CPPP Statement on 10% Budget Cut Instructions

Some may be shocked that in less than a month's time, Texas has gone from having an $8 billion "surplus" to considering 10 percent almost-across-the-board cuts—about $3 billion in General Revenue.

The reason is the huge gap between the spending side of what the Legislature approved in the special session ($23 billion more in state funds for K-12 from 2007 to 2009, most of it to pay for local property tax cuts) and what it raised in new revenue ($8.8 billion from 2007 to 2009). Filling the $14 billion hole dug in the special session entirely wipes out the so-called surplus and still requires finding another $6 billion.

Part of this $6 billion will come from revenue growth. However, if revenue growth is not enough, and it most certainly will not be, unless the Legislature raises taxes, it will have to cut services. Some of these vital public needs will go unmet. The cost of other needs will be shifted. College students may have to pay higher tuition. Cities and counties will undoubtedly have to spend more.

Budget instructions issued by the Legislative Budget Board (LBB) and the Governor's Budget Office on June 2 call for 10 percent reductions in General Revenue-related spending as a starting point for the 2008-2009 draft budget. The instructions make some important exceptions: "amounts necessary to maintain public education funding based on legislative action, satisfy debt service requirements for existing bond authorization, maintain caseloads for federal entitlement services, and maintain adult prison populations." These exceptions, however, are narrower than previous budget instructions and leave Texas facing serious cuts.

For example, the budget instructions do not allow for funding:

- School finance equity;
- Medicaid budget increases needed to cover higher health care costs or utilization;
- Public university and community college enrollment growth;
- Inmate growth and higher costs in adult and youth corrections systems;
- The Children's Health Insurance Program, Child Protective Services (CPS) funding other than foster care or adoption subsides, child care subsidies for working poor families, and any other social service that is not an entitlement; and
- State employee health insurance, pension, and other staff benefit cost increases.

Instead of budgeting for these important services, state agencies will first have to cut budgets by 10% and then ask the Legislature to fund "exceptional" items.

Once again, as has been the case since 1991, legislators will not get a true picture of what a "current services" state budget would really require, one that takes into account population and inflation growth in 2008-09 of almost 8 percent. Even if they got a true picture, however, they have no money to fund current services, much less make needed investments in public education, higher education, public safety, or health and human services. Cutting taxes in a low-spending, high-need state was, as it turns out, very shortsighted.

For more information, contact:
Eva DeLuna, (512) 320-0222, ext. 103
Scott McCown, (512) 320-0222, ext 109