

ANGIE CHEN BUTTON



The State of Texas
House of Representatives



January 18, 2013

Friends,

I hope everyone is having a good week. The House met on Monday and Tuesday of this week and then it recessed so that those wishing to, could travel to attend the Presidential Inauguration, and to observe Martin Luther King, Jr. Day. Before recessing, House members submitted their committee requests to the Speaker's office and the budget bill, HB 1, was filed.

The Budget

This week the House and the Senate filed their proposed budget plans. The two plans form the starting point for what will be months of discussion as we work to fund state government for the 2014-15 fiscal biennium. The House called for \$187.7 billion to fund state services over the next two years. The bill includes funding education to meet projected enrollment increases over the next two years, and it covers projected growth in Medicaid.

According to Appropriations Chairman Jim Pitts, "This bill will allow the House to have an open, thorough, and transparent debate about appropriate funding levels for education, infrastructure, and services for the citizens of this state."

The revenue outlook is brighter than it was in this stage of the process two years ago. In the 2012-2013 budget, we cut \$15 billion in state spending and passed a \$173 billion budget for the current biennium. Comptroller Susan Combs told legislators last week that we will have \$101.4 billion in state general purpose revenue for the upcoming biennium and a total of \$208.1 billion from all sources, including federal money. Although we have more money to work with than we did last session, the Texas House will strive to maintain its commitment to fiscal discipline.

The House plan, known as HB 1, assumes the passage of a \$6.8 billion supplemental bill in the coming weeks to take care of leftover obligations in the current biennium. This means that the proposed 2014-15 budget will reflect a \$2.2 billion decrease over current spending. The proposed House budget falls below Comptroller Combs's revenue estimate and is \$3.7 billion less than the state constitutional spending limit. It includes \$89.1 billion in state general revenue.

Additionally, the House has discussed plans to cover the remaining costs from the 2012-13 biennium, such as the five unfunded months of Medicaid, a shortfall in the Foundation School Program, and reimbursements for wildfire expenses in a supplemental appropriations bill.

I will discuss the budget in more detail over the coming months as my colleagues and I move forward. I invite you to provide input throughout the process.

How the Budget Process Works

I would like to take this opportunity to give a brief explanation of how the process in our state works so that you may more closely follow and provide input into the development of your state budget. I will do my best to be brief and if you have any follow-up questions, please do not hesitate to contact me.

Texas' two-year budget takes about four years 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.

Step 1.)

The first step in preparing the budget is the development of a statewide vision. The Governor, in cooperation with the Legislative Budget Board (LBB), is responsible for preparing the vision statement that helps frame 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.

Step 2.)

The next step is the development of a strategic plan by each state agency. The strategic plan is a long-term plan that sets forth where an agency is and where the agency would like to go. The agency submits its plan to the Governor's Office and the LBB for approval. In the spring preceding the legislative session, the LBB sends out Legislative Appropriation Request (LAR) instructions. These instructions are used by agencies to develop their budget requests. Included in each agency's LAR are the performance measures on which the budgeting is based. During the summer months, hearings are held 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. These LARs form the basis for the appropriations bill. During the fall prior to the legislative session, LBB staff prepares the general appropriations bill draft.

Step 3.)

The appropriations bill is filed in both houses of the legislature. This allows each house to work on the bill simultaneously. As a matter of balance, the final bill sent to the governor, is a senate bill one session and a house bill the next. The comptroller is required to provide the legislature a biennial revenue estimate (BRE) at the beginning of each regular session. Because the legislature is constitutionally prohibited from appropriating more revenue than will be collected, the BRE is used by the legislature to ensure that expenditures 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 hear testimony from state agencies on the budget. Each committee makes changes to the budget proposal. This process is referred to as "markup." After the bill passes out of committee, it will come to a vote in each chamber. The bill is then referred to a conference committee, composed of members of both the House and the Senate, to work out differences. After the conference committee has agreed on a version of the appropriations bill, the

bill is sent back to both houses for a vote on final passage and is then 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. After the appropriations bill is certified by the comptroller, it goes to the governor for signing.

Step 4.)

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 1st of each odd-numbered year.



Discussing House Business with Representative J.M. Lozano.

It is an honor to serve as your State Representative. Please continue to communicate your views on issues that are important to you.

Sincerely,

Angie Chen Button

If you would like to be added or removed from this mailing, please e-mail Angie.Button@house.state.tx.us.