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AUGUST 9, 2010 4:00 A.M.

### State-Bailout Trap

Gov. Rick Perry fights to preserve the fiscal autonomy of Texas.

When the House convenes today in a special session to vote on a \$26 billion package of aid funds for state and local governments, it will have to decide whether to single out one state — Texas — for special treatment. This is not the kind of special treatment that we're used to seeing in Washington, where senators often secure extra benefits for their states in return for their votes. Instead, Democrats are trying to punish Texas for its fiscal responsibility, above and beyond the punishment inherent in a "state bailout" that is intended mostly to help spendthrift states such as California, but that Texas taxpayers must help pay for nevertheless.

The provision in question, an amendment authored by Rep. Lloyd Doggett, an Austin Democrat, would deny Texas its share of the bill's education funds unless its governor "provides an assurance" that it will not reduce the percentage of total revenues it spends on education at any time in the next three years. Gov. Rick Perry argues that this is impossible: The state legislature controls education funding in Texas, not the governor, and the governor cannot bind future legislatures to any level of spending. Because Perry cannot provide the kind of assurance the Doggett amendment appears to require, he argues that it would deny Texas, and only Texas, over \$800 million in education funds.

Doggett has fired back that this is nonsense: When Perry applied for \$3.2 billion in education funds from the stimulus bill that passed last year, he signed a "maintenance of effort" pledge committing Texas to keep education spending above 2006 levels. All Doggett wants, he says, is for Perry to sign a similar pledge this time. But Doggett is ignoring the fact that, along with his state's application, Perry submitted [a letter](#) to Education Secretary Arne Duncan stating: "After a great deal of review and hard work, Texas leaders determined that federal rules pertaining to [the State Fiscal Stabilization Fund] do not commit Texas to future revenue or spending obligations."

It is important to note that this isn't just a meaningless line Perry used as cover for taking federal dollars: In areas where he determined that federal rules *would* commit Texas to future revenue or spending obligations, he turned down federal money. Perry famously rejected over \$550 million in increased unemployment-insurance funding because he determined that accepting the aid would require the state to raise benefit levels (and, eventually, taxes). With regard to the education funds in the stimulus, however, Perry concluded that non-binding "assurances" of the kind the stimulus bill required of all states would not interfere with Texas's autonomy: Saying your state can probably keep nominal levels of education spending above where they were in 2006 is one thing; promising to maintain or raise spending levels as a percentage of total state revenues, as the Doggett amendment requires, is quite another.

Following Perry's acceptance of stimulus funds for education in 2009, the Texas legislature reduced education spending by \$3.2 billion, plugged the hole with federal money, and used the savings to shore up a rainy-day fund. This move infuriated Democrats in the Texas congressional delegation, who wrote [an angry letter](#) to the speaker of the Texas house. Their letter gave the game away regarding the true purpose of the education funds in the last stimulus as well as the education funds in the current state-bailout bill. It conceded that Texas did not face a shortfall in its education budget and therefore had no need for federal aid. But it argued that, instead of using the money to prepare for future budget shortfalls, Texas should spend it "as the law directs, 'to provide local educational agencies in the State with subgrants,'" regardless of whether those agencies were facing shortfalls.

This was an obvious attempt to force Texas into future increases in education spending by juicing the local districts with a temporary influx of federal aid and thus raising the amount they expect to receive every year. In future years, if the federal government ever decides to stop passing stimulus bills, local districts will complain that the state government is forcing them to undertake "massive cuts" because it is either unwilling or unable to pick up where Washington left off.

Meanwhile, the Texas legislature's decision to save the money from the first stimulus is looking like a wise move. Texas is facing an \$18 billion shortfall this year, which its \$10 billion rainy-day fund will help it weather. That won't be enough, of course, and Texas officials are asking agency heads to trim 5 percent from all departments and looking at ways to raise revenue without having adverse effects on economic growth.

But if Texas lawmakers had listened to Doggett, they'd have about \$3 billion less to work with, and the cuts local school districts are complaining about would have to be deeper, because they would be coming out of a higher baseline. Nor are those local school districts in as much trouble as they would have you believe; Sara Talbert of Texas Budget Source [recently reported](#) that the five largest districts in Texas are sitting on over \$550 million in reserve funds. As Perry pointed out in his letter to Duncan last year, total funding for public education in Texas has increased by 66 percent since 2002, with the state's share of that funding going up by 80 percent.

At a time when Texas and other fiscally responsible states need maximum flexibility to balance their budgets without resorting to growth-killing taxes, Democrats have decided that stronger handcuffs are needed to bring troublemakers such as Perry into line. But Perry has decided that the Doggett amendment, unlike previous "maintenance of effort" requirements, places impossible constraints on Texas's autonomy, and the state's lawyers sound prepared to fight back. "The Governor cannot assure the federal government at this time what the 82nd Legislature will do," said Texas attorney general Greg Abbott in a statement. "The State's inability to legally comply with the Doggett Amendment means that Texas is the only state that cannot receive federal dollars under this bill, as it is currently written."

Doggett set out to force Perry to fund education in the state of Texas at the level that Democrats in Washington want it funded. Instead, he's kicked off a high-stakes game of chicken between the advocates of dependency and the state leaders determined to resist them.

— *Stephen Spruiell is a National Review Online staff reporter.*