



LEGISLATIVE BUDGET BOARD

Hurricane Harvey's Fiscal Impact on State Agencies

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LEGISLATIVE BUDGET BOARD STAFF

MAY 2018

State Agency Expenditures

The LBB continues to survey state agencies and institutions of higher education to determine costs and lost revenues associated with their response to Hurricane Harvey. The survey is not intended to capture costs to individuals or local governments. The first report was due September 26, 2017 and agencies continue to report updates on a monthly basis to the LBB.

Actual Expenditures: Fiscal years 2017 and 2018 actual expenditures through the end of April 2018 total \$2,234.5 million in All Funds:

- \$206.3 million in General Revenue
- \$4.8 million in General Revenue-Dedicated
- \$249.0 million in Other Funds, which include Institutional Funds
- \$1,644.6 million in Federal Funds

Included in the expenditures above are \$1,652.4 million in All Funds that have been passed through to local entities (Health and Human Services, Department of Public Safety, Workforce Commission, Department of State Health Services, Department of Housing and Community Affairs).

Projected Costs: Agencies project that they will expend an additional 4,638.4 million in All Funds in FY 2018. Agencies estimate that they will expend these amounts in addition to their actual expenditures (as of April 2018). Out of these projected costs, \$4,179.7 million are Federal Funds and \$222.3 million are General Revenue Funds.

Actual Expenditures by Agency

Of the \$2,234.5 million in reported expenditures, 98% of the costs were attributed to the following 12 agencies:

Agency	Expenditures
<p>Health and Human Service Commission Costs are primarily Federal Funds for the FEMA Other Needs Assistance program and USDA food benefits. The funds provided aid to individual applicants for federal assistance, including extending the certification period for Medicaid and CHIP, and waiving co-pays for CHIP.</p>	\$1,287,739,829
<p>Department of Public Safety Coordinated the state's response efforts including life safety, search and rescue, and security. Expenditures are primarily Federal Funds for Public Assistance grants to local governments.</p>	\$498,720,147
<p>Trusted Programs within the Office of the Governor Provided disaster grants to state and local entities to assist with response and recovery. State agencies repay these grants as they receive federal reimbursement for expenditures.</p>	\$111,300,117
<p>General Land Office and Veterans' Land Board Lead agency for short-term and long-term housing recovery. Costs are primarily Federal Funds for short-term housing including repair, leasing, and manufactured housing.</p>	\$91,882,261
<p>Texas Department of Transportation Expenditures are mainly Federal Funds, and include costs for providing evacuation support, debris removal on state highways, recovery efforts including bridge inspections and road repair.</p>	\$74,596,395
<p>Department of State Health Services Expenditures are associated with coordinating public health and medical service, including patient evacuation. A majority of the costs are eligible for FEMA reimbursement.</p>	\$33,529,639

Actual Expenditures by Agency (continued)

Agency	Expenditures
<p>Texas Military Department Mobilized Air and Army National Guard and State Guard Service Members in coordination with Texas Task Force 1. A majority of the costs are eligible for FEMA reimbursement.</p>	\$23,346,483
<p>Texas Workforce Commission Processed disaster-related Unemployment Insurance claims. Expenditures are Federal Funds, including a grant to support employment recovery and rebuilding efforts.</p>	\$22,060,954
<p>Lone Star College Costs were primarily for contracted services for remediation due to floodwater damage of 6 buildings. Additional costs due to three campuses utilized as shelters during the storm.</p>	\$13,088,766
<p>University of Houston Costs associated with damage to 135 buildings due to wind and water. Additional costs for teams that assisted with damage mitigation and debris removal</p>	\$10,359,865
<p>UT MD Anderson Cancer Center Costs included overtime and stipends for personnel who remained on-site to care for patients and families. Facility costs include physical damage, clean-up, and remediation</p>	\$9,795,441
<p>University of Houston -Downtown Costs were primarily due to damage to 6 buildings due to wind and water. Additional costs for teams that assisted with damage mitigation and debris removal.</p>	\$8,157,036

Projected Total Costs by Agency

The following agencies account for 99% of the \$4,638.4 million in projected total costs in All Funds for FY 2018. The agencies estimate that they will expend these amounts in addition to their actual expenditures (as of April 2018). Out of these projected costs, \$4,179.7 million are Federal Funds and \$222.3 million are General Revenue Funds.

Note: The amount shown for the Texas Education Agency below does not include potential state costs for school district disaster relief incurred through the state funding formulas.

AGENCY	PROJECTED COSTS
Department of Public Safety	\$3,570,056,974
General Land Office and Veterans' Land Board	\$657,493,272
Texas Department of Transportation	\$103,833,195
Texas Education Agency	\$102,684,656
Health and Human Service Commission	\$65,936,932
The University of Texas at Austin	\$42,719,238
University of Houston	\$29,828,177
Parks and Wildlife Department	\$24,065,740
Lone Star College	\$21,288,537
Texas Workforce Commission	\$10,998,503
Texas Military Department	\$6,047,813
Texas Historical Commission	\$3,399,547

Texas Education Agency

The Texas Education Agency (TEA) has estimated **currently legally required Foundation School Program (FSP) costs of \$426.0 million** attributable to:

- \$150.0 million for increased state aid to the 12 school districts that voted to reappraise 2017 taxable values;
- \$147.0 million for students newly eligible for Compensatory Education weighted funding;
- \$99.0 million for holding harmless districts that experienced declining attendance; and
- \$30.0 million in decreased recapture payments from Chapter 41 districts with facilities damage.

TEA has authority, with LBB and Governor's Office approval, to transfer FSP funds from FY 2019 to FY 2018. Therefore, **the state budget impact from the costs above is expected to occur in FY 2019; TEA may require a supplemental appropriation by the 86th Legislature.** These costs are not reflected in the LBB's Hurricane Survey because the survey is limited to actual and estimated FY 2017 and 2018 costs.

In addition to the costs specified above, TEA has estimated additional costs that the Legislature may wish to consider funding. These costs, which are not currently legally required, range from \$862.0 to \$1,362.0 million. These funds would primarily be used to hold impacted school districts harmless for the loss of local property tax revenue in the 2018-19 biennium.

State Oversight

The **Legislative Budget Board** (LBB) has been monitoring appropriations by surveying state agencies and institutions of higher education and asking them to report costs and revenues associated with Hurricane Harvey. The first report was due September 26, with monthly updates reported to the LBB on the 5th of every month.

- The LBB has issued guidance to state agencies regarding reporting of emergency contracts related to Hurricane Harvey.
- Agency expenditures, projected costs, contracts, and disaster related transfers are posted on the LBB website through the Hurricane Harvey: Fiscal Analyses and Resources link: <http://www.lbb.state.tx.us/Harvey.aspx>

The **Comptroller of Public Accounts** (CPA), Division of Fiscal Management, controls appropriations made to state agencies. In January 2018, the CPA issued guidance requiring state agencies and institutions of higher education to use Uniform Statewide Accounting System (USAS) coding requirements to track expenditures and revenues related to Hurricane Harvey.

State Oversight (continued)

The Legislative Budget Board (LBB) and the Comptroller of Public Accounts (CPA) are working together to reconcile amounts reported to the LBB through the Hurricane Survey and those amounts recorded by state agencies in Uniform Statewide Accounting System (USAS). With the exception of a few agencies, an initial review revealed that most agencies are reporting similar amounts to both agencies. The primary driver for many of the differences discovered in this review include:

- Timing differences between when reports are sent to the LBB and when they are entered into USAS;
- Amounts reported to the CPA in USAS do not include all Harvey-related expenditures. CPA guidance was issued in January 2018 after agency expenditures had already been reported for early response efforts. Agencies are in the process of recoding and reclassifying expenditures for salaries, over-time, and other tasks in accordance with the CPA guidance;
- Expenditure of funds which are held outside the treasury and therefore not captured in the CPA's report; this includes institutional funds expended by institutions of higher education and included in the LBB reporting;
- Several agencies have not reported to the LBB since the initial response in December. Amounts initially reported to the LBB by those agencies are now outdated. The USAS expenditures reflect actual updated expenditure amounts; and
- Expenditures reported to the LBB by HHSC include an estimate of the portion of Medicaid-related expenditures associated with Hurricane Harvey; since actual Medicaid payments include both Harvey and non-Harvey costs, the USAS coding does not allow for such differentiation, yielding a lower HHSC amount in USAS.

Hurricane Harvey Contracts

As of April 2018, 22 state agencies and IHE's have reported 148 Hurricane Harvey-related contracts valued at approximately \$264.5 million. These contracts can generally be grouped into two groups: emergency response contracts and recovery effort contracts. Emergency response contracts relate to activities immediately before and after Hurricane Harvey made landfall. Recovery contracts are longer term contracts and involve rebuilding activities.

These contracts were identified using guidance issued August 28th, 2017. A full list of contracts is available on the LBB website.

Some notable recovery-related contracts include:

CODE	AGENCY	COUNT	TOTAL VALUE
305	General Land Office	1	\$3,620,708
582	Commission on Environmental Quality	1*	\$90,000,000
529	Health and Human Services Commission	18	\$10,046,102
730	University of Houston	5	\$3,246,095
802	Parks and Wildlife Department	29	\$2,240,014

*This represents a pass-through contract to the Texas Division of Emergency Management. These funds will be awarded to local governments for debris removal.

State Funding Assistance for State and Local Entities

Section 14.04: Disaster Related Transfer Authority

The 2018–19 General Appropriations Act (GAA), Article IX, Section 14.04: Disaster Related Transfer Authority:

- In the event of a disaster proclamation by the Governor, state agencies directly responding to Hurricane Harvey and its aftermath are granted broad appropriation transfer authority, and exemption from certain GAA requirements, with prior notification to the LBB and Governor.
- To date, the LBB has received notification of Disaster Related Transfers for Article II agencies and the General Land Office. The General Land Office transferred **\$12.0 million** of its FY 2019 funds to FY 2018.
- Additionally, **\$38.6 million** transferred from the Department of Criminal Justice FY 2019 appropriations to the General Land Office for FY 2018 recovery and rebuilding efforts.

State Funding for Debris Removal

- FEMA approved hurricane-related solid waste and debris disposal costs incurred by local governments are anticipated to be reimbursed at up to 90 percent by the federal agency.
- From the emergency appropriation of **\$90 million** in General Revenue Account 5000 – Solid Waste Disposal Fees, \$28.4 million has been awarded to local governments to be applied toward the 10% match required by FEMA for debris removal.
- Per the terms of the contract, 50% of that amount (\$14.2 million) has been paid out as of the end of February.

State Funding Assistance for State and Local Entities

Trusteed Programs within the Office of the Governor

Funds Transferred (in millions)	Method of Finance	Agency or Local Entity	Funds transferred from Trusteed Programs at the Office of the Governor, Strategy A.1.1, Disaster Funds, for the purposes of:
\$6.4	General Revenue	Military Department	Reimburse the agency for costs from activating the National Guard. The agency was provided \$12.9 million and has repaid \$6.5 million following receipt of FEMA Public Assistance.
\$10.0	General Revenue	Department of Public Safety	Reimburse the agency for response costs incurred by Texas Division of Emergency Management.
\$8.3	Economic Stabilization Funds	Military Department	Reimburse the agency for costs from activating the National Guard. The agency was provided \$30 million and has repaid \$21.7 million following receipt of FEMA Public Assistance.
\$50.0	Economic Stabilization Funds	City of Houston	The state granted the funds to assist the City with response and recovery from Hurricane Harvey.
\$10.0	Economic Stabilization Funds	General Land Office	For immediate costs for administering the FEMA Short-term Housing Program.
\$26.7	Economic Stabilization Funds	Department of Public Safety	Cover the state matching funds required for the FEMA Transitional Shelter Assistance Program.
Total: \$111.4			

Selected Federal Disaster Grants

U.S. Department of Housing and Urban Development (HUD) - Community Development Block Grant–Disaster Recovery (CDBG-DR)

The General Land Office has been awarded **\$9.8 billion in CDBG-DR** awards for Hurricane Harvey. There were three awards as follows:

- **\$57.8 million**: The State Action Plan has been approved by HUD on May 1, 2018
- **\$5,024.0 million** (Round 1): State Action Plan submitted to HUD on May 8, 2018, public comment period extended to May 1, 2018.
- **\$5,035.2 million** (Round 2): Of these funds, \$308.7 million were awarded for previous disasters.

FEMA Hazard Mitigation Grant Program (HMGP)

FEMA awarded **\$1.1 billion** in HMGP funds to the Texas Division of Emergency Management, with \$500 million available immediately for approved projects that could include elevating flood-prone structures; retrofitting property to reduce wind, flood, and fire damage; and local flood control initiatives.

The Governor has announced that the state will utilize \$180 million of the award for voluntary buyouts for approximately 900 flood-prone homes in Harris County. The grant covers 75% of project costs. While local governments typically provide the other 25%, CDBG-DR funds may be used to cover the local cost share for eligible projects..

FEMA Individuals and Household Program - Direct Housing

FEMA awarded **\$1.1 billion** to the General Land Office to partner with FEMA for Direct Housing Assistance. The Short-term Housing Programs include: Multi-Family Lease and Repair, Direct Leasing, Manufactured Housing Options, and Direct Assistance for Limited Home Repair.

Agency Estimates of State Match for Certain Federal Grants in FY 2018

Agency Estimate of State Funds Required (in millions)	State Agency	Federal Grant Program	Description
\$110.0	HHSC	FEMA Individuals and Households Program – Other Needs Assistance	HHSC reported actual and estimated costs of \$440.0 million through April 2018 in All Funds for Other Needs Assistance. A 25% match is required.
\$27.9	HHSC	Medicaid and CHIP	HHSC reported expending an additional \$43.7 million in Federal Medicaid Assistance Program and the Children’s Health Insurance Program funds due to the hurricane.
\$47.0	DPS	FEMA Transitional Sheltering Assistance	The state is responsible for reimbursing FEMA for 10% of the costs of hotel stays for displaced individuals. To meet the required match, \$26.7 million has been transferred from the Office of the Governor for the program.
\$23.3	GLO	FEMA Partial Repair for Essential Power for Sheltering (PREPS)	The agency estimated that PREPS will cost \$232.9 million, and will require a 10% state match. The agency will use the FY 2019 transfer from TDCJ for cash flow purposes for this program and projects the funds will be used for the required state match.
Total: \$208.2			

Appendix

Hurricane Harvey 2017-18 Reported Expenditures (As of 5/5/18)

Agency Name	GR	GR-D	Other	Federal Funds	Total	<i>Pass-through*</i>
Alvin College	\$10,655	\$0	\$0	\$0	\$10,655	\$0
Animal Health Commission	\$440,255	\$0	\$0	\$0	\$440,255	\$0
Brazosport College	\$41,964	\$0	\$102,925	\$0	\$144,889	\$0
Commission on Environmental Quality	\$13,953	\$711,647	\$0	\$0	\$725,600	\$0
Del Mar College	\$0	\$0	\$245,186	\$0	\$245,186	\$0
Department of Criminal Justice	\$2,867,189	\$0	\$0	\$0	\$2,867,189	\$0
Department of Housing and Community Affairs	\$0	\$0	\$0	\$3,991,056	\$3,991,056	\$3,991,056
Department of Information Resources	\$0	\$0	\$8,533	\$0	\$8,533	\$0
Department of Insurance	\$405,068	\$0	\$0	\$0	\$405,068	\$0
Department of Licensing and Regulation	\$8,930	\$0	\$0	\$0	\$8,930	\$0
Department of Motor Vehicles	\$0	\$0	\$245,947	\$0	\$245,947	\$0
Department of Public Safety	\$311,838	\$0	\$14,181,129	\$484,227,180	\$498,720,147	\$443,451,644
Department of State Health Services	\$18,880,322	\$0	\$0	\$14,649,317	\$33,529,639	\$0
General Land Office and Veterans' Land Board	\$3,926,193	\$0	\$8,531,402	\$79,424,666	\$91,882,261	\$0
Health and Human Service Commission	\$153,773,850	\$0	\$107,568	\$1,133,858,411	\$1,287,739,829	\$1,182,626,780
Historical Commission	\$160,967	\$0	\$0	\$0	\$160,967	\$0
Houston Community College	\$0	\$0	\$891,198	\$0	\$891,198	\$0
Lamar Institute of Technology	\$0	\$0	\$28,552	\$0	\$28,552	\$0
Lamar State College: Orange	\$0	\$0	\$1,241,433	\$0	\$1,241,433	\$0
Lamar State College: Port Arthur	\$0	\$3,263	\$32,875	\$0	\$36,138	\$0
Lamar University	\$0	\$0	\$1,187,386	\$0	\$1,187,386	\$0
Lonestar College	\$0	\$0	\$13,088,766	\$0	\$13,088,766	\$0
Office of Court Administration	\$30,113	\$0	\$0	\$0	\$30,113	\$0
Office of the Attorney General	\$29,710	\$0	\$0	\$190,857	\$220,567	\$0
Parks and Wildlife Department	\$1,981,880	\$3,857,498	\$19,332	\$6,529	\$5,865,239	\$0
Prairie View A&M University	\$0	\$0	\$83,225	\$0	\$83,225	\$0
Public Utility Commission of Texas	\$36,426	\$809	\$0	\$0	\$37,235	\$0
Railroad Commission of Texas	\$6,268	\$21,960	\$0	\$561	\$28,789	\$0
Sam Houston State University	\$79,806	\$0	\$1,839,640	\$0	\$1,919,446	\$0

Hurricane Harvey 2017-18 Reported Expenditures (As of 5/5/18)

Agency Name	GR	GR-D	Other	Federal Funds	Total	Pass-through*
San Jacinto College	\$0	\$0	\$899,945	\$0	\$899,945	\$0
State Office of Administrative Hearings	\$122,638	\$0	\$0	\$0	\$122,638	\$0
State Office of Risk Management	\$0	\$0	\$414,519	\$0	\$414,519	\$0
Texas A&M Corpus Christi	\$0	\$0	\$449,300	\$0	\$449,300	\$0
Texas A&M University	\$0	\$0	\$808,099	\$0	\$808,099	\$0
Texas A&M University Health Science Center	\$0	\$0	\$21,853	\$0	\$21,853	\$0
Texas A&M University System Administration	\$0	\$0	\$195,508	\$0	\$195,508	\$0
Texas A&M University-Kingsville	\$0	\$20,720	\$0	\$0	\$20,720	\$0
Texas AgriLife Extension Service	\$0	\$0	\$32,957	\$0	\$32,957	\$0
Texas AgriLife Research	\$0	\$0	\$32,367	\$0	\$32,367	\$0
Texas Alcoholic Beverage Commission	\$954,864	\$0	\$0	\$0	\$954,864	\$0
Texas Commission on the Arts	\$3,980	\$0	\$250,000	\$192,520	\$446,500	\$0
Texas Department of Agriculture	\$0	\$150,000	\$0	\$52,528	\$202,528	\$0
Texas Department of Transportation	\$0	\$0	\$69,464,214	\$5,132,181	\$74,596,395	\$0
Texas Education Agency	\$244,757	\$0	\$12,103	\$103,016	\$359,876	\$28,348
Texas Engineering Experiment Station	\$0	\$0	\$4,568	\$0	\$4,568	\$0
Texas Engineering Extension Service	\$0	\$0	\$545,189	\$4,906,704	\$5,451,893	\$0
Texas Forest Service	\$88,454	\$0	\$0	\$2,271,852	\$2,360,306	\$0
Texas Juvenile Justice Department	\$23,476	\$0	\$0	\$0	\$23,476	\$0
Texas Military Department	\$0	\$0	\$0	\$23,346,483	\$23,346,483	\$0
Texas Southern University	\$0	\$0	\$110,722	\$0	\$110,722	\$0
Texas State Library and Archives Commission	\$0	\$0	\$9,824	\$19,819	\$29,643	\$0
Texas State Preservation Board	\$2,000	\$0	\$0	\$0	\$2,000	\$0
Texas State Technical College System	\$300	\$1,234	\$96,712	\$0	\$98,246	\$0
Texas State University	\$265,450	\$0	\$0	\$0	\$265,450	\$0
Texas Transportation Institute	\$0	\$0	\$5,187	\$0	\$5,187	\$0
Texas Veterinary Medical Diagnostic Laboratory	\$0	\$0	\$1,817	\$0	\$1,817	\$0
Texas Woman's University	\$0	\$0	\$50,963	\$0	\$50,963	\$0
Texas Workforce Commission	\$0	\$0	\$0	\$22,060,954	\$22,060,954	\$22,060,954

Hurricane Harvey 2017-18 Reported Expenditures (As of 5/5/18)

Agency Name	GR	GR-D	Other	Federal Funds	Total	<i>Pass-through*</i>
The University of Texas at Austin	\$464,539	\$0	\$4,141,736	\$0	\$4,606,275	\$0
The University of Texas San Antonio	\$7,114	\$0	\$25,293	\$0	\$32,407	\$0
Trusted Programs within the Office of the Governor	\$20,594,873	\$0	\$90,705,244	\$0	\$111,300,117	\$0
University of Houston	\$347,407	\$0	\$10,012,458	\$0	\$10,359,865	\$0
University of Houston: Clear Lake	\$0	\$47,826	\$54,855	\$0	\$102,681	\$0
University of Houston: Downtown	\$72,490	\$0	\$8,084,546	\$0	\$8,157,036	\$234,849
University of Houston: Victoria	\$15,877	\$0	\$688,104	\$0	\$703,981	\$0
UT Health Science Center at Houston	\$0	\$0	\$4,539,561	\$0	\$4,539,561	\$0
UT Health Science Center at San Antonio	\$71,829	\$0	\$0	\$0	\$71,829	\$0
UT M.D. Anderson Cancer Center	\$0	\$0	\$9,795,441	\$0	\$9,795,441	\$0
UT Medical Branch at Galveston	\$0	\$0	\$5,356,122	\$0	\$5,356,122	\$0
UT Southwestern Medical Center at Dallas	\$0	\$0	\$293,802	\$0	\$293,802	\$0
Victoria College	\$0	\$0	\$72,302	\$0	\$72,302	\$0
Grand Total	\$206,285,435	\$4,814,957	\$249,010,408	\$1,774,434,634	\$2,234,545,434	\$1,652,393,631

* Pass-through amounts refer to financial assistance awarded by the administrative state agency of a program to secondary recipients that may include other state agencies, units of local government, and individuals.



LEGISLATIVE BUDGET BOARD

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Legislative Budget Board

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