



Center for Public Policy Priorities

## **CPPP Statement on 2006-07 Budget (SB 1 Conference Report)**

With the final state budget of \$139 billion for 2006 and 2007 nearing approval, some are warning that a 10 percent increase in state spending is too much.

Let's think about this a little differently. Imagine an early spring day somewhere in Texas, with a high of 60°—about average for that time of year. Overnight, a cold front moves in, dropping the temperature to 30°—low enough to kill the most vulnerable plants left out in the cold. The next day, the temperature rises to 50°. Is it a 66 percent increase in temperature, compared to the previous night's low? Or is it 10° below average?

You don't need a math degree to see why reports of a 66 percent increase in the temperature would be misleading. This is not too different from the deceptive claims that some will make about the state budget.

Remember the 2003 state budget crisis when the Comptroller said we were \$10 billion short, and the painful cuts in services made for 2004-05? Is it accurate to measure growth from the 2004-05 low point in state spending? Wouldn't a more honest analysis use the 2002-03 budget adopted by fiscally conservative state officials before so many cuts were made?

Even the 2002-03 budget had Texas at or near the bottom in state government spending and taxes per resident. Texas has never been a big spender. Average state government spending per resident nationwide was \$4,051 in 2004, almost 50 percent higher than Texas' spending. With state spending of less than \$3,000 per resident proposed for 2007, Texas will remain at or near the bottom in state spending.

Some growth in the budget is needed just to deal with the fact that Texas is growing rapidly. Between 2003 and 2007, the number of Texans will increase 7 percent, or by 1.6 million people—roughly the population of the city of Dallas, or the San Antonio metro area. Overall inflation faced by state and local governments will be about 13 percent between 2003 and 2007, estimated conservatively. Health care costs are rising even more rapidly, at *annual* rates averaging 10 to 15 percent.

General Revenue appropriations in 2006-07 would have to be almost \$72 billion to get state spending per Texan back to the levels seen in 2003, after adjusting for population

growth and inflation. The conferees' report on the state budget recommends only \$65.6 billion. Even with federal and other funds added in, the state budget as proposed won't rise faster than population and inflation in the next two years.

On the topic of federal funds: much of the growth in the state budget comes from doing a better job of bringing federal money to Texas. That is a good thing, not a bad thing. If Texas refused these dollars to keep our budget from growing, then other states would reap the benefits of what Texans paid in federal taxes.

Most of the so-called "new" spending in health and human services for 2006-07 will simply undo cuts to health care and social services made in 2003, or cover some inflation and caseload growth. Furthermore, many major 2003 cuts will continue, such as hundreds of millions of state dollars cut from Medicaid provider rates, and 6-month coverage for children in Medicaid and CHIP.

As a share of our total economy, state spending has grown little. Since 1991, state government spending has been about 7 percent of the Texas economy, or Gross State Product (GSP). By 2007, state spending will be about 7.2 percent of GSP. And, the state's rainy day fund will likely be drained in order to reach even this level of funding.

Legislators' deadlocked attempts to raise money for schools have not truly addressed growing education funding needs, let alone how to pay for the other important functions of state government; proposed tax changes would only shift more of the total tax bill to low- and middle-income Texans. True revenue reform has to fund critical services adequately, distribute the responsibility for paying taxes fairly among businesses and households of all income levels, and allow Texas to build up a rainy day fund that doesn't have to be emptied every biennium.

There hasn't been a revolution. Texas will remain a low-spending state that is not meeting the needs of its people for education and health and human services. There will still be plenty of chilly days ahead for our most vulnerable.

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