

## The Steps in 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 (2018-2019), to be enacted during the upcoming 85th Legislative Session, will cover September 1, 2017 through August 31, 2019.

Main steps in the budget process include:

1. **Budget instructions:** On June 30, 2016, the Governor, Lt. Governor, and Speaker of the House issued a policy [letter](#) informing state agencies, universities, and state courts how to prepare 2018-2019 baseline budgets. These baseline requests are the building blocks of the General Appropriations Act drafted by the Legislative Budget Board (LBB) for the House and Senate. Requests for additional funding, beyond the baseline, can be made in "exceptional items." The state leaders told agencies, courts, and universities that their baseline budget requests for 2018-2019 should in most cases reflect a **four percent reduction** compared to their 2016-2017 spending.

Major exceptions to the four percent cuts are General-Revenue-related funds 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 in Medicaid 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 2017 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
- maintain public safety resources in the border region
- maintain funding for Child Protective Services [though maintaining the *total* amount of funding is not the same thing as maintaining *caseloads* per worker, when more children need to be served]
- maintain funding for behavioral health services programs [similar to Medicaid/CHIP: maintaining funding may not be sufficient to cover health cost inflation or other per-client cost increases]

The latter three exceptions were not made in the 2014 budget instructions; border security would not have needed such an exception, as it was at that time primarily funded out of the State Highway Fund, not General Revenue.

More detailed budget [instructions](#) from the LBB indicate that agencies must also prepare a list of program cuts they would implement if their general revenue-related funding were cut by another 10 percent.

2. **Agencies prepare and submit Legislative Appropriations Requests:** Some agencies, such as those delivering health and human services, held meetings in spring 2016 to get public input on budget priorities. These were not mandatory and took place even before the leadership, LBB and governor's budget office issued budget instructions. Most state agencies, however, will prepare and submit budget

requests without any public input on the impact of the reduced baseline or the exceptional items. Agencies will turn in all budget requests to the LBB and governor's budget office by August 26, based on a set [schedule](#). The LBB will post the requests online.

- 3. Joint budget hearings and adoption of spending growth rate:** In late summer 2016, the LBB and governor's budget office will begin holding joint [hearings](#) on agency budget requests at the Capitol complex. The hearings will most likely continue through October 2016 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 LBB 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. (The exception to this is after massive budget cuts are made, such as the cuts made in 2011, because the growth cap applies to a much lower spending base. This means that 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 2017. Some agencies could see zero-based budget proposals as their starting point.

- 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 2018-2019 budget cycle. House and Senate budget committees are appointed and begin "marking up" 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 2018, 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.

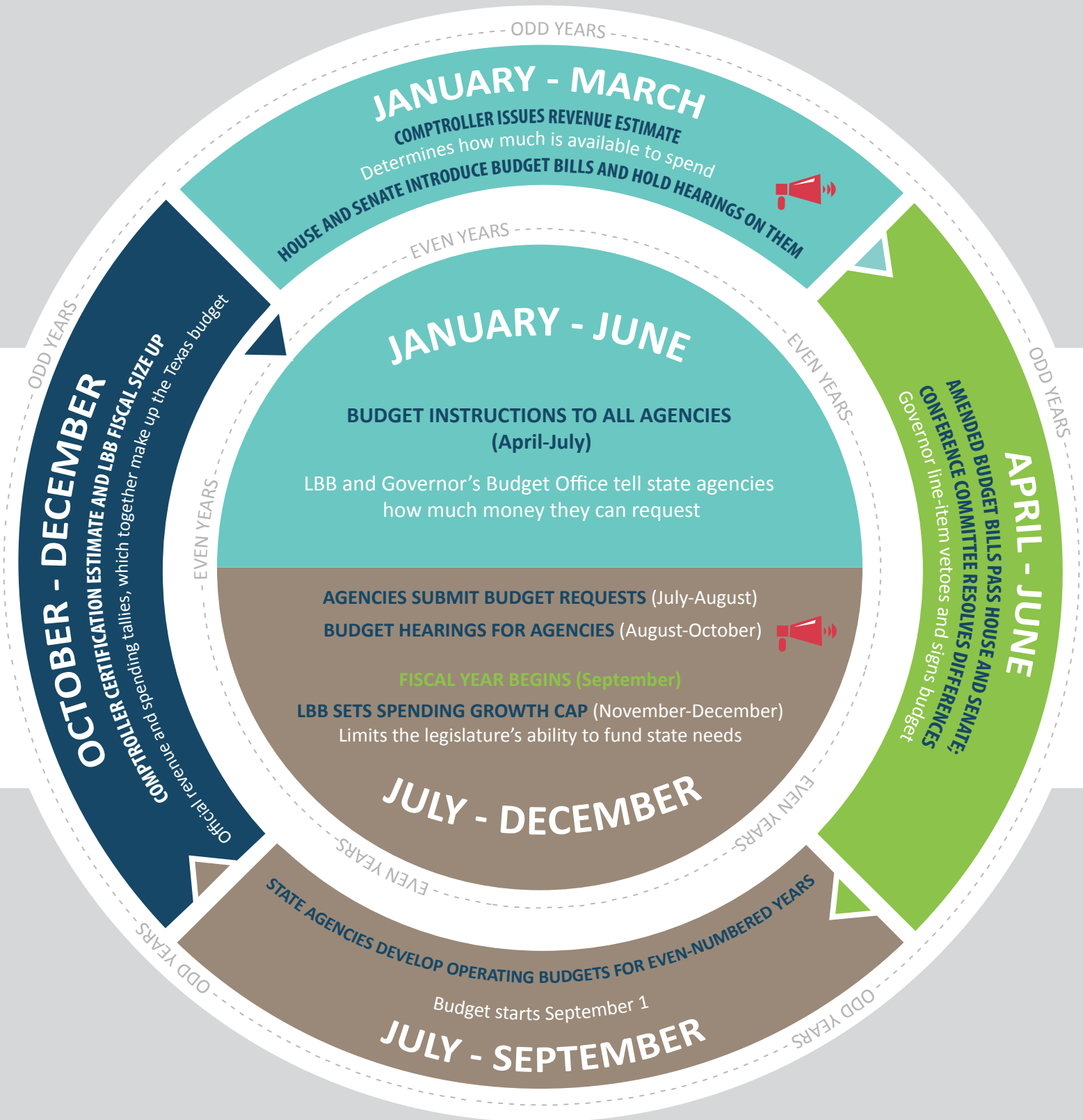
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# TEXAS BIENNIAL BUDGET CYCLE



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