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STATEMENT ON TEXAS BUDGET INSTRUCTIONS FOR 2012-13

Yesterday the Governor and the Legislative Budget Board (LBB) began the budget-writing process for 2012-13 by instructing state agencies, courts, institutions of higher education, and health-related institutions to submit proposals that include more deep cuts.

CPPPP urges that the state leadership instead take a balanced approach to balancing the state budget by spending all the state's Rainy Day Fund and raising new revenue, rather than relying solely on reducing services to make ends meet.

State revenue has temporarily declined because of the global economic recession. This shortfall can be offset by using all \$9.6 billion that is expected to be available in the Rainy Day Fund, in keeping with the constitutional purpose of the fund to protect the state during an economic downturn. The fund is designed to be spent when needed and automatically replenished from future oil and gas severance taxes.

The recession, however, isn't our only problem. In 2006, the Legislature reduced local school property taxes and guaranteed to make up the lost revenue, but did not raise enough new state money to cover the loss. Consequently, every time the Legislature writes the state budget, it now faces a structural \$9 billion biennial budget "hole." Our state cannot fill this hole every budget cycle through repeated cuts without serious damage to critical state programs such as education, health care, and public safety. The Legislature needs to permanently fill this hole.

Holding back part of the Rainy Day Fund to temporarily fill part of this structural hole in the budget after next would be irresponsible. "Refusing to use the entire Rainy Day Fund to help us recover from the worst recession since the Great Depression would be like holding back water while your house is burning down," said F. Scott McCown, Executive Director of the Center for Public Policy Priorities.

Even spending all the Rainy Day Fund, though, may not be enough to balance the budget. If not, the Legislature must also raise some new revenue through modest steps such as increasing cigarette taxes or eliminating tax exemptions that are no longer justified. The last time an economic recession sent state revenue plunging in 2003, the Legislature did increase revenue—contrary to the story state leaders are now telling. Texas needs a balanced approach. In the short run, reducing public spending is a more serious threat to our economic recovery than a modest tax increase. In the long run, we must invest now in public infrastructure that is critical to growing our economy.

For more information on the Rainy Day Fund, see: [Use All of the Rainy Day Fund: A Balanced Approach to Balancing the State Budget](#)

For more information on what happened in 2003, see: [Lessons From the 2003 Session: A Balanced Approach to Balancing the State Budget](#)

For a detailed look at the 2012-2013 budget instructions, see: [2012-2013 Budget Instructions Are Wrong Way To Go: Texas Needs A Balanced Approach.](#)