December 2015 - January 2016

FISCAL NOTES

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KEEPING UP WITH THE JONES ACT 7

STATE REVENUE WATCH 11

Entrepreneurship on the Decline

by David Green

SLIP IN NEW BUSINESS CREATION POSES RISKS

To many, the information age has been defined largely by the rise of digital companies that were born in apartments and garages and quickly made their young founders billionaires. It's easy to think we live in a golden age for entrepreneurs.

In fact, however, entrepreneurship — as measured by the rate at which brand-new businesses enter the economy — has declined steadily for the last three decades. Today, older, bigger companies dominate an increasing share of America's business landscape. And importantly, this trend isn't isolated to specific regions or industries. It's common throughout the economy.

Yet new businesses, however small, are enormously important to job growth and productivity gains.

DECLINES IN NEW BUSINESS CREATION

While newly created firms still represent a significant share of all businesses, Census data show that the *new firm entry rate* (that is, new businesses each year as a share of all businesses) has declined steadily in recent decades, both in Texas and the U.S. Texas' new firm entry rate declined from 16.1 percent in 1982 to 9.1 percent in 2013 (latest available data).

In Texas and the nation as a whole, declines in the entry rate were particularly substantial after the Great Recession of 2008 and 2009. The rate has recovered somewhat in recent years, but remains well below pre-recession levels. New firms are struggling to gain momentum. In fact, the number of new firms declined in 2013 in both the U.S and Texas.

By contrast, *firm exit rates* (companies closing their doors as a share of all businesses) remained mostly steady between 1982 and 2013. The U.S. firm exit rate ticked up during the Great Recession and actually surpassed the entry rate in 2009, but fell back by 2012. In other words, new firms are entering the market more slowly, while closing rates have remained relatively stable for decades.

Research by the Ewing Marion Kauffman Foundation and others has found that the downward trend in firm entry rates can be seen in all 50 states and nearly every major metropolitan area, as well as across industries. Even the tech sector, famed for its startups, has seen a decline in entrepreneurship since 2000.

CONTINUED ON PAGE 3

A Message from the Comptroller

We live in an era when entirely new industries have sprung up, seemingly overnight. We've seen freshly minted billionaires go from microwave ramen to private jets in less time than it takes to complete a college degree. One of the most popular shows on television lionizes self-made businessmen and women and offers others the chance to make their dreams into viable companies.

It can seem like entrepreneurs are everywhere — but that's far from the case. In fact, the rate at which new businesses are formed has been declining for decades, in both Texas and the U.S. For more and more Americans, the dream of owning their own business may remain just that.

In this issue of *Fiscal Notes*, we unveil a new study of the decline in entrepreneurship, which has potentially serious consequences for the vitality of our economy. We examine the various measures by which we can track the creation and growth of companies, and the possible causes and effects of the slowdown in business creation.

We also look at the economic impact of the Jones Act, a nearly century-old federal law that requires maritime shipments between American ports to be made only with U.S.-built and -crewed vessels. The ban on foreign vessels has been a boon for U.S. shipbuilders, but imposes significant costs on other industries, particularly energy and chemical companies. Supporters say the Jones Act is essential to American security; others say it's protectionist legislation that makes no economic sense in the modern world.

As always, I hope you enjoy this issue!

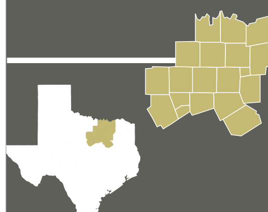
GLENN HEGAR
Texas Comptroller of Public Accounts

REGIONAL SNAPSHOT: METROPLEX REGION

As the state's chief financial officer, I'm charged with monitoring the state's economic health. Therefore, it's vitally important that my office studies factors related to our regional economies.

The 19 counties comprising the Metroplex Region have helped boost Texas' remarkable growth and resiliency over the past 10 years.

-GLENN HEGAR
Texas Comptroller of Public Accounts

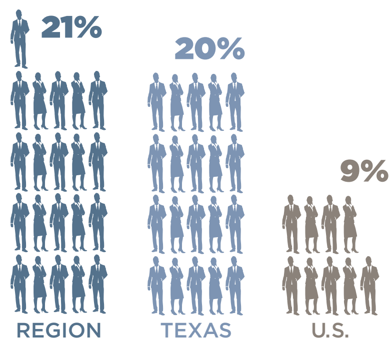


METROPLEX REGION COUNTIES:

COLLIN, COOKE, DALLAS, DENTON, ELLIS, ERATH, FANNIN, GRAYSON, HOOD, HUNT, JOHNSON, KAUFMAN, NAVARRO, PALO PINTO, PARKER, ROCKWALL, SOMERVELL, TARRANT, WISE

POPULATION GROWTH

METROPLEX REGION VS. TEXAS AND U.S. / 2003-2013



Source: U.S. Bureau of Economic Analysis

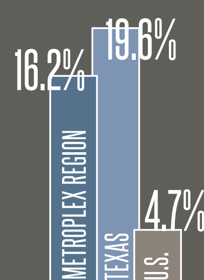
METROPLEX REGION HAS **4.5** TIMES AS MANY PEOPLE PER SQUARE MILE AS THE STATE AVERAGE.

Source: U.S. Census Bureau

JOBS & WAGES

JOB GROWTH 2003-2013

The Metroplex Region added more than 458,000 jobs from 2003 to 2013. Collin County led this expansion, accounting for 30 percent of the region's net new jobs.



Source: Economic Modeling Specialists Intl.

WITH MORE THAN **1,400 EMPLOYEES** TYSON FRESH MEATS IS SHERMAN'S LARGEST EMPLOYER.

Source: Sherman Economic Development Corporation

PER CAPITA PERSONAL INCOME GROWTH 2003-2013

REGION 38%

TEXAS 46%

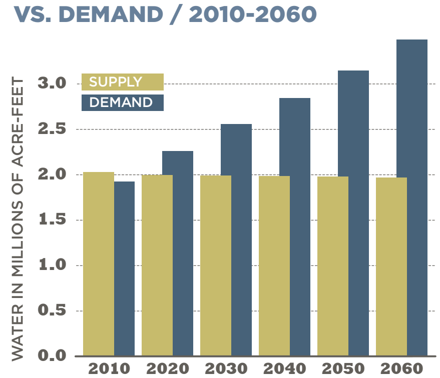
U.S. 37%

Sources: U.S. Bureau of Economic Analysis and Texas Comptroller of Public Accounts

WATER

Demand for water already exceeds available supply in much of the Metroplex Region. Water shortages could curb economic growth in the booming region, given that estimates project a demand increase of nearly 82 percent from 2010 to 2060. Total water supplies are projected to decrease by 3 percent over the same period.

PROJECTED WATER SUPPLY VS. DEMAND / 2010-2060



Sources: Texas Water Development Board and Texas Comptroller of Public Accounts

FOR A COMPLETE LIST OF REGIONAL SNAPSHOTS, VISIT:
TEXASAHEAD.ORG/REGIONALRPTS

If you would like to receive paper copies of *Fiscal Notes*, contact us at
fiscal.notes@cpa.texas.gov

A related measure shown in **Exhibits 1** and **2**, the *job reallocation rate*, captures employment turnover in the economy, also known as "churn" — through business expansions, contractions, starts and closures — and it's also on the decline. A steady rate of churn is crucial for the efficient allocation of labor and other resources. A declining reallocation rate indicates a less vibrant and dynamic economy, which in turn could weaken productivity and innovation.

(Note that self-employed workers are excluded from Census statistics. Self-employment saw significant growth during the 1980s and 1990s, but has fallen since the Great Recession.)

ENTREPRENEURSHIP AND ECONOMIC GROWTH

Numerous studies have confirmed the correlation between entrepreneurial activity and economic growth.

A 2003 examination by the Census Bureau's Center for Economic Studies, for instance, found positive links between new business entry rates and economic expansion. Similarly, one 10-year academic analysis of 48 U.S. states found that those with a higher share of employment in very small businesses see higher levels of productivity and economic activity.

Numerous studies have confirmed the correlation between entrepreneurial activity and economic growth.

New firms, moreover, have a disproportionately large impact on job creation, accounting for about 20 percent of all new U.S. jobs annually. This quality is an important feature of new firms, particularly when compared to the volatile employment swings of established firms (**Exhibits 3** and **4** next page).

Job creation by new firms fell during the Great Recession, and has struggled to regain its pre-recession levels in Texas and the U.S. New firms in the U.S. as a whole created 1.4 million fewer jobs in 2013 than in 2006, a 35 percent drop. While Texas' new businesses fared better, job creation by these firms in 2013 was down by 22.5 percent from 2005 levels.

WHAT'S CAUSING THE DECLINE?

Many economists are puzzled by the widespread decline in new firm formation. Recent research, however, points to two possible causes: *slower population growth* and

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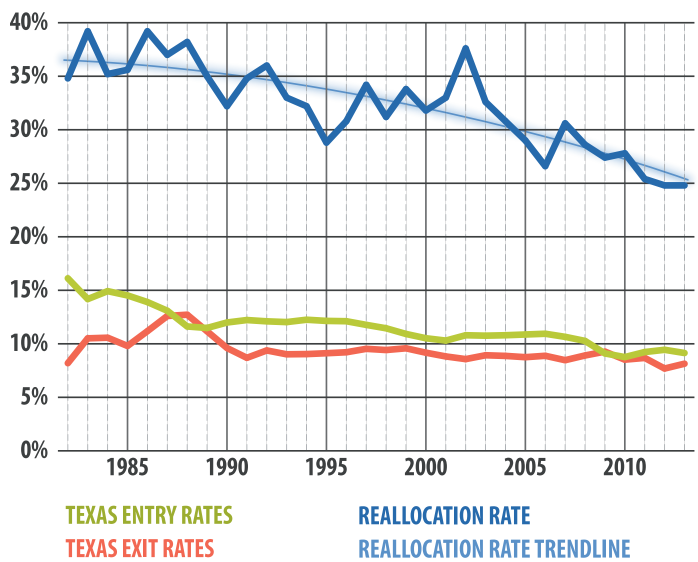
EXHIBIT 1

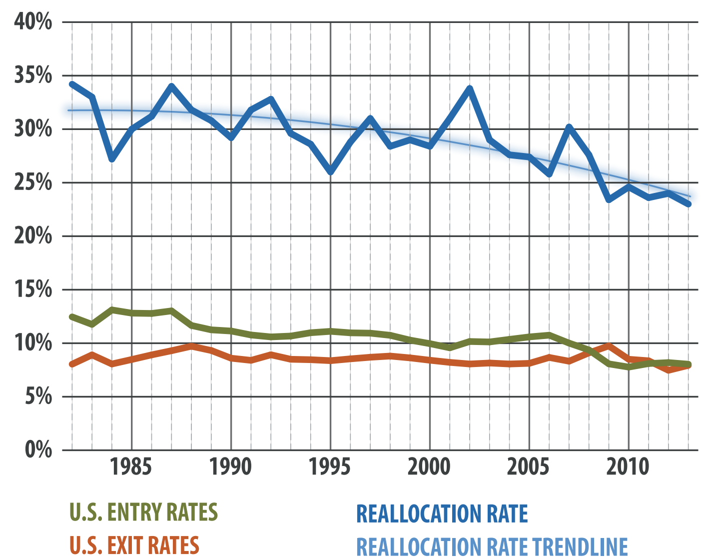
TEXAS FIRM ENTRY, EXIT AND REALLOCATION RATES, 1982-2013



Note: Entry and exit rates exclude self-employed workers, domestic service workers, railroad employees, agricultural workers, most government employees, employees on ocean-borne vessels and workers in foreign countries.
Source: U.S. Census Bureau Business Dynamics statistics, Comptroller of Public Accounts analysis

EXHIBIT 2

U.S. FIRM ENTRY, EXIT AND REALLOCATION RATES, 1982-2013



Note: Entry and exit rates exclude self-employed workers, domestic service workers, railroad employees, agricultural workers, most government employees, employees on ocean-borne vessels and workers in foreign countries.
Source: U.S. Census Bureau Business Dynamics statistics, Comptroller of Public Accounts analysis

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business consolidation — the combination, through mergers and acquisitions, of multiple smaller businesses into fewer, larger ones.

A recent nationwide analysis by the Brookings Institution found that slower population growth in western, southwestern and southeastern states coincided with declines in new business formation. States with greater population growth tended to have higher business formation rates.

According to the Brookings Institution, business consolidation can be measured as the ratio of average firm size (in number of employees) to average *establishment* size, also by employee count, with "establishment" in this case meaning a single unit of a larger business, such as a single store in a retail chain or a manufacturing firm owned by a larger company.

For a region whose businesses operate only out of single stores or factories, the ratio would be 1/1, or 1.0 — each business has a single establishment. In the age of big-box retail, nationwide cellphone companies and the like, however, such ratios are unlikely.

As businesses grow through mergers and acquisitions, then, their average numbers of employees will increase, driving up the consolidation ratio.

Census data show that business communities in both the U.S. and Texas have become more consolidated in the past few decades (**Exhibit 5**). The U.S. business consolidation ratio rose from 1.22 in 1977 to 1.33 in 2012. Texas' ratio rose from 1.23 to 1.36 in the same period.

A high level of business consolidation can make it more difficult for new businesses to enter the market. Larger businesses often enjoy advantages, such as greater economies of scale and brand-name recognition, which may not be available to new businesses.

AGING BUSINESS OWNERSHIP

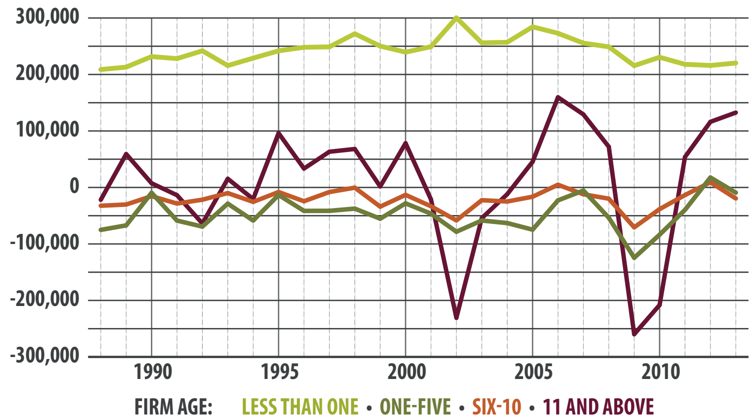
The decline in entrepreneurial activity is particularly noticeable among younger adults.

The share of young adults owning whole or partial stakes in private businesses has fallen substantially since the late 1980s, according to

A high level of business consolidation can make it more difficult for new businesses to enter the market.

EXHIBIT 3

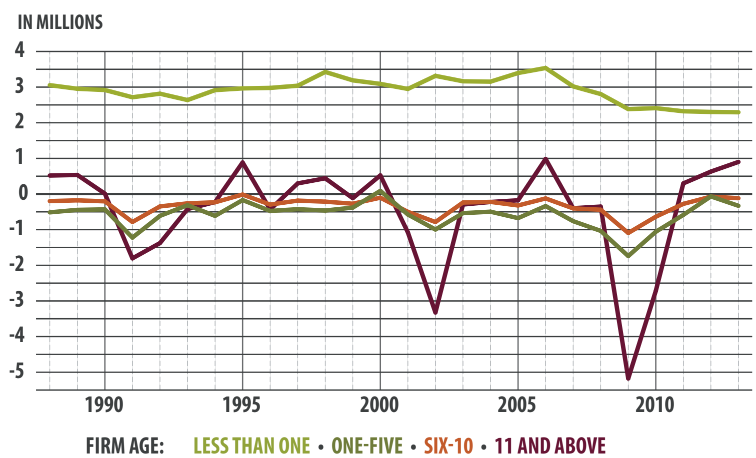
NET JOB CREATION BY FIRM AGE IN TEXAS, 1988-2013



Source: U.S. Census Bureau Business Dynamics statistics, Comptroller of Public Accounts analysis

EXHIBIT 4

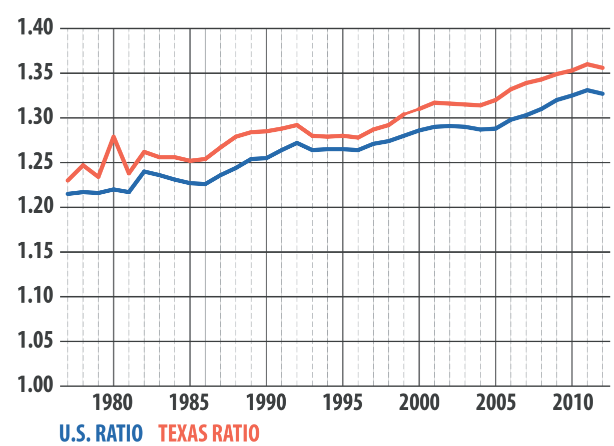
NET JOB CREATION BY FIRM AGE IN U.S., 1988-2013



Source: U.S. Census Bureau Business Dynamics statistics, Comptroller of Public Accounts analysis

EXHIBIT 5

BUSINESS CONSOLIDATION RATIOS: U.S. VS TEXAS, 1977-2012



Source: U.S. Census Bureau Business Dynamics statistics, Comptroller of Public Accounts analysis

the Federal Reserve (**Exhibit 6**). In 1989, 10.3 percent of families headed by a person younger than 35 owned all or some part of a business. By 2013, this share had fallen to 6.5 percent. Ownership among those aged 35 to 54 declined as well, but remained higher than among those younger. Those 55 to 74 actually increased ownership rates.

OLDER, LARGER BUSINESSES

When new business formation rates decline, and firm exit rates hold steady, the mix of "young" versus "old" firms shifts accordingly (**Exhibit 7**).

The share of Texas firms five years old or younger fell from 45 percent in 1992 to 37 percent in 2013. The share of Texas employees in these newish firms declined from 20 percent to 13 percent. In the same period, Texas firms 16 years and older increased their total firm share from 19.5 percent to 32.5 percent, while employment in these firms rose from 58 percent to 70 percent.

Across America, the same pattern was seen even more strongly. The share of U.S. firms five years old or younger fell from 43.5 percent to 33 percent, while their employment share dropped from 18 percent to 11 percent.

As businesses consolidate and the share of workers in older businesses rises, the share of workers employed in larger businesses is also growing (**Exhibit 8** next page). About 48 percent of Texas employees worked at firms with at least 500 workers in 1982; by 2013, that share had risen to 54 percent. In the same period, Texas firms with fewer than 20 employees saw their share of total employment fall from 20.5 percent to 16.1 percent.

Though researchers question whether trends toward greater business consolidation and increasing employment at older firms are directly linked, it is clear that these trends are occurring simultaneously.

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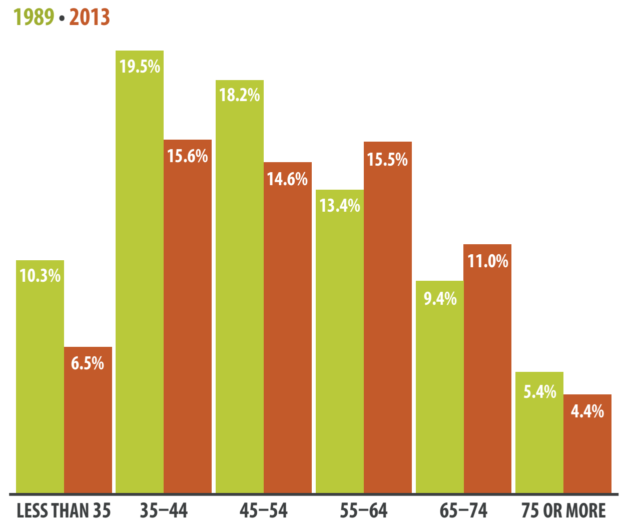
EXHIBIT 6

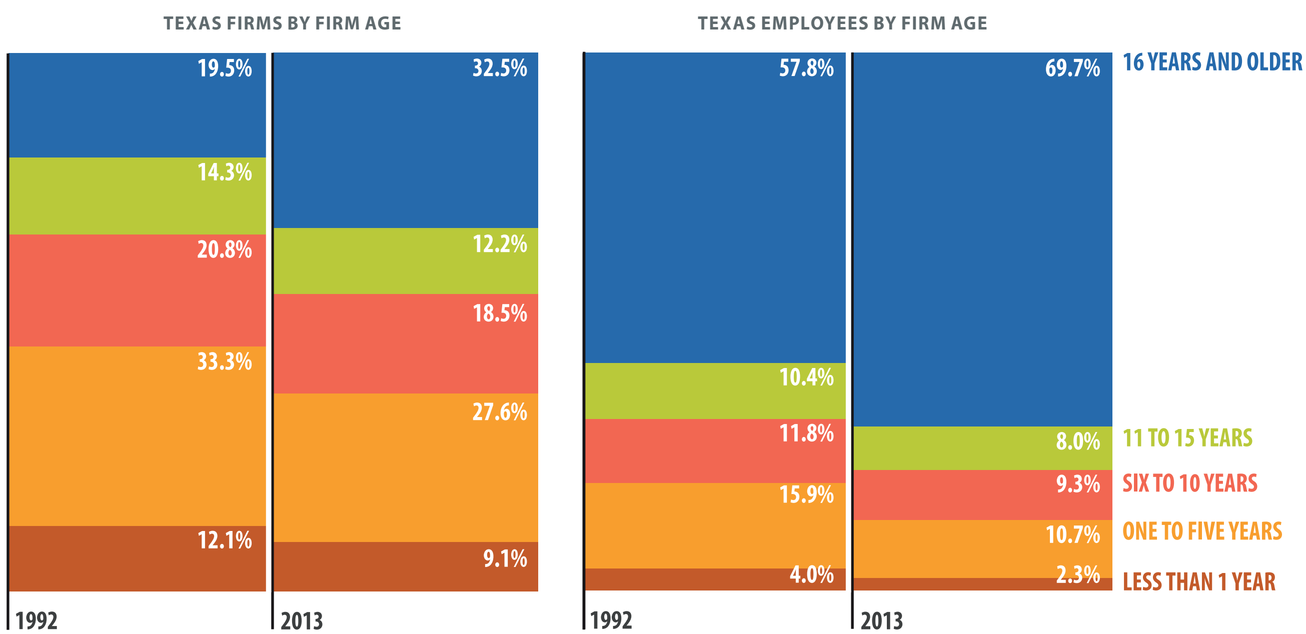
U.S. BUSINESS EQUITY OWNERSHIP RATES BY AGE GROUP, 1989 - 2013



Source: Board of Governors of the Federal Reserve System

EXHIBIT 7

TEXAS BUSINESS FIRMS BY AGE, 1992 AND 2013



Totals may not add due to rounding.
Source: U.S. Census Bureau Business Dynamics statistics, Comptroller of Public Accounts analysis

Totals may not add due to rounding.
Source: U.S. Census Bureau Business Dynamics statistics, Comptroller of Public Accounts analysis

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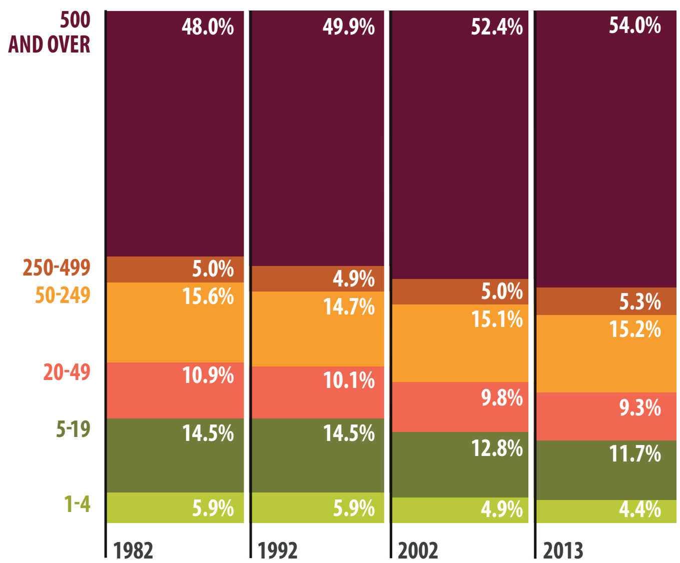
EXHIBIT 8

SHARE OF TEXAS WORKFORCE BY FIRM SIZE, 1982 TO 2013

(NUMBER OF EMPLOYEES)



Totals may not add due to rounding.
Source: U.S. Census Bureau Business Dynamics statistics, Comptroller of Public Accounts analysis

The decline in business entry rates has resulted in an older, larger and more consolidated business population, a shift making it increasingly difficult for new companies to compete with entrenched businesses for market share.

AN ENTREPRENEURIAL RECOVERY?

Some measures signal that entrepreneurial activity may be slowly increasing. The Kauffman Foundation's Index of Startup Activity measured a slight increase in its 2015 edition, ending four years of decline (**Exhibit 9**).

The index weighs three indicators of entrepreneurial activity in the 40 largest U.S. metropolitan areas:

- **Rate of New Entrepreneurs** — a broad measure of business ownership, estimating the share of the population that became entrepreneurs in a given month;
- **Opportunity Share of New Entrepreneurs** — the share of new entrepreneurs starting businesses due to a market opportunity rather than unemployment; and
- **Startup Density** — the number of startup firms per 100,000 members of the adult population.

Texas ranked 17th among all U.S. states in the 2015 index, down from 13th in 2014, yet its measures were even with or above U.S. averages. Notably, the Austin-Round Rock area had the highest startup density among U.S. metro areas, as well as the highest rate for new entrepreneurs, averaging 550 per 100,000 adults each month.

In addition, the San Antonio-New Braunfels area led all Texas metros with an 86.5 opportunity share in 2015, meaning that 86.5 percent of new entrepreneurs in the area were previously employed. Typically, businesses created from opportunity, rather than necessity, enjoy better growth prospects.

Declining startup rates in the U.S. as a whole may have contributed to the tepid growth in jobs and wages seen in most areas since the end of the Great Recession. Texas has fared considerably better, and continues to lure companies with its favorable business environment. Yet dwindling rates of new business formation pose a significant risk to our future prosperity.

Given the large importance of startups to job growth, competition and productivity, Texas policymakers should closely monitor and nurture entrepreneurial health. **FN**

EXHIBIT 9

2015 KAUFFMAN INDEX OF STARTUP ACTIVITY

AREA	RATE OF NEW ENTREPRENEURS	OPPORTUNITY SHARE OF NEW ENTREPRENEURS	STARTUP DENSITY (PER 100,000 ADULTS)	INDEX RATING
Austin-Round Rock	0.55%	79.3%	180.8	1
Houston-Sugar Land-Baytown	0.40	75.4	136.9	8
San Antonio-New Braunfels	0.34	86.5	111.9	10
Dallas-Fort Worth-Arlington	0.30	78.0	142.5	15
Texas	**0.36%**	**80.6%**	**130.4**	**17**
U.S.	**0.31%**	**79.6%**	**130.6**	**n/a**

Note: The Rate of New Entrepreneurs and Opportunity Share of New Entrepreneurs indicators are calculated using the most recent (2014) Current Population Survey conducted by the U.S. Census Bureau and Bureau of Labor Statistics. Startup Density is calculated using the U.S. Census Business Dynamics statistics for 2012 (latest available data).
Source: Ewing Marion Kauffman Foundation

Keeping Up with the Jones Act

by Jackie Benton

HAS A PROTECTIONIST LAW OUTLIVED ITS USEFULNESS?

Texas energy producers know there's more to navigate than water when transporting oil and other petroleum products from Texas seaports to refineries along the East Coast.

The Merchant Marine Act of 1920, better known as the Jones Act for its original sponsor, Washington Sen. Wesley Jones, is a federal law regulating *cabotage*, or naval transport in U.S. coastal waters and between domestic ports, as well as other aspects of the maritime industry.

Under the Jones Act, foreign carriers and crews are banned from domestic water routes. Cabotage from one U.S. port to another is restricted to U.S.-built, -crewed and -flagged vessels. The requirement was a protectionist economic strategy designed to assist America's shipyards and maritime fleet.

EXPENSIVE SHIPPING

Today, however, this Jones Act requirement entails a burden for shippers, due to higher costs involved in using U.S. vessels. According to the U.S. Department of Transportation's Maritime Administration (MARAD), the total average cost of operating a U.S.-flagged vessel is 2.7 times higher than that incurred by foreign-flagged counterparts.

MARAD reports that, on average, crews on U.S.-flagged vessels are paid 5.3 times more than those on foreign-flagged ships. Adding to the disparity is the fact that foreign-flagged ships pay few or no U.S. taxes, while U.S. shipping companies pay combined tax rates as high as 38 percent.

Another factor driving the high cost of cabotage under the Jones Act is the cost of U.S.-built tankers, which far exceeds that of foreign-built vessels. Texas oil headed by water for northeastern refineries often travels on coastal tankers, also called "handysize" or "medium-range" tankers, capable of carrying 300,000 to 650,000 barrels of crude. American-made ships of this type can cost between $100 million and $135 million, at least three times what they cost on world markets.

And with a limited number of U.S.-built tankers available to transport goods from one U.S. port to another, moving oil can be an expensive logistical nightmare for Texas producers. At present, it's several times cheaper to ship oil to northeastern ports from Nigeria and Saudi Arabia than from the Gulf Coast (**Exhibit 1**).

Many Texas companies believe the Jones Act has outlived its usefulness.

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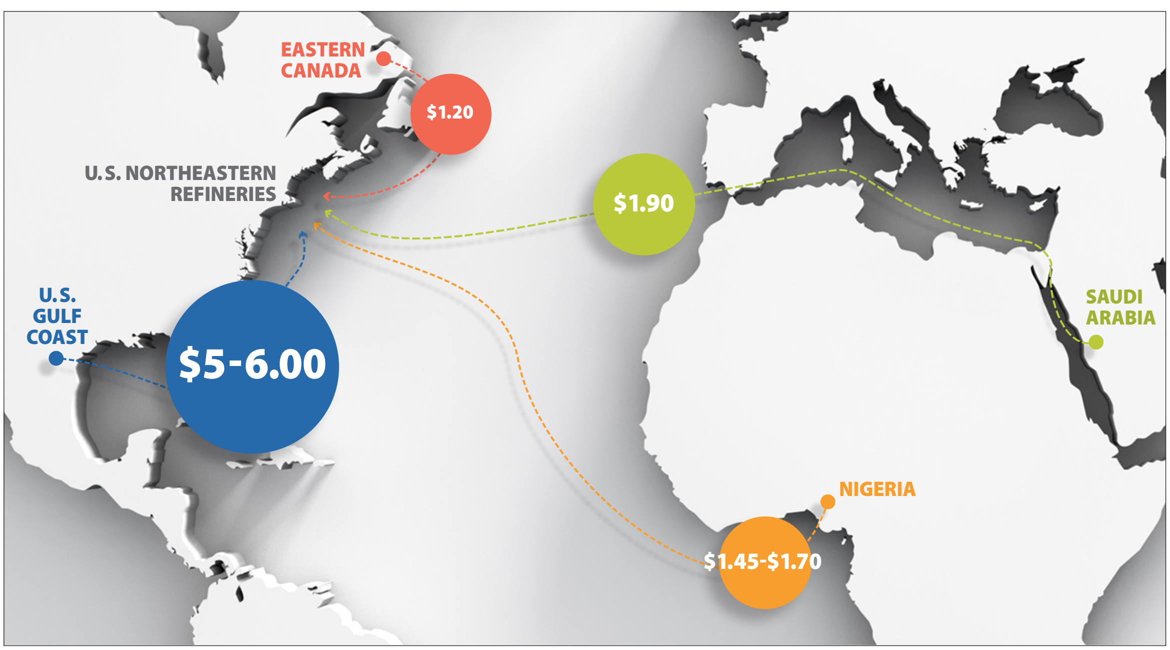
EXHIBIT 1

AVERAGE OCEAN SHIPPING RATES TO NORTHEASTERN U.S. REFINERIES

(In dollars per barrel)



Source: Congressional Research Service, "Shipping U.S. Crude Oil by Water: Vessel Flag Requirements and Safety Issues," July 21, 2014

ECONOMICS VS. SECURITY

"I don't like the Jones Act because it makes no economic sense," says Dr. Bernard L. Weinstein, an economist and associate director of Southern Methodist University's Maguire Energy Institute. "It's simply a form of protectionism to a very small industry. I think you have to weigh that against the benefit to consumers and more energy security from more domestic refining and less imported crude."

But Dr. Joan Mileski, head of the Maritime Administration Department at Texas A&M University at Galveston, says the Jones Act encompasses more than just economic protectionism — it also contributes to national security.

"The Merchant Marine supports the navy," explains Mileski. "The people we train on our campus become officers for the Merchant Marine, and although most of the time they work for commercial companies, in case of war, U.S.-flagged ships could be commandeered to help. That's part of why the Jones Act exists."

Mileski admits that from a market perspective, the Jones Act is a barrier to trade. "But the question involves safety and security. I'm all for free markets, but I'm also a maritime security person," she says. "If we totally lifted the Jones Act, any foreign-flagged ship could go anywhere on our waterways, including up the Mississippi River."

DR. JOAN MILESKI

PROFESSOR & DEPARTMENT HEAD, MARITIME ADMINISTRATION DEPARTMENT, TEXAS A&M UNIVERSITY AT GALVESTON

TEXAS CONSIDERATIONS

Texas' energy industry certainly feels the effects of the Jones Act. The state's own petrochemical refineries are primarily set up for heavy Middle Eastern oil. Most U.S. refineries capable of refining Texas' light, sweet crude are located along the East Coast, making cabotage essential.

"We have a surplus of light crude coming out of the Eagle Ford, and most refineries along the Gulf Coast are geared toward the heavier crude, so we're exporting from Corpus Christi and Houston to the Northeast," explains Weinstein.

"I suspect if the Jones Act were lifted, we would see a tremendous increase in the volumes of oil going from Texas to the Northeast," he says.

Jones Act supporters claim the higher costs of U.S. shipyards are justified when the results produce safe and reliable vessels with the latest technologies.

"This would be a good way to not only supply our oil to our refineries, but also reduce the dependence of northeastern U.S. refineries on imported crude."

ANTI-JONES ACT…

DR. BERNARD WEINSTEIN

ASSOCIATE DIRECTOR, SMU MAGUIRE ENERGY INSTITUTE

Weinstein points to the influence powerful special-interest groups and union lobbyists have with Congress as the reason for the Jones Act's continued existence. Efforts to repeal all or part of the act have been debated in Congress for years, with no effect.

The most recent attempt to modify the act was made by Sen. John McCain (R-Ariz.), who proposed an amendment to the Keystone Pipeline bill in January 2015 that would repeal the cabotage provision; it failed to pick up the support needed to bring it to a vote.

Calling the Jones Act antiquated, McCain cited findings from the Congressional Research Service, which put the cost of moving crude oil from the Gulf Coast to the northeast U.S. at up to $6 per barrel on a Jones Act tanker, versus $2 per barrel on a foreign-flagged tanker transporting the same crude from the Gulf Coast further north to a Canadian refinery.

"Foreign-flagged vessels carry crude oil all around the world, and have been doing so for the last 60 years," says Weinstein. "If you look at the volumes transported, an oil tanker is a lot safer than rail tanker cars if you're looking at spillage rates.

"And yes, there have been a couple of accidents, but relative to the amounts of crude transported, the accidents have been fairly minor," he says. "A foreign-flagged vessel entering or leaving a U.S. port must meet all the safety standards of the U.S. Maritime Administration."

… AND PRO

There's no doubt that the Jones Act cabotage provisions have a significant impact on the U.S. economy. The Congressional Research Service reports that the U.S. has 128 Jones Act-eligible vessels capable of delivering oil between American ports, as well as several thousand eligible river barges (**Exhibit 2**). According to MARAD, these vessels support nearly 500,000 American jobs and create an economic impact of almost $100 billion.

MARAD also reports that in 2013, U.S. shipyards entered into contracts to produce hundreds of new vessels for cabotage, including oil tankers and container ships powered by liquid natural gas.

Jones Act supporters claim the higher costs of U.S. shipyards are justified when the results produce safe and

EXHIBIT 2

JONES ACT-ELIGIBLE U.S. CRUDE OIL CARRIERS

VESSEL	CAPACITY (IN THOUSANDS OF BARRELS)	CREW SIZE	INVENTORY	OPERATING GEOGRAPHY
River Barge	20-90	4 to 10	3,500-4,000*	Inland rivers, Intracoastal Waterway
Seagoing Barge	50-300	6 to 12	86*	Coastal U.S.
Handysize Product Tanker	300	21 to 28	31*	Coastal U.S.
Aframax or Suezmax Crude Oil Tanker	800-1,300	21 to 28	11*	Alaska to Puget Sound and California

*For domestic service, vessels must be U.S. built and U.S. flagged.
Source: Congressional Research Service

reliable vessels with the latest technologies. The Jones Act has been cited as integral to the establishment of safety standards for vessels traveling in U.S. coastal waters.

Mileski says the extra cost is well worth it.

"From a safety standpoint, there's no way to vet foreign-flagged ships," she says. "You don't know how they were made or what they have on them. Without the Jones Act, any tanker could pick up crude at one U.S. port, and then it's going to sail all along the U.S. coastline, within 200 miles, all the way to Pennsylvania? We have to make sure that safety standards are at a level the U.S. can feel comfortable with."

But more importantly, Mileski says, there's the issue of national security. Without this maritime law, she says, foreign-flagged vessels controlled by foreign crews would have access to tens of thousands of miles of America's inland waterways. U.S. commerce could find itself dependent on foreign vessels for global imports and exports.

All Jones Act ships must by crewed by U.S. citizens who possess U.S. federal transportation worker identification credentials (TWICs) as well as U.S. Merchant Marine credentials, she says. And Jones Act ships must provide documentation of what is being transported 96 hours prior to arrival in a U.S. port.

"Right now, the U.S. Coast Guard and the U.S. Navy patrol the shoreline — they're our cops," Mileski says. "U.S. ships are vetted, we know what's on them and who's on them. Without the Jones Act, we wouldn't know that. A U.S. flagged ship must be crewed by U.S. citizens — everyone has a license and an identity. Without the Jones Act in place, we wouldn't know who

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was on those ships."

OIL BAN IMPACT?

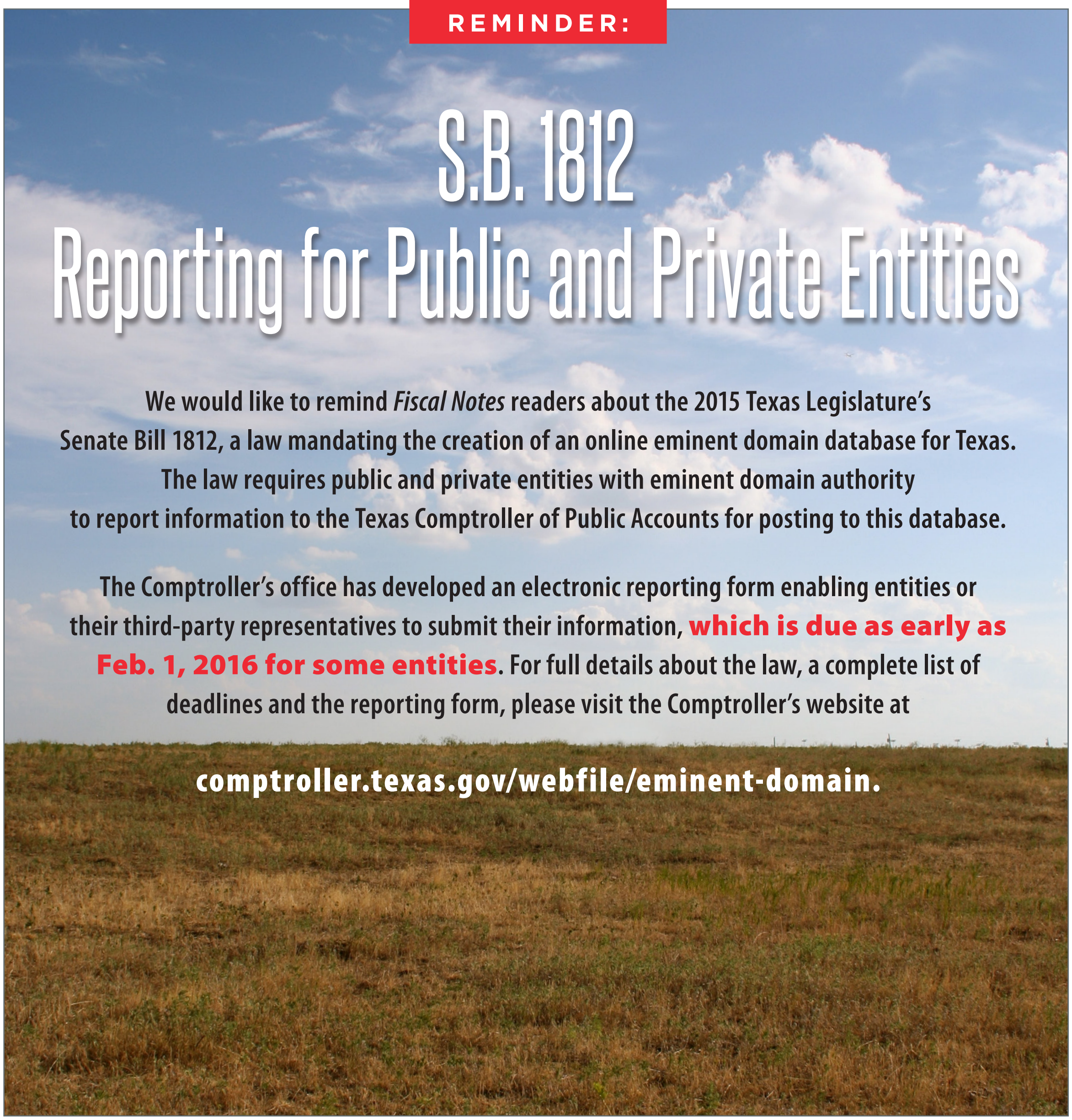
Weinstein points out that the proposed elimination of the national ban on crude oil exports, recently approved by the U.S. House of Representatives, would have significant effects on the debate concerning cabotage.

"There's a lot of talk now about removing the ban on oil exports, and I think that will happen in the next year or two," he says. "That's very important to sustain the industry. That's another argument for repealing the Jones Act. It would encourage more domestic production, which right now is under a lot of pressure, with prices that are half what they were 18 months ago.

"Let the market determine how product goes from the wellhead to the refinery, whether it's rail or pipeline or ship," Weinstein says. "In the case of the Jones Act, we have an artificial barrier to competition, and I'm not just talking about competition between domestic and foreign flag carriers. I'm talking about competition between different modes of transport: rail, truck, tanker and pipeline.

"In the broad sense, we need to recognize the United States is the number-one energy producer in the world, and we need to engage more fully in the global market," he says. "That means doing away with all artificial barriers to production and competition." **FN**

REMINDER:



State Revenue Watch

This table presents data on net state revenue collections by source. It includes most recent monthly collections, year-to-date (YTD) totals for the current fiscal year and a comparison of current YTD totals with those in the equivalent period of the previous fiscal year.

These numbers were current at press time. For the most current data as well as downloadable files, visit TexasTransparency.org.

Note: Texas' fiscal year begins on September 1 and ends on August 31.

NET STATE REVENUE — All Funds Excluding Trust

(AMOUNTS IN THOUSANDS)

Monthly and Year-to-Date Collections: Percent Change From Previous Year

Tax Collections by Major Tax	NOVEMBER 2015	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
SALES TAX	$2,581,935	$7,096,715	-2.45%
PERCENT CHANGE FROM NOVEMBER 2014	-3.32%		
MOTOR VEHICLE SALES AND RENTAL TAXES	$354,464	$1,185,569	1.13%
PERCENT CHANGE FROM NOVEMBER 2014	-2.40%		
MOTOR FUEL TAXES	$294,906	$895,542	2.58%
PERCENT CHANGE FROM NOVEMBER 2014	-2.70%		
FRANCHISE TAX	$10,456	($40,301)	-68.21%
PERCENT CHANGE FROM NOVEMBER 2014	-168.05%		
INSURANCE TAXES	$17,878	$53,599	-5.84%
PERCENT CHANGE FROM NOVEMBER 2014	-6.70%		
NATURAL GAS PRODUCTION TAX	$82,677	$230,861	-48.28%
PERCENT CHANGE FROM NOVEMBER 2014	-30.24%		
CIGARETTE AND TOBACCO TAXES	$134,904	$309,852	-14.33%
PERCENT CHANGE FROM NOVEMBER 2014	32.58%		
ALCOHOLIC BEVERAGES TAXES	$117,432	$287,867	4.15%
PERCENT CHANGE FROM NOVEMBER 2014	24.58%		
OIL PRODUCTION AND REGULATION TAXES	$165,389	$487,748	-50.69%
PERCENT CHANGE FROM NOVEMBER 2014	-46.42%		
UTILITY TAXES[1]	$44,456	$117,236	-3.44%
PERCENT CHANGE FROM NOVEMBER 2014	819.79%		
HOTEL OCCUPANCY TAX	$49,498	$133,058	0.22%
PERCENT CHANGE FROM NOVEMBER 2014	3.21%		
OTHER TAXES[2]	$17,967	$36,714	-41.68%
PERCENT CHANGE FROM NOVEMBER 2014	-18.85%		
TOTAL TAX COLLECTIONS	$3,871,961	$10,794,459	-7.28%
PERCENT CHANGE FROM NOVEMBER 2014	-4.13%		

Revenue By Source	NOVEMBER 2015	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
TOTAL TAX COLLECTIONS	$3,871,961	$10,794,459	-7.28%
PERCENT CHANGE FROM NOVEMBER 2014	-4.13%		
FEDERAL INCOME	$3,204,888	$9,750,947	9.74%
PERCENT CHANGE FROM NOVEMBER 2014	1.59%		
LICENSES, FEES, FINES AND PENALTIES	$800,904	$2,786,886	35.15%
PERCENT CHANGE FROM NOVEMBER 2014	13.66%		
INTEREST AND INVESTMENT INCOME	$52,942	$112,686	0.77%
PERCENT CHANGE FROM NOVEMBER 2014	191.12%		
NET LOTTERY PROCEEDS[3]	$143,245	$462,732	2.10%
PERCENT CHANGE FROM NOVEMBER 2014	-2.83%		
SALES OF GOODS AND SERVICES	$19,927	$71,381	7.62%
PERCENT CHANGE FROM NOVEMBER 2014	8.18%		
SETTLEMENTS OF CLAIMS	$2,429	$12,527	35.05%
PERCENT CHANGE FROM NOVEMBER 2014	36.67%		
LAND INCOME	$69,018	$265,765	-56.13%
PERCENT CHANGE FROM NOVEMBER 2014	-69.06%		
CONTRIBUTIONS TO EMPLOYEE BENEFITS	$5	$13	-24.49%
PERCENT CHANGE FROM NOVEMBER 2014	-14.98%		
OTHER REVENUE	$217,687	$1,018,756	32.42%
PERCENT CHANGE FROM NOVEMBER 2014	42.01%		
TOTAL NET REVENUE	$8,383,006	$25,276,153	2.73%
PERCENT CHANGE FROM NOVEMBER 2014	-0.91%		

[1] Includes public utility gross receipts assessment, gas, electric and water utility tax and gas utility pipeline tax.

[2] Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

[3] Gross sales less retailer commissions and the smaller prizes paid by retailers.

Note: Totals may not add due to rounding.

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