TO: State Agency Board/Commission Chairs  
State Agency Heads/Executive Directors  
Appellate Court Chief Justices  
Chancellors, Presidents and Directors of Institutions of Higher Education  
Presidents and Directors of Health-Related Institutions  
Presiding Officers of the Texas House and Texas Senate

In Texas, we have been fortunate that our economy has fared better than most other states during the current national recession. Nevertheless, Comptroller Susan Combs noted in her November 2009 economic update that our revenues have "weakened substantially as the national recession began exerting its full influence on Texas." Due to the uncertainty of the state's short-term economic future, as well as potentially substantial long-term costs associated with the passage of federal legislation currently being debated in Washington, D.C., we are asking each state agency to thoroughly review all planned expenditures for the remainder of the biennium.

We respectfully request that each state agency submit a plan to identify savings in priority increments totaling 5 percent of the general revenue and general revenue-dedicated appropriations for the 2010-11 biennium. Please submit these plans to the Legislative Budget Board and the Office of the Governor's Budget, Planning and Policy division, no later than February 15, 2010. Agencies under the jurisdiction of the Texas Health and Human Services Commission should work with the commissioner to present a unified plan. Likewise, each institution of higher education represented by a system office should submit a unified plan for the system and its components.

Your plan should represent prudent, efficient reductions that minimize the impact on direct services. For purposes of this review, we expect you to analyze the necessity of all administrative expenses and purchases. Reducing direct services should be your last option, but should be identified, if necessary, in order to meet the 5 percent target. Specifically, there should be no reductions to benefits or client eligibility levels in the Medicaid entitlement, Children's Health Insurance Program and foster care programs, and no reductions to eligibility staffing. Programs exempt from this request include the Foundation School Program, Social Security contributions, contributions to the Teacher and Employees Retirement Systems' retirement programs, contributions to the Higher Education Fund, and debt service for previously issued obligations.

Texas has a balanced budget and comparatively sound economic conditions. However, we owe it to the taxpayers to be especially prudent with their hard-earned dollars during these difficult times. Thank you in advance for your assistance.

Sincerely,

Rick Perry  
Governor

David Dewhurst  
Lieutenant Governor

Joe Straus  
Speaker of the House