

More Corporate Welfare in the Texas Constitution Six Propositions on the November 7 Ballot

The beginning of modern corporate welfare Texas begin on November 3, 1987 when 51.7 percent of Texas voters approved Proposition 4 which allowed Texas state and local governments to give taxpayer money private individuals and businesses for the purpose of “economic development.” Since then, Texas has given tens of billions of dollars to businesses who prefer to take money from taxpayers rather than earn it from consumers.

On November 7, Texans will be asked to approve six amendments to the Texas Constitution that will send another \$7.8 billion to various businesses. This amount of spending would have violated the Texas Constitution’s prohibition against increasing state spending faster than economic growth. So rather than vote to “bust” the spending limit themselves, Texas politicians decided to ask voters to do it for them.

Costs to Texans of Propositions for Fiscal Years 2024-25			
Proposition	State Cost	Local Cost	Total
2	\$0	?	?
5	\$208,400,000		\$208,400,000
6	\$1,000,000,000		\$1,000,000,000
7	\$5,000,000,000		\$5,000,000,000
8	\$1,500,000,000		\$1,500,000,000
10	\$29,000,000	\$50,000,000	\$79,000,000
Total	\$7,737,400,000	\$50,000,000	\$7,787,400,000

If approved, these six propositions would increase state spending by \$7.7 billion for the 2024-25 budget cycle, decrease Texas’ budget surplus by \$7.7 billion, and reduce funding available for cutting property taxes by \$7.7 billion.

Proposition 2: Allows for property tax exemptions for targeted childcare facilities.

Cost: 50% to 100% of the property tax revenue from targeted childcare facilities.

Purpose: Provides tax breaks for childcare facilities that receive government subsidies.

Effect on Property Taxes: Other property owners will be required to make up for lost revenue to cities and counties.

Recommendation: Texans should reject this tax break targeted for childcare facilities that only receive government subsidies and increases incentives for parents to spend less time with their children.

Proposition 5: Creates the Texas University Fund.

Cost: \$208.4 million.

Purpose: To increase research funding for certain Texas universities.

Effect on Property Taxes: Reduces state revenue available for property tax relief.

Recommendation: Research funding already lacks transparency and is often used in ways to increase profits for businesses and university researchers. Texans should reject additional funding for research that largely benefits Texas' woke universities and big businesses.

Proposition 6: Creates the Texas Water Fund.

Cost: \$1 billion.

Purpose: To fund special interest water projects by circumventing the Texas Constitution's Limit on Spending Increases.

Effect on Property Taxes: Reduces funds available for property tax relief by \$1 billion.

Recommendation: Proposition 6 would expand government control over Texas' water supply and market. Another name for that is socialism. Texans should reject this subsidy for special interests in the Texas water industry.

Proposition 7: Creates the Texas Energy Loan Program.

Cost: \$5 billion.

Purpose: To provide subsidies to electric generators to compensate for harm caused by renewable energy subsidies.

Effect on Property Taxes: Reduces funds available for property tax relief by \$5 billion.

Recommendation: Proposition 7 would increase the cost of electricity without improving the reliability of the electric grid. It would also accelerate the trend toward ending market competition and putting Texas politicians and bureaucrats in control of the Texas electricity market. Texans should reject more subsidies for electric generators and let politicians know that grid reliability should be increased by ending renewable energy subsidies.

Proposition 8: Creates the Broadband Infrastructure Fund.

Cost: \$1.5 billion.

Purpose: To provide subsidies to telecom companies that build local broadband networks.

Effect on Property Taxes: Reduces funds available for property tax relief by \$1.5 billion.

Recommendation: Proposition 8 comes while SpaceX and (soon) Amazon are using private capital to fill the skies with satellites designed to bring broadband to underserved areas, including rural Texas. Texans should reject this transfer of wealth from average taxpayers to telecom companies that expands the size and scope of Texas government.

Proposition 10: Provides property tax exemptions for medical or biomedical companies.

Cost: \$79 million in 2025, \$91 million in 2026; increasing annually.

Purpose: to encourage investment in medical and biomedical manufacturing.

Effect on Property Taxes: other property owners will be required to make up for lost revenue to cities and counties; Texas taxpayers will be required to make up for lost property tax revenue to school districts.

Recommendation: Proposition 10 would result in a transfer of wealth from Texas taxpayers to medical or biomedical products manufacturers. Texans should reject this encroachment on their liberty.

Corporate Welfare on the November 7, 2023 Constitutional Amendment Ballot Proposition 2: Childcare Facilities

Proposition: Provides property tax exemptions for childcare facilities
Cost: 50% to 100% of the property tax revenue from childcare facilities
Purpose: to provide tax breaks for targeted childcare facilities
Effect on Property Taxes: other property owners will be required to make up for lost revenue to cities and counties
Recommendation: Texans should reject this targeted tax break for childcare facilities that only receive government subsidies

Ballot Language: “The constitutional amendment authorizing a local option exemption from ad valorem taxation by a county or municipality of all or part of the appraised value of real property used to operate a child-care facility.”

Overview: Proposition 2 would allow cities and counties to reduce or eliminate local property taxes on only childcare facilities that participate in the Texas Workforce Commission’s Texas Rising Star Program and receive government subsidies for at least 20 percent of the total number of the children enrolled at the facility. The loss of revenue of the exemption to cities and counties would be made up by property owners.

Cost: It is impossible to determine the cost of this exemption because it will be up to individual cities and counties to adopt the exemptions. If exemptions are granted, they must be for at least 50 percent of the value of the property of the childcare facilities. All of the property value could be exempted.

Outcome of Votes: A vote FOR Proposition 2 would allow Texas cities and counties to reduce property taxes for government subsidized childcare facilities from 50 percent to 100 percent and increase the property tax burden for other property owners; a vote AGAINST Proposition 10 would reject special tax breaks for government subsidized childcare facilities.

Implications for the Texas Budget and Property Tax Relief: Proposition 2 would likely decrease property tax revenue for certain local governments. This would lead to local governments increasing property taxes to make up for the lost revenue.

Liberty Impact Statement: This tax exemption is an effort to subsidize only childcare facilities that meet specific government requirements and serve certain populations selected by the government. It expands the government’s efforts to further remove children from the immediate care of their parents.

Our Take: Texans should reject this effort to expand government subsidized child care and provide more property tax breaks to special interests.

Related Legislation: [SJR 64](#); [SB 1145](#)

Background

Because of the government shutdowns of businesses and the economy during the COVID-19 scare, a number of child care facilities shut down. Texas government has used this opportunity to increase subsidies for certain childcare facilities. The Texas Workforce Commission’s Texas Rising Star Program is one of those efforts. Childcare facilities in the program are subsidized by Texas government. These are the only childcare facilities that would be eligible for the property tax breaks under Proposition 2.

This legislation was sponsored primarily by liberals in the Texas Legislature. Some of the support offered for it included: “The Texas child-care shortage has devastating affects on early childhood education, economic growth, and employment opportunities for parents. According to the U.S. Chamber of Commerce Foundation, Texas’ economy loses more than \$9 billion every year due to inadequate child care.” This are demonstrably false statements which seek to increase government involvement in childcare at the expense of the family.

Impact on the Market and Economy

While the dollar amount of these property tax breaks cannot be determined in advance, any amount of money targeted by the government to a specific industry or business is inefficient and harms economic growth. A far better way to stimulate the economy and help provide well-paying jobs for parents that would lessen the need for child care would be to reduce local government spending and cut or eliminate property taxes altogether.

Corporate Welfare on the November 7, 2023 Constitutional Amendment Ballot Proposition 5: Texas University Fund

Proposition 5: Creates the Texas University Fund
Cost: \$208.4 million
Purpose: To increase research funding for certain Texas universities
Effect on Property Taxes: Reduces revenue available for property tax relief
Recommendation: Texans should reject additional funding for university research

Ballot Language: “The constitutional amendment relating to the Texas University Fund, which provides funding to certain institutions of higher education to achieve national prominence as major research universities and drive the state economy.”

Overview: Proposition 5 would create a perpetual revenue stream of at least \$100 million annually (adjusted for inflation) to fund research at certain Texas universities

Cost: \$208.4 million in 2024-25, then \$113 million or more each year thereafter

Outcome of Votes: A vote FOR Proposition 5 would take money out of Texas’ “Rainy Day Fund” each year to pay for research funding. A vote AGAINST Proposition 5 would keep funds in the “Rainy Day Fund” to be used for future fiscal emergencies.

Implications for the Texas Budget and Property Tax Relief: The approval of Proposition 5 would reduce the Texas budget surplus by \$208 million and also reduce the amount of funds available for property tax relief by the same amount.

Liberty Impact Statement: Proposition 5 creates a perpetual flow of funds for state universities outside of the normal budget process. It increases the size and scope of Texas government. And it also reduces the amount of money available for return to Texas taxpayers. All of these negatively affect the liberty of Texans.

Our Take: Funding for higher education averages \$15 billion a year through the regular appropriations process. Proposition 5 will increase this funding for universities in a way that avoids the systems designed to hold politicians and our government accountable for the taxpayer money they spend. Yet research funding already lacks transparency and is often used in ways to increase profits for businesses and university researchers. Texans should reject politicians’ effort to decrease the transparency of taxpayer funds used for research.

Related Legislation: [HJR 3](#); [HB 1595](#)

Background

In 2021, federally funded R&D at universities topped \$49 billion. Overall funding for Texas universities from 2022 through 2025 will average about \$15 billion a year. With these levels of funding, it is no surprise that waste and fraud is rampant within universities and university research. For instance, [investigators recently identified](#) “evidence of fraud in papers spanning over a decade, including papers published quite recently” from Harvard Business School Professor Francesca Gino. Stanford’s president, Marc Tessier-Lavigne, recently announced his resignation because of manipulation of research data and/or substandard scientific practices in his research. More recently, Texas A&M agreed to pay \$1 million to a University of Texas journalism professor who had voluntarily rejected a job offer from A&M. All of these cases highlight the problems with transparency in universities, from which Texas is not exempt. The creation of a perpetual flow of research funding outside of usual accountability channels through Proposition 5 will make this worse.

Impact on the Market and Economy

Government spending always reduces economic growth. This negative effect is amplified with government funded research which not only takes funds out of the more efficient private sector but also directs research in ways that can harm the Texas economy. For instance, U.S. Rep. Lloyd Doggett recently secured \$2.48 million for Texas State University to study the effects of climate change on Texas water resources. Such research almost always supports efforts to restrict free markets and increase energy costs, leading to great economic harm—especially in an energy rich state such as Texas.

Corporate Welfare on the November 7, 2023 Constitutional Amendment Ballot Proposition 6: Creation of the Texas Water Fund

Proposition: Creates the Texas Water Fund
Cost: \$1 billion
Purpose: To circumvent the Texas Constitution's Spending Limit in order to fund special interest water projects
Effect on Property Taxes: Reduces funds available for property tax relief by \$1 billion
Recommendation: Texans should reject this subsidy for special interests

Ballot Language: "The constitutional amendment creating the Texas water fund to assist in financing water projects in this state."

Overview: The Texas Legislature appropriated \$1 billion to the Texas Comptroller's Office which is to be transferred to the Texas Water Fund created by this proposition.

Cost: \$1 billion

Outcome of Votes: If voters pass Proposition 6, this will create the Texas Water Fund, and the \$1 billion will be transferred to it by the Comptroller to be used to finance projects to develop new water supplies. If the voters reject this proposition, the \$1 billion will be returned to the Texas Comptroller's Office.

Implications for the Texas Budget and Property Tax Relief: The approval of Proposition 6 by voters will increase state spending by \$1 billion and remove \$1 billion from Texas' budget surplus that could be used for property tax relief.

Liberty Impact Statement: For the most part, the management and development of Texas' water supply is socialist. Almost all surface water used for water supply in Texas is owned by the government and most efforts to expand the water supply are financed by the government. Proposition 6 would expand government control over Texas' water supply and market.

Our Take: Texans should reject efforts to increase government funding for water development.

Related Legislation: [SJR 125](#); [SB 28](#); [SB 30](#) (SECTION 6.08)

Background

The state of Texas came up with the State Water Plan in 1961. The current 2022 State Water Plan is the eleventh plan in this series. The 202-page document is compiled by the Texas Water Development Board with the assistance of 16 regional water planning groups. The entire process is designed to propose how best to utilize state agencies, state-created semi-governmental groups, and government funding to further develop water supplies in Texas. Brooke Paup, chair of the Texas Water Development Board, explains how the process works:

Since establishing the State Water Implementation Fund for Texas (SWIFT) funding program in 2015, the Texas Water Development Board has, through its innovative structure and efficient subsidies, helped finance the implementation of more than 50 recommended state water plan projects that will provide about 1.5 million acre-feet per year of additional water supply ...

This central planning by the government and quasi-governmental entities, also known as socialism, cannot be either innovative or efficient. As economist Ludwig von Mises explained in his 1922 book, *Socialism*, there are two main flaws with socialism that render it unable to achieve beneficial results. The first is the knowledge problem. A system so tightly controlled by government as the Texas water development system makes it impossible for true market prices to emerge. Without market prices, there is not enough knowledge from producers and consumers to adequately determine how much water we need and who it should be allocated to, despite the best efforts of the 480 regional water planning group members who attempted to make up for this shortfall. Second, is the incentive problem. Without a true water market where the interests of water consumers and producers are served, what we have left in Texas is a system that is incentivized to serve the interests of the Texas politicians, bureaucrats, and special interests who can profit through the system.

Impact on the Market and Economy

Proposition 6 would further increase government control over what is left of the Texas water market and harm economic growth in Texas by taking \$1 billion out of the productive private sector. Texas should move toward a private property-based system of water markets to ensure that investments in water infrastructure are wisely made and benefit all Texans rather than special interests in Texas.

Corporate Welfare on the November 7, 2023 Constitutional Amendment Ballot Proposition 7: Texas Energy Loan Program

Proposition: Creates the Texas Energy Loan Program

Cost: \$5 billion

Purpose: To provide subsidies to electric generators to compensate for harm caused by renewable energy subsidies

Effect on Property Taxes: Reduces funds available for property tax relief by \$5 billion

Recommendation: Texans should reject this subsidy for electric generators

Ballot Language: The constitutional amendment providing for the creation of the Texas energy fund to support the construction, maintenance, modernization, and operation of electric generating facilities.

Overview: Proposition 7 would create and fund the Texas Energy Loan Program. Under the program, the Public Utility Commission of Texas (PUC) would be authorized to provide loans and grants to businesses to finance or incentivize the construction, maintenance, modernization, and operation of electric generating facilities.

Cost: \$5,000,000,000

Outcome of Votes: A vote FOR Proposition 7 would authorize the program at a cost of \$5 billion to Texas taxpayers. A vote AGAINST Proposition 7 would defund the program and return the \$5 billion to Texas' General Revenue Fund.

Implications for the Texas Budget and Property Tax Relief: The Texas Legislature is asking voters to approve Proposition 7 in order to bypass the state's constitutional limit on spending growth. All funds appropriated to the Texas Energy Loan Program by the Legislature would no longer be subject to the spending limit. If voters approve Proposition 7, state spending would increase by \$5 billion, the state's budget surplus would be reduced by the same amount, and the \$5 billion would no longer be available for property tax relief.

Liberty Impact Statement: Proposition 7 would negatively impact the liberty of Texans by overriding the state's constitutional limit on spending growth, increasing government control of Texas' energy market, and reducing economic growth in Texas.

Our Take: This proposition is another example of corporate welfare which strains the Texas budget and transfers billions of dollars from taxpayers to corporations. In this case, Proposition 7 would increase the cost of electricity without significantly improving the reliability of the electric grid. Texans should reject this proposition and let the Texas Legislature know 1) this \$5 billion should be returned to taxpayers in the form of property tax relief and 2) the reliability of the Texas grid should be increased by ending renewable energy subsidies and making renewable generators pay for the harm they are causing to grid reliability.

Related Legislation: [SJR 93](#); [SB 2627](#); [HB 1 - Sec. 18.75](#).

Background

The reliability of the Texas grid has significantly declined in recent years because federal, state, and local subsidies for renewable energy has led to investment in intermittent wind and solar generation surpassing investment in reliable natural gas, coal, and nuclear generation. Since 2006, subsidies and other benefits for renewables have [totaled \\$26.3 billion](#), with another [\\$2.7 billion due this year](#). The renewable subsidies have reduced profits for natural gas, coal, and nuclear generation that have to compete with subsidized competitors have led most investors to chase after the subsidized profits from renewables.

Rather than directly address the problem by reducing or eliminating renewable energy subsidies, the Texas Legislature in its legislative session this year doubled down on subsidies by giving taxpayer money to thermal generators. The \$5 billion cost of Proposition 7 is part of the [\\$8.9 billion](#) of subsidies that generators will receive from taxpayers if the proposition passes.

Impact on the Market and Economy

Ten years ago, Texas had the most competitive electricity market in the world. Investment in the market was robust, the electric grid was reliable, and Texas consumers had dozens of options for affordable-priced electricity. Such is not the case anymore. The Texas Legislature and the PUC have undermined competition and increased the price of electricity through increased regulations and subsidies. Proposition 7 would accelerate this trend, effectively ending market competition and putting Texas politicians and bureaucrats in control of the Texas electricity market.

The negative effects of this on the Texas economy will be significant. Already, wholesale electricity costs in Texas have nearly tripled from 2020 as the state has responded to Winter Storm Uri's blackouts with increased market intervention and subsidies. The passage of Proposition 7 by voters would further increase energy costs in Texas. According to the [U.S. Energy Information Administration](#), Texas "is the largest energy-consuming state in the nation," with its industrial sector accounting for more than half of the consumption. Increased energy costs would not only harm consumers directly but also through increased prices of other consumer goods and reduced wages. Additionally, redirecting the \$5 billion away from property tax relief would continue the property tax burden on Texans and Texas businesses. And higher energy costs would reduce economic growth in Texas.

Corporate Welfare on the November 7, 2023 Constitutional Amendment Ballot Proposition 8: Texas Broadband Infrastructure Fund

Proposition 8: Creates the Broadband Infrastructure Fund

Cost: \$1.5 billion

Purpose: To provide subsidies to telecom companies that build local broadband networks

Effect on Property Taxes: Reduces funds available for property tax relief by \$1.5 billion

Recommendation: Texans should reject this subsidy for telecom companies

Ballot Language: The constitutional amendment creating the broadband infrastructure fund to expand high-speed broadband access and assist in the financing of connectivity projects.

Overview: The Broadband Infrastructure Fund would be funded by taxpayer money and other sources to subsidize companies that provide broadband services in Texas

Cost: \$1,500,000,000

Outcome of Votes: A vote FOR Proposition 8 would create the Broadband Infrastructure Fund at a cost of \$1.5 billion to Texas taxpayers. A vote AGAINST Proposition X would result in no fund being created and return the \$1.5 billion to Texas' General Revenue Fund.

Implications for the Texas Budget and Property Tax Relief: The Texas Legislature is asking voters to approve Proposition 8 in order to bypass the state's constitutional limit on spending growth. All funds appropriated to the Broadband Infrastructure Fund by the Legislature would no longer be subject to the spending limit. If voters approve Proposition 8, state spending would increase by \$1.5 billion, the state's budget surplus would be reduced by the same amount, and the \$1.5 billion would no longer be available for property tax relief.

Liberty Impact Statement: With broadband access rapidly expanding without government assistance (see below), the primary impact of Proposition 8 will be to negatively impact the liberty of Texans by increasing the transfer of wealth from average taxpayers to big businesses and expanding the size and scope of Texas government.

Our Take: The rationale for creating the Broadband Infrastructure Fund is to help increase broadband access in rural Texas. However, this proposal comes at the same time that SpaceX and (soon) Amazon are using private capital to fill the skies with satellites designed to bring broadband to underserved areas, including rural Texas. Texans should reject Proposition 8. This would return the \$1.5 billion to Texas' General Revenue Fund where it would increase the state's budget surplus and be available for property tax relief.

Related Legislation: [HJR 125](#); [HB 9](#); [HB 1 Sec. 18.05](#) (p. IX-122)

Background

In the 1980s, the Texas Legislature decided that telephone service was an essential "Universal Service" (USF) that all Texans needed and began taxing Texans' phone bills to subsidize phone service for rural Texans. This created a powerful constituency of rural telephone companies that have continued to successfully lobby the Legislature for more funding to subsidize their businesses. In 2022, there were approximately 60 telephone companies receiving subsidies from the USF. Over that time, these subsidies have funded outdated technology such as copper wires despite the fact that advances in technology have largely made phone lines in the ground obsolete. The USF tax rate on [phone bills is 12%](#).

More recently, the Texas Legislature expanded Universal Service subsidies from phone lines to Internet service. Again, rural telephone companies have lobbied for more funds for obsolete technologies even as the market is deploying new technologies which will provide Internet service to those few remaining customers without service in the next few years.

Impact on the Market and Economy

The \$1.5 billion that would be used to "expand high-speed broadband access" if Proposition 8 is passed is not part of the Universal Service Fund. It would be in addition to expenditures from the USF which totaled \$58 million in the first quarter of FY 2023. These subsidies will lead to malinvestment in outdated technologies and outdated telecommunications companies in rural Texas. This malinvestment will likely slow economic growth in rural Texas as it hinders the adoption of new technologies that would greatly benefit rural Texans.

Corporate Welfare on the November 7, 2023 Constitutional Amendment Ballot Proposition 10: Medical Products

Proposition: Provides property tax exemptions for medical or biomedical companies

Cost: \$79 million in 2025, \$91 million in 2026; increasing annually

Purpose: to encourage investment in medical and biomedical manufacturing

Effect on Property Taxes: other property owners will be required to make up for lost revenue to cities and counties; Texas taxpayers will be required to make up for lost property tax revenue to school districts

Recommendation: Texans should reject this transfer of wealth to special corporate interests

Ballot Language: “The constitutional amendment to authorize the legislature to exempt from ad valorem taxation equipment or inventory held by a manufacturer of medical or biomedical products to protect the Texas healthcare network and strengthen our medical supply chain.”

Overview: Proposition 10 would eliminate local property taxes on certain equipment and inventory owned by a manufacturer of medical or biomedical products. The loss of revenue of the exemption to cities, counties, and special districts would be made up by property owners. Two-thirds of the lost revenue to school districts would be made up by Texas taxpayers through increased state funding to schools; one-third would be made up by property owners.

Cost: \$79 million (\$29 million to the state, \$50 million to schools and local governments) in 2025, \$91 million in 2026, \$103 million in 2027, and \$111 million in 2028. The cost would continue to increase annually.

Outcome of Votes: A vote FOR Proposition 10 would reduce property taxes for medical or biomedical products manufacturers and increase the property tax burden for other property owners; a vote AGAINST Proposition 10 would reject special tax breaks for medical or biomedical products manufacturers.

Implications for the Texas Budget and Property Tax Relief: Proposition 10 would increase Texas state spending on public schools and decrease property tax revenue for local governments. This would both decrease state funds available to provide property tax relief and lead to local governments increasing property taxes to make up for the lost revenue.

Liberty Impact Statement: This tax exemption would result in a transfer of wealth from Texas taxpayers to medical or biomedical products manufacturers and strengthen the ability of politicians and corporations to further encroach on our God-given “unalienable Rights”.

Our Take: Texans should reject this effort to transfer their wealth to major corporations and encroach on their liberty

Related Legislation: [SJR 87](#); [SB 2289](#)

Background

Texans have long complained about high property taxes. The [first efforts](#) to fund public education through property taxes in Texas were rejected by Corpus Christi voters in 1846 and abandoned two years later by Galveston due to opposition from taxpayers. Yet rather than lower the property tax burden, Texas politicians have given special tax breaks or exemptions to various special interests in an effort to splinter the opposition to property taxes. Examples of this include exemptions for property used for agricultural and wildlife purposes and property tax abatements for businesses granted school districts and local governments. All of these shift the burden of higher property taxes onto homeowners, renters, small businesses, and consumers. The beneficiaries of these targeted tax breaks are those special interests who can hire the best lobbyists to pursue state and local politicians to give them these tax breaks. In the case of Proposition 10, the beneficiaries will be medical or biomedical products manufacturers, their lobbyists, and the politicians who receive campaign contributions from them.

Impact on the Market and Economy

Despite its popularity with politicians, central planning, also known as socialism, harms the economic growth, reduces personal incomes, and decreases government revenue. As Ludwig von Mises explained in his 1922 book, [Socialism](#), central planning cannot succeed because central planners lack the knowledge and the incentives to efficiently allocate resources. Instead of goods and services meeting the needs of consumers through choices made in the market, central planning leads to goods and services being allocated to meet the needs of the central planners. Economic growth, job creation, and personal incomes all suffer. If Proposition 10 passes, the income and profits of medical or biomedical products manufacturers, their lobbyists, and the politicians may increase but the income and profits for most Texans will decline.