

Star-Telegram

Comptroller estimates Texas has \$72.2 billion for next two-year budget

Posted Monday, Jan. 10, 2011

BY DAVE MONTGOMERY

dmontgomery@star-telegram.com

AUSTIN -- A projected budget shortfall that could reach \$27 billion confronted incoming legislators Monday as Comptroller Susan Combs released long-awaited projections of revenue that will be available to shape a state budget for the next two years.

The state is projected to have \$72.2 billion for general-purpose spending during the 2012-13 biennium, \$27 billion less than the \$99 billion state agencies say they will need to maintain the current level of services that include education, health and human services, and state prisons.

But outside experts disagreed on how much the shortfall will ultimately be, projecting a range from \$12 billion to \$27 billion.

Combs also said the state will have \$4.3 billion less than originally projected for the current 2010-11 biennium, which ends Aug. 31, adding to the pressures facing lawmakers as they as they tackle one of the state's most severe budget shortfalls in years. That \$4.3 billion deficit could be reduced as agencies comply with mandated budget cuts for the current biennium.

Combs, the state's chief financial officer, issued the estimate on the eve of the 82nd Legislature, which starts at noon today. The budget crisis is considered the Legislature's most daunting task, but hundreds of other issues, including redistricting, immigration and border security, also await lawmakers during their 140-day session.

Rising costs, plummeting state revenue and the absence of one-time-only federal stimulus money that was used to bolster the budget in 2009 are contributing to this year's budget crisis. Combs put much of the blame on falling sales tax revenue, which represents more than 60 percent of state income, but she said the state is turning the corner after the recession and is poised for moderate economic growth.

Gov. Rick Perry, Lt. Gov. David Dewhurst and House Speaker Joe Straus have insisted that lawmakers balance the budget without a tax increase, raising the specter of severe cuts in services and possible layoffs of thousands of state workers.

"Comptroller Combs delivered a revenue estimate today that shows the Texas economy continuing to grow steadily ahead of the nation, yet, as expected, is also reflective of the national recession's lingering impact on state revenue," Perry said. "I am confident we will meet our state's needs within this revenue estimate by prioritizing spending without raising taxes."

A strong majority of Texans oppose cuts in education and health and human services programs, which collectively form the bulk of state spending, according to a new poll by the *Star-Telegram* and other major newspapers.

Combs did not project the size of the shortfall for the coming biennium, saying her report was focused specifically on available revenue rather than spending. Outside projections vary substantially, depending on the perspective.

Dick Lavine, senior fiscal analyst for the Center for Public Policy Priorities, which advocates for programs that help low-income Texans, said the deficit will be "at least \$27 billion" based on the \$99 billion estimate for maintaining the current level of services.

"It puts us in a big hole," he said.

However, Talmadge Heflin, director of the Texas Public Policy Foundation's Center for Fiscal Policy, said it is unrealistic to assume that services will be maintained at their current levels and placed the likely shortfall at \$12 billion to \$16 billion.

Heflin, whose organization advocates limited government and free enterprise policies, said the budget challenges offer lawmakers the opportunity to scale back state government into a leaner, more efficient operation.

Two Fort Worth Democratic lawmakers said Combs' figures raise the prospect of devastating consequences for state services.

A budget shortfall of \$27 billion could be catastrophic to some of "the state's most vulnerable," including the elderly, children and combat veterans who need access to treatment services, Sen. Wendy Davis said.

"The comptroller's estimate lifts the veil and exposes the truth behind Republican claims of fiscal responsibility," Rep. Lon Burnam said. "Now they want to shortchange hardworking, overtaxed Texans by cutting basic services to make up the shortfall they created."

The budget pressures will prompt lawmakers to seriously consider at least a partial drawdown from the state's rainy day fund. The fund, based on oil and natural gas revenue, will have about \$8.2 billion at the end of the current biennium and \$9.4 billion at the end of 2012-13 if it remains intact during the upcoming session, Combs said.

Combs said the Texas economy will grow by 2.6 percent in fiscal 2011, 2.8 percent in fiscal 2012 and 3.4 percent in fiscal 2013. The state has added back more than 220,000 of the 431,000 jobs it lost during the worst of the recession and is on track to gain back all lost jobs by the second half of fiscal 2012, she said.

Dave Montgomery is the Star-Telegram's Austin bureau chief. 512-476-4294

[Looking for comments?](#)