
Statement

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National Task Force Calls for Reform of State Tax and Budget Systems

Texas one of six states studied in detail

(AUSTIN, Texas)—The State Budget Crisis Task Force, a national blue-ribbon group convened by Richard Ravitch and Paul Volcker to study state tax and budget issues, released its recommendations today at a press conference in Washington, D.C. Texas was one of six states studied in detail. The Center for Public Policy Priorities has closely followed the work of the task force. Several of its recommendations are important for our state:

- 1) *The public needs transparent, accountable state government finances, matching revenues earned in a year to obligations incurred in the same year.* The state should no longer be able to "balance" the budget by postponing \$2 billion in state payments to school districts or deliberately underfunding Medicaid by \$4 billion—as the Legislature did in writing the current 2012-13 budget.
- 2) *States should make better use of their Rainy Day Funds to maintain more stable spending policies.* Texas' fund is praised by the task force because it automatically replenishes from natural gas and oil revenues. But a Rainy Day Fund cannot be effective if it is not used for its stated purpose—to prevent harmful cuts to state services during economic slowdowns. The Legislature should use our Rainy Day Fund, which is approaching its maximum constitutional size, to improve investments in our children's education and maintain their access to necessary health care.
- 3) *State tax bases have eroded and become more volatile; states should seek reforms to make their tax structures more broad-based, stable, and productive.* The task force calculates that a 1 percent increase in personal income in Texas now produces only a 0.7 - 0.8 percent increase in sales tax revenue for the state, since the taxable base resembles the state economy less and less. The center has long recommended that our sales tax be expanded to cover business and professional services (except health care), and that the entire Tax Code be subjected to regular Sunset review to eliminate wasteful, unnecessary, or outmoded tax exemptions.

The center will continue to recommend ways to improve Texas' state and local revenue system to ensure that it is fair, adequate, and responsive to needs of our dynamic and growing population and provides all of us an equal opportunity to realize a prosperous future.

For more information about the task force's report, visit <http://www.statebudgetcrisis.org/wpcms/>

For More Information

For more information or to request an interview, please contact Brian Stephens at stephens@cphp.org or 512.320.0222, ext. 112.

About the Center

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