



The Case for Cutting Taxes Now

The Texas Legislature has sufficient taxpayer funds in the treasury and future revenues sufficient to provide additional property and TIF tax relief now AND in the 2010-11 biennium.

The state currently has \$7 billion in the treasury and \$1.2 billion in the Rainy Day Fund.

If the House and Senate conferees adopt the higher recommended spending levels for each budget article, the state will still see \$2.7 billion transferred to the Rainy Day Fund.

Considering the above, the state will end the 2008-09 biennium with \$4.5 billion in surplus funds and \$4.3 billion in the Rainy Day Fund for an ending balance of \$8.8 billion. (See back)

Assuming reasonable but generous budget growth and a conservative amount of revenue growth for 2010-11, the state will end that biennium with \$2.2 billion in surplus funds and \$6.5 billion in the Rainy Day Fund for an ending balance of \$8.7 billion. (See back)

Repealing Only the TIF Tax

A TIF tax repeal would barely affect estimated future balances in the state's surpluses. The 2008-09 ending balance would be \$8.4 billion. The 2010-11 ending balance would be \$8.2 billion. (See back)

Cutting the Property Tax 9¢ with a TIF Tax Repeal

A TIF tax repeal coupled with a 9¢ property tax cut would result in a 2008-09 ending balance of \$5.9 billion. The 2010-11 ending balance would be \$2.8 billion. (See back)

Risks in Not Cutting Taxes Now

Funds kept by the state and not returned to taxpayers grow government later, when balances are even larger.

The state will lose the economic boon that comes from cutting taxes.

The effects of the new business tax could be very negative; the offsetting effects of a property tax cut would be lost.

State concerns about home ownership rates and the manufacturing industry in Texas are only so much rhetoric if property tax rates are not reduced further.

Taxpayer confidence in the Legislature may be eroded if they believe there is no long term commitment to continue lowering property taxes.

Questions and Comments should be directed to Byron Schlomach, Ph.D., Chief Economist of the Texas Public Policy Foundation.

Predictions of Spending and State Balances 2008-09 and 2010-11 Biennia

The 2008-09 budget numbers below are the greater amounts for each article in comparing the House and Senate versions of the budget.

Spending that is not funded from revenues reflected in the Biennial Revenue Estimate are netted out to determine the 2008-09 ending balances.

One-time expenditures are netted out in order to determine the base amounts to estimate the 2010-11 budget.

Growth rates are based on an examination of 5- and 10-year past growth rates in non-federally funded spending for each article.

	HB 1 + HB 2 High-End Non-Federal 2008-09 Budget	Less Spending from Sources not in BRE	Non-Federal 2008-09 Tax-Supported Budget	Less One-Time Expenses	Net Budget for Estimating Purposes	Times Estimated Percent Growth	Estimated 2010-11 Budget
Article 1	\$2,971,315,483		\$2,971,315,483		\$2,971,315,483	8.8%	\$3,232,738,695
Article 2	\$21,742,165,896	Income from Patients	\$21,742,165,896	FSP catch-up/	\$21,742,165,896	12.7%	\$24,502,742,193
Article 3	\$66,268,618,382	(\$4,900,000,000)	\$61,368,618,382	(\$1,100,000,000)	\$60,268,618,382	8.5%	\$65,391,450,944
Article 4	\$563,532,528		\$563,532,528		\$563,532,528	13.9%	\$642,028,640
Article 5	\$9,278,638,766		\$9,278,638,766		\$9,278,638,766	6.9%	\$9,918,864,841
Article 6	\$2,604,344,038	Bond Proceeds	\$2,604,344,038		\$2,604,344,038	8.8%	\$2,833,526,313
Article 7	\$11,338,710,213	(\$4,007,413,005)	\$7,331,297,208		\$7,331,297,208	13.8%	\$8,343,016,223
Article 8	\$731,473,113		\$731,473,113		\$731,473,113	5.5%	\$771,879,031
Article 9	\$689,116,402		\$689,116,402		\$689,116,402		\$689,116,402
Article 10	\$327,083,507		\$327,083,507		\$327,083,507	5.9%	\$346,487,582
EXPENDITURES	\$116,514,998,328		\$107,607,585,323		\$106,507,585,323	9.5%	\$116,671,850,864
REVENUES							
		Starting Balance	\$6,987,332,000			Starting Balance	\$4,535,841,677
		Non-fed revenue	\$107,897,325,000	4%/yr growth		Non-fed revenue	\$116,529,111,000
		Rainy Day Transfer	(\$2,741,230,000)			Rainy Day Transfer	(\$2,200,000,000)
		Total	\$112,143,427,000			Total	\$118,864,952,677
		Surplus/Deficit	\$4,535,841,677			Surplus/Deficit	\$2,193,101,813
Plus Interest & Beg. Bal.		Rainy Day	\$4,265,415,000			Rainy Day	\$6,465,415,000
		Ending Balance	\$8,801,256,677			Ending Balance	\$8,658,516,813
		Ending Balance with TIF				Ending Balance with TIF	
		Tax Repeal	\$8,432,107,677			Tax Repeal	\$8,246,888,813
		Ending Balance with TIF Repeal and 9¢ Property Tax Cut	\$5,904,107,677			Ending Balance with TIF Repeal and 9¢ Property Tax Cut	\$2,821,739,813