



2022-23 Conservative Texas Budget

by Rod Bordelon
Senior Fellow, Policy Director
 Vance Ginn
Chief Economist
 Talmadge Heflin
Distinguished Senior Fellow

Executive Summary

Texas’s state budget has often grown considerably faster than Texans’ ability to pay for it over the last 15 years. Fortunately, growth in the budget has been more closely aligned with Texans’ financial means since we created the Conservative Texas Budget (CTB; [Heflin & Ginn, 2015](#)) for the 2015 Legislature. The CTB sets a maximum threshold for initial appropriations of all funds (state funds and federal funds) for the 2022-23 budget based on the growth in population plus inflation. This results in a 2022-23 CTB of \$246.1 billion,¹ which is an increase of 5%, after excluding funds for the COVID-19 response this budget cycle and funds for Harvey recovery efforts and property tax relief last budget cycle. Passing a budget within the Conservative Texas Budget threshold will give Texans more opportunities to prosper.

Key Points

- Texas’s state government budget has often grown considerably faster than Texans’ ability to pay for it.
- Fortunately, growth in the budget has been better aligned with Texans’ financial means since we created the Conservative Texas Budget in 2015 based on the growth in population plus inflation.
- Limiting budget growth to not exceed the CTB, and even reducing it as Texas families have done with their budgets during the recession, will give Texans more opportunities to flourish.

the
Conservative
TEXAS BUDGET

Appropriations Limit for 2022-23 Budget

<p>\$246.1 BILLION ALL FUNDS <small>(excluding one-time disaster funds)</small></p>	<p>5% Increase above '20-21 appropriations based on Population & Inflation</p>
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Overview of the Conservative Texas Budget

The CTB sets a maximum threshold for Texas’s state budget based on taxpayers’ ability to fund it instead of how much an appropriator should appropriate. This threshold is an upper limit on initial appropriations of all funds (total state and federal funds) that increases by no more than the change in the key metric of population growth plus inflation above initial appropriations in the previous budget. This follows along with our long-held recommendation that the state’s tax and expenditure limit should be changed to one that limits the growth of the entire budget to not exceed this key metric ([Ginn, 2019](#)). We use all funds

¹ While we highlight the initial appropriations for all funds because it represents the full burden of state government on taxpayers, the CTB threshold for state funds (excluding federal funds) is \$163.4 billion.

because it represents the full burden of state government on taxpayers. This also allows appropriators the flexibility of determining how best to allocate resources between legislative priorities that may need more or less funding as long as the total budget does not exceed the CTB. If the amount matches this limit, it will essentially freeze per capita appropriations while covering essential government provisions. Merrifield and Poulson (2014) find that using a similar approach with a limitation of this key metric helps to stabilize budgets and supports more economic growth.

History of the Conservative Texas Budget

Since its inception in 2015, the CTB has helped limit the growth of appropriations over time, as shown in **Figure 1**. Prior to the CTB, the average growth rate of the biennial budget from 2004 to 2015 was 12%. With the CTB in place, the average growth rate was just 5.4%. More importantly, prior to the CTB, the average growth rate of appropriations exceeded that of population plus inflation by almost 5 percentage points, whereas, since the CTB, appropriations grew by an average of almost a full percentage point below population and inflation.

In 2003 and 2011, the Texas Legislature passed budgets that increased by less than population plus inflation. While the Conservative Texas Budget was not around then, these budgets would have met its criteria. However, the following 2005 and 2013 legislatures’ budgets exceeded this threshold, resulting in excessive growth of state government. We implemented the CTB as a threshold for the 2015 Legislature to consider when prioritizing taxpayer dollars in the budget to attempt to rein in this excessive growth. The results show that the CTB helped to limit the growth of initial appropriations by the legislatures in 2015, 2017, and 2019 as the growth of all funds was either under or only slightly above the threshold despite having more funds available to appropriate.

Figure 2 shows how growth of appropriations above population plus inflation in most pre-CTB budget periods contributed to a costly compounding effect that has increased the budget to well above the means of taxpayers. Fortunately, this has been slightly reduced in the last three post-CTB sessions, but the damage of prior periods still hurts Texas families. In fact, the 2020-21 state budget is up \$36.7 billion more, or 18.6% higher, than if each budget since the 2004-05 budget had followed population plus inflation. Therefore, every state budget should grow by no more than the CTB—and ideally should grow by less in order to correct the past pre-CTB excessive appropriations and associated elevated tax burden on Texans.

Collectively, these legislative actions and results show how the CTB framework has improved the Texas Legislature’s budgeting of taxpayer dollars and should be continued and ultimately codified in state law by revising the state’s spending limit based on the CTB criteria (Ginn, 2019).

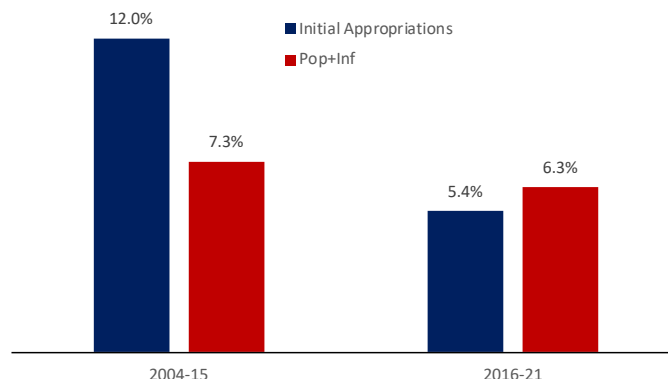
Calculation of the Conservative Texas Budget

We start with the initial appropriations of \$234.4 billion for the 2020-21 budget period, which excludes \$5 billion for property tax relief and \$8.3 billion for Hurricane Harvey recovery efforts. We calculate the 2022-23 CTB growth rate with the state’s population growth and price inflation over fiscal years 2019 and 2020 (September 1, 2018, to August 31, 2020) using the latest data provided by the Texas Comptroller (2020) to get the following:

- Texas population growth: 2.6%,
- U.S. consumer price index (CPI) for all urban consumers: 2.4%, resulting in
- Total population growth plus inflation: 5%.

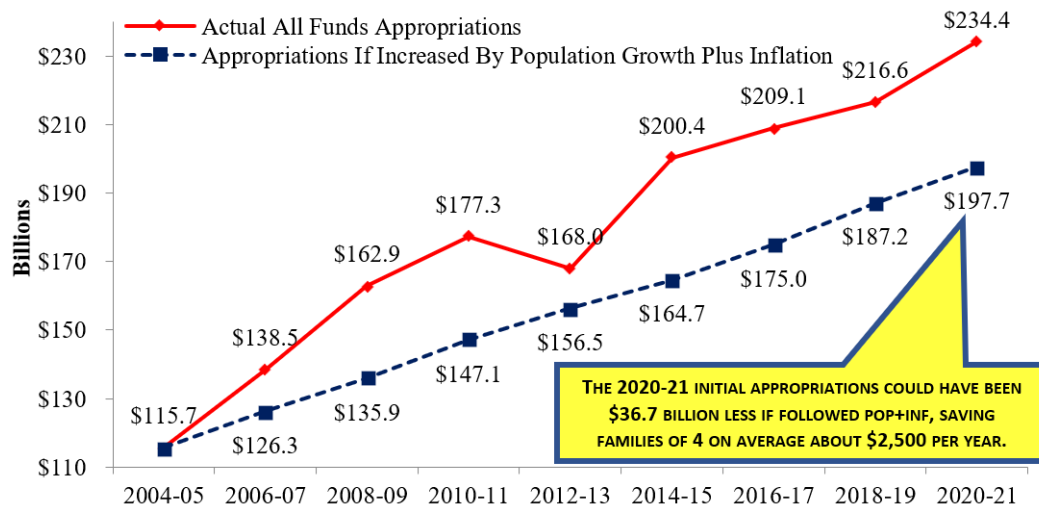
We then take the 2020-21 budget and increase it by 5% to get the 2022-23 CTB’s maximum threshold of \$246.1 billion.

Figure 1
Texas’s Budget Growth Has Slowed Since Creation of the CTB in 2015



Note. Data from *Fiscal Size-Up*, Legislative Budget Board (<https://www.lbb.state.tx.us/FSU.aspx>) and authors’ calculations of average biennial growth.

Figure 2
Texas's State Budget Exceeds Population Growth Plus Inflation Since 2004-05



Note. Data from Fiscal Size-Up, Legislative Budget Board (<https://www.lbb.state.tx.us/FSU.aspx>) and authors' calculations.

We intend to exclude any explicit one-time COVID-19 disaster-related funds.

Conclusion

The Conservative Texas Budget provides a path toward responsible state spending. It has proven to be successful at restraining excessive growth in government in the past, and it will continue to do so in the future if followed each session. The CTB sets a maximum threshold for the 2021 Legislature to freeze per capita initial appropriations so that the burden on Texas families of funding government will

not increase beyond their means. With the budget already exceeding the financial ability of taxpayers to pay for it since the 2004-05 budget, and with Texas families already tightening their budget as they spend less due to the COVID-19 pandemic and resulting societal lockdowns by state and local governments (King et. al, 2020), there should be even greater efforts to reduce the state budget by eliminating unnecessary and wasteful spending and reforming ineffective programs to give Texans the best opportunities to prosper. ★

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ABOUT THE AUTHORS



Rod Bordelon

Rod Bordelon is a senior fellow and policy director for the Remember the Taxpayer campaign at Texas Public Policy Foundation. He is an attorney and regulatory and legislative affairs consultant in Austin, Texas, with over 30 years of experience in insurance, workers' compensation, and health law. He is an eleven-term gubernatorial appointee, former commissioner of workers' compensation, and former public insurance counsel. Bordelon is a graduate of the University of Texas at Austin and South Texas College of Law in Houston.



Vance Ginn, PhD

Dr. Ginn is chief economist at the Texas Public Policy Foundation. He is the former associate director of economic policy for the Office of Management and Budget at the Executive Office of the President, former college lecturer, and an expert on economic and fiscal issues with research that seeks opportunities to let people prosper in Texas, D.C., and beyond. He earned his doctorate in economics at Texas Tech University.



The Honorable Talmadge Heflin

The Honorable Talmadge Heflin is a distinguished senior fellow at Texas Public Policy Foundation. Prior to joining the Foundation, Heflin served the people of Harris County as a state representative for 11 terms. Well regarded as a legislative leader on budget and tax issues by Democratic and Republican speakers alike, he for several terms was the only House member to serve on both the Ways and Means and Appropriations committees.

In the 78th Legislature, Heflin served as chairman of the House Committee on Appropriations. He navigated a \$10 billion state budget shortfall through targeted spending cuts that allowed Texans to avoid a tax increase.

Heflin received an honorary doctorate from Houston Baptist University. He is an alumnus of Louisiana Tech University.

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