



Center for Public Policy Priorities

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Texas State Budget for 2004-05 and Implications for Latinos

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Workshop at National Council of La Raza Conference

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Presentation Overview

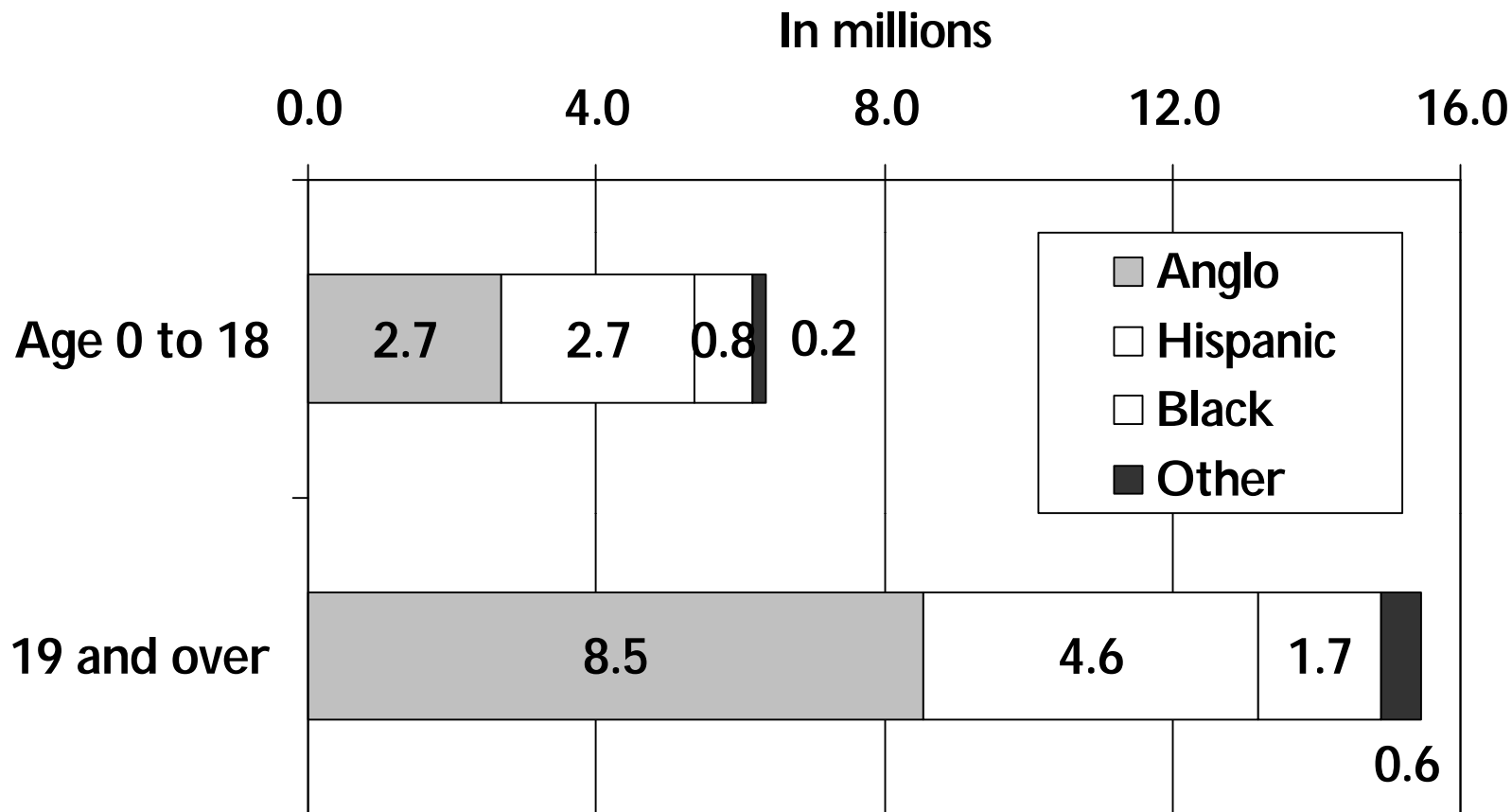
First, some relevant demographic info

- Population
- Insurance or lack of insurance
- Poverty

Second, how HB 1 (the state budget) deals with:

- School Finance
- Health Care for Poor
- State Revenue Issues

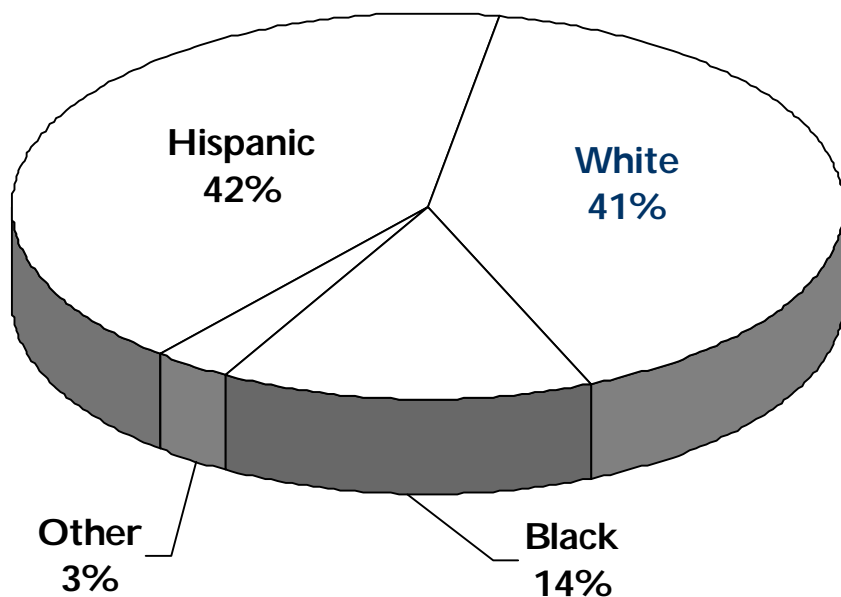
Texas Population by Ethnicity, 2003



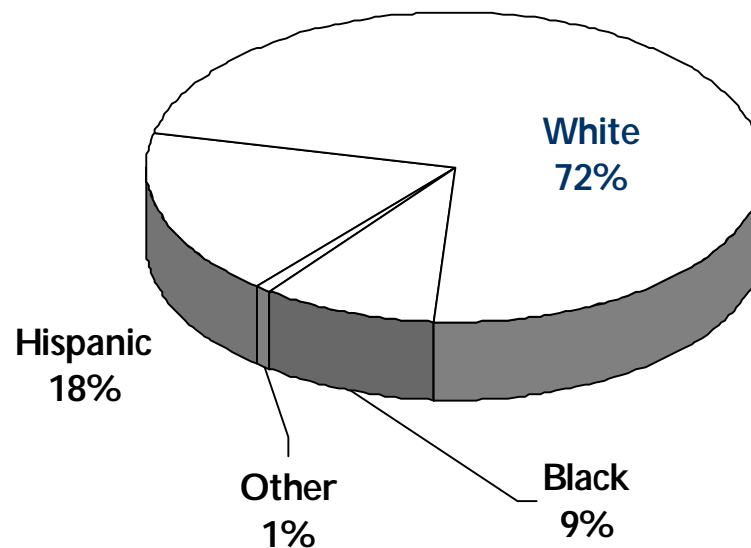
Source: Texas Health and Human Services Commission estimate.

Public School Demographics, 2001-02

4.1 million STUDENTS

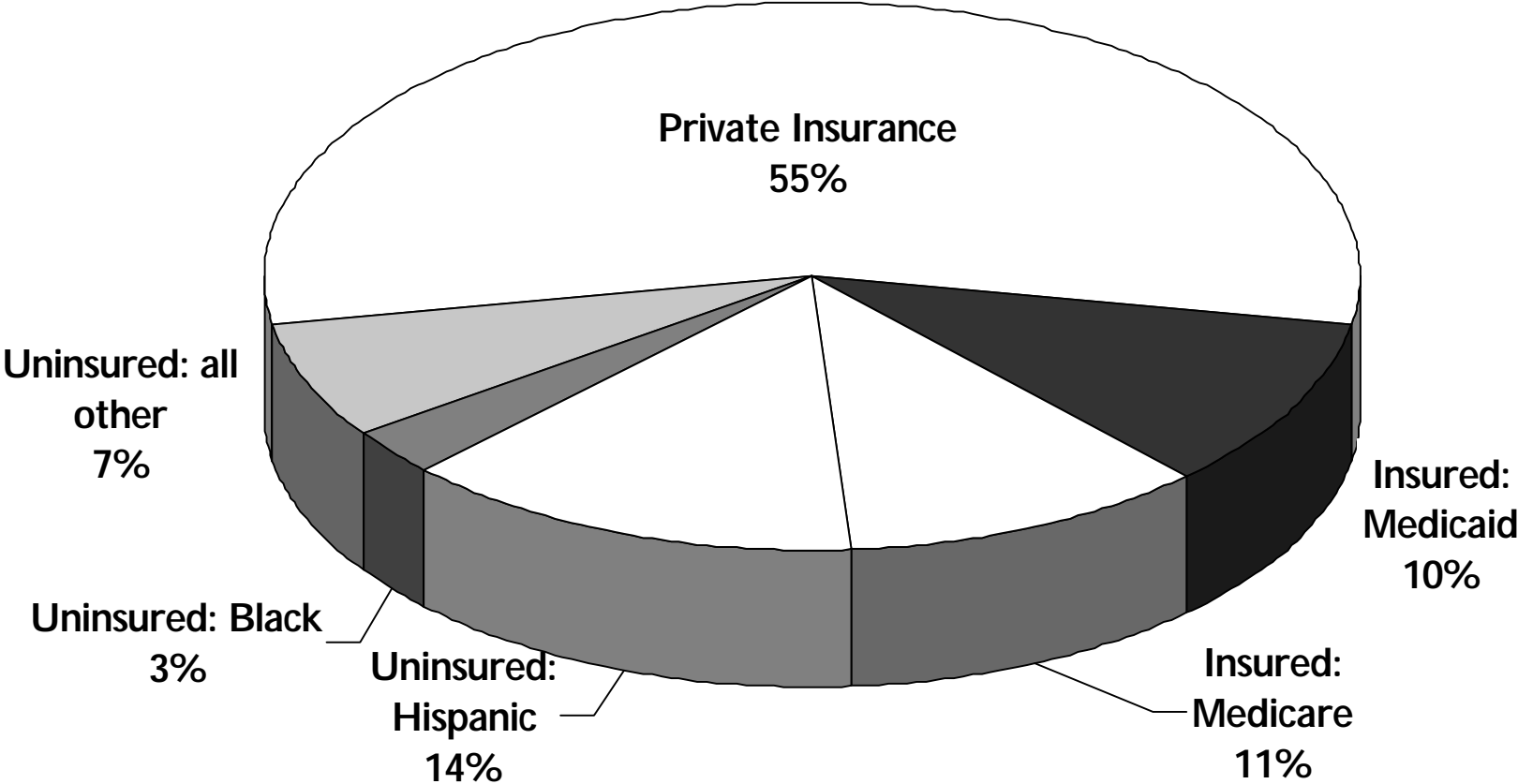


282,600 TEACHERS



Source: Texas Education Agency, Academic Excellence Indicator System.

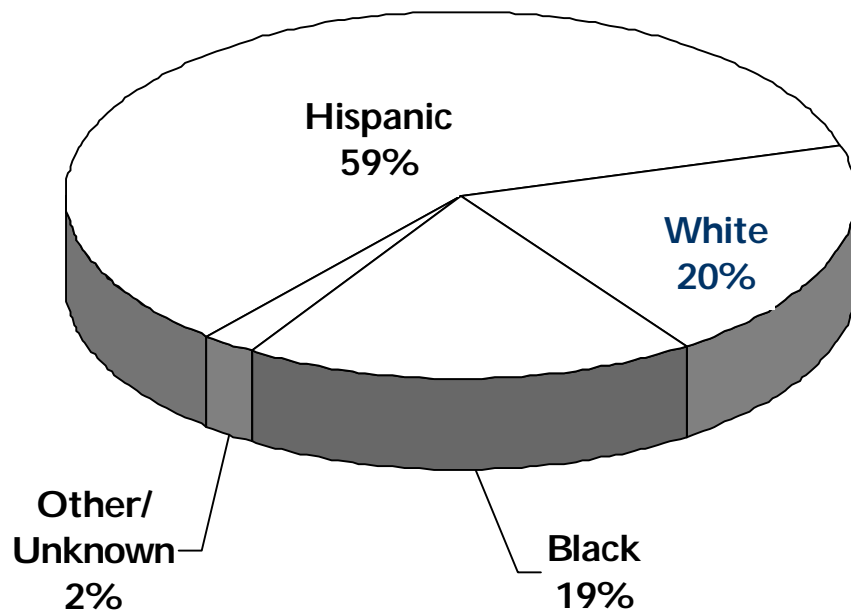
Texans' Insurance Status, 2001



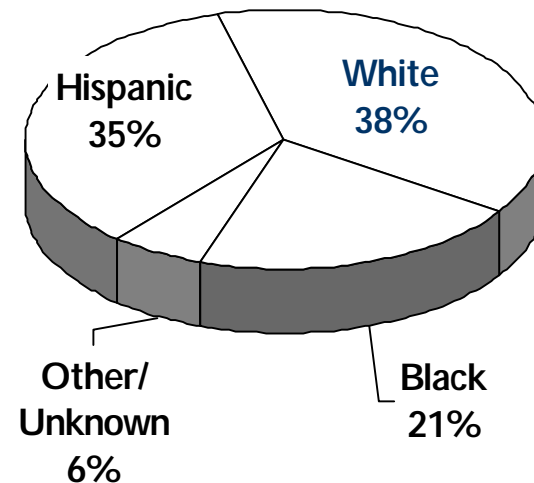
Source: U.S. Census Bureau, March 2002 Current Population Survey.

Medicaid Demographics, June 2003

1.6 million enrollees under 19



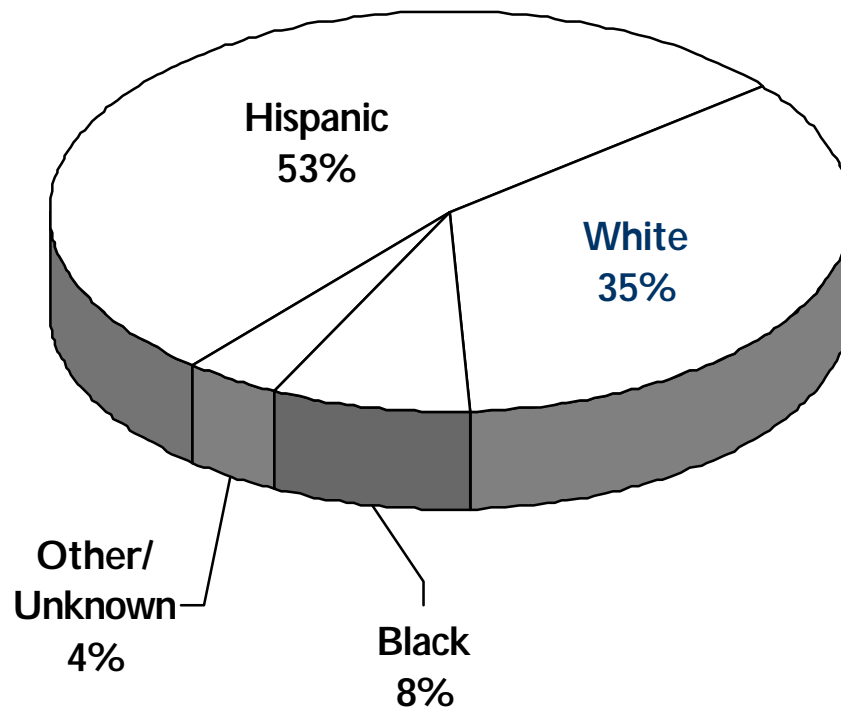
857,868 enrollees 19 and over



Source: Texas Health and Human Services Commission

CHIP Demographics, Fiscal 2002

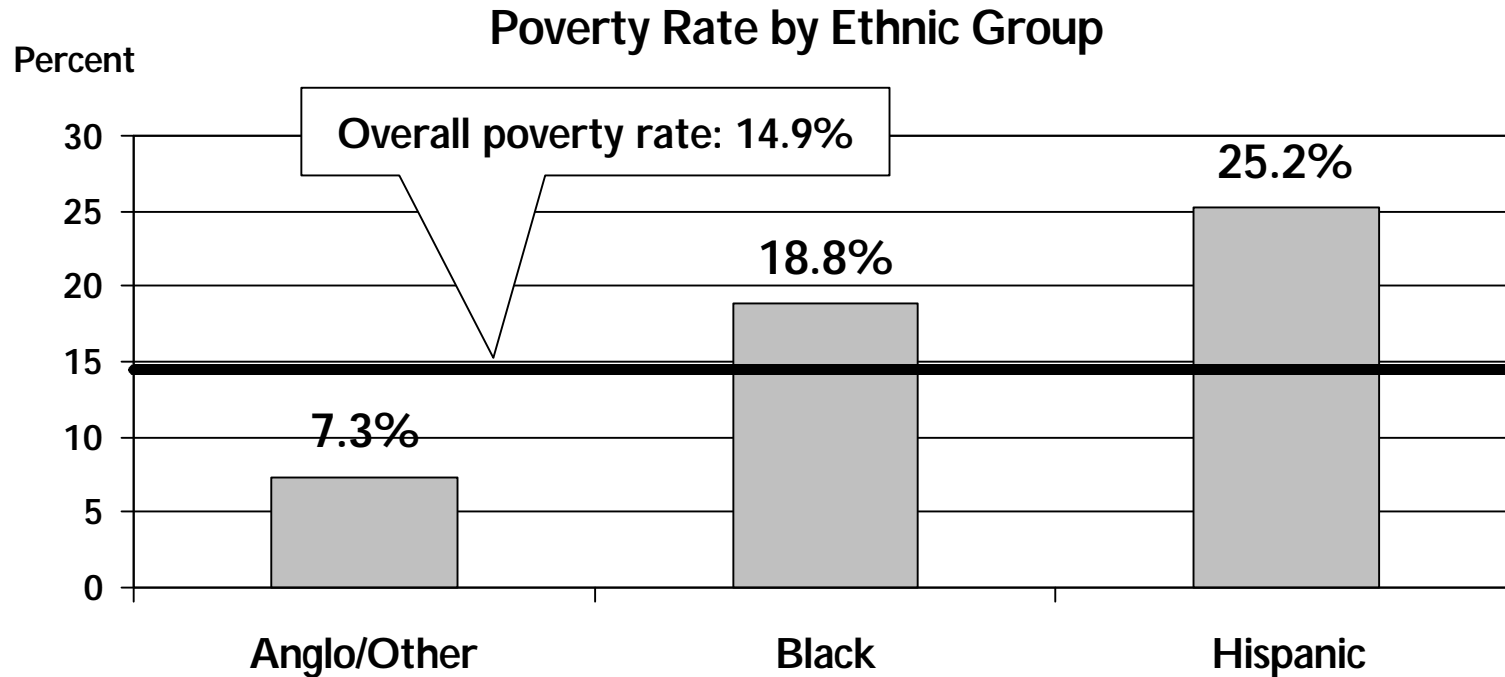
July 2003: 509,182 children enrolled



CHIP is the Children's Health Insurance Program. It covers Texas children ages 0 to 19 whose families have too much income to qualify for Medicaid, yet not enough to buy private insurance. The income cap is 200% of poverty, or \$30,520 for a family of three in 2003.

Source: Texas Health and Human Services Commission

Texas Poverty Statistics, 2001



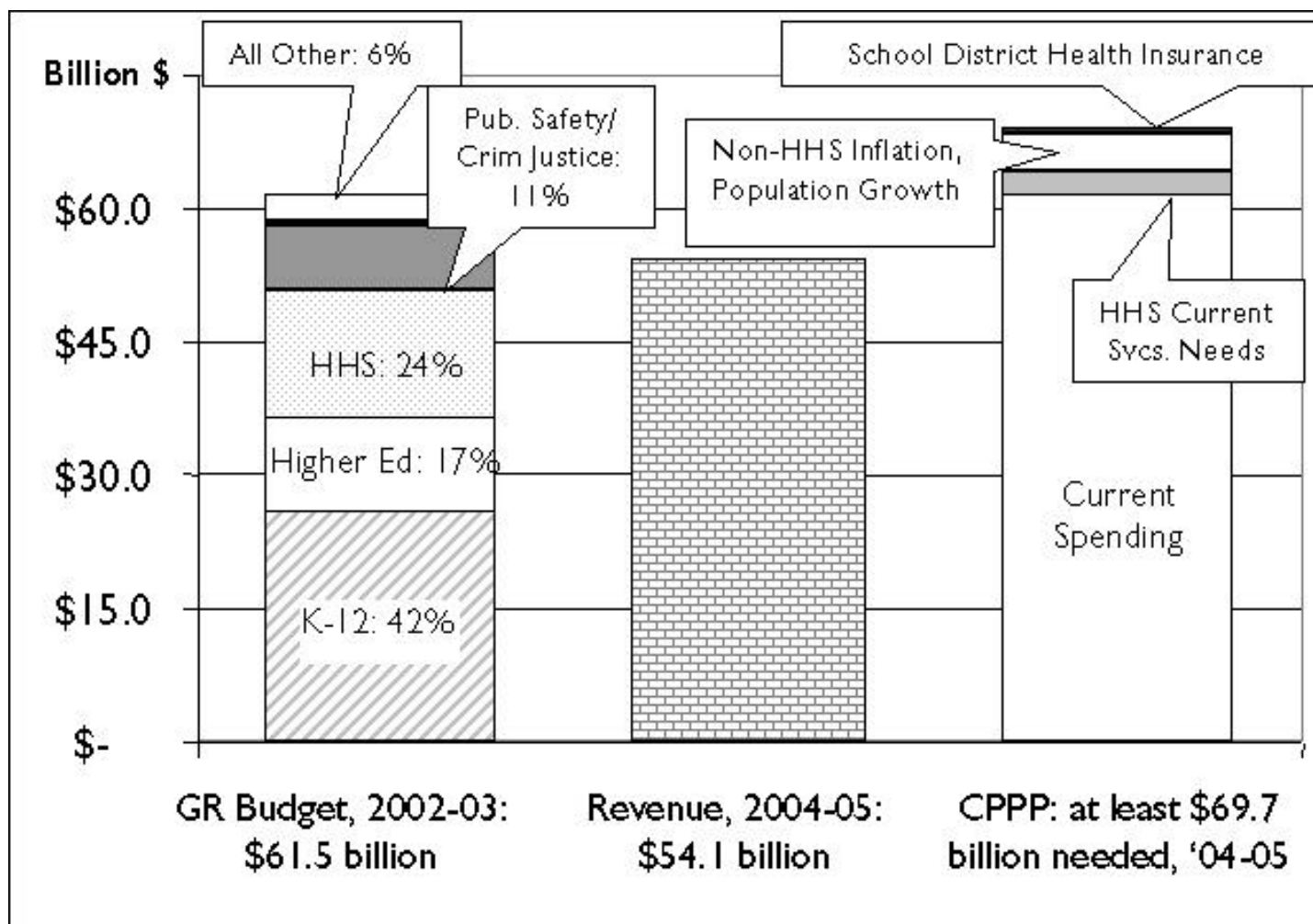
Of the 3.1 million Texans living below the poverty line in 2001, 1.9 million were Hispanic, 825,000 were Anglo/Other, and 432,000 were Black.

Source: U.S. Census Bureau, March 2002 Current Population Survey.

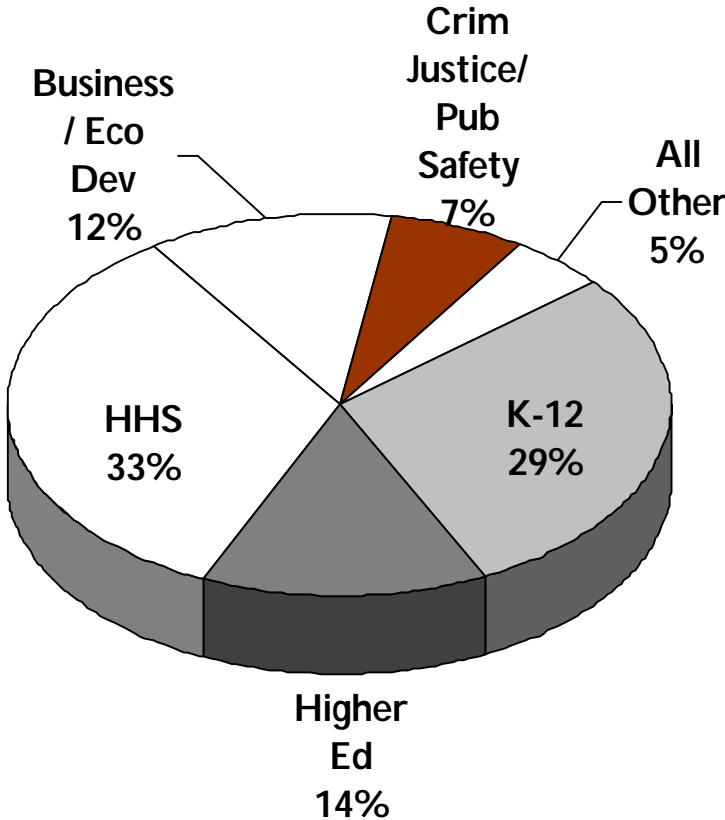
Why make budget cuts at all?

- Shortfall for fiscal 2003 (Medicaid, CHIP, health care for retired teachers) – higher-than-budgeted caseloads and cost increases
- \$7.4 billion General Revenue drop for 2004-05 (the two-year state budget cycle starting in September 2004), primarily because of a decrease in sales tax revenue
- Refusal of state leaders to find new revenue to fill the gap (GR shortfall of at least 12% of current spending, or as much as 29% [\$15.6 billion], using a “current services” budget estimate)

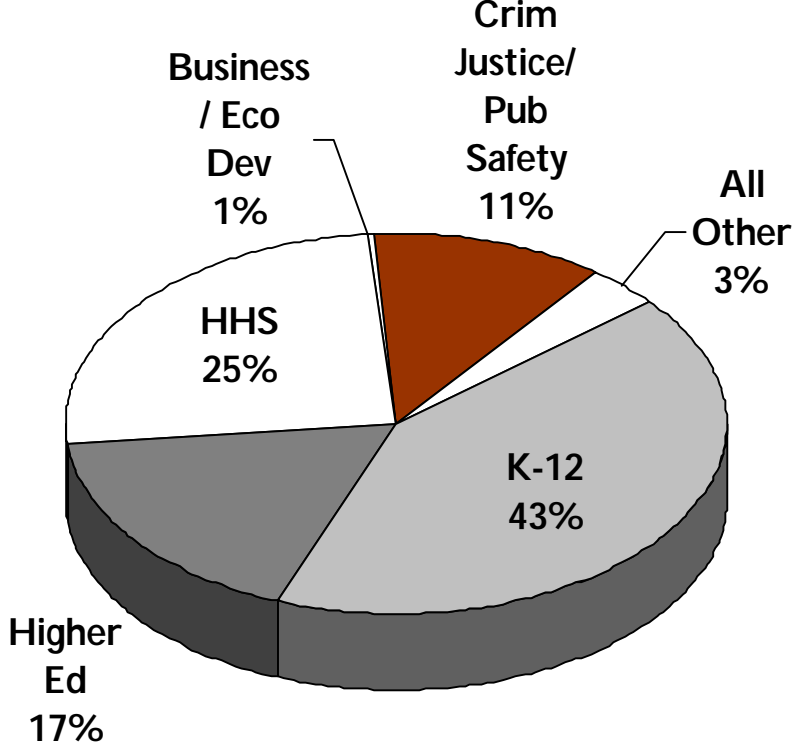
Where Things Stood in January 2003



Where it Ended Up: Total (\$117 billion) vs. General Revenue (\$58 billion) Funding in HB1



ALL FUNDS
(INCL. FEDERAL, OTHER)



GENERAL REVENUE

K-12: 4.1 million students in public schools, half of them low-income

Overall Funding

- The 2004-05 budget has a \$1.2 billion all-funds increase for Public Education compared to 2002-03. But \$800 million of this is a deferred payment to local school districts (to be made in fiscal 2006). GR funding was cut by \$953 million.

Where Cuts Were Made

- Textbook purchases
- Teacher health insurance (both active and retired ISD employees). Per-employee payment of \$1,000 is cut to \$500 or \$250 (for part-time staff). Premiums go up for retirees.
- Educational service centers and the training they provide
- Staffing at the Texas Education Agency

Special Session on School Finance

Issues at stake

- Replace “Robin Hood” – but with what?
- Adequacy – how much is enough?
- How should schools be funded? Local property taxes vs. state sales tax, statewide property tax, or another state revenue source
- Does school finance “reform” produce **more** money for schools, or rearrange **existing** levels of funding?

Who will decide

- Special interim committees; special session (in Spring 2004?)

Medicaid Cuts in the 2004-05 Budget

Who is no longer eligible?

--More than 18,000 adults will lose Medicaid coverage because the 2003 Legislature eliminated the Medically Needy Spend-Down Program (for more than 9,900 parents of dependent children who have incomes around 22%-31% of poverty) and lowered the income limit for Maternity Coverage for Low-Income Pregnant Adult Women (from 185% of poverty to 158% of poverty – cuts at least 8,300 women per month)

How else were Medicaid caseloads reduced?

--By 2005, 332,000 fewer children will get Medicaid because of changes made by the legislature to eligibility simplification. The 2004-05 budget assumes that children will have 6-month continuous Medicaid coverage (instead of the 12 that would have been required by SB 43, 2001 Legislature); and that more rigorous assets and resource verification will be done on applicants. Some applications or renewals may have to be done at a state office, rather than through mail or telephone.

Medicaid Cuts, continued

- **Medicaid Provider Rate Cuts.** Acute care Medicaid providers (doctors, hospitals, HMOs, etc.) could have rates cut by 5% (from FY 03 levels), and nursing homes and other long-term care providers could see 2.2% to 3.5% rate cuts. For doctors, this would reduce fees below 1991 payment levels. Many providers may decide to stop taking Medicaid patients.
- **Adult Medicaid recipients** – $\frac{3}{4}$ of whom are elderly or disabled – will **lose mental health counseling, podiatric and chiropractor care, eyeglasses, hearing aids,** and other optional benefits.
- Allows **cost-sharing** (co-pays and monthly premiums) to the maximum extent allowed by federal government, and creates new **prescription drug limits** for some recipients
- HB 1 eliminates reimbursement of **Graduate Medical Education**

CHIP Cuts

- Income eligibility cap remains at 200% of the poverty line. But other legislation adds an asset limit and eliminates most income disregards. This means some families will no longer qualify.
- More changes: a 90-day waiting period before new CHIP coverage takes effect; 6-month continuous eligibility (instead of current 12); higher co-pays and premiums paid by parents of CHIP children
- NET EFFECT: By 2005, CHIP will serve almost 169,300 fewer children, compared to what caseloads would have been without these legislative changes.

CHIP Cuts, continued

- Texas CHIP benefit will be one of the most “bare bones” in the nation. The following will no longer be paid for by CHIP (unless participating health plans can find a way to offer them and stay within the lower per-child funding in the budget): dental, durable medical equipment, chiropractic services, hearing aids, home health, hospice care, mental health, physical therapy, speech therapy, substance abuse services, vision care, and eyeglasses.

- Community MHMR authorities may be able to provide mental health services to CHIP children to make up for the loss of this benefit, but they have to do it without new funding. State is also exploring coverage of a limited number of psychiatric medication evaluation visits per year for a CHIP child.

Other HHS Cuts

Reductions in community care service levels for elderly and disabled adults (hours of service cut by 15% for 99,700 clients);
elimination of some slots in non-Medicaid community and long-term care

Public health: cuts to kidney health program, county indigent health care, tuberculosis treatment, non-Medicaid women and children's health services

Foster care payments cut by 3%; several child abuse prevention programs and other services for at-risk youth lose state funding

More complete information: see CPPP Policy Pages 193-195 at www.cppp.org OR <http://www.cppp.org/products/policypages/191-210/>

State Revenue Issues

CONSIDERED:

Sales Tax Proposals: increased rate and expanded base (to cover services) part of Lt. Gov's school finance proposal

Franchise Tax: closing "Delaware Sub" loophole could have raised \$400 million for 2004-05 budget

Cigarette Tax: \$1 per pack increase ("user fee") had some legislative support. Would raise \$1.5 billion over two years.

APPROVED:

Lottery/Gambling: Texas may join Powerball or some other multistate lottery game

Public College Tuition "Deregulation": Expected to raise at least \$500 million

Other Fee/Non-tax Increases: new "points" system for DWI/other traffic offenses will raise money for Texas Mobility Fund and trauma care; higher car title fees; higher park & license fees

Long-Term Impact of Any HHS Cuts

- **The costs of caring for low-income Texans will be shifted to the local level**
 - Cities and counties will have to raise property taxes to pay for health care for the uninsured. If local governments can't make up for lost federal/state support, economic impact will be even greater. (*See, for example, the Families USA Medicaid Calculator*)
- **An ounce of prevention is worth a pound of cure...**
 - When the health, education, and other basic needs of low-income Texans are ignored, Texas will pay the price.
 - The cost will be much higher: special education costs, health care costs, prison costs, welfare costs