



POLICY DEVELOPMENT IN TEXAS: THE FISCAL REALITIES

This brief document points out some very general information about the state budget and fiscal note process in Texas, as well as the major categories of spending and revenue by level of government—local, state, and federal. For more CPPP information on our fiscal challenges, see *Building Texas: The Tax and Budget Primer*.

The Texas Budget

Biennial (September of even-numbered years to August of odd-numbered years) and **legislatively** driven

Most of the authority that state agencies have to spend public money comes from the biennial **General Appropriations Act**, with occasional supplemental appropriations or other major legislation also affecting state spending.

The key issue is the use of General Revenue (and GR-Dedicated) dollars, versus Federal and Other (such as Highway, Property Tax Relief, or Economic Stabilization) funds. Biennial GR appropriations **cannot exceed the Comptroller of Public Account's certification** of GR available through the end of that 2-year period. Other constitutional limits exist on spending for needy children, debt service; and on the growth of state spending of undedicated taxes.

Other important documents/sources of information:

- *Fiscal Size-Up, Texas Fact Book, and Legislative Budget Estimates* (see www.lbb.state.tx.us)
- Biennial Revenue Estimate, Annual Cash Report, State Comprehensive Annual Financial Report; Sources of Revenue Growth (see www.cpa.state.tx.us)

Legislative Fiscal Note process

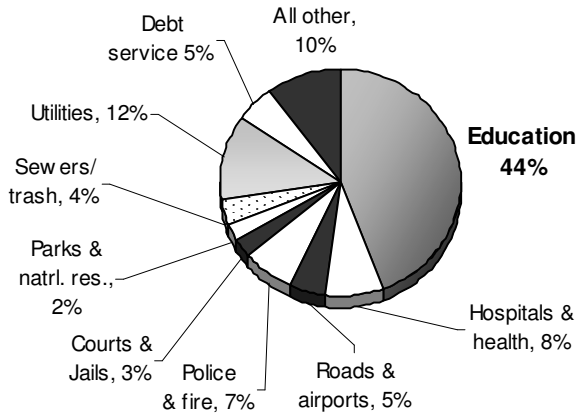
Fiscal notes are prepared for bills that would directly affect revenue or spending by state government or that would have an impact on local governments (if known). To see examples, go to www.capitol.state.tx.us/Search/TextSearch.aspx and select “Fiscal Note” as Document Type (lower right section); try different search terms such as “health” or “prisons”.

Along with providing a five-year estimate of how major state funds would be affected (General Revenue, Federal, State Highway, etc.), fiscal notes also identify changes in state **staffing** (Full-Time Equivalent/FTEs) or **technology** that would be needed to implement a bill.

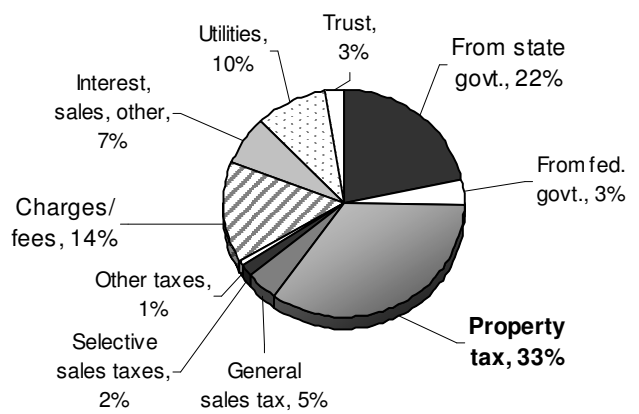
Methodology describes the cost assumptions made (such as how many people served, cost per unit, etc.); does not include inflation over the five years or the indirect or dynamic impact of the proposed policy change.

Other kinds of impact statements that may accompany a fiscal note: **Actuarial** (for pensions); **Criminal Justice Policy**; **Equalized Education Funding** (public elementary/secondary Foundation School Program); **Higher Education**; **Open Government**; **Tax/Fee Equity**; **Water Development Policy**

Texas Local Govt. Spending in 2006

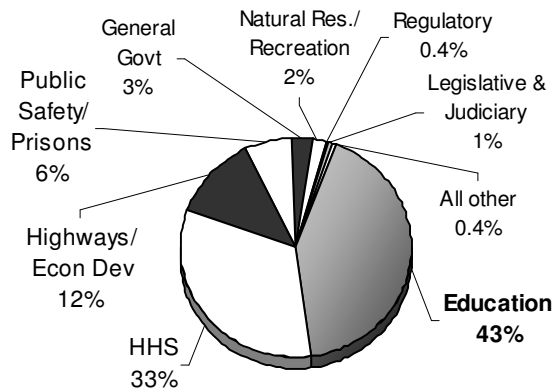


Texas Local Govt. Revenue in 2006

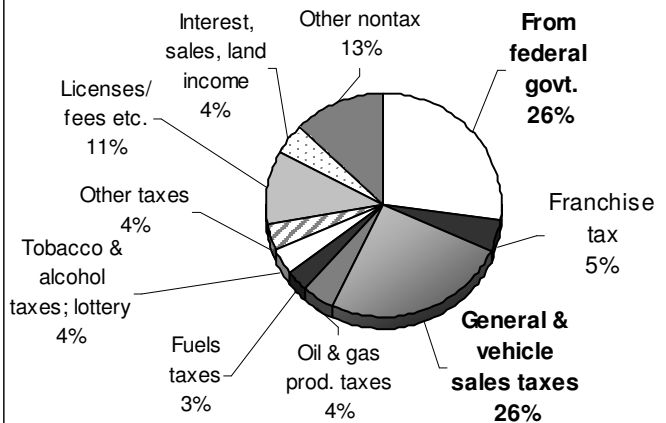


LOCAL OWN-SOURCE SPENDING: \$71 BILLION (7% of Gross State Product)

Texas State Govt. Spending in 2008

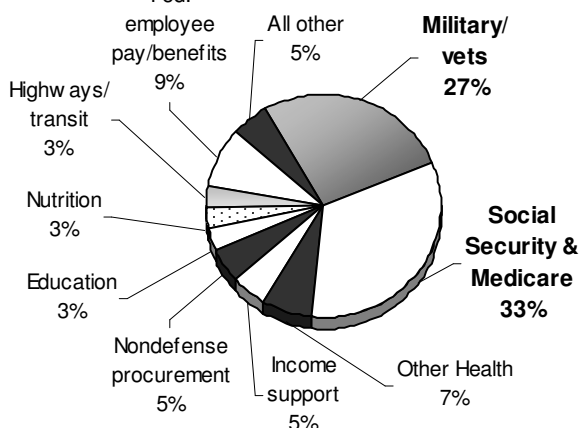


Texas State Govt. Revenue in 2008

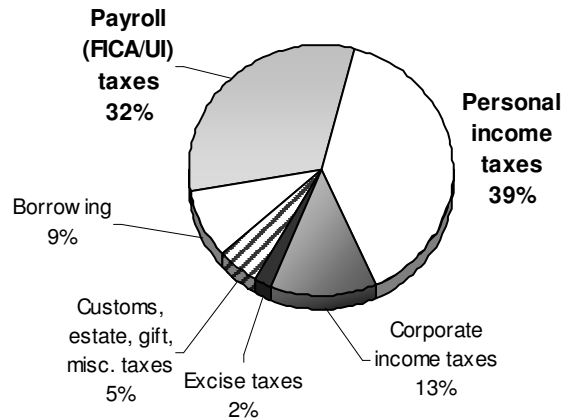


STATE OWN-SOURCE SPENDING: \$58 BILLION (5% of GSP)

Federal Spending in Texas in 2007



Federal Revenue in 2006



FEDERAL SPENDING: \$172 BILLION (15% of GSP) excludes loans & insurance programs