



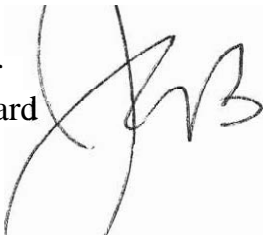
## LEGISLATIVE BUDGET BOARD

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### MEMORANDUM

**TO:** Lt. Gov. David Dewhurst  
Members of the Texas Senate

**FROM:** John O'Brien, Director  
Legislative Budget Board 

**DATE:** April 10, 2007

**SUBJECT:** Senate Committee to Substitute for House Bill 1, as Amended

Today the Senate Finance Committee adopted an amendment to the Committee Substitute for House Bill 1 that would increase appropriations to address the *Frew v. Hawkins* Settlement and would reduce General Revenue (GR) and General Revenue-Dedicated appropriations to all agencies and institutions in an equal amount. The amount of the appropriations reduction is \$465.9 million in General Revenue and General Revenue-Dedicated Funds.

The attached documents are provided as a supplement to the LBB Summary of the Senate Committee Substitute for House Bill 1:

A revised page 4 of the summary which provides a narrative description of the Frew amendment adopted by the Senate Finance Committee.

A spreadsheet based on the amounts in Table 4 of the summary (page 8) which shows the impact of the Frew amendment on GR and GR-Dedicated funding for each Article of the appropriations bill.

Lt. Gov. David Dewhurst  
Members of the Texas Senate  
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I hope this information is helpful to you as a supplement to our summary. Please do not hesitate to contact our office at 463-1200 if you have any questions.

Attachments

cc: House Speaker Tom Craddick  
Members of the Texas House of Representatives  
Governor Rick Perry

## HIGHLIGHTS OF THE RECOMMENDATIONS (CONTINUED)

- An increase of \$54.4 million in All Funds at the Department of Public Safety (DPS) for border security operations including overtime and per diem funding for local law enforcement surge operations, additional DPS troopers, and additional aviation support.

### TRANSPORTATION

- \$16.7 billion in All Funds for transportation planning and design, acquisition of right-of-way, construction, and maintenance and operation of the state's transportation system. The recommendations represent a \$1.0 billion increase in All Funds, which includes an increase of \$0.3 billion in Federal Funds and an increase of \$0.7 billion in Other Funds from the 2006–07 biennium, primarily due to increased Texas Mobility Fund and State Highway Fund Revenue Bond proceeds.

### RETIREMENT BENEFITS

- The Teacher Retirement System state contribution rate is increased from 6 percent to 6.4 percent, which results in an All Funds increase of \$539.4 million. The Optional Retirement System state contribution rate is increased from 6 percent to 6.4 percent, which results in an All Funds increase of \$39.0 million.
- Contributions for retirement for state employees will increase by \$36.2 million in All Funds and reflects continuation of the state's contribution of 6.45 percent and the employee's contribution of 6 percent.

### MERIT PAY

- The Senate Committee Substitute for House Bill 1 includes a total of \$168.5

million in General Revenue–Related funding and \$248.2 million in All Funds for general state employee and targeted merit pay increases.

### GENERAL OBLIGATION BONDS

- The Senate Committee Substitute for House Bill 1 recommends issuance of all remaining Proposition 8 bonds (\$282.7 million) to build three Hobby type adult correctional facilities (\$233.4 million) and for campus renovations at the School for the Blind and Visually Impaired (\$49.3 million).
- The Senate Committee Substitute for House Bill 1 recommends \$331.6 million out of a new \$1.0 billion bond proposal subject to passage of legislation and voter approval.

### ITEMS FOR FUTURE CONSIDERATION

- The Senate Committee Substitute for House Bill 1 includes a listing of items and amounts in Article XI that are recommended for funding consideration should additional revenue become available. The total cost of funding these items in the 2008–09 biennium is \$1.8 billion.

### FREW v. HAWKINS SETTLEMENT

- The Senate Committee Substitute for House Bill 1, as amended, addresses the Frew v. Hawkins case. The amendment to Article IX ratifies the State's agreement to provide appropriations to the Health and Human Services Commission that total \$706.7 million in General Revenue Funds and \$1.8 billion in All Funds to address the terms of the settlement. The agreement includes the following items:

- 1) a 25 percent increase in physician reimbursement rates;
  - 2) a 50 percent increase in dental reimbursement rates;
  - 3) a targeted rate increase for certain physician specialists;
  - 4) strategic dental and medical initiatives; and
  - 5) implementation of a Corrective Action Plan.
- The Senate identifies \$240.8 million in General Revenue Funds and \$607.2 million in All Funds that is already appropriated to Article II agencies in the Senate Committee Substitute for House Bill 1 which would address part of the agreement (a 10 percent increase in physician reimbursement rates, a 25 percent increase in dental reimbursement rates, and targeted rate increases for certain physician specialists). To meet the remaining funding for the settlement, appropriations in General Revenue and General Revenue–Dedicated Funds to state agencies and institutions of higher education are reduced across-the-board by \$465.9 million during the 2008–09 biennium. An equal amount of General Revenue and General Revenue–Dedicated Funds is appropriated to HHSC in the amount of \$465.9 million.

**Table 4**  
**Method of Finance**  
**General Revenue and General Revenue Dedicated Funds**  
**(\$ Millions)**

<b>Function</b>	<b>Estimated/ Budgeted 2006–07</b>	<b>SFC Recommended 2008–09</b>	<b>Frew Reduction</b>	<b>Frew Addition</b>	<b>SFC Revised Recommendation 2008–09</b>
Article I – General Government	\$2,390.2	\$2,565.5	(\$15.14)		\$2,550.4
Article II – Health and Human Services	\$17,951.1	\$21,314.8	(\$125.76)	\$469.85	\$21,658.9
Article III – Agencies of Education	\$40,008.6	\$43,649.6	(\$257.53)		\$43,392.0
Public Education	\$26,764.9	\$29,074.3	(\$171.54)		\$28,902.8
Higher Education	\$13,243.7	\$14,575.3	(\$85.99)		\$14,489.3
Article IV – The Judiciary	\$407.1	\$428.3	(\$2.53)		\$425.8
Article V – Public Safety and Criminal Justice	\$7,259.7	\$7,953.6	(\$46.93)		\$7,906.7
Article VI – Natural Resources	\$1,776.4	\$1,984.4	(\$11.71)		\$1,972.7
Article VII – Business and Economic Development	\$707.1	\$734.0	(\$4.33)		\$729.7
Article VIII – Regulatory	\$510.6	\$634.6	(\$3.74)		\$630.8
Article IX – General Provisions	\$0.0	\$44.8	(\$0.26)		\$44.5
Article X – The Legislature	\$334.7	\$325.6	(\$1.92)		\$323.6
<b>Total</b>	<b>\$71,345.6</b>	<b>\$79,635.1</b>	<b>(\$469.85)</b>	<b>\$469.85</b>	<b>\$79,635.1</b>

Note: Biennial change is calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.