

**Update:**  
**House and Senate Budget Priorities**  
February 22, 2017

Forty-four days into the 85<sup>th</sup> Legislative Session (96 days remaining), the budget process is still in its initial stages. Both the Senate and House Committees and the respective subcommittees and working groups have heard testimony from the Legislative Budget Board, Texas Education Agency, and numerous organizations and associations. One of the major policy changes to date is regarding High Quality Pre-Kindergarten funding. House Bill 1 by Rep. Zerwas does not continue to fund the High Quality Pre-Kindergarten Grant Program. Instead the filed version of House Bill 1 uses \$116.9 million to increase the Supplemental Funding for Pre-Kindergarten program. The state provided \$30 million for the Supplemental Funding Pre-Kindergarten program in the 2016-17 biennium (approximately \$153/ADA for the 2016-17 school year). We have updated our comparison tables to show this change. Each chamber typically adopts its version of the state budget at the end of March or beginning of April.

**LBB House Summary of Recommendations:**

[http://www.lbb.state.tx.us/Documents/HAC\\_Summary\\_Recs/85R/Agency\\_703.pdf](http://www.lbb.state.tx.us/Documents/HAC_Summary_Recs/85R/Agency_703.pdf)

**LBB Senate Summary of Recommendations:**

[http://www.lbb.state.tx.us/Documents/SFC\\_Summary\\_Recs/85R/Agency\\_703.pdf](http://www.lbb.state.tx.us/Documents/SFC_Summary_Recs/85R/Agency_703.pdf)

**Members of Senate Finance Workgroup and House Appropriations Subcommittee on Education:**

<b>Senate Finance Workgroup on School Finance</b>	<b>House Appropriations Subcommittee on Article III</b>
Taylor (Friendswood)	Ashby (Lufkin)
Bettencourt (Houston)	Giddings (DeSoto)
Birdwell (Granbury)	González, M. (Clint)
Hancock (North Richardson Hills)	Howard (Austin)
Hinojosa (McAllen)	Koop (Dallas)
Seliger (Amarillo)	Raney (College Station)
West (Dallas)	VanDeaver (New Boston)

## **Available State Revenue**

The Comptroller's Biennial Revenue Estimate (BRE) currently estimates \$104.9 billion in funds available for general purpose spending for the 2018-19 biennium. After months of lackluster sales tax and oil and gas revenue, the Legislature no longer has the estimated \$6 billion balance from the end of last session. The smaller beginning balance (\$1.5 billion) coupled with only slight increases projected in state revenue for the 2018-19 biennium and the \$4.7 billion highway fund sales tax transfer set to occur for the first time this session allows the state very little wiggle room for any new funding increases to the budget.

While the state will have an estimated \$11.9 billion available in the Rainy Day Fund at the end of the 2018-19 biennium, it is typically used for one-time funding measures. The most recent appropriations from the Rainy Day Fund was in 2013 for \$3.9 billion (\$1.75 billion to restore the FSP payment delay; \$2 billion for water development projects).

## **Major Budget Differences**

As in most legislative sessions, the Senate and House proposed budgets differ on several major issues. As of now, the Senate bill spends an estimated \$1.3 billion less than the Comptroller's Biennial Revenue Estimate (BRE). The House spends \$5.2 billion more than the Comptroller's BRE. In order for the House's proposed budget to be within the constitutional spending limit at the end of the session, there will need to be some action taken (reduction in funding-levels, legislative mechanisms such as the FSP payment delay to free-up state revenue, and/or a vote to exceed the spending limit). In addition, the Legislature will also need \$1.3 billion to pay for the 2016-17 supplemental appropriations bill.

The major budget differences occur in three major areas: Health and Human Services, Higher Education, and the Foundation School Program. The House funds Medicaid caseload growth, has no major cuts to higher education special items, and has a contingency rider for an additional \$1.47 billion for the Foundation School Program. The Senate does not provide funding for Medicaid caseload growth, it cuts higher education items by over \$800 million, and there is no contingency rider for funding increases to the Foundation School Program.

## **Using Local Value Growth to Fund Growth of System**

A now well-publicized recurring feature of the Foundation School Program is that local property value growth results in reduced state costs to the school finance system. Both the House and Senate proposed budgets take advantage of this "new" available revenue, an estimated \$4.7 billion for the biennium when taking into account the reduced state obligations due to value growth (\$3.6 billion state savings) and the

increase to recapture (\$1.1 billion more than the previous biennium). In addition, both proposed budgets account for the current statutory provision that eliminates ASATR hold-harmless funding. This is a savings to the state of \$600 million.

Without any new cost to the state, both proposed budgets fund enrollment growth (\$2.7 billion) and an increase to the Austin Yield (\$1.2 billion). Even with these increases to the system, the state is spending approximately \$1.4 billion less than it did last biennium. The House does propose an increase to the state funding level by an additional \$1.47 billion for purposes of improving equity, reducing recapture, and increasing the state share of the Foundation School Program in the House proposed budget. This would increase state funding from biennium to biennium by \$23.6 million. The overall state funding levels and other significant changes are detailed in Table 1 below.

**Table 1. Texas Education Agency Budget Comparison**

	2016-17 Biennium	2018-19 Proposed Senate Budget	2018-19 Proposed House Budget
<b>All Funds</b>	<b>\$54.72b</b>	<b>\$55.01b</b>	<b>\$56.50b</b>
<b>General Revenue</b>	<b>\$37.65b</b>	<b>\$36.17b</b>	<b>\$37.67b</b>
<i>Biennium to Biennium Change</i>		<b>(-\$1.4b)</b>	<b>(\$23.6m)</b>
<b>Recapture</b>	<b>\$3.46b</b>	<b>\$4.59b</b>	<b>\$4.59b</b>
<i>Biennium to Biennium Change</i>		<b>(\$1.13b)</b>	<b>(\$1.13b)</b>
<b>Other Items of Note</b>			
<b>Austin Yield</b>	<b>\$74.28/\$77.53</b>	<b>\$99.85/\$106.37</b>	<b>\$99.85/\$106.37</b>
<b>Basic Allotment</b>	<b>\$5,140</b>	<b>\$5,140</b>	<b>\$5,140</b>

## **Public Education and TRS Funding**

While the major public education funding difference between the House and the Senate is the \$1.47 billion FSP increase, there are several other smaller items of note detailed in Table 2. This includes funding changes for the Instructional Facilities Allotment (no new round of IFA funded), the Student Success Initiative program, High Quality Pre-Kindergarten Funding (the House defunds the program and increases the supplemental pre-kindergarten amount; the Senate splits essentially the same amount of funding over both years), and the Instructional Material Allotment. In addition, the House contains a TRS rider that states it is the intent of the Legislature that resolving the long-term solvency of TRS-Care be a shared fiscal responsibility between the state, school districts, employees, and retirees. Currently, the school district contribution is 0.55 percent of total payroll (current statute allows that contribution to increase to 0.75 percent). The current estimated shortfall is \$1.03 billion (subject to change).

**Table 2: Other Proposed Education Funding Changes**

<b>Program Changes</b>	<b>2016-17 Funding</b>	<b>2018-19 Funding House</b>	<b>Change in House Introduced</b>	<b>2018-19 Funding Senate</b>	<b>Change in Senate Introduced</b>
Academic Innovation & Mentoring	\$4,500,000	\$4,500,000	\$0	\$0	(\$4,500,000)
Adult Charter School Pilot	\$2,000,000	\$2,000,000	\$0	\$1,000,000	(\$1,000,000)
Advanced Placement	\$16,300,000	\$14,600,000	(\$1,700,000)	\$14,600,000	(\$1,700,000)
Amachi	\$2,500,000	\$2,500,000	\$0	\$1,250,000	(\$1,250,000)
Assessment strategy	\$104,346,032	\$99,916,032	(\$4,430,000)	\$99,916,032	(\$4,430,000)
Best Buddies	\$400,000	\$200,000	(\$200,000)	\$0	(\$400,000)
Communities in Schools	\$31,043,632	\$31,043,632	\$0	\$30,721,817	(\$321,815)
Education Service Centers	\$25,000,000	\$25,000,000	\$0	\$23,750,000	(\$1,250,000)
Educator Excellence	\$2,000,000	\$2,000,000	\$0	\$0	(\$2,000,000)
FitnessGram	\$2,000,000	\$0	(\$2,000,000)	\$2,000,000	\$0
Incentive Aid	\$3,000,000	\$2,000,000	(\$1,000,000)	\$2,000,000	(\$1,000,000)
Instructional Materials	\$1,163,872,847	\$1,228,458,092	\$64,585,245	\$1,117,717,933	(\$46,154,914)
JJAEF	\$12,500,000	\$12,500,000	\$0	\$12,500,000	\$0
Juvenile Justice Department	\$7,916,688	\$9,587,675	\$1,670,987	\$9,587,675	\$1,670,987
Literacy Achievement Academies,	\$17,816,546	\$15,164,354	(\$2,652,192)	\$15,164,354	(\$2,652,192)
Math Academies	\$22,816,546	\$17,540,926	(\$5,275,620)	\$17,540,926	(\$5,275,620)
Non-Educational Community-Based Support	\$1,974,600	\$1,974,600	\$0	\$1,974,600	\$0
Reading-to-Learn Academies	\$11,111,126	\$9,287,304	(\$1,823,822)	\$9,287,304	(\$1,823,822)
Reasoning Mind	\$4,000,000	\$0	(\$4,000,000)	\$0	(\$4,000,000)
Student Success Initiative	\$31,700,000	\$31,700,000	\$0	\$0	(\$31,700,000)
Subsidy for Certification Examination	\$1,000,000	\$0	(\$1,000,000)	\$0	(\$1,000,000)
Teach For America	\$12,000,000	\$7,000,000	(\$5,000,000)	\$7,000,000	(\$5,000,000)
Texas Gateway	\$18,000,000	\$14,400,000	(\$3,600,000)	\$15,731,000	(\$2,269,000)
Windham Schools	\$103,000,000	\$103,000,000	\$0	\$103,000,000	\$0
Supplemental Funding PK	\$30,000,000	\$146,955,193	\$116,955,193	\$30,000,000	\$0
High Quality PK	\$118,000,000	\$0	(\$118,000,000)	\$150,000,000	\$32,000,000
Innovative Programs	\$0	\$0	\$0	\$10,000,000	\$10,000,000
Pathways to Technology	\$0	\$0	\$0	\$5,000,000	\$5,000,000
Reading Excellence Team Pilot	\$3,070,272	\$1,368,864	(\$1,701,408)	\$1,368,864	(\$1,701,408)
Virtual School Network	\$8,000,000	\$4,800,000	(\$3,200,000)	\$4,800,000	(\$3,200,000)
Texas Military Connected Children	\$500,000	\$0	(\$500,000)	\$0	(\$500,000)