LEGISLATIVE BUDGET BOARD

2026 Operating Budget Training

PRESENTED TO TEXAS STATE AGENCIES AND COURTS

LEGISLATIVE BUDGET BOARD STAFF **OCTOBER 2025**

Training Agenda

- What is the Operating Budget?
- Reconciliation Process by LBB
- Reconciliation Worksheet Format and Review
- Agency Resources
- Notable Highlights
- Due Date
- ABEST Data Entry

What is an Operating Budget?

- State agencies, appellate courts, and judicial branch agencies are required to prepare and submit Operating Budgets to the LBB and the Governor's Office Budget Division by December 1st of each odd-numbered year.
- The operating budget is a statement of an agency's planned expenditures for the current fiscal year, and its historical expenditures for the previous two fiscal years. It is intended to reflect the funds appropriated to the agency and any adjustments that the agency anticipates for the three fiscal years included.

Operating Budget Components

- 2.A Summary of Budget by Strategy
  - Represents the agency bill pattern in the GAA, adjusted for actual/planned expenditures.
- 2.B Summary of Budget by Method of Finance (MOF)
  - The starting point is the Regular Appropriation entry that ties to the Conference Committee version of the appropriation for that fiscal year.
  - The ending point should reflect amounts expended for 2024, expended for 2025, and budgeted for 2026.

*Note: These two summaries should equal each other.

Operating Budget Components

- MOF information is grouped by Appropriation Type including:
  - Regular Appropriations
  - Rider Appropriations
  - Emergency and Supplemental Appropriations
  - Governor’s Disaster/Deficiency/Emergency Grants
  - Transfers
  - Unexpended Balances
  - Lapses

Operating Budget Components

Appropriation adjustments include:

- Rider Appropriations
  - Agency Bill Pattern Riders
  - Article IX General Provisions
  - Special Provisions (end of Article)
  - Does not include riders that provide UB authority
- Supplemental, Special, or Emergency Appropriations
  - Legislative appropriations not contained in the GAA
  - Supplemental Appropriations Bills (e.g., HB 500 or HB 4486, 89R)
  - Veto Proclamation
- Governor’s Disaster/Deficiency/Emergency Grants

Operating Budget Components

- Transfers - Appropriations transferred from one agency for expenditure by another agency.
- Unexpended Balances (UB)
  - Authority to carry forward unspent appropriations from one fiscal year to another provided at the MOF or Strategy level ("& UB").
  - UB authority provided through rider should be included here, not as a Rider Appropriation.
- Base Adjustments - Estimated appropriations due to revenue receipts or changes in spending demands.
- Lapsed Appropriations - Appropriations not spent during the applicable fiscal year that cannot be carried forward.

Operating Budget Components

Adjustments to FTEs include:

- Rider appropriations, transfers
- Other considerations:
  - Discretionary authority under Art. IX, Sec. 6.10 (show as Rider Appropriation).
  - Total adjusted FTEs should equal the quarterly average for the fiscal year as reported to the State Auditor's Office; if not, please explain.

Supplemental Appropriations Bills

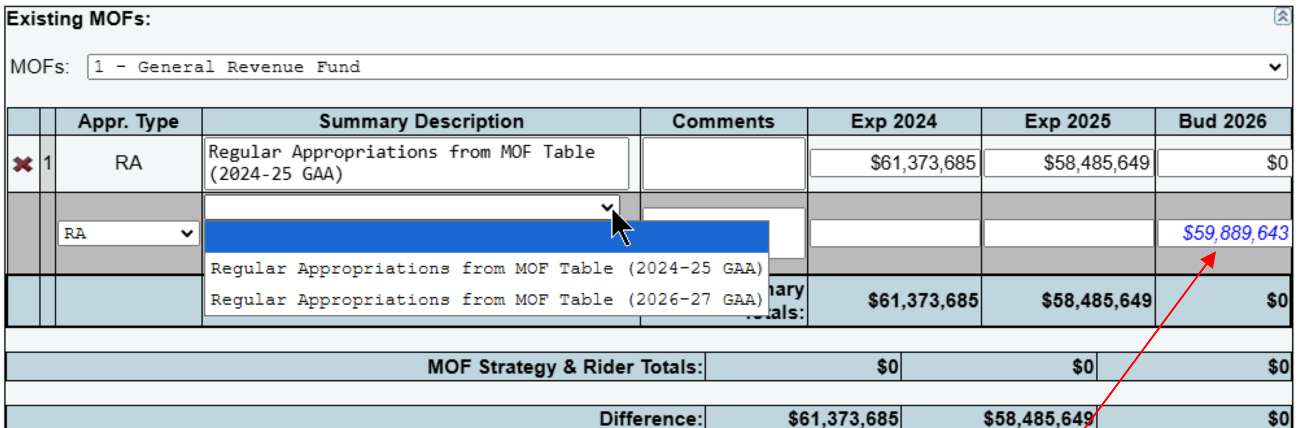
- Agencies should adjust funding and FTEs, as necessary for the following legislation
  - HB 500, Eighty-ninth Legislature, Regular Session, 2025
  - HB 4486, Eighty-ninth Legislature, Regular Session, 2025
  - HB 4488, Eighty-ninth Legislature, Regular Session, 2025
  - SB 5, Eighty-ninth Legislature, Second Called Session, 2025

Supplemental Appropriations Bills

- Funding and FTEs provided through supplemental appropriation bills should be reflected in the year in which they are budgeted, assuming the bill provides authority for the expenditure, using the Type of Appropriation – Supplemental, Special, or Emergency Appropriations. See the Operating Budget Instructions, page 16 for more details.
- All initial appropriation entries related to a specific supplemental bill should add to the total appropriated amount across all affected fiscal years.

Friendly Reminder

Agencies should start with the <u>exact</u> regular appropriations amount from agency's Method of Financing table in the **Conference Committee Report** versions of the 2024-25 & 2026-27 GAAs.



Existing MOFs:

MOFs: 1 - General Revenue Fund

	Appr. Type	Summary Description	Comments	Exp 2024	Exp 2025	Bud 2026
1	RA	Regular Appropriations from MOF Table (2024-25 GAA)		$61,373,685	$58,485,649	$0
	RA	Regular Appropriations from MOF Table (2024-25 GAA) Regular Appropriations from MOF Table (2026-27 GAA)				$59,889,643
			...ary ...als:	**$61,373,685**	**$58,485,649**	**$0**

MOF Strategy & Rider Totals:	**$0**	**$0**	**$0**
Difference:	**$61,373,685**	**$58,485,649**	**$0**

ALCOHOLIC BEVERAGE COMMISSION

	For the Years Ending August 31, 2026	For the Years Ending August 31, 2027
Method of Financing:		
General Revenue Fund	$ 59,889,643	$ 59,889,644
Federal Funds	$ 400,000	$ 400,000
Appropriated Receipts	$ 100,000	$ 100,000
Total, Method of Financing	$ 60,389,643	$ 60,389,644

Other Operating Budget Components

- 2.C Summary of Budget by Object of Expense
  - Provides information on the agency's budget by OOE codes to show goods and services purchased by the agency.
- 2.D Summary of Budget by Objective Outcomes
  - Provides performance measure data for agency outcome measures.
- 3.A Strategy Level Detail
  - Provides historical and projected spending and performance information.
- 4.A Capital Budget Project Schedule
  - Provides details on authorized capital budget projects.

Other Operating Budget Components

- 4.B and 4.C Federal Funds Schedules
  - Provide historical and projected expenditures of federal funding sources.
- 4.D Estimated Revenue Collections Supporting Schedule
  - Provides details on actual and estimated revenue collections.
- 4.F Budgetary Impacts Related to Recently Enacted Legislation (if requested)
  - Identifies agency costs and savings resulting from newly enacted legislation.

Five Percent Salary Adjustments

- Funding should be zeroed out in the Salary Adjustment strategy by transferring funds to the strategies in which they are to be used.
- Agencies should show a Transfer (TR) in FY 2024 and 2025 **only if** the agency was unable to implement the salary increase with amounts appropriated and therefore received an additional allocation from the Comptroller's Office.

Notable Highlights

- Federal Funds Tracking Schedule has been modified to require additional information regarding federal maintenance of effort or match requirements needed to draw federal awards.
  - Federal Funds appropriated by the federal government related to COVID-19 should **not** be entered in the Federal Funds Tracking Schedule. Report COVID-19 awards and expenditures through the Federal Funds Pandemics (FFP) ABEST application (formerly Disaster Federal Funds System)
  - Federal funds appropriated for regular use but diverted to pandemic response must be reported in the Tracking Schedule if the amount equals or exceeds $5.0 million or upon request.

Other Notable Highlights

- Centralized Accounting and Payroll Personnel System (CAPPS): Agencies are directed to report CAPPS costs in the Capital Budget Project Schedule as Capital Expenditure Category Code 8000.
- Budgetary Impacts Related to Recently Enacted State Legislation Schedule: Required if requested by the LBB or the Office of the Governor when an agency receives contingency appropriations for new legislation of the 89th Legislature.
- Disaster Grants from Trusteed Programs within the Office of the Governor should be reported as MOF Code 8000 (Other Funds).
- Payroll Contributions for Group Health Insurance and Retirement should be reflected as expenditures and using object of expense 2009.

Operating Budget Reconciliation

- The operating budget reconciliation is an exercise done by LBB budget analysts to reconcile expended amounts and FTEs in the prior two fiscal years (FY 2024 and FY 2025) and budgeted amounts and FTEs in the current fiscal year (FY 2026) with the original appropriations, taking into consideration adjustments made through:
  - Agency riders and article special provisions;
  - Article IX provisions;
  - Legislation, including other appropriating legislation;
  - Changes in federal funding levels or collected revenues; and
  - Lapses.

Why is it important?

- Reconciliations help analysts to understand their agencies’ appropriations and expenditure plans, including appropriation authority provided by riders and other provisions in the GAA.
- Establishes points of comparisons for expenditures made during the prior biennium and appropriations for the first year of the current biennium.
- It is a precursor and resource to the LBB-Governor approved Base Reconciliation next year.

Reconciliation Process

- Agencies submit Operating Budgets in ABEST and LBB Document Submissions.
- LBB analysts work with agencies to review the document; analysts may have questions about the entries, and receiving timely feedback is very helpful.
- If changes are needed, a re-submission of the Operating Budget is possible, or an analyst may make the changes in ABEST directly.

Resources

- 2026 Operating Budget Instructions for Agencies (on LBB website under Agencies Portal/Data Entry Applications/Instructions)
  - “Highlights and What’s New” on page 3
- 2024-25 Base Reconciliation (from LAR)
  - Provides a reference point for fiscal years 2024 and 2025
- Lapses and UBs
- State Auditor’s FTE Report

Due Date

- December 1, 2025
- Submission through ABEST and via PDF to the LBB and Governor.
- Agencies are required to post operating budgets to their websites within 5 days of submission.
- See page 4 of the agency instructions for additional details on electronic submission and obtaining an ABEST user ID.

Using ABEST and Document Submissions

- Read the ABEST Data Entry Instructions manual on the LBB website as noted on the Resources slide.
- Ensure your log-in credentials are up-to-date.
- Change your agency status from Empty to Incomplete.
- Enter data as directed (see page 1 for a high-level overview).
- Prepare a searchable pdf for submission.

Contacts

- For Operating Budget-related questions, please contact your agency's Budget Analyst.
- For all ABEST-related Questions, please contact Application Support's Help Line at (512) 463-3167.

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Contact the LBB

Legislative Budget Board
www.lbb.texas.gov
512.463.1200