

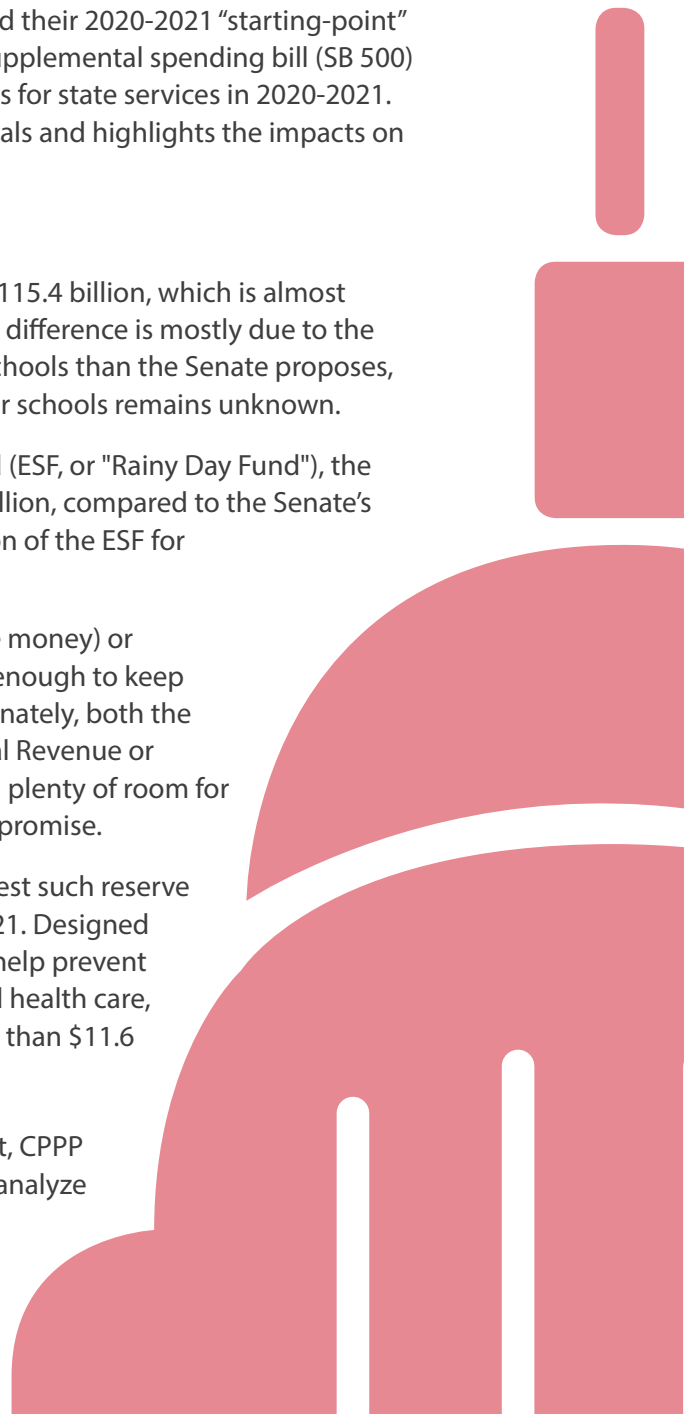
Legislative Budget *Snapshot*

The Texas House of Representatives and Senate have released their 2020-2021 “starting-point” budgets, HB 1 and SB 1 respectively. The Senate also has a supplemental spending bill (SB 500) that primarily addresses 2019 needs and has additional funds for state services in 2020-2021. Our analysis compares and contrasts the two budget proposals and highlights the impacts on education, health care, and other essential services.

Key Takeaways

- The House proposes total General Revenue spending of \$115.4 billion, which is almost three percent higher than the Senate’s \$112.2 billion. That difference is mostly due to the House’s proposal to put \$3 billion more into state aid to schools than the Senate proposes, though the ultimate impact on school districts and charter schools remains unknown.
- Adding proposed uses of the Economic Stabilization Fund (ESF, or “Rainy Day Fund”), the House’s spending level in the next budget cycle is \$116 billion, compared to the Senate’s \$113 billion. The Senate would also use another \$1.8 billion of the ESF for 2019 expenses.
- Whether All Funds (which includes other federal and state money) or General Revenue only, spending in both proposals is not enough to keep up with projected population and inflation by 2021. Fortunately, both the House and Senate have left significant amounts of General Revenue or Economic Stabilization Fund revenue unallocated, leaving plenty of room for improvement before lawmakers reach a final budget compromise.
- The state’s Economic Stabilization Fund is the second largest such reserve fund in the country and could grow to \$15.4 billion by 2021. Designed to smooth out the volatility of state revenue sources and help prevent sudden, massive cuts to essential services like schools and health care, the ESF has been used by the Legislature to support more than \$11.6 billion in state budget needs since 1990.

As lawmakers hash out details of the 2020-2021 state budget, CPPP will crunch the numbers, put them in a helpful context, and analyze the impact of the budget on core Texas services. We look forward to working with state and community leaders to build public revenue and budgeting systems that better meet all Texans’ needs.



Economic Opportunity



Foundation School Program

2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
\$42.7 billion All Funds, of which \$34.6 billion is General Revenue	<p>\$52.6 billion All Funds, including \$42 billion in General Revenue</p> <p>The House's additional funding is contingent on legislation that increases the state share of school finance formulas; enhances the funding districts receive through school finance formulas; decreases recapture, and slows growth in property taxes, while maintaining equity in the school finance system.</p>	<p>\$49.6 billion All Funds, including \$39 billion in General Revenue (\$3 billion less than the House)</p> <p>The Senate's additional funding is contingent on a classroom teacher salary increase (\$3.7 billion) and legislation to slow growth in local property taxes and reduce reliance on recapture (\$2.3 billion).</p>	<p>The House proposal includes an intention to increase the state's share of school funding. Both chambers' leaders have expressed their commitment to reforming school finance. Until budget writers release more details, however, we do not know how much of those dollars will go toward property tax reductions.</p>
	<p>House/Senate "current law" proposals assume local property taxes for schools increase by 6.19 percent in tax year 2019 and 4.07 percent in 2020. The per-student funding amount (Basic Allotment) would remain at \$5,140, where it's been since the 2015-16 school year. The combined effect of these assumptions and higher revenue from other Foundation School Program sources is to reduce General Revenue by \$1.6 billion, compared to the 2018-2019 level.</p>		<p>Texas would need a Basic Allotment of at least \$5,700 for the 2020-21 school year to make up for inflation (Consumer Price Index) since 2016. It would have to be at least \$5,800 to cover the inflation that state and local governments face.</p>



Teacher Retirement and Health Benefits

2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
<p>Teacher Retirement System (TRS): public education retirement receives \$3.5 billion All Funds; retiree health, \$1.2 billion All Funds</p> <p>Senate proposes a \$300 million state contribution in 2019 (SB 500, Economic Stabilization Fund)</p>	<p>Both chambers: \$3.7 billion All Funds for public educator retirement benefits (state contribution rate of 6.8 percent/year); \$1.1 billion All Funds for retiree health. But House uses \$231 million from Economic Stabilization Fund to maintain 2019 TRS-Care premiums and benefits; Senate uses General Revenue.</p>		<p>Teachers and other school staff are local government employees, but their compensation is affected by state budget support for their pensions and health care benefits.</p>



Higher Education Formula Funding

2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
\$7.1 billion in General Revenue and \$1.4 billion in General-Revenue-Dedicated funds for public general academic, health-related, community, state, and technical college or institution formulas	Both chambers propose \$7.3 billion in General Revenue (a \$153 million, or two percent, increase) and \$1.5 billion in statutory tuition and other General-Revenue dedicated support (up \$56 million, or almost four percent).		When the state budget underfunds formula growth for higher education, then colleges and universities are more likely to raise tuition or eliminate academic programs.



Higher Education Financial Aid

2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
\$1.1 billion in All Funds for financial aid programs in the Higher Education Coordinating Board “affordability and debt” strategy	<p>\$1.08 billion All Funds (about \$21 million, or 1.9 percent, less) in both proposals.</p> <p>Both chambers keep funding the same for the TEXAS Grant and the Texas Educational Opportunity Grants (for public community colleges and state/technical colleges), which combined, account for 80 percent of this funding.</p> <p>Starting-point proposals for B-On-Time, College Work Study, license plate scholarships, Educational Aides, Top 10 Percent, and the Armed Services scholarships are the same in both proposals.</p> <p>For tuition equalization grants (students attending private colleges), the House proposes \$1 million more than the Senate.</p>		At the proposed level, TEXAS grant funding decreases by almost \$540 per student between 2019 and 2021. Meanwhile the cost of higher education continues to rise.

Health and Wellness



Medicaid Health Care

2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
\$65.6 billion All Funds, of which \$26.6 billion is General Revenue (amounts assume lawmakers approve supplemental 2019 funding of \$2.1 billion in General Revenue and \$2.3 billion in federal funds)	<p>Both chambers propose \$67.6 billion All Funds, including \$25.2 billion in General Revenue. The \$1.4 billion decrease in General Revenue is due partly to a better federal match rate (the “FMAP,” or Federal Medical Assistance Percentages) in 2020. The 2021 match is not yet known, but HB 1 and SB 1 assume it will be even better.</p> <p>General Revenue support also decreases because HB 1 and SB 1 maintain fiscal 2019 average costs for most services: as the LBB summary says, “Full funding for anticipated increases in cost due to medical inflation, higher utilization, or increased acuity is not included.”</p> <p>The Health and Human Services Commission estimated (Dec. 2018) that cost growth in Medicaid and CHIP would require about \$1.6 billion in General Revenue in 2020-2021.</p>		Texas has long relied on underfunding Medicaid inflation or caseload growth as a way to write a smaller balanced budget. This makes the need for supplemental Medicaid funding in the following legislative session inevitable.



Children's Health Insurance Program (CHIP)

2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
<p>\$2.1 billion All Funds, of which \$145 million is General Revenue</p>	<p>Both chambers propose \$2.2 billion All Funds, of which \$459 million is General Revenue. A higher share of CHIP will be covered with General Revenue because the U.S. Congress passed a phase-down of the 23-percentage-point increase to the match rate created by the Affordable Care Act (ACA).</p> <p>As with Medicaid services: projected caseload growth is included in the starting-point proposals, but medical cost growth is not.</p>		<p>The ACA's increased CHIP match rate has the federal government paying over 93 cents of each dollar of care today. The phase-down will reduce the federal CHIP match for Texas to a rate close to 72 cents by 2021, still much higher than for Medicaid.</p>



Behavioral Health and Substance Use Disorder Services

2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
<p>Appropriated amount: \$4 billion (All Funds), of which \$2.9 billion is General Revenue or GR-Dedicated</p> <p>Amount excludes \$3.6 billion in behavioral health services provided through Medicaid or CHIP. Programs are overseen by 18 state agencies across six "articles" of the budget.</p>	<p>\$4.0 billion All Funds, of which \$3.0 billion is General Revenue or GR-Dedicated</p>	<p>Same All Funds amount; slightly higher General-Revenue-related (\$3.2 billion) than the House.</p> <p>Additional funds proposed by Senate are (1) \$100 million contingent on the creation of the higher education Texas Mental Health Care Consortium, and (2) for expanding outpatient mental health treatment capacity for adults and children (\$59 million All Funds, most of it GR).</p>	<p>Absent from either budget is a solution to Texas' Medicaid Coverage Gap. Providing coverage to low-income Texans with mental health or substance use disorders (including opioid addiction) would bring an estimated \$9 billion in annual federal funds. Under current Texas policy, low-income adults generally do not qualify for Medicaid insurance, even with significant mental health or addiction diagnoses.</p>



Women's Health Programs (HHSC)

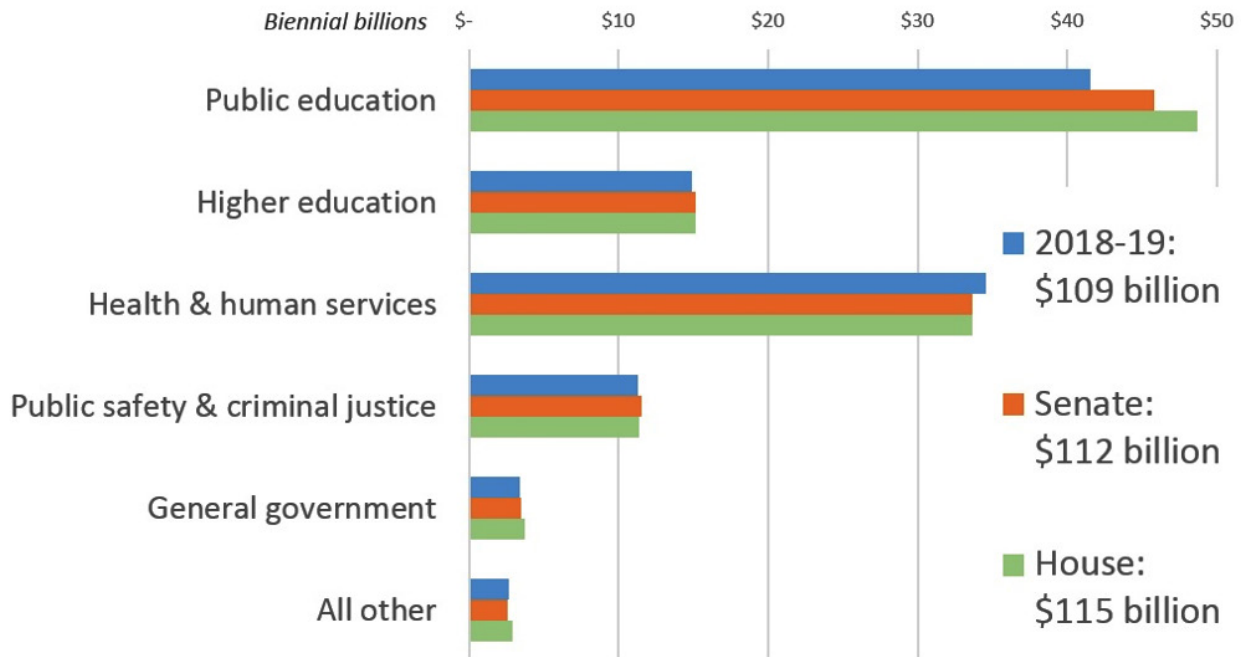
2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
<p>\$279 million All Funds, of which \$200 million is General Revenue</p> <p>Compared to the 2017 session's approved budget, these services will need \$32.6 million more General Revenue in 2018-2019 "due to federal matching funds being available in a lesser amount" (according to the Legislative Budget Board)</p>	<p>\$278.8 million All Funds, of which \$141 million is General Revenue</p>	<p>\$284.6 million All Funds, of which \$147 million is General Revenue</p> <p>The Senate has \$6 million more in General Revenue for the Women's Health Programs; all of it is for Breast and Cervical Cancer Services.</p>	<p>The Health and Human Services Commission reports increases in the number of women served in Texas' family planning programs since 2016 and projects additional future growth. The flat funding in the budget is not sufficient to meet the growing need for women's health services.</p>
	<p>Both chambers assume that less General Revenue will be needed in 2020-2021, once the federal government approves HHSC's "Healthy Texas Women" 1115 waiver application.</p>		<p>The purpose of this proposed waiver is to exclude Planned Parenthood from the Healthy Texas Women program.</p>



Child Protective Services (CPS)

2018-2019 level	2020-2021, HB 1 as filed	2020-2021, SB 1 as filed	CPPP insights
\$3.6 billion All Funds, of which \$2 billion is General Revenue	Both chambers propose \$3.7 billion All Funds, of which \$2.1 billion is General Revenue Increase from 2018-2019 is \$142 million All Funds; \$45 million General Revenue Funding levels would cover caseload growth, maintain (not improve) worker caseloads and pay for two years of the Community-based Care expansion that took place in state fiscal 2019. As in the case of Medicaid-funded health care, a better federal match rate for Title IV-E reduces the need for General Revenue. Title IV-E helps fund the Dept. of Family and Protective Services – Child Protective Services, foster care, adoption assistance, and related services.		Funding a Kinship Navigator program would make it easier for family members, most of whom are grandparents, to care for children who would otherwise enter the foster care system. Federal funding is available for such a program.

Current (after supplemental) and Proposed General Revenue Budgets for 2020-2021



"All other" is Business/Econ. Development, Natural Resources, Courts, Regulatory, and Legislative Agencies.

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