



Senate  
Research  
Center

# BUDGET 101

A Guide  
to the  
Budget Process  
in Texas

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**Guide**  
**to the**  
**Budget Process**  
**in**  
**Texas**





Senate Research Center

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## **Acknowledgments**

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For copies, please access the publication via the Internet at <http://www.senate.texas.gov/src/index.htm>.

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## Preface

The purpose of *Budget 101* is to provide a step-by-step explanation of the budget process in Texas. This document is designed to be a budget primer for new staff or for those unfamiliar with the budget process. An understanding of the material presented in this report will help staff respond to constituent questions, communicate with agencies, understand the impact and magnitude of the budget, and learn budget terminology. *Budget 101* includes:

- a brief overview of the biennial budget process;
- a description of the different offices and agencies involved in developing the budget;
- a discussion of strategic planning; and
- a step-by-step explanation of what happens to the budget during the legislative session.

Also included is information on revenue sources for Texas government, information from the budget, and a glossary of terms. Other sources may also be helpful in understanding the budget process. *Fiscal Size-up*, a publication of the Legislative Budget Board, contains excellent descriptions of the various revenue sources and taxes in Texas. The *Guide to Performance Measure Management*, by the State Auditor's Office, Legislative Budget Board, and the Governor's Office of Budget and Policy, contains extensive information regarding the purpose and development of performance measures. The *Biennial Revenue Estimate*, published by the Office of the Comptroller of Public Accounts of the State of Texas, provides detailed information on revenue available to the state for the biennium.

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# **Overview of the Budget Process**

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## Overview of the Budget Process

Texas' two-year budget takes roughly twice that amount of time to prepare, produce, and administer. Agencies develop their appropriations requests in the first year, the legislature approves the General Appropriations Act in the second year, and the budget is implemented over the next two years.

The first step in preparing the budget is the development of a statewide vision for the future of Texas government. The governor, in cooperation with the Legislative Budget Board (LBB), is responsible for preparing that mission statement for Texas. This statement provides a framework for the development of strategic plans and sets forth a mission for state government, core principles to guide decision-making, and goals and benchmarks for various state agency services and programs. "Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner."<sup>1</sup>

The next step is the development of a strategic plan by each state agency as required by statute.<sup>2</sup> A strategic plan is a long-term plan that sets forth where an agency is and where the agency plans to go. Strategic plans include a mission statement and identify the goals of the agency, the population served by the agency, a description of the means by which the agency plans to achieve its goals, and the measures that will be used to assess the agency's success in achieving those goals. The Governor's Office of Budget and Policy (GOBP), formerly the Governor's Office of Budget, Planning and Policy, and LBB staff issue instructions for developing strategic plans in the spring preceding a legislative session. After developing a strategic plan, the agency submits its plan to the GOBP and the LBB for approval.

In the spring or early summer preceding the legislative session, the LBB sends out detailed Legislative Appropriations Request (LAR) instructions. These instructions are used by agencies to develop their budget requests. Included in

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<sup>1</sup> *Instructions for Preparing and Submitting Agency Strategic Plans, Fiscal Years 2015 to 2019*, Legislative Budget Board, Governor's Office of Budget, Planning and Policy, March 2014, page 28.

<sup>2</sup> Section 2056.002, Texas Government Code.

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each agency's LAR are the performance measures on which budgeting is based. During the following months, the LBB and GOBP hold hearings with each agency concerning the agency's strategic plan and LAR. During the course of these hearings, the items to be included in the agency's strategic plan and the performance measures to be contained in the LAR are determined. LARs must be submitted by a specified deadline, usually summer or early fall, and copies must be provided to the LBB, GOBP, the State Auditor's Office (SAO), the Office of the Comptroller of Public Accounts of the State of Texas (comptroller), and other state agencies as specified.<sup>3</sup> These LARs form the basis for the appropriations bill prepared by the LBB.

During the fall prior to the legislative session, LBB staff prepares the general appropriations bill draft. This proposed appropriations bill contains performance measures, the maximum number of full-time equivalent (FTE) positions allowed per agency, capital budget information, specific enumerated instructions and contingencies on certain expenditures (called riders), the amount of funding recommended by the LBB, and the method of financing for each agency's appropriation. The amount of funding that the LBB staff sets forth for each agency in the appropriations bill and the amount of funding requested by the agency do not always match. To help compare the amount recommended by the LBB and the amount requested by the agency, the LBB produces a document entitled *Legislative Budget Estimates*. That document sets forth all the information contained in the proposed appropriations bill except riders, and includes amounts expended by the agency in past years and the amount requested by the agency for the coming biennium.

Next, the appropriations bill is filed in both houses of the legislature, allowing each house to work on the bill simultaneously and independently. As a matter of equanimity, the final bill sent to the governor, traditionally, is a senate bill one session and a house bill the next. The comptroller is required to provide to the legislature a biennial revenue estimate (BRE) at the beginning of each regular session.<sup>4</sup> Because the legislature is constitutionally prohibited from appropriating more revenue than will be collected,<sup>5</sup> the BRE is used by the legislature to ensure that appropriations will not exceed the anticipated revenue. During the first part of the session, the Senate Committee on Finance and the House Committee on Appropriations independently receive testimony on the budget from state agencies

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<sup>3</sup> 2018-19 Legislative Appropriations Request, Detailed Instructions for Agencies for the Biennium Beginning September 1, 2017, LBB and GOBPP, June 2016.

<sup>4</sup> Section 49a, Article III, Texas Constitution.

<sup>5</sup> Ibid.

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and institutions of higher education. Each committee makes changes to the budget document. This process is referred to as “markup.” After the bill passes out of the respective committees in each chamber, it will come before the full body for a vote. The bill is then referred to a conference committee, composed of members of both houses, to resolve differences between the senate and house versions of the bill.

Like the designation of the final bill, the senate and the house of representatives traditionally alternate each session in chairing the conference committee. After the conference committee has reconciled the differences and has agreed to an appropriations bill, the bill is sent back to both houses for a vote on final passage. If both houses pass the appropriations bill, it is sent to the comptroller for certification. The Texas Constitution requires the comptroller to certify whether there will be sufficient revenue to cover the appropriations made by the legislature.<sup>6</sup> After the appropriations bill is certified by the comptroller, it is sent to the governor for his or her signature. The Texas Constitution, Section 14, Article IV, gives the governor line-item veto authority. If the legislature is still in session when that authority is exercised, it may override the governor’s veto by a two-thirds majority vote in each house.

After the appropriations bill is certified by the comptroller and signed by the governor, it is implemented over the next two years. The appropriations bill takes effect on September 1 of each odd-numbered year. Although the budget does not appear in Texas’ statutes or codes, it is law and agencies are bound by it. The LBB and SAO are responsible for monitoring agency compliance with the budget.<sup>7</sup> The governor and the LBB are empowered with budget execution authority, which is the authority to shift funds between agency programs, or even between agencies, if the need arises when the legislature is not in session.<sup>8</sup>

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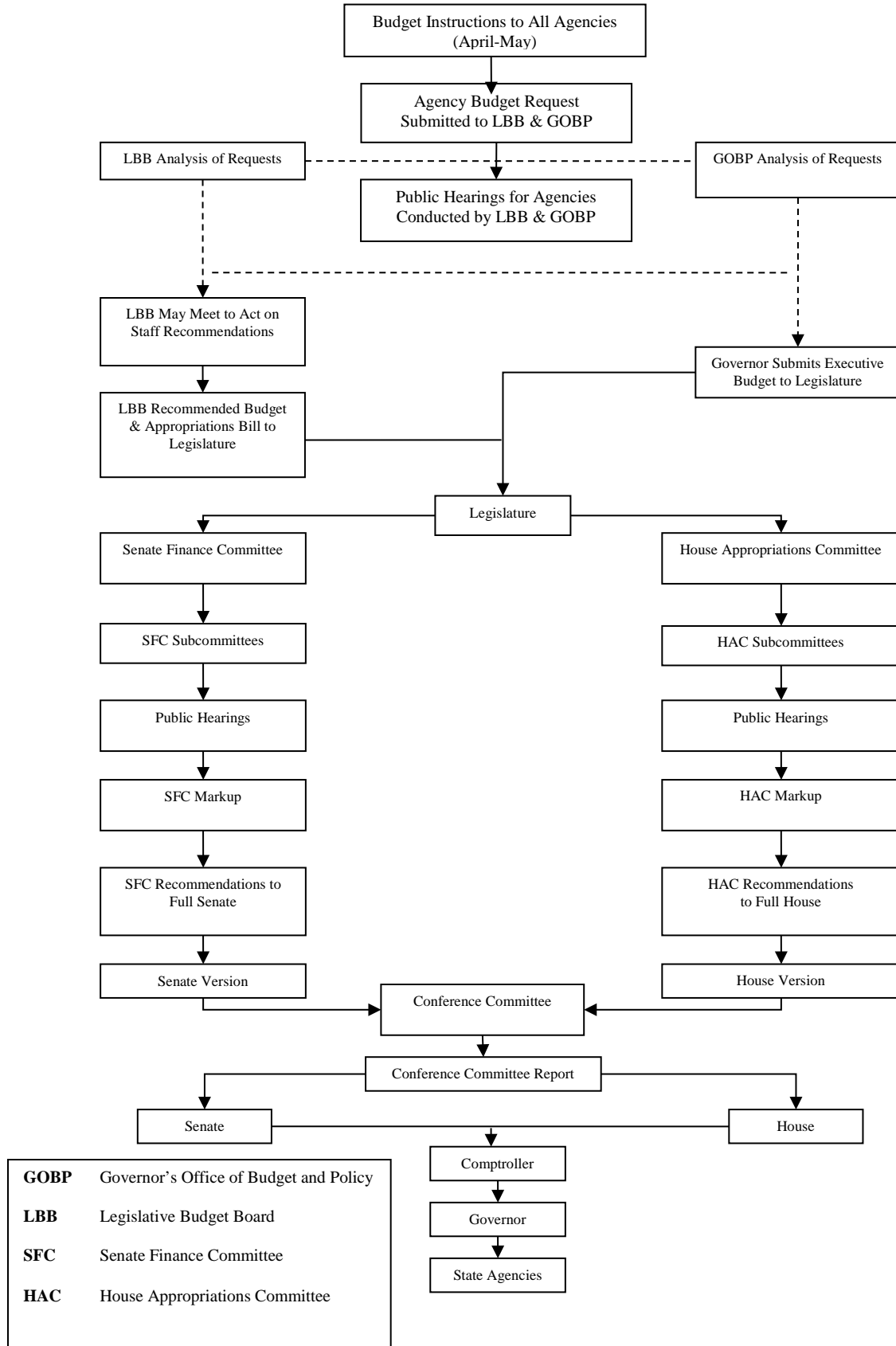
<sup>6</sup> Ibid.

<sup>7</sup> Sections 321.0132 and 322.011, Texas Government Code.

<sup>8</sup> Ibid., Chapter 317.



# Texas Biennial Budget Cycle



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# **The Budget Players**

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## Legislative Budget Board

The Legislative Budget Board (LBB) was created in 1949 for the primary purpose of recommending legislative appropriations for all agencies of state government. The LBB is composed of the lieutenant governor; the speaker of the house; the chairs of the Senate Committee on Finance, Senate Committee on State Affairs, House Committee on Appropriations, and House Committee on Ways and Means; two additional members of the senate appointed by the lieutenant governor; and two additional members of the house of representatives appointed by the speaker. The LBB employs a staff that includes analysts who work with and monitor state agencies. The LBB staff is often referred to as the LBB and, occasionally, as the LBO (Legislative Budget Office).

The LBB is active in developing the fiscal policy of the state. Among the legal responsibilities of the LBB are to:

- adopt a constitutional spending limit;<sup>9</sup>
- prepare a general appropriations bill;<sup>10</sup>
- prepare agency performance reports;<sup>11</sup>
- guide, review, and finalize agency strategic plans;<sup>12</sup>
- prepare fiscal notes identifying the probable costs of proposed legislation and impact statements;<sup>13</sup> and
- take necessary action to transfer funds from one purpose to another within an agency or transfer funds from one agency to another (these actions are known as budget execution actions).<sup>14</sup>

In addition to these responsibilities, the LBB provides many other services. During the legislative interim, the LBB provides semi-annual and annual

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<sup>9</sup> Section 22, Article VIII, Texas Constitution, and Chapter 316, Texas Government Code.

<sup>10</sup> Section 322.008(a), Texas Government Code.

<sup>11</sup> *Ibid.*, Section 322.011(c).

<sup>12</sup> *Ibid.*, Chapter 2056.

<sup>13</sup> *Ibid.*, Chapter 314.

<sup>14</sup> *Ibid.*, Chapter 317.

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assessments of state agency performance, supplies information and support to interim committees, and publishes *Fiscal Size-up*, which summarizes the important fiscal actions of the prior legislative session and describes the purpose and services of state agencies, as well as provides comparative information on Texas state government.

During the legislative session, the LBB supports the legislative appropriations process by providing staff resources for the House Committee on Appropriations, the Senate Committee on Finance, and the conference committee on the appropriations bill. This support often takes the form of tracking committee decisions, answering inquiries from committee members, performing analyses, and providing testimony.

Source: Legislative Budget Board

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## Comptroller of Public Accounts of the State of Texas

The comptroller of public accounts (comptroller), the state's chief financial officer, accountant, treasurer, and economic forecaster, performs many functions important to the state budget. The comptroller, a member of the executive branch elected statewide to a four-year term, is required to submit to the legislature, at the beginning of each session, a statement regarding the financial condition of the state and an estimate of the probable receipts and disbursements for the current fiscal year.<sup>15</sup> The statement also must include an estimate of anticipated revenue for the coming biennium.<sup>16</sup> This statement is referred to as the *Biennial Revenue Estimate* (BRE).

The Texas Constitution prohibits the legislature from appropriating an amount of money greater than the estimated amount that will be collected in revenue.<sup>17</sup> Once an appropriations bill is passed by the legislature, the comptroller must determine whether anticipated revenue will be sufficient to cover appropriations. If the comptroller determines that the appropriations bill is within the revenue limitation, the bill is certified and it goes to the governor for approval; if the comptroller determines that the appropriations bill appropriates more than the amount of anticipated revenue, the bill returns to the house in which it originated where steps may be taken to bring appropriations within the amount of anticipated revenue.<sup>18</sup>

In addition to these duties, the comptroller is responsible for collecting state taxes, tracking almost 600 separate revenue and spending funds, and ensuring that state agencies stay within their budgets.

Source: <http://www.window.state.tx.us>

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<sup>15</sup> Section 49a, Article III, Texas Constitution.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

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## Office of the Governor

The Office of the Governor is involved in the budget process from start to finish, beginning with strategic planning and ending with budget execution. There are two budget players within the governor's office, the governor and the Governor's Office of Budget and Policy (GOBP).

The governor's involvement in the budget process begins with strategic planning. The governor and the LBB jointly develop achievement goals for state government in nine major areas: education, regulation, natural resources, health, human services, transportation, public safety and corrections, general government, and state employee benefits.<sup>19</sup> These goals are then provided to each state agency for use in developing their strategic plans. The governor, or a designee of the governor, also works with the LBB in developing Legislative Appropriations Request (LAR) instructions; the LARs developed by the state agencies must be submitted to the governor.<sup>20</sup> The governor, or a designee of the governor, must hold one or more public hearings regarding the LARs,<sup>21</sup> which may be held in conjunction with the LBB.<sup>22</sup> The governor is required to compile a biennial appropriation budget,<sup>23</sup> which should be delivered to the legislature at the beginning of the regular session.<sup>24</sup> The governor is then authorized to develop a general appropriations bill to be delivered to the legislature within the first 30 days of the legislative session.<sup>25</sup> Often, the governor's budget serves as a guiding policy statement while the LBB's bill is used as the appropriations bill.

After the legislature passes a general appropriations bill and the bill is certified by the comptroller, the bill must be approved by the governor. Line-item veto power allows the governor to veto specific items in the general appropriations bill.<sup>26</sup> After the budget takes effect, the governor and the LBB may jointly exercise their budget execution authority by approving the transfer of money from one program to another within an agency or transferring funds from one agency to another if the action is warranted.<sup>27</sup>

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<sup>19</sup> Section 2056.006, Texas Government Code.

<sup>20</sup> *Ibid.*, Section 401.042.

<sup>21</sup> *Ibid.*, Section 401.043.

<sup>22</sup> *Ibid.*, Section 401.044.

<sup>23</sup> *Ibid.*, Section 401.0445.

<sup>24</sup> *Ibid.*, Section 401.046.

<sup>25</sup> *Ibid.*, Section 316.009. The statute provides for a 20-day extension for a person "inaugurated as governor who was not governor preceding the inauguration."

<sup>26</sup> Section 14, Article IV, Texas Constitution.

<sup>27</sup> Chapter 317, Texas Government Code.

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The GOBP is active in developing agency strategic plans. The LBB and GOBP jointly develop strategic plan instructions, which are usually forwarded to agencies during the interim between regular sessions of the legislature.<sup>28</sup> The GOBP works with state agencies to develop acceptable performance measures.<sup>29</sup> After state agencies develop strategic plans, the GOBP, along with the LBB, may compile those plans into a long-range strategic plan for the state.<sup>30</sup>

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<sup>28</sup> Ibid., Section 2056.002.

<sup>29</sup> Ibid., Section 2056.004.

<sup>30</sup> Ibid., Section 2056.009.



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## State Auditor's Office

The State Auditor's Office (SAO) is a legislative agency that serves as the independent auditor of state agencies, including institutions of higher education.<sup>31</sup> SAO conducts economy and efficiency audits, effectiveness audits, financial audits, and compliance audits. The reports from these audits are often used by legislators in evaluating agencies. SAO, at the direction of the Legislative Audit Committee, is authorized by statute to conduct an audit or investigation of any entity receiving funds from the state.

More importantly for budgeting purposes, SAO audits performance measures to ensure that agencies have established controls for proper and accurate performance reporting. SAO rates the audited measures in one of four ways:

- certified without qualification;
- certified with qualification;
- factors prevented certification; or
- inaccurate.

“The SAO’s involvement in the Strategic Planning and Performance Budgeting System is to examine the accuracy of reported performance measures and assess the related internal controls. The SAO will assess the accuracy of reported performance measures so that the Governor and the Legislature can determine to what extent they can rely on the reported performance measures when making decisions or evaluating state agencies. The SAO also verifies that the performance measures are produced by management systems that have adequate internal controls. Adequate safeguards over the collection, calculation, and reporting of performance measure data increase the probability that reported measures will be accurate over time.”<sup>32</sup>

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<sup>31</sup> Ibid., Section 321.013.

<sup>32</sup> *Guide to Performance Measure Management* (2012), by the SAO, LBB, and GOBPP, page 22.

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# **The General Appropriations Bill**

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## The General Appropriations Bill

The general appropriations bill is prepared by the LBB and filed in each house of the legislature at the beginning of each regular session. The bill contains the recommended budget for each state agency. The current General Appropriations Act is divided into administrative sections, called articles, under which agencies are organized. These articles are:

Article I	General Government
Article II	Health and Human Services
Article III	Education
Article IV	Judiciary
Article V	Public Safety and Criminal Justice
Article VI	Natural Resources
Article VII	Business and Economic Development
Article VIII	Regulatory
Article IX	General Provisions
Article X	The Legislature
Article XII	Savings Clause
Article XII	Emergency Clause

These article designations are often used when referring to agencies; for example, the Texas Ethics Commission is an Article I agency.

By way of illustration, pages 18 and 19 contain the budget for the Libraries & Archives Commission for fiscal years (FY) 2016-2017 as found in the General Appropriations Act.

**LIBRARY & ARCHIVES COMMISSION**

For the Years Ending  
August 31,      August 31,  
2016              2017

<b>Method of Financing:</b>		
General Revenue Fund <sup>1</sup>	\$ 15,728,509	\$ 15,728,507
<u>Federal Funds</u>		
Federal Public Library Service Fund No. 118	10,370,817	9,666,985
Federal Funds	20,000	20,000
Subtotal, Federal Funds	<u>\$ 10,390,817</u>	<u>\$ 9,686,985</u>
<u>Other Funds</u>		
Appropriated Receipts	3,583,468	3,276,556
Interagency Contracts	3,079,260	2,678,438
License Plate Trust Fund Account No. 0802	5,000	5,000
Subtotal, Other Funds	<u>\$ 6,667,728</u>	<u>\$ 5,959,994</u>
<b>Total, Method of Financing</b>	<u><b>\$ 32,787,054</b></u>	<u><b>\$ 31,375,486</b></u>

This bill pattern represents an estimated 100% of this agency's estimated total available funds for the biennium.

<b>Number of Full-Time-Equivalents (FTE):<sup>1</sup></b>	168.5	168.5
<b>Schedule of Exempt Positions:</b>		
Director-Librarian, Group 3 <sup>2</sup>	\$143,500	\$143,500

<b>Items of Appropriation:</b>		
<b>A. Goal: DELIVERY OF SERVICES</b>		
Improve the Availability of Library and Information Services.		
<b>A.1.1. Strategy: LIBRARY RESOURCE SHARING SERVICES</b>	\$ 18,834,195	\$ 18,608,968
Share Library Resources Among Libraries Statewide.		
<b>A.1.2. Strategy: AID TO LOCAL LIBRARIES</b>	\$ 2,471,097	\$ 2,477,062
Aid in the Development of Local Libraries.		
<b>A.2.1. Strategy: DISABLED SERVICES</b>	<u>\$ 3,575,876</u>	<u>\$ 2,489,534</u>
Provide Direct Library Services by Mail to Texans with Disabilities.		
<b>Total, Goal A: DELIVERY OF SERVICES</b>	<u><b>\$ 24,881,168</b></u>	<u><b>\$ 23,575,564</b></u>
<b>B. Goal: PUBLIC ACCESS TO GOVT INFORMATION</b>		
Public Access to Government Information.		
<b>B.1.1. Strategy: PROVIDE ACCESS TO INFO &amp; ARCHIVES</b>	\$ 3,142,943	\$ 3,143,511
Provide Access to Information and Archives.		

**Method of Financing:**  
Sets forth the source of funding for an agency. (See section on revenue for a description of funding sources.)

**Number of FTEs:**  
Sets forth the number of full-time equivalent (FTE) employees the agency may employ.

**Schedule of Exempt Positions:**  
Sets forth salaries for employees who are not paid pursuant to the state classification schedule.

**Goal:**  
Sets forth a goal the agency seeks to achieve.

**Strategy:**  
Sets forth actions to be taken by the agency to achieve the goal. There may be multiple strategies under one goal. Funding is provided at the strategy level.

**Object of Expense:**  
Listing of an agency's budget by category of expense versus strategy.

**LIBRARY & ARCHIVES COMMISSION**  
(Continued)

<b>C. Goal: MANAGE STATE/LOCAL RECORDS</b>		
Cost-effective State/Local Records Management.		
C.1.1. Strategy: MANAGE STATE/LOCAL RECORDS	\$ 1,981,158	\$ 1,870,567
Records Management Services for State/Local Government Officials.		
<b>D. Goal: INDIRECT ADMINISTRATION</b>		
D.1.1. Strategy: INDIRECT ADMINISTRATION <sup>1</sup>	\$ 2,781,785	\$ 2,785,844
<b>Grand Total, LIBRARY &amp; ARCHIVES COMMISSION</b>	<b>\$ 32,787,054</b>	<b>\$ 31,375,486</b>

<b>Object-of-Expense Informational Listing:</b>		
Salaries and Wages	\$ 7,443,058	\$ 7,549,104
Other Personnel Costs	314,300	319,167
Professional Fees and Services	1,601,134	1,399,858
Fuels and Lubricants	11,875	13,875
Consumable Supplies	209,750	216,750
Utilities	263,920	273,670
Travel	126,500	127,500
Rent - Building	23,380	23,880
Rent - Machine and Other	42,600	38,063
Other Operating Expense	18,755,376	18,008,477
Grants	2,500,000	2,500,000
Capital Expenditures	1,495,161	905,142
<b>Total, Object-of-Expense Informational Listing</b>	<b>\$ 32,787,054</b>	<b>\$ 31,375,486</b>

**Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act:**

<u>Employee Benefits</u>		
Retirement	\$ 568,884	\$ 571,162
Group Insurance	1,737,087	1,900,901
Social Security	479,004	481,399
Benefits Replacement	24,390	22,073
<b>Subtotal, Employee Benefits</b>	<b>\$ 2,809,365</b>	<b>\$ 2,975,535</b>
<u>Debt Service</u>		
Lease Payments	\$ 145	\$ 0
<b>Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act</b>	<b>\$ 2,809,510</b>	<b>\$ 2,975,535</b>

1. **Performance Measure Targets.** The following is a listing of the key performance target levels for the Library & Archives Commission. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Library & Archives Commission. In order to achieve the objectives and service standards established by this Act, the Library & Archives Commission shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.

	2016	2017
<b>A. Goal: DELIVERY OF SERVICES</b>		
<b>Outcome (Results/Impact):</b>		
Percent of Eligible Population Registered for Talking Book Program Services	4.8%	4.9%
<b>A.1.1. Strategy: LIBRARY RESOURCE SHARING SERVICES</b>		
<b>Explanatory:</b>		
Number of Resources Provided to Persons Through Shared Services	108,000,000	113,000,000
<b>A.1.2. Strategy: AID TO LOCAL LIBRARIES</b>		

**Riders:**  
Sets forth specific instructions regarding the expenditure or collection of funds by an agency.

**Performance Measure Targets:**  
Sets forth a measurable target to be used in meeting a goal/strategy.

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# **Strategic Planning and Performance Measures**



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## Strategic Planning and Performance Measures

Since 1993, state agencies have been required to develop long-term strategic plans.<sup>33</sup> An agency must issue a strategic plan each even-numbered year; the plan covers a five-year period. Among the items to be included in the plan are a statement of the mission and goals of the agency, performance measures, the persons or entities served by the agency, an analysis of the resources necessary for the agency to meet its goals, and an analysis of expected changes in services or programs due to changes in the law.<sup>34</sup> The LBB and GOBP may require that additional items be included in an agency's strategic plan.<sup>35</sup>

The LBB and GOBP issue instructions for developing strategic plans in the spring before the beginning of each legislative session. The LBB and GOBP work in conjunction with state agencies to develop strategic plans. As a part of the strategic planning process, agencies develop performance measures. Performance measures are quantifiable indicators of achievement. Texas uses four types of measures:

- outcome—indicates the effect on a stated condition;
- output—counts the services produced by an agency;
- efficiency—gauges resource cost per unit of product; and
- explanatory/input—provides information to help assess reported performance.<sup>36</sup>

For example, an output performance measure for the Texas Department of State Health Services (DSHS) might be the number of children from low-income families who receive free immunizations. Performance measures are linked to the budgeting process. They allow legislators to determine how well an agency is performing; often, legislators will question agency representatives in relation to performance measures.

In developing performance measures, an agency must develop a definition for each measure. “A performance measure’s definition establishes both an explanation of the measure and the methodology for its calculation. It is important that the definition contain enough pertinent information to be clearly

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<sup>33</sup> Chapter 2056, Texas Government Code.

<sup>34</sup> *Ibid.*, Section 2056.002.

<sup>35</sup> *Ibid.*

<sup>36</sup> *Guide to Performance Measure Management* (2012), page 10.

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understood and the description of its calculation be detailed enough to allow replication.”<sup>37</sup> Among other information contained in a definition is an explanation of why the measure is important, outside factors that may affect measurement data, and the source of the information. In the DSHS example, the definition would establish what is meant by low-income family, which low-income families qualify for the program, and what types of immunizations are covered by the performance measure. The definition would also establish a method for counting the number of children who receive the immunizations. Forecasts are made on measures as a part of an agency’s strategic plan and LAR following the development of performance measures. DSHS, in our example, might project that it will immunize a total of 2,000 children from low-income families over the next two years.

Over the next two years, an agency collects data on its performance measures and reports this information quarterly to the LBB, GOBP, and other agencies. As part of the data collection process, an agency must establish controls to ensure the data is properly collected and reported. Among the duties of the SAO are auditing performance measures and certifying those measures. The audit report on performance measures includes a report on the adequacy of controls in reporting data and the accuracy of agency reporting on actual performance.

At the end of the two years in our example, DSHS would appear before the legislature to seek funding for the next biennium. Among the information available to the legislators would be the number of children from low-income families receiving free immunizations during the previous biennium. If DSHS failed to meet its performance measure targets and, for example, immunized only 1,500 children, the legislators would want to know why. In addition, the legislators might have a state auditor’s report that points out problems in the controls for reporting data; again the legislators may want to know what the problems are and whether those problems have been corrected. The answers to these questions could affect the level of funding received by the agency.

Strategic planning is an important part of fiscal planning in state agencies. In particular, as pointed out above, performance measures developed as a part of strategic planning can affect the amount an agency is appropriated by the legislature.

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<sup>37</sup> Ibid., page 14.

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# **Development of the Appropriations Bill**

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## Legislative Appropriations Requests

A Legislative Appropriations Request (LAR) is a document prepared by each state agency which details the amount of funding the agency is seeking from the legislature. Agencies receive assistance from the LBB in preparing agency LARs. In the spring months preceding a legislative session, the LBB and the governor's office develop and send out detailed instructions for LARs.<sup>38</sup> These instructions set forth a standard format and procedure for preparing LARs. Performance measures are included in these budget requests. The LBB staff uses these measures to establish performance targets for agencies. LARs must include the following:<sup>39</sup>

- *Summary of Baseline Request*—Summarizes the agency's expenditures and encumbrances for past years, budgeted amounts for the current fiscal year, and requested appropriations for the coming biennium;
- *Supplemental Information Regarding Exceptional Items*—Information about items that are not part of the agency's baseline budget request, but are exceptional in nature and warrant further discussion; and
- *Appropriation Rider and Unexpended Balances Schedule*—Details all appropriations through riders, including unexpended balances carried forward between bienniums.

In addition, LARs may include among other forms information relating to required budget reduction measures, appropriations tied to specific federal laws, and a statement from an official of the agency, generally the agency administrator or the governing board, explaining changes in policy or providing information about assumptions fundamental to the budget request.

Once an agency has completed its LAR, copies must be provided to the governor and the LBB. The instructions also specify that copies be provided to other agencies, such as the SAO, comptroller, and various libraries.

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<sup>38</sup> Section 401.042, Texas Government Code. The instructions for the 2018-2019 LARs are available online at: [http://www.lbb.state.tx.us/Reference\\_Documents.aspx](http://www.lbb.state.tx.us/Reference_Documents.aspx).

<sup>39</sup> See LAR instructions.

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## **Joint Budget Hearings**

In the fall before the beginning of a legislative session, the LBB and GOBP hold joint budget hearings. Staff members from both offices attend these hearings. Each agency attends its joint budget hearing to discuss the agency's LAR. This series of hearings usually goes on for several months and is arranged by the articles that appear in the general appropriations bill. For example, the joint committee will receive testimony from all agencies under Article V, Public Safety and Criminal Justice, during the same time period. At these hearings, the agencies have an opportunity to explain and justify their appropriation requests. During this time, the LBB, GOBP, and agencies discuss the performance targets that are set by the LBB, the amount of funding the agency should receive, and other aspects of the budget.

Following the joint budget hearings, the LBB develops the general appropriations bill draft. These hearings constitute an agency's last opportunity to influence the recommendations that will be made by the LBB in the general appropriations bill draft filed at the beginning of the regular legislative session.

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# **The Appropriations Bill and the Legislative Process**



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## Comptroller’s Biennial Revenue Estimate

The Texas Constitution prohibits the legislature from appropriating more than the anticipated revenue during the next biennium.<sup>40</sup> The same section of the constitution requires the comptroller to “submit to the Governor and to the Legislature upon its convening a statement under oath showing fully the financial condition of the State Treasury at the close of the last fiscal period and an estimate of the probable receipts and disbursements for the then current fiscal year. There shall also be in said statement an itemized estimate of the anticipated revenue . . . to be credited during the succeeding biennium. . . .”<sup>41</sup> This submitted statement is referred to as the *Biennial Revenue Estimate* (BRE).

The BRE contains not only the information required by the constitution, but also other fiscal information. For example, the BRE for the 85th Legislature includes:

- statements regarding the different revenue sources for the state and the anticipated amount of revenue from these sources;
- a statement on the economic outlook for Texas, which includes both historic information and a forecast; and
- an accounting of funds in the state treasury.<sup>42</sup>

Because the legislature cannot appropriate an amount greater than the anticipated revenue, this revenue estimate is critical in the budgeting process. This figure is used by legislators in making appropriations. The biennial revenue estimate can be adjusted by the comptroller during the session, so the initial estimate may be changed as the session progresses.

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<sup>40</sup> Section 49a, Article III, Texas Constitution.

<sup>41</sup> Ibid.

<sup>42</sup> *Biennial Revenue Estimate, 2018-2019 Biennium, 85th Texas Legislature*, Glenn Hegar, Texas Comptroller of Public Accounts (January 2017).

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## Filing of the General Appropriations Bill

The director of the LBB is required to prepare the general appropriations bill, under the direction of the LBB.<sup>43</sup> Additionally, within five days of the beginning of a regular legislative session, the director of the LBB must transmit a copy of the budget of estimated appropriations to the governor and the legislature.<sup>44</sup>

Among the restrictions affecting the amount appropriated by the general appropriations bill is a provision that prohibits the rate of growth of appropriations in a biennium from state tax revenues not dedicated by the constitution from exceeding the estimated rate of growth of the state's economy.<sup>45</sup> This provision results in the budget of estimated appropriations, commonly known as the constitutional spending limit. The budget of estimated appropriations is instituted by the LBB. The LBB establishes:

- the estimated rate of growth of the state's economy from the current biennium to the next biennium;
- the level of appropriations for the current biennium from state tax revenues not dedicated by the constitution; and
- the amount of state tax revenues not dedicated by the constitution that could be appropriated for the next biennium within the limit established by the estimated rate of growth of the state's economy.<sup>46</sup>

The LBB determines the estimated rate of growth “by dividing the estimated Texas total personal income for the next biennium by the estimated Texas total personal income for the current biennium. Using standard statistical methods, the LBB shall make the estimate by projecting through the biennium the estimated Texas total personal income reported by the United States Department of Commerce or its successor in function.”<sup>47</sup> The LBB may use a more comprehensive definition of the rate of growth if the definition is approved by a committee composed of the governor, lieutenant governor, speaker of the house, and comptroller.<sup>48</sup> To ensure compliance with Article VIII, Section 22, of the

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<sup>43</sup> Section 322.008, Texas Government Code.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid., Section 316.001.

<sup>46</sup> Ibid., Section 316.002.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

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Texas Constitution, the LBB is prohibited from transmitting in any form to the governor or the legislature the budget or the general appropriations bill until the limit on the rate of growth of appropriations has been adopted.<sup>49</sup> In the absence of an action by the LBB to adopt a spending limit, the estimated rate of growth in the state's economy from the current biennium to the next biennium is required to be treated as if it were zero, and the amount of state tax revenues not dedicated by the constitution that could be appropriated within the limit established by the estimated rate of growth in the state's economy is required to remain the same as the level of appropriations for the current biennium.<sup>50</sup> The committee must then adopt the rate of growth, the appropriations level, and the tax revenues as submitted by the LBB or as amended by the committee within 10 days.<sup>51</sup> If the committee fails to act, the items are treated as if they were adopted.

Once the constitutional spending limit has been established and the general appropriations bill has been prepared, the director of the LBB must transmit a copy of the general appropriations bill to the governor and the legislature by the seventh day of the legislative session.<sup>52</sup> The general appropriations bill is then filed in both the house of representatives and the senate.<sup>53</sup> The general appropriations bill may be introduced by any member of the legislature,<sup>54</sup> but is traditionally filed by the chair of the Senate Committee on Finance or the chair of the House Committee on Appropriations.

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<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid., Section 316.005.

<sup>52</sup> Ibid., Section 322.008.

<sup>53</sup> Ibid., Section 316.021.

<sup>54</sup> Ibid.

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## Filing of the Governor's Budget

The governor is required to prepare a biennial appropriations budget and provide a copy to each member of the legislature.<sup>55</sup> The budget must include:

- the list of appropriations for the current year preceding the biennium for which appropriations are sought and recommended;
- expenditures for each of the two full years preceding the current year; and
- the amounts requested by the various agencies and the amounts recommended by the governor for each of the years of the biennium.<sup>56</sup>

Other items are sometimes included in the governor's state budget. The governor's budget may set forth the policy goals of the governor. These policy goals sometimes influence the fiscal policy set by the legislature during the session.

The governor is also allowed to prepare a general appropriations bill which may be submitted to the lieutenant governor, the speaker of the house, and the members of the legislature.<sup>57</sup> The governor's budget may also serve as the governor's general appropriations bill.

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<sup>55</sup> Section 401.046, Texas Government Code.

<sup>56</sup> Ibid., Section 401.046.

<sup>57</sup> Ibid., Section 401.046.

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## Committee Hearing Process

After the general appropriations bill is filed, it is sent to committee. In the senate, the appropriations bill is sent to the Senate Committee on Finance, and in the house of representatives, the bill is sent to the House Committee on Appropriations.<sup>58</sup> The committees may begin hearings on the appropriations bill filed by the LBB without waiting for submission of the bill prepared by the governor.<sup>59</sup>

During these hearings, the committees in the respective houses hear testimony from state agencies regarding the agencies' requested appropriations.<sup>60</sup> Agency representatives answer questions from the legislators. Questions may arise about an agency's performance in relation to the agency's performance targets, problems within the agency, or programs for which the agency is seeking funding. Additionally, as with all legislative committee hearings, citizens are entitled to appear before the committees to offer testimony on proposed appropriations.<sup>61</sup>

After the agencies have testified before the respective committees, the committee in each house begins a process known as "markup." Agreements are reached on the funding for each agency and the wording of riders to be contained in the appropriations bill; the appropriations bill draft is then changed to reflect those agreements.

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<sup>58</sup> Section 316.022, Texas Government Code.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> Ibid.

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## **Committee Report**

After markup has been completed and each committee has made changes to the general appropriations bill, the committees issue an altered bill as their committee report. The house version and the senate version of the general appropriations bill go to each respective chamber for a vote. The members in each chamber may make additional changes to the bill during floor debate. Eventually, a general appropriations bill is passed by each house. However, since there are almost always differences between the senate-passed and the house-passed versions of the general appropriations bill, a conference committee must be convened to resolve the differences.

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## Conference Committee and Final Approval

Following passage by each house, the differences in the general appropriations bill, if the versions differ, are reconciled via an appointed conference committee. The lieutenant governor or the president pro tempore of the senate, when the latter is presiding, appoints the senate members of the committee. The senator sponsoring or authoring the bill must be appointed chair of the senate conferees; at least two of the conferees must be from the Senate Committee on Finance.<sup>62</sup> In the House of Representatives, the speaker of the house appoints all conference committee members and names the chair of the house conferees.<sup>63</sup> The senate and house rules limit the discussions and actions of the conference committee to the matters in disagreement between the two houses.<sup>64</sup>

Both the house and senate rules govern the conference committee on the general appropriations bill as follows:

- If an item of appropriation appears in both house and senate versions of the bill, such items must be included in the conference committee report;
- If an item of appropriation appears in both house and senate versions of the bill and in identical amounts, no change can be made in such item or the amount thereof;
- If an item of appropriation appears in both house and senate versions of the bill but in different amounts, no change can be made in the item, but the amount thereof shall be at the discretion of the conference committee, provided that such amount shall not exceed the larger version and shall not be less than the smaller version;
- If an item of appropriation appears in one version of the bill and not in the other, such item can be included or omitted at the discretion of the conference committee. If the item is included, the amount thereof shall not exceed the sum specified in the version containing the item;<sup>65</sup> and

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<sup>62</sup> Senate Rules, 84th Legislature, Rule 12.01.

<sup>63</sup> Rules of the House of Representatives, 84th Legislature, Rule 1, Section 16.

<sup>64</sup> Senate Rules, 84th Legislature, Rule 12.03, and Rules of the House of Representatives, 84th Legislature, Rule 13, Section 9(a).

<sup>65</sup> Senate Rules, 84th Legislature, Rule 12.04, and Rules of the House of Representatives, 84th Legislature, Rule 13, Section 9(b).



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- If an item of appropriation appears in neither the house nor the senate version of the bill, the item must not be included in the conference committee report. However, the conference committee report may include appropriations for purposes or programs authorized by bills that have been passed and sent to the governor and may include contingent appropriations for purposes or programs authorized by bills that have been passed by at least one house.

Using these rules, the conference committee works out a general appropriations bill acceptable to the members of the committee. After the members of the conference committee have adopted the conference committee report, the bill is sent back to each house for approval.

Each house must now vote on the bill as reported by the conference committee. When both houses approve the conference committee report without change, the bill goes to the comptroller for certification and, if certified, to the governor. When either house makes a change to the conference committee report, the bill must be returned to the conference committee to work out the differences.

If resubmission of the bill to the conference committee occurs, each chamber usually adopts a resolution stating that if the conference committee deviated in any manner from the rules regarding creation of the appropriations bill, the bill deviation is not fatal to the bill.

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## Certification by Comptroller

After the general appropriations bill has been approved by both houses of the legislature, it must be certified by the comptroller. The Texas Constitution states that “no bill containing an appropriation shall be considered as passed or be sent to the governor for consideration until and unless the Comptroller of Public Accounts endorses his certificate thereon showing that the amount appropriated is within the amount estimated to be available in the affected funds.”<sup>66</sup> If the general appropriations bill exceeds this limit, the comptroller returns the bill to the house in which it originated. The legislature must either reduce the level of appropriations or generate additional revenue, which is usually accomplished by passing a tax bill or other revenue measures. If the general appropriations bill is within the level of anticipated revenue, the comptroller certifies the bill and sends it to the governor for approval.

It should be noted that in the case of an emergency and “imperative public necessity” and by a four-fifths vote of each house, the legislature may make appropriations in excess of the anticipated revenue.<sup>67</sup>

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<sup>66</sup> Section 49a, Article III, Texas Constitution.

<sup>67</sup> Ibid.

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## **Governor's Approval**

After the general appropriations bill has been certified by the comptroller, it is submitted to the governor for approval. The governor has line-item veto power, which allows the governor to veto specific appropriations rather than vetoing the entire bill.<sup>68</sup> If the governor vetoes items in the appropriations bill, the veto may be overridden by a two-thirds vote in each house of the legislature if the legislature is still in session. Once the governor has signed the general appropriations bill, it becomes the General Appropriations Act.

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<sup>68</sup> Section 14, Article IV, Texas Constitution.

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# **Administration of the Budget**

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## Administration of the Budget

The General Appropriations Act takes effect on September 1 of each odd-numbered year following the regular legislative session. Funds are dispensed to agencies based on this two-year budget act.

When necessary, the governor and the LBB have joint authority to transfer funds among programs within an agency or even between agencies; this is known as budget execution.<sup>69</sup> This process involves a proposal by the governor or the LBB to prohibit or to authorize a state agency to spend money, transfer money from one state agency to another, spend money within an agency for a purpose different than the one for which the money was appropriated, or change the time an appropriation is made.<sup>70</sup> The LBB may hold a public hearing regarding a proposal by the governor and then may accept, reject, or recommend changes in the proposal.<sup>71</sup> If the proposal is made by the LBB, the governor may hold a public hearing and then accept, reject, or recommend changes to the proposal.<sup>72</sup> Neither the governor nor the LBB may postpone distribution of an appropriation for a period that exceeds 180 days; reduce or eliminate an appropriation for the salary of an elected state official or a member of a board or commission appointed by the governor; or reduce or eliminate an appropriation to the legislative branch.<sup>73</sup> The governor or LBB are also authorized to take certain actions regarding funds appropriated to finance the foundation school program for a fiscal year.<sup>74</sup>

During the two years of the budget cycle, state agencies report to the LBB regarding each agency's performance relative to performance targets. Some agencies will be audited by SAO.

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<sup>69</sup> Chapter 317, Texas Government Code.

<sup>70</sup> Ibid., Section 317.002.

<sup>71</sup> Ibid., Section 317.005.

<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

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# **State Revenue Sources**



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## State Revenue Sources

Texas gathers money from several revenue sources to pay for the vast number of services provided to its citizens. Among these revenue sources are taxes, fees, lottery receipts, interest income, and the federal government. During different parts of the budget cycle, amounts and estimates change as the budget players receive more information. *Figures 1* and *2* on page 49 depict the state's revenue sources for the 2016–2017 biennium.

Besides taxes, available general revenue funds come from ending balances carried forward from the previous biennium, federal receipts, and non-tax revenue such as interest, investment income, lottery proceeds, and licenses, fees, fines, and penalties.

It is important to note that property taxes in Texas are strictly local revenue sources. The largest portion of the local property tax is the portion imposed by school districts, which is used to build and maintain the state's public schools. The largest state budget item, or expenditure, is for education, which includes all public schools and institutions of higher education.

To complete your understanding of state finances, a discussion of the state's depository funds is necessary. While there are more than 500 funds and accounts in the state treasury, the General Revenue Fund and a few closely related special funds and accounts play key roles in state finance. Below are just a few examples of the major funds and accounts that make up the state's deposit balance.

The ***General Revenue Fund*** consists of non-dedicated general revenue and general revenue-dedicated accounts. The non-dedicated portion of the General Revenue Fund serves as the state's primary operating fund. Most state tax revenues, many state fees, and various other revenues are deposited as non-dedicated general revenue. Among the taxes deposited to non-dedicated general revenue are the receipts from the state sales tax, franchise tax, motor vehicle sales tax, alcohol and tobacco taxes, oil production tax, natural gas tax, and motor fuel tax. Expenditures may be made directly from non-dedicated general revenue, or, in some cases, revenue may be transferred from non-dedicated general revenue to special funds or accounts. The non-dedicated portion of the General Revenue Fund provides legislators the most discretion in spending.

There are more than 200 dedicated accounts maintained in the General Revenue Fund. These accounts receive revenue dedicated for a particular purpose.

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Generally, the legislature may appropriate revenue from the dedicated accounts only for purposes to which the revenue is dedicated by law.

The *Permanent School Fund* (PSF) is a perpetual endowment to support Texas' public schools. Its original wealth was in land and money, but virtually all of the principal assets are now in securities.

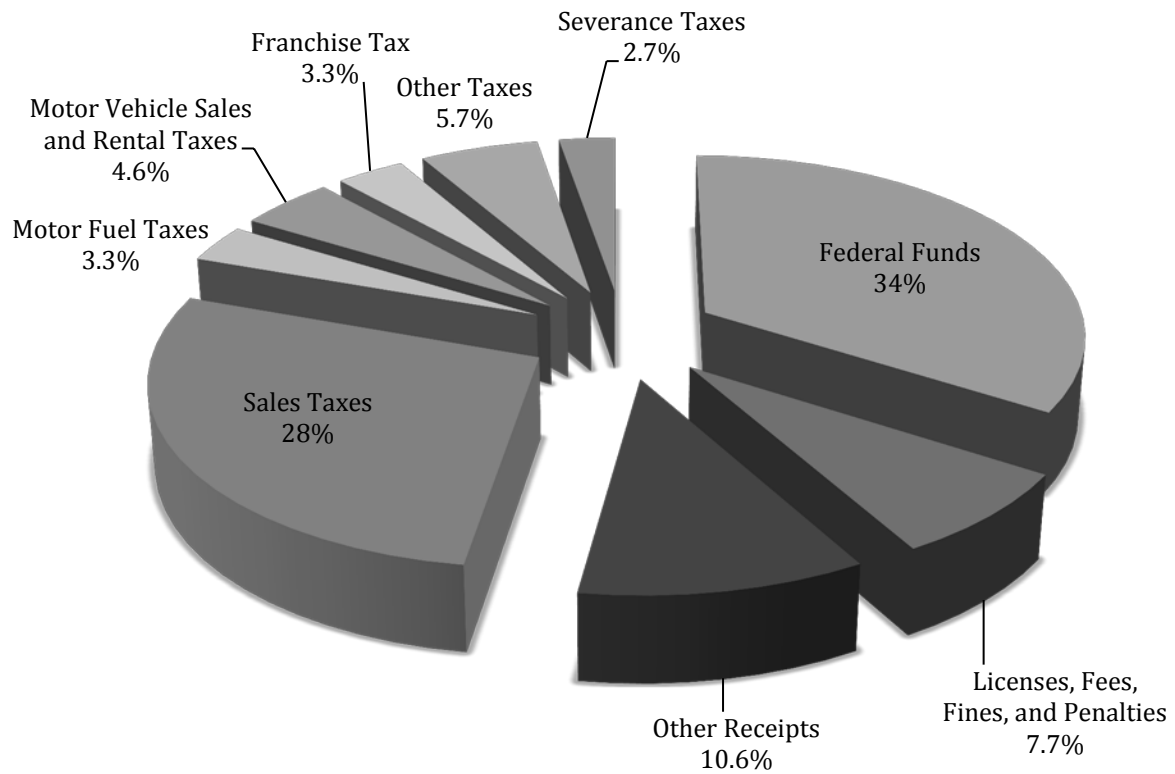
The *Available School Fund* (ASF) receives interest and dividend income from the Permanent School Fund and one-fourth of motor fuel taxes. A portion of the ASF revenue is transferred to the State Instructional Materials Fund and used to provide instructional materials to children attending public schools. After the instructional materials allocation, remaining revenue in the ASF is allocated to school districts.

One-fourth of occupation taxes, which include, among others, the oil production tax, the natural gas production tax, and the gas, water, and electric utility tax, are constitutionally dedicated to public education. The revenue from these taxes is initially deposited to the General Revenue Fund, and then transferred to the *Foundation School Account* (FSA). With the passage of H.B. 4, 75th Legislature, net lottery proceeds became statutorily dedicated to public education and are deposited to the Foundation School Account. Revenue from the account is distributed to school districts based on foundation school program formulas.

The major revenue sources deposited directly to the *State Highway Fund* include motor vehicle registration fees, federal highway funds, and the sales tax on motor lubricants. Motor fuel tax revenue is deposited to the General Revenue Fund and a portion is allocated to the State Highway Fund. With voter approval of Proposition 1 in November 2014 a portion of funds collected from natural gas and oil taxes will be diverted from the Economic Stabilization Fund to the State Highway Fund. Revenue in the State Highway Fund is used for highway construction and maintenance, acquisition of rights-of-way, and law enforcement on public roads.

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**FIGURE 1**  
**Estimated State Revenue Collections**  
**2016—2017**  
**Total: \$213,997.3 Million**



**FIGURE 2**  
**State Revenue Biennial Comparison, By Source**

IN MILLIONS SOURCE	REVENUE					PERCENTAGE CHANGE				PERCENTAGE OF TOTAL	
	2013	2014	2015	2016	2017	2014	2015	2016	2017	2013	2017
Tax collections	\$47,781.0	\$50,992.6	\$51,683.1	\$49,722.5	\$52,161.7	6.7%	1.4%	(3.8%)	4.9%	48.2%	49.2%
Federal receipts	\$32,530.3	\$34,266.0	\$36,701.0	\$37,751.6	\$35,047.1	5.3%	7.1%	2.9%	(7.2%)	32.8%	33.1%
Licenses, fees, fines, and penalties	\$7,919.6	\$8,497.1	\$9,649.6	\$9,477.0	\$7,102.4	7.3%	13.6%	(1.8%)	(25.1%)	8.0%	6.7%
Interest and investment income	\$1,182.9	\$1,463.1	\$1,393.6	\$1,339.9	\$1,445.0	23.7%	(4.8%)	(3.9%)	7.8%	1.2%	1.4%
Lottery	\$1,893.3	\$1,878.1	\$1,893.5	\$1,896.3	\$1,899.9	(0.8%)	0.8%	0.1%	0.2%	1.9%	1.8%
Land income	\$1,325.7	\$1,863.3	\$1,547.8	\$977.9	\$1,055.9	40.6%	(16.9%)	(36.8%)	8.0%	1.3%	1.0%
Other revenue sources	\$6,403.5	\$5,982.1	\$6,559.7	\$6,888.2	\$7,232.2	(6.6%)	9.7%	5.0%	5.0%	6.5%	6.8%
<b>TOTAL, NET REVENUE</b>	<b>\$99,036.4</b>	<b>\$104,942.3</b>	<b>\$109,428.3</b>	<b>\$108,053.3</b>	<b>\$105,944.1</b>	<b>6.0%</b>	<b>4.3%</b>	<b>(1.3%)</b>	<b>(2.0%)</b>	<b>100.0%</b>	<b>100.0%</b>
Sales tax	\$25,943.8	\$27,385.7	\$28,910.9	\$29,258.7	\$30,663.5	5.6%	5.6%	1.2%	4.8%	54.3%	58.8%
Oil production taxes	\$2,990.9	\$3,874.1	\$2,879.1	\$1,844.9	\$2,062.1	29.5%	(25.7%)	(35.9%)	11.8%	6.3%	4.0%
Natural gas production tax	\$1,495.2	\$1,899.6	\$1,280.4	\$871.4	\$1,044.0	27.0%	(32.6%)	(31.9%)	19.8%	3.1%	2.0%
Motor fuel taxes	\$3,221.5	\$3,316.0	\$3,446.2	\$3,499.0	\$3,556.9	2.9%	3.9%	1.5%	1.7%	6.7%	6.8%
Motor vehicle sales and rental taxes	\$3,878.4	\$4,210.0	\$4,514.2	\$4,775.4	\$5,078.8	8.5%	7.2%	5.8%	6.4%	8.1%	9.7%
Franchise tax	\$4,798.7	\$4,732.3	\$4,656.3	\$3,528.5	\$3,547.8	(1.4%)	(1.6%)	(24.2%)	0.5%	10.0%	6.8%
Cigarette and tobacco taxes	\$1,598.1	\$1,342.5	\$1,532.4	\$1,360.9	\$1,470.8	(16.0%)	14.2%	(11.2%)	8.1%	3.3%	2.8%
Alcoholic beverage taxes	\$976.9	\$1,053.2	\$1,138.8	\$1,186.7	\$1,249.4	7.8%	8.1%	4.2%	5.3%	2.0%	2.4%
Insurance occupation taxes	\$1,764.2	\$1,947.9	\$2,049.4	\$2,185.6	\$2,238.3	10.4%	5.2%	6.6%	2.4%	3.7%	4.3%
Utility taxes	\$434.9	\$478.2	\$480.8	\$483.8	\$486.9	10.0%	0.5%	0.6%	0.6%	0.9%	0.9%
Inheritance tax	(\$10.3)	\$12.0	(\$3.8)	\$0.0	\$0.0	(100.1%)	(33,166.9%)	(100.0%)	0.0%	0.0%	0.0%
Hotel occupancy tax	\$441.1	\$485.4	\$525.8	\$550.3	\$582.7	10.0%	8.3%	4.7%	5.9%	0.9%	1.1%
Other taxes	\$247.7	\$267.9	\$272.7	\$177.5	\$180.5	8.1%	1.8%	(34.9%)	1.7%	0.5%	0.3%
<b>TOTAL, TAX COLLECTIONS</b>	<b>\$47,781.0</b>	<b>\$50,992.6</b>	<b>\$51,683.1</b>	<b>\$49,722.5</b>	<b>\$52,161.7</b>	<b>6.7%</b>	<b>1.4%</b>	<b>(3.8%)</b>	<b>4.9%</b>	<b>100.0%</b>	<b>100.0%</b>

SOURCE: Comptroller of Public Accounts (CPA). 2016–17 totals are estimates from the CPA's October 13th, 2015, Certification Revenue Estimate.

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# **Looking at the 2016–2017 Budget**

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## Looking at the Budget

Most official budget documents, unofficial analyses, or summaries will look at the budget in two ways: All Funds and General Revenue Funds. The General Revenue Funds budget is critically relevant because it is the portion of the budget over which legislators have the most control; the General Revenue Funds budget includes the non-dedicated portion of the General Revenue Fund and the Permanent School Fund, Available School Fund, and Foundation School Account. Put another way, funds other than these general revenue funds offer legislators less discretion over the appropriations process because they are “tied up” in one of three ways: dedicated for specific use by statute or the Texas Constitution; passed through to the state by the federal government with restrictions on spending; or subject to a court order on how the money can be spent.

Texas has four constitutional limits on spending: a “pay-as-you-go,” or balanced budget, limit;<sup>75</sup> a limit on welfare spending;<sup>76</sup> a limit on the rate of growth of appropriations from certain state taxes;<sup>77</sup> and a limit on debt service.<sup>78</sup>

Although amounts appropriated by the legislature are considered law as a practical matter, actual spending will almost always differ to varying degrees from those appropriated amounts.

Accordingly, as time passes, budgets are labeled as recommended, appropriated, estimated, or expended, or a combination thereof.

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<sup>75</sup> Section 49a, Article III, Texas Constitution.

<sup>76</sup> *Ibid.*, Section 51a.

<sup>77</sup> *Ibid.*, Section 22, Article VIII.

<sup>78</sup> *Ibid.*, Section 49j.



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## The Current Budget: An Example

### General Appropriations Act – H.B. 1, 84th Legislature

The current budget, or the *2016–2017 General Appropriations Act*, was filed by Representative John Otto, chairman of the House Committee on Appropriations, and sponsored by Senator Jane Nelson, chairwoman of the Senate Committee on Finance. The Act was finally passed by the legislature on May 30, 2015, certified by the comptroller, signed by the governor on June 20, 2015, and became effective on September 1, 2015, the first day of fiscal year 2016.

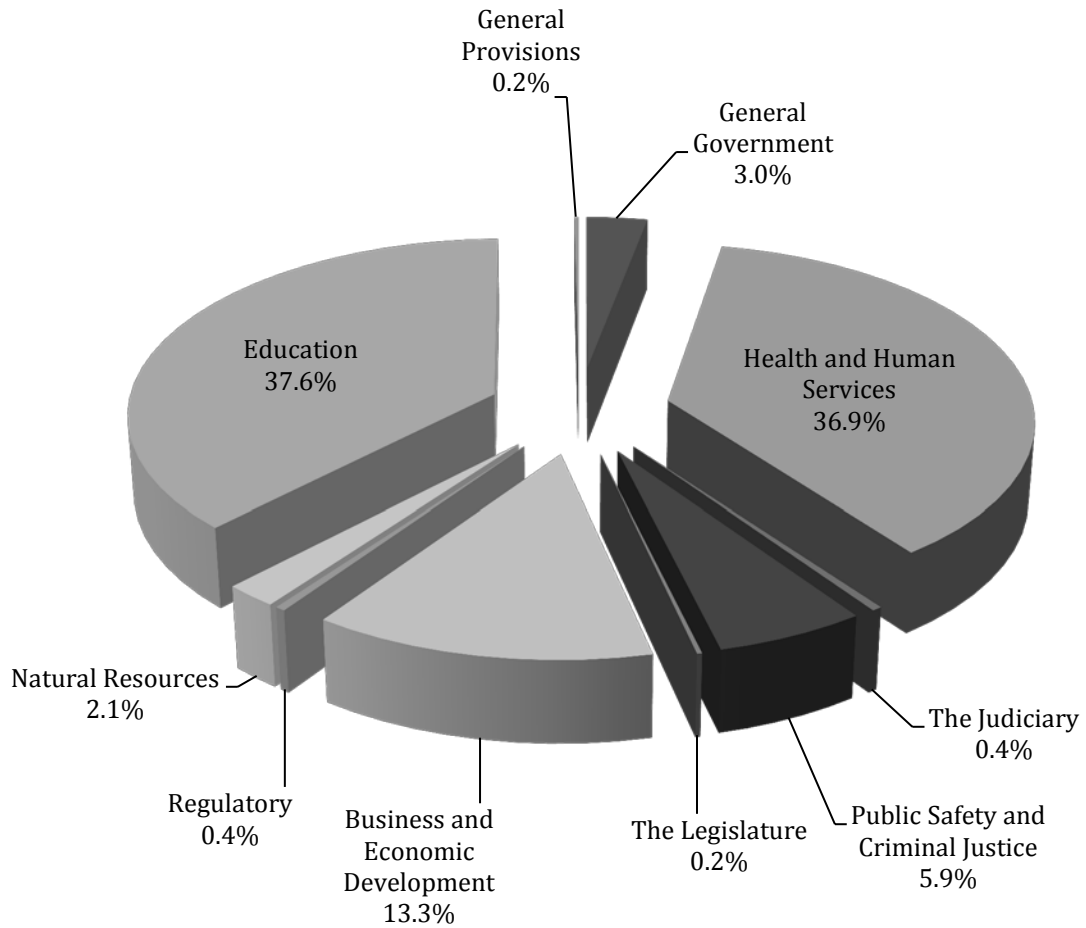
The final recommended appropriations for the 2016–2017 biennium total \$209.1 billion in “All Funds”—a \$5.8 billion, or 2.9 percent, increase in state funding from the previous biennial level. (See *Figures 3 and 4* on page 55.) The All Funds budget includes General Revenue Funds, General Revenue-Dedicated Funds, Federal Funds, and Other Funds (see the *Glossary of Terms* for definitions).

The General Revenue Funds budget, including General Revenue and General Revenue-Dedicated Funds, totals \$106,008 million for the 2016–2017 biennium. Agencies of education received the largest share of combined General Revenue and General Revenue-Dedicated Funds, equal to \$56,001.6 million for the 2016–2017 biennium. (See *Figures 5 and 6* on page 56 and *Figures 7 and 8* on page 57.)

Source: *Fiscal Size-up 2016-2017 Biennium*, LBB.

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**FIGURE 3**  
**All Funds Budget**  
**2016–2017: \$209,103.0 Million**  
**Percentage of Budget by Function**



***FIGURE 4***  
**Comparison of All Funds - Statewide Summary**

ALL FUNCTIONS	EXPENDED/BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$5,321.5	\$6,252.6	\$931.1	17.5%
Article II – Health and Human Services	\$74,751.5	\$77,199.8	\$2,448.3	3.3%
Article III – Agencies of Education	\$74,724.5	\$78,570.1	\$3,845.7	5.1%
<i>Public Education</i>	\$56,171.9	\$58,556.2	\$2,384.3	4.2%
<i>Higher Education</i>	\$18,552.6	\$20,013.9	\$1,461.3	7.9%
Article IV – The Judiciary	\$764.5	\$807.8	\$43.3	5.7%
Article V – Public Safety and Criminal Justice	\$11,869.0	\$12,432.6	\$563.7	4.7%
Article VI – Natural Resources	\$6,933.5	\$4,367.5	(\$2,566.0)	(37.0%)
Article VII – Business and Economic Development	\$27,429.5	\$27,762.2	\$332.6	1.2%
Article VIII – Regulatory	\$1,132.6	\$934.2	(\$198.3)	(17.5%)
Article IX – General Provisions	\$0.0	\$390.2	\$390.2	N/A
Article X – The Legislature	\$374.0	\$386.1	\$12.0	3.2%
<b>Total, All Articles</b>	<b>\$203,300.5</b>	<b>\$209,103.0</b>	<b>\$5,802.5</b>	<b>2.9%</b>
<b>Amount of Tax Relief</b>			<b>(\$1,200.0)</b>	
<b>Growth Excluding Tax Relief</b>			<b>\$4,602.5</b>	<b>2.3%</b>

Notes:

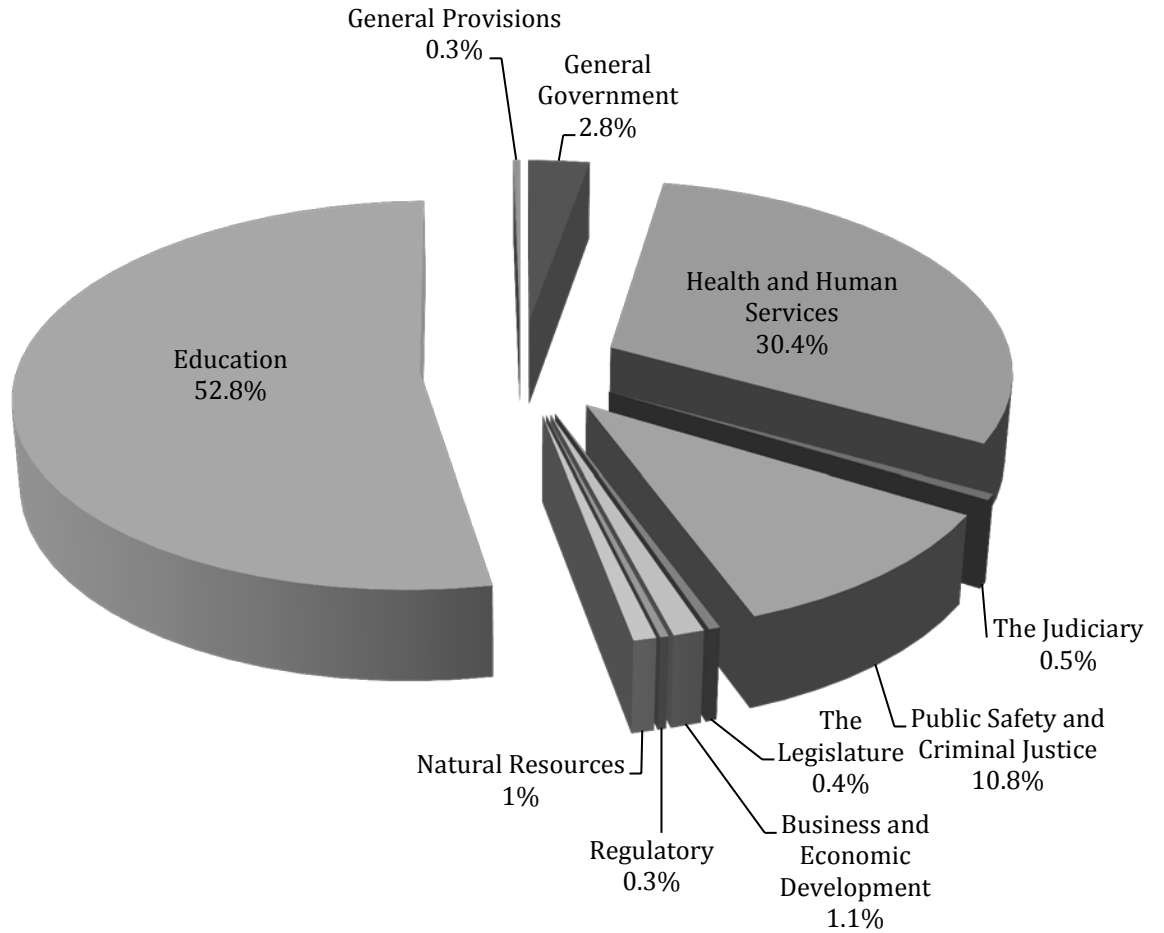
1 Reflects provisions and/or appropriations in H.B. 2, 84th Legislature, 2015; H.B. 9, 84th Legislature, 2015; H.B. 11, 84th Legislature, 2015; H.B. 26, 84th Legislature, 2015; H.B. 100, 84th Legislature, 2015; S.B. 18, 84th Legislature, 2015; S.B. 632, 84th Legislature, 2015; S.B. 1366, 84th Legislature, 2015; S.J.R. 1, 84th Legislature, 2015; other legislation passed during the 84th Legislature; technical and/or reconciling adjustments; and the Governor's vetoes.

2 Article totals exclude interagency contracts. Totals may not sum due to rounding.

Source: Legislative Budget Board.

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***FIGURE 5***  
**General Revenue Funds Budget**  
**2016–2017: \$106,007.5 Million**  
**Percentage of Budget By Function**



***FIGURE 6***  
**Comparison of General Revenue Funds Statewide Summary**

ALL FUNCTIONS	EXPENDED/BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$2,834.3	\$2,918.8	\$84.5	3.0%
Article II – Health and Human Services	\$29,751.2	\$32,201.0	\$2,449.8	8.2%
Article III – Agencies of Education	\$51,457.3	\$56,001.6	\$4,544.3	8.8%
<i>Public Education</i>	\$38,189.8	\$41,323.0	\$3,133.3	8.2%
<i>Higher Education</i>	\$13,267.5	\$14,678.5	\$1,411.1	10.6%
Article IV – The Judiciary	\$447.3	\$481.6	\$34.3	7.7%
Article V – Public Safety and Criminal Justice	\$9,292.0	\$11,409.0	\$2,117.0	22.8%
Article VI – Natural Resources	\$717.3	\$832.1	\$114.8	16.0%
Article VII – Business and Economic Development	\$914.9	\$1,168.4	\$253.5	27.7%
Article VIII – Regulatory	\$284.5	\$332.9	\$48.4	17.0%
Article IX – General Provisions	\$0.0	\$276.2	\$276.2	N/A
Article X – The Legislature	\$373.9	\$385.9	\$12.0	3.2%
<b>Total, All Articles</b>	<b>\$96,072.6</b>	<b>\$106,007.5</b>	<b>\$9,934.9</b>	<b>10.3%</b>
<b>Amount of Tax Relief</b>			<b>(\$3,800.0)</b>	
<b>Growth Excluding Tax Relief</b>			<b>\$6,134.9</b>	<b>6.4%</b>

Notes:

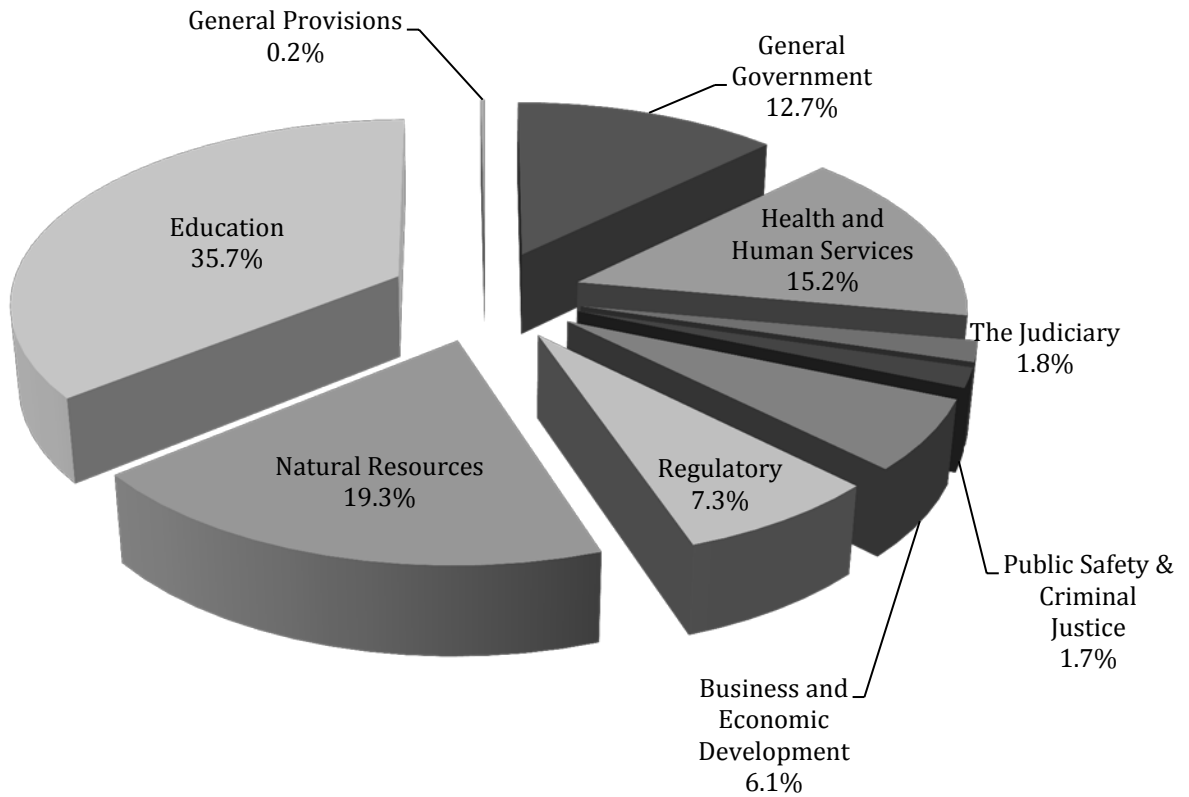
1 Reflects provisions and/or appropriations in H.B. 2, 84th Legislature, 2015; H.B. 9, 84th Legislature, 2015; H.B. 11, 84th Legislature, 2015; H.B. 26, 84th Legislature, 2015; H.B. 100, 84th Legislature, 2015; S.B. 18, 84th Legislature, 2015; S.B. 632, 84th Legislature, 2015; S.B. 1366, 84th Legislature, 2015; S.J.R. 1, 84th Legislature, 2015; other legislation passed during the 84th Legislature; technical and/or reconciling adjustments; and the Governor's vetoes.

2 Article totals exclude interagency contracts. Totals may not sum due to rounding.

Source: Legislative Budget Board.

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***FIGURE 7***  
**General Revenue-Dedicated Funds Budget**  
**2016-2017: \$7,808.4 Million**  
**Percentage of Budget By Function**



**FIGURE 8**  
**Comparison of General Revenue-Dedicated Funds**  
**Statewide Summary**

ALL FUNCTIONS	EXPENDED/BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$865.7	\$990.2	\$124.5	14.4%
Article II – Health and Human Services	\$1,191.5	\$1,183.9	(\$7.6)	(0.6%)
Article III – Agencies of Education	\$2,676.1	\$2,788.7	\$112.6	4.2%
<i>Public Education</i>	\$0.1	\$0.0	(\$0.1)	(100.0%)
<i>Higher Education</i>	\$2,676.1	\$2,788.7	\$112.6	4.2%
Article IV – The Judiciary	\$133.5	\$142.3	\$8.9	6.6%
Article V – Public Safety and Criminal Justice	\$56.5	\$129.7	\$73.2	129.4%
Article VI – Natural Resources	\$1,210.1	\$1,505.7	\$295.6	24.4%
Article VII – Business and Economic Development	\$463.4	\$479.8	\$16.4	3.5%
Article VIII – Regulatory	\$789.2	\$569.3	(\$219.9)	(27.9%)
Article IX – General Provisions	\$0.0	\$18.8	\$18.8	N/A
Article X – The Legislature	\$0.0	\$0.0	\$0.0	N/A
<b>Total, All Articles</b>	<b>\$7,386.0</b>	<b>\$7,808.4</b>	<b>\$422.5</b>	<b>5.7%</b>

Notes:

1 Reflects provisions and/or appropriations in H.B. 2, 84th Legislature, 2015; H.B. 9, 84th Legislature, 2015; H.B. 11, 84th Legislature, 2015; H.B. 26, 84th Legislature, 2015; H.B. 100, 84th Legislature, 2015; S.B. 18, 84th Legislature, 2015; S.B. 632, 84th Legislature, 2015; S.B. 1366, 84th Legislature, 2015; S.J.R. 1, 84th Legislature, 2015; other legislation passed during the 84th Legislature; technical and/or reconciling adjustments; and the Governor's vetoes.

2 Article totals exclude interagency contracts. Totals may not sum due to rounding.

Source: Legislative Budget Board.

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# Glossary of Terms

Some of the terms defined in this glossary are not mentioned in the text of *Budget 101: A Guide to the Budget Process in Texas*. These terms are included because they are terms that may be useful in studying or working on the budget.



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## Glossary of Terms

**act:** A bill passed by the legislature, approved by the governor, and recorded with the secretary of state. The governor has the discretion to allow a bill to become law without the governor's signature.

**agency:** A statutorily or constitutionally established entity authorized to act on behalf of and as an agent of the state and usually funded by the General Appropriations Act.

**agency goals:** The general ends toward which agencies direct their efforts. A goal addresses issues by stating policy intention. Goals are both qualitative and quantitative, but specific goals are not quantified.

**agency mission:** The reason for an agency's existence. An agency's mission succinctly identifies what the agency does, why, and for whom.

**all funds budget:** The "all funds" budget includes General Revenue Funds, General Revenue-Dedicated Funds, Federal Funds, and Other Funds.

**appropriated:** Refers to the dollars or associated full-time equivalent positions authorized for specific fiscal years, and to the provisions for spending authority.

**appropriated receipts:** Fees and other revenue collected for services performed by a state agency which are usually appropriated to the agency to help recover the agency's costs for performing the services.

**article:** A major division of a bill or statute. Used in the general appropriations bill to group agencies with similar functions.

**Available School Fund:** A constitutionally created fund consisting of the distributions made to it from the total return on all investment assets of the Permanent School Fund, the taxes authorized by the Texas Constitution or general law to be part of the Available School Fund (ASF), and appropriations made to the ASF by the legislature. A portion of the ASF is transferred to the State Instructional Materials Fund to provide instructional materials for children attending the public schools and the balance of the ASF is allocated to school districts. See also *Permanent School Fund*.

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**base of reference budget:** A budgetary forecast sometimes produced by the Legislative Budget Board which projects the budgetary needs of Texas state government for succeeding fiscal years based on current law.

**base period:** The fiscal year, biennium, or other period that is the basis for budget or performance projections.

**biannual:** Occurring twice a year.

**biennial:** Occurring every two years.

**biennial revenue estimate (BRE):** Article III, Section 49a, of the Texas Constitution requires the Comptroller of Public Accounts of the State of Texas to submit to the governor and legislature upon its convening a statement showing the financial condition of the state treasury at the close of the last fiscal period and an estimate of the probable receipts and disbursements for the current fiscal year, as well as an itemized estimate of the anticipated revenue to be credited during the succeeding biennium.

**biennium:** A two-year period. In Texas, as used in fiscal terms, it is the two-year period beginning on September 1, and ending on August 31 of odd-numbered years, for which general state appropriations are made. A biennium is identified by the two fiscal years of which it consists, e.g., 2016–2017 biennium.

**bill:** A proposed new law, or amendment to existing law, that is introduced for legislative consideration. A bill which is enrolled by the legislature and approved by the governor becomes a law.

**briefing document:** A document occasionally produced prior to the beginning of a legislative session that provides legislators with an overview of functional areas and the major agencies within each function. Included are current funding and performance data, the impact of major legislative changes, significant appropriations request items, interstate comparisons, and selected issues by function.

**budget document (Legislative Budget Estimates):** A biennial document prepared by the Legislative Budget Board staff that contains agency funding and performance data for previous years, budgeted data for the current year, agency requested data for the next biennium, and Legislative Budget Board appropriation

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recommendations for state agencies and institutions. The document is introduced into the legislature at the beginning of each regular session.

**budget execution:** Authority granted the governor and the Legislative Budget Board to make transfers of appropriations between agencies and items within the adopted budget.

**budgeted:** Refers to the planned level of expenditures, performance, or number of full-time equivalent positions for a particular fiscal year.

**capital budget:** The portion of an agency's appropriation that is restricted to expenditures for designated capital construction projects or capital acquisitions.

**capital improvements:** Building or infrastructure projects that will be owned by the state and built with direct appropriations or with the proceeds of state-issued bonds.

**certification estimate:** Document certifying that the amount appropriated in the General Appropriations Act is less than or equal to the amount estimated to be available. This document is produced by the Comptroller of Public Accounts of the State of Texas to help fulfill the requirement in the Texas Constitution that the state not spend more money than it has.

**classification plan:** Schedule of position titles, job descriptions, and pay levels that all state agencies, with the exception of higher education and legislative agencies, must use in establishing and filling non-exempt full-time equivalent positions.

**classified positions:** Those positions identified in the general provisions of the General Appropriations Act, that are established in accordance with the State Classification Act of 1961.

**constitutional limit:** Any of four constitutional provisions that restrict amounts that the legislature may appropriate for expenditure. Texas has four constitutional limits on spending: a "pay-as-you-go," or balanced budget, limit; a limit on welfare spending; a limit on the rate of growth of appropriations from certain state taxes; and a limit on debt service.

**contingency appropriations:** Appropriations contingent upon passage of legislation or upon certain conditions being met.

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**current services:** An estimate of the anticipated costs and funding necessary to continue programs at their present service levels without changes of policy or legal requirements.

**dedicated funds:** Funds in the General Revenue Fund that hold revenue dedicated for a particular purpose. Funds can be dedicated constitutionally or statutorily.

**discretionary revenue:** Revenue not dedicated for specific purposes. Revenue falling into this category is usually deposited in the General Revenue Fund.

**efficiency:** A criterion used to measure a program's inputs relative to its outputs. An efficient program is one which uses the minimum possible resources while achieving its intended outcomes.

**efficiency measure:** One of four types of key performance measures used in strategic planning. An efficiency measure gauges resource cost in dollars, employee time, or equipment used per unit of product or service output. An efficiency measure relates agency efforts to agency outputs.

**elements of cost:** Categories of appropriation and expenditure used for certain institutions of higher education.

**engrossed:** A bill is engrossed when it has been passed by the chamber of the legislature in which it was originally filed.

**enrolled:** A bill is enrolled when it has been passed by both houses of the legislature. After enrollment, a bill is sent to the governor for signature or veto.

**estimated (est.):** In an agency's Legislative Appropriations Request, this refers to the estimated expenditures or number of full-time equivalent positions for the first fiscal year in the current biennium. Because these numbers are developed later in the fiscal year, they are considered to be more accurate than "budgeted" numbers.

**exempt position (non-classified):** A position which is exempted from the position classification plan. Usually listed in the General Appropriations Act (see Schedule of Exempt Positions), exempt positions are designated by the governor under authority of the State Classification Act of 1961. Article IX of the General Appropriations Act establishes conditions for exempt positions.

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**expended (exp.):** Refers to the actual dollars or positions utilized by an agency or institution during a completed fiscal year; a goal or strategy; an object of expense; or an amount from a particular method of finance.

**explanatory/input measures:** One of four types of key performance measures used in strategic planning. An explanatory/input measure provides information to help users assess the significance of performance reported in other types of measures. An agency may have limited or no control over factors addressed by explanatory/input measures, such as environmental or demographic characteristics related to agency target populations. However, explanatory/input measures may also focus on variables over which an agency has significant control, such as staffing patterns for specific functions.

**federal funds:** Funds received from the United States government by state agencies and institutions that are appropriated to those agencies for the purposes for which the federal grant, allocation, payment, or reimbursement was made.

**fiscal note:** Accompanies a bill and provides a synopsis of the estimated financial impact, including cost, revenue, and staffing impacts, enacting the bill will have. Required for every bill by senate rules; in the house, a fiscal note is required on the determination of the chair of the committee hearing a bill that the bill has fiscal implications.

***Fiscal Size-up:*** A biennial document prepared by Legislative Budget Board staff that describes state agency operations and summarizes the appropriations made during the preceding legislative session.

**fiscal year (FY):** September 1 through August 31, and specified by the calendar year in which the fiscal year ends, e.g., fiscal year 2017 runs from September 2016 through August 2017.

**full-time equivalents (FTEs):** Units of measure that represent the monthly average number of state personnel working 40 hours a week.

**function:** A grouping of state agencies that provide related services; forms the basis of articles in the General Appropriations Act, e.g., General Government, Health and Human Services, and Education.

**fund:** A constitutionally or statutorily authorized repository of revenue that is used for financing appropriations and which consists of either: (1) an independent

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fiscal entity with a self-balancing set of accounts, e.g., State Highway Fund; or (2) a category of revenues or receipts, e.g., federal funds.

**General Appropriations Act:** The law that appropriates biennial funding to state agencies for specific fiscal years and sets provisions for spending authority.

**general appropriations bill:** The appropriations legislation as it moves through the legislative process and before it is passed and signed into law.

**General Revenue Fund:** The fund (No. 001) that receives state tax revenues and fees considered available for general spending purposes and certified as such by the comptroller of public accounts.

**general revenue–dedicated:** Accounts that can be counted as general revenue but must be used for the purposes identified in general law to the extent such money is appropriated in the General Appropriations Act.

**general revenue–related funds:** General revenue funds that are not considered dedicated funds, including the General Revenue Fund, the Available School Fund, the Foundation School Fund, and the State Instructional Material Fund. Also referred to as “funds affecting certification.”

**House Appropriations Committee:** The house committee with jurisdiction over all appropriations, allocations, and diversions of money from the state treasury.

**historically underutilized business (HUB):** A business in which at least 51 percent of ownership is by one or more persons who: (1) are socially disadvantaged because of their identification as African Americans, Hispanic Americans, women, Asian Pacific Americans, or Native Americans, and have suffered the effects of discriminatory practices; and (2) have a proportionate interest and participation in the control, operation, and management of the business.

**inputs:** The resources that an agency uses to produce services, including human, financial, facility, or material resources.

**issue docket:** A document prepared for the Conference Committee on Appropriations identifying the differences in line-item amounts and rider language between the house and senate versions of the general appropriations bill.

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**key performance measure:** A measure that indicates the extent to which an agency is achieving its goals or objectives and that is identified in the General Appropriations Act along with targeted performance objectives for each year of the biennium. These can be outcome, output, efficiency, or input/explanatory measures.

**Legislative Appropriations Request (LAR):** A formal request for funding made by each state agency and institution. This request is in accordance with instructions developed by the Legislative Budget Board and Governor's Office of Budget and Policy. The agency request is prepared according to the approved strategic planning and budget structure for that agency.

**Legislative Budget Board (LBB):** A legislative agency consisting of the lieutenant governor, speaker of the house, and eight members of the legislature who have specific charges to direct the expenditure and appropriation of state funds. Also refers to the staff members of the Legislative Budget Board.

**line item:** An element of spending authority granted to an agency or institution in an appropriations bill. Literally, a line in the General Appropriations Act specifying an agency's appropriations for a specific designated use. In Texas, the governor may veto a line item.

**line-item veto:** The governor's authority to veto spending on a line-item basis. Allows the governor to veto spending for a particular item without eliminating total agency funding.

**markup:** The term used to describe the period of time during which the Senate Finance Committee or the House Appropriations Committee makes changes to the general appropriations bill.

**master list of classifications:** A detailed listing of all authorized classified position titles which appears in the general provisions of the General Appropriations Act, including job class numbers, titles, and salary groups.

**measure:** An indicator of agency efforts and accomplishments. Measures indicate agency accomplishments already achieved, planned, or required by legislative directive.

**method of finance:** The term usually appears as a heading for a table that lists the sources and amounts authorized for financing certain expenditures or



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appropriations made in the General Appropriations Act. A source is either a “fund” or “account” established by the comptroller, or a category of revenues or receipts (e.g., federal funds).

**mission:** An element of an agency’s strategic plan that describes the reason for the agency’s existence.

**non-budgetary elements:** Strategic planning goals, objectives, or strategies created to convey an agency activity or service which is not separately and directly costed or funded. Non-budgetary elements are not included as a distinct and separate item in the agency’s appropriations request and may have measures which remain internal to the agency and are not reported on a routine basis to oversight entities.

**number of positions:** The total number of positions shown for a strategy, goal, or agency includes full-time exempt positions, full-time classified positions, and full-time hourly and seasonal positions. In addition, it includes those positions which are not full-time regular positions, but are converted to full-time equivalents.

**object of expense:** An expense category used in an agency’s Legislative Appropriations Request covering payments for a period of time or class of items. For example, “personnel” covers payments for the services of agency employees, i.e. salaries and benefits.

**objectives:** Clear targets for specific actions. Objectives mark interim steps toward achieving an agency’s long-range mission and goals. Linked directly to agency goals, objectives are measurable, time-based statements of intent.

**other funds:** Any funds not included in the other methods of finance (general revenue funds, general revenue-dedicated funds, and federal funds). “Other funds” include the State Highway Fund, trust funds, bond proceeds, interagency contracts, certain revenue held in higher education “local” accounts and constitutional funds (except the *Available School Fund*).

**outcome measures:** One of four types of key performance measures used in strategic planning. An outcome measure indicates the actual effect upon a stated condition or problem. These measures are tools to assess the effectiveness of an agency’s performance and the public benefit derived.

**outcomes:** Outcomes are quantified results or impacts of government actions.

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**output measures:** One of four types of key performance measures used in strategic planning. An output measure is a tool or indicator used to count the services and accomplishments produced by an agency. The number of people receiving a service or the number of services delivered is often used as measures of output.

**performance measure:** See “measure.”

**Performance Report:** A biennial document prepared by the Legislative Budget Board that compiles selected performance evaluations. The document is submitted to the legislature at the start of each regular session.

**performance target:** Quantitative performance standards set by the legislature in the General Appropriations Act.

**Permanent School Fund (PSF):** The PSF was created in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of those lands should also constitute the PSF. Additional Acts later gave more public domain land and rights to the PSF. All of the proceeds from the sale or rental of those lands, including lease rentals, bonuses, and royalty payments, become the corpus of the PSF. Currently, most of the principal assets of the PSF are in securities. See also Available School Fund.

**priority (statewide) goal:** The general ends toward which the state directs its efforts. Priority goals address the primary issues facing the state within broad groupings of interrelated state concerns. Priority goals are founded on the statewide vision prepared by the governor and the Legislative Budget Board and may involve coordination among several agencies with similar functions.

**quarterly/annual report on performance (performance measures report):** Quarterly and annual reports submitted by state agencies showing planned and actual performance in terms of outcome and explanatory measures (reported annually) and output and efficiency measures (reported quarterly).

**recapitulation (recap):** A concise statement appearing at the beginning of the General Appropriations Act and at the end of General Appropriations Act articles and Legislative Budget Estimates that summarizes the appropriations for all

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agencies for the biennium by general revenue, general revenue–dedicated, federal funds, other funds, and all funds.

**recommended (rec.):** Refers to the dollar amounts of state agency appropriations or number of positions recommended by LBB staff for the subsequent biennium.

**reclassification:** A change in the salary group pertaining to a particular classified position.

**requested (req.):** Refers to the dollars or positions sought by an agency for appropriation by the legislature for use during the subsequent biennium.

**resolution:** Legislation that is used for matters of business within one house or between the two houses. For instance, rules are adopted and modified by resolutions.

**rider:** A legislative directive or appropriation inserted in the General Appropriations Act following appropriation line items for an agency or in the special or general provisions of the act. A rider provides direction, expansion, restriction, legislative intent, or an appropriation. The term also applies to special provisions at the end of each article and general provisions in the General Appropriations Act. A rider appropriation is distinguished from a regular appropriation (i.e., line items in the General Appropriations Act), and a special appropriation (i.e., legislation other than the General Appropriations Act).

**salary group:** Each classified position has a related salary level. Salary groups range from Group 02 through Group 21. Each grouping designates a salary range further divided into Step 1 through Step 8.

**schedule of exempt positions:** Schedule of personnel employed on a regular basis who are exempted from the position classification plan by the General Appropriations Act or by the governor.

**Senate Finance Committee:** The senate committee that deals with legislation affecting appropriations, revenues, and matters of state financial activity.

**special funds:** Non-general revenue funds that have retained their revenue dedication and are exempt from funds consolidation.

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**statute:** A law enacted by the legislature. Statutes are generally placed in codes with other legislation on the same subject.

**strategic plan:** A formal document that communicates an agency's mission, goals, objectives, strategies, and performance measures. Other elements of a strategic plan include an internal/external assessment and agency philosophy.

**strategic planning:** A long-term, future-oriented process of assessment, goal-setting, and decision-making that maps an explicit path between the present and a vision of the future, that relies on careful consideration of an organization's capabilities and environment, and leads to priority-based resource allocation.

**strategic planning and budgeting system:** The budgeting system for the State of Texas. Under this system, agencies request and receive appropriations related to elements of their strategic plans. Typically, legislative line-item appropriations are made to agencies for specific strategies.

**strategies:** Formulated from goals and objectives, a strategy is the means for transforming inputs into outputs, and ultimately outcomes, employing the best use of resources. A strategy describes a method to achieve goals and objectives. The legislature typically appropriates money to strategy line items.

**transferability:** The ability of an agency to transfer legislative appropriations from one agency to another, from one department to another, or from an agency's line item to another line item. Transferability is generally authorized by rider in the General Appropriations Act.

**unexpended balance (U.B.):** The amount left in an item of appropriation at the end of an appropriation period and includes only that part of the appropriation, if any, which has not had an obligation or commitment made by the agency in charge of spending the appropriation. The term also refers to the amount of an appropriation, a fund, or a category of revenue which is brought forward (appropriated) to the succeeding fiscal year.

**unlimited (U.L.):** The abbreviation "U.L." is used in schedules of classified positions and schedules of exempt positions (in the General Appropriations Act) to indicate that an unlimited number of positions are authorized. If used in the heading of the schedule, it means that an unlimited number of positions are authorized for all positions in the schedule. If used beside a position name, it means that an unlimited number of positions is authorized for that particular position.

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## Budget-Related Abbreviations and Acronyms

AAA—area agency on aging  
AAS—Agriculture Analytical Service  
ABTPA—Automobile Burglary and Theft Prevention Authority  
ACP—Alternative Certification Program; Texas Address Confidentiality Program  
ADA—average daily attendance; Americans with Disabilities Act  
ADP—average daily population  
ADR—alternative dispute resolution  
ADS—advanced database systems  
AEIS—Academic Excellence Indicator System  
AFRED—Alternative Fuels Research and Education Division  
AGD—Adjutant General’s Department  
AISD—Austin Independent School District  
AL-EXT—Texas AgriLife Extension Service  
ALI—automatic location identification  
ALR—Administrative License Revocation (Division)  
AL-RSRCH—Texas AgriLife Research  
APS—Adult Protective Services  
ARRA—American Recovery and Reinvestment Act  
ASEP—Accountability System for Educator Preparation  
ASF—Available School Fund  
ATPA—Automobile Theft Prevention Authority (renamed ABTPA)  
AUF—Available University Fund  
AYP—Adequate Yearly Progress  
BAB—Build America Bond (program)  
BCLS—Basic Civil Legal Services  
BCOM—Baylor College of Medicine  
BEG—(The University of Texas) Bureau of Economic Geology  
BEST—Blindness Education, Screening, and Treatment (Program)  
BET—Business Enterprises of Texas (Program)  
BPP—Board of Pardons and Paroles  
BRAC—Base Realignments and Closures  
BRB—Bond Review Board  
BRP—benefit replacement pay  
CAS—Community Attendant Services  
CASA—Court-Appointed Special Advocate  
CBA—community-based alternative  
CCA—Coastal Conservation Association  
CCC—Coastal Coordination Council  
CCDF—Child Care and Development Fund  
CCR—Child Care Regulation (Program)  
CCTS—Capitol Complex Telephone System  
CDA—comprehensive development agreement  
CDBG—Community Development Block Grant  
CDL—constitutional debt limit

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CEF—Cultural Endowment Fund  
CFP—(Texas) Clean Fleet Program  
CHIP—Children’s Health Insurance Program  
CHRI—criminal history record information  
CIAP—Coastal Impact and Assistance Program  
CIL—Centers for Independent Living  
CISO—Chief Information Security Office  
CJAD—Community Justice Assistance Division  
CJD—Criminal Justice Division  
CLASS—Community Living and Support Services (Waiver Program)  
CLEL—Criminal Law Enforcement Division  
CMHCC—Correctional Managed Health Care Committee  
CMP—Coastal Management Program  
CPRIT—Cancer Prevention and Research Institute of Texas  
CPS—Child Protective Services  
CRCB—Court Reporter Certification Board  
CSCD—Community Supervision and Corrections Department  
CSEC—Commission on State Emergency Communications  
CSHCN—children with special health care needs  
CSOT—Council on Sex Offender Treatment  
CWA—Clean Water Act  
CWP—Consolidated Waiver Program  
CWSRF—Clean Water State Revolving Fund  
CYD—Community Youth Development (Program)  
DADS—Department of Aging and Disability Services  
DAHS—Day Activity and Health Services  
DARS—Department of Assistive and Rehabilitative Services  
DAS—debt affordability study  
DATE—District Awards for Teacher Excellence  
DBMD—Deaf Blind/Multiple Disability (Waiver Program)  
DCS—Data Center Services  
DDS—Disability Determination Services  
DEAAG—Defense Economic Adjustment Assistance Grants  
DFPS—Department of Family and Protective Services  
DIR—Department of Information Resources  
DMV—Department of Motor Vehicles  
DOE—U.S. Department of Energy  
DPS—Department of Public Safety of the State of Texas  
DPV—district property values  
DSH—disproportionate share hospital  
DSHS—Department of State Health Services  
DWC—Division of Workers’ Compensation  
DWSRF—Drinking Water State Revolving Fund  
EA—Energy Assurance (Program)  
EBT—electronic benefits transfer  
ECI—(Interagency Council on) Early Childhood Intervention

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EDA—existing debt allotment  
EDAP—Economically Distressed Areas Program  
EECBG—Energy Efficiency and Conservation Block Grant  
EFMAP—Enhanced Federal Medical Assistance Percentage  
EIA—equine infectious anemia  
EOC—end of course  
EPO—exclusive provider organization  
EPSDT—Early and Periodic Screening, Diagnosis, and Treatment (Program)  
ERCOT—Electric Reliability Council of Texas  
ERIG—Emissions Reduction Incentive Grants  
ERP—Enterprise Resource Planning  
ERS—Employees Retirement System  
ESF—Economic Stabilization Fund  
ESRD—end-stage renal disease  
FCC—Federal Communications Commission  
FCP—Family Care Physician  
FDA—Food and Drug Administration  
FEMA—Federal Emergency Management Agency  
FFCS—Feed and Fertilizer Control Service  
FFPC—Fire Fighters’ Pension Commissioner  
FMAP—federal medical assistance percentage  
FPL—Federal Poverty Level  
FQHC—federally qualified health centers  
FSP—Foundation School Program  
FTA—Federal Transit Administration  
FTE—full-time equivalent  
FTHB—First-Time Homebuyer Program  
FTSE—full-time student equivalent  
GAA—General Appropriations Act  
GBP—Group Benefits Program  
GCB—Guardianship Certification Board  
GDEM—Governor’s Division of Emergency Management  
GDP—gross domestic product  
GLO—General Land Office  
GME—Graduate Medical Education (Formula)  
GO—General Obligation (bonds)  
GOTEPP—GO TEXAS Partner Program  
GPA—grade point average  
GSC—General Services Commission  
GSP—gross state product  
HAVA—Help America Vote Act  
HCS—Home and Community-based Services (Waiver Program)  
HDTRA—Heartland Disaster Tax Relief Act of 2008  
HEF—Higher Education Fund  
HEGI—Higher Education Group Insurance  
HERA—Housing and Economic Recovery Act of 2008

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HHS—health and human services  
HHSC—Health and Human Services Commission  
HIPAA—Health Insurance Portability and Accountability Act  
HIV—Human Immunodeficiency Virus  
HMO—health maintenance organization  
HOME—HOME Investment Partnerships  
HTC—Housing Tax Credit (Program)  
HTF—Housing Trust Fund  
HUB—Historically Underutilized Business Program  
HUD—(U.S. Department of) Housing and Urban Development  
HVAC—heating, ventilation and air conditioning  
IAC—interagency contracts  
ICF-MR—intermediate care facilities for persons with mental retardation  
ICTCC—Information and Communication Technology Cooperative Contracting  
ID—(personal) identification  
IDEA—Individuals with Disabilities Education Act  
IEP—individual education plan  
IFA—instructional facilities allotment  
IHE—institutions of higher education  
IHP—(Federal Assistance to) Individuals and Households Program  
ILS—Independent Living Services  
IOLTA—interest on lawyers’ trust accounts  
IPTC—In-Prison Therapy Community (Program)  
IRS—Internal Revenue Service  
ISAS—Integrated Statewide Administrative System  
ISD—independent school district  
ISP—intensive supervision probation  
IT—information technology  
ITP—individualized treatment plan  
JAG—(Bryne) Justice Assistance Grants  
JAMP—Joint Admission Medical Program  
JET—Jobs and Education for Texas  
JJAEP—Juvenile Justice Alternative Education Program  
JRS—Judicial Retirement System  
LAR—legislative appropriation request  
LBB—Legislative Budget Board  
LBE—Legislative Budget Estimates  
LECOS—Law Enforcement and Custodial Officer Supplement  
LIRAP—Low-Income Vehicle Repair, Assistance, Retrofit, and Accelerated Vehicle Retirement Program  
LoanSTAR—Loans to Save Taxes and Resources  
LPG—liquefied petroleum gas  
LRA—less restrictive alternatives  
LRL—Legislative Reference Library  
LSTA—Library Services and Technology Act  
MDCP—Medically Dependent Children Program

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MDL—multidistrict litigation  
MFB—Multifamily Bond  
MFMRB—Multifamily Mortgage Revenue Bonds  
MH—mental health  
MLPP—Master Lease Purchase Program  
MMS—Minerals Management Service  
MOU—memorandum of understanding  
MPO—metropolitan planning organization  
MR—mental retardation  
MRA—Mental Retardation Authorities  
MSU—Midwestern State University  
NAAQS—National Ambient Air Quality Standards  
NAIS—National Animal Identification System  
NCIC—National Crime Information Center  
NCLB—No Child Left Behind (Act)  
NEA—National Endowment for the Arts  
NERRTC—National Emergency Response and Rescue Training Center  
NFIP—National Flood Insurance Program  
NLS—National Library Service (for the Blind and Physically Handicapped)  
NPL—National Priorities List  
NRUF—National Research University Fund  
NTIG—New Technology Implementation Grant  
NTRD—New Technology Research and Development (Program)  
NTSS—Network and Telecommunications Security Services  
NTTA—North Texas Tollway Authority  
OAG—Office of the Attorney General  
OCA—Office of Court Administration  
OCI—Office of Colonia Initiatives  
OCS—Outer Continental Shelf  
OCW—Office of Capital Writs  
OEM—Office of Energy Management  
OFCU—Oil Field Cleanup (Fund)  
OIG—Office of Inspector General  
OIO—Office of the Independent Ombudsman  
OPIC—Office of Public Insurance Counsel  
OPUC—Office of Public Utility Counsel  
ORP—Optional Retirement Program  
OSFR—Office of State–Federal Relations  
OSPA—Office of the State Prosecuting Attorney  
OTSC—Office of the Texas State Chemist  
PAB—private activity bond  
PACE—Permanency Achieved through Coordinated Efforts; Program for All-inclusive Care for the Elderly  
PAL—Preparation for Adult Living  
PCCM—primary care case management  
PD—Parole Division

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PEB—Polygraph Examiners Board  
PEI—prevention and early intervention  
PELRP—Physician Education Loan Repayment Program of Texas  
PHC—Primary Home Care  
PHEF—Permanent Higher Education Fund  
PIU—Public Integrity Unit  
PRA—personal responsibility agreement  
PRB—Pension Review Board  
PRC—public retail customer  
PSAP—public safety answering point  
PSF—Permanent School Fund  
PSRB—Process Server Review Board  
PST—petroleum storage tank  
PUC—Public Utility Commission  
PUF—Permanent University Fund  
RDF—Research Development Fund  
REP—Retail Electric Provider  
RESFA—Real Estate Special Fund Account  
RIO—Reintegration of Offenders, as Project RIO  
RIO-Y—Reintegration of Offenders–Youth  
ROTC—Reserve Officer Training Corps  
RPC—Regional Planning Commission  
RRC—Railroad Commission  
RRPD—Rehabilitation and Reentry Program Division  
RTS—Registration and Titling System  
RWF—Rural Water Assistance Fund  
RZEDB—Recovery Zone Economic Development Bond  
RZFB—Recovery Zone Facility Bond  
SAFETEA-LU—Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy  
for Users  
SAFPP—Substance Abuse Felony Punishment Facility  
SAPB—State Aircraft Pooling Board  
SAPT—Substance Abuse Prevention and Treatment  
SAO—State Auditor’s Office  
SBEA—Small Business Environmental Assistance  
SBEC—State Board for Educator Certification  
SBOE—State Board of Education  
SCJC—State Commission on Judicial Conduct  
SCSEP—Senior Community Service Employment Program  
SDU—State Disbursement Unit  
SECO—State Energy Conservation Office  
SEP—State Energy Program  
SERC—Southeastern Electric Reliability Council  
SFMRB—Single Family Mortgage Revenue Bonds  
SGST—Sporting Goods Sales Tax  
SKIP—State Kids Insurance Program

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SLB—School Land Board  
SNAP—Supplemental Nutrition Assistance Program  
SOAH—State Office of Administrative Hearings  
SORM—State Office of Risk Management  
SOS—Secretary of State  
SPB—State Preservation Board  
SPP—Southwest Power Pool  
SPU—Special Prosecution Unit  
SSDI—Social Security Disability Insurance  
SSI—Supplemental Security Income; Student Success Initiative  
STAR—Services to At-Risk (Youth); State of Texas Access Reform (Program)  
STD—sexually transmitted disease  
TAAS—Texas Assessment of Academic Skills  
TABC—Texas Alcoholic Beverage Commission  
TAFA—Texas Agricultural Finance Authority  
TAHC—Texas Animal Health Commission  
TAIS—Texas Apiary Inspection Service  
TAJF—Texas Access to Justice Foundation  
TAKS—Texas Assessment of Knowledge and Skills  
TALCB—Texas Appraiser Licensing and Certification Board  
TAMU—Texas A&M University  
TAMUSHSC—Texas A&M University System Health Science Center  
TANF—Temporary Assistance for Needy Families  
TB—tuberculosis  
TBPC—Texas Building and Procurement Commission  
TCA—Texas Commission on the Arts  
TCEQ—Texas Commission on Environmental Quality  
TCFP—Texas Commission on Fire Protection  
TCI—Texas Correctional Industries  
TCIC—Texas Crime Information Center  
TCID—Texas Center for Infectious Disease  
TCJS—Texas Commission on Jail Standards  
TCLEOSE—Texas Commission on Law Enforcement Officer Standards and Education  
TCOOMMI—Texas Correctional Office on Offenders with Mental and Medical Impairments  
TCPS—Texas Commission on Private Security  
TDA—Texas Department of Agriculture  
TDCJ—Texas Department of Criminal Justice  
TDEM—Texas Division of Emergency Management  
TDEx—Texas Data Exchange  
TDHCA—Texas Department of Housing and Community Affairs  
TDI—Texas Department of Insurance  
TDLR—Texas Department of Licensing and Regulation  
TDRA—Texas Department of Rural Affairs  
TEA—Texas Education Agency  
TEA-21—Transportation Equity Act for the 21st Century  
TEC—Texas Ethics Commission

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TEEG—Texas Educator Excellence Grants  
TEES—Texas Engineering Experiment Station  
TEEX—Texas Engineering Extension (Service)  
TEG—Tuition Equalization Grant (Program)  
TEKS—Texas Essential Knowledge and Skills  
TERP—Texas Emissions Reduction Plan  
TERT—Texas Emergency Response Team  
TESRS—Texas Emergency Services Retirement System  
TEXAS—Toward EXcellence, Access, and Success (Program)  
TExES—Texas Examinations of Educator Standards  
TFC—Texas Facilities Commission  
TFID—Task Force on Indigent Defense  
TFS—Texas Forest Service  
THC—Texas Historical Commission  
THECB—Texas Higher Education Coordinating Board  
THP—Texas Highway Patrol (Division)  
TIERS—Texas Integrated Eligibility Redesign System  
TJPC—Texas Juvenile Probation Commission  
TLC—Texas Lottery Commission  
TLFFRA—Texas Local Fire Fighters’ Retirement Act  
TMB—Texas Medical Board  
TMF—Texas Mobility Fund  
TMDL—total maximum daily load  
TNRIS—Texas Natural Resources Information System  
TPASS—Texas Procurement and Support Services  
TPFA—Texas Public Finance Authority  
TPWD—Texas Parks and Wildlife Department  
TRACS—Texas Review and Comment System  
TRAIL—Texas Records and Information Locator  
TRB—Tuition Revenue Bond  
TRCC—Texas Residential Construction Commission  
TREC—Texas Real Estate Commission  
TRS—Teacher Retirement System  
TSBPA—Texas State Board of Public Accountancy  
TSBVI—Texas School for the Blind and Visually Impaired  
TSD—Texas School for the Deaf  
TSLAC—Texas State Library and Archives Commission  
TSSWCB—Texas State Soil and Water Conservation Board  
TSTC—Texas State Technical College  
TSU—Texas Southern University  
TTA—Texas Turnpike Authority  
TTC—Texas Transportation Commission  
TTI—Texas Transportation Institute  
TTUHSC—Texas Tech University Health Sciences Center  
TVC—Texas Veterans Commission  
TVMDL—Texas Veterinary Medical Diagnostic Laboratory

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TWC—Texas Workforce Commission  
TWDB—Texas Water Development Board  
TWIA—Texas Windstorm Insurance Association  
TxDOT—Texas Department of Transportation  
TXNG, TXARNG, TXANG—Texas National Guard, Texas Army National Guard, Texas Air National Guard  
TXSG—Texas State Guard  
TX-TF1—Texas Task Force 1  
TYC—Texas Youth Commission  
UCC—Uniform Commercial Code  
UH—University of Houston  
UIC—Underground Injection Control (Program)  
UNT—University of North Texas  
UNTHSC—University of North Texas Health Science Center at Fort Worth  
UPL—Upper Payment Limit (Program )  
USAS—Uniform Statewide Accounting System  
USDA—U.S. Department of Agriculture  
USDW—underground sources of drinking water  
USPS—Uniform Statewide Payroll/Personnel System  
UT—The University of Texas (System)  
UT-Austin—The University of Texas at Austin  
UTHSC—The University of Texas Health Science Center  
UTMB—The University of Texas Medical Branch at Galveston  
UTMDACC—The University of Texas M.D. Anderson Cancer Center  
UTSWMC—The University of Texas Southwestern Medical Center at Dallas  
VA—Veterans Affairs  
VAP—voting age population  
VEIMP—Vehicle Emissions Inspections and Maintenance Program  
VLB—Veterans’ Land Board  
VR—vocational rehabilitation  
WADA—weighted average daily attendance  
WIA—Workforce Investment Act  
WIC—Women, Infants, and Children (Program)  
WIF—Water Infrastructure Fund  
WSCC—Western Systems Coordinating Council

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## Resources

Documents containing helpful information are listed below.

***Fiscal Size-up*** – Published by the LBB, this document contains information on the current state budget, revenue sources and the economic outlook for Texas, and detailed information on each of the major functions of state government.

***Legislative Budget Estimates*** – Published by the LBB, this document contains the amount of money expended by an agency in previous years, the amount budgeted for the agency for the current year, the amount requested by the agency for the next biennium, and the amount recommended by the LBB for the next biennium.

***Biennial Revenue Estimate*** – Published by the Office of the Comptroller of Public Accounts of the State of Texas, this document contains the comptroller's biennial revenue estimate, an overview of revenue, an economic forecast for both Texas and the United States, a description of revenue sources for the coming biennium, and an estimate of revenue in various funds.

***General Appropriations Act (H.B. 1, 84th Legislature)*** – This document is the General Appropriations Act passed by the 84th Legislature. When the General Appropriations Act is a senate bill, it is published by Senate Publications and Printing and when it is a house bill, it is published by the House Print Shop. The document is available on line at <http://www.lbb.state.tx.us/>.

***Guide to Performance Measure Management*** – Published by the SAO, LBB, and GOBP, this publication contains extensive information regarding the purpose and development of performance measures.

***Instructions for Preparing and Submitting Agency Strategic Plans*** – Published by the LBB and GOBP, this document includes an introduction to strategic planning, a timeline for the development of strategic plans, and descriptions of the required elements of a strategic plan.

***Budget and Performance Assessments: State Agencies and Institutions*** – Published by the LBB, this document provides an assessment of the performance of agencies during the previous fiscal year.

***A Guide to the Fiscal Note Process*** – Published by the LBB, this document provides a description of the fiscal note process.

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## Web Resources

Many publications and other resources are accessible via the Internet. Helpful websites include:

- ***Senate Research Center:*** <http://www.senate.state.tx.us/src/index.htm>.
- ***Office of the Comptroller of Public Accounts of the State of Texas:***  
<https://www.comptroller.texas.gov/>
- ***Legislative Budget Board:*** <http://www.lbb.state.tx.us>
- ***Governor of the State of Texas:*** <http://www.governor.state.tx.us>
- ***Governor's Office of Budget and Policy:***  
<http://www.gov.texas.gov/divisions/bpp>
- ***State Auditor's Office:*** <http://www.sao.state.tx.us>
- ***Texas.gov:*** <http://www.texas.gov>
- ***Texas Legislature Online:*** <http://www.capitol.state.tx.us>
- ***Legislative Reference Library:*** <http://www.lrl.state.tx.us>