

Star-Telegram

\$1.6 billion surplus projected for Texas

Posted Tuesday, Dec. 13, 2011

BY DAVE MONTGOMERY

dmontgomery@star-telegram.com

AUSTIN -- After a long run of tough times brought on by a sour economy, Texas lawmakers got some good news Monday. The state's chief fiscal officer projected a \$1.6 billion surplus that could provide a much-needed financial cushion for the next session.

The windfall available for the fiscal biennium that started Sept. 1 was generated by better-than-expected state revenue. Lawmakers to partly offset a \$4.8 billion shortfall in Medicaid and soften some other cuts enacted during the 2011 Legislative session.

The new projections by Comptroller Susan Combs will make things easier for budget-writers at the outset of the next Legislative session in 2013, although lawmakers will still face a host of financial challenges.

Combs projected available revenue of \$82.7 billion by the time the biennium ends on Aug. 31, 2013, which would give the state a \$1.6 billion balance over the \$81.1 billion in the two-year budget approved by this year's Legislature.

Lawmakers entered the 2011 session facing one of the biggest shortfalls in years.

They ultimately enacted an austere budget that cut spending by \$15.2 billion over the previous biennium and reduced education by \$4 billion.

In fulfilling her obligation to certify available revenue used to balance the current budget, Combs attributed the upturn in revenue and other sources to Texas' continued economic recovery, although she said both the state and the nation continue to experience economic dislocations.

"While the threat of another recession does exist," she said, "the most likely scenario continues to be one of slow, steady growth, the worst recession in our state since World War II."

Increased oil and natural gas production, buoyed by higher market prices and improving technology, has helped drive the recovery, she said. She predicted that Texas' economy will grow by 2.2 percent annually in 2012 and 2013, slightly exceeding the national annual growth of 1.9 percent.

Through October, she said, Texas has recovered 94 percent of the jobs lost during the recession. Nationwide, just 27 percent of the jobs lost in the recession have been recovered, she said.

Combs' estimates reflect revenue collections through Aug. 31, the end of fiscal 2011, and the collective impact of legislative actions over the year.

"Revenue collections in fiscal 2011 were stronger than expected, coinciding with the Texas economy moving more fully into recovery and significant job growth in the state," she said.

Sales taxes, which contributed more than half of the state's revenue, grew by 9.4 percent over the previous year, she said.

Dale Craymer, president of the business-supported Texas Taxpayers and Research Association, said Combs' report is a positive sign for lawmakers. In passing the \$172.3 billion budget, lawmakers left Medicaid underfunded by \$4.8 billion and expected to face a \$4.8 billion shortfall by drawing from the state rainy-day fund in 2013. Craymer said lawmakers can use the surplus to partly meet their obligation.

Combs projected that the rainy-day fund will reach \$7.3 billion by the end of 2013.

Eva DeLuna Castro, an analyst for the Center for Public Policy Priorities, which advocates for programs for low-income Texans, said the surplus means that lawmakers "will have a little left over" to deal with Medicaid and restore \$250 million in general revenue.