

SUMMARY OF HOUSE BILL 1, AS INTRODUCED

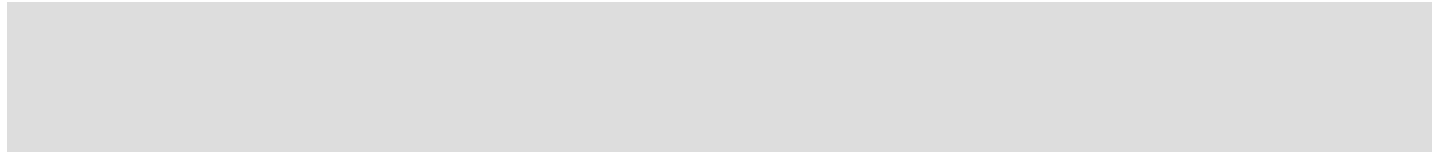
BUDGET AND POLICY RECOMMENDATIONS FOR THE 2014-15 BIENNIUM

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Legislative Budget Board

Presented to the House Committee on Appropriations

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Overview

- Summary of HB 1
- Spending Limit Update
- Budget Development and Highlights

The Big Picture

\$ in Billions

	2012-13 Appropriations	2012-13 Adjusted Base	2014-15 House Bill 1	Biennial Increase	Percent Change
General Revenue	81.3	87.4	89.2	1.8	2.0%
All Funds	173.5	189.9	187.7	(2.2)	(1.2%)

Summary of Budget Recommendations

- House Bill 1 as introduced totals \$187.7 billion in All Funds. This is \$2.2 billion, or 1.2%, below 2012-13 anticipated spending levels.
 - Note that the decrease is associated with the removal of patient income from the General Appropriations Bill. Absent that adjustment, the All Funds increase would have been a *positive* 2.0%.
- GR amounts total \$89.2 billion. This is \$1.8 billion, or 2.0%, over 2012-13 spending levels.

Supplemental Adjustments Built into the 2012-13 Base

Significant General Revenue Supplemental Bill Items	\$6,784
Medicaid & CHIP: Fully fund 24 months of payments	\$4,523
Foundation School Program: Reverse Deferral	\$1,750
Foundation School Program: Fully fund FY 13 entitlement	\$317
Texas A&M Forest Service: Wildfire Costs	\$155
Department of Criminal Justice: Correctional Managed Health Care	\$39

Constitutional Spending Limit

November 15, 2012: LBB adopted a spending limit growth rate of 10.71% pursuant to Article VIII of the Texas Constitution.

- The spending limit rate is in effect for the entire two-year period for which it is adopted. The base to which the limit is applied may change, however.
- The rate applies to appropriations from state tax revenue not dedicated by the constitution. Note that an appropriation's source of revenue determines whether an appropriation is subject to the spending limit.

Constitutional Spending Limit-Continued

2012-13 Spending Limit		
2012-13 Spending Limit	\$77,262.1	
2012-13 Appropriations Subject to Spending Limit	\$76,266.7	
Below 2012-13 Spending Limit by	\$995.5	

The 2012-13 amounts subject to the spending limit reflect the base adjustments discussed on page 5.

Constitutional Spending Limit-Continued

2014-15 Spending Limit	\$84,434.8	
2014-15 GR Appropriations	\$89,155.2	
2014-15 Appropriations Subject to the Limit	\$80,730.4	
HB 1 Introduced Under the Limit	\$3,704.4	
<p>If the full amount of \$3,704.4 million were appropriated, that translates into an additional \$4,337.9 million in GR spending, due to the variable amounts by which revenues are subject to the spending limit.</p>		

Pay As You Go Limit

- The Pay-As-You-Go limit prevents the legislature from appropriating more money in a state fiscal biennium than the Comptroller will certify is available.
- As you know, the total amount available in the Biennial Revenue Estimate is \$101.4 billion for the three-year period of FY2013-15.
 - It is important to understand how that revenue applies over the three-year period, however.
 - Any FY13 supplemental appropriations bill may only be funded out of the FY13 ending balance, which for GR is \$8.8 billion.

Pay As You Go Limit-Continued

Pay-as-You-Go Limit		
Revenue Available for Certification (BRE)		\$101,443.4
2013 GR Supplemental		<u>\$(6,784.0)</u>
Remaining Revenue Available for 2014-15		\$94,659.4
2014-15 GR Appropriations		<u>\$89,155.2</u>
HB 1 Below the Pay-as-You-Go Limit		\$5,504.3

Recapitulation: FY 2013 and 2014-15 Biennium, Revenue and Spending

<u>FY 2013</u>		
FY 2013 Ending Balance		\$8,845.5
2013 GR Supplemental		<u>\$(6,784.0)</u>
FY 13 Ending Balance Remaining for 2014-15		\$2,061.5
<u>HB 1, FY 2014-15</u>		
Remaining Revenue Available for 2014-15 (BRE less supplemental cost)		\$94,659.4
2014-15 GR Appropriations		<u>\$89,155.2</u>
Below the Pay-as-You-Go Limit by		\$5,504.3
Below Spending Limit by		\$3,704.4
Maximum GR Spending at Spending Limit		\$4,337.9

LBB Approach to Budget Development

- Address FY 2013 supplemental needs
- Analyze spending and pay-as-you-go limits
- Baseline budget approach:
 - ▣ Updated 2012-13 budget amounts
 - ▣ Further adjust 2014-15 from that base
- Develop a budget that addresses main programmatic budget drivers and provides committees with maximum flexibility in addressing their priorities

Medicaid

Medicaid is funded with \$56.2 billion in All Funds (\$22.9 billion in GR-Related funds). Funding includes anticipated caseload growth in 2014-15. No funding is built in to address medical inflation, higher utilization, or increased acuity. The bill assumes \$250 million in General Revenue cost containment.

Foundation School Program

The Foundation School Program is funded with \$38.2 billion in All Funds (\$30.3 billion in GR-Related funds). These funding levels are sufficient to fully fund the statutory entitlement. Further, in conjunction with the supplemental appropriations bill, the bill provides funding to reverse the August FSP payment deferral enacted by the 82nd legislature.

Other Funding Highlights

Other program highlights:

- Higher Education funding declines overall, yet the bill funds enrollment growth and maintains rates at all types of institutions.
- Criminal Justice and Juvenile Justice are generally maintained at the base level; a decrease of \$63.5 million at the Texas Juvenile Justice Department is largely associated with declining populations.

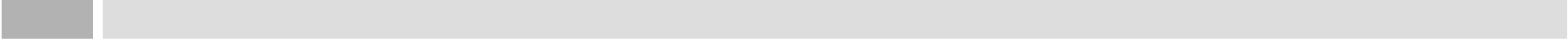
Other Funding Highlights-Continued

Funding adjustments across articles, including but not limited to:

- No new grant awards, and a reduction in administration, at the Cancer Prevention and Research Institute of Texas;
- A net \$100.9 million biennial decrease in GR-Dedicated funds, with targeted increases (including increases at Texas Parks and Wildlife, the Commission on State Emergency Communications, the Public Utility Commission, and the Higher Education Coordinating Board) offset by a biennial reduction in certain remaining fund balances, most significantly in the Governor's Trusteed programs and the Department of Public Safety; and
- An increase of nearly \$1 billion in debt service payments, largely associated with obligations at the Texas Department of Transportation and General Obligation Bonds at TPFA.

LBB Staff

- Support committee deliberations
- Provide budget and program analysis
- Assist the committee with state fiscal analysis



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