



## TEXAS TSUNAMI: FALLING REVENUES, RISING NEEDS MEAN PROPOSED BUDGET CUTS JUST THE FIRST WAVE

Texas is suffering from a devastating collapse in revenues. State leaders order cuts to spending, even while Texans' needs grow. Throughout 2010, the Governor, Lieutenant Governor, and House Speaker have asked state agencies to propose a series of reductions to General Revenue (GR) spending—5 percent in 2010-11, 10 percent in 2012-13, and most recently, on December 7, 2010, an additional 2.5 percent cuts for 2011. Because state sales taxes and other tax collections have only recently started to grow compared to the previous year, state leaders expect the *current* budget to end with a \$3 to \$4 billion revenue shortfall. Combine this with growing needs, falling local property values, and uncertainty about the 2012-13 biennial revenue estimate, and the revenue shortfall through 2013 could approach \$25 to \$30 billion. If the legislature attempts to close that gap without using the Rainy Day Fund and without any other new sources of state revenue, the 2012-13 budget would mean unprecedented cuts, the likes of which we've never seen. This *Policy Page* analyzes a sampling of the cuts proposed to this point. As damaging and harmful as they would be, these proposed cuts could be only the first wave of a powerful storm that threatens our prosperity once an actual budget is filed in the 2011 Legislature.

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### Health and Human Services

#### Cuts to community-based, long-term services

The Department of Aging and Disability Services (DADS) provides many long-term services and supports for older Texans and people with intellectual developmental disabilities. The DADS baseline 2012-13 budget proposal would serve almost 297,300 Texans, 69 percent of whom would be served in a community-based setting. ("Baseline" refers to how much agencies could ask for under the 10 percent reduction mandate.) Because DADS does not receive enough funding to meet existing needs, wait lists for community-based programs are long—eight to nine years.

Services provided in a client's home or in a community setting promote independence among Texans who are senior citizens or who have a developmental disability. In addition, community care is more cost efficient than institutional settings, such as nursing homes, State Sponsored Living Centers (SSLC), and Intermediate Care Facilities for Mental Retardation (ICF/MRs). Typical services provided include primary home care, assisted living, home modifications, and physical therapy.

Community and Support Services programs at DADS fall into three categories: Medicaid Entitlements, Medicaid Waiver programs, and Non-Medicaid services. About half (52 percent) of Texans who receive Community and Support Services do so through Medicaid entitlements.

Medicaid Waiver programs provide a community-based alternative for Texans who qualify to be in a nursing facility or ICF/MR. Seven different waiver programs serve 20 percent of the Community and Support Services caseload. The proposed baseline budget cuts for 2012-2013 would decrease the number of people receiving waivers by 13 percent, while the wait lists would increase by 20 percent compared to the fiscal 2010 level.

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Non-Medicaid Services include a variety of supports for senior citizens or adults with a developmental disability who do not qualify for Medicaid. Program participants may receive adult day care, meal delivery, help with household chores, and other services that promote independence and prevent institutionalization. The proposed 10 percent cuts to the DADS 2012-13 budget would decrease the number of Texans receiving services by 14 percent. These cuts would increase the number of people on interest lists by 7 percent, compared to the 2010 level.

The DADS 2012-13 budget request includes exceptional items seeking funding to Maintain Current Service Levels (continue service to 13,368 individuals); Promote Independence and Prevent Institutionalization (500 slots to move from large ICF/MRs or SSLCs to a community-based setting, 192 slots for children aging out of foster care, 240 slots for individuals at imminent risk of entering an ICF/MR, and 100 slots for an individual at imminent risk of entering a nursing facility); and Reduce Interest Lists (a 20 percent reduction in the HCS and Community Living Assistance and Support Services interest list and a 10 percent reduction for other community care programs would serve an additional 8,900 Texans).

### **Cuts to Comprehensive Rehabilitative Services**

The Department of Assistive and Rehabilitative Services (DARS) provides intensive therapies to Texans with traumatic spinal cord and/or brain injuries through the Comprehensive Rehabilitative Services (CRS) program. Since 1991, CRS has helped thousands of Texans live more independent lives.

More people apply each year than the program can serve. Many Texans who are accepted into the program are placed on a waiting list before actually receiving any services.

The proposed 10 percent cuts to the DARS 2012-2013 budget would make the CRS program available to 840 fewer Texans over the next two years, a 69.3 percent decrease from fiscal 2010 program levels.

### **Cuts to Early Childhood Intervention**

DARS also funds Early Childhood Intervention (ECI) services. ECI is a statewide program which provides developmental services to families with children, birth to age three, with disabilities and developmental delays. While no family is turned away due to inability to pay, costs are based on a sliding scale. Federal law requires that all children eligible for the program must be served. Programs include: family counseling and education, physical therapy, service coordination, speech-language service, and many others. Texas children who participate in ECI receive an average of two service hours per month, among the lowest per child in the nation. The DARS baseline budget request for 2012-2013 would not even keep ECI services at 2010-11 levels

The ECI 2012-13 budget request does not include \$56.2 million in one-time federal Recovery Act funds used in 2010-2011 to support ECI. Furthermore, the 2012 baseline is \$1.3 million below the required level the state must invest to receive the federal grant funding (Maintenance of Effort [MOE]). Failure to meet may result in the loss of a \$39.7 million federal grant for ECI.

At this reduced level of funding, DARS would narrow the eligibility criteria, one of the broadest in the nation, and serve 21.5 percent fewer children. However, DARS has submitted three additional appropriation requests (exceptional item requests) to support ECI:

1. Replace one-time Recovery Act funds with state or other funds to maintain the current service hours per child and to allow a less-significant narrowing of eligibility. If this funding is approved, the state would meet the MOE requirement in 2012 and could meet the needs of an additional 7,203 children in each of next two years.

2. Assuming that the one-time federal funds are replaced (Request 1): DARS asked for additional funds to support full forecasted caseload growth at current service hours per child. Granting these requests would increase the ECI caseload by 36 percent from the baseline and require no narrowing of the eligibility criteria.
3. Double the service hours from an average of two hours per child per month to four hours while staying at the baseline level of funding. This proposal requires a significant narrowing of eligibility and would reduce the ECI caseload by 38 percent.

### **Cuts to Mental Health Services**

The Department of State Health Services (DSHS) oversees the delivery of mental health services for adults and children, community mental health crisis services, substance abuse prevention and treatment, and the state mental health hospitals. Fifty-five percent of the agency-wide 10 percent budget reduction for 2012-13 is targeted at mental health services. Service reductions will be greatest for individuals receiving low-level services, resulting in a large number of Texans affected.

DSHS assists adults with mental health issues to live independent lives by providing medication, inpatient and outpatient hospital services, service coordination, psychiatric rehabilitative services, crisis resolution, community treatment, supportive housing and supportive employment. The proposed 10 percent DSHS budget cuts would result in 20 percent fewer adults accessing these services than in 2010-11. Decreased access to low-level services is associated with increased hospitalization and crisis service utilization. Texas would also see a loss of \$4.9 million in federal funds from the Mental Health Block Grant for not meeting the federally required Maintenance of Effort level.

The number of children receiving community mental health services would be reduced by 16.9 percent in 2012-13. This reduction will increase the number of children being placed on the waiting list and cost Texas \$1 million in federal Mental Health Block Grant funds.

Community mental health crisis services, which were enhanced and redesigned in 2008-09, are at risk of funding cuts. Reductions in crisis services such as hotlines, mobile crisis response, medication stabilization and emergency physician services will result in 21.6 percent fewer Texans being served in 2012-13 than in 2010-11.

The North STAR Behavioral Health Waiver replaces traditional Medicaid and DSHS funded behavioral health systems. Available in seven counties, North STAR provides managed behavioral health services to individuals with a dual diagnosis of substance abuse and mental illness. The waiver program is structured like insurance coverage with care provided to all who are eligible without a waiting list. The 10 percent agency budget reduction calls for 20 percent fewer people to be served in 2012-13 than in 2010-11. Reduced funding for this waiver is likely to have a negative impact on Local Mental Health Authorities' ability to divert people from the criminal justice system. Texas would also lose \$2.6 million from the Mental Health Block Grant.

The DSHS 10 percent agency-wide budget reduction calls for eliminating the substance abuse Outreach, Screening, Assessment and Referral Services (OSARS) program. Substance abuse treatment providers would be required to do their own screening, leading to an increased waiting list. This cut would affect over 50 percent of Texans needing substance intervention, prevention and treatment.

The eight state-run mental health hospitals consistently operate at a capacity of 96 percent or higher. Proposed cuts to state hospital funding would result in 19 percent fewer Texans receiving services in 2012-13 than in 2010-11. Decreased mental health hospital admissions will increase waiting lists and decrease the number of people with mental health issues diverted from the criminal justice system.

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## **Cuts to Health Promotion and Nutrition Programs**

In addition to mental health, DSHS administers a wide variety of other programs and services that promote health and well-being for all Texans. The 2012-2013 DSHS budget request includes cuts to Infectious Disease Control, Prevention, and Treatment; Chronic Disease Prevention; and Primary Care and Nutrition Services that will negatively affect health delivery to Texans across the state.

The 2012-2013 baseline budget request would provide vaccinations to 3 percent fewer uninsured and underinsured adults than in 2010-2011. Additional proposed cuts would reduce the baseline by 2 percent, resulting in even fewer uninsured and underinsured adults receiving vaccinations.

Obesity and diabetes are a growing problem in communities across Texas. Community-based nutrition and physical activity grants targeting obesity would be eliminated under the DSHS proposed cuts. Funding for the Texas Diabetes Council/Stark Diabetes Center, a model of community-based diabetes care and education, is reduced as a part of the 5 percent baseline reduction. Additional cuts are proposed for the Diabetes Center as part of the 10 percent cuts. Reductions in this area would result in 15 percent fewer Texans receiving diabetes prevention services in 2012-2013 than in 2010-2011.

Under the DSHS appropriations request the WIC Farmers Market program would be eliminated. Currently available in 32 counties, this program provides WIC recipients five \$2 vouchers to purchase fresh produce at farmers markets from April to August. Eliminating this program will cost Texas \$2.5 billion in lost federal WIC funding.

## **Cuts to Programs that Prevent Child Abuse, Neglect, and Delinquency**

To satisfy its 10 percent reduction proposal, the Department of Family and Protective Services (DFPS) has outlined an 84 percent cut to its Prevention and Early Intervention (PEI) budget. That would leave PEI with an annual budget of about \$9 million and 10 full time staff to administer its 10 different programs.

PEI is already lean and streamlined; there is simply nothing left to cut but services to families and children. PEI already passes through about 92 percent of its budget directly to community organizations. Only 8 percent of the PEI budget is spent on full time employees and administration, such as monitoring and enforcing contracts.

Were the legislature to make the proposed cuts, PEI's budget would be so small that it would effectively lose its ability to support any meaningful level of direct services. PEI would cease to exist as a statewide services program and would probably have to completely restructure the way it does business.

Without enough resources to contract for direct services, PEI could be forced to shift to providing only technical and training assistance to community organizations. For example, PEI could provide a centralized collection of prevention resources such as tool kits and research on effective programs. It might also support collaboration among community organizations by facilitating meetings where the organizations identify service gaps and barriers and ways to fix them. With respect to direct financial support, PEI could be reduced to providing a small amount of seed money to a few community organizations that fill an identified gap in services to support families. To actually provide the services, however, community organizations would have to find other funding sources, a difficult task in this economic environment. Already-struggling community organizations would have even fewer resources to help families in need.

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## Higher Education

### Cuts to Financial Aid

Financial aid programs administered through the Higher Education Coordinating Board (HECB) make advanced degrees a reality for thousands of Texas students each year who otherwise could not afford college tuition. Financial aid grants are awarded based on academic achievement and financial need. The largest financial aid program, TEXAS Grants, provides aid to students at four-year public colleges or universities. Other forms of financial aid include assistance to students at community and technical colleges, work-study, tuition equalization, and loan forgiveness.

Even though more than 150,000 students benefited from financial aid programs in 2010-2011, there was not enough funding to assist every eligible student. To address existing needs and help meet the state's Closing the Gaps goals, HECB requested \$172 million in exceptional item funding to serve 32,000 new students through TEXAS Grants; \$10 million for over 2,600 new Texas Education Opportunity Grants; \$15 million for 6,000 new College Work Study placements; and \$18 million for 4,360 (by 2013) Top 10 Percent Scholarships.

However, a lack of state revenue could mean that the exceptional items do not make it into the budget, and that the already inadequate levels of financial aid funding get cut. The 10 percent cuts in the HECB 2012-2013 budget request call for a 13 percent reduction in financial aid funding compared to the 2010-2011 level. If enacted, 29 percent fewer students would receive financial aid grants in the coming biennium.

For TEXAS Grants, the 10 percent cuts would mean 24,000 fewer students served. Specifically, the number of **first-time** recipients of the grants would fall from 78,000 to 37,000, a 53 percent reduction. In other words, the Higher Education Coordinating Board estimates that two out of three new students eligible to receive a TEXAS Grant would not get this form of financial aid.<sup>1</sup> Over 25,000 new students would not be served by other undergraduate financial aid programs.

### Cuts to Medical Residency Programs and Nurse Training

Three-fourths of Texas counties are designated as Health Professional Shortage Areas (HPSA).<sup>2</sup> However, programs that increase access to medical school and support resident placements in Texas are proposed to be cut by 12 percent in the Higher Education Coordinating Board's (HECB) 2012-13 budget.

Approximately 45 percent of Texas medical school graduates accept out-of-state residencies. For certain specialties, the rate of leaving Texas is closer to 70 percent, and many of these doctors do not return. The state sees a net loss of \$200,000 for every medical school graduate who takes an out-of-state residency and then does not return to practice medicine in Texas.<sup>3</sup>

Texas already ranks 42nd among the states in the ratio of physicians to population; 27 counties have no primary care physicians.<sup>4</sup> Even so, the Primary Care Residency Program would be eliminated as a part of the proposed cuts to HECB. The Family Practice Residency Program could see a 5 percent reduction in funding.

Texas ranks even lower, 47th nationally, in the ratio of nurses to population.<sup>5</sup> Together, the Professional Nursing Shortage Reduction Program and the Texas Hospital-Based Nursing Education Partnership Grant Program could be cut by as much as 20 percent. Funding cuts in this area could slow progress made in reducing the nurse shortage.

*Jane Burstain and Chandra Villanueva contributed to this Policy Page.*

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## ENDNOTES

- <sup>1</sup> Hamilton, Reeve, “TEXAS Grants Face Big Cuts Next Session,” Texas Tribune, September 2, 2010.
- <sup>2</sup> Raimer, Ben G. “Texas Challenges: Building Our Health Workforce for 2014 and Beyond.” Remarks at William P. Hobby Conference. September 24, 2010.
- <sup>3</sup> Ackerman, Todd. “Medical emergency: Keeping doctors in Texas.” *Houston Chronicle*. October 17, 2010.
- <sup>4</sup> Raimer, Ben G. “Texas Challenges: Building Our Health Workforce for 2014 and Beyond.” Remarks at Center for Public Policy Priorities William P. Hobby Policy Conference. September 24, 2010.
- <sup>5</sup> *Ibid.*

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*The Center for Public Policy Priorities (CPPP) is a non-profit, non-partisan policy institute committed to improving public policy to better the economic and social conditions of low- and moderate-income Texans. We are working for a **BETTER TEXAS**<sup>™</sup>. You can learn more about CPPP at [www.cppp.org](http://www.cppp.org).*