



## COMPTROLLER'S REVENUE FORECAST

Today the Comptroller of Public Accounts announced her Biennial Revenue Estimate.<sup>1</sup> The Comptroller forecasted \$9.1 billion less general revenue to write the budget for 2010-11 than was available for 2008-09. But the Comptroller also forecasted \$9.1 billion available in the Rainy Day Fund. The 81<sup>st</sup> Legislature must now write a budget for 2010-11.

### Spending Cuts Would Hurt the Texas Economy and Hurt Vulnerable Texans

While the Legislature should spend wisely, it should not merely cut spending to fit the forecasted revenue. Such a one-dimensional approach is not based on sound economics. When a state cuts public spending, it often cuts dollars that would otherwise be directly spent on goods and services produced or delivered in the state. As explained by Nobel Prize winning economist Joseph Stiglitz of Columbia University and Congressional Budget Office Director Peter Orszag, state spending during a recession stimulates the economy.<sup>2</sup> Texas should avoid cuts, particularly cuts that undermine long-term economic prosperity such as cuts to education or cuts that leave vulnerable residents unprotected such as cuts to Medicaid or the Children's Health Insurance Program.

### Texas Needs Federal Fiscal Relief

Congress is considering state fiscal relief that may include enhanced Medicaid funding for states over two years. Texas may receive several billion dollars in additional Medicaid funds for the upcoming 2010-2011 state budget. These dollars are not in the Comptroller's revenue estimate because they are not yet available. Texas needs help from the federal government.

### Texas Should Spend a Significant Portion of Rainy Day Fund to Protect State

Because spending cuts hurt the economy in a recession, our constitution includes the Economic Stabilization Fund, commonly called the Rainy Day Fund.<sup>3</sup> The Legislature can appropriate from the fund at any time and for any purpose by a two-thirds vote of those present.<sup>4</sup> In addition, when revenue is forecasted to be less than in the previous biennium, as is the case this biennium, the constitution requires only a three-fifths vote to appropriate funds to make up the difference. Texas should spend a significant portion of its Rainy Day Fund to stabilize the economy and protect Texas families.<sup>5</sup>

### Texas Should Consider New Sources of Revenue

In *Building Texas: The Tax and Budget Primer (2008)*,<sup>6</sup> we outlined some modest steps to raise revenue and some missteps that would reduce revenue. Texas must consider new sources of revenue as part of a balanced approach to our budget.

<sup>1</sup> See [www.window.state.tx.us/news2009/090112-BRE.html](http://www.window.state.tx.us/news2009/090112-BRE.html).

<sup>2</sup> Johnson, *Budget Cuts or Tax Increases at the State Level: Which is Preferable During a Recession?* (CBPP Jan. 12, 2009), at [www.cbpp.org/1-8-08sfp.htm](http://www.cbpp.org/1-8-08sfp.htm).

<sup>3</sup> *Building Texas: The Tax and Budget Primer (2008)*, p. 15, at [www.cphp.org/files/7/Layout%20booklet.pdf](http://www.cphp.org/files/7/Layout%20booklet.pdf).

<sup>4</sup> Texas Constitution, Art. 3, Sec. 49-g at [www.statutes.legis.state.tx.us/SOTWDocs/CN/html/CN.3.htm#3.49-g](http://www.statutes.legis.state.tx.us/SOTWDocs/CN/html/CN.3.htm#3.49-g).

<sup>5</sup> McNichol, *Is It Raining Yet?*, Center on Budget and Policy Priorities, (Feb. 21, 2008) at [www.cbpp.org/2-21-08sfp2.htm](http://www.cbpp.org/2-21-08sfp2.htm).

<sup>6</sup> *Building Texas: The Tax and Budget Primer (2008)* pp. 35-36, 39-44 at [www.cphp.org/files/7/Layout%20booklet.pdf](http://www.cphp.org/files/7/Layout%20booklet.pdf).