



Chair, Rep. Garnet Coleman

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Bill Analysis for House Bill 1
Tuesday, March 31, 2015
Author: Rep. John Otto Committee: Appropriations
Recommendation: Favorable with Concerns

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SUMMARY

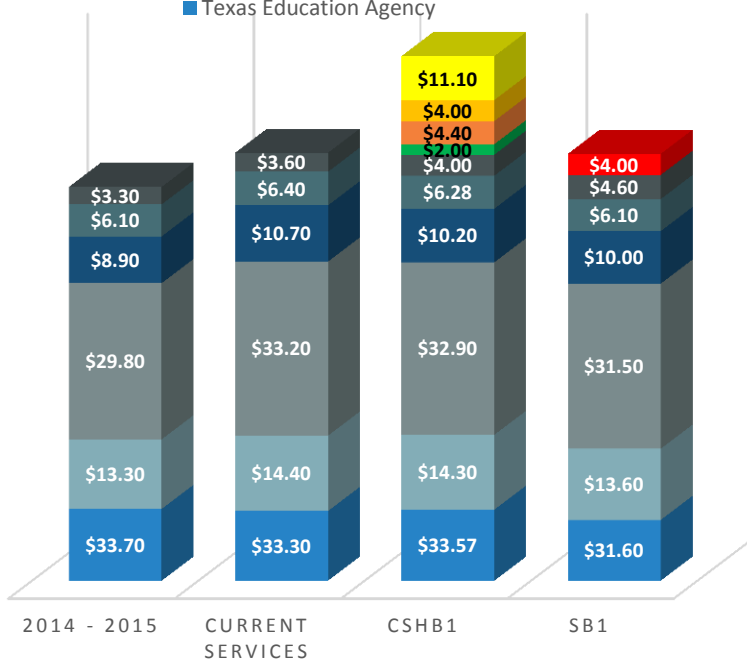
CSHB1’s General Revenue (GR) expenditures total \$103.8 billion, with \$2 billion available in (GR) before reaching the spending limit. Additionally, there is \$8.4 billion available in General Revenue* before reaching the pay-as-you-go limit, and an estimated \$11.1 billion will be available in the Economic Stabilization Fund (ESF) by the end of 2017. CSHB1 does not include any appropriations from the ESF.

*\$ 4 billion of this sum is General Revenue Dedicated funds

Texas entered the 84th session in the midst of a strengthening economy with \$110.4 billion in general revenue collections – an increase of 9.5% from the 2014-2015 biennium. Added to this was a higher than expected balance of \$7.5 billion unexpended from the last biennium, \$2.5 billion of which is reserved for transfers to the Economic Stabilization Fund and \$2.4 billion of which is reserved for transfers to the State Highway Fund. **This left a total of \$113.0 billion available in general revenue spending for the 2016-2017 budget.**

GR FUNDING, IN BILLIONS

- Economic Stabilization Fund
- Before Pay as you go limit (GRD)
- Before Pay as you go limit
- Before Spending Cap
- Tax cuts
- Other GR-funded state services
- Dept of Criminal Justice
- TRS, ERS, other state employee benefits
- Health & Human Services
- Higher Ed
- Texas Education Agency



Of the \$113 billion available in general revenue, **an estimated \$101 billion is needed solely to maintain current low levels of key services**, many of which are still suffering from the drastic 2011 budget cuts.

Additionally, HB 1 budget writers left \$19.4 billion out of the proposed budget – funds that can’t be accessed to cover billions in unmet needs for Texas families and the Texas economy. Full-day pre-K, restoring public and higher education investments, and fully funding Medicaid cost growth are affordable with money we already have. Instead of keeping the \$19.4 billion out of reach of the proposed budget, state lawmakers should embrace the opportunity and take a bold stance to fully reverse the 2011 budget cuts.

In public education, the 2011 cuts, made in the face of a \$27 billion shortfall, severely decreased agency funding, eliminated programs, deferred one monthly payment to the Foundation School Program (FSP), cut \$5.4 billion from public education, and left Medicaid underfunded by \$4.8 billion. Among Texas families – young children, college students, working parents, the elderly, veterans, the ill and disabled – these cuts became a painful daily reality.

Last session, the 83rd legislature, with a recovering economy at its disposal, moderately attempted to undo some of the damage. It restored \$2.5 billion in funding to public education, but left \$2.9 billion in cuts in place. It increased much-needed funding for mental healthcare, but didn't expand Medicaid. Healthcare caseload growth was left unfunded.

The 84th legislature's House budget, CSHB1, continues the trend established in 2013 of moderate but insufficient reversal of the 2011 budget cuts.

The good first steps of the budget include:

- ✓ CSHB1 offers \$2.2 billion in funds for public education beyond fully funding enrollment growth, and \$800 million more in contingency funds.
- ✓ It provides for a 3% formula funding increase for all higher education entities.
- ✓ \$340 million goes towards maintaining and expanding FY2014-15 mental health services, an amount spread across multiple state agencies.
- ✓ Medicaid Primary Care Physician (PCP) rate payments are funded at \$460 million GR, and \$1.7 billion GR is provided for Medicaid caseload growth.
- ✓ Salary increases have been awarded to CPS caseworkers, community care attendants, and correctional officers to reduce high turnover.

Despite the good first steps, a lot of work is left to be done:

- Students attend one-in-three (33%) Texas school districts are still funded at levels below the 2011 budget cuts.
- A 17% formula funding increase is still needed to bring higher education to its historically funded level.
- A Medicaid shortfall of \$338.4 million still exists due to CSHB1 maintaining cost funding at 2015 levels.
- More than 14,000 individuals remain on waitlists to receive critical home care, long-term healthcare services, and facility to community transition services.

**Trends in State Government Expenditures –
Adjusted for Population and Inflation
(All Funds, in Millions)**

Fiscal Biennium	Amount	Percentage Change
2008 – 2009	172, 131	(baseline)
2010 – 2011	175,830	2.1%
2012 – 2013	165,695	(5.8%)
2014 – 2015	166,154	0.3%
2016 – 2017 CSHB1	162,972	(1.9%)

Source: Legislative Budget Board

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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.

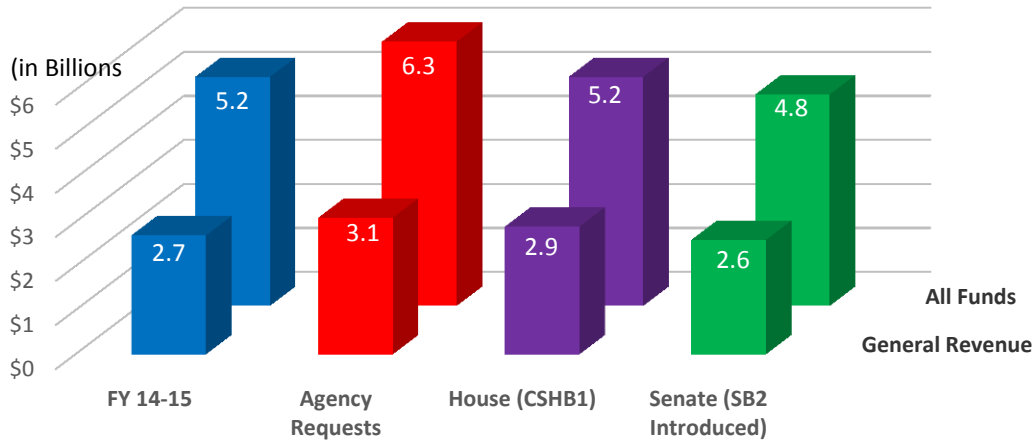
LSG serves as a primary conduit for the flow of information to legislators on the House floor, during the legislative session. Full time, expert staff focused on key policy areas provide detailed analysis of bills which fall into one of five areas of interest: education, environment, budget, health and 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 Amanda Foster at 512-763-0031.

Notes on the numbers and information that follow:

- The FY 2014-15 base numbers reflect funds budgeted in 2014 and estimated fund changes in 2015. Measures in HB2, which will further impact FY2015, are not taken into account.
- FY2016-17 agency request amounts are included in the following charts because budget comparisons across biennia are not adjusted for population or cost growth, unless otherwise noted. Agency requests provide a rough estimate of the funding that is needed to address projected population and cost growth for FY2016-17.
- Subsections do not represent all programs an agency provides. Rather, they highlight areas in which significant fiscal or policy issues are addressed.
- This analysis does not take into account Sunset Recommendations.
- **CSHB1 allocations will be significantly impacted by the passing and inclusion of property tax relief, franchise tax cuts, and/or sales tax cuts. Gov. Greg Abbott has publicly stated he will veto a budget that does not include franchise tax cuts.**

ARTICLE I - GENERAL GOVERNMENT



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017	Difference	% Change
Commission on the Arts	\$13,300,000	\$13,339,227	\$39,227	0%
Office of the Attorney General	\$1,128,100,000	\$1,146,210,419	\$18,110,419	2%
Bond Review Board	\$1,900,000	\$1,599,321	-\$300,679	-16%
Cancer Prevention and Research Institute of Texas	\$596,200,000	\$600,110,000	\$3,910,000	1%
Comptroller of Public Accounts	\$522,200,000	\$540,074,978	\$17,874,978	3%
Fiscal Programs - Comptroller	\$922,100,000	\$942,158,201	\$20,058,201	2%
Comm. On State Emergency Communications	\$145,900,000	\$149,673,450	\$3,773,450	3%
TX Emergency Services Retirement System	\$4,400,000	\$4,669,346	\$269,346	6%
Employees Retirement System	\$19,500,000	\$19,540,000	\$40,000	0%
Texas Ethics Commission	\$7,500,000	\$7,284,490	-\$215,510	-3%
Facilities Commission	\$187,900,000	\$322,377,293	\$134,477,293	72%
Public Finance Authority	\$2,500,000	\$2,116,257	-\$383,743	-15%
Office of the Governor	\$24,500,000	\$18,917,158	-\$5,582,842	-23%
Trusted Programs within the Office of the Governor	\$878,000,000	\$454,677,380	-\$423,322,620	-48%
Historical Commission	\$62,800,000	\$37,543,379	-\$25,256,621	-40%

Department of Information Resources	\$582,200,000	\$700,679,628	\$118,479,628	20%
Library and Archives Commission	\$54,400,000	\$63,455,947	\$9,055,947	17%
Pension Review Board	\$1,700,000	\$1,902,315	\$202,315	12%
Preservation Board	\$32,300,000	\$39,770,035	\$7,470,035	23%
State Office of Risk Management	\$102,200,000	\$101,929,064	-\$270,936	0%
Secretary of State	\$69,600,000	\$56,407,544	-\$13,192,456	-19%
Veterans Commission	\$64,100,000	\$102,814,368	\$38,714,368	60%

Office of the Attorney General (OAG) -- 2% -- \$18,110,419

The OAG received an \$18.1 million increase for child support services due to its reprocurement of the state disbursement unit contract. This represents a method of finance switch from the dwindling general revenue dedicated child support fund and federal incentive awards to general revenue, which allows for more stable funding.

Fiscal Programs – Office of the Comptroller -- 2% -- \$20,058,201

CSHB1’s \$20 million increase to Fiscal Programs to account for an increase in mixed beverage tax reimbursement is offset by the elimination of two programs: the Jobs and Educations for Texans (JET) program, which provides scholarships for low-income students’ vocational training, and the Endangered Species in Habitat Protection Plan, which mitigates issues between construction and the protection of endangered species. To adjust for the deletion of the JET program, funding for the Workforce Commission Skills Program was increased by \$10 million.

Employee Retirement System – 0% -- \$40,000

\$162 million in general revenue is provided to fund the state’s contribution rate increase from 7.5% to 9.5% each fiscal year. CSHB1 also includes a provision in Article IX providing an across the board salary increase of 2.5 percent in fiscal year 2016 for all employees that contribute to ERS Retirement. Although this sum addresses critical shortfalls in employee pensions, \$175 million more is needed for ERS to become actuarially sound. Funding to make ERS care actuarially sound is expected to be included in the supplemental bill.

Facilities Commission – 72% – \$134,477,293

The \$134.5 million increase in general revenue addresses one-time funding for a portion of deferred maintenance needs across the state, including:

- ✓ the Texas School for the Deaf
- ✓ the Lyndon B. Johnson building
- ✓ new state parking garage

However, many facilities-related needs remain unmet. If not addressed, deferred maintenance needs will continue to worsen, causing the facilities shortfall to grow exponentially across biennia. The Legislature should consider accessing the billions in the Economic Stabilization Fund to address these one-time expenditures.

Office of the Governor – (23%) – (\$5,582,842)

The All Funds decrease is related to unexpended balance funding carried over from FY2014-2015, in addition to a 10% decrease across all strategies incorporated into the base bill. This decrease is partially offset by the 2.5% salary increase for all state employees in the biennium that contribute to ERS Retirement. Overall, the 10% cut will produce a reduction in staff due to its overall effect on the salary line item. This will have the largest impact on the appointments, budget, and policy team housed in the Office of the Governor.

Office of the Governor Trusteed Programs – (48%) – (\$423,322,620)

The Trusteed Programs' primary function is the administration of grants for various strategies. These grants fall into one of three categories: Disaster and Agency Assistance Grants, Criminal Justice Grants, or Educational Grants, spread out over 33 programs. Decreases are due to GR decreases for disaster funding and the removal of funding from the Economic Stabilization Fund. The following are trusteed programs with significant fiscal changes or policy issues.

Texas Enterprise Fund

The Texas Enterprise Fund (TEF) is an incentive fund created in 2003 to attract new businesses to Texas or to assist with business expansion. In 2014, the TEF underwent an audit that revealed deficiencies in documentation of whether or not businesses created the number of jobs they had agreed to create under contract. It was also revealed that 44% of businesses were not required to submit a formal application for funding. Contingent on legislation this session addressing oversight, the TEF will be funded solely through \$30 million of its unexpended balance from last biennium. TEF may also receive 50% of the Emerging Technology Fund's unexpended balance – \$23 million of the ETF's total \$46 million – contingent on legislation that may terminate the Emerging Technology Fund.

Emerging Technology Fund

The Emerging Technology Fund (ETF) was created to fund technology research. However, due to its low returns on job creation and concerns that it was being used to reward campaign donors, legislation may fully deplete the ETF this session. If it is cut, 50% of its unexpended balance will be granted to the TEF (mentioned above), and the other half will be granted to the Texas Higher Education Coordinating Board's University Research Initiative Grants.

Disaster Funding – (28.5%) – (\$24.8M)

Disaster Funding, used to address disaster recovery in Texas not addressed by FEMA, was decreased in an effort to match average historical expenditures. A rider is included that permits the Governor to grant funds from other agencies should a disaster arise that costs over \$24 million. However, in the event of a high-cost natural disaster, funds that need to be appropriated through the rider may not reach communities in time.

Library and Archives Commission – 17%-- \$9,055,947

The Library and Archives Commission houses two major database programs – TexShare, which is an organization of Texas libraries unified to share materials across the state, and TexQuest, which provides electronic resources to Texas students. A general revenue increase of \$800,000 serves to address increases in TexShare and TexQuest database fees and a decrease in the federal Library and Technology Grant.

However, the Commission must additionally collect cost-sharing from school districts in the form of \$0.22 per student in order to maintain TexQuest. These collections are expected to generate \$1 million in revenue over 2016-2017.

Secretary of the State – (19%) – (\$13,192,456)

Funding for the Department of the Secretary of State has decreased by \$13.2 million due to dwindling monies left from the 2004 lump sum Help America Vote Act (HAVA) federal grant. An alternate source of funding must be identified next biennium to sustain voter education efforts.

Veterans Commission – 60% -- \$38,714,368

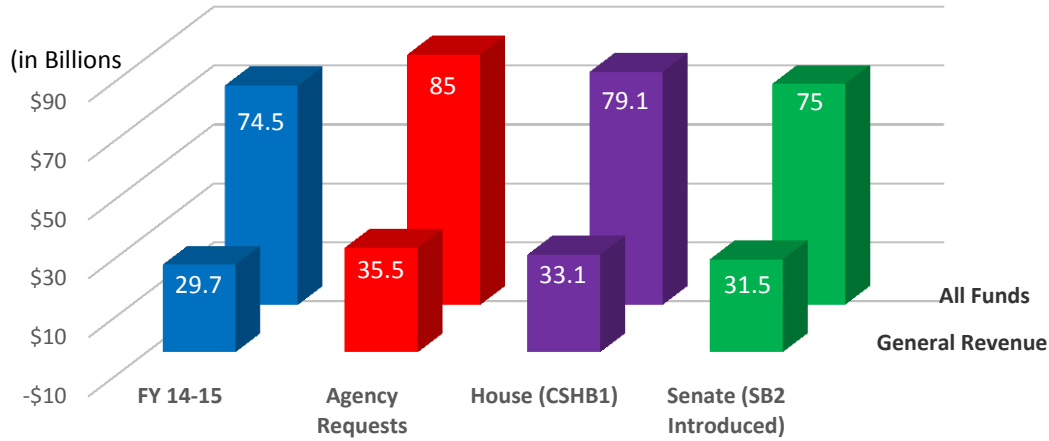
Veterans Commission funding has increased by \$33 million. \$30 million of this sum goes towards funding the Hazlewood program.

The Hazlewood Program is a tuition exemption for veterans that can be used for 150 credit hours at any public institution of higher education. Through the legacy program, a veteran may waive his or her exemption and pass it to their dependent. The program was originally designed for Texas Veterans, but in January a U.S. District Judge ordered that this provision be extended to all veterans, regardless of whether they were in Texas when they enlisted. **It is estimated that during the 2016 – 2017 biennium, Hazlewood costs will grow to \$530 million.** Universities are required to issue the tuition exemption, even if the Legislature continues to underfund the program. This results in increased tuition and fees for other students to cover the exponentially increasing shortfall.

The remainder of the increase in Veterans Commission funding increase goes towards the newly created Healthcare Strike Force, which aims to address healthcare access issues among veterans.

Although the Hazlewood program and veteran's services funds increased, the agency received an 8.6% decrease in funding for administration, resulting in the loss of 13 claims counselors. **An expected 11% increase in claims over the next biennium, combined with this loss of claims counselors, is expected to result in a larger waitlist for claims processing.**

ARTICLE II – HEALTH AND HUMAN SERVICES



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017	Difference	% Change
Department of Aging and Disability Services (DADS)	\$11,613,900,000	\$8,862,158,493	-\$2,751,741,507	-24%
Department of Assistive and Rehabilitative Services (DARS)	\$1,232,500,000	\$1,283,928,340	\$51,428,340	4%
Department of Family and Protective Services (DFPS)	\$3,113,800,000	\$3,495,379,338	\$381,579,338	12%
Department of State Health Services (DSHS)	\$6,504,500,000	\$6,358,949,670	-\$145,550,330	-2%
Health and Human Services Commission (HHSC)	\$51,448,400,000	\$57,914,353,386	\$6,465,953,386	13%
Total All Funds	\$73,913,100,000	\$77,914,769,227	\$4,001,669,227	5%

NOTE: Sunset recommendations have been submitted in HB 2304, which could consolidate many Health and Human Services programs and may affect funding. However, a report released Monday, March 29th could dramatically impact HHSC's sunset process. Due to this uncertainty, sunset recommendations have not been included in CSHB1.

Health and Human Services Commission (HHSC) -- 13% -- \$6,465,953,386

HHSC heads all of the state's health and human services agencies. It is also responsible for implementing and administering Medicaid -- including managed care, acute care, vendor drug, and 1115 waiver programs -- as well as the Texas Women's Health Program (TWHP), the Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), and Family Violence Services.

Funding in CSHB1 totals \$57.9 billion, including \$23.3 billion in general revenue. This represents an increase of 13% in All Funds above FY2014 – 2015 levels.

Medicaid

This 13% All Funds increase is primarily attributable to federally mandated fiscal changes and caseload growth in the Medicaid program, a state and federal funded program that provides healthcare primarily to needy children, disabled Texans, and pregnant women. CSHB1 funds Medicaid at \$53.2 billion all funds and \$21.9 billion in general revenue.

CSHB1 provides general revenue funding for:

1. **Caseload growth.** \$1.3 billion is provided in CSHB1 to address caseload growth. Caseload growth is primarily attributed to:
 - a. *The Affordable Care Act's movement of children ages 6 to 18 within 138% of the FPL previously covered by CHIP into Medicaid.* EFMAP (Enhanced Federal Medical Assistance Funds) is increased by 23%, per the ACA, to assist in this movement. This is offset by a decrease in funds for the state's federal CHIP allotment.
 - b. *Income Eligibility Converted to Modified Adjusted Gross Income (MAGI).* As of January 1, 2014, the ACA requires states to add a 5% income disregard to eligibility for Medicaid and CHIP for children, pregnant women, and parents.
2. **A decrease in Federal Medical Assistance Funds (FMAP)(fully funded).** FMAP is based on the per capita income of the state compared to the national average. That calculation indicates the percentage of costs that will be covered by federal funding. The rest must be paid for by the state in order to receive the federally funded remainder. Due to Texas' growing economy, FMAP decreases have necessitated a corresponding increase of \$655.6 million in general revenue.
3. **Health Insurance Issuers Fee and Federal Income Tax Impact (fully funded).** The ACA's annual fee on health insurance providers, including Medicaid providers, is based upon prior year net written premiums. Payment of this fee was not funded in the last biennium. This biennium, the fee is paid in full with \$241.1 million in general revenue and \$572.2 million in all funds.
4. **Primary care physician (PCP) reimbursements (insufficient).** In 2000, 67% of Texas physicians accepted new Medicaid clients. Today, that number has dwindled to 34% due to lower PCP Medicaid reimbursements. CSHB1 partially addresses this by reinstating \$460 million in general revenue to acquire the federal matching funds that increase PCP payments, which originally expired December 31, 2014. However, it does not address the reversal of the 2011 "equalization" cut, which ended state reimbursement of the 20% Medicare Part B coinsurance for dual eligible (Medicaid and Medicare) patients.
5. **Expansion of Medicaid managed care programs (insufficient).** STAR+PLUS is a managed care organization that provides integrated acute care services and long-term care services to seniors and those with chronic physical or mental illnesses. Senate Bill 7 in the 83rd Regular Session dictated that the STAR+PLUS program be expanded statewide and that it must cover certain nursing facility services. These expansions have been addressed by a \$1.7 billion increase in general revenue funding and a \$3.9 billion increase in all funds.

However, there are concerns that Medicaid managed care programs, while cutting Medicaid costs to rates per person lower than in 2001, do not provide adequate care to patients in all areas. For example, the STAR+PLUS program contains an illness limitation – hospitals do not get paid for mental hospital stays that last longer than 30 days. The patient must then wait 60 days before being approved for readmission. Furthermore, there are no sufficient outpatient resources for these patients.

CSHB1 does NOT account for:

1. ***Disproportionate Share Hospital (DSH) Payments.*** Approximately 1/3 of hospitals in Texas are designated as DSH hospitals, or those which serve a significantly disproportionate share of low-income and Medicaid patients. Medicaid DSH payments offset part of the uncompensated care costs incurred by uninsured patients and make up part of the difference between the insufficient Medicaid reimbursement rate and the actual cost of delivering Medicaid services.

Traditionally, eight large public hospitals are responsible for providing DSH payments, which the federal government matches. However, in 2013, the state provided \$150 million in general revenue for DSH payments for the first time to alleviate cost burdens on public hospitals. **CSHB1 does not provide any general revenue appropriations for DSH payments.** Hospitals are once again left to handle the burden of uncompensated care – this time, with larger caseloads and higher cost growth than ever. Furthermore, hospitals' inability to fully fund DSH payments leaves federal matching dollars on the table.

2. ***Cost growth.*** Medicaid cost growth is attributed to medical cost inflation, higher utilization, and higher acuity (the higher health needs of an incrementally more ill individual). **CSHB1 does not take these cost growth drivers into account. It funds Medicaid at the 2015 average cost.**

Unmet need due to cost growth for FY 2016-17 is projected to be \$678.7 million in general revenue and \$1,590.2 million in all funds. This deficit is unsustainable. Unless fully funded, it will carry over into future biennia and will grow exponentially until it is paid down. Medicaid expansion, in accordance with the ACA, would provide \$300 million a month in federal funds to address this issue.

1115 Waiver Renewal

This waiver has made \$29 billion (all funds) available over the course of five years, and it expires in 2016. **Renewal is currently uncertain.** There is a real possibility that, even if renewed, the Uncompensated Care portion of the waiver will be reduced since the best way of providing care for the indigent – Medicaid Expansion – is an option already on the table.

Children's Health Insurance Program (CHIP)

CHIP covers basic healthcare services for uninsured children under 200% of the federal poverty level (FPL) who do not qualify for Medicaid. General revenue funding for CHIP has decreased 67% to \$141 million due to the movement of children ages 6 to 18 within 138% of the FPL from CHIP to Medicaid. Reduction to the portion of general revenue used to fund the program is also due to a 23% increase in EFMAP, the CHIP federal matching rate.

Women's Health Program (WHP)

The WHP is a 100% general revenue funded program, providing family planning services and annual exams to women ages 18 to 44 at or below 185% of the FPL who do not qualify for Medicaid. Cost growth is offset by a slight decrease in caseload due to more women getting insurance on the exchange. CSHB1 maintains funding at FY2014-15 levels with \$69.3 million.

Alternatives to Abortion

CSHB1 provides a total of \$18.3 million in GR in the Alternatives to Abortion strategy to expand crisis pregnancy centers (CPC's), which offer counseling to pregnant women. **This represents a 45% increase in funding from FY2014-15.**

Crisis pregnancy centers do not provide medical services, have no measurable deliverables, and are not given oversight regarding use of state dollars or accuracy of medical information disseminated. There is evidence to suggest that private dollars are available to fully support pregnancy centers without reliance on state funding.

Community Attendant Care Worker salaries

Direct care community workers, who serve approximately 150,000 Texan seniors and people with disabilities, receive salaries starting from \$7.06 an hour and do not receive sick leave, paid vacation, or insurance. CSHB1 attempts to address this issue by providing \$60 million to increase community worker floor wages to approximately \$8.00 an hour.

While this increase is a first step, a substantial increase to a \$10.00 an hour floor wage would have a much larger impact on turnover rates. This raise would cost approximately \$480 million in GR, but would drastically improve quality of care, contribute to the cost effectiveness of at-home care, and would free up over \$102 million in turnover-related expenses.

Family Violence Providers

CSHB1 funds the Office of Family Violence Providers with \$56.9 million in general revenue. This funding allows 71 shelters, 9 nonresidential centers, and 28 special projects to provide critical access to 11,000 more domestic violence survivors than the last biennium.

Department of Aging and Disability Services (DADS) – (24%) – (\$2,751,741,507)

DADS provides long-term support for the elderly adults and individuals with intellectual and physical disabilities. The agency receives local and federal funding through Medicaid. The 24% decrease in All Funds is attributable to the decrease in FMAP funds and the movement of certain STAR+PLUS services to HHSC.

STAR+PLUS

The statutory statewide expansion of the STAR+PLUS program and the carving in of certain nursing facility services detailed above also entails the movement of long-term care services from DADS to HHSC. This transfer will result in DADS' loss of \$3.7 billion in all funds and \$1.5 billion in general revenue.

State Supported Living Centers (SSLC)

Texas has 13 SSLC's, which provide housing and care services for individuals with intellectual and developmental disabilities. Because of the decrease in FMAP funds, SSLC's will lose \$22.6 million in all funds. This is partially offset by an increase of \$11.7 million in general revenue funds. This increase includes funding for an outcome-based quality improvement program (\$3 million) and the replacement of 56 center vehicles (\$1.5 million). However, staff shortages due to high turnover-- which CSHB1 does not address -- threaten to close the SSLC located in Austin. This closure would displace 214 disabled individuals.

Waiting lists

Due to lack of funding, over 14,000 individuals remain on waiting lists to receive critical home care, long-term healthcare services, and facility to community transition services, primarily under the DADS agency. Below is a chart detailing waiting list slots yet to be funded.

Agency	Strategy	Total Slots	Slots Unfilled	% left on wait list	Amount
DADS	STAR+PLUS CBA	1646	1546	94%	\$15,559,896
DADS	Medically Dependent Children's Program	1282	1178	92%	\$28,292,200
DADS	Community Living & Support Services	4151	3271	79%	\$73,171,468
DADS	Home & Community Based Services	6792	4658	69%	\$103,359,707
DADS	TX Home Living Waiver	1040	1040	100%	\$6,614,219
DADS	Non-Medicaid	1303	1303	100%	\$3,980,344
DADS	IDD Community	591	591	100%	\$3,400,000
DADS	In Home and Family Support	600	600	100%	\$688,230
DARS	Comprehensive Rehabilitation Services Waitlist	unknown	unknown	n/a	\$4,672,128
DSHS	Children with Special Healthcare Needs	535	349	65%	\$6,018,927
		17940	14536	81%	\$245,757,119

Department of Assistive and Rehabilitative Services (DARS) – 4% – \$51,428,340

DARS administers programs that promote development and independence in adults with disabilities and children with developmental delays. Services provided are thus time-limited and are intended to reduce need for ongoing support from other agencies. **As with all other Medicaid funded agencies, caseload growth is funded but cost growth is not**, ensuring a portion of Texans’ needs will remain unmet.

Comprehensive Rehabilitation Services (CRS)

Funding for CRS is \$50.1 million in all funds, including \$44.6 million in general revenue dedicated funds from the Comprehensive Rehabilitation Fund No. 107. However, the GRD Account 107 balance was much lower than projected, leaving 46 patients with traumatic brain or spinal cord injuries on the CRS waitlist in dire need of services. \$4.7 million in general revenue was requested by the agency to address this issue, though it was not fulfilled.

Early Childhood Intervention (ECI)

ECI services the needs of developmentally delayed children. This is known to exponentially reduce state costs by decreasing need for later services or institutionalization. CSHB1 increases funding for ECI from a service hour rate of 2.69 a month to 2.75 hours a month for a general revenue increase of \$3.8 million. DARS projects hours will be 2.78 a month, leaving a shortfall to fully support services.

Department of Family and Protective Services (DFPS) -- 12% -- \$381,579,338

DFPS administers Child Protective Services (CPS), Adult Protective Services, Child Care Regulatory Services, and Prevention and Early Intervention Services. A 7% increase in All Funds is due to caseload increases, an expansion of services, and federal TANF funds being utilized for authorized uses.

CPS Transformation

CPS transformation aims primarily to address extremely high caseworker turnover. The average CPS caseworker quits after eight months of work. CSHB1 attempts to address this issue by providing a \$1.4 billion general revenue increase to support:

- ✓ a decrease in paperwork processes;
- ✓ paying for overtime for CPS caseworkers up to 140 hours;
- ✓ creating a stipend program to support new caseworkers;
- ✓ establishing a Worker Safety Office to provide trauma support to caseworkers;
- ✓ a locality stipend to caseworkers who work in areas with a higher cost of living;
- ✓ the facilitation of joint abuse investigations in partnership with Children Advocacy Centers of Texas.

These funds also serve to address caseload growth in foster care and to maintain adoption subsidies and permanency care assistance programs. However, adoption subsidies only pay for caseload increase, and not an increase in services. Texas currently ranks 8th nationally in payments to foster families. Permanency care assistance programs services, likewise, are maintained despite needing to be increased – each year in Texas, more than 100 foster children are returned to the system by their adoptive parents.

Foster Care Redesign

Foster care redesign aims to continue facilitation of Single Source Continuum Contractors (SSCC) to coordinate care by region. This would provide much-needed flexibility, higher accountability, and a community-based focus. In the current system, 4,300 foster children are living outside of their county, cutting off critical access to their communities, caseworkers, and relatives. **CSHB1 does not provide funding for the continuation of foster care redesign.** DFPS estimates this will cost about \$11.1 million in general revenue. This sum has been adopted into Article XI to be potentially funded at a later time.

Prevention and Early Intervention (PEI) Programs

The direct cost of child abuse and neglect to the child welfare, judicial, law, mental health, and hospital system was a combined \$1 billion annually in 2007. CSHB1 addresses this issue by providing \$92.4 million in general revenue and \$113.3 million in All Funds to PEI programs – a 55% increase in general revenue funding to PEI from last biennium. This increase in funding has sustained growth for several PEI programs, and allowed Project HOPES (Healthy Outcomes through Prevention and Early Support), which provides home-visits and parenting classes to at-risk low-income families, to expand to 8 additional counties.

Department of State Health Services (DSHS) – (2%) – (\$145,550,030)

DSHS provides services for certain healthcare strategies, community and state hospital mental health, and alcohol and drug abuse.

Behavioral Health Services

CSHB1 continues and expands the 83rd legislature's efforts to significantly improve behavioral health services with an 8.2% increase in general revenue funding. Funded services include:

- ✓ *Inpatient client services and cost growth at state hospitals*
- ✓ *Community hospital beds*
- ✓ *Outpatient services for adults and children*
- ✓ *Transition support for patients moving from hospitals to the community*
- ✓ *Mental health crisis services*
- ✓ *Mental health services for veterans*
- ✓ *Residential treatment slots for children at risk of parental relinquishment*

However, \$2.5 million in general revenue for recovery-focused mental health clubhouses has been placed in Article XI. Mental health clubhouses have proven to be a critical strategy in addressing issues faced by those with serious mental illness. By providing a safe community where members can work and form relationships, mental health clubhouses significantly lessen numbers of psychiatric hospitalizations and provide increased and long-term employment.

Women's Health Services

DSHS addresses women's healthcare with two strategies: (1) Family planning services, which provide birth control and family planning for Medicaid recipients, and (2) Community primary care services, which provide prevention and early intervention healthcare at 150 clinics for those who are uninsured or low-income (at or below 150% of the FPL).

While family planning services funding is maintained, CSHB1 provides a \$20 million increase in general revenue to community primary care services. This increase is expected to serve an additional 47,000 women during the biennium. Medicaid savings to HHSC from averted births related to primary care contraception provisions is estimated to total \$7.3 million in GR. CSHB1 has also made provisions for the Breast Cancer and Cervical Screening program to not be placed into a tiered system – if federal dollars are at risk. This provision will avoid the closure of 31 comprehensive women's health clinics and the loss of \$18.4 million in federal funds.

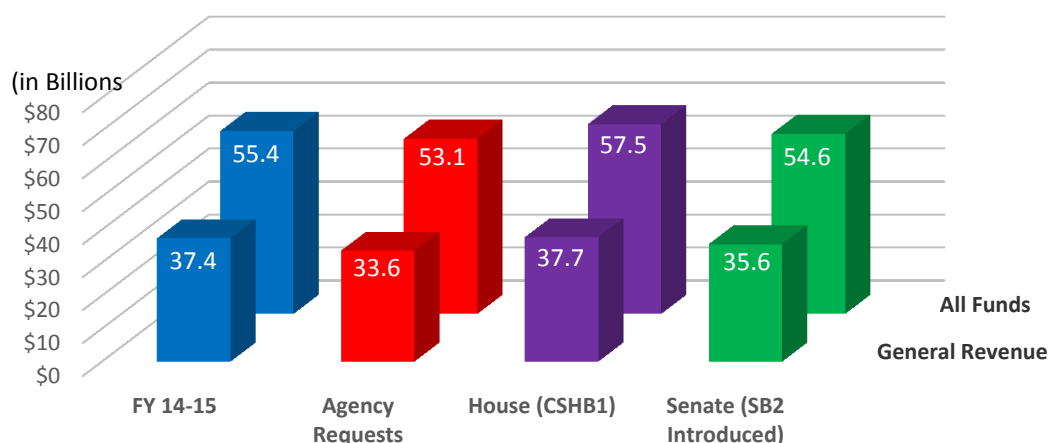
Trauma Centers

Many trauma centers in Texas are overloaded or in critical need of facilities maintenance. However, EMS and trauma care funding has decreased by \$300.6 million in all funds from the last biennium due to a transfer of \$300 million from the GRD Trauma Account No. 5111 to HHSC to account for Medicaid expenses. Currently, the two GRD Trauma Accounts, No. 5137 and No. 5111, have a combined balance of \$109 million. Funds from those accounts have not yet been appropriated to address trauma services, although they are severely needed.

Office of Violent Sex Offender Management (OVSOM)

OVSOM provides treatment and supervision to civilly committed sexually violent offenders. An increase of \$11.4 million in GR from last session is provided to address increased per diem rates and caseloads, mental health services, and a lack of beds. However, \$1.9 million for health care services, which are needed by this agency's aging population, have been placed into Article XI.

ART. III – PUBLIC EDUCATION



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017	Difference	% Change
Texas Education Agency	\$51,508,500,000	\$53,403,462,233	\$1,894,962,233	4%
School for the Blind and Visually Impaired	\$50,400,000	\$49,186,476	-1,213,524	-2%
Texas School for the Deaf	\$55,900,000	\$58,074,745	\$2,174,745	4%

Texas Education Agency (TEA) — 4% -- \$1,894,962,233

The TEA, which distributes appropriations to all Texas public schools, is funded through three main sources of revenue:

1. *General Revenue* - through the Foundation School Program (FSP), the two-tiered formula which provides the bulk of school funding.
2. *General Revenue Dedicated* - through the Available School Fund (25% motor fuels tax) and through Lottery proceeds.
3. *Other Funds* - through the Property Tax Relief Fund (PRTF, primarily franchise tax and tobacco taxes) and through Recapture Revenue (payments from property-tax wealthy school districts).

TEA funding took its first hit in 2006, when the legislature compressed property taxes for school maintenance & operation from a minimum of \$1.50 to a minimum of \$1.00, with a cap at \$1.17. Although this decrease in property tax revenue was intended to be offset by an increase in franchise taxes and tobacco taxes (deposited into the newly created Property Tax Relief Fund), it came up \$10 billion short – and continued to do so for the next five budget cycles.

This led to the massive school cuts in 2011. Struggling to cope with the \$10 billion property tax deficit and the economy's \$17 billion shortfall, legislators cut \$4 billion from school formula funding, slashed \$500 in per-pupil funding, and ended full-day pre-K grants and other programs.

Although the 83rd Legislature, in 2013, restored \$2.5 billion in education funding, a deficit of \$392 per student and \$1.2 billion in educational programs and grants still currently exists – leaving Texas in 38th place nationally for per-student funding.

CSHB1 partially addresses this deficit by providing \$32.1 billion in General Revenue and \$41.4 in All Funds to the FSP. This represents an increase in General Revenue appropriations to the FSP by \$430.8 million. All Funds are increased by \$1.8 billion due to growth in revenue from the PTRF (mostly franchise tax revenue increases) and from recapture payments (property tax revenue increases). Funding covers the projected enrollment growth of 83,000 to 85,000 students in average daily attendance annually.

Because of strong growth in property tax revenue, **CSHB1 has also provided an additional \$2.2 billion over what is required to fund the current FSP entitlement.** Legislation will determine what these excess funds will be used for; however, a CSHB1 rider mandates that it must be spent on measures that promote educational equity.

Despite CSHB1’s increases in appropriations, Texas’ education will still be operating at a per-student deficit, and more than one-third of the states’ school districts will remain funded below 2011 levels.

Cuts to State Education Funding (Adjusted for Inflation)

Year	Total State Funding per Year	State Funding per ADA	Funding Compared to 2008, Per ADA	Average Daily Attendance (ADA)	Total Cuts per Year
2008 (baseline)	\$19,749,709,753	\$4,577	(baseline)	--	(baseline)
2009 ¹	\$21,596,237,335	\$4,909	\$332	4,399,315	\$1,461,234,660
2010	\$17,612,544,732	\$3,940	-\$637	4,470,146	-\$2,846,640,770
2011	\$18,703,162,945	\$4,105	-\$471	4,555,707	-\$2,147,622,378
2012	\$19,142,698,219	\$4,132	-\$444	4,632,351	-\$2,058,875,157
2013	\$18,802,997,140	\$3,987	-\$590	4,716,326	-\$2,782,917,173
2014	\$19,276,340,344	\$4,014	-\$562	4,801,823	-\$2,700,880,871
2015	\$19,820,616,372	\$4,054	-\$523	4,888,869	-\$2,555,001,285

¹2009 funding is artificially higher because legislators undid a deferral of Foundation School payments.
Sources: Legislative Budget Board; Rep. Gene Wu; Center for Public Policy Priorities.

Pre-K Funding

In 2011, \$250 million was cut from the full-day Pre-K grant. Only \$100 million of this sum was restored in 2013. CSHB1 restores \$120 million of this sum further, lowering the funding deficit to \$30 million, not taking into account eligible population growth.

Non-FSP Programs

Non-FSP Programs received a \$285.2 million decrease in General Revenue. This is due in part to the exclusion of a one-time \$330 million transition aid to school districts. All non-FSP funded programs also underwent a Strategic Fiscal Review analysis, resulting in notable funding decreases for the following programs:

- Student Success Initiative (\$22.8 million): the Student Success Initiative prepares students in grades 3 through 8 for standardized testing with the use of computer-based Reading and Math programs. The review found that utilization of the program was very low and that no significant benefits were obtained from its use.
- Juvenile Justice programs (\$5.7 million): Decrease is due to less contact hours. This may decrease the number of teachers employed, which negatively affects service delivery.
- Reasoning Minds (cut completely, \$9 million): Reasoning Minds is an online program that assists students in grades 2 to 5 in Math. Funding cuts are due to its low usage and districts able to purchase the program with their Instructional Material Allotment.

Windham School District

The Windham School District provides high school equivalency and technical education to the state’s adult prisoner population. In 2011, the Windham School District’s Budget was cut by \$33 million, increasing its waitlist by 28%. In 2013, \$8 million of this sum was restored. CSHB1 maintains funding at 2014-2015 levels, keeping in place the \$25 million shortfall. Funding for this strategy is much needed. It is estimated that roughly 18,000 prisoners a year who attend the Windham School District refrain from further criminal action once released.

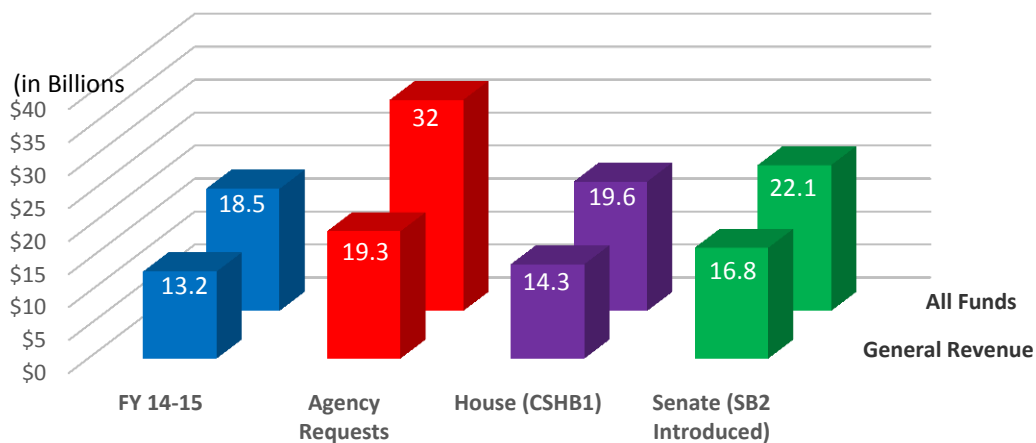
School for the Blind and Visually Impaired – (2%) – (\$1,213,524)

The Texas School for the Blind and Visually Impaired is a state school established to provide specialized services for students who are blind and visually impaired, such as opportunities for residential living skills training. SBVI faces a decrease in funding by \$1.2 million for FY 2016-2017, due to the removal of one-time renovation funding occurring last biennium.

Texas School for the Deaf – 4% -- \$2,174,745

The Texas School for the Deaf is the only school of its kind in the state which offers a continuum of educational support through various services, such as academic curriculum and employability skills. TSD receives an increase in funding to address population growth.

ART. III – HIGHER EDUCATION



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017	Difference	% Change
General Academic Institutions	\$6,424,300,000	\$6,772,136,567	\$347,836,567	5%
Health-Related Institutions	\$2,857,900,000	\$2,948,775,107	90,875,107	3%
Texas A&M Services Agencies	\$938,900,000	\$943,022,415	\$4,122,415	0%
Higher Education Coordinating Board	\$1,535,400,000	\$1,572,283,222	\$36,883,222	2%
Higher Education Fund	\$525,000,000	\$525,000,000	\$0	0%
Available University Fund	\$1,702,200,000	\$1,690,499,008	-\$11,700,992	-1%

Available National Research University Fund	\$55,800,000	\$61,068,150	\$5,268,150	9%
Public Community/ Junior Colleges	\$1,790,000,000	\$1,753,714,109	-\$36,285,891	-2%
Teacher Retirement System	\$4,166,100,000	\$4,346,762,489	\$180,662,489	4%
Permanent Fund Supporting Military and Veterans Exemptions	\$11,400,000	\$23,504,213	\$12,104,213	106%

Higher education All Funds appropriations present a 4.9% increase from the 2014-2015 biennium. The majority of this increase goes towards formula funding enhancements across academic and health related institutions.

Higher Education Coordinating Board – 2% -- \$36,883,222

B-on-Time

B-on-time rewards students who meet certain benchmarks generally relating to being on track to graduate within a four-year time period. Amid concerns that this unfairly rewards traditional students at the cost of non-traditional older or working students, B-on-time grant funding has been decreased by \$12.2 million in General Revenue. Future rewards will only support renewal grants. This decrease is reallocated to fund an increase in TEXAS Grants (*see below*).

Hazlewood

The Hazlewood Tuition Exemption Program has been moved to the Veteran’s Commission, reflecting a decrease of \$30 million to the Higher Education Coordinating Board. *See page 8 for a description of the Hazlewood program and its funding.*

Texas Research Incentive Program (TRIP)

TRIP provides matching research funds to support Texas’ eight emerging research institutions. Funding has increased \$35 million in General Revenue from the previous biennium. An additional \$67.5 million is appropriated in Article IX.

TEXAS Grants

The TEXAS Grants program provides grants to students in good academic standing who demonstrate financial need. CSHB1 increases funding \$37.7 million in General Revenue from the 2014-2015 levels, elevating expenditures to \$5,000 per qualified student. However, in order to fully fund students’ grants, expenditures must total \$7,000 per student.

Graduate Medical Expansion Program

Texas’ lack of residency slots has caused many talented medical school graduates to move away, leaving Texas ranked 42nd in the number of practicing primary care physicians. This deficiency is heavily compounded by our state’s growing population and health needs. To address this shortfall, CSHB1 provides an increase of \$14.4 million in GR from 2014-2015 levels. Additionally, \$10 million to enhance the GME formula and \$12.8 million to provide for the Family Practice Residency Program is taken out of the GRD Trauma and EMS Account 5111.

General Academic Institutions (GAI’s) – 5% -- \$347,836,567

Tuition Revenue Bonds (TRB’s)

CSHB1 provides \$397.8 million in GR for tuition revenue bond debt service for previously authorized debt. An additional \$250 million for new TRB’s is contingent on legislation.

Formula Funding Increase

GAI’s will receive a 3% increase to their formula funding, an increase of \$618.4 million in GR over the 2014-2015 biennium. However, prior to the 2011 cuts, academic institutions were funded at a 17% increase, leaving a sizeable shortfall that costs an estimated \$1.42 billion.

Health Related Institutions (HRI's) – 3% -- \$90,875,107

Formula Funding Increase

HRI formula funding is likewise increased by 3%, costing an increase of \$126.6 million in General Revenue from the 2014-2015 biennium. GME, which is appropriated \$10 million separately, is not included in the 3% increase.

Public Community / Junior Colleges— (2%) – (\$36,285,891)

Formula Funding Increase

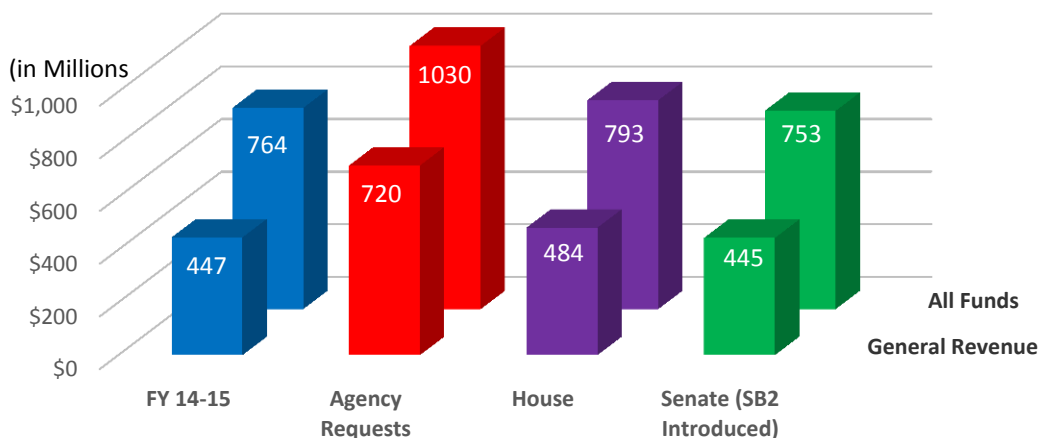
Formula funding for Community / Junior Colleges is increased by 2% in CSHB1. Nevertheless, because Community / Junior College formulas are based 90% on contact hours, a 4.6% decrease in contact hours has precipitated an overall decrease of \$34.4 million in General Revenue funding from the 2014-2015 biennium.

Teacher Retirement System (TRS) – 4% -- \$180,662,489

The Teacher Retirement System is an employment benefit plan for current and previous public and higher education teachers. TRS serves approximately 1.4 million participants. Funding for the TRS is comprised from state contributions for retirement and health care benefits for employees of public schools, higher education institutions, and retired teachers, which are based on payroll amounts from active members. CSHB1 provides an increase of \$180.7 million from the 2014-15 biennium due to the payroll amounts' projected growth for the FY 2016-2017 biennium. State contribution rates remain at 6.5%.

Because healthcare expenditures have grown at a rate much faster than education payroll contributions, TRS will become insolvent in 2016. Supplemental legislation is expected to address this issue by contributing a 50% solvency rate in General Revenue.

ART. IV – THE JUDICIARY



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017	Difference	% Change
Supreme Court of Texas	\$69,700,000	\$77,326,751	\$7,626,751	11%
Court of Criminal Appeals	\$29,000,000	\$32,436,774	\$3,436,774	12%

14 Courts of Appeal	\$76,300,000	\$82,649,548	\$6,349,548	8%
Office of Court Administration	\$150,500,000	\$148,610,969	-\$1,889,031	-1%
Office of Capital Writs	\$2,100,000	\$2,928,009	\$828,009	39%
Office of the State Prosecuting Attorney	\$800,000	\$838,053	\$38,053	5%
State Law Library	\$2,100,000	\$2,084,853	-\$15,147	-1%
State Commission on Judicial Conduct	\$1,900,000	\$2,222,372	\$322,372	17%
Judiciary Section, Comptroller's Department	\$304,200,000	\$305,715,910	\$1,515,910	0%
Total All Funds	\$636,600,000	\$654,813,239	\$18,213,239	3%

A 3.8% overall increase in All Funds for Article IV appropriations is primarily due to an increase of \$209.6 million in All Funds for judicial salary enhancements.

Supreme Court of Texas – 11% -- \$7,626,751

The Supreme Court of Texas receives an increase of general revenue funding from FY 2014-2015 levels. Specific increases in funding include \$7.1 million for civil legal services, \$10 million for services for approximately 5,000 victims of sexual assault, and \$1.5 million for services for veterans and their families.

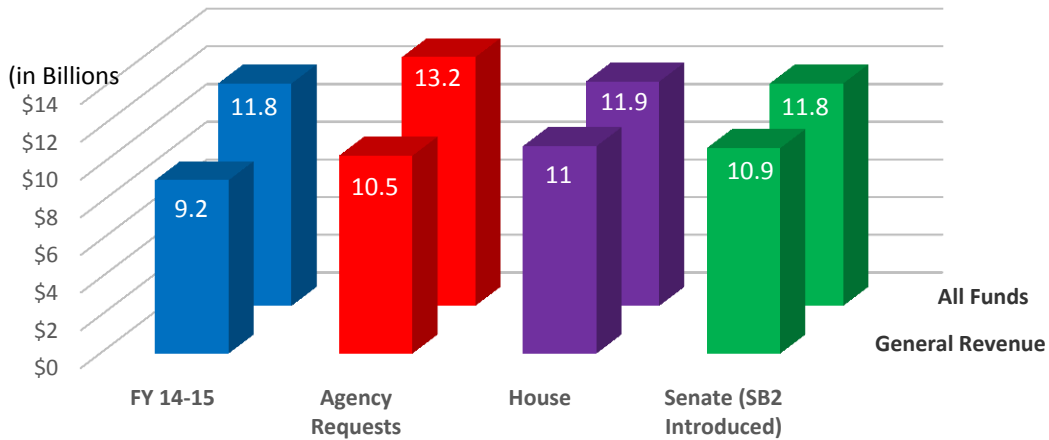
Office of Court Administration – (1%) – (\$1,889,031)

There is a decrease in funding of \$1.8 million for the Office of Court Administration. This office is directed and supervised by the Supreme Court and the Chief Justice to support the Judicial Branch of Texas.

The Texas Indigent Defense Commission

The Texas Indigent Defense Commission, created as a support system for counties in establishing, developing, and maintaining cost-effective indigent defense services, has a \$6.6 million decrease due to a one-time use of balances in 2014-2015.

ART. V – PUBLIC SAFETY



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017	Difference	% Change
Alcoholic Beverage Commission	\$93,200,000	\$96,964,031	\$3,764,031	4%
Department of Criminal Justice	\$6,365,300,000	\$6,492,622,045	\$127,322,045	2%
Commission on Fire Protection	\$4,000,000	\$4,297,292	\$297,292	7%
Commission on Jail Standards	\$1,800,000	\$1,918,904	\$118,904	7%
Juvenile Justice Department	\$649,200,000	0*	(\$649,200,000)	-100%
Commission on Law Enforcement Standards & Expectations	\$6,700,000	\$7,668,299	\$968,299	14%
Military Department	\$159,300,000	\$194,194,646	\$34,894,646	22%
Department of Public Safety	\$2,643,300,000	\$2,450,657,955	(\$192,642,045)	-7%
Total All Funds	\$9,922,800,000	\$9,248,323,172	(\$674,476,828)	-7%

Department of Criminal Justice – 2% -- \$127,322,045

The Department of Criminal Justice (TDCJ) saw a 1.1% increase for the 2016-17 biennium. This is partly due to a 10% pay increase for TDCJ correctional officers.

The budget also allocates for increased funding to address contract per diem increases for contract prisons, privately operated jails, and residential pre-parole facilities, as well as the creation of 500 new slots in the in-prison Driving While Intoxicated Recovery Program, and an increase in funds for adult probation, and an \$84.9 million increase that expands managed healthcare in correctional facilities.

Texas Juvenile Justice Department (TJJD) – [(4.6%) – (\$29,800,000) Contingent]

Funding for TJJD is provided in a \$620 million block grant rider contingent on legislation, rather than appropriating funds for specific purposes. This is due to TJJD reducing its incarcerated population by two-thirds between 2007 and 2012 following a scandal in 2007 in a state-run youth correctional facility. In an effort to prevent future issues, the state has reduced the number of youth assigned to these facilities from 4,000 to just over 1,000 and has opted instead to keep adjudicated youth in probation programs closer to their families.

The shift to community supervision has had a dramatically positive impact on recidivism rates, but has left the agency with excess capacity and a need to address organizational efficiency. The contingency rider gives TJJD the needed flexibility to use the funds to best serve the youth in their custody.

The rider addresses state challenges, such as the size of current facilities and their geographic location in relation to services and families of the youth the facilities serve, use of contractor-operated facilities to provide specialized services to youth, agency authority to transfer appropriations among facilities, safety and security of youth and staff, and ensuring agency administration is transparent, adaptable, and responsive.

Military Department – 22% -- \$34,894,646

The Military Department (TMD) saw a significant increase for the 2016-17 biennium. This is primarily due to an increase in Federal Funds directed towards renovating nine National Guard readiness centers.

Department of Public Safety – (7%) – (\$192,642,045)

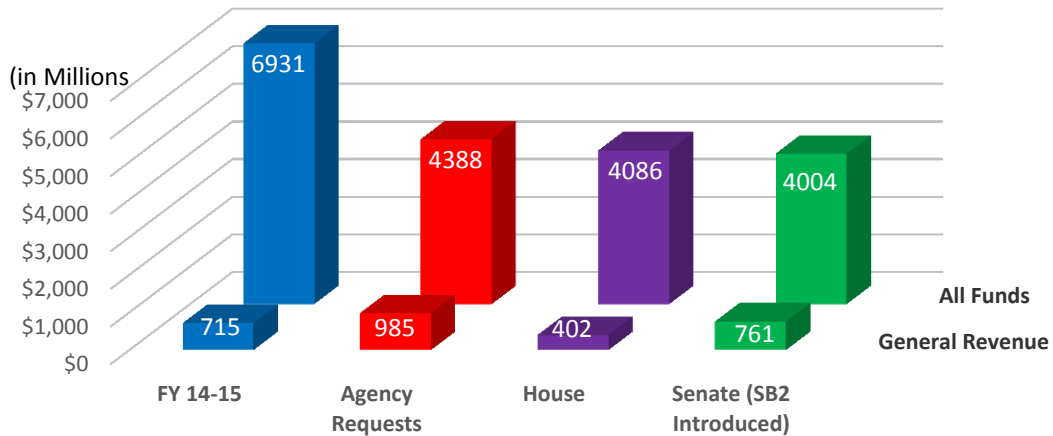
The decrease in DPS All Funds is attributable to reductions in federal funding for Public Assistance Grants (\$223.8 million) and Hazard Mitigation Grants (\$125.3 million). However, reductions are offset by a general revenue increase of \$201.2 million. Additionally, DPS funding from the State Highway Fund has been discontinued. This funding is replaced by \$910.3 million in General Revenue and General Revenue Dedicated funds.

\$551 million of this total is directed towards the goal of a border security surge. Included in this sum is:

- The recruitment, training, salaries, and benefits of 300 additional DPS troopers, 250 of which must be stationed along the border
- DPS trooper workday increases from 8 to 10 hours
- State grants to local border law enforcement entities
- 500 cameras to be placed along the border

Despite more than \$500 million in General Revenue being spent on the border security surge, this goal, its deliverables, its outcome metrics, and its sustainability measures have not been properly researched or defined.

ART. VI – NATURAL RESOURCES



Agency	FY 2014-2015 (Budgeted)	FY 2016-2017	Difference	% Change
Department of Agriculture	\$1,110,600,000	\$1,106,993,934	-\$3,606,066	0%
Animal Health Commission	\$21,600,000	\$24,714,617	\$3,114,617	14%
Commission on Environmental Quality	\$759,300,000	\$743,594,186	-\$15,705,814	-2%
General Land Office and Veteran’s Land Board	\$1,503,500,000	\$664,058,223	-\$839,441,777	-56%
Low Level Radioactive Waste Disposal Compact Commission	\$500,000	\$1,166,578	\$666,578	133%
Parks & Wildlife Department	\$704,300,000	\$598,053,850	-\$106,246,150	-15%
Railroad Commission	\$178,200,000	\$176,752,513	-\$1,447,487	-1%
Soil & Water Conservation Board	\$55,400,000	\$65,763,339	\$10,363,339	19%
Water Development Board	\$2,298,400,000	\$288,267,256	-\$2,010,132,744	-87%
Total All Funds	\$6,631,800,000	\$3,669,364,496	-\$2,962,435,504	-45%

Texas Department of Agriculture (TDA) – 0% -- (\$3,606,066)

TDA received \$32.3 million contingent on the agency generating sufficient revenue to cover both the direct and indirect costs for the agency’s cost recovery programs.

Commission on Environmental Quality – (2%) – (\$15,705,814)

The Commission on Environmental Quality saw a \$15.7 million reduction due to less anticipated federal funds to be available and reductions from one-time project funding and Interagency Contracts that are no longer needed.

General Land Office and Veterans’ Land Board – (56%) – (\$839,441,177)

The General Land Office and Veterans’ Land Board’s budget saw a \$839.5 million reduction due to loss of federal funds for Community Development Block Grants for recovery from hurricane and wildfire-related disasters.

Texas Parks and Wildlife Department (TPWD) – (15%) – (\$106,246,150)

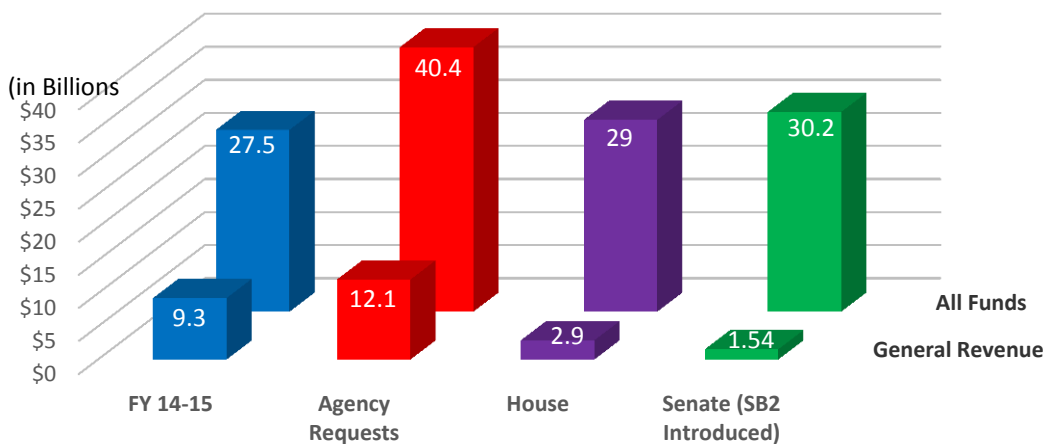
TPWD saw a \$58.6 reduction primarily due to less federal funds anticipated to be available and reductions in bond proceeds, one-time project funding, and donations.

Appropriations also include the maximum available allocation of Sporting Goods Sales Tax. The full allocation and \$47.7 million of these appropriations are contingent on statutory changes relating to the allowable transfers to certain accounts managed by the Texas Parks and Wildlife Department of proceeds from taxes imposed on the sale, storage, or use of sporting goods.

Water Development Board – (87%) – (\$2,010,132,744)

In 2014 a one-time appropriation of \$2 billion was transferred into The Water Development Board’s State Water implementation Fund for Texas from the Economic Stabilization Fund. This one-time appropriation is reflected in the agency’s funding decrease of the same amount. The Water Development Board intends to fund \$700 million in State Water Plan projects each fiscal year of the 2016-2017 biennium using the financing mechanism created within SWIFT.

ART. VII – BUSINESS AND ECONOMIC DEVELOPMENT



Agency	FY 2014-2015 (Budgeted)	FY 2016-2017	Difference	% Change
Department of Housing and Community Affairs	\$507,900,000	\$486,712,115	-\$21,187,885	-4%
Texas Lottery Commission	\$458,200,000	\$471,195,383	\$12,995,383	3%
Department of Motor Vehicles	\$332,200,000	\$319,917,300	-\$12,282,700	-4%
Department of Transportation	\$23,157,100,000	\$24,752,261,657	\$1,595,161,657	7%
Texas Workforce Commission	\$2,374,300,000	\$2,336,176,661	-\$38,123,339	-2%
Reimbursements to the Unemployment Compensation Benefit Account	\$47,400,000	\$38,759,804	-\$8,640,196	-18%
Total All Funds	\$26,877,100,000	\$28,366,263,116	\$1,489,163,116	6%

Department of Motor Vehicles (DMV) – (4%) – (\$12,282,700)

The DMV saw an overall decrease in funding for the 2016-17 biennium, mostly due to the expiration of a one-time State Highway Fund grant to improve the agency’s vehicle registration and titling system. \$7.4 million is appropriated to separate agency applications and information technology from the Department of Transportation’s infrastructure. CSHB1 also addresses the need for DMV expansion in highly populated areas by adding \$50.5 million to open 9 additional drivers licensing centers around the state.

Department of Transportation (TxDoT) – 7% -- \$1,595,161,657

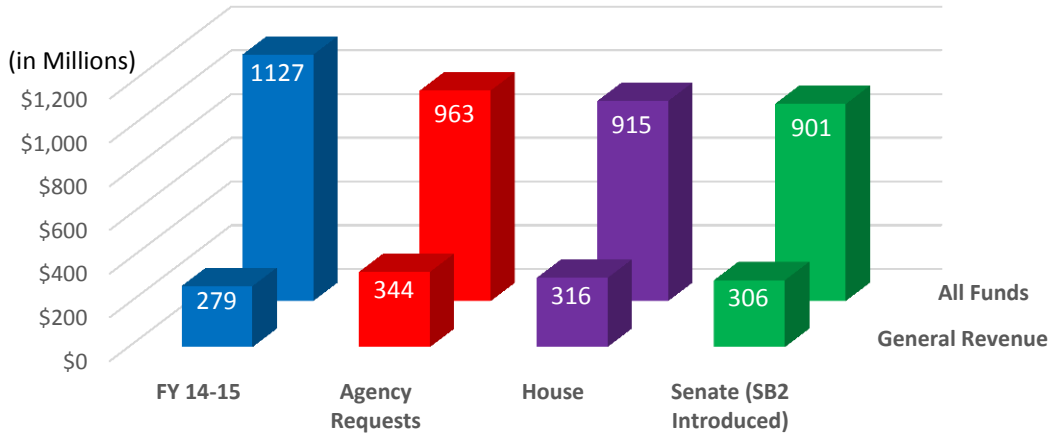
CSHB1 appropriated a \$1.6 billion increase in General Revenue and State Highway Funding to TxDoT for the 2016-17 biennium. A \$620 million increase in State Highway Funds resulted from the discontinuation of diversionary use of some State Highway Funds for programs or departments other than the TxDoT. \$2.4 billion worth of oil and natural gas related taxes is also transferred to the State Highway Fund, authorized by the passing of Proposition 1.

However, one-time funding spurts, such as the now-exhausted Proposition 12 and Proposition 14, will not provide sustainable growth to Texas’ transportation system. Because the planning phase for new transportation projects usually lasts 8 to 10 years, inflation outpaces estimates; projects thus end up costing much more than originally expected. For example, TxDoT’s unfulfilled \$5 billion request for road and bridge maintenance alone is based on 2010 congestion estimates, and has not been updated since. **As our population grows, a long-term, predictable stream of revenue for our transportation infrastructure must be provided.**

Texas Workforce Commission – (2%) – (\$38,123,339)

The Texas Workforce Commission saw an overall decrease in funding for the 2016-17 biennium. This is mainly due to a decrease in Federal Funds grants that are not expected to be renewed. There is also a decrease in the Unemployment Insurance program due to an anticipated decline in unemployment claims. The agency’s FTEs are budgeted to decrease by 173 from fiscal year 2015 to the end of fiscal year 2017, including 122 positions in the Unemployment Insurance program and 51 positions related to the expiration of the federal funds grants.

ART. VIII – REGULATORY



Agency	FY 2014-2015 (Budgeted)	FY 2016-2017	Difference	% Change
State Office of Administrative Hearings	\$18,800,000	\$22,188,623	\$3,388,623	18%
Board of Chiropractic Examiners	\$1,600,000	\$1,597,694	-\$2,306	0%
Texas State Board of Dental Examiners	\$8,400,000	\$8,571,512	\$171,512	2%
Funeral Service Commission	\$1,600,000	\$1,663,633	\$63,633	4%
Board of Professional Geoscientists	\$1,200,000	\$1,179,583	-\$20,417	-2%
Health Professions Council	\$2,000,000	\$2,234,669	\$234,669	12%
Office of Injured Employee Council	\$16,700,000	\$16,890,478	\$190,478	1%
Department of Insurance	\$237,000,000	\$222,036,564	-\$14,963,436	-6%
Office of Public Insurance Counsel	\$2,100,000	\$2,117,592	\$17,592	1%
Board of Professional Land Surveying	\$900,000	\$929,643	\$29,643	3%
Department of Licensing and Regulation	\$48,800,000	\$52,116,510	\$3,316,510	7%
Texas Medical Board	\$23,500,000	\$24,155,924	\$655,924	3%
Texas Board of Nursing	\$20,400,000	\$23,118,308	\$2,718,308	13%
Optometry Board	\$900,000	\$942,183	\$42,183	5%
Board of Pharmacy	\$13,400,000	\$13,194,440	-\$205,560	-2%
Exec. Council of Physical & Occupational Therapy Examiners	\$2,400,000	\$2,603,337	\$203,337	8%
Board of Plumbing Examiners	\$5,000,000	\$5,409,852	\$409,852	8%

Board of Podiatric Medical Examiners	\$600,000	\$570,859	-\$29,141	-5%
Board of Examiners of Psychologists	\$1,700,000	\$1,784,615	\$84,615	5%
Racing Commission	\$15,400,000	\$15,403,947	\$3,947	0%
Securities Board	\$14,200,000	\$14,365,121	\$165,121	1%
Public Utility Commission of Texas	\$584,300,000	\$131,880,316	-\$452,419,684	-77%
Office of Public Utility Counsel	\$4,400,000	\$4,403,244	\$3,244	0%
Board of Veterinary Medical Examiners	\$2,300,000	\$2,563,406	\$263,406	11%
Total All Funds	\$1,027,600,000	\$571,922,053	-\$455,677,947	-44%

Public Utility Commission – (77%) – (\$452,419,684)

The commission regulates electric and telecommunications industries, oversees competitive utility markets, and facilitates financial assistance and education to customers.

The 2016-17 biennium saw an all-funds decrease from the 2014-15 biennium primarily because of a decrease in the System Benefit Fund. The System Benefit Fund was established in 1999 to support the Low Income Discount program, and is set to expire (per decision reached by the 83rd legislature) at the end of fiscal year 2016.

Department of Insurance – (6%) – (\$14,963,436)

The Department of Insurance saw a decrease from 2014-15 to 2016-17 budgets. This is due to the elimination of the federal Affordable Care Act Health Insurance Premium Review Grant, which is not expected to extend into fiscal years 2016 and 2017, the close-out of the Healthy Texans program in 2015, and an anticipated decrease in revenue collection from regulated entities for fines, penalties, and sanctions collected as part of the Three Share Program.