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HOUSE RESEARCH ORGANIZATION

daily floor report

Thursday, February 21, 2013
83rd Legislature, Number 22
The House convenes at 10 a.m.

HB 10 by Pitts, emergency supplemental appropriations for fiscal 2013, has been set on the Emergency Calendar for second reading consideration today and is analyzed starting on page 1.

The House Appropriations Committee has a public hearing scheduled for 2 p.m. or on adjournment in Room E1.030 to consider budget recommendations for public safety and criminal justice agencies (Article 5).

The following House committees had public hearings scheduled for 8 a.m.: Defense and Veterans' Affairs in Room E2.012; Economic and Small Business Development in Room E2.014; and Homeland Security and Public Safety in Room E2.010. The House County Affairs Committee has a public hearing scheduled for 10:30 a.m. or on adjournment in Room E2.016.

The House Research Organization has issued a new report, *How a Bill Becomes Law: 83rd Legislature*, which is available online at <http://www.hro.house.state.tx.us/pdf/focus/hwbill83.pdf>.



Bill Callegari
Chairman
83(R) – 22

SUBJECT: Emergency supplemental appropriations for fiscal 2013

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 25 ayes — Pitts, Sylvester Turner, Ashby, Bell, G. Bonnen, Crownover, Darby, S. Davis, Giddings, Gonzales, Howard, Hughes, S. King, Longoria, Márquez, McClendon, Muñoz, Orr, Otto, Patrick, Perry, Price, Raney, Ratliff, Zerwas

0 nays

2 absent — Carter, Dukes

WITNESSES None

DIGEST: HB 10 would appropriate \$4.8 billion in general revenue funds and \$313 million in other funds for fiscal 2013 to the Health and Human Services Commission (HHSC), the Department of Aging and Disability Services (DADS), and the Texas Education Agency (TEA). The bill also would reduce by \$3 million fiscal 2013 appropriations to the Texas Public Finance Authority (TPFA) for debt service on bonds.

Appropriations and Reductions in HB 10

	General Revenue Fund				Recapture Funds
	General Revenue	Tobacco Settlement	Foundation School	Total General Revenue Fund	
HHSC - Medicaid	\$3,163,515,906	\$265,316,377		\$3,428,832,283	
HHSC - CHIP		74,683,623		74,683,623	
DADS - Long-term Care Svcs	1,019,065,242			1,019,065,242	
TEA - Foundation School Pgrm			317,000,000	317,000,000	313,000,000
TPFA - Bond Debt Payments	(3,000,000)			(3,000,000)	
Total	4,179,581,148	340,000,000	317,000,000	4,836,581,148	313,000,000

Source: Legislative Budget Board and HB 10

Health and Human Services. HB 10 would appropriate \$4.5 billion in general revenue funds for Health and Human Services. Of this amount, it would appropriate \$3.4 billion to HHSC for Medicaid, \$74.7 million to HHSC for the Children's Health Insurance Program (CHIP), and \$1 billion to DADS for payments to nursing facilities for long-term care services.

The bill would provide authority to transfer appropriated funds into strategies it specifically lists. Funds transferred to strategies for CHIP, DADS, and state-supported living centers could not exceed the total amount that was transferred out of those strategies for cash flow purposes.

Public Education. The bill would appropriate to TEA for the Foundation School Program \$317 million in general revenue and \$313 million in property tax revenue from school districts subject to recapture.

The bill would take immediate effect.

**SUPPORTERS
SAY:**

HB 10 is a necessary emergency measure that would fund obligations the state is committed to paying for Medicaid, CHIP, and public education for the remainder of fiscal 2013.

Health and Human Services. HB 10 would provide emergency funds to HHSC and DADS needed to continue making payments to medical service providers in acute-care services, long-term care services, and CHIP for the remainder of fiscal 2013. The bill is designed to gain swift approval by the House and Senate, which would allow it to be sent to the governor and certified by the comptroller in time to meet an approaching deadline for payments to doctors, hospitals, and nursing homes. HHSC estimates that funds for these payments could run dry by mid-March without supplemental funds.

Failure to meet the state's obligation to reimburse Medicaid service providers for the remainder of fiscal 2013 would have serious economic and health consequences for Texas. The emergency appropriations in HB 10 are necessary because the 82nd Legislature appropriated inadequate funding for Medicaid in 2011, funding the program for only 18 months of fiscal 2012-13.

The estimates used as a basis for the supplemental appropriations needed for Medicaid are from the Legislative Budget Board (LBB), which is specifically

charged with generating fiscal analyses and forecasts for the Legislature. It has been the practice of the Legislature to rely on budget estimates from the LBB, which have proven reliable over time. If it appeared later in the session that the supplemental needs estimate had come up short, there would be an opportunity to address it.

The bill would not unnecessarily restrict authority to transfer funds to state-supported living centers. The author plans to introduce a floor amendment removing the provision in HB 10 that would limit amounts that may be transferred to this function.

Public Education. HB 10 would fully fund enrollment under current school finance formulas through August 31, 2013. This type of supplemental appropriation is regularly needed because it is impossible to anticipate the precise number of students public schools will serve over a two-year budget cycle.

HB 10 would not be the appropriate vehicle for addressing education and other funding reductions made by the 82nd Legislature. Other supplemental appropriations bills expected to reach the House floor in coming weeks and not subject to the same time pressure could provide an opportunity for discussing potential additional funding for schools in fiscal 2013.

The bill would use local school district property tax revenue in Fund 0666 (recapture funds required under Education Code, ch. 41) to pay for about half of the required appropriation. Even though supplemental appropriations of this type are typically paid entirely out of general revenue, the method HB 10 would use to fund the supplemental appropriation reflects no change in school finance policy.

TPFA. HB 10 would realize a \$3 million savings in debt service payments due to delays in projects that were anticipated to be financed by general obligation bond issuances, along with savings from lower-than-expected interest rates. Most of the savings result from agencies deciding not to pursue projects that were scheduled to be funded in fiscal 2012-13. Also, in addition to historically low interest rates, the state has been able to make effective use of commercial paper for funding purposes at lower costs than for long-term bonds.

OPPONENTS
SAY:

HB 10 would miss an opportunity to increase fiscal 2013 funding for health and human services and education.

Health and Human Services. The appropriations proposed in HB 10 are based on cost estimates assembled by the LBB for the remainder of fiscal 2013, which are lower than comparable estimates from HHSC. It would be more prudent to appropriate funds in keeping with higher supplemental needs estimates, then reduce as necessary.

HB 10 would unnecessarily restrict DADS' ability to transfer funds to state-supported living centers. The bill would limit transfers to the living centers to amounts previously transferred out of the centers for other purposes. This would limit DADS' flexibility to move funds as needed and could hinder the agency from allocating resources based on variable information and needs.

Public Education. HB 10 should restore more of the school district funds cut by the Legislature during the state's budget shortfall in 2011. The state's economy has outperformed projections made by budget planners at that time, and the LBB says additional funds would be available under the spending cap after HB 10 and other fiscal 2013 supplemental appropriations needs were met. Lawmakers should act now to approve additional funding, which would allow districts to address immediate needs, such as required remedial instruction for students who fail this spring's administration of the State of Texas Assessments of Academic Readiness (STAAR).

HB 10 would take the unusual step of funding half of the cost of enrollment growth through recaptured local school district property tax revenue. Supplemental appropriations for this purpose traditionally are funded entirely through general revenue. This would serve as the latest example of how reliance on increased property values continues to reduce the state's obligation to adequately fund public education.

NOTES:

On February 14, the House of Representatives adopted a calendar rule prohibiting any amendment that added or increased an appropriation in the bill unless it contained an equal or greater reduction from another area.

Members have submitted eight pre-filed amendments to the bill. One amendment from the author would strike a restriction on transferring funds to state-supported living centers.

The LBB's fiscal note estimates that the \$4.8 billion in general revenue appropriations in HB 10 would draw down an additional \$6.6 billion in federal funds.

Rep. Pitts has filed four additional bills related to supplemental appropriations, which have been referred to the House Appropriations Committee:

- HB 1025 would appropriate funds to and from various agencies;
- HB 1026 would provide the statutory authorization necessary to reverse a measure enacted in 2011 deferring education payments;
- HB 1027 would appropriate \$1.8 billion necessary to reverse the education deferrals; and
- HB 1062 would reverse a 2011 measure requiring a 25 percent speed-up of tax payments in fiscal 2013.