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## Room for Debate: A Running Commentary on the News

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### What's the Matter With Texas?

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Conservatives say that the furor over the state's huge deficit is overblown. Are they right?

### Rumors and Reality

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A popular misconception making the rounds is that Texas faces a gargantuan budget shortfall for the 2012-13 fiscal cycle. This provocative claim might sell some newspapers, but it certainly does not reflect reality.

To separate fact from fiction, one must first have a firm grasp on the definition of a budget shortfall. The most widely accepted standard defines it as the difference between the amount a state projects it will collect in revenue and the amount it projects it will spend.

Those who had claimed a massive Texas budget shortfall made assumptions about future spending that do not square with the realities of the legislative budget process. Agencies present legislators with optimistic or inflated requests, and legislators almost always pare those back to fit within the available revenue. The paring is much more aggressive during revenue difficulties.

The state House's version of the budget spends only the revenues presently available, and does not tap the state's emergency reserve fund. We expect that the Senate's version to do likewise, and that Gov. Rick Perry will reinforce that direction throughout the process.

Balancing the budget through deep spending cuts at the outset of the process is the superior approach. It presents the difficult choices up front, forces all parties to come to the table with their best ideas, and gives legislators the most possible time to analyze the information and reach consensus on budget priorities.

And it must be noted that the most difficult of these choices has been inflicted by Washington. Medicaid is financially unsustainable, and the federal government handcuffs states from managing caseloads or costs. Continuing the Medicaid status quo will require legislators to identify \$8 billion in new state taxes or make deeper cuts to other state programs. Because legislators have not yet identified those funds, the federal government will pull back another \$11 billion.

Topics: Texas, budgets and budgeting, finance

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