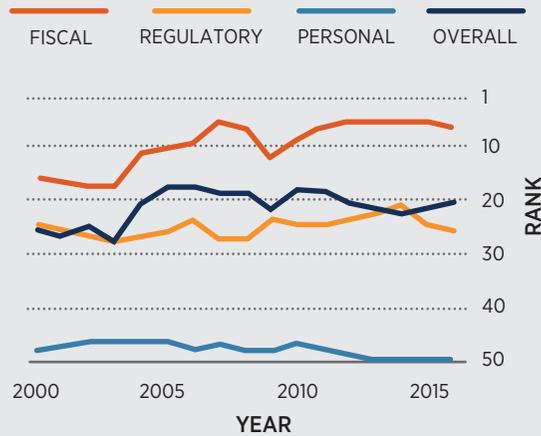


TEXAS

2016 RANK
21st



POLICY RECOMMENDATIONS

- **Fiscal:** Tighten the rules for municipal annexation and make municipal secession easy, to provide Texans with more choice in local government. Decentralize county responsibilities to the municipal level.
- **Regulatory:** Relegalize managed care health insurance, and roll back mandated benefits like in vitro fertilization coverage and reimbursement for acupuncturists and chiropractors. Those measures will reduce health care and coverage costs and would have raised Texas from just below average to above average on regulatory policy.
- **Personal:** Enact a general educational savings account plan similar to the one enacted in Nevada in 2015.¹²⁶



Population, 2017
28,304,596

Net Migration Rate
8.5%



State Taxes, Percent of Personal Income, FY 2017
3.51%

Local Taxes, Percent of Personal Income, FY 2015
4.72%

Partisan Lean, 2016
R +5.2



Real Per Capita Personal Income, 2016, in 2009 \$
\$43,148

Real Personal Income Growth, CAGR, 2000-15
3.9%

ANALYSIS

Texas is one of the economically freest and personally least free states in the country. Its economic freedom is likely one reason it has been such a job-producing and population-attracting machine. The Lone Star State boasts the second-highest real income growth rate in the United States since 2008 (2.8 percent annualized).

Texas's fiscal policy is very good. It is a fiscally decentralized state, with local taxes at about 4.7 percent of adjusted personal income, above the national average, and state taxes at about 3.5 percent of income, far below the national average. However, Texans don't have much choice of local government, with only 0.33 jurisdictions per 100 square miles. State and local debt is above average (with the biggest problem being local debt burdens), at 22.6 percent of income, but it has come down noticeably since FY 2010. Public employment has fallen significantly below average, at 11.8 percent of private employment, and government share of GDP is only 10 percent, below the national average of 11.3 percent.

Texas's land-use freedom keeps housing abundant and affordable. The state has a renewable portfolio standard, but it has not been raised in years. Texas is our top state for labor-market freedom. Workers' compensation coverage is optional for employers; most employees are covered, but not all. The state has a right-to-work law, no minimum wage, and a federally consistent anti-discrimination law. Cable and telecommunications have been liberalized. However, health insurance mandates are way above average, and the gatekeeper model of managed care has been banned. The extent of occupational licensing is high, but the state in 2013 enacted a sunrise review requirement for new licensure proposals. Time will tell whether it is at all effective. Nurse practitioners enjoy no freedom of inde-

pendent practice. Texas does not have many cronyist entry and price regulations, but it does have a price-gouging law, and Tesla's direct sales model is still illegal. We also show a marked deterioration in homeowner's insurance regulation in 2015, resulting in a large residual market. The civil liability system used to be terrible, but now it is merely below average. The state abolished joint and several liability in 2003, but it could do more to cap punitive damages and end parties' role in judicial elections.

Personal freedom is relatively low in Texas. Criminal justice policies are generally aggressive, but tentative reforms have begun. Even controlling for crime rates, the incarceration rate is far above the national average but has recently improved slightly. Drug arrests have fallen a bit over time but are still above average for the user base. Nondrug victimless crime arrests have also fallen over time and are now below the national average. Asset forfeiture is mostly unreformed, and law enforcement frequently participates in equitable sharing. Cannabis laws are harsh. A single offense not involving minors can carry a life sentence. Even cultivating a tiny amount carries a mandatory minimum of six months. In 2013-14, the state banned the mostly harmless psychedelic *Salvia divinorum*. Travel freedom is low. The state takes a fingerprint for driver's licenses and does not regulate automated license plate readers. It does not have much legal gambling. There are no private school choice programs, but at least private schools and homeschools are basically unregulated. Tobacco freedom is moderate, as smoking bans have not gone as far as in other states. Gun rights are moderately above average. Open carry was legalized in 2015. Alcohol freedom is above average, with taxes low. Texas has virtually no campaign finance regulations.

126. On this, see Kent Grusendorf and Nate Sherer, "How ESAs Can Keep Texas the Land of the Free and Home of the Brave," policy brief, Texas Public Policy Foundation, Austin, Texas, January 2016, <http://www.texaspolicy.com/library/doclib/PB-How-ESAs-Can-Keep-Texas-the-Land-of-the-Free-and-Home-of-the-Brave.pdf>.