



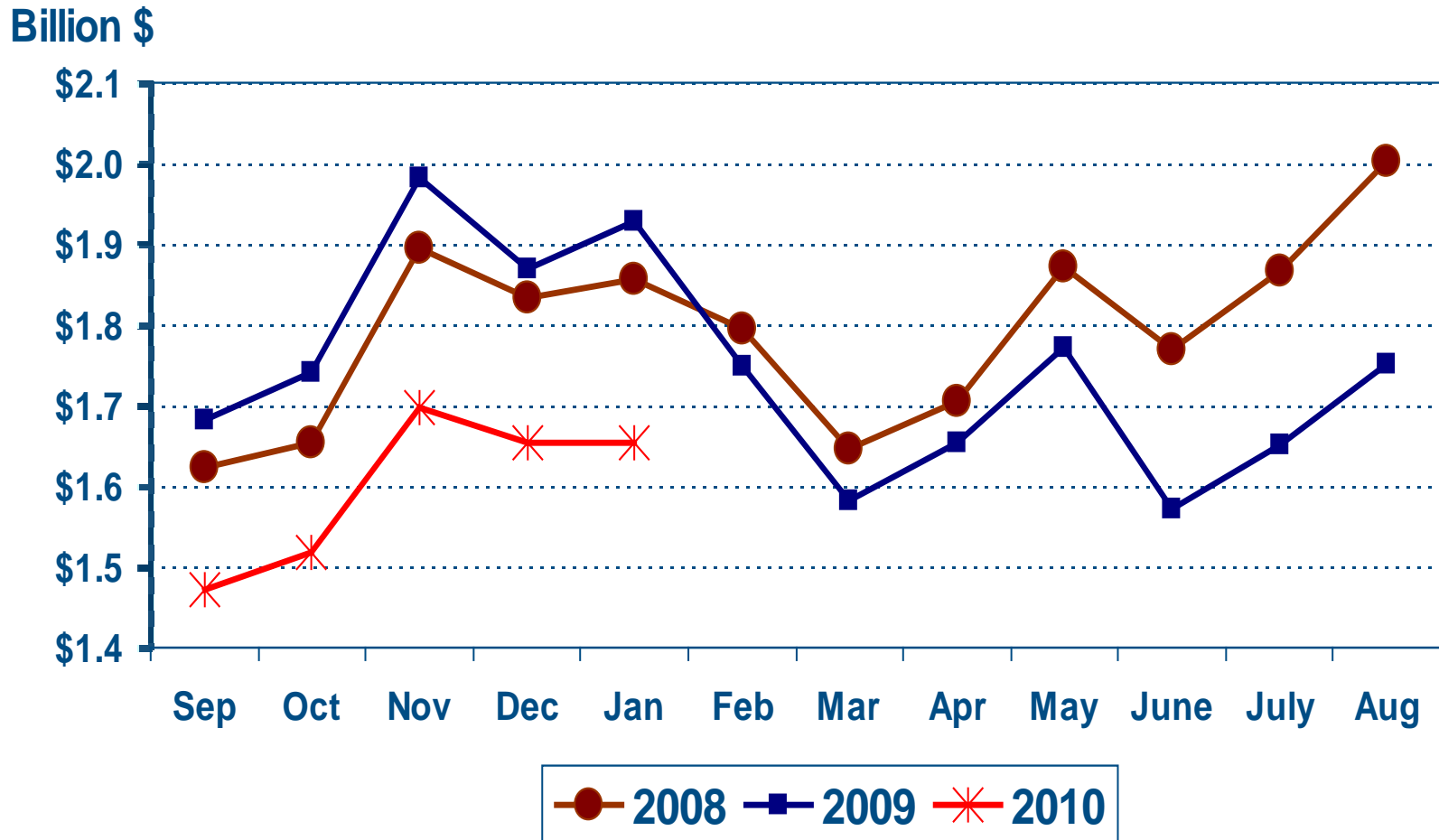
Center *for* Public Policy Priorities

We Need a Balanced Approach To Balancing the Budget

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Recession Means Less Sales Tax Revenue Than in 2008 or 2009



We're Still In the Hole Created in 2006

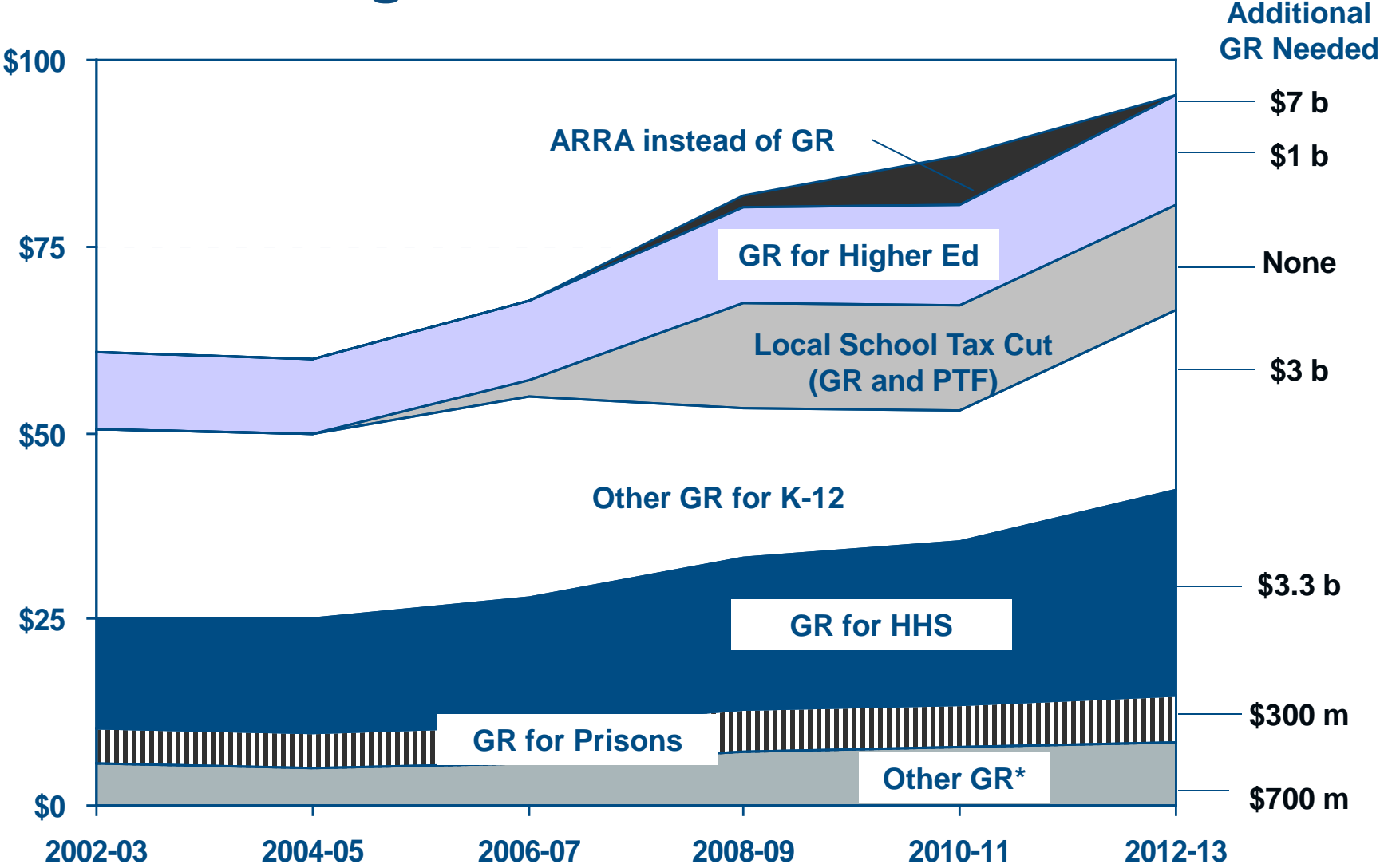
| In billion \$ | 2008-09 | | 2010-11 | |
|---------------------------|------------------|-------------------|------------------|------------------------------|
| | 5/06 fiscal note | 11/09 Cash Report | 5/06 fiscal note | 11/09 Certification Estimate |
| Franchise tax | 6.8 | 3.0 | 7.7 | 3.4 |
| Tobacco tax | 1.4 | 1.9 | 1.3 | 1.8 |
| Used car, interest | 0.1 | 0.0 | 0.1 | 0.1 |
| TOTAL REVENUE | 8.3 | 4.9 | 9.1 | 5.4 |
| | | | | |
| Cost of property tax cut | -14.2 | -14.2 | -14.9 | -14.9 |
| | | | | |
| SHORTFALL | -5.9 | -9.3 | -5.8 | -9.5 |

LBB Best Case Scenario

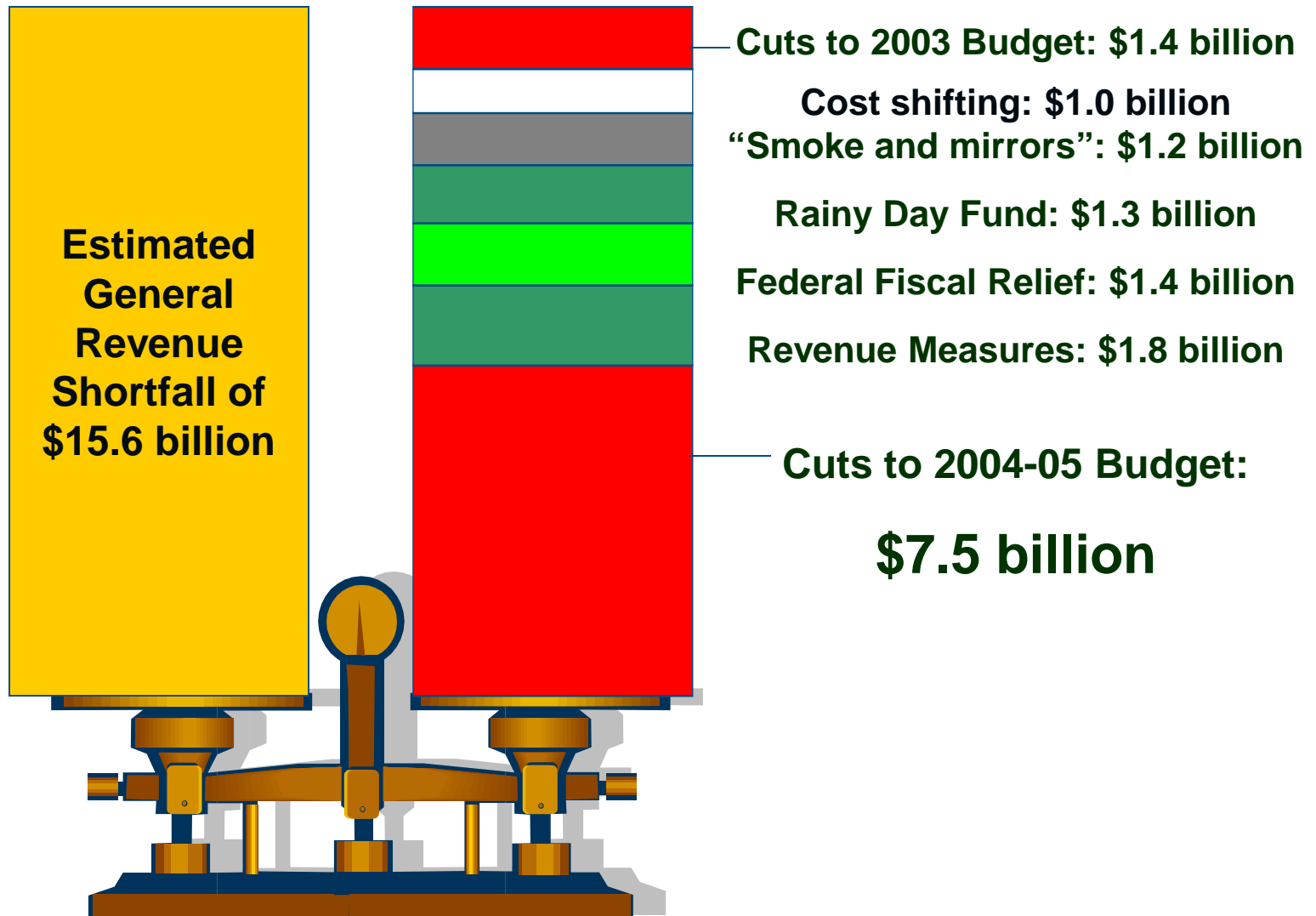
Assuming revenue growth matches growth in expenses

| | Current Budget | 2012-13 Budget |
|---------------------------------------|-----------------------|-----------------------|
| General Revenue | \$75.0 billion | \$75.0 billion |
| ARRA | \$6.4 billion | \$0 |
| Cash on hand | \$2.4 billion | \$0 |
| Property Tax Relief Fund carryover | \$3.0 billion | \$0 |
| Permanent School Fund | \$0 | \$1.2 billion |
| Other adjustments | \$0.2 billion | - |
| TOTAL GR BUDGET | \$87.0 billion | \$76.2 billion |
| | | |
| GAP | | \$10.8 billion |

Budget Scenario for 2012-13



2004-05 State Budget Was Balanced Through Cuts AND Revenue



A Balanced Approach Is Essential for Economic Recovery

- Every dollar of state spending generates \$1.41 of economic activity
- 88¢ of that activity is in private sector
- Raising taxes reduces economic activity but cutting spending hurts even more
- So far 30 states have addressed shortfalls in part by increasing taxes

Funding a Balanced Approach: Easy Money

| | Potential Revenue for 2012-13 |
|---|-------------------------------------|
| Economic growth with no change in revenue system | \$800 million for each 1% growth |
| Smoke and mirrors Payment delays, etc | \$1.5 billion |

Funding a Balanced Approach: Spend the Rainy Day Fund

| | Potential Revenue for 2012-13 Biennium |
|----------------------------|--|
| Beginning balance | \$8.2 billion |
| Growth during 2012-13 | \$1.4 billion |
| | |
| TOTAL RDF AVAILABLE | \$9.6 billion |

Funding a Balanced Approach

- Eliminate exemptions
- Raise existing taxes
- New taxes
- Structural changes

Protecting Working Families From Tax Increases

- “Working Families Tax Rebate” enacted by State of Washington in 2008
- Adds 10% to federal Earned Income Tax Credit
- Available to working families with up to \$43,300 annual income (3 or more kids)
- 2.4 million Texan families received EITC in 2007
– 21% of income tax filers
- 10% of EITC would average \$225 per family at cost of \$540 million a year

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