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CSSB 1:

The House Appropriations Committee's Proposed Budget for Fiscal 2022-23

The House Appropriations Committee reported CSSB 1 by Nelson (Bonnen), the general appropriations bill for fiscal 2022-23, on April 12, 2021, by the following vote:

26 ayes – Bonnen, M. González, Ashby, C. Bell, Capriglione, Dean, Dominguez, Gates, Holland, Howard, A. Johnson, Jarvis Johnson, Julie Johnson, Minjarez, Morrison, Raney, Rose, Schaefer, Sherman, Stucky, E. Thompson, Toth, VanDeaver, Walle, Wilson, Zwiener

0 nays

1 absent – Wu

This report presents an overview of the proposed state budget and of each article of CSSB 1. It highlights some of the significant budget issues, including different proposals for funding individual agencies and programs. For further background on the state budget, see HRO State Finance Report 87-1, *Writing the State Budget, 87th Legislature*, March 8, 2021.

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Fiscal 2022-23 General Appropriations Act

CSSB 1, the House Appropriations Committee version of the fiscal 2022-23 state budget, would authorize total appropriations of \$246.8 billion, a decrease of 6.8 percent from fiscal 2020-21. General revenue appropriations would total \$117.9 billion, an increase of \$3 billion, or 2.6 percent, from anticipated general revenue spending in fiscal 2020-21. Appropriations of general revenue dedicated funds would be \$6.3 billion, a decrease of \$257.2 million from fiscal 2020-21.

The table below details overall spending in CSSB 1 by type of funds and the amounts estimated/budgeted for fiscal 2020-21, the amounts recommended for fiscal 2022-23 in CSSB 1, and the change the recommendation would represent from fiscal 2020-21.

Spending limits

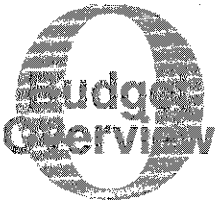
Appropriations from the proposed House budget, along with the proposed House supplemental budget, would comply with the four constitutional limits on spending, according to the Legislative Budget Board (LBB). Funding from general revenue in CSSB 1 would total \$117.9 billion, which is about \$0.4 million below the general revenue funds that the comptroller estimated would be available for general purpose spending for fiscal 2022-23, factoring in cost savings in fiscal 2020-21 contingent on the proposed supplemental budget. This is often called the “pay-as-you-go” limit.

The proposed House budget also would be \$4.2 billion below the limit established on the spending of certain state tax revenue not dedicated by the Texas Constitution. It would comply with the state’s limit on welfare spending as well as with the limit on state debt.

Biennial spending comparisons (millions of dollars)

Type of funds	Estimated/ budgeted fiscal 2020-21	Recommended fiscal 2022-23 CSSB 1	Biennial change	Percent change
General revenue	\$114,947.8	\$117,907	\$2,959.2	2.6%
GR dedicated	\$6,532.3	\$6,275.1	(\$257.2)	(3.9%)
Federal	\$99,446	\$83,313.2	(\$16,132.8)	(16.2%)
Other	\$43,878.3	\$39,283.2	(\$4,595.1)	(10.5%)
All funds	\$264,804.4	\$246,778.6	(\$18,025.9)	(6.8%)

Source: Legislative Budget Board, Summary of Committee Substitute for Senate Bill 1, April 2021
Totals may not sum due to rounding.



Article 11

CSSB 1 includes an Art. 11 list, sometimes referred to as a “wish list.” It is an informational listing of the House Appropriations Committee’s priorities for spending beyond what is in the proposed budget. The Art. 11 list, which totals \$23.6 billion, will be considered by the House and the conference committee and could result in the funding of some items.

Economic Stabilization Fund

The Economic Stabilization Fund (ESF), also known as the “rainy day fund,” is expected to reach \$11.6 billion by the end of fiscal 2023, absent an appropriation, according to the Legislative Budget Board. CSSB 1 would not make any appropriations from the ESF. The proposed House supplemental budget would appropriate \$876.3 million from the fund. The Senate version of SB 1 did not make any appropriation from the ESF.

Supplemental appropriations

CSHB 2 by Bonnen, the proposed House supplemental budget, would reduce appropriations in fiscal 2020-21, including a reduction of \$7.5 billion in general revenue funds. These reductions, together with appropriations made by the bill, including \$876.3 million from the ESF, result in total net savings of \$6.2 billion. The impact of CSHB 2 and lapses in 2020 spending are estimated to result in a net certification savings of \$5.7 billion over the comptroller’s Biennial Revenue Estimate, according to the LBB.

Federal funding

Several measures were enacted in 2020-21 by the U.S. Congress in response to the coronavirus pandemic, directing funds to the state for virus testing and medical supplies, unemployment insurance, education, and other programs. Texas has received funding from six federal spending bills, which were passed between March 2020 and March 2021:

- the Coronavirus Preparedness and Response Supplemental Appropriations Act;
- the Families First Coronavirus Response Act;
- the Coronavirus Aid, Relief, and Economic Security (CARES) Act;
- the Paycheck Protection Program and Healthcare Enhancement Act;
- the Coronavirus Response and Relief Supplemental Appropriations Act; and
- the American Rescue Plan Act.

The total funds received from the first four bills was around \$21.1 billion as of April 2021, according to the LBB, not including direct allocations to local entities and non-state agencies. The two most recently passed bills will include additional funding to Texas.

General Government — Article 1

The 21 agencies in Art. 1 perform many of the core operations of state government. They include:

- offices of the governor, secretary of state, attorney general, and comptroller;
- agencies charged with general operations of state office buildings and bond issues; and
- agencies that administer state employee benefits, pensions, and workers' compensation programs.

For Art. 1 agencies in fiscal 2022-23, CSSB 1 would authorize total appropriations of \$6.9 billion, a decrease of \$982.1 million, or 12.4 percent, from fiscal 2020-21. General revenue appropriations would total \$4.2 billion, an increase of \$181 million, or 4.6 percent, from anticipated general revenue spending for Art. 1 in fiscal 2020-21. Appropriations of general revenue dedicated funds would be \$564.7 million, a 29.7 percent decrease from fiscal 2020-21.

State contribution to state employee retirement fund

Employees Retirement System of Texas

CSSB 1 \$1.4 billion in all funds
Article 11: \$952.5 million in all funds, including \$688.6 in general revenue

Senate \$1.4 billion in all funds

CSSB 1 would appropriate \$1.4 billion in all funds for the state contribution to the Employees Retirement System (ERS) of Texas. ERS is a retirement benefit provided to eligible state employees and elected officials and is funded by state contributions, employee contributions, and investment earnings.

A 2020 actuarial valuation of ERS reported that, at current contribution rates, the pension plan will not have enough money to pay all current and promised benefits. To be considered actuarially sound under state law, the pension fund requires total contributions sufficient to fund the normal cost of the plan and to pay off the unfunded liability — the difference between the market value of the assets and the present value of future payment obligations — in no more than 31 years. The valuation assessed the unfunded actuarial accrued liability at \$14.7 billion. The fund's assets are anticipated to be depleted in fiscal 2061.

CSSB 1 would place in Art. 11 an agency request of \$952.5 million in all funds to increase the state contribution to ERS to 16.13 percent, which when combined with member and agency

contributions of 9.5 and 0.5 percent, respectively, would result in the ERS retirement fund reaching the actuarially sound contribution rate of 26.13 percent of payroll.

Supporters of CSSB 1 say that while the state employee retirement system is an important obligation and the problem with the fund cannot be ignored, raising the state contribution rate, especially by 6.63 percent to 16.13 percent, would not be financially prudent in an uncertain budgetary environment and could cause other important and more pressing needs to go unmet.

The bill would place ERS-requested funding for an increase in the state contribution rate to the retirement fund in Art. 11 so it can continue to be considered during the budget process. Due to the effects of the coronavirus pandemic on the state budget, related pending federal funding, and uncertain revenue numbers, it is appropriate to keep the funds alive in Art. 11. This could allow the Legislature to increase funding to the ERS retirement fund once federal funding and the overall budget outlook was resolved. While some suggest using the Economic Stabilization Fund or future federal funds instead of general revenue to adequately fund ERS, supporters of CSSB 1 say the Legislature should be careful to not use such funding sources for recurring costs.

Others have raised concerns that raising the state contribution rate would create a constitutional issue. The agency asked in its legislative appropriations request that the state's contribution rate increase to 16.13 percent, which would exceed the constitutionally permitted maximum of 10 percent under Texas Constitution Art. 16, sec. 67(b)(3). The current state and agency contribution rates are 9.5 and 0.5 percent, respectively.

Critics of CSSB 1 say it would not adequately support a strong retirement system, which is crucial for recruiting and retaining the state workforce. The amount appropriated in CSSB 1 for the state contribution to ERS would not be enough to make the fund actuarially sound, they say. The Legislature should fund ERS' request to increase the state contribution rate, committing to a path that would meet long-term obligations to ERS retirees and put the retirement fund back on track to full funding.

Failing to address the problem with ERS would make it more expensive for taxpayers to fix in the future and could impact the state's financial status. Each biennium that ERS does not receive actuarially sound contributions, it will continue to accrue liabilities, with the current unfunded liability of \$14.7 billion expected to grow by about \$1 billion per biennium. The main ERS retirement fund is set to deplete by 2061 and will require, in the absence of any action, those benefits to be paid on a pay-as-you-go basis, which means the annual benefit costs would be about four times more than the cost of pre-funding. Further, unfunded pension funds can negatively impact the state's credit rating.

Given the uncertain budgetary environment, the ERS unfunded liability could be managed in a phased approach. Putting the unfunded liability on a payment plan to be escalated over time as budget outlooks shift could eliminate the depletion date and stop the accrual of liabilities. Just as the Legislature addressed the Teachers Retirement System last session by putting a steady plan in

place to increase contributions over time, it now is appropriate to address ERS in the same way. Any increase in the state contribution would not be indefinite. Once managed, both state and employee contributions could be reduced to cover the inherent cost of benefits, which total about 14 percent.

While fully funding the ERS request to raise the state contribution to 16.13 percent would exceed the maximum contribution rate established in the Texas Constitution, the constitution also provides that in an emergency determined by the governor, the Legislature may appropriate such additional sums as are actuarially determined to be required to fund benefits authorized by law.

Other critics of CSSB 1 say that ERS should shift from a defined-benefit system to a defined-contribution model, similar to a 401(k), to make the program more financially sustainable. Having a financially stable retirement plan would benefit state employees and all of the state's taxpayers.

Victims' assistance programs

Office of the Attorney General

CSSB 1	\$41.2 million reallocated to victims' assistance from legal services and agency IT projects \$13.8 million reduction to HHSC from the Crime Victims' Compensation Account \$11.2 million reduction to HHSC and Trusteed Programs in the Office of the Governor from Sexual Assault Program Account
Senate	\$41.2 million in general revenue for transfer to victims' assistance \$14.9 million in general revenue for transfer to Crime Victims' Compensation Account \$13.1 million in general revenue for transfer to Sexual Assault Program Account

CSSB 1 would reallocate a total of \$41.2 million in unexpended balance (UB) appropriated receipts within the Office of the Attorney General (OAG) to maintain funding levels for victims' assistance grants in the 2022-23 biennium. It would reallocate \$33.1 million in UB appropriated receipts from legal services and \$8.2 million in UB appropriated receipts from agency IT projects to victims' assistance. OAG coordinates with law enforcement entities, prosecutors' offices, and other state agencies and nonprofit organizations to provide grants and contracts supporting victim-related services.

The Crime Victims' Compensation Account receives revenue from certain court costs and fees to provide funding for crime victims' compensation and victims' assistance programs at OAG, as well as for certain programs at the Health and Human Services Commission (HHSC) and for public safety benefits by the Employees Retirement System. To address a projected shortfall due to declining

revenue of \$13.8 million at the end of fiscal 2023, CSSB 1 would enact a method of finance swap by reducing appropriations to HHSC for child advocacy programs from the Crime Victims' Compensation Account by \$13.8 million and replacing it with general revenue.

The Sexual Assault Program Account provides funding for grants to support victims of sexual assault and human trafficking. In addition to OAG, appropriations out of the account are made to HHSC, the Office of the Governor, the Department of Public Safety, and the Supreme Court. The account receives revenue from certain fees from individuals convicted of sexually related offenses as well as professional fees collected from sexually oriented businesses. To address a projected shortfall due to declining revenue of \$11.2 million at the end of fiscal 2023, CSSB 1 would enact a method of finance swap by reducing appropriations to HHSC and Trusteed Programs in the Office of the Governor from the Sexual Assault Program Account by \$10 million and \$1.2 million, respectively, and replacing it with general revenue.

Supporters of CSSB 1 say it would prioritize funding for crime victims' services by using general revenue in place of appropriations out of the Crime Victims' Compensation Account and the Sexual Assault Program Account to various agencies to address projected funding shortfalls at the end of fiscal 2023 in the general revenue dedicated accounts related to crime victims' compensation and the sexual assault program. The bill also would maintain current funding levels for victims' assistance programs through fiscal 2022-23 by reallocating UB appropriated receipts within OAG. Given the state's current fiscal situation and related uncertainties, CSSB 1 would balance the most pressing priorities by proposing appropriate funding decisions to keep the state's promises to crime victims and victims of sexual assault.

Critics of CSSB 1 say that while it would address projected funding shortfalls in victims' assistance accounts and maintain funding levels for victims' assistance grants, by reallocating appropriated receipts from legal services and agency IT projects to victims' assistance the bill would not adequately solve the issue and could create additional problems. Reallocating critically needed UB appropriated receipts from legal services would reduce a core function of OAG, impacting the agency's ability to provide civil legal services at current levels and reducing a major revenue source from attorneys' fees. Reallocating UB appropriated receipts from agency IT projects would result in the loss of federal funding for its child support IT modernization project. To protect the core functions of the agency, CSSB 1 should take the approach of the Senate and reallocate the UB appropriated receipts back to legal services and agency IT projects and instead use \$41.2 million in general revenue to restore funding for victims' assistance programs. This solution would support both the agency and crime victims.

Additionally, the Senate appropriated more than the deficit amount for both the Crime Victims' Compensation Account and the Sexual Assault Program Account, which would provide a cushion in the event the projected shortfall increased. CSSB 1 also should take this approach to ensure the state keeps its promise to crime victims and victims of sexual assault.

State of Texas v. Google, LLC litigation

Office of the Attorney General

CSSB 1 No funding
Article 11: \$43.3 million in general revenue funds

Senate \$43.3 million in general revenue funds

CSSB 1 would not include funding but would place an agency request of \$43.3 million in general revenue funds in Art. 11 for litigation that is being pursued by the Office of the Attorney General (OAG) against Google for alleged violations of federal and state antitrust and consumer protection laws. The lawsuit, led by Texas in a multistate coalition, alleges that Google monopolized or attempted to monopolize products and services used by advertisers and publishers in online display advertising. The complaint also alleges that Google engaged in false, misleading, and deceptive acts while selling, buying, and auctioning online display ads and suppressed competition.

The requested funding would be used to retain outside legal counsel related to antitrust to aid the state in its claims. State law requires that outside counsel in cases like this be compensated by a method derived from their hourly billing rates.

Supporters of CSHB 1 say it would appropriately place \$43.3 million in general revenue in Art. 11 to fund outside counsel for *State of Texas v. Google, LLC* litigation for continued consideration during the budget process. Given current fiscal uncertainty and unresolved revenue numbers, keeping the funds alive in Art. 11 would signal the intention of lawmakers to balance their support of the Office of the Attorney General's efforts in a case that could bring relief to consumers and substantial money back to the state with the need to use taxpayer dollars to fund this session's priorities.

Critics of CSHB 1 say the Legislature should fully fund OAG's request to fund experts for its antitrust case against Google, providing the office with all the tools necessary to be competitive and successful in the case. OAG believes it has a strong case and likely will be successful, but to compete with the lawyers and experts retained by Google the office will need to seek outside counsel and experts at high premiums. Few lawyers have the specialized expertise to successfully and competently litigate an anti-trust case at this scale. Additionally, there are a limited number of experts who understand the unique and technical facts of the case, including financial markets, algorithms, and online advertising.

Health and Human Services — Article 2

Art. 2 covers the state's health and human services system, which includes three agencies: the Health and Human Services Commission (HHSC), the Department of State Health Services (DSHS), and the Department of Family and Protective Services (DFPS).

HHSC oversees several programs, including Medicaid, the Children's Health Insurance Program (CHIP), Healthy Texas Women (HTW), long-term care, Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF). DSHS is the state's public health agency and implements infectious disease prevention and control measures, provides vital statistics, conducts laboratory testing, and maintains the state's immunization registry. DFPS manages the state's foster care system and is responsible for investigating reports of alleged abuse, neglect, and exploitation of children and adults.

CSSB 1 would appropriate \$87.2 billion in all funds for Art. 2 agencies, a decrease of \$8.5 billion, or 8.9 percent, from fiscal 2020-21. The bill would appropriate \$34.4 billion in general revenue funds for Art. 2 agencies, a decrease of \$1.5 billion from fiscal 2020-21. Appropriations of general revenue dedicated funds would be \$531.5 million, a decrease of \$8.7 million. The all-funds decrease of \$8.5 billion in fiscal 2020-21 is due primarily to:

- a decrease of \$1.8 billion in COVID-19 related federal funds;
- a decrease of \$6.1 billion in all funds related to Medicaid and Children's Health Insurance Program (CHIP) client services, primarily because of decreases in caseload associated with the assumed end of continued eligibility, which was required for states to receive the temporary 6.2 percentage point increase in the federal medical assistance percentage (FMAP) and other related matches in the Families First Coronavirus Response Act; and
- a decrease of \$600 million in other funds for capital repairs and renovations at certain state facilities.

Medicaid client services

Health and Human Services Commission

CSSB 1 \$64.7 billion in all funds, including \$23.9 billion in general revenue and general revenue dedicated funds

Article 11: \$2.7 billion in all funds, including \$1.4 billion in general revenue, in exceptional item requests for Medicaid cost growth

Senate \$67.3 billion in all funds, including \$23.6 billion in general revenue and general revenue dedicated funds

CSSB 1 would appropriate \$64.7 billion in all funds, including \$23.9 billion in general revenue and general revenue dedicated funds for Medicaid client services at the Health and Human Services Commission (HHSC). This would be a decrease of \$5.7 billion in all funds and a decrease of \$1 billion in general revenue funds. Less favorable federal medical assistance percentages (FMAPs), which is the amount the federal government pays for state Medicaid costs, combined with the assumed loss of a temporary 6.2 percentage point increase to the FMAP, result in a lower proportion of the Medicaid program being funded with federal funds. The federal Families First Coronavirus Response Act enacted in March 2020 authorized the 6.2 percentage point increase in the FMAP, which is available from January 1, 2020, through the last day of the federal fiscal quarter in which the public health emergency declared by the U.S. Health and Human Services secretary ends. To receive the enhanced FMAP, states must provide continuous coverage for Medicaid enrollees who were enrolled in the program on or after March 18, 2020. Sustaining Medicaid enrollment has been a significant factor in increased costs.

The bill placed in Art. 11 \$1.4 billion of the agency's \$1.5 billion exceptional item request for Medicaid cost growth.

Supporters of CSSB 1 say it would control costs in the Medicaid program while providing health care services for those who need them and sufficiently funding projected caseload growth for fiscal 2022-23. The bill would fund other programs providing client services that use Medicaid as a source of funding, such as the Early Childhood Intervention program, the Healthy Texas Women program, and State Supported Living Centers. The estimated Medicaid cost growth need could fluctuate over time; it would be more cost-effective to wait to address the cost growth in a potential supplemental funding bill.

Critics of CSSB 1 say the Legislature should immediately fund the agency's exceptional item request for Medicaid cost growth, totaling about \$1.5 billion in general revenue. Cost growth is primarily driven by reimbursement rate changes, medical inflation, higher utilization, and increased

acuity (the relative health of a person compared to other enrollees). If the Legislature chooses not to fund Medicaid cost growth now, legislators should enact a supplemental funding bill in fiscal 2021 to cover fiscal 2022-23 to ensure there is enough general revenue to cover Medicaid coverage costs when the federal public health emergency funding ends.

Community mental health adult, children, and crisis services

Health and Human Services Commission

CSSB 1 \$785.7 million in all funds for adult community mental health services
 \$187.9 million in all funds for children community mental health services
 \$231.4 million in all funds for crisis community mental health services

Senate \$776.3 million in all funds for adult community mental health services
 \$185 million in all funds for children community mental health services
 \$231.4 million in all funds for crisis community mental health services

CSSB 1 would appropriate \$1.2 billion in all funds for community mental health adult, children, and crisis services. Local mental health authorities and local behavioral health authorities would use the funds to provide to eligible adults and children various services, including counseling, pharmacological management, skills training, and psychosocial rehabilitation. Appropriations would include the Health and Human Services Commission's (HHSC) request for an additional \$200,000 for a grant to contract with the National Suicide Prevention Lifeline.

The bill also would appropriate \$145 million in general revenue for four community mental health grant programs. Funds would be used by HHSC to work with community mental health providers to provide mental health treatment and housing assistance to veterans and those involved in the criminal justice system.

Supporters of CSSB 1 say the bill would provide appropriate funding to address the needs of those who struggle with mental health issues. The ongoing COVID-19 pandemic has exacerbated underlying mental health conditions due to unemployment, business closures, loss of health insurance, delayed access to preventive care, remote learning, death of loved ones, food insecurity, and increased isolation. Investing in quality mental health services would help prevent adverse events, improve school performance, and strengthen continuity of care.

Supporters say the proposed funds for community mental health programs would help divert individuals experiencing mental illness from courts, emergency rooms, and jails. Without sufficient state funding, local communities would have to rely on limited resources to address peoples' mental

health needs. By funding community diversion and peer support programs, the bill would help reduce the financial burden on local government and taxpayers.

Critics of CSSB 1 say it should include funding for mental health clubhouses, which are peer-based, recovery-oriented community programs for adults living with mental health challenges. Clubhouses help individuals stay out of the criminal justice system and expensive psychiatric hospitals, find employment and housing, and learn tangible skills like sustaining meaningful relationships. For fiscal 2020-21, the Legislature included a rider to use appropriated funds for clubhouses. By including funding for clubhouses, the bill would provide another cost-effective option for adults with mental health issues who want to recover in a safe community environment.

State mental health hospitals

Health and Human Services Commission

CSSB 1 \$894.6 million in all funds, including \$763.1 million in general revenue for state mental health hospitals
Article 11: \$81.4 million for Kerrville State Hospital and new inpatient psychiatric facility in Harris County; \$8.2 million for repairs at Terrell State Hospital; and \$255 million for Dallas-Fort Worth State Hospital

Senate \$967.3 million in all funds for state mental health hospitals, including \$71.4 million in exceptional item requests for Kerrville State Hospital and portion of beds at new inpatient psychiatric facility in Harris County
Article 11: \$276.5 million for replacement campus at Austin State Hospital and San Antonio State Hospital; \$42.3 million for hospital planning efforts in the Dallas area and Panhandle region and for North Texas State Hospital-Wichita Falls and Terrell State Hospital

CSSB 1 would appropriate \$894.6 million in all funds, including \$763.1 million in general revenue, for state mental health hospitals. This would be a decrease of \$13.3 million in all funds and \$1.9 million in general revenue. The Health and Human Services Commission (HHSC) would use appropriated funds to operate recently expanded bed capacity at the San Antonio State Hospital. The bill would include \$81.4 million in Art. 11 funding for 260 FTEs to staff 70 new maximum security beds at Kerrville State Hospital. This funding also would allow HHSC to contract with the UT Health Science Center at Houston for a portion of the beds at the new inpatient facility in Harris County. Additional Art. 11 funding would include \$8.2 million for Terrell State Hospital and \$255 million for Dallas-Fort Worth State Hospital. CSSB 1 also includes \$10 million in Art. 11 funding for mental health community hospitals.

The Senate version of the bill contains a rider that would provide as part of HHSC's mental health community hospital funding up to \$15 million in available general revenue or federal funds to add state-purchased inpatient psychiatric beds in rural areas and up to the same amount for inpatient beds in urban areas.

The agency request included \$81.4 million for Kerrville State Hospital and a new inpatient psychiatric facility in Harris County, \$276.5 million for finishing construction at Austin State Hospital and San Antonio State Hospital, and \$106.5 million for hospital pre-planning efforts in the northern and panhandle regions of Texas.

Supporters of CSSB 1 say that the bill would address an urgent need in rural and urban areas for mental health treatment by providing funding for certain state mental health hospital projects, including San Antonio State Hospital, Kerrville State Hospital, and a new inpatient facility in Harris County. Rural areas especially lack reliable financial resources and adequate forensic bed availability to efficiently provide inpatient psychiatric treatment to Texans with serious mental health needs, supporters of CSSB 1 say. They say the bill would help reduce the number of Texans, including inmates, waiting for mental health treatment and would improve access to health care. The Art. 11 funding for staffing new beds at Kerrville State Hospital and other pre-planning efforts at Terrell State Hospital and Dallas Fort-Worth State Hospital could allow the discussion to continue during the budgeting process. A supplemental bill also could appropriate funding to complete construction at the Austin State Hospital and San Antonio State Hospital.

Critics of CSSB 1 say that the bill should fully fund the agency's exceptional item request totaling \$464.4 million for state mental health hospital staffing, construction, and pre-planning efforts. Underfunding the commission's request would exacerbate current backlogs in the criminal justice system as Texans wait for forensic state hospital beds to become available. In addition, underfunding would not reduce the Texans' waitlist time as much as it would if the request were fully funded. The Legislature should address these needs now rather than in the future.

Women's health programs

Health and Human Services Commission

CSSB 1 \$352.6 million in all funds, including \$173.7 million in general revenue

Senate \$352.6 million in all funds, including \$173.7 million in general revenue

CSSB 1 would appropriate \$352.6 million in all funds, including \$173.7 million in general revenue, for the Healthy Texas Women program, the Family Planning Program, and Breast and Cervical Cancer Services program. This would be a decrease of \$61.5 million in general revenue and an increase of \$10.2 million in all funds from fiscal 2020-21. Out of the \$173.7 million in general revenue, the bill would appropriate \$75.4 million for Healthy Texas Women, \$10.7 million for Healthy Texas Women Plus, and \$84 million for the Family Planning Program.

On January 22, 2020, the Health and Human Services Commission (HHSC) received approval from the Centers for Medicare and Medicaid Services (CMS) for the Healthy Texas Women 1115 Demonstration Waiver. The Healthy Texas Women (HTW) program provides women's health and family planning services at no cost to eligible, low-income women. SB 750 by Kolkhorst enacted by the 86th Legislature required HHSC to implement a limited postpartum care package (HTW Plus) in Healthy Texas Women. In December, the commission submitted an application to CMS to amend the HTW 1115 waiver to include HTW Plus services. The amendment to the waiver is pending approval.

Funding for HTW would be a decrease of \$63.8 million in general revenue and an increase of \$8.1 million in all funds. The general revenue decrease would be offset by an increase of \$72 million in federal funds, which is primarily due to a full biennium of federal approval of the HTW 1115 waiver and the assumption that HTW Plus services would be added to the waiver.

CSSB 1 also contains a rider that would direct HHSC to request approval to transfer general revenue funds from other sources before reducing HTW service levels. HHSC would have to seek transfer approval in the event CMS implemented changes to the HTW 1115 waiver that resulted in the loss of appropriated federal matching funds.

Supporters of CSSB 1 say the bill would include appropriate funding to improve low-income women's health. By providing an increase in funding for women's health programs from fiscal 2020-21, the bill would ensure women's access to essential preventive health services, such as screenings, well-woman examinations, and basic treatment for common chronic diseases. Continued investments in these programs could generate cost-savings to the state by helping improve birth outcomes, avoid unplanned pregnancies, and prevent future health complications.

The proposed appropriations for HTW Plus would enable about 90,000 HTW clients to continue receiving postpartum care coverage for up to 12 months. HTW Plus also provides physical health, mental health, and substance use disorder services that address hypertension, certain cardiovascular conditions, substance use disorders, and postpartum depression, among several other conditions affecting maternal mortality and morbidity in Texas.

Critics of CSSB 1 say the bill should include additional appropriations for certain women's health programs to meet Texans' demand for these critical services. Critics say that providers in the Family Planning Program are unable to meet the growing demand for preventive healthcare due to insufficient funding. Safety-net programs like Healthy Texas Women and the Family Planning Program are crucial during a global health pandemic when many have lost, or are at risk of losing, employer-sponsored healthcare coverage. Underfunding these programs now could lead to higher client costs in the future, critics say, and the Legislature should increase base level funding for the Family Planning Program.

Public and Higher Education — Article 3

Art. 3 covers Texas' systems of public and higher education. The public education agencies set curriculum standards, approve instructional materials, certify educators, provide health care for some school district employees, and manage the pension and health insurance programs for retired teachers. Most public education funding is appropriated to the Texas Education Agency, which will serve an estimated 5.5 million students in fiscal 2022-23. Art. 3 public education funding also is appropriated to the Texas School for the Deaf, the Texas School for the Blind and Visually Impaired, and the Windham School District, which provides education programs to incarcerated offenders.

For Art. 3 public education agencies in fiscal 2022-23, CSSB 1 would appropriate \$71.5 billion in all funds, an increase of 3.2 percent from fiscal 2020-21. General revenue appropriations would total \$48.6 billion, an increase of \$4.1 billion or 9.2 percent from anticipated general revenue spending in fiscal 2020-21. Appropriations of federal funds would be \$10.7 billion, a decrease of 12.9 percent from fiscal 2020-21. The federal funds could grow due to a budget rider accepted for inclusion in CSSB 1 by the House Appropriations Committee that states the Legislature's intent that no coronavirus relief funds provided to the state shall be used to reduce state funding for school districts and charter schools.

Higher education agencies funded in Art. 3 include the Texas Higher Education Coordinating Board, the 37 general academic institutions, three lower-division institutions, 50 community and junior college districts, one technical college system, 12 health-related institutions, and certain state agencies attached to the Texas A&M University System, such as the Forest Service and Engineering Extension Service.

For Art. 3 higher education agencies in fiscal 2022-23, CSSB 1 would appropriate \$22.5 billion in all funds, a decrease of \$3.5 billion or 13.5 percent from fiscal 2020-21. General revenue and general revenue dedicated appropriations would total \$18.8 billion, an increase of 1.3 percent from fiscal 2020-21.

Foundation School Program

Texas Education Agency

CSSB 1 \$53 billion in all funds, including \$41.2 billion in general revenue
Article 11: \$100 million for Winter Storm Uri

Senate \$53 billion in all funds, including \$41.2 billion in general revenue

CSSB 1 would appropriate \$53 billion in all funds for the Foundation School Program (FSP), including \$41.2 billion in general revenue. The FSP distributes state aid to school districts and public charter schools for operations and to some districts and charter schools for facilities. The FSP is a shared funding model that depends on contributions from state and local revenue sources to fund schools based on student attendance and characteristics.

The all funds spending would provide an increase of \$4.1 billion, or 8.4 percent, over appropriations for fiscal 2020-21. This includes an increase of \$3.1 billion for expected enrollment growth and \$1 billion in additional state aid for property tax compression required in HB 3 by Huberty, enacted by the 86th Legislature. The bill includes \$1.1 billion to replace one-time federal funding under the CARES Act, which was used to supplant state funds to ensure schools did not face a reduction in funding due to school closures and reduced attendance during the 2019-2020 school year. The bill would include in Art. 11 \$100 million for disaster remediation cost reimbursement for Winter Storm Uri.

Supporters of CSSB 1 say it would fund transformative legislation from the 2019 session that invested \$11.5 billion into public education, increasing the state's share of funding and buying down local property taxes. The bill would provide ongoing property tax relief while fully funding estimated school enrollment growth in fiscal 2022-23.

The bill builds upon more than a decade of state funding increases for public education and includes continued support for key legislative initiatives enacted in HB 3, supporters say. These initiatives include higher per-student spending and teacher pay and targeted spending for students in prekindergarten through grade 3, those from low-income neighborhoods, and English learners. Supporters say the proposed appropriations will provide the necessary resources and programs to help Texas students regain lost ground and excel as public education recovers from disruptions caused by the pandemic. They add that the state is expecting to distribute additional federal funds from two large relief packages passed in December 2020 and March 2021 to schools as they become available.

Critics of CSSB 1 say the bill does too little to help public schools address learning losses caused by the pandemic, which forced most students into remote learning situations that have been

less effective than in-person instruction. They say increased funding would allow districts to hire additional teachers to reduce class sizes and provide extra instruction to ensure that students continue learning at the appropriate grade level.

The bill continues costly property tax cuts in HB 3 that limit resources available for helping schools address the COVID-19 crisis, critics of CSSB 1 say. They say the ongoing tax compression costs the bill nearly \$1 billion that could be used to help students recover from academic, social, and emotional losses caused by the pandemic. While HB 3 improved school finance, critics say, Texas still ranks well below the national average in per-student funding.

Higher education funding

General academic institutions

CSSB 1 \$7.4 billion in all funds

Senate \$7.4 billion in all funds

CSSB 1 would appropriate \$7.4 billion in all funds, including \$5.3 billion in general revenue and \$2.1 billion in general revenue dedicated funds, to general academic institutions (GAIs) for fiscal 2022-23. This is a decrease of \$6 million, or 0.1 percent, from estimated spending for fiscal 2020-21. Funding for GAIs includes formula funding, research funding, and non-formula support for special items and tuition revenue bond debt service.

The largest amount of funding for GAIs would come through formula funding, which is based on student enrollment weighted by discipline and level of instruction. The bill maintains general revenue appropriations from fiscal 2020-21 but reduces the instructions and operations formula rate to \$53.17 per weighted semester credit hour, a decrease of \$2.68 per weighted semester credit hour compared to the biennial rate for fiscal 2020-21.

Supporters of CSSB 1 say it would sustain core operations of the state's general academic institutions by maintaining fiscal 2020-21 levels of general revenue distributed to the institutions through state funding formulas. The bill also maintains research funding at fiscal 2020-21 levels. At a time of revenue challenges resulting from the slowdown in economic activity caused by the pandemic, supporters say, the bill would spare colleges and universities from the type of steep budget cuts that have happened after some previous budget shortfalls.

In 2020, institutions received federal funds to recover some of their pandemic-related losses from student housing and dining fees and unanticipated expenses for technology purchases and sanitation

supplies. Additional federal funds from the 2021 American Rescue Plan Act are expected to be distributed to Texas later in the legislative session and might be used to increase funding for general academic institutions, supporters say.

Critics of CSSB 1 say it does not provide sufficient funding for the state's public colleges and universities to keep up with enrollment growth and financial disruptions caused by the COVID-19 pandemic. General academic institutions have reported significantly lower revenue from non-appropriated funds, such as student housing fees and ticket sales for events, and increased costs related to the shift from in-person to remote classes.

In preparing their legislative appropriations requests for fiscal 2022-23, general academic institutions were required to reduce their base funding requests by 5 percent for special items outside the funding formulas. Critics say increased funding is needed to offset those reductions and ensure that general academic institutions can serve an increasing number of students. On the issue of new federal funds, they say that any reliance on those funds is uncertain due to maintenance of effort requirements that could require higher state appropriations to draw down the federal funds.

Community college funding

Public community and junior college districts

CSSB 1 \$1.9 billion in general revenue
Article 11: \$50 million in general revenue

Senate \$1.9 billion in general revenue

CSSB 1 would include \$1.9 billion for community colleges, a decrease of \$3.7 million, or 0.2 percent, from fiscal 2020-21 appropriations. The bill would maintain core operations funding of \$1.4 million for each community college district. Institutions also receive formula funding based on the number of student contact hours and success points based on metrics such as degrees awarded and the number of transfers to a general academic institution. The bill would appropriate \$1.5 billion in contact hour formula funding and \$228.3 million in success point formula funding. The bill would place an additional \$50 million for community colleges in Art. 11.

The Senate version would shift \$86.5 million from contact hours to success points. The Senate would increase success points for several student metrics, including successful completion of 30 semester credit hours, transfer to a general academic institutions, and the number of degrees awarded in certain critical fields.

Supporters of CSSB 1 say it would maintain level community college funding from fiscal 2020-21 at a time when the institutions are serving fewer students. State appropriations are only one source of revenue for community colleges, which also receive local property tax revenue. Supporters say the bill includes \$50 million in additional funding for community colleges in Art. 11, which would allow the funding discussion to continue as lawmakers determine whether to spend more on higher education in order to draw down federal pandemic relief funds.

Critics of CSSB 1 say it would fail to sustain community college operations in the wake of revenue losses from enrollment declines attributed to the COVID-19 pandemic. Community colleges experienced an enrollment decline of nearly 9 percent in fall 2020 compared to fall 2019. The Texas Association of Community Colleges requested \$33.2 million in hold harmless funding for certain institutions to prevent their appropriations from declining from fiscal 2020-21 levels. Greater state appropriations would help position community colleges for expected enrollment increases in fall 2021 and would help Texas retain its high ranking for the affordability of its two-year colleges.

Student financial aid

Texas Higher Education Coordinating Board

CSSB 1 \$1.3 billion in general revenue
Article 11: \$40 million in general revenue

Senate \$1.1 billion in general revenue

CSSB 1 would appropriate \$1.3 billion in general revenue funds for total student financial aid, an increase of \$258 million from fiscal 2020-21 appropriations. The Legislature appropriates general revenue to the Texas Higher Education Coordinating Board for four needs-based financial aid programs administered by the board. The largest program is TEXAS Grants, which supports students attending public general academic institutions. Other financial aid programs support students at private colleges and universities, community colleges, and technical colleges.

The bill would place an additional \$40 million in general revenue in Art. 11 for student financial aid.

Supporters of CSSB 1 say it would provide a stable level of financial aid to needy public and private college students at a critical time when many have been struggling to start and continue their education during the COVID-19 pandemic. The bill includes the coordinating board's request to restore \$56.7 million in financial aid under the 5 percent agency base reduction requirements and \$110 million in additional funding sought by the coordinating board. This level of funding would

enable the TEXAS grant program to serve about 70 percent of eligible students, similar to the level served in fiscal 2020-21. Financial aid is a wise investment in developing the skills of the next generation of Texans, who will play a critical role in the state's short-term recovery and long-term economic competitiveness, supporters say.

Critics of CSSB 1 say the Legislature should provide a larger increase in financial aid funding so that Texas can increase the proportion of eligible students who can receive a grant. Financial aid is particularly important at this time for high school graduates, who may decide to forgo college enrollment because of financial strains caused by the pandemic. The Texas Educational Opportunity Grant program, which provides grants to community college students, would be able to serve only about 19 percent of eligible students under the bill's funding level, critics say. They say student financial aid at the community college level is important to the state's economic recovery as many will need new skills to compete in the changing workforce. Texas should do more to increase access for students who have been historically underrepresented in higher education, critics say.

Judiciary — Article 4

Art. 4 covers the judicial system of Texas, which includes the courts, supporting agencies, and other state-funded judiciary functions. The state’s judicial system includes two high courts, 14 intermediate appellate courts, and 472 state district courts, as well as county, municipal, and justice of the peace courts.

For Art. 4 in fiscal 2022-23, CSSB 1 would appropriate \$926.3 million in all funds, a decrease of 6.1 percent from fiscal 2020-21. General revenue spending would total \$550.4 million, a decrease of \$3.4 million, or 0.6 percent, from anticipated general revenue spending in fiscal 2020-21. Appropriations of general revenue dedicated funds would be \$192 million, an increase of \$800,000 from fiscal 2020-21 appropriations.

Basic civil legal services

Supreme Court of Texas

CSSB 1 \$74.1 million in all funds, plus \$4 million in exceptional item requests
Article 11: \$4 million in exceptional item requests

Senate \$74.1 million in all funds

CSSB 1 would appropriate to the Supreme Court of Texas \$78.1 million for basic civil legal services (BCLS) for fiscal 2022-23, which includes \$4 million, or half of the agency’s exceptional item requests for additional funding for BCLS. The bill places for BCLS in Art. 11 \$4 million in general revenue and an additional \$7.5 million contingent on the receipt of federal funds.

BCLS funds are used to provide legal services to low-income individuals and are overseen by the Supreme Court of Texas and administered by the Texas Access to Justice Foundation. Legal aid is provided by non-profit organizations that receive funds from the foundation. These funds can be used by legal aid providers to help individuals with legal issues in various areas, including housing, employment, health benefits, consumer issues, family violence, and elder abuse.

Funds for BCLS come from various sources, including: general revenue; Judicial Fund 573, which collects a percentage of certain judicial and court fees; the Sexual Assault Program Account; Interest on Lawyers Trust Accounts (IOLTA); the Crime Victims’ Compensation Fund; federal funds; donations; and grants.

The House Appropriations Committee adopted a rider related to BCLS in Art. 11 contingent on the receipt of federal funding. The rider is for \$7.5 million in BCLS funding over the biennium specifically reserved for tenants facing eviction due to COVID-19.

Supporters of CSSB 1 say that the bill appropriately funds BCLS at \$78.1 million over the biennium, as the program already receives significant funding from the state. This funding includes half of the agency request of \$8 million. The \$78.1 million also includes \$6 million over the biennium for legal services specifically for veterans, which would enable eligible Texans affected by the pandemic to receive legal aid. By placing the other half of the agency request in Art. 11, the bill would allow these funds to be considered as the budget process continues.

The bill also takes into account the potential for federal dollars to expand legal aid services by including \$7.5 million total in additional BCLS funds in Art. 11, contingent on the receipt of federal dollars, which would be earmarked for tenants facing eviction due to COVID-19.

Critics of CSSB 1 say that the bill should provide greater funding for BCLS due to an increase in legal needs as a result of the COVID-19 pandemic. Before the pandemic, only 10 percent of Texans eligible for legal aid had their civil legal needs met. Now even more Texans, and particularly veterans vulnerable to unemployment and benefits disputes, are facing legal challenges without sufficient access to civil legal aid. Fully funding the Texas Supreme Court's request of an additional \$8 million in BCLS funds over the biennium, including \$2 million specifically to legal aid for veterans, would help close this gap. Critics say that fully funding the Supreme Court's exceptional item request would allow about 7,200 individuals, including about 1,800 veterans, to receive legal aid over the next biennium.

Guardianship Abuse, Fraud, and Exploitation Deterrence Program

Office of Court Administration

CSSB 1 \$4 million in general revenue
Article 11: \$465,333 to restore 5 percent cut

Senate \$4.5 million in general revenue

CSSB 1 would appropriate to the Office of Court Administration (OCA) \$4 million for the Guardianship Abuse, Fraud, and Exploitation Deterrence Program (GAFEDP) and fund 27.7 FTEs each fiscal year for guardianship case auditors. The program was initiated in 2019 to provide assistance to courts in administering guardianship cases and is a continuation of the Guardianship Compliance Program. Specialists in the program review files in guardianship cases, audit guardian finances, and report to courts any suspected abuse, fraud, or financial exploitation committed against wards. The program operates at no cost to participating counties.

Supporters of CSSB 1 say that the bill contains appropriate funding for GAFEDP and would place the agency request of \$465,333 in Art. 11 so it can continue to be considered during the budget process.

Critics of CSSB 1 say that the bill should fully fund OCA's request of \$465,333 in additional general revenue for fiscal 2022-23 to restore the mandated 5 percent cuts to GAFEDP. Restoring these funds would allow the agency to fill its existing FTE cap and conduct more guardianship compliance reviews, expand financial audits of guardianships, and identify guardian fraud and abuse. Data from OCA show that 41 percent of guardianship cases reviewed by the Guardianship Compliance Program, now GAFEDP, were out of compliance. This demonstrates the need to restore funding so the program can hire eight currently unfilled compliance specialist positions.

Visiting judges for district courts

Judiciary section, Comptroller's Department

CSSB 1 \$10.1 million

Article 11: \$477,094 to restore 5 percent cut and an additional \$6.8 million

Senate \$10.1 million

CSSB 1 would appropriate \$10.1 million in general revenue to pay retired and former judges to assist with district court dockets as visiting judges.

Supporters of CSSB 1 say that the bill would provide baseline funding to help district judges handle cases. CSSB 1 would provide for a visiting judge for about 18 additional work days per district judge per year. The bill would place in Art. 11 for additional consideration during the budget process an agency request for \$477,094 to restore the 5 percent reduction taken during the fiscal 2020-21 biennium and an additional \$6.8 million to help district courts handle backlogged cases resulting from the COVID-19 pandemic. Placing the request in Art. 11 would allow the Legislature to consider meeting the request for additional funding should it become available.

Critics of CSSB 1 say that the bill should fund the requests currently in Art. 11 to restore the 5 percent cut from fiscal 2020-21 amounts and to provide an additional \$6.8 million to pay visiting judges to help reduce the projected backlog of cases in district court.

The Office of Court Administration (OCA) has estimated that between March and December 2020, the number of active pending cases in district courts increased by 7.6 percent, or almost 69,000 cases, and that by April 2021 there will be a backlog of 10,000 jury trials. It will take an estimated 102,000 hours of judicial time to address this backlog and return caseloads to pre-pandemic levels, according to OCA. Without this funding, it could take three or four years for courts to handle the felony criminal cases and family law cases that have accumulated in district courts due to the COVID-19 pandemic. It is estimated that the additional funding could help resolve the backlog in a year.

Criminal Justice — Article 5

Art. 5 covers agencies responsible for criminal justice and public safety. These include the Texas Department of Criminal Justice, which operates the adult correctional system; the Department of Public Safety; and the Texas Juvenile Justice Department.

In Art. 5, CSSB 1 would appropriate \$12.7 billion in all funds for fiscal 2022-23. General revenue appropriations would total \$11.9 billion, an increase of 0.2 percent, from anticipated general revenue spending in fiscal 2020-21. Appropriations of general revenue dedicated funds would be \$49.8 million, a decrease of 11.7 percent from the anticipated spending in fiscal 2020-21.

Border security

Department of Public Safety and other agencies

CSSB 1 \$797 million in all funds, with \$692.5 million to DPS and the rest to eight other agencies

Senate \$797.2 million in all funds, with \$692.5 million to DPS and the rest to eight other agencies

CSSB 1 would appropriate \$797 million in all funds for border security operations in fiscal 2022-23. In fiscal 2020-21, border security received \$800.6 million for nine agencies.

Under CSSB 1, the Department of Public Safety (DPS) would receive \$692.5 million for fiscal 2022-23 and the rest would be appropriated to other agencies as follows:

- \$51.1 million to the Trusteed Programs within the Office of the Governor, including funds for border prosecutions, the National Incident-Based Reporting System, and anti-gang activities;
- \$29 million to the Texas Parks and Wildlife Department for game warden activities in border counties;
- \$10.4 million to the Department of Motor Vehicles for motor vehicle crime prevention grants;
- \$6.8 million to the Texas Alcoholic Beverage Commission for border security and criminal investigations;
- \$2.7 million to the Texas Soil and Water Conservation Board for carrizo cane eradication;
- \$2.6 million to the Office of the Attorney General for border prosecutions;
- \$1.6 million to the Texas Department of Criminal Justice for anti-gang activities; and
- \$300,000 to the Texas Commission on Law Enforcement for border investigators and to assist in border prosecutions.

DPS border security funds would be allocated to multiple programs, with the bulk making up baseline funding for operations and other funds for the Border Theft Information Center, maintenance for a law enforcement center, the University of North Texas Missing Persons Database, training on the National Incident Base Reporting System (NIBRS), human trafficking and anti-gang initiatives, camera maintenance, and the Texas Transnational Intelligence Center.

CSSB 1 would require certain agencies to report twice a year to the Legislative Budget Board all budgeted and expended amounts and performance indicators for border security.

CSSB 1 would continue a rider requiring DPS to submit a report to legislative leaders each fiscal year detailing the effectiveness of cost containment measures the department has implemented and proposing additional measures to reduce the department's operating costs for border security operations.

Supporters of CSSB 1 say it would continue the state's successful efforts to make Texas safer by securing the international border. The House budget proposal that provides \$692.5 million to DPS would support the bulk of the border security items funded in fiscal 2020-21 and would allow DPS to continue to post troopers on the border. Maintaining funding is especially important with the current increase in individuals trying to cross the border, supporters say. Stationing troopers on the border has allowed the agency to end rotations of personnel to the border from other parts of the state, improving public safety throughout Texas. Other border security funds would continue Texas' successful efforts to fight border-related crime. Now is not the time for the state to significantly change direction on border funding, supporters say.

Critics of CSSB 1 say the state should reconsider a continued concentration of high levels of spending on the border region when the state has other important needs and serious violent and drug crimes are occurring in other areas of the state, especially large cities. The border area might be more secure than some urban areas or state highways, which could benefit from a reallocation of some of the border security resources, especially troopers, critics say.

Law enforcement training development and oversight

Texas Commission on Law Enforcement

CSSB 1 \$656,874
 Article 11: \$656,874

Senate \$1.3 million

CSSB 1 would appropriate \$656,874 to the Texas Commission on Law Enforcement for three FTEs to focus on law enforcement training and to reimburse volunteers on its curriculum committees for travel and per diem expenses.

Supporters of CSSB 1 say it would fund half of the agency's request for curriculum staff to develop and update courses required by the Legislature and other courses, revise and increase online training courses, and develop and evaluate tests. The agency's curriculum development position currently is empty because of a retirement at the end of 2019, and the position was held vacant as part of the agency's 5 percent budget reduction taken during fiscal 2020-21.

CSSB 1 would give the agency funds to update and refresh existing training and make more training available online, supporters say. The commission also needs to be ready to address training needs that might be enacted through the bills being considered by the 87th Legislature, some in response to well-publicized events that resulted in calls for changes in law enforcement officer training. The funding also would allow the agency to reimburse stakeholders serving on its curriculum development committees for their travel and per diem expenses.

Supporters say the funding in CSSB 1 would provide a baseline amount to move forward while discussions about the agency's future continue, perhaps through the blue ribbon panel being proposed in the agency's Sunset legislation, which would be tasked with recommending improvements to law enforcement regulation. The agency could examine other options to increase funding during the interim, including grant funding or partnering with other entities. The bill would place funding for the rest of the agency's request in Art. 11 so that it could continue to be considered during the budget process.

Critics of CSSB 1 say the bill should take the approach of the Senate and fund the full agency request of \$1.3 million for training development and oversight. Without full funding, the agency may not be able to fully address the need to develop and update courses and to meet the increasing requirements for law enforcement training.

Prison health care

Texas Department of Criminal Justice

CSSB 1 \$1.3 billion in all funds
Article 11: \$118.8 million

Senate \$1.3 billion in all funds

CSSB 1 would appropriate \$1.3 billion in all funds for correctional managed health care, which covers medical and psychiatric care for offenders in state custody and is delivered by providers from the Texas Tech University Health Sciences Center and the University of Texas Medical Branch.

The bill includes a \$60 million increase in funding above the \$1.3 billion base funding from fiscal 2020-21. The \$60 million is part of the agency's \$178.8 million exceptional item request for services. The base funding for fiscal 2022-23 was reduced by \$8.4 million from the fiscal 2020-21 amount to reflect the closure of some facilities and a one-time cost in fiscal 2020-21 to convert certain beds for health care use. The bill would put in Art. 11 the remaining part of the exceptional item request for services totaling \$118.8 million for health care services.

Supporters of CSSB 1 say it would allow the state to continue providing the required constitutional level of care to the approximately 118,000 offenders in state custody and to compensate health care providers. Costs to provide care are increasing, in part because of a large number of elderly inmates. The bill includes an increase of \$60 million from fiscal 2020-21 appropriations to raise base funding to cover the cost of sustaining health care services.

Although the House proposal would not fund the university providers' entire request, it would address critical needs by increasing the base funding for services. The bill would place the remaining \$118.8 million of the health care providers request for base funding expenses in Art. 11 so it could continue to be considered during the budget process and so discussions could continue about the cost drivers contributing to increased inmate health care costs.

Critics of CSSB 1 say the bill should fund the university health care providers' requests for additional funding above the amount in CSSB 1. The request includes \$118.8 million for the delivery of services, \$21.5 million for technology upgrades, and \$39.2 million for salary increases to recruit and maintain medical staff. Other requests would be used for additional pharmacy staff to meet demands for services and to maintain a safe workload and for critical capital equipment at Texas Department of Criminal Justice facilities, including X-ray and dental equipment.

Natural Resources — Article 6

Art. 6 agencies are entrusted with protecting, managing, and developing Texas' agricultural, wildlife, environmental, water, and oil and gas resources, as well as state parks and lands.

CSSB 1 would appropriate a total of \$7.5 billion in all funds for Art. 6 agencies for fiscal 2022-23, a 31.2 percent decrease from fiscal 2020-21. General revenue appropriations would total \$1 billion, an increase of \$71.2 million, or 7.6 percent, from anticipated general revenue spending in fiscal 2020-21. Appropriations of general revenue dedicated funds would be \$1.2 billion, a decrease of \$101.9 million, or 7.9 percent, from fiscal 2020-21 spending levels. Appropriations within Art. 6 for fiscal 2022-23 include about \$4.9 billion in federal funds, a 22.7 percent decrease from the previous biennium.

Boll Weevil Eradication Program

Texas Department of Agriculture

CSSB 1 \$9.7 million in general revenue

Senate \$9.7 million in general revenue

CSSB 1 would appropriate \$9.7 million in general revenue for the Boll Weevil Eradication Program under the Texas Department of Agriculture (TDA), which would continue funding for the program at fiscal 2020-21 funding levels. All state funding provided to TDA for this program is transferred by rider to the Texas Boll Weevil Eradication Foundation, an independent, quasi-governmental agency charged with eradicating the pink bollworm and boll weevil in the state. About 50 percent of the foundation's funding comes from cotton grower assessment and maintenance fees, and the remainder historically comes from state and federal funding sources. The foundation often collects grower assessments in excess of its operational expenses, and these are held in a fund balance that can be used to cover periods of low revenue due to crop failure or the need for increased spending to respond to boll weevil outbreaks in the state.

Supporters of CSSB 1 say that continued funding for the Boll Weevil Eradication Program is necessary because the boll weevil has not been fully eradicated from the state. The weevil remains present in the Rio Grande Valley and could spread farther into the state and across the cotton-producing portions of the United States if not fully eradicated. The Boll Weevil Eradication Foundation's work must be fully supported in order to prevent the spread of the pest and the destruction of one of the state's most important and profitable agricultural industries.

While the foundation has accumulated a significant fund balance to support eradication efforts, the fund amount could be depleted quickly in the event of a hurricane or other event that spread

the boll weevil deeper into Texas, as has occurred after a number of recent storms. In addition, federal funding to the program could be discontinued if state funding were withdrawn, leaving the foundation without half of its funding sources and the state and, by extension, much of the southern United States particularly vulnerable to a resurgence of the boll weevil.

Critics of CSSB 1 say that it would be appropriate to remove state funding for the Boll Weevil Eradication Program because the work of the program and the Texas Boll Weevil Eradication Foundation is nearly complete. The pink bollworm has been eradicated from Texas, and the boll weevil has been eradicated in the majority of the state. While portions of the Rio Grande Valley region continue to fight the boll weevil, the work that remains to be done can be continued by the Texas Boll Weevil Eradication Foundation using existing funding sources. In addition, the foundation has accumulated a significant fund balance that can be used to support its work. If this balance is depleted over the coming biennium due to a natural emergency or resurgence of the boll weevil, state funding to the foundation could be restored in future sessions.

Economically Distressed Areas Program

Texas Water Development Board

- CSSB 1** \$53.1 million for debt service on existing EDAP bonds; \$2.6 million in general revenue for the issuance of new bonds
- Senate** \$53.1 million for debt service on existing EDAP bonds; no funding for the issuance of new bonds

CSSB 1 would appropriate \$53.1 million to provide debt service on existing bonds issued under the Economically Distressed Areas Program (EDAP) administered by the Texas Water Development Board (TWDB), as well as \$2.6 million in general revenue to support the issuance of further EDAP bonds.

EDAP provides financial assistance for water and wastewater projects in economically distressed areas where service is unavailable or inadequate to meet state standards and is funded by proceeds from bonds sold by TWDB. In 2019, Texas voters approved a constitutional amendment that authorized TWDB to issue additional general obligation bonds to support the EDAP program in an amount not to exceed \$200 million. TWDB is not currently accepting EDAP applications because additional appropriations are required to support the issuance of new bonds to fund the program.

Supporters of CSSB 1 say that the Texas Water Development Board's request for \$2.6 million to support the issuance of further EDAP bonds would be a smart and efficient investment in the

state's water infrastructure. Texas voters have already approved the use of bonds to support this program, and a relatively small initial investment by the state could be used to support up to \$30 million worth of needed water and wastewater projects.

Critics of CSSB 1 say that while EDAP is an important and efficient program that supports needed water and wastewater projects in the state, granting TWDB's request for funding to support a bond issuance would increase the state's debt service obligations. Funding this request would ultimately cost the state more than the initial \$2.6 million.

Air quality monitoring

Texas Commission on Environmental Quality

CSSB 1 \$4 million in general revenue dedicated funding

Senate \$3.6 million in general revenue dedicated funding

CSSB 1 would appropriate \$4 million in general revenue dedicated funding for certain air quality and monitoring operations at the Texas Commission on Environmental Quality (TCEQ). During fiscal 2020-21, TCEQ deployed 10 new stationary air monitors in different regions of the state in response to increased concerns about local air quality. These include new air monitors around the Houston Ship Channel, in central Texas near aggregate mining sites, and in the Permian Basin. CSSB 1 would appropriate \$2 million to TCEQ for the maintenance of these new air monitors, as well as \$300,000 to purchase mobile air monitoring equipment and \$400,000 for the purchase of optical gas imaging cameras. The bill also would appropriate \$1.3 million to enable the agency to perform more inspections of aggregate production operations in the state and address concerns related to these sites.

Supporters of CSSB 1 say that this additional funding would allow TCEQ to maintain air monitoring operations in areas of the state that are at increased risk of air pollution. These monitors allow the agency to collect data necessary to fulfill its regulatory functions and maintain air quality standards. Supporters say it is critical that the agency be well equipped to maintain these standards so that Texas does not violate EPA requirements and so that public health and safety are protected.

The bill also would support more frequent inspections of aggregate production operations in response to the industry's growth and to meet increased inspection requirements established under HB 907 by Huberty, which was passed by the 86th Legislature. This industry has grown rapidly in recent years and more resources are needed to meet inspection and other requirements related to aggregate operations. The funding provided by CSSB 1 would allow the agency to hire more inspectors to complete these inspections and address complaints related to aggregate operations.

Critics of CSSB 1 say that while the bill provides crucial funding for TCEQ air monitoring operations and increased inspections of aggregate processing operations, more funds are needed to further improve air quality monitoring in the state and enable the agency to fully meet its monitoring obligations. Increased funding should be provided to TCEQ to support additional monitoring in the greater Houston area, the Permian Basin, and other areas of the state that may experience higher levels of air pollution. Additional funding also should be made available to provide TCEQ with greater mobile air monitoring capacity to better enable the agency to quickly respond to air quality events across the state.

Economic Development — Article 7

Art. 7 includes agencies that support business and economic development, transportation, and community infrastructure, including the Texas Department of Transportation (TxDOT), Texas Workforce Commission (TWC), Texas Department of Housing and Community Affairs (TDHCA), Texas Department of Motor Vehicles (TxDMV), and Texas Lottery Commission.

CSSB 1 would appropriate \$36.3 billion in all funds for Art. 7 in fiscal 2022-23, a decrease of 8.4 percent from the previous biennium. General revenue appropriations would total \$482.1 million, a decrease of \$38.8 million, or 7.5 percent, from fiscal 2020-21.

Motor vehicle crime prevention

Texas Department of Motor Vehicles

CSSB 1 \$30 million in general revenue
Article 11: \$11.7 million in general revenue

Senate \$25.7 million in general revenue

CSSB 1 would appropriate \$30 million to the Texas Department of Motor Vehicles (TxDMV) for motor vehicle crime prevention. The bill also includes in Art. 11 an additional \$11.7 million and three FTEs for this purpose. The Motor Vehicle Crime Prevention Authority (MVCPA), which is administratively attached to TxDMV, provides grants to local law enforcement task forces to investigate and prevent motor vehicle crime.

The agency requested two additional appropriations in general revenue totaling \$16 million, including \$8.6 million to restore funding to the baseline and \$7.4 million following a statutory funding requirement. The agency also requested \$560,000 for three FTEs to create a motor vehicle crime prevention insurance fee collections unit, the cost of which could be covered by either additional appropriation request if they were adopted.

Supporters of CSSB 1 say that the bill appropriately would fund MVCPA. Some of the additional funds requested to restore the authority's funding to the LBB baseline were adopted in the budget, totaling \$30 million, while the other requested funds and FTEs were adopted to Art. 11. This keeps those funds for MVCPA under consideration during budget discussions if extra funding becomes available.

The assessment on motor vehicle insurance policies is collected in general revenue, leaving it to the discretion of the Legislature where those funds are appropriated. Because Texas is experiencing a

revenue shortfall as a result of the COVID-19 pandemic, those funds may be needed for other areas of the budget.

Critics of CSSB 1 say that the Legislature should fully fund MVCPA by adopting the additional funds and FTEs currently in Art. 11. These funds would restore the proper funding to the authority, allowing MVCPA to deliver grants to law enforcement task forces to combat motor vehicle theft, expand the coverage area of the authority, and expand duties to investigating motor vehicle fraud, as directed by the 86th Legislature. As the Texas population increases, so do the number of cars and the amount of motor vehicle crime. Some of the largest jurisdictions have reported more than 25 percent increases in motor vehicle theft in the past year. Full restoration of funds is necessary to address these crimes.

Last session, lawmakers enacted a bill that required 20 percent of revenue from the fee assessed on motor vehicle insurance policies be appropriated to the authority. Based on the comptroller's revenue estimate, this allocation for fiscal 2022-23 would be about \$41 million, yet CSSB 1 only would appropriate \$30 million to MVCPA. An additional \$11.7 million should be appropriated to conform with state law, and an additional three FTEs would ensure that the insurer fee — which generates around \$100 million in revenue annually — was efficiently collected.

Public transportation program

Texas Department of Transportation

CSSB 1 \$210.2 million in general revenue dedicated funds
Article 11: \$85.8 million in general revenue

Senate \$210.2 million in general revenue dedicated funds

CSSB 1 would appropriate \$210.2 million in general revenue dedicated funds to the Texas Department of Transportation (TxDOT) to support and promote public transportation. The bill also would include in Art. 11 an additional \$85.8 million in general revenue.

TxDOT requested an additional \$85.8 million in general revenue for public transportation in two exceptional item requests, including \$82 million for the rural public transit program and \$3.8 million for anticipated growth for rural, small urban, and large urban transit districts.

Supporters of CSSB 1 say that the bill would provide essential funding for public transportation. Since the comptroller projected a revenue shortfall, the Legislature must make difficult funding decisions to best allocate limited state funds. The bill appropriately would include

an additional \$85.8 million in general revenue in Art. 11 for public transportation grants and the rural transit program so it could continue to be considered during the budget process.

There also may be opportunities for transportation projects to seek less traditional forms of funding, such as public-private partnerships, or additional federal funds.

Critics of CSSB 1 say that the bill should allocate \$82 million more to public transportation through fiscal 2023 to provide 14-hour-per-day weekday service for Texans in all counties and cities covered by a transit district. Public transit provides lifeline services for many, and more than 70 percent of the 30 million passenger trips taken on state-funded systems each year are for three primary purposes: work, shopping, and medical issues. This funding would ensure Texans could make those essential trips while providing for the additional wear and tear on the system for the expanded services. Without funding these services, transit agency services would not be able to keep pace with the state's growing needs and changing demographics, and rural residents could lose connectivity to services.

Critics also say that an additional \$3.8 million for public transportation would address population growth across Texas and respond to the anticipated shifts in formula funding from the 2020 census. These funds would maintain the current per-capita funding levels for rural, small urban, and large urban transit districts.

TxDOT is constitutionally prohibited from using dedicated money from the State Highway Fund, the traditional means of state transportation funding, for public transportation projects. General revenue is the requested funding source only because no other eligible sources are available to the department for this purpose. Non-dedicated state transportation funds are also limited by the millions of dollars diverted to the Texas Emissions Reduction Program.

Regulatory Government — Article 8

Art. 8 includes agencies that regulate business and health professionals, service industries, electric utilities, telecommunications, and insurance. Appropriations for these agencies are supported by fees generated from the industries and occupations they regulate.

CSSB 1 would appropriate \$680.9 million in all funds for Art. 8 agencies, a decrease of 4.5 percent from fiscal 2020-21. General revenue appropriations would total \$298.2 million, a decrease of \$69.6 million, or 18.9 percent, from anticipated general revenue spending in fiscal 2020-21. Appropriations of general revenue dedicated funds would be \$327.5 million, an increase of \$83.5 million from fiscal 2020-21 spending levels.

All-funds appropriations for regulatory agencies in fiscal 2022-23 would be decreased by \$31.8 million from fiscal 2020-21, due largely to the expiration of the Health Insurance Risk Pool at the Texas Department of Insurance, which is set to expire on August 31, 2021.

ERCOT organization oversight and external communications

Public Utility Commission

CSSB 1 \$3.4 million in general revenue

Senate \$1.7 million in general revenue

CSSB 1 would appropriate \$3.4 million in general revenue to the Public Utility Commission (PUC) for enhanced oversight of the Electric Reliability Council of Texas, also known as ERCOT and referred to here as the ERCOT organization, and to increase external communications. The funds primarily would be used for salaries of 16 additional full-time equivalent employees (FTEs): six attorneys; two administrative law judges; three engineers; three economists; one government relations specialist; and one information specialist.

The ERCOT organization is certified as the independent system operator of the ERCOT power region and performs certain functions, including ensuring the reliability and adequacy of the regional electrical network and facilitating the competitive electricity market. PUC approves the ERCOT organization's budget and has complete authority to oversee the organization to ensure accountability and adequate performance of duties.

Supporters of CSSB 1 say fully funding enhanced oversight of the ERCOT organization and external communications would continue efforts to reform the oversight of Texas' electricity system

and market in the wake of Winter Storm Uri in February. A lack of public communication and insufficient accountability to PUC of the ERCOT organization were two key issues identified as playing a role in the extended power outages that millions of Texans faced during the storm.

To adequately resource the goal of effective external communication, PUC would need two additional FTEs dedicated to communication, one government relations specialist and one information specialist. Currently, PUC has only two FTEs working in those areas.

To ensure effective PUC oversight of the ERCOT organization, the commission would need additional attorneys and judges to handle an estimated increase in rulemaking and enforcement cases and highly qualified technical experts, such as Ph.D economists and professional engineers, to assist in monitoring the competitive electricity market and to review weatherization and emergency operations plans.

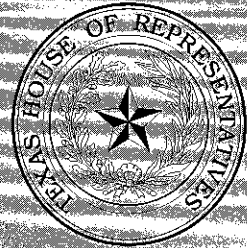
Critics of CSSB 1 say the bill should take the approach of the Senate and fund half of the commission's request. While the winter storm highlighted the need for additional PUC oversight of the ERCOT organization, the commission likely would not require 16 new FTEs to accomplish that goal.







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