



February 11, 2009

Dear Colleague,

Last week, the Board of Directors of the Texas Conservative Coalition wrote the Governor, Lieutenant Governor, and Speaker with a list of five priority policy goals that we believe are necessary given the current economic downturn. The most immediate of those priorities is employing greater fiscal restraint, especially protecting the Rainy Day Fund, to keep the Texas economy strong and healthier than the rest of the nation.

President Obama has made it clear that he rests his hopes on government spending. We reject the fundamental premise of his position that the “federal government is the only entity left with the resources to jolt our economy back into life.” The President and Congress are ushering the United States down a well-worn, yet dangerous path.

The federal government has already spent over \$700 billion on economic stimulus in the Emergency Economic Stabilization Act of 2008; the Senate version of the American Recovery and Reinvestment Act of 2009 is nearly \$840 billion. This unprecedented expansion of federal spending and national debt will serve to vastly grow government, and very likely result in inflation and massive tax increases in the years to come.

Unfortunately, leadership in Washington D.C. continues to set a bad precedent while many states follow in their footsteps, including a near-bankrupt California. According to the National Conference of State Legislatures, the total number of states reporting FY 2009 budget deficits reached 43. By January 2009, three states had resolved their shortfalls while seven states reported no FY 2009 deficit. Those seven states are: Arkansas, Montana, North Dakota, Oklahoma, Texas, West Virginia and Wyoming. Texas is currently a standout, but the deteriorating economic environment could drag the state down financially.

Texas must continue to chart a smarter way to avoid the uncontrolled spending that is ruining the finances of so many other states and undermining the appropriate roles of state governments. In short, we believe sound fiscal policy is key to economic growth.

The following is a recommended course of action to ensure that Texas remains vibrant and healthy:

1. Reduce General Revenue and General-Revenue dedicated spending by 2.5 percent in the 2010/2011 budget, as recommended by the Lieutenant Governor and the Speaker of the House.

We believe that the appropriate response to the current economic crisis must be rooted in fiscal restraint and responsible budgeting, beginning with the 2010-2011 budget. We are committed to working with leadership to help find ways to reduce spending in non-essential programs and to look for additional savings throughout the appropriations process.

2. Maintain a Rainy Day Fund balance of at least five percent.

The Comptroller's Biennial Revenue Estimate for 2010-2011 notes that the Rainy Day Fund "balance should reach \$9.1 billion, absent any appropriations by the 81st Legislature." While budget surpluses are more common than deficits, our last deficit in 2003 totaled \$10 billion dollars. Because we do not know what revenue will be available for the 2012-2013 budget, the Rainy Day Fund must be left with a significant balance to guard against future shortfalls that may result from the national economic crisis.

Furthermore, we can ensure that the state maintains a favorable bond rating by maintaining a sizeable balance of the Rainy Day Fund. The spending and taxation policies of California should serve as a stark lesson. Because of senseless spending, California's bond rating is the worst of any state, according to Standard & Poor's.

It is imperative that we maintain a Rainy Day Fund balance of at least five percent of the General Revenue and General Revenue-dedicated funds spent in the 2010-2011 budget.

3. Sustain the strength of the Rainy Day Fund by limiting the scope of emergency appropriations to the following disaster-related needs and non-recurring expenses:

- Legislation to provide supplemental appropriations to state agencies and institutions related to hurricane response and recovery associated with the hurricanes of 2008.
- Legislation to assist public and private entities with recovery from the hurricanes of 2008.
- Legislation to fully fund the Disaster Fund.
- Legislation to reform the Texas Windstorm Insurance Association and legislation to fund the Catastrophe Reserve Trust Fund related to (TWIA).
- Legislation to appropriate funds to the Texas Department of Criminal Justice for the purchase and use of screening and detection services for contraband and personnel, as well as comprehensive security equipment.
- Legislation to create an ombudsman to oversee state schools and centers operated by the state of Texas.

4. **To the extent possible, limit the use of federal “stimulus” funds to one-time expenditures, or expenditures with a sunset date that matches the end-date of the “stimulus” money.** Federal “stimulus” funds must not be used to create new programs or to expand existing programs.

In their January 30 letter, the Lieutenant Governor and the Speaker argue that: “we must avoid spending one-time money on on-going projects which will result in unsustainable future costs to the state budget.” We agree. We must not be tempted by irresponsible and short-sighted measures. Our budget will be unsustainable if we permit the stimulus package to grow the size of Texas government. The best use of the stimulus funds, beginning as early as the current budget year, would be non-recurring expenses for capital outlays, equipment purchases, technology enhancements and a short-term, sunsetted, intensive workforce skills training program to help the unemployed get through the current financial crisis.

5. **Enact stronger state spending limitations.**

The current constitutional spending limitation is poorly constructed. Since the passage of the Texas Tax Relief Act in 1978, state spending has risen nearly 500 percent, while personal income has only grown about 400 percent and gross state product has grown 366 percent. State appropriations over the last thirty years have *more than doubled* every ten years.

Fiscal restraint now, and in the future, is imperative to strengthen the economy and safeguard against future deficits. A stronger statutory requirement to limit spending, calculated based on growth in population and inflation, will help provide an additional safeguard against future shortfalls.

We look forward to working with you to achieve these important budgeting goals to keep Texas the strongest economy in the nation.

Sincerely,



Wayne Christian
House District 9 – Center



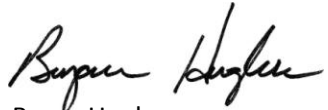
Linda Harper-Brown
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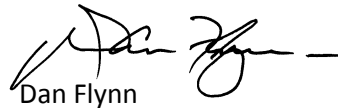


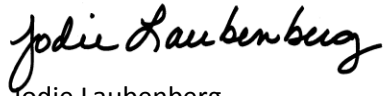
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