THE STATE BUDGET PROCESS
A Two-Year Cycle

Starting Point
• Determine the budget issue (i.e. indigent defense, mental health)
• Identify the appropriate contact

January
• Statewide goals and objectives established

February-April
• Strategic planning instructions issued
• Agency requests to modify budget structure and state budgets by program submitted

Even Years
April-June
• Policy Letter for Legislative Appropriations Requests (LARs) released
• LAR instructions issued
• Legislative Budget Board (LBB) and Office of the Governor approve agency budget structures
• Agency submits strategic plan
• Agency submits biennial baseline reconciliation

June
• LBB and Governor’s office approve base reconciliations and provide agencies with General Revenue Funds and General Revenue-Dedicated Funds limits for biennial baseline requests

July-August
• Agencies submit LARs

August-September
• LBB and Governor’s office staff conduct joint budget hearings
• Fiscal year begins Sept. 1

Odd Years

November-December
• Agency operating budget due

January
• General Appropriations Bill (LBB Recommendations) and Budget Estimates - (House & Senate versions)
• Comptroller issues the Biennial Revenue Estimate
• Supplemental Appropriations Bill filed

February
• Governor’s budget proposal submitted to Legislature
• Budget markup

March
• Budget markup Continues
• HAC adopts House general appropriations and supplemental appropriations bills

April
• Senate adopts Senate general appropriations and supplemental appropriations bills

May
• Conference Committee appointed to reconcile differences between House and Senate bills
• State Budget (General Appropriations Act - GAA) approved by each chamber

June
• Budget sent to Comptroller for certification

Odd Years

November-December
• LBB adopts spending limit - growth rate
• LBB developing budget and policy recommendations
• Governor developing Executive Budget proposals

Regular Legislative Session
January-May
A special legislative session for 30 days can be called by the Governor at any time.
Strategic planning and budget structures. State agencies are required in even-numbered years to develop five-year strategic plans that include agency goals, strategies for accomplishing the goals, and performance measures. Agencies must place their goals and action plans in the context of statewide goals and objectives established by the Governor and the LBB.

In developing strategic plans for 2021-2025, agencies may wish to add, modify or delete budget structure elements from those contained in the 2020-21 General Appropriations Act. To do so, agencies must submit a request to the Governor's Office and the LBB. These budget structures will be the basic structure for agency submission of Legislative Appropriations Requests (LARs).

Agency submits biennial base reconciliation. The 2020-21 Base Reconciliation approved by the Legislative Budget Board (LBB) and Governor's staff will become the basis for the General Revenue Funds and General Revenue-Dedicated Funds limits provided to state agencies for preparing their baseline requests for the 2022-23 biennium. The 2020-21 biennial base is the total of the estimated expenditures for fiscal year 2020 plus the budgeted expenditures for fiscal year 2021 for the agency's General Revenue Funds and General Revenue-Dedicated Funds.

The baseline limit equals 100% of the agency's biennial base for the (current) biennium. Funding requests above the baseline limit are called exceptional items.

Agencies are required to provide details on how they would reduce their baseline request for General Revenue and General Revenue-Dedicated Funds by 10%.

During prior fiscal downturns, the Revenue-Dedicated Funds by 10%.

Request for General Revenue and General Agencies are required to provide details above the baseline limit are called the agency's biennial base for the biennium. The 2020-21 biennial base is the total of the estimated expenditures for fiscal year 2021 for the session. The House version of the budget usually passes the full Senate without floor amendments.

Conference Committee Action. After chambers have adopted their versions of the appropriations bill, the speaker and the lieutenant governor appoint members from their chambers to a conference committee to reconcile the differences between the bills. Typically, the conference committee is made up of the HAC and SFC chairs, and four other members apiece from HAC and SFC – a total of 10 conference committee members.

Budget Approved. After passage by both chambers and signed by the speaker and the lieutenant governor, the General Appropriations act (GAA) must be certified by the comptroller. It is then sent to the governor who subject to committee to reconcile the differences between the bills. Typically, the conference committee is made up of the HAC and SFC chairs, and four other members apiece from HAC and SFC – a total of 10 conference committee members.

Budget Mark-up. In the House, the Appropriations Committee (HAC) has jurisdiction over appropriations bills, and in the Senate, the Finance Committees (SFC). HAC and SFC chairs appoint standing committees and workgroups, respectively, to consider different articles of the budget such as general government, health and human services, and education. HAC (mostly the HAC sub-committees), and SFC hold public hearings where LBB recommendations are presented, and agency and public testimony received.

House. HAC is required by House rules to report the general appropriations bill to the full House by 90th day of the session. The House version of the appropriations bill can be amended on the House floor. House rules require any amendments be cost-neutral – any amendment adding or increasing an appropriation item must contain an equal or greater reduction in one or more other appropriation items.

Comptroller’s revenue estimate. Before each regular legislative session, the Comptroller must estimate the revenue and expenditures for the current fiscal year and the anticipated revenue for the upcoming biennium. The Comptroller may revise the initial revenue estimate at any time.

Supplemental Appropriations Bill. The Legislature may change the state budget through a supplemental appropriations bill after the budget has been approved. Because the legislative session begins in January, with 8 months remaining in the 2-year budget period, the Legislature often appropriates funds to cover budget shortfalls, respond to emergencies, and capture budget savings in the last fiscal year of a biennium. As an example, a budget shortfall in the Medicaid program is fairly common. SB 500, the supplemental appropriations bill for fiscal year 2019, included funds for the Medicaid shortfall, but also matching funds to assist local governments in drawing down FEMA funds for Harvey recovery programs.

Budget Sent to Comptroller for Certification. Under Art. 3, sec. 49a of the Constitution, no appropriations bill may be enacted or sent to the Governor for consideration until the Comptroller certifies the state will have enough revenue to cover the approved spending. Also, state law requires the Comptroller certify the appropriations within 10 days, of the act being reported enrolled by the chamber from which it originated.

Budget Sent to Governor for Signature. Art. 4, sec. 14 of the Texas Constitution states: “If any bill presented to the Governor contains several items of appropriations he may object to one or more of such items, and approve the other portion of the bill.” While the Legislature is in session, the governor has 10 days (not counting Sundays) after receiving the spending bill to veto appropriations. If the Governor fails to act within the 10 days, the bill becomes law. If the Legislature still is in session when the governor vetoes items, the bill is returned to the Legislature, which may override the veto if two-thirds of the members present in each chamber approve. The chamber where the bill originated votes first.

If the appropriations bill goes to the Governor later than the 10th day (not counting Sundays) before the session ends, the Governor has 20 days (counting Sundays) to act. In these circumstances, if the 87th Legislature’s 2021 regular session lasts its full 140 days and ends on May 31, the veto deadline will be June 20.

Because the general appropriations act usually receives final approval during the last few days of a session, the Legislature typically forfeits the chance to override these vetoes.

Agency Operating Budgets Due. Detailed report on budgeted spending for the first year of the new two-year biennium and actual expenditures for the two prior fiscal years.

Sources: Legislative Budget Board, House Research Organization TAC Legislative Services - County Information Program, 2020

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