

26 Percent Budget Growth? 100 Percent Wrong

After lawmakers forwarded the 2014-15 budget to Governor Perry, a number of conservative groups sent a letter to Governor Perry lamenting a “\$22 billion” or “26 percent” increase in state spending—a claim that was later picked up by an editorial writer for the Wall Street Journal in an incendiary piece titled “Texas Goes Sacramento.” The groups implied that the budget was irresponsibly high, but offered no proposals of specific budget cuts they would endorse nor identified any items the Governor should veto. Instead they called for using the Rainy Day Fund to pay for a reduction in the sales tax—an action that ironically would have no impact on the budgeted level of state spending.

While additional tax cuts would have been a clear positive for the Texas economy, the claim of a 26 percent spending increase was simply wrong, and TTARA noted such in a June 12 letter to the Wall Street Journal. *PolitiFact Texas* also determined that the 2014-15 Budget grew less than the rate of growth of population and inflation combined. The “26 percent” budget figure misleads rather than informs. Basic accounting principles were sacrificed as spending and revenue numbers were mixed across fiscal years, with certain items either included or excluded depending on whether they supported a predetermined conclusion. After such severe mathematical torture, the numbers were ready to confess to anything. But the numbers are wrong and here is why.

First, of that \$22 billion, \$7 billion was to cover the bills deferred by the prior legislature and bring the previous state budget into balance. The implication is that it would somehow have been more fiscally responsible for the state to default, an action which could have resulted in costly federal sanctions as well as the possible closure of hundreds of hospitals across the state, hitting rural areas the hardest. That’s a little like congratulating someone for their frugality when they fail to pay their electric bill, and condemning them as profligate when they finally pay the bill late.

Second, \$2 billion of the “spending” was not for general purposes but was for loans to local governments to alleviate the state’s water crisis—and took effect only with the overwhelming approval of Texas voters. This amendment authorized using money from the state’s rainy day fund to purchase local water bonds. In fact, investing in local bonds will keep the money in the state treasury and allow it to earn a greater return than it would sitting in the state’s rainy day fund. Equating that to general purpose spending is false. It is no more “spending” than one’s investment in an individual retirement account is considered “spending.”

So after sorting through the math, and comparing apples to apples, the 83rd Legislature:

- made good on billions of dollars unpaid obligations from the previous legislature,
- provided \$1.4 billion in tax and fee cuts,
- reduced diversions of dedicated funds,
- left, at a minimum, \$2.6 billion available for future tax cuts or budget needs,
- stayed well within the Constitutional limit that restricts growth in state spending to no more than the rate of growth of the Texas economy,
- set aside funds voters could approve to meet the state’s water needs, and
- increased general revenue spending by \$7.0 billion, or 7.5 percent.