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## A gloomy forecast for new Legislature

By Peggy Fikac - Express-News

AUSTIN — Saying Texas can't escape the turmoil of the national economy, Comptroller Susan Combs told lawmakers Monday they'll have \$9.1 billion less to pay for services over the next two years.

The decrease — from \$86.2 billion to \$77.1 billion — reflects a predicted \$2.2 billion drop in revenue in the two-year budget cycle that starts Sept. 1. Combs' estimate also shows a cash balance that's \$6.9 billion smaller than the one that greeted lawmakers two years ago.

On the flip side, Texas also has billions of dollars in its rainy day fund that, with a two-thirds vote of lawmakers, could help it ride out the economic storm as legislative leaders focus on paying for the essentials in areas ranging from education to health care to prisons.

“The state is not immune to the economic forces wreaking havoc in other sections of the country,” Combs said in announcing her estimate — which determines how much lawmakers can spend — the day before they convene in regular session today.

Combs called her forecast “decidedly cautious” given the continuing tumult in the national economy, the auto industry, and the housing and financial markets.

“What you have is a severe slowdown, but one that, through foresight, the Legislature is going to be able to manage,” said Dale Craymer, chief economist of the Texas Taxpayers and Research Association.

The state general-revenue forecast does not include federal funds, which could bring the total two-year revenue estimate to about \$167.7 billion.

It also doesn't include savings in two state funds that inject a bright spot in the gloomy forecast.

There's a substantial amount in the rainy day fund, which is financed with a share of state oil and gas tax revenue. The fund will reach \$6.7 billion by this summer, and collect another \$2.4 billion over the next two fiscal years, for a total of \$9.1 billion.

Some argue, however, that this surplus should be spent only cautiously.

In addition to the rainy day fund, lawmakers have \$3 billion set aside to help pay for local school property tax relief. In order to cut school property tax rates, lawmakers in 2006 shifted more of the funding burden for schools to the state.

Combs' forecast was grimmer than anticipated by some leaders, noted House Appropriations Committee Chairman Warren Chisum, R-Pampa: “It was kind of a little bit less than our worst-case scenario.”

He predicted lawmakers will dip into the rainy day fund to pay for “one-time expenses.” But he said, as he has before, that new ideas such as putting significant money into higher education to stem rising tuition rates “are at

least on life support.”

“The focus has got to be to live within that revenue estimate,” Chisum said.

GOP Gov. Rick Perry generally believes the rainy day fund should be used “for one-time expenditures that don't obligate the state to ongoing costs,” said spokeswoman Allison Castle.

Combs' estimate “certainly was unpleasant news,” said Sen. Judith Zaffirini, D-Laredo, Senate Finance vice-chair, expressing hope that the economy will rebound and Combs will be able to up her estimate.

Zaffirini said lawmakers have no choice but to dip into the rainy day fund: “I do believe that it's raining. ... Simply cutting programs is not the solution. We cannot shift the burden from the state to local governments.”

She said those who fight for education and human services “have our work cut out for us.”

Former state lawmaker Talmadge Heflin of the Texas Public Policy Foundation, which advocates limited government, said the Legislature “needs to demonstrate leadership this year by pruning state spending now ... Restraining our spending now will give us more options in the event that this national recession is prolonged.”


Dick Lavine of the Center for Public Policy Priorities, which advocates for services for lower-income people, said, “The people we're concerned about rely on the state for the most basic services, like health care and education. We're very concerned that the state make them a priority and devote as much as necessary of the rainy day fund to make sure that people who are already going to be hurt by the recession aren't hurt further by the elimination of services.

“This is exactly why we instituted the rainy day fund,” Lavine said. “It's raining harder now than any time since the great flood.”

GOP Lt. Gov. David Dewhurst said lawmakers must be “very conservative about new spending these next two years in order to keep taxes low, fund essential services, create a healthy budget reserve and keep our economy strong.”

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