

April 24, 2013

The Honorable Jim Pitts
Chair, House Appropriations

The Honorable Tommy Williams
Chair, Senate Finance

The Honorable Sylvester Turner
Vice Chair, House Appropriations

The Honorable Juan “Chuy” Hinojosa
Vice Chair, Senate Finance

The Honorable Myra Crownover
State Representative

The Honorable Robert Duncan
State Senator

The Honorable John Otto
State Representative

The Honorable Jane Nelson
State Senator

The Honorable John Zerwas
State Representative

The Honorable John Whitmire
State Senator

Dear Budget Conferees:

We are writing to share our recommendations about Senate Bill 1, the proposed general appropriations act for 2014-15. These recommendations address total spending and specific needs only in health and human services and public and higher education.

Total Spending

Both the Senate’s and House’s proposed General Revenue (GR) spending levels of about \$94 billion amount to a 3 percent cut to the levels of current services spending needed (\$97 billion) to continue the 2012-13 austerity budget enacted in 2011. While the final budget for 2014-15 will most likely grow with a supplemental appropriation for Medicaid in 2015, it would still leave many critical areas of state services below their 2010-2011 levels, after adjusting for population and cost growth. In fact, a \$94 billion GR spending level is 13 percent below what would be needed to fully undo the cuts to schools, health care, public safety, parks and natural resources, and the many other areas of the state budget that were cut in 2011.

Spending Limit

We urge you to disregard the spending limit for 2014-15 (which limits appropriations of state tax revenue not dedicated by the constitution). As you know, the spending limit is artificially low because of unnecessary spending cuts in 2011 to 2012-13. Unnecessary cuts made in 2011 should not be compounded by adherence to an artificially low spending limit in 2013. We encourage you to use rainy day dollars that should have been spent to protect critical state services in 2012-13 to restore those services for 2014-15.

Article II, Health and Human Services

A Texas Solution to Coverage for the Lowest-income Uninsured Texans: The Legislative Budget Board (LBB) and independent Texas economists all project that accessing federal funds authorized under the Affordable Care Act will result in net offsets to other GR-funded programs, benefitting Texas taxpayers through reduced local taxes for uncompensated care, significant job creation, and increased local and state revenue collections from new economic activity. As the negotiations between Arkansas and the federal government make clear, Texas can negotiate a deal for our state with federal authorities to allow Texas to use an alternative approach to Medicaid while still drawing the estimated \$15 to \$24 billion in federal funds available under the Affordable Care Act over the next four years. Ensuring that this coverage is in place in January 2014 will save Texas employers an estimated \$299 million or more in annual penalties, according to an estimate by Jackson-Hewitt Tax Services.¹ It will also ensure that nearly one million uninsured Texans below poverty are not left without affordable coverage options in 2014, while Texans just above the poverty line gain access to sliding-scale premium assistance.

We believe that the Texas Solution proposed in the Senate's Williams' rider (Article IX, Sec. 17.12. Certain Medicaid Funds), does not run afoul of the House motion to instruct conferees regarding Medicaid, because the rider proposes a Texas plan rather than an expansion of traditional Medicaid. In any event, the instruction is nonbinding. **Chairman Williams' rider should be retained in SB 1 to ensure Texas has authority to move forward with a Texas Solution.**

Medicaid and CHIP: Nether chamber has fully funded the anticipated cost growth in Medicaid and CHIP, but the Senate investments are closer to the projected need. Lawmakers should be prepared to appropriate funds for another significant "Medicaid IOU" in 2015, to the extent that medical inflation and caseload growth are not funded in SB 1. Adding to the IOU tab will be unfunded costs for new coverage for former foster care youth or the expected increased caseload "take-up" and retention rates in the program (HHSC Exceptional Item 8). Finally, the Medicaid and CHIP provider rate cuts of 2011 (particularly the much deeper cuts applied to non-physician providers) create obstacles for Medicaid beneficiaries and care providers alike. We urge the conferees to undo these cuts to the greatest degree possible.

Seniors and Texans with Disabilities: Budget cuts first adopted in 2011 continue to raise concerns. Without House-adopted funding, access to rehabilitative services for adults through the Dept. of Assistive and Rehabilitative Services will continue to decline. Furthermore, more restrictive eligibility requirements for DARS Early Childhood Intervention services—not addressed in either chamber—mean we continue to serve a smaller pool of children in need.

¹ "The Supreme Court's ACA Decision and Its Hidden Surprise for Employers: Without Medicaid Expansion, Employers Face Higher Tax Penalties Under ACA," Brian Haile, Jackson Hewitt Tax Service Inc., March 13, 2013; images.go.jacksonhewitt.com/Web/JacksonHewittTechnologyServicesLLC/%7b6effb4ab-9091-4659-a8a4-df5e5a759135%7d_Employer_Penalties_and_Medicaid_Expansion_%28Mar_2013%29_3-11-2013.pdf

Another concern is the future impact of new employer responsibility requirements on Texas Medicaid's long-term services and support providers. Both in the community and in facilities, employers of front-line direct-care workers must either add health benefits or reduce workers' hours to part-time status. To better prepare for this transition, House rider, Special Provisions Relating to all Health and Human Services Agencies, Sec. 52 should be retained.

Family Planning: The House's funding for family planning will restore access to preventive care for about the same number of women served in 2010, before the devastating cuts in 2011 that caused 147,000 women to lose access. Department of State Health Services (DSHS) Rider 90 in the House's version is critical to ensuring that family planning access is fully restored. The Senate's budget contains \$32 million less for family planning, which will leave 48,000 fewer women with access to services. Making sure all Texans have access to the tools they need to plan the timing and size of their families is a critical piece of the puzzle in building equal economic opportunity for Texans who aspire to overcome poverty, join the middle class, and prosper. Today, nearly half of Texas births are unplanned. Cuts to family planning in the 2011 session increased GR costs to Texas Medicaid by at least \$136 million from 2013 to 2015. Restoring family planning services will reduce the rate of unplanned pregnancies and create savings in Medicaid.

Mental Health: Both the Senate and House allocate approximately \$2.6 billion in General Revenue for mental health and substance abuse services, which is just over a 14 percent increase compared to 2012–2013 funding. The proposals include funds for those currently served, as well as \$228 million in new funding to expand mental health services and programs.

CPPP supports the Senate's proposal for children's community mental health services, substance abuse services, and funds allocated for state mental health hospitals. We recommend House funding proposed for adult community mental health services, community crisis services, NorthSTAR, and mental health community hospitals. We support Senate riders that direct funds to home- and community-based services (Rider 87) and to prevention and early identification (Rider 84), and the House riders related to private/public partnerships (Rider 88), NorthSTAR (Rider 84), and the Harris County Psychiatric Center (Rider 87).

CPPP also supports the funding of all DSHS Exceptional Items for mental health, including the Senate's Exceptional Item 1, \$2 million for resident stipends at state mental health hospitals. Of the funds dedicated to the mental health expansion, we support the Senate's intent to fund public awareness campaigns and prevention and early identification services, but we recommend that funding be weighted towards prevention and early identification.

Child Protective Services (CPS): We support the Senate proposal for Department of Family and Protective Services staffing, which authorizes 107.5 more full-time equivalent employees by 2015 than the House proposal, mainly to reduce CPS delinquent investigations and improve front-line worker caseloads.

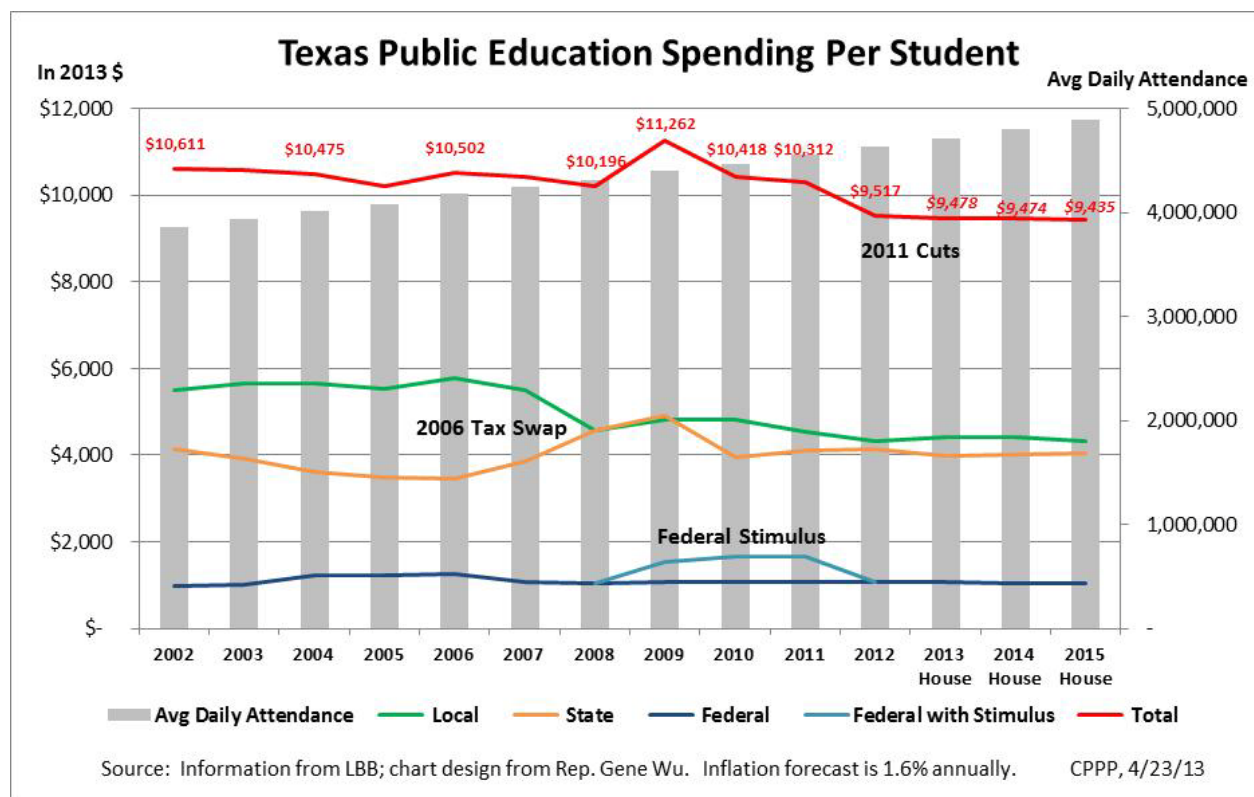
Foster care providers are urging an increase in rates. CPPP supports an increase in health and human service provider rates generally to ensure both quality and capacity, but we especially

support a foster care provider rate increase. As the state attempts to implement foster care redesign, rates that more closely reflect actual costs are critical to success.

We support the House’s proposal (\$31 million All Funds more than Senate) to restore DFPS child abuse/neglect prevention and early intervention programs.

Article III, Public and Higher Education

Public schools: We support the higher level of House funding for public education, although even with the House funding, on a statewide basis, real per-student spending will not increase in the next two years. At least \$7 billion more (beyond what the House proposes) would be required in 2014-15 to return real per-student spending to 2008 levels. (Our analysis considers only the funding in SB 1, and not SJR 1, which may increase spending, but not fully restore funding.)



College Financial Aid: The House approved a more generous budget proposal for several of Texas’ financial aid programs compared to the Senate. It has \$5 million in additional funds for the Texas Education Opportunity Grant (TEOG) for community college students and the college work study program, respectively. And it provides an additional \$15 million for the Texas Equalization Grant program for students attending private universities.

For Texas GRANTS, the state’s major need-based grant program, the House proposes \$724.6 million, which is \$30.3 million higher than what the Senate included in Article III (\$694.3 million).

The Senate also had \$49.1 million for TEXAS Grants in Article XI. CPPP therefore recommends a funding level of \$743.4 million.

Even though current financial aid programs expand access for many low-income students to attend college, Texas has never made the commitment to fully fund TEXAS Grants to reach all students with financial need. At its highest level of investment in 2010-11, TEXAS Grants only reached an estimated 60 percent of all eligible students, leaving many students to borrow more and work more to cover their college costs. With increases to Texas' financial aid programs, lawmakers can reduce student loan dependence and help students succeed.

The House budget provides important contingency riders to streamline the state's financial aid programs for colleges and universities into distinct programs—the TEXAS Grants and B-On-Time Loan for students at four-year institutions and the Texas Education Opportunity Grant for students at two-year institutions. Funds appropriated to community colleges in the TEXAS Grant and B-On-Time programs would be transferred to the TEOG, a more flexible program currently serving community college students.

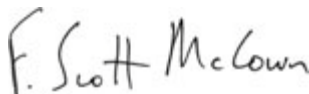
Developmental Education: We support House and Senate proposals to include \$1.6 million to scale successful developmental education strategies across the state. In addition, the \$2.4 million in funds proposed for the New Mathways Project will help to expand promising practices in developmental education.

Adult Basic Education: We support House and Senate budget riders aimed at improving the adult basic education and literacy system in Texas. Specifically, we support the alignment of adult basic education and postsecondary education, the continuation of the Adult Basic Education Community College Grants, and the implementation of a statewide strategic plan for adult basic education.

Conclusion

Thank you for considering our recommendations.

Sincerely yours,



F. Scott McCown
Executive Director



Anne Dunkelberg
Associate Director