



Tuesday, January 18, 2010

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PROPOSED STATE BUDGET SHOWS NEED FOR A BALANCED APPROACH TO MEETING NEEDS OF TEXAS

(AUSTIN, Texas)—Center for Public Policy Priorities Executive Director F. Scott McCown made the following statement in response to the proposed House budget bill released late today.

“Late today the proposed House budget bill was released. The proposed budget is merely a starting point for hearings and debate leading to the official state budget, but we already know that the cuts-only approach taken in the proposed bill would hurt Texas families, cost us jobs, and undermine our economic recovery.

“Texas needs a balanced approach that includes using the Rainy Day Fund and adding new revenue. The proposed budget uses little more than the General Revenue the Comptroller projected is available in her Biennial Revenue Estimate, leaving us at least \$27 billion short of what we need to write a budget that funds what the state is doing now. With a revenue shortfall this large, as the proposed budget shows, the Legislature cannot balance the budget through cuts alone without doing terrible damage. Among many other terrible things, the proposed budget would cost almost 10,000 state jobs, would cut already inadequate provider rates for Medicaid and CHIP by 10 percent, and would underfund the Foundation School Program for public education by almost \$10 billion—a cut of almost 25 percent.

“Instead of this cuts alone approach, the Legislature should do what Texas families do. When Texas families face tough times, they use their savings and try to earn more money before they resort to cutting back on things their family really needs. The Legislature should take a similar balanced approach that uses the Rainy Day Fund and adds new revenue.

“A balanced approach would use the Rainy Day Fund to bridge the revenue shortfall created by the Great Recession. The very purpose of this constitutional fund is to pay for ongoing expenses when tax collections temporarily fall due to a recession. As the state’s economy recovers, state revenue collections will recover, and we won’t need the Rainy Day Fund to pay for ongoing expenses. Because the damage to Texas would be so great if we didn’t use all the fund, and our state’s future economic forecast is so much stronger if we did use all the fund, not only are we justified in using it all, we would be foolish not to do so.

“A balanced approach also requires adding new revenue. Texas does not have the problems of some big-spending states. (Texas ranks 50th in spending per resident.) Our problem is that we are not investing enough in education and infrastructure needed for greater economic growth. We would be better off economically raising some new revenue than cutting things critical to our prosperity such as education.

“Texas has options. For example, we could increase our cigarette tax by a dollar a pack and raise about \$1.9 billion. We could temporarily increase our state sales tax by half a percent, with a rebate to protect low-income families, and raise about \$3 billion. Or, we could expand the sales tax base by eliminating unwarranted exemptions or exclusions.

“Now that Texans can see what it really means to write a budget without the Rainy Day Fund and without new revenue, the Texas debate can begin. Will we shortchange our children’s education, compromise public safety, and leave children, the elderly, and those with disabilities to suffer? Or we will step up as generations of Texans before us to do what is best for Texas?”