



Legislative Budget Board
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TO: Budget Contacts
All State Agencies and Institutions of Higher Education

FROM: John O'Brien
Director, LBB
Mary Katherine Stout
Director, GOBPP

DATE: January 22, 2010

SUBJECT: Five (5) Percent Biennial Budget Reduction

In a letter dated January 15, 2010, Governor Perry, Lieutenant Governor Dewhurst, and Speaker Straus asked agencies and institutions of higher education to submit written proposals identifying a five percent biennial reduction to their 2010-11 General Revenue and General Revenue-Dedicated appropriations. Proposals should be submitted in the web-based ABEST system no later than February 15, 2010 and adhere to the following guidelines:

1. In consultation with the GOBPP and LBB analysts, the 5 percent reduction will be calculated using the following methodology:
 - Use General Revenue and GR-Dedicated appropriation amounts identified in the published 2010-11 General Appropriations Act (GAA) (August 2009);
 - Exclude amounts for programs specifically exempted in the January 15 letter from the Governor, Lieutenant Governor and Speaker.
 - Adjust for any General Revenue reductions identified in Article XII of the 2010-11 GAA relating to American Recovery and Reinvestment Act funding; and,
 - Exclude appropriations from GR-Dedicated accounts that are not subject to Comptroller certification of the GAA (e.g., Compensation of Victims of Victims of Crime Account No. 469), as well as Other Educational and General Income for institutions of higher education. The list can be found at http://www.lbb.state.tx.us/Reference/GRD_Impact_GAA_0110.pdf
2. Submit reductions in priority order increments that total at least 5 percent of the General Revenue and GR-Dedicated appropriations for the 2010-11 biennium as described above. The first item should be the budget item that if adopted, would have the least consequence or negative effect on agency programs and goals.

Subsequent reduction items should reflect those with greater consequences or negative effects to agency programs and services.

Exclude reduction options out of GR-Dedicated accounts that are not subject to Comptroller certification of the GAA.

Also, do not propose reductions that would result in the State of Texas violating the Texas Constitution and/or federal law. And, if items are proposed that require modifications of existing general state law, identify the specific statutory reference(s) that would be impacted.

3. Submit reductions at the program level. Proposals should reflect multiple options rather than one or two reduction options. Non-specific across-the-board reductions (e.g., 5 percent reduction to each strategy) are discouraged, but may be acceptable when agency size or function limits the available options. If agency size or function limits the available options, please consult your GOBPP or LBB analyst prior to submitting a proposal with one reduction option. Examples of acceptable reductions include specific agency programs or services, savings from a hiring freeze, elimination of contracts for consultants and professional services, travel reductions, elimination of planned purchases of capital items, etc.

It is important to refer to the January 15 letter regarding minimizing the impact to direct services and identifying the list of programs that are exempt from this exercise. Also, since time is limited for completion of this exercise, no other exceptions will be considered. For those proposed items you feel should be exempted, identify all concerns and related impacts in your submission.

4. Explain in detail the impact of the reduction item to agency operations and customers. Potential impacts include, but are not limited to reductions in services or service levels, longer processing times, lower rates paid to service providers, etc. In addition, for each reduction item, identify and explain the impacts to the following:
 - strategy(ies) affected (include reduction amounts for each);
 - Federal Funds losses due to reduction of General Revenue-related appropriations;
 - revenue collection reductions, including assumptions;
 - FTE reductions; and,
 - key performance measures and other performance indicators routinely reported to the LBB and/or GOBPP.

Your careful consideration and timely submission of these proposals is appreciated. If you have budget-related questions, please contact your assigned LBB or GOBPP analyst. For questions regarding ABEST, please contact the Application Support Help Desk at 463-3167. Instructions for entering the reductions in ABEST can be accessed on the LBB website at www.lbb.state.tx.us under the heading *Agency Instructions* beginning February 1, 2010.

cc: Governor Rick Perry
Lt. Governor David Dewhurst Speaker Joe Straus
Senator Steve Ogden Representative Jim Pitts
Suzy Whittenton, Director of Fiscal Management, CPA