



LEGISLATOR'S GUIDE TO THE ISSUES 2021-2022

Reducing State Spending

The Issue

While we do not know how deep the downturn related to COVID-19 and the associated shutdown will be, we must focus on ways to limit state spending consistent with what the belt-tightening Texas families are doing to make ends meet.

Given what we know now, it is reasonable to ask agencies (with some exceptions, such as Medicaid), to find 15% of their current budgets to cut.

Next, we should take a page from the playbook we ran in 2003, when the Legislature adopted a zero-based budgeting philosophy. Governor Rick Perry sent the Legislature a budget with zeroes next to each agency's line items, and he publicly stated that he would veto any bill making it to his desk that included a tax increase.

With zero-based budgeting, agencies were funded first based on any constitutional requirements, then on statutory authority, and finally according to expenditures in a priority list.

Going forward, the Legislature should commit to a Conservative Texas Budget—which we at the Texas Public Policy Foundation define as a budget that increases no faster than population plus inflation. In other words, the budget should not grow at a more rapid rate than Texans' ability to pay for it.

In addition to limiting the spending of state funds, Texas should also be wary of spending too much in federal dollars, as those funds are not “free” money and ultimately cost Texans in the form of federal taxes and debt costs.

While many states are demanding more money from the federal government to deal with the COVID-19 situation, providing even more bailout money to states would mean inappropriately supporting years of poor fiscal management and incentivizing unnecessary government lockdowns.

Ultimately, bailing out states means less money in our pockets at a time when many of us are struggling financially—and fewer opportunities for entrepreneurs to help conquer the effects of the novel coronavirus.

States must restrain their spending, which is always and everywhere the primary source of budget shortfalls. This can be done by eliminating wasteful expenditures and freezing inflation-adjusted per capita spending to keep it within the means of taxpayers. Doing so will help the government from growing excessively and putting a higher tax burden on taxpayers.

The Facts

- In July 2020, Comptroller Glenn Hegar predicted a budget shortfall of \$4.58 billion due to the effects of the novel coronavirus
- The U.S. is \$26 trillion in debt (roughly \$80,000 owed by every American) or 130% of the economic output, which is the highest since at least the Great Depression.

Recommendations

- Cut state agency spending by 15%.
- Use zero-based budgeting for the 2022-23 budget cycle.
- Avoid using federal funds as a means to maintain or increase spending level.
- Adopt a Conservative Texas Budget and adopt cost-cutting measures.

Resources

“[HEROES: Should Congress bail out states?](#)” by Vance Ginn, *The Hill* (July 19, 2020).

“[The Time to Cut Spending in Texas Is Now](#)” by Talmadge Heflin, *Austin American-Statesman* (April 30, 2020).