

The Good, the Bad, and the Ugly: A Brief Overview of the 2010-11 Budget

by The Honorable
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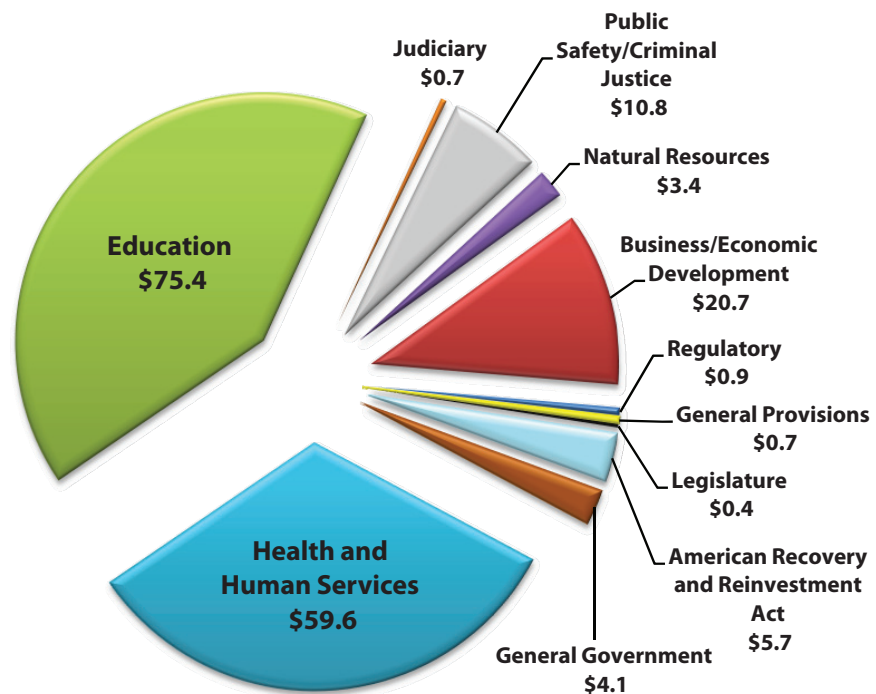
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The budget includes \$12.1 billion in federal funds from the American Recovery and Reinvestment Act (ARRA), of which \$6.4 billion was allocated for General Revenue spending and \$5.7 billion was spent directly by state agencies.

As shown below, the appropriations for the 2010-11 biennium can be divided into 11 broad categories—the largest of these being Education, Health and Human Services, and Business & Economic Development.

2010-11 Texas Budget (in billions)



Though every budget is unique in its own right, this session's budget is in a class of its own. Written with several billion dollars in federal aid from the administration's stimulus package and amidst what some have coined "the Great Recession," the 2010-11 budget is unlike any other in both size and restraint.

To better illustrate this point, here's a look at the good, the bad, and the ugly.

The Good

- Annual budget growth—8.6 percent—stayed within the projected growth of population plus inflation.
- General Revenue spending for 2010-11 totaled \$80.7 billion, a decrease of 1.9 percent from the previous biennium.
- Funds in the Economic Stabilization Fund (ESF)—aka the “Rainy Day” fund—went unspent. Since no money was appropriated or diverted from the ESF, the fund’s balance should reach \$6.7 billion by the end of fiscal year 2009 and \$9.1 billion by the end of fiscal year 2011.
- The governor used his veto powers to reduce General Revenue spending by \$97.2 million and \$288.9 million in All Funds.

The Bad

- Appropriations for the state’s two biggest expenditures—Education and Health and Human Services—now totals \$135 billion, up from just \$75.1 billion in 2000-01.
- The conference committee version of the House’s budget totaled \$177.4 billion, while the Senate’s proposed budget spent \$182.3 billion. The approved budget spends closer to what the Senate proposed, instead of more evenly splitting the figures as was expected.
- The Legislature failed to amend the state’s Constitution to prevent the growth in appropriations from exceeding the growth in population plus inflation.

The Ugly

- The new budget includes \$12.1 billion in federal stimulus money and the supplemental appropriations act contains \$2.4 billion, for a total of \$14.5 billion. Though much of the stimulus was appropriated under the auspices of “one-time” funding, recent comments from John O’Brien, director of the Legislative Budget Board, suggest that nearly \$4.5 billion may become recurring expenditures in the next legislative session.

Conclusion

Texas’ two-year budget is a bit of a mixed bag.

On the one hand, the growth in state spending was held to a minimum. No new taxes were created to add to the state’s coffers, and the state’s sizeable “Rainy Day” fund was left untouched.

On the other hand, the 2010-11 budget is the largest budget in state history, the state accepted \$14.5 billion in federal stimulus funds, and there is a strong possibility that supposed one-time federal expenditures will turn into recurring state expenses.

While the positives outnumber the negatives in the state’s new budget, Texas will be well served if its state leaders remain focused on fiscal restraint. The national recession has been particularly punishing to states that lost their budget discipline and abandoned pro-growth tax policies, and Texas should not follow their example. ★

