STATE OF TEXAS

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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

Limited government, pro-growth economic policies and sound financial planning are the key budget principles responsible for Texas' economic success. During the 84th Legislative Session, we worked together to prioritize spending and made our state even stronger and more efficient. With your help, we can restrain the size and scope of government to ensure that employers are empowered to create more jobs that benefit hardworking Texans.

An initial step in developing the 2018-19 biennial budget for the State of Texas is submission of agency and institution Legislative Appropriations Requests (LAR). Detailed instructions for the submission are posted on the websites of the Legislative Budget Board (LBB) and the Office of the Governor, including a staggered schedule of submission dates.

It is imperative that every state agency engage in a thorough review of each program and budget strategy and determine the value of each dollar spent. As the starting point for budget deliberations, we are requiring each agency to trim four percent from their base appropriation levels. These levels will be provided to each agency by the Governor's Office and LBB.

Exceptions to the baseline request limitation include amounts necessary to:

- maintain funding for the Foundation School Program under current law;
- maintain public safety resources in the border region to help secure Texas;
- satisfy debt service requirements for bond authorizations;
- maintain funding at fiscal year 2017 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;
- maintain funding for Child Protective Services;
- maintain funding for behavioral health services programs; and
- maintain current benefits and eligibility in Medicaid programs, the Children's Health Insurance Program, the foster care program, the adoption subsidies program and the permanency care assistance program. Baseline requests for these programs should include amounts sufficient for projected caseload growth.

Specific questions with respect to the treatment of the above items should be directed via email to both your Governor's Office and LBB analyst.

The reduction in the baseline request will require agencies to maximize the efficient use of state resources, and all LAR should express the agency's priorities for programs and items that are of highest value to Texas taxpayers.

Funding requests that exceed the adjusted baseline spending level may not be included in the baseline request, but these additional funding requests may be submitted as Exceptional Items. The Exceptional Items schedule now includes required fields for information on potential contract, information technology and out-year costs in order to better identify and analyze ongoing state expenses associated with requested items. Agencies that request Exceptional Items should be prepared to suggest lower-priority programs or other cost savings to help offset the increased costs associated with their requests.

Each LAR submission must include information providing the budget request by program in a format prescribed by the LBB and Governor's Office. Additionally, zero-based budget information will also be requested from agencies throughout development of the 2018-19 state budget.

Thank you for your service to the State of Texas, and we look forward to working with you in preparation for the 85th Legislative Session.

Greg Abbott — Dan Patrick — Joe Straus

Governor Greg Abbott — Lt. Governor Dan Patrick — Speaker Joe Straus