

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

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

**May 12, 2003**

**TO:** Honorable Teel Bivins, Chair, Senate Committee on Finance

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

**IN RE: SB1862** by Bivins (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 SB1862, As Introduced: a positive impact of \$2,302,153,972 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	\$1,053,783,165
2005	\$1,248,370,807
2006	\$1,291,639,280
2007	\$1,346,126,979
2008	\$3,403,278,748

**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	\$1,059,265,339	(\$69,474,715)	\$63,992,541	\$27,313,652
2005	\$1,254,391,272	(\$80,960,977)	\$74,940,512	\$27,314,084
2006	\$1,298,095,043	(\$91,595,457)	\$85,139,694	\$27,314,084
2007	\$1,352,830,373	(\$106,408,956)	\$99,705,562	\$27,314,084
2008	\$3,410,284,642	(\$123,769,281)	\$116,763,387	\$27,314,084

<b>Fiscal Year</b>	<b>Probable (Cost) from <i>QUALITY ASSURANCE</i> 5080</b>	<b>Probable Savings/ (Cost) from <i>FEDERAL FUNDS</i> 555</b>	<b>Change in Number of State Employees from FY 2003</b>
2004	(\$10,870,833)	\$1,503,350,239	(1,272.9)
2005	(\$10,865,543)	\$1,806,415,554	(1,257.0)
2006	(\$10,865,543)	\$1,874,155,884	(1,248.0)
2007	(\$10,865,543)	\$1,958,894,079	(1,248.0)
2008	(\$10,865,543)	\$2,055,256,444	(1,248.0)

## **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, Subsection 1 (intervention activities at the Interagency Council on Early Childhood Intervention) is estimated to result in All Funds savings of \$39.5 million in FY 2004 and \$41.6 million in each subsequent year. These amounts include GR savings of \$11.9 million in FY 2004 and \$12.0 million in each subsequent year. According to the agency, if all eligible children are not served, the state would not receive the federal grant. A 38 percent reduction in intervention activities may result in a loss of the federal grant.

Section 4, Subsection 2 (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 infant eligibility) is estimated to result in All Funds savings of \$175.0 million, including GR savings of \$70.0 million, for each year beginning in FY 2004.

Section 9, Subsection 3 (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 4 (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 5 (aged, blind, and disabled eligibility) is estimated to result in All Funds savings of \$957.5 million, including GR savings of \$383.0 million, for each year beginning in FY 2004.

Section 9, Subsection 6 (out-of-pocket costs) would result in a savings, but the amount cannot be determined at this time.

Section 9, Subsection 7 (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 8 (Medicaid pregnant women eligibility) is estimated to result in All Funds savings of \$112.5 million, including GR savings of \$45.0 million, for each year beginning in FY 2004.

Section 9, Subsection 9 (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, Subsection 10 (breast and cervical screening and diagnostic services) is estimated to result in GR savings of \$1.3 million for each year beginning in FY 2004.

Section 9, Subsection 11 (graduate medical education payments) is estimated to result in All Funds savings of \$51.1 million in FY 2004 and \$53.6 million in each subsequent year. These amounts include GR savings of \$20.3 million in FY 2004 and \$21.3 million in each subsequent year.

Section 9, Subsections 12 (School Health and Related Services program), 13 (substance abuse services, and 14 (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 15 (targeted case management) would result in a savings, but the amount cannot be determined at this time.

Section 9, Subsection 18 (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: \$322.2 million in FY 2004, \$379.4 million in FY 2005, \$393.7 million in FY 2006, \$408.6 million in FY 2007, and \$419.2 million in FY 2008. These amounts include GR savings of: \$117.0 million in FY 2004, \$137.2 million in FY 2005, \$141.8 million in FY 2006, \$146.6 million in FY 2007, and \$146.7 million in FY 2008.

Section 11 (in-home and family support) is estimated to result in GR savings of \$9.0 million for each year beginning in FY 2004.

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:** 318 Commission for the Blind, 324 Department of Human Services, 330 Rehabilitation Commission, 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, 304 Comptroller of Public Accounts, 501 Department of Health

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