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HOUSE RESEARCH ORGANIZATION

daily floor report

Thursday, April 22, 2021
87th Legislature, Number 40
The House convenes at 10 a.m.

SB 1 by Nelson (Bonnen), the general appropriations bill for fiscal 2022-23, is on the daily calendar for second reading consideration today. For a general review of the bill and a discussion of some specific policy issues, please see House Research Organization State Finance Report Number 87-2, *CSSB 1: The House Appropriations Committee's Proposed Budget for Fiscal 2022-23*. The report is available online at https://hro.house.texas.gov/pdf/focus/2021CSSB_1.pdf.

HB 2 by Bonnen, the supplemental appropriations and reductions bill for fiscal 2020-21, also is on the daily calendar for second reading consideration. The analysis of HB 2 begins on the following page.

The following House committees were scheduled to meet today: State Affairs; Human Services; and Natural Resources.

Alma Allen
Chairman
87(R) - 40

SUBJECT: Making supplemental appropriations and reductions

COMMITTEE: Appropriations — committee substitute recommended

VOTE: 25 ayes — Bonnen, M. González, Ashby, C. Bell, Capriglione, Dean, Dominguez, Gates, Holland, Howard, A. Johnson, Jarvis Johnson, Julie Johnson, Minjarez, Morrison, Raney, Rose, Schaefer, Stucky, E. Thompson, Toth, VanDeaver, Walle, Wilson, Zwiener

0 nays

2 absent — Sherman, Wu

WITNESSES: For — Vance Ginn, Texas Public Policy Foundation; (*Registered, but did not testify*: Marshall Kenderdine, Communities In Schools of Texas; Cyrus Reed, Lone Star Chapter Sierra Club)

Against — None

On — Aaron Henricksen, Stewart Shallow, and Wayne Pulver, Legislative Budget Board; Christy Rome, Texas School Coalition; (*Registered, but did not testify*: Lena Conklin, Eduardo Rodriguez, and Mark Wiles, Legislative Budget Board; Phillip Ashley, Texas Comptroller of Public Accounts; Mike Meyer, Texas Education Agency)

DIGEST: CSHB 2 would make reductions to certain fiscal 2020-21 appropriations and appropriate funds to agencies from various sources.

The bill would take immediate effect. Provisions including appropriations made from the Economic Stabilization Fund (ESF) would take effect only if the bill passed by a two-thirds record vote of the membership of each house.

Federal reimbursements for general revenue funds. CSHB 2 would reduce appropriations from general revenue and general revenue dedicated funds by $1.7 billion for fiscal 2021 from certain agencies and institutions of higher education. Each agency subject to reductions would have to, in

consultation with the comptroller and Legislative Budget Board (LBB), determine the allocation of benefits included in the reductions. Agencies also would have to identify the strategies and objectives out of which the reductions were made.

The bill would require that a federal grant received from the Office of the Governor by a state agency or institution of higher education subject to the above reductions be treated as general revenue for the purpose of calculating benefits paid by method of finance. The federal grants would be eligible for proportional general revenue benefits as if the revenue were not reduced.

Legislative intent. CSHB 2 would state that it was the intent of the Legislature that federal funds previously appropriated be used by the agency or institution for the purpose of avoiding reductions to the provision of important government services as a result of the above reductions.

The bill also would state that it was the intent of the Legislature that lapsed appropriations from the funds previously appropriated be used to offset the reductions. The offset would be contingent upon approval by the comptroller and LBB.

Reductions in fiscal 2021 appropriations. CSHB 2 would reduce appropriations from general revenue by $505.5 million for fiscal 2021 from several agencies as listed in the bill. The bill also would reduce appropriations from general revenue dedicated funds by $71.5 million for fiscal 2021 from certain agencies.

The bill would require agencies subject to reductions to identify to the comptroller and the LBB the strategies and objectives out of which the reductions were made.

General Government — Art. 1

Disaster-related appropriations. The bill would appropriate unexpended amounts that were appropriated previously from the ESF to the Trusteed Programs within the Office of the Governor for disaster response. The funds would be appropriated for the same purposes from the same funds for use during the two-year period beginning on the bill's effective date.

Texas Infrastructure Resiliency Fund. The bill would appropriate $100.4 million from the ESF to the Comptroller of Public Accounts for deposit into the Texas Infrastructure Resiliency Fund for fiscal 2021. The unencumbered appropriations made from the ESF to the comptroller for deposit into the fund for fiscal 2019 would be reduced by $172 million.

Texas Historical Commission. The bill would appropriate to the Texas Historical Commission from the ESF funds previously appropriated for the 2020-21 biennium that had not been expended or encumbered by the commission for:

- capital projects at the National Museum of the Pacific War, including updates, repairs, refurbishments, and projects to address accessibility issues;
- courthouse preservation grants;
- deferred maintenance projects; and
- the continued development of the Levi Jordan Plantation, including architectural, engineering, interpretive, and site survey services and collections conservation and acquisition to develop museum exhibits.

These appropriations would be made for the two-year period beginning on the bill’s effective date.

Texas Facilities Commission lease payments. The bill would reduce by $35.3 million the unencumbered appropriations in general revenue to the Texas Facilities Commission for fiscal 2020-21 for lease payments.

Public Finance Authority debt service. The bill would reduce by $25 million the unencumbered appropriations in general revenue to the Public Finance Authority for fiscal 2020-21 for bond debt service payments.

Health and Human Services — Art. 2

Texas Center for Infectious Disease. The bill would authorize the Department of State Health Services to increase capital budget authority for repairs and renovations at the Texas Center for Infectious Disease (TCID), using $1.1 million in other funds, generated from delivery system reform incentive payments. The funds could be transferred to a new capital budget item for fiscal 2020, and then moved forward to fiscal 2021, to be spent on repairs for the TCID fire alarm system and other related repairs and renovations.

Health and Human Services Commission lease payments. The bill would reduce by $13.6 million the unencumbered appropriations from general revenue to the Health and Human Services Commission for fiscal 2020-21 for certain lease payments.

Public and Higher Education — Art. 3

Foundation School Program. CSHB 2 would reduce unencumbered appropriations to the Texas Education Agency (TEA) for the Foundation School Fund by $5.5 billion. The sum-certain appropriation to the Foundation School Program for fiscal 2021 would be $24.4 billion.

Special education. The bill would reduce by $107.9 million unencumbered appropriations previously made from general revenue to TEA. That amount would be appropriated to TEA for use as required by the negotiated legal settlement between Texas and the U.S. Department of Education to prevent the withholding of federal funds as a result of an alleged failure to maintain adequate state financial support for special education under federal law during fiscal years 2012, 2017, and 2018. The appropriations would have to be used to provide funding for public schools and be distributed for each full-time equivalent student in average daily attendance in a special education program in proportion to the applicable weight for the student under the school finance system. The

appropriation would be for the two-year period beginning on the bill's effective date.

Texas A&M Forest Service. CSHB 2 would appropriate $56.4 million from the ESF to the Texas A&M Forest Service for responding to previously occurring and future natural disasters, including mobilization of ground and aviation resources for fire suppression. The appropriation would be for the two-year period beginning on the effective date of the bill.

Group insurance contributions. The bill would appropriate $5.7 million in general revenue to South Texas College for state contributions to health benefits. The appropriation would be for use during fiscal 2021.

Disaster recovery. CSHB 2 would appropriate $5.7 million from the ESF to Lamar University for building repair and flooding recovery necessitated by damage from Tropical Storm Imelda. The bill also would appropriate $1.5 million from the economic stabilization fund to Lamar State College-Orange for recovery from Hurricane Laura, including for repairs and the purchase of a natural gas power generator. The appropriations would be for the two-year period beginning on the effective date of the bill.

Faculty recruitment. The bill would appropriate $500,000 in general revenue to the University of Texas at Houston Health Sciences Center for recruiting faculty for the UTHealth Behavioral Sciences Center. The appropriation would be for the two-year period beginning on the effective date of the bill.

Public Safety and Criminal Justice — Art. 5

Correctional managed health care and correctional operations. CSHB 2 would appropriate to the Texas Department of Criminal Justice $123.7 million in general revenue for correctional managed health care.

The bill would appropriate $86 million to TDCJ for correctional security operations, institutional goods, institutional operations and maintenance, and parole supervision.

DPS consolidated law enforcement center. The bill would appropriate $8.7 million from several sources to the Department of Public Safety for the two-year period beginning from the effective date of CSHB 2 to build a consolidated law enforcement center with the Brazoria County Sheriff's Office. The center would be named in honor of E.J. "Joe" King. Of the appropriation, $3 million would come from the ESF and the rest from unexpended general revenue previously appropriated to the agency.

Juvenile Justice Department data center services. CSHB 2 would appropriate $400,000 in general revenue to the Juvenile Justice Department for fiscal 2021 to make a payment to the Department of Information Resources for data center services.

Natural Resources — Art. 6

Rio Grand Compact litigation. The bill would appropriate funds to the Texas Commission on Environmental Quality to continue water rights litigation with New Mexico pursuant to the Rio Grande Compact for the two-year period beginning on the bill's effective date as follows:

- $650,000 from the Clean Air Account;
- $500,000 from the Operating Permit Fees Account;
- $500,000 from the Water Resource Management Account;
- $1 million from the Petroleum Storage Tank Remediation Account;
- $500,000 from the Hazardous and Solid Waste Remediation Fees Account; and
- $1.9 million from general revenue.

Nutrition assistance programs. The bill would appropriate $3.4 million in general revenue to the Texas Department of Agriculture for fiscal 2020-21 for the Texans Feeding Texans program.

Texas Parks and Wildlife Department. CSHB 2 would appropriate $6.5 million from the ESF to the Parks and Wildlife Department for the two-year period beginning on the effective date of the bill to purchase a law enforcement helicopter.

The bill also would specify that for fiscal 2021 the first $10 million that exceeded the amount of sporting goods sales tax revenues that exceeded the amounts appropriated previously to the department would be allocated to capital construction and repair.

Business and Economic Development — Art. 7

Texas Workforce Commission. The bill would provide that $600,000 appropriated to the Texas Workforce Commission through appropriated receipts by way of an intra-agency contract between the Texas Education Agency and the commission to provide subsidies to individuals at least 21 years old for the high school equivalency exam, for use during fiscal 2020, would be appropriated for fiscal 2021 for the same purposes.

Cross-Article

Capitol complex. The bill would make certain appropriations for the Capitol Complex project and related agency moving costs.

Capitol Complex Phase I. CSHB 2 would appropriate $34.9 million from the ESF to the Texas Facilities Commission to provide interior finish out of new facilities included in Phase I of the Capitol Complex construction projects, costs associated with moving agencies into the new facilities, and security services for the new facilities. The appropriation would be for the two-year period beginning on the bill's effective date.

Agency moving costs. The bill would appropriate $5.2 million from the ESF to certain agencies for the two-year period beginning on the effective date of the bill to pay expenses related to moving agencies to new Capitol Complex offices.

Motor vehicle purchases. CSHB 2 would appropriate $12.2 million from the ESF to various agencies, as listed in the bill, for motor vehicle purchases for the two-year period beginning on the bill's effective date.

Capital needs. The bill would appropriate funds for certain capital needs projects to agencies across articles.

State Preservation Board. CSHB 2 would appropriate $33.6 million from the ESF to the State Preservation Board for the purpose of performing renovations on the Texas Capitol and the Capitol Extension. The bill would appropriate an additional $2.5 million from the ESF to the board for the purpose of performing repairs and renovations to the Texas State History Museum. These appropriations would be made for the two-year period beginning on the bill's effective date.

Building-related appropriations. CSHB 2 would make several building-related appropriations for the two-year period beginning on the effective date of the bill. The bill would appropriate $585 million from the economic stabilization fund to various agencies for certain building related expenses, including health and safety improvements and deferred maintenance.

Other building-related appropriations would include:

- $1.9 million from Adjutant General Federal Fund No. 449 to the Adjutant General;
- $24.4 million from federal funds and revenue bonds to the Health and Human Services Commission for certain building and maintenance costs; and
- $6.2 million to the Texas Department of Motor Vehicles (TxDMV) from the TxDMV Fund for new construction of a building at the department headquarters.

Information technology projects. CSHB 2 would appropriate $654.8 million to certain state agencies, as listed in the bill, for information technology projects, including legacy system modernization, CAPPS deployment, data center services, and cybersecurity for the two-year period beginning on the bill's effective date.

The bill also would allow certain agencies to use the above funds to employ a specified number of full time-equivalent employees.

Texas Department of Criminal Justice. TDCJ would receive an appropriation for its information technology system projects. CSHB 2 would appropriate the amounts, estimated to be $24.2 million, that had not

been expended or encumbered by TDCJ as of the effective date of the bill and that were previously appropriated from the ESF to TDCJ for technology.

SUPPORTERS SAY:

CSHB 2 would make the necessary supplemental appropriations and adjustment to previously appropriated funds to align revenue estimates and supplemental needs. The bill, in combination with the proposed budget, would present a responsible and balanced package that would reduce the revenue shortfall projected by the comptroller.

Federal reimbursements for general revenue funds. CSHB 2 would provide cost savings of $1.7 billion in general revenue funds during fiscal 2021 by reducing appropriations for salaries of public health and public safety employees eligible for reimbursement from the Coronavirus Relief Fund. This swap in general revenue for federal relief funds for 2021, along with the savings from fiscal 2020, would result in certification savings of $3.9 billion to help fill the revenue shortfall.

Reductions in fiscal 2021 appropriations. CSHB 2 accounts for the 5 percent reductions in appropriations that the governor and the Legislative Budget Board (LBB) requested of state agencies for fiscal 2021, which totaled $505.5 million in general revenue funds and $71.5 million in general revenue-dedicated funds.

Texas Infrastructure Resiliency Fund. CSHB 2 would appropriate $100.4 million from the Economic Stabilization Fund to the Comptroller of Public Accounts for deposit to the Texas Infrastructure Resiliency Fund (TIRF). These funds are necessary for the Texas Water Development Board to continue implementation of the state flood plan that was enacted by the 86th Legislature under SB 8 by Perry. The bill also would reduce appropriations from the ESF pursuant to the supplemental budget from the 86th Legislature to reflect funds that were not transferred to the TIRF.

Texas Center for Infectious Disease. CSHB 2 would allow the Department of State Health Services (DSHS) to use existing funds for repairs and renovations at the Texas Center for Infectious Disease (TCID), which is a public health facility for the treatment of tuberculosis. The center provides medical care, conducts research, and provides education to

healthcare providers who treat patients with tuberculosis and other infectious diseases. The center also operates as an outpatient clinic for patients with Hansen's disease (leprosy).

Increasing DSHS' flexibility to use existing funds for repair and renovation projects would ensure the TCID infrastructure was appropriately equipped to treat Texans with infectious diseases in a secure environment.

Foundation School Fund. The $5.5 billion in savings to the foundation school fund reflects higher-than-anticipated growth in local school property values and lower-than-anticipated student enrollment.

Special education. CSHB 2 would prevent the withholding of federal funds for special education by spending $107.9 million in unencumbered general revenue as required by a negotiated legal settlement between Texas and the U.S. Department of Education related to the state's maintenance of effort (MOE). Federal law requires local educational agencies to maintain the level of state and local funds they spend to provide services to student with disabilities from one fiscal year to the next. The Texas Education Agency would distribute the money under the school finance formulas for students in special education programs.

Correctional managed health care and correctional operations. The Texas Department of Criminal Justice (TDCJ) would receive $123.7 million to cover costs that have exceeded appropriations for providing health care to offenders under the state's correctional managed health care program. TDCJ also would be reimbursed for overtime paid to correctional officers to staff the state's prisons, and for maintenance and parole supervision costs. Parole supervision is funded in the budget by estimating the amount needed and CSHB 2 would give the agency the actual amount needed to finish the biennium.

DPS consolidated law enforcement center. DPS would receive an appropriation to move forward with a consolidated law enforcement center with the Brazoria County Sheriff's Office. The center would be able to host trainings and help law enforcement agencies with other needs.

Nutrition assistance program. Restoring funding for the Texas Department of Agriculture's Texans Feeding Texans nutrition assistance programs would help provide much needed food assistance to Texans affected by the COVID-19 pandemic. While other funding sources are available to assist food banks and other food distribution programs, TDA's funding helps provide fresh produce and can be used to reach populations that may go unserved by other programs. The Texans Feeding Texans program also supports programs like Meals on Wheels that provide meals to seniors and serve as safety checks and provide social relief for Texans isolated at home. This support has been made especially necessary during the pandemic, when elderly Texans are particularly vulnerable and isolated.

Capitol Complex. CSHB 2 would appropriate necessary funds to the Texas Facilities Commission (TFC) for the completion of Capitol Complex Phase I buildings and to expand the secure workplace initiative in those buildings. The funds would be used to complete interior elements of offices, stand up data and telecommunication connectivity, and repave portions of Martin Luther King Jr. Boulevard. Funds for the secure workplace initiative would be used to provide physical security, equipment, and personnel for screening and verifying worker access to buildings and related systems. TFC also would use a portion of the funds for tenant moving expenses, and without such funding, agencies would have to use their base budget funds to move.

Federal coronavirus relief funds. While some say that CSHB 2 should direct federal coronavirus relief funds to public and higher education, the state is seeking a waiver of a federal maintenance-of-effort requirement related to the acceptance of federal funds. Without the waiver, Texas would be required to spend an additional $1 billion on higher education, money that is currently not in either CSHB 2 or CSSB 1, the general appropriations act.

CRITICS SAY:

CSHB 2 should direct the timely distribution of federal coronavirus relief funds to public schools. This would allow local districts to begin using the funds to enhance summer learning and plan for new hiring to help the many students who have fallen behind during the pandemic. Other

COVID-19 needs include mental health services, broadband and technology needs, and facility upgrades.

The Legislature should more carefully consider the appropriation reductions made to most state agencies and the federal funds swap that supplanted state dollars in fiscal 2021. Because more federal funds were received by the state for COVID-19 relief, there could have been an opportunity to restore funding for some government programs and respond to the pandemic. The bill also should list where reductions were made by specific strategy.

NOTES:

According to the fiscal note, CSHB 2 would increase general revenue related funds by $7.5 billion through fiscal 2022-23 by making appropriation reductions.

The bill would result in a net increase of $3.3 billion to the estimate of general revenue related funds available for budget certification in the comptroller's *Biennial Revenue Estimate.* This increase, combined with estimates of lapsed funds from fiscal 2020, would result in a net fiscal 2020-21 certification savings of $5.7 billion over the revenue estimate.

CSHB 2 would increase appropriations from the Economic Stabilization Fund (ESF) by about $876.4 million. There would be a loss of interest and investment income from the ESF resulting from the appropriations.

The bill also would increase general revenue dedicated accounts by about $63.4 million, through reduced appropriations.