

State Spending—Still Growing and Growing *The Real Story of Texas' Spending*

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Some claim state spending in recent years has been flat to declining when inflation and population growth are taken into account. Legislative Budget Board charts from the *Fiscal Size-Up* publication seem to bolster this view.

A deeper look at state finances shows that this perception is not true. The facts refute conventional wisdom that budget cuts in 2003 were real and ongoing.

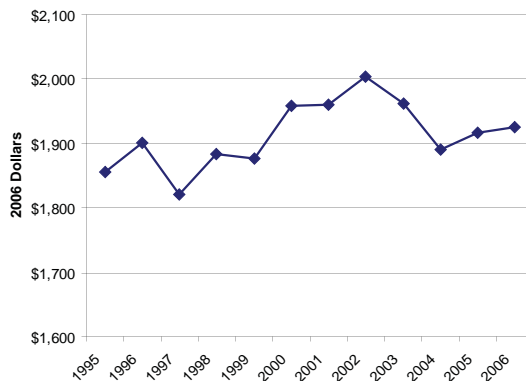
State finance can be a confusing hodgepodge of funds with caveats and exceptions to any given perspective on spending. Not the least of these issues is public education spending, which is shared with school districts funded by local property taxes.

In reality, overall state spending is rising once public education is taken into account. Spending for which the state is responsible is actually trending upward, even after accounting for population growth and inflation.

Figure 1 illustrates the familiar claim that state spending adjusted for population and inflation is flat to declining. Clearly, spending was higher in fiscal years 2000 and 2001 than it was in 2006.

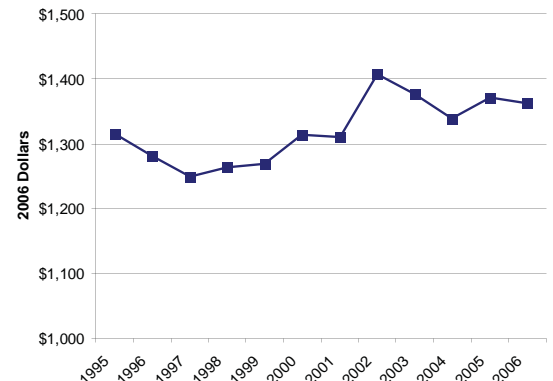
Figure 1 shows state spending *excluding* spending from federal funds. In other words, the spending from General Revenue, General Revenue-Dedicated, and Other revenue sources is shown *without* Federal

Figure 1 Inflation-adjusted State Funded Spending per Texan



Sources: Legislative Budget Board's Legislative Budget Estimates, Census Bureau, Bureau of Labor Statistics, author's calculations.

Figure 2: Inflation-adjusted State Funded Spending per Texan, Excluding Public Education



Sources: Legislative Budget Board's Legislative Budget Estimates, Census Bureau, Bureau of Labor Statistics, author's calculations.

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funds. Figure 1 also adjusts for inflation, measuring spending in all years in 2006 dollars. It adjusts for population by dividing total spending by the state's population each fiscal year.

This view fails to consider the shared nature of public education funding. State spending on public education can fall even as total state and local public education spending rises. Total state spending can *fall* while state spending on everything other than public education is *rising*.

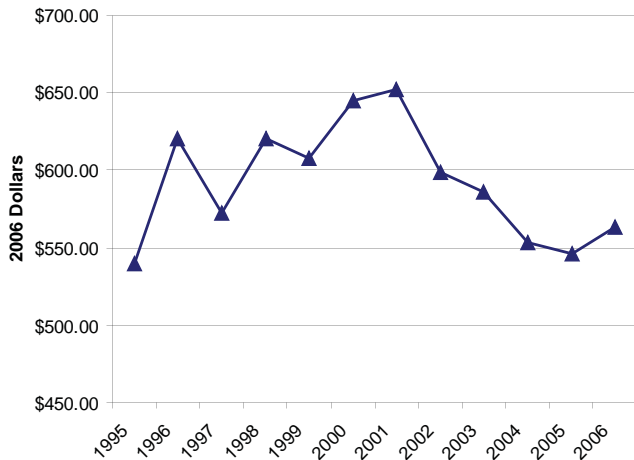
Take a look at **Figure 2**. Instead of showing inflation-adjusted state spending per Texan falling slightly, it shows an *increase*. The difference is that state spending on public education is netted out.

Figure 2 shows that the scope of state government has not declined. Indeed, it has increased. Now, instead of spending in 2006 being lower than in 2000 and 2001, it is *higher*. This is because *state* funding of public education declined until recently, as can be seen in **Figure 3**.

State funding for public education is much lower in 2006 than in 2000 and 2001. *But this does not mean spending on public education fell.* What it means is that rising property values were allowed to fund public education, even as spending per student adjusted for inflation remained fairly steady. *Property taxes funded state spending in other areas, such as health and human services.*

From 2001 to 2006 inflation-adjusted state funded spending per Texan *fell* by \$36 as shown in Figure 1. Funding in Article III, which includes public education, *fell* by \$96 (see Figure 3). Where did that \$60 difference go? Funding for Article II—primarily Medicaid and CHIP—*rose* by \$76. Cuts in state funding of education and other areas allowed property taxes to fund more spending on health care. The result is that government grew. Government is bigger now than it was in 2000, and little has been done up to now to curb the growth. ★

Figure 3: Inflation-adjusted State Funded Public Education Spending per Texan



Sources: Legislative Budget Board's Legislative Budget Estimates, Census Bureau, Bureau of Labor Statistics, author's calculations.