

## Agency budget cuts small in face of Texas' gaping shortfall

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AUSTIN – State agencies offered up potential budget cuts of 5 percent Tuesday, fulfilling a request from state leaders as [Texas](#) grapples with a shortfall that could reach \$15 billion or more.

But their trims amount to a relatively small, initial pebble in a large pool.

Lawmakers and state leaders face a daunting task to close the budget gap, and few have offered substantive ideas for dealing with the state's structural deficit.

The major candidates for governor have been vague on the issue as well, promising to cut and scrub for waste but largely not offering sweeping ideas for a permanent fix to how to pay for school property tax cuts created four years ago.

One thing is clear: The days are over when Texas sweeps in piles of money from sales tax revenue, allowing leaders to put off finding a way to pay for the tax cuts.

"The recession basically pulled the sheets off the bed and exposed our shortcomings," said Eva DeLuna Castro, a budget analyst for the Center for Public Policy Priorities, which urges more state spending on social services and education.

"As long as the economy was good and the cuts lawmakers made in 2003 were still in effect, they had enough revenue to make up for that hole in school finances," said DeLuna Castro, a former research analyst in the comptroller's office, referring to the last time lawmakers faced a massive budget shortfall. Now, though, Texas faces "a day of reckoning," she said.

Every two years, the property tax cuts cost about \$15 billion. That's \$9.5 billion more than the state takes in through an expanded business tax and increased tobacco taxes, the biggest parts of a "tax swap" that was orchestrated in 2006.

Rainy day

Although lawmakers will have billions of dollars in the "rainy day fund" when they meet early next year and begin crafting the next budget, it takes a two-thirds vote of each house in the Legislature to spend it. And under the state Constitution, they must balance the budget.

[Democrats](#) have slowly regained enough numbers in the House to resist deep spending cuts. And Republicans may be even more anti-tax than they were when they took power in 2003. Then, they closed a \$10 billion hole mostly by cutting services, though they also raised fees by \$1.8 billion. But with several facing Tea Party opponents in primaries next month, there could be a hardening of GOP resolve not to raise more revenue.

"I would be surprised if they use more than half of the rainy day money, assuming that they use some of it," said former Rep. Talmadge Heflin, the [Houston](#) Republican who led House budget writing in 2003, the first year of GOP control of the Legislature in 130 years.

As for the long-term problem, said Heflin, now a budget analyst for the free-market Texas Public Policy Foundation: "I haven't heard anybody talk about balancing the budget by raising broad based taxes or creating a new tax."

Prison problems

The budget cut ideas were solicited by Gov. [Rick Perry](#), Lt. Gov. David Dewhurst and Speaker Joe Straus, R-[San Antonio](#). Among them are an end to random steroid tests of high school athletes and eliminating more than 2,000 prison guard positions, which prison officials said would damage security.

Top prison official Brad Livingston pleaded not to have to carry out more than four-fifths of the nearly \$300 million in cuts he proposed, saying the cuts in drug treatment and community supervision of parolees "will likely increase recidivism."

The identified reductions would make only a partial dent in the expected budget gap, estimated at somewhere between \$11 billion and \$19 billion. The 5 percent cut requests apply to only about a quarter of the state's two-year, \$182 billion budget; items such as the main school funding program and Medicaid eligibility funds were exempted.

Even if all the cuts are carried out, they would save only \$2.1 billion before September 2011, DeLuna Castro said.

Dale Craymer, who was budget director for the late Gov. [Ann Richards](#), said it will take at least several weeks for the Legislative Budget Board, a group of 10 lawmakers who track the budget, to review the lists and seek more information. Then they and Perry could take formal or informal action to impose trims, he said.

"It's a first step of what will likely be many," said Craymer, president of the Texas Taxpayers and Research Association.

The budget gap is probably the biggest immediate issue the next governor has to face, but the candidates' ideas about how to cope are at best vague.

Perry has said state leaders cut spending in 2003, and they'll do it again – not mentioning a raft of accounting maneuvers, special federal aid and unfunded mandates on local governments that made their task easier.

Also, Craymer said, a swift economic upturn in 2004 allowed leaders to undo some of the cuts. But prospects of a swift economic rebound are far from certain this time.

Sen. [Kay Bailey Hutchison](#), has said she would "scrub the budget."

"The way you cut is target," she said Tuesday after she cast her primary ballot early in [Dallas](#). "The state budget has increased 80 percent under this governor. He talks conservative, but he's not governing conservative."

Perry has said he's leading by example, proposing nearly \$35 million to cut from his office's budget.

Republican Debra Medina has proposed eliminating property and business taxes, though she hasn't specified where she'd cut spending – or how high she would raise the sales tax.

Democrats Bill White and Farouk [Shami](#) also haven't pointed to specific things they'd cut. Shami has endorsed casino gambling and pollution taxes on some businesses. White, a former Houston mayor, has said he'd consider eliminating tax exemptions that have grown "outdated."

Craymer said the going will get rough, fast.

"You've got a 12 percent to 20 percent budget gap, maybe," he said. "This first 5 percent they're talking about today isn't easy. But you can imagine as that number grows two or three times, how challenging those cuts will be."

Staff writer Gromer Jeffers Jr. in Dallas contributed to this report.