



## **CPPP URGES REJECTION OF HOUSE BILL (HB) 1 AND SUPPORT FOR HB 4 AND HB 275**

(AUSTIN, Texas)—Center for Public Policy Priorities Executive Director F. Scott McCown made the following statement in response to the House Appropriations Committee recommendation of House Bill (HB) 1, the proposed state budget for 2012-13; HB 4, which would revise the state budget for 2011; and HB 275, which would appropriate \$3.2 billion from the Rainy Day Fund to fund 2011 appropriations.

“The Texas House of Representatives should reject HB 1. Testimony before the Appropriations Committee establishes the damage the proposed budget for 2012-13 would do to Texans seeking an education and to children, the elderly, and those with disabilities who rely upon health and human services. Now we also have an analysis from the Legislative Budget Board (LBB) that establishes the damage the proposed budget would do to our economy.

“A new House rule requires the LBB to do a dynamic economic impact analysis of the consequences of state budget cuts. The LBB analysis shows dramatic damage from the House’s cuts-only approach. The proposed budget would substantially undermine employment and economic growth. Cuts as big as the Appropriations Committee proposes would hinder job growth throughout the economy, as the state canceled contracts and reduced payments to private companies and individuals with whom it does business. Before long, Texans who think they have no connection to state government would be worse off because others could afford fewer goods and services.

“According to the LBB, there would be 272,000 fewer jobs in Texas in 2012, and 335,000 fewer in 2013, than there would be if HB 1 merely maintained the current level of state spending. Nearly 45 percent of these jobs would be in the private sector. Personal income in Texas would be \$12.6 billion lower in 2012, and \$17.2 billion less in 2013, than if state expenditures were to remain constant.

“The LBB attempts to explain away this economic impact by suggesting that it should be attributed to the economic recession rather than the proposed budget. In fact, the damage would come, not from the recession, but from how we dealt with the recession in the budget. If Texas made a better budget choice, we would get better economic outcomes.

“A better choice would be a balanced approach rather than a cuts-only approach. A balanced approach includes using all the \$9.4 billion available in the Rainy Day Fund to help offset a revenue shortfall that leaves the state \$27 billion short of being able to maintain the current level of state services. After all, this is the fund’s very purpose. Texans created the fund in 1988 when they approved a constitutional amendment ‘establishing an economic stabilization fund in the state treasury to be used to offset unforeseen shortfalls in revenue.’

“A balanced approach would also add new revenue. Eliminating outmoded or wasteful tax exemptions, expanding tax bases, and raising certain tax rates would generate the revenue needed to foster economic growth by supporting investments in education and continuation of state services.

“HB 4, which deals with 2011, shows the benefit of a more balanced approach. While we are concerned about the cuts made by HB 4, they are mostly already implemented, and HB 4 does use \$3.2 billion from the Rainy Day Fund as appropriated by HB 275. As the LBB analysis shows, by using \$3.2 billion from the Rainy Day Fund to eliminate 80 percent of the 2011 deficit, HB 4 reduces the extent of damage to the economy that the state would otherwise have experienced with a cuts-only approach.

“Using the rest of the Rainy Day Fund and adding new revenue for 2012-13 could similarly reduce the dramatic negative impact on employment and personal income otherwise forecast by the LBB if the totally inadequate state budget proposed by HB 1 were to become law.

“HB 1 hurts Texans who need education and health and human services. As the LBB analysis shows, HB 1 damages the economy in an immediate way. And, because we are underfunding education, HB 1 undermines our long-term prosperity. HB 1 should be rejected and instead the Legislature should employ a balanced approach to give Texas a better budget.”

From the LBB Dynamic Economic Impact Statements for the Committee Substitutes for HB 1 and HB 4

**TABLE 1**  
**Dynamic Economic Impact, CS HB1**  
**State of Texas, Calendar Year 2012-2013**

Category	Units	2012	2013
Total Employment*	Jobs	(271,746.1)	(335,244.1)
Total Employment % Change	Percent	-1.9%	-2.3%
Private Non-Farm Employment	Jobs	(117,060.5)	(146,457.0)
Total Government Employment	Jobs	(154,684.6)	(188,787.6)
Gross State Product	Billions of Fixed (2005) Dollars	(15.2)	(19.0)
Personal Income	Billions of Current Dollars	(12.6)	(17.2)
Disposable Personal Income	Billions of Current Dollars	(11.2)	(15.2)
PCE-Price Index	2005=100 (Nation)	-0.057	-0.142

**TABLE 1**  
**Dynamic Economic Impact, CSHB 4**  
**State of Texas, Calendar Year 2011 - 2015**

Category	Units	2011	2012	2013	2014	2015
Total Employment*	Jobs	(22,752.0)	(470.7)	(157.2)	79.1	181.6
Total Employment % Change	Percent	-0.17%	-0.03%	-0.01%	0.00%	0.01%
Private Non-Farm Employment	Jobs	(9,766.6)	(399.4)	(110.4)	102.5	195.3
Total Government Employment	Jobs	(12,987.5)	(72.4)	(45.9)	(24.9)	(13.1)
Gross State Product	Billions of Fixed (2005) Dollars	(1.26)	(0.03)	(0.01)	0.01	0.02
Personal Income	Billions of Current Dollars	(1.02)	(0.12)	(0.08)	(0.05)	(0.03)
Disposable Personal Income	Billions of Current Dollars	(0.91)	(0.11)	(0.07)	(0.05)	(0.03)
PCE-Price Index	2005=100 (Nation)	(0.00468)	(0.00600)	(0.00279)	(0.00189)	(0.00128)

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*The Center for Public Policy Priorities (CPPP) is a non-profit, non-partisan policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. We pursue this mission to achieve our vision for a BETTER TEXAS. You can learn more about CPPP at <http://www.cppp.org>.*