

Getting to the heart of a 'Conservative Texas Budget'



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By [BILL PEACOCK](#)

Published: 14 July 2014 06:10 PM

Updated: 15 July 2014 10:27 AM

Texans today possess the same fighting spirit exhibited when the Texian army sent Santa Anna's troops packing back to Mexico. So it is no surprise that a vigorous debate has erupted about the Texas budget — and Texas' future prosperity — months before the 84th Texas Legislature convenes in 2015.

The debate began in April when our Texas Public Policy Foundation suggested reforms to the appropriations process that could lead to a sales tax cut for Texas consumers. Big spenders responded by objecting to any reduction in revenue.

The discussion intensified last month when the foundation showed, in its *Real Texas Budget*, that spending by the state government since 2004 has grown 8.9 percent faster than population growth plus inflation — this year at a cost of \$8 billion.

These are not the numbers you'll find in the state's official budget documents, which last year showed that spending, with a few adjustments here and there, had actually *decreased* since 2001.

The big spenders quickly dismissed the foundation's findings but did not challenge their accuracy. Instead, they mischaracterized our work while rehashing the budget debate from 2013.

There is a good reason they avoided a debate over the increase in state spending: It is not a debate they can win.

Most Texans understand the heavy costs of increased government spending, perhaps because since 2001 they have experienced firsthand the benefits of keeping spending under control.

During this period, Texas has created new jobs at almost five times the pace of the rest of the country. Wage growth is currently second in the nation. Texas cities are at or near the top of the fastest-growing cities in America. And no other large state comes close to matching Texas' economic growth.

This growth, which encompasses Texans of all economic strata, has been accomplished without the massive spending increases advocated here in Austin and taking place in Washington and many other states.

Yet the spending debate continues, even as surging revenues at the state and local levels are likely to make a huge surplus of funds available to the 2015 Legislature. If all those funds are spent, Texas could easily find itself joining the ranks of states that spend themselves into economic decline.

This is why the foundation has joined with its allies to introduce the *Conservative Texas Budget*, which calls for a cap on spending growth in the 2016-17 state budget of population growth plus inflation, estimated to be 6.2 percent.

To maintain the strong economic growth that has been called the Texas Miracle, state spending of all funds should be capped at \$214.4 billion; spending of state funds should be capped at \$140.5 billion.

With more money likely to be available than could be spent under these caps, the question then becomes, "What should we do with all the 'extra' money?"

A lot of people believe they have the answer and are already lining up at the trough for a chance to get their hands on the surplus.

But the best answer is: Give the money back to taxpayers. The Legislature could accomplish this by eliminating the Texas margins tax and reducing the sales tax.

In his autobiography, *An American Life*, Ronald Reagan wrote, "if ... you reduce tax rates and allow people to spend or save more of

what they earn, they'll be more industrious; they'll have more incentive to work hard, and money they earn will add fuel to the great economic machine that energizes our national progress. The result: more prosperity for all."

In Texas, we have proven that more taxes and spending are not the pathway to prosperity. Not everyone has learned the lesson, however.

So it is a good time to be having this debate. The stakes couldn't be higher.

Bill Peacock is vice president for research and director of the Center for Economic Freedom at the Texas Public Policy Foundation. He may be reached at bpeacock@texaspolicy.com.

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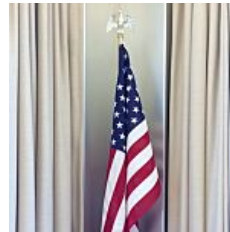
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13 Comments

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 **Herman Torres** 3 hours ago
 Kansas tried this nonsense and look where they are now... dipping into their savings to pay daily state expenditures, cutting education and ripping the social safety net. And they did this under the guise of helping the middle class.
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 **Ken Duble** 4 hours ago
 It's politically cynical to cut taxes during times of growth only to be forced to raise them when it hurts people the most. Why not look to wisdom in the Book of Genesis. During times of plenty in Egypt, Joseph's advice to Pharaoh wasn't to cut taxes, but rather, to save for a rainy day.
 Texas should first max out our rainy day fund. We should then call bonds to begin paying off debt. I understand CFTTPPF's cynical love of tax cuts as a means of embarrassing those who will pick up the tab in future years, but we ought to turn temporary windfalls into long-term savings. By contrast, permanent tax cuts based on temporary surpluses results in long-term funding liabilities.
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 **Ed Lopez** 9 hours ago
 Cut property taxes and increase the sales tax to balance the budget and reduce the deficit!

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 **Robert Kennedy**

13 hours ago

I'm inclined to support the official numbers rather than yours, especially since you offered no explanations for the discrepancy. Since Education is half of the Texas Budget and it has been cut in the last 5 years, exactly where are all these increases coming from? Unemployment benefits? WIC? It can't be on highways.

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 **Michael Wallace**

14 hours ago

More jobs=more people on the roads; more people with school age children; more people getting sick without health care; more houses catching fire; more people shooting each other; and suing each other. The growth of state and local services is equal to the job growth and the state cannot provide services to an increased number of people on a decreased amount to spend. R Reagan ain't always right.

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 **Jos N**

14 hours ago

The so-called "Texas Miracle" is built on minimum wage jobs. Texas leads the nation in the number of people making minimum wage or less.

This ideologue's proposed budget will do nothing to help those people. Instead, it will only help the uber-wealthy & the corporations they run.

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 **Mama B**

14 hours ago

Meanwhile, every new road built is a toll road, every school standing is failing, infrastructure is rotten, services to citizens are dwindling, services to mentally ill are non existent...yea, what a miracle.

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 **Brian Book**

15 hours ago

Let's learn from the mistakes of Kansas, <http://www.nytimes.com/2014/07/14/opinion/kansas-ruinous-tax-cuts.html?hp&action=click&pgtype=Homepage&module=c-column-top-span-region®ion=c-co>

Texas needs to expand Medicaid, increase the minimum wage, & spend money on public education & our infrastructure.

In a more JUST Texas, ALL citizens can better flourish.

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4 3

 **AdamsonScott1**

15 hours ago

No, No, No, No, No. There are dozens of agencies which can be shut down as they can be completely privatized. The bloat of Texas government needs to be reduced - not enhanced.

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 **Robert Kennedy**

2 hours ago

We have Sunset laws which review the need for agencies. Several have been ended over the years.

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 **bmarks56**

14 hours ago

Mr. Book there is nothing more just than permitting those who produce the wealth keep more of it. Likewise spending efforts at the government level seldom address much less solve the "social and economic justice deficit" they are intended.

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1 3

 **Ken Duble**

4 hours ago

The ones producing wealth are the underpaid workers.

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 **Brian Book**

1 hour ago

Economics is a science so your lay opinion does not matter, bmarks56. Read the opinion of an expert, http://opinionator.blogs.nytimes.com/2014/06/27/inequality-is-not-inevitable/?_php=true&_type=blogs&_r=0

Our democracy depends on an educated citizenry.

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