

Writing the state budget

83rd Legislature

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Writing a two-year budget is one of the main tasks of the Texas Legislature. During the 2013 regular session, the 83rd Legislature will consider a budget for fiscal 2014-15, the two-year period (“biennium”) from September 1, 2013, through August 31, 2015. Most states and the federal government operate on a one-year rather than a two-year budget cycle.

Budget cycle in brief

Although Texas law designates the governor as the state’s chief budget officer, the Legislature traditionally has dominated the budget process. The Legislative Budget Board (LBB) is charged with preparing the budget and evaluating agencies’ financial performance. The LBB staff operates under the board, which consists of the speaker of the House and the lieutenant governor as co-chairs, the chairs of the House Appropriations and Ways and Means committees, the chair of the Senate Finance Committee, two House members appointed by the speaker, and three senators appointed by the lieutenant governor. Both the LBB and the governor develop budget recommendations and must submit budget proposals to the Legislature. The Legislature develops and adopts the budget.

Since the early 1990s, the state has developed biennial budgets through a form of performance budgeting based on strategic planning. The governor and LBB initiate the process by outlining the state’s mission, goals, and priorities. Each state agency then develops strategies for accomplishing its goals and submits a budget request to implement its strategic plan. The Legislature determines the agency’s biennial funding after considering performance measures to gauge the agency’s success in meeting its goals.

Before each regular session begins, the comptroller of public accounts issues a constitutionally required estimate of revenue available for spending. On January 7, 2013, the comptroller estimated that the state will have \$101.4 billion for general-purpose spending for fiscal 2014-15.

Collections from taxes, fees, and other income is estimated to be \$96.2 billion, of which \$3.6 billion will be transferred to the Economic Stabilization Fund (“Rainy Day Fund”). The remaining \$92.6 billion plus a projected \$8.8 billion ending balance from fiscal 2012-13 gives the Legislature \$101.4 billion. See the comptroller’s *Biennial Revenue Estimate, 2014-15* for a detailed description of the revenue estimates and projected economic outlook.

State agencies were instructed to submit baseline spending requests for general revenue and general revenue dedicated funds that were no greater than funds expended in fiscal 2012 and budgeted for fiscal 2013. Agencies also had to submit plans showing potential general revenue and general revenue dedicated spending cuts of 10 percent as part of their fiscal 2014-15 appropriations requests. Funds for certain programs were exempted from these restrictions on baseline spending requests, (see “Pre-session budget instructions and hearings,” page 5).

Each session, the LBB publishes an estimated state budget, which includes agency-by-agency figures for funds spent or budgeted in previous years, the budget amount requested by each agency, the amount recommended by the LBB, and proposed methods of financing. This proposal serves as the starting point for the Legislature’s budget deliberations. The January 2013 LBB baseline recommendations for the House and Senate general appropriations bills for fiscal 2014-15 assumed spending would remain within the comptroller’s revenue estimate and that the Rainy Day Fund would not be used. The House Appropriations Committee and the Senate Finance Committee each will hold hearings at which agencies may justify their spending priorities and others may express their views.

Appropriations bills must comply with certain constitutional and statutory restrictions on spending. (See HRO State Finance Report No. 83-1, *Fiscal 2014-15 State Budget: Restrictions on Spending*.) For an adopted appropriations bill to be valid, the comptroller must certify that the state will have enough revenue to cover the approved spending.

The governor may veto any appropriations bill or any specific spending provisions, called line items, within the general appropriations bill. If the Legislature still is in session, it may override the governor’s line-item veto by a two-thirds majority of members present in each house.

Between sessions, the governor and the LBB may adjust appropriations under certain circumstances by using budget execution authority. The LBB and the Governor’s Office monitor budget implementation. Other agencies, such as the State Auditor’s Office, the Sunset Advisory Commission, and legislative committees, also may review the financial performance, effectiveness, and efficiency of state agencies or programs.

General appropriations bill

The House and the Senate general appropriations bills for fiscal 2014-15 are the starting points for the Legislature to prescribe agency spending and to alter state accounting, performance measures, and other budgetary provisions. The bills set a baseline for each state agency and each category of spending. The Senate is expected to go first this session, so the final version of the bill will be SB 1.

LBB budget estimates. In January 2013, the LBB issued baseline budget estimates for the House and Senate budget bills (see the House and Senate versions of LBB’s *Summary of Legislative Budget Estimates*, January 2013).

Budget format. Appropriations bills may deal only with spending. Art. 3, sec. 35 of the Texas Constitution limits bills to one subject, except for general appropriations bills, which may include various subjects and accounts. This provision has been interpreted as prohibiting the changing of substantive law through an appropriations bill, which may deal only with spending. House Rule 8, sec. 4 reflects this interpretation and explicitly prohibits changes in general law in an appropriations bill.

Articles. For fiscal 2014-15, LBB recommendations for the general appropriations act retain the basic structure of previous budget acts, with 10 articles for agency budgets. Articles 1 through 8 cover state agency budgets by functional category — for example, Article 3 covers agencies of public and higher education. Article 9 contains general provisions and directions to state agencies, the state salary classification schedule, and contingency appropriations and reductions. Article 10 contains appropriations for the Legislature.

The appropriations bills voted out of committee in previous sessions generally have contained two additional articles: a savings clause stating that if any part of the act

were held invalid, the remaining portions of the act would not be affected and an emergency clause stating that the bill would take effect upon enactment. Appropriations bills in some previous sessions have included an article listing some agencies' exceptional items or "wish lists."

Listed at the end of each article are summary appropriations for employee retirement contributions, group health benefits, social security and benefit replacement pay, and lease payments for buildings financed through the Texas Public Finance Authority. Also shown are recapitulations ("recaps") of total spending by article and by type of fund.

Agency budget configuration. Each agency's budget first describes the method of financing or mix of revenue sources that finances the agency's appropriation, including interagency contracts.

This information is followed by the number of full-time equivalent (FTE) employee positions authorized by the Legislature and a schedule of exempt positions that specifies salaries of certain employees not covered by the state employee salary classification schedule. FTE authorizations serve as a cap on agency staffing.

Appropriations for each agency's budget are described in components that link funding to the agency's strategic plan, which is expressed in terms of goals and strategies.

Agency goals are general statements of the agency's long-range purposes. They provide a framework for expressing specific strategies, which state how an agency intends to achieve its goals and objectives. Each goal also has specific outcome measures that assess the impact of the agency's actions on the public.

Strategies, sometimes called line items, are the bases for appropriating money to an agency. An appropriation for a single strategy may fund more than one division or program in the agency. The agency may need more than one strategy to accomplish each objective. Strategies also are linked to specific output and efficiency measures. Output measures gauge the quantity of a service provided or a good produced. Efficiency measures gauge the cost or time taken per unit of output.

The examples on page 4 illustrate the format for two portions of the fiscal 2014-15 appropriation for the Commission on the Arts in HB 1 by Pitts as introduced. Figure 1 expresses one set of goals and strategies in terms of funds appropriated, and Figure 2 illustrates the performance measure targets for the same set of objectives.

A *rider* sets conditions on an appropriation. Some riders express detailed instructions specific to a particular agency's operations. Riders also are used to describe an agency's capital budget, listing all capital expenditures and their methods of finance, or to break down agency funding by goals and strategies and by performance measures.

Some riders contain *contingent appropriations*, which appropriate money only if the Legislature enacts other specific bills. These riders reflect other pending legislation that would authorize particular programs or establish new state agencies. For example, provisions for agencies going through Sunset review usually include a rider making all appropriations contingent on the enactment of Sunset legislation to continue the agency.

The budget may report an agency's *appropriations for administrative functions* as:

- part of a strategy's funding for costs, such as salaries and capital expenditures, that are related directly to a strategy;
- a budget goal called *Indirect Administration*, which can cover general overhead costs, such as computers, administration, and support services, that are not attributed to specific programs or allocated to a strategy;
- an item called *Other Direct and Indirect Costs Appropriated Elsewhere in this Act*, or *Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act*, both of which identify expenditures for agency operations that are not appropriated directly to the agency. For example, employee health-benefit contributions are appropriated to the state Employees Retirement System, not through the individual agency budgets; or
- a rider called *Appropriations Limited to Revenue Collections*, which requires an agency to pay for specific programs or costs, including administrative costs, with specific revenues such as fees or fines.

Initial budget development

The Governor’s Office and the LBB work jointly to instruct state agencies on strategic planning (Government Code, ch. 2056), appropriations, and pre-session budget hearings.

Pre-session budget instructions and hearings.

In June 2012, the directors of the LBB and the Governor’s Office of Budget, Planning and Policy instructed state agencies to submit 2014-15 baseline spending requests for general revenue and general revenue dedicated funds that were no greater than funds expended

Figure 1

COMMISSION ON THE ARTS

Items of Appropriation:	For the Years Ending	
	August 31, 2014	August 31, 2015
A. Goal: ARTS AND CULTURAL GRANTS		
Provide and Support Arts and Cultural Grants.		
A.1.1. Strategy: ARTS ORGANIZATION GRANTS	\$ 1,895,651	\$ 1,995,711
A.1.2. Strategy: ARTS EDUCATION GRANTS	\$ 753,900	\$ 753,900
A.1.3. Strategy: CULTURAL TOURISM GRANTS	\$ 190,000	\$ 190,000
A.1.4. Strategy: DIRECT ADMINISTRATION OF GRANT PGMS	\$ 477,501	\$ 477,501
Direct Administration of Grant Programs.		
Total, Goal A: ARTS AND CULTURAL GRANTS	\$ 3,317,052	\$ 3,417,112

source: HB 1 by Pitts as introduced

Figure 2

	2014	2015
Performance Measure Targets:		
A. Goal: ARTS AND CULTURAL GRANTS		
Outcome (Results/Impact):		
Percentage of Grant Dollars Provided to Minority Organizations	20%	20%
Percentage of Grant Dollars to Rural Counties	10%	10%
Percentage of Grant Dollars Funded for Arts Education	35%	35%
A.1.1. Strategy: ARTS ORGANIZATION GRANTS		
Efficiencies:		
Average Grant Amount Awarded to Arts and Cultural Organizations	3,100	3,100
A.1.2. Strategy: ARTS EDUCATION GRANTS		
Efficiencies:		
Average Grant Amount Awarded for Arts Education	2,500	2,500
Explanatory:		
Average Grant Amount Awarded for Arts Education	14,000	14,000
A.1.3. Strategy: CULTURAL TOURISM GRANTS		
Output (Volume):		
Number of Grants that Promote Cultural Tourism	107	107

source: HB 1 by Pitts as introduced

in fiscal 2012 and budgeted for fiscal 2013. Agencies also had to submit a plan showing potential general revenue and general revenue dedicated spending cuts of 10 percent as part of their fiscal 2014-15 appropriations request. These budget requests are known as Legislative Appropriations Requests (LARs).

Funds for certain programs were exempted from this baseline restriction, including amounts necessary to maintain funding for the Foundation School Program and to maintain benefits without changing eligibility criteria in Medicaid entitlement programs, the Children's Health Insurance Program, the foster care program, the adoption subsidies program, and the permanency care assistance program, which provides financial support to relatives who take permanent legal responsibility for children who cannot be reunited with their parents and for whom adoption is not appropriate.

State law requires the governor to hold budget hearings with an opportunity for testimony by agencies and the public (Government Code, secs. 401.043 and 401.044). Such hearings are optional for the LBB (Government Code, sec. 322.010). The governor and the LBB may cooperate, exchange information, and hold joint public budget hearings. These hearings are the first opportunity for public testimony regarding future agency and program funding. The LBB and the governor's budget staff held joint hearings in fall of 2012 for agencies to explain their requests, provide supporting data, and answer questions not addressed in the LARs.

Growth rate adopted. Art. 8, sec. 22 of the Constitution caps spending of state tax revenue not dedicated by the Constitution to a particular purpose. The growth of spending from nondedicated tax revenue from one biennium to the next may not exceed the LBB's official estimate of the state's economic growth rate, defined as the growth in statewide personal income, unless specifically authorized by a vote of a majority of the members present in each house.

On Nov. 15, 2012, the LBB adopted a projected state personal income growth rate of 10.71 percent from fiscal 2012-13 to fiscal 2014-15. This limits spending from non-dedicated tax revenue in fiscal 2014-15 to \$77.9 billion, up from \$70.4 billion in fiscal 2012-13. The spending cap amount is subject to change with additional appropriations for fiscal 2013. Introduced appropriations bills assume a

supplemental appropriation of \$6.8 billion for fiscal 2012-13 will be necessary to fund costs that were insufficiently funded by the 82nd Legislature. According to the LBB, this would increase the spending limit to \$84.4 billion.

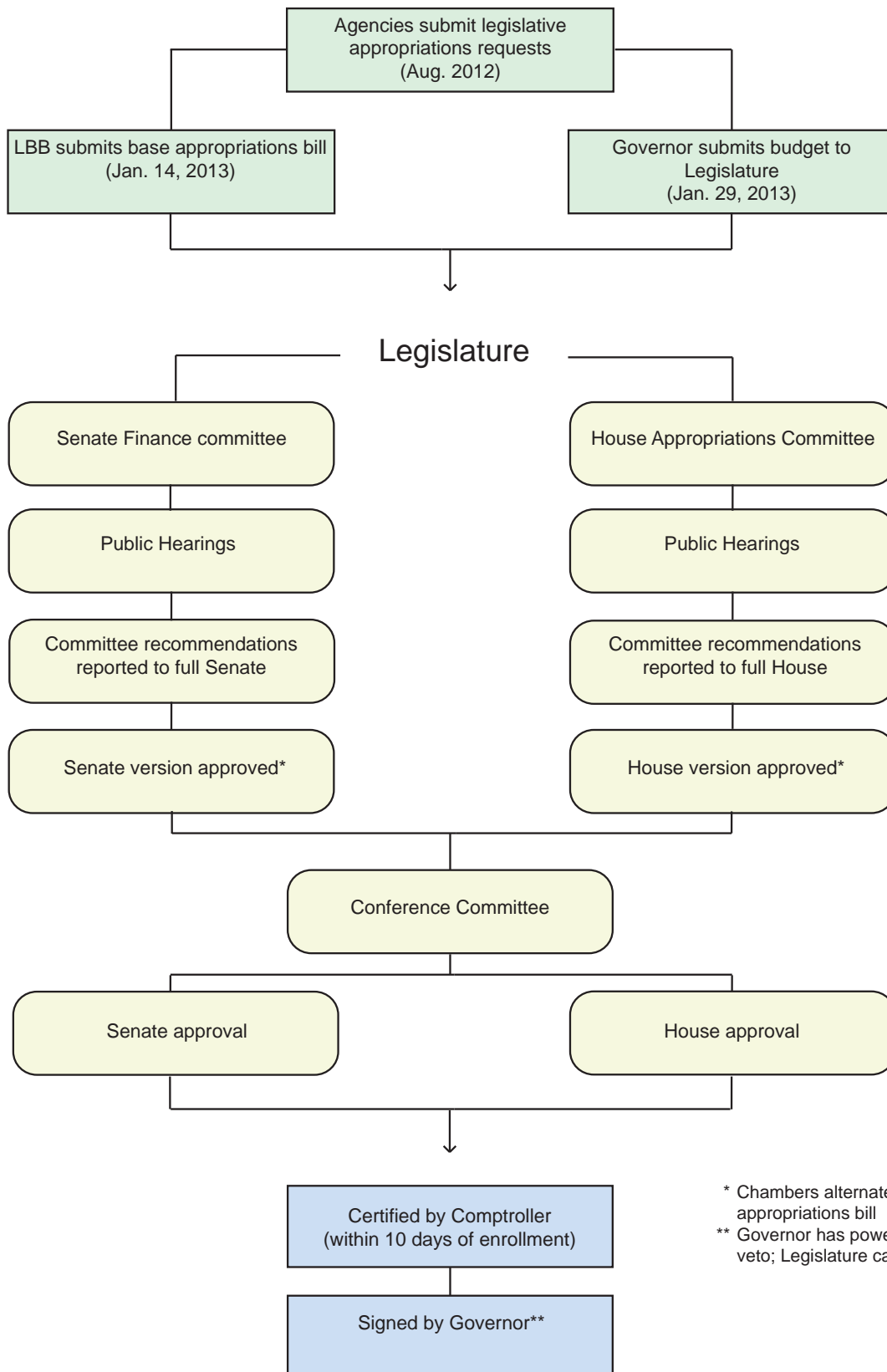
Comptroller reports. Art. 3, sec. 49a of the Constitution requires the comptroller to submit before a regular session statements disclosing the financial condition of the state at the close of the last fiscal period, estimates of the revenues and expenditures for the current fiscal year, and anticipated revenue for the upcoming biennium. A supplemental estimate is required before any special session. The revenue estimate issued in January 2013 projected the 83rd Legislature would have \$101.4 billion available for general-purpose spending for the next biennium. This comes from \$96.2 billion in general revenue collections from taxes, fees, and other income, with \$3.6 billion of that going to the state's Rainy Day Fund, leaving \$92.6 billion. When the estimated balance of \$8.8 billion from the current biennium is added, the Legislature has \$101.4 billion available.

The comptroller is not bound by the initial revenue estimate and may revise it at any time. The only revenue estimate that applies in determining if the state budget is balanced is the one made when the comptroller certifies the general appropriations bill (see comptroller certification, page 9).

LBB budget submission. Government Code, sec. 322.008 requires the LBB to send copies of an estimated state budget to the governor and each member of the Legislature within the first five days of a regular session. This document, called *Legislative Budget Estimates*, includes agency-by-agency figures for funds spent or budgeted in previous years, the budget amount requested by each agency, the amount recommended by LBB, and methods of financing. The document indicates the number of FTE positions targeted for each agency and a schedule of salaries for exempt positions. The LBB must submit a budget in the form of a bill within seven days of the beginning of the regular session.

The LBB must submit to the Legislature by the third Tuesday of the regular session a report evaluating the performance and efficiency of agency programs (Government Code, sec. 322.011). Recommendations cited in the LBB's report, *Texas State Government Effectiveness and Efficiency*, often are incorporated into funding proposals.

Figure 3 Overview of the Legislative Appropriations Process



* Chambers alternate in originating appropriations bill
** Governor has power of line-item veto; Legislature can override

Governor's budget proposal. Governors submit their own budget proposals under Government Code 401.0445, which vary in the amount of detail they include. If submitting a budget, the governor must do so before giving the State of the State address (Government Code, sec. 401.046) and may prepare a general appropriations bill that must be submitted by the 30th day of the session (Government Code, sec. 316.009).

Legislative action

The House and the Senate usually take turns originating the general appropriations bill and chairing the budget conference committee. For the 2013 regular session, the bill originated in the Senate. Both houses work on the budget and hold hearings simultaneously.

During the 82nd Legislature's 2011 regular session, the House Appropriations Committee reported HB 1 by Pitts, the general appropriations bill for fiscal 2012-13, on March 23, and the bill passed the House on third reading on April 3. The Senate Finance Committee reported a substitute version of HB 1 on April 21, and the bill passed the Senate on third reading on May 4. A conference committee was appointed, and both houses adopted the committee report in late May. Comptroller Combs certified HB 1 on June 8, and Gov. Perry signed the bill on June 17.

House action. The House Appropriations Committee (HAC) has jurisdiction over appropriations bills. For the 2013 session, HAC includes a chair, a vice chair, and 25 additional members. Up to one-half of the general HAC membership is determined by seniority and the rest chosen by the speaker, which is the method used for determining the membership of other substantive committees. House Rule 4, sec. 4(b) prohibits the chair of the Appropriations Committee from serving on another substantive committee.

The chair of HAC usually appoints standing subcommittees to consider different parts of the budget, such as general government, health and human services, education, criminal justice, and business and economic development. Each subcommittee holds public hearings and makes recommendations on budget proposals for agencies, programs, or funding under its jurisdiction. The full committee then makes final budget decisions during "mark-up" of the bill.

Time constraints. House Rule 8, sec. 21(g) requires the HAC to report the general appropriations bill to the House by the 90th day of the session, which will be April 7 for the 2013 session. The general appropriations bill has priority over other bills that would appropriate money. Under House Rule 8, sec. 21(a), during the first 118 days of the session the speaker may not lay before the House any bill appropriating money unless the general appropriations bill already has been enacted and the comptroller has certified it. If the HAC does not meet its 90th-day reporting deadline, this rule is suspended. The 118th day of the 2013 session is May 5.

House Rule 8, secs. 21(b) and (f) further restrict consideration of specific appropriations bills. To ensure compliance with the constitutional limit on spending from state tax revenue not dedicated by the Constitution, no bill that appropriates such revenue may be considered before final approval of the general appropriations bill, and no bills may be considered that, when added to amounts previously appropriated, would exceed the limit.

Bills reducing taxes or providing payment for legislative expenses, judgments against the state, and emergency matters are not subject to House appropriations restraints (House Rule 8, sec. 21(e)).

Dynamic economic impact statement. Under a provision adopted in 2011, the HAC chair must send the general appropriations bill to the LBB to prepare a dynamic economic impact statement. This statement must include the number of state employees to be affected and the estimated impact on private-sector employment resulting from any change the bill makes in state expenditures from the preceding biennium (Rule 4, sec. 34 (a-1)).

Distribution of the bill. A printed copy of the general appropriations bill reported by the HAC must be distributed to each House member at least 168 hours (seven days) before it may be considered on second reading during a regular session. During a special session, the bill must be distributed at least 72 hours in advance (House Rule 8, sec. 14(a-1)). The Calendars Committee must post electronically the calendar on which the general appropriations bill will be considered on second reading at least 144 hours (six days) in advance for that calendar to be eligible for consideration (House Rule 6, sec. 16(a-1)).

Limit on amendments. The House Calendars Committee usually adopts a special rule limiting floor amendments to the appropriations bill to changes that do not affect the “bottom line.” The rule usually has required that any amendment adding or increasing an appropriation item must contain an equal or greater reduction in one or more other appropriation items. For a special rule proposed by the Calendars Committee concerning a general appropriations bill to take effect, House members must adopt it by a majority vote. A proposed rule cannot be amended.

Second-reading amendments must be filed at least 72 hours (three days) before the calendar on which the bill appears is eligible for consideration (House Rule 11, sec. 6(h)). The House usually considers numerous floor amendments before approving its version of the general appropriations bill.

Senate action. The Senate Finance Committee develops the Senate budget proposal. Like all standing committees, the entire Finance Committee is appointed by the lieutenant governor, who also names the chair and the vice chair. Budget hearings historically have occurred before the entire Senate Finance Committee, although in past sessions workgroups have heard testimony on specific areas of the budget.

Unlike in the House, Senate action on the general appropriations bill tends to follow the same rules that apply to all other legislation before the Senate. Bills are placed on the daily calendar in the order in which the Senate receives the committee reports. Approval by two-thirds of the members present is required to suspend the regular order and bring the general appropriations bill to floor consideration. Unlike in the House, the Senate Finance Committee version of the budget usually passes the full Senate without floor amendments.

Conference committee action. After the House and the Senate adopt their versions of the general appropriations bill, the speaker appoints five House members and the lieutenant governor appoints five senators to a conference committee to reconcile differences between the bills. The conference committee usually includes the chairs of the House Appropriations and Senate Finance committees and four other members of each committee, although the rules do not restrict who may be chosen.

House Rule 13, sec. 9(b) and Senate Rule 12.04 allow conferees to reconcile only points on which the House and Senate bills differ. They may not alter figures that are identical in both bills. If both bills include a spending item but differ on the amount, the conferees may not set the amount lower than the smaller of the two amounts nor increase it above the larger amount. If an item appears in only one bill, the conferees may include or delete it. If they include it, they may reduce but not increase the amount originally included in the bill.

The conferees may not include an item in the conference committee bill that does not appear in either the House or the Senate bill. However, House Rule 13, sec. 9(b)(5) and Senate Rule 12.04(5) allow the conference committee to add money for purposes or programs authorized by bills that have been passed by at least one house.

The conference committee may seek permission from the House and the Senate to make changes otherwise prohibited by the rules — “outside the bounds” — by means of a resolution specifying the changes. Adoption of the resolution requires a majority vote in each house. The resolution must be provided to members at least 48 hours before being considered in a regular session and 24 hours before in a special session (House Rule 13, sec. 9(f) and Senate Rule 12.08).

House Rule 13, sec. 10(a) requires that the conference committee report on the general appropriations bill be distributed to members at least 24 hours before it may be considered. Senate Rule 12.09(a) requires that the conference committee report be laid out for 48 hours before being considered in a regular session and 24 hours before being considered in a special session.

Action after final passage

Certification. After an appropriations bill is approved by each house and signed by the speaker and the lieutenant governor, it goes to the comptroller. Under Art. 3, sec. 49a of the Constitution, no appropriations bill may be enacted or sent to the governor for consideration until the comptroller certifies that the state will have enough revenue to cover the approved spending. Government Code, sec. 403.0131(a) requires the comptroller to certify

the appropriations act not later than the 10th day, excluding Sundays, after the date the act is reported enrolled by the house from which it originated.

Art. 3, sec. 49a allows appropriations in excess of anticipated revenues in cases of “emergency and imperative public necessity” with approval of four-fifths of the total membership of each house. Generally, however, the Legislature does not approve an appropriations bill unless the revenue necessary to pay for it is available.

A bill not certified is treated as if it never passed and is returned to the house from which it originated. If the Legislature still is in session when the comptroller returns the bill, the bill can be amended to conform to the comptroller’s revenue estimate.

Governor’s veto powers. Art. 4, sec. 14 of the Constitution authorizes the governor to veto line items in any spending bill that contains more than one item of appropriation. In 2011, all of Gov. Perry’s line-item vetoes eliminated contingent riders for bills that were not enacted or were vetoed. In previous sessions, the governor has vetoed appropriations for group insurance contributions for some community colleges, certain payments to the federal government, and funds associated with a data services contract.

While the Legislature is in session, the governor has 10 days (not counting Sundays) after receiving the appropriations bill to make line-item vetoes. If the governor fails to act within the 10 days, the bill becomes law. If the Legislature still is in session when the governor vetoes a line item, the bill is returned to the Legislature, which may override the veto if two-thirds of the members present in each house approve. The house where the bill originated votes first.

If the appropriations bill goes to the governor later than the 10th day (not counting Sundays) before the session ends, the governor has 20 days (counting Sundays) after the session ends to act. If the 83rd Legislature’s 2013 regular session lasts its full 140 days and ends on May 27, the veto deadline will be Sunday, June 16.

The Legislature must take all actions on a bill during the same session. Because the general appropriations act usually receives final approval during the last few days of

a session, the Legislature typically forfeits the chance to override any line-item vetoes. If the Legislature happens to be meeting in a subsequent special session when the governor vetoes line items from an appropriations bill approved during the regular session, the Legislature cannot override the vetoes during the special session.

Veto-proof riders. Riders that are not “items of appropriation” are not subject to veto. Texas Constitution, Art. 4, sec. 14 states: “If any bill presented to the Governor contains several items of appropriations he may object to one or more of such items, and approve the other portion of the bill.” But in a 1911 court case (*Fulmore v. Lane*, 140 S.W. 405), the Texas Supreme Court held that the governor generally may not veto a rider. A 1951 attorney general’s opinion (V-1196) determined that the governor has no authority to veto a rider in an appropriations bill “unless it is in itself an ‘item,’ that is, a provision containing a specific appropriation of money.” In a 1975 case, *Jessen Associates, Inc. v. Bullock*, 531 S.W.2d 593, the Texas Supreme Court upheld this view. If a rider is not an item of appropriation, the veto “is of no effect,” but “if the language is intended to set aside funds for a specified purpose, it is an ‘item of appropriation’ and is therefore subject to veto by the Governor.”

Rider 19 in the fiscal 2012-13 budget for the Texas Parks and Wildlife Department (TPWD) is an example of an expenditure authorized by a rider that is not technically an “item of appropriation” — and thus, presumably, veto-proof. The rider designates a specified amount be spent by the agency for several activities, including improving fish and wildlife habitats in bodies of water “out of amounts appropriated above in Strategy A.2.1, Inland Fisheries Management.” The rider language does not appropriate money. It merely stipulates how some of the total amount appropriated to TPWD is to be spent. Thus, if the governor had wanted to veto the funds for the listed activities, he would have had to veto the entire amounts in the strategy.

Lump-sum appropriations. In recent state budgets, each institution of higher education has been funded through a single line item, or lump-sum appropriation, instead of through multiple-line appropriations for separate strategies. A breakdown of each institution’s funding by goals, strategies, and other budget components has been listed in the first rider, called “Informational Listing of Appropriated Funds.” Lump sum appropriations have

been controversial in previous sessions, with governors criticizing the practice as reducing accountability over detailed line-item spending.

Effective date. A general appropriations bill usually takes effect immediately, as specified in the bill. Art. 3, sec. 39 of the Constitution says that other bills must be approved by at least two-thirds of the membership of each house in order to take effect sooner than 90 days after adjournment of the session in which they are enacted. A general appropriations bill, however, takes effect as soon as the governor signs it or allows it to become law without signing it (Art. 4, sec. 14). Nevertheless, the spending approved in a general appropriations act generally does not take effect until the start of the new fiscal biennium on September 1 following the regular session.

Interim budget action

An enacted appropriations bill is subject to adjustment after it takes effect, either to reduce appropriations or to add appropriations authority to cover unforeseen spending requirements.

Appropriation reductions and adjustments.

Once it enacts a general appropriations bill, the Legislature may adjust appropriations during the two-year budget period, either in a special session called by the governor or in a subsequent regular session. The appropriations bill itself may include provisions allowing agencies to make discretionary transfers between appropriations items, subject to various limitations or prior approval by the governor and the LBB.

Budget execution authority. Government Code, ch. 317 allows the governor and the LBB, acting jointly, to use budget execution authority to make certain changes in appropriations when the Legislature is not in regular or special session.

A budget execution order may prohibit an agency from spending funds, change the purpose for an appropriation, change the time that an appropriation is distributed to an agency, or transfer an appropriation from one agency to another. It cannot spend money that has not already been appropriated by the Legislature. An order may not withhold for more than 180 days money appropriated to any agency, reduce the salary of an elected state official

or a board member appointed by the governor, or reduce appropriations to the Legislature or legislative agencies. An order may not extend beyond a two-year budget period. An order may be superseded by legislative action.

Informal reductions. The governor and legislative leaders also may informally instruct agencies to modify their spending without taking official action to reduce appropriations. In January 2010, the governor, the lieutenant governor, and the speaker of the House jointly instructed state agencies to identify a 5 percent reduction to their general revenue and general revenue dedicated funds for fiscal 2010-11. All agencies complied with the instructions and identified target reductions accordingly. The three state leaders approved some of the proposed spending reductions and modified or waived others. In December 2010, state leaders instructed agencies to reduce spending by another 2.5 percent from their original general revenue and general revenue dedicated appropriations for fiscal 2011.

Supplemental appropriations. The Legislature may change the state budget after it has been approved. Because the regular session begins in January, with eight months remaining in the two-year budget period, agencies sometimes ask for appropriations to supplement their funds for the last fiscal year of a biennium.

Budget monitoring. Several legislative agencies and entities evaluate agency budget performance and state finance issues between legislative sessions.

The LBB monitors agency performance measures and expenditures and performs interim assignments directed by the general appropriations act. After a regular session ends, the LBB summarizes the state budget, state revenues, and state government functions, activities, and agencies in its *Fiscal Size-up* report.

The State Auditor's Office, a legislative agency, audits state government management and financial systems, and its work can include audits of the financial operations of state agencies. It also assists in strategic planning and budgeting by assessing the use and appropriateness of agency performance measures.

The Sunset Advisory Commission, also a legislative agency, reviews all agencies scheduled by the Texas Sunset Act (Government Code, ch. 325) for termination in a given year, examining each agency's operational efficiency,

conformity to its strategic plan and statutory objectives, and any duplication or overlapping jurisdictions with other agencies.

The House Appropriations Committee and the Senate Finance Committee often schedule oversight hearings during the interim between regular sessions. Other House and Senate committees also may review agency spending as part of their oversight of the state agencies under their jurisdiction.

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