



May 10, 2011

Dear Representative:

At some point this week – possibly later today – the Texas House of Representatives will finally take up a series of “fiscal matters” bills. While there are some laudatory provisions in these bills, a majority of them are cause for deep concern.

Throughout the budget process, we have urged you to adopt a budget that is within existing revenues – one that lives within the state’s means and is sustainable into the next budget cycle and beyond. The budget you passed last month, while imperfect, does exactly that. It makes difficult choices, sets important priorities, and spends only those funds we know we will have.

Two years ago, the 81st Texas Legislature ducked too many of those tough decisions and postponed the setting of priorities. Instead, it decided – against our counsel – to maintain the status quo through the acceptance of \$12 billion in federal stimulus money. It saw that our spending was getting out of line with our revenues, but papered over that difference with one-time federal funds. As a result, you were left with a much more serious problem.

This shortfall comes at the close of two decades in which the state budget has grown nearly 300%, even as the number of Texans has grown by only 119%. A constant level of state spending relative to population, and accounting for inflation, would have us with a far smaller state budget and *no* shortfall. This alone strongly suggests that the state’s fiscal woes stem from a chronic overspending problem.

Many of the provisions in the “fiscal matters” bills are one-time measures – accelerating tax collections, deferring state payments, and liquidating trust funds. All of these amount to borrowing from the future. The taxes you front-load won’t be there again in the next budget. The payments you delay will have to be made up eventually. The trust funds you liquidate will be gone in two years, while the programs remain.

And what does the future look like? Our research has projected that Texas’ Medicaid program will require an additional \$10 billion to \$15.5 billion in state revenue in the 2014-15 budget cycle. With an obligation of that magnitude, we need to preserve as many of our resources – and options – as possible.

As you review the “fiscal matters” bills, we urge you to do so with discernment. Provisions that contain additional cuts or spending reforms that free up funds that could be shifted to other areas of the budget are worthy of your support. Provisions that speed up tax collections, delay payments, or otherwise cannot be repeated in the next budget should be rejected. Thank you for your service to our state.

Sincerely,

A handwritten signature in blue ink that reads "Brooke Rollins".

Brooke Rollins
President and CEO