friends in the national fight for freedom, one state at a time.

freedoms. The focus of Texas' efforts has been in just saying no to federal money.

Most people think that taking federal money is good for a state—almost like free money. If we don't take it, they say, someone else will. But the truth is that states would be better off if someone else did take the federal money. Because history has proven that more federal money means more state spending which means more state taxes and less state jobs.

Of course, Texas is not perfect when it comes to economic freedom—a quick visit to our web site will provide plenty of examples of where Texas can improve. But, as we have seen, we are doing better than just about anyone else.

In many ways, it is a sad commentary on our country that our relative commitment to economic freedom could be labeled extraordinary. After all, freedom isn't new to the U.S. either. Yet Texas isn't alone in the fight for freedom, as there are other states pushing back against the federal and state encroachment on economic freedom.

Texas' economic size and strength makes it best suited to lead our friends in the national fight for freedom, one state at a time. I strongly believe we will be successful in this as long as freedom-minded Texans don't give up the fight. ★

Bill Peacock is the Texas Public Policy Foundation's vice president of research and director of the Center for Economic Freedom. See all of the Center for Economic Freedom's research and commentaries at: www.TexasPolicy.com.

“FED UP!” Book Tour with Governor Rick Perry

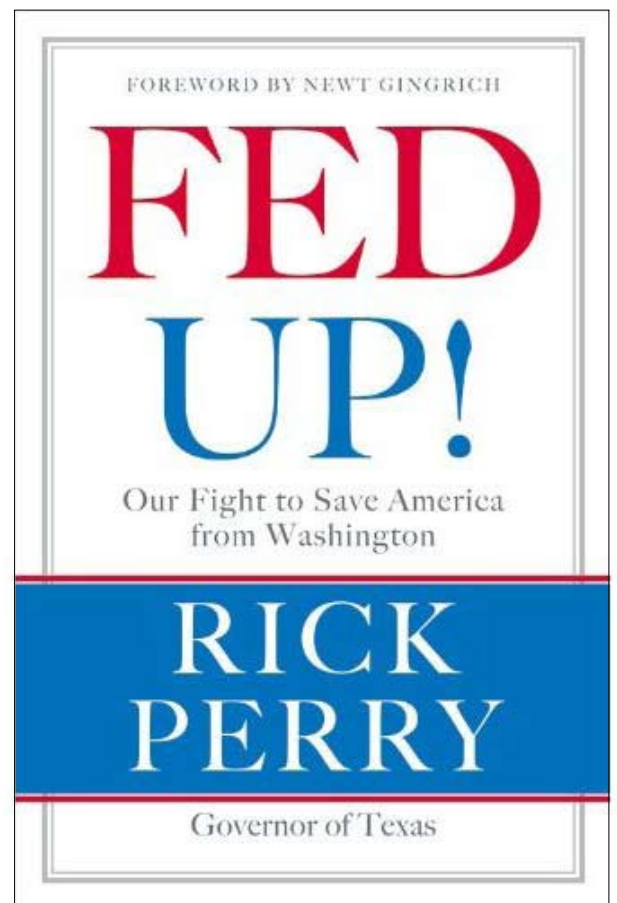
The Texas Public Policy Foundation embarked on a whirlwind book tour across the Lone Star State with Texas Governor Rick Perry to help roll out his new book *Fed Up! Our Fight to Save America from Washington*.

“Fed Up” tour stops included San Antonio, Houston, Dallas, Fort Worth, Austin, and Tyler. The governor was met by warm welcomes across the state with approximately 200 guests at each stop and signed hundreds of copies of his new book. Several media outlets joined the tour as did former U.S. Speaker of the House Newt Gingrich who joined the governor in Fort Worth.

The “winds of change” that are blowing through the country are not just directed at Democrats, Perry argues, but also at Republicans who have not resisted efforts to expand federal power.

“The American people have never sat idle when liberty’s trumpet sounds the call to battle—and today that battle is for the soul of America,” Perry writes.

All of the proceeds from *Fed Up!* book sales benefit the research and outreach activities of the Foundation’s Center for Tenth Amendment Studies so that we can continue to ensure that Texas is a national leader in the cause of liberty and respect for a limited government.



National interviews and books
for purchase can be found at:
www.fedupthebook.com



FOUNDATION PANEL RECAP:

Reduce **Spending** to Balance the Budget

by Courtney Hunter

At a recent forum, a group of public policy gurus challenged lawmakers and their staff to reject calls for higher taxes and instead look for ways to cut spending as a means to close the state's expected multi-billion shortfall.

The group, led by the Foundation's Center for Fiscal Policy Director Talmadge Heflin, included such notables as State Representative Myra Crownover, Empower Texans President Michael Sullivan, Texas Association of Business President Bill Hammond, and Americans for Prosperity State Director Peggy Venable—all of whom had plenty of ideas to share at September's *Conservative Budget Forum*.

Representative Crownover began the afternoon by posing a question to the audience: "What is the core function of government?" Or more specifically she continued, "What is government absolutely, positively, supposed to do that nobody else can do?"

In years past, the representative went on, the general attitude surrounding government spending has been too lighthearted and even went so far as to compare budget writers in previous sessions to girls going shopping with close friends on a weekend.

She said that lawmakers should never forget that government money is tax money taken from purses and pockets of hard-working Texans.

But making cuts shouldn't be a free-for-all with a hacksaw, according to Sullivan. Instead, he suggested ditching the hacksaw for an exacto-knife.

"Using a fine blade doesn't mean you're making small cuts," Sullivan said. "It means you're being careful about how you make those big cuts ... doing it around the edges and removing unnecessary spending."

Besides precision cuts, Sullivan also suggested that lawmakers consider introducing a statewide hiring freeze for about \$1 billion in savings, institute a five percent reduction in pay for all state employees, eliminate the Emerging Technology Fund and Texas Enterprise Fund, and return to a six-month eligibility for CHIP and Medicaid.

To find additional savings, Hammond prompted lawmakers to adopt a "recurring theme" of closely examining public education dollars in terms of productivity. One way, he said, is to raise the average class size requirements to 25 instead of 22 for kindergarten through fourth grade.

"I'll admit having voted for that requirement back in 1984," Hammond said. "There is no policy reason for 22-to-1. So let's admit that we made a mistake 30 years ago."

"You have a choice of cutting spending or raising more revenue, or some combination... . I think you should look at cutting spending. When you take more money out of the private sector, you curtail the creation of jobs."

~The Honorable Talmadge Heflin, Texas Public Policy Foundation



State Representative Myra Crownover (R) speaks about the upcoming budget shortfall at the Foundation's *Conservative Budget Forum* at the Texas Capitol.



The sold-out event was moved from the Foundation offices to the State Capitol building to accommodate for the large turnout.

He also wanted to see small district adjustment reward subsidies done away with, the cap on charters removed, and cap public school staff to 2006 levels which he said would save \$2.5 billion.

With regard to potential savings in health and human services, Hammond suggested the Legislature revamp the state's prescription drug benefits for state employees and consolidate human resources to a single entity.

Finally, Venable spoke to the fact that the Texas public education system employs more people than AT&T, Target, General Electric, or McDonald's.

She said the 20 "regional education centers" across the state house 3,500 employees altogether and also pointed out that the Beaumont Independent School District superintendent has a base salary of \$334,000 while overseeing just 20,000 students.

The point, she said, is that much of the funding for education is being spent on things outside the classroom.

"I'm not proposing that we're cutting that funding," she said, "but that we're redirecting more of that \$40 billion into the classroom. We have one non-teaching staff for every teacher, and most non-teaching staff are making more than teachers,

so if we cut that to three-to-one (three teachers for every non-teacher), I think we're looking at certainly billions of dollars."

Not everyone agreed with the panel's recommendations.

After the event, Dick Lavine, Senior Fiscal Analyst at the Center for Public Policy Priorities, offered a somewhat different perspective.

To solve the state's budget woes, Lavine said, we must make sure that tax dollars are being spent efficiently, look at the rainy day fund, postpone "paying the state's bills" so that an expense may show up in the next biennium, and examine the tax code for eliminating some exemptions.

"And after all those things, if you still don't have enough money to maintain your investment, you have to start looking at raising revenue."

While some, like Lavine, would like to see the state raise additional revenue through higher taxes and fees, this is unlikely to be the case as voters just recently signaled their desire for greater fiscal responsibility and tighter spending controls. A message that lawmakers, and the panelists above, seem to be taking to heart.

continued next page >>



Dick Lavine, policy analyst at the Center for Public Policy Priorities talks with Texas Budget Source about his ideas for balancing the state budget.



The Honorable Talmadge Heflin, director of the Foundation's Center for Fiscal Policy moderates the panel discussion at the "Conservative Budget Forum."

Major recommendations discussed at the "Conservative Budget Forum"

- Stop chasing federal funds. Every dollar of federal grant money translates into 62 cents of deficits—money that we don't have. In addition, federal funds encourage policy decisions that would not normally be acceptable.
- The state should adopt a hiring freeze, which could save upwards of \$1 billion by simply not filling empty positions.
- The Legislature should consider a 5 percent pay reduction for all state employees.
- Return to 6-month eligibility in Chip and Medicaid, which could possibly generate \$90 million in savings.
- Examine ways to reduce or eliminate staff in Regional Education Service Centers which currently have over 3,500 full-time employees on staff.
- Expand Medicaid Managed Care to the three counties excluded in the 2003 overhaul of Health and Human Services. The savings of expanding Medicaid Managed Care could generate upwards of \$1.2 billion.
- Relax the requirement for some school districts to maintain a 22-to-1 teacher-to-student ratio. The real impact on students isn't seen until you get down to about 15-to-1.
- Remove the cap on charters. Definite savings to be found here, since the state does not fund charters to the degree it funds traditional schools.
- Roll back the growth of education staff to 2006 levels. It is estimated that by simply doing this, the state could save approximately \$2.5 billion. ★

For more information on the Foundation's Texas Budget Source, please visit: www.texasbudgetsource.com.



You are Invited to the 2011 Visionaries Meeting!

Individuals like you are invited to become a part of the Texas Public Policy Foundation's Visionaries Meeting, so you can hear more about our leaders' vision for the future and share your greatest concerns. This exclusive invitation is open to those who contribute \$1,000 or more in one year (that's about \$83/month!). Many have already committed at this level, and if you haven't already, we hope you will, too!

Visionaries are pivotal to our success and receive in return:

- Exclusive opportunities to meet TPPF board members,
- Special invitations to policy conferences and workshops,
- *Veritas* and *TPPN* newsletters,
- Personal President's Reports,
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As one who loves liberty, please plan to make your contribution today and receive a complimentary invitation for you and your guest to Visionaries Meeting. If you have already given \$1,000 or more and have not yet registered, please do so today!

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POLICY ORIENTATION FOR THE TEXAS LEGISLATURE

JANUARY 13-14, 2011 | HILTON DOWNTOWN AUSTIN, TEXAS

JOIN US FOR THE PREMIER POLICY EVENT OF THE YEAR! Policy Orientation will begin with a high-energy debate on federal overreach and the intent of the 10th Amendment between former Texas Solicitor General and leader of the Texas Public Policy Foundation's Center for 10th Amendment Studies The Honorable Ted Cruz; and Executive Director of the Center for Public Policy Priorities Scott McCown.

The Texas Public Policy Foundation is proud to bring you the 9th Annual Policy Orientation for the Texas Legislature—a two-day symposium bringing together legislators, policy experts, and key stakeholders to address the most critical issues facing the 82nd Texas Legislature. Twelve panels of experts from across the country will present over the two-day conference, highlighted by a keynote luncheon with former Chancellor of the District of Columbia Public Schools Michelle Rhee on day one, followed by a reception keynote by Texas Lt. Gov. David Dewhurst. Policy Orientation will close on day two with a keynote luncheon with Texas Governor Rick Perry and opening remarks from Steve Moore of *The Wall Street Journal*.

THURSDAY, JANUARY 13, 2011 – DAY ONE

8:30 a.m. - 9:30 a.m. OPENING DEBATE

Drawing a Line in the Sand: Federalism and the 10th Amendment

Moderated by Brooke Rollins, President & CEO, Texas Public Policy Foundation

- The Honorable Ted Cruz, Former Texas Solicitor General, Senior Fellow, Center for Tenth Amendment Studies, Texas Public Policy Foundation
- The Honorable Scott McCown, Executive Director, Center for Public Policy Priorities

9:40 a.m. – 10:50 a.m. CONCURRENT PANEL SESSIONS I

Getting More for Less in Corrections

Penny Pension: Saving Money on Retirement Costs

10:55 a.m. – 12:05 p.m. CONCURRENT PANEL SESSIONS II

Health Insurance Exchanges: Good Deal or Raw Deal?

Water We Waiting For?

12:15 p.m. - 1:45 p.m. OPENING LUNCH

Keynote Speaker: Former Chancellor of D.C. Public Schools, Michelle Rhee (Invited)

2:00 p.m. - 3:15 p.m. CONCURRENT PANEL SESSIONS III

Fiscal Transparency: Pulling Back the Curtain on Spending
High Expectations for Higher Education

3:30 p.m. - 4:45 p.m. CONCURRENT PANEL SESSIONS IV

Choice or Regulation? Consumer Protection in Restructured Markets
The 2011 Balancing Act

5:00 p.m. VIP RECEPTION*

Keynote Speaker: Texas Lieutenant Governor, The Honorable David Dewhurst

*This event is exclusive to legislators, sponsors, visionaries and their guests.

FRIDAY, JANUARY 14, 2011 – DAY TWO

8:15 a.m. VIP BREAKFAST*

Keynote Speaker: Arthur Brooks, President, American Enterprise Institute

*This event is exclusive to legislators, sponsors, visionaries and their guests.

9:00 a.m. - 10:15 a.m. CONCURRENT PANEL SESSIONS V

Making the Textbook Case for More Cost-Effective Schools
Energy Policy at a Crossroads: Mandate or Markets?

10:30 a.m. - 11:45 a.m. CONCURRENT PANEL SESSIONS VI

A Healthy Debate: Should Texas Opt to Opt-Out of Medicaid?
Border Violence and the Texas Economy

12:15 p.m. CLOSING LUNCH

Keynote Speaker: Governor of Texas, The Honorable Rick Perry

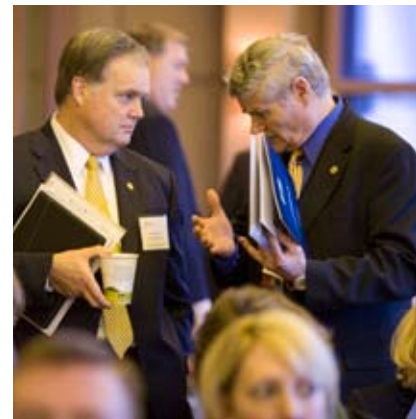
Opening Remarks: Steve Moore, editorial board & senior economics writer, *The Wall Street Journal*

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Policy Orientation will open with a breakfast reception at 8:15am on January 13th and close with a luncheon keynote address concluding at 1:30pm on January 14th.

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