



July 25, 2024

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

Texans deserve to know that their tax dollars are used to fund efficient government that serves their needs. We are committed to a budget process that adheres to these principles. As you prepare your Legislative Appropriations Requests (LAR) for the 2026-2027 biennium, please use this opportunity to detail how your agency requests meets the tax-payer needs for cost effective, good customer service. Our final decisions about your agency appropriations will be based on those justifications.

Legislative Appropriations Requests should take into consideration that priorities for the next appropriations act will include property tax relief; additional funding to support construction and modernization of dispatchable electric generating facilities; operational funding for the mental health facilities authorized by the 88th Legislature; and funding for Educational Savings Accounts and securing the border.

Today, Lieutenant Governor Dan Patrick and I are outlining our policy decisions to guide the joint instructions for the submission of Legislative Appropriations Requests (LAR) for the 2026-27 biennium. We expect that the detailed instructions will soon be posted on the websites of the Legislative Budget Board (LBB) and the Office of the Governor. Please contact your assigned LBB analyst or Governor's Office advisor if you need additional assistance.

Under these instructions, an agency's baseline request for General Revenue Funds and General Revenue-Dedicated Funds may not exceed the sum of those amounts expended in fiscal year 2024 and budgeted in fiscal year 2025. Exceptions to the baseline request limitation include amounts necessary to:

- maintain funding for the Foundation School Program under state law;
- satisfy debt service requirements for bond authorizations;
- maintain funding at fiscal year 2025 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

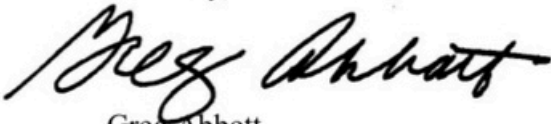
for retirement and group health insurance), though group benefit modifications may be considered; and

- maintain benefits and eligibility under state law in Medicaid programs, the Children's Health Insurance Program, foster care programs, the adoption subsidies programs, and the permanency care assistance program (baseline requests for these programs should include amounts sufficient for projected caseload growth).

Funding requests that exceed the baseline spending level may not be included in the baseline request but may be submitted as exceptional item requests. It is imperative that state agencies remain fiscally and operationally efficient with state resources. While these instructions do not require a reduction to baseline amounts, agencies and institutions should be mindful the legislature may make reductions to their 2026-27 appropriations, and these entities will be expected to fully justify maintaining baseline spending amounts.

Thank you for your service to the state of Texas. We look forward to working with you and your staff in preparation for the 89th Legislative Session.

Sincerely,



Greg Abbott
Governor



Dan Patrick
Lieutenant Governor