



TEXAS DEPARTMENT OF STATE HEALTH SERVICES

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COMMISSIONER

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January 4, 2006

To: The Honorable Governor Rick Perry
The Honorable David Dewhurst
The Honorable Tom Craddick
The Honorable Robert Duncan
The Honorable Steve Ogden
The Honorable John Whitmire
The Honorable Judith Zaffirini
The Honorable Fred Hill
The Honorable Jim Keffer
The Honorable Vilma Luna
The Honorable Jim Pitts

From: Eduardo J. Sanchez, M.D., M.P.H.
Commissioner

The 2006-07 General Appropriations Act (Article II, Special Provisions, Section 29, S.B.1, 79th Legislature, Regular Session, 2005) requires the Department of State Health Services to implement a long term plan to achieve equity in state funding allocations among local mental health authorities and provide a report of this plan to the Office of the Governor and the Legislative Budget Board.

The plan shall be implemented from fiscal years 2006-2013. The goal of the plan shall be to achieve equity to the greatest extent possible by fiscal year 2013, however, any funding reductions to a local authority for the purpose of achieving equity may not exceed 5 percent of allocated general revenue in a fiscal year. The plan shall also provide for improving funding equity to be a priority in distributing any new state or federal funds that may become available for allocation to community centers.

Should you have any questions regarding this report, please contact Mr. Joe Vesowate, Assistant Commissioner for Mental Health and Substance Abuse Services at (512) 206-5808 or via e-mail joe.vesowate@dshs.state.tx.us.

Respectfully submitted,

A handwritten signature in black ink that reads "Eduardo J. Sanchez, M.D.".

Eduardo J. Sanchez, M.D., M.P.H.
Commissioner

cc: Albert Hawkins, Executive Commissioner, HHSC
Charles Bell, M.D., M.P.H., Deputy Executive Commissioner for Health Services, HHSC
Dave Wanser, Ph.D., Deputy Commissioner for Behavioral and Community Health Services, DSHS
Joe Vesowate, Assistant Commissioner for Mental Health & Substance Abuse Services, DSHS
Machelle Pharr, Chief Financial Officer, DSHS
John O'Brien, Deputy Director, Legislative Budget Board
Mike Morrissey, Director of Budget, Planning and Policy, Office of the Governor

Achieving Funding Equity Among Local Mental Health Authorities

**Report to the Governor and Legislative Budget Board
Pursuant to Article II, Special Provisions, Section 29, S.B.1,
79th Legislature, Regular Session, 2005**

January 1, 2006

Texas Department of State Health Services

Department of State Health Services

Long Term Equity Plan to Achieve Funding Equity Among Local Mental Health Authorities

Introduction

The 2006-07 General Appropriations Act (Article II, Special Provisions, Section 29, S.B.1, 79th Legislature, Regular Session, 2005) requires the Department of State Health Services to implement a long-term plan to achieve equity in state funding allocations among local mental health authorities. The plan shall be implemented from fiscal years 2006-2013. The goal of the plan shall be to achieve equity to the greatest extent possible by fiscal year 2013; however, any funding reductions to a local authority for the purpose of achieving equity may not exceed 5 percent of allocated general revenue in a fiscal year. The plan shall also provide for improving funding equity to be a priority in distributing any new state or federal funds that may become available for allocation to community centers.

Background

In 1997, the first version of an equity rider appeared in the Texas Department of Mental Health and Mental Retardation's bill pattern. Since then, a version of the rider has been included in the budget, with varied requirements for studies and reports. The most significant change in language occurred from the 77th to 78th Legislative Sessions. Prior to the 78th Session, all versions of the rider included language expressly prohibiting reduction of allocations for redistribution to enhance equity. The rider from the 78th Session and the current rider from the 79th Session state "any funding reductions to a local authority for the purpose of achieving equity may not exceed 5 percent. . . "

As required by the rider from the 78th Session, the Texas Department of Mental Health and Mental Retardation developed a plan to improve equity in the funding of local mental health and mental retardation authorities. The plan included the following:

3) Recognizing that past efforts to improve equity using only new dollars have had limited impact, the Department's plan would use the maximum authority provided under Rider 15 (78th Session) to redistribute funds to improve equity. This means that some local authorities above the mean per capita funding level would be subject to funding reductions of five percent per year between FY 2006 and FY 2011. To the extent new funds are available, these reductions to improve equity would be smaller.

Long Term Equity Plan

As directed by Department of State Health Services (DSHS) Article 2, Special Provisions, Rider 29, SB 1, 79th Legislature, DSHS has developed a plan to address equity in state funding allocations to local mental health authorities. The elements of this plan are as follows

Step of Procedures for FY06

1. Began with current FY05 allocations, and then adjust for any one-time adjustments or awards for FY05 to achieve Base FY06 Allocations.

2. Add new funding for waiting lists to all local authorities falling below the equity mean using estimated population as a means of distribution. NorthSTAR is included in the total population for percentages
3. For local authorities above the equity mean reduce allocations for actual penalties and recoupments assessed as of FY05 3rd quarter per local authorities. Then, increase allocations of local authorities falling below equity mean using population distribution for the amount reduced above mean. NorthSTAR is included in the total population for percentages
4. For local authorities falling below the equity mean reduce allocations for actual penalties and recoupments assessed as of FY05 3rd quarter per center. Then, increase allocations of local authorities falling in the lowest seven below equity mean using population distribution for the amount reduced below equity mean. NorthSTAR is included in the total population for percentages

Step Procedures for FY 2007-2013

1. When new state and federal funds are available for community mental health services, those funds will be allocated in a way that improves equity. Specifically, such new funds should be allocated among local authorities with below average per capita funding levels. The Department believes that improving equity through new funding is, to the extent possible, the best approach given the needs in all areas of the state

Recognizing that past efforts to improve equity using only new dollars have had limited impact, the Department's plan would use authority provided under Rider 29 to redistribute funds to improve equity. This means that some local authorities above the mean per capita funding level would be subject to general revenue funding reductions of up to five percent per year between FY 2006 and FY 2013.

2. Initially, DSHS will calculate funding levels for equity allocated to each local authority by the total population of the area served by the local authority. This variable allows for equitable adjustments over time as populations increase and decrease for designated service areas; and also allows for adjustments due to reconfiguration of service areas. As directed by the rider, consideration will be given to using factors other than total population in the equity calculations. Poverty incidence will be considered as an indicator of a number of factors associated with severe and persistent mental illness and severe emotional disturbance (i.e. violence, single parent households, unemployment; etc).
3. DSHS will annually update the population figures that are the basis for calculating the per capita funding levels of local authorities and annually adjust the funding reallocations in this plan accordingly. Because differing rates of population growth have contributed to existing inequities a process of making annual adjustments will help to ensure that this phenomenon does not help to recreate inequities.

Conclusion

The long-term plan for achieving equity in funding for local authorities includes the limited redistribution of general revenue funds and the appropriation of new dollars into the system.

Rider 29 offers limited ability to move current funds from one area to another. Any long-term plan must include the appropriation of new resources due to the large disparity that extends beyond the range of the five-percent cap on redistribution, the rapidly increasing population of the state, and the concentrations of that new growth.