



**“Tax cuts,  
so help me God.”**

—Governor George W. Bush, debating primary  
opponent John McCain on January 6, 2000.



Texas has a huge economy of more than \$552 billion that pays dividends to relatively few of its people. Just six states do a poorer job of distributing income. The wealthiest fifth of Texas' population (averaging \$130,302 a year) makes almost 12 times the annual earning of the poorest fifth (averaging \$11,200 a year). Texas ranks No. 48—after the Carolinas—in the percentage of its workers represented by labor unions (7 percent). With 16 percent of Texans impoverished, just

Employment Opportunity Office from 1997 to 2000.

Texas is the ultimate low tax, low service state. It ranks No. 50 both in per capita state revenue and in per capita spending. Only New Hampshire residents pay a lower share of their income to state taxes. Texas collects no state income tax, a tax that tends to shift a greater share of the tax load to the wealthy. Instead, Texas ranks No. 2 after Nevada in the percentage of tax revenue that it

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# ECONOMY

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nine states have a greater share of their population living in poverty.

The Lone Star economy leaves a disproportional share of certain populations behind. Texas ranks No. 9 in the high percentage of women who live in poverty (18 percent). With 26 percent of Texas kids living in poverty, just four states have a higher percentage of impoverished children. No other state approaches Texas' record 152 job-discrimination complaints filed by the federal Equal

derives from sales taxes (81 percent). Sales taxes shift more of the tax burden to the working poor. Poor Texas families, for example, spend 4.5 times more of their family income on sales taxes than do wealthy Texas families.

A couple of Governor Bush's favorite economic claims are that he:

- Cut state taxes by \$3 billion; and
- Gave consumers a \$3 billion rebate on their insurance premiums by making it harder for injured Texans to file lawsuits.

Taken together, these claims work out to Bush putting \$333 under each Texan's pillow. Many Texans say their checks must have gotten lost in the mail.

Significantly, one-third of the tax-cut claim of the "education governor" derives from a 1997 increase in the state homestead exemption that was supposed to yield a \$1 billion cut in property taxes—the chief source of revenue for Texas schools. If this had happened, the average homeowner's property taxes would have dropped \$140 a year. In reality, reappraisals significantly increased the overall taxable value of homes and the majority of Texas' local school districts compen-

sated for the "tax cut" by simply raising their tax rates. For many homeowners, property taxes never went down one cent.

Bush' \$3 billion "tort reform" rebate on insurance premiums is similarly hard to find in real life. Texas has the highest homeowner's insurance costs in the nation and ranks No. 11 in auto insurance costs. Insurers have enjoyed a significant drop in costs in Texas due to "tort reform" and other factors. But consumer advocates say insurers pocketed these savings while Texas consumers were overcharged \$2.2 billion on auto insurance alone from 1996 through 1998.



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## ECONOMY INDICATORS

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### Page

#### A. Jobs & Income

95	1. Average per capita income
96	2. Income distribution disparity
97	3. People in poverty
98	4. Women & kids in poverty
99	5. Kids whose parents lack full-time jobs
100	6. Kids in one-parent households
101	7. Unionized workforce
102	8. Job-discrimination lawsuits

#### B. Taxes

103	1. State general revenue & spending
104	2. Total state taxes per capita
105	3. Personal income spent on state taxes
106	4. Tax progressivity
107	5. Sales tax dependency

#### C. Consumers

108	1. Homeownership
109	2. Households unable to rent a 2-bedroom unit
110	3. Homeowner's insurance costs
111	4. Car insurance costs
112	5. Residential electric bills



# ECONOMY



## INDICATORS



## 1

## AVERAGE PER CAPITA INCOME



Texas ranked No. 27 in its estimated 1999 average per capita income (\$26,525). Some 67 percent of the U.S. population lives in states with greater per capita income.

	Rank	State	Average Per Capita Income
	1	Connecticut	\$39,167
	2	New Jersey	\$36,106
	3	Massachusetts	\$35,733
	4	New York	\$33,946
	5	Maryland	\$32,166
	<b>27</b>	<b>Texas</b>	<b>\$26,525</b>
	46	Montana	\$22,314
	47	Arkansas	\$22,114
	48	New Mexico	\$22,063
	49	West Virginia	\$20,888
	50	Mississippi	\$20,506



# 2

## INCOME DISTRIBUTION DISPARITY

The richest one-fifth of Texas families (averaging \$130,302 a year) account for almost half the state's total income, while the poorest fifth (averaging \$11,200) receive just 4 percent of all income. These wealthy families earned an average of almost 12 times what the poorest Texas families made from 1996–1998.

Rank	State	Rich Fifth Earns	Poor Fifth Earns	Rich/Poor Ratio	
	1	New York	\$152,349	\$10,769	14.1
	2	Arizona	\$141,190	\$10,801	13.1
	3	New Mexico	\$111,295	\$8,720	12.8
	4	Louisiana	\$111,441	\$9,289	12.0
	5	California	\$146,066	\$12,239	11.9
<b>7</b>	<b>Texas</b>	<b>\$130,302</b>	<b>\$11,200</b>	<b>11.6</b>	
	44-46	Alaska (tied)	\$147,432	\$18,264	8.1
	44-46	Colorado (tied)	\$148,812	\$18,450	8.1
	44-46	Maine (tied)	\$109,619	\$13,539	8.1
	47	North Dakota	\$106,304	\$13,423	7.9
	48	Iowa	\$111,852	\$15,143	7.4
	49	Indiana	\$121,955	\$16,660	7.3
	50	Utah	\$125,926	\$18,174	6.9

Texas ranks No. 5 in the income gap between its wealthiest families and the 20 percent of its families in the middle class (earning an average of \$41,099).

Rank	State	Rich Fifth Earns	Middle Fifth Earns	Rich/Middle Ratio	
	1	Arizona	\$141,190	\$38,624	3.7
	2-3	New Mexico (tied)	\$111,295	\$33,981	3.3
	2-3	New York (tied)	\$152,349	\$46,756	3.3
	4-7	California (tied)	\$146,066	\$46,076	3.2
	4-7	Oregon (tied)	\$144,300	\$44,984	3.2
	4-7	South Dakota (tied)	\$132,773	\$41,920	3.2
<b>4-7</b>	<b>Texas (tied)</b>	<b>\$130,302</b>	<b>\$41,099</b>	<b>3.2</b>	
	42-49	Maine (tied)	\$136,404	\$51,647	2.6
	42-49	Michigan (tied)	\$109,619	\$41,750	2.6
	42-49	South Carolina (tied)	\$147,432	\$56,196	2.6
	42-49	Utah (tied)	\$134,707	\$51,513	2.6
	42-49	Vermont (tied)	\$108,450	\$41,666	2.6
	42-49	Wisconsin (tied)	\$125,926	\$49,010	2.6
	42-49	Wyoming (tied)	\$111,852	\$43,780	2.6
	42-49	Indiana (tied)	\$121,955	\$47,876	2.6
	50	North Dakota	\$106,304	\$42,294	2.5





## 3

## PEOPLE IN POVERTY



Texas ranks No. 10 in the high percentage of its people that lived in poverty during the period 1996–1998 (16 percent).

	Rank	State	Impoverished People
	1	New Mexico	22.4 %
	2	Louisiana	18.6 %
	3	Mississippi	18.3 %
	4	Arizona	18.1 %
	5	West Virginia	17.6 %
	<b>10</b>	<b>Texas</b>	<b>16.1 %</b>
	46-48	Indiana (tied)	8.6 %
	46-48	Maryland (tied)	8.6 %
	46-48	Wisconsin (tied)	8.6 %
	49	Utah	8.5 %
	50	New Hampshire	8.4 %

Note: Data average the three-year period from 1996 through 1998.

4

WOMEN & KIDS IN POVERTY



Texas ranked No. 9 in the high percentage of its women that lived in poverty (18 percent) from 1996 through 1998.

	Rank	State	Impoverished Women
	1	New Mexico	24.4 %
	2	Louisiana	21.8 %
	3	Mississippi	20.8 %
	4-5	Arizona	19.4 %
	4-5	West Virginia	19.4 %
	<b>9</b>	<b>Texas</b>	<b>17.8 %</b>
	46-47	Indiana (tied)	9.9 %
	46-47	Utah (tied)	9.9 %
	48	Alaska	9.4 %
	49	Maryland	9.3 %
	50	Wisconsin	9.2 %

Only four other states had a higher percentage of kids living in poverty in 1997. Texas is tied with two other states that also had 26 percent of their children living in poverty.



	Rank	State	Impoverished Kids
	1-3	Louisiana (tied)	30 %
	1-3	Mississippi (tied)	30 %
	1-3	West Virginia (tied)	30 %
	4	New Mexico	29 %
	5-7	Arkansas (tied)	26 %
	5-7	<b>Texas (tied)</b>	<b>26 %</b>
	46-48	Nebraska (tied)	12 %
	46-48	Utah (tied)	12 %
	46-48	Wisconsin (tied)	12 %
	49	Minnesota	11 %
	50	New Hampshire	8 %

## 5

## KIDS WHOSE PARENTS LACK FULL-TIME JOBS



Texas is one of five states in which 27 percent of all children did not have one parent who had a full-time job in 1997. Parents in 24 other states have better employment rates. Texas hits the national average on this indicator.



Rank	State	Percent	
	1	Nebraska	17 %
	2-6	Iowa (tied)	19 %
	2-6	Kansas (tied)	19 %
	2-6	North Dakota (tied)	19 %
	2-6	Utah (tied)	19 %
	2-6	Wisconsin (tied)	19 %
	25-29	Alaska (tied)	27 %
	25-29	Arkansas (tied)	27 %
	25-29	Massachusetts (tied)	27 %
	25-29	New Hampshire (tied)	27 %
	<b>25-29</b>	<b>Texas (tied)</b>	<b>27 %</b>
	45-46	Hawaii (tied)	32 %
	45-46	Montana (tied)	32 %
	47	New Mexico	33 %
	48	New York	34 %
	49	Louisiana	35 %
	50	West Virginia	38 %

# 6

## KIDS IN ONE-PARENT HOUSEHOLDS





Texas is one of nine states that had 26 percent of their children living in single-parent households from 1996 through 1998. This fell just below the national average of 27 percent. Sixteen states had a lower percentage of kids living with just one parent.

Rank	State	Percent		
	1	Louisiana	35 %	
	2	Mississippi	34 %	
	3-5	Delaware (tied)	32 %	
	3-5	New Mexico (tied)	32 %	
	3-5	New York (tied)	32 %	
	25-33	Alaska (tied)	26 %	
	25-33	California (tied)	26 %	
	25-33	Maryland (tied)	26 %	
	25-33	Missouri (tied)	26 %	
	25-33	New Hampshire (tied)	26 %	
	<b>25-33</b>	<b>Texas (tied)</b>	<b>26 %</b>	
	25-33	Vermont (tied)	26 %	
	25-33	Washington (tied)	26 %	
	25-33	West Virginia (tied)	26 %	
		45-47	Indiana (tied)	22 %
		45-47	Minnesota (tied)	22 %
45-47		New Jersey (tied)	22 %	
48-49		Idaho (tied)	20 %	
48-49		North Dakota (tied)	20 %	
50		Utah	15 %	

## 7

## UNIONIZED WORKFORCE

After Texas, only the Carolinas have a lower percentage of workers represented by labor unions. Poor worker representation puts a damper on per capita income in Texas.



	Rank	States	Unionization
	1	New York	26.5 %
	2	Hawaii	25.0 %
	3-4	Alaska (tied)	23.6 %
	3-4	Washington (tied)	23.6 %
	5	Michigan	22.5 %
	46	South Dakota	7.8 %
	47	Utah	7.5 %
	<b>48</b>	<b>Texas</b>	<b>7.0 %</b>
	49	North Carolina	3.9 %
	50	South Carolina	3.8 %

# 8

## JOB-DISCRIMINATION LAWSUITS





Texas is No. 1 in the total number of job-discrimination complaints filed by the federal Equal Employment Opportunity Office from 1997 to 2000. During this period, Texas ranked No. 7 in the *per capita* number of these suits filed.

	Rank	State	Lawsuits Filed
	<b>1</b>	<b>Texas</b>	<b>152</b>
	2	California	101
	3	Michigan	74
	4	Illinois	68
	5	New York	64
	45-46	Iowa (tied)	2
	45-46	West Virginia (tied)	2
	47-48	Vermont (tied)	1
	47-48	Maine (tied)	1
	49-50	Rhode Island (tied)	0
	49-50	Utah (tied)	0



## 1

## STATE GENERAL REVENUE &amp; SPENDING

Texas ranks No. 50 in the per capita amount of total state revenue that it raises (\$2,433), cementing its reputation as a low-tax state.

Rank	State	Per Capita Revenue	
	1	Alaska	\$12,986
	2	Delaware	\$5,222
	3	Wyoming	\$4,859
	4	Hawaii	\$4,588
	5	New York	\$4,441
	46	Tennessee	\$2,594
	47	Arizona	\$2,531
	48	New Hampshire	\$2,505
	49	Florida	\$2,466
	<b>50</b>	<b>Texas</b>	<b>\$2,433</b>

Texas also ranks No. 50 in the per capita amount of total state revenue that it spends (\$2,348), cementing its reputation as a low-service state.



Rank	State	Per Capita Spending	
	1	Alaska	\$8,518
	2	Hawaii	\$4,410
	3	Delaware	\$4,308
	4	Massachusetts	\$4,092
	5	New York	\$4,064
	46	New Hampshire	\$2,565
	47	Tennessee	\$2,555
	48	Colorado	\$2,545
	49	Florida	\$2,458
	<b>50</b>	<b>Texas</b>	<b>\$2,348</b>

# 2

## TOTAL STATE TAXES PER CAPITA



Texas ranks No. 48 in the amount of per capita taxes that its residents pay the state (\$1,246). While the previous indicator showed the state general revenues, this figure just looks at state taxes. This excludes such non-tax revenues as user fees.



	Rank	State	Taxes Per Capita
	1	Connecticut	\$2,869
	2	Delaware	\$2,663
	3	Hawaii	\$2,662
	4	Minnesota	\$2,435
	5	Massachusetts	\$2,357
	46	Alabama	\$1,318
	47	Tennessee	\$1,288
	<b>48</b>	<b>Texas</b>	<b>\$1,246</b>
	49	South Dakota	\$1,130
	50	New Hampshire	\$851



## 3

## PERSONAL INCOME SPENT ON STATE TAXES

New Hampshire citizens spend the smallest share of their incomes on state and local taxes, followed by residents of Texas and South Dakota. The five states paying the highest share of income to these taxes all levy a full-blown state income tax. Colorado is the only state among the bottom five to do so. Texas and South Dakota have no such tax, while New Hampshire and Tennessee only tax dividend and interest income.

Rank	State	State Taxes As % of Income	
	1	New Mexico	10.7 %
	2	Hawaii	10.4 %
	3	Delaware	9.5 %
	4	Minnesota	9.4 %
	5-7	Michigan (tied)	8.9 %
	5-7	West Virginia (tied)	8.9 %
	5-7	Wisconsin (tied)	8.9 %
	46	Tennessee	5.7 %
	47	Colorado	5.6 %
	48-49	South Dakota (tied)	5.4 %
	48-49	<b>Texas (tied)</b>	<b>5.4 %</b>
	50	New Hampshire	3.1 %

# 4

## TAX PROGRESSIVITY



“Progressive” taxes fall more heavily on the wealthy; “regressive” taxes fall more heavily on the poor. This chart ranks the progressivity of state and local taxes levied in the biggest city in every state. The ranking is based on the ratio of the tax rate paid by families earning \$25,000 a year to the rate paid by families earning \$150,000. Texas’ biggest city ranked No. 43 nationwide. The poorer residents of Houston paid a tax rate of 5.3 percent, while wealthier Houstonians paid a lower tax rate of 4.7 percent.



	Rank	State’s Biggest City	Poor:Rich Tax Rate Ratio
	1	Boise, ID	.55:1
	2	New York, NY	.58:1
	3	Minneapolis, MN	.59:1
	4	Billings, MT	.59:1
	5	Columbia, SC	.62:1
	<b>43</b>	<b>Houston, TX</b>	<b>1.14:1</b>
	46	Cheyenne, WY	1.24:1
	47	Anchorage, AK	1.27:1
	48	Seattle, WA	1.28:1
	49	Sioux Falls, SD	1.31:1
	50	Las Vegas, NV	1.36:1

Note: The higher the ratio, the more the tax rate penalizes the poor.

## 5

## SALES TAX DEPENDENCY

Taxing income generally shifts a greater share of the tax burden to the wealthy, while taxing consumption (e.g. sales taxes) tends to shift the load to the working poor. With no state income tax, Texas ranks No. 2 in the share of tax revenue (81 percent) that it derives from sales taxes.



	Rank	State	Tax Revenue From Sales Taxes
	1	Nevada	85 %
	2	Texas	81 %
	3	South Dakota	79 %
	4	Tennessee	76 %
	5	Florida	75 %
	46	Massachusetts	30 %
	47	Montana	20 %
	48-49	Oregon (tied)	13 %
	48-49	Delaware (tied)	13 %
	50	Alaska	10 %

# 1

## HOMEOWNERSHIP





Texas ranks No. 45 in the percentage of households in which the occupants of a home own it.

	Rank	State	Percent Homeowners
	1	Maine	77.4 %
	2	South Carolina	77.1 %
	3	Michigan	76.5 %
	4	Minnesota	76.1 %
	5	Pennsylvania	75.2 %
	<b>45</b>	<b>Texas</b>	<b>62.9 %</b>
	46	Rhode Island	60.6 %
	47	Massachusetts	60.3 %
	48	Hawaii	56.6 %
	49	California	55.7 %
	50	New York	52.8 %

## 2

## HOUSEHOLDS UNABLE TO RENT A 2-BEDROOM UNIT

Texas ranks No. 3 in the *number* of non-homeowning households that were unable to afford the rent of a two-bedroom house or apartment in a metropolitan area in 1990. This problem can be caused by low incomes, high rents or both. Texas and seven other states are tied in the *percentage* (39 percent) of non-homeowning households that could not afford the rent on a two-bedroom unit in 1998. This rate corresponds to the national average.



	Rank	State	No. of Households
	1	California	1,838,618
	2	New York	1,324,573
	<b>3</b>	<b>Texas</b>	<b>819,834</b>
	4	Florida	656,011
	5	Illinois	523,925
	46	Idaho	15,191
	47	South Dakota	11,753
	48	Montana	10,243
	49	Vermont	7,652
	50	Wyoming	7,356

# 3

## HOMEOWNER'S INSURANCE COSTS





The astronomical cost of homeowner's insurance in Texas is one factor contributing to the state's low rate of homeownership. Texas has the highest rates in the country, soaring far above those of runner up Louisiana.

	Rank	State	Average Annual Cost
	<b>1</b>	<b>Texas</b>	<b>\$855</b>
	2	Louisiana	\$666
	3	Hawaii	\$655
	4	Florida	\$611
	5	Alaska	\$575
	46	Idaho	\$321
	47	Virginia	\$316
	48	Delaware	\$308
	49	Ohio	\$289
	50	West Virginia	\$252

## 4

## CAR INSURANCE COSTS

Texas ranks No. 11 in car insurance costs



	Rank	State	Average Annual Cost
	1	New Jersey	\$1,138
	2	New York	\$960
	3	Connecticut	\$901
	4	Rhode Island	\$852
	5	Delaware	\$845
	<b>11</b>	<b>Texas</b>	<b>\$773</b>
	46-47	Maine (tied)	\$492
	46-47	Wyoming (tied)	\$492
	48	South Dakota	\$479
	49	Iowa	\$459
	50	North Dakota	\$452

Source: National Association of Insurance Commissioners, "State Average Expenditures & Premiums for Personal Auto Insurance in 1998," Kansas City, MO, April 2000. Texas figures adjusted for County Mutuals using Texas Department of Insurance data.



## 5

## RESIDENTIAL ELECTRIC BILLS

Texas is No. 1 in residential electric bill costs, which averaged \$1,108 a year in 1998. Texas households consume huge amounts of electricity (running air conditioners almost half the year). While most energy costs are low in Texas, its kilowatt-hour costs are high, thanks in part to huge cost overruns at its nuclear power plants.

	Rank	State	Average Annual Cost
	<b>1</b>	<b>Texas</b>	<b>\$1,108</b>
	2	Florida	\$1,103
	3	Louisiana	\$1,066
	4	South Carolina	\$1,049
	5	Arizona	\$1,024
	46	New Mexico	\$589
	47	Wyoming	\$586
	48	Montana	\$578
	49	Colorado	\$567
	50	Utah	\$550

Households subsidize the electric rates of large industrial electric consumers, which receive volume discounts. This subsidy is measured by the ratio of residential to commercial electricity rates. Just 10 states had higher industrial electric subsidies, with households paying almost twice as much as industry for a kilowatt hour in 1998. Some 72 percent of the U.S. population lives in states with lower subsidies.

	Rank	State	Residential/Industrial Rate Ratio
	1	New York	2.76
	2	Iowa	2.10
	3	Montana	2.04
	4	South Carolina	2.03
	5	Ohio	2.02
	<b>11-12</b>	<b>Texas (tied)</b>	<b>1.94</b>
	11-12	Washington (tied)	1.94
	46	New Hampshire	1.48
	47	New Jersey	1.44
	48	Rhode Island	1.43
	49	Hawaii	1.33
	50	Massachusetts	1.30