

# Bill Hammond: No Time to Be Penny-Wise, Pound-Foolish

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There's something to be said for leaders in the Texas Legislature sticking to their guns and releasing a state budget that keeps spending within existing revenues.

To my friends in the House and Senate, I say: We must continue to fight to ensure that we implement cost-saving reforms that reflect Texas' commitment to economic growth. But our current budget shortfall isn't a time to be penny-wise and pound-foolish.

The state will have \$72.2 billion available for general-purpose spending during the 2012-13 biennium, leaving a \$15 billion gap from the current general revenue spending of \$87 billion. How do we close this gap? It will take grit and courage to address the shortfall without raising taxes, creating new fees or increasing existing ones. Difficult? Yes. Doable? Absolutely.

First, let's hold the line on general revenue spending at its current level of \$87 billion for the biennium. Next, while the sky isn't falling, it sure is raining. So let's have the courage to tap the Rainy Day Fund for \$6 billion, a prudent and appropriate action.

To control health care costs, one simple fix is to remove a loophole that allows the Rio Grande Valley to effectively opt out of Medicaid managed care. This single change — expanding Medicaid managed care statewide — would result in \$1.2 billion in savings.

We need efficiencies in government, including education, where smart budgeting and reforms will offer a significant return on our investment by way of an educated, skilled workforce.

We've worked hard to raise high standards for students in pre-kindergarten through high school. To that end, we must use the Available School Fund for its constitutionally intended purpose — student textbooks and instructional materials, including technology. Budget writers should prioritize \$550 million of the fund for digital and print materials for pre-K, English as a second language, writing and science — all of which are due to classrooms this fall. We could also use more of the \$1.9 billion Available School Fund to restore programs eliminated in the base budget that have had proven success in improving education in Texas. Among these strategic investments are a \$270.9 million technology allotment, \$223.3 million for pre-K programs that provide a solid foundation for our youngest students, \$385.1 million for incentive pay for our school's most outstanding teachers, \$51 million for proven secondary level strategies that will improve post-secondary readiness and graduation rates, and \$20.3 million for the virtual school network.

There's also a case to be made for fully funding effective, efficient state programs in public and higher education that are critical to our state's long-term competitiveness and prosperity. I'd argue for the TEXAS Grants program to be kept at current spending levels, while making reforms to ensure greater productivity. We must graduate more students with degrees or post-secondary credentials, and a priority-based TEXAS Grants program that remains fully funded will certainly help us get there. Higher education funding should be kept level, too, but let's demand better performance by requiring 10 percent of higher education funding to be based on completion rates.

Plenty more opportunities exist to make strategic cuts, accounting tweaks and smart updates to state law to get us to the \$87 billion budget target.

For one, let's go ahead and delay the date of payments by the state by one day into the next fiscal year, a useful tactic used when Texas last faced a significant budget crunch in 2003. This simple action could save the state \$3 billion to \$4 billion.

While we don't have to expand the gambling footprint, we can and should pass legislation to allow slot machines at existing Texas horse and dog racetracks and Native American reservations. These machines would generate as much as \$850 million in direct state tax revenue during the current biennium and nearly \$1 billion per year at full implementation.

We can pass legislation that requires probation with mandatory treatment for first-time, low-level drug possession offenders with no prior violent, sex, property or drug delivery crimes, allowing for an estimated \$500 million savings by 2012.

As for the remaining \$2.5 billion, it's reasonable to consider some of the thoughtful recommendations laid out in recent days by organizations like the Texas Higher Education Coordinating Board, the Texas Public Policy Foundation and Texas Conservative Coalition Research Institute.

What I have set forth could best be summed up as a rational proposal for budgeting. Let's make strategic cuts and responsible investments that will ensure our state's continued prosperity.

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