

## **BILL ANALYSIS**

Senate Research Center  
84R1014 AAF-D

S.B. 135  
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Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Each fiscal biennium state agencies are required to submit legislative appropriations requests (LARs) to the Legislative Budget Board (LBB). LARs describe agencies' funding priorities and program needs for the next fiscal biennium. In the spring months preceding a legislative session, the governor's office and the LBB issue joint instructions for state agencies in compiling their LARs. Since the spring of 2002, these instructions have routinely directed agencies to include budget cuts within their base appropriations requests. As an example, in 2010, and in anticipation of a budget shortfall for the 2011 session, the LBB directed that state agencies submit LAR base requests that included five and ten percent cuts. Instructions issued for the 2013 and 2015 sessions did not request LARs with budget cuts, but did require a separate schedule describing possible options to cut agency budgets by ten percent. The LBB's LAR instructions for the 2018-2019 biennium required that agencies plan for five and ten percent reductions in general revenue-supported spending.

Interested parties observe that while agencies have been directed to submit LARs with suggested spending cuts, this practice is not established within statute. S.B. 135 requires that all state agencies identify measures to reduce their biennial general revenue expenditures by one, five, and ten percent. In performing this planning exercise, agencies must rank and prioritize spending cuts that have fewer consequences on existing programs or goals, lesser impacts on populations served, or eliminate redundancies or inefficiencies. Agencies are prohibited from identifying spending cuts that would violate state or federal constitutional obligations. Spending cuts may only be identified for programs supported by general revenue or general revenue-dedicated funds. This ensures that all agencies plan and account for budget cuts should the need arise. Lastly, the bill requires that the suggested spending cuts be made available to the legislature before the start of each regular session.

As proposed, S.B. 135 amends current law relating to the submission of a report by certain entities identifying spending reduction measures.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 322, Government Code, by adding Section 322.025, as follows:

Sec. 322.025. REPORT ON SPENDING REDUCTION MEASURES. (a) Requires that each entity that is required to submit a legislative appropriations request submit to the Legislative Budget Board (LBB), not later than September 1 of each even-numbered year, a detailed report identifying measures by which the entity may reduce its expenditures from general revenue and general revenue-dedicated accounts by 1 percent, 5 percent, and 10 percent in the next state fiscal biennium.

(b) Requires that an entity described by Subsection (a) rank each of the 1 percent, 5 percent, and 10 percent spending reduction measures from highest to lowest priority. Requires that the entity assign higher priority to measures that:

- (1) have fewer consequences for the entity's programs and goals;
- (2) have less impact on populations served by the entity; or
- (3) eliminate redundancies and inefficiencies.

(c) Prohibits an entity described by Subsection (a) from including in the report a spending reduction measure that would violate the state or federal constitution.

(d) Authorizes the LBB to exempt certain expenditures from consideration under this section.

(e) Authorizes the LBB to issue guidance regarding standards for reports required by this section, including format, content, and methods of submission, and guidance regarding prioritizing spending reduction measures under Subsection (b).

(f) Authorizes the LBB to require an entity to submit the report under this section with the entity's legislative appropriations request.

(g) Requires the LBB to make reports received under this section available to the governor, lieutenant governor, speaker of the house of representatives, and members of the legislature not later than December 1 of each even-numbered year.

SECTION 2. Effective date: upon passage or September 1, 2017.