

Texas Forward: A Balanced Approach to a Balanced Budget

2011 Legislative Agenda

Texas faces both a short-term and a long-term budget deficit. These deficits have different causes and therefore have different solutions.

The longer-term deficit is a result of the unfunded property tax cuts passed in 2006 and the overall structure of Texas' revenue system. The lack of sufficient new revenue to replace foregone property taxes has created a continuing budget hole of at least \$9 billion a biennium. Structural changes in Texas' revenue system will be required to eliminate this structural deficit.

The immediate deficit facing the 2011 legislative session is caused by the global economic recession, which has temporarily reduced state revenue. This short-term deficit can be closed with one-time measures.

Texas Forward therefore adopts the following agenda for the 2011 legislative session:

Vital public services in Texas are not funded to meet today's needs or to prepare Texas for future demands. Therefore, before reducing any state services in fiscal year 2011 or in the 2012-13 state budget, the Legislature must:

- 1) Use all of the Rainy Day Fund, estimated to have \$9.2 billion available for spending in the 2012-13 budget. The constitutional purpose of the fund is to maintain vital state services during economic downturns; it is not a solution to a long-term structural deficit.
- 2) Maximize use of all available federal funding, including any additional stimulus aid or any new matching funds made available by health care reform.
- 3) Create new sources of revenue that are equitable and can grow along with the growth in need for public services, including elimination of unproductive tax breaks.

In addition, in 2011 the Legislature should examine the structural changes needed to address the long-term structural deficit, in preparation for the 2013 session.