

# STATE BUDGET UPDATE

June 2024 Texas Council of Community Centers Conference

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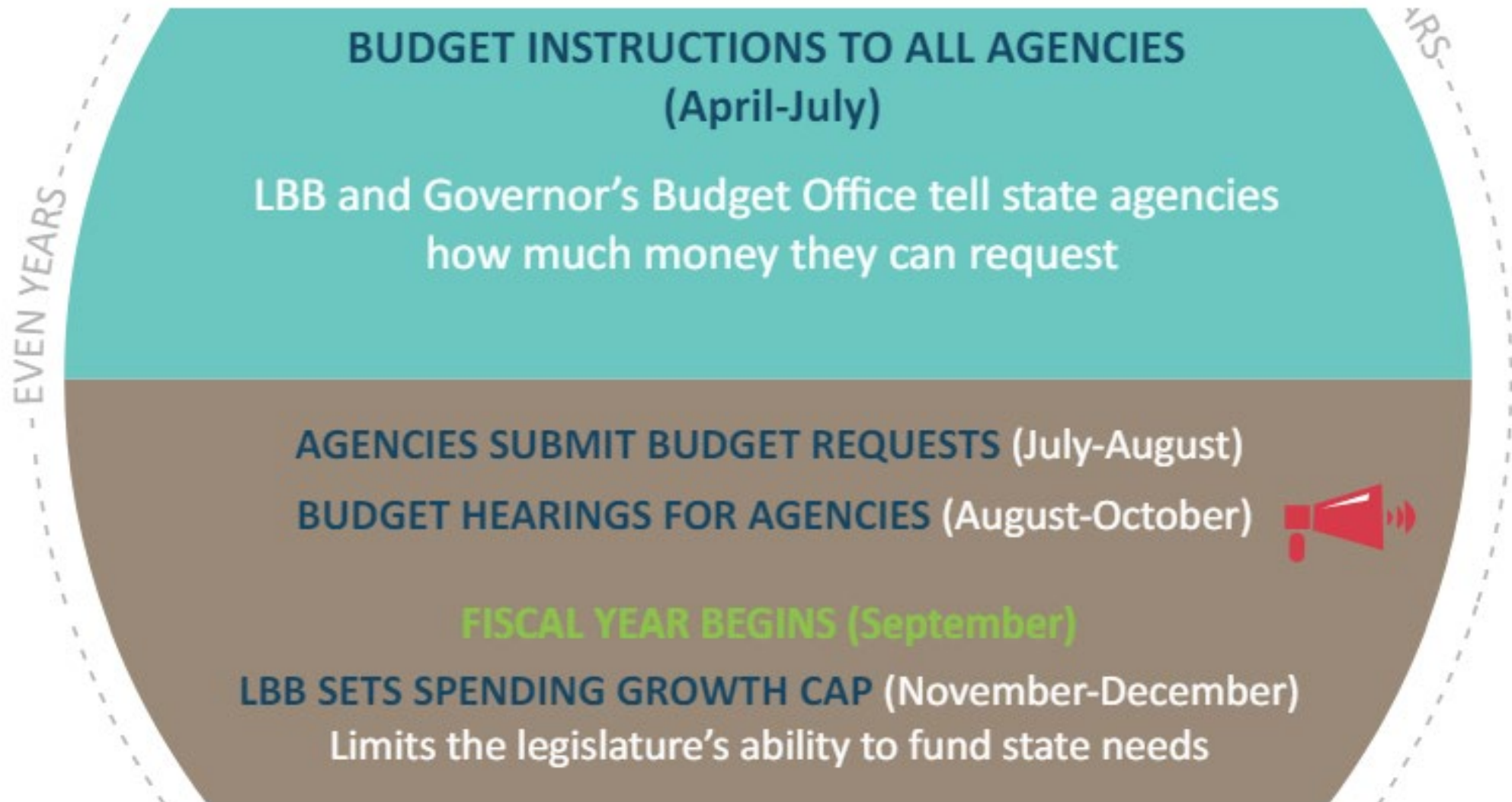
@DeLunaEva

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# OUTLINE

- Where are we in the state budget process
- How is state revenue doing
- 2024-25 State Budget
- Challenges for 2025 session and beyond

# TEXAS BIENNIAL BUDGET CYCLE





**Legislative Budget Board**  
Robert E. Johnson Bldg.  
1501 N. Congress Avenue, 5<sup>th</sup> Floor  
Austin, TX 78701  
(512) 463-1200

**Governor's Office of  
Budget and Policy**  
1100 San Jacinto, 4<sup>th</sup> Floor  
Austin, TX 78701  
(512) 463-1778

**June 30, 2022**

**TO:** State Agency Board/Commission Chairs  
State Agency Heads and Executive Directors  
Appellate Court Justices and Judges  
Chancellors, Presidents, and Directors of Institutions and Agencies of Higher Education

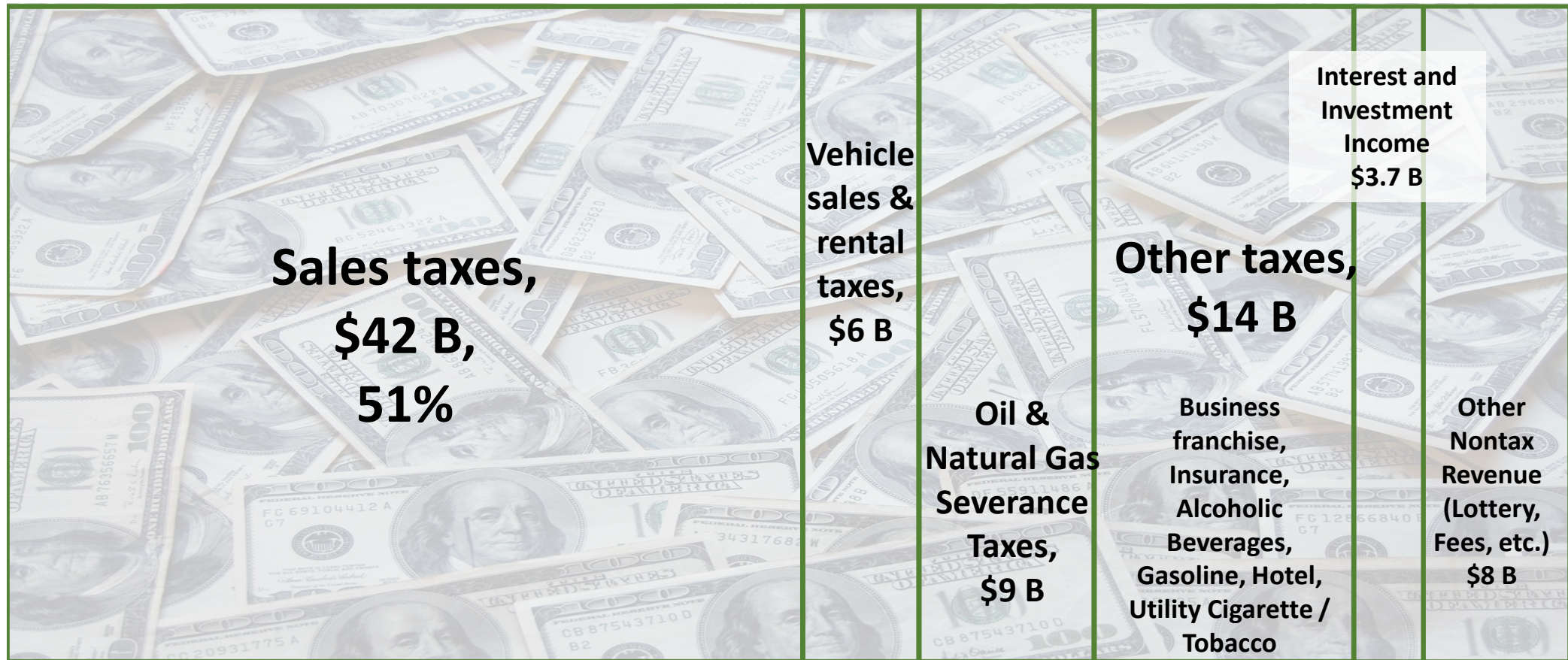
Detailed instructions for the submission of legislative appropriations requests for the 2024-25 biennium have been posted on the websites of the Legislative Budget Board and the Office of the Governor. A staggered schedule of submission due dates is included in the instructions.

Under these instructions, an agency's baseline request for General Revenue Funds and General Revenue-Dedicated Funds may not exceed the sum of those amounts expended in fiscal year 2022 and budgeted in fiscal year 2023. Exceptions to the baseline request limitation include amounts necessary to:

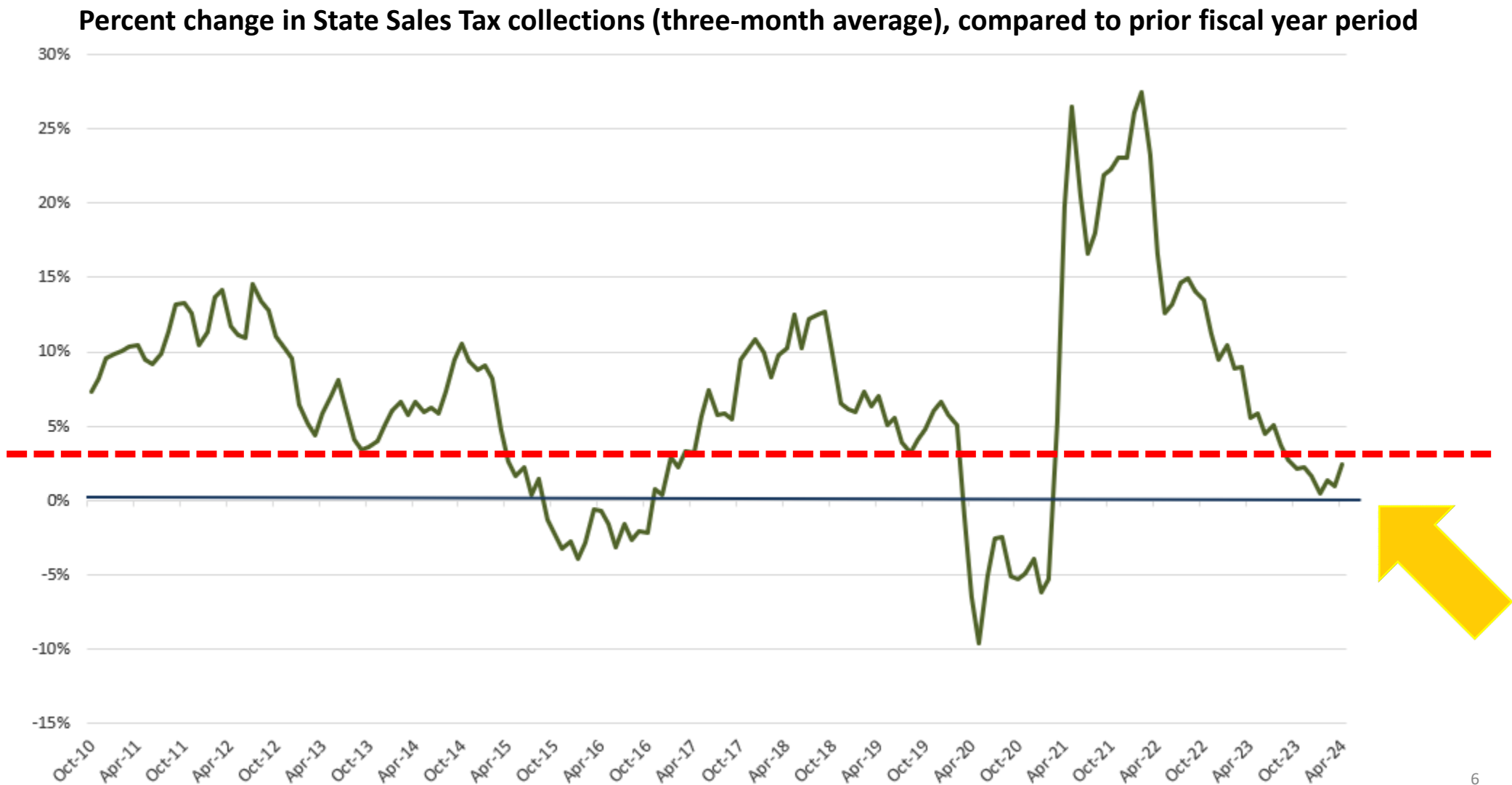
- maintain funding for the Foundation School Program under state law;
- satisfy debt service requirements for bond authorizations;
- maintain funding at fiscal year 2023 budgeted levels plus amounts necessary to cover the impact of payroll growth for state pension systems and employee group benefits (not including payroll contributions made by state agencies and institutions of higher education for retirement and group health insurance), though group benefit modifications may be considered;
- maintain benefits and eligibility under state law in Medicaid programs, the Children's Health Insurance Program, foster care programs, the adoption subsidies programs, and the permanency care assistance program (baseline requests for these programs should include amounts sufficient for projected caseload growth);
- amounts necessary for public safety operations and equipment, including border security; and
- replace federal funds used for fiscal year 2022 public health and public safety salaries and other personnel costs at targeted agencies.



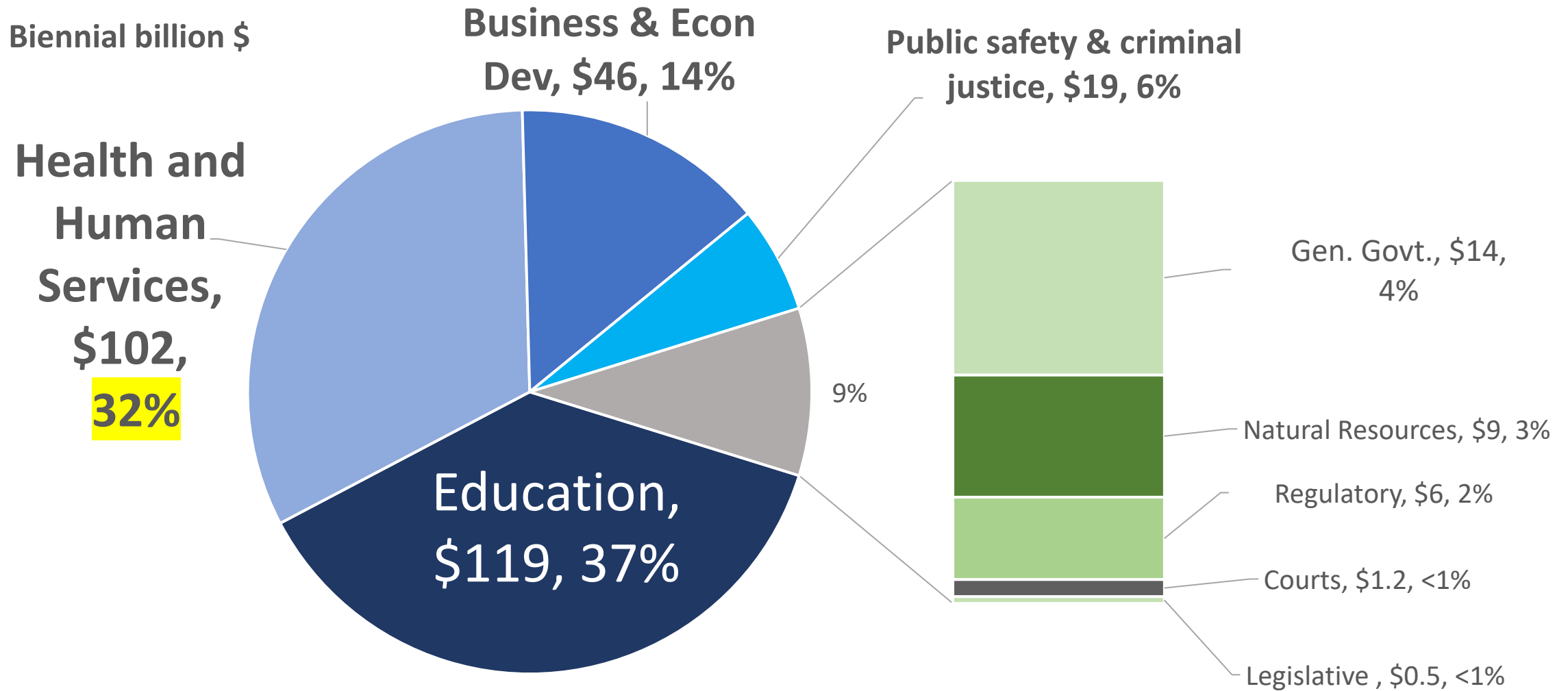
# SOURCES OF 2023 STATE GENERAL REVENUE



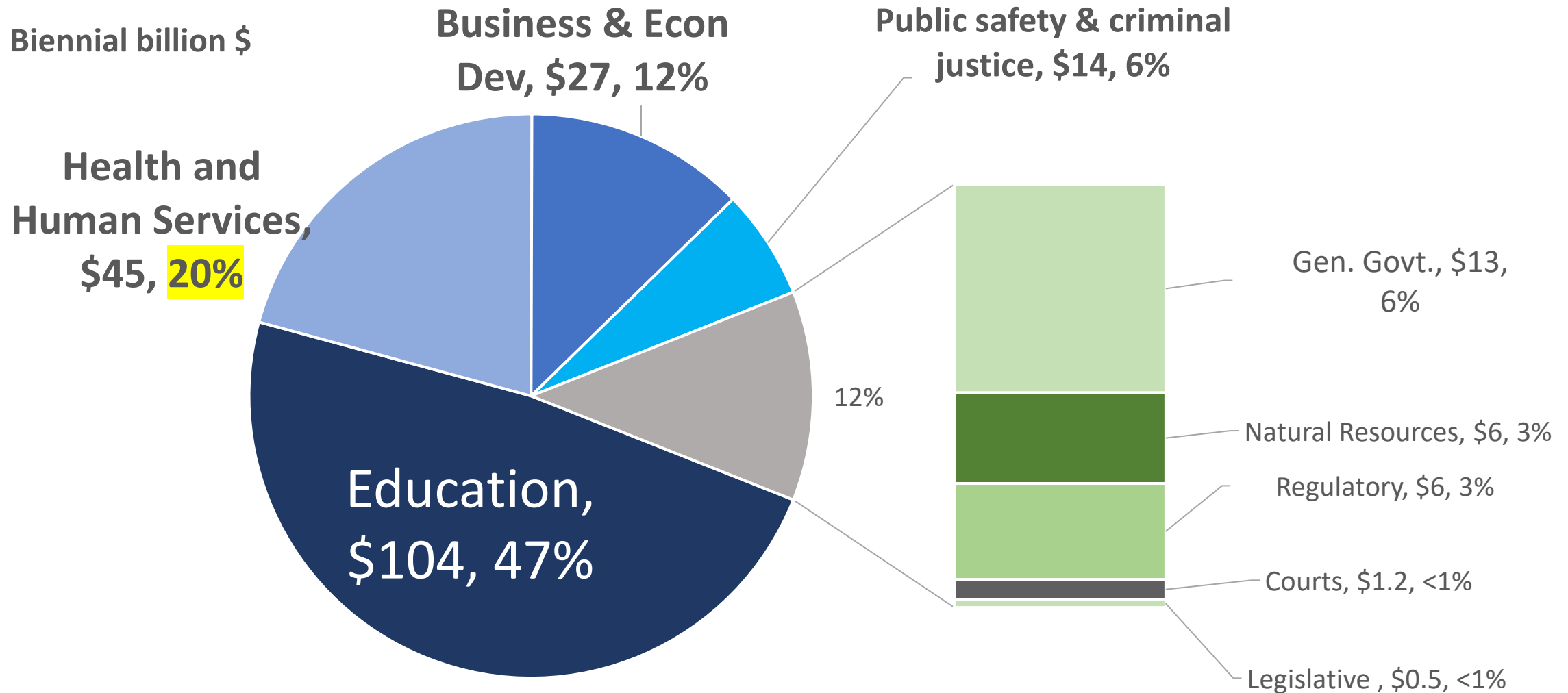
# SALES TAX: FALL 2023 REVENUE FORECAST CALLS FOR 2.8% GROWTH COMPARED TO 2024, THEN 3.1% IN 2025



# TEXAS BUDGET, ALL FUNDS, 2024-25: \$322 B



# MINUS FEDERAL FUNDS: 2024-25: \$219 B



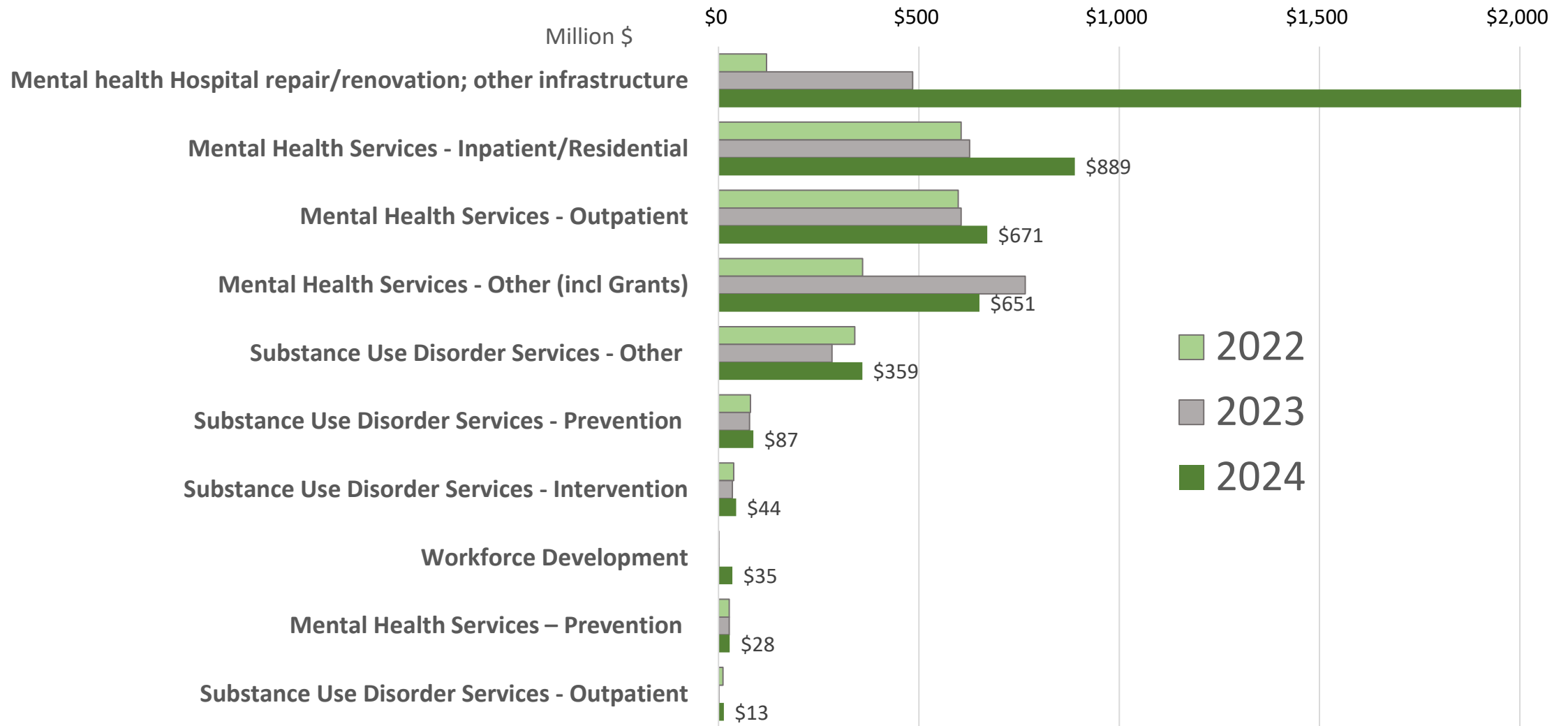


# CHANGES IN GENERAL REVENUE SUPPORT

Biennial billion GR \$ for...	PreK-12	Higher Ed	HHS	Behavioral Health	Gen. Govt	Border Security	All other
2022-23 (2021 GAA)	47.3	16.7	31.0	3.4	4.2	2.9	13.5
2022-23 (after SB 30)	41.7	18.3	33.9	5.8	7.5	4.7	19.4
2024-25	45.9	20.3	38.3	4.6	8.0	6.6	20.7
2024-25 vs 2021 GAA	-3%	22%	23%	35%	89%	125%	53%

HHS excludes behavioral health/substance abuse. PreK-12 education funding for 2024-25 excludes \$4.5 B contingency.

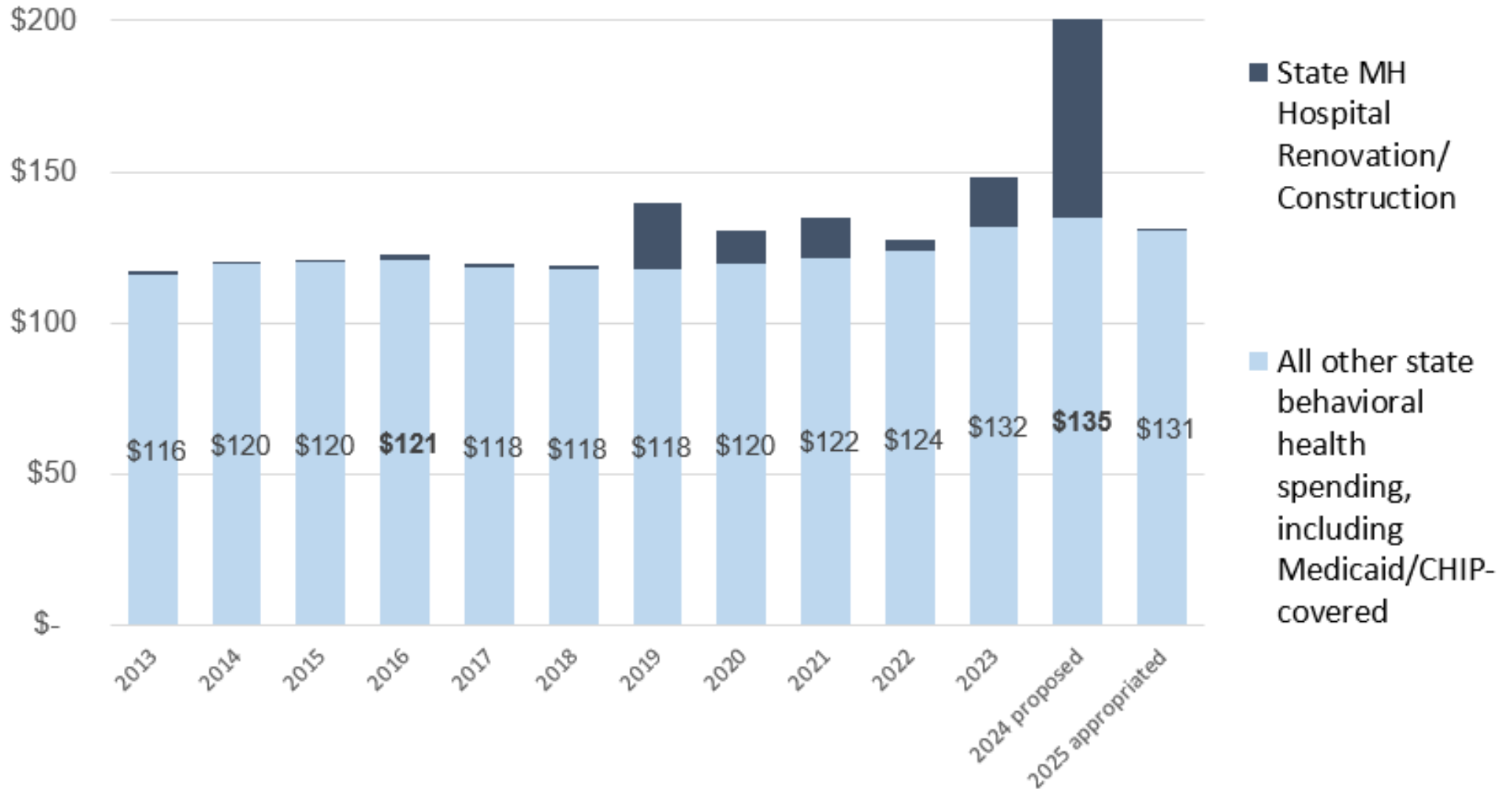
# STATE AGENCY BEHAVIORAL HEALTH SPENDING, EXCL. MEDICAID/CHIP



*Not all service categories shown. Source: Texas HHSC, 2022, 2023, and 2024 Coordinated Statewide Behavioral Expenditure Proposals*

# ... WITH MEDICAID/CHIP ADDED, AND ADJUSTED FOR POP/INFLATION

Texas State-Budget Spending on Behavioral Health per State Resident, in 2024 \$ (US CPI inflation)



# WORKFORCE / WAGE CHALLENGES

	Texas employment in May 2023	Average hourly wage, May 2023	Increase in hourly wage since 2019
Substance abuse, behavioral disorder, and mental health counselors	18,840	\$26.82	<b>13.1 %</b>
Child, family, and school social workers	21,210	\$24.34	<b>3.2 %</b>
Healthcare social workers	11,590	\$30.83	<b>9.8 %</b>
Mental health and substance abuse social workers	4,880	\$22.91	<b>10.4 %</b>
Social and human service assistants	21,050	\$20.45	<b>18.3 %</b>

**CPI Inflation between 2019 and 2023: 19%**

*Sources: Bureau of Labor Statistics, Occupational Employment Survey.*

# BACK TO 2024-25 STATE BUDGET HIGHLIGHTS

## ONGOING COMMITMENTS

- \$1.3 billion GR-related: State employee pay raise of 5% / year
- \$2 billion All Funds: Raise hourly base wage of community care attendants to \$10.60
- \$207 million for rate increases for pediatric services, women's health-related surgeries, private duty nursing, ground ambulances

## ONE-TIME GR

- \$5 billion for TRS retiree cost-of-living increase in monthly pension checks and for a "13<sup>th</sup>" check
- \$1.8 billion to reduce ERS/other state pension fund liability
- \$400 million for Alamo restoration

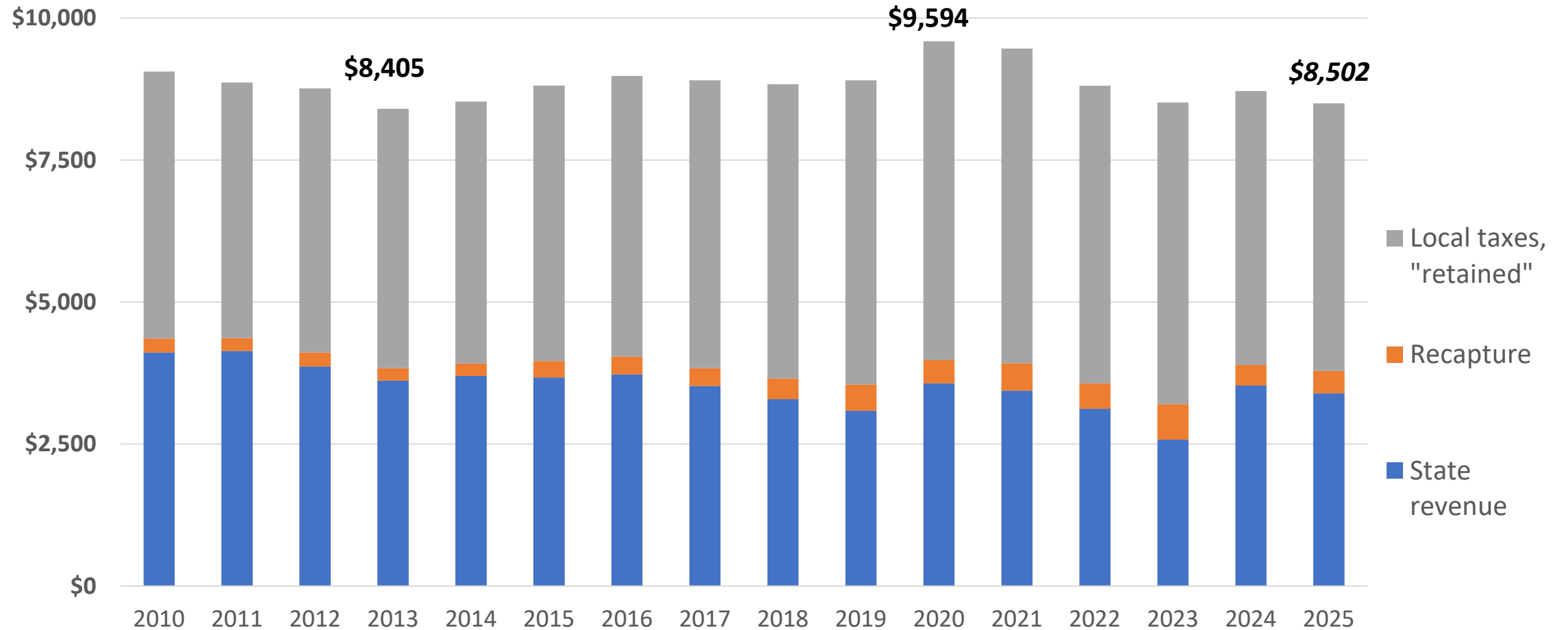
# GENERAL REVENUE FOR GENERATIONAL INVESTMENTS

\$10 Billion	Texas Energy Fund (grants & loans)
\$3 Billion	Texas University Fund (non-UT / TAMU)
\$1.5 Billion	Broadband Connectivity
\$1.365 Billion	Semiconductor Consortium

Plus: \$1 B for Centennial Parks Fund, \$1 B for Water Fund, \$625 million for Flood Infrastructure Fund, \$550 m for Gulf Coast Protection, \$350 m for Space Commission & Aerospace Research



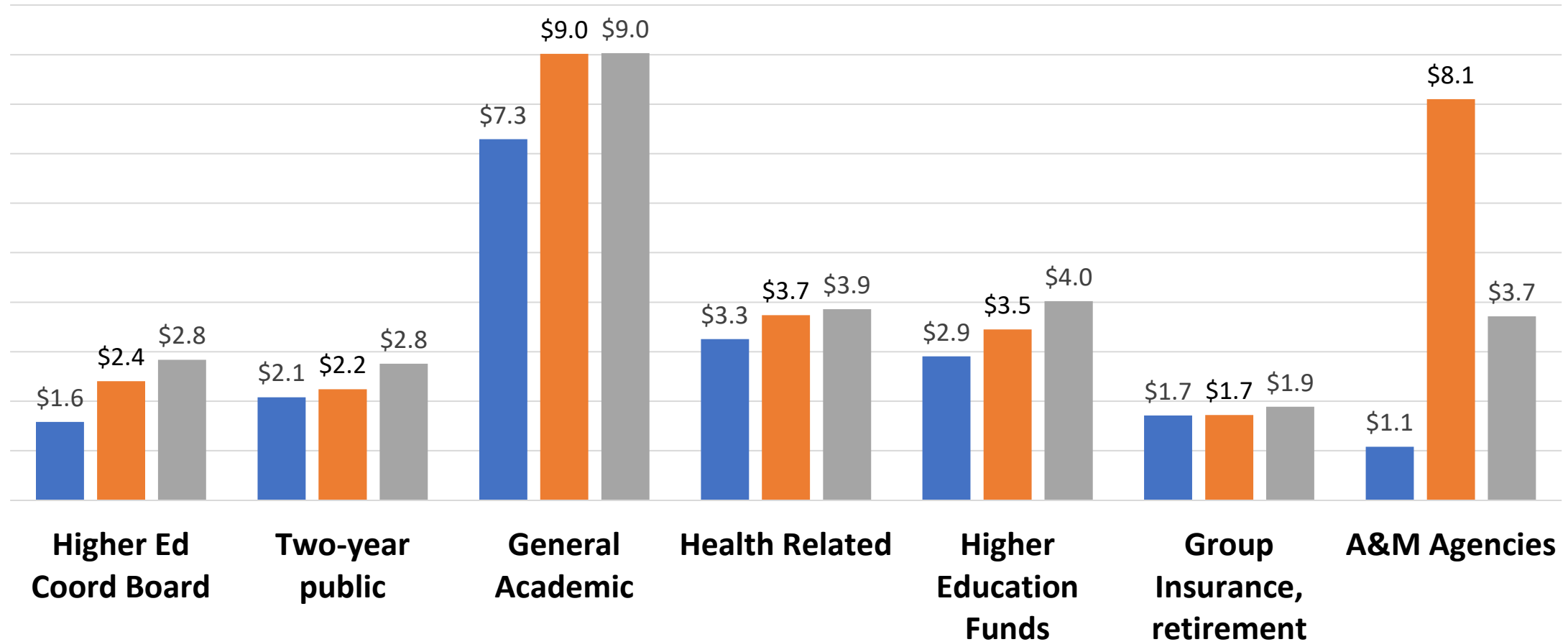
# TEA: Local School Taxes Plus State Formula Aid per Student in Weighted Attendance, adjusted to 2023 \$



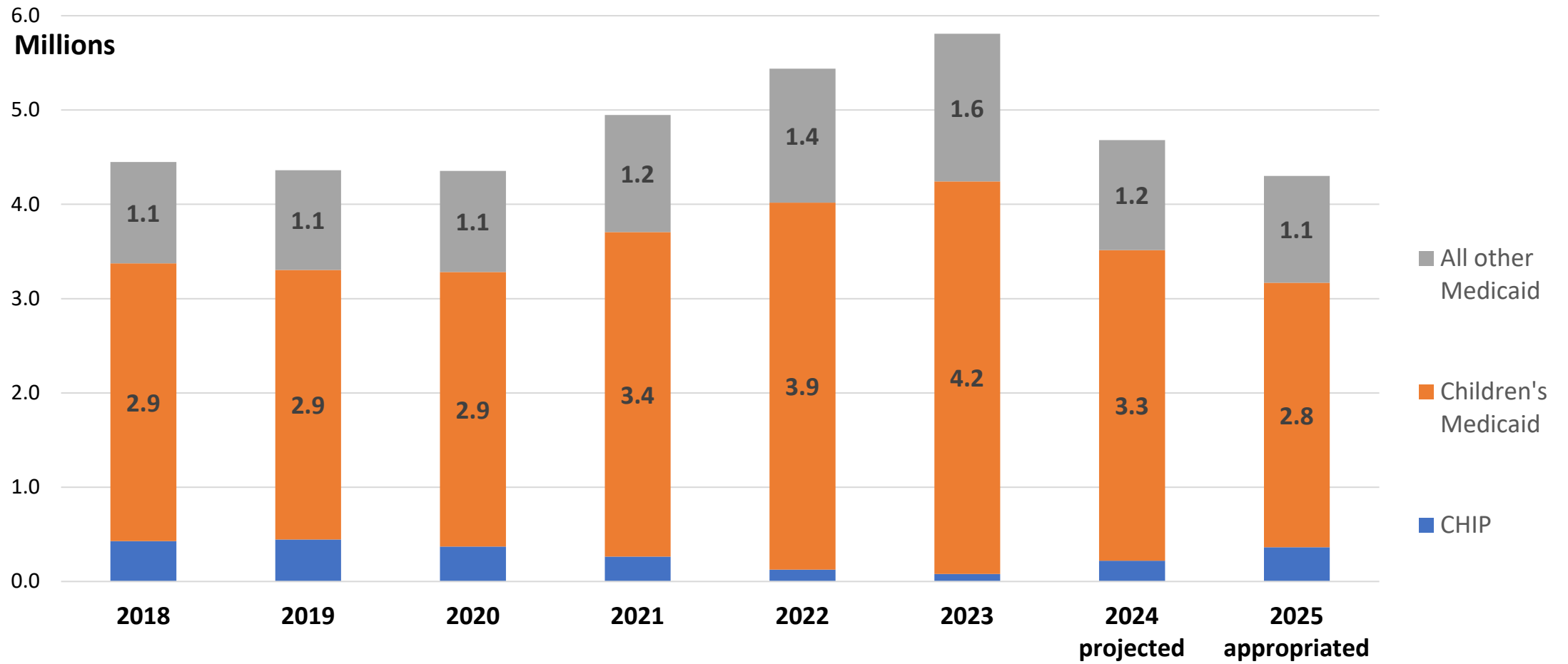
# HOW STATE BUDGET SUPPORTS HIGHER EDUCATION

All Funds, biennial billion \$

■ 2018 19   ■ 2022 23   ■ 2024 25 appropriated



# MEDICAID/CHIP CASELOADS TRENDS

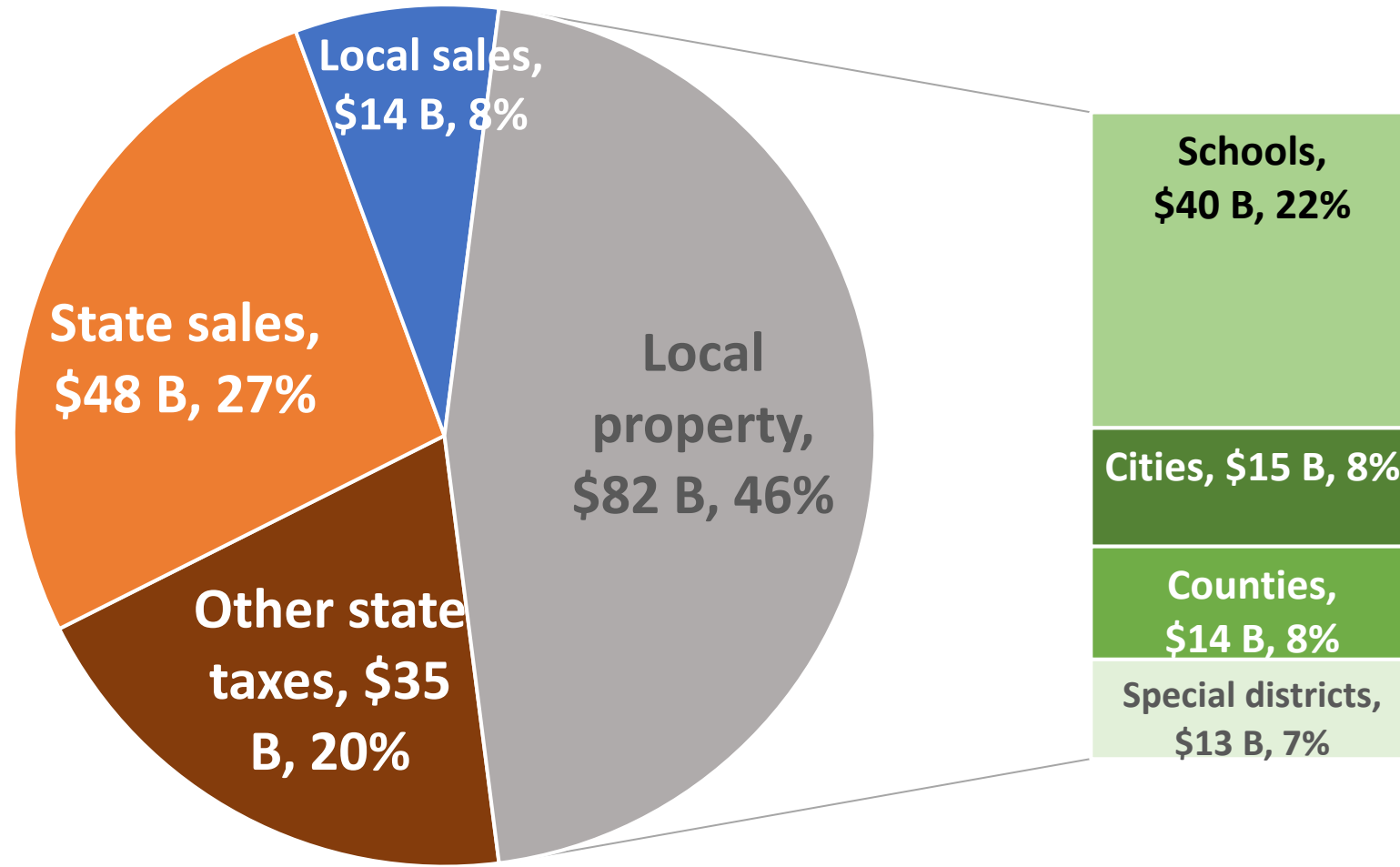


# FISCAL & POLICY CHALLENGES AHEAD

## 2025 SESSION

- Refinance state prison system (TDCJ) with \$5.4 B General Revenue, when federal COVID fiscal relief is finally gone
- New general revenue needed for operating costs of one-time investments such as state parks, state hospitals
- \$7 billion a year in new school property tax cuts is an ongoing commitment of state revenue. Eliminating M&O school tax could cost at least **\$30 B** a year.
- A truly universal \$10,000 voucher (“ESA”) - available to **all** 260,000 private-school pupils and 480,000 homeschooled – would cost **another \$7.4 B a year.**

# TEXAS IS A TWO-TAX STATE: SALES & PROPERTY

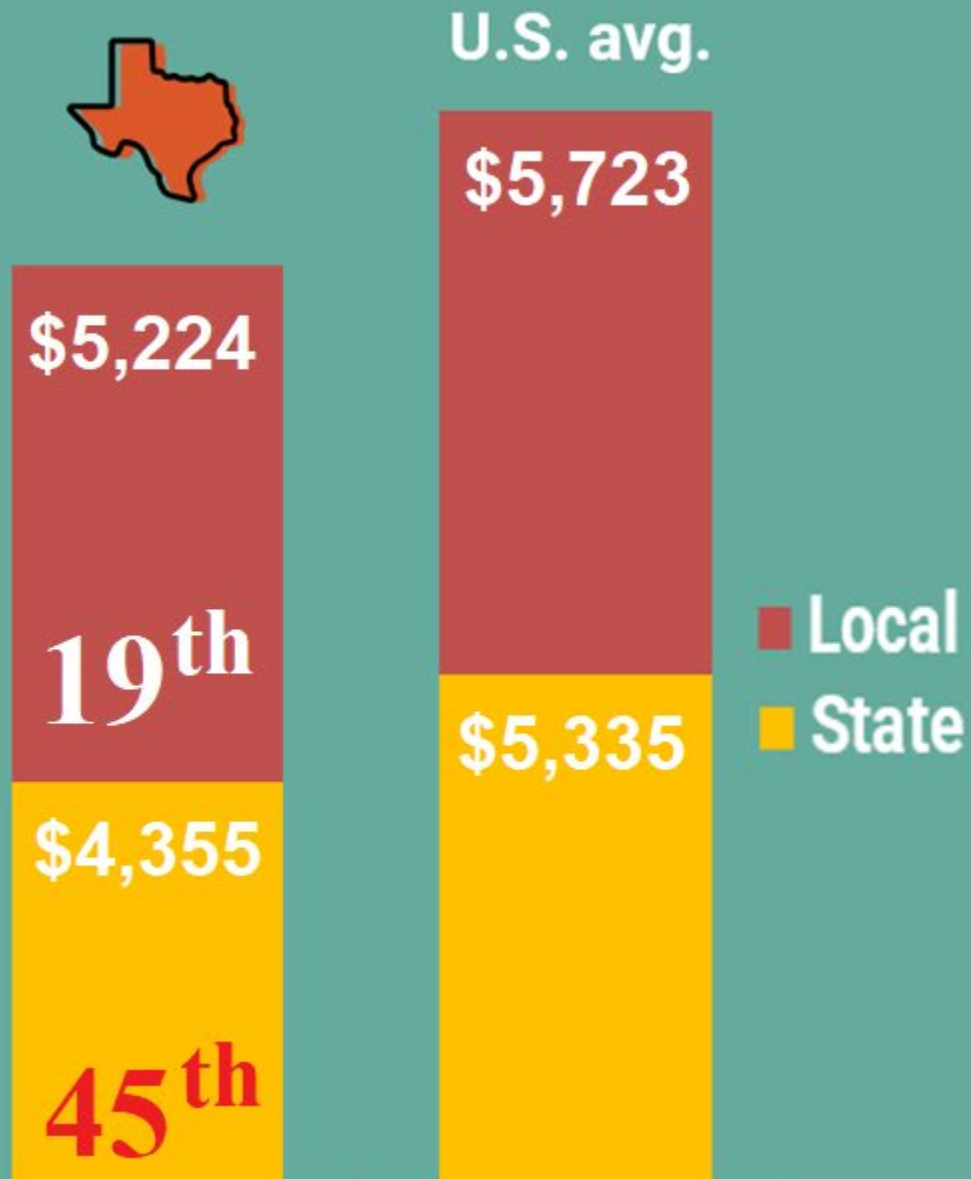


*Sources: Comptroller of Public Accounts, 2023 Tax Year Calculated Levies for Local Governments; Fiscal 2024 Revenue Forecast*

# Texas ranks 37<sup>th</sup> in state/local government spending per resident

Public services are provided by state and local governments, sometimes with federal support. Looking at the combined effort per resident, Texas is a low-spending state. This is the direct result of low **state** tax effort and spending.

*Sources: US Census Bureau, Annual Survey of State and Local Government Finances, 2021 Direct General Expenditures (January 2023); 2021 state population estimates as of July 1.*





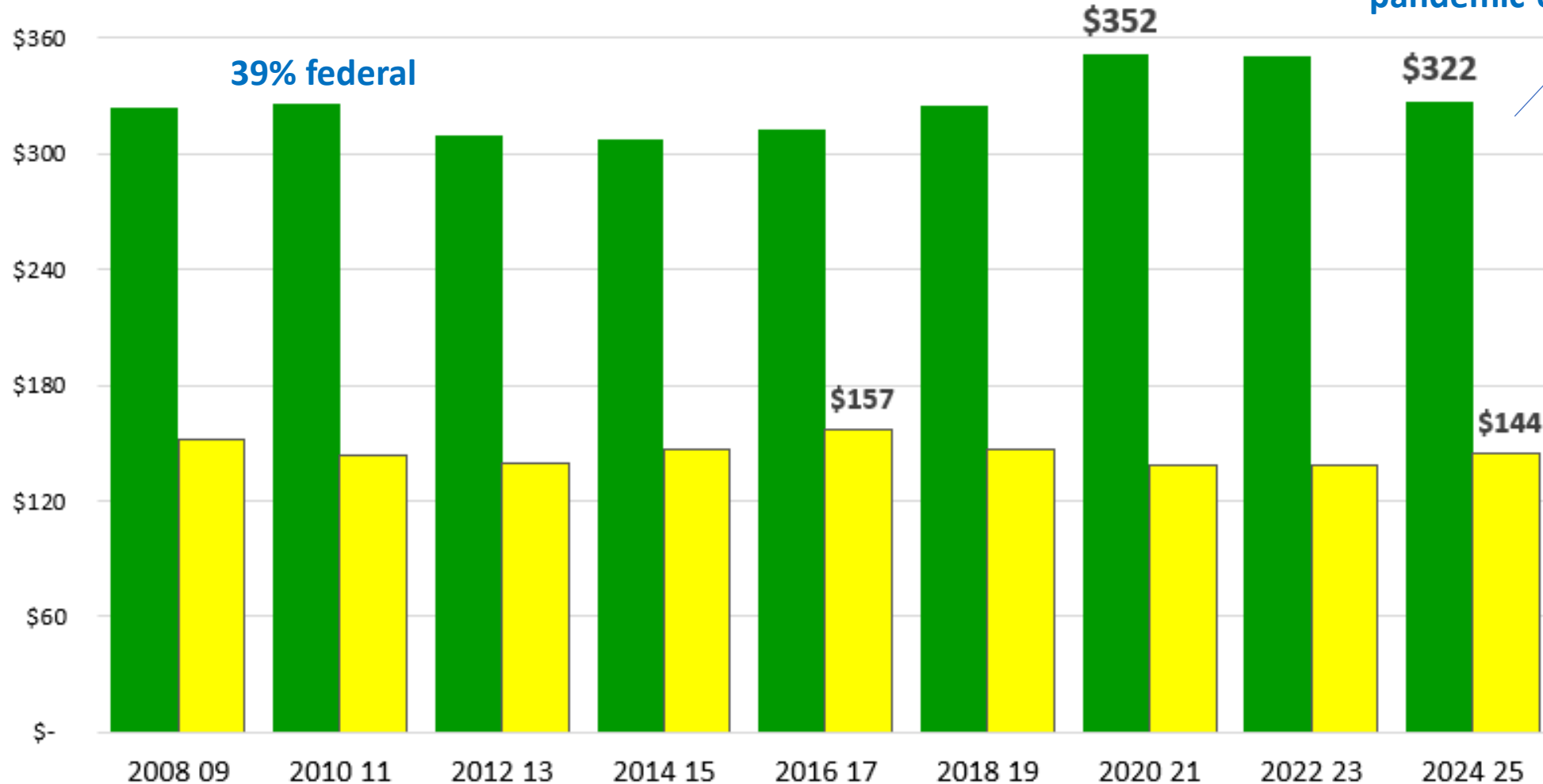
# TEXAS TWO-YEAR STATE BUDGETS, Adjusted for population & CPI growth

Biennial \$,  
adjusted to 2024-25

■ All Funds

■ General Revenue

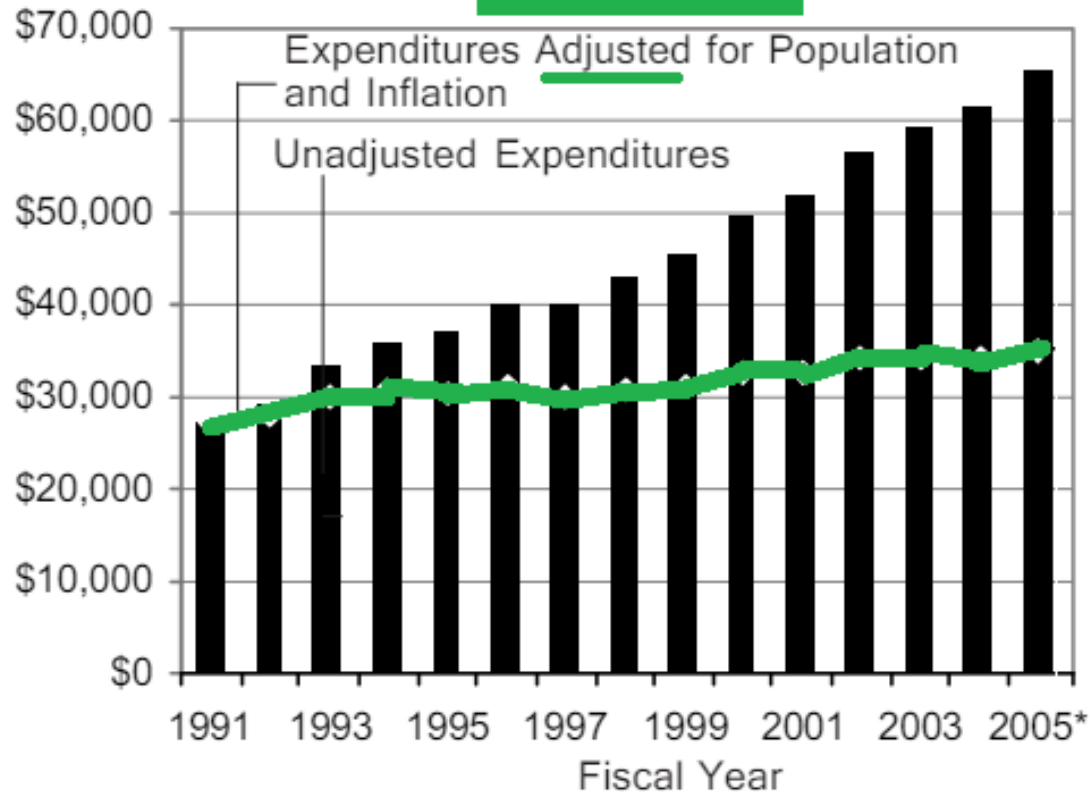
33% federal, down from 42% in  
pandemic-era budgets



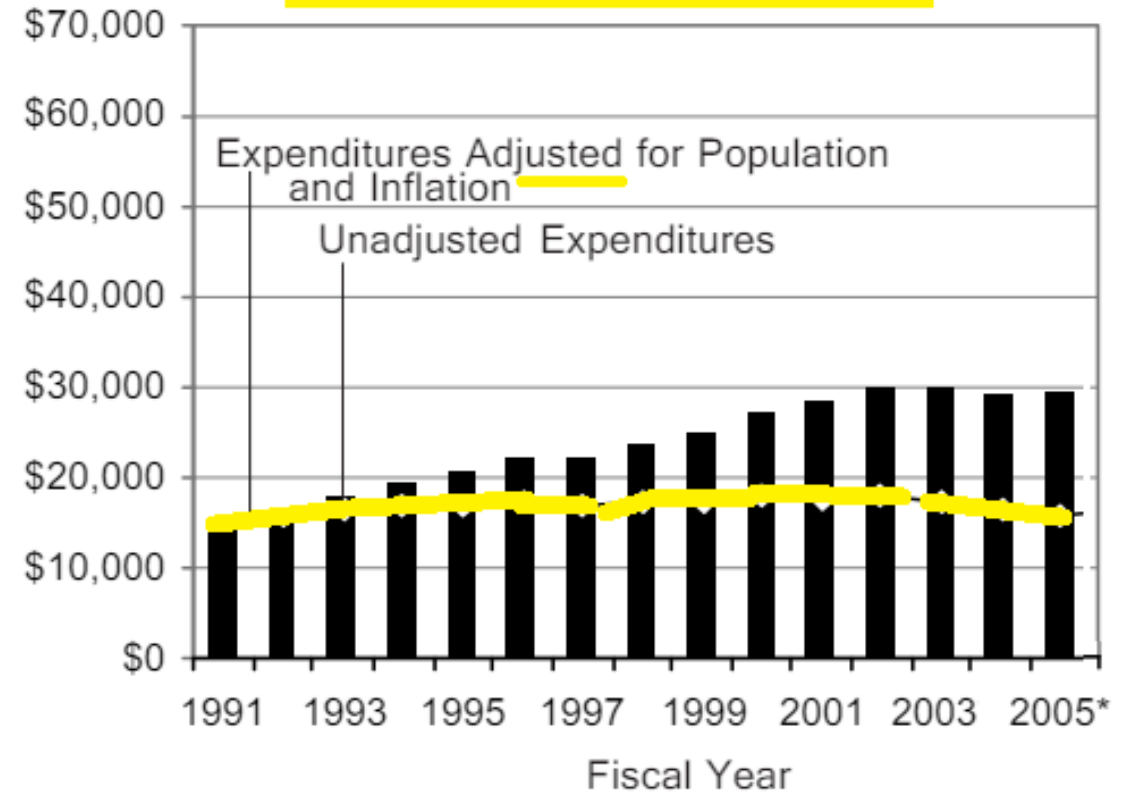
**FIGURE 8**  
**TRENDS IN STATE GOVERNMENT EXPENDITURES**

IN MILLIONS

**ALL FUNDS**



**GENERAL REVENUE FUNDS**

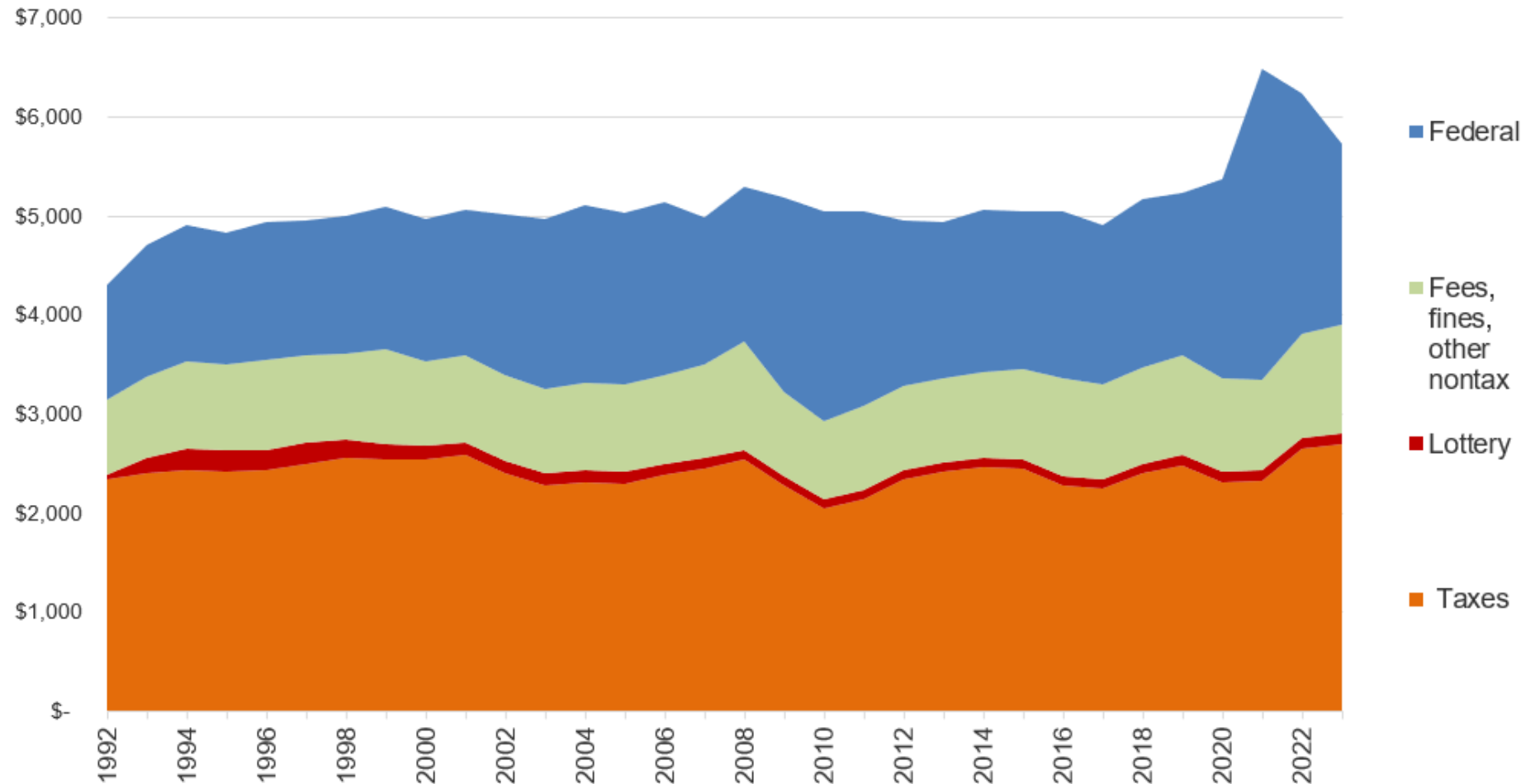


\*Estimated.

SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

# TEXAS LONG-TERM STATE REVENUE TRENDS

State-Budget Revenue per Texan, in 2023 \$ (using State/Local Govt. Inflation)



Sources: Comptroller of Public Accounts, Cash Reports; Legislative Budget Board (federal funds spent)

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THANK YOU

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