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FISCAL IMPACT REPORT

SPONSOR <u>HAFC</u>	LAST UPDATED <u>3/11/23</u> ORIGINAL DATE <u>2/15/23</u>
SHORT TITLE <u>General Appropriations Act of 2023</u>	BILL NUMBER <u>CS/House Bills 2 and 3/HAFCS/aSFC</u>
	ANALYST <u>Sallee</u>

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$9,417,787.2	Recurring Section 4	General Fund
	\$125,067.6	Recurring Section 8	General Fund
	\$5,095,573.5	Recurring	Various Other State Funds
	\$945,987.7	Recurring	Internal Service Funds/Transfers
	\$11,200,277.8	Recurring	Federal Funds
\$2,361,308.0		Nonrecurring	General Fund
\$610,890.9		Nonrecurring	Various Other State Funds
\$89,636.4		Nonrecurring	Internal Service Funds/Transfers
\$165,245.9		Nonrecurring	Federal Funds

Parenttheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to HB 214

Sources of Information

LFC Files

SUMMARY

Synopsis of SFC Amendment to the HAFCS Substitute for House Bills 2 and 3

The Senate Finance Committee amendment to the House Appropriations and Finance Committee substitute for House Bill 2 and 3 amends Sections 3 and 13. See “Fiscal Implications.”

Synopsis of HAFCS Substitute for House Bills 2 and 3

The House Appropriations and Finance Committee substitute for House Bills 2 and 3 (HB2/HAFCS) appropriates money from the general fund, other revenue, internal services funds/interagency transfers, and federal funds for the FY24 operation of state agencies, higher

education, and public schools.

- Section 1, Short Title
- Section 2, Definitions
- Section 3, General Provisions
- Section 4, FY24 Appropriations
- Section 5, Special Appropriations
- Section 6, Supplemental and Deficiency Appropriations
- Section 7, Information Technology Appropriations
- Section 8, Compensation Appropriations
- Section 9, Special Transportation Appropriations
- Section 10, Fund Transfers
- Section 11, Additional Special Health and Human Services Appropriations
- Section 12, Additional FY23 BAR Authority
- Section 13, FY24 BAR Authority
- Section 14, Transfer Authority
- Section 15, Severability

There is no effective date of this bill; however, a general appropriation act goes into effect upon signature of the governor.

FISCAL IMPLICATIONS

The appropriations contained in this bill are summarized as follows:

SFC Amendment for HAFCS Substitute for HB 2 & HB 3 - General Appropriations Act					
	General Fund	Other State Funds	Internal Service Funds/ Interagency Transfers	Federal Funds	Total
Section 4. Recurring Appropriations					
<i>GENERAL APPROPRIATION ACT:</i>					
A. LEGISLATIVE	\$5,264.3	\$0.0	\$0.0	\$0.0	\$5,264.3
B. JUDICIAL	\$387,998.3	\$34,456.9	\$14,105.6	\$4,710.1	\$441,270.9
C. GENERAL CONTROL	\$213,027.5	\$1,665,972.0	\$127,735.3	\$28,223.1	\$2,034,957.9
D. COMMERCE & INDUSTRY	\$89,289.0	\$190,535.6	\$24,476.8	\$1,174.8	\$305,476.2
E. AGRICULTURE, ENERGY & NATURAL RESOURCES	\$107,092.7	\$120,715.9	\$17,260.7	\$87,812.3	\$332,881.6
F. HEALTH, HOSPITALS & HUMAN SERVICES	\$2,707,927.2	\$369,811.3	\$675,198.0	\$9,115,601.5	\$12,868,538.0
G. PUBLIC SAFETY	\$519,997.5	\$135,024.1	\$27,199.6	\$76,179.6	\$758,400.8
H. TRANSPORTATION	\$0.0	\$716,169.0	\$10,300.0	\$533,976.6	\$1,260,445.6
I. OTHER EDUCATION	\$48,535.6	\$66,253.6	\$759.3	\$50,276.0	\$165,824.5
J. HIGHER EDUCATION	\$1,212,469.2	\$1,789,635.1	\$48,952.4	\$753,823.8	\$3,804,880.5
K. PUBLIC SCHOOL SUPPORT	\$4,126,185.9	\$7,000.0	\$0.0	\$548,500.0	\$4,681,685.9
Recurring Grand Total Section 4	\$9,417,787.2	\$5,095,573.5	\$945,987.7	\$11,200,277.8	\$26,659,626.2
Sections 5, 6, 7,					
Section 5. Special Appropriations	\$1,136,277.8	\$394,714.5	\$8,000.0	\$84,193.5	\$1,623,185.8
Section 6. Supplemental and Deficiency Appropriations	\$82,962.6	\$70,926.4	\$0.0	\$0.0	\$153,889.0
Section 7. Information Technology Appropriations	\$0.0	\$31,750.0	\$74,636.4	\$81,052.4	\$187,438.8
Section 8. Compensation Appropriations	\$125,067.6	\$0.0	\$0.0	\$0.0	\$125,067.6
Section 9. Road Appropriations	\$292,000.0	\$74,000.0	\$7,000.0	\$0.0	\$373,000.0
Section 10. Fund Transfers	\$725,000.0	\$18,500.0	\$0.0	\$0.0	\$743,500.0
Section 11. Other Health & Human Services Appropriations	\$0.0	\$21,000.0	\$0.0	\$0.0	\$21,000.0
Non-Recurring Grand Total	\$2,361,308.0	\$610,890.9	\$89,636.4	\$165,245.9	\$3,227,081.2

Appropriations from the general fund revert to the general fund at the end of FY24, unless otherwise indicated in the bill or provided by law. The SFC amendment includes a provision that the first \$75 million of general fund unspent balance in agency accounts goes back to the general fund and any additional amounts are transferred to the severance tax permanent fund.

SIGNIFICANT ISSUES

The SFC amendment to HB2 appropriates \$9.57 billion from the general fund for recurring agency spending, up \$1.16 billion over FY23, or about 13.7 percent. The SFC amendment appropriates or transfers \$2.28 billion for special appropriations, supplemental, and special transportation projects and transfers general fund revenue to other funds, such as the severance tax permanent fund, that will produce future revenue to the state.

Education

The preliminary public school appropriation is up 8 percent from FY23, or about \$302 million, and includes \$252 million in the SEG for extended learning, \$15 million for education assistants, \$32 million for at-risk students, and \$40 million nonrecurring for career technical education. The SFC amendment reduced extended learning appropriations for K-12 Plus to \$50 million and reallocated \$47 million to a 1 percent across the board pay increase for public school, higher education and state employees to cover costs related to inflation and health care premiums.

Under the HAFCS substitute, public school and higher education employees would receive average salary increases of 5 percent, and the minimum salary for educational assistants would be \$25 thousand. HB2 also provides a 1 percent education pension contribution increase and provides parity with state employees for educator health insurance coverage.

For higher education, the SFC amendment fully funds the Opportunity scholarship at \$146 million, up \$101 million from HAFCS substitute. The SFC amendment also adds funding for athletics totaling \$4.7 million above FY23 levels. Total higher education appropriations in the SFC amended are up \$187.1 million, or 18 percent above FY23.

Early Childhood

The general fund appropriations to the Early Childhood and Education Care Department are up \$135 million, or 69 percent, and sharply increase funding for both prekindergarten and childcare. The SFC amendment increases the proposed distribution from the early childhood care and education fund another \$25 million from HAFCS proposed levels and with total distribution of \$150 million contingent of legislation increasing the distribution. Further, the SFC amendment replaces transfers from the early childhood education and care fund at the Department of Health with general fund revenue of \$3 million for school based health centers, and added an addition \$1.5 million recurring.

The general fund appropriations to the Children, Youth and Families Department are up 6 percent, along with significant federal revenue increases, and include funding to fill hundreds of existing and new social worker positions and funding for evidence-based programs rated as well-supported or promising on nationally recognized evidence-based clearinghouses to help modernize the state's child welfare system.

Health

The general fund appropriation for Medicaid is up \$250 million, or 21 percent, and provides Medicaid provider rate increases that would tie rates to between 100 percent and 120 percent of Medicare rates. The SFC amendment adds \$13.4 million for the cost of premium taxes and managed care overhead associated with provider rate increases, along with an additional \$1.5 million for rate increases for critical care access hospitals and rural health clinics. HB2 provides over \$84 million in state matching funds for a total estimate of spending when matched with federal funds of \$330 million for provider rate increases, including bringing physicians and other practitioners, infant and maternal health, and behavioral health services to rates equal to 120 percent of Medicare rates and equal to Medicare for other services. Rates would increase for hospitals, rural hospitals and clinics, and nursing homes. HB2 fully funds the new expansion of services proposed under the Medicaid program's new federal waiver, including children's continuous eligibility and services for justice-involved individuals. HB2 replaces the 6.2 percent enhanced federal matching funds with general fund revenue.

The general fund appropriation to the Department of Health continues funding all developmentally disabled slots and provides significant provider rate increases and startup programs for alcohol treatment and prevention.

The increase for behavioral health services across the Health, Human Services, Children, Youth and Families, and Early Childhood Education and Care departments, and other agencies totals \$164 million in recurring and nonrecurring appropriations from the general fund and other funds.

HB2 also uses \$21 million of opioid settlement revenue to expand housing services, telehealth, and substance use research and treatment.

Economic Development and Tourism

The SFC amendment for the Economic Development Department's recurring budget includes a general fund increase of \$1.97 million, or 11.3 percent. HB2 also makes numerous one-time investments in economic development, appropriating a total of \$106.1 million in special appropriations, including \$50 million for public-private partnerships focused on energy-related projects, \$3 million for business incubators and entrepreneur support, \$2 million for creative industries, \$13 million for the Local Economic Development Act, \$3 million for the Job Training Incentive Program, \$1 for outdoor equity grants, \$10 million for trails infrastructure grants, and \$13 million for the venture capital fund.

The SFC amendment for the Tourism Department's recurring budget includes a general fund increase of \$4.2 million, million, or 20.1 percent. SFC also approved a total of \$21.7 million in one-time appropriations for tourism for the agency's top priorities, including \$15 million for a national marketing campaign and \$3.5 million for local tourism development.

Natural Resources

The increases for natural resources agencies in HB2 in the budgets of the departments of Environment; Energy, Minerals and Natural Resources Department; and Office of the State Engineer, and other agencies represent a significant increase in funding for the fiscal year 2024,

totaling \$489.5 million in recurring and nonrecurring appropriations from the general fund. Agency budget increases in HB2 include

- A 14.7 percent increase in general fund appropriations to the Energy, Minerals and Natural Resources Department;
- A 21 percent increase in general fund appropriations for the Department of Environment, including \$1.6 million for the general fund to pay 100 percent of costs of compensation increases. The SFC amendment funds the department more than recommended by either LFC or the executive;
- An 8.8 percent increase in general fund appropriations for the State Engineer, including \$1.5 million in expansions for core programs.

Compensation

In addition to pay increases for public school and higher education employees, HB2 provides 5 percent average pay increases for all employees and targeted increases for many jobs, such as nurses, crime lab techs, caseworkers, judges, and district attorneys. The SFC amendment adds an additional 1 percent for inflation and health insurance premiums.

Special Appropriations

HB2 has approximately \$1.5 billion of general fund special appropriations, including those already mentioned, \$100 million for law enforcement, \$50 million for airport improvements, \$40 million for recreation centers, \$50 million to match federal alternative energy investment, \$36 million for the Paid Family Leave Act, \$20 million for higher education building renewal, and \$230 million for state and local roads. The bill has \$725 million of fund transfers from the general fund.

PERFORMANCE IMPLICATIONS

HB2 includes multiple performance measures and performance targets for most agencies as part of the Accountability in Government, which is a system to use performance information to inform budget development and monitor results of spending by agencies on outcomes important to agencies, the executive, the Legislature and public.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

State agencies, higher education and public schools will not have the authority to budget or expend money necessary for the operation of government.