

SUBJECT: Supplemental appropriations and reductions for fiscal 2016-17

COMMITTEE: Appropriations — committee substitute recommended

VOTE: 26 ayes — Zerwas, Longoria, Ashby, Capriglione, Cospers, S. Davis, Dean, Dukes, Giddings, Gonzales, González, Howard, Koop, Miller, Muñoz, Perez, Phelan, Raney, Roberts, J. Rodriguez, Rose, Sheffield, Simmons, VanDeaver, Walle, Wu

0 nays

1 absent — G. Bonnen

WITNESSES: *(at March 16 hearing)*
For — None

Against — None

On — Ursula Parks, Wayne Pulver, and Leora Rodell, Legislative Budget Board; *(Registered, but did not testify: Phillip Ashley, Comptroller of Public Accounts; Amy Borgstedte, Sarah Keyton, and Michael Wales, Legislative Budget Board)*

(at March 29 hearing)
For — None

Against — None

On — Sarah Keyton, Ursula Parks, and Wayne Pulver, Legislative Budget Board

DIGEST: CSHB 2 would appropriate \$1.14 billion in general revenue and \$1.7 billion in federal funds for fiscal 2016-17 to a number of state agencies. The bill also would decrease fiscal 2016-17 general revenue appropriations to the Public Finance Authority by \$53.6 million, making the net general revenue appropriation \$1.08 billion.

Public Finance Authority. The bill would reduce the appropriation made for bond debt service payments in fiscal 2016-17 to the Public Finance Authority by a total of \$53.6 million. The Public Finance Authority would be required to identify where the reductions would be made.

Medicaid funding. The bill would appropriate \$930.7 million in general revenue funds and \$1.7 billion in federal funds to the Health and Human Services Commission (HHSC) in supplemental funding for Medicaid services in fiscal 2017. The expenditure or emergency transfer of these funds would be subject to prior written approval of the Legislative Budget Board (LBB).

Medicaid therapy services. The bill would appropriate to HHSC \$21.5 million in general revenue funds and \$29.8 million in federal funds for Medicaid acute care therapy services in fiscal 2017. The funds would be allocated among provider types and procedure codes for those services to preserve access to care.

CSHB 2 would change language in Rider 50 from the fiscal 2016-17 general appropriations act to require \$28.5 million rather than \$50 million in general revenue funds to be saved in fiscal 2017 through Medicaid therapy provider rate reductions. The bill would remove language in Rider 50 that would have required additional rate reductions. It also would remove the requirement for HHSC reimbursement methodology to be in line with various medical policies for acute care therapy services.

Department of Family and Protective Services critical needs. The bill would appropriate \$101.7 million in general revenue funds to the Department of Family and Protective Services (DFPS) in fiscal 2017 for the following critical needs:

- \$21 million for foster care payments;
- \$75.5 million for Child Protective Services (CPS) direct delivery staff;
- \$613,174 for CPS program support;

- \$138,854 for Adult Protective Services (APS) direct delivery staff;
- \$6,703 for APS program support;
- \$376,259 for DFPS central administration;
- \$33,546 for other support services;
- \$3.1 million for information technology program support; and
- \$940,108 in agency-wide automated systems at DFPS.

DFPS funds transfer from relative caregiver payments. The bill also would have DFPS transfer \$435,475 from the relative caregiver payments program to foster care payments.

Additional appropriations at DFPS. The bill would appropriate \$46.3 million in general revenue funds to DFPS in fiscal 2017 for the following programs:

- \$12.7 million for Texas Workforce Commission contracted day care;
- \$32 million for foster care payments; and
- \$1.6 million for adoption and Permanency Care Assistance payments.

DFPS funds transfer to HHSC. The bill would transfer to HHSC from DFPS \$29.2 million in general revenue funds and \$72.5 million in federal Temporary Assistance for Needy Families (TANF) funds. HHSC could spend TANF funds only during fiscal 2017 and with the prior written approval of the LBB.

Texas A&M Forest Service. The bill would appropriate \$5.1 million in general revenue funds to the Texas A&M Forest Service for fiscal 2017 to pay for costs associated with responding to weather-related emergencies.

Correctional managed health care. The bill would appropriate \$80 million in general revenue funds for fiscal 2017 to the Texas Department of Criminal Justice for correctional managed health care.

Texas Juvenile Justice Department operations. The bill would appropriate \$4.5 million in general revenue funds for fiscal 2017 to the Texas Juvenile Justice Department for an operational shortfall.

Cattle fever ticks. The bill would appropriate \$649,987 in general revenue funds to the Texas Animal Health Commission for fiscal 2017 for the mitigation of cattle fever ticks.

The bill would take immediate effect.

SUPPORTERS
SAY:

CSHB 2 would provide needed funding to allow state agencies to continue providing important services to Texans for the remainder of fiscal 2017. Some of the expenses are due to operational shortfalls for fiscal 2017, including a Medicaid funding shortfall, and a partial reversal of cuts to Medicaid therapy services for children with disabilities. Others would address pressing state needs that have emerged since the last general appropriations act was enacted.

Public Finance Authority. The proposed cuts to the Public Finance Authority reflect projections that indicate bond debt service payments will be \$53.6 million lower than expected, due to lower than anticipated interest rates and delays in bond issuances.

Medicaid funding. Supplemental funding for Medicaid is necessary to pay for services that already were rendered or will be rendered before the end of fiscal 2017. It would be financially responsible to provide these funds in CSHB 2.

Medicaid therapy services. The bill would allow children and other clients in the Medicaid program to continue receiving needed therapy services while still containing costs. Children with disabilities who depend on Medicaid for therapy were negatively affected by reduced provider rates and policy changes to Medicaid physical, occupational, and speech therapy during the 84th legislative session in 2015, and many Medicaid therapy providers pledged to leave the program if the rates were not restored.

A study finding that Texas was paying higher rates than other states was flawed and should not be a reason to continue implementing these rate cuts. While CSHB 2 would not fully restore the previous rates for Medicaid-funded therapy, it would be a positive step forward.

Department of Family and Protective Services (DFPS) critical needs.

The state's foster care system is in crisis, and CSHB 2 would use general revenue to meet critical needs at DFPS. Without these funds, more children in the state's Child Protective Services system could die or experience further abuse and neglect. DFPS critical needs funding would pay bills that are coming due in fiscal 2017. The level of funding in CSHB 2 is continued in the 2018-19 general appropriations act.

DFPS funds transfer from relative caregiver payments. Although CSHB 2 would transfer funds from relative caregiver payments to pay for foster care payments, the House version of the 2018-19 general appropriations act would fill this gap by providing appropriate funding for relative caregiver payments as well as kinship care at DFPS. There are limitations on funds transfers at DFPS, and relative caregiver payments was one of the only funds that could be used to fill the gap in foster care payments.

DFPS funds transfer to HHSC. The transfer of TANF funds to HHSC would reimburse HHSC for transfer of funds for critical needs to DFPS.

Texas A&M Forest Service. The bill would reimburse the Texas A&M Forest Service for costs associated with emergency response activities to wildfires, floods, and ice storms.

Correctional managed health care. The Texas Department of Criminal Justice would receive \$80 million to address the costs that have exceeded appropriations for providing health care to offenders under the state's correctional managed health care program. The funds are needed to pay the University of Texas Medical Branch at Galveston and Texas Tech University Health Sciences Center for the costs associated with providing a constitutionally required level of health care for inmates in fiscal 2016-17. The costs of providing care to the approximately 150,000 inmates this

biennium have been high, especially for hospital and clinic care.

Texas Juvenile Justice Department operations. The Texas Juvenile Justice Department needs the supplemental appropriation in CSHB 2 to cover an operational shortfall because the number of juveniles being committed to the state in fiscal 2016-17 was about 6 percent higher than projected when the budget was written.

Cattle fever ticks. The Texas Animal Health Commission would receive about \$650,000 in general revenue funds for fiscal 2017 to mitigate current cattle fever tick outbreaks and respond to anticipated outbreaks. Cattle fever is a disease that is highly fatal in cattle without immunity and has no established treatment. Failure to contain and eradicate the ticks transmitting the disease could have detrimental effects on the cattle industry, which contributes \$10 billion annually to the Texas economy. Much of the funding provided in CSHB 2 for cattle fever tick mitigation would be used to buy equipment and support necessary travel, salaries, and overtime for responding employees.

OPPONENTS
SAY:

Medicaid therapy services. Provider rate reductions for Medicaid therapy were undertaken only after a study found that Texas was paying higher rates than other states for comparable therapy services. The Health and Human Services Commission has not seen therapy providers leave the Medicaid program following the rate reductions, and it is unclear whether the rate reductions have impacted patients' access to care. The growth in Medicaid costs each year is not sustainable. The state should continue the cost containment measures established for fiscal 2016-17 so that revenue is available to address other priorities, such as education, especially as funding for health and human services in Article 2 is expected to surpass funding for education in Article 3 in fiscal 2018-19.

DFPS critical needs. While some of the DFPS-related funding in CSHB 2 is needed to fix major problems in the state's Child Protective Services system, many of the DFPS-related items funded through CSHB 2 should instead be funded through the 2018-19 budget.

DFPS funds transfer from relative caregiver payments. The proposed transfer of funds from relative caregiver payments to pay for foster care payments is shortsighted because relative care costs less than foster care and has better outcomes. The Legislature should find a different mechanism to fund foster care payments.

NOTES:

Fiscal impact. The Legislative Budget Board estimates the bill would have a negative fiscal impact of \$1.1 billion in general revenue funds.

Comparison to filed bill. The committee substitute made several changes to the filed bill, including that CSHB 2 would:

- reduce the appropriation to the Public Finance Authority by a larger amount;
- change the source of the new appropriations in the bill from the Economic Stabilization Fund to the general revenue fund;
- add an appropriation for the Texas Juvenile Justice Department;
- eliminate an appropriation to the Health and Human Services Commission for forensic bed capacity; and
- eliminate an appropriation to the Animal Health Commission for fiscal 2018-19 for cattle fever ticks activities.

CSHB 2 also removes language in Rider 50 from the 2016-17 budget that would have required Medicaid therapy reimbursement methodology to be in line with industry policies, as well as a provision that would have allowed HHSC to achieve \$25 million in general revenue fund savings through various medical policy initiatives.