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Scott looks to Texas, but both states have problems

By [WILLIAM MARCH](#) | The Tampa Tribune

If Florida Gov. Rick Scott has an idol, it's probably Texas Gov. Rick Perry.

Everywhere he goes, Scott extols Perry's work in making the Lone Star state business-friendly.

"He's done the best job in the last two years of building jobs," Scott told the crowd at the State Fair Governor's Lunch in Tampa on Monday. "Texas has done a better job of building jobs [than] any place in the country by a long shot."

Scott says Florida must imitate Texas â cutting business taxes, cutting regulations, and making it harder to sue doctors and businesses â to revive its own economy.

In fact, he says, he intends to out-Perry Perry.

"As I explained to Rick Perry, whatever they do in Texas, we're going to do better," Scott said in his inauguration speech.

The two have regular phone chats, and Scott says they joke about the competition.

"We've got to make sure we beat 49 other states" to become the nation's premier place to do business, he said in Tampa.

According to independent business analysts including Forbes Magazine, it's true that Texas under Perry has built a business-friendly reputation.

"It's one of the nation's premier places for business," said John Boyd of The Boyd Company, Inc., a business relocation service that publishes the BizCosts ranking of states' cost of doing business.

Texas has lower unemployment than the national average, and lower unemployment and foreclosure rates than Florida, where the business climate suffered much more in the recession.

In fact, Texas's economic performance has made Perry a GOP celebrity with occasional 2012 presidential mentions. Scott's cheerleading, meanwhile, has made Perry a talking point for Florida Republicans.

"Texas is an example of a state that's getting it right," outgoing Sen. George LeMieux after Scott's inauguration speech.

But Florida has also had a long-standing reputation as business friendly, business experts say â and not everything is wonderful in the Lone Star State.

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Texas has some problems that raise questions about how much Florida ought to emulate its western

competitor.

Florida, for example, faces a \$3.6 billion-plus state budget deficit for 2012. Scott says that calls for slashing business taxes, education spending and environmental protections.

But Texas's pending state budget gap, \$13.4 billion, dwarfs Florida's, according to a study by the Center on Budget and Policy Priorities.

As a percentage of their 2011 budgets, the Center said, Florida's deficit is less than half the size of Texas's.

As of December, Florida had the third-worst unemployment rate in the nation, at 12 percent, and it had the nation's 3rd worst foreclosure rate for 2010, according to RealtyTrac.

Texas's 8.3 percent jobless rate was better than most, and its foreclosure rate 29th worst -- both better than Florida, but worse than some states with higher taxes and stricter business regulations.

Meanwhile, Texas was also No. 1 in the nation in food stamp recipients, averaging 3.5 million during 2010, while Florida, with almost as large a population, was fourth with 2.6 million.

According to figures compiled by the Kaiser Family Foundation, Texas in 2010 was also:

- Fifth in the nation in the percentage of its population at "near-poverty" income levels â less than 139 percent of federal poverty level -- while Florida was 18th.
- Fourth in its incarceration rate, while Florida was seventh.
- 33rd in median annual income while Florida was lower, but not much, at 38th.

Boyd, the BizCosts publisher, said Florida has long enjoyed a reputation as favorable to business.

"The issue that concerns business in recent years has to do with Florida's spending and budget problems, and the concern that the budget will be paid for on the backs of the business community," he said.

Texas is one of six states with no corporate income tax, a factor in competition with Florida, Boyd said.

But Florida's 5.5 percent rate is among the lowest of states that do have corporate taxes â only six taxing states are lower.

Meanwhile, the Tax Foundation has ranked Florida consistently better than Texas in its business tax climate for several years.

For 2011, it said Florida had the nation's 5th-best business tax climate and Texas the 13th, considering property, sales and income taxes as well as corporate taxes.

Scott nonetheless proposes cutting the corporate tax rate to 3 percent this year, and end it completely by 2018.

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Much of the difference between the two states arises simply because Texas is an oil state, said Elizabeth

McNichol of the Center on Budget and Policy Priorities.

In the recession, she said, "Florida was hit early and hard" because of its dependence on real estate development and tourism.

"Texas was insulated at the start of the recession because oil prices were high," she said. "That insulation has been worn thin, and now their revenues are not enough."

One of the most often-cited rankings of business climates in states comes from Forbes magazine, which annually looks at six categories, ranging from costs of doing business to quality of life.

Those rankings show Florida and Texas nearly equal in 2008, before the full force of the recession hit â Florida ranked 8th overall and Texas 9th.

By 2010, however, Florida had dropped to 26th, while Texas inched up to 7th.

The biggest change came in categories reflecting the recession's effect on the Sunshine State's economic climate and population growth. Neither state changed much in the costs of doing business, which includes taxation, or in its regulatory burden.

Florida dropped from 1st in 2008 to 36th in 2010 in economic climate, and from 5th to 14th in availability and educational level of the labor force, a category including migration into the state.

Texas, meanwhile, moved up significantly in the economic climate category, from 11th to 2nd, and growth prospects, 4th to 1st.

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In his speeches, Scott cites a different ranking:

"The Pacific Research Institute ranks Florida's regulatory climate worse than 44 other states," he said in a November speech justifying his decision to freeze all new state regulations and slash corporate taxes for unemployment benefits.

That referred to a 2008 study, which differs not only from the Forbes' 18th-place ranking that year, but also from a study by the Mercatus Institute at George Mason University.

It ranked Florida 19th in regulatory freedom, and 22nd overall, with other categories including fiscal policy, economic freedom and personal freedom.

Scott contends his proposal to cut corporate taxes is bearing fruit already.

"Governor's tax cut plan attracts 224 jobs to Florida," says the headline on a Feb. 10 news release from his office concerning the decision of fuel cell maker Bing Energy to move from California to Tallahassee.

In the news release, however, the company's executives praise Scott's tax proposal but say they made their relocation decision before Scott took office â in part, to work with a Florida State University scientist.

Scott didn't respond to repeated requests through his press office for an interview for this story.

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He and Perry, however, are alike in other ways as well.

Perry was among the first high-profile Republicans to stigmatize Barack Obama as a socialist, in 2008, and made attacking Obama part of his 2010 re-election campaign, linking his Democratic opponent with Obama.

Scott did the same last year, repeatedly calling his Democratic opponent Alex Sink "an Obama liberal."

They share another political tactic â both refused in 2010 to visit newspaper editorial boards seeking their endorsements. Perry's pollster said that was because the endorsements produced few votes.

Not everyone agrees that Florida puts draconian burdens on business, or that slashing business taxes and lifting regulations is the best way to revive the state's economy.

"We're already near the top in that ranking," meaning a business-friendly climate, Sink said after hearing Scott speak at the Governor's Lunch about his admiration for Texas.

"In my opinion the thing that will bring our economy back is a high-quality school system," she said.

Sink said she's considering founding a policy institute to "shed a light on what businesses do look at" in considering where to locate or expand and create jobs.

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