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Rollins: Time for a Texas tax cut

By Brooke L. Rollins

Texas Public Policy Foundation

In 2011, lawmakers struggled with adopting a budget while facing a shortfall of about \$15 billion. They dealt with it by tightening Texas' purse strings, adopting a few budget gimmicks, and tapping the Economic Stabilization Fund — commonly known as the rainy day fund — for \$3.2 billion.

With these actions, they avoided a tax increase. As a result, Texas' economy is booming, and our state coffers are flush with cash. Today the question is what to do with all that money.

The Texas Public Policy Foundation favors returning the money to taxpayers by cutting taxes — through a reduction in the sales and/or margin taxes. Lawmakers, however, are coming up with all kinds of creative ways to spend the money pouring into Austin. This includes tapping the rainy day fund to pay for new spending.

The fund was designed for use in dire fiscal situations, not for spending in times of plenty; that's why it takes a two-thirds vote in both houses to approve new spending. The Texas Public Policy Foundation has long opposed raiding the state's rainy day money when the sun is shining bright.

Due to the state's good stewardship and strong economy, the rainy day balance is expected to reach \$11.8 billion by August 2015. But if the state raids the fund for new spending during good times, we won't be able to enjoy this safety net in hard times — which might not be as far off as we might imagine.

In 2005, Texas coffers were flush with cash after facing a shortfall in 2003. The Legislature abandoned the fiscal restraint of 2003 and went on a spending spree. This put into place a high trend line of spending that set the stage for the budget shortfall only six years later.

The same thing could happen today as lawmakers face spending pressure from Medicaid, the school finance lawsuit, calls for new transportation and water spending, and state agencies clamoring for more money.

For instance, one use of rainy day money called for this session is a new fund recently approved by the Texas House of Representatives that would finance water projects with \$2 billion from the fund. Another legislative proposal would take \$1.4 billion from the fund to repairs road worn down by the energy boom.

In the midst of a record drought, most of us are aware of the need for an adequate supply of water. And certainly we all experience our fair share of potholes. But rather than spend rainy day money on water and transportation, lawmakers should look to prioritize all spending within available revenue.

The Legislature is sitting on almost \$101.4 billion in general revenue-related monies, up 12.4 percent from the current biennium. In other words, there is plenty of revenue to pay for roads, water, and other priorities — if there's fiscal discipline and a willingness to make the hard choices we expect of our elected officials.

The only way forward is the Texas model — low spending and taxes, a predictable, low level of regulation coupled with strong property rights protection, and a sound civil justice system — which has made Texas the nation’s leading economic engine, witnessed by the fact that Texas had four of the five top growth metro areas in the nation from 2010 to 2012.

There is only one legitimate use of the rainy day fund in the present circumstances: to cut taxes, and return taxpayer money to whom it belongs — the people of Texas. Thirty years ago this May, Ronald Reagan delivered an address on American small businesses, and he observed that governments only create prosperity — and balance their own books — by “controlling spending and stimulating new wealth, wealth from investments of brave people with hope for the future, trust in their fellow man, and faith in God.”

The challenge for Texas lawmakers now is to recall the wisdom of Reagan and the truths of prosperity — and apply those lessons with the rainy day fund and every other fiscal question before them in the 83rd Legislature.

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This article was just fine, till he mentioned reagan, one of 3 worst presidents ever.

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