

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 28, 2005

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
 Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB10 by Pitts (Relating to making supplemental appropriations and reductions in appropriations.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB10, Conference Committee Report: a negative impact of (\$376,955,371) through the biennium ending August 31, 2007.

Appropriations:

Fiscal Year	Appropriation out of <i>GENERAL REVENUE FUND 1</i>	Appropriation out of <i>ECONOMIC STABILIZATION FUND 599</i>	Appropriation out of <i>FOUNDATION SCHOOL FUND 193</i>	Appropriation out of <i>All Affected General Revenue-Dedicated Accounts</i>
2005	\$531,568,959	\$1,058,139,844	\$400,000	\$65,000,000
2006	\$0	\$872,000,000	\$0	\$0

Fiscal Year	Appropriation out of <i>FEDERAL FUNDS</i>	Appropriation out of <i>Approp Receipts- Match for Medicaid 8062</i>
2005	\$952,560,705	\$69,100,000
2006	\$0	\$0

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2005	(\$309,155,371)
2006	(\$28,200,000)
2007	(\$39,600,000)
2008	\$0
2009	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from GENERAL REVENUE FUND 1	Probable Savings/ (Cost) from ECONOMIC STABILIZATION FUND 599	Probable Savings/ (Cost) from FOUNDATION SCHOOL FUND 193	Probable Savings/ (Cost) from All Affected General Revenue-Dedicated Accounts
2005	(\$308,755,371)	(\$1,058,139,844)	(\$400,000)	\$3,985,202
2006	(\$28,200,000)	(\$872,000,000)	\$0	\$0
2007	(\$39,600,000)	\$0	\$0	\$0
2008	\$0	\$0	\$0	\$0
2009	\$0	\$0	\$0	\$0

Fiscal Year	Probable Savings/ (Cost) from Approp Receipts-Match for Medicaid 8062	Probable Savings/ (Cost) from FEDERAL FUNDS	Probable Revenue Gain/(Loss) from FEDERAL FUNDS
2005	(\$69,100,000)	(\$952,560,705)	\$952,560,705
2006	\$0	\$0	\$0
2007	\$0	\$0	\$0
2008	\$0	\$0	\$0
2009	\$0	\$0	\$0

Fiscal Analysis

The bill would make supplemental appropriations for Fiscal Years 2005-2007 and reduce appropriations in Fiscal Year 2005.

Fiscal Year 2005 Appropriations and Reductions:

The bill would appropriate \$323,300,000 to the Health and Human Services Commission (HHSC) for the Medicaid program, including making supplemental hospital payments and restoring eligibility for Medicaid benefits to pregnant women with incomes of up to 185 percent of the federal poverty level, provided that: the Commission has used all revenue available to the Medicaid program, including premium credits and vendor drug rebates. The bill would appropriate \$65,700,000 to HHSC for Children's Health Insurance Program and would appropriate \$85,600,000 to HHSC for various programs.

The bill would appropriate \$207,339,844 to the Department of Family and Protective Services to fund reforms of the Child Protective Services Program.

The bill would appropriate to the Department of Aging and Disability Services: \$22,300,000 to fund Community Care Caseload and Costs and \$62,200,000 to make payments for nursing facility services and mental retardation community center services delivered in August 2005.

The bill would appropriate to the Texas Department of Criminal Justice: \$15,900,000 to provide for contracted temporary capacity, salaries and wages, utilities, and fuel; and \$66,300,000 to provide correctional managed health care.

The bill would appropriate \$30,700,000 to the Teacher Retirement System of Texas to fund the employee pass-through program.

The bill would appropriate \$400,000 to the Texas Education Agency (TEA) to fund the juvenile justice alternative education program through an interagency agreement with the Texas Juvenile Probation Commission. The bill would also appropriate to TEA: \$560,000,000 to fund the Foundation School Program, and \$175,000,000 to fund the purchase of textbooks.

The bill would appropriate \$1,900,000 to the State Board for Educator Certification to fund the administration of certification examinations.

The bill would appropriate \$1,500,000 to the secretary of state to fund the state matching contribution for the Help America Vote Act.

The bill would appropriate \$2,140,000 to the Texas Parks and Wildlife Department to fund repairs to the San Jacinto Monument.

The bill would appropriate \$25,000,000 to the Texas Commission on Environmental Quality to fund clean up of sites contaminated by petroleum storage tanks.

Contingent on the enactment of HB 1765 or similar legislation, the bill would appropriate \$100,000,000 to the Texas Emerging Technology Fund.

The bill would appropriate \$78,928,959 to agencies and institutions that own real property purchased with general revenue or general revenue dedicated funds and that had appropriations reduced under House Bill 1 (the General Appropriations Act) of the 78th Legislature, Regular Session, 2003. The bill provides that the governor and the Legislative Budget Board shall allocate the appropriation among the agencies and institutions taking into account the reductions and distributions previously made.

The bill would reappropriate any unencumbered and unexpended appropriated amounts, under House Bill 1 (the General Appropriations Act) of the 78th Legislature, Regular Session, 2003, as amended by House Bill 28 of the 78th Legislature, 3rd Called Session, 2003.

The bill would appropriate \$36,000 to the Ninth Court of Appeals, Beaumont to fund salaries; and would reduce by the same amount, the unencumbered amounts previously appropriated to the Tenth Court of Appeals, Waco.

The bill would require the following appropriation reductions of unencumbered amounts:
\$17,500,000 from the General Revenue Fund to the Texas Public Finance Authority;
\$1,943,939 from General Revenue Dedicated Account No. 543 (the Texas Capital Trust Fund) to the Department of Aging and Disability Service;
\$1,690,606 from General Revenue Dedicated Account No. 5025 (the State Lottery Account) to the Texas Lottery Commission;
\$57,200,000 from General Revenue Dedicated Account No. 5100 (the System Benefit Fund) to the Public Utility Commission;
\$6,000,000 from General Revenue Dedicated Account No. 5101 (the Subsequent Injury Fund) to the Texas Workers' Compensation Commission; and
\$415,000 from General Revenue to the Texas Emancipation Juneteenth Cultural and Historical Commission.

Fiscal Years 2006-07 Appropriations:

Contingent on the actual amounts transferred to the Economic Stabilization Fund at the beginning of Fiscal Year 2006 exceeding the amounts estimated by the Comptroller of Public Accounts in the Biennial Revenue Estimate and contingent on the enactment of HB 1765 or similar legislation, the bill would appropriate the first \$100,000,000 over the estimate to the Texas Emerging Technology Fund.

Contingent of enactment of HB 2, HB 3540, and/or SB 1863 or similar legislation, the bill would appropriate \$2,400,000,000 to the Texas Education Agency for the operation of school districts under the Foundation School Program.

Contingent of the enactment of HB 3 or similar legislation, the bill would appropriate to the Texas Education Agency all additional state revenue that is attributable to the changes in law made by HB 3, as estimated by the comptroller, for the Foundation School Program.

Contingent on HB 2 or similar legislation NOT being enacted, the bill would appropriate the following amounts totaling \$872,000,000 in lieu of appropriations in Senate Bill 1:
\$164,600,000 to the Texas Education Agency for textbooks;

\$265,300,000 to the Department of Family and Protective Services for foster care; \$126,000,000 to the Department of Family and Protective Services adoption subsidies; and \$316,100,000 to the Texas Education Agency for the Student Success Initiative.

The bill would require each entity appropriated money by this Act and each agency for which an amount of appropriations is reduced by this Act to report to the Legislative Budget Board.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect on September 1, 2005. Appropriations out of the Economic Stabilization Fund would be effective only if the bill received the requisite votes to allow appropriation.

Methodology

This analysis assumes immediate effect.

Fiscal Year 2005 Appropriations and Reductions:

The \$323,300,000 Medicaid appropriation to the Health and Human Services Commission (HHSC) would be: \$121,800,000 from the General Revenue Fund, \$92,400,000 from the Economic Stabilization Fund, \$40,000,000 from General Revenue Dedicated Account #5080 (Quality Assurance Fund), and \$69,100,000 from Other Funds (appropriated receipts match for Medicaid). The Medicaid appropriation would draw down \$485,000,000 in additional matching federal funds. A loss in revenue of \$28,200,000 in FY 2006 and \$39,600,000 in FY 2007 (General Revenue) is a result of the reduction in Disproportionate Share Hospitals program revenues attributable to implementation of the UPL program in FY 2004-05 compared to current law.

The \$65,700,000 (General Revenue) appropriation the HHSC for the Children's Health Insurance Program would draw \$168,900,000 in matching federal funds. The \$85,600,000 to HHSC for various programs would be appropriated from the General Revenue Fund and would draw down \$128,400,000 in matching federal funds.

The \$207,339,844 appropriation to the Department of Family and Protective Services would be: \$200,039,844 (Economic Stabilization Fund) and would draw \$48,060,705 in matching federal funds; and \$7,300,000 (General Revenue) draw \$2,900,000 in matching federal funds.

The \$22,300,000 appropriation (General Revenue) to the Department of Aging and Disability Services for Community Care Caseload and Costs would draw \$33,500,000 in matching federal funds and the \$62,200,000 appropriation (General Revenue) to make payments for nursing facility services and mental retardation community center services would draw \$85,800,000 in matching federal funds.

The \$82,200,000 to the Texas Department of Criminal Justice would be appropriated from the General Revenue Fund.

The \$30,700,000 to the Teacher Retirement System of Texas would be appropriated from the Economic Stabilization Fund.

The \$400,000 to the Texas Education Agency (TEA) to fund the juvenile justice alternative education program would be appropriated out of General Revenue Account No. 193 (the Foundation School Fund). The \$560,000,000 appropriated to TEA for the Foundation School Program would be from the Economic Stabilization Fund. The \$175,000,000 to TEA for textbooks would be from the Economic Stabilization Fund.

The \$1,900,000 to the State Board for Educator Certification would be appropriated from the General Revenue Fund.

The \$1,500,000 to the secretary of state would be appropriated out of the General Revenue Fund and transferred to General Revenue Dedicated Account No. 5095 (the Election Improvement Fund).

The \$2,140,000 to the Texas Parks and Wildlife Department would be appropriated from the General Revenue Fund.

The \$25,000,000 to the Texas Commission on Environmental Quality would be appropriated from the General Revenue-Dedicated Account No. 655 (Petroleum Storage Tank Remediation).

The contingent appropriation to the Texas Emerging Technology Fund would be from the General Revenue Fund, but as the appropriation is contingent on other acts of the Seventy-ninth Legislature, Regular Session, it is not included in the tables above.

The \$78,928,959 to agencies and institutions for partial restoration of appropriation reduction for property sales would be appropriated from the General Revenue Fund.

The appropriation reduction of any unencumbered and unexpended appropriated amounts, under House Bill 1 (the General Appropriations Act) of the 78th Legislature, Regular Session, 2003, as amended by House Bill 28 of the 78th Legislature, 3rd Called Session, 2003, would result in savings in Fiscal Year 2005, \$180,472,802 to the General Revenue Fund for state fiscal relief and \$24,485,786 to the General Revenue Fund and \$2,150,657 to General Revenue-Dedicated Accounts due to vetoed appropriations.

The \$36,000 appropriation to the Ninth Court of Appeals, Beaumont and the \$36,000 reduction of the unencumbered amounts previously appropriated to the Tenth Court of Appeals, Waco is from the General Revenue Fund.

The bill would require appropriation reductions of \$17,915,000 in General Revenue-Related funds and \$66,834,545 from General Revenue-Dedicated accounts.

Fiscal Years 2006-07 Appropriations:

The contingent appropriations to the Texas Emerging Technology Fund would be from the Economic Stabilization Fund. This estimate assumes that there will no be any additional revenue in the Economic Stabilization Fund above the amounts in the Biennial Revenue Estimate and as the appropriation to the technology fund is contingent on other acts of the Seventy-ninth Legislature, Regular Session, the appropriation is not included in the tables above.

The contingent appropriation of \$2,400,000,000 to the Texas Education Agency due to the enactment of HB 2, HB 3540, and/or SB 1863 or similar legislation would be: \$872,000,000 from the Economic Stabilization Fund and \$1,528,000,000 from the General Revenue Fund; but as the appropriation is contingent on other acts of the Seventy-ninth Legislature, Regular Session it is not included in the tables above. Therefore, the appropriation of \$872,000,000 in lieu of appropriations in Senate Bill 1 to the Texas Education Agency and the Department of Family and Protective Services contingent on HB 2 or similar legislation NOT being enacted would be from the Economic Stabilization Fund; this amount is included in the tables above.

The contingent due the enactment of HB 3 or similar legislation, cannot be determined at this time, but as the appropriation is contingent on other acts of the Seventy-ninth Legislature, Regular Session it is not included in the tables above.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, EB