

The Current and Future Fiscal Situation

Dale Craymer

Texas Taxpayers and Research Association

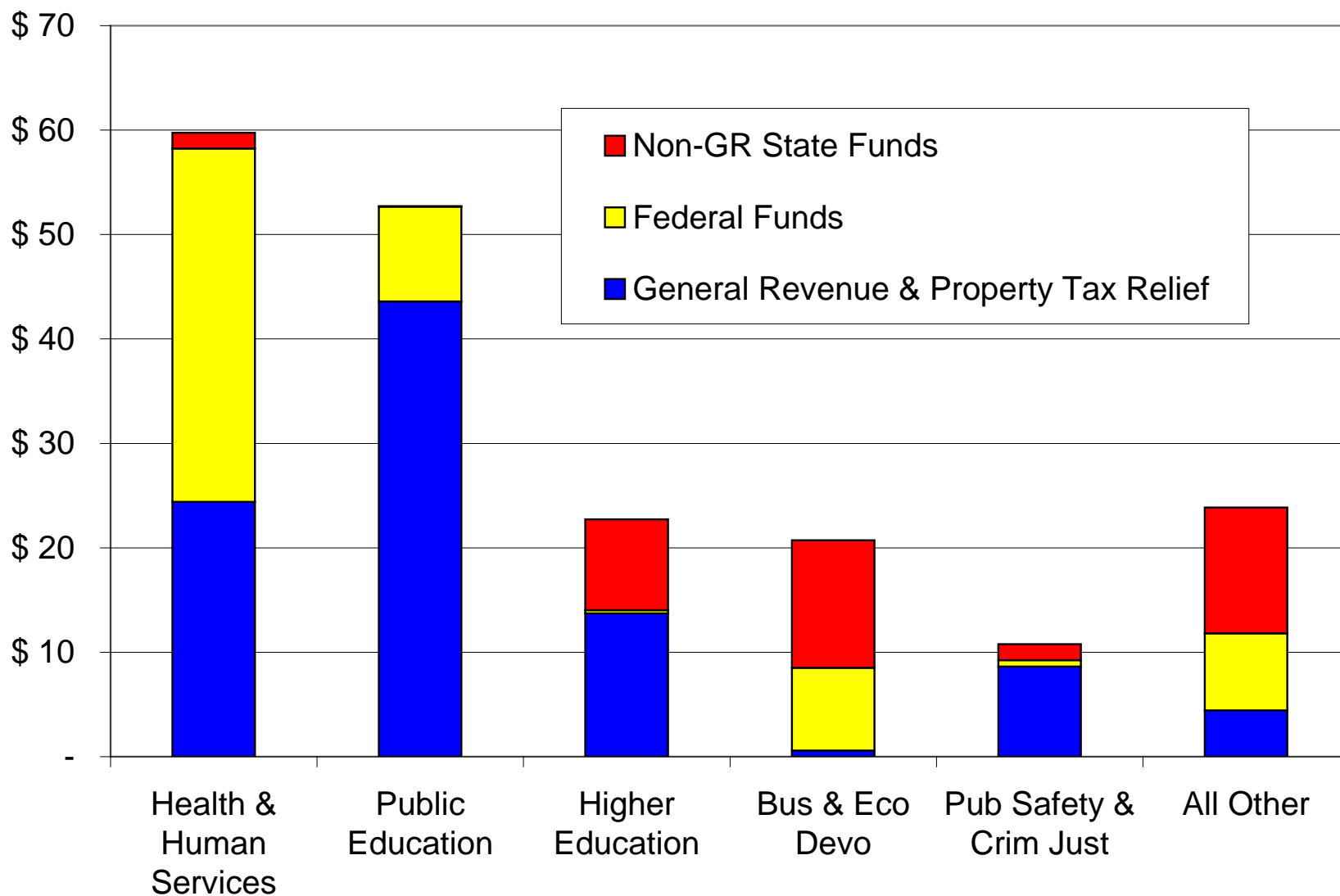
dcraymer@ttara.org

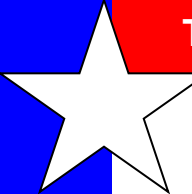


State of the 2010-11 Budget

- All Funds: \$182.5 billion
- Discretionary Funds: \$92.3 billion
- Comptroller formally certified budget as balanced with \$84 million to spare (less than 0.1 percent)

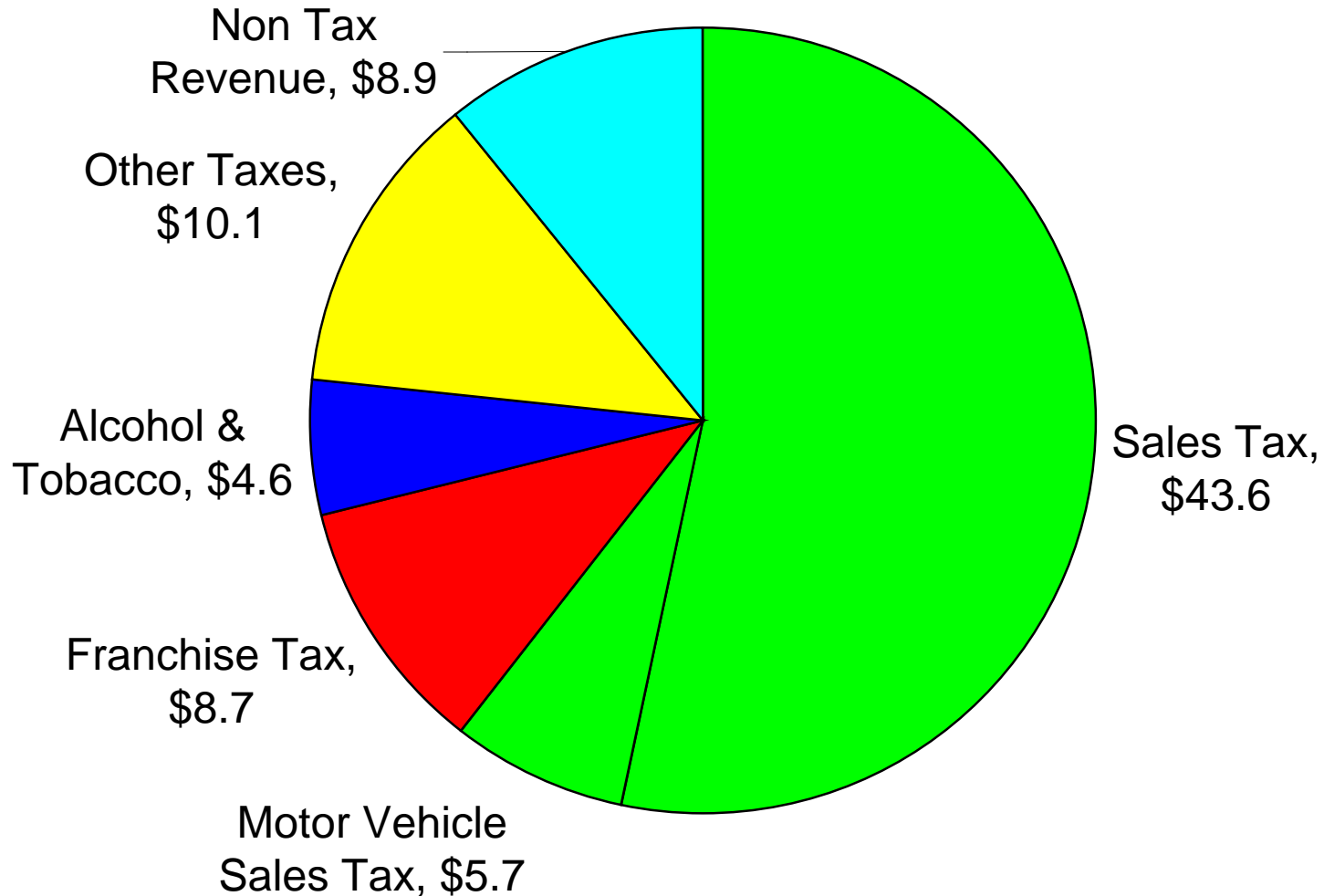
Texas State Budget, 2010-11





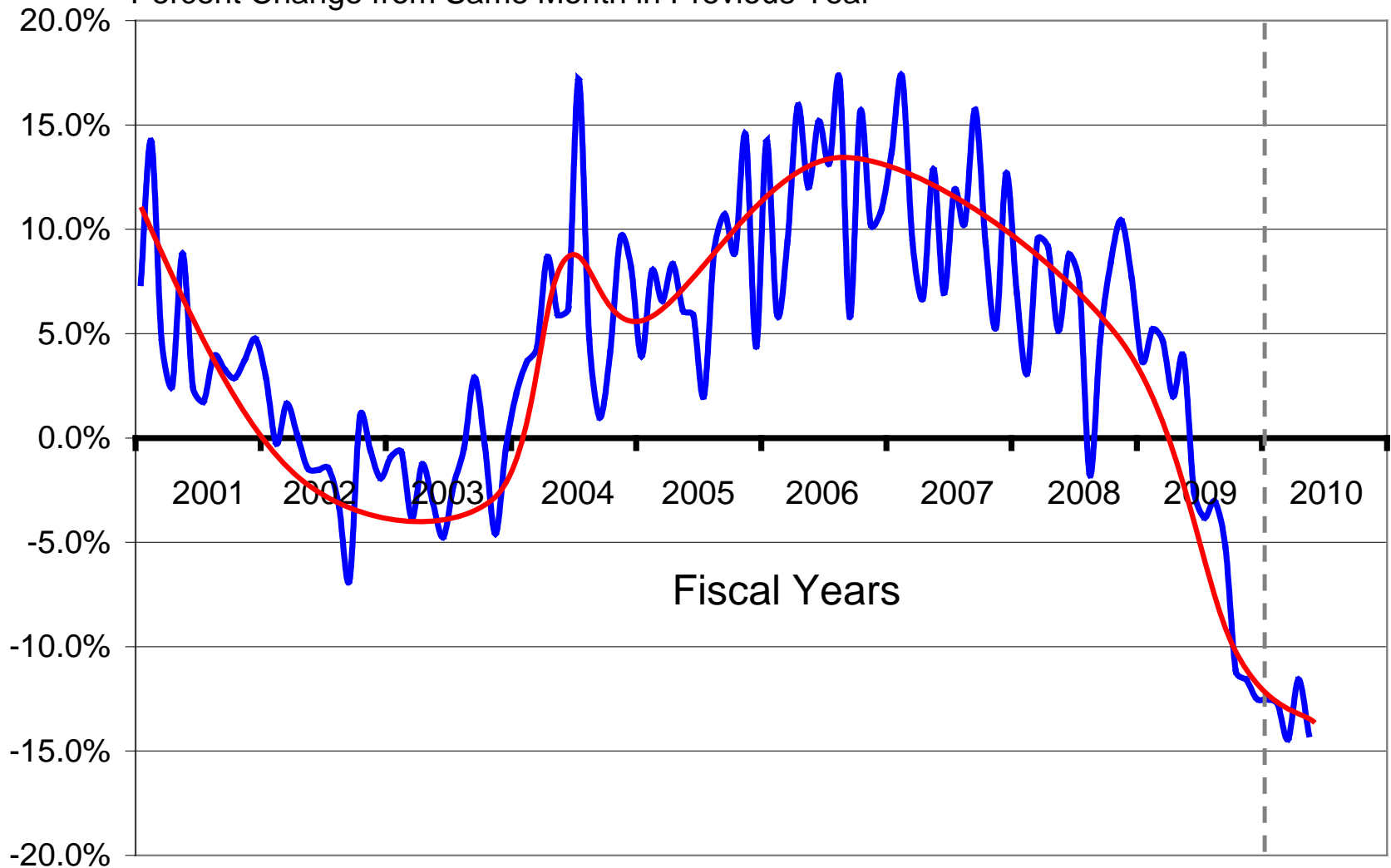
2010-11 Current Revenues (\$bl)

General Revenue and Property Tax Relief Fund
(Excludes Federal Stimulus Funds)

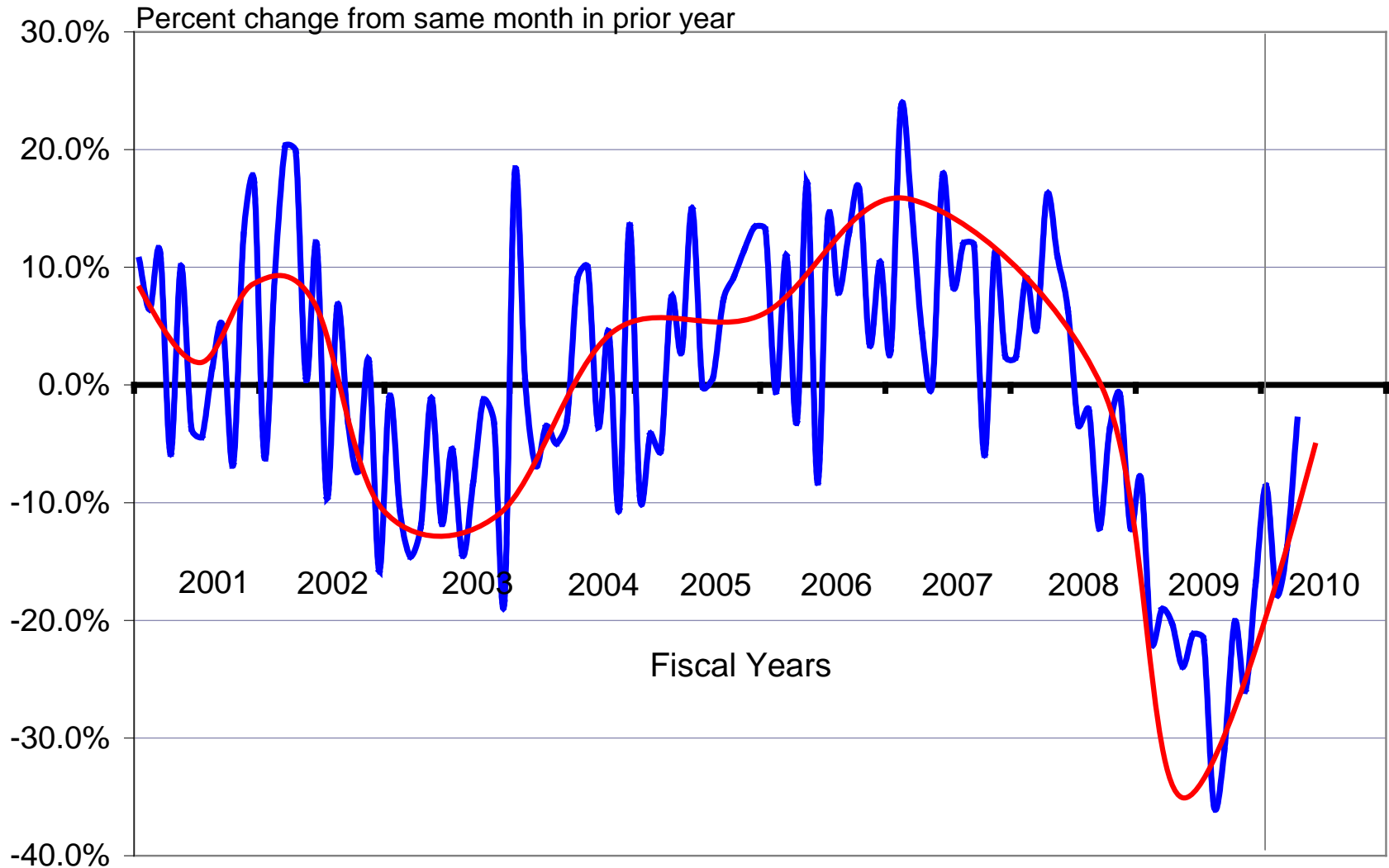


Sales Tax Revenues

Percent Change from Same Month in Previous Year



Motor Vehicle Sales Tax Revenues





Revenues: The Bad News

- Through January, sales taxes are \$1.5 billion below last year's collections—running well under estimates with no bounce-back in sight
- Net natural gas tax collections are down substantially because of low prices and backlogged tax credits



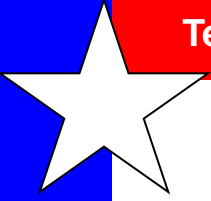
Revenues: The Good News

- The rebound in the stock market could increase school fund earnings by \$1 billion—all of which adds to general revenues
- The federal jobs bill may bring additional temporary stimulus dollars for Medicaid



Spending Side of the 2010-11 Budget.

- Leadership instructs agencies: cut 5%
 - Hoping for \$1 billion in savings
 - Actual savings likely to be less
- Medicaid caseloads and costs running way above current budget
- Cost overruns in employees retirement system and prison health care



For Now...

Good News



Bad News

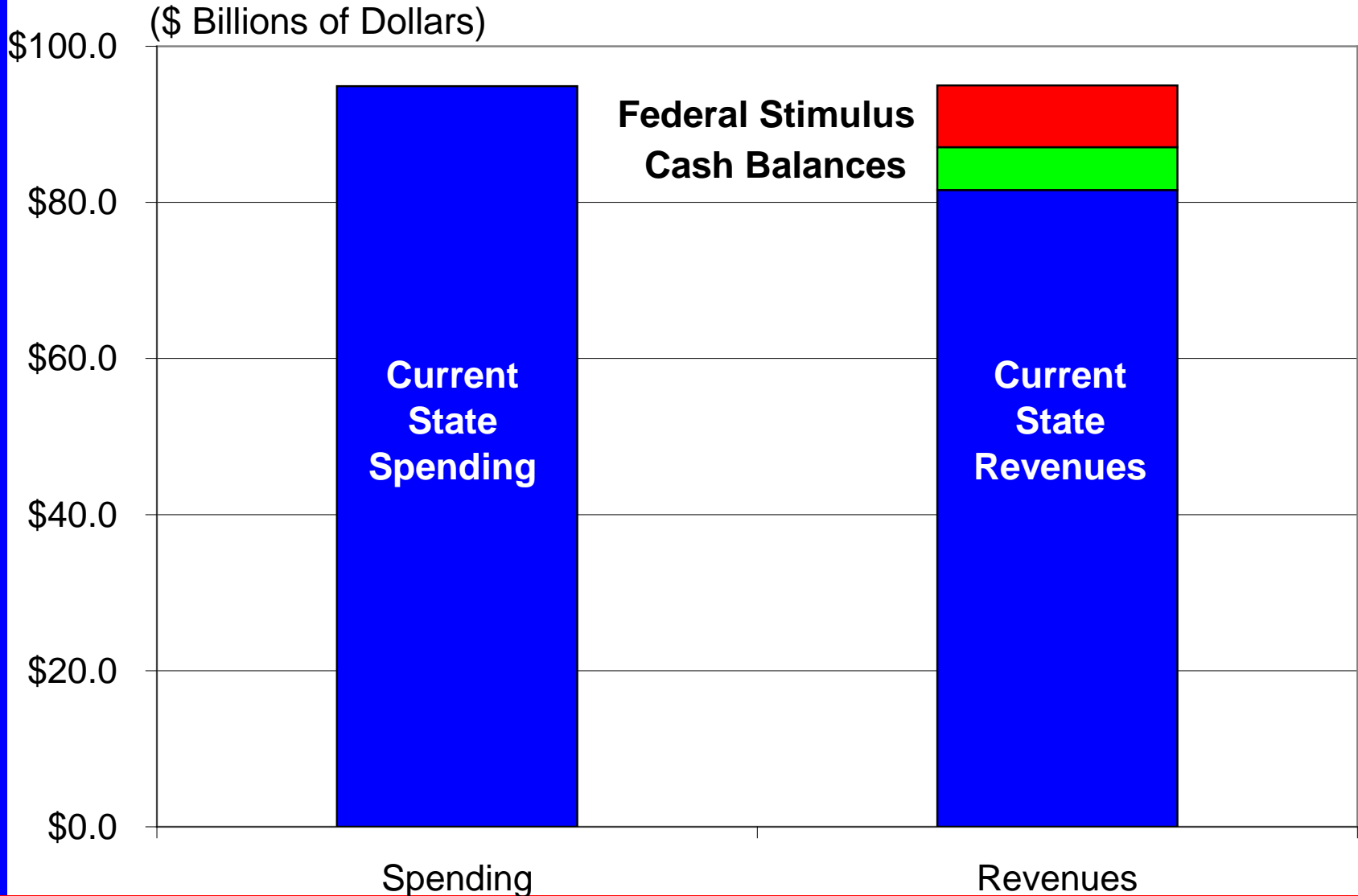




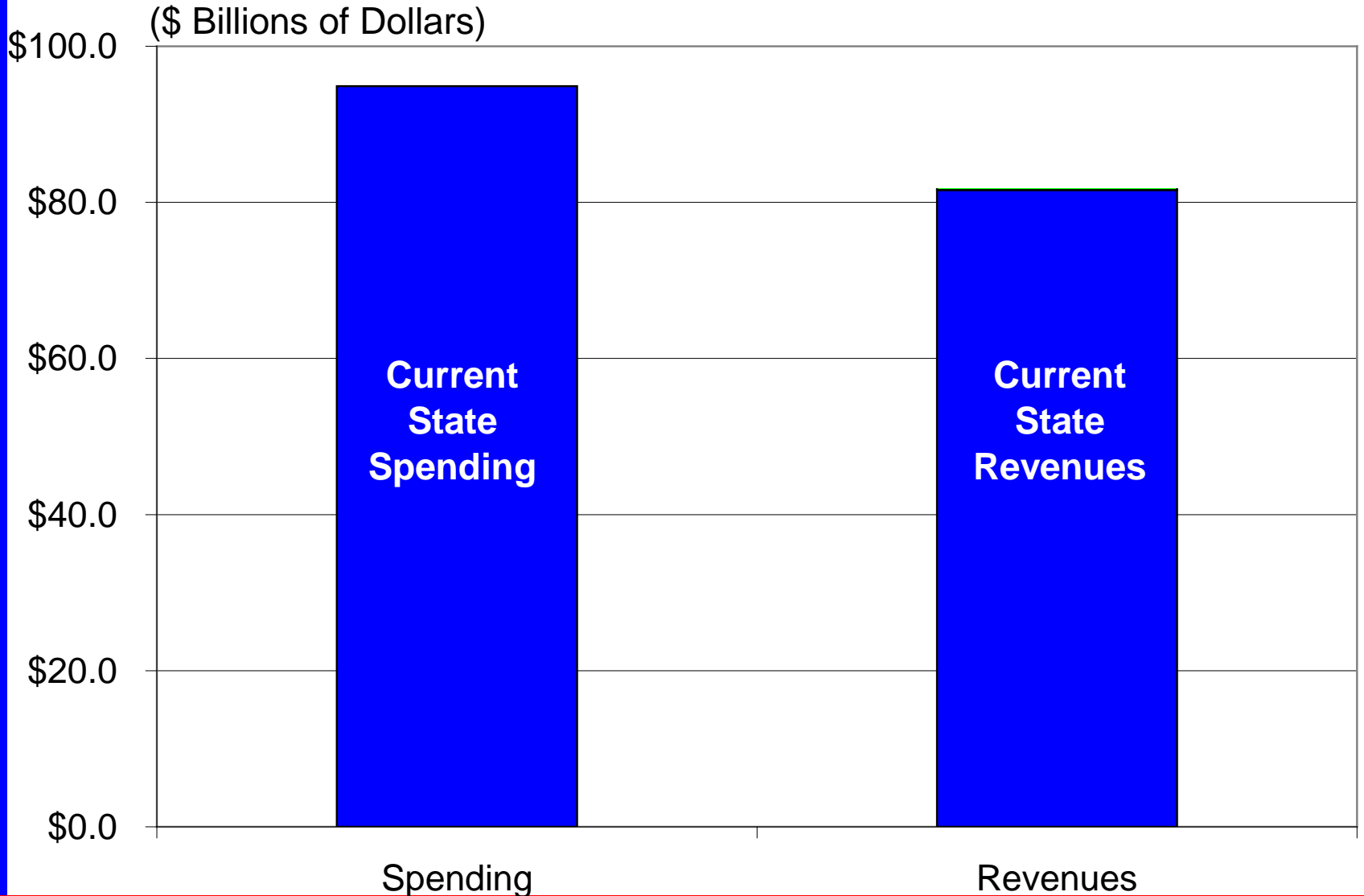
Handicapping 2012-13

- Economy likely to recover modestly, with tax revenues following suit
- Spending pressures continue
- Rainy Day Fund may have \$8-9 billion
- The budget shortfall will exceed amounts in the Rainy Day Fund

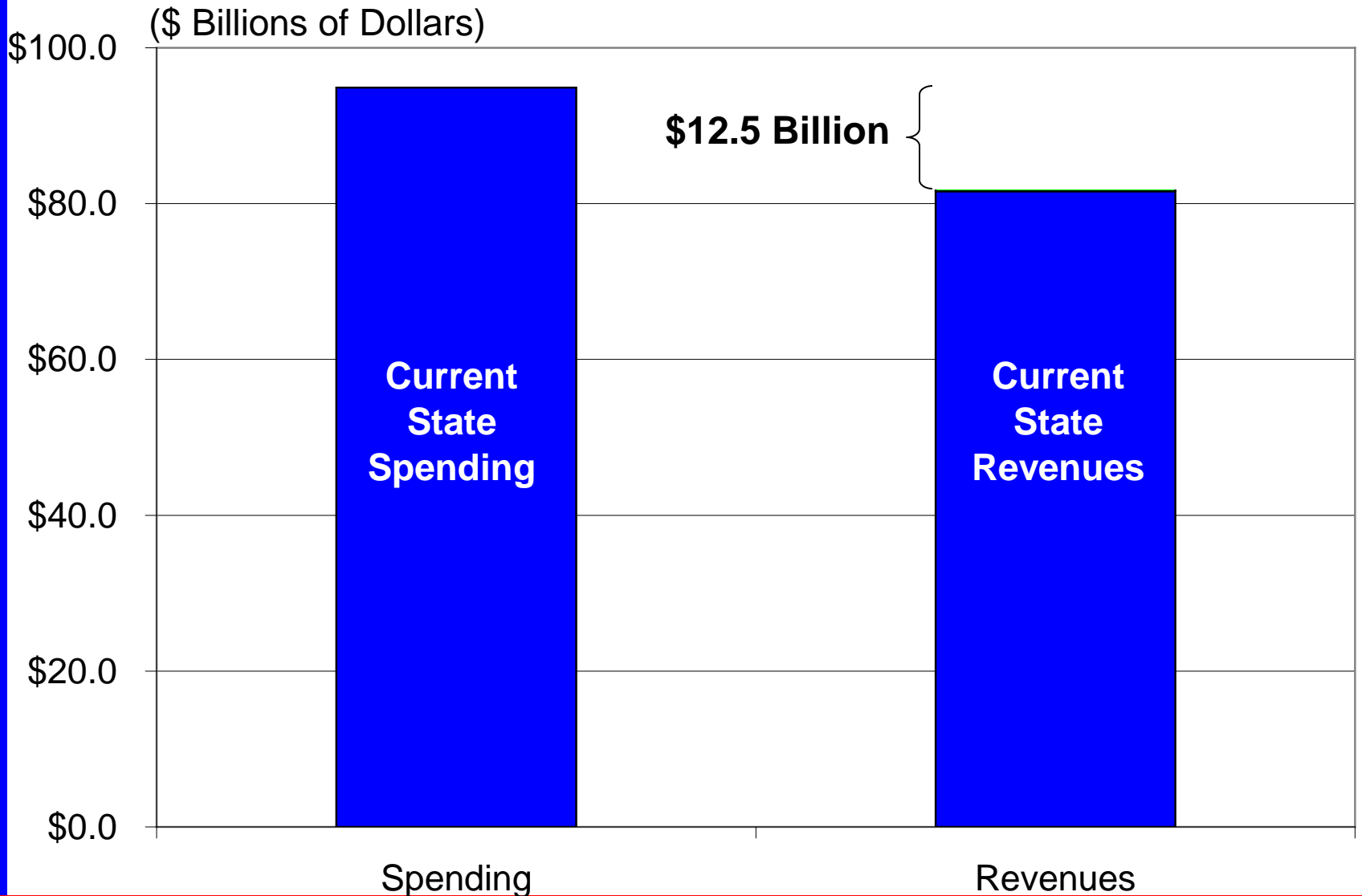
The “Structural Deficit”

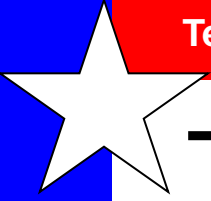


The “Structural Deficit”

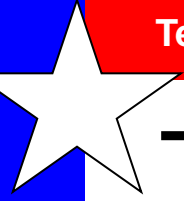


The “Structural Deficit”





Time Honored Budget-Balancing Strategies



Time Honored Budget-Balancing Strategies

- Cut spending
- Draw from Rainy Day Fund
- Defer payments and transfers
- Adopt even worse policies of tax administration
- Eliminate exemptions & credits
- Raise tax rates

TTARA

Dale Craymer: State Budget, Franchise Tax

Bill Allaway: Transportation Finance

John Kennedy: Sales Tax, Property Tax

Sheryl Pace: School Finance

George Christian: Property Tax

Ryan Ash: Communications, Website