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**GOVERNOR'S STATE OF THE STATE UNREALISTIC;
WE NEED A BALANCED APPROACH TO MEETING THE NEEDS OF TEXAS**

(AUSTIN, Texas)—Center for Public Policy Priorities Executive Director F. Scott McCown gave the following statement in response to the Governor's State of the State address today to a joint session of the House and Senate.

"When the Governor signed the current budget into law, after using his line-item veto to cut everything he considered unnecessary, the Governor assured Texans we had a lean budget that targeted our priorities, saying: 'We worked collectively throughout the session to ensure our state's priorities were met while remembering that every dollar spent is that of a hard-working Texan.'

"Now we are \$27 billion short of being able to fund these very same priorities at the same lean level over the next two years. With a revenue shortfall this large, the Governor needs to be realistic and the Legislature needs to take a balanced approach that includes using all the Rainy Day Fund and adding new revenue.

"We are pleased that the Governor recognized that the \$9.4 billion Rainy Day Fund was saved to meet this challenge, though he didn't specify how much should be spent. Previously in 2003 and 2005, the Governor approved budgets that used almost all the Rainy Day Fund for recurring expenses, and he should do so again. Unless we use all the Rainy Day Fund, we will be forced to implement terrible cuts to education and other critical public services. As our economy recovers, tax revenue will recover to maintain funding in future budgets.

"But our problem is so large that a balanced approach also requires adding new revenue. We have options that the public prefers to the devastating cuts to education and health and human services, which the Governor simply ignored. We could increase our cigarette tax by a dollar a pack and raise about \$1.5 billion. Or, we could expand the sales tax base by eliminating unwarranted exemptions or exclusions.

"Dramatic cuts to essential state services will hurt our economy far more than a small tax increase. Dramatic cuts mean immediate, serious job loss—more than a quarter of a million Texas jobs—which will reduce demand for Texas goods and services. Cuts of the magnitude we would have to have if we don't use all the Rainy Day Fund and add some new revenue will immediately and seriously hurt Texas communities and businesses.

"The Governor did not realistically grapple with the challenges ahead. We need straight talk about our problems and a balanced approach to solving them."