

Texas Budget System
Financing Texas Government

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

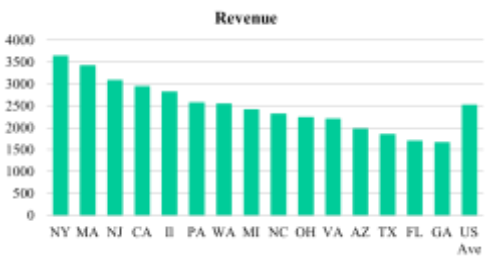
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Taxation

- 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

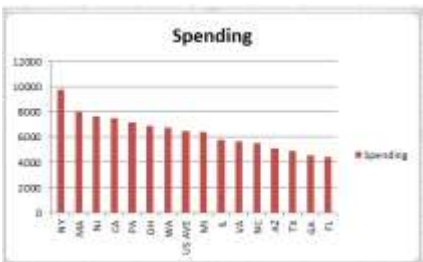
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Per Capita Tax Revenue



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Per Capita Spending



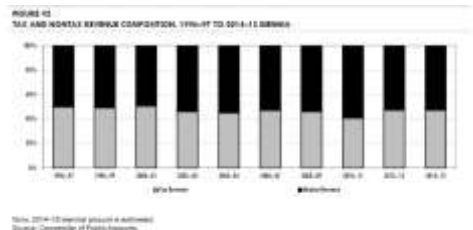
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Texas Spending Rank
Per Capita Spending
- US Census Bureau

- 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

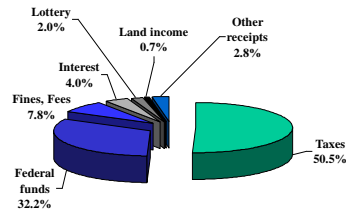
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Comparison of Tax and Non-Tax Sources of State Revenue



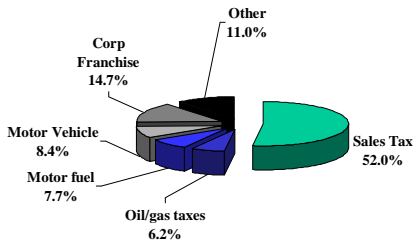
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Texas Revenue Sources



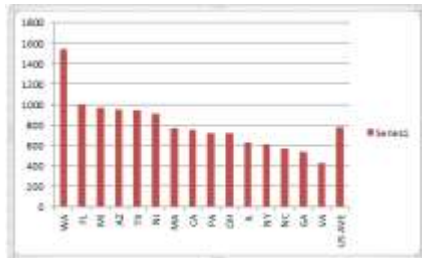
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Percent of Taxes



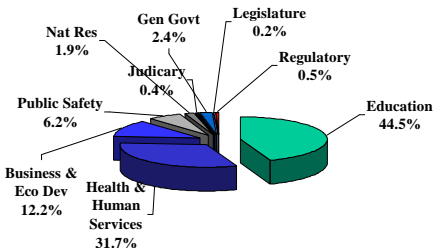
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Sales Tax Per Capita
15 Most Populous States



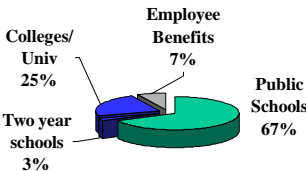
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Budget by Function,



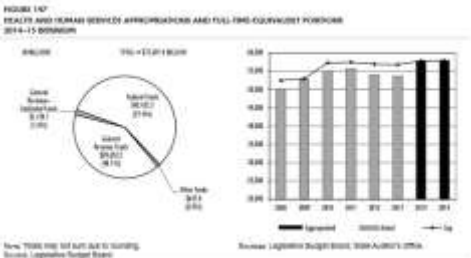
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Education Expenditures



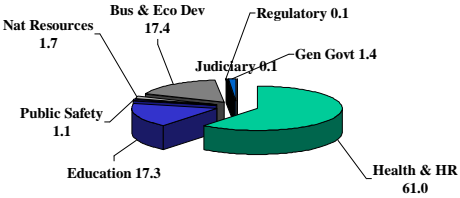
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Health Expenditures



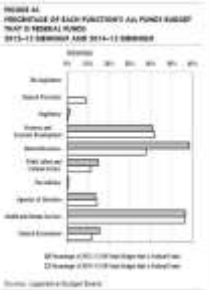
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Allocation of Federal Funds



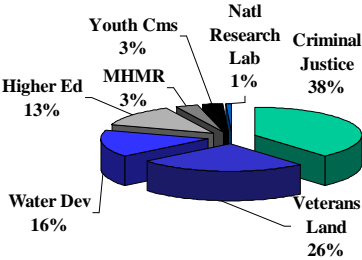
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Percentage of Federal Funding, by function, 2014-2015



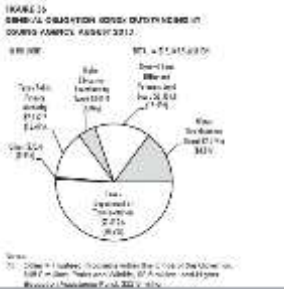
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State Debt General Obligation Bonds



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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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