Gov. Perry Announces Texas Budget Compact

Key principles that will lead to a stronger Texas

*Note - Gov. Perry frequently departs from prepared remarks.

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Tomorrow is a day circled on calendars across America as the day when the IRS demands its tribute for the year. So to those of you still racing to fill out your forms, and trying to track down that one last piece of information you need to complete your returns, I think we're all sure that your hard work is appreciated and your hard-earned dollars will go to some very important use.

Maybe they'll even name an earmark in your honor.

On the plus side, be happy you live in a state where you only have to send income tax to Washington, and not to Austin. Keeping taxes low is an essential part of what's made Texas the best place in the country to live, work and raise a family, and that's not going to change on my watch.

Some in the legislature would disagree, and in fact, called to change that two years ago, but, then, those calls are not unusual. They're usually made by people who have grand visions of what the government can do with all that money - your money - instead of grand visions of what Texans can do with it if they get to keep it.

Two years ago, cooler heads prevailed, and we successfully resisted the call to raise taxes...or "increase revenue" as they often call it.

And we have true conservative stewards like Sen. [Dan] Patrick and Rep. Bohac to thank for that.

That did mean we had to make some tough choices, but the decisions we made in 2011 helped stabilize our economy and kept industries hiring in the Lone Star State far better than anywhere else in the country.

As a result, as we stand here today, we're the only state that has regained all the jobs lost in the recent recession, and we're building on that success, with the private sector adding more than 331,000 jobs from February 2011 to February 2012. That's more private sector jobs added than any other state. Our unemployment rate is well below the national average, even as we continue to attract job-seekers from all across the United States.

Those job-seekers are coming to Texas because they know we've made a special place here.

We've made a place where employers know they're safe to invest in their business and watch it grow. We've made a place where they won't be hindered by exorbitant taxes, wrapped up in bureaucratic red tape...or find...
themselves at the mercy of predatory attorneys, seeking to make steady money off extensive, drawn-out court cases.

This has drawn major employers to our state and convinced many others to expand their presence here. Apple, for example, is more than doubling its presence in Central Texas, adding 3,600 new jobs to its Austin campus. And just last week, CGI broke ground on a new facility that will create 350 new jobs in Belton.

What all that means to Texans is a more stable community, more job security and more upward mobility.

More recently, our success also means sales tax collections are up, posting gains steadily over the past two years. It's important, however, that we don't interpret higher sales tax collections as a license to spend freely, when it's actually an opportunity to make our budget more sound. Even if more money is being collected, we have to treat each dollar as respectfully, and carefully, as we ever have.

We have to remember there is no such thing as "extra" money, not when it's coming out of the pockets of taxpayers.

There's a valuable lesson about counting chickens before they hatch, as we watch the national economy continue to perform at a sluggish, uncertain pace.

If high gas prices cripple any recovery we might be experiencing on the national level, going on a spending spree here in Texas is the single worst thing we could do.

We are approaching a 2013 Legislative Session that offers a very clear choice in the direction we'll be going as a state in the years, and even decades to come. It is imperative we remain committed to the sound conservative values that have brought us to where we are today, and take steps to advance us even further.

That's why I'm proposing "The Texas Budget Compact," composed of five effective principles that will lead to a stronger Texas.

These principles represent a vow to the people of Texas, a pledge that each and every member of our legislature - or anyone aspiring to become a member of our legislature - should sign on to.

What I'm calling for is really quite simple: As the stewards of Texas we should: practice truth-in-budgeting; support a stricter constitutional limit on spending; oppose any and all new taxes or tax increases; preserve the Rainy Day Fund; and cut wasteful and redundant government programs and agencies.

If Texas leaders will commit to govern and budget by these five principles...we will ensure continued growth and prosperity, an honest budget, and promote a more limited government.

Let's take a look at these principles, one by one.

First, enforcing truth-in-budgeting means hitting the reset button on our budgeting process, putting an end to budgetary tricks and maneuvers that produce nothing but short-term solutions and long-term confusion. We need to stop writing IOUs to the next budget and delaying payments we know will come due.

We need to reduce the use of fees and dedicated accounts for anything other than the purpose for which the fees were collected, and if we're not going to use them in the way proposed, then collecting them...
Second, we need to limit the growth of any increase in state spending to the
growth of our population, combined with the rate of inflation. Currently, we're
limited only by the growth in personal income, which is a much more fluid and
generally larger number.

By keeping tighter reins on our spending, we can build a more solid,
predictable economy that doesn't put off tough decisions until it's too late to
deal with them. And by that I mean we want to be sure, constitutionally sure,
Texas never turns into Washington, DC.

Third, we need to keep our state taxes low. That includes opposing any new
taxes, and any increases on the ones we already have.

An important component of that is making the small business tax exemption
permanent. Keeping the small business exemption at $1 million leaves 40,000
small business owners with more dollars in their pockets, with the confidence
to invest in new hires or new equipment.

Over the past two sessions, small business owners have had to wait and see if
their tax cut would pass, and these businesses are too vital a component of
our economy to leave any doubt in their minds about what future sessions will
bring.

Fourth, we need to preserve a strong Rainy Day Fund. Maintaining an
adequate Rainy Day Fund is critical to our ability to respond to unforeseen
circumstances and emergencies, whether natural or man-made, and helps us
maintain a strong bond rating.

Any money paid out of the Rainy Day Fund should be exclusively for one-time-
only uses, it should never be tapped for ongoing expenses.

Fifth, we need to target and eliminate unnecessary government programs and
agencies, especially those that are performing similar or even identical
functions found elsewhere in government. Over the years, we've worked to
streamline our government and make it more efficient, however much more

I take it as a basic conservative value that - whether tax receipts are coming in
higher than expected or lower than expected - we must always look to cut
expenses first. We must always do everything we can to get the most possible
out of every single dollar we get from the taxpayers.

We also all have to remember that the cost of Medicaid is a ticking time bomb,
and is primed to do massive damage to our budget in the short and long
terms. That's not unique to Texas, but an issue that's pandemic to all the
states. Medicaid already consumes a massive amount of our budget and
promises to eat up more and more in the years to come, with that process set
to accelerate significantly if the Supreme Court upholds Obamacare. Passing
the exorbitant cost of health care on to the states is in no way "fixing health
care."

One thing is certain, it's wrong for Washington to tie our hands with arbitrary
and misguided requirements when it comes to Medicaid, forcing one-size-fits-
all rules on us that prevent us from effectively serving our own citizens. It's
past time for Medicaid money to be distributed to states in block grants, so
states have the funding and flexibility necessary to deal with the individual
challenges of their unique populations.

In the shorter term, however, we need to do everything we can to help Texas
become a stronger, more prosperous state, better prepared to deal with the
unexpected and better positioned to care for our own.
And that's what the Budget Compact is all about, an incredible opportunity to do right by Texans.

I believe Texas is the best state...in the best country...in the world. I believe we can continue to be a beacon to those seeking the freedom and liberty to follow their dreams and find success. I believe the years to come hold great promise for all of us.

More than anything, I believe we've been given a golden opportunity to demonstrate, once again, the right way to run a budgetary process, a state government, and an economy: The Texas Way.

This is a conversation worth continuing, so I encourage anyone interested to join us on Twitter: #TXBudgetCompact.

May God bless you and, through you, may he continue to bless the great State of Texas.