

## The Texas Budget—House vs. Senate

by Byron Schломach, Ph.D.  
& Talmadge Heflin  
Center for Fiscal Policy

State spending can justifiably increase with population growth and inflation. The sum of these two rates of growth for the upcoming biennium is estimated to be 8 percent by the Comptroller. The Texas Public Policy Foundation, based on recent history of inflation between 2.5 and 3 percent per year and population growth of 2 percent per year, has estimated as high as 9 percent. Official estimates show the anticipated state budget growth being very low. The picture of budget growth gets distorted in two ways. First, the LBB measures growth comparing current spending to the next biennium’s budget rather than comparing one budget to another. For example, current spending for fiscal 2006-07 exceeds the current budget for 2006-07, as passed in 2005 and the last special session in 2006. Second, spending from all state funds should be scrutinized rather than just general revenue and general revenue—dedicated. By looking at non-federal spending and comparing one budget to another, a truer picture of budgeting emerges.

	'06-'07 Non-Federal Budget	'08-'09 House Budget	Percent Increase by the House	'08-'09 Senate Budget	Percent Increase by the Senate
Article 1	\$2,569,128,823	\$2,971,315,483	15.7%	\$2,874,566,845	11.9%
Article 2	19,162,928,110	20,998,004,697	9.6	21,742,165,896	13.5
Article 3	47,859,682,783	51,952,110,869	8.6	52,077,518,382	8.8
Article 4	523,409,989	559,245,524	6.8	563,532,528	7.7
Article 5	8,252,602,383	9,067,501,756	9.9	9,278,638,766	12.4
Article 6	2,037,966,383	2,007,625,116	-1.5	2,604,344,038	27.8
Article 7	9,199,565,917	11,338,710,213	23.3	11,322,140,921	23.1
Article 8	529,612,867	731,473,113	38.1	649,486,049	22.6
Article 9	1,000,682,414	587,806,199	-41.3	689,116,402	-31.1
Article 10	317,283,891	327,083,507	3.1	325,972,897	2.7
<b>Total</b>	<b>\$91,452,863,560</b>	<b>\$100,540,876,477</b>	<b>9.9%</b>	<b>\$102,127,482,724</b>	<b>11.7%</b>

- ⊕ The table above accurately reflects budget-to-budget changes between the budget of the 79th Legislature and the current House and Senate budgets, from all *state* (i.e., non-federal) funds *prior* to the Senate’s *Frew* lawsuit adjustments.
- ⊕ Both the House and Senate budgets for the 2008-2009 biennium see growth that exceeds the estimated sum of population growth and inflation of 8 to 9 percent.
- ⊕ \$1.1 billion of the increase in budgeted spending results from bringing forward past delayed payments. Netting out the \$1.1 billion in payment timing changes reduces the percentage changes for each version of the budget by roughly 1.2 percentage points, to 8.7 and 10.5 percent.

900 Congress Avenue  
Suite 400  
Austin, TX 78701  
(512) 472-2700 Phone  
(512) 472-2728 Fax  
www.TexasPolicy.com

- ⊕ The Legislative Budget Board's and Center for Public Policy Priority's measure of growth in the budget understates growth by comparing *current spending* to the new budget. Spending in a biennium *always* exceeds the amount budgeted for the biennium in a regular session. An apples-to-apples comparison can only be made between general appropriations bills.
- ⊕ The House budgeted about \$225 million in 2008-2009 appropriations in HB 15, the supplemental appropriations bill; the Senate included this money in its version of HB 1.
- ⊕ Various House members have acknowledged on the House floor and in committee that supplemental Medicaid funding will be necessary next session. This may suggest that less has been budgeted to Medicaid than budgeters anticipate will be spent. The amount the House and Senate have under-budgeted for Medicaid is up for debate, but the House budgeted approximately \$700 million in general revenue less for Medicaid than the Senate. Because Medicaid is an entitlement, the spending will occur, budgeted or not. Thus, the lower the budget for Medicaid, the more the budget understates the growth in spending and the more the budget can grow in other areas.
- ⊕ Some argue that greater cost drivers in the medical profession helps justify increases in Article 2 (Health & Human Services). Others believe the inflation simply accommodates whatever funding increases are forthcoming.
- ⊕ Due to the Robin Hood school finance system, property value growth continues to reduce or crowd-out the amount of state funding in public education, distorting the full budget picture.
- ⊕ When public education is netted out in order to take account of the crowding out effect, the remaining picture of the two budgets shows a clearer view of the percentage change in spending that is not hidden by the crowd-out effect. Net of public education, the percentage increases are 13.1 and 15.6 percent for the House and Senate budgets respectively. Since the \$1.1 billion in payments brought forward is in Article 3, these percentage changes need no further adjustment.
- ⊕ Article 7 includes increases in funding for roads. Article 8 includes fee increases and spending that is often requested by regulated industries.
- ⊕ This analysis does not take into account HB 2, which increases state spending considerably, by \$14.2 billion per year, in order to provide for property tax relief. Only part of this sum is offset by new state tax revenues. ★