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CSHB 1: Good & Bad News for Human Services Budgets

\$29 billion in House-recommended 2000-01 budget for HHS agencies and TWC; Another \$5.7 billion in unmet HHS and education needs in Article XI "wish list"

Proposed spending leaves many important programs underfunded

On March 31, the House Appropriations Committee voted out a substitute spending bill, CHSB 1, outlining its recommendations for spending by all Texas state agencies for 2000 and 2001. The proposed spending package is scheduled to be considered by the full House of Representatives on Tuesday, April 13.

This Policy Page outlines major funding differences for specific health and human services and workforce programs and strategies in CSHB 1 compared to the budget originally introduced in January (HB 1/SB 2), and highlights some CPPP spending priorities for special consideration by the 76th Legislature. More complete information on strategy-by-strategy funding in CSHB 1 can be found on the CPPP web site at www.cppp.org/products/policyanalysis/fullcshb1.html.

CSHB 1 Overview

In CSHB 1, the House Appropriations Committee (HAC) recommends \$97 billion in total spending for the biennium, including \$61 billion in General Revenue (GR) and GR-dedicated spending. This is an additional \$3.5 billion' worth of items (a 4 percent increase) compared to the budget draft originally introduced in January 1999. Compared to the 1998-99 biennium, CSHB 1 reflects state spending growth of \$8.5 billion, or 9.6 percent.

CSHB 1 recommends no drastic changes in state spending patterns: the biggest share of state revenues (\$30.3 billion) would go to K-12 education, followed by \$27.3 billion for health and human services, \$13 billion for higher education, \$12 billion for business and economic development, and \$7.5 billion for public safety and criminal justice agencies.

By function, CSHB 1 devotes the most new state money to public education. HAC added \$3 billion to the Texas Education Agency budget for a strategy labeled "School Finance/Teacher Compensation and Benefits/ Property Tax Relief." The House Public Education Committee will recommend how to divide the \$3 billion

among those three items. If any state revenue is used for local property tax relief that requires school districts to reduce their tax revenue, the actual net increase in state/local spending on public K-12 education will be lower.

Per capita estimates: Besides the net effect of state-funded property tax cuts, spending levels in CSHB 1 should also be considered in light of the state's continued population growth (Exhibit 1). Compared to

Exhibit 1. CSHB 1 Recommendations by Function Per Capita, vs. 1998-99 Spending

	1998-99 spending	Recommended for 2000-01 in CSHB 1	Biennial change (percent)
General Government	\$ 103	\$ 110	7.6 %
Health & Human Services	1,312	1,310	(0.1)
Article XII (Tobacco)	NA	38	
Education	1,939	2,080	7.3
Public Education (K-12)	1,331	1,457	9.5
Higher Education	608	624	2.5
Article XII (Tobacco)	NA	48	
Judiciary	16	16	0.7
Public Safety & Criminal Justice	365	362	(0.6)
Natural Resources	85	82	(4.1)
Business & Economic Development	546	574	5.3
Regulatory	21	21	0.3
General Provisions	6	3	(43.8)
Legislature	12	12	(2.0)
TOTALS	\$4,403	\$4,659	5.8 %

NOTE: Per-capita figures calculated using population estimates from the Comptroller's Revenue Estimate (20.1 million for 1999, 20.8 million for 2001). Actual tobacco spending would be lower, because most of the recommended appropriations create endowments.

per-person spending in 1998-99, CSHB 1 would increase state spending in 2000-2001 by 5.8 percent overall. General Government spending increase the most in relative terms, with a 7.6 percent rise (from \$103 to \$110 per capita) over the current biennium. The next largest growth would be in education, which would rise to \$2,080 from \$1,939 per capita. Business and Economic Development agencies as a group would also get more funding in per-capita terms, rising from \$546 to \$574. Higher education would get an additional \$16 per capita in Article III funding and another \$48 per capita through Article XII (Tobacco Settlement) endowments. Actual spending by higher education would be lower than that, however, because only the investment income generated by the tobacco-funded endowments could be spent.

Natural resources programs would actually see lower spending levels in the next biennium when population growth is taken into account (a drop from \$85 to \$82), as would public safety and criminal justice (falling from \$365 to \$362 per capita). Health and human services programs would also experience a 0.1 percent cut in per-capita funding (from \$1,312 to \$1,310), if not for Article XII items in CSHB 1 funding the Children's Health Insurance Program (CHIP), New Generation drugs, and endowments for children and public health and for anti-smoking programs (which, like the higher education endowments, are funded at much higher levels than the actual spending they will generate).

CSHB 1 and Tobacco Funds: Total funding in Article XII (Tobacco Receipts) has increased by \$46 million because of updated information on interest that will accumulate on the first payments received by Texas. CSHB 1 would allocate the new tobacco funds to nursing and allied health programs at higher education institutions. A bill by Rep. Patricia Gray (HB 1639) may be amended to make CHIP a priority recipient of future tobacco payments. CPPP urges legislators to enact this or similar legislation that would create a strong, long-term commitment to using tobacco funds for public health programs such as CHIP and the activities that will be funded through the Permanent Fund for Children and Public Health, rather than for medical school endowments or non-health spending, such as highways.

Major funding issues for HHS

The \$27.3 billion (All-Funds) recommended for Article II agencies in CSHB 1 is an increase of \$926 million from the 1998-99 biennium, or about 3.5 percent. About \$549 million of that increase would come from federal funds, largely due to a TANF/TANF

Maintenance of Effort (MOE)/Title XX funding swap included in the HAC-proposed budget. The number of state employees authorized for HHS agencies would drop to 51,099 in 2001, from the current level of 53,847.

Article XI: HAC also included an Article XI in its proposed version of the state budget for "wish list" items that could be funded with any remaining revenue. Senate budget officials have said their version of the state budget will not have an Article XI; differences in the two bills will be settled by the budget conference committee.

Article XI items in CSHB 1 for all state agencies total \$6.8 billion in unfunded needs, \$5.7 billion of which is for two critical areas: education (\$3 billion, or 44 percent of all Article XI requests) and health and human services (\$2.7 billion, or 40 percent). State agency staffing would increase by 1,694 employees in fiscal 2001 if HHS agencies received all of their Article XI funding. Among HHS agencies, only the Cancer Council and the Children's Trust Fund have no Article XI items.

At the hearing during which HAC finalized its budget proposal, Chairman Rob Junell announced that only \$770 million remained to pay for anything not already in the budget, and of that, up to \$500 million could be used on state tax cuts to be recommended by the Ways and Means Committee. Article XI items have to compete for a very limited amount of money, meaning that a vast majority (over 95 percent of Article XI) will go unfunded if dollars earmarked for state or local tax cuts are not returned to the pool of "available" revenue. Also, when CSHB 1 is debated on the floor of the House, members will be able to add items to Article XI, intensifying the competition for scarce state dollars.

CSHB 1 versus HB 1/SB 2 as filed : For the most part, the proposed budgets for the larger HHS agencies increased slightly in CSHB 1, compared to the budget filed in January 1999 (HB 1/SB 2). (See Exhibit 2.) The Department of Human Services received the largest total increase (\$136 million extra), followed by the Department of Mental Health and Mental Retardation (\$108 million). Relative to what the agencies were already slated to receive in HB 1/SB 2, however, the increases were only 1.9 percent for DHS and 3.2 percent for MHMR.

Percent-wise, the Commission on Alcohol and Drug Abuse saw the largest gain in CSHB 1 (up 8.2 percent, or \$25 million), followed by the Council on Early Childhood Intervention (7.4 percent, or \$12 million) and the Rehabilitation Commission (5.8

percent, or \$32 million). Both the Department of Protective and Regulatory Services (\$23.3 million increase) and the Commission for the Blind (\$1.9 million increase) received 2 percent more funding in CSHB 1 than in the original budget bill, the Children's Trust Fund got 1.3 percent (\$0.1 million) more, and the Department of Health saw its budget increase by only half a percent (\$58 million). Total proposed funding for the Department on Aging, Cancer Council, Commission for the Deaf and Hard of Hearing, and the Health and Human Services Commission did not increase at all in CSHB 1.

Compared to the HHS agencies, the Texas Workforce Commission (TWC), found in Article VII, fared well in relative terms (a 9.9 percent increase) and in total new dollars (\$184 million) over HB 1/SB 2.

Department of Human Services

Long-Term and Community Care : CSHB 1 proposes more funding than HB 1/SB 2 did for the Long Term Care-Community Care strategy. The All-Funds increase of \$10.4 million (\$4 million GR) would allow the Community-Based Alternative (CBA) waiver program—which lets people who would otherwise qualify for nursing home care stay in their homes—to add an additional 585 clients per year. Currently, about 8,700 Texans are on the waiting list for CBA services, and that list is growing so fast it is expected to hit at least 30,800 by the end of the 2000-01 budget period. DHS had requested exceptional-item funding to make much larger reductions in—or even to eliminate—the waiting list. Also funded were an additional 400 clients by 2001 in the CLASS community-based “waiver” program for Texans with severe permanent disabilities. Even with the new slots, over 6,000 Texans will be on the CLASS waiting list by the end of the 2000-01 biennium. An additional \$2 million in federal funds was recommended for non-Medicaid community care services, enabling the agency to serve another 210 persons/year who need less intensive home care services. Finally, \$2.5 million was added to expand the Community Alzheimer's Resource & Education program.

TANF families: CSHB 1 adds funding for several initiatives helping TANF clients, some of which were exceptional items in DHS' budget request and/or part of the CPPP's TANF proposals:

- Improving the earned income disregard for working TANF parents would be possible with \$20.4 million in TANF federal funds for the biennium. The revised disregard would exclude the first \$120 of earnings and 90 percent of any remaining earnings for the first four months in which a client

works. Afterwards, the disregard would drop to \$120/month.

- TANF would be provided from the date of application rather than the current policy of using the date of eligibility determination or the 30th day after the date of application (whichever is earlier). The cost of this would be \$16.6 million in TANF funds.
- \$62 million in added TANF funds would maintain the monthly cash grant at 17 percent of the federal poverty line, and give TANF families a \$60 per-child “back to school” grant on August 1st of each year.
- Also, in the proposed TWC budget, HAC boosted child care funding by \$77 million (All Funds) from HB 1/SB 2, and doubled appropriations for the Self-Sufficiency Fund to \$24 million total. HAC also approved almost \$69 million more for employment services for public assistance clients. HB 1/SB 2 as filed would have cut funding for these services.

TANF MOE/TANF Federal/Title XX funding change: CSHB 1 incorporates a funding change based partly on the Governor's proposed method of finance for DHS, TWC, DPRS, and other agencies using TANF and Title XX federal funds. In DHS' budget, CSHB 1 proposes that \$262.7 million in GR be used to fund monthly TANF grants in the next biennium, meeting about half of Texas' TANF MOE requirement.

Remaining TANF MOE would go mostly to DPRS (\$152 million) and TWC (\$55 million). The single largest share of TANF federal funds (at least \$457 million) would go to DHS for cash grants, eligibility determination, and other programs. DPRS would get about \$300 million in TANF federal funds for 2000-01 to fund child protection and foster care programs.

Nutrition programs : HAC approved a rider that would fund education and outreach for federal nutrition programs (up to \$2 million for the biennium). Funding would come from enhanced federal revenue that Texas will get for reducing its Food Stamps error rates.

Department of Health

The HAC proposal adds \$58.2 million above the filed LBB budget for TDH. Of this, \$33.2 million in All Funds (\$12.8 million GR) is for TDH Medicaid costs to expand eligibility in the CLASS and CBA programs at DHS, as well as increased costs from better access to Medicaid by TANF families as a result of the improved earned income disregard. Another \$7.3 million (\$2.8 million GR) was added for the Texas Health Steps (EPSDT) program to fund hearing screens for newborns. Because Medicaid pays for the delivery of nearly half the children born in Texas, this funding

would vastly increase the detection of hearing problems in children, allowing early intervention to improve language acquisition.

Other major TDH funding increases approved by HAC include:

- \$6 million (All Funds) for HIV medications; the agency had sought \$16.3 million in GR to attract \$28 million in federal Ryan White matching funds. Texas needs the funds to comply with federal standards of care for treating HIV, and to meet maintenance of effort requirements for drawing down federal funds.
- \$3.4 million in GR for the Kidney Health Care Program and Epilepsy Client Services.
- \$4 million to support regional trauma systems; the agency had requested \$15 million.
- \$800,000 was recommended for Hepatitis A vaccines for pre-schoolers and teens in high-incidence areas.

Protective and Regulatory Services

For DPRS, HAC approved \$13 million in All Funds (\$2.8 million GR) to continue paying for the 190 additional Child Protective Services (CPS) caseworkers and supervisors approved in the emergency appropriations bill. Adding these CPS workers was deemed critical to efforts to increase and improve child abuse/neglect investigations. Another \$2.1 million in total funds was added for improved CPS assessments. With the new funding and staff, CPS caseloads should drop to 22.5 per worker, from the current level of 24.3 cases.

DPRS also received increases for post-adoption residential treatment services; statewide expansion of an at-risk mentoring program currently operating in only 46 counties; and continued funding for Second Chance Homes for TANF teen parents. (using TANF dollars).

Mental Health and Mental Retardation: Tobacco settlement funds will provide \$30.5 million in funding for New Generation drugs in the 2000-01 biennium. HAC also recommended \$33 million in GR for these medications, which will be used to treat 10,845 clients with schizophrenia or bipolar disorder, per year. Providing other services (such as housing and supported employment) to these clients would require another \$24 million in All Funds (\$10.6 million GR); the request for these services is in Article XI.

Article XI: Critical HHS Needs Competing for More Funding. A long list of deserving proposals in search of funding can be found in Article XI for HHS agencies.

TDH's wish list includes additional funds for HIV

treatment, women's health services, dental fee increases for children on Medicaid, the County Indigent Health Care Program, increased provider reimbursements under Medicaid (many have been frozen since the 73rd Legislature), and local public health services.

DHS' Article XI priorities include additional resources for CBA and CLASS, expansions of non-Medicaid community care, Frail Elderly program prescription drugs, nursing home regulation, and rate increases for community care and nursing facilities.

DHS also has an Article XI item requesting \$14.6 million in contingency funding to expand the State Immigrant Food Assistance Program (SIFAP). That amount was the original LBB-estimated cost to cover 8,300 legal immigrant seniors, children, and persons with disabilities who are ineligible for federally funded Food Stamp benefits because of 1996 welfare reforms. Updated estimates lower the cost of expanding SIFAP to less than \$7 million for the biennium (\$3.4 million/year).

In the HHSC's Article XI items, health coverage for legal immigrant children requires only \$6.2 million in GR funding for the biennium.

Funding of this HHSC item would provide CHIP-like coverage to legal immigrant children during their first 5 years in the U.S. (after which they could participate in Medicaid or CHIP). Statutory language for this program is in the House CHIP bill, as well as in HB 2708. Proposed legislation would also direct the state to exercise an option to include all legal immigrant children in Medicaid and CHIP regardless of when they arrived in the U.S., if a currently pending federal bill creating that option becomes law.

For DPRS, major Article XI items include \$39 million to fund a foster care rate/adoption payment increase of 9.75 percent. Further reductions in CPS caseloads could be achieved if \$10 million in funding was provided to hire another 137 workers.

Legislative Action Needed

Because of the huge amount (\$6.8 billion for all agencies) of unfunded need remaining and the scarcity

of available revenue, CPPP is concerned that HHS programs will not get resources needed to significantly reduce waiting lists, help welfare clients become truly self-sufficient, and provide basic supports for low-income workers such as health coverage and Food Stamps. CPPP urges legislators to give special consideration to the following items, most of which are already in Article XI:

- SIFAP expansion
- Health insurance for legal immigrant children
- Initiatives for TANF families, including the Governor's recommendations for the Barriers project and the CPPP's proposals for housing and transportation assistance, a better child support "pass through," and an incentive program for local workforce development boards to train TANF recipients for living-wage work.

Exhibit 2. Funding for Selected Human Services Strategies in CSHB 1

Totals are in millions of dollars

	CSHB 1 2000	CSHB 1 2001	Biennial difference From filed HB1		Biennial difference From agency request	
			TOTAL	Percent	TOTAL	Percent
Department On Aging	\$59.7	\$59.7	-	-	(\$13.0)	(9.8)
Commission On Alcohol & Drug Abuse	165.2	164.5	\$25.0	8.2%	(21.8)	(6.2)
Commission For The Blind	47.5	48.2	1.9	2.0	(2.1)	(2.2)
Cancer Council	4.0	4.0	-	-	-	-
Children's Trust Fund	3.9	3.9	0.1	1.3	0.6	8.7
Commission for the Deaf & Hard Of Hearing	1.7	1.7	-	-	(1.1)	(24.8)
Early Childhood Intervention Council	85.2	88.3	\$12.0	7.4	(19.0)	(9.9)
Department Of Health	\$6,405.4	\$6,535.4	\$58.2	0.5%	(\$1,445.8)	(10.0%)
Goal A: PREVENTION AND PROMOTION	729.3	740.2	10.5	0.7	(30.6)	(2.0)
A.2.1: WIC Food & Nutrition	510.6	521.6	-	-	47.9	4.9
A.3.2: Immunizations	34.3	34.3	0.8	1.2	(8.2)	(10.7)
Goal B: MEDICAID SERVICES	5,161.2	5,293.1	33.2	0.3	(1,187.5)	(10.2)
Goal C: HEALTH CARE STANDARDS	35.1	35.1	3.1	4.6	(1.0)	(1.5)

(continued)

Totals are in millions of dollars

Department of Health (continued)	CSHB 1 2000	CSHB 1 2001	Biennial difference From filed HB1		Biennial difference From agency request	
			TOTAL	Percent	TOTAL	Percent
Goal D: PROMOTE EQUITABLE ACCESS	394.4	381.9	7.0	0.9	(197.5)	(20.3)
D.1.3: Medically Dependent Children Waiver	16.5	16.5	-	-	(22.0)	(40.0)
D.2.1: Texas Health Steps (EPSDT) Medical	63.0	61.5	7.3	6.3	(41.7)	(25.1)
D.2.2: Texas Health Steps (EPSDT) Dental	133.1	128.9	-	-	(134.4)	(33.9)
D.3.1: Community Health Services	16.6	16.6	(0.3)	(0.9)	(0.6)	(1.8)
Goal E: COORDINATED HEALTH SYSTEM	44.5	44.5	4.3	5.1	(27.6)	(23.7)
E.2.1: County Indigent Health	3.7	3.7	-	-	(4.0)	(35.0)
E.2.2: Health Care Coordination	11.3	11.3	4.0	21.6	(21.0)	(48.3)
Health and Human Services Commission	\$23.0	\$19.4	-	-	(\$156.9)	(78.7%)
Department Of Human Services	\$3,711.2	\$3,764.2	\$136.3	1.9%	(\$1,241.2)	(14.2%)
Goal A: LONG TERM CARE CONTINUUM	2,814.2	2,873.3	31.9	0.6	(1,142.3)	(16.7)
A.1.1: Community Care Services	837.6	884.3	29.5	1.7	(778.8)	(31.1)
A.1.2: In-Home & Family Support	6.5	6.5	-	-	(28.9)	(68.9)
A.1.3: LTC Eligibility & Service Planning	98.5	100.2	2.5	1.3	(64.9)	(24.6)
A.1.4: Nursing Facility & Hospice Payments	1,628.3	1,635.9	-	-	(191.0)	(5.5)
A.1.5: Integrated Service Delivery Systems	207.7	210.4	-	-	(46.1)	(9.9)
A.2.1: LTC Facility Regulation	34.5	34.9	-	-	(30.3)	(30.4)
Goal B: ENCOURAGE SELF-SUFFICIENCY	787.0	779.9	98.6	6.7	(56.7)	(3.5)
B.1.1: TANF Grants	281.3	265.4	98.6	22.0	35.6	7.0
B.1.2.:CSS Eligibility & Issuance Services	338.1	337.8	-	-	(92.1)	(12.0)
B.1.3: Nutrition Assistance	156.9	166.0	-	-	(0.1)	(0.0)
C.1.1: Family Violence Services	17.2	17.2	5.8	20.3	5.7	19.9
Mental Health and Mental Retardation	\$1,748.0	\$1,741.9	\$107.6	3.2%	(\$549.4)	(13.6%)
Goal A: COMMUNITY MENTAL HEALTH SVCS	364.7	364.7	34.5	5.0	(175.2)	(19.4)
Goal B: MH SPECIALIZED SERVICES	235.5	235.3	2.3	0.5	(83.1)	(15.0)
Goal C: COMMUNITY MR SERVICES	806.5	809.5	64.2	4.1	(169.0)	(9.5)
Goal D: MR SPECIALIZED SERVICES	305.0	304.7	6.4	1.1	(125.3)	(17.0)
Protective and Regulatory Services	\$593.9	\$604.2	\$23.3	2.0%	(\$35.7)	(2.9%)
A.1.1: CPS Statewide Intake	6.1	6.1	-	-	(7.2)	(37.2)
A.1.2: Child and Family Services	164.9	164.9	15.2	4.8	13.4	4.2
A.1.3: CPS Purchased Services	33.9	33.9	0.9	1.3	(9.3)	(12.0)
A.1.5: Foster Care/Adoption Payments	254.9	265.8	-	-	-	-
A.1.6: At-Risk Prevention Services	41.2	41.2	6.4	8.4	(1.8)	(2.2)
A.2.1: Adult Protective Services	26.1	26.1	-	-	(3.9)	(7.0)
A.3.1: Child Care Regulation	16.2	16.2	0.9	2.7	(8.6)	(20.9)
Rehabilitation Commission	\$283.1	\$289.8	\$31.6	5.8%	(\$14.2)	(2.4%)
Workforce Commission	\$1,030.7	\$1,014.6	\$184.2	9.9%	(\$115.9)	(5.4%)
Goal A: COMMUNITIES ASSISTANCE	99.1	98.9	8.0	4.2	(10.1)	(4.8)
Goal B: EMPLOYEE ASSISTANCE	876.3	860.8	154.0	9.7	(90.0)	(4.9)
B.1.1: General Workforce Clients	325.6	327.3	8.7	1.3	(5.1)	(0.8)
B.1.2: Adults On Public Assistance	134.5	134.5	68.6	34.2	(103.0)	(27.7)
B.2.1: Early Child Care	388.5	376.5	76.7	11.1	19.5	2.6
B.2.2: School To Careers	11.3	6.2	-	-	(1.3)	(6.7)
B.2.3: Communities In School	16.4	16.4	-	-	-	-
Goal C: EMPLOYERS	29.7	29.2	22.0	59.6	(14.9)	(20.2)
C.1.2: Self-Sufficiency Fund	12.0	12.0	12.0	100.2	-	-

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