



OVERVIEW OF HOUSE BUDGET PROPOSAL (CSHB 1) FOR 2012-13

The House Appropriation Committee's proposed budget for 2012-13 would reduce total funding for state services by 12 percent compared to 2010-11, and by 14 percent for the General Revenue part of the budget. In a state that is already near the bottom in state spending per resident, the implications of cuts are even worse when Texas's growing population and rising health care costs are taken into account. In "current services" terms, the House budget proposes General Revenue cuts of 22 percent overall, and would leave billions of federal dollars for health care and other social services unmatched. This analysis outlines the major cuts proposed in CSHB1, the general appropriations act for 2012-13 as voted out of House Appropriations. Instead of a cuts-only approach, the House needs to take a balanced approach that spends the entire Rainy Day Fund and adds new revenue.

Overall Spending Levels in HB 1

The \$77.6 billion in General Revenue spending proposed for 2012-13 is a 14 percent cut from the \$90.4 billion in General Revenue budgeted for 2010-11 (including \$8.3 billion in federal Recovery Act money that took the place of GR). It is also 27 percent short of state agencies' requests for General Revenue funding for 2012-13, but more than the \$76.5 billion in GR available (counting \$300 million in new sales tax revenue, and assuming the enactment of CSHB 4 and HB 275). The All-Funds proposal for 2012-13 is \$164.5 billion, or 23 percent below the \$214 billion requested for state services in 2012-13.

Public Elementary and Secondary Schools

HB 1 proposes funding the **Foundation School Program**—the primary way that state aid goes to local school districts to educate over 4.5 million students—at a level that is \$7.8 billion (18%) below what is currently required by the Texas Education Code. There is not enough funding in the House budget proposal to replace \$3.25 billion in federal Recovery Act money that was used instead of General Revenue to help pay for schools in 2010-11; to fully fund enrollment growth of about 92,000 students a year in the next two years (\$2.2 billion); or to cover state-district "settle up" needs (\$1.4 billion). The \$2 billion restoration proposed by CSHB 1 (TEA Rider 55/HB 275) is almost enough to cover lower local property tax collections (\$1.94 billion) and some enrichment cost increases (\$242 million). A \$7.8 billion cut to state aid could mean that local school districts lay off 96,000 employees, costing the Texas economy another 134,000 private-sector jobs.

CSHB 1 would also do away with \$222 million in Foundation School Program set-asides for the Juvenile Justice Alternative Education Program; extended year programs; the Investment Capital Fund; the Limited-English-Proficiency Student Success Initiative; Communities in Schools; teen parenting education programs; and TAKS assessments and study guides. Communities in Schools would instead get \$5 million annually in GR, and \$4.8 million a year in federal welfare block grant money (Temporary Assistance for Needy Families)—roughly a 50% cut. Various other non-FSP programs are still slated for complete elimination or drastic cuts in 2012-13, such as Texas Excellence educator incentive pay; the High School Completion and Success Initiative; the Student Success Initiative; Pre-Kindergarten Early Start and Early Childhood School Readiness grants; Science Lab Grants; the Texas Advanced Placement Incentive Program; the Virtual School Network; middle school physical education grants; and the Reading/Math/Science Initiative.

Higher Education

At the Higher Education Coordinating Board, CSHB 1 would restore about \$24 million in funding to College Work Study and Texas Education Opportunity Grants, but financial aid programs are still slated for cuts of over \$400 million. Other restorations are \$15 million for nursing shortage reduction programs and \$3.3 million for a consortium of Alzheimer's disease centers. Four community colleges (Brazosport, Frank Phillips, Odessa, and Ranger) that were zeroed out in HB 1 as introduced saw their funding partially restored. GR needed for enrollment growth and to avoid more cuts to higher education employees' health insurance is still not in the House budget proposal, leaving higher education underfunded by 19%.

Health and Human Services

Medicaid, which provides 3.5 million Texans with access to health care (including nursing home and other long-term care services), would be funded at almost \$40 billion (All Funds), or **20 percent less than in 2010-11**, in CSHB1. Of the cuts made to Medicaid, a total of \$3.8 billion (\$1.6 billion GR) in cuts would be made through 10 percent rate cuts to health care providers. Texas Medicaid services would also not receive funds needed to replace federal Recovery Act dollars (a \$4.3 billion GR cut, costing Texas \$5.7 billion in federal health care dollars). Mark-up did add \$4.3 billion All Funds (\$1.8 billion GR, contingent on HB 275) to cover projected Medicaid enrollment growth and some cost increases.

The 10 percent rate cuts proposed for 2012-13 are in addition to Medicaid and other HHS rate cuts already made in fiscal 2011 at the request of state leaders. According to the Texas Medical Association, Medicaid rates are so low that only 42 percent of physicians in the state will accept all new Medicaid patients. This is a considerable decrease from 67 percent of physicians in 2000. Medicaid nursing home rates in Texas are also among the nation's lowest, yet CSHB 1 would cut funding for nursing home payments by 33%, or \$1.4 billion in All Funds.

MR Community Services did get \$102 million restored in CSHB 1, and **In-Home Family Support** services at the Department of Aging and Disability Services would get almost \$11 million more in GR compared to the draft budget.

In **child protective services**, the proposed budget would not fund caseload growth in foster care or adoption subsidies and would cut rates for these by 1 percent. But mark-up did add \$85 million in GR, including \$48 million needed to avoid laying off 565 CPS workers. Other cuts to Family and Protective Services staffing remain in the House budget proposal.

Criminal Justice

The Department of Criminal Justice and the Juvenile Probation Commission would receive almost \$314 million more in GR (\$364 million All Funds), compared to HB 1 as introduced, through contingency appropriations (HB 275). Programs getting significant restorations include probation (\$75 million), substance abuse treatment (\$54 million), prison guard and parole officer pay (\$43 million), and juvenile justice grants (\$38 million).

Other Assistance/Grant Programs

CSHB 1 would still make significant cuts to services funded with dedicated General Revenue, allowing the growing unspent amounts in these accounts to help balance (or "certify") the rest of the budget. For example, the Texas Emission Reduction Plan would see a 50 percent spending cut, and no assistance would be provided through the Low Income Vehicle Repair, Replacement and Retrofit Program. At the Public Utility Commission, the electric utility discount program for low-income Texans would be cut by 25 percent (\$55 million) in 2012-13. CSHB 4 would make an additional cut to the electric utility discount program of \$63.5 million in 2011, giving the System Benefit Fund a balance of almost \$830 million by the end of fiscal 2013.