

WTF³ – Whoopi, a Tax Fortune; Whoa, Texas Finances; a Way Terrific Future

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Now that I've gotten your attention, the rest of the article is a no brainer. On November 6, millions of Texans will have gone to the polls to elect their President, a U.S. senator and U.S. representatives, along with state senators and representatives. The latter will meet in Austin on the second Tuesday in January. During their 140 day legislative session (the 83rd Legislative session), these elected officials will be responsible for appropriating \$7 billion for this fiscal year, and over \$200 billion in state revenue for the coming biennium (Fiscal Year 2013-14).

This article should provide our newly elected officials a better understanding of the state's current financial condition and the path to quickly resolve funding cuts made by the 82nd Legislature. As a result of shortfalls in estimated state revenue for the 82nd Legislative session, legislators deliberately underfunded the state's two major expenditures, Medicaid and public education. The reduction in Medicaid is estimated at around \$4.7 billion, while the cut to public education was \$5.4 billion. Most of these reductions take effect in the current fiscal year (FY13). The primary reason these cuts became effective in the second year of the biennium is that the Legislature will meet during this fiscal year and adjustments could be made to remedy the underfunding that was enacted.

While the Comptroller recently reported on the state's improved fiscal condition, there has been no official release of the amount of this improvement. The magnitude of this improvement is quite substantial, both relative to FY11 revenues and to the latest estimate from the Comptroller's Office. State tax collections for FY12 were \$3.8 billion more than provided legislators. This increase in tax collections resulted in the state's ending cash balance improving from an estimated -\$2.3 billion to around -\$100 million, a \$2.2 billion improvement.

Should tax receipts continue growing at the current 10 percent rate, the 83rd Legislature should expect over \$48 billion in tax collections for FY13. This will result in the biennium tax collections being \$12 billion more than in the current estimate. With this increase in state revenue the \$4.7 billion hole in Medicaid program and the \$5.4 billion underfunding in public education could be addressed immediately and resolved within 10 days.

Resolve within 10 days you ask? Quite easily under existing procedures. After election of the Speaker of the House on day 1, the Speaker would appoint the committee to establish the rules. On day 2, the rules would be voted on and passed by the House. The House would also need to pass a motion to suspend Constitutional restriction on only hearing and passing emergency bills. [The House would then approve a resolution giving the Speaker the power to appoint a special committee to consider a bill making the necessary appropriations](#) to resolve the Medicaid hole and increase funding for public education. Upon passage the bill would be sent to the Senate, where rules also would have been passed to also allow voting on these appropriations. ”

The Legislature might also need to suspend the spending limit established by Sec. 22 of Art. VIII of the constitution. Suspending the spending limit is much easier than suspending the 30-Day Rule as it requires only a majority vote in both the House and Senate where suspending the 3-Day rule requires a 4/5th vote in both chambers.

As an economist, I've assumed that all parties will act rationally to implement the most efficient solution. In fact, there is nothing to stop the Legislature from doing any of this if it wants to do so. The question is does it have the will to act quickly and rationally. The answer shall be known within the first week of the session. Let us hope our legislative body doesn't violate this assumption.