



TEXAS WORKFORCE COMMISSION

101 E. 15TH STREET, ROOM 638
AUSTIN, TEXAS 78778-0001

TOM PAUKEN

Chairman

(512) 463-2800 FAX: (512)

RICK PERRY

Governor

A NEW YEAR'S RESOLUTION: NO SPENDING BINGE IN TEXAS

The news is not pretty for many states and municipalities across the country. California has a \$40 billion budget deficit. A number of towns in that state may be facing bankruptcy. Vallejo, California already has filed for Chapter 9 bankruptcy protection; and the towns of Isleton and Rio Vista may file soon, according to *The Wall Street Journal*. The state of New Jersey has a budget shortfall of more than \$1 billion, in addition to the highest burden of state and local taxes in the nation, according to the Tax Foundation.

The National Conference of State Legislatures (NCSL) is forecasting state budget deficits in the range of more than \$140 billion during the 2009 and 2010 fiscal years. Those states that went on a spending spree during the boom years (and are now paying the price in recessionary times with huge budget deficits) are petitioning the incoming Obama administration to bail them out of their economic difficulties. As reported by *The New York Times*, governors of these financially insolvent states are asking the federal government "for a total of \$1 trillion" for state governments over the next two years. Reportedly, the Obama administration is sympathetic to this latest request for yet another bailout.

So, are Texas taxpayers going to be asked to pay for the fiscal "sins" of those financially irresponsible states, just like we are already paying for the credit excesses of the Wall Street financial institutions? Isn't this akin to rewarding the guilty while punishing states like ours which have been fiscally prudent during the "go-go" years?

Texas, with the world's 12th largest economy, is faring better financially than any other large state in the nation, even though we too are feeling the effects of the national recession and the credit crunch. The Legislative Budget Board, which draws up the state's spending plans, already is forecasting what may be the lowest personal income growth rate since 1978. New claims for Medicaid and continued clean-up costs from Hurricane Ike may require the Legislature to appropriate additional funds for the 2010-11 state budget. So, that \$11 billion surplus may shrink noticeably during the upcoming legislative session.

(more)



TOM PAUKEN
Chairman
(512) 463-2800 FAX: (512)
463-1289

RICK PERRY
Governor

Nonetheless, Texas is well-served by its decision in recent years to limit state spending increases to the rate of inflation plus population growth. This commitment has made Texas far more attractive to business than just about any other state in the country. We've been consistently ranked in recent years as the country's best state for business – which is one of the highest compliments I can think of from a public policy perspective.

What we need to do during the tense months that loom ahead is scrutinize the budget with even greater care than usual, making absolutely certain that what we decide to spend our Texas taxpayers' hard earned dollars on is truly worth the cost.

Should a program or service cost this amount or that? Do we need to spend that particular amount of money right now? Would it make sense to wait? Are there better ways of providing this specific service? These are only the obvious questions our lawmakers, as well as the voters, will likely be asking. Plenty of more subtle questions, and their answers, will help remind us just how important the task is of constantly reassessing the way government does business.

Twenty states already have pared down their fiscal year 2009 budgets by \$7.6 billion, the NCSL tells us. Twenty-five all told expect to be \$60 billion short in the 2010 fiscal year. Yet, public needs don't disappear in the face of money shortages. The record shows that many of those needs increase in tough economic times.

Six years, and three legislative sessions ago, the Legislature came to Austin facing a similar challenge: raise taxes or cut spending. Gov. Rick Perry chose the latter course – and it worked. Texas grew its way out of the financial crunch.

(more)



TOM PAUKEN
Chairman
(512) 463-2800 FAX: (512)
463-1289

RICK PERRY
Governor

Reducing projected state spending by \$10 billion over two budget cycles was no one's idea of fun at the time, but somehow the state survived. Just as important, it found ways of consolidating programs and offices and reducing commitments that would only have grown if the necessity of some housecleaning hadn't arisen.

Our present economic storm will blow over in time – far more slowly than Hurricane Ike but just as surely – so long as our national government doesn't continue to make things worse. A state in sound financial shape, with a low tax rate and a reputation for efficient management of its resources, will find itself poised to move once more down the highway to growth and prosperity. Texas can be that state if Texans stay cool and again make the sensible decisions called for at a time of testing.

Media Contact: Ann Hatchitt

Phone: 512-463-8556

The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in unison with its network of local workforce development boards call (512) 463-8556 or visit www.texasworkforce.org.