

## Top 5 Hidden Gems in the 2020-2021 Texas Budget

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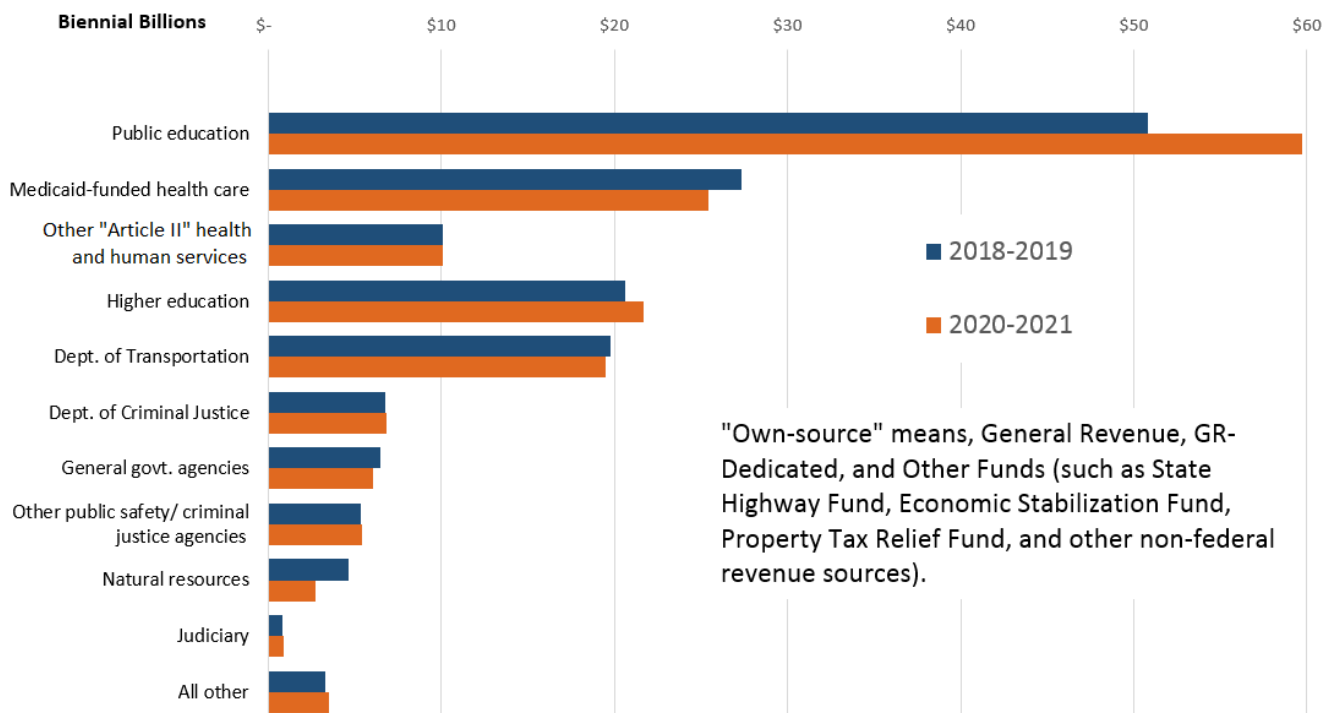
The state budget tells us what our leaders have decided are the priorities for Texas. Following changes in the budget closely can reveal shifting focus points, though much remains the same from one budget cycle to another because of the laws, constitutional provisions, and federal requirements that shape the budget process.

Want to know what’s really changing for better or worse in the 2020-2021 Texas state budget? I took a closer look, and here’s what I found:

### 1) The approved budget is not as big as originally reported.

When the 86<sup>th</sup> Legislature wrapped up this past May, [reports said](#) that the final 2020-2021 budget authorized almost \$251 billion in support for state services. This broke down into \$164.2 billion in state funds and \$86.4 billion in federal grants. Those preliminary figures came solely from House Bill 1, the General Appropriations Act. More recent [information](#) from the Legislative Budget Board takes into account other significant legislation, such as House Bill 3 (the new school finance law) and its \$3.5 billion buy-down of recaptured local property taxes, plus the changes made by Senate Bill 500 (supplemental spending) to 2019 and to 2020-2021. **With all spending legislation tallied, the 2020-2021 total drops to \$248 billion, of which \$161.9 billion is state revenue**, with federal grants mostly unchanged. State aid to preK-12 education (17.5 percent increase) and the judiciary/courts (up 8.9 percent) are the only areas of the budget that got an increase beyond two-year population and inflation growth costs (7.9 percent).

Texas State Budget "Own-Source" Support for Major Services



## **2) The state budget gives schools a funding boost, without direct funding for full-day pre-K.**

CPPP applauded the fact that public schools got almost \$9 billion more in state aid in 2020-2021, compared to 2018-2019. However, more than \$5 billion of the new education funding replaces local property taxes that will not be collected due to HB 3's school finance formula changes. This is money that could have increased spending per student but instead goes to replacing school property taxes. As a result, state and local formula spending per student (based on average daily school attendance) goes up less than 7 percent a year. Also, looking just at the school formulas – not grants outside the formulas – the state share of preK-12 funding rises from 38 percent in 2019 to 45 percent in 2020, and to 43 percent in 2021. (See Table A-10 in the Comptroller's [Certification Revenue Estimate](#).) The state share will grow over time under the new HB 3 formulas because the state is "buying down" the local tax rate, which will likely hamper future education investments. Also, despite what you may hear, **HB 3 did not create direct funding for full-day pre-K**, meaning pre-K enrollment will continue to count as [half a student for funding purposes](#).

## **3) State support for health and human services has dropped and could end up being a real decrease, even after the 2021 session's "IOU" for Medicaid and CHIP.**

In Article II of the budget, where lawmakers authorize most health and human services funding, the official All Funds amount translates to an increase of \$488 million, or 0.6 percent, compared to 2018-2019. **But focusing on state (non-federal) support for HHS, that turns into an almost \$1.9 billion (5 percent) two-year decrease.** This is due mainly to a better match rate for Medicaid, the Children's Health Insurance Program (CHIP), foster care, and other federally supported services, plus the exclusion of most medical cost-per-client growth in Medicaid and CHIP. This latter amount, estimated at \$1.9 billion in General Revenue midway through the 2019 session, could drop to \$1.5 billion if state budget-writers' \$350 million "cost containment" goal is achieved before 2021 ends. Otherwise the 2021 Legislature will have to deal with this in a supplemental spending package. Dividing Article II into Medicaid and non-Medicaid services like child protection or public health makes it easier to see how the so-called "Medicaid IOU" gives budget writers some breathing room that, while not realistic, is better than actual cuts to health care for low-income Texans.

## **4) Higher education funding is not what it seems and underinvests in financial aid.**

Higher education advocates may be puzzled about a \$4.6 billion, or 22 percent, All Funds boost in state-budget support for colleges and universities, which turns out to be only a 5 percent increase if we make an "apples to apples" comparison. "Apples to apples" would be financial aid and support for higher education institutions that were already in the budget. But "apples to oranges" is the new \$3.5 billion in the higher education budget for "disaster management."

In other words: Much of the All Funds increase of \$4.6 billion is not due to a real or significant boost in support for need-based financial aid, public community colleges or universities. H.B. 2794 created the Texas Division of Emergency Management as part of the Texas A&M system. Almost all of the \$3.5 billion in 2020-2021 funding for this entity, which was part of the Department of Public Safety until 2019, is federal grants.

## 5) Newly approved flood and disaster investments are technically in the past budget, not the new one.

Finally, the revised September 2019 budget figures show a seeming *decrease* in state-funds support for natural resources agencies such as parks and environmental services of \$1.9 billion, or 42 percent. Fortunately, this is not a real decrease, but entirely due to S.B. 500's one-time authorization **in 2019** of over \$1.8 billion in Economic Stabilization Fund support for flood prevention and mitigation and disaster response funds created by S.B. 7 and a recently approved proposition on the constitutional amendments ballot. The Water Development Board and the General Land Office will oversee these new funds. Though still not enough to address all existing community needs that remain unmet by federal aid, \$1.8 billion more for flood prevention and mitigation is definitely good news for Texans.

### What's next?

The 2020-2021 budget cycle is barely underway, yet advocates should already be thinking about 2022-2023. The Health and Human Services Commission, for instance, is asking stakeholders to submit ideas and recommendations for improving health care, nutrition assistance, and other services it oversees by **November 22** to [CFOStakeholderFeedback@hhsc.state.tx.us](mailto:CFOStakeholderFeedback@hhsc.state.tx.us). HHSC requests that emails include:

- Your name or the name of your organization and a contact person.
- A clear, concise description of the recommendation.
- What need the recommendation would address, and the expected impact or benefit to Texas or the people HHSC serves.

CPPP will continue to dig into details of the state budget. Follow us for updates and further analysis.

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