TEXAS PUBLIC POLICY FOUNDATION

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LEGISLATOR'S
GUIDE
to the issues

TEXAS PUBLIC POLICY
F O U N D A T I O N

Transparency and Budgeting

The Issue

Legislators should appropriately account for spent tax dollars, eliminate state budget inefficiencies, and determine why each agency and its programs are necessary.

Today, the General Appropriations Act (GAA), the bill creating the state budget, is constructed using a strategy-based budgeting format. This format lays out programs under broad strategies that make them difficult to track and evaluate. 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 taxpayers, leading to more transparency and a greater chance to cut inefficiencies. This would help hold the Legislature accountable for its budget practices while helping educate and empower taxpayers.

Changes to the proposed budget should be available online in as close to real time as possible during the legislative process. Fortunately, after the 83rd Legislature, the Legislative Budget Board (LBB) took steps to create an online application 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.

Another issue is that 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 a highly inefficient use of taxpayer dollars. A helpful tool to improve efficiency and budget transparency would be the use of zero-based budgeting.

Texas essentially practiced zero-based budgeting from 1973 until the strategy-based budgeting started in 1991. 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 assure taxpayers they are being good stewards of their tax dollars.

As an example, Texas faced a projected $10 billion shortfall in 2003. Gov. 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 with a tax increase. The Legislature did a detailed examination of what had become traditional spending patterns. Ultimately, the Legislature bridged the $10 billion budget shortfall primarily by eliminating inefficiencies within agencies using zero-based budgeting and avoided 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 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, contributes to rising spending and less transparency.

- The LBB increased budget transparency by developing an online application offering the state budget by program after the 83rd Legislature.

- Zero-based budgeting is a more thorough budget analysis than the current approach.

Recommendations

- Switch from the current strategy-based budgeting format to a program-based budgeting format.

- Post budget information throughout the budget process online so that it will be available to Texans and legislators in near real time.

- Adopt zero-based budgeting to about one-third of the budget every biennium so that each portion is reviewed every third biennium. This was implemented for 16 agencies in Senate Bill 1 and proposed as a change in statute in House Bill 114 during the regular session of the 85th Legislature.

Resources

Testimony before the Senate Finance Committee on Transparency and Accountability, by Vance Ginn, Texas Public Policy Foundation (April 24, 2017).

The Real Texas Budget by The Honorable Talmadge Heflin, Vance Ginn, and Bill Peacock, Texas Public Policy Foundation (March 2015).

Testimony before the Senate Committee on Government Organization on Budget Transparency, by The Honorable Talmadge Heflin, Texas Public Policy Foundation (June 18, 2014).

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