

# Senate Finance

SB 1

January 30, 2023



## Roll Call

Chair: Joan Huffman

Vice-chair: Juan "Chuy" Hinojosa

Paul Bettencourt

Donna Campbell

Brandon Creighton

Pete Flores

Bob Hall

Kelly Hancock

Bryan Hughes

Lois Kolkhorst

Robert Nichols

Angela Paxton

Charles Perry

Charles Schwertner

Royce West

John Whitmire

Judith Zaffarini

## Resources

[Public hearing notice](#)

[Video of hearing](#)

## Invited testimony

### Huffman

Looking at the unprecedented amount of revenues to the state. The Committee's biggest challenge will be how to craft a budget that will be sustainable for the future.

188 billion in available funds, 130.1 billion in discretionary state revenue.

TEXAS ASSOCIATION OF HEALTH PLANS

Meeting Update–January 30, 2023

Jamie Dudensing, CEO

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## **Comptroller Hegar**

188 billion available for general purpose spending 24-25 biennium; 26.3% more than the current 2 year biennium. Reserves would be 4.5 billion higher but for the constitution limit on the ESF balance which is beginning in 2025. Besides GRR, projecting the state will receive 108.4 billion in federal money, 68 billion in other reserves revenues; these funds dedicated for specific purposes and unavailable for GR purpose spending. Taking all revenue sources into account, the state is expected to receive 342.3 billion in 24-25. Number of factors that contributed to this unprecedented number.

Historical growth in 25.6 billion total tax collections in 2022, double than any in the last 30 years. Texans have paid more for taxable items due to inflation.

Legislatures used federal spending for the budget. Projected ending balance shatters previous records surpluses. But the amount available for general purposes for the 24-25 could be even higher if the legislature chooses to substitute some of available federal funds for GR as lawmakers did in the past.

This BRE is subject to uncertainty; high inflation, etc. If it doesn't slow, the Fed's actions to check it could cause a deeper recession. Spending will slow as unemployment continues, etc. Cannot expect a repeat for the next legislative session.

Constitutional cap on ESF: 26.4 billion dollars in 22, 24, 25 biennium. At the end of FY 23 ESF will be up about 13.7 billion. Early FY 24, we need to make the usual transfer of severance taxes which is estimated to be 13.3 billion.

Transfer of 5.7 billion in unencumbered GR balances to economic stabilization fund. In addition, the state constitution requires we transfer ½ of any unencumbered GR balance to ESF, at the end of a biennium. Projects that this will be a balance of 11.4 billion. This is an estimate.

690 million that would go to ESF will remain instead in general revenue. Fiscal year 25 expected to exceed the cap for 26-27. No set aside available GR for 25, any severance for transfers in 26. The ES gap for 26-27 is 25.33 billion; lower in fact than cap for 24-25.

Most federal funding, including Medicaid flows through GR and those collections were elevated in the current biennium because of Covid.

**Schwertner:** Discussion about changing cap from 10 to 15%. Do we have capacity in ESF to change the amount of money we have in the reserve?

**Hegar:** In my personal mindset, I think it's imperative we retain some for future generations.

**Huffman:** Do you agree that there are other ways, along with the ESF, we can invest in future generations.

**Hegar:** Yes, lots of tools and ways.

**Kolkhorst:** Highlighting the 25.6 billion in tax collections, double than any in the last 30 years. Paying 4.5 billion more on taxable items than would have been paid, without inflation. What are you trying to say to us?

**Hegar:** That we will never see this again in our lifetime.

**Nichols:** Discusses broadband and mapping.

**Campbell:** How much debt do we have? As a state.

**Hegar:** Texas has a lower debt threshold from many states. Two sections: general revenue that we pay off, and self supporting. Most of it is self supporting. Some of the debt could be paid off but was acquired with low interest rates, so might have higher priorities.

**Whitmire:** We lead the state in uninsured children. Do you have a pain index for those people that need to be represented?

**Hegar:** We don't but we have a 50 state indicator.

**Whitmire:** Medicaid expansion that would not cost much, would remedy a lot of that pain and help rural hospitals.

**Creighton:** Following up with Whitmire. Looking at how states compare to one another and California's historic deficit, they had previously lapped us for years.

## **Comptroller Hegar**

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Have provided LBB with two additional items that are priorities: funds to increase salary rates- will reduce division staff turnover. Also requesting funding for legacy fiscal modernization project- these systems rely on ancient technology.

Mentions Texas broadband and need for improvement/maintenance for Texas government buildings outside of Austin.

**Paxton:** SB 1827 went into effect Dec 1, 2021. Money procured from pharmaceutical companies, meant to address the opioid crisis in Texas. Parties agreed to council from state and local appointments. Has your office received all the appointments for this council?

**Hegar:** Yes and held meetings. Brought in state agencies. Had discussions and got ahead, but we are not the members for spearheading this, we are the staff. Taking a slower approach to get it right.

**Paxton:** Slower approach is costing lives. There are millions of dollars already ready and can be wired.

**Hegar:** Many entities across the state. We need to know exactly where that needs to be wired before we do. There needs to be a process set up and we want the totality before we start sending everything out.

**Huffman** interrupts to have the conversation move on or continued later.

**Campbell:** If there is anything you can do to put the fentanyl issue on the fast track, that would be big.

**Jerry McGinty**, Legislative Budget Board, Director

Reduction in federal funds, approximately 31 billion dollars, is reflection of mostly Covid expenditure funds. General revenue fund spending, 10.1% increase. Highlight: 2 billion dollars has moved out of the Governor's office to the Texas military department. Finance swap; 1 billion dollars within public safety.

**Julie Lindsay**, Legislative Budget Board, Assistant Director of Budget

Highlights HHS and behavioral health funding. All funds decrease of 5.5 billion dollars in Article 2. Mostly related to Covid federal funds, most of this appropriated to state health

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services. All funds decrease in 6.9 billion in Medicaid and Chip, due to the end of continuous coverage requirements related to PHE, which is reducing projected Medicaid caseloads. Offset by increased needs in GR of 1.8 billion related to f-map anticipating in 24-25. Increase in 1 billion in behavioral health funding. On top of 2.3 billion state hospital construction funding which is intended to be provided in supplemental funding. Finally, 100 million in state funds included for increase in foster care rates.

### **Jerry McGinty**

Constitutional limit is 4 billion dollars which will probably be the controlling limit. Includes and takes into account supplemental funding limits. 15.8 billion dollars put in Coronavirus State Fiscal Recovery Fund. 12.8 appropriated in the last third-called session. Some money leftover here.

**Kolkhorst:** Nothing in the budget gives specific teacher pay-raise, is that correct?

**Mccenty:** That's correct. The language in certain places implies intent.

### **Huffman**

"Senate is closing at 2pm this afternoon, due to weather. Going to public testimony. Tuesday's hearing will be moved to Friday. Wednesday tentatively starting at 1pm with Article 2. Thursday planned to continue as normal, with all public testimony on Thursday."  
\*since rescheduled

### **Brief public testimony**