



Transparency and Budgeting



The Issue

It is critical for legislators to appropriately account for spent tax dollars, eliminate state budget inefficiencies, and prove why each agency and program are necessary for Texas taxpayers to fund an efficient, limited government.

Today, the General Appropriations Act (GAA), the bill creating the state budget, is laid out using a strategy-based budgeting format that is almost impossible to track programs in the budget. To determine fiscal prudence by each agency, program-level specifics are necessary. The budget should be written with each agency's revenue and expense listed by program, as well as listing the revenue source next to each line item. Changing to a program-based budgeting format would simplify the process for the average taxpayer, leading to more transparency and a greater chance for weeding out inefficiencies. This would help hold the Legislature accountable for its budget practices and help educate and empower taxpayers in the process.

The budget should be available online in as close to real time as possible during the legislative process. Fortunately, the Legislative Budget Board (LBB) took steps to create an online application on their website after the 83rd Legislature that displays the state budget by program. Taxpayers can now search for program-level spending information, a short explanation of the program, and its statutory authorization. This application is a good first step, but currently the information provided is only informational and not frequently updated, particularly as the GAA moves through the legislative process.

Another issue is the current budgeting approach too often assumes that all previous expenditures are justified and necessary. Legislators then simply add automatic spending increases on the previous budget. This budget inertia is highly inefficient. A helpful tool to improve efficiency and increase budget transparency would be to implement zero-based budgeting.

Zero-based budgeting is a complete review of each agency's budget starting from scratch to determine the necessity of programs. This method requires an in-depth analysis that takes much time and effort, but it is well worth the cost to increase budget transparency and help legislators exercise greater budget-writing control.

In 2003, Texas faced a projected \$10 billion shortfall. Governor Rick Perry sent the Legislature a budget with zeros next to each agency's line item and publicly stated that he would be against any budget that included a tax increase. The Legislature was asked to do the hard work of taking a detailed examination at what had become traditional spending patterns. Ultimately, the Legislature bridged the \$10 billion budget shortfall by using a zero-based budgeting approach to eliminate inefficiencies within each agency and avoid raising taxes.

Essential to successfully performing zero-based budgeting is a review of all aspects of an agency or program, including its purpose, goals, and determined metrics to gauge success. Done correctly and often, zero-based budgeting would help restrain budget growth and therefore the government's footprint so taxes and fees can be lower than otherwise.

The Facts

- The current strategy-based budgeting format, which links appropriations to strategies and goals rather than programs, obscures government agency budgets.
- The LBB increased budget transparency by developing an online [application](#) offering the state budget by program after the 83rd Legislative Session.

- Zero-based budgeting is a more thorough budget analysis than the current approach, making it a time-consuming process. However, the method holds promise as demonstrated in 2003 when Texas legislators, faced with a \$10 billion budget shortfall, balanced the state budget without a tax increase.

Recommendations

- Convert from the current strategic-based budgeting format to a program-based budgeting format, as proposed in [SB 827](#) during the 84th Legislature.
- Post budget information online throughout the budget process so that it will be available to Texans and legislators in near real time.
- Adopt zero-based budgeting for a portion of the budget each biennium to ensure taxpayers get the most value of the programs and agencies they fund, as proposed in [HB 459](#) during the 84th Legislature.
- Lawmakers may consider applying this zero-based budgeting to about one-third of the budget every biennium so that each portion is reviewed every third biennium. For example, education in one biennium, health and welfare in the next, and then all other budget items.

Resources

[*The Real Texas Budget: Why Texas Needs to Ratchet Down Spending Growth*](#) by Talmadge Heflin, Bill Peacock, and Vance Ginn, Texas Public Policy Foundation (June 2016).

[*Testimony before the Senate Committee on Government Organization on Budget Transparency*](#) by Talmadge Heflin, Texas Public Policy Foundation (June 2014).

[*Testimony before the House Committee on Appropriations Subcommittee on Budget Transparency and Reform Regarding House Bill 98*](#) by Talmadge Heflin, Texas Public Policy Foundation (April 2013).

[*Using Zero-Based Budgeting in Texas*](#) by Chuck DeVore, Texas Public Policy Foundation (May 2012).

