

# Legislative Budget *Snapshot*

The Texas Senate and House of Representatives have each released their 2018-2019 draft budgets, SB 1 and HB 1 respectively. Our analysis compares and contrasts the two budgets and highlights the impact on health care, education and other essential programs and services.

## Key Takeaways

- The total amount of General Revenue spending proposed by the House is \$108.9 billion, significantly higher than the Senate's \$103.6 billion.
- Article IX in the Senate budget proposal makes across-the-board cuts of 1.5 percent in General Revenue spending, exempting only the Foundation School Program. Our chart on the back page assumes that the 1.5 percent cut is distributed equally to everything in SB 1 except for state aid to schools, but the Senate Finance Committee will make those choices in mark-up.
- Proposed General Revenue spending in both budgets is insufficient to keep up with projected population and inflation by 2019.
- Independent of the drop in oil and gas prices, the Legislature reduced the amount of General Revenue available by \$10.5 billion by enacting tax cuts and diversions during the last session.
- The state's Rainy Day Fund now contains \$10 billion, making it the largest such reserve fund in the country. The balance will grow to almost \$12 billion by the end of the 2018-2019 budget cycle. The Rainy Day Fund is specifically designed to help prevent sudden, massive cuts to essential services like health care and higher education.

As lawmakers hash out details of the 2018-2019 state budget, CPPP will continue crunching the numbers and analyzing the impact of the budget on core Texas services. We look forward to working with leaders to build state and local revenue and budgeting systems that meet Texans' needs.

# Economic Opportunity



## Foundation School Program

2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
\$42.4 billion, of which \$34.1 billion is General Revenue (GR)	Stays the same Senate Finance workgroup has been tasked with finding “a new, better way to pay for public education” – one that’s “less complicated, innovative, and most importantly, meets needs of students.”	House proposes an additional \$1.5 billion, contingent on reform that improves equity, reduces recapture, and increases the state’s share of the Foundation School Program (FSP).	Basic Allotment would stay unchanged – \$5,140 – from 2016 to 2019. State/local/federal inflation-adjusted funding per student would be lower by 2019 than it was in 2011. Meanwhile, student needs are increasing.  Both SB 1 and HB 1 effectively cut education funding by \$2.4 billion by not adjusting for inflation. In addition, the state’s share of overall funding will decline from 45.9% in 2012 to 37.9% in 2019, increasing the burden on local property taxes (excluding the HB 1 proposal for an additional \$1.5 billion).
	House and Senate assume local property taxes for schools increase by \$6.1 billion, from \$53 billion in 2016-17 to \$59 billion in 2018-19. This would be generated by a 5.85% increase in tax year 2017; 4.89% in 2018. Appropriated recapture in the filed budgets is \$4.6 billion, compared to \$3.5 billion in 2016-17 (increase of 31%)		



## High-Quality Pre-K

2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
High Quality Pre-K Grants: \$118 million	\$150 million	\$119 million	Fully funding this at 2016-17 level would require \$236 million. Grant is outside the FSP and could be subject to 1.5% GR cut called for in SB 1, Article IX, Sec. 15.05.



## Higher Education Funding

2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
\$20.2 billion All Funds, \$14.7 billion GR	\$19.7 billion All Funds \$14.2 billion GR	\$20.5 billion All Funds \$14.9 billion GR	SB 1 makes a bigger reduction to special items (\$800 million cut) than does HB 1 (\$100 million cut). Neither proposal adjusts state formulas for inflation.



## Higher Education Financial Aid

2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
\$1.19 billion	\$1.04 billion	\$1.11 billion	The B-On-Time Loan program and Top 10 Percent Scholarship program were eliminated for new students in 2015, reducing both budgets by \$84 million over last biennium. SB 1 also makes a \$65 million larger reduction in the B-On-Time program than HB 1 in 2018-19 for current students.

# Health and Wellness



## Medicaid

2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
<p>\$64.2 billion All Funds</p> <p>\$26.1 billion in General Revenue</p> <p>This level assumes a 2017 supplemental appropriation of \$1.2 billion in General Revenue, plus \$1.4 billion in federal matching funds.</p>	<p>Does not assume a 2017 supplemental appropriation.</p> <p>For 2018-19, \$61.2 billion All Funds; \$24.9 billion of that is General Revenue.</p> <p>Health and Human Services Commission (HHSC) Rider 36 calls for additional cost-containment (reduced funding) but does not specify an amount.</p>	<p>For 2018-19, \$65.1 billion All Funds; \$26.8 billion of that is General Revenue.</p> <p>Cost-containment assumptions in HHSC Rider 36: \$100 million in General Revenue, \$133 million Federal</p>	<p>Current Medicaid caseload is 4.1 million.</p> <p>SB 1 as filed severely underfunds Medicaid by not assuming the 2017 supplemental (\$1.2 billion GR, which is also missing from the 2018-19 base – another \$1.2 billion); not funding caseload growth (\$700 million GR); and potentially subjecting Medicaid to another \$400 million GR reduction because of Section 15.05's 1.5% cut in Article IX.</p> <p>Neither House nor Senate provide funding for any medical inflation cost increases (\$1.7 billion GR) in budget proposals as introduced.</p>



## Children's Health Insurance Program (CHIP)

2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
<p>\$1.8 billion All Funds, of which only \$158 million is General Revenue</p>	<p>\$2 billion All Funds</p> <p>\$149 million in General Revenue (less, because of more favorable match rate)</p>	<p>Same as SB 1</p>	<p>Monthly average caseload in 2016 of 396,000 kids.</p> <p>Only caseload growth is funded for 2018-19; premiums are maintained at fiscal 2017 level; assumes that new federal funding will continue the program throughout 2018-19. (Medicare Access and CHIP Reauthorization Act (MACRA) funds likely to be exhausted in state fiscal 2018.</p>



## Behavioral Health and Substance Abuse Services

2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
<p>\$3.6 billion All Funds, \$2.7 billion of which is General Revenue or GR-Dedicated funds, for behavioral health and substance abuse services not funded by Medicaid or CHIP.</p>	<p>\$3.4 billion All Funds</p> <p>\$2.7 billion GR / GR-Dedicated</p>	<p>\$3.5 billion All Funds</p> <p>\$2.8 billion GR / GR-Dedicated</p>	<p>Funding is provided to 18 different state agencies across six "articles" of the budget, not just HHS (Article II). SB 1 and HB 1 are similar, but:</p> <ul style="list-style-type: none"> <li>House proposes an additional \$95.6 million General Revenue contingent on legislation based on House Select Committee on Mental Health recommendations.</li> <li>In Senate proposal, the Article IX Section 15.05 1.5% cut could mean a \$41 million reduction in General Revenue from the \$2.7 billion.</li> </ul>



## Women's Health Programs (HHSC)

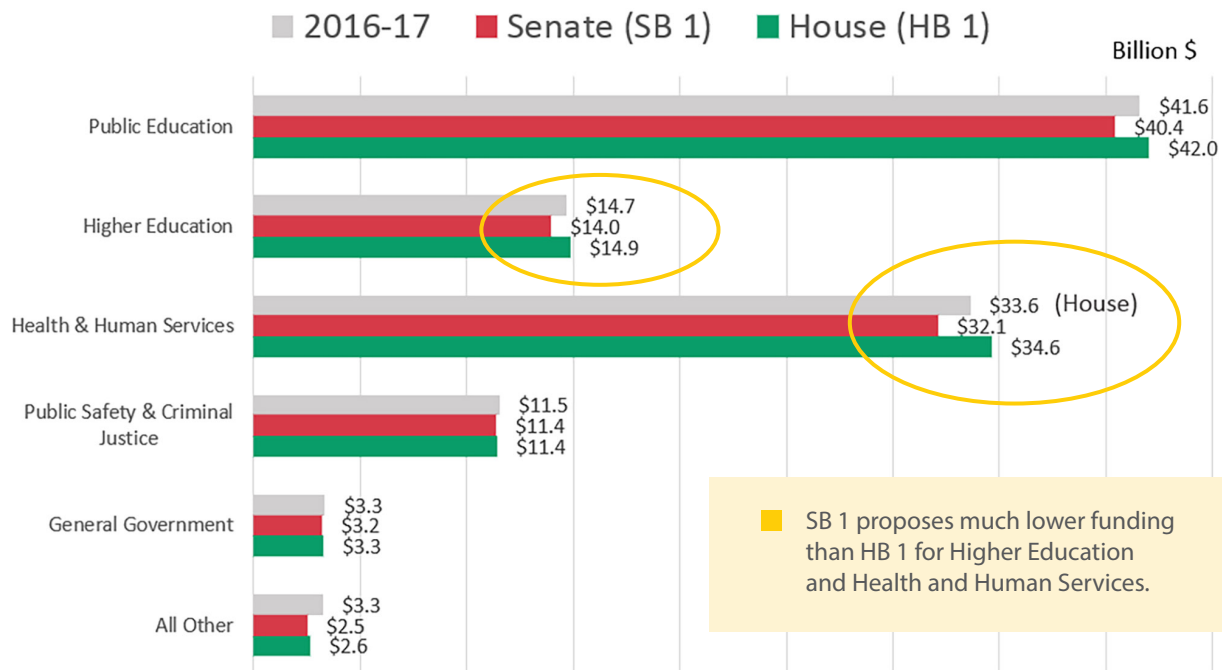
2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
\$254 million All Funds, \$231 million of which is General Revenue	\$285 million All Funds \$261 million is General Revenue	Same as SB 1	Proposals maintain fiscal 2017 spending level  Funding also reflects transfer of Breast and Cervical Cancer Program from Dept. of State Health Services (DSHS) to HHSC, and consolidation of Expanded Primary Health Care and Texas Women's Health Program



## Child Protective Services (CPS)

2016-17 level	2018-19, SB 1 as filed	HB 1 as filed	CPPP insights
\$2.9 billion All Funds, \$1.6 billion GR	\$3.2 billion All Funds, \$1.9 billion GR	Same as SB 1	Additional funding is to continue fiscal 2017 CPS reforms.  CPPP's <u>kinship care recommendations</u> would increase financial assistance for caregivers, many of whom are grandparents.

## Senate Budget Drastically Underfunds Higher Education and Health & Human Services



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