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## News

### State facing budget challenge

By AP and WDL writers

**Posted:** Friday, January 12, 2007 12:00 PM CST

Despite a record budget surplus, Texas lawmakers adopted a state spending limit on Thursday that will limit their access to money to pay for property tax relief, teacher pay raises or 80,000 new students expected to enroll in public schools over the next two years.

The 10-member Legislative Budget Board, led by Lt. Gov. David Dewhurst and House Speaker Tom Craddick and made up of elected lawmakers, is required to adopt a spending limit every two years that parallels the predicted growth of the state economy.

The board, which has a director and staff who are not elected, agreed on a limit based on 13.1 percent over the 2006-2007 budget.

Earlier this week, Comptroller Susan Combs released figures indicating the Legislature will have an estimated \$82.5 billion in general revenue available for appropriation in the 2008-2009 budget.

"This is a solid, conservative estimate," Combs said. "I anticipate \$77.5 billion in general revenue income during the next biennium. Add to that a \$7 billion ending balance for the current biennium — the largest ending balance on record.

"Subtract \$2 billion in oil and gas production tax revenue that must be set aside in the Rainy Day Fund, and the bottom line is \$82.5 billion that is available to spend," she said. "That is approximately \$14.3 billion more than the current \$68.2 billion budget." Combs said 87 percent of the revenue will come from taxes, with the remainder from non-tax sources such as fees, interest earning and lottery proceeds.

About \$14 billion in property tax relief, passed last year under court order, will cause total state spending to surge, surpassing the spending limit by about \$4 billion.

That means that unless lawmakers find a way to exceed the constitutional cap, they'll have to cut \$4 billion from last year's spending levels and scrap any new spending on school enrollment growth, Medicaid caseload growth and money that was promised last year for teacher pay raises and other new school initiatives.

"We're always looking at ways to cut government, but that's a large number," Dewhurst said. He said he's also committed to saving about \$6

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billion to pay for the property tax relief again in two years.

A spokesman for the Texas Public Policy Foundation said Texas government "is as big as it needs to be."

"Our position continues to be that any growth in the state's budget should be limited to inflation and population increases," chief economist Byron Schlomach said. "While all of the proposed spending caps allow for growth well beyond inflation and population, we applaud the Legislative Budget Board for approving the lowest of the options.

"Even by approving the lowest rate of growth, the Legislature will be able to increase general revenue spending by 13.1 percent over the next two years," he said. "That should be more than enough to meet the state's obligations and clean up the state's balance sheet."

"With a \$14.3 billion surplus and a \$7.3 billion limit on increased spending, that leaves a whole lot of money on the table for property tax relief," Schlomach said. "The Legislature should not exceed the spending cap for any other purpose."

Lawmakers could choose to exceed the cap with a majority vote or propose a constitutional amendment with a two-thirds vote. A constitutional amendment would still need a public vote.

The vote will be tough for fiscal conservatives as lawmakers are forced to choose between abiding by the spending constraints or voting to bust the cap.

Last summer, a lawsuit filed by Citizens Lowering Our Unfair Taxes that challenged the legal limit on how much Texas can spend on state agencies and programs was dismissed.

The lawsuit had claimed the state's biennial spending limit is an artificial gauge of the economy that allows unconstitutional and excessive spending. The lawsuit, which was filed in Travis County, asked the court to "establish a reasonable yardstick with which to measure the state's economy" and to force an open vote of the Legislature in setting the limit.

The state's largest tax revenue source - sales tax - will bring in about \$41.5 billion during the 2008-2009 biennium, but Combs cautioned the sales tax revenue growth rate will decrease to 4.2 percent in the 2008-2009 biennium as compared to fiscal year 2006's 12 percent growth rate and an anticipated 7 percent growth rate for fiscal year 2007.

Combs notes the state's economy is strong but said she expects "a cooling of the economy in the months ahead" based on indicators in the housing market, oil and gas prices, and consumer spending.

A posting on [www.capitolannex.com](http://www.capitolannex.com) in June 2006 predicted the news coming out of Austin this week.

"Thanks to the Republican-pushed, Rick Perry-led property tax cut, low-income and middle class Texans stand to suffer from a potential \$3 billion cut in government services during the next biennium," Vince Leibowitz wrote, noting the governor's office's instructions at that time to state agencies they should assume a 10 percent cut in funding in the 2008-2009 biennium.

The Austin-based Center for Public Policy Priorities notes that a new national study, "Measuring Fiscal Disparities Across the U.S. States," compares the revenue capacity and expenditure requirements of all 50 states. CPPP spokesman Dick Lavine said the study concludes that Texas has greater requirements for state and local spending than most other states, but makes less effort to raise the necessary revenue.

The budget is the only bill the Legislature is legally required to pass in the 140-day session.



Poll

**Do you think the county should invest in sand trucks when comparing cost of investment to number of times used in a year?**

- yes
- no
- no opinion

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