

**SUBJECT:** Establishing strategic fiscal reviews of state agencies

**COMMITTEE:** Appropriations — favorable, without amendment

**VOTE:** 21 ayes — Otto, Sylvester Turner, Ashby, Bell, G. Bonnen, Capriglione, Giddings, Gonzales, Howard, Hughes, Koop, Longoria, Miles, R. Miller, Muñoz, Price, Raney, J. Rodriguez, Sheffield, VanDeaver, Walle

0 nays

6 absent — Burkett, S. Davis, Dukes, Márquez, McClendon, Phelan

**WITNESSES:** *March 18 hearing, subcommittee on Budget Transparency and Reform:*  
For — (*Registered, but did not testify:* Dale Craymer, Texas Taxpayers and Research Association)

Against — None

On — (*Registered, but did not testify:* Rob Coleman, Comptroller of Public Accounts; Ursula Parks, Legislative Budget Board)

*March 19 hearing:*  
For — None

Against — None

On — (*Registered, but did not testify:* Ursula Parks, Legislative Budget Board)

**DIGEST:** HB 5 would establish strategic fiscal reviews of state agencies. The director of the Legislative Budget Board (LBB) would be required by September 1 of odd-numbered years to recommend to the LBB state agencies to undergo review. The LBB would select the agencies and conduct the strategic fiscal reviews.

By the seventh day after the beginning of a regular legislative session, the

LBB would submit to the Legislature reports with the findings of each strategic fiscal review conducted since the previous session. The strategic fiscal review reports would include:

- a description of the activities assigned to a state agency, a justification for each activity by reference to statutory or other legal authority, and an evaluation of the effectiveness and efficiency of the agency's policies, management, fiscal affairs, and operations related to each activity;
- an estimate of the adverse effects expected if an activity were discontinued, as well as the expenditures required to maintain a minimum level of service or performance as required by statutory or other authority, and the quantity and quality of service needed to maintain that minimum level and the current level of services for each activity;
- a ranking of the agency's activities that illustrates the relative importance of each activity to the agency's overall goals and purposes; and
- recommendations about continued funding for each activity.

State agencies and entities would be required to submit to the LBB any information requested in connection with the reviews. The Legislature would be authorized to consider the strategic fiscal review findings and agencies' compliance with the review as part of the appropriations process.

Until strategic fiscal reviews were completed, all information related to conducting the reviews or preparing the reports would be considered audit working papers and be excepted from disclosure under the Public Information Act.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2015.

**SUPPORTERS**

HB 5 is needed to institute a formal review of state agencies to determine

SAY: if they are using their resources appropriately and efficiently and to help the Legislature make strategic budgeting decisions. The bill would codify the strategic fiscal review process that began in August 2014, when the speaker directed the House Appropriations Committee and the LBB to undertake a new type of fiscal analysis of a select group of agencies and programs. The process proved useful in helping to develop the state budget and should be formalized.

The strategic fiscal review process would provide the Legislature with an additional tool to make budget and policy decisions. Strategic fiscal reviews would look specifically at the mission, expenditures, and operations of state agencies and analyze the use of taxpayer dollars. Descriptions of agencies' activities and the justification for them could help identify mission creep. Ranking agencies' activities by importance could help identify which activities were essential and which could be reduced or eliminated. The reviews would help the Legislature determine the proper level of resources for an agency.

While current practices using performance-based and zero-based budgeting work well, strategic fiscal reviews would provide lawmakers additional clarity and transparency about agencies' budgets and operations. For example, the reviews conducted in the fall of 2014 identified ineffective programs and the use of funds for impermissible purposes.

Strategic fiscal review would provide a type of comprehensive information not obtained in other evaluations of agencies. For example, Sunset reviews examine whether agencies should be continued, and state auditor reports often concentrate on narrow issues or problems at agencies. A strategic fiscal review's detailed information focusing on agencies' activities would fill a gap not met by these evaluations.

HB 5 would allow the LBB to choose agencies for strategic fiscal review, rather than establish a schedule, to ensure the flexibility to conduct reviews when appropriate. For example, an event or new law could mean that the Legislature needs more information about a specific agency to

make sound budgeting decisions. Agencies would be chosen for review by the LBB based on the recommendations of the LBB director, but legislators and others also could identify potential entities to examine.

Formalizing strategic fiscal reviews would not burden state agencies. The 18 agencies and entities reviewed prior to the 84th Legislature were able to use their existing resources for the reviews, and this would continue under HB 5. Just as in 2014, the LBB would take into account the demands on state agencies — especially those under Sunset review — and would not order a strategic fiscal review if it would overburden an agency. The review process in the future should be more efficient for agencies because the LBB now has experience conducting the reviews.

OPPONENTS  
SAY:

HB 5 would be hard to implement because the strategic fiscal review process requires significant time and resources, and many state agencies already are stretched thin. Some state agencies would have difficulty responding to a strategic fiscal review without increased resources.

Agencies also already are subject to numerous other evaluations, such as Sunset reviews, state auditor investigations, and statutorily required reports, and a strategic fiscal review could be burdensome if conducted at the same time as another evaluation. Providing a schedule of strategic fiscal reviews or developing standard criteria for when to conduct a review would help agencies plan and allocate their resources.

NOTES:

The companion bill, SB 53 by Nelson, has been scheduled for a public hearing by the Senate Finance Committee today, April 7.