

The Lone Star State

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Texans are very proud of their economic success over the past decade. Commonly referred to as “The Texas Miracle,” the Lone Star State has created 36% of all civilian jobs added nationwide since 2007. Following the 2008 market crash, Texas was able to fully recover lost jobs in the state by 2011, three years ahead of the nation as a whole. Not only did Texas recover more quickly than the rest of the country, the state emerged with a more diverse economy than ever before. This has proven to be critical to Texas’s continued economic success as the state experiences a downturn in the energy sector.

In 1986, Texas experienced the wrath of the energy crisis, an industry previously responsible for 30% of the state’s economy. Today, the energy sector is responsible for 11% of the Texas economy. The remaining 90% of the economy includes robust health care and health sciences, professional services, technology, and aerospace industries.

As a result, those who predicted Texas would experience its own recession have been proven wrong. There are two reasons why Texas has successfully expanded and diversified its economy: a friendly, hands-off regulatory climate, and aggressive incentives by the state to recruit new business.

Between 2008 and 2014, California lost 1,510 total businesses due to over-regulation. The beneficiary of these moves was Texas, gaining 219 of those businesses, including Toyota, Apple, eBay, and Restoration Hardware. In a survey published by Thumbtack and the Kaufman Foundation, Texas was graded “A+” for overall friendliness to small business, regulatory environment, and tax policies. California was graded “F” for overall friendliness and regulatory environment and given a “D” for their tax policies. Given these contrasting approaches to business regulation, it’s no surprise that employers are leaving the Golden State.

Furthermore, Texas has been successful in their aggressive attempts to recruit new businesses by utilizing tax incentives to secure expansions for companies that would otherwise go elsewhere. Some conservatives in the state question where “corporate incentives” fit into a “limited government” philosophy. However, a business incentives program using a level and open process ultimately results in smaller government as people find jobs, putting less pressure on poverty programs.

Today, Texas is surviving the downturn in the oil and gas industry just fine. With our more diverse economy, banking, real estate, and retail are no longer dependent upon the success of the energy sector. While that industry recovers, the remaining 90% of the economy continues to pump money and jobs into the state. While it’s true that Texas’s growth slowed to 1.4% in June 2016, the 4.2% unemployment rate continues to remain below the national average of 4.9%.



While it can be argued that every dollar given away in tax incentives is a dollar not spent on city or state services, it can be argued that it's only because of our success in diversifying the economy that we have a tax base at all. While Texas has recently restructured how it awards tax incentives, the program still remains quite aggressive. Michael Best Strategies helps our clients take advantage of these incentive programs and to cut through what little red tape exists in the Lone Star State, helping our clients and Texas prosper.