

\$180 billion budget to take center stage in House

By APRIL CASTRO Associated Press Writer © 2009 The Associated Press

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AUSTIN, Texas — After months of waiting, the most important bill of the legislative session takes center stage in the Texas House this week.

The \$178 billion, two-year House budget proposal — including \$11 billion in federal stimulus funds for 2010-2011 — is set to be debated in the House on Friday.

The plan also includes more than \$3 billion in debt payments, a 25 percent increase from the last budget. The debt payments in the House budget are still less than the 34 percent hike approved earlier this month in the Senate version.

The debt payments go toward bonds the state has used to build roads, bring running water into colonias and fight cancer, among other things.

"It's important to pay the debt to service the bonds very kindly and not let them get into a situation where they're paying interest only," said former Rep. Talmadge Heflin, who now serves as director of the Texas Public Policy Foundation's Center for Fiscal Policy.

"I don't see that as an increase that's out of line."

But before the massive budget is up for consideration, the 150-member chamber will take up a \$3 billion plan to help state agencies meet higher-than-expected costs over the remaining months of the 2009 fiscal year. That bill, which includes money for expenses associated with Hurricane Ike and rising Medicaid costs, is scheduled for debate and a vote on Thursday.

It also includes money to restore the Governor's Mansion, which was badly burned in an arson fire last summer.

Neither of the measures up for consideration this week draw from the state's savings account, the Rainy Day Fund, which is expected to have a balance of more than \$9 billion within the next two years. Lawmakers have been adamant about not touching the fund, warning that the slumping economy, droopy sales tax revenues and an expected revenue shortfall portend a bloody budget session in two years.

For now, lawmakers were spared from a multibillion revenue shortfall by President Barack Obama's federal stimulus package.

The infusion of federal money has helped lawmakers to close a gap between available state revenue and spending needs they identified. It has also contributed to an overall spending increase of more than 5 percent, or almost \$9 billion more than was spent for the current budget for 2008-2009.

"We would have certainly preferred they didn't spend as much of" the federal stimulus money,

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Heflin said. "There definitely, in my opinion, are going to be some holes left when that money is exhausted and they start writing the budget in 2011."

About \$80 billion of the proposed House spending — 45 percent — is from state dollars, mostly revenue from the sales tax. That figure represents a decrease of about 2.5 percent in state spending in the current budget.

The House's budget proposal could still change because, unlike the staid Senate, the rambunctious House can add amendments to the budget during debate. Hundreds of amendments are likely and the process is already causing turmoil.

Earlier this week, Rep. Sylvester Turner, D-Houston, questioned why an estimated \$800 million in leftover state revenue not spent in the budget proposal could not be used to pay for amendments. The money has been set aside to pay for any costly legislation yet to be passed in the remaining seven weeks of the legislative session.

Rep. Jim Pitts, who will lead the budget debate next week, said he would not accept such amendments.

Otherwise, Pitts argued, lawmakers should just go home when they finish the budget, because there wouldn't be any money left to pay for laws they pass.

Still, the House version of the budget is about \$4 billion less than the Senate version, which was

approved earlier this month.

Pitts, R-Waxahachie, said most of the difference between his proposal and the one adopted last week by the Senate is in bond debt.

The Senate version included about \$2 billion in bonds for building new roads.

The House budget also authorizes \$300 million in bonds for cancer research and prevention, compared to \$600 million in the Senate version, and used lower caseload projections for Medicaid that amounted to about \$1 billion less.

Once the House approves its budget, the two chambers will work out their differences in a conference committee.

Public education and health care make up the biggest percentage of the spending plan for 2010-2011. The budget proposal also gives a \$1,000 bonus to retired and active state employees and retired teachers.

The House also put more than \$200 million into the cash-strapped TEXAS Grants, the state's biggest college financial aid program.

Even as the Legislature debates the next budget, officials are warily eyeing decreasing monthly sales tax revenues, the largest single source of state money.

Comptroller Susan Combs said last week's report of further sales tax decline is not yet severe enough to lower the projected revenue estimate, which would throw a major wrench in budget

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negotiations.

"With five months left in the fiscal year, it probably isn't worth a whole lot at this point," said Dale Craymer, chief economist for the Texas Taxpayers and Research Association. "The next months are critical."

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