

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 10, 2003

TO: Honorable David Swinford, Chair, House Committee on Government Reform

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3006 by Swinford (Relating to state health and human services.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3006, As Introduced: a positive impact of \$79,173,405 through the biennium ending August 31, 2005.

Savings estimates are compared to funding sufficient to continue current law and policies and should not be compared to agency "building block" requests.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$31,616,604
2005	\$47,556,801
2006	\$62,556,801
2007	\$87,556,801
2008	\$87,556,801

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>GENERAL REVENUE FUND</i> 1	Probable Savings from <i>FEDERAL FUNDS</i> 555	Change in Number of State Employees from FY 2003
2004	\$31,616,604	\$31,994,473	(939.3)
2005	\$47,556,801	\$48,480,924	(1,386.1)
2006	\$62,556,801	\$63,480,924	(1,386.1)
2007	\$87,556,801	\$88,480,924	(1,386.1)
2008	\$87,556,801	\$88,480,924	(1,386.1)

Fiscal Analysis

The bill would make a number of changes regarding health and human services. Changes would include the abolishment of each health and human services agency, as defined by Section 531.001(4) of the Government Code, and the transfer of all powers, duties, personnel, property, assets, and obligations of each agency to the Health and Human Services Commission (HHSC).

HHSC estimates that Section 1 (Transfer of Powers and Duties from Certain Health and Human Services Agencies) would result in savings and a reduction in Full-time-equivalents (FTEs). Savings would result from two key actions:

1. The consolidation of health and human services agencies is anticipated to produce \$40.3 million in All Funds savings for fiscal year 2004, including \$19.5 million in General Revenue savings, and \$53.0 million in All Funds savings for fiscal year 2005, including \$25.1 million in General Revenue

savings. The savings amount identified for fiscal year 2005 would continue in future years.

2. The formation of an eligibility service bureau is anticipated to produce \$24.3 million in All Funds savings in fiscal year 2004, including \$12.1 million in General Revenue savings, and \$45.0 million in All Funds savings in fiscal year 2005, including \$22.5 million in General Revenue savings. The savings amount per year is anticipated to grow in the out years.

Additional detail regarding this estimate is provided under methodology below.

Methodology

1. HHSC indicates that the consolidation of health and human services agencies (Section 1) would provide an opportunity to reduce staff who have similar job duties and who are in close proximity of one another. HHSC estimates that 589.3 FTEs would be reduced in fiscal year 2004 and 786.1 FTEs would be reduced in each subsequent fiscal year. The majority of the reductions would occur in human resources and purchasing areas. Additional FTE reductions would be made in auditing, financial services, legal services, planning and evaluation, training, and information resources. The estimated All Funds salary savings is \$21.8 million in fiscal year 2004 and \$31.9 million for each subsequent fiscal year.

A reduction in the number of FTEs is estimated to produce the following non-salary All Funds savings: a reduction in overhead expenditures (\$11.8 million in fiscal year 2004 and \$10.7 million in fiscal year 2005), a reduction in lease/rent expenditures (\$0.5 million in fiscal year 04 and \$1.3 million in fiscal year 2005), and a reduction in employee benefits expenditures (\$6.2 million in fiscal year 2004 and \$9.1 million in each subsequent fiscal year).

2. The formation of an eligibility service bureau is estimated to produce savings in eligibility determination for health and human services programs. It is anticipated that 350 FTEs would be reduced in fiscal year 2004 and an additional 250 FTEs (for a total of 600) would be reduced in fiscal year 2005 and in each subsequent fiscal year. Operating efficiencies in the eligibility determination process and a reduction in lease expenditures would provide the remaining All Funds savings: \$24.3 million in fiscal year 2004, growing to \$125.0 million in fiscal year 2008.

Technology

The bill could necessitate modifications to existing information systems or to those under development.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Local entities that have contractual or non-contractual relationships with existing health and human services agencies would instead work with HHSC.

Source Agencies: 116 Sunset Advisory Commission, 308 State Auditor's Office, 318 Commission for the Blind, 320 Texas Workforce Commission, 324 Department of Human Services, 340 Department on Aging, 517 Commission on Alcohol and Drug Abuse, 529 Health and Human Services Commission, 532 Interagency Council on Early Childhood Intervention

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