

Federal Funds Watch

May 1, 2006

Legislative Budget Board



Spotlight: Impact of the Gulf Coast Hurricanes on the State Budget

Costs in fiscal year 2006 related to the Gulf Coast hurricanes total \$1.5 billion, according to reports submitted in April by state agencies. Approximately 62 percent of the costs are associated with Hurricane Katrina and 38 percent attributable to Hurricane Rita. Federal Funds account for more than three-fourths of the total. General Revenue costs equal \$246.9 million, with three agencies (Texas Education Agency, Health and Human Services Commission (HHSC), and Texas State University System) accounting for 92 percent of the General Revenue. The following table provides agency-specific details.

FISCAL YEAR 2006 COST IMPACT OF HURRICANES (IN MILLIONS)

AGENCY	GENERAL REVENUE	GENERAL REVENUE-DEDICATED	OTHER	FEDERAL	TOTAL
Texas Department of Public Safety	\$0.0	\$0.0	\$0.1	\$461.8	\$462.0
Texas Education Agency ¹	\$161.2	\$0.0	\$1.6	\$266.4	\$429.2
Health and Human Services Commission	\$33.7	\$0.0	\$0.1	\$208.0	\$241.8
Texas Workforce Commission	\$0.0	\$0.0	\$0.9	\$81.6	\$82.5
Institutions of Higher Education ²	\$1.1	\$8.1	\$35.4	\$2.5	\$47.1
Texas Department of Transportation	\$0.0	\$0.0	\$19.3	\$26.2	\$45.5
Department of Housing and Community Affairs	\$0.0	\$0.0	\$0.1	\$42.8	\$42.9
Texas State University System ³	\$30.0	\$0.0	\$0.0	\$12.8	\$42.8
Office of Rural Community Affairs	\$0.1	\$0.4	\$0.0	\$38.4	\$38.9
Texas Building and Procurement Commission	\$0.0	\$0.0	\$0.0	\$18.6	\$18.6
Department of Aging and Disability Services	\$2.2	\$0.0	\$0.0	\$14.4	\$16.5
Department of State Health Services ⁴	\$2.3	\$0.1	\$0.0	\$12.1	\$14.6
Department of Criminal Justice ⁴	\$5.4	\$0.0	\$7.9	\$0.0	\$13.3
Texas Parks and Wildlife Department	\$0.2	\$2.7	\$3.1	\$0.0	\$6.1
Adjutant General's Department ⁴	\$4.7	\$0.0	\$0.0	\$0.0	\$4.7
Texas Engineering Extension Service	\$0.4	\$0.0	\$2.0	\$2.2	\$4.5
Texas Youth Commission	\$0.6	\$0.0	\$1.2	\$0.0	\$1.8
Employees Retirement System	\$0.0	\$0.0	\$1.6	\$0.0	\$1.6
Texas Forest Service	\$0.3	\$0.0	\$0.0	\$1.2	\$1.5
Texas Commission on Environmental Quality	\$0.0	\$1.4	\$0.0	\$0.0	\$1.4
Department of Assistive and Rehabilitative Services	\$0.0	\$0.2	\$0.0	\$0.8	\$1.0
Texas Department of Insurance	\$0.5	\$0.3	\$0.0	\$0.0	\$0.8
Department of Family and Protective Services	\$0.0	\$0.0	\$0.1	\$0.6	\$0.7
Office of the Attorney General	\$0.1	\$0.0	\$0.0	\$0.2	\$0.4
Texas Alcoholic Beverage Commission	\$0.2	\$0.0	\$0.0	\$0.2	\$0.4
Department of Information Resources	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3
General Land Office and Veterans' Land Board	\$0.0	\$0.3	\$0.0	\$0.0	\$0.3
Texas State Library and Archives Commission	\$0.0	\$0.0	\$0.0	\$0.2	\$0.2
Texas Military Facilities Commission	\$0.0	\$0.0	\$0.1	\$0.0	\$0.1
Structural Pest Control Board	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All Other Agencies	\$0.5	\$0.2	\$0.2	\$0.0	\$0.9
GRAND TOTAL	\$243.5	\$13.7	\$73.7	\$1,191.3	\$1,522.4

NOTES:

¹General Revenue amounts include \$92.6 million in "Settle Up" funds to be paid in fiscal year 2007.

²Amounts reflect figures compiled by the Higher Education Coordinating Board, excluding costs for the Texas State University System (shown separately). Foregone tuition is recorded as "Other," but may include statutory tuition (General Revenue-Dedicated). Distinction between costs for Hurricanes Katrina and Rita was not available; amounts have been recorded as impacts from Hurricane Katrina.

³Texas State University System costs include \$5.9 million in lost revenue. FEMA reimbursements should eventually total \$30.2 million.

⁴FEMA reimbursements may offset General Revenue costs.

SOURCE: State agency reports on hurricane costs, as submitted by April 25, 2006.

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MAJOR FEDERAL FUNDING SOURCES

In response to hurricane needs, a number of federal appropriations have been made. Funds that flow through Texas state agencies from the following sources total \$1.2 billion. About 67 percent of these funds will be passed through to local entities (e.g., cities, counties, school districts, electric cooperatives, etc.); 29 percent will provide services or assistance to hurricane victims; 3 percent represents reimbursements to state agencies for disaster relief activities; and 1 percent will be used for emergency highway relief.

FEMA Public Assistance. Federal reimbursement is provided for costs related to activities such as search and rescue, debris removal, emergency protection measures, building repairs, etc. Federal reimbursement flowing through the Texas Department of Public Safety will exceed \$500 million. About 92 percent of the funds will be passed through to local jurisdictions.

Aid for Public Education. Congress appropriated enough funds to provide school districts with Hurricane Katrina evacuees \$4,000 per student (\$5,000 for children in special education). Texas schools will receive an estimated \$170.3 million of Emergency Impact Aid in fiscal year 2006. In addition, \$78.2 million in Immediate Aid to Restart School Operations is available for Texas schools impacted by Hurricane Rita.

TANF Emergency Response. Texas was awarded \$97.0 million to provide short-term, nonrecurrent cash assistance to families affected by Hurricane Katrina. HHSC anticipates expending \$12.5 million on one-time payments of \$1,000 to about 12,500 families.

Social Services Block Grant – Disaster Relief. Texas was awarded \$88.0 million to provide an array of health care and social services to victims of the Gulf Coast hurricanes. Funds may also be used for repairs or reconstruction of health care facilities. According to a proposal by HHSC, \$36.3 million would be provided to four Councils of Government (COGs) for distribution to local entities impacted by Hurricane Rita; \$36.3 million would be allocated based on the location of Hurricane Katrina evacuees and other health needs for evacuees (e.g., substance abuse services, HIV medications, etc.); \$5.3 million would be distributed to hospitals for uncompensated care costs related to Hurricane Rita; and \$8.8 million would be held as a reserve for other needs.

Workforce Investment Act National Emergency Grant. The Texas Workforce Commission was awarded \$75 million to assist hurricane victims. Allowable uses include creating temporary employment for dislocated individuals; making payments to individuals not qualified for Disaster Unemployment Assistance or Unemployment Insurance (or to those who have exhausted those benefits); providing job training to those settling in Texas; and providing crisis and financial counseling.

Community Development Block Grant (CDBG) Disaster Recovery. An action plan for disbursement of CDBG funds is designed to address housing, infrastructure, public facility, and business needs in the 29 counties impacted by Hurricane Rita. At least 55 percent of funds must be used for unmet housing needs, funds would flow through the Texas Department of Housing and Community Affairs, and three COGs would be responsible for prioritizing use of housing funds. For non-housing related damage, funds would flow through the Office of Rural Community Affairs, and be distributed to local entities in four COGs impacted by Hurricane Rita.

FEMA Individuals and Households Program. Expenses related to Hurricane Rita, such as personal property assistance, medical and dental care, funeral expenses, and transportation, can be reimbursed through this program, administered by HHSC. Federal Funds are projected to total \$66.3 million, and a 25 percent state match is required (\$22.1 million). HHSC projects 82,466 families will be provided payments averaging \$1,072.

Medicaid. A federal waiver allows Hurricane Katrina evacuees to be provided services through the Texas Medicaid program for five months at 100 percent federal reimbursement. Applications for temporary coverage were due by January 31, 2006. An uncompensated care pool was also available through January 31, 2006, for reimbursement to providers for uninsured evacuees who were ineligible for Medicaid. It is anticipated that federal reimbursements for fiscal year 2006 will total \$62.6 million.

Emergency Highway Funding. Out of a \$2.75 billion appropriation to the Federal Highway Administration, the Texas Department of Transportation was awarded \$11.0 million. Funds can be used for activities such as highway clean-up, rebuilding bridges and road surfaces on federally supported highways, and replacing traffic signals and highway signs.

Crisis Counseling. The Texas Department of State Health Services anticipates \$8.9 million in Federal Funds will be used in fiscal year 2006 to provide mental health services to hurricane victims. Funds can be used for outreach, screening, diagnostic services, treatment, and training of workers to provide counseling.

OTHER NEEDS

In February, the Office of the Governor identified \$2.0 billion in unmet needs related to Gulf Coast hurricanes (including \$1.3 billion for critical local needs). Additional federal relief remains uncertain.

The Federal Funds Analysis Team of the Legislative Budget Board conducts research on federal legislation and federal funding issues which impact the state budget.

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