



Legislative Budget Board
Robert E. Johnson Bldg.
1501 N. Congress Avenue, 5th Floor
Austin, TX 78701
(512) 463-1200

**Governor's Office of
Budget, Planning and Policy**
1100 San Jacinto, 4th Floor
Austin, TX 78701
(512) 463-1778

MEMORANDUM

June 23, 2014

TO: State Agency Board/Commission Chairs
State Agency Heads/Executive Directors
Appellate Court Justices and Judges
Chancellors, Presidents, and Directors of Institutions and Agencies of Higher Education

The first step in developing the 2016-17 biennial budget for the State of Texas is submission of agency and institution Legislative Appropriations Requests in accordance with the instructions developed by Legislative Budget Board and the Governor's Office. Detailed instructions for the submission have been posted on the external websites of the Legislative Budget Board and the Governor's Office, together with a staggered schedule.

As a starting point for budget deliberations, an agency's baseline request for General Revenue Funds and General Revenue-Dedicated Funds may not exceed the sum of amounts expended in fiscal year 2014 and budgeted in fiscal year 2015. While the state's revenue landscape is certainly positive and a projected balance is accruing in the treasury, as prudent fiscal managers this does not preclude the possibility that state agencies may be asked to reduce their fiscal year 2015 budgets should either state fiscal conditions or individual agency circumstance warrant such direction. Agencies must also submit a supplemental schedule detailing how they would reduce the baseline request by an additional 10 percent (in 5 percent increments) in General Revenue and General Revenue Dedicated Funds.

Exceptions to the baseline request limitation include amounts necessary to:

- maintain entitlement funding for the Foundation School Program under current law;
- satisfy debt service requirements for bond authorizations;
- maintain current benefits and eligibility in Medicaid entitlement programs, the Children's Health Insurance Program, the foster care program, the adoption subsidies program, and the permanency care assistance program; and
- maintain funding at fiscal year 2015 budgeted levels plus amounts necessary to cover the impact of payroll growth for state pension systems and employee group benefits (not including payroll contributions made by state agencies and institutions of higher education for retirement and group health insurance), though group benefit modifications may be considered.

Specific questions with respect to the treatment of the above items should be directed to your Legislative Budget Board and Governor's Office analyst.

June 23, 2014
Page 2

Funding requests for other purposes that exceed the baseline spending level may not be included in the baseline request but may be submitted as Exceptional Items. Additionally, at the direction of either the Legislative Budget Board or the Governor's Office, you may be required to submit additional agency or program detail as that office deems necessary to conduct its analysis.

We appreciate the opportunity to work with you and your staff during this budget cycle.

Sincerely,



Ursula Parks
Director
Legislative Budget Board



Kate McGrath
Director
Governor's Office of Budget,
Planning and Policy