



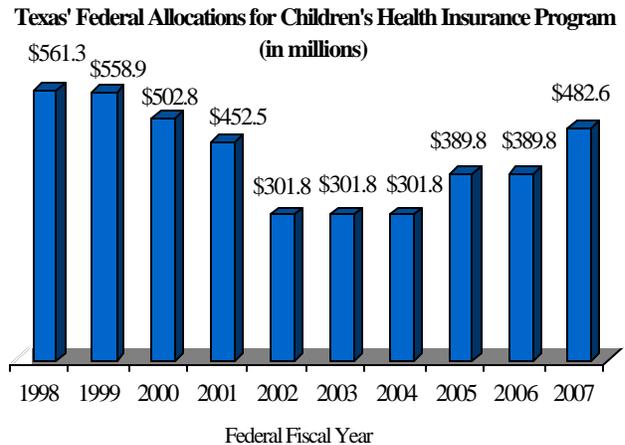
## FEDERAL FUNDS FOR CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

### Federal Allocation for Texas

- A dip in federal funding that is built into the federal funding structure affects all states.
- For example, Texas' FY 2002 federal allocation is \$150.7 million less than FY 2001.

### Lapses and Redistributions

- Under current law, a state has three years to expend each year's allocation. Thereafter, the unused portions are redistributed to states which have fully expended their allocation.
- The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act created an exception for the 1998 and 1999 allocations and allowed states to retain a portion of the expiring funds until September 30, 2002.
- Without further Congressional action, on September 30, 2002, the retained portions of the 1998 and 1999 allocations will expire, and the unexpended balance of the 2000 allocation will be redistributed to other states. The Health and Human Services Commission estimates that Texas will lapse a total of \$302 million in federal funds.



Source: Legislative Budget Board

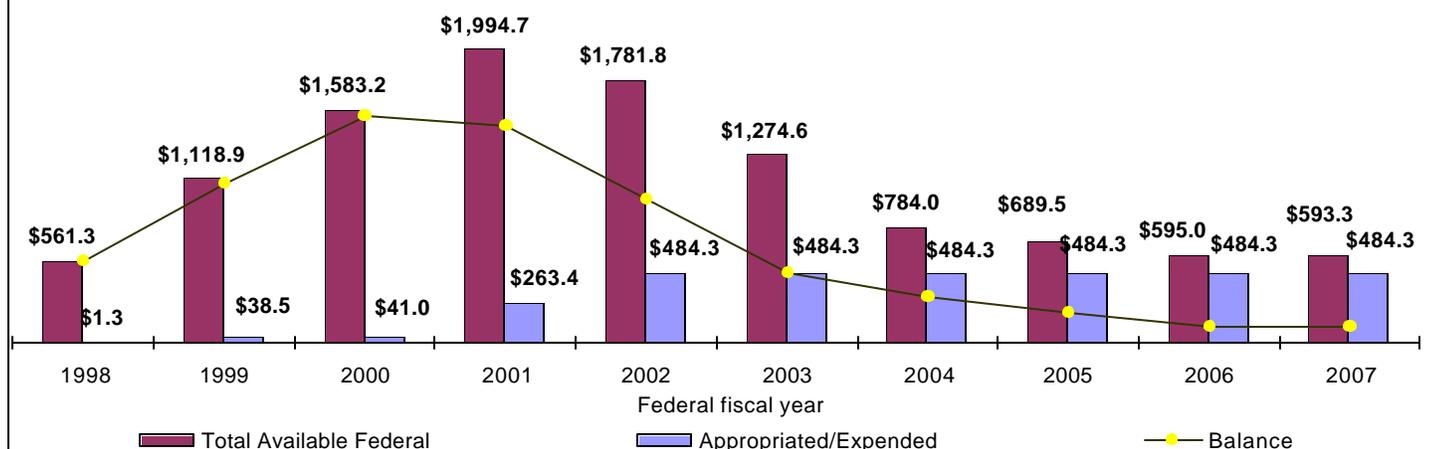
Notes: For Fiscal Years 2003 and later, all allocations are estimated.

Assumes that the federal diabetes setaside will be reauthorized after FY 2002.

### Available Federal Funds

- If CHIP expenditures were constant at the estimated FY 2002 level, expenditures would not exceed the federal allocations. Increases in enrollment and costs, however, may result in a federal funding shortfall.

**A Comparison of Total Available Federal Funding and Expenditures in Texas Children's Health Insurance Program (in millions)**



Source: Legislative Budget Board.

Notes: (1) For Fiscal Years 2002 and later, all allocations are estimated.

(2) Expenditures are held flat after FY 2002.

(3) Assumes that the federal diabetes setaside will be reauthorized after FY 2002.

<b>Federal Proposals to Address Funding Issues in the Children's Health Insurance Program</b>			
<b>Issue</b>	<b>President's Budget</b>	<b>Jefford's Proposal</b>	<b>Center on Budget &amp; Policy Priorities</b>
<b>Reallocation/Retention System</b>	Extends expiring CHIP funds through FY 2006; No detail on distribution method	States may use unspent CHIP funds to expand CHIP programs or to offset Medicaid expenditures	Continues current distribution system of reallocation/retention; Earmarks expiring funds for caseload stabilization pool
<b>Impacted Years</b>	1998, 1999, and 2000	1998, 1999, and 2000; 10 % of 2001, 2002, and 2003 allocations	1998 and after
<b>States Qualifying</b>	Any state	States meeting 3 of the following: Simplified application, No assets test, 12-months continuous eligibility, and presumptive eligibility. (Texas would not qualify)	Any state