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Texas can avoid overspending

By Vance Ginn | July 14, 2014 | Updated: July 14, 2014 6:00pm

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Photo By Harry Cabluck/STF

Texas Capitol as seen at dusk Wednesday, Jan. 7, 2009, in Austin, Texas. (AP Photo/Harry Cabluck)

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Let's get right to the point: The state of Texas should appropriate and spend at most \$214.4 billion in all funds in the next biennium. Here's why.

If your family is like many Texas families, you sit at the kitchen table every month and do your household budget. You consider your total income and your expenses. Some expenses are things you need, and some are things you want. You only budget things you want if all needs have been met. If you stick to the budget, you have an opportunity to enjoy life within your household's means.

This budget process is similar, though on a much smaller scale, to the one the Texas Legislature goes through to fund state government. The Legislature, too, must find

ways to live within the state's means. And when it does, Texas families feel the effects. When legislators are frugal with tax revenue, then families find they have more options, and more freedom, to enjoy life as they see fit.

That's what the new report from the **Texas Public Policy Foundation**, "The Conservative Texas Budget," is all about. It sets clear limits on state spending, bounded by the rising cost of basic public necessities. The foundation

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and the allied conservative groups constituting the Texans for a **Conservative Budget coalition** stand unified behind the spending limits outlined in the report.

There is a general expectation, set by the Texas comptroller and budget experts that legislators will come to town next session with some \$20 billion of additional resources, about double of what was expected at the end of last session.

The Legislature will have no problem covering basic public necessities next session with additional tax revenue. Spending beyond the state's needs to spend on wants, however, is a concern. Tax revenue is abundant today from a thriving economy. If spending today is allowed to increase too much, a downturn may force families to pay higher taxes which will in turn stifle the Texas economic miracle.

To limit the 2016-17 budget on funding only basic public necessities, the foundation's report calls for restraints on state funds and all funds - including state and federal funds - based on population growth plus inflation.

While Texas' current spending limit is based on forecasting personal income growth over the next two fiscal years, this is difficult to accurately project given a dynamic world. This metric also allows government to grow by more than the needs of the state.

These problems can be avoided by using actual data for population growth and inflation from the previous two fiscal years. The cumulative increase in the sum of these two metrics sets the spending limit at 6.2 percent giving a 2016-17 budget of \$140.5 billion in state funds and \$214.4 billion in all funds.

These limits are broader than the current constitutional spending limit on undesignated general revenue funds. We believe it is important to apply limits to all funds, avoiding possible shifting of funds that minimizes the effectiveness of the current limit.

These amounts are maximum bounds that will adequately address the state's needs while at the same time restraining excess spending. Such a clear limit will also help Texas families determine whether their legislators passed the same sort of responsible budget that they have to live within. Of course, a state budget less than these limits would be even better for a family's budget and their future. Excess revenue above these limits should be returned to taxpayers.

Instead of legislators advocating for spending every dollar of tax revenue and growing government, it is vital that legislators maximize individual liberty by limiting spending growth to keeping taxes low. By following the limits, as set out in the foundation's report, Texas families will be able to sit around the kitchen table with more money at their disposal to budget as they see fit. And that's where the money - and the freedom - belongs.

Vance Ginn is an economist in the **Center for Fiscal Policy** at the Texas Public Policy Foundation, a nonprofit, free-market research institute based in Austin.

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By Vance Ginn

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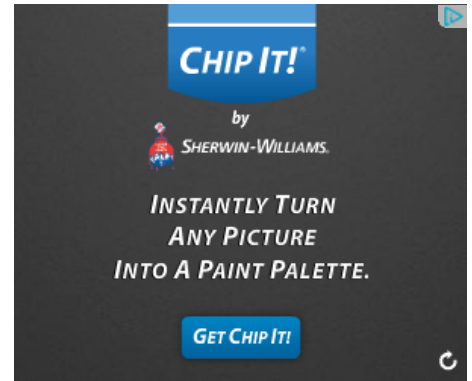


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Personally, I think that the government shouldn't figure out what they need to do. Then they should figure out how to do it. They should not do it by accounting gimmicks such as Uncle Sam does. They should not do it by having... » more

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