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HB 1 Conference Committee: What's at stake for health and human services

Senate has more funding for several HHS programs; differences to be settled in weeks ahead
On April 26th, the House Bill 1 (Appropriations Act for 2000 and 2001) Conference Committee began meeting to work out the differences between the Senate's \$98.4 billion state spending proposal and the \$97 billion budget that cleared the House on April 13. Most health and human services agencies are scheduled to be heard by the committee on Sunday, May 2. This *Policy Page* highlights the major differences in the Senate budget that must be reconciled by the conferees. CPPP's funding priorities for conference committee members to consider can be seen at www.cppp.org/products/policyanalysis/memHB1.html.

Overview of Senate Substitute for HB 1

The Senate approved \$98.4 billion in state spending for fiscal 2000 and 2001, the two-year budget period that starts in September 1999. This is \$1.4 billion more than what the House approved, and \$9.8 billion (11 percent) more than 1998-99 spending levels. About \$61.5 billion of the Senate's budget would be paid for with General Revenue (GR) and GR-related or dedicated funds, an increase of \$5.4 billion in GR spending compared to the 1998-99 budget period.

Funding Differences for HHS

For all health and human services agencies, the Senate recommended total appropriations of \$27.9 billion in Article II, about \$601 million (2.2 percent) more than the House endorsed. Much of this increase was possible because the Senate used more of the Article XII (Tobacco Settlement) funding for HHS needs such as immunizations for children, newborn hearing screens, children's mental health and mental retardation services, a higher health insurance subsidy for children of low-income state employees, and the TIES project. Compared to the 1998-99 biennium, the Senate's budget would increase HHS spending by about 5.8 percent, or \$1.5 billion from all funds.

The Senate version also spends more of the federal TANF dollars that Texas expects to receive through 2001. Only \$144 million in TANF dollars would be unspent in the Senate's plan, compared to the House's \$179 million, mainly because the Senate would use more TANF funding for child protective services (CPS) and foster care rate increases (5 percent in 2000, 9.75 percent in 2001).

The Senate's version of HB 1 does not have an Article XI—items which the House thought "desirable and necessary" enough to be on a \$6.8 billion wish list for the conference committee to consider. But a rough estimate of unfunded HHS needs in the Senate budget can be calculated by comparing its Article II funding levels to the budget requests prepared by agencies for the 76th Session. In January 1999, HHS programs, including exceptional items, were estimated to need \$31 billion for the coming biennium, leaving them with a funding gap of more than \$2.5 billion in the current Senate plan. The shortfall is even worse in the House version of HB 1.

HHS Agency Budgets: Among the Article II agencies, the Department of Health (TDH) did the best in the

HB 1 Conference Committee Schedule:

- April 30, 7 AM: Public Safety & Crim. Justice (Art. V)
- May 2, 3 PM: **Health & Human Services** (Art. II)
- May 3 & 4, 7 AM: Education (Art. III)
- May 5, 7 AM: General Provisions, Legislature, and Tobacco settlement proceeds (Arts. IX, X and XII)
- May 6, 7 AM: Texas Education Agency, Special Item Appropriations, Remaining Pending Items, Major agencies, Formula issues

Committee Members: Reps. Junell, West, Coleman, Gallego, and Heflin; Senators Ratliff, Truan, Duncan, Fraser, and Moncrief

Conferees meet at scheduled time and upon adjournment of the House and Senate

Senate version in total dollar terms: TDH would receive almost \$229 million more than what the House proposed, mostly for Medicaid premiums.

The Department of Human Services (DHS) would receive an additional \$196 million in the Senate plan, which allocated \$144 million more for community care programs and \$82 million more for nursing facility and hospice payments. However, the Senate was less generous in funding the DHS strategy that pays for TANF grants (\$66 million less than the House). For the Texas Workforce Commission (TWC, in Article VII of the bill), the Senate recommended roughly the same level of biennial funding as the House did (\$2.041 billion vs. \$2.025 billion). In relative terms, the agencies which fared better under the Senate plan are the Commission for the Deaf and Hard of Hearing (17.3 percent more in the Senate substitute) and the Department of Protective and Regulatory Services (DPRS—10.7 percent more).

Staffing and Pay: In the Senate's budget, full-time equivalent (FTE) staff in Article II HHS agencies would drop to 51,660 by fiscal 2001, down 4 percent from the 1999 level of 53,847. The Department of Mental Health and Mental Retardation would have 2,152 fewer state jobs by 2001 as community services transfer to local operations. DHS would have 547 fewer employees, TDH would lose 84, and TWC would see cuts of 302 workers under the Senate's budget. Staff would *increase* by more than 5 percent at the Commission on Alcohol and Drug Abuse, the Commission for the Blind, and DPRS, which would get 161 more caseworkers and other CPS staff than the House budget would fund.

The Senate budget has another item of interest for HHS workers and other state employees: \$605 million for a 3 percent across-the-board pay raise each year of the coming biennium. For the lowest-paid workers, the minimum yearly salary would increase from \$13,176 to \$13,571 in 2000, and then to \$13,978 in 2001. The Schedule B minimum would go up from the current \$19,392 to \$19,974 in 2000 and \$20,573 in 2001.

Funding for specific HHS programs: For individual strategies and programs in health and human services, the Senate budget has several improvements over the House version:

- At the **Department on Aging**, an additional \$4.9 million would go to the "Connections" strategy that provides ombudsman services, case management, and other assistance, and \$2.5 million more would fund services fostering independence and productivity.
- For **TCADA**, \$10.8 million extra would be provided for substance abuse treatment services and \$400,000 more for a compulsive gambling hotline.
- \$1 million more would go to the **Commission for the Blind** for independent living skills programs.
- At the **Commission for the Deaf and Hard of Hearing**, case management would get \$500,000 more

than in the House budget, and telephone assistance services would receive an additional \$87,000.

- The Council on **Early Childhood Intervention** would get an additional \$2 million for its resource coordination strategy (respite services).
- Not reflected in Article II, but in Article XII (because it includes tobacco settlement funds), is \$79 million for the Health and Human Services Commission to **continue the TIES project**. The Senate's proposal would use GR, bond financing, and federal funds to provide the full amount needed for TIES development in the next two years.
- For the **Rehabilitation Commission**, the Senate substitute has increases for extended rehabilitation services (\$1 million) and independent living services (\$500,000) compared to House funding levels.
- In **TWC's** budget, the Senate put an additional \$10 million into the Communities in Schools program than the House did; funding for low-income child care and for employment services for TANF and Food Stamp recipients was basically the same.
- The **Department of Health** would get funding beyond that proposed by the House in several strategies: \$12 million more to prevent the spread of sexually transmitted diseases; \$5 million for chronic disease services; \$63 million for Medicaid premiums for the aged and disabled, and \$41.5 million for Medicaid premiums for children and medically needy; \$74.3 million for the vendor drug program; \$8 million in new funding for Women's Health Services; and \$10.4 million for dental providers in the EPSDT children's program, contingent on improved provider participation by fiscal 2001.
- For the **Department of Human Services**, the Senate put \$144 million more into the community care programs, as mentioned earlier. One result of this is that, by 2001, the CBA waiver program would be able to serve 6,600 more clients in the Senate's plan. However, the House budget would serve more clients in Medicaid non-waiver community care. The Senate also put \$13.9 million more into regulation of long-term care (LTC) facilities and \$5.2 million more into LTC eligibility and service planning. Finally, the Senate funded an improved earnings disregard for TANF parents, but not the other improvements that the House recommended for TANF families (maintaining the grant at 17 percent of poverty, providing a \$60 per-child "back to school" grant for TANF families, and providing TANF from the date of application).
- For **MHMR** clients, the Senate provided more support for community MR services, in the amount of \$25.9 million for the home and community services waiver program.
- Child protective services programs and foster care payments would get a substantial increase in the

DPRS budget proposed by the Senate—\$116 million more than in the House plan. The largest funding difference was for CPS purchased services (\$37 million), followed by \$29 million more for foster care and adoption subsidy payments, \$19 million more for CPS investigations, and \$11 million more for at-risk prevention programs. However, the method of finance for these improvements may be called into question by new federal regulations issued for the TANF program. TANF funds transferred to the Child Care Development Fund would also pay for improved child care regulation at DPRS: with the additional funds proposed by the Senate, the agency would be able to carry out 40,025 inspections of child care facilities per year, up from the fiscal 1999 budgeted figure of 37,857.

Article XII (Tobacco) Proposals: The \$400 million Permanent Health Fund for Higher Education was eliminated in the Senate’s budget, freeing up revenue that was used mainly to bail out the TRS-Care program (health insurance for retired teachers). The Senate also used tobacco funds to pay for TIES (\$23.7 million); Hepatitis B immunizations for state prison inmates (\$19.5 million) and other corrections managed care costs (\$20 million); CHIP-like coverage for state employees’ children (\$14 million); immunizations (\$6.4 million); newborn hearing screenings (\$2.8 million); New Generation drugs (\$29.5 million added to the \$30.5 million already proposed) and the community support services these MHMR clients will need (\$20 million); and \$30 million for the first two years of the anti-smoking programs that TDH will oversee. This last item was added in response to concerns that a \$200 million endowment for smoking

cessation programs would not generate enough income on an annual basis for statewide campaigns.

Considerations for Conference Committee

The Senate’s proposed budget spent \$1.4 billion more than the House, but still managed to end up at \$460 million below the “pay as you go” limit imposed by the January revenue estimate made by the Comptroller. However, when it voted on its proposed budget on April 23, the Senate had already passed \$515 million in tax or other revenue reductions and \$128 million in “enhancements” (for a net loss of \$387 million). This means that, unless the revenue estimate changes, only \$73 million is left unspent.

However, even if the Comptroller does provide a higher revenue estimate to the conference committee before its work is done, there is another constitutional limit on state spending growth linked to state personal income growth. The Senate budget is already within \$361 million of this limit. As a result, any newly-found undedicated tax revenue above that amount would not be available for spending, but could be used for state tax cuts or “rainy day” fund deposits.

With those revenue considerations in mind, the CPPP has identified a package of issues for the HB 1 conference committee that would especially benefit some of Texas’ neediest families. In many cases, these initiatives could be funded using TANF federal dollars, not general revenue. A description of these CPPP issues can be found at www.cppp.org/products/policyanalysis/memHB1.html. House and Senate recommended funding for all HHS strategies can be seen at: www.cppp.org/products/policyanalysis/hvs.html.

Exhibit: House versus Senate Substitutes for HB 1, Biennial Budgets for Selected Health and Human Services Agencies and Strategies

	House CSHB 1, 2000 and 2001	Senate Substitute, 2000 and 2001	Sen. vs. CSHB1, Additional (or Less) Funding	Percent change, Sen. vs. CSHB1
(Totals are in millions of dollars)				
Department on Aging	\$ 119.4	\$ 127.8	\$ 8.4	7.0%
Commission on Alcohol & Drug Abuse	329.7	340.8	11.1	3.4%
Commission for the Blind	95.6	99.0	3.4	3.5%
Cancer Council	8.0	8.0	-	-
Children’s Trust Fund	7.7	7.7	-	-
Commission for the Deaf & Hard of Hearing	3.4	4.0	0.6	17.3%
Early Childhood Intervention Council	173.5	175.8	2.3	1.3%
Department of Health	12,940.8	13,169.4	228.6	1.8%
Goal A: PREVENTION AND PROMOTION	1,469.6	1,486.1	16.5	1.1
Goal B: MEDICAID SERVICES	10,454.3	10,660.3	206.0	2.0
Goal C: HEALTH CARE STANDARDS	70.3	67.2	(3.1)	-4.4
Goal D: PROMOTE EQUITABLE ACCESS	776.3	789.9	13.5	1.7
D.1.6 (NEW) Women’s Health Services	NA	8.0	8.0	NA

D.2.1: Texas Health Steps (EPSDT) Medical	124.5	119.4	(5.1)	-4.1
D.2.2: Texas Health Steps (EPSDT) Dental	262.0	272.4	10.4	4.0
Goal E: COORDINATED HEALTH SYSTEM	89.0	84.7	(4.3)	-4.8
E.2.2: Health Care Coordination	22.5	18.5	(4.0)	-17.7
Health and Human Services Commission	42.4	37.3	(5.2)	-12.1%
Department of Human Services	7,475.4	7,671.3	195.9	2.6%
Goal A: LONG TERM CARE CONTINUUM	5,687.5	5,938.2	250.7	4.4
A.1.1: Community Care Services	1,721.9	1,866.1	144.2	8.4
A.1.3: LTC Eligibility & Service Planning	198.7	202.7	4.0	2.0
A.1.4: Nursing Facility & Hospice Payments	3,264.3	3,346.0	81.8	2.5
A.1.5: Integrated Service Delivery Systems	418.1	423.3	5.2	1.2
A.2.1: LTC Facility Regulation	69.4	83.3	13.9	20.0
Goal B: ENCOURAGE SELF-SUFFICIENCY	1,567.0	1,500.8	(66.2)	-4.2
B.1.1: TANF Grants	546.7	480.5	(66.2)	-12.1
Department of Mental Health and Mental Retardation	3,489.9	3,495.0	5.1	0.1%
Goal A: COMMUNITY MENTAL HEALTH SERVICES	729.3	700.9	(28.5)	-3.9
Goal B: MH SPECIALIZED SERVICES	470.8	468.5	(2.3)	-0.5
Goal C: COMMUNITY MR SERVICES	1,616.0	1,639.9	23.9	1.5
Goal D: MR SPECIALIZED SERVICES	609.7	603.3	(6.4)	-1.0
Department of Protective and Regulatory Services	1,198.0	1,326.2	128.1	10.7%
Goal A: PROTECTIVE SERVICES	1,152.8	1,268.6	115.8	10.0
A.1.2: Child And Family Services	329.8	348.6	18.8	5.7
A.1.3: CPS Purchased Services	67.8	105.1	37.3	55.0
A.1.5: Foster Care/Adoption Payments	520.6	549.9	29.3	5.6
A.1.6: At-Risk Prevention Services	82.4	92.9	10.5	12.7
A.2.1: Adult Protective Services	52.3	55.9	3.6	6.9
A.3.1: Child Care Regulation	32.5	41.1	8.6	26.5
Rehabilitation Commission	572.9	574.5	1.6	0.3%
Workforce Commission	2,024.8	2,041.4	16.6	0.8%
Goal B: EMPLOYEE ASSISTANCE	1,716.7	1,724.4	7.7	0.4
B.1.1: General Workforce Clients	652.9	646.8	(6.1)	-0.9
B.1.2: Adult Public Assistance Recipients	269.0	269.9	0.9	0.3
B.2.1: Early Child Care	744.6	746.2	1.6	0.2
B.2.2: School To Careers	17.5	18.7	1.3	7.2
B.2.3: Communities In School	32.7	42.7	10.0	30.6
Goal C: EMPLOYERS	58.9	68.9	10.0	17.0
C.1.1: Business Services & Skills Development	34.9	44.9	10.0	28.6
C.1.2: Self-Sufficiency Fund	24.0	24.0	-	-

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