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Groups urge fiscal restraint in budget conference negotiations

Conference committee should limit budget growth, reject UI stimulus funds, restore incentive pay, undo transportation diversions, and preserve Economic Stabilization Fund for the future

AUSTIN – Several research, business, and taxpayer groups joined today to urge House and Senate conferees on the 2010-11 state budget to keep fiscal restraint at the forefront of their discussions.

“The House leadership and members are to be complimented on adopting a good sound budget for the next two years to carry into conference,” said Talmadge Heflin, Director of the Texas Public Policy Foundation’s Center for Fiscal Policy. “We would have preferred that less stimulus money was spent, but even with that, reasonable fiscal restraint was exercised and budget growth was held to a near-record low.”

The groups raised five priorities for the conference committee’s negotiations:

(1) Limit budget growth to the lesser of population growth plus inflation or the growth in personal income. Heflin said that while the Senate’s approved budget was at the top end of the acceptable spending range, the conference committee should seek opportunities to restrain the growth of programs and bring the final spending total halfway to the House’s version.

(2) Do not accept the federal stimulus funds for unemployment insurance. The House adopted a budget amendment that strips the appropriation for the Texas Enterprise Fund if the \$555 million in UI stimulus funds are not accepted. “State unemployment policies and the Enterprise Fund should be separate issues,” said Michael Quinn Sullivan, president of Texans for Fiscal Responsibility. “The long-term costs of making the required unemployment policy changes far outweigh any short-term benefit from accepting those stimulus funds. The rider should be removed from the budget.”

(3) Restore the state’s teacher incentive pay programs. While the Senate budget increased funding for the state’s incentive pay programs, the House stripped the funding, allocating it

through the school finance formulas to districts regardless of their interest in incentive pay. “The Senate’s approach will provide both the amount and the predictability of funding that will encourage more districts to participate in incentive pay, which research has shown to produce positive results for our students,” said Cathie Adams, president of Texas Eagle Forum.

(4) Undo the diversion of transportation funds to non-transportation purposes. The current state budget diverts nearly \$1.6 billion out of the state highway fund to pay for 17 other functions of government. The budget bills approved by both chambers only reduce net diversions by about \$21 million. “Rather than to create new transportation taxes, the legislature should reprioritize its spending so that the transportation taxes we’re already paying go toward that purpose,” Heflin said.

(5) Preserve the Economic Stabilization Fund for the future. “The House and Senate are to be commended for not tapping the Economic Stabilization Fund thus far,” said Peggy Venable, director of Americans for Prosperity-Texas. “We believe the federal stimulus package is bad policy and the wrong direction for America, but to the extent the legislature accepts those funds, it should use them for one-time purposes to the greatest extent possible and leave the Economic Stabilization Fund alone so that it is available for our future needs.”

“We are cautiously optimistic that a good budget can be adopted this session that will allow necessary services to continue without the taxpayers being overburdened with extra taxes, giving the economy the greatest advantage for rebound,” Heflin said.

The five priorities were offered on behalf of the Texas Public Policy Foundation, Americans for Prosperity-Texas, Free Market Foundation, Heritage Alliance, National Federation of Independent Business-Texas, Texans for Fiscal Responsibility, Texas Conservative Coalition Research Institute, and Texas Eagle Forum. In February, these groups issued “Blueprint for an Effective State Budget,” a mutually-shared set of guidelines for the Texas budget process.

The Honorable [Talmadge Heflin](#) is Director of the Center for Fiscal Policy at the Texas Public Policy Foundation. Heflin served 11 terms in the Texas House of Representatives and chaired the House Appropriations Committee in 2003, leading the Texas Legislature’s successful efforts to close a \$10 billion budget deficit without a tax increase.

The [Texas Public Policy Foundation](#) is a non-profit, free-market research institute based in Austin, Texas.