



LEGISLATIVE BUDGET BOARD

Strategic Fiscal Review: Process and Products

PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE

URSULA PARKS, LEGISLATIVE BUDGET BOARD

FEBRUARY 9, 2015

LBB ROLE IN SFR

The LBB was charged with development of a targeted budget review process. This includes the following elements:

1. Comprehensive and detailed program-level data;
2. Options for alternative funding levels and methods;
3. Increased transparency; and
4. Analysis of program's centrality to the function of the agency and legislative priorities.

In addition, this process will be continued in subsequent biennia with a new cohort of selected agencies.

BENEFITS OF SFR

- Systematic collection and analysis of expenditure patterns at the program level
- Consideration of internal and external factors affecting programs and how those factors impact operations
- Opportunity for a thorough review of all selected programs, related activities, and methods of finance
- Evaluation of program effectiveness, return on investment and potential alternatives in program structure and delivery

SFR PROCESS

- LBB-developed submission requirements
 - Agency deadlines for initial submission ranged from September 26th through October 3rd.
 - Agencies and LBB staff worked together to ensure timely submission of data that is responsive to the Review's objectives.
 - Most agencies met deadlines, while others worked with LBB staff to extend deadlines

SFR PROCESS *continued*

- LBB staff analyzed submissions, provided content, and developed a format for distribution
- SFR data and analysis were used in the budget development process and also serve as a resource for future reviews and analysis.
- Review of submissions was extensive
 - Dedication of staff resources
 - Some agencies were directed to supply additional information in response to LBB staff review

DATA ANALYSIS

LBB analysis includes but is not limited to:

- Alternative funding options for programs
- Relationship of program to agency mission and statutes
- Implementation status of various directives
- Assessment of the use of Constitutional and GR–Dedicated funds at the program level

DELIVERABLES

The SFR analysis provides:

- Additional resource for development of the introduced appropriations bill
- Robust and detailed analysis for use during the legislative session to assist members in making informed and strategic budget and program decisions

AFFECTED AGENCIES

- Trusteed Programs Within the Office of the Governor
- Department of Information Resources
- General Revenue-funded Programs at the Department of Assistive and Rehabilitative Services
- Non-FSP Programs at the Texas Education Agency
- Higher Education Coordinating Board
- University System Offices
- Available University Fund
- State Law Library
- Juvenile Justice Department
- Department of Public Safety
- Texas Emissions Reduction Plan at the Texas Commission on Environmental Quality
- Department of Transportation
- Public Utility Commission

AFFECTED AGENCIES (continued)

Selected agencies:

- Reflect all articles
- Diverse in size, mission, and scope
- Represent about 21% of the All Funds budget for the 2014–15 biennium

DATA COLLECTION

- SFR includes detailed program and activity information:
 - Initial data source is the State Budget by Program (SBP) database; some programs were further disaggregated. The SBP is being updated for 2016-17.

| Initial SBP Programs | Agency Submitted SFR Programs | SFR Activities | Average Activities per program |
|----------------------|-------------------------------|----------------|--------------------------------|
| 285 | 345 | 1,300 | 3.8 |

- Program information is included for the first full year of operation and fiscal years 2010 through 2017 for most data elements

SFR MATERIALS

Information on each reviewed entity will be presented in committee and posted online

- Packet information is consistent across reviewed entities, with some variation as necessary to convey information
- Packets are graphic-heavy, and include agency submitted data, LBB staff analysis, and HB 1 budget recommendations.

Interactive summary data will also be available online

SFR MATERIALS: DETAILS

Packet of information for each reviewed agency includes:

- Agency overview, laying out significant findings
- Program listings: Legal authority, service areas, outsourcing, audit or other review issues
- Fiscal information on each program, including HB 1 amounts
- Analysis of mission centrality and statutory authority
- Review of use of dedicated funds
- Detailed summary of selected programs

SFR OUTCOMES

SFR provides a robust picture of state entity activities, priorities, and authority, allowing legislators to determine if the programs are meeting state objectives

SFR OUTCOMES: PROGAM DISTRIBUTION

SFR documents the span of agency programs and uses of state resources:

- Agency budgets do not necessarily correlate with the number of administered programs
 - HECB runs 77 programs while TxDOT has 31
 - Governor's Trusteed runs 33 programs
- Agency programs include everything from steroid testing (TEA) to cybersecurity (DIR); local transportation grant administration (TxDOT) to residential substance abuse treatment (Governor Trusteed)

SFR OUTCOMES:

PROGAM DISTRIBUTION *continued*

- Funding sources may be used significantly differently across entities, and for reasons driven by the constitution, statute, or the entity's judgment; for example:
 - UT System uses 35% of their \$1.2 billion AUF allocation on debt service; Texas A&M System uses 42% of their \$622.2 million allocation. AUF debt service allocations are under the authority of Article 7 of the Texas Constitution.
 - UT Austin does not use AUF support and maintenance allocations for scholarships; Texas A&M University uses 7% of their allocation on scholarships and Prairie View A&M University uses 35% of their allocation on scholarships.

SFR OUTCOMES: AUTHORITY AND CENTRALITY

SFR ties appropriations to mission and statutes

- Agencies were directed to submit programs in priority order
 - Governor's Trusteed reported each program as #1
 - Juvenile Justice Department reported programs in bill pattern order
- LBB staff researched the relationship of each program to the agency mission and authorizing statutes
 - Most programs have reasonably strong mission centrality and statutory authority

SFR OUTCOMES: INFORMED BUDGET DEVELOPMENT

- Selected notable items include:
 - Budget recommendation fund Juvenile Justice Department as a rider appropriation to facilitate an examination and potential restructuring of the agency budget;
 - Inclusion of new riders in the Available University Fund and General Academic System Offices, and elimination of General Revenue for system office operations at A&M UT Systems;
 - System offices have access to various sources of funding, including transfers from their component institutions; total funding at each system office in the 2014-15 biennium ranged from \$12.4 million for Texas State University System to \$393.0 million for UT System.
 - Program funding at TEA reduced by nearly \$50 million, including elimination or significant reduction to eight programs.

SFR OUTCOMES:

ENHANCED OPERATIONAL UNDERSTANDING

For examined entities, the process revealed:

- Anxiety around discussing budget priorities
- Challenges in approaching change
- Potential need to focus priorities on fiscal staff
- Need for improved program and budget staff coordination

These issues may be addressed as the focus and process of SFR becomes more familiar to state entities.

SFR NEXT STEPS

LBB staff are committed to continuing SFR:

- Absent any other legislative direction, we will continue this process
 - Already working to develop a more comprehensive data collection process
 - Legislation to formalize the process has been filed (HB 5 and SB 53)



LEGISLATIVE BUDGET BOARD

Contact the LBB

Legislative Budget Board

www.lbb.state.tx.us

512.463.1200