

## State Budget Tricks

*By Bill Hobby*

Another legislative session is over and with it comes another state budget held together with band-aids, baling wire and bookkeeping tricks.

It took all the ingenuity of our state leaders to come up with enough delayed payments, one-day transfers, cost containments and federal fund gimmicks to finance state government for another two years.

The sad fact is that Texas' 1960's tax system isn't designed to support the nation's third largest state in a time of growth and change.

The oil price bust of 1985 demonstrated just how rickety the state's revenue structure is. Two blue ribbon task forces, the last one in 1991, reported on the cracks in the foundation:

- Heavy reliance on an oil-gas severance tax when those resources are being depleted.
- A business franchise tax that falls heavily on capital-intensive industry, the sector of the economy which traditionally has produced the best-paying jobs.
- Entire sectors of the economy--primarily the fast-growing service sector, as well as partnerships, joint ventures and other non-incorporated businesses--which are undertaxed.
- Rising property taxes also fall most heavily on industries that need a lot of invested money, because local governments are forced to pick up part of the state's burden.

The 1994-95 budget bill is not a thing of beauty. The greatest growth is in the prison budget--35.6%. In some programs, like job training for welfare mothers, health screening for low-income children and services for abused children, we will fall below our already pathetically low level of services.

The increase for higher education was a 3.2%, not enough to keep us competitive.

With no reason to hope for better times ahead, state agencies are increasingly trying to lock in a source of funding that will leave them less at the mercy of political and economic whims. Our founding fathers were farsighted enough to set aside public land for education, creating the Permanent School Fund and the Permanent University Fund. Later on, legislators created a constitutionally protected fund for highways.

The Texas Parks and Wildlife Department, which I serve as a Commissioner, succeeded this session in trading a declining revenue source for a growing one.

Two cents of the cigarette tax was dedicated to park funding in 1971 by then state Senator Don Kennard of Fort Worth. It was a considerable accomplishment at the time.

But cigarette sales are declining as more people heed the health warnings. The penny tax on a pack of cigarettes generated \$18.4 million in 1983 but only \$13.5 million in 1992.

Meanwhile, the need for recreation and open space in an increasingly urban state is growing. Park visitation grew 37 percent since 1980 and is likely to increase by 4 percent a year. And threats to wildlife habitat and biologically unique areas have increased the demand for state conservation.

The solution was to trade the cigarette tax for a portion of the sales tax on sporting goods. The legislation, sponsored by Rep. Rene Oliveira and Sen. John Montford, gives the department approximately \$31 million for the next biennium, to be divided equally between state and local parts.

That is approximately the take from the two-cent cigarette tax, but during 1994-1995, the department would receive \$10 million more, or about what the cigarette tax produced at its peak in 1987.

In the long run, the switch will protect the state's ability to acquire, develop and operate parks, as everyone who buys sporting equipment adds to the Parks and Wildlife Trust Fund.

No one blames state agencies for trying to build some predictability into their funding. But dedicated funds prevent the Legislature from responding to changing needs.

With dedicated funds, federal mandates and lawsuit requirements, there is precious little discretion left to the House and the Senate. An outdated tax system only aggravates the problem. A better solution would be to undertake the long overdue repair on our tax system.

*Originally published Jun. 9, 1999, in the Austin American-Statesman.*