

A BETTER BUDGET FOR TEXAS IN 2010 AND 2011

The Texas Legislature will convene on January 13, 2009, for the 81st Regular Session. In order for essential state services to continue in 2010 and 2011, the Legislature must pass a state budget before adjourning. This *Policy Page* explains the process of writing the 2010-11 budget and how you can participate to ensure a budget aligned with your values—a budget that invests in the critical public programs and structures necessary to create opportunity and prosperity.

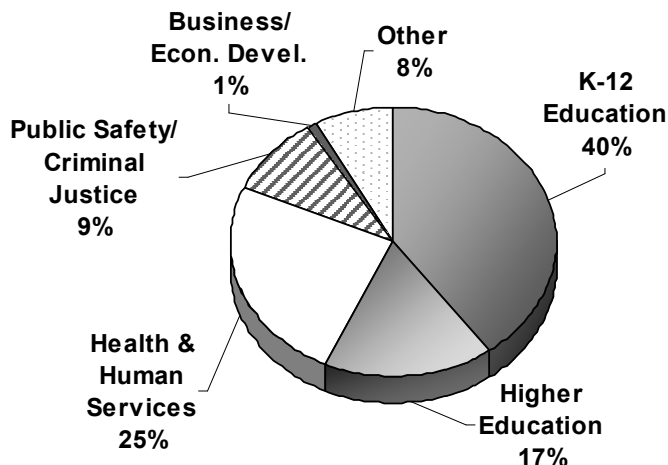
- State officials have instructed agencies to submit baseline budget proposals for 2010-11 without funding for higher energy prices, health care costs, and other inflation. If enacted, these baseline budgets would cut state services. The budget instructions also require state agencies to explain how they would cut general spending by 10%.
- You can speak out on state budget proposals in August and September during pre-session hearings.
- You can also speak out on state budget proposals in February at hearings held by the House Appropriations and Senate Finance committees.

Pre-Session Developments

Before legislators’ work on the state budget begins, some important decisions are made by other key state government officials. First, the Governor’s budget office and the Legislative Budget Board (LBB) jointly issue [budget instructions](#) to state agencies. The instructions tell state agencies how to prepare legislative appropriations requests (LARs) for General Revenue (GR) for the next biennium, including General Revenue that is legally earmarked for a specific purpose (GR-Dedicated funds). Federal Funds and “Other” Funds, such as the State Highway and Property Tax Relief funds, are also important in writing the state budget, but the appropriations process revolves mainly around General Revenue dollars.

The allocation of General Revenue and GR-Dedicated funds for the current (2008 and 2009) budget are shown in the chart below. Well over half of General Revenue supports public education, such as state aid to more than 1,000 local school districts, and higher education. One-fourth goes to health and human services, primarily Medicaid matching

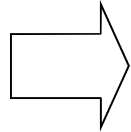
General Revenue-Related Budget, 2008-09
Total: \$86 billion



May 2008:

Legislative Budget Board & Governor's Office issue **budget instructions** for the 2010-2011 biennium.

With some exceptions, agencies' baseline requests for general revenue-related funds may not exceed the sum of GR spent in 2008 and budgeted for 2009 plus the GR-related cost of the 2%/\$50 state employee pay raise in 2009. **Agencies must also describe how they would cut the GR baseline request by 10%.**



July/August 2008:

Deadlines for agencies to turn in budget requests: (click link for more information)

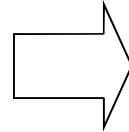
July 30: Dept. of [Assistive & Rehabilitative Services](#)

Aug. 6: Dept. of [Aging & Disability Services](#)

Aug. 13: Dept. of [Family & Protective Services](#); Dept. of [State Health Services](#); Teacher Retirement System

Aug. 20: [Health & Human Services Commission](#)

Aug. 27: Texas Education Agency; Employees Retirement System; Workforce Commission

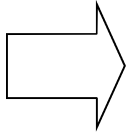


August/Sept. 2008:

Agencies' **budget request hearings** before the LBB and Governor's Office—**OPPORTUNITY FOR PUBLIC TESTIMONY**

November 2008

LBB meets in a public hearing to adopt a **state spending limit** for 2010-11 linked to growth in personal income



dollars that fund health care for 2.6 million low-income Texans. The remainder is spent mostly on the state prison system. Compared to other states' budgets, Texas spending is more concentrated in these basic areas—education, health and human services, and corrections.

For the 2010-11 budget cycle, the Governor's budget office and LBB have instructed state agencies and institutions of higher education to request the same amount of General Revenue for their "baseline" that they received for 2008-09. The "baseline" is the part of the LAR most likely to be included in the appropriations draft bill that the LBB will distribute in January; everything else in the agencies' appropriations requests is an "exceptional item." Agencies were also told to describe how the services they provide would be affected if they cut General Revenue-related spending by 10%, compared to 2008-09 levels.

The requirement to hold GR spending flat means that, **for the most part, agencies will not be allowed to include in their baseline the additional funding required to cover higher energy prices (and budgets for gasoline and utilities), health care cost increases, and other inflation-related items.** State services and programs that

are *not* federal entitlements—for example, the Children's Health Insurance Program—will not even have caseload growth included in the baseline. The instructions state: "Exceptions to the baseline request limitation include amounts necessary to maintain funding for the Foundation School Program, satisfy debt service requirements for existing bond authorizations, maintain caseloads for federal entitlement services, satisfy employer contribution requirements for state pension systems, and maintain adult prison populations."

If past sessions are any indication, the cost of inflation, non-federal-entitlement caseload growth, and other factors beyond agencies' control will add up to billions of dollars in General Revenue that will not be included in the draft "baseline," creating an unrealistically low estimate of the need for state revenue. Despite rumors of legislators having a "surplus" for the next budget cycle, neither the Comptroller nor any other state official has estimated how much General Revenue the state's tax system will generate in 2010-11, and compared that amount of revenue to what it would actually cost to fund current services in 2010-11.

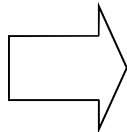
By January 2009:

Comptroller issues biennial **revenue estimate**

LBB issues draft appropriations bill and Legislative Budget Estimates

Governor may issue a budget proposal

Supplemental spending bill (for the remainder of 2009) could also be introduced

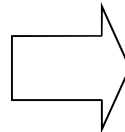


February 2009

House Appropriations and Senate Finance budget hearings—**PUBLIC TESTIMONY**

March-April 2009:

House and Senate “mark up” of budget; voted out of committee; sent to full chamber for approval



April-May 2009

Conference committee on budget; committee report sent back to House & Senate, usually in last days of session, for final legislative approval and passage

June-July 2009:

Budget bill goes to Governor for line-item vetoes and signing; Comptroller certifies that General Revenue-related appropriations do not exceed the amount of General Revenue expected to be available

July-August 2009

State agencies prepare operating budgets for 2010; fiscal biennium begins on September 1, 2009

LBB-Governor’s Budget Office Hearings

Legislators, the general public, and the media will get more details on agencies’ budget requests and the potential impact on state services at joint public hearings held in late summer and early fall. Unlike the issuing of budget instructions, this part of the budget process allows for public testimony at the Capitol. Details on when individual agencies hearings will take place will be available on the LBB’s website (at www.lbb.state.tx.us).

After the hearings are done, the LBB compiles agencies’ requests into a document called “Legislative Budget Estimates” and into a draft appropriations bill. Both of these become available in late December or early January.

Legal Limits on State Spending

Several limits affect the amounts of General Revenue spending recommended by the LBB in the draft budget. One is the constitutional limit capping growth in state spending of undedicated tax revenue. This limit, linked to estimated growth in state personal income, is adopted by the LBB before the session starts (usually by November). Other limits on state spending include caps on debt service; a welfare spending limit on aid to needy children and their caretakers; and the “pay as you go”

limit requiring the Comptroller to certify that General Revenue spending in the appropriations act does not exceed the revenue estimate for the coming biennium.

During the Legislative Session

Before the session starts, the Comptroller will issue the biennial revenue estimate for 2010-11 and revise the revenue forecast for 2008-09. Once the revenue estimate is available, legislators will know the maximum amount of General Revenue they can appropriate for the next budget. The General Revenue budget can only exceed that limit if legislators raise taxes or fees, or if at least four-fifths of legislators vote to exceed the revenue estimate (an extremely unlikely event).

In addition to funding state services for 2010-11, legislators may also have to approve supplemental appropriations for the remainder of 2009. Supplemental appropriations are necessary when state agencies have budget shortfalls due to higher-than-expected caseloads or costs, or lower-than-expected federal funding. Where possible, current-budget shortfalls are dealt with through transfers of unspent funds, but sometimes additional General Revenue must be appropriated, reducing the amount of money available for the next budget cycle.

After the draft budget bill is introduced (House or Senate Bill 1) and the revenue estimate issued, the legislative budget-writing committees (House Appropriations and Senate Finance) hold hearings. Public testimony is taken on agencies' budget requests. Sometimes, limits are imposed on the amount of time each witness can speak (such as three minutes). Advocates who are new to the Capitol and the state budget process need to keep in mind that attempts to create brand-new state services—for example, at-risk youth programs—require not just a bill authorizing the program to pass both the House and Senate, but also for the program's funding to be included in the appropriations bill in both chambers.

Differences in the House and Senate versions of the budget (whether for new or existing programs) are reconciled in the conference committee process, which is the last stage at which advocates can have any impact on legislators' work on the budget. After the conference committee report on the budget is issued, it usually passes the House and Senate in the last few days of the session. The budget then goes to the Governor for line-item vetoes—another stage in which advocates may need to express their support for, or opposition to, a particular state program or service—and finally, to the Comptroller for certification.

Need More Information?

The Health and Human Services Commission (HHSC) is still trying to reschedule a public hearing on its budget request before its due date of August 20. CPPP will publicize this hearing as soon as details are available.

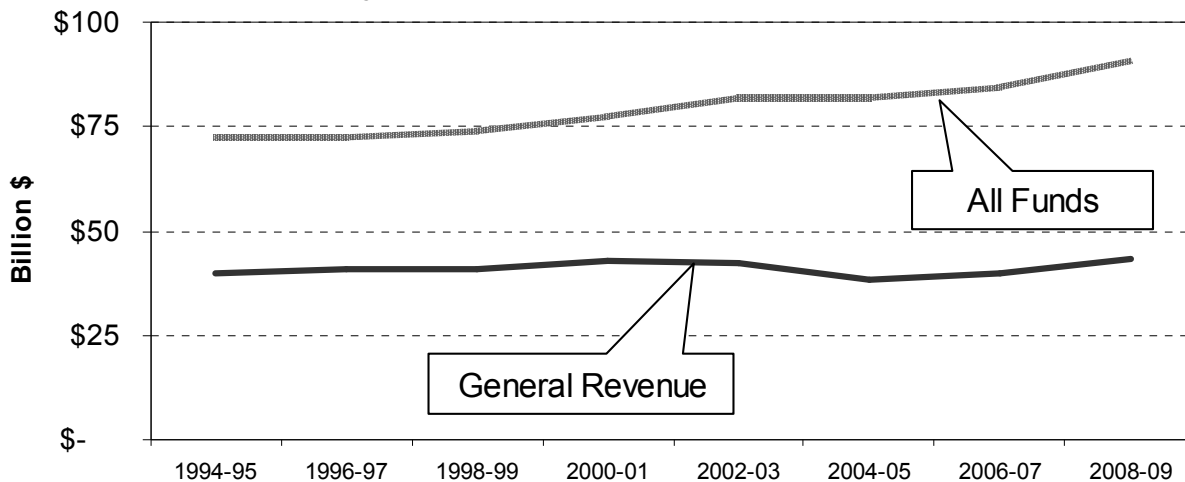
Two recent CPPP publications are must-reads for anyone wanting to know more about the next state budget:

- [Texas Faces a Struggle to Write a Budget That Meets the State's Needs for 2010-11](#), a short Policy Page explaining why a significantly large state "surplus" in the coming budget cycle is highly unlikely, and
- [Building Texas: The 2008 Tax and Budget Primer](#), a booklet explaining more long-term state and local government budget issues, including the changes that need to be made to Texas' revenue system to make possible adequate investments in the state's future.

Legislative agencies also have reports explaining the state budget process in more detail, but these have not yet been updated for the 81st Session. The latest versions are

- [Writing the State Budget: 80th Legislature](#) by the House Research Organization and
- [Budget 101: A Guide to the Budget Process in Texas](#) by the Senate Research Center.

Texas State Government Spending, Adjusted for Population and Inflation



In 1994-95 dollars. Source: Legislative Budget Board, Fiscal Size Up 2008-09.