

# Analysis: Texas state budget tricks are great — until you total them up

A new report says the deferrals and other fiscal tricks lawmakers used this year — and are considering in the current special session — are digging a hole legislators will have to fill when they return to write a new budget in January 2019.

BY **ROSS RAMSEY** AUG. 11, 2017 8 HOURS AGO



Illustration by Todd Wiseman

Your Texas Legislature dug itself a \$7.9 billion hole during the regular session — and could deepen it before lawmakers leave town next week.

It's not something state officials have to worry about right now, which is probably why they did it. Instead, budget-writers and the governor, who signed the budget, solved a current problem by punting to the legislators who will assemble in Austin in January 2019.

A [new report](#) from the Texas Taxpayers and Research Association (TTARA) — a respected business-backed association that follows fiscal issues — puts the cost of budget deferrals and other government legerdemain at \$7.9 billion. That total includes, among other things, their estimate that lawmakers put \$2 billion less than will be required into the state's Medicaid program, and will have to make up a deferral of sales taxes intended for transportation that will end up costing \$3.6 billion.

“The bottom line is that all of these tricks, all of these methods, have been used before,” said Dale Craymer, president of TTARA. “It's just that we're using them to greater

amounts than what we've done before.”

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That might not be the end of the budget hijinks in 2017; the House has proposed delaying \$1.9 billion in payments to public education — effectively borrowing from a future budget to make an earlier one balance. That would allow lawmakers to increase the state's share of public education spending by \$1.8 billion, a move that would lower the pressure on local school property taxes.

If it sounds like that's borrowing from public education to pay for an increase in public education, well, that's because it is. That particular deferral is a familiar one in Texas government finance, but the Senate is resistant to the idea.

If you put the feuding over school finance and property taxes aside and just concentrate on the state budget, it's a hard sell: Lawmakers would get the \$1.9 billion to use right now but would have to pay it back later. Deferring \$1 today ends up costing \$2, since the money is used for current spending and then has to be paid back.

***They went looking for money. They didn't want to raise taxes. And they didn't want to hit the Rainy Day Fund for any recurring expenses. That left them with some new — and some time-worn — accounting tricks.***

The short form: A \$1.9 billion deferral now would add \$3.8 billion to that hole TTARA is already describing.

That's roughly \$11.7 billion — an amount that's coincidentally close to the balance of the state's economic stabilization fund, better known as the Rainy Day Fund.

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The two things are not directly connected, but they're related to one another. The deferrals written into the 2018-19 budget during the regular legislative session and those under consideration in the current special session exist for a couple of reasons.

Comptroller [Glenn Hegar](#) told lawmakers at the beginning of the year that while state revenue had increased, newly dedicated highway spending and a relatively small beginning cash balance meant a net decrease in what they had available to spend.

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It worked, in the short term. The budget balanced, and Hegar said lawmakers had actually left \$41 million unspent. That amount of money is to the state what the three pennies under your car seat are worth to you: not much.

In the longer term, it created a problem.

In its report, TTARA offered one bright spot for state government. Property values in Texas are still rising; during the next two years, they're expected to go up almost \$8 billion. Whatever tax revenue doesn't go toward offsetting growth in Texas' public schools could get scooped up by state budget-writers — like it did this year.

But that may not be a bright spot for the homeowners who pay those school taxes. The TTARA report notes that the 2018-19 budget “actually cut state aid to schools by \$1 billion — a net budget savings of \$5 billion that is to be shifted onto local taxpayers.”

So school taxes will rise, but maybe that looming 2019 problem for state budgeteers isn't as big as it looks.

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