



Center *for* Public Policy Priorities

Legislative Briefing

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Revenue Background

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Budget Issues

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**METHODIST
HEALTHCARE
MINISTRIES**
OF SOUTH TEXAS, INC.

“Serving Humanity to Honor God”

Texas' Need for Public Services

	Texas	US average	Texas' rank
Uninsured nonelderly population, 2007	27.6%	17.1%	1st
Population under age 18, 2007	27.7%	24.5%	2nd
Birth rate, 2005 (live births per 1,000 women)	16.9	14.0	2nd
Adults without high school diploma, 2007	20.9%	15.5%	2nd
Limited-English students in public schools, 2005-06 (% of all students)	15.7%	9.1%	4th
Child poverty rate, 2007	23.2%	18.0%	7th
Family income ratio Top 20% to bottom 20%, 2004-06	7.9	7.3	9th
Median household income, 2007	\$47,548	\$50,740	29th (up from 37th)

Sources: U.S. Census Bureau, American Community Survey; Economic Policy Institute and Center on Budget and Policy Priorities; National Center for Education Statistics.

Above-Average Needs Below-Average Effort

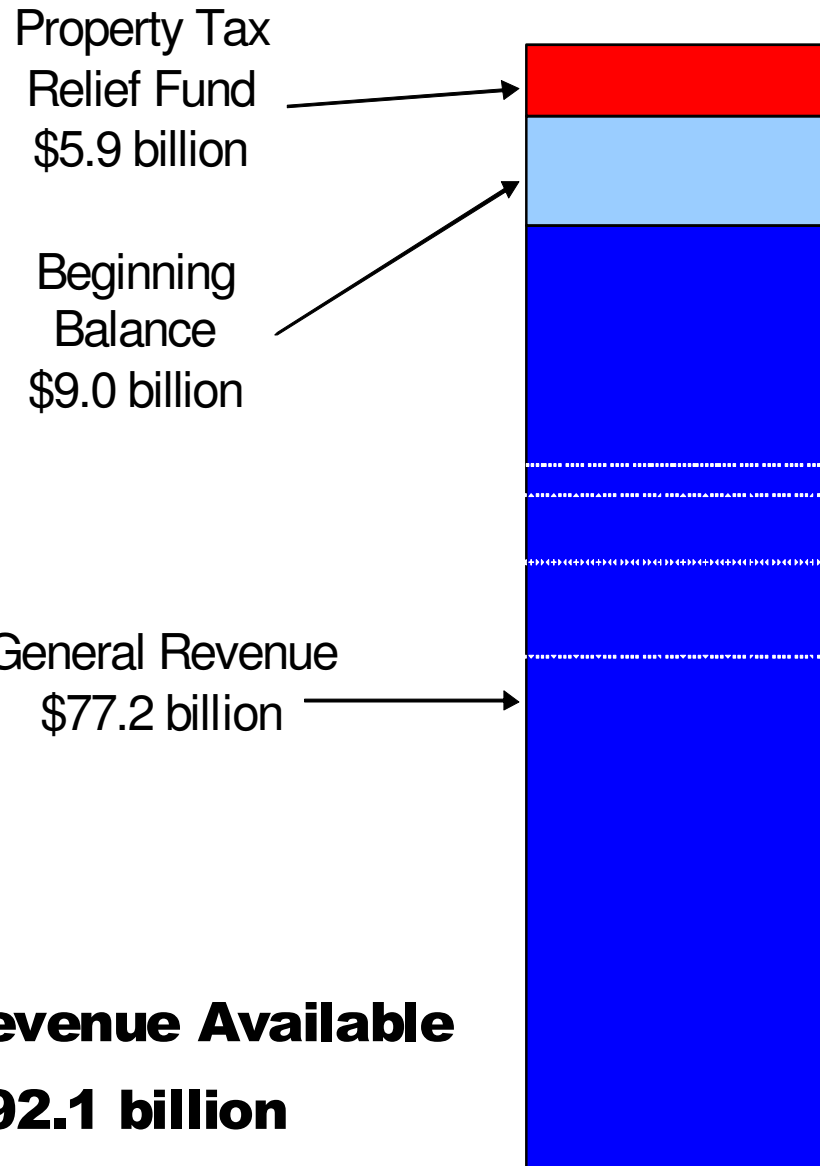
	United States	Texas	
Expenditure need	\$6,007	\$6,456	6th
Actual expenditure	\$6,007	\$5,127	47th
Revenue capacity	\$4,659	\$4,271	33rd
Actual revenue	\$4,659	\$4,017	37th
Fiscal capacity	100	86	39th

Source: *Measuring Fiscal Disparities across the U.S. States*. Urban Institute Tax Policy Center, Federal Reserve Bank of Boston

New Revenue Replaces Only 40% of Lost Property Taxes

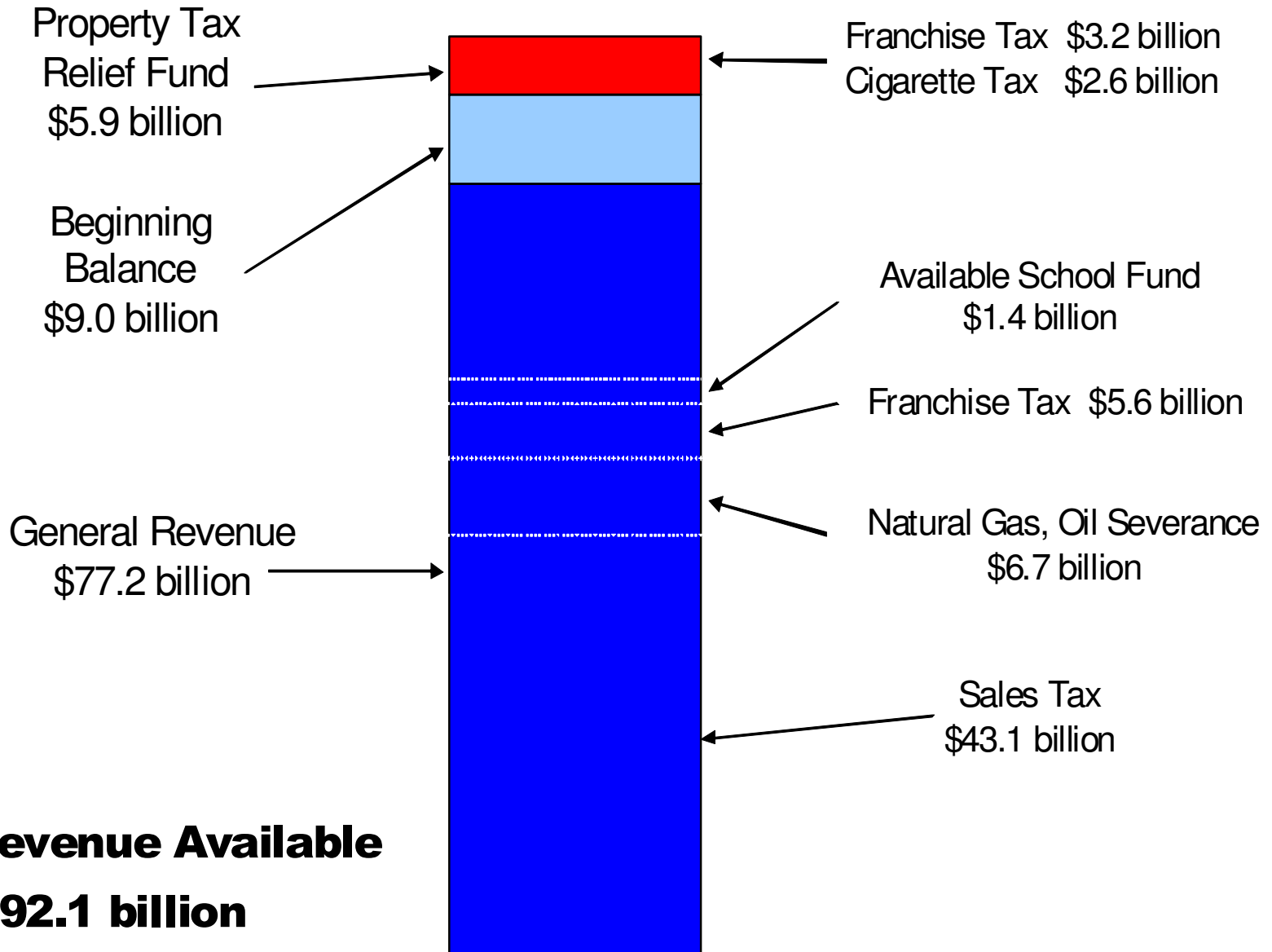
In billion \$	2008-09		2010-11	
	May '06 fiscal note	Jan '09 Revenue Estimate	May '06 fiscal note	Jan '09 Revenue Estimate
Franchise tax	6.8	3.2	7.7	3.6
Tobacco tax	1.4	1.9	1.3	1.8
Used car sales	0.1	0.0	0.1	0.0
TOTAL REVENUE	8.3	5.1	9.1	5.4
Cost of property tax cut	-14.2	-14.2	-14.9	-14.9
SHORTFALL	-\$5.9	-\$9.1	-\$5.8	-\$9.5

Sources of Revenue 2008-09

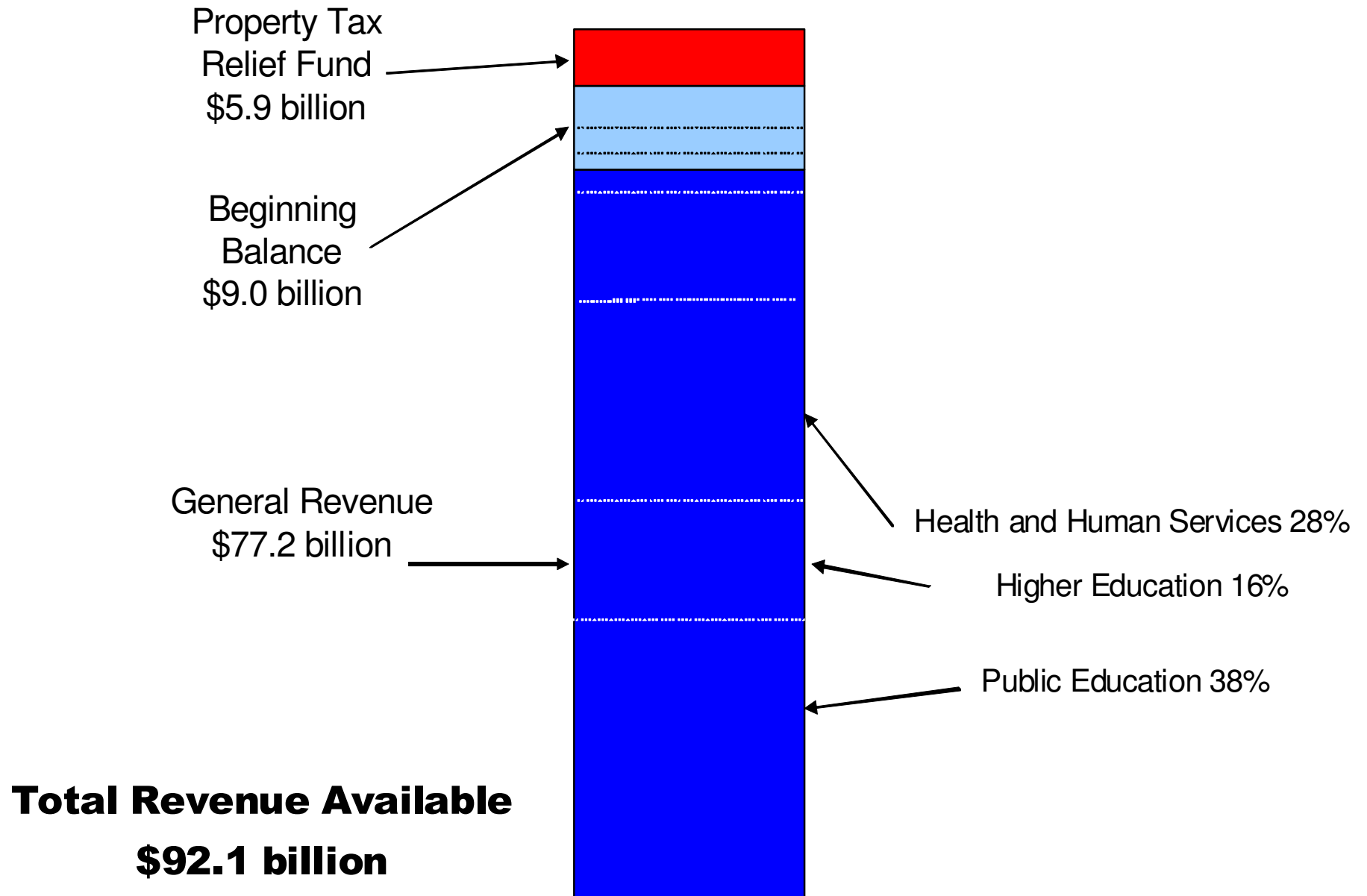


Total Revenue Available
\$92.1 billion

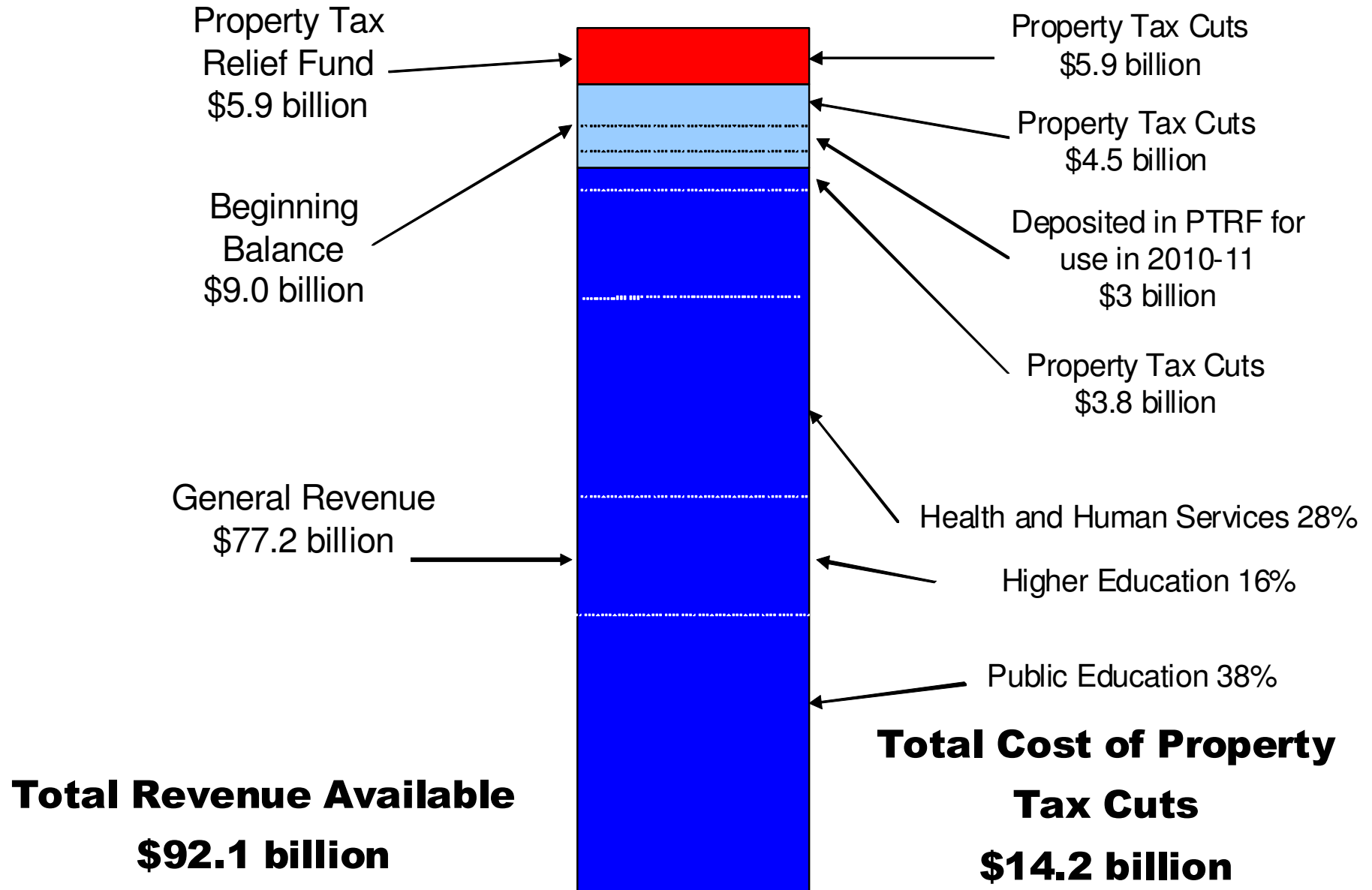
Sources of Revenue 2008-09



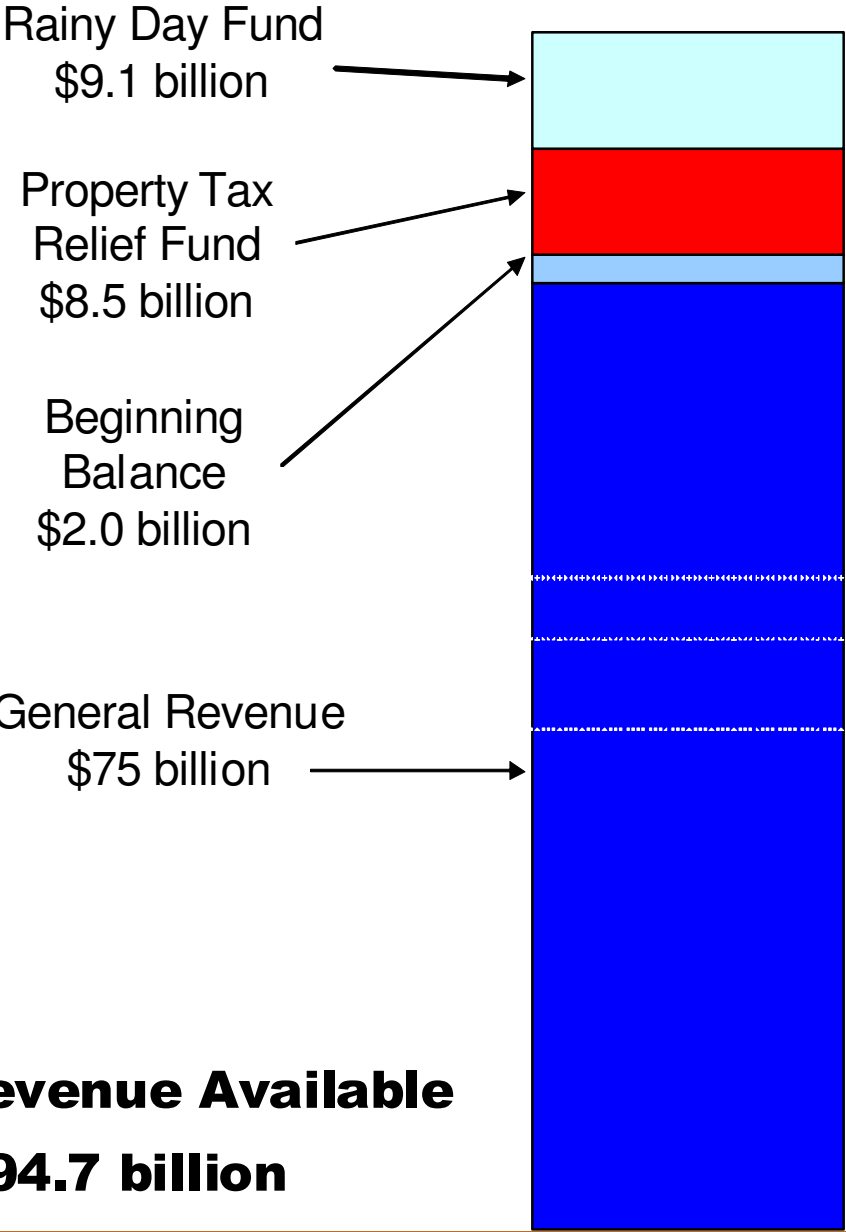
Uses of Revenue 2008-09



Uses of Revenue 2008-09

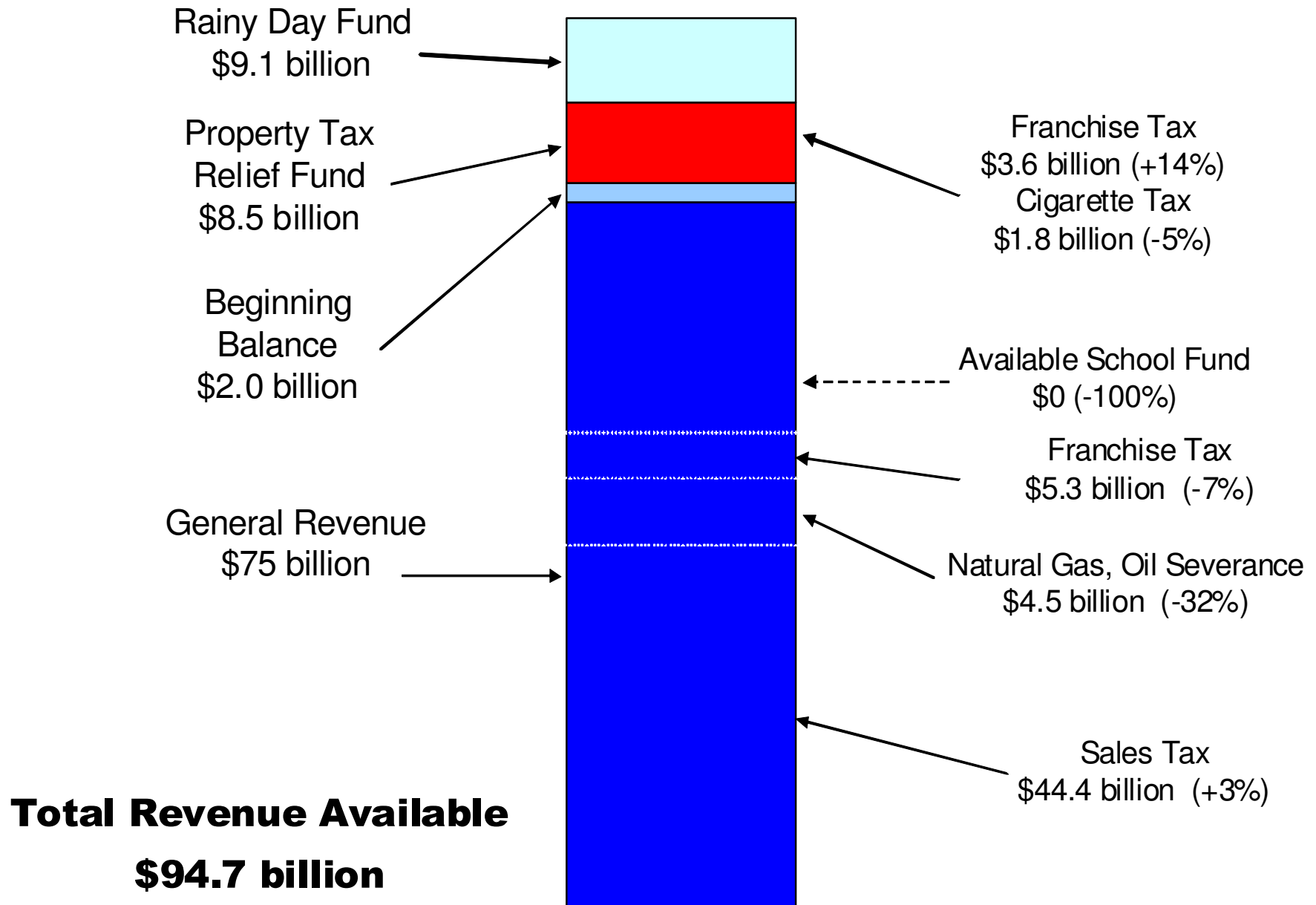


Sources of Revenue 2010-11

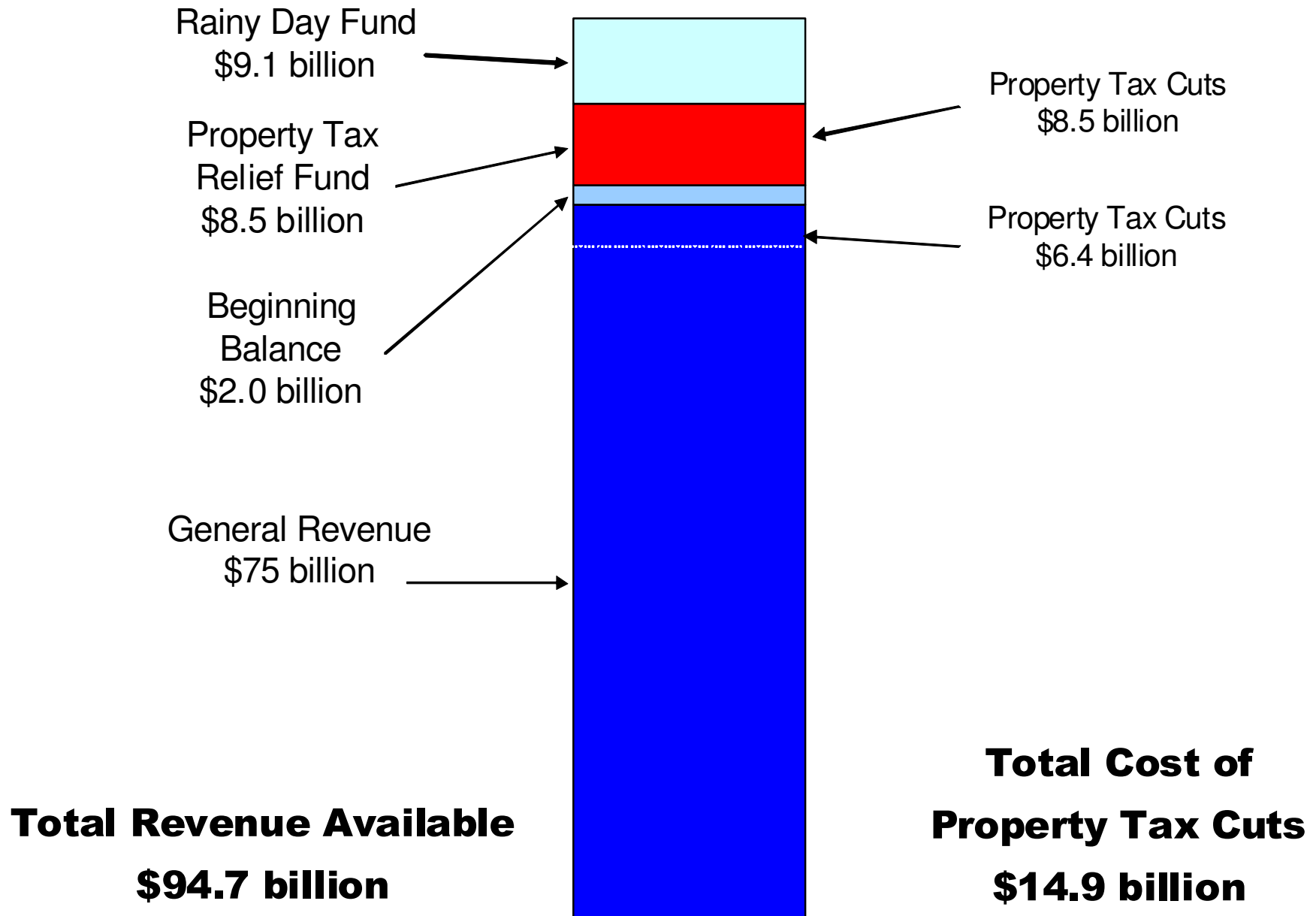


Total Revenue Available
\$94.7 billion

Sources of Revenue 2010-11



Uses of Revenue 2010-11



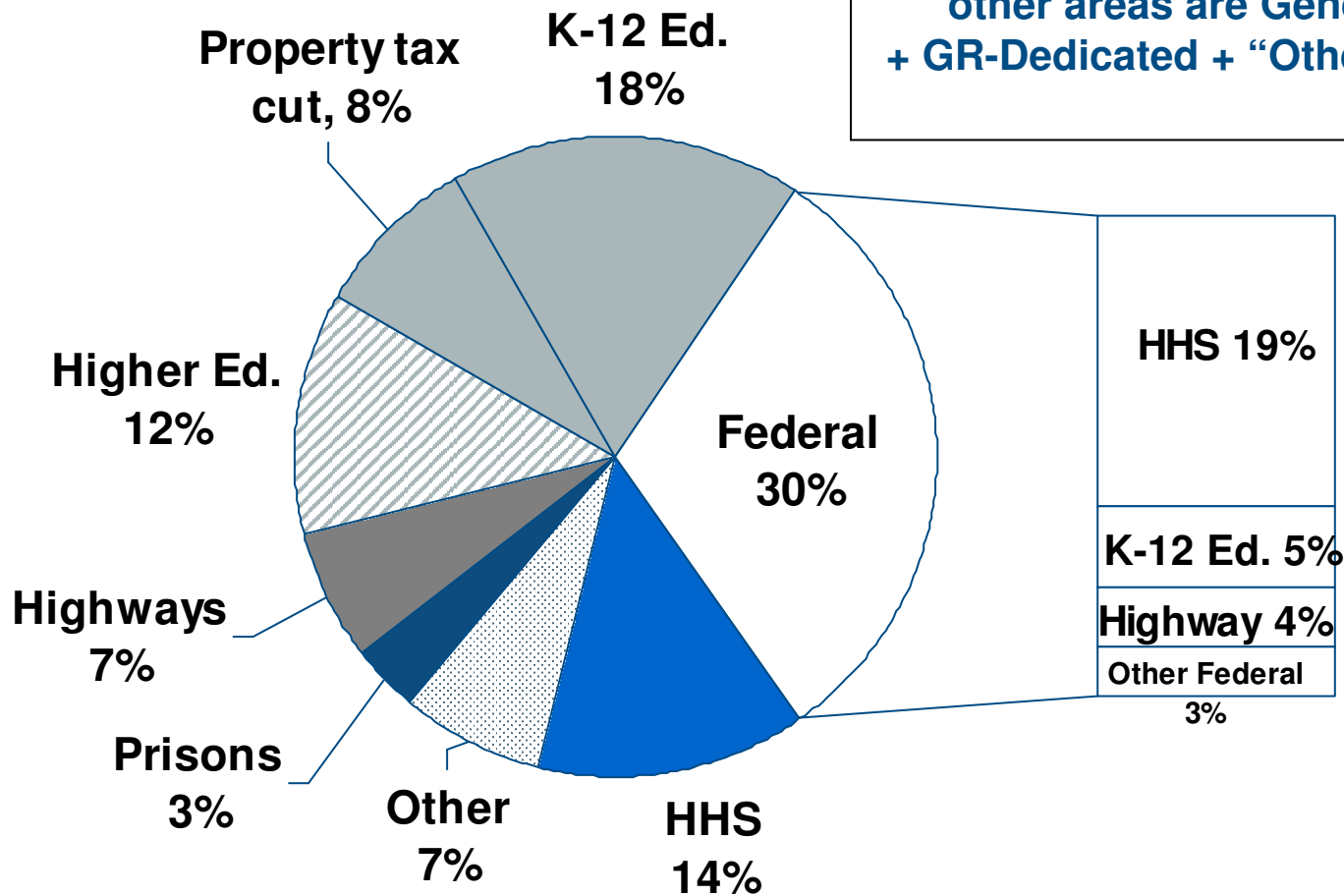
Budget Issues

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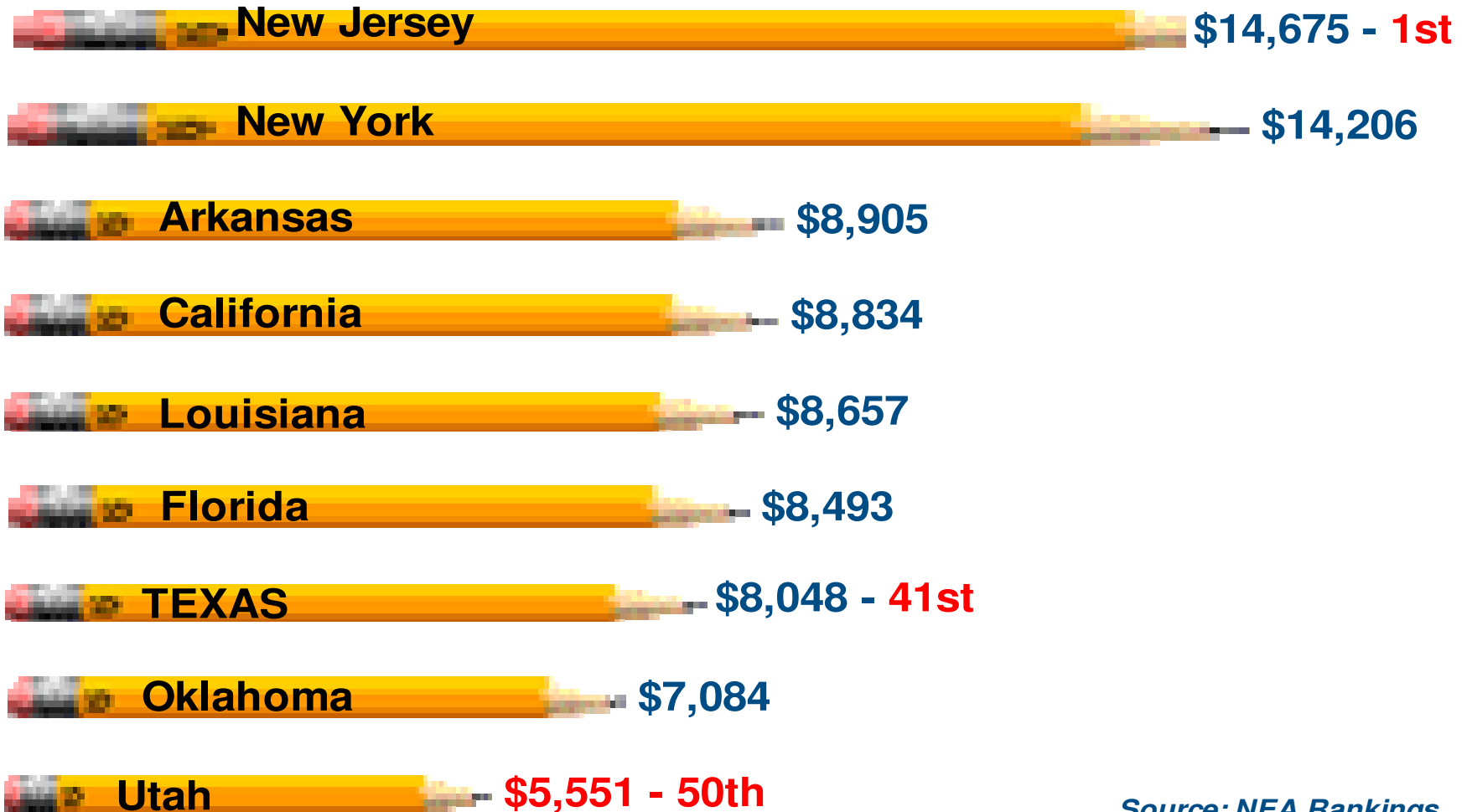
The Texas State Budget for 2008-09

Biennial Total: \$169.8 billion

Federally funded = shown in white;
other areas are General Revenue
+ GR-Dedicated + "Other" State Funds.



Public School Spending per Enrolled Student, 2006-07

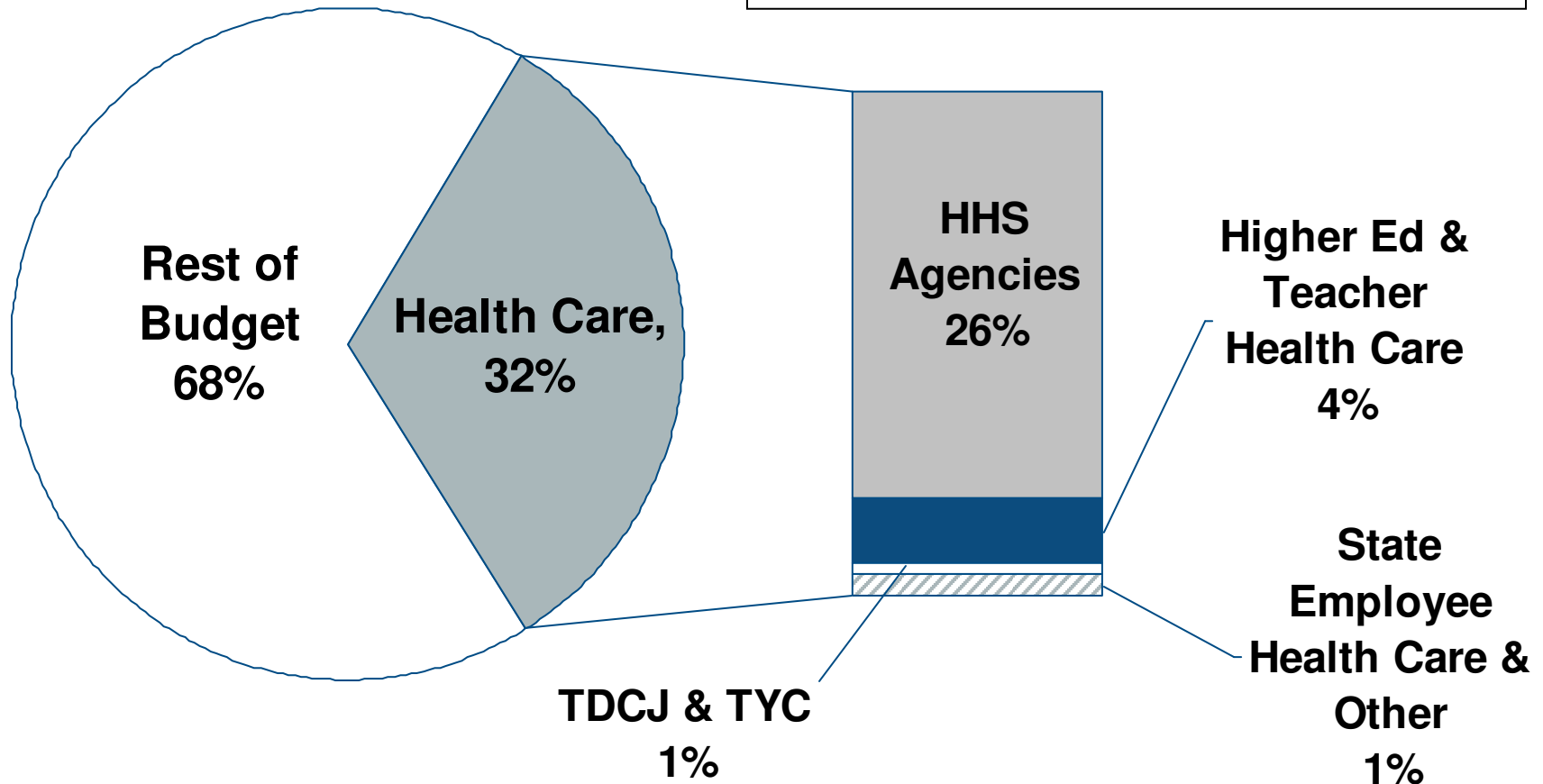


Source: NEA Rankings

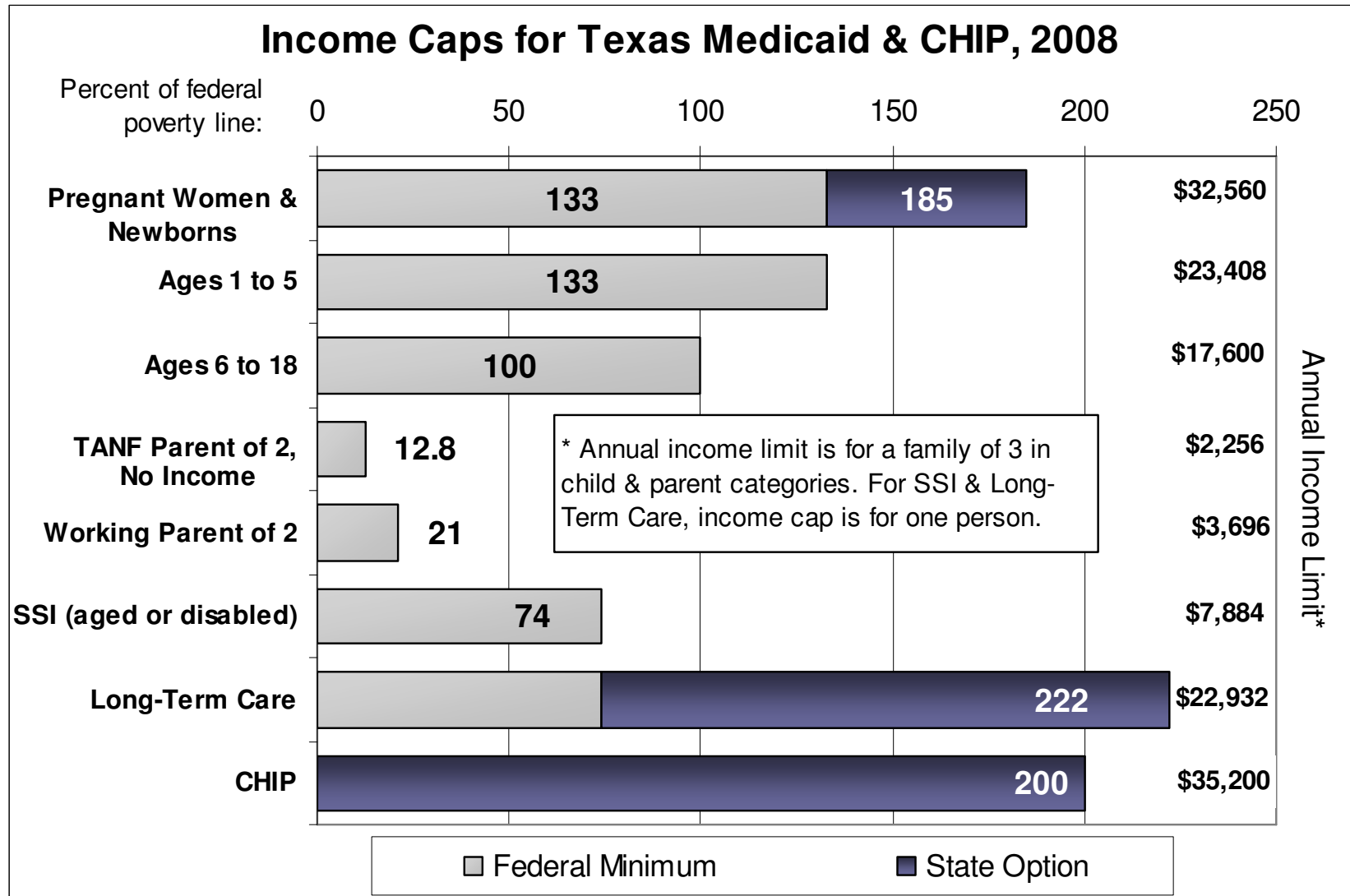
Health Spending in 2008-09

**Health Care Spending:
\$54.5 billion All Funds**

**HHSC Medicaid: \$26 b AF
CHIP: \$2 billion AF; *Frew*: \$1.8 b AF**



“Mandatory” vs. Discretionary



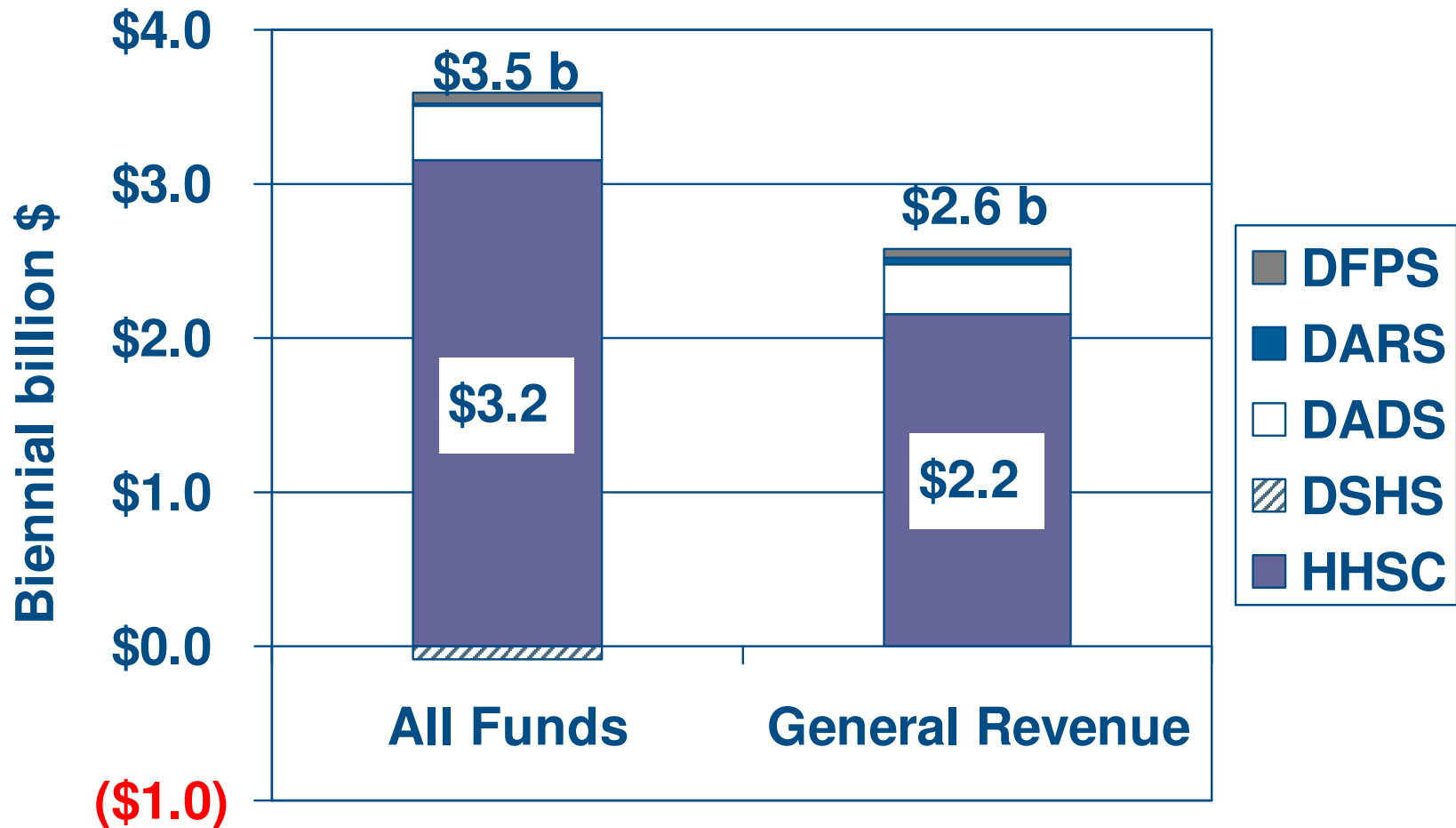
Pre-Session Developments

— Governor/LBB Budget instructions for 2010-11 (May '08): baseline was not a true “current services” budget that would allow for cost increases; only K-12 enrollment and Medicaid/foster care caseloads (mandatory), state debt service and pension obligations, and adult prison population “maintenance” could be in base.

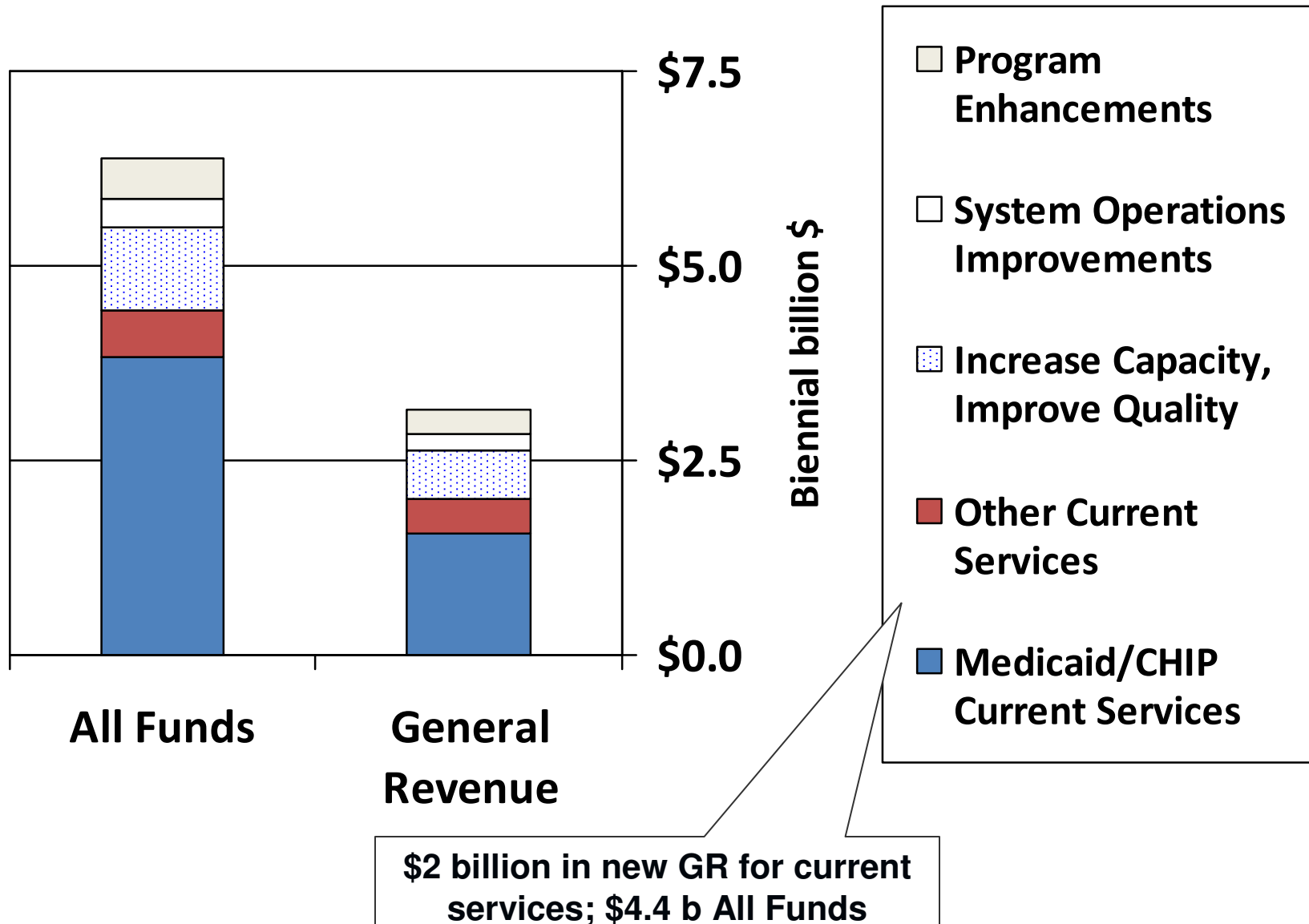
Agencies were asked to prepare **10% GR cut** impact estimates.

Oct. '08: Governor urges continued “fiscal restraint” (travel budgets)

HHS Agency Base Budget Changes for 2010-11



HHS Exceptional Items for 2010-11



More Pre-Session Developments

- Hurricane Ike; National financial and economic crisis, slowing of state economy
 - HHS: \$1.2 billion “shortfall” for 2009
 - LBB adopted growth rate for 2010-11 budget on Nov. 14, 2008 (constitution limits growth of spending from undedicated tax revenue). Economic forecasts at the time ranged from 7.7% to 14.8% growth in 2010-11. Adopted rate of 9.14% is the lowest ever.
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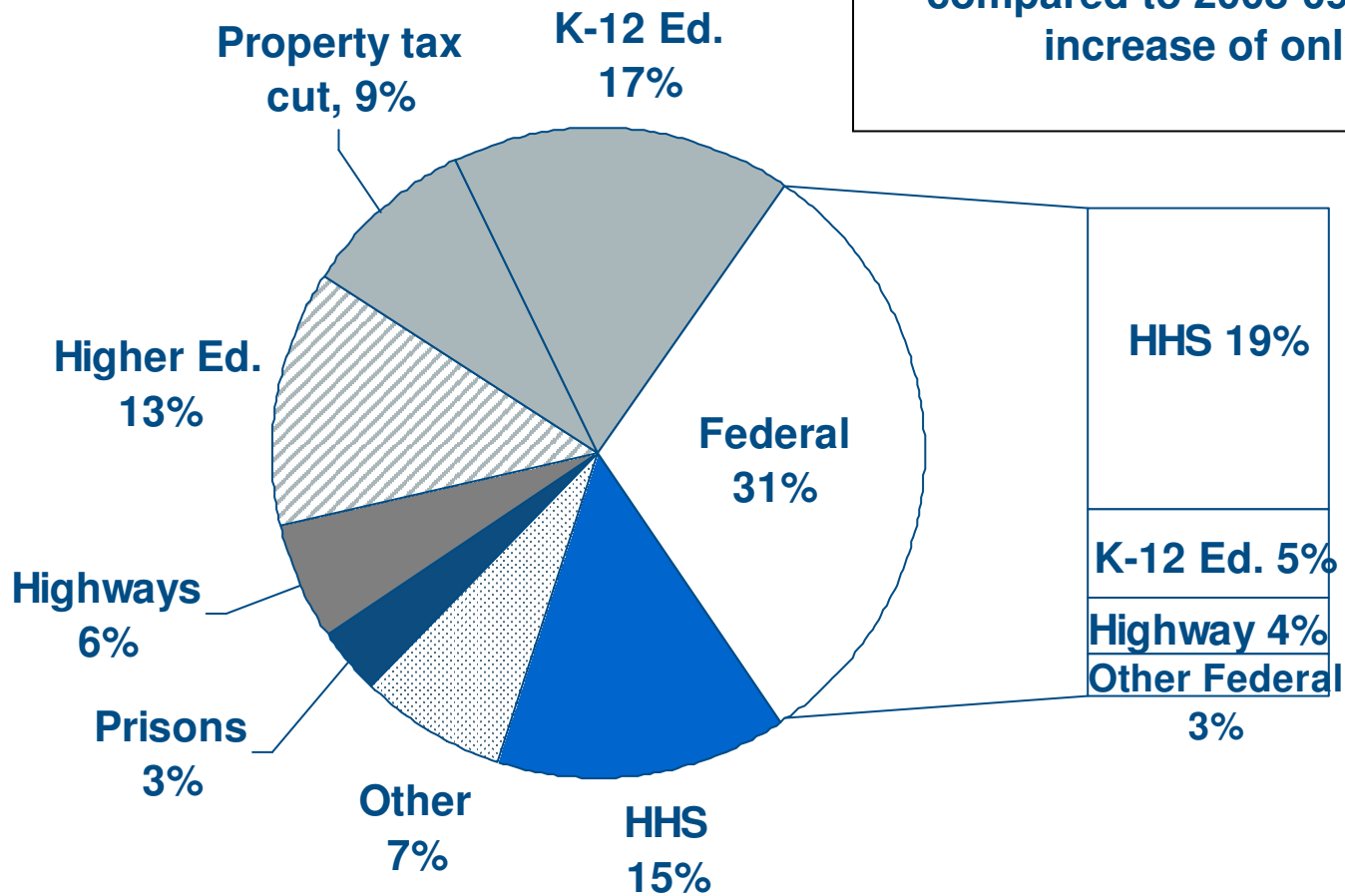
Once the Session Starts...

- Revenue Estimate: Texas still not in a recession, but much worse than Nov. '07 forecast. Comptroller can revise revenue estimate at any time before the session ends; also prepares a certification estimate.
 - House and Senate issue slightly different **proposals** (Senate has contingent proposal of \$200 million more GR for Aging & Disability Services: 6,000 more slots for community-based developmental disabilities care funded through Medicaid; \$148 m more GR for Educator Incentive Pay)
 - Governor's Budget Proposal
 - Supplemental Spending Bill for 2009
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Senate Proposal for 2010-11

Biennial Total: \$171.5 billion

1% All Funds biennial increase compared to 2008-09; GR-related increase of only 1.7%

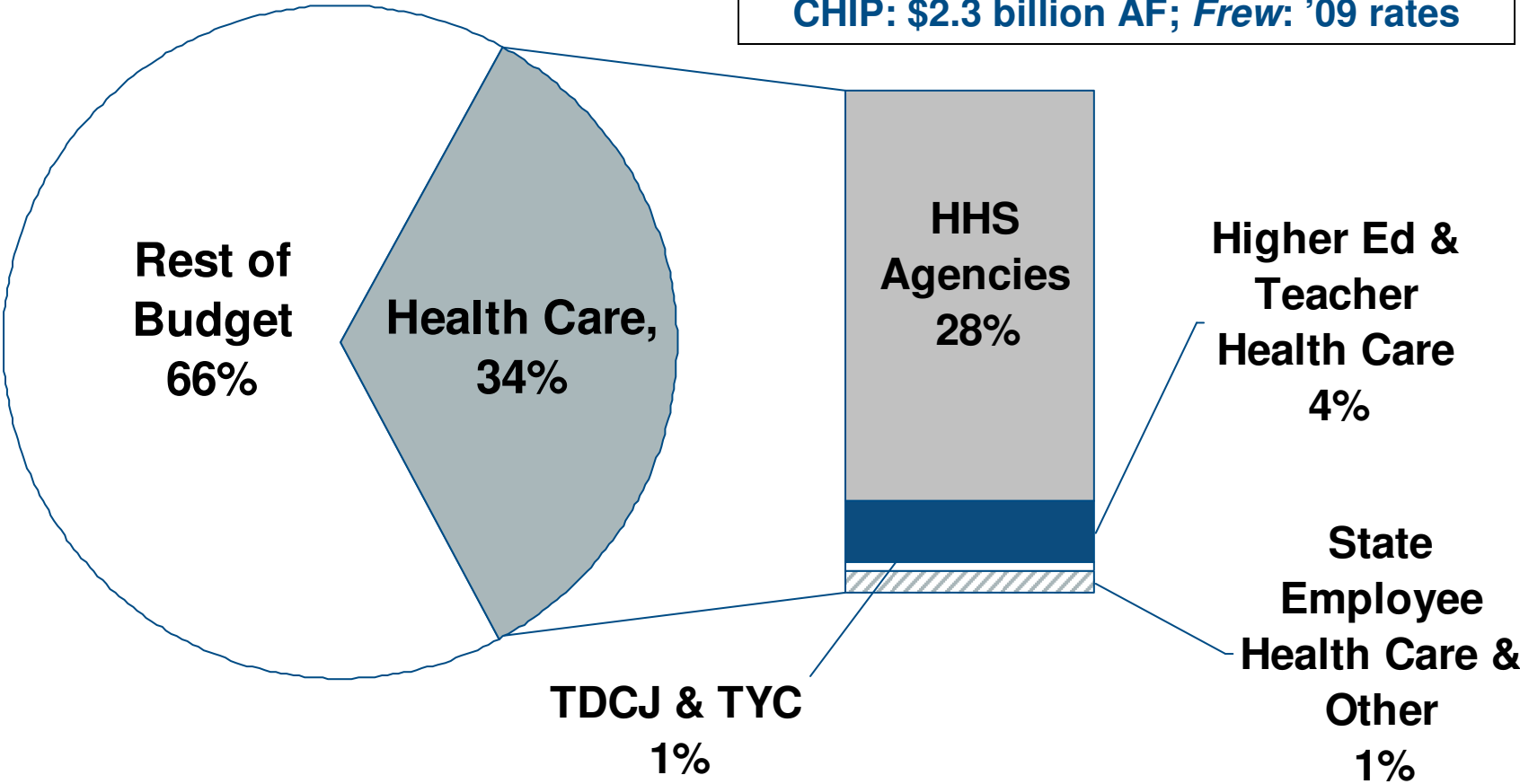


More on the 2010-11 Budget

- NOT a current services budget (that would have required at least \$9 billion to \$10 billion more)
 - Proposals exceed “pay as you go” limit (Senate bill spends \$83.8 billion in GR, versus House’s \$83.4 billion GR; Comptroller says \$77.1 billion is “available”) — requires more GR for Comptroller to certify, or a four-fifths vote of each chamber
 - Complies with limit tied to economic growth (9.14%)
 - Also below limits on welfare spending (\$131 million will be spent on TANF cash grants, well below \$1.5 billion limit) and debt service (including unissued bonds of \$3 billion for cancer research, \$5 billion for transportation)
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Health Spending in 2010-11 (Senate)

Health Care Spending:
\$58.7 billion All Funds
 HHSC Medicaid: \$29.7 b AF
 CHIP: \$2.3 billion AF; *Frew: '09 rates*



\$28 billion in Federal Funds, \$26 b GR-related, \$5 b Other

Where New GR for Health Care Would Go:

- \$499 million to make up for a **less favorable Medicaid match**; \$1.7 billion for **Medicaid caseload** growth and to **maintain Frew** rates; \$113 million more for **CHIP caseloads**; \$27 million to **maintain** 2009 service levels for new community MH crisis services
 - \$185 million more for **state employee/dependent health care** (assumes 7.5% annual growth in claims); \$52 million more for **Higher Ed** Group Insurance; \$46 million more for **TRS-Care** (for retired teachers)
-

New GR for other HHS Programs

- \$50 million to maintain **Integrated Eligibility and Enrollment** staff and pay at August 2009 levels
 - \$65 million to maintain **Child Protective Services** staff and pay at August 2009 levels; \$40 million to make up for lost funds (Medicaid targeted case management)
 - \$89.5 million more to maintain **DADS community care waiver programs**. (More GR would be needed to continue plan to eliminate waiting lists.)
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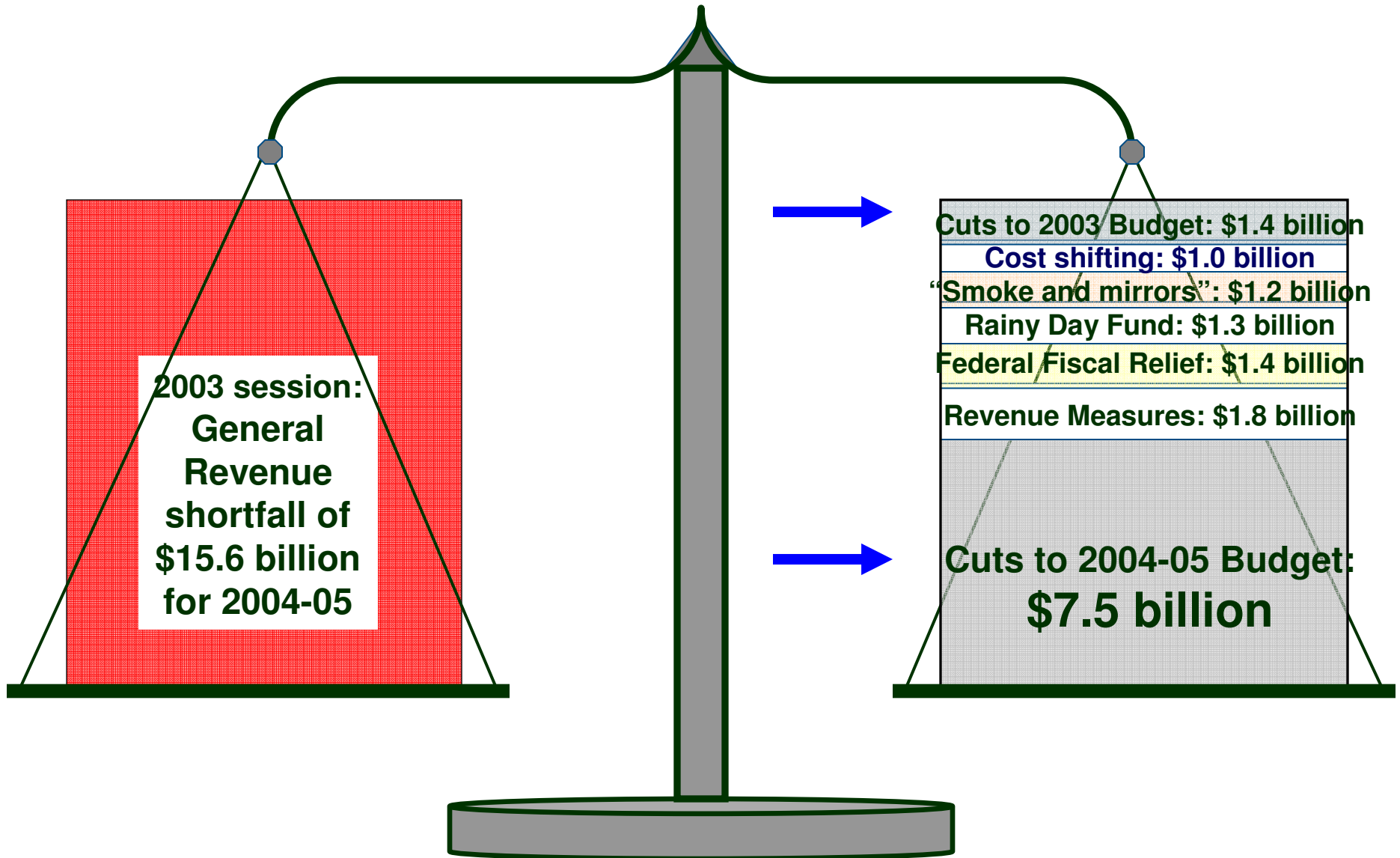
What a Bad Economy Means for Health Care

Private sector impact: fewer people get health insurance as an employer-sponsored benefit. Texas already had one of the worst rates in the nation: 50% of Texans had job-based coverage in 2007, vs. 59% U.S. average. (Also, 25% uninsured in TX, vs. 15% uninsured in U.S.)

Public sector: higher demand for services funded by federal, state, or local government, at the same time that taxes and other government revenue are declining

National push for health reform: if included in a federal economic recovery package, could happen sooner rather than later (example: SCHIP reauthorization)

“Balancing” the 2004-05 State Budget



Where Additional Revenue Could Come From

- Rainy Day Fund
 - Tax increases (soda/junk food, tobacco, alcohol, gasoline)
 - Federal Economic Recovery package
(U.S. House plan has \$\$ for boost in Medicaid match, COBRA aid for unemployed, Community Health Centers, training health professionals)
 - Bad ideas: Gambling
 - Even worse idea: More tax cuts, or swapping sales taxes for property taxes
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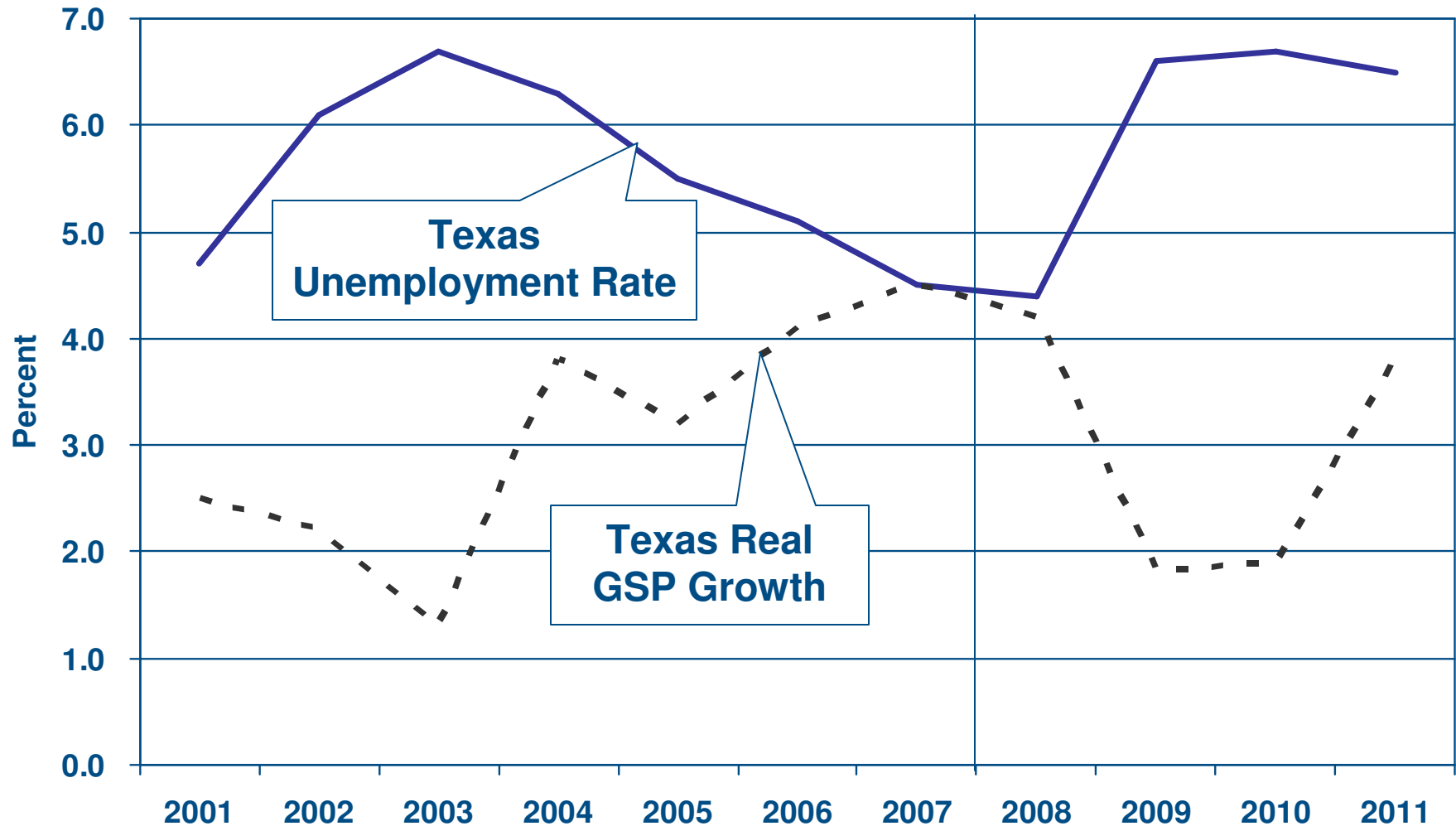
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The Economic Assumptions

(Winter 2008-09 Forecast)



Inflation & Population Assumptions

(Winter 2008-09 Forecast)

