

Texas

Federal Policies Have Cost Texas \$12.1 Billion over the Past Four Years

Federal Policies Affect Texas Revenue and Spending Levels, 2002-2005

Cost to
Texas

➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$508 million
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$5.3 billion
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$375 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$5.8 billion
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$1.3 billion
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$1.3 billion)
TOTAL COST (net of fiscal relief), 2002-2005:		\$12.1 billion

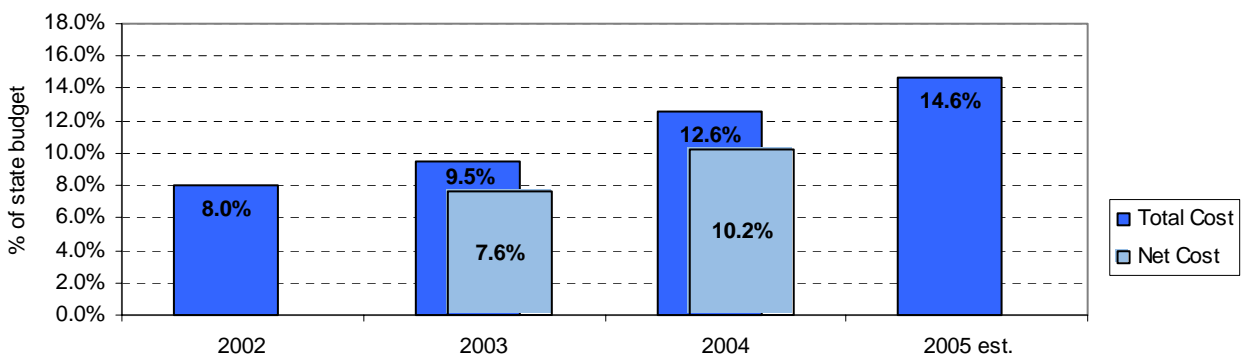
Texas Has Been More Affected by Federal Policies than Most States

Ranking among 50
states plus D.C.

➤	Total cost as percent of General Fund budget (2002-2005):	11.2%	13th
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	10.1%	9th

Texas has been affected heavily by federal policy in part because it lacks a diverse revenue base, relying greatly on sales tax to raise revenue for the state. As a result, it is more affected by federal restrictions on sales taxation than most states.

Net Cost of Federal Policy to Texas as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.