

Texas Budget System  
Financing Texas Government

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Topics in Governmental Budgeting

- Governmental budgeting
  - Functions of budget
  - Budget process
  - Limitation on budgeting
- Taxation
  - Theories of taxation
  - Language of taxation
  - Types of taxes
  - Taxation systems
- Spending
  - Functions
  - Amounts

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Functions of a Budget

- Planning of expenditures
- Authorization of programs, employees salaries and benefits
- Establishing standards of accountability for programs and agencies

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Budget Process in Texas

- Institutions involved
  - Legislative Budget Board
  - Legislative Audit Committee
  - Governor’s Budget Office
  - Comptroller of Public Accounts
  - Spending Agencies

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Steps in Budget Cycle

- Planning
- Authorization (Appropriations)
- Budget Execution (Spending)
- Auditing

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Planning Considerations

- Two year budget- only major urban state with a biennial budget
- Balanced budget- most states require
- Dedication of funds sources
  - Federal funds restrictions
  - Constitutional and statutory restrictions on state funds
- Constitutional limitations on taxation
  - Art III, sect 49a- pay as you go
  - Art III, sect 51a- limits on welfare spending
  - Art VIII, sect 22- limit on growth from revenue not to exceed rate of growth of state’s economy
  - Art VIII, sect 1- limits types of taxes state may levy

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Planning the State Budget

- Agencies involved-
  - Legislative Budget Board
  - Legislative Audit Committee
  - Governor’s Budget Office
  - Comptroller of Public Accounts
  - Cost Centers (State Agencies)

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Legislative Budget Board

<http://www.lbb.state.tx.us/>

- **COMPOSITION**
- Co-Chairs
  - Lieutenant Governor
  - Speaker of the House of Representatives
- Automatic Members
  - Chairman, House Committee on Appropriations
  - Chairman, House Committee on Ways and Means
  - Chairman, Senate Finance Committee
- Appointed Members
  - Two House members appointed by the Speaker
  - Three Senate members appointed by the Lieutenant Governor

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Main Steps in the Budget Process

- Major steps
  - Budget requests by agencies –Sept odd year to Jan even year
  - LBB/EBO review of requests- combined staff reviews during periods from January even to September even
  - Comptroller’s Estimate of Funding- periodic estimates of available revenues
  - Preparation of LBB/ EBO recommendations-
    - Independent preparation
    - September even to January odd
  - Presentation to Legislature in January of odd year

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Authorization Process

- Committees involved
  - House- Ways and Means (taxation), House Appropriations
  - Senate- Senate Finance Committee, Senate Committee of the Whole on Finance
- Steps
  - Committee hearings on budget recommendations
  - Committee recommendations on appropriations
  - Floor action by each chamber
  - Conference Committee Report
  - Comptrollers Certification
  - Governor's Action (item veto possible)

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Budget Execution

- Agencies involved
  - Spending Agency
  - Comptroller of Public Accounts
  - Executive Budget Office/LBB in event of need to alter existing budget

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Legislative Audit Committee  
& State Auditor  
<http://www.sao.state.tx.us/>

- Legislative Audit Committee
- State Auditor's Office

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Legislative Audit Committee

- Co Chairs
  - Dan Patrick, Lt. Governor of Texas
  - Joe Strauss, Speaker of the House
- Senate Members
  - Jane Nelson, Chair, Senate Finance Cmt
  - Robert Nichols
- House Members
  - John Otto, Chair, House Appropriations Cmt
  - Dennis Bonnen, Chair, House Ways and Means Cmt

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State Auditor’s Office

- State Auditor is selected by the Legislative Audit Committee
- Functions of the State Auditor’s Office
  - Financial/Compliance Audits
  - Economy/Efficiency Audits
  - Effectiveness Audits
  - State Personnel Classification Audits
  - Legislative Committee Support

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Taxation

- Theories of taxation
  - benefits received
  - ability to pay
- Terms
  - incidence- defines the sectors of the economy on whom tax falls
  - progressivity of taxing system
- Criteria- efficiency, economy, convenience, sufficiency, fairness, certainty

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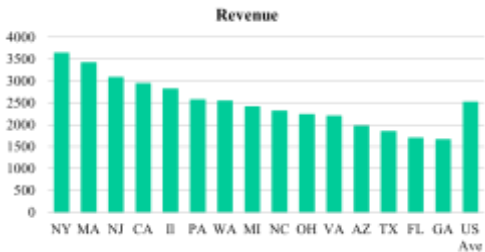
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Per Capita Tax Revenue



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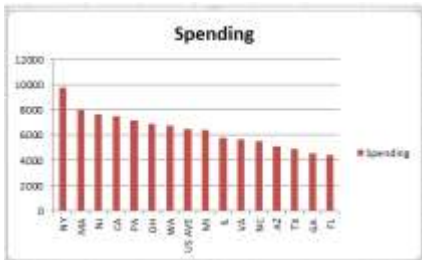
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Per Capita Spending



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Texas Spending Rank  
Per Capita Spending  
- US Census Bureau

• Overall spending per capita	50
▪ State employee wages	50
▪ Parks and recreation	48
▪ Cash welfare	48
▪ Mental health	47
▪ Public welfare/Medicaid	46
▪ Public health	45
▪ Highways	42
▪ Education	37
▪ Corrections	17

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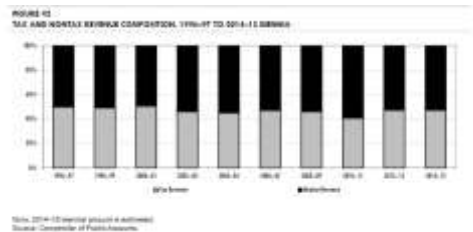
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Comparison of Tax and Non-Tax Sources of State Revenue



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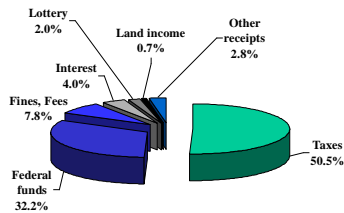
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Texas Revenue Sources



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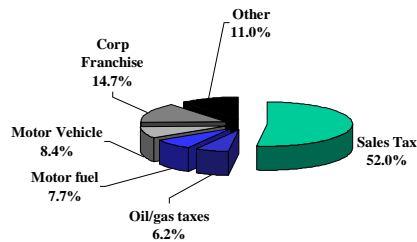
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Percent of Taxes



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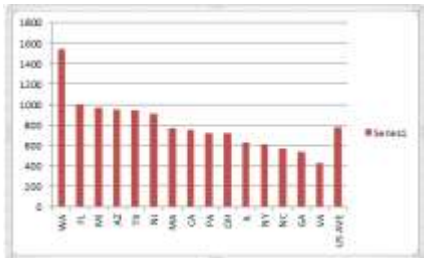
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Sales Tax Per Capita  
15 Most Populous States



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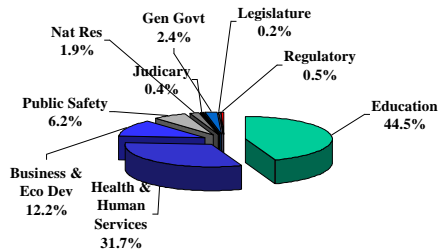
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Budget by Function,



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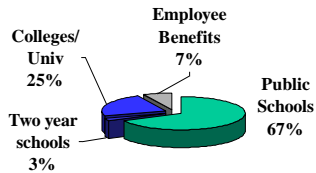
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Education Expenditures



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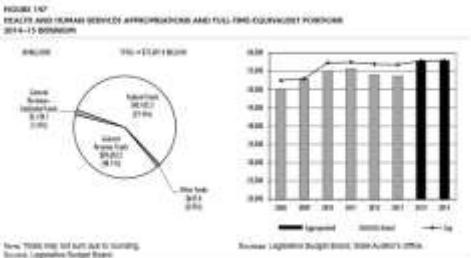
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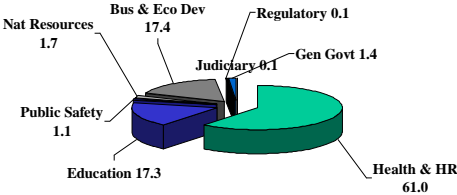


Health Expenditures



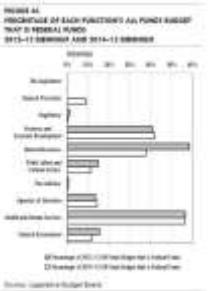
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Allocation of Federal Funds



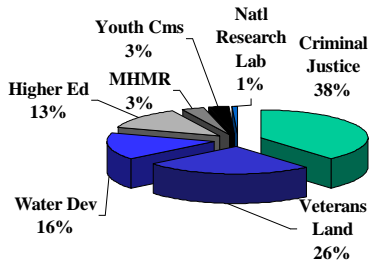
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Percentage of Federal Funding, by function, 2014-2015



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State Debt  
General Obligation Bonds



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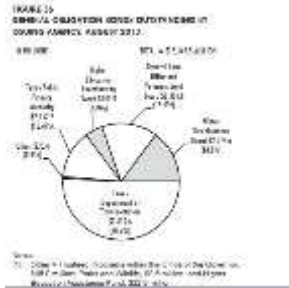
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Outstanding State Debt



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Major Challenges

- Additional revenues
- Educational Funding
  - Public schools- “Robin Hood”
  - Higher education- growth/ quality
- Health Benefits
  - State employees health insurance
  - Public school teachers health insurance
  - Health costs for uninsured- Medicaid

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Reasons for Spending Growth

- Growth in population
- Inflation
- New state services/ expansion of existing services
- Federal mandates

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