



Overspending the Biennial Budget in Texas: Appropriation vs. Expenditure

Report I—First in a Series of Reports Examining the State Budget

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In May 2003, the Texas Legislature passed the Appropriations Act (Budget) for the 2004/2005 biennium totaling \$117.4 billion. In May 2005, the Texas Legislature passed the Appropriations Act for the 2006/2007 biennium totaling \$138.7 billion. That is a 17.5 percent increase over the budget passed in 2003. However, the budget writers claim only a 9.5 percent increase, representing only half the actual budget increase from biennium to biennium. Which number is right? Good cases are made for each of the budget increase measures as being correct. A fair question is, “Where is the accountability for tax dollars spent by state government in Texas?”

Over the next few months the Texas Public Policy Foundation will publish additional reports around this topic and make suggestions to improve the process and provide more accountability for tax dollars spent in Texas.

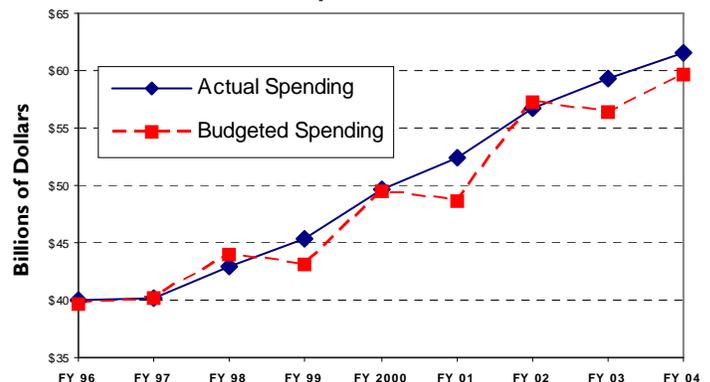
There is a perception that when the budget is passed in a regular session of the Legislature, that it is set for two years. In fact, this is just the beginning. There may be Riders (a directive) in the Appropriations Act that give authority to agencies to spend more funds than appropriated should more money be collected or in the case that more federal money flows to the state. There is usually a provision to notify the Legislative Budget Board and the Governor of the extra funds and it may require approval from them before the money is spent. The Legislative Budget Board is a group of legislators; the Lt. Governor and the Speaker of the House with five Senators and five House Members. There is staff provided, responsible for putting the budget together, working with the agencies and then tracking progress through the biennium. In the case of fees, there may be an estimated amount stated that is expected to be collected, but the law allows money over the estimate to be spent when more is collected.

Additionally, there is action that can be taken by the Governor and Legislative Budget Board through “Budget

Execution Authority” that can add more money to an agency budget. They may give an agency permission to “spend forward,” knowing that when the Legislature meets in the next session, a supplemental appropriations bill can be passed to add more money to the budget to cover the additional expenditure. Of course, if a bill is not passed and an agency has spent forward, they will run out of money before the fiscal year ends. However, running out of money rarely, if ever, happens for an agency. These are the most common ways for a budget to be increased after the Appropriations Act is passed.

Figure 1

Actual vs. Biennially Budgeted Spending—All Funds By Fiscal Year



NOTE: Even numbered years are first years of biennia.

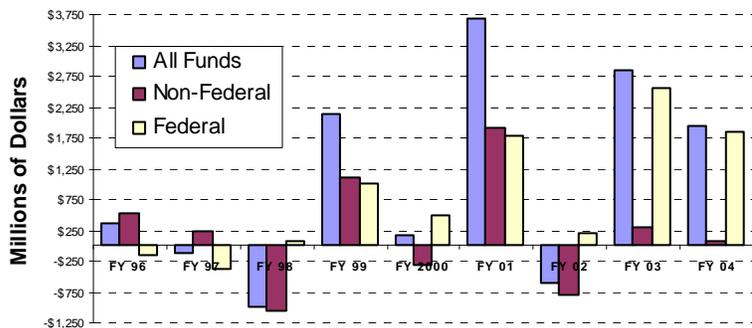
What is interesting in looking at Figure 1 is that the Legislature seems less and less able to gauge in advance the spending that will occur during a biennium. What is particularly strange is that recently, second-year appropriations in each biennium are lower than both budgeted and actual spending in the first year of the biennium. This occurs even though history clearly teaches that spending will increase from year to year. Figure 2 shows that this phenomenon is occurring with both federally and non-

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federally funded spending. It is not just a federal funds issue.

Figure 2

Difference Between Actual & Biennially Budgeted Total Spending By Funding Sources & Fiscal Year



Let's go back to the issue of how much the state budget increased from one session to the next. The 17.5 percent increase compares the 2003 Appropriations Act bottom line to the 2005 Appropriations Act bottom line (\$138.7 billion minus \$117.4 billion gives you \$21.3 billion or 17.5 percent growth). However, the budget adopted at \$117.4 billion actually spent out at \$126.7 billion so the budget writers want to talk about a growth of 9.5 percent (\$138.7 billion minus \$126.7 billion gives you \$12 billion or 9.5 percent growth). The difference between the adopted amount and the expended amount is probably caused by all of the reasons noted above, but the money has to have come in or it couldn't have been spent. This lets us know that the economy likely performed better than the Comptroller projected when the budget was certified and that the economy is good.

Except for the numbers being larger, this is not an unusual chain of events for the budget. It has been happening this way for years, but some legislators have tried to minimize the difference between the budgeted and spent amounts because of their concern about public opinion. Since much of the increase is approved by only 12 Legislators, are taxpayers really represented in the process? There is no question that having a tool in place for making changes to the budget in emergency situations is better than having to call a special session, but have we made it too easy with our current process?

A valid question can be raised concerning over-spending of the budget. If only the \$117.4 billion appropriated in

2003 had been spent, \$9.3 billion would have been available for 2005. Let's say the state spent \$1.3 billion more, leaving \$8 billion unspent and add the \$3 billion that was available in 2005 that was not appropriated, there would have been \$11 billion available to the 79th Legislature to solve the school funding/property tax reduction issue—without looking at any other tax increase or restructure.

One can understand why some taxpayers are saying, "There is not a revenue problem, but a spending problem." Granted, the increase in the state's spending may have been due in part to population growth—more people accessing services such as Medicaid and some restricting of funds for a certain use—but there is much room for improvement in accountability. Members of the Legislature, if interested, need to be equipped with information to justify the appropriated versus spent amounts.

A good accountability system should provide data on how effective a program is and the value received for the dollars spent, so an intelligent decision can be made about continuing the expenditure under that structure. Changes to give greater accountability for tax dollars spent should be made by the Legislature, not left for agency staff to come up with these ideas. Complaining about the bureaucracy and doing nothing to show greater accountability to the taxpayers for tax dollars spent does little or nothing for progress.

As spending trends that, in some instances, have been established over a long period of time are explored, it will take a focused effort to make meaningful changes. Keep in mind that those benefiting from certain expenditures will resist any change. Unchecked spending cannot be sustained by any tax system. A better accountability system for money spent in the past will pay great dividends in the future.

As this series of reports continues during 2006, other budget issues will be discussed and suggestions will be offered to improve public accountability for tax dollars spent by state government.

Please send any comments on this article to:
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 and they will be forwarded to the author.

