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Perspective



Impact of the Texas Governor on the State Budget

Adequate or Needs Expanding?

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It is traditional in American politics to hold the chief executive responsible for a government's fiscal policy, regardless of the level of government being considered. The state level is no exception to this rule, and Texas' governor is generally considered responsible for the condition of the state's budget. However, there is some question as to just how powerful the Texas governor is in determining budget priorities and controlling spending. Some argue that the governor should have more authority over the budget. A thorough understanding of the governor's role in the budget process is necessary in order to make informed decisions regarding the budget process and the role of the executive in that process.

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The Governor's Powers

Texas statute identifies the governor as the state's chief budget officer. This title, though, probably overstates the governor's ability to shape the state's primary fiscal document. The governor and the Legislature actually share responsibility for the budget. Since the governor does not head a cabinet-style government that would allow his direct input into agency

spending decisions on an ongoing basis, his input into the budget process is more limited than that of the President of the United States and many other governors.

The Texas governor has three main tools to bring to bear on the budget process. First, the governor has input into the instructions given to agencies in preparing their budgets. Second, the governor proposes a state budget each biennium. Third, he has at his disposal the line-item veto. The governor also has the status of his office which carries with it a certain amount of political clout just by virtue of his visibility.

Eighteen other states give their governors line-item veto authority on appropriation bills. Seven states have no line-item veto at all. Twenty-seven states give the governor full responsibility for preparing the budget and nine only allow the governor to propose the budget. In 14 states the legislature and governor share responsibility for the budget. Thirty-nine states have some form of a cabinet system of government, while 11 states, like Texas, have no cabinet system.

The Governor and the Budget Process

The budget process in Texas starts with instructions to the state agencies given jointly by the legislative leadership (namely the speaker of the house and the lieutenant governor) and the governor. This sets the tone or parameters for how the agencies are to build and submit their budget requests. Using these guide-

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lines, the state agencies prepare their budget requests for the next legislative session. These are submitted to the Legislative Budget Board (LBB) and the governor's office where they are reviewed.

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The LBB, made up of the speaker, the lieutenant governor and their appointees, is the primary organization responsible for the budget and overseeing agencies in real time. The governor's office also plays an integral role. Agencies are required to report to the LBB as well as the governor on an ongoing basis. Although Texas governors generally have relatively little in the way of resources devoted to agency monitoring and budgeting efforts, they generally do take oversight seriously. Oversight within the LBB is largely carried out by long-tenured staff who have become true experts in particular areas of the budget. With four times the staff, the LBB can generally call on more resources than a governor can.

Joint hearings of the LBB and governor's office are held with the agencies. This information is used to prepare the bill drafts that are introduced in the House and Senate at the beginning of a legislative session and is available for the governor to use in his budget proposal.

The governor is required to submit to the Legislature a state budget for the next biennium when a legislative session begins.¹ There are currently no statutory or constitutional guidelines specifying the content of a governor's budget proposal. Historically, governors' budgets have been somewhat abbreviated, but

almost always clearly identify the executive's spending priorities.

Jokes have been made regarding how a governor's budget proposal has been used. Sometimes, the joke goes, the Legislature seems to most highly value it as a door stop or a recycle bin filler. Looking back nearly three decades, however, it can be demonstrated that the governor's proposed budget sends a clear signal to the legislature.

Recalling the terms of governors Clements, White, Richards, Bush and Perry, each governor brought a unique focus to the office when considering the state budget. Governor Clements is remembered by a phrase: "The Status Quo is No Longer Acceptable." Governor White was on a mission to reform education and increase teacher pay, resulting in House Bill 72 in a 1984 special session. Governor Richards had "Blueprint for the New Texas" and "Working for Texas" as themes for her proposed budgets. Governor Bush had "Funding Effective Government" and "Setting Priorities, Getting Results" for two of his budget titles. For his first and most recent budgets, Gov. Perry used "Moving Every Texan Forward" and "A New Era of Possibility."

Each of these governors did much to set the tone of the appropriations process. In order to accommodate these and the Legislature's priorities most of the governors mentioned above, Democrat and Republican, promoted and signed tax bills. The only exception thus far is Gov. Perry, although Gov. Bush's tax bill cut state and local taxes on net.

The Governor's Contribution to Spending

Governors have their spending priorities and so do the members of the Legislature. This is a sure recipe for increased spending, as the governor and legislators both want to deliver on campaign promises. Even though the Texas budget process does not lend itself to the level of largess seen at the federal level, there are many opportunities for legislators to influence which programs are funded and at what level and, thus, direct funds toward their legislative districts. Generally, with the possible exception of the 2005

¹The Texas Legislature meets in January for 140 days in odd-numbered years, eight months prior to the end of the second fiscal year of a biennium. Thus, the Legislature budgets for a two-year period that begins the first day of September following a regular legislative session.

legislative session, every available dollar is spent when the budget is complete. Even with 2005, though some funds were left unspent, they were generally understood as informally earmarked to be spent for education, although they were also set aside for possible tax relief.

It seems that taxpayers are condemned to ever-increasing spending with taxes increased to accommodate it. The 2003 legislative session, however, tells a rare and different story. Faced with a multi-billion dollar shortfall, leadership in both houses of the Legislature developed budget plans to avoid tax increases. When the \$10 billion shortfall was announced, Gov. Perry set the tone with, “Texas Government Spending has Outpaced the Performance of Our Economy” and followed with a three step plan. The plan was “Commit to Live Within Our Means,” “Set Priorities,” and “Start the Budget from Zero.” The governor’s budget proposal zeroed every line item. The Legislature, state agencies and the governor’s office worked side by side through the session and fulfilled the three step plan.

The Line-Item Veto

Most people, both fiscal conservatives and liberals, agree that wasteful or unnecessary spending by government is not in the best interests of taxpayers. It makes it difficult, if not impossible, for any tax system to keep up with spending demands without regular, periodic tax increases. Yet, the necessity of coming to some agreement to fund government encourages spending. There is, though, an important power available to the Texas governor that can help rein in spending. This is the line-item veto.

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The line-item veto is a tool available only after the Legislature passes the budget and the comptroller certifies that projections show sufficient funds are available to finance the budget. The governor cannot substitute amounts in the budget. He can, however, strike lines out. He can strike riders that have the effect of stating *where* funds should be spent, but he cannot strike riders that direct *how* funds should be spent.

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The line-item veto is potentially the governor’s strongest weapon in fighting spending. If the governor had an opportunity to use it generously, there is no doubt that office could exercise greater influence over the budget from the beginning. Legislators would have a greater incentive to get the governor’s blessing during the legislative session as the appropriations bill moved through the process.

The governor’s line-item veto authority, however, has been reduced by relatively recent changes in the format of Texas’ appropriations’ bill—a format commonly referred to as the “budget pattern.” Line items have been consolidated into large amounts covering multiple functions. Much of this consolidation was accomplished as a result of “strategic budgeting” that became popular in the early 1990s. Intended as an efficiency measure, this style of budgeting has effectively limited the governor’s ability to strike wasteful programs.

Creating more line items with smaller amounts of money and for single functions would not only give more opportunity for scrutiny, but would make the budget more understandable for legislators and the average Texan. It would also expand the governor’s ability to limit wasteful spending. Predictably, there is resistance to this idea.

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Appropriations bills—budgets—are products of old-fashioned “horse trading.” Funds are limited and every legislator wants his or her piece of the pie. Many programs, whether originally intended to or not, favor some geographic areas of the state over others. Thus, each member of the legislature has some incentive to withhold support for the budget or even other measures before the legislature for the sake of a spending item. Thus, the easiest way to keep the budget process moving is to include special items of funding. These special items, few of them large in the context of the budget, add up to large dollar amounts. Legislators have made it virtually impossible for a governor to line-item veto these pork projects by including their dollar amounts within other longstanding programs and then writing a rider to specify how money should be spent. If these special projects were listed as separate line items, however, they could be easily picked off with the line-item veto.

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Understandably, from a legislative point of view, the line-item veto potentially serves only to upset a delicate balance of legislative deal-making. For enhanced line-item veto ability to work there has to be a trust factor between the governor and legislators. The governor has to resist using the veto as a punitive measure against a legislator and legislators must minimize the addition of items in the state budget. That means all parties have to focus on what is best for all Texans, taxpayers as well as recipients of services. As difficult as this may seem to accomplish, it is possible when the budget is transparent enough for legislators and taxpayers to understand the details and realize the impact it has on their pocketbooks.

Conclusion

The governor, as the chief executive of the state, is more likely to have the general interests of all Texans in mind, regardless of geography, than are legislators. The Texas Constitution gives the governor sole line-item veto discretion to prevent widespread redistribution within the state due to political power within the Legislature. Under the current budget pattern the governor is nearly powerless to prevent wasteful spending once the funds are committed in an appropriations bill. Strengthening the line-item veto by changing the budget pattern would give the governor more power to shape the state’s spending priorities. ★

