

TEXAS BUDGET TRENDS IN ARTICLE II

OVERVIEW

The 84th Texas Legislature passed a 2016-17 total budget including state and federal funds of \$209.1 billion for an increase of 2.9 percent from the previous budget's expected expenditures ([Legislative Budget Board \(LBB\) 2016a, 2](#)). Although this was a conservative budget, defined as an increase at or below the increase in population growth plus inflation of 6.5 percent during the prior two fiscal years ([Heflin and Ginn 2015, 5](#)), individual budget functions that increase by more than this key metric deserve scrutiny.

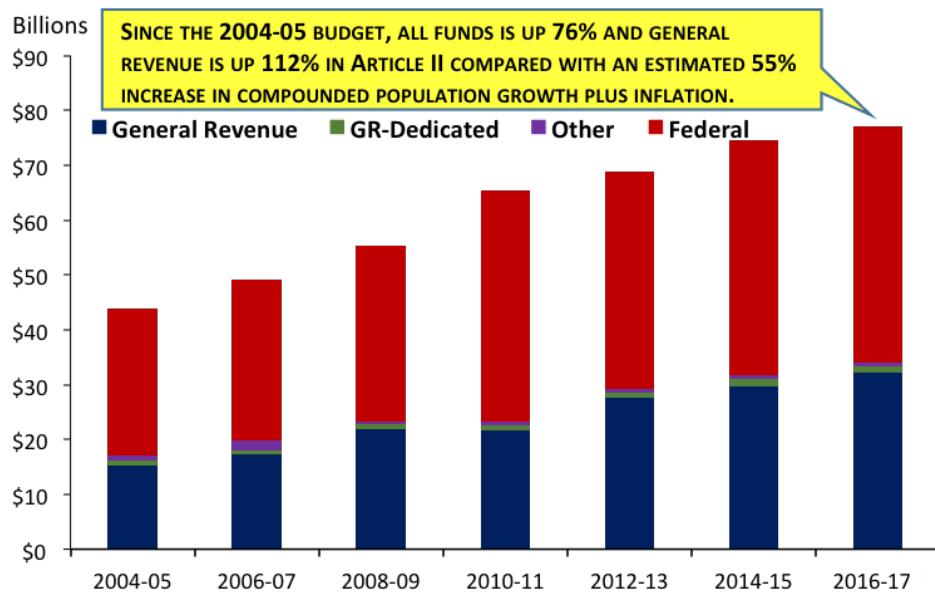
This paper highlights Texas budget trends in Article II since the 2004-05 budget and notes the changes in Health and Human Services functions in the 2016-17 budget compared with population growth plus inflation.

Article II Budget Increases by More than Population Growth Plus Inflation Since 2004-05

The Legislature appropriated \$77.2 billion in the 2016-17 budget for Article II, which is an increase of \$2.5 billion or 3.3 percent from the previous budget's expected expenditures. The primary funding sources are federal funds of 55.9 percent of its total budget and 41.7 percent is from general revenue funds. Although Article II is currently the second largest item comprising 37 percent of the state government's total budget, it was the largest item for the first time in Texas history in the 2014-15 budget period and will likely continue to increase as a share of the budget ([Davidson and Ginn 2015, 4](#)).

Chart 1 notes that the Article II total budget has increased by more than compounded population growth plus inflation since 2004-05, for a cumulative increase of \$435 billion through 2016-17, and the general revenue portion is up by more than double this key metric.

Chart 1: Article II spending growth far outpaces population growth plus inflation since 2004-05



Notes: Data are from the Legislative Budget Board ([2016a](#)) and Heflin, et al. ([2015](#)) with expected spending in 2014-15 and 2016-17.

continued

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- The Article II budget in all funds is up 76 percent since the 2004-05 budget compared with only a 55 percent increase in population growth plus inflation.
- The 84th Legislature appropriated \$77.2 billion for Article II of the 2016-17 all funds budget, which is an increase of 3.3 percent from the previous budget's expected spending.
- The Health and Human Services budget should be closely watched as agencies make their requests and during the legislative process next session because of its growing share of the budget.



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Chart 2: Functions in 2016-17 Article II all funds budget that substantially changed

FUNCTION (IN MILLIONS)	2014-15 APPROPRIATIONS	2016-17 APPROPRIATIONS	BIENNIAL CHANGE	PERCENTAGE CHANGE
Health and Human Services Commission	\$48,548.60	\$56,590.20	\$8,041.60	16.6%
Department of Family and Protective Services	\$3,036.10	\$3,487.20	\$451.10	14.9%
Department of State Health Services	\$6,543.90	\$6,451.90	-\$92.00	-1.4%
Department of Assistive and Facilitative Services	\$1,264.20	\$958.00	-\$306.20	-24.2%
Department of Aging and Disability Services	\$13,862.40	\$8,833.20	-\$5,029.20	-36.3%

Sources: Legislative Budget Board ([2013](#), [2016b](#))

Although the Article II budget for 2016-17 increases by less than 6.5 percent from the previous budget, Chart 2 highlights the key functions that increased more than this rate and those that declined in appropriations from 2014-15 to 2016-17.

The primary causes for these increases and decreases are listed below:

- \$4.5 billion of the Health and Human Services Commission (HHSC) budget increase is for “aged and Medicare-related” services in the Medicaid program from changes in the STAR+PLUS program that shifted responsibility of certain long-term care services from the Department of Aging and Disability Services (DADS); another \$2.1 billion of HHSC’s budget increase is for the “disability-related eligibility group” ([LBB 2016b, II-79](#)). “The programs at DADS affected by the STAR+PLUS expansion or nursing facility carve-in include Primary Home Care, Day Activity & Health Services, Community-based Alternatives (CBA), Nursing Facility Payments, Medicaid Skilled Nursing Facility, and Promoting Independence Services” ([LBB 2015, 51](#)).
- \$141.4 million of the Department of Family and Protective Services budget increase goes to “Child Protective Services (CPS) direct delivery staff” for caseload growth in foster care, day care services, and rate increases for certain foster care providers ([LBB 2016b, II-31](#)).
- \$87.8 million of the Department of State Health Services budget decrease is for “emergency medical services (EMS) and trauma care systems” ([LBB 2016b, II-48,49](#)) that is from general revenue-dedicated facility and EMS funds to HHSC

([LBB 2015, 11](#)); on the other hand, there is a rising share of DSHS funds to behavioral health that includes \$32.4 million for “community mental health crisis services” ([LBB 2016b, II-49](#)), but this is one of only 18 agencies that receive a total \$3.6 billion towards behavioral health services without Medicaid ([Murphy 2016, 1](#)) and \$6.7 billion with it ([Senate Finance Committee, 2016](#)).

- \$203.3 million of the Department of Assistive and Facilitative Services budget decrease is for “vocational rehabilitation—general” because of a transfer of these services to the Texas Workforce Commission in FY 2017 ([LBB 2016b, II-20](#)).
- \$4.7 billion of the DADS budget decrease is for “nursing facility payments” in the Medicaid program from changes in the STAR+PLUS program that shifted responsibility of certain long-term care services listed above to HHSC ([LBB 2016b, II-2](#)).

CONCLUSION

The Article II 2016-17 budget decreases in certain functions coincide with increases in other functions, as there were shifts in funding among agencies for a total increase that was less than population growth plus inflation. If there happens to be a \$1.4 billion supplemental bill passed next session to backfill unfunded health-related expenditures, Article II would surpass Article III as the largest budget item for the second consecutive year. Regardless, the budget for Health and Human Services should be closely watched as agencies make their requests and during the legislative process next session because of its growing share of the budget. Effectively scrutinizing every area of the budget will ultimately provide a total budget that increases by less than population growth plus inflation each session.★

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About the Authors



The Honorable Talmadge Heflin is the director of the Foundation's Center for Fiscal Policy. Prior to joining the Foundation, Heflin served the people of Harris County as a state representative for 11 terms. Well regarded as a legislative leader on budget and tax issues by Democratic and Republican speakers alike, he was the only House member to serve on both the Ways and Means and Appropriations committees for several terms.

In the 78th Session, Heflin served as chairman of the House Committee on Appropriations. He navigated a \$10 billion state budget shortfall through targeted spending cuts that allowed Texans to avoid a tax increase.



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