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## News

### Lawmakers lay out state budget draft

Posted: Thursday, January 25, 2007 12:00 PM CST

From AP and STAFF REPORTS

AUSTIN - Texas lawmakers moved forward Tuesday with plans to spend billions on property tax relief and set aside some money for future needs, despite limits on how much they can spend.

Two budget bills, filed by Sen. Steve Ogden, R-Bryan, largely deplete a \$14.3 billion surplus on expenses like promised cuts to local school property taxes.

"We've got some great news: Our Texas economy is really strong," said Republican Lt. Gov. David Dewhurst. "We've got enough money to be able to balance our budget over the next four years, provide for a modest increase in our essential services and still provide the promised local school property tax cuts that we outlined last May."

The \$147 billion budget, which will pay for state programs and services, comes mostly from sales and other taxes. The largest shares go toward public education and health and human services.

The Texas Public Policy Foundation released a statement praising Dewhurst, House Speaker Tom Craddick and the members of the Legislative Budget Board for a budget the Austin-based nonpartisan group says restrains spending increases "well within population growth plus inflation."

"As we have said before, Texas state government is as big as it needs to be," TPPF chief economist Byron Schlomach, Ph.D., said. "Our position is that any growth in the state's budget should be limited to inflation and population increases, and we are grateful for the leadership of Lt. Gov. Dewhurst and Speaker Craddick in delivering a budget that stays within those parameters."

Schlomach said that factoring for the reversal of the accounting maneuvers used to balance the 2004-05 state budget, the introduced Senate Bill 1 would increase state spending by 4.3 percent over the next two years and that such a rate of growth was "entirely appropriate, given the 18 percent spending increase over the last two years."

"This introduced budget is an excellent start," Schlomach said, "and we appreciate Lt. Gov. Dewhurst and Speaker Craddick for putting the taxpayers first with this proposal."

The draft budget is about \$4 billion more than the state should be able to

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spend under a constitutionally required spending cap. But Dewhurst and others are confident they will find ways to come up with the extra money.

The Center for Public Policy Priorities, another Austin-based nonpartisan group, had previously cautioned that the \$14.3 billion surplus was not "new money."

In a Jan. 17 press release, Dick Lavine of the CPPP noted, "The comptroller has announced that the Legislature will have '\$14.3 billion in new money to spend in the 2008-09 state budget.' This figure is a comparison between the amount of general revenue expected to be available for the coming biennium and the amount being spent in the current biennium.

"This is not the same as estimating that the state will take in \$14.3 billion more in 2008-09 than in 2006-07," Lavine said. "In fact, total net revenue to general-revenue-related funds in the next biennium is projected to increase by only \$3.2 billion over the current level."

The Legislative Budget Board, led by Dewhurst and House Speaker Tom Craddick, adopts a spending limit every two years that parallels the predicted growth of the state economy. They agreed earlier this month on a limit of 13.1 percent over the last two-year budget.

Lawmakers could vote to exceed the cap or propose a constitutional amendment that would allow for tax relief dollars to not count against the spending cap. Such a measure would need to be approved by both chambers quickly in order for it to get on a May 12 ballot for a statewide vote. Voting to exceed the cap could be a difficult move for fiscally conservative lawmakers.

Dewhurst and Craddick both stressed the importance of setting aside about \$3 billion from the surplus to pay for tax cuts in the 2010-11 budget. They also want to erase the lingering effects of certain accounting tricks used in 2003 to eliminate a \$10 billion shortfall.

That strategy, known as budget deferrals, shifted money the state owed to some agencies into the next budget. Catching up on the deferrals and ending the state's reliance on its Rainy Day Fund is a priority for both chambers, Craddick said.

The draft budget would cut administrative costs at most state agencies by 5 percent.

After paying for new initiatives that most agree are necessary, lawmakers will be left with \$2.5 billion, for other projects, such as \$100 million requested by Gov. Rick Perry for border security.

"Some members are going to want to see additional money to be spent on continuing to improve our public schools. Some are going to want to see some of the money being spent on higher education," Dewhurst said. "There are a number of senators and a number of representatives that think we ought to spend some new dollars on prison construction, reform, state parks."

Analysts estimate that Texas' prison population will grow by about 11,000 in the next two years, intensifying the need for more space.

Perry has said his top spending priorities include health insurance for more Texans, border security and higher education.

The new property tax relief is a result of a court-ordered tax swap that allowed local school districts to reduce their property tax rates. That money was replaced in public schools with revenue from new business and cigarette taxes, but those aren't expected to raise enough to pay for all the tax relief promised.

That leaves lawmakers in a sticky situation: find about \$6 billion every two years to pay for it or go back on the promise to taxpayers.

In the House, budget proceedings have been more willy nilly. Craddick has not made committee assignments, and changes on the budget-writing House Appropriations Committee are expected. Former chairman Jim Pitts,



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R-Waxahachie, who had been working on the budget, will likely lose the post after challenging Craddick as speaker.

During Wednesday's session, state Rep. Robert Talton of Pasadena queried Craddick about the pending committee assignments. Talton, who supported Pitts in his failed speakership bid, served as chairman of the House Committee on Urban Affairs during the last legislative session.

Talton's questions included asking Craddick as to his policy about a member not wanting to serve on a committee because of personal, moral or health reasons.

Talton also asked if the rules require the speaker to use a seniority pick for a chairmanship and if the speaker was obligated to appoint a member to a committee that was not his seniority pick but on his preference card and without that member's consent.

"We'll answer all three of them (the questions) in the morning (Thursday)," Craddick said, citing the need for the parliamentarian to do research.

The House was set to convene at 9:30 a.m. today.

Although not a certainty, speculation at the Capitol has been that Craddick might release House committee appointments today. Dewhurst released the Senate committee appointments Jan. 12.

The Senate bills are SB1 and SB2.

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