

Honesty is the Best Budgetary Policy

Testimony before the House Interim Committee on General Revenue Dedicated Accounts

by The Honorable Talmadge Heflin

Chairman Darby, Chairman Otto, and Members of the Committee:

My name is Talmadge Heflin and I am the Director of the Center for Fiscal Policy at the Texas Public Policy Foundation, a non-profit, non-partisan free market think tank based here in Austin. Thank you for taking the time today to investigate such an important matter: the practice of using excess funds in dedicated accounts to certify the budget.

As you may well know, state budget writers have long used excess money in dedicated accounts to certify the budget. This practice dates back many years. But what may not be as well-known is the degree to which this troubling practice has grown.

Consider that:

- In fiscal 2002-03, appropriators used a total of \$1.8 billion in unspent fee money to certify the budget. In fiscal 2012-13, that amount had risen to a total of \$4.9 billion, an increase of 172 percent.¹
- For the select dedicated accounts that will be studied by the committee over the next three days, the combined balances for those accounts are expected to total \$2.8 billion for fiscal 2012-13, according to the Texas Comptroller of Public Accounts.

The widespread use of this gimmick—one that does little but to keep spending at artificially raised levels—is a good indication that state budget writers have come to view it as

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Select Dedicated Accounts, 2012-13

Acct. #	Acct. Name	Est. Revenues and Balances Available for Certification
5050	9-1-1 Service Fees	\$164,474,479
5064	Volunteer Fire Department Assistance	\$91,946,764
5084	Child Abuse Neglect and Prevention Operating	-
5085	Child Abuse Neglect and Prevention Trust	\$17,338,597
5111	Designated Trauma Facility and EMS	\$387,967,137
5137	Regional Trauma	\$54,173,000
5144	Physician Education Loan Repayment Program	\$76,086,954
0151	Clean Air	\$144,539,819
0655	Petroleum Storage Tank Remediation	\$156,691,078
5000	Solid Waste Disposal Fees	\$119,886,676
5071	Emission Reduction Plan	\$653,866,232
0009	Game, Fish, and Water Safety	\$106,582,460
5100	System Benefit Fund	\$850,980,127

Source: Texas Comptroller of Public Accounts

a necessary evil, or worse yet, as an appropriate budgeting tool. But the fact of the matter is that this deceptive budgeting practice is neither necessary nor appropriate as it keeps spending at artificially raised levels and deceives taxpayers as to the true cost of government. For these reasons, it is the Foundation's recommendation that the Legislature discontinue this practice.

Obviously, the best way to solve this problem is to cease it altogether. However, given the scale and magnitude of the funds involved, it is understandable if appropriators instead gradually wean the state off this practice, with the end goal of stopping completely in a short period.

This more measured approach—deemed roll, cap, and ratchet—could look something like the following:

- **Roll back** the level of GR-D funds used to certify the budget to 2010-11 levels (Difference from 2012-13 levels: \$1.161 billion);

- **Cap** GR-D funds used for certification purposes at 2010-11 levels; and
- **Ratchet down** the amount of GR-D funds used to certify the budget to zero over a three biennia period.

It is not at all unreasonable to expect that the Legislature would budget in a truthful and straightforward manner, so that taxpayers know exactly just how good a steward of public funds the state is. By enacting these reasonable reforms and ending the practice of using dedicated accounts to certify the budget, the Foundation is confident that the Legislature can show just what a good steward it is while restoring a measure of truth-in-budgeting to the process.

Thank you for our time and I look forward to answering any questions that you might have. ★

¹ Legislative Budget Board, "Fiscal Size-up 2012-13" (Jan. 2012) 9.

