



180-213

# Perry to state agencies: Cut spending requests

## Wants 5% trimmed from 2006-07 proposals

**By CLAY ROBISON**  
Houston Chronicle Austin Bureau

AUSTIN — Signaling another tight-fisted legislative session next year, Gov. Rick Perry and legislative leaders have told state agencies to cut 5 percent from their 2006-07 general revenue budget requests.

Such reductions, coming on the heels of \$10 billion worth of cuts in the current budget, could harm a range of public services,

program advocates warned Thursday.

Perry spokeswoman Kathy Walt said the governor simply wants agencies to set spending priorities in the budget proposals now being prepared. The 5 percent reduction would be from general revenue appropriated for 2004-05.

“I think the governor’s approach will always be for a fiscally responsible budget. Establishing spending priorities is part of being fiscally respon-

sible,” she said.

At the insistence of Perry and Republican legislative leaders, the Legislature in 2003 balanced the current \$118 billion budget without raising state taxes. To do so, lawmakers closed a \$10 billion revenue shortfall with a series of budget cuts and fee increases.

Further spending reductions aren’t necessary now because the economy and the budgetary

See BUDGET on Page 34A.

Houston  
Chronicle  
Houston, TX  
Circ. 588650  
From Page:  
31  
6/18/2004  
90213



## Budget

Continued from Page 31A.

outlook are improving, said Dick Lavine, a budgetary analyst with the Center for Public Policy Priorities, an advocacy group for low- and middle-income Texans.

“This would be a man-made disaster,” Lavine said.

“Texas already ranks near the bottom in state spending per resident. There is no revenue reason for agencies to be instructed to cut back even more on already inadequate services. With our recovering economy, we should have enough money to reverse some of the most harmful cuts made in the last legislative session, not make more,” he added.

Mark Sanders, a spokesman for Comptroller Carole Keeton Strayhorn, whose revenue projections determine how much the Legislature can spend without raising new revenue, said the budgetary outlook so far was good because the economy and tax collections continued to improve.

He said the comptroller would have a better projection within a few more months.

For months before the 2003 session convened, Strayhorn had warned the governor and lawmakers of a worsening revenue shortfall. But the size of the shortfall, \$10 billion, unveiled on the day before the session con-

vened, surprised budget writers, and agencies were ordered to make emergency spending cuts.

“Essentially last year, state agencies were caught flat-footed,” Walt said. Perry and lawmakers want them better prepared this time, in case the economy sours between now and January, she said.

Lt. Gov. David Dewhurst said the Legislature was continuing its review of spending “to make certain that state agencies and universities continue to be efficient and accountable to the taxpayers of Texas.”

“I will continue to ensure that all essential services and the most vulnerable in our society are protected in our budget,” he added.

Michael Quinn Sullivan, vice president of the Texas Public Policy Foundation, a think tank supporting limited governmental spending, applauded further restrictions.

“I think there still are ways to find cost savings. It does require people to be creative,” he said.

Some agencies may not be able to afford a 5 percent cut, Sullivan said. But cuts of 10 percent or 20 percent may be realistic for other agencies, he added.

Spending requests submitted by agencies to the Legislative Budget Board will serve as a starting point for lawmakers in drafting a new two-year budget.

The LBB and the governor’s budget office this week gave agencies and universities instructions for submitting those

requests.

“An agency’s baseline request for general revenue-related funds will be limited to 95 percent of the sum of amounts expended in fiscal year 2004 and budgeted in fiscal year 2005,” according to a letter from John O’Brien, the LBB’s deputy director, and Mike Morrissey, the governor’s budget office head.

Funding requests exceeding that level may be submitted as “exceptional items,” they said.

The letter also says that requests “shall include amounts necessary to maintain a constitutional school finance system

and meet current law requirements, satisfy debt service requirements for existing bond authorizations and maintain case-loads for federal entitlement services,” such as Medicaid.

General revenue accounts for almost \$59 billion, or about half of the current budget. It is that portion of the budget over which the Legislature has total discretion. The remainder of the budget includes federal funds or state funds dedicated to specific purposes.

Richard Kouri, spokesman for the Texas State Teachers Association, said public education cannot afford any more cuts. Lavine said reducing the baseline budget by 5 percent wouldn’t provide enough money to keep pace with enrollment growth in the public schools or in higher education.

Walt, however, said Perry “is committed to funding enroll-



→  
ment growth in the public schools.”

Lavine said the new guidelines for spending requests also will jeopardize funding for growth in prison populations and fail to cover increases in health insurance and other benefits for state employees.

He said agencies can request new funding for federal entitlement programs, such as Medicaid, but not for the Children's Health Insurance Program, which already has dropped thou-

sands of low-income children because of last year's cuts.

Gary Anderson, executive director of the Texas Public Employees Association, said further spending restrictions will make it increasingly difficult for state government to maintain an adequate work force, which already has a turnover rate of almost 18 percent.

The task of drafting the next budget also will be made more difficult by a \$582 million shortfall projected in the current bud-

gets for Medicaid and the Children's Health Insurance Program.

Earlier this week, state leaders also ordered the Texas Education Agency to find money within its budget to cover a shortfall of more than \$60 million for new textbook purchases.

The next budget also would be affected if the Legislature makes any changes in the school finance system in another special session later this year.

Houston  
Chronicle  
Houston, TX  
Circ. 588650  
From Page:  
34  
6/18/2004  
90213