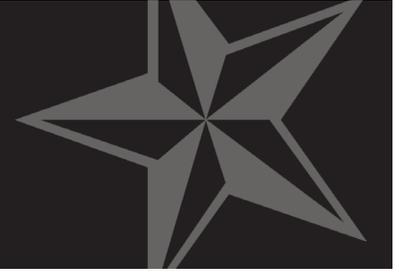


TEXANS FOR A CONSERVATIVE BUDGET



Real Texas Budget Solutions: 2013 and Beyond

Texas state spending rose 310% between 1990 and 2012, while population growth plus inflation totaled only 132%. Looking to the future, Texas is faced with additional demands on general revenue spending of at least \$4 billion in 2013 and \$10 billion in 2014-15.

Texas has been the nation's leading job creator for more than a decade because, at times like this, we answered the call by reigning in spending. And in fact the Legislature did reduce spending as it balanced the budget in 2011. However, most of that was due to reduced federal funding and budget gimmicks. That approach won't work a second time. So if we do not implement real budget and spending reforms in 2013, each Texas family could soon face over \$1,200 in increased taxes and fees next biennium in the search for new revenue.

Yet, Texas does not need new revenue—from any source. Neither do we need to raid the “Rainy Day” fund. Instead, Texans must rethink how we fund and operate Texas state and local governments in order to reduce dependence on the government, foster economic growth, and deliver improved, streamlined services to Texans. In other words, Texas government must learn to live within its means so that all Texans will continue to enjoy the nation's top job-producing economy.

The following reforms will guide us down this path, providing a way to prosperity for all Texas families by decreasing state over-spending by \$1.1 billion in 2012-13 and \$8.3 billion in 2014-15 and reducing the future spending growth.

- **Start Saving Early.** Require state agencies and institutions of higher education to identify and enact GR savings of at least 3% for the 2013 fiscal year and 7% for 2014-15.
- **Revamp Public & Higher Education.** While public education spending needs to be accountable to taxpayers, the top-down approach of running classrooms from Austin isn't working. We need to scrap many state mandates, burdensome education programs, and the school funding system so we can start from scratch to increase efficiency, capture cost savings, and, most importantly, improve educational achievement. One way to do this is to make Home Rule Districts and Campus Charters easier to create, give them more freedom from state mandates and to pursue blended learning models, and to give parents more control over their creation and operation. When it comes to higher education, funding should be shifted toward student-centered funding.
- **Reduce Social Welfare Spending.** Social welfare spending is exploding as new Federal mandates and caseloads increase each year. Spending on Medicaid alone in 2014-15 could increase by over \$10 billion. Texas needs to decrease these costs and get out from under federal health care and other welfare mandates. However, federal mandates for Medicaid and other programs dramatically limit the ability to save in this area.
- **Cut Overregulation, Unnecessary Programs, and Subsidies.** Overregulation, unnecessary programs, and subsidies to businesses and consumers cost Texans billions of dollars each year while reducing economic growth. Eliminating or reducing these will reduce taxes, cut prices, and increase economic growth.
- **Prioritize Transportation Spending on Relieving Congestion.** Shift scarce resources toward reducing congestion and away from areas and uses—like rail—that fail to address the state's congestion problems.
- **Move Future State Employees into Defined-contribution Retirement Plans.** To protect taxpayers and state employees, future state employees should be incentivized to move into a defined-contribution 401(k) plan, the same plan the vast majority of non-government workers use.
- **Implement Tax and Expenditure Limitations.** Allow all state and local spending to increase only by the sum of population growth plus inflation, the growth in gross state product or personal income, whichever is less.
- **Shift to Program-based Budgeting.** The general appropriations bill each session should specify the amount of the proposed appropriation for each program which is being funded, rather than the current practice of appropriating funds based on “strategies.” Letting taxpayers know the flow of money to programs is common sense.
- **End the Practice of Using Special Fund Balances to Certify the Budget.** There are many government funds, like the System Benefit Fund, that hide money from taxpayers in order to certify the budget. But the money cannot be spent for general purposes, so this practice essentially results in deficit spending.

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Achieving the Savings

Texas could continue to prosper without many of the state agencies or programs currently in existence. However, eliminating GR funding to these programs does not mean that all of their functions would cease to exist as well. Other sources of funds, such as federal funds, might continue to keep some of these functions operating, at the existing agencies or at others. In other cases, some programs or agencies should continue, but at reduced funding levels or after consolidation. Finally, requiring all fees collected by agencies to go through the normal appropriations process will bring about a greater level of scrutiny for all state agency programs and spending. In addition to the across-the-board 10% savings from our first recommendation, we recommend the following ways to streamline government and provide taxpayer savings.

Achieve Savings by Eliminating GR or GRD Funding for These Agencies or Programs

Commission on the Arts; Texas Historical Commission; Texas Public Utility Commission: *System Benefit Fund, Renewable Portfolio Standard, and Energy Efficiency Program*; Fiscal Programs—Comptroller of Public Accounts: *Major Events Trust Fund*; Trusteed Programs within the Office of the Governor: *Texas Music Office, Texas Film Commission, Economic Development and Tourism Division, Texas Enterprise Fund, Emerging Technology Fund, Economic Development Bank, and Texas Tourism program*; Texas Workforce Commission: *Skills Development Program*; Texas Windstorm Insurance Association; Texas Education Agency: *Regional Education Service Centers, Student Success Initiative, Steroid Testing, Campus Turnaround Team Support, Best Buddies*; Higher Education Coordinating Board: *Doctoral Incentive Program, Top Ten Percent Scholarship Program, and Research University Development Fund*; Library and Archives Commission: *Resource Sharing and Local Aid*; Office of Public Insurance Counsel; Office of Public Utility Counsel; Texas Commission on Environmental Quality: *Texas Emission Reduction Program; Pollution Prevention Advisory Council; Take Care of Texas Program; Texas Clean School Bus Program; and Recycling Market Development Implementation Program*; Texas Department of Agriculture: *Seed Quality, Seed Certification, Feral Hog Abatement, Egg Inspection Program, and Agricultural Commodity*; Texas Parks and Wildlife Department: *Promotion and Outreach Programs*; Texas Railroad Commission: *Energy Resource Development and Alternative Energy Promotion*;

Board of Plumbing Examiners; Texas Board of Professional Geoscientists; Funeral Service Commission.

Achieve Savings by Reducing GR or GRD Funding for These Agencies or Programs

Texas Education Agency: *Educator Certification*; Texas Sunset Advisory Commission; Texas Department of Insurance: *Compliance and Property and Casualty*; Texas Commission on Environmental Quality; Texas Parks and Wildlife Department: *Wildlife Conservation and Technical Guidance*; Texas Alcoholic Beverage Commission: *Ports-of-Entry and Indirect Administration*; Texas Juvenile Justice Department: *Indirect Administration*; Texas Department of Criminal Justice: *Institutional Care*; Higher Education: *Special Items Funding*.

Achieve Savings by Consolidating These Agencies, Programs, or Functions

Texas Medical Board, Board of Podiatric Medical Examiners, Executive Council of Physical Therapy and Occupational Therapy Examiners, Optometry Board, Board of Examiners of Psychologists, Board of Pharmacy, Texas Board of Nursing, Health Professions Council, Texas State Board Dental Examiners, and Board of Chiropractic Examiners; Texas Department of Housing and Community Development and Texas State Affordable Housing Corporation; Department of Assistive and Rehabilitative Services and Department of Aging and Disability Services; Shift Texas Alcoholic Beverage Commission enforcement functions to Department of Public Safety and Texas Department of Licensing and Regulation.

Achieve Savings by Eliminating Fee-driven Dedicated/Self-leveling or Off-budget Funding

While funding for agencies like TCEQ and TDI consists largely of fee-driven dedicated funds, reducing the appropriations for these agencies has a minimal impact on the general revenue budget. The same is true for agencies that collect fees directly and largely avoid the appropriations process. These means of funding agencies, however, are inefficient and result in ever-growing agency programs that may needlessly burden the local governments and the private sector. By removing these types of funding, the Legislature would be forced to more directly scrutinize the activities funded by the fees and the burden imposed on the private sector and local governments to pay the fees.



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