



Texas Metropolitan Blueprint

A Five-Year Policy Agenda for Action

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ABOUT THE TEXAS METROPOLITAN BLUEPRINT

An actionable five-year plan to ensure the continuing prosperity and growth of Texas's communities, the Texas Metropolitan Blueprint utilizes a comprehensive, cross-sector approach to align policy and action at both state and local levels.

Developed via a collaboration among the LBJ School of Public Affairs Urban Lab at The University of Texas at Austin, the George W. Bush Institute-SMU Economic Growth Initiative, and the Hobby School of Public Affairs at the University of Houston, the Blueprint draws on the insights of more than 175 business, government, and nonprofit leaders, representing Democratic, Republican, and nonpartisan perspectives.

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EXECUTIVE SUMMARY

Texas's 26 metropolitan areas, home to 90% of its population, are the engines of its economic growth. The Texas Metropolitan Blueprint outlines an actionable five-year plan to ensure their long-term prosperity and competitiveness.

To create it, the LBJ School of Public Affairs Urban Lab at The University of Texas at Austin, the George W. Bush Institute-SMU Economic Growth Initiative, and the Hobby School of Public Affairs at the University of Houston convened more than 175 Democratic, Republican, and nonpartisan leaders from diverse sectors across the state, including business, government, and nonprofits.

The Blueprint's strategy and policy recommendations span economic development, housing and land use, infrastructure, natural resources, and artificial intelligence (AI) technology. Its authors were guided by six principles:

- 1. Support Local Innovation and End Preemption.**
Texas's greatest strength has always been the ingenuity of its local communities. State-level policies that restrict local decision-making, such as preemption laws, threaten to stifle this vital asset.
- 2. Focus on Talent-Driven Growth.**
Texas must shift its investment focus from firms to talent, as people-driven development is the future.
- 3. Leverage Global Challenges.**
Texas is uniquely positioned to transform global challenges into local opportunities.
- 4. Engage the Private Sector, Nonprofits, and Foundations to Solve Texas's Biggest Challenges.**
Challenges such as energy, affordability, and workforce readiness are too large for any one entity to address alone.
- 5. Unleash the Market to Create Opportunities for More Texans.**
Texas's economy thrives on entrepreneurship, innovation, and a resilient marketplace. Inclusiveness is a key factor.
- 6. Invest in the Future by Strengthening Texas's Infrastructure and Resource Capacity.**
Texas's continued competitiveness depends on a resilient infrastructure that meets the needs of a dynamic population and economy.

Economic Development

The defining economic challenge for Texas is to invest in the skills of its workforce and develop resilient, sustainable infrastructure tailored to the demands of a globalized 21st-century knowledge economy. In doing so, it must recognize that:

1. Economic Development Is Workforce Development.

Human capital is the key differentiator in today's rapidly changing economy. Workforce development empowers Texans with the skills they need to access good-paying, stable jobs.

2. Invest in Digital Skills and Infrastructure to Advance Texas's Innovation Economy.

Texas must prioritize investments in both digital infrastructure and digital skills.

3. Support Startups and Small Businesses.

Training programs for small businesses equip experienced and aspiring entrepreneurs with skills while helping them expand their professional networks and navigate barriers to growth.

4. Invest in Accessible and Affordable Quality Child Care.

Access to affordable quality child care is critical for families and can also be a key driver of Texas's economic growth.

5. Leverage International Business and Trade.

Texas is uniquely positioned to lead in global commerce. To maintain this edge, the state must make targeted investments that enhance its competitiveness.

6. Strengthen Texas's Anchor Institutions.

Texas's research universities and community colleges already play a pivotal role in driving innovation and developing top talent. They can do much more.

Housing and Land Use

Ninety percent of Texans consider housing affordability a significant issue. The state's growing housing shortage is undermining its cost-of-living advantage. To address this challenge, Texas metros should:

1. Promote Development of Market-Rate Housing.

Pro-growth localities can accelerate housing production by easing regulatory barriers.

2. Promote Smart Expansion of Growing Metropolitan Areas.

Localities on the outer edges of expanding metro areas should encourage smart growth by allowing a diverse range of housing types.

3. Reform Texas's Qualified Allocation Plan to Make Better Use of the Federal Low-Income Housing Tax Credit and the Public Facility Corporation.

Stretch funding and make participation more attractive to developers by reforming the Low-Income Housing Tax Credit (LIHTC) and Public Facility Corporation (PFC) program.

4. Make Rental Housing More Affordable for Very Low-Income Families.

Policymakers should focus on building, preserving, and rehabilitating rental properties while strengthening low-income renters' protections.

5. Expand Workforce Development and Capacity-Building Programs for Developers.

Cities need more skilled workers in construction trades and more small developers focused on moderate-sized infill development.

6. Support Homeownership.

Homeownership rates have been declining since 2008. Local and state policymakers can work to reverse that trend.

7. Build on Recent Progress in Reducing Homelessness.

Cities like Houston have made tremendous progress in reducing homelessness. State policymakers should grant all of Texas's cities the flexibility they need to craft solutions that are tailored to their local conditions.

Infrastructure: Water, Energy, Transportation, and the Environment

Texas leads the nation in urban growth, which presents challenges related to water, energy, transportation, and climate resilience. All of the state's major metropolitan areas are vulnerable to extreme weather events. Key priorities include:

1. Connect Water Conservation and Infrastructure to Economic Development and Community Needs.

Although the \$1 billion Texas Water Fund is an important step, the state still faces significant water deficits that require a more comprehensive approach.

2. Encourage Texas's Energy Transition.

With \$8 billion allocated for clean energy projects under the Inflation Reduction Act and its deep talent and expertise in energy, Texas is well-positioned to lead the global energy transition.

3. Enhance the Reliability of the Electric Grid.

To reduce its vulnerability to extreme weather events, Texas must strengthen its electric grid.

4. Leverage Existing Infrastructure for Hydrogen Utilization.

By building on its existing energy infrastructure, Texas can become a leader in hydrogen development.

5. Address Barriers to EV Adoption.

Though TxDOT has begun expanding charging stations, Texas must still implement a comprehensive approach to support electric vehicle (EV) ownership.

6. Incentivize Clean Technologies for Transit Development.

Texas metros require greater support to make sustainable transportation options viable statewide.

7. Diversify Funding Opportunities for Transportation Infrastructure.

Expanding funding sources, such as private partnerships and targeted grants, will enable metros to make robust investments in transportation.

8. Connect Environmental Needs to Economic and Workforce Development.

Expanding funding sources, such as private partnerships and targeted grants, will enable metros to make robust investments in transportation.

9. Develop Better Resilience Metrics.

Decision-makers need better tools to identify and address the risks affecting Texas's most vulnerable populations.

Artificial Intelligence

Texas cities and metropolitan areas are already leveraging AI across such domains as education, energy, health care, and transportation. But the state needs to develop regulations, frameworks, guardrails, and processes to ensure that AI is used responsibly and ethically.

1. Implement AI Governance Policies and Regulations.

A comprehensive framework is needed to address concerns about privacy, transparency, bias, and automation.

2. Provide Cities with Investments for Responsible AI Development and Deployment.

AI policies should improve efficiency while guarding against unintended consequences such as bias or invasions of privacy.

3. Consider How Texas Cities Can Effectively Use AI.

AI has immense potential to enhance municipal services and improve city operations.

4. Focus on AI Training and Education.

Sectors like health care, energy, education, and manufacturing will be transformed by AI, underscoring the need for workforce preparedness.

5. Be Prepared for AI's Massive Demands on Energy Use.

Texas must address the unique energy demands of AI-driven technologies to ensure grid reliability.

A BLUEPRINT FOR ACTION

Texas has come to a crossroads. With more than 30 million residents, it is not just the second-largest state in the nation but also one of its fastest-growing, adding more than 4 million new residents in just the past decade.¹ If its growth continues at this pace, Texas’s population will expand by as much as another third over the next quarter century, reaching nearly 47 million by 2050. While Texas’s business-friendly climate continues to attract global corporations such as Tesla, Samsung, and CBRE, it has also put tremendous pressure on housing, infrastructure, and workforce development.² Going forward, Texas’s great challenge will be to ensure that its growth is well-managed—and that its benefits are widely shared.

Texas’s chief growth engines are its 26 metropolitan areas, where 90% of Texans now live.³ The Texas Triangle, which includes the Dallas-Fort Worth, Houston, San Antonio, and Austin metros, has become one of the world’s most economically powerful regions, with \$1.2 billion in annual output, roughly comparable to Mexico’s or Spain’s.⁴ If the Texas Triangle were a country, it would have the 15th largest economy in the world.⁵

Although high-growth sectors like technology, clean energy, and advanced manufacturing account for growing shares of Texas’s economy, the state’s skills gap is widening. While 49% of Texas’s jobs require digital skills, nearly 14% of Texans over age 25 do not have high school diplomas and just 34% of Texans have college degrees, less than the national average and well below states like Colorado, New York, and California.^{6,7} Unless it makes a concerted effort to upskill, reskill, and educate its population, Texas will

soon be unable to meet the workforce needs of its most critical industries. Moreover, Texas’s energy sector—long synonymous with oil and gas—is undergoing a significant transition. Texas now leads the nation in wind and solar energy production, but if it is to remain the “Energy Capital of the World,” it must also lead in hydrogen, carbon capture, and battery storage technologies.⁸

Artificial intelligence is at the forefront of the Lone Star State’s current industrial revolution, and, like all revolutionary technologies, it brings both promise and peril. While it will open a plethora of new economic opportunities, it may also exacerbate the state’s already widening inequalities. At the same time, rising housing prices have made it harder for many Texans to live near where they work. Natural disasters are heightening and intensifying the environmental sustainability problems of Texas metros. Left unchecked, any one of these challenges could undermine Texas’s future competitiveness.

Focusing on economic development, housing and land use, infrastructure, transportation, climate resilience, and technology (including AI), this Texas Metropolitan Blueprint outlines an actionable plan for Texas’s cities, metro areas, businesses, and residents over the next five years. A comprehensive, cross-sector approach—one that aligns policy and action at both state and local levels—is essential to ensure the long-term prosperity and growth of our metros.

The Blueprint was developed through a collaboration among the LBJ School of Public Affairs Urban Lab at The University of Texas at Austin, the George W. Bush Institute-SMU Economic Growth Initiative, and the Hobby School of Public Affairs at the University of Houston, which convened more than 175 leaders from across Texas’s diverse sectors—including business, government, and nonprofits—representing Democratic, Republican, and nonpartisan perspectives.

Grounded in six key principles—supporting innovation, encouraging talent-driven growth, transforming global challenges into local opportunities, engaging the private sector and foundations, encouraging private sector entrepreneurship, and public sector investments in infrastructure—the 2025 Texas Metropolitan Blueprint offers people-driven solutions. If Texas makes the right choices, it can continue to lead—not just in economic growth but also in its ability to shape a more equitable and sustainable future for all its residents.

PRINCIPLES GUIDING THE BLUEPRINT

Six principles guide our policy discussion:

- 1. Support Local Innovation and End Preemption.**

Texas's greatest strength has always been the ingenuity of its local communities, but state-level policies that restrict local decision-making—such as preemption laws—threaten to stifle this vital asset. From climate resilience and workforce shortages to housing and infrastructure, local governments must have the autonomy they need to implement policies that work for their communities. By prioritizing incentives over mandates, Texas can cultivate localized, bottom-up innovations that support the broader prosperity of the state.
- 2. Focus on Talent-Driven Growth.**

Texas must shift its investment focus from firms to talent. Talent-driven economic development means providing all Texans with the education, training, and services they need, ensuring that Texas will be not only a hub for businesses but also a place where individuals and families can thrive and build better futures.
- 3. Leverage Global Challenges.**

Texas is uniquely positioned to turn global challenges into local opportunities. From the energy transition to the growing demand for housing and sustainable urban development, Texas can lead the nation and the world in reindustrialization, clean energy, AI, and smart growth. To do so, it must anticipate the needs of the future, rather than simply react to the problems of the moment.
- 4. Engage the Private Sector, Nonprofits, and Foundations to Solve Texas's Biggest Challenges.**

Texas's growing political polarization has made it hard to align its diverse stakeholders. Whether they involve energy, affordability, or workforce readiness, Texas's challenges are too big for any one entity to solve. Texas has excelled in cross-sector collaborations historically, engaging the private sector, nonprofits, foundations, and local communities to tackle pressing issues. It can do so again.
- 5. Unleash the Market to Create Opportunities for More Texans.**

Texas's economy thrives on entrepreneurship, innovation, and a resilient marketplace. To expand economic opportunity for all Texans, the state must remove unnecessary barriers to entrepreneurship, support local businesses, and empower individuals to reach their full potential. By fostering a sensible regulatory environment, providing targeted support to small businesses, and promoting competitive access to capital, Texas can build an economy in which everyone has a chance to succeed.
- 6. Invest in the Future by Strengthening Texas's Infrastructure and Resource Capacity.**

Texas's continuing growth and competitiveness depend on a robust and resilient infrastructure that meets the needs of a dynamic population and economy. Investments in water, energy, transportation, and digital connectivity are essential if Texas is to sustain its economic growth, address its resource demands, and support its diverse communities. By prioritizing long-term investments in infrastructure and proactive resource management, Texas can reduce its vulnerabilities, accommodate future growth, and ensure that all of its regions—from urban centers to rural areas—are positioned to thrive.

ECONOMIC DEVELOPMENT

From large metros like Houston, Dallas-Fort Worth, San Antonio, and Austin to smaller regions like Abilene and Texarkana, Texas's 26 metropolitan areas are the engines of its economy. Nine out of ten Texans live in them, and they account for more than 90% of the state's economic activity.⁹

Houston and the Permian Basin are at the forefront of the U.S. energy transition. Breakthroughs in medical research regularly emerge from Houston's Texas Medical Center and Dallas's UT Southwestern Medical Center. The future of AI is being shaped in Austin; Dallas is redefining corporate real estate and logistics; and El Paso has built one of the world's strongest binational economies. By focusing on workforce development and sustainable infrastructure and leveraging its binational border, Texas can ensure that its metros continue to prosper.

1. Economic Development Is Workforce Development.
2. Invest in Digital Skills and Infrastructure to Advance Texas's Innovation Economy.
3. Support Startups and Small Businesses.
4. Invest in Accessible and Affordable Quality Child Care.
5. Leverage International Business and Trade.
6. Strengthen Texas's Anchor Institutions.

1. Economic Development Is Workforce Development.

Workforce development is not only about filling jobs; it is about empowering Texans with the skills they need to access good-paying, stable jobs that enhance their quality of life and ensure the long-run prosperity of the state. Human capital is the key differentiator in today's economic landscape. Inadequate investment in education and training not only risks widening economic inequality but also threatens Texas's long-term competitiveness. By upskilling and reskilling its workforce, Texas can ensure that more of its residents can meet the rising cost of living while contributing to a resilient and thriving economy.

WHY IT MATTERS

The 2022 CHIPS and Science Act and corporate expansions in sectors like semiconductors and advanced manufacturing are opening up new opportunities; but without proper workforce alignment, Texas risks falling behind.¹⁰ By focusing on upskilling and reskilling, Texas can ensure that its workforce is ready for the jobs of tomorrow.

WHAT'S NEEDED

The Texas Workforce Commission (TWC) and the Governor's Office of Economic Development should:

- Lead a statewide initiative to align workforce training with local industry needs via collaborations among postsecondary institutions, workforce boards, local governments, economic development corporations (EDCs), and employers.
- Expand the Skills Development Fund to provide matching grants for regional workforce initiatives focused on high-demand sectors like AI, health care, computer science, and advanced manufacturing.
- Fully fund the community college funding system established under HB8 in 2023.
- Leverage high schools and community colleges as key partners in workforce training; expand dual-credit and Pathways in Technology Early College High School (P-TECH) programs that provide direct pathways to high-demand, high-paying careers; and invest in new curricula to meet industry needs.
- Launch a Universal Upskilling and Reskilling Account for every Texan so they can access training and certifications throughout their careers. It can be funded through state funds, employer contributions, and public-private partnerships.
- Incentivize local workforce boards to collaborate on broader statewide training needs while ensuring that the programs are scalable and meet demands across every metro.

2. Invest in Digital Skills and Infrastructure to Advance Texas's Innovation Economy.

As the global economy becomes increasingly digital, Texas must prioritize investments in digital infrastructure and skills. This is not just about connectivity. Texas needs both a robust physical digital infrastructure—including universal broadband access—and a skills infrastructure to ensure that every Texan can participate in the digital economy.

WHY IT MATTERS

AI and automation will impact nearly every sector of Texas's economy, from health care to manufacturing to retail. As noted in the [2021 Texas Metropolitan Blueprint](#) and reinforced by feedback from more recent roundtables, digital skills are fundamental for workforce readiness.¹¹ Yet, as a recent report from the National Skills Coalition highlights, nearly one out of three Texas workers lack basic digital skills.¹²

WHAT'S NEEDED

- Continue expanding broadband access in both rural and urban areas, closing the digital divide that disproportionately impacts underserved populations. Expand the Texas Universal Service Fund to accelerate the provision of high-speed internet in every part of the state.
- Create a statewide Digital Skills Initiative led by the TWC in collaboration with high schools, community colleges, local governments, and industry leaders. Public-private partnerships can play a pivotal role in delivering digital training, upskilling and reskilling Texans for high-demand roles in IT, AI, cybersecurity, and data analysis via digital skills boot camps. Local workforce boards can ensure a unified approach to digital skills training across the state.

3. Support Startups and Small Businesses.

Texas is widely recognized for its success in attracting large companies, but the state's 3.1 million small businesses are key drivers of community wealth, accounting for 99.8% of all businesses in the state and employing 44.5% of its workforce.¹³ Texas is also home to thousands of self-employed individuals who operate as unincorporated small businesses.¹⁴ Training programs and information sessions are needed to help them learn managerial skills, expand their networking opportunities, and take better advantage of the tax and legal benefits that come with incorporation.

WHY IT MATTERS

Small businesses create jobs, define the identities of local communities, and provide minorities and underserved communities with opportunities. Scalable startups foster innovation and catalyze next-generation industries across the state. Texas must increase its efforts to support its small businesses, while ensuring that startups in key growth sectors like life sciences, AI, and defense have the necessary pathways to scale.

WHAT'S NEEDED FOR SMALL BUSINESSES

- Grow incentive programs to provide grants and other assistance to small and medium-sized businesses. Economic development corporations (EDCs) can administer them at the local level.
- Leverage procurement opportunities at major anchor institutions, such as universities, health care systems, and state government agencies, to help small and historically underutilized businesses (HUBs) win contracts and build capacity. Expand HUBs programming by offering enhanced mentorship, training, and access to capital.¹⁵
- Provide targeted financial support for businesses in underserved and rural areas by expanding the Texas Product Development and Small Business Incubator Fund.¹⁶
- Strengthen local Small Business Development Centers (SBDCs) with additional funding, focusing on mentorship, technical assistance, and capacity building for minority- and women-owned businesses across Texas.

FOR START UPS

- Develop a Texas Startup Innovation Strategy to foster the commercialization of technologies coming out of universities and research institutions, especially in growth sectors like life sciences, AI, cybersecurity, and defense. Expand university technology transfer programs.

- Invest in public-private partnerships to improve engagements between tech startups and established industries, especially in fields in which Texas is well-positioned to lead.
- Launch a Texas Start-Up Grant Program that provides matching grants for early-stage companies in high-growth sectors.
- Create Regional Innovation Hubs, modeled on successful programs in states like Massachusetts and California, to help startups in advanced sectors like robotics, biotech, and clean energy access incubators, mentorship, and funding.

4. Invest in Accessible and Affordable Quality Child Care.

Access to affordable quality child care is not just a boon for families but also potentially a key driver of Texas's economic growth. With more than half of Texas counties classified as child care deserts, access to child care has become a significant barrier to labor force participation and workforce productivity. Investments in child care address both immediate workforce needs and long-term economic stability.

WHY IT MATTERS

High-quality, accessible child care offers significant returns on investment as it increases labor force participation, reduces workforce shortages, and promotes long-term educational and social benefits for children. Texas's lack of affordable child care costs the state approximately \$11.4 billion annually in foregone economic output.¹⁷ The pandemic exacerbated the crisis, as many child care centers and licensed family homes closed between 2020 and 2023, especially in low-income and underserved communities.¹⁸

WHAT'S NEEDED

- Expand the Child Care and Development Block Grant (CCDBG) to help child care providers increase capacity, especially in underserved urban and rural areas.
- Support home-based and Family, Friend, and Neighbor (FFN) providers by expanding credentialing and training, especially in underserved BIPOC communities.
- Create a state fund for child care workers to access education, training, and certification if they stay in the industry for a specified period, similar to the current State of Texas Physician Education Loan Repayment Program.
- Create the Texas Child Care Expansion Act to offer tax credits to businesses that provide on-site child care or financial assistance for employees' child care costs.

- Create a Child Care Infrastructure Fund to provide grants for municipalities that develop child care centers. State funds can also help local governments build new facilities, retrofit existing ones, and ensure that providers meet quality standards.
- Expand the Texas Rising Star (TRS) Program to offer higher reimbursement rates and streamlined licensing processes. Address compensation and benefits for child care workers to improve retention and quality of care.

5. Leverage International Business and Trade.

Thanks to its strategic location, diverse trade zones, and numerous trade agreements, Texas is well-positioned to be a global leader in international commerce. Building on cross-border trade with Mexico will drive economic growth across the state, create new business opportunities, and attract foreign direct investment. This strategy is not only about the Texas-Mexico border; leveraging trade agreements, free trade zones, and partnerships with other nations will help make Texas a top destination for global business.

WHY IT MATTERS

International trade contributes significantly to Texas's economy. Texas is the top exporting state in the United States, with goods valued at over \$375 billion in 2023, accounting for nearly 20% of total U.S. exports.¹⁹ The Houston and Dallas-Fort Worth metros are among the largest export hubs in the nation, supporting sectors such as technology, energy, aerospace, and chemicals.²⁰ Expanding international trade and foreign direct investment creates high-wage jobs, enhances Texas's industrial base, and provides new markets for Texas-based businesses. Strengthening its global connections will help Texas attract more international businesses and bolster its economic resilience.

WHAT'S NEEDED

- Advance the Texas Department of Transportation's recommendations from its Border Trade Master Plan, focusing on enhancing key transportation routes, highways, and multi-modal freight corridors.²¹ Prioritizing these projects will reduce congestion, clearing critical supply chain bottlenecks.
- Strengthen Texas's network of Free Trade Zones and simplify regulatory processes and customs procedures to attract global companies looking to establish manufacturing, assembly, and distribution centers.²²

- Increase outreach efforts, such as trade missions and partnership programs with key global markets in Asia, Europe, and Latin America, to build direct connections between Texas businesses and international markets.
- Invest in new technologies like AI-driven logistics, blockchain for secure transactions, and smart transportation systems to streamline customs and logistics operations across Texas's trade hubs.
- Explore cross-border initiatives in renewable energy and grid modernization with Mexico, taking advantage of Texas's leadership in energy to meet future energy demands sustainably.

6. Strengthen Texas's Anchor Institutions.

Texas is a global hub for high-tech sectors like life sciences, semiconductors, cybersecurity, and clean energy. Thanks to the strength of the state's many research universities, community colleges, and medical centers—its “eds and meds” institutions—Texas has the intellectual resources it needs to lead innovation and attract top-tier talent. Community colleges can also serve as economic engines, equipping underserved communities with the skills they need to access stable, well-paying jobs.

WHY IT MATTERS

While the real estate projects and local hiring initiatives that anchor institutions typically undertake are important, they can do much more to stimulate local economies through their purchasing power, research capabilities, procurement practices, and the creation of innovative businesses. Community colleges can play a vital role in developing local workforces.

Rice University's Ion District, the Dell Medical Center in Austin, the University of Houston's Hewlett-Packard Enterprise Data Science Institute, Dallas's Pegasus Park biotech and social innovation hub, and UT El Paso are centers of job creation and business growth. The Texas A&M and University of Houston systems are driving economic expansion across the state. Inclusivity is crucial. As Texas moves forward, these anchors and others must ensure that local businesses and workers benefit from their efforts.

WHAT'S NEEDED

- Broaden the role of anchor institutions from traditional community development to a more holistic focus on economic development. This will require them to leverage their resources to support local industries, foster small business growth, and encourage entrepreneurship.

- Increase support for university technology transfer and encourage universities to invest in place-based economic initiatives like innovation districts.
- Anchors should use their purchasing power to boost local economies, support minority-owned businesses, and create more equitable job growth.

Strengthen partnerships between high schools, community colleges, and universities via joint programs, certifications, and workforce training initiatives to create seamless pathways to good-paying jobs in growth sectors.

- Expand support for regional anchor institutions like UT Rio Grande Valley, UT El Paso, and Texas A&M University-Corpus Christi to drive economic development in the regions that need it most.

HOUSING AND LAND USE

Texas's growing housing shortage is undermining its cost-of-living advantage.²³ Home prices and rents—which had long been far below average levels for metropolitan America and were modestly more affordable than average as recently as 2010—have more than doubled in Texas metros since 2010, while nominal incomes have risen only about 45%, according to data in a forthcoming George W. Bush Institute-SMU report.²⁴ Housing unaffordability hits low- to moderate-income families especially hard, reducing their economic mobility and well-being by weakening their abilities to save, invest, further their education, create opportunities for their children, and accumulate wealth via home equity. It exacerbates the homelessness crisis in Texas cities and reduces opportunity by preventing many Texans from living within a reasonable distance from thriving job centers.

A main reason for the affordability crisis is the failure to build enough homes at all price points to keep up with the surging demand, especially in very fast-growing large metros like Austin and Dallas-Fort Worth. This is the result of policies, mostly at the local level, that make it more difficult than it should be to build housing. Additionally, the state and its leading metros have under-developed ecosystems of public, private, and nonprofit organizations focused on preserving, rehabbing, and building income-restricted housing.

According to a 2024 Hobby School of Public Affairs survey, 90% of Texans consider housing affordability a significant problem.²⁵ Fifty-six percent say housing costs are imposing financial strains on their families, with 38% citing “major” strains.²⁶ Among sub-populations, 52% of renters, 47% of Black Texans, and 46% of Hispanic Texans say housing costs have imposed major financial strains on their families.²⁷

1. Promote Development of Market-Rate Housing.
2. Promote Smart Expansion of Growing Metropolitan Areas.
3. Reform Texas's Qualified Allocation Plan to Make Better Use of the Federal Low-Income Housing Tax Credit and the Public Facility Corporation.
4. Develop Strategies to Make Rental Housing More Affordable for Very Low-income Families.
5. Expand Workforce Development and Capacity-Building Programs for Developers.
6. Support Homeownership.
7. Build on Recent Progress in Reducing Homelessness.

1. Promote Development of Market-Rate Housing.

Although Texas’s localities tend to be more pro-growth than those in other states, there is substantial scope to accelerate housing production.²⁸ Texas’s cities, suburbs, towns, and counties must ease the regulatory barriers that stand in the way of housing production. While publicly funded housing units help some segments of the population, they can only fill a part of the state’s housing supply gap. Localities can take a powerful step by allowing and promoting faster growth in their stock of market-rate housing—homes that can be built without government support—as the private market is a powerful mechanism to deliver homes at the scale Texas needs. Growth in market-rate housing is a fundamental driver of affordability, since it allows expanding the supply of housing units to lower-income families. However, subsidies and financial incentives are still necessary to protect families living in gentrifying neighborhoods from becoming housing constrained. Cities should focus on preserving their existing affordable housing, using local incentives and smart regulations to encourage contributions from developers, investors, and nonprofits. Texas should modernize its existing subsidy programs, initiate new funding streams, and support local policies that help the state’s most vulnerable families.

Though some jurisdictions are excessively deferential to local interests that oppose new housing, we believe state policymakers should generally take a light-touch approach. Rather than exercising preemption powers, the state should allow localities to experiment with solutions adapted to the tremendous variety of housing-market conditions across the state.

WHY IT MATTERS

Cities with pro-growth housing policies experience far more growth in their housing stock than more restrictive cities. Since 2010, metros in the top decile for housing growth have built more than six times as many new homes per capita as metros in the bottom decile.²⁹ If a city’s housing stock grows 10% more than average, its home prices will be about 10% lower than they would be otherwise, according to numerous studies.³⁰

WHAT’S NEEDED

- Streamline permitting processes to make them transparent, predictable, and fast. Expand the range of housing projects that developers are permitted to build by right. Allow firms to apply for and become “trusted developers” that are automatically approved for specified types of development, provided plans comply with law. State policymakers should create a system to license private-sector third-party firms to review permit applications.

- Reduce minimum lot sizes. Texas cities should follow Houston’s lead, which permitted developers to build detached houses and townhomes on lots as small as 1,400 square feet in centrally located neighborhoods in 1998, then expanded the policy throughout the city in 2013. (City blocks have the right to opt out by majority vote, but only 16% of eligible blocks had done so by 2023.)³¹ Consequently, Houston has added approximately 30,000 to 40,000 more housing units than could have been built under its old rules on previously raw land or in rezoned areas. Austin passed a minimum lot size reform like Houston’s in 2024.³²
- Allow residential development in all commercially zoned areas as of right, as Florida and Montana have done statewide over the last two years.
- Allow apartments, townhomes, 2-4 plexes, and tiny homes in substantial portions of every city. Multifamily development has expanded the overall housing supply in Sun Belt cities in recent years, rather than crowding out single-family home development.³³ Austin recently implemented land development code changes to allow duplexes on lots that currently only allow single family homes.
- Reducing the number of required parking spots for apartment buildings could lower development costs by \$30,000 per unit. Austin recently eliminated mandatory parking requirements.³⁴ Innovative technologies like modular and 3D-printed homes should be allowed everywhere, provided they meet baseline standards.

2. Promote Smart Expansion of Growing Metropolitan Areas.

Localities on the outer edges of expanding metro areas can promote smart, sustainable growth by allowing for a wide range of industries and housing types, ensuring that growth won’t increase commuting times or give rise to infrastructure that future tax revenues cannot support.

WHY IT MATTERS

Texas metros will need to add a net 4.5 to 5.5 million housing units by 2050—a 40% to 50% expansion of their housing stock—to keep up with projected population growth.³⁵ Most net additions to housing stock will be in what are now exurbs or undeveloped areas, even if Texas cities add substantial housing in currently built-up areas. This can be done sustainably if densities are at the medium levels found in Fort Worth, Frisco, and McKinney. Smart growth means allowing employers to grow their footprints in population centers, so as not to recreate California-style commuting patterns.

WHAT'S NEEDED

- Allow developers to build a substantial share of new housing on relatively small lots and permit multifamily and townhome development in significant parts of every expanding locality. State policymakers should tie transportation funding to regional smart expansion plans to ensure the build-out of growing metros meets the state's housing needs.
- Plan for and promote the growth of job centers, health care facilities, college and university campuses, walkable commercial areas, and high-quality greenspace in every expanding locality.

3. Reform Texas's Qualified Allocation Plan to Make Better Use of the Federal Low-Income Housing Tax Credit and the Public Facility Corporation.

The state's Qualified Allocation Plan (QAP), which lays out a point system for awarding valuable 9% Low-Income Housing Tax Credits, needlessly restricts development in several ways.³⁶ State policymakers should reform the state's implementation of the federal Low-Income Housing Tax Credit (LIHTC) and the state's Public Facility Corporation (PFC) programs to stretch available dollars for home building, make LIHTC participation more attractive to developers, and better target the most vulnerable families in Texas cities.

WHY IT MATTERS

First, QAP rules incentivize developers to build far from existing properties. While this reflects sound goals (the creation of mixed-income neighborhoods and the de-concentration of poverty), it is so restrictive in practice that development is essentially impossible across many of Texas's metropolitan areas. Second, time-of-completion restrictions are too short, making it excessively difficult for developers to combine LIHTC credits with other funding sources. Third, the QAP over-incentivizes new development at the expense of projects to preserve and rehab older apartment properties and make them affordable to lower-income families. This means the program serves far fewer families than it could, since new development requires much larger subsidies than preservation. Fourth, the QAP incentivizes developers to build developments consisting entirely of low-income housing, undermining the goal of mixed-income neighborhoods. An additional challenge is that the 30-year affordability guarantees for apartments developed in the LIHTC program's early years will expire over the next several years, making many existing units unaffordable.

WHAT'S NEEDED

- Incorporate greater flexibility on location and time of completion into the state's QAP point system for LIHTC development.
- Shift the point systems in future QAPs to incentivize preservation and rehab of older units and the development of mixed-income developments.
- Create a mechanism to incent or buy out landlords of LIHTC properties with expiring affordability guarantees so their affordability provisions can be extended for at least another decade. Maintain the QAP's current 45-year affordability term for new developments, rather than reducing it to the federal minimum of 30 years, as lawmakers proposed to do in the last legislative session.
- Redesign the Section 303.042(f) tax break for developers that turns over land to public facility corporations to target the program toward low-income families. The program has cost the state \$150,000 per unit in foregone tax revenues, while producing apartments that are primarily occupied by middle-income families.³⁷

4. Develop Strategies to Make Rental Housing More Affordable for Very Low-Income Families.

Texas metropolitan areas do not have enough affordable rental housing for families with less than half their area's median income. State policymakers as well as localities should develop new strategies to build, preserve, and rehab rental properties and make some (though not necessarily all) units available at rents that families with income below 50% of median income levels can afford. Local governments should also strengthen low-income renters' legal protections against predatory landlords, which tend to be weaker in Texas than in most other states.

WHY IT MATTERS

While a valuable source of affordable housing, the LIHTC program has several shortcomings: Program rules and bureaucratic complexity make it at least 20% more expensive to build LIHTC units than comparable market-rate units; LIHTC credits do not work financially when land prices are too high; the program does not create enough small structures in infill locations; and LIHTC deals usually do not help the poorest residents, since the rents they can afford are so low.

WHAT'S NEEDED

- Loosen onerous state inspection requirements that discourage landlords from accepting Section 8 housing choice vouchers and allow localities to regulate or ban source-of-income discrimination.
- Strengthen renters' protections against evictions without due process, while taking care not to overreach and discourage developers from building new rental properties.
- Give localities more flexibility to develop new housing-focused revenue streams; tailor state programs to local needs; structure tax increment financing zones and other incentives; design community benefit agreements; and protect low-income renters.
- Provide renters with straightforward information on flood risk and where they can go for help.
- Develop financial literacy training programs to promote wealth accumulation through saving for households who cannot afford to buy a home.

5. Expand Workforce Development and Capacity-Building Programs for Developers.

Texas cities not only need more growth-friendly policies and funding streams but also more skilled workers in the construction trades and more small developers who specialize in the kinds of moderate-sized infill development projects that large firms do not generally pursue.

WHY IT MATTERS

Like all states, Texas has a growing shortage of skilled construction trades workers, a shortage that is likely to worsen as older tradespeople retire. While large developers struggle to find skilled tradespeople, there is a paucity of small developers as well as funding institutions that specialize in much-needed urban infill construction and renovation.

WHAT'S NEEDED

- Expand workforce development pathways focused on the building trades, including apprenticeships and on-the-job training. Create new pathways for workers to earn relevant credentials like Home Builders' Institute certifications.
- Expand programs to train and support smaller for-profit and nonprofit infill developers and increase public support for nonprofit organizations like community development financial institutions.

6. Support Homeownership.

Texas metros should aim to reverse the decline in homeownership rates that has occurred since 2008.³⁸ While welcoming dynamic changes in neighborhoods in its growing cities, Texas should also support efforts to help lower-income families remain in place.

WHY IT MATTERS

Homeownership rates in most Texas cities are significantly lower than they were before the 2008 financial crisis, particularly among low- to moderate-income families, Black and Hispanic families, and young Texans.³⁹ Homeownership supports opportunity and economic mobility by providing a hedge against rising home prices, increasing savings rates, and giving families a key mechanism for accumulating and transmitting intergenerational wealth. While inadequate construction is largely to blame, specific measures to support stable homeownership can also help.

WHAT'S NEEDED

- State lawmakers should grant local authorities the flexibility they need to design tax abatement programs that support neighborhood stability in the face of rising property values. Tax abatement and exemption rules should be standardized so localities and appraisal districts do not have to constantly renegotiate them.
- Support landlords willing to offer rent-to-own opportunities to tenants.
- Work with financial institutions to expand the use of shared equity mortgages with the aim of lowering barriers to first-time homeownership among low- to moderate-income households.
- Support the development of novel structures to support wealth accumulation, such as community land trusts (CLTs). State policymakers should ensure consistent tax-exemption regulations to promote the growth of CLTs.

7. Build on Recent Progress in Reducing Homelessness.

Texas's homelessness rate has fallen 47% since 2008, when it reached its highest level in this century, and is now less than half the overall U.S. level (which has fallen just 10%), thanks to a variety of successful local experiments involving both permanent supportive housing and mental health and addiction treatment.⁴⁰ Texas cities should build on the substantial progress they have made, and state policymakers should grant them as much flexibility as they need to design and implement solutions that are adapted to local conditions.

WHY IT MATTERS

Texas still has approximately 27,000 unhoused people, primarily in its cities and metro areas, according to the federal Department of Housing and Urban Development's 2023 [Point-In-Time count](#).⁴¹ Rising home prices and growing addiction problems will likely cause that number to rise unless local homelessness services agencies and nonprofits redouble their efforts.

WHAT'S NEEDED

- State and local policymakers should adequately fund permanent supportive housing and treatment initiatives and loosen assistance qualifications.
- Local governments need more flexibility so they can innovate and scale the solutions that are best suited to local conditions.

INFRASTRUCTURE: WATER, ENERGY, TRANSPORTATION, AND THE ENVIRONMENT

Texas is home to some of the fastest-growing cities in the nation. In 2023, the Lone Star State topped the charts for urban growth. This creates a set of challenges and opportunities similar to those faced by other fast-growing states like Utah, Florida, Tennessee, and North and South Carolina, particularly in the areas of water, energy, and transportation. The infrastructure of Texas's major metropolitan areas is also highly vulnerable to extreme weather events, including hurricanes, droughts, floods, heat waves, and winter storms. More climate resilience is needed.

1. Connect Water Conservation and Infrastructure to Economic Development and Community Needs.
2. Encourage Texas's Energy Transition.
3. Enhance the Reliability of the Electric Grid.
4. Leverage Existing Infrastructure for Hydrogen Utilization.
5. Address Challenges and Key Barriers to Widespread EV Adoption.
6. Incentivize Clean Technologies for Transit Development.
7. Diversify Funding Opportunities for Transportation Infrastructure While Linking It to Economic Development.
8. Connect Environmental Needs to Economic and Workforce Development.
9. Develop Better Resilience Planning and Metrics.

Water

Water is a foundational resource that impacts every aspect of Texas’s economy, from energy and agriculture to workforce development and community well-being. Demand is increasing alongside Texas’s booming urban growth, putting stress on existing resources and infrastructure. Cities across the state are investing in water conservation efforts and exploring innovative solutions like desalination, water recycling, and stormwater capture. But with aging infrastructure and the prolonged droughts due to climate change, water scarcity poses a growing risk that requires urgent, collaborative action.

State and local policymakers and stakeholders must adopt a comprehensive approach. By addressing water as an integral component of its growth strategy, Texas can ensure a more resilient and sustainable future that supports its growing population, industrial expansion, and environmental responsibilities.

1. Connect Water Conservation and Infrastructure to Economic Development and Community Needs.

Texas faces significant challenges with water scarcity due to its growing population, industrial demands, and persistent droughts. While recent investments like 2023’s \$1 billion Texas Water Fund mark progress, the state still faces an annual 6.9 million-acre-foot water deficit.⁴² Unless it expands and improves its water infrastructure, Texas could lose as much as \$153 billion in annual GDP and 1.4 million jobs by 2070.⁴³ Meeting these challenges requires a comprehensive approach that connects water conservation and infrastructure with economic development. Initiatives like Austin’s 100-year integrated water plan and San Antonio’s collaborative water management efforts are good starts, but they highlight the need for long-term, sustainable water strategies across the state.⁴⁴

WHY IT MATTERS

Water conservation and infrastructure investments must be holistic, addressing economic growth, population demands, industrial development, extreme weather events, and environmental protection.

WHAT’S NEEDED

- Develop a comprehensive, long-term plan that connects water security to economic development.
- Establish dedicated funding for water conservation and infrastructure improvements.
- The state’s water infrastructure will require an estimated \$150 billion in investments by 2070.⁴⁵

- Build a qualified water workforce through targeted training programs.
- Prioritize water conservation to ensure sustainable water use.
- Mitigate the negative externalities created by the increasing demands of nonessential yet water-intensive sectors (e.g., AI, energy, cryptocurrency) by establishing tiered pricing or water trading systems to incentivize conservation.

Energy

From wind farms in West Texas to solar projects in Austin and battery storage systems along the Gulf Coast, Texas can create thousands of jobs, attract new industries, and reduce its own—and the world’s—dependence on volatile fossil fuel markets. Texas produces 13% more electricity than any other state, from traditional sources like oil and natural gas and increasingly from renewables like wind and solar power.⁴⁶ Texas ranks first among U.S. states for both wind and solar generation capacity. But extreme weather events have called the reliability of its grid into question.⁴⁷

1. Encourage Texas’s Energy Transition.

Texas leads the nation in traditional energy production. In 2022, it supplied 27% of the U.S.’s natural gas and operated 32 oil refineries, more than any other state.⁴⁸ Texas also generates 26% of the nation’s wind-powered electricity and ranks first for projected growth in solar energy production.⁴⁹ Its natural resources, existing energy infrastructure, and unparalleled knowledge base position it to lead the global transition to other sources of renewable energy as well.⁵⁰

WHY IT MATTERS

The federal Inflation Reduction Act allocated more than \$8 billion to clean energy projects in Texas, creating new opportunities in sectors like hydrogen, carbon capture, and battery storage.⁵¹ These investments have created more than 9,300 jobs already, and the state’s clean energy share is expected to more than double by 2050.⁵² Houston, often referred to as the “Energy Capital of the World,” can evolve from a fossil fuel hub into a global center for renewable energy and decarbonization technologies. But if Texas does not act swiftly to consolidate its leadership in alternative energy it could fall behind, losing many if not most of the 650,000 jobs that are currently tied to its fossil fuel industries.⁵³ Embracing clean energy is not only essential for Texas’s economy but for its long-term environmental and social stability.

WHAT'S NEEDED

- Establish a Clean Energy Transition Task Force, led by the Texas Commission on Environmental Quality (TCEQ) and the Public Utility Commission of Texas (PUC), to coordinate workforce training and new investments in emerging technologies.
- Pass the Texas Clean Energy Transition Act to incentivize investments in a broad range of energy sectors, including wind, solar, hydrogen, and energy storage.
- Create a Texas Clean Energy Workforce Fund to provide targeted training for workers transitioning from fossil fuel industries to renewable energy jobs.
- Expand public-private partnerships to develop large-scale solar, wind, and battery storage projects, especially in West Texas, while ensuring grid reliability by incorporating advanced energy storage solutions, such as gas-fired backup facilities.
- Use Green Bonds and other financing tools to fund renewable energy infrastructure in metropolitan areas.

2. Enhance the Reliability of the Electric Grid.

Texas's electric grid has repeatedly shown its vulnerability to the growing pressures of extreme weather events, such as Winter Storm Uri in 2021 and Hurricane Beryl in July 2024, which caused an estimated \$4.6 billion in damage.^{54, 55} The strain on aging infrastructure, combined with increasing energy demands, underscores the urgent need for a more resilient grid.

WHY IT MATTERS

From keeping home appliances running to powering essential facilities like hospitals, grid reliability is vital. Stability is essential for attracting and retaining corporations, maintaining essential services, and ensuring residents' well-being.

WHAT'S NEEDED

- Allow surcharges on electric bills to finance infrastructure improvements and increase grid capacity.
- Establish a "Texas Energy Fund" to support upgrades to critical infrastructure, such as poles, lines, and natural gas facilities that play a key role in energy production.
- Ensure that backup generating capacity can support reliability during periods of wind and solar latency and that there is a sufficient supply of natural gas to power plants during peak demand, as natural gas remains a vital energy source.
- Integrate microgrids to alleviate demand on the central grid, enhance resilience, and provide local power during crises.

3. Leverage Existing Infrastructure for Hydrogen Utilization.

Texas has already embarked on the path toward hydrogen development, and it can leverage its existing energy infrastructure to take a leading role. Green Hydrogen International has announced plans to build Hydrogen City, the world's largest green hydrogen production and storage hub, in South Texas.⁵⁶ While the development of hydrogen infrastructure in metropolitan areas is challenging because of quality of life and safety concerns, it can also have numerous benefits, such as sustainable urban growth, economic development, job creation, innovation, and resiliency.

WHY IT MATTERS

Texas's abundant natural gas resources and extensive pipeline network provide a strong foundation for "blue" hydrogen development—low-carbon extraction of hydrogen from natural gas—which can fuel economic growth, foster innovation, create jobs, and enhance Texas's overall energy resilience. The state's investments in carbon capture and storage (CCS) activities can offset emissions from hydrogen production, positioning Texas as a leader in low-carbon energy solutions.

WHAT'S NEEDED

- Develop regulatory clarity focused on health, safety, and environmental standards to facilitate safe hydrogen production, transportation, and storage.
- Support carbon capture, storage, and utilization technologies to ensure hydrogen production aligns with emissions reduction goals.
- Invest in dedicated hydrogen infrastructure such as pipelines, storage facilities, and transportation solutions to support large-scale hydrogen distribution across the state. Provide financial incentives for companies investing in hydrogen production and infrastructure. Encourage public-private partnerships to drive innovation, scale-up hydrogen technologies, and establish Texas as a national leader in hydrogen solutions.
- Implement workforce training programs to build a skilled labor force capable of supporting the hydrogen industry's growth, ensuring that Texas residents benefit from the sector.

4. Address Challenges and Key Barriers to Widespread EV Adoption.

With 129,000 registered battery electric vehicles, Texas ranks third among U.S. states in EV ownership.⁵⁷ But recent data shows a decline in EV adoption: EVs dropped from 8% of new car purchases in 2021 to 5.1% in 2023.⁵⁸ One of the primary concerns for Texans considering EVs is access to charging infrastructure.⁵⁹ Although Texas has nearly 3,200 public EV charging locations—fourth in the nation—significant gaps remain.⁶⁰ TxDOT’s plan to install electric charging stations every 50 to 70 miles along major highways is a promising step toward improved accessibility, but more comprehensive solutions are needed to meet future demand.⁶¹

WHY IT MATTERS

Robust EV infrastructure is crucial if electric vehicles are to become a viable and attractive option for Texans across urban and rural areas. Widespread EV adoption offers multiple benefits, including lower fuel costs, reduced emissions, and decreased reliance on fossil fuels. Supporting EV adoption would also position Texas as a leader in clean energy transportation, which aligns with its broader environmental and economic goals.

WHAT’S NEEDED

- Expand the rollout of EV charging stations, focusing on urban and rural areas alike to ensure equitable access across the state. Allocate EV registration fees toward the expansion of the EV charging network and improvements of related infrastructure rather than diverting them to unrelated projects like road construction.
- Strengthen grid capacity to handle increased demand from EV charging, especially during peak hours, ensuring reliability and reducing the risk of outages.
- Provide state-level incentives, such as rebates and tax credits, to lower the upfront costs of EVs for consumers, especially for low- and middle-income Texans.
- Encourage collaboration among government agencies, utility companies, and private sector players to fund and implement EV infrastructure projects efficiently.
- Develop training initiatives to build a skilled workforce that can support the installation, maintenance, and operation of EV infrastructure.

Transportation

In 2024, Governor Abbott announced a record-breaking \$148 billion investment in Texas’s transportation infrastructure.⁶² But even this level of investment is inadequate to address the challenges posed by rapid growth and extreme weather events. Priorities include an expansion of public transportation options, the development of high-speed rail, a move to high-tech freight, and the development of multimodal transportation networks to reduce traffic, improve efficiency, and reduce emissions.⁶³ Although some of these long-term goals are targeted in the updated Connecting Texas 2050 strategic plan adopted by the Texas Transportation Commission in July 2024, Texas must explore alternative funding strategies so it can do more.⁶⁴ According to the Texas Department of Transportation, a total of \$188 billion is needed and only \$102 billion has been allocated.⁶⁵

1. Incentivize Clean Technologies for Transit Development.

Texas’s large metropolitan areas are already exploring sustainable transportation options, but more support is needed before the impacts can be felt statewide. Austin received a \$48 million Climate Pollution Reduction Grant from the EPA to improve air quality in Central Texas, and Houston’s METRO aims to transition to a zero-emissions bus fleet by 2030.^{66,67} Transitioning to clean technologies in public transit not only benefits the environment, but it also enhances the quality and operational efficiency of transit systems, making them a more attractive option for residents. State-funded incentives could accelerate the transition, helping cities reduce emissions and manage congestion.

WHY IT MATTERS

Approximately 24% of Texas’s greenhouse gas emissions come from the transportation sector.⁶⁸ Shifting to clean transit technologies can significantly reduce them while promoting sustainable growth. Encouraging public transit use also alleviates congestion, improves air quality, and enhances urban livability, supporting Texas’s long-term economic and environmental goals.

WHAT’S NEEDED

- Provide state-funded incentives to help cities upgrade to electric or hydrogen-powered transit options, with grants or tax incentives for adopting zero-emission goals.
- Expand infrastructure for non-motorized transportation such as bike lanes, pedestrian paths, and e-scooter options.

- Promote smart technology integration in transit systems by investing in real-time tracking, predictive scheduling, and transit planning apps to enhance user experience and operational efficiency.
- Support autonomous transit projects for high-density areas and business districts.

2. Diversify Funding Opportunities for Transportation Infrastructure While Linking It to Economic Development.

Transportation infrastructure is a cornerstone of economic development, bolstering efficiency, job creation and the attraction of private investment. Currently, Texas relies heavily on federal and state funding, which often comes with strict regulations and limited flexibility. Expanding funding sources to include private partnerships, innovative financing mechanisms, and targeted grants will enable metros to make more robust investments in transportation infrastructure. A diversified approach to funding also reduces dependency on a single source, increasing resilience and adaptability.

WHY IT MATTERS

Linking transportation to economic development is vital for workforce development, job creation, and industrial growth. Nearly one in every four jobs in Texas is tied to logistics, a sector that generates nearly 28% of the state's gross product.⁶⁹

WHAT'S NEEDED

- Identify and secure diverse funding streams, including federal grants targeting infrastructure, public transportation, and public services, as well as private investment opportunities and public-private partnerships.
- Expand flexibility in the use of funding currently available to local governments, allowing them to allocate resources based on local needs rather than federal or state constraints.
- Develop transportation-specific bonds and tax increment financing districts to fund infrastructure improvements and avoid over-reliance on federal funding.
- Coordinate transportation funding with land use policies to promote smart, medium-density growth that supports long-term resilience and reduces urban sprawl.
- Leverage emerging funding sources like carbon credits and green bonds for projects that enhance sustainable and low-emission transportation.

Environment

Texas is experiencing more frequent and intense natural disasters—including hurricanes, droughts, heat waves, tornadoes, and winter storms—that burden infrastructure systems throughout the state.⁷⁰ Policy interventions are needed to reallocate scarce resources to the most vulnerable places.

1. Connect Environmental Needs to Economic and Workforce Development.

Texas faces a growing demand for innovations in renewable energy, sustainable agriculture, and eco-friendly technologies. These developments not only address pressing environmental challenges but also present significant economic opportunities. By aligning its environmental needs with its economic and workforce goals, Texas can drive job creation, foster skill development, and establish itself as a leader in emerging green sectors.

WHY IT MATTERS

As Texas transitions to green infrastructure and sustainable practices, it needs to ensure that economic development, environmental sustainability, and workforce readiness are closely aligned. Anticipating the impacts of this transition on the workforce will enable Texas to stay competitive, resilient, and prepared for the demands of a changing economy.

WHAT'S NEEDED

- Invest in green workforce development programs to train workers in fields like renewable energy, sustainable agriculture, and eco-friendly technology manufacturing.
- Expand public-private partnerships to foster innovation in sustainability, green infrastructure, energy efficiency, and clean technology, drawing on Texas's robust energy and technology sectors.
- Implement incentives for the adoption of green practices, such as tax breaks or grants to companies that build sustainable facilities, reduce emissions, or use renewable resources.
- Support research and innovation in sustainable technologies by funding Texas universities and other research institutions' efforts to develop solutions that address local environmental challenges, such as water scarcity and renewable energy storage.
- Support adaptation and resilience by avoiding subsidies for properties in recognized flood plains and helping low- to moderate-income households in such locations to relocate.

2. Develop Better Resilience Planning and Metrics.

To support Texas's most vulnerable populations, metrics that allow lawmakers and decision-makers to identify specific risks are urgently needed. Targeted metrics enable resources to be distributed efficiently and equitably. By building that requirement into a statewide resiliency plan, Texas can improve its responses to natural disasters and long-term environmental challenges.

WHY IT MATTERS

Accurate metrics, including equity-focused indicators, are critical for developing effective policies and solutions that protect all communities. By prioritizing the needs of vulnerable populations, Texas can build trust, ensure the efficient distribution of resources, and promote community well-being across the state.

WHAT'S NEEDED

- Establish a statewide resiliency plan that includes equity and localized risk assessments.
- Ensure equitable access to essential services in disaster planning.
- Use existing data on socioeconomic, environmental, and health risks to create a Vulnerable Populations Index to guide policy and ensure that funding is allocated to the communities that need it the most.

ARTIFICIAL INTELLIGENCE

Texas cities and metropolitan areas are already using AI in many domains, including education, energy, health care, transportation, and work. Texas can be a national leader in AI's development, just as it has been with prior emerging technologies like semiconductors, cancer research, renewable energy, and cybersecurity. Texas and its metropolitan areas should aim to be leaders in responsible AI. The state urgently needs to address AI's ethical, legal, policy, and societal implications.

1. Implement AI Governance Policies and Regulations.
2. Provide Cities with Investments for Responsible AI Development and Deployment
3. Consider How Texas Cities Can Effectively Use AI.
4. Focus on AI Training and Education for Quality of Life and the Economy.
5. Prepare for AI's Massive Demands on Energy Use.

1. Implement AI Governance Policies and Regulations.

AI has already been a major issue in employers' negotiations with unions representing screenwriters, auto workers, and longshoremen. While balancing innovation and regulation is challenging, Texas needs to develop a comprehensive scheme that is predictable and innovation friendly but also addresses legitimate concerns about privacy, transparency, accountability, intellectual property, bias, security, and automation.

While Congress has not yet enacted legislation to regulate AI, many states and cities are instituting AI regulations, frameworks, guardrails, and processes to ensure the technology develops in responsible and ethical ways. In November 2023, the City of San Jose, California, established the [Government AI Coalition](#) to encourage collaborations and ensure that AI is used for the benefit of society.⁷¹ The Government AI Coalition now has more than 1,000 members, including more than 350 local, state, and federal agencies, as well as the Texas cities of Austin, Houston, and San Antonio.⁷² The Coalition provides policy templates, performance measures, purchasing guidelines, and other resources. The National League of Cities recently published the AI in Cities Report and Toolkit, and the National Association of Counties recently published AI County Compass: A Comprehensive Toolkit for Local Governance and Implementation of Artificial Intelligence.^{73, 74}

WHY IT MATTERS

Effective AI governance is essential to build systems that are accountable, resilient, and secure. Addressing risks like privacy and bias concerns is crucial to maintaining public trust. Collaborative design, explainability, and freedom from undue influence also support a framework in which AI enhances social goods.

WHAT'S NEEDED

- Texas cities should start by implementing AI in low-risk areas, such as administrative functions and emergency services, to gain experience and minimize potential impacts.
- Texas cities should develop AI policies and use guidelines appropriate for their individual capabilities.
- Establish inter-city collaborations to share insights, learn from successes and challenges, and establish best practices for responsible AI.
- Form partnerships with industries and academia to incorporate diverse perspectives and foster innovation aligned with ethical standards.

- Adapt frameworks like the National Institute of Standards and Technology (NIST). AI Risk Management Framework Core to ensure AI systems are trustworthy and aligned with core principles.⁷⁵
- Provide AI procurement guidelines for Texas cities like those of the AI Government Coalition and the National League of Cities.
- Seek input from residents regarding responsible AI to improve city services with community engagement including surveys and focus groups

2. Provide Cities with Investments for Responsible AI Development and Deployment.

As the potential of AI continues to grow, it is crucial that cities develop responsible AI policies and practices to improve its efficiency while safeguarding against bias, invasions of privacy, and unintended consequences. Ensuring that cities have the investment dollars that they need will better enable them to manage this transformative technology.

WHY IT MATTERS

The stakes are high: While AI offers significant benefits, it also brings risks that cities must be prepared to manage responsibly. Smaller cities, in particular, need substantial support to implement AI systems in a way that enhances public trust and safeguards residents' rights. By investing in responsible AI development and deployment, Texas can help cities unlock the advantages of AI while mitigating its potential harms.

WHAT'S NEEDED

- Establish a state-funded AI research initiative in collaboration with Texas universities to advance responsible AI development, governance, and deployment practices. It could be modeled after the Cancer Research and Prevention Institute of Texas (CPRIT), which has driven impactful research through targeted state investment.
- Create a statewide AI investment pool modeled after TexPool to support smaller cities' development of responsible AI infrastructure and training.
- Provide grants for metros to develop responsible AI guidelines, policies, and training.

3. Consider How Texas Cities Can Effectively Use AI.

AI technology holds immense potential to enhance the effectiveness and efficiency of municipal services across Texas, including firefighting, transportation, and customer service. North Texas cities such as Arlington, Dallas, Fort Worth, Garland, and McKinney have already implemented AI to adjust traffic signals dynamically, lengthening yellow lights for fast-approaching vehicles and providing green lights for emergency responders like police, ambulances, and fire vehicles.⁷⁶ Austin has leveraged AI for wild-fire detection, among other uses.⁷⁷ Galveston uses AI to optimize sewer maintenance.⁷⁸ All these existing applications barely scratch the surface of what AI can provide for city operations.

WHY IT MATTERS

Efficient and effective AI implementation would allow Texas cities to maximize the impact of their tax dollars while prioritizing residents' quality of life. By enhancing public services and infrastructure, AI helps cities respond proactively to challenges and provide more reliable and timely services.

WHAT'S NEEDED

- Develop a shared database of AI use cases in Texas and beyond. This resource would allow cities to learn from each other's experiences and make better decisions about potential AI projects.
- Implement policies to promote responsible and effective AI use across municipal functions, focusing on transparency, data privacy, and bias mitigation, ensuring that AI is applied ethically and consistently to benefit all residents.
- Provide grants to pilot successful, responsible AI applications and projects in Texas cities.
- Fast-track permitting and procurement where possible.
- Use AI to identify and address service gaps, enhancing public engagement.

4. Focus on AI Training and Education for Quality of Life and the Economy.

Texas's metros must proactively adapt to the transformations AI will bring to sectors like health care, energy, education, manufacturing, and services. According to the World Economic Forum (WEF), nearly 75% of surveyed companies plan to adopt AI, with 50% anticipating job growth and 25% expecting job losses.⁷⁹ McKinsey projects that generative AI could contribute between \$2.6 trillion and \$4.4 trillion to the global economy annually, while J.P. Morgan predicts that AI-driven productivity gains will likely surpass those of the Internet Era.⁸⁰ Such developments underscore the importance of equipping the Texas workforce with the skills they will need for an AI-augmented economy.

WHY IT MATTERS

As an article in the Harvard Business Review states, "AI Won't Replace Humans—But Humans with AI Will Replace Humans Without AI."⁸¹ This underlines the competitive advantages gained by workers who can effectively leverage AI tools. Changes are already visible in companies' hiring practices, performance evaluations, and other administrative processes. Workplace roles that involve repetitive tasks, data entry, and customer service have changed as well, not to mention more complex jobs like coding, graphic design, and stock trading. Manual labor, the skilled trades, and jobs requiring social intelligence, such as social work, counseling, and child care, will likely be less affected.

WHAT'S NEEDED

- Prepare workers for the jobs of the future through comprehensive digital literacy programs spanning K-12, community colleges, technical schools, workforce training programs, and higher education that can be used statewide, offering certifications and advanced degrees where necessary to equip workers with relevant skills. Collaborations among academia, nonprofits, local governments, and industries will be crucial.
- Ensure upskilling and reskilling across sectors. As AI transforms the nature of work, professionals in coding may need management skills, and assembly line workers may need to learn robotic maintenance.
- Collaborate with state universities to research trends in technology, the future of work and occupations, and the economy.

5. Prepare for AI's Massive Demands on Energy Use.

AI-driven data centers consume enormous amounts of electricity, placing additional strains on Texas's already challenged electric grid, including the drain from crypto mining. As the demand for AI technologies grows, so will the energy needs of the data centers supporting them. To support sustainable AI growth, Texas must address the unique energy demands associated with AI and enhance the grid's capacity, resilience, and efficiency to prevent future disruptions.

WHY IT MATTERS

An overstressed grid leads to higher costs, frequent outages, and reduced attractiveness for businesses and residents. If Texas is to lead in AI development and deployment, it must address its capacity problems proactively.

WHAT'S NEEDED

- Establish a multi-sector initiative led by the Electric Reliability Council of Texas (ERCOT) and the Public Utility Commission of Texas to research renewable energy, microgrids, on-site energy sources, grid storage, and efficiency improvements tailored to AI's energy demands.
- Provide grants for Texas metros and industries to pilot AI energy use projects.
- Develop and implement policies that require new data centers to meet energy efficiency standards and that encourage sustainable practices such as on-site renewable energy, energy-efficient infrastructure, and offsetting emissions.
- Create incentives, such as tax credits, for data centers to develop microgrids or on-site renewable energy production, reducing demand on the main grid and improving resilience.
- Develop a statewide AI energy impact assessment framework to guide energy policies, ensuring proactive management of AI-related demands on the grid, and collaborate with the Public Utility Commission (PUC) to develop AI industry energy use guidelines.
- Mandate regular energy audits for large data centers to assess their energy usage patterns, enforce compliance with efficiency standards, and identify opportunities for improvement.
- Launch an educational campaign on the importance of sustainable energy practices for AI industry stakeholders, targeting data center operators, tech companies, and local governments.

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