



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

The House of Representative's proposed budget for the next two-year budget cycle would reduce total funding for state services by 17 percent compared to 2010-11, and by 11 percent for the General Revenue part of the budget. Bad as those cuts sound in a state that is already near the bottom in state spending per resident, the implications of reduced funding 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 28 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 House Bill 1, the general appropriations act for 2012-13. For more, see the [Legislative Budget Board summary](#).<sup>1</sup> Instead of a cuts-only approach, the House needs to take a balanced approach that includes spending the state's Rainy Day Fund and adding new revenue.

### Overall Spending Levels in HB 1

The \$73.3 billion in General Revenue spending proposed for 2012-13 is a 19 percent cut from the \$90.4 billion in General Revenue (including \$8.3 billion in federal Recovery Act money used as GR) budgeted for 2010-11. It is also 31 percent short of what state agencies and universities requested in General Revenue funding for 2012-13, and slightly more than the \$72.2 billion in GR that the Comptroller forecast as available for spending (after closing a \$4.3 billion 2011 deficit). The All-Funds proposed budget for 2012-13 is \$156 billion, or 27 percent below the \$214 billion requested for state services in 2012-13. HB 1 does not propose using any of the state's \$9.4 billion "Rainy Day" Fund and uses no significant new revenue.

### 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 \$9.8 billion (23 percent) below what is required by current state law, 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; to make up for lower local property tax collections for schools; or to cover state-district "settle up" needs. Reduced state aid could mean that local school districts lay off over 100,000 employees, costing the Texas economy another 140,000 private-sector jobs.

The House budget would also make a 99 percent cut to **discretionary grant programs** outside the Foundation School Program. The following are some of the programs that would not be funded in 2012-13: Texas Excellence educator incentive pay; the Student Success Initiative (to eliminate "social promotion"); the High School Completion and Success Initiative; the Technology Allotment; 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; Life Skills Teen Parenting; the Reading/Math/Science Initiative; the Optional Extended Year Program; and School Bus Seat Belt grants. Communities in Schools would no longer receive state support, but would continue to receive a small amount of federal welfare block grant money (Temporary Assistance for Needy Families) in the state budget.

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## Higher Education

General academic institutions and most health-related institutions would see a \$412 million cut from 2010-11 levels because of a **10 percent reduction to formula funding**. In addition, public higher education, which already serves 1.3 million students in Texas, would not receive funding for **enrollment growth**, for a loss of over \$700 million. Four community colleges would not receive any state funding at all. **Special items** for higher education would see another quarter of a billion (\$254 million), or 25 percent, biennial cut. **Financial aid** programs would lose \$431 million compared to 2010-11. **Health coverage for higher education employees** would lose \$246 million in state support, mostly because of cuts to community colleges' funding.

## 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 \$35.2 billion (All Funds), or **29 percent less than in 2010-11**, in HB 1 as introduced. 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), or \$4.2 billion (\$1.7 billion GR) to cover projected enrollment growth, medical inflation, and higher costs due to utilization and increased acuity.

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. In **child protective services**, a 7.4 percent overall cut (compared to 2010-11) would not fund caseload growth in foster care or adoption subsidies and would cut rates for these by 1 percent. Client services would be reduced, and almost 750 staff would be eliminated because the proposed budget does not replace Recovery-Act-related funding for CPS workers.

## Transportation

Funding for state highway construction, maintenance, and other Texas Department of Transportation services would be reduced by just over half a billion (\$509 million, or 3 percent) in total dollars, mainly reflecting the return to "normal" funding levels after Texas used up all its stimulus-related (Recovery Act) dollars for highway projects.

## Criminal Justice

The adult prison system (Texas Department of Criminal Justice) would see an 11 percent reduction in spending compared to 2010-11, almost all of it state general revenue dollars. The Central Unit in Sugar Land would be closed as part of a 10 percent proposed cut to incarceration spending. Community supervision funding would see a 21 percent cut, eliminating much of the recent progress made in funding treatment initiatives and other alternatives to incarceration. Managed health care for inmates would be cut by 24 percent compared to 2010-11, even though Texas already spends significantly less on prisoner health care than most other states.

## Other Assistance/Grant Programs

HB 1 would 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, giving the System Benefit Fund a balance of \$770 million by the end of fiscal 2013.

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<sup>1</sup> Online at [www.lbb.state.tx.us/LBE/2012-2013/LBE\\_HOUSE\\_SUMMARY\\_2012-2013.pdf](http://www.lbb.state.tx.us/LBE/2012-2013/LBE_HOUSE_SUMMARY_2012-2013.pdf).