

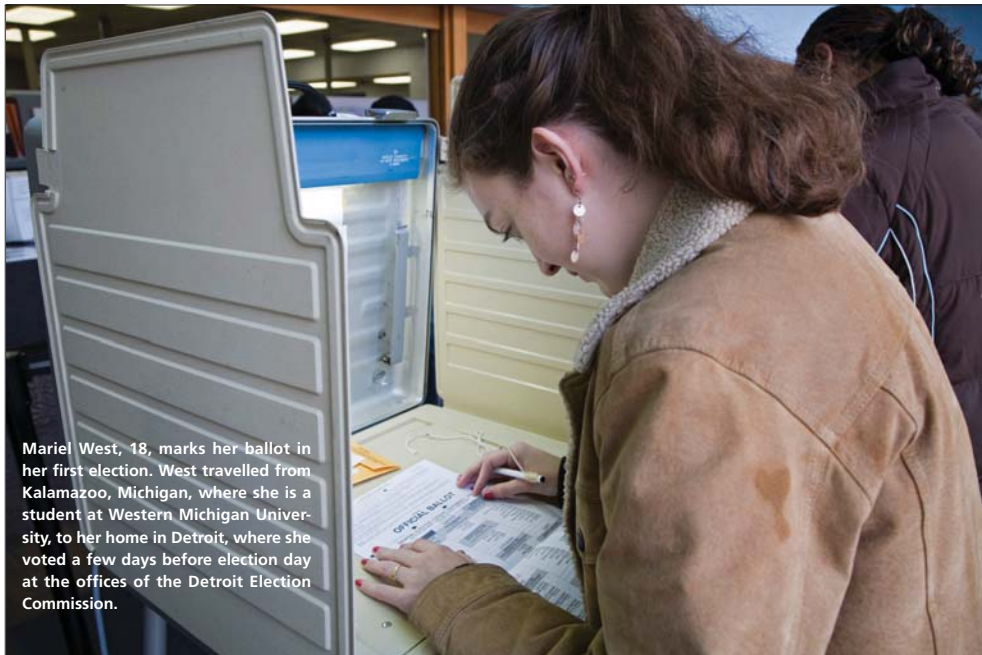
# Budget & Tax News

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## Michigan Voters Reject Education Spending Mandate



Mariel West, 18, marks her ballot in her first election. West travelled from Kalamazoo, Michigan, where she is a student at Western Michigan University, to her home in Detroit, where she voted a few days before election day at the offices of the Detroit Election Commission.

### Fat pensions prompt rejection

By Ryan S. Olson and Ted P. O'Neil

Michigan voters overwhelmingly rejected a November ballot measure that would have mandated annual increases in funding for public education, in large part because

school employee pensions became a major issue.

Proposal 5 lost by a whopping 62-38 margin. (See "Vote Seen as Referendum on Pensions," on page 17, for more on how the pension debate affected the outcome.)

A majority of voters in every Michigan county rejected Proposal 5. In 70 of Michigan's 83 counties, the margin of defeat was 20 or more

points.

Citing decreased state per-student grants and asserting a connection between education spending and economic growth, the "K-16 Coalition" fought for the measure with dozens of glossy mailings, radio advertisements, and yard signs.

Citizens for Education, a political action committee backed by the

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## Cable Franchise Reform Spreads

By Steven Titch

As of December 2006, 11 states had approved video franchise reform legislation.

Eight of those states—California, Indiana, Kansas, Michigan, New Jersey, North Carolina, South Carolina,

CONSUMERS p. 4

## Texas Budget Is a Rags to Riches Story

By Byron Schlomach

Going into its second regular legislative session following the financially harrowing 2003 session—when it faced a historic \$10 billion shortfall—the Texas Legislature's fortunes have reversed.

Early estimates indicate the Texas Legislature is facing a truly historic surplus situation. Estimates of the size of the surplus have ranged from \$8 billion

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## Ill. Town Hires Private Firemen

By John W. Skorburg

The village of Lakewood, Illinois, a northwest suburb of Chicago, has hired a private company to provide fire protection and emergency medical services as part of a long-term program to protect taxpayers and homeowners. The program includes construction of the village's first fire station.

Lakewood had been paying neighboring Crystal Lake for fire and rescue services, but Crystal Lake's insistence on higher payments prompted Lakewood officials to look for an alternative. Village officials hired American Emergency Service Corporation to begin providing fire and rescue services on January 1.

Lakewood, with slightly more than

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## Texas

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to a jaw-dropping \$15 billion.

Texas Lieutenant Governor David Dewhurst (R) said, "The great news here in Texas is that conservative budgeting and not raising taxes the past two legislative sessions have turned a \$10 billion shortfall into a surplus.

**"Early estimates indicate the Texas Legislature is facing a truly historic surplus situation. Estimates of the size of the surplus have ranged from \$8 billion to a jaw-dropping \$15 billion."**

"By being disciplined and having a conservative team of leaders who hold the line on unnecessary spending," Dewhurst continued, "we will continue our current trend, which has seen state general revenue spending grow less than 2.5 percent per year since 2002 and continue to strengthen Texas' fiscal condition."

### \$15 Billion Surplus Projected

Texas sets budgets on a two-year (biennial) cycle. State officials estimate the current biennium will end with \$7.5 billion

in the state's bank. The state's growing economy is expected to generate another \$7.5 billion in state revenues over and above current spending by the end of the next biennium, for a total of \$15 billion in estimated surplus at that time.

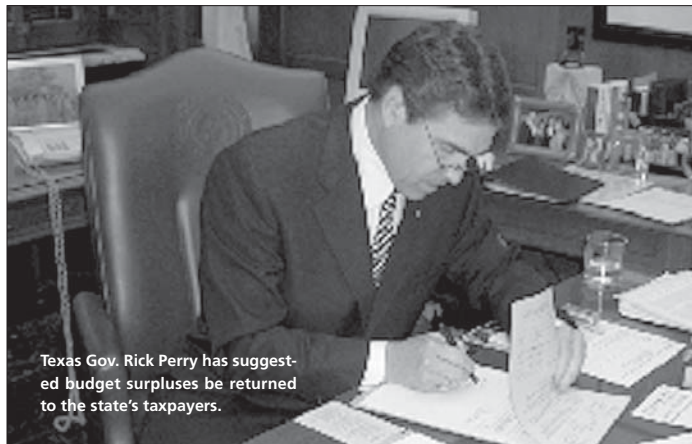
Last May, the state's business and tobacco taxes were increased by an estimated \$9 billion per biennium in order to help fund a \$13.5 billion per biennium reduction of local school property taxes. The additional \$4.5 billion will have to come out of the state's original revenue stream.

That still leaves \$7.5 billion in the bank at present and an estimated \$3 billion in future revenue for the Texas Legislature to spend as it sees fit.

Medicaid enrollment growth alone will cost an additional \$2 billion during the next biennium, fiscal years 2008 and 2009. Texas' public education student population grows by about 70,000 per year as well, costing at least another \$1 billion during the next biennium. Other spending growth can be expected in higher education and other health care areas, as well as on prisons.

Nevertheless, state Sen. Steve Ogden (R-Bryan), who chairs the state Senate Finance Committee, which is responsible for preparing a budget, said, "The legislature is in as good a financial shape as it's been since I've been elected."

Ogden's counterpart in the Texas House, state Rep. Jim Pitts (R-Waxahachie), chair of the Appropriations Committee, echoed Ogden's optimism



Texas Gov. Rick Perry has suggested budget surpluses be returned to the state's taxpayers.

but cautioned, "Before you start figuring out ways to spend the surplus, keep in mind we have to take care of these pressing issues of the state."

### Spend More or Return Money?

Some eye the funds the legislature now has at its disposal as an opportunity to expand government services, especially in areas that were reduced in size or whose growth was arrested in recent lean years. Others see it as an opportunity to return funds to taxpayers.

Texas Gov. Rick Perry (R) has suggested several budget-oriented reforms, including tax rebates when surpluses occur. Perry also has suggested cutting

the business tax that was enacted in May 2006.

One issue that must be confronted is Texas' constitutional spending limit. It prohibits certain spending from growing faster than estimated growth in Texans' personal income.

As it stands, estimated state-financed property tax relief alone is going to cause state spending to grow faster than the limit. A vote by the legislature declaring an emergency is required for spending over the limit.

Byron Schlomach ([bschlomach@texaspolicy.com](mailto:bschlomach@texaspolicy.com)) is chief economist for the Texas Public Policy Foundation.

**Giving money and power  
to government is like giving  
whiskey and car keys  
to teenage boys.**

**—P.J. O'Rourke**



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