Retirees Roll into Texas
PAGE 3

Thriving Rural Communities
PAGE 4

Stimulus Funding to Save Energy
PAGE 10

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, September 2009

AUGUST REVENUE (IN MILLIONS): SALES TAX: $1,755.9 OIL PRODUCTION: $69.5 NATURAL GAS: $53.0 MOTOR FUELS: $259.5 MOTOR VEHICLE SALES: $233.3 TOBACCO: $182.5

Around Texas

- In September, the city of Laredo announced that it had received $131.5 million in federal stimulus funding. The largest share, $48.1 million, will go to city water projects. Other funded projects will include new roads, airport upgrades and a citywide wireless Internet project.
- Dallas/Fort Worth International Airport has announced plans to develop 6,600 acres of land adjacent to the airport for improved private aviation facilities, industrial parks, hotels and entertainment.
- Nissan Motor Co. has agreed to establish a vehicle distribution center at CenterPoint Intermodal Center–Houston, about 35 miles southwest of the city.
- The Texas General Land Office plans to spend $135.4 million in state, federal and local funds on beach restoration and protections against future hurricane damage. Projects will include extensive restoration and rebuilding along the Galveston seawall, Bolivar Peninsula and McFaddin National Wildlife Refuge.

GETTING (NOT TOO FAR) AWAY FROM IT ALL

"EXURBS" SEEK BEST OF TWO WORLDS.

Nestled among the upper Highland Lakes, with scenic rolling hills and gorgeous vistas, Burnet County has long been a desirable place to get away from it all. Now, with the explosive growth of nearby counties, these open spaces have become more than just places to relax and unwind. They've become home for thousands of Texans who commute to urban areas to work.

According to the Texas State Data Center, Burnet County is Texas' fastest-growing rural county — meaning a county that is not part of a federally defined metropolitan statistical area (MSA), such as the eight-county San Antonio MSA. And it highlights a Texas trend: the migration of working urbanites past the city fringes and suburbs, and into areas where scenic beauty, a slower living pace and lower housing costs outweigh higher transportation expenses and lengthy commutes.

Such areas include Hood and Somervell counties, near Fort Worth; Polk County, north of Houston; and Lee and Blanco counties, situated like Burnet County near Austin. All grew substantially between 2000 and 2008, in a period when most Texas rural counties saw little growth or actually lost population.

CONTINUED ON PAGE 8

A Letter from the Comptroller

TEXAS is a magnet to the young and old alike. We have one of the nation's youngest work forces and, as you will read in this issue of *Fiscal Notes*, we're increasingly popular as a retirement destination for baby boomers.

Fortunately, our state provides ample choices of where and how to live — from our fast-growing cities to country back roads and all points between.

We look at a few of those choices in this issue.

Our biggest cities have "lifestyle centers" where residents can live, eat, shop and even work at one site, sometimes miles from downtown. Other Texans have chosen to live outside the cities, beyond the suburbs, in "exurbs" — once-rural areas such as Burnet County that balance the benefits and challenges of growth.

I'm lucky. I get to experience both the fast pace of living near downtown Austin and the solitude of the occasional weekend on my ranch in far West Texas.

I love both.

In Austin, I'm within walking distance of stores, restaurants, coffee shops, Lady Bird Lake and Deep Eddy Pool. I also find I'm very driven, energetic — and often surrounded by four walls. I'm conscious of being focused on the 30 or 40 feet around me.

Driving the 405 miles to the ranch — yes, I know the exact mileage — my vision broadens. It's almost like a lens adjustment. I'm looking 30 or 40 miles away, not 30 or 40 feet.

Life on the ranch is more physical. There's no shortage of things that must be done. And if it's going to get done, you have to do it yourself.

Driving back, I feel my vision narrowing, focusing on my family, friends and the exciting job that awaits me in the bustling capital city.

I think all Texans enjoy the sheer size of our state — the variety of its landscapes. It helps us see the possibilities that living in Texas offers.

Susan Combs

by David Bloom

New Directions Home

Retirees Roll into Texas

Baby boomers have rarely been shy and retiring. The poet of their generation, Bob Dylan, long ago urged them to stay "forever young," and while the nearly 80 million Americans born between 1946 and 1964 are indeed becoming retiring types, they're not about to be stereotypical retirees. And they're not necessarily shuffling off to traditional retirement havens.

That's good news for Texas. According to Texas State Demographer Karl Eschbach, Census Bureau data for 2000 through 2007 indicate that Texas saw more net migration from the 65-and-over set than any other state, and more than twice as much as Florida.

RETIREMENT DREAMS

The great boomer wave is just beginning to crest. The consulting firm Age Wave reports that, on every day between now and 2023, about 10,000 Americans will celebrate their 60th birthday. That's nearly 3.7 million people a year blowing out candles — and making retirement wishes.

Many, of course, have deferred their retirement dreams. The nation's current economic sluggishness has them rethinking their retirement options, as savings and pension funds have taken substantial hits. A recent survey by AlixPartners found that Americans estimate their nest eggs have lost about 25 percent of their value in the recent downturn. As a result, current and prospective retirees are looking for affordable areas with low taxes that also offer the promise of active retirement lifestyles.

Many current Texans will retire here, of course, but the state will attract residents of other states as well. Gene Warren, managing director of TW+A Research, a consulting firm specializing in retiree marketing and research, says that one in 10 Americans move to another state at retirement. And Warren expects that percentage to rise to 20 percent in the next few years, as travel-savvy boomers — who often followed careers around the country and vacationed in a much wider array of places than their parents — make their retirement choices.

For many people considering retirement in Texas, *www.retireintexas.org* is their first stop.

CERTIFIED COMMUNITIES

For many people considering retirement in Texas, retireintexas.org is their first stop online. Sherri Gothart-Barron, coordinator of the GO TEXAN Certified Retirement Community Program, says the site is attracting growing numbers of visitors from across the country and around the world. The Web site *www.topretirement.com* has ranked GO TEXAN as the best program of its kind in the country.

The GO TEXAN program, run by the Texas Department of Agriculture (TDA), has certified 28 Texas communities as top-quality retirement sites, a stamp of approval that marks them as vibrant places offering all the amenities today's retirees want. And the communities benefit, too. TDA estimates each retiree spends about $36,000 annually in Texas, and pays about $3,000 in state and local taxes.

Whether they visit online or in person, boomers will find that our state offers all sorts of possibilities for active retirees — everything from coastlines to dude ranches, from small town living to metropolitan excitement, and all possibilities in between. FN

To learn more about retiring in Texas, and to see a list of Texas' certified retirement communities, visit *www.retireintexas.org.*

HEY, LOOK US OVER

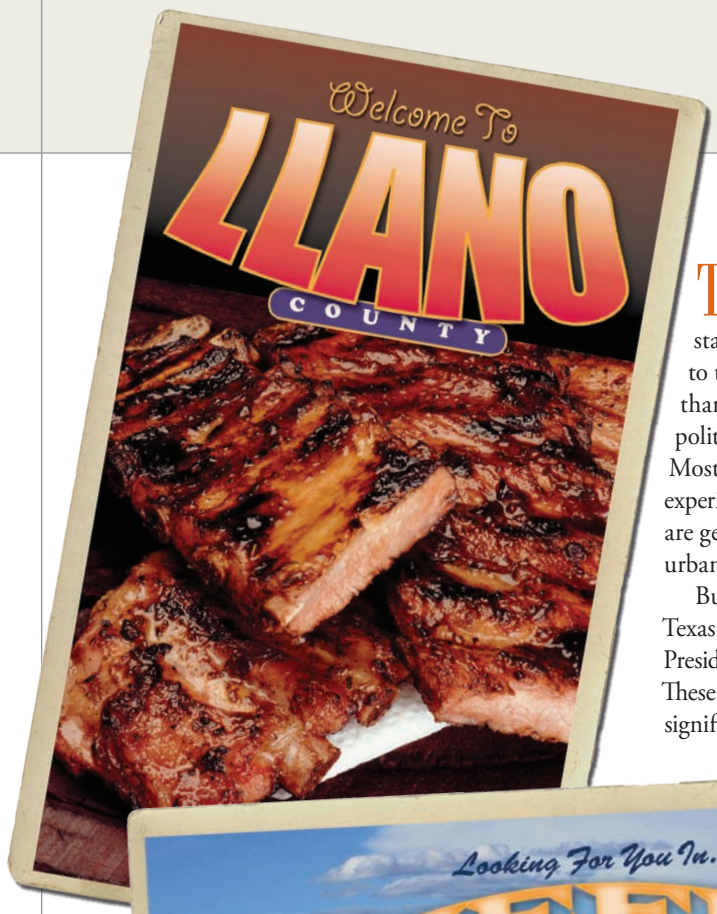
According to the Texas Department of Agriculture's GO TEXAN program, from July 20 through August 19, 2009:

the TOP 10 STATES (other than Texas) of visitors to *retireintexas.org* were —	the TOP 10 HOME NATIONS of international visitors to *retireintexas.org* were —
CALIFORNIA	CANADA
NEW YORK	UNITED KINGDOM
FLORIDA	GERMANY
ILLINOIS	MEXICO
VIRGINIA	SOUTH KOREA
OHIO	JAPAN
KANSAS	FRANCE
OKLAHOMA	BRAZIL
WISCONSIN	THE PHILIPPINES
MINNESOTA	PUERTO RICO

Source: Texas Department of Agriculture

by Clint Shields

Country Oases



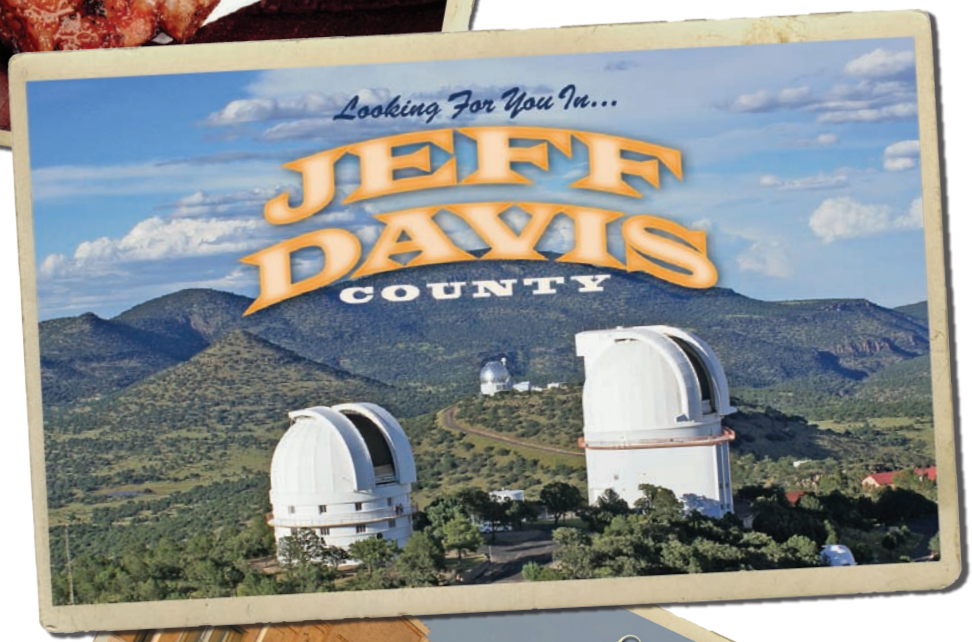
Four rural counties thrive on their own.

Texas is an overwhelmingly urban state — and getting more so. According to the Texas State Data Center, more than 87 percent of us lived in metropolitan areas at the beginning of 2008. Most of the state's rural counties are experiencing little growth, and those that are generally owe it to their proximity to urban centers.

But four truly rural communities in Texas — Gillespie, Llano, Jeff Davis and Presidio counties — are bucking the trend. These counties are the only ones experiencing significant growth without a nearby metropolitan area. They've parlayed natural advantages such as landscape, a relaxed lifestyle and a quirky sense of community into prosperity.

"We've always had a large retirement demographic [in Llano County]," says Tony Griffith, executive director of the Llano Chamber of Commerce. "But we're also seeing a bit of a lifestyle change, with folks wanting to get away from the city for a different quality of life, and to raise their kids here."

Llano County's population rose by an estimated 12.8 percent from 2000 to 2008. Many new residents come from East Texas and the Houston area, Griffith says, buying large-acreage tracts and putting down new roots. A few make substantial contributions to the local economy, moving or reestablishing existing businesses in the area.



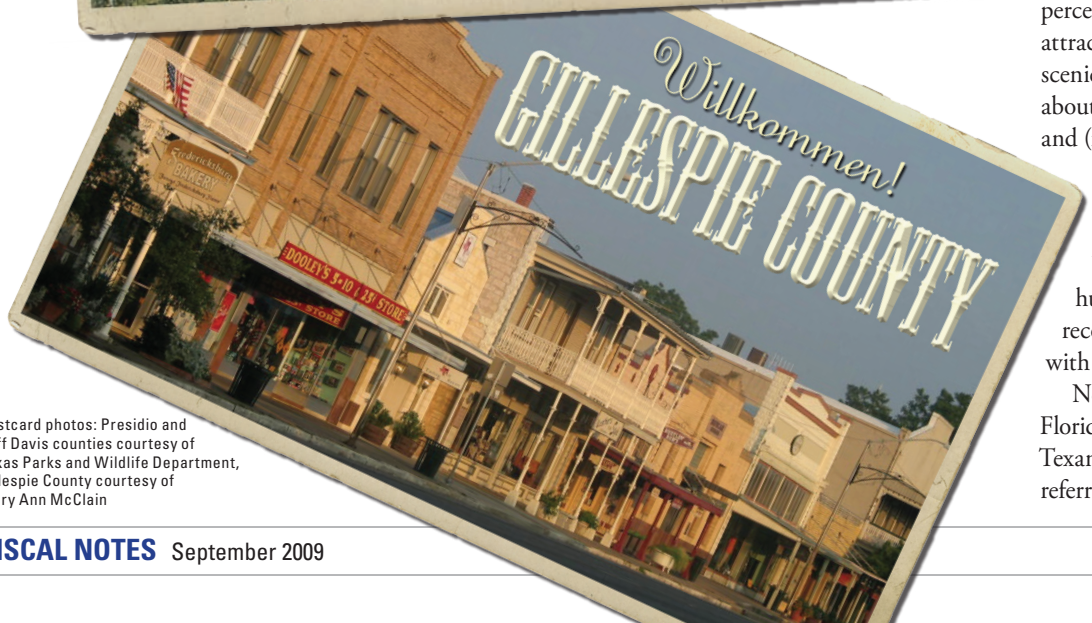
Rural oases face a constant challenge in their distance from the amenities of urban areas.

"A lot of them have been through here or visited before and loved the area and love the people," Griffith says.

Further west, Jeff Davis County's population has risen by more than 23 percent since 2000, buoyed by the attractions of Fort Davis, which offers scenic mountain surroundings and, at about 5,000 feet in elevation, a healthy and (for Texas) temperate climate.

"We're the coolest town in Texas," says Lisa Nugent, executive director of the Fort Davis Chamber of Commerce. "Due to the low humidity, doctors have for decades recommended the area for persons with respiratory problems."

New residents from California, Florida and Ohio have joined relocating Texans in the area, many of them referred by acquaintances, Nugent says.



Postcard photos: Presidio and Jeff Davis counties courtesy of Texas Parks and Wildlife Department, Gillespie County courtesy of Mary Ann McClain

Four rural Texas counties are experiencing significant growth without a nearby metro area.

RURAL CHALLENGES

Daniel Browning left Austin and followed the lights to the West Texas oasis of Marfa, and found the change he and his family were seeking. Presidio County's population has risen by nearly 11 percent since 2000, largely due to the rising popularity of Marfa as a tourist destination and a rising center for the arts, with numerous galleries that have won praise in major national media.

But rural oases face a constant challenge in their distance from airports, large hospitals and the other amenities of major urban areas. Browning says he sees quite a bit of fluctuation as new folks move in and move out.

"We notice what we call the six-month Marfan," says Browning, who is president of the chamber of commerce as well as owner of a local laundry and a coffee shop. "People do it for six months and then realize they can't do without what they're used to. But there's also a steady stream of folks who do stay."

Interestingly, the slowing economy has increased the flow of people through Presidio County. Revenues at hotels and other area businesses were up 15 to 20 percent in the first quarter of 2009, Browning says, as people take more driving vacations and stay closer to home.

Fredericksburg, one of the state's most popular tourist destinations, "is outside of commuting distance for Austin and San Antonio," says Tim Lehmberg, executive director of the Gillespie County Chamber of Commerce. "But that's one of our saving graces, too. It keeps us from too much growth."

Gillespie County's population has increased more than 16 percent since 2000, and it has long been a haven for retirees, Lehmberg says. But a younger crowd is emerging.

"We're seeing more and more younger people who are able to work remotely and realize that now is the time to make the move," he says. **FN**

For more information about these Texas counties, visit *www.co.llano.tx.us, www.co.jeff-davis.tx.us, www.co.presidio.tx.us* and *www.fredericksburg-texas.com.*

Background photo of Big Bend State Park courtesy of Texas Parks and Wildlife

One advantage of rural oases is a low-key lifestyle, says Daniel Browning, president of the Marfa Chamber of Commerce. Making a living can be a challenge, he says, but an interesting mix of folks is doing it.

"There's not much industry out here other than tourism," he says. "But you have engineers working as waiters, semiconductor specialists doing laundry and so on. We give up larger paychecks for a relaxed way of living.

"I wear flip flops pretty much every day of my life," Browning says. "There's not a lot to worry about."

AWAY, ALL THE WAY

Four of Texas' fastest-growing rural communities are relatively far from metropolitan areas, surviving and thriving on a mix of tourism, retirement and recreation.

County	Population Growth 2000-2008
Jeff Davis	23.6%
Gillespie	16.7%
Llano	12.8%
Presidio	10.9%

Source: Texas State Data Center

Cities Within Cities

Lifestyle centers provide the perks of city life with pedestrian-friendly convenience.

"Lifestyle Centers" for Working, Shopping, Living

In north Austin, residents of the Domain can sip Darjeeling at a locally owned tearoom, browse bestselling books and enjoy an elegant dinner, all within yards of their front doors. Those who live in Houston's CityCentre can hit the gym, meet friends for drinks and take in a movie — without getting into a car. In Dallas, Victory Park inhabitants can go to work in a high-rise office building, shop for cutting-edge fashion after work and cheer on the Mavericks in the evening, in a self-contained city within a city.

With a mix of office space, high-end retail, apartments and condos and entertainment destinations, these "lifestyle centers" are a new wrinkle in urban living, providing Texans with the perks of city life while offering pedestrian-friendly convenience.

"What we're seeing in today's market is 20-somethings and empty-nesters, who like living in condos and apartments, wanting to live right where the action is," says Jim Gaines of Texas A&M University's Real Estate Center. Although the center doesn't have data specific to lifestyle centers, Gaines says these mixed-used developments are becoming a more attractive business model for developers as land prices rise.

"Texas has long been a low population-density state, where land was available and cheap, hence the tendency to build outward," he says. "But as land prices increase, the growing trend is to build greater density."

CITY IN THE CITY

Dubbed by its developers as Austin's "second downtown," the $245 million, 304-acre Domain is located 11 miles north of downtown. Opened in March 2007, at this writing the Domain has 390 apartments, 56 retail stores and 15 food-related businesses. And it is far from finished.

"What's out there today is about 10 to 15 percent of the total [expected] density," says Ben Bufkin, development associate for Endeavor Real Estate, the Austin-based company that owns the Domain.

In coming years, the center will become home to a new Whole Foods store, three hotels and up to 3.5 million square feet of office space. At its completion, the Domain will house an estimated 6,000 residents, while its businesses are expected to employ 15,000 to 20,000 people.

The lifestyle center concept — a place where residents can work, live, shop and play — is not a new one, but Texas has only recently begun to embrace the idea. Lifestyle centers are springing up in San Antonio, Dallas, Austin and Houston.

Midway Companies' 37-acre CityCentre development in Houston, for instance, expects to have more than 800,000 square feet of offices and retail space, a 245-room hotel, a 30,000 square-foot convention center and 677 residential units at completion. So far, two of its three office towers are occupied, with a third's construction on hold until an anchor tenant can be found, company officials say.

About half of CityCentre's 400,000 square feet of retail is occupied at present, with more vendors scheduled to open this fall. So far, the complex boasts a 145,000 square-foot Lifetime Fitness center and an eight-screen Studio Movie Grill. A luxury hotel opened in late August.

LOCATION, LOCATION...

These lifestyle centers may eventually have thousands of people living and working in them, but they're also positioned to attract regional traffic. The Domain's specialty shops, abundant parking, special events and proximity to Austin's major highways have made it a prime destination for shoppers and business owners.

by Tracey Lamphere

Amy March and Emily Morrison, owners of Austin's Steeping Room

"As land prices increase, the tendency is to build greater density."

— Jim Gaines, Texas A&M Real Estate Center

When Emily Morrison and Amy March of Austin were looking for locations to open their business, they considered other shopping centers in the area, but the Domain met all of their needs, including plenty of parking and a good potential for foot traffic. They opened the Steeping Room, a teashop and restaurant, on the same day the Domain opened for business. Morrison estimates about 10 percent of the shop's regular business comes from the Domain's residents, but the bulk of their customers work in or near the Domain.

"Business has been good," says Morrison. "Though sometimes I wonder what it would be like if not for this recession." The shop began with 17 employees in 2007 and as of August 2009 had 30. It has doubled its revenues in the last year.

Location is perhaps the most important consideration in planning a lifestyle center. While employees and residents offer a "captive" customer base, outside visitors can determine the success of such projects.

CityCentre's developers estimate 2 million Houston residents can reach the site within 20 minutes; about 280,000 cars traveling on I-10 and 175,000 cars on Beltway 8 pass the site each day. Midway Companies officials say its location is the new demographic center of Houston, which has shifted west from the city's original downtown.

Dallas' Victory Park strives for high visibility and is strategically located on the western fringe of downtown Dallas, between busy Interstate 35E and the Dallas Tollway. It also benefits from the continuing draw of the 20,000-seat American Airlines Arena, home base for the Dallas Mavericks basketball team and the Dallas Stars hockey team. The 75-acre development is also close to a Dallas Area Rapid Transit commuter rail station and the Trinity Railway Express, which connects Victory Park to downtown Fort Worth and DFW International Airport.

"Urban developments work better when there is a strong transportation element involved," Gaines says.

UPS AND DOWNS

While lifestyle centers generally aim to attract high-end retail and affluent residents, they are not immune to the economic downturn.

Austin's economy has slowed the pace of the Domain's development, Bufkin says. The development has been moving on a 10- to 25-year schedule, but the finish line could be farther than that.

"I don't know how long it will take to complete," he says.

The Domain isn't the only lifestyle center feeling the economic pinch. In April, the Hillwood development company agreed to give up its ownership position in most of its Victory Park buildings, as part of a deal with German investors who provided equity for the project. Hillwood will continue to manage and operate the project. Earlier in the year, several of Victory Park's high-end restaurants and retailers closed.

The best-laid plans don't always work in the marketplace, Gaines says.

"Success depends on where market reality hits the financial cost," he says. "Sometimes they meet up and sometimes they don't." **FN**

For more information on the Domain, visit *www.thedomainaustin.com;* for Houston's CityCentre, visit *www.citycentrehouston.com*; and for Dallas' Victory Park, see *www.victorypark.com.*

AT HOME IN THE CITY

Lifestyle centers are an increasingly common feature of Texas' largest cities. Current projects include:

DEVELOPMENT	LOCATION	RESIDENTIAL	RETAIL/OFFICE	NOTABLE AMENITIES
BLVD Place	Houston	500 high-rise residences	500,000/175,000 square feet	225-room luxury hotel
Water Street (Open 2010)	Las Colinas	500 luxury apartments	300,000/250,000 square feet	Hotel
éilan (Phase I opens Fall 2009)	San Antonio	1,400 units	97,500/180,000 square feet	Hotel, specialty grocer, chapel
LaCenterra at Cinco Ranch (Phase II complete 2011)	Katy	252 apartments	282,000/90,000 square feet	Farmer's market every Saturday
Mockingbird Station (Opened 2001)	Dallas	211 loft-style apartments	198,000/148,000 square feet	Dallas Area Rapid Transit light rail station
West Village	Dallas	337 apartments	200,000 square feet of retail	Five-screen movie theater
The Triangle	Austin	750 apartments	120,000 square feet commercial	Special events in adjacent park

Source: Texas Comptroller of Public Accounts

by Mark Wangrin

(Not Too Far) Away From It All

Rapid growth has been accompanied by increasing demands for services and infrastructure.

Burnet County Judge Donna Klaeger

CONTINUED FROM PAGE 1

Burnet County Judge Donna Klaeger, a former head of the Marble Falls Chamber of Commerce, is seeing the change first-hand.

"When I moved here, [Marble Falls] was still a small, hometown community. Everybody knew everybody," Klaeger says. "Because of our proximity to metropolitan areas and who we are, it's changed drastically. There are so many residents who've moved here because it's a beautiful vibrant community. As our motto says, 'Relax, you're finally here.'"

For Klaeger and other local leaders, though, Burnet County's 27.2 percent population growth from 2000 to 2008 — nearly twice the overall state average — means there's no time to relax. Rapid growth has been accompanied by increasing demands for services and infrastructure and concerns about future needs.

WHAT'S AN "EXURB"?

City planners and demographers have dubbed areas such as Marble Falls as "exurbs."

Finding Exurbia, a 2006 study by the Brookings Institute, defines exurbs as "communities located on the urban fringe that have at least 20 percent of their workers commuting to jobs in an urbanized area, exhibit low housing density and have relatively high population growth."

Although no definitive polling numbers are available, a recent county questionnaire indicated that nearly a quarter of Burnet County residents work in Travis or Williamson counties, both heavily urban and part of the Austin-Round Rock MSA.

Fritz Steiner, dean of the University of Texas at Austin's School of Architecture, says three forces are at work in exurban growth.

"First, more baby boomers are retiring, and they like country living," Steiner says. "Second, there are a number of people who, because of various technologies, don't have to be near their work. And finally, people who don't have a lot of resources can move to an exurban setting because it's cheaper."

Urban planners agree that a strong metropolitan core is an important anchor to sustained exurban growth. Burnet County has that in Austin, which came in first in *Forbes* magazine's recent ranking of "Best Cities to Find Jobs."

BURGEONING BURNET

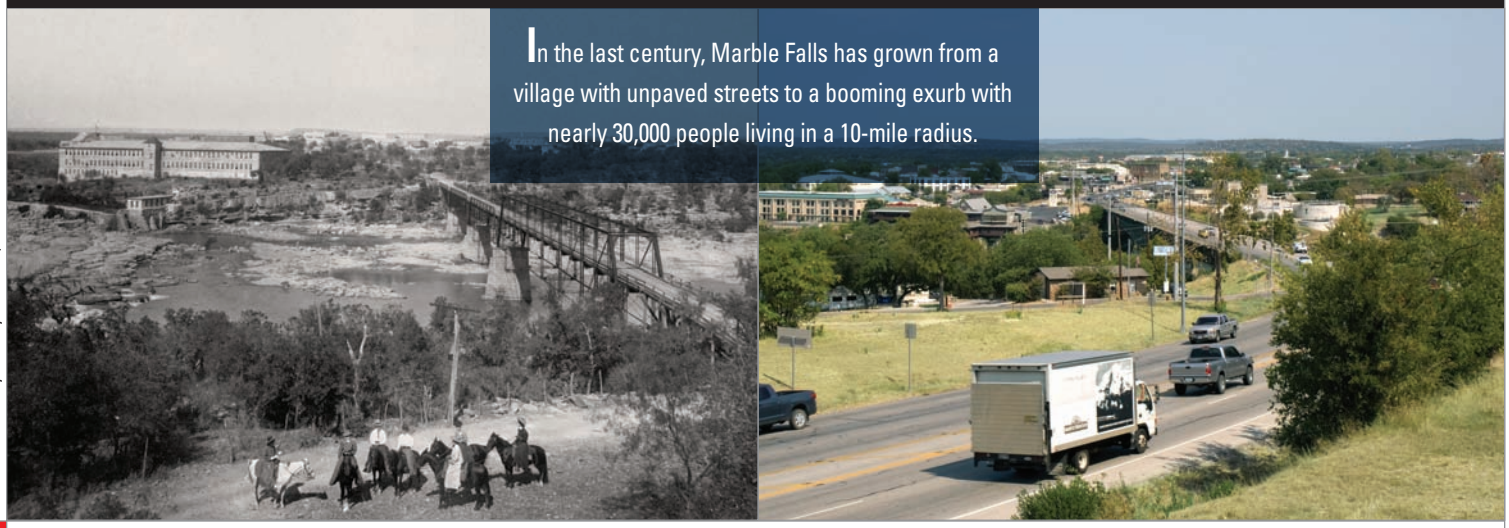
Projections by the Texas Water Development Board indicate Burnet County's population will nearly triple by 2060, to about 90,000 residents.

And while retirees and vacation-home buyers accounted for most of the county's real estate sales in the past, young families make up a growing segment, says the owner of a local real estate firm.

"In the last three to five years, there's been a substantial growth in people who commute, probably to Austin, who are looking for small-town schools, small-town living and a great environment to raise kids," says Dana Yarter, a real estate broker and owner of RE/MAX of Marble Falls.

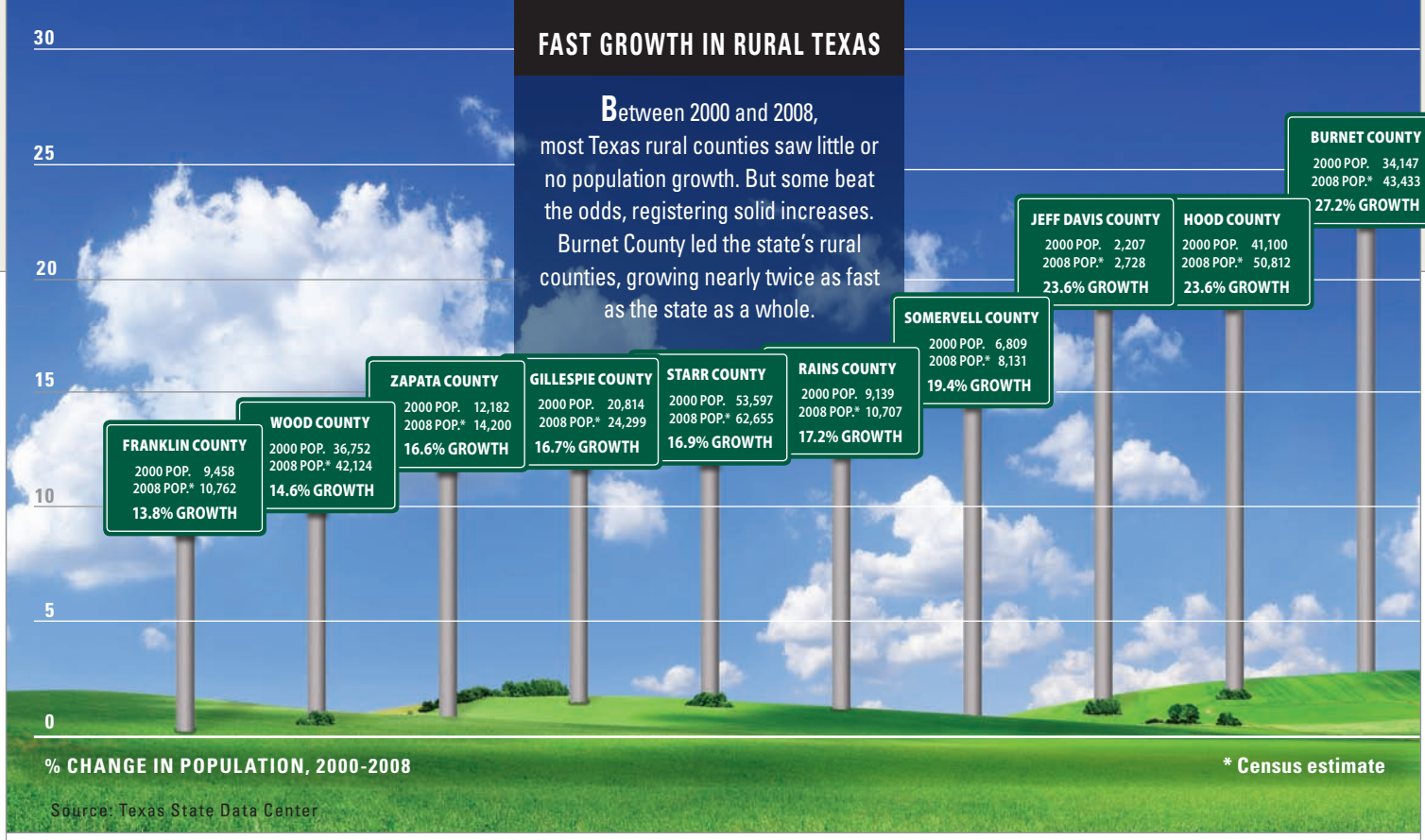
But there's sometimes a gap between expectations and reality, Steiner says. Rural counties rarely offer as many services as metropolitan areas. Texas law doesn't require counties to offer a fire department or emergency medical services, for instance.

THEN AND NOW: MARBLE FALLS, 1908 AND 2009



In the last century, Marble Falls has grown from a village with unpaved streets to a booming exurb with nearly 30,000 people living in a 10-mile radius.

Photo courtesy of Betty O'Connor, the Elizabeth Alexander Collection



"People move to exurban areas and expect urban services," he says. "They put political pressure on the county to provide those services, and they cost money that the counties don't have."

And much exurban development occurs in a scattershot fashion, making it difficult to plan for and provide necessary services. "Most counties don't have the power to control zoning, and the growth [often] occurs in the least favorable areas," says Steiner.

PLANNING AHEAD

Despite their financial and legal limitations, Klaeger and other county officials have made responsiveness and cooperation with other governmental bodies a priority.

Klaeger says Burnet County sponsors about a dozen town hall meetings each year, to get county residents' feedback on the challenges of growth.

"I think the city, county and school district are well aware of the growth and what to do," says John Kemper, owner of Marble Falls' famed Blue Bonnet Cafe. "I know there's a lot of concern about how to pay for it, but they're addressing it. There are no heads in the sand around here."

Transportation and water conservation are Burnet County's most important priorities for long-range planning, Klaeger says. Its residents recently formed a groundwater district to help manage water supplies.

When Burnet County passes 50,000 in population — as it almost certainly will in the 2010 U.S. Census — it will become eligible to join a regional transportation authority such as the Capital Area Metropolitan Planning Organization (CAMPO), Klaeger says. That would make it easier to join other communities in luring federal funding for projects such as the widening of Highway 281, the county's main link to Austin and San Antonio.

"Our funding needs are minimal compared to those of a metropolitan area," Klaeger says. "But if you put together 10 rural communities, our numbers start to be more realistic for funding opportunities."

Affordable housing is a key objective in smart exurban growth.

"More baby boomers are retiring, and they like country living."

— Fritz Steiner, dean of the University of Texas at Austin's School of Architecture

STAYING AFFORDABLE

Affordable housing is a key objective in smart exurban growth. Burnet County's median home value rose from $85,942 in 2000 to $128,435 in 2008, a 49 percent jump, while the county's average household income rose from $37,546 to $46,384, an increase of less than 24 percent.

And rising gas prices have been a double-edged sword. They've increased the costs of exurb living and put more focus on the need for cost-efficient public transportation — but they've also convinced more residents to spend locally, Klaeger says.

Changes in energy supplies and prices inevitably influence how exurbs grow.

"We know that in the long term, prices will go up, and certain countries that are the source of oil aren't exactly

CONTINUED ON PAGE 11

by Laylan Copelin

New Money for Conservation

State energy program gets stimulus funding.

Nueces County is back for more. More energy-efficiency money, that is.

Over the past 17 years, the Comptroller's State Energy Conservation Office (SECO) has made more than 200 loans to cities, counties, universities, school districts and state agencies to help them cut their energy bills.

Now, thanks to the federal stimulus law, SECO has $290.2 million to spend on its energy programs over the next three years — quite a boost over the $2.3 million it typically has available each year.

Public entities, including repeat SECO customers such as Nueces County, are lining up to apply.

Nueces County officials are pursuing a $2.5 million loan to improve energy efficiency in their courthouse and jail as well as a competitive grant to construct a wind farm to generate electricity at the county fairgrounds.

ENERGY CONSERVATION CAN PAY FOR ITSELF

How quickly can savings on utility bills repay an organization's costs for conservation projects? Here are some answers from the State Energy Conservation Office:

PROJECTS	PAYBACK PERIOD (YEARS)
Equipment tune-ups	3.3
Energy management controls	4.8
High-efficiency heating/ air conditioning/ventilation	7.8
High-efficiency lighting	4.6
Building shell (insulation, window film, etc.)	5.1
Water efficiency (low-flow plumbing, etc.)	6.1

Source: State Energy Conservation Office

"We changed the lighting in the courthouse and jail. Now we're saving $10,000 a month."

— Tyner Little, government relations director, Nueces County

"We're focused on energy efficiency," says Tyner Little, the county's government relations director. "We're trying to get 5 percent more efficient every year."

Texas is the largest energy-consuming state, so an emphasis on conservation is good for the environment. But for most officials, it's about saving taxpayer money.

"Three years ago, we changed the lighting in the courthouse and jail," Little says. "Now we're saving $10,000 a month."

Nueces County borrowed $1.1 million from SECO to retrofit several county buildings. Now the county will be applying for money to install electronic thermostats and other energy-saving equipment.

> Conservation is good for the environment. But for most officials, it's about saving taxpayer money.

SPENDING MONEY TO SAVE ENERGY

The State Energy Conservation Office is receiving $290.2 million from the federal stimulus legislation to support conservation projects around the state. Here's how the money will be spent:

PURPOSE	FUNDING (MILLIONS)
Loans to retrofit buildings	$158.2
Renewable energy	30.0
Transportation efficiency	17.0
Grants to cities, counties	45.6
Consumer education	5.0
Appliance rebates	23.3
Other	11.1
TOTAL	290.2

Source: State Energy Conservation Office

Little says a recent energy audit estimated the county could shave more than $200,000 from its $1.2 million annual electric bill with more efficient equipment for its courthouse and jail.

"We're blowing hot and cold air in here at the same time to keep the climate right," Little says. "It's hot in one office and cold in another. It's an energy-inefficiency nightmare."

The bulk of SECO's $290.2 million (about $158.2 million) is for low-interest loans to be repaid with savings from energy bills. Without a loan, Little says Nueces County couldn't consider the project.

"We don't have the cash flow to do a huge project like this," he says.

The remainder of the stimulus funding will be split between traffic synchronization, renewable energy for electric generation, alternative-fuel vehicles, equipment to train technicians and consumer education. **FN**

To learn more about SECO's programs, including deadlines for applying, sign up for e-mail alerts at *www.secostimulus.org.*

by David Bloom

Rent or Own — the Eternal Question

It may lack the rhetorical elegance of "To be, or not to be?" but "Rent or own?" is the question that potential first-time Texas homebuyers must ask themselves. And in times of economic uncertainty, that decision is enough to make anyone a housing Hamlet.

When weighing the pros and cons of purchasing a home, Texans should keep a couple of basic principles in mind: supply and demand and debt to income.

LOTS OF HOUSING

Texas' housing supply has flattened a bit as recession-shy builders pull back, notes Stephen Lipkin, a director at Fannie Mae. But the supply of existing homes throughout Texas remains ample, as evidenced by recent statistics reflecting a higher average number of days on the market before Texas homes are sold.

Yet market demand for Texas houses remains quite strong, particularly compared with that in most other states. The state continues to attract large numbers of new residents seeking its job opportunities and lower cost of living. And while other states have seen abrupt swings from sellers' to buyers' markets, Texas' residential real estate market has held relatively steady.

Similarly, supplies of and demand for rental housing have remained largely in balance throughout Texas, although some developments are offering discounts and other incentives to keep apartments occupied. As with home sales, the rental market benefits from a continuing influx of new Texans, including college students, relocated employees and those who simply prefer nights untroubled by worries about paying for a new roof.

WEIGHING THE COSTS

Lipkin says potential buyers must look at the total costs of homeownership — principal, interest, taxes, insurance, and reserves for maintenance. Mortgage lending guidelines are often tighter in a tough economy.

In evaluating a borrower, Lipkin says, lenders look at a number of factors, including income, employment and credit history, delinquencies, loan-to-value ratios, liquid reserves, loan type, property type and the amount of debt involved in relationship to one's income.

So, homeowner or renter? It all depends on one's finances and preferences, as well as the housing and rental markets in the community you're looking to call home. As long as you're living and working in Texas, how can you go wrong? **FN**

For more information on buying and renting homes in Texas, see *www.Texas realestate.com*, the Texas Apartment Association at *www.taa.org* and the Texas A&M Real Estate Center at *www.recenter.tamu.edu*.

Away from It All, cont.

CONTINUED FROM PAGE 9

friendly with us," Steiner says. "The challenge to transportation is to encourage growth where rail connections and other public transportation is available."

GROWN TO LAST

Roger Galatas, a developer who played an integral part in creating The Woodlands north of Houston in the 1970s, says planners have to strike the correct balance between development and quality of life.

"You need to focus on developing the community instead of the market," Galatas says. "If you build a community to fit the market, you'll be successful."

He emphasizes that the infrastructure, both physical and economic, is important to healthy and sustained growth. Problems begin when the tax base declines and crime rates rise.

"That's where the whole thing can start to unravel," Galatas says.

Still, he thinks Texas is ripe for continued exurban growth.

"I think we'll see the pattern continue," he says. "Look at the I-35 corridor. That's where the jobs are moving to, and where the focus will be in the future." **FN**

For more information on Burnet County, visit *www.burnetcountytexas.org*. To learn more about Marble Falls, visit *www.marblefalls.org*.

Brief Bytes

CONSTRUCTION TAKES A HIT

Texas construction starts are expected to fall by 21 percent in calendar 2009, according to a recent report by McGraw-Hill Construction.

The 2009 *Texas Construction Outlook: Mid-Summer Update* estimates that Texas construction starts will fall to $49.8 billion by the end of the year. The projected losses are due to the credit crisis and global recession as well as the winding down of recovery construction prompted by Hurricane Ike, according to the report.

On the other hand, the report indicates that non-building construction — including roads and bridges — will see 12 percent growth for 2009, thanks largely to federal stimulus funding.

To read the latest recovery news, visit "A Texas Eye on the Dollars" at *www.window.state.tx.us/recovery.*

(Michael Castellon)

TEXAS CITIES ON THE MOVE

Texas was home to four of the nation's 10 fastest-growing large cities (those with more than 100,000 residents) in the year ending on July 1, 2008, according to the U.S. Census Bureau.

Texas had the most cities of any state on the list. Round Rock was the second fastest-growing city between 2007 and 2008. Other Texas cities on the list include McKinney, fifth on the list; Killeen, ranking ninth; and Fort Worth, ranking 10th.

For more information, and to see a complete list of cities, visit *www.census.gov.*

(Michael Castellon)

NORTH TEXAS BEST PLACE TO LIVE

Two North Texas communities made the top 25 on CNNMoney's annual list of best places to live in the U.S.

Keller, with a population of 38,100 and an unemployment rate of 5.8 percent, ranked seventh. CNNMoney praised the Fort Worth suburb's home values — which rose by 6 percent in 2008 — and healthy economy. FedEx, Fidelity Investments and travel company Sabre Holdings have major offices there. The Keller Town Center district and abundant park amenities also were noted as assets. These and other factors have helped Keller's population triple since 1990.

Photo courtesy of the city of Keller

Mansfield, with 44,100 residents, ranked 24th on the list. Touting Mansfield as the "definition of family-friendly," CNNMoney praised its annual art fair, music festival and holiday parade. It's also home to the Hawaiian Falls water park and Big League Dreams Sports Park.

Other Texas cities that ranked in the top 100 include Friendswood (32nd), Schertz (39th), Georgetown (45th) and Hewitt (46th).

CNNMoney's annual list ranks U.S. small towns based on their economies, home values, public schools, unemployment rates, crime rates and amenities that enrich the quality of life.

For the complete listing, visit *http://money.cnn.com.*

(Karen Hudgins)

by Editorial Staff

SMALL BUSINESS LOVES TEXAS

The Lone Star State managed to gain small businesses last year despite the recession, according to a July report by the U.S. Small Business Administration Office of Advocacy.

In 2008, the number of self-employed workers in Texas rose nearly 2 percent to 1.1 million, while the number of self-employed workers nationwide fell 2 percent to 15.9 million. The number of small employer firms in Texas rose 1.4 percent to 449,681, while the U.S. count remained flat at 6.1 million.

The 2009 edition of *The Small Business Economy: A Report to the President,* reviews the economic environment for small businesses in 2008, including federal procurement and the financing marketplace.

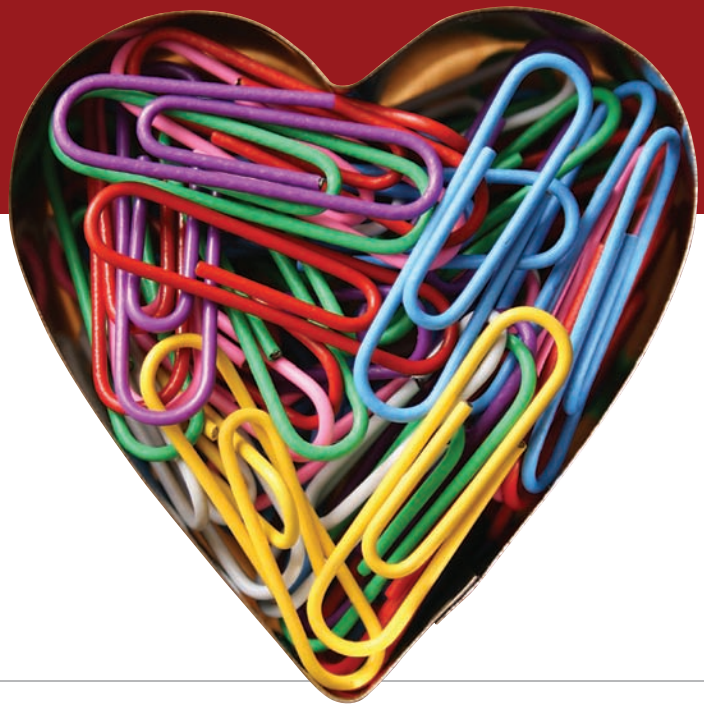
The Dallas SBA district office is seeing increased activity in small-business lending, says Liz Klimback, executive director of the North Texas Small Business Center. Dallas SBA has seen a 200 percent increase in lending over the past year, placing it second for SBA lending nationwide, Klimback says. Nationwide SBA lending is up 40 percent over last year.

"With the layoffs and with some of the companies downsizing, we are seeing more and more people interested in starting up a homegrown or home-owned business," Klimback says. "It's going to continue. Small businesses are the ones that are creating the jobs."

In Texas, more businesses opened their doors in 2008 than in the year before, but closings and bankruptcies also rose. The number of new businesses rose by 2 percent in 2008, while closings jumped by 8.4 percent and bankruptcies rose by 26 percent.

For more information and a complete copy of the report, visit the U.S. Small Business Administration Office of Advocacy Web site at *www.sba.gov/advo.*

(Karen Hudgins)



twitter

Get the latest updates and news on the Texas economy! Follow us at *www.twitter.com/txcomptroller.*

TEXAS CITIES AMONG NATION'S MOST UNDERVALUED

Houston and Bryan-College Station are among the nation's 10 most "undervalued" places to live, according to *U.S. News and World Report.*

The report, "America's 10 Best Undervalued Places to Live," points to a relatively healthy real estate market, low taxes and projected job and population growth.

The study relies on data from IHS Global Insight's first-quarter 2009 *House Prices in America* report, which calculates household income, population density and other data to compare a market's value.

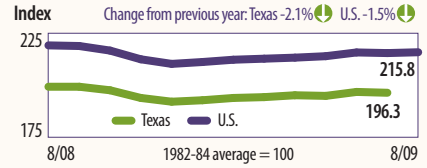
To view the report in its entirety, visit *www.usnews.com.*

(Michael Castellon)

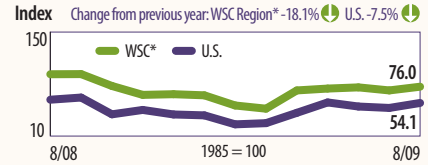
Key Texas Economic Indicators

Between August 2008 and August 2009, the U.S. economy shed about 5.8 million jobs, a 4.3 percent decline. Texas lost 296,300 jobs between August 2008 and August 2009, a 2.8 percent decrease in nonfarm employment. In August 2009, 10.3 million Texans were employed, 62,200 less than in July. Over the last year, Texas added jobs in the educational and health services, government and leisure and hospitality industries.

Consumer Price Index

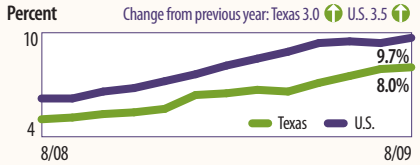


Consumer Confidence Index

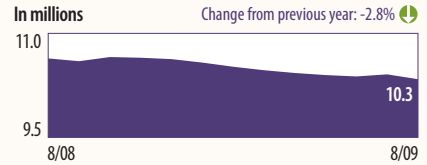


*Includes Texas, Arkansas, Louisiana & Oklahoma (per source's data groups)

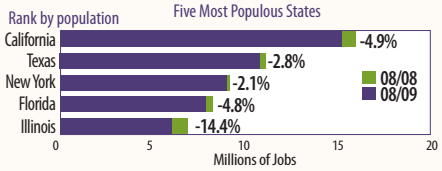
Unemployment Rate



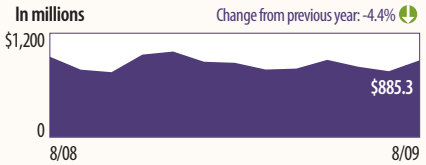
Nonfarm Employment



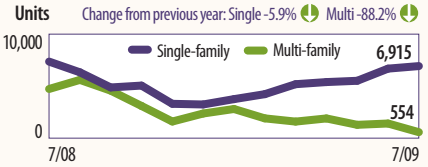
Change in Nonfarm Employment



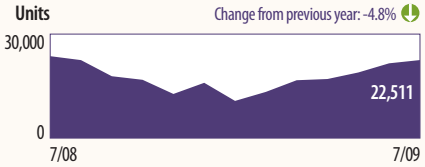
State Sales Tax Collections, Retail Establishments



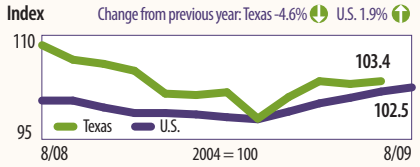
Housing Permits



Existing Single-Family Home Sales

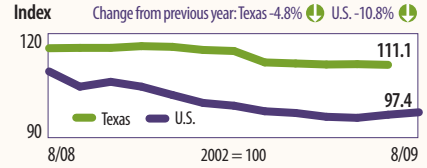


Leading Economic Indicators Index

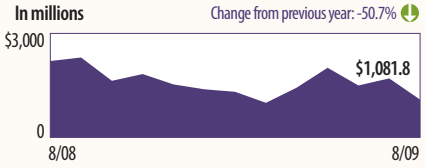


(‡ Double axis graph - see Notes on page 15)

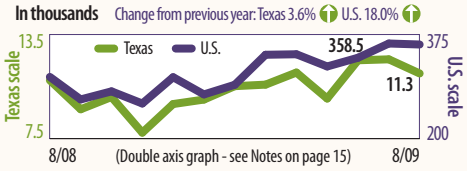
Industrial Production Index



Contract Value, Non-Residential Building Construction



Mortgage Foreclosures



Texas Production and Consumption Indicators

	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
	Value	Value	Units	Gasoline	Diesel	Dollars	Net Value	Packages of 20
Date	(Millions)	(Millions)		(Millions of Gallons)			(Millions)	(Millions)
2006	$19,657.5	$19,852.1	746	11,372.8	3,731.6	$143,100	$45,756.2	1,280.2
2007	21,850.3	22,968.4	834	11,624.8	3,886.9	147,500	48,500.6	1,085.8
Jun-08	3,394.2	3,661.8	923	1,018.3	331.5	154,700	4,051.0	89.6
Jul-08	3,518.2	3,716.7	920	954.0	321.3	152,900	4,148.3	93.3
Aug-08	3,070.8	2,661.2	934	982.3	342.5	151,500	3,829.4	80.9
Sept-08	2,606.5	2,011.3	946	1,054.7	248.6	144,900	3,727.2	88.9
Oct-08	2,066.4	1,909.9	925	852.3	377.9	142,300	3,317.6	98.6
Nov-08	1,499.1	1,520.9	899	1,018.0	343.5	137,200	2,862.9	85.3
Dec-08	1,016.6	1,647.0	826	963.2	283.5	140,600	2,941.7	99.3
Jan-09	993.9	1,661.8	701	1,023.2	294.7	131,800	3,022.6	73.0
Feb-09	824.3	1,063.7	574	965.3	291.5	138,200	2,923.8	77.0
Mar-09	1,140.7	1,054.0	445	916.6	281.8	139,600	2,892.3	86.4
Apr-09	1,252.1	1,023.1	393	1,019.0	305.7	142,700	2,501.8	77.5
May-09	1,494.3	1,017.0	347	989.9	289.8	149,100	2,591.1	77.8
Jun-09	1,709.5	1,055.6	329	1,026.3	291.9	154,900	3,111.4	82.7
Jul-09	1,582		342	1,013.6	293.2	153,700	3,071.0	85.6
Aug-09			366	1,025.9	297.6			126.7

August Cash Condition[1]

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance August 1, 2009	$6,002.5	$25,801.4	$31,803.9
Revenue/Expenditures			
Revenue	4,566.0	4,324.0	8,890.0
Expenditures	6,685.7	2,649.5	9,335.2
Net Income (outgo)	$-2,119.7	$1,674.5	$-445.2
Net Interfund Transfers and Investment Transactions	$17.1	$-5,576.4	$-5,559.3
Total Transactions	-2,102.6	-3,901.9	-6,004.5
End Cash Balance August 31, 2009[2]	**$3,899.9**	**$21,899.5**	**$25,799.4**

[1] Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

[2] The ending General Revenue Fund balance includes $0.0 billion derived from the sale of cash management notes.

State Revenue/All Funds[1]

(Amounts in millions)	Monthly Revenue August 2009	Fiscal Year-to-Date Sept. 2008-August 2009 Revenue	% Change YTD/YTD
Tax Collections by Major Tax			
Sales Tax	$1,755.9	$21,014.1	-2.7%
Oil Production Tax	69.5	884.5	-38.4
Natural Gas Production Tax	53.0	1,407.7	-47.6
Motor Fuel Taxes	259.5	3,032.8	-2.2
Motor Vehicle Sales Tax	233.3	2,600.9	-22.2
Franchise Tax	182.4	4,250.3	-4.5
Cigarette & Tobacco Taxes	182.5	1,556.8	7.6
Alcoholic Beverages Tax	65.5	796.9	1.6
Insurance Companies Tax	132.9	1,257.3	-13.3
Utility Taxes[2]	62.4	518.9	3.0
Inheritance Tax	-0.3	2.0	-64.1
Hotel/Motel Tax	30.5	343.5	-7.4
Other Taxes[3]	61.1	1,202.1	-0.2
Total Tax Collections	**$3,088.1**	**$38,867.9**	**-8.3%**
Revenue by Receipt Type			
Tax Collections	$3,088.1	$38,867.9	-8.3%
Federal Income	3,229.1	32,486.2	22.8
Interest and Investment Income	77.4	1,710.7	-36.8
Licenses, fees, permits, fines,	957.7	7,416.4	-28.5
Contributions to Employee Benefits	822.1	5,537.7	6.4
Sales of Goods and Services	41.6	427.6	-13.8
Land Income	41.3	788.0	-25.0
Net Lottery Proceeds[4]	131.7	1,582.0	-1.0
Other Revenue Sources	501.0	7,904.5	9.9
Total Net Revenue	**$8,890.0**	**$96,721.2**	**-0.8%**

[1] Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

[2] Includes the utility, gas utility administration and public utility gross receipts taxes.

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

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

State Expenditures/All Funds[1]

(Amounts in millions)	Monthly Expenditures August 2009	Fiscal Year-to-Date Sept. 2008-August 2009 Expendi-tures	% Change YTD/YTD
By Object			
Salaries and Wages	$806.5	$10,310.1	5.3%
Employee Benefits/ Teacher Retirement Contribution	790.5	9,033.3	5.9
Supplies and Materials	80.6	940.2	1.3
Other Expenditures	308.4	3,264.5	20.1
Public Assistance Payments	3,726.0	39,455.2	21.2
Intergovernmental Payments:			
Foundation School Program Grants	1,872.3	19,691.2	9.2
Other Public Education Grants	2,406.2	4,937.0	5.5
Grants to Higher Education	37.6	1,225.5	17.5
Other Grants	172.9	3,222.8	42.4
Travel	13.6	163.0	8.0
Professional Services and Fees	150.0	1,946.2	2.0
Payment of Interest/Debt Service	224.2	1,006.1	2.9
Highway Construction and Maintenance	392.4	4,288.2	-19.6
Capital Outlay	50.1	484.6	1.7
Repairs and Maintenance	67.8	728.5	14.8
Communications and Utilities	39.9	443.4	-14.4
Rentals and Leases	10.6	263.6	7.8
Claims and Judgments	6.3	93.7	-12.0
Cost of Goods Sold	47.8	692.5	-23.1
Printing and Reproduction	3.8	47.0	5.4
Total Net Expenditures	**$9,335.2**	**$102,236.6**	**11.4%**
By Function			
General Government			
Executive	$506.8	$6,266.8	8.8
Legislative	13.1	141.8	15.2
Judicial	32.5	255.0	4.0
Subtotal	552.4	6,663.5	8.7
Health and Human Services	3,529.0	38,234.7	22.7
Public Safety and Corrections	335.6	5,043.4	24.6
Transportation	587.9	6,764.0	-13.5
Natural Resources/Recreational Services	189.6	2,069.2	-1.6
Education	3,076.3	33,302.6	7.6
Regulatory Agencies	43.4	368.7	17.5
Employee Benefits	691.5	7,808.4	5.2
Debt Service—Interest	224.2	1,006.1	2.9
Capital Outlay	50.1	484.6	1.7
Lottery Winnings Paid[2]	55.3	491.3	16.2
Total Net Expenditures	**$9,335.2**	**$102,236.6**	**11.4%**

[1] Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

[2] Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.

Notes:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasohol. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections; rigs; consumer price; housing permits/sales/prices; and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years. [‡ Double axis graphs: Graphs with two vertical axes show values for Texas on the left and values for the U.S. on the right. This method shows trends more clearly over the last year when data values are substantially different at state and national levels.]

Sources:

Key Texas Economic Indicators:
Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics
Consumer Confidence Index: The Conference Board
Leading Economic Indicators Index: Texas Comptroller of Public Accounts, The Conference Board
Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics
Nonfarm Employment: Texas Workforce Commission
State Sales Tax Collections, Retail Establishments: Texas Comptroller of Public Accounts
Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University
Industrial Production Index: Federal Reserve Bank of Dallas
Contract Value, Non-Residential Building Construction: McGraw-Hill
Mortgage Foreclosures: RealtyTrac

Texas Production and Consumption Indicators:
Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts
Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated
Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

SUSAN COMBS
Texas Comptroller of Public Accounts

FISCAL NOTES is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

Articles and analysis appearing in *FISCAL NOTES* do not necessarily represent the policy or endorsement of the Texas Comptroller of Public Accounts. Space is devoted to a wide variety of topics of Texas interest and general government concern.

STAFF

DELANE CAESAR
Director of Public Outreach and Strategies

Creative Directors
Beth Hallmark and Dan Lynch

Editorial Team Leader
Karen Hudgins

Graphics Team Leader
Dwain Osborne

Editor
Bruce Wright

Staff Writers
David Bloom, Michael Castellon, Laylan Copelin, Tracey Lamphere, Gerard MacCrossan, Clint Shields, Mark Wangrin

Art Direction and Layout
Duana Gill

Staff Photography
Jack Grieder

Illustration & Photo Manipulation
Raul Santos

FIELD OFFICES

Comptroller field offices are located in Abilene, Amarillo, Austin, Beaumont, Brownsville, Bryan, Corpus Christi, Dallas, Denton, El Paso, Fort Worth, Houston, Laredo, Lubbock, Lufkin, McAllen, Odessa, San Angelo, San Antonio, Sherman, Tyler, Victoria, Waco and Wichita Falls, as well as Chicago, Los Angeles, New York and Tulsa.

HOW TO REACH US

Toll-free telephone line: (800) 531-5441, ext. 3-3116; in Austin, 463-3116.

COMPTROLLER'S WEB SITE

Window on State Government is on the World Wide Web at www.window.state.tx.us. Online subscriptions or renewals of *FISCAL NOTES* may be entered at www.window.state.tx.us/fnotes/fnmail.html.

The Texas Comptroller of Public Accounts is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age or disability in employment or in the provision of any services, programs or activities.

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats. Contact the Public Outreach and Strategies Division at (512) 463-4900 or (800) 531-5441, ext. 3-4900 (VOICE), (512) 463-4226 (FAX), or visit the LBJ State Office Building, 111 East 17th Street, Room 311, Austin, Texas.

Texas Comptroller of Public Accounts
Publication #96-369,
September 2009

The paper used for *Fiscal Notes* is now recycled and contains 10% Post Consumer Waste

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts

FISCAL NOTES is not copyrighted and may be reproduced. The Texas Comptroller of Public Accounts would appreciate credit for material used and a copy of the reprint.

Online subscriptions or renewals of *FISCAL NOTES* may be entered at www.fiscalnotes.com. Internet users may send questions or comments to fiscal.notes@cpa.state.tx.us.

Fax: (512) 463-4226 or (800) 252-3620

Or write:

FISCAL NOTES
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, TX 78711-3528

For more information, call (800) 531-5441, ext. 3-3116; or 463-3116 in Austin.

Window on State Government is on the World Wide Web at www.window.state.tx.us.

PRSRT STD
U.S. Postage PAID
Austin, TX
Permit No. 1411

Free at Last — and Sooner

Each year, the Tax Foundation calculates dates for "**Tax Freedom Day**" — a day representing the length of time Americans must work in the year to earn enough to pay all of their federal, state and local taxes for that year. In 2009, Texas had the earliest Tax Freedom Day among the 10 largest states, and thus the lowest combined tax burden.

TAX FREEDOM DAY, 2009

TEXAS	**APRIL 6**
FLORIDA	APRIL 9
NORTH CAROLINA	APRIL 9
MICHIGAN	APRIL 10
OHIO	APRIL 11
GEORGIA	APRIL 12
ILLINOIS	APRIL 13
U.S. AVERAGE	APRIL 13
PENNSYLVANIA	APRIL 14
CALIFORNIA	APRIL 20
NEW YORK	APRIL 25

Source: The Tax Foundation