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Another Record Level Appropriation— and No New Taxes

The opening salvo in a predicted period of state fiscal austerity was not nearly so painful as most originally feared. Appropriations for the next two-year budget period which begins on September 1st total \$37.2 billion—a 14.5% increase over the 1984–1985 spending level.

Most of the \$4.7 billion budget growth goes to two areas: Public schools receive 1/3 of the new money (\$1.5 billion) and the state highway program gets 35% (\$1.6 billion). (The funding pattern for these two huge spending areas was set during last summer's special legislative session which means that the traditional biennium to biennium spending growth comparisons are somewhat overstated.) But in the end each major functional area received some new spending capacity. (See appropriations summary in the table on page 2.)

Spending Patterns Change

The two charts below compare the current spending pattern with that anticipated for 1986–1987, and show some fairly significant shifts. Despite an infusion of \$1.4 billion, state education programs comprise 45.3% of the 1986–1987 budget as contrasted to a 47.4% share of current spending. The budget portion spent on human services declined by 1% (15.6% to 14.6%). The big offset was in transportation (99% highways) which increased its share from a current level of 11.5% to 14.5%. The proportional share in other areas remained essentially unchanged.

No Major Tax Changes

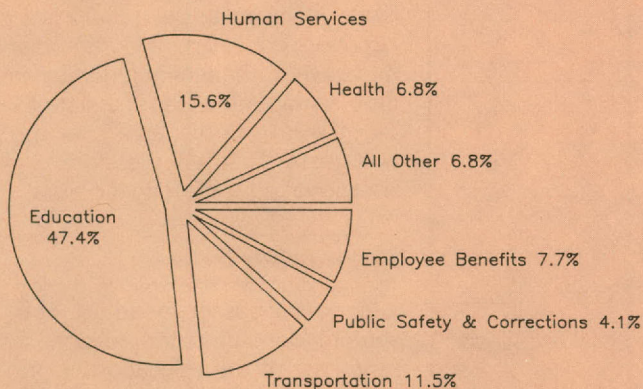
The legislative leadership delivered on the promise of a balanced state budget that addressed most of the critical finance issues without the imposition of any major tax changes. But the legislature did increase a variety of state fees which will produce an additional \$164 million—another \$25 million goes to local governments. For example, the \$10 fee for a driver's license increases to \$16. And a long overdue increase in college tuition will produce more than \$250 million which averted deep budget cuts in the state universities' budgets.

In balancing the budget, the legislature reduced spending in some areas. For example, it was determined that state contributions to the state retirement systems could be reduced without damage to their actuarial soundness—that saved \$111 million.

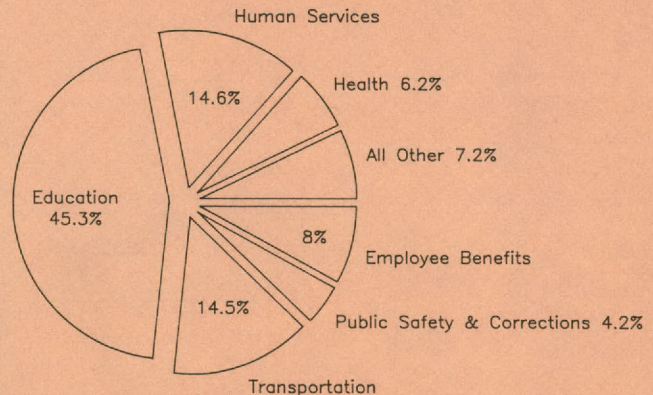
These spending actions plus some growth in state revenues and a \$650+ million beginning balance left over from the 1984 special session tax package were enough to see the state through a tough budget session.

As the legislature adjourned *sine die*, the state appropriations cupboard was bare. Lt. Governor Hobby, whose financial expertise was a major factor in the successful session, was heard to remark that the 1987 regular session may make 1985 look like the "good old days."

1984–1985 Spending



1986–1987 Appropriations



Few New Changes for Education

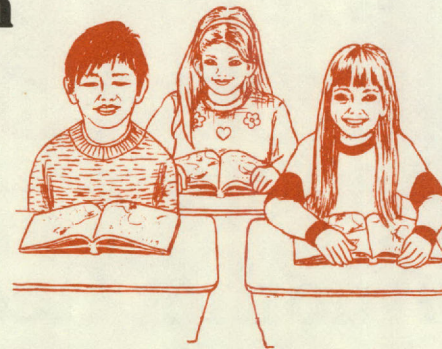
As expected, this past legislative session saw few changes in the appropriations and policy patterns for public schools set forth in the summer of 1984. Even the "fine-tuning" of H.B. 72 that was expected, failed to occur.

Public School Appropriations

The \$11.4 billion in aid to public schools recommended by the Texas

Education Agency, Governor White and the Legislative Budget Board has now been appropriated. This represents a 6% increase over the 1985 spending level. These appropriations are based upon a projected increase in the number of students and changes in the composition of the student population.

Also included in the budget is \$93 million for two new programs mandated



by H.B. 72, summer school for children with limited English proficiency and pre-kindergarten for disadvantaged children. Although the legislators had agreed that the expansion of state aid for kindergarten from a half to a full day was a misinterpretation of H.B. 72, this aid, more than \$120 million for the biennium, will continue.

Other major differences between the appropriations for the 1986-1987 biennium and 1985 spending levels also are attributable to the continued implementation of H.B. 72. Expenditures for the teacher career ladder will increase 35%. Textbook expenses, reflecting the shorter adoption cycle, will jump 43%. The local share of the foundation program for the biennium is expected to be 22% more than the share in 1985. Equalization transition aid, a temporary program established under H.B. 72, will be cut back 63%.

TEA Administrative Budget

The Texas Education Agency will receive, for the next two years, only 90% of its current administrative expenditures. The TEA administrative budget as passed is virtually identical to the LBB recommendations. The larger funding cuts are in the areas of school support (16% less than 1985 levels), and professional development and support (14% less). The largest cut (36%) is for occupation education program management where changes in federal matching fund requirements led the state to drop \$4 million from this area over the next two years. TEA will therefore close 12 vocational education field offices.

Fine-tuning Fails

Many proposals to adjust H.B. 72 were made during the session. Some provisions of the education reform act were to be clarified and simplified. Time-

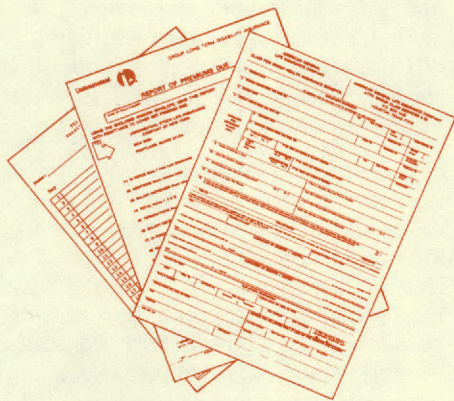
BIENNIAL APPROPRIATIONS
1984-1985 and 1986-1987
(Millions of Dollars)

	1984-1985	1986-1987	Increase/ (Decrease)	
			Amount	Percent
EDUCATION				
-Public Schools	\$ 9,959.2	\$11,521.6	\$1,562.4	15.7%
-Universities	3,110.5	3,036.7	(73.8)	(2.4)
-Medical and Dental	1,287.4	1,244.7	(42.7)	(3.3)
-Junior Colleges	875.2	889.8	14.2	1.6
-Other	149.2	128.2	(21.0)	(14.1)
Total Education	\$15,381.9	\$16,821.0	\$1,439.1	9.4%
HUMAN SERVICES				
-Aged & Disabled	\$ 1,595.0	\$ 1,659.3	\$ 64.3	4.0%
-Health Care	1,394.5	1,504.5	110.0	7.9
-Income Assistance	630.9	736.0	105.1	16.7
-Family & Children	410.3	441.2	30.9	7.5
-Rehabilitation	234.4	254.2	19.8	8.4
-Employment	246.4	260.9	14.5	5.9
-Other	568.8	562.5	(6.3)	(1.1)
Total Human Services	\$ 5,080.3	\$ 5,418.6	\$ 338.3	6.7%
TRANSPORTATION				
-Highways & Public Transit	\$ 3,701.9	\$ 5,347.3	\$1,645.4	44.4%
-Other	40.3	38.8	(1.5)	(3.7)
Total Transportation	\$ 3,742.2	\$ 5,386.1	\$1,643.9	43.9%
EMPLOYEE BENEFITS				
-Retirement Programs	\$ 1,532.3	\$ 1,875.3	\$ 343.0	22.4%
-Social Security	762.8	838.5	75.7	9.9
-Insurance	204.9	269.1	64.2	31.3
-Other	4.4	2.4	(2.0)	(45.5)
Total Employee Benefits	\$ 2,504.4	\$ 2,985.3	\$ 480.9	19.2%
HEALTH				
-Mental Health & Mental Retardation	\$ 1,190.4	\$ 1,244.9	\$ 54.5	4.6%
-Health Care	570.1	537.6	(32.5)	(5.7)
-Cancer Center	402.9	415.8	12.9	3.2
-Other	57.6	123.6	66.0	114.6
Total Health	\$ 2,221.0	\$ 2,321.9	\$ 100.9	4.5%
PUBLIC SAFETY & CORRECTIONS				
-Prison System	\$ 720.7	\$ 953.5	\$ 232.8	32.2%
-Public Safety	297.2	299.9	2.7	0.9
-Other	318.4	319.6	1.2	0.4
Total	\$ 1,336.3	\$ 1,573.0	\$ 236.7	17.7%
ALL OTHER	\$ 2,209.9	\$ 2,664.2*	\$ 454.3	20.6%
TOTAL APPROPRIATIONS	\$32,476.0	\$37,170.1	\$4,694.1	14.5%

* Includes \$292.5 million for 3% state employee raise in each year of the biennium.

tables—especially in the implementation of teacher and administrator testing and the career ladder—would have been revised. State Board of Education authority in certain areas such as extra-curricular activities and paperwork reduction would have been expanded and local districts would have gained greater leeway in implementing class size limits and in disciplining students.

However, disagreements in the method of legislating these changes—the House preferred a bill by bill approach while the Senate passed an omnibus bill—in the end prevented the adoption of any of the proposed changes.



Salary Increase

Although plagued by slowly growing revenues and increased spending pressures, the legislature came up with \$292.5 million to provide a state employee pay raise. The increases, which were not as much as the employee organizations originally asked, amount to 3% per fiscal year. Part of the raise was paid for by the deletion of two state holidays each year.

New Legislation

Nevertheless, this session did produce some bills destined to affect the state, school districts, and teachers. The foundation school program allotments now will include a small school adjustment not only for the basic allotment, but also for special allotments. Schools also will receive a special allotment, to be phased in gradually, for gifted and talented students.

Finally, in a move supported by all the teachers' organizations, the legislature passed a measure which will grant all teachers a daily half-hour lunch free

from supervisory responsibilities. Districts can require teachers to work during lunch only one day a week and only in cases of extreme hardship to be defined by State Board rules.

Final School Funding

The \$11.4 billion appropriated for schools over the next two years will provide only half of the total school budget. The remainder is raised in property tax revenue by local school districts. Therefore, the legislative session provided only half the story. The sound and fury will come as 1,069 local school boards adopt budgets (and property tax levies) for next year.

State Employee Compensation

Other Benefits

Even in a period of fiscal restraint, the legislature appropriated almost \$3 billion for fringe benefits—an amount 19.2% (\$481 million) greater than the 1984–1985 spending level.

Retirement Programs. The state's major retirement programs will cost almost \$1.9 billion in 1986–1987. That is an increase of \$343 million, or 22%. The increase would have been \$111 million greater had it not been determined that the state's contribution could be reduced without damaging the actuarial soundness of the two systems.

Social Security. The state's social security liability comes to \$530 million for 1986–1987—up \$60 million or 13% over 1984–1985. In addition, the state continues to pay a portion of the employees' liability at a cost of \$309

million. In total, the state's social security costs amount to \$839 million.

Insurance. A growing item in the employee benefit package is group medical insurance. That program will cost \$242 million in 1986–1987, up \$37 million or 18%. The costs would have been higher had the state not revamped the program and adopted several cost containment measures.

The legislature added public school retired employees to the group insurance program at a cost of \$27 million for the upcoming biennium.

Judicial Retirement. The legislature created a new retirement program for state judges who assume office after September 1, 1985. This finally implements a long-overdue move to begin funding judicial retirement according to actuarial principles. For 1986–1987 the cost of JRS II will be \$500,000.

Colleges and Universities Escape Drastic Appropriation Cutbacks

After a long struggle over tuition increases and proposed spending cuts, Texas' 35 state colleges and universities emerged from the legislative session with direct appropriations totaling 94% of estimated spending for the current biennium.

When other appropriations targeted primarily for the colleges and universities are included, the total comes to 98% of current spending estimates.

Neither figure takes inflation into account, however, so they understate somewhat the actual degree of belt-tightening the budget will require.

But either way, the figures are a far cry from the 24% cut proposed at the outset of the session by the Legislative Budget Board. This is due largely to the tuition increases enacted by the legislature. (See TRL Bulletin on Texas State Finance #5, May 20, 1985, for details.)



Colleges and Universities Get \$2.3 Billion

The 35 state colleges and universities received direct appropriations of \$2.3 billion. This compares with estimated spending of \$2.45 billion for the current biennium, excluding new construction and major repairs.

Construction and major repairs are left out of the 1984–1985 biennial total to make it more nearly comparable to the 1986–1987 figure, which includes no funds for these items. Instead, a separate line item called the Higher Education Fund contains the construction and repair appropriation.

This new fund was created pursuant to a constitutional amendment ratified by the voters last November. It is dedicated to higher education institutions which are not served by the Permanent University Fund, and it may be used to finance construction, major repairs, building rehabilitation, and the purchase of capital equipment and library books and materials.

The alternate figure of \$2.78 billion, which would bring the appropriated total to 98% of current spending estimates, includes the Available University Fund, the new \$35 million fund for advanced technological research and instruction, and a \$7.5 million contingency fund. Some of the money in these funds will be allocated to other components of the higher education budget, but the lion's share will go to the state colleges and universities.

Higher Ed Appropriation Totals \$5.3 Billion

The total biennial appropriation for higher education is \$5.3 billion, a reduction of 2.2% from the \$5.42 billion in estimated expenditures for the current biennium. The original LBB recommendations would have cut higher education by 12.4%.

In addition to the 35 state universities and senior colleges, the higher education budget includes medical and dental schools, Texas A&M University at Galveston (which includes the Texas Maritime College, the Moody College of Marine Technology, and the Coastal Zone Laboratory), the Texas State Technical Institute, public junior colleges, the Coordinating Board, system administrations, university-related museums, the Texas Engineering Extension Service,

and the Rural Medical Education Board.

Several other agencies in the education article (Article III) of the appropriations bill are classified by the LBB under separate functions such as health, transportation and natural resources. Appropriations for these agencies are not included in the higher education totals.

Medical and Dental Schools Down 3.3%

Appropriations for medical and dental schools total \$1.24 billion, down 3.3% from the \$1.29 billion estimated spending in the current biennium. In addition to funds for the state's seven medical and dental institutions, the total also includes appropriations for the Texas A&M Medical Education Program, the Baylor College of Medicine, the Baylor College of Dentistry, the Family Practice Residency Training Program, and the Resident Physician Compensation Program.

The four campuses of the Texas State Technical Institute received appropriations of \$84.7 million, a cut of 2.2% from their estimated \$86.9 million in expenditures for the current biennium.

The public junior colleges in Texas receive state aid for academic and vocational-technical education. The biennial appropriation for junior colleges totals \$889.8 million, up 1.6% from the \$875.6 million in the current biennium. However, the total includes start-up costs for two new junior college districts: the Collin County Community College District and the Northeast Texas Community College District. This brings the number of junior college districts in Texas to 49.

New Items In Coordinating Board Budget

The Coordinating Board appropriation of \$191.9 million is an increase of 6.7% from its estimated 1984–85 biennial spending of \$179.9 million. This increase, however, conceals some program cutbacks and the addition and elimination of several line items.

Funding for the Baylor College of Medicine and the Baylor College of Dentistry, for example, is cut from \$87.4 million to \$78.5 million. (These funds are included in the appropriation totals for medical and dental schools.) Tuition Equalization Grants are also cut back, from \$41.3 million to \$35.9 million.

The Purchased Utility Contingency Fund previously budgeted under the Coordinating Board has been shifted to the budget for the Governor's Office. The amount budgeted under the Coordinating Board in the current fiscal year was \$18.4 million.

In spite of the above program reductions and the removal of a significant appropriation item from the Coordinating Board budget, the agency wound up with a budget increase because of two new line items created to cushion the impact of cutbacks at the state colleges and universities.

The first is a \$7.5 million contingency fund for institutions threatened with further cutbacks because estimates of other income (from tuition and other sources outside the General Revenue Fund) turn out to be too high.

The second new item is a \$35 million appropriation for advanced technological research and instruction. This was intended to offset part of the overall reduction in research funds for individual institutions and to counteract any impression that such reductions signaled a reduced state commitment to leading-edge research in technology.

Voc-Ed Consolidated

Another change in Coordinating Board responsibility not reflected in agency appropriations is the transfer from the Texas Education Agency of authority over vocational-technical education in junior colleges. This transfer consolidates under the board the administrative responsibility for all junior college programs. A rider requires TEA to transfer to the board any federal funds or state general revenue funds earmarked for postsecondary vocational-technical programs. A committee will be appointed to coordinate the agencies' activities in this area and to assist in the transfer of funds and authority.

Other Higher Ed Appropriations

Appropriations for the administrations of the six state college and university systems (which are not included in the college and university figures) totaled \$8.7 million, a 63% cut from the \$23.4 million in estimated current biennial spending. But virtually all of this drastic reduction stems from cuts in ap-

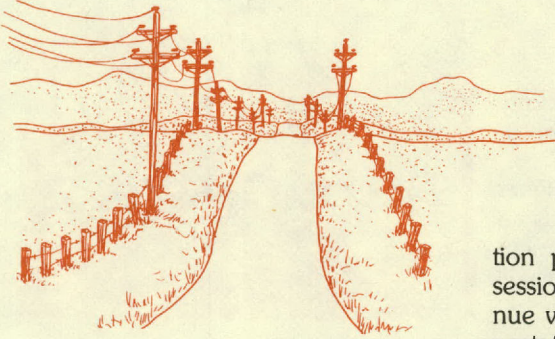
ropriations for the UT and Texas A&M systems: the UT figure of \$1.5 million is an 85.6% cut from \$10.4 million, and the A&M appropriation of \$723,000 is an 88.7% cut from \$6.4 million.

In effect, these reductions will force the UT and A&M system administrations to dip more deeply into their Avail-

able University Fund allocations to supplement their operations, leaving them with less AUF money to spend on other programs. The AUF appropriation for the next biennium is a healthy \$435 million, up 13.1% from \$384.5 million in the current biennium.

The state's four university-related mu-

seums—the Institute for Texan Cultures, the Texas Tech University Museum, the Panhandle-Plains Historical Museum, and the Sam Houston Memorial Museum—received appropriations totaling \$7.4 million, a drop of 9.5% from estimated current biennial expenditures of \$8.2 million.



As expected, the Department of Highways and Public Transportation (DHPT) emerged from the legislative session with its expanded funding in tact. DHPT's prospects looked promising from the beginning. The LBB, Senate Finance Committee and Governor White's versions of the department's budget were nearly identical. The LBB and governor recommended a biennial appropriation of \$5.1 billion, while the Senate's suggestion was only \$9 million less.

The adopted \$5.3 billion budget is 44.4% greater than 1984 expenditures and FY 1985 budgeted, though only 19% larger than twice the FY 1985 level. The increase is not the result of action this session, but instead is a consequence of the special session last summer. Increases in the gas tax and motor vehicle registration fees help to finance the gain, as do revenues from the 1983 federal highway tax measures which are now finding their way into state coffers.

Highway construction activities are awarded three-fourths of DHPT's total appropriation, while maintenance work gets another 18%. Administration and support, auxiliary operations (such as safety, motor vehicle registration and travel services), and public transportation share the remaining 7% of the budget.

Since the majority of Highway Department funds are constitutional dedications or are federal receipts, DHPT's budget is generally unassailable. But, this is not true of the public transporta-

tion portion of DHPT's budget. Last session \$21 million from general revenue was appropriated for public transportation. This session the House-Senate Conference Committee on Appropriations recommended elimination of general revenue funding and suggested that \$10 million from Public Transportation Fund 451 be reimbursed to general revenue. In the last days of the session, the reimbursement requirement was removed and the \$10 million in Fund 451 instead was appropriated for capital financial assistance to transit systems. Federal funds for public transportation are estimated to total \$8 million in the coming biennium, compared with only \$3 million now.

Highway Fund 006 moneys are to be used exclusively for improvement of the highway system. Statutes specify that policing of highways and supervision of traffic and safety fall within this definition, allowing some of Fund 006's revenues to be expended for the Department of Public Safety (DPS). The maximum biennial appropriation from the Highway Fund for DPS enforcement of traffic laws was \$30 million, but S.B. 662 passed this session raises the amount to \$60 million.

Drinking Age Raised to 21

To prevent the loss of more than \$100 million in federal highway funds the drinking age was raised to 21 effective September 1, 1986. If for any reason the federal law is voided, the drinking age will revert to 19 unless legislators act to increase it during the next regular session. On a related measure, legislators after intense debate declined to ban open containers of alcohol in vehicles.

Legislators Treat Highways Generously

Buckle Up Bubba!

In another highway-related measure occupants of the front seats of automobiles will be required to wear seatbelts starting December 1, 1985 or face a fine. The act applies to drivers and passengers in small pickups—those under 1,500 pounds. Seatbelts also will be required on school buses with the state purchasing the belts for \$16 each and school districts installing them before the first of next year.

Other Transportation Agencies

Texas Aeronautics Commission. TAC had big plans for expanding its aviation facility construction and improvement grant and loan program. But its plans didn't jibe with the leaner look required of most state agencies. So while TAC requested a \$33.3 million budget with \$28.2 million going for grants and loans, the commission had to settle for a meager \$6.8 million—a 26% reduction over the current biennial level. Ironically, the cuts come in the aviation facility construction and improvement program which TAC wanted to enhance. General revenues pay for 96% of TAC appropriation.

Aircraft Pooling Board. The little-known APB was created in 1979 to assume custody, operation and maintenance of all state owned or leased aircraft. APB now has its own hanger where it houses the 4 aircraft under its direct control and two other state owned planes. APB also sells fuel to all requesting state agencies. The board's \$4.2 million current budget was increased to

\$5.5 million by the last minute addition of \$1.7 million for aircraft acquisition.

Up to now APB has been funded by general revenues and some reimbursements for services rendered, but starting

in FY 1987 it is the legislature's intent that APB "attempt to recover all costs involved in providing air transportation, aircraft maintenance, fuel and other services to agencies of the state"; capital

expenditures are not included. State agencies that must pay the full cost of utilizing these state aircraft undoubtedly will more closely check commercial alternatives.

Adult Corrections Budget Exceeds \$1 Billion

The perennial pressures of complying with the federal court order's requirements increased this session with the release of each new report detailing continuing deficiencies in prison facilities and services. Prison violence reached an all time high in 1984 when inmates committed 25 murders. And as prison officials sought to reorganize the prison units to increase security, additional manpower needs became evident.

Moreover, during the legislative session, the inmate population began to increase thus raising the possibility that emergency release procedures authorized by the Texas Prison Management Act would be implemented.

With pressure increasing from all sides, the 69th Legislature found itself in an almost untenable position regarding future funding for adult corrections—especially prisons. It was evident that additional funding would be required.

Record Amounts Appropriated

As the end of the session neared, state officials presented a plan to settle the suit against the Texas Department of Corrections. At the same time legislators compromised on a budget agreement tailored to follow the plan.

The resulting appropriations to adult corrections agencies for the 1986–1987 biennium exceed \$1 billion and represent an overall 25% increase. However, most of that goes to additional funding for prisons. While the Board of Pardons and Paroles (BPP) received a 9% funding increase, the Adult Probation Commission (APC) suffered a budget cut of 14%.

TDC Staffing Levels Increased

The TDC appropriation is \$953.5 million—a 32% increase over current spending. Part of the appropriation will fund a 20% increase in personnel bringing the agency total to almost 2,200.

The largest staff increase is in security personnel where \$59.3 million is appropriated to hire an additional 1,497 correctional officers to provide a higher level of supervision. TDC still needs an additional 560 employees to implement court ordered plans for the mentally-ill and mentally-retarded offender.

Prison Construction Tied to Settlement Agreement

A \$179 million construction appropriation will provide facilities to meet guidelines set by the settlement agreement negotiators.

First, according to the settlement agreement, TDC will reduce the capacity of its existing prison units by 5,000 inmates over the next four years to redistribute the inmate population within the prison system and reduce overcrowding. To achieve this goal, TDC has agreed to construct ten 200-inmate trustee facilities at a total cost of \$18 million. The first of these facilities is projected to be completed by January 1986.

Second, the appropriation includes \$60 million for construction of a new 2,250-bed prison plus \$20 million for start-up funds for a new unit. The new prison unit will provide additional beds to continue the inmate redistribution.

Third, \$27.8 million appropriated to TDC will enable the department to start a renovation and repair program also aimed at reducing overcrowding and improving the prison system's support facilities.

Increase Construction Oversight

State officials estimate the value of specifically designated TDC farmland at \$158 million. The legislature authorized the sale of the farm property and appropriated the proceeds for TDC construc-



tion and improvements—\$125 million of the construction appropriation is contingent on the sale of TDC land. All projects approved and funded for the 1986–1987 biennium will be subject to review by the State Purchasing and General Services Commission's facilities construction division.

By any measure the Texas Department of Corrections emerged victorious from this session's budget wars. The department's appropriation for the 1986–1987 biennium exceeds its original budget request by almost \$45 million. Also the state leadership developed and funded a plan to settle the federal lawsuit against the TDC. And, most important, if the federal judge approves the settlement plan, a 13-year legal battle will end.

More Funds for Parole Supervision

The \$68 million appropriation for the Board of Pardons and Paroles (BPP) is approximately \$5 million, or 8%, more than the current spending level.

Funding for halfway house programs was reduced, but the BPP received \$8.6 million more to increase parole supervision and maintain a ratio of 75 active parolees per officer—which would be less than the current ratio of 90:1. The legislature appropriated almost \$37 million for parole supervision.

The overall BPP appropriation resulted in a reallocation of resources within programs to increase the effectiveness of the agency.

Probation Funding Reduced, Accountability Increased

The legislature reduced appropriations to the Adult Probation Commission (APC) by almost \$15 million. A \$14 million cut in funding for general probation services accounted for most of the difference. However, intensive supervision programs and restitution centers were funded at the current spending level of almost \$24 million.

Program accountability requirements for APC were increased. Several appropriation riders require the development of program criteria to ensure that funds are being used to divert offenders from TDC. The increased accountability requirements are due, in part, to an \$8.6 million surplus of state aid funds

accumulated by county probation departments.

Consequently, the intensive supervision program is expected to divert at least 7,600 persons from the TDC. Restitution centers funded by the APC must be able to account for the types of offenders placed in the center and document that they are diversions from TDC. Finally, supplemental aid will be distributed only to those judicial districts that have met caseload and caseload supervision criteria.

Conclusion

The 69th Legislature made significant accomplishments in adult corrections. It appropriated sufficient funds to enable TDC to finally comply with the court order. But with the additional funds came

increased accountability in the prison construction program. The legislature funded new minimum security facilities—trustee camps—and provided funds to increase supervision in the prison system's newly created maximum security units.

The array of options in adult corrections has increased tremendously in the last three legislative sessions. The priority in earlier sessions was to increase the adult corrections system's capacity and this led directly to increased cell construction and expanded community corrections programs. Now a new priority is emerging—increased program effectiveness in prisons and in community corrections programs. Only time will tell if there are sufficient options—and safeguards—available to manage the adult corrections system effectively.



Passage of a comprehensive water plan, reorganization of the state's water agencies, and a new hazardous waste disposal fee top the list of legislative accomplishments in natural resource policy. Overall appropriations for natural resource functions will be held at roughly the same level during the 1986–87 biennium as that during the 1984–85 biennium—\$691 million compared to \$687 million.

A proposed constitutional amendment for water development, HJR 6, passed the legislature and will appear on the November ballot. The key features of the proposed amendment are:

- \$980 million in water development bonds for water supply, water quality, flood control, storage acquisition, and state participation in regional water projects.
- \$200 million in agricultural water conservation bonds to assist farmers in water conservation through low-interest loans for irrigation equip-

Water Legislation Dominates Natural Resource Policy

ment. This new bond program is contingent upon the approval of 2/3 of the members of both houses of the legislature within six years of the passage of the amendment. A \$5 million pilot program of loans will be undertaken first.

- A \$250 million local bond guarantee program. The full faith and credit of the state will be used to guarantee the bonds of communities which might otherwise have difficulty selling bonds under favorable terms.

Along with HJR 6 the legislature approved comprehensive water legislation which will become law if and when the constitutional amendment is approved by the voters. The water legislation contains provisions which seek to strengthen water conservation practices; protect freshwater inflows to bays and estuaries along the coast; institute, to a limited degree, regulation of groundwater resources; and promote research and educational programs for agricultural water conservation.

In addition to tackling comprehensive water legislation, the legislature also reorganized the state's water bureaucracy.

The Texas Department of Water Resources (TDWR) came under the sunset review process and would have been abolished without legislative reauthorization.

Rather than simply continue the TDWR, the legislature instead transferred the functions of the department to the Texas Water Commission (TWC), which now will have control of the daily workings of the agency in addition to its permitting and adjudicatory functions. The Texas Water Development Board, which previously ran the TDWR, was stripped of all of its responsibilities except for long-range planning and management of the water development fund.

Appropriations for the state's natural resource agencies will be held at almost exactly the same levels for the 1986–87 biennium as was budgeted and spent during the 1984–85 biennium. Among individual agencies, one, the Coastal and Marine Council, was abolished outright. Another, the Texas Low-Level Radioactive Waste Disposal Authority (TLRWDA), saw its appropriation reduced significantly from what it

requested. The legislature also prohibited the Texas Department of Health from licensing any low-level radioactive waste sites until 1987, when the 70th Legislature will have an opportunity to review the TLRWDA's operations.

The legislature also approved an \$80 million fee bill to pay for the state's first comprehensive plan for hazardous waste management. The legislation creates a fund for enforcing new regula-

tions and paying for the cleanup of abandoned waste dumps. In addition, the legislation bans new commercial dumps in floodplains, over aquifers, and near churches, schools, and parks.

In other action, the legislature:

- reauthorized the Texas Air Control Board and the Parks and Wildlife Department and gave each expanded regulatory powers;
- defeated a proposal to raise the oil

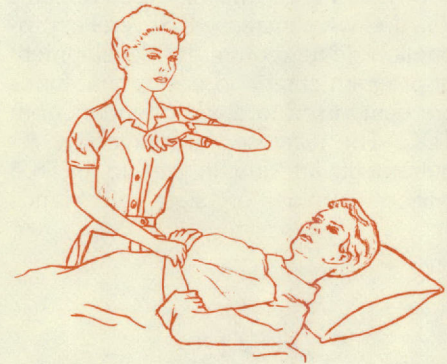
and gas drilling fee from \$100 to \$900;

- transferred authority over most water and sewer rates from the Public Utility Commission to the Texas Water Commission; and
- passed legislation which for the first time places the state's river authorities under the state sunset review process.

Human Services and Health

The state budget for human service functions totals \$5.4 billion for 1986-1987, an increase of \$338 million (6.7%). About 60% of the budget total in this area is funded from sources other than the state's general revenues—mostly federal funds. The higher spending levels primarily reflect growing case-loads. However, the grant to the Aid to Families with Dependent Children (AFDC) was increased from \$53 to \$57 per month.

The priority issue in the health care area is the implementation of court-ordered improved staff-to-patient ratios in the state mental health and mental retardation institutions—that cost an additional \$64 million. In total, state health programs are budgeted at \$2.3 billion for 1986-1987, an added \$101 million over current funding levels. A part of the increase came from the last-minute passage of a \$70 million indigent health care package in a three-day special ses-



sion that followed immediately after the adjournment of the regular session.

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