



Legislative Budget Board

Appropriations Overview 2008-09 Biennium

Prepared by LBB Staff

February, 2007

Budget Approach



Legislative Budget Board

- The Comptroller's Biennial Revenue Estimate for 2008-09 is \$82.5 billion in General Revenue (GR). This is \$14.3 billion above the anticipated GR spending level in the 2006-07 biennium.
- Most agencies have been asked to submit their 2008-09 budget requests at 90 percent of their 2006-07 GR spending level.
- Agencies were able to submit requests for exceptional items above the 90 percent.



Method of Financing



Legislative Budget Board

- General Revenue
- General Revenue-Dedicated
- Federal Funds
- Other Funds

Method of Financing (continued)



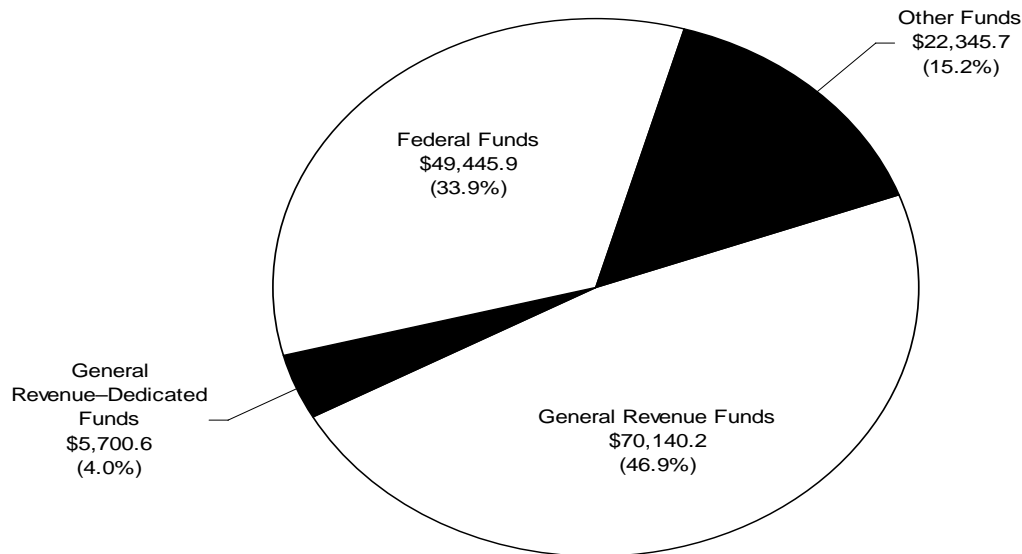
Legislative Budget Board

BIENNIAL RECOMMENDATIONS FOR 2008-09

BY FUND SOURCE

TOTAL = \$147,632.5 MILLION

IN MILLIONS



Notes: Excludes interagency contracts.

General Revenue



Legislative Budget Board

- This is what some people call “pure” General Revenue (GR). There are no limitations on how Fund #001 (pure GR) appropriations are spent.
- Includes receipts from major state revenue streams (e.g., sales tax, franchise tax, etc.) and fees considered available for general spending purposes.
- General revenue funds in the appropriations bill are aligned with the types of revenue the Comptroller certifies as available in her Biennial Revenue Estimate.

General Revenue-Dedicated



Legislative Budget Board

- In 1993 the Legislature consolidated a number of special funds into the General Revenue Fund.
- In the appropriations bill, General Revenue-Dedicated (GR-Dedicated) represents revenue that has been set aside by law for a particular purpose or entity. Expenditures made in furtherance of the dedicated purpose or entity shall be made from money received from the dedicated revenue source to the extent those funds are appropriated. Examples of revenue streams whose expenditures are statutorily dedicated include petroleum storage tank remediation funds, compensation to victims of crime, etc.
- With few exceptions, any unappropriated balances in GR-Dedicated accounts can be used to certify an equal amount of appropriations for general purposes from the General Revenue Fund pursuant to Government Code, Sec. 403.095(b).

Costs Against Certification



Legislative Budget Board

- Certification is the process by which the Comptroller and her staff determine if there is sufficient revenue to support appropriations in the bill.
- In developing the biennial revenue estimate of \$82.5 billion, the Comptroller considers both pure GR and 2007 balances in GR-Dedicated accounts.
- The Comptroller also projects in her Biennial Revenue Estimate (BRE) for the 2008-09 Biennium (see p.25 of BRE) that GR-Dedicated accounts will generate \$5.8 billion in revenue over the 2008-09 biennium.

Costs Against Certification Continued



Legislative Budget Board

- If the House Appropriations and Senate Finance Committees appropriate more from a GR-Dedicated account (including employee benefits) than the revenue projected for 2008-09 in the BRE or than is included in the bill as introduced, the excess appropriation comes out of the 2007 GR-Dedicated balances and, as such, results in a “cost” to the \$82.5 billion in available GR.
- If GR-D appropriations are increased at all from what is included in the bill as introduced, it represents a “cost” to the bill.

Federal Funds



Legislative Budget Board

- When agencies submit budget requests, they are directed to provide the best estimate of federal funds anticipated to be received by their respective agency.
- These estimates may change due to different assumptions based upon LBB recommendations, federal appropriations actions, shared funding streams with other state/local agencies, committee decisions, etc.
- In the appropriations bill, federal funds are “estimated,” which means what they get, they can spend.

Federal Funds Continued



Legislative Budget Board

- The primary rider governing federal appropriations is Article IX, Sec. 8.02, Federal Funds Block Grants (page IX-52 of the bill as introduced). This rider allows agencies to use federal funds exceeding appropriated amounts and federal funds related to newly-created programs that were reviewed by the Legislature and specifically authorized in the GAA.
- TANF – Article IX, Sec. 13.03 limits federal TANF to amounts specifically appropriated to agencies unless additional funds are approved by the Governor and the Legislative Budget Board.
- Texas Workforce Commission Rider 19 limits federal fund expenditures exceeding appropriated amounts unless TWC submits a finding of fact and written plan outlining use of the funds to the Governor and LBB and neither disapproves.

Federal Funds – State Commitment



Legislative Budget Board

- Receipt of federal funds frequently requires a commitment of GR.
- Some federal programs provide funds at a matching rate. For example, at a 25% state match rate, or 25:75 state/federal ratio, the state must spend \$1 for every \$3 received from the federal government.
- Other programs have a “**maintenance of effort**” requirement, meaning that states must continue spending general revenue at a previous year’s funding level.
- For entitlement programs, federal funding may be open-ended, with state providing services to all eligible clients, at a shared cost with the federal government. This also requires the state to provide GR for all eligible client services.
- For transportation funding, the state traditionally spends funds first and receives a federal reimbursement for a part of those expenditures. New approaches allow this to continue, but also offer new methods of drawing federal funds before project completion and using reimbursements on other projects.
- GR used as a match or maintenance of effort is identified for some programs in the state budget by method of finance code. (Example: 758, Medicaid match)

Other Funds



Legislative Budget Board

Examples of Other Funds in the Appropriations Bill:

- Highway Fund #006 – constitutionally dedicated
- Available University Fund #011 – constitutionally dedicated
- Bond Proceeds
 - General Obligation Bonds
 - Tuition Revenue Bonds
- Appropriated Receipts – funds agencies receive for sale of documents (e.g., brochures), payment for certain services, local funds (from hospital districts, local governments), etc. Article IX, Sec. 8.03 (p. IX-53) governs appropriation and use of appropriated receipts.
- Interagency Contracts – funds to account for services Agency X receives from Agency Y. Example: TxDOT provides funds to the Texas Transportation Institute at Texas A&M to conduct research. These funds are identified as Interagency Contracts at TTI.

Full-Time Equivalents (FTE)



Legislative Budget Board

- Each agency's appropriations bill pattern contains a full-time equivalent (FTE) cap for each year of the biennium.
- FTEs are calculated based on a 40-hour work week. So, if an agency employs 10 full-time staff and four half-time staff, the FTE count is 12. The definition also includes contract employees that perform duties identical to state employees.
- Article IX, Sec. 6.10 (p. IX-33 of the bill as introduced) limits state employment to these FTE caps unless an agency receives approval from the LBB and Governor to exceed the cap.
- The State Auditor's Office produces a quarterly report on FTE levels for all agencies. This report is used as the basis for evaluating agency compliance with the FTE cap provision.
- Article IX, Sec. 6.10(g) exempts the FTE limitations on implementation of a new project that is 100 percent federally funded.

Schedule of Exempt Positions



Legislative Budget Board

- Each agency's bill pattern includes a schedule of exempt positions. With few exceptions, this schedule is limited to the salary of the chief executive for each agency and set by the Legislature in the General Appropriations Act.
- "Exempt" means exempt from the Position Classification Act.
- Article IX, Sec. 3.05 (p. IX-20 of the bill as introduced) limits the salary of exempt positions to those amounts listed in each agency's bill pattern. Sec. 3.05 provides the Governor latitude (within ranges) to set the salary level for certain exempt positions.
- Bona Fide New Position may be established by the Governor to accomplish duties related to programs or functions that were not anticipated, and for that reason not funded, under the General Appropriations Act.

Items of Appropriations (Strategies)



Legislative Budget Board

- In Texas' strategic planning system, strategies represent the method (e.g., immunizing Texas residents) by which an agency fulfills the goals (e.g., promoting public health) and objectives outlined in its strategic plan.
- Strategies are used to set forth actions to be taken by the agency to achieve goals. There may be multiple strategies under one goal. Funding is provided at the strategy level.
- In Texas, agencies request funding for each strategy in their strategic plan and these strategies become items of appropriations in the appropriations bill.

Riders



There are 3 primary types of riders:

- Appropriating Riders. These are infrequently used in the appropriations bill. Some examples:
 - A rider that appropriates an agency's unexpended balances of appropriation from 2007 to 2008.
 - A rider that appropriates to an agency any revenue raised for sale of license plates over the biennial revenue estimate contained in the appropriations bill.
- Directive Riders. These are the most prevalent type of riders in the appropriations bill. They may direct and/or limit how an agency uses appropriations made in line item strategies. Example: "Out of the funds appropriated in Strategy A.1.1., Immunizations, the department shall allocate \$1,000,000 per fiscal year toward expanding services into rural counties." A rider may not create or amend general law.
- Reporting Riders. These riders require an agency to submit a report on how a certain appropriation was allocated and/or how a funded program was implemented.

Riders in the Bill As Introduced



Legislative Budget Board

- The riders contained in the bill as introduced are the same riders included in the General Appropriations Act for the 2006-07 Biennium with the exception that almost all appropriating riders have been deleted.
- Riders in the bill as introduced use underline and strike-through to show legislative members the changes LBB staff recommend to the rider language contained in the 2006-07 General Appropriations Act. Examples:
 - A rider might be deleted because it requires a one-time report which the affected agency has already submitted.
 - A rider might be modified to clarify intent or modify direction based on circumstances that emerged during the 2006-07 biennium.

Performance Measures



Legislative Budget Board

- Performance Measures follow appropriations.
- The Texas budget system contains 6,489 performance measures.
- Of this total, 1,961 performance measures are included in the bill as introduced.
- There are several types of measures:

Outcome (results/impact)	879
Output (volume)	669
Efficiency	287
Explanatory	126
- In the appropriations bill, outcome measures are aligned with goals. Output, efficiency, and explanatory measures are aligned with strategies.

Capital Budget Riders



Legislative Budget Board

- Any agency whose recommended budget includes expenditures for a capital item (or group of similar items like PCs) in excess of \$25,000 will have a capital budget rider. The rider identifies each recommended project, the recommended spending level for 2008 and 2009, and the related method of financing.
- Institutions of Higher Education do not have capital budget riders.
- Article IX, Sec. 14.03 (p. IX-80) outlines certain limitations on capital budget expenditures and agency ability to transfer funds between capital budget items. The primary restriction is that an agency cannot exceed 125% of the amounts appropriated in the capital budget rider without approval by the Governor and LBB.

Capital Budget Riders Continued



Department of Information Resources – Exception from Capital Budget Limitations

- Rider 4, Capital Purchases on Behalf of Other Government Entities, exempts purchases of information resources and telecommunications technologies by DIR from limitations in the DIR capital budget and from Article IX provisions relating to capital budgets.
- Rider 7, Telecommunications Capital Budget Purchases, authorizes DIR to use funds appropriated in the GAA to purchase telecommunications items that would result in cost savings or technical advancements, and requires DIR to notify the Governor and the LBB prior to the purchases.

Capital Budget Riders Continued



Legislative Budget Board

- The capital budget rider may contain the following types of projects:
 - Acquisition of land and other real property (other than highway right-of-way by TxDOT).
 - Construction of buildings and facilities.
 - Repairs or rehabilitation of buildings and facilities.
 - Construction of roads (except by TxDOT).
 - Acquisition of information resource technologies (e.g., development, hardware, software, PeopleSoft, telecommunications, data warehousing, e-government)
 - Transportation items.
 - Acquisition of capital equipment items.
 - Payments for master lease purchase program.

ABEST



Legislative Budget Board

- ABEST is the Automated Budget Evaluation System of Texas. It is the data system into which state agencies electronically submitted their 2008-09 budget requests. It is also the system LBB staff use to build the various versions of the General Appropriations Act (Introduced, House, Senate, Conference Committee).
- Agencies submit into ABEST detailed information that supports the appropriations bill.
Some examples:



ABEST (continued)



Legislative Budget Board

- A breakdown of expenditures by object of expense, including:
 - o Salaries and wages
 - o Other personnel costs
 - o Faculty salaries (higher education only)
 - o Professional salaries (higher ed only)
 - o Fuels and lubricants
 - o Consumable supplies
 - o Utilities
 - o Travel
 - o Rent
 - o Debt service
 - o Other operating expenses
 - o Client services
 - o Food for persons
 - o Grants
 - o Capital expenditures

ABEST (continued)



- Information on all performance measures---not just those included in the appropriations bill.
- Information on any exceptional items requested above an agency's baseline budget request (Equal to 90% of 2006-07 appropriation).
- Detailed information about the capital budgets requested and future operating costs tied to those projects.
- Detailed information on federal funds, including a breakdown by federal grant and tracking expenditure of grant dollars across years.
- Information on revenues the agency collects, including beginning balance, expected revenues, expected expenditures, and ending balance.
- For certain agencies, information related to other direct and indirect costs are provided as estimates of the total expenditures by central service agencies for a specific program(s), strategy, and/or agency.



LBB Resource Publications



Legislative Budget Board

- Legislative Budget Estimates (LBE)
- LBE Summary
- House Bill 1
- Texas State Government Effectiveness and Efficiency-
Selected Issues and Recommendations
- 2006-07 Fiscal Size-Up
- 2006 Agency Contracts Report
- 2006-07 General Appropriations Act
- Quality Assurance Team Report
- Federal Funds Primer: Top 100 Federal Funding
Sources in the Texas State Budget

LBB Resource Publications Continued



Legislative Budget Board

- Financing Higher Education in Texas: Legislative Primer (Third Edition)
- Financing the Judiciary in Texas: Legislative Primer
- Overview of State Highway Fund 006 Report
- Annual Report on Major State Investment Funds: Fiscal Year 2005
- Criminal Justice Uniform Cost Report
- Adult and Juvenile Corrections Populations Projections Fiscal Years 2007 - 2012
- Statewide Criminal Justice Recidivism and Revocation Rates
- Texas Community Supervision Revocation Project: A Profile of Revoked Felons During September 2005

LBB Resource Publications Continued



Legislative Budget Board

- Texas Community Supervision Revocation Project: Fiscal Year 2006 Follow-Up Study
- Windham School District Evaluation Report
- Debt Affordability Study
- Texas Fact Book 2006

Publications are online at www.lbb.state.tx.us



Other Resources



Legislative Budget Board

Comptroller of Public Account's Documents:

- 2008-2009 Biennial Revenue Estimate
- Comptroller's Manual of Accounts

Comptroller of Public Account's Publications are online at
www.window.state.tx.us