

# Comparing the Texas Senate and House Budgets

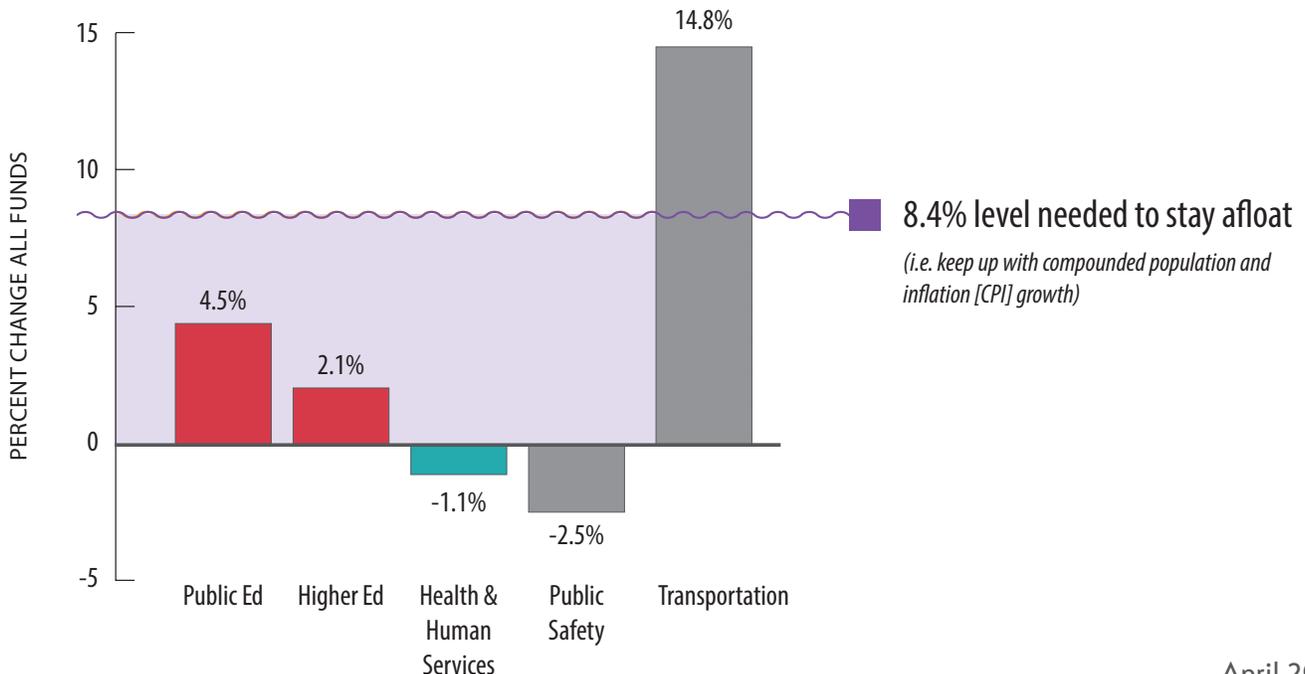
The Texas Senate and House of Representatives have each approved their state budget proposals for 2018-2019. As a conference committee prepares to iron out the details, CPPP highlights key differences in health care and education that must be resolved.

CPPP recommends that the conference committee members adopt the best elements of each budget proposal to most effectively support health care, education and other essential programs and services that benefit all Texans.

## Key Takeaways

- **Not good enough for Texas:** Neither chamber’s \$218 billion All Funds proposal keeps up with projected population and inflation by 2019. Except for highways, almost every area of state spending faces cuts or underfunding. Those who claim that we have to cut programs because it’s a “tight budget” should remember that lawmakers dug themselves into this hole. The 2013 and 2015 tax cuts and revenue diversions reduced the amount of General Revenue – mainly used for health care and education – by more than \$10 billion, independent of the drop in oil and natural gas prices.
- **Accounting tricks:** The House proposes delaying \$1.85 billion school district payments slightly – an accounting maneuver also used in 2003 and 2011. The Senate proposes delaying a revenue transfer for highways in a way that would count the same \$2.5 billion twice. The total value of the House budget proposal increases to \$220 billion if the deferred payment is included.
- **Rainy Day Fund:** The state’s [Rainy Day Fund](#) already contains \$10 billion, making it the largest such reserve fund in the country. The House proposal would use \$2.5 billion from the Fund but the Senate leaves it untouched. If the Legislature fails to use any of the funds this cycle, then lawmakers are choosing to cut and underfund key state services unnecessarily. The Rainy Day Fund is specifically designed for times like these, to help prevent drastic cuts to essential services like health care and education.
- **Double Whammy:** It’s one thing to cut or underfund state services. But adding large tax cuts – like those proposed for the franchise tax – on top of accounting tricks, cuts and underfunding means lawmakers will face an even more dire budget situation when they return in 2019.

**Texas Budget - Best Case Scenario:** *Even taking the best of both budgets is not enough for education and health care to keep up*



# Ensure Health and Wellness



## Medicaid

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
<p>\$64.2 billion All Funds (federal + state funding), of which \$26.1 billion is General Revenue</p> <p>This includes \$2.6 billion All Funds (\$930 million GR) needed for Medicaid obligations that would be provided in supplemental appropriations. The House has passed HB 2, which includes this funding. The Senate did not mention Medicaid in its filed version (SB 1266), and the Senate Finance Committee has not yet heard a supplemental appropriations bill.</p>	<p>\$63.9 billion All Funds, of which \$26.2 billion is GR. Assumes \$410 million GR reduction from cost-containment initiatives.</p> <ul style="list-style-type: none"> <li>• The Senate does not include the Legislative Budget Board's (LBB) projected enrollment growth for 2019, funding two years at 2018 enrollment levels. The Senate does add 267 "slots" to the Home and Community-based Services (HCS) waiver, which has a waiting list of over 82,000 and more than a five-year wait for over half those on the list.</li> <li>• The cost-containment "rider" lists a menu of policy changes that the Health and Human Services Commission (HHSC) can use to reduce Medicaid spending.</li> </ul>	<p>\$63.2 billion All Funds, of which \$25.8 billion is GR. Assumes \$110.8 million GR reduction from cost-containment initiatives, plus a \$1 billion GR reduction from "federal flexibility," which is uncertain. During mark-up, HHSC appropriations were also reduced by another \$450 million GR to meet a "target savings" in contract-related cost containment.</p> <ul style="list-style-type: none"> <li>• House budget writers adopted instructions that clarify that they do not intend to make program cuts related to the \$1 billion federal flexibility instruction, but they did not include any written or public discussion about avoiding program cuts (benefits, eligibility, or provider payments) that could result from the \$450 million GR contract-related reduction.</li> <li>• Like the Senate, the House's smaller cost-containment "rider" lists a menu of policy changes that HHSC can use to reduce Medicaid spending.</li> </ul>
<p>Neither proposal covers per-client cost increases, estimated at \$4.5 billion All Funds (\$1.9 billion GR).</p>		

### CPPP Insights

Texas Medicaid covers over 4 million Texans, over 3 million of them children. Over half of babies delivered, virtually all community-based care for Texans with disabilities and seniors, and about two-thirds of nursing home residents are covered by Medicaid today. Consistent downward pressure by legislators has reduced Texas Medicaid per-client costs to below 2000 levels when adjusted for inflation.

At best, both chambers seem to be "kicking the can down the road" to make Medicaid whole in 2019. But the combined threats of damaging revenue cuts under consideration at the state level and Congressional pressure to cut Medicaid funding to states could force major program cuts if funding is not provided on the back end. This should alarm everyone who cares about access to health care for low-income Texans, and anyone who cares about the health of Texas' safety net and trauma care systems. Federal and state health care funding cuts will be passed on to local governments, and communities will be forced to cut care or raise local taxes.

# Ensure Health and Wellness



## Children's Health Insurance Program (CHIP)

2016-17 level	2018-19 Senate and House Budgets
\$1.8 billion All Funds, of which \$158 million is GR	\$2.0 billion, of which \$149.4 million is GR. Neither proposal covers per-client cost increases, estimated at \$53 million (\$15 million GR); premiums are maintained at the same levels as fiscal year 2017. The funding increase is for expected caseload growth: 396,000 kids are covered by CHIP in 2016 (monthly average, all CHIP programs), rising to almost 445,800 by 2019.

### CPPP Insights

Federal Medicare Access and CHIP Reauthorization Act (MACRA) funds are likely to run out in the 2018 state fiscal year. Both the House and Senate assume that new federal funding will continue CHIP through 2018 and 2019, but that is uncertain. Over 92 cents per dollar of CHIP spending in Texas is federally funded today, so Congressional reauthorization of both the program and of the current federal "mega-match" will be needed to keep Texas children out of danger.



## Women's Health Programs (HHSC)

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$254 million All Funds (\$230.5 million General Revenue).	\$285 million All Funds (\$81 million General Revenue)	\$295 million All Funds (\$271 million General Revenue)

### CPPP Insights

In 2017, 189,450 clients are served in the Healthy Texas Women program, and 65,000 in Family Planning. Proposed funding would increase clients to 232,670 (Healthy Texas Women) and 77,152 (Family Planning) by 2019. This part of the budget also includes the Breast and Cervical Cancer Screening Program. The additional \$10 million in the House budget is reserved for Healthy Texas Women outreach and marketing only, not services. The Senate proposal has much less GR because of its HHSC Rider 184, which assumes significant federal funding for the Healthy Texas Women program starting in September 2017 from a not-yet-submitted Medicaid 1115 waiver. The Legislature should ensure that GR will be available to maintain current services and benefits in all women's health programs even if the federal waiver is reduced, delayed, or denied.

# Ensure Health and Wellness



## Behavioral Health and Substance Abuse Services

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$3.6 billion, of which \$2.7 billion is GR or GR-Dedicated (GR-D) funds, for behavioral health and substance abuse services not funded by Medicaid or CHIP.	\$3.6 billion, of which \$2.8 billion is GR or GR-D. This would only provide behavioral health funding to 17 agencies in 2018-2019.	\$3.8 billion, of which \$2.8 billion is GR or GR-D. The House proposes \$105 million of GR contingent on legislation based on House Select Committee on Mental Health recommendations. The 18 funded agencies include the Court of Criminal Appeals – \$131,000 annually to provide continuing legal education on mental health issues. \$145.5 million from the Economic Stabilization Fund would pay for state hospital critical maintenance needs and forensic bed capacity (state and community hospitals).
Senate and House proposals are similar; in mark-up, both chambers added \$31 million GR (\$44 million total) to the draft proposals to provide mental health services to certain indigent clients formerly served by NorthSTAR.		

### CPPP Insights

We are pleased to see both chambers make mental health a priority this session.



## Child Protective Services (CPS)

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$2.9 billion, of which \$1.6 billion is GR	\$3.4 billion, of which \$2.0 billion is GR. There is an All Funds biennial increase of \$429 million (15 percent).	\$3.5 billion, of which \$2.0 billion is GR. There is an All Funds biennial increase of \$514 million (18 percent).

### CPPP Insights

Both budgets include funding to maintain increases in staffing and higher pay approved during the interim. Contingent on HB 4 or similar legislation, the House, unlike the Senate, includes \$32.5 million in Economic Stabilization Funds to expand kinship/relative caregiver payments. House Bill 4 and other bills would make important steps toward supporting kinship caregivers like grandparents, who step up to help Texas children. Learn more at [forabettertexas.org/kinshipcare](http://forabettertexas.org/kinshipcare).

# Expand Economic Opportunity



## Public Education

### Foundation School Program

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
<p>\$42.4 billion All Funds, of which \$35.5 billion is General Revenue</p> <p>The Foundation School Program is the main way that state aid is provided to public school districts and charter schools to educate the 4.9 million students in average daily attendance (2015-16).</p>	<p>\$42.0 billion, of which \$33.7 billion is GR</p>	<p>\$42.1 billion, of which \$33.7 billion is GR</p> <p>Proposal has an additional \$1.5 billion, contingent on HB 21 or other legislation that improves equity, reduces recapture, and increases the state's share of the Foundation School Program. However, the increase is offset by postponing a \$1.85 billion payment to schools until September 2019. Core per-pupil funding (the Basic Allotment) would increase from \$5,140 in 2016-2017 to \$5,350 in 2018-2019. HB 21 reduces recapture by \$174 million in 2018 and \$205 million in 2019.</p>
<p>House and Senate assume local property taxes for schools increase by \$6 billion in the next two years, from \$53 billion in 2016-17 to \$59 billion in 2018-19. This would be generated by a 5.85 percent increase in tax year 2017; 4.89 percent in 2018.</p>		

### CPPP Insights

Even with the assumed increase, the state's share of overall funding will decline from 45.9 percent in 2012 to 37.9 percent (Senate) or 38.8 percent (House) in 2019, with the assumed increase in local property taxes. This means the school finance system will be even more reliant on local property tax revenue. Both versions of the budget fall short of the estimated [\\$2.7 billion](#) needed to keep pace with inflation.

The Senate has approved a voucher proposal (SB 3) that could drain millions of dollars from public schools. In contrast, the House, in its floor debate on the 2018-19 budget, voted 103-44 in favor of an amendment that prohibits state funds for being used for "nonpublic education", including vouchers, education savings accounts, or tax credit scholarships. [Read more](#) about the voucher proposal.

### Pre-K

2016-17 level	2018-19 Senate and House Budgets
<p><b>Foundation School Program (formula funding):</b> \$1.515 billion</p>	<p>No new funding in House or Senate.</p>
<p><b>Non-formula Funding:</b></p> <ul style="list-style-type: none"> <li>• "High Quality" Pre-K Grant: \$118 million</li> <li>• Supplemental Pre-K Funding: \$30 million</li> </ul>	<p>House has \$117 million for enhanced pre-K capacity, and Senate has \$65 million for the Public-Private Prekindergarten Partnership program.</p>

### CPPP Insights

The best approach would be to fund Pre-K through the school funding formulas, because formula funding is predictable and harder to cut than separate programs. [Read more](#).

# Expand Economic Opportunity



## Higher Education State Funding

### State Funding for Four-Year Academic Universities

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$4.965 billion of General Revenue to help support a fall 2016 enrollment of 636,750 students.	\$4.746 billion of GR, or 4.4 percent less in formula and special item support.	\$4.990 billion of GR, or 0.5 percent more.

### State Funding for Health-Related Institutions

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$2.811 billion of GR to support educating 24,450 students in fall 2016.	\$2.807 billion of GR, or 0.1 percent less in formula and special item support.	\$2.838 billion of GR, or 1.0 percent more.

### State Funding for Community and Junior Colleges

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$1.779 billion of GR to support a fall 2016 enrollment of almost 732,300 students (credit courses only).	\$1.788 billion of GR, or 0.5 percent more.	\$1.786 billion of GR, or 0.4 percent more.

### CPPP Insights

The Texas Senate is sending mixed signals on higher education, demanding that universities help more students graduate college while giving institutions less money to make that happen. The proposed Senate budget would cut over four percent in formula and special item funding for 2018-19. Even the House's small increase, however, fails to reverse the long-term decline in state support for Texans struggling to pay the increasing cost of a bachelor's degree.

Beyond the Senate cuts to public 4-year universities, both chambers propose about the same or small increases in GR for public health-related institutions and community and junior colleges.

CPPP is an independent public policy organization that uses research, analysis and advocacy to promote solutions that enable Texans of all backgrounds to reach their full potential. Learn more at [CPPP.org](http://CPPP.org). For more information, please contact Oliver Bernstein at [bernstein@cppp.org](mailto:bernstein@cppp.org) or call 512.823.2875.

# Expand Economic Opportunity



## Higher Education Financial Aid Programs

### Texas Grant Program

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$716 million All Funds. Need-based grants will reach 71,000 students in 2017. The program serves high school graduates or recent recipients of associate's degrees who completed the Recommended or Advanced High School Program, are enrolled in college at least ¾ time and maintain a 2.5 GPA or higher.	\$760 million, a 6.2 percent increase; almost 76,900 students would receive grants in 2019	\$803 million (including Economic Stabilization Funds), a 12.1 percent increase

### Tuition Equalization Grants

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$192 million. These are need-based grants for students attending independent non-profit colleges. Students must be enrolled in college at least ¾ time and maintain a 2.5 GPA or higher.	\$172 million (a 10.7 percent decrease from current funding)	\$183 million (5.0 percent decrease from current funding)

### Texas B-On-Time

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$80 million. Legislature ended program for new students in 2015. These are zero-interest loans to students who graduate high school under the Recommended or Advanced High School Program and attend a public or private Texas university. The loan is forgiven if students graduate with a B average within the number of years required for the degree program or within six hours of their major.	\$25 million (a 68 percent decrease from current funding)	\$91 million (13 percent increase from current funding)

### Top Ten Percent Scholarships

2016-17 level	2018-19 Senate and House Budgets
\$18 million. Legislature ended program for new students in 2015. This is an up to four-year, need-based, renewable scholarship for Texans graduating in the top 10 percent of their high school class if they enroll full-time and maintain at least a 3.25 college GPA.	\$3.2 million (82 percent decrease from current funding)

### Other Higher Education Coordinating Board financial aid

2016-17 level	2018-19 Senate Budget	2018-19 House Budget
\$120 million for Texas Educational Opportunity Grants (TEOG), College Work Study, Texas Armed Services Scholarships, License Plate Scholarships, and Educational Aide program.	\$119 million (a 1.2 percent decrease from current funding) for the programs listed above. Separately: The Senate proposes \$30 million contingent on SB 18 or other legislation creating the Texas Student First Program Account.	\$172 million (a 43 percent increase from current funding). Most of the additional funding is for the TEOG program for Community Colleges.