

TEXAS PUBLIC POLICY FOUNDATION

2019-20  
**LEGISLATOR'S  
GUIDE**  
to the issues



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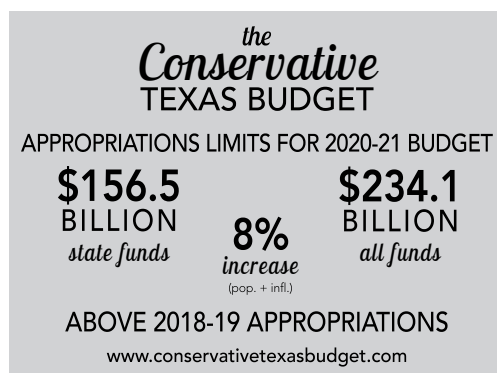
The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

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# Conservative Texas Budget

## The Issue

**A** Conservative Texas Budget is a budget that does not increase by more than the change in the key metric of population growth plus inflation. Limiting the state's budget growth to this key metric allows legislators to fund government while not overly burdening Texans with higher taxes. If the 2017 budget increases remain below population growth plus inflation, joining the 2015 budget, the Texas Legislature has a grand opportunity to pass a historic third consecutive Conservative Texas Budget in 2019.



The Legislature starts each legislative session with an estimate of how much tax revenue is available to appropriate. Although legislators cannot appropriate more than projected taxpayer dollars collected based on the Texas Constitution's balanced budget amendment, spending ultimately determines taxes collected. Because taxes matter to Texans' economic activity, spending restraint is preferable.

Legislators practiced some budget constraint in 2003 and 2011 when spending increases were less than corresponding increases in population growth plus inflation. However, subsequent legislatures in 2005 and 2013, respectively, increased spending substantially, erasing all of the gains from the prior session. These types of past excessive spending trends have led to a state budget that has increased 7.3% above increases in the compounded growth of population and inflation since the 2004-05 budget. This failure to practice consistent fiscal discipline has led to overspending (i.e., higher taxes) of \$15 billion during the 2018-19 biennium, which amounts to a Texas family of four paying on average \$1,000 more in taxes this year.

In 2017, the Legislature passed total appropriations of \$216.8 billion in all funds with state funds accounting for \$144.9 billion of that total. Both balances increased by less than population growth plus inflation. In 2019, the Legislature could have \$2.79 billion available for a supplemental bill to sustain a 2018-19 conservative budget. A supplemental bill should cover the delayed \$1.8 billion Proposition 7 transportation payment and will likely cover underfunded amounts in Medicaid, other programs, and Harvey recovery efforts, potentially from the Economic Stabilization Fund (ESF). We intend to exclude from our Conservative Texas Budget calculations Harvey recovery appropriations as necessary.

While the Legislature has occasionally passed conservative budgets, Texas needs to end the historical cycle of following conservative budgets with massive spending hikes. The member organizations of the [Conservative Texas Budget Coalition](#) recommend that the Legislature pass what could be the third consecutive conservative budget so that legislators will be good stewards of taxpayer dollars.

These Conservative Texas Budget limits represent maximum amounts for the Legislature to use when determining the cumulative amount appropriated. The Legislature could easily spend less while ensuring payment of government provisions and providing tax relief. Nonetheless, if the Legislature stays within these limits, it will have taken a substantial step toward reining in the excessive growth of Texas government spending since 2004.

As a result, Texas will be better equipped to deal with economic downturns and other circumstances. Ultimately, conservative budget reforms will provide Texas with the best opportunity to empower Texans to reach their full potential and allow the state to remain a free market model for others to follow.

### The Facts

- Texas' total state budget growth is \$15 billion higher in the 2018-19 budget than if it had been limited to the pace of the key metric of population growth plus inflation since the 2004-05 budget.
- A Texas family of four is paying, on average, \$1,000 more per year to fund government than if the budget had been limited to this key metric.
- The 2015 and 2017 legislatures passed what could be the first consecutive Conservative Texas Budgets in recent history.

### Recommendations

- Adopt a third consecutive Conservative Texas Budget.
- Increase the 2020-21 total budget by less than the estimated increase in the rate of population growth plus inflation based on actual data in fiscal years 2017 and 2018.
- Pass a 2020-21 budget that increases by no more than 8 percent for a maximum total budget of \$234.1 billion and state funds of \$156.5 billion.

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### Resources

*The 2020-21 Conservative Texas Budget* by Talmadge Heflin and Vance Ginn, Texas Public Policy Foundation (Forthcoming ).

*The 2020-21 Real Texas Budget* by Talmadge Heflin, Bill Peacock, and Vance Ginn, Texas Public Policy Foundation (Forthcoming).

[HB 208: Texans Deserve a Conservative Spending Limit](#), Testimony before the House Appropriations Committee by Vance Ginn, Texas Public Policy Foundation (July 27, 2017).

[TEL It Like It Is: Why Texas Needs Spending Limit Reform](#) by Talmadge Heflin and Vance Ginn, Texas Public Policy Foundation (Dec. 2015).

## Experts

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