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District 65

State Budget Deficit

To keep pace with Texas' explosive population growth, balancing the State budgets in 2014-15 will again be the most challenging issue facing State legislators when they reconvene in Austin in January, 2013.

The budget deficit, as it is currently projected, will have an \$18-27 billion shortfall.

To pay for at least \$4.8 billion in Medicaid costs, as required by federal law, legislators will likely deplete the remaining \$6 billion in the current Rainy-Day Fund (a State savings account, officially named the Economic Stabilization Fund, funded with oil and gas tax revenues). An additional \$9.4 billion is currently projected to be in the RDF by the end of 2013.

If it is used, that means the shortfall will still be approximately \$9-18 billion. But depleting the RDF is again controversial as it was in 2011.

Many fiscal conservatives, such as Gov. Perry and Michael Quinn Sullivan of Empower Texans, believe the Fund should not be touched. Gov. Perry believes the Fund should be maintained to provide for emergencies, such as hurricanes. Sullivan believes state government and local school districts can still reduce costs by making better spending decisions. Ex-lawmaker Talmadge Heflin says economic pressures on the State budget will be even more severe if Obamacare is not repealed so the RDF should be left intact.

Others believe that the Fund should be used. Scott McCown, of the Center for Public Policy Priorities, states that Texans aren't supposed to protect the Fund; the Fund is supposed to be used to protect Texans. Democrats believe cuts in spending for education, children's health insurance and more have already been too severe and must stop. They support raising taxes to deal with the deficit.

When lawmakers arrived in Austin for the 82nd Legislature in January, 2011, they faced the grim situation of a \$4 billion deficit in the then current 2010-11 budget, plus a much larger projected shortfall of between \$15 - \$30 billion in the 2012-13 budget if state services were to be maintained.

To close the \$4 billion deficit, lawmakers used the RDF after Perry finally relented. But he was adamant that it not be touched to solve the much larger problems in the upcoming 2012-13 budget. And he vowed to veto any budget that called for tax increases.

Ultimately, the Legislature passed a 2012-13 budget that slashed spending almost across the board, including cutting \$4 billion in education spending. Despite his arguments against it, Gov. Perry also accepted \$17.4 billion in federal stimulus spending to balance the budget. Overall, non-stimulus federal

money makes up 32 percent of the budget — about \$54.4 billion of the \$ 170 billion that state government plans to spend over the next two years.

The question then is: How will Texas balance its budgets in 2014-15? Should the RDF be used, can more spending cuts be made in government and school district spending, should more federal stimulus dollars be accepted or must taxes be raised?

See: <http://www.texastribune.org/texas-legislature/82nd-legislative-session/infographic-rainy-day-politics-in-texas/>

When elected I will.....

- 1) Vote to use or not use RDF?
- 2) Use my business turnaround background to seek further cuts in state government spending....
- 3) Vote to accept or not accept federal non-stimulus funds....