

By The Honorable Talmadge
Heflin & James Quintero
Center for Fiscal Policy

★ DECEMBER 2008

SPENDING PRIORITIES

THE ISSUE

Every two years, legislators must write a new state budget that best serves the people of Texas while also limiting the burden it places on them. In order to write such a budget, the Legislature has to maximize available tax dollars by balancing actual needs and available revenue. Remember, for every dollar the Legislature allocates to one area of the budget, it loses the ability to spend it in another.

Maintaining a balance between actual needs and available revenue is complicated because the Legislature faces constant pressure to either add new programs or expand existing ones which may have already outlived their original purpose. Should the Legislature decide to add new programs or expand existing ones unnecessarily, it can create a situation where tax dollars are wasted and the bureaucracy becomes bloated.

To avoid growing government unnecessarily and prioritize budget growth, the Legislature should develop criteria to evaluate the program/agency spending.

Ideally, these criteria should begin with determining whether or not a program/agency should exist in the first place. To make this determination, a program/agency should yield a positive answer to the following four questions:

- *Clarity*: Does the program/agency clearly benefit the majority?
- *Consistency*: Do the goals of the program/agency match the goals of the state?
- *Necessity*: Can only the government fulfill this obligation?
- *Profitability*: Are the costs of a program/agency outweighed by the benefits?

Should the answer to any one of these questions be no, then lawmakers should withhold funding. However, if the program/agency satisfies these measures then legislators can begin determining the order in which agencies should receive *limited* funding by asking:

- Does the program/agency protect private property?
- Does the program/agency protect liberty?
- Does the program/agency enhance private enterprise?
- How difficult is it to measure the performance of a program/agency?
- How well does a program/agency's performance compare to others?
- How has the program/agency performed over time?
- Is there evidence that continued or increased funding will maintain or significantly improve outcomes?
- Are the general benefits of a program evenly distributed across the state?
- Does a program or agency exist only for the sake of gaining federal funds?
- Is the program/agency's existence owed to the fact that other states fund similar programs?

TEXAS PUBLIC POLICY FOUNDATION

Using this set of uniform criteria as a guide to assess the value of every government program/agency, legislators should be able to write a budget that protects taxpayers while maintaining a proper balance of actual needs and available revenue.

THE FACTS

- ★ The Texas Legislature has no clear, consistent budgeting principles in place to determine spending priorities.
- ★ Expenditure levels in the budget appear to be linked to whether or not federal funds can be gained from additional state spending.

RECOMMENDATIONS

- ★ Adopt a set of uniform budgeting principles to guide budget decisions.
- ★ Do not fund a program/agency merely because it has received funds in the past.
- ★ Do not fund a program/agency simply to gain “free” federal funds—federal funds almost always require matching funds. Remember, nothing from the federal government is ever free!
- ★ Fund only those functions which benefit the majority of Texans.
- ★ The benefits of a program/agency should always outweigh the cost.

RESOURCES

- *Building a Principled Budget: A Blueprint for the 2010-11 Biennium* by Talmadge Heflin and James Quintero, Texas Public Policy Foundation (Dec. 2008) <http://www.texaspolicy.com/pdf/2008-11-RR11-BudgetBlueprint-th-jq.pdf>.
- *Principles for Determining Budget Priorities* by Talmadge Heflin and Byron Schlomach, Texas Public Policy Foundation (July 2006) <http://www.texaspolicy.com/pdf/2006-07-PP-budgetpriorities-bsth.pdf>.
- *State Spending-Still Growing and Growing* by Byron Schlomach, Texas Public Policy Foundation (Mar. 2007) <http://www.texaspolicy.com/pdf/2007-03-PB14-TXspending-bs.pdf>.
- *Four Principles of Budget Process Reform* by Brian M. Riedl and Alison Fraser, The Heritage Foundation (Apr. 2004) <http://www.heritage.org/Research/Budget/bg1746.cfm>.

