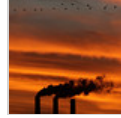


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Texas Goes Sacramento

Republicans spend their energy gusher, and then some.

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During his brief campaign for President last year, Governor Rick Perry boasted that he would bring the "Texas model" of lean government, low taxes and pro-business policies to Washington. Now Austin is borrowing from Washington's playbook as the Lone Star State embarks on its biggest spending spree in memory.

Call it the downside of prosperity: The Texas growth spurt has produced a near \$20 billion gusher of new tax revenue, and the Republican-dominated legislature, with the support of seemingly every lobby in Austin, wants to spread the bounty. The biennial general-fund budget that awaits the Governor's signature is \$102 billion compared with \$84 billion two years ago.

Those numbers understate the blowout because \$4 billion more was snatched from the state's rainy day fund. Add various accounting stunts and the Texas Public Policy Foundation calculates a 26% spending increase for the biennium. A broad coalition of taxpayer and tea-party groups is urging Mr. Perry to veto.

Two years ago when the state faced a \$15 deficit, Mr. Perry buried tax increase talk by signing a zero-growth budget. Mr. Perry's spokesman Rich Parsons tells us that the 26% estimated increase may be inflated because it doesn't take into account the underfunding of Medicaid and education in that 2011 budget. Mr. Parsons says that required about \$7 billion of supplemental spending bills earlier this year. But even accepting this explanation, which is in dispute, the budget is still 16% higher.

Republicans defend the budget by noting that Texas has urgent public-works needs. Two years of droughts make new water projects a necessity, and with nearly half the new jobs in the U.S. over the last four years springing up in Texas, roads and school funding are priorities too. But the Houston Chronicle notes that nearly everything from mental health to family planning to Medicaid to Mr. Perry's pet corporate welfare program—the Emerging Technology Fund—won fat funding increases.

This may be the first time in history that a state experienced a rush of new tax collections and lowered its reserve fund. The supplemental spending earlier this year also allowed an end run around the state's constitutional spending cap. (Expenditures can't rise faster than the rate of personal income growth.) By spending more in 2013 the state can now appropriate more in 2014-15, because the baseline for calculating future expenditure growth is ratcheted upward. This is the kind of stunt one would expect from Nancy Pelosi. The budget contains a roughly \$1 billion tax cut, but for

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every \$1 of tax relief, \$19 in new revenue will be spent.

The danger is that Texas will repeat the fiscal mistake that California has made repeatedly: spend during the glory days and, once the economy slows, raise taxes to cover the deficit. The Texas oil patch is riding high on \$95 a barrel oil and a doubling in production in four years. But Texans shouldn't forget the lesson of the 1980s and late 1990s that oil prices are volatile and a decline can be painful and prolonged.

Mr. Perry traveled on a business recruiting mission to California in February and poked fun at the tax-spend-and-borrow cycle in Sacramento. He can fix the reckless Texas budget by vetoing all or most of it and insisting on deeper business tax cuts. He should not want people to start comparing him unfavorably to Jerry Brown.

A version of this article appeared June 8, 2013, on page A14 in the U.S. edition of The Wall Street Journal, with the headline: Texas Goes Sacramento.

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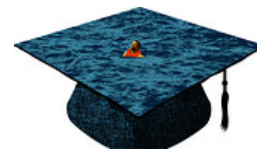
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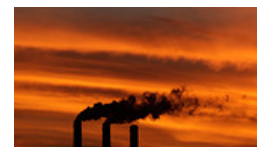
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