

Time for Budget Transparency

Testimony before the Senate Committee on Government Organization

by The Honorable Talmadge Heflin, Director, Center for Fiscal Policy

Senator Zaffirini and Members of the Committee:

My name is Talmadge Heflin and I am the Director of the Center for Fiscal Policy at the Texas Public Policy Foundation, a non-profit, non-partisan free market think tank based here in Austin. Thank you for taking the time today to investigate what the Foundation believes is a very important issue: improved budget transparency.

My remarks today will focus on ways to provide Texans and their legislators with a clear picture of how their tax dollars are spent by increasing budget transparency. The current strategic budget format of Texas' budget makes it challenging for experts, much less ordinary citizens, to track funds in the budget. This format was first used in the 1993 appropriations bill with the goal of providing legislators with a longer-term view of budget goals beyond the two-year appropriation cycle.

Although this is a reasonable goal, the strategic budget format provides only broad goal statements instead of providing a line item for the funding amount of each agency program that the public could use to determine the effectiveness of their tax dollars. The problems associated with this format lead to reduced budget transparency contributing to less accountability and efficiency in the appropriations process.

For example, in the Comptroller's budget it was clear in the 1989 appropriations bill that the Legislature appropriated \$2.9 million for legal services and \$26.2 million for enforcing tax compliance in field operations. However, there was no way to determine these line items in the 1993 appropriations bill—or thereafter. One could determine from the 1993 appropriations bill that \$177 million was appropriated for tax compliance and within that number was \$98 million for “Ongoing Audit Activities,” but it is not possible to see how much was appropriated for legal services.

The lack of transparency poses a major challenge for taxpayers and legislators. By obscuring the amount of funds approved for each agency program or service, there is little incentive to remove programs that are ineffective because it is almost impossible to single them out. This makes it difficult for Texans to communicate with their legislator on what spending to vote for and makes it difficult for legislators not directly involved with writing the budget to determine their spending priorities.

At the Foundation, we believe that transparency within the state budget is vital to aid taxpayers, budget writers, and other legislators in understanding how state funds are spent.

To overcome the shortcomings of the strategic budget format, the state should convert to a program-based budget format. The budget should be written so that each agency's income and expense is listed by program, as is done in the agency's own internal budget. And the source of funds should be listed for each line item. This change is a way to simplify the budget process for taxpayers and legislators to review programs that may need to be eliminated, reduced, or increased and where it exists, waste, fraud, and abuse can be easier to identify and deal with.

During the 82nd Texas Legislature, HB 2804 and SB 1653 would have taken steps toward program-based appropriations. Although neither bill passed, a scaled-down version of HB 2804, placed in Section 34.06 of Senate Bill 1, directed the Legislative Budget Board (LBB) to put program funding details online. This contributed to the development of an online application that presents the budget in a program-based format on the LBB's website. This provides an example of what the program-based budget would look like.

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While this online application provides valuable information, it is updated months after the appropriations bill is approved, providing neither taxpayers nor legislators with timely budget details on specific programs within state agencies during the appropriations process.

This leads to our second recommendation to improve budget transparency. We recommend having budget information online in real time, or near real time, throughout the budget process. Taxpayers would be able to access past spending for each budget line item along with the proposed spending levels for the upcoming biennium. If it is not too cumbersome, the data could be originally posted when state agencies submit their funding requests, then updated once appropriation bills are drafted and filed. Updates should be made online throughout the legislative process as changes are made during hearings and after final adoption of the appropriation bill. This information should be available in an online application and downloadable as a spreadsheet.

It is reasonable to expect the Legislature to provide transparency and accountability of taxpayer dollars so Texans understand the benefits achieved with their money. As the next session approaches, the Legislature would do a great service to Texas taxpayers and legislators by converting from a strategic budget format to a program-based budgeting layout and provide budget information online in real time throughout the budget process. If it is not possible to convert the budget to a program-based format, without legislative action, we recommend proceeding with putting the budget information online throughout the total process.

Recapping, to achieve increased budget transparency, the Foundation recommends the following:

- Convert from the current strategic budget format to a program-based budget format.
- Post budget information throughout the budget process online so that it will be available to Texans and legislators in near real time.

Thank you for your time and I look forward to answering any questions that you might have. ★

About the Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

