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THERE'S STILL TIME FOR HHS RESTORATIONS

State officials could use unspent federal and state funds to lessen some of the state budget cuts taking effect in 2004-05

This Policy Page provides an update of the different sources of unspent money that could be used by state officials to undo some of the worst budget cuts in health and human services (HHS) programs that are now taking effect. It also provides information on who to contact at the Capitol to voice your opposition to these budget cuts and to express support for HHS restorations.

IT'S NOT TOO LATE TO REDUCE THE DAMAGE BEING DONE TO HHS PROGRAMS AND CLIENTS

Earlier *Policy Pages* (197, 200, and 201) gave readers information about several sources of revenue that could be used to lessen the harsh impact of budget cuts that began taking effect September 1, 2003. This *Policy Page* provides an overview of the updated revenue situation, including changes that could result from legislation filed in the Third Special Session that began on Monday, September 15. It also identifies CPPP's priorities for budget restorations.

UNSPENT FEDERAL FISCAL RELIEF: AT LEAST \$205 MILLION REMAINS

Late in the regular session, in Spring 2003, Texas was notified that it would receive up to \$1.3 billion in federal funding as part of the national Jobs and Growth Tax Relief Reconciliation Act of 2003 enacted by Congress. Legislators used about \$900 million of these funds in balancing the Texas budget for 2004-2005.

On August 5, Governor Perry announced that \$167 million in federal fiscal relief funds would be added to the fiscal 2004 budgets of health and human services agencies. Of this total, \$131 million would be used to cut hospital and doctors' Medicaid rates by 2.5 percent, rather than the 5 percent cut called for in the budget enacted by legislators; to cut nursing home rates by 1.75 percent rather than 3.5 percent; and to cut community care provider rates by 1.1 percent, rather than 2.2 percent. Another \$36 million was made available to avoid reducing by 15 percent the hours of care for aged and disabled Texans in community care programs. All of the original cuts to Medicaid rates and community care hours could still take place in 2005; the restorations were made only for 2004.

Language in the state budget (a provision in Section 11.28, Article IX) allows any remaining federal fiscal relief funds—currently estimated to total \$205 million—to be spent according to a plan developed by the Governor and the Legislative Budget Board, without any further legislative action. Or, legislators could decide during a special session how the unspent federal funds may be used.

Link Between Federal Fiscal Relief and Texas Mobility Fund: Senate Bill 8, filed in the Third Special Session that is currently underway, would make various technical changes to transportation bills (HB 3588 and HB 3184) passed in the regular session. If several required "fixes" to the Mobility Fund are enacted, as much as \$232 million in General Revenue could be freed up for other purposes. SB 8 as introduced would use the \$232 million in "freed up" GR to replace an equivalent amount of federal fiscal relief funds used in the General Appropriations Act. This means that \$232 million in federal fiscal relief funds could be added to the \$205 million that remains unallocated, making a grand total of \$437 million available to the Governor and the LBB for Section 11.28 restorations.

UNAPPROPRIATED RAINY DAY FUNDS: \$218 MILLION

To help make up for the steep decline in General Revenue, HB 7 of the regular 2003 session made \$1.6 billion in General Revenue and GR-related spending cuts for the remainder of fiscal 2003. HB 7 also appropriated \$1.3 billion from the state's Economic Stabilization Fund (commonly known as the Rainy Day Fund), to cover unbudgeted expenses such as

- TRS-Care (\$516 million needed for school district retiree health insurance)
- Medicaid funding for fiscal 2003 (\$414 million)

- Children's Health Insurance Program (CHIP) 2003 shortfall (\$26.4 million)
- The Governor's new Enterprise Fund for economic development incentives (\$295 million)
- \$10 million for other unexpected items such as disaster assistance and state legal expenses

At the time that legislators made these appropriations, they thought they were using the total amount of Rainy Day Funds that would be available by fiscal 2005, based on the Comptroller's January 2003 revenue estimate. However, on September 3, the Comptroller announced that higher-than-expected natural gas prices will make an extra \$218 million in tax revenue available for transfer to the Economic Stabilization Fund in November 2003. This \$218 million could be spent by legislators in special sessions, appropriated in the 2005 regular session, or left in the Rainy Day Fund.

OTHER REVENUE

Vetoed provisions and legislation: Governor Perry vetoed \$71 million in General Revenue spending that had been authorized by legislators in the regular session. SB 4 of the Third Special Session would appropriate the same amount of GR to the Comptroller, to be transferred to state agencies that might need the funds in 2004-05. If this provision of SB 4 is not enacted, the \$71 million would remain available for any other appropriation the legislature wants to make in a special or regular session.

Higher-than-estimated General Revenue: In early September, the Comptroller announced that actual General Revenue collections for 2003 turned out to be \$89 million more than originally estimated. This money is also available to the legislature for appropriations.

SHOULDN'T WE SAVE ANY UNSPENT MONEY IN CASE THE FISCAL PICTURE WORSENS?

Some state officials argue that we should "save" any unappropriated money for a crisis or for Medicaid caseload growth. Our response is: the Medicaid/CHIP cuts are a crisis! The aged, disabled, and children, as well as our economy, will all suffer from cuts to state health care spending. Even if \$400 million in restorations is made—the \$167 million that was approved in August, plus \$233 million or so in unspent federal fiscal relief and General Revenue—only a small portion (a third or less) of the overall cuts to HHS programs in Texas will be undone, and the impact of cuts will still be severe. CPPP believes

that at least \$400 million can be spent and still allow for appropriate reserves for any caseload-driven shortfall.

WHAT IT WOULD TAKE TO RESTORE SOME OF THE HHS CUTS

Even after the \$167 million in August restorations, CHIP and Medicaid cuts alone exceed \$800 million in state General Revenue; cuts to other health and human services programs drive the total loss even higher.

What CPPP Recommends: As a first priority step, CPPP recommends restoration of:

- **Medicaid benefits that the 2003 Legislature eliminated for adults**, primarily for aged and disabled adults (benefits such as coverage of mental health professional services, podiatry, hearing aids, and eyeglasses; see *Policy Page 199* for details), and
- **mental health benefits** for children on CHIP.

According to the Health and Human Services Commission, the adult benefits restoration would cost \$42.8 million GR for the biennium. The CHIP mental health benefit (as described in HB 107 in the first special session of the 78th Legislature) requires \$8.2 million GR. Together, these restorations require only \$51 million in GR or federal fiscal relief funds. Hundreds of millions would remain for other critical restoration needs, as well as to provide a cushion for unbudgeted caseload growth.

WHAT YOU SHOULD DO

Anyone wanting to weigh in on the need to prevent or minimize some of the cuts that are taking effect should telephone, fax, or e-mail their State Senator, State Representative, and the Governor, Lieutenant Governor, and Speaker of the House and urge them to use the unspent funds on HHS budget restorations. Contact information for Senators and Representatives is available at <http://www.capitol.state.tx.us/fyi/fyi.htm>

Contact information for the leadership is:

Governor Rick Perry

P.O. Box 12428

Austin, TX 78711-2428

phone (512) 463-2000 or (800) 252-9600 (Citizen's Opinion Hotline); fax (512) 463-1849

www.governor.state.tx.us

Lt. Governor David Dewhurst

P.O. Box 12068

Austin, TX 78711-2068

phone (512) 463-0001; fax (512) 936-6700

Speaker of the House Tom Craddick

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