

# Star-Telegram

## Gov. Perry calls for \$1.8 billion in tax relief for Texans

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AUSTIN -- Gov. Rick Perry, saying he wants to shore up the "building blocks" of Texas, called for a \$3.7 billion infrastructure investment in roads and water on Tuesday and promised a \$1.8 billion tax relief package to let Texans share in the state's rising economic fortunes.

After delivering his seventh State of the State address to a joint session of the Legislature, Perry also released a proposed budget that would withdraw \$4.7 billion from the state's rainy-day fund, including the \$3.7 billion investment for transportation and water. The remainder would help pay for his tax relief plan and partly fund obligations facing lawmakers in the current biennium.

Perry, the state's longest-serving governor, outlined a number of initiatives -- some recycled from past speeches -- to keep Texas on a robust economic path. Business leaders and conservative groups applauded his message of low taxes and spending restraint, but Democrats, teachers and social advocacy groups pushed back hard against positions they said give short shift to education and healthcare.

"Infrastructure, of course, is very important but we can't invest in our roads, we can't invest in water and fail to invest in our most important resource -- and that's our human capital," said state Sen. Wendy Davis, D-Fort Worth. Repeating what was a prevailing Democratic theme, she criticized Perry for failing to address \$5.4 billion in education cuts made by the 2011 Legislature, saying his speech was "filled with platitudes" but was short on substance.

In another point that drew anger from his critics, Perry stood firm against allowing Texas to expand Medicaid to low-income adults. Medicaid expansion is part of the federal Affordable Care Act but Perry said broadening the program in Texas would drive "millions more into an unsustainable system."

Supporters of Medicaid expansion say it would make healthcare available to millions of uninsured low-income Texans while making Texas eligible for a boost in federal funds if it agreed to the expansion

Perry's \$1.8 billion promise of tax relief was one of the main highlights in his address. Although Perry didn't go into details, the governor's office posted a link on Perry's website that would allow taxpayers to voice their preferences on a number of options, including lower property taxes, expanding the state's sales tax holiday and increasing the property tax exemption. The selections also included options for businesses, including lowering the business tax rate.

"These are some of the things we want Texans to weigh in on, where they would like to see tax relief," said Lucy Nashed, a spokeswoman in the governor's office. She said the information would be used to guide discussions with lawmakers during upcoming budget deliberations.

Perry and the state's other Republican leaders -- Lt. Gov. David Dewhurst and House Speaker Joe Straus -- earlier suggested that lawmakers would try to put tax relief on the table during the current legislative session, but the governor's address marked the first time he proposed a specific number.

With the possibility of "billions still on the table after we've funded our services and met the demands of our ever-expanding population," Perry said, "I think providing tax relief of at least \$1.8 billion is a good place to start."

Perry's proposed withdrawal from the rainy-day fund seemingly contrasts with past resistance to tap into the fund. In addition to using the fund for his infrastructure initiative, Perry's budget also proposed using \$160 million in rainy-day money to help pay for a \$6.9 billion supplemental budget for the current biennium and \$840 million to help fund his tax relief plan. An additional \$960 million for tax relief would come from general revenue.

Perry mentioned the \$3.7 billion withdrawal in his address and but he did not mention the full \$4.7 million.

The governor's budget would combine all of the \$101.4 billion in projected general revenue over the next biennium with the \$4.7 billion from the rainy-day fund, for a total of \$106.1 billion. Perry said the budget would include baseline spending on state services, fiscal and budgetary reforms, tax relief and a projected \$800 million in budgetary growth.

Better-than-expected revenue proposals by Comptroller Susan Combs have given lawmakers a robust pot of money to fund state services for the upcoming 2014-15 biennium, a sharp contrast to the lean budget conditions during the past two legislative sessions.

As he has in past addresses, Perry used the speech to portray Texas as the envy of the nation, due in large part, he said, to the state's conservative, business-oriented policies

"Texas is not merely strong but exceptional," he said, citing a "can-do culture" that makes it possible for all citizens to pursue their dreams.

He also made a bow to a man he once vilified in his ill-fated presidential race last year, noting that President Obama, in his recent inaugural address, called on Americans "to work together and do our part to secure a brighter future for America."

"Mr. President," Perry said, "Texas stands ready to do our part."

Perry also called for creating more public charter schools and proposed a scholarship program that would give students in low-performing schools "a choice" of going elsewhere. He also again proposed a four-year tuition freeze for incoming freshmen to lock in their rates for four years.

**Looking ahead**

Perhaps more than in the past, Perry's remarks were being watched closely for any hints about his future political ambitions.

Perry has already signaled his interest in another presidential race as well as a run for re-election next year and is expected to reveal his decision in June, after the end of the legislative session.

In contrast to his last State of the State address two years ago, when he was considered in peak form after a convincing re-election victory in 2010, Perry is being closely scrutinized for any signs of political weakness after his failed presidential bid in 2012. But Perry has widely dismissed those perceptions, saying he has been consistently underestimated in the past.

Nevertheless, a new poll released on the day of his State of the State speech -- conducted by the Democratic-oriented PPP firm of North Carolina -- found that only 31 percent of voters think Perry should seek re-election next year, compared with 62 percent who think it's time for him to step aside. The poll also asserts that Perry is among the most unpopular governors in the country, with only 41 percent of voters approving of him compared with 54 percent who disapprove.

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