Gov. Perry Addresses the Texas Taxpayers and Research Association

*Note - Gov. Perry frequently departs from prepared remarks.

**Wednesday, October 22, 2008**

Thank you, Cyndi [Krier, Secretary, TTARA] for that kind introduction and congratulations on this next phase in your career. I’m sure we’ll still be seeing plenty of you around the Capitol.

I want to thank all the good people of the Texas Taxpayers and Research Association for keeping our state focused on the impact of decisions we make when it comes to taxes. I suspect your voices will be very audible when the next session rolls around, and, by all rights, they should be.

When the 81st session of the Texas Legislature kicks off next year, the House and Senate will be balancing some unique opportunities and challenges as they consider our state’s course over the next two years.

On one hand, they will be tempted by the resources that flow from our state’s remarkable economic health of the past few years. On the other, they will be dealing with the impact of two significant storms that have rattled our state over the course of the past month.

The first storm was Hurricane Ike, a weather system that hammered the coastal area, taking lives, destroying homes and crushing businesses. For more than a month, the folks in southeast Texas have been digging out from underneath Ike’s damage...and we’re still waiting to find out the total financial impact.

Regardless of how much federal aid we receive, how thoroughly insurers fulfill damage claims, or what resources families and businesses can draw upon to rebuild, Ike will be with us for a while.
If that weren't enough, a storm of a different kind unleashed its fury on the world's financial markets just after Ike roared ashore. After years of irresponsible borrowing and lending, our nation's credit markets essentially imploded, and left the American people holding the bag.

Now there may be differing opinions in this room on whether or not Congress should be handing over our hard-earned tax dollars, to a bunch of mismanaged companies, insulating them from the consequences of their rash behavior. However, I suspect some of you might agree that a $700 billion corporate bailout isn't exactly an example of the free market at work.

No matter what you think of the bailout, the truth remains that this financial storm has left credit very, very tight. Starting next week, I will be talking directly to business groups around the state, to find out just show this current financial crisis is affecting them and, by extension, our whole state.

Texas businesses and families like yours are already tightening their belts, cutting spending, exercising greater discipline, taking a closer look at the difference between a want and a need. In times like this, state government should be no different.

That is why I have asked the heads of executive branch state agencies to cut as much discretionary spending from their budgets as they can. I have directed them to start by curtailing taxpayer-funded travel, and asked them to get back to me on other cuts they will make for the remainder of this fiscal year.

As they think about cutting their expenditures, and start using their budgetary scalpels, I hope this will create some momentum as we head into the next session and continue our record of good stewardship.

That stewardship includes the tough choices we've made that have helped our state attain the overall strength we enjoy today. In 2003, we tackled a $10 billion deficit by reducing spending instead of raising taxes.

We also reformed a legal system that was driving people out of business and doctors out of the state. We have also advocated for a regulatory environment that is predictable and reasonable. We also worked hard to cut property taxes in the 2006 special sessions.

As a result of the decisions we made, our state’s economy is better equipped than any other to handle the two storms that have roiled the financial seas around us.

By the way, I want to commend your organization for your recent report on the impact of those 2006 property tax cuts.

You're about the only people I've heard talking about the $7 billion positive impact of those cuts. Now we need to get our local appraisal systems fixed to really reap the benefits.

[PAUSE]

Speaking of benefits, we got some good, objective feedback on our tax system just last month. I’m pretty sure I saw some of you at the lunch honoring Dr. Arthur Laffer.

Whether you were there or had a chance to read his report, you should be up to speed on the competitive advantage our tax structure gives us.

If you recall, Laffer simply examined the tax structures in Texas and California and compared our bottom-line results. The good doctor was pretty enthusiastic in applauding Texas and our refusal to adopt a personal income tax, and provided clear examples of why it matters.

For example, a Texas company will earn about $50 more per $1,000 of net income than its California counterpart,
thanks to our tax system. Texas-based, Texas-owned companies also net another $65 per $1,000 spent thanks to our system’s impact on dividends. These are just two bottom-line explanations of the advantages Texas has over California…and two great reasons to move a business here.

I believe the differences between our states come from a core philosophical difference. I have always kept in mind the fact that the dollars we discuss and appropriate come from the pockets of our citizens, not some magical, bottomless pot of money.

Every dollar the government takes means less money for employers to hire more workers, less money for families to invest in their children’s education, less money for people’s retirement or savings. I want to do more to allow taxpayers to keep more of their own money.

It’s a wonder taxpayers can take two steps in any direction, seeing as they have the federal government’s hand in one pocket, the state’s in another, and local government walking off with their wallet.

Don’t get me started about Barney Frank’s comments the other day about government’s ability to “recover” revenue with more taxes.

He and others like him forget that taxpayers are people who work and save and invest, they are the people fueling the economic engine that is enabling Texas to handle the current economic storm better than any other state.

Texas still leads the nation in job production, exports more products than any other state, and is home to more Fortune 500 headquarters than any other state.

We also have the number one football team in the country, but that is a discussion for another time.

Texas also has the lowest loan default rate of any large-population state, and an unemployment rate that was well below the national average in the most recent reports.

Just last week, the Financial Times published a study titled “which states are suffering most” and concluded that Texas is suffering least. They ranked us number one overall, based on our national lead in categories like the growth rate of annual income, employment (where we’re tied with Wyoming), and gross state product.

I am still bullish on Texas because our foundation is strong and our future is bright, and there is no better time than now to press for more change.

As leaders who love this state and its people, our calling is to tie up the remaining loose ends so that we can continue moving forward, until the national and world economies catch up. One key step is a stronger limit on state spending.

Currently, the state determines that limit based on a formula that would keep a MENSA chapter busy for a while. I say we simplify it. I propose we limit state spending increases to the combined percentage increases in Texas population and inflation.

That simple number will give us a handy dividing line we can use to determine the difference between a need and a want. Applied to the budget the Legislature will craft next year, for example, that would equate to a 9.8% increase…and no more.

Next, I think we should only spend tax dollars on the purpose for which they were collected. I am proud that Speaker Craddick, Lt. Governor Dewhurst and I recently reached an agreement on ways to fund transportation in Texas. Part of that agreement is to fund the Department of Public Safety out of general revenue, not the gas tax.

The $600 million in gas tax revenues that go to DPS every year should go for their intended and rightful purpose: roads and infrastructure.
Finally, we need even more transparency in budgets and spending. We have set the national standard by opening our budgets to public scrutiny using the Web and other approaches.

The checkbook registers for all state agencies, including my office, have been online for a while now, thanks to the efforts of Susan Combs and her folks at the Comptroller’s Office.

We can and should insist on even greater transparency on government spending at the local level. Now, there are some municipalities and school districts that do that already—I applaud them for their commitment to their “customers.”

However, local governments that can’t…or won’t…keep their spending increases in line with state limits should let taxpayers know why by posting their check registers online.

Transparency at that level might make it clear to taxpayers why they haven’t experienced all the benefits of our 2006 tax cuts. When people can see where their dollars go, they are much more likely to involve themselves with government…and that’s a good thing.

These changes I’m proposing will most definitely rub some people the wrong way. and we will hear the standard complaints: it’s too hard, it’ll take too much work, we won’t have the revenues we need to run the state.

Those objections just don’t fly. We have years of empirical evidence that cutting taxes not only creates prosperity, jobs and investment, but also strengthens our state for the tough times.

As long as people like you continue to work hard, exercise financial discipline and keep an eye on the future, while expecting the same of those who represent you, Texas will continue to lead in the categories that matter.

Thank you all for what you do on behalf of Texas taxpayers and don’t stop talking about their rights. You are making a difference. May God bless you and, through you, may He continue to bless the great state of Texas.