



**A Call to Action to the Superintendents of Texas
Assembled for the Mid-Winter Conference, January 28, 2011**

We have no reason for pessimism but pessimism itself.

Texas can meet the challenge of our state's revenue crisis, which has left us at least \$27 billion, or 27 percent, short of being able to provide services at their current level, but doing so requires a balanced approach that includes using all of our Rainy Day Fund and adding new revenue. In a democracy—where the most important election is always the next election—if citizens demand a balanced approach, the Legislature will take a balanced approach. All that stands between us and a pragmatic response to this crisis is the sort of pessimism that leads to doing nothing.

Texas has the second youngest population of any state, which is great for our future, but means that today we have lots of children we must educate to remain competitive in the global economy. Yet the proposed state budget funds local school districts over \$9 billion *less* than what is required under school finance formulas. Among other things, the state doesn't fully fund projected annual enrollment growth of 92,000 students. The House completely and the Senate largely eliminates funding for teacher incentive pay, high school completion programs, technology allotment, and pre-kindergarten grants. Lynn Moak, one of the state's leading school finance experts, has estimated that school districts may be forced to lay off as many as 100,000 employees, including teachers. This cuts-only approach is unacceptable. Your leadership with your school board, with your community, and ultimately with your elected representatives is essential to protecting our state's future.

We must take a balanced approach that includes using all of our Rainy Day Fund. The state's reserve (officially the Economic Stabilization Fund) will have \$9.4 billion we can use to balance the budget. The constitutional purpose of the fund is to maintain vital state services during economic downturns. As our economy recovers, state revenue will recover; in the meantime, the fund can help cover state costs. The risk of not having the revenue in 2014-15 to replace Rainy Day Fund dollars spent now is slight. But if we don't, we can always cut *then*; we have no reason to cut so deeply *now*. The fund itself will automatically replenish from dedicated oil and gas severance taxes. And, it is important to remember that the true reserve of Texas isn't the Rainy Day Fund, but the backing of the people of Texas whose total *annual* personal income is almost \$1,000 billion a year.

Unfortunately, our revenue shortfall is so large that a balanced approach also requires adding new revenue. No one is proposing a "tax-only" solution to our problem, but taxes should be part of the solution. We have options acceptable to the public. For example, we can adopt a Healthy Texas Revenue Package that 1) increases taxes on alcohol, 2) increases taxes on tobacco (raising the cigarette tax a dollar a pack generates \$1.9 billion a biennium), and 3) imposes a new one-cent-per-ounce excess tax on sugar-loaded beverages (generating \$2.5 billion a biennium). Or, we could eliminate unwarranted sales tax exemptions. Alternatively, 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 a biennium. Money wisely spent from careful taxation strengthens, not weakens, an economy.

Relaxing certain state mandates for school districts might be part of a balanced approach, but I urge you not to settle for trading dollars in exchange for relaxing mandates. While some mandates may be vexing to you, most are part of maintaining a strong educational system, such as the 22-to-1 student-teacher ratio.

Everyone must work hard over the next several months. If the battle for a balanced approach is lost now, cuts in spending will largely be permanent. Your leadership is crucial to making the case for a balanced approach. I urge you to set aside any pessimism and step up for Texas.

F. Scott McCown, Executive Director