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For more information: Contact Dick Lavine, lavine@cppp.org

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TEXAS LACKS FOUNDATION FOR LONG-TERM ECONOMIC SUCCESS

New study highlights weakness in fundamental building blocks

The Corporation for Enterprise Development (CFED) has just released its annual Development Report Card for the States, which assesses state economic development capacity. Texas received poor marks in its economic performance and its capacity for future development. CFED warned against the temptation to cut programs as a quick fix for budget problems and recommended continued investment in the economic fundamentals needed for long-term gains.

THE CFED STUDY

The Corporation for Enterprise Development (CFED) is a private, nonprofit, nonpartisan economic development organization that supports development that increases economic opportunities and competitiveness for all citizens. This is CFED's 16th annual *Development Report Card for the States*. The report can be found online at <http://drc.cfed.org/grades/texas.html>

The *Report Card* assesses the strengths and weaknesses of each state's economy and its potential for future growth using state-by-state comparisons based on over 70 socioeconomic data measures.

The *Report Card's* framework is based on the assumption that economic development should be measured in terms of quality of life: jobs, income, education, skills, health, and the environment. CFED believes that successful economies do not result from any quick fix, but from long-term investments in human, technical, financial, physical and environmental infrastructure to support people and communities that are the core of economic development.

DEVELOPMENT CAPACITY

The Development Capacity Index assesses a state's building blocks for future development. Texas got a C in development capacity.

In the area of human resources, which identifies the education and skill levels of the workforce, Texas was

especially weak in high school attainment (50th of the 50 states) and high school graduation (38th). Measures of amenity resources and natural capital – assessments of the quality of life and the sustainability of natural resources – pointed out problems in health professional shortage areas (37th) and air quality (39th).

Texas ranked among the top ten states in just two measures of development capacity: science/engineering graduate students (3rd) and basic mathematical skills proficiency (10th).

ECONOMIC PERFORMANCE

The Economic Performance Index rates how well a state's economy provides opportunities for employment, income, and an improving quality of life. For the fourth year in a row, Texas failed this test with a F.

Texas did poorly on measures of how well people are compensated for the work they do, ranking 43rd in employer health coverage and 44th in the percentage of working poor. The state also is near the bottom in equity measures such as the poverty rate (46th) and income distribution (47th).

The Quality of Life subindex measure the nonmaterial aspects of a high standard of living, such as social conditions and civic capacities. Texas faltered not only in ratings of uninsured low-income children (50th) and teen pregnancy (49th), but also in homeownership rate (45th), voting rate (46th), and crime rate (43rd).

Resource Efficiency was also weak: per capita energy consumption (45th), renewable energy (48th), recycling rate (39th) and greenhouse gas emissions (41st).

Texas' sole strong point in economic performance in long-term employment growth, where it ranks 8th.

BUSINESS VITALITY

Texas did, however, get an A in Business Vitality, which measures the competitiveness of existing businesses, a state's structural diversity, and its entrepreneurial energy. Texas was especially strong in initial public offerings (7th) and manufacturing capital investment (10th).

CONCLUSION

The CFED study concluded that states that have historically invested in the building blocks of long-term economic development, including K-12 education, world-class universities, good roads, and research and development, appear to be performing better overall than their peers, despite economic hard times. They have demonstrated sustainable growth and development for the long haul.

Top performers for 2002 are Colorado, Connecticut, Massachusetts, Minnesota, and Virginia, all of which earned straight As. Five other states earned all As or Bs.

Eight states, including Texas, got an F in at least one of the three categories. This is a warning that Texas cannot afford to cut back on investments that lay the foundation for long-term growth.

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