Photo by Spencer Selvidge

The next legislative session is still six months away, but it's time for Texas lawmakers to start thinking of smart, responsible ways to spend taxpayer dollars in the next budget cycle.

The good news: The state will likely have billions in excess tax revenue in its coffers thanks to a robust economy. Instead of using the excess revenue to make government bigger, however, legislators should consider limiting state spending growth to keep more dollars in the hands of families. Our low taxes and vibrant economy depend on it.

Consider the 2004-15 period. State spending is estimated to grow substantially faster than the growth of funding basic public necessities — measured by population growth plus inflation — costing Texans $8 billion more this year alone, or about $1,200 for a family of four. Clearly, a different approach to limiting spending is needed.

We've done the math: Accounting for an estimated increase in population growth plus inflation of 6.2 percent during fiscal years 2013 and 2014, the next budget that lawmakers write should not exceed $140.5 billion in state funds or $214.4 billion total. Texans for a Conservative Budget, a coalition of 14 prominent state groups, including the Texas Public Policy Foundation, Texans for Fiscal Responsibility and Americans for Prosperity-Texas, supports these spending limits.

The Texas Constitution limits spending of undedicated general revenue — state dollars not designated to fund specific government functions — to no more than the growth of the state's economy. There are different ways to measure this, but state statute does so by estimating future personal income growth over the next two years.

Because we live in a dynamic economy, however, these projections don't always match actual personal income growth. Further, this measurement doesn't take into account the fact that demand for government assistance should decline if the private sector is healthy and growing.

Think about your own monthly budget. Say you think you'll receive a raise early next month. You budget your expenses so they equal your projected income — just like how the Legislature is required to pass a balanced budget. You start spending today based on the expectation that you'll be earning more money. But if you end up receiving a smaller raise than you expected, you'll be forced to make tough decisions about how to cut expenses.

This happens far too often at the state level. According to the Legislative Budget Board, a committee that issues recommendations to the Legislature, projected personal income grew by a biennial average of 12 percent from 1994-95 to 2012-13, while actual personal income grew by 12.3 percent. Though these biennial averages aren't substantially different, the differences each biennium are staggering.

Actual personal income growth was 8.6 percentage points lower than the figure adopted in 2002-03 amid a recession. Not surprisingly, growth in actual personal income was 5.6 percentage points lower than the figure adopted in 2010-11 during the depths of the Great Recession. These inaccurate projections allow the state to budget more than it otherwise would.

The difficulty in forecasting personal income growth makes this calculation more of a political exercise. Before each session, state leaders adopt a personal income growth rate by choosing from five growth forecasts. And because so much weight is given to these often-inaccurate projections during the budget-writing process, political posturing often takes precedence over determining the needs of the state.

Unlike a family trying to budget its money, the state is not forced to correct for these large differences over time, potentially leading to much higher future spending levels. Considering compounding, adopted budgets for undedicated general revenue over the last two decades have been about 30 percent higher than what population growth and inflation would dictate. Because this is only a portion of the state's budget, lawmakers should consider limiting spending of total funds to actual population growth plus inflation over the previous two biennia to let Texas families keep more of their hard-earned money.

Legislators can do more to limit government spending. Only by restraining the growth of government will Texans have the freedom to prosper.

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No end to crisis means Texas must act alone

By Matt Krause, July 15, 2014