

2015 Legislative Budget WRAP-UP



With just days left in the 84th Legislative session, lawmakers have approved House Bill 1, the 2016-17 General Appropriations Act. Over the last few weeks budget conferees ironed out differences between the House and Senate's proposed budgets, and the result is a budget of \$209 billion All Funds.

The General Revenue portion of this budget comes in at \$6.4 billion under available revenue, including the tax cut plan that includes a \$10,000 increase in the [school property tax homestead exemption](#) and a 25 percent [franchise tax](#) cut that accounts for two-thirds of the tax cut total. One-third of of the franchise tax cut will benefit out-of-state shareholders.

While it's good to see that political leaders have reached consensus, the decision to enact huge tax cuts reflect lawmakers' decision not to invest more in key areas of education, health care, and infrastructure that could help make Texas the best state for hard-working people and their families. The majority of Texans will see little benefit from the tax plan: the \$3.8 billion deal will mean roughly \$126 in annual tax savings for an average homeowner. That does little to help everyday Texans while undermining the public services we all need.

For a look back at the proposed House and Senate 2016-17 Budgets, see our April Legislative Budget Snapshot.

[VIEW >>](#)

The tax cuts do nothing to ensure we have the infrastructure Texas needs to thrive. When you hear 'tax cuts,' remember that what we're really talking about is cutting support for the public services – good public schools, affordable health care, community colleges – [that build a more prosperous Texas for all of us.](#)

Lawmakers skirted the issue of school finance in favor of waiting for a Texas Supreme Court decision on the school finance case. The Foundation School Program, which supports local districts and charter schools, is the largest use of state tax dollars in the budget. Over 5.2 million students attend Texas' public schools, and while this budget reflects a nominal increase in per-student spending, by 2017 the inflation-adjusted spending per pupil actually decreases. Per-pupil investment will remain below pre-recession levels, and the Legislature failed to address reforms to the school finance system.

With 30 percent of adults in Texas lacking health insurance – the worst percentage in the nation – Texas had a chance to create a solution for closing the health care coverage gap this session. Eight bills were filed proposing ways to close the coverage gap, but none received a hearing. And by choosing not to accept the nearly \$100 billion in federal funds available to expand health care access, Texas leaves more than 1 million U.S. citizen adults with no access to affordable health insurance, and sticks local taxpayers with the bill for uncompensated care.

A recent drop in oil prices had worried Texas budget writers. But even if prices rebound, lawmakers who come back to the Capitol in 2017 will find almost \$9.9 billion less available revenue to work with – and that's before taking into account the [pending school funding lawsuit](#). And in early May Comptroller Hegar [warned state leaders](#) that prioritizing tax cuts over desperately needed investments in infrastructure is shortsighted and could harm the state's credit rating.

Texas is a wealthy state that can afford to invest in our future to ensure continued prosperity. But whenever tax cuts take priority over budget restorations and improvements, Texans won't get the quality schools and affordable health care we need and deserve.

MAY 2015

Health and Wellness



Maintain or improve support for Medicaid and the Children’s Health Insurance Program (CHIP).

2014-15 LEVEL	Requested or Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
<p>Medicaid: \$59 billion All Funds.</p> <p>\$23.1 billion in General Revenue (GR) or dedicated GR (GR-D).</p> <p>Almost 3.75 million Texans were on HHSC Medicaid caseloads in fiscal 2014. For 2015, Medicaid caseloads of almost 4.1 million were projected, including 2.95 million children and 424,000 disability-related clients.</p>	<p>Total funding for Medicaid originally proposed in Fall 2014: \$64.9 billion All Funds; \$26.4 billion General-Revenue and GR-Dedicated.</p> <p>Baseline budget – to cover caseload growth – required \$1.8 billion more in GR-related, \$2.2 billion All Funds. “Current services” levels required \$1.5 billion more in GR-related (\$3.7 billion All Funds) for Medicaid caseload and cost trends that could not be included in the baseline.</p>	<p>\$61.2 billion All Funds (5.7 percent below the requested level); \$25.1 billion in GR and GR-D.</p> <p>H.B. 1 funding covers 4.2 million Texans on HHSC Medicaid caseloads by fiscal 2017.</p> <p>H.B. 1 does not continue the primary care rate enhancement. (House had proposed \$460 million GR to keep selected Medicaid primary care rates at Medicare levels.)</p> <p>No funds for Medicaid cost growth (other than for higher caseloads) are included. LBB’s latest estimate of unfunded cost growth - for medical inflation, higher utilization, or increased acuity - is \$752 million GR for HHSC (\$1.76 billion All Funds); \$10 million GR for Aging & Disability Services Medicaid (\$24 million All Funds).</p> <p>Cost-containment assumptions (reduced funding) are in HHSC rider 50: \$373 million in General Revenue (\$870 million All Funds).</p> <p>Budget conferees agreed on \$45.5 million GR (\$106 million All Funds) to modestly increase base wages for community attendants for seniors and Texans with disabilities.</p> <p>H.B. 1 also allocates \$247 million GR (\$574 million All Funds) for hospital rates.</p>	<p>Current Medicaid caseload is already 4.1 million.</p> <p>Drop in Medicaid primary care rates is likely to reduce physician participation and make access more difficult for enrollees.</p> <p>Lack of funding for medical inflation makes supplemental appropriation in 2017 a virtual certainty.</p> <p>For the third biennium in a row, an HHSC “cost containment” rider lists ways to achieve mandated savings for Medicaid. For 2016-17: cost-containment includes a reduction of \$75 million GR each year in spending on therapy services for children, seniors, and Texans with disabilities. Medicaid Managed Care health plans profit margins reduced 0.5 percent.</p> <p>With base wage of \$8 per hour, attendant care will pay less than Wal-Mart, but with no benefits or sick leave.</p> <p>H.B. 1 provides some help for struggling rural hospitals, but minimal progress toward parity with Medicare rates may add challenge to the Medicaid 1115 renewal request.</p>
<p>CHIP: \$1.9 billion All Funds; 366,045 children served in 2015 (36,425 perinatal).</p>	<p>\$1.9 billion All Funds requested. CHIP caseload forecast to reach 404,186 by 2017 (40,518 perinatal).</p> <p>Of total request, \$97 million All Funds was to cover expected medical cost increases in CHIP.</p>	<p>\$1.78 billion All Funds would serve 405,626 children, including 35,219 perinatal (monthly average), by fiscal 2017.</p> <p>H.B. 1 assumes CHIP enhanced match rate of 91.1% in state fiscal 2016, 92.9% in 2017.</p>	<p>As in the case of Medicaid, CHIP funding is not dramatically lower than what was needed, but medical inflation and other cost growth is not included in H.B. 1.</p>

Health and Wellness



Maintain or improve capacity for mental health and substance abuse services.

2014-15 LEVEL	Requested or Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
<p>Mental health and substance abuse services: \$2.6 billion General Revenue and GR-D for these services, administered by 16 state agencies.</p> <p>\$3.5 billion All Funds</p>	<p>State Health Services exceptional items included \$45 million to enhance substance abuse services; \$91 million All Funds for Community Mental Health Initiatives; \$56 million to improve state hospital system.</p>	<p>\$2.8 billion in GR and GR-D (\$150.7 million All Funds biennial increase)</p> <p>\$2.0 billion, or 71 percent, would go to State Health Services programs.</p> <p>All Funds: \$3.626 billion (see H.B. 1, Article IX informational listing, Sec. 10.04)</p>	<p>DSHS rider 73 authorizes a Mental Health Peer Support Re-Entry pilot program.</p> <p>The Center supports the Legislature's continued commitment to funding these services. H.B. 1 not only increases levels of funding from 2014-15; it also increases funding for outpatient and inpatient services.</p>



Maintain or improve resources for, and access to, subsidized family planning services.

2014-15 LEVEL	Requested or Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
<p>Subsidized family planning services: \$214 million All Funds</p>	<p>\$232 million All Funds</p>	<p>\$261 million All Funds for new HHSC Women's Health Services Strategy includes EPHC, Family Planning, and Texas Women's Health Program.</p> <p>HHSC rider 76 identifies \$50 million in General Revenue to be used to increase access to women's health and family planning services, in addition to continued funding amounts shown below.</p>	<p>Even with the additional investments made in preventive family planning, Texas will serve just a fraction of the women in need. Today, we serve just 3 in 10 of Texas women in need of family planning services.</p> <p>The program reconfiguration reflected in H.B. 1 will test the safety net of providers, left weaker after years of program upheaval and removal of the largest providers. To maximize both services and cost savings, the structure of the consolidated program(s) should allow for point-of-service eligibility determinations, broad eligibility, and funding to cover operating costs. Implementation should be informed by an advisory committee that includes providers.</p> <p>(Separate funding in H.B. 1: \$23.7 million All Funds [\$5 million General Revenue] for DSHS Breast and Cervical Cancer Screening Program. See Article II Special Provisions, Sec. 50 Informational Rider).</p>

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Health and Wellness



Maintain or improve resources for, and access to, subsidized family planning services.

2014-15 LEVEL	Requested/Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
State Health Services (DSHS), Expanded Primary Health Care (EPHC)			
\$100 million All Funds, to serve 170,000 patients in 2015.	\$120 million All Funds (all of it General Revenue). DSHS Exceptional Item 3 requested \$20 million in new funding to serve 34,285 more patients, for a total of 204,285 patients annually in 2016 and 2017.	\$100 million All Funds (all General Revenue); 170,000 patients to be served annually.	Program moved from DSHS to HHSC.
State Health Services, Family Planning			
\$43.1 million, 65,000 patients served (2015 budgeted).	DSHS budget request was for \$42.9 million; 65,000 patients served annually.	\$41.6 million All Funds (\$37.8 million GR); 65,000 patients to be served annually.	Program moved from DSHS to HHSC.
Health and Human Services Commission, Texas Women's Health Program			
\$71.3 million to serve 116,710 patients per month on average in 2014; 115,645 in 2015 (budgeted).	HHSC budget request was for \$69.3 million, to serve 114,222 patients (average monthly) in 2016, 114,793 in 2017.	\$69.3 million All Funds (all GR); 115,645 patients per month on average in 2016 and 2017.	



Maintain/improve programs administered by the Dept. of Family and Protective Services.

2014-15 LEVEL	Requested/Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
\$3.11 billion All Funds (\$1.5 billion in General Revenue) for adult & child protective services, foster care, adoption subsidies, child care licensing.	Total funding originally requested, including all exceptional items: \$3.44 billion All Funds (\$1.86 billion in General Revenue). "Current services" exceptional items (All Funds) were <ul style="list-style-type: none"> • \$95.6 million to keep staffing/ costs at 2014-15 levels • \$17.8 million for client services • \$6.7 million for caseworker tools • \$9.4 million to keep caseloads from worsening • \$25.7 million to comply with federal child care licensing requirements 	\$3.48 billion All Funds (\$1.85 billion in General Revenue). Full-time equivalent staffing is budgeted at 12,716 in fiscal 2016, 12,855.6 by 2017, compared to 2015 budgeted level of 12,272.3 FTEs. Monthly foster care payments are projected to decrease from \$2,067.77 in 2016 to \$2,058.58 in 2017.	H.B. 1 funds the new CPS staff needed to keep caseloads at the 2015 levels, not to reduce them; caseloads will continue to be high in 2016-17. The conferees increased funding for prevention programs, mostly to expand the Community Youth Development programs, which would help more kids, but at a lower cost per person served.

Health and Wellness



Maintain/improve programs administered by the Dept. of Assistive and Rehabilitative Services.

2014-15 LEVEL	Requested/Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
<p>\$1.23 billion All Funds (\$219 million in General Revenue) for Early Childhood Intervention, rehabilitation & employment programs, and federal disability determination.</p>	<p>Total funding originally requested, including all exceptional items: \$1.32 billion All Funds (\$279 million in General Revenue). “Current services” exceptional items (All Funds) were</p> <ul style="list-style-type: none"> • \$25.1 million to maintain Early Childhood Intervention caseloads at 2015 levels • \$25.9 million to fund expected caseload growth in ECI 	<p>\$957 million All Funds (\$176 million in General Revenue).</p> <p>\$309 million All Funds, and 1,860.9 full-time equivalent state employees, will transfer from DARS to Workforce Commission in 2017, contingent on legislation. Programs that transfer: Vocational Rehabilitation, Business Enterprises of Texas, Criss Cole Rehabilitation Center, and Older Blind Independent Living Services. (See TWC rider 45).</p>	<p>Initially, Vocational Rehabilitation (both Blind and General Services) and Business Enterprises of Texas were moving to the Texas Workforce Commission in 2016; now they are expected to move in 2017. Disability Determination Services were expected to move to TWC as well, but will remain in DARS for the next biennium. Rather than fund both autism programs and provide more children with services, the conferees decided to phase out comprehensive autism services in favor of more funding for focused autism services.</p>

Economic Opportunity



Establish Pre-K as a full-day program for currently eligible students.

Currently, the state provides funding for half-day Pre-K programs.

2014-15 LEVEL	Requested/Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
<p>State budget supports Pre-K through:</p> <p>\$1.5 billion distributed through Foundation School Program (FSP) formulas. Pre-K kids count as half a student in average daily attendance, or ADA.</p> <p>\$30.4 million for Texas School Ready!</p> <p>\$30 million for a supplemental grant program</p>	<p>Current-law FSP formulas would have funded half-day Pre-K at \$1.6 billion for 2016-17; no changes were proposed by House or Senate to funding of Texas School Ready! or supplemental grant.</p>	<p>TEA rider 58 continues \$30 million supplemental funding (\$15 million per year); TWC rider 27 continues School Readiness Models funding at 2014-15 level</p> <p>Early Childhood School Ready Program will serve 48,097 students annually</p> <p>Article IX, Sec. 1832 contingency appropriation for HB 4 of \$59 million per year for high-quality grant program</p>	<p>HB 4 will improve the quality of existing Pre-K programs at a limited number of districts; it does not expand eligibility or mandate full-day Pre-K.</p>



Increase the base level of funding that supports public schools (FSP).

2014-15 LEVEL	Requested/Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
<p>\$38.8 billion All Funds for FSP-Equalized Operations.</p> <p>\$1.2 billion for Facilities funding.</p> <p>Basic Allotment is \$4,950 per student in 2014, \$5,040 in 2015.</p>	<p><u>Current-law</u> budget for public schools required \$2.5 billion more in FSP to cover enrollment growth; local property taxes would have increased by \$4.5 billion.</p> <p>Initial assumptions about increases in local school district property values: 5.71 percent increase in tax year 2015 (state fiscal 2016 and 2017); 5.30 percent in tax year 2016 (fiscal 2017, 2018).</p>	<p>\$40.9 billion All Funds for FSP operations.</p> <p>\$1.4 billion for FSP Facilities funding.</p> <p>TEA rider 3: Property values (and local tax collections) shall increase 4.56% in tax year 2015, 6.18% in tax year 2016.</p> <p>Basic Allotment set at \$5,140 for state fiscal 2016 and 2017. Using Comptroller forecast of CPI, by 2017, the Basic Allotment will be \$4,947 in 2015 dollars, lower than what it was in 2014 or 2015.</p>	<p>\$1.2 billion in new General Revenue covers the lost local property tax revenue due to an increased homestead exemption (TEA rider 77); \$2.6 billion in new GR replaces Property Tax Relief Funds lost because of legislature's cut to the franchise tax (TEA rider 76).</p> <p>H.B. 1 makes \$200 million of FSP funding contingent on M&O tax rate conversion legislation (see TEA rider 75).</p>

Economic Opportunity



Expand adult education and other job training.

2014-15 LEVEL	Requested/Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
\$162 million for Adult Education and Literacy, Texas Workforce Commission; about 100,500 adult ed customers served in 2015.	TWC requested \$161 million, to serve 101,500 Texans by 2017.	\$141 million 101,000 adult ed customers served in 2016; 101,500 in 2017.	Reduction is due to federal grant money no longer available in 2016-2017



Enhance existing programs for need-based aid directed at two-year and four-year public college students.

2014-15 LEVEL	Requested/Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
\$1.116 billion for all "Close the Gaps" Affordability strategies	Higher Ed. Coordinating Board's baseline and exceptional item requests totaled \$1.296 billion.	\$1.153 billion	
TEXAS Grant program			
\$683 million total 76,884 grant recipients budgeted for 2015.	HECB had requested \$790 million to provide \$5,300 grant to current and new recipients (67,134 in 2016, 65,758 in 2017).	\$715 million will keep the maximum annual award at \$5,000, for 71,500 recipients in 2016 and 2017.	2016-17 funding only for students enrolled at 4-year institutions. All 2-year students moved to TEOG. There is an increased cost to support students attending 4-year universities. THECB estimates that an award level of \$5,000 will only meet 61 percent of average tuition and fees in 2016-17. Maximum annual award was reduced from \$7,100 to \$5,000 in 2011 when state financial aid programs were cut by 15 percent.

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Economic Opportunity



Enhance existing programs for need-based aid directed at two-year and four-year public college students.

2014-15 LEVEL	Requested/Needed for 2016-17	H.B. 1 for 2016-17	CPPP INSIGHTS
Tuition Equalization Grants			
\$180 million	HECB Exceptional Item 15 proposed \$18 million in new funding, to serve 30,000 students (the pre-2011 peak).	\$192.3 million Roughly two-thirds of the exceptional item funding requested.	Tuition Equalization Grants funding was cut by 19 percent in 2011 (for 2012-13). Only 13.9 percent has been restored in 2013 and 2015.
Top 10 Percent Scholarships			
\$40 million	HECB requested \$39.6 million.	\$18.2 million	New scholarships have been cut, effectively ending the program for new students.
Texas Education Opportunity Grants			
\$65 million: \$13.9 million in 2014, and \$51.2 million in 2015	Requested: \$102 million (amount needed to continue funding at \$51.2 million annually)	\$86.5 million for grants to students attending public community colleges. \$7.5 million for students attending public state and technical colleges.	Total amount of funding is an \$8 million reduction from 2014-15 level, due to the transfer of existing grants at 2-year institutions from the Texas Grants program.
Texas B-On-Time Loan: Public Universities			
\$78.2 million in General Revenue-Dedicated (funding comes from 5% tuition set-aside for public universities)	HECB proposed \$78 million, so that 9,000 students could receive loans in 2016-17.	\$63.4 million	Legislation passed to cut new loans, effectively ending the program.
Texas B-On-Time Loan: Private Universities			
\$31.4 million in General Revenue (not dedicated)	Requested: \$31.4 million	\$19.2 million	New loans have been cut, effectively ending the program for new students.
Texas College Work Study			
\$19 million	HECB exceptional item requested \$5.3 million more to reach 1,577 additional students per year, based on award of \$1,680 (2014 average).	\$18.8 million	Legislation has passed that directs THECB to conduct a feasibility study on identifying the barriers and opportunities of partnering with private-sector employers.