

# HOUSE RESEARCH ORGANIZATION

*interim news*

*Texas House of Representatives*

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## ***Drought Recurrence Prompts Calls for Agriculture Policy Initiatives***

The 1998 drought has devastated agricultural producers still reeling from the effects of the 1996 drought, witnesses told an August 7 joint hearing of the House Appropriations Committee and the Senate Finance Committee. Direct agricultural losses this year so far have totaled about \$2.1 billion, according to the Texas Agricultural Extension Service, and direct and indirect costs could reach \$5.8 billion. These grim figures, witnesses agreed, contradict the more sanguine observations made recently by economists downplaying the overall impact of the drought to the Texas economy. "I take exception to [those] economic forecasts," said House Speaker Pete Laney in opening remarks to the joint hearing. "Economists said the same things," noted Comptroller John Sharp, "right before oil went you know where in a handbasket."

When processing is factored in, agriculture is the second largest industry in Texas, according to Ed Hiler, vice chair of the Texas A&M Extension Service. Agriculture and processing of agricultural products together account for 20 percent of the total \$650 billion state economy, not the 1 percent cited by some economists, Hiler said.

Farmers now are facing a situation that is even bleaker than in 1996, noted Rep. David Swinford, in large part because the recent federal "Freedom to Farm" Act has removed the safety net of many subsidies. "This is like a Stephen King novel you're reading for the second time," commented Travis Miller with the A&M extension service: "grasshoppers, toxic substances in our feed, 50 to 90 percent crop losses in major producing regions across the state." In fact, added Ron Knutson of A&M's Agricultural and Food Policy Center, "this is the worst situation I've seen in 25 years," surpassing the effects produced by the drought of the 1950s.

So far, urban centers "haven't felt the impact of the drought as intensely as the smaller rural agricultural communities," said Agriculture Commissioner Rick Perry, "but

they will in the future" as prices rise for agricultural commodities over the long term. Other witnesses noted additional economic repercussions as rural banks begin to feel the credit pinch and job layoffs in the farming and farm services sector ripple across the economy.

### **Statewide drought**

Currently, all climatic regions of the state are classified as suffering some degree of drought as measured by meteorologic conditions and such hydrologic factors as evaporation and soil moisture, and these conditions are predicted to extend another seven to nine months, according to Tom Millwee, state coordinator for the Department of Public Safety's Division of Emergency Management (DEM) and chair of the Governor's Drought Management Task Force. The many dimensions of drought – wildfire, agricultural losses, water supply problems, etc. – make it a "most insidious disaster," Millwee said.

The Lower Rio Grande Valley has been particularly hard hit by five years of below average rainfall, noted

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Perry, and faces an uncertain future due to dwindling water reserves in upstream reservoirs. As of late July, combined U.S. share of water in Amistad and Falcon reservoirs stood at less than 20 percent of capacity, an all-time low. Almost 90 percent of the water released from these reservoirs is used for agricultural irrigation, one reason Hidalgo County is the second-most productive agricultural area in the state, Perry noted. By mid-August, however, seven of the irrigation districts supplying the region had exhausted their allotment of water and could no longer pump from the Rio Grande to satisfy producers' needs. (Current conditions are summarized in the box below.)

Crop losses due to the drought also are having a significant impact on livestock and poultry producers as well as dairy operators, witnesses said. Perry cited projections that Texas will drop from being first in the nation in hay production to last. Poor forage, he said, may put many livestock producers out of business as they sell off herds they cannot afford to feed. And what forage there is, added A&M's Hiler, has a one-in-four chance of containing elevated levels of cyanide, a naturally occurring toxin associated with prolonged heat and dry conditions. Hiler added that A&M also is finding high levels of nitrite in 8 percent of forage samples and of aflatoxin in 11 percent of corn samples, typically used as dairy and poultry feed. All these toxins can cause developmental and other health problems in animals and some may affect humans.

## Policy proposals

Texas should formulate an agricultural policy along the lines of the state water policy formulated last session with SB 1 by Brown, several legislators and witnesses agreed. Sen. Steve Ogden suggested that as a preliminary step in developing such a policy Texas provide a one-time economic stimulus for agricultural producers coming off the 1998 drought. Ogden proposed that the state reimburse farmers and ranchers for 30 percent of their 1999 feed, seed, seedling and fertilizer costs, with payments capped at the lower of \$15,000 or two times the producer's 1998 property tax bill on land appraised at its agricultural productive value. Reimbursements would be limited to producers in counties declared as federal disaster areas due to the drought. Ogden said the proposal would cost \$400 million but reach 96 percent of all producers and have an economic ripple effect of more than \$1 billion. According to Ogden, the state's projected \$3.7 billion budget surplus for the biennium would be more than adequate to cover this aid package.

Ogden also proposed expanding to the entire state the Financial and Risk Management Assistance (FARM Assist) program now operated by the Texas Agricultural Extension Service in three test areas in north Texas and the Panhandle. The program educates producers about different types of risks and provides tools to explore the costs and benefits of different risk management options, such as marketing strategies, crop insurance, and rental land.

### Drought conditions continue despite recent rains

At the time of the August 7 hearing, severe or serious drought conditions characterized all 10 climatic regions of Texas. As of August 22, the southern region had improved to mild drought conditions; the remainder of the state continued in moderate to extreme drought conditions, according to an August 25 report from the Texas Water Development Board. The report stressed that "Texas continues to suffer from the drought in spite of Tropical Storm Charley. Even with the rains in the Rio Grande system resulting from the storm, reservoirs remain below normal levels. Conditions are much improved in Central and South-central Texas where soil moisture is up, although soil moisture is not back to normal. Drought remains in East Texas."

Inflows into Rio Grande reservoirs from Tropical Storm Charley have alleviated the severity of water supply problems, according to data obtained August 28 from the Rio Grande Watermaster, an office of the Texas Natural Resource Conservation Commission. Texas' share of waters in Amistad and Falcon reservoirs is expected to rise to 30 to 35 percent, and all irrigation districts will receive an allotment of water in September, the watermaster said.

“There’s a real need in this time of decelerating government payments to help farmers figure out how they can better manage their risks,” said A&M’s Knutson. He stressed that many crops in Texas have relatively high levels of federal subsidies that are rapidly coming to an end, “with important implications for the future of Texas agriculture.” Knutson said expanding Farm Assist statewide would add about \$1.2 million to the current \$500,000 cost of running the pilot program. Full implementation would require four to six months.

Comptroller Sharp also proposed new policies to revitalize Texas agriculture. He downplayed programs that would provide low interest rate loans; “Texas farmers are not necessarily looking for new and better ways to go deeper into debt,” he stressed. Rather, he added, “this is a good time to use state resources to try to alleviate some of those problems.”

One such use would be the boll weevil eradication program, now operating only in zones where cotton farmers have voted for self-assessments to pay for the program. Crop losses attributable to the weevil currently amount to more than \$20 million annually. Both Sharp and Agriculture Commissioner Perry noted that a silver lining in the drought has been a decrease in the boll weevil population. Texas, they said, should take advantage of these conditions, which could shorten the five- to seven-year cycle normally needed for eradication, and help cotton farmers get back on their feet. Sharp proposed that the state assume fund-

ing of the program in fiscal 2000 at \$100 million annually for the first two years and about \$23 million annually for maintenance efforts in successive years.

Sharp also proposed increasing funding to the Texas State Soil and Water Conservation Board to about \$30 million annually, from the current \$7 million. This level of funding would allow the board to continue providing to farmers technical assistance formerly available through the U.S. Department of Agriculture’s Natural Resources Conservation Service (see HRO *Interim News* No. 75-12, May 29, 1998).

One possible water conservation project struck a near universal chord throughout the hearing: the need for brush control. Both Perry and Sharp proposed expanding state efforts to aid in removing cedar, mesquite, cactus and other brush as a means of increasing the amount of rainfall available for nourishing grasslands and replenishing water bodies. Perry suggested replicating pilot programs that have already proved successful; Sharp proposed that the state spend \$300,000 a year to remove brush on at least 5,000 acres annually. At least some of that cost could be reimbursed by a federal program, Sharp said. Both officials urged continuing current programs that involve Texas Department of Criminal Justice inmates in brush control projects. Perry also noted that the Texas Department of Agriculture is expanding the linked deposit program that can provide low interest loans of up to \$250,000 for brush control and other water conservation projects.

### Producer losses

major commodity	1996 losses*	1998 projected losses*
Cotton	\$ 359	\$ 500
Wheat	202	no loss reported
Sorghum	205	140
Corn	177	255
Livestock (includes extra feed costs)	1,111	451
Forage crops (hay)	na	380
Horticultural crops	na	100
<b>TOTAL</b>	<b>\$2.1 billion</b>	<b>\$1.75 billion</b>

\* in millions of dollars

Source: Texas Agricultural Statistics Service, August 19, 1998

### **URGENT: SEND HAY**

One immediate need facing Texas ranchers and livestock producers is hay for their animals. Scant rainfall and excessive heat have scorched pasturelands and decimated hay production. While hay is available in other states, means for transporting it is an unresolved issue, according to Ed Small with the Texas and Southwest Cattle Raisers Association.

The Texas Department of Agriculture (TDA) and agricultural groups announced on August 13 a coordinated effort called Project Haylift to distribute donated hay throughout the state. TDA is acting as a clearinghouse for information about hay needs and donations, and agricultural producer organizations and the Texas Motor Transportation Association are coordinating the transportation and deliveries, according to the Governor's Office. In June, TDA re-established its Hay Hotline to match those who have hay to sell with those who need it, and has received reports of hay being donated from as far away as Kansas and Illinois, Agriculture Commissioner Rick Perry reported. Perry also noted that his agency is working with the Texas Department of Transportation to allow haying and mowing on highway rights of way. In addition, he is requesting that the federal government allow ranchers without penalty to graze livestock or cut hay on lands enrolled in a federal program that takes them out of production.

Several witnesses proposed using the Texas National Guard to deliver hay to cattle producers, and Comptroller John Sharp said his office is developing cost estimates for this option. The Governor's Office has said that the guard is heavily involved in fighting fires throughout the state and that its equipment is not designed to efficiently transport hay.

Private truckers could be used to transport hay – either for pay or possibly as a service to ranchers hurt by the drought – if capacity is available, said Bill Webb, president of the Texas Motor Transportation Association. He cautioned, however, that capacity could be limited because many trucks are busy hauling full loads due to recent problems with railroad transport. He also questioned the feasibility of having commercial truckers haul hay to individual producers and then make a return trip without a load. Webb suggested that private truckers could haul out-of-state hay to a staging area such as Dallas and then have the Texas National Guard move the hay to individual producers.

Perry also called for expanding state projects involving weather modification. While cautioning that cloud seeding is not a short-term quick fix to the drought, George Bomar, state meteorologist with the Texas Natural Resource Conservation Commission (TNRCC), said such projects do produce measurable increases over the long term in the amount of rainfall in a region. According to Bomar, the data indicate that seeded clouds live longer and grow laterally rather than horizontally, producing on average 2.3 times more rainwater than unseeded clouds. There is no evidence, he added, that cloud seeding in one region diminishes the amount of rain in adjacent regions. Rather, there seems to be a positive residual effect downwind.

Currently, five cloud seeding projects covering 26 million acres are in operation in Texas. The number of projects

is expected to increase to 10 by the summer of 1999, with a total cost of \$2.5 million. The state, through the TNRCC, pays half of the 10 cent-per-acre cost; local communities pay the other half. House Appropriations Committee Chair Rob Junell said that more money needs to be set aside for research into weather modification at the TNRCC and the Texas Water Development Board (TWDB).

### **Agency initiatives**

State agency officials also briefed legislators on efforts they have undertaken or are contemplating to alleviate problems caused by the drought. A general consensus among agency representatives was that redirecting resources to drought efforts can create strains on other program areas.

“The drought demands attention,” stressed TNRCC Executive Director Jeff Saitas, “and that attention comes from somewhere else.” While agencies have made a “total commitment” to resolving drought issues, there is some question about their ability to maintain these levels of service with current staff, noted DEM’s Tom Millwee. A&M’s Ed Hiler cited FTE limits and agencies’ capability to respond to emergencies and implement outreach programs among the drought-related budget issues awaiting the 76th Legislature.

Wildfire readiness initiatives implemented by the Texas Forest Service mean the agency will be over budget by about \$7 million by the end of fiscal 1998 and could deplete its fiscal 1999 budget within a few months, reported James Hull, the forest service’s executive director. Because of the increased risk of wildfire created by the drought, the service mobilized state and federal resources so that firefighters were ready to respond quickly to fires as they broke out across the state. These actions helped Texas avoid the kind of devastation caused by wildfires in Florida, preventing more than \$100 million in damage to homes, businesses, and other improved property, Hull said.

The TNRCC and TWDB are providing technical assistance and other help to water suppliers and local entities whose treatment and distribution facilities have been affected by the drought. These range from assessing problems and collecting data on water systems to explaining rationing procedures and mediating between water system owners and customers. The agencies are also working together on “Water Smart,” a public education campaign on water conservation. To date, the campaign has been carried to the Lower Rio Grande Valley. TNRCC officials put the cost of expanding the campaign statewide at about \$400,000.

The TNRCC also has proposed establishing a team to provide technical assistance during droughts to water systems suffering outages or low pressures or undergoing severe rationing. The cost would be about \$330,000 the first year and \$272,000 annually in subsequent years. Meanwhile, the TWDB is assessing the feasibility of building interconnections between municipal water systems in the Lower Rio Grande Valley to prevent supply problems that

occur in times of low or no flow of water to agricultural producers. Municipalities in the Valley rely on the water distribution system built for agricultural irrigation to deliver their water from the river to treatment plants. The \$1.8 million price tag for the interconnect project could be allocated through budget execution authority, said board officials.

The Disaster Relief Fund administered by the Texas Department of Housing and Community Affairs can help smaller cities and counties resolve long-term water needs, said then-Executive Director Larry Paul Manley. Some \$8.2 million is earmarked for such projects as alternative water supply systems. Grants are capped at a maximum of \$350,000 and restricted to cities with fewer than 50,000 residents and counties with fewer than 200,000 residents. Counties also can access the Colonia Construction Fund for water projects in distressed unincorporated areas meeting the definition of a colonia. The agency also is considering on a case-by-case basis allowing cities and counties to use 1997 or 1998 funds awarded from the Community Development Fund to accommodate drought needs.

The Texas Department of Agriculture is hosting a series of workshops featuring expert advice from the Texas A&M University System, Texas Tech University, the U.S. Department of Agriculture’s Farm Service Agency and Natural Resource Conservation Service, and the banking industry. Workshop sessions will help producers with federal emergency loan processes and cover short- and long-term strategies for handling the drought.

Reference materials on the drought are available through the Texas A&M University Agriculture Program web site: <http://agnews.tamu.edu/drought/>. Current data on drought conditions and reservoirs levels are posted on the TWDB web site at: [www.twdb.state.tx.us/rio/hydro/drought.html](http://www.twdb.state.tx.us/rio/hydro/drought.html).

— by **Linda Fernandez**  
and **Kellie Dworaczyk**

# ISF Floated as Alternative for Parole Revocations

Texas could save about \$1 million a year by doubling the number of state intermediate sanction facilities (ISF) providing parole violators with intensive substance abuse treatment and aftercare and using those beds to divert offenders from prisons, according to Tony Fabelo, executive director of the Criminal Justice Policy Council. Currently, Texas has about 2,100 ISF beds, about 500 of which are devoted to substance abuse treatment. Parolees who violate provisions of their parole may be held at ISF facilities for short-term stays in lieu of having their paroles revoked and being returned to prison.

Fabelo told a July 15 meeting of the House Criminal Jurisprudence Subcommittee on Parole Revocation that adding 500 more ISF beds with a six-month treatment program could divert 626 parolees each year from state prisons. He estimated this proposal would cost \$8 million annually. By comparison, the minimum cost of sending the same number of parole violators to prison is about \$9 million per year, he said. The idea garnered support, with some reservations, from other witnesses, including the chairman of the Board of Pardons and Paroles and representatives of the Texas Criminal Defense Lawyers Association. The Texas Department of Criminal Justice currently is soliciting bids on the cost of expanding the number of ISF beds providing substance abuse treatment; the department could have cost estimates by September or October.

The committee also discussed other options for dealing with parole violators, including more flexibility in computing time served when parole is revoked and allowing persons in jail awaiting parole revocation hearings to be released on bond.

In addition, committee members heard proposals for addressing the needs of mentally disabled offenders throughout the parole process. Genevieve Hearon, with Capacity for Justice, expressed concern about the continuum of care provided to mentally ill and mentally retarded offenders, including care given while on probation and parole. Mentally disabled offenders have specialized needs, she said, and their rates of parole revocation should be studied to ensure their needs are met. She also suggested identifying mentally ill offenders as they go on probation and extending the involvement of the Texas Commission on Offenders with Mental Impairments to parole, probation, community mental

health/mental retardation centers, and prison to ensure the necessary continuity of care.

## More ISFs for parole violators

The issue of parole revocation is attracting attention, Fabelo said, because declining parole approval rates and increasing parole revocations have increased the projected demands on prison capacity. Parole revocation returns an offender to prison to serve the remainder of the sentence, although the offender could be released on parole again if approved by the parole board. The number of parole revocations in Texas increased from 680 in January 1997 to 1,156 in September 1997, he reported.

Parole revocations now account for more than one quarter of prison admissions. In 45 percent of these cases, the parolee is convicted of a new offense and sent to prison. Another 34 percent of these revocations involve “technical violations” of the rules — such as moving without notifying the parole officer, not paying a court-ordered fee, or failing a drug or alcohol test — plus a charge of, but not a conviction for, a new offense. Some 20 percent involve technical violations but no new charges or convictions.

The Board of Pardons and Paroles is interested in increasing the use of intermediate sanction facilities when appropriate, said chairman Victor Rodriguez. Expanding the number of ISF beds would give the board more options for non-violent offenders who violate their parole without affecting its policy of being tough on violent offenders who violate parole, he pointed out. Many of the non-violent offenders who violate parole have drug or alcohol problems that could be treated in an ISF, Rodriguez added.

The Texas Criminal Defense Lawyers Association generally endorses the concept of sanctioning non-violent offenders who violate parole by sending them to ISFs instead of prison, said Gary Cohen, co-chair of the association’s Parole and Sentencing Committee. However, the group would like to see some uniformity in how cases are treated across the state. Similar cases now may be treated in different manners by different regional parole panels, he said. Cohen suggested establishing statewide uniform guidelines that recommend a range of actions and

consider the original offense, the parole violation, and other factors. Linda Reeves, with the Texas Inmate Families Association, also supported the concept of statewide guidelines for decisions to sanction parole violators.

### Other sanction options

The Board of Pardons and Paroles also is interested in reviewing Government Code requirements that time spent on parole be forfeited automatically if parole is revoked and an offender returned to prison, Rodriguez said. One option would be to give the board flexibility to determine how much time, if any, should be forfeited if parole is revoked.

Under current law, the state may supervise offenders whose paroles are revoked for longer than their original sentences. For example, an offender who is given a 10-year sentence may spend four years in prison and then be placed on parole for the six years remaining on the sentence. In the fifth year of parole (the ninth year of state supervision),

violations could cause the state to revoke the parole and return the offender to prison. Under state law, the five years spent on parole are forfeited and do not count toward the original sentence. The offender must now complete six years under state supervision (prison or a combination of prison and parole) to complete the original 10-year sentence, with the time under state supervision totaling 15 years.

Witnesses also discussed the idea of allowing parolees arrested under "blue warrants" for violating a condition of their parole to be released on a bond. Parolees so accused are held in county jails pending a parole revocation hearing. Cohen, representing the defense lawyers association, supported the idea of "bondable blue warrants." He stressed that parolees, especially those with jobs, suffer economic hardship if taken away from their jobs and families and confined to jail while awaiting a parole revocation hearing.

— by *Kellie Dworaczyk*

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## State Designations, Hotel Tax Allocation Proposed to Boost Tourism

Means of promoting tourism in Texas, from the monetary to the inspirational, were discussed at the July 14 meeting of the House State, Federal and International Relations Subcommittee on Tourism and Official State Symbols and Resolutions. An official from the Dallas Convention and Visitors Bureau called for allocating a larger percentage of state hotel taxes to promote Texas abroad, while representatives of rural counties championed state designations as a way to market their communities to prospective visitors.

### Hotel taxes

The state of Texas collects a hotel occupancy tax of 6 percent of the hotel room price, with the revenue raised from one-half percent of the state tax allocated to the Tourism Division of the Texas Department of Economic

Development (TDED). In fiscal 1997, this half-percent set-aside amounted to approximately \$17.5 million. Local hotel tax rates vary widely (see box on following page).

"Tourism is the second largest industry in the state and is projected to employ over 500,000 people by the year 2000," Dave Whitney, chief executive officer of the Dallas Convention and Visitors Bureau, told committee members. Whitney called for earmarking an additional half percent of the existing 6 percent state hotel occupancy tax to TDED to fund programs fostering increased international travel to the state.

If additional money were made available to promote international tourism, said David Teel, deputy director of TDED's Tourism Division, Texas could expand its presence around the world and compete more effectively with other states in attracting international travelers. Stan Hodge,

## Local hotel occupancy taxes in Texas

Besides the 6 percent state tax on hotel rooms, cities can also impose local hotel taxes, up to a statutory cap of 7 percent. Cities with populations under 35,000 can extend the tax to hotels in their extraterritorial jurisdiction. San Antonio has a special statutory exception from the 7 percent cap and may levy an additional 2 percent tax to recoup costs for its convention center. According to the Texas Department of Economic Development, 359 cities collected hotel occupancy taxes in 1997.

Counties that have received specific individual legislative authorization and meet certain conditions also may levy hotel taxes, statutorily capped at 7 percent. While city and county taxes are not usually levied together, in Houston hotel guests pay a 6 percent state tax, a 7 percent city tax, a 2 percent county tax (which Harris County is authorized to collect until January 1, 2001, in order to recoup the costs of the 1992 Republican Convention), plus another 2 percent to finance a city/county sports authority to build a new stadium. The combined rate of 17 percent is the highest rate in the nation, according to TDED. Department data show that 13 counties collected county hotel taxes in 1997. County development districts — special districts created by petition and election — also may charge a hotel occupancy tax, statutorily capped at 7 percent. Denton, Williamson and Kaufman counties levy these taxes. To date, no counties have authorized concurrent county and county development hotel taxes.

Revenue from local hotel occupancy taxes must be spent in the city or county where the tax is levied and may be used only for creating and improving convention centers, coliseums, and other similar facilities; covering administrative costs of registering convention delegates; paying for advertising and promotions designed to attract tourists and conventions; making certain coastal beach improvements; enhancing art-related programs; and paying for historic restoration and preservation.

Under HB 92 by Brimer et al., enacted by the 75th Legislature, cities and counties may levy an additional 2 percent hotel tax to finance arenas, coliseums, cultural venues, civic centers, and similar facilities that “enhance economic development.” “Venue districts” may be created to build a sports or community venue project and may issue bonds to finance projects once voters approve the projects and funding mechanisms. These include a 2 percent hotel occupancy tax, up to a 0.5 cent sales tax, a 10 percent admissions tax, a \$3 parking tax, a 5 percent rental car tax, and a \$5,000 facility use tax.

Travel Research Manager of the TDED Tourism Division, however, noted several recent studies on hotel taxes predict that as hotel tax rates increase, visitor spending decreases.

## State designations

Witnesses from rural areas of the state said designations are a valuable way for smaller cities, towns and regions to market themselves and attract visitors. When Chairman Bob Hunter raised concerns about the proliferation of official designations in Texas, witnesses said the practice should be allowed to continue, so long as the area works hard to earn the designation. Representatives of the “Kolache Capital of Texas” (Caldwell), the “Bluebonnet Capital of Texas” (Bur-

net), the “Bluebonnet City” (Ennis), and the Waxahachie Crape Myrtle Council said their special legislative designations have boosted civic pride, fostered economic development, and increased tourism, sometimes as much as 100 percent. Festivals celebrating these designations, they said, bring not only visitors from other states and countries but also badly needed revenue to rural areas that often lack a strong tax base and may not have the infrastructure to recruit industry.

Reps. Jim Pitts and Norma Chavez said there is an immediate need for an accurate, centralized list of both symbols and designations. The State Library and Archives Commission compiles a list of state symbols, updated with information provided by the Legislative Reference Library,



but does not include state designations, according to Diana Houston, assistant director for information services at the commission.

At a subsequent working session of the House State, Federal and International Relations Committee on August 14, Houston suggested that future resolutions concerning state symbols and designations be given specific codes in the Legislative Information System so that complete lists could be compiled after each session. Compiling a list of all the resolutions concerning designations and state symbols authorized in past sessions would be a difficult and time-consuming task, she said. Deborah Irvine, director of the Legislative Council's research division, agreed that an effort could be made to more carefully code resolutions. Noting that many state legislatures have wrestled with the

issue of controlling the resolutions process, Irvine remarked that perhaps the only truly effective way to control the process would be to enact a statute requiring that state symbols and designations be named not by resolution but through statute.

Rep. Pitts suggested alternative methods to limit the proliferation of designations. Communities receiving designations could be required to show some sort of intent that they would use their designation; those making no efforts to justify the designation would have them

removed. In addition, designations should avoid endorsing any particular product, he said.

— by Ann Walther

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## **Growing Pains Mark Debut of Star+Plus Medicaid Managed Care**

Providers furnishing long-term care services to the chronically ill, disabled and aged under the pilot STAR+PLUS program complained to the House Human Services Committee on July 30 of delays in being paid. Although some providers questioned the basic need for and utility of the pilot program, others said that improvements are being made and the new program is off to a promising start.

STAR+PLUS builds on the state's five-year-old initiative to convert the Medicaid program into a managed care system called STAR (State of Texas Access Reform). So far, counties around San Antonio, Austin, Dallas, Galveston and Lubbock have converted to STAR. Now, Harris County is piloting STAR+PLUS, the first managed

care program in the nation to offer both acute and long-term care services to Medicaid recipients. The 74th Legislature, in SCR 55, directed the Health and Human Services Commission (HHSC) to conduct the pilot program as a means of providing in a coordinated and accessible manner the most appropriate services to the chronically ill, disabled and aged while improving quality of care, controlling costs, and reducing cost-shifting and the need for institutional care. Services covered include hospital care, doctor's services, nursing home care, personal assistance, and adult day care. Enrollment in STAR+PLUS began in April 1998.

Three managed care organizations (MCOs) – HMO Blue, Access and Americaid – won state contracts to be

the administrative entities responsible for assessing the health status of enrollees, developing appropriate care plans, contracting with and reimbursing providers of direct services, and monitoring the quality of care. Each STAR+PLUS MCO also must offer “value added” services over and above those paid for by the state, such as a 24-hour hotline, transportation assistance, and dental services. In STAR+PLUS, profits are structured to minimize any incentive to make money by under-serving clients: the MCO keeps the first 3 percent of profit, splits with the state any profit between 3 and 7 percent, and returns to the state any profit over 7 percent.

STAR+PLUS health care providers bill the relevant MCO rather than the state, as under the traditional Medicaid structure. Therein lies the source of many of the problems, said providers. Adult day care, nursing home, and home health providers all told of late payments or payment denials without explanations and increased paperwork and administrative expense due to the fact that they must bill up to three MCOs for services instead of a single state agency as in the past. Other problems with claims filing and reimbursement include low reimbursement rates and lapses in payments when clients leave the Medicaid program or change MCOs or when authorizations for particular services expire.

Clients and providers also complained of problems in getting accurate information. Some of the difficulties are

due to the managed care approach to long-term care services, which is new to providers and MCOs as well as to clients. Some arise from the fact that Medicaid regulations extend across three state agencies – the HHSC, Department of Health, and Department of Human Services – and that services available under STAR differ from STAR+PLUS, leaving ample opportunity for misinformation.

Cathy Rossberg, associate commissioner of HHSC, which is the umbrella organization over all health and human service agencies, said the commission is continuing work to correct these problems. For example, it is training MCOs about how long-term care services and clients differ from acute care services and clients with which they have more experience. In addition, MCOs are considering lengthening authorization for services for long-term care clients and using electronic billing to speed up payments.

Several consumers testifying before the committee said the ombudsman program provided by STAR+PLUS has been helpful in resolving problems and answering questions. Other witnesses said that months of preparation and open discussions among the commission, providers, and potential clients in Harris County have created a positive start for STAR+PLUS. “There’s a lot of goodwill in Houston,” said one representative of a consumer-based organization.

— by *Kristie Zamrazil*

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