

U.S. Municipal Bond Market Gone to Texas, A Land of Opportunity

Summary

- Oracle, Tesla, and HP are the latest companies to announce they have “Gone To Texas” or (G.T.T.)
- Corporate relocation strategies shift. Some trends may be accelerating because of the COVID-19 backdrop.
- There is a real economic impact and potential political impact to Texas migration patterns as well. Texas’ working age population is projected to stagnate without migration. Migration patterns could also help Republicans acquire more elector support from Democratic states.

Gone To Texas

G.T.T. (meaning Gone To Texas) has had a similar meaning for almost two centuries to different types of individuals. The common factor, however, is that migrants set out for Texas and travel to the Lone Star State, leaving wherever they previously lived or worked. Now, the reasons individuals and companies alike are arriving in Texas may be markedly different than in the distant past. Increasingly, “Texas is rapidly becoming the central hub of commerce in the Western Hemisphere,” wrote former Texas Governor Rick Perry in 2004. Others are catching on to what Gov. Perry wrote about 15 years ago.

Oracle, Tesla and HP Recent Announcements – Not Just Pandemic Moves

Recently, three more meaningful companies have announced they will be leaving California and moving to Texas. Oracle announced it is moving its headquarters from Redwood City, California to Austin, Texas. An additional telling part of the Oracle announcement is that Oracle management proclaimed that a large portion of employees will have a remote work option. Also at the beginning of December, Hewlett Packard, the company that helped start Silicon Valley, now Hewlett Packard Enterprises, will move to Texas and consolidate offices in the Bay Area.

Pew Research has reported that one in five Americans either have relocated due to the pandemic or has known someone who has relocated. The type of clustering going on in Texas, and specifically in the state’s capital city has been occurring at a faster pace than the overall nationwide trend. As of November, 39 companies relocated to Austin, Texas in 2020. Other tech corporate moves to Texas include 8VC (venture firm), Dropbox, FileTrail, DZS Inc., and QuestionPro.

These (Oracle, Tesla, HP) recent announcements were likely in the works for some time, yet are symbolic of the trends that are being accelerated by the COVID-19 pandemic. “Eventually, city and state taxes, fees, and regulations become so burdensome that people and corporations jump ship,” as highlighted by author and columnist Kristin Tate in her recent book. Specific feedback is available directly from the minds of the decision makers as well. Tesla and SpaceX CEO Elon Musk has recently warned of excessive regulation and said, “A lot of the time, the best thing that government can do is just get out of the way.”

Strategy in Corporate Relocations

There has been significant history in when and why companies have located or relocated for business and other strategic reasons. And, sometimes these strategic

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goals are not always permanent. In the 1980s, there was a trend of companies leaving downtown areas for suburban locations. Illinois was able to keep Sears in the state, but the corporate giant left a hole in the metro Chicago labor market when it exited the city in 1989. Differing factors motivate corporate relocation patterns and decisions at different times. Some of the motivating factors behind corporate relocations include human capital interests, corporate costs, strategic factors, and other quantifiable inputs. See more in Why Corporate Headquarters Relocate.

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Government incentives, while important, were often seen as icing on the cake. Remember Amazon's HQ2 decision making process from a couple years ago? Perhaps now a trend toward less government involvement and regulation, the need for less government incentives is going to increase as reasons why companies tend to relocate in specific areas. And this trend could be one accelerated by COVID-19.

Real Impact – Working Age Population Projected to Stagnate Without Migration

There are several real fiscal and economic impacts that can be traced to corporate relocations. A key real impact is highlighted in this 1Q18 report, Gone to Texas: Migration Vital to Growth in the Lone Star State, by the Dallas Federal Reserve. The authors argue that the Texas working-age population is projected to stagnate without the domestic migration and immigration that Texas has been experiencing (see chart at bottom of page 10). They argue that this is what is fueling future growth in Texas.

Texas' economic prowess has relied on a large and sustained influx of workers from other states and other countries. These transplants account for an even larger share of Texas' growth than their relative numbers. More importantly, because so much of this inflow was employment related, it naturally brought the types of workers most in demand, whether it was construction and oil field laborers, computer engineers, medical scientists or college professors.

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Potential Political Impact

There is a political impact to this migration as well. Tate not only warns about the demographic shifts turning red cities and states to blue. She also forecasts these migration patterns could help Republicans acquire more elector support in states such as Michigan, New York, Illinois, Minnesota, Rhode Island, and even potentially in California. "There could be a swing of more than thirty electors away from Obama's numbers," she indicates.

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