



**FOCUS**

# *on* STATE FINANCE

## **CSSB 1:**

### **The House Appropriations Committee's Proposed Budget for Fiscal 2026-27**

The House Appropriations Committee reported CSSB 1 by Huffman (Bonnen), the general appropriations bill for fiscal 2026-27, on March 31, 2025, by the following vote:

23 ayes – Bonnen, M. González, Barry, Collier, DeAyala, Fairly, Garcia Hernandez, Gervin-Hawkins, Howard, Kitzman, J. Lopez, Lozano, Lujan, Martinez, Oliverson, Orr, Rose, Simmons, Slawson, Tepper, Villalobos, Walle, Wu

2 nays – Goodwin, Harrison

2 absent – V. Jones, Manuel

This report provides an overview of the proposed state budget and of articles 1 through 8 of CSSB 1. It highlights some of the significant budget items, including different proposals for funding individual agencies and programs and notable items related to each article in the proposed supplemental budget for fiscal 2025, CSHB 500 by Bonnen.



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# Fiscal 2026-27 General Appropriations Act

CSSB 1, the House Appropriations Committee version of the fiscal 2026-27 state budget, would authorize total appropriations of \$337.4 billion, an increase of 1.3 percent from fiscal 2024-25. General revenue appropriations would total \$153.6 billion, an increase of \$11 billion, or 7.7 percent, from anticipated general revenue spending in fiscal 2024-25. Appropriations of general revenue-dedicated funds would be \$7 billion, a decrease of \$2.8 billion, or 28.7 percent, from fiscal 2024-25. Appropriations of federal funds would be \$99.9 billion, which represents a decrease of \$8 billion, or 7.7 percent.

## Spending limits

According to the Legislative Budget Board (LBB), appropriations from the proposed House budget would comply with constitutional and statutory spending limits. Those limits include the “pay-as-you-go,” tax spending, consolidated general revenue, debt service, and welfare spending limits.

The limit based on the comptroller’s estimate of general revenue available for general purpose spending is often called the “pay-as-you-go” limit. This limit prohibits appropriations made from general revenue funds from exceeding available revenue estimates. For the 2026-27 biennium, the limit is set at \$194.6 billion, which applies to 2026-27 biennial general revenue appropriations and fiscal 2025 supplemental general revenue appropriations. Based on comptroller estimates, the LBB estimates that general revenue funds for fiscal 2026-27 amount to \$153.7 billion, or \$2.9 billion less than the pay-as-you-go limit.

The tax spending limit restricts the rate of growth of state appropriations from non-constitutionally dedicated tax revenues from exceeding the state economy’s adopted growth rate, set at 8.93 percent for the biennium. The 2026-27 biennial spending limit is estimated to be \$123.2 billion after adjusting

### Biennial spending comparisons (millions of dollars)

Type of funds	Estimated/ budgeted fiscal 2024-2025	Recommended fiscal 2026-2027	Biennial change	Percent change
General revenue	\$142,644.4	\$153,649.7	\$11,005.3	7.7%
GR dedicated	\$9,901.8	\$7,064.0	(\$2,837.8)	(28.7%)
Federal	\$108,326.9	\$99,984.5	(\$8,342.4)	(7.7%)
Other	\$72,095.7	\$76,703.3	\$4,607.6	6.4%
All funds	\$332,968.8	\$337,401.5	\$4,432.7	1.3%

Source: Legislative Budget Board: Summary of House Committee Substitute for Senate Bill 1, 2026-27 Biennium. Totals may not sum due to rounding.

for revenue estimates from the comptroller and updating the 2024-25 base budget to include estimated supplemental appropriations. Appropriations subject to the spending limit in 2026-27 total \$120.5 billion, which is \$2.8 billion less than the spending limit.

The consolidated general revenue (CGR) limit prohibits the total amount of appropriations from both dedicated and non-dedicated general revenue sources from exceeding a rate, also set at 8.93 percent, adjusted for population growth and inflation. The CGR limit for the 2026-27 biennium is \$155.8 billion. According to LBB calculations, the relevant amount of CGR spending capacity in fiscal 2026-27 remains \$16 billion under the CGR limit.

## ***Article 11***

CSSB 1 includes an Art. 11 list, sometimes referred to as an agency “wish list,” which is an informational listing of the House Appropriations Committee’s priorities for spending beyond what is included in the proposed budget. For fiscal 2026-27, the Art. 11 list includes about \$42.5 billion in proposed appropriations that may be considered by the House and later by the budget conference committee.

## ***Federal funding***

CSSB 1 would include appropriations of about \$99.9 billion in federal funding across all articles during fiscal 2026-27, a decrease of \$8 billion, or 7.7 percent, from anticipated spending in fiscal 2024-25. The states were required to obligate remaining federal funds received from the Coronavirus State Fiscal Recovery (CSFR) Fund no later than December 31, 2024. All unobligated funds, estimated to be \$5.4 billion, were appropriated to the Texas Department of Criminal Justice, which expects to fully expend the remaining funds in fiscal year 2025.

## ***Supplemental appropriations: CSHB 500***

CSHB 500 by Bonnen, the proposed House supplemental budget, would increase appropriations for fiscal 2024-25 by about \$13.7 billion in general revenue funds. CSHB 500 would appropriate just under \$12.0 billion in all funds, including a decrease in public education spending of \$3.2 billion in all funds from reduced recapture amounts following the enactment of SB 2 by Bettencourt (88th Legislature, Second Called Session), the Property Tax Relief Act. The estimated spending limits for the 2026-27 biennium include anticipated supplemental appropriations in fiscal year 2025 under CSHB 500. Additional appropriations for fiscal year 2025 authorized by the supplemental appropriations bill would change these limits.

## ***Economic Stabilization Fund***

Absent additional appropriations, the Economic Stabilization Fund (ESF), also known as the “rainy day fund,” is expected to exceed \$28.5 billion by the start of fiscal year 2026. This increase would push the fund beyond its allowable constitutional limit of no more than 10 percent of the general revenue deposited during the previous biennium. As a result, no transfers will be made to the ESF during the 2026-27 biennium.

## 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 2026-27, CSSB 1 would authorize total appropriations of \$15.3 billion, a decrease of \$6.3 billion, or 29.1 percent, from fiscal 2024-25. General revenue appropriations would total about \$9.7 billion, a decrease of \$1.4 billion, or 12.6 percent, from anticipated general revenue spending in fiscal 2024-25. Appropriations of general revenue dedicated funds would be \$606.2 million, a 76.0 percent decrease from fiscal 2024-25. Appropriations of federal funding would be about \$3.4 billion, a decrease of \$2.1 billion, or 38.4 percent.

CSHB 500 would make various supplemental appropriations to Article 1-related agencies and programs in fiscal 2025, including:

- \$1 billion in general revenue to the Employees Retirement System of Texas (ERS);
- \$300 million for deposit to the Space Exploration and Aeronautics Research Trust Fund; and
- about \$51.7 million in general revenue to the Department of Information Resources, including \$24.5 million for regional security operations centers and \$24.1 million for the delivery of cybersecurity

### **Film incentives**

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#### *Office of the Governor*

**CSSB 1**     \$45 million in general revenue  
*Article 11: \$155.2 million*

**Senate**     \$45 million in general revenue  
*Article 9: \$500 million contingent on the passage of SB 22*

CSSB 1 would appropriate \$45 million in general revenue to the Texas Moving Image Industry Incentive Program (TMIIP) under the Office of the Governor while placing the additional \$155.2 million requested by the agency in Art. 11. The sum of these numbers would roughly equal the amount appropriated to the program in the 2024-25 biennium. TMIIP was launched in 2007 to provide incentives, including grants, for film productions in the state and has received varying appropriations each biennium since. To qualify for the program and its incentives, a majority of paid crew and cast members for a film must be Texas residents, and at least 60 percent of the film's total production must be completed in the state.

CSSB 1 as passed by the Senate also would appropriate \$45 million for the program, but would include a rider for additional funding contingent on the passage of SB 22, which would create the

Texas Moving Image Industry Incentive Fund and require \$500 million in state sales tax revenue to be deposited in the fund each fiscal biennium. The fund would sunset in 2035 unless reapproved by the Legislature.

Supporters of film incentive expansion argue that larger and more consistent incentives are needed to make Texas competitive with other states in attracting film projects. While there is industry interest in bringing more projects to Texas, the variability of incentive amounts has made some filmmakers hesitant to produce films in the state. According to supporters, each dollar invested in the film industry results in \$4.69 of economic activity in Texas, with TMIIP bringing \$2.5 billion in positive economic impact and nearly 200,000 jobs. They also contend that expanded incentives would help the industry develop infrastructure in the state, which eventually could eliminate the need for continued state funding.

Concerns have been raised about funding projects that may include objectionable content, including excessive profanity or negative portrayals of Texas. Film incentive supporters have emphasized that the state would maintain broad discretion over which projects receive incentives. Some have cautioned against overly intrusive restrictions of film content and argue that the program's current limitations on inappropriate content are sufficient.

Critics of film incentives have expressed skepticism about the economic benefits of the program and argue that there could be better uses of taxpayer money. According to critics, the success of the film industry in Texas should not depend on state subsidies.

### ***Comptroller staff expansion and retention***

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#### *Comptroller of Public Accounts*

**CSSB 1**     \$26 million in general revenue

**Senate**     \$26 million in general revenue

**CSHB 500** \$6 million in general revenue

CSSB 1 would appropriate about \$26 million in general revenue to the Comptroller of Public Accounts for purposes related to staff expansion and retention, including salary increases and funds to fill vacancies. The proposed appropriation would include funding for the following new FTEs: 10 for contracting, procurement, and grant management personnel, 30 to manage unclaimed property claims, and 15 to reduce call wait times and enhance customer service. The appropriation also would provide funds to fill vacancies related to audits, tax enforcement, fiscal management programs, and Historically Underutilized Business program compliance. Funds also would include targeted salary increases for attorneys, IT professionals, accounting professionals, the Audit Division, and the Enforcement Division. Additionally, CSHB 500 would include \$6 million in supplemental appropriations for fiscal 2025 to convert 20 IT contractors to full-time employees.



Supporters of CSSB 1 argue that additional funds would help the comptroller's office meet critical staffing needs and reduce turnover, which would increase the office's taxpayer service capacity and enhance its ability to investigate tax crimes. Supporters argue that CSSB 1 would strengthen the comptroller's audit compliance efforts, pointing to significant savings to the state through the work of its auditors and enforcement officers. According to supporters, the comptroller's office has struggled to compete for staff with large corporations in the private sector that can generally provide larger salaries. As a result, they argue that additional funds for salary increases would help the office recruit and retain qualified employees, which could save the state money in the long run since rehiring and retraining staff can be costly.

Concerns have been raised about the need for comptroller staff to live in Texas, and some have suggested that the office's facilities should be fully staffed in person to provide effective constituent services. According to supporters, the agency is shifting from remote to hybrid work, but some positions, such as certain IT jobs, could require out-of-state hiring.

### ***Expanded delivery of cybersecurity services***

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*Department of Information Resources*

**CSSB 1** no funding  
*Article 11: \$18.5 million*

**Senate** no funding  
*Article 11: \$24.1 million*

**CSHB 500** \$24.1 million in general revenue

During the budget development process for CSSB 1, the Department of Information Resources initially requested over \$24 million to expand cybersecurity services, including endpoint detection and response (EDR), network detection and response (NDR), an external attack surface management tool, and hard token security keys. While this amount is not included in CSSB 1, it would be appropriated in CSHB 500, the supplemental budget for the current biennium. However, DIR later revised its request for this item to \$48.2 million, citing greater-than-projected demand for EDR and NDR services.

Supporters say that cybersecurity services must evolve and accelerate to meet the continued and growing threat of cyber attacks on public entities in Texas. Concerns have been raised about whether the state's current funding levels are sufficient to protect its digital infrastructure against cyber attacks. They argue that funding DIR's request would arm the agency with more advanced tools to proactively counter cyber attacks, which would help the state better deliver secure and effective IT services to meet the needs of Texas' growing population and economy.



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## Health and Human Services — Article 2

Art. 2 covers the state’s health and human services system, which includes 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).

HHSC oversees several programs, including Medicaid, the Children’s Health Insurance Program (CHIP), Healthy Texas Women (HTW), long-term care, Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF). DSHS is the state’s public health agency and implements infectious disease prevention and control measures, provides vital statistics, conducts laboratory testing, and maintains the state’s immunization registry. DFPS manages the state’s foster care system and is responsible for investigating reports of alleged abuse, neglect, and exploitation of children and adults.

CSSB 1 would appropriate \$105.2 billion in all funds for Art. 2 agencies for the 2026-27 biennium, an increase of \$3.5 billion, or 3.5 percent, from fiscal 2024-25. The bill would appropriate \$45.3 billion in general revenue funds, an increase of \$1.8 billion, or 4.0 percent. Appropriations of general revenue-dedicated funds would be \$543.4 million, essentially the same amount as the current biennium. The all-funds net increase is primarily due to a \$5.9 billion increase in funding for Medicaid and a \$0.1 billion increase for CHIP client services to address caseload growth. The net increase is partially offset by a \$2.1 billion decrease in behavioral health funding, primarily tied to completing one-time capital projects, and a \$0.6 billion reduction in federal funding for the COVID-19 response.

CSHB 500 also would make supplemental appropriations to Article 2-related agencies and programs in fiscal 2025, including:

- \$247.9 million in general revenue to HHSC, including \$150 million to complete the El Paso Psychiatric Center construction and \$65 million to establish a one-time grant for stroke care services at Baptist Hospitals of Southeast Texas;
- \$328.3 million in general revenue to DSHS to expand laboratory capacity; and
- \$96.6 million in all funds to DFPS to address an operational shortfall, including \$82.6 million in general revenue.

### **Medicaid client services**

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*Health and Human Services Commission*

**CSSB 1**    \$75.7 billion in all funds

**Senate**    \$80.8 billion in all funds

CSSB 1 would appropriate \$80.6 billion in all funds to the Texas Medicaid program for the 2026-27 biennium, an increase of 7.9% from the previous biennium. Of this amount, \$75.7 billion would support client services. This increase is primarily due to caseload growth and a reduced federal share of Medicaid funding following the expiration of enhanced federal matching rates provided

during the COVID-19 public health emergency. To support the direct care workforce, CSSB 1 would provide \$795.1 million in general revenue funds of the total funds designated for client services to increase the base wage for personal attendants to \$14.28 per hour, increase wages for certain waiver providers to \$17.50 per hour, and increase the administrative rate by \$0.48 per attendant an hour. The bill includes 642 temporary FTEs to assist with eligibility redeterminations related to the unwinding of Medicaid continuous coverage requirements.

Supporters say that the bill would take meaningful steps to address critical staffing shortages in Medicaid community-based services by funding an increase in the base wages for community care attendants. They say this investment is necessary to stabilize the direct care workforce, which plays a vital role in supporting individuals with intellectual and developmental disabilities (IDD).

CSSB 1 also would include temporary full-time positions to support redetermination efforts following the end of continuous Medicaid coverage during the COVID-19 pandemic, which supporters say would help to ensure continuity of care during a period of transition. Supporters view this as critical first steps in strengthening access to and sustaining service delivery for high-need populations.

Critics say the wage increase would not go far enough to resolve the longstanding staffing shortages in community-based care settings. They argue that the rate would not reflect the complexity of the work or compete with wages in other industries, making it difficult to recruit and retain staff. The ongoing shortage of direct care workers continues to limit access to essential services for individuals with IDD.

CSSB 1 also would not fund certain proposed riders to increase reimbursement rates and expand reporting for applied behavioral analysis (ABA) therapy under Medicaid. Despite the benefits of expansion in recent years, children with autism continue to experience delays in accessing care. Critics say additional investment is needed to strengthen the provider network, support early intervention, and ensure that funding aligns with current and projected demand for services.

### ***Women's health programs***

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*Health and Human Services Commission*

**CSSB 1**     \$475.6 million in all funds

**Senate**     \$455.1 million in all funds

CSSB 1 would appropriate \$475.6 million in all funds for women's health programs for the 2026-27 biennium, including for the Healthy Texas Women (HTW) program, the Family Planning Program, and the Breast and Cervical Cancer Services program. This amount would represent a decrease of \$82.6 million, or 14.8 percent, in all funds appropriated for the 2024-25 biennium. Of the \$475.6 million, the bill would provide:

- \$98 million in general revenue for HTW;
- \$147.1 million for the Family Planning Program; and
- \$6.9 million for Breast and Cervical Cancer Services.

In addition to these amounts, CSSB 1 would provide \$10 million in general revenue for caseload growth and \$20 million for maintaining and expanding Women's Preventive Mobile Health Units, prioritizing rural, unserved, and underserved areas of the state.

Supporters say the bill would provide necessary investments to meet the rising demand for women's health services through HTW and the Family Planning Program. Increased funding would allow providers to maintain services without additional debt and ensure that program implementation was fully realized. Supporters also emphasize the importance of Women's Preventative Mobile Health Units, noting that they are well received and vital in delivering care to underserved and rural communities, including in West Texas and the Panhandle.

Critics say the bill would fall short in addressing maternal health needs, partly by not fully funding maternal home visit programs like Nurse-Family Partnership. These programs provide essential support to expecting mothers by helping them access Medicaid, connect with providers, and receive guidance from trained nurses. Critics argue that funding reductions have strained program capacity and led to growing waitlists, especially in maternal care deserts. They say CSSB 1 should include a rider directing HHSC to explore opportunities to draw down federal funds to expand home visiting services and improve maternal and child health outcomes in high-need areas.

### ***Mental health services***

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*Health and Human Services Commission*

**CSSB 1** \$6.5 billion in all funds

**Senate** \$6.4 billion in all funds

CSSB 1 would appropriate \$6.5 billion in all funds for non-Medicaid and non-CHIP behavioral health services for the 2026-27 biennium, a decrease of \$2.4 billion, or 27 percent, from the 2024-25 biennium. The reduction is primarily due to completing one-time construction and renovation projects at certain state mental health hospitals. Despite the overall decrease, the bill would appropriate targeted funding for service expansion and the behavioral health workforce. These include \$165.9 million in general revenue funds, 630.6 FTEs in fiscal 2026, and 1,964.8 FTEs in fiscal 2027 to support expanded inpatient capacity at state hospitals. CSSB 1 also would include \$99.7 million in general revenue funds for provider rate increases and facility operations and an additional \$58.8 million to fund youth mobile crisis outreach teams.

Supporters say the bill would make meaningful investments in inpatient psychiatric care that will expand long-term treatment capacity. These investments are critical to increasing access to care across the state and will help address the longstanding need for more beds. Supporters emphasize that although construction takes time, the impact of these improvements will benefit Texans for

generations. They also highlight the bill's continued support for youth mobile crisis outreach teams and the importance of expanding the behavioral health workforce to meet future service demands.

Critics say the bill would not sustain prior investments in community-based mental health services funded through temporary federal grants. They support restoring funds to maintain core outpatient services, coordinated specialty care, crisis diversion, and mobile crisis teams. Critics urge the adoption of a rider that would provide \$36.9 million per year to maintain mental health capacity, including outpatient programs, crisis outreach, and diversion efforts.

### **Foster care**

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*Department of Family and Protective Services*

**CSSB 1**    *\$4.1 billion in all funds*

**Senate**    *\$4.2 billion in all funds*

CSSB 1 would appropriate \$4.1 billion in all funds to Child Protective Services (CPS) for the 2026-27 biennium, an increase of \$120.5 million, or 2.9%, from the previous biennium. Of this amount, \$2 billion would be used to fund CPS's direct delivery staff. The bill would include \$107.6 million to expand Community-Based Care (CBC) into new regions and stages, including Stage II expansions in the Bexar County, Harris County, and Montgomery County regions and Stage I expansions in Central Texas and South Texas regions. CBC is a regionally focused model that shifts foster care service delivery from the state to private, nonprofit Single Source Continuum Contractors (SSCCs), with the goal of providing a more community-centered and stable care network for children in the system. CSSB 1 also would provide funding to increase network support payments to \$2,500 per child FTE and includes transfer payments to support implementation and readiness in each area. An additional \$29.2 million in general revenue funds would be provided to implement a new case management system.

Supporters say that the bill would reflect a strong commitment to expanding CBC, which they say would allow more than 90 percent of children in Texas to be served by CBC providers. They support funding to expand CBC into new regions and stages, increase provider payments, and implement a new case management system. Supporters say these investments would strengthen the foster care system and provide a more stable care network. They emphasize that CBC is designed to keep children connected with their families and communities of origin, promoting stability and continuity of care in familiar environments.

Critics say the Legislature could take additional steps to support CBC providers who maintain active caseloads. They call for additional funding to streamline coordination between DFPS and CBC providers, reduce duplicative data entry, and shift administrative functions to community partners when appropriate. They also support funding initiatives like Family First pilots to prevent separation and keep children safely at home.

## Public and Higher Education — Article 3

Article 3 covers Texas' systems of public and higher education. The state's public education agencies set curriculum standards, approve instructional materials, certify educators, provide health care for certain school district employees, and manage the pension and health insurance programs for retired teachers. Most public education funding is appropriated to the Texas Education Agency (TEA), which is expected to serve more than 5 million students in fiscal 2026-27. Funding also is appropriated to the Texas School for the Deaf, the Texas School for the Blind and Visually Impaired, and the Windham School District, which provides education programs to incarcerated students.

For Art. 3 public education agencies in fiscal 2026-27, CSSB 1 would appropriate \$89.2 billion in all funds, an increase of \$12.5 billion, or 16.3 percent, from fiscal 2024-25. General revenue appropriations would total \$43.7 billion, an increase of \$7.8 billion, or 21.7 percent, from anticipated general revenue spending in fiscal 2024-25. Appropriations of federal funds would be \$13.7 billion, an increase of \$1.0 billion, or 7.6 percent, from fiscal 2024-25.

Higher education agencies funded in Art. 3 include the Texas Higher Education Coordinating Board (THECB), the state's 40 general academic institutions, 50 community and junior college districts, one technical college system, 14 health-related institutions, and certain state agencies attached to the Texas A&M University System, such as the Forest Service and Engineering Extension Service.

CSSB 1 would appropriate \$28.9 billion in all funds for higher education agencies in fiscal 2026-27, a decrease of \$628.8 million, or 2.1 percent, from fiscal 2024-25. General revenue and general revenue-dedicated appropriations would total \$21.3 billion, an increase of \$40.7 million, or less than 0.2 percent, from fiscal 2024-25.

CSSB 1 also would appropriate about \$35.3 billion in other funds for the biennium, including a transfer of \$9.4 billion each fiscal year from the general revenue fund to the Property Tax Relief Fund. Funding for the Foundation School Program through the biennium would include \$6.5 billion for additional state aid related to property tax relief, \$3.5 billion of which would be contingent on the enactment of legislation providing for property tax relief by the 89th Legislature.

CSHB 500 would make various supplemental appropriations to Art. 3-related agencies and programs in fiscal 2025, including:

- \$934.5 million in general revenue funds to TEA to address a decrease of federal funds for the School Health and Related Services (SHARS) program;
- \$389.3 million to TEA via the Foundation School Program to account for updated projections for the biennium; and
- \$89.5 million in general revenue funds to THECB to account for higher-than-projected growth in fundable outcomes for public community colleges.

### ***Education savings account program***

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*Texas Education Agency*

**CSSB 1**    \$1 billion in general revenue

**Senate**    \$1 billion in general revenue

CSSB 1 would appropriate \$1 billion in general revenue to Texas Education Agency in fiscal year 2027 for an education savings account (ESA) program, contingent on the enactment of legislation establishing the program.

Supporters argue that funding to support the creation of an ESA program would help families with a child in academically or financially struggling school districts afford private school tuition, home schooling costs, or other educational programs that could better serve the child's needs. They say that ESAs would empower parents to choose the best kind of education for their children and help low-income families access higher-quality schooling that they may otherwise not be able to afford, as the program would prioritize the participation of economically disadvantaged students and those with special needs.

Supporters also contend that an ESA program would introduce competition into the education system by giving parents more educational choices for their children, which would force schools that are failing academically to improve in order to retain students and maintain current funding. In addition, supporters say the bill would help expand the access of students with special needs to alternative education options that could offer more specialized services, ensuring that these students had the resources and support they need for academic success.

Critics argue that funding an ESA program would remove much-needed funding from public schools, which would be especially harmful to schools that are already financially disadvantaged and those in rural districts. They emphasize that school funding is based on attendance, and each student who left a public school as part of the ESA program would result in a commensurate reduction in funding for that public school. Critics argue that these funds should be reinvested in the public school system to bolster academic outcomes, increase teacher pay, and ensure adequate resources to meet the needs of economically disadvantaged or special needs students rather than redistributing funds into a privatized education system.

Critics also express concerns that an ESA program would primarily benefit wealthier families who already enroll their children in private schools, as low-income families would be less likely to have access to private schools in their communities and may be unable to afford the tuition if the ESA amount did not fully cover the cost. Critics assert that it would be inappropriate for taxpayer money to go towards private schools that are not as accountable to the state's educational standards as the public school system. Additionally, they say ESA programs would not meaningfully help special needs students, as private schools are not mandated to provide such services or maintain a certain standard of care, as public schools are required to do.



## **Special education**

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*Texas Education Agency*

**CSSB 1** CSSB 1: \$2.6 billion in general revenue  
*Article 11: \$300 million for dyslexia and related-disorders screenings*

**Senate** \$2.6 billion in general revenue  
*Article 11: \$700 million contingent on passage of SB 568*

CSSB 1 would appropriate \$2.6 billion in general revenue for the biennium to fund resources for students with disabilities. This would constitute an increase of \$60.2 million, or 2.4 percent, in funding for students with disabilities from the 2024-25 biennium. Included in this funding would be \$30 million in general revenue per fiscal year to implement a parent-directed special education services program for qualified public school students. The bill also would set aside roughly \$16.5 million per fiscal year from the special education allotment to support early childhood intervention eligibility determinations, which include comprehensive services for children up to the age of three with developmental delays, disabilities, or certain medical diagnoses. \$934.5 million would be appropriated in CSHB 500, the supplemental budget for the current biennium, to address a reduction of federal money for the School Health and Related Services (SHARS) program, which allows local education agencies to request reimbursement for Medicaid health-related services. \$300 million is placed in Art. 11 of CSSB 1 for screenings for dyslexia and related disorders in students.

Concerns have been raised that the current special education funding system is not sufficient to provide for the increasing number of students in need of such services, which has grown to include roughly 800,000 children. According to TEA, there is currently a funding deficit of nearly \$2 billion for special education services in Texas. The 88th Legislature passed the Beckley Wilson Act in 2023, which required Texas public schools to conduct dyslexia screenings and implement special education plans for diagnosed students but did not provide specific funding. Some also have raised concerns that stricter limitations on the kinds of services for which school districts may request reimbursement under the SHARS program also reduced funding for the program by \$600 million in 2024. Stakeholders have expressed that the increase in special needs students has introduced a greater need for services such as diagnosticians, speech-language pathologists, and school psychologists, which has created a greater financial burden for school districts across the state.

Some have suggested that the state's funding method should be changed to an intensity-of-service model, a system that would allot funding for each special education student based on his or her individual use of different special education services, rather than how much time the student spent in special education settings in general as in the current special education allotment method. Proponents of this alternative funding model argue that it would better account for the wide variety of student needs within special education. SB 568 by Bettencourt would alter the formula-based funding for special education to an intensity-based model. A \$700 million appropriation contingent on the passage of SB 568 is in Article 11 of CSSB 1 as approved by the Senate.

### **School Safety Allotment**

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*Texas Education Agency*

- CSSB 1** \$370 million in general revenue  
*Amended to \$400 million in general revenue contingent on the passage of legislation increasing the allotment*
- Senate** \$370 million in general revenue  
*Amended \$500 million in general revenue contingent on the passage of SB 260 by Huffman, increasing the allotment*

CSSB 1 would appropriate \$185 million in general revenue in each fiscal year of the biennium to the TEA for enhanced school safety measures and procedures through the School Safety Allotment, estimated based on the statutory funding formula. The bill would include a rider amending this amount to \$200 million in general revenue for each fiscal year if legislation was enacted that increased the School Safety Allotment.

Supporters say the proposed budget would increase funding for critical school safety measures needed by campuses to adequately protect students and teachers. In 2023, the 88th Legislature passed HB 3, which increased the annual School Safety Allotment to \$10 per student and \$15,000 per school in a district. HB 3 also required each public school to take certain school safety measures, including requiring the presence of an armed security guard on each campus. Since the passage of HB 3, concerns have been raised that the School Safety Allotment does not provide sufficient funding for these new school safety requirements. Supporters say increased funding could be used for critical school safety needs, such as installing new security and communication equipment and hiring more school security personnel.

Critics say the funding provided by the bill would not be sufficient to meet the security needs of Texas schools. Even if the school safety allotment was increased, they argue that funding would not be enough to fully cover the safety measures required under HB 3. Critics say that without additional funding, districts could be forced to reallocate money from classroom instruction and other educational programs to pay for mandated safety measures. Additionally, they say more funding is needed to pay for the required number of full-time armed security officers, especially in light of a shortage of law enforcement officers in the state that has made it difficult for school districts to hire enough armed security officers.

### **Teacher pay and retention**

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*Texas Education Agency*

- CSSB 1** \$7.6 billion in general revenue for increased public education funding, contingent on the passage of HB 2 by Buckley  
\$1.5 billion in general revenue for local designation systems and teacher incentives  
*Article 11: \$222.8 million for Texas Teacher Recruitment Scholarship program and*

*Texas Teacher Retention Incentive program contingent on passage of HB 2249 by Bernal*

**Senate** \$4.3 billion in general revenue for increasing teacher compensation  
\$1.5 billion in general revenue for local designation systems and teacher incentives

CSSB 1 would appropriate \$640.1 million in general revenue funds in fiscal 2026 for local designation systems and teacher incentives and \$856.6 million in fiscal 2027, totaling roughly \$1.5 billion for the biennium. The bill also would appropriate \$3.8 billion in general revenue for each fiscal year of the biennium, contingent on the enactment of HB 2 by Buckley, which would increase funding for public education, including the teacher incentive allotments for each teacher designation as well as the basic allotment, which would pay for school employee salaries. \$222.8 million in contingency funding for HB 2249 by Bernal, which would establish the Texas Teacher Recruitment Scholarship program and Texas Teacher Incentive Program, is placed in Art. 11.

Supporters say that the bill would provide much-needed funding to raise salaries for public school teachers. They point to the fact that there has not been an increase to the basic allotment since 2019, which has resulted in stagnated pay for public school teachers while inflation has continued to rise. Meanwhile, the teacher shortage in the state has continued to worsen as the attrition rates of Texas teachers have reached record highs. Proponents of increased teacher compensation argue that a pay raise is crucial to increasing retention rates. Furthermore, by awarding more teachers performance-based pay raises through a higher Teach Incentive Allotment, supporters argue that the additional funding would help recruit more qualified educators.

However, others argue that the proposed funding in CSSB 1 would still not be enough to adequately account for the funding shortages and budget deficits that have accrued among local school districts. Others say the Legislature should appropriate funds for the Texas Teacher Recruitment Scholarship program and Texas Teacher Retention Incentive program under HB 2249, which could help to address the state's teacher shortage and help schools recruit more qualified teachers.

### ***Teacher preparation and certification***

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*Texas Education Agency, Texas Higher Education Coordinating Board*

**CSSB 1** \$29 million in general revenue to TEA  
\$2.2 million in general revenue to THECB

**Senate** \$29 million in general revenue to TEA  
\$2.2 million in general revenue to THECB

CSSB 1 would appropriate \$14.5 million in each fiscal year of the biennium to TEA for initiatives to improve teacher and principal hiring and recruitment, mentoring, educator preparation, and professional development. Included in the Texas Higher Education Coordinating Board's

biennial funding also would be \$2.2 million to encourage certification to teach bilingual education, English as a second language, or Spanish.

Concerns have been raised that Texas has become overly reliant on uncertified teachers to address the state's teacher shortage, exacerbated by the high costs of training and a lack of adequate teacher pay. According to TEA, roughly 56 percent of first-time teachers hired in the last year were uncertified. While allowing for the hiring of uncertified teachers has helped many districts compensate for the state's growing teacher shortage in recent years, stakeholders say that uncertified educators bring new challenges. Uncertified teachers are generally less prepared to lead a classroom than their certified counterparts, which has been found to lead to worse student outcomes. They also are more likely to leave the profession early in their careers, with TEA reporting that approximately 64 percent of uncertified teachers leave after 5 years. However, many involved in the education system say that the costs of training programs can present a financial barrier to teachers who wish to become certified.

Proponents of CSSB 1 say that investments in initiatives such as teacher mentorship programs, micro-credential certification programs, and additional professional development efforts would help incentivize current and aspiring teachers to pursue certification. Additionally, supporters say that adding more funding to high-need certification areas, such as bilingual education, would help to eliminate persistent workforce challenges, particularly in rural areas where there are far fewer teachers trained in these specialties.

### **Community college and technical education funding**

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*Public community junior college districts, Texas Higher Education Coordinating Board, Texas Education Agency*

- CSSB 1** \$2.5 billion in general revenue funds for public community/junior colleges  
\$165.2 million in general revenue for Financial Aid for Swift Transfer (FAST) programs  
*Article 11: \$160 million for public school career and technology education programs contingent on the passage of HB 120 by K. Bell*  
*\$26.8 million for expansion of career and technical education programs contingent on passage of HB 2110 by VanDeaver*
- Senate** \$2.5 billion in general revenue funds for public community/junior colleges  
\$165.2 million in general revenue for FAST program
- CSHB 500** \$89.5 million for public junior college formula funding

CSSB1 would appropriate \$2.5 billion in general revenue funds for public community/junior colleges, an increase of roughly \$700 million from the previous biennium. To fund the Financial Aid for Swift Transfer (FAST) program for dual-credit enrollment, the bill also would appropriate \$78.7 million to TEA for fiscal 2026 and \$86.5 million for fiscal 2027. Additionally, \$89.5 million would be appropriated in the supplemental budget to the Texas Higher Education Coordinating Board to fund higher than projected growth in fundable outcomes for public junior colleges. Roughly \$186.8 million in contingency funding would be placed in Art. 11 of CSSB 1 to fund certain efforts for establishing and expanding career and technology programs.

Proponents of more funding for public community colleges say that these institutions are crucial to developing a talent-strong Texas. Texas' Higher Education Coordinating Board has introduced the 60x30TX plan, with the stated goal of helping at least 60 percent of Texas workers hold a certificate or degree by 2030. Currently, however, less than half of Texas students earn a certificate or degree within six years of graduating high school. Supporters say community colleges can offer affordable and accessible routes to higher education for many students for whom four-year colleges are not the best option. Additionally, they say funding for dual-credit enrollment at community colleges could help low-income high school students earn credentials of value sooner and more affordably than from a four-year college.



## 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, 15 intermediate appellate courts, 504 state district courts, and five business courts, as well as county, municipal, and justice of the peace courts.

CSSB 1 would appropriate \$1.2 billion in all funds for Art. 4 in fiscal 2026-27, which would include a decrease of \$31.2 million, or 2.5 percent, from fiscal 2024-25. General revenue spending would total \$807 million, a decrease of \$44.0 million, or 5.2 percent, from anticipated general revenue spending in fiscal 2024-25. Appropriations of general revenue dedicated funds would total \$206.1 million, an increase of \$33.4 million, or 19.3 percent, from the current biennium.

Included in CSHB 500, the supplemental budget bill for the current biennium, would be an additional salary supplement of \$18,000 to each business court judge for fiscal year 2025.

### ***Judicial salary increases***

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*Various agencies across Art. 4*

**CSSB 1**     \$296.4 million in all funds  
*Article 9: \$98.9 million in all funds contingent on passage of SB 293*

**Senate**     \$296.4 million in all funds  
*Article 9: \$98.9 million in all funds contingent on passage of SB 293*

CSSB 1 would allocate \$296.4 million in all funds for judicial salaries and supplements, an increase of roughly \$5.1 million, or 1.7 percent, from the previous biennium. An additional \$98.9 million in all funds would be allocated under Art. 9 for a base salary increase for the judiciary contingent on the passage of SB 293 by Huffman.

Supporters say the increased appropriations included in CSSB 1 would provide a pay raise to district and appellate court judges. However, others have suggested that the pay increase provided by the bill would be insufficient, as base pay for the state's judiciary has not been increased since 2013, even as inflation has continued to rise. According to the Judicial Compensation Commission, Texas is ranked 49th in the country for base judicial pay.

In 2023, the 88th Legislature passed new qualification requirements for district judges and created several additional judicial benches, including the 15th Court of Appeals and specialty business courts. Critics say it is increasingly difficult to recruit and retain qualified candidates for these judgeships when accepting a seat on the bench often requires an individual to take a significant pay cut. Concerns also have been raised that the low salary offered can result in benches being held by underqualified judges. To account for rising inflation rates and increased costs of living, the Judicial Compensation Commission recommended a 30 percent pay increase for the state's judiciary.

Others have argued that before higher pay raises are appropriated, greater accountability measures to improve judicial clearance rates should be approved. CSSB 1 would include a rider allocating funds for an additional 15 percent increase in judicial salaries, along with additional appropriations to the employee and judicial retirement systems, contingent on the passage of SB 293 by Huffman. SB 293 would amend the authority of the Commission on Judicial Conduct, amend the conduct for which a judge may be removed from office under the Texas Constitution, and certain judicial performance metrics.

### ***Texas Indigent Defense Commission***

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#### *Office of Court Administration*

**CSSB 1** \$173.6 million in all funds  
*Article 11: \$86.5 million*

**Senate** \$164.1 million in all funds  
*Article 11: \$4.47 million*

**CSHB 500** \$5.1 million in general revenue

CSSB 1 would appropriate \$173.6 million in all funds to the Texas Indigent Defense Commission (TIDC) to continue assisting counties in establishing and maintaining cost-effective indigent defense services for those who cannot afford legal representation, an increase of \$8.2 million, or about 5.0 percent, from the previous biennium. Of this amount, roughly \$10 million is dedicated to offset the revenue shortfall in the Fair Defense Account, through which TIDC is funded. The Fair Defense Account accrues revenue from court cost and jury service fees, but these fees have not yet returned to pre-pandemic levels. The bill also would include \$18.5 million for new or expanded public defender offices. CSHB 500 would include \$5.1 million in supplemental appropriations for TIDC to provide grants to counties for additional indigent counsel.

Supporters say that funding for additional public defender offices would help to expand access to indigent defense across the state and address the attorney shortage crisis occurring in many rural counties. According to TIDC, the number of attorneys taking rural indigent defense cases has dropped by almost 30 percent in the last decade. Additional funding would allow TIDC to create public defender offices in counties that currently have none, provide grants to counties to help lower indigent defense costs, and expand offices currently struggling with high caseloads and overburdened attorneys.

However, concerns have been raised that this funding would not sufficiently address Texas' need for indigent defense attorneys. Last session, the 88th Legislature passed SB 2120, which authorized TIDC to provide family protection services to indigent children and families but did not provide funding. Counties must cover the full cost of family protection representation, which some argue has contributed to attorney shortages and inconsistencies in the quality of services provided. They say



state funding would help TIDC alleviate this financial burden on counties, provide more timely legal intervention, and lower the chances that a child was unnecessarily removed from their home.

Concerns have also been raised that the amount appropriated would not be enough to fund the number of new public defender offices requested by counties. Other critics say that the funding that has been appropriated for TIDC to provide legal counsel for illegal migrants arrested under Operation Lone Star should be reallocated toward the representation of Texas citizens.

### **Case management system upgrades**

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#### *Office of Court Administration*

**CSSB 1** no funding  
*Article 11: \$3.9 million for a specialty court case management system, \$11.9 million to replace existing legacy case management system*

**Senate** \$3.9 million for specialty court case management system  
*Article 11: \$11.9 million to replace existing legacy case management system*

**CSHB 500** \$15.9 million in general revenue for the creation of a specialty court case management system and the replacement of the legacy appellate case management system

CSHB 500, the supplemental budget for fiscal 2025, would appropriate roughly \$15.9 million in general revenue for the creation of a specialty court case management system and the replacement of the legacy appellate case management system of the Office of Court Administration (OCA). OCA is responsible for ensuring best practice standards and offering support and technical assistance to 206 specialty courts in Texas, including mental health courts, veterans treatment courts, family treatment courts, and commercially or sexually exploited persons courts, among others.

In 2023, the 88th Legislature passed HB 841, which required OCA to collect case-level information on the business transacted by the courts. These specialty courts currently use a wide variety of case management systems, many of which do not allow for the collection of case-level data as required by state law. Additionally, the current case management system used by the appellate courts, known as the Texas Appeals Management System or TAMES, is decentralized at separate locations and utilizes antiquated software, making it difficult to maintain.

Supporters say that funding for a centralized, uniform case management system that tracks all necessary information would enable OCA to collect consistent, determinable data and provide better oversight of specialty court programs. They say that replacing the current appellate court case management system with a vendor-hosted, cloud-based system would allow case information to be more easily shared across databases, protect data security, and reduce the risk of malware attacks.

# 4

Judiciary

Art.

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## Public Safety and Criminal Justice — Article 5

Art. 5 covers agencies responsible for public safety and criminal justice. These agencies include the Texas Department of Public Safety (DPS), which is responsible for statewide law enforcement, border operations, and vehicle registration; the Texas Department of Criminal Justice (TDCJ), which operates the adult correctional system; and the Texas Juvenile Justice Department (TJJD), which operates the juvenile justice system for youth ages 10 to 17.

CSSB 1 would appropriate \$20.1 billion for Art. 5, which would be an increase of 3.3 percent from anticipated spending in 2024-25. General revenue appropriations would total \$19.6 billion, an increase of 46.3 percent from anticipated general revenue spending in 2024-25. Appropriations of general revenue-dedicated funds would be \$34.5 million, a decrease of \$82.6 million, or 70.5 percent, from anticipated spending in fiscal 2024-25.

CSHB 500 also would make various supplemental appropriations to Article 5-related agencies and programs in fiscal 2025, including:

- \$277.9 million from general revenue to DPS for vehicle purchases, cybersecurity, and critical data systems;
- \$300 million from remaining balances in the general revenue fund from SB 30 from the 88th Legislature for border operations through the Governor’s Trusteed Programs;
- \$20 million from general revenue to replace the state’s critical fingerprint matching repository;
- \$18.9 million from general revenue for improvements to driver’s license services;
- \$150 million in general revenue for a Homeland Security grant to the Lubbock Reese Redevelopment Authority to acquire critical cybersecurity infrastructure; and
- \$571.5 million for correctional security operations and correctional managed health care.

### **Border Security**

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*Department of Public Safety, Texas Military Department, other agencies*

**CSSB 1**     \$6.5 billion in all funds

*Article 11: \$10 million to DPS for Operation Drawbridge*

*\$10 million for airports used for border security operations*

*Through the Governor’s Trusteed Programs:*

- *\$20 million for the Law Enforcement Secure Unmanned Aircraft Grant Program;*
- *\$6 million for an anti-gang pilot programs;*
- *\$2.5 million for border region fire stations; and*
- *\$1.6 million for border region police departments.*

**Senate**     \$6.5 billion in all funds

**CSSH 500** \$300 million from remaining balances in the general revenue fund for border operations through the Governor's Trusteed Programs

CSSB 1 would appropriate \$6.5 billion in all funds for Operation Lone Star (OLS) and other border security efforts in the 2026-27 biennium. Appropriations would include \$2.3 billion in general revenue funds to the Texas Military Department (TMD) and \$1.2 billion in general revenue funds to DPS. Border security appropriations under these agencies would include \$784.0 million to reduce border-related and transnational-related crime, including to deter, detect, and interdict trafficking and to continue routine and extraordinary operations. \$40 million would be allocated for increased patrol in Colony Ridge, and \$7 million would be allocated to TMD for border security equipment.

CSSB 1 also would appropriate border security funding through various agencies and programs across other budget articles, including \$2.9 billion for border security efforts through the Governor's Trusteed Programs in Art. 1. This funding would include \$2.5 billion for further construction of the border wall, \$46.3 million for border prosecution grants in fiscal year 2026, and \$34.5 million for anti-gang programs. Also under the Trusteed Programs would be \$110 million in general revenue for local border security grants and for providing training to law enforcement personnel conducting border security operations. The bill also would provide \$17 million to the Texas Facilities Commission for Operation Drawbridge equipment, which involves cameras and surveillance technology along the Texas-Mexico border.

Supporters say that appropriations for border security in CSSB 1 would provide the investment needed to continue the state's efforts to curb illegal immigration, gang and cartel activity, fentanyl smuggling, and human trafficking at the Texas-Mexico border. Funding additional DPS troopers would reduce workloads and provide 24-hour surveillance to the border region.

Critics argue that OLS wastes funding that could otherwise be used to address critical issues within the state, such as the ongoing risks to children in the foster care system, gun violence prevention, or post-pandemic crises in public education. Furthermore, critics have asserted that increasing funding for border security will not deter illegal immigration if the root cause of the migration crisis has not been addressed.

Others have suggested that the Legislature should provide more funding for air support and patrol vehicles used in border security. Air surveillance is especially important as cartels sometimes use low-flying planes, which are difficult to detect through radar. However, numerous state vehicles, including helicopters and police cars, are badly in need of replacement. Providing additional funding for these maintenance costs would further help protect the border from criminal activity.

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### **Staff shortages and retention**

*Texas Department of Criminal Justice, Texas Department of Public Safety, other agencies*

**CSSB 1**     \$414.5 million in all funds for new TDCJ salary increases  
                  \$402.6 million in all funds for new DPS positions  
                  \$46.1 million in all funds for new TJJD salary increases

**Senate**     \$414.5 million in all funds for new TDCJ salary increases  
                  \$402.6 million in all funds for new DPS positions  
                  \$46.1 million in all funds for new TJJD salary increases  
                  *Article 11: 51.9 million for new TDCJ salary increases*

CSSB 1 would appropriate funding to address staffing shortages and workforce retention across several public safety and criminal justice agencies. TDCJ would receive \$330.6 million for a 10 percent pay increase for correctional officers, \$32 million for a 15 percent pay increase for parole officers, and \$51.9 million for a 10 percent pay increase for probation officers. DPS would receive \$402.6 million to hire 567 new commissioned law enforcement officers and 159.5 support positions. TJJD would receive \$46.1 million to increase salaries for direct-care staff at state secure facilities and local juvenile probation departments.

Supporters say the proposed funding for pay raises and staffing increases would help reduce turnover and stabilize the workforce at public safety and criminal justice agencies. They say that correctional officer turnover remains high and that improved pay has helped agencies compete with local law enforcement, leading to better recruitment and retention. Staffing levels have increased at units returned to state operation, and recent compensation changes have allowed the state to staff these units more effectively. Supporters argue that higher pay is especially important at TJJD, where staff work with a smaller, more complex population of high-risk youth. Direct-care staff face significant safety challenges, and they argue that increased funding would help maintain stability and reduce incidents in secure facilities.

Critics say addressing staffing challenges in the state’s criminal justice agencies may require more than salary increases and new hires. Many have pointed to safety risks and other working conditions contributing to high turnover and say these must be addressed to retain experienced personnel. Critics also argue that building dorms for correctional officers may not be effective unless targeted to areas with staffing needs. They say facilities planning should be aligned with the needs of specific geographic regions to support hiring and reduce costs.

### **Correctional managed health care**

*Texas Department of Criminal Justice*

**CSSB 1**     \$1.9 billion in all funds

**Senate**     \$1.9 billion in all funds

**CSHB 500** \$571.5 million in supplemental funding for correctional security operations and correctional managed health care

CSSB 1 would allocate \$1.9 billion in all funds to TDCJ for correctional managed health care services. This would include \$907.6 million for unit-based and psychiatric care, \$755.9 million for hospital and clinical care, and \$198.3 million for pharmacy services. Related funding would include \$27.2 million for deferred maintenance at Hospital Galveston, \$22.8 million to expand infirmary capacity by installing prefabricated buildings and converting existing facilities, and \$4.4 million to convert the Bell Unit into an outpatient mental health facility. TDCJ also would receive \$571.5 million in supplemental funding from CSHB 500 for correctional security operations and correctional managed health care.

Supporters say the proposed funding would help address the growing health care needs of the state's aging and medically complex incarcerated population. Concerns have been raised that the number of individuals requiring mental health treatment has increased and that the current inpatient capacity is insufficient. Some have suggested that converting the Bell Unit into a mid-level mental health facility would fill a gap in services and that deferred maintenance funding for Hospital Galveston, a prison hospital that exclusively serves incarcerated people, would help preserve access to specialty and surgical care. Supporters also say continued investment in correctional managed health care also would reduce the need for future supplemental appropriations.

Critics note that correctional managed health care has required recurring supplemental appropriations. They say the state should explore opportunities to share costs with university partners for facilities that also serve academic institutions. According to critics, the state also could reduce health care costs by expanding eligibility for medical release for aging or seriously ill individuals who pose little public safety risk.

### ***Driver's license services***

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#### *Department of Public Safety*

**CSSB 1** \$562.2 million in all funds  
*Article 11: \$179.2 million for driver's license staffing and call center operations*  
*\$23.9 million for driver's license offices*  
*\$28.6 million for waiver of fees for driver's and handgun licenses*

**Senate** \$635.5 million in all funds

**CSHB 500** \$13.9 million in general revenue  
\$20 million in general revenue to replace the state's critical fingerprint matching repository  
\$5 million in general revenue for technology improvements to driver's license customer service centers

CSSB 1 would appropriate \$562.2 in all funds for driver's license services for the 2026-27 biennium. Included in this funding would be \$13 million in general revenue to acquire land and other real property for driver's license offices in fiscal year 2026, including for the Magnolia Driver License Office. Funding also would include \$17.7 million and 83.3 FTE positions for a 24-hour driver's license office within certain geographic boundaries.

Supporters say increased investment in driver's license services would help Texas address challenges that have stemmed from the state's rapid population growth. According to DPS, population growth has required a steady increase in resources and staffing to accommodate the rapidly rising demand for new or renewed driver's licenses and driver testing, especially in the state's large metropolitan areas. In recent years, wait times for an appointment in DPS offices have ranged from 40 to 180 days, forcing Texans to wait for months at a time for license renewal or replacement appointments. Supporters say that increasing staffing levels would help DPS manage the high volume of calls and emails received, improve the percentage of calls answered, expand appointment availability, install automation and self-help features, and reduce wait times for driver's license appointments. They say these improvements would help improve customer satisfaction and maintain public trust in the agency. Funding would also reduce the workload on current staff and prevent inconvenient system failures.

Critics argue that the Legislature should focus on efficiency when appropriating funding to improve and update driver's license services. Rather than simply providing funds, they say the Legislature should address systemic problems within the agency, such as the complex range of documents required in the renewal process, to help make these processes more efficient and prevent wasting state resources.





## 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.

CSSB 1 would appropriate about \$7.9 billion in all funds for Art. 6 agencies for fiscal 2026-27, a 28.6 percent decrease from fiscal 2024-25. General revenue appropriations would total about \$1.5 billion, a decrease of about \$1 billion, or 39.8 percent, from anticipated general revenue spending in fiscal 2024-25. Appropriations of general revenue-dedicated funds would be about \$1.4 billion, a decrease of \$47.6 million, or 3.1 percent, from fiscal 2024-25 spending levels. Appropriations in Art. 6 for fiscal 2026-27 also would include about \$3.8 billion in federal funds, a 31.6 percent decrease from the previous biennium.

CSHB 500 would appropriate about \$1.2 billion in all funds for Natural Resources agencies in fiscal 2025, including \$1.1 billion in general revenue funds. Supplemental appropriations to Article 6-related agencies and programs would include:

- \$400 million in general revenue to the Texas Water Development Board (TWDB) for water projects;
- \$142.9 million in general revenue to TWDB for deposit into the Drinking Water State Revolving Fund and the Clean Water State Revolving Fund;
- \$2.5 billion in general revenue to the Texas Water Fund (TWF), contingent on the enactment of relevant legislation;
- \$230.3 million in general revenue to the General Land Office (GLO) for the Gulf Coast Protection District;
- \$150 million in general revenue to GLO for Alamo construction, exhibit and collections, and property enhancements;
- \$100 million in general revenue to the Texas Railroad Commission (RRC) for oil and gas well plugging; and
- \$100 million in general revenue to TPWD for local parks grants.

### ***Water supply, infrastructure, and conservation***

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#### *Texas Water Development Board*

**CSSB 1**     \$11.4 million in all funds for water resources data  
               \$5.8 million in all funds for technical assistance and modeling  
               \$7.5 million in all funds for innovative water technologies  
               \$21.9 million in all funds for water conservation education and assistance  
               \$40.8 million in all funds for water project financing, including state and federal financial assistance programs and the Economically Distressed Areas Program  
               \$14 million in all funds for statewide water planning

**Senate**     \$8 million in all funds for water resources data  
               \$6 million in all funds for technical assistance and modeling  
               \$7.6 million in all funds for innovative water technologies

\$9.1 million in all funds for water conservation education and assistance  
\$40.7 million in all funds for water project financing, including state and federal financial assistance programs and the Economically Distressed Areas Program  
\$14.4 million in all funds for statewide water planning

**CSHB 500** \$542.9 million in general revenue  
\$2.5 billion in general revenue to the Texas Water Fund contingent on the enactment of HB 16 or other relevant legislation

CSSB 1 would make appropriations under various strategies for water supply, infrastructure, and conservation. However, appropriations made to the Texas Water Development Board (TWDB) in CSSB 1 would represent only about 6.6 percent of the agency's total available funds for the biennium. Existing fund balances would provide the majority of grants and loans for water projects. The bill specifies current available fund balances for certain funds and accounts administered by TWDB, including the Flood Infrastructure Fund (\$1 billion), the Texas Water Fund (TWF) (\$345.4 million), and the State Water Implementation Fund for Texas (\$1.6 billion).

CSSB 1 also would authorize TWDB to transfer established amounts from general revenue funds in certain budget strategies to the Water Assistance Fund to support research and regional water planning. The bill would include \$13.2 million for the Agricultural Water Conservation and Assistance Fund and \$5.4 million for the Rural Water Assistance Fund.

CSHB 500 would appropriate \$2.5 billion in general revenue to the TWF in fiscal 2025, contingent on the enactment of HB 16 or other relevant legislation relating to the oversight and financing of water infrastructure under TWDB. CSHB 500 also would appropriate \$542.9 million in general revenue to TWDB, which would include \$400 million in funding for water projects and \$142.9 million to be deposited into two state revolving funds outside the treasury to draw down the maximum available federal funding.

Supporters say that these investments are essential for the future of water in Texas amidst population growth, aging infrastructure, drought, and other threats to the state's water supply. Currently, the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund have estimated available fund balances of \$273.9 million and \$209.9 million, respectively, and both have state matching requirements for federal funding from the 2021 Infrastructure Investment and Jobs Act. Supporters argue that additional state funding to draw down federal dollars is necessary because both funds are significantly oversubscribed. They suggest that these funds could help smaller communities that lack the tax base to repay loans in their entirety since, unlike other funds administered by TWDB, both funds offer subsidized loans and principal forgiveness.

In 2023, the 88th Legislature established TWF as a special fund in the state treasury outside of general revenue, administered by TWDB, to finance water infrastructure projects, water conservation strategies, and water loss mitigation. TWDB is authorized to transfer TWF funds to

nine other TWDB-administered accounts. Supporters of additional funding for TWF highlight the flexibility that the fund grants the agency to transfer funds where they are most needed.

However, concerns have been raised that ensuring the state's water security would require significantly more funding. The 2022 State Water Plan estimated that \$80 billion dollars will be necessary to fund its planned water management projects over the next 50 years, of which the state's obligation is expected to be around \$47 billion. To ensure that these projects can be completed, some have argued that the state should appropriate more funding to water projects and that TWF should have a dedicated annual revenue stream.

### **Gulf Coast Protection District**

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*General Land Office and Veteran's Land Board*

**CSSB 1** unobligated and unexpended balances, expected to be \$9.7 million in fiscal 2026  
*Article 11: \$100.3 million*

**Senate** unobligated and unexpended balances, expected to be \$9.7 million in fiscal 2026

**CSHB 500** \$230.3 million in general revenue

CSSB 1 would include in amounts appropriated to the General Land Office (GLO) for coastal management approximately \$9.7 million in fiscal 2026 for unexpended balances remaining as of August 31, 2025. These funds could only be used to make a grant to the Gulf Coast Protection District (GCPD) to provide state matching funds to meet federal requirements. The GCPD oversees a coastal resilience strategy for the upper Texas Coast, which includes assuming the role of non-federal sponsor for major portions of the federally-funded and USACE-led Coastal Texas Project and Sabine Pass to Galveston Bay Coastal Storm Risk Management Project. The appropriation of state matching funds would be contingent upon the U.S. Army Corps of Engineers (USACE) requesting payments to cover the required 35 percent non-federal cost share. In addition, CSHB 500 would appropriate \$230.3 million in general revenue in fiscal 2025 to provide assistance to the GCPD.

Supporters say that this funding is critical to ensure that the GCPD is prepared to match federal funding when it becomes available. They argue that, currently, the state has not appropriated enough to allow the GCPD to meet its financial obligations for activities over the next three years. Supporters also say that the state should be prepared with the 35 percent match when USACE begins spending federal money for the project and that funding appropriated in CSHB 500 also would help bridge that gap. The total program cost for the Coastal Texas Project is expected to be upwards of \$30 billion over 10 to 20 years. GCPD representatives state that eight ecosystem restoration projects are ready to begin work as soon as federal matching funds become available, so appropriated funds would not remain unspent for a lengthy project design phase.

Critics have questioned whether it is fiscally responsible for the state to continue making large appropriations to the GCPD for the purpose of federal matching, as much of the \$550 million that was appropriated last session has not yet been spent due to a lack of federal matching funds becoming available.

### ***Oil and gas well plugging***

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*General Land Office and Veteran's Land Board*

**CSSB 1** \$234.4 million in all funds

**Senate** \$238.4 million in all funds

**CSHB 500** \$100 million in general revenue

CSSB 1 would appropriate \$234.4 million in all funds to the Texas Railroad Commission (RRC) for oil and gas well plugging and remediation, including \$94.6 million in federal funds from the 2021 Infrastructure Investment and Jobs Act. CSHB 500 also would appropriate \$100 million in general revenue during fiscal 2025 to RRC for oil and gas well plugging.

Supporters say that the current amount budgeted for well-plugging efforts, \$22.75 million per year, is no longer sufficient for the agency to meet the goal of plugging 1,000 orphaned wells annually. This is due to an increase in plugging costs and a need to address emergency and high-risk wells, which often sit at high temperatures and leak hydrogen sulfide, making them dangerous to the environment and to public health and safety.

### ***Flood control dam construction and maintenance***

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*Texas State Soil and Water Conservation Board*

**CSSB 1** \$94.9 million in all funds, including \$51 million in general revenue  
*Article 11: \$50 million*

**Senate** \$95.2 million in all funds, including \$51 million in general revenue

CSSB 1 would appropriate \$51 million in general revenue to the Texas State Soil and Water Conservation Board to administer a grant program for local soil and water conservation districts to construct and maintain flood control dams. In addition, \$43.9 million in federal funds would be appropriated for a total of \$94.9 million for the biennium. The bill would appropriate about \$30 million for maintenance and about \$65 million for construction.

Supporters say that this funding could help the state's soil and water conservation districts and certain other entities perform needed maintenance and repair on the state's 661 high hazard flood control dams. Dams are considered high hazard if a catastrophic failure of the structure would be likely to result in loss of life. Only a small minority of the state's high hazard dams meet the safety standards for dams with this designation. Supporters say that many of these dams were constructed prior to extensive development and population growth in the surrounding areas, and safety upgrades to protect local populations have become increasingly necessary. Additionally, unaddressed safety hazards could expose local dam sponsors to liability issues.

Though there have been several one-time appropriations to this grant program over the past 15 years, supporters argue that irregularity in the amount of funding has made it difficult for the Board to manage the program consistently. The Board has also struggled to attract federal funds because of its inability to meet the 35 percent matching requirement.

However, some have expressed concerns that the \$51 million appropriation would be insufficient to address the problem, as complete repairs and upgrades on all high hazard dams could cost about \$3.8 billion in total.



## 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.

CSSB 1 would appropriate \$48.9 billion in all funds for Art. 7 in fiscal 2026-27, a decrease of \$970.6 million, or 1.9 percent, from the previous biennium. General revenue appropriations would total \$919 million, an increase of \$38 million, or 4.3 percent, from fiscal 2024-25. \$708.2 million in general revenue-dedicated funds would be appropriated compared to \$1.3 billion in the previous biennium, a 46.2 percent decrease. CSSB 1 would include \$1.8 billion in federal funds and \$2.9 billion in other funds, a decrease of 7.4 percent and an increase of 3.8 percent from fiscal 2024-25, respectively.

CSHB 500 also would make supplemental appropriations to Art. 7-related agencies and programs in fiscal 2025, including:

- \$100 million for local child care solutions;
- \$200 million for maritime port infrastructure improvements;
- \$350 million for local rail grade separation grants; and
- \$125 million for TxDMV's registration and titling system replacement.

### ***Registration and titling system replacement***

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*Texas Department of Motor Vehicles*

**CSSB 1** no funding

**Senate** \$175 million in general revenue

**CSHB 500** \$125 million in general revenue

TxDMV's legislative appropriation request for the 2026-27 biennium included \$175 million to fully replace the department's existing system for processing vehicle registrations and title transactions across the state. Funding for this amount is not included in CSSB 1 as approved by the House Appropriations Committee but is included in the supplemental budget bill and in SB 1 as passed by the Senate. In the previous biennium, TxDMV completed an initial assessment phase for the replacement project. According to the department, the requested amount would allow the project to be completed in about six years.

Supporters highlight various problems with the legacy system, which is over thirty years old, arguing that its outdated interfaces and frequent downtimes create inefficiencies, including backlogged processing and longer transaction times. According to supporters, the current system's

limitations inhibit the department's ability to respond quickly to legislative changes, counter security threats, and implement new technology. A modernized system, they say, would benefit every Texan motorist and the thousands of county and state employees working with the system.

Concerns have been raised about the timing and scalability of the funding request and whether the full amount could be effectively deployed in the coming biennium. Supporters of the proposed supplemental appropriation argue that receiving the bulk of modernization funding sooner would enable the department to attract suitable vendors and accelerate the replacement project. TxDMV expects to be able to use about \$125 million of the requested \$175 million during the 2026-27 biennium.

### ***Local railroad grade separation grants***

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*Texas Department of Transportation*

**CSSB 1** no funding

**Senate** \$10 million in general revenue

**CSHB 500** \$350 million in general revenue, contingent on passage of enabling legislation

TxDOT included in its legislative appropriation request a \$350 million exceptional item request to fund a grant program for local rail grade separation projects that are off the state highway system. Funding for this item has not been included in the House Appropriations Committee substitute of SB1 but has instead been placed in the supplemental budget bill, CSHB 500, subject to the passage of enabling legislation. Grade separations at locations where railroads and streets or highways intersect allow vehicle traffic to continue without having to stop for passing locomotives.

Supporters argue that funding grade separations at rail crossings in urbanized areas would enhance public safety by reducing collisions, support economic growth by easing traffic congestion and delays, and improve emergency response times. They contend that since many of these rail crossings are ineligible for regular state highway funding because they are not on the TxDOT system and existing federal grants are insufficient, general revenue is needed to address the issue. Supporters emphasize that railroad crossing congestion will likely worsen if it is not addressed since Texas' growing population will lead to greater demand for products transported by rail and more population density near railroads.

Supporters also point to the hundreds of collisions in Texas at rail crossings and the resulting deaths and injuries as further evidence of the urgent need for grade separation funding. While CSSB 1 as passed by the Senate did not include TxDOT's exceptional item request, the bill did include a rider directing the use of \$10 million in general revenue to build a bridge at a rail crossing near Milby High School in Houston, where a student was killed after being struck by a train. Enabling legislation for the appropriation in CSHB 500, SB 1555, has been passed to engrossment by the Senate and received by the House of Representatives.



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### ***Vocational rehabilitation program***

*Texas Workforce Commission*

**CSSB 1** \$150.1 million in general revenue, \$750.5 million in all funds

**Senate** \$194.7 million in general revenue, \$927.1 million in all funds

**CSHB 500** \$30.8 million in general revenue

TWC included in its legislative appropriation request over \$100 million in additional general revenue as matching funds to draw down the maximum amount of federal funding for the agency's Vocational Rehabilitation Program. CSSB 1 would appropriate over \$35 million of this additional funding request, while about \$30.8 million is included for the remainder of the current biennium in CSHB 500. SB 1 as passed by the Senate includes over \$70 million in additional general revenue for the program.

Supporters contend that the program cannot fully meet demand at current funding levels due to an increase in customers and services offered. They say that TWC has faced challenges retaining licensed vocational counselors to staff the program. For supporters, increased funding for the vocational rehabilitation program could address these problems and potentially help millions of Texans with disabilities enter or return to the workforce or improve their earnings, strengthening the state's economy.

Concerns have been raised about the ongoing costs of the program. Some also have urged the Legislature to fully fund the TWC's appropriation request of over \$100 million for vocational rehabilitation in the next biennium, arguing that the state would miss out on millions in federal funds that could provide critical employment support for Texans with disabilities by only providing partial funding.

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### ***Local child care solutions***

*Texas Workforce Commission*

**CSSB 1** \$2.9 billion in all funds

**Senate** \$2.9 billion in all funds

**CSHB 500** \$100 million in general revenue

CSSB 1 includes about \$2.9 billion in all funds, mostly federal funds, for TWC's local child care solutions during fiscal 2026-27, with an additional \$100 million in general revenue appropriated for this purpose in CSHB 500 for the current biennium. TWC administers money from the federal Child Care and Development Fund to provide financial aid to eligible families for child care.

Supporters of increased state funding for child care argue that the Legislature should dedicate \$1.8 billion in general revenue to child care subsidies to expand access and affordability in the state. They highlight that there are more than 90,000 children on the waitlist for the subsidy program, while at the same time, other families are losing child care because the current subsidy reimbursement rates are insufficient to cover costs fully. Child care advocates contend that without significant additional state funding, the state could lose thousands of child care providers. They argue that funding, not capacity, is the major problem for providers.

According to supporters, funding affordable child care is as important to the economic success of Texas as funding other forms of infrastructure since a shortage of childcare leads to higher employee turnover and lost productivity for businesses. Supporters also caution that children whose families cannot afford the services of a child care center often end up in unregulated informal child care, such as being left with a neighbor, which is less safe.

## 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.

CSSB 1 would appropriate about \$3 billion in all funds for Art. 8 agencies, a decrease of 49.7 percent from fiscal 2024-25. General revenue appropriations would total \$519.5 million, an increase of \$91.2 million, or 21.3 percent, from anticipated general revenue spending for Art. 8 in fiscal 2024-25. Appropriations of general revenue dedicated funds would be \$390.9 million, a decrease of \$12.2 million, or 3.0 percent, from fiscal 2024-25 spending levels.

CSHB 500 also would make supplemental appropriations to Art. 8-related agencies in fiscal 2025, including:

- \$585,640 in general revenue funds to the State Office of Administrative Hearings for a full-time data officer and information security officer and to implement recommendations to mitigate cybersecurity risks;
- about \$3.5 million from a Texas Department of Insurance operating account to the Texas Department of Insurance to modernize and replace certain software;
- about \$4 million in general revenue to the Public Utility Commission of Texas (PUC) to develop a case management system;
- about \$13,000 to the Texas State Board of Pharmacy to address a cost increase for cloud and web services;
- \$730,000 to the Office of Injured Employee Counsel to fund additional FTEs and technology modernization for dispute resolution and case management; and
- about \$1.2 million from various sources for purchasing motor vehicles across several Article 8 agencies.

### ***Staff expansion to address human trafficking***

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*Texas Department of Licensing and Regulation*

**CSSB 1**     \$4.7 million in general revenue  
               \$6 million in general revenue contingent on the passage of SB 389

**Senate**     \$5.4 million in general revenue

CSSB 1 would appropriate about \$4.7 million in general revenue to the Texas Department of Licensing and Regulation (TDLR) for inspections and enforcement actions by the department to combat human trafficking. The funds largely would be used for the salaries of 32 full-time equivalent employees (FTEs), an increase from the 22 current FTEs that address human trafficking. The additional 10 FTEs would include one role to provide victim services, pre-hearing preparation, and expert testimony at administrative hearings; two attorneys and two legal assistants for increased intake, investigation and prosecution of these cases; and five field inspectors located around the state to conduct risk-based follow-up inspections after an emergency order was issued.

HB 3579, passed by the 88th Legislature in 2023, authorized TDLR to issue an emergency order halting all business at massage establishments where human trafficking activity is suspected by TDLR or law enforcement. Since September 2023, TDLR’s executive director has issued over 20 emergency orders, leading to the closure of over 40 facilities.

Supporters say that the proposed appropriations are needed to address the mounting number of TDLR investigations into suspected human trafficking schemes. Proponents are concerned that TDLR, whose employees are already overburdened, does not have enough staff or funding to give each human trafficking case sufficient attention and timeliness.

Concerns have been raised that the budget would not appropriate enough funds to fully address the staffing shortage, preventing TDLR from tackling human trafficking as effectively as it could. Some have suggested that funding for three additional FTEs would better resource these anti-human trafficking efforts.

Contingent on the passage of SB 389 by Middleton, CSSB 1 also would appropriate \$6 million in general revenue to TDLR for implementation of the bill. SB 389 would establish the Anti-Human-Trafficking Intelligence Center within TDLR. Human trafficking continues to be a critical issue in Texas, and the center would be designed to serve as Texas’ primary entity for coordinating law enforcement agencies and other governmental agencies that respond to criminal activity related to human trafficking and maximize the ability of these agencies to detect, prevent, and respond to human trafficking.

### ***Texas Energy Fund***

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#### *Public Utility Commission of Texas*

**CSSB 1** \$813,600 in general revenue for FTEs  
\$2 billion in other funds  
*Article 11: \$ \$3 billion for the Texas Energy Fund and \$1.4 million for additional Texas Energy Fund staff*

**Senate** \$813,600 in general revenue for FTEs  
\$5 billion in other funds

**CSHB 500** \$750 million contingent on passage of CSHB 14 or similar legislation

CSSB 1 would appropriate \$813,600 in general revenue and \$2 billion in other funds to PUC to continue the Texas Energy Fund (TEF), a fund established by the 88th Legislature to provide grants and loans to finance the construction, maintenance, modernization, and operation of electric facilities in Texas. The general revenue appropriation of \$813,600 would fund the salaries of four additional FTEs to monitor projects resourced by the TEF. This funding would be part of the \$7.5 million appropriation in CSSB 1 for 35 new PUC FTEs.

The 88th Legislature appropriated \$5 billion to the TEF. This session, PUC requested another \$5 billion to continue the fund and about \$2.2 million to expand staff by 10 FTEs to address the ongoing growth in workload. So far, PUC has used TEF funding to cover certain administrative costs and will award the first set of grants and loans and enter the monitoring phase of the programs in fiscal year 2026-27.

Additionally, CSHB 500 would appropriate \$750 million in general revenue in fiscal 2025 to the TEF if the 89th Legislature passed CSHB 14 or other legislation relating to funding mechanisms within the Office of the Governor and PUC to support the deployment of advanced nuclear reactors. Under CSHB 14, this funding could only be used for certain nuclear-related projects.

Supporters say sufficient funding would be appropriated in CSSB 1 to the fund and that funding for more TEF staff under the bill would help ensure responsible oversight of the taxpayer dollars funneled into the TEF. However, others have raised concerns that language in CSSB 1 would limit funding and prevent PUC from financing certain programs, including backup power packages and non-ERCOT resiliency programs. Some suggest that the bill should appropriate the funding currently in Art. 11 to fully fund the TEF and support the program with enough staff to thoroughly monitor how the funding is used.

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