



TEXAS RESEARCH LEAGUE

BULLETIN

on Texas State Finance

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- Jared E. Hazleton, President

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\$830 MILLION BUDGET DIFFERENCE FACES HOUSE-SENATE CONFERENCE

The Senate has approved a 1988-1989 budget totaling \$40 billion, a \$2 billion (5.4%) increase over the 1987 biennial level (FY1987 times 2). The House has countered with a \$39.3 billion proposal - a \$1.4 billion (3.8%) increase. Both legislative proposals are significantly higher than the \$36.9 billion budget espoused by the governor.

The real differences to be adjusted between the Senate and House appropriation proposals - \$830 million - is in general revenue related funds because it is those moneys that determine how much tax revenue is needed to balance income and outgo. The other portion of the budget consists of dedicated funds, federal aid, etc., over which the legislature has little discretionary control. A summary of the differences to be reconciled by the Senate-House Conference is shown in the table on page 2.

There is no one budget area that can be singled out as the big difference between the two proposals; in general the Senate spending runs somewhat higher across the board. While it surely will take long hours for the conference to adjust the differences, the larger problem is how to fund the budget in the face of continued gubernatorial opposition.

The Comptroller has estimated that the current tax structure will produce \$23.2 billion to the general revenue related funds. The first call against that income will be \$1 billion to cover the deficit expected to exist at the close of FY1987 (August 31st). Continuing the sales tax at 5.25% and the gasoline tax at 15 cents (scheduled to revert to 4.125% and 10 cents, respectively), an action which the governor has indicated he would accept, would effectively add \$2.8 billion to the revenue picture.

Summing those figures reaches a total of \$25 billion. An additional \$3 billion would be needed to fund the House appropriation bill; \$3.8 billion would be needed to fund the Senate proposal. If the appropriations process is to be completed during the current regular legislative session, the real job of the Senate-House Conference may be to produce a general revenue related spending package that comes in at about \$27.5 billion. Then the legislature faces the second hurdle - devising an acceptable finance plan to bridge the gap.

House and Senate Proposed 1988-1989 Appropriations
 Compared to 1987 Biennial Levels
 General Revenue Related Funds (Millions of \$)

	1987 x 2	House	Senate
EDUCATION			
Public School Aid	\$10,013.7	\$10,416.2	\$10,454.2
Public Junior Colleges	810.6	946.1	974.4
Senior Colleges	1,798.1	2,117.3	2,111.2
Medical Institutions	961.4	1,063.8	1,201.3
Other Education	450.9	478.7	492.9
Subtotal	\$14,034.7	\$15,022.1	\$15,234.0
HUMAN SERVICES			
	\$ 1,900.6	\$ 2,499.9	\$ 2,632.6
TRANSPORTATION			
	3,368.2	3,590.0	3,596.2
EMPLOYEE BENEFITS			
	2,483.5	2,691.8	2,695.0
HEALTH			
	1,718.5	1,862.1	1,947.5
PUBLIC SAFETY & CORRECTIONS			
Public Safety	34.2	18.1	30.1
Department of Corrections	862.3	882.4	1,174.4
Youth Commission	98.5	100.0	116.8
Pardons & Paroles	69.3	135.6	128.8
Adult Probation	101.3	105.7	109.8
Juvenile Probation	23.9	26.4	28.2
Subtotal	\$ 1,189.5	\$ 1,268.2	\$ 1,588.1
GENERAL GOVERNMENT			
	\$ 619.1	\$ 589.6	\$ 626.4
NATURAL RESOURCES			
	405.4	410.7	439.0
REGULATORY AGENCIES			
	95.6	93.5	100.6
TOTAL	\$25,815.2	\$28,027.9	\$28,859.4
Percent Increase		8.6%	11.8%
Estimated Funds Available:			
Current Tax Structure		\$23,200.0	\$23,200.0
1987 Deficit		-1,000.0	-1,000.0
Subtotal		\$22,200.0	\$22,200.0
Indicated Revenue Shortfall			
Continue Gas and Sales Tax Rates Scheduled to Expire		\$-5,827.9	\$-6,659.4
		2,832.2	2,832.2
Balance Needed		\$-2,995.7	\$-3,827.2