

Texas Governor Perry Agrees to Close 2011 Deficit Using Reserve

By David Milkenberg - Mar 15, 2011 11:01 PM CT

Recommend 13 9 Share 1 More Email Print

Texas Governor [Rick Perry](#) reversed course and agreed to use \$3.2 billion of reserves to close a gap in this year's budget, while remaining opposed to a similar move in the next biennium.

Perry, 60, and House of Representatives Speaker Joe Straus, a San Antonio Republican, agreed with Comptroller Susan Combs to use reserves to help close a \$4.3 billion deficit for the year that ends Aug. 31, according to a joint statement yesterday.

The agreement calls for \$800 million in budget cuts, and counts on \$300 million in extra sales-tax receipts, according to the statement. Perry last week said legislators should look for more efficiencies and urged public schools to use their own reserves and not the state's \$8.2 billion. The so-called rainy-day fund is collected from energy taxes.

"Perry's been like the prettiest girl at the school and the hardest to get a date with," said [Bill Miller](#), a Republican political consultant whose clients have included businesses and politicians.

"He's wanted everyone to prove it, emotionally and substantively, that they really needed the money," said Miller, who works at [HillCo Partners](#) in Austin. "He's the jury, and he's been convinced."

Perry has insisted on only using the reserve as a last resort to cover nonrecurring costs, Katherine Cesinger, a spokeswoman, said yesterday by e-mail. He agreed to use the money following meetings with legislative leaders, she said.

"I remain steadfastly committed to protecting the remaining balance of the rainy-day fund, and will not sign a 2012-2013 state budget" that uses the reserve, Perry said yesterday in the [statement](#).

Projected Deficit

The Republican governor last week emphasized his opposition to increasing taxes and using reserve funds to balance the budget, in a meeting with about 70 House lawmakers. The state faces a projected deficit of \$15 billion to \$27 billion for the two-year spending cycle that begins in September.

[Texas](#) voters in November "overwhelmingly sent a message that we don't want to see Texas be like [California](#) and [New York](#)," Perry told reporters after the meeting. "Fiscal conservatism will be the foundation of this state."

Republican legislative leaders including Representative Jim Pitts of Waxahachie, the House's chief budget writer, pushed back. They said spending cuts may force firings of thousands of teachers, close dozens of nursing homes and deny financial aid to many college students.

Using about 40 percent of the reserve fund now diminishes Texas's flexibility in balancing its budget over the next two years, said Horacio Aldrete-Sanchez, a Dallas-based Standard & Poor's analyst.

More Stories

[Japanese Stocks May Defy Earthquake, Gain as Global Demand Drives Exports](#)

[Oil Trades Near Lowest Close in Two Weeks in New York on Japan Fuel Demand](#)

[Tokyo Tower Goes Dark as Sony, Asahi Brace for Power Outages After Tsunami](#)

[China Mobile Fourth-Quarter Profit Beats Estimates on Rising Data Sales](#)

[\[-\] Rate These Stories](#)

[More News »](#)

Advertisement

Market Snapshot

U.S. Europe Asia

DOW	11676.90	-178.50 (-1.51%)
S&P 500	1264.23	-17.64 (-1.38%)
NASDAQ	2633.29	-34.04 (-1.28%)

Stocks on the Move

Most Popular Stories

[Japan Nuclear Crisis Deepens on Suspected Reactor Breach](#)

Longer-Term Solution

“Stronger credits such as Texas should look for a longer- term solution that tries to preserve some budgetary balance over the long term,” Aldrete-Sanchez said in a telephone interview.

While Perry and Lieutenant Governor David Dewhurst, also a Republican, have said tax increases aren’t being considered, Aldrete-Sanchez said spending cuts alone “may not be sufficient to address the [budget deficit](#).”

Texas used \$1.9 billion of reserves in 2005, including for its Emerging Technology Fund, favored by Perry. In 2003, the state took out \$1.2 billion to help pay for health insurance for children and low-income residents, according to a 2009 [report](#) from the Center for Public Policy Priorities, a nonprofit research group in Austin, the capital.

Looking Forward

Using reserve funds now is a mistake because Texas will face more severe economic pressure over the next few years resulting from rising Medicaid costs, Talmadge Heflin, a Texas Public Policy Foundation analyst in Austin, said by e-mail.

“Those who seek to empty the fund because it is raining today have not checked the long-range weather forecast,” Heflin said. The foundation promotes limited government.

Perry’s opposition to spending from the reserves has been a nod to “Tea Party” conservatives, said Cal Jillson, who teaches politics at [Southern Methodist University in Dallas](#).

“Perry was solidifying himself with his base,” he said. “Everyone has known since before the session started that we were in a hole and that we would have to use the fund.”

To contact the reporter on this story: David Milkenberg in Austin, Texas, at dmilkenberg@bloomberg.net

To contact the editor responsible for this story: Mark Tannenbaum at mtannen@bloomberg.net




Qaddafi Forces Near Benghazi as Rebel Commander Says World ‘Has Failed Us’
Updated 1 hour ago

GE \$1 Billion Nuclear Unit at Risk as Nations Mull Atomic Future
Updated 1 hour ago

Millions of Quake Victims Face Freezing Temperatures as Snow Is Forecast

[More Most Popular Stories »](#)

Advertisements

Get Bloomberg on Your Mobile

Sponsored Links

Recommend 13 9 Share 1 More Email Print

Sponsored Links

["Subscribe Now & Get Your Free Issue of Bloomberg Markets Magazine "](#)

[+](#) Rate this Page

[Go to the old version of Bloomberg.com](#)

News

- Exclusive
- Worldwide
- Regions
- Markets
- Industries
- Economy
- Politics
- Law
- Environment
- Science
- Opinion
- Muse: Arts, Culture & Spend
- Sports

Market Data

- Stocks
- Rates & Bonds
- Currencies
- Mutual Funds
- ETFs
- Commodities
- Economic Calendar

Personal Finance

- TV
- Radio
- Video
- Podcasts
- Personalities
- Keene On Demand
- Mobile
- Leaders
- Technology

More from Bloomberg

- Bloomberg Businessweek
- Business Exchange
- Bloomberg on Twitter
- Bloomberg on Facebook
- Bloomberg Briefs
- Bloomberg Government
- Bloomberg HT
- 日本語サイト
- Bloomberg Law
- Bloomberg Link
- Bloomberg Markets Magazine
- Bloomberg New Energy Finance
- Bloomberg Open Symbology
- Bloomberg Press
- Bloomberg Sports

Company

- About Bloomberg
- Solutions
- Careers
- Contact Us
- Press Room
- Help
- Sitemap
- Trademarks
- Feedback