



LEGISLATOR'S GUIDE TO THE ISSUES 2021-2022

Transparency & Budgeting

The Issue

The Texas budget is constructed using a strategy-based budgeting format, laying out programs under broad strategies that make expenses difficult to track and evaluate.

The budget should be written with each agency's revenue and expense listed by program, with the revenue source next to each line item. Changing to such a *program-based budgeting* system would simplify the budget process, leading to more transparency and a greater chance to cut inefficiencies. This would help hold the Legislature accountable for its budget practices while helping to educate and empower taxpayers.

The Legislative Budget Board (LBB) has taken steps to create a web page that displays the state budget by program, and we encourage the LBB to continue expanding this initiative. The Texas budget should be available to the public in near real time, allowing for greater transparency and accountability.

The current budgeting approach too often presumes that all previous expenditures are justified and necessary. As a result, legislators sometimes simply add automatic spending increases onto the previous budget. This budget inertia is a highly inefficient use of taxpayer dollars as it grows the budget regardless of the means of Texans to pay for these expenditures.

Zero-based budgeting solves this problem by requiring legislators to build the budget from the ground up. With this method, each expenditure must be willfully added to the budget, preventing wasteful spending.

Texas essentially practiced zero-based budgeting from 1973 until strategy-based budgeting began in 1991. Zero-based budgeting is a complete review of each agency's budget starting from scratch. This method requires an in-depth analysis of state spending, and it is well worth the time and energy needed to increase budget transparency and help legislators assure taxpayers they are being good stewards of their money.

For example, Texas faced a projected \$10-billion shortfall in 2003. Governor Rick Perry sent the Legislature a budget with zeroes next to each agency's line item and publicly stated opposition to any budget that increased taxes, forcing the Legislature to do a detailed examination of its habitual spending patterns. Ultimately, the Legislature bridged the \$10-billion budget shortfall primarily by eliminating inefficiencies within agencies using

zero-based budgeting. Best of all, they overcame the shortfall without raising taxes.

Legislators should implement a program-based budgeting system, encourage budget transparency, and place state spending under scrutiny to ensure that Texans' tax dollars are being spent effectively.

The Facts

- The current strategy-based budgeting format, which links appropriations to strategies and goals rather than programs, contributes to increased spending and lacks transparency.
- Zero-based budgeting is a more thorough budget analysis than the current approach and would work to maximize government efficiency and cut taxes for Texans.

Recommendations

- Switch from the strategy-based budgeting format to a program-based budgeting format.
- Post budget information online throughout the budget process so that it is available to Texans and legislators in near real time.
- Adopt zero-based budgeting. This method could be applied to one third of the budget every biennium so that each portion is reviewed every 6 years. This was implemented for 16 agencies in Senate Bill 1 and proposed as a change in statute in House Bill 114 during the 85th regular session.

Resources

[Understanding the Texas Budget](#) by Vance Ginn and Talmadge Heflin, Texas Public Policy Foundation (Feb. 2019).

[The Real Texas Budget: 2018](#) by Vance Ginn, Talmadge Heflin, and Bill Peacock, Texas Public Policy Foundation (Sept. 2018).

[Increasing Transparency & Accountability of Texas' Taxpayer Dollars - Testimony before the Senate Finance Committee on Transparency and Accountability](#) by Vance Ginn, Texas Public Policy Foundation (April 2017).