



RECOMMENDATIONS TO SELECT COMMITTEE ON FEDERAL STABILIZATION FUNDS

There are two issues I want to address in my testimony: the use of federal recovery dollars to fix the crisis in Texas' eligibility system for health and human services; and the TANF Emergency Contingency Fund which provides resources to states to help the poorest families weather the economic crisis.

- **Texas' eligibility and enrollment system is in crisis and can't handle current demand, much less growing needs with rising unemployment.**
- **Delay or inappropriate denial or termination of benefits not only causes great hardship to needy Texans. It also causes the state to lose out on critical federal funds for Food Stamps and Medicaid that boost our state and local economies.**
- **Additional eligibility staff and 12-months continuous coverage of children on Medicaid are the keys to improving the performance of the eligibility system.**
- **ARRA provides enough funding to pay for 12-month continuous coverage and fund HHSC's request for additional eligibility staff.**

USING ARRA FUNDS TO FIX THE ELIGIBILITY SYSTEM

Texas' broken eligibility and enrollment system cannot handle current demand, much less growing needs with rising unemployment. ARRA provides the resources necessary to help the Legislature solve this crisis. This funding should be used in two ways. First, the Legislature should adopt 12-months continuous coverage for children on Medicaid, which would greatly reduce the current backlogs in application processing and allow the system to operate competently with fewer staff. Second, the Legislature should fund the Health and Human Services Commission's request for \$134 million in additional general revenue for the staff needed to improve eligibility system performance.

Symptoms of a System in Crisis

- Federal timeliness standards require that 95 percent of all applications be processed within a certain number of days. HHSC has not met federal standards for more than three years. TIERS-processed applications suffer the most severe delays. In many regions of the state, common processing delays of more than three months prompted creation of formal policies to deal with the serious backlog of applications.
- Children renewing coverage or moving between Medicaid and CHIP routinely get dropped from coverage, even though they qualify and should move directly between programs without any gap.
- The rate of improper denials in the Food Stamp program (known as the "negative error rate") soared over the last five years, increasing from 2.8 percent in fiscal 2004 to 18.9 percent in the first quarter of fiscal 2008. Federal regulations state that a negative error rate above 1 percent indicates poor customer service and requires corrective action.

HHSC Exceptional Items Request for Additional Eligibility Staff

HHSC requested \$134 million in general revenue in 2010-11 for 822 additional staff (above fiscal 2009 appropriated levels). This would bring total eligibility full-time employees (FTEs) to 9,695 in fiscal 2010 and 9,861 in fiscal 2011. However, HB 1/SB1, *as introduced*, funds 25 percent fewer staff in fiscal 2010 and 27 percent fewer staff in fiscal 2011 than requested by HHSC. At these levels, HHSC would have to cut 766 of its current staff, for a 23% reduction in force. Without additional staff, HHSC will not be able to improve eligibility system performance, keep up with caseload increases, or comply with federal timeliness standards.

Why 12-month continuous coverage of children on Medicaid?

In addition to greatly reducing the number of uninsured children in Texas, providing 12-month continuous coverage of children on Medicaid would result in two million fewer renewals per year. This would dramatically reduce workload and backlogs in application processing and allow the system to operate competently with fewer staff. HHSC estimates that more than 376,000 additional children would be enrolled, covering more than 25 percent of Texas' uninsured children.

Funding in ARRA to fix the crisis in our eligibility system

Two sources of funding exist in the federal recovery package to fix the eligibility system: the enhanced Federal Medicaid Assistance Percentage (FMAP) and additional funds for Food Stamp administration.

- **Enhanced FMAP:** The recovery makes available an additional \$5.45 billion in Medicaid funding for Texas. The bulk of these funds should be appropriated to prevent cuts in Medicaid and fund the inevitable rise in caseloads resulting from the economic crisis. However, Texas Medicaid's broken enrollment system cannot handle current demand, much less any increase. Investing a portion of the enhanced FMAP in additional staff and 12-month continuous coverage for Children on Medicaid are the keys to improvement.
- **Food Stamp administrative funds:** The federal recovery package also includes \$25.7 million in additional Food Stamp administrative funds for Texas (2009-2013) to help the state manage rising caseloads during the recession. These dollars should be dedicated to funding a portion of HHSC's \$134 million exceptional items request for additional FTEs.

THE TANF EMERGENCY CONTINGENCY FUND

The federal Temporary Assistance to Needy Families (TANF) block grant helps states provide cash assistance, child care, and employment services to extremely poor families with children (net income cannot exceed \$188 a month for a family of three). At \$486 million annually, the basic TANF block grant is the seventh-largest source of federal funds in the state budget. Texas also uses the block grant to pay for child protective services and other programs across multiple state agencies. Only 6% of the federal block grant is used to pay for cash assistance.

ARRA provides \$52.7 million in supplemental TANF block grant funds to Texas in 2010, along with access to up to \$243 million in a new TANF emergency contingency fund. With the addition of the \$52.7 million supplemental grant, HB1/SB1 includes a balance of \$108 million in not-yet-budgeted TANF federal funds.

- **The TANF block grant provides cash assistance, child care, and employment services to extremely poor families with children.**
- **Fewer than 112,000 Texans receive TANF cash assistance; over three-fourths are children.**
- **The average monthly grant is \$208 or less for a family of three.**
- **The TANF Emergency Contingency Fund gives us the opportunity to help these extremely poor families during the economic downturn.**

How the TANF Emergency Contingency Fund Works

The fund gives states the opportunity to draw down additional TANF funds in 2009 and 2010 at a 20/80 state/federal match for increased assistance (using 2007 or 2008 as the base year) in three areas: monthly cash grants, short-term, non-recurring benefits, and subsidized employment. To qualify for the match in the first area (cash grants), the TANF caseload must show an increase over 2007 or 2008 levels. Since caseloads are not expected to increase in Texas over the next few years, it is unlikely that the state will be eligible for reimbursement of increased cash assistance costs. However, the caseload increase requirement does NOT apply to increased spending in the other two areas: short-term non-recurring benefits, and subsidized employment. Thus, the emergency contingency fund could be used to provide TANF recipients with a one-time boost in assistance, or to increase the opportunities for subsidized employment.

Texas is eligible to draw down up to \$243 million from the emergency contingency fund over 2009-10. We could draw down the full amount for spending in 2010 alone or for over both years. Drawing down the full amount would require \$60 million in additional TANF spending on the state's part, which could come from the \$108 million in not-yet-budgeted TANF federal funds in HB1/SB1.

Representative Naishtat has introduced legislation (HB 2625) that would draw down these federal dollars to provide short-term non-recurring benefit in 2010 in the following manner:

1. **Increasing the One-Time TANF payment.** This is an existing program that offers a one-time, \$1,000 "diversion" payment to families who qualify for TANF cash assistance but choose not to receive it. HB 2625 would increase this payment to \$1,500.
2. **Increasing the supplemental grandparent payment.** This is a \$1,000 one-time payment that grandparents caring for children on TANF receive each year as a supplement to the monthly cash assistance they receive. HB 2625 would increase this payment to \$1,500.
3. **Providing a one-time additional payment of \$500 to all TANF applicants and recipients.** This could be done in conjunction with the current \$30 annual back-to-school payment.

