

# State Fiscal Crisis and FBOs

- What produced the state fiscal crisis, and how does it vary across states?
- What's happened to funding streams that FBOs use and programs that FBOs tend to operate?
- What are the prospects for the near future?

# What funding streams do FBOs rely on outside of Medicaid?

- Drawing from 50 state scan and other sources:
  - Temporary Assistance for Needy Families (TANF)
  - State Maintenance of Effort (MOE) dollars
  - Child Care Development Fund
  - Social Services Block Grant
  - Others

# FBO Reliance on Medicaid

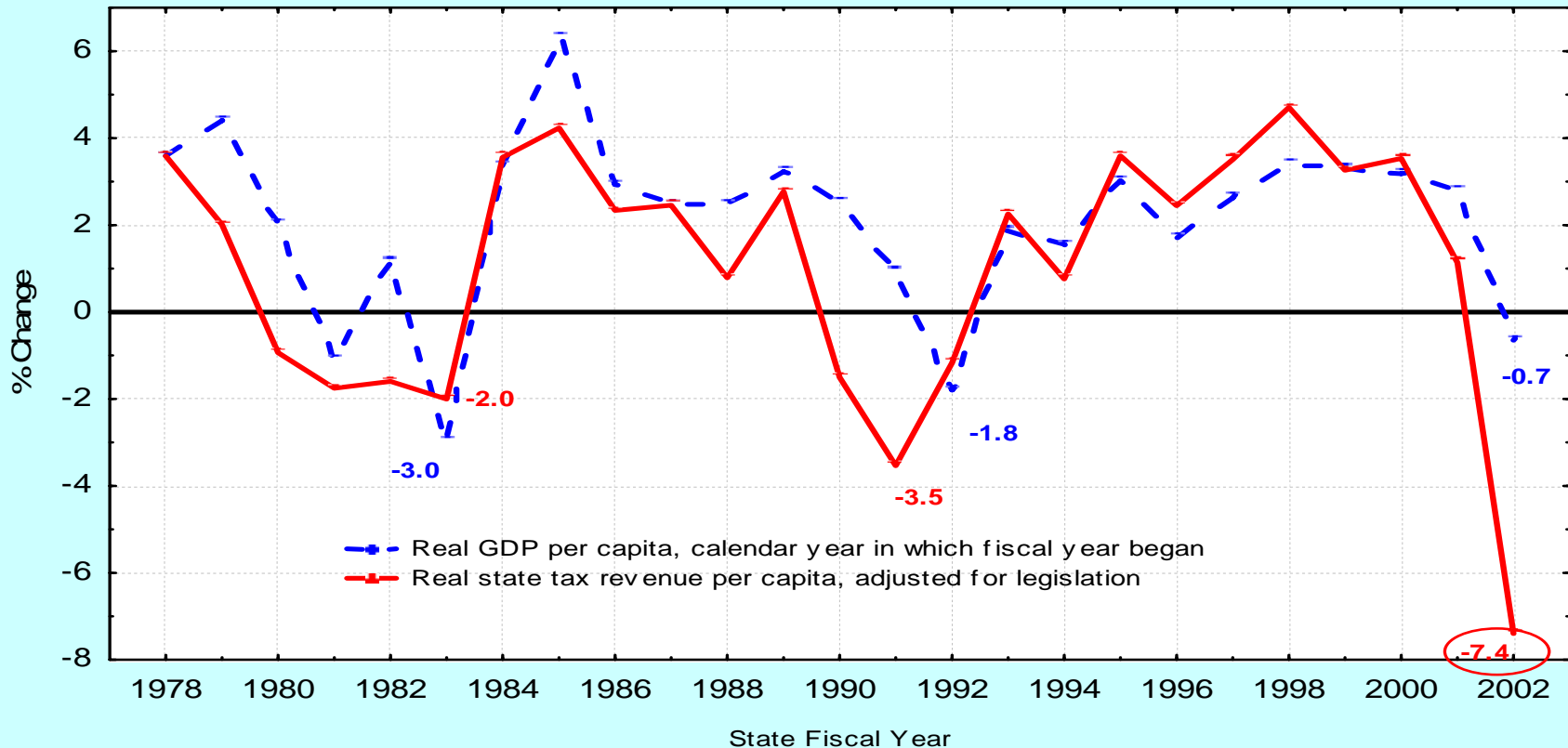
- Largest involvement through institutional providers—hospitals, nursing homes
  - Catholic Health System—Full range of institutional providers
  - Lutherans, Presbyterians—Few hospitals, sizeable long term care
  - Smaller involvement in mental health, home care, Medicaid/CHIP outreach

# Barriers to Medicaid Participation

- High sunk costs:
  - Facility license required
  - Expensive, professional personnel required – physicians, nurses, psychologists, social workers
- No front end support–reimbursement for services rendered

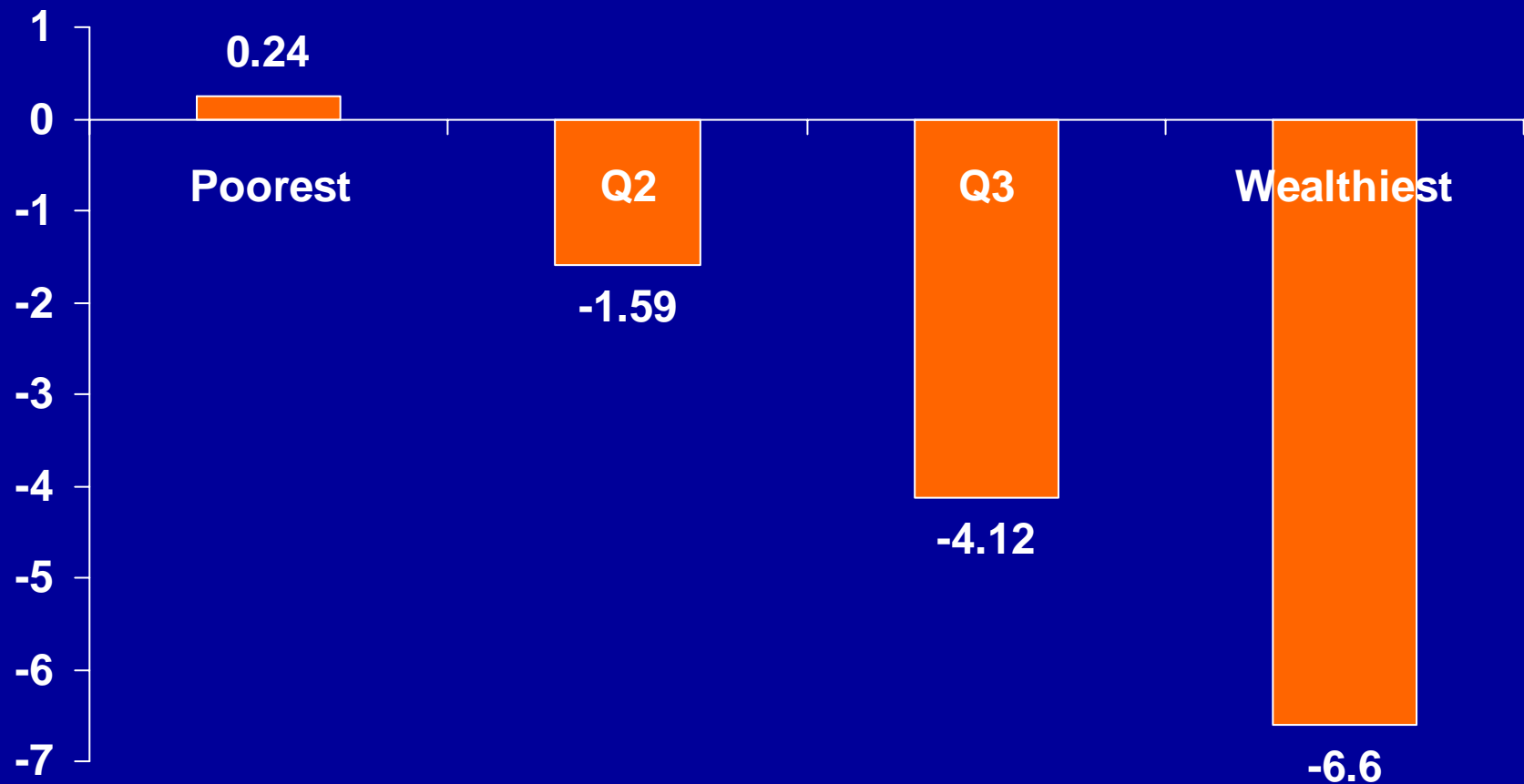
# Fiscal Crisis: Very Large Drop in State Revenues, Beginning in 2002

State Tax Revenue Has Fallen Far More Sharply Relative to Economy Than in 1980-82 and 1990-91 Recessions

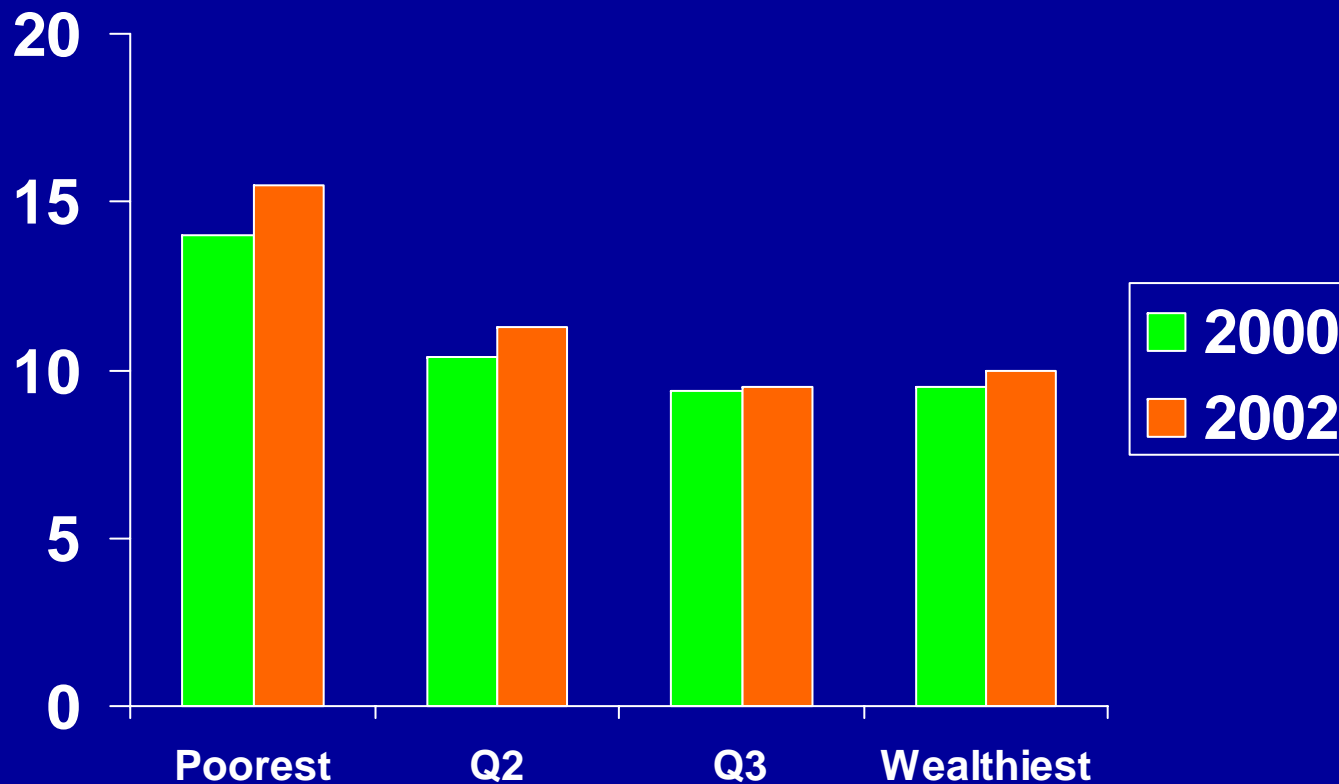


Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of the Census, *Significant Features of Fiscal Federalism* - 1984 (ACIR), *Fiscal Survey of the States* (NGA), Rockefeller Institute of Government

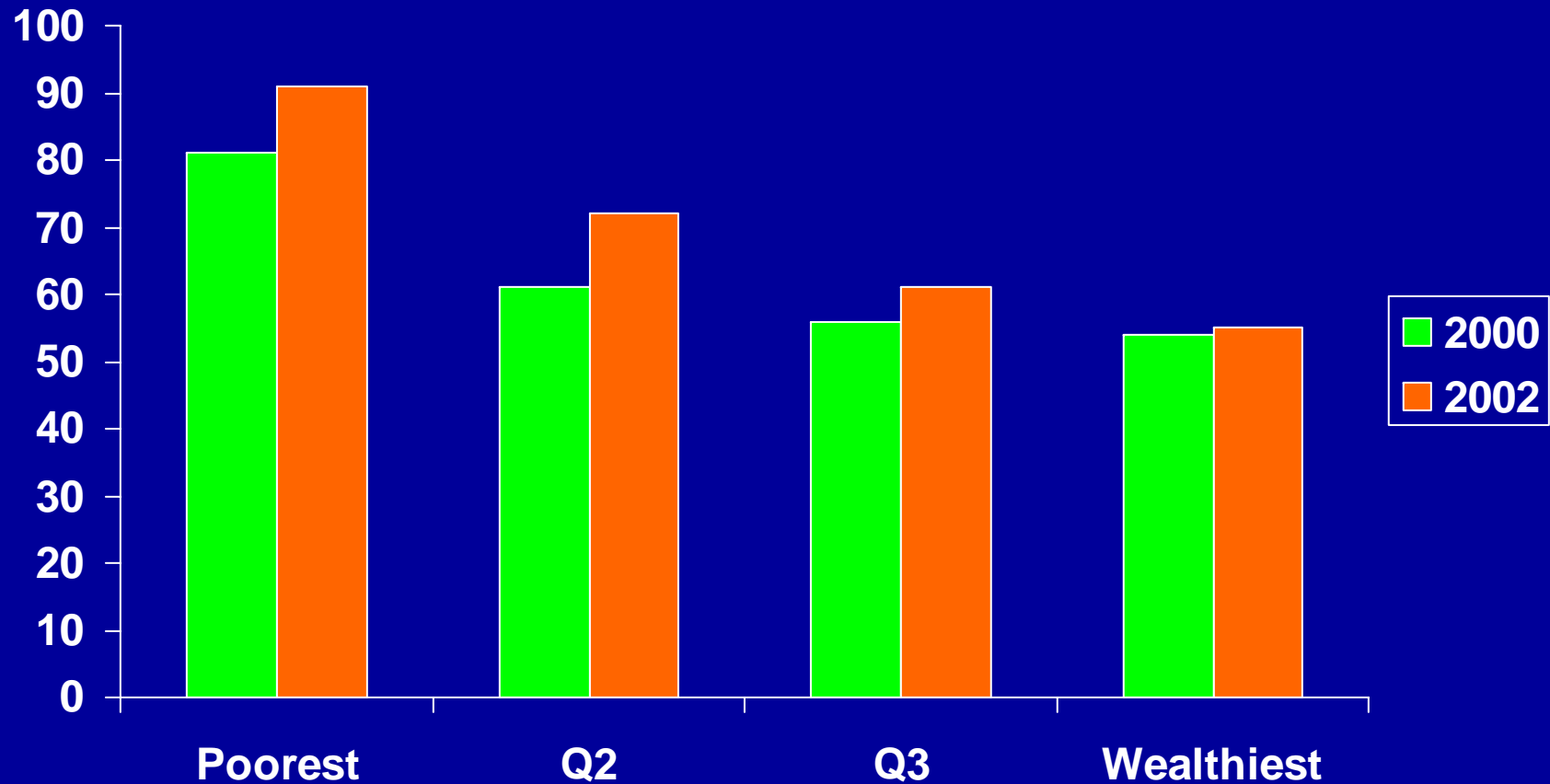
# Average Changes in State Tax Revenues, By State Fiscal Capacity, 2001-2003



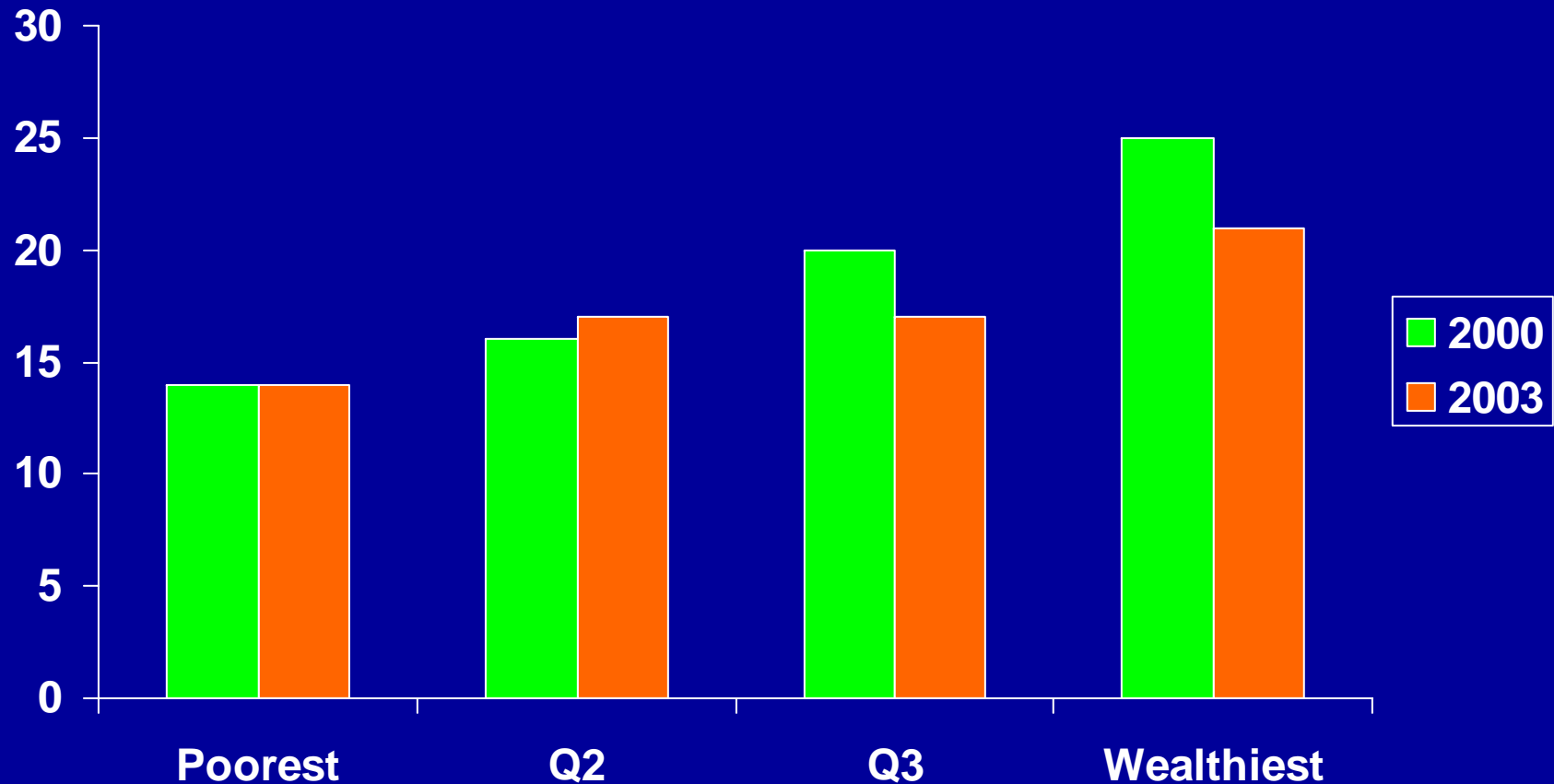
# But Needs Grew in Poor States: State Poverty Rates, By State Fiscal Capacity, 2000-02



# Food Stamp Recipients Per Thousand Population, By State Fiscal Capacity, 2000-02



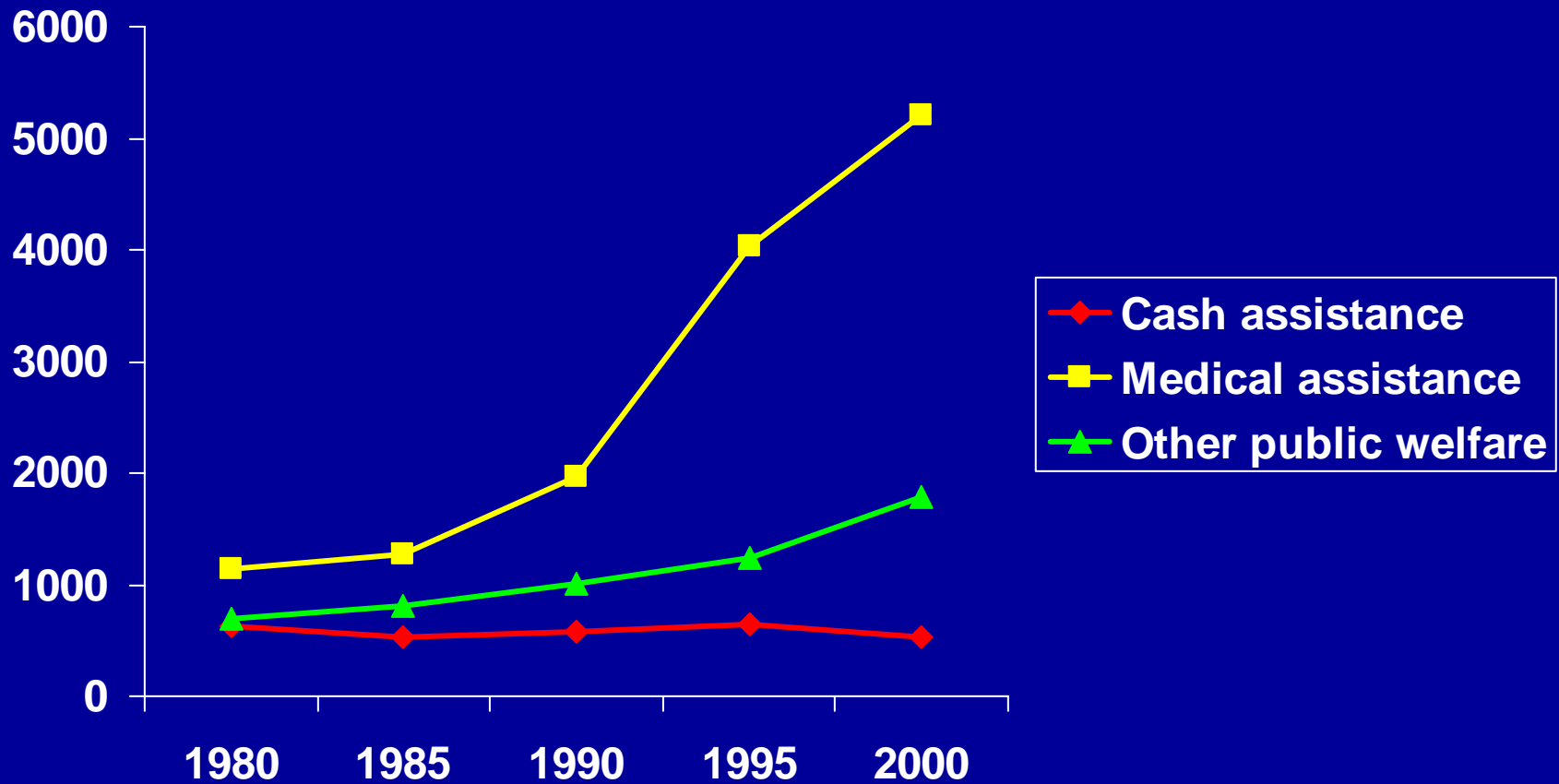
# TANF Assistance Rolls Fell in Wealthier States: TANF Assistance Recipients Per Thousand Population, By State Fiscal Capacity, 2000-03



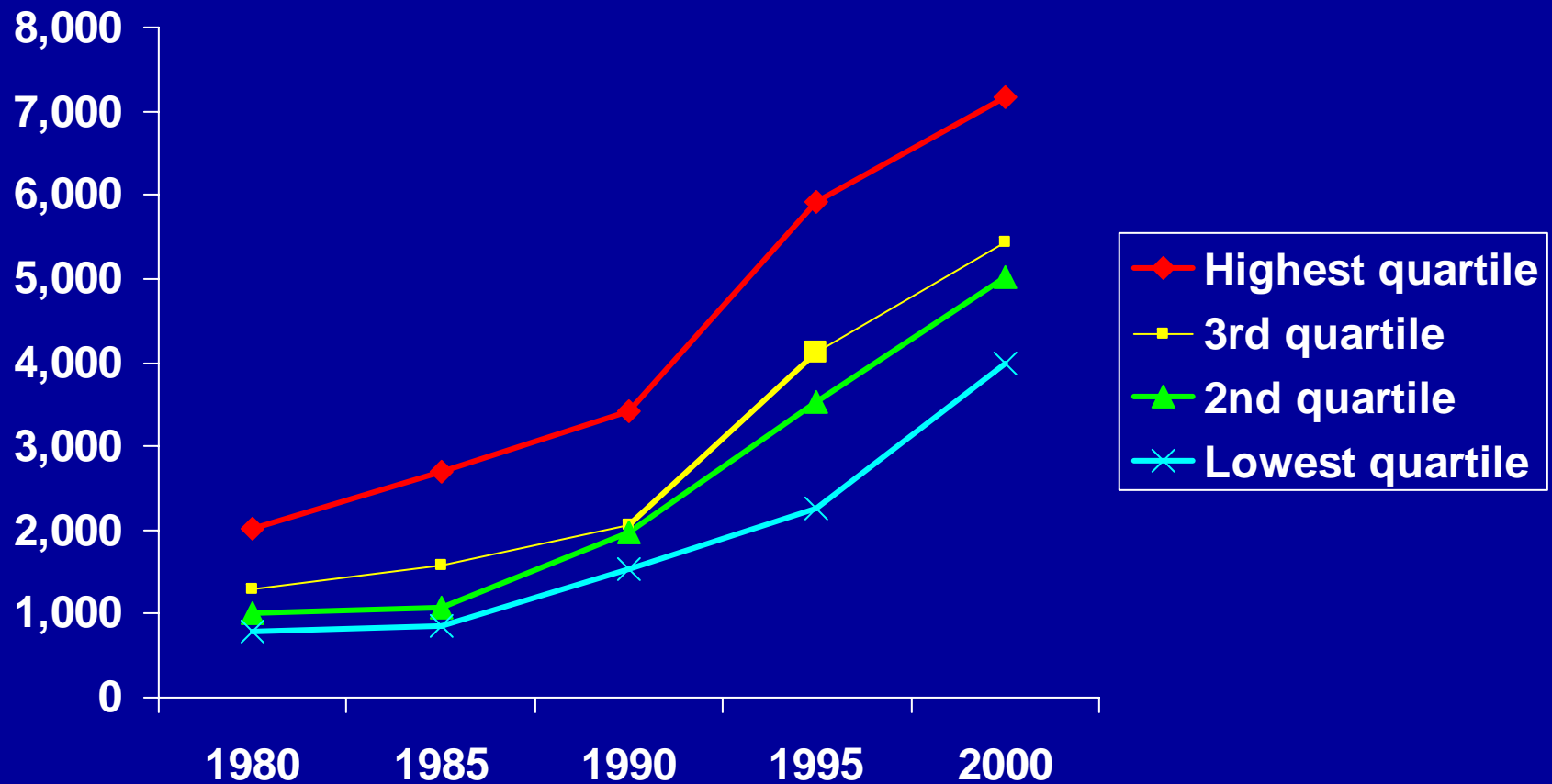
## To Analyze Long Run Spending Trends: Basic Spending Categories, Based on Census Bureau Data

- Medical assistance: “vendor payments to medical providers” in Census Bureau data; largely Medicaid
- Cash assistance: direct cash assistance to people, such as SSI and cash benefits under TANF/AFDC
- Other public welfare: includes public homes for elderly, veterans; child care, foster care, adoption; social services for physically disabled, case management, many other services

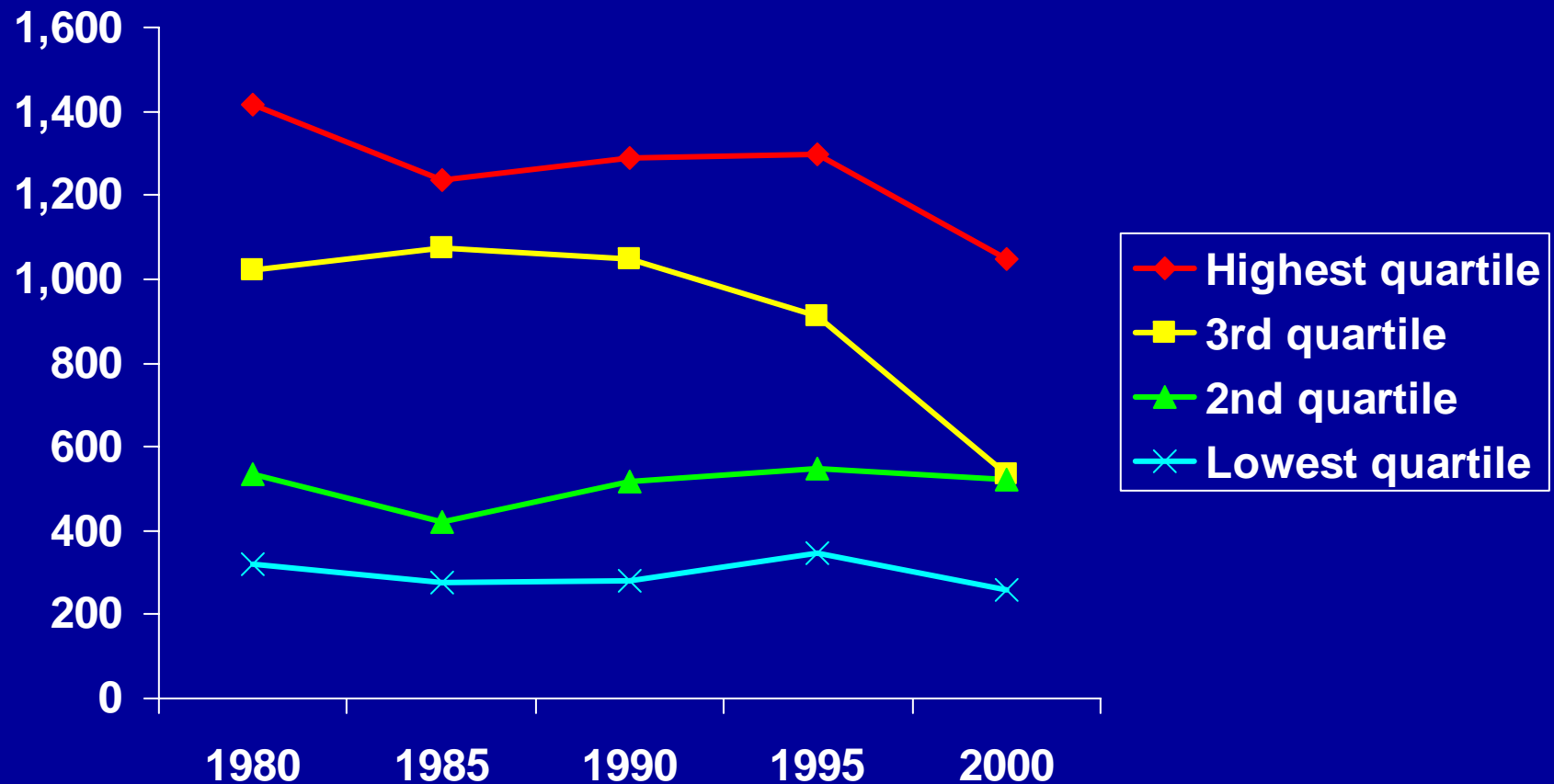
# Changes in Spending Per Poor Person on Basic Functions, 1980-2000



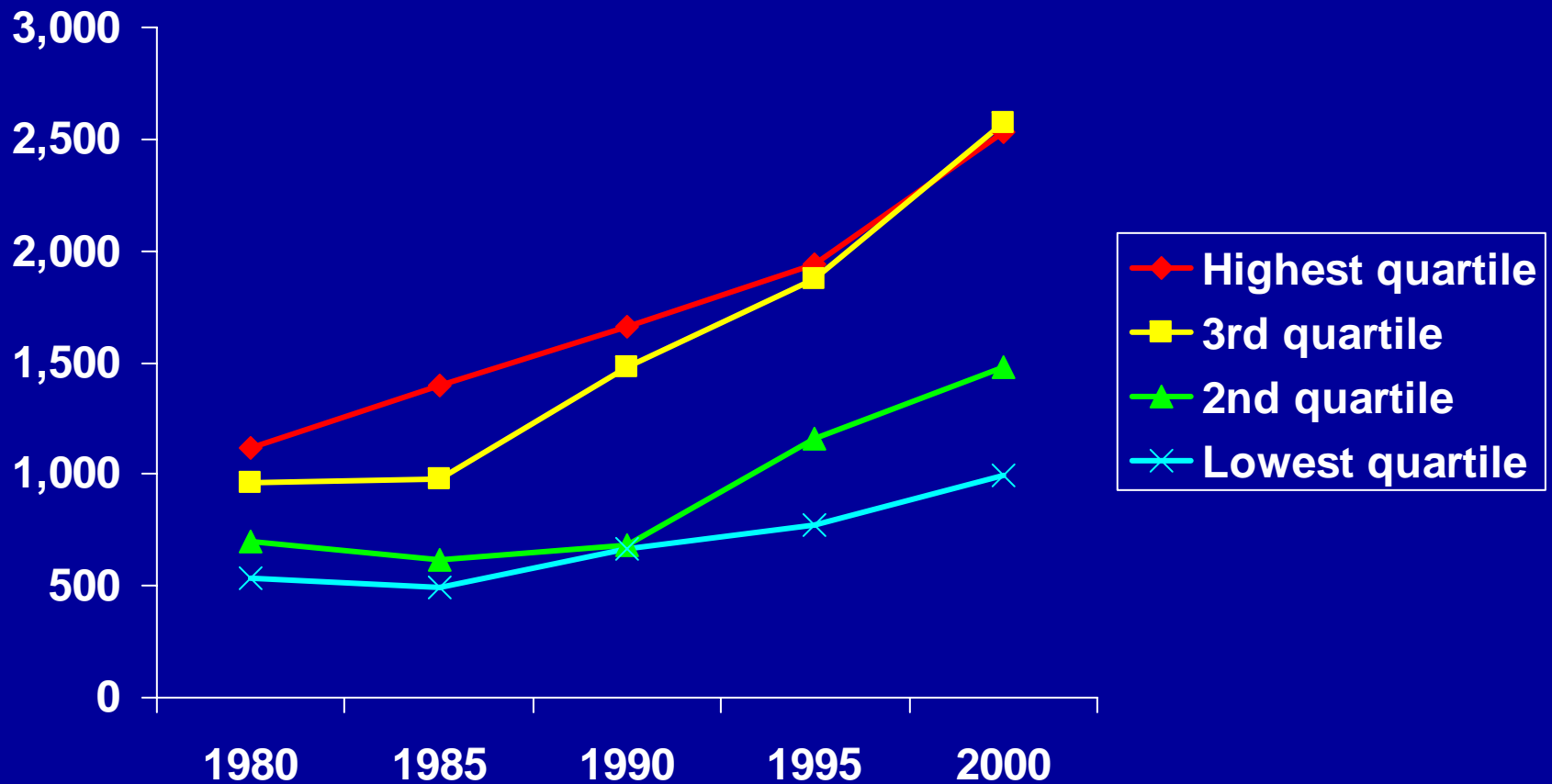
# Changes in Spending Per Poor Person on Health Services, By State Fiscal Capacity, 1980-2000



# Changes in Spending Per Poor Person on Cash Assistance, By State Fiscal Capacity, 1980-2000



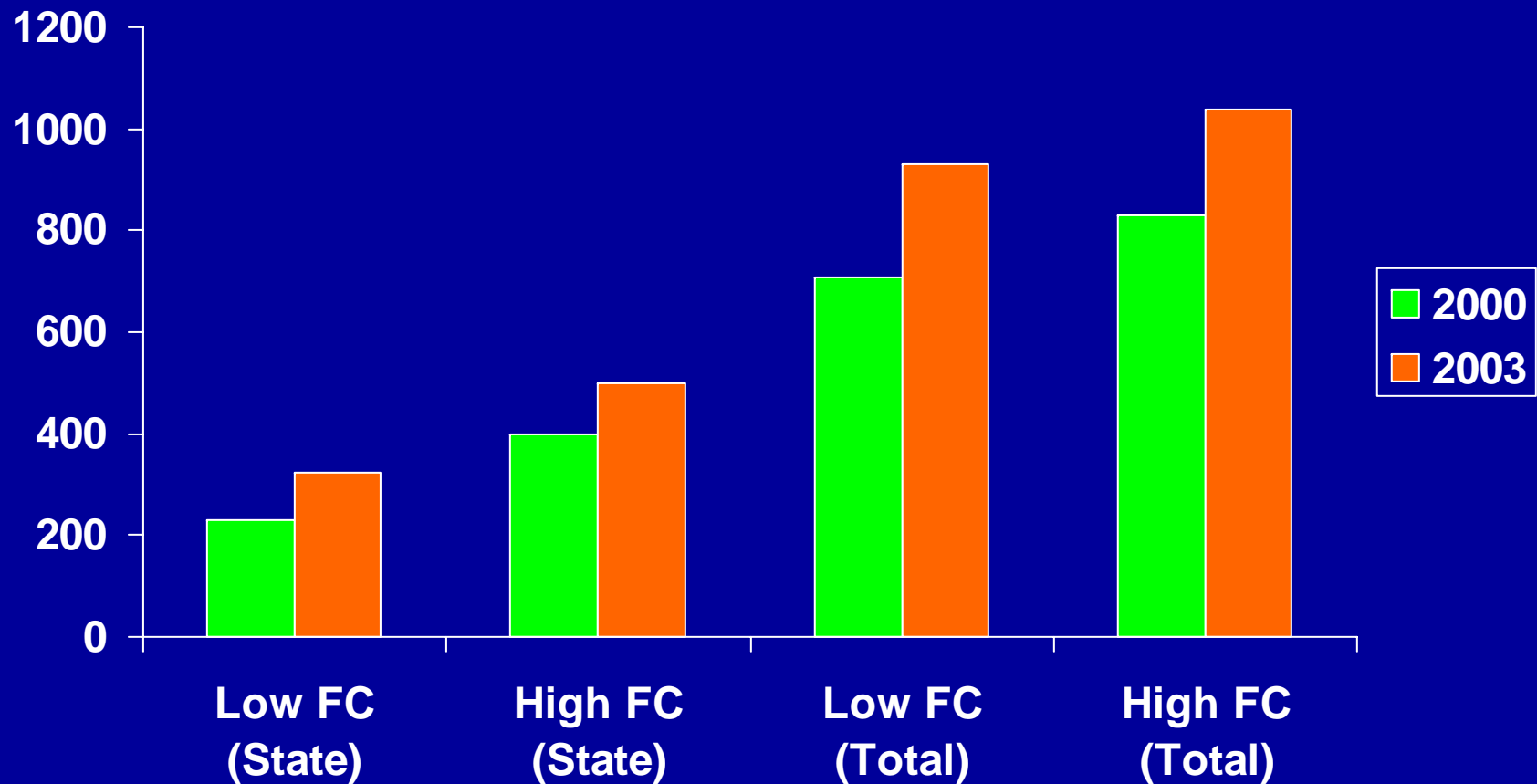
# Changes in Spending Per Poor Person on Nonhealth Services, By State Fiscal Capacity, 1980-2000



# Medicaid Budget Changes, FY 2003 and 2004

- Small cuts widespread, but no large scale rollbacks:
  - Provider rate cuts, not large
  - Some eligibility limitations
  - Reductions in enrollment outreach
  - Capacity reductions

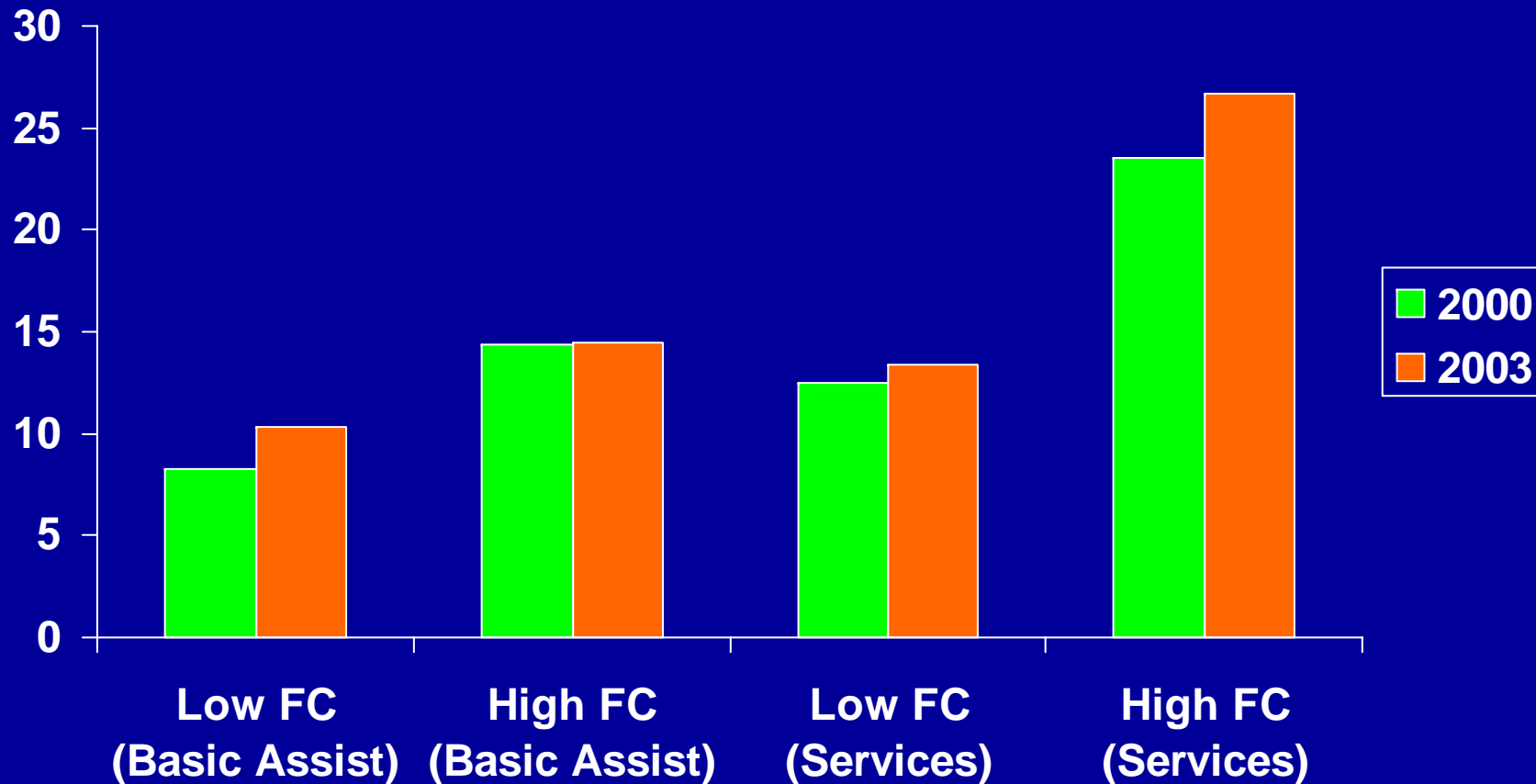
# Per capita spending on Medicaid, by state fiscal capacity, 2000-2003



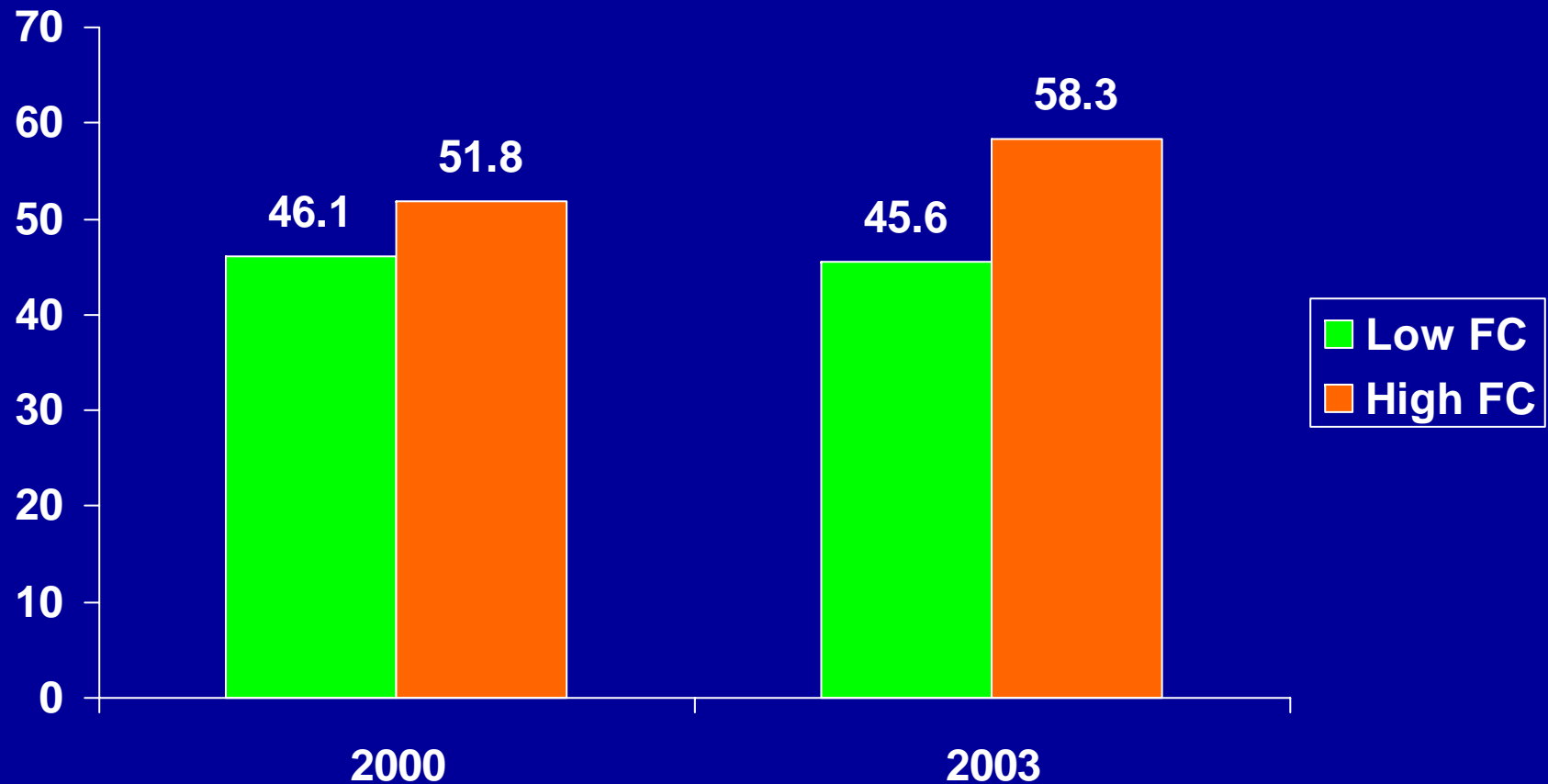
# Effects of Budget Changes on FBOs

- Rate cuts limited—not large
- Outreach—Some FBO involvement

# Changes in State/Federal TANF Spending, Per Capita, By State Fiscal Capacity, 2000-2003



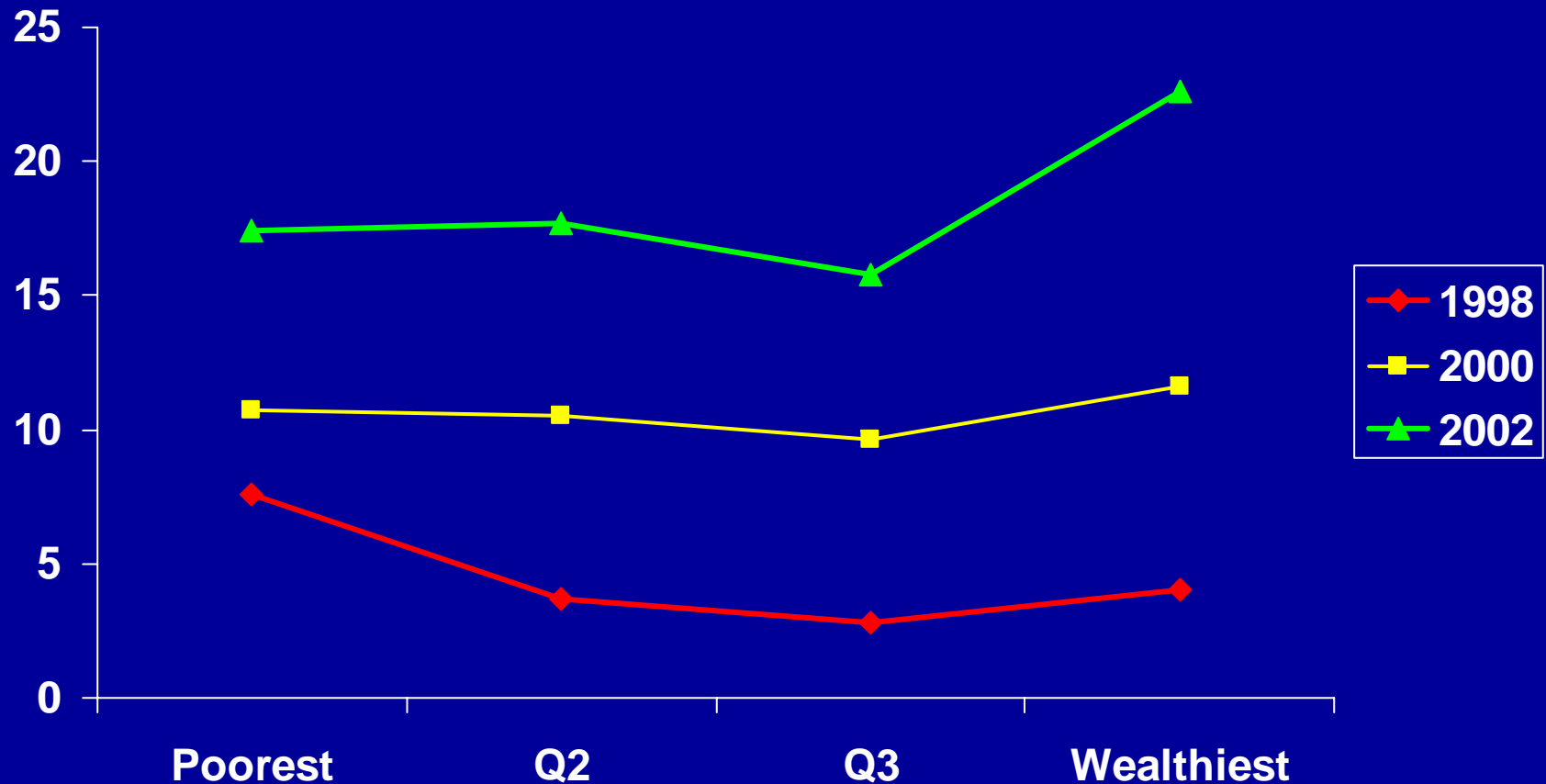
# Average Percent Spending on Nonassistance under TANF, By State Fiscal Capacity, 2000-2003



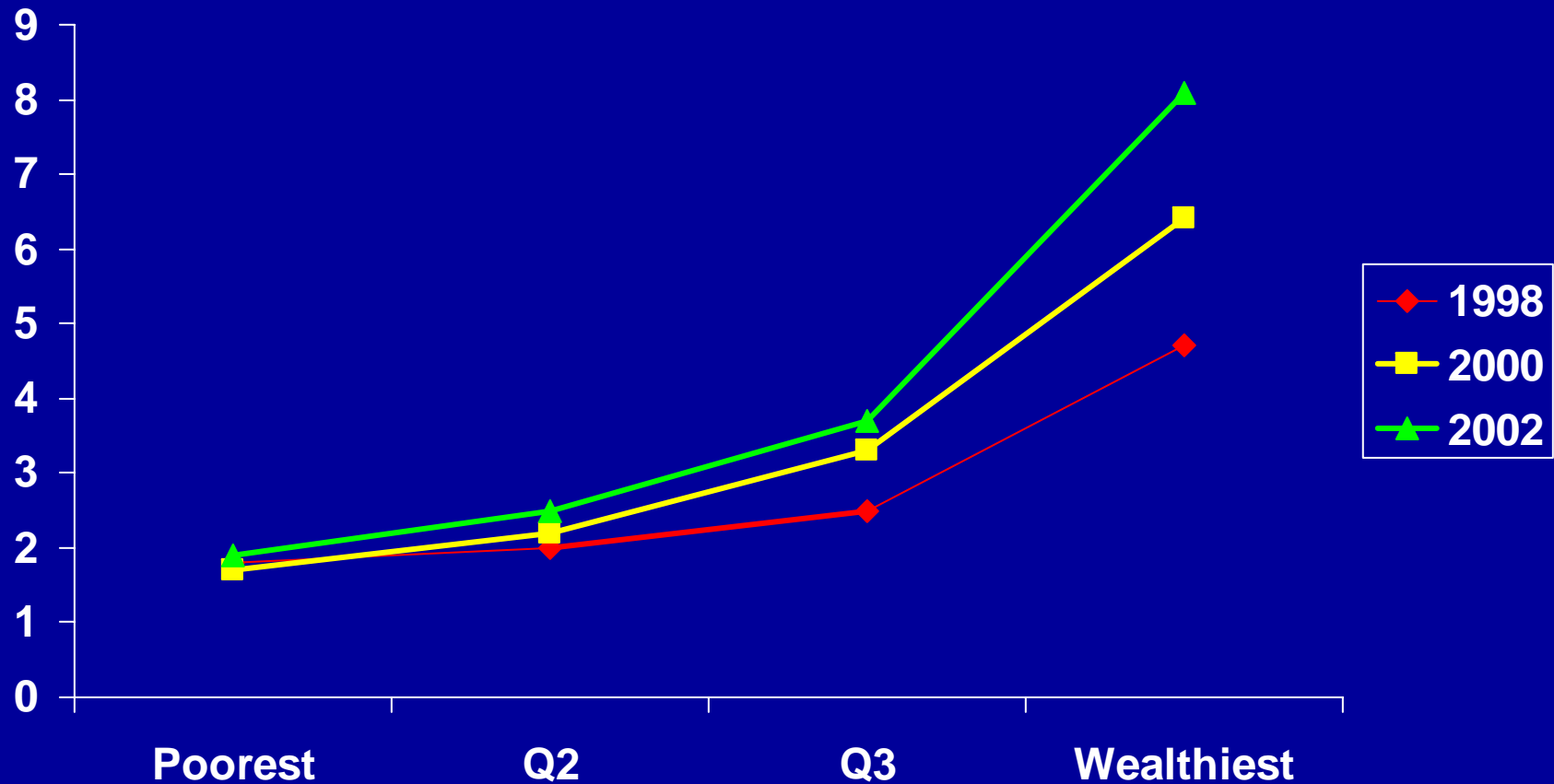
# Criteria used to make cuts in TANF and related services

- Less likely to cut core TANF constituencies—cash assistance recipients and recent leavers
- Less likely to cut logically necessary services to achieve performance requirements, e.g., child care for leavers
- More likely to cut youth/teen services, after-school programs, parenting programs, fatherhood programs, pregnancy prevention
- Widespread cuts in administrative staff, resulting in higher caseloads—need to help people negotiate service systems

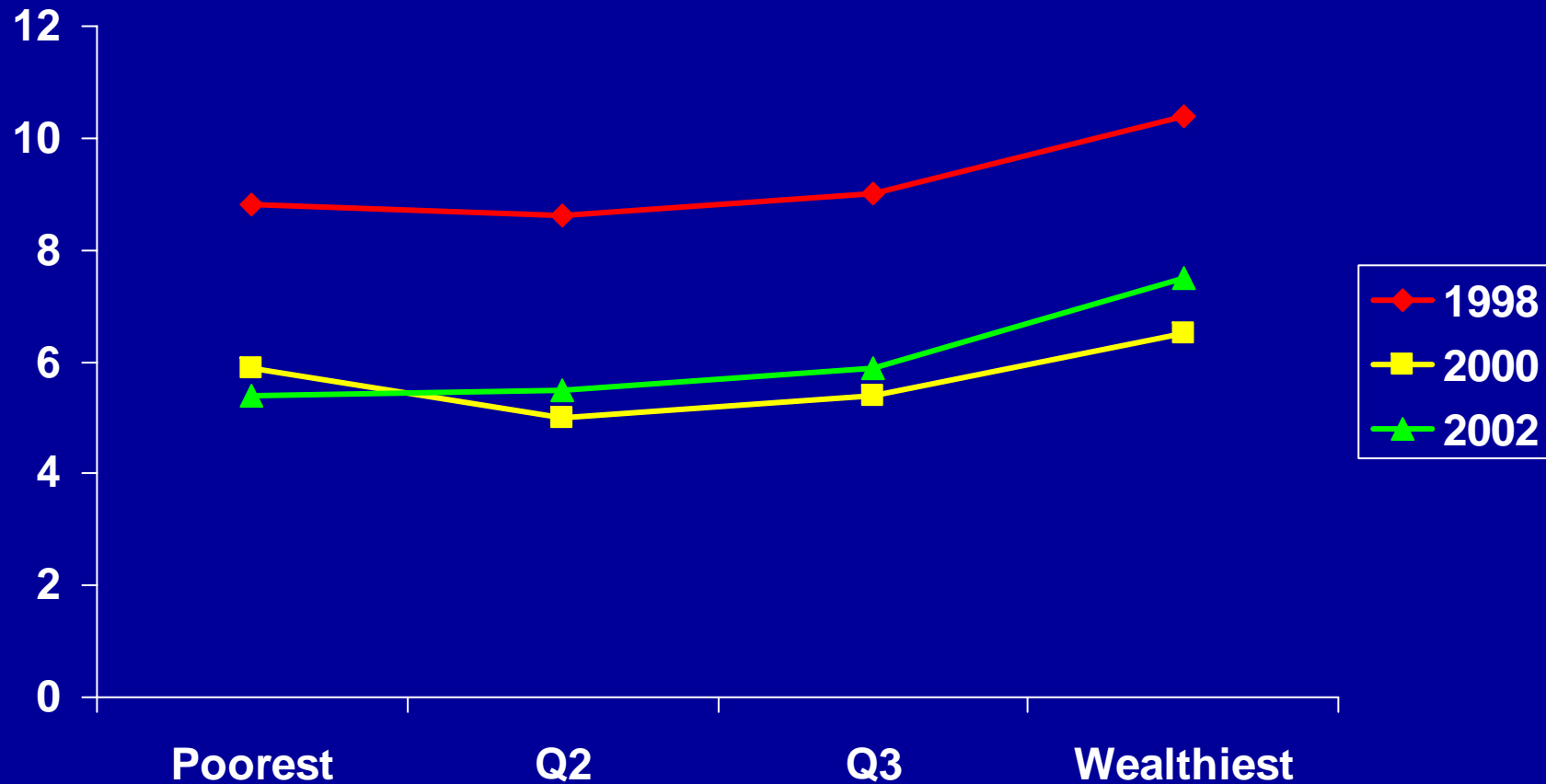
# Changes in Per Capita Federal Spending, Child Care Development Fund, By State Fiscal Capacity, 1998-2002



# Changes in Per Capita Federal Spending, Emergency Shelter and Homeless Assistance, By State Fiscal Capacity, 1998-2002



# Changes in Per Capita Federal Spending, Social Services Block Grant, By State Fiscal Capacity, 1998-2002



# Conclusions

- The funding streams most accessible to FBOs are among the ones most vulnerable
- Medicaid survives without truly large cuts in most states, but faith-integrated programs have less access to such funds
- TANF services are vulnerable in poor states, especially services that do not have a clear logical and immediate connection to basic performance requirements
- Yet many of the faith initiatives serve people not in the core TANF clientele and are intended to produce longer-run effects

# Conclusions, continued

- Other programs that would help FBOs are either not growing or are growing little in low fiscal capacity states
- One important development is the likely growing lack of resources for FBOs in many of the poorer or low fiscal capacity states

# Prospects for the Future

- Severity of budget problems has been helped by surpluses and one-shot revenue sources—but those are nearly gone
- Tax increases and resumption of revenue growth are helping, but tight budgets and trends will probably continue
  - Medicaid costs
  - Long run problems with consumption taxes
  - Federal policies