

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 29, 2003**

**TO:** Honorable Talmadge Heflin, Chair, House Committee on Appropriations

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB3519** by Wohlgeomuth (Relating to statutory authority to reduce appropriations made by the legislature to certain governmental entities providing health services, human services, and related services.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3519, As Introduced: a positive impact of \$1,187,284,533 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Estimated savings should be compared to funding levels sufficient to conform to current policies and law. Estimated savings should not be compared to agency Initial General Revenue/Building Block requests.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$496,866,276
2005	\$690,418,257
2006	\$733,686,730
2007	\$788,174,429
2008	\$845,326,198

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Revenue Gain from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Revenue Gain from <i>QUALITY</i> <i>ASSURANCE</i> <b>5080</b>
2004	\$502,365,619	(\$69,491,884)	\$63,992,541	\$27,313,652
2005	\$696,454,450	(\$80,976,705)	\$74,940,512	\$27,314,084
2006	\$740,158,221	(\$91,611,185)	\$85,139,694	\$27,314,084
2007	\$794,893,551	(\$106,424,684)	\$99,705,562	\$27,314,084
2008	\$852,347,820	(\$123,785,009)	\$116,763,387	\$27,314,084

<b>Fiscal Year</b>	<b>Probable (Cost) from <i>QUALITY ASSURANCE</i> <b>5080</b></b>	<b>Probable Savings/ (Cost) from <i>FEDERAL FUNDS</i> <b>555</b></b>	<b>Change in Number of State Employees from FY 2003</b>
2004	(\$10,870,833)	\$698,049,289	(1,271.9)
2005	(\$10,865,543)	\$997,456,156	(1,256.0)
2006	(\$10,865,543)	\$1,065,196,486	(1,247.0)
2007	(\$10,865,543)	\$1,149,934,681	(1,247.0)
2008	(\$10,865,543)	\$1,246,297,046	(1,247.0)

## **Fiscal Analysis**

The bill would make several changes to health and human services policies. Sections with fiscal impact are noted under methodology.

## **Methodology**

The following estimate is based primarily on a consolidated response from the Health and Human Services Commission (HHSC) that analyzes the fiscal impact to all health and human services agencies except the Cancer Council.

Section 3 (Blindness Education, Screening, and Treatment program) is estimated to have no impact to GR. Estimated cost to Federal Funds is \$369,484 for each year beginning in FY 2004.

Section 4 (eligibility and services at the Interagency Council on Early Childhood Intervention) is estimated to result in GR savings of: \$2.7 million in FY 2004, \$4.9 million in FY 2005, \$5.3 million in FY 2006, \$5.7 million in FY 2007, and \$6.2 million in FY 2008. The agency estimates providing "less comprehensive services" would result in a loss of \$38.6 million per year in federal funds because implementation would place the agency out of compliance with IDEA requirements.

Section 5 (abolish advisory committee to the Interagency Council on Early Childhood Intervention) is estimated to result in GR savings of \$8,706 for each year beginning in FY 2004. The agency indicates the advisory committee is required under federal law and abolishing it would result in a loss of federal funds.

Section 7 (consolidate operations under Primary Health Care Services and Indigent Health Care acts) is estimated to result in GR savings of \$21.2 million and an FTE reduction of 60.3 for each year beginning in FY 2004.

Section 9, Subsection 1 (eliminate medically needy program) is estimated to result in net All Funds savings of: \$223.0 million in FY 2004, \$287.4 million in FY 2005, \$291.9 million in FY 2006, \$301.6 million in FY 2007, and \$312.3 million in FY 2008. These amounts include GR savings of: \$88.8 million in FY 2004, \$114.3 million in FY 2005, \$116.1 million in FY 2006, \$120.0 million in FY 2007, and \$124.2 million in FY 2008. A GR cost of \$90,536 in FY 2004 is also reflected in the net All Funds savings.

Section 9, Subsection 2 (Medicaid continuous eligibility) is estimated to result in All Funds savings of: \$268.2 million in FY 2004, \$446.2 million in FY 2005, \$461.8 million in FY 2006, \$478.0 million in FY 2007, and \$494.7 million in FY 2008. These amounts included GR savings of: \$106.7 million in FY 2004, \$177.5 million in FY 2005, \$183.7 million in FY 2006, \$190.1 million in FY 2007, and \$196.8 million in FY 2008.

Section 9, Subsection 3 (Medicaid eligibility determination) is estimated to result in a positive net impact to GR and All Funds savings of: \$189.0 million in FY 2004, \$223.8 million in FY 2005, \$262.6 million in FY 2006, \$308.8 million in FY 2007, and \$362.9 million in FY 2008. These amounts include both GR savings and GR cost. Estimated GR savings is: \$78.9 million in FY 2004, \$92.2 million in FY 2005, \$107.8 million in FY 2006, \$126.1 million in FY 2007, and \$147.7 million in FY 2008. Estimated GR cost is: \$4.1 million in FY 2004, \$3.5 million in FY 2005, and \$3.7 million for each subsequent year. This section would also result in an FTE increase of: 190.0 in FY 2004, 196.0 in FY 2005, and 205.0 in each subsequent year.

Section 9, Subsection 4 (TANF adult sanctions) is estimated to result in All Funds savings of: \$43.3 million in FY 2004, \$30.5 million in FY 2005, \$29.5 million in FY 2006, \$28.6 million in FY 2007, and \$27.8 million in FY 2008. These amounts include GR savings of: \$16.2 million in FY 2004, \$11.1 million in FY 2005, \$10.7 million in FY 2006, \$10.3 million in FY 2007, and \$10.0 million in FY 2008.

Section 9, Subsection 5 (Medicaid vendor drug program) is estimated to result in a positive net impact to GR and All Funds savings of: \$113.6 million in FY 2004, \$267.3 million in FY 2005, \$305.7 million in FY 2006, \$358.4 million in FY 2007, and \$420.1 million in FY 2008. These amounts include GR savings, GR cost, and GR gain. Estimated GR savings is: \$46.2 million in FY 2004, \$108.3 million in FY 2005, \$123.8 million in FY 2006, \$145.0 million in FY 2007, and \$169.8 million in FY 2008. Estimated GR cost is: \$65.3 million in FY 2004, \$77.4 million in FY 2005, \$87.9 million in FY 2006, \$102.7 million in FY 2007, and \$120.1 million in FY 2008. Estimated GR gain is: \$64.0 million in FY 2004, \$74.9 million in FY 2005, \$85.1 million in FY 2006, \$99.7 million in FY 2007, and \$116.8 million in FY 2008.

Section 9, Subsections 6 (School Health and Related Services program), 7 (substance abuse services, and 8 (tuberculosis control clinics) are estimated to result in All Funds savings of \$7.3 million in FY 2004 and \$10.5 million in each subsequent year. These amounts include GR savings of \$2.8 million in FY 2004 and \$4.1 million in each subsequent year.

Section 9, Subsection 11 (quality assurance fee) is estimated to result in a positive net impact to the Quality Assurance fund of \$16.4 million for each year beginning in FY 2004. This amount includes a gain to the fund of \$27.3 million and a cost to the fund of \$10.9 million for each year beginning in FY 2004.

Section 10, Subsections 1, 2, 3, 4, 5, 6, 7, and 8 (CHIP and related programs) are estimated to result in an All Funds savings of: \$305.8 million in FY 2004, \$363.0 million in FY 2005, \$377.4 million in FY 2006, \$392.2 million in FY 2007, and \$402.8 million in FY 2008. These amounts include GR savings of: \$100.6 million in FY 2004, \$120.8 million in FY 2005, \$125.4 million in FY 2006, \$130.2 million in FY 2007, and \$130.3 million in FY 2008.

Section 10, subsections 10 and 11 (CHIP waivers) are estimated to result in an All Funds cost of \$61,625 in FY 2004 and \$56,475 in each subsequent year. These amounts include a GR cost of \$17,169 in FY 2004 and \$15,728 in each subsequent year. All costs are related to the addition of 1.0 FTE.

Section 12, Subsection 1 (consolidating mental retardation facilities) is estimated to result in All Funds savings of \$4.7 million in FY 2004 and \$17.2 million in each subsequent year. These amounts include GR savings of \$1.6 million in FY 2004 and \$5.9 million in each subsequent year. This section would also result in an FTE reduction of 463.3 for each year beginning in FY 2004.

Section 12, Subsection 2 (consolidating mental illness facilities) is estimated to result in GR savings of \$29.8 million in FY 2004 and \$29.5 million in each subsequent year. This section would also result in an FTE reduction of 939.3 in FY 2004 and 929.4 in each subsequent year.

Section 12, Subsection 3 (reducing funding for community hospitals) is estimated to result in GR savings of \$3.3 million for each year beginning in FY 2004.

Section 15 (vocational rehabilitation program) is estimated to result in GR savings of \$3.4 million for each year beginning in FY 2004. There would be an equal cost to federal funds.

### **Local Government Impact**

According to HHSC, there could be implications to units of local government operating as Medicaid and CHIP providers as clients may no longer have coverage under these programs.

Local governments will no longer receive reimbursement for health care services from County Indigent and Primary Health Care programs. Local governments may be eligible to receive funding

from the Texas Department of Health through the new, consolidated program.

**Source Agencies:** 304 Comptroller of Public Accounts, 318 Commission for the Blind, 324 Department of Human Services, 330 Rehabilitation Commission, 501 Department of Health, 529 Health and Human Services Commission, 530 Department of Protective and Regulatory Services, 532 Interagency Council on Early Childhood Intervention, 655 Department of Mental Health and Mental Retardation

**LBB Staff:** JK, JO, SD, KF, LR, PP