

Texas Public Policy Foundation

# Keeping Texas Competitive

## A Legislator's Guide to the Issues 2013-2014



### Budget Transparency ★ Keeping Texas Competitive Priority

#### The Issue

The Texas budget will be a focal point next session as lawmakers work to bring spending in line with revenues. As lawmakers go about the task of writing a budget within available revenue while preserving essential services, they need budget transparency to insure their success. It is equally important that taxpayers have an understanding of what programs are funded and where reductions are made.

Today, the General Appropriations Act (GAA), the bill that creates the state budget, is laid out in such a way that it's almost impossible for anyone—legislator and taxpayer alike—to track state spending by program. In order to hold the state accountable for its spending practices and to promote good governance, it is critical that lawmakers move from a strategic planning and budgeting system to a program-based budgeting system.

Currently, appropriations in the state budget are listed by strategy and goal, not by program. These funds are tied to arbitrary, and sometimes nebulous, performance measures which are then used to measure the agency's progress and goals over time. However, this kind of layout leaves much to be desired.

For instance, in the 1989 appropriations bill, one could easily find that the Comptroller of Public Accounts spent \$3.3 million on legal services in central administration and \$20.7 million on the enforcement of the tax compliance in field operations. In the 1993 bill, however, that information is impossible to determine. One can determine that the comptroller spent \$177 million dollars on tax compliance and \$97 million of that on "Ongoing Audit Activities," but that is the extent of the detail available in the appropriations bill.

While some agencies may or may not keep track of spending at the program level, this figure isn't shown in the GAA and, in many instances, requires a person to request the information from the agency via the Public Information Act. Moreover, since the GAA leaves out program-specific information, taxpayers don't know how certain programs are funded, whether it be through federal or state monies, or whether it is required by state law. There is simply a lack of information here.

That's why legislation is needed to change the layout of the budget so that revenues and expenditures for each program are easily identifiable, the source of funding is identified, and the statutory authorization provided.

This is an essential step in the state's continuing march to educate and empower taxpayers through greater government transparency. As our third President Thomas Jefferson said: "We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them."

#### The Facts

- The state's budget is currently prepared using a strategic planning and budgeting system.

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- The current budgeting system, which links appropriations to strategies and goals rather than programs, obscures how government agencies are spending money and why.
- House Bill 2804, proposed during the 82nd Regular Session, would have moved the state to a program-based budgeting system. However, the bill was unsuccessful.
- On February 21, 2012, Legislative Budget Board Director John O'Brien testified before the House of Appropriations committee that the LBB was in the process of developing a way to offer program-specific budget detail along with its legislative recommendations. This initiative is set to be unveiled early next year.

### Recommendation

- The Legislature should move from a strategic planning and budgeting system to a program-based budgeting system. In this way, the layout of the budget will become more intelligible for legislators and taxpayers, making it easier for all to understand how state money is spent and for what purpose.

### Resources

- Bill Analysis: House Bill 2804 by the Honorable Talmadge Heflin and Bill Peacock, Texas Public Policy Foundation (Apr. 2011).
- Make the Budget Process More Transparent: HB 2804 and SB 1653 by the Honorable Talmadge Heflin and James Quintero, Texas Public Policy Foundation (Mar. 2011).
- House Bill 2804 by Rep. Erwin Cain et. al , 82nd Regular Legislative Session, Texas Legislature Online (Mar. 2011).

