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BULLETIN

on Texas State Finance

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TEXAS RESEARCH LEAGUE

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—James W. McGrew, Executive Director

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BULLETIN # 1 - 1979

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LEGISLATIVE BUDGET FOR 1980-1981 TOPS \$20 BILLION

The 66th Texas Legislature has begun hearings on an Appropriations Bill for the next biennium, based on proposals of the Legislative Budget Board which call for State spending to exceed \$20 billion - more than 22 percent above the current level. This bulletin summarizes the principal features of the LBB budget. Future bulletins will examine the major spending proposals in more detail, and look at alternatives suggested by other officials.

A \$3.8-BILLION SPENDING INCREASE

State spending for the 1978-1979 biennium ending next August will total about \$17 billion. The Legislative Budget recommends appropriating \$20.8 billion for the next two fiscal years--an increase of more than 22 percent. The proposal would use up all but about \$120 million of the projected surplus and revenue increases. To put the spending growth in perspective, however, it should be noted that the increases for the past two biennial periods have been 27 and 36 percent, respectively.

The proposed \$3.8 billion increase for the 1980-1981 period would be spread among the principal areas of state spending shown in the following table:

SPENDING INCREASES RECOMMENDED BY LEGISLATIVE BUDGET
(Amounts in Millions of Dollars)

<u>Program Area</u>	<u>Estimated 1978-1979</u>	<u>Recommended 1980-1981</u>	<u>Increase Amount %</u>
Public Schools	\$ 5,211 (31%)	\$ 6,519 (31%)	\$1,308 (25%)
Assistance/Custody of People	4,490 (26)	5,264 (25)	774 (17)
Higher Education	2,972 (17)	3,489 (17)	517 (17)
Highways	2,118 (13)	2,659 (13)	541 (26)
Employee Retirement	1,181 (7)	1,666 (8)	485 (41)
Other	990 (6)	1,165 (6)	175 (18)
Total	\$16,962 (100%)	\$20,762 (100%)	\$3,800 (22%)

The distribution of recommended spending closely parallels current priorities of effort among major program areas, as shown by comparison of current vs. proposed spending percentages (see table above). Even so, spending for employee retirement and other fringe-benefit payments would rise by 41 percent--almost double the average. The largest dollar increase would go to the public schools.

A PAY RAISE FOR STATE--
AND SCHOOL-DISTRICT--EMPLOYEES

The Legislative Budget calls for 5.1 percent pay raises to state employees in each year of the biennium--at an estimated cost of over \$407 million--together with increases in fringe benefits that would cost \$150 million more.

In a marked departure from past practice, the Legislative Budget also includes a 5.1 percent increase in the minimum-salary schedule for Foundation School Program employees in local school districts. This translates into much larger increases for most current employees, since (unlike the state pay scale) the Foundation Program salary schedule provides automatic longevity increases of about 4 percent; the recommended pay raise would be added to any longevity increase. In addition, many local districts supplement the state minimum schedule. The cost of the 5.1 percent school salary increase is estimated at \$314 million, plus increased contributions to the Teacher Retirement System that would result.

Salary and fringe-benefit increases thus total more than \$900 million in the Legislative Budget--about 24 percent of the recommended increase in state spending.

CHANGES IN FOUNDATION
SCHOOL PROGRAM FINANCING

The state and the local school districts each have a part in financing the Foundation School Program. Without any change in

existing law, the cost of the Program would increase by an estimated \$294 million in the 1980-1981 biennium--and the local share of that increase would be \$269 million. This is due primarily to new state estimates of the local property tax base.

The Legislative Budget Board proposes to "freeze" the local share at the existing level--thus increasing the state's share of spending by \$269 million. Another \$450 million in state spending is intended to replace revenue losses to school districts due to anticipated implementation of the property tax relief amendment to the State Constitution passed by voters last November.

The \$719 million added to state spending by these recommendations constitutes 19 percent of the \$3.8 billion increase proposed by the Legislative Budget.

MAINTENANCE OF CURRENT EFFORTS

The pay raises and school finance changes are the largest increases in state spending effort recommended by the Legislative Budget. Together they total \$1.6 billion, or 43 percent of the recommended increase in outlays. The remaining \$2.2 billion in increases are incremental changes in current efforts. As noted above, in relative terms they leave the priorities of state spending unchanged.

REQUIREMENTS OF "PAY-AS-YOU-GO" PROVISION MET

The State Constitution requires that expenditures be balanced by funds available for spending, unless extraordinary circumstances prevail. The budget presented by the Legislative Budget Board would meet this standard. If enacted as proposed, the Legislative Budget would spend \$14.7 billion from "major funds"--while the Comptroller estimates those funds will have \$14.8 billion available for spending.*

*The State Comptroller estimates cash on hand and revenue to the Treasury for a coming biennial period, and certifies whether available money will balance legislative appropriations. The key to fiscal balance lies in the relationship between income and outgo of the General Revenue and associated funds--termed collectively "major funds." Abstracting "major fund" totals for income and spending is necessary to analyze fiscal balance and to determine whether or not any additional revenues will be needed to support the proposed spending program.

