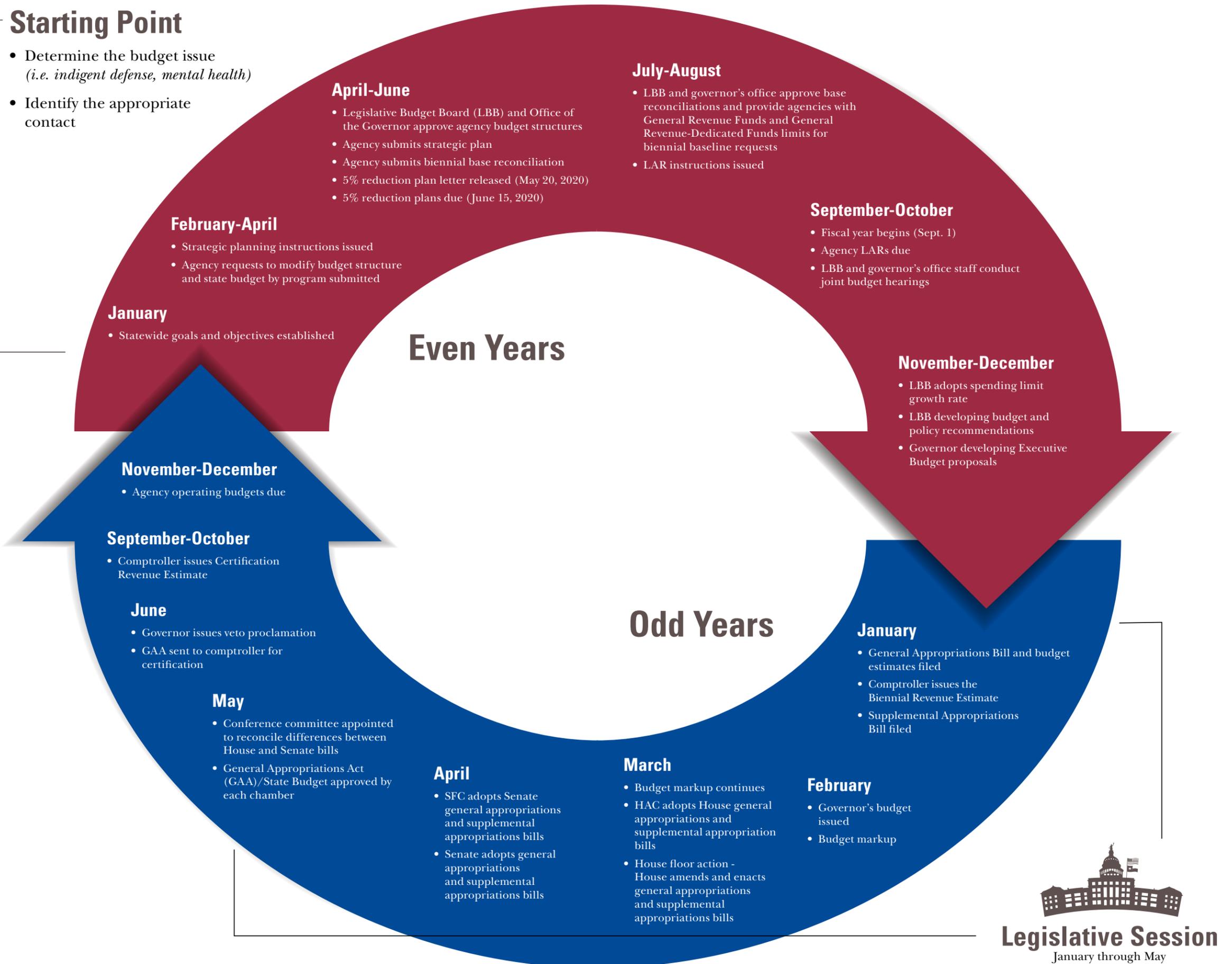


THE STATE BUDGET PROCESS

A two-year cycle



Legislative Session
January through May

Strategic planning. A mandatory process intended to ensure effective long-range planning and the efficient use of state resources in service to an agency’s core mission.

Agencies must also place their goals and action plans in the context of statewide goals and objectives established primarily by the governor’s Office. State agencies are required in even-numbered years to develop five-year strategic plans that include agency goals, strategies for accomplishing the goals, and performance measures.

In developing strategic plans for 2021 to 2025, agencies may wish to add, modify, or delete budget structure elements from those contained in the 2020-21 General Appropriations Act; to do so, agencies must submit a request to the governor’s Office and the LBB. These budget structures will be the basic structure for agency submission of Legislative Appropriations Requests (LARs).

Agency submits biennial base reconciliation. The 2020-21 base reconciliation approved by Legislative Budget Board (LBB) and governor’s staff becomes the basis for the General Revenue Funds and General Revenue Dedicated Funds limits provided to state agencies for preparing their baseline requests for the 2022-23 biennium. The 2020-21 biennial base is the total of the estimated expenditures for fiscal year 2020 plus the budgeted expenditures for fiscal year 2021 for the agency’s General Revenue Funds and General Revenue Dedicated Funds.

For the 2022-23 biennium, most agencies’ baseline limits reflect the 5% reduction plans required by state leadership in response to the pandemic and a drastic decline in oil prices.

Agencies are also required to provide details on how they would reduce their baseline request for general and general-dedicated funds by 10%. During prior fiscal downturns, the general revenue and General Revenue Dedicated Funds limit for baseline requests has been set at 95%, 90% and 87.5%.

Budget requests due. Agencies must submit their LARs by a certain due date. These dates are staggered to facilitate submissions from all the various state agencies, courts and higher education institutions.

Joint budget hearings. Statute (Government Code, Secs. 401.043-401.044) requires the Governor to hold budget hearings at which agencies and the public may testify. LBB and Governor’s budget staff hold joint budget hearings in the late summer and fall prior to the legislative session for agencies to explain their requests and answer questions about their LARs.

Growth rate. The Texas Constitution, Article VIII, Section 22, prohibits appropriations funded with state tax revenues that are not dedicated by the constitution from growing faster than the estimated rate of growth of the state’s economy.

LBB recommendations subject to Legislature. Statute (Government Code, Sec. 322.008) requires the LBB to submit an estimated state budget to the governor and the Legislature at the beginning of each legislative session. These are called Legislative Budget Estimates and show by agency the amounts spent or budgeted in prior years, the budget amounts requested, the amount recommended in the bill(s), and the amounts by funding source. The LBB must also submit a budget in the form of a bill at the beginning of the session. These bills serve as the starting point for the Legislature’s budget deliberations.

Comptroller’s revenue estimate. Before each regular legislative session, the comptroller must estimate the revenue and expenditures for the current fiscal year and the anticipated revenue for the upcoming biennium. The comptroller may revise the initial revenue estimate at any time.

Supplemental appropriations bill. The Legislature may change the state budget through a supplemental appropriations bill after the budget has been approved. Because the legislative session begins in January, with 8 months remaining in the two-year budget period, the Legislature often appropriates funds to cover budget shortfalls, respond to emergencies, and capture budget savings in the last fiscal year of a biennium. As an example, a budget shortfall in the Medicaid program is fairly common. [Senate Bill 500](#), the supplemental appropriations bill for fiscal year 2019, included funds for the Medicaid shortfall, but also matching funds to assist local governments in drawing down FEMA funds for Harvey recovery programs.

Budget markup. In the House, the Appropriations Committee (HAC) has jurisdiction over appropriation bills, and in the Senate, the Finance Committees (SFC).

HAC and SFC chairs appoint standing committees and workgroups, respectively, to consider different articles of the budget such as general government, health and human services, and education.

HAC (mostly the HAC sub-committees), and SFC hold public hearings where LBB recommendations are presented, and agency and public testimony received.

House markup. HAC is required by House rules to report the general appropriations bill to the full House by 90th day of the session.

The House version of the appropriations bill can be amended on the House floor. House rules require any amendments be cost-neutral – any amendment adding or increasing an appropriation item must contain an equal or greater reduction in one or more other appropriation items.

Senate markup. SFC budget hearings mostly occur before the entire committee. Unlike the House, the SFC version of the budget usually passes the full Senate without floor amendments.

Conference committee action. After chambers have adopted their versions of the appropriations bill, the speaker and the lieutenant governor appoint members from their chambers to a conference committee to reconcile the differences between the bills. Typically, the conference committee is made up of the HAC and SFC chairs, and four other members apiece from HAC and SFC – a total of 10 conference committee members.

Budget approved. After passage by both chambers and signed by the speaker and the lieutenant governor, the General Appropriations Act (GAA) must be certified by the comptroller. It is then sent to the governor who subject to certain deadlines, has line-item veto authority over parts of the GAA.

Budget sent to comptroller for certification. 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 the state will have enough revenue to cover the approved spending. Also, state law requires the comptroller certify the appropriations within 10 days, of the act being reported enrolled by the chamber from which it originated.

Budget sent to governor for signature. Art. 4, sec. 14 of the Texas Constitution 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.”

While the Legislature is in session, the governor has 10 days (not counting Sundays) after receiving the spending bill to veto appropriations. 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 items, the bill is returned to the Legislature, which may override the veto if two-thirds of the members present in each chamber approve. The chamber 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) to act. In these circumstances, if the 87th Legislature’s 2021 regular session lasts its full 140 days and ends on May 31, the veto deadline will be June 20.

Because the general appropriations act receives final approval during the last few days of a session, the Legislature forfeits the chance to override these vetoes.

Agency operating budgets due. Detailed report on budgeted spending for the first year of the new two-year biennium and actual expenditures for the two prior fiscal years.

For the 2022-23 biennium, the budget cycle has been delayed with LAR due dates and public hearings pushed back to September and October 2020. [The LAR submission schedule](#) can be found here.