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State faces tough budget choices

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The figure is staring 181 Texas legislators in the face. \$5 billion.

That's the projected shortfall for the state's 2004-05 biennium budget. The state constitution mandates a balanced budget.

The \$5 billion is just to maintain the same level of services, and state agencies have their hands out asking for more.

Estimates for the projected shortfall have been as high as \$12 billion.

Something has to give.

But what gives is anybody's guess.

"There's not a lot of fat to trim," said Texas Tech assistant professor of politi-

cal science Brian Collins. "There's not a lot of discretionary spending to cut."

Collins said the Republican flavor of the Legislature will make a big difference in how lawmakers approach the budget.

"Their first act of business is not going to be raising taxes," he said.

In the 2002-03 biennium budget, 42.7 percent of the \$114.9 billion budget goes to education and 30.7 percent goes to health and human services, which includes the Medicaid and Children's Health Insurance Program, both of which are expanding.

The breakdown includes all funds, including state and federal. Funds used for Medicaid are used to leverage feder-

▼ Current Texas budget

The 2002-03 biennium budget for Texas is \$114 billion. The funds are distributed according to the following percentages.

- Education Agencies – 42.7 percent
- Health and Human Services – 30.7 percent
- Business and Economic Development – 12.2 percent
- Public Safety and Criminal Justice – 7.3 percent
- General Government – 2.4 percent
- Natural Resources – 2.0 percent
- Tobacco Settlement – 0.9 percent
- Regulatory – 0.7 percent
- General Provisions – 0.5 percent
- Judiciary – 0.4 percent
- The Legislature – 0.3 percent

Source: Legislative Budget Board

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BUDGET: Policy groups differ on priorities

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al funds, which come with many requirements by the federal government.

Some policy organizations in Texas take differing views on how legislators should tackle the budget quandary.

Eva de Luna, a budget analyst for the Center for Public Policy Priorities, said her organization fears that health and human services might face the ax.

The center bills itself as an organization seeking to help influence economic and social prospects and conditions of individuals, families and communities.

While a state income tax appears to be off the table, de Luna said, some ideas for more revenue include raising or instituting taxes on certain services, such as legal, mechanics, computer programming and funeral services.

Other options include raising taxes on cigarettes and gasoline, eliminating loopholes for businesses in the franchise tax or using debt for more projects, she said.

"They might be more willing to do something like taxing more sectors that aren't paying sales taxes," de Luna said.

"Texas is basically, right now, doing the bare minimum in a lot of areas," she said.

She pointed out, however, that poorer people wouldn't necessarily face the brunt of any higher taxes.

De Luna said her organization is trying to communicate that any budget cuts would affect some of its constituents.

"They have to know that there are real people behind these decisions," de Luna said.

Michael Sullivan, director of media and governmental relations for the Texas Public Policy Foundation, said his organization is not keen on any type of tax increase.

He said less-wealthy people tend to pick up more of the tab concerning tax increases.

The foundation espouses limited government, free enterprise, private property rights and individual responsibility.

Sullivan said the state should pursue waivers to Medicaid requirements by the federal government – mainly housekeeping measures that can save money.

He also said the state should adopt a sliding scale measure on Medicaid, where instead of people paying the same amount, it would be based on ability to pay.

Sullivan said population growth in Texas during the 1990s can be partially attributed to the lack of a state income tax and people fleeing

higher-tax states.

"The worse thing that we can do for the Texas economy is to raise taxes or institute new taxes. People vote with their feet because they don't want to pay state income taxes," Sullivan said.

He said care should be given in possibly expanding other taxes, because it ultimately trickles down to the consumer.

State Sen. Robert Duncan, R-Lubbock, recently told an economic group in Lubbock that health care costs could be reined in if reimbursements for Medicaid and the CHIP program were based on percent of population living in poverty rather than the current formula of per capita personal income.

The state also could save money by going to a closed formulary, a drug list, as part of Medicaid, instead of the current open formulary, which allows for all FDA-approved medications to be prescribed on a plan.

Last week, Rep. Carl Isett, R-Lubbock, filed a joint resolution to the Texas Tax Relief Act of 1978 to remove loopholes to require a two-thirds vote in both the Senate and House to go around spending caps.