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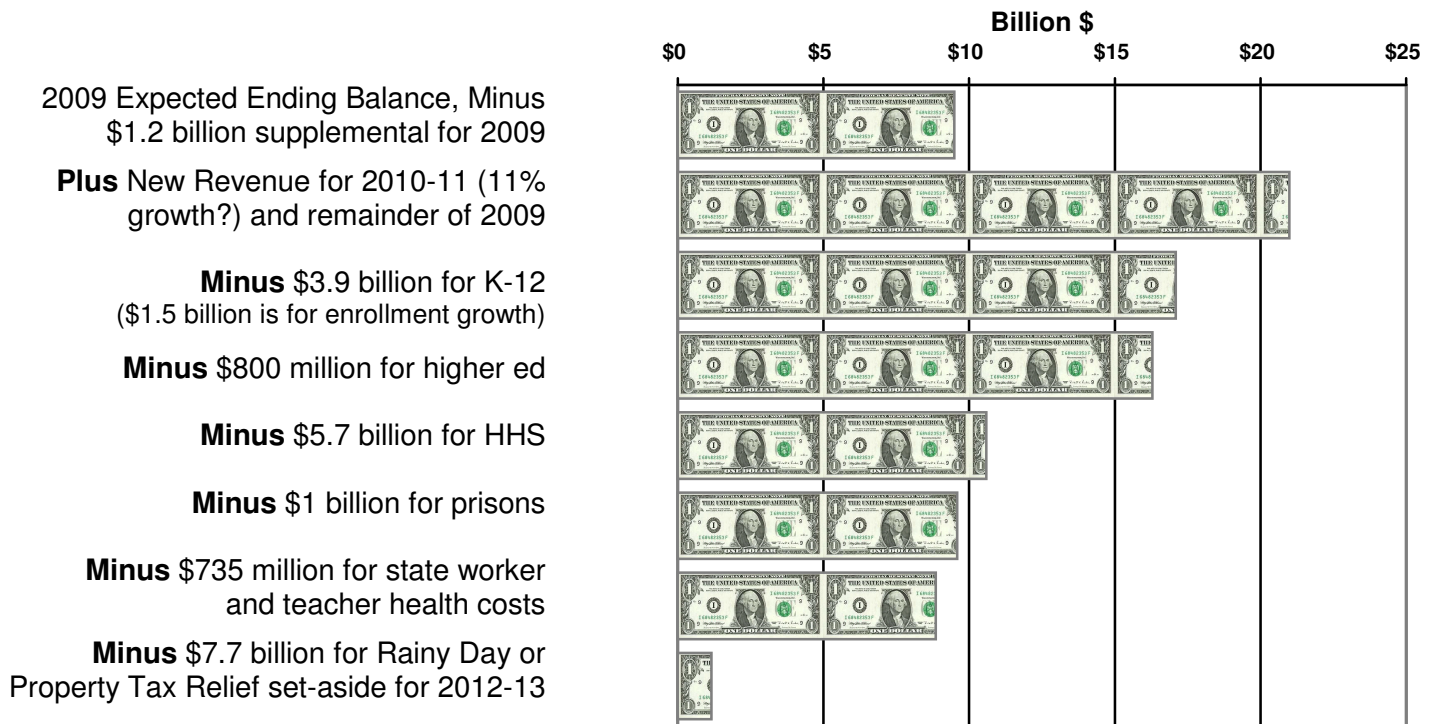
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2010-11 STATE BUDGET DEVELOPMENTS

This brief analysis highlights some of the major demands for additional General Revenue spending in the biennial budget for 2010 and 2011, which legislators will write during the regular legislative session in 2009. For CPPPP information on our long-term fiscal challenges, see *Building Texas: The Tax and Budget Primer*.

Population (enrollment/caseload) increases drive “Base” budget proposals; Inflation and other cost increases will be “Exceptional Items” competing for scarce General Revenue

The chart below sketches out the revenue and spending scenario that could confront the 81st Legislature when it convenes in 91 days. The revenue figures used below are highly speculative, but the spending needs are based on actual state agency Legislative Appropriations Requests submitted this past summer. An official biennial revenue forecast will be issued by the Comptroller of Public Accounts shortly before the session starts.



Funding the items above leaves **only \$1.2 billion in GR unspent**, with nothing allocated yet for Hurricane Ike repairs, state highways/Dept. of Public Safety refinance (\$1 billion), courts, agriculture, state parks, state employee pay raises, System Benefit Fund or other GR-dedicated restorations (up to \$3 billion), Sunset Commission reforms, or anything else that might become a legislative priority.

Details for some critical areas

Public elementary and secondary education: 4.6 million students (in average daily attendance) by 2011

Base growth: almost \$2.6 billion more in GR needed to operate the Foundation School Program. State share of FSP would be 45% by 2011, down from 50% in 2008. Base funding assumes that the lottery and recapture will each continue to contribute about \$1 billion annually.

Exceptional items (biennial GR cost only): \$1.4 billion total. Includes \$397 million for Textbooks/Instructional Materials; \$280 million to continue Teacher Incentive Awards; \$175 million for Existing Debt Allotment and \$150 million for Instructional Facilities Allotment; \$65 million for Pre-K grant restoration/expansion; \$64 million to support Health and Fitness initiatives; \$54 million for Technology Allotment; \$54 million for teacher training/professional development; \$50 million for adult basic education

Higher education: Higher Ed Coordinating Board proposals only, not all the separate 4-year and 2-year institutions' requests. HECB is recommending almost \$945 million in new funding to change the way higher education is funded (completed vs. attempted contact hours or semester credit hours).

Base: \$313 million GR reduction

Exceptional items: \$829 million total. Includes \$368 million for Texas Grants program to serve two-thirds of those eligible (currently only half are reached); \$194 million for 2-year institution Texas Educational Opportunity Grant to serve 98,400 more students (33% of eligibles, vs. current 4%); \$100 million for Texas B-on-Time Loan Program; \$5 million for College Work Study; \$21 million for Teacher Education Loan Repayment; \$10 million for Nursing Shortage Reduction; \$15 million for Family Practice Residency Program; \$26.6 million for Advanced Research Program

Health and human services: by 2011, 3.1 million low-income children, elderly/disabled, and pregnant women on Medicaid, 486,000 children on CHIP (both of these include the assumption that CHIP perinates will be in Medicaid instead); 195,000 served in long-term nursing/hospice care; 2.7 million Food Stamps recipients; 115,000 extremely poor (below 14% of poverty) children and their parents on TANF; just under 74,000 women & children served in family violence programs/shelters (vs. 79,200 in 2007); almost 18,900 children in foster care, 32,900 receiving adoption subsidy payments

Base growth: \$2.6 billion more in GR, almost all of it (\$2.15 billion) requested by HHSC for Medicaid caseloads and for a less favorable match rate for Medicaid and CHIP (\$350 million GR, combined).

Exceptional items: \$3.1 billion GR. Includes \$1.3 billion for cost increases in Medicaid; about \$264 million to maintain recent improvements in eligibility determination; \$224 million for community care waiting lists; almost \$200 million to preserve recent improvements in child protective services (staffing, services and caseloads)

Public employee health care: by 2011, ERS would cover 516,500 state employees, retirees, and their dependents through state group benefit health insurance plans; almost 423,800 teachers/dependents will be in TRS Active Care health plans, plus 217,000 retired school employees and their dependents in TRS-Care.

Base growth: \$184 million more for TRS, \$9.7 million for ERS

Exceptional items: \$61 million more for TRS, \$480 million for ERS. ERS items include \$193 million more to cover increases in health costs and \$131 million to maintain the required reserve to pay 60 days' worth of claims. TRS needs \$61 million for retired teachers' health care.

See Agencies' Budget Requests at www.lbb.state.tx.us/External_Links/Agency_LAR_Listing_0808.htm