

IN THIS ISSUE

TEXAS TAXES

Recent trends and patterns in Texas tax collections are summarized in this issue, along with a comparison of how the state stacks up with others.

THE SOUTH TEXAS REGION

The South Texas Region includes 28 counties and the metropolitan statistical areas (MSAs) of Brownsville-Harlingen, Corpus Christi, Laredo, and McAllen-Edinburg-Mission. The area represents 8.72% of the state's population and is home to about 2.47 million people.

ECONOMIC DEVELOPMENT NEWS

Texas continues to be one of the best spots in the country for relocations and expansions. Some of the state's most recent economic development happenings are featured on page 5.

FOCUS ON: WAGE AND SALARY EMPLOYMENT

A breakdown of wage & salary employment by MSA provides a quick look at the forecast for 2017 to 2045. See page 7 to get a snapshot of the anticipated growth for the state as well as for an MSA near you.

The Perryman Report & Texas Letter

Texas Taxes

Taxes are inevitable and necessary, providing the revenue government entities need to fulfill their responsibilities. Fiscal resources are essential to the provision of infrastructure, defense, education, social services, and fulfillment of the many other roles of the public sector.

There are many forms of taxes, including income, sales, and property taxes (among others). Each type of tax involves different burdens on various groups and types of businesses. This issue of *The Perryman Report & Texas Letter* highlights recent trends in Texas and how the state compares to other areas.

TRENDS IN TEXAS TAX COLLECTIONS

Total revenue to the State of Texas includes three major categories: federal income, State tax collections, and other fees and income. In 2017, federal income represented more than a third of total State revenue. Federal income includes grants and other funds to be used for programs in

education, health care, and infrastructure. Other non-tax sources of revenue include licenses, fees, fines, penalties, land income, and lottery proceeds. (See the accompanying chart, "Sources of State Revenue: 2017.")

Almost half of State revenue is from tax collections. The largest category is sales taxes, which provided 26.0% (\$28.9 billion) of revenue in 2017. Motor vehicle sales and rental taxes were another sizable category, with 4.1% (\$4.5 billion) of the total, while motor fuel taxes generated 3.2% (\$3.6 billion). The business franchise tax added another 2.9% (\$3.2 billion), and oil production taxes contributed 1.9% (\$2.1 billion).

Over the past decade, total Texas tax collections have risen markedly, up from \$37.8 billion in 2009 to \$49.6 billion in 2017. However, the pattern has not been smooth, with strong gains in some years and declines in others. (See the accompanying charts: "Texas Tax Revenue and Population Growth" and "Total

to continue its strong performance over the forecast horizon, led by broad-based expansion across both manufacturing and services industries. The area is projected to see a \$188.7 billion increase in real gross product (RGP) by 2045, expanding by 3.26% annually. Nearly 665,100 new jobs are likely to be added, which represents a 1.78% annual growth rate. The services sector is expected to experience the largest number of net new jobs during the period

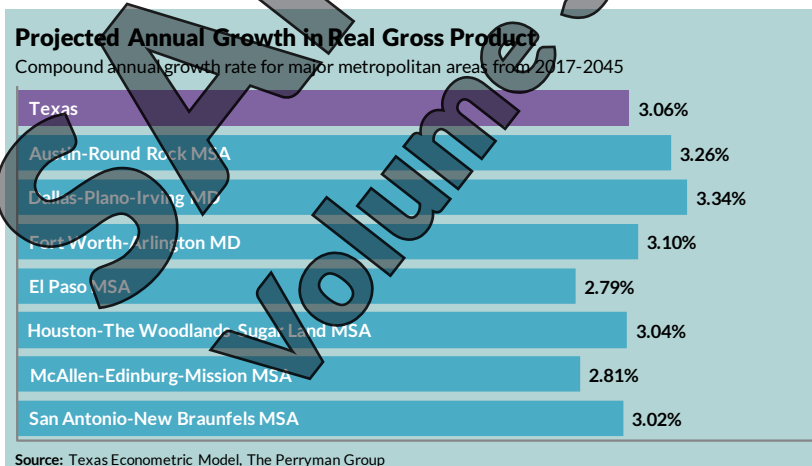
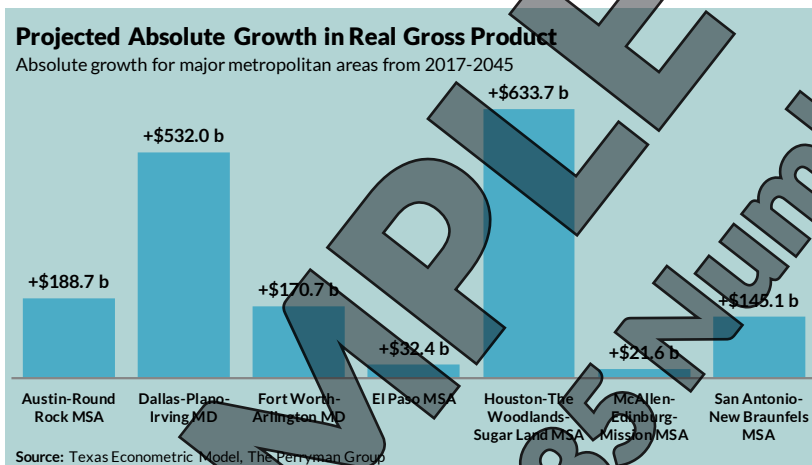
(over 431,100), while information and manufacturing are projected to see RGP gains of around 4% per annum.

The **Dallas-Plano-Irving Metropolitan Division** has been performing very well, with notable hiring in professional and business services and mining, logging, and construction sectors. Expansion will likely continue at a moderate pace, with employ-

"The major MSAs comprise about 83.0% of growth in the economy."

ment expected to increase by 1.67 million over the 28-year period, a 1.78% annual growth rate. The largest gains in employment are projected in the services sector, with an addition of over 1.0 million jobs representing a 2.27% growth rate per year. Through 2045, the area's real gross product is forecast to increase by 3.34% annually for an added \$532.0 billion in the local economy. The manufacturing and information sectors are projected to see the fastest expansion in relative output, both with an annual growth rate of around 4%.

The **Fort Worth-Arlington Metropolitan Division** has largely experienced steady growth over the past year, led by gains in the trade, transportation, and utilities and the education and health services sectors. Leisure and hospitality, financial activities, and manufacturing have also been expanding at a healthy rate. The Perryman Group's most recent long-term forecast for the MSA indicates growth at rates well above the nation as a whole and similar to the state, with



screening and related education have provided almost five million prevention services and are improving access to lifesaving testing for some of the state's most vulnerable populations.

The Perryman Group has measured the economic benefits of CPRIT on a number of occasions and has found that through fulfilling its primary role of reducing the burden of cancer, the Institute also generates hundreds of millions of dollars in additional business activity each year and

substantial additional taxes for the State and local governments. In fact, over the ten-year life of the current commitment, incremental taxes to the State far exceed the total commitment of State resources.

"The gross cumulative ten-year losses of not extending CPRIT and all of its programs include almost \$143.9 billion in lost gross product, more than 1.3 million lost person-years of employment, almost \$7.0 billion in lost revenue to the State and \$3.2 billion in lost tax receipts to local governments."

THE ECONOMIC COST OF CANCER IN TEXAS

Cancer affects the longevity, quality of life, and finances of individuals suffering with the illness. Costs associated with cancer include direct medical outlays for treatment

and care as well as indirect costs such as disease-related work disability or premature mortality. Prevention, early detection, effective treatment, and medical advances to minimize the consequences of the disease are vital national and, indeed, global priorities.

Despite advances in many aspects of cancer prevention and treatment, the number of Americans diagnosed with the disease remains very high. One factor in the recent upward trend in new cases is the aging of the US population, as cancer incidence increases among older age groups.

The direct medical costs and morbidity and mortality

Anticipated Net Cumulative Losses from Not Extending CPRIT for Another Ten Years on Texas Business Activity and Tax Receipts

Includes direct outlays with multiplier effects as well as secondary effects

Economic Benefits		Total
Total Expenditures		(\$252.1 m)
Gross Product		(\$141.7 m)
Personal Income		(\$98.8 m)
Retail Sales		(\$33.6 m)
Employment (Job-years)		(1,207,479)
Fiscal Benefits		Total
State (Texas)		(\$6.6 m)
Local Governmental Entities		(\$3.0 m)

Notes: Monetary values in millions of constant 2018 US dollars, employment is in job-years, the equivalent of one person working one year. Assumes CPRIT and its programs are not extended beyond the initial authorization. Losses are based on a comparison to the situation where CPRIT and all of its programs are continued for an additional ten years beyond the original authorization. All funding levels are sustained at the stabilized levels currently anticipated for the final year of the current program. Measured impacts do not include the residual benefits of the initial ten-year commitment, since those gains will accrue irrespective of the extension.

Source: The Perryman Group

THE ALAMO REGION FIVE -YEAR FORECAST 2017-2022

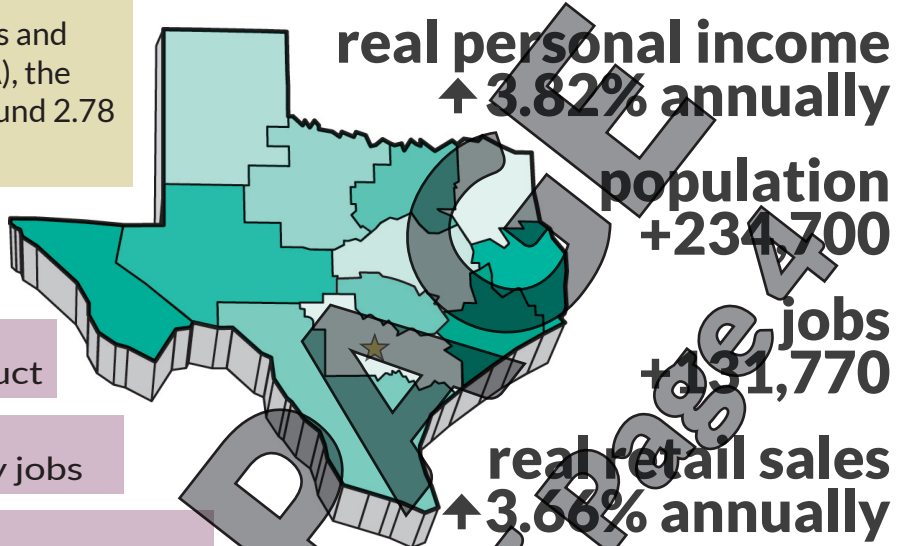
The Alamo Region includes 19 counties and one metropolitan statistical area (MSA), the San Antonio-New Braunfels MSA. Around 2.78 million residents call the area home.

9.84% of the state's population

7.96% of the state's real gross product

9.56% of the state's wage and salary jobs

9.17% of the state's real personal income



EMPLOYMENT 2017-2022

Employment for the Alamo Region is forecast to expand at an annual growth rate of 2.07% from 2017 to 2022, adding more than 131,770 jobs.

In 2022, the Alamo Region is estimated to have more than 1.35 million total wage and salary workers.

Industry	2017-22 Growth	2017-22 Gain	2022 Percent
Agriculture	0.55%	190	0.52%
Mining	3.87%	2,380	1.15%
Utilities	1.39%	160	0.17%
Construction	1.56%	5,200	5.15%
Manufacturing	1.01%	3,960	4.63%
Trade	1.75%	15,790	13.94%
Transportation & Warehousing	1.70%	2,580	2.35%
Information	1.48%	1,770	1.84%
Finance, Insurance & Real Estate	1.27%	6,250	7.55%
Services	2.96%	82,350	44.85%
Government	1.04%	12,130	17.84%
All Industries	2.07%	131,770	100.00%

COUNTIES

Atascosa	Guadalupe
Bandera	Jackson
Bexar	Karnes
Calhoun	Kendall
Comal	Kerr
DeWitt	Lavaca
Frio	Medina
Gillespie	Victoria
Goliad	Wilson
Gonzales	

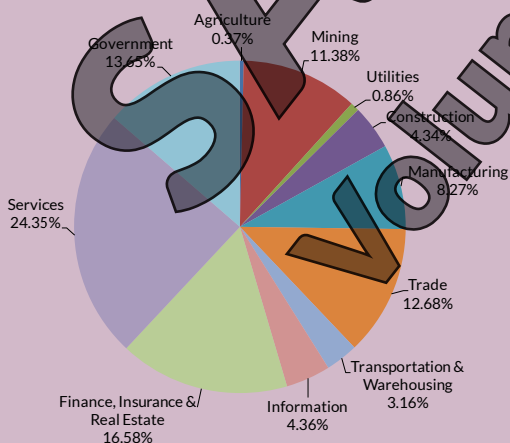
NEWS

San Antonio had the largest population gain in the country between 2016 and 2017 adding an average of 66 residents a day. New Braunfels was also one of the fastest growing US cities, seeing an 8% increase during the same period.

Construction continues on the \$142 million Frost Tower project in downtown San Antonio. The 460,000 square foot office building is slated for a 2019 opening.

At Brooks development, Nissei Plastic Machinery America Inc. has unveiled a new 115,000 square foot manufacturing facility. The Greenline, a \$10.6 million, 43-acre linear park is another recent addition to this community.

REAL GROSS PRODUCT 2022 COMPOSITION



The region's real gross product is expected to reach around \$151.4 billion in 2022 and is likely to expand at an annual growth rate of 3.91% over the short term (2017-2022).

The services; finance, insurance & real estate; and government sectors will represent over half of the area's RGP in 2022.

ECONOMIC DEVELOPMENT NEWS FROM AROUND THE STATE

SCHERTZ

A planned entertainment complex at Wiederstein Ranch to now include a 15,000-seat amphitheater. Outdoor concert venue will open in 2019 along with EVO Entertainment Group's 73,000 square foot movie, bowling, and gaming complex.

TEMPLE

Bellaire North, an \$18 million development is in the works. The project will include several retailers and two hotels.

MESQUITE

Verde Center at Peachtree, a \$250 million mixed-use medical campus, could create 1,800 jobs in the area. The project would include a hospital, research and fitness center, and office space.

LUFKIN

Angelina Forest Products plans to construct a \$100 million sawmill next year. The business expects to create 100 workers.

MANSFIELD

Texas Health Resources and Adventist Health System are planning a new facility in the city. The \$150 million project will include a 195,400 square foot hospital and an 80,000 square foot medical office building.

SULPHUR SPRINGS

Trailer manufacturer Load Trail setting up shop in 150,000 square foot facility at Heritage Business Park and will employ around 150.

Local company JB Weld is expanding, breaks ground on new 78,000 square foot facility for its 70 employees.

VICTORIA

INVISTA will undergo a \$250 million technology upgrade in 2019 at its local plant. The company produces chemical intermediates, polymers, and fibers used in clothing, carpet and more.

MCGREGOR

Steel cargo trailer maker FT Indiana Inc. is moving into an 80,000 square foot facility here. The company will hire at least 75 workers over the next couple of years.

Paradigm Metals Inc. is relocating its headquarters and around 250 employees to the new 72-acre Innovation Business Park. Will be investing over \$10 million in the 100,000 square foot facility.

GLASSCOCK COUNTY

A cryogenic natural gas processing plant will be built near St. Lawrence. Operations at the WTG Gas Processing facility should begin late in 2019.

TYLER

Caterpillar dealer Wyoming Machinery Company is locating a new division here that will focus on mining equipment. Around 88 jobs will be created.

HAVE AN ANNOUNCEMENT TO MAKE?

Let our editors know what's taking place in your "neck of the woods."

Share the details of recent economic development happenings in your area with our readers by reaching out to us.

The Perryman Report & Texas Letter is read monthly by the state's most notable leaders.



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will trend downward to more normal levels. Nonetheless, long-term demographic trends, such as the aging of the US population and the retirement of the large Baby Boomer generation, point to the potential for more frequent and intense labor shortages in the future.

The market will incentivize technological advances which will help resolve future shortages, and part of the answer will be automation, machine learning, and other actions to increase the productivity of existing workers. More rational immigration policy will also be needed to permit use of workers from other countries in a more efficient manner. Long-term economic performance will be affected by how successfully the United States adjusts to changes in the workforce.

FOR THE US ECONOMY

The Perryman Group's latest long-term forecast calls for moderate growth, though business cycles in intervening years are likely. During the 2017 to 2045 period, real gross product is projected to expand from an estimated \$16.8 trillion to \$35.3 trillion, a 2.69% annual rate of growth. Employment is forecast to reach 212.1 million by 2045, up from 146.4 million in 2017. This 1.33% annual rate of growth in employment will result in the addition of some 65.6 million jobs.

Inflation is expected to remain fairly low, with consumer prices increasing at a 1.73% annual rate over the period. Interest rates are projected to increase significantly, from an estimated 2.86% for 2017 to 7.25% by 2045. Income and industrial production are also forecast to see significant

growth, as indicated in the accompanying table.

CONCLUSION

The United States economy is expected to see long-term growth at a moderate pace. By the end of the forecast horizon in 2045, there are likely to be sweeping changes in technology and in the way business is conducted, but indications are that the US is well positioned to adapt and innovate to remain competitive.

Growth patterns will be enhanced by strong trade agreements, while a trend toward tariffs and trade wars would decrease ultimate performance. The economy will also have to deal with changes in the labor force and potential workforce shortages. Business cycles are inevitable, but the long-term outlook for the United States is decidedly positive.

LONG-TERM OUTLOOK

PROJECTED KEY INDICATORS

Economic Indicator	2017 Level	2045 Level	Annual Growth	2017-45 Increase
Real Gross Product	\$16.8 tr	\$35.3 tr	2.69%	\$18.5 tr
Real Personal Income	\$14.5 tr	\$21.6 tr	1.42%	\$7.1 tr
Population	323.1 m	393.1 m	0.70%	70.0 m
Employment	146.4 m	212.1 m	1.33%	65.6 m
Industrial Production Index	117.3	244.3	2.66%	127.1
Consumer Price Index	114.1	184.3	1.73%	70.2
Interest Rates	2.86%	7.25%	3.38%	4.40%

FOCUS ON: POPULATION

Major Metropolitan Areas	2017	2022	Gain	Growth
Austin-Round Rock MSA	2,079,316	2,282,777	203,461	1.88%
Dallas-Plano-Irving MD*	4,875,611	5,308,721	433,110	1.72%
Fort Worth-Arlington MD*	2,478,021	2,689,023	211,003	1.65%
El Paso MSA	848,327	869,733	21,406	0.50%
Houston-The Woodlands-Sugar Land MSA	6,888,439	7,482,016	593,577	1.67%
McAllen-Edinburg-Mission MSA	866,835	928,730	61,894	1.39%
San Antonio-New Braunfels MSA	2,468,644	2,685,889	217,245	1.70%
STATE OF TEXAS	28,309,002	30,452,905	2,143,904	1.47%

Other Metropolitan Areas	2017	2022	Gain	Growth
Abilene MSA	172,439	179,303	6,863	0.78%
Amarillo MSA	266,242	276,227	9,985	0.74%
Beaumont-Port Arthur MSA	412,892	423,102	10,210	0.49%
Brownsville-Harlingen MSA	428,927	445,065	16,158	0.74%
College Station-Bryan MSA	259,128	285,039	25,911	1.92%
Corpus Christi MSA	463,468	490,902	27,433	1.16%
Killeen-Temple MSA	443,385	474,508	31,123	1.37%
Laredo MSA	276,832	294,614	17,782	1.25%
Longview MSA	220,414	226,501	6,087	0.55%
Lubbock MSA	319,077	338,827	19,750	1.21%
Midland MSA	171,732	189,008	17,276	1.94%
Odessa MSA	165,025	179,366	14,341	1.68%
San Angelo MSA	122,160	128,283	6,123	0.98%
Sherman-Denison MSA	129,192	138,607	9,415	1.42%
Texarkana MSA	94,277	96,263	1,986	0.42%
Tyler MSA	228,386	241,921	13,535	1.16%
Victoria MSA	102,144	107,641	5,496	1.05%
Waco MSA	268,139	281,144	13,005	0.95%
Wichita Falls MSA	152,273	155,634	3,361	0.44%

* Metropolitan Division (part of the Dallas-Fort Worth Arlington MSA)

Notes: "Gain" refers to the absolute change in value from 2017 to 2022 while "Growth" refers to the compound annual growth rate over 2017-2022.



The Perryman Group is a focused team of analysts who know how to address complex economic information tasks and present our findings effectively.

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M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.



He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, patent infringement and other intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.

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