

COMMENTARY

Setting state spending limits would help keep Texas' economy strong

By Talmadge Heflin and Vance Ginn



This piece originally appeared in Tyler Morning-Telegraph as "Setting state spending limits would help keep Texas' economy strong" on August 10, 2017.

Texas has had unmatched economic prosperity for much of the last two decades. Limiting the government's influence in our daily lives supports that growth. That's why it's essential in the 85th Legislature's special session to promote statewide reform by passing a conservative spending limit to rein in excessive growth in government. While coined the "Texas miracle," there's more to the story than supernatural or brief success.

The spending limit fails because it covers too little, bases growth on a poor measure, uses inaccurate forecasts, and requires too few legislators to bust it.

For example, Texas has had a monthly unemployment rate at or below 5 percent, which some economists consider a rate of full employment, for three straight years. Of the largest states, New York ranks second with this streak for less than two years. Despite these relatively positive rankings, too much government still burdens Texans. Since government spending funds regulation and must ultimately be paid for by taxes, excessive government starts with the state's budget. For the 2004 to 2017 period, the state's budget is up 11.8 percent above increases in compounded population growth plus inflation.

This translates into families of four paying an average of \$1,600 more this year alone than if legislators had

increased the budget each period by population growth plus inflation. Currently, the state's spending limit caps less than half of the total budget to the projected growth rate in Texas' personal income for the next two fiscal years. The Legislature can exceed the cap with a simple majority vote. As reflected in the excessive growth of state spending since 2004, the spending limit fails because it covers too little, bases growth on a poor measure, uses inaccurate forecasts, and requires too few legislators to bust it. To resolve these issues, the Foundation, along with the other 13 members of the Conservative Texas Budget Coalition, recommends a spending limit that covers the entire budget, and bases the change on the lowest growth rate of population growth plus inflation, personal income, or gross state product in the prior two fiscal years. Also, a two-thirds vote by each chamber should be required to exceed the limit.

For much of the last few decades, population growth plus inflation has been the lowest rate, which is why it often receives the most attention. Fortunately, Gov. Greg Abbott included state spending limit reform based on population growth and inflation in the special session call. The two bills that could make it to the governor's desk are Senate Bill 9 and House Bill 208. While there are differences between the two bills, both would dramatically improve the state's weak spending limit by expanding the limit's base to more than half of the total budget, basing the growth limit

on population and inflation, and requiring a three-fifths supermajority vote to exceed the cap.

These bills are appropriate steps to effectively limit the growth in government so all Texans have more opportunities to prosper. Critics claim such a limit will leave too little money available to meet Texans' needs. The facts tell a different story. The 84th and 85th Texas Legislatures have passed what could be historic back-to-back conservative Texas budgets that increase by less than population and inflation while meeting Texans' needs. However, potential 2018-19 supplemental appropriations this special session and likely next session to at least fully fund Medicaid could exceed it if the combined amount exceeds \$2.79 billion in all funds.

Passing a conservative spending limit would help end excessive government spending that unnecessarily burdens Texans.

Passing a conservative spending limit would help end excessive government spending that unnecessarily burdens Texans. While it's too late to recoup those losses, now is the time for legislators to act so Texans' tax burdens decline.

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