



FOCUS

on STATE FINANCE

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Writing the state budget

Writing a budget is one of the Texas Legislature's main tasks. The state's budget is written and implemented in a two-year cycle that includes development of the budget, passage of the general appropriations act, actions by the comptroller and governor, and interim monitoring. During the 2023 regular session, the 88th Legislature considered a budget for fiscal 2024-25, the two-year period from September 1, 2023, through August 31, 2025.

Initial budget development

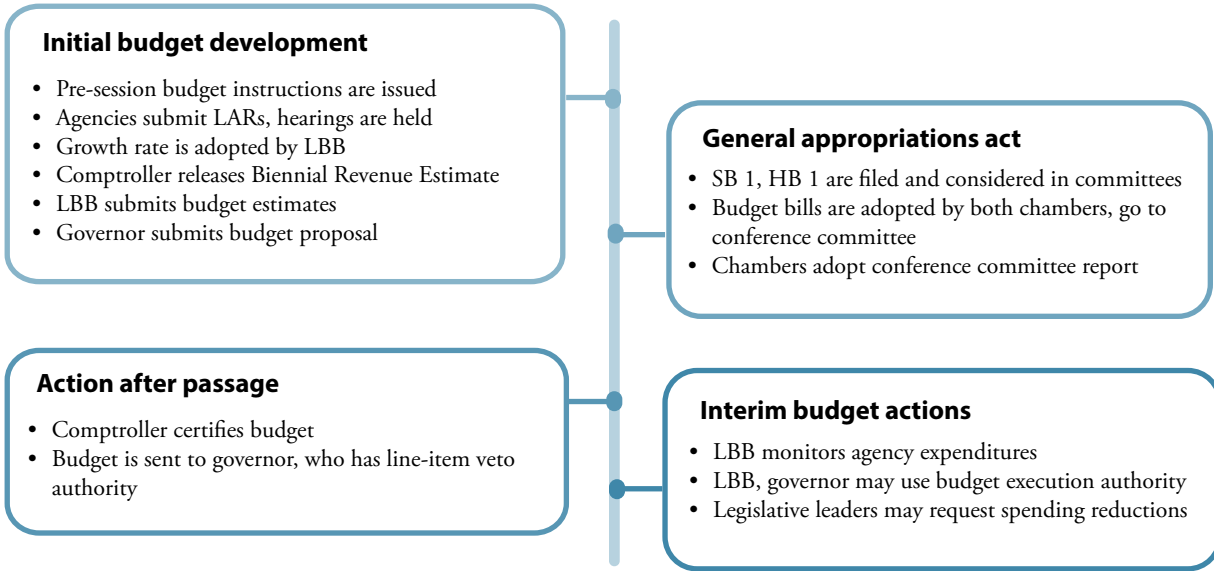
Developing the budget begins in even-numbered years with state agencies receiving instructions from the Legislative Budget Board (LBB), co-chaired by the lieutenant governor and the speaker of the House, and the Office of the Governor for submitting budget requests. Agencies then submit their funding requests and hearings are held on their requests. Next, LBB adopts a growth rate that limits appropriations, the comptroller issues an estimate of available revenue, and preliminary budgets are drafted.

Pre-session budget instructions and hearings. In even-numbered years, state agencies are required to issue five-year strategic plans (Government Code sec. 2056.002) that include agency goals, strategies for accomplishing those goals, and performance measures. Before a regular legislative session begins, agencies also submit funding requests to the governor's budget office and LBB. These requests are called Legislative Appropriations Requests, or LARs. LARs have two parts: a base-level request and requests for exceptional items beyond the baseline.

In June 2022, state agencies were [instructed](#) to submit spending requests for fiscal 2024-25 with base funding not to exceed the amounts expended in fiscal 2022 and budgeted for in fiscal 2023. Agencies were asked to remain fiscally and operationally prudent and were reminded that although the agency is not required to identify budget reductions, the Legislature may make reductions, and, if so, agencies will be expected to justify maintaining baseline spending amounts.

Writing and passing a biennial budget

The Texas budget is written and implemented in a two-year cycle. Initial budget development typically starts in even-numbered years during the lead-up to the legislative session. During regular sessions, which occur in odd-numbered years, the Legislature deliberates on and passes the general appropriations act, and the budget is certified by the comptroller. Next, the governor may sign the bill, line item veto any appropriations the governor does not approve, or return the bill to the Legislature for further action. The final budget is then monitored and adjusted in the interim. The Legislature also may consider and adopt a supplemental appropriations bill for the current biennial budget cycle when in session.



In this session’s instructions, funds for certain programs were excepted from the baseline request limitation, including amounts necessary to maintain funding for the Foundation School Program and to maintain current benefits and eligibility in Medicaid, the Children’s Health Insurance Program (CHIP), foster care programs, the adoption subsidies programs, and the permanency care assistance program, which provides financial support under certain circumstances to relatives and others who become foster parents.

Expenses to satisfy debt service requirements for bond authorizations also were exempt from the baseline request limitation, as were expenses to maintain funding at fiscal 2023 budgeted levels and 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 higher education institutions for retirement and group health insurance).

Strategic fiscal review. During the fiscal 2022-23 budget cycle, 12 agencies underwent strategic fiscal review, a process designed to comprehensively examine an agency’s budget and

activities. As part of the process, LBB collects detailed data on an agency’s programs and finances and examines alternative funding levels for the agency’s activities. It also studies the relationship of an agency’s program to its mission and statutes. LBB released its [review](#) of the 12 agencies in September 2022. The entities that underwent review were:

- Office of State-Federal Relations in the Office of the Governor;
- Texas Economic Development and Tourism Office in the Office of the Governor;
- Texas Juvenile Justice Department;
- Office of Independent Ombudsman for the Texas Juvenile Justice Department;
- Texas Commission on Law Enforcement;
- Texas Commission on Environmental Quality;
- Texas Low-level Radioactive Waste Disposal Compact Commission;
- Texas State Soil and Water Conservation Board;
- Texas Water Development Board;
- Public Utility Commission of Texas;
- Office of Public Utility Counsel; and
- State Board of Veterinary Medical Examiners.

Growth rate adopted. Under the Texas constitutional spending cap (Tex. Const. Art. 8, sec. 22), spending not constitutionally dedicated to particular purposes may not increase from one biennium to the next beyond the estimated rate of growth of the state's economy adopted by LBB unless the cap is waived by a majority vote of both houses of the Legislature. On November 30, 2022, LBB [adopted](#) an estimated growth rate for the Texas economy of 12.33 percent from fiscal 2022-23 to fiscal 2024-25. Subject to revisions in the revenue forecasts and supplemental appropriations, this projection limits spending from non-dedicated tax revenue in fiscal 2024-25 to about \$114.1 billion.

Comptroller's revenue estimate. Before each regular legislative session, the comptroller must estimate the revenue and expenditures for the current fiscal year and the anticipated revenue for the upcoming biennium (Tex. Const. Art. 3, sec. 49(a)). A supplemental estimate is required before any special session.

The revenue estimate [issued](#) in January 2023 projected the 88th Legislature would have about \$188.2 billion in revenue available for general-purpose spending for the next biennium. This is a 26.3 percent increase from the 2022-23 biennium and includes a projected surplus of about \$32.7 billion.

This revenue growth is attributed to tax revenue that outpaced forecasts throughout fiscal 2022, with all-funds tax collections closing the fiscal year at \$841 million above the projection in the state's Certification Revenue Estimate. The 26.3 percent increase in available revenue over 2022-23 represents only the sixth time since 1988 that the growth rate in Texas' all-funds tax collections has exceeded the prior fiscal year by double digits. With prior increases ranging from 10 to 13 percent, this fiscal year's rate of growth was almost double the previous high in that time period.

The amount of projected revenue takes into account anticipated transfers of about \$10.2 billion to the Economic Stabilization Fund ("rainy day fund") and the State Highway Fund and \$155 million to the Texas Tomorrow Fund, the state's guaranteed prepaid tuition plan.

The comptroller may revise the initial revenue estimate at any time. The only revenue estimate that applies in determining if the state budget is balanced is the one made when the comptroller certifies the general appropriations bill (see "Certification," page 7). See the comptroller's

[Biennial Revenue Estimates](#) for fiscal 2024-25 for a detailed description of revenue estimates and the projected economic outlook.

Rainy day fund. Revenue for the Economic Stabilization Fund, or rainy day fund, is derived almost entirely from oil and natural gas production taxes, also known as severance taxes. Before fiscal 2015, the rainy day fund received 75 percent of severance tax revenue that exceeded the amount collected in fiscal 1987. A constitutional amendment adopted in 2014 requires the comptroller to send half of this amount to the State Highway Fund, with the rest continuing to go to the rainy day fund (Tex. Const. Art. 3, sec. 49-g).

To maintain a sufficient balance in the rainy day fund, the comptroller must reduce or withhold allocations to the State Highway Fund as needed. The comptroller must adopt a threshold for adjusting such allocations that is equal to 7 percent of the certified general revenue-related appropriations made for that biennium. The comptroller also must transfer half of any unencumbered balance remaining in the general revenue fund at the end of a biennium to the rainy day fund (Tex. Const. Art. 3, sec. 49-g(b)). At the end of fiscal 2023, the unencumbered balance is projected to rise to such a level that \$5.71 billion would be transferred to the fund, which would be the highest transfer to date.

The rainy day fund is constrained by a constitutional cap and may not exceed 10 percent of the total amount deposited into general revenue, minus certain types of income and funds, during the previous biennium (Tex. Const. Art. 3, sec. 49-g(g)). Following fiscal 2025 transfers to the rainy day fund and subject to any appropriations, the balance is [projected](#) to reach \$21.7 billion according to the comptroller's June 2023 revenue estimate, which would [exceed](#) the estimated cap for fiscal 2024-25 of \$26.4 billion.

Spending money from the rainy day fund requires legislative approval. At least three-fifths of the members present in each house of the Legislature must approve spending from the fund to cover but not exceed an unanticipated deficit in a current budget or offset a decline in revenue for a future budget. However, any amount from the fund may be spent for any purpose if approved by at least two-thirds of the members present in each house (Tex. Const. Art. 3, sec. 49-g(k)-(m)). Money drawn from the rainy day fund counts toward the state's constitutional spending limit. According to LBB's *Fiscal Size-up*, in fiscal 2021, the 87th Legislature [appropriated](#) \$531.1 million from the rainy

day fund as a supplemental appropriation for the 2020-21 biennium. No new appropriations were made from the fund for the 2022-23 biennium.

LBB budget submission. Government Code sec. 322.008 requires LBB to send copies of an estimated state budget to the governor and the Legislature at the beginning of each legislative session. These documents are called Legislative Budget Estimates (See House and Senate [versions](#) of LBB's *Summary of Legislative Budget Estimates 2024-25*, January 2023). LBB also must submit a budget in the form of a bill at the beginning of the regular session. These proposals serve as the starting point for the Legislature's budget deliberations.

Governor's budget proposal. The governor also is required to submit a budget proposal (Government Code sec. 401.0445). The governor must submit a budget before giving the State of the State address (Government Code sec. 401.046) and may prepare a general appropriations bill that must be submitted by the 30th day of the session (Government Code sec. 316.009). In February 2023, Gov. Abbott [released](#) a list of budget priorities for fiscal 2024-25 in lieu of a budget bill.

General appropriations bill

The House and Senate general appropriations bills for fiscal 2024-25, [HB 1](#) by Bonnen and [SB 1](#) by Huffman, were the starting points for the Legislature to authorize agency spending and other budgetary provisions.

Budget format. Appropriations bills may deal only with spending. Texas Constitution, Art. 3, sec. 35, limits bills to one subject, except for general appropriations bills, which may include various subjects and accounts. House Rule 8, sec. 4 explicitly prohibits changes in general law in an appropriations bill.

For fiscal 2024-25, LBB recommendations for the general appropriations act retain the basic structure of previous budget acts, which include 10 articles for agency budgets. Articles 1 through 8 include state agency budgets by functional category. For example, Article 3 covers agencies of public and higher education. Article 9 contains general provisions and directions to state agencies, the state salary classification schedule, and other items. Article 10 contains appropriations for the Legislature.

Agency budget configuration. Each agency's budget first lists the revenue sources intended to finance the agency's

appropriation. Sources can include the general revenue fund, general revenue dedicated accounts, federal funds, and other funds.

House and Senate budget bills list agency goals and strategies, with an appropriation for each strategy. Goals are general statements of the agency's purposes. Strategies, sometimes called line items, identify how an agency intends to achieve its goals and are the basis for appropriating money to an agency. An appropriation for a single strategy may fund more than one department or program in the agency. The agency may need more than one strategy to accomplish a goal. Goals and strategies are linked to output and efficiency measures. Output measures gauge the quantity of a service provided or good produced. Efficiency measures gauge cost or time per unit, such as the average cost for the Department of Public Safety to complete a DNA case.

The examples on page 5 show the format for two portions of the fiscal 2024-25 appropriation for the Texas Commission on the Arts in HB 1 as introduced. Figure 1 expresses one set of goals and strategies in terms of funds appropriated and Figure 2 illustrates the performance measure targets for these goals.

Riders. Budget riders are enumerated policy directives or contingent appropriations that follow traditional line item appropriations in the general appropriations act. Riders in an appropriations bill can do several things, including set conditions or limits on use of funds or make an appropriation. Some riders provide instructions specific to a particular agency's operations. Riders also are used to describe an agency's capital budget or to break down agency funding by goals and strategies or performance measures. Some riders contain contingent appropriations, which appropriate money only if the Legislature enacts other specific bills. If such bills are not enacted, these riders have no effect.

Lump-sum appropriations. In recent state budgets, each institution of higher education has been funded through a single line item, or lump-sum appropriation, instead of through multiple-line appropriations for separate strategies.

Legislative action

While the House and the Senate each work on the budget and hold hearings simultaneously, they traditionally take turns originating the general appropriations bill and chairing the budget conference committee. For the 2023 regular session, the bill originated in the House and the final version of the bill is HB 1.

Figure 1

COMMISSION ON THE ARTS

| Items of Appropriation: | For the Fiscal Years Ending | |
|---|-----------------------------|--------------------|
| | August 31, 2024 | August 31, 2025 |
| A. Goal: ARTS AND CULTURAL GRANTS | | |
| Provide and Support Arts and Cultural Grants. | | |
| A.1.1. Strategy: ARTS ORGANIZATION GRANTS | \$ 4,064,505 | \$ 4,064,505 |
| A.1.2. Strategy: ARTS EDUCATION GRANTS | \$ 710,787 | \$ 710,787 |
| A.1.3. Strategy: CULTURAL TOURISM GRANTS | \$ 5,670,000 | \$ 5,670,000 |
| A.1.4. Strategy: DIRECT ADMINISTRATION OF GRANTS | \$ 691,919 | \$ 691,919 |
| Total, Goal A: ARTS AND CULTURAL GRANTS | \$ 11,137,211 | \$ 11,137,211 |

source: [HB 1](#) by Bonnen as introduced

Figure 2

| Performance Measure Targets: | 2024 | 2025 |
|--|---------|---------|
| A. Goal: ARTS AND CULTURAL GRANTS | | |
| Outcome (Results/Impact): | | |
| Percentage of Grant Dollars Provided to Minority Organizations | 12% | 12% |
| Percentage of Grant Dollars to Rural Counties | 6% | 6% |
| Percentage of Grants Funded for Arts Education | 25% | 25% |
| Number of Artists Compensated for TCA Texas Touring Roster Performances | 1,500 | 1,500 |
| Number of Texas Cities in Which Organizations Received TCA Grants | 150 | 150 |
| Number Served by Arts Respond Projects in Education | 750,000 | 750,000 |
| Number Served by Arts Respond Projects in Health & Human Services | 77,500 | 77,500 |
| Number Served by Arts Respond Projects in Public Safety & Criminal Justice | 90,000 | 90,000 |
| A.1.3. Strategy: CULTURAL TOURISM GRANTS | | |
| Output (Volume): | | |
| Number of Grants that Promote Cultural Tourism | 157 | 157 |

source: [HB 1](#) by Bonnen as introduced

House action. In the House, the Appropriations Committee (HAC) has jurisdiction over appropriations bills. The chair of HAC usually appoints subcommittees to consider different parts of the budget, such as general government, health and human services, education, criminal justice, and business and economic development.

Time constraints. House Rule 8, sec. 21(g) requires the HAC to report the general appropriations bill to the House by the 90th day of the session, which was April 9 for the 2023 session. Under House Rule 8, sec. 21(a), during

the first 118 days of the session the speaker may not lay before the House any bill appropriating money unless the general appropriations bill already has been enacted and the comptroller has certified it. If the HAC does not meet its 90th-day reporting deadline, this rule is suspended. The 118th day of the 2023 session was May 7.

House Rule 8, secs. 21(b) and (f) also restrict consideration of certain appropriations bills. To ensure compliance with the constitutional limit on spending from state tax revenue not dedicated by the Constitution, no bill

appropriating such revenue may be considered before final approval of the general appropriations bill and no bills may be considered that would exceed the limit when added to amounts previously appropriated.

Bills reducing taxes or providing payment for legislative expenses, judgments against the state, or emergency matters are not subject to rules restraining House appropriations (House Rule 8, sec. 21(e)).

Dynamic economic impact statement. The HAC chair must send the general appropriations bill to LBB to prepare a dynamic economic impact statement. This statement must include the number of state employees to be affected and the estimated impact on private sector and local government employment resulting from any change the bill makes in state expenditures (House Rule 4, sec. 34 (a-1)).

Distribution of the bill. Under the regular House rules, a printed copy of the general appropriations bill reported by HAC must be distributed to each House member at least 168 hours (seven days) before it may be considered on second reading during a regular session. During a special session, the bill must be distributed at least 72 hours in advance (House Rule 8, sec. 14(a-1)). The House Calendars Committee also must post electronically the calendar on which the general appropriations bill is eligible to be considered on second reading at least 144 hours (six days) in advance for that calendar to be eligible for consideration (House Rule 6, sec. 16(a-1)).

Limit on amendments. The Calendars Committee usually proposes a special rule limiting floor amendments to the appropriations bill to changes that do not increase the budget's overall expenditures. The rule generally has required that any amendment adding or increasing an appropriation item must contain an equal or greater reduction in one or more other appropriation items. For a special rule proposed by the Calendars Committee concerning a general appropriations bill to take effect, House members must adopt it by a majority vote (House Rule 6, sec. 16(f)).

Second-reading amendments must be filed at least 72 hours before the calendar on which the bill is eligible for consideration (House Rule 11, sec. 6(h)). The House usually considers numerous floor amendments before approving its version of the budget.

Senate action. The Senate Finance Committee develops the Senate budget proposal. Budget hearings often have occurred before the entire committee, although in past

sessions workgroups have considered specific areas of the budget.

Conference committee action. After both chambers adopt their versions of a general appropriations bill, a conference committee is appointed to reconcile differences between the bills. The conference committee usually includes the chairs and four other members of the House Appropriations and Senate Finance committees, although the House rules do not restrict who may be chosen.

House Rule 13, sec. 9(b) and Senate Rule 12.04 allow conferees to reconcile only points on which the House and Senate bills differ. The conferees may not alter figures that are identical in both bills. On any given spending item included in both bills, the conferees may not set the amount lower than the smaller of the two amounts nor increase it above the larger amount. If an item appears in only one bill, the conferees may include or delete it.

The conferees may not include an item in the conference committee bill that does not appear in either the House or the Senate bill. However, House Rule 13, sec. 9(b)(5) and Senate Rule 12.04(5) allow the conference committee to add contingent appropriations for purposes or programs authorized by bills that have been passed by at least one chamber. The conference committee may seek permission from the House and the Senate to make changes "outside the bounds" of, or otherwise prohibited by, the rules through a resolution specifying the changes.

House Rule 13, sec. 10(a) and Senate Rule 12.09(a) require that the conference committee report be printed and distributed to each member 48 hours before being considered in a regular session and 24 hours before being considered in a special session.

Action after final passage

After final approval by the Legislature, the appropriations bill must be certified by the comptroller. It is then sent to the governor, who, subject to certain deadlines, has line-item veto authority over parts of the bill.

Certification and restrictions on state spending. After it is passed by each chamber and signed by the House speaker and the lieutenant governor, the appropriations bill goes to the comptroller. Under Art. 3, sec. 49a of the Texas Constitution, no appropriations bill may be enacted or sent to the governor for consideration until the comptroller certifies the state will have enough revenue to cover the approved

spending. Government Code sec. 403.0131(a) requires the comptroller to certify the appropriations by the 10th day, excluding Sundays, after the act is reported enrolled by the chamber from which it originated.

Art. 3, sec. 49a of the Texas Constitution allows appropriations in excess of anticipated revenue in cases of “emergency and imperative public necessity” with approval of four-fifths of the total membership of each chamber. Generally, however, the Legislature does not approve an appropriations bill unless the necessary revenue is available.

Appropriations bills also must comply with other constitutional and statutory restrictions on spending (see “Restrictions on spending,” page 8).

Governor’s veto powers. Art. 4, sec. 14 of the Texas Constitution states: “If any bill presented to the Governor contains several items of appropriations he may object to one or more of such items, and approve the other portion of the bill.” For example, during the 87th Legislature in 2021, Gov. Abbot used this authority to veto Article 10 of the appropriations bill, which provides funding to the Texas Legislature, legislative agencies, and staff. Later that year, the governor signed [HB 5](#), which reinstated the \$316 million allocation for the 2022-23 biennium.

When the Legislature is in session, the governor has 10 days (not counting Sundays) after receiving the spending bill to veto appropriations. If the governor fails to act within the 10 days, the bill becomes law. If the Legislature still is in session when the governor vetoes items, the bill is returned to the Legislature, which may override a veto if two-thirds of the members present in each chamber approve. The chamber where the bill originated votes first.

If the appropriations bill goes to the governor later than the 10th day (not counting Sundays) before the session ends, the governor has 20 days (counting Sundays) after the session ends to act. Because the general appropriations act usually receives final approval during the last few days of a session, the Legislature typically forfeits the chance to override any vetoes.

Interim budget action

An enacted appropriations bill may be adjusted after it takes effect, either to reduce or adjust appropriations.

Adjustments. Once it enacts a general appropriations bill, the Legislature may adjust appropriations during

the two-year budget period, either in a special session called by the governor or in a subsequent regular session. The appropriations bill itself may include provisions allowing agencies to make discretionary transfers between appropriations items, subject to various limitations or prior approval by the governor and LBB.

Budget execution authority. Government Code ch. 317 allows the governor and LBB, acting jointly, to use budget execution authority to make certain changes in appropriations when the Legislature is not in session. A budget execution order may prohibit an agency from spending funds, transfer an appropriation from one agency to another, change the purpose for an appropriation, or change the time an appropriation is distributed to an agency. An order may not withhold for more than 180 days money appropriated to any agency.

Informal reductions. The governor and legislative leaders also may informally instruct agencies to modify their spending without taking official action to reduce appropriations. For example, in May 2020, the governor, lieutenant governor, and speaker of the House asked state agencies and institutions of higher education to pursue cost savings that would not affect the state’s response to the COVID-19 pandemic and to let any savings return to the state treasury. They also asked agencies and institutions to identify ways to reduce their general revenue and general revenue related spending by 5 percent and to submit recommendations for reductions to the governor and LBB.

Supplemental appropriations. The Legislature may change the state budget through a supplemental appropriations bill. Because the regular session begins in January, with eight months remaining in the two-year budget period, the Legislature sometimes appropriates funds to supplement an agency for the last fiscal year of a biennium. For example, [SB 30](#), passed during the 88th Legislature, makes additional appropriations and reductions to certain fiscal 2022-23 appropriations to address revised revenue estimates and supplemental needs.

Budget monitoring. The House Appropriations Committee and the Senate Finance Committee may schedule oversight hearings during the interim between regular sessions. Other House and Senate committees also may review spending of state agencies under their jurisdiction. In addition, LBB monitors agency performance measures and expenditures and summarizes the state budget, state revenue, and state government functions, activities, and agencies in its biennial *Fiscal Size-up* report.

Restrictions on spending

Lawmakers must adhere to a number of restrictions when approving state spending, including limits in the Texas Constitution and state law and limits associated with dedicated and federal funds.

Constitutional limits. Five major constitutional limits affect the appropriations process.

Appropriation requirement. Under the Texas Constitution, no money may be drawn from the state treasury unless it has been appropriated by law and no appropriation may be made for longer than two years (Tex. Const. Art. 8, sec. 6).

Budget growth limit. The Texas Constitution also caps spending of state tax revenue that is not dedicated by the Constitution to a particular purpose. State spending not constitutionally dedicated to particular purposes may not increase from one biennium to the next beyond the rate of growth of the state's economy adopted by LBB unless the cap is waived by a majority vote of both chambers of the Legislature. Examples of revenue subject to the spending cap include funds resulting from sales, motor vehicle sales, franchise, and cigarette and tobacco taxes (Tex. Const. Art. 8, sec. 22). Revenue that the Constitution restricts to a specific purpose is not subject to the constitutional spending limit.

Government Code sec. 316.002(b) requires LBB to use estimated personal income growth to determine the estimated growth rate of the state's economy. On November 30, 2022, LBB adopted an estimated growth rate of the state economy of 12.33 percent from fiscal 2022-23 to fiscal 2024-25. Subject to revisions in revenue forecasts and subsequent appropriations, this projection limits spending from non-dedicated tax revenue in fiscal 2024-25 to \$114.1 billion, up from \$105.8 billion in such appropriations for the 2022-23 biennium. The spending cap amount is subject to change with further appropriations or adjustments for fiscal 2023. Additional appropriations for fiscal 2023 may be made through supplemental appropriations bills enacted by the 88th Legislature.

Prohibition on deficit spending. The Constitution also limits spending to the amount of revenue the comptroller estimates will be available during the two-year budget period (Tex. Const. Art. 3, sec. 49a). The comptroller must certify that the state will have enough revenue to pay for the approved spending. The Legislature may override the deficit spending prohibition only if at least four-fifths of the members in each chamber approve.

The state may end a fiscal biennium with an unanticipated deficit but must eliminate the deficit in the subsequent budget. Any deficit carried from one biennium to another must be deducted from anticipated revenue when determining how much revenue is available for appropriation and certification in the new biennium (see Atty. Gen. Opinion, No. [JM-666](#), April 1, 1987).

Limits on state debt. The Texas Constitution prohibits state borrowing except to "supply casual deficiencies of revenue" up to \$200,000, repel invasion, suppress insurrection, defend the state in war, or for a purpose it specifically authorizes (Tex. Const. Art. 3, sec. 49).

The Legislature may not authorize general obligation or revenue bonds or large lease-purchase agreements designed to be repaid from general revenue if the resulting annual debt service from general revenue would exceed 5 percent of the average amount of general revenue (excluding funds dedicated by the Texas Constitution) during the preceding three fiscal years (Tex. Const. Art. 3, sec. 49-j). The limit does not include bonds that are backed by the full faith and credit of the state and are reasonably expected to be paid from other revenue sources and do not draw on general revenue.

At the end of fiscal 2022, debt service on outstanding debt payable from general revenue equaled about 1.11 percent of unrestricted general revenue, according to the Bond Review Board. The total authorized debt service (issued and unissued) equaled 2.25 percent of unrestricted general revenue.

Limit on child welfare spending. The Texas Constitution limits state spending on assistance to needy children and their caretakers to no more than 1 percent of the total state budget in a biennium (Tex. Const. Art. 3, sec. 51-a(b)). Federal matching funds and administrative expenses are not included under this cap, which was about \$2.6 billion for fiscal 2022-23, according to the LBB. The fiscal 2022-23 budget allocated \$83.6 million to Temporary Assistance for Needy Families grants, which falls under this limit.

Consolidated general revenue limit. The 87th Legislature adopted [SB 1336](#) by Hancock, which establishes a new statutory limit on appropriations from consolidated general revenue beginning in 2024-25. The bill defines consolidated general revenue appropriations as those from the general revenue fund, a dedicated account in the general revenue fund, or a general revenue-related fund. Under the bill, the growth rate of consolidated

general revenue appropriations in a state fiscal biennium may not exceed the state's estimated average biennial population growth rate during the fiscal biennium for which appropriations are made and during the preceding fiscal biennium, adjusted by the state's estimated average biennial rate of monetary inflation for the same period. The Legislature may exceed the limit with a three-fifths vote in both chambers for an emergency.

LBB must establish the consolidated general revenue limit for the next state fiscal biennium compared to the previous biennium, and must include the proposed limit of consolidated general revenue appropriations in its budget recommendations. Subject to revenue forecast revisions or subsequent appropriations, LBB [adopted](#) a consolidated general revenue spending limit of \$135.9 billion for the 2024-25 biennium at its November 30 meeting.

Dedicated revenues and funds. Discretion in legislative spending also is restricted by constitutional or statutory dedications that reserve certain revenue sources for special purposes or by requirements for the state to comply with court orders or federal requirements.

General revenue-dedicated funds are those funds within the general revenue fund, such as the State Parks Account, reserved for specific purposes by the Texas Constitution or specific statutes. Many of these funds have balances carried over from previous biennia that have been unspent but counted toward budget certification.

In LBB's *Fiscal Size-up: 2022-23 Biennium*, it [reported](#) 79.6 percent of the general revenue funds and general revenue dedicated funds appropriated for fiscal 2022-23 was restricted by various means. Of the general revenue and general revenue dedicated funds budgeted in fiscal 2022-23:

- 43.8 percent was restricted by constitutional or statutory dedications;
- 24.2 percent was restricted by federal laws, regulations, and court decisions; and
- 11.7 percent was restricted by funding formulas.

After accounting for these restrictions, 20.4 percent of all general revenue and general revenue dedicated funds in fiscal 2022-23 was available for discretionary spending, according to LBB.

The 87th Legislature appropriated \$6.3 billion in general revenue dedicated funds for fiscal 2022-23, an increase of \$286 million from fiscal 2020-21. The comptroller [reported](#) estimated balances of about \$5.7 billion across all general revenue dedicated accounts available to be counted toward budget certification for 2022-23 general revenue fund appropriations.

Federal funds. The state's \$264.8 billion total appropriation for fiscal 2022-23 included about \$98.5 billion in federal fund expenditures. Federal funds generally are granted for specific purposes or with restrictions on state expenditures.

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