

TEXAS BUDGET TRENDS IN ARTICLES VIII-X

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 VIII, IX, and X since the 2004-05 budget and notes the regulatory and the Legislature functions that increase faster than population growth plus inflation in the 2016-17 budget.

Article VIII includes the regulatory portion of the budget with major agencies such as the Public Utility Commission, Department of Insurance, and Texas Medical Board. The 2016-17 all funds appropriations to Article VIII is \$932.4 million, a decrease of \$198.4 million, or 18 percent, from the previous budget's expected expenditures. This article is one of only two articles that decreased this budget cycle (the other is Article VI that includes natural resources), primarily because of the end of the Public Utility Commission's system benefit fund for the low-income discount program for electricity in fiscal year 2016. Excluding this one-time decrease of \$225 million from 2014-15 expected expenditures ([LBB 2015, 129](#)) to 2016-17 appropriations ([LBB 2016b, VIII-59](#)), the Article VIII budget would have increased by 2.3 percent.

Article IX includes appropriations to general provisions that apply to multiple articles and no amount is usually included in the final budget. In fact, there was no amount appropriated in the final budget for Article IX from 2004-05 to 2014-15. However, the Legislature includes \$390.2 million for this article in the 2016-17 budget for salary and benefits increases ([LBB 2016b, IX-105](#)). Specifically, this amount includes \$333.1 million "for an across-the-board pay raise for state employees, including Schedule C employees and exempt positions that contribute to ERS Retirement, of 2.5 percent in fiscal year 2016. Higher education employees and judges and justices of the district and appellate courts are excluded from this provision." In addition, it includes \$57.1 million "for related benefits at the Employees Retirement System and the employer Social Security contribution at the Comptroller of Public Accounts" ([LBB 2015, 14](#)). Since there is no historical trend in this article nor functions to compare, we do not expand on this article.

Article X includes functions related to the Legislature that includes the Senate, House of Representatives, and Legislative Council. Appropriations increase by \$12.1 million, or 3.2 percent, to \$386.1 million in the 2016-17 all funds budget.

Articles VIII-X Budgets Compared with Population Growth Plus Inflation Since 2004-05

Chart 1 notes that Article VIII has not 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 \$4.5 billion. The Article X budget has also increased by less than this key metric during this period with a cumulative increase of \$2.5 billion.

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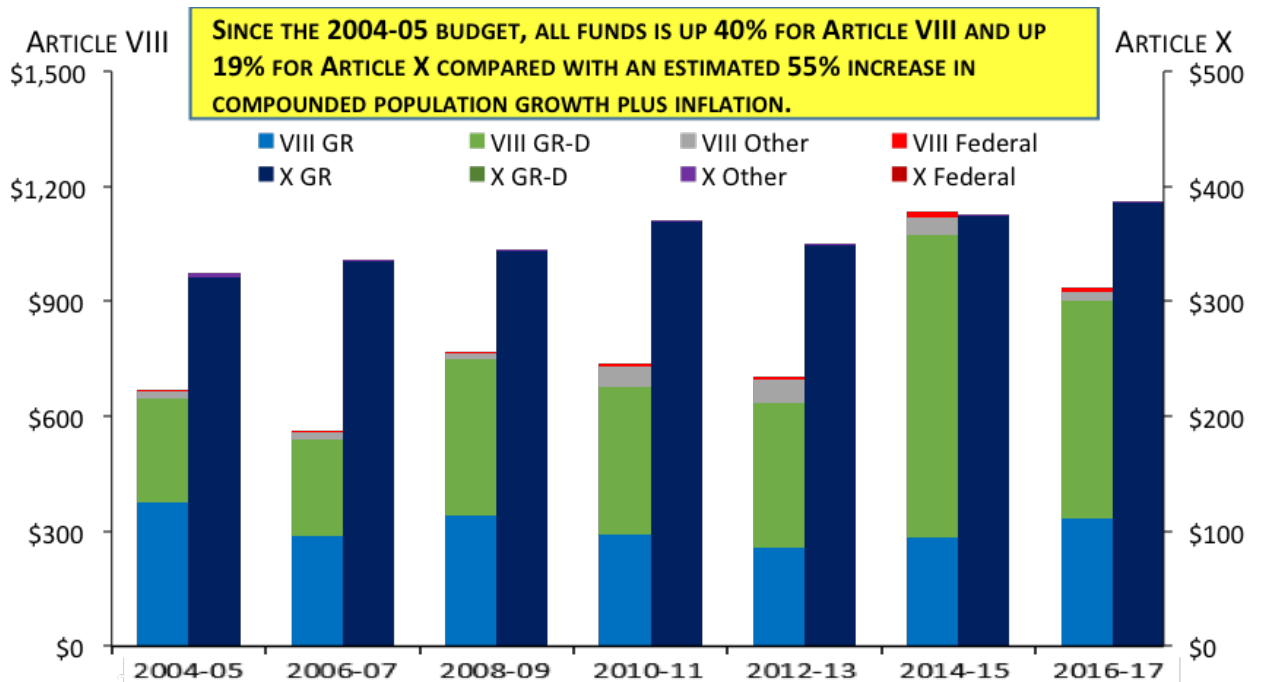
- Article VIII budget increased by 40 percent and Article X budget is up 19 percent since the 2004-05 budget, compared with a 55 percent increase in population growth plus inflation.
- The 84th Legislature appropriated \$934.2 million for Article VIII in the 2016-17 all funds budget, which is a decrease of 18 percent from the previous budget.
- Article IX was included in the final budget for the first time since the 2004-05 budget of \$390.2 million for salary increases.
- The Article X budget increased by 3.2 percent to \$386.1 million from the previous budget.
- These articles and their functions should be watched closely as agencies make their requests, as well as during the legislative process next session.



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continued

Chart 1: Articles VIII and X budget growth increases by less than 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 VIII budget increases by function

Although the change in the current Article VIII budget is negative and below population growth plus inflation since the 2004-05 budget, there are several regulatory functions that increase faster than this key metric and should be carefully considered in future budget decisions. Chart 2 highlights major functions of Article VIII that increase by more than 6.5 percent and a major decrease in appropriations from 2014-15 to 2016-17.

Chart 2: Functions in 2016-17 all funds Article VIII that increase by more than population growth plus inflation and a major decrease

FUNCTION (IN MILLIONS)	2014-15 APPROPRIATIONS	2016-17 APPROPRIATIONS	BIENNIAL CHANGE	% CHANGE
State Office of Administrative Hearings	\$19.1	\$23.5	\$4.4	23.2%
Health Professions Council	\$1.9	\$2.2	\$0.2	12.1%
Department of Licensing and Regulation	\$48.4	\$60.2	\$11.8	24.4%
Medical Board	\$23.2	\$27.9	\$4.7	20.6%
Board of Nursing	\$17.8	\$23.8	\$6.0	33.4%
Executive Council of Physical and Occupational Therapy Examiners	\$2.4	\$2.7	\$0.3	12.8%
Board of Plumbing Examiners	\$4.9	\$5.3	\$0.4	7.7%
Board of Veterinary Medical Examiners	\$2.3	\$2.6	\$0.3	13.0%
Public Utility Commission	\$757.5	\$358.9	-\$398.6	-52.6%

Sources: Legislative Budget Board (2013, 2016b)

The primary causes for these changes are listed below:

- ★ \$3.6 million of the State Office of Administrative Hearings budget increase is to “conduct hearings and prepare proposals for decisions and final orders” ([LBB 2016b, VIII-1](#)) that includes funding a “new integrated case management, case filing, and time keeping system” ([LBB 2015, 126](#)).
- ★ \$232,000 of the Health Professions Council budget increase goes to “member agency coordination and support” for salaries, professional fees, utilities, and other expenses ([LBB 2016b, VIII-13](#)).
- ★ \$6.3 million of the Department of Licensing and Regulation budget increase is for the goal of “indirect administration” that includes central administration, information resources, and other support services ([LBB 2016b, VIII-29](#)) for funding “information technology security enhancements” and “agency’s licensing and enforcement divisions” ([LBB 2015, 125](#)).
- ★ \$2 million of the Medical Board budget increase funds “indirect administration” to “conduct a timely, efficient, cost-effective licensure process” ([LBB 2016b, VIII-34](#)).
- ★ \$5.2 million of the Board of Nursing budget increase goes to “licensing” to “operate efficient system of nursing credential verification” for new and renewal licenses for nurses ([LBB 2016b, VIII-38](#)).
- ★ \$221,000 of the Executive Council of Physical and Occupational Therapy Examiners budget increase is to “operate licensing system” for funding to “issue and renew licenses and register facilities” ([LBB 2016b, VIII-45](#)).
- ★ \$210,000 of the Board of Plumbing Examiners budget increase is for “inspections and enforcement” to “inspect and monitor job sites, investigate and resolve complaints” ([LBB 2016b, VIII-48](#)).
- ★ \$281,000 of the Board of Veterinary Medical Examiners budget increase goes to “complaints and action” to “investigate complaints, take disciplinary action, compliance program” ([LBB 2016b, VIII-64](#)).
- ★ \$325.5 million of the Public Utility Commission budget decrease is for “electric utility restructuring” ([LBB 2016b, VIII-59](#)) that is primarily based on the spent down balance of the System Benefit Fund for the low income discount program ([LBB 2015, 129](#)).

Article X budget increases by function

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

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

FUNCTION (IN MILLIONS)	2014-15 APPROPRIATIONS	2016-17 APPROPRIATIONS	BIENNIAL CHANGE	% CHANGE
State Auditor’s Office	\$40.0	\$43.4	\$3.4	8.6%
House of Representatives	\$77.5	\$83.5	\$6.0	7.8%

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

The primary causes for these increases are listed below:

- ★ \$3.4 million of the State Auditor’s Office budget increase goes to the “state auditor” for salaries and other expenses ([LBB 2016b, X-6](#)).
- ★ \$6 million of the House of Representatives budget increase is for the strategy of the “House of Representatives” that includes funding for “Constitutionally authorized annual salaries for Members of the House of Representatives, per diem, other salaries and wages,” and other related expenses ([LBB 2016b, X-2](#)).

CONCLUSION

Articles VIII and X 2016-17 appropriations increased by less than the population growth plus inflation from the previous budget. In fact, Article VIII declined by 18 percent as the discount program for funding electricity for low-income people expires in fiscal year 2016. However, excluding this one-time decrease, Article VIII would be up by 2.3 percent. Article IX was included in the

current budget for the first time since at least the 2004-05 budget to fund increases in state employee salary and benefits. These articles and their functions should be should be watched closely as agencies make their requests and during the legislative process next session so that the 2018-19 budget does not exceed population growth plus inflation. ★

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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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