



Capitol Comments

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SINE DIE SPECIAL: THE BUDGET



Representative
Ron Simmons

The 83rd Regular Legislative Session is officially over as of Memorial Day. Much has happened in the past week leading up to this momentous conclusion. Last Tuesday night, we worked until midnight, as it was the last day to consider any Senate bills on second reading. Friday night, we worked until 9:00pm, as it was the deadline for the House to consider any Senate amendments to its bills or call for conference committees to resolve differences. Sunday night, we worked until midnight yet again, wrapping up conference committee reports on bills. In the midst of all of this were the politics and policy considerations behind the scenes on the state budget--its fate wrapped up in three different bills, HB 10, HB 1025, and SB 1.

The Supplementals (HB 10 and HB 1025)

Each session, the legislature passes a budget on a biennial cycle (meaning every two years), for the seventh largest economy in the world. Historically, it is not unusual for us to "miss the mark" a bit and underestimate revenues or expenses. This means that the following legislative session is faced with passing a bill (or bills) known as a Supplemental Spending Act to fill in the gap. Again, this is not unusual from time to time, as it can be difficult to get the estimate right when we are budgeting over a two year period and using a "crystal ball" and economic forecasts to do so.

This session is no different. HB 10 was passed and signed into law on March 13 to finish paying off our bills due largely to current Medicaid expenses totaling approximately \$4.8 billion, plus \$1.75 billion as part of an education deferral. The legislature last session, in an attempt to balance the budget, intentionally underfunded these programs by several months in hopes the economy would pick up. Their gamble paid off, but it was a gamble nonetheless.

Additionally, there was yet another supplemental bill on the table, HB 1025. This bill was originally designed to continue paying off more so-called "back fill" in the budget for the current biennium that ends on August 31, 2013. The House passed it on April 26 with \$626 million in spending on veterans, higher education, parks and wildlife, and some other general government programs, including payment for forest fires. The Senate decided to use this bill as more than just

"back fill." They tacked on amendments that raised that number for this fiscal year to \$800 million and placed further appropriations for the upcoming biennium out of the Economic Stabilization Fund (ESF), or "Rainy Day Fund," totaling over \$3.75 billion.

Two billion dollars of that ESF money includes a contingency appropriation for the state water plan, and it will only go into effect assuming the voters of Texas approve SJR 1 in November which creates the SWIFT (State Water Implementation Fund of Texas) bank. This infrastructure bank and its funding are very important long term to Texas, which I support.

I became concerned when HB 1025 also moved the \$1.75 billion in public education deferrals from general revenue (as I supported in previously passed HB 10) into the ESF. While I believe we must "pay the bills that are due" left for us by the prior legislature, it did not seem appropriate for us to spend this education money with the Rainy Day Fund, especially since we previously approved a bill allocating these funds from general revenue. This is why I decided to vote against HB 1025.

The Main Budget (SB 1)

SB 1 was signed off by House and Senate conferees Friday. The full Senate approved the final budget Saturday. The full House approved it on Sunday. This is the budget bill which funds our state government for the next biennium (fiscal year 2014-15). The total amount of the general revenue (there are federally provided funds not included) budget is \$94.6 billion. Adjusted for inflation and population growth this is about a 2.6% growth over the current biennium's total budget (including the expenses we had to pay over the last few months that were not included in the budget of the 82nd legislature). While \$94.6 billion is a lot of money, I am pleased that this budget is under our spending cap as currently defined in our constitution. However, I was unable to support SB 1 in its final form for reasons I will detail in the next section.

While there are certainly programs funded in this budget that are not, in my opinion, core functions of government, it does include some good things that should be highlighted:

- Approximately **\$1.5 billion in tax and fee cuts** through reduction of franchise taxes on many businesses and through the elimination of the extra fee (tax) that most of us pay in our electric bills that funds discounts for the poor (these tax and fee cuts affect the budget directly but were passed separately through HB 500 and HB 7 respectively).
- Approximately **\$1 billion in the reduction** of using accounting gimmicks to balance the state budget. This is a big step in the right direction of not counting money in dedicated accounts as general revenue for budget balancing purposes. We still have more to do in this area but this is a good start (courtesy of passage of HB 6 and HB 7).
- In my opinion we fully restored the core budget for public education. This is done through the Foundation School Program (through HB 10, HB 1025, and SB 1).
- Increased the contribution to the Teachers Retirement System that was reduced last session, along with making changes to the plan so that we can do what I have said all along, and that is keep the promises we have made to retirees (accomplished in part with help from passage of HB 1458 with SB 1).
- There is no provision for Medicaid expansion in this budget. As you may know, I helped Rep. Leach argue for and pass an amendment to SB 7 ensuring that no Medicaid expansion can occur without legislative approval. This should be a decision by a vote of the peoples' representatives and not an unelected bureaucrat.

THE BUDGET CONUNDRUM

On its face, there are many good items covered in SB 1 - items such as increased contributions to the Teacher Retirement System, stronger commitment to the mentally ill, and a solidly funded public education system, plus many

more. The House version that we voted on early in the session had my strong support. I voted for SB 1 as it left the House. However the Senate version of SB 1 was higher than the House version--and then the Conference Committee came out higher than either the House or Senate version of SB 1 by almost \$2 billion. In addition, the process that has been in place in this body for years - relating to how the final budget is derived - is a process which I believe does not lend itself to complete review by the vast majority of House members. The process needs to be slower and more deliberate. This is no fault of any particular person; this is simply a process that has been in place for a long while and needs to be changed. When we are spending billions of taxpayer dollars, we need to insist on a more deliberative, reflective process which allows more time for members to review the final budget.

Finally, while HB 1025 provided \$2 billion for the state water plan, it reallocated public education deferrals to the Rainy Day Fund. This greatly concerned me since I previously had approved this spending from general revenue funds, especially at a time when we are sitting on one of the greatest revenue surpluses in our state's history. These bills were intricately tied together, and it was made clear to me by the budget writers that they rise or fall together. Given this, and for these reasons, I decided to vote against both HB 1025 and SB 1.

Please know that I prayerfully and carefully considered all the factors associated with BOTH HB 1025 and SB 1 overall before making this decision. I wanted to make sure I made the most informed vote to do what is best for the conservative values of Texas and House District 65 to fund the necessary services of government in the most efficient manner possible.

I am hopeful that, since both HB 1025 and SB 1 passed, Governor Perry will veto some of the items that we conservatives legislators feel are unnecessary. This is how our system in Texas works. The legislature can only vote the entire budget up or down (we eventually have to pass a budget--it is constitutionally required), and then we must depend on the governor to get out his scalpel and remove the fat. It is also still possible that the governor will veto either of the bills in their entirety, which means we will end up in a special session for an extra 30 days to try all over again.

This is not by any means the end of this issue regarding the budget, education funding, water, or the role of the "Rainy Day Fund." As I continue to carefully study these issues, please know that I will explore all possibilities regarding these important topics. You can rest assured that I will keep your thoughts in mind throughout the interim (and special session if need be) as future legislation is developed.

Thank you. It is truly an honor and a privilege serving you.

Best regards,

A handwritten signature in black ink, appearing to read "Ron".

Ron Simmons
State Representative
House District 65

P.S. As I was completing this report to you, I just learned that Gov. Perry has called us back into an immediate special session. Stay tuned for more updates in the weeks ahead.

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