



HOUSE OF REPRESENTATIVES
JOE STRAUS
SPEAKER

April 19, 2016

Dear Chairman Otto and Members of the House Appropriations Committee:

As you continue to study the issues that will impact our work next session, it is important to clearly identify the challenges and opportunities that lie ahead. The 85th Legislature will convene in less than nine months, and some very significant factors that will influence the next session are now becoming apparent.

Texas is fortunate to enjoy an economy that is, overall, performing ahead of most states, and in many regards, the nation as a whole. The Legislature, prudently, also left more than \$4 billion unspent in the state treasury and is projected to have more than \$10 billion in the state's Rainy Day Fund by the end of FY2017. However, we also need to heed the warning signs we are seeing from the economy and the impact it will have on writing the next state budget.

When the last legislative session adjourned, West Texas Intermediate crude oil prices averaged close to \$60 per barrel; last month, that price averaged closer to \$37 per barrel. For nearly twelve years, Texas job growth outperformed many other states and the nation as a whole. However, with job losses in the energy and manufacturing sectors, that is no longer the case. The impact is also being felt in the state's finances. Out of the last six months, the state's sales tax - the largest single source of general purpose funding for government - has registered five monthly declines.

Clearly, the Texas economy is more diverse than at any point in its past and better able to weather the peaks and valleys of a volatile energy market. And you and your House colleagues have proven that you are willing to make difficult choices in order to keep our state living within its means. But there are challenges on the horizon that will require significant fiscal resources from the state.

The state's foster care system is in crisis. As I have stated before, improving the state's system for protecting and helping abused children should be a top priority next session. Ensuring the safety of children in the state's care requires new policies and ways of thinking, but will also require additional resources. The state's school finance system, again, awaits a ruling from the Texas Supreme Court that could potentially require a significant infusion of additional state funds. Finally, even with the critical infusion of funding to TRS-Care last session, a sustainable, long-term solution is still needed.

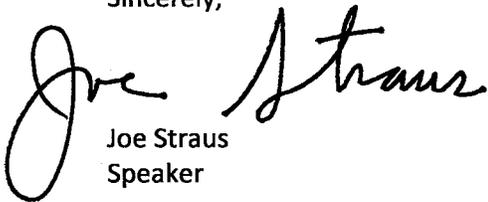
Any of these issues individually would pose a challenge. Yet they come at a time when our state continues to grow rapidly, bringing more children in our schools, more cars on our roads, and an overall greater demand for state resources. At the same time, we do not want to abandon the commitment to low taxation and overall fiscal discipline that has put our state in such a sound budgetary position. In addition to the budget challenges our state is facing, we need to continue to advance the House's priority of making the state budget more transparent and accountable to taxpayers.

Over the last two sessions, the House has led on decreasing the use of dedicated accounts to help balance the budget, eliminating hundreds of millions of dollars in fees and reducing the reliance on these accounts by nearly 40 percent. Last session, we also made important strides in fiscal transparency and accountability through the use of Strategic Fiscal Review and by creating a framework to actively evaluate the full breadth and scope of the state's contracting process.

Writing a balanced and disciplined budget that appropriately funds our top priorities is going to be a significant challenge. However, I know that you and your House colleagues are up to that challenge. This is not a theoretical exercise, but rather a task that affects children, taxpayers, and our state's future. That's why I encourage you to approach the work of this interim period with purpose and creativity. Take advantage of the resources we have put in place to inform your recommendations for next session, and give considerable thought to how best to approach the demands of our growing state.

Thank you for your continued commitment to the districts you represent and our entire state. I look forward to working with you in the months ahead to build on our successes and to begin producing a budget that reflects our priorities, our principles, and our commitment to the people of Texas.

Sincerely,

A handwritten signature in black ink that reads "Joe Straus". The signature is written in a cursive style with a large, looping "J" and "S".

Joe Straus
Speaker