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# State budget leaders delay vote on spending cap

## Property-tax cuts put up new hurdle for budget-writers.

By [Jason Embry](#)

AMERICAN-STATESMAN STAFF

Tuesday, November 28, 2006

Leaders of the Texas House and Senate are considering ways to avoid exceeding a state constitutional limit on spending, but they may have little choice.

Here's the problem: It will take almost \$14 billion in state spending over the next two years to complete a tax shift that the Legislature passed earlier this year. That isn't a net spending increase because the money will replace dollars that school districts stopped collecting when the Legislature cut school property tax rates one-third.

But replacing those local dollars with state dollars will count against the state's 28-year-old spending cap, which says spending that is not dedicated by the constitution to a specific program should not increase faster than personal income in the state. The Legislature can exceed the cap with a majority vote.

The Legislative Budget Board will choose an estimate of personal-income growth to set the cap. Lt. Gov. David Dewhurst and House Speaker Tom Craddick, the board's chairmen, delayed a vote to set the cap Monday but said they want to use the lowest estimate possible.

The estimates of personal-income growth range from 13 percent to 17 percent. The lowest estimate now facing them would allow about \$7 billion in spending growth, the highest estimate less than \$10 billion.

In other words, the cap would not be high enough to pay for the property-tax shift unless the Legislature made sizable cuts in other areas of the state budget. Plus, the state will need to spend billions more just to keep up with growing enrollments in public education and health and human services programs.

Voting to break the spending cap isn't a happy option for many members of the Republican-controlled Legislature, but it's one that Craddick, a Republican, said he warned lawmakers about when they cut property taxes.

"There were some people that were nervous about it," he said. "I think the key is that exceeding the cap is going to be for property tax relief only."

Finding a way around the cap may take a constitutional amendment, but there is not time for voters to approve an amendment before the Legislature approves the next state budget. Budget board leaders asked staff members Monday to look for other options.

Senate Finance Committee Chairman Steve Ogden, R-Bryan, sounded comfortable with breaking the cap this time.

"We're exceeding the spending cap so we can cut property taxes," Ogden said. "Let's vote. I think everybody will vote for that."

The difficulty of any vote on the spending cap will depend on whether lawmakers think they can explain the vote back home, particularly to Republican primary voters who think government already spends too much.

"We've always recognized that if you're going to do tax buy-downs at the local level that we have to be willing to be flexible on the spending cap for that purpose — only for that purpose," said Byron Schlomach with the Texas Public Policy Foundation, which is an advocate for smaller government.

The state money to reduce property taxes will come, in part, from an expanded business tax and higher cigarette taxes.

State spending has grown 2.5 percent per year since Dewhurst and Craddick took over four years ago, budget board Director John O'Brien said. That's less than the combined rate of population growth and inflation.

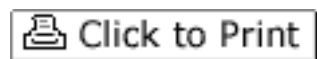
Dewhurst said he expects a state surplus between \$3 billion and \$5 billion in the next two years after the state pays for enrollment in existing programs and other commitments, such as the property tax cuts. He and Craddick said they do not want to spend all of that money.

"If in fact, as the smart guys say, this is a one-time surplus, we don't want to spend ourselves down into a hole," Dewhurst said.

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