



2018-2019
GOVERNOR'S BUDGET

GREG ABBOTT

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TEXAS GOVERNOR GREG ABBOTT

Presented to the 85th Texas Legislature

January 2017



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January 31, 2017

As Texans, we know how to live within our means. No less should be expected from our government. As any family would during a tight budget time, we will address our needs first and prioritize our wants second. This upcoming biennium will be a time for addressing essential needs and eliminating the nonessential wants. My budget builds on the successes of the 84th Texas Legislature and looks to the future by strategically investing in priorities that protect the safety and security of Texans, furthering educational advancement of our future workforce and empowering the private sector to create jobs, while also defending individual liberties and freedom from governmental overreach.

For the 12th year in a row, the nation's top CEOs rank the Lone Star State as the "Best State for Business." Texas is also No. 1 in the nation for capital investment and once again earned an A+ rating for small business friendliness. Small businesses now comprise 98.6 percent of all businesses in Texas and employ nearly half of the state's private sector employees. In Texas, small employers and self-employed entrepreneurs have an annual economic impact of over \$1 trillion. This budget funds programs that will foster innovation and economic expansion to ensure that businesses, small and large, continue to thrive in Texas.

My budget continues to support policies that makes Texas the ideal place to work, start a business and raise a family. Fostering a climate of fiscal responsibility, low taxes, reasonable regulation and limited government will enable Texas to remain the envy of the nation and encourage private sector investment, expansion and innovation. Less government, low taxes, smarter regulations and robust right-to-work laws are the pro-growth economic policies that foster free enterprise, encourage small businesses to flourish and attract major employers from states that overtax and overregulate.

My budget charts a path for the 85th Legislature that will protect the safety and security of all Texans. The strategic investment of resources and the implementation of policy initiatives suggested in this budget will strengthen capacity and efficiency at Child Protective Services, continue to secure our border, protect the men and women in our law enforcement community and provide greater protections for the unborn.

Leveraging the successes of the 84th Legislature, this budget prioritizes education and research because both are critical not only to the future of the next generation of Texans – but also to economic development in Texas. Consequently, my budget contains strategic investments in early education,

classroom connectivity and innovative research, while also urging the legislature to empower parents by enacting a school choice program that allows them to choose a school that best serves their child.

I am also proposing policies that will limit burdensome government regulations and decrease taxes in order to create new businesses, foster job creation and increase economic opportunity for all Texans. While there is much we can do as a state to support job creation with common-sense, pro-business policies, our own efforts are stymied when an overreaching federal government imposes burdensome regulations that interfere with economic growth.

For the last eight years, the previous presidential administration severely inhibited economic growth by enacting a cadre of heavy-handed regulations that dramatically increased the cost of doing business. While the new administration has already taken proactive measures to roll back Obama-era regulations that interfered with economic growth, the State of Texas should take the lead and work to reign in the federal government so that the balance of power between the states and the federal government is restored and consistent with the intent of our nation's founders.

Finally, as policymakers, we must always be respectful of the tremendous trust placed in us by the people of Texas. To fully honor that trust, we must ensure our laws hold elected officials to a high ethical standard, enhance government transparency and protect the integrity of our elections.

This budget seeks to achieve all of these lofty goals while also living within our means. Just as Texas families must base their spending not on the dollars they wish they had – but rather on their actual income – the state must spend only what is available in the Comptroller's Biennial Revenue Estimate. Thus, this budget seeks to achieve necessary savings by reducing nonessential state agency spending, eliminating one-time expenditures, utilizing conservative budgeting principles and limiting the state's rate of spending to the rate of population growth and inflation. Thanks to this approach, Texas will once again balance its budget while meeting all of its needs.

As governor, I look forward to working with the 85th Legislature to enact a budget that addresses our state's most important needs, maintains critical investments made during the 84th Legislature and continues to prioritize economic growth and the safety and security of Texas families. Together we will ensure Texas remains a beacon of opportunity, a cradle of innovation and the model of success for all other states in the nation.

Sincerely,

A handwritten signature in black ink that reads "Greg Abbott". The signature is written in a cursive, flowing style.

Greg Abbott
Governor

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THE GOVERNOR'S BUDGET OVERVIEW

Spending restraint must always be practiced, especially when the revenue projection is tight. While there are difficult choices to be made, the Governor's Budget funds the state's priorities without issuing new debt, raising taxes or utilizing the Economic Stabilization Fund. The Governor's Budget implements many of the 4 percent cuts suggested by state agencies and further reduces agency expenditures, except public school funding formulas and certain other priorities, by an additional 2 percent. This budget proposes to keep Texas on the path toward eliminating the franchise tax while still leaving additional capacity in the treasury.



SUMMARY OF ALL ARTICLES GOVERNOR'S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE I - GENERAL GOVERNMENT	\$3,446.7	\$6,057.0
ARTICLE II - HEALTH AND HUMAN SERVICES	\$32,019.9	\$76,801.9
ARTICLE III - AGENCIES OF EDUCATION	\$54,443.5	\$79,049.8
ARTICLE IV - THE JUDICIARY	\$469.2	\$765.6
ARTICLE V - PUBLIC SAFETY AND CRIMINAL JUSTICE	\$11,042.8	\$11,937.7
ARTICLE VI - NATURAL RESOURCES	\$654.8	\$3,890.3
ARTICLE VII - BUSINESS AND ECONOMIC DEVELOPMENT	\$536.9	\$33,784.8
ARTICLE VIII - REGULATORY	\$328.8	\$609.3
ARTICLE IX - GENERAL PROVISIONS	\$0.0	\$0.0
ARTICLE X - THE LEGISLATURE	\$384.1	\$384.3
TOTAL, ALL ARTICLES	\$103,326.6	\$213,280.7

Amounts may not add due to rounding. For purposes of compliance with the Texas Government Code 401.0445 and 401.046, the Governor's Budget adopts the Legislative Budget Board, Senate Legislative Budget Estimates by Program, 2018-19 Biennium, available at <http://www.lbb.state.tx.us>. For the purposes of compliance with Texas Government Code 401.045, the Governor's Budget uses Article X appropriations from the Legislative Budget Board, House Legislative Budget Estimates by Program, 2018-19 Biennium, available at <http://www.lbb.state.tx.us>.

THE GOVERNOR'S BUDGET PRINCIPLES AND PRIORITIES

During the 85th Legislative Session, the Texas Legislature has an opportunity to build upon our accomplishments from the prior legislative session and the new leadership in our nation's capital to build an even brighter future – one guided by four key principles that lie at the core of our state's mission for its citizens. This budget will outline priorities that promote safety and security, foster educational advancement, enhance economic opportunity and defend the freedom and liberty of all Texans.

SAFETY AND SECURITY

Government exists first and foremost to protect the safety and security of its citizens. During the 84th Legislative Session, Texas took bold steps to protect its citizens from threats posed by insecurity along our southern border. While border security is the federal government's responsibility, Texas must continue to invest in border security until we receive much-needed reinforcements from Washington. In addition, the legislature must continue to protect the most vulnerable Texans – both born and unborn – by providing resources and support to those working in our child welfare system and increasing funding for adoption services. The legislature must also enact new laws to protect law enforcement officers who risk their lives every day to protect their fellow Texans.

Texas has traditionally recognized and encouraged the work of the faith-based community to accomplish vital state goals. Faith-based providers have demonstrably helped the state to care for the most vulnerable among us – particularly children in the foster care and adoption system – by providing key health services to the underserved, assisting with recovery from natural disasters, rehabilitating the incarcerated and ex-offenders and furnishing a host of other services. The State of Texas cannot effectively serve its people without the faith-based community's continued engagement. Consequently, we must do all we can to encourage this community's continued service to the most vulnerable among us. We must ensure that faith-based organizations continue to have access to critical resources while also ensuring that their religious liberties are protected.

CHILD PROTECTIVE SERVICES REFORM

There can never be a truly perfect replacement for the role of a loving family in a child's life. But the unfortunate reality is that some children cannot safely and securely remain with their biological parents. Consequently, the state must build a better foster system that ensures all Texas children reside in a loving home with a family that will protect, educate and care for them. Protecting Texas children and the rights of Texas parents must remain a priority. Last session, the legislature began important work toward overhauling the state's child welfare system.

Overhauling Texas' broken child welfare system must remain a top priority for the Governor's Office, the Texas Legislature and the Texas Department of Family and Protective Services (DFPS). Under the governor's direction, the overhaul has continued through the interim and is reflected in new leadership at DFPS, additional resources to address child safety and increased pay for child welfare personnel. To fully address the state's weaknesses, the agency must hold all personnel to a higher standard, increase workforce accountability and impose stringent performance evaluations.

A healthy child welfare system does not stop at quality investigations and interventions. It depends on true partnerships between the government, the judiciary, law enforcement, the faith-based community and other stakeholders. Now, more than ever, DFPS must engage its community partners to work alongside Child Protective Services (CPS) in caring for children and protecting families involved in the child welfare system. Faith-based communities offer extensive networks willing to provide a continuum of care, including working with families to prevent children from entering the child welfare system, recruiting foster and adoptive parents, providing support services for families involved with CPS and helping children safely reunify with their parents. When local communities are engaged and committed to caring for children who have experienced abuse or neglect, the state's most vulnerable children fare far better. Government alone cannot solve this problem, which is why the Governor's Budget promotes faith- and community-based care models in more areas of the state. This budget includes an additional \$500 million for DFPS so that we can implement key reforms and ensure that the state's most vulnerable children receive the safety, security, care and comfort they deserve.

BORDER SECURITY

For eight years, Texas bore the burden of an administration in Washington that refused to secure the border. While the new administration has promised to make border security a priority – and has already taken meaningful steps that demonstrate their commitment to real border security – the deployment of much-needed federal resources at the border will not happen overnight. Consequently, Texas must continue to fund and deploy its own border security efforts until the federal government has finally and successfully secured the border. Unilaterally abandoning our border before reinforcements arrive would jeopardize the hard-fought progress the state has made over the last two years. Indeed, Texas must ensure its citizens – particularly in border communities – are not burdened with threats of intimidation, drug trafficking, kidnapping, violence and exploitation of women and children by dangerous drug cartels.

The Governor's Budget maintains a biennial border security appropriation of \$800 million. This funds the hiring of 250 additional Texas Department of Public Safety (DPS) troopers to serve in the border region, as well as the installation of additional security cameras to expand the detection

capabilities along our southern border. With the deployment of additional boots on the ground and effective technology, DPS will be able to expand its theater of operation within the border region and will be able to respond to emerging threats without drawing upon resources from elsewhere in the state.

LIFE INITIATIVE

Texas is at the forefront of upholding the sanctity and dignity of human life; however, there is more we must do. The governor's LIFE initiative criminalizes the most barbaric abortion methods and makes it illegal for abortion doctors to risk a woman's health by altering the procedure to preserve fetal body parts. This initiative also prioritizes life by improving and expanding the availability of adoption services through the Alternatives to Abortion program and continues on the path of defunding Planned Parenthood.

Specifically, the Alternatives to Abortion program is a statewide program that exists to enhance and increase resources that promote childbirth to women facing unplanned pregnancies. Services include mentoring, classes, materials assistance, referrals to community and medical resources and adoption education. The statewide network of participating providers offer a full suite of services including pregnancy support centers, adoption assistance and maternity homes. Last session, the legislature heeded the pro-life call and significantly increased funding for this program. The Governor's Budget fully funds this important initiative and calls for an additional \$35 million to expand this program.

Additionally, the legislature must continue efforts to totally defund entities that place women's health at risk by prioritizing profits over proper medical care. Though no state dollars have gone to abortion providers in recent biennia, Planned Parenthood affiliates across Texas still received a total of \$4 million in federal Medicaid funding in 2015 alone and are still eligible for funding from local tax dollars. Texans would not expect their hard-earned tax dollars to be distributed to health care providers that do not provide medical services in a professionally competent, safe, legal and ethical manner. Therefore, in December 2016, Planned Parenthood was given formal notice that it will no longer be allowed to participate in the Medicaid program in Texas and will not receive any state or federal funding from this budget. Ending Medicaid participation of Planned Parenthood affiliates in Texas is another step in providing greater access to safe health care for women while defending innocent life.

SANCTUARY CITIES

Since June 2011, over 200,000 criminal aliens have been booked into local Texas jails. Yet some local law enforcement officials in our state's largest cities want to provide refuge to these individuals who have violated our laws and remain in our country illegally. It is imperative that state, federal and local law enforcement agencies work collaboratively to enforce the law – not flout it for political gain.

In November 2015, the Office of the Governor imposed a new requirement on local law enforcement agencies that seek grant funding from the office's Criminal Justice Division, requiring that the official seeking state funding commit that their department would cooperate with federal immigration enforcement programs. The legislature should codify and expand the governor's directive in law. This law should withhold state taxpayer dollars from any political subdivision that refuses to comply with federal immigration laws and apply penalties on public officials who put themselves above the law. This will not only make Texas communities safer, but it will also send a clear signal that Texas will not tolerate law enforcement officials who refuse to enforce the law.

POLICE PROTECTION ACT

The governor's commitment to law enforcement and their families is simple: the state will protect and serve those who protect and serve. Inexplicably, Texas law enforcement has suffered a rash of senseless killings targeting police officers simply because of the badge they wear while keeping our communities safe. This must not be tolerated, and the state must take aggressive measures to protect those who bravely put their lives on the line to protect their fellow Texans. No police officer should ever have to fear that the badge itself will be a target for violent hatred.

The 84th Legislature enacted important policies that doubled the amount of financial assistance paid to the survivors of law enforcement officers, firefighters and other public employees who are killed in the line of duty. But this session we must do more. The legislature must enact the Police Protection Act to increase criminal penalties for criminals who target police officers, extend hate crimes protection to law enforcement and fund an education campaign led by the Texas Commission on Law Enforcement to educate young Texans to honor and respect law enforcement officers.

EDUCATIONAL ADVANCEMENT

Providing a first-rate education to our children is not only a basic function of state government – it is critical to the development of our workforce and fundamental to the future of our state. The Governor's Budget envisions a comprehensive approach to revitalizing education in Texas. It

proposes providing additional resources and educational alternatives to students and parents across the state who may have different educational needs or priorities.

This budget: (1) continues the state's investment in public education by fully funding high-quality prekindergarten for eligible students; (2) empowers parents with more options to choose the school best suited for their children's needs; (3) increases high-speed internet connectivity for underserved rural and urban schools so that geography is not a barrier to a 21st century classroom; and (4) calls for the demise of the state's antiquated "Robin Hood" recapture funding scheme.

The Governor's Budget also seeks funding to continue the Governor's University Research Initiative (GURI), a matching grant program that was designed to help the state's public universities recruit the world's best and the brightest researchers to Texas. GURI is not simply an important funding tool to help Texas' universities recruit the world's most illustrious researchers. It is also a vitally important economic development tool that will ensure the next generation of groundbreaking technologies – and the businesses and jobs associated with them – are developed, launched and grown in Texas.

Finally, this biennium, Texas must continue to implement the thoughtful and strategic initiatives conceived by the Tri-Agency Initiative to ensure that primary and collegiate education levels are aligned with the workforce needs of tomorrow.

HIGH-QUALITY PREKINDERGARTEN

The road to elevating Texas to first in the nation for education begins with early education. Just as a building that is constructed with a faulty foundation has difficulty withstanding the test of time, a child who begins his or her education without a solid foundation is more likely to falter pedagogically in high school.

Prior to the Abbott administration, the state's public education funding formulas provided \$1.5 billion for half-day prekindergarten education for some specific four-year-old populations. Recognizing that the state was already spending \$1.5 billion on prekindergarten for these students, Governor Abbott challenged the legislature to create a new, more accountable, and optional, high-quality prekindergarten program. Under the governor's high-quality Pre-K proposal, a school district or charter school would receive additional funding if rigorous, enhanced standards related to curriculum, teacher qualifications, academic performance and family engagement were satisfied.

With bipartisan support in both the Texas House and Senate, the 84th Legislature heeded the governor's call and established a new high-quality Pre-K program to help Texas public school children ensure they began their academic careers with a strong foundation. The legislature appropriated \$118 million into the program, which funded high-quality Pre-K grants for 578 school

districts for only one school year in the 2016–17 biennium to strengthen early education across Texas.

The Governor’s Budget fully funds his high-quality Pre-K program at previous levels – \$118 million per year – for a total investment of \$236 million this biennium. Notwithstanding the tight budget facing the legislature, the Governor’s Budget recognizes the critical nature of the state’s investment in a quality educational foundation for Texas students so that the workforce of tomorrow has the education and training it needs to ensure Texas’ economic success for generations to come.

SCHOOL CHOICE

When it comes to education, we need to remember that one size does not fit all. Parents, not the government, are best positioned to make decisions about their child’s education, and Texas parents should be empowered to choose the school that is best for their child. Providing parents with more options ensures they have the freedom to make better choices for their children’s education. For example, parents who may be zoned for a public school with inadequate programs for children with special needs would, with more educational options, be able to choose a better educational environment for their child even if that school is located outside their zip code.

Our education architecture, which assigns students to a school based simply on their zip code, places obstacles on the pathway to success for too many students. The best arbiter of each student’s needs is not the state or a superintendent, but rather the parent whose sole focus is on the unique educational needs of their unique child. Having more school choice options ensures that parents of means do not have greater flexibility to choose the right school for their children than low-income families – who are subjected to the school assigned to them by the school district in which they reside. Instead of being trapped by a zip code or a state-sanctioned monopoly, parents will be free to choose the school that best serves their child’s unique needs. Whether it is a traditional public school, a public charter school, a private school or homeschooling, every child should have the ability to attend the school that’s best for them to put them on the pathway to achieve success.

IMPROVING SCHOOL FINANCE AND ENDING RECAPTURE

Last summer, the Texas Supreme Court ruled that the school finance system was constitutional. However, as the court noted, the system may be constitutional, but that does not make it perfect. One of the worst aspects of the system is recapture, also known as “Robin Hood.” Because of Robin Hood, many Texans’ local property taxes are not funding their children’s education, but instead are being recaptured by the state and redistributed to other schools all across the state.

This session, the legislature should take steps toward reducing or eliminating the state’s dependence on this so-called “Robin Hood” scheme. Taxpayers in areas where property values continue to rise

should not have insult added to injury by watching their tax bills skyrocket without any corresponding benefit to their communities.

GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE

GURI was created by the 84th Legislature in an effort to lure nationally recognized researchers to Texas' public institutions of higher education. Through GURI, Texas successfully recruited transformative researchers who will in turn serve as economic catalysts to the Texas economy for years to come. Because of GURI, nine national academy members – and their researchers and research grant dollars – have relocated to Texas public universities.

GURI is a matching grant program to help public institutions of higher education fund the recruitment of distinguished researchers, such as Nobel Laureates and members of national academies of sciences and medicine from around the world. Nationally recognized faculty members drive multiple university ranking metrics and attract high-quality graduate students who will become the next generation of academic leaders in Texas. GURI is not simply an important funding tool to help Texas' universities recruit the world's most illustrious researchers. It is also a vitally important economic development tool that will ensure the next generation of groundbreaking technologies – and the businesses and jobs associated with them – are developed, launched and grown in Texas. Given the importance of this program for both higher education and economic development, the Governor's Budget proposes to fully fund GURI at prior levels with an allocation of \$40 million.

This strategic investment in higher education will further elevate future generations of students and faculty at Texas universities while spearheading new breakthroughs in the fields of science, technology, engineering, mathematics and medicine, all of which are crucial to the long-term success of the Texas economy.

CLASSROOM CONNECTIVITY

Learning is no longer limited by bricks and mortar – it is expanded exponentially by bytes and bandwidth. Last spring, Texas launched the Classroom Connectivity Initiative in partnership with the nonprofit organization Education SuperHighway to identify ways to ensure all Texas public school students have access to high-speed broadband internet by 2018.

Education SuperHighway's 2017 K-12 Broadband State of the States report found that 83 percent of school districts representing 3,731,680 students meet the minimum connectivity goal of 100 kbps per student. However, this does not mean our work is done. If the state does not upgrade infrastructure and find affordable ways to meet the connectivity goals to support digital learning for all Texas students, there will be a growing divide that could cause Texas and its students to fall

behind the digital divide. Education SuperHighway estimates it would cost \$250 million to build or buy the necessary fiber networks to provide the high-speed access all districts need.

The E-Rate program, a federal matching program, provides a unique opportunity for Texas to benefit from federal funding that would cover the most significant portion of the costs associated with building out broadband infrastructure to our state's most underserved schools.

The Governor's Budget proposes to appropriate \$25 million in general revenue to the Texas Education Agency (TEA), which would allow qualified school districts to draw down an estimated \$200 million in federal E-Rate funds. The state's \$25 million investment, combined with the federal matching dollars, would fully fund the build-out of broadband infrastructure for both rural and economically disadvantaged urban schools that still lack high-speed Internet access today. Expanding technology in our classrooms will allow Texas to meet future workforce needs, help teachers build a pipeline of qualified graduates and support our students in their efforts to learn without limits.

TRI-AGENCY WORKFORCE INITIATIVE

Texas has one of the most robust and diverse economies in the nation and a current and future workforce that is comparatively younger than most other states. Texas must utilize these attributes in order to meet the goals of the state's 60x30TX plan (see Article III) and to provide a skilled workforce in high-demand and burgeoning industries for Texas' employers. The Tri-Agency Workforce Initiative - consisting of TEA, the Texas Higher Education Coordinating Board and the Texas Workforce Commission (TWC) - spent the better part of 2016 developing a plan to improve connectivity among employers and Texas education systems in order to maintain Texas' competitive advantage in an ever-changing global market place.

Many of the initiatives have already launched, with several more soon to follow. It is important to note that most of these efforts are being accomplished using existing funds, and it is anticipated that they will not require increased appropriations. A few key examples include:

Texas Industry Clusters and Careers: a marketing campaign to promote the state's industry clusters through industry-aligned partnerships and industry-specific campaigns to continuously build and maintain a world-class workforce.

Transition Foster Youth Initiative: an initiative to form a partnership among Texas Foster Care Transition Centers, local workforce development boards, community or technical colleges, schools and industry to assist the approximately 30,500 current foster children, as well as former foster children, and help them complete a high school diploma or its equivalent, obtain a high-demand skills certification and receive career guidance.

WorkInTexas: a program update to accelerate connections between workers seeking jobs and growing businesses seeking employees.

Texas Industry Cluster Innovative Academies: grants to 19 local independent school districts, totaling \$7.1 million, were announced on December 21, 2016. These academies build on the existing Early College High School model and require key partnerships among high schools, regional employers, industry and four-year universities to provide opportunities for students to acquire dual credit, certifications and degrees, as well as internship and mentorship opportunities in high-demand occupations in key regional industry clusters.

Operation Welcome Home: a program created to better meet the needs of transitioning service members at military installations in Texas by providing enhanced employment services. The goal is to build strong partnerships between Military Transition Centers and TWC's local Workforce Development Boards to assist in referring transitioning service members who are within 180 days of separation. The program will enhance the ability of the local workforce boards and community partners to provide Texas-specific employment services or services in one of the specified tracks – education, career technical training or entrepreneurship.

This session, the legislature should protect the promising programs outlined in the 2016 Tri-Agency Initiative report when considering potential budget reductions.

ECONOMIC OPPORTUNITY ---

The Texas miracle is alive and well. Texas is now the world's 10th largest economy, with more and more people moving to our state every year. Even with fluctuations in the energy sector, the basic principles of low taxes, reasonable regulations, reliable infrastructure and limited government spending have powered Texas past other states in the nation for years. To unburden our state and its job creators from unnecessary impediments to future growth, the governor is proposing regulatory reforms at both the state and the local levels. The Governor's Budget calls for a business tax reduction, property tax reforms and maintaining groundbreaking funding for the roads we need to keep the Texas economy moving. This budget also calls for a constitutional amendment that would permanently limit the state's spending growth to the rate of growth in population and inflation. Finally, the governor is reiterating his call for national constitutional reform to ensure that overreach by the federal government does not further undermine fundamental liberties and pro-business policies enacted by states.

TAX REFORM

A lower revenue estimate does not mean the legislature should abandon efforts to reform the state's broken tax system. The legislature must prioritize the phase-out of the rightfully ridiculed business

franchise tax and should seek structural reforms to help ease the ever-growing pain of local property taxes.

FRANCHISE TAX

Last session the first step was taken to eliminate the franchise tax. By permanently cutting franchise tax rates by 25 percent, the financial burden of the tax on businesses in Texas was significantly reduced. However, the administrative burden of the tax remains – along with 75 percent of its prior cost. The franchise tax is also poorly structured, and its revenues lag behind its architects’ original projections. In 2015, the Tax Foundation released a report that called the franchise tax a failed experiment and noted that Texas would rise from 10th to 3rd in their state business tax climate ranking if the franchise tax were repealed.

In order to move toward that goal, the Governor’s Budget calls for additional permanent cuts in the franchise tax rates. These rate cuts will be another step toward moving Texas to where it stands out as a state with no business tax – which would be perhaps the most impressive economic development strategy in the country. The Governor’s Budget proposes to continue down the path to franchise tax elimination by cutting the rate to achieve another \$250 million in savings for Texas employers.

PROPERTY TAX

Texas is a low debt, low-tax environment that fosters economic freedom. But, despite these pro-growth, pro-liberty policies that have persisted on a statewide level under Republican leadership, Texas ranks near the bottom of larger states when it comes to debt load and tax burden at the local level. Debt and spending at the local level have ballooned over the last decade or more. Despite an incredible increase in property values, Texans have not experienced a corresponding decrease in their tax rates. Instead, during that time Texans have seen their local tax liability skyrocket. This is because local governments, rather than cutting their rates by a proportional amount when values rise, have left their rates unnecessarily high and used the additional revenues to fill their coffers. And the local debt that their taxes must ultimately repay has also soared.

State leaders must do more to prevent bloated local governments from neutralizing – or worse, undermining – the policies they have adopted that promote economic freedom. First, Texas must adopt real revenue caps that prevent local governments from endlessly raising taxes without voter approval. Second, Texas must place meaningful limits on the overlay of special purpose districts. The creation of special purpose districts provides an additional method for taxation while obfuscating the mountain of local debt for which they are ultimately expected to repay. Finally, the legislature should pass additional debt transparency measures so that Texans know when they are at the ballot box how much of an impact their decisions will have on their tax bills. By increasing voter knowledge and transparency, citizens will be better able to limit the growth in their own local taxes.

REGULATORY REFORM

Businesses need regulatory certainty to make investments and create jobs. To achieve this certainty, the state must enact laws that reduce and restrain burdensome regulations that hinder economic growth. However, reducing state regulations alone will not protect the Texas economy. In a pro-business state like Texas, the greatest threat to economic growth is not the state's already reasonable regulatory regime – it is overreaching local regulations that strangle businesses and drag out even simple permitting processes for unimaginable amounts of time. Consequently, the state must act to restrict cities, counties and special districts from maintaining and expanding this unseemly patchwork quilt of bans, rules and regulations that are eroding the Texas model. These regulations have resulted in the loss of millions of dollars in economic growth and have subjected people who reside in affected areas to burdensome costs. This loss of economic revenue directly correlates to a loss in wages and jobs, not to mention an unsavory regulatory climate that is anathema to Texas' pro-business principles. The legislature must enact critically necessary reforms that will restrict local government regulatory regimes from micromanaging business and threatening private property rights.

LOCAL CONTROL

If local control is interfering with economic freedom, it is the job of the state to intervene and create a regulatory climate that actually makes sense for our citizens, rather than hinders their lives. It is time that we create a streamlined process under which affected citizens have a real stake – and a real voice – in the local regulatory process. The governor proposes to give citizens that stake in the process by first imposing an independent economic impact analysis so that voters know the actual economic cost of their locality's new regulation. With the benefit of that knowledge, citizens can then petition for an election and hold local governments accountable to the voters, who would be given the opportunity to vote down the regulation in question before it negatively impacts the local economy.

To further protect Texas homeowners' and business owners' private property rights, the governor proposes to waive sovereign immunity so that individuals who are financially harmed by local ordinances can challenge them in court. Finally, the governor proposes to cut through bureaucratic red tape by imposing an expedited permitting process at the local level. Under this proposal, local governments could not drag out the permitting process for weeks or months, but would instead be required to make a final determination on any and all permits within 30 days of the property owner's application submission. Accomplishing these proposals would give true meaning to the words "local control" because far greater control would lie in the hands of the voters – not municipal bureaucrats.

MAINTAIN COMMITMENT TO ROADS

During the 83rd and 84th Legislative Sessions, the legislature made great strides toward providing robust and predictable funding for our state's transportation infrastructure without raising taxes, tolls, fees or debt. In 2014, and again in 2015, the voters of Texas approved a historic investment in the state's transportation system by constitutionally dedicating billions of dollars to our roads and bridges through Proposition 1 (2014) and Proposition 7 (2015). Additionally, thanks to disciplined budget writing, for the first time in over a decade, all state highway funds were used for transportation purposes and not diverted to other state functions. These new funding streams, combined with the use of traditional fuel tax and vehicle registration fees, have allowed transportation planners to program more than \$70 billion in transportation projects over the next 10 years. In addition to addressing safety and maintenance needs of the system, these projects will improve connectivity between Texas cities and reduce congestion in our metropolitan areas throughout the state. This represents the most aggressive 10-year transportation plan in Texas history.

Turning a predictable revenue stream to something less predictable because of a reduction in funding undermines the very idea of having a reliable funding source that transportation planners can rely upon. The Governor's Budget maintains the commitment made by the legislature and approved by voters by: (1) funding \$5 billion in Proposition 7 dollars for construction of new roads; (2) fully funding oil and gas severance taxes dedicated by Proposition 1; and (3) allowing no diversions under which transportation dollars are reallocated for other purposes. A promise to invest in transportation infrastructure was made to Texans, and this budget ensures that promise is kept.

As Texas continues to find ways to fund the state's transportation infrastructure, it is now time for the U.S. Congress to address a more than decade old problem of funding inequity at the federal level. Historically, Texas has received far less from the federal Highway Trust Fund than the state has contributed in gas tax receipts. Based on dollars in and dollars out of the Highway Trust Fund, Texas will be one of only three donor states and will receive only \$0.95 for every dollar the state paid into the fund. This disparity equates to Texas' loss of more than \$700 million a year. If this funding disparity were corrected by Congress, Texas would have more than \$7 billion available over a 10-year planning period to address much needed congestion, connectivity, safety and maintenance projects. Continued investment in transportation will not only benefit Texas but the nation as a whole. Congress must address this growing inequity and ensure that Texas is getting its fair share of transportation dollars.

PERMANENT SPENDING RESTRAINT

The private sector, not government, is best situated to provide the people of Texas with the economic growth necessary to supply stable, high-quality jobs. By limiting the growth of government and helping Texans keep more of their hard-earned dollars, we ensure that the Texas model for economic growth will perpetuate for generations to come. To protect the Texas miracle for future generations, the legislature must pass a constitutional amendment or other statutory reforms to ensure that spending at the state level does not grow at a rate that exceeds the growth in population and inflation.

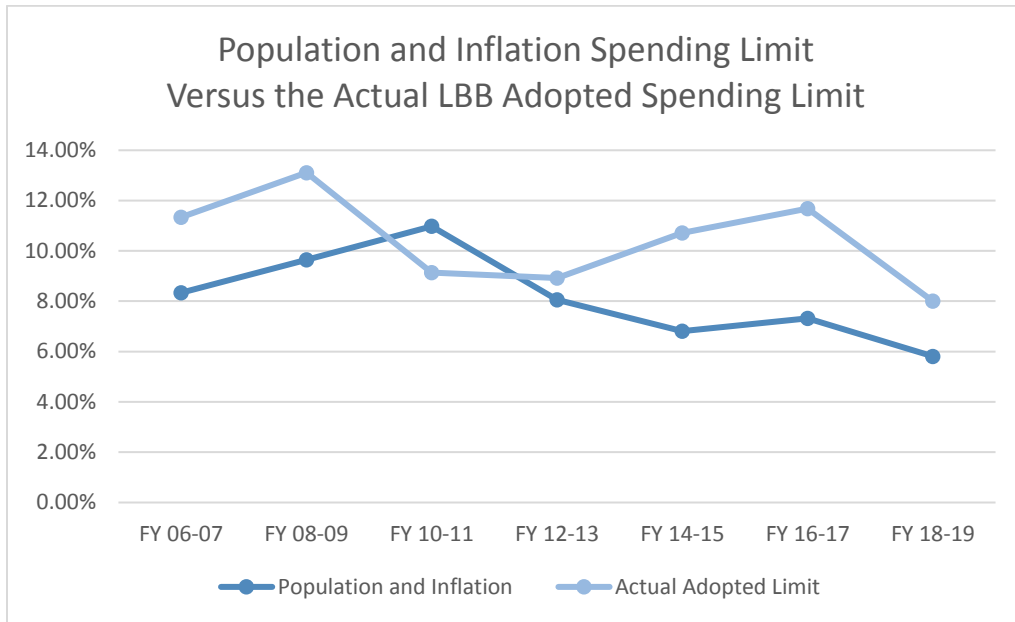
Last session, the legislature passed a conservative budget that limited growth in state fund expenditures within this population and inflation benchmark. Within these constraints, the state budget provided \$4 billion in tax and fee relief while investing in our schools, roads, pensions, safety and other priorities.

This session, the legislature should commit to passing a new spending limit based on population and inflation, as well as other transparency measures that will limit future state spending.

Under the state's current spending limits, growth in state spending is limited primarily by available revenue and projections of future personal income growth. When the state budget is constrained by projections of future personal income growth, government is essentially assuming that for every new dollar a Texan earns, the state must take its share and grow as well. This assumption must end.

While the 84th Legislature budgeted in a disciplined manner, there are no guarantees future legislatures will follow this path. Rather, history shows that the Texas government has often grown much faster than the state's growth in population and inflation either in the initial biennial appropriation or through supplemental spending. To help cement conservative Texas budgets for decades to come, the legislature should pass a constitutional amendment limiting growth in state government to growth in population and inflation.

Calculating a growth rate based on population and inflation should not require the government to hire expensive economic consultants. Population and inflation figures should be readily ascertainable to the general public and should, to the extent practicable, utilize historical data that will not be subject to revisions or inaccurate estimations. The Governor's Budget utilizes a four-year lookback of historical population and inflation data. This methodology creates a 5.81 percent allowable growth rate, which is significantly below the lowest personal income growth estimate provided to the Legislative Budget Board (LBB) (9.9 percent) and well below the number adopted by the LBB (8 percent).



FREEDOM AND LIBERTY

The legislators who write our state’s budget, and the governor who signs it, must be held to the highest of ethical standards. And the process during which these legislators debate the budget must be as open and transparent as possible.

Efforts to protect the freedoms and liberties of Texans do not end at the state government level. The legislature must consider reforms to ensure both that local governments do not infringe on individual liberties and that new taxing entities are not created outside the constitutional process.

ETHICS

The faith the people have in their democracy is directly linked to the confidence they have in their elected officials. That faith is eroded by even the perception that our elected officials are acting in anything other than the people’s best interests. Elected officials should not profit off of the office they hold. When legislators have contracts with governmental entities, those contracts should be disclosed to taxpayers. And when legislators retire from the legislature, they should not be able to immediately become a lobbyist who is compensated for cajoling their former colleagues. If a public official is finally convicted of public corruption, that individual should lose their public pension. These are just a few of the common-sense measures the governor is supporting in order to increase the public’s confidence in their elected officials.

ARTICLE V CONVENTION

The Constitution of the United States clearly defines the federal government as one with specific, limited and enumerated powers and that the powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states, or to the people. Unfortunately, the federal government we see in Washington, D.C., today no longer resembles the limited government that was envisioned by our Founders. Instead, the federal government has become one that constantly purports to have jurisdiction over the lives of every American in every corner of this country. Much of this encroachment is rooted in an increasingly expansive view of the federal government that far exceeds the actual text of the authority granted by the U.S. Constitution. The cure to these problems will not come from Washington, D.C. Instead, they will and should come from the states through the vehicle of an Article V Convention. Such a convention is explicitly contemplated and authorized by the Constitution itself and is precisely the mechanism states must use to reassert their proper role in our federalist system of government. The legislature should pass a resolution calling for Texas to join an Article V Convention.

BUDGET TRANSPARENCY

While a reformed spending limit can provide more meaningful guideposts to constrain government spending, giving all members of the legislature, as well as Texas citizens, the tools to participate more directly in the budget process would also have the effect of limiting spending growth. With cost-free reforms that can be implemented this session, the legislature can ensure that the Fiscal Year 2018-19 budget and budget process are the most transparent in Texas history. By transitioning to a program-based budget, itemizing and clearly labeling one-time costs, and moving toward zero-based budgeting, this legislature can lay the groundwork for a new era of financial transparency.

PROGRAM-LEVEL BUDGETING

The budgeting system utilized in Texas since the early 1990s has failed to provide the legislature and public with necessary information on how their hard-earned tax dollars are being spent. By burying cost drivers away behind opaque goals and strategies, budget writers are not transparent with how taxpayer dollars are used for government programs. By bundling large numbers of agency tasks and programs under rolled-up budget entries, the legislature concedes its role in the budget process to unelected bureaucrats throughout the state who are able to instead make the decisions that should be made by the state's elected officials.

This session, the legislature should commit itself to a program-level debate for each agency to identify those vestigial remnants of pork projects of the past, as well as those pet projects of agencies that have never been fully endorsed by a General Appropriations Act. With this added layer of transparency, legislators will be more empowered to identify and remove unnecessary expenses at all

stages of the budget process and can have more in-depth discussions with their constituents, showing a document that truly reflects the actions of government.

STOP ONE-TIME ITEMS FROM BECOMING PERPETUAL EXPENDITURES

Under past budgetary practice, an agency’s “base” appropriation for its legislative appropriations request was generally calculated by looking at how much money they received in the past biennium and assuming that they need that much money going forward, with little regard for funding that was intended to not recur from biennium to biennium. Such a structure ensures that government always grows, regardless of need. This interim, the Governor, Lieutenant Governor and Speaker of the House took bold action by reducing agency base budgets by 4 percent, preventing much of this institutional growth. However, more can be done. Through a process known as repurposing, many agencies are able to build one-time costs into their future budgets without the specific approval of the legislative process. Thus, these “one-time costs” functionally become permanent fixtures of an agency’s base budget, but the funding is dedicated to another cause. This practice must end.

Samples of One-Time Costs From the 2016-17 GAA

Agency	Program
Facilities Commission	Capitol Complex - Utility - Phase 1
	Capitol Complex - Office/Parking - Phase 1
	Capitol Complex - MLK
	North Austin Complex - Phase 1
Preservation Board	IMAX Projector
	African American Texans Monument
	Volunteer Fireman Monument
Department of State Health Services	Jail-Based Competency Restoration
	One-time Funding for Transition of the NorthSTAR Behavioral Model
School for the Deaf	One-time Funding for the Purchase of Buses and Vans
Department of Public Safety	Gessner Office Upgrade
	Acquire Aircraft
Office of Court Administration	Study of School Attendance Related Cases
Commission on Environmental Quality	Litigation Expenses for Rio Grande Compact Commission
Parks and Wildlife Department	Texas State Aquarium

**The table above is only a partial listing and includes costs from multiple fund categories including non-general revenue funds.*

Through an informational rider in Article IX, the legislature should identify all one-time costs in the budget and, in conjunction with the Office of the Governor, ensure that no one-time costs are rolled into an agency's base for the subsequent session. If past budget cycles provide guidance, this simple act could help save the state millions of dollars each biennium.

ZERO-BASED BUDGETING

Moving a step beyond identifying one-time costs, the state could completely resolve the institutional growth problem endemic in the current budget processes by transitioning to a zero-based budgeting process. Moving to a zero-based budget will make the budget more accessible and useful to taxpayers and legislators. Agencies would be required to provide the rule or statute that authorizes each program, as well as the minimum level of funding necessary to meet the agency's legal obligations for every program. This would enable legislators to ensure agencies are not running programs outside of their authority and are carrying out all of the programs required of them under state law. It would also allow for the identification of duplicative or obsolete programs.

LOCAL GOVERNMENT TRANSPARENCY

Private property rights are paramount in Texas and property owners must be protected against the overreach of government. Property owners should not be taken captive by a regulatory or fee-assessing authority without a transparent and open process, as well as sufficient opportunity for a majority of those property owners to reject or accept the proposed authority.

Though the Texas Constitution and state statute both provide strict guidelines for the creation or amending of a taxing district, special purpose districts are often also created by independent legislative action that can circumvent the protections traditionally afforded to private property owners. The time has come that we shine a light on ever-expanding local government and reign them in through an open and transparent process that gives property owners a proper voice in how they are governed and whether they accept certain financial agreements.

ARTICLE-BY-ARTICLE BUDGET RECOMMENDATIONS

ARTICLE I: GENERAL GOVERNMENT



ARTICLE I – GENERAL GOVERNMENT GOVERNOR’S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE I - GENERAL GOVERNMENT	\$3,446.7	\$6,057.0



Governor’s Priorities ARTICLE I

- Strengthening Higher Education by Fully Funding the Governor’s University Research Initiative (GURI)
 - Protecting Texans by Fully Funding the State’s Disaster Response Operations
 - Diversifying the Texas Economy and Creating Jobs with the Texas Enterprise Fund
 - Guarding Against Military Base Closures by Continuing the DEAG Grant Program
 - Maintaining the State’s Investment in Programs that Target Child Sex Trafficking
 - Allowing Local Governments to Resolve Pension Liabilities Without a State Bailout
 - Preventing Our Nation’s Enemies from Profiting Off Texas Investments
-

IMPROVING HIGHER EDUCATION RESEARCH

The Governor’s University Research Initiative (GURI) was enacted in 2015 by the 84th Legislature with the goal to lure the best and brightest researchers in the world to Texas colleges and universities. Through GURI, Texas is making a strategic investment that will help propel our public colleges and universities to the top of national rankings.

Due to the success of GURI, nine national academy members have relocated to Texas public universities since the program was created. All of these distinguished researchers enhance the faculty at each university, and their research and discoveries have the potential to boost job creation and commercialization efforts in Texas.

GURI is a matching grant program to assist Texas' public institutions of higher education with the recruitment of distinguished researchers, such as Nobel Laureates and members of national honorific societies, from around the world. Nationally recognized faculty members drive multiple university ranking metrics and attract high quality graduate students who will become the next generation of academic leaders in Texas.

As of December 31, 2016, over \$39 million in GURI matching funds has been approved for three Texas universities: Texas A&M University, the University of Houston and The University of Texas-Austin. Universities receiving GURI matching grant awards are required to submit quarterly status reports and reimbursement requests with supporting documentation. Among the distinguished recruits, the fields of expertise represented range from quantum optics to seismic tomography to petroleum engineering.

GURI is a leveraged investment, and funding for the program should continue. Therefore, the Governor's Budget includes \$40 million to continue to entice transformative researchers who will in turn serve as economic catalysts to the Texas economy for years to come.

This strategic investment in higher education will further elevate future generations of students and faculty at Texas universities while spearheading new breakthroughs in the fields of science, technology, engineering, mathematics and medicine, all of which are crucial to the long-term success of the Texas economy.

DISASTER FUNDS

Over the last two years, Texas has withstood six presidentially declared disasters, which have impacted over 60 percent of Texas' counties and over 19 million people. Throughout this time, the disaster grant funds administered by the Office of the Governor were instrumental in facilitating the state's critical emergency response efforts that helped protect life, property and infrastructure in affected areas. Helping communities respond to natural disasters is a core function of state government and one that cannot be neglected. It is imperative that the state have a robust reserve available in order to respond to critical emergencies.

Last session, this critical program – which helps finance rescue operations, emergency medical assistance and specially trained personnel – received only \$14.8 million in new appropriations, plus unexpended balances. The significant number of recent disasters has placed a strain on these limited resources, and the legislature must act to refill critically needed disaster funding so the state is prepared to respond to future disasters. The Governor’s Budget includes \$105.4 million for disaster grant funds to prepare our state for the emergencies of tomorrow.

TEXAS ENTERPRISE FUND

The Texas Enterprise Fund (TEF) provides benefits to the taxpayers of Texas far beyond the appropriations it receives. As the state’s sole deal-closing fund, TEF brings industry-leading companies to Texas where new jobs and capital investments spur economic growth and attract other clustered businesses. Reforms passed during the 84th Legislature, coupled with a significant increase in internal oversight, have restored the public trust in TEF, and its dramatic results have helped further diversify a Texas economy that has weathered the oil and gas downturn.

In the past two years, TEF landed 15 new or expanded businesses that have injected more than half a billion dollars in capital investment and added more than 5,500 jobs. Among these are some of the nation’s most prominent businesses, including McKesson, the largest American pharmaceutical distributor and the fifth largest company in the Fortune 500. McKesson alone will add almost 1,000 jobs to Texas. Another 1,000 jobs will come from the new campus built by fellow Fortune 500 company, Charles Schwab. Along with headquarters relocations for Jacobs Engineering Group, Kubota Tractor, Jamba Juice and cloud computing company LiveOps, as well as other grants, TEF has brought economic diversification across the state from Amarillo to the Rio Grande Valley.

While no economic development program is a replacement for free market principles, TEF compares favorably to the state’s other economic development programs, creating more jobs for less money with greater accountability. As we commit ourselves to continued growth and diversification of the Texas economy, it is imperative that TEF receive the funds necessary to close the deals of tomorrow to help create the jobs of tomorrow. This budget contains \$108 million to fully fund the TEF for the FY 18-19 biennium.

DEFENSE ECONOMIC ASSISTANCE ADJUSTMENT GRANTS

The Defense Economic Assistance Adjustment Grants (DEAAG) program assists military communities throughout the state by funding infrastructure improvements and other military-related projects that help increase the “military value” of a local installation. This grant funding protects Texas bases from a potential negative Department of Defense Base Realignment and

Closure (BRAC) decision. These grants can also be used by eligible communities to respond to a Department of Defense (DOD) decision that has previously affected a local military base.

DOD has requested a new round of BRAC to help lower federal military expenses. The U.S. Air Force has stated that it has an approximately 30 percent excess of facilities it must maintain. Similarly, the U.S. Army also says it has a large amount of excess facilities. DOD has consistently maintained that the only way to shed the excess facilities is through a new round of BRAC, in which all U.S. military bases are examined and some are selected for closure.

To help protect our bases from negative BRAC decisions, the Texas Military Preparedness Commission (TMPC) within the Office of the Governor awarded \$30 million in FY 16-17 in DEAAG funding to nine communities to help finance infrastructure projects that added military value to their local bases. The \$30 million in DEAAG leveraged roughly \$102 million in additional local and federal funding. The Air Force recently announced that an additional mission will be brought to Goodfellow Air Force Base in San Angelo as a result of an infrastructure project funded by a recent DEAAG award.

The 15 federal military installations in Texas provide an estimated \$136 billion impact to our state economy. The Governor's Budget includes \$33 million in DEAAG grant funds to be administered by TMPC. This continued investment is vital to protecting the military's important role in our state.

COMBATING CHILD SEX TRAFFICKING ACROSS TEXAS

A recent University of Texas study estimates that Texas has almost 79,000 youth currently trafficked with the average lifetime cost for these victims' recovery at over \$6.5 million per person. The 84th Legislature made great strides in our joint effort to tackle this problem by passing legislation to create the Governor's Child Sex Trafficking Team (CSTT) and appropriating \$5.67 million to support CSTT's work. These funds have been used for funding services for victims of crime, providing best practices for law enforcement, educating the public to recognize trafficking, expanding therapies offered to victims and improving human trafficking policies from the federal government all the way to the local level.

Despite the positive impact of last session's reforms, the work to prevent human trafficking and care for survivors is far from over. In the fall of 2016, the Office of the Governor announced \$133 million in grants, including state and federal funds, through its Criminal Justice Division (CJD) for local criminal justice and victim services grants. CJD awarded several grants to state and local agencies and organizations that assist child victims of sex trafficking as part of the Governor's Blueprint item to provide these children with wraparound care.

In December, the governor announced a pilot program to provide the gold-standard in treatment for many of the highest need children in the state's foster care system. Foster children, and particularly those with high needs, are a common target for human traffickers. The program will be paid for with \$8 million in federal Victims of Crime Act funding.

This budget continues our investment in combatting child sex trafficking by maintaining state funding while drawing down additional federal resources to address the problem.

PROTECTING LOCAL PENSIONS

Many local pension plans have been severely mismanaged, whether due to poor investment decisions or funding policies that do not support promised benefits. In Dallas and Houston, the pension problems have reached a crisis stage, threatening the financial solvency of our largest cities. While the circumstances that led to the Houston and Dallas pension situations differ, the solution from the state's perspective is the same: The state government should get out of the business of micromanaging local pension decisions while unequivocally making clear that statewide taxpayers will not be on the hook to bailout local pensions. The entities that are financially responsible to their employees, retirees and taxpayers should work with municipal leaders, pensioners and stakeholders to develop solutions – and present those agreed to proposals to the legislature. The state should provide basic guidelines and leave local leaders and stakeholders to determine how plan designs and funding levels can work within local constraints. With state laws no longer obstructing local leaders from solving their local problems, those stakeholders can achieve mutually agreed upon outcomes outside of the limited legislative calendar.

This budget calls for a constitutional prohibition on using state funds to bailout local pensions. While a recent Attorney General Opinion has made clear that the state has no legal obligation to finance floundering plans, the state should make it clear that the contagion cannot spread and that the newly empowered local governments can and should solve their problems.

TEXAS PENSION FUNDS SHOULD NOT FUND OUR ENEMIES

While Texas pension plans have the goal of maximizing returns to protect the financial future of our state's retirees, this mission should not come at the expense of our principles. To that end, Texas pension funds should be prohibited from making investments that directly fund our nation's enemies or those that would bolster companies with stated anti-Israel policies. No Texas tax dollars should prop up the terror-funding regime in Iran, so the state should expand current Iran divestiture laws. And no Texas tax dollars should support companies who boycott Israel, one of our nation's greatest allies, in the name of political correctness or in pursuit of flawed political agendas.

ARTICLE II: HEALTH AND HUMAN SERVICES



ARTICLE II – HEALTH AND HUMAN SERVICES
GOVERNOR’S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE II – HEALTH AND HUMAN SERVICES	\$32,019.9	\$76,801.9



Governor’s Priorities
ARTICLE II

- Protecting the Unborn by Expanding Alternatives to Abortion Programs
 - Overhauling the State’s Child Welfare System While Protecting Parental Rights
 - Building Upon the Success of the Healthy Texas Women Program
 - Combatting the Zika Virus with a Comprehensive Local, State, and Federal Effort
 - Containing the Runaway Costs of Federally-Mandated Medicaid Services
 - Reforming Medicaid on the Federal Level to Give States Block Grant Flexibility
 - Increasing Attendants Wages for Those Who Assist Texans with Disabilities
 - Addressing Facility Needs for the State’s Mental Health Infrastructure
-

LIFE AND ALTERNATIVES TO ABORTION INITIATIVE

Texas must remain a national leader in the fight to protect the unborn, improve health and safety standards for women and promote adoption as a loving alternative to ending life. The legislature must act this session to criminalize the most barbaric abortion methods and make it illegal for

abortion doctors to risk a woman's health by altering the procedure to preserve fetal body parts. Texas must eliminate and criminalize the sale or transaction of fetal tissue by an abortion clinic for any purpose whatsoever. The legislature should also continue to prioritize life this session by improving and expanding the availability of adoption services through the Alternatives to Abortion program and continue on the path of defunding Planned Parenthood.

The Alternatives to Abortion program is a statewide program that exists to enhance and increase resources that promote childbirth to women facing unplanned pregnancies. Services include mentoring, classes, materials assistance, referrals to community and medical resources and adoption education. The statewide network of participating providers includes pregnancy support centers, social service agencies, adoption agencies and maternity homes. Last session, the legislature heeded the pro-life call and significantly increased funding for this program. The Governor's Budget fully funds this important initiative and calls for a \$35 million appropriation to expand this program.

PROTECTING WOMEN'S HEALTH

State funding for women's health services in Texas has reached an all-time high, with \$18 million provided annually in grants to support the delivery of these critical services. Texas women can obtain affordable health care services statewide through the Healthy Texas Women program.

The state should continue to build upon its current network of high-quality providers – such as local health departments, medical schools, hospitals, private nonprofit agencies and community and rural health centers – and not rely on providers whose primary focus is performing abortions.

Additional resources for the Healthy Texas Women program would allow thousands more Texas women to receive preventive health care services, family planning, cancer screenings and postpartum care. Texas continues to demonstrate its unyielding commitment to protecting life and providing women's health by ending Medicaid participation of Planned Parenthood affiliates in the state. This is another step in providing greater access to safe health care for women while protecting our most vulnerable – the unborn.

This budget devotes nearly \$285 million to women's health services over the 2018-2019 biennium.

INVESTING IN CHILD PROTECTIVE SERVICES

On October 12, 2016, the Governor, Lieutenant Governor and Speaker of the House outlined detailed steps the Texas Department of Family and Protective Services (DFPS) must take to eliminate the backlog of unseen children ahead of the 85th Legislative Session. This budget continues that

joint commitment to overhaul the state's child welfare system while protecting parental rights and ensuring greater workforce accountability at DFPS. It also prioritizes high-quality capacity for children who must be removed from their homes and continues the investment in finding and supporting family members or kin who may be better suited to care for children. Additionally, the Governor's Budget targets precious resources toward proven, prevention-based programs in communities with the highest need, while preserving the current investment in early intervention.

Investment in the protection of Texas' greatest resource – our children – is why this budget proposes \$500 million in biennial funding increases for DFPS. In conjunction with greater integration with our faith-based partners, this funding will be used to provide services to a growing number of vulnerable children, adults and their families. It will build upon the hiring efforts the agency has underway to ensure that more well-trained investigators and caseworkers can assess children's safety. It will also help build high-quality capacity to ensure that children removed from their homes have a safe place to heal, while ensuring that providers are incentivized to achieve permanency for each child. This investment builds upon the positive outcomes we have seen through Foster Care Redesign and eliminates duplication between the state and providers serving the state's children.

While the number of children in Texas foster care has declined, the cost of caring for these children and at-risk families has not. This funding will assist caregivers with the costs of treating these children and their families with proven, effective programs, including drug treatment interventions. Targeting our resources in a strategic way to the most effective prevention and early intervention programs will help prevent at-risk families from coming into care and help preserve Texas families.

COMBATING ZIKA

The arrival of the Zika virus in the United States has placed Texas in a leadership role to protect its citizens, born and unborn, from this threat. The Department of State Health Services (DSHS), in conjunction with the Governor's Task Force on Infectious Disease Preparedness and Response and other state agencies, has developed an aggressive Zika preparedness and response plan and has been implementing preventative actions. This multiagency operation has drawn upon the talents of many of Texas' finest physicians, nurses, emergency management professionals, local health authorities and researchers. It has also taken advantage of the significant resources available at our institutions of higher education and health-related institutions.

Funding for combatting the Zika virus has been a priority since its introduction in the United States, but recent local transmission in Brownsville has made funding Zika preparedness and response that much more crucial. Over \$30 million in state and federal funds have been put forth for these activities, and the state must continue its efforts during the upcoming biennium. Zika will

perpetually be a threat to mothers and their unborn babies, but Texas will continue to rise to the challenge.

MEDICAID COST CONTAINMENT

The Texas Medicaid program has experienced annual cost growth due in part to federal mandates and increased access to emerging drug therapies and medical care. Texas has made focused efforts to contain costs in previous years, which have resulted in cost trends below the national average. Despite these concerted efforts, the growth in Medicaid costs remains unsustainable. Among the tools Texas has used to contain costs are the statewide implementation of the managed care model and careful review of benefit authorization and utilization. This budget underscores the state's continued commitment to identifying and implementing additional cost containment opportunities in the Medicaid program.

BLOCK GRANTS FOR MEDICAID

The federal government has a long history of imposing onerous Medicaid program requirements, limiting states' abilities to design and implement programs that meet each state's specific needs. As Medicaid expenditures assume a greater proportion of state general revenue, the federal government continues to create new program requirements. Unfortunately, the state has minimal ability to efficiently manage the program and reduce the impact to the state budget.

Texas needs flexibility to administer a Medicaid program that delivers cost-effective care to low-income children, the elderly, pregnant women and persons with disabilities. Block grants should be used for the administration of state-managed Medicaid programs, and Congress should act to authorize this important reform. The block grants should be designed in a way that protects states from cost growth due to population growth or the economy and should be accompanied by reforms that significantly reduce or eliminate federal requirements.

The reformed Texas Medicaid program would include personal responsibility requirements for certain populations, reduced administrative burdens for providers and other reforms to ensure the program's long-term sustainability in serving the neediest Texans. Such changes would fundamentally shift the Article II budget process moving forward and allow the Texas model of fiscal conservatism to rein in excessive spending growth.

ATTENDANT WAGES

Personal attendants play a critical role in assisting individuals with disabilities in activities of daily living, such as dressing, grooming, mobility and household activities. The 84th Legislature invested in an increase in the attendant minimum wage from \$7.86 per hour to \$8.00 per hour and in additional rate enhancements across the community-based programs. The state should continue to support care in home and community-based settings, which allow individuals to live more independently and save state funds that would be used in more expensive institutional settings. With this transition to home- and community-based settings, the demand for attendant workers has grown. Attendant work can be demanding and the turnover rate remains high. Providers and consumers continue to experience difficulties hiring and retaining qualified attendants as competitive wages in other industries attract persons who might otherwise consider working as an attendant. Consumers should be able to have options in the selection of an attendant that meets their needs and with whom they feel comfortable. This budget uses \$60 million to provide an additional increase in the minimum wage rate for attendants. This will continue to support the transition to community-based care settings and help provide consumers and providers the ability to recruit and retain qualified personal attendants.

INVESTING IN MENTAL HEALTH FACILITIES

State hospitals form a critical part of the state's mental health infrastructure. Several significant issues face state hospitals in the coming years: many of these hospitals were built for a different era, some reaching back as far as the 1850s; as the criminal justice system determines that more and more offenders require mental health treatment, forensic capacity is further limited; and patients' lengths of stay increase year to year.

As infrastructure deteriorates and forensic commitments continue to trend upward, state hospitals will have to move nimbly to open available beds. The state hospital component of our state's inpatient care will need capital improvements and increased staffing to serve more citizens, but coordinated community care will also provide relief to the demand for these beds. Solutions to tackle this great challenge will have to creatively integrate calculated investments in our hospitals, as well as foster relationships with state hospitals and mental health providers in the community.

ARTICLE III: AGENCIES OF EDUCATION



ARTICLE III – AGENCIES OF EDUCATION
GOVERNOR’S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE III – AGENCIES OF EDUCATION	\$54,443.5	\$79,049.8



Governor’s Priorities
ARTICLE III

- Fully Funding Optional, High-Quality Prekindergarten Grants
 - Providing Charter Schools with Facility Funding to Improve Student Outcomes
 - Building the Workforce of Tomorrow by Implementing the 60x30TX Plan
 - Maintaining Our Commitment to Providing Residencies for Texas Medical School Graduates
 - Controlling the Cost of Higher Education by Reducing Administrative Costs and Addressing Special Items
 - Constraining Higher Education Administrative Costs While Maintaining Excellence
-

SUSTAINING HIGH QUALITY PREKINDERGARTEN

As Texas strives to develop a more educated workforce, investing in our youngest learners is key to accomplishing this goal. The 84th Legislature should be applauded for recognizing the critical importance of ensuring that the existing investment in prekindergarten offers a high-quality early education for our children in order to build a strong foundation for the future success of our state. Following Governor Abbott’s lead, the legislature invested \$118 million into an optional high-

quality prekindergarten program, which resulted in grants being awarded to 578 school districts for the second school year of the 2016-17 biennium to strengthen early education across Texas.

For the money, this investment will yield a substantial return. Out of the school districts that received a high-quality prekindergarten grant, the students who will reap the benefits of an improved early education span every House and Senate district across the state. Texas must honor its commitment to building high-quality prekindergarten programs by providing a school district or charter school additional funding if it meets certain enhanced quality standards relating to curriculum, teacher qualifications, academic performance and family engagement.

This budget includes the remaining \$118 million per year – a \$236 million total investment – to continue current annualized funding levels for Texas’ high-quality prekindergarten grant program, which remains a top priority for our state’s educational future. Investing in our children, our state’s most precious resource, will continue to produce returns beyond measure.

CHARTER SCHOOL FACILITY FUNDING

As our workforce demands continue to change, our education system must simultaneously evolve to meet those needs. Public charter schools are the fastest growing segment of the public education system, and Texans report long waiting lists for enrolling students in public charter schools. Public charter schools are an integral part of providing parents and students with more choice and innovation in our public education system.

We must do all that we can to encourage the modernization of our public education system by aiding charter schools with facility funding to meet the needs of our citizenry. As such, this budget includes funding to assist charter schools in meeting the needs of Texas students through increasing facility funds.

60X30TX

The strength of Texas’ economy is our workforce, and a skilled and educated workforce gives Texas a competitive advantage. For Texas to remain a leader in the global economy, we need more students graduating with a two- or four-year degree entering the workforce. To help educate the workforce of tomorrow, the Texas Higher Education Coordinating Board (THECB) is promoting access, affordability, quality, success and cost efficiency through the 60x30TX plan, which serves as the state’s long-term strategic plan for higher education. 60x30TX aims to ensure 60 percent of Texas’ 25- to 34-year old workforce achieves a postsecondary education credential by the year 2030.

In alignment with the Tri-Agency Workforce Initiative, 60x30TX strives for all graduates from Texas universities to complete programs with identified marketable skills. Students need to be aware of the marketable skills offered in their degree programs, and institutions must ensure their students are graduating with the skills necessary to be successful in their field.

The main focus of 60x30TX is to create the opportunity for more Texans to graduate with a certificate or a college degree so their quality of life improves. Students who graduate with some form of postsecondary education stand to earn substantially more in their lifetime than high school graduates. Achieving the goals of 60x30TX will require higher levels of cooperation among higher education, public education and workforce leadership across the state. 60x30TX will produce greater outcomes for students and for the state. This budget maintains funding to support the efforts of THECB in achieving the goals of the 60x30TX plan.

GRADUATE MEDICAL EDUCATION

As of 2015, Texas ranked 42nd in the country with 213 physicians per 100,000 residents, and Texas has 425 health professional shortage areas.

With the addition of two new medical schools, medical school enrollment has increased significantly in Texas, but that is only half of a solution. Sixty-eight percent of students who attend medical school and complete their residency in a single state tend to stay and practice in that state. In order to retain these medical school students and prevent further doctor shortages, the legislature must ensure that graduates of Texas medical schools have available residency spots in Texas hospitals.

Graduate medical education funding is essential to meet the 1.1 to 1 target ratio recommended by THECB, which ensures there is a residency position for every graduate of a Texas medical school, as well as some additional spots for out-of-state graduates. Last session, the Governor's Budget advocated for an increase in funding for residency slot grant programs, and the legislature delivered with \$53 million to support that cause. This session, we must continue to back funding for residency programs to retain Texas' qualified medical school graduates.

CONTROLLING THE COST OF HIGHER EDUCATION

The 84th Legislature made significant investments in higher education by increasing funding for general academic institutions, graduate medical education and research initiatives. As the legislature continues to support higher education opportunities for all Texans, state funding should be prioritized toward achieving better student outcomes and academic excellence at our institutions of

higher education. These dollars should be used towards educating the leaders of tomorrow and not for supporting administrative functions or side projects.

Expenditures for university overhead, including ever-growing full-time employment levels at system offices, contribute to the increasing cost of higher education without maximizing student outcomes. Unlike their component universities, system offices do not actually educate students but instead merely impose an overlapping bureaucracy. The state's limited higher education resources should fund students and research – not bureaucrats.

Additionally, this budget recognizes that while many higher education special items may serve a vital role in improving the student educational experience or enhancing the quality of university research, others are simply remnants of years past and should have either phased onto formula funding or been phased out of a budgetary line item. To help ensure the most deserving of special items continue to be funded, this budget includes \$500 million for those special items most capable of fostering excellence, innovation, ground-breaking research and student success.

ARTICLE IV: THE JUDICIARY



ARTICLE IV - THE JUDICIARY

GOVERNOR'S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE IV - THE JUDICIARY	\$469.2	\$765.6

ARTICLE V: PUBLIC SAFETY AND CRIMINAL JUSTICE



ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE
GOVERNOR’S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE V - PUBLIC SAFETY AND CRIMINAL JUSTICE	\$11,042.8	\$11,937.7



Governor’s Priorities
ARTICLE V

- Increasing Safety and Security Along our Southern Border
 - Enhancing 2nd Amendment Rights with No-Fee License-to-Carry
-

CONTINUE TO SECURE OUR SOUTHERN BORDER

The continued high volume of apprehensions along Texas’ southern border and the accompanying risk of transnational crime means that Texas cannot sit idle while awaiting the federal government to fully mobilize. After years of neglect from Washington, there is reason to be optimistic that the federal government will, at last, adequately increase border security and enforcement efforts along the porous border with Mexico. These improvements, however, will not happen overnight. Texas needs to ensure the hard working and devoted men and women at the Texas Department of Public Safety (DPS) can hold the ground gained against the cartels and traffickers during Operation Secure Texas by maintaining their efforts to protect our citizens. A border security biennial appropriation of \$800 million will allow DPS to maintain the progress made by the new troopers recruited, trained and deployed in 2016-17, as well as to fulfill the governor’s plan for 250 additional troopers dedicated to the border region. Maintaining the deployment of effective and layered detection technologies, such as the cameras utilized in Operation Drawbridge, and continued coordination of resources and manpower must also be sustained until adequate federal resources are finally in place and operational.

REMOVING THE TAX ON CARRYING A FIREARM

In 2015, the legislature passed two landmark bills to protect the Second Amendment and expand liberty in Texas. By allowing handgun license holders the ability to carry their handguns openly and by expanding the right to carry concealed handguns on college campuses, the legislature helped ensure that the Second Amendment rights of Texans are stronger and more secure than ever before.

However, more can be done to allow Texans to safely and legally exercise their rights. While Texas has streamlined the license to carry application process, our license to carry fee has remained stagnant. It is time to expand liberty once again by eliminating state fees currently required for law-abiding license holders to carry their handguns. This budget supports the elimination of the license to carry fee, making it easier for individuals to exercise their Second Amendment rights without undue burden or interference from the state.

ARTICLE VI: NATURAL RESOURCES



ARTICLE VI - NATURAL RESOURCES
GOVERNOR'S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE VI - NATURAL RESOURCES	\$654.8	\$3,890.3



Governor's Priorities
ARTICLE VI

- Improving Air Quality by Reducing Congestion on Texas Roads
 - Eradicating the Ecologically-Destructive Carrizo Cane along the Rio Grande
 - Working to Prevent Flood-Related Deaths with Technological Investments and Planning
-

THE TEXAS EMISSION REDUCTION PLAN

The Texas Emission Reduction Plan (TERP) provides financial incentives to eligible individuals, businesses and local governments to reduce emissions from polluting vehicles and equipment. The primary goal of the program is to obtain reductions of nitrogen oxides (NOx), a contributor to ozone formation. Over the 16 years of its existence, TERP has played an integral role in ensuring Texas is in compliance with the Clean Air Act. The fund has several dedicated revenue streams that contribute to the success of the program. However, over the past decade the fund has not always been fully appropriated by the legislature. As of the beginning of FY 2017, TERP has amassed a fund balance of over \$1 billion. Rather than continuing to build on an already large fund balance, there are opportunities to utilize these funds today in a way that will have a direct positive impact on individuals and air quality.

While there is a continued need for a robust TERP program, the legislature should expand the program to address congestion relief projects that have a measurable impact on air quality. Projects

such as building dedicated turning lanes and overpasses at busy intersections, as well as traffic light synchronization, are just a few examples of how TERP dollars could be used to alleviate congestion while improving air quality. As cars are stuck idling in traffic they will continue to contribute to the NOx levels, TERP funds can and should be used to mitigate this problem.

CARRIZO CANE ERADICATION

Carrizo cane is an invasive, ecologically destructive plant species that grows along the Rio Grande in dense clusters with heights reaching from 9 to 27 feet. Its presence restricts the vision and mobility of law enforcement, thus thwarting their mission and potentially endangering their lives. The cane shields illegal border activities from detection, including drug cartel movements and human trafficking. Additionally, this water-hungry plant is disastrous to the local ecosystem. Stands of cane collect trash and are linked to sediment accumulation, channel constriction and increased flooding frequency.

The 84th Legislature acknowledged the harm caused by Carrizo cane and passed Senate Bill 1734 to task the Texas State Soil and Water Conservation Board with implementing an eradication program. The program integrates the use of biological, chemical and mechanical controls to manage Carrizo cane. Ongoing maintenance and monitoring is essential to the program's success. The current pilot phase is being funded through a federal grant, but additional funding is needed for full and continued implementation. This budget allocates \$3 million for the continued eradication of this invasive plant.

STREAM GAUGES

Texas has experienced an unacceptable string of entirely preventable flood-related deaths in recent years. From January 2015 to mid-2016, Texas had by far the highest number of flood deaths of any state, with 77 out of a national total of 234. Tragedy has struck in Houston, Palestine, Fort Hood, Wimberley and elsewhere. The Texas Water Development Board (TWDB), through a memorandum of understanding with the Office of the Governor, has embarked on an ambitious and thoughtful course of action to prevent the reoccurrence of these calamities.

Aspects of the plan include:

- installation and maintenance of intelligent networked flood gauges;
- maintenance and enhancement of the flood data website, TexasFlood.org;
- weather stations and soil moisture monitoring (TexMesonet.org);

- grants to local communities for early flood warning systems, like sirens and reverse 911 texts, and for local flood mitigation planning;
- high-resolution land-surface data sensors (LiDAR) for improved flood plain and flood level prediction; and
- development of a state flood plan.

This budget includes \$12.5 million to maintain the state's current investment and to expand upon this strategy. Half of these funds come from the Floodplain Management Fund 0330, in accordance with the fund's statutory purpose, with the remainder funded by general revenue. These efforts will provide flood forecasters, emergency responders and citizens the data and tools they need to adequately prepare for and respond to floods in Texas.

ARTICLE VII: BUSINESS AND ECONOMIC DEVELOPMENT _____



ARTICLE VII - BUSINESS AND ECONOMIC DEVELOPMENT
GOVERNOR'S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE VII - BUSINESS AND ECONOMIC DEVELOPMENT	\$536.9	\$33,784.8



Governor's Priorities
ARTICLE VII

- Maintaining Full Funding for Robust Transportation Infrastructure Expansion
- Improving Employment Opportunities for Veterans and Military Families

TRANSPORTATION FUNDING

Voters have spoken clearly that they expect their leaders to reduce congestion on state highways and get them out of traffic. Over the past three years, the legislature has made a historic investment in the state's transportation system by constitutionally dedicating billions of dollars to our roads and bridges without increasing taxes, tolls, fees or debt. A robust and predictable revenue stream for road funding is necessary for the Texas Department of Transportation (TxDOT) to be able to plan much-needed added capacity projects while addressing the safety and maintenance needs of the highway system. Utilizing funds approved by Proposition 1 in 2014 and Proposition 7 in 2015, combined with traditional fuel tax and registration fee revenue, TxDOT has been able to program more than \$70 billion in transportation projects over the next 10 years. These new revenue streams provide close to 50 percent of the funding included in this 10-year plan. In addition to addressing the safety and maintenance needs of the system, these projects will improve connectivity between

Texas cities and add capacity in our urban cores and throughout the state. This represents the most aggressive 10-year transportation plan in Texas' history.

Specifically, TxDOT has been able to utilize new transportation dollars to strategically address gridlock at our state's most congested chokepoints. Time stuck in traffic costs Texans and businesses thousands of dollars a year in wear and tear on their automobiles and lost productivity. To begin addressing congestion around the state, the Texas Transportation Commission has created a long-term initiative called Texas Clear Lanes. Using an initial investment of over a \$1 billion, in January 2016, TxDOT, through the Texas Clear Lanes initiative, was able to fund 14 projects that will help alleviate congestion in Texas' five largest metropolitan regions. A portion of the new funding dedicated to transportation will continue to be used for this important effort.

These initial investments and future road projects are only made possible through a commitment to ensure newly constitutionally dedicated transportation dollars are protected for transportation projects. This budget funds the full transfer of \$5 billion in Proposition 7 dollars for construction of new roads and full allocation of Proposition 1 dollars to the State Highway Fund and maintains the commitment to not diverting highway dollars for other non-transportation purposes. A promise to invest in infrastructure was made to voters, and this budget ensures the promise is kept.

FURTHER OPPORTUNITIES FOR TRANSPORTATION INVESTMENT

Additional opportunities exist for an even greater investment in Texas' state highway system without raising taxes, tolls, fees or debt. Over the past eight years an annual transfer of about \$90 million from the State Highway Fund to the Texas Emissions Reduction Program (TERP) has occurred resulting in close to \$1 billion of highway fund dollars being deposited into the TERP account. While the original intention of this transfer was to bolster an important TERP program, the time has come to end this transfer and allow those dollars to remain in the State Highway Fund. TERP currently maintains a fund balance of over \$1 billion with annual deposits each year in excess of \$200 million. Appropriations from the account have averaged around \$100 million over the past decade, so the fund balance continues to grow. Currently set to expire in 2019, the legislature should end this transfer at the end of 2017 which will allow TxDOT to plan approximately \$200 million more in congestion relief and safety and maintenance projects over the next decade, while at the same time ensuring there are adequate revenues to fund a robust TERP program.

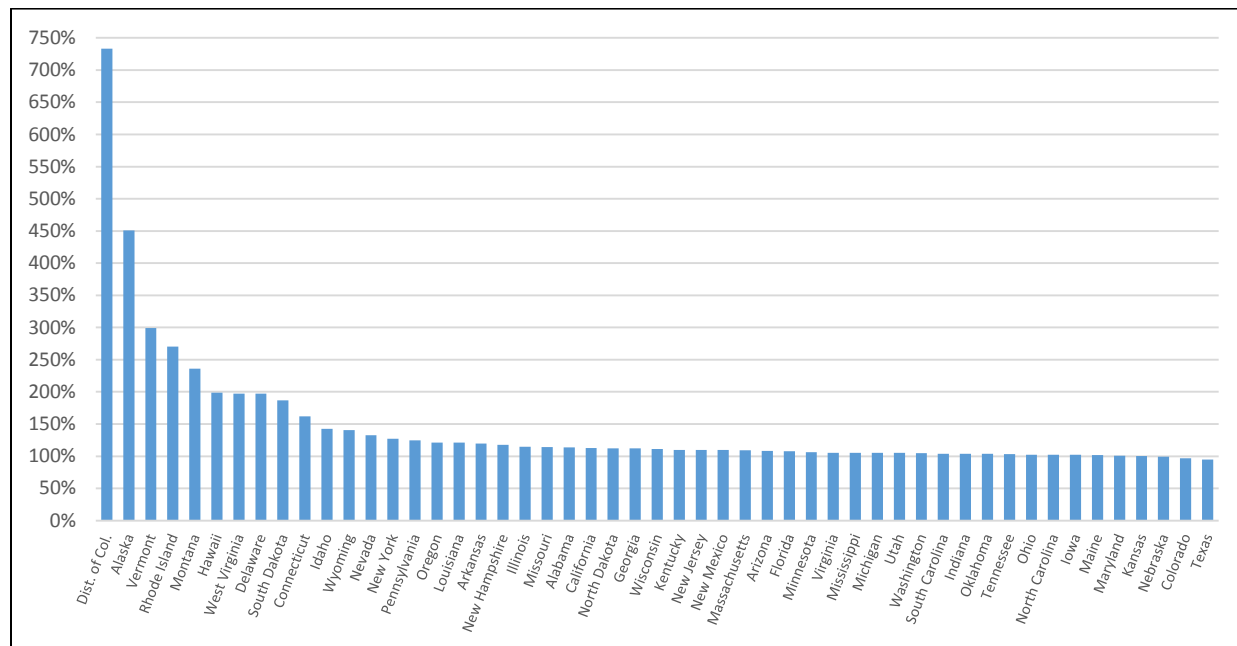
CALL FOR FEDERAL ACTION

Over the past 50 years, Texas has received less from the federal Highway Trust Fund (HTF) than the state has contributed in gas tax receipts. This structural inequity has continued under the 2015 HTF authorization legislation, the Fixing America's Surface Transportation Act (FAST Act), which, in part, ties distributions to outdated 2000 census data. Thus, all the growth Texas experienced since 2000 - an estimated 32 percent - has not been factored into our state's distributions. Based on

dollars in and dollars out of the Highway Trust Fund, Texas will be only one of three donor states (along with Colorado and Nebraska) in 2017 and will recoup only \$0.95 for every dollar sent to Washington in federal fuel taxes.

Traditionally, Texas fuel receipts being deposited into HTF range from 10 to 12 percent of the total amount nationally, but the state receives between eight and nine percent back in apportionments. This disparity equates to Texas' loss of approximately \$701 million in 2016 and \$738 million in 2017. By fixing this formula inequity, Texas would have more than \$7 billion available over the next 10 years for much needed transportation projects. As Texas is stepping up to find ways to fund transportation needs in this budget, Congress must do the same at the federal level.

FY 17 State Rate of Return



EMPLOYING VETERANS AND MILITARY FAMILIES

The Tri-Agency Workforce Initiative brought together the Texas Education Agency, Texas Higher Education Coordinating Board and the Texas Workforce Commission to help develop a plan – within existing appropriations – to help meet the workforce needs of the state for years to come. Within this effort, the initiative prioritized employment for our state’s veteran community to ensure that skills garnered in service to our country can continue to help make our state even greater. Three components – Operation Welcome Home, Skills for Transition and Support for Military Families – highlight this effort.

Operation Welcome Home coordinates efforts between state workforce development professionals and Military Transition Centers to help find jobs for service members within 180 days of separation from the Armed Forces. As part of Operation Welcome Home, the Skills for Transition program works with service members who are leaving their military service and who plan to remain in Texas. The Skills for Transition program provides training opportunities to service members focused on skills associated with employment in high-growth, high-demand occupations. Local workforce boards will work together to ensure they are aware of opportunities throughout the state and will assist them in transitioning to any community in Texas. The Skills for Transition program is a resource for service members six months prior to their separation, as well as post transition.

With frequent moves and jurisdictional difference in job requirements, military spouses often face difficulty finding employment that best utilizes their potential. The Support for Military Families program focuses on providing employment assistance to military spouses who are experiencing challenges in obtaining employment by helping them obtain either the appropriate licensure or certifications or the new skills necessary to compete in the job market. Local Workforce Development Boards will provide job search assistance, assessment of skills, labor market information, resume writing assistance, interview preparation and training in targeted occupations. This budget continues to prioritize these programs within base funding levels from the previous biennium.

ARTICLE VIII: REGULATORY



ARTICLE VIII - REGULATORY
GOVERNOR'S RECOMMENDATION

(IN MILLIONS)

	GENERAL REVENUE	ALL FUNDS
ARTICLE VIII - REGULATORY	\$328.8	\$609.3



Governor's Priorities
ARTICLE VIII

- Reducing Occupational Licensing Fees to Levels Needed for Regulation Only
 - Removing Economic Barriers Imposed by Unnecessary Professional Licensing
-

OCCUPATIONAL LICENSING FEES

In 2015, occupational licensing fees were eliminated for more than 600,000 Texas professionals with an estimated savings of over \$250 million. The good work started in 2015 to reduce the regulatory burdens on Texans that work in overregulated industries must continue into the 2017 legislative session. The state should reduce the occupational licensing fees required from licensed professionals so that only the amount necessary to fund the regulatory agencies are collected from licensees. Currently, state agencies with oversight of professional licensing collect fees that are in excess of the amounts that the legislature appropriates to those agencies to perform the functions assigned to them through legislation. The unappropriated remainder stays in general revenue to be used on matters unrelated to the regulated industry. A ban on this over-collection would end the practice of taking additional hard-earned money from licensed professionals to increase general revenue through licensing fees.

RIGHTSIZING REGULATION

The state should remove the licensing requirements for many professions that do not need to be regulated, such as hair shampoo apprentices. Instead, the state should allow free enterprise to work for those people that are not in an industry needing government oversight. While the state should continue to regulate professions for legitimate health and safety reasons, it should remove the economic barriers imposed by regulation of industries that are better subject to the free economic market.

By the end of 2019, the Texas Department of Licensing and Regulation will oversee 38 licensing programs with at least 200 license types and over 750,000 licensees. While the department efficiently performs the functions entrusted to it, the necessity for many of these professional licenses, such as auctioneers, is questionable at best. More deregulation of professional occupations should be pursued in order to encourage further economic growth in Texas.

ARTICLE IX

In modern usage, Article IX is the budget's catch-all location, serving as a home for hundreds of pages of last minute budget additions, contingency riders and a large number of policy directives. As discussed above, Article IX can also become a tool for limiting future growth in the Texas budget. While the budget bill moves through the legislative process, legislators should articulate those costs that are intended to be in the budget only once and not built into an agency's base appropriation going forward. This would be included in an Article IX rider and would provide the basis for a more conservative starting point for the FY 20-21 budget. Short of a true, all-agency zero-based budgeting approach, this legislative guidance could provide the simplest, easiest to understand method for reducing institutional government growth. All items of appropriation articulated in Article IX would then be removed from an agency's base prior to the Legislative Appropriation Request process, ending the long-time tradition of either rolling over "one-time costs" into agency bases or repurposing the cap room across other strategies.

This reform, coupled with previously articulated transparency efforts and spending limit goals, can help ensure a generation of conservative budgets while meeting the needs of a growing, prosperous state.

ARTICLE X

In compliance with Government Code 401.045, this budget will not make recommendations regarding the necessary expenses of the legislature. However, as the legislature begins debating our state's next budget, it must be mindful of its duty to prevent unnecessary expenditures by meeting its obligations to complete the people's work within the allotted 140 days. In a tight budget session, spending funds to finance additional time for a part-time legislature should be avoided and resources should instead be channeled to the priorities outlined above.

Additionally, due to the aforementioned statutory prohibition on budget recommendations, the legislature must be even more vigilant with Article X costs to prevent institutional growth. Over the last 20 years, however, certain Article X expenses have grown at a far greater rate than the state's budget as a whole. For example, since the FY 1996-97 biennium, appropriations to the Legislative Budget Board have grown by 714 percent – a rate more than four times greater than the state budget as whole. As the legislature makes difficult decisions this session regarding agency funding priorities, it is important that all articles receive the attention of our state's leadership.

