



May 11, 2011

The Honorable Jim Pitts  
Chair, House Appropriations Committee

The Honorable Steve Ogden  
Chair, Senate Finance

The Honorable Sylvester Turner  
Vice Chair, House Appropriations Committee

The Honorable Chuy Hinojosa  
Vice Chair, Senate Finance

The Honorable Myra Crownover  
State Representative

The Honorable Robert Duncan  
State Senator

The Honorable John Otto  
State Representative

The Honorable Jane Nelson  
State Senator

The Honorable John Zerwas  
State Representative

The Honorable Tommy Williams  
State Senator

Dear Budget Conferees:

We are writing to share our concerns about the state budget. In this short letter, we address total spending, specific needs, and the role of the Rainy Day Fund.

### **Total Spending**

The cuts made in the Senate budget should satisfy even the most ardent budget cutter. In a state that is already near the bottom in spending per resident and that faces a growing population and rising costs, the Senate's budget for 2012-13 would reduce General Revenue spending for state services by 7% compared to 2010-2011 (counting a \$2 billion delayed Foundation School Program payment as spending). In "current services" terms, the Senate's budget makes General Revenue cuts of 15% overall. To meet the needs of Texas today and ensure our prosperity tomorrow, we urge you not to reduce spending any more than the Senate proposes.

### **Specific Needs**

With regard to Article II, we have several concerns.

**Eligibility System:** Over the last two years the state has significantly improved the performance of its eligibility and enrollment system for public benefits. It is critical that the state budget provide sufficient funding to maintain this progress. The Senate's higher level of funding gives the Health and Human Services Commission the additional FTEs and support services costs needed to manage projected caseload growth in 2012-13. Without sufficient resources, the state will be unable to deliver timely and accurate services to the millions of Texans who need help with food, medical, and temporary cash assistance needed in these tough economic times.

**Medicaid and CHIP:** To avoid a real crisis in access to care for children, the elderly, and those with disabilities who rely on medical services and community supports provided by Medicaid and the Children's Health Insurance Program (CHIP), you should not cut provider rates any more than the Senate's budget. Texas doctors, hospitals, and nursing homes cannot do business with the state if it won't pay adequate rates.

***Mental Health:*** The Senate's funding for core mental health services at the Department of State Health Services at the 2010-2011 level is needed to avoid a serious breakdown in ongoing care for Texans with significant behavioral health needs (the House bill reduces mental health funding by \$239 million below 2010-2011). Inadequate resources for mental health care drive up costs for law enforcement, jails, and public emergency rooms, and have negative repercussions for the safety and well-being of our families, schools, and communities.

***Family Planning:*** The Senate's funding for family planning (reduced 11% from 2010-2011, compared to a 66% reduction in the House bill) should at least be maintained. Making sure all Texans have access to the tools they need to plan the timing and size of their families is a critical piece of the puzzle in building equal economic opportunity for Texans who aspire to overcome poverty, join the middle class, and enjoy prosperity. Today, more than half of Texas births are unplanned, and maintaining family planning services is essential in making sure this number does not grow. We urge you not to let any collateral controversy derail funding for these critical services widely supported by Texans.

***CPS Adoption Subsidies:*** The Senate's funding of adoption subsidies to support moving children out of foster care and into a permanent adoptive home will produce better outcomes for children and save the state money. The Department of Family and Protective Services has estimated that without adoption subsidies, the state could spend an additional \$75 million for foster care in 2012-13. The average monthly adoption subsidy is \$430 versus the average monthly cost of foster care of \$1,937. The lack of adoption subsidies and resulting drop in adoptions also jeopardizes the estimated \$11 million in adoption incentive payments from the federal government already included in the state budget.

***CPS Protective Day Care:*** The Senate's restoration of protective day care to 2010-2011 funding levels will help keep children in the child protective services system in their own home and out of foster care, which is better for the child and saves the state money. The average monthly cost of protective day care is \$582 versus the average monthly cost of foster care of \$1,937. The House is \$2 million short of the amount needed.

***CPS Relative Support:*** Supporting relatives who take in abused children is not an area of disagreement. Both the House and the Senate continue support for relative caregivers at the 2010-2011 funding level. But we want to highlight how important this support is. Children in the CPS system tend to come from low-income families, and so do their relatives. With a little help, however, relatives are often able to take a child, which is better for the child and saves the state money. In 2009, the state spent an average of \$2,432 for each child living with a relative versus an average of \$14,558 for each child living in foster care.

**With regard to Article III,** we strongly support the higher level of Senate funding for public and higher education. In addition, we have several specific concerns.

***Financial Aid:*** Each year, state financial aid programs provide thousands of aspiring college students with the opportunity to go to college. We urge you to adopt the Senate's proposal to provide \$919 million for Texas' financial aid programs. The TEXAS Grants programs alone, with \$560 million in funding, would restore funding for incoming students, thereby serving an additional 33,000 Texans compared to the House version. Among the B-on-Time Loan program, the Top 10%, and the Tuition Equalization Grant programs, Senate funding would provide an additional 23,000 students with financial aid to attend college.

***Developmental Education:*** The Senate funding of \$5.3 million for the developmental education projects is needed to ensure that Texas continues its investment to investigate and identify effective practices in developmental education in community colleges through these pilot programs. These programs are essential in moving more Texans through postsecondary degree and certificate programs, and into higher paying occupations.

***Adult Education:*** The House funding of \$74.7 million for adult education and family literacy is essential for providing additional opportunities for Texas adults to obtain the skills and education needed to move into better jobs.

**Article VII** also has important programs designed to better prepare Texans for productive work.

***Skills Development:*** Both the House and Senate budgets provide \$48.5 million in funding for the Skills Development Fund, a 40% decrease from 2010-2011. Texas should invest more in the Skills Development Fund to move more unemployed workers into higher-skilled and higher-paying jobs.

### **Rainy Day Fund**

We appreciate that in the current political climate spending from the Rainy Day Fund is controversial. We understand that the House passed a non-binding instruction to its conferees not to use the Rainy Day Fund. But a non-binding resolution is just that—non-binding. We encourage you to consider using rainy day dollars to improve the budget or at the very least to close a budget deal along the Senate lines if you end up short of revenue. The case for use of rainy day dollars is overwhelming.

Texans created the state's Economic Stabilization Fund by constitutional amendment for the very situation our state is in now—a revenue shortfall created by an economic downturn. The fund is automatically replenished by a dedicated revenue stream from oil and gas severance taxes. Based upon the Comptroller's revenue projection, \$9.4 billion is available for appropriation through 2012-13, and knowledgeable experts, including Chairman Ogden, have suggested that because of the high price of oil, a more accurate revenue projection might be closer to \$12 billion.

The fund has plenty of money to safely use far more than the \$3.1 billion appropriated by the House in its proposed supplemental for 2011. After all, in the first 18 of its 22 years, the fund never had a balance of more than \$1 billion. Historically, the Legislature has spent the entire fund several times, including two times approved by Governor Perry. And, while the state's economic recovery is slow, our economy is recovering. The state is likely to have general revenue in 2014-15 to replace any rainy day dollars used in 2012-13. Making deep cuts now while leaving \$6 billion or more unused in the Rainy Day Fund is not a wise course. In the end, if you need to draw more of the Rainy Day Fund, Texans will support that decision.

### **Conclusion**

We urge you to write the best possible budget.

Sincerely yours,



F. Scott McCown  
Executive Director



Anne Dunkelberg  
Associate Director