

Star-Telegram

Deeper cuts loom for state budget as Perry seeks 10 percent more in savings

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AUSTIN -- Less than two weeks after imposing a \$1.2 billion reduction in current state spending, Gov. Rick Perry and other leaders ordered state agencies Friday to submit plans for additional cuts of 10 percent as they prepare their operating budgets for the next two years.

The latest instructions from Perry, Lt. Gov. David Dewhurst and House Speaker Joe Straus continued a course of severe belt-tightening as state leaders and lawmakers confront a budget shortfall of up to \$18 billion for the coming 2012-13 fiscal biennium.

"There's not any fat left," said Andy Homer, government affairs director for the Texas Public Employees Association. "This is cutting to the bone."

Agencies were instructed to submit their base-line budget requests for the next biennium along with a "supplemental schedule" outlining how they would reduce the base-line requests by 5 percent each year.

The plans will be submitted to Perry's office and the Legislative Budget Board between Aug. 2 and Aug. 30.

The three leaders had earlier ordered agencies, universities and appeals courts to submit plans for cutting 5 percent from current spending -- or \$1.7 billion -- in the 2010-11 biennium, which started Sept. 1.

After reviewing the plans and granting full or partial exemptions for about a third of the agencies, they announced reductions totaling \$1.2 billion.

"As we move into the upcoming budget cycle, state leadership will continue to identify ways to trim spending, just as families and businesses across the state have done, in order to balance our budget," Perry said.

"This request for 10 percent reduction proposals for the next biennium builds on our ongoing call on state agencies to tighten their belts so Texas can continue our commitment to keep taxes low, attract businesses and create jobs as we continue to lead the way out of the national economic downturn."

'Starting point'

The notification was described as a "starting point" for state agencies as they prepare their budgets for the 82nd Legislature, which convenes in January.

The budget crunch, caused largely by plummeting sales tax revenue during the nation's economic downturn, is expected to dominate the 140-day session.

Straus has called on lawmakers to look at all available ways to pare spending. He also insisted that lawmakers reject the option of raising or creating taxes, which he said would restrain economic growth and job creation.

Money-saving options suggested by Straus include having unpaid furloughs for state employees, moving to a four-day workweek, freezing top-level state salaries and imposing a moratorium on new programs.

House Appropriations Chairman Jim Pitts, R-Waxahachie, the chamber's chief budget writer, said this month that lawmakers will examine revenue-raising options such as expanding gambling, increasing fees and eliminating some tax exemptions. Another option is tapping the Rainy Day Fund, which is funded by oil and gas revenue and is expected to total \$8.2 billion when lawmakers convene.

"I think there are certainly going to be some difficult decisions in there, but unfortunately we're at a time when we have to make difficult decisions," said Dale Craymer, president of the business-backed Texas Taxpayer and Research Association.

Craymer said lawmakers are not likely to call for a uniform 10 percent cut across all agencies.

"That would be pretty horrible if they actually do 10 percent," said Eva DeLuna Castro of the Center for Public Policy Priorities. Castro pointed out that the leaders had trouble reaching the 5 percent targets in the last round.

Doing 'the right thing'

Talmadge Heflin, the top fiscal-policy analyst at the free-market Texas Public Policy Foundation, said leaders "did the right thing" by requesting the proposals for a 10 percent cut.

"If they're going to get anywhere close to balancing the budget without a tax increase, they're going to have to look at options like that," the former legislator said.

Budget experts said likely targets are big-budget agencies and programs such as health and human services, prisons, public education and higher education.

The Texas Department of Criminal Justice, which administers the prison system, was largely exempted in the last round of cuts but may not be spared this time, several analysts said.

Castro also predicted that the Health and Human Services Commission may be forced to make deeper reductions in rates paid to Medicaid providers on top of a 1 percent reduction -- \$64 million -- ordered for the current biennium.

The next round of austerity measures could also cause economic pain for Texas universities, including those in North Texas, as they deal with growing enrollment.

Higher-ed worries

"At the same time we're being told that the state has less money for the foreseeable future, we have more students," said Kristin Sullivan, assistant vice president for media relations at the University of Texas at Arlington. Enrollment at UTA was just over 28,000 in the fall.

UTA has offered an incentive program for 247 eligible employees to take voluntary retirement. The deadline to decide is June 15.

"Depending on how that turns out, the university may have to explore other budget-cutting measures," Sullivan said.

The university is also implementing other cost-saving measures, including cutting travel and holding off on filling nonessential positions.

In their letter Friday, the three leaders detailed exceptions to the base-line-request limitation, including funding for the Foundation School Program, funding to satisfy debt service for bond authorizations, and funds to maintain eligibility in Medicaid entitlement programs, the Children's Health Insurance Program and the foster-care program.

"While we face challenges to our budget, Texans can rest assured we will preserve essential services as we identify further savings for

taxpayers," Dewhurst said.

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