

January 30, 2009

We find ourselves at a crossroads in the state's budget process where decisions we make this Session will impact the future of your agency and our great state. Fortunately, the prudent decisions we have made together over the past six years have contributed greatly to the situation in which we find ourselves today: Texas is one of only six states in the country not facing a deficit. The Comptroller's Biennial Revenue Estimate shows a \$9 billion reduction of state General Revenue and reminds us that Texas would be facing a real deficit had we not worked together to save \$7 billion last Session.

As we begin budget discussions for this Session, the Legislature needs to be mindful of the uncertain economic conditions around us and every family in Texas. Texas is doing better than almost every other state, but we must always be prudent with taxpayer dollars, and leave a reasonable reserve in the Rainy Day Fund to ensure we do not face a large deficit in the 2011 Session.

While Washington is debating an economic stimulus package, it would be irresponsible to factor it into our budget process at this time as there are many details yet to be known, including the amount Texas may receive and what mandates may be attached. However, because most of the funding appears to be one-time in nature, we must avoid spending one-time money on on-going projects which will result in unsustainable future costs to the state budget.

To that end, we will be looking for recommendations to reduce the Fiscal Year 2009 General Revenue and General Revenue-Dedicated appropriations by approximately 2.5%. We do not anticipate an across the board cut if we have your guidance as to how to specifically achieve that goal while still preserving the funding for essential programs, including but not limited to the Foundation School Program, acute care Medicaid, CHIP and debt service for previously issued debt.

Agencies under the jurisdiction of the Health and Human Services Commission should work with the Commissioner to present a unified plan. Likewise, each institution of higher education represented by a system office should work with that system office, with the expectation that system offices will submit a unified plan for the system and its

The Honorable Susan Combs
January 30, 2009
Page 2

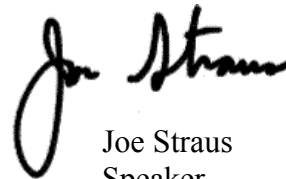
components.

Please send your proposal to the Senate Finance Committee, the House Appropriations Committee and the Legislative Budget Board before budget deliberations commence. Thank you for your service and we look forward to working with you this Session.

Sincerely,



David Dewhurst
Lieutenant Governor



Joe Straus
Speaker