



Chair, Rep. Garnet Coleman

Treasurer, Rep. Elliott Naishtat

Bill Analysis for Conference Committee House Bill 1

Author: Rep. John Otto

Recommendation: Will of the House with Concerns

CCHB 1 Evaluated By: Tara Blagg

Tara@TexasLSG.org; 512-763-0031

EXECUTIVE SUMMARY

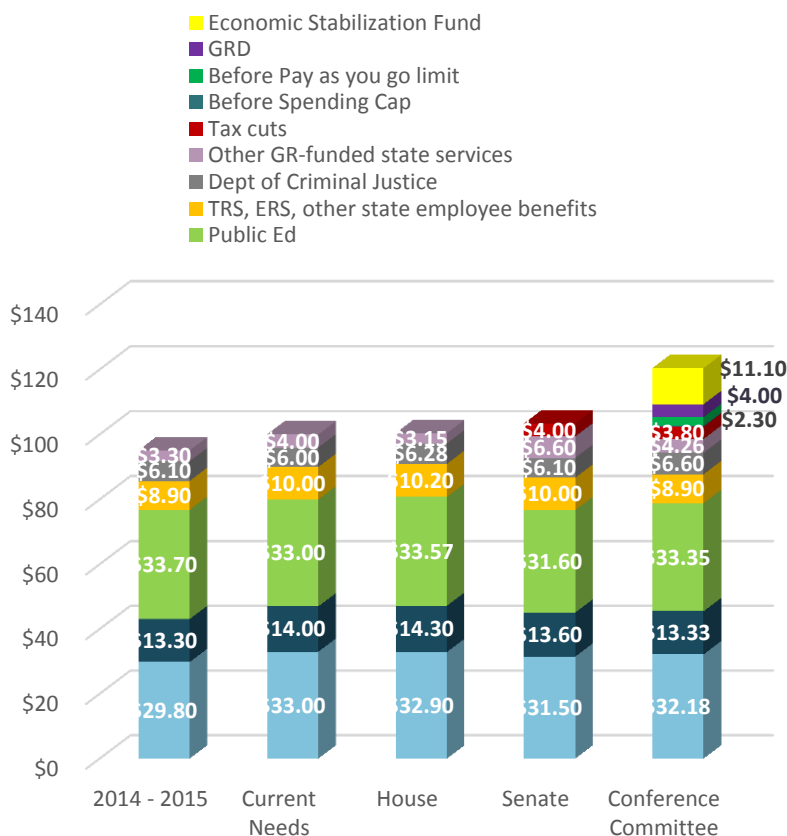
Though the state budget maintains positive increases in funding for certain services, it lays bare the prioritization of short-sighted tax cuts over investments in public education and healthcare.

The Conference Committee's House Bill 1 (CSHB1) authorizes \$106.6 billion in General Revenue (GR) expenditures for fiscal years 2016-2017, leaving \$0.3 billion* – or \$300 million – available in GR before reaching the spending limit. Decisions made by the Legislature have not allowed the state's Economic Stabilization Fund (ESF) to be touched, or the spending cap to be exceeded.

The final version of House Bill 1 (CSHB1) leaves \$13.4 billion in available general revenue dollars untouched while critical infrastructure needs are unmet:

1. **\$11.1 billion** – the estimated amount available in the Economic Stabilization Fund (ESF), or Rainy Day Fund, by the end of 2017.
2. **\$2.3 billion** – the amount in extra non-dedicated GR money available to budget writers before reaching the state's pay-as-you-go limit.

GENERAL REVENUE SPENDING, IN BILLIONS



Source: LBB; CPPP

House Bill 1 emerged from conference committee with \$3.8 billion set aside for tax cuts – including a 25% cut to the franchise tax, and a \$10,000 increase to the homestead exemption, contingent on a public vote. The final version of CSHB1 provides \$700 million less for public education than the House originally adopted and removes the House's Medicaid reimbursement rate increase for doctors. **Paying for the tax cuts, while staying below the spending cap, crowds out our state's infrastructure needs for a sustainable future**

*Data in this report takes into account the \$2.15 GR contingent on homestead exemption increases.

OK for Distribution – Rep Garnet Coleman

Conference Committee Budget Highlights

- **Medicaid reimbursement rate increases for doctors included in the House budget have been taken out completely.** Currently, only 34% of doctors accept Medicaid patients. Lack of rate increases will bring this number down even further. Medicaid cost growth (inflation and acuity) is still not funded.
- \$1.7 billion GR is provided for Medicaid caseload growth.
- The bill includes the Senate’s Medicaid cost containment rider, which totals \$373 million in cost reductions.
- The amount spent on maintaining and expanding FY2014-15 mental health services across multiple agencies grew from \$340 million in the House budget to \$588 million
- Three women’s health services are consolidated into one, moved to HHSC, and are collectively funded at \$100 million.
- **While the House budget offered \$2.2 billion for public education beyond funding enrollment growth, CCHB1 offers only \$1.5 billion.**
- The House’s 3% formula funding increase for all higher education entities is maintained. However, lack in grant funding still reveals a high amount of unmet needs.
- Border security funding has increased by almost \$300 million over the House budget, bringing the new total to **\$800 million.**
- The House budget’s block grant for the Juvenile Justice Department has been replaced with specified appropriations.
- Salary increases have been awarded to state employees (2.5%), CPS caseworkers (merit-based), community care attendants (.93/hr increase), parole officers, and correctional officers (8%) to reduce high turnover.

2016-2017 Conference Committee Decision Overview: House vs. Senate (All Funds)			
	House	Senate	Conference Committee
Article I	\$5,175,115,026	\$6,158,751,197	\$6,385,627,440
Article II	\$79,111,202,187	\$77,359,918,240	\$77,168,330,229
Article III			
Public Education	\$58,155,071,034	\$59,681,808,551	\$59,124,295,423
Higher Education	\$18,869,564,312	\$19,117,343,373	\$19,236,079,258
Article IV	\$793,018,428	\$779,410,470	\$796,825,885
Article V	\$11,895,165,116	\$11,998,940,597	\$12,390,957,268
Article VI	\$4,086,207,265	\$4,259,012,377	\$4,354,442,436
Article VII	\$29,110,974,069	\$29,807,039,145	\$27,744,972,098
Article VIII	\$915,119,733	\$899,725,296	\$920,443,789
Article IX	\$1,284,075,402	\$939,283,635	\$924,044,792
Article X	\$385,544,254	\$385,544,254	\$385,544,254
Total, All Funds	\$209,781,056,826	\$211,386,777,135	\$209,431,562,872
*These totals include funding for each article’s retirement, insurance, bond debt service, and lease payments			

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 CCHB1	162,697	(2.0%)

TABLE OF CONTENTS

ARTICLE I - GENERAL GOVERNMENT.....5

ARTICLE II – HEALTH AND HUMAN SERVICES.....10

ARTICLE III – PUBLIC EDUCATION.....18

ARTICLE III - HIGHER EDUCATION.....21

ARTICLE IV – THE JUDICIARY.....24

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE.....25

ARTICLE VI – NATURAL RESOURCES.....28

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT.....30

ARTICLE VIII – REGULATORY.....32

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.

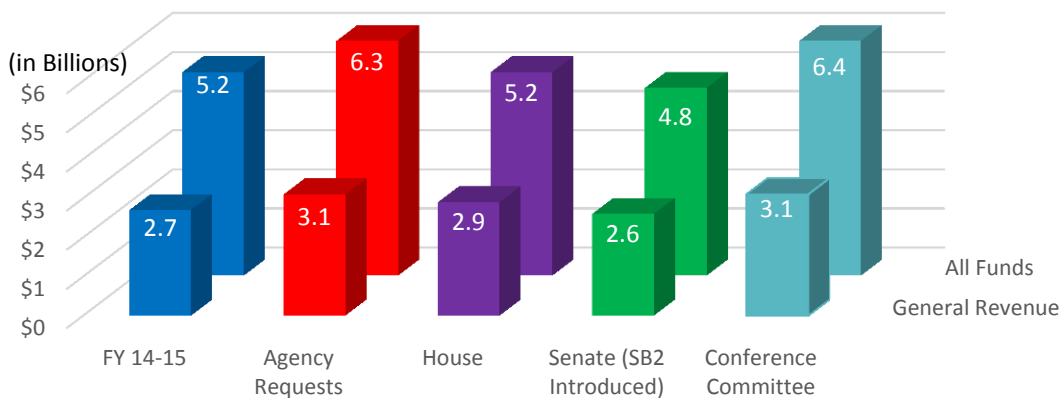
If you have any questions about this report or the Legislative Study Group, you may email us at

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 changes occurred between the original House budget and the conference committee budget.
- This analysis does not take into account Sunset Recommendations.
- ***Bolded and italicized items denote significant changes included in the conference committee report***



ARTICLE I - GENERAL GOVERNMENT



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017 (Conf. Committee)	Difference	% Change
Commission on the Arts	\$13,300,000	\$23,339,227	\$10,039,227	75%
Office of the Attorney General	\$1,128,100,000	\$1,086,158,514	-\$41,941,486	-4%
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	\$538,928,900	\$16,728,900	3%
Fiscal Programs - Comptroller	\$922,100,000	\$952,158,201	\$30,058,201	3%
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	\$6,039,006	-\$1,460,994	-19%
Facilities Commission	\$187,900,000	\$1,310,183,877	\$1,122,283,877	597%
Public Finance Authority	\$2,500,000	\$2,639,729	\$139,729	6%
Office of the Governor	\$24,500,000	\$20,779,765	-\$3,720,235	-15%
Trusted Programs within the Office of the Governor	\$878,000,000	\$576,075,028	-\$301,924,972	-34%

Historical Commission	\$62,800,000	\$63,483,859	\$683,859	1%
Department of Information Resources	\$582,200,000	\$106,791,650	-\$475,408,350	-82%
Library and Archives Commission	\$54,400,000	\$57,904,842	\$3,504,842	6%
Pension Review Board	\$1,700,000	\$1,867,315	\$167,315	10%
Preservation Board	\$32,300,000	\$41,165,535	\$8,865,535	27%
State Office of Risk Management	\$102,200,000	\$1,135,500	-\$101,064,500	-99%
Secretary of State	\$69,600,000	\$60,407,544	-\$9,192,456	-13%
Veterans Commission	\$64,100,000	\$97,429,688	\$33,329,688	52%
Total All Funds	\$5,423,300,000	\$5,722,080,297	\$298,780,297	6%

Office of the Attorney General (OAG) – (4%) – (\$41,941,486)

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.

CCHB1 provides a \$21 million enhancement over the House budget for OAG legal services. Conferees then chose to decrease this amount by \$540,974 in all funds to increase crime victim compensation funding by \$56,376 and to increase Medicaid investigations funding by \$121,690.

Fiscal Programs – Office of the Comptroller – (3%) -- \$30,058,201

CSHB1’s \$30 million increase to Fiscal Programs to account for an increase in mixed beverage tax reimbursement is offset by the elimination of the Jobs and Educations for Texans (JET) program, which provides scholarships for low-income students’ vocational training. To adjust for its deletion of the JET program, funding for the Workforce Commission Skills Program has been increased by \$10 million.

Whereas CSHB1 originally eliminated the Endangered Species in Habitat Protection Plan, which mitigates issues between construction and the protection of endangered species, CCHB1 restores \$5 million for the biennium to the program.

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.

CCHB1 maintains the House's original 2.5% salary increase for state employees in order to offset a hike in member contribution rates. Additional funds to contribute to the actuarially soundness of ERS are contingent upon final passage of HB 9.

Facilities Commission – 597% -- \$1,122,283,877

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

CCHB1 increases the total appropriation for deferred maintenance by \$82.7 million for a general revenue total of \$273.2 million. The majority of the Facilities Commissions' funds come from \$957.6 million in revenue bonds.

Office of the Governor – (15%) – (\$3,720,235)

CCHB1 provides an extra \$2.3 million for support to the Governor and State Agencies, employee recruiting, screening, and training, open actions functions, and for repairs to the Governor's mansion.

Office of the Governor Trusted Programs – (34%) -- (\$301,924,972)

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

Criminal Justice Grants

CCHB1 adopts the Senate's proposal to provide an additional \$20.08 million to local DPS agencies for border security operations. This is in addition to \$9 million granted to border DPS to maintain helicopter operations and camera installation and maintenance. \$2 million is put towards anti-gang activity grants.

Historical Commission

Whereas the original House budget only provided \$589 thousand to the Historical Commission for courthouse preservation efforts, CCHB1 provides an additional \$10 million – bringing the total to \$10,589,000. This is in response to public testimony regarding dangerous structural issues at many historical county courthouses.

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 2015, 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 ***with \$45 million in 2016, and will be granted unexpended balance authority, allowing them to use funds from 2016 in 2017.*** Contingent on legislation that may terminate the Emerging Technology Fund, the TEF may receive 50% of the ETF unexpended balance (another \$45 million).



Emerging Technology Fund

The Emerging Technology Fund 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, the ETF may be depleted contingent on legislation this session. If it is cut, ~~50%~~ **\$45 million** of its unexpended balance will be granted to the TEF (mentioned above), and the **remaining \$40 million** will be granted to Article III for the Texas Higher Education Coordinating Board's University Research Initiative Grants.

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

CCHB1 retains disaster funding at \$24.8 million. 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 thus 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 .22 cents per student in order to maintain TexQuest. These collections are expected to generate \$1 million in revenue over 2016-2017.

Secretary of the State – (13%) -- (\$9,192,456)


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. **CCHB1 partially addresses this issue by appropriating an additional \$4 million in GR for voter education efforts.**

Veterans Commission --- 52% -- \$33,329,688

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



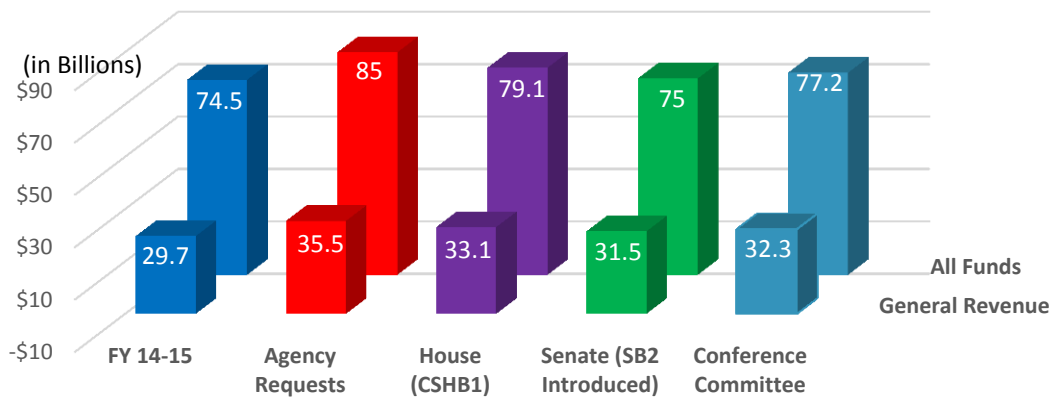
among veterans.

Although the Hazlewood program and veteran's services funds increased, the agency received an decrease in funding for administration, resulting in the loss of ~~13~~ 9 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.

CCHB1 addresses the shortage of claims counselors by providing funding to retain 4 more.

A handwritten signature in black ink, appearing to read "Garnet F. Coleman", is written over the footer text.

ARTICLE II – HEALTH AND HUMAN SERVICES



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017 (Conf. Committee)	Difference	% Change
Department of Aging and Disability Services (DADS)	\$11,613,900,000	\$8,822,667,086	-\$2,791,232,914	-24%
Department of Assistive and Rehabilitative Services (DARS)	\$1,232,500,000	\$913,286,843	-\$319,213,157	-26%
Department of Family and Protective Services (DFPS)	\$3,113,800,000	\$3,473,621,402	\$359,821,402	12%
Department of State Health Services (DSHS)	\$6,504,500,000	\$6,288,296,473	-\$216,203,527	-3%
Health and Human Services Commission (HHSC)	\$51,448,400,000	\$55,629,778,354	\$4,181,378,354	8%
Total All Funds	\$73,913,100,000	\$75,127,650,158	\$1,214,550,158	2%

Sunset recommendations have been submitted in HB2304, which will consolidate many Health and Human Services programs and may affect funding. Sunset Recommendations have not been included in this analysis.

Health and Human Services Commission (HHSC) – 8% -- \$4,181,378,354

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.

Medicaid

This 8% All Funds increase is primarily attributable to federally mandated fiscal changes and caseload growth in the Medicaid program. Medicaid is a state and federal funded program that provides healthcare primarily to needy children, disabled Texans, and pregnant women. ***CCHB1 funds Medicaid at \$61.2 billion all funds and \$25 billion general revenue.***

CCHB1 maintains general revenue funding for:

1. Caseload growth. \$1.3 billion is provided in CSHB1 to address caseload growth.

Caseload growth is primarily attributed to:

-*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.

-*Income Eligibility Converted to Modified Adjusted Gross Income (MAGI).* Effective January 1, 2014, the ACA requires states to add a 5 percent income disregard to eligibility for Medicaid and CHIP for children, pregnant women, and parents.

In order to afford funding caseload growth at this level, CCHB1 adds cost-containment strategies (see below).

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. Expansion of Medicaid managed care programs and other cost-containment initiatives. 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. SB7, 83rd regular session, dictates 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.

Conference committee also included the Senate's rider that provides for other cost-containment initiatives that will result in \$373 million savings in general revenue. Cost-containment strategies are partly based on cutting services, increasing premiums, and increasing or implementing copayments. Although there are many strategies, most have the same result – lower quality, less accessible healthcare

CCHB1 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. Conference committee maintains nonfunding of DSH payments. However, this is in part ameliorated by funding mechanisms shifting to the 1115 waiver system (see below).**

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. CCHB1 maintains the House's lack of funding for cost growth.** 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.

3. **Health Insurance Issuers Fee and Federal Income Tax Impact.** 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. The House budget paid the fee in full with \$241.1 million in general revenue and \$572.2 million in all funds. **However, CCHB1 ceases all reimbursements for this fee and the associated federal income tax. This decision is contingent on any Supreme Court judgment or federal law which repeals or makes optional the fee and tax.**

4. **Primary care physician (PCP) reimbursements.** 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 addressed 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 did 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.

CCHB1 maintains the equalization cut, and additionally slashes all funding for PCP rate increases that expired at the end of 2014. Doctors who treat Medicaid patients are operating at a loss. This will undoubtedly lower the already-dwindling portion of them willing to accept Medicaid patients, diminishing available healthcare for millions of Texans. At least six other states with similar Medicaid systems as Texas, including Alabama, have sustained higher reimbursement rates for their doctors. Texas' stance puts us in the national spotlight for a shamefully regressive healthcare policy.

5. **Rural Hospital payments.** The conference committee decided on cancelling the reimbursement methodology the House budget had in place for rural hospitals, many of which are facing closure or major scale-backs in services. The House's original reimbursements included reimbursing rural hospitals 100% for costs, including inflation, for general outpatient, non-emergent emergency department, imaging, and clinical laboratory services. In addition to slashing this reimbursement increase, CCHB1 incorporates a portion of the Senate's cost-containment initiatives. This brings the net general revenue funding for rural hospital payments down from



\$34 million in the House budget to \$5 million. This includes an add-on payment for rural hospitals of \$20 million (see Trauma Funds, p. 17)

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.**

CHIP

CHIP covers basic healthcare services for uninsured children under 200% of the 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% 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 Services

All women's health-related programs, including HHSC's Women's Health Program, DSHS' family planning services, community primary care services, and the breast cancer and cervical screening program, are consolidated and moved into HHSC. Together, all programs are funded at a total of \$100 million. This includes a \$50 million increase, as opposed to the House budget's \$20 million increase, in general revenue to community primary care services. This is expected to result in a Medicaid savings of \$10 million for the biennium.

However, conference committee also included a rider that prohibits any abortion-related provider from participating in the breast cancer and cervical screening program. This is specifically targeted to exclude Planned Parenthood, which has screened for breast and cervical cancer for 10% of the at-need population for 20 years. In cities like Waco, Planned Parenthood is the only location that offers breast and cervical cancer screenings. The rider includes a provision that it will not apply to areas where HHSC has determined there are not enough providers. In a narrow-minded approach to punish abortion providers, legislators may be jeopardizing the lives of thousands of Texan women.

One positive aspect that has remained in place in CCHB1 is the rider that dictates the Breast Cancer and Cervical Screening program must not be placed into a tiered system -- if federal dollars are at risk. This provision will ensure non-Planned Parenthood providers will not lose funding from the program. This will avoid the closure of 31 comprehensive women's health clinics and the loss of \$18.4 million in federal funds.

Alternatives to Abortion

CCHB1 provides a total of \$18.3 million in general revenue under 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. CCHB1 maintains this \$8 million funding increase, which is expected to serve an additional 15,707 clients per year.** CPC's 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. ***The House budget provided \$60 million to increase community attendant worker minimum wages to approximately \$7.97 an hour and to increase salaries across community-based programs. The conference committee budget lowered this total to***



\$45.5 million. It increases community attendant worker minimum wages to \$8.00 an hour, but does not provide for any other salary increases.

While this increase is a first step, a substantial minimum wage increase to \$10.00 an hour would have a much larger impact on turnover rates. This raise would cost approximately \$480 million in general revenue, but would drastically improve quality of care, contribute to cost-effectiveness, 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. ***The conference committee budget maintains this funding, but supplies it with TANF funds instead of general revenue.*** This funding allows 71 shelters, 9 nonresidential centers, and 28 special projects to provide services to 11,000 more violence survivors than the last biennium.

Department of Aging and Disability Services (DADS) – (24%) – (\$2,791,232,914)

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.

While the House budget only provided \$1 million GR to fund only 100 of 1646 waiting list slots for STAR+PLUS CBA services, the conference committee provides \$12.4 million GR. This will fund 75% -- or about 1234 -- of the 1646 slots.

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. ***While the House budget provided \$11.7 million in general revenue for SSLC’s, including \$3 million for an outcome-based quality improvement program and \$1.5 million for the replacement of 56 center vehicles, CCHB1 provides \$19.2 million. It does not allow for the replacement of vehicles, but rather directs funds towards Life Safety Code repairs and other capital improvements. The Austin SSLC, which is in danger of closing due to unsafe conditions and high turnover, is directed to spend all of its maintenance funds on Life Safety Code repairs only.***

Waiting lists

Due to lack of funding, over 13,000 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. Starred items are those that have been impacted by conference committee decisions. This is a slight improvement over the House budget, which left 14,536 individuals on waitlists, or about 81% of all slots.

Agency	Strategy	Total Slots	Slots Unfilled	% left on wait list	Amount Needed
DADS	STAR+PLUS CBA*	1646	412	25%	\$4,141,976
DADS	Medically Dependent Children's Program	1282	1178	92%	\$28,292,200
DADS	Community Living & Support Services*	4151	3481	84%	\$83,717,000
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
DSHS	Children with Special Healthcare Needs	535	349	65%	\$6,018,927
		17940	13612	76%	\$240,212,603

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.

In accordance with the Senate budget plan, CCHB1 moves all DARS Vocational Rehabilitation programs to the Texas Workforce Commission (TWC).

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. ***CCHB1 appropriates \$836,064 to fund 16 of the 46 individuals remaining on the waitlist. It also adds a new rider which provides \$2,113,381 for 33 field support staff, contingent on SB208. The bill has currently passed both the House and Senate.***

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. ***CCHB1 roughly maintains these funding levels.***

Department of Family and Protective Services (DFPS) -- 12% -- \$359,821,402

DFPS administers Child Protective Services (CPS), Adult Protective Services, Child Care Regulatory Services, and Prevention and Early Intervention Services. An increase in All Funds is due to caseload increases, an expansion of services, and federal TANF funds being utilized for authorized uses. ***Whereas the original House budget appropriated \$60 million in unused federal TANF funds to free up \$57.5 million towards various DFPS services, CCHB1 reverses this decision. This cuts funding for services such as free cell phones to***

Daycare

While the House budget put \$3 million towards funding daycare caseload growth, CCHB1 slashes funding for it. It also funds compliance with federal childcare licensing requirements by only 50%, resulting in a \$2 million loss of federal funds.

CPS Transformation

CPS transformation aims primarily to address extremely high caseworker turnover. The average CPS caseworker quits after eight months of work. CCHB1 attempts to address this issue by providing \$1.4 billion in general revenue to support:

- ✓ a decrease in paperwork processes;

- ✓ paying down overtime for CPS caseworkers 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
- ✓ better technology for caseworkers, including updated smartphones
- ✓ ***CCHB1 maintains these provisions and adds \$3.2 million in GR for performance-based bonuses for 25% of staff***
- ✓ ***The House budget funded the facilitation of joint abuse investigations in partnership with Children Advocacy Centers of Texas. CCHB1 cuts this funding.***

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. ***CCHB1 partially addresses this by funding foster caregiver rate increases with \$9.9 million in general revenue. The relative caregiver program, which incentivizes relatives to take in foster children in their extended family, is given no money for caseload growth.***

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, 4300 foster children are living outside of their county, cutting off critical access to their communities, caseworkers, and relatives. ***CSHB1 did not provide funding for the continuation of foster care redesign. Conference committee, however, appropriates approximately \$7 million in general revenue to roll out foster care redesign to one new catchment area.***

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. ***CCHB1 roughly maintains this funding.*** 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) – (3%) – (\$216,203,527)

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

Pre-admissions Screening and Resident Review (PASRR)

PASSR is a federal requirement that ensures patients are not needlessly placed in nursing homes for long-term care. It screens patients for mental illness or intellectual/developmental disabilities to ensure they are placed in the most appropriate facility and receive the correct services. The conference committee budget slashes funding for PASSR requirements that would increase transition services for individuals with IDD moving back into the community from \$5.6 million to \$4.4 million.

HIV/STD Prevention and Abstinence Education

The House budget's controversial rider, which moves \$3 million from HIV/STD Prevention to Abstinence Education, is taken out of the conference committee budget.



Behavioral Health Services

CCHB1 continues and expands the 83rd legislature's efforts to significantly improve behavioral health services with a significant increase in general revenue funding. Newly 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*
- ✓ **CCHB1 maintains funding for these services, and adds funding for:**
 - ***A mental health peer support re-entry pilot program***
 - ***A 2% pay raise for psychiatric nurses***
 - ***2002 individuals on mental health waitlists***
 - ***50% of the agency request for recovery-focused mental health clubhouses.*** 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.

Trauma Funds

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. ***Contingent on final passage of HB7, funds from Account No. 5137 will be consolidated into No. 5111, and \$96 million will be spent down towards trauma centers.***

CCHB1 also provides for funds from Account No. 5111 to go towards three "add-on" payments:

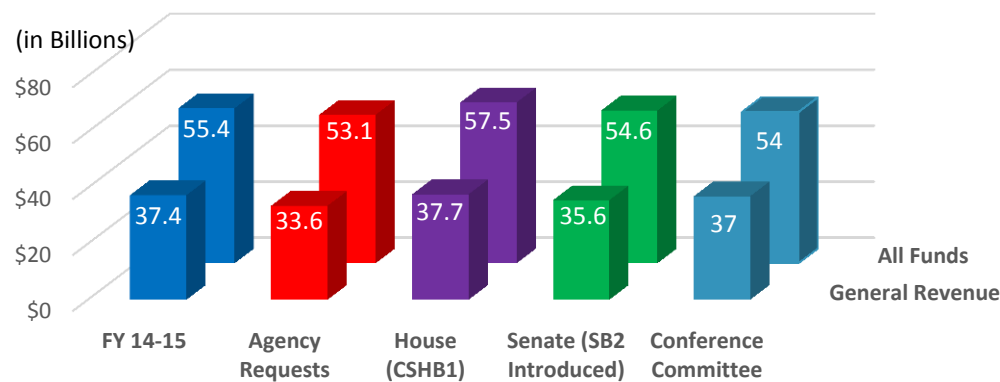
- ✓ ***Safety – net hospitals (\$128.7 million)***
- ✓ ***Rural hospitals (\$20 million)***
- ✓ ***Trauma centers (additional \$64.5 million)***

Office of Violent Sex Offender Management (OVSOM)

OVSOM is responsible for providing treatment and supervision over civilly committed sexually violent offenders. An increase of \$11.4 million in general revenue over the 2014-15 biennium is being provided to address increased per diem rates, increased caseload, mental health services, and a lack of beds. However, \$1.9 million for health care services, which are critically needed by this agency's aging population, have been placed into Article XI. ***CCHB1 maintains these funding provisions.***



ART. III – PUBLIC EDUCATION



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017 (Conf. Committee)	Difference	% Change
Texas Education Agency	\$51,508,500,000	\$54,349,018,880	\$2,840,518,880	6%
School for the Blind and Visually Impaired	\$50,400,000	\$45,830,664	-4,569,336	-9%
Texas School for the Deaf	\$55,900,000	\$56,423,947	\$523,947	1%

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 Dedicated* - through the Available School Fund (25% motor fuels tax) and through Lottery proceeds
- (2) *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)
- (3) *General Revenue* - through the Foundation School Program (FSP), the two-tiered formula which provides the bulk of school funding.

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 biennia.

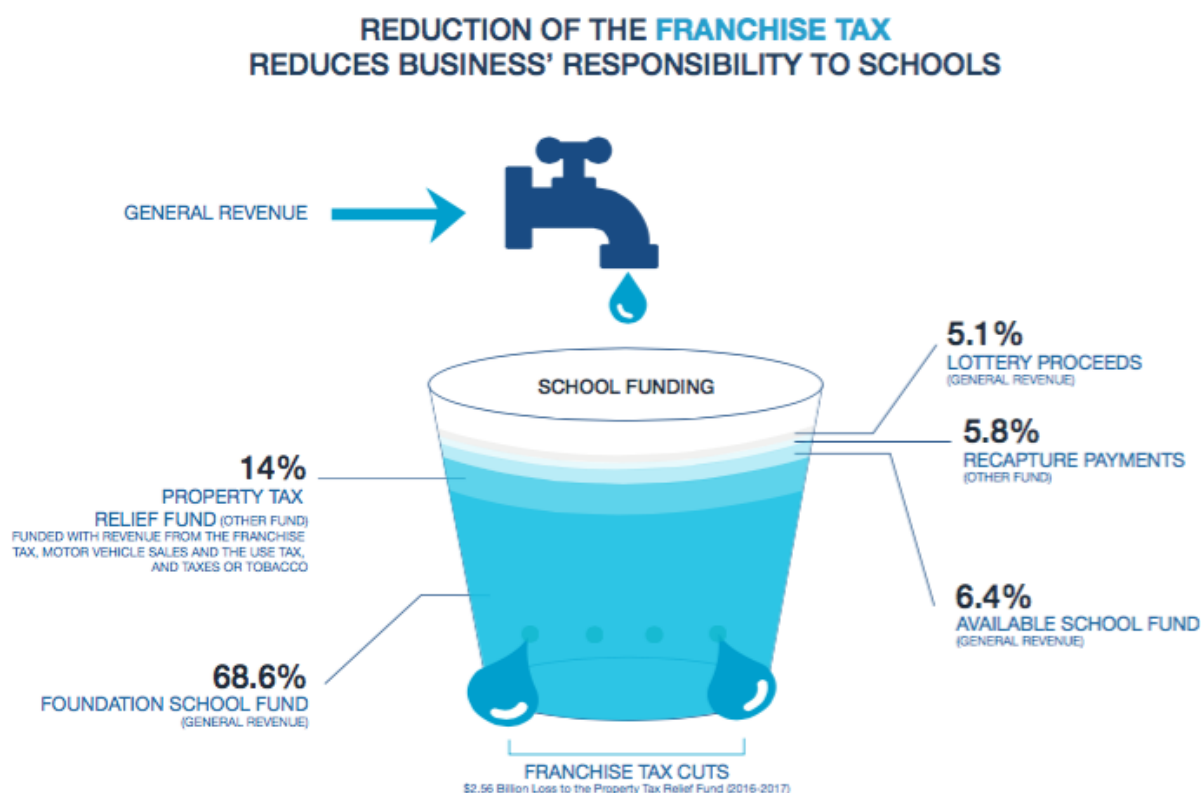
This contributed to the massive TEA cuts that took place in 2011. While struggling to cope with both the \$10 billion property tax deficit and the poor economy’s additional \$17 billion shortfall, the 82nd legislature cut \$4 billion from school formula funding, slashed \$500 in per-student funding, and eliminated the full-day pre-K grant along with countless other school programs. Although the 83rd legislature 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.**

Despite not having fully recovered school funding from the 2006 tax cuts, the legislature once

again slashed \$3.8 billion worth of taxes for the upcoming biennium. The two major tax cuts that will impact school funding are:

- ✓ 25% reduction in franchise tax relief
- ✓ a \$10,000 homestead exemption increase, contingent on a November vote

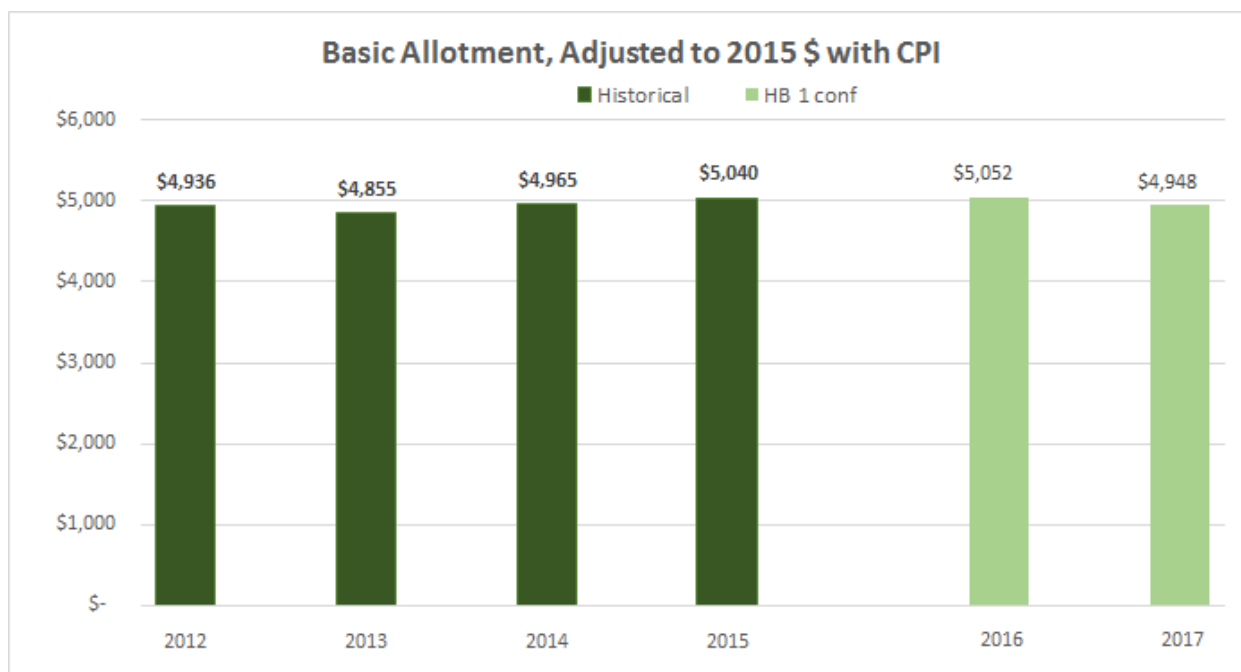
The franchise tax, which funds the Property Tax Relief Fund created in 2006 (see above), will necessitate \$2.35 billion in general revenue to replace lost revenue. If the homestead exemption is elected, it will take another \$1.2 billion to replace lost property tax revenue.



Source: TXForward

What makes the franchise tax cuts particularly harmful to schools is that 100% of its revenue goes towards schools' Property Tax Relief Fund, and an estimated 30% of business' money saved from a decreased franchise tax goes out of state (Office of the Comptroller, "Tax Exemptions and Tax Incidents," 2015). Therefore, the legislature is essentially taking money from Texas schools knowing that at least 30% of that money will not be reinvested into the state in any way.

CCHB1 maintains funding for enrollment growth, but is only able to provide \$1.2 billion, instead of the House's original \$2.2 billion, to schools over that. This money will be used to raise the basic allotment from \$5,040 currently to \$5,134 in 2016 and \$5,140 in 2017. However, it is important to note that, taking inflation into account, the basic allotment is actually lowered to \$4,948 by 2017 (see chart on next page).



Source: CPPP

Despite CCHB1's increases in appropriations, Texas' education will still be operating at a per-student deficit due to inflation and the lack of recovery from 2006 tax cuts and 2011 budget cuts. More than one-third of the states' schools will still remain funded below 2011 levels.

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. ***CCHB1 maintains this funding.***

Non-FSP Programs

Non-FSP Programs received a decrease in GR. 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 funding decreases for the following programs:

- ***Student Success Initiative (HB1 - \$22.8 million; CCHB1 - \$14.6): CCHB1 increased funding for the Student Success initiative, with the stipulation that the program must evolve to incorporate research-based programs empirically shown to improve scores.*** 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) ***maintained in CCHB1:*** Decrease is due to less contact hours. This may decrease the number of teachers employed, which will negatively affect service delivery.
- Reasoning Minds (***HB1 - cut completely (\$9 million), CCHB1 – \$4 million of \$9 million restored***): Reasoning Minds is an online program that assists students in grades 2 to 5 in Math. Funding cuts to Reasoning Minds are due to its low usage and the ability of districts 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.
CCHB1 maintains these funding levels.

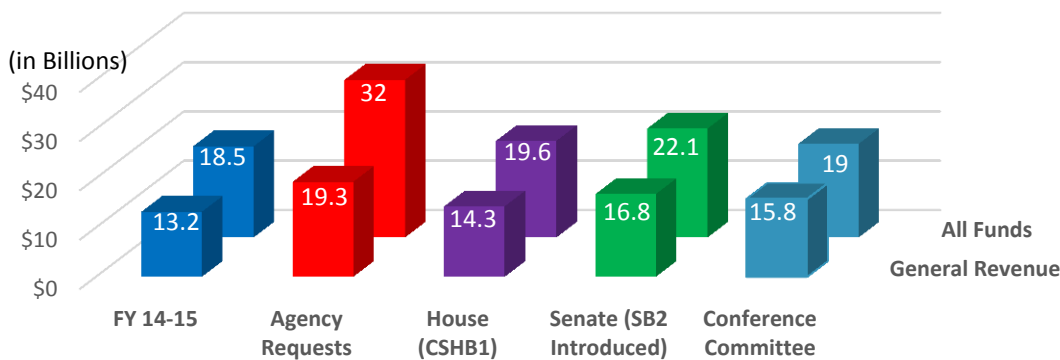
School for the Blind and Visually Impaired – (9%) – (\$4,569,336)

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 \$4.5 million for FY 2016-2017. This decrease is due to the removal of one-time renovation funding occurring last biennium. **CCHB1 maintains these funding levels.**

Texas School for the Deaf – 1% -- \$523,947

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 by \$2.1 million for FY 2016-2017 to address population growth. **CCHB1 maintains these funding levels.**

ART. III – HIGHER EDUCATION



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017 (Conf. Committee)	Difference	% Change
General Academic Institutions	\$6,424,300,000	\$7,139,208,349	\$714,908,349	11%
Health-Related Institutions	\$2,857,900,000	\$2,961,021,446	103,121,446	4%
Texas A&M Services Agencies	\$938,900,000	\$911,826,046	-\$27,073,954	-3%
Higher Education Coordinating Board	\$1,535,400,000	\$1,698,821,235	\$163,421,235	11%
Higher Education Fund	\$525,000,000	\$656,250,000	\$131,250,000	25%
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	\$1,778,478,406	-\$11,521,594	-1%

Teacher Retirement System	\$4,166,100,000	\$4,346,762,489	\$180,662,489	4%
Permanent Fund Supporting Military and Veterans	\$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 – 11% -- \$163,421,235

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).

CCHB1 restores \$8 million of this decrease.

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. ***CCHB1 maintains these appropriations.***

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.

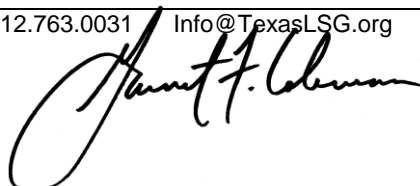
CCHB1 increases this amount by \$24 million in general revenue to a total of \$357 million per year. This will serve over 71,000 students.

Graduate Medical Expansion Program

Texas’ lack of residency slots has caused a large portion of talented medical school graduates to move from the state, leaving Texas to rank 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 provided an increase of \$14.4 million in General Revenue 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.

CCHB1 does not provide for the Family Practice Residency Program. However, it increases GME funding over the last biennium by \$20.2 million. A 2% formula increase is also provided with \$6,264 annual rate.



General Academic Institutions (GAI's) – 11% -- \$714,908,349

Tuition Revenue Bonds (TRB's)

CCHB1 provides \$397.8 million in General Revenue for tuition revenue bond debt service for previously authorized debt. An additional \$250 million for new TRB's is contingent on legislation. ***CCHB1 maintains these provisions.***

Formula Funding Increase

GAI's will receive a 3% increase to their formula funding, costing an increase of \$618.4 million in General Revenue over the 2014-2015 biennium. However, previous to the 2011 cuts, academic institutions were funded at a 17% increase, leaving a current 14% shortfall. Closing this shortfall would cost an estimated \$1.42 billion total. ***CCHB1 maintains these provisions and uses updated Spring '15 data to calculate formulas.***

Health Related Institutions (HRI's) – 4% -- \$103,121,446

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. ***CCHB1 maintains these provisions and uses updated Spring '15 data to calculate formulas.***

Public Community / Junior Colleges—(1%) – (\$11,700,992)

Formula Funding Increase

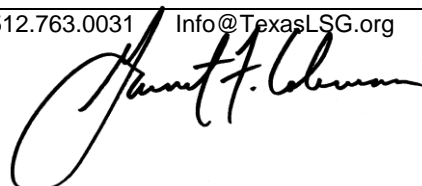
Formula funding for Community/ Junior Colleges is increased by 2% in CSHB1. Nevertheless, because Community/ Junior College formulas are based 90% on contact hours, a 4.6% decrease in contact hours has precipitated an overall decrease of \$34.4 million in General Revenue funding from the 2014-2015 biennium. ***CCHB1 uses updated Spring '15 data to calculate formulas. It also provides an additional \$2.6 million in stepped hold harmless based on submitted petitions.***

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

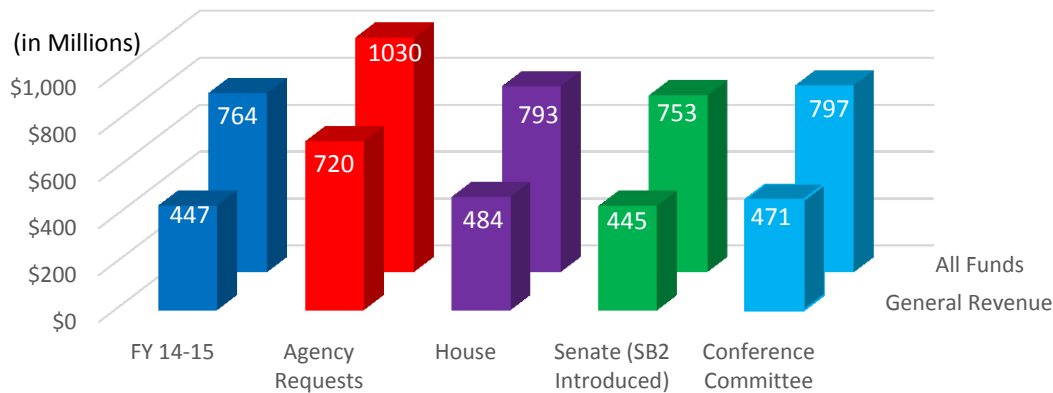
The Teacher Retirement System is an employment benefit plan for current and previous public and higher education teachers. TRS serves approximately 1.4 million participants.

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. ***CCHB1 maintains 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. ***Final passage of HB2 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	\$72,207,751	\$2,507,751	4%
Court of Criminal Appeals	\$29,000,000	\$32,376,774	\$3,376,774	12%
14 Courts of Appeal	\$76,300,000	\$81,856,144	\$5,556,144	7%
Office of Court Administration	\$150,500,000	\$148,148,606	-\$2,351,394	-1%
Office of Capital Writs	\$2,100,000	\$2,752,009	\$652,009	31%
Office of the State Prosecuting Attorney	\$800,000	\$793,053	-\$6,947	-1%
State Law Library	\$2,100,000	\$2,083,853	-\$16,147	-1%
State Commission on Judicial Conduct	\$1,900,000	\$2,222,372	\$322,372	17%
Judiciary Section, Comptroller's Department	\$304,200,000	\$302,065,303	-\$2,134,697	-1%
Total All Funds	\$636,600,000	\$644,505,865	\$7,905,865	1%

Supreme Court of Texas – 4% -- \$2,507,751

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. ***CCHB1 maintains these levels of funding.***

Office of Court Administration – (1%) – (\$2,351,394)

CCHB1 increases child support and child protection court judges' salaries up to 80% of district

judges’ salaries – or \$112,000. The original House budget increased these judge’s salaries up to 90% of district judges’ salaries.

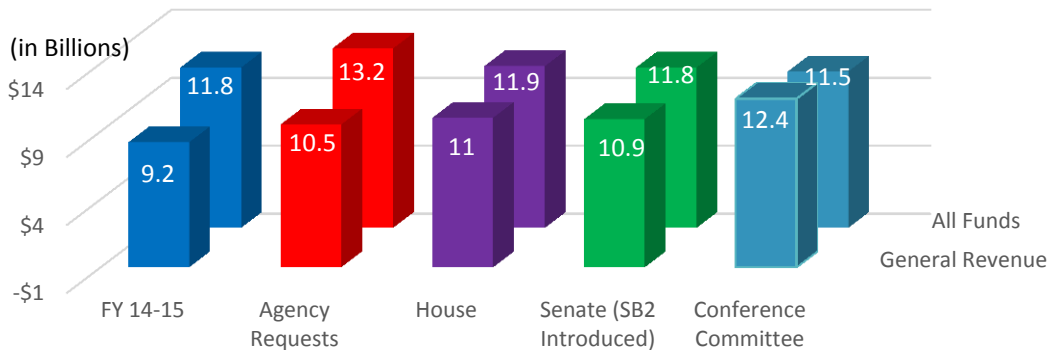
The Texas Indigent Defense Commission

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.
CCHB1 further decreases this amount by \$7 million.

Office of Capital Writs

The Office of Capital Writs, which handles representation for defendants facing the death penalty, is severely underfunded. While the original House budget funded it at \$2.9 million, the conference committee lowered funding to \$2.7 million.

ART. V – PUBLIC SAFETY AND CRIMINAL DEFENSE



Agency	FY 2014-2015 (Estimated/Budgeted)	FY 2016-2017	Difference	% Change
Alcoholic Beverage Commission	\$93,200,000	\$99,902,378	\$6,702,378	7%
Department of Criminal Justice	\$6,365,300,000	\$6,649,976,531	\$284,676,531	4%
Commission on Fire Protection	\$4,000,000	\$4,000,384	\$384	0%
Commission on Jail Standards	\$1,800,000	\$1,918,904	\$118,904	7%

Juvenile Justice Department	\$649,200,000	\$613,062,531	\$36,137,469.00	-6%
Commission on Law Enforcement Standards & Expectations	\$6,700,000	\$7,525,194	\$825,194	12%
Military Department	\$159,300,000	\$195,195,988	\$35,895,988	23%
Department of Public Safety	\$2,643,300,000	\$2,609,906,465	\$33,393,535.00	-1%
Total All Funds	\$9,922,800,000	\$10,181,488,375	\$258,688,375	3%

Department of Criminal Justice – 4% -- \$127,322,045

The Department of Criminal Justice (TDCJ) saw a 4% increase for the 2016-17 biennium. This was partly due to the House budget’s 10% pay increase for TDCJ correctional officers. ***CCHB1 decreases TDCJ pay raises from 10% to 8%, using \$33.2 million in general revenue. However, CCHB1 increases funding for managed healthcare in correctional facilities from an additional \$84.9 million to an additional \$144.4 million. The conference committee also maintained the House’s \$261.5 million towards diversionary programs.***

Texas Juvenile Justice Department (TJJD) – (6%) – (\$613,062,531)

The House funded TJJD with a \$620 million block grant rider to afford the department flexibility in best funding the youth in their custody. CCHB1 reverses this decision, and funds TJJD with \$613 million in GR specified funding. These funded items include:

- ✓ ***Basic probation supervision***
- ✓ ***Community programs***
- ✓ ***Mental Health Services grants (\$25.6 million all funds)***
- ✓ ***Institutional Supervision and Food Service***
- ✓ ***Integrated Rehabilitation treatment***

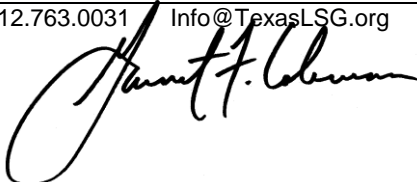
An overall decrease in funding is due to TJJD reducing its incarcerated population by two-thirds between 2007 and 2012 following a scandal in 2007 in a state-run youth correctional facility. In an effort to prevent future issues, the state has reduced the number of youth assigned to these facilities 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.

Military Department – 23% -- \$35,895,988

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. ***CCHB1 roughly maintains House funding levels.***

Department of Public Safety – (1%) – (\$33,393,535)

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. ***This method of finance swap and its funding is continued in CCHB1.***

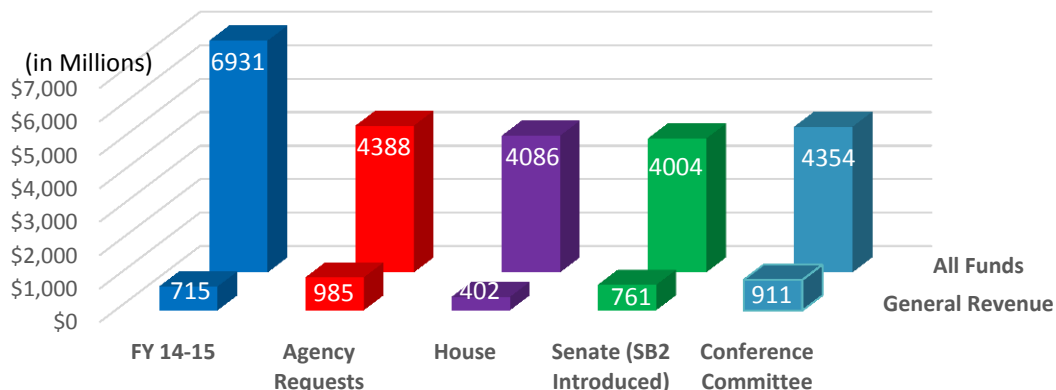
Whereas the House budget appropriated \$551 million of this total to a border security surge, the conference committee increased funding to \$800 million. Funds are directed towards:

- ***The recruitment, training, salaries, and benefits of 250 new troopers and 110 associated support staff***
- ***A 50 hour DPS workday***
- ***Acquisition of an additional Pilatus Aircraft***
- ***Texas Transnational Intelligence Center***
- ***Training facility***

Despite more than \$.8 billion in General Revenue being spent on the border security surge, this goal, its deliverables, its outcome metrics, or 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	\$1,107,280,200	-\$3,319,800	0%
Animal Health Commission	\$21,600,000	\$26,386,354	\$4,786,354	22%
Commission on Environmental Quality	\$759,300,000	\$895,356,600	\$136,056,600	18%
General Land Office and Veteran's Land Board	\$1,503,500,000	\$666,080,136	-\$837,419,864	-56%
Low Level Radioactive Waste Disposal Compact Commission	\$500,000	\$1,166,578	\$666,578	133%
Parks & Wildlife Department	\$704,300,000	\$719,920,047	\$15,620,047	2%
Railroad Commission	\$178,200,000	\$174,529,530	-\$3,670,470	-2%
Soil & Water Conservation Board	\$55,400,000	\$65,763,339	\$10,363,339	19%
Water Development Board	\$2,298,400,000	\$289,506,838	-\$2,008,893,162	-87%
Total All Funds	\$6,631,800,000	\$3,945,989,622	-\$2,685,810,378	-40%

Texas Department of Agriculture – 0% -- (\$3,319,800)

Texas Department of Agriculture 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. ***CCHB1 maintains these provisions and funding levels.***

Commission on Environmental Quality – (18%) – (\$136,056,600)

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. ***CCHB1 provides \$2 million to go towards salary increases for positions with high turnover.***

General Land Office and Veterans' Land Board – (56%) – (\$839,419,864)

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.


Parks and Wildlife Department – (2%) – (\$15,620,047)

The Parks and Wildlife Department 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.

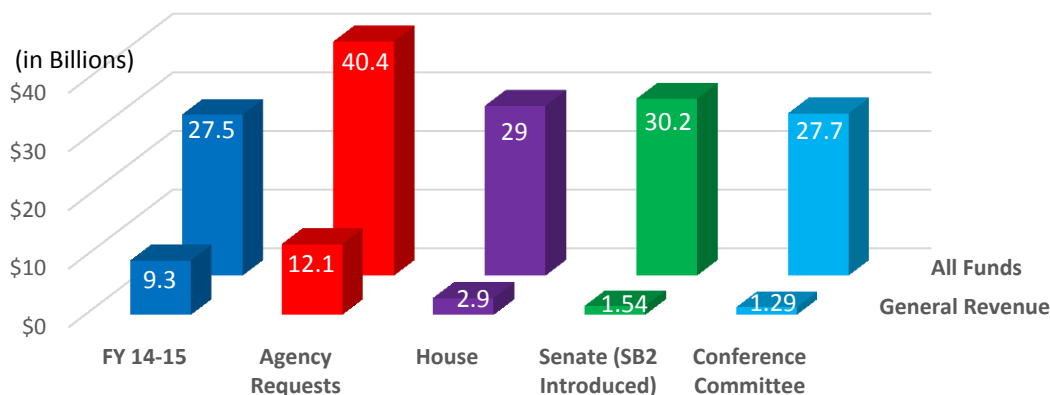
Appropriations also include the maximum available allocation of Sporting Goods Sales Tax. ***The full allocation and \$47.7 million of these appropriations is contingent on final passage of HB 300, which dictates statutory changes relating to the allowable transfers to state, small and large local parks.***

Water Development Board – (87%) – (\$2,008,893,162)

In 2014 a one-time appropriation of \$2.0 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 \$700.0 million in State Water Plan projects each fiscal year of the 2016-2017 biennium using the financing mechanism created within SWIFT. **CCHB1 adds \$1 million each fiscal year for quantifying and installing water conservation strategies to be used to meet the needs of the State Water Plan.**



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	\$486,137,889	-\$21,762,111	-4%
Texas Lottery Commission	\$458,200,000	\$471,195,383	\$12,995,383	3%
Department of Motor Vehicles	\$332,200,000	\$313,408,920	-\$18,791,080	-6%
Department of Transportation	\$23,157,100,000	\$23,043,261,657	-\$113,838,343	0%
Texas Workforce Commission	\$2,374,300,000	\$2,524,086,931	\$149,786,931	6%
Reimbursements to the Unemployment Compensation Benefit Account	\$47,400,000	\$10,465,147	-\$36,934,853	-78%
Total All Funds	\$26,877,100,000	\$26,848,555,927	-\$28,544,073	0%

Department of Motor Vehicles (DMV) – (6%) – (\$18,791,080)

The DMV saw an overall decrease in funding for the 2016-17 biennium. This is mostly due to the expiration of a one-time State Highway Fund grant during the 2014-15 biennium 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. **CCHB1 maintains roughly the same funding. It reversed a decision to place one of the nine DMV centers in Collin County, and instead placed it in Denton.**

Department of Transportation (TxDoT) – 0% -- (\$113,838,343)

Further funding is pending on outside legislation, such as HB 13, which dedicates \$2.5 billion of the sales tax to TxDoT.

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 then. As our population grows, a long-term, predictable stream of revenue for our transportation infrastructure must be provided.

Texas Workforce Commission – 6% – \$149,786,931.

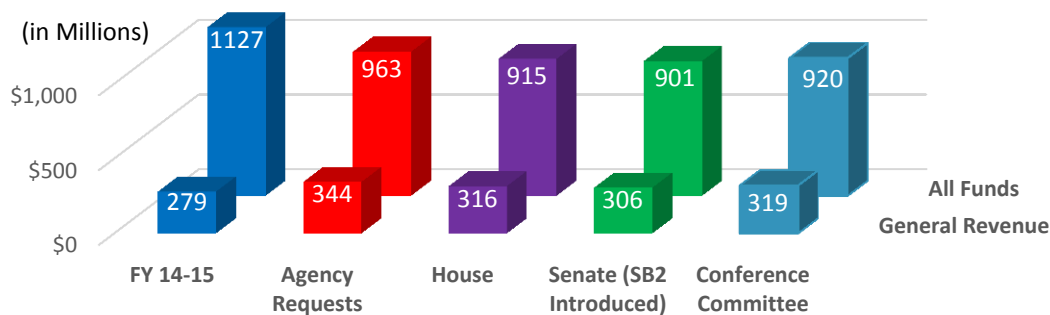
The conference committee's transfer of rehabilitative vocational programs from DARS to TWC comes with \$575.6 million in funding and 1,577 additional FTE's.

Reimbursement to Unemployment Compensation Benefit Account – (78%) – (\$36,934,853)

There is a large decrease in the Unemployment Insurance program due to an anticipated decline in unemployment claims



ART. VIII – REGULATORY



Agency	FY 2014-2015 (Budgeted)	FY 2016-2017	Difference	% Change
State Office of Administrative Hearings	\$18,800,000	\$16,145,489	-\$2,654,511	-14%
Board of Chiropractic Examiners	\$1,600,000	\$1,630,926	\$30,926	2%
Texas State Board of Dental Examiners	\$8,400,000	\$8,671,512	\$271,512	3%
Funeral Service Commission	\$1,600,000	\$1,675,211	\$75,211	5%
Board of Professional Geoscientists	\$1,200,000	\$1,179,583	-\$20,417	-2%
Health Professions Council	\$2,000,000	\$0	-\$2,000,000	-100%
Office of Injured Employee Council	\$16,700,000	\$17,290,478	\$590,478	4%
Department of Insurance	\$237,000,000	\$223,658,069	-\$13,341,931	-6%
Office of Public Insurance Counsel	\$2,100,000	\$1,740,736	-\$359,264	-17%
Board of Professional Land Surveying	\$900,000	\$929,643	\$29,643	3%
Department of Licensing and Regulation	\$48,800,000	\$51,862,850	\$3,062,850	6%
Texas Medical Board	\$23,500,000	\$24,292,050	\$792,050	3%
Texas Board of Nursing	\$20,400,000	\$23,806,194	\$3,406,194	17%
Optometry Board	\$900,000	\$886,357	-\$13,643	-2%
Board of Pharmacy	\$13,400,000	\$13,646,990	\$246,990	2%
Exec. Council of Physical & Occupational Therapy Examiners	\$2,400,000	\$2,747,333	\$347,333	14%

Board of Plumbing Examiners	\$5,000,000	\$5,317,702	\$317,702	6%
Board of Podiatric Medical Examiners	\$600,000	\$576,999	-\$23,001	-4%
Board of Examiners of Psychologists	\$1,700,000	\$1,741,947	\$41,947	2%
Racing Commission	\$15,400,000	\$16,675,221	\$1,275,221	8%
Securities Board	\$14,200,000	\$15,559,161	\$1,359,161	10%
Public Utility Commission of Texas	\$584,300,000	\$358,880,316	-\$225,419,684	-39%
Office of Public Utility Counsel	\$4,400,000	\$4,403,244	\$3,244	0%
Board of Veterinary Medical Examiners	\$2,300,000	\$2,579,622	\$279,622	12%
Total All Funds	\$1,027,600,000	\$795,897,633	-\$231,702,367	-23%

Public Utility Commission – (39%) – (\$255,419,684)

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 2017, as per new legislation this session. ***CCHB1 maintains the House's level of funding.***

Department of Insurance – (6%) – (\$13,341,931)

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.

CCHB1 provides an additional \$300,000 over the House budget for the biennium to go towards the Insurance Fraud Unit.

