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CSHB 1:

The House Appropriations Committee's Proposed Budget for Fiscal 2024-2025

The House Appropriations Committee reported CSHB 1 by Bonnen, the general appropriations bill for fiscal 2024-2025, on March 23, 2023, by the following vote:

23 ayes – Bonnen, M. González, Allison, Bell, Gates, Gervin-Hawkins, Howard, Isaac, Jetton, Martinez, Morrison, Orr, Ortega, Rose, Spiller, Stucky, Tepper, Thimesch, E. Thompson, Toth, VanDeaver, Walle, Wu

3 nays – Bryant, Jarvis Johnson, Martinez Fischer

1 absent – DeAyala

This report presents an overview of the proposed state budget and of articles 1 through 8 of CSHB 1. It highlights a few of the significant budget items, including different proposals for funding individual agencies and programs.

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Fiscal 2024-25 General Appropriations Act

CSHB 1, the House Appropriations Committee version of the fiscal 2024-25 state budget, would authorize total appropriations of \$302.7 billion, an increase of 1.8 percent from fiscal 2022-23. General revenue appropriations would total \$136.9 billion, an increase of \$18.7 billion, or 15.8 percent, from anticipated general revenue spending in fiscal 2022-23. Appropriations of general revenue dedicated funds would be \$6.8 billion, an increase of \$1.8 million. Appropriations of federal funds would be \$100.6 billion, a decrease of \$24.1 billion, or 19.3 percent, from fiscal 2022-23, representing the most significant negative impact on the 2024-25 state budget. The reduction of federal funds is primarily due to the elimination of onetime COVID-19-related funds.

The table below details overall spending in CSHB 1 by fund type, the amount estimated/budgeted for fiscal 2022-23, the amount recommended in the proposed budget for fiscal 2024-25, and the change the recommendation would represent from fiscal 2022-23.

Spending limits

Appropriations from the proposed House budget would comply with the four constitutional limits on spending, according to the Legislative Budget Board (LBB). Funding from general revenue in CSHB 1 would total \$136.9 billion, which is about \$25.6 billion below the general revenue funds the comptroller estimated would be available for general purpose spending in fiscal 2024-25. 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.

Biennial spending comparisons (millions of dollars)

Type of funds	Estimated/ budgeted fiscal 2022-2023	Recommended fiscal 2024-2025	Biennial change	Percent change
General revenue	\$118,180.0	\$136,905.8	\$18,725.7	15.8%
GR dedicated	\$6,749.8	\$6,751.6	\$1.8	0.0%
Federal	\$124,732.4	\$100,612.7	(\$24,119.7)	(19.3%)
Other	\$47,522.4	\$58,382.8	\$10,860.3	22.9%
All funds	\$297,184.7	\$302,652.8	\$5,468.2	1.8%

Source: Legislative Budget Board: Summary of House Committee Substitute for House Bill 1, 2024-25 Biennium
Totals may not sum due to rounding.

The proposed House budget also would be about \$1.3 billion below the limit established on the spending of certain state tax revenue not dedicated by the Texas Constitution, often called the “tax spending” limit. The proposed budget would comply with the state’s limit on welfare spending, as well as with the limit on state debt.

Consolidated general revenue limit

The 87th Legislature created a new statutory limit on appropriations from consolidated general revenue (CGR) that will apply in fiscal 2024-25. The new “growth rate” applies to consolidated revenue from the general revenue fund and general revenue dedicated funds and is calculated by the Legislative Budget Board (LBB) based on the state’s estimated average population growth and the estimated average biennial rate of inflation. As calculated by the LBB, the CGR growth rate for 2024-25 is 12.33 percent and the 2024-25 biennial spending limit is estimated to be \$120.5 billion. The 2024-25 biennial appropriations in CSHB 1 subject to the spending limit total \$119.3 billion, which is \$1.2 billion less than the CGR limit.

Article 11

CSHB 1 includes an Art. 11 list, sometimes referred to as an agency “wish list,” which is an informational listing of the House Appropriation Committee’s priorities for spending beyond what is included in the proposed budget. The proposed Art. 11 list, which is about \$47 billion, may be considered by the House, and later by the budget conference committee, and could result in some additional items being funded.

Economic Stabilization Fund

The Economic Stabilization Fund (ESF), also known as the “rainy day fund,” is expected to reach \$21.9 billion by the end of fiscal 2025. CSHB 1 would not make any appropriations from the ESF.

Federal funding

CSHB 1 would include appropriations of \$100.6 billion in federal funding across all articles, a decrease of \$24.1 billion, or a 19.3 percent reduction from anticipated spending in fiscal 2022-23. This reduction is primarily attributed to the elimination of one-time COVID-19-related funds.

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 2024-25, CSHB 1 would authorize total appropriations of \$10.2 billion, a decrease of \$3.3 billion, or 24.5 percent, from fiscal 2022-23. General revenue appropriations would total \$7.2 billion, a decrease of \$727 million, or 9.2 percent, from anticipated general revenue spending in fiscal 2022-23. Appropriations of general revenue dedicated funds would be \$605.1 million, a 30.1 percent decrease from fiscal 2022-23. Appropriations of federal funding would be \$1.3 billion, a decrease of \$1.4 billion, or 52.4 percent, largely due to the loss of COVID-related relief funds.

Law Enforcement and Custodial Officer Supplemental Retirement Fund

Employees Retirement System of Texas

CSHB 1: \$845.1 million in all funds

CSHB 1 would appropriate \$845.1 million dollars to the Law Enforcement and Custodial Officer Supplemental (LECOS) Retirement Fund. LECOS is a supplemental retirement benefit for law enforcement and custodial officers in addition to the retirement fund provided through their ERS plan. CSHB 1 would raise the current yearly state contribution rate for LECOS from 0.5 percent to 1.75 percent, allocating an additional \$53.6 million to cover the cost of the increase.

The LECOS Retirement Fund also has an unfunded liability of about \$715 million, with an expected depletion date of 2045. CSHB 1 would include a lump sum payment of \$772 million to address the unfunded liability and make the fund actuarially sound. The combination of these appropriations, along with an additional \$1 million allocated to salary increases, would represent a roughly 4,580 percent increase in LECOS base funding from the previous biennium.

Supporters of the bill say that appropriating more than is required to cover the unfunded liability would help to ensure the long-term viability of the fund and better secure recipients' retirement funds. They say this funding not only would help to support current retirees but would aid in further recruitment and retention of state employees under the LECOS system. Supporters also say that paying off the liability in advance, rather than adjusting afterwards for the accrued debt, could help the state save more than \$5 billion in taxpayer dollars.

Critics of the bill say that, while addressing the unfunded liability would benefit retirees in the long term, a cost of living adjustment and 13th check also are needed by these state employees. The last cost

of living adjustment for state officials under ERS was in 2001, and a 13th check has not been received in nearly 25 years. With inflation continuing to rise, retirees have had their spending power cut by more than a third in recent years. Critics say the current bill does not do enough to help current retirees whose retirement benefits do not adequately cover their basic needs.

Victims assistance funding

Trusted programs within the Office of the Governor

CSHB 1: \$332 million in federal funds

CSHB 1 would appropriate about \$332 million in federal funds to the trusted programs of the Office of the Governor for victims assistance funding, a decrease of \$37 million, or about 10 percent, from the previous biennium. These funds would be used by the state to award grants to nonprofits and local governments for programs that aid victims of family violence, sexual assault, human trafficking and a variety of other crimes.

Supporters of CSHB1 say this funding, combined with an additional appropriation of \$120 million in general revenue proposed in CSSB 30, the supplemental appropriations bill, would help to account for the continued reduction in federal funding for victims assistance programs and would help these programs maintain base levels of funding. They say the appropriation would help prevent victims assistance organizations from cutting or redirecting potential clients.

Critics say the funding in CSHB 1 may not be enough to help these programs maintain the staff and resources needed. They say the pandemic has put a strain on non-profits and government programs, as cases of violent crime have increased dramatically, and thus so has the need for victims assistance. As the population of those in need of victim's assistance services continues to grow, and organizations struggle to recover from the pandemic, additional funding would allow victims assistance organizations to provide survivors with the care and resources they need.

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.

CSHB 1 would appropriate \$101.4 billion in all funds for Art. 2 agencies, a decrease of \$7.6 billion, or 7 percent, from fiscal 2022-23. The bill would appropriate \$43.5 billion in general revenue funds for Art. 2 agencies, an increase of \$6 billion from fiscal 2022-23. Appropriations of general revenue dedicated funds would be \$539.6 million, an increase of \$38.3 million. The all-funds decrease of \$7.6 billion in fiscal 2024-25 is due primarily to a decrease of \$5.5 billion in COVID-19- related federal funds and a decrease of \$6 billion in all funds related to Medicaid client services.

Medicaid client services

Health and Human Services Commission

CSHB 1: \$73.9 billion in all funds, including \$29.2 billion in general revenue and general revenue dedicated funds
Article 11: \$987.9 million

CSHB 1 would appropriate \$73.9 billion in all funds, including \$29.2 billion in general revenue and general revenue dedicated funds, for Medicaid client services at HHSC. This would be a decrease of \$6 billion in all funds and an increase of \$2.2 billion in general revenue funds from the previous biennium. The phasing out of a temporary increase to the federal medical assistance percentage (FMAP), which is the amount of state Medicaid costs paid for by the federal government, will result in a lower proportion of the Medicaid program being funded with federal dollars. The federal Families First Coronavirus Response Act enacted in March 2020 authorized a temporary 6.2 percentage point increase in the FMAP for states that agreed to provide continuous coverage for Medicaid enrollees during the public health emergency. In December 2022, Congress passed the 2023 Consolidated Appropriations Act, which allows states to begin disenrolling Medicaid enrollees on April 1, 2023, and phases out the enhanced FMAP.

Supporters of CSHB 1 say it would sufficiently fund projected Medicaid client services, as enrollment is expected to decrease in the upcoming biennium. Also, they say, the decrease in funding

is partially offset by an increase of \$1 billion for the Children's Health Insurance Program (CHIP), which is expected to see higher enrollment due to children transitioning from Medicaid to CHIP.

Critics of CSHB 1 say the bill also should fund HHSC's exceptional item request for additional Medicaid funding to account for inflation and other cost increases related to Medicaid client services. They say the bill also should maintain the emergency add-on rate for nursing homes beyond the end of the public health emergency in May to help preserve financial stability.

Women's health programs

Health and Human Services Commission

CSHB 1: \$558.2 million in all funds, including \$350.8 million in general revenue
Article 11: \$80 million

CSHB 1 would appropriate \$558.2 million in all funds, including \$350.8 million in general revenue, for the Healthy Texas Women program, the Family Planning Program, the Breast and Cervical Cancer Services program, and the Alternatives to Abortion program. This would be an increase of \$171.1 million in all funds and \$99.1 million in general revenue. Out of the \$350.8 million in general revenue, the bill would appropriate:

- \$85.8 million for Healthy Texas Women, an increase of \$25.7 million;
- \$137.1 million for the Family Planning Program, an increase of \$52.4 million;
- \$7.9 million for Breast and Cervical Cancer Services, an increase of \$1 million; and
- \$120 million for Alternatives to Abortion, which is an increase of \$20.3 million.

Supporters of CHSB 1 say that the bill would provide funding to meet increased demand for women's health services through Healthy Texas Women and the Family Planning Program. The appropriations would fully fund projected enrollment increases for Healthy Texas Women and allow the Family Planning Program to offer new services that could decrease maternal mortality and morbidity. They say increased funding for Alternatives to Abortion would allow the program to provide critical social support to more pregnant women through counseling, parenting classes, and material assistance.

Critics of CSHB 1 say the bill should not increase funding for Alternatives to Abortion because the program does not provide medical services and the funding could be better spent on expanding evidence-based programs such as the Nurse-Family Partnership program. Critics also say the program lacks transparency on how funds are spent and does not currently provide quantifiable metrics to demonstrate its impact.

Other critics of CHSB 1 say the bill should appropriate more funding for Alternatives to Abortion to meet increased demand for critical social support services through the program.

Mental health community hospitals

Health and Human Services Commission

CSHB 1: \$715.4 million in general revenue
Article 11: \$49.8 million

CSHB 1 would appropriate \$715.4 million in general revenue and no federal funding for mental health community hospitals. This would be an increase of \$394 million, or 122.6 percent, in all funds, including an increase of \$409 million in general revenue and a decrease of \$15 million in one-time federal funds. Funding includes an increase of \$322.5 million in general revenue for up to 234 additional state-purchased inpatient psychiatric beds and an additional 150 competency restoration beds, which would be used to treat people found incompetent to stand trial. The bill also would appropriate \$20.4 million to expand contracted bed capacity and \$6 million for an outpatient integrated care clinic project.

Supporters of CSHB 1 say the bill would help the state meet growing demand for competency restoration beds by increasing funding for state-contracted beds at community mental health hospitals. Critics of CSHB 1 say that increased funding for beds in mental health community hospitals may not be effective if workforce shortages are not first addressed.

Public and Higher Education — Article 3

Art. 3 covers Texas' systems of public and higher education. The public education agencies set curriculum standards, approve instructional materials, certify educators, provide health care for some 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, which is expected to serve more than 5 million students in fiscal 2024-25. Art. 3 public education 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 offenders.

For Art. 3 public education agencies in fiscal 2024-25, CSHB 1 would appropriate \$75.4 billion in all funds, an increase of 17.7 percent from fiscal 2022-23. General revenue appropriations would total \$37.2 billion, an increase of \$2.9 billion or 8.5 percent from anticipated general revenue spending in fiscal 2022-23. Appropriations of federal funds would be \$12.5 billion, a decrease of 1.8 percent from fiscal 2022-23.

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

For Art. 3 higher education agencies in fiscal 2024-25, CSHB 1 would appropriate \$25.6 billion in all funds, a decrease of \$2.3 billion or 8.3 percent from fiscal 2022-23. General revenue and general revenue dedicated appropriations would total \$18.3 billion, an increase of 12 percent from fiscal 2022-23.

Community college funding

Public community and junior college districts, Texas Higher Education Coordinating Board

CSHB 1: \$2.3 billion in all funds
Article 11: \$96 million

CSHB 1 would appropriate \$2.3 billion in all funds to public community and junior colleges, Texas State Technical Colleges, and Lamar lower-level institutions, a 2.4 percent increase from the previous biennium. This would include \$1.9 billion in all funds to public community and junior colleges. Contingent on the enactment of legislation to revise the community college funding formula, the bill would appropriate \$172 million to the Texas Higher Education Coordination Board (THECB). This would include \$125 million for the Texas Educational Opportunity Grant program for Public Community/Junior Colleges, \$33 million for improvements such as institutional innovations and added workforce capacity, and an additional \$14 million for the Texas Educational Opportunity Grant program for State and Technical Colleges. The Texas Commission for Community College Finance (TCCCF) has recommended that the Legislature revise the funding formula to be based on student outcomes, rather than contact hours.

Supporters of CSHB 1 say it would make the state's community colleges more financially stable by creating opportunities to update infrastructure, recruit more staff, and teach more students. A new funding formula also would allocate more money for small and rural community colleges that have suffered the most from decreasing enrollment. Additionally, an outcome-based funding formula would encourage all community colleges to prioritize classes and training that would provide Texas students with the credentials they need to succeed in the future. As an increasing number of jobs require more than a high school education, community colleges are often seen as one of the best tools to educate and prepare Texans for this new economic environment. Supporters say that if the outdated funding formula were changed to an outcome-based plan, as recommended by TCCCF, community colleges would have access to greater funding, enhancing their capacity to teach high-demand programs and make tuition more affordable.

Teacher pay and retention

Texas Education Agency

CSHB 1: \$37.2 billion in all funds

CSHB 1 would appropriate \$75.2 billion in all funds to the Texas Education Agency (TEA), of which \$37.2 billion would be allocated to the Basic Allotment to fund the state's school districts. The Basic Allotment provides funding for public school district services, including teacher salaries and raises. Included in the TEA funding would be \$348.7 million for local designation systems and the Teacher Incentive Allotment (TIA). Local designation systems are responsible for defining criteria for high-performing teachers, while TIA is responsible for paying bonuses to the designated teachers.

Supporters of CSHB 1 say it would help alleviate the loss of educators in the state by encouraging them to remain in the profession. Texas public schools are experiencing a shortage of qualified teachers, especially in certain high-demand fields such as special and bilingual education. With sources indicating that many Texas teachers have seriously considered leaving the profession, supporters say, it is crucial to incentivize teachers to remain in their field. Funds from the Basic Allotment in CSHB 1 could be used to increase teacher salaries and help make the profession more competitive. Increased funding for the TIA also would allow more teachers to qualify for performance bonuses or allow for higher bonuses in general.

Critics of CSHB 1 say a major pay raise for all teachers could unfairly reward underperforming teachers while discouraging educators who would have received additional compensation through TIA anyway. Other critics say lawmakers also should address problems with the existing Basic Allotment for school districts, which does not account for inflation and the differing student/teacher ratios between schools.

School safety

Texas Education Agency

CSHB 1: \$100 million in general revenue
Article 11: \$25 million

CSHB 1 would appropriate \$100 million in general revenue to the Texas Education Agency (TEA) for enhanced school safety measures and procedures. Appropriations would include \$9.72 per student, estimated to be \$100 million in total for the biennium, for the Foundation School Program via the School Safety Allotment. CSSB 30, the supplemental appropriations bill, would propose an appropriation of an additional \$1.6 billion to TEA for use on school safety initiatives.

Supporters of CSHB 1 say it would fund necessary improvements to the safety of public school campuses throughout the state. Following the school shooting in Uvalde in May 2022, there have been calls to substantially increase school safety standards. The additional funding could be used to implement safety initiatives, such as installing new security and communication equipment, training school staff, and creating safety procedures that could better protect students and staff.

Critics of CSHB 1 say the allocation of funds would not adequately serve the needs of the state's charter schools because charter schools, which do not receive local tax revenue, would have to weigh school safety improvement projects against other needs covered by maintenance and operations (M&O) funds.

Judiciary — Article 4

Art. 4 covers the judicial system of Texas, which includes the courts, supporting agencies, and other state-funded judiciary functions. The state's judicial system includes two high courts, 14 intermediate appellate courts, and 472 state district courts, as well as county, municipal, and justice of the peace courts.

For Art. 4 in fiscal 2024-25, CSHB 1 would appropriate \$1.2 billion in all funds, an increase of \$220 million or 22.1 percent from fiscal 2022-23. General revenue spending would total \$832 million, an increase of \$234.3 million, or 39 percent, from anticipated general revenue spending in fiscal 2022-23. Appropriations of general revenue dedicated funds would be \$196.8 million, a decrease of \$1.1 million from the 2022-23 biennium.

Rural defender program

Texas Indigent Defense Commission

CSHB 1: \$20 million in all funds

CSHB 1 would allocate \$20 million to support the creation of additional public defender programs in rural counties.

Supporters of CSHB 1 say the public defender programs funded by the bill would attract more attorneys to rural areas by offering competitive salaries, benefits, and qualifications for loan forgiveness, as well as more training and supervision. The Texas Indigent Defense Commission estimates that the state has lost more than a quarter of its rural defense attorneys in the last seven years and that more than half of rural misdemeanor defendants go to trial without an attorney present. Supporters say dedicated staff to support county courts would help address the inequity faced by rural defendants, who are less likely to have access to counsel than their urban counterparts. They say additional legal support would help ensure these counties remained in compliance with the constitutional right to counsel and had the resources they need to properly adjudicate misdemeanor cases.

Critics of CSHB 1 say the funding provided would not be enough to cover the more than 50 public defender programs requested across the state. With fewer attorneys practicing in rural areas and even fewer taking on indigent casework, more counties are unable to fill the gap in needed legal services, critics say. Several have no additional sources of revenue, as they already collect the maximum percentage of property taxes allowed. Critics say it is also increasingly difficult to attract and retain new lawyers when rural courts cannot offer more competitive benefits.

Adjudication of felonies under Operation Lone Star

Texas Indigent Defense Commission

CSHB 1: \$20 million in all funds

CSHB 1 would allocate \$20 million to fund the additional legal services required to adjudicate felony cases under Operation Lone Star (OLS). OLS began in March 2021 to prevent, detect, and deter transnational criminal activity, including drug and weapon smuggling, human trafficking, and illegal migrant crossing.

Supporters of CSHB 1 say it would help alleviate the felony caseload under OLS, which has become unmanageable for rural county courts. Unlike misdemeanors, OLS felonies are adjudicated in person, requiring travel, lodging, translators, and experienced attorneys skilled in felony arrests. Supporters say that as the backlog continues to rise, arrestees often will not have an attorney appointed for several weeks, in violation of the state law that requires an attorney be appointed within three days. They say that although some migrants are deported following their arrest, their cases are not being dismissed, requiring additional resources to remain in communication throughout the trial process.

Critics of CSHB 1 say that, rather than funding legal services to adjudicate OLS felonies, Operation Lone Star should be ended altogether because it has fostered an unequal and unconstitutional criminal justice system within judiciaries unequipped to handle the exponential influx of cases. They say migrants often are detained without being appointed a lawyer or being notified of their rights, resulting in due process violations and arrestees being lost within the system. Critics say the rise in arrests near the border wastes state funding and police resources that could be dedicated to other priorities.

Criminal Justice — Article 5

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

For Art. 5, CSHB 1 would appropriate \$19 billion in all funds for fiscal 2024-25, which is an increase of 39.4 percent from anticipated spending in 2022-23. General revenue appropriations would total \$18.3 billion, an increase of 54 percent from anticipated general revenue spending in 2022-23. Appropriations of general revenue dedicated funds would be \$137.2 million, an increase of \$83.1 million or 153.8 percent from anticipated spending in fiscal 2022-23.

Border security

Department of Public Safety, Texas Military Department, other agencies

CSHB 1: \$4.7 billion in all funds
Article 11: \$210 million in all funds

CSHB 1 would appropriate \$4.7 billion in all funds for border security, including activities related to Operation Lone Star (OLS). The majority of funding in 2024-25 would be appropriated to three agencies: \$2.3 billion to the Texas Military Department (TMD); \$1.2 billion to the Department of Public Safety (DPS); and \$1.0 billion to the Office of the Governor (OOG). Appropriations to DPS and TMD would primarily be used to support law enforcement and National Guard personnel stationed at the border. Funds would also be used for activities such as deterring drug and weapon smuggling, preventing human trafficking, and supporting anti-gang activities, as well as for processing centers, cameras, and equipment.

Ten additional agencies, across several articles, would also receive border security support funds:

- \$33.6 million to the Parks and Wildlife Department for enhanced game warden activities in border counties;
- \$53.5 million to the Office of Court Administration to support court services related to border issues;
- \$25.9 million to the Department of Criminal Justice for state and local jail services;
- \$16.4 million to the Department of State Health Services for ambulance services at border processing centers;
- \$8.8 million to the Department of Motor Vehicles for motor vehicle crime prevention;
- \$7.2 million to the Soil and Water Conservation Board for Carrizo Cane eradication;
- \$6.9 million to the Alcoholic Beverage Commission for border importation operations;

- \$2.6 million to the Office of the Attorney General for victim assistance in border counties;
- \$400,000 to the Commission on Jail Standards to support higher arrest volumes; and
- \$300,000 to the Commission on Law Enforcement to enhance access to counseling services.

OLS began in March 2021 to prevent, detect, and deter transnational criminal activity, including drug and weapon smuggling, human trafficking, and illegal migrant crossing.

CSHB 1 would require agencies receiving border security funding to report twice a year to the Legislative Budget Board all agency expended amounts and performance indicator results related to certain border security activities.

CSHB 1 would continue a rider requiring DPS to submit a report to legislative leaders each fiscal year detailing the effectiveness of cost containment measures the department has implemented and proposing additional measures to reduce the department's operating costs associated with its border security operations.

Supporters of CSHB 1 say it would continue the state's efforts to protect Texans by improving border security and deterring drug, weapon, and human trafficking activities. They say dollars spent on border security to-date have led to the capture of dangerous criminals and seizure of lethal drugs that otherwise would have made their way throughout the nation. Without this funding, supporters say, law enforcement will need to rotate from other duty stations to border locations to support security efforts, curtail drug cartel activities, and help manage border surges. Using rotations at the level necessary to sustain current efforts would take too many law enforcement members out of local communities and force excessive overtime shifts on forces that are already spread thin.

Critics of CSHB 1 say the state has higher priorities and instead should spend these funds on other needs, including health care services, children's initiatives, fixing the power grid, and housing. Although billions have been spent so far, the number of migrants crossing into the state is still at an all-time high, and it is still unclear that the state's efforts are making a difference.

Climate control in correctional facilities

Department of Criminal Justice

CSHB 1: \$343.8 million in general revenue funds

CSHB 1 would appropriate \$343.8 million in general revenue funds for the installation of climate control equipment and weatherization in state correctional facilities. A budget rider would specify that priority be given to installing climate control equipment in areas that house inmates with health vulnerabilities. The appropriations also include \$24.4 million in general revenue funds for the biennium to cover operating expenses and maintenance costs for the new equipment. An additional appropriation of \$225.8 million in general revenue funds proposed in CSSB 30 would make supplemental appropriations for fiscal 2023.

Supporters of CSHB 1 say funding climate control equipment would help alleviate the effects of extreme temperatures in state corrections facilities, which can place inmates and staff at risk of heat stroke, dehydration, and even death. Supporters say extreme heat can increase prison tension, leading to violence, and make it difficult for inmates to focus on rehabilitative programs and educational services necessary for them to successfully reenter society. They also say there is a disparity in how inmates are treated in different jail systems, with those in county jails required to keep temperatures between 65 and 85 degrees, while state correction facilities have no such requirement.

Critics of CSHB 1 say that most state correction facilities have at least some areas with air conditioning but that it would be cost prohibitive to similarly equip every unit. Other critics say the Legislature should ensure future funding is provided for ongoing operations costs such as utilities and longterm maintenance.

Staff shortages and vacancies

Texas Department of Criminal Justice

CSHB1: \$3.9 billion in all funds
Article 11: \$76.7 million

CSHB1 would appropriate \$3.9 billion in all funds to the Department of Public Safety for salaries and wages for the upcoming biennium, an increase of about \$800 million from fiscal 2022-23. Salary funding would be TDCJ's largest expense, making up about half of the agency's \$7.9 billion appropriations request.

Of the \$800 million increase, CSHB 1 would include \$374.8 million to incorporate a 15 percent correctional officer pay raise implemented in April 2022. Remaining funds most notably would cover:

- \$300.1 million in general revenue to fund a statewide salary increase;
- \$64.8 million in all funds to Community Supervision and Corrections Departments (CSCDs) for staff salary increases, commensurate with the statewide salary increase; and
- \$56.7 million in all funds to Correctional Managed Health Care (CMHC) for staff salary increases.

Supporters of CSHB 1 say increasing staff salaries would help alleviate the high vacancy rate of Correctional Officers (COs) within TDCJ, which is experiencing the largest staffing shortage across all Art. 5 agencies. In recent years, the department has experienced staff deficiencies during economic surges, primarily due to competing employment opportunities. These shortages reached a peak in February 2022 with about 8,000 vacancies, or 33.4 percent of staff capacity. Since implementing the 15 percent pay increase for these positions in April 2022, TDCJ has improved recruitment and retention efforts of COs, with staff vacancies down to 6,500. Supporters say high vacancies in state prisons can lead to overworked officers and lower enforcement standards, putting the lives of staff at risk. They say TDCJ also could use this funding to develop a more stable pay structure, improve retention and attract more individuals to a career within the agency.

Critics of CSHB 1 say that relying only on fiscal incentives to fill vacancies would not be enough to recruit and retain TDCJ employees. Instead, critics say, TDCJ should focus on restoring the image of correctional agencies to attract employees or strengthening partnerships with criminology and criminal justice departments at state universities. Critics also say that as wages increase across employment sectors and inflation rises, the pay for correctional officer positions still would not stand out compared to other occupations. Other critics say many vacancies within TDCJ have been due to increased health risks stemming from the COVID-19 pandemic. They say TDCJ should focus on improving safety conditions and increasing COVID safety precautions within prisons to prevent staff from leaving correctional positions in search of safer jobs.

Juvenile justice system

Texas Juvenile Justice Department

CSHB 1: \$1 billion in all funds

CSHB 1 would appropriate \$1 billion to the Texas Juvenile Justice Department (TJJD), an all-funds increase of \$401.6 million, or 62.3 percent. The funds primarily would be appropriated for salary increases, new facilities, and county-level capacity building. TJJD would receive \$35 million for salary increases and adjustments for TJJD staff. The bill also would allocate \$200 million to build new state facilities.

CSHB 1 would appropriate funding for local juvenile probation departments (JPDs), which serve the majority of youth in the juvenile justice system. The bill would appropriate \$60.4 million to fund JPDs' basic probation services based on individual referrals, rather than based on the average daily probation supervision population that has been used in previous biennia. JPDs would also receive \$51.4 million for salary increases and \$32.6 million for additional county resources.

Supporters of CSHB 1 say it would provide TJJD with the resources it needed to ensure adequate staffing at state facilities. Uncompetitive salaries contribute to TJJD's chronic staff shortages, supporters say, which have fueled instability and undercut the agency's ability to rehabilitate youth and protect the public. High turnover has resulted in a lack of supervisory staff which, in turn, has forced lockdowns at state facilities, decreased youth access to treatment, and jeopardized the safety and security of both youth and staff. Supporters say investing in salary increases would help TJJD attract and retain qualified staff, which is the first step toward stabilizing the juvenile justice system.

The bill also would address TJJD's long-term needs by funding new state facilities, supporters say. TJJD currently operates five large, aging facilities in rural areas, which TJJD has struggled to staff. Supporters say their remote locations often fuel vacancies. Although higher salaries could mitigate staff shortages in the short term, they say, new facilities closer to urban centers that offer specialized treatment programs could promote the long-term stability of the juvenile justice system. Supporters say CSHB 1 would help to ensure that TJJD could provide high-risk, high-needs youth with the appropriate level of care.

Supporters also say that CSHB 1 would enhance JPDs' ability to divert youth away from state care and toward regional placements and community resources. Local JPDs have faced critical staffing shortages and lack the resources to address the current need. CSHB 1 would enable JPDs to divert youth from TJJD commitment, as such diversion has been linked to lower recidivism rates and reduced costs.

Critics of CSHB 1 say salary increases alone would not solve TJJD's chronic staff shortages and high turnover rate. They say TJJD's instability is indicative of systemic issues that would not be

resolved by salary increases. The juvenile justice system requires a new model based on prevention and intervention, they say, which should include the staggered closure of the five state facilities.

Critics say new facilities also would not adequately address staff shortages. Building new facilities near urban centers could exacerbate staffing issues, as urban areas typically have more competitive labor markets and TJJD facilities would have to compete with private facilities that offer higher salaries. Critics say CSHB 1 should direct more funds toward county juvenile probation departments and regionalization efforts focused on keeping youth closer to home.

Other critics say that CSHB 1 should direct more funds toward prevention, intervention, and community-based services to promote better outcomes for youth and more effectively use taxpayer dollars.

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.

CSHB 1 would appropriate \$8.2 billion in all funds for Art. 6 agencies for fiscal 2024-25, a 27.5 percent decrease from fiscal 2022-23. General revenue appropriations would total \$2.8 billion, an increase of \$1.4 billion, or 101.1 percent, from anticipated general revenue spending in fiscal 2022-23. Appropriations of general revenue dedicated funds would be \$1.4 billion, an increase of \$139.2 million, or 11.2 percent, from fiscal 2022-23 spending levels. Appropriations within Art. 6 for fiscal 2024-25 include about \$3.2 billion in federal funds, a 58.5 percent decrease from the previous biennium.

Gulf Coast Protection District

General Land Office

CSHB 1: \$500 million in general revenue

CSHB 1 would appropriate \$500 million in general revenue to the General Land Office and Veteran's Board (GLO) as a grant to the Gulf Coast Protection District (GCPD), the entity created to fund and support storm surge mitigation projects along the Texas Gulf Coast. Of this appropriation, \$300 million would be allocated to state matching funds for studies and projects conducted by the U.S. Army Corp of Engineers (USACE). The funds would be contingent on USACE requesting that the state cover the 35 percent non-federal cost share of the projects currently in development.

Supporters of CSHB 1 say that funding the GCPD is necessary to protect lives and economic interests in the Harris, Galveston, Chambers, Jefferson, and Orange counties from damage caused by coastal storms and flooding. They say the aftermath of Hurricane Ike and Harvey, and the tens of billions of dollars lost in damages, has made the need to protect Texas coasts increasingly apparent. Also, the counties within the GCPD contain refineries, chemical plants, and other important economic assets on the coast and within the Houston ship channel that generate close to a quarter of Texas GDP. Without proper protection, supporters say, a major storm could send storm surge up the channel, potentially destroying key infrastructure in vital economic sectors, causing environmental damage, and flooding much of Houston and other coastal areas. The \$500 million appropriated would begin the process to build a storm surge wall and other mitigation projects to prevent these outcomes.

Critics of CSHB 1 say that the current plan for a storm surge wall should not be funded because it is impractical and could harm the environment. Many marine animals are dependent on Galveston Bay for their survival, critics say, and a storm surge wall could put the health of Galveston Bay in jeopardy. Critics say the full effects of the storm surge barrier are still unknown, and consequences to the environment could be detrimental without truly protecting the Texas coast. GCPD projects only

protect against storm surge and not other flooding events, they say, and before appropriating funds, the state should ensure these projects will protect the Texas coast without destroying the natural treasure of Galveston Bay.

Entry point inspections

Texas Department of Agriculture

CSHB 1: \$2.6 million in general revenue
Article 11: \$37 million in general revenue

CSHB 1 would appropriate \$2.6 million in general revenue to the Texas Department of Agriculture (TDA) for state entry point inspections, replacing federal funding that will no longer be available after fiscal year 2024. Entry point inspections are intended to ensure that agricultural products entering Texas follow state and federal standards. CSHB 1 would place in Article 11, an additional \$37 million in general revenue for more inspection stations and 131 additional FTEs requested by the agency.

Supporters of CSHB1 say funding entry point inspections is important for protecting the Texas agriculture industry from invasive species and pests. Plants brought into Texas from quarantined locations and infested states in violation of state and federal quarantine laws have cost Texans billions of dollars in damages. With federal funds no longer available, supporters say it is vital that the state funds this initiative.

Critics of CSHB 1 say \$2.6 million is not enough to protect Texas from invasive diseases and species. They say the funding would only be enough for sporadic inspections during the day, leaving the majority of vehicles entering the state uninspected and inspection points easily avoidable. Texas is behind other states that have more robust roadside inspections and inspect millions more vehicles, critics say. They say the \$37 million requested by the agency would put Texas on the right track to catch pests, diseases, and invasive species before they can harm Texas agriculture and that the funds should be moved from Article 11 into the agency appropriations under Article 6.

Economic Development — Article 7

Art. 7 includes agencies that support business and economic development, transportation, and community infrastructure, including the Texas Department of Transportation (TxDOT), Texas Workforce Commission (TWC), Texas Department of Housing and Community Affairs (TDHCA), Texas Department of Motor Vehicles (TxDMV), and Texas Lottery Commission.

CSHB 1 would appropriate \$45.6 billion in all funds for Art. 7 in fiscal 2024-25, a decrease of 0.5 percent from the previous biennium. General revenue appropriations would total \$1.1 billion, an increase of \$555.4 million, or 109.3 percent, from fiscal 2022-23.

Port infrastructure funding

Texas Department of Transportation

CSHB 1: \$400 million in general revenue
Article 11: \$1.2 billion

CSHB 1 would appropriate \$400 million for the Ship Channel Improvement Revolving Fund (SCIRF), while placing \$350 million for SCIRF and \$850 million for port capital improvement projects in Art. 11. In addition, CSSB 30, the supplemental appropriations bill, proposes \$200 million for port capital improvement.

The SCIRF was created in 2017 by the 85th Legislature to provide low-interest loans for federally approved projects to deepen and widen ship channels. Since 2017, TxDOT has included funds for the SCIRF in their legislative appropriation requests, but to date these funds have not been appropriated. The Port Access Account Fund, enacted in 2001, authorizes TxDOT to fund port security, transportation, or facility projects as well as maritime port studies. This funding mechanism, also known as the Port Capital Program, has not yet been used to fund port infrastructure directly.

Supporters of CSHB 1 say the proposed appropriations for port infrastructure funding would help Texas ports remain competitive and continue to support the state economy. Ports are critical to the economic growth of Texas, they say, but the ports themselves, along with private industry, have borne most of the burden of funding maintenance and improvement. Supporters say that while ports typically fund ship channel improvement in partnership with the federal government, congressional action for this purpose can take decades. They say that without being deepened and widened, Texas ports will not be able to accommodate the largest classes of cargo ships.

Although Texas ports are among the fastest growing in the nation, supporters say, they face shortfalls in funding the maintenance and expansion needed to manage higher levels of waterborne commerce. Unlike many other forms of transportation infrastructure, Texas ports do not receive automatic or formula-based funding. Supporters of CSHB 1 say that the bill's proposed appropriations for ship channel and port facility improvement would help ensure that these vital infrastructure projects could move forward.

Critics of CSHB 1 say that the Legislature should allocate significantly greater amounts to both the SCIRF and the Port Capital Program. Up to this point, the state has invested much less than other coastal states in port infrastructure investment. While Texas has appropriated some state funds to improve port connectivity by investing in public roads outside of ports, critics note that the state has not yet directly supported the development of port facilities themselves. The process for Texas ports to receive port funding from the federal government is unreliable, critics say, causing Texas ports to miss valuable opportunities that could provide immense economic benefits. They say the Legislature should fully appropriate \$1 billion to port capital investment and \$750 million to the SCIRF.

DMV registration and titling system replacement

Texas Department of Motor Vehicles

CSHB 1: \$6.75 million in other funds

CSHB 1 would allocate \$6.75 million from the Texas Department of Motor Vehicles Fund No. 10 (TxDMV Fund) and grant capital budget authority for the initial phase of replacing the DMV's legacy Registration and Titling System (RTS). This appropriation would include a Data Center Services component of about \$2.3 million.

Supporters of CSHB 1 say that the allocated funds would enable the DMV to complete groundwork for replacing its nearly 30-year-old system for processing vehicle registration and title transactions. Although the current RTS has been upgraded over the decades and is stabilized for continued near-term uses, they say, technological advancement and increasing demand will make a new system necessary. The proposed allocation would cover Phase One of the replacement project, including procuring required documentation, updating the current system to ensure a smooth transition, and developing a comprehensive replacement plan.

While some have raised the possibility of funding a greater share of the cost of the RTS replacement in CSHB 1, supporters say, more work is needed to determine the appropriate amount for full funding, and the bill's proposed allocation would allow that work to be done. While the TxDMV Fund does not have the resources to pay for the entire system replacement outright, it does have a growing balance that could be financed to cover the cost of a new RTS in coming years.

Critics of CSHB 1 say the Legislature should consider appropriating more funds to begin RTS replacement, which could cost around \$100 million, rather than funding only initial study and planning. They say that in addition to being out of date, the current system is unreliable and that it is uncertain whether the state will have similar financial resources in later sessions. Critics say the Legislature should not miss an opportunity to expedite the transition to a new RTS by appropriating more funds for the program.

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 \$926.7 million in all funds for Art. 8 agencies, an increase of 11.8 percent from fiscal 2022-23. General revenue appropriations would total \$433.2 million, an increase of \$123.7 million, or 40 percent, from anticipated general revenue spending in fiscal 2022-23. Appropriations of general revenue dedicated funds would be \$378.7 million, an increase of \$22.9 million from fiscal 2022-23 spending levels.

PUC staff expansion and retention

Public Utility Commission

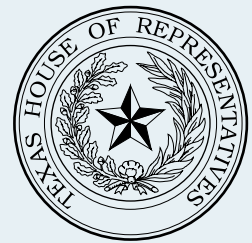
CSHB 1: \$13.3 million in general revenue and general revenue dedicated funds

CSHB 1 would appropriate about \$9 million to fill vacancies and add new FTEs for the PUC's existing operations and about \$1.9 million for three new program teams with a total of 10 new FTEs. CSHB 1 also would appropriate more than \$2.4 million for salary adjustments, including a 10 percent increase for attorneys and other licensed professionals, and a 5 percent increase for other PUC staff.

Supporters of CSHB1 say the bill's proposed appropriations are needed to equip the Public Utility Commission (PUC) to effectively carry out its expanded duties because the agency is already understaffed and has historically been underfunded. In the wake of Winter Storm Uri, the 87th Legislature significantly revised the agency's governing structure and responsibilities. The PUC was charged with providing more active oversight of the Electric Reliability Council of Texas (ERCOT) and the state's electricity industry in order to ensure the reliability of Texas' electric grid. The Legislature also moved the agency's Sunset review up by two years to 2023. Supporters of CSHB1 say the agency needs more funds to fill and expand its workforce. They say current PUC employees are overextended and can earn higher salaries in the private sector, exacerbating the agency's struggle to retain experienced staff and preserve institutional knowledge, particularly in its legal division.

PUC's rise in public visibility and increased regulatory authority have brought suggestions for the agency to improve public outreach and communication. CSHB 1 would appropriate \$510,000 to establish a new Office of Public Participation, with authority for three new FTEs. The bill would fund a new data analysis team at \$910,000, with authority for four new FTEs. The PUC currently is unable to perform its own independent analysis of electric data to inform its oversight of the utility market and must rely on market participants for analysis. The PUC intends to develop, in coordination with other state agencies, a State Energy Efficiency Plan and CSHB 1 would appropriate \$460,000 for this purpose, including an outreach team and an engineering specialist.

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