



## *LIFT PERSPECTIVE*

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### **10% Budget Cut is Sound Public Policy**

The issue of whether government spending should be increased or decreased runs to the very heart of the philosophical divide between conservatives and liberals. There are fundamental differences between the liberal philosophy of more spending and ever larger government, and the conservative philosophy which believes in the primacy of the family, importance of individual responsibility, and that government can often be an impediment to progress.

If the liberal approach results in increased taxation and spending, the conservative approach must not be simply to maintain pre-existing level of spending or merely slow the growth, but rather to find ways in which spending can be reduced through improved efficiency, elimination of wasteful and unnecessary expenditures, and ensuring that families and individuals take responsibility for their well-being to the greatest extent possible.

The Governor's Office and the Legislative Budget Board should be lauded for their demand that state agencies cut spending in the 2008-09 biennium by 10%. When requesting their general revenue-related funds, state agencies have been informed that they will be limited to 90% of the sum of the funds expended in FY2006 and budgeted for FY2007.

Predictably, the demands for cuts in the state budget have drawn criticism from organizations such as the Center for Public Policy Priorities (CPPP), which argue that the budget instructions will not permit spending increases for Medicaid, state employee health insurance, pension, and other benefits. They also argue that spending to fund school finance equity, CHIP, and public university enrollment growth will also be limited.

These echo similar arguments put forward by CPPP in 2003, when the legislature was forced to make budget cut-backs in order to meet a \$10 billion shortfall. Then, CPPP argued that because of budget cuts, programs such as CHIP and Medicaid would not be kept "whole", and that needy families would suffer as a result. These concerns have proved unfounded. The sky did not fall.

Instead of damaging CHIP, for example, improved eligibility processes have brought the program closer to its original goal of providing health insurance for the children of low income families, who do not qualify for Medicaid, but are genuinely unable to afford private insurance. Today, CHIP enrollment stands below 300,000. The days when over half a million Texas children were enrolled in what had become a costly and overfed program have been ended by needed asset tests and other restrictions.

It is also notable that despite a decline in enrollment since 2003, *new* CHIP enrollment has averaged 20,000 every month since January 2004. This is not the sign of a program damaged by budget cuts, but rather of a program that is finally getting through to those for whom it was designed.

Similarly, despite cuts to funding for public universities in 2003, enrollment has continued to increase. According to the Texas Higher Education Coordinating Board, higher education enrollment in 2003 increased by 17,099, while 2005 enrollment increased by 19,134.

Additionally, the 2003 budget cuts delivered significant efficiency savings, including \$63 million saved by reducing Texas Education Agency bureaucracy, and \$21.4 million saved by enforcing stricter Medicaid fraud prevention.

A major flaw in the arguments against the budget reduction is the notion that a budget is defective purely because it is restrained. It is poor public policy to approach the state budget from the position that an agency expects to spend more in a forthcoming biennium than it spent in the previous biennium. This is a sure-fire strategy to ensure that both the state budget and consequentially, tax bills, will spiral upward.

The reduction in 2003 aside, state appropriations over the last thirty years have *more than doubled* every ten years, even though population has not doubled, and personal income and gross state product continue to improve. In other words, state government is taxing more and spending more despite the fact that the citizens of Texas are better off financially and generally better educated

In its state finance report to the 78<sup>th</sup> Legislature, ["A Roadmap to Responsible Reform,"](#) the TCCRI highlights a number of areas in which the state is currently doing far more than simply meeting its responsibilities to Texans. The state should redefine its public health responsibilities around the concept of protecting the general health of the population, rather than attempting to provide health insurance for everyone. The state's education spending should reflect its responsibility to ensure that all students have access to a core curriculum, and that extracurricular programs and purely administrative expenses should be the responsibility of local school districts.

Furthermore, the TCCRI has recommended a number of fiscal reforms to improve the appropriations process and limit government spending beyond just budget cuts. For instance, the Legislature should consider strengthening the constitutional limit on state

expenditures. Despite the Texas Tax Relief Act of 1978 (TTRA), which was intended to restrain growth in state government by tying appropriations to economic growth, but because of loopholes in the Constitutional amendment, the state budget will be close to \$140 billion by the end of the 79<sup>th</sup> Legislature. In fact, since the passage of this constitutional amendment, state spending has risen about 500% while personal income has only grown about 400% and gross state product has grown 366%. Effective tax and expenditure limitations are based on the premise that government does not have an endless claim to taxpayers' income.

Also, the Governor should have line item reduction powers, enabling a reduction in spending without having to strike the entire amount of a given appropriation. This would provide the Governor with the tools to restrain legislative spending without being forced to choose between the complete elimination or approval of a given appropriation. Line item vetoes are a vital tool for taxpayer protection by helping end the tide of wasteful spending.

The 10% budget cut requested by the Governor's Office and the LBB will force state agencies to examine how and where they spend their money, and to prioritize vital and necessary spending over expenditures that are profligate and inefficient. Ensuring that state agencies have to justify every dollar they spend in this way should be the cornerstone of the appropriations process every biennium.