

TEXAS BUDGET TRENDS IN ARTICLES VI & VII

OVERVIEW

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

This paper highlights Texas budget trends in Articles VI and VII since the 2004-05 budget and notes the natural resources and business and economic development functions that increase faster than population growth plus inflation in the 2016-17 budget.

Article VI & VII Budgets Increase by More than Population Growth Plus Inflation Since 2004-05

Article VI includes the natural resources portion of the budget with major functions of the Department of Agriculture, Commission on Environmental Quality, and Parks and Wildlife Department. The 2016-17 all funds appropriations to Article VI is \$4.4 billion, a decrease of \$2.6 billion, or 37 percent, from the previous budget's expected expenditures. This article decrease is the largest this budget cycle with \$2 billion of the reduction from the removal of a one-time appropriation from the Economic Stabilization Fund to the State Water Implementation Fund (SWIFT) in FY 2014 for water projects ([LBB 2015, 115](#)).

Article VII includes functions related to business and economic development such as the Department of Transportation, Texas Workforce Commission, and Texas Lottery Commission. Appropriations increased by \$332.7 million, or 1.2 percent, to \$27.8 billion in the 2016-17 all funds budget. The largest portion of this budget of \$23.1 billion is to the Department of Transportation, which includes "an increase in State Highway Funds (Other Funds) made available from: the discontinuance of \$1.3 billion in State Highway Fund appropriations to agencies other than the Department of Transportation; and an estimated \$2.4 billion in funding from oil and natural gas tax-related transfers to the State Highway Fund, as authorized by Proposition 1, November 2014." However, the agency received a net decrease of \$0.1 billion from these changes and decreases in "bond proceeds and in other revenue sources" ([LBB 2016a, 10](#)).

Chart 1 notes that the Article VI budget has increased by more than compounded population growth plus inflation since the 2004-05 budget, for a cumulative increase over each budget period through 2016-17 of \$28 billion. The Article VII budget has increased by more than this key metric during this period with a cumulative increase of \$22.6 billion. Also during this period, the share of each article's budget from federal funds approaches 40 percent as the share of Article VI increased from 13.7 percent to 39.9 percent and of Article VII decreased from 53.3 percent to 40.1 percent.

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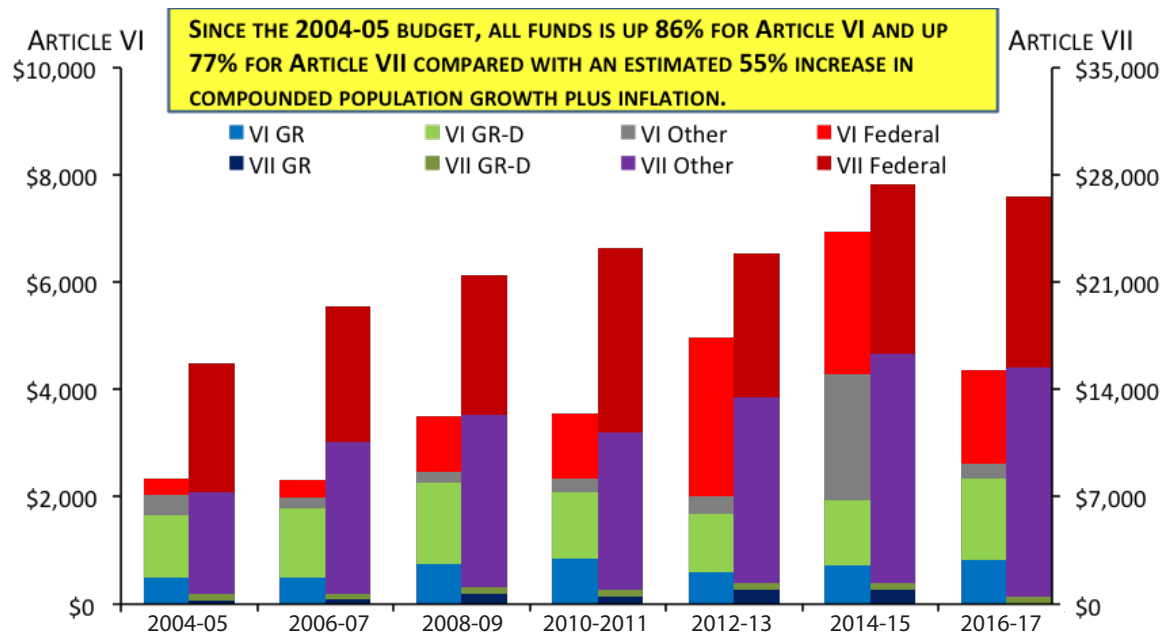
- Article VI budget increased 86 percent and Article VII budget is up 77 percent since the 2004-05 budget compared with a 55 percent increase in population growth plus inflation.
- The 84th Legislature appropriated \$4.4 billion for Article VI in the 2016-17 all funds budget, which is a decrease of 37 percent from the previous budget.
- The 84th Legislature appropriated \$27.8 billion for Article VII in the 2016-17 all funds budget, which is an increase of 1.2 percent from the previous budget.
- These articles and functions should be watched closely as agencies make their requests and during the legislative process next session.

continued



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Chart 1: Articles VI & VII budget growth outpaces population growth plus inflation since 2004-05.



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

Article VI budget increases by function

Although the change in the current Article VI budget was negative, thereby less than population growth plus inflation, previous budget excesses since the 2004-05 budget warrant cautiously considering future budget changes in functions related to natural resources. Chart 2 highlights major functions of Article VI that increased by more than 6.5 percent in appropriations from 2014-15 to 2016-17.

Chart 2: Functions in 2016-17 all funds Article VI that increased by more than population growth plus inflation

FUNCTION (IN MILLIONS)	2014-15 APPROPRIATIONS	2016-17 APPROPRIATIONS	BIENNIAL CHANGE	PERCENTAGE CHANGE
Water Development Board	\$126.7	\$291.5	\$164.8	130.1%
Animal Health Commission	\$20.8	\$26.5	\$5.7	27.2%
Commission on Environmental Quality	\$728.9	\$912.4	\$183.4	25.2%
Soil and Water Conservation Board	\$52.5	\$65.8	\$13.2	25.2%
Parks and Wildlife Department	\$597.3	\$700.3	\$103	17.2%
Railroad Commission	\$158.5	\$174.5	\$16.0	10.1%

Sources: Legislative Budget Board (2013, 2016b)

The primary causes for these increases are listed below:

- ★ \$207.6 million of the Water Development Board budget increase goes to a new goal of “non-self supporting general obligation debt service” that includes “general obligation bond debt service payments for economically distressed areas program” and “general obligation debt service payments for the water infrastructure fund program”; there was also a decrease of \$45.2 million in funds to the goal of “water resource planning” to “plan and guide conservation and management of state’s water resources” (LBB 2016b, VI-57).
- ★ \$4.1 million of the Animal Health Commission budget increase is for “field operations for animal health management and assurance programs” to enhance or protect animals’ health (LBB 2016b, VI-11).

- ★ \$163.6 million of the Commission on Environmental Quality budget increase goes to “air quality assessment and planning” ([LBB 2016b, VI-14](#)) that includes funding “for certain air quality programs, including the Texas Emission Reduction Plan, the Low Income Vehicle Repair Assistance, Retrofit and Accelerated Vehicle Retirement Program (LIRAP), and Local Initiative Projects, to reduce air emissions” ([LBB 2016a, 15](#)).
- ★ \$11 million of the Soil and Water Conservation Board budget increase goes to “flood control dam maintenance and structural repair” that awards four “flood control dam repair grants” ([LBB 2016b, VI-53,54](#)).
- ★ \$39.4 million of the Parks and Wildlife Department budget increase is for “improvements and major repairs” to “implement capital improvements and major repairs” among infrastructure; \$15.5 million goes to “wildlife, fisheries, and water safety enforcement” under the new border security measures; and \$13 million is in “state parks, historic sites, and state natural area operations” ([LBB 2016b, VI-33,34](#)).
- ★ \$11.7 million of the Railroad Commission budget increase is to “promote energy resource development opportunities” statewide by monitoring oil and gas wells process drilling permit applications ([LBB 2016b, VI-47,49](#)).

Article VII budget increases by function

The current Article VII appropriations increase by less than population growth plus inflation compared with the 2014-15 expected expenditures while increasing by more than this key metric since the 2004-05 expenditures. However, there are certain functions within the current business and economic development budget that should be scrutinized when determining future budget changes. Chart 3 highlights key functions included in Article VII that increased by more than 6.5 percent in appropriations from 2014-15 to 2016-17.

Chart 3: Functions in 2016-17 all funds Article VII that increased by more than population growth plus inflation

FUNCTION (IN MILLIONS)	2014-15 APPROPRIATIONS	2016-17 APPROPRIATIONS	BIENNIAL CHANGE	PERCENTAGE CHANGE
<i>Texas Workforce Commission</i>	\$2,339.9	\$2,641.5	\$301.6	12.9%
<i>Department of Transportation</i>	\$21,207.8	\$23,054.9	\$1,847.1	8.7%
<i>Texas Lottery Commission</i>	\$415.5	\$445.9	\$30.5	7.3%
<i>Department of Motor Vehicles</i>	\$294.2	\$312.0	\$19.2	6.5%

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

The primary causes for these increases are listed below:

- ★ \$309.1 million of the Texas Workforce Commission (TWC) budget increase is for a new goal of “rehabilitation services for persons with disabilities” ([LBB 2016b, VII-13](#)) “primarily due to the transfer of programs from the Department of Assistive and Rehabilitative Services” ([LBB 2015, 117](#)). These programs include vocational rehabilitation, business enterprises of Texas, business enterprise of Texas trust fund, vocational rehabilitation program support, and other program support. There were decreases in other areas of the TWC budget.
- ★ \$15.1 million of the Department of Motor Vehicles budget increase goes to “provide title, registration, and specialty license plate services” ([LBB 2016b, VII-13](#)).
- ★ \$19.4 million of the Texas Lottery Commission budget increase is in “lottery operator contract(s)” that includes funds for the lottery operator International Game Technology (IGT) and other contract related expenditures ([LBB 2016b, VII-8](#)).
- ★ \$15.1 million of the Department of Motor Vehicles budget increase ([LBB 2016b, VII-13](#)) is for “registration and titling of vehicles and issuance of license plates; registration, permitting, and regulation of motor carriers; and other motor vehicle licensing and regulation functions” ([LBB 2015, 120](#)).
- ★ \$15.1 million of the Department of Motor Vehicles budget increase goes to “provide title, registration, and specialty license plate services” ([LBB 2016b, VII-13](#)).

CONCLUSION

Articles VI and VII 2016-17 appropriations increased by less than the population growth plus inflation from the previous budget. In fact, Article VI declined by 37 percent, however, this decline was from a one-time removal of funds from the budget for water projects. Despite these one budget cycle changes, budget trends since 2004-05 show that future changes should be watched closely as agencies make their requests and during the legislative process next session. Doing so will help secure that the total budget increases by less than population growth plus inflation each session. ★

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About the Authors



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

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