

Call it a train wreck, a perfect storm...all are overused phrases but they do, in part, create at least a tone for what the Texas Legislature will be like when the new session begins January 11th next year. This was true even before an anti-Washington tidal wave deposited a lot of new, inexperienced legislators in the House chamber, politicians who have vowed to cut big government. Sadly, for them, they were elected in Texas, where big government has never really existed.

Depending on whom one believes, Texas will face a shortfall of projected revenue over projected spending of between \$19 billion and \$28 billion in the budget legislators must pass before going home in May, or maybe June, or even July next year. This shortfall is in a budget in which many items – debt payments, for instance – can't be cut. The actual discretionary amount that legislators have to work with is less than \$100 billion. That's a lot of money, and no doubt there are savings to be found here or there. But Texas has never generously funded any program, and \$100 billion over two years in a state that's growing like Texas ends up being spread pretty thin.

Are legislators really going to cut the operating budget of the state by 25%? Do we really want them to? Where will the money come from to fill in gaps from state programs that have been reduced or eliminated? What burdens will local governments face? Before answering those kinds of questions, you must look at some budget details.

Keep in mind that Texas balanced its budget last year with savings carried over from the previous session for just that purpose. That money is gone. Then, there were federal stimulus funds, which Governor Rick Perry accepted in the range of \$20 billion, not that you would know it from his anti-Washington re-election campaign. That money is also gone.

The state does have a rainy day fund of about \$9 billion. This seems very much like a rainy day, and with almost two-thirds of the House in Republican hands, leadership should not have trouble getting the necessary 100 votes to spend that fund to help balance the budget. Of course, once it's spent, that money is also gone. Some of the more responsible members – those looking past this session or the next election – have already voiced concerns about draining the entire savings account when some projections show the budget two years further out still in distress.

The election of a fierce anti-government group of new Republicans locks in the certainty that taxes won't be increased, unless, of course, they're called something else, like say "fees." If it seems preposterous to suggest that Republicans will raise taxes, well, it is a long shot. But the numbers are daunting. You may not have noticed that Comptroller Susan Combs chose Election Day to announce another \$1 billion-plus shortfall *in the current state budget*.

A lot of new folks and most returning legislators haven't faced shortfalls of this magnitude. There is certainly a bigger burn-the-government-to-the-ground faction in the Republican membership this time around. A lot of them were elected because they had "R" after their name and not because they proposed solutions, thoughtful or otherwise, to the fiscal issues facing the

state. They did campaign on aggressive local and state enforcement of immigration laws, which, if enacted, will *increase* the costs of government, not reduce them.

Budget issues matter to us because of the business community's need to have highly regarded, effective public and higher education programs and an efficient transportation system. Yet higher education has already taken disproportionate reductions in the current budget and university leaders know a bigger hit is coming. Public education has never been adequately funded by the state, which creates pressure on local school property taxes. The budget "fix" enacted to create a revenue stream for public education in 2006 was judged inadequate at the time and has proved to be even less sufficient than those early, pessimistic estimates. Yet public education is one of the biggest parts of the budget, and it seems impossible to see how the budget can be balanced, absent new revenue, and leave public education funding intact. In addition, State Senator Kirk Watson recently gave a presentation to the Arlington Chamber regarding the structural deficit created by the 2006 budget "fix." You can read his presentation by clicking [here](#).

As far as transportation goes, we've been over that time and again. The short version is relatively simple: The need for revenue to repair state roads, and build new ones, in a way that supports business activity, economic development and continued population growth is not being met with the current funding system. Bonds have been issued instead of increasing the state's 20-cents a gallon gasoline tax, and part of the money being collected from that tax has to be diverted paying off bonds instead of repairing and/or building roads. The legislature has kicked this issue down the road every session since 2003: Expect more of the same.

In addition to all of that, there will be fights over requiring local police to enforce federal immigration laws, about allowing people to carry concealed – or maybe unconcealed – weapons on college campuses, about whether Christianity should trump all other religions in Texas classrooms. And about how to draw new districts these same legislators will have to run in two years from now.

On the latter, back when the Republican majority was projected in the mid-80s (the new Texas House will have 99 Republicans, 51 Democrats), redistricting was an item that would blow up the Legislature. Now, it's almost a guarantee, only it will be Republicans tossing each other over the rails. They simply can't protect 99 seats by drawing legislative districts, particularly when this session will see a second major shift – 2002 was the first – of population and therefore, representation, to urban counties. Rural districts, by and large more conservative than urban and even suburban districts, will be geographically larger than they are now. Republicans made big gains ousting moderate to conservative Democrats from East Texas districts, so there aren't many Democrats left who can be drawn into districts with each other to protect Republican seats. The urban-rural battle hasn't always been a partisan divide, but now it will be more within the Republican Party, showing up most obviously when school districts start taking budget cuts.

There is a lot more that could be said, but here's a few numbers to wrap up with:

- 41% -- the percentage of cuts from “across the board” 5% agency cuts in the current state budget that have come from higher education.
- 38 – the number of new members who are entering to face these complicated challenges.
- 100+ -- the number of vacancies on House committees as a result of resignations and the election.
- 0 – the percentage by which public education has *ever* taken a reduction in funding in absolute terms in any modern legislative session. This includes the 2003 session, which featured a \$10 billion shortfall. That year, public education spending increased by \$1.3 billion.

The organizational challenges that come with so many new members are a hurdle in any session. In this one, with so many members believing they have an ideological mandate, expect the wheels to turn even slower than usual.

Predictions are mostly done for the fun of it, to entertain other insiders and, if one is correct, show off to those insiders. However, there are two things this session that seem certain.

One, state legislators will show how conservative they are by not raising taxes, by cutting the budget and preserving services by forcing other governmental entities – the county, the city, the school district – to do things that the state used to pay for. No money will come with these mandates. This will mean that if Medicaid gets cut, costs go up at your local public hospital, putting pressure on your property taxes. The state will slow down or stop accepting prisoners from counties, driving up county jail populations, increasing county costs and putting pressure on local property taxes. Ironically, many new and some returning legislators adopted hostility to being told what to do by Washington as a central campaign theme.

Two, gambling expansion in Texas is dead. The best chance Texas has ever had for allowing casinos in major cities and/or expand machine-based gambling at Texas’ foundering horse racing tracks died with the election of 22 new Republican members, many of them espousing very conservative religious beliefs that would seem to make more gambling a non-starter. Gambling expansion wouldn’t increase a lot of revenue in the upcoming budget anyway – except for license fees – but it might mean \$2-\$3 billion a year after that, and it would certainly mean that some of what gets lost when Texans gamble in adjoining states would come back home.