

10 Things to Know about the Texas House Budget Proposal

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On April 6 the Texas House will debate and consider amendments to its 2018-2019 state budget proposal. It's one of the most important days of the legislative cycle, as decisions can determine the fate of public education, health care and other key programs Texans rely on.

Ahead of Thursday's debate, here are 10 things to keep in mind:

1. **The numbers.** The House proposes to spend \$218 billion over the 2018-2019 period. This "All Funds" number is a combination of federal and state funds, including a small part of the Texas [Economic Stabilization Fund](#) (usually called the Rainy Day Fund). The proposal is \$3.3 billion less than the House initially proposed in January, partially due to a House accounting trick that would delay a \$1.9 billion payment to school districts until September 2019.
2. **The supplemental.** Separately, in House Bill 2, the House proposes changes to the 2016-2017 budget, which ends on August 31, 2017. This is normal, and the supplemental budget includes important health care and other costs that the Legislature didn't fully cover last session. The Senate's supplemental proposal (SB 1266) does not currently cover our Medicaid bills for 2017 - \$2.6 billion in state and federal funds.
3. **The good.** The 2018-2019 House budget proposal includes important investments in public schools, retired teachers' health care, child protective services, mental health and higher education. Many policies that the Legislature intends to pass need support in the state budget process, and we're glad to see common-sense, beneficial policies in these areas receive funding.
4. **The bad.** We are concerned that the current proposal includes large gaps in Medicaid funding, that could translate into cuts to health care. The House's "federal flexibility" language cuts \$1 billion from state Medicaid funding, which would also wipe out about \$1.4 billion in federal matching funds. The House budget also calls for a \$450 million state funds reduction to the Health and Human Services Commission's Medicaid and other contracts. Over 3 million Texas children receive Texas Medicaid today. Medicaid covers the delivery of more than half of Texas babies. And two-thirds of Texans living in nursing homes rely on Medicaid. The House justifies the "flexibility" reduction by assuming changes in federal Medicaid law will provide more funding or make it possible to do more with much less, but we'd prefer to see House budget writers build in some safeguards in case – as we suspect – neither is ultimately possible.
5. **Rainy Day Fund.** The House wisely proposes using some of the [Rainy Day Fund](#), which the Comptroller estimates will otherwise contain almost \$12 billion by the time the next budget cycle begins. Texas has the largest such savings account in the country, and it's designed specifically for times like now, to prevent or reduce sudden massive cuts to schools, health care and other state services. The House proposal would use 21 percent of the projected balance – the lowest share ever used in years when the Fund has been used at all.

6. **Revenue.** Understanding the House or Senate budgets (which are, by definition, plans for how to spend money) requires a look at the state’s revenue proposals as well (how the state raises money). The Senate, for example, is considering over a dozen “priority” bills that would limit state or local government’s ability to raise revenue (like SB 17 and SB 2) and bills that would add create unfunded mandates for local governments (like SB 4, the so-called “sanctuary cities” bill). Notably, SB 17 would put in place a phase-out of the franchise (or margins) tax, the third largest source of state tax revenue in the budget. Eliminating the franchise tax completely would mean almost \$8 billion in lost state revenue for 2018-2019. **This would be much more damaging than any cuts in the current budget.**
7. **Comparison.** We will have more to say about how the final Senate budget compares to the final House budget next week, before the conference committee process begins. As things stand now, the House does a better job funding public education, while the Senate has more funding for Medicaid in 2018-2019 – but not in 2017. We are equally alarmed by both chambers’ [unwillingness to invest in a strong future for our great state](#). Both chambers would keep total spending about where it is in the current biennium, despite our state’s rapid population growth, not to mention inflation. And any revenue cuts proposed by the House or Senate make Medicaid underfunding or accounting tricks much more problematic. Especially where Medicaid is concerned, recent legislative sessions have seen budget writers “kick the can” down the road...but just as in 2015, **the can is being kicked down the road straight into a tax-cut-steamroller.**
8. **Digging a hole.** Lawmakers [dug themselves into this budget hole](#), and now they’re trying to dig even further. Short-sighted tax cuts and diversions in the last two legislative sessions mean that lawmakers reduced General Revenue available to write the 2018-2019 state budget by at least \$10 billion – independent of the drop in oil and gas prices. Now is not the time to pass more tax cuts or further limit the state’s ability to meet the needs of a growing population.
9. **“Fully fund.”** Be wary of the phrase “fully fund,” which you will hear a lot these days. Both chambers will claim they are “fully funding” critical state programs. But remember that the heads of Texas state agencies and universities – appointed over the last decade or so by Governors Abbott and Perry – collectively said that it would take \$232 billion to deliver the services Texans need effectively. Comparing \$232 billion to the \$218 billion in the Senate and House budget proposals shows how severely the next budget would underfund education, health care, public safety, and other services.
10. **What next?** House members will be able to offer amendments to the House budget (and to HB 2, the 2017 supplemental budget bill) during debate on Thursday. But they won’t be able to add to the total General Revenue or the amount of the Rainy Day Fund proposed in the budget bills. We’ll be watching for dangerous amendments that would take money from already underfunded areas, such as women’s health. We hope that the House amends the current proposals that underfund Medicaid to clearly protect health care for children, pregnant women, the elderly, and Texans with disabilities.

Look for more analysis from CPPP all week as we dive into the details of the proposed House budget.

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