



The Legislative Study Group

An Official Caucus of the Texas House of Representatives

Chair, Rep. Garnet Coleman

Treasurer, Rep. Armando Walle

Bill Analysis for Committee Substitute Senate Bill 1

Author: Rep. John Zerwas

Recommendation: Will of the House w/ Concerns

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Senator Rodriguez

Overview of Budget and Revenue Issues

Chairman Coleman and the Legislative Study group would like to begin by thanking Chairman Zerwas and the Appropriations Committee for doing a very good job in a tight revenue biennium. We understand that cuts are a function of less revenue and applaud the Speaker and Chairman Zerwas for using the Economic Stabilization Fund (ESF) to fund schools and needed services.

The state budget is a document filled with numbers and purpose. It is supposed to represent everything that the State of Texas holds dear in its heart, to show the world that Texans value one another and lift each other up for the benefit of all.

Texas families are not concerned with those decisions – they worry about the health of their loved ones, the quality of their neighborhood schools, and a prosperous tomorrow. Every option should be on the table to alleviate those worries, and the fact that there is hesitation about meeting the fundamental obligations of the Legislature makes for hard-fought progress. As with past state budgets, with every step towards the future this budget makes, a shadow of the two steps backwards cast from sessions past looms around the corner.

The Comptroller's office released the Biennial Revenue Estimate for 2018-2019 in January of this year, certifying that the state has \$104.87 billion in General Revenue available to formulate its 2018-2019 budget. This estimate is \$2.86 billion below our starting point in the 2015 budget cycle due to decreased oil and gas revenue and the legislature's continued push to reduce taxes at every turn. The Legislative Budget Board's initial report indicates that the state would require \$108.86 billion GR to maintain funding levels from last session (including reconciliation of the 2016-2017 budget), \$3.99 billion above the revenue estimate.

This shortfall led to significant cuts across all articles of the budget as agencies were directed to cut 4% of their budgets, with some crucial exceptions: Medicaid/CHIP, CPS/foster care/adoption, the Foundation School Program, state pension contributions, border security, and behavioral health. The 4% mandate places agencies in a predicament where their resources, already stretched thin by past budget cycles that failed to keep up with inflation, must go even further and programs must be reduced or eliminated. The most common strategy to achieve these reductions is to underfund the state's obligations to Medicaid, public education, teacher retirement, and legal defense services.

Uncertainty about the availability of federal funds as the new federal administration seeks to outline its objectives forms a backdrop of any budget discussion in the legislature. With the continued existence of federal agencies such as the Environmental Protection Agency and

Departments of Agriculture and Education in question, the state may need to shoulder a larger share of the cost of providing essential services to residents.

Major Themes from the Appropriations Committee Process

In addition to the broader revenue issues constraining the budget process that are highlighted above, the following are major themes discussed in the House Appropriations Committee during their consideration of the budget. These larger themes impacted decision points across multiple articles, and provide important context to the process for the 85th Regular Session.

Tightened Budgets and the Impact on Services

Agencies requested restoration of the 4% cuts they were required to make. The programs eliminated or reduced through this Act provide vital services to Texas families at a time when they need support the most. State programs that focus on low-income individuals are often the first things scrutinized when the budget gets tight, as opposed to multi-million tax breaks or privatization efforts. Restoring funds for these critical services is often a struggle; the state is still digging itself out of budget decisions made in 2011. This pattern helps explain why the state's spending continually struggles to keep pace with population growth and inflation.

Salary and Payroll Concerns

Without the funding to provide competitive salaries, the state is having difficulty attracting and retaining qualified individuals in critical positions. Most agencies submitted Exceptional Item Requests regarding payroll for their staff. This issue is particularly important for agencies in need of new leadership, whose directors are reaching retirement age. Without proper management, Texas' state agencies could face repeated oversight and structural challenges and limitations for years to come.

State Contracts

State agency contracting practices lack proper oversight and accountability. Staff lack proper training on contracting procedures, causing agencies to enter contracts without adequate preparation. Without proper foresight during their formulation, contracts often lack clearly-defined objectives and metrics of success. Outside contracts have their place within the state's operations but require more institutional support. The budget makes some attempts to modernize the state's contracting system, but additional legislative solutions will be required to ensure proper transparency and oversight of state government.

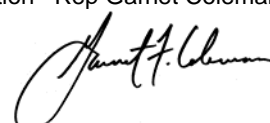
Agency Information Technology and Cybersecurity

The state's information technology infrastructure requires significant investment to remain current and secure. Upgrading server systems and equipping agencies to utilize modern Voice Over Internet Protocol (VOIP) communications can lead to increased efficiency for interagency communication, as well as protecting the personal information of Texans. The bill includes \$50 million from the Economic Stabilization Fund specifically for IT and cybersecurity improvements for a large number of Texas' state agencies.

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Notes on the information contained in this report:

- The data contained in tables outlining each agency’s total funding change may vary slightly from the Legislative Budget Board’s reports due to rounding.
 - Provisions within Article IX are mentioned in other sections when especially notable; otherwise, they are discussed in their own section. Because these provisions require their own vote and passage of the overall budget is not contingent on their approval, they are evaluated independently.
 - This report does not address every funding change within each agency. Rather, it highlights areas of significant fiscal or policy change that are important to Texas families.
 - This analysis does not take Sunset Recommendations into consideration.
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About the Texas Legislative Study Group

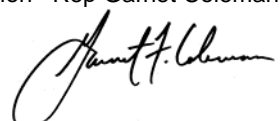
The Legislative Study Group is dedicated to advancing mainstream public policy ideals and ensuring that all LSG caucus members have the necessary information to make informed decisions, leading to the best public policy for all Texans. Since the 73rd Legislative Session, LSG staff has provided accurate and detailed bill evaluations for all of its members. In addition, LSG floor reports have proved to be an invaluable tool for dissecting legislation and preparing for floor debates.

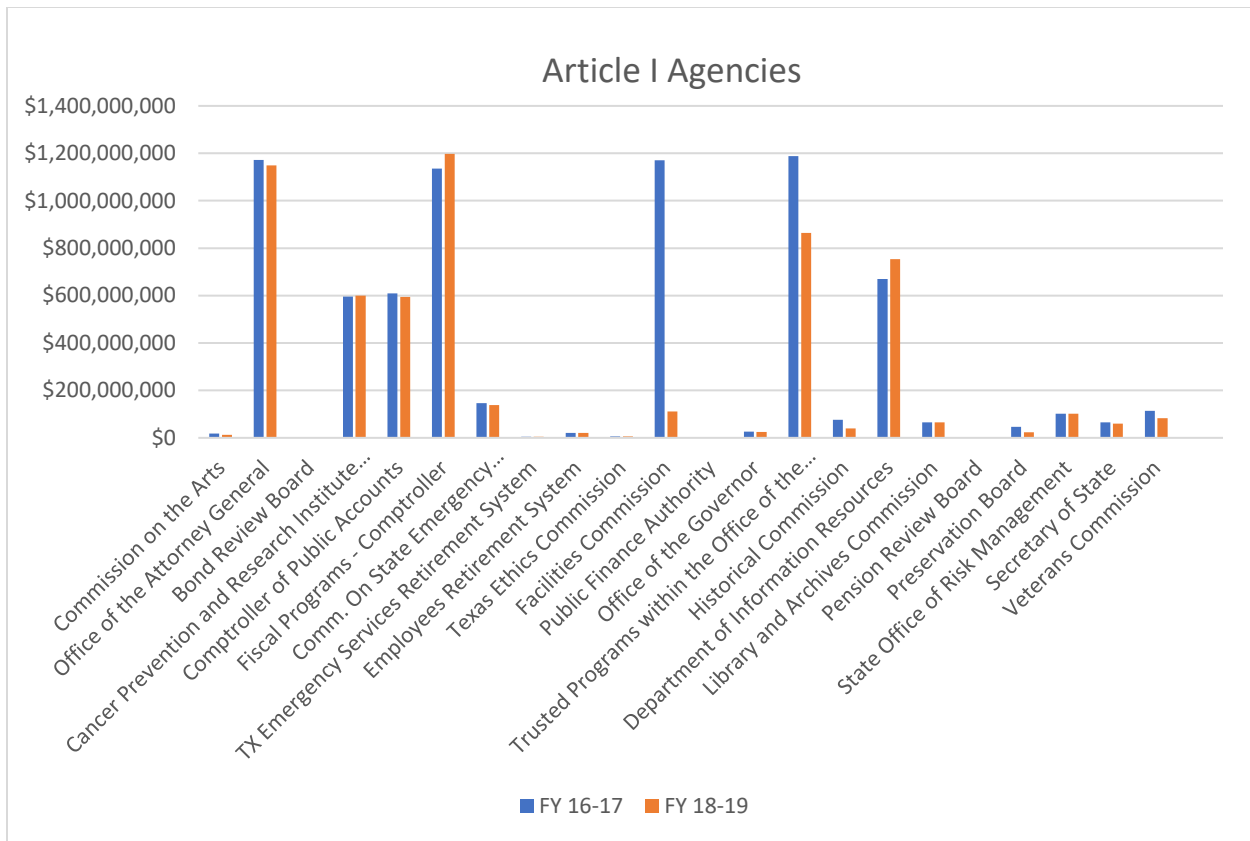
LSG serves as a primary conduit for the flow of information to legislators on the House floor during the legislative session. Full-time staff focused on key policy areas provide detailed analysis of bills in five main areas of interest: education, environment, budget, health and human services, and worker and consumer issues. Each area of interest has a specific LSG staff member assigned to track and analyze legislation.

If you have any questions about this report or the Legislative Study group, you may email us at info@texaslsg.org or call LSG Executive Director Ana Ramon at 210-382-4295.

ARTICLE I – GENERAL GOVERNMENT

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Agency	FY 2016-2017 (Estimated/Budgeted)	FY 2018-2019	Difference	% Change
Commission on the Arts	\$17,800,000	\$12,800,000	(5,000,000)	-28.1%
Office of the Attorney General	\$1,171,600,000	\$1,148,600,000	(23,000,000)	-2.0%
Bond Review Board	\$1,600,000	\$1,600,000	100,000	4.0%
Cancer Prevention and Research Institute of Texas	\$596,300,000	\$600,100,000	3,800,000	0.6%
Comptroller of Public Accounts	\$608,800,000	\$594,400,000	(14,400,000)	-2.4%
Fiscal Programs - Comptroller	\$1,135,600,000	\$1,197,500,000	61,900,000	5.5%
Comm. On State Emergency Communications	\$146,000,000	\$138,900,000	(7,100,000)	-4.8%
TX Emergency Services Retirement System	\$4,700,000	\$4,100,000	(600,000)	-12.2%
Employees Retirement System	\$20,200,000	\$20,200,000	0	0.0%
Texas Ethics Commission	\$6,100,000	\$6,200,000	100,000	0.9%
Facilities Commission	\$1,170,300,000	\$111,500,000	(1,058,800,000)	-90.5%
Public Finance Authority	\$3,100,000	\$2,900,000	(200,000)	-6.5%

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Office of the Governor	\$26,500,000	\$25,200,000	(1,300,000)	-4.9%
Trusted Programs within the Office of the Governor	\$1,188,300,000	\$864,500,000	(323,900,000)	-27.3%
Historical Commission	\$76,200,000	\$39,600,000	(36,600,000)	-48.1%
Department of Information Resources	\$670,400,000	\$753,300,000	82,800,000	12.4%
Library and Archives Commission	\$65,000,000	\$65,200,000	300,000	0.4%
Pension Review Board	\$1,900,000	\$1,900,000	0	-0.1%
Preservation Board	\$46,400,000	\$24,000,000	(22,400,000)	-48.3%
State Office of Risk Management	\$101,600,000	\$101,600,000	0	0.0%
Secretary of State	\$64,800,000	\$59,400,000	(5,500,000)	-8.4%
Veterans Commission	\$114,600,000	\$83,400,000	(31,300,000)	-27.3%
Total All Funds	\$7,237,800,000	\$5,856,900,000	(1,380,900,000)	-19.1%

Office of the Attorney General

The OAG's overall budget decreases by \$18.9 million due to changes to Child Support Enforcement. Increases to the Crime Victim Compensation fund (\$14.6 million) provide greater opportunities for victims of violent crimes to seek funding assistance that may help alleviate financial burdens that result from their traumatic experience. Each victim may receive up to \$50,000 in reimbursements to cover a wide array of services associated with crime, including lost wages, medical and therapeutic services, and funeral expenses. Although these funds are a secondary option to be utilized after accessing personal insurance benefits, their availability assists victims with their recovery process and should be maintained.

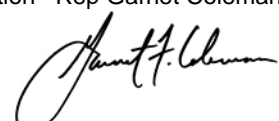
Facilities Commission

The Facilities Commission experiences a massive funding drop of \$1.0 billion All Funds, 87.4% of their previous budget. The largest portion of this decline is tied to the revenue bonds associated with construction on the Capitol complex during the 2016-2017 biennium.

Historical Commission

The Historical Commission is the state agency for historic preservation, and is nationally organized for its preservation programs. It works with local, state, and national partners to protect resources that conserve Texas history. The commission also engages communities in educational activities to create economic opportunities using historical-related assets. In the funding for the Historical Commission for the 2018-2019 state fiscal biennium, there was a reduction of \$11.8 million in All Funds. In a year of tight budgeting, this was a relatively negligible cut, especially considering that this commission does not provides basic necessary social services to vulnerable communities in Texas. Furthermore, a method of finance swap

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allowed the agency to be funded through the Economic Stabilization Fund instead of general revenue, accounting for the \$26.2 million reduction in General Revenue funds.

Office of Information Resources

The \$132 million increase to the agency's budget is connected to a statewide increase in demand for bandwidth and information technology support from other state agencies. \$50 million from the ESF is allocated for upgrades to IT and cyber security protocols across the state; an amendment to the budget will provide a rider specifying where those funds go.

Preservation Board

The Preservation Board maintains and restores the grounds and contents of the State Capitol and the General Land Office Building. Cuts in the amount of \$22.3 million all funds were made between the 2016-2017 biennium and the 2018-2019 biennium. In a fiscal biennium of tight budgets, it is necessary to decrease appropriations to preserving the capitol grounds for two years for the sake of alleviating even greater cuts to Texas families and vulnerable communities.

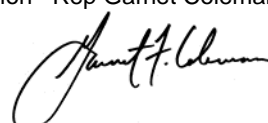
Trusted Programs Within the Office of the Governor

Under Strategy A.1.1, Disaster Funds, under the Trusted Programs within the Office of the Governor, there are Unexpended Balances (UB) appropriated for the 2018-2019 state fiscal biennium. Appropriations for these disaster grants reflect a net decrease of \$9.8 million All Funds, with \$15.0 million appropriated from the Economic Stabilization Fund offsetting the \$24.8 million decrease in All Funds.

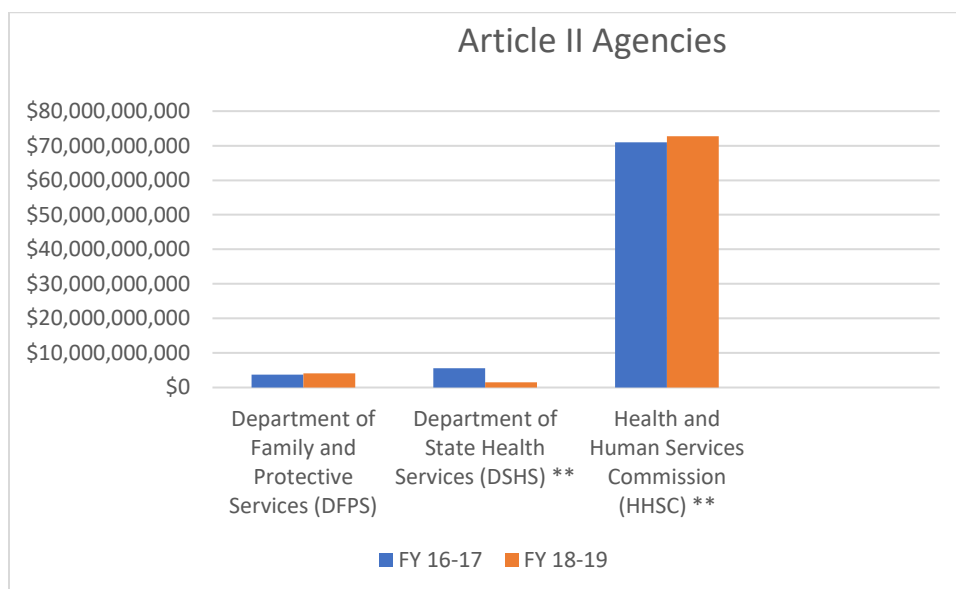
Texas will continue to be affected by natural and man-made disasters, and effects include property damage and disruption to vital infrastructure systems. In the event of disaster, assistance is available from the state and federal government.

State assistance includes grant funding and in-kind assistance from individual state agencies. The grant funding for disasters is housed within the Trusted Programs of the Office of the Governor. They are pass-through grants to state agencies and local governmental entities, and are typically available after appropriated funds to state and local agencies for disasters are depleted. Examples of the extent of damages of disasters include the 2011 fire season, the worst in Texas history. That year, more than 31,000 wildfires burned 4 million acres of land across the state, destroyed over 2,900 homes and claimed 10 lives. The enormous flooding event in Spring 2015 killed over 20 people, and caused more than \$3 billion in damages. Over a period of a year, 6 more floods hit the state.

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ARTICLE II – HEALTH AND HUMAN SERVICES



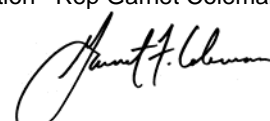
Agency	FY 2016-2017 (Estimated/Budgeted)	FY 2018-2019	Difference	% Change
Department of Family and Protective Services (DFPS)	\$3,703,900,000	\$4,070,600,000	366,700,000	9.9%
Department of State Health Services (DSHS) **	\$5,617,400,000	\$1,511,600,000	(4,105,800,000)	-73.1%
Health and Human Services Commission (HHSC) **	\$70,949,500,000	\$72,708,600,000	1,759,100,000	2.5%
Total All Funds	\$80,270,800,000	\$78,290,800,000	(1,980,000,000)	-2.5%

The population of Texas continues to grow dramatically each year, a trend that is not likely to change in the future. The financing trends ignore the impact of inflation on the health care system; each dollar that the state puts in the system does not provide the same purchasing power as in past biennia.

Major Theme: Reorganization of Health and Human Services Agencies

During the 84th Legislature, the Health and Human Service Commission implemented a plan to reorganize its subsidiary agencies and their services over a three-year span. On September 1, 2016, the Department of Assistive and Rehabilitative Services was disbanded and its vocational rehabilitation programs were relocated to the Texas Workforce Commission, while all client services were consolidated in to HHSC. The second phase of the plan takes effect on September 1, 2017, when the Department of Aging and Disability Services will disband and the state hospitals and supported living centers will migrate to HHSC. This consolidation accounts for the drastic funding reductions within DSHS during this budget cycle.

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Department of Family and Protective Services

Child Protective Services (CPS)

CPS is undergoing a significant overhaul, as the Legislature tries to sort out the best way to effectively manage caseloads and safeguard children who interact with the agency. The agency requested more than \$1 billion to cover the cost of needed reforms. Through the Appropriations process, legislators identified roughly \$300 million in requested dollars that – due to how the forms DFPS was required to fill out were constructed – were double-counted. With \$430 million added to the budget, there remains an undetermined amount – likely \$270-\$300 million – in unmet funding needs that the agency says is needed to fully address the crisis.

After receiving 295,862 reports of alleged neglect or abuse in 2016, efforts are focused on reducing the average caseload to 15 per worker. However, the budget coming to the floor falls far short of that goal. 1,377 additional FTEs will be added over the biennium at a cost of \$111.1 million in All Funds to reduce caseloads. The increase to staff improves the agency's response capabilities for allegations of abuse and ability to conduct appropriate follow-up visits to monitor the well-being of children; caseworkers who are able to effectively do their job are less likely to suffer from burn-out, improving the agency's staff retention rate.

Foster Care

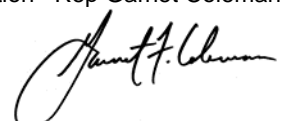
Foster care continues to receive scrutiny in Texas after the system redesign during the 84th Legislature, as the focus turns to state payments to caregivers. Children in foster care face systemic challenges that can lead to substance abuse or homelessness unless their placement is secure, and the best way to ensure stability for the youths is to provide proper reimbursement to the homes. The push to increase the minimum daily reimbursement rate per child to \$23.10, codified in Rider 6 to the DFPS budget, raises the percentage of real costs covered by the payment from 80% to 95%. This leads to a \$94.3 million increase in All Funds for this strategy for a total of \$953 million.

Department of State Health Services

Agency consolidation in to the Health and Human Services Commission during the 2016-2017 session shifts the need for funding within Article II, and DSHS absorbs the losses with a 77% decrease to their budget. CSSB 1 includes \$1.08 billion for all prevention strategies, including \$398 million for HIV/STD prevention and \$190.7 million for immunizations. Preventative health initiatives, especially those targeted for infectious disease prevention, are critical to protecting the public health and well-being of all Texans.

CSSB 1 appropriates \$25.5 million in Article II and \$19.5 million in Article XI for infectious disease prevention; this is a \$42.7 million cut to disease prevention from the 2016-2017 biennium. This critical funding is used for controlling the spread of communicable diseases such as influenza and tuberculosis in public spaces. It also goes toward researching and implementing programming to address diseases that warrant sizeable public concern, such as Zika virus. Without adequate disease prevention funding, DSHS will not be able to fulfill one of its core public health duties.

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Health and Human Services Commission

Children's Health Insurance Program (CHIP)

CHIP provides important medical services including primary health care, dental, vision, vaccinations, pre-existing conditions, and prescriptions for Texan children under the age of 18, as well as perinatal services for pregnant women. In order to qualify for CHIP, a family must be below 200% of the federal poverty level (\$49,800 for a family of four in 2017). While CHIP is not a federal entitlement program, Texas guarantees coverage for all qualifying children in the state. The program's allocation of \$1.97 billion All Funds is thanks to an increase in the Enhanced Federal Medical Assistance Percentages, used to determine federal matching funds. CHIP enrollment totals continue to rise, from 335,120 (2014) to 386,176 (2016).

Medicaid

HHSC administers client services for Medicaid, a health care program for qualifying children, women who are pregnant, young adults, and families who are caring for children. The Affordable Care Act (ACA) includes provisions that extend Medicaid to former foster care youths until the age of 26. Children make up 45% of the combined enrollment for Medicaid and CHIP, with the remaining population including pregnant women, disabled and elderly individuals, and indigent families.

CSSB 1 includes \$2.4 billion cuts to the program, which is certainly cause for concern. The cuts, introduced as a means of achieving savings through greater flexibility from the federal government, include a \$1.0 billion reduction in GR and \$1.4 billion in lost federal matching funds. Despite the committee's reassurances that the cuts will not affect access to services, the language presented within the bill is vague. The health of the 4 million Texans enrolled in Medicaid should not be held hostage for the sake of cost containment.

Acute Care Therapy Services

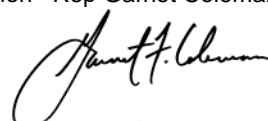
Acute care therapy includes speech, physical, and occupational therapy. 148,293 Texans utilized acute care services in 2014, for treatment of many disabling conditions including, but not limited to, autism, cerebral palsy, dementia and Alzheimer's, strokes, and muscular dystrophy. As of 2016, chronic therapy services are only available to individuals under the age of 20. These types of therapies are often prohibitively expensive for patients with conditions affecting their cognitive, communication, and physical capabilities. The budget for these programs was slashed during the 84th Legislature, and the \$118.9 million All Funds included in CSSB 1 only restore some of those cuts. Amendments to the budget will offer fixes to fully reverse the cuts to some of Texas' neediest children.

Status of the 1115 Waiver

HHSC has requested that the managed care provisions of the 1115 waiver be extended until September 30, 2019. The waiver, which has made available \$29 billion in all funds (\$17.0 billion via federal funds) over the course of five years, is intended to allow for innovation and expansion of Medicaid services that may not otherwise meet federal eligibility requirements.

Importantly, the 1115 waiver has been the instrument through which hospitals, both urban and rural, receive federal payments to help cover costs of treating the uninsured, among other costs. Without those payments, hospitals would be forced to dramatically reduce services, or even close their doors. One recent report predicted the "widespread closure of rural hospitals statewide" would be certain if the waiver went away.

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Temporary Assistance for Needy Families (TANF)

TANF is a monthly cash and Medicaid benefit for qualifying children and their families, allotted from state funds for families with little to no income, as well as for grandparents caring for children. It is meant to be a temporary supplemental income to get families through challenging times, particularly unemployment or underemployment, and can be awarded as a one-time payment or on an ongoing basis. TANF funds are limited to the purchase of:

- Food
- Clothing
- Housing
- Utilities
- Furniture
- Transportation
- Telephones
- Laundry
- Supplies for the home
- Medical costs not covered by Medicaid
- Other basic needs

TANF funds are very limited – a family of five with two parents receives a maximum of \$408.

Early Childhood Intervention (ECI)

Texas' Early Childhood Intervention Program helps children ages 0-3 with disabilities or developmental delays, working with them to build essential skills in support of their future independence as adults. 53,077 children received services in 2016 to address communication, health and physical conditions; services include support to families, coordinating access to support services, and promotion of learning and development. Repeated cuts to the program in recent years have led to a downward spiral of decrease enrollment and accompanying decreases in funding. However, ECI programs receive \$282.4 million in the budget to mostly keep pace with caseload growth; an amendment offered will attempt to restore all funding.

Healthy Texas Women

The Texas Women's Health Program, also known as Healthy Texas Women or HTW, is the primary method by which the state has attempted to provide critical women's health services such as Pap smears, mammograms, family planning services, pregnancy tests, and STI screenings. No state funds, including those provided through HTW, can be used to provide abortion services. Language in the budget stipulates that no HTW funds can go to clinics that perform abortions, effectively banning reputable women's healthcare providers such as Planned Parenthood from participating in the program. Reports have shown a significant increase in Medicaid births since the program went into effect, resulting in considerable costs increase to taxpayers. Additionally, a contract to the Heidi Group, an organization that provides no health services, failed to follow through on any of the stated goals of its contract.

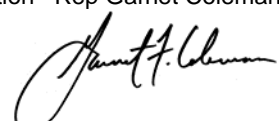
Refugee Assistance Program

The state forfeited \$100.3 million in federal funds by backing out of the Refugee Assistance Program, a program that helped more than 6,000 refugees, asylees, and victims of trafficking integrate into American society after their arrival.

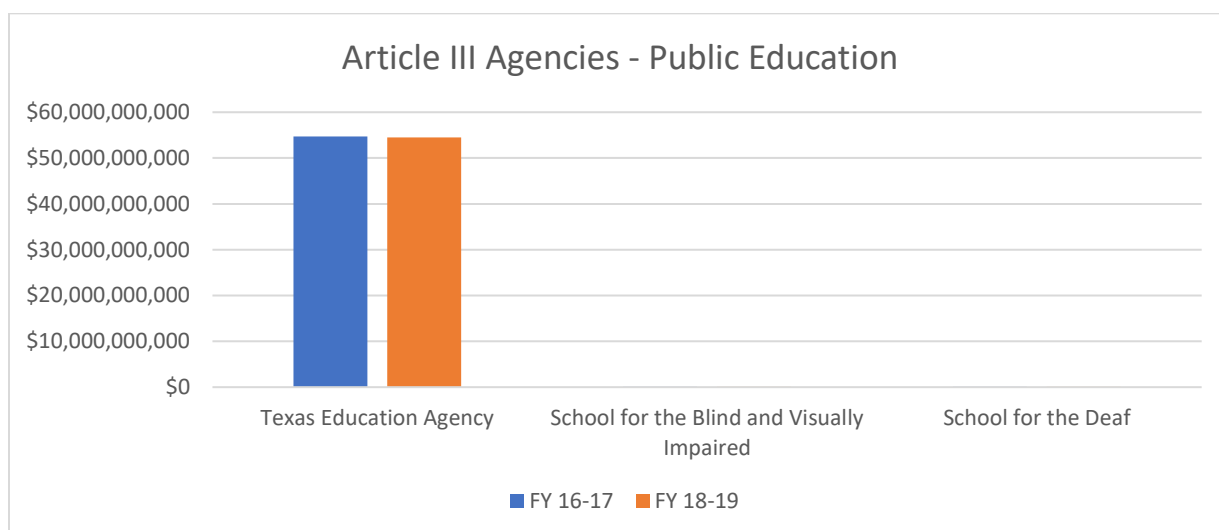
Behavioral Health

Behavioral health funding for inpatient and community-based programs through HHSC totals \$6.6 billion All Funds, with \$2.1 billion of that coming from GR and GR-Dedicated outside of Medicaid and CHIP. Supplemented by \$145.5 million in ESF dollars for critical maintenance of state hospital facilities, \$62.6 million to eliminate community mental health waiting lists, and various other programs throughout the budget, CSSB1 demonstrates its commitment to the mental health of all Texans by dedicating \$7.4 billion All Funds to the cause.

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ARTICLE III – PUBLIC EDUCATION



Agency	FY 2016-2017 (Estimated/Budgeted)	FY 2018-2019	Difference	% Change
Texas Education Agency	\$54,720,800,000	\$54,505,500,000	(215,200,000)	-0.4%
School for the Blind and Visually Impaired	\$52,200,000	\$50,700,000	(1,500,000)	-2.8%
School for the Deaf	\$59,900,000	\$62,400,000	2,500,000	4.2%

Texas Education Agency

TEA is scheduled to receive \$54.6 billion All Funds, \$215.2 million less than during the 2016-2017 biennium. The Foundation School Program has barely kept up with population growth over the past decade, let alone increased its investment in local public schools.

- The state’s GR for the FSP increased by from \$30.35 billion for the 2008-2009 biennium to \$33.7 billion in 2018-2019.
- Enrollment data for 2017 is not yet available from TEA, but enrollment grew by 17.2% over the decade ending in 2016.
- During that same time frame, the state’s share of the real costs for public education has decreased, from 47% in 2008-2009 to 43.2% in 2016-2017. This occurred while Hispanic children became the majority population in Texas’ public schools.
- The actions of Chairman Zerwas and the Subcommittee on Article III secured funding for an approximately 6,000 more students to receive Texas Grants thanks to an infusion from the Economic Stabilization Fund. This represents 10% growth in students benefitting from the educational opportunities offered by Texas Grants.

Public School Finance Reform (HB 21)

\$1.6 billion of the TEA’s appropriations are contingent on the passage of HB 21. That bill introduces some long-overdue changes to the public school finance system in an effort to increase its responsiveness to the diverse needs of the student population. The basic allotment per student would increase by an average of \$210, from \$5140 to \$5350, while the high school and transportation allotment are folded in to the basic allotment. The bill reduces the burden of recapture on school districts by increasing the state’s share of the cost of public education. Other provisions within the bill introduce an adjustment for students with dyslexia, increase the bilingual allotment weight, repeal a Hold Harmless for school districts identified as Chapter 41, and create a Hardship Provision Grant to assist districts affected by the expiration of ASATR.

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Pre-Kindergarten

The state's pre-kindergarten programs receive \$1.754 billion, \$1.6 billion from the Foundation School Program and \$147 million in supplemental funding from the TEA's Statewide Educational Programs strategy. Pre-kindergarten students are funded through the FSP under the basic allotment. The \$147 million supplemental represents a \$1 million decrease from the 84th Legislature and rolls high-quality pre-kindergarten grants into a single funding stream.

Other Provisions

- Early Childhood Interventions, discussed in greater detail under HHSC, receive a set-aside within the FSP for \$16.5 million each year.
- Students in Texas Juvenile Justice Department facilities will be supported with \$10 million from the TEA budget. This equates to a prorated equivalent to the basic allotment for each student if they were in a traditional school district.
- \$1.5 billion is allocated as a contingency for HB 11, relating to training requirements for educational staff with regards to mental and behavioral health, as well as institutional resources to support students and staff in addressing mental health issues.

Texas School for the Blind and Visually Impaired

The TSBVI maintains funding for their core services and receives a restoration of the 4% cut to their technical assistance and administrative programs. These strategies directly affect the School's ability to conduct outreach activities that educate families and organizations that interact with the visually impaired.

Texas School for the Deaf

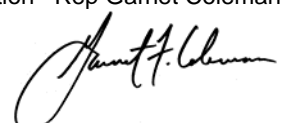
The school receives an additional \$1.5 million to fund new employees including a counselor, instructional support staff, and residential specialists. These positions, combined with an increase to the School's operational budget, total \$2.03 million and provide students with the staff necessary for their educational success.

Teacher Retirement System

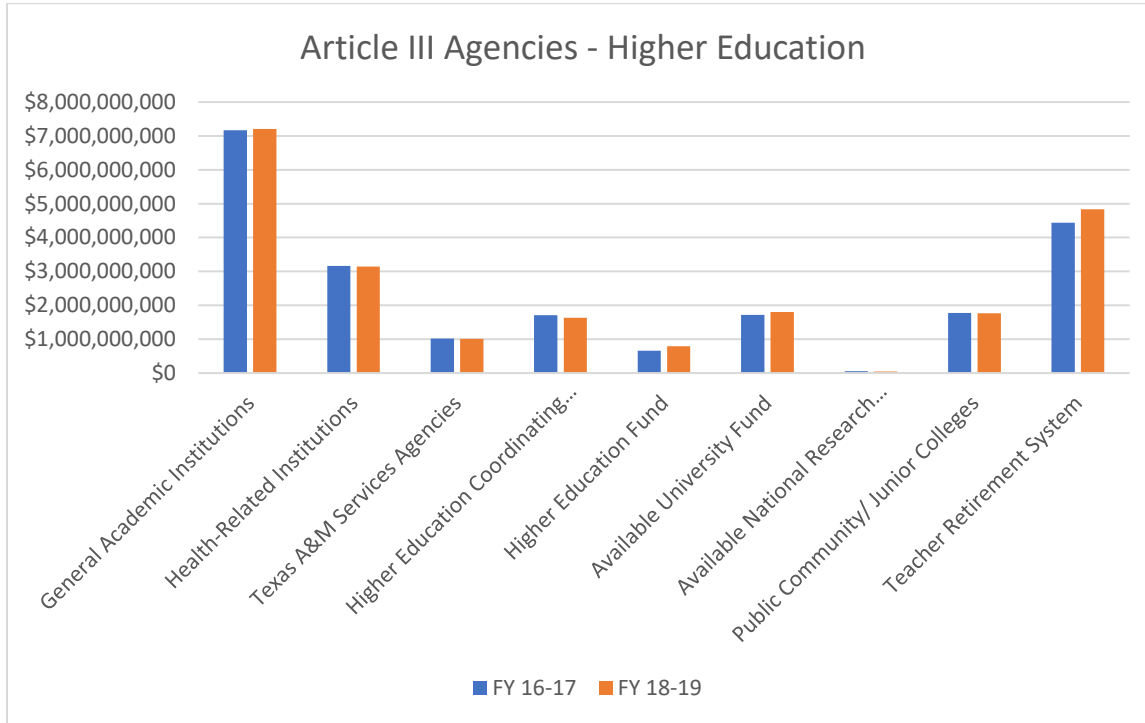
TRS is an employment benefit plan for current and former public and higher education teachers. Currently, TRS serves roughly \$1.4 million educators and is the largest public retirement system in Texas. Funding for TRS consists of contributions from the state for retirement and health care benefits for employees of public school, higher education institutions, and retired teachers, which are constructed based on payroll amounts from active members. CSSB 1 maintains an increase of \$397.7 million All Funds from the 2016-17 biennium due to the payroll amounts projected growth in enrollment for the FY 2018-19 biennium. State contribution rates are maintained at 6.8%.

In response to the rising health care expenditures due to consistently rising enrollment rates, \$500 million from the Economic Stabilization Fund has been designated to TRS for the 2018-2019 biennium to address the projected TRS-Care shortfall.

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ARTICLE III – HIGHER EDUCATION



Agency	FY 2016-2017 (Estimated/Budgeted)	FY 2018-2019	Difference	% Change
General Academic Institutions	\$7,164,400,000	\$7,210,200,000	45,800,000	0.6%
Health-Related Institutions	\$3,165,500,000	\$3,146,000,000	(19,500,000)	-0.6%
Texas A&M Services Agencies	\$1,016,400,000	\$1,012,400,000	(4,000,000)	-0.4%
Higher Education Coordinating Board	\$1,706,200,000	\$1,630,800,000	(75,400,000)	-4.4%
Higher Education Fund	\$656,300,000	\$787,500,000	131,300,000	20.0%
Available University Fund	\$1,713,300,000	\$1,800,500,000	87,200,000	5.1%
Available National Research University Fund	\$52,500,000	\$46,300,000	(6,200,000)	-11.8%
Public Community/ Junior Colleges	\$1,778,600,000	\$1,765,600,000	(13,000,000)	-0.7%
Teacher Retirement System	\$4,435,200,000	\$4,832,900,000	397,700,000	9.0%
Permanent Fund Supporting Military and Veterans Exemptions	\$20,100,000	\$47,300,000	27,200,000	135.7%

Texas Higher Education Coordinating Board

THECB provides a multitude of scholarships, grants, and loan repayment programs to individuals pursuing higher education in Texas, in addition to funding research with different

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funds. The \$1.63 billion All Funds – decreased by \$75.4 million from 2016-2017 levels – received by THECB covers all of these programs.

Research Funding

Research funding is the source of virtually all cuts within the Coordinating Board.

- The University of Texas at Austin and Texas A&M both receive their research dollars from the Texas Research University Fund (TRUF), down \$13.9 million for a total expenditure of \$125.2 million.
- The eight institutions classified as “emerging research universities” -- Texas State University, Texas Tech University, University of Houston, University of North Texas, University of Texas - Dallas, University of Texas - Arlington, University of Texas - El Paso, and University of Texas - San Antonio -- receive research dollars from the Texas Research Initiative Program (TRIP) and Core Research Support Fund (CRSF). TRIP’s budget is reduced by more than half, ending up at \$64.5 million All Funds while CRSF loses \$11.7 million, a 10% reduction, to \$105.4 million.
- TRIP funds were used by the University of Texas – Dallas in 2012 to establish the Texas Biomedical Device Center with matching funds from Texas Instruments. The Center conducts research relating to hearing disorders, head trauma for athletes, and polymers for prosthetics.
- The remaining 38 public universities in Texas share the \$12.8 million in the Comprehensive Research Fund, down \$1.4 million.

Scholarships and Financial Aid

\$1.1 billion dollars in scholarships and grants will be distributed through THECB, including:

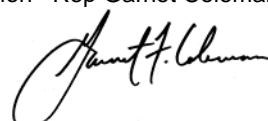
- \$715 million for TEXAS Grants, averaging around \$4,000 per recipient. Over the 15-year period beginning in 2000, the Texas Legislature established and funded new higher education institutions, appropriated \$3.3 billion for TEXAS Grants to help low-income students attend college, and increased funding for programs in critical fields. Since 2000, institutions of higher education have responded by increasing enrollment in 2014 by almost 600,000 students and awarding approximately 130,000 more bachelor’s degrees, associate degrees, and certificates.
- \$182.7 million in Tuition Equalization Grants. More than 25,000 students at private schools receive TEGs each year, with an approximate award of \$3,300.
- \$94 million in Texas Education Opportunity Grants at public community colleges and technical colleges.
- \$90.7 million in renewals of B-On-Time grants, which feature 0% interest rates for students who complete their degree plans within four years. Some students who meet additional benchmarks can qualify for loan forgiveness through this program.

Funds appropriated to these programs within Article III are supplemented with \$145.2 million from the Economic Stabilization Fund in Article IX.

Support for Military and Veterans Exemptions

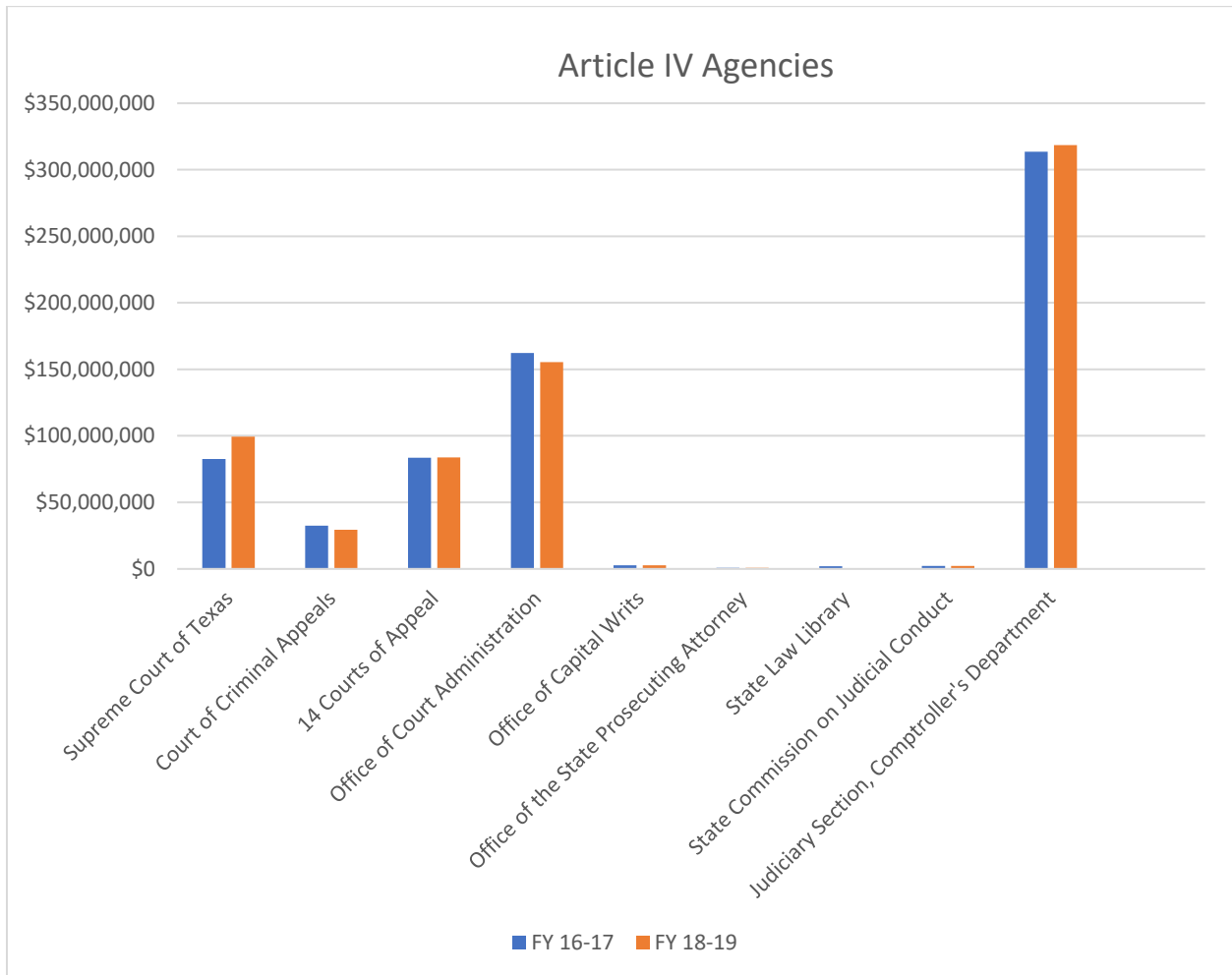
Funds specifically allocated to support veterans and their dependents total \$47.3 million for the biennium, with \$30.0 million in Hazlewood exemption reimbursements. Overall costs to the universities in Texas is difficult to assess, although some estimates put it above \$200 million. Most of the growth associated with the Hazlewood program comes from the legacy portion, where veterans opt to pass their entitlement on to their children. The lean budget projections for the upcoming biennium may tip the scales for Hazlewood as the Legislature must balance the increased future economic impact of more Texans obtaining degrees against the impact of

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the program’s unfunded portion on public universities. Legislators must also consider the promise they made to Texas veterans and their families.

ARTICLE IV – THE JUDICIARY



Agency	FY 2016-2017 (Estimated/Budgeted)	FY 2018-2019	Difference	% Change
Supreme Court of Texas	\$82,600,000	\$99,500,000	16,900,000	20.4%
Court of Criminal Appeals	\$32,400,000	\$29,500,000	(2,900,000)	-9.0%
14 Courts of Appeal	\$83,600,000	\$83,800,000	200,000	0.2%
Office of Court Administration	\$162,200,000	\$155,500,000	(6,700,000)	-4.1%
Office of Capital Writs	\$2,800,000	\$2,700,000	(100,000)	-4.0%
Office of the State Prosecuting Attorney	\$900,000	\$900,000	0	0.0%
State Law Library	\$2,100,000	\$200,000,000	(100,000)	-4.7%
State Commission on Judicial Conduct	\$2,300,000	\$2,300,000	0	0.3%
Judiciary Section, Comptroller's Department	\$313,500,000	\$318,600,000	5,100,000	1.6%

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Total All Funds	\$682,400,000	\$694,000,000	12,400,000	1.8%
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Supreme Court of Texas

The Supreme Court’s major line item remains Basic Civil Legal Services, at \$85.2 million. This includes \$9.6 million from a GR-Dedicated fund for victims of sexual assault and \$3.0 GR for veterans and their families.

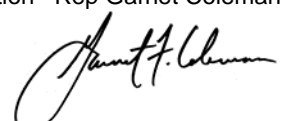
Court of Criminal Appeals

The Judicial Education program receives \$16.7 million, a decrease of \$2.9 million All Funds, for continuing education of professionals involved in the judiciary. Topics highlighted within the Judicial Education program include indigent defense (\$2.74 million), mental health issues relating to indigent care (\$262,000), sentencing options related to jail diversion (\$435,000), and continuing education for prosecutorial staff (\$2.81 million).

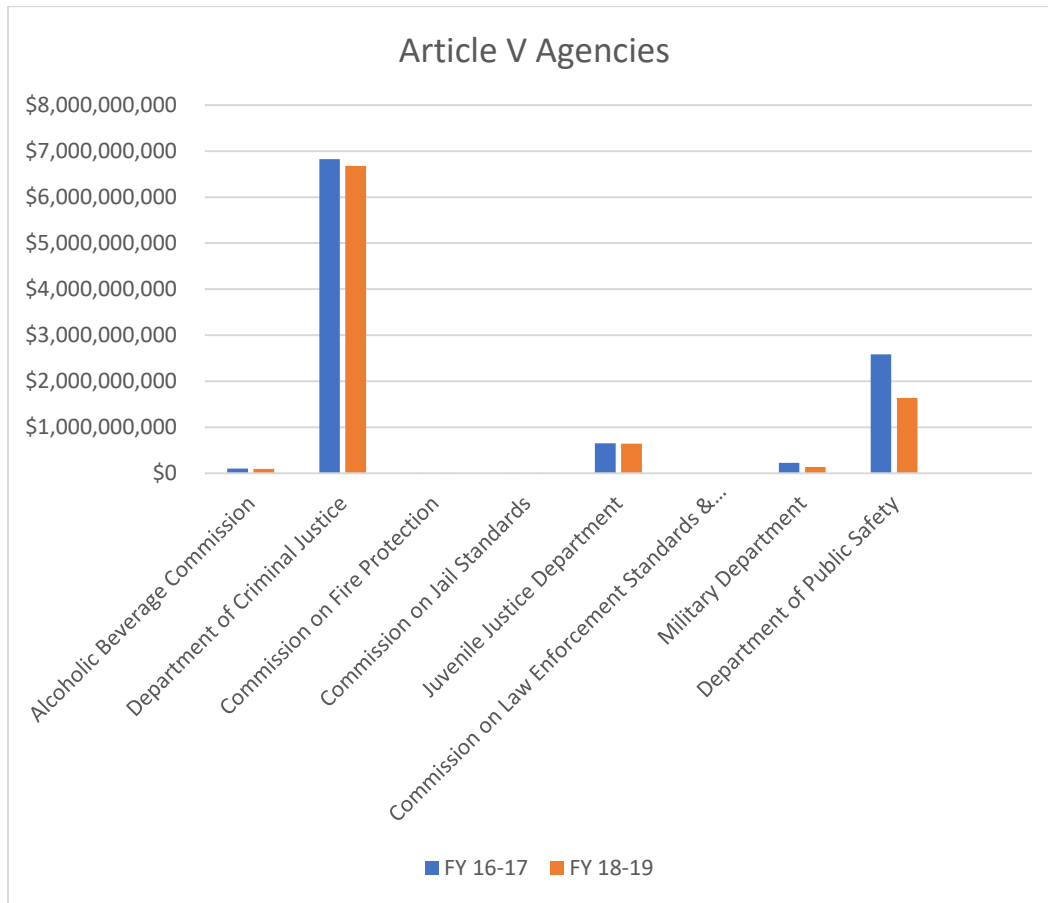
Office of Court Administration

The Texas Indigent Defense Commission housed within the OCA provides a framework for some of the most vulnerable Texans to access court services. The \$66.5 million All Funds appropriated to the TIDC, a decrease of \$5.3 million, is distributed to counties throughout the state to facilitate the maintenance of local indigent defense programs as the quality and availability of these services vary widely from county to county.

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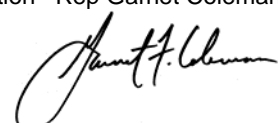


ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE



Agency	FY 2016-2017 (Estimated/Budgeted)	FY 2018-2019	Difference	% Change
Alcoholic Beverage Commission	\$101,400,000	\$96,600,000	(4,800,000)	-4.7%
Department of Criminal Justice	\$6,822,500,000	\$6,677,600,000	(144,900,000)	-2.1%
Commission on Fire Protection	\$4,100,000	\$3,900,000	(200,000)	-4.5%
Commission on Jail Standards	\$1,900,000	\$2,500,000	600,000	26.3%
Juvenile Justice Department	\$649,600,000	\$645,900,000	(3,700,000)	-0.6%
Commission on Law Enforcement Standards & Expectations	\$7,800,000	\$7,100,000	(700,000)	-9.0%
Military Department	\$227,300,000	\$133,500,000	(93,800,000)	-41.3%
Department of Public Safety	\$2,582,200,000	\$1,639,800,000	(942,400,000)	-36.5%
Total All Funds	\$10,396,800,000	\$9,206,900,000	(1,189,900,000)	-11.4%

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Texas Department of Criminal Justice

TDCJ manages incarcerated individuals in state prisons, state jails, and contracted private correctional facilities, as well as providing community supervision and parole supervision to offenders released from the criminal justice system. Treatment programs offered to offenders include pre-release programming, faith based programs, sex offender treatment beds, and academic and vocational programs through the Windham School District.

Healthcare

Over \$1.0 billion of the Department's \$6.7 billion All Funds appropriation is spent on medical and mental health care for offenders in state correctional facilities. Those services are contracted through UTMB-Galveston hospital facility for inpatient/outpatient services, and Texas Tech community hospitals for unit-based services. There is currently a shortfall of offender healthcare services due to an aging offender population: less than 14,000 offenders are HIV positive, 225 offenders are on in-house dialysis to reduce costs, and 2,000 offenders utilize pharmacy services.

Texas Juvenile Justice Department

TJJD was formed out the state's juvenile probation as a single entity for juvenile offenders. The Department offers a continuum of services within its five secure correctional institutions, assisting youth in reentry through medium restriction halfway houses, and privately-run youth placement centers.

TJJD partners with juvenile probation departments and intensive/specialized rehabilitation programs for high-risk and high-need youth to provide services related to substance abuse, sexual behavior, mental health, and capital/violent offender services across the state. There are no significant changes to TJJD's structure in CSSB 1, with modest increases to keep pace with population grown in probation, parole programs, and in state-run facilities.

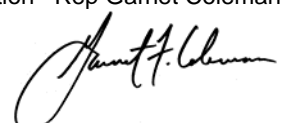
Military Department

The Military Department's loss of \$93.8 million All Funds can be attributed to a decrease in federal funds available for the Department's State Active Duty - Disaster and State Training Missions strategies. \$22.0 million in Economic Stabilization Funds are included in Article IX for revitalization of the Texas Armory.

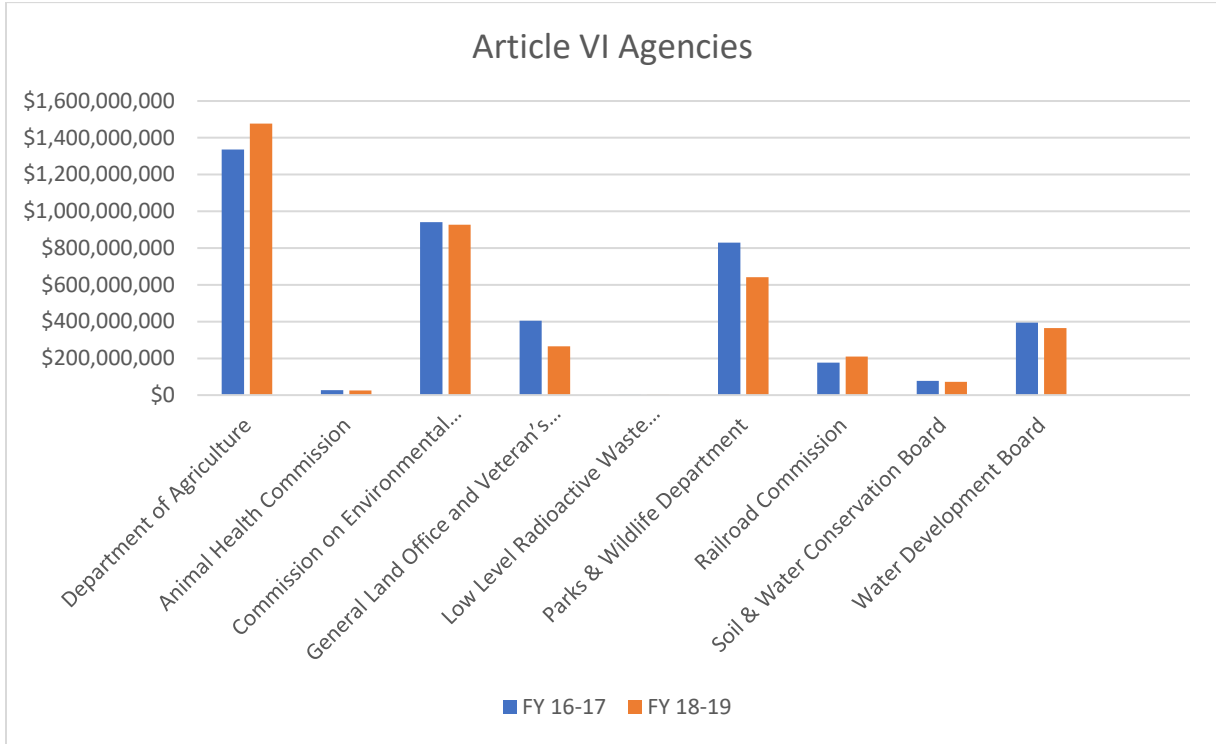
Border Security

Border security funds, found in previous sessions in Article V, are funded by Economic Stabilization Dollars for the 2018-19 biennium and can be found in Article IX.

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ARTICLE VI – NATURAL RESOURCES



Agency	FY 2016-2017 (Budgeted)	FY 2018-2019	Difference	% Change
Department of Agriculture	\$1,336,300,000	\$1,477,200,000	140,900,000	10.5%
Animal Health Commission	\$26,800,000	\$24,800,000	(2,000,000)	-7.5%
Commission on Environmental Quality	\$941,500,000	\$926,300,000	(15,200,000)	-1.6%
General Land Office and Veteran's Land Board	\$405,100,000	\$264,800,000	(140,300,000)	-34.6%
Low Level Radioactive Waste Disposal Compact Commission	\$900,000	\$1,200,000	300,000	33.3%
Parks & Wildlife Department	\$829,200,000	\$641,200,000	(188,000,000)	-22.7%
Railroad Commission	\$176,400,000	\$209,300,000	32,900,000	18.7%
Soil & Water Conservation Board	\$77,700,000	\$71,800,000	(5,900,000)	-7.6%
Water Development Board	\$394,700,000	\$364,100,000	(30,600,000)	-7.8%
Total All Funds	\$4,188,600,000	\$3,980,700,000	(207,900,000)	-5.0%

Department of Agriculture

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\$1.22 billion of the Department's \$1.48 billion budget for 2018-2019 is federal funds tied to food and nutrition programs in schools and communities, supplemented by \$30 million from the state for that purpose.

Texas Commission on Environmental Quality

TCEQ receives \$926 million to monitor and enforce environmental regulations regarding the state's air, water, and waste management. \$236 million from the Texas Emissions Reduction Plan offers nine different grant programs to assist individuals, businesses, and local government entities transition to vehicles and equipment that produce less harmful emissions.

Texas Parks and Wildlife Department

Texas Parks and Wildlife Department will be appropriated \$741.7 million All Funds, which is a decrease of 10.5% from 2016-2017 biennium. This decrease is tied to deferred maintenance and construction projects. \$148.6 million comes from the Sporting Goods Sales Tax. Since TPWD oversees the state's Game Wardens, \$21.6 million for border security activities from the Economic Stabilization Fund is slated for TPWD, a \$7.0 million increase from the previous biennium because of their participation in Operation Secure Texas.

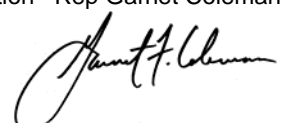
General Land Office and Veteran's Land Board

The General Land Office and Veteran's Board budget drops by \$140.2 million from the previous biennium. Overall funding is up 19.4% to preserve and maintain the Alamo facilities, with \$75 million additional funds coming from the Economic Stabilization Fund for the Alamo and the Alamo Complex. Though the Alamo remains an important and critical fixture of Texas' history, the dramatic increase in funding is notable at a time when numerous state services are underfunded or cut.

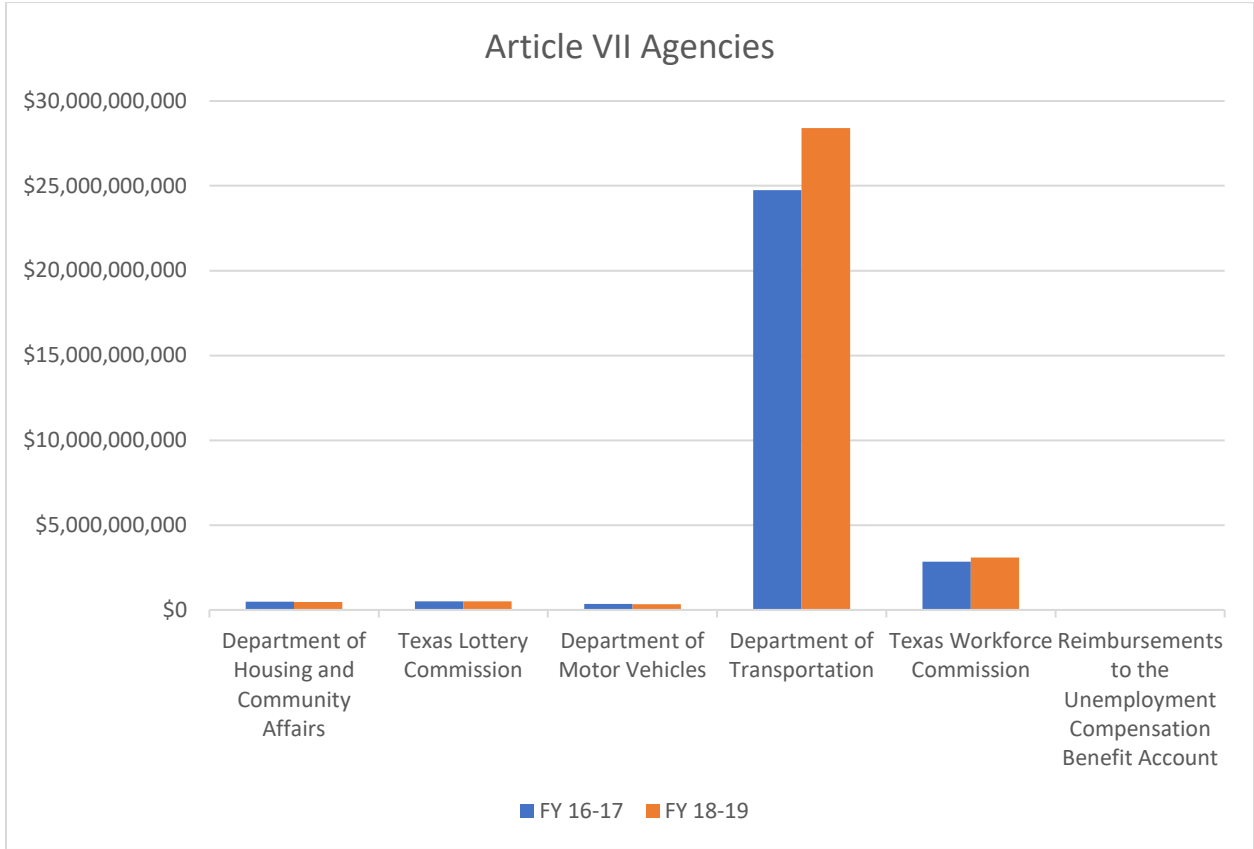
Water Development Board

The Water Development Board budget saw a 7.8% decrease of \$30.6 million All Funds from the previous biennium. Funding includes \$5.4 million to provide the issuance of \$53.0 million in new bonds during FY 2019 under the Economically Distressed Areas Program. This request will exhaust the remaining bond authorization for the Board.

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ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT



Agency	FY 2016-2017 (Budgeted)	FY 2018-2019	Difference	% Change
Department of Housing and Community Affairs	\$477,100,000	\$474,300,000	(2,800,000)	-0.6%
Texas Lottery Commission	\$496,700,000	\$509,200,000	12,500,000	2.5%
Department of Motor Vehicles	\$350,000,000	\$334,600,000	(15,400,000)	-4.4%
Department of Transportation	\$24,746,100,000	\$28,396,600,000	3,650,500,000	14.8%
Texas Workforce Commission	\$2,844,500,000	\$3,089,300,000	244,800,000	8.6%
Reimbursements to the Unemployment Compensation Benefit Account	\$38,800,000	\$36,100,000	(2,700,000)	-7.0%
Total All Funds	\$28,953,200,000	\$32,804,000,000	3,850,800,000	13.3%

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Department of Transportation

The state's highways and transportation infrastructure draw \$28.4 billion in All Funds, mostly from federal reimbursements and provisions within the State Highway Fund. \$21.5 billion of that amount is dedicated to planning and construction for new roads; the remaining \$6.9 billion is split between toll roads, routine maintenance, public safety, and research.

State Highway Fund

The State Highway Fund (SHF) is TxDOT's primary source of revenue (Fund 6). The SHF is used for highway construction and maintenance, acquisition of rights-of-way, and the policing of public roads. The major source of contributions to the fund include motor vehicle registration fees, federal funds (primarily federal-aid highway reimbursements), and sales tax on motor lubricants. Motor fuel tax revenue is deposited to the General Revenue Fund, and a significant portion is allocated to the State Highway Fund.

SHF also contains subaccounts for Proposition 14 bond proceeds, Proposition 1 funding, the State Infrastructure Bank (SIB), Proposition 7, and project-specific subaccounts for surplus toll revenue and revenues from comprehensive development agreements (CDAs) that can only be used on projects within the region of the project generating the funds.

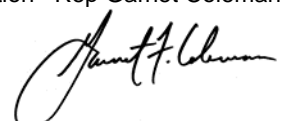
Approximately 75% of motor fuel tax revenues are dedicated for the construction, maintenance, and policing of public roads. Most of the remaining 25 percent of collections is dedicated to public education. Net revenue collections from motor fuels taxes and vehicle registration fees are the primary sources of state revenue deposited to the State Highway Fund.

In the coming decade, TxDot is expected to spend \$70 billion on road repairs.

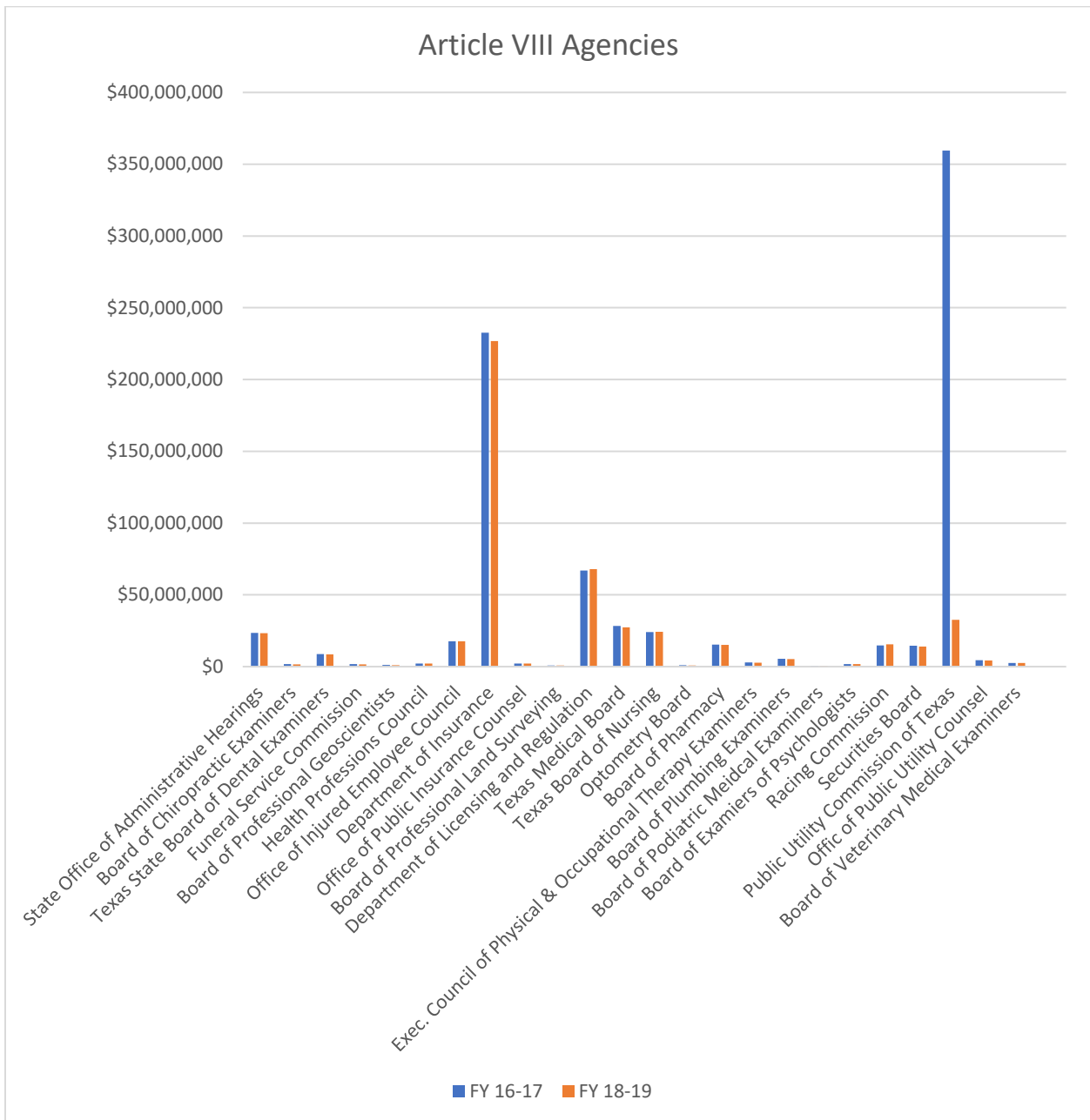
Department of Motor Vehicles

The DMV's major activities concentrate on the registration of vehicles and management of titles. Even with a 4.4% decrease of \$15.4 million to the Department, their efforts to optimize services in an effort to address customer service complaints is laudable. The other significant duty for DMV officials is assisting law enforcement with investigations and enforcement activities in the Automobile Theft Prevention program so that officers can concentrate their efforts on other forms of crime prevention.

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ARTICLE VIII – REGULATORY



Agency	FY 2016-2017 (Budgeted)	FY 2018-2019	Difference	% Change
State Office of Administrative Hearings	\$23,500,000	\$23,300,000	(300,000)	-1.1%
Board of Chiropractic Examiners	\$1,700,000	\$1,600,000	(100,000)	-3.8%
Texas State Board of Dental Examiners	\$8,800,000	\$8,500,000	(400,000)	-4.1%
Funeral Service Commission	\$1,700,000	\$1,600,000	(100,000)	-3.4%
Board of Professional Geoscientists	\$1,200,000	\$1,100,000	0	-4.0%
Health Professions Council	\$2,200,000	\$2,100,000	(100,000)	-2.9%

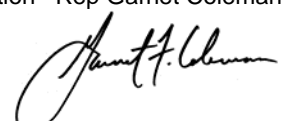
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Office of Injured Employee Council	\$17,600,000	\$17,600,000	0	-3.3%
Department of Insurance	\$232,600,000	\$226,800,000	(5,800,000)	-2.5%
Office of Public Insurance Counsel	\$2,200,000	\$2,100,000	(100,000)	-3.3%
Board of Professional Land Surveying	\$900,000	\$900,000	0	0.7%
Department of Licensing and Regulation	\$67,000,000	\$67,900,000	900,000	1.3%
Texas Medical Board	\$28,300,000	\$27,300,000	(1,000,000)	-3.6%
Texas Board of Nursing	\$24,100,000	\$24,200,000	100,000	0.4%
Optometry Board	\$1,000,000	\$900,000	(100,000)	-3.3%
Board of Pharmacy	\$15,400,000	\$15,200,000	(200,000)	-1.4%
Exec. Council of Physical & Occupational Therapy Examiners	\$2,900,000	\$2,800,000	(100,000)	-3.9%
Board of Plumbing Examiners	\$5,400,000	\$5,200,000	(200,000)	-4.0%
Board of Podiatric Medical Examiners	\$600,000	\$600,000	0	-4.3%
Board of Examiners of Psychologists	\$1,800,000	\$1,800,000	0	-0.3%
Racing Commission	\$14,700,000	\$15,600,000	900,000	6.4%
Securities Board	\$14,600,000	\$14,000,000	(600,000)	-4.0%
Public Utility Commission of Texas	\$359,500,000	\$32,600,000	(326,900,000)	-90.9%
Office of Public Utility Counsel	\$4,500,000	\$4,300,000	(200,000)	-4.0%
Board of Veterinary Medical Examiners	\$2,600,000	\$2,500,000	(100,000)	-3.9%
Total All Funds	\$834,800,000	\$500,500,000	(334,100,000)	-40.0%

Public Utilities Commission

The PUC faces one of the most dramatic cuts of the session, as their appropriation drops from \$359.5 million to \$32.6 million All Funds. This drop is the result of the expiration of the System Benefit Fund, a GR - Dedicated account for the PUC, at the end of FY 2017.

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ARTICLE IX – GENERAL PROVISIONS & THE ECONOMIC STABILIZATION FUND

In addition to Articles I-VIII, CSSB 1 contains the provisions of Article IX with the appropriations from the proposed Economic Stabilization Fund withdrawal and contract containment measures from the Subcommittee on Budget Transparency and Reform.

The subcommittee's recommendations include \$496 million in contract reductions across all articles, GR and GR-Dedicated:

Article I	\$7,013,500
Article II	\$458,186,250
Article III	\$4,802,750
Article IV	\$625,450
Article V	\$7,191,750
Article VI	\$8,159,500
Article VII	\$9,753,000
Article VIII	\$526,750

Key additions to the budget made possible by the withdrawal from the ESF include:

- \$653.1 million in funding for border security including \$578.8 million to DPS, \$54.8 million to Trusteed Programs within the Office of the Governor, and \$17.6 to Texas Parks and Wildlife for game warden enforcement.
- \$500.0 million increased state contribution to the TRS-Care, the Teacher Retirement System's health care program.
- \$188.6 million for critical updates to state hospitals and supported living centers in the HHSC system.
- \$145.2 million to THECB for increased grants for students entering public universities and community colleges.
- \$77 million for the General Land Office for the preservation of the Alamo complex.

Other ESF-related expenditures include:

- \$50.0 million for patient capacity at state hospitals and mental health facilities.
- \$49.2 million for the Parks and Wildlife Department to rebuild facilities damaged by natural disasters in recent years.
- \$49.1 million in Railroad Commission contingencies as part of HB 1818.
- \$32.5 million for DFPS relative caregiver payments, contingent on HB 4.
- \$25.0 million to match federal e-Rate grants, allowing all schools in the state to obtain broadband Internet access.
- \$15.0 million for Tarleton State University to assist with recovery costs after a 2016 tornado strike on campus.
- \$11.1 million across agencies to implement the statewide Centralized Accounting and Payroll/Personnel System (CAPPS).
- \$4.2 million to DPS for sexual assault kit testing.

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