

**FOCUS****on STATE
FINANCE****CSHB 1:****The House Appropriations Committee's
Proposed Budget for Fiscal 2020-21**

The House Appropriations Committee reported CSHB 1 by Zerwas, the general appropriations bill for fiscal 2020-21, on March 18, 2019, by the following vote:

25 ayes – Zerwas, Longoria, G. Bonnen, Buckley, Capriglione, Cortez, S. Davis, M. González, Hefner, Howard, J. Johnson, Miller, Minjarez, Muñoz, Rose, Sheffield, Sherman, Smith, Stucky, Toth, J. Turner, VanDeaver, Walle, Wilson, Wu

1 nay – Schaefer

1 absent – C. Bell

This report presents an overview of the proposed state budget and of each article of CSHB 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 86-1, *Writing the State Budget, 86th Legislature*, February 6, 2019.

Table of Contents

Overview:	Fiscal 2020-21 General Appropriations Act	3
	<i>Spending limits</i>	3
	<i>Article 11</i>	4
	<i>Economic Stabilization Fund</i>	4
	<i>Information technology projects</i>	4
	<i>Supplemental appropriations and Hurricane Harvey</i>	5
Article 1:	General government	7
	<i>Human trafficking prevention and prosecution</i>	7
	<i>Economic development grant programs</i>	8
	<i>Cancer research and prevention programs</i>	10
Article 2:	Health and Human Services	11
	<i>Medicaid client services</i>	11
	<i>State mental health hospitals</i>	12
	<i>Prevention and early intervention programs</i>	13
Article 3:	Public and Higher Education	15
	<i>Foundation School Program</i>	15
	<i>School safety funding</i>	16
	<i>Retired teacher pension fund</i>	17
	<i>Formula funding for institutions of higher education</i>	18
Article 4:	Judiciary	21
	<i>Judicial salaries increase</i>	21
	<i>Statewide court case management system</i>	22
	<i>New child protection courts</i>	23

Article 5:	Criminal Justice	25
	<i>Border security</i>	25
	<i>Prison health care</i>	26
	<i>New probation resources for juvenile justice</i>	27
Article 6:	Natural Resources	29
	<i>LIRAP funding</i>	29
	<i>Floodplain mapping</i>	30
	<i>Preserving the U.S.S. Texas battleship</i>	31
Article 7:	Economic Development	33
	<i>Ship channel improvement revolving fund</i>	33
	<i>Veteran toll waiver program</i>	34
	<i>Retailer bonus program</i>	35
Article 8:	Regulatory Government	37
	<i>Utility cybersecurity oversight</i>	37
	<i>Consolidated licensing system</i>	38

Fiscal 2020-21 General Appropriations Act

CSHB 1, the House Appropriations Committee version of the fiscal 2020-21 state budget, would authorize total appropriations of \$251.1 billion, an increase of 6.5 percent from fiscal 2018-19. General revenue appropriations would total \$116.5 billion, an increase of \$7.9 billion, or 7.3 percent, from anticipated general revenue spending in fiscal 2018-19. Appropriations of general revenue dedicated funds would be \$6.3 billion, a decrease of \$301.9 million from fiscal 2018-19.

The table below details overall spending in CSHB 1 by type of funds and the amounts estimated/budgeted for fiscal 2018-19, the amounts recommended for fiscal 2020-21 in CSHB 1, and the change the recommendation would represent from fiscal 2018-19.

Spending limits

Appropriations from the proposed House budget, along with the proposed House supplemental budget, would comply with the four constitutional limits on spending, according to the Legislative Budget Board (LBB). Funding from general revenue in the two bills would total \$119.2 billion, which is about \$500 million below the general revenue funds that the comptroller estimated would be available for general purpose spending for fiscal 2020-21, often called the “pay-as-you-go” limit.

The proposed House budget and supplemental budget also would be \$1.8 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.

Biennial spending comparisons (millions of dollars)

Type of funds	Estimated/ budgeted fiscal 2018-19	Recommended fiscal 2020-21 CSHB 1	Biennial change	Percent change
General revenue	\$108,539.7	\$116,478.1	\$7,938.4	7.3%
GR dedicated	\$6,605.5	\$6,303.5	(\$301.9)	(4.6%)
Federal	\$84,075.6	\$87,724.9	\$3,649.3	4.3%
Other	\$36,549.4	\$40,583.1	\$4,033.7	11%
All funds	\$235,770.2	\$251,089.6	\$15,319.5	6.5%

*Source: Legislative Budget Board, Summary of Committee Substitute for House Bill 1, March 2019
Totals may not sum due to rounding.*

Article 11

CSHB 1 includes an Art. 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 Art. 11 list, which totals \$12.4 billion, will be considered by the House and the conference committee and could result in the funding of some items.

Economic Stabilization Fund

The Economic Stabilization Fund (ESF), also known as the “rainy day fund,” is expected to reach \$15.4 billion by the end of fiscal 2021, absent an appropriation, according to the comptroller’s January 2019 Biennial Revenue Estimate. CSHB 1 and the proposed House supplemental budget would appropriate \$2.3 billion and \$4.3 billion, respectively, from the fund. The LBB estimates that these appropriations, as well as decreased interest and investment income, would lower the projected ending balance of the fund to \$8.4 billion.

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 2020-21 is estimated to be \$18.6 billion. As required by Government Code sec. 316.092, the ESF also must maintain a minimum sufficient balance. Lawmakers in November 2018 set the sufficient balance at \$7.5 billion for fiscal 2020-21. If funds drop below the sufficient balance, deposits are increased until that number is reached.

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 rainy day fund counts toward the state’s constitutional spending limit, according to the LBB.

Information technology projects

CSHB 1 would appropriate funds across several state agencies for information technology projects. Agencies would be appropriated a combined total of \$116.1 million for cybersecurity projects to decrease the risk of threats to the confidentiality, integrity, and availability of existing data and information systems. Agencies’ legacy modernization projects would be provided \$778.9 million to replace systems with obsolete hardware or software technology. The bill also would appropriate \$611.4 million to agencies for other information technology projects, including updates to existing systems, procurement of new systems, and hardware and network upgrades.

Supplemental appropriations and Hurricane Harvey

CSSB 500 by Nelson, the proposed House supplemental budget, would appropriate to some state agencies \$7.2 billion for fiscal 2019 and \$2.1 billion for fiscal 2020-21 and would reduce appropriations to other agencies. Funds would be appropriated for Hurricane Harvey relief and recovery, the Medicaid shortfall, state employee and teacher retirement, and other purposes.

For items related to Hurricane Harvey and disaster prevention, CSSB 500 would appropriate about \$2.8 billion in all funds to affected agencies, including \$1.5 billion from the ESF to the Texas Education Agency, \$246.9 million from the ESF to certain natural resources agencies, and \$58.8 million from the ESF to certain institutions of higher education.

General Government — Article 1

The 21 agencies in Art. 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 Art. 1 agencies in fiscal 2020-21, CSHB 1 would authorize total appropriations of \$7.5 billion, an increase of \$5.9 million from fiscal 2018-19. General revenue appropriations would total \$3.5 billion, an increase of \$137.4 million, or 4 percent, from anticipated general revenue spending in fiscal 2018-19. Appropriations of general revenue dedicated funds would be \$605.7 million, a 29.4 percent decrease from fiscal 2018-19.

Human trafficking prevention and prosecution

Office of the Attorney General

CSHB 1 \$2.3 million

Article 11: \$2.8 million to expand the Human Trafficking Section and \$664,225 for increased casework

CSHB 1 would appropriate \$2.3 million, including \$1.5 million in general revenue, for human trafficking prevention and prosecution. The funds would be used by the Office of the Attorney General's (OAG) Human Trafficking Section to prosecute human and sex trafficking crimes and facilitate the Human Trafficking Prevention Task Force, a group of state agencies, law enforcement, attorneys, and nonprofits that work to address anti-trafficking challenges across the state. The bill would place in Art. 11 funding for the agency's exceptional item requests for \$2.8 million to expand the Human Trafficking Section and \$664,225 to handle a projected increase in casework in fiscal 2021. OAG estimated that costs associated with prosecution and prevention of human trafficking at about \$3.5 million for fiscal 2018-19, an increase from \$2.3 million in fiscal 2016-17.

Supporters of CSHB 1 say the bill makes human trafficking prevention a priority, and decisions still need to be made about the appropriate level of funding. The \$2.3 million for OAG is a portion of \$18.6 million that CSHB 1 would appropriate across seven state agencies for human trafficking-related activities. Funding OAG's entire request would more than double its appropriations for human trafficking prevention when funds could be better spent on another agency's anti-trafficking efforts. The bill would appropriately place OAG-requested funding for additional human trafficking-related items in Art. 11 so they can continue to be considered during the budget process.

Critics of CSHB 1 say the Legislature should fully fund OAG's exceptional item requests, which would include the amounts in Art. 11, to provide much-needed support for the activities of OAG's Human Trafficking Section. In the past, OAG has been directed to perform human trafficking prevention functions with no appropriations other than grants and available resources the agency pieced together from other departments. Starting next biennium, the Legislature should specifically direct funds to OAG to tackle this priority issue.

The bill would not provide sufficient funding for additional full-time equivalent employees for the OAG's Human Trafficking Section to better identify and rescue victims and investigate, arrest, and prosecute offenders. OAG's request of \$664,225 could provide additional staff to handle caseloads. The Human Trafficking Section has seen a 600 percent increase in its caseload since its initial caseload of five cases in 2016. The OAG's request of \$2.8 million could be used to establish a unit dedicated to civil enforcement actions to shut down human traffickers, expanding the department's role in countertrafficking efforts beyond criminal prosecutions.

Economic development grant programs

Trusted Programs Within the Office of the Governor

- CSHB 1** \$50 million from the ESF for the Defense Economic Adjustment Assistance Grant (DEAAG) Program
- \$111.9 million in unexpended balances of general revenue dedicated funds to the Texas Enterprise Fund (TEF)
- \$26.2 million in unexpended balances of general revenue dedicated funds for the Governor's University Research Initiative (GURI)
- Article 11: \$148 million in unallocated funds for the Create Jobs and Promote Texas strategy*

CSHB 1 would appropriate \$50 million from the Economic Stabilization Fund (ESF) for the DEAAG Program, up from \$20 million from the ESF in fiscal 2018-19.

The trusted programs have unexpended balance authority, and the bill would appropriate for TEF and GURI only projected unexpended balances remaining and carried forward from the 2018-19 biennium. The Legislative Budget Board estimated the balances to be \$111.9 for TEF and \$26.2 for GURI. For fiscal 2018-19, TEF was appropriated \$86 million in unexpended balances of general revenue dedicated funds, and GURI was appropriated \$5.6 million in unexpended balances of general revenue dedicated funds.

For fiscal 2018-19, the 85th Legislature in 2017 also appropriated \$110 million in general revenue for the Create Jobs and Promote Texas strategy, which includes these three economic development programs and others. From this, the governor's office directed \$3.6 million to the DEAAG Program, \$60 million to TEF, and \$40 million to GURI. These amounts were in addition to specific appropriations for these programs in fiscal 2018-19. The total budgeted for these programs in fiscal 2018-19 was \$23.6 million for the DEAAG Program, \$157.3 million for TEF, and 453.3 million for GURI.

Supporters of CSHB 1 say the bill would adequately fund economic development grant programs, which help promote Texas as a premier business destination by creating jobs and encouraging investment.

The bill would fund sufficiently the DEAAG Program, which provides grants to military communities, installations, and defense-related businesses in anticipation of or in response to potential changes in defense contracts. Funds may be used for infrastructure projects directly supporting new or expanded military missions or for projects that increase military value. This program is essential to promote job creation in these communities and to help ensure the state is well positioned to prevent or mitigate the negative economic impacts of a Base Realignment and Closure.

CSHB 1 adequately would fund TEF and GURI projects by appropriating unexpended balances from fiscal 2018-19 for the trustee programs to use in fiscal 2020-21. Although the trustee programs predict that they will expend most of their unexpended balances by the end of fiscal 2019, historically they have carried forward large unexpended balances. The trustee programs carried forward \$8 million for TEF and \$7 million for GURI from fiscal 2017.

Critics of CSHB 1 say the bill would not provide sufficient funds for economic incentive programs that strengthen the state's diverse and growing economy. To ensure the state can respond quickly and aggressively to new opportunities, the trustee programs should start the 2020-21 biennium with \$150 million for TEF and \$40 million for GURI. The bill would appropriate only unexpended balances from fiscal 2018-19 for the 2020-21 biennium, but those amounts are less than the desired funding goal and the trustee programs believe they will spend most of those funds by the end of fiscal 2019. The bill should grant the trustee programs' request for an additional \$148 million in unallocated general revenue for the Create Jobs and Promote Texas strategy rather than placing it in Art. 11. Funding the request would ensure that the trustee programs had the flexibility to allocate funds to reach desired fund balances for programs essential to Texas remaining attractive to both businesses and globally recognized researchers.

Other critics of CSHB 1 say the government should not be in the business of incentivizing certain industries, and Texas' business climate is strong enough to attract out-of-state employers without incentives. Any funds spent on these programs would divert money from more important priorities and core functions of government, which the state should address before allocating taxpayer funds to research and business incentives. In addition, the programs' benefits are largely confined to urban areas, meaning that many taxpayers who help pay for the programs may never see the benefits.

Cancer research and prevention programs

Cancer Prevention and Research Institute of Texas

CSHB 1 \$600.1 million, with \$436 million in bond proceeds and \$164 million from the ESF

CSHB 1 would appropriate \$600.1 million to the Cancer Prevention and Research Institute of Texas (CPRIT), including \$436 million in available bond proceeds and \$164 million from the Economic Stabilization Fund (ESF). A constitutional amendment approved by voters in 2007 established CPRIT and authorized the state to issue a 10-year, \$3 billion general obligation bond program to fund cancer research and prevention programs. Statute limits grant awards to \$300 million each fiscal year, and the agency's authority to grant awards expires at the end of fiscal 2022. To date, CPRIT has awarded about 1,300 grants totaling \$2.2 billion to about 100 academic institutions, nonprofits, and public companies.

Supporters of CSHB 1 say fully funding CPRIT is essential to maintaining the agency's current level of activity and continuing Texas' national leadership in cancer research and prevention. The bill would appropriate the remaining balance of the bond program (\$436 million) and fund CPRIT's request of \$164 million to maintain historical funding levels of \$600 million per biennium. Although CPRIT has statutory approval to continue making grant awards through fiscal 2022, without added funds it could issue its last awards during fiscal 2020-21. Sustained funding is necessary to plan and complete research and report on prevention successes and failures. Annual grant funding has supported world-renowned scholars, including a 2018 Nobel Prize recipient, and helped make Texas a biomedical center.

Funding CPRIT is an investment into the state economy. CPRIT's programs have created thousands of jobs, attracted billions of dollars in economic activity, and encouraged biotech companies to expand or relocate to Texas. By approving the bond program, voters agreed that cancer research was worthy of public investment. CPRIT's efforts have been shown to reduce cancer costs, serving an important state goal by enhancing patients' quality of life, productivity, and lifespans.

Critics of CSHB 1 say the bill should appropriate only the remaining available bond proceeds, as voters approved only that amount to be given to the agency. This would allow CPRIT to issue its last round of grants while the Legislature discusses recommendations for continued funding, including a proposal that would allow voters the opportunity to decide on a new bond program.

CPRIT funding is not an essential function of state government. Although CPRIT's mission is noble, appropriations for the agency could be better spent on other priorities. If the Legislature wanted to fund CPRIT at historical levels, it should make room within the budget instead of tapping the ESF, which should be used only for limited purposes to ensure that taxpayer dollars are not unnecessarily spent.

Health and Human Services — Article 2

Art. 2 addresses the state's health and human services system, which consists of three agencies: the Health and Human Services Commission (HHSC), the Department of State Health Services (DSHS), and the Department of Family and Protective Services (DFPS). In 2017, HB 5 by Frank separated DFPS from the state's health and human services system and transferred certain functions from HHSC to DFPS. DFPS now operates independently but shares certain administrative functions with HHSC.

CSHB 1 would appropriate \$87.6 billion in all funds for Art. 2 agencies, an increase of \$4 billion, or 4.8 percent, from fiscal 2018-19. The bill also would appropriate \$34.7 billion in general revenue funds for Art. 2 agencies, a decrease of \$39.4 million from fiscal 2018-19. Appropriations of general revenue dedicated funds would be \$526.1 million, a decrease of \$40.8 million. The all-funds increase is due primarily to projected caseload growth in certain programs.

Medicaid client services

Health and Human Services Commission

CSHB 1 \$63.7 billion in all funds

CSHB 1 would appropriate \$63.7 billion in all funds, including \$23.9 billion in general revenue and general revenue dedicated funds, for Medicaid client services at the Health and Human Services Commission (HHSC). These funds would support caseload growth and maintain fiscal 2019 average costs for most services. The appropriations would be an increase of \$2.7 billion in all funds from fiscal 2018-19 and would include an overall decrease of \$1.4 billion in general revenue. The increase in all funds is due partly to a higher federal medical assistance percentage (FMAP), which is the amount the federal government pays for state Medicaid costs.

Supporters of CSHB 1 say it would increase Medicaid services funding from fiscal 2018-19 appropriations, while controlling costs in the Medicaid program and providing health care services for those who need them. A higher FMAP allows the state to decrease the amount of general revenue being spent on Medicaid, freeing up that money to be spent on other priorities. The bill also would fund several early childhood intervention priorities, including provider payments (\$53.8 million in general revenue and general revenue dedicated funds) and caseload and cost growth (\$18.6 million in general revenue and general revenue dedicated funds) as well as women's health programs (\$88.1 million in general revenue and general revenue dedicated funds) in the 2020-21 biennium.

Critics of CSHB 1 say because it would not fully restore cuts to therapy provider reimbursement rates made in prior legislative sessions, some children with disabilities may not have access to needed services. The bill also would not fund anticipated Medicaid cost increases totaling \$3.8 billion due to medical inflation, higher utilization, or more intensive care. The Legislature should fully fund Medicaid now rather than waiting to enact a supplemental funding bill in fiscal 2021.

State mental health hospitals

Health and Human Services Commission

CSHB 1 \$912.8 million in all funds for state mental health hospital services

\$823.8 million in all funds for new construction projects and deferred maintenance, including \$658.6 million from the ESF

Article 11: \$110.6 million for hospital facilities construction, planning, and pre-planning; \$323.3 million in a rider to replace San Antonio State Hospital

CSHB 1 would appropriate \$912.8 million in all funds, including \$764.6 million in general revenue, to continue funding state mental health hospital services at fiscal 2018 service levels and to increase capacity at San Antonio, Kerrville, and Rusk state hospitals. This would be an increase of \$108.7 million in all funds from fiscal 2018-19 appropriations.

The bill also would appropriate \$823.8 million in all funds, including \$658.6 million from the Economic Stabilization Fund (ESF), for new state hospital construction and repairs and would place in Art. 11 the remaining \$110.6 million from the Health and Human Services Commission's (HHSC) exceptional item request for state hospital construction, planning, and pre-planning. CSHB 1 also contains a rider for consideration in Art. 11 that would include the agency's \$323.3 million exceptional item request to build a replacement campus for the San Antonio State Hospital.

HHSC operates nine psychiatric hospitals, which are located in Austin, Big Spring, El Paso, Harlingen, Kerrville, North Texas (two campuses in Vernon and one in Wichita Falls), Rusk, San Antonio, and Terrell, and one youth residential treatment center in Waco. These facilities provide inpatient hospitalization and general psychiatric services for individuals with severe mental illness who require intensive treatment.

Supporters of CSHB 1 say it would help address the increasing demand for inpatient psychiatric treatment, improve antiquated state hospital infrastructure, and help retain staff by increasing salaries. The increased funding for operations and new construction is necessary to reduce waitlists for inpatient psychiatric services and make more beds available. The Art. 11 funding for construction and repairs could allow the discussion to continue during the budgeting process.

Critics of CSHB 1 say the bill should fund the agency's full exceptional item request totaling \$769.2 million to replace certain state hospitals, particularly in San Antonio and Austin, in order to have a sufficient number of beds available to patients with serious mental health needs in centralized and populated regions. Underfunding the commission's request also would not reduce the waitlist time as much as it would if the request were fully funded, which could jeopardize patient safety. The Legislature should address these needs now rather than in the future.

Prevention and early intervention programs

Department of Family and Protective Services

CSHB 1 \$215.1 million in all funds
Article 11: \$24.8 million

CSHB 1 would appropriate \$215.1 million in all funds for prevention and early intervention (PEI) programs at the Department of Family and Protective Services. This would be an increase of \$5.2 million in all funds from fiscal 2018-19 appropriations. The proposal also would fund exceptional items with \$1.4 million for Project HOPES and \$3.7 million for the Texas Nurse-Family Partnership and send the agency's remaining requested amount to Art. 11. PEI programs operate in local communities to prevent child abuse and neglect, juvenile delinquency, runaway youth, and truancy. These programs are funded through six strategies: Services to At-Risk Youth (STAR), Community Youth Development (CYD), child abuse prevention grants, maternal and child home visiting programs, other at-risk prevention programs, and at-risk prevention program support.

Supporters of CSHB 1 say prevention and early intervention services are the most cost-effective and efficient way to meet the needs of vulnerable Texans. The funding would allow the department to serve more families in communities than in the current biennium. The department's requested funds for the Texas Nurse-Family Partnership would have exceeded the agency's current capacity limits. Placing further funding for PEI programs in Art. 11 would allow the Legislature to continue discussions through the budget process.

Critics of CSHB 1 say it should fund the agency's additional exceptional item requests of \$9.7 million for Project HOPES, \$5.8 million for the Texas Nurse-Family Partnership, \$4.2 million for CYD, \$9.3 million for STAR, and \$919,814 for runaway youth hotline resources. These additional funds would help expand prevention services and provide resources required to administer them. These programs are effective at reducing maltreatment of children, and fully funding the request would help prevent children from entering Child Protective Services or the juvenile justice system. CSHB 1 should include the additional funding, especially for Project HOPES and the Texas Nurse-Family Partnership, in order to serve more children and low-income, first-time mothers.

Public and Higher Education — Article 3

Art. 3 covers Texas' systems of public and higher education. The public education agencies set curriculum standards, approve instructional materials, certify educators, provide school district employee health care, and manage the pension and health insurance funds for retired teachers. Most public education funding is appropriated to the Texas Education Agency, which will serve an estimated 5.5 million students in fiscal 2020-21. Art. 3 public education funding also is appropriated to the Texas School for the Deaf and the Texas School for the Blind and Visually Impaired.

For Art. 3 public education agencies in fiscal 2020-21, CSHB 1 would appropriate \$70 billion, an increase of 15.7 percent from fiscal 2018-19. General revenue appropriations would total \$48 billion, an increase of 15.6 percent from anticipated general revenue spending in fiscal 2018-19. Appropriations of federal funds would be \$10.7 billion, an increase of 2 percent from fiscal 2018-19.

Higher education agencies funded in Art. 3 include the Texas Higher Education Coordinating Board, the 37 general academic institutions, three lower-division institutions, 50 community and junior college districts, one technical college system, 12 health-related institutions, and certain state agencies attached to the Texas A&M University system, such as the Forest Service and Engineering Extension Service.

For Art. 3 higher education agencies in fiscal 2020-21, CSHB 1 would appropriate \$21.5 billion, an increase of 3.9 percent from fiscal 2018-19. General revenue and general revenue dedicated appropriations would total \$18.3 billion, an increase of 3 percent from anticipated spending in fiscal 2018-19.

Foundation School Program

Texas Education Agency

CSHB 1 \$52.6 billion in all funds, including \$41.3 billion in general revenue

CSHB 1 would appropriate \$52.6 billion in all funds for the Foundation School Program (FSP), including \$41.3 billion in general revenue. The funds would provide an increase of \$9 billion over what was estimated to be required to fund enrollment growth, contingent on the enactment of legislation revising aspects of the school finance formulas. FSP money flows from the Texas Education Agency to school districts and public charter schools for operations and to some districts and charter schools for facilities funding. The FSP is funded through a combination of state revenue and local property tax collections.

The funding increase in CSHB 1 would be contingent on the enactment of HB 3 by Huberty or similar legislation that would increase the state share of the FSP, enhance district entitlement, reduce recapture, and provide local property tax relief.

Supporters of CSHB 1 say it would fund legislation to increase the state share of FSP costs and provide \$6 billion in new revenue for local schools. The basic allotment would be increased for the first time since 2016, providing a mechanism to distribute the new funding equitably while reducing recapture payments made by certain property-wealthy districts. Making the funding increase contingent on the enactment of HB 3 or similar legislation would allow lawmakers to implement many of the recommendations from the Commission on Public School Finance, which was created by the 85th Legislature to recommend improvements to the public education funding system.

About \$3 billion would fund legislation to “buy down” local school property taxes to provide relief to overburdened taxpayers, supporters say. The bill would fulfill the governor’s budget recommendation by increasing state appropriations to improve student outcomes, replacing a portion of local property taxes with state funding, and reducing recapture.

Supporters say CSHB 1 and the associated school finance legislation would provide local school leaders with discretion to spend additional funds to meet their needs, including prekindergarten and targeted programs for struggling schools. They say district officials could use their additional funds to increase employee salaries.

Critics of CSHB 1 say it would be better to focus any major school funding increases on a \$5,000 across-the-board pay raise for teachers and librarians, as legislation passed by the Senate would do. They say a meaningful salary increase is key to recruiting and retaining good teachers, who are the most critical factor in a child’s education. Teachers should be the first priority for state spending increases, especially since it has been about a decade since they received a salary increase from the state.

School safety funding

Texas Education Agency, public higher education institutions

CSHB 1 \$85.7 million in all funds, including \$43.2 million in general revenue and \$42.5 million from the ESF

CSHB 1 would appropriate \$12 million in general revenue and \$42.5 million from the Economic Stabilization Fund (ESF) to the Texas Education Agency (TEA) for the Safe and Healthy Schools Initiative. It also would appropriate \$31.2 million in general revenue to higher education institutions for programs in public schools.

TEA would use its appropriation for mental health support on public school campuses and coordination of access to mental health professionals. ESF funding would be used for grants to promote mental health and positive school culture programs; matching grants to school districts and

charter schools for safety-related facility improvements; and grants to the Texas School Safety Center at Texas State University for emergency response audits.

In addition to the school safety funding for TEA, CSHB 1 would appropriate \$20 million to Texas Tech University Health Sciences Center to expand a telemedicine wellness intervention program to identify and intervene with students at risk for committing school violence and \$11.2 million to the Texas State University for school safety trainings and resource development and active shooter first responder training for law enforcement.

Supporters of CSHB 1 say it would fully fund the request of the Texas education commissioner for an initiative to help school districts improve school safety, including threat assessment strategies and mental health support. The bill would address concerns that arose after school shootings in Texas and elsewhere by funding recommendations from the governor and legislative committees formed last year.

The proposed funding emphasizes prevention by coordinating access to programs operated by state agencies and community mental health providers, including telemedicine programs that could help rural districts access mental health services for their students. It is appropriate to use the ESF in the aftermath of the school shooting at Santa Fe High School. Preventing future tragedies is a necessary use of the ESF this legislative session.

Critics of CSHB 1 say much of the proposed funding is in the form of grants that might not reach all schools. One-time grants would not provide sustainable funding for additional school security personnel and school counselors. Proposed legislation to create a per-student allotment for school safety needs would ensure that schools are able to sustain programs and make additional safety-related changes to school facilities. The Senate has proposed an additional \$100 million from the ESF for fiscal 2019 for certain facility related expenditures, including metal detectors, active shooter alarm systems, and bullet-resistant glass. This type of facilities funding would make schools more secure from armed intruders.

Retired teacher pension fund

Teacher Retirement System

CSHB 1 \$4.1 billion for state contributions to the pension system
Article 11: \$1.1 billion

CSHB 1 would appropriate \$4.1 billion in general revenue for state contributions to the pension fund for retired public school and higher education employees administered by the Teacher Retirement System (TRS). The bill would place \$1.1 billion in additional funding in Art. 11.

To fund the pension system, the state contributes 6.8 percent of the payroll for school personnel; public and higher education employers contribute 1.5 percent of their payroll; and active employees contribute 7.7 percent of their salaries.

Supporters of CSHB 1 say this proposal would fund growth in public and higher education payrolls and maintain the state's commitment to the increased contribution rates enacted in 2013. CSHB 1 would represent a \$152.6 million increase from the amount appropriated for fiscal 2018-19 to account for projected salary growth for public and higher education sectors. The bill would keep \$1.1 billion in additional funding available in Art. 11 should legislators decide to increase state contributions to the pension plan.

In addition to the \$4.1 billion in CSHB 1, the proposed supplemental appropriations bill (CSSB 500 by Nelson) would make additional appropriations to TRS for fiscal 2020-21 totaling \$1.3 billion. About half of the \$1.3 billion would be deposited into the pension system, and the other half would provide a one-time additional benefit payment to certain TRS retirees. The combined budget bills would improve the pension plan's long-term funding and provide an additional financial benefit to retired school employees.

Critics of CSHB 1 say the budget should fully fund the request by TRS to ensure the long-term soundness of the pension plan. Recent decisions by the TRS Board of Trustees to adjust plan participant life expectancies and projected investment return assumptions have contributed to the system being actuarially unsound as defined by state law. Investing in the fund now would be financially prudent, making it more likely that the state could meet its future obligations and grant retired teachers a cost-of-living increase in their monthly pension benefits, which would be preferable to a one-time "13th check." Providing an ongoing benefit increase would help retirees keep up with inflation and would be especially important to the vast majority of retired school personnel who do not receive Social Security benefits.

Formula funding for institutions of higher education

Public higher education institutions

CSHB 1 \$9.2 billion in all funds

CSHB 1 would appropriate \$9.2 billion in all funds, including \$7.7 billion in general revenue and \$1.5 billion in general revenue dedicated funds, for formula funding for Texas institutions of higher education. Formula funding rates would be increased by about 3 percent for general academic institutions and health-related institutions from the amounts distributed in fiscal 2018-19. Formula funding is intended to provide base funding for items such as faculty salaries, departmental operating expenses, research enhancement, and institutional support. The instructions and operations formula

amount for a general academic institution is based on student enrollment weighted by discipline and level of instruction. The infrastructure formula allocates funding for facilities support and utilities and is based on predicted square feet for educational and general activities.

Community colleges would receive an increase in their success points formula, which rewards institutions for each student who meets certain metrics, such as receiving a degree or completing at least 15 semester credit hours and transferring to a four-year institution.

Supporters of CSHB 1 say it would address the top funding priority request from higher education officials by increasing formula funding. This increase in formula rates would help institutions keep up with inflation and hire additional faculty to meet student enrollment growth. Increasing formula rates also can help higher education institutions with growing costs of educating students whose tuition is exempted under programs established to help veterans and their children. This funding would ease pressure on institutions to increase tuition to meet rising expenses.

Critics of CSHB 1 say the proposal would not go far enough in providing base funding for the state's colleges and universities at a time when rising tuition is harming the ability of students to earn college degrees. The proposal by the Texas Higher Education Coordinating Board (THECB) for a 6.6 percent increase in overall formula funding would better help institutions budget for inflation and achieve lower class sizes while keeping tuition rates flat. The investment in higher education sought by the THECB would help the state meet its 2030 goal of having at least 60 percent of Texans ages 25-34 hold a certificate or degree.

Judiciary — Article 4

Art. 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 472 state district courts, as well as county, municipal, and justice-of-the-peace courts.

For Art. 4 in fiscal 2020-21, CSHB 1 would appropriate \$955 million in all funds, an increase of 11.4 percent from fiscal 2018-19. General revenue spending would total \$560 million, an increase of \$69.2 million, or 14.1 percent, from anticipated general revenue spending in fiscal 2018-19. Appropriations of general revenue dedicated funds would be \$197.8 million, an increase of \$56.7 million from fiscal 2018-19 appropriations.

Judicial salaries increase

Judiciary section, Comptroller's Department

CSHB 1 \$31.3 million in general revenue for salary increases
Article 11: \$12 million

CSHB 1 would appropriate \$31.3 million in general revenue for a 10 percent salary increase for state district judges and other judges and prosecutors whose salaries are tied to district judges' salaries. The 10 percent judicial pay raise would be contingent on the enactment of HB 2384 by Leach or similar legislation that would revise judicial compensation.

The general appropriations act sets state court judicial salaries with the minimum salaries established in statutes. Government Code sec. 659.012 establishes minimum salaries for state judges and specifies pay differentials at the three court levels: district courts, intermediate courts of appeals, and the highest appellate courts. District court judges are entitled to an annual salary from the state of at least \$125,000. Justices of the courts of appeals are entitled to receive 110 percent of a district judge's salary, and judges and justices on the two highest appellate courts are entitled to 120 percent of a district judge's salary. Government Code secs. 31.001 and 32.001 authorize counties to supplement salaries of court of appeals justices and district court judges. In fiscal 2018-19, the general appropriations act set district court judges' annual state salary at \$140,000. Salary and salary supplements for other state and local prosecutorial and judicial positions are linked to a district judge's salary.

Supporters of CSHB 1 say it would give state court judges a necessary and overdue 10 percent salary increase. In September 2018, the state's Judicial Compensation Commission reported that Texas judges have received only two raises in state salaries in the past 18 years and that current salaries are lower than those paid in 1991 after adjusting for inflation. Skilled and experienced judges

are critical to maintaining a strong and independent judiciary, and judges can be discouraged from remaining on the bench when they could make significantly more money in the private sector. The salary increases in CSHB 1 would help Texas maintain a high-quality judiciary by helping recruit and retain judges. CSHB 1 would increase a district judge's state salary from \$140,000 to \$154,000 and fund increases for other judicial and prosecutor salaries that are statutorily linked to district judges' salaries.

Critics of CSHB 1 say it should include the funding in Art. 11 that would increase judges' salaries by an additional 5 percent to meet the recommendation of the state's Judicial Compensation Commission for a 15 percent increase. The full 15 percent increase is necessary for the judiciary to attract and retain judges with the necessary skills, experience, and education. Under the commission's recommendation, a district court judge's state salary would be \$161,000 in fiscal 2020-21.

Statewide court case management system

Office of Court Administration

CSHB 1 \$29.7 million from the ESF

CSHB 1 would include \$29.7 million from the Economic Stabilization Fund (ESF) for the Office of Court Administration to create a web-based case management system that could be used by counties to record case-level data. The funds would include \$27.3 million to create the system and \$2 million for maintenance costs in fiscal 2021. Most of the funds would be used to establish the system and the rest for maintenance costs.

Supporters of CSHB 1 say funding the case management system would allow counties to improve their collection of court case data and the efficiency of data reporting to the state and others. Many counties, especially smaller ones, lack a robust case management system, and much of the data about court cases is aggregated only on the county level. This makes it hard to gather certain detailed statistics, such as the number of cases with a certain outcome that involve opioids or fine-only offenses involving juveniles. In counties without adequate case management systems, magistrates might not have critical information to consider when setting bonds for those accused of crimes. Counties also may be unable to automatically report information to state or federal systems such as the federal National Instant Criminal Background Check System. The governor's May 2018 recommendations for school and firearm safety included creating a statewide case management system to address these issues and improve the reporting of court records for federal background checks, and the Texas Judicial Council also recommended creating a system. While the system created by the funding in CSHB 1 would target the approximately 130 counties with populations under 20,000, larger counties also could use the system. It would be more efficient to develop a statewide system than for individual counties to develop their own.

New child protection courts

Office of Court Administration

CSHB 1 \$3.4 million

CSHB 1 would appropriate \$3.4 million in general revenue to fund nine new child protection courts, bringing the total appropriation for the state's child protection courts to \$12.7 million. New courts would be located in Northeast Texas, Southeast Texas, the Brazos River Valley, Dallas County, Bell County, Taylor County, and Brazoria County. One new court would serve the combined areas of Grayson, Cooke, and Wise counties, and another new court would serve Hood, Johnson, Somerville, Bosque, and Hill counties.

Supporters of CSHB 1 say it would fund nine new child protection courts to address growing case loads. These courts are dedicated to hearing child abuse and neglect cases in an attempt to resolve them quickly and ensure appropriate placement for children. Child protection case filings increased 29 percent from fiscal 2011 to fiscal 2017, when they totaled about 13,800. The increase could be in response to the state's increase in the number of caseworkers, population growth, and increases in drug-related cases, according to the Office of Court Administration's Legislative Appropriation Request.

Currently, 24 child protection courts serve 130 counties. These courts handle Child Protective Services cases exclusively, and the existing courts held about 43,000 hearings in fiscal 2018 and about 9,000 children received a final order, according to the Office of Court Administration. With nine more courts funded for fiscal 2020-21, about 16,000 additional hearings could be held and potentially 3,300 children could receive final orders each year.

Funding new child protection courts would be an important part of the state's efforts to improve outcomes for children involved in Child Protective Services. These 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 while ensuring children are in safe homes as soon as possible.

Critics of CSHB 1 say it should include the \$726,000 that has been placed in Art. 11 to meet a related request by the Texas Supreme Court for additional staff attorneys to assist with parental termination cases and other matters. The court has seen a large increase in the number of termination cases it receives on appeal. Statutes and rules require expedited handling of these cases, and additional staff would help ensure these cases were handled quickly and with sensitivity.

4

Judiciary

Art.

Criminal Justice — Article 5

Art. 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 Art. 5, CSHB 1 would appropriate \$15.9 billion in all funds for fiscal 2020-21. General revenue appropriations would total \$11.7 billion, an increase of 3.3 percent, from anticipated general revenue spending in fiscal 2018-19. Appropriations of general revenue dedicated funds would be \$37.9 million, decreasing the all-funds total for Art. 5 agencies by 13.6 percent from the anticipated spending in fiscal 2018-19.

Border security

Department of Public Safety and other agencies

CSHB 1 \$795.7 million in all funds, with \$684.7 million to DPS and the rest to eight other state agencies.

CSHB 1 would appropriate \$795.7 million in all funds for border security operations in fiscal 2020-21. In fiscal 2018-19, border security received \$800 million in state funds, with appropriations to DPS totaling \$694.3 million.

Under CSHB 1, DPS would receive \$684.7 million and the rest would be appropriated to other agencies as follows:

- \$55.8 million to the Trusteed Programs Within the Office of the Governor, including funds for border prosecution grants, technology for the National Incident Based Reporting System (NIBRS), installing and maintaining border cameras, and anti-gang activities;
- \$29 million to the Texas Parks and Wildlife Department for game warden operations and other initiatives;
- \$11.7 million to the Department of Motor Vehicles for automobile burglary and theft prevention;
- \$6.9 million to the Texas Alcoholic Beverage Commission for border security and investigations;
- \$3 million to the Texas Soil and Water Conservation Board for carrizo cane eradication;
- \$2.6 million to the Office of the Attorney General for border prosecutions;
- \$1.6 million to the Texas Department of Criminal Justice for anti-gang activities; and
- \$300,000 to the Texas Commission on Law Enforcement to assist in border prosecutions.

Supporters of CSHB 1 say it would continue the state's successful efforts to make Texas safer by securing its international border. The House budget proposal that provides \$684.7 million for DPS would support the bulk of the border security items funded in fiscal 2020-21, while eliminating one-time and transitional expenditures from the previous biennium. About \$671.1 million would be base funding for DPS' border operations, including maintaining the 500 state troopers for the border added since 2016. Posting additional troopers on the border has allowed the agency to better combat crimes by gangs, cartels, and others and has enabled the agency to end the rotations of personnel to the border from other parts of the state, improving public safety throughout Texas. CSHB 1 also would continue the funding provided by the 85th Legislature for a 50-hour work week for commissioned officers, which is a cost-effective way to increase law enforcement efforts. Other border security funds in CSHB 1 would go to the University of North Texas Missing Persons Database, the Border Auto Theft Information Center, training for local law enforcement agencies on transitioning to NIBRS, and funds for a new training facility in Cameron County. Texas' efforts to fight border-related crime have been successful, and now is not the time for the state to significantly change direction on border funding.

Critics of CSHB 1 say Texas should be cautious about continuing the high level of spending on border security when the state has other priorities that need additional funding, such as pre-kindergarten and health care. Much of the state's border security spending should be borne by the federal government.

Prison health care

Texas Department of Criminal Justice

CSHB 1 \$1.3 billion in all funds
Article 11: \$103.6 million, including \$86.5 million for health care services and \$4.9 million for additional pharmacy staff

CSHB 1 would appropriate \$1.3 billion in all funds 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. CSHB 1 includes the amount in the fiscal 2018-19 budget, plus \$160 million for expenses the university providers incurred or expect to incur in fiscal 2018-19 and exceptional item requests of \$9 million for salary increases for medical staff, \$4.1 million from the ESF for health care equipment, and \$12.9 million from the ESF for health care technology. The bill also would fund a request for \$13 million for medical beds in existing units, some of which also would go for health care funding.

Supporters of CSHB 1 say it would allow the state to continue providing the required constitutional level of care to offenders in state custody and to compensate health care providers. The

bill includes an increase of \$160 million from fiscal 2018-19 appropriations to raise base funding to meet the expenses providers are incurring in fiscal 2018-19. The bill also would provide funding to update the technology used in electronic health records, telemedicine, and the automated pharmacy system. This upgrade is needed to address potential failures and security breaches that could compromise offender health care and safety. CSHB 1 also would provide funds to increase salaries for medical staff and give providers funds to replace aging equipment, including X-ray and dialysis machines, hospital beds, and dental chairs. The bill would fund a request by TDCJ to add about 350 medical beds at existing units so that offenders with certain medical needs could be moved out of infirmaries but continue to receive the care they require.

Although the House proposal would not fund the university providers' entire request, it would address critical needs and would increase the base funding to the level of expected costs for fiscal 2018-19. The bill would place funding for other items requested by the providers and TDCJ in Art. 11 so that they can continue to be considered during the budget process.

Critics of CSHB 1 say the bill should fund the university health care providers' request for additional funding to address rising health care costs and increased demand for pharmacy services. The providers requested \$86.5 million more than the amount in CSHB 1 to meet the projected costs to provide the necessary level and quality of services during fiscal 2020-21 and to avoid eliminating services. Providers also asked for an additional \$4.9 million to increase pharmacy staff to meet demands for services and maintain a safe workload. CSHB 1 also should meet a request by TDCJ for \$17.5 million to increase mental health care treatment and move offenders out of solitary confinement. This request would help contain health care costs and further the state's policy of reducing the use of solitary confinement.

New probation resources for juvenile justice

Texas Juvenile Justice Department

CSHB 1 \$5.5 million from the ESF for additional regionalization and alternative placements for juveniles

\$2.5 million from the ESF for the state to contract for additional residential placements
Article 11: \$17.4 million

CSHB 1 would provide \$8 million in new funding for Texas Juvenile Justice Department (TDDJ) programs for local juvenile probation departments, including new discretionary grants to counties for specialized services, expanding options to place youths, and additional funds for the state to contract for youth care. Another \$17.4 million in agency requests would be placed in Art. 11.

Supporters of CSHB 1 say it would fund several of TJJD's requests to continue implementing its plan to reset, reform, and refocus the handling of youths in the juvenile justice system. CSHB 1 would provide new resources to care for high-need and high-risk youths. New resources would include grants to counties for special services, funding to place youths locally instead of in state facilities, and funds for the state to purchase contract care tailored to the needs of individual youths. These resources would support local departments and the agency's regionalization programs in which youths are being kept closer to their families and communities. CSHB 1 would fund a separate request to help local probation departments find emergency mental health stabilization for youths. It also would place several other items the agency requested as part of its reform and restructuring efforts in Art. 11, where they can continue to be considered during the budget process.

Critics say CSHB 1 should fund the full package of items requested by TJJD. The items placed in Art. 11 are designed to work with the items funded in CSHB 1 to fulfill the agency's reform plan and to focus on youths placed on probation and to keep more youths near their homes, rather than in state facilities. The \$17.4 million in agency requests in Art. 11 includes funds to pay the higher rates being charged to place youths on probation in non-secure beds, rather than in secure beds, and support for the risk and needs assessments used to determine needed services for youth. Art. 11 also includes important agency requests related to caring for youths using trauma-informed practices and care for youths needing intensive mental health treatment. These items should be funded so that the agency and local probation departments can expand efforts to provide appropriate services to youths involved in the juvenile justice system.

Natural Resources — Article 6

Art. 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. Art. 6 agencies also are responsible for numerous aspects of disaster recovery. The General Land Office, for example, administers billions of dollars from a variety of federal programs and agencies and is charged with providing disaster recovery assistance through housing and infrastructure programs.

CSHB 1 would appropriate a total of \$9.1 billion in all funds for Art. 6 agencies for fiscal 2020-21, a 38.8 percent increase from fiscal 2018-19. General revenue appropriations would total \$829.2 million, a decrease of \$81.4 million, or 8.9 percent, from anticipated general revenue spending in fiscal 2018-19. Appropriations of general revenue dedicated funds would be \$1.4 billion, an increase of \$23.6 million, or 1.7 percent, from fiscal 2018-19 spending levels. Appropriations within Art. 6 for fiscal 2020-21 include about \$6.3 billion in federal funds, a 65 percent increase from the previous biennium.

LIRAP funding

Texas Commission for Environmental Quality

CSHB 1 \$96.6 million in general revenue dedicated funds

CSHB 1 would allocate \$96.6 million in general revenue dedicated funds to the Texas Commission for Environmental Quality (TCEQ) to fund the Low-Income Vehicle Repair Assistance, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP). This funding would be equal to appropriations for the program in the fiscal 2018-2019 general appropriations act, which were vetoed by the governor.

LIRAP is a voluntary program for counties that do not meet national standards for air quality and ground-level ozone and was created in 2001 by the 77th Legislature. The program includes the Drive a Clean Machine Program and funding for the Local Initiative Projects program to improve air quality. Participating counties collect a small fee per vehicle emissions inspection, which is then deposited to the Clean Air Account and historically appropriated to LIRAP. After funding for LIRAP was vetoed in 2017, all 16 participating counties discontinued fee collection, but revenue previously collected and deposited remains in the Clean Air Account. TCEQ and participating counties continue to spend down funding previously appropriated for LIRAP.

Supporters of CSHB 1 say funding for LIRAP should be restored as it provides needed and effective support for areas of the state in nonattainment of federal air quality standards. The restoration of funding would help nonattainment areas lower their ozone pollution levels. Further, these funds have already been collected from counties for use in improving air quality and should be spent for that purpose.

Critics of CSHB 1 say LIRAP does little to improve air quality in nonattainment areas and is not an effective use of state resources. Prior to the governor's veto of program funding in 2017, the state regularly appropriated more funds to the program than were used by the local entities that administer the program, and previously appropriated funds continue to be spent. Allocating further funds for these programs would not be an efficient strategy for improving air quality.

Other critics of CSHB 1 say fee revenue deposited into the Clean Air Account by counties that participated in LIRAP should be returned to localities for use in targeted clean air projects.

Floodplain mapping

Texas Water Development Board

CSHB 1 \$4.4 million in general revenue

CSHB 1 would appropriate \$4.4 million in general revenue to the Texas Water Development Board (TWDB) for the agency's Flood Technical Package. The funding would be used for floodplain mapping and monitoring, hydraulic river and coastal modeling, and collecting and distributing other flood-related data and information.

In 2017, the 85th Legislature instructed TWDB to complete a State Flood Assessment that would lay out a long-term strategy for mitigating floods in Texas and reducing flood risk across the state. This report, published in January 2019, anticipates the statewide cost of flood mitigation to total between \$31.5 billion and \$36 billion. The Flood Technical Package would establish a foundation for future mitigation work by updating floodplain maps and completing hydraulic river modeling for 40 of the 42 highest-need watersheds over the next 10 years.

Supporters of CSHB 1 say that funding for the Flood Technical Package would improve safety and provide a valuable resource for communities, citizens, and emergency responders. Many communities in Texas do not have maps to assist with floodplain management or planning, and of those that do, many are outdated. The Flood Technical Package would allow TWDB to begin the process of creating or replacing maps, which improves citizens' ability to access flood insurance and allows communities and municipalities to better plan for potential floods.

The funding provided by CSHB 1 also would improve weather modeling and forecasting in the state as well as communities' access to weather and flood data, helping to keep Texans safe. The Flood Technical Package would allow the agency to model rainfall runoff and coastal circulation, improving coastal planning and resiliency in the case of another extreme weather event like Hurricane Harvey.

Critics of CSHB 1 say the funding appropriated for the Flood Technical Package would support the mapping and monitoring of only a small portion of the state. More funding would be required to update or create floodplain maps statewide, an effort that recent natural disasters have shown to be necessary.

Preserving the USS Texas battleship

Texas Parks and Wildlife Department

CSHB 1 No funding
Article 11: \$100 million

CSHB 1 would not fund a request from the Texas Parks and Wildlife Department (TPWD) to begin the process of dry-berthing the USS Texas in place in the Houston Ship Channel. Funding for this purpose was placed in Art. 11.

The USS Texas has been in the care of the state since 1948 and has been managed by TPWD since 1983. The ship is a memorial and permanent battleship museum and is a National Historic Landmark.

Since fiscal 1997, TPWD has been appropriated a total of \$55 million in all funds for the maintenance of the USS Texas. In 2015, the 84th Legislature appropriated \$25 million in general revenue dedicated funds for structural repairs to the ship. The agency continues to use this funding for emergency repairs, such as plugging leaks. The funding has also allowed for critical repairs to the ship's hull and keel, which serve as a precursor to placing the ship in a dry berth for further restoration.

Supporters of CSHB 1 say that more information on potential long-term solutions for the permanent display and preservation of the USS Texas, in whole or in part, is needed before committing to dry-berth the ship. Several options for preserving the battleship have been discussed, including dry-berthing the ship or scrapping and salvaging it while preserving key artifacts at another, undetermined location. Cost estimates for these options are not currently available. The \$100 million requested by TPWD would cover only the initial planning and permitting needed to dry-berth the ship and would not cover the total costs of the project, which are unknown. While the poor condition of the battleship is undisputed, a better estimate of the total cost of any plan of action is needed before funding can be provided.

Critics of CSHB 1 say that postponing decision-making and funding for the preservation of all or part of the USS Texas could have a detrimental effect on the site, which continues to deteriorate. Maintenance of the ship within the waters of the Houston Ship Channel is unsustainable as both the

cost of repairs and the danger to the ship and surrounding area increase. Funding the initial planning and permitting necessary to dry-berth the ship during fiscal 2020-21 would allow TPWD to begin moving toward the permanent preservation and safe display of the battleship. Should the Legislature decide against dry-berthing the ship, instructions and funding for an alternative solution should be provided.

Economic Development — Article 7

Art. 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 Texas Lottery Commission.

CSHB 1 would appropriate \$37.4 billion in all funds for Art. 7 in fiscal 2020-21, an increase of 2.3 percent from the previous biennium. General revenue appropriations would total \$825.2 million, an increase of \$328.7 million, or 66.2 percent, from anticipated general revenue spending in fiscal 2018-19. This increase would be due largely to additional appropriations to TxDMV for the transfer of driver license operations to the department, contingent upon passage of applicable legislation.

Ship channel improvement revolving fund

Texas Department of Transportation

CSHB 1 No funding
Article 11: \$450 million

CSHB 1 would not include funding for the ship channel improvement revolving fund but would place in Art. 11 a \$450 million appropriation to the fund. The fund was created by the 85th Legislature in 2017, although it has not yet been capitalized. Money in the fund may be used for a revolving loan program, administered by the Texas Department of Transportation (TxDOT), that finances certain projects to deepen or widen ship channels.

Supporters of CSHB 1 say a \$450 million appropriation for the ship channel improvement revolving fund is appropriately placed in Art. 11. While it is important to improve state ports, ship channel improvement projects are the purview of the federal government, so general revenue should not be used for that purpose this budget cycle. TxDOT should continue to focus on the state's larger transportation needs rather than starting a new program to deepen and widen ship channels. Other funding mechanisms, such as private investments, could be available for such projects.

Critics of CSHB 1 say lawmakers should grant TxDOT's request of \$450 million in general revenue for the ship channel improvement revolving fund program by moving the appropriation to Art. 7. The program must be funded through general revenue since most of the State Highway Fund — the primary transportation funding mechanism — is constitutionally dedicated to roadways and may not be used for this purpose. Projects to widen and deepen ship channels are necessary so Texas can promote trade and manufacturing and compete with other states and the Panama Canal by allowing larger vessels to enter state ports. While ship channel improvement projects are funded by the federal government, navigation districts cannot meet the tens of millions of dollars in matching

funds necessary to start the projects. The projects already have been authorized by Congress, but the federal government has yet to pass a spending bill appropriating project funds. The state should fulfill TxDOT's request of \$450 million to fund this loan program so ship channels may begin these necessary projects rather than waiting several more years.

Veteran toll waiver program

Texas Department of Transportation

CSHB 1 No funding
Article 11: \$20.4 million

CSHB 1 would provide no funding to waive the tolls of certain veterans driving on TxDOT-operated toll roads on the Central Texas Turnpike System (CTTS), although the bill places in Art. 11 funding for this purpose.

Under Transportation Code sec. 372.053, a tolling authority may establish a discount program for vehicles displaying certain license plates, including plates with the words “disabled veterans,” “Legion of Valor,” or “Purple Heart.” The Legislature is authorized by the statute to appropriate funds from general revenue to cover program costs.

Supporters of CSHB 1 say toll waivers for veterans should not be funded this biennium because the program is under scrutiny and no sustainable source of funding has been established. It is imperative to show gratitude to our veterans, but Texas' population is growing — including its population of veterans — which increases the costs of veteran toll waivers each year. The program lacks a sustainable method of financing to keep up with rising costs.

The program currently has no way to cap the number of cars with specialty veteran license plates registered to a single person, and toll authorities waive charges for any applicable vehicle, meaning non-veterans could be using these vehicles to take advantage of the discounted toll. The Legislature should focus on ways to improve the program this session and establish a sustainable source of funding. CSHB 1 rightly places in Art. 11 \$20.4 million for the program so it can continue to be discussed.

Critics of CSHB 1 say the Legislature should fulfill TxDOT's request of \$20.4 million for the veteran toll waiver program. Texas should honor its veterans, many of whom use toll roads to travel long distances for treatment through Veteran Affairs hospitals. Lawmakers should show their commitment to waiving tolls for veterans and their families by appropriating these funds.

While TxDOT has been able to use surplus toll concessions to reimburse CTTS for veteran toll waivers in recent years, not enough funding will be available for this going forward, and toll funds should be used for transportation and air quality projects in the region encompassing the toll project. The Legislature should appropriate \$20.4 million for the program to TxDOT, which must reimburse CTTS for toll waivers already awarded in order to comply with bond agreements. Without this appropriation, TxDOT could have to divert funds that should be used for other transportation priorities to the toll waiver program.

Retailer bonus program

Texas Lottery Commission

CSHB 1 \$8.4 million from the general revenue dedicated lottery account

CSHB 1 would provide \$4.2 million from the general revenue dedicated lottery account to the retailer bonus program each fiscal year, totaling \$8.4 million for fiscal 2020-21. Through the retailer bonus program, the Lottery Commission awards bonus payments to retailers who sell certain prizewinning tickets.

Supporters of CSHB 1 say the proposal would restore the necessary level of funding to the retailer bonus program, which saw a reduction in funds last biennium due to the governor's veto of fiscal 2019 funds. The program is necessary to promote certain lottery games, encourage retailers to carry games that offer bonuses, and recruit and retain participating retailers. Appropriations for the program come from a general revenue dedicated fund derived from lottery participation and should be returned to the program so it can continue to raise revenue for the state. The money would come from the general revenue dedicated lottery fund, which is not subject to the comptroller's certification of the budget.

Critics of CSHB 1 say that appropriations to the retailer bonus program should be reduced since lottery retailers already receive a commission based on the number of tickets sold. The program was created in 1993 with inception of the lottery and was intended to increase awareness of the lottery. However, now that the lottery is established, program funding should be reduced. The Legislature should reduce total funding for the retailer bonus program to \$4.2 million. This is the same amount the Lottery Commission was appropriated in fiscal 2018-19 after the governor reduced funding through a veto, as well as the amount the Senate deemed appropriate in its filed version of the budget.

Regulatory Government — Article 8

Art. 8 includes agencies that regulate business and health professionals, service industries, electric utilities, telecommunications, and insurance. Appropriations for these agencies are supported by fees generated from the industries and occupations they regulate.

CSHB 1 would appropriate \$644.5 million in all funds for Art. 8 agencies, a decrease of 4 percent from fiscal 2018-19. General revenue appropriations would total \$357.3 million, an increase of \$12 million, or 3.5 percent, from anticipated general revenue spending in fiscal 2018-19. Appropriations of general revenue dedicated funds would be \$239.5 million, an increase of \$3.4 million from fiscal 2018-19 spending levels.

All-funds appropriations for regulatory agencies in fiscal 2020-21 would be decreased by \$27.2 million from fiscal 2018-19, due largely to the expiration of the Health Insurance Risk Pool at the Texas Department of Insurance, which is set to expire on August 31, 2019.

Utility cybersecurity oversight

Public Utility Commission

CSHB 1 \$332,000 in general revenue

CSHB 1 would appropriate \$332,000 in general revenue to the Public Utility Commission (PUC) for utility cybersecurity oversight. The funds would support two additional full-time equivalent employees to coordinate cybersecurity efforts across the industry. The coordination would include surveying and disseminating best practices, participating in attack simulation exercises, and providing cybersecurity training.

Supporters of CSHB 1 say the funding of two additional full-time equivalent employees for PUC utility cybersecurity oversight would continue the development of a robust program to protect utility infrastructure from threats. The PUC is an economic engine of the state, regulating telecommunications and water and electric utilities. Current agency cybersecurity efforts focus on overseeing of utility efforts to protect from threats to the bulk power transmission system. These funds would allow the agency to expand its cybersecurity oversight to power generators, retail electric providers, electric cooperatives, municipally owned electric utilities, and eventually water and sewer utilities.

Threats to the state's electric utility infrastructure have received attention from the Legislature, but securing the grid from all threats would be expensive. CSHB 1 would adequately fund PUC cybersecurity oversight, which is the appropriate primary focus in securing the grid.

Consolidated licensing system

Texas Department of Licensing and Regulation

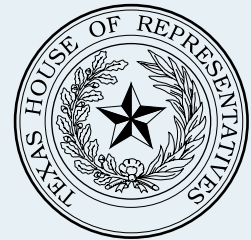
CSHB 1 \$2 million from the ESF

CSHB 1 would appropriate about \$2 million from the Economic Stabilization Fund (ESF) to the Texas Department of Licensing and Regulation (TDLR) for Phase I of a project to create a consolidated licensing system. Phase I would involve contracting to build the system and migrating into it all cosmetology, barber, electrician, and massage licensees, which total more than 77 percent of TDLR individual and business licenses. According to TDLR, a request of \$1.6 million for Phase II would be made to the 87th Legislature to migrate the remaining licenses.

Supporters of CSHB 1 say the bill would fully fund TDLR's exceptional item request for the creation of a single licensing system, which is necessary for TDLR to manage its regulatory responsibilities more securely, expediently, and cost-effectively. Currently, TDLR maintains nine disparate legacy licensing systems that it inherited with the transfer of different occupational regulation programs over the years. When those systems were developed, some in the 1980s, cybersecurity was not built in. The project proposed in CSHB 1 would give TDLR an opportunity to build a secure system, allowing better protection of the personally identifiable and personal health information of more than 10 million Texans.

A custom, single licensing system would make TDLR more responsive to licensees and reduce maintenance costs. By eliminating the use of multiple systems for licensing, staff could improve call times and provide more efficient customer service. The agency could see a cost savings as it no longer would need to pay costs associated with maintaining legacy systems.

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