

# A Balanced Approach to the Texas Budget

*The Texas Catholic Conference supports a balanced approach to solving the budget shortfall, including seeking revenue, to adequately fund needed public services and prepare Texas for the future.*

The development of economic activity and growth in production are meant to provide for the needs of human beings. Economic life is not meant solely to multiply goods produced and increase profit or power; it is ordered first of all to the service of persons, of the whole man, and of the entire human community. Economic activity, conducted according to its own proper methods, is to be exercised within the limits of the moral order, in keeping with social justice so as to correspond to God's plan for man. (*Catechism of the Catholic Church, 2426*)

## *A Texas Bishop Speaks:*

“A task of good government is to use its funding power to direct resources where they will best serve and respect human life, not to find new ways to evade this responsibility.”



*Cardinal Daniel DiNardo, Archdiocese of Galveston-Houston*

## Church Teaching

- ★ Even more than an expression of solidarity, it is a matter of justice to overcome the temptation to reduce public services for a short-term benefit against the long-term human cost. (*Intervention of the Holy See at the 2009 High Level Segment of the United Nations Economic and Social Council, July 2009*)
- ★ When there is a question of allocating scarce resources, the vulnerable and the poor have a compelling claim to first consideration. (*USCCB, A Framework for Health Care Reform*).
- ★ The exercise of authority is meant to give outward expression to a just hierarchy of values in order to facilitate the exercise of freedom and responsibility by all. Those in authority should practice distributive justice wisely, taking account of the needs and contribution of each, with a view to harmony and peace. They should take care that the regulations and measures they adopt are not a source of temptation by setting personal interest against that of the community. (*Catechism of the Catholic Church, 2236*)
- ★ Submission to authority and co-responsibility for the common good make it morally obligatory to pay taxes, to exercise the right to vote, and to defend one's country: Pay to all of them their dues, taxes to whom taxes are due, revenue to whom revenue is due, respect to whom respect is due, honor to whom honor is due, Rom 13:7. (*Catechism of the Catholic Church 2240*).
- ★ The Church makes a moral judgment about economic and social matters, "when the fundamental rights of the person or the salvation of souls requires it." In the moral order she bears a mission distinct from that of political authorities: the Church is concerned with the temporal aspects of the common good because they are ordered to the sovereign Good, our ultimate end. She strives to inspire right attitudes with respect to earthly goods and in socio-economic relationships. (*Catechism of the Catholic Church 2420*)

## Resources

- ★ **Budget 101: A Guide to the Budget Process in Texas** Senate Resource Center via Legislative Budget Board (LBB) ([www.txatholic.org/documents/82ndSession/Senate-Research-Center-Texas-Budget-101.pdf](http://www.txatholic.org/documents/82ndSession/Senate-Research-Center-Texas-Budget-101.pdf))
- ★ **Budget Resource Page** USCCB - this material refers to the national budget. The overarching principles described apply to state government budget practice as well ([www.usccb.org/sdwp/national/nationalbudg.shtml](http://www.usccb.org/sdwp/national/nationalbudg.shtml))
- ★ **Texas Revenue by Source** Texas Comptroller's Office ([www.window.state.tx.us/taxbud/revenue.html](http://www.window.state.tx.us/taxbud/revenue.html))
- ★ **Revenue Estimate** Texas Comptroller's Office ([www.window.state.tx.us/taxbud/cre1011/](http://www.window.state.tx.us/taxbud/cre1011/))

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The Texas Catholic Conference (TCC) is the association of the 15 Roman Catholic dioceses of the State of Texas, and is the Official Public Policy Voice of the Catholic Bishops of Texas.

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# A Balanced Approach to Serve Texans

## Causes of the Texas Budget Deficit

Texas faces both a short-term and a long-term budget deficit. These deficits have different causes and therefore have different solutions. The longer-term deficit is a result of the unfunded property tax cuts passed in 2006 and the overall structure of Texas' revenue system. The lack of sufficient new revenue to replace foregone property taxes has created a continuing budget hole of at least \$9 billion a biennium. Structural changes in Texas' revenue system will be required to eliminate this structural deficit.

The immediate deficit, which is expected to be between \$15 and \$27 billion, is caused by both the global economic recession, which has temporarily reduced state revenue, and the failure of the business tax to bring in enough revenue to fund the 2006 property tax cut. This short-term deficit, which must be resolved during the 2011 legislative session, can be closed with a balanced approach that includes utilizing the entirety of the Economic Stabilization fund, generating revenue, cutting unnecessary corporate loopholes, and ensuring that the state appropriates funding at a level that meets the needs of Texans.

Today, vital public services in Texas are not funded to meet today's needs. In the past, solutions to the budget deficit relied heavily on shuffling money among under-funded programs and shifting the cost of public services off the state budget which conceal the true need for more state resources. This practice of implementing an unbalanced, cuts-only approach is harmful to the most vulnerable Texans today and jeopardizes future economic growth in our state. Relying on a cuts-only approach not only threatens the recovery of the state as it endeavors to meet the needs of those most affected by the recession, but also hurts our nation's recovery, as state and local spending is a large component of our nation's economy.

Many Texas families and small businesses who have been burdened by the current economic climate have taken a balanced approach to recovery - an approach that seeks to cut expenses while simultaneously seeking out new sources of income. Texas, too, must implement a balanced approach that includes sustainable revenue sources that will help our economy recover, thrive, and continue to grow as Texas grows.

## The Rainy Day Fund<sup>1</sup>

Texas must use the Economic Stabilization Fund, commonly called the Rainy Day Fund, to maintain essential services during tough economic times to assist in revenue shortfalls and to stimulate our economy. The state created the fund in 1986, when plummeting oil prices required the governor to call a special legislative session to cut the state budget and raise taxes. In 1988, Texans voted to adopt the fund as a constitutional amendment. The constitutional purpose of the fund is to maintain vital state services during economic downturns, like our current economic climate. The fund automatically replenishes annually and recent rapid growth in the fund, due almost entirely to rising oil and gas production prices, have led to recent annual deposits that have frequently exceeded \$1 billion.

The Legislative Budget Board forecasts that the fund will have \$9.2 billion available for appropriation through 2012-13. In the past, the Legislature has frequently spent all of the Rainy Day Fund to maintain the state's investments in critical public structures and systems such as education. It should do so again in 2011.

## Before considering reductions in public services, the Texas Catholic Conference calls on the Legislature to:

- Use all of the Rainy Day Fund, estimated to have \$9.2 billion available for spending in the 2012-2013 budget;
- Maximize use of available federal funding without extending funding for immoral medical procedures or research;
- Create new sources of revenue that are equitable and can grow along with the growth in need for public services; and
- Oppose utilizing gambling and "sin" taxes to generate revenue, as these unreliable and regressive taxes unjustly hurt the most vulnerable in our society.

*(Last updated February 9, 2011, 82<sup>nd</sup> Legislative Session)*

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<sup>1</sup> Center For Public Policy Priorities Policy Page: *Use All Of The Rainy Day Fund: A Balanced Approach To Balancing The State Budget*. 5 April 2010. [www.cppp.org/files/6/441\\_rainyday.pdf](http://www.cppp.org/files/6/441_rainyday.pdf)