



An Open Letter to the Legislative Budget Board on the Spending Limit

By Texans for a Conservative Budget

Members of the Legislative Budget Board:

On Thursday, the Legislative Budget Board will gather to review and approve a limit on the growth of certain appropriations for the 2014-15 biennium as required by Article VIII of the Texas Constitution. The adoption of this targeted spending limit represents a critical juncture in the budget process and will lay a fiscal foundation for the session ahead.

As you consider how to best navigate your upcoming spending limit decision, we encourage committee members to consider the following:

- **National economic uncertainty demands fiscal discipline.** Today, much uncertainty exists about the direction and the future of the U.S. economy. On the horizon, Texans, as well as all Americans, face the prospect of the largest tax increase in U.S. history (aka “taxmageddon”); the implementation of major aspects of the Patient Protection and Affordable Care Act (aka ObamaCare); deteriorating economic and fiscal conditions abroad; and more.

It is not an understatement to say that times like these are nearly unprecedented, and are reason for concern. With the state and the nation faced with so much volatility affecting all of our daily lives, it is critical that legislators observe a policy of “do no harm,” particularly when it comes to the financial well-being of Texas taxpayers.

- **State spending growth has far-outpaced optimal levels.** Despite existing restrictions on the rate of growth of appropriations,* state spending is still growing at a much faster clip than is ideal. Consider that since fiscal 1994-95, past growth rates adopted by the LBB have consistently exceeded the sum of population growth plus inflation, with the exception of the 2006-07 biennium. In some cases, the difference between these two measures has been significant (*see table on back*).
- **The current budget is abundant with excess.** Contrary to popular belief, Texas’ current budget is fraught with examples of excess spending that should either be eliminated or re-prioritized to other higher priority areas. Examples of these excesses can be found in a brief study released by the Texans for a Conservative Budget coalition earlier this year titled: *Real Texas Budget Solutions: 2013 and Beyond*. In this document, the coalition identifies 100-plus agencies and programs that can be either consolidated or eliminated without affecting the core functions of government.

* From *Budget 101: A Guide to the Budget Process in Texas*: “The LBB determines the estimated rate of growth ‘...by dividing the estimated total personal income for the next biennium by the estimated Texas total personal income for the current biennium. Using standard statistical methods, the LBB shall make the estimate by projecting through the biennium the estimated Texas total personal income reported by the United States Department of Commerce or its successor in function.”

continued

Biennium	Adopted Growth Rate	Population Growth Plus Inflation
1994-95	13.4%	10.3%
1996-97	14%	10%
1998-99	11.1%	8.3%
2000-01	13.4%	10%
2002-03	14.1%	7.8%
2004-05	11.8%	8.7%
2006-07	11.3%	11.3%
2008-09	13.1%	9.7%
2010-11	9.1%	6.7%
2012-13	8.9%	8.4%
Average	12%	9.1%

Source: Legislative Budget Board

- Higher spending and debt drive higher taxes and fees.** Reasonable growth in spending on the core functions of government is to be expected, particularly in a fast-growth state like Texas. However, when spending growth exceeds reasonable metrics, like the sum of population growth plus inflation, tax and fee increases will inevitably follow as state budget writers are no longer able to balance the spending side of the ledger with the revenue side through natural growth.

In the words of Jim Powell, a Senior Fellow at the Cato Institute: “Government spending drives taxes, deficits, debt, and inflation, so it’s at the core of our economic problems.”

For the reasons laid out above, *the Texans for a Conservative Budget coalition calls on the LBB to adopt a spending limit at or below the sum of population growth plus inflation for the 2014-15 budget cycle.* By adopting a rate at or below this limit, state spending growth will be kept at a manageable level thus encouraging a strong and vibrant economy.

The coalition understands that the committee has a difficult decision ahead of it in the coming days, but we are confident that Members will keep spending at or below the sum of population growth plus inflation to ensure the best possible outcome for the Texas economy and its taxpayers.

Sincerely,



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JoAnn Fleming, Chair, Advisory Committee to the TEA Party Caucus of the Texas Legislature; Executive Director, GRASSROOTS AMERICA —WE THE PEOPLE

