



Bill Analysis for Texas House Budget – CSSB 1	Recommendation: Favorable w/ Concerns
Committee: Appropriations	Thursday, April 4, 2013
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OVERVIEW

In 2013, Texas entered the 83rd legislative session with an estimated \$101.4 billion available for general-revenue spending, an increase of \$29.2 billion from the previous session. This includes an unexpected surplus of \$8.8 billion from the current fiscal year ending balance and an anticipated 6.6 percent increase in tax revenue for the upcoming biennium.

In 2011, the 82nd Texas Legislature faced a \$27 billion shortfall and balanced the budget with an excessive “cuts only” approach, decreasing spending by \$23 billion for the 2012-2013 biennium. In addition to massive decreases in agency funding, the 82nd Legislature left Texas’ Medicaid program underfunded by \$4.8 billion, deferred one monthly payment to the Foundation School Program (FSP), and cut \$5.4 billion from the public education system.

As a result, the 83rd Legislature was left to fill two substantial budget holes with supplemental appropriation legislation in 2013 (House Bill 10) – the Medicaid IOU and a reversal of the FSP deferral. Compounded with a Rainy Day Fund (RDF) expected to total \$11.8 billion by 2015, Texas has access to \$113.2 billion for general revenue spending – enough financial capacity to restore significant levels of funding for public education and state agencies.

\$101.4 billion in available GR
 + \$ 11.8 billion in projected Rainy Day Fund \$\$ by 2015
\$113.2 billion available to spend for 2014-2015

HB 10, the supplemental funding bill, spent \$6.6 billion in general revenue funding, leaving \$93.8 billion in general revenue plus the \$11.8 in RDF money available to budget writers.

\$113.2 billion available to spend for 2014-2015
 – \$ 6.6 billion spent in House Bill 10
\$106.6 billion available for House Bill 1

CSSB 1 only spends \$93.5 billion in GR, leaving budget writers with \$13 billion in available funds.

\$106.6 billion available for CSSB 1
 – \$ 93.5 billion spent in CSSB1
\$ 13.1 billion left unspent in general revenue and Rainy Day Fund money

BUDGET IS A STEP IN RIGHT DIRECTION, BUT WORK IS LEFT TO BE DONE

As it left the Senate, SB 1 only spent \$1.5 billion to restore funding for public education. CSSB1 makes a stronger effort by adding another \$1 billion to the base bill, leaving \$2.9 billion in cuts yet to be filled – not including the \$500 million expected to be added to the current 2012-2013 biennium. Although the move to restore funding is a step in the right direction – and there are signals from House leadership that additional funding could still be added in future legislation – CSSB 1 only restores 46 cents for every dollar cut and maintains a 54 percent cut for the upcoming biennium. Data for the 2011-2012 school year shows that 43 percent of school districts are unable to recover the funds lost from cuts made by the 82nd legislature. If Texas does not reinstate constitutional funding levels for public education, educational achievement gaps will continue to widen and the financial burden to school districts, local taxpayers, and the state will threaten the future of the state’s economy.

The House budget also does not fund caseload growth for health care in Texas. CSSB 1 also provides no state funding or any trigger mechanism to expand Medicaid in Texas, though several amendments are expected to address the topic during floor debate. Despite the fact that the budget provides no mechanism for expanding Medicaid, budget writers have assumed cost savings of Medicaid expansion that will come from moving the CHIP population whose families earn up to 138 percent of the Federal Poverty Level (FPL) to Medicaid.

However, CSSB 1 does make an effort to reverse some of the cuts made in 2011. Notably, there is a significant increase in mental health funding in CSSB1 – nearly \$226 million overall – restoring many of the cuts made to various mental health programs over the last decade. As previously mentioned, the House budget restores \$2.5 billion of the \$5.4 billion in education funds cut in 2011. Texas’ state employees will get a pay raise, and both the Employee Retirement System (ERS) and Teacher Retirement System (TRS) will see an increase in funding. Finally, the TEXAS Grants program has an increase in funding of \$163.7 million over the 2012-2013 funding levels, enough to support 90% of new students that will enroll in the program.

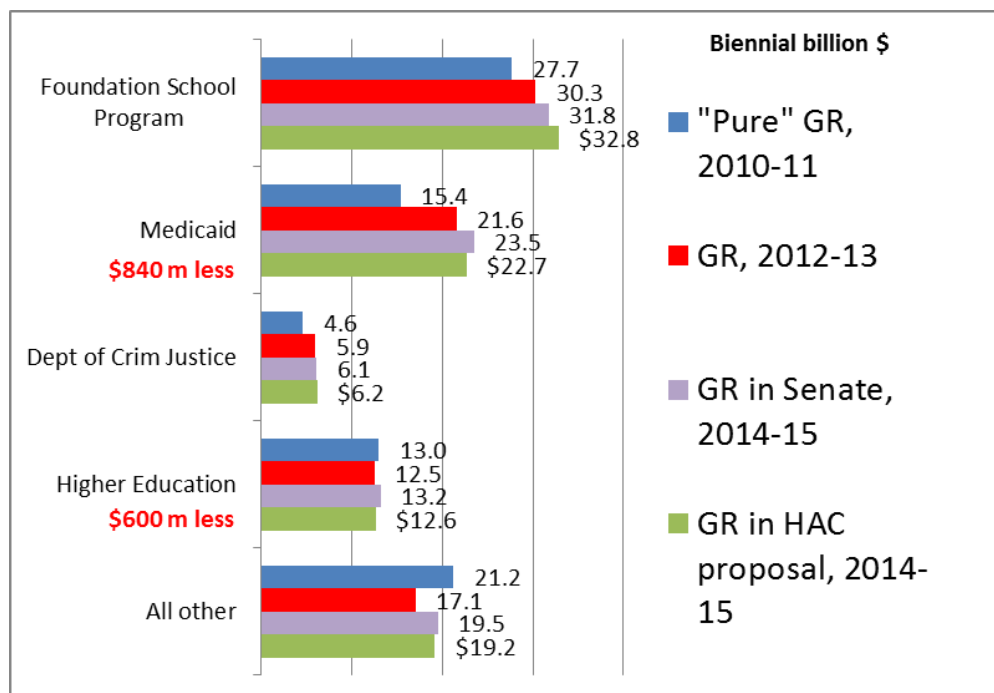
SUMMARY

Overall, CSSB1 is a first step to undoing the drastic cuts in 2011. With just over \$13 billion remaining in general revenue funds and the Rainy Day Fund, there remains a lot of improvement that can be made in the final months of the 83rd Texas Legislature. Hopefully, future supplemental funding bills will undo remaining cuts, and the final conference committee report on the budget will use a greater amount of state funding currently left on the table.

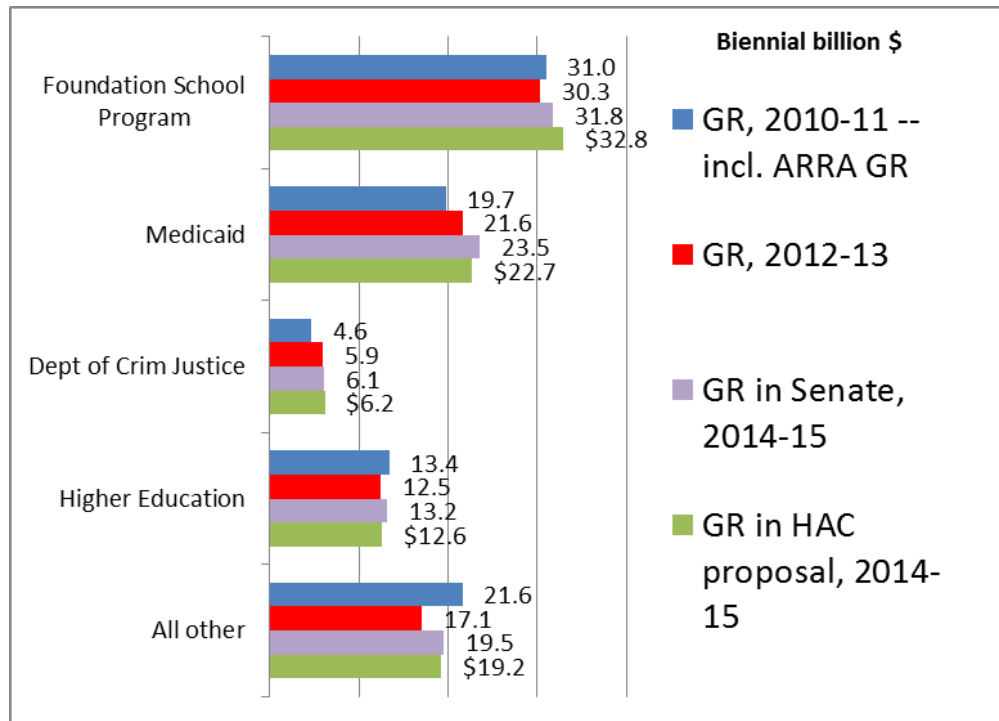
	All Funds	GR/GRD
FY2014-2015	\$193.8 billion	\$99.9 billion
Biennial change	\$3.9 billion	\$6.1 billion
% Change	2.1 %	6.5 %

Funding Overview – Courtesy of the Center for Public Policy Priorities

GR Funding from 2010 through 2015; No Stimulus Fund Funds Included



GR Funding from 2010 through 2015; Stimulus Fund Funds Included



ARTICLE I – General Government

Agency	FY12-13	FY14-15	Difference	% Change
Commission on the Arts	\$7,841,544	\$10,558,588	\$2,717,044	35%
Office of the Attorney General	\$1,058,060,324	\$1,057,381,493	(\$678,831)	0%
Bond Review Board	\$973,935	\$1,226,602	\$252,667	26%
Cancer Prevention and Research Institute of TX	\$594,124,892	\$10,354,907	(\$583,769,985)	-98%
Comptroller of Public Accounts	\$426,875,810	\$439,784,926	\$12,909,116	3%
Fiscal Programs - Comptroller	\$790,970,072	\$796,427,964	\$5,457,892	1%
Comm. on State Emergency Communications	\$115,008,442	\$118,084,427	\$3,075,985	3%
Employees Retirement System	\$16,176,080	\$16,748,964	\$572,884	4%
Texas Ethics Commission	\$3,865,554	\$7,468,924	\$3,603,370	93%
Facilities Commission	\$161,561,829	\$138,223,050	(\$23,338,779)	-14%
Public Finance Authority	\$5,657,832	\$2,590,703	(\$3,067,129)	-54%
Fire Fighters' Pension Commissioner	\$1,654,339	\$17,357,672	\$15,703,333	949%
Office of the Governor	\$19,549,960	\$20,761,570	\$1,211,610	6%
Trusted Programs - Office of the Governor	\$578,154,653	\$654,752,070	\$76,597,417	13%
Historical Commission	\$52,644,819	\$47,102,579	(\$5,542,240)	-11%
Department of Information Resources	\$542,235,866	\$581,557,351	\$39,321,485	7%
Library & Archives Commission	\$40,849,457	\$44,451,056	\$3,601,599	9%
Pension Review Board	\$1,408,003	\$1,452,003	\$44,000	3%
Preservation Board	\$28,604,012	\$24,151,977	(\$4,452,035)	-16%
State Office of Risk Management	\$18,106,155	\$103,026,583	\$84,920,428	469%
Workers' Compensation Payments	\$96,242,322	\$83,538,911	(\$12,703,411)	-13%
Secretary of State	\$95,435,001	\$56,833,470	(\$38,601,531)	-40%
Veterans Commission	\$55,200,218	\$49,267,624	(\$5,932,594)	-11%
Total All Funds	\$4,711,201,119	\$4,283,103,414	(\$428,097,705)	-9%

Crime Victims Assistance

Crime Victims Assistance provides shelter, crisis centers, hotlines, and advocacy for survivors of crimes. CSSB 1 increases current service levels of support as well as the Court Appointed Special Advocate (CASA) program and the Children’s Advocacy Centers (CAC) program.

Texas Commission on the Arts (TCA)

The Texas Commission on the Arts (TCA) offers resources to enhance the state's economic and cultural status through arts education, cultural tourism, and artist sustainability initiatives. The majority of state funding is directed towards Arts and Cultural Grants. Arts Organization Grants and Arts Education Grants contribute to cultural organizations, programs in rural areas, and programs targeted towards veterans and their families. The Commission on the Arts receives an increase of \$3 million in General Revenue Funds for education grants.

Office of the Attorney General

CSSB 1 includes a \$1.1 million increase in GR for the Internet Crimes Against Children (ICAC) grant funding, contingent on enactment of legislation authorizing the agency to provide state funded grants to qualifying ICAC task forces. This is meant to replace funding from the American Recovery and Reinvestment Act and criminal justice related grants.

The bill increases Child Support Services with \$49 million in interagency contract funding (existing contract with HHSC) for health insurance to children receiving child support services and Medicaid, which also draws down \$9.6 million in federal funding.

\$15 million in GR-Dedicated funds are used to offset the loss of \$13.2 million in federal grant funding for crime victim claim payments. These funds reimburse victims for medical/hospital bills, psychiatric care and counseling, and loss of wages.

Cancer Prevention and Research Institute of Texas

No additional funding is appropriated to the institute. There is a contingency rider for Senate Bill 149, which strengthens conflict of interest provisions in the agency. Additionally, there is \$59.1 million in general obligation bond proceeds and \$9.1 million in GR added to the Texas Public Finance Authority for the related debt service.

Fiscal Programs- Comptroller of Public Accounts

Significant appropriations include a \$66.2 million increase in General Revenue Funds to account for the new statutory minimum rate of reimbursement of 10.7143 percent for mixed beverage tax receipts effective September 1, 2013.

Texas Ethics Commission

Increased funding intends to promote transparency and ethics laws through increased provision of and public access to public officials and lobbyists.

Fire Fighters' Pension Commissioner

General revenue funding increases by \$15.7 million to cover the accrual of liability costs for the Texas Emergency Services Retirement System (TESRS) which were previously unfunded. Statutory change is assumed to make TESRS independently funded to prevent future obligation of state funds.

Trusteed Programs - Office of the Governor

Last session budget cuts resulted in the elimination of Emergency and Deficiency Grants, County Essential Services Grants, and Disaster funds to local agencies. In addition, several programs received drastic cuts and are not fully restored by CSSB1:

- ✓ Criminal Justice programs and research – (55.8%) – (\$178,101,231)
- ✓ Film and Music Marketing – (52.1%) – (34,791,431)
- ✓ Economic Development and Tourism – (39.5%) – (28,371,670)
- ✓ Military Preparedness – (92.6%) – (\$10,000,000) – Eliminates grant funding to defense dependent communities

Historical Commission

General Revenue funds are increased by \$19,587,232 to cover payments for Courthouse Preservation Grants.

Library & Archives Commission

TexShare is an organization of Texas libraries unified in efforts to share materials across the state. The Texshare Database Program benefits from a \$4.9 million increase in funding for K-12 online content not funded in 2012-2013 biennium. The TexShare Database program provides electronic resources to Texas students.

Due to cuts made last session, the agency was unable to meet the maintenance-of-effort (MOE) General Revenue spending requirements for library services programs. Failure to meet the requirements results in a loss of \$2.9 million in Federal Funds, which will force the elimination of the Interlibrary Loan program (a library lending network program) in FY 2015. The Continuing Education and Consulting Services Program will also face elimination of services and competitive grants to public libraries due to reductions made last session.

Veterans Commission

Veterans Assistance Grants take a 39.2 percent cut in All Funds due to a decrease in revenue for the Veterans Assistance Fund from lottery ticket sales. In the current biennium, no General Revenue Funds were appropriated to grant funding. Through an interagency contract with the Texas Department of Housing and Community Affairs, CSSB1 contributes \$1.2 million in General Revenue towards veterans housing grants.

Article II – HEALTH AND HUMAN SERVICES

Agency	FY12-13	FY14-15	Difference	% Change
Department of Aging and Disability Services (DADS)	\$9,939,865,533	\$13,562,757,099	\$3,622,891,566	36%
Department of Assistive and Rehabilitative Services (DARS)	\$1,250,891,005	\$1,279,607,458	\$28,716,453	2%
Department of Family and Protective Services (DFPS)	\$2,775,217,463	\$3,015,973,981	\$240,756,518	9%
Department of State Health Services (DSHS)	\$5,776,864,054	\$6,251,990,500	\$475,126,446	8%
Health and Human Services Commission (HHSC)	\$34,771,032,360	\$47,136,589,627	\$12,365,557,267	36%
Total All Funds	\$54,513,870,415	\$ 71,246,918,665	\$ 16,733,048,250	31%

Note: All four of the state's health and human services agencies operate under the Health and Human Services Commission (HHSC). HHSC also implements and administers the Texas Medicaid program, Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF), and the Supplemental Nutrition Assistance Program (SNAP).

Women's Health Programs

Currently Texas employs three strategies through the Department of State Health Services (DSHS) and the Health and Human Services Commission (HHSC) to address women's health care. DSHS facilitates (1) Family Planning Services and (2) Community Primary Care Services, and the HHSC facilitates the (3) Texas Women's Health Program (TWHP).

- **Department of State Health Services (DSHS): Receives 80 percent federal funding for women’s health programs.**
 1. *Family Planning Services: Provides birth control and family planning services for women and men receiving Medicaid. A full list of family planning services is available on the DSHS website.*
 2. *Community Primary Care Services: Provides prevention and early intervention health care at 150 clinics statewide. Populations served are uninsured, low-income (at or below 150% of the Federal Poverty Level), men, women, and children.*
- **Health and Human Services Commission (HHSC): Fully funded by the state.**
 3. *Texas Women’s Health Program (WHP): Provides family planning services and annual exams to low-income (at or below 185 percent the Federal Poverty Level) women age 18-44 who do not qualify for Medicaid*

Last session women’s health programs experienced detrimental cuts that put women and children at risk and cost taxpayers millions of dollars. The Department of State Health Services (DSHS) lost two-thirds of their funding after a \$73 million cut. The loss of funding caused 53 clinics to close, two-thirds of which were not affiliated with Planned Parenthood.

The Legislature also implemented a funding prioritization tier system, which gave public clinics and hospitals precedence over family planning clinics. Combined with decreased funding, the highest-tier providers still faced harmful cuts and the lowest-tier clinics received no funding at all. Parkland Health and Hospital System in Dallas, the largest indigent health care provider in the state, lost 81 percent of its funding. The Health and Human Services Commission (HHSC) estimates that taxpayers will pay \$33 million in FY 2013 and \$103 million in General Revenue in FY 2014-2015 as a result of these cuts. Additional Medicaid costs to taxpayers are estimated to be \$136 million for 2013-2015.

In addition to the drastic cuts to DSHS, the 82nd legislature also enacted the ***Affiliate Ban Rule***, which prevents abortion providers and affiliates from providing women’s health services through Medicaid programs. This ruling was particularly detrimental to the Women’s Health Program (WHP), which was a Medicaid program that received 90 percent of its funds from federal dollars. The ban prevented the WHP from meeting Medicaid requirements and the federal Center for Medicare and Medicaid Services (CMS) denied renewal of the waiver. This cost the WHP \$32.2 million in annual federal funding. As of January 1st the WHP – now the Texas Women’s Health Program (TWHP) – will be funded completely by the state. In 2010, the WHP saved the state \$52 million in All Funds.

CSSB1 appropriates \$100 million for the biennium to DSHS family planning services. To fully restore funding to 2010 levels DSHS would need \$111.2 million for the biennium. The WHP is appropriated \$71.3 million for the biennium to replace the loss of federal funds to the program. An additional \$700,000 is needed to maintain current service levels to the WHP. Combined funding for these programs totals \$171.3 million for FY 2014-2015, only \$19.2 million shy from 2010 levels. It would cost the state \$436 million for the biennium to adequately serve the 1 million women in need.

Texas has roughly 1 million women in need of women’s health services. Prior to the 2011 changes, DSHS and the WHP served 300,000 low-income women, about one-third of the state’s need. Currently, the state only serves about one-tenth (100,000) of these women. Although CSSB1 makes significant efforts to fund these services, there are concerns that the loss of providers resulting from 2011 legislation will leave a gap in access to women’s health care services. In addition, the remaining providers may not have the capacity to meet the service needs of the over 52,000 women displaced after the exclusion of Planned Parenthood.

Last session, the Texas House made devastating cuts to the State Family Planning Program, and as a result approximately **130,000 women lost access to health care and 55 women's health clinics have closed statewide**. Currently, more than one in four Texas women are uninsured and the rate of cervical cancer for women in Texas ranks in the top 10 nationally. Providers in

Texas have been deeply affected by these budget cuts, and the need for affordable quality care has never been clearer

Health and Human Services Commission (HHSC)

Medicaid

The Texas Medicaid program, the largest health care program in the state, is an open-ended entitlement program that guarantees the provision of approved services to those eligible.

Through state and federal dollars, Medicaid provides health insurance to:

- Low-income families
- Children
- Pregnant women
- Elders
- People with disabilities

Federal contribution to the state's Medicaid program is determined by the Federal Medical Assistance Percentage (FMAP), which is based on the per capita personal income of the state compared to the national average. That calculation indicates the percentage of costs that will be covered by federal funding; the remainder must be paid for by the state. Calculations for the upcoming biennium show a 1.01 decrease in FMAP funding. CSSB1 increases general revenue funding to account to cover this decrease.

<u>HHSC Programs</u>
• Medicaid
• Children's Health Insurance Program (CHIP)
• Texas Women's Health Program
• Temporary Assistance for Needy Families
• SNAP Food Benefits and Nutritional Programs
• Family Violence Services
• Refugee Services
• Disaster Assistance

Affordable Care Act (ACA)

By January 2014, states are required to implement the ACA. CSSB1 funding does not include the \$740 million in GR needed for caseload growth attributed to ACA provisions and it does not fund anticipated cost increases due to inflation, increased utilization, and higher acuity (more dependent individuals). Overall, CSSB1 underfunds Medicaid – creating another Medicaid IOU for the 84th Legislature to account for these uncovered costs in 2015.

Of the GR-GRD appropriations, 97 percent of funds go towards direct client services and administration. Medicaid funding assumes increased caseloads for Acute Care, following the transfer of CHIP recipients under 133% of the Federal Poverty Level to Medicaid. The bill also assumes a savings of \$348.9 million in all funds resulting from the continuation of Medicaid cost containment initiatives implemented for FY 2012-2013.

Children's Health Insurance Program (CHIP)

CHIP is the state's Medicaid coverage for children without health insurance and provides coverage for inpatient and outpatient hospital services, doctor's visits, prescriptions, diagnostic tests, dental care, eye exams, and other basic health service needs for children who do not qualify for Medicaid and are under 200 percent of the Federal Poverty Level (FPL). The state requires an annual enrollment fee based on family size and income. CHIP is funded at an Enhanced Federal Medical Assistance Percentage (EFMAP), which is capped to account for population growth and varied health care costs. The EFMAP for FY 2013 is 71.51 percent. Previously some children up to 133 percent of the FPL were covered by CHIP. Per the Affordable Care Act, Medicaid will now cover all children up to 138 percent of the FPL, decreasing the number of children served by CHIP. General Revenue appropriations are decreased by 20.6 percent from FY 2012-2013 levels to account for this transition.

Temporary Assistance for Needy Families (TANF)

TANF is a cash assistance program for low-income families with children, in which parents are unemployed or disabled, and below 12 percent of the FPL. Assistance is time-limited and is based on household size, income, and expenses for basic needs. TANF also provides one-time grants to families and grandparents and maximum grant levels of 17 percent of the FPL. Appropriations for the biennium are increased by 1.7 percent in all funds to maintain current service and maximum grant levels.

Supplemental Nutrition Assistance Program (SNAP)

SNAP is a federal food benefits program that provides temporary assistance to low-income individuals and families. SNAP, previously known as the Food Stamp Program, is fully funded by the federal government and is the nation's largest initiative towards the eradication of hunger. CSSB1 appropriations will not impact SNAP funding.

Department of Aging and Disability Services (DADS)

DADS provides long-term support services for aging adults and individuals with intellectual and physical disabilities, and facilitates the licensure and regulation of service providers and the Guardianship Program. DADS receives local and federal funding through Medicaid programs.

State Supported Living Centers (SSLC)

Texas maintains 13 intermediate care facilities (SSLCs), which support individuals with intellectual disabilities. Currently, Texas serves 11.5% of the nation's total institutionalized population with intellectual and developmental disabilities. For the previous two biennia, the Legislature directed DADS to downsize SSLCs and expand community services to account for decreased demand.

Department of Assistive and Rehabilitative Services (DARS)

DARS facilitates programs for adults with disabilities and children with developmental delays. The program assists in individual development and ability to live independently in their community to reduce the need for continuing support. For this reason, services are time-limited. In FY 2012, DARS served over 600,000 individuals. DARS programs operate under:

- Rehabilitation Services
- Blind Services
- Early Childhood Intervention Services
- Disability Determination Services

Department of Family and Protective Services (DFPS)

The DFPS oversees the Child Protective Services (CPS), Adult Protective Services, Child Care Regulatory Services, and Prevention and Early Intervention Services.

Funding Highlights:

- ✓ \$700,000 GR for the biennium for grants to child abuse and neglect prevention and parenting education organizations.
- ✓ \$4.9 million GR to increase relative caregiver monetary assistance to \$1,000 per child (was previously \$1,000 per sibling group).
- ✓ \$1 million GR for the student loan repayment assistance program.
- ✓ \$1 million GR towards the administration and monitoring of psychotropic medication for foster children.

Efforts to improve staff recruitment and retention:

- ✓ DFPS ability to increase the salary for employees with targeted college degrees. Increases may be between 3.5 percent and 6.8 percent of the base salary. Targeted degrees include but are not limited to:
 - Social work
 - Counseling
 - Early childhood education
 - Psychology
 - Criminal justice
 - Elementary or secondary education
 - Sociology
 - Human services and child development

- ✓ DFPS ability to provide additional compensation to employees for on-call time, employees in certain positions, and for employees headquartered in certain counties

Prevention and Early Intervention (PEI)

PEI contracts with the following community-based programs and agencies:

- ✓ Community Youth Development (CYD) – Targeted juvenile delinquency prevention programs for areas with high juvenile crime rates.
- ✓ Services to At-Risk Youth (STAR) – Contracts with community-based agencies in all Texas counties to facilitate family crisis intervention counseling, short-term emergency respite care, individual and family counseling, and child abuse prevention services.
- ✓ Texas Families: Together and Safe (TFTS) – Funds successful community-based programs that promote improved parenting skills and behaviors to promote self-sufficient, nurturing families.
- ✓ Community-Based Child Abuse Prevention (CBCAP) – Increases parental awareness and involvement in community prevention services and child abuse prevention efforts.
- ✓ Community-Based Family Services – Provides home visitation, case management, and other relevant services to families investigated by CPS whose allegations of abuse or neglect were not confirmed.
- ✓ Texas Runaway and Youth Hotlines – Crisis counseling and referrals for troubled youth and families.

Last session PEI programs lost \$31.6 million in funding, but perpetual decreases have been a concern since 2002. The cuts made last session resulted in a 74 percent decrease in child abuse and juvenile delinquency program funding, 44 percent of which was lost to child abuse prevention alone. Since 2002 the state’s child population grew by 22 percent, yet 32 percent of PEI funding has been cut during the same time period. While CSSB1 increases General Revenue funds by 139.7 percent (\$41.2 million) and all funds by 57.7 percent (\$38.5 million), PEI faces a loss of \$41.2 million in federal match funding. The federal match rate is primarily determined by the amount of state or private funding appropriated for leverage.

Department of State Health Services (DSHS)

DSHS provides health services, mental health services (state hospitals and community services), alcohol and drug abuse services, and regulatory health programs to Texas residents. Funding includes expansion efforts required by the Affordable Care Act, which will yield an anticipated net savings of \$14.4 million for the biennium. This session the Legislature focused on the expansion of mental health and substance abuse services, which are addressed in key exceptional items:

- ✓ Special provisions aimed at addressing waitlists for children, adults, and children with special needs allot \$81 million in General Revenue to meet the needs of 6,500 more adults and children in need of mental health services.
- ✓ Children’s Protective Services (CPS) receives \$33.5 million directed towards substance abuse treatment services for parents in the hopes of reunification.
- ✓ Positive behavioral health treatment outcomes are supported through funding for supportive housing, which assists individuals recovering from substance abuse or living with a mental illness.

Article III – Public Education

	FY12-13	FY14-15	Difference	% Change
Texas Education Agency	\$47,339,213,388	\$51,647,182,657	\$4,307,969,269	9%
School for the Blind and Visually Impaired	\$41,245,345	\$44,885,364	\$3,640,019	9%
School for the Deaf	\$52,695,245	\$60,105,216	\$7,409,971	14%

A large part of the state’s current education funding problems can be traced back to the 2006 tax swap that created a structural deficit in the state budget. The tax packaged signed into law by Governor Perry changed the state’s business tax structure, redirecting billions each year away from public schools and into a newly created Property Tax Relief Fund. At the time the tax package was presented to the Legislature and signed into law by Governor Perry, the Comptroller estimated that the revenues generated from the new tax package would fall \$14 billion short of the cost of the legislation in the first five years. The predicted shortfall came true, leaving the state billions short of necessary funds to maintain basic state services.

The inadequate funding coupled with the state’s long-term struggles to create a school finance formula that equitably funds public schools and the \$5.4 billion in cuts in 2011 has left Texas students severely lacking in resources. Texas currently ranks 49th in investment per student – a metric that is unlikely to change even with the partial restoration of education funds contained in CSSB1. Since 2008, education funding has decreased – accounting for inflation and enrollment growth – as can be seen in the chart below from State Representative Lon Burnam:

Table 1. 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.

Texas Education Agency (TEA)

In 2011, \$4 billion in funding was cut from the Foundation School Program (FSP). The cut came in conjunction with a \$1.4 billion loss for the Texas Education Agency (TEA). Statutory changes in school funding formulas for the FSP led to percentage cuts across the board, making it impossible for the state to adequately support an estimated 85,000 new students each year, increased testing standards, and targeted educational programs.

As a result of these cuts, many local school districts were forced to increase property taxes to the highest levels, yet are still unable to generate the same amount of revenue as some districts taxing at lower rates. Data for the 2011-2012 school year shows that 43 percent of school districts are unable to recover the funds lost from decisions in the 82nd Legislature, even if they tax at the \$1.17 rate. Over 200 districts are already taxing at or above the \$1.17 rate and 80 percent of these districts were below the average revenue for Weighted Average Daily Attendance (WADA).

The severity of these cuts led to a recent court ruling that said the state's funding of public schools is unconstitutional. To address public school funding, the legislature restored the Regular Program Adjustment Factor (RPAF) from .98 to 1.0. However, CSSB1 still leaves \$2.9 billion in cuts unrestored, maintaining a 54 percent cut for the upcoming biennium. In addition, funding levels are not adjusted for inflation, and only a small portion of the \$1.3 billion in grant funding is restored.

Windham School District (WSD)

Established by the Texas Legislature, the WSD provides academic, career, and technology education for eligible inmates incarcerated in the Texas Department of Criminal Justice (TDJC). This is provided to inmates with an adult basic education below 6th grade level or with a secondary adult education intending to get a GED. Inmates under 25, within 5 years of projected release are of higher priority due to the risk of recidivism following their upcoming release. The WSD is appropriated \$3.7 million for academic and vocational programs.

School for the Blind and Visually Impaired (SBVI)

The School for the Blind and Visually Impaired (TSBVI) facilitates educational services for about 165 students in day and residential services. General revenue funds for SBVI increased by \$575,000 for FY 2014. This additional funding is contingent on the loss of federal funding previously authorized under the Individuals with Disabilities Education Act (IDEA). There is also \$197,661 included in GR Funds to continue a 3 percent salary increase for teachers in FY2014, contingent on approval from the Austin Independent School District (AISD). All funds decreased by 30 percent due to the completion of campus renovations no longer requiring state funding.

Texas School for the Deaf (TSD)

The Texas School for the Deaf (TSD) facilitates educational services for about 540 students in day and residential services. Funding for the TSD includes an increase in General Revenue Funds to support the addition of nine full-time employees (FTE's) and continued salary increases of 3 percent for teachers in FY2014. Continuation of salary increases is contingent on approval by AISD. Campus repairs garnered an additional \$4.5 million in General Revenue funds while other funds from the Texas Education Agency decreased for the biennium.

Teacher Retirement System (TRS)

The House budget raises the contribution rate to the Teacher Retirement System of Texas from 6.4 percent to 6.6 percent, a meaningful improvement for Texas' retirees that will cost \$140 million to fund. Additionally, two separate amendments to be offered during the House budget debate are expected to improve funding for TRS-Care, which is the health insurance program for teacher retirees. The two amendments are designed to ensure that TRS-Care will not have to reduce benefits or increase retirees' premiums in the coming biennium.

Article III – Higher Education

Agency	FY12-13	FY14-15	Difference	% Change
General Academic Institutions	\$5,960,000,000.00	\$6,155,000,000.00	\$195,000,000.00	3%
Health-Related Institutions	\$8,828,700,000.00	\$2,692,100,000.00	\$(6,136,600,000)	-70%
Texas A&M Service Agencies	\$112,470,000.00	\$882,700,000.00	\$770,230,000.00	685%
Higher Education Coordinating Board	\$1,301,687,813.00	\$1,485,455,639.00	\$183,767,826.00	14%
Higher Education Fund	\$525,000,000.00	\$525,000,000.00	\$- 0	0%
Higher Ed Employees Group Insurance Contributions	\$968,961,950.00	\$1,107,939,304.00	\$138,977,354.00	14%
Available University Fund	\$1,061,449,668.00	\$1,320,507,419.00	\$259,057,751.00	24%
Available National Research University Fund	\$50,900,000.00	\$55,900,000.00	\$5,000,000.00	10%
Public Community/Junior Colleges	\$1,749,380,723.00	\$1,107,939,304.00	\$(641,441,419.00)	-37%
Teacher Retirement System	\$3,797,393,090.00	\$3,938,422,800.00	\$141,029,710.00	4%
Total All Funds	\$24,355,943,244	\$ 19,270,964,466.	\$ 5,084,978,778	-21%

This session budget priorities for higher education were focused on Hazlewood assistance, financial aid, and increases in formula funding.

Hazlewood

The Hazlewood Act provides veterans and certain eligible spouses and dependent children with an education benefit of up to 150 hours of tuition exemption, including most fee charges, at public institutions of higher education in Texas. CSSB 1 funds the program at \$30 million. The 2011 cost alone for the program was estimated to be \$75 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 shortfall.

Financial Aid

TEXAS Grants

The TEXAS (Towards Excellence, Access and Success) Grants program is the state’s primary financial aid program. The program aims to close achievement gaps by providing financial support for academically prepared, low-income, high school graduates. Grants are need-based and require students to meet and maintain specified academic standards.

Over the past five years, there has been a 73 percent increase in the number of students eligible for TEXAS Grants. But last session the program was cut by 10 percent, the first time since its inception. Through CSSB1, TEXAS Grants funding is increased to \$163.7 million, which will support 90 percent – or 152,655 – of new eligible students.

Teach for Texas Loan Repayment Program

This program recruits teachers to supplement communities and fields experiencing a shortage and provides funds support retention. Last session the program lost 91 percent of its funding and was required to decrease awards from \$5,000 to \$2,500. In addition, no new applications were accepted and only 44 percent of prior year recipients received awards. CSSB1 appropriates \$3 million in funding to the program, which will cover awards for 600 teachers each year of the biennium – assuming the program maintains the reduced award of \$2,500.

Tuition Equalization Grant Program

This grant program is the primary financial aid source for low-income students enrolled in independent nonprofit institutions in Texas. Award amounts vary and students are required to maintain specified academic requirements. CSSB1 adds \$15 million to the original bill pattern, which was projected to award an average \$3,300 to about 25,500 students.

Texas Educational Opportunity Grant Program (TEOG)

TEOG operates as the state's 2nd largest financial aid program for low-income students enrolled in public community, technical, or state colleges. In FY 12, an average award of \$1,555 was given to 5,917 students. The baseline bill estimated average grant awards of \$1,550 to 11,500 students. The additional \$5 million added in CSSB1 will provide a slight increase to the figures.

Be-on-Time

This program provides zero interest loans for higher education institutions in Texas. High school graduates who have met the basic requirements for the Recommended High School Program and qualify for financial aid per the Free Application for Federal Student Aid (FAFSA) are eligible. Loan forgiveness is granted to students graduating with a B average under time-limited requirements. Since the program began in 2004, 38 percent of students were eligible for loan forgiveness. Forgiven loans are considered taxable income that is often difficult for low-income students to pay. Funding levels will provide loans for an estimated 9,750 students for the biennium, primarily for students at public universities and colleges.

Due to underutilization the Sunset Commission recommended that Be-On-Time funds for two-year programs be transferred to the Texas Education Opportunity Grant (TEOG). This will reduce the millions in aid left unspent and would transfer about \$7.2 million to TEOG.

Health Programs

Graduate Medical Education (GME)

GME formula funds are intended to increase the number of residency slots in Texas and support associated faculty costs. Graduates are required to complete one year of training for licensure, though most participate in full residency programs of 3 to 7 years to become board certified. The Higher Education Coordinating Board estimates annual cost per resident training to be \$150,000.

Residents provide key services to uninsured and indigent populations, the majority of which receive care through teaching hospitals. Currently 25 percent of the state's population is uninsured, the highest in the nation, and 10 percent higher than the national rate. Texas ranks 42nd (including D.C.) in the number of practicing physicians in the state. Primary care and specialist shortages compounded with the needs of marginalized populations make it difficult to support the state's rapid population growth.

Over the past five years, first year GME slots have decreased to just 12 percent after meeting a national call to increase medical graduates. This year there were 100 first year slots that were not filled due to an inability to fund the resident's stipend and benefits. If graduates are not able to find residency slots, they are significantly more likely to complete their residency out of state and only 60 percent return to Texas. Students who complete their residency in Texas are 80 percent more likely to remain in Texas to practice. To compensate for this shortfall, CSSB1 appropriates \$4.6 million for the GME formula. The bill also adds an additional \$10 million towards the expansion of GME residencies, contingent on statutory establishment of a GME expansion grant program under the Higher Education Coordinating Board. In addition, Baylor College of Medicine receives \$1.2 million for undergraduate and graduate medical education. Per the HHSC, Baylor will be able to draw down federal funds through the 1115 waiver under Texas Medical Schools and Health Related Institutions.

Family Practice Residency Program (FPRP)

FPRP was funded at the lowest level since its implementation during the last biennium, following a 75 percent reduction. The program provides residency programs as well as rural and public health rotations to increase the number of family physicians in medically underserved areas. The additional \$8.5 million supports increased per resident funding and more rotations.

Professional Nursing Shortage Reduction Program

This program seeks to increase the number of nursing program graduates and faculty in the nursing field through the *Regular Program*, the *Under 70 Program*, and the *Over 70 Program*. The *Over 70 Program* provides advanced distribution of funds to help institutions increase enrollment. Between the three programs, 168 awards were given in FY12-13, which should slightly increase with the additional \$5 million added to the introduced bill.

Article IV – The Judiciary

Agency	FY12-13	FY14-15	Difference	% Change
Supreme Court of Texas	\$64,008,829	\$64,781,276	\$772,447	1%
Court of Criminal Appeals	\$27,053,018	\$28,972,659	\$1,919,641	7%
14 Courts of Appeal	\$90,578,786	\$72,776,984	(\$17,801,802)	-20%
Office of Court Administration	\$92,713,641	\$112,366,313	\$19,652,672	21%
Office of Capital Writs	\$1,784,271	\$2,086,868	\$302,597	17%
Office of the State Prosecuting Attorney	\$763,454	\$764,519	\$1,065	0%
State Law Library	\$1,713,146	\$1,716,612	\$3,466	0%
State Commission on Judicial Conduct	\$1,896,339	\$1,894,312	(\$2,027)	0%
Judiciary Section, Comptroller's Department	\$276,939,389	\$282,787,278	\$5,847,889	2%
Total All Funds	\$557,450,873	\$568,146,821	\$10,695,948	2%

Supreme Court of Texas

The Supreme Court of Texas maintains General Revenue Funding from FY 2012-2013 levels. However, a \$9.2 million decrease in other funds impacts the Basic Civil Legal Services (BCLS) program, which provides free legal services to low-income Texans.

Court of Criminal Appeals

The Court of Criminal Appeals receives an increase in All Funds for the Judicial Education program and Court Operations. The Judicial Education program receives an additional \$1.1 million in General Revenue-Dedicated Funds to support grants for judicial and court personnel training. Last session the Judicial Education Program grants lost \$2.9 million in funding, a 15 percent cut. The additional \$1.1 million only reverses a portion of the cuts made last session. Court Operations benefits from a \$500 million increase in General Revenue funds for targeted pay raises.

14 Courts of Appeal

Appellate Court Operations receives a \$4.3 million increase in General Revenue Funds, providing 30.1 positions to restore staffing to 2011 levels. \$2.4 million (56 percent) of the block grant funding is directed towards targeted pay raises

Office of Court Administration

The Texas Indigent Defense Commission (TIDC) was established in the previous sessions and replaced the Task Force on Indigent Defense. The Commission received a 26.8 percent increase in General Revenue-Dedicated funds.

Article V – Public Safety and Criminal Justice

Agency	FY12-13	FY14-15	Difference	% Change
Adjutant General's Department	\$124,149,748	\$143,409,755	\$19,260,007	16%
Alcoholic Beverage Commission	\$84,796,515	\$87,519,087	\$2,722,572	3%
Department of Criminal Justice	\$6,102,250,270	\$375,946,022	\$273,695,752	4%
Commission on Fire Protection	\$3,899,658	\$ -	\$ (3,899,658)	(100%)
Commission on Jail Standards	\$1,850,111	\$1,820,978	\$ (29,133)	(2%)
Comm. on Law Enforcement Standards & Expectations	\$5,590,448	\$6,296,248	\$705,800	13%
Department of Public Safety	\$2,852,580,510	\$2,626,946,582	\$(225,633,928)	(8%)
Total All Funds	\$9,175,117,260	\$9,241,938,672	\$66,821,412	1%

Department of Criminal Justice (TDCJ)

The TDCJ is the largest state employer, but due to funding cuts made last session, the agency had difficulty maintaining employees. In addition, the growth of the oil and gas industry further decreased staffing, forcing employees to work overtime. On a local and state level, the Legislature needs to re-invest in recruitment and retention.

Neither the House nor the Senate funded the TDCJ's request. The Senate proposed the closing of two privately operated prisons to save \$97 million but provides around \$26 million more in General Revenue Funds for health care than the House. The House did not support the decision to close correctional facilities.

Health care is an important aspect of TDJC's needs due to significant levels of inmates in need of hospitalization. Further, those in need of placement in a mental health hospital cannot be placed unless they are released. With minimal funding for health care, the state risks lawsuits for improper care or further detriment to society once inmates are released.

Regulatory and Licensing Services

An overall increase of \$124.4 General Revenue funds is allocated towards driver license services, crime lab capacity, and sexual assault kit testing. To address backlog and current needs, \$10.9 million is provided for sexual assault kits testing.

Juvenile Justice Department

Decreases in funding are related to a decline in the juvenile justice population.

Article VI – Natural Resources

Agency	FY12-13	FY14-15	Difference	% Change
Department of Agriculture	\$1,153,314,700	\$1,100,891,473	\$ (52,423,227)	-5%
Animal Health Commission	\$30,120,449	\$20,789,995	\$ (9,330,454)	-31%
Commission on Environmental Quality	\$692,028,067	\$698,728,878	\$6,700,811	1%
General Land Office and Veterans' Land Board	\$677,891,960	\$1,440,336,014	\$762,444,054	112%
Parks and Wildlife Department	\$550,710,560	\$554,317,279	\$3,606,719	1%
Railroad Commission	\$145,776,726	\$149,606,537	\$3,829,811	3%
Soil and Water Conservation Board	\$40,085,693	\$54,286,254	\$14,200,561	35%
Water Development Board	\$125,141,502	\$114,510,922	\$ (10,630,580)	-8%
Debt Service Payments - G.O. Bonds	\$213,275,672	\$213,767,688	\$492,016	0%
Total All Funds	\$ 3,628,345,329	\$4,347,235,040	\$7,975,580,369	20%

Water Development Board

The 2011 drought cost the state \$11 billion and still affects 75 percent of the population facing moderate drought. With the passage of HB 4, the Water Development Board is approved to implement the State Water Plan. The bill seeks \$2 billion from the RDF to fund the State Water Implementation Fund, contingent on the passage of HB 11. Implementation of the water plan would cost over \$53 billion, requiring \$27 billion in state funding.

Money in the fund supports low-interest loans, longer repayment terms for loans, incremental repurchase projects, and deferrals of loans. These funds intend to support the current needs of the state and the growing population. By 2060 an estimated 46 million people will live in Texas.

Even using the \$2 billion in the Rainy Day Fund with HB 11, the state of Texas would still have just over \$11 billion available in general revenue and RDF fund to cover other critical state needs, including public education, health care, and transportation.

Article VII – Business and Economic Development

Agency	FY12-13	FY14-15	Difference	% Change
Department of Housing & Community Affairs	\$361,682,557.00	\$465,199,676.00	\$103,517,119	29%
Texas Lottery Commission	\$379,206,836.00	\$415,355,113.00	\$36,148,277	10%
Department of Motor Vehicles	\$293,558,453.00	\$328,410,801.00	\$34,852,348	12%
Department of Transportation	\$19,783,358,166.00	\$21,000,504,408.00	\$1,217,146,242	6%
Texas Workforce Commission	\$2,207,417,686.00	\$2,182,530,126.00	(\$24,887,560)	-1%
Total All Funds	\$23,025,223,698.00	\$24,392,000,124.00	\$1,391,663,986	6%

Department of Housing & Community Affairs (TDHC)

The TDHCA oversees housing and community service needs through financial assistance, administrative resources, and education.

General revenue funds are increased by \$10 million for Homeless Housing and Services to support case management, housing placement, and retention services for homeless residents. Federal funding is decreased by \$4.1 million for the Homeless Prevention and Weatherization Program under the American Recovery and Reinvestment Act.

Department of Motor Vehicles (DMV)

State Highway Funds contribute an \$8.9 million increase, combined with \$10.2 million from an interagency contract, for facilitation and maintenance of the Texas Sure Motor Vehicle Financial Responsibility Verification program.

Department of Transportation (TxDot)

Last session TxDot lost \$201.5 million in funding. Through CSSB1, the agency TxDot gains a \$1.8 billion net increase in funding and an All Funds increase of \$2.69 billion for maintenance, operation, and preservation of the state roads and transportation systems.

Article VIII – Regulatory

Agency	FY12-13	FY14-15	Difference	% Change
State Office of Administrative Hearings	\$20,475,396	\$19,056,152	(\$1,419,244)	-7%
Board of Chiropractic Examiners	\$1,223,078	\$1,546,965	\$323,887	26%
Texas State Board of Dental Examiners	\$4,398,913	\$6,724,253	\$2,325,340	53%
Funeral Service Commission	\$1,466,427	\$1,679,154	\$212,727	15%
Board of Professional Geoscientists	\$1,168,663	\$1,160,394	(\$8,269)	-1%
Health Professions Council	\$1,704,150	\$1,924,848	\$220,698	13%
Office of Injured Employee Council	\$15,539,084	\$16,399,084	\$860,000	6%
Department of Insurance	\$220,590,977	\$229,966,458	\$9,375,481	4%
Office of Public Insurance Counsel	\$2,066,176	\$2,069,825	\$3,649	0%
Board of Professional Land Surveying	\$893,986	\$893,539	(\$447)	0%
Department of Licensing and Regulation	\$47,668,053	\$48,415,605	\$747,552	2%
Texas Medical Board	\$22,708,657	\$23,036,201	\$327,544	1%
Texas Board of Nursing	\$18,591,094	\$17,844,518	(\$746,576)	-4%
Optometry Board	\$928,085	\$948,100	\$20,015	2%
Board of Pharmacy	\$10,340,283	\$13,404,298	\$3,064,015	30%
Exec. Council of Physical & Occupational Therapy Examiners	\$2,246,745	\$2,435,997	\$189,252	8%
Board of Plumbing Examiners	\$4,342,070	\$4,936,934	\$594,864	14%
Board of Podiatric Medical Examiners	\$479,487	\$556,958	\$77,471	16%
Board of Examiners of Psychologists	\$1,608,760	\$1,695,702	\$86,942	5%
Racing Commission	\$17,906,343	\$16,630,813	(\$1,275,530)	-7%
Securities Board	\$13,679,568	\$13,973,182	\$293,614	2%
Public Utility Commission of Texas	\$178,777,811	\$255,940,892	\$77,163,081	43%
Office of Public Utility Counsel	\$3,007,406	\$3,007,406	\$0	0%
Board of Veterinary Medical Examiners	\$1,938,299	\$2,109,230	\$170,931	9%
Total All Funds	\$593,749,511	\$686,356,508	\$92,606,997	16%

Public Utility Commission

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

Low-income Discount Program

These programs are offered to low-income customers to reduce the cost of utilities. Depending on the program, customers receiving state or federal assistance may be eligible and customers receiving Medicaid or SNAP are eligible for all programs. Funding is increased by \$76.1 million to support an increase from 10 percent to 15 percent for qualifying customers.

Texas Department of Insurance

Healthy Texas Program: The elimination of the Health and Human Services Commission contract for the Healthy Texas Program resulted in a \$30.9 million decrease in other funds.

Board of Pharmacy

Licensing and Enforcement: To support expansion and enhancement of the agency's function, \$2.5 million in General Revenue Funds are appropriated to support an additional 12 FTEs.

Office of Injured Employee Council: The agency serves injured employees through the provision of free assistance, education, and advocacy. Funding adds 10 FTE's to the ombudsman program to support populations in the 5 largest urban areas.