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# The Budget

## Major Appropriations Areas Analyzed

**Both the Legislative Budget Board (LBB) and Governor White have finalized their recommended 1986–1987 appropriations. Constrained by slowed growth of state revenue combined with a no-tax-increase resolve, the two budgets differ only in minor respects.**

The legislative proposal totals \$35.8 billion; the governor is only slightly higher at \$36.1 billion. The LBB total adds \$3.4 billion (10.4%) and the governor \$3.7 billion (11.4%) to the current two-year spending level of \$32.4 billion. (See Table 1 on page 2.) Neither proposal is near the 25% plus growth in state spending that has prevailed for the past eight biennia.

### Winners and Losers

The big "winners" in the budget proposals are state highways (up \$1.4 billion) and the public schools (up \$1.6 billion). Another big ticket item is the cost of state retirement and insurance programs (up more than \$550 million). The bulk of that increase results from higher teacher salaries which were part of the 1984 school finance reforms. Actually, each of these biennium to biennium increases are somewhat overstated. The spending increases approved in the 1984 special session applied primarily to one year of the current fiscal period (FY1985) but are carried forward in both 1986 and 1987.

The losers are the junior and senior colleges (down \$593 million in the legislative budget and \$488 in the governor's). The budget cuts would be deeper but for an estimated \$50 million increase in revenue to the Available University Fund which can be used by the UT and

Texas A&M systems, and the addition of \$200 million from the Higher Education Fund created by constitutional amendment last year to benefit colleges outside those two systems.

### No New Taxes

"No tax bill in '85" still remains a central theme both of the governor and of the legislative leadership. But, increased fees and other "revenue enhancement" measures will be considered.

The governor, to balance his budget, has proposed new or expanded fees totaling \$213 million. An increase in the oil and gas well drilling permit fee from \$100 to \$900 would produce an estimated \$56 million; \$7 million would be used to expand the well-plugging program, and the remaining \$49 million would free general revenue to be used for other purposes. Another \$54 million would be raised by increasing the district court civil filing fee from \$25 to \$100. A medical and dental school tuition increase would bring in \$29 million. The remaining \$79 million involves a variety of fee changes.

### Hobby Proposals

Lt. Gov. Hobby would add a general tuition increase (\$91 million) to the fee changes proposed by Governor White. In addition, Hobby has proposed fi-

nance changes (e.g., abolish dedicated revenue for local parks fund, increase highway fund contribution to support of the Department of Public Safety, and reduction of the state contribution to the Teacher Retirement System to 8% from the current 8.5%), which together with fee changes, would free \$510 million to be used for other purposes.

Hobby proposes to use \$367 million to soften the budget cuts incurred by academic universities and to allocate an additional \$125 million to selected priority programs such as those administered by agencies under court order to improve staffing ratios.

### Picture Could Change Rapidly

The legislative budget leaves \$59 million of available revenue unallocated; the governor, \$14 million; and the Hobby proposals, \$77 million—none of which are significant amounts in terms of the overall budget.

Moreover, the budget figures are based on the comptroller's January 7th revenue estimate. Usually, the comptroller makes one or more revisions during the legislative session. In the past those changes have given the legislature additional spending capacity; but the present economic picture, particularly with respect to the price of oil, make it more likely that any changes in the revenue estimate will be downward.

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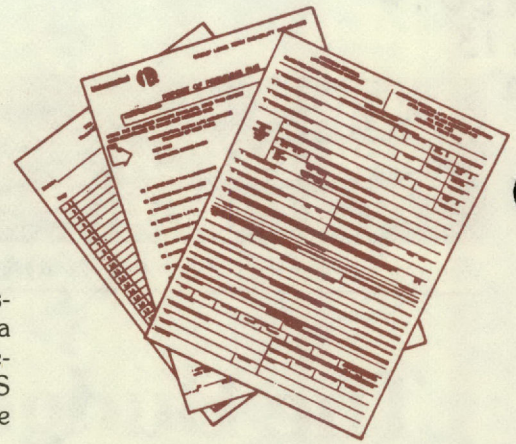
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# Proposed Employee Benefit Package Up 22%



The Legislative Budget Board currently is recommending an appropriation of \$3.1 billion to finance the state employee and teacher benefit package for the 1986-1987 biennium. This proposal is almost \$551 million (or 22%) more than the current biennial expenditure level, but it is some \$136 million (or 4%) lower than the requested amounts.

The largest single item in the package is the major retirement programs, which total almost \$2 billion. The LBB's proposal is more than \$439 million (or almost 29%) greater than the 1984-1985 biennium but lower by almost \$73 million (or about 4%) than the requested levels.

The lion's share of the increase can be traced directly to the proposed appro-

priation for the Teacher Retirement System (TRS). The 68th Legislature in a one-time-only action last session reduced the state's contribution to TRS from 8.5 percent to 7.1 percent for the 1984-1985 biennium.

Consequently, the return to the previous contribution rate plus the higher teacher salaries enacted during the 1984 special session guaranteed a significant increase in TRS appropriations. The actual proposed increase for TRS amounts to almost \$418 million (or 40%) more than the current biennium. However, Lt. Gov. Hobby has suggested that the state contribution to TRS be set at 8%. That would reduce appropriations by \$86 million.

The other big-ticket item in the pack-

age is the Social Security appropriation. The state's matching contribution is estimated to amount to about \$530 million—\$60 million (or 13%) higher than current levels.

In addition, the state pays 5.85% on the first \$16,500 in the state employees' wages plus the Social Security liability due as a result of the state payment. The increase for the 1986-1987 biennium is estimated to be almost \$16 million (or 5.5%) over current expenditure levels. In total, Social Security costs come to more than \$838 million—up

TABLE 1  
RECOMMENDED 1986-1987 AGENCY APPROPRIATIONS  
(Millions of Dollars)

	1984-1985 Estimated Expense	Recommended 1986-1987 Appropriations		Dollar Increase Over 1984-1985		% Increase Over 1984-1985		
		Legis.	Gov.	Legis.	Gov.	Legis.	Gov.	
<b>EXECUTIVE &amp; ADMINISTRATIVE</b>								
Community Affairs	\$ 443.2	\$ 492.1	\$ 492.5	\$ 48.9	\$ 49.3	11.0%	11.1%	
Comptroller	203.4	218.6	203.5	15.1	.1	7.4	0.1	
Corrections	720.7	717.3	753.8	( 3.4)	33.1	( 0.5)	4.6	
Employment	246.4	264.5	264.8	18.1	18.4	7.4	7.5	
Highways & Transportation	3,701.0	5,149.2	5,150.0	1,448.2	1,449.0	39.1	39.2	
Parks & Wildlife	194.7	197.4	202.6	2.7	7.9	1.4	4.1	
Probation	109.9	104.2	102.3	( 5.7)	( 7.6)	( 5.2)	( 6.9)	
Public Safety	297.2	299.9	291.5	2.6	( 5.7)	0.9	( 1.9)	
All Other	1,230.0	1,305.7	1,353.4	75.7	123.4	6.2	10.0	
Subtotal	\$ 7,146.5	\$ 8,748.9	\$ 8,814.5	\$ 1,602.4	\$ 1,668.0	22.4	23.3	
<b>HEALTH, WELFARE &amp; REHABILITATION</b>								
Health (all units)	\$ 547.5	\$ 543.2	\$ 585.7	\$ ( 4.4)	\$ 38.2	( 0.8)	7.0	
Mental Health & Retardation	1,191.0	1,221.6	1,222.6	30.6	31.6	2.6	2.7	
Rehabilitation	237.9	254.2	241.9	16.3	4.0	6.9	1.7	
Human Resources	4,399.4	4,660.2	4,684.1	260.8	284.7	5.9	6.5	
All Other	158.4	157.0	162.6	( 1.4)	4.2	( 0.9)	2.7	
Subtotal	\$ 6,534.2	\$ 6,836.2	\$ 6,896.9	\$ 302.0	\$ 362.7	4.6	5.6	
<b>EDUCATION</b>								
Public School Aid	\$ 9,843.2	\$11,430.4	\$11,431.9	\$ 1,587.2	\$ 1,588.7	16.1	16.1	
Junior Colleges	875.6	804.2	804.2	(71.4)	(71.4)	( 8.2)	( 8.2)	
Senior Colleges & Universities	3,043.6	2,522.4	2,626.8	(521.2)	(416.8)	(17.1)	(13.7)	
All Other	2,287.1	2,211.5	2,270.7	(75.6)	(16.4)	( 3.3)	( 0.7)	
Subtotal	\$16,049.5	\$16,968.5	\$17,133.6	\$ 919.0	\$ 1,084.1	5.7	6.8	
<b>JUDICIAL</b>								
	\$ 100.7	\$ 104.2	\$ 123.1	\$ 3.5	\$ 22.4	3.5	22.2	
<b>LEGISLATURE</b>								
	\$ 107.7	\$ 90.8	\$ 90.8	\$ (16.9)	\$ (16.9)	(15.7)	(15.7)	
<b>RETIREMENT &amp; INSURANCE</b>								
State Employees (All Agencies)	\$ 1,289.6	\$ 1,424.7	\$ 1,426.3	\$ 135.1	\$ 136.7	10.5	10.6	
Teachers	1,213.9	1,629.4	1,646.4	415.6	432.5	34.2	35.6	
Subtotal	\$ 2,503.5	\$ 3,054.1	\$ 3,072.7	\$ 550.7	\$ 569.2	22.0	22.7	
<b>TOTAL</b>	<b>\$32,442.2</b>	<b>\$35,802.7</b>	<b>\$36,131.6</b>	<b>\$ 3,360.5</b>	<b>\$ 3,689.4</b>	<b>10.4</b>	<b>11.4</b>	

\$76 million or 10%.

A growing item in the employee benefit package is the state's share in providing for the state employee insurance program. The LBB's proposal calls for an expenditure of more than \$242 million in the 1986-1987 biennium—a biennial increase of some \$37 million or 18%. The insurance cost could have

been higher had not several cost containment features been adopted.

All other proposed benefit related costs come to a little more than \$2.5 million—down \$1.9 million (or 43%) from current levels.\* The proposed appropriation for all other related programs is \$63 million less than the requested levels because the LBB did not

adopt the requested post-retirement adjustment for retired state employees.

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\*The 68th Legislature having to pump a significant amount of money into the law enforcement officers' supplemental benefit program to make it financially sound accounts for the large difference.

## Highways Favorite in Budget Battle



As state agencies go, the Department of Highways and Public Transportation (DHPT) is a definite favorite in the budget battle of 1985. Or, more accurately, DHPT's favored status comes because it's not really in the fray.

The Highway Department's current funding pattern was established in the special session of 1984. And although a funding crisis clearly loomed at that time, highways and public education received generous treatment. Other state programs were victims of the "out-of-sight, out-of-mind" syndrome.

The special session traded DHPT's guaranteed, but diminishing, general revenue supplement for enhancement of its dedicated funds and for some new revenue sources.

Constitutional dedications give highways  $\frac{3}{4}$  of the motor fuel taxes and the majority of motor vehicle registration fees. So the doubling of motor fuel taxes and the substantial increases in registration fees plus a change in the registration levying basis from weight to age will bring important, and unassailable, new revenues to DHPT. The dedicated highway-user taxes are estimated to bring in \$2.7 billion in FYs 1986-87 compared with \$1.9 billion in the current biennium, a 45% increase.

These special session changes became effective in August 1984 and thus have impacted the department's FY 1985 budget as well. In fact, the largest annual jump actually came between Fis-

cal Years 1984 and 1985 when dedicated state revenue grew 68%. This shows how low, relatively, FY 1984 highway revenues were.

In addition to the increase in constitutionally dedicated funds, statutory dedications will give the Highway Department revenue from two new sources beginning in FY 1986. DHPT will receive an annual allocation of 10% of the motor vehicle sales tax and an amount (also from the motor vehicle sales tax) equal to  $\frac{1}{8}$  of the motor fuel taxes. Together these new provisions are expected to total approximately \$424 million for the biennium.

If any part of the special session's highway funding is vulnerable to incursion, it is these statutory dedications. Naturally, DHPT hopes the legislature won't reverse any of its summer of '84 decisions.

DHPT also continues to benefit from recent federal actions. The federal highway tax increases effective in April 1983 will continue to pump more federal funds into the department's coffers. These funds grew 56% between 1984 and 1985 and should expand by an additional 25% in the coming biennium.

The figures given thus far are controller's estimates of income to the Highway Fund No. 006 which are similar, but not equal, to LBB appropriation and financing recommendations. In terms of appropriations for the 1986-87 biennium, DHPT's LBB-recommended \$5,149 million budget is 39% greater than the \$3,701 million expended and budgeted for the current biennium.

The primary beneficiary of the department's extra funds is the highway construction program which is recommended to increase by 48% in the next

biennium—over half of all departmental expenditures go for contractor payments for highway construction. In terms of percentages, right-of-way acquisition will experience the largest increase, a jump of 200+% over the current biennial figures.

Most non-construction functions fare quite well in the recommendations: maintenance expenditures are 17% higher, administration and support are up 33%, and highway auxiliary recommendations are 22% more.

In contrast, the minute public transportation component is hard hit. Its miniscule portion of the total biennial budget is diminished from 0.85% to 0.60%. And the recommended \$31 million expenditure for 1986-87 is actually lower than for 1984-85.

The governor's recommended appropriation for DHPT is nearly identical to that of the LBB. The sole difference is an additional \$800,000 appropriation for highway auxiliary services in FY 1986.

In addition to funding DHPT, a portion of the State Highway Fund 006 is allocated to the Department of Public Safety for policing of state highways. H.B. 3 limited the annual Highway Fund appropriation to DPS to \$30 million because of DHPT's funding crunch. But prior to enactment of H.B. 3, Fund 006's contribution to DPS was more substantial. For example, in FY 1976 alone it totaled \$55.7 million. The current biennial Highway Fund allotment to DPS is \$51.2 million; for the coming biennium the LBB recommends \$52.4 million. Enactment of S.B. 662 by Sen. Traeger would raise the annual assessment to a maximum of \$60 million.

# Spending Cuts Aimed at Higher Education

Thanks to a convergence of legal and political circumstances, higher education has been targeted to bear the brunt of the spending cuts the Legislative Budget Board recommended this year to produce a "no-growth" state budget.

It was almost inevitable. The legislature had just voted major increases in spending for highways and public education during last summer's historic special session. The state was under court orders to improve conditions in its prisons and its mental health and mental retardation facilities. Higher education was the one big-ticket item that could be cut without undoing what had been done during the special session or running afoul of court orders.

Furthermore, tuition for Texas residents had not been increased since 1971 and had dwindled to a mere 3.1% of the cost of providing a higher education, the lowest in the nation. The LBB's recommended budget survey provided a great impetus to legislative forces favoring a tuition hike. (See the January 1985 issue of ANALYSIS for the League's analysis of tuition policy.)

In this atmosphere of fiscal crisis, Lt. Gov. Bill Hobby stepped forth with a plan to triple tuition for Texas residents over the next two years and, together with other revenue proposals, appropriate \$367 million to the higher education budget in excess of the LBB's recommendations.

That would restore more than 55% of the \$663 million decrease in higher education spending recommended by the LBB.

The legislative budget recommends the expenditure of \$5.4 billion for higher education in 1986-87, a reduction of 10.9% from the estimated 1984-85 spending level of \$6.1 billion.

An additional \$62.3 million included in the Hobby proposal would come from university construction and repair funds. Those funds will be available for other uses if, as expected, the legislature passes enabling legislation to implement recent constitutional changes expanding bonding authority under the Permanent University Fund and authoriz-

ing a new university fund for non-PUF schools.

Together with Hobby's proposed \$367 million increase in higher education appropriations, the \$62.3 million would bring recommended appropriation levels to \$5.9 billion.

The budget cuts proposed for the state's 35 colleges and universities are significantly greater than for higher education as a whole, totaling nearly \$800 million, or 29%. But when the Available University Fund (AUF) and the newly authorized Higher Education Fund are factored in, the LBB's recommendations would result in a 17.1% cut in appropriations to colleges and universities.

The widely reported budget cut figure of 26.4% is not based on 1984-85 biennial spending estimates, but on double the 1985 budget figure (minus repairs, construction and capital outlays). It also excludes money from the AUF and the new Higher Education Fund.

This method was used by the LBB to calculate recommended budget increases and decreases because the laws enacted during the 1984 special session increased appropriations for only the second year of the current biennium. Using the standard biennial figures would have grossly understated the amount of money needed to maintain existing spending levels for highways and public education.

The executive budget proposes a \$500 million (8.2%) reduction in higher education spending, including a cut of nearly \$420 million (13.7%) in the budgets of the 35 state colleges and universities.

In the current biennium higher education will consume an estimated 18.8% of total state expenditures. Under the LBB's proposal that budget share would drop to 15.2%, slightly less than the 15.5% share under the governor's budget.

Dollarwise, the biggest difference between the two budgets is the \$100 million more the governor would allocate to the academic institutions (\$2.0 billion, compared to \$1.9 billion under the LBB's budget).



More than 45% of both the LBB's and the governor's higher education budgets is directed to the 35 state academic institutions. The amount totals 47% of the governor's budget and 45.1% of the LBB's, compared to 50% in the current biennium.

Enrollment for the 1984 fall semester at these schools totaled more than 370,000, according to preliminary reports. If enrollment remained stable through the next biennium, the cost of a university education per full-time student would be about \$3,401 under the LBB's proposal and about \$3,542 under the executive budget, compared to approximately \$4,104 in the current biennium.

The differences between the legislative and the executive budgets are not as great in the area of medical and dental schools. Governor White proposes outlays of \$1.58 billion for these institutions, about \$50 million more than the \$1.53 billion recommended by the LBB. Medical and dental school spending for the current biennium is estimated at \$1.56 billion.

## Junior Colleges and Other Elements of the Higher Education Budget

The state's 48 junior college districts (including the newly created Northeast Texas Community College District) receive state aid for both academic and vocational-technical education. Both the legislative and the executive budgets propose an 8.2% cut in state aid from an estimated \$875.6 million in the current biennium to \$804.2 million. When funds for new programs are excluded from the recommendations, however, the cut in state aid amounts to 12.4%.

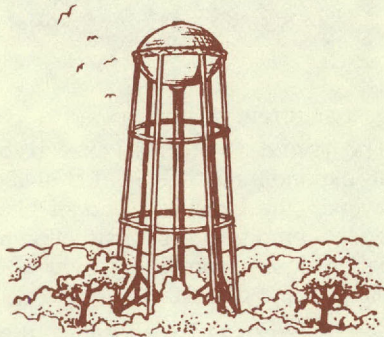
The other components of the higher education system include the Coordinating Board, the Texas State Technical

Institute (TSTI), university-related museums, Texas A&M service agencies (e.g., agricultural and engineering extensions, and the Texas Forest Service), and several other entities.

Of these remaining components, only the Texas A&M service agencies would be increased overall under the LBB budget, thanks largely to a 15.5% increase recommended for the Texas Engineering Experiment station. Other service agencies targeted for increases are the Texas Transportation Institute (5.7%), the Texas Engineering Extension Service (1.8%), and the Texas Veterinary Medical Diagnostic Laboratory (0.8%).

The governor's budget differs only slightly from the LBB's on proposed appropriations for these agencies.

The differences are greater, however, between the two budgets' recommendations for TSTI. The LBB proposes biennial spending of \$81.3 million, 6.4% less than the \$86.9 million in estimated current biennial outlays. The executive budget proposes TSTI spending of \$90.7 million, a figure 11.6% higher than the LBB's.



The budget proposals for natural resource programs presented by Governor White and the Legislative Budget Board (LBB) differ significantly. While the LBB proposes to cut spending by \$35.8 million compared to the 1985 biennial level, the governor's budget would increase spending by \$15.2 million or 3.0%. The two proposals also part company with respect to the source of funding, with the governor proposing to finance increased spending through the imposition of new or higher fees to offset general revenue funds.

The major differences are:

- The governor proposes to budget the Department of Water Resources at \$109.2 million for the 1986-87 biennium,

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## Tuition

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Tuition at state colleges and universities has not been increased since 1971, but the state's fiscal crunch makes it virtually inevitable that a tuition increase will be passed during this legislative session.

Under Hobby's proposal, the tuition rates for Texas residents would rise from the current \$4 per semester credit hour (with a \$50 minimum per semester) to \$8 per hour in the fall of 1985 and \$12 per hour in the fall of 1986.

Increased tuition would raise an estimated \$120 million over the next biennium under the Hobby plan. About \$91 million would come from the tripling of resident tuition, with the remaining \$29 million coming from the governor's proposal to raise medical school tuition for all students and nonresident tuition at academic institutions.

Tuition for Texas residents at medical and dental schools under the governor's proposal would rise from \$400 to \$1,200 per academic year this fall and again to \$1,400 per year in the fall of

1986. For nonresident students the rates would go from \$1,200 to \$3,600 per academic year this fall and to \$4,200 per year in 1986.

University tuition for nonresidents is already scheduled to rise from \$40 per semester credit hour to \$46 per hour this fall and \$53 per hour in the fall of 1986. White's proposal would increase the rates to \$48 and \$60, respectively.

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## Higher Education Fund

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One new component of the higher education budget proposals is the Higher Education Fund, authorized by the voters last November with the passage of Constitutional Amendment #2.

The amendment requires the legislature to appropriate \$100 million per year in general revenue funds to finance construction and major repairs at the academic, medical and technical institutions outside the University of Texas and Texas A&M University systems. In addition, the money may be used to purchase capital equipment, to rehabilitate buildings, and to buy library books and materials.

# Major Differences in Proposed Natural Resource Budgets

niun, \$43.4 million more than the LBB's proposal and \$42.6 million above the 1985 biennial level. The governor's proposal anticipates major legislative water initiatives this session while the LBB's budget does not take into account the proposed water legislation.

- The governor proposes to increase the oil well drilling permit fee from \$100 to \$900. The Railroad Commission would use \$100 of the fee increase to double the number of abandoned wells plugged annually, with the remaining \$700 to be dedicated to offsetting general revenue funds. The fee increase is projected to raise \$56.3 million over the biennium and would offset general revenue funds by \$49.2 million.

- The governor proposes an additional fee on emission permit applications to the Air Control Board. The \$8.5 million in revenue raised by the additional fee would be used to replace general revenue for agency operations.

- The governor's budget proposes to

adjust over thirty fees assessed by the Department of Agriculture as recommended by the Interim Committee on Fees and Grants of the 68th Legislature. These so-called "Leedom Committee Fees" would be adjusted to cover the costs of administration at the department and would raise \$3.0 million in additional revenue to offset general revenue funds. The governor also proposes to raise the gas pump/scale inspection fee from \$4 to \$10, raising \$2.5 million over the biennium.

- The governor proposes to increase rates charged by the Parks and Wildlife Department for park entrance and facility storage by 10%. The revenue resulting from this fee increase (\$1.8 million) would be used to fund new staff and operations at 16 new state parks to be opened during the 1986-87 biennium.

In terms of proposed spending, the most significant differences between the governor's and the LBB's proposals are found in the recommendations for the

Texas Department of Water Resources. The governor's proposed budget would increase spending at the TDWR 61.5% above 1985 biennial levels and 65.9% above the LBB's recommendations. The reason for this large difference is that the governor's budget anticipates passage of a statewide comprehensive water plan whereas the LBB's does not provide for such a plan in its recommendations.

The governor is recommending that TDWR expand its municipal and commercial sector water conservation program to aid approximately 100 systems experiencing water supply problems. The governor also proposes that the department develop an agricultural water

conservation program to test irrigation system efficiency and to demonstrate water-efficient management practices.

The two proposals for TDWR also differ in their source of financing, with the governor's budget proposing \$42.9 million in new or increased fees. \$7.6 million of the revenue raised by these fees would be used to offset general revenue funds. The largest of these new fees is a hazardous waste fee applied to disposers of hazardous waste materials. This fee would raise \$37.9 million over the biennium to expand agency monitoring and enforcement of hazardous waste activities.

The LBB's proposal for TDWR would cut funding for the cleanup of inactive

hazardous waste sites, allowing the department to spend only the money left over from the previous biennium. Overall, the LBB's recommendations for TDWR would hold spending at a level slightly below (2.6%) that of the 1985 biennial level.

The debate over the conflicting budget proposals is certain to be eclipsed by that over the proposed comprehensive water plan for the state. Governor White, Speaker Lewis, and Lt. Gov. Hobby have all proclaimed the water plan to be the legislature's number one priority this session. Chances appear good that Texas voters will have a statewide comprehensive water plan before them this November.

## No Cost-Free Remedies for Adult Corrections

Compliance with the federal court order's requirements regarding prison conditions continues as the major legislative focus. But additional issues have developed because of restrictions imposed as a result of continued budgetary tightness. Adding to the problems are the preliminary findings of a study commissioned by the Texas Board of Corrections which confirmed that there will be no cost-free remedies to alleviate the problems of the state prison system. Finally, the initial results of the recently implemented prison reform package enacted by the 68th Legislature have dissatisfied some legislators. Vowing to close the back doors of prisons, these legislators have proposed legislation to curb the early release of felons.

### Record Amounts Requested

The adult corrections agencies have requested over \$1.3 billion for the 1986-1987 biennium. For the second consecutive biennium, the Texas Department of Corrections (TDC) budget request exceeds \$1 billion; the Board of Pardons and Paroles (BPP) reached a new plateau with \$97.3 million; as has the Adult Probation Commission (APC) with a \$225.5 million request.

How much will actually be appropriated to the agencies depends as much on external factors as it does on the state's fiscal outlook—and less on which

spending plan the legislature chooses to follow.

### Legislative vs. Executive Proposal

There are modest differences between the proposals for adult corrections agencies made in the legislative and executive budgets. Using 1985 biennial funding levels as a guide, the legislature's plan for TDC resulted in a 12% increase (\$75.2 million) and the executive a 17% increase (\$111.8 million). Both proposals, however, reduce recommended spending for BPP and APC below current spending levels.

### An Increase for Prison Programs

The increase in prison funds for the biennium is due to the fiscal base the budget officials used to determine the 1985 biennial level for the agency. For TDC, the 1985 biennial level amount includes unexpended funds from other years and funds appropriated in the special session.

Consequently, even though the LBB's recommendations provide for no increase to the TDC above the 1985 operating level, and recommends only \$47.4 million for repairs and renovation, the result is a net increase in recommended expenditures of \$75 million



over the current biennium.

The governor's proposal exceeds current expenditures by \$111.8 million. However, the executive budget places even less emphasis on construction and repair programs providing only \$30.7 million for the biennium.

The governor's plan allocates an additional \$36 million to TDC operations to increase staffing for security and health programs.

Several issues of the court order are still unresolved, therefore, current TDC actions to comply with the order may unexpectedly affect the operations of other adult corrections agencies.

For example, recently, the prison population has begun to inch closer to the statutory limit—causing concern among parole officials.

### The Spectre of Mass Releases

In 1984, TDC diverted 2,000 beds to administrative segregation and in effect reduced the overall capacity of the prison system by 2,000 beds.

Because of the loss of general population beds, the BPP is predicting the inmate population will reach 95% of capacity, or over 38,000 inmates, by May 1985—at which time the early release of certain inmates may begin to occur.

Since funding for the implementation of the Prison Management Act expires at the end of the fiscal year, the BPP will be able to respond to an overcrowding crisis. But if the budgets proposed for the 1986–1987 biennium are followed, then supervision of prison inmates released early may be difficult to accomplish.

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### Reallocation of Parole Funds

The legislative and executive budgets do not include the Prison Management Act contingency funds in their proposed expenditures. Appropriations to the BPP were reduced by \$5 million—the major part of which is the contingency amount. Both plans reallocate approximately \$6 million from the halfway program to parole supervision. Increased funding to parole supervision is targeted to reduce the overall parole supervision ratio from 90:1 to 75:1.

In contrast to the funding crisis sce-

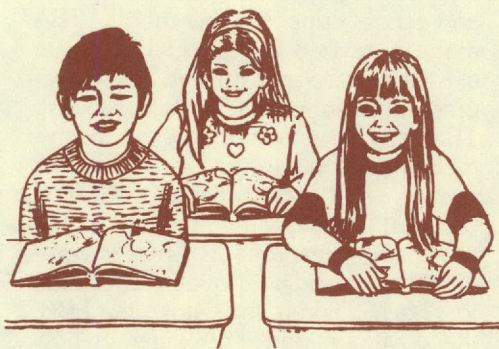
nario facing the BPP, the Adult Probation Commission has accumulated fund surpluses.

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### Surpluses in Probation

Both budget proposals reduce expenditures for the APC by at least \$10 million—the majority of which comes from an accumulation of approximately \$8.5 million in unexpended state aid funds.

The APC attributes the unexpended funds to local opposition—by citizens and county government officials—to some of the commission's programs.



The Texas Education Agency requested and Governor White and the Legislative Budget Board agreed upon \$11.4 billion for aid to public schools in the 1986–1987 biennium. The appropriation pattern was set last summer by the second special session of the 68th Legislature with the enactment of H.B. 72 to reform the school program and the enactment of the largest tax bill in the state's history to pay for it.

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### State Aid Half of Total

State aid provides only half of the revenue to operate our public schools. Almost as much money is raised by local school trustees through the levy of local property taxes. The ball is now in the other court as budgets adopted by 1,069 local school boards will set the pattern of school finance next year, not the appropriation bill before the legislature.

The \$11.4 billion proposed is a 16.1% increase over the current biennium. Allowing for the increase for 1985 voted by the special session last summer, the proposed level of appropriation is 28.2% more than the 1984 level.

## \$11.4 Billion for Schools— All Agree

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### 354,600 More Students

The budget is based on an expectation of 5,986,000 students in the public schools for the next two years. That is an increase of 354,600 or 6.2% over the current 1984–1985 biennium. By the 1986–87 school year (the last year of the next biennium) an average daily attendance of 3,025,000 young Texans is forecast.

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### Equalization & Other Changes

To improve equalization of resources among different school districts, H.B. 72 enlarged the local share of the Foundation Program. A further enlargement of \$312 million is scheduled for 1985–86 as state aid is cut to districts with high per-student local taxable wealth and given to property poor districts. The shift in state aid will impact local budgets, but other reform requirements will have a further impact. School districts must begin to implement a limit of not more than 22 students in a class in the lower grades. An uninterrupted 45-minute planning period for teachers will require more personnel, just to mention a couple of changes.

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### All-Day Kindergarten

Many school districts offer full-day kindergarten. State aid is provided for half-day classes except for disadvantaged students. After enactment of H.B.

72, the Education Agency issued rules extending state aid to the full day. Legislative leaders disagree and have promised to change that interpretation. The amount is not specified separately in the budget documents. The agency is requesting that the \$140 million for all-day kindergarten be used to increase the "equalization-aid" program.

When state aid was granted this year for full-day kindergarten, many districts used the state-aid dollar to replace local property tax dollars which then could be spent for some other purpose. Many school officials say their districts will continue the full-day program using local dollars. If the agency's proposal is adopted, state aid would be withdrawn from large and medium-sized districts that offer full-day kindergarten and given to districts with low per-student taxable property values.

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### Local Taxpayers May Be Losers

This shifting of state and local tax dollars to fund school programs is not that easy to implement at the local level. The local dollars released when state-aid picked up part of the kindergarten cost may have been used for other purposes—probably to increase salaries. Trying to reverse the financing pattern may be a very hard choice of either taking back some of the salary increase or of asking local property taxpayers for more revenue.

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## Federal Funds Up

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The \$11.4 billion total in the budgets includes \$1.4 billion of federal aid. Federal funds funneled through the state and on to local districts are anticipated to be \$178 million more than last biennium. Federal aid flowing directly from Washington to local districts is not reflected in the state budget.

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## TEA Program Budget

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While many education programs are expected to receive increased funding, the rate of increase will vary greatly from program to program, and some may actually receive less funding. Within the FSP, the special education, compensatory education, basic, and career ladder allotments are expected to account for an ever larger proportion of FSP funds. The special education and career ladder allotments are expected to increase the most, 23% and 35% respectively, over FY 1985 levels. There will be two new programs, pre-kindergarten and summer school aid, but these will be relatively small, less than 1% of the TEA program budget. The LBB's, governor's, and TEA's documents will provide increased funding for some vocational education programs, but the rate of increase is so much lower that the net effect is to decrease the total amount of education program funds devoted to this area.

The TEA's FSP requests differ from the LBB's recommendations in only four categories out of a total of 27.

While the LBB recommends a 33% cut in incentive aid over FY 1985 levels, TEA requests that funding remain at the same level. Aid for programs for the gifted and talented is slightly increased in the LBB's recommendations, but TEA requests that funding stay the same as in FY 1985. Conversely, the LBB projects only a 5% increase for sick leave aid, while TEA recommends a 25% increase. In the area of community education, the LBB recommends that funding be cut in half, but TEA requests funding at the FY 1985 level. This is the one FSP category where the governor's budget differs from the LBB's document. Here the governor's budget and TEA agree.

In addition to the FSP, TEA administers several other education programs. Of these, only textbook and teacher recertification (a new program) are slated for a large increase in the LBB's recommendations. State funding for textbooks is expected to increase 43% to reflect the shorter adoption cycle mandated by H.B. 72. Even so, at "only" \$185 million, this program is expected to account for less than 2% of the total TEA program budget in the coming biennium. The LBB recommends that some other programs, those for bus safety education and vocational/technical programs in secondary education, be eliminated. In contrast, TEA requests approximately a 10% increase for each. For adult and vocational education, and community guidance programs, the LBB would keep spending at current levels. The TEA, however, requests a 53% increase in the former and a 10% increase in the latter.

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## TEA Administrative Budget

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The LBB's, governor's and TEA's recommendations differ much more so in the area of TEA administration. Overall, LBB would cut TEA's administrative budget 11% and the governor's budget would give TEA 13% less than in FY 1985. TEA requested a 16% increase. The largest cut recommended by the LBB and governor are in the areas of school support and occupational program administration. The smallest are in the areas of funding for the Commissioner of Education and special population program administration. The largest increases in the TEA request are for planning, research and curriculum, and school support. This month, TEA made a revised request which more closely corresponds to the LBB's recommendation. In the revised request, TEA asks for increases over the recommendations only in the areas of school support and occupational education program administration.

Although everyone in Texas is committed to providing a quality education to Texas' children, legislators, the LBB, the governor, and TEA differ in how best to do this. The above figures are sure to change in the legislative session. Nevertheless, there seems to be no movement toward rescinding the major reforms initiated in 1984.

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