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Texas Faces \$4.3 Billion Deficit This Year, Requiring Added Spending Cuts

By David Mildenberg - Jan 10, 2011

Texas may need to close a \$15 billion budget gap during the 2012-2013 biennium, a move that might mean reductions in spending on health and education.

State revenue will fall 2.9 percent to \$72.2 billion for the 2012-2013 biennium, Comptroller Susan Combs said in a press briefing today.

Lawmakers also face an unexpected \$4.3 billion deficit at the end of the current fiscal year Aug. 31 that must be balanced, she said.

The second-most-populous state is spending about \$86 billion in the current biennium, including more than \$6 billion in federal stimulus money that will not continue, she said. Combs blamed the deficit on the recession and lower sales-tax revenue.

Texas "didn't expect it to be this severe," Combs said. "This is very, very tough."

Governor [Rick Perry](#) and leaders in the Republican-dominated Legislature have pledged to balance the operating budget through spending cuts rather than tax increases. Lawmakers also may tap part of an \$8.2 billion reserve before September, which would require a two-thirds vote in the [House of Representatives](#), Talmadge Heflin, a former lawmaker turned fiscal analyst, said in a Jan. 7 telephone interview.

"I am confident we will meet our state's needs within this revenue estimate by prioritizing spending without raising taxes, laying the foundation for our state's future prosperity," Perry said in a statement.

Cuts or Revenue

"The budget gap is about \$15 billion, or about 17 percent of the general-fund budget," Nick Samuels, who follows Texas finance for Moody's Investors Service in [New York](#), said in a telephone interview. "Given that the number of \$25 billion has been floating around for several months, it's not as bad as it could have been."

The Legislature is likely to cut spending to balance the 2012-2013 budget, said Heflin, director of the Center for Fiscal Policy at the Texas Public Policy Foundation, which favors limited government.

"We believe the Legislature will only fund what is necessary," Heflin said.

Texas needs to spend about \$99 billion to maintain current services, Dick Lavine said in an interview today. He is senior fiscal policy analyst at the Center for Public Policy Priorities, an Austin research group that advocates better economic conditions for poor and moderate-income Texans.

Jobs Rebound

Combs declined to predict the amount of any shortfall in 2012-2013. The budget estimates exclude about \$100.5 billion in federal receipts and other income, the spending of which the state does not control.

Texas has recovered about half the 431,300 jobs lost since employment peaked in mid-2008, Combs said. The state should be back to peak levels by mid-2012 as its economy grows by 2.8 percent in the 2012 fiscal year and 3.4 percent in 2013, she said.

Budget cuts will most likely affect spending on education and health and human services, which together make up more than 60 percent of the operating budget, according to Andy Homer, government relations director at the Texas Public Employee Association. Perry on Jan. 7 was among Republican governors who asked President [Barack Obama](#) to let their states cut more deeply into Medicaid, the health-care program for the poor that is partly paid for by the federal government.

"Once you take out education and Medicaid, there really isn't much there left to cut," said Homer, whose group includes 15,000 employees and retirees.

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