



LEGISLATIVE BUDGET BOARD

OVERVIEW OF HOUSE BILL 1

Budget Recommendations for 2020-21

SARAH KEYTON, LEGISLATIVE BUDGET BOARD

January 2019

The Big Picture, by MOF Type

in millions

| MOF Type | 2018–19 Adjusted Base | 2020–21 House Bill 1 | Biennial \$ Change | % Change |
|------------------------|----------------------------------|---------------------------------|-------------------------------|---------------------|
| General Revenue | \$108,539.7 | \$115,446.6 | \$6,906.7 | 6.4% |
| GR-Dedicated | \$6,605.5 | \$6,223.8 | (\$381.7) | (5.8%) |
| Federal Funds | \$84,075.6 | \$87,070.3 | \$2,994.8 | 3.6% |
| Other Funds | \$36,550.5 | \$38,486.5 | \$1,937.1 | 5.3% |
| ALL FUNDS | \$235,770.2 | \$247,227.3 | \$11,457.1 | 4.9% |

The Big Picture, All Funds by Article

All Funds, in millions

| Article | 2018—19 Base | 2020—21 HB 1 | \$ Change | % Change |
|------------------------------------|--------------------|--------------------|-------------------|-------------|
| 1 – General Government | \$7,503.3 | \$6,729.5 | (\$773.8) | (10.3%) |
| 2 – Health/Human Services | \$83,584.2 | \$84,826.1 | \$1,241.9 | 1.5% |
| 3 – Public Education | \$60,492.7 | \$70,615.3 | \$10,122.6 | 16.7% |
| 3 – Higher Education | \$20,736.3 | \$21,072.1 | \$335.8 | 1.6% |
| 4 – Judiciary | \$857.1 | \$875.4 | \$18.4 | 2.1% |
| 5 – Public Safety/Criminal Justice | \$18,378.5 | \$15,407.6 | (\$2,970.9) | (16.2%) |
| 6 – Natural Resources | \$6,566.0 | \$8,905.4 | \$2,339.4 | 35.6% |
| 7 – Business/Econ Development | \$36,587.5 | \$37,770.0 | \$1,182.5 | 3.2% |
| 8 – Regulatory | \$671.7 | \$633.7 | (\$38.0) | (5.7%) |
| 10 - Legislature | \$392.8 | \$392.0 | (\$0.8) | (0.2%) |
| TOTAL, ALL ARTICLES | \$235,770.2 | \$247,227.3 | \$11,457.1 | 4.9% |

The Big Picture, GR by Article

General Revenue, in millions

| Article | 2018—19 Base | 2020—21 HB 1 | \$ Change | % Change |
|------------------------------------|--------------------|--------------------|------------------|-------------|
| 1 – General Government | \$3,406.9 | \$3,709.0 | \$302.2 | 8.9% |
| 2 – Health/Human Services | \$34,716.3 | \$33,611.2 | (\$1,105.1) | (3.2%) |
| 3 – Public Education | \$41,548.7 | \$48,677.4 | \$7,128.7 | 17.2% |
| 3 – Higher Education | \$14,909.7 | \$15,148.1 | \$238.4 | 1.6% |
| 4 – Judiciary | \$490.8 | \$541.9 | \$51.1 | 10.4% |
| 5 – Public Safety/Criminal Justice | \$11,322.1 | \$11,414.9 | \$92.7 | 0.8% |
| 6 – Natural Resources | \$910.6 | \$786.5 | (\$124.1) | (13.6%) |
| 7 – Business/Econ Development | \$496.5 | \$815.4 | \$318.9 | 64.2% |
| 8 – Regulatory | \$345.3 | \$350.4 | \$5.1 | 1.5% |
| 10 - Legislature | \$392.7 | \$391.8 | (\$0.9) | (0.2%) |
| TOTAL, ALL ARTICLES | \$108,539.7 | \$115,446.6 | \$6,906.9 | 6.4% |

Constitutional Limitations

There is remaining capacity under the Article III, Section 49A Pay-as-you-go Limit and the Article VIII, Section 22 Spending Limit.

| 2020–21 Remaining General Revenue Spending Authority (in billions) | |
|---|--------------|
| Pay-as-you-go Limit | \$3.7 |
| Spending Limit | \$4.1 |

Economic Stabilization Fund

- 2020-21 Economic Stabilization Fund Balances (January 2019 *Biennial Revenue Estimate*)
 - Ending Balance = \$15.4 billion
 - Maximum Balance = \$18.6 billion
 - Sufficient Balance = \$7.5 billion
- HB 1 includes \$633.0 million, or 4.1% of the projected balance, in the 2020-21 biennium
 - TRS Care - \$230.8 million
 - Cancer Prevention and Research Institute of Texas - \$164.0 million
 - Office of the Governor Disaster Grants - \$100.0 million
 - School Safety - \$43.6 million
 - Railroad Commission Oil and Gas Well Plugging - \$39.1 million
 - Library and Archives State Records Expansion - \$26.6 million
 - Texas Department of Criminal Justice Surveillance Systems - \$26.0 million
 - General Land Office Alamo Complex - \$3.0 million

Foundation School Program (FSP)

- \$52.6 billion in All Funds and \$42.0 billion in General Revenue;
- Fully funds current law obligations, including estimated growth in student enrollment; and
- Increases funding by \$9.0 billion over what is estimated to be required to fund current law entitlement, contingent upon legislation supporting school districts and charter schools while maintaining an equitable system of school finance by:
 - Increasing the state share of the FSP,
 - Enhancing district entitlement,
 - Decreasing recapture, and
 - Providing local tax relief.

Medicaid

- \$67.6 billion in All Funds and \$25.2 billion in General Revenue.
- This is an increase of \$2.0 billion in All Funds and a decrease of \$1.4 billion in General Revenue.
- More favorable Federal Medical Assistance Percentages (FMAP) result in a higher proportion of the program being funded with Federal Funds.
- Funding is provided for:
 - Projected caseload growth
 - Maintaining fiscal year 2019 average costs for most services
 - Cost growth associated with average costs established by the federal government

Child Protective Services (CPS)

- \$3.7 billion in All Funds and \$2.1 billion in General Revenue.
- This is an increase of \$141.7 million in All Funds and \$45.1 million in General Revenue:
- Foster Care Payments:
 - \$1.0 billion in All Funds and \$470.4 million in General Revenue
 - Includes Community-based Care
 - Includes projected caseload growth
- CPS Direct Delivery Staff:
 - \$1.5 billion in All Funds
 - Includes increased funding and additional full-time-equivalent (FTE) positions to maintain caseload per worker
 - Includes increased funding and a decrease in FTE positions for Community-based Care expansion that occurred during fiscal year 2019

Behavioral Health

- \$4.0 billion in All Funds and \$3.0 billion in General Revenue and General Revenue-Dedicated for non-Medicaid/CHIP behavioral health services at 23 agencies across six articles, including funding for:
 - Inpatient services at state hospitals and community hospitals
 - Outpatient services provided through local mental health authorities and local behavioral health authorities
 - Substance abuse prevention, intervention, and treatment services for adults and children
 - Mental healthcare and substance abuse treatment for incarcerated offenders
 - Mental healthcare services for veterans
 - Other services
- Total behavioral health-related funding, including estimated Medicaid and CHIP expenditures, is expected to be \$7.5 billion in All Funds.

School Safety

- Funding for school safety programs includes an additional \$109.4 million in All Funds including:
 - \$64.9 million in General Revenue
 - \$43.6 million in Other Funds from the Economic Stabilization Fund
 - \$0.8 million in Federal Funds
- Funding is provided at the following agencies:
 - \$64.5 million at the Texas Education Agency
 - \$31.2 million at Institutions of Higher Education
 - \$11.8 million at the Health and Human Services Commission
 - \$1.1 million at the Texas School for the Deaf
 - \$0.8 million at the Texas School for the Blind and Visually Impaired

Transportation

- \$31.6 billion in All Funds.
- Funding includes the following estimated State Highway Fund (Fund 6) sources:
 - \$9.3 billion for all available State Highway Funds from traditional transportation tax and fee revenue sources
 - \$5.0 billion from anticipated sales tax deposits from Proposition 7, 2015
 - \$4.3 billion from oil and natural gas tax-related transfers from Proposition 1, 2014
- Funding also includes other Fund 6, Mobility Fund, Federal Funds, and debt service-related allocations.

Retirement and Health Benefits

- Teacher Retirement System:
 - \$4.1 billion in All Funds, including \$4.1 billion in General Revenue, for the state contribution to retirement benefits; and
 - \$1.1 billion in All Funds for retiree health insurance funding
 - \$879.4 million in General Revenue for the statutorily required state contribution, and
 - \$230.8 million in Other Funds from the Economic Stabilization Fund to maintain plan year 2019 TRS-Care premiums and benefits.
- Employees Retirement System:
 - \$1.3 billion in All Funds, including \$943.0 million in General Revenue and General Revenue-Dedicated Funds, for the state contribution to retirement benefits; and
 - \$4.0 billion in All Funds, including \$2.8 billion in General Revenue and General Revenue-Dedicated Funds for group insurance benefits for state employees, retirees, and their dependents.

Driver License Program

- Recommendations include the driver license program at the Department of Motor Vehicles in fiscal year 2021:
 - \$135.6 million in General Revenue and 3,198.8 FTE positions transferred from the Department of Public Safety
 - Additional \$200.0 million in General Revenue and 962.0 FTE positions to increase staffing and improve service delivery
 - Contingent upon the passage of legislation.

Other Funding Highlights

- Border Security:
 - \$782.8 million in All Funds provided across non state agencies
 - Includes \$675.7 million at the Department of Public Safety and maintains support for DPS personnel at fiscal year 2019 full deployment levels, while eliminating funding for onetime and transitional expenditures.
- Higher Education:
 - \$7.4 billion in General Revenue for higher education formulas to fund enrollment growth
 - \$157.2 million in All Funds for Graduate Medical Expansion
 - Includes an increase of \$60.0 million in General Revenue to meet the 1.1 to 1.0 ratio of first-year residency positions for Texas medical school graduates.
- Adult Criminal Justice:
 - \$6.8 billion in All Funds is provided at the Texas Department of Criminal Justice.
- Judicial Salary Increase:
 - \$30.2 million in General Revenue is included for a 10% increase for judges and those statutorily linked to state district judge pay.

LBB Staff and Publications

LBB Staff:

- Support committee deliberations
- Provide budget and program analysis
- Assist the committee with state fiscal analysis

LBB Publications:

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|-----------------------------------|---|
| Appropriations bill as introduced | Criminal justice reports |
| Bill Summary (Summary of LBE) | Infographics |
| Legislative Budget Estimates | Interactive Graphics |
| State Budget by Program | Issue Briefs |
| 2018–19 Fiscal Size-up | Primers, school performance reviews, and other stand-alone reports |



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