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## Understanding the Texas Budget Process

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Texas' budget covers a two-year period, or biennium, that begins September 1 after each regular legislative session. The budget for the next biennium (2016-2017), to be enacted during the upcoming 84<sup>th</sup> Legislative Session, will cover September 1, 2015 through August 31, 2017.

Main steps in the budget process include:

1. **Budget instructions:** On June 23, 2014, the Legislative Budget Board (LBB) and governor's budget office informed state agencies, universities, and state courts how much general revenue they could request in their 2016-2017 **baseline** budgets. These baseline requests are the building blocks of the General Appropriations Act drafted by the LBB for the House and Senate. Agencies can request additional funding, beyond the baseline, for **exceptional items**.

The LBB and governor's budget office instructed agencies not to request for 2016-2017 any more general revenue and general revenue-dedicated funds than they are spending in 2014-2015. The budget policy [letter](#) lists the major exceptions to this rule, such as money needed to:

- maintain funding under current law for the Foundation School Program, which is the primary way of distributing state aid to public schools
- make required principal and interest payments for bond authorizations
- maintain current benefits and eligibility for Medicaid entitlement programs, the Children's Health Insurance Program, foster care and adoption subsidies, and permanency care assistance [but NOT to cover health cost inflation or other per-client cost increases]
- maintain funding at fiscal 2015 levels, and cover payroll growth impacts, for state pensions and group benefits (not including payroll contributions by agencies and higher education institutions for retirement and health insurance), though benefit changes may be considered.

Agencies must also prepare a list of budget cuts that they would implement if their general revenue-related funding were cut by 10 percent.

2. **Agencies prepare and submit Legislative Appropriations Requests:** Some agencies, such as those administering health and human services, held meetings in spring 2014 to get public input on budget priorities. These were not mandatory and took place even before the LBB and governor's budget office issued budget instructions. Most state agencies, however, prepared and submitted budget requests without any public input on the impact of the proposed baseline or the exceptional items. Agencies turned in all budget requests to the LBB and governor's budget office by August 25, based on a set [schedule](#). The LBB has posted the requests [online](#).



3. **Joint budget hearings** and adoption of **spending growth rate**: In early August 2014, the LBB and governor's budget office started joint [hearings](#) on agency budget requests. Held at the Capitol complex, the hearings will continue through October 2014 and provide an opportunity for public testimony. These hearings and agency budget requests allow for a preliminary look at what "current services" spending levels might require in the coming budget cycle. ("Current services" takes into account both population and cost growth.) In November or December, the Legislative Budget Board will meet to adopt a limit to the biennial growth in appropriations of certain revenue (taxes not dedicated by the state constitution). Only a simple majority vote in each chamber is needed to exceed this spending cap, and it has rarely been an issue, because legislators usually run out of available revenue long before hitting the cap. But after the massive 2011 budget cuts, the cap applies to a much lower spending base. A lower cap makes returning to pre-recession spending levels extremely difficult, even if revenue is available. In the remaining weeks before the legislative session starts, the LBB staff prepare a draft budget bill, or two different versions, for the House Appropriations and Senate Finance committee chairs to introduce in January 2015.
4. **Biennial revenue estimate and legislative enactment of budget bills** (including taxes/fees): Before the regular session begins, the state comptroller will issue a biennial estimate of general revenue and other state revenue collections, including deposits to the Economic Stabilization Fund ("Rainy Day Fund"), which gives legislators a forecast through the 2016-2017 budget cycle. House and Senate budget committees are appointed and begin "mark up" of the introduced budget. During mark-up, hearings allow for public testimony on the appropriations bills, though testimony is usually limited to three minutes per person. The budget bills then make their way through the committee process and full House and Senate. No formal mechanism exists for public input on the final legislative version of the budget – the conference committee report – which usually appears in May, just before the regular session ends.
5. **Comptroller certification and governor's review**: Once the comptroller certifies that general revenue appropriations do not exceed the revenue forecast, the budget bill goes to the governor for review and signing. The governor can veto spending using "line-item" authority, which usually happens at the program (or "strategy") level but can sometimes eliminate an agency's entire budget. Finally, agencies develop operating budgets for fiscal 2016, the first year of the biennium, and implement their new budget starting September 1.

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For more information or to request an interview, please contact Oliver Bernstein at [bernstein@cphp.org](mailto:bernstein@cphp.org) or 512.823.2875.

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