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BUDGETING FOR TOMORROW

As preliminary budget hearings wrap up, burgeoning needs for 2002-03 emerge

Although the 77th Legislative Session is months away from starting, the state budget-writing cycle for the 2002-2003 biennium is about halfway over. This Policy Page summarizes some of the major steps that have already taken place as agencies develop their budget requests and provides additional information on how you can help make the state budget more responsive to the needs of Texas' low-income families.

BUDGET PROCESS UPDATE

The development of the Texas state budget—and the real meaning of terms like “state surplus”—becomes more clear if we back up to the point at which agencies are told how to prepare their biennial budget requests. This set of instructions comes from the Legislative Budget Board (LBB) and Governor's Office of Budget and Planning (GOBP). In May 2000, executive agencies were informed by the LBB and GOBP that their baseline budget requests for state (General-Revenue related) dollars should not exceed their amount of state funding spent in fiscal 2000 and budgeted for fiscal 2001. In other words, most agencies were told to “hold the line” on state spending, just as they had been told in 1998. Exceptions were made for K-12 and higher education enrollment growth; maintaining school finance equity; operating adult and youth corrections facilities; servicing existing state debt; adjusting employee benefits for payroll changes; and maintaining caseloads for federally mandated programs. As a result, many requests to increase state spending in 2002 and 2003—even when increases are needed to maintain “current services”—will be considered “exceptional items,” rather than part of the “base” budget.

After receiving the instructions, agencies worked throughout the spring and early summer on their strategic plans and biennial budget requests. In August, joint LBB-GOBP budget hearings got underway for state agencies. At these hearings, state officials described their baseline and exceptional item requests and answered questions from the LBB and Governor's Office budget analysts. Other House Appropriations

and Senate Finance Committee staff have also participated. The hearings also gave members of the general public and advocacy groups a chance to offer their comments and testimony.

At the same time that agencies were developing budget requests for 2002 and 2003, some were also having to ask for additional money for the current (2000-2001) biennium. By July, the amount of additional money needed was at least \$610 million, mostly for a \$35 million prison employee pay raise and Medicaid program shortfalls. Other agencies are holding off on asking for additional money, but may eventually need the LBB and GOBP's permission to reallocate unused funds to cover shortfalls in their fiscal 2001 budgets. For example, the Texas Department of Human

Writing the Fiscal 2002-2003
Texas State Budget

May 2000: Budget Instructions Issued

June: Agencies Submit 5-Year Strategic Plans

July-Aug.: Agencies Submit 2-Year Budget Requests

Aug.-Sept.: LBB/Governor Hold Budget Hearings

January 2001: LBB and Governor Issue Budget
Recommendations to 77th LegislatureJanuary-May: Legislators develop and enact an
appropriations billJune: Appropriations bill is certified by Comptroller
and approved by Governor

Services (DHS) could end up with a \$9 million shortfall in its TANF cash assistance program because caseloads are not dropping as fast as expected. All of these issues make it difficult to conclude that the budget approved by legislators in May 1999 truly met the basic needs of state agencies, and suggest a need to make more realistic assumptions—particularly about the state's "safety net" programs.

Needs Increase as Impact of Tax Cuts Almost Doubles: A CPPP analysis of some of the largest health and human services (HHS) agencies—the Department of Health, DHS, Department of Protective and Regulatory Services, Health and Human Services Commission, and Department of Mental Health and Mental Retardation—indicates that the increases in baseline requests for 2002-2003 are more than twice as large (\$1.2 billion) as they were two years ago (\$603 million). Exceptional items for these agencies have also skyrocketed, from \$3.3 billion to \$6.1 billion (of which \$2.6 billion is General Revenue requests). These requests will have to compete with increases for public K-12 and higher education, corrections, teacher and employee benefits, and other demands on the state's limited funds. Furthermore, the major tax cuts enacted in 1999 will reduce state revenues by \$977 million during 2002-2003, up considerably from the \$496 million revenue loss they caused in 2000-2001.

Despite a robust economy, state resources to meet growing needs in a growing state and to address long-neglected problems will apparently be limited, at best. This unsettling reality is beginning to sink in as lawmakers prepare for the coming session. Readers may be surprised to realize how difficult the coming budget deliberations are likely to be, but it is important to remember that the two-year state budget is now approaching \$100 billion. It will not merely be a matter of how much money is available but how investments in meeting human needs are prioritized.

There are links at the end of this *Policy Page* to recent testimony by CPPP at several agency budget hearings on issues such as children's health insurance, more strategic uses of TANF and enhanced federal funds earned from the Food Stamp program, child protective services and foster care program needs, and the need for better outcome measures for state K-12 spending on economically disadvantaged students. These links will provide more detail on our preliminary analyses of budget requests, but are by no means a complete look at the major health and social services issues that will need attention in the 2001 legislative

session. Future *Policy Pages* and alerts will keep you informed of those developments as they emerge.

Make Your Opinions Heard

On Tuesday, October 10, the Health and Human Services Consolidated Budget will be heard by the LBB and Governor's Budget Office staff at 1:30 PM in Room E2.026, Capitol Extension, Austin. This hearing presents another opportunity before budget recommendations are finalized for interested Texans to express their support or make other recommendations. Members of the public can also address written comments to the LBB or Governor's Office at the following addresses:

Legislative Budget Board

P.O. Box 12666, Capitol Station
Austin, Texas 78711-2666
Fax 512-475-2902

Governor's Office of Budget and Planning

P.O. Box 12428, Capitol Station
Austin, Texas 78711-2428
Fax 512-463-1880

See the testimony that has already been presented by CPPP at the LBB-Governor's Office Joint Budget Hearings:

Texas Education Agency:

<http://www.cppp.org/products/testimony/testimony/tst91300.html>

Texas Dept. of Human Services:

<http://www.cppp.org/products/testimony/testimony/tst9700.html>

Texas Dept. of Protective and Regulatory Services:

<http://www.cppp.org/products/testimony/testimony/tst83000.html>

Texas Health and Human Services Commission:

<http://www.cppp.org/products/testimony/testimony/tst81800.html>

Texas Workforce Commission:

<http://www.cppp.org/products/testimony/testimony/tst91900.html>

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