

Promoting Prosperity in Texas: The Role of State and Local Governments

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Child Population Growth

- Second largest child population in U.S.
(TX home to 6.3 million children; CA has 9.7 million)
- 2nd largest growth in child population in U.S. between 2000-2005
 - Almost 417,000 additional children
 - California saw an increase of 428,000
- By 2040, school enrollment projected to double

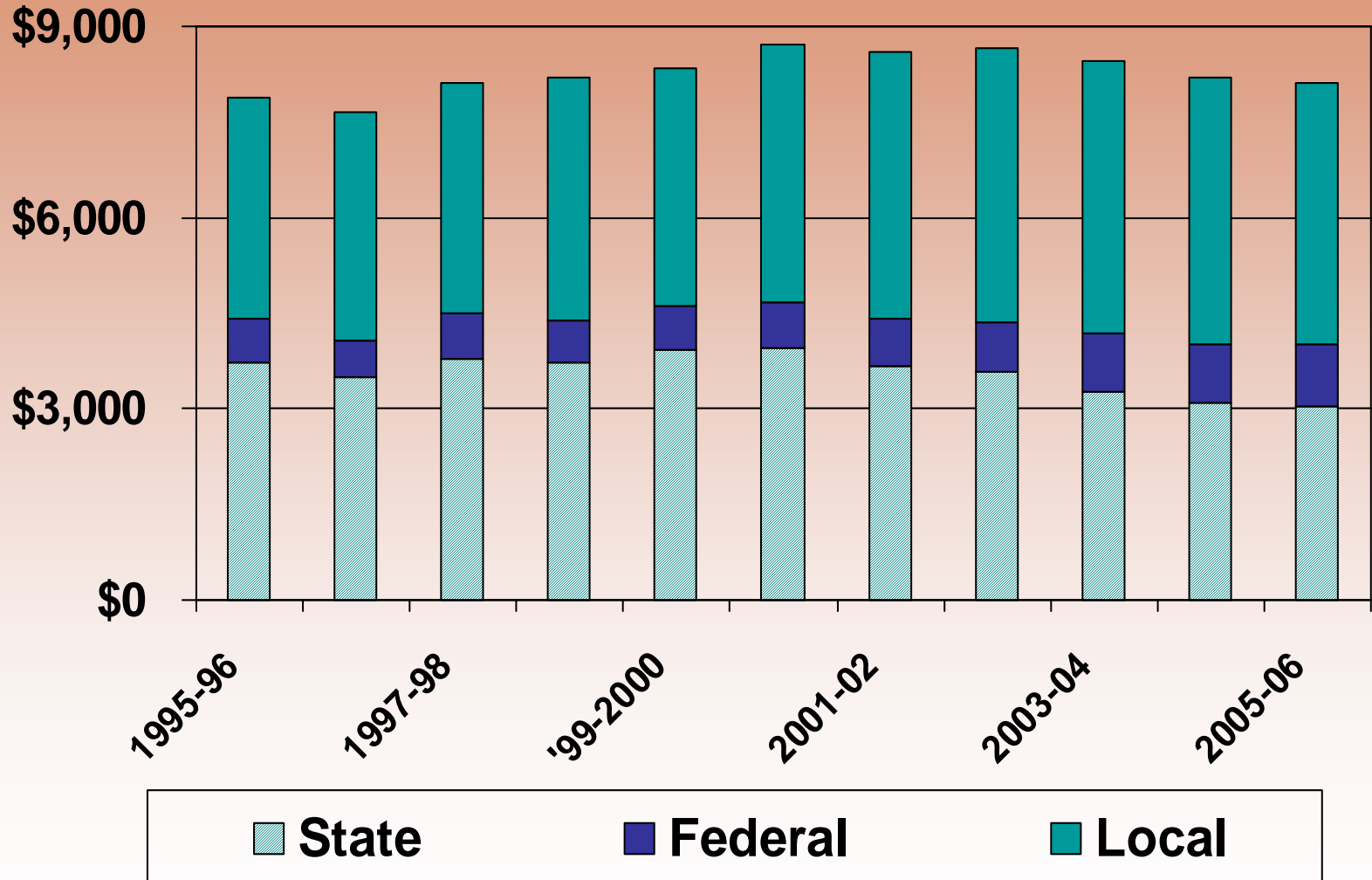
Indicators of Need for Public Services

	Austin MSA	Texas	US Average	Texas rank
% of Population under 18, 2005	28.1%	28.3 %	25.4 %	3 rd
Child Poverty Rate, 2005	17.1%	24.9 %	18.5 %	5 th
Elderly Poverty Rate, 2005	7.2%	12.7 %	9.9 %	8 th
Under-65 Population with No Health Insurance, 2005	21.2%	26.9 %	17.9 %	1 st
Residents 25 yrs+ with at least a High School Diploma, 2005	87.0%	78.8 %	84.2 %	49 th
Residents 25 yrs+ with at least a Bachelor's Degree, 2005	39.1%	25.1 %	27.2 %	28 th

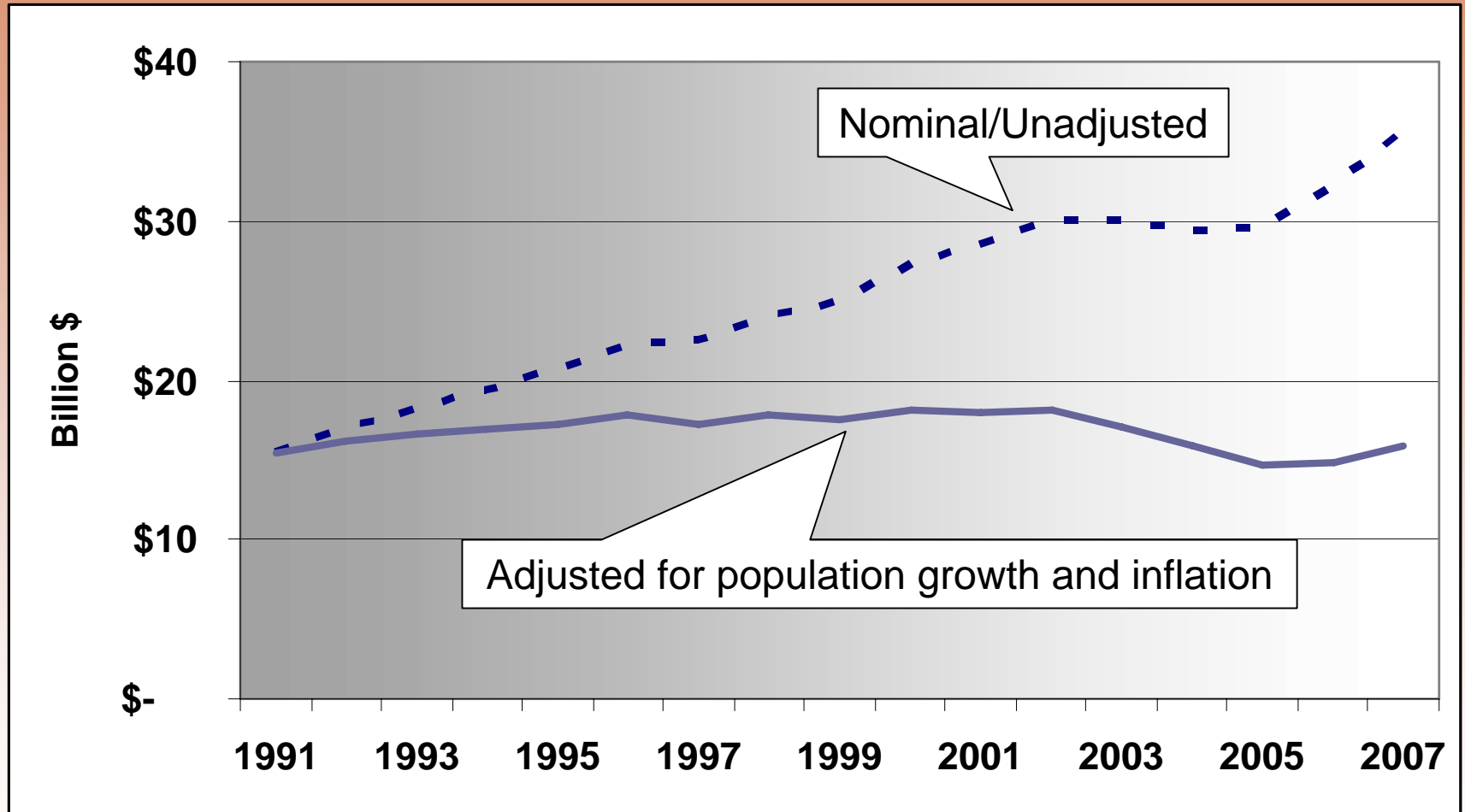
Source: U.S. Census Bureau, March CPS and American Community Survey; Texas State Data Center.

Public K-12 Per Student Spending

In Inflation-Adjusted (2006) Dollars

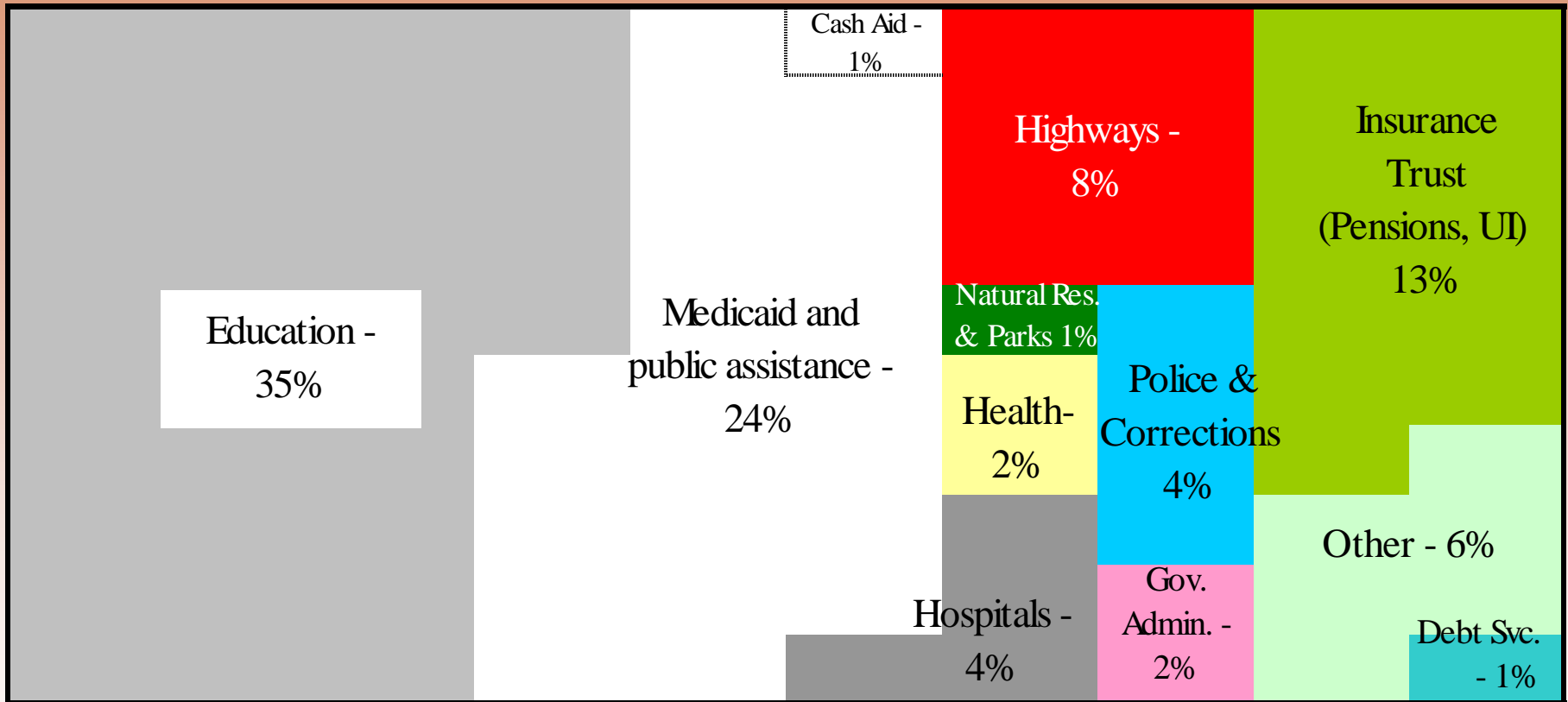


Texas State General Revenue Spending



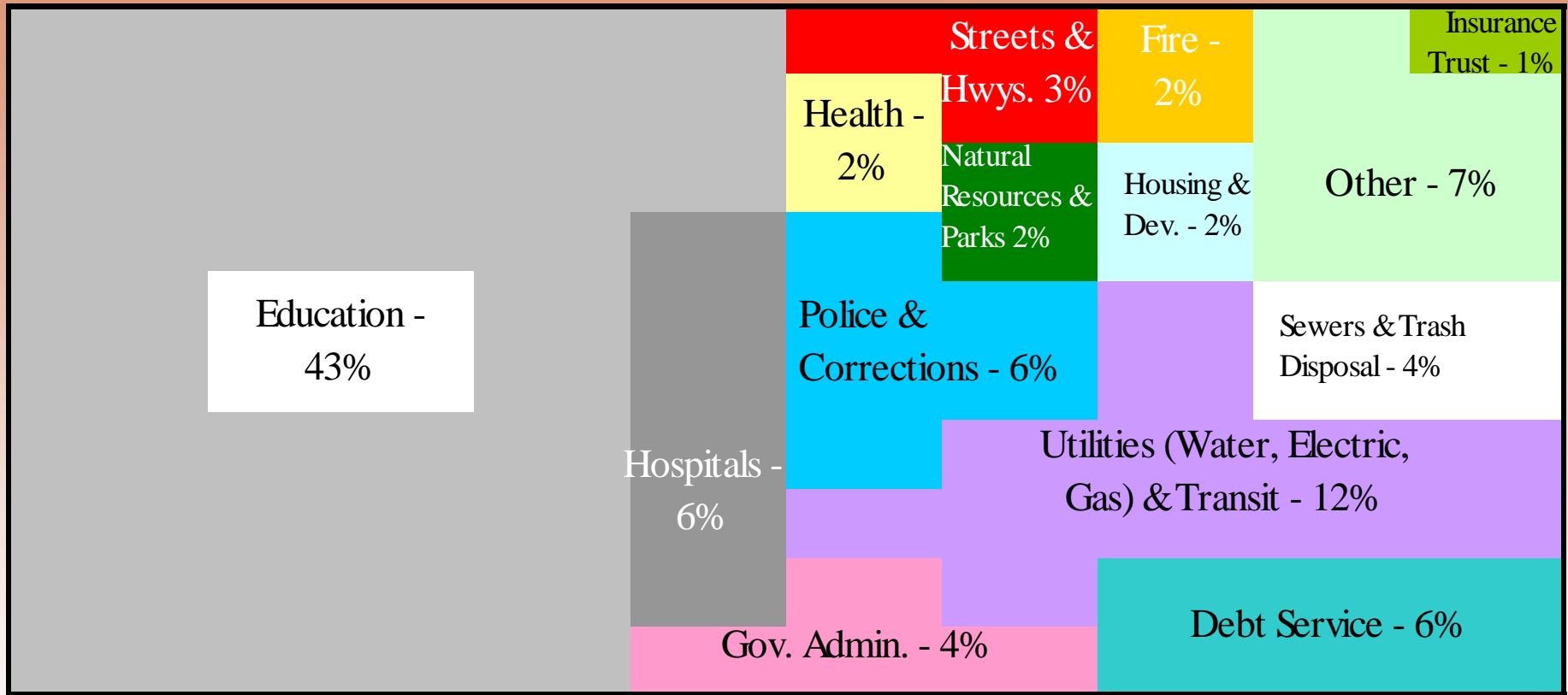
Source: Legislative Budget Board; Comptroller of Public Accounts.

What State Government Pays For



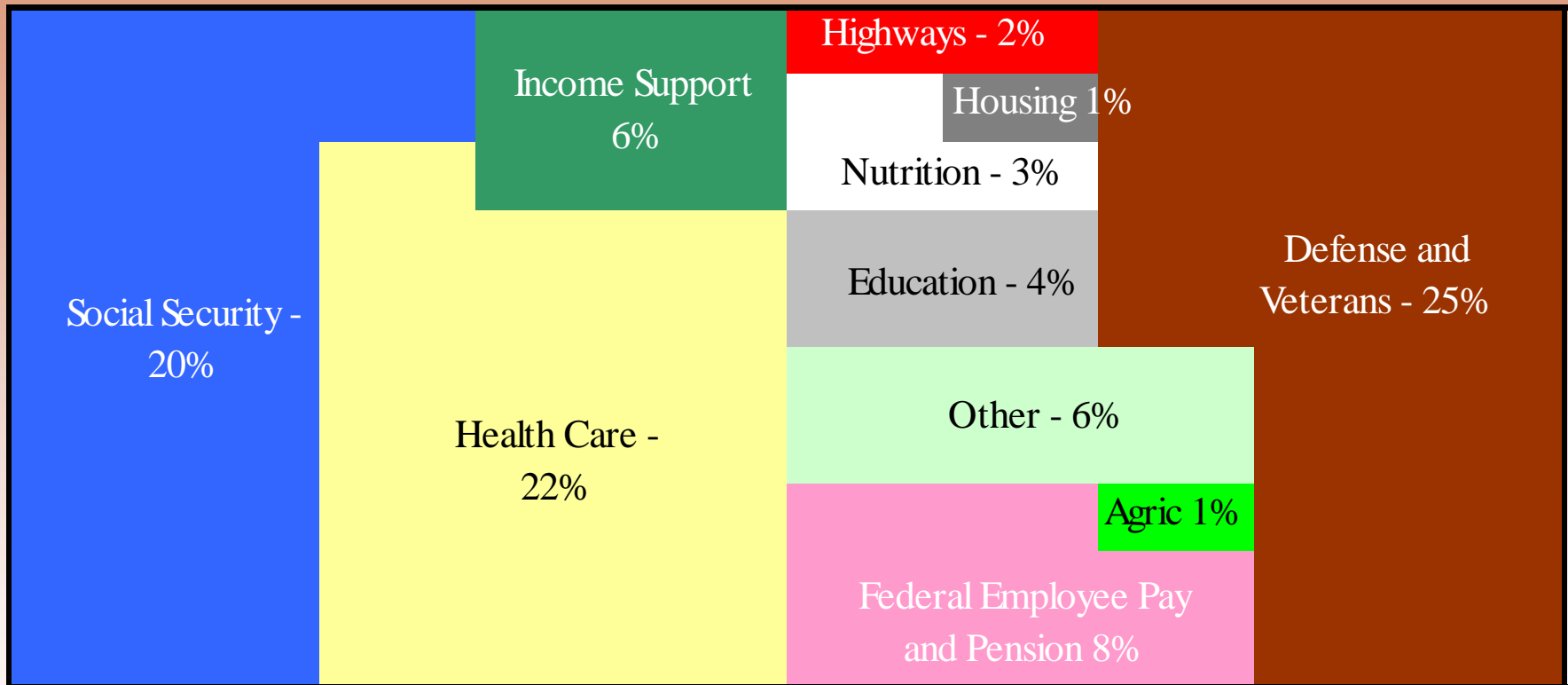
Source: U.S. Bureau of the Census, *State Government Finances* series. Data for 2004 for Texas, total expenditures (including trust) of \$77.3 billion.

What Local Government Pays For



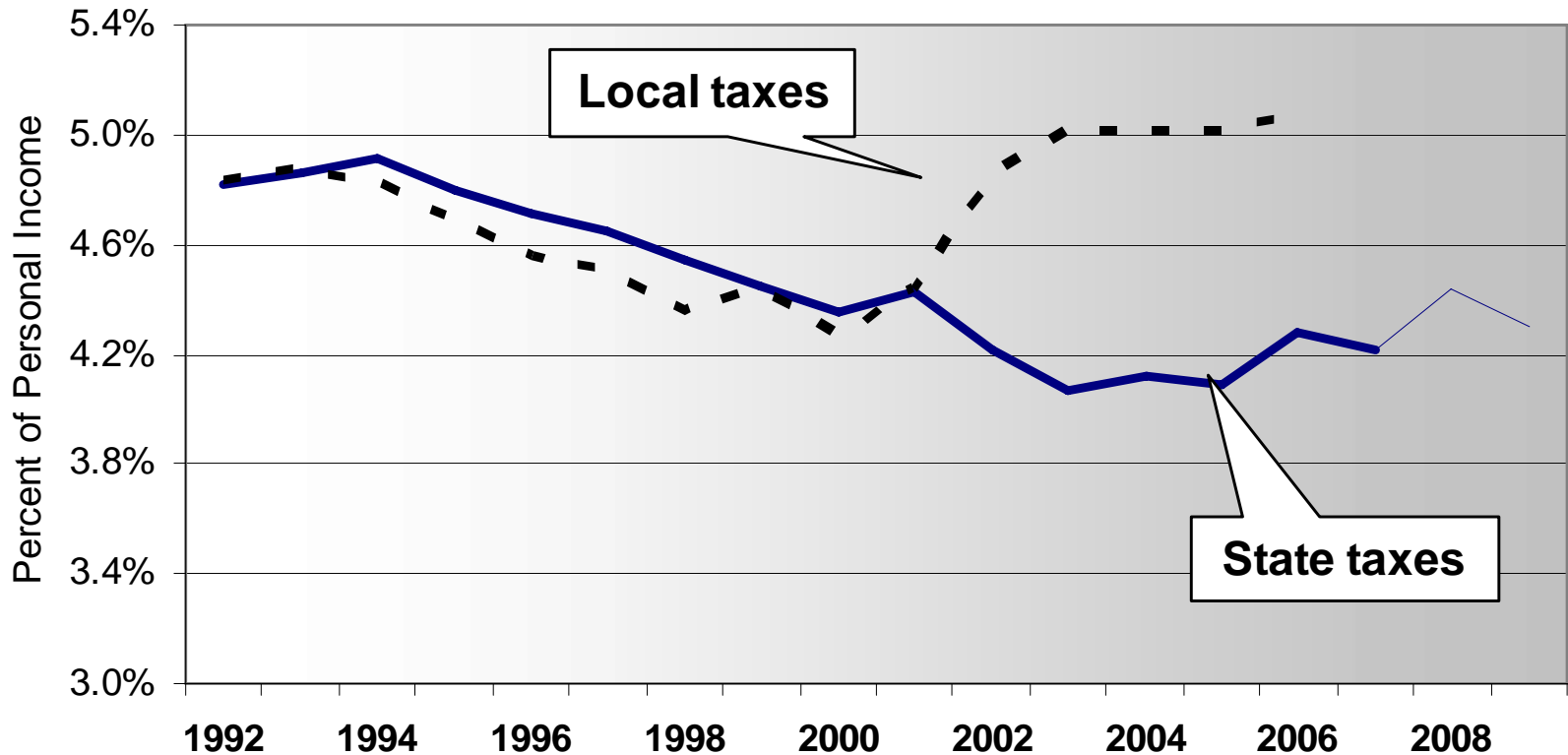
Source: U.S. Bureau of the Census, *Government Finances* series. Data for 2004 for Texas, total expenditures (including trust) of \$85.7 billion.

Federal Spending in Texas



Source: U.S. Bureau of the Census, *Consolidated Federal Funds Report*. Data for 2004 for Texas, total expenditures (excluding loans) of \$142 billion.

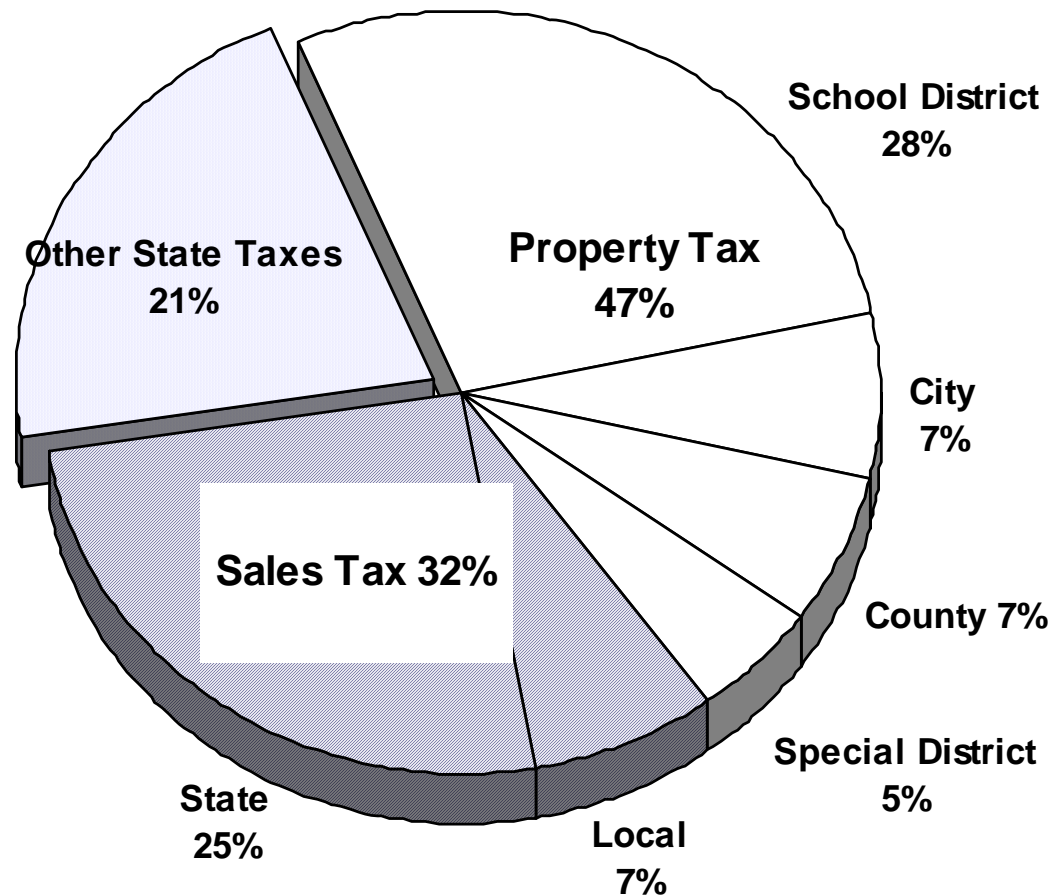
Tax Effort Would Be Even Lower If Not For Local Decisions to Fund Basic Services



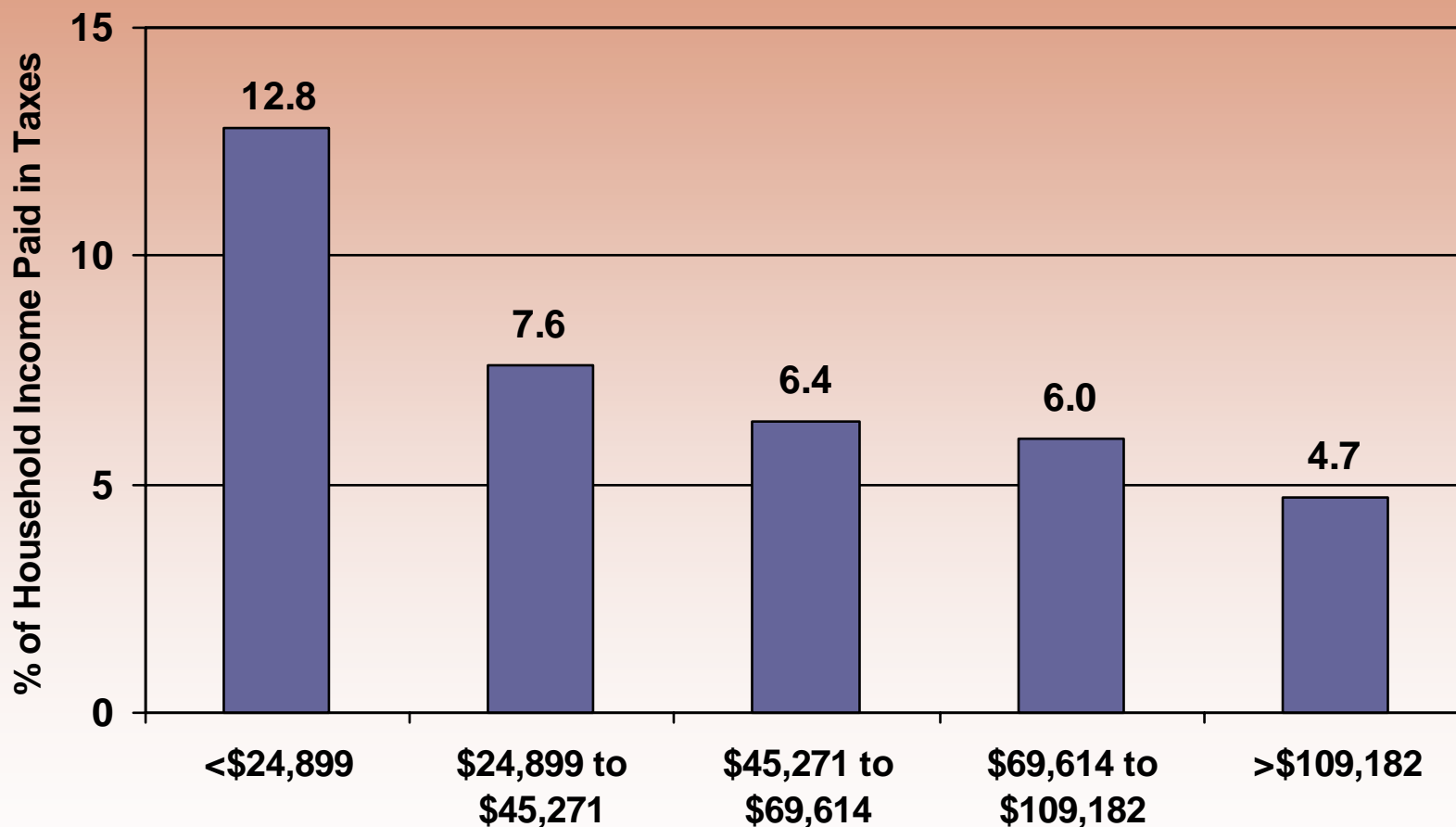
Sources: Comptroller of Public Accounts, U.S. Census Bureau.

State/Local Taxes Combined

Major State & Local Taxes in Texas, 2006



Households with the Lowest Income Pay the Highest Percentage in State and Local Taxes



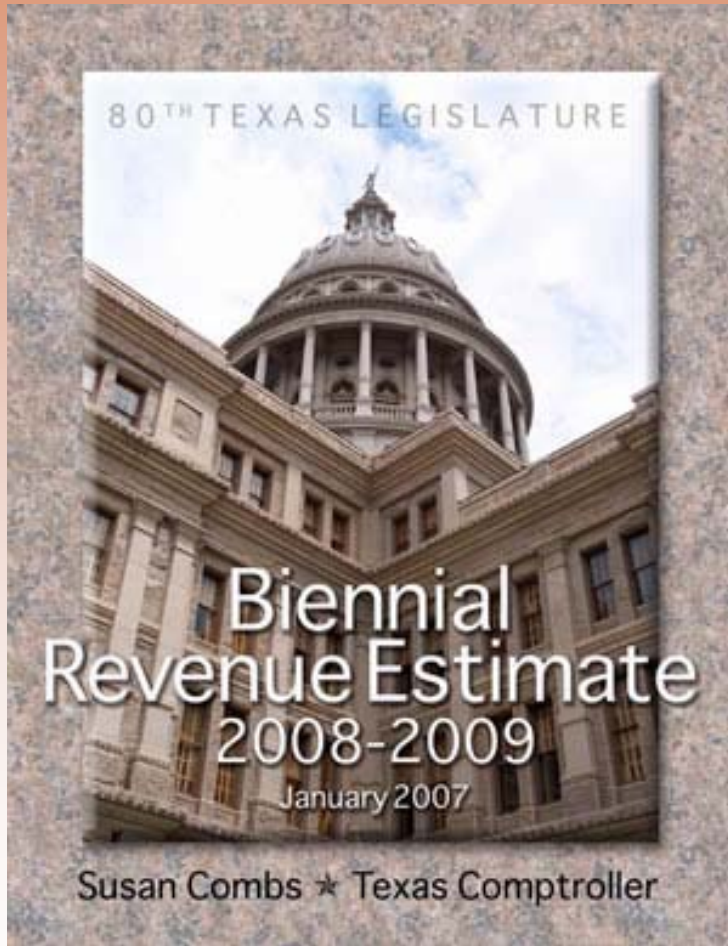
Source: Comptroller of Public Accounts.

Indicators of Ability To Pay

	Texas	US Average	Texas rank
Per Capita Personal Income, 2005	\$32,604 <i>Austin MSA:</i> \$34,005	\$34,495	27 th
State and Local Taxes as a Percent of Personal Income, 2004	9.4%	10.4%	43 rd

Sources: Bureau of Economic Analysis and the Census Bureau.

How Much Will There Be Next Time?



For 2008 and 2009, the Comptroller estimated that legislators will have

\$82.5 billion available for general purpose spending
(of that, \$7 billion is 2006-2007 revenue that won't be spent by August 2007 — the current budget cycle's "ending balance")

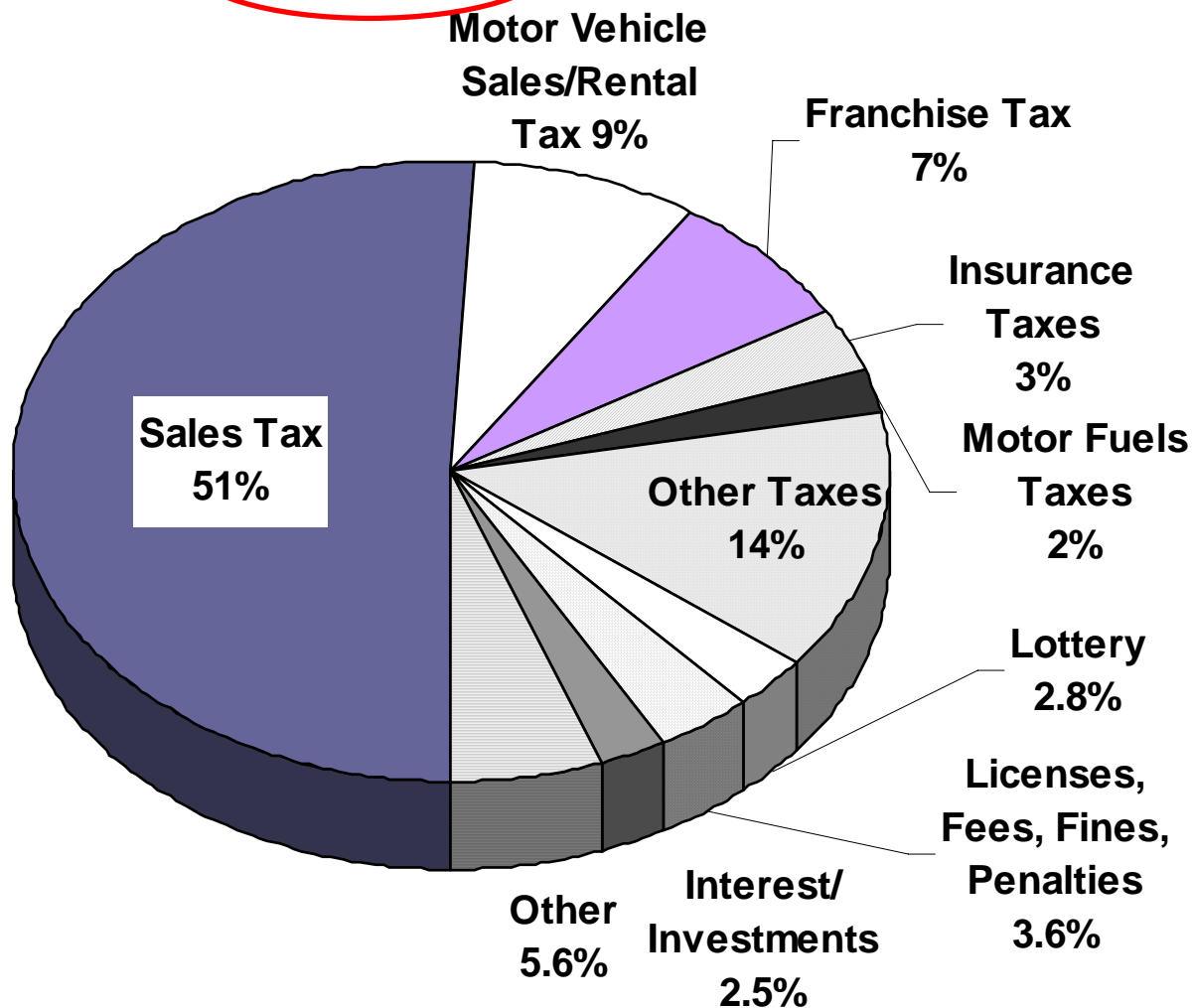
plus

\$8.1 billion in the Property Tax Relief Fund
and

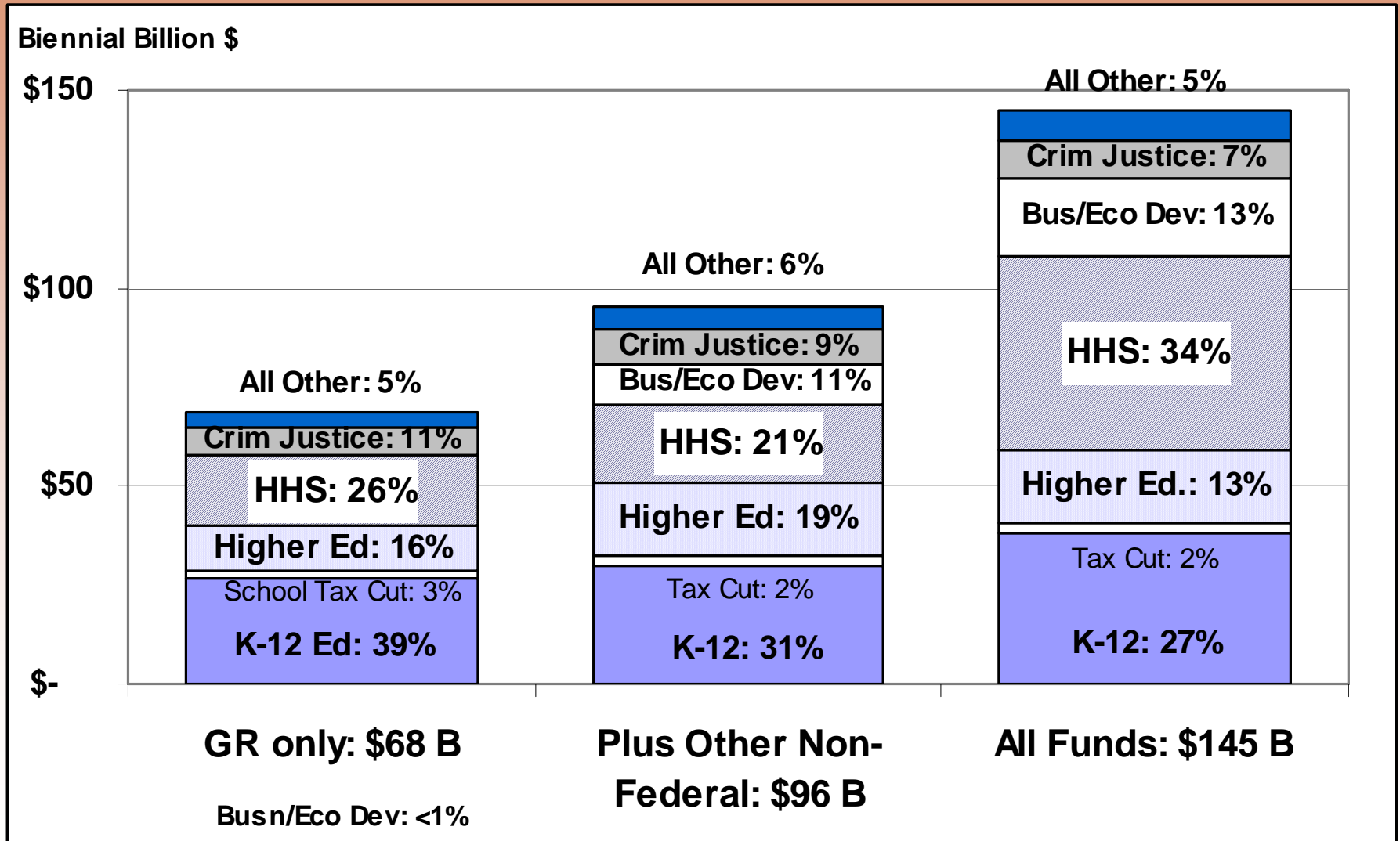
\$4.3 billion in the "Rainy Day Fund"
(5% of revenue)

Where the Money Comes From

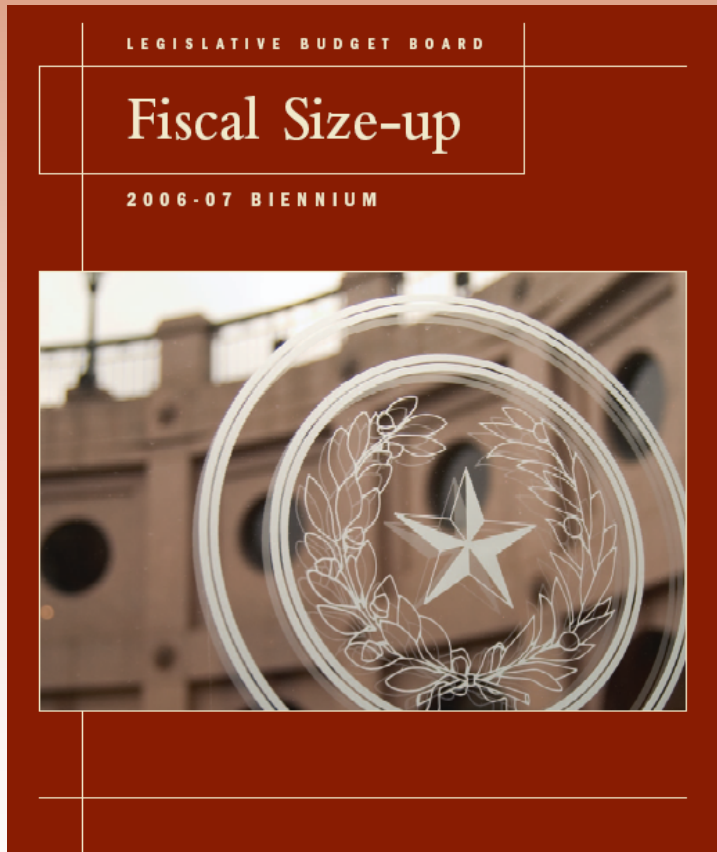
State **General Revenue**, 2006-07: \$74 billion



Where the Money Currently Goes: Texas State Budget, 2006-07



How Can There be a “Surplus” in a Low-Spending State?



For 2006 and 2007, the Comptroller reports

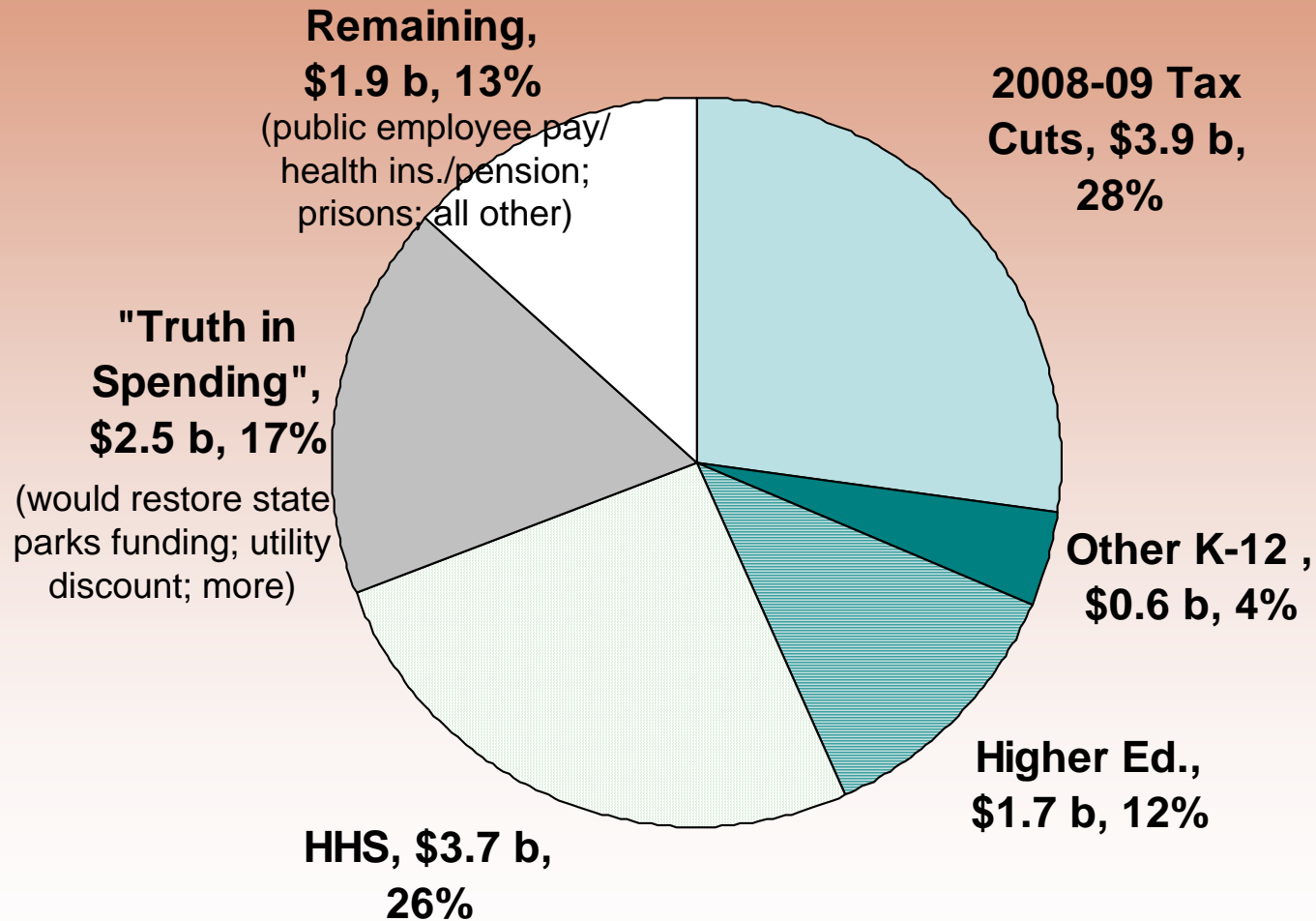
\$68.2 billion in general purpose spending,

In addition to that, \$591 million out of the “Rainy Day Fund” is being spent on child protective services (CPS) reforms

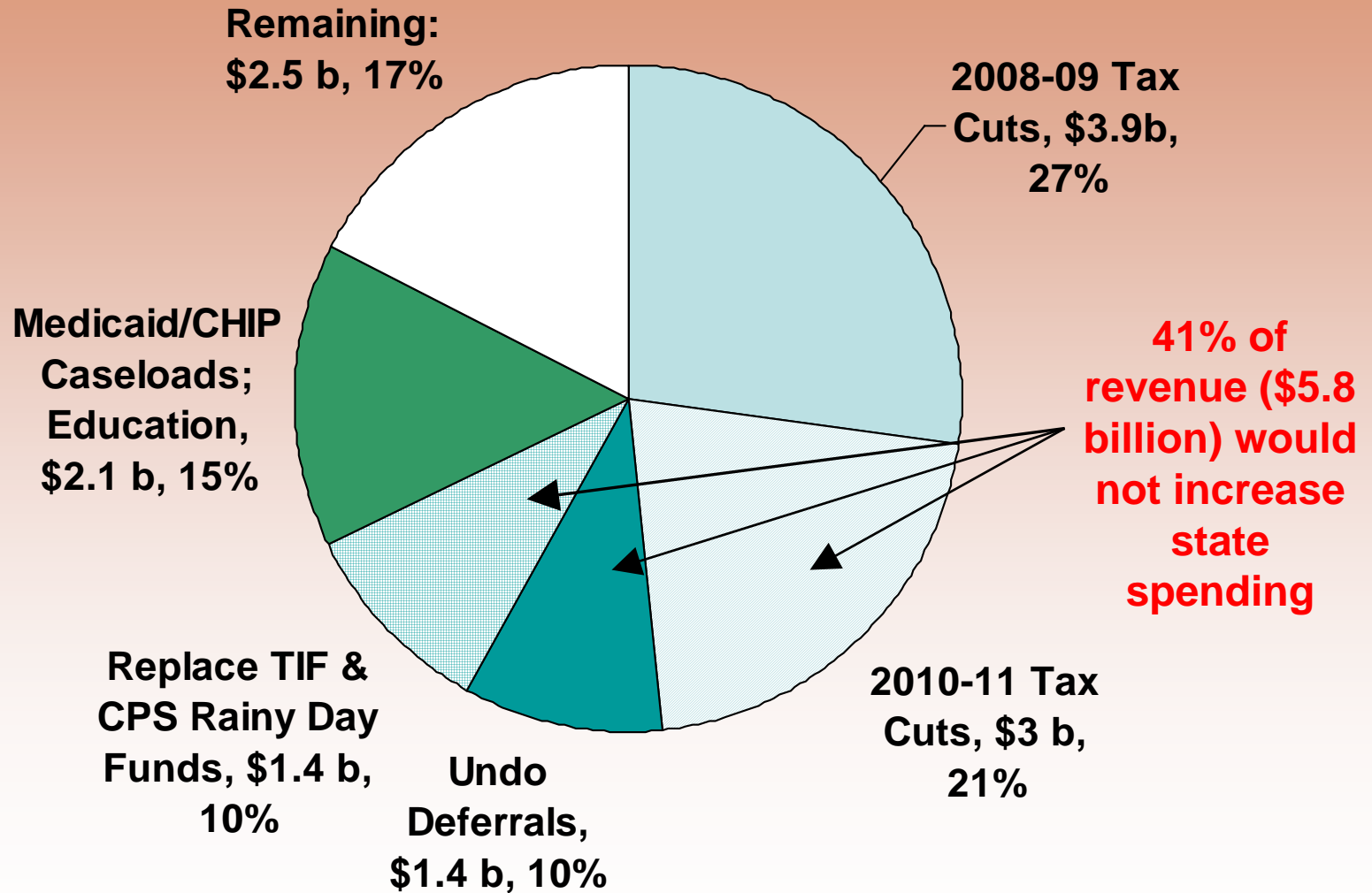
**And \$82.5 B revenue, 08-09
- 68.2 B spent, 06-07**

\$14.3 billion “surplus”

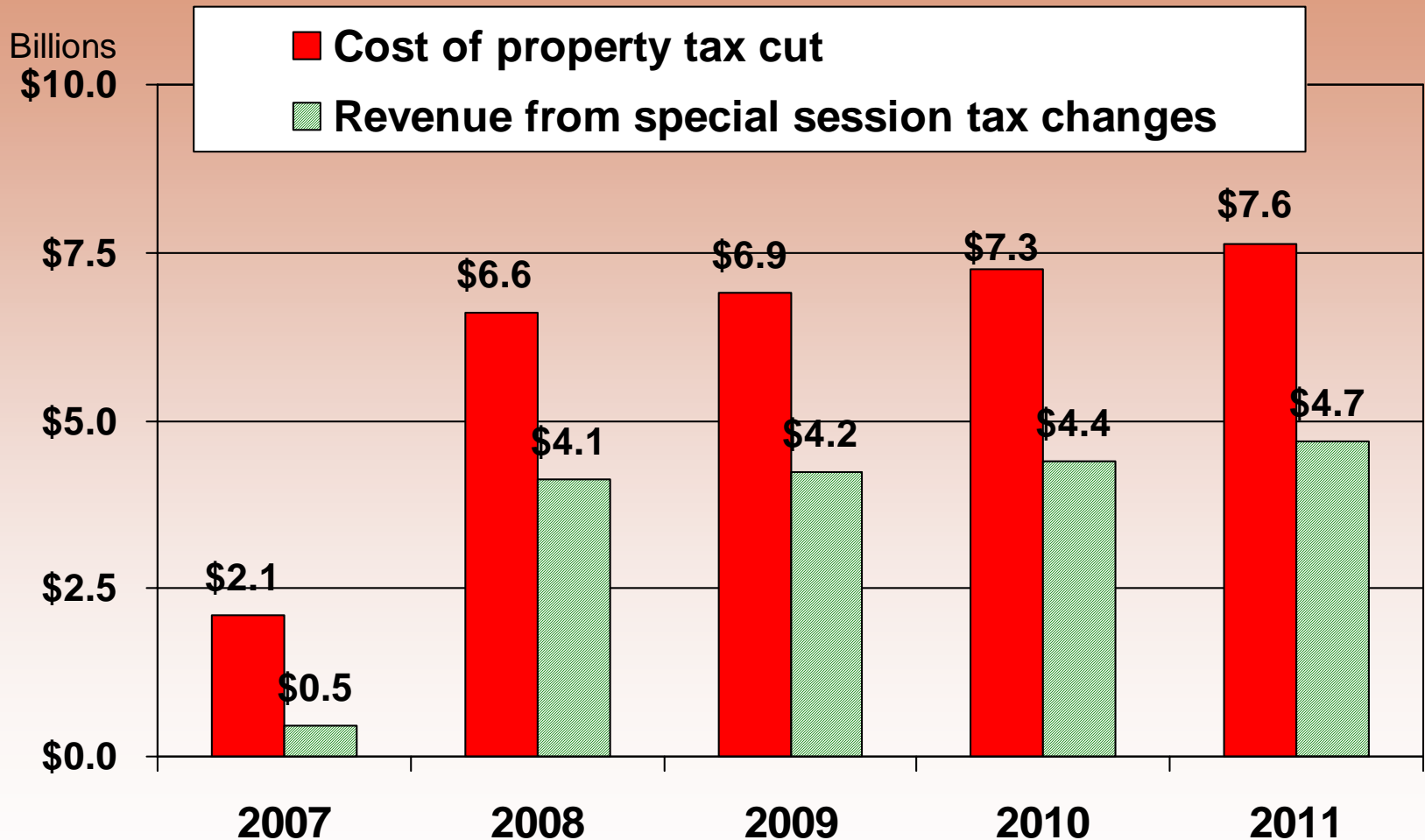
What a “Current Services” Proposal Would Have Done with \$14.3 Billion



What the Proposed State Budget Would Do with the \$14.3 Billion



2010-2011 Budget: \$5.8 Billion Gap Between Tax Cut Cost & Revenue



What Would the Proposed 2008-09 Budget Do for Basic Services?

- Cover **caseload** increases in Medicaid and CHIP, but not **cost** increases (that takes another \$1.5 billion in GR)
- Provide funds needed to keep Child Protective Services reform going, but not funds needed to further reduce caseloads, improve foster care/other provider rates, etc.
- **K-12:** Cuts to Student Success Initiative (\$31.8 million less); pre-K grants (\$18.4 million cut); Reading, Math and Science Initiatives (\$3.4 million cut); Master Teacher Grants (\$2.7 million cut)
- **Higher Ed scholarships:** Texas Grants would reach only 47,852 students by 2009, a 22 percent drop from 61,067 served in 2006

HB/SB 1 Funding Gap for HHS

	General Revenue/ GR-Ded. Unmet Needs	Federal Funds Unmet Needs
Aging & Disability Services (long-term care)	\$44 million	\$75 million
Assistive & Rehabilitative Services (ECI, voc rehab)	\$4 million	\$2 million
Family and Protective Services (CPS, APS)	\$73 million	\$80 million
Health and Human Services Commission (Medicaid, CHIP, Food Stamps, TANF, more)	\$2 <u>b</u> illion	\$2.7 <u>b</u> illion
Total	\$2.1 billion	\$2.9 billion

Table shows the difference between funding in budget as introduced and the amounts requested for “current services”. Not included: >\$600 million in GR (>\$900 m All Funds) for critical needs/program enhancement Exceptional Items.

What Else Would the Proposed Budget for 2008-09 Do?

- Cut General Revenue Funding for community & other public two-year colleges and 43 state agencies (22 General Government & Regulatory, 5 Judiciary, 4 Public Safety/ Corrections; 7 Natural Resources; 5 Business/Economic Development)
- Not completely make up for loss of federal funds for **child support enforcement**
- Cut **TANF cash assistance** funding by 11 percent; caseloads drop 4 percent (to 131,820 by 2009)
- Reduces **subsidized child care** slots for “working poor” families from 104,439 in 2006 to 96,964 in 2009 (7% cut)

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