HOUSE
RESEARCH
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Texas House of Representatives

State Finance Report No. 85-2 April 2017

CSSB 1:

The House Appropriations Committee's Proposed Budget for Fiscal 2018-19

The House Appropriations Committee reported CSSB 1 by Nelson (Zerwas), the general appropriations bill for fiscal 2018-19, on March 29, 2017, by the following vote:

26 ayes – Zerwas, Longoria, Ashby, Capriglione, Cosper, S. Davis, Dean, Dukes, Giddings, Gonzales, González, Howard, Koop, Miller, Muñoz, Perez, Phelan, Raney, Roberts, J. Rodriguez, Rose, Sheffield, Simmons, VanDeaver, Walle, Wu

0 nays

1 absent – G. Bonnen

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 85-1, *Writing the State Budget: 85th Legislature*, February 16, 2017.

Fiscal 2018-19 Budget Overview

CSSB 1, the House Appropriations Committee version of the fiscal 2018-19 state budget, would authorize total spending of $218.2 billion, an increase of 0.9 percent from fiscal 2016-17. General revenue spending would total $104.3 billion, a decrease of $3.8 billion, or 3.5 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of general revenue dedicated funds would be $7 billion, a decrease of $1.1 billion from fiscal 2016-17 spending levels.

The table below details overall spending in CSSB 1 by type of funds and the amounts estimated/ budgeted for fiscal 2016-17, the amounts recommended for fiscal 2018-19 in CSSB 1, and the change the recommendation would represent from fiscal 2016-17.

The Senate-passed budget proposal would spend $217.7 billion in all funds, a 1.9 percent increase from fiscal 2016-17. The Senate would spend $106.3 billion in general revenue, a decrease of $533.8 million, or 0.5 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of general revenue dedicated funds would be $6.7 billion, a decrease of $1.3 billion from fiscal 2016-17.

Spending limits

CSSB 1 would comply with the four constitutional limits on spending, according to the Legislative Budget Board (LBB). The bill would be about $600 million below the $104.9 billion in general revenue funds that the comptroller estimated in January 2017 would be available for general purpose spending for fiscal 2018-19, often called the "pay-as-you-go" limit. This

Biennial spending comparisons
(millions of dollars)

Type of funds	Estimated/ budgeted fiscal 2016-17	Recommended fiscal 2018-19 CSSB 1	Biennial change	Percent change
General revenue	$108,038.7	$104,286.5	$(3,752.3)	(3.5%)
GR dedicated	8,036.0	6,956.7	(1,079.3)	(13.4%)
Federal	71,966.5	72,238.0	271.5	0.4%
Other	28,202.6	34,669.0	6,466.3	22.9%
All funds	216,243.9	218,150.1	1,906.2	0.9%

Source: Legislative Budget Board, Summary of House Committee Substitute for Senate Bill 1, April 2017 estimate does not take into account supplemental appropriations, any additional fiscal 2018-19 appropriations, or legislative changes that would alter available revenue, according to the LBB. The proposed House budget also would be $9 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.

Article 11

CSSB 1 includes an Article 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 Article 11 list, which totals $8.4 billion, will be considered by the House and the conference committee and could result in the funding of some items.

Economic Stabilization Fund

CSSB 1 would appropriate $2.5 billion from the Economic Stabilization Fund (ESF), also known as the "rainy day fund." Absent an appropriation, the fund is expected to reach $11.9 billion by the end of fiscal 2018-19, according to the comptroller's January 2017 *Biennial Revenue Estimate*. The ESF may not exceed 10 percent of the total amount deposited into general revenue (minus certain types of income and funds) during the previous biennium. The cap for fiscal 2018-19 is estimated to be $16.9 billion.

Any amount from the fund may be spent for any purpose if approved by at least two-thirds of the members present in each house. Funds also may be spent to cover an unanticipated deficit in a current budget or to offset a decline in revenue for a future budget following approval by at least three-fifths of the members present in each house. Money drawn from the ESF counts toward the state's constitutional spending limit, according to the LBB.

The Senate-passed budget would make no appropriation from the ESF.

Contract cost containment – Article 9

CSSB 1, Art. 9, sec. 17.10 would require agencies and institutions of higher education to identify and execute savings in their contracts for goods and services. The section lists certain agencies and reductions in their general revenue or general revenue dedicated funds. Agencies would be required to reduce fiscal 2018-19 general revenue and general revenue dedicated spending on contracts by a total of $496.3 million. The section would establish restrictions on agencies and institutions renewing, extending, canceling, and continuing contracts.

Agencies would be instructed to cancel contracts for which they did not have appropriations and to use 12 strategies listed in the rider to contain costs. The Health and Human Services Commission would be required to identify and execute savings in Medicaid contracts using six listed strategies. Agencies and institutions of higher education would have to report to the LBB and the governor on their contract cost containment efforts, including strategies implemented and savings realized.

General Government — Article 1

The 21 agencies in Article 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 Article 1 agencies in fiscal 2018-19, CSSB 1 would authorize total spending of $6 billion, a decrease of 15.3 percent from fiscal 2016-17. General revenue spending would total $3.1 billion, a decrease of $209.5 million, or 6.3 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of general revenue dedicated funds would be $570.3 million, a 46 percent decrease from fiscal 2016-17 spending levels.

Media and film production incentives

Trusteed Programs Within the Office of the Governor

- **CSSB 1 – $10 million in general revenue for promotion of music and film industries, plus $46.4 million in general revenue funds for consideration in Art. 11**
- **Senate – $3.5 million in general revenue for promotion of music and film industries**
- **Governor's proposal – $56.4 million for promotion of music and film industries**

CSSB 1 would appropriate $10 million under the strategy of Film and Music Marketing. Of that, roughly $4 million would provide support for the Texas Film Commission (TFC) and Texas Music Office (TMO). The remainder — about $6 million — would be available to fund the Texas Moving Image Industry Incentive Program (TMIIIP), which provides grants to qualifying film, television, and video game productions based on a percentage of the project's spending in Texas. All grants require 70 percent of paid crew or employees to be Texas residents, and for at least 60 percent of total production to be completed in Texas. For fiscal 2016-17, the 84th Legislature appropriated $32 million for film and music marketing, down from $95 million in fiscal 2014-15.

Supporters of CSSB 1 say TMIIIP is an effective incentive package that is critical to keeping media production in the state. Media productions are highly mobile operations, and many other states have incentive programs that draw investment away from Texas. Estimates suggest that every dollar invested in the program brings in up to $7.38 in direct economic activity, which does not include the secondary effects of the employees or cast spending money and living in the state.

TMIIIP has been shown to increase employment because the incentives are not granted until after the jobs have been created and expenses certified by the governor. The program operates more as a rebate than an incentive, ensuring that the only projects funded are those meeting requirements for hiring Texas residents and completing production in Texas.

Critics of CSSB 1 say the government should not be in the business of incentivizing certain industries. Any funds spent on this program would divert funds from more important priorities and core functions of government, including education and health and human services. Additionally, the program's benefits are largely confined to certain urban areas, meaning that many taxpayers who help support the industry may never see the benefits.

Incentives are not necessary to spur economic growth, especially in the video game industry where projects can be crowdsourced or developed remotely.

Other critics of CSSB 1 say TMIIIP should be fully funded. The funding reductions during the past several budget cycles have reduced the program's effect despite its demonstrable benefits. The 84th Legislature's cuts forced the program to turn away 27 eligible projects during the first six months of fiscal 2016-17 that would have brought more than $400 million in direct economic activity into the state.

Courthouse preservation grants

Texas Historical Commission

- **CSSB 1 – $19.2 million from the Economic Stabilization Fund**
- **Senate – $5 million in general revenue funds**
- **Agency request – $40 million**

CSSB 1 would appropriate $19.2 million from the Economic Stabilization Fund (ESF) to support the Texas Historic Courthouse Preservation Program, which provides matching grants to counties that need renovations to historic courthouses. To qualify for a renovation grant, the courthouses must be at least 50 years old and have served as the county courthouse.

In fiscal 2016-17, the 84th Legislature appropriated $20 million to the program in general revenue funds. Previously, the Texas Historical Commission had been appropriated general obligation bond proceeds to fund the grants.

Supporters of CSSB 1 say Texas has more historic courthouses than any other U.S. state and that preserving them is necessary to sustain historical tourism. Courthouse tourism provides vital tax revenue, especially to rural counties. In the last biennium, the Texas Historical Commission received \$78.8 million in renovation requests from 25 counties and awarded only \$20 million to pay for vital emergency repairs.

Renovating these historic buildings is a crucial economic development initiative. The Texas Historical Commission estimates that since the program's inception in 1999, courthouse preservation projects have created 10,000 jobs, generating \$288 million in income. If funding does not continue, artisans who have highly specialized skills needed to restore courthouses could be lost to other projects or move out of state, reducing the cost effectiveness of future appropriations. Therefore, it would be both acceptable and prudent to use ESF money for courthouse preservations grants.

Critics of CSSB 1 say courthouse preservation grants are not necessary to sustain historical tourism and that even those counties that require money for repairs can make it through a tight fiscal biennium without a long-term negative impact. The Legislature should not use ESF money for something more properly funded by localities or private entities. The state's fiscal future is still uncertain, with oil prices remaining low, and the Legislature should avoid tapping the ESF if possible.

Governor's University Research Initiative

Trusteed Programs Within the Office of the Governor

- **CSSB 1 – \$15.2 million from the Economic Stabilization Fund**
- **Senate – no funding**
- **Governor's request – \$40 million**

CSSB 1 would appropriate \$15.2 million from the Economic Stabilization Fund (ESF) to support the Governor's University Research Initiative (GURI). GURI is a fund that matches state university grants to attract distinguished researchers in science, technology, engineering, mathematics, and medicine to Texas educational institutions. Distinguished researchers include Nobel laureates or recipients of equivalent honors and members of academic honorific societies. After initiating the program in 2015, the 84th Legislature appropriated \$40 million to the fund for fiscal 2016-17.

Supporters of CSSB 1 say the program is an effective way to recruit academic talent to Texas. GURI funds have been used to attract nine top researchers to Texas, and the program has proven to be a crucial way to increase the rankings and prestige of Texas universities. Investments in science, technology, engineering, and mathematics in higher education yield good returns, leading to an influx of academic capital and talented students that increase the productivity of Texas' workforce.

The scope of GURI's benefit is not limited to the researchers; funds also are used to procure lab technology, hire assistants, and develop workforce training initiatives that benefit the Texas economy as a whole. Given this return on investment, the Legislature should support these grants using funds from the ESF.

Critics of CSSB 1 say that GURI is not cost effective. Only nine researchers have been successfully recruited with a $40 million appropriation. In 2015, the program's funds came from the dissolution of the Emerging Technology Fund, and funding it now would require tapping the ESF. This could reduce the state's budget flexibility in the future, even though GURI is not a core function of government nor an irreplaceable state service.

Moreover, the government should not be in the business of making bids to individual researchers. Institutional talent recruitment is best left to free-market forces. This is particularly true considering that the fund's economic benefits are concentrated largely in Austin, College Station, and Houston, which creates a disproportionate burden on rural taxpayers.

Health and Human Services — Article 2

Article 2 addresses the state's health and human services system, which consists of one main agency, the Health and Human Services Commission (HHSC), and two departments: the Department of State Health Services and the Department of Family and Protective Services. In 2015, SB 200 by Nelson abolished the Department of Assistive and Rehabilitative Services and the Department of Aging and Disability Services and integrated their functions into the larger HHSC system.

CSSB 1 would authorize total spending of $79.6 billion for Article 2 agencies, including $281.8 million appropriated in Article 9 for Article 2 agencies. This is a decrease of $1.5 billion, or 1.9 percent, in all funds. The bill also would authorize $33.4 billion in general revenue funds for Article 2 agencies, a decrease of $259.6 million or 0.8 percent from 2016-17 spending. Appropriations of general revenue dedicated funds would be $1.03 billion, a decrease of 12.3 percent from fiscal 2016-17 spending levels.

Medicaid client services

Health and Human Services Commission

- **CSSB 1 – $58.3 billion in all funds**
- **Senate – $58.9 billion in all funds**
- **Agency request – $61.1 billion in all funds, plus $4.8 billion in exceptional items**

CSSB 1 appropriations for Medicaid client services at the Health and Human Services Commission (HHSC) would include funds to support caseload growth and to maintain fiscal 2017 average costs for most services in fiscal 2018. The House appropriation of $58.3 billion would be a decrease of $600 million in all funds from 2016-17 spending levels. The appropriation assumes savings of $2.6 billion in all funds in Medicaid cost containment, including House Rider 186, which would direct HHSC to pursue flexibility from the federal government to reduce the cost of providing Medicaid client services. The House proposal includes funding that would partially restore fiscal 2016-17 Medicaid therapy provider rate reductions.

Supporters of CSSB 1 say the proposal would control costs in the Medicaid program while providing health care services for those who need them. The House proposal would maintain the 2017 average cost for Medicaid services and address access to care. It would increase Medicaid client services funding from fiscal 2016-17 appropriations, particularly for seniors and Medicaid recipients with disabilities. The rider directing HHSC to reduce Medicaid spending would not affect provider rates, and the agency could make these reductions without affecting access to care for Medicaid clients. CSSB 1 would not appropriate extra funds for Medicaid because further appropriations could tie up funding needed for other purposes. CSSB 1 would restore about half the reductions made in fiscal 2016-17 to Medicaid therapy services. The appropriation amount for Medicaid client services assumes that the Medicaid shortfall in the current fiscal year would be filled by CSHB 2 by Zerwas, a supplemental appropriations and reductions bill for fiscal 2017.

Critics of CSSB 1 say the House proposal would not fully restore cuts to therapy rates made in fiscal 2016-17 and might not ensure that Texas children with disabilities had access to the services they need. The budget rider directing HHSC to reduce Medicaid spending by $1.4 billion could result in fewer Texas children, seniors, and those with disabilities receiving needed health care. Parents have reported problems with their Medicaid insurance through managed care organizations, including having to wait months for their children to see a speech, occupational, or physical therapist. The bill also would not fund expected Medicaid cost increases due to medical inflation, higher utilization, or increased acuity. The Legislature should fully fund Medicaid now rather than waiting to enact a supplemental funding bill at the end of fiscal 2019.

Early childhood intervention services

Health and Human Services Commission

- **CSSB 1 – $282.4 million in all funds, plus $19.8 million in general revenue for consideration in Art. 11**
- **Senate – $282.4 million in all funds**
- **Agency request – $270.9 million in all funds, plus $19.8 million in general revenue as an exceptional item**

CSSB 1 would increase funding for early childhood intervention services, a non-Medicaid program funded jointly by the state and federal governments. The proposal would increase funding by $5.5 million from fiscal 2016-17 levels to address projected caseload growth. CSSB 1 would place in Art. 11 funding for the agency's $19.8 million exceptional item request to maintain early childhood intervention (ECI) services at the agency's projected fiscal 2017 service level.

Supporters of CSSB 1 say the proposal would control costs in the early childhood intervention program while increasing its funding from fiscal 2016-17 levels. The $282.4 million appropriation would maintain services at the LBB's projected fiscal 2017 service level, taking into account caseload growth. All children who need early childhood intervention services would receive them under the bill. The House adopted funding for the agency's $19.8 million exceptional item to Art. 11, giving the Legislature flexibility to adopt this item if needed.

Critics of CSSB 1 say the House should fund the $19.8 million exceptional item to maintain ECI services at the agency's projected fiscal 2017 service level, at least. Without full funding, many Texas children would not receive needed services that help them overcome disabilities and developmental delays. Early intervention is key to reducing the impact of developmental delays on children's ability to learn and interact in society. Underfunding this program could cost the state in the future in special education costs and lost workforce productivity.

Child Protective Services direct delivery staff

Department of Family and Protective Services

- **CSSB 1 – $1.53 billion in all funds**
- **Senate – $1.52 billion in all funds**
- **Agency request – $1.44 billion in all funds**

CSSB 1 would increase funding from fiscal 2016-17 spending for Child Protective Services (CPS) direct delivery staff at the Department of Family and Protective Services (DFPS). The $1.53 billion appropriation would include $106 million in all funds for additional full time equivalent CPS direct delivery staff and $2.3 million in all funds to provide salary increases for CPS direct delivery staff that were not included in the agency's approved fiscal 2017 critical needs request.

Supporters of CSSB 1 say this proposal would demonstrate that it is a state priority to keep Texas children safe from abuse and neglect. The increased funding for CPS direct delivery staff, including CPS caseworkers, would decrease the daily caseload per caseworker and improve outcomes for children in foster care. The increased funding also would allow CPS to better investigate reports of abuse and neglect to protect children from harm now and in the future. The bill would include funding for increased salaries to increase retention of the state's caseworkers, which would strengthen the capacity of DFPS to protect children.

Critics of CSSB 1 say this proposal should increase funding to hire more caseworkers so that CPS can fulfill its mission of protecting the state's children from abuse and neglect. Some regions have higher caseloads than others, which may not be reflected by averaging CPS caseloads across the state. When investigations are not completed, children are left unprotected from abuse and neglect.

Increased funding for foster care redesign

Department of Family and Protective Services

- **CSSB 1 – $87.9 million for foster care redesign payment rates, plus $175.1 million for consideration in Art. 11 for foster care redesign expansion**

- **Senate – $90 million in all funds for foster care redesign payment rates and $5.9 million in all funds to expand to four additional regions by fiscal 2019**

- **Agency request – $77.6 million in all funds for foster care redesign payments, plus $114.5 million in all funds in an exceptional item for foster care redesign expansion**

CSSB 1 would increase funding for foster care redesign payment rates from fiscal 2016-17 spending. The Department of Family and Protective Services currently is operating foster care redesign in one region in north Texas and is planning to expand to a second north Texas region in fiscal 2017. The House proposal would extend foster care redesign into two new regions, while the Senate proposal would extend it to four new regions. Both proposals would increase rates for foster care redesign providers.

Supporters of CSSB 1 say foster care redesign allows communities to have regional control over foster care placements, which can help improve outcomes for youth in foster care. Foster care redesign has worked well in one region, and increased funding would help expand it to new regions. Appropriations for foster care redesign in CSSB 1 are meant to improve outcomes in the state's foster care system and would address many of the problems raised in the *Stuckenberg v. Abbott* civil action lawsuit. The budget would allow flexibility to change these appropriations if needed following a future court decision.

Critics of CSSB 1 say the state's foster care system is under two court-appointed special masters, and the court has not recommended that foster care redesign be expanded in the manner outlined by this proposal. It would be premature to increase appropriations for foster care redesign in CSSB 1 without knowing what the court may order in the future.

Other critics say foster care redesign has been working well and the Legislature should fully fund the agency's exceptional item request to expand to more regions.

Infectious disease prevention

Department of State Health Services

- **CSSB 1 – $25.5 million in all funds, plus $19.5 million in general revenue for consideration in Art. 11**
- **Senate – $24 million in all funds, plus $554,568 in all funds for consideration in Art. 11**
- **Agency request – $71.2 million in all funds**

CSSB 1 would decrease funding for infectious disease prevention, epidemiology, and surveillance by $42.7 million from fiscal 2016-17 spending. These services include public awareness campaigns, public health response to disasters and disease outbreaks such as Zika, leprosy treatment, refugee health assessments, training animal control officers, and control of animal diseases that can infect humans, including the oral rabies vaccine program.

Supporters of CSSB 1 say agencies were asked to reduce costs across the board and the appropriation for infectious disease prevention reflects that. CSSB 1 still would provide funding for infectious disease prevention, but at a lower level to reflect the fiscal climate. As the appropriations process continues, there could be an opportunity to discuss further funding placed in Art. 11.

Critics of CSSB 1 say the reduction to infectious disease services in this proposal would reduce the Department of State Health Services' ability to accomplish its mission of improving the health, safety, and well being of all Texans. Texas could experience another infectious disease outbreak in the future, and the agency needs full funding and staffing to respond.

State mental health hospitals

Health and Human Services Commission

- **CSSB 1 – $834.5 million in all funds for inpatient services**
- **Senate – same as CSSB 1 for inpatient services**
- **Agency request – $1.06 billion in all funds for inpatient services**

CSSB 1 would appropriate $834.5 million for inpatient services at the state's mental health hospitals, a decrease of $44.2 million from fiscal 2016-17 spending. It also would appropriate $243.2 million from the Economic Stabilization Fund (ESF) for facilities funding related to critical life and safety needs at state hospitals and state supported living centers, forensic bed capacity at state and community mental health hospitals, and deferred maintenance at HHSC facilities.

The Senate proposal would appropriate $927.7 million in general revenue funds to HHSC for replacement or significant repair projects at state hospitals, state supported living centers, and other facilities.

Supporters of CSSB 1 say the proposal would fund specialized inpatient services in the state's mental health hospitals, with the goal of reintegrating individuals into their home communities as quickly as feasible. The appropriation for state mental health hospitals in CSSB 1 takes into account that individuals increasingly are choosing to access mental health services in the community rather than in an institution. The House proposal would provide funding for patients involved in the criminal justice system as well as others receiving inpatient services at the state's mental health hospitals.

The House proposal would use ESF funds to provide necessary renovation and maintenance funding, helping to ensure that the state facilities that serve individuals with disabilities and mental health needs are safe and appropriately maintained. Some of these facilities were built more than 150 years ago and are falling into disrepair. Funding is needed as soon as possible, and CSSB 1 would provide it. This one-time cost would be an appropriate use of money from the rainy day fund.

CSSB 1 also would increase bed capacity at the state's mental health hospitals, which is a priority in the governor's budget. Most hospitals are operating near maximum funded capacity almost continuously. The House proposal would make calculated investments in the state's hospital system to ensure that patients under civil and forensic commitment and other Texans had access to the specialized inpatient psychiatric treatment they need.

Critics of CSSB 1 say the House proposal would not adequately fund the need for inpatient psychiatric services. Patients in the state's hospitals need the specialized treatment that only these facilities can provide, and the Legislature should fully fund them.

Other critics of CSSB 1 say the state should use sources of funding other than the rainy day fund to increase bed capacity and pay for renovations in the state's hospital and supported living center systems. This is not a one-time expense, and tapping the ESF for this reason would be fiscally irresponsible.

Public Education — Article 3

The public education agencies in Article 3 oversee the state's public education system. They set curriculum standards, approve instructional materials, certify educators, provide school district employee health care, and manage the teacher retirement pension and health insurance funds.

Most public education funding is appropriated to the Texas Education Agency (TEA), which will serve a projected 5.2 million students in fiscal 2018-19. Article 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 Teacher Retirement System (TRS).

For Article 3 public education agencies in fiscal 2018-19, CSSB 1 would authorize total spending of $59.1 billion, an increase of 0.3 percent from fiscal 2016-17. General revenue spending would total $40 billion, a decrease of 3.8 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of federal funds would be $10.5 billion, an increase of $272 million from fiscal 2016-17 spending levels. The bill would authorize $600 million from the Economic Stabilization Fund (ESF) to public education agencies in fiscal 2018-19.

Increased funding for the Foundation School Program

Texas Education Agency

- **CSSB 1 – $42.1 billion in all funds, including $33.7 billion in general revenue**
- **Senate – $42 billion in all funds, including $33.7 billion in general revenue**

CSSB 1 would appropriate $42.1 billion in all funds for the Foundation School Program (FSP), including $33.7 billion in general revenue. The all-funds spending would provide an increase of $1.5 billion contingent on the enactment of legislation revising aspects of the school finance formulas and deferring an August 2019 payment to school districts to September 2020. FSP money flows from the Texas Education Agency to school districts and public charter schools for operations and to some districts for facilities funding. The FSP is funded through a combination of state revenue and local property tax collections.

The spending increase in CSSB 1 would be contingent on the enactment of HB 21 by Huberty or similar legislation that would revise aspects of the school finance formulas and increase the basic per-student allotment from $5,140 to $5,350. The spending increase also would be contingent on the enactment of legislation providing the legal basis for deferring a $1.9 billion FSP payment to school districts from fiscal 2019 to fiscal 2020.

Supporters of CSSB 1 say this proposal would increase public education funding to improve equity, reduce recapture payments from certain property-wealthy school districts, and increase the state's share of FSP costs. The new funding connected with the enactment of HB 21 would be a first step toward fulfilling the Legislature's responsibility to improve a funding system that has been criticized by many, including the Texas Supreme Court. In a 2016 ruling that found the school finance system constitutional, the Supreme Court said the system needed "transformational, top-to-bottom reforms." The governor also has called on the Legislature to take steps toward reducing the state's dependence on recapture payments.

Supporters say the proposed FSP spending would cover growth in average daily attendance of about 165,000 students in fiscal 2018-19. The $1.5 billion in new spending also would help the state maintain balance between state revenue and local property tax dollars in jointly funding the FSP. The increased basic allotment proposed in the House budget would provide more spending flexibility for all districts and charter schools.

While some have criticized the proposal to defer $1.9 billion in FSP payments to districts until fiscal 2020, the Legislature has used similar accounting tools in the past to help balance the budget. This one-day payment delay would not hurt districts and would allow the state to increase overall spending on public education.

Critics of CSSB 1 say changes to school finance formulas that affect the budgets of every school district in Texas should be considered during a special session when lawmakers have more time to study the impact. For instance, it is expected that a small number of districts could lose funding under some of the school finance law changes proposed in HB 21.

In addition, some critics say, it would be better to focus any spending increases on programs that help students improve their performance on the STAAR exams. Examples include a successful state program that provides extra instruction for students struggling to pass these tests and a promising pilot program that uses online and classroom learning to improve math scores.

The House proposal should not rely on a payment deferral to districts as a means to finance increased public education spending. The deferral would need to be continued into future biennia or paid for by the next Legislature. Although similar deferrals have been used in past sessions to balance the budget, the trend in recent legislative sessions has been to limit such accounting methods.

Prekindergarten funding

Texas Education Agency

- **CSSB 1 – $147 million in general revenue for enhanced prekindergarten capacity, plus $235.4 million in general revenue for high-quality prekindergarten grants under consideration in Art. 11**

- **Senate – $40 million in general revenue, plus $25 million in general revenue in Art. 9, for a new public-private partnership program**

- **Governor's proposal and agency request – $236 million in general revenue to continue high-quality prekindergarten grants**

CSSB 1 would appropriate about $1.6 billion through the Foundation School Program (FSP) to provide eligible students with half-day prekindergarten (pre-K). It also would appropriate $147 million in enhanced prekindergarten capacity funding to be distributed to districts and charter schools on the basis of average daily attendance.

Education Code, sec. 29.153 requires that each school district with at least 15 eligible students offer a free, half-day pre-K program. An eligible child includes one who does not speak or understand English, qualifies for the federal free or reduced-price lunch program, is homeless or in foster care, or is the child of an active-duty member of the military or a member of the military who was injured or killed on active duty.

Funding in CSSB 1 would be an increase from $30 million in fiscal 2016-17 supplemental pre-K funding. The House proposal would not continue $118 million in funding appropriated by the 84th Legislature in 2015 for the high-quality pre-K grant program enacted through HB 4 by Huberty but would include the full request of $236 million for consideration in Art. 11. The grants were first awarded in the 2016-17 school year and provided $734 per student to 573 districts serving about 159,000 eligible 4-year-olds.

Supporters of CSSB 1 say the proposed House budget would increase pre-K spending significantly for fiscal 2018-19. Appropriating money on the basis of average daily attendance would benefit all districts and charter schools that have pre-K programs, whereas grants may reach only certain districts. As the population of economically disadvantaged families grows, it is critical for Texas to ensure that as many children as possible are prepared academically and socially for kindergarten.

CSSB 1 would allow more local flexibility in spending decisions. Local school officials should be trusted to offer quality programs without having to meet strict requirements of the HB 4 grant program. Several districts that qualified for the grants in fiscal 2017 decided to reject the funding, saying the $734-per-student grant amount was insufficient to cover the cost of the program requirements.

Critics of CSSB 1 say any increased pre-K spending should be targeted to district programs that meet the requirements of HB 4. The high-quality grant program brought needed improvements to ensure that at-risk students were prepared to start elementary school functioning at grade level. Case studies of 10 districts and charter schools that received high-quality pre-K grants reported that more time and continued funding would be needed to fully implement quality programs and measure their effectiveness, according to a recent report issued by the Texas Education Agency.

Some national studies have shown that the most effective pre-K programs implement quality curriculum, specialized early childhood teachers, and family engagement – all elements required by HB 4. Pre-K programs that fail to measure student growth and meet the other standards created by HB 4 could be wasting taxpayer dollars.

Retired teacher health care

Teacher Retirement System

- **CSSB 1 – $1.1 billion, including $647.6 million in general revenue and $500 million from the Economic Stabilization Fund in Art. 9**

- **Senate – $937.6 million in general revenue, including $167.4 million to increase the state contribution from 1 percent to 1.25 percent of active employee payroll**

CSSB 1 would appropriate $1.1 billion to TRS-Care in fiscal 2018-19, including $500 million from the Economic Stabilization Fund (ESF) related to an anticipated $1 billion shortfall for the biennium. TRS-Care, the health insurance program for retired teachers, serves about 261,500 participants.

The Senate proposal would increase the state contribution to TRS-Care from 1 percent to 1.25 percent of active employee payroll and would make a one-time additional appropriation of $148.8 million in fiscal 2018, contingent on the enactment of SB 788 by Huffman or similar legislation.

Supporters of CSSB 1 say the proposal would help offset a looming shortfall in the health care program for retired teachers. At a time when available general revenue is limited by economic conditions, it is appropriate to use the ESF, which was intended to offset unforeseen shortfalls in revenue, for a one-time appropriation to avoid TRS-Care insolvency.

The funding would help ensure the program could pay health insurance claims in fiscal 2018-19 while lawmakers consider structural changes to TRS-Care to ensure its future sustainability. A rider in CSSB 1 states the intent of the Legislature that the state, school districts, employees, and retirees share fiscal responsibility to resolve the long-term solvency of TRS-Care.

Critics of CSSB 1 say funding to address the ongoing TRS-Care shortfall should come from general revenue, not the ESF. The Legislature should reduce other spending to find general revenue funds needed to ensure the health care program continues to be available for retired teachers. Such appropriations also should be contingent on the enactment of legislation that would revise the program to ensure its future financial stability.

Higher Education — Article 3

Article 3, Higher Education, covers agencies responsible for higher learning in Texas. These include the Texas Higher Education Coordinating Board, the 37 general academic institutions, 50 community and junior college districts, 12 health-related institutions, and certain state agencies attached to the Texas A&M System, such as the Forest Service and Engineering Extension Service.

For Article 3 higher education agencies in fiscal 2018-19, CSSB 1 would authorize total spending of $20.5 billion, an increase of 1.3 percent from fiscal 2016-17. General revenue spending would total $14.9 billion, an increase of 1.2 percent from anticipated general revenue spending in fiscal 2016-17. Appropriations of general revenue dedicated funds would be $3 billion, an increase of $62.1 million from fiscal 2016-17 spending levels. The bill would authorize $145.2 million from the Economic Stabilization Fund (ESF) to fund higher education agencies in fiscal 2018-19.

Formula and special item funding

General academic institutions

- **CSSB 1 – $3.4 billion in general revenue formula funding; $525.5 million in general revenue special-item funding**
- **Senate – $3.7 billion in general revenue formula funding; no special-item funding**

CSSB 1 would appropriate $3.4 billion in general revenue for formula funding to general academic institutions. Formula funding is the main source of state support for these institutions and is distributed largely based on student enrollment per semester. In addition to formula funding, general academic institutions may receive special funding for items specifically identified by the Legislature for support.

The House proposal's $3.4 billion for formula funding would be a decrease of $47.3 million from anticipated spending for fiscal 2016-17. The bill would maintain the instruction and operations formula rate of $55.39 per weighted semester credit hour from fiscal 2016-17. It would lower the infrastructure formula to $5.57 per predicted square foot from the fiscal 2016-17 rate of $5.62.

CSSB 1 would appropriate $525.5 million in general revenue for special-item funding at general academic institutions and university system offices, a decrease of $44.2 million from fiscal 2016-17 spending.

Supporters of CSSB 1 say the proposal would avoid large decreases in special-item funding contained in the proposed Senate budget while maintaining most formula funding. There is a place in the state budget for both types of funding. Many institutions use special-item funding to support programs such as museums that may be used by the broader community. Special-item funding also offers flexibility, as institutions may use the funding to support instructor salaries and other services that directly benefit students.

Critics of CSSB 1 say the House should follow the Senate's lead in eliminating special-item funding for colleges and universities and using the savings to increase the instruction and operations formula rate to $58.53 per weighted semester credit hour. The current system of special-item funding has resulted in inequities, as some institutions rely more heavily on special-item funding than others. Increasing the formula rates helps all general academic institutions. In addition, critics say, formula funding is a more stable source of revenue that is less likely to be severely cut when the state government experiences a revenue shortfall.

TEXAS Grants program

Texas Higher Education Coordinating Board

- **CSSB 1 – $802.8 million in all funds, including $715.1 million in general revenue and $87.7 million from the Economic Stabilization Fund in Art. 9**
- **Senate – $760.1 million in general revenue funds**
- **Agency request – $762 million in general revenue funds**

CSSB 1 would increase funding for TEXAS Grants, the state's largest student financial aid program. It would appropriate $802.8 million in all funds, including $715.1 million in general revenue and $87.7 million from the Economic Stabilization Fund (ESF) for fiscal 2018-19. This would be an increase of $87.7 million from fiscal 2016-17 appropriations.

TEXAS grants are distributed to financially needy high school graduates who enroll at Texas public universities and maintain at least a 2.5 grade point average.

Supporters of CSSB 1 say the proposal would provide a $5,000 grant to 95 percent of eligible students, one of the highest percentages of eligible students funded in the program's history. At a time of growing demand, the proposed funding increase would allow more students to access higher education and help the state reach its goal of having 60 percent of Texans ages 25 to 34 with a higher education certificate or degree by 2030.

It would be appropriate to use revenue from the ESF during this challenging budget cycle to invest in the state's future economy. Without the ESF funding, the Texas Higher Education Coordinating Board projects that only 57 percent of eligible students would receive TEXAS grants in fiscal 2019.

Critics of CSSB 1 say it is not appropriate to use the ESF to support an ongoing program such as TEXAS Grants. The need for financial aid programs should be balanced with other state spending on higher education that could help institutions avoid raising tuition.

Research support for emerging research universities

Texas Higher Education Coordinating Board; eight emerging research universities

- **CSSB 1 – $64.5 million in general revenue for Texas Research Incentive Program, plus $66.6 million under consideration in Art. 11; $105.4 million in general revenue for Core Research Support Fund**
- **Senate – $131.1 million in general revenue for Texas Research Incentive Program, plus $105.4 million in general revenue for Core Research Support Fund**
- **Agency request – $131 million for Texas Research Incentive Program**

CSSB 1 would appropriate $64.5 million to the Texas Research Incentive Program (TRIP) for fiscal 2018-19. This would be a 50 percent reduction from fiscal 2016-17 appropriations. The bill includes an additional $66.6 million in Art. 11 that could be added to TRIP funding during budget negotiations.

Funding for the Core Research Support Fund (CRS) would be appropriated directly to the eight eligible universities. CSSB 1 would appropriate $105.4 million for CRS, a decrease of $11.7 million, or 10 percent, from fiscal 2016-17 appropriations.

Supporters of CSSB 1 say that research funding is important but must be balanced with funding that directly supports student instruction as the 85th Legislature works to address a significant budget shortfall. The House budget proposal includes $66.6 million in Art. 11 that could provide the full amount of requested TRIP funding before the fiscal 2017-18 budget is finally adopted.

Critics of CSSB 1 say Texas must increase the number of public higher education institutions that are recognized as having national research university status. Research programs such as TRIP and CRS have provided critical funding, resulting in the classification of eight Texas institutions as emerging research universities. These institutions have succeeded in raising private research donations, and the state should show its commitment by appropriating sufficient TRIP matching funds.

Judiciary — Article 4

Article 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 467 state district courts, as well as county, municipal, and justice-of-the-peace courts.

For Article 4 in fiscal 2018-19, CSSB 1 would authorize total spending of $824.7 million, an increase of 1.4 percent from fiscal 2016-17. General revenue spending would total $495.7 million, a decrease of $7.6 million, or 1.5 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of general revenue dedicated funds would be $133.4 million, a decrease of $9.9 million from fiscal 2016-17 spending levels.

Grants to counties for criminal indigent defense services

Texas Indigent Defense Commission

- **CSSB 1 – $66.5 million, including $7.5 million from general revenue and the rest from the general revenue dedicated Fair Defense Account; plus $227.9 million for consideration in Art. 11**
- **Senate – $66.5 million, including $7.5 million from general revenue and the rest from the Fair Defense Account**
- **Agency request – $227.9 million above CSSB 1 appropriation**

CSSB 1 would provide $66.5 million to the Texas Indigent Defense Commission. The commission distributes grants to help counties carry out the Texas Fair Defense Act, which requires them to meet certain standards and follow guidelines in appointing attorneys for criminal defendants who cannot afford to hire their own.

Supporters of CSSB 1 say the proposal would continue the state's participation with the counties in providing indigent defense services. Funding requests that would increase grants to counties, expand the state's contribution to the Regional Public Defender for Capital Cases program, and support early identification and representation of defendants with mental illness have been placed in Art. 11 for further consideration. As the appropriations process continues, there could be an opportunity to further discuss efficiency and fairness when providing attorneys for indigent defendants and to explore other sources of revenue before expanding the state's commitment in this area.

Critics of CSSB 1 say state funding to counties for indigent defense services should be increased to help them pay for this constitutionally required duty. Indigent defense costs grew from $91 million in fiscal 2001 to $248 million in fiscal 2016, with counties continuing to shoulder most of this increase and the state picking up only about 12 percent in fiscal 2016. Counties have no control over the number of defendants who must be represented and must provide representation that meets state and federal constitutional requirements. About half the states fully fund indigent defense services, and increased funding in Texas could help avoid the types of lawsuits recently brought in several states over inadequate indigent defense systems.

Texas should increase indigent defense funding by at least $2.8 million in the coming budget. The commission reduced its fiscal 2018-19 spending request by this amount in response to instructions from legislative leaders calling for a 4 percent reduction from fiscal 2016-17 spending levels, and these funds should be restored to avoid cuts to counties for indigent defense services.

Texas should meet agency requests for more indigent defense support for counties. The $2.9 million request to increase the state's contribution to the Regional Public Defender for Capital Cases program would result in about 50-50 sharing with the almost 200 counties that pay dues to this office. The program assists its member counties if they have a death penalty case in which the defendant is indigent, which helps to ensure effective representation in these important and complex cases. The $10 million request for early identification and representation of mentally ill defendants would support these programs, resulting in better outcomes for defendants and savings for counties. Under the mental health defender programs, defendants can be linked to resources and treatment that can keep them from returning to the criminal justice system. The request for another $212.2 million in general revenue would raise the state's contribution to indigent defense to about half the costs, helping ensure adequate and fair representation statewide.

Child protection courts

Office of Court Administration

- **CSSB 1 – $8.8 million in general revenue, plus $1.5 million for consideration in Art. 11**
- **Senate – same as CSSB 1**
- **Agency request – $1.5 million in general revenue above fiscal 2018-19 funding level for four additional courts**

Supporters of CSSB 1 say this proposal would continue fiscal 2016-17 funding of $8.8 million for the 24 existing child protection courts serving 130 counties, while placing the request for $1.5 million to fund four additional courts into Art. 11. These courts handle Child Protective Services cases exclusively, and the existing courts served about 19,400 children in fiscal 2016, according to the Office of Court Administration. The issue of expanding the number of courts can continue to be discussed during the appropriations process, and the four additional courts could be funded if the budget allows.

Critics of CSSB 1 say the proposal should fund the request for four more child protection courts. These courts are dedicated to hearing child abuse and neglect cases in an attempt to resolve them quickly and ensure appropriate placement for children. With four more courts, about 2,500 children could receive final orders each year. Child protection courts primarily are located in rural areas in which child protection cases commonly go to general jurisdiction courts that also handle all types of civil and criminal cases. With a child protection court, cases involving child abuse and neglect do not have to compete with other items on court dockets, and judges can receive specialized training in handling these cases. Child protection courts also can make accommodations to involve children in their cases and make more efficient use of the time of child protection workers.

Funding these additional courts would be an important part of the state's effort to improve outcomes for children involved in Child Protective Services. In addition to funding child protection courts, CSSB 1 also should include a separate request from the Supreme Court for $2 million to continue the state's Children's Commission. This commission works to improve the child welfare system, including supporting training for child protection court judges and other attorneys and examining best practices for these cases. An anticipated loss of federal funding would eliminate the commission's full appropriation, which has been placed in Art. 11 in the House proposal and funded in the Senate version of the budget.

Guardianship compliance project

Office of Court Administration

- **CSSB 1 – no funding; $6.3 million in general revenue for consideration in Art. 11**
- **Senate – $6.3 million in general revenue**
- **Agency request – $6.3 million in general revenue**

CSSB 1 contains no funding for the guardianship compliance project for fiscal 2018-19. Guardians are appointed by courts to make certain decisions on behalf of individuals with diminished capacity and can be charged with making decisions about the person's finances, property, or both. In fiscal 2016-17, the Office of Court Administration received $590,881 in general revenue for a pilot project to assist courts in monitoring guardianship cases.

Supporters of CSSB 1 say the proposal would place funding in Art. 11 to continue and expand the guardian compliance project so that discussions could continue about funding it. With the pilot project on guardianship compliance finished, continuing it should be considered during the remainder of the appropriations process. The Senate version of the budget contains this item, so the conference committee could discuss the project and fund it if the budget allows.

Critics of CSSB 1 say the House proposal should follow the Senate approach and include the agency request for $6.3 million to continue the guardianship compliance project and establish it in nearly every Texas county. The fiscal 2016-17 pilot project examined a portion of the guardianship cases across Texas, and its findings illustrate the need for a statewide program to help courts monitor these cases. Elderly and disabled individuals are at risk for abuse and neglect, and continuing and expanding monitoring of the state's approximately 51,000 guardianships would help ensure the safety and financial security of these Texans.

The pilot project was designed to help courts that do not have the resources to monitor guardianship cases. The agency reviewed about 10,000 guardianships filed in 18 courts in 11 counties throughout the state. The project audited annual accounting information, identified reporting deficiencies, and worked with courts to determine how best to manage these cases. The reviews found that about 40 percent of cases were out of compliance with at least one reporting requirement. Project staff encountered unauthorized or unexplained ATM withdrawals, unauthorized purchases, and payments to others' credit cards, along with a lack of documentation to justify expenses. Project recommendations included closing 76 percent of reviewed cases because they were not active.

With almost 5,000 new guardianship cases filed in fiscal 2016, the state should continue to help courts monitor them and implement best practices to protect elderly Texans.

Legal education, assistance training

Court of Criminal Appeals

- **CSSB 1 – $16.7 million in all funds, with $4 million for consideration in Art. 11**
- **Senate – $16.3 million in general revenue dedicated funds**

CSSB 1 would appropriate $16.7 million in all funds to the Court of Criminal Appeals for judicial education, with $16.3 million from the general revenue dedicated judicial and court personal training fund 540 and the rest from general revenue.

Supporters of CSSB 1 say the $2.9 million decrease in funding from fiscal 2016-17 spending for legal education and training is the result of a decrease in court cost collections that go into the dedicated account used for this purpose. The Court of Criminal Appeals' request for an additional $4 million for training appears in Art. 11, which would allow the Legislature to consider funding it with other potential sources of revenue. CSSB 1 would ensure that the court's education and training efforts continue and would give direction through new riders to include certain essential topics such as indigent defendants and mental health; bail, fines, fees, community service, and more for indigent defendants; the development of a mentor program for new municipal court judges; and the development of webinars on specific topics.

Critics of CSSB 1 say the proposal should include the court's request for an additional $4 million to continue the crucial education and training it provides for a wide range of those involved in the criminal justice system. Without the additional funds, training might have to be cut. The training and technical assistance provided through the grants is used to improve the criminal justice system and to address problems. The audience for training includes judges, prosecutors, clerks and other court personnel, criminal defense lawyers who represent indigent defendants, and public defenders. With the requested funding, the court could continue to provide the effective and thorough training it has done in the past, as well as revising and increasing training in crucial areas such as defendants with mental health issues, bail and pretrial issues, and indigency.

Criminal Justice — Article 5

Article 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 Article 5, CSSB 1 would authorize total spending of $11.4 billion for fiscal 2018-19. General revenue spending would total $10.6 billion, a decrease of 8.2 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of general revenue dedicated funds would be $32.7 million. Article 9 appropriations to Article 5 agencies would total $785.8 million, bringing the all-funds total for Article 5 agencies to $12.1 billion, a decrease of 2.9 percent from the anticipated spending in fiscal 2016-17.

Border security

Department of Public Safety and other agencies

- **CSSB 1 – $653.1 million in funds from Economic Stabilization Fund in Art. 9, with $578.8 million going to Department of Public Safety (DPS)**

- **Senate – $800 million in general revenue and general revenue dedicated funds with $713.9 million to DPS**

- **Governor's request – $800 million**

CSSB 1 would appropriate $653.1 million from the Economic Stabilization Fund (ESF) in Art. 9 for border security operations in fiscal 2018-19. During fiscal 2016-17, border security received $800 million in state funds according to the LBB, and state appropriations to DPS totaled $749.8 million.

Under the House budget proposal, DPS would receive $578.8 million, and the rest would be appropriated to other agencies as follows:

- $54.8 million to the Trusteed Programs Within the Office of the Governor, including funds for border prosecution grants, helicopter operations, border cameras, and grants to local law enforcement for Operation Border Star and to local entities for the humane processing of the remains of undocumented immigrants;
- $17.6 million to the Texas Parks and Wildlife Department;
- $1.2 million to the Texas Alcoholic Beverage Commission;
- $450,000 to the Texas Department of Criminal Justice; and
- $294,375 to the Texas Commission on Law Enforcement.

DPS would be required to report each fiscal year on the effectiveness of cost containment measures and on proposals to reduce operating costs of its border security operations.

Supporters say CSSB 1 would continue the state's successful efforts to make Texas safer by securing its international border. The House budget package would address reduced available state revenue combined with a growing population by cutting expenditures and using the ESF to protect funding for border security and other critical services. In this context, it would be prudent to draw from the ESF to help fund the state's priorities.

Appropriations in CSSB 1 would support the bulk of the border security items funded in fiscal 2016-17 after accounting for about $171 million in reductions mainly due to the elimination of one-time funding and transitional items, such as the purchase of an aircraft. Now is not the time for the state to significantly change direction on border funding. It will take time for any increase in federal resources to be deployed at the border, after which the state could reevaluate its border spending and scale back its resources or redeploy them to other parts of Texas, if appropriate. Until then, the state should continue its successful efforts without a major expansion, such as the proposal to add 250 new troopers.

The appropriation of $578.8 million to DPS would include $294.4 million as base funding for its border security operations; $145.6 million for a statewide 50-hour workweek; $133.4 million to continue supporting the 250 existing troopers, rangers, and others added in fiscal 2016-17; $4.4 million for the ongoing Operation Secure Texas initiative; and $1 million for training on the National Incident-Based Reporting System.

Critics of CSSB 1 say Texas should be cautious about continuing the high level of spending on border security absent thorough analysis of past and current efforts and without agreement on expectations for future efforts. With a tight state budget, Texans might be helped more by increasing resources in other areas, such as education, or expanding law enforcement operations in other parts of Texas. Much of the state's border security efforts should be borne by the federal government, some critics say, and state efforts could be scaled back.

Other critics say CSSB 1 would not go far enough to support the state's border security efforts. For example, the House proposal would not provide DPS the resources it needs to recruit, train, and equip additional troopers and other staff for border operations. By contrast, the Senate proposal would fund border security at $800 million across all agencies, with DPS receiving $713.9 million, including $97.1 million to pay for 250 new troopers and additional support staff. The remaining funds would support base operations, eliminate some one-time and transitional expenses, and pay for other items.

The governor's budget also calls for $800 million in border security appropriations, including 250 additional troopers for the border region. Supporters of this approach say that the funds are needed to maintain the progress the state has made, including supporting effective detection technologies and the coordination of resources, and that the state must continue its efforts until federal resources are mobilized.

Still other critics say that the Legislature should not use the ESF to fund an ongoing state expense. Border security is a core government function, and the state should use available revenue, rather than its savings account, for such expenditures.

Prison health care

Texas Department of Criminal Justice

- **CSSB 1 – $1.10 billion in general revenue (same as fiscal 2016-17 appropriation), plus $1.5 million for prescription drugs to released offenders; $150 million to meet expenses and $73.4 million for other items for consideration in Art. 11; $22 million from the ESF to renovate Hospital Galveston in Art. 9**

- **Senate – $1.08 billion in general revenue, a decrease of $21.3 million from fiscal 2016-17 appropriations**

- **University providers' request – $223.4 million increase in general revenue from fiscal 2016-17 appropriations, including $150 million to meet expenses and $73.4 million for other items**

CSSB 1 would appropriate $1.1 billion in general revenue 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. This is the same amount appropriated in fiscal 2016-17, plus another $1.5 million to provide 30-day supplies of prescription drugs to released offenders.

Supporters of CSSB 1 say it would fund correctional managed health care at a level that would allow the state to continue providing a constitutional level of care to offenders in state custody and to compensate health care providers adequately. The funding includes $1.5 million more than fiscal 2016-17 appropriated amounts to meet a request by the Texas Department of Criminal Justice (TDCJ) and university providers to increase from 10 to 30 days the supply of prescription medication given to offenders released from state custody. This would ease offenders' transition into society by giving them time to refill necessary prescriptions and would be especially important for continuity of care for those with prescriptions for mental illness.

Critics of CSSB 1 say the state should fund the university providers' request for $223.4 million above the $1.1 billion in CSSB 1. They say it is needed to ensure continued access to quality care and to maintain a constitutional prison health care system. Of the requested amount, $150 million is needed to meet expenses the providers expect to incur to provide current services in fiscal 2018-19. Another $73.4 million is needed in three areas to: adjust salaries to market levels because of difficulties in recruiting and retaining staff to deliver health care at correctional facilities; fund critical capital needs and equipment at TDCJ facilities, including X-ray, dental, and dialysis equipment; and allow facilities to hire more nursing and other health care staff.

Other critics say CSSB 1 should take the approach of the Senate proposal by making changes to contain costs. The Senate proposal would expand the number of infirmary beds in correctional facilities to reduce hospital-based care, and hire more health care staff and increase staff salaries at TDCJ units. The $60.9 million that would be spent on these items is estimated to result in $68 million in cost avoidance. The Senate proposal also would make other changes to reduce the costs of correctional health care by an estimated $82.2 million, including capping administrative costs and changing the reimbursement rate for the university providers to one that is used for other programs.

State prison capacity

Texas Department of Criminal Justice

- **CSSB 1 – no funding for two correctional facilities closed by riders, resulting in a $36.4 million reduction in agency appropriations for fiscal 2018-19; funding for $14.8 million agency request for contract cost increases for privately operated state jails and prisons**

- **Senate – same as CSSB 1**

In January, the LBB estimated that the number of offenders incarcerated by the state would remain relatively flat during the next biennium at about 147,000 each fiscal year. This is within TDCJ's operating capacity of about 152,000, which accounts for the need to house inmates appropriately and to have flexibility in moving them.

Two riders in CSSB 1 would direct TDCJ to close the Ware Unit in Colorado City and the Bartlett State Jail in Williamson County by September 1, 2017. The proposal would not fund a $14.8 million agency request to pay for cost increases for contracts with private entities to run some state jails and prisons. Under two agency riders in the Senate proposal, two more facilities — the West Intermediate Sanction Facility in Brownfield and the Bridgeport Pre-Parole Transfer Facility in Wise County — would be closed.

Supporters of CSSB 1 say the proposal would provide enough prison capacity to handle the state's offender population while making the system more efficient by closing facilities. CSSB 1 would follow the state's efforts with diversion, treatment, and reentry programs that successfully have kept the inmate population from growing while protecting the public's safety.

The proposal would reduce Texas' capacity of about 152,000 by about 2,000 beds by closing two facilities and would continue the state's efforts to better match capacity with the inmate population and corrections workforce. About half of the Ware Unit's 916 beds are idle due to staffing difficulties, and closing the facility would save the state about $11.6 million in fiscal 2018-19. Closing the Bartlett State Jail, a privately operated facility that can hold about 1,049 inmates, would save the state $24.8 million in fiscal 2018-19.

CSSB 1 would not fund the agency's request of $14.8 million for previously negotiated cost increases for contracts with private entities to operate some state jails and prisons. Without this increase, TDCJ would choose to close the West Intermediate Sanction Facility and the Bridgeport Pre-Parole Transfer Facility. This would reduce its capacity by another 475 beds, while still leaving enough for the inmate population. The agency would then have enough appropriations to fund contract cost increases at the state's other privately operated units. Agency employees affected by the closings would have the opportunity to transfer to other TDCJ facilities, including some near the closed units.

New mental health trainers for local jails

Texas Commission on Jail Standards

- **CSSB 1 – $246,030 for three new mental health trainers; plus $129,000 for travel, supplies, and operating expenses under consideration in Art. 11**
- **Senate – $375,030 for three trainers plus travel, supplies, and operating expenses**

CSSB 1 would appropriate to the Texas Commission on Jail Standards $246,030 in general revenue funding for three new mental health trainers for local jails.

Supporters of CSSB 1 say the three additional mental health trainers funded by the proposal would help local jails by providing them with comprehensive mental health training, including training in suicide prevention. While jails currently are required to have a mental health training plan, the curriculum and training varies. Mental health trainers working for the commission could provide local jailers with standardized, thorough training to further the state's efforts to address mental health and suicides in jails. Funding for travel and other expenses has been placed in Art. 11 and could be funded during the budget process.

Critics of CSSB 1 say the proposal should go further and follow the Senate approach by including an additional $129,000 for travel, supplies, and other operating expenses for the three new mental health trainers. Travel funds would allow them to visit the jails and provide training at no cost to local entities. This task could be especially important if the state enacts legislation changing mental health training requirements for local jails. Without the additional funding, the state's efforts to improve mental health care in jails and reduce suicides could fall short.

Texas juvenile justice funding

Texas Juvenile Justice Department

- **CSSB 1 – $662.2 million to fund the department, plus several items for consideration in Art. 11**

- **Senate – $641.4 million to fund the department**

In January 2017, the LBB projected that the juvenile population in state residential facilities will be stable from fiscal 2017 to 2022 and that the number of juveniles supervised on probation and parole will decline over that time. In fiscal 2018 and fiscal 2019, about 1,370 juveniles will be in state residential facilities, an increase from an estimate of 1,314 in fiscal 2017, according to the LBB. This is below the state's capacity of about 2,030. The number of youths on juvenile probation will be about 20,000 and those on parole will be about 400 in fiscal 2018-19.

CSSB 1 would fund the Texas Juvenile Justice Department (TJJD) at the population levels estimated by the LBB in January 2017. There would be an $8 million decrease in funding for basic probation services, an increase of $6.9 million in state-operated secure facilities, an increase of $1 million in halfway house funding, a $2.7 million decrease in appropriations for contracts for residential placements, and a decrease of $0.3 million in funding for the direct supervision of juveniles on parole. The bill would increase funding for medical and psychiatric services for the state residential population and medical staff by $2.5 million from the amount in the base bill and would add $1 million to increase mental health specialists.

CSSB 1 would place in Art. 11 an agency request to increase several items, including basic probation supervision, contracts for residential placements, and state residential services that would include additional juvenile corrections officers.

Supporters of CSSB 1 say the proposal would fund the TJJD at a level similar to fiscal 2016-17 with much of the appropriation reflecting the net effect of using the LBB's January 2017 estimates of the juvenile populations that will be on probation, in state residential facilities, and on parole and of using a cost-per-day rate based on the fiscal 2016 actual per-day costs for these items. An agency request for higher per-day rates for probation and residential facilities, along with the request for more juvenile corrections officers has been placed in Art. 11 for further consideration and could be funded if the budget allows.

CSSB 1 also would factor in an increase in the Regional Diversion Alternatives Program, which is designed to divert juveniles from state facilities by funding programs in local communities. It began last June, and in fiscal 2016 diverted 24 juveniles from state commitment. In the first five months of 2017, almost 70 juveniles were diverted to local facilities. CSSB 1 would add $7.9 million to the program, resulting in about $18 million for the biennium. The LBB estimates that in fiscal 2018-19, a total of 300 juveniles could be diverted to local facilities.

Critics of CSSB 1 say the proposal should meet the agency's request for additional funds for probation services, institutional supervision, and contracts for residential services. The agency's request used a higher per-day rate for these services to better reflect its fiscal 2016-17 operational costs, which included shifting some funds from other areas to these items. The requests would meet important needs, such as a $7.3 million request for more juvenile corrections officers to meet state required juvenile-youth ratios and a $3.5 million request to help the agency comply with ratios under the federal Prison Rape Elimination Act. Without the additional funds, probation and other services and programs could be affected.

Natural Resources — Article 6

Article 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 authorize total spending of $4.6 billion in all funds for Article 6 agencies, including $4.4 billion in Article 6 and $239.3 million from the Economic Stabilization Fund (ESF) in Article 9. The all-funds total would be an increase of 1 percent from anticipated spending in fiscal 2016-17. General revenue appropriations would total $757.4 million, a decrease of $77.7 million, or 9.3 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of general revenue dedicated funds would be $1.5 billion, a decrease of $73.5 million, or 4.8 percent, from fiscal 2016-17 spending levels. Appropriations within Article 6 include about $1.9 billion in federal funds, a decrease of $6 million, or 0.3 percent, from fiscal 2016-17 spending.

Preserving and restoring the Alamo

General Land Office and Veterans' Land Board

- **CSSB 1 – $9.9 million in general revenue dedicated funds, plus $77 million from the ESF in Art. 9**

- **Senate – $8.5 million in general revenue dedicated funds, plus $37.8 million in general revenue**

- **Agency request – $8.5 million in general revenue dedicated funds, plus $75 million in general revenue**

CSSB 1 would appropriate $86.9 million in all funds for the restoration, maintenance, and operation of the Alamo, including $77 million from the ESF in Art. 9. This would be an increase from 2016-17 funding levels. The General Land Office, along with the city of San Antonio, is in the process of developing and implementing the Alamo Master Plan to restore the mission and redevelop its surrounding area.

Supporters of CSSB 1 say it would allow the General Land Office to address deferred maintenance issues at the Alamo and to continue developing and implementing the Alamo Master Plan, which is set to be completed this summer. While the Alamo's current revenues help fund daily operations, they are insufficient to address preservation and other needs or to execute the master plan, including building a new museum and visitor center and buying adjacent property. The Alamo is experiencing severe and rapid deterioration, and addressing its issues now is critical. Using the ESF for this capital expenditure need would be appropriate in the current fiscal climate.

The state would not bear the entire burden of funding the Alamo's restoration. A city of San Antonio bond election in May includes $21 million for improvements to the Alamo area as part of the master plan implementation, and the Alamo Endowment Board is raising private funds. The amounts that would be appropriated in the bill, combined with these other funding sources, would help make the Alamo a world-class destination worthy of the site's history.

Critics of CSSB 1 say that while the Alamo is a high priority and an important part of Texas history, funding the agency's full request would be difficult in this tight budget cycle and should not be accomplished by using the state's savings account. Other funding strategies that could be used to generate money for the Alamo Master Plan should be considered. A public fundraising campaign or a mechanism such as a tax increment reinvestment zone could help relieve the burden on the state to revitalize the site.

Dedicating gas utility pipeline tax to Texas Railroad Commission

Texas Railroad Commission

- **CSSB 1 – $44 million in general revenue dedicated funds, contingent on enactment of other legislation**

- **Senate – $39.7 million in general revenue funds**

Appropriations to the Railroad Commission of Texas, which regulates the oil and gas industry, would include $22 million per fiscal year, contingent on enactment of legislation to dedicate revenue from the gas utility pipeline tax to the Oil and Gas Regulation and Cleanup Fund (Fund 5155), the agency's primary funding source.

The gas utility pipeline tax, governed by Utilities Code, ch. 122, is a 0.5 percent tax on gross income of natural gas utilities. Proceeds currently are deposited to the state's general revenue fund. Before the enactment of SB 389 by Jones in 1981, proceeds from the tax helped fund the Railroad Commission. Total revenue from the tax was $24.1 million in 2016 and $23.8 million in 2015.

Supporters of CSSB 1 say dedicating and appropriating funds from the gas utility pipeline tax to Fund 5155 would provide the Railroad Commission with needed stability in its revenue stream. Since 2011, the agency has been funded largely by fees, but in recent years, decreased drilling and improved technological efficiencies have led to operators needing fewer permits and a significant shortfall in revenue for the Railroad Commission. A dedicated account would give the agency a long-term funding solution to ensure it could continue plugging wells and maximizing its inspection and enforcement program to avoid health and safety issues for the state.

The Railroad Commission does the work of collecting the gas utility pipeline tax, generated from an industry it regulates, yet the tax is swept into general revenue. Revenues from the tax instead should be dedicated and appropriated to the commission. While revenue from drilling permit fees depends on growth in the industry, the gas utility pipeline tax is a stable source of revenue and is not affected by the crude oil market. Rather than raising fees and straining relationships with operators, dedicating the gas utility pipeline tax to Fund 5155 would diversify the agency's main funding source and provide it with a steady stream of revenue.

Critics of CSSB 1 say dedicating funding streams would remove flexibility in the appropriations process. The funding model for the commission should change to address ebbs and flows within the industry, but not in the current fiscal climate. Appropriating general revenue that is generated from the gas utility pipeline tax, rather than dedicating the tax to Fund 5155 and losing control of those funds in the future, would be a better solution. The tax could be used to meet other state needs. One long-term option could be to increase permitting fees, some critics say.

Funding for the Texas Emissions Reduction Plan

Texas Commission on Environmental Quality

- **CSSB 1 – $236.3 million in general revenue dedicated funds**
- **Senate – $143.6 million in general revenue dedicated funds**

CSSB 1 would continue funding the Texas Emissions Reduction Plan (TERP) at fiscal 2016-17 levels, appropriating $236.3 million in general revenue dedicated funds for fiscal 2018-19.

TERP is a grant program administered by the Texas Commission on Environmental Quality (TCEQ) designed to help the state meet federal air quality standards. It provides financial incentives to decrease emissions from vehicles and equipment through various programs, such as grant programs to replace diesel-powered vehicles for businesses or government entities. Under Health and Safety Code, ch. 386, TERP is scheduled to expire on August 31, 2019, unless continued in statute, and three of the nine grant programs that comprise the plan are set to expire at the end of fiscal 2017.

The 84th Legislature in 2015 increased fiscal 2016-17 funding for the plan by $81 million, or 52 percent, from the previous biennium as part of an effort to reduce reliance on general revenue dedicated accounts for budget certification. The TERP account is anticipated to have a balance of $1.4 billion at the end of fiscal 2017, according to the comptroller's biennial revenue estimate. Taking into account appropriations in CSSB 1 and anticipated revenue collections of $215.3 million during each year of the upcoming biennium, the LBB estimates the balance would be $1.6 billion at the end of fiscal 2019.

The governor's budget supports expanding the TERP program to address congestion relief projects that have a measurable impact on air quality.

Supporters of CSSB 1 say it appropriately would maintain funding for TERP at the same levels as the 2016-17 budget, when the plan's appropriations were significantly increased. The amount in the budget for TERP shows that Texas is working in good faith toward reducing emissions from mobile sources, which are major sources of pollution, and recognizes that TERP is important but less critical to TCEQ's core functions than other programs. TERP provides inexpensive emissions reductions to help Texas meet federal air quality standards and is an investment by the state in clean air, not a subsidy.

Critics of CSSB 1 say all of the revenue collected for TERP should be appropriated to TCEQ and that the balance in the TERP account should be spent down on other clean air projects. The state should not take more money from Texans than it intends to use, and revenue should be spent on the purpose for which it is collected. Lawmakers should not continue to use TERP and other dedicated accounts to assert the budget is balanced and instead should employ transparent budgeting. Certain areas of the state have not met federal air quality standards, yet funds in the TERP account still are being used to certify the budget. TERP is one of the most successful clean air initiatives in the country and should be fully funded.

Other critics of CSSB 1 say TERP subsidizes private industry and does not achieve measurable outcomes in pollution abatement. TERP should be eliminated and its balance spent reducing the state's margin tax on business entities.

Economic Development — Article 7

Article 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 the Texas Lottery Commission.

For Article 7 in fiscal 2018-19, CSSB 1 would authorize total spending of $33.6 billion, an increase of 13.3 percent from fiscal 2016-17. General revenue spending would total $549.9 million, a decrease of $627 million, or 53.3 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of other funds, including funds related to Proposition 7, approved in 2015, would be $18.9 billion, a 20.8 percent increase from fiscal 2016-17 spending levels.

Timing of sales tax revenue payments to transportation

Texas Department of Transportation

- **CSSB 1 – $2.2 billion in sales tax revenue appropriated and paid in fiscal 2018; $2.5 billion appropriated and paid in fiscal 2019**

- **Senate – $2.2 billion in sales tax revenue appropriated in fiscal 2018 and paid in 2019; $2.5 billion appropriated in fiscal 2019 and paid in fiscal 2020**

CSSB 1 would appropriate to the Texas Department of Transportation (TxDOT) $2.2 billion in sales tax revenues in fiscal 2018 and $2.5 billion in fiscal 2019. Proposition 7, as approved by voters in the November 2015 election, constitutionally requires the comptroller to transfer up to $2.5 billion of revenue from sales taxes to the State Highway Fund in each state fiscal year. The constitutional amendment allows the Legislature, by a resolution adopted by a two-thirds vote of the members of each house, to reduce this amount by up to one-half.

Supporters of CSSB 1 say the Legislature should be transparent and straightforward in its distribution of Proposition 7 funds so as to keep the promise to the voters who supported the ballot measure. The Senate proposal would require that the comptroller not transfer monies in fiscal 2018, instead deferring that payment to fiscal 2019. This method would violate the plain language of the constitutional amendment, which requires the comptroller to make a transfer in each fiscal year. Such accounting measures should not be used merely to avoid tapping the Economic Stabilization Fund (ESF).

The Senate proposal would not actually reduce the state's liabilities; it merely would shift them to the future. Any spending deferred from fiscal 2018-19 would have to be paid down in the next biennium, or continually deferred into perpetuity. It also would deceptively separate revenue from appropriations and spending, making an appropriation in one fiscal year while deferring the actual payment to the next.

Approved by 83 percent of voters, Proposition 7 effectively promised that new revenue would go to transportation projects across the state. The Legislature should not renege on that promise less than two years after the amendment's adoption. TxDOT already has planned and prepared to receive this revenue, and any reduction in the agency's appropriation would directly reduce road construction and maintenance.

Critics of CSSB 1 say that the Legislature should direct the comptroller to defer payments to at least the first day of the next fiscal year. In other words, the payment that would have been made in August 2018 would be made in September 2018 (the beginning of fiscal 2019), and the payment that would have been made in August 2019 would be made in September 2019 (fiscal 2020). This approach would eliminate the need to tap the ESF by moving up to $2.5 billion in payments to fiscal 2020, making the equivalent amount available for budget certification in fiscal 2018-19.

The Senate proposal is constitutional because the comptroller is required to make the transfer after sales tax collections reach $28 billion. In August 2018, the comptroller will not yet have complete data on how much sales tax will have been collected during fiscal 2018 and therefore cannot be certain how much to transfer until after the fiscal year has ended.

Deferred payments of this sort have been used before to help balance previous budgets. This accounting measure would not impact TxDOT's operation because the department still would receive the same appropriation and merely would receive the transfer of funds slightly later.

Other critics say that the Legislature should use the safety valve laid out in the Texas Constitution, which would require both houses of the Legislature to pass, by a two-thirds vote, a resolution reducing the transfer by as much as 50 percent. This could free as much as $2.35 billion to be used for other purposes. Such a resolution still would leave TxDOT with billions in new revenue.

Capital improvements for Texas seaports

Texas Department of Transportation

- **CSSB 1 – $132.9 million in general revenue for consideration in Art. 11**

- **Senate – $20 million from any available source of revenue and/or Texas Mobility Fund revenues for public roadways**

- **Agency request – $132.9 million in general revenue**

CSSB 1 includes in Art. 11 $132.9 million that would fund maritime port capital improvement projects, administered by the Port Authority Advisory Committee. The Ports Capital Program provides state funds for projects qualifying as port development projects under Transportation Code, sec. 55.002. Such projects include port security, dredging, construction and facility projects, and acquisition of land. Localities must fund 25 percent of projects that receive grants. The agency has requested $132.9 million for maritime port infrastructure capital improvements to be distributed under this authority.

The 84th Legislature in 2015 appropriated $20 million for port capital improvement projects for fiscal 2016-17.

Supporters of CSSB 1 say the placement of funding in Art. 11 would allow lawmakers to continue discussions on the issue of state investment in ports during the appropriations process. Seaport improvements are critical to maintaining Texas' trade competitiveness and growing the state's economy. Some Texas ports currently cannot accommodate the new fleet of large ships that were developed following the Panama Canal expansion, causing trade to be rerouted to ports in other states, many of which have made their own port improvements. Funding these improvements and expanding the capacity of ports would ensure that Texas remained a competitive trade partner and a destination for international trade.

Critics of CSSB 1 say that because port authorities have other sources of revenue that could fund capital improvement projects, it is not necessary for the state to subsidize these operations. Not only do ports collect use fees from shipping companies, but some also have local taxing authority that should provide for routine maintenance and expansion.

Other critics of CSSB 1 say that because seaports benefit the statewide economy and not just localities, the state should fully fund the Texas Department of Transportation's request for capital improvements. Increased import capacity spurs the demand for freight transportation and reduces the cost to manufacture goods in Texas using imported components. Ports also increase connectivity and industry efficiency.

Veteran toll waiver program

Texas Department of Transportation

- **CSSB 1 – no funding; $16.6 million in general revenue funds for consideration in Art. 11**
- **Senate – no funding**
- **Agency request – $16.6 million in general revenue funds**

CSSB 1 would not fund a request from the Texas Department of Transportation (TxDOT) to waive tolls for veterans driving on the Central Texas Turnpike System (SH-130, North Loop 1, SH-45N, and SH-45SE), although funding for this purpose is under consideration in Art. 11.

Transportation Code, sec. 372.053 allows tolling authorities to waive tolls for disabled veterans and recipients of the Purple Heart or Legion of Valor who display a specialty license plate signifying this status. However, such waivers must be accompanied by reimbursement so as to hold bondholders harmless.

In 2015, the 85th Legislature provided funding for a similar request. Rider 49(a) in Art. 7 of the fiscal 2016-17 budget appropriated $4 million from sales of real property owned by the state to waive tolls for veterans on toll roads operated by the Central Texas Turnpike System, as well as certain other toll roads operated by TxDOT in other parts of the state.

Supporters of CSSB 1 say that veteran toll waivers are too broadly available. With usage increasing at a rate of around 30 percent per year, this program increasingly is cutting into toll revenues that go to make bondholders whole. Because specialty license plates serve as the program's verification measure, tolls are waived for anyone who happens to be driving the veteran's vehicle, regardless of whether the driver is a disabled veteran. This issue can continue to be discussed during the appropriations process, and funding to waive tolls for Texas veterans could be included if the budget allows.

Critics of CSSB 1 say that funding toll waivers would extend gratitude to Texas veterans who already have made substantial sacrifices to ensure the safety and prosperity of Texans. The program ensures that waivers go only to the most deserving veterans or their families who may be driving the veteran's vehicle. An appropriation from general revenue is needed because the funds previously used to support this plan — proceeds from certain real estate sales — are no longer available.

Truck toll discounts on SH-130

Texas Department of Transportation

- **CSSB 1 – no funding**
- **Senate – no funding**
- **Agency request – $48 million in general revenue to offset reduced toll rates related to a truck toll discount on SH-130**

CSSB 1 would not fund a toll-discount program designed to reduce congestion on Austin-area roads by creating incentives for trucks to use the SH-130 tollway.

In the fiscal 2016-17 budget, Rider 49(b) of Art. 7 appropriated $18.7 million from sales of real property owned by Texas to provide discounts on tolls for large trucks on parts of SH-45SE and SH-130 within the Central Texas Turnpike System and to hold harmless bondholders of the turnpike system.

Supporters of CSSB 1 say that the toll discounts have not been shown to reduce congestion in Austin because the diversion of trucks to tolled highways tends to be offset by an increase in passenger vehicles using the non-toll highways.

Critics of CSSB 1 say the program successfully has diverted thousands of trucks from I-35 and around Austin, reducing congestion and air pollution in the city. Without it, the potential of SH-130 to relieve congestion is greatly reduced because the cost of idling in traffic is lower than the tolls. An appropriation from general revenue is needed because the department was able to create the program during fiscal 2016-17 only because planned sales of real property made funds available.

Special Investigations Unit for motor vehicle title-related fraud

Texas Department of Motor Vehicles

- **CSSB 1 – $1.9 million in Department of Motor Vehicle funds**
- **Senate – $961,566 in Department of Motor Vehicle funds for consideration in Art. 11**
- **Agency request – same as CSSB 1**

CSSB 1 would appropriate $1.9 million in Department of Motor Vehicle (TxDMV) funds to the department to create a special investigations unit to address title fraud. The funds would support 13 full-time staff to identify, address, and reduce fraud across TxDMV's Vehicles, Titles, and Registration and Enforcement divisions. The $1.9 million also would pay for travel expenses, vehicles, and information technology resources for new staff.

Supporters of CSSB 1 say TxDMV needs more resources to address the growing problem of motor vehicle title fraud, which is costly to the state through its drain on motor vehicle sales tax revenues. Title fraud, which sometimes involves tax assessors, also creates an avenue for human and drug traffickers to travel Texas roads without legitimate citizenship status and can impact buyers of used vehicles containing odometers that have been rolled back.

In 2015, TxDMV created the Anti-Fraud, Waste, and Abuse Working Group to develop strategies to address reports of fraudulent activities. The working group suggested that the department create a special investigations unit to address title fraud specifically. Other states have large teams of investigators working to identify fraudulent activity with motor vehicle titles, but Texas has few resources dedicated to these types of investigations.

Critics of CSSB 1 say the department does not require $1.9 million to establish an effective investigations unit. A smaller appropriation for this purpose would make funds available for other state priorities. Other anti-fraud efforts, such as licensing requirements or county enforcement efforts, can be effective without requiring state resources.

Regulatory Government — Article 8

Article 8 includes agencies that regulate business and medical professionals, the service industries, electric utilities, telecommunications, and insurance. CSSB 1 would authorize total spending of $627.5 million for Article 8 agencies, including $1.2 million in Article 9, a decrease in all funds of 34.5 percent from fiscal 2016-17. General revenue spending would total $341.6 million, an increase of $4.5 million, or 1.3 percent, from anticipated general revenue spending in fiscal 2016-17. Appropriations of general revenue dedicated funds would be $249.5 million, a decrease of $329.5 million from fiscal 2016-17 spending levels.

Regulatory agencies saw a decrease in all-funds appropriations from $957.6 million in fiscal 2016-17 to $627.5 million in fiscal 2018-19 largely due to spending down the System Benefit Fund (SBF). The SBF was a general revenue dedicated account administered by the Public Utility Commission to fund the operation of the agency, pay for customer education programs, and provide a rate discount to eligible low-income utility customers during the warm-weather months of May through September. HB 1101 by Sylvester Turner and HB 7 by Darby, enacted in 2015 by the 84th Legislature, authorized the Public Utility Commission to expend the remaining fund balance by the end of fiscal 2016-17. Operational expenses previously funded by the SBF were offset by an increase of $8.9 million in general revenue funds.

Beauty and barber school tuition protection accounts

Texas Department of Licensing and Regulation

- **CSSB 1 – $180,000 in general revenue dedicated funds from beauty school tuition protection accounts; $20,000 in general revenue dedicated funds from barber school tuition protection accounts**

- **Senate – $120,000 in general revenue dedicated funds from beauty school tuition protection accounts; $30,000 in general revenue dedicated funds from barber school tuition protection accounts**

- **Agency request – $360,000 in general revenue dedicated funds from beauty school tuition protection accounts; $40,000 in general revenue dedicated funds from barber school tuition protection accounts**

CSSB 1 would appropriate $200,000 in general revenue dedicated funds in fiscal 2018-19 to tuition protection accounts for students whose beauty or barber schools closed before they had completed instruction.

Occupations Code, secs. 1601.3571 and 1602.464 require the Texas Department of Licensing and Regulation (TDLR) to maintain tuition protection accounts for private beauty schools and barber schools. If a school ceases operation before its students graduate, TDLR may use the accounts to reimburse students. The required balance for each account — $200,000 for beauty schools and

$25,000 for barber schools — is set in statute, but the amount each account may pay out per fiscal year is determined by legislative appropriation. In each year of fiscal 2016-17, the 84th Legislature allowed the beauty school account to pay out $20,000 and the barber school account to pay out $5,000.

The accounts are funded by fees from beauty and barber schools licensed by the state. If account balances drop below the statutorily required amount in any year, TDLR must assess fees to schools to restore the required balances.

Federal regulatory changes in July 2015 requiring for-profit colleges to lead to gainful employment for graduates caused several schools to lose eligibility for federal student aid. Three beauty schools closed numerous campuses in Texas, and TDLR anticipates potential future closures. About 40 students have filed claims exceeding $70,000 thus far. The agency has requested a total of $400,000 in fiscal 2018-19 to refund tuition for affected students.

Supporters of CSSB 1 say this proposal would authorize TDLR to use money already in the tuition protection accounts to reimburse students enrolled in schools that closed. The accounts were created for this reason, and student claims in fiscal 2016-17 exceed what the accounts can pay out. It is not the students' fault if the school closes, and the reimbursement helps them finish their education elsewhere.

Concerns that tapping the tuition protection accounts could unfairly penalize schools that are doing a good job by charging them fees to replenish the accounts are exaggerated. Successful schools will be able to enroll students from closed schools, who can pay tuition with money refunded from tuition protection accounts.

Critics of CSSB 1 say increasing what TDLR can reimburse students could unfairly punish schools that are still in business and successfully helping students find gainful employment after graduation. These schools should not have to pay fees to restore account balances for the benefit of students from schools that have failed and closed.

Prescription Monitoring Program

Texas Board of Pharmacy

- **CSSB 1 – $1.6 million in general revenue, plus $597,000 from the Economic Stabilization Fund in Art. 9**

- **Senate – $2.2 million in general revenue**

- **Agency request – $597,204 above the $1.6 million funded in HB 1 as filed**

CSSB 1 would provide $1.6 million in fee-generated general revenue and $597,000 from the Economic Stabilization Fund (ESF) for fiscal 2018-19 to the Board of Pharmacy to continue operating the Prescription Monitoring Program. The program allows prescribers and pharmacists to search a database and review a patient's prescription history before prescribing or dispensing certain medications in order to monitor, prevent, and detect the diversion and abuse of prescription controlled substances. It is funded through a surcharge collected by the board on the licenses of Texas health professionals permitted by the U.S. Drug Enforcement Administration to prescribe controlled substances.

Supporters of CSSB 1 say the Prescription Monitoring Program is the state's primary tool for keeping track of prescriptions for highly addictive medications. The misuse of opioid medications has become a national public health crisis, and Texas needs to fund the program adequately to identify situations that could indicate criminal activity or opioid abuse.

Critics of CSSB 1 say that the ESF would be an inappropriate source of funding for this ongoing expense. The Prescription Monitoring Program instead should be funded entirely through the fees collected specifically to support it, as proposed by the Senate.

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