



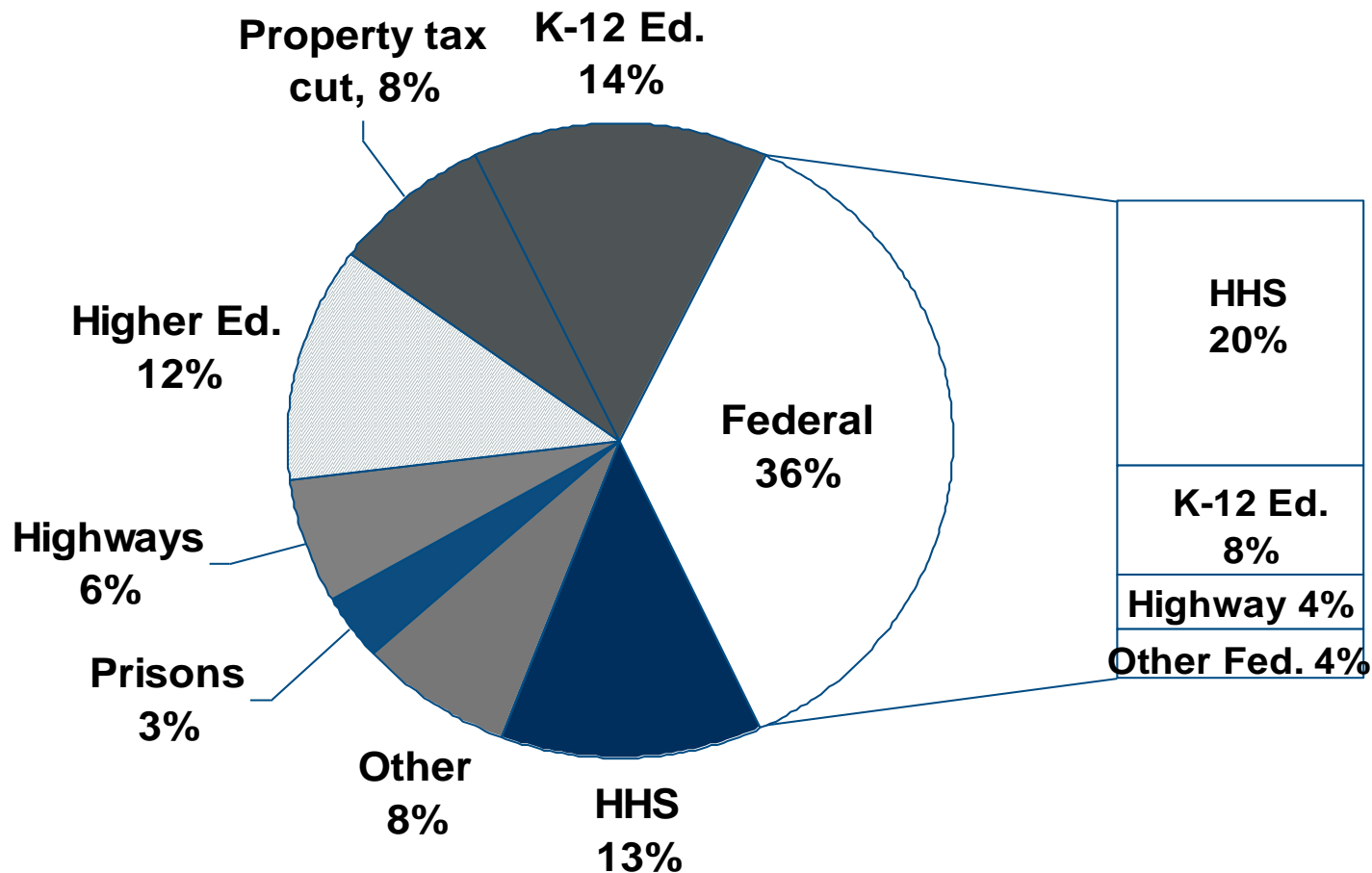
Center *for* Public Policy Priorities

# We Need a Balanced Approach To Balancing the State Budget

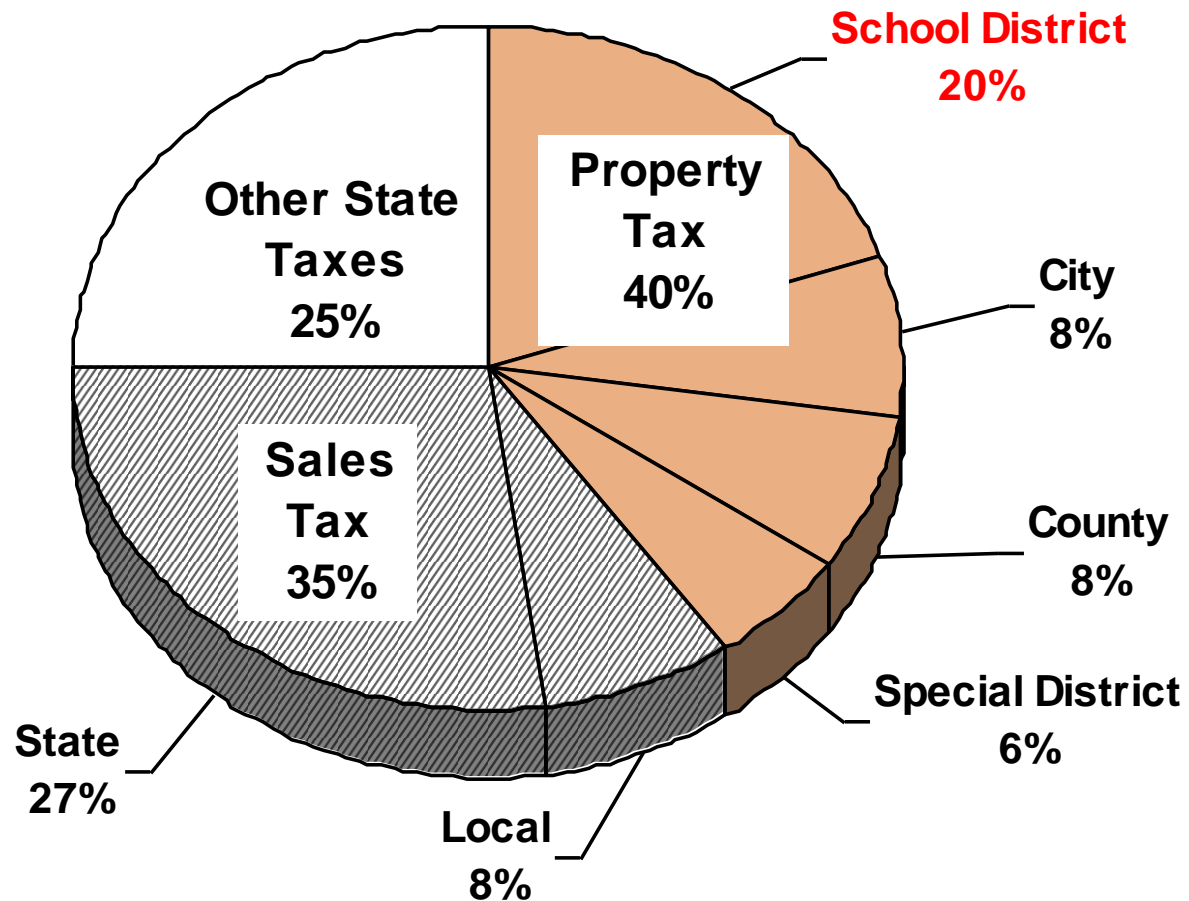
**Dick Lavine**  
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# The Texas State Budget for 2010-11

Biennial Total \$182 billion



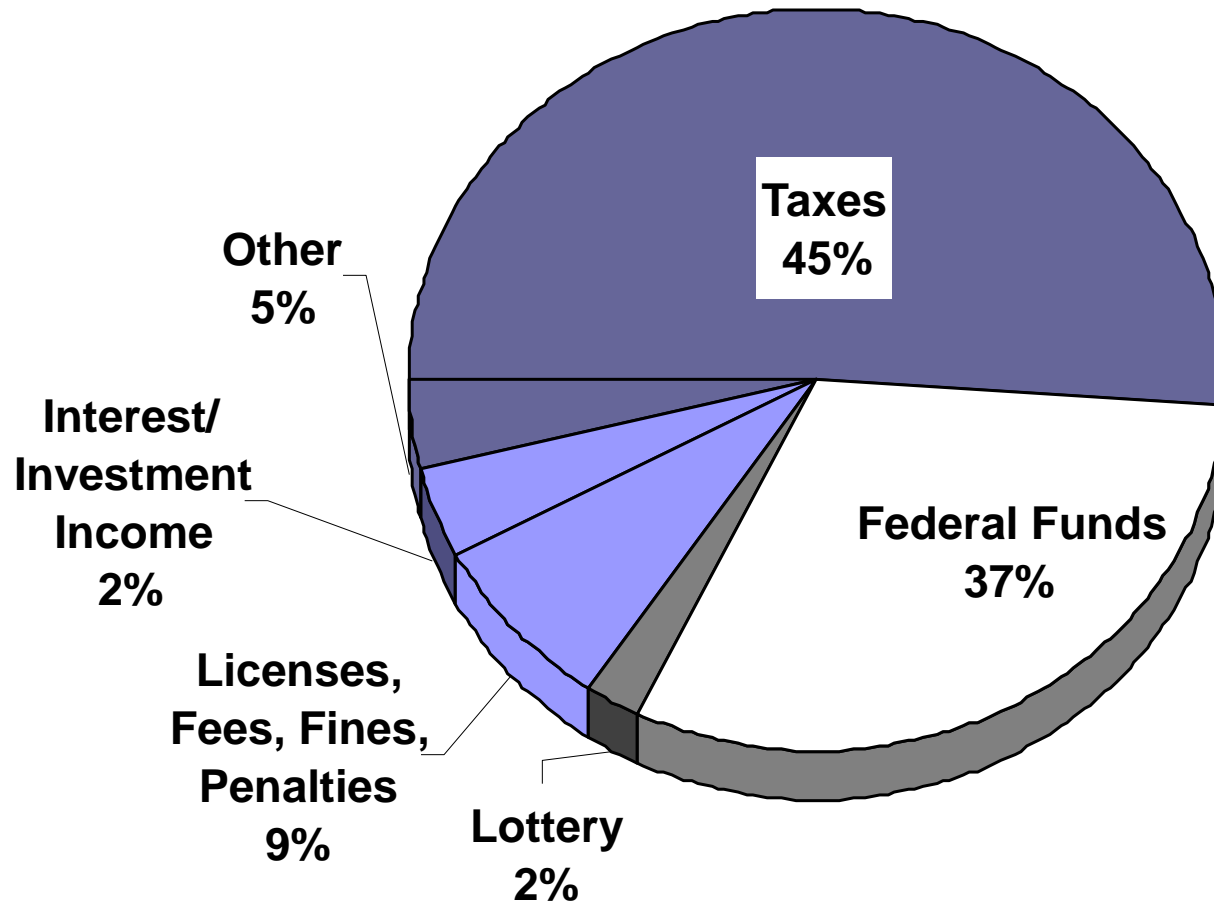
# Major State & Local Taxes in Texas 2009



Sources: Comptroller of Public Accounts, Annual Cash Report; Annual Property Tax Report. Forecast by CPPP.

# Sources of State Revenue 2009

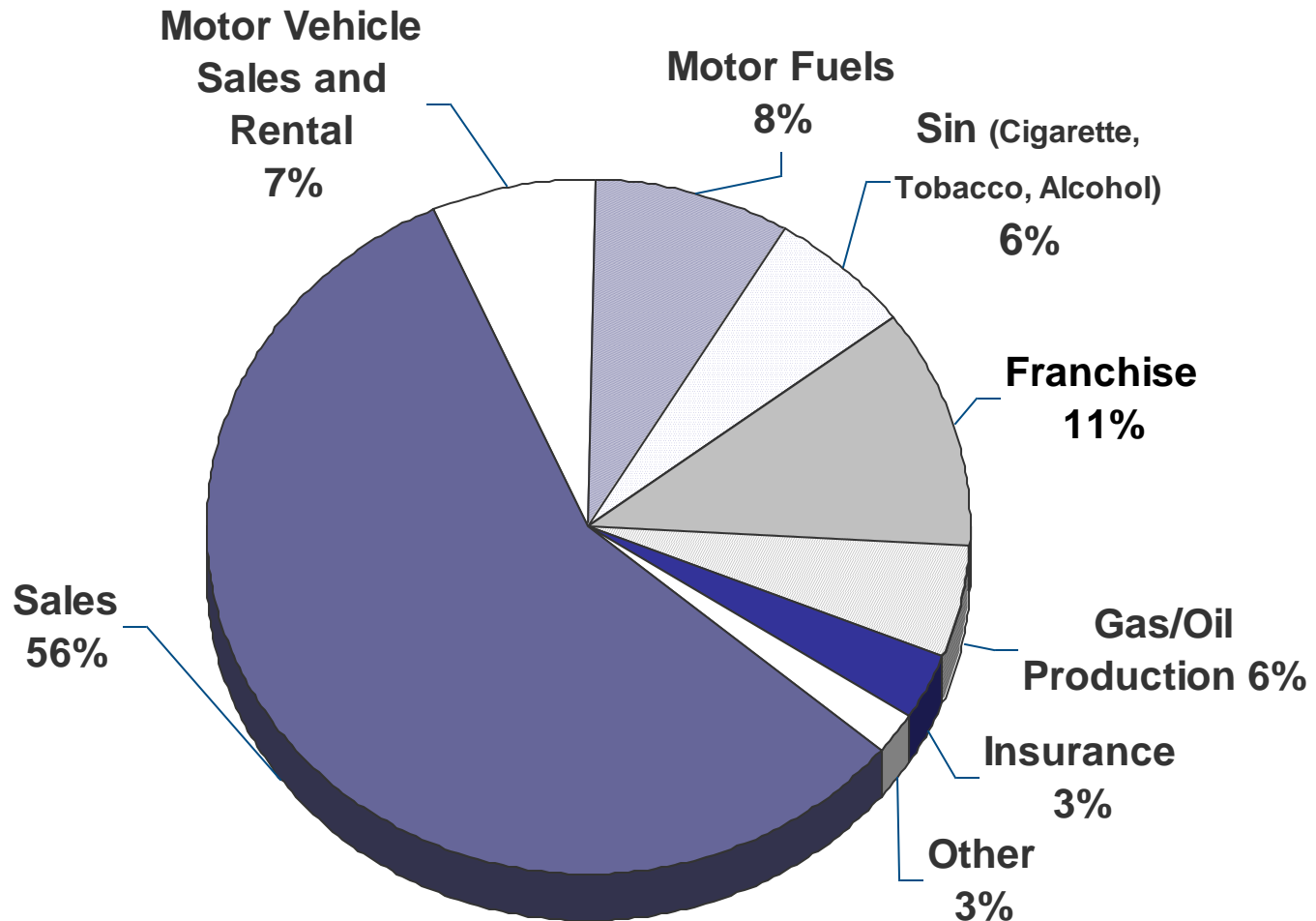
Total \$84.3 billion



Source: Comptroller of Public Accounts, Annual Cash Report

# State Tax Collections 2009

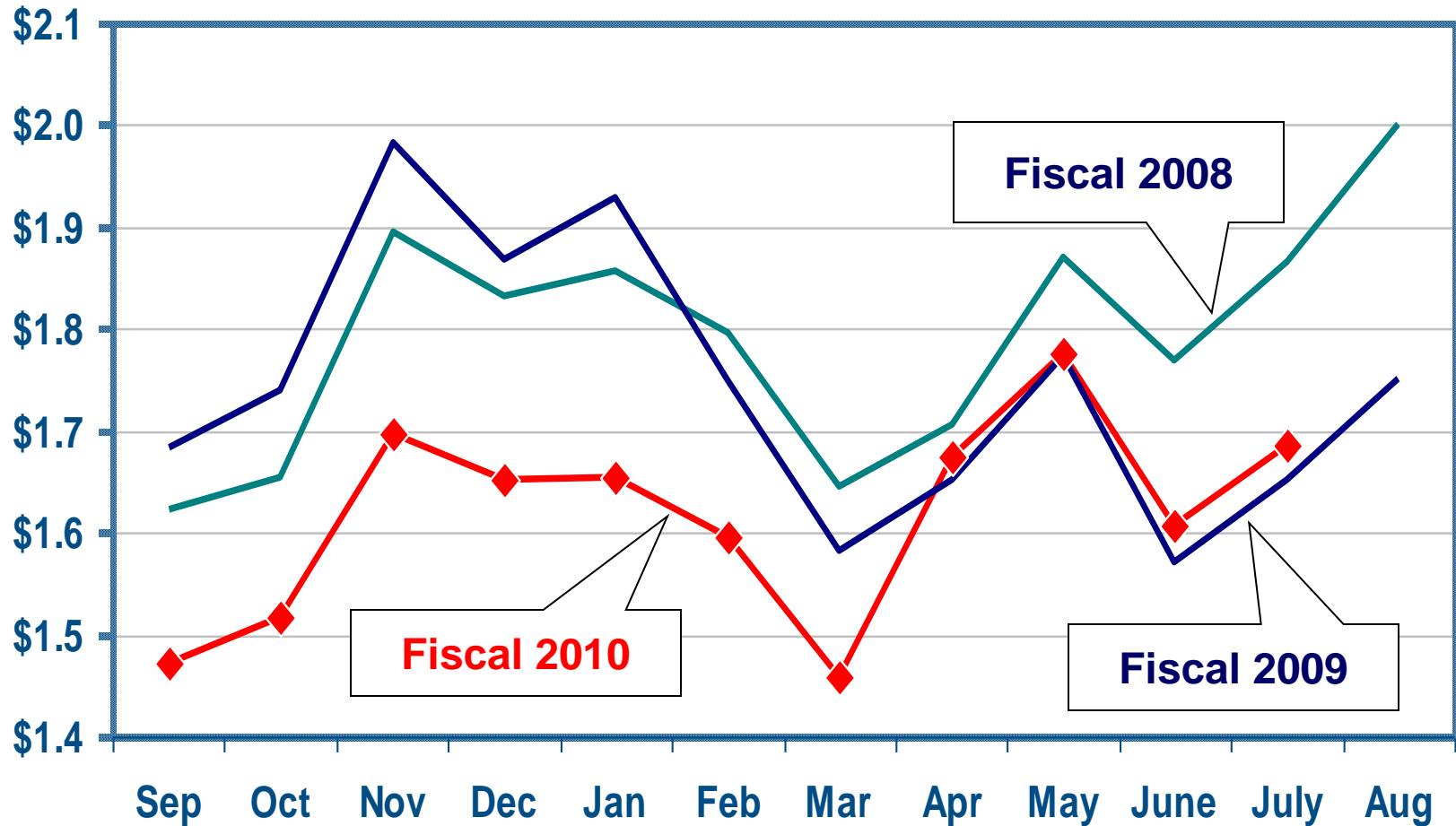
Total \$37.8 billion



Source: Comptroller of Public Accounts, Annual Cash Report.

# The Recession Reduced Sales Tax Revenue

Billion \$



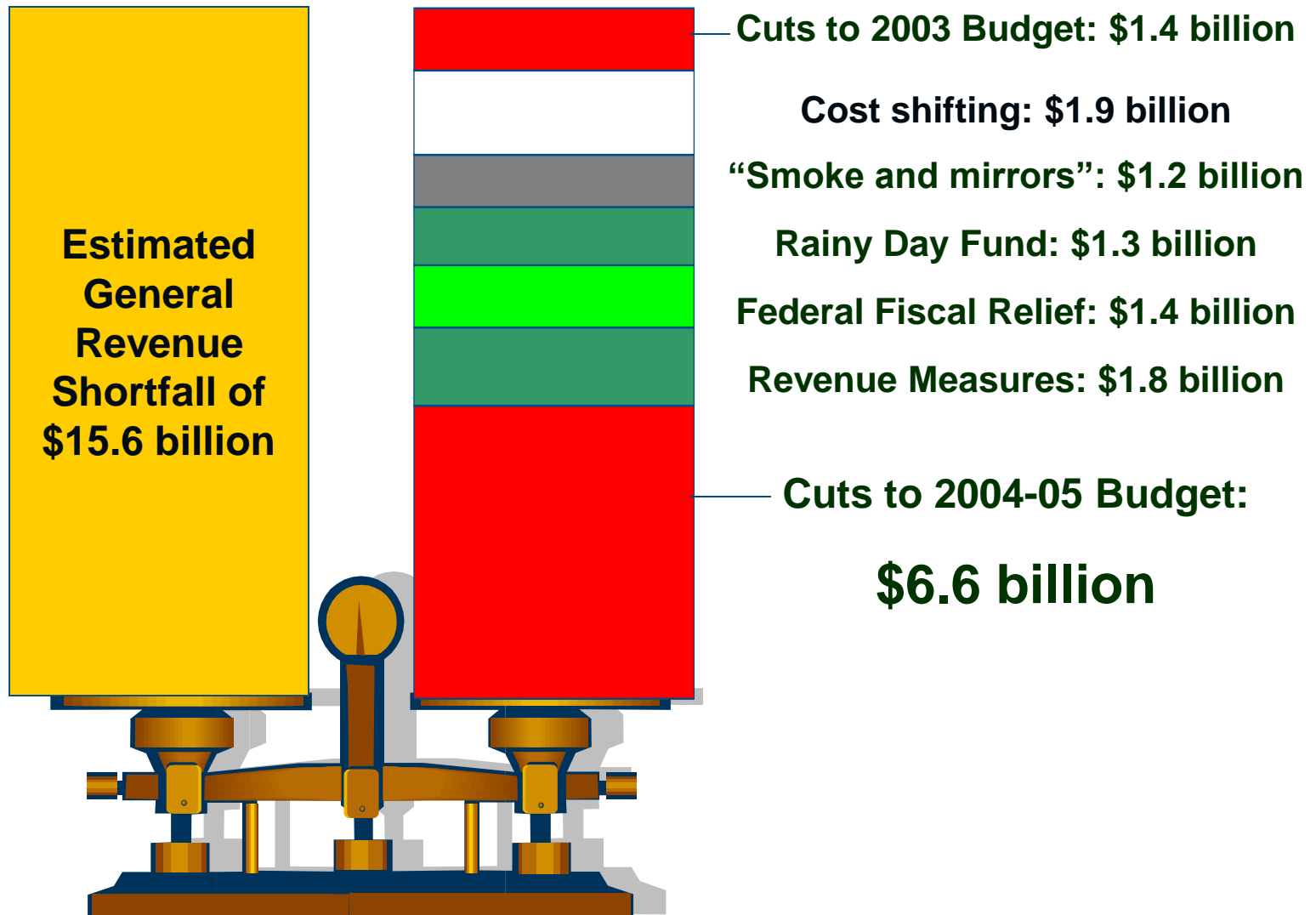
# We're Still In the Hole Created in 2006

In billion \$	2008-09		2010-11	
	5/06 Fiscal Note	11/09 Cash Report	5/06 Fiscal Note	11/09 Certification
Franchise tax	6.8	3.0	7.7	3.4
Tobacco tax	1.4	1.9	1.3	1.8
Used car, interest	0.1	0.0	0.1	0.1
<b>TOTAL REVENUE</b>	8.3	4.9	9.1	5.4
<b>Cost of property tax cut</b>	-14.2	-14.2	-14.9	-14.9
<b>SHORTFALL</b>	<b>-\$5.9</b>	<b>-\$9.3</b>	<b>-\$5.8</b>	<b>-\$9.5</b>

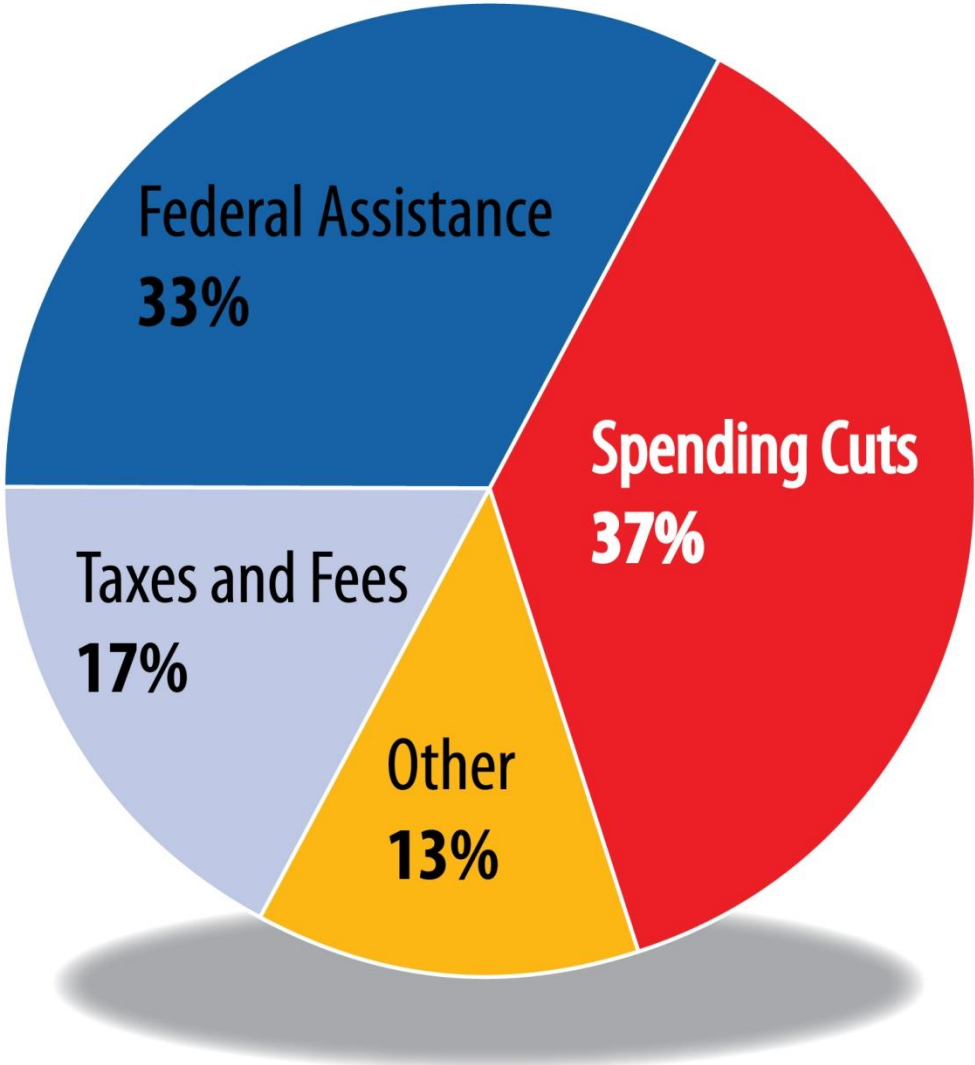
# “One-Time” Money Balanced the 2010-11 Budget

	Current Budget	2012-13 Budget
General Revenue	\$75.0 billion	\$75.0 billion
ARRA Used for GR	\$6.4 billion	\$0
Cash on hand	\$2.6 billion	\$0
Property Tax Relief Fund carryover	\$3.0 billion	\$0
Permanent School Fund	\$0	\$1.2 billion
<b>TOTAL GR BUDGET</b>	<b>\$87.0 billion</b>	<b>\$76.2 billion</b>
<b>GAP</b>		<b>\$10.8 billion</b>

# 2004-05 State Budget was “Balanced”



# How States Are Closing Gaps (FY 2010)



Note: Preliminary Estimates

Source: CBPP

# Funding a Balanced Approach: Easy Money

	Potential Revenue for 2012-13
Economic growth with no change in revenue system	\$800 million for each 1% growth
Accounting adjustments Payment delays, etc	\$2.0 billion

# Funding a Balanced Approach: Spend the Rainy Day Fund

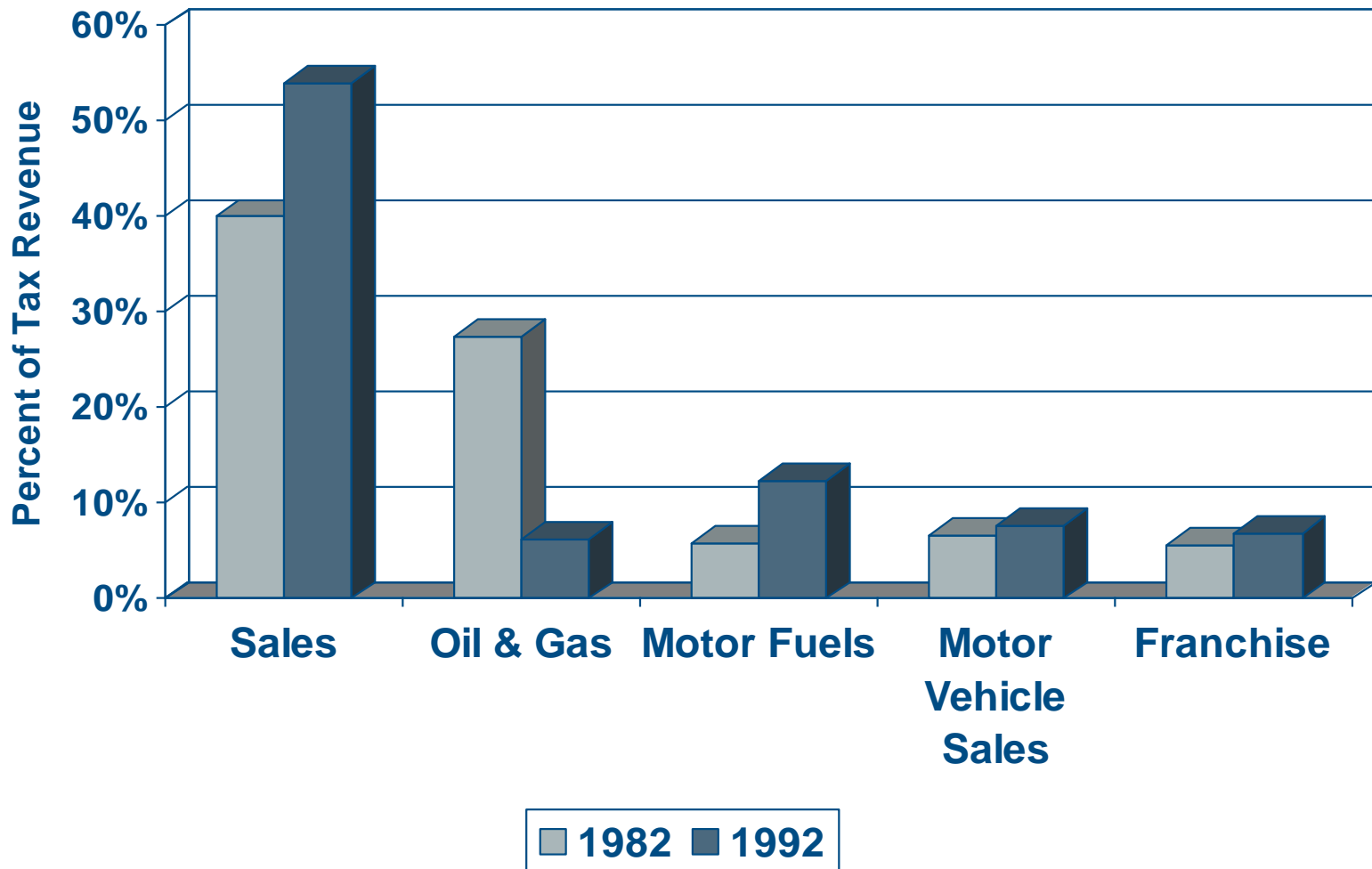
	Potential Revenue for 2012-13
Beginning balance	\$8.2 billion
Growth during 2012-13	\$1.0 billion
Total Rainy Day Fund Available	\$9.2 billion

# Funding a Balanced Approach

- Eliminate exemptions
- Raise existing taxes
- New taxes
- Structural changes

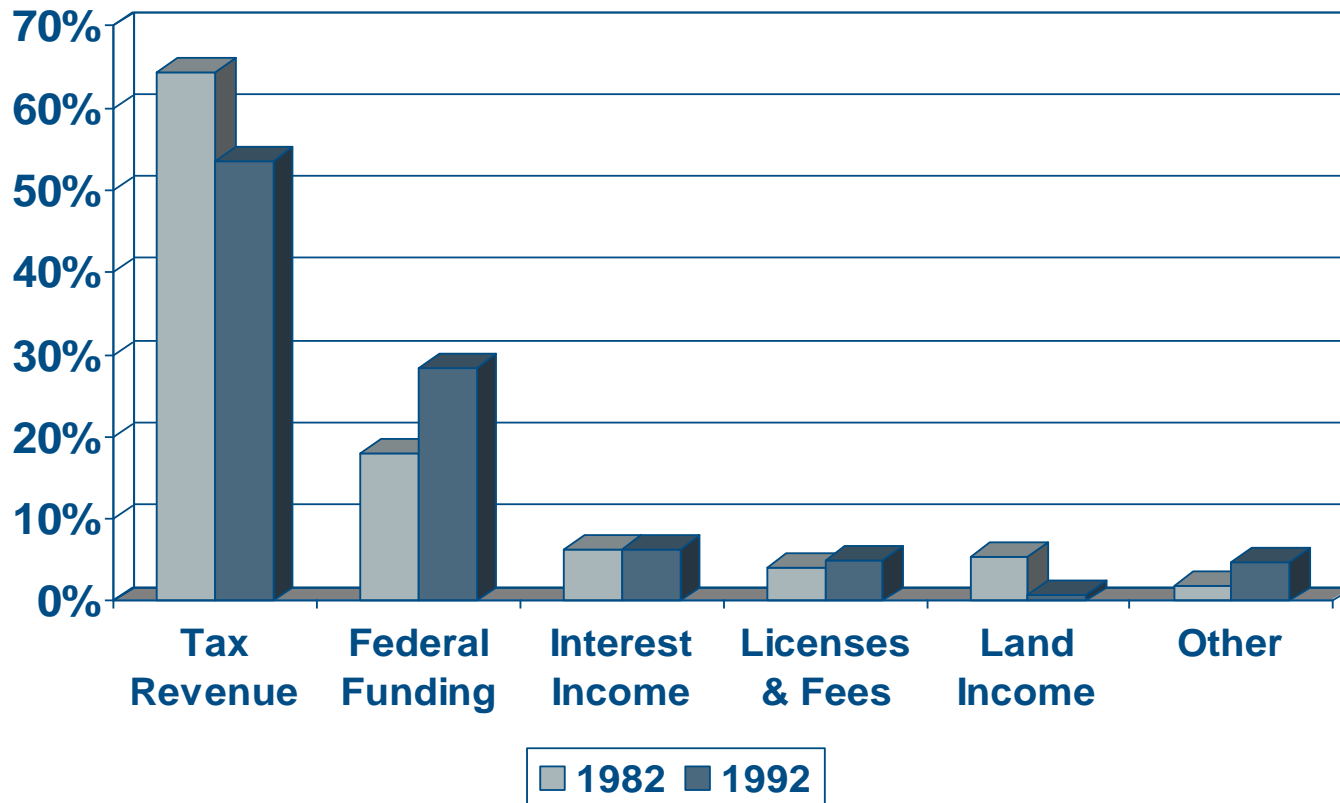
# How Texas Faced the 1982-92 Crisis

## Other Taxes Had to Replace Falling Oil & Gas Revenue

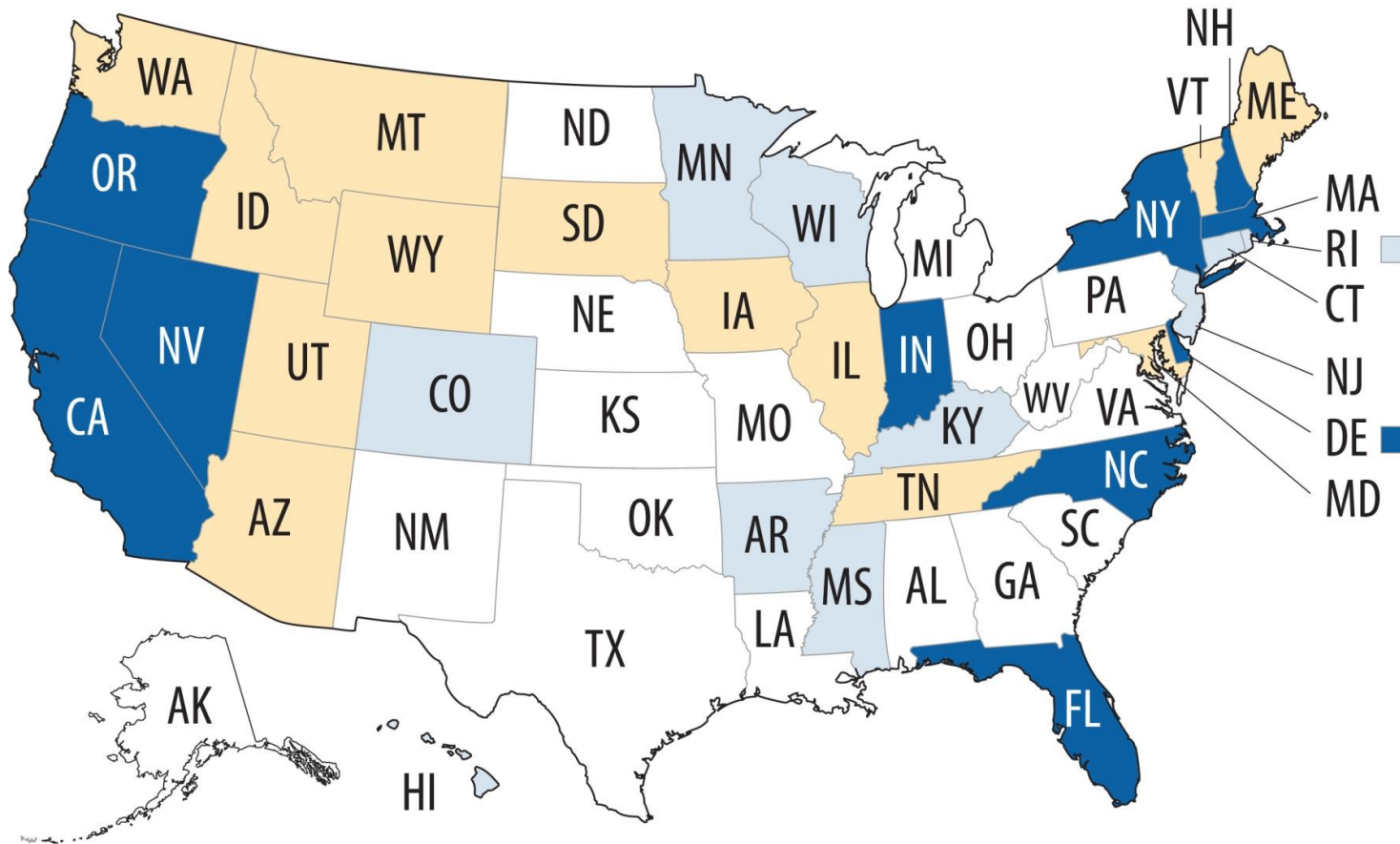


# How Texas Faced the 1982-92 Crisis

## Federal Funds Increased As a Source of State Revenue



# 33 States Have Raised Taxes in this Recession



■ More than 5%   ■ Between 1% and 5%   ■ Between 0% and 1%

Note: Includes some tax-like fees. Data is for 2008 and 2009.

Source: CBPP calculations of data from Census Bureau, state fiscal offices, and National Conference of State Legislatures

# Protecting Working Families From Tax Increases

- “Working Families Tax Rebate” enacted by State of Washington in 2008
- Adds 10% to federal Earned Income Tax Credit
- Available to working families with up to \$43,300 annual income (3 or more kids)
- 2.4 million Texan families received EITC in 2007  
– 21% of income tax filers
- 10% of EITC would average \$225 per family at cost of \$540 million a year

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